

## ONTARIO 360 – MUNICIPAL AFFAIRS – TRANSITION BRIEFING

A ‘Who Does What’ Panel 2.0 to clarify political accountability and improve  
local public services

### Issue

The Ontario government is involved in almost every aspect of local government. A complete separation of provincial and municipal responsibilities is both impossible and undesirable given the complexity of urban policy problems. Provincial and local governments must work together. The question is how. The incoming government should undertake an independent review of provincial-municipal relations—the first comprehensive study of “who does what” in almost two decades—in order to improve political accountability, align resources with responsibilities, encourage policy innovation, and where appropriate, enable cities to manage their own affairs.

### Overview: Provincial-Municipal relations

Over 70 pieces of provincial legislation, as well as countless policy directions, regulatory frameworks, service standards, and funding agreements define the powers and responsibilities of municipalities in Ontario. This “tangled web” of authority complicates coordination and blurs accountability.<sup>1</sup> For example, many health services that Ontarians assume to be provincial responsibilities are in fact jointly funded by both provincial and municipal governments, such as public health agencies (up to 25 percent municipal) and land ambulances (up to 100 percent municipal).

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<sup>1</sup> Andre Côté and Michael Fenn, Provincial-Municipal Relations in Ontario: Approaching an Inflection Point, Toronto: Institute on Municipal Finance and Governance, 2014. Available at: [https://munkschool.utoronto.ca/imfg/uploads/274/imfg\\_perspectives\\_6\\_cote\\_fenn.pdf](https://munkschool.utoronto.ca/imfg/uploads/274/imfg_perspectives_6_cote_fenn.pdf).

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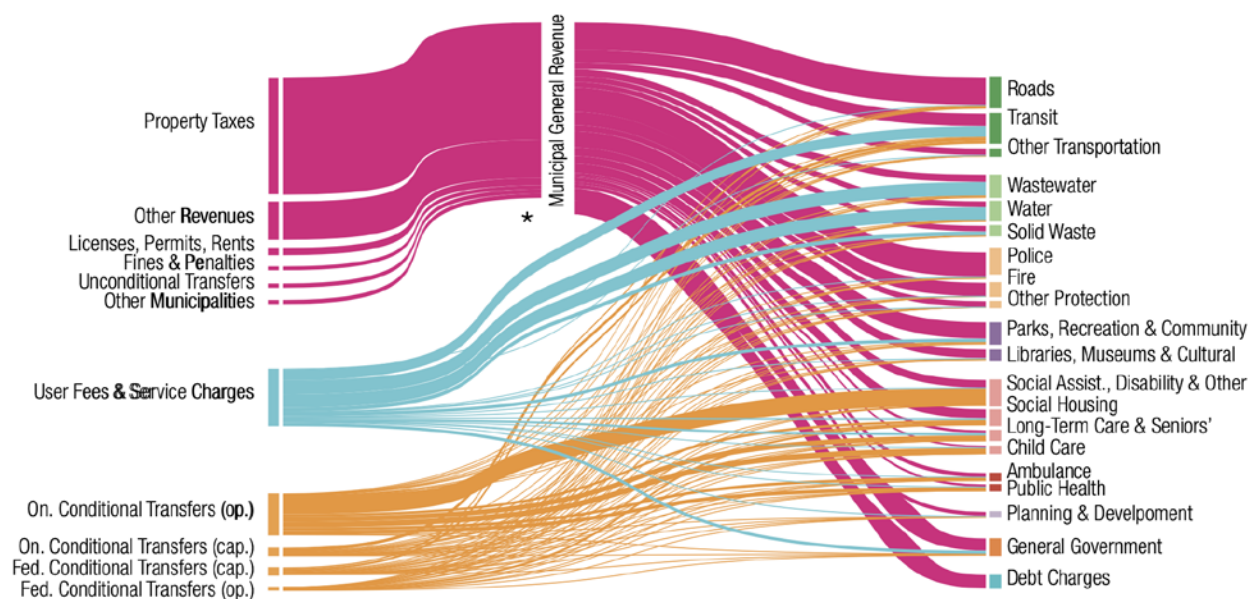


Figure 1. Ontario municipal financial flows, 2011.  
Source: Cote and Fenn 2014, p. 29.

The government has made various efforts to “disentangle” provincial-municipal responsibilities over the past 30 years, most notably with the creation of the Who Does What Advisory Panel in 1996, which presented a package of recommendations to simplify and streamline service delivery on a revenue-neutral basis. The ensuing Local Services Realignment, in 1997, up-loaded the costs for public education to the province while downloading full or partial financial responsibility for social assistance, social housing, transit, and child care, among other portfolios, to municipalities—in most cases, contrary to the panel’s recommendations. Its implementation marked the most turbulent period of provincial-municipal relations in Ontario history.<sup>2</sup>

In 2006, the province sought to rebuild its relationship with local governments by inviting representatives from the Association of Municipalities of Ontario (AMO) and the City of Toronto to participate in a Provincial Municipal Fiscal and Service Delivery Review. The consultation exercise led to a negotiated agreement, signed in 2008, that committed the provincial government to gradually upload the full cost of drug benefit, disability support, and Ontario

<sup>2</sup> Katherine A. Graham and Susan D. Phillips, “Who Does What’ in Ontario: The Process of Provincial-municipal Disentanglement.” *Canadian Public Administration* 41(2), 1998: 175-209.

