



2025

Pre-Budget Submission



Introduction

For over a year, AMO has been calling on the government to sit down with municipalities to update the fiscal arrangements that make Ontario's communities safe, affordable, healthy and prosperous. To date, the province has ignored municipalities' requests. The result is apparent in our communities, with implications for housing affordability, cost of living, and public safety.

Communities across Ontario are struggling because of provincial decisions. The fiscal framework that enables municipalities to provide critical services and infrastructure is broken. Failing to fix this problem fails residents, small businesses, health and public safety partners, and major industries. AMO calls on Premier Ford to do what taxpayers expect – work together with all municipal governments to get it done for Ontarians.

Municipalities need firm commitments in the following areas to address the growing risks to quality of life in Ontario's communities:

- 1 Infrastructure funding for housing and the economy
- 2 Reducing provincial reliance on municipal subsidies
- 3 Fixing broken provincial systems to address homelessness

Municipalities are essential to quality of life

Municipal governments annually invest \$68 billion in Ontario, providing critical services that Ontario's residents and businesses rely on every day.¹ They manage land-use planning, energy distribution and fund emergency services to ensure communities are safe and healthy. In addition to services, Ontario municipalities own and operate nearly half a trillion dollars of infrastructure – more than both the provincial and federal governments.² This requires municipalities to engage in long-term planning and investments to manage assets and meet future infrastructure needs to support residents and attract businesses that help grow the economy.

As the level of government closest to the people, municipalities respond to increasing social pressures by delivering programs and services to support residents at all ages and stages of life, including public health, long-term care, childcare and parks and recreation. These critical services drive inclusive growth and build the vibrant communities that make Ontario a great place to live, work and invest.

Ontario's provincial-municipal fiscal framework is broken

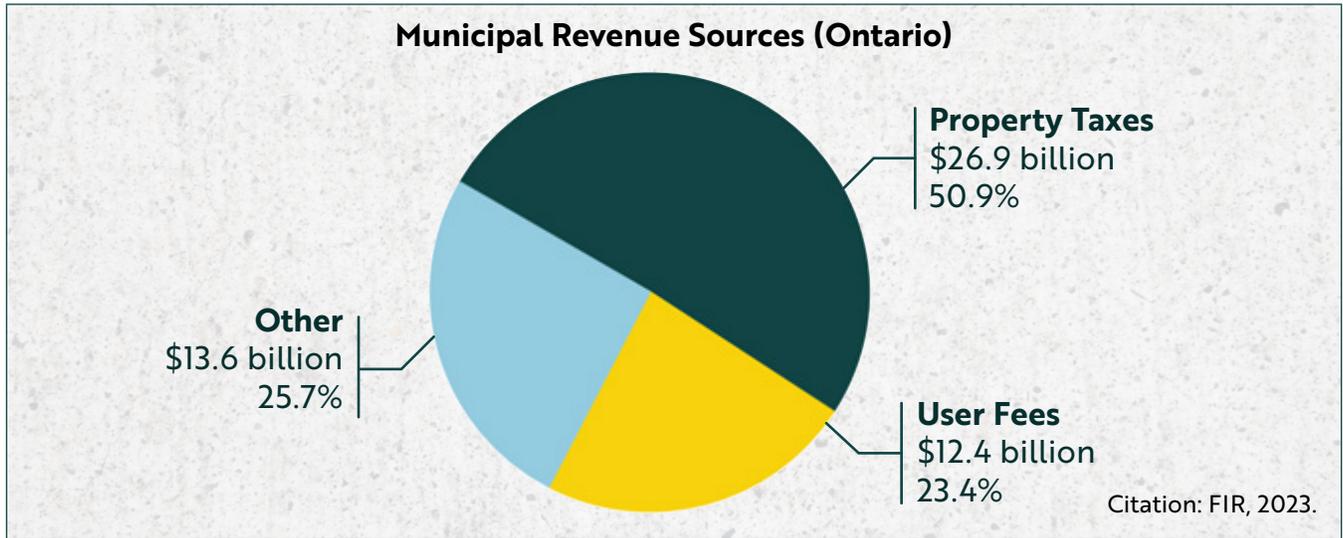
The fiscal framework that underpins municipalities' ability to deliver the infrastructure and services critical to Ontario's economic and social prosperity is broken. Long-standing structural problems have combined with growth pressures, economic factors, and provincial policy decisions to push municipalities to the brink.

