The Ontario ALTERNATIVE Budget

2004

BUDGET DOCUMENT

Canadian Centre for Policy Alternatives

Real change; real choices:

Investing in the services Ontario needs – and paying for them

Ontario Alternative Budget 2004
Budget Document

Canadian Centre for Policy Alternatives
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Section I: Choosing Change

The most fundamental question we ask and answer as a society is how much we do in common — as a community — versus how much we expect people to do as individuals. To ask the question is to accept that there are limits on the individual autonomy on which our ideas of politics, economics and social relationships are based. To answer the question is to make difficult choices about the dividing line between what is public and what is private.

As a province, we too often ask the question without answering it. For example, we accept as legitimate concerns about public services — about underinvestment in public infrastructure, or about the quality and accessibility of our health care system, or about the viability of our public education system; or about our willingness to provide assistance to those less fortunate than ourselves — but have been unprepared to deal with the consequences of having accepted those concerns as legitimate. We call for reinvestment in urban public infrastructure, but then support more tax cuts. We raise concerns about underfunding of health care but turn around and support an end to universality rather than pay more taxes. We lament the state of our public education system, but respond by sending our kids to private schools and campaigning for more tax cuts.

We answer the question without ever having asked it. We support tax cuts, and oppose tax increases, without ever thinking about the implications for those things we believe we should do in common. We incorporate loaded phrases like “tax burden” into our everyday language despite the illogical disconnect that they imply between the taxes we pay and the public services we enjoy as a result. We accept uncritically nostrums like “we’re always better off if we spend our money than if the government spends it” without a moment’s thought for the absurdity of the statement in a society that could not function without public services.

We avoid the question entirely, accepting the most absurd political propositions at face value. Mike Harris implying that cutting social assistance benefits would produce jobs for welfare recipients. The Common Sense Revolution asserting that public spending could be cut by 20% without having an impact on services. Ernie Eves claiming that tax cuts would result in an increase in government revenue. Mike Harris suggesting that the private market would solve the homelessness problem.

Dalton McGuinty promising to rebuild public services, freeze taxes and balance the budget all at the same time. Dalton McGuinty suggesting that after eight years of cuts in services, service improvements in “priority” areas can be paid for through cuts in “non-priority areas”. Dalton McGuinty declaring that he will not rebuild the damage caused by Mike Harris and Ernie Eves policies on the backs of Ontario taxpayers, as if there's some other way to do it.

We have run out of ways to avoid answering the question. And the consequences of our willingness to suspend our disbelief for the past eight years are all too apparent.

The public services we built over generations are at a point of real danger.

We face billions of dollars in capital spending needs, just to keep what we already have in a state of good repair. The basics we used to take for granted – clean water, abundant energy – have been found wanting. And most of the so-called solutions, including privatization and public private partnerships, present only an illusion of lower costs – an illusion purchased at great expense, in annual costs and in public control.

Our elementary and secondary education system is struggling and students are being sacrificed as collateral damage.

Under the Harris and Eves governments, post-secondary education tuition costs soared beyond the reach of many working families. At a time when the consensus is that education is the key to our country's economic future, a freeze at an unaffordable level is not good enough.

We are in a state of panic about our health care system that is not supported by the facts. We accept uncritically claims that our system is unaffordable, ignoring findings to the contrary by both the Romanow Commission and the Federal Department of Finance.[1] But we say we can't afford to pay. That the "solution" is to pay for less, and "make room" for private resources. But what does that actually mean? Not paying for services publicly won't reduce the need, or drive down the costs. None of the suggestions for change being advanced by the right in Canada reduces needs or costs. They will simply make the poor sicker.

We are failing our cities. For years, we had a worldwide reputation for making our cities work. But we have taken that reputation for granted to the point where every major urban area in Ontario is in financial crisis. It is not a problem of "local government". It is a big city problem. And until it is recognized as such, it will persist.

