

FALL ECONOMIC UPDATE 2021: BUILD ONTARIO

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1. FALL ECONOMIC UPDATE AND RELATED DOCUMENTS

Click here for the [2021 Fall Economic Update](#), and [News Release](#).

2. MUNICIPAL HIGHLIGHTS

PROPERTY TAX AND ASSESSMENT SYSTEM

- Property assessments for the 2022 and 2023 tax years will continue to be based on the same valuation date that was used for 2021 (p. 173).
- The 5% cap on annual increases to airport payment-in-lieu-of-taxes (PILTs) will be temporarily suspended until passenger volumes return to pre-pandemic levels. This will enable the PILT to grow in tandem with the recovery in passenger volumes. These airports include Billy Bishop Toronto City Airport, Toronto Pearson International Airport, London International Airport, Ottawa International Airport, and Thunder Bay International Airport (p. 174).
- The Province intends to simplify the legislative requirements with respect to the assessment of pipeline properties, including the designation of pipelines by owners (p. 174).
- The Province intends to extend the period for matching provincial education tax assistance from three to six years for business developments and 10 years for residential developments for the Brownfields Financial Tax Incentive Program (p. 175).
- The Province is proposing to increase the assessment threshold on the option for municipalities to adopt a small-scale on-farm business subclass from \$50,000 to \$100,000. The Province will apply a reduced business education tax rate to the increased threshold, but municipalities will have the option to maintain the current \$50,000 threshold. It will also:
 - extend the farm property tax treatment for maple sap to include all edible tree saps,
 - increase the limit for farm woodlot exemptions from 20 to 30 acres,
 - streamline and simplify the application process for the Farm Property Class Tax Rate Program (p. 175).
- MPAC will be required to publish an annual performance report beginning in 2022 (p. 176).
- Amending MPAC board governance provisions that will permit it to operate with a board vacancy provided that two thirds of the positions are filled (i.e., nine representatives) and that municipal representatives constitute a majority (p. 176).
- Amending the *Municipal Act, 2001* and the *City of Toronto Act, 2006* to clarify the Minister of Finance's regulatory authority relating to the determination of relative tax burdens for business properties set by municipalities (p. 178).
- Amending the *Education Act, 1990* to clarify that the calculation of payments in lieu of taxes reflect the tax rate that would apply if PILT properties were taxable (p. 178).

TRANSIT AND INFRASTRUCTURE

- The Province has announced changes to the Ontario Community Infrastructure Fund (OCIF) program. The Province will double its annual investment in OCIF with an additional \$1B over 5 years. OCIF's total funding envelope will be nearly \$2B over 5 years (p. 57).
- \$345M in funding in 2021/22 for municipal transit systems to compensate for lower ridership and declines in Gas Tax revenue (p. 50).

LONG-TERM CARE HOMES

- \$3.7B beginning in 2024/25 to build an additional 10,000 net new long-term care beds and upgrading over 12,000 existing beds to modern design standards. This announcement builds on the previously announced \$2.68B in funding for long-term care beds (p. 59).
- \$57.6M, beginning in 2022/23, to hire 225 nurse practitioners in the long-term care sector (p. 31).
- \$72.3M over three years to increase enforcement capacity including doubling the number of long-term care home inspectors across the province by 2022/23 (p. 33).
- \$11M in additional funding for 2021/22 to help residents of retirement homes stay safe through the pandemic (p. 37).

