

Report To:	Regional Chair and Members of Regional Council
From:	Jane MacCaskill, Chief Administrative Officer
Date:	May 22, 2019
Report No. - Re:	CA-08-19 - 2019 Provincial Budget Update

RECOMMENDATION

THAT Report No. CA-08-19 re: "2019 Provincial Budget Update" be received for information.

REPORT

Executive Summary

- On April 11, 2019, the Provincial Government delivered the 2019 Provincial budget, which includes funding and program changes for municipalities, particularly in the areas of public health, paramedic services, social services and employment services.
- Following the delivery of the budget 2019, a number of additional announcements were made by the Provincial Government which provide some additional information regarding impacts to Halton.
- Cost sharing reductions were also announced for agencies who receive transfer payments including Conservation Authorities.
- Many details regarding these announcements remain unknown at this time.

Background

2019 Provincial Budget

On February 26, 2019, the Provincial Government introduced its 2019 budget, *Ontario's Plan to Protect What Matters Most*. The budget was focused on cost reductions and governance and structural changes in a number of areas. As per the memo to Council on April 18, 2019, the changes affecting municipalities include:

- adjusting provincial-municipal cost sharing of public health funding
- establishing 10 public health entities and 10 new autonomous boards of health with one common governance model by 2021
- integrating Paramedic Services and 22 provincial dispatch communication centres
- integrating social assistance employment services into Employment Ontario
- reducing the children's, housing and social services sector spending from \$17B in 2018-19 to \$16B in 2021-2022

Discussion

Since the delivery of the 2019 budget, there have been a number of subsequent announcements and developments from the Provincial Government that impact Regional services. While some of these announcements result in immediate changes and financial implications, they are lacking detail and implementation specifics.

Public Health

On April 18, Chairs of Boards of Health and Medical Officers of Health were notified of financial impacts that would begin immediately. The Provincial Government will be reducing the current cost-sharing arrangement over three years, effective April 1, 2019.

The following changes to provincial-municipal cost sharing have been announced:

- 2019-20*– 60:40 for Toronto; 70:30 for all other public health units *As of April 1, 2019
- 2020-21 - 60:40 for Toronto; 70:30 for other public health units
- 2021-22 - 50:50 for Toronto
 - 60:40 for 6 regions with population greater than 1 million
 - 70:30 for 3 regions with a population less than 1 million (10 regional entities).

The funding reductions are for all provincial cost-shared programs delivered by public health, including those that are currently 100% provincially funded and 75:25 cost-shared.

As a result of the reduction in funding from the Provincial Government, Halton Region will experience an estimated impact of \$1.5 million in 2019, with the assumption that the changes to the funding reductions are effective April 1, 2019, and not retroactive to January 1, 2019. Staff will look for opportunities to mitigate this variance, and will report back with updates through the variance reports. In 2020, the annualized impact of the funding reduction to 70% is \$2.0 million, and the reduction of the provincial share to 60% in 2021-22 would result in a further estimated \$2.7 million impact. The full impact of the reduction to a 60% cost share is approximately \$4.7 million per year from the current level of funding. This would equate to an overall property tax increase of 1.8%.

The Provincial Government is encouraging public health units to look for administrative efficiencies, rather than front-line cuts. They have however indicated they will consider

one-time funding to help mitigate impacts and consider a waiver of Ontario Public Health Standards expectations on a board-by-board basis. It is unclear which standards can be waived as no specific direction has been provided by the MOHLTC.

Staff are reviewing programs and budgets to identify strategies to mitigate the impacts of the funding reductions for 2019.

Also announced on April 18th was that the structure and governance model of existing Boards of Health will change to 10 autonomous agencies. It should be noted that details of these changes including the governance of the 10 agencies is still unknown. It is expected that municipalities, through property taxes will be expected to fund public health.

Halton's current governance model of being imbedded in the municipality has proven to be very effective. Halton delivers high quality programs to residents in a cost effective manner. Halton Region Public Health has strong relationships with the region's local hospitals, school boards, and provides a community and patient centric approach resulting in accountability and transparency. Staff will continue to monitor this issue and work with AMO and other partners such as the Association of Local Public Health Agencies (alPHA) to promote the interests of Halton residents.

