TORONTO

REPORT FOR ACTION

Canada-wide Early Learning and Child Care Expansion - Update

Date: October 10, 2025
To: Economic and Community Development Committee
From: General Manager, Children's Services
Wards: All

SUMMARY

This report provides an update on expansion of Toronto’s licensed child care system, including progress on the implementation of the Canada-wide Early Learning and Child Care (CWELCC) system locally; the impact of the cost-based funding formula; and capital expansion planning and progress since the introduction of the Early Learning and Child Care Infrastructure Fund.

RECOMMENDATIONS

The General Manager, Children's Services recommends that:

1. City Council request the provincial and federal governments to provide additional and sustained capital and operating funding to support progress towards Toronto's Canada-wide Early Learning and Child Care expansion targets.

FINANCIAL IMPACT

This report provides an update on the implementation of the Canada-wide Early Learning and Child Care System (CWELCC) and the new funding formula introduced by the Province of Ontario on January 1, 2025.

Children's Services continues in its requests of the other orders of government for sustainable multi-year operating and capital funding to achieve the vision laid out in the Growth Strategy, increasing access to affordable child care programs, improving workforce compensation, and to support affordability for all families.

There are no financial impacts resulting from the implementation of the cost-based funding formula introduced in 2025.

Children's Services will continue to provide updates on the financial implications of the formula, including potential budget adjustments fully funded by the province through the 2026 budget process, as well as cost pressures the sector may face that are not covered by the formula.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

EQUITY IMPACT

Children's Services is committed to reconciliation, equity, diversity, inclusion and accessibility (REDIA) in the early years sector. These commitments, embedded in the 2025-2030 Early Years and Child Care Service Plan, drive the division's vision for a system where every child can thrive in inclusive, high-quality early learning environments. A more equitable system must honour each child and family's identity, particularly Indigenous, Black, newcomer, Francophone, and Two-Spirit, Trans and Non-Binary families, and uphold their right to be seen, valued, and supported. Child care is both social and economic infrastructure: it supports healthy child development, advances poverty reduction, and enables increased workforce participation, particularly for women and caregivers in low-income households. The Canada-wide Early Learning and Child Care agreement and Ontario's Access and Inclusion Framework aim to deliver affordable, inclusive, high-quality child care and strengthen the early years workforce.

Expansion efforts led by Children's Services are further informed by the City's Corporate Strategies, including the Reconciliation Action Plan (RAP), Action Plan to Confront Anti-Black Racism (CABR), Two-Spirit, Trans, and Non-Binary (2STNB) Access Plan, the Multi-Year Accessibility Plan, Poverty Reduction Strategy, Newcomer Strategy, and the Data for Equity Strategy. CWELCC expansion is grounded in Ontario's Access and Inclusion framework, prioritizing families facing systemic barriers. As expansion continues, Children's Services will review policies affecting equitable access, especially for families relying on fee subsidy, and embed these considerations in sector engagement to ensure growth expands both spaces and access.

DECISION HISTORY

On July 23 and 24, 2025, City Council approved the Toronto's Early Years and Child Care Service Plan 2025-2030; directed the General Manager, Children's Services to continue to partner with other City Divisions on equitable EarlyON system planning to prioritize growth in high-inequity neighbourhoods; requested the Federal and Provincial Governments to increase operating investments to support the growth of the EarlyON system as well as to expand the Canada-wide Early Learning and Child Care agreement to cover children up to 12 years of age, including access to affordable before- and after-school care; and requested the Provincial government to increase capital funding to support Toronto's Child Care Directed Growth Plan.

https://secure.toronto.ca/council/agenda-item.do?item=2025.EC22.1

On March 26 and 27, 2025, City Council requested the Ontario Minister of Education and the Federal Minister of Jobs and Families to finalize and sign the extension of the Canada-Ontario Early Learning and Child Care Agreement for 2026-2031 to ensure that Toronto's children and families will continue to have access to high-quality, affordable, licensed child care.

