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## **2004 BUDGET BRIEFING NOTE – The Extent and Implications of Funding Owed by the Province to Toronto**

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### **Issue/Background:**

The extent and implications of funding owed by the province to Toronto for the Community and Neighbourhood Services and Toronto Public Health program areas operated under provincial/municipal cost-sharing agreements, projected for 2004.

- The pressures on Toronto that occurred in the latter part of the 1990's as a result of amalgamation and provincial downloading of services were compounded for municipal social programs by a major reorganization of roles, responsibilities and cost-sharing initiated by the provincial government as a part of Local Services Realignment (LSR);
- Under LSR, Toronto and other municipalities became, in provincial terms, Consolidated Municipal Services Managers (CMSM). CMSMs are responsible for delivering social programs under a provincial policy and legislative framework that increased local expenditure obligations and decreased local flexibility in areas such as development of locally-determined program strategies and conditions under which clients may access assistance and services;
- Expenditures increased due to provincial capping of cost-sharing formulas or because the province does not recognize and, therefore cost-share the actual cost of service delivery of Toronto's programs. As well, the province continues to increase certain downloaded program costs (e.g. Ontario Drug Benefit (ODB) costs, Ontario Disability Support Program (ODSP) cost of administration);
- The implications of LSR for Toronto are increased budget pressures, continuing and increased inability to meet demand for service, decreased flexibility to meet local needs and increased administration costs either due to outright downloading or provincial policies that generate instability in the program client base, thereby requiring more staff time for intake.

### **Key Points:**

Shortfalls in the provincial funding share of City of Toronto social and public health programs create fiscal and financial pressures for the City, decrease the City funds available for other programs and hamper the City's ability to provide services for Toronto residents;

Current shortfalls follow close to a decade of downloading and local services realignment that increased local obligation and expenditures;

Some of the shortfalls (e.g. child care subsidies, hostel per diems, public health issues) can be resolved by restructuring the existing cost-sharing (rationalizing the existing deal);

Others (e.g. social assistance, social housing) will require more fundamental reform and renegotiated cost-sharing with removal of program financing from the limited property tax base (negotiating a new deal);

There is currently federal funding available at the province to assist with child care subsidies and affordable housing (easy win for both the City and the province).

### **Program Specific Shortfalls**

- **Child Care**

#### **Amount and Type of Shortfall:**

#### **2004**

The Children's Services 2004 budget requests an increase in provincial subsidy of \$ 25.7 million. This is accounted for as follows:

- \$ 8.6 million is required to maintain current service levels. If Toronto receives \$ 4.4 million from the federal child care framework\* as promised by the province, net additional requirement in provincial funds is \$4.2 million;
- \$ 12.3 million: to restore the loss of subsidy spaces and stabilize the system (2000 spaces);
- \$ 3.9 million: to support health and safety
- \$ 0.9 million: pay equity

**Total 2004: \$25.7 million**

\* Note: the \$4.4 M federal offset (for which there is a provincial commitment to flow and which is built into the 2004 budget) is from a fund attached to the federal/provincial Multilateral Framework Agreement on Early Learning and Child Care. The City has pointed out to the province that much of the request for additional funds (\$25.7M) could be met by using federal funds either in the Multilateral Framework (Ontario: \$29M in 2004-2005) or the larger Early Childhood Development Initiative (Ontario: \$192M in 2004-2005).

#### **Implications if Shortfall Remains Unresolved:**

- To maintain current services in 2004, the \$8.6 million is crucial. Without the \$4.4 million from the Multilateral Framework Agreement, there is a potential loss of 560 subsidized spaces. Without an additional \$4.2 million, Toronto will lose an additional 550 subsidized spaces. EMT recommended that the \$1.4 M in provincial subsidy for the wage subsidy program in child care be used to prevent the further loss of 180 subsidized spaces in 2004.
- As well, Toronto will continue to face:
  - Increasing unmet demand due to continued loss of spaces and lack of expansion;
  - Weakened physical infrastructure with an impact on quality of care;
  - Instability in sector due to continued payments to programs at less than full costs of care.

- **Shelter Housing and Support**

**Amount and Type of Shortfall:**

**2004:**

- \$21.5 million due to hostel per diem capped at \$38.00 when projected 2004 cost is \$53.24.
- \$2.5 million for 2004 reduction in federal social housing subsidy.

**Total 2004: \$24 million**

**Implications if Shortfall Remains Unresolved:**

- Increasing pressures on City budget combined with increased inability to serve homeless population and low and moderate-income tenants.
- The combination of the current system of shelter funding plus relative lack of funding for new supportive and transitional housing has resulted in an emphasis on emergency rather than permanent accommodation.

- **Social Services**

**Amount and Type of Shortfall:**

**2004**

- \$ 4.6 million: admin. costs for ODSP (est.)
- \$5.4 million forecasted for 2004 for increases in ODB.

