

2026

Pre-Budget Submission

Partnering to Protect Ontario's
Communities



Association of
Municipalities
of Ontario

Introduction

The Association of Municipalities of Ontario (AMO) is a non-profit, non-partisan organization that is the collective voice of Ontario's 444 municipal governments.

Municipalities deliver essential front-line services that Ontarians rely on daily. From safe drinking water to electricity to emergency services; and, increasingly more health and social services. Municipalities are also community builders. They plan and build the physical infrastructure, such as hockey arenas, parks, roads and public transit that is the bedrock for enabling housing developments, attracting investments to Ontario, and creating a quality of life that Ontarians enjoy and expect.

The Municipal Fiscal Landscape

Municipalities' fiscal capacity to deliver services affordably while maintaining their existing infrastructure in a state of good repair and building growth enabling infrastructure is no longer sustainable.

Since 2024, AMO has been calling for a Social and Economic Prosperity Review. This is an opportunity to work together and ensure we are delivering and paying for essential services in ways that make sense, just as we did in the 2008 Provincial-Municipal Fiscal and Service Delivery Review.

The need to update the provincial-municipal fiscal relationship has reached a critical point. While inflation and interest rates have eased from their pandemic highs, the challenges of housing affordability, the cost of living, economy and healthcare remain top priorities for Canadians.¹ Modernizing this relationship is essential to securing the economic foundations and quality of life our communities depend on.

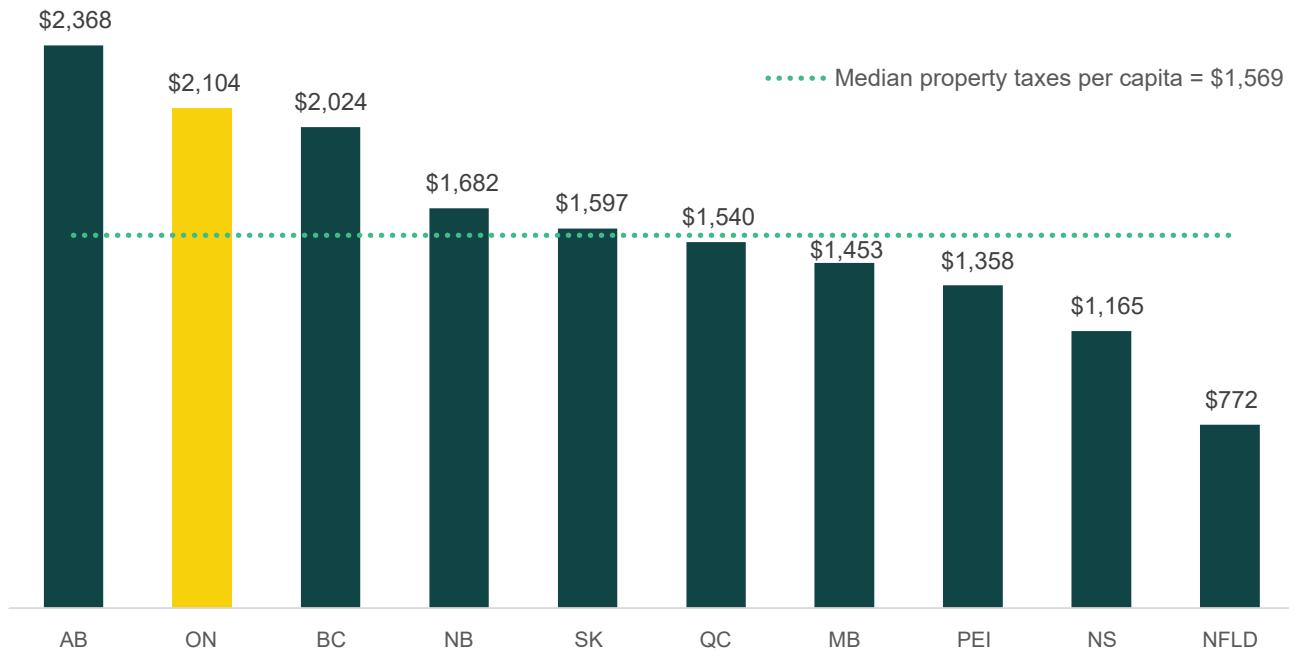
¹ Ipsos Canada. [Canada's Top 10 Most Important Issues in 2025 survey](#). Affordability and cost of living ranked as the number one top issue (41% of survey respondents), followed by healthcare (38%), the economy (28%), and housing availability and affordability (27%).



