



Ontario Tables 2020 Budget: *Ontario's Action Plan: Protect, Support, Recover*

November 5, 2020

Today, Finance Minister Rod Phillips tabled the 2020 Budget, *Ontario's Action Plan: Protect, Support, Recover*, in the Legislature. The Budget builds on the March 2020 economic and fiscal update, *Ontario's Action Plan: Responding to COVID-19*, and is informed by the recommendations of the [Ontario Jobs and Recovery Committee](#).

The 2020 Budget contains \$45 billion in total supports over a three-year period and provides an updated three-year economic and fiscal outlook based on various potential economic scenarios. Officials have stated these scenarios provide transparency into the Ford government's fiscal planning and prudence.

This budget serves as an opportunity for the Ford government to reflect on and summarize the unprecedented action taken by the province to address both a health and economic crisis, while also giving a glimpse into further investments and contingency planning as Ontario and the rest of the world navigates through the COVID-19 global pandemic.

Further Details

Ontario's Action Plan: Protect, Support, Recover

Ontario's Action Plan: Protect, Support, Recover includes \$15 billion in new supports, building on the \$30 billion that has already been announced throughout the province's response to COVID-19. In total, the 2020 Budget contains \$45 billion in supports over a three-year period. The government still intends to introduce the 2021 Budget in March.

The 2020 Budget is composed of three pillars: protect, support, and recover. The “Protect” and “Support” pillars build on the Ontario government’s response to COVID-19 and assistance that has already been made available to families, workers, and employers. In contrast, the “Recover” pillar contains forward-looking measures to begin building Ontario’s foundation for economic recovery from the COVID-19 pandemic.

Each pillar is outlined in detail below.

Protect – Urgent COVID-19 Response

The “Protect” pillar contains a total of \$15.2 billion in supports over three years, including \$7.5 billion in new funding. Measures that fall under this pillar build on the government’s urgent response to the COVID-19 pandemic and focus on the continued protection of Ontarians’ health through the second and future waves of the virus.

The \$7.5 billion in new funding will support the following priorities:

- In **long-term care**, the amount of average daily direct care for each resident from a nurse or personal support worker (PSW) will be increased to four hours a day, up from 2.75 hours. This commitment was first [announced](#) earlier this week, and will come into effect over a four-

year period. Once the new standard is in place, Ontario will be a leader among Canadian provinces in provision of long-term care.

- The **continued fight against COVID-19**, including contingency funds of \$4 billion in 2021-22 and \$2 billion in 2022-23. This funding will be flexible and will be provided to the health sector to address changing needs related to the pandemic.
- **Opening the Cortellucci Vaughan Hospital site**, which will contain a new emergency room, modern facilities, and will add much-needed hospital capacity to Ontario's health system.

The “Protect” pillar also commits to investing an additional \$2.5 billion above 2019-20 investment in the hospital sector in 2020-21. The increased investment will support Ontario hospitals in managing the unprecedented costs associated with the COVID-19 pandemic.

The remaining funding will support health-related measures announced earlier in Ontario's pandemic response, including the \$2.8 billion [Fall Preparedness Plan](#), as well as investments in long-term care, hospitals, public health, pandemic pay, personal protective equipment (PPE), occupational health and safety, and mental health and addictions.

Within this pillar, the Ontario government also reiterates its call on Prime Minister Justin Trudeau to increase the Canada Health Transfer (CHT) to at least 35 per cent of provincial and territorial health spending. An increase of the CHT would offer the province with a sustainable source of health funding to support new and growing cost pressures facing the health system.

Other health investments, some previously announced, include:

- \$594 million annually over three years in new hospital funding;

- \$206 million over three years for vaccines and antivirals in immunization programs and stockpiles;
- \$131 million over three years for blood products;
- \$61 million annually in new funding for long-term care operations and \$23 million for minor capital;
- Unspecified amounts for virtual care visits (likely subject to ongoing physician negotiations).

Support – Support for People and Jobs

The “Support” pillar contains a total of \$13.5 billion in supports, including \$2.4 billion in new funding. Measures that fall under this pillar build on assistance that the government has already made available to Ontarians and their employers.

