

2019 ONTARIO BUDGET HIGHLIGHTS



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2019 Ontario Budget Highlights

Introduction

On Thursday April 11, 2019, Premier Doug Ford and his government delivered its first Ontario budget among wide-spread speculation of spending cuts, debt reduction and corporate tax cuts.

The Progressive Conservatives campaigned heavily on an agenda of fiscal responsibility, however in the months leading up to the provincial budget both Premier Ford and Finance Minister Vic Fedeli signalled that while deficit cutting and debt reduction remain priorities, the 2019 budget will not be balanced. Instead, the government's budget laid out a five-year plan that is projecting a modest surplus in the 2023-24 fiscal year.

The following is a budget summary with an overview of the fiscal measures in key policy areas that together reflect the government's priorities:

- **Taxes and Revenues**
- **Debt and Deficit**
- **Transportation and Infrastructure**
- **Health**
- **Education**
- **Other Budget Initiatives**

Taxes and Revenues

Total tax revenue collected by the province in the 2019-20 and 2020-21 fiscal years are projected at \$106.1 billion and \$109.8 billion respectively. There were no new taxes introduced in the 2019 provincial budget. The current government has made no secret of its plans to decrease taxes as a means to stimulate the economy and to "reduce the burden" on low-income Ontarians. Income tax cuts for the lowest income earners were already announced, while a corporate tax cut was a key item in the pre-election campaign.

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Tax and Revenue highlights of the 2019 Ontario Budget include:

- \$3.8 billion reduction over six years in Ontario Corporate Income Tax relief through the Ontario Job Creation Investment Incentive and faster write offs for capital investments.
- Small Business Corporate Income Tax Cut of 8.7 per cent.
- Elimination of the Estate Administration Tax for taxable estates with assets less than \$50,000 and a tax reduction by \$250 for larger taxable estates.
- Childcare Access and Relief from Expenses (CARE) tax credit for families with incomes up to \$150,000 totalling approximately \$390 million, starting in the 2019 tax year:
 - Up to \$6,000 per child under 7 years of age.
 - Up to \$3,750 per child 7-16 years of age.
 - Up to \$8,250 per child with severe disabilities.

Debt and Deficit

At nearly \$350 billion, Ontario has the single largest subnational debt in the world. Ontario's Premier has referred to it as the "the Ministry of Debt". It is the fourth largest budget item on the government's books. The projected interest costs for 2019-20 year are forecast at \$13.3 billion, putting Ontario in a precarious position in the event of an economic downturn.

Meanwhile, the Ford government is reporting that since taking office it has reduced the deficit from \$15 billion to a projected \$11.7 billion in the 2018-19 fiscal year, lowering the projected net debt from a previously reported \$347 billion to \$343 billion, and in this first budget have outlined a five-year plan to a balanced budget for the 2023-24 fiscal year.

Highlights of the government's debt and deficit reduction plan include:

- Total program costs for the 2019-20 and 2020-21 fiscal years projected at \$150.1 billion and \$151.9 respectively.
- Projected deficit reduction of \$1.4 billion in the 2019-20 fiscal year to \$10.3 billion, to \$6.8 in 2020-21, \$5.6 billion in 2021-22, \$3.5 billion in 2022-23 and into a balanced budget position in the 2023-24 fiscal year.
- Target to lower Ontario net debt to GDP ratio to less than 40.8 per cent by 2022-23.
- Lowered projected borrowing by \$10 billion over the next five years, with an estimated cumulative interest cost reduction of \$300 million.

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- Introduction of the Fiscal Sustainability, Transparency and Accountability Act requiring the government to present a debt reduction strategy and report on progress annually.
- Introduction of the Premier and Minister's Accountability Guarantee which, when passed, will require the Premier and Finance Minister to give up 10 per cent of their salaries for failing to meet legislated deadlines to file economic and financial reports.

Transportation and Infrastructure

The government released a significant transit and infrastructure plan a day ahead of the provincial budget. Announcing the provincial commitment of \$11.5 billion (out of total estimated cost of \$28.5 billion) to four rapid transit projects including a new subway relief line — “The Ontario Line” — the Yonge North Subway Extension, Scarborough Subway Expansion, Eglinton Crosstown West Extension in Toronto in advance of its budget speech indicates that this is a priority item for the government and puts pressure on the federal government, as well as the City of Toronto, York Region and other private sector partners such as the Greater Toronto Airports Authority to contribute a fair share of the investment.

In addition, the Hurontario and Hamilton LRTs were both confirmed to move ahead, upholding the previous government's infrastructure investment commitments.

Transportation has been a policy focus for the Ford government:

- Subway transit expansions totalling \$11.5 billion in provincial investments in the GTA.
- \$1.4 billion for the Ottawa Light Rail Line.
- \$1 billion for the Hamilton Light Rail Transit Line from McMaster University to Eastgate Square (14 km, 17 stops).
- Expansion to GO Transit service to include all day service on Metrolinx rail lines every 15 minutes.
- Planning to introduce legislation in the Spring of 2019 to upload responsibility for all subway extensions and new lines and continue discussions with the City of Toronto under current terms of reference, with a second piece of legislation planned for 2020.
- Putting Drivers First to provide additional choice in auto insurance coverage.
- Introducing Driver Care Card aimed at streamlining claim processing.