Ontario Property Taxes are the Second Highest in Canada

Ontario has the second highest property taxes in Canada at \$2,104 per capita in 2024 (refer to Figure 1). With limited revenue tools at their disposal, any increase in municipal services or growth demands puts additional pressure on the property tax base. In raising property taxes, municipalities need to strike a balance in maintaining service levels and achieving growth while keeping rate increases affordable.

Figure 1: Ontario continues to have the second highest property taxes per capita in 2024



Source: AMO analysis of Statistics Canada Table 10-10-0147 Canadian government finance statistics, statement of operations and balance sheet for consolidated governments and Statistics Canada Table 17-005-01 Population Estimates



AMO's Budget Requests

These challenges present an opportunity for the province to partner more closely with municipalities. Together, we can deliver on ambitious housing and economic growth goals in a way that is fiscally responsible and sustainable for taxpayers. Three areas where the province can focus its spending and policy efforts that will result in measurable shovel in the ground progress, are committing to:

- 1 Long-term municipal infrastructure funding for housing and the economy**
- 2 Fully funding health and social services that are provincial responsibilities**
- 3 Bringing together municipal and federal partners to address the homelessness crisis**

..... Request 1: Long-Term Municipal Infrastructure Funding for Housing and the Economy

AMO appreciates the government's recognition that closing Ontario's housing shortage of 1.5 million homes by 2031 can't be achieved without first building out the hard infrastructure that underpins housing development. Ontario municipalities own and operate about \$1 trillion of public infrastructure.² And, they are planning more than \$250 billion in capital investments over the next decade, with \$100 billion of that related to growth.

AMO welcomes the province's continued investment in municipal infrastructure. The \$400 million annual Ontario Community Infrastructure Fund provides essential stability for rural municipalities, while the \$5.2 billion in one-time funding from the Municipal Housing Infrastructure Program and the Building Faster Fund has successfully moved many growth-enabling projects forward. One-time programs, however, are insufficient to close the municipal infrastructure funding gap to keep existing municipal infrastructure in a state of good repair and also build net new infrastructure to support growth.

While grant programs offer a welcome boost, a sustainable fiscal framework relies on permanent, predictable revenue sources like development charges (DCs).

DCs 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. To get more shovels in the ground faster and to address Ontario's housing crisis, the provincial government has implemented several DC reforms since 2018. AMO applauds the province for collaborating with our organization and the Ontario Home Builders' Association to modernize and standardize DCs last year. These recent DC changes provide the clarity and consistency needed to reduce municipal-developer friction, clearing the path for housing and economic growth.

Economic uncertainty is the enemy of housing supply. With the added threat of more tariffs and economic downturn, developers cannot afford more policy fluctuations. To meet the province's housing targets, we urge the province to stabilize the DC regime. Certainty in costs is the prerequisite for the investment our communities need.

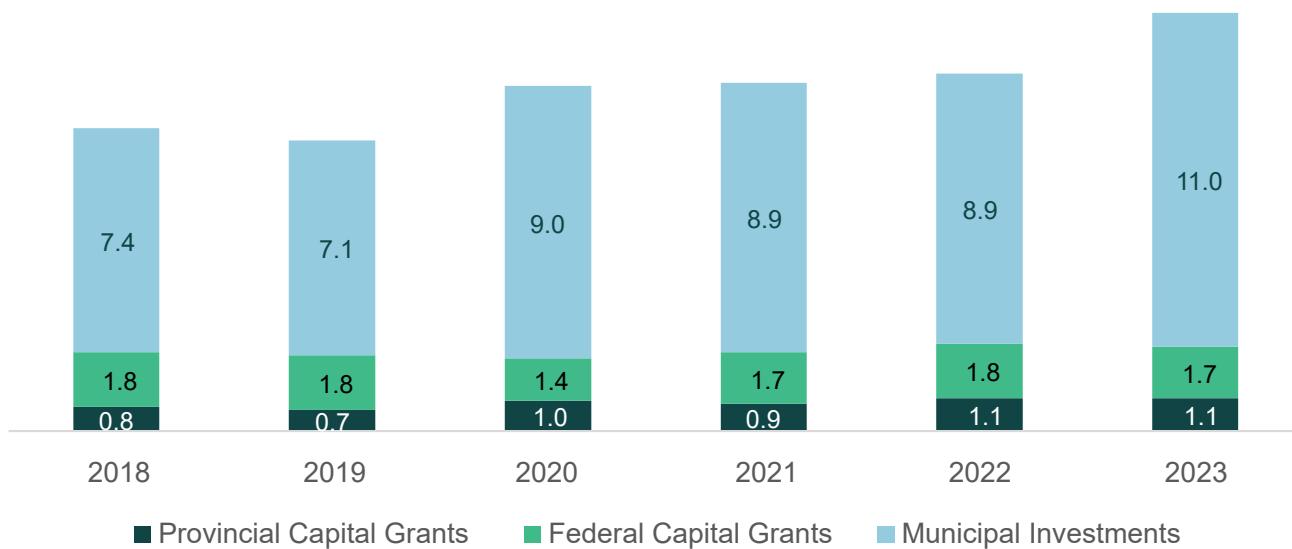
² AMO analysis based on combined 2025 current replacement values from municipal asset management plans, available at [Map of AMPs in Ontario](#).

