

ONTARIO BUDGET

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ONTARIO'S ACTION PLAN: PROTECT, SUPPORT, RECOVER

A crisis has a way of upsetting even the best laid plans.

In March, the Doug Ford Progressive Conservative Government was forced to shelve months of fiscal planning and replace their scheduled 2020 Ontario Budget with an emergency fiscal update focused on responding to the extraordinary emerging public health issue brought on by the COVID-19 pandemic, and the emergency economic lock-down that resulted.

In delivering that spring update, Ontario Finance Minister Rod Phillips committed to delivering a multi-year budget no later than November 15th. And throughout the summer, as Ontario front-line healthcare workers battled to contain the virus, government officials began to slowly re-open the economy while laying the groundwork for the potential shape this new multi-year spending plan might take.

However, in an eerie echo of the spring, Ontario has again witnessed a sharp spike in case numbers as a second wave of COVID-19 rolled across the province. These spiking case numbers prompted the government to halt its re-opening plan and instead institute a new round of regional economic restrictions in an attempt to contain the spread of the virus.

It was against this uncertain backdrop that Minister Phillips, 10 days earlier than his self-imposed November 15th deadline, rose today to deliver his promised budget: Ontario's Action Plan: Protect, Support, Recover. Once again, the government has had to scale back its ambitions for a true multi-year fiscal plan in favour of a tailored 'mini-budget' strategy focused on crisis response, while pushing longer-term planning back to the spring.

Unlike this past spring, however, this November 'mini-budget' was written with the benefit of eight months of experience in fighting the pandemic, and includes a more informed and pragmatic assessment of the fight that remains ahead. While it remains less than a full multi-year budget the government had hoped to deliver, it is also more comprehensive and detailed than the emergency update released in the spring and, for the first time, builds specific COVID-19 economic recovery initiatives into the government's fiscal plan.

ONTARIO'S FISCAL FRAMEWORK. NO SURPRISES, BUT A FEW NEW ANSWERS

As part of his budget document, Phillips confirmed that the government's projected deficit remains \$38.5 billion, unchanged from the number he had previously reported when releasing with the province's First Quarter Finances on August 12th.

For the first time since the start of the pandemic, Phillips offered cautious deficit projections, stating that the deficit was scheduled to shrink to \$33.1 billion in 2021-22 and to \$28.2 billion in 2022-23.

Phillips further revealed that the projected deficits include a dedicated "pandemic contingency fund" to provide the government with fiscal flexibility to respond to future unforeseen events. The contingency fund will begin at \$4 billion next year, before dropping to \$2 billion in each of the following years.

Conspicuously absent from the fiscal plan was a long-term framework showing Ontario's path to balance, which had previously been a legislated requirement of the government. Instead, Phillips expressed optimism that the government will provide this long-term framework in the spring, when the long-term economic impacts of the virus will be better understood and managed.

Taking a page from the best/middle/worst case modelling that public health officials use to project the spread of COVID-19, Phillips further hedged against uncertainty by taking the unprecedented step of presenting three economic scenarios built around best, worst and moderate case scenarios for trajectories of future economic growth.

ONTARIO'S COVID TAB GROWS TO \$45 BILLION

Phillips announced that, when combined with the investments in the first COVID-19 Action Plan in the spring, Ontario's total COVID-19 Response has grown to \$45 billion, which includes funding provided by the federal government under the Safe Restart framework.

The new investments in the budget are built around three core pillars:

- 1. PROTECT:** Allocating \$15.2 billion to protect people from the COVID-19 virus.
- 2. SUPPORT:** Providing \$13.5 billion to support families, workers and employers at greatest risk during the second wave.
- 3. RECOVER:** Investing \$4.8 billion to remove barriers to growth, create jobs and recover.

HEALTH CARE INVESTMENTS AT CENTRE OF PLAN TO 'PROTECT'

Calling protecting the people of Ontario the government's "most fundamental responsibility," Phillips outlined a series of investments, some of which had been previously announced, designed to strengthen the Ontario healthcare system's pandemic response.

