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April 16, 2019

AMO's Deeper Look at the 2019 Provincial Budget

This is the second installment of AMO's Budget Analysis. AMO President Jamie McGarvey provided his initial overall reaction in this [video](#). In case you missed it, please see AMO's first installment of Budget Analysis, [Budget Day Highlights](#).

This installment covers:

- (A) Areas of concern
- (B) Areas where discussion work is to occur (i.e. provincial reviews)
- (C) Matters of broad municipal interest

It also identifies "new" initiatives/policies and "status updates" for others.

The Minister of Finance, the Honourable Vic Fedeli on an April 12th live radio show, said that all provincial ministries were reducing their Budgets by 4% and some up to 8% due to administrative efficiencies, including technology use. He stated that he expected municipalities to also find 4% efficiencies. This could be seen to be connected to the recent provincial announcement of a one-time \$200 million to 405 municipal governments to modernize service delivery and efficiency.

A. Matters of Concern to AMO and Municipal Governments

Ambulance (EMS)- new

Land ambulance dispatch services will be streamlined by integrating Ontario's 59 emergency health services operators (e.g. 52 EMS, 6 First Nations, Ornge) and 22 provincial dispatch communication centres. Municipal governments have called for years for improvements to the paramedic dispatch system for which the province has 100% funding responsibility. The government will be exploring new models of care and delivery for emergency health services to improve care for patients and reduce duplication so not every ambulance is sent to an emergency department.

In terms of any restructuring of paramedics services, the Ministry of Health and Long-Term Care has committed to work directly alongside its municipal partners, including AMO, under the MOU. It will involve working groups having meaningful discussions about protecting and enhancing emergency support services across Ontario. We

expect these working groups to begin shortly and will work with the ministry to communicate as appropriate.

Conservation Authorities - new

Conservation Authorities (CA) were told on April 12th that \$3.7 million (50%) is to be cut from the annual \$7.4 million transfer payment from the Hazard Program this year. This looks like a 2019 in-year financial impact on conservation authorities.

The Hazard Program protects life and property from natural *hazards, such as flooding and erosion*. It would appear that this action is an outcome of the provincial multi-year line by line financial review and was identified as “administrative savings”.

In addition, the Ministry of Natural Resources and Forestry (MNRF) is consulting on a proposal to streamline and focus conservation authorities’ role in development permitting and municipal plan review. For more information, visit Environmental Registry [013-4992](tel:013-4992). This consultation will end on May 21, 2019.

AMO is discussing these matters with Conservation Ontario and seeking more information from MNRF. With increases in weather events, pressure for fill/development in floodplains and wetlands, this a direct cut to a provincial program that protects people and property. AMO feels this requires more discussion.

Infrastructure- status update

The Ontario Government’s infrastructure fiscal plan forecasts \$144 billion over 10 years.

(i) Transit- new

The government is committing to municipal transit infrastructure funding including:

- \$1.2 billion for Ottawa LRT
- \$1 billion for Hamilton LRT
- It will use \$4.2 billion from the Investing in Canada Infrastructure Plan (ICIP) as part of the federal contribution to transit in Toronto to fund a new subway
- \$2.25 billion in Ontario’s federal Green Infrastructure Stream will also be directed toward Toronto/GTHA subways
- The province is committed to creating plans for regional transportation in Southwestern and Northern Ontario with the SW plan coming in Fall 2019.

(ii) Ontario Community Infrastructure Fund (OCIF) – status update

OCIF provides assistance to communities less than 100,000 population. OCIF increased in phases starting in 2016 and among other matters, limited access to the application funding to those municipalities receiving less than \$2 million in formula funds annually.

2019 marks the year the OCIF program was to mature to \$300 million; (\$200 million in formula allocation and \$100 million in application funds). The OCIF formula

component did increase in 2019 to \$200 million. However, the government also cancelled the application funds for 2018 and 2019. This means \$200 million that would have been available is not accessible to smaller municipalities. The government will review the program. As a result, the government has declined to confirm formula allocation envelopes for future years.

While no details are currently available regarding potential changes to the OCIF formula allocation, a reduced envelope is possible. This would diminish the amount of infrastructure support available from the province to municipal governments eligible for OCIF.

