



Hamilton

Canada-Wide Early Learning and Child Care (CWELCC)

Cost-Based Funding Model

Licensed Home Child Care
Information Session – November 13, 2024

Healthy and Safe Communities
Children's and Community Services Division

Land Acknowledgement

The City of Hamilton is situated upon the traditional territories of the Erie, Neutral, Huron-Wendat, Haudenosaunee and Mississaugas. This land is covered by the Dish With One Spoon Wampum Belt Covenant, which was an agreement between the Haudenosaunee and Anishinaabek to share and care for the resources around the Great Lakes. We further acknowledge that this land is covered by the Between the Lakes Purchase, 1792, between the Crown and the Mississaugas of the Credit First Nation.

Today, the City of Hamilton is home to many Indigenous people from across Turtle Island (North America) and we recognize that we must do more to learn about the rich history of this land so that we can better understand our roles as residents, neighbours, partners and caretakers.



Hamilton

INTRODUCTIONS

Agenda

What's new for 2025?

2024-2025 Timelines

Objectives & Principles

Overview of Cost Based Funding Approach

Accountability Framework

Tools and Resources

Next Steps

What's new for 2025?



On August 15th, 2024, the Ministry of Education released the 2025 Cost-Based Funding Guidelines, to be implemented January 1st, 2025



The Province is transitioning from a revenue replacement model to a cost-based funding approach to better reflect the true cost of providing child care



Agencies are encouraged to review the guidelines, watch the Ministry of Education's recorded webinar and become familiar with the estimator tool

