

# Briefing Note

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**To:** Debbi M Nicholson, GSCC President and CEO  
**From:** Jonathan Laderoute, GSCC Manager of Policy and Communication  
**Date:** 10/22/2009  
**Re:** 2009-2010 Ontario Financial Statement (A preamble to the March 2009-2010 Budget)

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On Thursday, October 22, 2009, Ontario Finance Minister, Dwight Duncan delivered an update on the state of the government's finances and provided an outlook for the coming years. Here is what we learned:

- Ontario's deficit is expected to reach \$24.7 billion in 2009-2010.
- Real Gross Domestic Product is expected to decline by 3.5 per cent over the same period.
- Declining corporate tax revenues and increasing demand for public services have pushed the deficit.
- Corporate tax revenues dropped by an "unprecedented" 48.1 per cent in 2008-2009, or by more than \$6 billion.
- The economic downturn forced more people to depend more heavily on public services like social assistance, skills training programs and health-care services.
- Employment in the province dropped three per cent, or by 205,200 jobs, from 2008.
- Jobs in the auto sector are down by 25.5 per cent over the first nine months in 2009 compared to the same period in 2008.

#### Signs we're stepping back from the periphery:

- Financial markets have started to stabilize; equity markets and housing markets have improved.
- Ontario's international exports increased in June, July and August, and the province's labour market has shown modest job gains in the same period.

#### Next steps:

- Treasury Board will begin reviewing how the government will get the province back into the black; the board's report, and details of any possible cuts, won't come until the March budget.
- The government's infrastructure investments will create more than 300,000 jobs over the next two years.

#### ***Infrastructure***

The government will invest \$32.5 billion in infrastructure in the next two years, creating and sustaining an estimated 146,000 jobs in 2009-10 and 168,000 jobs in 2010-11 across Ontario.

### ***Incentives to Enhance Skills Training and Create Jobs***

This Budget expects to include nearly \$700 million over the next two years to expand skills training, including a proposed \$50 million a year to enhance the Co-operative Education Tax Credit and to make Ontario's Apprenticeship Training Tax Credit the most generous in Canada.

This Budget will also increase funding for summer jobs by 57 per cent to nearly \$90 million, helping more than 100,000 young people find summer employment during these difficult times.

### ***A Comprehensive Tax Reform Package***

Starting in July 2010, subject to the approval of the legislature, Ontario will move to a single sales tax based on value-added taxation, which would boost investment and productivity.

To help Ontarians through the adjustment period, and to provide ongoing tax cuts, the government will provide \$10.6 billion in tax relief for people over three years. This includes a broad-based permanent income tax cut and payments totaling up to \$1,000 for single parents and couples and up to \$300 for single people, which would be made between June 2010 and June 2011.

At the same time, the government is proposing \$4.5 billion in business tax relief over three years, including a number of specific measures to help small businesses. These tax cuts would lead to job creation and economic growth.

The tax reform package proposed would, once fully implemented, cut Ontario's marginal effective tax rate on new business investment in half, making Ontario one of the most competitive jurisdictions in the industrialized world for new investment.

This tax reform package is the single most significant action the government can take to strengthen the Ontario economy for the long term. Overall, taxes would be lower.

### ***Growing the Green Economy***

In recent months, the government has demonstrated a commitment to attracting new investment, creating new green-economy jobs and protecting the environment, including vigorously addressing climate change. In addition to the measures introduced as part of the newly proposed Green Energy and Green Economy Act, this Budget announces more than \$300 million in new initiatives to support Ontario's move towards a greener economy. These include a new Emerging Technologies Fund that will invest in clean technology, retrofits to public-sector buildings and a Green Jobs Skills Strategy.

### ***Innovation***

This Budget proposes additional tax relief and over \$700 million to boost innovation, including \$300 million in capital funds over six years for research infrastructure; \$100 million over four years in additional operating funds for biomedical research; \$50 million over four years to enhance the successful Innovation Demonstration Fund; and \$10 million over three years to the Colleges Ontario Network for Industry Innovation to help small and medium-sized businesses with hands-on applied research, technology transfer and commercialization.

### ***Investments in Children and Families***

The Budget will advance the government's Poverty Reduction Strategy by proposing to speed up the phase-in of the Ontario Child Benefit (OCB). This would represent an additional investment of more than \$400 million cumulatively from 2009-10 to 2011-12. Maximum annual OCB payments would increase from the current \$600 to \$1,100 per child beginning in July 2009, two years ahead of schedule. This enhancement would benefit current OCB

recipients and provide payments to an additional 115,000 families with 240,000 children who were not eligible to receive the OCB in 2008.

A two per cent increase to benefits under Ontario Works and the Ontario Disability Support Program and to the comfort allowances for residents of long-term care homes is proposed for 2009–10. The government will also invest in social housing, including capital investments for housing for low-income seniors and people with disabilities.

### ***Competitive Government***

The government will identify \$1.0 billion in efficiencies in 2011–12. It will also mandate certain procurement activities such as collaborative purchasing for the broader public sector, which are expected to result in annual savings of \$200 million within the first three years of operation. As well, they will seek to freeze MPPs' salaries at their current level for the 2009–10 fiscal year and reduce the size of the Ontario Public Service by five per cent over the next three years through attrition and other measures.

The government *claims* it is on track to exceed its target of \$108 million in savings for the last five months of fiscal 2008–09, which was set out in the 2008 Ontario Economic Outlook and Fiscal Review.

### ***Responsible Fiscal Management***

The government forecasts a deficit of \$3.9 billion for 2008–09. The deficit is expected to reach its peak of \$14.1 billion in 2009–10. As a percentage of gross domestic product, Ontario's deficit is proportionally below that of the United States, and is about the same as that now anticipated by the federal government. This Budget lays out a plan to balance by 2015–16.

Between 2008–09 and 2011–12, core program spending is projected to increase by 3.6 per cent, below the government's forecast of 3.8 per cent in revenue growth over the same period.

### **Considerations:**

- The Ontario government should focus on long-term, sustainable fiscal solutions and establish firm expenditure targets.
- Stimulate economic renewal and business competitiveness
- Address long-term demographic risks to prohibitive future health care costs
- Tighten restrictions regarding the activities and application of consultants and third party operators

### **Positive**

- Pleased with commitment of \$700 million for Co-operative Education Tax Credit and Apprenticeship Training Tax Credit.
- Infrastructure stimulus for roadways and cultural institutions.
- HST and tax relief to SMEs.
- The Emerging Technologies Fund that will invest in clean technology, retrofits to public-sector buildings and the Green Jobs Skills Strategy.
- The \$700 million to boost innovation, including \$300 million in capital funds over six years for research infrastructure; \$100 million over four years in additional operating funds for biomedical research (i.e., NOSOM and Northeastern Ontario Cancer Research Centre); \$50 million over four years to enhance the successful Innovation Demonstration Fund; and \$10 million over three years to the Colleges Ontario Network for Industry Innovation to help small and medium-sized businesses with hands-on applied research, technology transfer and commercialization.
- Commitment to expand the 'Open for Business' program to speed up approvals process for businesses.

- Freezing MPPs salaries; streamlining procurement policies and seeking out efficiencies in government and public sector staffing.

**Negatives:**

- Projected deficit will be 3.5% of provincial GDP.
- Support is weighed too heavily in favour of manufacturing, i.e., automotive sector at the expense of other ailing industries (mining and forestry).
- The Budget promises support for key Ontario sectors but makes no mention as to how or what those supports might be.
- No details as to how they intend to grow social housing for low-income seniors and people with disabilities.