

## Hamilton Chamber of Commerce Long-Term Funding of Social Services Costs

### **Background:**

In 1996 the Conservatives initiated a “Who Does What” panel to begin a complete overhaul in the delivery and funding of government services, which led to significant changes in accountabilities beginning in 1998. Contrary to the advice of the panel, the Province of Ontario completely downloaded funding of social services to municipalities. As was recognized in advance by the “Who Does What” panel, this model of funding is not sustainable in the long term. To our knowledge, Ontario is the only jurisdiction in the entire G8 that expects social services costs to be sustained almost exclusively from property taxes.

This model of funding creates significant challenges for older urban centers in the province. These centers are seeing dramatically increasing demands for social services coupled with the burdens of dealing with aging infrastructure, and pressure to maintain competitive business and residential tax rates. All of this leads to a large imbalance in these municipalities’ budgets.

While several attempts have been made to balance these funding shortfalls through provincial grants or pooling of social services costs with other municipalities, the Chamber views these as interim solutions only. In the face of another economic recession, when there will be increased demand on social services at precisely the same time that business and residents can least afford increased assessments, and municipalities are prohibited from borrowing to fund operating deficits – this could well be a fiscal and social disaster for municipalities across the province.

The only viable long-term solution is to return a significant portion of social services costs to the province to fund.

### **RECOMMENDATIONS:**

The Ontario Chamber of Commerce urges the Government of Ontario to:

Create a task force to make recommendations back to the Ministers of Finance and Municipal Affairs on a formula that will reasonably assure sustained funding of social services costs into the foreseeable future. This formula must ensure financial viability for municipalities, as well as deliver an acceptable level of services to those in social need. The work of such a task force, including any enabling legislation, should be concluded within the next twelve months.