Base Fee Reduction

March 27, 2022

- ✓ Daily base fees were frozen for CWELCC eligible age groups

April 1, 2022

- ✓ Fees reduced by 25%

December 31, 2022

- ✓ Fees reduced by 52.75%

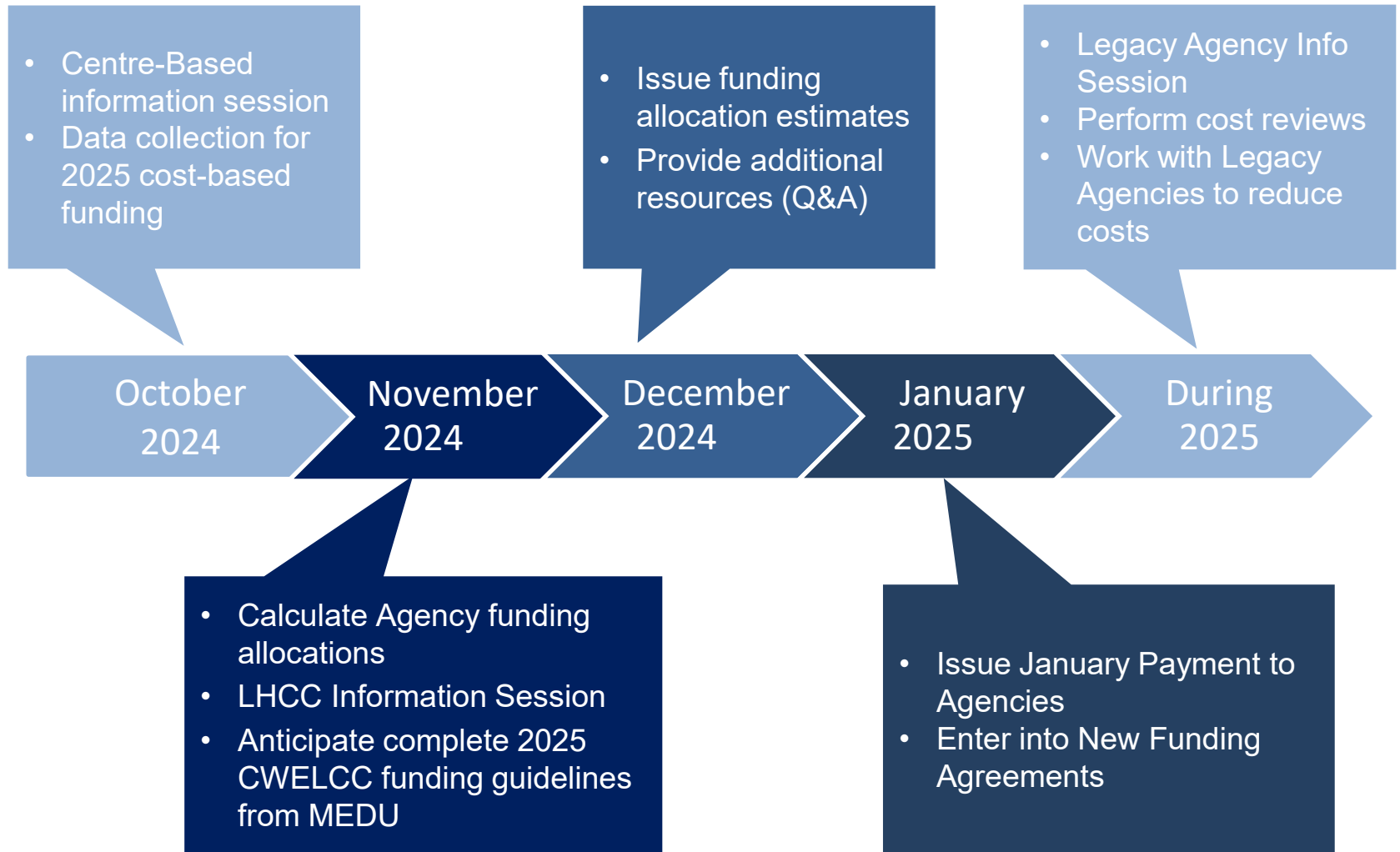
January 1, 2025

- ✓ Fees capped at \$22 per day



NOTE: If fees are currently below \$22 with the 52.75% reduction, fees will stay the same

2024-2025 Timeline



Objectives and Principles of the Cost-Based Funding Approach

Objectives:

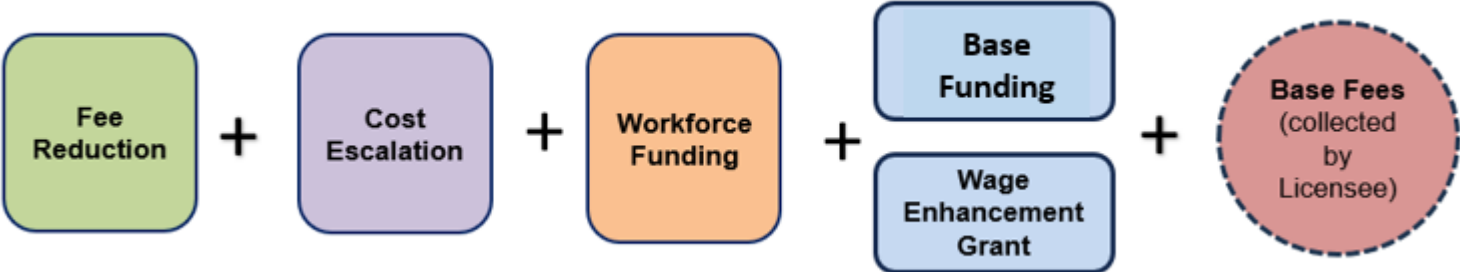
- ✓ Support continued Agency participation
- ✓ Support wage enhancements
- ✓ Improve access to high-quality and affordable child care

Principles for Approach:

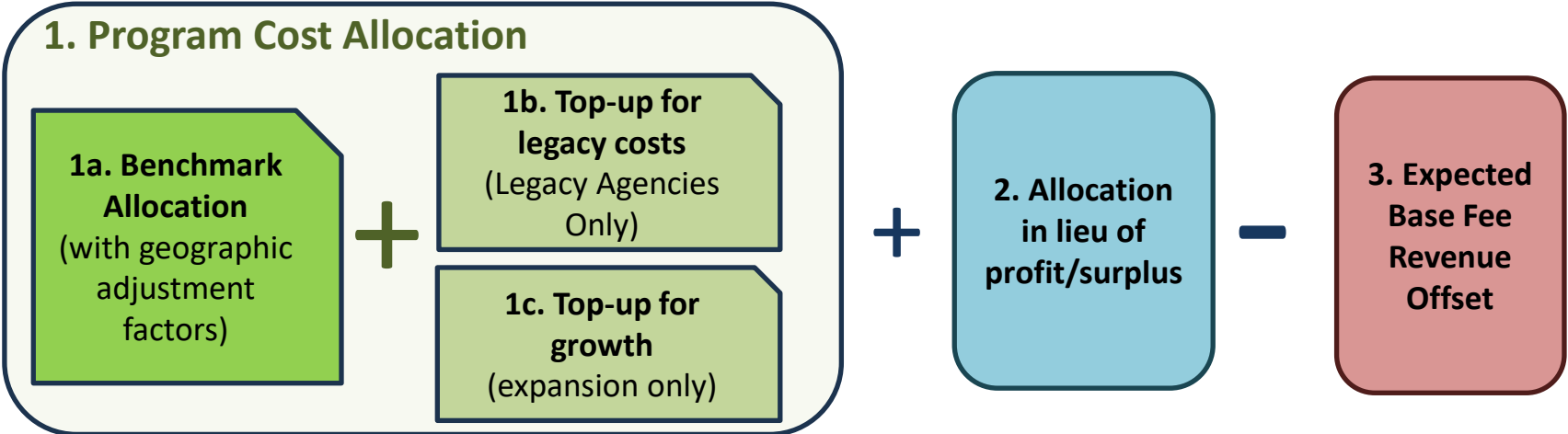
- ✓ Transparent
- ✓ Representative
- ✓ Simple
- ✓ Accountable

What's changing?