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- Including the option for pay-as-you-go auto insurance.
- Reducing regulations on auto insurance rates.
- Introducing electronic proof of insurance for Ontario drivers.
- Projected savings of \$33.5 million over the next five years from digitizing approximately 10 million in-person interactions in Service Ontario's top 10 transactions, including the issuing of driver's licenses, health cards and vehicle permits.

Healthcare

As a top-tier ministry, healthcare is a key priority for residents and governments alike. The healthcare sector budget is the largest in the province, with program spending in the 2019-20 year projected at \$63.5 billion, an increase of 2.2 percent from the previous year. It has been reported that the Ontario government and the Ontario Medical Association have a target to reduce spending by \$460 million in OHIP fees. Part of that saving will be achieved by cutting 'medically inappropriate' procedures, and a further \$250 million in spending was cut — effective April 1 — through the government's decision to eliminate prescription drug coverage for dependents under the age of 25 covered by private healthcare plans.

Additional budget items in the healthcare sector include:

- Continuing consolidation of provincial health agencies and Local Health Integration Networks (LHINs) under the previously announced single agency "Ontario Health", to create \$350 million in annualized savings at maturity.
- Details on Ontario Health Teams that will coordinate healthcare delivery in their communities across various healthcare service providers.
- Establishing 10 regional public health entities and 10 new regional boards of health under a common governance model by 2020-21.
- \$17 billion over 10 years in capital grants to hospitals to modernize and increase capacity, access to specialized treatments and volume growth.
- Approximately \$1.75 billion over five years to create 15,000 new long-term care beds and upgrade an additional 15,000 beds for complex health conditions.
- \$90 million in new dental insurance for seniors over 65 years of age with an individual income of \$19,300 or less, or a combined household income of less than \$32,300.

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- \$384 million in investments in hospitals to end hallway medicine and 'maintain' critical hospital capacity.
- \$267 million investment in home and community care.
- \$3.8 billion over 10 years for mental health services, addictions programs and housing support.
- Expanding the scope of practice for healthcare professionals to prescribe medicine for common ailments.

Education

Education spending in Ontario is second only to healthcare. While the Ford government has come under heavy criticism for its plans to eliminate about three per cent of full-time teaching positions by 2023 — a move that is purported to save approximately \$851 million — this first budget did not focus on education-based cuts, instead it focused primarily on investments:

- \$1 billion over the next five years to create up to 30,000 childcare spaces in schools.
- \$13 billion in capital grants over 10 years to build new schools, including \$1.4 billion in spending for renewals in schools for the 2019-20 school year.
- Previously announced 10 per cent reduction in tuition for publicly funded colleges and universities in the 2019-20 school year and freezing tuition for the 2020-21 school year.
- Tying 60 percent of post-secondary funding to institutions to their performance outcomes by the 2024-25 year in order to incentivise publicly funded colleges and universities to provide employer focused training and education.

Economy and Job Creation

The Ontario government is projecting the province's economic growth to maintain a steady pace between 2019-24. Employment is forecast to rise at an average of 1.1 per cent per year and provincial GDP is projected to grow at 1.4 per cent and 1.6 per cent in 2019 and 2020 respectively.

Job creation measures in the 2019 budget include:

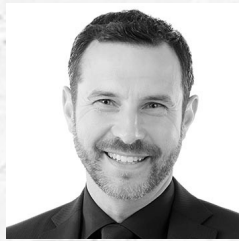
- Red tape reduction target by 25 per cent with an estimated ongoing savings of \$400 million for Ontario businesses in compliance costs.
- Support for a reduction in WSIB premiums.
- Introduction of Driving Prosperity — aimed at strengthening competitiveness and innovation in the automotive sector.

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- Pilot project to bring highly skilled immigrants to smaller communities.
- Establishing the Northern Ontario Internship Program that removes the recent post secondary graduate requirement from eligibility criteria, opening internships to new workers, job seekers entering new careers, unemployed and underemployed individuals.
- Fall launch of a new 'micro-credentials' pilot to provide job seekers with skills employers are seeking.

Other Budget Items

- Market driven pre-qualification process for operators of additional cannabis retail stores.
- Changes in the sharing of the gas tax revenues for municipalities.
- Introduction of the Housing Supply Action Plan aimed at reducing the cost of renting and home ownership.
- Adopting title protection for financial planners and financial advisors.
- Implementation of a five-point plan to reduce regulatory burdens aimed at Ontario's capital markets.
- Introducing legislation that enables municipalities to make rules about alcohol consumption in public spaces and extend hours at which alcohol can be served at licensed establishments (9am serving time).
- Allowing 'happy hour' advertising.
- Removing required serving sizes at manufacturing sites of wineries, distilleries, cideries and breweries.
- Introducing legislation to pause a wine tax increase.
- Establishing a Gun and Gang Support Unit and Gun and Gang Specialized Investigations Fund to address gun violence and support joint force operations.
- Establishing a competitive online market for legal online gambling to reflect consumer choice.
- \$1.3 million investment over two years to launch the Rick Hansen Foundation Accessibility Certification program and assess businesses and public buildings to make them more accessible for people with disabilities.



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