

Overview of the 2011-12 Ontario budget

Every Budget is a political agenda disguised as an economic statement, and the March 29 Ontario Budget is no exception. Finance Minister Dwight Duncan's goal Tuesday was to project an image of steady, deliberate seriousness – a firm hand at the wheel at a stormy time. The Liberals want to portray themselves as the ones who brought Ontario through the recession successfully. There's still work to do, the Minister says, but we are now "Turning the Corner to a Better Tomorrow."

Based on the Budget, the government's strategy for the Oct. 6 provincial election is to run on its record on the economy, health care, and education.

The economy and the fiscal outlook

The government projects that real growth in the Ontario economy will be 2.4 per cent in 2011, 2.7 per cent in 2012, 2.7 per cent in 2013 and 2.6 per cent in 2014 (see p. 156¹). This is steady, rather than dramatic, growth. On the jobs front, the Budget says Ontario has recovered 91 per cent of the jobs it lost during the recession, compared to 14.5 per cent in the United States (xviii).

The unemployment picture is not as rosy as it might appear to the Minister of Finance, however. Unemployment has fallen from a peak of 9.4 per cent, but it remains at 8.0 per cent, much higher than the 6.5 per cent it was before the recession (161). Because of population growth, the province would need more than 100,000 more jobs to bring the unemployment rate down to the pre-recession rate.

The deficit for the year just ending will be \$16.7 billion. That's \$2 billion less than projected a year ago and a full \$8 billion less than the projection for the 2009-10 Budget announced two years ago. The government's message: We are doing better than we thought. Things are going well.

For the year ahead, the deficit on the \$124 billion Budget is projected to be \$16.3 billion, just \$400 million less than this year (xvii). The government is paying the deficit down slowly. The government suggests repeatedly that this is because it is working hard to protect health care and education.

Taxes

In past budgets, particularly in 2009, the government announced major tax changes in Ontario, including the HST, personal income tax cuts, cuts to the corporate income tax rate, and other cuts designed to benefit business. In the 2011-12 Budget, the Minister trumpets the tax changes made in past Budgets – alleging that they have contributed to the economic recovery – but proposes no new tax cuts for corporations or people. This is, once again, meant to project an image of seriousness. The government, the Budget is meant to suggest, will not stoop to buying votes with people's own money.

We'll know on Election Day if this approach works.

¹ Page numbers in parentheses refer to the 2011 Ontario Budget entitled *Turning the Corner to a Better Tomorrow* (Toronto: The Queen's Printer for Ontario, 2011). Available online at http://www.fin.gov.on.ca/en/budget/ontariobudgets/2011/papers_all.pdf.

Spending increases

There are few major new spending initiatives in the Budget, although a few are notable:

- Over the next three years, the government will fund 60,000 new spaces in colleges and universities. The amount budgeted will be \$64 million in 2011-12, growing to \$309 million a year in 2013-14 (40).
- The government will continue to implement full-day kindergarten; all schools in the province will have full-day kindergarten by the fall of 2014 (47).
- The government will spend \$15 million over three years to pay for about 90,000 breast cancer screening exams for women between the ages of 30 and 49 and additional exams for those aged 50 to 69 (47).
- The government will expand pharmacy services for seniors and people on social assistance, at a cost of \$100 million a year (48).
- The government will spend money on a new mental health strategy, focusing initially on children's mental health. New spending on this initiative will rise to \$93 million a year by 2013-14 (48). Getting the mental health system up to an acceptable standard for adults would have cost an estimated \$1.3 billion a year. The Budget offers no new funding for adult mental health.

For more details on health care spending in the current Budget, see the March 29 *OPSEU Diablogue* at <http://opseudiablogue.wordpress.com/>.

Infrastructure spending

The government is continuing with a major emphasis on infrastructure spending on roads, bridges, arenas, libraries, schools, hospitals, and other buildings. At \$12.8 billion, the amount being spent on infrastructure is comparable to the amount spent in each of the previous two years, when the government boosted “stimulus” spending in response to the recession (10). Spending on public services is being squeezed by the Budget, but spending on bricks and mortar is going full blast.

Cost-cutting

Ontario is not a high-spending province when it comes to public services. As the Budget points out, the province already has the third-lowest program spending per capita among all Canadian provinces and the second-lowest cost for government administration (59). Clearly, the idea that we need to cut public services – at a time when we are giving away billions in corporate income tax cuts – makes little sense.

Nonetheless, the Budget is intensely focused on cutting costs in all areas. The government says it will cut 1,500 jobs from the Ontario Public Service, between April 2012 and March 2014. The Budget provides few

For more details on how the Budget impacts on OPSEU members in the Ontario Public Service, see “Big changes in store for the OPS” at <http://www.opseu.org/notices/big-changes-in-store-for-the-ops.htm>

details on where specific cuts will occur, stating only that they will be made “through attrition and other measures” (68). These cuts are in addition to the 3,400 job cuts announced two years ago, about 2,000 of which are still to be cut.

But the biggest changes could come through changes in the way work is delivered. The Budget contains a lot of jargon about “alternative service delivery” models, “leveraging private sector investments,” “partnerships,” and “social enterprise” – not to mention old-fashioned consolidation, downloading, uploading, and other ways to change how public services are provided.

This is clearly the kind of “business-think” involved in the government’s creation of a new Commission on Broader Public Service Reform. This commission will be chaired by former bank economist Don Drummond. Its work “will include exploring which areas of service delivery are core to the Ontario government’s mandate, which areas could be delivered more efficiently by another entity and how to get better value for taxpayers’ money in the delivery of public services” (xxiii).

The commission will report to the Minister of Finance in time to inform the development of the 2012 Budget.