2024 Funding Allocation Method

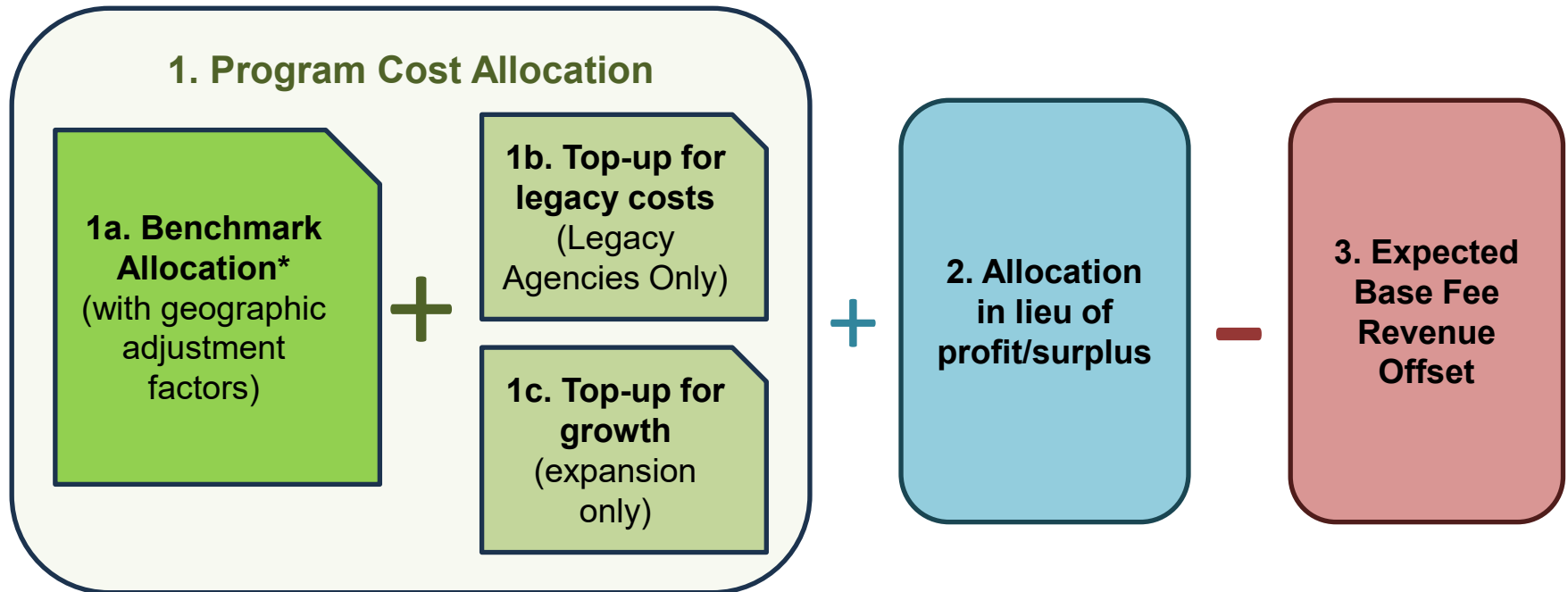


2025 Funding Allocation Method



Cost-Based Funding Approach: Overview

2025 Funding Allocation includes 3 components:



***Benchmark:** the standardized cost metric(s) published by the Ministry of Education in Schedule “A” for the calendar year

Data Collection

2025 Data Required to Support the Calculation of the Program Cost Allocation:

- ✓ Planned number of active homes
- ✓ Planned number of active home seats for CWELCC eligible children
- ✓ Service days by active home
- ✓ Projected base fee revenues for 2025