Noting that Ontario has already invested \$8.3 billion in frontline healthcare supports, Phillips announced an additional package of \$572 million to ensure Ontario hospitals have sufficient resources to continue providing

care to those who need it. In total, the hospital sector is scheduled to receive \$2.5 billion more in annual funding than it received in 2019.

In addition, Phillips reiterated the government's commitment to new capital expenditures, highlighting that the government has allocated \$351 million to increase hospital capacity by more than 2,250 beds.

The budget also reiterated the government's commitment to second-wave preparedness through \$1.4 billion for testing, case and contact management, \$70 million for Ontario's ongoing flu shot campaign and \$284 million to address the primary care backlog and reschedule 60,000 surgeries that had been postponed due to the pandemic.

In his budget remarks, Phillips explicitly called out the need for the federal government to approve more rapid testing so that Ontario and other provinces can more widely deploy this technology as part of a safe re-opening framework.

Calling the loss of life in Ontario's long-term care homes a tragedy to have befallen Ontario during the pandemic, Phillips announced a targeted investment of \$540 million to keep residents of long-term care homes safe.

In addition to repeating the government's commitment to invest \$1.75 billion over five years to create 30,000 new long-term care spaces, the budget also emphasizes the government's new "campus of care" model that is designed to produce modern long-term care spaces on accelerated time.

Highlighting that the "quantity of beds" must be paired with a "higher standard in the quality of care vulnerable seniors receive," Phillips used the budget to reinforce the government's commitment to guarantee an average of four hours of care per day to long-term care residents.

A SMALL BUSINESS SUPPORT PLAN WITH A FOCUS ON TOURISM, SPORTS, ARTS AND CULTURE

The budget contained several important new investments to support vulnerable Ontarians starting with Ontario's small businesses, parents and seniors.

Recognizing that business owners have responded to the economic challenges of the pandemic, Phillips provided more details on a suite of measures designed to help these businesses get through the second wave of the pandemic with particular support for sectors that have been hit the hardest, such as tourism.

To encourage more more support for local tourism operators, Phillips announced a 20 per cent tax credit for Ontario residents who spend on eligible Ontario-based tourism expenses – once public health officials say it is safe to travel again.

In addition, the budget includes a \$100-million Community Building Fund designed to help tourism, cultural and sports organizations that are in financial duress due to the pandemic. Arts organizations will receive \$25 million, with additional support being provided to Francophone non-profit organizations.

More broadly, Phillips provided more details on the government's existing supports for small businesses that include:

- \$300 million to assist businesses affected by Stage 2 economic restrictions meet fixed costs such as property taxes and energy bills;
- \$60 million in one-time grants of up to \$1,000 for small businesses to invest in PPE;
- \$57 million in the Digital Main Street Program to help small businesses build their online presence and reach new customers; and

- Providing a new source of revenue for restaurants by making permanent the expansion of alcohol retail as part of food takeout and delivery orders permanent.

Phillips further announced that the provincial and federal governments have partnered to update the rent subsidy programs to support small business in paying their rent.

NEW INDIVIDUAL SUPPORTS FOCUSED ON PARENTS AND SENIORS

Core to the support plan for parents is a \$380 million commitment that repeats the one-time funding for school-aged children that the government delivered as part of its spring plan. Once again, parents will receive a payment of \$200 per child under the age of 12, with an additional \$250 for any dependent under the age of 21 who has special needs.

The support plan for seniors is built around the delivery of a new \$30 million Seniors Home Safety Tax Credit that would return 25 per cent of all expenses related to improving senior housing, with both senior homeowners and families with a senior parent living in the home able to claim the credit for eligible expenses.

To support active and independent living for Ontario seniors, the budget also includes a 22 per cent increase in the Seniors Active Living Program.

And, the budget invests a further \$16 million over two years to extend the Ontario Community Support Program's ability to deliver meals and other essentials to low-income older adults and people with disabilities.

Two surprises in the budget are related to new investments to support Ontario's Black communities and Ontario veterans' organizations.

Phillips announced an additional \$60 million investment in Ontario's Black Youth Action Plan, doubling its base funding, to fund organizations that support Black youth in achieving social and economic success.