PUBLIC HEALTH

- More than 22 million doses have been administered as part of Ontario's COVID-19 Vaccination Plan (p. 23).
- An additional \$1.8B in 2021/22 for hospitals to support 3,100 new and additional beds (\$760M), reduce surgical and diagnostic imaging backlogs (\$300M) and to help hospitals keep pace with patient needs and increase access to high-quality care (\$778M) (p. 27).
- \$342M to strengthen the nursing workforce by adding over 5,000 new and upskilled registered nurses and registered practical nurses as well as 8,000 personal support workers to critical areas of the health care system (p. 29).
- \$548.5M over three years to expand home care services, support additional staff and connect patients to services (p. 32).
- \$30.2B funding over the next 10 years in infrastructure to address hospital bed shortages in the hospital sector. This includes increasing capacity in hospitals, building new healthcare facilities, and renewing existing hospitals and community health centres (p. 61).
- \$12.4M over two years, starting in 2021/22 to expand mental health and addictions support for health and long-term care workers (p. 36).
- \$8.1M in 2021/22 to address increased demand for services to support care for children and youth with eating disorders (p. 37).
- An additional \$8.9M for COVID-19 supports in congregate care settings, including homes for children or adults with developmental disabilities as well as shelters (p. 39).
- In consultation with the Chief Medical Officer of Health, the Ontario government has [released a plan](#) that outlines the Province's gradual approach to lifting remaining public health and workplace safety measures by March 2022 (p. 22).

DISABILITY AND UNEMPLOYMENT

- As previously announced, increasing the general minimum wage to \$15 per hour effective January 1, 2022 and eliminating the special minimum wage for liquor servers (p. 71).
- Extending the Ontario Jobs Training Tax Credit through 2022 – covers 50% of eligible training expenses up to \$2000 (p. 72).
- \$5M commitment to extend the Second Career Program to include newcomers, gig workers, and people with disabilities. The Second Career Program helps cover costs of training, such as tuition, books, basic living expenses including childcare (p. 76).
- \$200M for the Skills Development Fund which supports projects for training and retraining workers to remove pandemic-induced barriers to hiring (p. 76).
- \$500,000 in the Women's Futures program for training and supports for women facing abuse, isolation and mental health challenges (p. 78).

OTHER

- The Province proposes to establish a Housing Affordability Task Force to provide recommendations to the Ministry of Municipal Affairs and Housing on potential actions for improving affordable housing (p. 66).
- As previously announced, an additional \$307M in 2021/22 through the Social Services Relief Fund to help municipalities and Indigenous program partners deliver critical services (p. 24).
- Amending the *Employer Health Tax Act, 1990* to update the installment thresholds related to interest and penalties from \$600,000 to \$1.2M (p. 178).

3. OTHER INITIATIVES

HIGHWAY INFRASTRUCTURE

- \$2.6B in 2021/22 in support of the Ontario Highways Program. As part of the program, the Province has committed funding to build and advance the Bradford Bypass and Highway 413 (p. 48).
 - The program will include over 580 expansion and rehabilitation projects that are either underway or currently planned.
- \$474M over a five-year period on large bridge rehabilitation in Southern Ontario (p. 48).

NORTHERN ONTARIO

- The Province will introduce legislative amendments to the *Ontario Northland Transportation Commission Act* that would further enhance and strengthen governance, accountability, and oversight of the Ontario Northland Transportation Commission (p. 54).
- The Province is proposing amendments to the *Far North Act, 2010* that would keep current land-use plans in place and retain provisions that allow for joint land-use planning with Far North First Nations, while amending or repealing current prohibitions on development in areas without an approved land-use plan. The proposed amendments would support further economic development in Northern Ontario (p. 55).

- \$25M over three years on a Strategic Agri-Food Processing Fund to enhance processing capacity and food security, including a rural/Northern stream focusing on areas that may be underserved or experiencing lower economic growth (p. 86).
- \$100M per year for the next two years through the Northern Ontario Heritage Fund Corporation program to support infrastructure, culture, economic development, and training in Northern Ontario (p. 90).
- Expanding the program envelope of the Aboriginal Loan Guarantee Program to \$1B while also allow a broader range of electricity infrastructure projects (p. 91).

SENIORS

- Extending the Seniors' Home Safety Tax Credit to 2022, providing an estimated \$35M in support to about 32,000 people, or \$1,100, on average, up to a maximum benefit of \$2,500 (p. 34).
- Investing an additional \$17M over two years to increase access to dental services for eligible seniors (p. 35).

