

2021

ONTARIO BUDGET



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THE 2021 ONTARIO BUDGET: WHAT YOU NEED TO KNOW

THE BUDGET BY THE NUMBERS:

\$154 billion Total Revenue	\$186.1 billion Total Spending
\$449.9 billion Total Debt 2021/22	48.8 per cent Debt to GDP
\$33.1 billion Deficit	

\$6.7 billion COVID-19 Time-Limited Funding	\$16.9 billion Capital Expenditure
\$2.1 billion Contingency Fund	

A SHORT-TERM PLAN FOCUSED ON THE PANDEMIC ENDGAME

Nobody is going to accuse Peter Bethlenfalvy of looking too far ahead.

Today, Ontario's new Finance Minister tabled his first budget since he was unexpectedly thrust into the role last December.

Titled *Ontario's Action Plan: Protecting People's Health and Our Economy*, the budget is a fiscal action plan focused squarely on the here and now.

With the public's gaze fixed almost exclusively on the pace of the vaccination rollout – and economic fallout – in the face of a growing wave of COVID-19 variants, Bethlenfalvy stuck to a tried-and-true script for the Doug Ford Ontario PC government: pandemic response ahead of all other priorities.

The result is a budget document that is largely limited to immediate measures and almost exclusively targeted at healthcare, long-term care and economic investments designed to help protect and support Ontarians during what the government hopes will be the pandemic endgame.

“Because after a year in stormy seas, a safe harbour is finally in sight. Hope is on the horizon,” said Bethlenfalvy, introducing his budget. “At community centres, doctor's offices, pharmacies and hospitals across our province, Ontario's healthcare heroes are delivering vaccines that will help us return to normal. That is what hope looks like. But... this difficult voyage isn't over... And the government's job — to protect you, the people of Ontario — is not yet done.”

Bethlenfalvy further confirmed that in total, the government's COVID-19-related spending has increased by \$6 billion since its Fall Economic Statement, bringing the total COVID-19 response to \$51 billion.

New investments in the budget are built around three core pillars:

PROTECTING HEALTH: Allocating \$16.3 billion for health and mental health.

PROTECTING THE ECONOMY: Providing \$23.3 billion to support the economy.

SUPPORTING FAMILIES: An extra \$11.3 billion in supports for families and businesses.

A PATH TO BALANCE WITH FEW NEW ANSWERS

By law, the Ontario government is required to publicly provide a 'path to balance' in any year in which it runs a deficit. With the projected 2021-22 deficit now at \$33.1 billion, Bethlenfalvy scrupulously upheld this commitment in sharing a 10-year timeline to eliminate the deficit.

On the spending side, Ontario's program expenses are projected to grow from \$152.3 billion in 2019-20 to \$171.1 billion in 2023-24, representing an average annual growth rate of 3.0 per cent. As a result, health sector expense is forecast to grow from \$63.7 billion in 2019-20 to \$72 billion in 2023-24, representing an average growth rate of 3.1 per cent.

Conspicuously missing from the document are any details about the steps the government intends to take to return Ontario to black. Most notably, the government explicitly rejects tax hikes and program cuts as acceptable options, instead choosing to put their eggs in the basket of balancing the budget by stimulating post-pandemic economic growth.

It is a sign of how the COVID-19 pandemic has upended the political calculus in Ontario that Bethlenfalvy, formerly viewed as one of the Ford government's biggest fiscal hawks, now not only vigorously defends a \$38.5 billion deficit for 2020-21 but also goes out of his way to

disqualify new tax revenue measures or spending cuts as acceptable remedies for it. In doing so, Ford and Bethlenfalvy are placing their bets on a 'whatever it takes' approach to protecting the public from COVID-19 with little consideration of the long-term bill. Ten years is a long time, and decisions about tougher fiscal medicine – whatever form it ends up taking – will have to wait for another day.

HEALTH AND LONG-TERM CARE REMAIN AT CENTRE OF BUDGET

As Ontario grapples with a third wave of COVID-19 cases brought upon by new variant strains, and widespread immunity from mass vaccinations still months away, Bethlenfalvy made it clear that the government's overwhelming focus remains on getting Ontario safely through the spring and summer.

"This next phase of Ontario's Action Plan makes good on the Premier's simple promise to the people: we will do whatever it takes to keep you safe."

It came as no surprise then that Bethlenfalvy made vaccinations the centerpiece of Ontario's healthcare strategy, including making \$1 billion available for a plan that will support the administration, distribution and rollout of Ontario's COVID-19 vaccination campaign.

Just as notably, Bethlenfalvy announced a massive \$2.3 billion investment in COVID-19 testing designed to make it easier to safely re-engage in the economy and keep businesses, workplaces and schools open. Combined with previous investments, the Ford government has invested \$3.7 billion in testing initiatives.

The 2021 budget also highlighted the indirect costs that the pandemic has imposed on the health and wellbeing of Ontarians. Highlighting the tragic human costs of cancelled surgeries

and medical procedures, Bethlenfalvy reiterated the government's previously-announced \$5.1 billion investment in hospital support funding. He touted success in opening 3,100 additional hospital beds as well as the creation of a centralized provincial wait list for surgeries and extending operating room hours to "late into the night" to help clear 52,000 hours from the surgical backlog.

