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### **Government will introduce new Ontario Works Funding Model for Administration**

The Ministry of Community and Social Services has advised municipal staff that as of April 1, 2011, a new funding model for the administration of Ontario Works will be implemented.

In order to support the implementation of the new funding model, the Minister of Community and Social Services, secured approximately \$170 million in new provincial funding. The government has also committed \$120 million to municipalities for 2010 and 2011 to offset any funding municipalities may have contributed above the 50-50 cost of administration. Given the current fiscal restraints, a commitment of new funding is a laudable effort.

The model supporting this new funding will have uneven impacts for municipalities across Ontario once implemented. The province will mitigate these impacts through a two-year transition fund.

### **The Current Approach to Funding Ontario Works Cost of Administration**

The Ontario Works program now consists of two funding streams:

1. Cost of administration, cost shared on a 50% provincial 50% municipal basis and;
2. Employment assistance, cost shared on an 80% provincial, 20% municipal basis (across Ontario, the cost per case ranges from \$458.00 to \$1461.00)

The cost of administration for Ontario Works has been a long-standing concern for AMO and municipal service managers.

### **Key concerns about this model include:**

- The unequal funding received by the Consolidated Municipal Service Managers (CMSMs) to administer the Ontario Works program.
- The cost of administration was based on 1995 caseloads and ranged from \$593 per case to \$1,334 per case across the province.
- It is not responsive to changes in administrative pressures or requirements. As a result, most municipalities contributed their own dollars over and above the 50-50 contribution.

The employment assistance stream is part of the social services upload through the Provincial Municipal Fiscal and Service Delivery Review (PMFSDR) Agreement signed by Ontario, AMO and the City of Toronto. Municipal contributions have been decreasing annually since 2010 as the upload phase-in continues.

### **The Ministry's New Approach:**

The proposed approach will see the streamlining of the cost of administration and employment assistance. However this is purely administrative, as the cost-share arrangements will be maintained by identifying a portion to be cost-shared at 50-50 and a portion subject to the upload (estimated at \$162 million provincially) to be cost-shared at 80-20.

In addition, the new model:

- Establishes a single cost of administration per caseload of \$2,016.
- Contains a “rural and northern factor” which would see caseload funding upwardly adjusted by 10%. This 10% factor will be cost-shared on a 50-50 basis.
- Importantly, will result in a reallocation of employment assistance. Individual municipalities will see changes in their caseload allocations. It is not immediately clear how the reallocations have been determined.

### **What does this mean to municipalities?**

The new funding approach will affect municipalities differently. Through the \$170 million new dollars in provincial funding and a single cost-per-case approach, consolidated municipal service managers will be eligible for increased provincial funding. But this funding must be cost-shared on a 50-50 basis.

Many municipalities will be better off in terms of their overall contribution to the administration of the Ontario Works program. Municipalities who in the past have provided significant municipal dollars will see savings, as these contributions will now be cost-shared.

However, others will not be so fortunate. A number of municipalities – in most cases those least able to afford it – will require new municipal funding to maintain operations at 2010 levels. This is a result of both their caseload numbers and the way employment assistance dollars are being reallocated.

### **Managing the Impacts**

To manage the new formula’s impact, the Ministry of Community and Social Services responded with a temporary transition fund for those negatively impacted by the revised funding approach.

The province will provide transition funding to municipalities who will see an overall decrease in funding or who will be required to invest more to maintain 2010 funding levels. For the first two years, the province will provide a portion of the municipal contribution at 100% provincial cost for these municipalities.

### **Moving forward**

The proposed changes to the cost of administration funding address some of the historical challenges with municipal funding of the Ontario Works Program.

Many municipalities will be better off under the new funding approach. However, AMO is interested in understanding how the new model responds overtime.

In addition to ongoing monitoring of impacts after the two year transition period, AMO is recommending that revisions to the model be considered to minimize impacts on municipalities on a go forward basis. This could, as an example, include looking at introducing funding variables to the model that will address those municipalities who are facing increased costs or excluding offsets in the Ontario Municipal Partnership Fund.

The Ministry should demonstrate possible long term implications of the model, for example, in the event of case load increases, cost of living increases and potential impacts against the Ontario Municipal Partnership Fund.

An effective and equitable cost-share model should not result in winners and losers. While important strides have been made in addressing historical policy challenges, all municipalities should be able to share in the good news.

Through the PMFSDR, AMO supported developing a funding framework that includes the important consideration of flexibility and responsiveness to changing needs and circumstances and varying capacities of municipalities

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