



**AMO**  
**Policy**



## **AMO Policy Update – Provincial Budget Spending Priorities and Build Canada Homes Operational Funding**

### **Top Insights**

- Provincial budget provides new funding for supportive housing, core and recreational infrastructure, and extends HST exemption for all new homes.
- AMO is calling on the provincial government to work with the federal government to commit operating funding to fully leverage federal Build Capital Homes capital investments in supportive and transitional housing.

### **Provincial Budget Stays The Course and Includes Millions in Municipal Infrastructure Funding**

#### **Ontario's Fiscal and Economic Outlook**

Ontario's Minister of Finance introduced the 2026 Ontario Budget, [\*A Plan to Protect Ontario\*](#). The economic backdrop of this year's budget is largely unchanged from last year. Heightened trade and geopolitical tension, along with slower economic and population growth will contribute to a softer labour market in 2026. Economic growth is projected to be on par with last year, with real GDP forecasted to reach 1.1%. Inflation continues to trend down from its COVID peak and is now within the Bank of Canada's target of 2%. The deficit is projected to increase by \$1.5 billion to \$13.8 billion as part of the province's plan to create a fiscal buffer to absorb potential softening of the economy. As a result of these spending decisions, a balanced budget isn't anticipated until 2028.

#### **\$244 Billion in Program Spending and Tax Holiday for New Housing**

Against this economic backdrop, the province is staying the course in its spending priorities, which totals \$244 billion (an increase of \$10 billion from last year). Many spending priorities are a continuation of commitments made in the [Fall Economic Statement](#). The focus now is on getting funding out the door and into the hands of families, businesses, and municipalities. To address cost-of-living and housing affordability concerns, which continues to be top of mind for Ontarians, the province is holding the line on taxes and program spending cuts. The province's proposal to exempt all new housing from the HST, for a one-year period, is action on its commitment to make housing more affordable.

The proposal comes into effect on April 1st and will remain in place for one year. The 8% tax vacation builds upon the [government's October 2025 proposal](#) to exempt or reduce the provincial portion of the HST for first time homebuyers that are purchasing homes valued at \$1.5 million or less. Wednesday's proposal extends to all new homes valued up to \$1.85 million and now includes existing homeowners.

The federal government is also proposing to cost-share in this tax holiday by covering the federal 5% portion of the HST. The province estimates this \$2.2 billion in tax relief could create an additional 8,000 housing units, support up to 21,000 jobs and grow Ontario's GDP by \$2.7 billion.

### **Budget Supports Some of AMO's Priorities**

In our pre-budget submission, [Partnering to Protect Ontario's Communities](#), AMO called on the province to continue prioritizing housing-enabling infrastructure spending, paying its share of health and social services that are provincial responsibilities, and taking concrete actions to end chronic homelessness.

Today's budget includes some important funding for our sector. This is a step in the right direction for improving municipal fiscal health. Supportive housing is getting a \$53 million injection over 3 years. Funding for existing programs for core, recreation, and transit infrastructure is increasing by \$360 million. While \$2.3 billion in net new spending is going towards hospitals, home and community care, and long-term care, there are no corresponding changes to local share requirements for hospital development.

### **New Spending Breakdowns By Areas**

#### **Infrastructure:**

- \$15 million in annual funding for the Northern Ontario Resource Development Support Fund, to enable investments in core assets such as roads and bridges.
- A \$15 million top-up over three years for the Ontario Transit Investment Fund.
- A \$300 million top-up over six years for the Community Sport and Recreation Infrastructure Fund to repair, upgrade or build new sports and recreation facilities.

### **Health and Social Services:**

- Spending growth on hospitals (\$1.1 billion), home and community care (\$1.1 billion over three years), and long-term care (\$139.4 million) but no changes to local share requirements for hospital development.
- \$53 million over 3 years for supportive housing. While this is a good start, AMO has advocated for the province to provide matching operational investments to fully leverage federal capital funding for supportive and transitional housing through Build Canada Homes.

### **Emergency and Protection Services:**

While the budget did not include any significant announcements that would help municipalities manage the rapidly growing costs of emergency services, it did include some targeted investments:

- Fire Protection Grant – Maintaining the \$20 million in enhanced funding for the 2026-27 grant cycle. The funding is aimed at supporting municipal fire departments to access the infrastructure and protective equipment they need to respond to local needs.
- Basic Constable Training – Extending the removal of tuition fees for the program at the Ontario Police College for an additional three years to support police services in their efforts to recruit and train more police officers.

### **Unlocking Build Canada Homes Funding for Transitional and Supportive Housing**

AMO and municipal partners have [called](#) on the province to provide the operational funding needed to unlock federal capital from Build Canada Homes.

The federal government has earmarked \$1 billion nation-wide to create new supportive and transitional housing for people experiencing or at risk of homelessness. If Ontario received its per capita share, this could result in

more than 1,200 new units in Ontario. Realizing this opportunity requires a provincial commitment of \$62 million in annual operating investment. Because Build Canada Homes requires operating funding guarantees at the application stage, a firm provincial commitment is the essential 'key' to unlocking this federal capital.

---

*An online version of this Policy Update is also available on the [AMO Website](#).*

---

\*Disclaimer: The Association of Municipalities of Ontario (AMO) is unable to provide any warranty regarding the accuracy or completeness of third-party submissions. Distribution of these items does not imply an endorsement of the views, information or services mentioned.

Association of Municipalities of Ontario

To unsubscribe, please| [Opt Out](#)

155 University Ave Suite 800 | Toronto, ON M5H 3B7 CA