

Ontario budget

2019



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Belt Tightening and Targeted Spending— The PCs Deliver a Different Budget Than Expected

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Economic and Fiscal Outlook

Premier Ford ran on the promise that he and his government would balance the province's books. Presenting the first Progressive Conservative budget in 15 years, the government sets a path to balance, but it will not come until 2024—after the next Ontario election. In the budget, the government shows a changed deficit projection for this year, now stating it as \$11.7 billion compared to the \$13.5 billion presented in the November economic statement.

The provinces debt still sits at \$343 billion, which will grow to \$394 billion by 2021-22, with spending on interest on debt set to grow from \$12.5 billion to \$25.5 billion by 2023-24.

The government plans to balance the budget largely by holding government program spending growth to less than one per cent per year and relying on GDP growth, projected increases to Government of Canada transfer payments, tax revenues and increased revenues from the Ontario Health Premium (projected increase of \$1 billion over five years) to make up the difference.

The government's \$150 billion program spending budget will grow by just \$4 billion, cumulatively, over the next four years compared to \$8 billion from 2017-18 to 2018-19 alone. From 2018-19 to 2019-20, spending will increase by just \$100 million.

The budget also outlines a plan for government to reduce the Debt-to-GDP ratio, which is currently one of the highest in Canada. Budget 2019 projects that the Debt-to-GDP ratio will decrease from its current 40.2% to 38.6% by the end of their recovery plan (2023-24).

Ontario's economic growth forecast is projected to increase, but in accordance with international trends, at a slow-to-moderate pace. Real GDP growth is projected at 1.4% in 2019 and is expected to stay below 2% up through to 2024.

Additionally, to demonstrate a commitment to fiscal transparency and reporting deadlines, Budget 2019 introduces a Premier and Minister's Accountability Guarantee that will require the Premier and Minister of Finance to pay a penalty of 10% from their salary for each public reporting deadline that is missed.

Health Care

As anticipated, the 2019 budget did not include significant new health funding commitments. On the other hand, it also didn't bring quite the deep cuts that some stakeholders feared. Overall, health spending is expected to grow by \$1.4 billion in 2019-20, over and above an in-year increase of \$480 million in 2018-19, to \$63.5 billion. Spending will grow by about 1.6% a year to \$65.3 billion in 2020-21.

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To put that in context, after years of regular 6% to 8% increases, the previous government wrestled health spending growth down to 1.7% in 2015-16 and 1.9% the following year, before climbing back to 3 to 5% more recently.

Health System Transformation

There is little new news on the government's plans for health system transformation – Ontario Health is front and centre, positioned as providing better, more integrated care while offering savings of \$350 million annually by 2021-22 through reduced bureaucracy and duplication. Centralized procurement and supply for hospitals, long-term care and the home and community sector is also expected to drive savings, though with no dollar value attached. The budget notes that provincewide implementation of Ontario Health Teams is expected by 2020.

Investments in Frontline Services

In addition to repeating the fall announcement of \$90 million for 1,100 beds and spaces in hospitals and the community, the budget commits \$384 million more for the hospital sector. \$267 million in new spending is earmarked for home and community care, including community supports and other services. The budget says government will facilitate partnerships between providers to create transitional spaces in the community, for example in retirement residences, for people discharged from hospital but not yet able to return home or move into long-term care; it's not clear if this is a funded commitment.

The budget provides detail on previous announcements, including mental health and addictions funding and free dental care for low-income seniors. The latter will come at a cost of \$90 million per year once fully-implemented and will include expanded access in public health units and mobile dental buses. The government's ten-year, \$3.8 billion investment in mental health, addictions and housing supports will kick off with \$174 million in 2019-20 to support a variety of services, targeting priority populations including Indigenous peoples and Francophones.

Drugs and Other Therapies

The budget recommits to the ongoing review of the Ontario Drug Benefit (ODB) Program, to improve its sustainability while providing better access to new therapies, strengthening pharmacy payment oversight, and reducing red tape. Government is also aiming to find over \$140 million in annual savings by reducing pharmacy payments under the ODB.

Other Commitments

- Changes to the *Public Sector Labour Relations Transitions Act* will "provide labour relations certainty to workers and employers" through transformation.
- \$17 billion in hospital capital over ten years (in line with previous budget).
- \$1.75 billion over five years for 15,000 new and 15,000 redeveloped long-term care beds.
- \$100 million in savings through streamlined transfer payment agreements and by consolidating multiple service contracts.