Public Health - new

The provincial government will:

- Improve program and back office efficiencies by adjusting provincial-municipal cost sharing of public health funding in 2019-20. The nature of this adjustment is not known yet.
- By 2020-21, establish 10 regional public health entities and 10 new regional boards of health with one common governance model (currently there are several board governance models, each with a local government approach that relates to performance and local accountability); and
- By 2021-22, the province anticipates that these changes will lead to annual savings of \$200 million. If this is provincial savings, the \$200 M represents a 26% reduction in the public health funding the province currently provides in this municipal – provincial cost shared program.
- There will also be modernization through regionalization of the public health laboratory system and a streamlining of Public Health Ontario.

In the Budget document, it is stated that: "the current structure of Ontario's public health units does not allow for consistent service delivery, could be better coordinated with the broader system and better aligned with current government priorities." It is our expectation that the ministry will look to AMO and the municipal/public health sector to work with them in confidence as to implementation matters related to the government's vision.

Under the current *Health Protection and Promotion Act* (s. 72), municipalities in a health unit are responsible for the costs of a health unit and the Medical Officer of Health in the performance of its legislated functions and duties. The Minister may make grants for the purposes of this Act on such conditions as he or she considers appropriate under (s. 76).

Provincial Gas Tax- update

The Province will not move forward on its campaign promise to increase the municipal share of the provincial gas tax funds from 2 cents/litre to 4 cents in 2021-22.

Recently \$364 million (2019 envelope) was provided to 107 municipal public transit systems. This funding is for established systems only. The Province has committed to

consult with municipalities to review the program parameters and identify opportunities for improvement.

The outcome of the anticipated increase is \$364 million less to invest.

Property Assessment- new

The province will be conducting a review to explore opportunities to:

- “Enhance the accuracy and stability of property assessments;
- Support a competitive business environment;
- Provide relief to residents; and
- Change the composition of the Board of the Municipal Property Assessment Corporation (MPAC) to increase the representation of property taxpayers.” (This would dilute current municipal government representatives who are taxpayer representatives by virtue of being elected).

To date there is no additional information on this or how significant it will be.

Wastewater – new

As first indicated in the Made in Ontario Environment Plan, the government is targeting sewage overflows into Ontario water bodies. Municipalities will be required to provide real-time reporting of sewage outflows.

The Budget reiterates the commitment to work with Ontario municipalities to update policies surrounding reporting combined sewer overflows to the public in real time to inform them of water quality issues (impacting swimming, fishing, drinking water, etc.)

B. Provincial Consultations/Reviews of Municipal Interest– underway or about to start

Some have been announced previously – but are included here. This provides a snapshot of lots of municipal work.

1. Aggregates reform
2. Ambulance/Paramedic Services dispatch streamlining + integration
3. Animal Welfare- new legislation
4. Conservation Authorities Modernization and Sec. 28 review
5. Digital First Strategy
6. Environmental Assessment (EA) modernization
7. Housing
 - o Housing Supply Action Plan
 - o Community Housing Renewal Strategy
 - o National Housing Strategy Trilateral Coordination Forum
 - o Supportive Housing
8. Joint and Several Liability
9. Ontario Community Infrastructure Fund (OCIF) redesign
10. Ontario Energy Board (OEB) modernization
11. Ontario Immigrant Nominee Program

12. Ontario Municipal Partnership Fund (OMPF)
13. *Planning Act* streamlining
14. *Police Services Act* – regulations including OPP boards
15. Provincial Gas Tax program
16. Property Assessment (MPAC) review
17. Public Health re-structuring
18. Reducing Litter and Waste
19. Reducing the Municipal Reporting Burden
20. Regional Review
21. Resource Revenue Sharing (northern communities)
22. Social Assistance Reform
23. Species at Risk
24. Workplace Safety and Insurance Board (WSIB)- operational review

C. Budget Items of Municipal Interest (Alpha ordered)

Includes elements of Bill 100, *Protecting What Matters Most Act* (Budget Measures), 2019 that may not have stood out in the budget paper.

Accessibility - new

\$1.3M over two years to implement the Rick Hansen Foundation Accessibility Certification™ program in selected communities across the province to improve accessibility, including in public buildings.

Alcohol - new

The Province will introduce legislation to permit municipal governments to designate public areas, such as parks for the consumption of alcohol. There are other alcohol reforms contained in the Budget such as the creation of a tailgating permit for eligible sporting events and extending hours of service in licensed establishments to a 9 am start, seven days a week.