Agencies with Active Homes in Multiple Jurisdictions

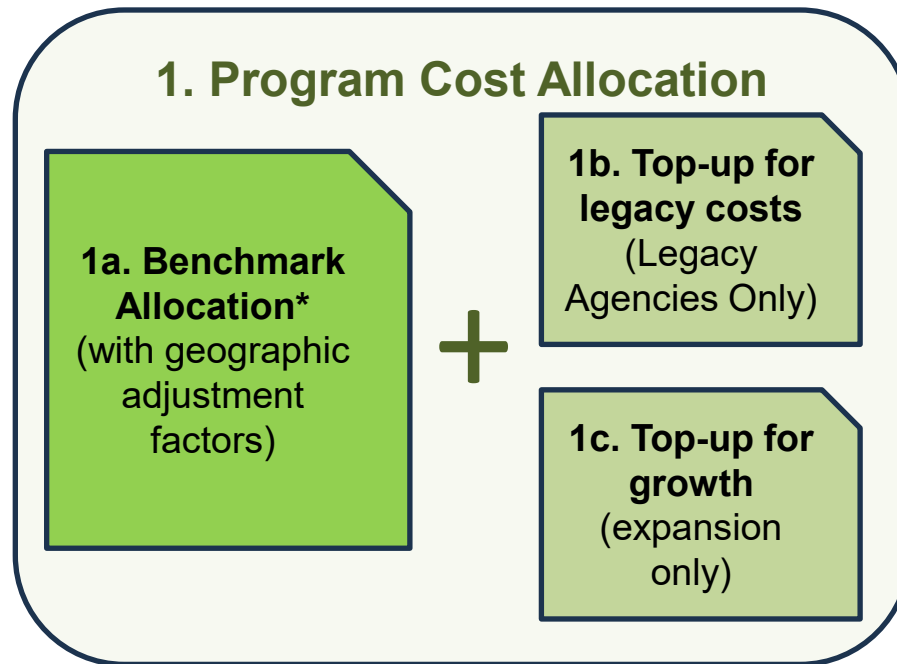
Overseeing Municipality

- ✓ The region where an agency's head office is located
- ✓ Funds the agency for all their active homes, even those in other jurisdictions, that were opened as of December 31, 2022

Secondary Municipality

- ✓ Approves new homes within their jurisdiction, in alignment with their Directed Growth Plan
- ✓ Funds the agency for all active homes created within its jurisdiction after December 31, 2022

Program Cost Allocation Component Overview



***Benchmark:** the standardized cost metric(s) published by the Ministry of Education in Schedule “A” for the calendar year

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Benchmark Allocation

Provider Compensation

Compensation for home child care providers

Home Visitor Compensation

Wages and benefits for the home child care visitors

Operations

All other variable and fixed operating costs such as accommodation and operating costs for the head office and pay and benefits for head office staff.

X

Geographic Adjustment Factor (GAF)

For Hamilton, the GAF is 0.82

Benchmarks for Calculation

Home Child Care

	Variable per active home-day	Fixed per agency per year
HCC AGENCIES		
Provider compensation	\$155.02	
Agency operations	\$23.34	\$75,856.39
Visitor compensation	\$21.68	
Plus, ancillary costs (for visitor compensation):	5.0%	

**1a. Benchmark
Allocation**
(with geographic
adjustment
factors)

Benchmark Calculation Example

Child Care Site Details:

- ✓ Legacy home child care agency
- ✓ Plans to operate 10 active homes (out of 10 licensed)
- ✓ All 10 active homes plan to operate 261 days
- ✓ The homes average 4 children 0-5 years
- ✓ All active home seats expect to charge \$22 for 261 days

Note: the example is for illustration purposes only

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Provider Compensation Component Calculation

Provider Compensation

Benchmark x Total Active Home Days

Total Active Home Days	X	Benchmark	=	Total
(261 x 10) = 2,610	X	\$ 155.02	=	\$404,602.20

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Home Visitor Compensation Component Calculation

Home Visitor Compensation

Service Days x Home Visitor Benchmark x Eligible Child Ratio x 1.05 Ancillary

Total Service Days	X	Benchmark	X	Ancillary	=	Total
(10 x 261) = 2,610	X	\$21.68	X	5%	=	\$59,414.04

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Operations Variable Cost Component Calculation

Operations Variable Costs

Licensed Space Days x Variable Operation Benchmark

Active Home Days	X	Benchmark	=	Total
(10x261) = 2,610	X	\$23.34	=	\$60,917.40

1a. Benchmark Allocation
(with geographic adjustment factors)

Part 1a: Operations Fixed Cost Component Calculation

Operations Fixed Costs

Fixed Operations Benchmark ÷ (Total Months /12)

Fixed Operations Benchmark	÷	Total Operating Months / 12	=	Total
\$ 75 856.39	÷	1	=	\$ 75 856.39

1a. Benchmark Allocation
(with geographic adjustment factors)

Benchmark Component Summary Including Geographic Adjustment Factor (GAF)

$$\text{Provider Compensation} + \text{Home Visitor Compensation} + \text{Variable and Fixed Operations} \times \text{GAF*}$$

* GAF for Hamilton = 0.82 (or 82%)