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- A restructuring of public health, including the eventual replacement of municipal Public Health Units with ten regional public health entities, saving \$200 million by 2021-22.
- Significant changes to emergency health services, including the consolidation of 59 EHS operators and 22 dispatch centres.
- Saving \$250 million by 2021-22 through “optimized health workforce productivity”, including improved scheduling and attendance management and reducing the number of overtime and premium rates.
- Expanded scope of practice for a variety of health professionals, including pharmacists, nurse practitioners, dental specialists and optometrists.
- Reviewing various provincial supportive housing programs to identify opportunities to streamline and improve coordination.
- Increased OHIP billing oversight powers.

Transit and Infrastructure

The government will be making the “single largest capital contribution to new subway builds and extensions in Ontario’s history.” Ontario plans to build four transit projects estimated at \$28.5 billion, with the provincial government committing \$11.2 billion in total. The projects include: (1) building the Ontario Line, (2) finishing the Scarborough Subway Extension, (3) completing the Yonge North Subway Extension, and (4) extending the Eglinton Crosstown Light Rail Transit line.

Toronto indicated that past publicly released cost estimates on these four projects are inaccurate and true costs will be much higher. Ontario has demanded that the City release revised estimates on all projects immediately.

Outside of the GTHA, the government has halted capital funding for the Southwestern Ontario high-speed rail after public consultations showed resentment towards the project. A new transportation plan for the Southwest will be brought forward in Fall 2019.

The government reiterated its commitment for Ottawa’s and Hamilton’s light rail transit projects and will continue to review initiatives to meet northerners’ transportation needs.

Ontario is investing in and expanding its highway network across the province, with projects such as: four-laning sections of Highway 69 and Highway 11/17, widening 128km of Highway 401, and repairing several bridges along Highway 7/115.

Finally, the government has announced it will not move forward with the previous government’s proposed changes to the municipal share of gas tax funding. The Wynne government had promised municipalities large portions of the gas tax instead of allowing Toronto to add tolls on the Gardiner Expressway and the Don Valley Parkway. Both initiatives have been quashed.

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Supporting Business

Cutting red tape, easing regulatory burdens, and opening Ontario for business has been a recurring theme of the PC government. Premier Ford committed to providing businesses with over \$400 million in ongoing savings: to meet this target the government will be introducing red tape reduction legislation each fall and spring throughout its mandate. This will cut red tape by 25% by 2020.

In Budget 2019, the government announced it will be providing \$3.8 billion in provincial corporate income tax relief over six years through faster write-offs of capital investments under the Ontario Job Creation Investment Incentive. The government also reiterated its commitment to cut the small business Corporate Income Tax rate by 8.7%.

Digital First Strategy

The government is enhancing Service Ontario's top 10 transactions to be accessed online, including driver's licenses, health cards, and vehicle permits. This will shift approximately 10 million in-person transactions online, saving up to \$33.5 million over the next five years. Service Ontario will still play a role in providing in-person services for those who choose to visit Service Ontario locations.

The government is supporting further digital transformation through ongoing consultations on the province's first data strategy. Increasing the use of digital solutions as part of the Digital-First for Health Strategy will include developing digital tools for Ontarians such as virtual visits, online access to health records and digital supports for integrated care.

Skills and Training

The government will make changes to the Second Career Program. This will include a review of financial supports available to laid-off workers, giving them access to get assistance they need to reskill for new jobs. This review will also include supports to employers who want to invest in training for their own workforce.

The Modernizing Skilled Trades and Apprenticeship Act will be introduced to replace the Ontario College of Trades and Apprenticeship Act. This will be implemented by the following measures:

- Encouraging employer participation in the apprenticeship system through a new financial incentive program to support employers to train apprentices.
- Modernizing service delivery in apprenticeship by developing a new client-facing digital system.
- Promoting apprenticeship and skilled trades for all student from kindergarten to Grade 12.

Enhancements will be made to the Ontario Immigration Nominee Program (OINP) to better reflect employer and labour market needs. The government will seek to expand the occupations eligible for the program to include in-demand skills such as transport truck drivers and personal support workers.

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Education and Childcare

The government is proposing a Childcare Access and Relief from Expenses Tax Credit (CARE):

- The proposed CARE tax credit will provide approximately 300,000 families with up to 75% of their eligible care expenses.
- The CARE tax credit will support families with incomes of up to \$150,000.
- Families could receive up to \$6,000 per child under age seven, up to \$3,750 per child between the ages of 7-16, and up to \$8,250 per child with severe disabilities.

