



*To the attention of OMSSA Members - February 7, 2011*

## Cost of Ontario Works Administration Funding Changes

### Introduction

The Ontario Works Branch of the Ministry of Community and Social Services announced today a series of sweeping changes to the approach to funding Ontario Works (i.e., administration and employment assistance) including a significant commitment of welcomed new funding.

Today's announcement addresses long-standing issues in the approach to funding Ontario Works. These changes are planned to take effect with the new provincial fiscal year beginning April 1, 2011. Today's news also follows on the recently committed new funding for cost of OW administration for the 2010-11 provincial fiscal year.

### Long-term funding changes

Beginning in the 2011-12 fiscal year, the provincial funding for program delivery will increase by approximately \$160 million dollars per year for municipal delivery agents, based on a new approach and funding formula.

These changes include:

- Ontario Works administration and employment assistance funding will be consolidated into a single Program Delivery funding allocation for the purposes of program management.
- Delivery agents will have the flexibility to determine how best to allocate their single Program Delivery funding allocation for all aspects of program delivery.
- Current cost-sharing, cost-recovery, and upload commitments stemming from the Provincial-Municipal Fiscal and Service Delivery Review (currently the Employment Assistance envelope which follows the same upload schedule set out in 2008) will be upheld within the single Program Delivery funding allocation, which will identify the allocation portion that is cost-shared at 50-50 and the portion that is subject to the upload.
- The provincial cost-per-case subsidy will be set at \$2,016.
- Caseload calculations will be determined based on adding to the standard Ontario Works caseload a supplementary caseload composed of other mandatory service requirements not reflected in the standard caseload such as:
  - Applicants who are found to be ineligible during the intake process or who discontinued their application during intake
  - Emergency assistance recipients
  - ODSP participants participating in Ontario Works employment assistance
  - Cases referred by Ontario Works delivery agents to ODSP
- Program Delivery funding allocations will be based on a two-year monthly average standard and supplementary caseload, using the period September 2008 to October 2010 for 2011-12 allocations, and the provincial subsidy per case.

- Program Delivery funding allocations will be aligned with the two-year Ontario Works business cycle and will be updated at the start of each new cycle. The municipal share of the PMFSDR upload, however, will be flowed from the ministry on an annual basis.
- Outcomes will be expanded to include service delivery measures over time.

As well, leading up to the implementation in April, MCSS will be providing additional one-time in-year funding to address municipal expenditures above the cost-shared administration funding in the first quarter of 2011.

In recognition of the fact that there will be negative financial impacts on some CMSMs and DSSABs, the government is implementing a two-year transition strategy to help service managers adapt their local service planning to the new funding approach. Under this strategy, the ministry will provide a portion of the municipal contribution at 100 percent provincial cost for the first two-year funding cycle to those service managers that will either see a decrease in overall provincial funding or will need to invest more to maintain their current funding level.

MCSS will be sending individual allocations to each service manager this week, with information on the notional Program Delivery planning allocation for 2011-12 and details regarding the transition strategy where relevant.

Finally, to help CMSMs and DSSABs understand the new funding model and the new reporting mechanisms changes, MCSS will hold training sessions during February and March. We expect that there will be about 10 sessions across the province, coordinated by the MCSS Regional Offices.

## Analysis

The forthcoming changes announced by MCSS represent a bold step for the government, although they will have differential financial impacts across the province, depending on the current local cost-of-admin ratio. Some service managers will clearly benefit from these changes, while others will not. OMSSA members will no doubt need some time to analyze the impact of these changes on their different local circumstances.

For almost as long as CMSMs and DSSABs have administered the OW program, there have been concerns about the inadequacy of the funding levels for both the caseloads themselves and the cost of administration. The funding deficiencies were exacerbated during the recent recession, when rising caseloads put much stress on the service managers' capacity to administer OW properly. For most CMSMs and DSSABs, the 50-50 cost-of-admin ratios had shifted far out of alignment. These funding changes are intended to bring the supports for the delivery and administration of the OW system back into line with the intended 50-50 cost-share ratio.

From a provincial-wide perspective, these changes are a recognition of the commitment that CMSMs and DSSABs have made to service delivery in terms of service quality and financial investments of 100 percent municipal dollars above and beyond the investments that are required legislatively.

