

PROVINCIAL BUDGET 2017: A STRONGER, HEALTHIER ONTARIO

Date: April 27, 2017

1. BUDGET AND RELATED DOCUMENTS

Click here for the [2017 Provincial Budget](#), and [Highlights](#).

2. PROVINCIAL BUDGET 2017 PRIORITIES

The budget stresses a number of themes, some of them present in previous budgets:

- Returning to a balanced budget
- Investing in health care and education
- Building transit and transportation
- Promoting housing affordability
- Supporting vulnerable populations

3. MUNICIPAL HIGHLIGHTS

The budget includes summaries of prior commitments as well as some new announcements.

PROPERTY TAX AND ASSESSMENT SYSTEM

- The budget proposes to provide the authority to levy a hotel tax to the City of Toronto, single-tier, and lower-tier municipalities. Municipalities with an existing Destination Marketing Fee (DMF) program would be required to share their hotel tax revenue with the appropriate not-for-profit organization. Municipalities without a DMF program would need to share at least 50% of their hotel tax revenue with the respective regional or not-for-profit organization (p. 281).
- Railway rights-of-way: As recommended by MFOA in its *Municipal Act* review submission, the province initiated a review of railway-rights-of-way (RROW) property taxation in the *2016 Ontario Economic Outlook and Fiscal Review* (p. 288). The following changes are proposed:
 - Beginning in 2017, property tax rates on RROW will be updated to reflect the average annual % change in taxes on commercial properties (approximate increase of \$6/acre for 2017).
 - Inequities between regions will begin to be addressed by adjusting the lowest property tax rates on RROW to a minimum of \$80/acre from \$35/acre.

- Municipalities will be provided the flexibility to reduce property tax rates for eligible small-scale value-added and commercial activities on farms (p. 288). No details were provided on eligibility criteria.
- The 2016 adjustment to education property tax rates will be maintained in 2017 (p. 289).
- Provincial Land Tax Reform: Legislative amendments will be introduced to support increased equity in taxation and in how services are paid for in the north (p. 289).
- The *Electricity Act, 1998* will be amended regarding the application of payments in lieu of federal and provincial tax against a taxpayer's transfer tax liability (p. 292).
- The *Land Transfer Tax Act* will be amended regarding non-Canadian spouses and wrongly obtained refunds (p. 293).

INFRASTRUCTURE

- The province is investing \$130 M over five years in 5G (fifth-generation technology) to increase telecommunications network capacity. Northern and rural Ontario will be connected to the testing facilities through the Ontario Research and Innovation Optical network (p. 77).
- As announced in the Climate Change Action Plan, \$85 M in 2017/18 is being invested in retrofit activities in social housing apartment buildings, \$50 M in cycling infrastructure, and \$22 M in electric vehicle charging infrastructure (p. 95). \$55 M is dedicated to engaging governments. Initiatives include a municipal GHG Challenge Fund and supports for municipal energy or climate change plans (p. 94).
- The government is looking for additional flexibility in federal infrastructure agreements (p. 199).
- Previously announced infrastructure items referenced in budget include:
 - Doubling of municipal share of gas tax revenues is projected to increase total funds from \$334 M in 2016/17 to an estimated \$642 M by 2021/22 (p. 154).
 - Increasing the Ontario Connecting Links program to \$30 M per year by 2018/19 from the \$25 M provided in 2017/2018 (p. 157).
 - Increasing the annual Ontario Communities Infrastructure Fund (OCIF) to \$300 M by 2018/19 (p. 158).

ENERGY

- The Rural or Remote Electricity Rate Protection program will be expanded to customers served by local distribution companies (LDCs) with the highest rates (p. 22).
- The Ontario Energy Board will identify opportunities to drive transmitter and LDC efficiencies (p. 23). More details on energy measures will be announced in the spring 2017 Long-Term Energy Plan.
- As announced at the ROMA conference, \$100 M to be invested in a Natural Gas Grant Program for municipal governments that currently do not have service (p. 24).
- As previously announced, electricity bills will decrease by 25% (including the 8% provincial portion of the GST) in the summer of 2017 for eligible consumers (p. 20).

- The Ontario Infrastructure and Lands Corporation Act, 2011 will be amended to enable Infrastructure Ontario to continue existing loan agreements with eligible LDCs following an amalgamation (p. 294).

OTHER

- Consultations will continue in summer 2017 to develop regional economic development plans (p. 87).
- The province and the Large Urban Mayor's Caucus of Ontario (LUMCO) are developing assessment tools to help councils and communities analyze the impact of the sharing economy on their residents and businesses (p. 91).

