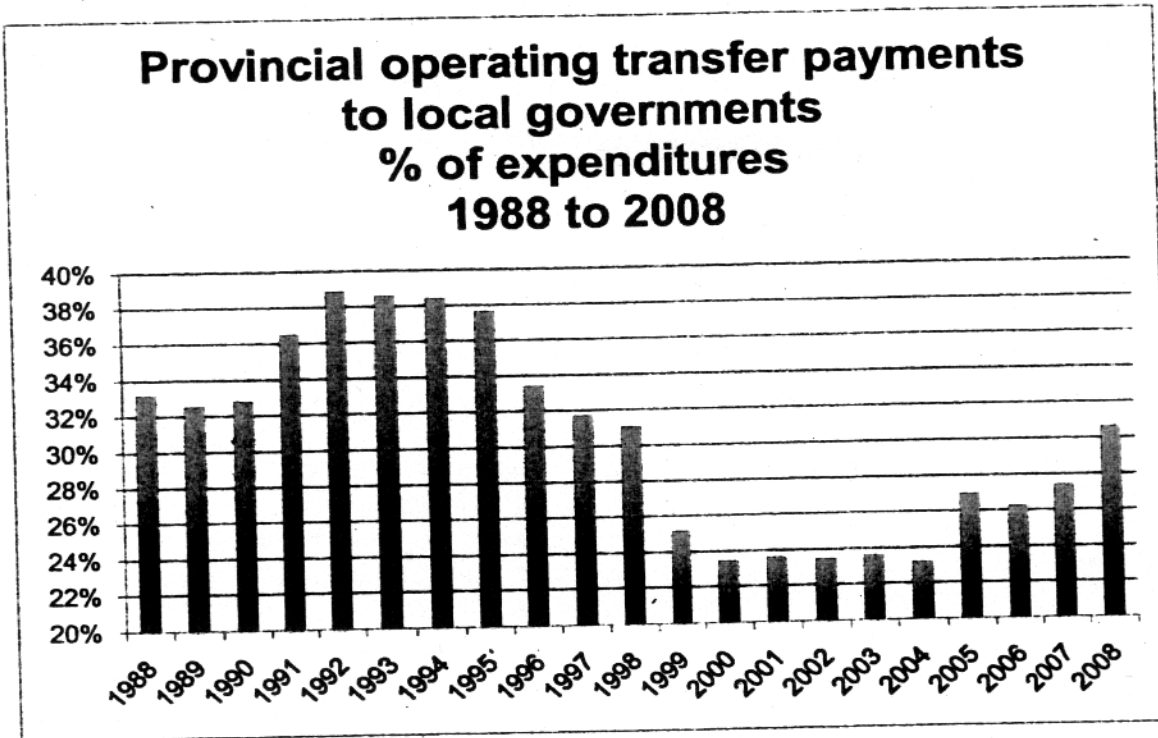


Over the past 20 years, there has been a dramatic decline in provincial government support for local government services in Ontario.

Chart 2 shows provincial government transfer payments to local governments in Ontario as a percentage of local government operating expenditures from 1988 to 2008.



The principal culprit behind the drop in transfer payments from the province to local governments was the shift in spending responsibilities onto municipalities as a result of the Crombie "Who Does What?" exercise in the late 1990s. Provincial support for local government services went from a 38% high during the Rae government era, plunging to less than 24% in Harris' second term. By 2008, funding had been restored only to 30%.

It should be noted here that, in its marketing of local government financial restructuring, the Harris government gave itself credit for education finance reform as an offset to increased costs to municipal governments.