We are failing our most vulnerable citizens. We pay social assistance benefits that are far below what is needed for basic survival. We express our collective concern about the growing gap between rich and poor in our society, while at the same time supporting the tax and other public policies that have made the problem worse. We wring our collective hands about the "intractable" problem of homelessness, ignoring the obvious fact that not a single unit of new affordable housing has been built in Ontario in nearly ten years. We ignore the fact that the only affordable housing that has been built in Ontario in the last 30 years has been built in the not-for-profit sector, supporting private sector reliance even after the private sector solutions are exposed as failures.

We have lost the ability to protect the public interest, whether it is regulating air and water quality, protecting public health, or enforcing workers' rights.

Perhaps most important, we have lost the ability to think big, and to act effectively. Challenges that in earlier times would have been met with bold initiatives and strong public leadership are now parked on the back burner and managed by political spin-doctors. Climate change; persistent poverty; urban sprawl; rural water quality; energy shortages; homelessness. They all cry out for big picture vision; they are all infected with a culture of impossibility.

We want to change this direction. We know we must change. More than anything else, the Ontario Alternative Budget for 2004-5 is about recapturing public initiative; about providing the resources we need as a society to face issues head on and begin to resolve them.

We have a long way to go, because we have fallen very far behind.

With an ageing population, growing income inequality, rapidly growing urban areas, an increasing demand for a better trained and educated workforce, widespread environmental problems, a critical shortage of affordable housing and a corporate sector which globalization has made more difficult to regulate, we should expect to see an increasing share of the income we generate as a society devoted to public services.

Instead, we see the exact opposite.

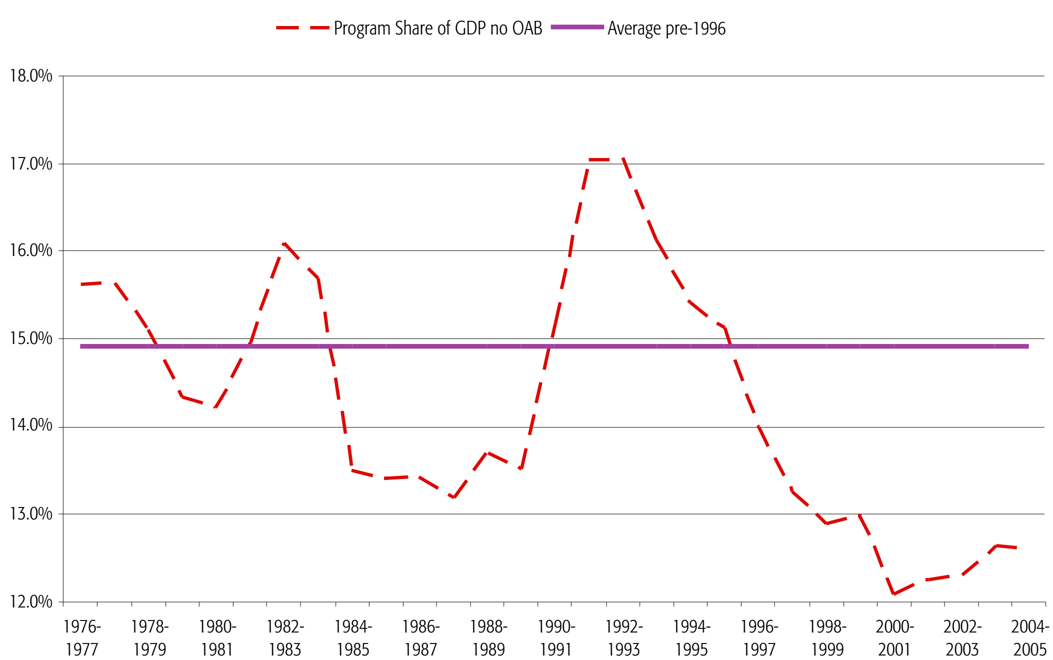
In the 20 years from 1975 to 1995, provincial spending on programs and capital investment averaged 14.9% of Ontario's gross domestic product. Since the recession year of 1993 the share of provincial public services in our economy has declined from 17.1% to a low of 11.9% in 2002-3. Exclusive of extraordinary items like SARS and the cost of the hydro rate freeze, the share in 2003-4 reached 12.5% of GDP.[2]

In today's dollars, the decline from the peak in 1993 to 2003 represents a missing $22.5 billion in annual spending on public services. The difference between the current share and the long-run average, pre-Harris, represents a missing $12 billion in annual public services spending.

