

2026: EYCC02

**TO:** Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs)

**FROM:** Holly Moran, Assistant Deputy Minister  
Early Years and Child Care Division

**DATE:** March 19, 2026

**SUBJECT:** **Updates to 2026 Ontario Child Care and Early Years Funding (2026 Space Targets and ELCC Infrastructure Fund)**

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Thank you for your ongoing leadership and commitment as we continue to invest and make strides in our work together to deliver affordable, accessible, inclusive and high-quality child care to Ontario's families.

Further to the memo communication of November 25, 2025, regarding the ministry's request for status on Canada-wide Early Learning and Child Care (CWELCC) enrolment and space commitments, including reporting on the Infrastructure Fund, I am writing with additional updates to support municipal planning for 2026 and beyond, including:

- Results of a 2026 CWELCC space target recalibration exercise;
- Information on the Early Learning and Child Care (ELCC) Infrastructure Fund;
- Updated 2026 Child Care Allocations; and
- Updated guidance on Direct Engagement to Report on Compliance.

As you are aware, in November 2025, Ontario successfully negotiated a one-year extension of the Canada-Ontario CWELCC agreement. This extension secured \$695M in additional funding and flexibility to maintain the current system through the end of 2026, giving Ontario time to work with the federal government on a longer-term agreement. The ELCC Infrastructure Fund agreement was also extended until December 2026, securing \$66.8M in funding for 2026.

While these one-year extensions do not address all the funding pressures the CWELCC system faces here in Ontario, they ensure continuity for the coming year, stability for families and clarity for the child care sector in the near term.

Notably, the extensions maintain the objective of creating 86,000 net new CWELCC spaces by December 31, 2026, a firm deadline under the CWELCC agreement with the federal government.

A detailed review of CMSMs'/DSSABs' reported information on growth capacity indicates that adjustments are required to ensure Ontario is well-positioned to meet this target.

### **Space Target Recalibration**

In late December 2025, CMSMs/DSSABs provided the Ministry with updated information on their space creation plans and commitments. Analysis of this data indicates that many CMSMs/DSSABs are experiencing pressures and challenges that will affect Ontario's ability to meet its overall space target, requiring further adjustments to some CMSMs'/DSSABs' space targets.

To position Ontario to successfully meet its CWELCC space target, while balancing the need for clarity and efficiency, this most recent recalibration was guided by two overarching objectives:

- supporting the highest likelihoods of creating new licensed spaces by December 31, 2026, to reach space targets, including where spaces have been committed by CMSMs/DSSABs; and,
- minimizing the number of downward adjustments to space targets across CMSMs/DSSABs.

As a result, 22 CMSMs/DSSABs will see increased space targets, offset by a decreased space target for the City of Toronto to better reflect its achievements and current, more achievable planning for 2026. While no changes are listed to the auspice ratio targets, where auspice is the sole constraint against meeting overall space targets, CMSMs/DSSABs should contact the Ministry to determine if any flexibility exists in relation to overall province-wide targets (see 'Next Steps' section).

Total space targets have been adjusted and are shown in Appendix A. For clarity, these targets represent the *total* licensed CWELCC spaces that should exist in your regions once growth is complete on December 31, 2026. Corresponding funding allocations have also been updated accordingly, as shown in Appendix B.

CMSMs/DSSABs are expected to take expedited and proactive action to achieve their space targets and to ensure timely progress toward Ontario's system-wide goal of 86,000 net new licensed CWELCC spaces by December 31, 2026. CMSMs/DSSABs may need to consider realigning plans where spaces are at risk of not being licensed in 2026. To that end, CMSMs/DSSABs are encouraged to work with counterparts to ensure zoning, site planning, public health and other such approvals required for licensing are timely.

### **Early Learning and Child Care Infrastructure Fund (ELCC Infrastructure Fund)**

The 2026 ELCC Infrastructure Fund allocations were determined by prioritizing funding for projects that are in progress and within SSM space targets to maximize the likelihood that the spaces will be created by December 2026. This approach will best support the meeting of space targets while continuing to create new, licensed child care spaces in priority neighbourhoods that need them most.

ELCC Infrastructure Funding continues to follow Chapter 5 of the Ontario Child Care and Early Years Funding Guidelines ([link](#)). 2026 ELCC Infrastructure Fund funding must be spent by December 31, 2026, and the spaces supported by the funding must be created by December 31, 2026.

### **Updated 2026 Child Care Allocations**

The 2026 Cost-Based Funding Allocations for affected CMSMs/DSSABs have been updated to ensure funding is aligned with recalibrated space targets. ELCC Infrastructure Fund allocations for 2026 have also been included.

Please see Appendix B for the revised 2026 Cost-Based Funding and the new 2026 ELCC Infrastructure Fund Allocations.

### **Direct Engagement to Report on Compliance**

As set out in Chapter 2, Division 2, Part 3.2 ([link](#)) of the Ontario Child Care and Early Years Funding Guidelines, CMSMs/DSSABs are required to undergo a Direct Engagement to Report on Compliance for a sample of licensees receiving CWELCC funding.

It has been brought to our attention that some CMSMs/DSSABs may be experiencing challenges with engaging auditors to conduct the CSAE 3531 Direct Engagement to Report on Compliance.

For 2025 and future Direct Engagement to Report on Compliance required under this section, CSAE 3530 will be accepted where CSAE 3531 is not offered by the auditor, following reasonable efforts made to obtain a CSAE 3531 engagement.

### **Next Steps**

The Ministry will continue to regularly monitor progress through the year to ensure CMSMs/DSSABs remain on track with the December 31, 2026, target and may make further adjustments as necessary. In addition, CMSMs/DSSABs should continue to proactively engage the Ministry appropriately through the Early Years Support Request form\* ([link](#)):

- If there are any critical challenges related to the space targets outlined in Appendix A, as a result of existing and verifiable commitments/contractual obligations of CMSMs/DSSABs only, the **Ministry must be notified by April 2, 2026**. Given the potential impacts of further changes, the Ministry may request supporting evidence of such commitments.
- Similarly, CMSMs/DSSABs should inform the Ministry as soon as possible where risks to achieving space targets arise.
- CMSMs/DSSABs may also contact the Ministry in instances where auspice ratio targets are the sole constraint against meeting overall space targets to determine if any flexibility exists.

*\*Note: For recalibration, questions can be streamed under 'CWELCC' and 'Funding Allocations and Space Data Inquiries'*

### *Transfer Payment Agreement Amendment*

To ensure alignment with this update, Transfer Payment Agreements for 2026 will be amended and shared with affected CMSMs/DSSABs. These amendments will reflect the latest changes outlined in this memo. Since this is a recalibration, some CMSMs/DSSABs will see adjusted cash flows to align with their reduced allocations. Amended agreements and the corresponding payments based on these updates are expected to follow in the coming months.

We want to reiterate our sincerest appreciation for your continued partnership as we work towards strengthening child care and early years programs and services in Ontario.

Sincerely,

*Original signed by:*

A handwritten signature in black ink, appearing to read "H. Moran", written in a cursive style.

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Holly Moran  
Assistant Deputy Minister  
Early Years and Child Care Division

cc: Matthew DesRosiers, Director, Funding Branch  
Whitney Wilson, Director, Early Years Branch  
Karen Puhlmann, Director, Child Care Branch