***Liquor Licence Act* (Schedule 38) of Budget Bill**

- Amends the *Liquor Licence Act* to allow the council of a municipality, by by-law, to designate a public place where persons may have or consume liquor, subject to the regulations.
- Also expands the regulation-making powers of the Lieutenant Governor in Council.

Broadband - new

Provincial commitment of \$315 million over the next 5 years to support rural high speed broadband and cellular services in regional and “shovel ready” projects. At this point, we do not know the profile of the \$315 million over 5 years: criteria to access; what amount is in each year, or how this is to enable or leverage private funding for capital.

For reference, the recent federal Budget noted a federal investment of \$5 - 6 billion (including leveraged private investment) over 10 years for all of Canada. Of this, \$1.7 billion will be new funding, with an additional \$1 billion in financing to be made available through the Canada Infrastructure Bank.

Cannabis – status update

The Ontario Cannabis Store lost \$25 million in 2018-19 but is expected to turn a profit of \$10M, \$25M and \$40M in 2019-20 to 2021-22. Ontario took in \$17 million in cannabis excise tax in 2018-19 and is anticipating this to be between \$70-80M each year over the next 3 years.

If these projections are accurate, it means that there will be no additional cannabis funding to municipal governments for 2019-20 (beyond the current \$40 million), as the threshold of \$100 M of cannabis excise tax would not be reached.

Child Care and Early Years- new

The new CARE (Ontario Childcare Access and Relief from Expenses) tax credit would provide about 300,000 families with up to 75 per cent of their eligible child care expenses and allow families to access a broad range of child care options, including care in centres, homes and camps. It remains to be determined how the tax credit will work with the existing funding and service delivery model including the provision of fee subsidies to low-income families and general operating grants given to operators to help keep fees down.

\$1 billion to create up to 30,000 child care spaces in schools, including approximately 10,000 spaces in new schools, over a five year period. Operating funding will be needed for these new spaces to ensure affordability for families.

Digital Services

Simpler, Faster, Better Services Act, 2019 (Schedule 56) of Budget Bill – new

- Would allow the province to make regulations that apply to municipal governments respecting digital services and the publication of data.
- Formalizes the position of the Chief Digital and Data Officer and requires this officer to provide the broader public sector and **municipal governments** with advice on: the collection, management and use of data; the use of common tools and digital platforms; the effective use of data in policy and program development; and the proactive publication of data.
- Require Ontario to develop a digital and data action plan and implement digital service standards. Ministries would be required to make all their datasets publically available for free or at a reasonable cost. The availability of these datasets should support municipal analysis and decision-making.

Education Property Tax - new and status update

Education Property Tax revenue is projected to increase at an average annual rate of 0.9% between 2018–19 and 2021–22. This is largely due to growth in the property assessment base resulting from new construction activities.

Regulatory amendments introduced March 29, 2019 have implemented restricted rate increases of 5% or \$300 per residential unit (whichever is greater) and a maximum yearly increase of 5% for non-residential rates.

Energy - status update

The Budget summarized the many provincial energy actions taken to date including: supporting natural gas expansion and general expansion of pipeline projects, reducing electricity costs, repealing the *Green Energy Act* and board changes at the OEB and Hydro One were among the highlights in the Budget.

It said that the global adjustment will be removed from electricity bills. Municipal governments should see this reduction on electricity bills once the Bill 87 (*Fixing the Fair Hydro Mess*) has passed later this legislative session.

Environmental Assessment (EA) Act Modernization – new

The Budget notes the province will modernize the EA Act. Making infrastructure projects faster and providing a risk threshold/financial threshold for projects could reduce building time for many public works.

Fire Services

Fire Protection and Prevention Act, 1997 (Schedule 29) of Budget Bill – new

- Amendments are made to strengthen and enable more effective and efficient enforcement of fire safety across Ontario. Changes are intended to reduce cost-related barriers fire departments may currently face;
- Changes the amounts of fines as penalties for certain offences and to create penalties for subsequent offences;
- Adds a limitation period for the prosecution of offences; and,
- Expands the power of the Fire Marshal, a fire chief or an assistant to the Fire Marshal to issue an order under Section 35 of the Act for payment of costs.

