



CWELCC Funding Formula Issues and Solutions Prioritization Report

building blocks
for
child care



Executive Summary

This report presents a sector-informed prioritization of key issues within Ontario's implementation of the Canada-Wide Early Learning and Child Care (CWELCC) funding formula. Drawing on survey responses from a diverse group of child care providers and advocates, this report identifies the most pressing barriers and corresponding solutions reflecting a consistent concern across the sector that current funding falls short in supporting accessibility, equity, and long-term sustainability. Respondents highlighted the importance of coordinated, transparent, and needs-based reforms to strengthen the child care system for families, educators, and providers.

Respondents were asked to rate a series of funding-related issues on a scale of 1 (low priority) to 10 (high priority). The results clearly demonstrate a strong consensus on urgent reform areas, particularly workforce compensation and retention, equity and inclusion, capital funding, and long-term system sustainability. Sector leaders are aligned in their call for equitable, transparent, and needs-based policies that reflect the true costs of delivering high-quality child care. Addressing these priority areas will be critical to fulfilling the promise of the national child care program and ensuring it meets the needs of families, educators, and communities across Ontario.

Key Findings:

- **Workforce Compensation and Retention** received the highest average rating (9.5/10). Respondents emphasized the need for a province-wide wage grid, expanded funding for benefits and pensions, and the inclusion of all essential staff—especially pedagogical leads and home child care providers.
- **Inclusion and Equity** (8.88/10), **Capital and Facility Costs** (8.75/10), and **Growth and Expansion** (8.75/10) were also identified as top-tier priorities, reflecting widespread concern over the underfunding of



supports for equity-deserving groups, infrastructure, and expansion capacity.

- **Sustainability** (8.63/10) was flagged as a major issue, with respondents calling for consistent indexing to inflation and funding mechanisms that can keep pace with rising costs.
- **Budget Reconciliation Process** (8.13/10) emerged as a notable concern for multi-site agencies, which currently face administrative burdens due to site-specific budget reconciliation rules.
- **Operational Benchmarks** and **Adjustment Factors** (both 7.8/10) were seen as important technical challenges, though rated slightly lower than structural and workforce concerns.

Across all priority areas, there was a consistent message: the current funding approach does not fully account for the real costs of high-quality care or ensure equitable access and long-term sustainability. Respondents emphasized the need for coordinated, transparent, and needs-based reforms to strengthen the child care system for families, educators, and providers alike.





Introduction

The purpose of this report is to assess and prioritize key issues within the Canada-Wide Early Learning and Child Care Funding Formula. Participants were asked to rate the following categories on a scale of 1 (low priority) to 10 (high priority). Below is a summary of the issues and corresponding solutions, followed by the average prioritization rating given.

Responses were received from a diverse group of organizations across Ontario. These organizations represent both direct service providers and sector support and advocacy associations offering critical frontline insight into the funding formula's strengths and limitations. Their collective input provides a strong foundation for identifying high-priority reforms that can better support children, families, and the early learning workforce, highlighting the importance of coordinated, transparent, and needs-based decision-making to achieve accessible, equitable, and sustainable outcomes.


At the end of this report, supporting signatures from Early Learning and Child Care operators and supportive organizations are included to demonstrate broad sector support for the recommendations outlined.

Positive Impact of the 2025 Funding Guidelines

In addition to identifying key areas for reform, many respondents acknowledged that the 2025 CWELCC funding guidelines include several positive policy developments that lay a stronger foundation for system-wide improvements. These include:

1. **A serious cost-based funding formula is in place** – Moving away from the “revenue replacement” model, the cost-based approach is a more equitable and sustainable framework for supporting licensed child care.
2. **It’s so much better than the ‘revenue replacement’ model** – The previous approach created systemic inequities and lacked the transparency and predictability that the new cost-based system begins to address
3. **Once the barriers of access to capital and recruitment problems are resolved, the cost-based funding model will give operators the capacity to expand.** Stakeholders noted that the new model has the potential to enable expansion, provided structural challenges are also addressed.
4. **The shift towards a publicly managed system with clear benchmarks and methods of accountability** – Respondents saw this transition as essential to ensuring quality, equitable access, and responsible use of public funds.
5. **The legacy top-up is an excellent mechanism to ensure that higher-cost centres receive sufficient funding to avoid running deficits.** This feature was praised as an important stabilizing tool that supports ongoing viability for programs with legitimate higher costs.
6. **The inclusion of a significant level of flexibility on how allocations may be spent** – Flexibility allows operators to tailor spending to local needs, operational realities, and evolving priorities.
7. **New measures of financial accountability built into the funding formula are also, in principle, an important policy development.** Requirements such as standardized





reporting, audited financial statements, and an SSM review process were highlighted as key mechanisms to ensure transparency and stewardship of public dollars.

The aspects of the 2025 guidelines identified above reflect meaningful progress and policy direction. However, the organizations surveyed identified key barriers and solutions with the implementation of the CWELCC funding formula. Stakeholders across Ontario agree that reforms are needed in order to support a stronger, more equitable early learning and child care system in Ontario.

Identified Priorities for Improving the CWELCC System

Below is a description of priorities, along with the associated issues and solutions that respondents from the sector ranked

Priority 1: Workforce Compensation and Retention

Issue:

- Compensation and benefits are inadequate, contributing to workforce shortages.
- Other non-ECE roles are underfunded.
- Benchmarks for home child care providers are too low and appear to be based on the inaccurate assumption that there is only an average of 3 CWELCC-eligible children in the home.
- Inadequate ancillary cost coverage to support adequate benefits and a pension
- No wage grid or recognition of pay equity rates, union collective agreements or compacts.

