

Original Sliding Scale Proposal for The City of Calgary Subsidy Programs

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Introduction

This document represents the original proposal put forth by Administration in 2015 September.

As directed by Council, Administration examined the concept of a sliding scale subsidy delivery approach and is bringing forward a proposal to move towards a sliding scale. The intention of a sliding subsidy scale is to align differential subsidy rates to different levels of income.

The sliding scale as proposed would:

- Extend subsidy benefits beyond the current low income thresholds; and
- Provide more affordable fees/fares for those currently receiving subsidies.

Currently, the Fair Entry program utilizes Statistic Canada's Low income Cut Off (LICO) as the upper income threshold to which a flat rate subsidy is provided. Through its investigation, Administration identified that households whose income is up to 30 per cent above LICO, would greatly benefit from being included in the subsidy programs. Further, a five band scale would provide more affordable fees/fares, and make it easier for Calgarians to understand the benefits.

To implement the proposed sliding scale which includes an expanded eligibility as proposed, preliminary estimates suggest an additional investment of \$11 million, based on approximately \$9.5 million in subsidy discount costs and \$1.5 million in operating expenses is required, as well as \$1.5 million in one- time set up expenses. As this would be such a significant investment, and because income supports are generally the responsibility of other orders of government, Administration recommends advocating to other levels of government to share this cost. The proposal's preliminary cost estimates are based on considerable discounts so changing fees and fares would impact the overall cost estimate. The investment is substantial, but it represents a ground-breaking approach. A sliding scale for subsidy delivery will allow all Calgarians to have the same opportunity to participate in the community, improve their quality of life, and contribute to Calgary's vitality.

Current State of Fair Entry

The current income eligibility for City subsidy programs is based upon LICO, an income threshold below which a family will likely devote a larger share of its income to the necessities of food, shelter and clothing than the average family. Among Canadian municipalities this is the most common measure for subsidy program eligibility.

Current access to subsidy programs is based upon an ‘eligible’ household income (below 100 per cent LICO). Several programs have additional, secondary qualifying criteria, but income eligibility is the common requirement across all programs. Once eligible, all individuals receive the same subsidy value for each program, as indicated in the following table.

Current Program Fees

Calgary Transit Low Income Monthly Pass (adult/youth)	Recreation Fee Assistance	Property Tax Assistance Program (incl. Waste & Recycling Rebate)	No Cost Spay Neuter Program	Seniors Services Home Maintenance
\$44/month	75 per cent off admissions and passes 90 per cent off program registration fees (\$250 maximum per child; \$50 adult)	Average grant of \$150 towards Property Tax increase \$25 Waste & Recycling rebate	Free	Free

Current Costs

Subsidy programs provided as part of Fair Entry are very diverse. Programs such as the Seniors Services Home Maintenance program or the No Cost Spay neuter program both involve the hands-on provision of service to eligible Calgarians experiencing low income. While other programs provide a price reduction to those experiencing low income and include Transit’s Low Income Monthly Pass program and Recreation’s Fee Assistance program. As a result a direct ‘apples to apples’ comparison of costs between programs is difficult.

Outlined below is the total cost of providing subsidized services, subsidy discounts and administrative costs associated with these programs.

	Subsidy Discount Cost	Administrative Costs of Subsidy Provision	Subsidized Service Delivery Costs
Sub-Total	\$11.05M	\$.4M	\$3.0M
Total Cost	\$14.45M		

NOTE: Most programs budgets were overspent in 2015 (these are actuals not budgeted)

Sliding Scale Background

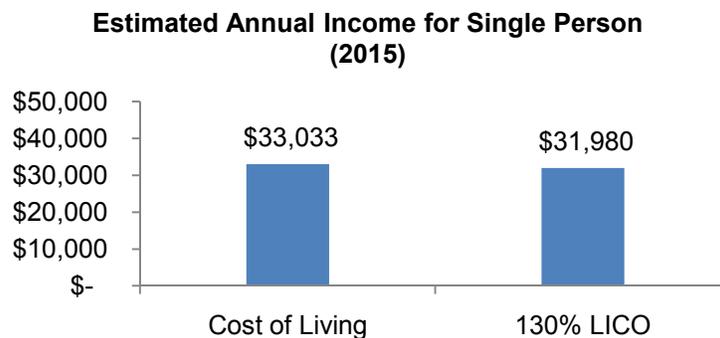
A sliding scale represents a subsidy delivery approach that adjusts fees/fares according to a household's income. This is contrasted with the current subsidy approach where all households that qualify pay the same fee/fare regardless of their actual income. With this proposed sliding scale model, individuals with lower incomes would pay less for a service than those with relatively higher incomes. Sliding scales are often comprised of several "bands" or "steps," and can range from three "steps" to a dollar-by-dollar slide. Each step is defined by specific eligibility criteria (e.g. a certain household income) and an associated fee, fare, or discount rate.

Based on a review of other municipal jurisdictions, there are limited examples of sliding scales in municipal program subsidies. Our review has shown that there are a few jurisdictions that utilize sliding scales for recreation program subsidies; however, this does not seem to be a common practice at the municipal level. Further, no examples were identified of transit programs using a sliding scale fare structure. The proposed sliding scale model provides opportunity for The City to take a leading role in subsidy program delivery.