Guns and Gangs- new and status update

The City of Toronto received \$25 million in 2018 and the City of Ottawa is receiving \$2 million in 2019 under this program, and an additional \$16.4 million funding over two years will help other centres throughout Ontario. In addition, other initiatives relate to:

- Establishing a provincial Guns and Gangs Support Unit to assist local police officers
- A dedicated Gun and Gang Specialized Investigations Fund to support joint forces operations targeting the organized crime areas that fuel gang operations, such as drug, gun and human trafficking, and provide intelligence analysis; and

- Protecting the most vulnerable people with the highest risk of experiencing gun and gang violence and victimization.

Housing - status update

\$4 billion in combined federal and provincial funding over the next nine years through the National Housing Strategy Canada-Ontario bilateral agreement. This appears to commit to provincial cost matching of the agreement.

The Province has signaled an intent to negotiate and co-design the Canada-Ontario Housing Benefit with the Canada Mortgage and Housing Corporation (CMHC) to help address housing affordability.

Making home ownership and renting more affordable by helping to increase the supply of housing that people need through the forthcoming Housing Supply Action Plan. Details to come in a spring announcement.

Stabilizing and growing Ontario's community housing sector through a Community Housing Renewal Strategy. The intent is to make it more efficient, sustainable and easier to navigate for the people of Ontario and community housing providers. Specific details to come in an announcement in 2019.

Key elements of the strategy will include:

- Creating incentives for community housing providers.
- Simplifying rent-geared-to-income calculations.
- Streamlining and updating waitlist and eligibility rules.
- Addressing community safety concerns especially for the most vulnerable.

New - Undertaking a review to streamline and improve coordination of the more than 20 supportive housing programs. A portion of \$174 million in 2019–20 for mental health and addictions services will go toward supportive housing.

It is not known whether the Province will follow through on the previous government's multi-year plan to increase funding by \$15 million this year for the Community Homelessness Prevention Initiative (CHPI). The Ministry of Municipal Affairs and Housing will significantly reduce expenditures this year according to the Budget. This may affect funding levels for housing and homelessness programs administered by municipal service system managers.

The Budget did not indicate if the government is going to fund provincial homelessness and prevention programs at the same level as the previous year. We will look for further details.

Immigration Pilot Initiative + Changes to the Ontario Immigrant Nominee Program - new

The 2019 Ontario Budget includes a commitment to develop an immigration pilot initiative with select communities to explore innovative approaches to disperse the benefits of immigration to smaller communities in Ontario. This Budget commitment

responds to long-standing municipal economic development-related immigration asks. AMO will seek out more information to make sure the initiative reflects municipal priorities.

The Budget also indicates that changes are coming to the Ontario Immigration Nominee Program to enhance the program's capacity to respond to labour market shortages across the province. These changes include the creation of a new stream to attract highly skilled employees to the technology sector, changes to the in-demand skills stream expanding the eligible occupation list to include transport truck drivers and personal supports workers, and changes to the investment and net worth thresholds levels under the entrepreneur stream. These changes should help address labour market shortages in different Ontario regions.

Long-term Care – new and status update

As promised, Ontario will create 15,000 new long-term care beds over the next five years and to provide more appropriate care to patients with complex health conditions. The government is committed to upgrading an additional 15,000 older long-term care beds to modern design standards, which will allow the long-term care sector to provide more appropriate care to those with complex health conditions. These measures represent a total investment of approximately \$1.75 billion in additional funding over five years.

In addition to the over 6,000 new beds previously allocated, 1,157 new long-term care beds will immediately be allocated to 16 projects across the province.

Northern Matters – status update

Developing the Ring of Fire

The Province will work to cut red tape and end the delays that block the development of the Ring of Fire area by working with willing partners to ensure sustainable development in the North.

Mining Working Group

The creation of a Mining Working Group to focus on reducing red tape and attracting major new investments/opportunities to assist future growth, competitiveness and prosperity.

Reviewing the Forestry Sector Review

Development of a strategy to encourage economic growth within the forestry sector and promote the sector as open for business. The strategy aims to increase wood supply and will help unleash the potential of Ontario's forest industry, creating conditions for the industry to innovate, attract investment, and create jobs and prosperity for the North.

Ontario Proceedings Against the Crown Act (Schedule 17) of Budget Bill – new

- Amendments to the *Ontario Proceedings Against the Crown Act*, which would make it harder to pursue legal action against the government when it comes to misfeasance and negligence, civil lawsuits and class action lawsuits, among other things.
- However, there is clarity that the Crown is not relieved of liability in any of the *Environmental Assessment Act*, *Environmental Bill of Rights*, *Environmental Protection Act*, the *Environmental Review Tribunal Act*, the *Resource Recovery and Circular Economy Act*, and the *Workplace Safety and Insurance Act*.