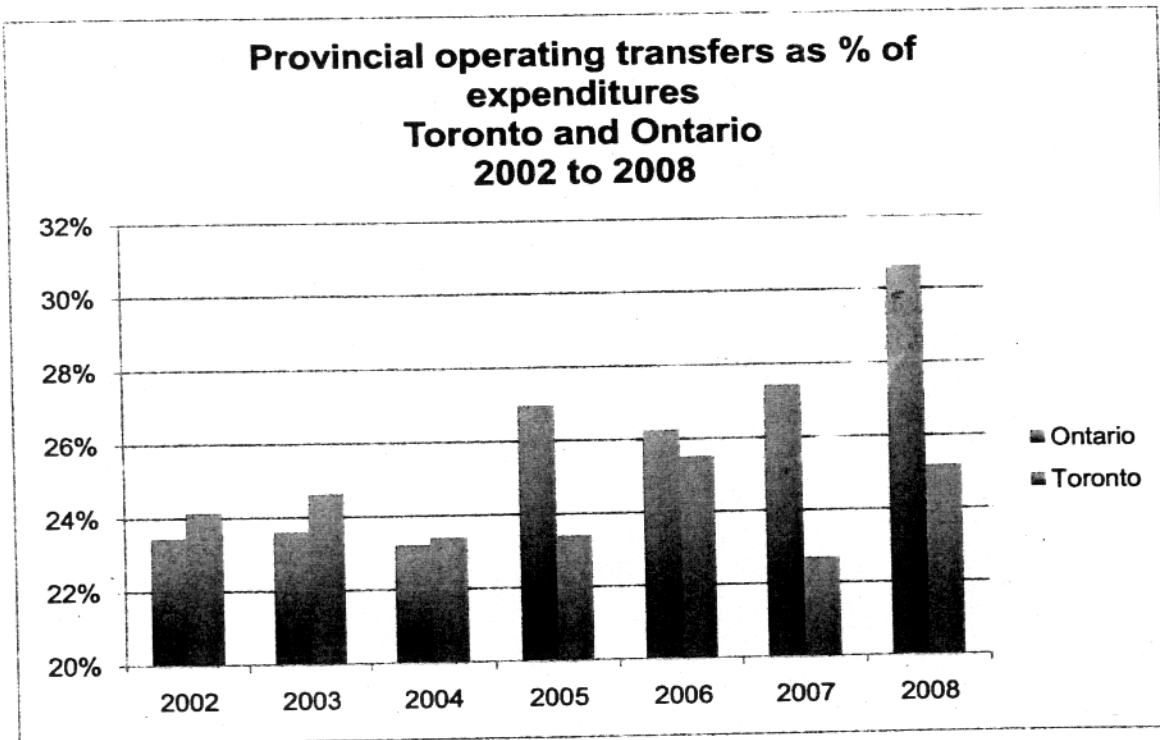
From Toronto's perspective, several issues are raised by this assertion.

First, the provincial government did not take education off the property tax. It eliminated the taxing powers of school boards, but continued the education property tax as a provincially mandated tax.

Second, education finance reform resulted in reduced total spending on education in Toronto, leading school boards to cut spending on services that

Despite the high-profile provincial "bailouts" of recent years, the provincial government hasn't come close to recovering its former transfer levels to Toronto compared to other municipalities.

Chart 3 shows provincial transfers as a share of local operating expenditures for Toronto, from 2002 to 2008, pale in comparison to other municipalities.



Even the formal download of responsibilities does not capture fully the extent of its impact on the city's budget. City staff estimated in 2009 that, if the provincial government funded its full share of jointly funded programs, city revenue would be \$273 million higher than it is today.

The province's use of the local property tax base to pay for provincial public services is a problem at the best of times. But when a weakened economy and inadequate unemployment insurance system force hundreds of thousands of Ontarians into reliance on social assistance, the problem becomes a crisis.

For Toronto, the rise in social assistance benefits goes straight onto the property tax base, because the city doesn't have the option of borrowing to cover operating costs inflated by the recession.