https://secure.toronto.ca/council/agenda-item.do?item=2025.MM28.42

On December 17 and 18, 2024, City Council requested the Federal Minister of Families, Children and Social Development and the Provincial Minister of Education to increase capital funding to meet Canada-wide Early Learning and Child Care targets in the not-for-profit and public sector for Toronto; allocate and release funding for Toronto from the Early Learning and Child Care Infrastructure Fund; and create a child care capital growth plan for Ontario.

https://secure.toronto.ca/council/agenda-item.do?item=2024.EC17.5

On July 24 and 25, 2024, City Council requested the General Manager, Children's Services to report back to the Economic and Community Development Committee in the fourth quarter of 2024 with an update on growth and expansion within Toronto's licensed childcare sector, ongoing implementation of the Canada-wide Early Learning and Child Care system, and an analysis of the provincial funding formula for the Canada-wide Early Learning and Child Care agreement.

https://secure.toronto.ca/council/agenda-item.do?item=2024.EC14.12

On December 13, 14, and 15, 2023, City Council reaffirmed the City's support for building a system of early learning and child care services that are high-quality, public and not-for profit, affordable, inclusive, and accessible for all families, and requested that the Federal and Provincial Governments consult with the City and provide capital and operating funding to reflect the regional and actual costs of developing and operating child care spaces in Toronto.

https://secure.toronto.ca/council/agenda-item.do?item=2023.EC8.10

On June 14 and 15, 2023, City Council requested the General Manager, Children's Services to report to City Council, through the Economic and Community Development Committee, by November 28, 2023, on the number and capital funding source of new child care spaces constructed since the adoption of the Licensed Child Care Growth Strategy (the Strategy) in 2017, as well as an update on the progress of child care expansion as it relates to the Strategy.

https://secure.toronto.ca/council/agenda-item.do?item=2023.EC4.3

On July 19, 2022, City Council requested that the Province of Ontario engage with the City of Toronto in the development and implementation of the Canada-wide Early Learning and Child Care System and revised Funding Formula to: support the goals of the Licensed Child Care Growth Strategy; provide increased capital and operating funding to expand capacity in the not-for-profit sector; preserve local authority of service system managers; update fee subsidy income thresholds; and respond to workforce challenges.

https://secure.toronto.ca/council/agenda-item.do?item=2022.EC31.8

COMMENTS

Progress on Canada-wide Early Learning and Child Care Expansion

On March 27, 2022, the Government of Canada and the Province of Ontario signed the agreement for the Canada-wide Early Learning and Child Care (CWELCC) system in Ontario. Currently in the final year of a five-year plan, the CWELCC agreement is being implemented in stages to support increased quality, accessibility, affordability, and inclusivity in the licensed child care sector. Key objectives of the agreement include lowering fees for eligible children 0 to 5 years to an average of $10 per day by the end of fiscal year 2025 to 2026, improving workforce supports, and increasing access to high-quality child care programs. To date, the province has not finalized an agreement with the federal government to extend CWELCC beyond March 2026.

Since 2022, Children's Services has had five enrollment and expansion windows to support CWELCC implementation in Toronto. Year one (2022) included an open application process where all eligible operators and agencies could opt-in to the CWELCC system. In Spring 2023, existing operators and agencies who had chosen not to enroll in CWELCC were given another opportunity to opt in. To encourage growth in areas of greatest need in Toronto, three expansion application windows have opened since Fall 2023. Throughout this period, eligible families received rebates and fees were reduced in stages.

The current year of implementation is marked by the transition to the province's new cost-based funding guidelines, additional program changes, and continued fee reductions for eligible families.[1] Beginning January 1, 2025, fees for eligible children have been capped at $22 per day.

As of July 2025, 942 (88%) licensed child care centres and 23 (88%) home child care agencies in Toronto have enrolled in the CWELCC system (Table 1). Since the start of implementation in 2022, 15 locations have withdrawn from the program.

