



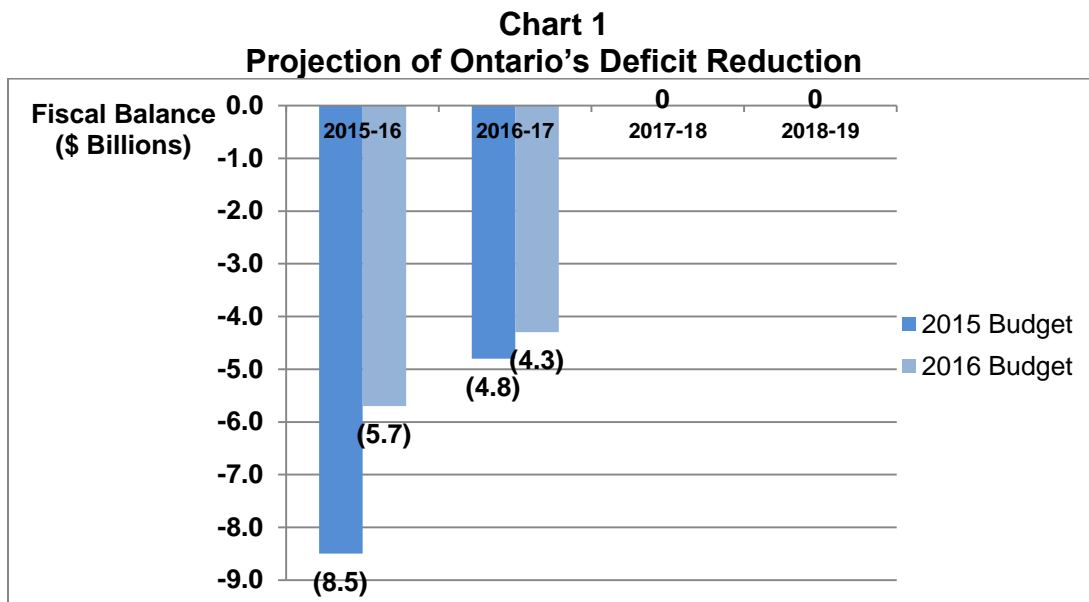
Memorandum

TO: Members of Regional Council
FROM: Bill Hughes, Commissioner of Finance and Regional Treasurer
DATE: April 14, 2016
RE: **2016 Provincial Budget**

The purpose of this memorandum is to provide Council with an overview of the main elements in the 2016 provincial budget that are important to York Region.

Ontario remains committed to balancing the budget by 2017-18

The Province is projecting a deficit of \$5.7 billion in 2015-16, down from the previous projection of \$8.5 billion. The improvement is mainly attributable to \$2.2 billion in higher than anticipated revenue, including \$478 million from the Cap and Trade program and one-time revenue of \$1.1 billion from the sale of Hydro One. The Province is projecting a deficit of \$4.3 billion in 2016-17 and a balanced budget in 2017-18.



Source: Ontario Budget 2016: Ontario's Path to Balance, Chart 2.2

The budget contains across the board reductions in real per capita program spending

Ontario already has the lowest program spending costs per capita of any province in Canada and is planning to continue to significantly constrain spending. Table 1 shows that inflation-adjusted per capita program spending is expected to decrease by an average of 1.0% per year, with decreases in virtually all areas. Prolonged decreases in program spending are likely to reduce the quality of public services, and may also lead to downloading of costs to municipalities.

Table 1
Summary of Medium-Term Program Expense Outlook (\$ Billions)

Programs	Actual 2014- 15	Interim 2015- 16	Plan 2016- 17	Outlook		Average Annual Growth 2013-14 to 2017- 18	Average Annual Real Growth Rate*	Average Annual Real Per Capita Growth Rate**
				2017-18	2018-19			
Health	50.0	50.8	51.8	52.8	53.7	1.80%	-0.1%	-1.1%
Education	24.6	24.8	25.6	25.8	25.9	1.20%	-0.6%	-1.6%
Postsecondary and Training	7.7	7.8	7.9	7.9	8.0	1.10%	-0.9%	-1.9%
Children's and Social Services	14.7	15.6	15.8	16.1	16.3	2.70%	0.8%	-0.3%
Justice	4.4	4.5	4.5	4.5	4.6	1.20%	-0.7%	-1.8%
Other Programs***	16.9	17.5	16.5	17.2	19.1	3.20%	1.3%	0.3%
Total Programs	118.2	120.9	122.1	124.2	127.6	1.90%	0.0%	-1.0%

Source: Ontario Budget 2016: Section B: Fiscal Outlook, Table 3.18

*Source: York Region Finance Department. The average annual real growth rate is based on converting past and future program spending to 2015-16 dollars using the Ontario headline inflation rate of 1.6% from March 2014 to March 2015 (Statistics Canada) and an inflation estimate of 2.0% for 2016-17 to 2018-19.