Sum of the Benchmark Component calculation based on the example site:

$$\begin{aligned} & \$ 404,602.20 + \$ 59,414.04 + \$ 136,773.79 \times 0.82 \\ & = \$ 600,790.03 \end{aligned}$$

Note: the example is for illustration purposes only

21

**1b. Top-up for
legacy costs**
(Legacy
Agencies Only)

Step 1b: Legacy Top-up

- ✓ The Benchmark Allocation should be sufficient for some agencies; therefore, not all agencies will need legacy top-up
- ✓ Eligible agencies with cost structures that exceed benchmark allocations are eligible for legacy top-up
- ✓ The legacy top-up is meant to support with legacy cost structures in the transition to cost-based funding in 2025, **if eligible costs exceed an agency's benchmark allocation**
- ✓ Legacy top-ups can only be provided to agencies enrolled in CWELCC on or before August 15, 2024, and maintained a CWELCC service agreement with the City of Hamilton

**1b. Top-up for
legacy costs**
(Legacy
Licensees Only)

Legacy Top-up Data Collection

Legacy top-ups will be determined using the following data:

- ✓ 2023 Costs must be broken down by eligible costs related to serving CWELCC-eligible age groups (0-5 years)
- ✓ 2023 actuals and 2025 budgeted operating capacity
- ✓ 2023 actuals and 2025 budgeted service days and typical hours of care
- ✓ Eligible costs from the 2023 audited financial statement and 2025 fixed costs for insurance, property tax and occupancy where eligible
- ✓ 2023 actuals and 2025 budgeted Controlling Owner's compensation for labour
- ✓ 2023 actuals and 2025 budgeted staffing and wage compensation data

23

**1b. Top-up for
legacy costs**
(Legacy
Licensees
Only)

Legacy Top-up Calculation

- Step 1:** Calculate the 2023 Adjusted Costs
- Step 2:** Multiply the 2023 Adjusted Costs by the two Adjustment Factors
 - ✓ Cost escalation factor
 - ✓ Operating scaling factor
- Step 3:** Add the 2025 “Workforce Funding”
- Step 4:** Add the 2025 “Fixed Costs”

- Step 5:** Add the 2025 One Controlling Owner’s Compensation for labour
- Step 6:** Calculate if the agency is eligible for Legacy Top-up

**1c. Top-up for
growth**
(expansion only)

Part 1c: Growth Top-up

- ✓ Growth top up will only be applied to agencies who are approved to add spaces beyond current licensed capacity, or approved number of homes in Hamilton
- ✓ All growth in CWELCC must meet the City's Access and Inclusion framework and is subject to approval

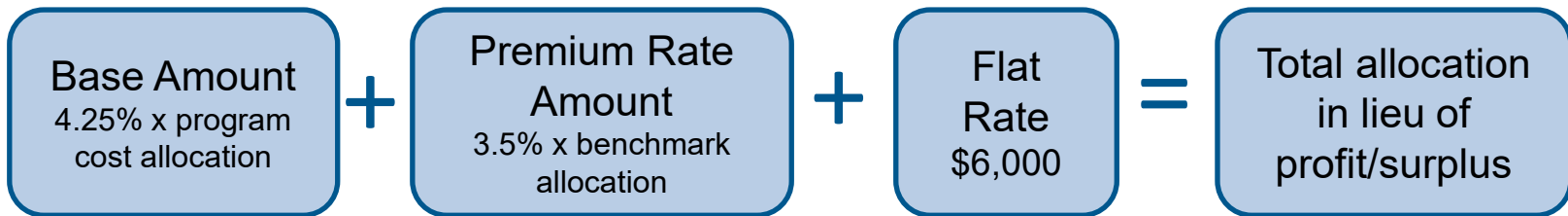
NOTE: Directed Growth Applications will be posted on the City's website for 2025 community-based spaces by Q1 of 2025

25

**2. Allocation
in lieu of
profit/
surplus**

Allocation in Lieu of Profit/Surplus

- ✓ Recognizes the cost and the risk of operating a business and allows for reinvesting in child care
- ✓ Will be provided in addition to the program cost allocation
- ✓ Is made up of the sum of three components for each licensee:



3. Expected Base Fee Revenue Offset

Expected Base Fee Revenue Offset

Expected base fee revenue are fees collected from families for the calendar year and deducted from the total cost-based funding allocation.

