Ontario Federation of Agriculture

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This study evaluates the fiscal impact of farmland on municipal budgets in Ontario, emphasizing the role of farmland in generating municipal revenue while demanding minimal services.

Study Objective and Methodology

FLORIDA

The primary objective of this study is to assess the relationship between the share of farmland in a municipality and its fiscal health. Using Seemingly Unrelated Regressions (SUR), the study estimates how farmland affects total revenue and expenses in municipalities, while accounting for interconnected budget components.

Key findings:

- A 1% increase in farmland share correlates with a 0.55% increase in revenue and a 0.51% increase in expenses.
- For every 1% loss in relative farm share, municipalities see their surplus (deficit) decrease (increase) by $242,140.
- Farmland significantly contributes to property tax revenue while having ne impacts on most expenditure categories, except for transportation service
- Municipalities with higher farmland shares benefit indirectly from increase and industrial activity linked to agricultural operations.

Policy Recommendations

The findings highlight the fiscal benefits of farmland preservation and reinforce its for municipal and provincial policy. Recommendations include:

1. **Prioritizing Farmland Preservation:** Municipalities should enforce strict the Provincial Policy Statement (PPS), restrict settlement boundary expan prevent undersized lot creation to curb both "literal" and "virtual" farmland
2. **Development Charge Reforms:** Exempt farm buildings from developmer discourage converting farmland to other uses while ensuring charges on r commercial developments reflect true growth-related costs.
3. **Tax Ratio Adjustments:** Municipalities should reassess farm tax ratios to increasing tax burden on farmland with its minimal service demands and s fiscal contributions.
4. **Increased Provincial Support:** The Ontario Municipal Partnership Fund (OMPF) should be restored to its inflation-adjusted 2005 funding level of $985 million to alleviate financial constraints on rural municipalities.
5. **Investing in Rural Infrastructure:** The provincial government should allocate $1.5 billion to rural infrastructure, including transportation, broadband, and social services, to support the economic sustainability of agriculture.

This study confirms that farmland is a fiscal net positive to municipalities, contributing to stable revenues while minimizing demand on services. Protecting Ontario's agricultural land base is not only critical for food security and economic resilience but also serves as a prudent fiscal strategy for local governments. Policies aligned with preserving farmland will ensure long-term municipal fiscal health and strengthen Ontario's agri-food sector.

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