1 City of Toronto. 2024. EC17.5 - Implementation of the Canada-wide Early Learning and Child Care System and 2025 to 2029 Child Care and Early Years Service Plan: Update. https://secure.toronto.ca/council/agenda-item.do?item=2024.EC17.5

Table 1. Number of licensed child care centres and home child care agencies enrolled in CWELCC by auspice, July 2, 2025

Licensed Child Care	Total in Toronto	Not enrolled in CWELCC	Enrolled in CWELCC
Child Care Centres	1,076	134	942 (88%)
Public	39	0	39
Not-for-profit	708	44	664
For-profit	329	90	239
Home Child Care Agencies	26	3	23 (88%)
Not-for-profit and public	18	2	16
For-profit	8	1	7

Directed Growth Plan

The ongoing implementation of the CWELCC agreement in Toronto adheres to the Directed Growth Plan mandated by the province to ensure new CWELCC-funded spaces are prioritized in alignment with its Access and Inclusion Framework. The Access and Inclusion Framework provides guidance to Children's Services on developing local service plans that better serve and include children and families from Indigenous, Black, and equity-denied communities.[2] In May 2023, the province confirmed a total of 18,177 spaces as the five-year target for community and school-based spaces in Toronto. In July 2024, the province notified the Toronto District School Board and the Toronto Catholic District School Board of the cancellation of 48 previously approved school-based capital projects representing 3,083 planned new child care spaces in Toronto. This was followed by a March 2025 memo from the province providing an update with revised space targets informed by a recalibration exercise intended to provide more achievable targets and to redirect funding to areas with a higher capacity to grow the CWELCC system.[3] Toronto's revised space creation target for the three-year period between 2024 to 2026 is 12,387. Within this allocation, 11,066 are for spaces in community-based settings and 1,321 are school-based spaces. Since Fall 2023, through three CWELCC expansion windows, Children's Services has approved a total of 105 individual enrollment and expansion applications, representing 4,841 spaces (Table 2).

2 Government of Ontario. 2023. Ontario's access and inclusion framework. https://files.ontario.ca/eduaccess-and-inclusion-framework-en-2023-07-07.pdf

3 Ministry of Education. 2025. Updates to 2025 Ontario Child Care and Early Years Funding Guidelines. https://efis.fma.csc.gov.on.ca/faab/Memos/CC2025/EYCC01_EN.pdf

Table 2. Total number of applications and spaces from CWELCC-funded expansion approved by Children's Services since 2023

Not-for-profit		For-profit		Total	
Number of Applications Approved	Number of Spaces Approved	Number of Applications Approved	Number of Spaces Approved	Number of Applications Approved	Number of Spaces Approved
58	2,336	47	2,505	105	4,841

Notes: These are applications that have been approved by TCS, but licensing for these projects may not yet be complete. These total values exclude home child care and projects in the development phase.

In July 2025, Children's Services launched a new open application process for the 2025 CWELCC Expansion, Start-up Grant, and Infrastructure Fund to further support growth and expansion. The new expansion application criteria prioritize not-for-profit agencies, Indigenous-led, B3 (Black-led, Black-focused, and Black-serving), and Francophone organizations, and the expansion of infant, toddler, and preschool age groups. Applications will be accepted until October 31, 2025.

As expansion through CWELCC continues, the division will work to identify opportunities to enhance access to high quality child care for families in receipt of fee subsidy. The Child Care Fee Subsidy ("fee subsidy") program remains Children's Services' primary way of supporting low-income families with the cost of licensed child care in Toronto. Presently, families in receipt of fee subsidy can only access child care spaces with operators or home child care agencies that hold a fee subsidy service agreement with the City of Toronto. Given that only CWELCC-enrolled operators are permitted to hold a fee subsidy service agreement (except for programs exclusively serving children aged 6 to 12 years), careful examination of the division's policies will be needed to remove barriers to access for the city's most vulnerable children and families. Pursuant to City Council direction from December 2024, Children's Services staff will collaborate with partners in the sector to identify strategies that will enhance equitable access to families relying on fee subsidy.[4]