Municipalities Continue to Fund 80% of Infrastructure Costs

Municipalities are doing their part to support the government's housing and infrastructure goals. In 2023, the sector invested \$11 billion in infrastructure.

Municipalities have continued to fund a greater share of municipal infrastructure costs, driven by unchanged federal and provincial funding levels and rising construction costs (refer to Figure 2). The federal and provincial governments combined contribution of 28% of municipal infrastructure costs has stayed largely the same in the past six years, in spite of construction costs increasing by 86% over the same time period.³

Figure 2: Municipal funding for infrastructure continues to increase in 2023



Source: AMO analysis of municipal Financial Information Returns, 2018 to 2023. The number of reporting municipalities in 2023 was 277. All figures in billions of dollars.

Growth Limitations of Property Tax Base

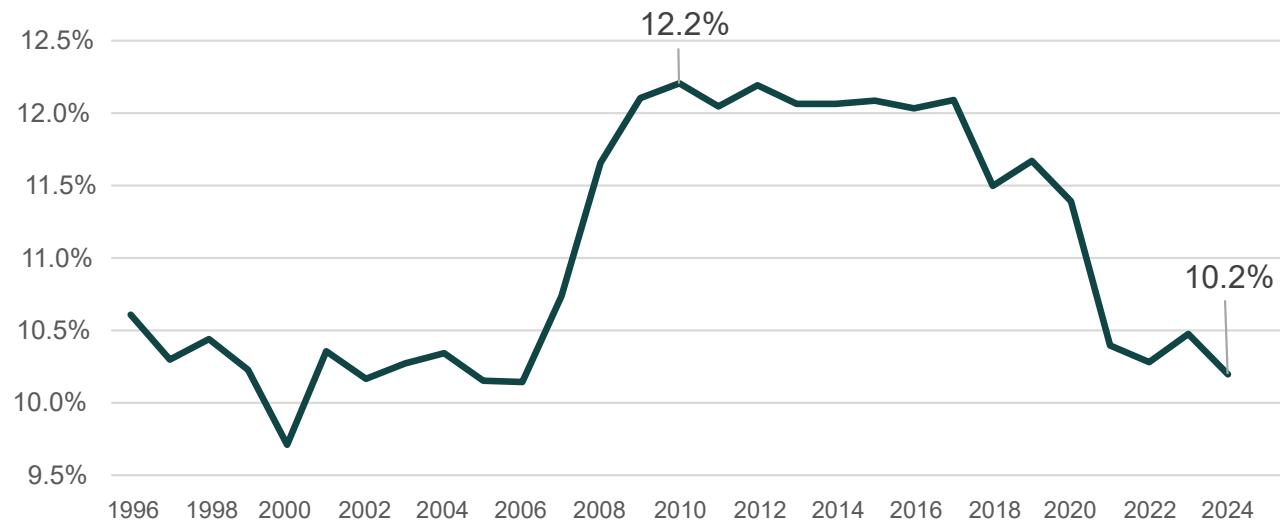
A key structural constraint that's putting downward pressure on municipalities' ability to build more infrastructure, with their own source revenue, is the growth limitations of property taxes. Municipal governments' share of all government own source revenue has continued to steadily decline after peaking in 2010 (refer to Figure 3). At the end of 2024, municipalities raised only 10.2% of all government revenue.

Half of municipal revenues are from property taxes, and in 2024 the sector raised \$29 billion through this revenue tool (refer to figure 4).⁴

³ AMO analysis of Statistics Canada. Table 18-10-0289-01 Building construction price indexes, by type of building and division. Analysis covers Q1 2018 to Q4 2023. Analysis is for residential building construction costs, division composite.