The Expected base fee revenue offset is the:

- ✓ Sum of the base fee revenue associated with active home seats for eligible children
- ✓ Expected registration fees or other mandatory fees must be included
- ✓ Adjustments are made to account for expected vacancies. (10% in 2025 and 5% for 2026 onwards)

Base Fee Definition

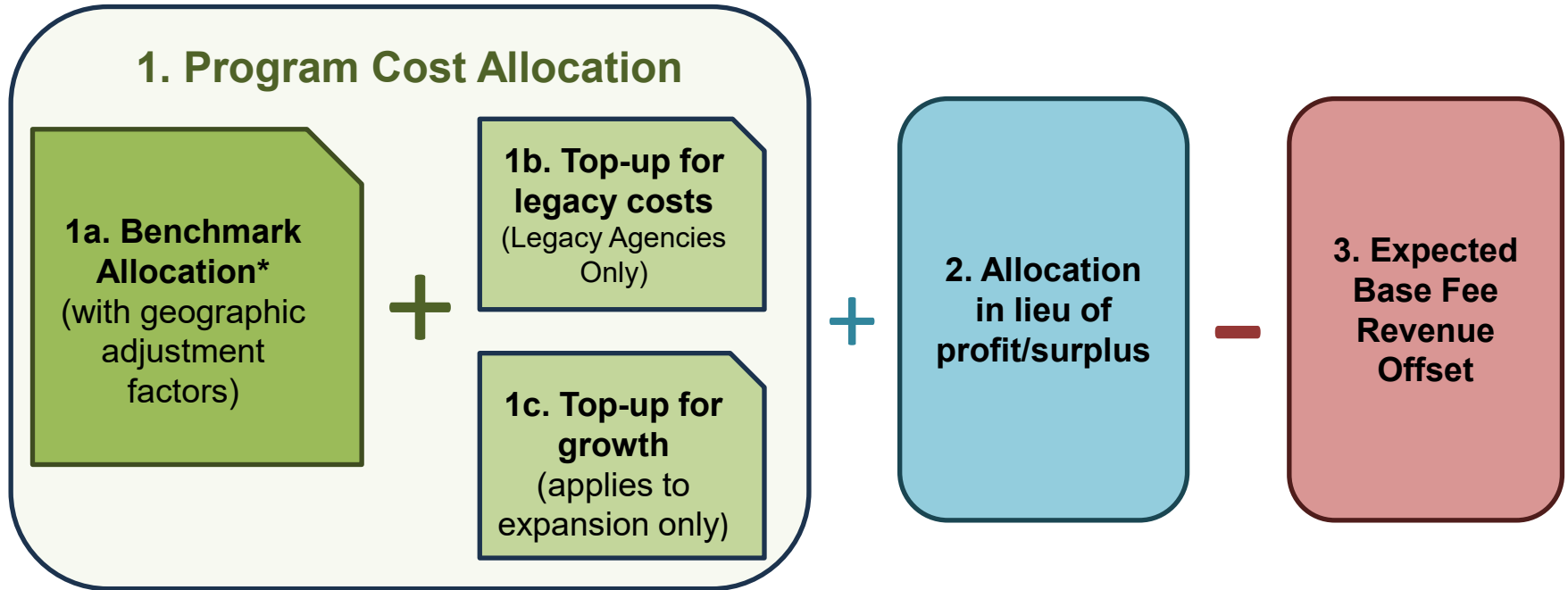
Base Fees:

- ✓ Daily Parent Fees charged for anything required to provide under the CCEYA (for example, play materials, food where required by regulation)
- ✓ Mandatory fees a parent must pay in order to receive care (for example, registration fee)

Non- Base Fees:

- ✓ Fees that are for optional items or services (for example, late fees, NSF) in accordance with the terms of the Parent Handbook

