

## BUDGET PACKAGE

### Interpretation problems/inconsistent application

### Feedback from the DSFG/OBRC groups

#### CONTEXT

- Ministry changed the expenditure alignment in the budget for 2013-14
- Sector had questions/feedback on these changes
- We (DSFG/OBRC) themed the questions/feedback that would/could lead to inconsistent interpretation
- We would like to raise these with MCSS on behalf of the sector for resolution/clarification

#### FEEDBACK (NOT IN ORDER OF PRIORITY)

1. NOC codes for staffing are not being done consistently across the province – we used only code 4212 and 9999 (from emails agencies were using a number of other codes)
2. Replacements over \$1,000 – we believe the Ministry still doesn't think we spend more than \$1,000 without asking them for permission – on our submission we noted that we included all replacements in Other Supplies and Equipment instead of trying to separate those that are over \$1,000 into Other Transactions
3. We made some estimates to separate Service vs. Supply for repairs/maintenance, IT, vehicles ... the administration to split bills will take longer and I believe for limited (if any) benefit to the Ministry ... also we don't think this will be done consistently across the province so information may not be comparable. **Niagara and Windsor areas are advising the agencies that if there is a combination of services and materials, the whole amount should be charged to services. This may be a good guide for MCSS to use across the province**
4. Compensated absences- there will be inconsistent interpretation and application across the province- example on-site training will be recorded as worked hours and compensated absence by others
5. Statutory Vs. non statutory benefits- this is another one that will be subject to inconsistent interpretation across the province- example –WSIB benefit will be recorded as statutory by some and non-statutory by others
6. Municipal taxes. The new categories allow municipal taxes that are part of a rental to be expensed under Rent/Lease/Mortgage Interest, but do not deal with municipal taxes when the building is owned. Since MPAC has taken the position that buildings that we operate programs in are subject to municipal tax and are aggressively reassessing properties in our sector, is it acceptable to put municipal taxes for buildings we own in the Rent/Lease/Mortgage Interest category?
7. Vehicle loan payments. Can they be charged to Other Services along with vehicle lease payments as a capital lease is essentially the same as a vehicle loan?
8. Mortgage interest is non-deductible unless there is ministry interest on title. However if there was a credit line then that interest is deductible
9. Mortgage interest. Can mortgage interest on buildings already purchased and mortgaged before the current rules were instituted be reported under Rent/Lease/Mortgage Interest, even if the Ministry has no interest?

10. Interest on loans used for other purposes for which collateral mortgages are held by the financial institution as security. Again, for transactions which took place before the current rules were instituted, can the interest be claimed as an expense? Would it be under Rent/Lease/Mortgage interest or other services? A common situation where this would occur is where the corporate line of credit is secured by the assets of the agency.
11. Did these key changes in this attachment get implemented? The changes related to non-arm's length transactions do not seem to be in the version on admissible/inadmissible expenses currently on the MCSS website.

#### Notes

- Particularly number 5- if the attached amendment did not go through, there is a huge advantage for organizations that have separate corporations holding real estate.
- Questions regarding mortgage interest are worded carefully. We should find out if there will be some grandfather provisions for existing situations. Depending on the answers we may have additional comments.
- We believe that the interest situation deters our organizations from entering into capital projects which the ministry is not funding, but which will relieve the capacity pressures in our sector

#### ATTACHMENTS

- Key Changes document
- Q and A from one MCSS region

#### NEXT STEPS

A Q and A by MCSS as a ministry providing answers/clarification to issues raised similar to the regional document and then post it on the MCSS website for use by the province would be helpful

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Feedback  
Better Training in addition to FAQ