

REGIONAL MUNICIPALITY OF OTTAWA CARLETON
 MUNICIPALITÉ RÉGIONALE D'OTTAWA CARLETON

REPORT
RAPPORT

Our File/N/Réf.
 Your File/V/Réf.

DATE 22 January 1997

TO/DEST. Regional Clerk

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **IMPACT OF PROVINCIAL ANNOUNCEMENTS**

DEPARTMENTAL RECOMMENDATION

That Council receive this report for information.

PURPOSE

The purpose of this report is to provide information regarding the recent announcements made by the Provincial Government dealing with the transfer of service responsibilities and funding. These transfers are expected to be effective January 1, 1998.

DISCUSSION

With information obtained to date, it is estimated that between \$120-\$160 million in taxation requirements have been shifted to the Ottawa-Carleton property tax base. A summary of the estimated shifts in taxation related to each program is contained in Annex A.

Transferred to Province

Education Residential Property Taxes

Residential property taxes will no longer be levied for school board purposes. In 1996, **\$392.9 million** was levied against rateable residential assessment for this purpose in Ottawa-Carleton.

Children's Aid Society

The Province will be removing the requirement for regional property taxpayers to fund a share of the costs of the Children's Aid Society. In 1996, regional taxpayers were taxed for **\$6.8 million** for this purpose.

Gross Receipts Tax Revenue

Under current legislation, telephone companies currently pay municipalities payments-in-lieu of taxation that are calculated as a percentage of gross receipts (phone bills) in that community. In Ottawa-Carleton these payments totalled **\$15.6 million** in 1996. These payments will now be made to the Province.

Transferred to Property Taxes

Property Assessment

The Province has stated that municipalities will now be responsible for managing and funding the property assessment function. The 1996 operating budget for the regional assessment office is approximately \$4.2 million. It is difficult to estimate the actual cost of this service for Ottawa-Carleton since the regional office services a geographic area larger than Ottawa-Carleton and because this budget does not include central office costs. For the purpose of this report, the future cost of this program is estimated to be **\$8 million**. Regional property taxpayers will now be responsible for this funding requirement.

Social Housing

The Province has stated that municipalities will now be responsible for managing and funding social housing programs. It is not yet known what the gross cost of social housing is in Ottawa-Carleton. The Province has estimated that net provincial funding of these programs (after rental income) in Ottawa-Carleton is \$110 million per year. Of this amount, approximately \$40 million is funded by the Federal Government. It is unclear how this federal funding may be affected by the transfer of the service and funding responsibility. As a consequence, for the purpose of this report, the future net cost of this program is estimated to be in the range of **\$70 to \$110 million**. Regional property taxpayers will now be responsible for this net funding requirement.

Public Transit

The Ottawa-Carleton Transit Commission (OC Transpo) will continue to be responsible for providing public transit and para transit services in Ottawa-Carleton. Regional property taxpayers will now fund the entire net cost of these programs (after fare box revenues). This represents an increase of **\$28.6 million** over the current property tax share for the operating requirements of these programs. In addition, OC Transpo and the Region may lose provincial subsidy on OC Transpo and Transitway capital expenditures. It is uncertain, at this time, how the announcements will effect the respective long range capital plans. For the purposes of this report, the loss of provincial capital subsidy is estimated to be **\$25 million** on an annualized basis. This will be funded by Regional property taxpayers in the future.

Community Libraries

Public Libraries are currently managed by community boards that receive operating subsidies from the Province. These subsidies are to be eliminated. In 1995, the latest year for which statistics are available, public libraries spent \$24.5 million and received provincial subsidies of **\$2.1 million**.

Community Public Health

The Region will continue to be responsible for managing the Public Health Program in Ottawa-Carleton with the exception of a number of communicable disease programs. The 1996 Budget for the Public Health Program is \$22.5 million. Regional property taxpayers will now fund the entire cost of this program. This represents an increase of **\$14.1 million** over the current property tax share for this program. Annex C provides supplementary information.

Community Ambulance

Municipalities will now be responsible for managing ambulance services in Ottawa-Carleton. The Province provided an estimated **\$10.6 million** in funding to these programs in Ottawa-Carleton in 1996. Regional taxpayers will now fund the entire cost of this program

Homes for The Aged

The Region will continue to be responsible for managing the Homes for The Aged but will now share the net cost of the program equally with the Province. The 1996 Budget for the Regional Homes for The Aged is \$29.9 million. It is estimated that regional property tax payers will provide \$10.6 million in funding to this program in the future. This represents an increase of **\$3.0 million** over the current property tax share for this program. Annex D provides supplementary information.

Highway Transfers

The Province has indicated that they will be transferring to municipalities provincial highways that provide primarily for local needs. The Province has not yet announced which highways will be transferred in Ottawa-Carleton. The Environment and Transportation Department has prepared an analysis of the potential cost of highway transfers including annual maintenance, annualized capital and policing costs. The estimates and assumptions are detailed on Annex E and indicate the potential for an increased property tax requirement of **\$8.7 million**.

Provincial Offence Notices Revenues

Municipalities will now receive the fine revenues collected from Provincial Offence Notices. Their value in Ottawa-Carleton in 1996 is estimated to be **\$3.0 million** net of collection costs.