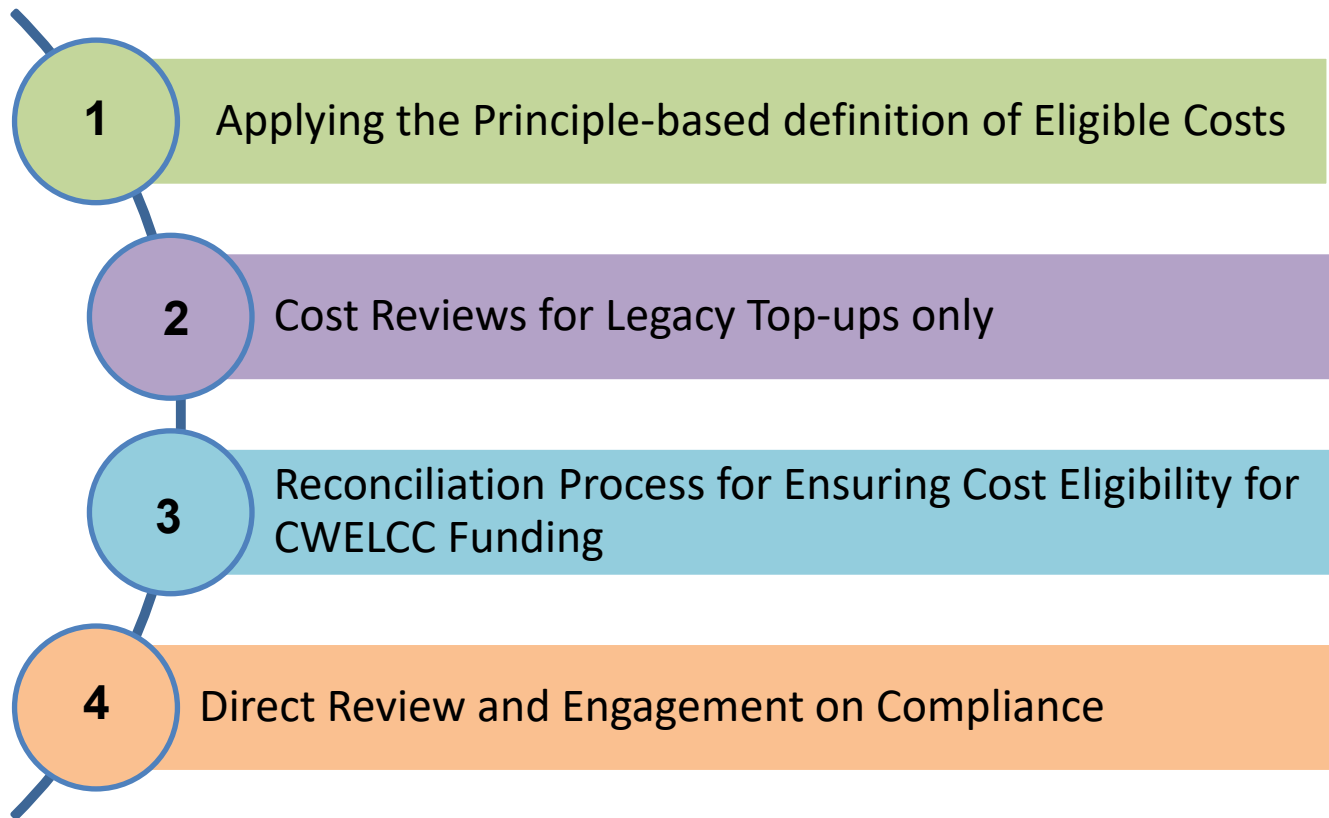
2025 Cost-Based Funding Recap



***Benchmark:** the standardized cost metric(s) published by the Ministry of Education in Schedule “A” for the calendar year

Accountability Framework

The Accountability Framework was developed to support the evaluation of costs incurred by the licensee. It is made up of the four components below:



Principle-Based Definition of Eligible Costs



1 Applying the Principle-based definition of Eligible Costs

The Ministry has introduced the following principles to support the evaluation of cost eligibility for the purpose of providing child care for eligible children:

Attributable	Costs are attributable if they are incurred directly or indirectly, for the provision of child care included in base fees
Appropriate	Costs that are necessary or reasonably expected to be incurred by an ordinary prudent person in the operation of a comparable business providing child care for eligible children as well as, provide consideration for access and inclusion, health and safety, and quality
Reasonable	Reasonable for the quality for the good or service and the amount incurred, given the quality for the good or service

Principle-Based Definition of Eligible Costs

1 Applying the Principle-based definition of Eligible Costs

Balance the objective of supporting Agency participation in CWELCC by:

- ✓ Providing appropriate funding that is representative of the true costs of providing child care
- ✓ Building in cost control structures and safeguards to ensure equity and accountability
- ✓ Providing a clear and consistent approach eligible cost evaluation
- ✓ Supporting high-quality learning environments for children
- ✓ Reducing administrative burden for City of Hamilton and Licensees

Cost Reviews for Legacy Agencies

2

Cost Reviews for Legacy Top-ups only

- ✓ The Ministry is directing the City of Hamilton to review the costs of agencies with the most **disproportionately high legacy top-up** allocations
- ✓ The goal of these cost reviews is to gradually shift the overall cost of providing child care towards more standardized costs, as represented by benchmark allocations, without impacting quality
- ✓ The City of Hamilton will be developing a framework for cost reviews in 2025, as mandated by the Province

Cost Reviews for Legacy Agencies

2

Cost Reviews for Legacy Top-ups only



- ✓ By March 31st of each calendar year, the City must select and notify agencies who are subject to a cost review for that year
- ✓ By December 31st, Cost Reviews will be completed by the City of the same calendar year
 - Includes reasonable timeline to reduce eligible costs where applicable

NOTE: An agency selected for cost review in a previous calendar year is not subject to a new cost review in current calendar year, so long as the agency continues to work on their cost reduction actions