Note: Municipalities have no role or decision-making powers in the delivery or administration of ODSP or ODB.

**Total: 2004 \$10 million for ODSP and ODB**

**Implications if Shortfall Remains Unresolved:**

- For ODSP and ODB, the City cannot absorb any in-year increases to cost-shared expenditures for these provincial programs. Further, the provincial government provides no justification to the City with respect to either the base program or administration costs or the in-year increases although the City is required to cost-share these programs.
- If transparent cost-sharing is not forthcoming from the province, funds will need to be diverted from other program areas, potentially reducing the provision of services in key areas.

- **Toronto Public Health**

**Amount and Type of Shortfall:**

**2004**

- \$1.4 million: West Nile Virus.
- \$1.8 million: Hospital Infectious Diseases Unit. 100% funding approved until 31/03/2004. 50% approved from 1/04/2004 to 31/12/2004 resulting in pressure.
- \$500 thousand: Student Nutrition Program. Reduction in provincial contribution. (Note: based on a previous Board of Health report, the 2004 Action Plan for Children developed by the Children and Youth Advocate recommends expanding the Student Nutrition Program for a 2004 budget impact of \$2.34M. This recommendation was endorsed by the Toronto Board of Health on February 23.)

**Total: \$3.7 million**

Additional pressures submitted by TPH due to MOHLTC 100% funding at 2002 levels:

- \$315,265 Preschool Speech and Language
- 11,377 Infant Hearing
- 72,484 AIDS Hotline
- 31,344 Heart Health
- 46,587 ECD (Early Child Development) programs
- 788,060 HB/HC\*

**Total additional: \$1.265 million (\$1,265,117)**

**Total 2004: \$4.965 million**

**Implications if Shortfall Remains Unresolved:**

- budget pressures and service cuts to public health in Toronto;
- Student Nutrition: 10% of student nutrition programs in Toronto will need to be closed. This will result in up to 30 student nutrition programs being closed and approximately 6,500 children not participating in snack, breakfast, or lunch programs.
- \* Healthy Babies/Healthy Children: the shortfall for combined 2003 and 2004 is \$1.742 million. On February 23, 2004, Toronto Board of Health endorsed the EMT recommendation that the province approve this amount to maintain the 100% funding for HBHC. If these funds are not forthcoming from the province, Toronto Public Health will be required to add 10 vacant staff positions to the 12 left vacant in 2003 to stay within available funding. Fewer high-risk pregnant women will be screened, public health nurses will visit fewer postpartum mothers and their babies, family home visitor will visit fewer high-risk families;
- Preschool Speech and Language: waiting lists increased to at least 6 months;

**Total CNS provincial shortfall: \$64.66M**

**Conclusion:**

It is recommended that the items in the Community and Neighbourhood Services and Toronto Public Health program areas where funding is owed by the province under provincial/municipal cost-sharing agreements for projected for 2004 be communicated to the province in the following categories:

**Easy Wins:**

- Federal funding for child care

**Rationalizing the Existing Deal:**

- Child care subsidies and other costs, hostel per diems, public health issues

**Negotiating a New Deal:**

- Ontario Works, Ontario Drug Benefits Program, Ontario Disability Support Program, social housing.

**Date:** February 25, 2004.

<b>CNS Program Area</b>	<b>2004 Shortfall</b>
<b>Child Care</b> <ul style="list-style-type: none"> <li>• Maintain current service levels 8.6M</li> <li>• Restore and stabilize 12.3M</li> <li>• Health and safety 3.9M</li> <li>• Pay equity 0.9M</li> </ul> <b>Total</b>	<b>25.7M</b>
<b>SHS</b> <ul style="list-style-type: none"> <li>• Cap on hostel per diem 21.5M</li> <li>• Reduction in federal subsidy 2.5M</li> </ul> <b>Total</b>	<b>24M</b>
<b>Social Services</b> <ul style="list-style-type: none"> <li>• ODSP admin 4.6M</li> <li>• Increase in ODB 5.4M</li> </ul> <b>Total</b>	<b>10M</b>
<b>Toronto Public Health</b> <ul style="list-style-type: none"> <li>• West Nile 1.4M</li> <li>• HIDU 1.8M</li> <li>• Student Nutrition 0.5M</li> </ul> <b>Total</b>	<b>3.7M</b>
<p>Additional pressures due to 100% provincial funding at 2002 levels:</p> <ul style="list-style-type: none"> <li>• PS and L 315,265</li> <li>• Infant Hearing 11,377</li> <li>• AIDS Hotline 72,484</li> <li>• Heart Health 31,344</li> <li>• ECD 46,587</li> <li>• HB/HC 788,060</li> </ul> <b>Total</b>	<b>1.265M</b>
<b>TPH Total</b>	<b>4.965M</b>
<b>TOTAL CNS</b>	<b>64.66M</b>