Social Assistance Program

The Region will be responsible for administering the new Ontario Works Program which includes General Welfare Assistance, Family Benefits Allowance and other Community and Residential Programs. The Province will administer the Income Support Program for people with disabilities. These programs had an estimated total cost in Ottawa-Carleton of \$505 million in 1996. It is estimated that regional property taxpayers will provide \$260 million in funding to these programs under the new arrangement. This represents an increase of **\$195 million** over the current property tax share for social service programs. Annex B provides a detailed breakdown of the program costs and funding assumptions.

Child Care Services

The Region will continue to be responsible for managing the Child Care Program but will now share the cost of the program equally with the Province. This program had a 1996 Budget of \$49.2 million. It is estimated that regional property taxpayers will provide \$31 million in funding to this program under the new arrangement. This represents an increase of **\$19.3 million** over the current property tax share for Child Care. Annex C provides supplementary information.

Long Term Health Care

Regional property taxpayers will now be responsible for funding half the cost of long term health care in Ottawa-Carleton. There are two major program groups under this umbrella. Regional property taxpayers will now be responsible for funding half the costs of the Community Care Access Centre which is expected to have an annual operating budget of approximately \$77.6 million. It is estimated that regional property taxpayers will provide **\$38 million** in funding to this program under the new arrangement. In addition, regional property taxpayers will now be responsible for funding half of the costs of long term care facilities in Ottawa-Carleton. The Province provided an estimated \$38 million in funding to these facilities in 1996. It is estimated that regional property tax payers will provide **\$19 million** in funding to this program under the new arrangement. Annex D provides supplementary information from the Ministry of Health.

Drug Benefit Plan

Through recent discussions with the staff of the Ministry of Community and Social Services, it appears that Regional taxpayers will be required to fund half the cost of the provincial Drug Benefit Plan in Ottawa-Carleton. The actual cost of this program in Ottawa-Carleton is unknown at this time. For the purpose of this report, the Social Services Department has prepared an estimate based on an assumed average cost per welfare case of \$1,200 per year. This would generate a cost of approximately \$60 million per year in Ottawa-Carleton. The regional taxpayer would fund **\$30.0 million** of this cost in the future. It should be noted that this estimate is for discussion purposes only.

Other

Ontario Municipal Support Program (OMSP)

Effective January 1, 1998, the Province will be discontinuing the OMSP block funding. The Province will provide **\$35.2 million** to Ottawa-Carleton municipalities in 1997.

Fuel Tax Revenues

In one of last week's press releases, it was indicated that municipalities would be able to share in fuel tax revenues. This now appears to be uncertain. Until more information is received regarding this issue, a value for this potential revenue source cannot be included in this analysis.

Integration of Farm and Other Rebates to Local Taxes

Currently the Province pays property tax rebates to property taxpayers for agricultural lands that are being farmed. The rebates can be as much as 80% of the property taxes paid. The recent announcements will institute a new mill rate for agricultural properties that will be 25% of the residential mill rate. In addition, the property tax rebate program will be discontinued. The effect of these changes is to shift the cost of the rebates to regional property taxpayers. The total value of these rebates in Ottawa-Carleton in 1996 is unknown at this time.

Community Reinvestment Strategy

Along with the announced transfer of service and funding responsibilities, the Province announced the introduction of a Community Reinvestment Strategy which, according to the Province, will ensure that all municipalities deliver quality services at a lower cost to taxpayers. The strategy is expected to have three parts: an ongoing \$1 billion fund to meet special community needs; a Municipal Capital and Operating Restructuring Fund (\$250 million per year for four years) to assist with transition costs; and a Municipal Social Assistance Reserve (\$700 million) to assist municipalities experiencing unforeseen local economic circumstances. Details of the Community Reinvestment Strategy are not currently available. The Province states that details will be worked out in consultation with municipalities. As a result, it is far too early to forecast what, if any, access Ottawa-Carleton may have to funding. What is clear, however, is that any funding received would be of a one-time or transitional nature.

approved by
J.C. LeBelle

ANNEX A

ESTIMATED SHIFTS IN TAXATION TO OTTAWA-CARLETON (\$M)

PROGRAM	Net Increase/(Decrease)
Transferred to Province	
Education Residential Tax Burden Removed	(392.9)
Children's Aid Society	(6.8)
Gross Receipts Tax Revenues	15.6
Transferred to Property Taxes	
Programs to be Under Municipal Control and Management	
Property Assessment	8.0
Social Housing	70.0-110.0
Public Transit - Operating	28.6
- Capital	25.0
Community Libraries	2.1
Community Public Health	14.1
Community Ambulance	10.6
Homes for the Aged	3.0
Highway Transfers	8.7
Provincial Offence Notices Revenues	(3.0)
Programs to be Cost-Shared with Province	
Social Assistance Program	195.0
Child Care Services	19.3
Community Care Access Centre	38.0
Long Term Care Facilities	19.0
Drug Benefit Plan	30.0
Other	
Ontario Municipal Support Grants Discontinued	35.2
Fuel Tax Revenues	(Unknown)
Integration of Farm Tax Rebate & Other Rebates to Local Taxes	(Unknown)
Community Reinvestment Strategy	(Unknown)
NET INCREASE TO OTTAWA-CARLETON (Excluding impact of unknown factors)	119.5-159.5