
2005 BUDGET BRIEFING NOTE – Summary of Ontario Works Cost-sharing Pressures and Impact of Options to Reduce Administration Costs Related to Ontario Works.

Budget Advisory Committee, February 4, 2005

Purpose:

To outline the extent to which cost-sharing pressures as a result of increases to provincial downloaded costs for the Ontario Disability Support Program (ODSP) and Ontario Drug Benefits (ODB), declining and unpredictable GTA Equalization (pooling) revenue and provincial capping of cost-sharing for Ontario Works cost of administration (COA) are placing pressure on the City budget. As well, to provide further information on the impact of options to reduce administration costs related to Ontario Works.

Key Messages:

- Due to provincial capping of its share of Ontario Works cost of administration, the City is facing escalating financial pressures. In 2005, the provincial cost-sharing shortfall for cost of administration is \$24.6 million. Fundamentally, what is required is a joint provincial/ city review of cost of administration before the development of the City's 2006 budget. To begin to address the immediate 2005 pressure, Toronto Social Services has identified program reduction options equal to \$1.7 million (net) in 2005. This would result in annualized savings to the City of \$3.0 million (net).
- The impact of the provincial funding cap on cost-shared programs and increasing provincial program costs that the City must share is placing an increasingly unsustainable financial burden on the City. As a result, the City is not in a position to fund these cost pressures in 2005.
- The ODSP/ODB pressure on the City of \$15.1 million in 2005 is the result of escalating provincial program costs. More fundamentally, it is neither appropriate nor feasible to fund these expenditures from the property tax base.
- The GTA Equalization (pooling) revenues for social assistance fluctuate unpredictably and are not reconciled on a timely basis. In 2005, in addition to the base cost-sharing shortfalls, the City is faced with a potential pooling pressure of \$7.5 million. Ultimately, pooling neither provides a reliable basis for budgeting nor is it an effective mechanism to fund the social assistance benefit costs in the City of Toronto.

Background:

At the January 28, 2005 Budget Advisory Committee a briefing note was tabled which outlined an estimated base cost-sharing shortfall in the City's cost-shared programs of \$72.3 million. Of that, \$24.6 million is attributed to OW cost of administration, \$9.2 million for Ontario Disability Support Program (ODSP), and \$5.9 million for Ontario Drug Benefits. In addition, the City is facing a pressure of \$7.5 million as a result of declining GTA pooling revenues for social assistance.

Ontario Works Cost of Administration:

Since the early 1990's, under the previous GWA program, the Province effectively established a Cost of Administration (COA) cap of approximately \$52 million that persists to this day. Since that time, this cap has been institutionalized, and there have been no increases to the COA base. The province has introduced target based funding and various one time adjustments to address new program responsibilities and requirements under OW and transitional costs related to the introduction of the program and subsequent changes.

Since the introduction of Social Assistance Reform Act (SARA) in 1997, there has been no review or re-examination of the base funding structure and requirements necessary for the City to meet its new Consolidated Municipal Service Manager (CMSM) mandates, and to deliver the OW program. The growing COA base shortfall, made inevitable by the arbitrary COA cap, and inadequate one time Provincial fixes, has resulted in the \$24.6m pressure the City is facing in 2005.

In 2005, to address the immediate pressure, some reduction options are identified that will not fundamentally compromise the delivery of OW in Toronto. However, in order to appropriately align provincial cost sharing with the City's CMSM and OW program delivery responsibilities, and with the legislated 50/50 cost sharing formula, there is a critical need for a joint provincial-city review of COA.

Reduction Options:

	Reduction Options		
	Actual Positions	2005 Pro-Rated Reductions	2006 Annualized Reductions
Intake Caseworkers Reduction	35	\$1,085,000	\$2,170,000
Eligibility Review Caseworker Reduction	14	\$ 620,000	\$ 868,000
Total	49	\$1,705,000	\$3,038,000

The above provides an overview of reductions that could be achieved within Toronto Social Services (TSS) for the 2005 budget year. These reductions would be achieved through attrition. The annualized impact in 2006 is also identified.

The reductions would be taken in the areas of Direct Client Service and Support and Fraud Prevention and Control. The following section discusses the implications of these proposed reductions.

A. Direct Client Service and Support: Reduction in Intake Caseworker Positions:

Currently, the Division takes applications over the phone, which are subsequently verified through in-person interviews in our 14 local offices. Approximately 4000- 5-000 applications are taken per month across the Division's offices. Approximately 180 staff take and verify applications.

TSS is working to streamline and improve the delivery system to provide better client service and better utilize staff resources. Significant analyses of tasks and program requirements have been completed, resulting in an action plan to implement changes starting with the intake function. It was anticipated that efficiencies generated through this plan would result in the reallocation of staff to support employment services delivery. A key requirement is that the province will make necessary changes to OW compliance requirements, to reduce complexity and administrative work required at intake.

The identified streamlining opportunities and tasks will require until the end of 2005 to implement. However, given the current pressures, TSS would eliminate 35 intake positions, as of June 2005, for a 2005 reduction to the Provincial shortfall of \$1.09 million, annualized to \$2.2 million in 2006. The loss of these resources, versus their re-deployment, will potentially impact the City's ability to achieve provincially mandated EA outcomes.

B. Fraud Prevention and Control: Reduction in Eligibility Review Caseworker Positions:

Eligibility review caseworkers identify, investigate, track and monitor allegations of clients fraud and abuse, assess the validity of fraudulent allegations, and prepare initial documentation for further action.