1 Ministry of Municipal Affairs and Housing, 2023. [Financial Information Return \(FIR\)](#)

2 Financial Accountability Office, 2021. [Municipal Infrastructure](https://fao-on.org/wp-content/uploads/2024/08/Municipal-Infrastructure-Review-EN.pdf)

Municipal revenues do not grow with the economy

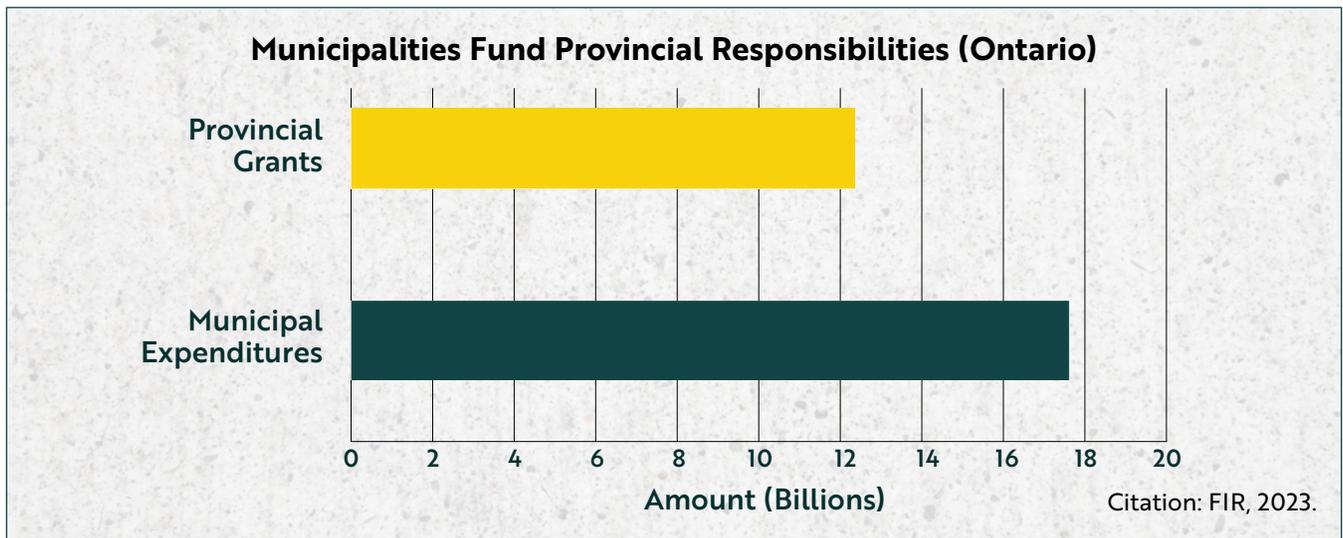
Municipalities rely on property taxes and user fees to generate most of the revenues needed to pay for important infrastructure and services.



Unlike income or sales taxes, property taxes don't grow with the economy or nominally with inflation. Ontario has been significantly impacted by inflation, which reached a historic high in 2022. In 2023, the average annual inflation was 3.9%, which is the second highest increase since the early 1990s.³ While federal and provincial government revenues grow in real terms with economic activity and nominally with inflation, municipalities continue to contend with rising costs without a corresponding increase in revenues.

Municipalities subsidize the provincial treasury by \$5 billion a year

In 2023, Ontario's municipalities subsidized the province by more than \$5 billion in areas that everywhere else in Canada are provincial responsibilities, including community housing, social services, long-term care, public health, and ambulance services. This represents a 20% increase from 2022, equivalent to one billion dollars.⁴