⁴ AMO analysis of data from municipal Financial Information Returns (FIRs) for 2024. A total of 277 municipalities reported revenue information, both own source and from federal/provincial grants. For the 167 municipalities with outstanding data points, the data gap was plugged with revenue data using the latest available data.

Figure 3: Municipal Share of Government Revenue is at a 14 Year Low, After Peaking at 12.2% in 2010



Source: AMO analysis of Q4 data from Statistic Canada's Table 10-10-0015-01 Statement of government operations and balance sheet, government finance statistics. Analysis is of own-source revenue, i.e., revenue minus federal and provincial grants.

Figure 4: Property Taxes Account for 50% of Municipal Revenues in 2024



Source: AMO analysis of own-source and government grant revenue data from municipal Financial Information Returns (FIRs) for 2024. 277 municipalities submitted 2024 FIRs. For the remaining 167 municipalities with outstanding data points, the data gap was plugged using the latest revenue available data.

A \$1.7 Trillion Return on Investment

AMO is aware of the fiscal pressures that the provincial and the federal governments are facing, and the difficult spending choices they have to make as they seek to bring spending and debt-to-GDP ratio under control against a backdrop of weaker than projected economic growth. The municipal sector after all is the only level of government that's unable to have operating deficits and is limited in how much debt it can borrow to finance capital projects.

Ontario's Fall Economic Statement projects the economy will grow by 1%, a slight increase of 0.2 percentage points from last year. The deficit will decline to \$7.8 billion while net debt-to-GDP ratio peaks to a five year high of 38.7%, remaining under the 40% target.

Federally, debt-to-GDP ratio is projected to reach 43.1% and real GDP growth will remain largely unchanged from last year, at 1.2%. U.S. trade policy and uncertainty will continue to have a drag on economic growth across Canada and Ontario, and this will limit revenue growth as debt servicing cost grows.

Every municipal budget cycle involves trade-offs and cost-benefit analysis of what programs and services will receive funding. As the province engages in a similar exercise, where near term revenue growth is likely constrained, we encourage it to prioritize infrastructure spending. This includes extending the life of the Building Faster Fund, which is set to expire this year. In extending this program we encourage the province to consider improvements to the program's design to better equip municipalities to get shovels in the ground faster, so that developers have the serviced lands they need to build housing once macroeconomic conditions are favourable again.

The short and long-term economic benefits of infrastructure spending are well documented. Every dollar in infrastructure spending creates an additional six dollars in economic activity.⁵ In the aggregate, more than \$1.7 trillion in economic activity could be created were the province to cost share the municipal sector's required infrastructure spending over the next decade.

⁵ 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

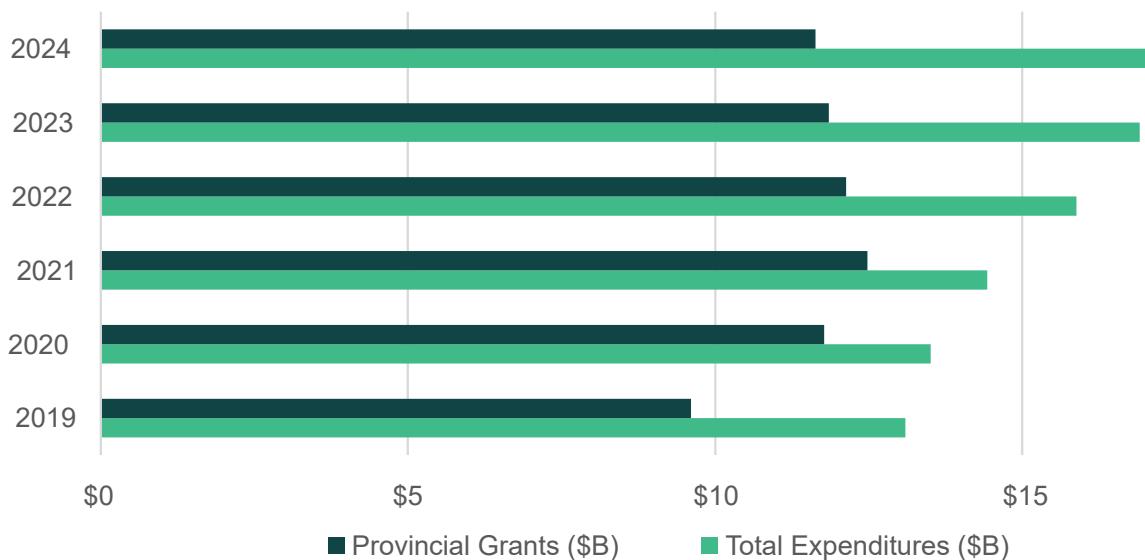
..... Request 2: Fully Fund Health and Social Services That are Provincial Responsibilities

Municipalities Continue to Subsidize Provincial Responsibilities

Investments in infrastructure and housing lead to downward pressure on health and social services spending, as there's a direct correlation between access to affordable and secure housing and utilization of health and social services.

Municipalities continue to subsidize the province for health and social services that are provincial responsibilities in the rest of Canada. As needs grow, driven by a host of intertwined factors including cost of living challenges and access to affordable housing, so too do municipal subsidies. In 2024, municipalities funded provincial responsibilities by almost \$5.4 billion, an amount that is 1.5 times greater than in 2019, when funding was at \$3.5 billion.

Figure 5: Municipal Funding of Provincial Responsibilities Increased by 1.5 times since 2019

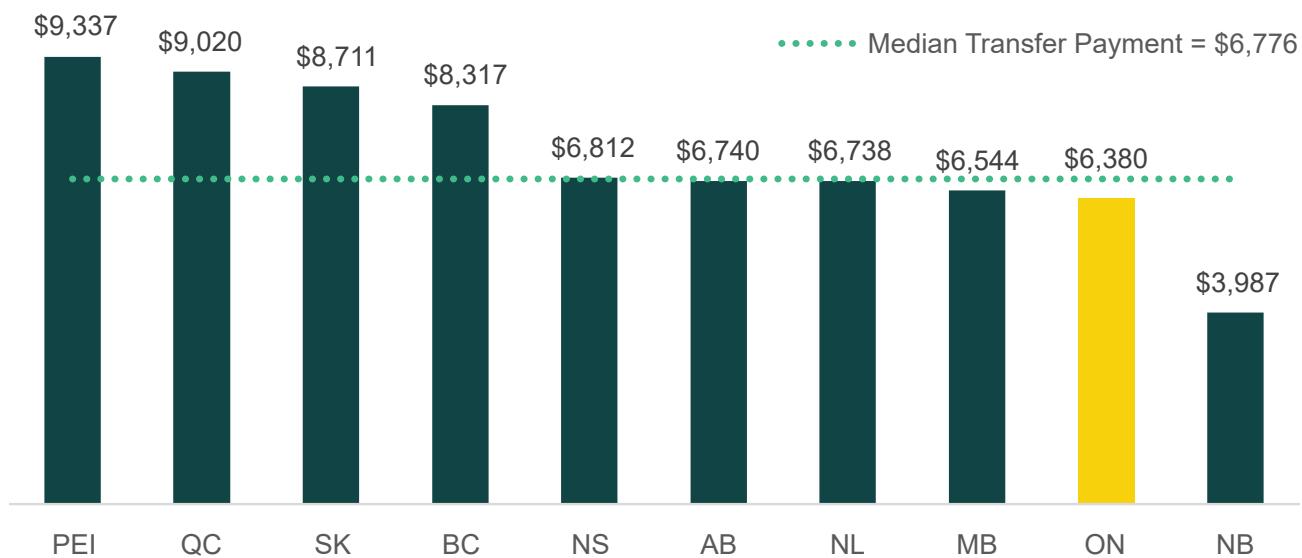


Source: AMO analysis of data from municipal Financial Information Returns (FIRs) for 2024. 277 municipalities submitted 2024 FIRs. For the remaining 167 municipalities with outstanding data points, the most recent available data was used.

This funding increase is against a backdrop of provincial transfer payments to municipalities that is one of the lowest in Canada. In 2024, the per capita spending on municipal transfer payments was a little under \$6,400⁶ (refer to Figure 6).

⁶ In previous pre-budget submissions AMO used a proxy figure, developed by the Financial Accountability Office of Ontario, to estimate provincial government spending on a per capita basis. Our new measure provides a more accurate picture of provincial transfer payments to municipalities as it only captures provincial grants flowed to municipalities. The data source used to derive our analysis is Statistics Canada's Canadian government finance statistics for the provincial and territorial governments Table 10-10-0017-01 (formerly CANSIM 385-0034).

