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May 5, 2023

Re: Reflections on the Canada-Wide Early Learning Child Care (CWELCC) 2024 Child Care Funding Formula Discussion Paper

Introduction

Over the past couple of years, ONN has been advocating to all levels of government alongside providers, workers, advocates, and Ontarians for a Canada-wide child care system. Since the signing of Ontario's bilateral child care agreement, we have been bringing together a network of nonprofit driven child care associations across the province to ensure the best possible implementation of CWELCC in the province. Nonprofit providers have been at the forefront of opting into the new CWELCC system to ensure all families receive affordable, accessible, and high quality child care. This system is particularly important for nonprofit workers as almost 80 per cent of our workforce in Ontario consists of women.

Summary

The Discussion Paper states (6):

“The CWELCC funding formula is a **cost-based funding model**, which means that it considers the cost structure of CWELCC enrolled child care licensees within each CMSM and DSSAB jurisdiction.” (emphasis added)

We fully support a costs-based formula that accounts for both high and low cost structures, however, the proposed formula does not cover actual costs in the program staffing grant and operations grant. It threatens further instability in an already fragile sector at a time when we need to prepare for the Government's own expansion targets. Furthermore, it encourages taking a lowest-common-denominator approach to funding which will stifle quality and innovation in childcare. We believe Ontario children and parents deserve better.

Additionally, we note that the Discussion Paper remains very high level leaving a lot uncertainty, particularly for home childcare providers. We therefore encourage the Ministry to engage in public consultation that involves taking questions from licensees and other stakeholders.

Recommendations

1. **Program Staffing Grant:** We recommend that the program staffing grant support licensees to recruit and retain the staff they need to meet their licensed capacity and meet

the Government's expansion targets. Licensees committed to excellence and innovation should be supported in hiring above the staffing ratio.

2. **Operations Grant:** We recommend that operating costs be covered for licensed capacity rather than operating capacity, if in the discretion of the municipality, the licensee is making a good faith effort to bring the space back into use and the operating costs are reasonably incurred for the purpose of maintaining the space for future use. Service System Managers should be given a role to apply discretion in determining when funding ought to be at operational or licensed capacity.
3. **Accommodations Grant:** We recommend that principal payments on a mortgage either not be covered or the Government of Ontario develop a mechanism to acquire an interest on title or a right of first refusal to ensure that they are maintained for the use of childcare.
4. **Across the Funding Formula:** It is vital that the formula encourage professional growth among licensees, and make clear how the formula will adapt to expansion.

Recommendations in detail

1. Program Staffing Grant: Discouraging Excellence

The Funding formula does not cover actual costs in staffing because it is limited by the statutory-mandated ratios (7). This discourages childcare providers from hiring additional support staff, such as education assistants, beyond the mandated minimum. This is further discouraged because the number of mandated staff hours is then multiplied by average wage according to the proportion of Registered Early Childhood Educators (RECE) and non-RECE workers. This appears to mean that licensees who hire RECEs when they could hire non-RECEs will not be fully compensated. This actually discourages hiring staff with better qualifications. This is particularly counter-productive because it discourages hiring students at a time when we need more RECEs. This is especially troubling for licensees serving Francophone, Indigenous, and other culturally-specific communities, wherein additional specialized staff may be needed to deliver quality and culturally appropriate programming.

For example, take two licensees

	Licensee A	Licensee B
# of toddlers	20	20
# of RECEs	4	4
# of Non-RECES	0	2
Wage	Average	Average

It appears on the formula presented in the Discussion Paper that Licensee B would actually receive less funding than Licensee A because they are not mandated to take on Non-RECEs although they may choose to do so both to improve quality of care and to alleviate the long-term staffing shortage by taking on students.

We are unsure whether this is the Ministry's true intention as they summarize their formula in the following terms (7):

In simple terms, funding would be calculated by multiplying **the number of program staff working hours** by the compensation cost per hour, and adding a supply staffing allocation (for coverage during absences). (emphasis added)

But the number of **actual** program staff working hours is nowhere captured, only the statutory minimum of staff multiplied by average number of working hours.

At first glance, this concern appears to be alleviated by the following line (9):

Child care centres that currently operate above the number of RECEs set out in the regulation would be funded based on the current **proportion** of RECEs they employ. (emphasis added).