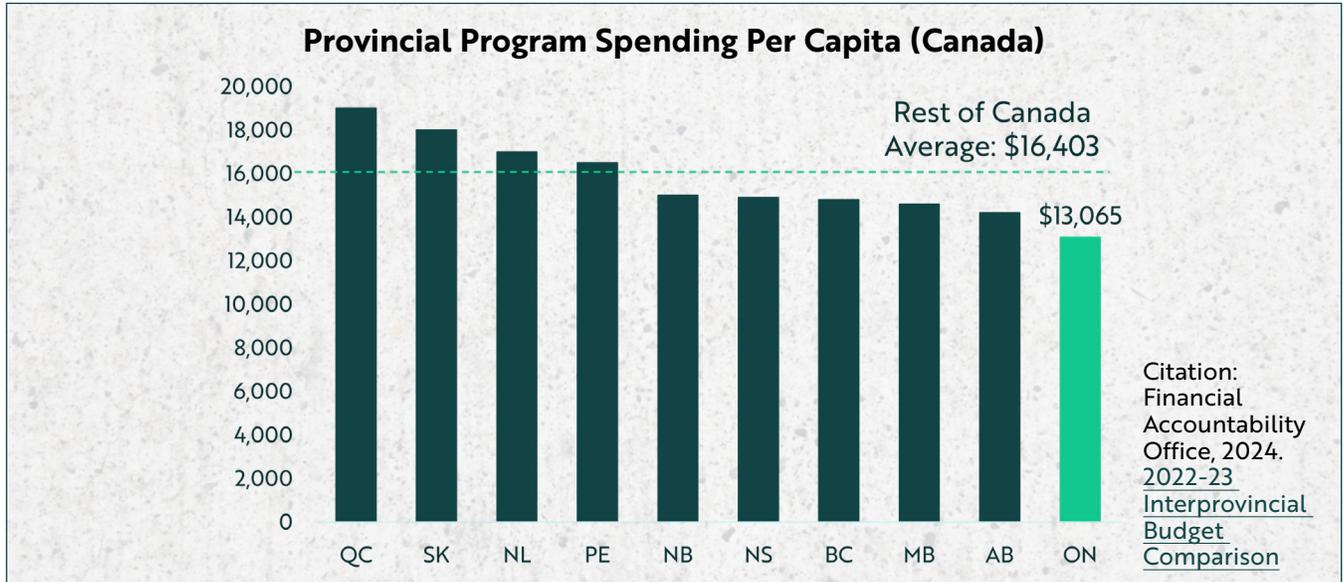


3 Statistics Canada, 2024, Consumer Price Index: Annual review, 2023

4 FIR, 2023.

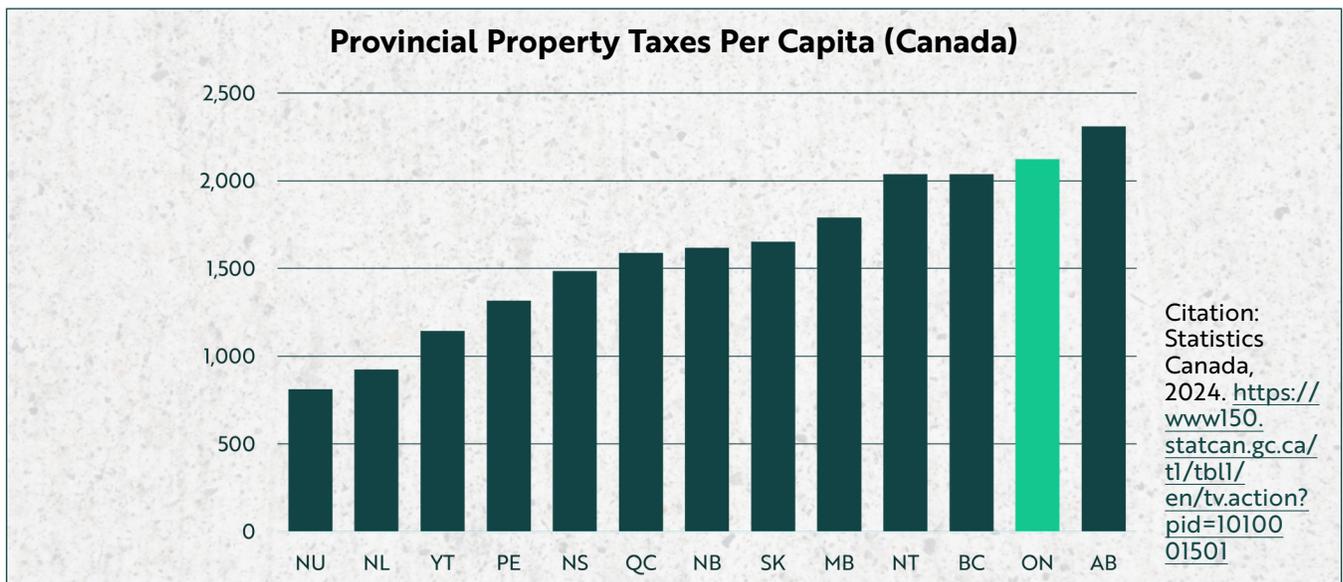
Ontario continues to underinvest in program spending

Ontario continues to have the lowest program spending in Canada at \$13,065 per capita.⁵ This is over \$3,000 lower than what other provinces are spending on average. Average per capita spending across the country grew by twice as much as Ontario's program spending between 2020 and 2022.