4. OTHER INITIATIVES

HOUSING STRATEGY

- As announced on April 20, 2017, the *Ontario Fair Housing Plan* includes a range of initiatives:
 - Non-resident speculation tax of 15% (p. 42)
 - Reduction in tax avoidance in pre-sale agreements (p. 42)
 - Extension of rent control to private rental units occupied on or after November 1, 1991, and tenancy protection measures (p. 43)
 - Municipalities can opt to participate in a \$125 M development charge rebate program that would extend over five years (p. 43)
 - Municipalities will be mandated to tax new multi-residential apartments at a rate similar to other residential properties (p. 44).
 - The City of Toronto will be provided the authority to levy an additional property tax on vacant homes. Other interested municipalities can work with the province (p. 45).
 - Municipalities may be provided the authority to impose a higher tax on vacant lands that have been approved and serviced for new housing (p. 45).
 - The “Residential Land Development Facilitation Team” will help developers and municipalities streamline the approval process (p. 46).
 - Reforms will be made to the Ontario Municipal Board. Consultations will occur on regulatory changes to the *Building Code* that support the creation of more rental units (p. 46).
 - The province will work with municipalities to monitor the effect of these initiatives (p. 41).
- Targeting homeless priority populations (e.g. chronic and youth homelessness) by:
 - Providing approximately \$200 M to improve access to housing assistance and services;

- Supporting construction of up to 1,500 new supportive housing units (p. 167).
- Commit \$70-100 M in land to develop up to 2,000 new housing units in the Greater Toronto and Hamilton Area (GTHA) – The Province will work with municipalities and other stakeholders to select sites and design the program (p. 168).
- Social Infrastructure Fund (\$640 M over 3 years) - The Province is partnering the with federal government to repair and modernize community infrastructure for social housing (p. 168).

SOCIAL ASSISTANCE

- By the end of 2017, the Province will release a report with recommendations on a multi-year roadmap for modernizing the income security system (p. 165).
- Investing over \$480 M over four years in the Ontario Works and Ontario Disability Support Program (ODSP) to:
 - Raise limits on cash and liquid assets, beginning in January 2018
 - Ontario Works: from \$2.5 K to \$10 K for individuals and \$5 K to \$15 K for couples
 - ODSP: from \$5 K to \$40 K for individuals and \$7.5 K to \$50 K for couples
 - increase income exemptions for cash gifts from \$6 K to \$10 K per year for both Ontario Works and ODSP, beginning in September 2017;
 - provide a rate increase for both programs by 2% beginning in September 2017 for ODSP and October 2017 for Ontario Works; and
 - increase the Remote Communities Allowance by \$50/month for the first person and \$25/month for each additional family member (p. 165-166).

OTHER

- Starting in January 2017, OHIP+ will provide universal drug coverage to all children and youth across the province (p. 25).
- The province will continue to work with municipalities to provide funding for a range of child care spaces (p. 26).
- \$8 M will be provided over 3 years to create new Elderly Person Centres (p. 33).
- Funding will be provided to small and rural retirement homes to install sprinklers (p. 35).
- An additional \$58 M in 2017 will be invested in long-term resident care (p. 37).
- A report on the Changing Workplaces Review will be released in spring 2017. The report will cover a range of issues including how to deal with the differential treatment of part-time and full-time employees and will make recommendations about enforcement (p. 69).
- The government continues to develop a new regulatory framework for target benefit multi-employer pension plans and to explore options to strengthen defined contribution pension plan participation and performance (p. 100).

- The *Municipal Freedom of Information and Protection of Privacy Act* will be amended to protect sensitive indigenous information (p. 193).
- Investing \$20 B in capital grants for hospitals, including \$9 B for the construction of new major hospital projects, over 10 years (p. 107).
- Province will expand authority of Local Health and Integration Networks (LHINs) for the planning of primary care and delivery of home and community care (p. 127).
- Investing \$16 B in capital grants to build new schools in high growth areas, improve conditions in existing schools, and reduce surplus space (p. 141).
- A working group is examining issues related to auto insurance, ride-sharing and associated services (p. 53).

PROVINCIAL-MUNICIPAL PARTNERSHIPS

- The budget includes an ongoing commitment to upload the social assistance benefit programs, court security and prisoner transportation costs (p. 188). These uploads will be fully implemented by 2018.
- The budget identifies a number of “provincial-municipal partnerships” that are ongoing. These include:
 - Sharing provincial gas tax (doubling the municipal share starting in 2019)
 - Unconditional funding under OMPF (\$505 M in 2017)
 - Ontario Community Infrastructure Fund
 - Changes to the Business Tax Capping Program and Business Vacant Unit Rebate

5. PROVINCIAL ECONOMY

OVERVIEW (P.246)

- The Ontario has a solid foundation for future economic growth based on low oil prices, a competitive Canadian dollar, and balanced growth in the US economy.
- Rising interest rates and elevated household debt loads pose risks.
- Heightened global uncertainty and rising global protectionist sentiments could negatively impact future business, consumer, and investor confidence.
- Exports and business investment are expected to be key drivers of Ontario’s economic growth.