Figure 6: Provincial Transfer Payments to Municipalities in 2024, \$ per capita



Source: AMO analysis of Statistics Canada's Canadian government finance statistics for the provincial and territorial governments Table 10-10-0017-01

Municipal Spending on Health Services

Ontario municipalities are unique in Canada in having a responsibility to co-fund and deliver core health programs and services, including public health, land ambulance and long-term care. As we outlined in our [2025 Pre-Budget Submission](#), Ontario municipalities are regularly providing funding for public health programs and municipal long-term care homes from municipal budgets beyond their cost-share requirements.

Local hospitals are also required to fund 10% of eligible hospital capital costs through community contributions plus 100% of other health equipment and furniture costs, known as local share. In many communities, municipal contributions from the property tax base are required for hospitals to meet their local share requirements. Ontario municipalities have spent \$255 million on hospital capital since 2019 and have more than \$500 million already committed in future contributions. As hospital capital costs escalate the demands on municipalities to fund increasing local share contributions from within municipal budgets will only grow.

In addition, municipalities have been increasingly stepping in to invest in health care areas where they have no defined responsibility. These include contributions to recruiting health care workers, mental health and addictions supports, health supports within shelters and housing services, and other contributions to support the health of our communities.

In 2024, an estimated 2.5 million Ontarians were without a family doctor.⁷ Even those who do have family doctors may have to travel vast distances to see them, meaning they cannot access care where and when they need it. Research from the Upstream Lab at St. Michael's Hospital found that 670,000 Ontarians live at least 51 km from their family doctor and more than 130,000 live more than 200 km from their family doctor. This is the distance between Toronto and Bracebridge.

As a result of these challenges in accessing health services, many municipalities have stepped in by recruiting health care workers or providing in-kind contributions, most often by providing space for clinics. A survey by the Ontario Physician Recruitment Alliance found that municipalities are now funding one-third of physician recruiters across the province. In 2025, municipalities reported contributing at least \$6.3 million towards the recruitment of health human resources.⁸

Municipalities know their communities and their residents. They can be partners in successful implementation of major government priorities like the Primary Care Action Plan. However, as the Auditor General concluded, creating a system where individual municipalities compete with one another with cash incentives for physicians doesn't support equitable, province-wide access to quality health care.

As AMO recommended in 2025, to help municipalities keep more of their own revenues, we recommend the province:

- Match long-term care operating transfers with provincially-mandated standards of care; and
- Move forward with its commitment to review public health funding to ensure public health units can meet new requirements in the updated Ontario Public Health Standards without municipal funding beyond the 25/75 cost share.

In addition, AMO is now calling on the province to:

- Re-examine the "local share" hospital capital requirement to better reflect the fiscal capacity of municipalities and the contributions to health care services they already provide to a community; and
- Create an integrated, province-wide, and provincially-funded physician recruitment system that leverages recruitment networks that municipalities have already built across the province.

The province is making progress on primary care access through its Primary Care Action Plan. However, many Ontarians continue to struggle.

⁷ Source: New Data Shows There Are Now 2.5 Million Ontarians Without a Family Doctor - Ontario College of Family Physicians | Ontario College of Family Physicians

