

## “Honey I shrunk the Poverty Strategy”

### How the City of Toronto Budget took a \$25 million welfare saving and turned it into a \$6 million poverty strategy



The City of Toronto is the silent beneficiary of a gift that keeps on giving.

When Ontario announced that it would take over all of the costs of Ontario Works in 2011, an ongoing windfall to the City of Toronto was established. The windfall is directly related to the costs of welfare for the poorest of all Torontonians.

The long term municipal share of welfare allowances (called OW - short for Ontario Works) has been 20%.

In 1956, Ontario raised its cost sharing from 50% to 60 %; and by 1957, it was raised to 80%, a bedrock amount established in the General Welfare Assistance (GWA) legislation of 1958.

For the next 54 years, the municipal share of what is now called Ontario Works has generally remained at 20%. But in 2011 as part of the Ontario Municipal Partnership Fund<sup>1</sup>, the government of Ontario agreed to relieve municipalities of these costs over a period of six years, completing what is called the ‘upload’ in 2018 according to the following schedule<sup>2</sup>:

	2012	2013	2014	2015	2016	2017	2018	Ongoing
Municipal/ First Nations Share	17.2%	14.2%	11.4%	8.6%	5.8%	2.8%	0%	0%
Provincial Share	82.8%	85.8%	88.6%	91.4%	94.2%	97.2%	100%	100%

The schedule itself resulted from the Provincial-Municipal Fiscal and Service Delivery Review (PMFSDR).

But unlike other financial deals between governments like the National Child Benefit (NCB) reinvestment fund -where Provinces were obligated to use the NCB clawback to fund programs for low income families with children - the Ontario government neither requested nor

<sup>1</sup> <http://www.fin.gov.on.ca/en/budget/ompf/2011/>

<sup>2</sup> <http://www.mcscs.gov.on.ca/documents/en/mcscs/social/directives/ow/1103.pdf>

stipulated that municipalities should use their windfall savings to improve services or benefits in the area where the savings were made.

Municipalities were simply allowed to pocket the money.

In Toronto, the Budget amount for Ontario Works allowances <sup>3</sup>is approximately **\$920M** meaning that the cost sharing savings for **2016 is 2.8 % of \$920 million or \$25.8Million**

In the simplest possible terms, the City of Toronto is saving \$25.8 million dollars from what is called the provincial ‘upload’ of the cost of the Ontario Works program.

Here is how the City of Toronto describes Ontario Works:

*“Ontario Works provides financial support and employment assistance for people in financial need who meet the eligibility criteria.*

*Financial Assistance may include:*

- *money for food, shelter, clothing and other household costs*
- *a monthly drug benefit card to help pay for medication, and*
- *other [help with health costs](#)”*

The TO Prosperity poverty reduction strategy is committing six million dollars to its poverty reduction strategy.

Six million dollars is equal to less than a quarter of the money saved by the City in the form of reduced payments to people in financial need of food, shelter, clothing and other household requirements.

Put another way, the City of Toronto is pocketing almost \$20 million saved from that portion of the Budget that applies to the neediest people in the city.

In 2017, Toronto stands to save another \$25 Million as Toronto’s share of Ontario Works payments shrinks from 5.6% to 2.8%.

It then pockets another similar amount in 2018 when its funding responsibility shrinks to zero.

All in all, from 2015 to 2018 alone, that’s \$100 million.

The Ontario government should have made it a condition of the ‘upload’ that municipalities spend some if not all of the upload windfall on the programs or the people where the savings were being made. But it did not.

That made it incumbent on municipalities to do the right thing and allocate a significant portion of the windfall to those program and people. That didn’t happen either.

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<sup>3</sup> <http://www.toronto.ca/legdocs/mmis/2015/ex/bgrd/backgroundfile-77441.pdf>

As Toronto moves forward with its poverty reduction strategy, the Ontario government will be putting a lot of money into Toronto's kitty.

For now, it is choosing to spend most of that money in areas other than where it's being saved.

When poverty reduction strategies are put forward, the perennial question is: "where is the money going to come from?"

Well, the simple answer is that the money should come from the significant welfare savings that the City is busy deploying elsewhere.

**Js/Feb.9**