EDUCATION AND CHILDCARE

- As previously announced, \$14B in capital grants over 10 years to construct more schools, improve existing facilities across Ontario and support education-related projects. This includes \$1.4B for the 2021/22 school year to support the repair and renewal of schools (p. 64).
- \$1B over 5 years to create up to 30,000 licensed childcare spaces (p. 64).

ECONOMIC DEVELOPMENT

- Introduction of the Ontario Staycation Tax Credit for 2022 – a personal income tax credit on 20% of eligible 2022 accommodation expenses in Ontario. The credit would provide up to a maximum of \$200 for an individual or \$400 for a family (p. 82).
- \$40M for a two-year Advanced Manufacturing and Innovation Competitiveness stream of the Regional Development Program, which is intended to help businesses invest in equipment, technology and skilled workers to improve competitiveness (p. 87).
- \$6M over the next three years to help immigrant entrepreneurs establish new, or purchase and expand business outside of the GTA (p. 77).
- \$5M in the Racialized and Indigenous Support for Entrepreneurs (RAISE) grant program to provide targeted supports for Indigenous, Black and racialized entrepreneurs to start or grow their own business (p. 78).
- \$1M in the Futurpreneur Canada, a non-profit that offers mentorship programs for businesses led by young entrepreneurs (p. 80).
- \$40M over 2 years in extending and enhancing the Digital Main Street program to help small businesses improve worker productivity in a digital environment (pp. 80-81).
- \$10M over 2 years to create a Small Business Digitization Competence Centre, which will provide training and support for emerging equipment and processes, and help companies understand the benefits of digital adoption (p. 81).

OTHER

- Establish a “Centre of Realty Excellence” to guide decision-making in provincial real estate. It will assist the Province to determine priority surplus properties align with key initiatives, including building long-term care homes (p. 68).
- Nearly \$10M over two years through new and enhanced initiatives to help address systemic racism and hate (p. 40).
- \$8.8M over three years to lead and champion work to create an equitable, anti-racist and accessible workplace in the Ontario Public Service (p. 40).
- Providing an additional \$10M, bringing the total investment to \$20M over three years, beginning in 2021/22, to support the identification, investigation, protection and commemoration of Residential School burial sites across the province (p. 41).
- \$48M over two years to fund research at the Perimeter Institute (Waterloo), the Sudbury Neutrino Observatory Laboratory (SNOLAB), and Advanced Research Computing (p. 84).

4. PROVINCIAL ECONOMY

OVERVIEW

- Following three consecutive quarterly increases, Canadian real GDP unexpectedly declined in the second quarter of 2021 by 0.3%, as the country experienced the third wave of the pandemic and exports were affected by ongoing supply chain disruptions (p. 96).
- Key economic indicators such as retail and manufacturing sales and merchandise exports have also rebounded significantly, but the recovery has been uneven. Strength in the first quarter of 2021 was followed by challenges during the second quarter, which coincided with the third wave of the pandemic and global supply chain disruptions. As of the most recent data available, retail sales are now above their pre-pandemic level, while manufacturing sales and merchandise exports are close to pre-pandemic levels (p. 98).
- The Province expects faster economic growth, lower unemployment, faster inflation and higher interest rates in 2021 compared to 2020 (p. 105).
- The COVID-19 pandemic remains a significant source of uncertainty for the economy (p. 110).

INFLATION (P. 95)

- CPI inflation is expected to reach 3.1% in 2021 a historically high rate for the province (pp. 105-107).
- Inflation is being driven by global supply chain disruptions and the rebound of prices for goods and services that experienced a decline during the initial stages of the pandemic (p. 107).
- From 2022, CPI inflation is expected to ease and steadily decline to reach 1.9% by 2024, a rate close to the Bank of Canada’s inflation target of 2.0% (pp. 105, 108).

