

**FALL ECONOMIC UPDATE 2018: A PLAN FOR THE PEOPLE**

Date: November 15, 2018

**I. FALL ECONOMIC UPDATE AND RELATED DOCUMENTS**

Click here for the [2018 Fall Economic Update](#), and [News Release](#).

**2. MUNICIPAL HIGHLIGHTS**

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**HOUSING**

- The Ministry of Municipal Affairs and Housing will launch a Housing Supply Action Plan in spring 2019 aimed at barriers perceived to inhibit development. Consultations will begin immediately. The focus will be on actions that can be taken quickly and longer-term actions that will be rolled out over the next 18 months (p. 74).
- The Development Charges Rebate Program will be cancelled (p. 76).
- Rent control exemptions will apply to new rental units first occupied after November 15, 2018 (p. 76).
  - Rent control will be preserved for existing tenants (p. 76).

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**INFRASTRUCTURE**

- A review of all capital projects will be completed in the coming months (p. 71).
- The Province will develop a plan to upload responsibility for the Toronto Transit Commission subway infrastructure from the City of Toronto to the province (p. 71).
- The Province is exploring the potential for a faster and more reliable passenger rail service, including options to either upgrade existing rail corridors, create new ones, or use other forms of transportation (p. 72).
- The Province will resume the Environmental Assessment for the Greater Toronto Area West Highway Corridor (p. 73).
- Amendments are proposed to the *Metrolinx Act, 2006* to enhance the agency's focus on regional transit delivery (p. 73).
- The Ministry of Transportation will continue work on a broader transportation plan for the Greater Golden Horseshoe (p. 73).
- Ontario is relinquishing its veto on pipeline projects that will transport oil from Western Canada to Ontario, or to Canada's East Coast (p. 50).
- As previously introduced, the *Access to Natural Gas Act, 2018* will enable expanded natural gas distribution and encourage private gas distributors to

partner with communities to develop projects that expand access to natural gas (p. 51).

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## PROVINCIAL TRANSFERS

- “Local governments benefit from a range of provincial transfer payments. (...) the government is committed to driving greater efficiencies and value for money. This commitment will also be required from all partners, including municipalities.” (p. 31).
- The Province is conducting a review of provincial agencies, as well as programs and services (p. 26).

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## CANNABIS

- As previously announced, the government has committed to \$40M over two years to help municipalities with the implementation costs of recreational cannabis legalization, while permitting municipalities to opt-out of retail stores (p. 31).
- As previously announced, if Ontario’s portion of the federal excise duty on recreational cannabis over the first two years of legalization exceeds \$100M, the Province will provide 50% of the surplus to those municipalities that have not opted-out as of January 22, 2019 (p. 31).
- Amendments to the *Municipal Act, 2001* and the *City of Toronto Act, 2006* to further clarify municipalities’ authority to further restrict rules around the consumption of cannabis, similar to the rules already in place for tobacco (p. 31).

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## ENVIRONMENT

- As previously announced, the Province has cancelled the cap-and-trade carbon tax program and is challenging the federal government’s carbon tax plan (p. 63).
- Cancellation of 758 renewable energy contracts across Ontario (p. 63).
- In the coming months, release of an environmental plan to fight climate change, as well as consultations (p. 63).
- Proposed legislation to repeal the *Green Energy Act, 2009* would make amendments to the *Environmental Protection Act* to enhance the province’s authority to make regulations prohibiting the issuance of renewable energy approvals (p. 63).

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## EMERGENCY SERVICES

- Amendments to the *Fire Protection and Prevention Act, 1997* to enable municipalities to employ full-time firefighters who volunteer in their own or other

communities (double hatters); and reform collective bargaining arbitration between municipalities and firefighting associations (p. 31).

- \$25M in new funding over four years to fight guns and gangs in the City of Toronto (p. 80).
- Replacement of the facilities of nine new Ontario Provincial Police detachments and replacement of the Public Safety Radio Network (p. 81).
- As previously announced, the Province has committed to providing increased funding to emergency forest fire fighting across Ontario (p. 60).

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## NORTHERN ONTARIO

- The Province has announced plans to address roadblocks hindering progress of the development of the Ring of Fire (p. 58).
- The Province has announced a review of the *Far North Act, 2010* to ensure that land use planning aligns with local, Provincial and First Nations' priorities (p. 58).
- The Province has announced it will review initiatives to for Northern transportation needs, including passenger rail and bus services, in addition to the expansion projects along Highway 11 and 17 that are already planning and/or underway (p. 60).