Solution:

- Introduce and fund a province-wide wage grid that includes raising compensation benchmarks and includes equity obligations (i.e. pay equity, union or compact agreements)
- Adjust home child care benchmarks to reflect per-child rates with consideration for the number of operating hours, true costs and the need to support non-traditional hours of care.
- Raise ancillary cost benchmarks to at least 20% of payroll to include benefits and pension.
- Include all integral program staff in the workforce compensation strategy.
- The formula does not identify the rate used to calculate the compensation total, so agencies don't know if they are at, below or above the "benchmark".



- It is difficult to determine from the formula what the reliance on legacy funding is based on - Is it higher benefit costs, or hourly rates?

Priority 2: Inclusion and Equity

Issues:

- Insufficient special needs and subsidy funding.
- No funding for DEI or Truth and Reconciliation actions.
- Lack of clarity around subsidy allocation and needs-based funding.

Solutions:

- Allow municipalities to propose budgets based on regional needs.
- Allocate dedicated DEI and Reconciliation funding.
- Clarify and expand subsidy funding to reduce access barriers.

Priority 3: Capital and Facility Costs

Issues:

- Benchmark allocations are insufficient for actual accommodation expenses; however, the sector does not want to enable privatized profit extraction from public funds, and measures should be introduced to curb profiteers.
- There is no funding for capital improvements or outdoor environments; the 8% surplus is not sufficient to cover repairs or upgrades to the site.
- Growth top-ups and mortgage support are inadequate.
- Child care centres in schools still pay rent.



Solutions:

- Update benchmark rates to reflect real estate and operational costs for not-for-profits and public entities only (work towards public and NPO-owned infrastructure)
- Provide capital-specific funding allocations and support mortgage repayments.
- Negotiate school board agreements to eliminate rent for non-profit ELCCs in schools.

Priority 4: Growth and Expansion

Issues:

- Legacy top-ups cannot be extended to new sites, and growth top-ups are insufficient in many instances (especially in home child care, where it's half of the needed amount).
- Expansion is discouraged due to insufficient funding and municipal constraints, timelines, and zoning
- Difficult to locate spaces
- For-profit asset sales undermine public investment.

Solutions:

- Extend the greater of growth or legacy top-ups to new spaces and align them with growth top-ups + COLA
- Prioritize municipal approvals and zoning for new centres
- Underused public buildings should be prioritized and converted into child care
- Protect against personal gain from taxpayer-funded assets by requiring publicly funded assets to be donated back to the municipality for distribution to another CWELCC child care agency



Priority 5: Sustainability

Issues:

- CPI-only tied funding is inadequate for real cost escalations.
- There is no clarity on CPI indexing for legacy programs.

Solutions:

- Apply CPI + 2% annually to all funding categories.
- Extend COLA adjustments to legacy top-ups.

Priority 6: Budget Reconciliation Process

Issues:

- Site-based budget reconciliation causes additional administrative burdens and can be harmful towards agency-wide planning for sustainability (i.e. inability to use a surplus to offset a deficit at another program)

Solutions:

- Treat multi-site agencies as unified entities for reporting and funding.
- Allow for a consolidated budget reconciliation process for multi-site agencies.

Priority 7: Operational Benchmark Allocations

Issues:

- Benchmark allocations do not adjust for operating hours.
- HCC allocation of \$75,000 is static regardless of the size of the organization

Solutions:

- Introduce multipliers for operating hours.



- Allow for a percentage of 10% for HCC operations, so it is relative to the size of the organization.

Priority 7: Adjustment Factors

Issues:

- Geographic adjustment factors lead to inequities across municipalities.
- Programs that have preschool, kindergarten, and school-age children in the same building are penalized as they only receive a pro-rata share of supervisor compensation.

Solutions:

- Allow more accurate geographic funding based on real cost studies.
- Tie the supervisor benchmark to the number of children enrolled. There should be an allowance for one supervisor per 49 children.



Conclusions

The prioritization results make it clear that stakeholders across Ontario are unified in their call for significant reforms to the CWELCC funding formula. Respondents from respected child care organizations identified workforce compensation, equity, and structural funding issues as pressing barriers to the success and sustainability of the Canada-Wide Early Learning and Child Care system.

Key findings include:

- **Workforce Compensation and Retention** received the highest priority rating (average 9.5/10), highlighting the urgent need for a province-wide wage grid, increased benefits funding, and the inclusion of all essential staff, including pedagogical leads and home child care providers.
- **Inclusion and Equity (8.88/10), Capital and Facility Costs (8.75/10), Growth and Expansion (8.75/10), and Sustainability (8.63/10)** were also ranked as high-priority issues, pointing to the systemic underfunding of infrastructure, supports for marginalized families, and mechanisms to keep pace with inflation and community growth.
- The **Budget Reconciliation Process** also received a relatively high average score of **8.13/10**, with respondents citing the inefficiencies and administrative burden created by site-based budget reconciliation for multi-site agencies
- Mid-level priorities, such as **Adjustment Factors (7.8/10)** and **Operational Benchmarks (7.8/10)**, were recognized as important technical barriers to fair and functional implementation of funding, but were viewed as slightly less urgent than issues of compensation and infrastructure.

Across all categories, there was a consistent message: the current funding model falls short in supporting accessibility, equity, and long-term sustainability. Respondents stressed the need for coordinated, transparent, and needs-based reforms that will strengthen the child care system for families, educators, and providers alike.



The following signatures have been collected in support of the recommendations in this report:

1. Signatures of Early Learning and Child Care Operators:

2. Signatures of Supportive Organizations: