

ONTARIO ALTERNATIVE BUDGET 2007

> budget response

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Ontario Budget 2007–8

A short summary of a budget that's short on anything new

By Hugh Mackenzie

Take the self-congratulation out of the 2007–8 provincial budget and you're left with a very short list of very modest initiatives spread out over a very long period of time.

Most of the space consumed by the budget speech and the background documents is devoted to a repeat of announcements the government has made over the past 3½ years—many of them made repeatedly—along with a running commentary about what a good idea each and every one of those announcements was. In Finance Minister Sorbara's own words, the purpose of the government was to 'celebrate' the government's characterization of its own record.

In answer to a question in the media lock-up, the Minister went as far as to describe his budget as "magical".

The worst-kept pre-budget secret, the new Ontario Child Benefit, is the only new initiative of any significance in the budget. But it is to be phased in over a five-year period. It will be time for the 2011 election before this new benefit is fully

phased in. This year the amount allocated to this new initiative will be less than \$200 million.

There is more money for child care. But at an annual rate of \$50 million per year, it is roughly half Ontario's share of the new child care spaces transfer announced in the Federal budget. The new funding for housing—\$150 million—is less than half Ontario's \$392 million share of new Federal housing funding.

Despite the new postsecondary transfers announced by the Federal government, the budget is silent on how it will spend Ontario's \$320 million share.

The budget promises to bring in a uniform rate of tax for education on business, replacing the current mish-mash of different rates across the province, but it won't be fully implemented until 2014—a delayed day that would have set a record for deferred promises if it weren't for the Nanticoke coal fired generating station.

The budget makes a big deal about property taxes, announcing that it is going to develop a

new system after consulting with the Municipal Property Assessment Corporation and the Assessment Review Board—not the public. But all it is really going to do with the system is move to every-four year assessments from annual and spread out the implementation of assessment increases over four years.

The government is going to end a small part of the download of provincial costs onto local governments by ending the pooling of social assistance costs across the GTA, at a cost to the province of \$200 million per year. But that change is to be phased over seven years as well. And the budget contains no response at all to the complaints from municipalities about the much larger downloads of responsibility for housing and 20% of social assistance costs.

Even if you take the budget on its own terms, it falls far short. It touts itself as the answer to child poverty. But by limiting increases in social assistance rates to 2%, it persists in ignoring the obvious—that children don't live in poverty by themselves. They live with parents who live in poverty. Distinguishing between the “deserving poor”—children—and the undeserving poor—everyone else, including their parents—may make for good politics, but it doesn't deal with the reality of families living in poverty.

And it has nothing new to say about one of the fundamental issues of poverty in Ontario—whether the working poor or the poor living on social assistance—the lack of affordable housing.

The government says the new Ontario Child Benefit will bring down the so-called “welfare wall”. But while the provision of child benefits that will be portable from social assistance to employment is obviously a step forward, the government's continuing failure to deliver on the need for affordable child care means that the biggest obstacle to employment faced by social assistance recipients—child care availability and costs—will remain unchanged.

The budget continues the overriding political theme of the McGuinty Government—ignoring many of the glaring public services shortfalls it inherited from the Conservatives in 2003-4 and governing as if they had never happened.

The government congratulates itself on increasing social assistance rates by 2%—an increase that, when implemented in November 2007, will actually come close to matching inflation since the government was elected. But it continues to ignore the devastating impact on the poorest Ontarians of the Harris Governments 22% cut and eight year freeze in Ontario Works benefits and its eight year freeze of Ontario Disability Support Plan benefits.

The government congratulates itself on having delivered on its promise to end the clawback of the National Child Benefit Supplement, but it won't get there until the Ontario Child Benefit is fully phased in five years from now and even then only gets there by counting general increases in social assistance benefits against the cost.

In 2003 when the government was elected, hundreds of thousands of Ontario families were faced every day with the unacceptable choices that go with incomes that fall far short of the minimum required for a decent life. In 2007, hundreds of thousands of Ontario families still face those same choices every day.

When it is fully phased in by 2011, the Ontario Child Benefit will deliver \$745 million more to Ontario families with children than the programs that it replaces. Of that amount, only \$125 million will go to families receiving social assistance—equivalent to an increase of 7.5% in social assistance benefits for children—or an additional 1.4% per year for five years.

That compares with the nearly 35% loss in the purchasing power of social assistance benefits for children under the Harris and Eves governments.

While the government has again increased funding for elementary and secondary education at well above the rate of inflation, the new funding

is focused entirely on the Liberals' new initiatives and does nothing to address the fundamental flaws in the funding formula that it inherited from the Conservatives—flaws that are at the root of the problems faced by school boards struggling to balance their budgets. And ultimately, these flaws lead to underfunding of the very programs to help students at risk for which the government continues to congratulate itself.

The strategy of denial of what preceded the government's election repeats itself when it comes to postsecondary tuition fees. It has steadfastly refused to address the fact that, in the ten years before it was elected in 2003, student tuition fees had already more than doubled. And its 5% cap on annual tuition fee increases will leave tuition fees higher at the end of the government's term in October 2007 than they would have been had the Eves government's policy of matching increases to inflation had remained in effect.

And while the government's claimed increase in operating grants for colleges and universities from \$2.9 billion in 2003-4 to \$4 billion in 2007-8, when you take into account the 22% increase in enrolment and inflation since 2003-4, the inflation- and enrolment-adjusted increase is less than 3% over that four-year period.

Despite the obvious crisis facing manufacturing industries in Ontario, with tens of thousands of layoffs in the past year, the best the government can come up with is an as-yet-undefined Manufacturing Council, an acceleration of a cut in capital taxes that is of principal benefit to banks, and a cut in business education tax rates that won't be fully implemented until 2014.

The Premier has announced that climate change is the issue for our generation, but so far all the government has really embraced is recycling—of old promises. Despite the heightened public concern about climate change and the Premier's declaration, the sum total of new funding for climate change is a \$2 million grant to the Trees Ontario Foundation and a rebate of up to \$150 for individual home energy audits—and all of that money comes from the federal clean air and climate change trust.

On the fiscal side, those in the government who insisted that the government had to appear to be balancing the budget clearly won the day. By cutting reserves and contingency funds and delaying the implementation of its major new initiatives, the government is projecting a deficit of \$400 million, less than the \$750 million in contingency funds.



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