Higher property taxes aren't the answer

Ontario has the second highest property taxes in Canada at \$2,100 per capita in 2023 as municipalities dealt with inflation, growth, ongoing subsidies to provincial responsibilities, and revenue gaps created by provincial policies.⁶ With limited revenue tools at their disposal, any increase in financial need translates into an increase in property taxes. Property taxpayers – including seniors on fixed incomes and struggling small businesses – simply cannot afford to pay for more.



⁵ Financial Accountability Office, 2024. <https://fao-on.org/en/report/interprovincial-comparison-2024/>

⁶ Statistics Canada, 2024. <https://www150.statcan.gc.ca/tl/tbl/en/tv.action?pid=1010001501>

Alternatives to higher property taxes through sustainable funding solutions

There are many ways to address the fundamental municipal-provincial fiscal imbalance, but focusing on these three key actions will make a meaningful start to rebalancing the relationship.

Ontario has the second highest property taxes in Canada.⁷

Request 1

Infrastructure funding for housing and the economy

Ontario must expand its public infrastructure to catch up to the recent population explosion and meet the growing needs of its residents. The province added 1.3 million people since 2021, a population increase bigger than the size of Ottawa.⁸ To support this growth, municipalities are committed to doing everything they can to help meet the province's goal of building 1.5 million homes by 2031. These ambitious housing goals depend on essential municipal infrastructure and the public investment to support them – from water systems to sewers, roads and transit systems, emergency service stations, waste management facilities, parks and community centres.

Municipalities are planning for more than \$250 billion in capital expenditures over the next decade to support housing, address aging assets, and adapt to climate change.⁹ While municipalities own and manage more infrastructure than the other two levels of government combined, they have the fewest resources and tools to fund capital needs, and significant investment is needed.

Development charges have been a cornerstone of Ontario's municipal fiscal framework for decades, providing a crucial mechanism to fund the infrastructure necessary to support housing and growth. However, recent challenges in the housing market, including affordability, have led to a reassessment of the "growth pays for growth" principle and the role of development charges. In response to these challenges, the province has implemented cuts to eligible development charge expenses, limiting municipalities' ability to recover the costs of essential infrastructure. AMO and Ontario municipalities recognize the need to explore different ways of funding and financing infrastructure in the face of historic growth. But that can't just mean putting everything on the property tax base.

In 2022, property tax revenue would have had to increase about 20% to replace development charge revenues.¹⁰