The consolidation of program delivery and administration funding into a single envelope are meant to give CMSMs and DSSABs flexibility to determine how best to allocate funding for all aspects of program delivery, while at the same time simplifying program operations, such as

financial reporting. In other words, although the specific funding amount includes a portion identified as 50 percent funding and a portion that is subject to the continual upload, service managers will not be held accountable to spend their allocations along these exact proportions. (If they need to spend more on caseload and less on administration, they have the flexibility to do so.)

With much talk about moving towards an outcomes-based accountability framework in the province, we note the creation of a new outcome to be associated with service delivery standards. This outcome would be added to those about current earnings and employment outcomes. Our conversations with the Ministry have made clear that the specific definition and implementation of this outcome will be developed with the engagement of service managers, so as to identify the right measures and test the reliability of the data. As well, OMSSA understands that this new outcome would only be introduced after the implementation of MCSS's new technology solution.

Clearly, this announcement will have mixed impacts on service managers across the province, and the Ministry has acknowledged as much. By providing the additional in-year funding and by implementing a comprehensive two-year transition funding strategy, the government is seeking to lessen the negative impacts to the local budgets. It will be important for OMSSA and those CMSMs and DSSABs most negatively affected to continue to monitor the changes and the overall financial implications of these changes.

It is also important to note that the timing of this announcement might pose challenges to those CMSMs and DSSABs that are well into their 2011 budget planning or have already received budget approval. With their local funding levels set, service managers might not be able to return to their respective councils and boards to secure the additional municipal contributions that will be required to maximize the new provincial dollars for this year.

Finally, OMSSA is pleased that these changes mark another step towards the government fulfilling its commitments made in the Provincial Municipal Fiscal and Service Delivery Review from 2008. Through the work of the OW Funding Principles Working Group of the Human Services Implementation Steering Committee, service managers, through AMO and the City of Toronto, were able to make a strong case for the need to transform the way OW is funded. There will be, to be sure, questions about the particular formulas and calculations for OW funding, but seen in the context of the new Long-term Affordable Housing Strategy and the new relationship between CMSMs and DSSABs and the Ministry of Education, these changes reinforce the ongoing maturation of the relationship between service managers and their provincial partners, in which service manager concerns are taken seriously.

### **Rural and Northern Context**

Today's changes also include the introduction of a northern, rural, and remote adjustment that will:

- Adjust the supplemental caseload figures of any DSSAB or CMSM in MCSS's North or North-Eastern Region by a factor of 10 percent; and
- Adjust the supplemental caseload figures of rural/remote CMSMs or DSSABs based on a rural factor of up to 10 percent. (The measurement of "rural" will be based on census population data, though the specific calculations were not identified.)

It is clear that even with these important adjustments, which will allow some areas that qualify for both the northern and rural/remote designation to increase their caseload numbers by up to 20 percent, that some CMSMs and DSSABs will still face challenges with this new approach based on their own local economic circumstances.

As well, as the provincial upload of OW proceeds, the combined effect of reducing employment assistance funding while increasing cost of administration funding for many CMSMs and DSSABs might change the total amount of municipal dollars being uploaded for many service managers. This could have particular financial impacts on those municipalities that receive funding through the Ontario Municipal Partnership Fund (OMPF). OMSSA has learned that changes to OW funding will be reflected in the 2012 OMPF allocations and no decisions regarding reconciliation for 2010 or 2011 have yet been made.

The new designations also point to the need for definitional clarity around what areas are “rural” and “remote.” The Ministry has said that it would use census population data, though it provided no specifics on this measurement. The fact is that almost every member of OMSSA has at least some part of their geography that can be described as “rural,” with small towns and hamlets scattered across a wide area—even in areas not typically seen as rural. There are already multiple definitions of rural in use across multiple ministries, and we will work to ensure that the definition applied by MCSS is as beneficial as possible to all CMSMs and DSSABs.

## Next Steps

The increased service manager flexibility for administering and delivering OW shines a light on one of OMSSA’s strategic focuses for 2011, namely to increase member capacity to address major policy changes. Today’s announcement clearly represents such a major change, and we will begin to explore ways to work with all of our members to ensure a high level of local capacity to manage change and to maximize opportunity.

We understand that OMSSA members will need time to fully study today’s changes and understand how they will affect their local circumstances. We encourage all members to share their local analyses with us as we engage in the following next steps:

- Prepare an OMSSA brief that more deeply analyzes today’s announcement, with a particular focus on understanding the impacts on rural and northern service managers and other areas with more challenging financial situations
- Prepare supporting materials to assist members when they engage in the MCSS briefing sessions later this winter
- Continue to represent our member’s voices at various MCSS and provincial government tables

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