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To: Lisa Slomke
Subject: Provincial 2016 Fall Economic Statement Highlights

November 14, 2016

Provincial 2016 Fall Economic Statement Highlights

Today Finance Minister Charles Sousa delivered the 2016 Fall Economic Statement. We are awaiting introduction of the related legislation which may include matters not specifically included in today's Statement.

Overall Fiscal Outlook

The 2016-17 deficit will remain at \$4.3 billion, unchanged from the 2016 Budget projection. The government remains committed to balancing the budget by 2017-18 and continuing to remain in a balanced position for 2018-19.

For 2016–17, the Province's net debt (which includes total liabilities and total financial assets) is projected to be \$317.9 billion. This is above the projections made in the last three budgets (\$308.3 billion in the 2016 Budget, \$311.5 billion in the 2015 Budget and \$317.2 billion in the 2014 Budget).

The following highlights matters that are new and re-confirmed that will interest municipal governments.

New Matters:

Business Property Tax Capping Program – Further Enhancements

Eligibility criteria to allow municipalities to phase out the capping program will be broadened further to what was previously announced and, available beginning in 2017, municipal governments will have the option to limit the capping program to reassessment-related changes prior to 2017. AMO appreciates the further flexibility to the program.

Creation of New Financial Services and Pension Regulator

The Ontario government is following the [Expert Advisory Panel's Report](#) recommendations to create a new Financial Services Regulatory Authority that is to be independent of the government. Until we see the legislation, we cannot report on the details. It would replace three current regulating bodies including the Financial Services Commission, which among other matters deal with pension plans, including OMERS. The new regulator would be more consumer-focused and improve protections for consumers, investors and pension plan beneficiaries. AMO's Municipal Employer Pension Centre of Ontario (MEPCO) will monitor this matter closely.

Housing

Ontario will double the maximum provincial Land Transfer Tax refund for eligible first-time home buyers to \$4,000. On Jan. 1, 2017 eligible home buyers will avoid paying Land Transfer Tax to the province on the first \$368,000 of the cost of their first home. This benefit will be recuperated by increasing land taxes on single or two family house transactions over \$2M. This will not impact municipal budgets.

If the legislation is passed, apartment buildings that have a tax ratio two times or more than other residential (such as condominiums) will have the tax burden frozen while the province reviews how the property tax burden on these buildings affects rental market affordability. This change will impact municipal taxes as the relative share paid by apartment building owners will decrease during the study. The Province confirms that it "will continue to set a single, consistent property tax rate for all forms of housing". AMO will be engaged in this upcoming review.

Sharing Economy

The government has been consulting with municipal governments and other stakeholders on sharing economy platforms in Ontario. The Statement notes the work done by municipalities to develop local approaches to ride sharing and other areas. It also noted the government will continue to consult and develop an approach to home sharing which will take into account municipal work already done.

The following items of municipal interest were reconfirmed:

Child Care

The government re-confirmed its commitment in the 2016 Budget to building 100,000 new child care spaces over the next five years. To start, \$65.5 million will be invested this fiscal year to create 3,400 new spaces. This is intended to expand access to more licensed child care for families in Ontario.

Climate Change

The Statement notes the government's Climate Change Action Plan and cap and trade revenues from the market which will commence in January with revenues going towards helping homeowners and businesses to invest in clean technology. The plan also notes that a new provincial adaptation plan will be developed next year.

Infrastructure

The Province reaffirmed its commitment to the \$160 billion, ten-year infrastructure strategy that includes the Ontario Community Infrastructure Fund (OCIF) increasing to \$300 million, \$30 million in Connecting Link funding, the Clean Water and Wastewater Fund (CWWF) and transit and other investments through Moving Ontario Forward inside and outside the GTHA.

Reducing Energy Costs/Natural Gas

The Province restated the recent list of changes and programs designed to lessen electricity bills and expand natural gas to rural and remote areas. For example, the Statement reiterated that the Province will launch the interest-free, \$200 million Natural Gas Access Loan program in fall 2016 which is to help finance the building of new natural gas infrastructure and the costs of converting to natural gas. To provide opportunities for remote communities to access affordable energy, liquefied and compressed natural gas infrastructure will also be eligible under the program. Access to natural gas can help stimulate the economy, particularly in smaller communities, by attracting new industry, making commercial transportation more affordable, benefiting agricultural producers and providing consumers with more energy choices.

Uploads

The Statement also reaffirmed the government's continuing commitment to upload court security and social assistance costs from municipalities on schedule for full implementation by 2018.

A full copy of the Statement is available at <http://www.fin.gov.on.ca/en/budget/fallstatement/2016/>.

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