Bethlenfalvy announced a record \$1.8 billion to increase hospital capacity along with confirming capital investments that include expansion projects in the Region of Peel, the redevelopment of older hospitals in Collingwood, Bowmanville and Markdale, the expansion of the London Health Sciences Stem Cell Transplant Unit and the planning of a new regional hospital in Windsor-Essex.

Likewise, in his budget speech, Bethlenfalvy went to great lengths to highlight the growing crisis in mental health and addictions gripping Ontarians – along with the government's resolve to fighting it. To address this issue, Bethlenfalvy announced an additional \$175 million in mental health supports, though details about how this funding will be allocated remain unclear as of yet.

The largest single tragedy in Ontario's COVID-19 experience has been the thousands of deaths that occurred in long-term care homes throughout the pandemic. With a Long-Term Care Commission investigation still in progress, the government did not wait to announce a suite of new investments designed to improve the sector, including \$650 million in 2021-22 to keep residents in long-term care safe, \$933 million to build more long-term care beds, and a plan to hire 27,000 new positions – including nearly 9,000 new personal support workers – to follow through on the province's commitment to guarantee all residents a minimum of four hours of care a day. As part of these investments, the government recommitted to four new long-term care homes in Mississauga, Ajax and Toronto under the Long-Term Care Accelerated Build Pilot.

HELPING WORKERS AND BUSINESSES

If Bethlenfalvy had once harboured hopes of a virus in remission along with an accelerated relaxation of economic lockdowns, those hopes have been dashed by the rise in new COVID-19 variant cases. Recognizing that many small businesses may still be weeks or months away from returning to normal operation, the government once again offered a series of one-time, targeted supports to help small businesses pay the bills and keep the lights on.

The centrepiece of these initiatives is a second round of small business support grants, identical to the emergency program announced in January. Once again, businesses that demonstrate a loss of revenue compared to pre-pandemic benchmarks will be eligible to receive \$10,000 - \$20,000 in one-time supports.

Recognizing that the tourism sector has been hit particularly hard by the pandemic, the government also announced an additional \$400 million in tourism supports, bringing the total sector relief for the pandemic period up to \$625 million. This includes the introduction of an Ontario Tourism and Hospitality Small Business Support Grant targeted specifically at some of the hardest-hit businesses, including hotels, camps and amusement parks. The program will provide small businesses in this sector with a one-time payment of between \$10,000 and \$20,000.

Bethlenfalvy also announced a series of new investments to help displaced workers access the skills and training they need to find new jobs. The newly-announced Temporary Ontario Jobs Training Tax Credit will provide up to \$2,000 to individuals with eligible training expenses in 2021. This measure alone would add up to about \$260 million in support to some 230,000 Ontario individuals.

The 2021 budget also advances several initiatives designed to improve regional equity in pandemic response. The government announced

plans to invest an additional \$2.8 billion in expanding broadband capacity while temporarily doubling the Ontario regional opportunity tax credit rate from 10 to 20 per cent, bringing the total tax credit support to \$155 million.

ADDRESSING CHILD CARE AND FAMILY EXPENSES

One of the underlying themes of the budget involved participation in the economy and, in particular, the structural factors that pressure women to leave the workforce. First among these issues is the challenge of affordable childcare, which the government seeks to address by providing a combination of one-time and ongoing supports. In the immediate term, Bethlenfalvy announced that the province will provide parents with a third round of one-time payments through the Ontario COVID-19 Child Benefit, and that this benefit would be doubled to \$400 per child, or \$500 per child with special needs.

To make childcare more affordable and accessible over the longer term, the budget also includes a 20 per cent enhancement of the CARE childcare expense tax credit for 2021. The government estimates that this will increase support from \$1,250 to \$1,500 on average, providing about \$75 million in additional relief for over 300,000 families. The government also created 20,000 of the 30,000 new childcare spaces it had promised in previous budgets and committed to finishing the job on the fastest possible timetable.

OTHER NOTABLE BUDGET MEASURES

- **Municipalities:** Follows through on the government's promise to provide \$1 billion for municipalities to support local economic recoveries.

- **Education:** Allocates \$381 million through the federal Safe Return to Class Fund, including \$50 million to upgrade ventilation systems, while recommitting to the government's 10-year, \$14 billion goal to build and renovate 28 schools across the province.
- **Post-Secondary Education:** Earmarks \$7 million for mental health services for students and \$21.4 million over two years for virtual learning.
- **Research:** To support high-value research undertaken in universities, colleges, research institutes and academic hospitals, the government is partnering with the

Canada Foundation for Innovation and the Ontario Research Fund to provide approximately \$1 billion over 10 years.

- **Infrastructure:** Includes a \$21 billion investment over the next 10 years for critical infrastructure such as highways and bridges.
- **Transportation:** Reiterates commitments to the previously-announced four subway projects in the GTA and two-way all-day GO service through the Kitchener GO Rail Expansion.

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