



2019 Ontario Budget Highlights

Finance Minister, the Hon. Vic Fedeli presented the Ford government's first budget Thursday entitled "Protecting What Matters Most." Critics were concerned that the Government would slash programs and services. The budget plan, however, is the highest-spending budget in provincial history.

- View the budget and budget documents online at <http://budget.ontario.ca/2019/index.html>

Summary

- The budget document calls for a balanced budget by 2023-24. This will be achieved "*according to a realistic and responsible timetable.*"
- Including debt interest payments, the province will spend \$163.4 billion in 2019-20, almost equivalent to the \$163.5 billion the former Liberal government said it would pay in that fiscal year.
- The government changed its deficit projection for this year, now stating it at \$11.7 billion.
- Overall spending will hit \$157.6 billion by 2023-24, the first year the government expects a small surplus (\$300 million).
- The Government plans to shave billions off the deficit each year, through projected increases to Government of Canada transfer payments (a projected increase of \$4 billion over five years) and increased revenues from the Ontario Health Premium (a projected increase of \$1 billion over five years).
- The province's debt sits at \$343 billion and will grow to \$394 billion by 2021-22
- Spending on interest on the debt is set to grow from \$12.5 billion in 2018-19 to \$25.5 billion by 2023-24.
- The government projects the province's Debt-to-GDP ratio will shrink from its current 40.2 percent to 38.6 percent in 2023-24.
- By international trends, Ontario's economic growth forecast is less than rosy. The real GDP growth is projected at 1.4 percent in 2019 and is expected to stay below two percent through to 2024.
- There are no promised Corporate tax rate cuts (The PC's campaigned on cutting the rate from 11.5% to 10.5%) in the budget, but the Government say other programs cover the tax rate reduction.



SUMMARY OF ONTARIO'S ECONOMIC OUTLOOK

(Per Cent)

	2016	2017	2018	2019p	2020p	2021p	2022p	2023p	2024p
Real GDP Growth	2.3	2.8	2.2	1.4	1.6	1.5	1.9	1.9	1.8
Nominal GDP Growth	4.4	4.1	3.4	3.4	3.4	3.2	3.6	3.9	3.9
Employment Growth	1.1	1.8	1.6	1.3	1.0	1.0	1.0	1.0	1.0
CPI Inflation	1.8	1.7	2.4	1.9	2.0	1.7	1.9	2.0	2.0

p = Ontario Ministry of Finance planning projection based on information up to March 8, 2019

Sources: Statistics Canada and Ontario Ministry of Finance.

- The Province will cut corporate income taxes through the Ontario Job Creation Investment Incentive. The Incentive includes an immediate 100 percent write-off for manufacturing and processing machinery and equipment, clean energy equipment and an accelerated write-off for most other assets. The Incentive provides Ontario businesses with \$3.8 billion in Ontario tax relief over six years.

Ministries and Programs

- Many ministries will see their budgets cut from 2018-19 to 2019-20. These include:
 - 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 percent of the current budget)
 - Energy (-\$566 million)
 - Francophone Affairs (-\$200,000)
 - Government and Consumer Services (-\$48 million)
 - Indigenous Affairs (-\$71.6 million – nearly 50 percent of the current budget — however, the budget spiked in the previous three fiscal years because of settlement transactions, and the government said the base funding for the ministry was only cut by about \$5 million)
 - Labour (-\$13 million)
 - Municipal Affairs and Housing (-\$367 million, about 25 percent 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)
- Others will see their budgets grow:
 - Education (+\$2,592 million)
 - Health and Long-Term Care (+\$1,352M)
 - Solicitor General (+\$58 million)
 - Infrastructure (+\$100 million)
 - Treasury Board Secretariat (+\$1,000 million, the increase is largely due to the funding of two contingency funds)
 - Transportation (+\$511 million)
- All ministries have identified four percent in administrative efficiencies which should result in cumulative savings of \$1.7 billion by 2023–24

Infrastructure and Construction

- The government is committed to investing in the province’s infrastructure, including strategic investments in transit and highways, schools and hospitals.
- Planned investments for 2019–20, total \$14.7 billion and reflect the government’s commitment to invest about \$144 billion over the next 10 years.
- The Province is planning to build four GTA transit projects, with a total preliminary cost estimate of \$28.5 billion. The Government will commit \$11.2 billion towards these projects, representing more than 35 percent of the construction cost. In addition to provincial funds, the Province and the Federal government have reached an agreement regarding the use of Investing in Canada Infrastructure Program (ICIP) funds for these subway projects. The Province will also engage the City of Toronto and York Region, to negotiate the contributions from these municipalities to the transit plan.
- The Province will examine options for improved connections between London, Kitchener and Toronto to spur economic activity in the region.
- Non-residential construction is expected to grow by 1.3% in 2019 and 2.6% in 2020. The average growth from 2019 to 2024 is forecast to be 1.8% with residential construction expected to grow by an average of 1.3% over the same period.
- The Government is proposing to offer Infrastructure Ontario’s advice and services into new markets, including entities outside of Ontario.
- The Government will create an integrated supply chain model to consolidate procurement practices across sectors, which should result in reduced government expenditures and



reduced red tape for vendors. This initiative is expected to result in annualized savings of \$1 billion.

