

## 2018 Provincial Budget Highlights

On Wednesday, March 28, 2018, Finance Minister Charles Sousa delivered the 2018/2019 Ontario Budget, titled “A Plan for Care and Opportunity”.

The consensus among the media and political pundits is that the budget is aimed at voters that have become disenchanted with the Wynne lead Liberal government.

The 2018 Budget and related documents can be viewed and downloaded at <http://budget.ontario.ca/2018/index.html>

### Highlights

**TABLE 3.8 Ontario’s Medium-Term Fiscal Plan**  
(\$ Billions)

	Actual 2016–17	Interim 2017–18	Medium-Term Plan		
			2018–19	2019–20	2020–21
Revenue	140.7	150.1	152.5	157.6	163.8
Expense					
Programs	130.0	137.5	145.9	150.4	155.8
Interest on Debt	11.7	12.0	12.5	13.1	13.8
<b>Total Expense</b>	<b>141.7</b>	<b>149.5</b>	<b>158.5</b>	<b>163.5</b>	<b>169.6</b>
<b>Surplus/(Deficit) Before Reserve</b>	<b>(1.0)</b>	<b>0.6</b>	<b>(6.0)</b>	<b>(5.9)</b>	<b>(5.8)</b>
Reserve	–	–	0.7	0.7	0.7
<b>Surplus/(Deficit)</b>	<b>(1.0)</b>	<b>0.6</b>	<b>(6.7)</b>	<b>(6.6)</b>	<b>(6.5)</b>
Net Debt as a Per Cent of GDP	38.0	37.1	37.6	38.2	38.6
Accumulated Deficit as a Per Cent of GDP	24.3	23.2	23.1	22.9	22.7

*Note:* Numbers may not add due to rounding.

- Ontario’s net debt is projected to be \$308.2 billion as of March 31, 2018; with the Government projecting deficits of \$6.7 billion in 2018–19, \$6.6 billion in 2019–20 and \$6.5 billion in 2020–21.
- 1.9% average annual growth in Ontario’s real gross domestic product (GDP) over the 2018–21 period.
- Ontario’s net debt-to-GDP ratio peaked in 2014–15 at 39.3% and is now forecast at 37.1% in 2017–18.
- Over the medium term, revenue is forecast to increase from \$152.5 billion in 2018–19 to \$163.8 billion in 2020–21, while total expense is projected to grow from \$158.5 billion to \$169.6 billion over the same period.

- The government will make investments of \$20.3 billion over the next three years to support vital public services. These investments, which have been previously announced, include:
  - \$1.3 billion to provide better health care for everyone in Ontario;
  - \$1.2 billion to improve access to a full range of mental health and addictions services for children, youth and adults across Ontario;
  - \$2.2 billion to continue to increase access to affordable child care and introduce free preschool for children aged two-and-a-half until they are eligible for kindergarten starting in September 2020;
  - \$2.3 billion to embark on a multi-year plan to reform income security;
  - \$1.8 billion to expand services and enable choice, independence and inclusion for individuals with developmental disabilities;
  - \$1.0 billion to expand OHIP+ to seniors;
  - \$0.7 billion to support seniors to live independently;
  - \$0.8 billion to reduce prescription drug and dental costs; and
  - \$0.9 billion to build upon and strengthen economic foundations, support the development of local talent and entrepreneurs, and encourage the growth of businesses.
- The province's unemployment rate has steadily declined from 9.6% in June 2009 to a 17-year low of 5.5% in February 2018 and has remained below the national average for 34 consecutive months.

### **Construction Related Highlights**

- The budget projects a 5% growth in non-residential construction for 2018 and 2019. The projected growth will fall to 3.3% in 2020 and 2.7% in 2021. Growth in 2017 was only 1.3%.
- Growth in residential construction in 2017 was 4.4%. However, projected growth over the next three years – 2019, 2020 and 2021 - is 0.3%, 2.2% and 2.3%.

### **Skills Training**

- Building on consultations across the province, the government is investing \$170 million over three years in the new Ontario Apprenticeship Strategy. This investment will include:
  - Expanding the Ontario Youth Apprenticeship Program (OYAP), providing more high school students with trades-related hands-on learning opportunities;
  - Improved guidance counselling resources and local labour market information for students, parents and educators;
  - A new grant to promote pooled group sponsorship models for apprentices;
  - A Local Apprenticeship Innovation Fund to increase opportunities for apprentices and encourage engagement within the apprenticeship system across Ontario, as well as support regional, local or sector-specific pilots where there is demonstrated market need; and
  - Continuing education opportunities for trade professionals.
- Transform the Apprenticeship Training Tax Credit (ATTC) into the new Graduated Apprenticeship Grant for Employers (GAGE) to encourage employers to ensure that apprentices complete their training;

- Ontario is launching a new Office of Apprenticeship Opportunity to support apprentices from underrepresented groups and to build an inclusive, diverse apprenticeship system. The budget does not provide details on when the program will become active.
- The government will invest an additional \$63 million over three years to create the first Ontario Training Bank to serve as a one-stop shop for employers, job seekers and workers to access the skills training that meets their needs.