Expanded Eligibility

It is estimated that to maintain a safe, decent and dignified standard of living in Calgary, a single person would have to earn \$33,033, working 35 hours per week without benefits. This enables a single person to meet their basic needs such as housing, transportation, nutrition; save for future needs and goals; and devote quality time to family, friends and community.¹

Comparably, in 2015 130 per cent LICO is calculated at \$31,980.



Proposed Bands

¹ Vibrant Communities Calgary

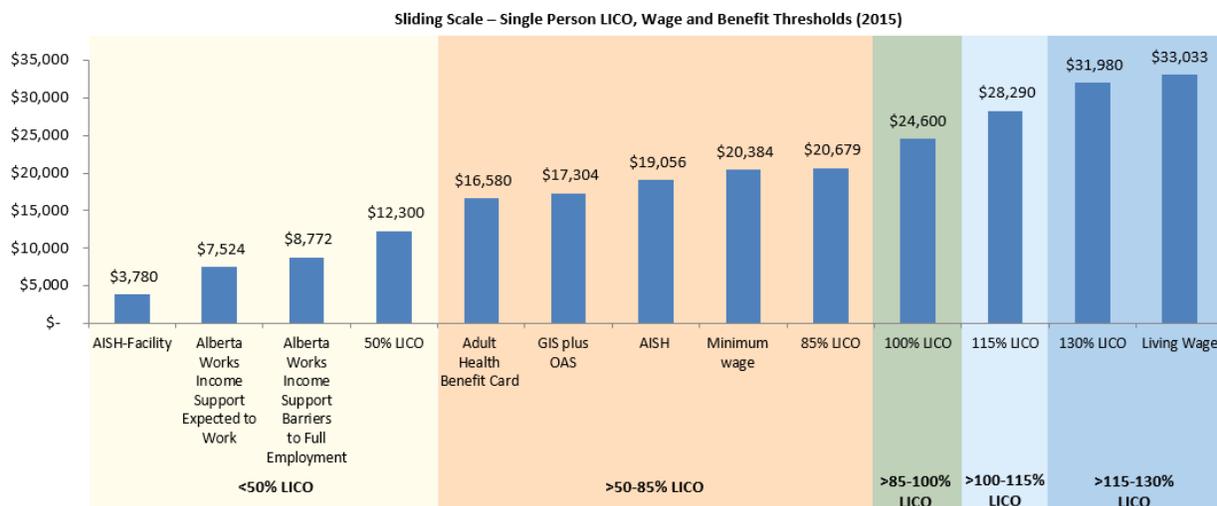
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A band approach provides a series of income ranges and attributes for a fee/fare to each range. In planning for the various band thresholds, Administration examined a number of income support programs, many of which are used currently in the determination of eligibility for subsidy programs. And based on community input, current income support programs and Fair Entry data, recommends a five band approach. With an expanded threshold to 130 per cent of LICO, the following bands are recommended.

Band	Proposed State	Current State
A	≤50 per cent LICO	All eligible for the same level of subsidy.
B	>50-85 per cent LICO	
C	>85-100 per cent LICO	
D	>100-115 per cent LICO	Not eligible for subsidy.
E	>115-130 per cent LICO	

A breakdown of common income support programs and their placement within the proposed sliding scale appears in the diagram below.

Single Person 2015 LICO, Wage and Benefit Thresholds



Demand Estimates

The sliding scale provides an opportunity to support a larger number of financially vulnerable individuals. The population of Calgary with income between 100 and 130 per cent LICO is estimated to be 68,000, while the population with incomes at or below 100 per cent of LICO is roughly 127,000.

Applying user rates of the current population accessing City subsidy programs, an estimated 30,000 new subsidy program users is anticipated among the 100 to 130 per cent LICO population.

Summary of Sliding Scale Implications

The introduction of a sliding scale has unique impacts for each subsidy program. Some programs are better suited and positioned to adopt a sliding scale approach than others. External influences also bear on the ability to adapt to a new sliding scale approach. Below, the highlights for each program are outlined along with the recommendation with respect to sliding scale. Overall, a sliding scale is a more complex approach to subsidy delivery that can be challenging to administer and implement. With several bands of eligibility, there is added complexity in assessing and qualifying applicants. In addition, a sliding scale approach can make it challenging for those receiving the benefits to know and understand their level of subsidy.