Paramedic Services

On April 15, the Provincial Government indicated that it will be restructuring the existing 52 municipal paramedic services to 10 services. No additional information has been made available as this time.

Paramedic services were downloaded from the Provincial Government to the Region in 1999. Since that time, the Region has made significant investments and service level improvements. Halton Paramedic Services provide high quality and valuable services.

The Ministry of Health and Long-Term Care has committed to consult municipal partners, including AMO, as they undertake the proposed restructuring of paramedic services. Regional staff will continue to monitor and advocate on this issue to promote the interests of the people of Halton.

Children's Services

Halton Region and other service system managers for early years and child care have received formal notification from the Ministry of Education of a reduction in funding in 2019, as well as changes to cost sharing arrangements and administration funding. Beginning in April 2019, all service system managers will be required to cost-share the operating portion of Child Care Expansion Plan funding (previously 100% Provincial) by contributing 20% municipal funding. In addition, as of April 2019, the Provincial Government has directed cost sharing for all early years and child care administration funding (50/50 cost share). This is consistent with historical child care administration funding, but all new administration funding has been 100% Provincial up until now.

Additionally, allowable administration funding has been reduced from 10% to 5%, and will now be cost-shared.

Overall, there is a reduction of \$2.4 million from the 2018 funding allocation. The majority of this decrease relates a decrease of \$2.3 million in fee stabilization funding related to wage grants for providers. Of the \$3.1 million available in stabilization funding for 2018, \$2.3 million was paid out as a one-time rebate to parents of children at licensed child care centres. Halton has been advised that this funding has not been continued for 2019 beyond the first quarter. Halton did not expect or budget for the \$2.3 million in fee stabilization funding, minimizing the budget impact in Halton. Fee stabilization funding in the amount of \$765,000 for the period of January – March 2019 will not continue in 2020.

Currently, the Region contributes \$8.3 million for early years and child care, which is \$4.8 million above the 2018 legislated requirement of \$3.5 million. The changes to the cost-sharing requirements will result in an estimated \$2.0 million increase in the legislated Regional contribution. Due to the Region's continued investment in early years and child care above the legislated amount to meet the needs of the community, it is expected that the Region can re-allocate the additional Regional contribution between programs to meet the new legislative requirements, mitigating the impact of the increased legislated Regional contribution. The full funding guidelines still need to be received before the impacts can be confirmed.

Due to the Region's conservative approach in the 2019 budget, the impacts of the funding reductions and changes to cost sharing and administrative funding have been mitigated, resulting in a projected variance of \$993,000 compared to the 2019 budget. Reductions are planned to the Wage Enhancement Grant and Fee Subsidy to align with available funding. Based on historical spending and community need, it is anticipated that service levels will not be significantly impacted.

Employment and Social Services

The Provincial Government announced that it will be integrating its social assistance employment services into Employment Ontario to create more streamlined supports that are locally delivered and focused on improving outcomes for all job seekers. Through a competitive process open to any public, not-for-profit or private sector organization, service system managers will be selected to deliver the Employment Ontario programs. Our understanding is that changes to Ontario's employment services will be implemented gradually, over several years, starting with three prototypes in the fall of 2019. The Provincial Government is scheduling vendor engagements to provide organizations interested in bidding for the role of service system manager with information about the government's plans for the transformation and more details about the preliminary operating model. Regional staff will monitor and develop recommendations regarding the Regions role in employment services. The Region is currently funded by the Provincial Ministry of Training, Colleges and Universities (MTCU) to deliver a suite of employment programs. The impact of the transition to local systems managers for employment services is not yet known.

In addition to the employment services transformation, the Provincial Government has reiterated its commitment to social assistance reform and modernization including: achieving better outcomes for clients; reducing costs and administrative burden; and, ensuring programs are more accountable to the people of Ontario. Changes to the provincially funded and delivered Ontario Disability Support Program (ODSP) have also been announced which may result in fewer people qualifying for ODSP and therefore requiring Ontario Works Assistance.

