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BUREAU OF MUNICIPAL RESEARCH

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A BULLETIN ISSUED BY THE BUREAU OF MUNICIPAL RESEARCH,
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METRO WELFARE COSTS

HOW EFFECTIVE IS METRO'S WELFARE PROPOSAL? In October of 1962 the Metro Council passed a motion asking the Province to transfer almost all local welfare services from the area municipalities to Metro. This proposal is important because it involves a basic change in the distribution of governmental functions in metropolitan Toronto and because it is seen by many as a step toward total amalgamation. While the issues raised here are directed to the specific welfare proposal, it is worth noting that some of these issues will arise when total amalgamation is discussed. It thus deserves more careful consideration by both the citizens and governors of metropolitan Toronto.

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At the same time, Metro welfare expenditures will rise and all municipalities will have to contribute an increased amount to Metro.

TABLE 2
METRO WELFARE EXPENDITURES

Present Distribution of Services 1961			Proposed Distribution of Services (estimate 1961)		
Net Levy (\$000)	%	Per Capita	Net Levy (\$000)	%	Per Capita
1,937	49	\$2.88	Toronto 3,550	49	\$5.29
2,026	51	2.14	Suburbs 3,710	51	4.08
3,963	100	2.45	Total 7,260	100	4.48

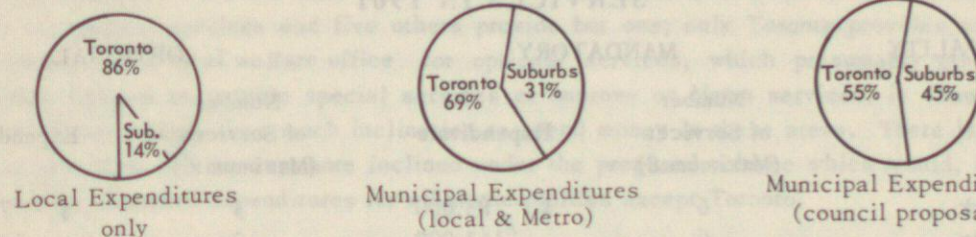
When the above two tables are combined, that is, when both local and Metro welfare expenditures are considered, it is found that the total effect of partial amalgamation of welfare services is a decrease in expenditures in Toronto and an increase in those of the suburbs. This is shown in Table 3.

TABLE 3
MUNICIPAL WELFARE EXPENDITURES

Present Distribution of Services 1961			Proposed Distribution of Services (estimate 1961)		
Net Cost (\$000)	%	Per Capita	Net Cost (\$000)	%	Per Capita
5,900	69	\$8.77	Toronto 4,702	55	\$6.97
2,681	31	2.83	Suburbs 3,879	45	4.12
8,581	100	5.30	Total 8,581	100	5.30

Each step toward greater Metro responsibility for welfare shows this trend. This is because the City of Toronto carries by far the largest local welfare burden both in terms of per capita expenditure and total assessment. In metro Toronto, as in most metropolitan areas, people in need of welfare tend to settle in the central city. It is there that accommodation within their means and other economies are available, as well as welfare services. Thus the effect of transferring some local welfare services to Metro is to redistribute this Toronto burden among all the area municipalities.

TABLE 4
DISTRIBUTION OF NET EXPENDITURES ON WELFARE 1961¹
TORONTO AND SUBURBS



Many welfare services administered at the municipal level are paid for in large part by the Provincial and Federal governments. Grants from these two governments account for approximately 90% of all municipal welfare expenditures in the metropolitan area. These grants are made in a variety of ways, some for specific services, others for the general reduction in municipal welfare costs. In total these grants reduce the amount to be raised by taxation for municipal welfare expenditures in metro Toronto from about \$24 million to \$2 million in 1961.

3. THE PROBLEMS

The Metro proposal presumably was introduced to correct financial inequities in the metropolitan area. These inequities are most apparent when the City of Toronto is compared with the suburbs. Toronto's net welfare expenditure (local and Metro share) in 1961, for example, was \$8.77 per capita while the average for the suburbs was \$2.83². Furthermore, Toronto generally offers a wider range of services and more financial aid than do the suburban municipalities.