**Source: York Region Finance Department. Based on the Ministry of Finance's fall 2014 historic estimates and projected population data (Reference Scenario).

***Includes transportation, tourism, economic development, employment, agriculture, employee and pensioner benefits, housing and natural resources. Does not include interest on debt.

The path to a balanced budget in 2017-18 relies on robust revenue growth. The average annual increase in revenue is expected to be 4.6% between 2014-15 and 2018-19. These revenue increases are based on relatively optimistic economic growth projections. The government expects to raise nearly \$478 million through the Cap and Trade program in 2016-17 and expects higher land transfer tax revenues due to strength in the housing market.

The new York-Seneca campus in Markham was acknowledged in the budget

The budget confirmed plans for a York University campus in Markham, as part of the post-secondary Major Capacity Expansion Policy Framework. The new campus will be home to at least 4,000 students and will provide courses in eight different fields of study.

Moving Ontario Forward is the Province's transit investment plan

The 2016 Budget commits to \$137 billion in infrastructure spending over the next ten years. Spending in 2016-17 will be \$16.2 billion, a \$3.3 billion increase over last year.

The Moving Ontario Forward initiative to improve transportation infrastructure was announced in April 2014. Moving Ontario Forward support remains at \$31.5 billion in the 2016 Budget, including \$16 billion for transit in the Greater Toronto and Hamilton Area.

Table 2 outlines the Moving Ontario Forward projects funded in the Greater Toronto and Hamilton Area.

Table 2
Moving Ontario Forward – Announced GTHA Projects (\$ Billions)

Project	Funding Amounts
Regional Express Rail	\$13.5
Hurontario Light Rail Transit	\$1.4
Hamilton Light Rail Transit	\$1.0
Total GTHA Projects	\$16.0

Source: Ontario Budget 2016: Chapter I: Building Prosperity and Creating Jobs, Table 1.11

Planning and design work for the York North Subway Extension will continue

No funding for the Yonge North Subway Extension or the Toronto Relief Line was announced in the 2016 Budget, but the Province restated that planning and design work for both projects will continue. These projects are part of the Next Wave of Metrolinx's Big Move.

GO Regional Express Rail is the centre piece of the Province’s transit plans

The Province reaffirmed its funding commitment to GO Regional Express Rail. Of the \$16 billion in Moving Ontario Forward funds for the GTHA, an estimated \$13.5 billion will be invested in Regional Express Rail. Regional Express Rail will provide faster, more frequent service along all three of the Region’s GO rail lines.

Table 3 outlines GO rail improvements on lines that service York Region.

**Table 3
GO Rail Service Improvements in York Region**

Corridor	Service Improvements
Barrie GO Line - Regional Express Rail Service	<ul style="list-style-type: none"> • 15-minute service from Union Station to Aurora • Two-way hourly service to Allendale Waterfront during the midday
Stouffville GO Line - Regional Express Rail Service	<ul style="list-style-type: none"> • 15-minute service from Union Station to Unionville • Two-way hourly service to Mount Joy during the midday
Richmond Hill GO Line	<ul style="list-style-type: none"> • Evening and weekend service and peak service improvements

Source: Ontario Budget 2016: Chapter I: Building Prosperity and Creating Jobs, Chart 1.10

There are also planned GO bus service improvements in 2016-17 to complement new GO train trips.

Highway 400 widening, Highway 427 extension and high-occupancy toll lanes pilot plans were announced

The Province intends to widen Highway 400 between Major Mackenzie Drive and King Road by adding two additional lanes to the existing eight. This widening is scheduled to be completed in 2018-19, and includes the addition of one HOV lane in each direction. Shortly after the release of the 2015 Budget, the Province announced plans for the extension of Highway 427 from Highway 7 to Major Mackenzie Drive. This project will also include widening the highway for approximately four kilometres from south of Albion Road to Highway 7. Construction is expected to begin in early 2017 and to be complete by 2020.

The Province will also test the high-occupancy toll lanes concept this spring on the QEW in Burlington. High-occupancy toll lanes allow drivers who are not carpooling to

use the High Occupancy Vehicle lanes by paying a toll. High-occupancy toll lanes are expected to be in place on Highway 427 from south of Highway 409 to north of Rutherford Road by 2021.

