

June 18, 2020

Warden Jim Ginn
Chair of Western Ontario Wardens Caucus
1 Courthouse Square
Goderich, ON
N7A 1M2

Via email: warden@huroncounty.ca

Warden Andy Letham
Chair of Eastern Ontario Wardens Caucus
6311 Old Church Rd
Caledon, ON
L7C 1J6

Via email: rtaylor@kawarthalakes.ca

Dear Wardens,

RE: The Mapleton resolution and the municipal funding

The Ontario Federation of Agriculture (OFA) is Canada's largest voluntary general farm organization, representing more than 38,000 farm family businesses across Ontario. These farm businesses form the backbone of a robust food system and rural communities with the potential to drive the Ontario economy forward.

You may be aware of the resolution which originated from the Township of Mapleton which highlighted the difficult financial circumstances facing many rural municipalities in Ontario. The resolution went on to suggest that a possible solution to this problem would be returning to the Farm Tax Rebate Program.

First, OFA would like to once again reiterate our support for the provincial government to provide adequate funding to our rural municipalities. As Mapleton's resolution highlighted, the provincial government has not fulfilled its obligation to rural municipalities. The cuts to the Ontario Municipal Partnership Fund (OMPF) and many other changes to municipal-provincial cost and service delivery agreements have not favored our rural municipalities.

However, the suggestion that the policy solution of returning to the farm rebate program to fund rural municipalities is deeply flawed and counter productive.

Background on the Farm Tax Rebate program

The Farm Tax Rebate Program was intended as a “temporary” measure until long term property tax reforms were completed. The Program lasted from 1970-1998 with multiple changes to guidelines, rebate amounts and eligibility requirements along the way.

The Farm Property Tax Class was introduced in 1998 as part of reforms in Ontario’s property tax system. This change was not done in a vacuum, it was one factor in a complete change in municipal finances in Ontario. Other changes included the creation of other property tax classes, Creation of MPAC (known at the time as OPAC) and a move to Current Value Assessments. In addition to these changes the province realigned service delivery and uploaded certain services from the municipalities and downloaded other services.

The province also introduced the Ontario Municipal Partnership Fund (OMPF), which has been cut significantly in recent years. It is important to remember that the cuts to OMPF were the result of negotiations between the City of Toronto, the provincial government and AMO.

The Farm Property Class tax ratio is set to a maximum of 25% of the residential tax rate. All property tax classes including commercial and industrial are a ratio of the residential tax rate (which has a ratio of 1).

A rebate program does not work for Ontario farmers

Reinstating the rebate program would tie up significant amounts of dollars that could be better used on the farm. These dollars are quite often spent in a farm businesses local area and contribute to strong local businesses, local economic development and building effective communities.

In the 2016 MPAC assessment cycle, the average increase in taxable farmland assessment was 64% across Ontario. While residential and commercial assessment has been relatively flat in much of rural Ontario over that same time. This has led to record levels of property tax burden falling on Ontario farmers. The idea of multiplying farm taxes by four and waiting for OMAFRA to cut a check for the difference, would have significantly negative impacts on cashflow for Ontario farmers.

As concerning as the cash flow issues would be the eligibility criteria for the rebate program. During the lifetime of the rebate program OMAFRA frequently changed both the eligibility requirements and the rebate amount. This made it difficult for many farmers to predict how much of a rebate they would receive or if they would receive any rebate at all.

Since the rebate would be funded by provincial dollars, if the provincial government needed to cut spending to balance its budget, the rebate program could be reduced significantly. This is part of the reason the OMPF program was cut and there is no reason to think the same could not happen under a hypothetical rebate program.

A rebate program would have excessive administrative costs

Beyond the compromising position it would put farmers in, going back to a farm tax rebate program is simply not an efficient policy solution to solve the municipal funding problem. When the farm tax rebate program was active, it was the biggest line item on OMAFRAs budget and required many full-time staff whose full-time job was dedicated to administering the rebate program.

The provincial government has been clear in its desire to move away from transfer programs that have high administrative and overhead cost. For those reasons the issue of a farm tax rebate program would be a non-starter.

Producing prosperity and funding for rural municipalities

The problem that we all wish to solve is the lack of funding for rural municipalities. The fact is that there are much more efficient ways to fund rural municipalities. The Farm Property Tax Rebate Program required significant administrative costs to deliver the program. The fact is that the rebate program is exactly the type of program that the current government wishes to move away from.

If the goal is to provide rural municipalities with better funding, that goal could be more efficiently achieved by continuing to lobby for improvements to the OMPF program as well as targeted infrastructure funding for rural municipalities. Simply providing adequate funding to existing programs would prevent further administrative costs and leave more money to go towards the intended purpose of funding municipalities.

Increased funding for rural municipalities has been a central theme of OFA's producing prosperity campaign. OFA will continue to lobby the provincial government to increase funding for our rural municipalities.

OFA remains a willing partner to help lobby for adequate funding of rural municipalities. We hope to work with you to find solutions that provide funding for municipalities without putting increased burden on Ontario farmers.

Sincerely,



Keith Currie
President

cc: Ernie Hardeman, Minister of Agriculture Food, and Rural Affairs
Allan Thompson, Chair of Rural Ontario Municipal Association
Jamie McGarvey, President of the Association of Municipalities of Ontario (AMO)
Steve Clark, Minister of Municipal Affairs and Housing
Rod Phillips, Minister of Finance