October 14, 2005

To: All Heads of Council

Re: Ontario’s $3 Billion Provincial Municipal Fiscal Gap

As you know, AMO has always been clear in its opposition to the downloading forced upon municipal governments by the previous Provincial Government. We have consistently held that it would undermine the fiscal sustainability of municipalities in every part of Ontario. The harm caused by current provincial-municipal cost sharing arrangements is now too great for the Province to ignore.

With less than two years left in this government’s term, there still is no viable plan to ensure that Ontario municipalities have a financially sustainable future. Ontario needs a plan of action that over time begins to reduce the provincial reliance on municipal property taxes – a plan that will upload provincial program costs back to where they belong.

At this year’s AMO Conference we distributed a flyer developed by AMO - “Ontario’s $3 Billion Provincial Municipal Fiscal Gap … Needs A Solution” and a wallet card with additional messages about the $3 billion gap. The response from members to these documents has been very strong. For example, in an update on municipal finance issues, North Bay demonstrated that their property taxpayers contributed more than $15 million as part of that $3 billion gap. Halton Region issued a press release calling for an exit strategy to the use of property taxes to fund provincial social services, which in 2004 cost Halton property taxpayers $88 million. In some municipalities, the brochure and wallet card are being used by councillors to inform ratepayer and business groups of the challenge that the $3 billion gap presents for investment in roads, and transit and other cores municipal services and to also have these community groups support the call for an action plan.

I am pleased to make additional copies available to you as a resource in outlining the issue. The wallet cards are intended for Councillors’ use, and the flyers can be reproduced and distributed according to your Council’s needs. Please make the time and opportunity to discuss the flyers with ratepayers and others in your community who may be concerned about why Ontario has the highest municipal property taxes in Canada. They will be helpful as you enter into the 2006 budget cycle and as re-assessment notices are delivered. The flyer is also available on the AMO website www.amo.on.ca and can be downloaded to produce additional copies, or for electronic distribution.

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AMO has been actively promoting the need for a plan of action, one that is realistic and one that we know will have to reflect the province's own fiscal realities. We just need the Premier and the Finance Minister to say, yes, let's sit down, let's work out a plan and plan for its execution. I ask that you send a similar message and to make sure that your community understands the significance of this.

Yours truly,

Roger Anderson
President
DOESN'T THE PROVINCE HELP WITH THE COSTS OF MUNICIPAL INFRASTRUCTURE?

Yes. The province invests in municipal infrastructure in some municipalities through programs like COMRF and provincial gas tax funding for transit. This capital funding helps with Ontario’s massive $5 billion a year municipal infrastructure deficit.

But it’s widely recognized that the reason Ontario has a massive municipal infrastructure deficit is because municipalities have been required to use their property tax revenues to fund provincial health and social service programs instead of making much needed investments in infrastructure.

WHAT'S THE SOLUTION?

If the Government of Ontario is serious about helping municipalities become fiscally sustainable, it must demonstrate that by reducing its reliance on municipal property taxes.

Income redistribution programs should be funded through income taxes.

The Government needs to agree to work with AMO to develop a plan to start uploading provincial program costs back to where they belong.

WHY HASN'T THE CURRENT GOVERNMENT OF ONTARIO STARTED TO UPLOAD THE COST OF PROVINCIAL PROGRAMS?

There has been a marginal improvement in cost sharing for public health. The province as also agreed that it would not require municipalities to cost share new Best Start (early years) programming funded by the federal government. These are steps in the right direction but they are really about avoiding added costs for municipalities – not reducing the municipal subsidy to the province.

Still, the current Government of Ontario generally recognizes that there is no justification for requiring municipalities to pay for programs like the Ontario Disability Support Program, Ontario Works and drug benefits for people on social assistance. But we hear repeatedly that the government isn’t in a financial position to fix the problem.

BUT ISN'T THE PROVINCE'S FINANCIAL SITUATION IMPROVING?

That's right. According to the 2005/06 Provincial Budget, the province will soon be in a financial position where it can make good on its commitment to helping municipalities become fiscally sustainable.

That's why municipal governments are working together to ensure that the 2006/07 Budget sets a course of action for municipal fiscal sustainability.
Creating a New Municipal Landscape

What Are the Issues? AND What’s New?

Faced with (and forced to)鍪es offers an opportunity to provide a new perspective, a fresh approach to the core of the community’s demands.

The Community Development Fund

One-Third of Municipal

Health and Social Services Spending Goes to Provincial

How Can Local Governments Close the Fiscal Gap?

Some 20% of Municipal Fiscal Resources

Distribution of Ontario Municipal

Property Tax Revenue

Ontario Municipal

Provincial

Spending

CONTRAS

RESOLUTION

FISCAL GAP

MUNICIPAL

PROVINCIAL

SPENDING

CONTRAS

Did you know that municipal expenditures are now over $15 billion a year? When you support municipal governments, you support not only the municipal services but also the provincial health and social services. Ontario spends over $15 billion a year on municipal services and infrastructure. The services provided by these government entities are vital to the communities we live in. Come and get involved in our municipal services!

Here are some other facts you might be interested in reading:

Canada, now you have the answer.

If it's not your vote, it's your money.

Are there other provincial

Municipal Financial

Programs not covered by

 THIS GAP?

Association of Ontario

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