%	2020	2021	2022	2023	2024
CPI Inflation	0.7	3.1	2.6	2.1	1.9

INTEREST RATES (P. 104)

- The three-decade decline in interest rates has meant interest on debt (IOD) has not risen as quickly as Ontario's debt (p. 157).
- From 2022, interest rates are expected to rise as the Canadian 10-year government bond rate is expected to rise from 0.7% in 2020 to 1.3% in 2021 and then to 2.5% by 2024 (p. 105).

%	2020	2021	2022	2023	2024
3 Mo. Treasury Bill Rate	0.4	0.1	0.3	0.9	1.3
10 Yr. Canada Bond Rate	0.7	1.3	1.8	2.2	2.5

GDP (P. 95)

- Ontario's real GDP decreased 5.1% in 2020 and is now projected to grow 4.3% in 2021 and 4.5% in 2022 (p. 105).
- From 2023, Ontario's economic growth is expected to slow to 2.6% and then to 2.0% in 2024 (p. 105).
- 2021 projections are based on assumptions about key external factors such as United States real GDP growth, Canadian dollar to US dollar exchange rate, prices of crude oil, and the 10-year Canada government Bond rate (p. 105).

%	2020	2021	2022	2023	2024
Real GDP	(5.1)	4.3	4.5	2.9	2.0
Nominal GDP	(4.6)	9.0	6.6	4.6	4.1

EMPLOYMENT (PP. 95-97)

- Between May and September 2021, the Province added a total of 315,900 net jobs reflecting the reopening of the economy. Employment has increased by over 1.1 million net jobs since June 2020 and has recovered to 8,600 net jobs or 0.1% above the February 2020 pre-pandemic level (p. 97).
- Ontario's employment recovery has exceeded that of Canada and the United States relative to the pre-pandemic level (p. 97)
- The Ontario economy is expected to gain 300,000 net new jobs by the end of 2021 compared to 2020 (p. 106)
- Unemployment is projected to decline from 9.6% in 2020 to 8.2% in 2021 then steadily decline every year to reach 6.1% in 2024 (p. 105).

%	2020	2021	2022	2023	2024
Employment Growth	(4.8)	4.3	3.3	2.0	1.5

HOUSEHOLD INCOME AND DEBT (P. 107)

- Compensation of employees in Ontario is expected to rise 4.9% on average annually, over the 2021 to 2024 period driven by the gains in employment (p. 107).
- Household consumption spending is projected to rise 5.7% on average, annually, over the 2021 to 2024 period driven by higher employment, high levels of household savings and pent-up demand during the COVID-19 pandemic (p. 107).

CHANGES IN PROJECTIONS FROM 2021 BUDGET

- The Ontario real GDP growth projection for 2021 was revised upwards from 4% in the 2021 Budget to 4.3% in the current planning projection (p. 112).
- The total employment growth for 2021 was revised upwards from 4.2% to 4.3% (p. 112).
- The CPI inflation for 2021 was revised upwards from 1.7% to 3.1% (p. 112).
- The 10-Year Canadian Government Bond Rate for 2021 was revised upwards from 1.0% to 1.3% (p. 112).
- Other key changes since the 2021 Budget include:
 - Stronger growth in the corporate net operating surplus in 2021 and 2022, followed by slower growth in 2023 and 2024.
 - Faster CPI Inflation between 2021 and 2023 and stronger resale housing activity in 2021, followed by resales returning to normal levels in 2022 (p. 112).

5. PROVINCIAL FINANCES

OVERVIEW

- The Province is expecting an annual deficit of \$21.5B for the 2021/22 fiscal year up from \$16.4B in 2020/21 (p. 117).
- Total revenue is expected to rise 2.2% going from \$164.9B in 2020/21 to \$168.6B in 2021/22 (p. 117).
- The current 2021/22 revenue projection is \$14.6B higher than that presented in the 2021 Budget due largely to larger-than-projected taxation revenue (p. 120).
- Total expenses is expected to rise 4.3% going from \$181.3B in 2020/21 to \$189.1B in 2021/22 (p. 117).
- The current 2021/22 total expense projection is \$3B higher than that presented in the 2021 Budget due largely to changes in program expenses to protect the progress against COVID-19 (pp. 122-123).
- The net debt-to-gross domestic product ratio is projected to be 43.4% in 2021/22 about 5.4% lower than the 48.8% presented in the 2021 Budget (p. 118).
- Interest on debt expense is projected to rise by 5.6% from \$12.3B in 2020/21 to \$13B in 2021/22 (p. 118).
- Interest on debt expense is projected to represent 7.7% of total provincial revenue in 2021/22 up from 7.4% in 2020/21 (p. 118).