The Province introduced new options for reducing property tax capping

The Province is granting municipalities greater flexibility in managing the business property tax capping program. The Province has been under pressure to phase out this program, and the Region has been involved in discussions to accelerate the process. Staff will bring a report forward for Council's consideration in the next quarter.

The budget provided funding for Ontario's Long-Term Affordable Housing Strategy

In the 2016 Budget, the Province committed to investing \$178 million over three years in the Long-Term Affordable Housing Strategy. This funding includes the construction of up to 1,500 new supportive housing units, \$45 million over three years in increased funding for the Community Homelessness Prevention Initiative and \$2.4 million in 2016-17 for a new portable housing benefit aimed at those fleeing domestic violence. Community and Health Services will continue to assess the potential implications for the Region as more details are released.

The budget emphasizes the need for federal government support for affordable housing infrastructure.

On March 14, 2016, the Province announced that it will be introducing legislation to allow municipalities to establish inclusionary zoning, as part of the Long-Term Affordable Housing Strategy. Under inclusionary zoning, developers would be required to include a certain percentage of affordable housing units in new residential projects. The Province will consult with stakeholders to develop the necessary framework.

The pattern of modest annual increases for Ontario Works and the Ontario Disability Support Program continues

The 2016 Budget includes an increase in benefits of 1.5% for adults on Ontario Works and people with disabilities receiving assistance from the Ontario Disability Support Program.

In addition to this rate increase, a 'top up' for Ontario Works single adults with no children will be implemented, which – when combined with the 1.5% rate increase – will amount to a total increase of \$25 a month. The new rates will be effective as of September 1, 2016 for the Ontario Disability Support Program and October 1, 2016 for Ontario Works, but municipalities will not have to cost-share the Ontario Works rate

increases until January 2017. Municipalities do not cost-share the Ontario Disability Support Program. In 2017, the Region's share of Ontario Works costs will be 2.8%. The full upload of Ontario Works benefit costs is scheduled for 2018.

The budget offers funding for behavioral and mental support, special needs and smoking cessation services

Beginning in 2016–17, the Province will invest an additional \$10 million annually in Behavioural Supports Ontario for initiatives to help those affected by dementia and other complex behaviours and neurological conditions.

The Province is investing \$17.8 million over the next three years for its Special Needs Strategy. The Special Needs Strategy provides resources and support for children and youth with special needs, including rehabilitation services.

The Province is continuing to implement Phase Two of its 10-year Mental Health and Addictions Strategy, which includes investing \$16 million over three years, beginning in 2014-15, to create 1,000 new housing spaces for people with mental health or addictions issues, including \$4 million for 248 supportive housing units in 2016-17. Autism Services will also see a redesign and consolidation of its services over the next five years to improve outcomes and early interventions. The Province has allocated \$330 million over the next five years for Autism Services.

The Province has increased the tobacco tax rate and is allocating \$5 million of the additional revenue to smoking cessation services. York Region Public Health provides smoking cessation services.

These changes may result in additional funding for the Region, depending on the details of provincial funding.

Ontario's Cap and Trade Program will begin in 2017

The Province reaffirmed its commitment to implementing a Cap and Trade Program in the 2016 Budget. Revenue from the auctioning of carbon allowances is expected to be \$1.8-\$1.9 billion annually. The proceeds are to be invested in areas such as energy efficiency for homes and businesses, public transit, research, innovation and clean technology adoption. Although program details are not yet clear, the Region is likely to see increased fleet and heating costs due to higher gasoline and natural gas prices respectively.

Based on the proposed legislation at this time, the Durham-York Energy Centre will be required to participate in the program. However, the Province is allocating free emission allowances to energy from waste facilities for the first compliance period (2017-2020). Also, since the Durham-York Energy Centre is considered a new facility, it will have a

two year verification period where no allowances are required and will receive free allowances for the remainder of the first compliance period. The Province has said that the exemption period will provide time for the three jurisdictions participating in the program (Ontario, Quebec and California) to determine how to handle energy from waste facilities consistently.

Staff will continue to advocate with the Province for a permanent exemption from the Cap and Trade program for energy-from-waste facilities. A study completed during the facility's environmental assessment estimated that the Durham York Energy Centre will reduce greenhouse gas emissions by approximately 44% relative to landfill disposal. Although this result is similar to other peer-reviewed studies, landfills are currently not included in the Cap and Trade Program.

Regional staff will continue to monitor future developments in these areas and, as more information becomes available, will report the potential impacts to Council as appropriate.

Bill Hughes, Commissioner of Finance and Regional Treasurer

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