In the immediate future the proposed partial amalgamation would reduce welfare expenditures in the City of Toronto by over a million dollars annually (see Table 3). This single fact appears to have taken precedence over all others in the Toronto-dominated Council decision³. The effect of this proposal on the quality of welfare services and their administration has not been thoroughly examined; nor has the oft-repeated claim of financial equity. These matters are the concern of the remainder of this Bulletin.

4. QUALITY AND ADMINISTRATION OF WELFARE SERVICES

Welfare standards are very uneven in Metropolitan Toronto. No matter how convincing the arguments for or against centralizing (or amalgamated) services are, these must eventually be put aside and the effectiveness of the present organization questioned. "Effectiveness" is difficult to measure, but there are some indicators. The number of services provided and the expenditures made by the area municipalities, shown in Table 5 below, suggest a wide variation in standards of service as well as in concentration of people in need. The high cost of welfare in Toronto contrasts sharply with the cost of welfare in many suburbs.

¹ Reduction produced by unconditional grants not included.

² Does not include effect of Unconditional Grants

³ Out of a total of 25, 14 Metro Council members voted for the proposal; these 14 included all the Toronto members (12), the Chairman of the Council and one suburban member.

larger per capita expenditures for municipal services and especially expenditures for welfare, social services and other matters arising from larger concentrations of population"¹. The grants were made "unconditional" to avoid tying too many strings to their use.

The unconditional nature of the grants, however, has sometimes made it difficult to determine their exact purpose. In this bulletin they are regarded as welfare grants because welfare should largely be supported by Provincial revenues rather than by the local property taxpayer, because funds equal to the amount of the grant are needed for welfare services and because the wording of the legislation indicates that they are an intended source of funds for welfare and social services.²

The City of Toronto, which has 49% of total assessment in the metro area and which pays 49% of the Metro bill and 69% of the municipal welfare bill, receives only 35% of the unconditional grant paid to Metro. In order to take advantage of the larger amounts granted to large municipalities, unconditional grants are given to Metro (at \$4.50 per capita) and redistributed to the area municipalities according to their proportion of total residential assessment. This is why Toronto, with 35% of the metro area's residential assessment, receives only 35% of the grant.

The present distribution of unconditional grants in the metro area is illogical and inequitable. In 1957 the Province decided that unconditional grants were to be used specifically to reduce the amount of property tax paid by the owners of residential property - the amount of money to be raised from residential property is thus reduced by the amount of the grant made to the municipality. In the same year, legislation requiring that unconditional grants to Metro Toronto be redistributed according to the area municipalities' share of total residential assessment was also introduced. The reason for redistribution of the grant in this way was apparently that the basis used for calculating the redistribution should be directly related to the recipients of the benefit of the grant (i.e. the property owner). The weakness of this reasoning is that initially the Province calculates the grant by a formula which is responsive to need and has nothing to do with the taxpaying group that will benefit from the grant. Need, as measured by the size of population still determines the amount of grant received in all municipalities in Ontario, except the area municipalities in Metro Toronto.

In 1961 unconditional grants provided 11 of the 13 area municipalities with a welfare surplus.

TABLE 6
EFFECT OF UNCONDITIONAL GRANT ON WELFARE COSTS IN 1961 (in \$000's)

Municipality	East York	Eto-bicoke	Forest Hill	Lea-side	Long Branch	Mimico	New Toronto	North York	Scarborough	Swansea	Weston	York	Toronto
Net Municipal Welfare Cost	147	519	69	77	31	48	75	777	551	25	39	324	5,900
Unconditional Grant	281	815	176	113	36	71	39	1,355	831	53	39	458	2,304
Total Welfare Cost or Surplus	134	297	107	35	5	24	35	578	280	28	-	134	3,596
	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)

1. Hon. Leslie Frost, Debates and Proceedings, Province of Ontario, 1953, p. E12

2. The Municipal Unconditional Grants Act, Section 7, Parts II and III.

Only Toronto and New Toronto, when all welfare expenditures are considered (both local and Metro) actually spend any money on welfare. The absurdity of the present situation is emphasized by the fact that in 1961 the City of Toronto had a total welfare expenditure of \$3.5 million while, on paper, the metropolitan area as a whole expended just over \$2 million. In effect, Toronto is not only meeting its own large welfare needs, but also contributing to a suburban surplus.