In addition, the government is investing up to \$1 billion over the next five years to create up to 30,000 child care spaces in Ontario's schools.

There will be an investment of almost \$13 billion in education capital grants over 10 years, including \$1.4 billion for school renewal in the 2019-20 academic year. The government will also work to modernize the education system, informed by large-scale consultations.

Ministry Cuts

Although Budget 2019 did not deliver the full extent of severe cuts expected, 16 ministries will see their budgets cut by 2020—some nearly in half. The most significant cuts (comparatively) come from the Ministry of the Environment, the Ministry of Indigenous Affairs, and the Ministry of Municipal Affairs and Housing.

- Agriculture, Food and Rural Affairs (-\$284 million).
- Attorney General (-\$155 million).
- Economic Development, Job Creation and Trade (-\$186 million).
- Children, Community and Social Services (-\$376 million).
- Finance (-\$145 million).
- Environment (-\$352 million – more than 30% of the current budget).
- Energy (-\$566 million).
- Francophone Affairs (-\$200,000).
- Government and Consumer Services (-\$48 million).
- Indigenous Affairs (-\$71.6 million – nearly 50% of the current budget).
- Labour (-\$13 million).

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- Municipal Affairs and Housing (-\$367 million, about 25% per cent of current budget).
- Natural Resources and Forestry (-\$162 million).
- Seniors and Accessibility (-\$8 million).
- Tourism, Culture and Sport (-\$59 million).
- Training, Colleges and Universities (-\$738 million).

Six ministries will see their budgets grow. Spending at the Ministry of Health and Long-Term Care will increase by \$1.3 billion which signifies a nearly 2% increase year-over-year (which is less of an increase than in recent years.)

- Education (+\$2.592 billion).
- Health and Long-Term Care (+\$1.325 billion).
- Solicitor General (+\$58 million).
- Infrastructure (+\$100 million).
- Treasury Board Secretariat (+\$1 billion).
- Transportation (+\$511 million).

Environment and Waste Reduction

Ontario is launching the province's first-ever climate change impact assessment which will illustrate where the province is vulnerable to understand which regions and economic sectors are more likely to be impacted by climate change. As Ontario industries are responsible for 29% of the province's emissions, the government is developing emissions performance standards to allow industries to better achieve greenhouse gas reductions.

Ontario is paralleling the federal government in allowing businesses to immediately write off investments made in specified clean energy equipment and clean technologies.

The previously announced discussion paper on Reducing Litter and Waste in Our Communities looks to divert more waste from landfill and reduce the amount of waste Ontario generates in general. Ontario is working with provincial, territorial and federal partners to develop a plastics strategy to limit microplastics and plastic waste.

Appealing to the People

The government continued its path to liberalizing alcohol sales and consumption with a variety of new measures designed to appeal to the people. These included:

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- Creating a tailgating permit for eligible sporting events.
- Introducing legislation permitting municipalities to designate public areas, such as parks, for the consumption of alcohol.
- Providing flexibility for wineries, cideries, breweries and distilleries to promote their products at manufacturing sites.
- Extending hours of alcohol service at licensed establishments — including bars, restaurants and golf courses — to a 9:00 a.m. start, seven days per week.
- Changing advertising rules to allow for “happy hour” in Ontario.

What's Next

Now that the Budget has been tabled, two separate debates must take place in the House. First, there is the debate on the Budget motion—here MPPs from all parties will debate, and ultimately vote on, whether the Legislature supports the government plan in principle. This debate must be completed within 12 sessional days of the Budget's tabling.

Second, parallel to this, the Finance Minister will introduce proposed legislation which must pass in order for the government to implement the budget. This Budget Bill goes through the same process as any other proposed legislation, including committee consideration, giving stakeholders an opportunity to provide input. It usually comes to a final vote a few weeks after the Budget is introduced.

Finally, after debate on the Budget motion has concluded, and within 12 days of the Budget's introduction, the government tables the Estimates. This is the line-by-line spending projection for the government where you will find details of promises made in the Budget, as well as any other spending in the government's plan.

What does this mean for you?

The Ford government has provided some clear markers on both political and spending priorities in today's budget. Finance Minister Vic Fedeli has set an aggressive timeline of getting the province back to balance from the current \$11.7 billion deficit by 2023-24 coupled with a debt reduction strategy to focus the government's efforts setting a path to more sustainable spending in the future. Reductions in allocations to all ministries except in Health and Education will be the source of restrained spending and cost cutting. The government has prioritized additional spending in areas of focus and tied to key campaign commitments and have signalled transformational change and modernization across government services and agencies.