Subsidy Program	Opportunities	Challenges
Calgary Transit Low Income Monthly Pass	<ul style="list-style-type: none"> • Mitigate affordability barrier for most financially vulnerable customer. • Extend benefit to new subsidy customer over 100 per cent LICO. 	<ul style="list-style-type: none"> • Current budget unable to accommodate additional revenue shortfalls associated with new sliding scale approach. • Change to business process impacts customer interaction (e.g. more time to process fee/fare).
Recreation Fee Assistance	<ul style="list-style-type: none"> • New customers could result in new revenue sources from subsidized customers. 	<ul style="list-style-type: none"> • Current budgeted amount of Recreation subsidy fund not sufficient to address sliding scale growth estimates. • Technological and business process challenges in integrating a sliding scale. • Impacts on Recreation Fee Assistance partners.
Property Tax Assistance Program and Waste & Recycling Rebate	<ul style="list-style-type: none"> • Increased assistance to more low income homeowners to offset property tax increases. • Waste & Recycling can 	<ul style="list-style-type: none"> • Current budgeted amount and additional program growth is beyond the capacity of current budget. • Losses to property tax revenue. • Increased workload for enabling services that process

Subsidy Program	Opportunities	Challenges
Program	accommodate growth in current budget.	grants approved by the Property Tax. Assistance Program.
No Cost Spay Neuter Program	<ul style="list-style-type: none"> Increased animals spay/neutered. 	<ul style="list-style-type: none"> Permit to practice unable to accommodate move to 130 per cent LICO.
Seniors Services Home Maintenance	<ul style="list-style-type: none"> Improved alignment and consistent approach across the sector with respect to fee-for-service. 	<ul style="list-style-type: none"> The seniors home maintenance community is in the process of joint planning. Their goal is offer a more integrated approach across all programs, which includes Seniors Services Home Maintenance.
Fair Entry Operations	<ul style="list-style-type: none"> Existing infrastructure enables customers to be easily assessed and provided information on range of benefits available. 	<ul style="list-style-type: none"> Existing IT infrastructure and business processes would require enhancements. Staffing resources inadequate to address new demand.

Administrative Requirements

With more people accessing subsidies based upon expanded eligibility, a sliding scale would also impact the operation and administration of Fair Entry. Increased demand would require additional staff to process applications and the IT infrastructure supporting Fair Entry would require enhancements to adapt to the new sliding scale.

Financial Estimates

Sliding scale analysis is occurring on the heels of significant change in access to City subsidy through the introduction of Fair Entry. Subsidy programs have witnessed increases both in the number of people accessing subsidy programs and the number of programs an average applicant will access. This has placed additional strain on subsidy program budgets.

A report with a funding framework will be developed and brought back to Council in 2016 July.

Preliminary Sliding Scale Financial Estimates

	Subsidy Discount Cost	Operating Expenses	One-time Expenses
Calgary Transit Low Income Monthly Pass	\$7.6 M		
Recreation Fee Assistance	\$1.7 M		
Property Tax Assistance	\$0.2 M		
Sub-Total	\$9.5 M	\$1.5 M	\$1.5 M
Total Sliding Scale Costs	\$11 M		\$1.5 M

Timeline

Introducing the proposed sliding scale would require time for further planning and analysis. In addition, time would be required for IT enhancements, preparation of one or more new front-facing counters, hiring and training new staff and preparation for communications and promotions. It is estimated that it would take approximately one year to fully implement the sliding scale proposed, once funding was confirmed.

Sliding Scale Implementation Time Line

		Funding Commitment	Month												
			1	2	3	4	5	6	7	8	9	10	11	12	13
IT System	Business Process Review														
	Analysis and Design														
	Development														
	Testing and Deployment														
	Goes Live														
Front Facing Counters	Determine locations and secure space														
	Design Space														
	Renovate														
	Recruitment and Hiring														
Staffing	Training														
	Planning														
	311 Preparation and Training														
Communi-	Promotional Campaign														
	Sliding Scale Goes Live for Customers														

Funding Framework Options

Business units have indicated that budgets are already at capacity and in some cases overextended. As a result there is no capacity to absorb growth associated with a sliding scale. There are three options could comprise a funding framework available to potentially fund for a new sliding scale approach.

1. **Millrate:** Increases to program budgets based on millrate support.
2. **a) Business Unit surpluses:** For some business units, surpluses in other areas make up for growth in subsidy costs.

b) Service Impacts (as applicable): In very limited circumstances, reduction in service resulting in service impacts provides savings to make up for the costs revenue shortfalls.
3. **Funding Support from other orders of government:** The City has already included a request to the province to assist in the funding of subsidy programs in The City's submission to the last provincial budget. It is argued that these programs offer a form of income support and as such are a responsibility of the provincial government. The province is now asking Albertans for their input to this fall's provincial budget. This provides Council and the community a method to express support for funding the City's enhanced approach to subsidy programs. Other opportunities may exist and will be explored in more detail in the months ahead.

More investigation is required to determine the options that could comprise a funding framework. Administration is recommending seeking additional funding support from other orders of government, which will provide information on whether this is a viable option.

Conclusion

The introduction of a sliding would provide an opportunity for The City to show leadership in supporting financially vulnerable Calgarians as they move to economic self-sufficiency. By expanding eligibility and implementing a sliding scale, The City would support all Calgarians to have the same opportunity to participate in the community, access employment, improve their quality of life, and contribute to Calgary's vitality.

A sliding scale for fees/fares is not without challenges, both with respect to implementation and funding. Despite these challenges, this represents an important evolution in subsidy delivery and one that demonstrates a "made in Calgary" solution.