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## 2020 OPERATING BUDGET BRIEFING NOTE

### Impact of Provincial Government Funding and Policy Changes

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#### Issue/Background:

- The 2019 Ontario Budget released on April 11, 2019 outlined a number of funding and program changes with impacts on the City of Toronto's operating and capital budgets, but provided limited details.
- In the weeks following release of the 2019 Ontario Budget, the Province provided further information regarding the changes, and City Council considered two reports with additional analysis including [MM7.13 Impact of 2019 Provincial Budget on the City of Toronto](#) (adopted May 14, 2019) and [EX6.10 Impact of Provincial Announcement on City's 2019 Budget and 2020 Budget Process](#) (received June 18, 2019).

#### Key Points:

- Impacts on the City's 2020 budget have been identified in the following areas:
  - **Gas Tax** - Cancellation of the phased Provincial Gas Tax enhancement from 2 cents/litre to 4 cents/litre by 2022. Impact on the City's 2020 Capital Budget is \$64M. The cumulative impact over the approved 10-Year Capital Plan is \$1.1 billion, which the City had allocated to TTC State of Good Repair and other Transit Capital projects.
  - **Child Care** - Policy change from expansion being 100 per cent funded by the Province to an 80/20 provincial and municipal cost-share, and planned reductions to administrative expense cost-sharing (from 10% to 5% by 2022). Estimated loss of \$15 million in funding in 2020 has been mitigated by a one-time provincial funding increase of \$12.2M. The impact on the City's 2020 budget is \$2.8M.
  - **Public Health** – Adjustment of provincial–municipal cost-sharing arrangement funding starting in 2020 from 75% provincial / 25% municipal to 70% provincial / 30% municipal. Estimated impact of \$14.1M in 2020, mitigated by one-time provincial funding of \$9.8M. The net impact on the City's 2020 budget is \$4.3M.
  - **Seniors Services / Long-Term Care** – Elimination of structural compliance funding. 2020 Budget impact of \$1M. The MoLTC is reviewing alternative programs which may replace the Structural Compliance Premium, thus potentially mitigating the funding loss.
  - The 2020 Staff Recommended Operating Budget preserved Service levels despite the provincial cuts through added City funding.
  - See attached chart for details.

- The changes to cost-sharing arrangements for child care and public health will have additional impacts on the City's future budgets, but the full impact is not yet known.
- The Province has signalled other policy and program changes that may have City implications in future years. City staff are monitoring these issues, including:
  - **Land Ambulance** – The Province's initial communication of the City's Land Ambulance funding grant for 2019 made no provision for a growth increase or an inflationary increase. If implemented, this would have created an estimated \$3.85 million cost pressure to the City, equivalent to a 3.5% budget cut. The 2019 Land Ambulance Services Grant Funding confirmation letter received on August 20, 2019 included \$1.94 million to address growth which reduced the shortfall to \$1.91 million. Paramedic Services has submitted a Business Case requesting a further \$2.1 million in funding for additional growth related requirements. This request has not yet been addressed and the approach for future years is not yet known.
  - **Social Assistance** - The 2019 Ontario Budget announced changes to social assistance programs, including changes to the rate structure, administration and rules with the aim of finding efficiencies and providing opportunities to achieve better employment outcomes for social assistance recipients. City staff identified potential impacts with the changes as proposed (see [EX8.9 Helping Residents Impacted by the Elimination of Transition Child Benefit](#)); however, on October 3, 2019, the Province announced it was pausing the rollout of social assistance transformation and the changes were not implemented. Looking ahead, Ontario has indicated that beginning in 2022 employment services provided by municipal Ontario Works delivery partners will be integrated into Employment Ontario, with such services to be overseen by an Employment Services System Manager selected through a competitive process. The budget and service level implications of this change are not known at this time.
  - **Development Charges revenue** - The Province proclaimed a new legislative regime for development charges into force on January 1, 2020, before the City's current development charge by-law rates are fully phased in (scheduled for November 1, 2020). In December Council adopted some procedural changes to mitigate the impact (see [MM13.27 Response to Proclamation of Development Charges Act changes effective January 1, 2020](#)), and further changes may be required as the new regulations are considered.

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Community and Social Services											
Provincial Funding Cuts and Implications – 2020											
Divisions	2019 Projected Actual			2020 - Budget					Future Year Impact		
	Provincial Funding Changes	Corresponding Expenditure Reduction / Impact	Services Impact	Provincial Funding Changes	One-Time Provincial funding increase	2020 Budget Impact (City contribution)	Corresponding Expenditure Reduction / Impact	Service Impact	Year	Funding Cuts	Service Impact
CS	None	None	None	\$15.000 M	\$12.200 M	\$2.800 M	None	None	\$15.000 M+	Since the funding relief in 2020 is one time, \$15.00 million is the opening pressure for 2021 but the full impact is unknown until the provincial guidelines are released.	Unknown
SSLTC (Capital Reserve) Note - 2	None	None	None	\$ 0.975 million		\$0.975 M	\$ 0.975 million	None	Funding is upto March 2020, therefore 2020 impact is for 3 Qrs. Full year impact is \$1.345 million	Elimination of Structural Compliance Funding	Elimination to reserve fund contribution
TPS Note - 3	\$1.908 million Land grant reduction	None	Increased response times; Delayed hiring of staff; WSB and OT unfavourable variance will increase	None		None	None	None	Unknown	Unknown	Unknown
TESS	See Note - 1										
TPH	\$1.100 million	\$1.100 million	None - achieved through temporary cost containment measures predominately in non-payroll expenditures	\$14.100 million	\$9.800 M	\$4.300 M	No reduction. But included an increase of \$4.300 million, in order to secure one-time mitigation funding of \$9.800M from the province in 2020	None	\$14.1M +	Starting pressure is \$14.1 M and the full impact is unknown.	Unknown
<b>Total</b>	<b>\$3.008 million</b>	<b>\$1.100 million</b>		<b>\$30.075 million</b>		<b>\$8.075 million</b>	<b>\$0.975 million reduction \$4.300 million increase</b>				
Note - 1	<p>In a memo dated January 10, 2020, the Province stated that the Ontario Works Program Delivery Funding (PDF) allocation for 2020 will be based on 2018 actuals, which is \$1.6 million lower than the PDF included in the 2020 budget. OW delivery agents have the option to submit a request for additional one-time funding for 2020 and TESS has submitted one. The province has committed to responding to these requests by mid-February. Contingency plans are being developed, and in the event that the province rejects the request for funding above the 2018 allocation, TESS will be able to mitigate the impact of the lower PDF funding with no impact on service levels.</p> <p>The Province has signaled that reductions in PDF, reflecting reduced administrative costs from modernization, are being deferred until 2021 to provide municipalities more time to plan and adjust for future budgets. The magnitude and impact on service levels of potential 2021 funding reductions is unknown at this time.</p>										
Note - 2	<p>No confirmation from the Province on the Structural Compliance funding beyond March 2020. Therefore the funding shortfall in 2020 for the Structural Compliance is \$0.975 million for three quarters in 2020 and the future annual impact is \$1.345 million per year.</p> <p>SSLTC capital reserve fund contributions will be impacted by \$0.975 million in 2020 and \$1.345 million annually thereafter as a result of the elimination of the Structural Compliance Fund. SSLTC is investigating alternative reserve fund contributions to off-set the impact.</p>										
Note - 3	<p>TPS has provided the Ministry of Health with a Business Case requesting an additional \$2.1 million for additional growth pressures in 2019. The MOH is looking into the Business Case and is expected to respond shortly.</p>										