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Hallelujah! Ontario finally has a new funding formula [1]

Author: Cleveland, G.
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Excerpts

Hallelujah! As of August 14th, 2024, there finally is a funding formula to provide some revenue-certainty for child care providers in Ontario. Not a moment too soon, in fact, a year or two too late. As of January 2025, this formula for the provision of operational funding to providers will be implemented to replace the inequitable revenue-replacement model that has existed since April 2022. As the new funding guidelines admit "[w]hile a revenue replacement approach is transparent and simple to implement, it is not responsive to the true cost of providing child care in Ontario." (p. 7). Revenue replacement was not equitable and it did not facilitate growth of capacity, so we will not mourn its passing.

This marks a new stage of development of the $10 a day child care program in Ontario. And, I am sure that other provinces will be looking closely at this example to see if they should model their funding formulas on this one. Together, we need to assess whether the funding formula is any good and what its strengths and weaknesses are. As with any funding formula, there are many details and understanding how the system will work is not easy. This blog post is a start. In this post, there is a lot of description and only a small amount of opinion. More opinion will follow soon.

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1. B2C2 and others have called for a funding formula similar to the one in Prince Edward Island; is Ontario's new funding formula like PEI's?

Ontario's funding formula is not like PEI's. The allowed costs in PEI are based on the provincial wage grid for child care staff with wages varying by qualification level and experience. PEI's formula encourages hiring of staff with higher qualifications because operating funding is increased to cover actual wage costs. Then, PEI has an allowance of 20% for benefits and there is a provincially-funded pension plan. Anc PEI's formula provides the same revenues across the Island for similar centres.

In contrast, Ontario does not have a wage grid for child care staff. Ontario's new funding formula gives flexibility to a centre to spend its allocation in different ways, but does not, in particular, reward the hiring of more staff who are fully qualified RECEs. Ontario's benchmark for benefits is only 13.4% for staff and 16.2% for Supervisors and there is no provincially-funded pension plan. And operational funding for centres under the new funding formula in Ontario will be highly variable across different locations.

2. How is the Funding Formula structured?

The structure of the new Ontario child care funding formula is relatively simple, getting more complex as you get into the details. The funding formula is based on calculation of what is called a "Benchmark Allocation". A Benchmark Allocation, as the Ministry of Education's funding rules make clear, is supposed to represent "the typical costs of providing quality child care in a geographic region, based on planned operating spaces." (p. 9). One of the Ministry's goals with the new funding and accountability processes is "to gradually shift the overall cost of providing child care … towards more standardized costs, as represented by the benchmark allocations." (p. 48). On top of the Benchmark Allocation, there is also an allocation for profit or surplus.

Benchmark Allocations, which vary across the province, are designed so that about 50% of existing licensees will have their expected eligible costs fully covered. The other 50% of licensees will not have their costs covered by the regular (benchmark) funding allocation, but legacy centres (those currently and continuously in CWELCC) with higher costs will be eligible for a Legacy Top-Up to this funding. This top-up formula evaluates the 2023 cost structure of centres, along with 2025 evidence of some fixed costs such as rent, insurance and property tax. There is also a provision for cost increases since 2023.

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