Cost Reviews for Legacy Licensees

2

Cost Reviews for Legacy Top-ups only

City of Hamilton will work collaboratively with the Agency to identify potential cost reductions, such as:

- ✓ Costs that are ineligible
- ✓ Improved efficiencies in eligible costs (bulk ordering, outsourcing, redundancies, insufficient value to quality)

NOTE: The City of Hamilton will be providing further information sessions in 2025 regarding Cost Reviews and legacy top-ups once the City's framework has been developed

35

Year-end Reconciliation and Reporting Requirements

3

Reconciliation Process for Ensuring Cost Eligibility for CWELCC Funding



Agencies to submit:

- ✓ Staffing Reconciliation template confirming workforce compensation as part of the City's Annual Service Contract Business Reporting Cycle
- ✓ Completed Year-End Reporting workbook, providing the breakdown of eligible costs by the categorization of components of benchmark allocations as part of the City's Annual Service Contract Business Reporting Cycle, including:
 - Audited financial statements for January to December 2025
 - Annual attestation signed off by appropriate signing authority for the organization

36

Year-end Reconciliation and Reporting Requirements

3

Reconciliation Process for Ensuring Cost Eligibility for CWLECC Funding

- ✓ Compare the initial cost-based funding allocation provided to an agency at the start of the calendar year against the agency's actual cost-based funding for calendar year and recover any overpayments
- ✓ Reconciliations are not a line-by-line comparison exercise
- ✓ Allocation of In Lieu of Profit/Surplus will also be reconciled:
 - The **Actual** amount of In Lieu of Profit/Surplus will be recalculated based on the actual eligible expenses that materialized in the calendar year

NOTE: The recalculated amount **cannot** be greater than the initial funding allocation of In Lieu of Profit/Surplus provided in the funding year

37

Year-end Reconciliation and Reporting Requirements

3

Reconciliation Process for Ensuring Cost Eligibility for CWLECC Funding



- ✓ Review of the cost-based funding can be performed periodically throughout the calendar year:
 - To identify overpayments for cash management purposes
 - Avoid recovery of significant actual overpayments from agencies at year-end
- ✓ The City will be reviewing utilization of funding in year during our mid-year reconciliation process
- ✓ The City is responsible for returning any unallocated funding or overpayment recoveries from agencies to the Ministry

38

Direct Engagement to report on Compliance

4

Direct Review and Engagement on Compliance

- ✓ City of Hamilton is required to select a 5% sample:
 - Verify and confirm expense eligibility of claimed amounts
 - Ensure a reasonable methodology to pro-rate costs (CWELCC and Non CWELCC age categories) when necessary
- ✓ A Direct Engagement to Report on Compliance is performed by an independent third-party practitioner (that is, an external professional auditor)
- ✓ The City is responsible for the performance of the Direct Engagement to Report on Compliance for the selected eligible agencies and pay for it on their behalf
- ✓ First Direct Engagement to Report on Compliance will take place in 2026 (after 2025 funding year is finalized)

39

Tools and Resources

1

Ministry's 2025 CWELCC Funding Approach Guidelines and Q&A document [Ministry of Education | Child Care: Guidelines](#)

2

Ministry's CWELCC Cost-Based Funding Recorded Webinar
[Ministry Webinar link: https://vimeo.com/user/224327029/folder/21786437](https://vimeo.com/user/224327029/folder/21786437)

3

Ministry's Benchmark Allocation & Legacy Calculator Tool
[CWELCC Funding Estimator Tool](#)

4

City of Hamilton's Information Session

5

City of Hamilton's Q & A Document
(In Progress, to be shared soon)

6

City of Hamilton's Business Guidelines
(In development, to be shared in the coming months)

Next Steps

2024

- ✓ Agencies will receive:
 - A copy of today's presentation
 - Q&A Document (to be shared in the coming weeks)
 - The confirmation of 2025 CWELCC funding allocations
 - Additional Tools as developed

- ✓ Reach out to Agencies that have cross-jurisdictional impacts.

- ✓ Subsequent recording of today's session will be made available on the City's website

Next Steps

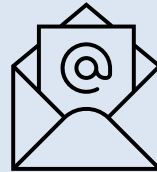
2025

- ✓ Agencies will receive:
 - Updated Funding Schedules
 - City of Hamilton's Business/Funding Guidelines

- ✓ Additional Information Session regarding Legacy Top-Up Allocations and Cost Reviews

Next Steps

- ✓ The Business Supports Team is committed to continue to seek clarity from the province and provide updates to support you through this new process and implementation
- ✓ Questions can be e-mailed to: CWELCC@hamilton.ca





Hamilton

THANK YOU

Healthy and Safe Communities
Children's and Community Services Division