

November 5, 2020

## AMO Policy Update: 2020 Provincial Budget

The Honourable Rod Phillips, Minister of Finance has released the 2020 Provincial Budget. It provides a three-year fiscal outlook for Ontario and this comes after being delayed by the emergence of the COVID-19 pandemic this Spring. The budget touches on several economic scenarios related to the speed of economic growth but does not articulate a path forward toward a balanced budget. This will be provided in the 2021 Spring budget.

Below are the immediate highlights of new items in the 2020 Provincial Budget of a municipal interest. Within the budget document, the word "municipal" is found over 140 times reflecting a great deal of focus and priority placed toward Ontario's municipal sector.

These items are wide-ranging and provided at a high level. The expectation is that a more detailed Budget Bill will follow shortly.

### Fiscal Outlook

COVID-19 has impacted the global economy and Ontario has felt the impact. Provincial GDP declined by 12.3 per cent in the second quarter of this year. Despite some economic improvement of late, the economy is expected to contract by 6.5 per cent in 2020. The volatility created by the pandemic will result in a ranging economic growth projection for 2021 with it expected to narrow in 2022. Finally, the provincial debt-to-GDP ratio is projected to hit 50 per cent within two years.

Minister Phillips has outlined [Ontario's 2020 Budget](#) as the next phase of Ontario's Action Plan. Through three main pillars of *Protect*, *Support*, and *Recover* the government is making \$45 billion (\$30 billion already announced) in commitments over the next three years to manage the pandemic, focus on addressing the COVID-19 challenges and economic difficulties, and support key investments to deliver on an economic recovery.

### Budget Impacts to Municipal Governments:

#### Business Education Tax

The government is lowering the Business Education Tax rates in recognition of this long-standing municipal concern. These rates will be lowered 0.88 % (10 basis points lower than 0.98%) and the Province is expected to adjust payments to school board to off-set reductions in education property taxes. The Province expects this to produce \$450 million in savings for 2021.

### **Property Tax Relief for Small Business**

Municipalities will be provided flexibility to target property tax relief for small businesses with a provincial commitment to consider matching these reductions. Through a new optional property subclass for business properties, municipalities will be able to define this for their own local needs.

- Additionally, existing property tax exemption for Ontario branches of the Royal Canadian Legion will apply for 2019 and subsequent tax years to Ontario units of the Army, Navy and Air Force Veterans in Canada.

### **Addressing Speculative Sales**

Addressing speculative sales amendments to the *Assessment Act* are being introduced to allow for the potential creation of optional new assessment tools to address concerns regarding redevelopment and speculative sales. This reflects an earlier private member's bill (i.e. Bill 179) put forward by MPP Robin Martin.

### **Broadband and Infrastructure**

The Budget confirmed recent announcements on [broadband and cellular](#) as well as [infrastructure](#) investments. Yesterday, the government announced an additional \$680 million to support broadband and cellular connectivity for unserved and underserved communities, including a doubling of the ICON program to \$300 million. Also noted was the recent COVID-19 Resiliency Stream of the Investing in Canada Infrastructure Program, which makes \$250 million of provincial and federal funding available to municipalities with no local cost match required.

### **Long-Term Care**

The Budget announced previous commitments made which included the [increase of daily direct care](#) for long-term residents to four hours a day over a four-year period. It also reiterated the Province's commitment to the [Accelerated Build Pilot Program](#) made in July 2020.

These investments build on supports announced as part of the first phase of Ontario's response to COVID-19, and the investments made to protect vulnerable seniors through the [COVID-19 Fall Preparedness Plan](#).

## Stormwater Investments

New investments in stormwater systems include:

- \$15 million over two years in one-time funding to support municipalities to improve the management of Lake Ontario wastewater and stormwater discharges, to reduce combined sewer overflows and bypasses, lower phosphorus discharges.
- \$10 million over 2 years to support wastewater monitoring and public reporting, to improve transparency around monitoring and public reporting of sewage overflows and bypasses from municipal systems in the Great Lakes.

## Public Transit

The \$4 billion [Safe Restart Agreement](#) provides \$2 billion to Ontario's transit systems to help support services during the pandemic and Ontario has provided municipal governments and transit operators with \$15 million in provincial funding to support enhanced cleaning.

## Conservation Authorities

Today's announcement confirms anticipated changes to the *Conservation Authorities Act* and regulations. While additional clarity will be sought on a number of matters, we understand that the local service agreement MOU's between Conservation Authorities and Municipal Governments are a local matter and the province is not intending to reduce this local control of MOUs through future regulation.

## Ontario's Community Building Fund

The budget invests \$100 million over 2 years to support community tourism, cultural and sport organizations. Funding support will be available to municipalities. The program will be delivered by Ontario Trillium Foundation through two streams. One stream will provide funding to municipalities to make investments in infrastructure rehabilitation and renovation, to meet and address public health protocols and local community needs.

## Seniors

The budget puts forward an investment in **Seniors Active Living Centres** in the amount of \$3.1 million over the next fiscal year (2021-22).

In addition, Ontario is proposing new tax relief to help seniors live safely at home longer through the new Seniors' Home Safety Tax Credit for the 2021 taxation year, providing a 25 per cent credit on eligible renovations of up to \$10,000.

## **Inclusive Community Grants Program**

The budget invests \$2 million over 2 years to fund the development of community supports that promote healthy and active aging, support social engagement, and help with participation in the labour force.

Within today's budget, there are several repeated provincial announcements that were made throughout the year. For this budget update, many of them have been omitted for brevity as they have been shared by AMO previously to members.

AMO will continue to review the budget details as well as the proposed legislation that is expressed to follow the budget. Updates will be provided as additional information becomes available.

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