7 Statistics Canada, 2025, [Statement of government operations and balance sheet, government finance statistics](#)

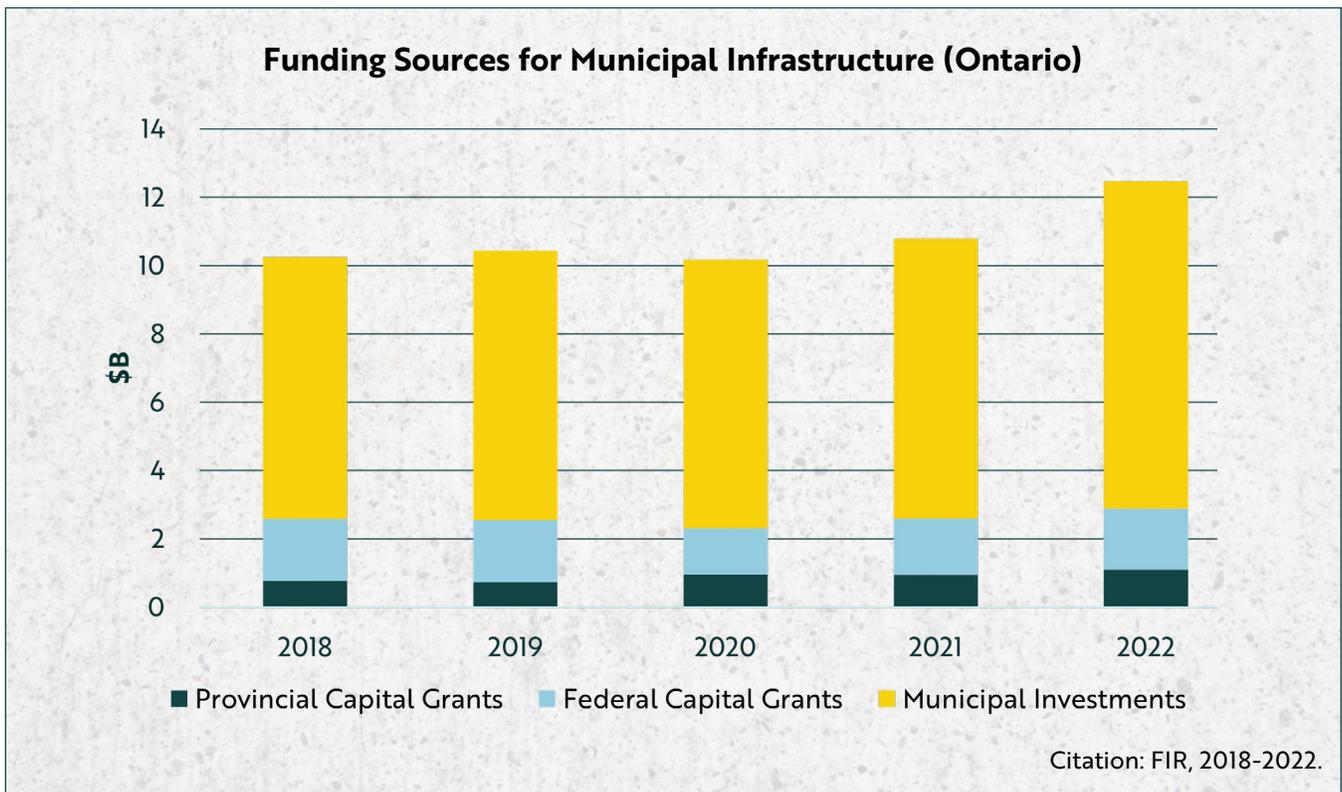
8 Ontario Ministry of Finance, 2024, [Ontario Demographic Quarterly: highlights of second quarter](#)

9 AMO, 2024.

10 FIR, 2023.

The bulk of investment for this critical, province-wide infrastructure comes directly from municipalities. For every \$1 invested in infrastructure there is up to \$6 return on investment, which significantly benefits the province and all Ontarians.¹¹ Despite these benefits, provincial and federal governments are not investing their fair share in municipal infrastructure, contributing less than 30% of annual funding.¹² Contributions from provincial and federal governments have not kept pace with the true costs of building – which have grown by an estimated 70% in the past 10 years.¹³

The \$3 billion in provincial investments in housing-enabling infrastructure are appreciated and have enabled municipalities to continue to invest in growth. But one-time, piecemeal programs don't replace a sustainable, predictable, long-term tool like development charges. There is an urgent need for the province and municipalities to come together to fundamentally rethink how we can support municipalities to manage growth and infrastructure needs.



What municipalities need: A new long-term, predictable, and substantial municipal infrastructure transfer.

11 The Centre for Spatial Economics, 2017, [The Economic Benefits of Public Infrastructure Spending in Ontario – utilized by Provincial Government in the Long-Term Report on Economy 2024](#)

12 Financial Information Return – over the last 5 years average annual revenue for financing capital has been \$10.8B dollars of which the average annual provincial capital grants was ~\$0.9B (~12%) and average annual federal capital grants was ~\$1.7B (15%)