Meanwhile, major agencies like the LCBO and Ontario Lottery and Gaming will be directed to deliver “efficiencies” to government of \$200 million by 2013-14 (67), i.e., over three years.

Other items of interest

The government’s cost-cutting agenda extends into every part of the government \$125 billion budget. Here are just a few items of interest:

- **Executive Office Restraint.** The government announced that it will reduce the growth of executive office costs across the provincial public sector by 10 per cent over two years. Organizations that fall into this category are: Hospitals, Local Health Integration Networks, Boards of Education, Universities, Colleges, Community Care Access Centres, and Agencies as designated in the *Public Sector Expenses Review Act, 2010* (e.g., the Ontario Human Rights Commission, the Alcohol and Gaming Commission of Ontario, etc.).
- **Broader public-sector pensions:** “The BPS has about 70 smaller single-employer pension plans, many of which have fewer than 100 active plan members. The government will appoint a third party to pursue options for greater efficiencies, including the consolidation of plan administrative functions, pooling of assets for investment purposes and use of technology. The purpose of this review would be to achieve savings and help manage pension funding requirements” (73). This initiative misses the mark completely for the tens of thousands of workers in the BPS who have no pension coverage at all. TOPPS, the pension plan built for the BPS by OPSEU, could have achieved what the government is hoping for on many fronts: a jointly-governed, target benefit plan. Many existing single-employer pension plans could have been freely negotiated into TOPPS. OPSEU presented the TOPPS option to the government but funding seemed the key barrier. OPSEU’s existing defined-benefit and defined-contribution pensions in the BPS could be affected by this review. This review could lead to forced consolidation of existing plans into target benefit plans. However, if “the BPS” in this case includes university pension plans, a forced consolidation is a different message than the university bargaining agents have been hearing to date. This is indeed news – and not necessarily welcome in all quarters.

- **Sector bargaining.** “There are nearly 4,000 collective agreements across the BPS,” the Budget says. “While local bargaining is an important way to achieve targeted solutions, negotiating such a large number of contracts attracts significant transaction costs and, in some cases, makes increased effectiveness and value for money more difficult to realize. The government has created a Labour Relations Secretariat that will work with stakeholders to explore moving to **more coordinated bargaining** in sectors where it is appropriate” (75).
- **Contingency funds.** The 2011-12 Budget sets aside \$700 million for unforeseen expenses over the course of the year (201).
- **Social assistance.** In an unbelievable act of miserliness towards those living in poverty at a time when bank CEOs are raking in eight-figure salaries, the Budget increases social assistance rates by one per cent for this Budget year. With inflation running at 2.9 per cent since the HST was introduced on July 1, this is actually a significant cut in the real incomes of close to 900,000 Ontario men, women, and children who are struggling to survive on money from Ontario Works and the Ontario Disability Support Program. Meanwhile, the government continues to implement the corporate tax cuts which it began phasing in on July 1, 2010.
- **The minimum wage.** The minimum wage of \$10.25 an hour remains frozen. In other words, inflation is once again cutting – viciously – the incomes of the province’s lowest-paid workers.

For a chart showing changes in government spending by Ministry, see the following page. For full details of the 2011-12 budget, find it on the web at http://www.fin.gov.on.ca/en/budget/ontariobudgets/2011/papers_all.pdf.

- *Manzur Malik, Research Officer*
- *Marnie Niemi Hood, Legislative Liaison*
- *Randy Robinson, Political Economist*

Overall expenses, by ministry

Ministry Expenses	2010-11 (Interim)	2011-12 (Plan)	\$ Difference	Difference
(in alphabetical order)	\$ Millions	\$ Millions	\$ Millions	%
Aboriginal Affairs	81.1	78.4	-2.7	-3.44%
Agriculture, Food and Rural Affairs	919.1	1235.5	316.4	25.61%
Attorney General	1756.0	1905.2	149.2	7.83%
Board of Internal Economy	193.9	293.9	100.0	34.03%
Children and Youth Services	3866.9	3931.5	64.6	1.64%
Citizenship and Immigration	107.6	102.0	-5.6	-5.49%
Community and Social Services	9234.5	9769.5	535.0	5.48%
Community Safety & Correctional Services	2654.0	2756.1	102.1	3.70%
Consumer Services	19.4	20.4	1.0	4.90%
Economic Development and Trade	269.1	353.1	84.0	23.79%
Education	22208.6	23220.3	1011.7	4.36%
Energy	584.5	331.7	-252.8	-76.21%
Environment	396.5	382.6	-13.9	-3.63%
Executive Offices	32.5	31.4	-1.1	-3.50%
Finance	534.9	552.0	17.1	3.10%
Francophone Affairs, Office of	5.5	5.5	0.0	0.00%
Government Services	1083.2	1083.8	0.6	0.06%
Health and Long-Term Care	44949.5	47139.6	2190.1	4.65%
Health Promotion and Sport	394.1	398.4	4.3	1.08%
Infrastructure	-155.4	-96.7	58.7	-60.70%
Labour	190.3	190.8	0.5	0.26%
Municipal Affairs and Housing	669.8	602.8	-67.0	-11.11%
Natural Resources	646.6	603.2	-43.4	-7.19%
Northern Development, Mines & Forestry	811.8	832.4	20.6	2.47%
Research and Innovation	365.5	369.5	4.0	1.08%
Revenue	953.1	894.4	-58.7	-6.56%
Tourism and Culture	732.8	808.8	76.0	9.40%
Training, Colleges and Universities	6826.6	6989.4	162.8	2.33%
Transportation	2240.4	2340.3	99.9	4.27%
Interest on Debt	9527.0	10289.8	762.8	7.41%
Other Expense	10771.6	7727.8	-3043.8	-39.39%
Year-End Savings		-1075.0		
Total Expense	122871.2	124068.2	1197.0	0.96%