*Hugh MacKenzie & Associates 2010*

2009 Preliminary CVA Tax Impacts (City + School)

2009 Phased-In CVA Tax Impacts

Residential Property Class - Total Taxes

Ward	No. of Properties	2008 Average Assessed Value	2008 Average Total Taxes	2009 Average Assessed Value	2009 Average Phased-In Municipal Taxes	2009 Average Tax Impact \$	2009 Average Tax Impact %
01	11,325	251,684	2,202	272,787	2,132	(70.22)	-3.2%
02	13,710	286,178	2,504	325,650	2,454	(49.55)	-2.0%
03	14,772	354,856	3,105	434,412	3,109	4.65	0.1%
04	12,387	530,613	4,642	649,955	4,651	8.25	0.2%
05	19,363	409,130	3,580	507,669	3,600	20.36	0.6%
06	17,985	319,413	2,795	382,164	2,777	(17.14)	-0.6%
07	9,848	291,319	2,549	318,108	2,472	(76.41)	-3.0%
08	7,680	241,642	2,114	258,707	2,024	(90.66)	-4.3%
09	9,336	309,053	2,704	347,611	2,644	(60.03)	-2.2%
10	12,729	383,832	3,358	472,927	3,369	11.17	0.3%
11	14,578	260,211	2,277	300,692	2,242	(34.75)	-1.5%
12	10,273	313,069	2,739	364,978	2,704	(35.00)	-1.3%
13	14,376	437,879	3,831	556,050	3,878	47.08	1.2%
14	9,168	403,515	3,530	518,477	3,585	54.31	1.5%
15	13,722	329,877	2,886	397,405	2,875	(11.18)	-0.4%
16	14,905	700,443	6,128	896,380	6,220	91.18	1.5%
17	13,626	295,411	2,585	355,566	2,577	(8.05)	-0.3%
18	10,829	306,440	2,681	382,134	2,700	18.43	0.7%
19	18,136	328,487	2,874	422,946	2,922	47.96	1.7%
20	22,593	363,699	3,182	458,905	3,212	29.97	0.9%
21	9,772	624,718	5,466	774,230	5,492	26.14	0.5%
22	14,489	682,678	5,973	871,468	6,055	82.07	1.4%
23	30,513	340,465	2,979	424,403	3,000	20.83	0.7%
24	17,561	393,291	3,441	486,316	3,456	14.71	0.4%
25	16,170	867,165	7,587	1,091,633	7,662	74.79	1.0%
26	11,713	375,801	3,288	460,574	3,292	3.76	0.1%
27	23,488	484,312	4,237	607,223	4,271	33.79	0.8%
28	14,993	320,218	2,802	392,138	2,789	(12.50)	-0.4%
29	11,654	378,100	3,308	481,998	3,353	44.73	1.4%
30	14,887	328,414	2,873	438,142	2,953	79.67	2.8%
31	13,389	289,650	2,534	358,814	2,543	8.88	0.4%
32	16,966	394,725	3,454	504,826	3,504	50.41	1.5%
33	11,984	313,792	2,745	372,925	2,727	(18.55)	-0.7%
34	10,098	341,123	2,985	420,206	2,992	7.88	0.3%
35	12,480	244,546	2,140	282,509	2,107	(32.67)	-1.5%
36	13,537	319,919	2,799	386,571	2,788	(10.69)	-0.4%
37	14,811	264,411	2,313	298,445	2,264	(49.75)	-2.2%
38	15,620	249,968	2,187	277,601	2,129	(57.78)	-2.6%
39	14,806	279,473	2,445	319,279	2,400	(45.17)	-1.8%
40	13,626	279,654	2,447	319,218	2,399	(47.69)	-1.9%
41	17,376	291,983	2,555	333,395	2,508	(46.98)	-1.8%
42	18,100	260,721	2,281	287,241	2,208	(73.41)	-3.2%
43	11,235	279,060	2,442	315,883	2,387	(54.95)	-2.3%
44	17,199	308,457	2,699	361,532	2,668	(30.84)	-1.1%
<b>City-Wide</b>	<b>637,808</b>	<b>367,809</b>	<b>3,218</b>	<b>448,832</b>	<b>3,218</b>	<b>(0.00)</b>	<b>0.0%</b>

*Janet Davis*