While taking time to note next week's Remembrance Day commemorations, Phillips also announced that the government will immediately move to make properties owned by Army, Navy and Air Force veterans' groups eligible for the same property tax exemption provided to the Royal Canadian Legion.

HYDRO RATE RELIEF COMING FOR ONTARIO EMPLOYERS

When his speech turned to the subject of the government's Recovery pillar, Phillips was cautious, recognizing that many businesses are still struggling with restrictions that his own government has imposed.

Pointing out that the previous government's Green Energy Act contracts make the cost of Ontario electricity high to the point of being non-competitive, this budget includes an immediate investment to have the province fund 85 per cent of the costs of these remaining contracts while they are wound down. The government projects that this will reduce electricity bills for industrial employers by 14 per cent and for commercial employers by 16 per cent while making Ontario one of the most competitive energy price jurisdictions in North America.

Phillips further announced that the government would lower Business Education Tax Rates across Ontario to a flat rate of 0.88 per cent at a cost of \$450 million, with the province picking up the shortfall for Ontario's school boards.

OTHER BUSINESS-RELATED MEASURES INCLUDE:

- New tools for municipalities to provide targeted supports to small businesses by

creating a new 'small business' subclass for municipal property taxes.

- Making permanent the doubling of the Employer Health Tax Exemption that was announced in the spring Fiscal Update. The doubling of the exemption was previously scheduled to expire this year.
- Increased investments to expand rural broadband with an additional \$680 million being allocated over the next four years for the next phase of broadband expansion into underserved communities. Phillips expressed optimism that this investment could help further leverage investments from the federal government and the private sector.

To help workers impacted by COVID-19 retrain for the future, the budget invests \$181 million to support new employment services and training programs for workers in the hardest hit sectors, including an additional \$100 million for Employment Ontario and \$60 million to support rapid re-skilling for jobs transitions.

A BRIDGE BETWEEN A CRISIS PLAN AND A RECOVERY PLAN

The government's budget plan operates in an unusual space. Neither a short-term crisis response nor a true full long-term budget, it instead operates in an in-between space that provides short-term supports for the fight against COVID-19 while laying the groundwork for a future, more thorough recovery plan.

Even so, the opportunity remains for events to once again intervene with the provincial government's plan.

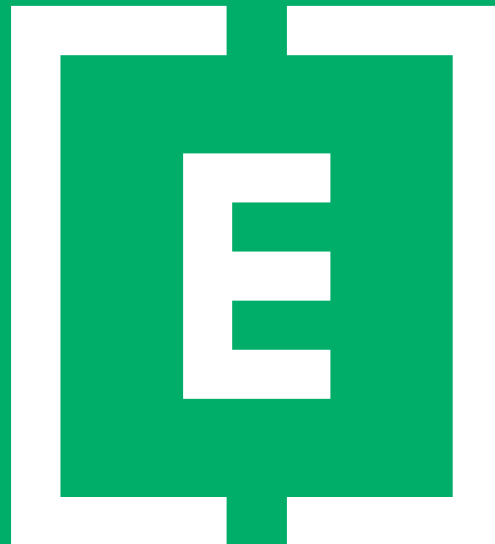
While Premier Ford remains backed by a strong majority in the Legislature and does not need to worry about the kinds of political brinksmanship faced by the Trudeau minority government in Ottawa, external events still may intercede.

COVID-19 case counts continue to rise, a combination of government restrictions and changing customer behaviors continue to hinder an economic recovery while economic activity, international and interprovincial travel remain uncertain and weak. The added uncertainty around the recent U.S. Presidential election further compounds the risk.

The Ford government has attempted to account for this situation by breaking with traditional budget norms and publicly accepting a far higher level of uncertainty than is traditional for a government's fiscal plan. Even with this uncertainty baked into the

budget, it is impossible to know for sure which twists and turns this pandemic will take next.

Ontario remains in a cliffhanger with an uncertain ending. The next chapter of this story is expected in March when the government intends to return to a normal budget cycle and table a full fiscal plan. ■



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