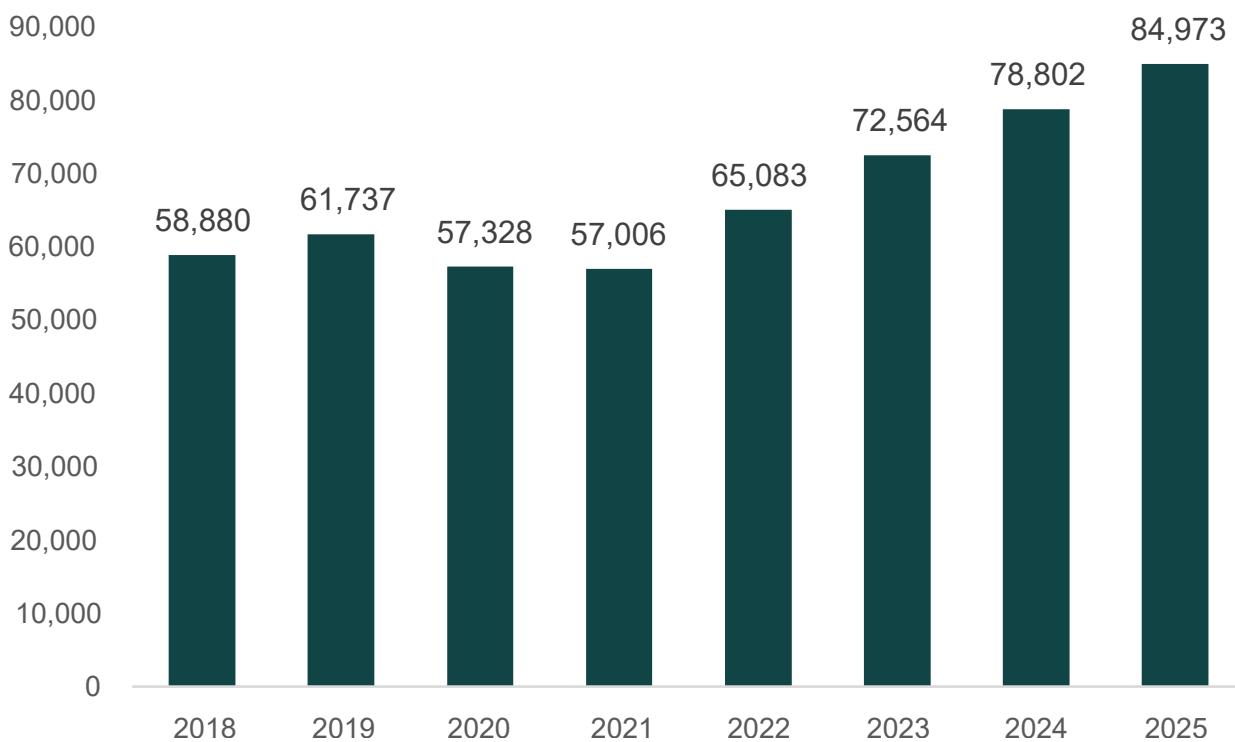
⁸ AMO member survey, 2025.

Request 3: Addressing the Homelessness Crisis in Ontario

Last January, AMO and key partners released groundbreaking [research](#) that confirmed what Ontarians were seeing in communities across the province. The homelessness crisis had reached record levels, with approximately 80,000 Ontarians experiencing homelessness in 2024 and projections showing it was likely to get much worse without coordinated and significant action.

AMO recently released [Municipalities Under Pressure One Year Later: The Human and Financial Cost of Ontario's Homelessness Crisis](#) which confirms the homelessness crisis continues to worsen. Homelessness across Ontario increased to roughly 85,000 people last year, representing a nearly 8% year-over-year increase and a 50% increase since 2021 (refer to figure 7).

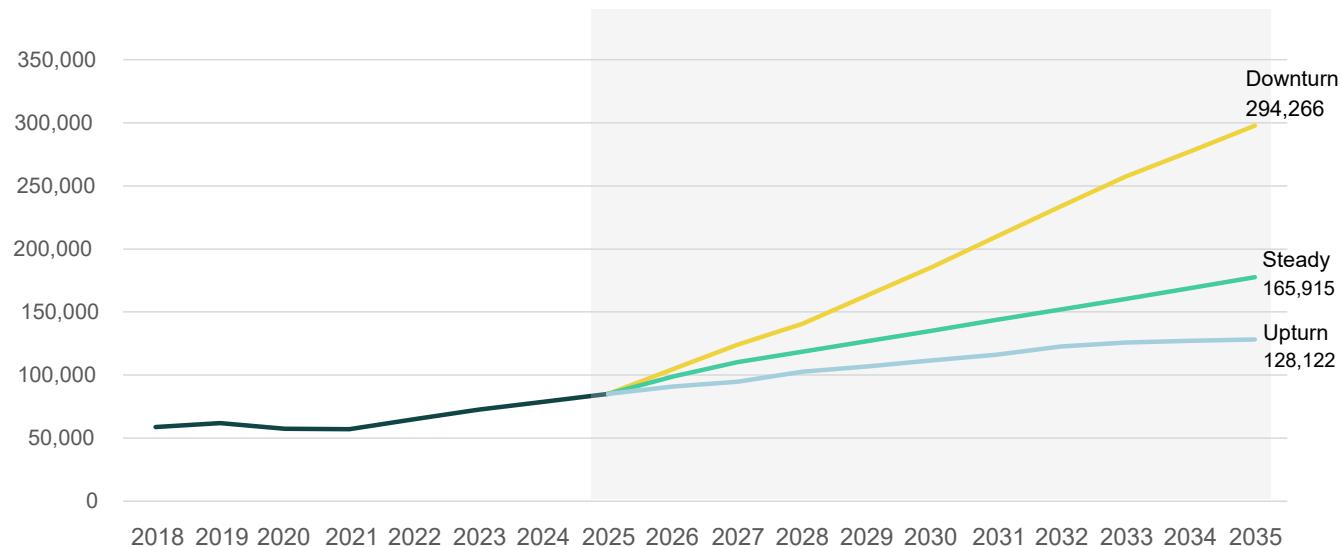
Figure 7: More Ontarians were Homeless in 2025 than 2024



Source: Donaldson, J., Kandyba, L., Wang, D. (2026). Municipalities Under Pressure One Year Later: An Update on the Human and Financial Cost of Ontario's Homelessness Crisis. HelpSeeker.

