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2003 PROJECTED OVEREXPENDITURE FOR PROVINCIAL ONTARIO DISABILITY SUPPORT PROGRAM (ODSP) COSTS

The Community Services and Housing Committee recommends the adoption of the recommendations contained in the following report, October 2, 2003, from the Commissioner of Community Services and Housing with the addition of Recommendation No. 2 as follows:

> **2. That the Regional Chair write to the Minister of Community, Family and Children's Services regarding the process in place to advise the Region of such overexpenditures.**

1. RECOMMENDATIONS

It is recommended that:

1. This report be received for information purposes.

2. PURPOSE

This report provides information regarding a $2.6 million estimated over-expenditure in the Region's share of the Provincial Ontario Disability Support (ODSP) program costs resulting from a lack of Provincial information, erratic billings, and retroactive adjustments.

3. BACKGROUND

Since 1998, and as part of the Province's downloading, the Region cost shares 50% of the Province's administration costs, and 20% of its allowances, benefits and drug costs for the provincially delivered ODSP and 20% of the drug costs for Ontario Works (OW) clients within York Region. The 2003 Budget included $14,027,256 for these costs.

The Province bills the Region monthly for these costs and withholds subsidy cash flow to the extent possible to cover these costs. The invoices are based on monthly estimates which are "trued up" at a later date.

4. ANALYSIS AND OPTIONS

Since the introduction of the Provincial OW technology (Service Delivery Model Technology or SDMT) in 2002, invoicing became erratic, "truing up" of estimates became less frequent and in 2003, the Region received retroactive billings for 2002 resulting in several in-year adjustments.

By December 2002, the province had only invoiced for 9 months in 2002 and regional staff made an adjustment for $2.9 Million for estimated costs covering 3 months of invoices that had not been issued by the Province.

Table 1 illustrates the current 2003 projection prepared by staff as compared to the 2003 Budget. The projection includes the additional 2002 retroactive adjustments and forecast expenditures for 2003.

Table 1
Comparison of 2003 Estimate vs 2003 Budget

Expenditures	2003 Estimate*	2003 Budget	Estimated Variance
ODSP Allowances	11,173,153	9,267,668	(1,905,485)
ODSP & OW Drug Benefits	2,866,102	1,994,102	(872,000)
Other Benefits ODSP and OW	460,744	460,744	0
Provincial Administration	2,164,257	2,304,742	140,485
	16,664,256	14,027,256	(2,637,000)

*The 2003 Estimate includes:

- Adjustments based on actual billings or expected billings from the province totalling $1,034,000 **related to 2002.** This is in addition to the $2.9 Million estimated by regional staff at year end 2002.

- Projected over-expenditures of $1,603,000 **related to 2003**.

The Province is erratic with its billings, late in its reconciliation (truing up), and is not forthcoming with the financial data to assist regional staff in preparing its budgets. As a result:

- The Province has still not confirmed that the 2002 adjustments advised to date will be the final adjustments to be processed.
- The “truing up” adjustment for ODSP Allowances related to July 2002 is still outstanding. The impact has been included in the projected costs estimated by staff.
- The province has not yet processed adjustments to “true up” 2002 Provincial Administration costs.
- As of September, the 2003 billings have been primarily based provincial estimates with only three months of 2003 actual ODSP allowance costs available. Additionally, no actual costs in 2003 are available for the Drug Benefits and Provincial administration costs.

The Province does not provide annual forecasts related to these costs to the Region. Community Services and Housing Department staff develop the budget and estimates based on their best analysis of historical costs available and inflation increases forecast by the Region.

These costs are also part of the Region's municipal costs as it relates to the Greater Toronto Area (GTA) equalization formula for social assistance. The Province also invoices monthly for York Region's estimated share of the GTA equalization adjustment. York Region could potentially experience an even greater impact once the GTA pooling formula is applied. This impact cannot be estimated without further details, related to actual costs, for 2002 for all of the GTA municipalities. Typically, the time delay for provincial staff to process adjustments to GTA equalization costs are even greater. York Region received its fourth adjustment to actual for GTA equalization costs for 2001 in July of 2003.

5. FINANCIAL IMPLICATIONS

The Community Services and Housing Department is projecting a $2.6 million over-expenditure in this program area for 2003. Projected year-end favourable operating variances from the Family and Children's Services Division and Housing and Residential Services Division may be used to mitigate the effect of this over-expenditure.

The 2004 Budget for the Region should be prepared on a conservative basis in order to minimize the potential for future over-expenditures in this program area.

6. LOCAL MUNICIPAL IMPACT

There is no direct municipal impact of this report in 2003; however, it should be anticipated that the Region's 2004 Budget estimates will incorporate an increase related to the recent trend of these costs invoiced to the Region.

7. CONCLUSION

With a lack of data from the Province and an erratic billing pattern, the Community Services and Housing Department established a 2003 Budget based on historical costs available. Unanticipated increases in actual costs in 2003, combined with retroactive Provincial billings, have resulted in billings that are greater than our budgeted costs and has led to this projection of a $2.6 million over-expenditure in 2003 for this program area. Savings within the division have reduced this overall impact by $100K by year-end to $2.5million.

Provincial ODSP allowances and benefits, drug benefits and provincial administration costs are uncontrollable by the Region and, with no data support and erratic billing from the Province, budgeting for these costs will continue to prove difficult.

The Senior Management Group has reviewed this report.

(A copy of the attachment referred to in the foregoing was forwarded to each Member of Council with the October 8, 2003 Community Services and Housing Committee Revised Agenda and a copy thereof is on file in the Office of the Regional Clerk.)