13 Statistics Canada, 2024, [Building construction price indexes](#)

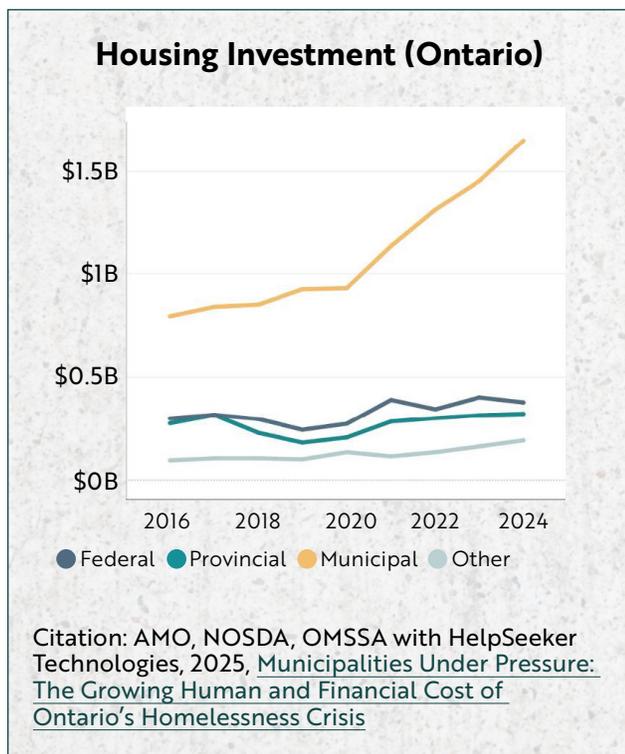
Request 2

Reduce reliance on municipal property tax subsidies

Municipalities must be allowed to keep more of their own revenues to drive sustainability and affordability in their own communities. Every municipal dollar that subsidizes provincial areas of responsibility is one less dollar for core municipal services like public safety, transportation, and community parks and recreation.

- **Maintaining current community housing to a state of *fair repair* would cost more than \$11 billion over the next 10 years**
- **Replacing this housing would cost approximately \$65 billion**
- **Almost 270,000 people were on the social housing waitlist in 2024**¹⁴

In 2024, municipalities spent approximately \$1.6 billion on deeply affordable housing. These investments have skyrocketed since 2020 resulting in municipalities funding more than 65% of affordable housing costs. These cost pressures will only continue to grow given significant future repair costs and growing waitlists for community housing units.¹⁵



Municipalities are also increasingly supporting access to healthcare within their communities. This takes many forms, from using \$830 million to fund half of all land ambulance costs in Ontario to using property taxes to attract physicians and nurses, to providing mental health and addictions supports in their communities.

In 2023, municipalities covered nearly 40% of public health costs – more than \$320 million more than their required share (25%) – to ensure critical public health standards are met.¹⁶ The province is reviewing both Ontario's public health standards and the funding formula.¹⁷ It is critical that the new formula ensure that municipalities can meet provincial standards without additional municipal subsidies.

14 Housing Services Corporation.

15 AMO, NOSDA, OMSSA with HelpSeeker Technologies, 2025, [Municipalities Under Pressure: The Growing Human and Financial Cost of Ontario's Homelessness Crisis](#)

16 FIR, 2023.

17 FIR, 2023.

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Ontario municipalities are unique in Canada in their legislated requirement to create and maintain long-term care facilities in their communities. More than 16,000 beds are provided by 100 municipally operated long-term care homes across the province, accounting for 20% of all beds available.²⁰ These homes are integral to housing seniors in their communities. In 2023, municipalities invested more than \$1 billion into long-term care, a significant amount of which went to subsidizing insufficient provincial operating grants which are meant to fully cover the cost of meeting provincial standards.

What municipalities need: To keep more of their own revenues to drive sustainability and affordability in their own communities, through the province:

- fully uploading the cost of community housing;
- matching long-term care operating transfers with provincially-mandated standards of care; and
- completing the public health funding review to realize the existing commitment for a 25/75 cost-sharing ratio

Request 3

Fix broken provincial systems to address homelessness

Decades of provincial underinvestment in income security, mental health and addictions, and community and supportive housing has contributed to a homelessness crisis that is having devastating impacts on people, communities and businesses across the province.