The above line does not alleviate our concern for the following reasons:

1. It is the **absolute number** (not proportion) of staff (**both** RECEs and non-RECEs) who would need to be covered for the actual costs of a childcare provider to be covered.
2. Simply compensating for the current number of staff is unlikely to address a licensee's actual cost **structure** because:
 - a. The number of staff is likely to be depressed given the current HR crisis and therefore not reflect the licensee's desired operating model.
 - b. CWELLC demands expansion so even in an ideal case where a licensee's current costs are covered, it would not allow the licensee to expand in a way that continued to operate above mandatory minimums.

We recommend that the licensee be funded for the actual number of ECE and non-ECE staff even if it exceeds the statutory minimum ratios.

2. Operations Grant: Operating below licensed capacity has unavoidable costs

Across the province we know there are spaces and entire classrooms sitting empty because licensees cannot hire qualified RECEs. Nevertheless, licensees continue to pay for various services linked to the maintenance of this space (though obviously in many cases to a lesser extent that they would if it was operating). For example, a classroom not in use, still needs to be cleaned, though not as frequently. Consequently, by tying operating costs (including operating maintenance and janitorial services) to "operating capacity" rather than "licensed capacity" (14) the funding formula fails to capture the actual costs of providers and penalizes them for an HR crisis out of their control. Furthermore, by failing to cover these costs, one risks creating a deficit in maintenance that could lead to making it harder to bring these spaces back into operation in the medium to long term.

However, we do recognize that if the formula simply compensated the licensee for service costs without operating that space, it would open the door for potentially problematic schemes in which licenses were sought for spaces that licensees had no intention to fill all the while incurring service costs for the spaces from a corporation owned by the licensee. Municipalities, who have

contextual knowledge of the track record and reputation of licensees could be given the discretion to allocate operating grants on the basis that where license spaces sit empty, licensees are required to make a good faith effort to get them operating again. Indeed, the funding formula leaves little room for service system managers to exercise their local knowledge to ensure the funding formula is properly tailored.

We recommend that operating costs be covered for licensed capacity rather than operating capacity, if in the discretion of the municipality, the licensee is making a good faith effort to bring the space back into use and the operating costs are reasonably incurred for the purpose of maintaining the space for future use. Service System Managers should be given a role to apply discretion in determining when funding ought to be at operational or licensed capacity.

3. Accommodations Grant: Taxpayers deserve protection against speculative investments

We remain concerned that CWELLC funding can go to both principal and interest of mortgage payments (16) for for-profit operators as this incentivizes the entrance of investors motivated by the acquisition of real estate rather than the delivery of childcare. These actors introduce long-term debt and instability into childcare systems. If the Ontario Government is funding the acquisition of real estate, it should acquire an interest on title or a right of first refusal to ensure the assets continue to be used for childcare.

We support the idea of allowing submissions to account for higher than market rents, and allocating the accommodations grant based on market rates and providing licensees with flexibility on how to allocate the difference, as this rewards social purpose real estate models, such as faith communities who provide below market rent to licensees.

We recommend that principal payments on a mortgage either not be covered or the Ontario Government develop a mechanism to acquire an interest on title or a right of first refusal to ensure that they are maintained for the use of childcare.

4. Across the Funding Formula

In order to attract and retain professional early childhood educators to lifelong careers in the sector, it is vital that the Ontario Government commit to ongoing professional development, including through:

- Building pedagogical time into the Program Staffing Grant.
- Building in funding for professional development either at the licensee or service system manager level.
- Accounting for reserves and capital investments needed for ordinary long-term repairs and adjustments to larger capacity (that falls outside the Government's capital grant stream).

Conclusion

We appreciate the Government is embarking on an ambitious and difficult task in trying to articulate a single formula that captures the rich diversity of licensees. While simplicity is an asset we caution that oversimplification in the funding formula risks stifling innovation and diversity in Ontario childcare and will entrench the current instability in the sector.

About ONN

ONN is an independent nonprofit network for the 58,000 nonprofits and charities in Ontario, focused on policy, advocacy, and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations to work together on issues affecting the sector and channel the voices of our network to governments, funders, and other stakeholders.