The \$2.4 billion in new funding will support the following priorities:

- **Parents** will receive a second round of payments through the **Support for Learners Initiative**. The second round of funding will total \$380 million and will provide parents with \$200 per child up to 12 years old and \$250 per child and youth with special needs up to 21 years old. Parents can use this amount to assist with the added costs of technology and educational supplies due to the COVID-19 pandemic.
- **The Seniors Home Safety Tax Credit** for 2021 will provide a 25 per cent credit on eligible renovations of up to \$10,000 to enable seniors to live safely at home for longer by making their homes more accessible. This tax credit will be available to all seniors, regardless of income, as well as to family members living with and supporting seniors.
- **The Black Youth Action Plan** will receive an additional \$60 million investment over three years, starting in 2020-21. This will extend the current program and create a new economic empowerment stream to support Black youth.

- **The Community Building Fund** will receive an investment of \$100 million over two years to support community tourism, cultural, and sport organizations facing financial pressures.
- The province's **arts institutions** will receive one-time emergency funding of \$25 million to help cover operating losses.
- An additional \$1.8 billion will be provided for the **Support for People and Jobs Fund** in 2021-22 and 2022-23, so that the Fund can remain responsive to emerging needs.

The remaining funding under this pillar is dedicated to measures to support people and jobs which were announced earlier in Ontario's pandemic response. These include a \$1.3 billion investment for the safe reopening of schools, up to \$4 billion for municipalities and transit systems, energy bill and property tax relief for businesses in COVID-19 hotspots, electricity and rent relief measures, and other supports for businesses and municipalities.

Recover – Creating the Conditions for Growth

The “Recover” pillar contains \$4.8 billion in new supports for initiatives that will support jobs now, while removing barriers that would hold Ontario back from a strong recovery from COVID-19 in the future.

The \$4.8 billion will support the following priorities:

- An additional investment of over **\$680 million in broadband infrastructure**. This includes doubling the government's previous commitment to the Improving Connectivity in Ontario program.
- Addressing what the government is calling **“job-killing” electricity prices and regulations**. At an additional expense of \$1.3 billion per year, this plan will save medium-size and larger industrial and commercial employers approximately 14 and 16 per cent, respectively, on their electricity bills.

- **Reducing the Business Education Tax by \$450 million to 0.88 percent across Ontario.** For many employers in areas where the rates are currently much higher, this represents a reduction of 30 per cent.
- **Permanently doubling the Employer Health Tax exemption to \$1 million.** This builds upon the temporary exemption announced by the Ford government in March.
- Providing municipalities with the **ability to cut municipal property taxes for small businesses** and a provincial commitment to consider matching these reductions. Depending on municipal adoption, this would provide small businesses as much as \$385 million in total municipal and provincial property tax relief by 2022-23.
- Providing \$500 million over four years to make **government services more reliable, convenient, and accessible** through the Ontario Onwards Acceleration Fund.

An additional \$181 million will also be invested in employment services and training programs to connect workers in the industries most affected by COVID-19 with industries facing a skills shortage. This includes \$100 million through Employment Ontario for skills training and \$60 million to help support workers acquire in-demand skills rapidly to support a faster transition to a new job.

Updated Ontario Economic Outlook

Ontario's Action Plan: Protect, Support, Recover projects a deficit of \$38.5 billion for 2020-21, which is unchanged from the deficit forecast presented in the *2020-21 First Quarter Finances*. Deficits of \$33.1 billion and \$28.2 billion are projected in 2021-22 and 2022-23, respectively.

The 2020 Budget acknowledges that while the province's current level of spending is critical in the current context, it is not sustainable in the long term. As a result, through this Budget, the government begins to focus on Ontario's

economic growth and renewal for long-term recovery.

Ontario Employment Change

Employment in the province decreased by 15.3 per cent between February and May 2020. Economic indicators are beginning to show signs of improvement, however, including the addition of 838,000 net-new jobs between May and September, and increases in home resales, retail sales, manufacturing sales, and merchandise exports.

GDP Growth

The province's real GDP is projected to decline by 6.5 per cent in 2020 and rise by 4.9 per cent in 2021. Ontario's economy is expected to continue growing beyond 2021, with projected real GDP growth of 3.5 per cent and 2.0 per cent in 2022 and 2023, respectively.