Auspice Ratios

In the child care sector, auspice refers to the ownership and operating structure of child care, which includes not-for-profit, for-profit, and publicly operated child care. In May 2023, the province directed service system managers with less than 90 per cent of spaces provided through not-for-profit operators to maintain their percentage of not-for-profit spaces as CWELCC expansion efforts progressed. In the December 2024 staff report on CWELCC expansion, Children's Services reported an auspice ratio target of 80 per cent not-for-profit or publicly operated spaces in the CWELCC system in Toronto.[5] However, based on staff review and a correction to the baseline auspice ratio calculation, the updated auspice ratio target for Toronto is 76 per cent not-for-profit.

4 City of Toronto. 2024. EC17.5 – Implementation of the Canada-wide Early learning and Child Care System and 2025 to 2029 Child Care and Early Years Service Plan: Update. https://secure.toronto.ca/council/agenda-item.do?item=2024.EC17.5

5 City of Toronto. 2023. EC8.10 - Growth and Expansion in Toronto's Licensed Child Care Sector: Update. https://secure.toronto.ca/council/agenda-item.do?item=2023.EC8.10

Early Learning and Child Care Infrastructure Fund

In March 2025, the province released details and guidelines on the Early Learning and Child Care (ELCC) Infrastructure Fund. The goal of the ELCC Infrastructure Fund is to increase inclusion in child care for underserved communities, including rural and remote regions, high-cost urban areas with low-income households experiencing barriers to access (e.g., Black and other racialized, Indigenous, and newcomer communities), and communities requiring child care during non-standard hours.[6] Through the ELCC Infrastructure Fund, the province allocated $19.9 million to the City of Toronto to support the creation of new, not-for-profit, licensed child care spaces for children 0-4 years.

Operators in Toronto must submit Infrastructure Fund applications through the 2025 CWELCC expansion process. The Fund supports infrastructure projects, including but not limited to the following: new construction, renovations, retrofits, and additions to community-based facilities; purchase of land, buildings, and play-based materials; and leasehold improvements and equipment to support health, safety, and learning environments. For approved applicants, finalized agreements must be in place by December 31, 2025, and organizations will be required to fully expend committed funds by December 31, 2026.

Children's Services will prioritize projects submitted by Indigenous-led and B3 organizations that are located in Toronto's high-priority wards per the Directed Growth Plan and include the creation of new infant and toddler spaces. Priority wards have been identified as those experiencing the greatest shortfalls in child care spaces, a higher proportion of children 0 to 5 years living in low-income, and one or more of the populations identified in the province's Draft Access and Inclusion Framework.[7] Given the limited funding available for the Infrastructure Fund, Children's Services will determine the maximum amount of funding awarded to each project.

Expansion Opportunities and Constraints

Children's Services' approach to implementing the Infrastructure Fund supports the goals of Toronto's Early Years and Child Care Service Plan, 2025-2030 to equitably expand the child care system, focus on public and not-for-profit operators, and increase the number of diverse organizations operating licensed child care.[8] While this investment in child care capital is welcome, the expectation that projects are completed by the end of 2026 poses a challenge to potential applicants, particularly new organizations seeking to join the child care system. As well, not-for-profit organizations continue to face barriers to accessing capital, limiting opportunities to significantly invest

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6 Province of Ontario. 2025. Ontario Child Care and Early Years Funding Guidelines for Consolidated Municipal Service Managers and District Social Services Administration Boards Chapter 5: Infrastructure Guideline. https://efis.fma.csc.gov.on.ca/faab/Child%20Care/Guidelines/Ch.EN/Chapter5_EN.pdf