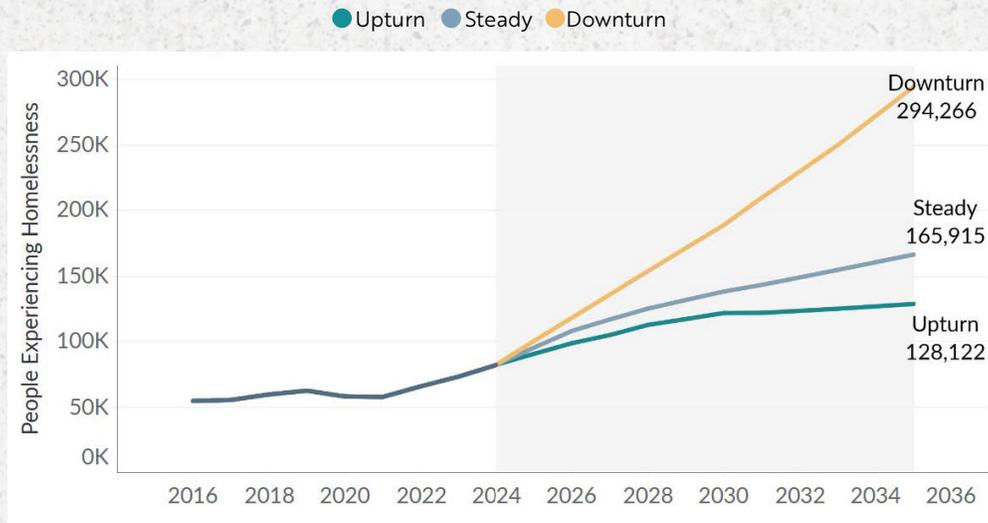
Along with key partners, AMO recently released groundbreaking research on Ontario’s homelessness crisis [“Municipalities Under Pressure: The Growing Human and Financial Cost of Ontario’s Homelessness Crisis.”](#) The homelessness crisis is now at a tipping point.

18 FIR, 2023.

19 FIR, 2023.

20 AdvantAgeOntario, 2022, [Ontario Municipalities – Proud Partners in Long Term Care](#)

People Experiencing Homelessness Projections (Ontario)



Citation: AMO, NOSDA, OMSSA with HelpSeeker Technologies, 2025, [Municipalities Under Pressure: The Growing Human and Financial Cost of Ontario's Homelessness Crisis](#)

More than 80,000 Ontarians experienced homelessness in 2024, a number that has grown by more than 25% since 2022. Without additional action, homelessness in Ontario could double in the next 10 years or more than triple if there is an economic downturn. The prospect of 300,000 homeless Ontarians in ten years is real if we don't act now.²¹

While most chronically homeless Ontarians live in urban centres in southern Ontario, homelessness in rural areas and northern Ontario are growing at a much faster rate.

Municipalities are on the frontlines of this crisis. Municipal governments see the human and social impact homelessness is having in their communities everyday and have stepped in, but the province and federal governments haven't done their part.

This problem will not go away on its own. It will continue to grow, resulting in increased human suffering and continued harms to the well-being of communities. It is more effective and cost-efficient to house someone, than to have them stay in a shelter, hospital or a jail.²²

For an additional \$11 billion over 10 years, we can end chronic homelessness in Ontario.²³ To tackle the immediate priority of ensuring all encampment residents are appropriately housed, we need an additional investment of \$2 billion over 8 years. We can either invest in solving this problem now or we can pay more and more to simply manage the crisis through emergency measures and additional costs to our police, hospitals and other systems.

21 AMO, NOSDA, OMSSA with HelpSeeker Technologies, 2025, [Municipalities Under Pressure: The Growing Human and Financial Cost of Ontario's Homelessness Crisis](#)

22 Dr. Andrew Boozary. University Health Network

23 AMO, NOSDA, OMSSA with HelpSeeker Technologies, 2025, [Municipalities Under Pressure: The Growing Human and Financial Cost of Ontario's Homelessness Crisis](#)

What municipalities need: Commitment and action from the provincial government to address the root causes of homelessness, including:

- Improving income security and increasing rates;
- Investing in a comprehensive continuum of accessible community mental health and addictions supports; and
- Significantly increasing supportive, transitional and deeply affordable housing capacity.

Conclusion

The municipal fiscal sustainability challenge is urgent, province-wide, and central to Ontario's social and economic prosperity. We need to work together to think differently about how we're funding services and infrastructure for the benefit of all Ontarians. Municipalities and the province are responsible to a single and shared taxpayer. We need solutions that match the scale of the investments required through partnership with municipalities and leadership from the provincial government to address growing concerns across the province. AMO will continue to advocate for policy choices that improve quality of life and cost of living and is ready to work with the government to achieve real results for Ontarians.



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