Works assistance programs by 2018, a rebalancing of approximately \$4 billion in subsidies and grants that is now complete.<sup>3</sup> However, social housing, public transit, and child care remain the primary responsibility of municipalities.

### **The need for reform**

A lot has changed in the past decade. Some cities and regions have enjoyed phenomenal growth; others considerable economic and population decline. Housing in major urban centres is increasingly unaffordable. Communities of all sizes have begun to feel the social, economic, and environmental effects of climate change. The infrastructure gap continues to grow. Technological advances have changed the way citizens interact with government, and what they expect from it.

The provincial-municipal relationship has not evolved with these changes. As former Toronto City Manager Peter Wallace once put it, the current framework is “maddeningly arbitrary.” There is no doubt that existing provincial-municipal legislation and policies, which in their own time may have been adopted for good reasons, could be modernized. The incoming government has the opportunity to carefully examine how the provincial-municipal system hangs together and identify practical reforms.

Effective local governance in the 21st century requires the pooling of authority, resources, and knowledge across jurisdictional boundaries. This is especially true in metropolitan areas, where policy challenges are most complex, yet authority most divided. Rather than a one-size-fits-all approach, what is required are tailored solutions that meet the needs of different local realities—in northern communities, in counties and rural municipalities, in large urban centres, and in the Greater Toronto region.

### **How to move forward**

It’s time for a “big look.” The incoming government should appoint a Who Does What Advisory Panel for the 21st century to recommend reforms to provincial-municipal relations. The original panel completed its work in an atmosphere of political turmoil. Many of its 200-plus recommendations were undercut by the government’s focus on rapid deficit reduction. Regardless of

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<sup>3</sup> Government of Ontario, Ministry of Municipal Affairs and Housing, Provincial-Municipal Fiscal and Service Delivery Review – Facing the Future Together, Toronto: Queen’s Printer of Ontario, 2008. Available at: <http://www.mah.gov.on.ca/AssetFactory.aspx?did=6050>.

the outcome, or the particular pros and cons of specific recommendations, the basic structure of the 1996 panel remains a useful model to reconsider the relationship between the province and its 444 municipalities.

Composed of an independent group of high-profile experts, current and former municipal politicians, and provincial and municipal public servants, the original panel was given clearly defined terms of reference to rapidly generate feasible recommendations for cabinet consideration. Its deliberations were consensus-driven, visible, well-publicized, and carried considerable weight. It stressed the importance of clear lines of accountability. And most importantly, its conclusions were evidence-based, informed by independent empirical research, not the demands of vested interests.

The ‘Who Does What Panel’ 2.0 should be guided by three basic principles:

(1) *The goal is service quality, not revenue neutrality.* The 1996 Panel’s mandate of finding a revenue-neutral path to disentanglement was a mirage in principle and a failure in practice. The more important objective should be to improve service quality. The province is justified in uploading, setting service standards, or overseeing municipal activity when negative externalities are apparent or there is a clear provincial interest involved. But in all other cases, the province should empower, rather than constrain, local governments to meet their distinct service needs, either by increasing their legal authority, expanding grant programs, or providing municipalities new revenue sources—in each case, ensuring that fiscal resources and authority are aligned with local responsibilities.

(2) *Cities are different from rural municipalities and northern communities and should be treated as such.* Recent provincial practice has been to manage municipal affairs along two tracks: one for the City of Toronto, based on the *City of Toronto Act*; and one for all other municipalities, big or small, via the *Municipal Act*. This artificial divide fails to capture the unique challenges faced by large urban centres outside Toronto, which face rising inequality, ageing infrastructure, and greater demand for social services, and thus higher per-capita expenditures, than smaller municipalities.

(3) *Accountability matters.* Citizens become frustrated with government when they do not know who is in charge, or worse, think no one is in charge. While true that some degree of jurisdictional entanglement is a “fact of life” one should still be able to identify a lead government on a given file, or a clear and

transparent process for joint decision making.<sup>4</sup> A new Who Does Panel What should help Ontarians understand who is making decisions on their behalf, and who should be held accountable for these decisions.

Today's most pressing policy challenges are undeniably interdependent, involving not only local but also provincial and sometimes federal governments. While collaboration and integration across levels and boundaries in service delivery is necessary to meet contemporary challenges, good governance requires clear lines of accountability. It is thus time, once again, to sort out *who does what*.

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<sup>4</sup> Katherine A. Graham and Susan D. Phillips, "Who Does What' in Ontario: The Process of Provincial-municipal Disentanglement." *Canadian Public Administration* 41(2), 1998: 175-209.