7 City of Toronto. 2023. Attachment A from the General Manager, Children's Services on Canada-wide Early Learning and Child Care Agreement Implementation in Toronto – Update. https://secure.toronto.ca/council/agenda-item.do?item=2023.EC4.3

8 City of Toronto. 2025. Toronto's Early Years and Child Care Service Plan 2025-2030. Strategic Actions 2.2, 2.6. https://www.toronto.ca/legdocs/mmis/2025/ec/bgrd/backgroundfile-256726.pdf

in expanding the child care system. Though the Infrastructure Fund represents a crucial investment, further sustained capital investments from higher orders of government and greater flexibility in administering funds are necessary to meet the expansion goals for Toronto.

In advance of a new CWELCC agreement potentially being signed between the province and federal government, the Auditor General of Ontario recently released a performance audit of the current CWELCC agreement to review the province's progress on achieving its stated commitments.[9] The Auditor General's report noted that while the province is behind its overall growth targets, this is partially due to challenges operators have in accessing affordable infrastructure suitable for child care. The report also reiterates the importance of prioritizing growth to support equitable access and inclusion of underserved and vulnerable children and children from diverse populations. The Auditor General offers a number of recommendations to improve overall performance of the CWELCC system; Children's Services staff will review the report to identify opportunities to support the successful implementation of CWELCC in Toronto.

Cost-based funding formula

Beginning on January 1, 2025, the province transitioned from a revenue replacement approach to a new cost-based funding approach. The province developed benchmarks to represent typical costs incurred by licensed child care centres and home child care agencies in Ontario, while also adjusting for geographic differences. The four components of benchmarks for child care centres include program staffing, supervisor costs, accommodation costs, and other operating costs. For home child care agencies, the benchmarks are comprised of provider compensation, visitor compensation, and fixed and variable operating costs.

Toronto Children's Services has implemented the 2025 cost-based funding allocations through sector-wide data collection using simplified and modernized processes. Funding for child care centres and home child care agencies is based on the benchmarks and funding formula. The funding formula includes a component for "top-up" and an allocation in lieu of profit/surplus. The top-up is intended to cover existing legacy costs that are above benchmark allocations (for licensees in CWELCC on or prior to December 31, 2024) and a growth factor for new spaces only.

Expansion of new spaces, in both existing and new licensed spaces, are ineligible for the legacy top-up and only eligible for the growth top-up component. In some cases, the growth top-up component may be insufficient to encourage expansion for licensees whose existing cost structures already exceed the benchmark allocation. This may limit the desire or ability of locations to expand and create new spaces.

9 Office of the Auditor General of Ontario. 2025. Performance Audit: Canada-wide Early Learning and Child Care Program. https://www.auditor.on.ca/en/content/specialreports/specialreports/en25/AR-PA_CELandCCP_en25.pdf

Moving Forward

As service system manager for the early years and child care system in Toronto, Children's Services will continue to implement provincial direction related to CWELCC. As part of the province's child care and early years modernization efforts, Children's Services staff will continue to work with the province to inform ongoing policy discussions related to CWELCC expansion, ensuring Toronto remains responsive to local needs.

When major policy changes such as CWELCC occur, re-examination of adjacent policies and changes to practice are required to ensure equity and consistency for families and operators. In particular, access for the City's most vulnerable residents (i.e., families in receipt of fee subsidy) needs to be considered as expansion continues. Moving forward, in light of the introduction of new funding guidelines, Children's Services will examine the City's existing fee subsidy policies in an effort to enhance equity for low-income families and promote consistency across the system.

To ensure the sector is engaged and informed on future policy directions, Children's Services will convene a roundtable with child care operators, advocates and other sector partners to discuss (among other topics) challenges and opportunities to support child care access for families relying on fee subsidy. Updates on CWELCC expansion and implementation will also be provided at operator engagement sessions to support clear communication with the sector. Through strong sector partnerships and ongoing engagement, Children's Services will continue to build a harmonized, well-managed, and high-quality early years and child care system.

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