INFLATION (P. 246)

- Inflation is expected to return to the 2.0% long-term trend rate in 2017.

%	2014	2015	2016	2017	2018	2019	2020
CPI inflation	2.4	1.2	1.8	2.0	2.0	2.0	2.0

INTEREST RATES (P. 250)

- Interest rates are expected to rise moderately over the forecast period (p. 251)
- The U.S. Federal Reserve raised interest rates in March 2017 for the third time since the global financial crisis, while the Bank of Canada has left its interest rates unchanged.

%	2014	2015	2016	2017	2018	2019	2020
3 Mo. Treasury Bill rate	0.9	0.5	0.5	0.5	0.8	1.5	1.9
10 Yr. Canada Bond rate	2.2	1.5	1.3	1.9	2.4	3.0	3.2

- In 2017, the short-term rate is projected to remain unchanged from 2015 and 2016.
- The long-term interest rates rose in late 2016 following U.S. Treasury yields that reflect an anticipated fiscal policy boost and additional Federal Reserve rate hikes.

GDP (P. 246)

- The Ministry of Finance is forecasting 2.0% average annual growth in Ontario's real gross domestic product (GDP) over the 2017-20 period.
- Forecasted real GDP growth is slightly below private sector forecasts.

%	2014	2015	2016	2017	2018	2019	2020
Real GDP	2.7	2.5	2.7	2.3	2.1	2.0	1.7
Nominal GDP	4.7	4.9	4.6	4.3	4.1	4.2	3.9

EMPLOYMENT (P. 248)

- Employment growth is expected to increase by 1.3%, or 94,000 net new jobs, in 2017 (p. 248).
- Average annual employment gains of 1.1% are expected between 2018 and 2020.

%	2014	2015	2016	2017	2018	2019	2020
Employment Growth	0.8	0.7	1.1	1.3	1.2	1.1	0.9

- Ontario's unemployment rate is projected to improve to 6.4% in 2017 and steadily decline to 6.2% by 2020.

HOUSEHOLD INCOME AND DEBT (PP. 252-253)

- Household income increased by 4.1% in 2016 and is projected to grow on average 3.98% annually to 2020 (p. 252).
- Mortgage rates have increased but remain at historically low levels; carrying costs on recently sold homes in Ontario are above their long-term average. High levels of debt combined with elevated resale prices leave Ontario households potentially vulnerable in the event of an adverse economic shock. (p. 253).
- Growth in the residential construction is expected to slow to 0.2% in 2017 from 7.9% in 2016, rebounding to an average of 1.4% from 2018 through 2020 (p. 252).

CANADIAN DOLLAR (P. 251-252)

- In 2016, the Canadian dollar averaged 75.4 cents US.
- The dollar is expected to decline and average 74.5 cents US in 2017.
- The dollar is projected to reach 80 cents US by 2020.

6. PROVINCIAL FINANCES

DEBT (P. 257)

- The 2016/17 provincial borrowing program is complete at \$27.0 B.
- Net debt to GDP ratio of 37.8% is forecast for 2016/17, decreasing in subsequent years to 37.2% in 2019/20.

DEFICIT (P. 258)

- The 2016/17 deficit is projected to be \$1.5 B, down from the \$4.3 projected in the 2016 budget (p. 258).
- Planned borrowing over the projected period (2017-2020) is up \$18.1 B (from \$78.5 B to \$96.5 B) reflecting higher debt maturities, higher investments in capital assets and higher planned cash reserves.
- The table below projects a balanced budget by 2017/18 and again 2018/19 and 2019/20.

Medium-Term Fiscal Plan and Outlook (\$B)

Table 6.1 (p. 219)

	2016/17	2017/18	2018/19	2019/20	% change 2016/20
Revenue	133.2	141.7	144.9	149.3	12.09%
Expense					
Programs	123.5	129.5	132.3	135.8	9.96%
Interest on Debt	11.3	11.6	12.0	12.6	11.50%
Total Expense	134.8	141.1	144.3	148.4	10.09%
Reserve	-	0.6	0.6	0.9	
Surplus/(Deficit)	-1.5	0.0	0.0	0.0	
Net Debt (as % of GDP)	37.8	37.5	37.3	37.2	
Accumulated Deficit (as % of GDP)	24.2	23.2	22.3	21.4	

Percentage column added

Prepared by:

Shira Babins
 Manager of Policy
shira@mfoa.on.ca
 41-362-9001 x 227

Colin Macdonald
 Senior Policy Advisor
colin@mfoa.on.ca
 416-362-9001 x 232