Ontario Provincial Police - new

Exploring opportunities to encourage workforce optimization, including vacancy management, overtime and scheduling at the Ontario Provincial Police to save approximately \$30 million annually, starting in 2019–20, without impacting front-line policing and community safety. This would need to be found as be part of the OPPA collective agreement negotiations with Ontario.

Privacy Legislation

Freedom of Information and Protection of Privacy Act (Schedule 31) of Budget Bill - new

- Amendments to allow Ontario to collect personal information to be de-identified from municipal governments, entities that receive provincial funding or administer government services, or a municipal board.
- De-identified personal information can only be collected under certain conditions, namely for analysis related to the management and allocation of resources, program and service planning and program evaluation.
- The disclosure of personal information for law enforcement purposes and in other circumstances is also proposed.

Municipal Freedom of Information and Protection of Privacy Act (Schedule 41) of Budget Bill – new

- Would enable municipal governments to share personal information for law enforcement purposes. This may have negative impacts on the privacy of individuals accessing municipal services.
- The Schedule amends the grounds on which personal information can be disclosed under Part II of the *Municipal Freedom of Information and Protection of Privacy Act*.

Provincial Surpluses

Investing In Ontario Act (Schedule 34) of Budget Bill– new

- The Budget Bill proposes to repeal the *Investing In Ontario Act*
- This Act allowed surpluses to be provided to certain projects or sectors
- It was used to provide one-time capital funding to municipalities prior to 2010
- This reflects provincial direction on eliminating the deficit and reducing debt.

PSTD Awareness***PTSD Awareness Day Act, 2019 (Schedule 52) of Budget Bill – new***

- Enacts the *PTSD Awareness Day Act, 2019*, which proclaims June 27 in each year as PTSD Awareness Day.

Seniors Dental Program – new

To improve the life of seniors, the Province will develop a new strategy that will involve effort across government. Individual seniors with annual incomes of \$19,300 or less, or senior couples with combined annual incomes of less than \$32,300, will be able to receive dental services in public health units, community health centres and Aboriginal Health Access Centres across the province.

The program will start in late summer 2019. By winter, investments in the program will expand new dental services in underserved areas, including through mobile dental buses and an increased number of dental suites in public health units.

Social Assistance – status update

The Social Assistance system reform is expected to result in an estimated annual saving of over \$1 billion at maturity by simplifying the rate structure, reducing administration, cutting unnecessary rules, and providing greater opportunities to achieve better employment outcomes. This could be a positive fiscal implication, potentially also saving municipal service managers money in addition to the province.

However, it is unclear if this means less administration funding from the province in 2019 and if so, it will need to be assessed if the planned measures will fully produce the projected savings to offset any funding reductions and when. If this is not the case, there may be pressure on service managers to fill in the gap.

The municipal Ontario Works employment services will be integrated into the provincial Employment Ontario network. If there is a transfer of this function, this could have labour relations implications as it will likely involve staff layoffs. Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs) may compete to deliver employment services however there is no guarantee they will be successful proponents. CMSMs and DSSABs provide employment services linking them to economic and labour force development and also local poverty reduction strategies.

Wrap-around supports will be provided to help vulnerable social assistance recipients address barriers and access employment supports.

There will be strengthened accountability of both social assistance service system managers and the planned employment service system managers to help people achieve employment goals.

Trade – status update

Interprovincial trade continues to be a focus, especially alcohol rules. The Budget notes that the new agreement replacing NAFTA is positive but reiterates impacts on forestry and supply managed agriculture sectors, calling on the federal government to help manage this and for federal action to help reduce/eliminate US steel + aluminum tariffs. The province will also target any states directly that are proposing 'Buy America' legislation or rules

Workplace Safety and Insurance Board (WSIB) – status update

New WSIB premium rate framework in 2020. Operational review of the WSIB pertaining to the board's financial oversight, effectiveness and efficiency.

Municipal governments pay higher rates (Schedule 1) and self-insurance costs with WSIB administrative costs (Schedule 2) than most other Ontario workplaces due to the nature of municipal emergency services (presumptive PTSD, fire presumptive cancers).

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