Ontario's Medium-Term Fiscal Plan — Details (p. 8)

(\$ Billions)

	Actual 2020–21	Current Outlook 2021–22	Medium term outlook 2022–23	Medium term outlook 2023–24
Revenue				
Personal Income Tax	40.3	41.3	42.4	44.0
Sales Tax	26.6	31.0	33.2	34.9
Corporations Tax	17.8	17.0	17.3	17.4
Ontario Health Premium	4.3	4.5	4.6	4.7
Education Property Tax	6.0	5.8	5.7	5.8
All Other Taxes	15.8	17.3	17.3	17.6
Total Taxation Revenue	110.9	116.9	120.5	124.4
Government of Canada	33.9	29.7	27.7	28.7
Income from Government Business Enterprises	5.0	4.7	5.5	6.6
Other Non-Tax Revenue	15.1	17.3	17.8	18.2
Total Revenue	164.9	168.6	171.5	178.0
Base Programs¹				
Health Sector	64.4	69.9	71.6	73.2
Education Sector ²	28.4	30.8	31.3	31.5
Postsecondary Education Sector	9.5	10.7	11.0	11.2
Children's and Social Services Sector	17.0	17.8	18.0	18.1
Justice Sector	4.7	4.8	4.8	4.8
Other Programs	26.0	31.5	36.3	36.8
Total Base Programs	150.0	165.5	173.0	175.6
COVID-19 Time-Limited Funding	19.1	10.7	3.4	–
Total Programs	169.0	176.1	176.4	175.6
Interest on Debt	12.3	13.0	13.1	13.8
Total Expense	181.3	189.1	189.6	189.5
Surplus/(Deficit) Before Reserve	(16.4)	(20.5)	(18.1)	(11.4)
Reserve	–	1.0	1.5	1.5
Surplus/(Deficit)	(16.4)	(21.5)	(19.6)	(12.9)
Net Debt as a Per Cent of GDP	43.9%	43.4%	43.5%	43.6%
Net Debt as a Per Cent of Revenue	226.5%	238.7%	251.0%	253.3%
Interest on Debt as Per Cent of Revenue	7.4%	7.7%	7.7%	7.8%

¹ In the 2021 Budget, the government made available COVID-19 Time-Limited Funding. This funding continues to be presented separately in order to transparently capture the temporary nature of these investments.

² Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs.

Note: Numbers may not add due to rounding.

Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

BORROWING AND DEBT MANAGEMENT

- Ontario's long-term borrowing requirement for 2021/22 is forecast to be \$42.0B, \$12.7B less than the 2021 Budget forecast (p. 152).
- The total long-term borrowing requirements for 2022/23 and 2023/24 are forecast to be \$45.3B and \$45.9B, respectively, lower by \$13.8B and \$9.3B compared to the 2021 Budget forecast for those fiscal years (p. 152).
- The long-term and short-term borrowing program forecasts have been reduced by \$12.7B and \$4.0B, respectively (p. 151).
- Ontario remains the largest issuer of Canadian dollar Green Bonds, totaling \$10.75B issued since 2014/15 (p. 156).
- Interest on debt in 2022/23 and 2023/24 is forecast to be \$13.1B and \$13.8B, respectively, lower than the forecast in the 2021 Budget by \$0.5B and \$0.8B (p. 159).
- Ontario's net debt-to-GDP is now forecasted to be 43.5% in 2022/23, and 43.6% in 2023/24, compared to the 2021 Budget forecasts of 49.6% and 50.2%, respectively (p. 162).

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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.