The elimination of 14 caseworker positions in this area, approximately 1 per social service office, would result in a reduction of \$0.62 million in 2005, annualized to \$0.87 million in 2006.

Currently, there are approximately 110 staff working in Fraud Prevention and Control. Three to four workers per office specifically perform eligibility review functions. This reduction will result in delays in the length of time required to investigate whether there is sufficient evidence of an intent to defraud the program.

ODSP/ODB:

Provincial changes related to the Social Assistance legislation resulted in municipalities having to cost-share the administration and benefits under the provincially delivered Ontario Disability Support Program (ODSP) and benefits under the Ontario Drug Benefits (ODB) program. In the case of ODB, the costs are driven both by client uptake of benefits and the cost of drugs in the provincial formulary. These are provincial programs for which the City is in no way responsible and has no decision-making power or accountability.

In 2005, the City has budgeted \$116.7 million for its share of funding the ODSP program and administration costs. However, based on recent experience, since 2002, these costs have been

increasing year over year. The table below identifies the budget and actuals for these programs since 1998. It should be noted that while the province has capped its share of funding for cost of administration for the Ontario Works program, the province has been clear that the municipal cost-sharing for the ODSP administration is based on actual expenditures. In 2005, the City faces a pressure of \$9.2 million, based on the difference between the 2004 and 2005 budgets.

For ODB, the Ministry of Health and Long Term Care covers most of the cost of prescription drug products listed in the Ontario Drug Benefit Formulary. Families/persons receiving social assistance through Ontario Works or the Ontario Disability Support Program are eligible for the ODB coverage. The provincial government bills municipalities for 20% of the cost of benefits for OW and ODSP clients.

As the table below indicates, the actual experience from 1998 to 2004 has been that ODB program costs passed on to the City have increased by approximately 50 %. For 2005, the City has budgeted \$36.1 million to cover its share of the program cost. However, based on the difference between the 2004 budget, this creates a budgeted pressure of \$5.9 million in 2005.

In 2005, the City faces a pressure of \$9.2 million in administration and benefits charges for the Ontario Disability Support Program (ODSP) and \$5.9 million for benefits under the Ontario Drug Benefits (ODB) program. The City is not in a position to fund these cost pressures in 2005.

Summary of Shortfalls for ODSP and ODB										
For The Years 1998 to 2005										
		1998	1999	2000	2001	2002	2003	2004 *	Estimate 2005	Budget to Budget Pressure 04 & 05
ODSP Program & Administration:										
Program Budget		103.5	111.5	108.3	109.0	109.4	107.5	107.5	116.7	9.2
Year-end estimated actual		103.5	107.2	109.9	106.1	107.5	109.7	118.9		
Shortfall / (Surplus)		0.0	(4.3)	1.6	(2.9)	(1.9)	2.2	11.4		
Year Provincial Actual Confirmed		Feb. 1999	Feb. 2000	May 2001	Feb. 2002	March 2004	Dec. 2004			
ODB and Other Mandatory Programs:										
Program Budget		23.5	24.3	25.9	25.3	25.9	27.9	30.1	36.0	5.9
Year-end estimated actual		23.5	24.9	28.0	26.9	27.5	33.8	35.0		
Shortfall / (Surplus)		0.0	0.6	2.1	1.6	1.6	5.9	4.9		
Year Provincial Actual Confirmed		Feb. 1999	Feb. 2000	Feb. 2001	Feb. 2002	Feb. 2003	Feb. 2004	Feb. 2005		
Note: * Projected year-end actuals are subject to change upon year-end final reconciliation.										

GTA EQUALIZATION (Pooling):

GTA Equalization or “pooling” is a revenue source that was developed to alleviate the negative impacts of Local Services Restructuring (LSR) in recognition of Toronto’s disproportionate share of social assistance clients (80%) and social housing stock (74%) within the GTA. Under a

provincial formula, Toronto funds slightly over 50% of the GTA costs for these programs instead of the 70-80% of the GTA costs that arise within its borders.

While pooling has provided revenue to support the cost of social assistance and social housing in Toronto, it is a flawed strategy because:

- It is based on combining municipal revenues for income redistributive programs that should not be funded from the property tax base;
- As indicated below, the province has capped its share of cost of administration funding, which exposes the City to 100% funding of administrative costs for the highly provincially regulated Ontario Works program;
- Budgeting for pooling is very uncertain since costs and equalization payments are not finalized on a timely basis and amounts are based on GTA expenditures, not just Toronto's;

The City has requested that the province provide transparency and timeliness with respect to the reconciliation of annual pooling revenues for Social Assistance.

The City's GTA pooling revenue estimate for 2005 is \$96.7 million, based on the recently confirmed GTA pooling revenues for 2002/03. This produces a potential budgeted revenue loss, or pressure, of \$7.5 million, when compared to the 2004 budget of \$104.2 million.

In the face of the significant budget pressures related to the Ontario Works program, as a result of provincial cost-sharing shortfalls in COA, and increasing and unpredictable expenditures related to the ODSP/ODB programs, the City is unable to absorb this potential revenue shortfall in 2005. Ultimately, pooling neither provides a reliable basis for budgeting nor is it an effective mechanism to fund the social assistance benefit costs in the City of Toronto.

Contact: Nancy Matthews,
Executive Director, Social Development and Administration,
416-392-5207