## Infrastructure

- The Government spent \$17 Billion on Infrastructure during the 2017/18 fiscal period. The 2018/19 Plan includes \$21 Billion of Infrastructure spending which provides for \$11 Billion on transportation, \$3 Billion on both hospitals and education.
- Over the next ten years, the government is investing more than \$106 billion on new and upgraded transit and transportation infrastructure.
- \$784 Million will be spent on new construction, additions and upgrades at 70 public schools.
- On March 14, 2018, Canada and Ontario announced the signing of a bilateral agreement that will provide more than \$11.8 billion over the next decade in federal funding dedicated to infrastructure projects through the Investing in Canada Plan. The projects supported by this agreement will have a total value of over \$31 billion, including \$10 billion committed by the Ontario government.
- In addition to the \$1.1 billion cost shared among provinces, federal, municipal governments and First Nations, Ontario will work with its partners to invest a further \$2.8 billion in related projects including water and wastewater.
- Providing funding to small, rural and northern communities through the Ontario Community Infrastructure Fund (OCIF). OCIF funding will increase to \$300 million per year by 2018–19 to support the construction and renewal of critical road, bridge, water and wastewater infrastructure.

**TABLE 3.26 2018–19 Infrastructure Expenditures**  
(\$ Millions)

Sector	Total Infrastructure Expenditures 2017–18 Interim <sup>1</sup>	2018–19 Plan		
		Investment in Capital Assets <sup>2</sup>	Transfers and Other Infrastructure Expenditures <sup>3</sup>	Total Infrastructure Expenditures <sup>4</sup>
<b>Transportation</b>				
Transit	5,099	5,978	1,536	7,514
Provincial Highways	2,757	2,707	294	3,000
Other Transportation, Property and Planning	251	223	162	384
<b>Health</b>				
Hospitals	2,745	2,675	66	2,741
Other Health	275	84	192	276
<b>Education</b>	2,825	2,496	511	3,007
<b>Postsecondary</b>				
Colleges and Other	886	783	10	793
Universities	353	–	317	317
<b>Social</b>	607	14	475	489
Justice	298	292	275	567
<b>Other Sectors<sup>5</sup></b>	1,129	843	1,181	2,024
<b>Total Infrastructure Expenditures</b>	<b>17,226</b>	<b>16,094</b>	<b>5,018</b>	<b>21,112</b>

<sup>1</sup> Includes provincial investment in capital assets of \$10.7 billion.

<sup>2</sup> Includes \$456 million in interest capitalized during construction.

<sup>3</sup> Includes transfers to municipalities, universities and non-consolidated agencies.

<sup>4</sup> Includes third-party investments in hospitals, colleges and schools; and federal contributions to provincial infrastructure investments.

<sup>5</sup> Includes government administration, natural resources, and culture and tourism sectors.

Note: Numbers may not add due to rounding.

## Other Highlights

- As announced in the 2017 Budget, the government will propose measures to target the Employer Health Tax (EHT) exemption better. The EHT exemption relieves more than 85% of Ontario employers from having to pay the EHT. The exemption is available to employers who would not be eligible for small business relief under the federal Income Tax Act (ITA) through the Small Business Deduction (SBD).

Ontario proposes to follow the eligibility criteria for the SBD for the EHT exemption. As a result, the exemption would only be available to individuals, charities, not-for-profit organizations, private trusts and partnerships, and Canadian-controlled private corporations.

These changes would result in over 20,000 Ontario employers paying \$2,400 more EHT per year on average. These 20,000 employers would on average pay additional EHT of less than one% of their payroll. Legislation for these proposed changes, if passed, would become effective January 1, 2019.

The Ontario Chamber of Commerce is reporting that these changes will leave over 20,000 employers paying \$100 million more in Employment Health Tax over the next three years. Also, businesses will be phased out of the small business deduction if they earn between \$50,000 and \$150,000 of passive investment income, resulting in an additional \$350,000 million in new taxes for Ontario businesses over the next three years.

- Changes to personal income tax rates with a person earning more than \$95,000 will see a net increase of \$168 in 2018.
- Cut the small business Corporate Income Tax (CIT) rate by 22% — from 4.5% to 3.5%, effective January 1, 2018.
- Ontario's tobacco tax will increase from 16.475 cents to 18.475 cents per cigarette and per gram of tobacco products other than cigars, effective 12:01 a.m., March 29, 2018. These changes are equivalent to \$4 per carton of cigarettes. The government plans to further increase the tobacco tax rate by an additional \$4 per carton of cigarettes in 2019.
- The cost to set up the Ontario Cannabis Retail Corporation will be \$8 million with revenues expected to reach \$100 million by 2019-20.