- Funding to eligible municipalities with public transit systems under the Gas Tax Program will remain, The PCs say they will consult with municipalities and stakeholders for a new funding formula.

INFRASTRUCTURE EXPENDITURES¹

(\$ Millions)

Sector	Medium-Term Outlook			Recovery Plan		10-Year
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Transportation						
Transit	5,527	5,499	5,295	5,702	7,224	66,723
Provincial Highways	2,754	2,723	2,538	2,527	2,347	22,085
Other Transportation, Property and Planning	284	213	167	180	194	1,722
Health						
Hospitals	2,357	2,214	2,724	2,387	2,310	26,989
Other Health	255	239	269	321	309	3,313
Education	2,435	2,205	2,081	1,862	1,806	19,479
Postsecondary Education and Training						
Colleges and Other	299	327	278	262	140	2,115
Universities	52	71	64	119	106	1,077
Social	299	176	240	272	281	2,505
Justice	762	813	719	581	510	4,829
Other Sectors²	1,599	1,963	2,066	1,727	1,588	12,803
Total Infrastructure Expenditures	16,623	16,444	16,441	15,939	16,814	163,641
Less: Other Partner Funding ³	1,891	2,050	2,033	1,929	1,748	19,433
Total⁴	14,732	14,394	14,407	14,010	15,066	144,208

¹ Includes interest capitalized during construction; third-party investments in hospitals, colleges and schools; federal and municipal contributions to provincially owned infrastructure investments; and transfers to municipalities, universities and non-consolidated agencies.

² Includes government administration, natural resources and culture and tourism sectors.

³ Other Partner Funding refers to third-party investments in hospitals, colleges and schools.

⁴ Includes federal/municipal contributions to provincial infrastructure investments.

Note: Numbers may not add due to rounding.

Skilled Trades and Apprenticeship

- The government is investing in the workforce of the future, by reducing tuition fees by 10 percent for domestic students and restoring fiscal sustainability to the Ontario Student Assistance Program to ensure the government can continue to help those students who need it most.



- The Province will continue to reduce the regulatory burden on skilled tradespeople to increase apprenticeship opportunities and help address the skilled labour shortage.
- The government plans to improve Ontario's skilled trades and apprenticeship system:
 - Reduces the regulatory burdens placed on businesses, apprentices and journeypersons;
 - Closes the skills gap by establishing programs that encourage the people of Ontario to enter the skilled trades, get retrained and become aware of the benefits of good paying jobs in the trades; and
 - Reviews Ontario's apprenticeship structure and enacts reforms to increase access to apprenticeship opportunities.
- The government is creating more opportunities for Indigenous peoples and addressing the skilled labour shortage across the North by creating a new Northern Ontario Internship Program.

Other Highlights

- Healthcare:
 - Several programs have been streamlined to centralize administrative functions, including: combining six existing Provincial health agencies and the Local Health Integration Networks into one new agency, Ontario Health, to streamline health care oversight, reduce health care bureaucracy and reduce siloed regional administration, leading to annualized savings of more than \$350 million at maturity.
 - Total Health care spending will be \$63.5 billion in 2019/20 an increase of 2.2% or \$1.3 billion from 2018/19. It assumes a growth rate of 1.6 from 2018/19-2021-22.
 - Free dental program for low-income seniors
 - Increases in scopes of practice for health professionals such as pharmacists being able to prescribe for common ailments.
 - Ontario Drug Benefit Program will be reviewed with changes expected to result in \$140 million in savings.
 - The budget confirmed the Government's commitment to invest \$3.8 billion in additional funding for mental health over 10 years including \$174 million in 2019–20.
- Education:
 - The government's education plan included changes to the class size. Class size was not addressed in the budget.
 - Budget 2019 shows the base education funding increasing by about \$700M from 2018-2019, due largely to increased enrolment. There is also almost \$13B over 10 years in capital grants (for building new schools in high-growth areas and improve the condition of existing schools), including \$1.4B for the 2019-2020 school year.



- Other:
 - Spending on children and social services will be cut by \$1 billion, to \$16 billion annually by 2021-22. The Government reforms to social assistance and the Ontario Works and Ontario Disability Support Programs would save an estimated \$720 million a year by 2021-22.
 - The Government is investing \$1.7 billion in 2019–20 to help families access childcare and early years programs to support them while they earn a living.
 - The government is proposing a new Childcare Access and Relief from Expenses (CARE) tax credit with an estimated annual cost of \$390 million. The new tax credit would provide up to 75 percent of eligible child care expenses.
 - The Government will eliminate over \$3 billion in tax increases planned or imposed by the previous government.
 - The Government has cancelled the cap-and-trade carbon tax amounting to over \$10 billion.
 - Relief of over \$2 billion through the implementation of the Low-income Individuals and Families Tax (LIFT) Credit.
 - Helping families with child care expenses through the new Childcare Access and Relief from Expenses (CARE) tax credit, totalling over \$2 billion.
 - Cancelling over \$150 million in scheduled fee increases for several services, from driver and vehicle fees to fishing licences.
 - Increased funding of almost \$4 billion for electricity price relief.