Updated projections show that under a steady economic state homelessness will more than double by 2035 if we don't act now (refer to figure 8).

Figure 8: Projections of People Experiencing Homelessness Under Different Economic Scenarios



Source: Donaldson, J., Kandyba, L., Wang, D. (2026). Municipalities Under Pressure One Year Later: An Update on the Human and Financial Cost of Ontario's Homelessness Crisis. HelpSeeker.

The province has made some targeted investments over the last year, including the establishment of HART Hubs. The federal government has also committed to \$13 billion nationally to expand the supply housing through Build Canada Homes. Unlocking the \$1.1 billion allocated to expanding supportive and transitional housing will require new provincial operating dollars. Despite these investments, municipalities have continued to bear the weight of responding to this crisis on their own.

Last year we described the homelessness crisis as reaching a tipping point – homelessness was reaching a stage where it is so pervasive that it becomes intractable. The longer we wait to act, the harder and more expensive it will be to manage.

Now is the time for municipalities, the provincial government and federal government to come together and make change. Too many people are becoming homeless and too few are moving into stable, long-term housing.

Investments in affordable housing will not only help solve the growing homelessness crisis across our province, but also contribute to our economic growth. As outlined in a previous AMO report, [Community Housing as a Response to Tariffs](#), investments in repair and development of affordable housing would support long-term economic productivity and keep residential construction workers productively employed at a time of slow housing starts.

AMO has long called for investments in the root causes of homelessness, including improvements to income security, investing in community mental health and addictions supports, and increasing access to deeply affordable housing. We cannot address this crisis if more people are becoming homeless than we are able to help.

However, in the short-term AMO is calling on the province to work with federal partners to house the more than 40,000 Ontarians who are already chronically homeless through:

- **Investments in Housing:** Provide \$11 billion over 10 years to end chronic homelessness through investments in homelessness prevention and build more than 75,000 deeply affordable and supportive housing units.
- **Provincial operating support for Build Canada Homes:** Provide provincial funding for wrap-around supports to unlock federal investments in supportive and transitional housing.
- **Continued Federal Funding:** Work with the federal government to renegotiate the National Housing Strategy and the Canada-Ontario Housing Benefit program beyond 2028. Our projections are based on the continuation of current programs and the end of the National Housing Strategy could significantly increase these numbers.
- **Collaboration Between All Orders of Government:** Work together to ensure our homelessness and housing dollars are having the biggest impact, including exploring opportunities to improve data coordination, connect services, and measure outcomes.

Conclusion

A lack of housing supply and affordable housing. Increasing homelessness. Growing demands for health and social services. An infrastructure repair backlog coupled with demand for new roads, water systems, transit, hospitals and parks to support current and future growth. These are big, wicked and intertwined problems confronting municipalities across the province every day.

Municipalities are doing the best they can with the revenue tools and external funding they have to solve these problems. They can and want to do more but are fiscally constrained by how much revenue they can raise and the lack of predictability and durability in provincial and federal transfer payments. Two decades ago, changing economic conditions and demographics lead to a review of municipal and provincial responsibilities and their funding. Ontario faces a similar pivotal moment today with rapid population growth, a housing crisis, infrastructure deficit and rising service costs that are putting unprecedented pressure on municipal finances.

Reviewing the provincial-municipal fiscal partnership is essential to managing these pressures. A comprehensive fiscal review would provide the opportunity to realign responsibilities, modernize funding frameworks and ensure that municipalities have the fiscal capacity to support economic growth and high standard of living across Ontario. By working collaboratively, the province can strengthen Ontario's economic competitiveness, accelerate housing and infrastructure delivery and build resilient communities capable of withstanding future economic and climate shocks. AMO looks forward to working with the province to advance practical and evidence-based solutions that ensure all orders of government are positioned to meet the needs of Ontarians now and in the decades ahead.



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