Funding allocations for employment services for the fiscal year 2019 – 2020 have been provided by the MTCU. In addition to a 5% reduction in Halton's administration allocation, the Employing Youth Talent and Youth Job Link programs have been eliminated resulting in a total estimated reduction of \$83,000. It's anticipated that this decrease can be managed within existing approved Regional budgets. Funding allocations for administration of the Ontario Works program are expected to be provided by the Ministry of Children, Community and Social Services within the next few weeks. While funding allocations for this year are expected to remain consistent with last year's funding levels, administrative decreases are anticipated in future years.

Housing

Regional staff have been notified that the Community Homelessness Prevention Initiative (CHPI) has been frozen at the fiscal 2018/2019 funding level of \$5.8 million. This allocation represents a decrease from the expected \$755,000 enhancement that was to begin April 1, 2019 to March 31, 2020 and reflected into the 2019 Regional Budget and Business Plan. This results in a \$566,000 negative variance for calendar year 2019. Regional staff are investigating a potential mitigation strategy to limit impact on clients. Since the budget, the Province has signaled a notional allocation enhancement of \$755,00 for provincial fiscal year 2020/2021 which will need to be confirmed as part of the 2020 Provincial Budget process.

Two new housing funding allocations announced in the 2019 Provincial budget include \$2.8 million in funding in Halton. The Canada-Ontario Community Housing Initiative (COCHI) is a new allocation for which Halton Region will receive \$191,000 in 2019. This funding can be used to repair, regenerate and expand community housing providers whose original program agreements are expiring. The Ontario Priorities Housing Initiative (OPHI) is a new allocation for which Halton Region will receive \$2.6 million in 2019. This is a successor program to the current Investment in Affordable Housing-Extension (IAH-E) which ends March 2020. This flexible funding will allow Halton Region to address local housing priorities in the areas of housing supply and affordability. Regional staff are awaiting program guidelines associated with this new housing funding and will report back to Regional Council with more information when made available.

Conservation Authorities

Conservation Authorities were notified on April 12, 2019 that \$3.7 million (50%) is to be cut from the annual \$7.4 million transfer payment for the Flood and Erosion Operations and Natural Hazard Prevention program this year, which will have in-year financial impact on conservation authorities. The program protects life and property from natural hazards, such as flooding and erosion. This reduction in funding is an outcome of the provincial multi-year line by line financial review and was identified as administrative savings. As a result, the following represents the loss of funding on Halton's local Conservation Authorities:

- Conservation Halton: \$145,277
- Credit Valley Conservation: \$89,589
- Grand River Conservation: \$421,385

In addition, the Ministry of Natural Resources and Forestry (MNRF) is consulting on a proposal to streamline and focus conservation authorities' role in development permitting and municipal plan review. This consultation is open until May 21, 2019.

Conclusion

Halton Region with its four Local Municipalities is an effective two-tier government recognized for its strong financial position, safe communities, natural environment, progressive approach to urban development and reliable and citizen focused services. Halton continuously strives to ensure services are delivered in the most cost effective manner while meeting the needs of our residents.

Staff will continue to update Council on the implementation and impacts of these announcements as details become available.

FINANCIAL/PROGRAM IMPLICATIONS

While there are a number of financial implications associated with these announcements, staff await further details in order to confirm financial and program implications.

As shown in Table 1 below, at this time, staff are estimating an operating impact of \$3.1 million in 2019 resulting from changes known to date as a result of the Provincial budget. Staff will continue to report back to Council as further details become available.

The additional funding announced for Housing of \$2.8 million for 2019 are detailed in Table 2. Staff will report back to Council once the funding guidelines are received with a plan to utilize this new funding.

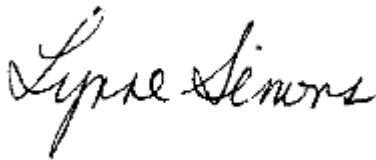
Table 1

Provincial Budget Subsidy Impacts			
(\$000s)	2019 Approved Budget	2019 Funding	Variance 2019 Budget - 2019 Funding
Public Health	\$ 20,964	\$ 19,488	\$ (1,476)
Children's Services	55,177	54,183	(993)
Housing - Community Homelessness Prevention Initiative	6,366	5,800	(566)
Employment & Social Services - Employment Programs	808	725	(83)
Total			\$ (3,118)