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## OTHER

- A broadband and cellular strategy is expected to be released by the province in early 2019, which will outline a plan to expand broadband, digital services, and cellular access in unserved and underserved areas (p. 52).
- As previously announced, the Province will remove many provisions of the *Fair Workplaces, Better Jobs Act, 2017* (Bill 148), including:
  - the scheduled increase of the minimum wage to \$15 per hour;
  - advanced notice for scheduling changes and on-call pay;
  - provision of three sick days, two bereavement days, and three family responsibility days;
  - provisions for equal pay for equal work (pp. 39-40; p. 53).
- Review of the adjudicative tribunals and tribunal clusters that are accountable to the Ministry of the Attorney General (p. 81).
- Review of tobacco tax regulation and enforcement to curb contraband tobacco (p. 81).
- As previously announced, a property tax exemption for Royal Canadian Legions (p. 82).
- The Employer Health Tax exemption will increase to the first portion of payroll from \$450,000 to \$490,000 for employers will payrolls under \$5M (p. 47).

- As previously announced, the Workplace Safety and Insurance Board is reducing the average WSIB premium rate from \$2.35 to \$1.65 on every \$100 of insurable payroll, effective January 1, 2019. The Province is also launching a review of the workers compensation system (p. 54).
- Under the *Electricity Act, 1998*, the relief from taxes on the sale of electricity assets by municipalities to the private sector will be extended to December 31, 2022:
  - The relief applies to Transfer Tax and certain payments in lieu of taxes payable on the transfer of electricity assets to the private sector.
  - For transfers between January 1, 2019 – December 31, 2022, the Transfer Tax Rate will be reduced from 33% to 22%, and the rate will be zero for transfers by municipal electricity utilities with fewer than 33,000 customers (p. 154).

### 3. OTHER INITIATIVES

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#### HEALTHCARE

- An additional \$90M for 1,100 beds and spaces in hospitals and the community in 2018/19 (p. 67).
- An additional \$300M for 6,000 new long-term healthcare beds across Ontario with a commitment to add more than 9,000 beds over the next five years (p. 67).
- As of March 2019, children and youth under the age of 25 who are covered by private insurance will no longer be covered by OHIP+ (p. 68).
- The province will examine the Ontario Drug Benefit Program (p. 68).
- The Self-Directed Personal Support Services Ontario agency has been wound down. The Local Health Integration Networks (LHINs) will continue to provide services to eligible clients (p. 69).

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#### EDUCATION

- Cancellation of the plans for a French language university (p. 20).
- Winding down the Ontario College of Trades by repealing the *Ontario Colleges of Trades and Apprenticeships Act, 2009* (p. 53).

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#### OTHER

- The government will undertake a review of the *Fiscal Transparency and Accountability Act, 2004* as recommended by the Independent Financial Commission of Inquiry. The review will look at the provisions around governing principles, the recovery plan, public reporting and non-compliance (p. 23).

- The Financial Services Regulatory Authority of Ontario will include part of its mandate to regulate auto insurance, financial services and pensions in Ontario (p. 57).
- Effective April 1, 2019, drivers will no longer be required to get Drive Clean emissions tests for their passenger and light-duty vehicles. A new program will focus on heavy-duty vehicles (p. 72).
- The Province is working with stakeholders across the auto insurance system to explore options to lower rates and foster innovation (pp. 76-77).
- Effective January 1, 2019 for 2019 tax returns, filers with employment income will be able to claim the Low-income Individuals and Families Tax (LIFT) Credit. This credit entitles filers to receive up to \$850 in tax relief (or up to \$1,700 for couples) and gradually reduced for individual incomes greater than \$30,000 and family incomes greater than \$60,000 (p. 61).
- The province is working on a plan to reform social assistance (p. 79).
- Review of the beverage alcohol sector, including taxation (p. 83).
- Alcohol beverage retailers will be allowed to sell their wares from 9:00 a.m. to 11:00 p.m., seven days a week (p. 83).

## 4. PROVINCIAL ECONOMY

### OVERVIEW (P. 101)

- Ontario's economy is expected to grow over the 2018 to 2021 period, with rising employment, higher incomes, improved business investment and gains in exports.
- There are significant regional differences in economic growth.

### INFLATION (P. 109)

- Inflation is expected reach 2.5% in 2018.

%	2015	2016	2017	2018	2019	2020	2021
CPI inflation	1.2	1.8	1.7	2.5	2.1	2.0	1.6

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## INTEREST RATES (P. 104)

- Recently, the Bank of Canada signaled their policy interest rate will need to rise from the current rate of 1.75% to a neutral stance, which is estimated to be between 2.5% and 3.5%.
- Long-term interest rates are expected to rise from 2.3% in 2018 to 3.4% in 2021.

