

Proposed Changes to the Municipal Funding Allocation Model (MFAM)

Consultation

June 2021



What is the MFAM?

The Municipal Funding Allocation Model (MFAM) is used to distribute funds (an amount of funding stewards are obligated to pay) to municipalities and First Nations that operate Blue Box Programs under Stewardship Ontario's Blue Box Program Plan. The MFAM does not impact the total amount of funding available (known as the Steward Obligation), only the method by which funds are allocated among programs.

Background

- The Authority reviewed the MFAM to determine if and how the model needed to be adjusted in order to allocate funding to programs throughout the Blue Box Program transition (2023 – 2025).
 - The MFAM promotes program efficiencies by grouping programs for benchmarking. As programs transition, these groupings are no longer effective
 - The existing MFAM relies on the use of certain best practices, which may not be reflective of the wind-up priorities
- Consultation was held by the Municipal 3Rs Collaborative (M3RC), made up of RPWCO, AMO, MWA and City of Toronto, on Feb 17, 2021. They reviewed possible approaches to adjusting the MFAM
- Municipalities generally provided positive support for:
 - Fixed percentage applied to net costs across all programs
 - Simpler, predictable approach
 - Approach to be applied immediately for 2022 payments and throughout transition
- The Authority presented possible approaches and timelines for consultation on the proposal to revise the MFAM to the Transition Sub-Committee of the Municipal-Industry Programs Committee (MIPC) on Feb 26, 2021
- The Authority received a recommendation from M3RC on Mar 2, 2021, which was considered in the development of the proposed changes
- The Authority presented its proposed approach and consultation plan to the MIPC Transition Sub-Committee on June 7, 2021

Proposal scope

- The **purpose of this consultation** is to obtain feedback on proposed changes to the MFAM
- The Authority is proposing that the changes to the MFAM be implemented immediately for the 2022 funding year (anticipated to be determined in Winter 2021 for the 2022 year)
- The proposed changes to the MFAM would continue to apply to subsequent funding years until the Blue Box Program transition is complete (2023-2025).
- This consultation **will not address**:
 - calculation of the annual steward funding obligation
 - changes to In-Kind funding allocation
 - funding to the Continuous Improvement Fund
- This consultation **will also not address** the new Blue Box Regulation under the RRCEA, or the Authority's role in implementing and enforcing the new regulation. For information on the new Blue Box Regulation, [visit the Blue Box Program page on our website](#).

Consultation Process

- Consultation on the proposed changes to the MFAM begins on June 21, 2021 and ends on July 16, 2021.
- Feedback can be sent to consultations@rpra.ca on or before **July 16**.
- If you have questions about the proposal or would like to discuss it in more detail, email us at consultations@rpra.ca.
- Feedback from the consultation will be summarized in a report that will be posted to the Authority's website.
- The results of the consultation (i.e., the updated MFAM) will be posted to the Authority's website and stakeholders will be notified at that time.
- For more information on the consultation process, visit the [Current Consultations](#) page on the Authority's website.

Proposed changes to the MFAM



How does the MFAM work?

- In Stewardship Ontario's Blue Box Program Plan, the MFAM considered mechanisms to support program efficiency
- In 2004, the model was adjusted as a result of the implementation of the Cost Containment Plan which incorporated considerations for best practices
- Currently, funds are allocated to each program based on the following methodologies:
 - 50% of funds allocated based on an adjusted net cost calculation
 - 35% of funds allocated based on program share of total marketed tonnes
 - 15% of funds allocated based on Best Practice scores and adjusted net cost
- The model calculates the funding in 7 steps:
 1. Determine program adjusted net cost, where applicable, based on groupings and apply allocation;
 2. Determine program share of total marketed tonnes and apply allocation;
 3. Determine Best Practice scores in conjunction with adjusted net cost and apply allocation;
 4. Calculate each program subtotal;
 5. Final adjustment to limit total program funding to a maximum of 75% of reported net cost;
 6. Apply any adjustments necessary due to reporting corrections from previous 2 years (known as prior year adjustments); and
 7. Late penalty deduction which is allocated to the Continuous Improvement Fund

Proposed changes to the MFAM

The Authority is proposing to **replace existing MFAM steps 1 to 5 with:**

- A fixed percentage approach which would apply an equal percentage to the reported net cost of each program.
 - This means that all programs would receive the same percent funding of their reported net cost
- The fixed percentage would be based on the steward funding obligation divided by reported net costs for the year

$$\text{Funding each Program Receives} = \frac{\text{Steward funding obligation} \times \text{Reported Net Program Cost}}{\text{Total Reported Net Costs (all programs)}}$$

- Based on feedback received through MIPC Transition Sub-Committee and M3RC, the Authority is proposing that the changes to the MFAM be implemented immediately for the 2022 funding year (anticipated to be determined in Winter 2021 for the 2022 year)
- The proposed changes to the MFAM would continue to apply to subsequent funding years until transition is complete (2023-2025).