Toronto's welfare expenditures can be reduced without partial amalgamation of services. If the aim of the Metro Council is simply to reduce Toronto's share of welfare costs, an alteration in the redistribution of Unconditional Grants is the most fair and reasonable solution. There is, within the metro area, justification for redistributing the grant on a basis other than a per capita one, but the reasoning should be similar to the reasoning behind the grants themselves: to provide funds where the need is greatest. Distribution according to proportion of total assessment, for example, significantly increases Toronto's grant (from \$2,304,000 to \$3,280,000), is fair because funds are levied from the area municipalities in this way, and is practical because it generally provides funds where they are needed. Even this change would still leave most municipalities with a surplus while Toronto pays \$2.6 million for welfare. A more far-reaching solution, which deserves examination, would be the redistribution of the grant based on a case-load formula. This would directly aid those municipalities that have high welfare expenditures and probably would eliminate surpluses in the suburbs.

Instead of taking a clear stand the Metro Council has stepped into a half-way house. It has proposed amalgamation of most welfare services - but not quite all of them; it has championed greater equitability of expenditures - but not complete equitability. Under its proposal, in which unconditional grants will continue to be redistributed according to residential assessment, residents of the City of Toronto would pay (in 1961) \$3.57 per capita instead of the existing \$5.35, and residents of Forest Hill would pay minus \$3.11 per capita instead of minus \$5.22. This result can hardly be termed "equitable". In eight area municipalities surpluses would still exist, as shown below.

TABLE 7

TOTAL WELFARE EXPENDITURES UNDER METRO COUNCIL PROPOSAL (ESTIMATED FOR 1961¹) in \$000's

Municipality	East York	Eto-bicoke	Forest Hill	Lea-side	Long Branch	Mimico	New Toronto	North York	Scarborough	Swansea	Weston	York	Toronto
Net Municipal Welfare Cost	206	825	112	135	34	56	85	1,184	750	38	51	405	4,701
Unconditional Grant	281	815	176	113	36	71	39	1,355	831	53	39	458	2,304
Total Welfare Cost or Surplus	75	10	64	22	2	15	46	171	81	15	12	53	2,397
	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)	(S)

See footnote no. 3 on page 1 for method of reaching these estimated figures.

If most welfare services are amalgamated, the unconditional grant should stay with Metro. This, in effect, means redistribution according to proportion of total assessment — the manner in which the area municipalities contribute to Metro. If Metro is to be the major welfare service agency, then Metro should receive the benefit of the grant. If welfare services are totally amalgamated, this should certainly be the case. Table 8, below, shows the share of welfare costs to be paid by each municipality if partial or total amalgamation of welfare services takes place and the unconditional grants are given to Metro. All surpluses are removed and the range of cost per capita is narrowed considerably. Surely, if a redistribution of functions is to take place, this most important step toward equitability should be taken.

TABLE 8

**TOTAL WELFARE EXPENDITURES
UNDER PARTIAL AND TOTAL AMALGAMATION
OF SERVICES WITH UNCONDITIONAL GRANTS PAID TO METRO
ESTIMATES FOR 1961 (in \$000's)**

Municipality	East York	Eto-bicoke	Forest Hill	Leaside	Long Branch	Mimico	New Toronto	North York	Scarborough	Swansea	Weston	York	Toronto
Unconditional Grant	182	701	98	118	29	48	76	996	626	35	37	348	3,280
Welfare Cost Partial Amal.	24	124	14	17	5	8	9	189	124	2	14	57	1,422
Welfare Cost Total Amalg.	54	223	30	37	9	15	22	313	197	10	12	102	982

6. CONCLUSION

It has been said that the whole issue of unconditional grants is simply a matter of book-keeping; that in fact the area municipalities do not even see this grant since it is received by Metro and simply registered as a deduction on their Metro levy on residential assessment. But the fact of a municipal surplus cannot be denied and should not be waived off as balanced by other municipal costs. It is the contention of this bulletin that welfare must be considered independently and that in spite of the general burden of taxes on municipalities, it is not justifiable to relieve this burden at the expense of those in need of welfare funds, nor is it just to relieve this burden at the expense of the taxpayers of the City of Toronto.

**BUREAU OF
MUNICIPAL RESEARCH**

Founded in 1914 by a group of public-spirited citizens — operating since then under provincial charter as a non-partisan, non-profit research agency — staffed full time by well qualified personnel — the Bureau of Municipal Research keeps local government operations in Greater Toronto under constant scrutiny.

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Your inquiries are invited

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