%	2016	2017	2018	2019	2020	2021
3 Mo. Treasury Bill rate	0.5	0.7	1.4	2.1	2.5	2.6
10 Yr. Canada Bond rate	1.3	1.8	2.3	2.8	3.3	3.4

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## GDP (P. 106)

- Real GDP is forecast to rise by 2.0% in 2018, 1.8% in 2019, 1.7% in 2020, and 1.5% in 2021.
- Growth is expected to be more modest over the next four years due to limited economic capacity, higher interest rates and slowing U.S. growth.

%	2015	2016	2017	2018	2019	2020	2021
Real GDP	2.5	2.3	2.8	2.0	1.8	1.7	1.5
Nominal GDP	4.6	4.4	4.1	3.8	3.8	3.5	3.2

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## EMPLOYMENT (P. 109)

- Employment is forecast to rise by 1.5% in 2018 and average 1.0% annually during 2019 to 2021.
- The average annual unemployment rate is expected to be 5.6% in 2018 and then remain at 5.5% from 2019 to 2021.

%	2015	2016	2017	2018	2019	2020	2021
Employment Growth	0.7	1.1	1.8	1.5	1.2	1.0	0.8

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## HOUSEHOLD INCOME AND DEBT (P. 97)

- Low borrowing rates have kept debt servicing costs manageable for both households and government in recent years.
- Interest rates have started to rise, putting pressure on households with significant monthly mortgage payments and other loans.

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## CANADIAN DOLLAR (P. 105)

- The Canadian dollar is expected to average 77.6 cents US in 2018 and rise gradually to 79.4 cents US in 2021.

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## CHANGES IN PROJECTIONS FROM 2018 BUDGET (P. 113)

- The Ministry of Finance's planning assumption for Ontario real GDP growth is 2.0% in 2018, down from 2.2% projected at the time of the 2018 Budget.
- Lower real GDP growth in 2018 with slightly lower average growth over the outlook period.
- Lower nominal GDP growth over the outlook period, notably in 2020 and 2021, to incorporate new private-sector forecast information.
- Modestly lower Canadian dollar and interest rates over the outlook period.

## 5. PROVINCIAL FINANCES

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### OVERVIEW (P. 117)

- 2018 budget deficit restated due to recommendations of the independent finance commission of inquiry.
  - Increased to \$15B from \$6.7B then reduced to \$14.5B due to shifting spending priorities.
- Total revenue expectation reduced by \$2.7B, including:
  - Cancellation of cap-and-trade (\$1.507B).
  - Cancellation of tax changes (\$308M).
  - Introduction of Low-Income Individuals Family Tax (LIFT) Credit (\$125M).
- Total expense changes reduced by \$3.2B, includes:
  - Ongoing review of programs (\$1.8B reduction).
  - Expenditure restrictions and updated forecasts (\$1.15B).
  - In-Year approvals (\$300M).
  - Other changes (\$500M).

## Fiscal Summary (\$B)

Table 3.1 (p. 118)

	Actual 2017/18	Commission Revised Baseline	Change	Current Outlook 2018/19
<b>Revenue</b>	<b>150.6</b>	<b>150.9</b>	<b>-2.7</b>	<b>148.2</b>
Expense				
Programs	142.4	152.4	-3.2	149.2
Interest on Debt	11.9	12.5	-	12.5
<b>Total Expense</b>	<b>154.3</b>	<b>164.9</b>	<b>-3.2</b>	<b>161.8</b>
<b>Surplus/(Deficit) Before Reserve</b>	<b>-3.7</b>	<b>-14.0</b>	<b>0.5</b>	<b>-13.5</b>
Reserve	-	1.0	-	1.0
<b>Surplus/(Deficit)</b>	<b>-3.7</b>	<b>-15.0</b>	<b>0.5</b>	<b>-14.5</b>
Net Debt (as % of GDP)	39.2	40.8		40.5
Accumulated Deficit (as % of GDP)	25.3	N/A		26.1

Notes: Numbers may not add due to rounding. To ensure consistency and comparability of numbers between the current outlook, the Commission's baseline forecast and prior year results, the Commission's Net Debt as a Per Cent of GDP estimate has been revised from 40.5 per cent after updating GDP with the most recent numbers from Statistics Canada's *Provincial and Territorial Economic Accounts, 2017*.

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MFOA will be releasing a report highlighting the legislative impacts of the Fall Economic Statement in the near future. Members can stay informed through our eNewsletter and website ([www.mfoa.on.ca](http://www.mfoa.on.ca)).