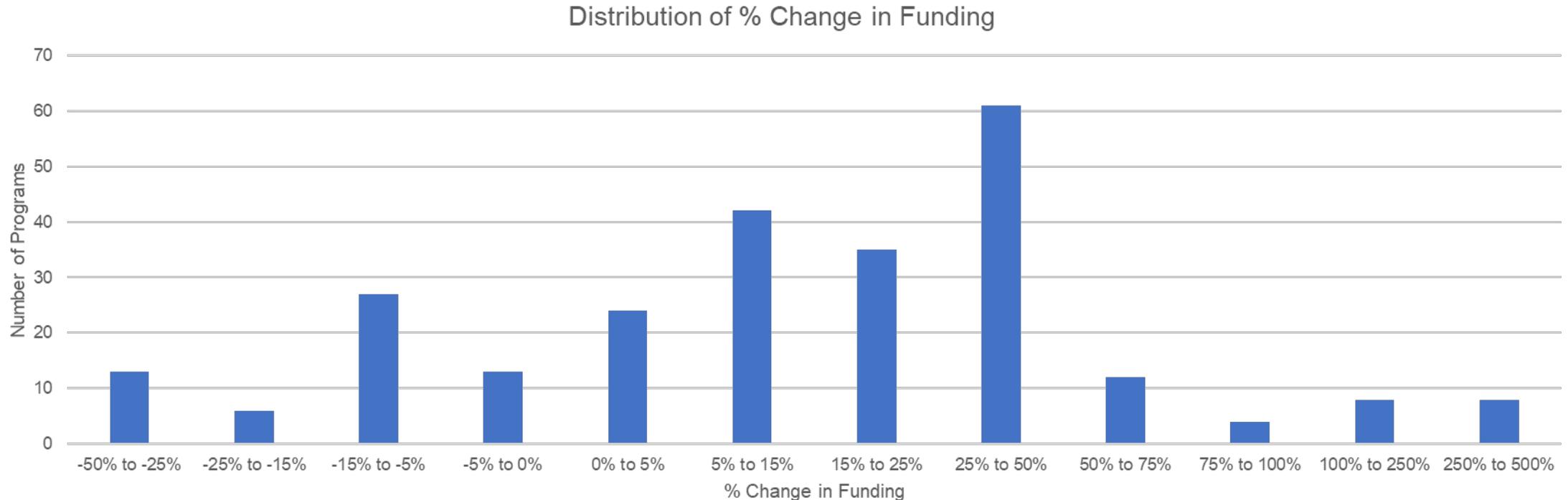
Considerations with the fixed percentage approach

- Reported net costs will no longer be adjusted based on cost bands in the program groupings
- Programs would no longer have funds allocated based on their share of marketed tonnes
- Best practices would be removed from the MFAM and therefore would no longer be required to be reported in the Datacall. Please note that if the proposed changes to the MFAM take effect for 2022, any best practice activities already undertaken in 2020 and 2021 would not apply
- The proposed changes address concerns about the existing MFAM raised to the Authority by:
 - Simplifying the calculation for allocating funds among programs, making it easier for programs to understand and predict the funding allocation
 - Eliminating large variations in funding received between programs
 - Looking at 2021 MFAM, actual funding percentage of reported net costs range from 7.9% to 75%

Impact of proposed changes: Using 2021 MFAM as basis

Example (for reference purposes only): If the proposed changes were applied to the 2021 MFAM, the following are summary results of the impact to program funding*:

- 58% of programs would have seen a change between +/-25%
- 77% of programs would have seen a positive change
- Programs with an increase would have seen on average an addition of \$46k
- Programs with a decrease would have seen on average a deduction of \$152k



*Example does not include prior year adjustments or late penalties

Next steps

- Submit your feedback on the proposed changes to the MFAM to consultations@rpra.ca on or before **July 16, 2021**
- In particular, the Authority is seeking feedback on the following topics:
 - 1. Support for the proposal:** Are you in agreement that funding to programs should be set at a fixed, equal percentage of the reported verified net costs?
 - 2. Timing of implementation:** Should the Authority implement this change for the 2022 funding year, or should the Authority only implement this change during transition (2023-2025)?
- If you have questions about the proposal or would like to discuss it in more detail, email us at consultations@rpra.ca.
- As a reminder, the following topics are out of scope of this consultation: steward obligation, changes to In-Kind funding allocation and funding to the Continuous Improvement Fund.