

Region of Waterloo
Community Services
Children's Services

To: Community and Health Services Committee
Meeting Date: May 6, 2025
Report Title: Canada-Wide Early Learning and Child Care (CWELCC) Directed Growth and Child Care Funding Update

1. Recommendation

That the Regional Municipality of Waterloo increase the 2025 Operating Budget for Children's Services in the amount of \$6,775,216 with \$0 net tax levy impact to reflect changes to Ministry of Education funding, as outlined in report CSD-CHS-25-001, dated May 6, 2025;

And that Regional Council request that the Ministry of Education provide increased Local Priorities Funding in alignment with growth in child care spaces to ensure service levels are maintained for children with special needs and child care fee subsidy.

2. Purpose / Issue:

This report provides an update on the growth of child care spaces as part of the CWELCC Plan and outlines the revised 2025 funding allocations related to CWELCC and child care.

3. Strategic Plan:

This report addresses Strategic Priority 3: Equitable Services & Opportunities and Strategic Priority 4: Resilient and Future Ready Organizations in the Region's Corporate Strategic Plan.

4. Report Highlights:

- The Region has received an additional 411 CWELCC child care spaces to be created by December 31, 2026, bringing the total number of new CWELCC spaces for Waterloo Region to 4,136 since 2022.
- The Region has received notice of increased 2025 child care funding from the Ministry of Education, as a result of new CWELCC child care spaces and the new

Canada-Ontario Early Learning and Child Care (ELCC) Infrastructure Fund.

- The Region will receive \$6.3 million in new Canada-Ontario ELCC Infrastructure Funding to support the creation of new centre-based licensed child care spaces operated by not-for-profit organizations. Additional CWELCC Start-up Grant Funding (\$1.6 million) will also support new child care spaces.
- Despite the increase to child care spaces, there is no change to Local Priorities Funding which primarily supports special needs services and fee subsidy expenses. This is anticipated to cause a budget pressure in future years.

5. Background:

For 2025, the Ministry of Education redesigned the child care funding formula to implement a new cost-based funding approach for licensed child care programs participating in CWELCC. In early April, the Ministry of Education made updates to new CWELCC space allocations and 2025 child care funding allocations.

In 2023, Waterloo Region was allocated 3,725 new CWELCC licensed child care spaces (CSD-CHS-23-001, CSD-CHS-23-002). The Region is on track to meet growth targets and 2,400 new CWELCC child care spaces have been created in Waterloo Region. In 2024, Children's Services requested an additional 507 spaces from the Ministry of Education (CSD-CHS-24-004).

As a result of the new province-wide space recalibration process, Waterloo Region has received an additional 411 CWELCC child care spaces. This brings the total number of new CWELCC spaces to be created by 2026 for Waterloo Region to 4,136. Even with the additional spaces, demand for child care will continue to far exceed available child care spaces. Before CWELCC, the waitlist in Waterloo Region for licensed child care was around 5,600 children – now it is over 13,000 children, of which 8,700 indicate they are looking for care immediately.

For spaces created from 2024 to 2026, at least 90% must be not-for-profit spaces and no more than 10% can be for-profit spaces. The previous ratio was 85% not-for profit to 15% for-profit. Based on approved for-profit growth from 2024 to 2026, Children's Services has 15 remaining for-profit spaces to allocate by December 31, 2026. As per Ministry direction, all other spaces will be allocated to not-for-profit licensees.

Children's Services will launch a CWELCC Enrollment Application in spring 2025 to allocate the additional not-for-profit CWELCC spaces. The CWELCC Enrollment Application will be a fair and transparent Request for Proposal process and will be communicated widely with current and prospective child care operators once available. It is expected that interest in opening new CWELCC spaces will exceed the number of funded spaces Children's Services has available to allocate and not all programs that apply for CWELCC enrollment will be approved.

To support the creation of these spaces and other new spaces that align with the Region's Directed Growth Plan, the Region will receive \$1.6 million in additional CWELCC Start-up Grant Funding. Between 2022-2026, CWELCC Start-up Grant Funding will total \$19 million. Programs apply for this funding when they apply to create new child care spaces.

The Canada-Ontario ELCC Infrastructure Fund is new Government of Canada and Province of Ontario funding intended to support the creation of new centre-based licensed child care spaces operated by not-for-profit organizations. The Region will receive \$6.3 million in ELCC Infrastructure Funding. Eligible programs will apply for this funding as part of the upcoming CWELCC Enrollment Application or through a separate application (for previously approved eligible new spaces).