A Path to Balance

Legislation currently requires the government to include a path to a balanced budget within a budget document. However, given the uncertainty and risks associated with the COVID-19 pandemic, the government does not believe that it would be responsible to put forward a recovery plan at this time. As a result, the government is proposing legislative amendments to pause the recovery plan requirement for the 2020 Budget. The government is committing to publish a longer-term outlook and path to a balanced budget once the health and economic crises stabilize.

Analysis

Finance Minister Rod Phillips' 2020 Budget intends to communicate that the government is in control and more support is still needed. Officials view this as a 'serious plan for serious times.' Like every other government in the western world, any plans for budget balance in the near future have been indefinitely

suspended to deal with the current situation.

Budget 2020 has several different objectives:

- Showcase investments and targeted government interventions that have been made in the last nine months across various sectors – primarily health care.
- Instill confidence through demonstrating budgeted fiscal room to deal with further unforeseen challenges.
- Signal further support for the tourism sector.
- Address anti-competitive barriers to business while the economy is trying to recover.
- Operationalize learnings from the pandemic response during the first wave of COVID-19.

Health Care and COVID-19

Health care, always top of mind for Ontarians, has vaulted to the center of the political landscape with the province's COVID-19 response its organizing principle. Indeed, it is remarkable that all elements of the government's health system investment profiled in this year's budget – from primary care to mental health and addictions to hospital capital – are positioned as part of the fight against the global pandemic. The province's dramatic health system transformation, arguably the most significant in a few decades, dominated the health section of last year's Budget but gets one mention this time.

The budget modestly increases health base funding – by approximately 1.4% from 2019-20. Larger increases of 3.7% (\$2.4 billion) and 2.2% (\$1.5 billion) are projected for 2021-22 and 2022-23, respectively.

COVID-19 spending is broken out separately from base funding. In addition to \$3.1 billion in one-time spending at the beginning of the pandemic, the

government created a \$5.3 billion pandemic response contingency in the summer of 2020. The Budget projects nearly \$600 million of that contingency will be unspent, with any unspent funds diverted to paying down debt. A new pandemic contingency fund – of \$4 billion next year and \$2 billion the year following – is established with spending to be flexibly determined as required; again, any remaining contingency will go toward debt repayment.

Within those top-line numbers the banner new commitment in the budget is to move, over four years, toward an average of four hours of direct care per resident per day in long-term care. This has been a recommendation before government at least since the conclusion of the so-called “Sharkey Report” in 2008; Ontario claims it will be the first jurisdiction in the country to reach this standard. However, significantly, no funding is currently tied to this promise. Just as importantly, the government admits in its Budget that recruiting and training enough staff to fulfill this commitment will be a gargantuan challenge requiring cooperation across the sector.

This and other long-term care commitments are positioned as responses to the ongoing Long-Term Care Commission’s interim report, issued in late October. This, along with reaffirmed commitments to expand and redevelop long-term care capacity, shows the pressure government is under after a large number of outbreaks and deaths in the sector.

Overall, the budget reconfirms our expectation that sectors most impacted by COVID-19 – public health, long-term care, and hospitals – will be the focus of continued government investment. But with only modest increases to health base funding projected in the coming years, there will be pressure to make up for those investments in other areas of health spending. With limited control over drug spending and ongoing physician compensation negotiations likely ending in arbitration, it is unclear where belts can be tightened, especially going

into an election year.

Opposition Reaction:

Ontario NDP leader Andrea Horwath and Ontario Liberal leader Steven Del Duca signalled that the provincial budget does not meet the moment for Ontarians and their families.

"In his budget, Mr. Ford is throwing in the towel and telling people, families & businesses: "You're on your own."

- *Andrea Horwath, Leader of the Ontario NDP and Leader of the Official Opposition*

"Doug Ford's budget is a betrayal of students, frontline education workers, seniors and those who are being disproportionately impacted by the pandemic."

- *Steven Del Duca, Ontario Liberal Leader*

For more information, please contact:

Vivek Prabhu

Senior Account Director, Public Affairs

Vivek.Prabhu@hkstrategies.ca

Stephanie Dunlop

Account Director, Public Affairs

Stephanie.Dunlop@hkstrategies.ca

Matt Boudreau

Senior Account Director, Health

Matt.Boudreau@hkstrategies.ca