Table 2

Additional Housing Impacts			
	2019 Approved Budget	2019 Funding	Variance 2019 Budget - 2019 Funding
Investment in Affordable Housing - Expansion	\$ 2,128	\$ 2,128	\$ -
Ontario Priorities Housing Initiative (OPHI)	-	2,564	2,564
Canada-Ontario Community Housing Initiative (COCHI)	-	191	191
	\$ 2,128	\$ 4,883	\$ 2,755

Respectfully submitted,



Lynne Simons
Director, Policy Integration &
Communications

Approved by



Jane MacCaskill
Chief Administrative Officer

If you have any questions on the content of this report,
please contact:

Lynne Simons

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Attachments: None



CAO's Office
MEMORANDUM
Administration

TO: Regional Chair and Members of Regional Council

FROM: Jane MacCaskill, Chief Administrative Officer

DATE: May 22, 2019

RE: **Update on Report No. CA-08-19 - 2019 Provincial Budget Update**

This memo is to provide Council with an update on Report No. CA-08-19 – 2019 Provincial Budget Update. Following the printing of this report, a number of additional announcements were made by the Provincial Government which provide some additional information regarding impacts to Halton. However, many details surrounding these announcements still remain unknown at this time.

Public Health

It had been announced that provincial funding for the year starting April 1, 2019 would be reduced from 75% to 70% for Public Health. It has now been clarified that the Ministry has taken into consideration that the Region of Halton has for many years contributed more than 25% for the cost-shared programs, and as such, there is no reduction anticipated to the funding included in the 2019 budget. The Province however continues to signal that there will be further public health budget reductions in future years.

Staff also received notification that Halton would receive an estimated \$1.2 million in new funding for low-income seniors' dental treatment. Confirmation of funding, and further details are anticipated once funding letters are received in the next few weeks.

Paramedic Services

Regional staff have received the 2019/20 budget allocation for Paramedic Services which indicated that the funding amount has been held at the 2018/19 level. This has resulted in a funding shortfall of \$1.8 million in the 2019 budget. The intended Provincial funding contribution is 50 per cent of costs deemed eligible for Provincial funding, however, the Provincial funding has not kept pace with the increased costs and program needs in Halton's growing community. With the level of funding provided by the Province, the Provincial cost-share is now projected to be 43 per cent of program costs.

Employment & Social Services

The Ontario Works benefits are funded 100% by the Province, however the cost of administration is cost-shared. The 2019/20 program delivery funding notification was received for the Ontario Works Cost of Administration and Employment Assistance funding. Compared to the 2019 budget, there is an impact projected of \$105,000 mainly due to the per case subsidy funding being held at the 2018 level. There is the possibility of funding reductions in future years if outcome targets are not met.

Funding adjustments identified in CA-08-19 for Children's Services, Housing, and Employment Programs remain unchanged.

Please find a summary of the updated projected financial implications in the table below. Staff are projecting an estimated operating impact of \$3.5 million in 2019 resulting from changes known to date as a result of the Provincial budget.

Provincial Budget Subsidy Impacts			
(\$000s)	2019 Approved Budget	2019 Funding	Variance 2019 Budget - 2019 Funding
Public Health	20,964	20,971	7
Paramedic Services	18,903	17,138	(1,765)
Children's Services	55,177	54,183	(993)
Housing - Community Homelessness Prevention Initiative	6,366	5,800	(566)
Employment & Social Services			
MTCU - Employment Programs	808	725	(83)
MCSS - Ontario Works Cost of Admin & Employment Assistance	4,853	4,748	(105)
Sub-total Employment & Social Services	5,662	5,473	(188)
Total			\$ (3,506)

Please find an updated summary of the new funding allocations, including the new funding for low-income seniors' dental services, in the table below.

New Funding Allocations			
	2019 Approved Budget	2019 Funding	Variance 2019 Budget - 2019 Funding
Investment in Affordable Housing - Expansion	\$ 2,128	\$ 2,128	\$ -
Ontario Priorities Housing Initiative (OPHI)	-	2,564	2,564
Canada-Ontario Community Housing Initiative (COCHI)	-	191	191
Public Health - Seniors Low-Income Dental Services	-	1,200	1,200
	\$ 2,128	\$ 6,083	\$ 3,955



Jane MacCaskill
Chief Administrative Officer