



MEMORANDUM

To: Regional Council

From: Laura Mirabella, FCPA, FCA
Commissioner of Finance and Regional Treasurer

Date: April 1, 2020

Re: **Provincial Fiscal Update and Federal/Provincial COVID-19 Response Plans**

The purpose of this memo is to provide an overview of the Province of Ontario's 2020 Economic and Fiscal Update, and a summary of federal and provincial announcements related to COVID-19 that may impact the Region.

On March 25, 2020, the Ontario Government released a 2020 Economic and Fiscal Update, and a COVID-19 Action Plan

Significant uncertainties brought about by the COVID-19 outbreak prompted the Province to postpone the release of the 2020 Budget. Instead, on March 25, 2020, the Province introduced two documents: the March 2020 Economic and Fiscal Update, and Ontario's Action Plan: Responding to COVID-19.

The Economic and Fiscal Update provides a one-year economic and fiscal update for the province, including proposed ministry spending allocations. The Action Plan outlines the first steps in Ontario's plan to tackle the COVID-19 outbreak.

The Province has committed to providing a full multi-year budget by November 15, 2020.

The Province is projecting a higher deficit in 2020-21 and lower economic growth due to the impact of COVID-19

The Province is forecasting a deficit of \$9.2 billion for the 2019-20 fiscal year ending March 31, 2020. This is a \$1.1 billion improvement from the projection in the 2019 Budget. The deficit for 2020-21 is projected to be \$20.5 billion due to the combined impact of lower revenue due to slower growth, and higher expenditures, primarily in response to the COVID-19 outbreak.

Year-over-year, total revenue is projected to decline by \$0.5 billion or 0.3 per cent in 2020-21, and overall spending is expected to increase by \$8.5 billion or 5.2 per cent. The Province has also included higher contingency amounts for 2020-21 to reflect greater uncertainty in its forecasts.

The COVID-19 outbreak will continue to have a negative impact on Ontario's short-term economic growth. The Province is anticipating real growth in Gross Domestic Product (GDP) of 0 per cent in 2020 and 2.0 per cent in 2021. Ontario's unemployment rate is expected to rise by 1 per cent in 2020 to an annual average of 6.6 per cent.

The Province announced COVID-19 funding support in stages

On March 17, the Province declared a state of emergency and announced \$304 million in new funding for the health care sector to support the initial response. The funding will be directed towards increasing capacity in hospitals, testing for COVID-19, public health costs and frontline workers, and long-term care homes. Details have not been released and funding impacts for the Region are unclear at this time.

On March 23, the Province announced an additional \$200 million to help municipalities and social service providers, including shelters, food banks, emergency services, charities and non-profits. This investment includes changes to the Emergency Assistance Program under the current provisions of Ontario Works, including expanded access to the program.

Ontario's \$17 billion COVID-19 Action Plan could alleviate fiscal pressure in Regional programs

The \$17 billion Action Plan announces additional funding for the health care and related sectors, as well as financial support to people and businesses (see Attachment 2 for details). Several of the announcements relate to areas of Regional responsibility, as outlined below. Although details about specific funding allocations have not been released, it is anticipated that this funding may help to address Regional pressures in some program areas.

- \$3.3 billion for the health care sector, including \$160 million in additional public health funding, \$80 million for ambulance and paramedic services, new funding to enhance emergency long-term care home capacities and to support 24/7 screening, and an additional 500 critical care beds
- \$3.7 billion in support for people and jobs, including \$200 million for municipalities (first announced on March 23) and \$1.5 billion for electricity cost relief
- \$10 billion in support for people and businesses to improve cash flow, including \$1.8 billion in municipal education property tax payment deferrals. The province will defer the property tax payment that municipalities make to school boards for a period of 90 days.

Other legislative changes allow municipalities and the Province to respond to the COVID-19 outbreak

The Province passed the *Municipal Emergency Act, 2020*, which ensures that the delivery of

goods to businesses and consumers is not affected by municipal noise by-laws that may impede these deliveries. The legislation also provides municipalities the ability to conduct council, local board and committee meetings electronically during province-wide emergencies.

On March 28, the Province proclaimed the *Supply Chain Management Act, 2019* which allows it to centrally manage public sector supply chains and prioritize buying and deploying goods and services. The Province noted that support will also be available to other public entities, such as municipalities, if they choose to participate.

The Province also implemented an emergency order that addresses restrictions around staffing, reporting, and documentation to help ensure there is enough staff to care for residents in long-term care homes.

The Fiscal Update postpones the introduction of 2021 MPAC assessments

The Municipal Property Assessment Corporation (MPAC) had scheduled the next property valuation update, or reassessment, in 2020 for the 2021 taxation year. In light of the COVID-19 outbreak, the province will postpone that reassessment. Assessments for the 2021 taxation year will continue to be based on the valuation from the 2020 taxation year. MPAC has indicated it will continue to update the assessment roll to reflect changes such as new construction.

While this measure will not affect the overall amount of tax municipalities will levy, there could be a financial impact to tax ratio setting. For the Region, the revenue neutral tax ratio cycle (2016-2020), which aligned with the 2016 reassessment cycle, was about to complete. As a result of the Province's Fiscal Update, the 2021 tax ratio will no longer be based on the 2020 reassessment update, delaying the devising and implementation of new tax ratio policy which could impact the tax burden on businesses and residents.

Additional support was also announced for autism and the vulnerable population

The Fiscal Update also announced a strategy to combat human trafficking, as well as additional funding for social assistance and child welfare. The Special Services at Home program is also set to support approximately 4,700 more children with developmental and/or physical disabilities and their families, as well as other programs that help vulnerable populations.

The Federal Government passed, Canada's COVID-19 Economic Response Plan on March 25, 2020

On March 25, the federal government approved a \$107.4 billion Economic Response Plan with \$52.4 billion in direct benefits and \$55 billion to provide flexibility for individual and corporate taxpayers by deferring tax payment until September 2020. The federal government subsequently announced an additional \$30 billion in tax deferrals (GST/HST, customs duty and sales tax), for total cash flow flexibility of \$85 billion, and a total Economic Response Plan of \$137.4 billion (See Attachment 3 for details).

Prior to the release of the Economic Response Plan, the federal government announced a series of measures on separate occasions, including new funding for provincial and territorial

health care systems; additional credit through the Business Development Bank and Export Development Canada; and additional credit and liquidity support through crown corporations in the amount of \$500 billion.

The federal government also announced a wage subsidy of up to 75 per cent for qualifying businesses, for up to 3 months. This initiative is intended to help businesses keep and return workers to the payroll, and should provide a financial benefit to some businesses in York Region.

The total federal economic stimulus announced between March 11 and March 30 totals \$714 billion (see Attachment 3). While most of these measures are not expected to provide direct funding to the Region, they are expected to support overall health-care sector needs as well as businesses and individuals in York Region.

A chronological listing of federal and provincial announcements can be found in Attachment 1.

Laura Mirabella
Commissioner of Finance and Regional
Treasurer

Bruce Macgregor
Chief Administrative Officer

Attachments (3)
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