Additionally, administration funding and CWELCC Cost-based Funding 2025 allocations were adjusted. Administration funding was increased by \$22,000. This funding will be used to support incremental expenses related to accountability for the new and increased funding. CWELCC Cost-based Funding will decrease in 2025 by \$1.2 million due to the Ministry adjusting funding to align with current data. This change will have no impact since cost-based grants to programs will be at least \$1.2 million lower than the initial budget because some programs are eligible for less funding than preliminary projections.

In the redesigned funding approach, Local Priorities Funding supports expenses outside of the CWELCC cost-based approach, primarily child care fee subsidy and special needs supports. As the number of child care spaces increase, these expenses are also expected to proportionally increase; however, the Ministry of Education has shared that system managers should plan for this funding to be flatlined in future years. Children's Services is concerned about service and budget pressures in future years related to Local Priorities Funding, most critically that there will be insufficient funding in 2026 and beyond to meet demand for child care fee subsidy and special needs supports.

Children's Services and child care operators are adapting to the new CWELCC cost-based funding approach. The new approach provides predictable funding based on actual expenses from 2023 and the majority of child care operators expect the funding will support program sustainability in 2025.

The most significant limitation of the new funding approach is an expected funding shortfall for new licensed home child care spaces, based on the factors used in the funding calculation. Additionally, some existing child care operators who have recently opened or plan to open new child spaces have identified funding pressures for new spaces given they may have higher costs than the prescribed benchmarks (e.g., due to existing wage grids). Children's Services is working closely with operators and other system managers to understand challenges and opportunities with the new approach and will continue to share feedback with the Ministry through the Ontario Municipal

Social Services Association (OMSSA).

6. Communication and Engagement with Area Municipalities and the Public

Children's Services has been conducting on-going engagement with parents that have traditionally been underserved in the licensed child care system as part of the implementation of the Access and Inclusion Plan. Consultation regarding child care growth also continues with internal stakeholders (i.e., Housing Services, Economic Development, and Facilities), external stakeholders (i.e., child care operators, school boards, and ethno-cultural organizations), and area municipalities.

Children's Services has been working closely with licensed child care operators to support their transition to the new funding model. Children's Services has also been collaborating with other municipalities across Ontario to align approaches, share resources, and provide feedback to the Ministry of Education.

7. Financial Implications:

The 2025 Children's Services Operating Approved Budget includes \$175M of CWELCC cost-based allocation which is 100% Ministry funded. Of this amount, \$1.1M was reduced. There is also an additional \$1.6M for CWELCC start-up funding and \$6.3M for Early Learning and Child Care Infrastructure to support child care growth. Children's Services also received \$22K for administration. The table below shows a comparison of the 2025 Updated Approved Ministry Allocation and 2025 Approved Budget. All budget changes are 100% funded by the Ministry and there is no levy impact.

	2025 Updated Approved Ministry Allocation	2025 Approved Budget	Proposed changes to 2025 Approved Budget
CWELCC Cost-based allocation	173,407,311	174,556,756	(1,149,445)
CWELCC Cost-based Holdback	4,095,551	4,095,551	
Local Priorities Allocation	25,265,386	25,265,386	-
Start-up Grants	7,613,330	5,993,100	1,620,230
Canada-Ontario ELCC Infrastructure Fund	6,282,430	-	6,282,430
Administration Allocation	3,086,523	3,064,522	22,001
CWELCC Holdback	(4,095,551)	(4,095,551)	-
Sub-Total (Child Care Funding)	215,654,980	208,879,764	
EarlyON	4,829,567	4,829,567	-
Indigenous-Led CC & Family	300,000	300,000	-
Total 2025 Ministry Approval	220,784,547	214,009,331	6,775,216

8. Conclusion / Next Steps:

Children's Services will launch a CWELCC Enrollment Application in spring 2025 to allocate the additional not-for-profit child care spaces based on the Region's Directed Growth Plan. The new Canada-Ontario ELCC Infrastructure Funding and additional CWELCC Start-up funding will support not-for-profit child care growth and will also be allocated in spring 2025. Children's Services will continue to administer the CWELCC program, in alignment with Ministry of Education Guidelines and is committed to supporting licensed child care operators throughout this funding transition.

9. Attachments

None.

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