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IMPACT OF PREMIER'S ANNOUNCEMENT OF UPLOADING ONTARIO DISABILITY SUPPORT PROGRAM AND ONTARIO DRUG BENEFIT COSTS

The Finance and Administration Committee recommends the adoption of recommendation 1 contained in the following report, August 22, 2007, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that

1. Council receive this report for information.
2. The 2008 budget for this program be prepared based upon this announcement.

2. PURPOSE

This report will provide an estimate of the impact for York Region of the Premier's announcement of the uploading of Ontario Drug Benefits and Ontario Disability Support Program over the four year 2008 to 2011. The report also illustrates the timing of the changes which will provide financial benefit primarily in 2010 and 2011.

3. BACKGROUND

In 1998, as part of local services realignment, the Province downloaded onto municipalities the financial responsibility of paying 20 per cent of Ontario Disability Support Program (ODSP) and Ontario Drug Benefits (ODB) costs and 50 per cent of the Ontario Disability Support Program administration costs, with the province paying the rest.

The cost to York Region for these Provincial income redistribution programs has grown by 41 per cent since 2003 for York Region an annual increase averaging over 10%.

On August 20, 2007 Ontario Premier Dalton McGuinty announced that the Ontario government will move to upload responsibility for 100 per cent of these costs over the period 2008 to 2011.

Beginning in 2008, the Province will upload Ontario Drug Benefits and then begin uploading Ontario Disability Support Program in 2009. The following table shows the staging of the upload.

Four Year Upload of ODB and ODSP

	Current Provincial Cost Shares	<i>New Provincial Cost Shares</i>			
		2008	2009	2010	2011
Ontario Drug Benefits	80% 	100%	100%	100%	100%
Ontario Disability Support Program Administration Component	50% 	100%	100%	100%	100%
Ontario Disability Support Program Benefits Component	80% 	90% 	100%	100%	100%

4. ANALYSIS AND OPTIONS

The staging, as outlined above, means that the Region will continue to be subject to budget pressures related to Ontario Disability Support Program support payments until 2010. These payments have been increasing at an average rate of 10% per year and will continue to be a budgetary concern for the next 3 years.

4.1 Financial Benefit to York Primarily in 2010 and 2011

The staging of the upload means that the most significant financial benefits for the Region will not be received until 2010 and 2011. Based on the Premier's announcement together with a projection of increased program costs based on historical experience, the following chart illustrates the budget forecast for this program over the next four years.

	2007 Budget	2008	2009	2010	2011
Ontario Drug Benefits	\$4,557,900	\$0	\$0	\$0	\$0
ODSP Administration	2,739,500	2,997,400	0	0	0
ODSP Benefits	15,149,200	18,136,900	19,950,600	10,972,800	0
Total	22, 446,600	21,134,300	19,950,600	10,972,800	0
Annual Budget change		(1,312,200)	(1,183,700)	(8,977,800)	(10,972,800)

The proposed uploading has not received legislature approval and given the upcoming election could be subject to change. Given recent announcements by all three parties supporting improved municipal funding, it would be expected that this initiative would be honoured as part of what is hopefully the start of a series of changes that will remove the financial burden of provincially mandated programs from property tax.

4.2 Provincial- Municipal Review in Progress

On August 14, 2006, Premier McGuinty announced that the government and the municipal sector would conduct a wide-ranging joint review aimed at improving the delivery and funding of municipal services in Ontario. This review known as the Provincial-Municipal Fiscal and Service Delivery Review is underway and is discussing

infrastructure, economic competitiveness, improving service delivery, enhanced accountability and the fiscal architecture supporting both levels of government.

The Association of Municipalities of Ontario (AMO) has been campaigning for removal of property tax funding for provincial programs and provincial services which are estimated at over \$3 billion. There is a growing recognition across the province that the existing provincial-municipal fiscal relationship is unsustainable and damaging to Ontario's communities.

Leading academics, financial industry economists, public policy research institutes, municipal governments and property tax payers agree that Ontario's unique situation of requiring municipalities to subsidize provincial programs and provincial services is not good public policy and it is not economically sustainable.

As a partner in the Provincial-Municipal Fiscal and Service Delivery Review AMO, through its' representatives on the study, is pursuing this issue.

4.3 Total Program Costs for Those Programs Under Review

The following chart provides details on York Region's 2007 budgeted funding of programs that the AMO has identified in their campaign:

	Gross Expenditure	Net Tax Requirement
	\$000's	\$000's
Employment and Financial Assistance	65,015	21,016
Housing Services	52,290	33,869
ODSP/ODB	22,447	22,447
GTA Pooling	79,500	79,500
Family and Children Services	52,204	10,415
Public Health	43,577	8,948
Emergency Medical Services	34,481	18,424
Long Term Care	28,440	9,159
Total	377,954	203,778

The net tax requirement for these services represents 32% of the total tax requirement for York Region.

As can be seen in the above table, the programs announced to be uploaded represent approximately 11% of the total services that AMO wishes to review.

5. FINANCIAL IMPLICATIONS

The change in funding responsibility has not been passed in the legislature and given the upcoming election could be subject to change.

If approved, the announcement will result in operating budget reductions over the next four years as follows:

2008	\$1,312,300
2009	\$1,183,700
2010	\$8,977,800
2011	\$10,972,800

The above amounts will vary each year depending on the increases in costs that are billed from the Province for these services over each of the years.

6. LOCAL MUNICIPAL IMPACT

These services are paid by the Region and the change will have no impact on the local municipalities.

7. CONCLUSION

The Premier's announcement of the uploading of Ontario Drug Benefits and Ontario Disability Support Program will have a positive financial impact on the Region over the next four years with the major financial benefit received in 2010 and 2011. In 2008 and 2009 the impacts are much less significant but will eliminate the budget increases that would normally occur for these programs.