The full picture is illustrated in Figure 1.

In relative terms, Ontario's share of GDP devoted to public services is the lowest in Canada – lower even than Alberta's. Provin-

Figure 1: Program and capital share of GDP



cial public services spending per capita in Ontario is also the lowest in the country.

Small wonder, then, that we see the impact of underinvestment in public services everywhere we look in this province.

It is important to note, as well, that this is not a change that has been driven by a lack of revenue-raising capacity.

Since 1996, according to estimates by the Federal Department of Finance, tax cuts in Ontario had cut into annual revenue raising capacity by more than $13 billion by 2002-3. Over that period, total revenue foregone as a result of tax cuts amounts to a total of $48.1 billion. That's $48.1 billion over an eight-year period that could have been invested in maintaining and improving public services.[3]

Even the original plans of the McGuinty Government, as set out in their election platform, fall far short of the mark. Based on current growth forecasts, full implementation of the Liberals' original financial plan would result in provincial program and capital spending reaching 13.1% of GDP by the last year of its planning period, 2006-7.

And if the government were indeed to follow through on its currently stated goal of funding its new program initiatives through other savings, the 2006-7 share will have dropped to an historic low of 12.1%.

That is not good enough. We cannot afford to extend further more than a decade of decline in Ontario 's public economy. As the detailed plans set out in the 2004-5 Ontario Alternative Budget demonstrate, substantially more investment is required to meet our priority objectives:

1. Renew the promise of equitable access to public education, from early childhood to elementary and secondary to post-secondary;
2. Take immediate action to alleviate the financial crisis faced by Ontario's most vulnerable citizens and lay the groundwork for a "from the bottom to the top" reworking of our social assistance system;
3. Put health care on a solid foundation from which future expansion and reform can be built;
4. Move aggressively to address substantial unmet needs for affordable housing;
5. Assume a leadership role in developing and implementing new financial arrangements for Ontario's big cities;
6. Implement a five-year plan to pay down Ontario's public infrastructure deficit, including renewed funding for sewer and water treatment facilities, public transit, roads and bridges, and affordable housing;
7. Restore Ontario's ability to protect and promote the public interest in community health, environmental quality consumer protection and employment standards; and
8. Reinvest in the social infrastructure of Ontario's communities.

It will not be possible in a single budget cycle to address all of the public services issues facing Ontario. It has taken more than a decade of cutbacks and neglect to create the problems we now face. We have a decade of emerging needs that have not been addressed at all.

At the same time, simply stabilizing the system as it currently stands is not nearly good enough.

In addition to what is required to stabilize current services, on an inflation-adjusted per capita basis, our proposed program calls for investment of $14.7 billion over the next four years.

A renewal of Ontario's public services requires a corresponding renewal of the province's fiscal capacity. To fund our program, we are proposing a balanced package of revenue measures including: restoration of the corporate tax rate regime that prevailed in 2000; a targeted partial roll-back of the personal income tax cuts implemented since 1996, based on ability to pay; harmonization of the provincial corporate income tax system with the federal corporate tax system, eliminating approximately $1 billion in expensive Ontario-only loopholes; reform of the employer health tax to eliminate costly exemptions and loopholes and to tie tax rates to health care costs.

Together, these measures will be sufficient over a four-year period to fund our expenditure program.

The urgent need for reinvestment in public services, combined with the fiscal mess left behind after eight years of Conservative government, makes bringing Ontario's budget into balance immediately impossible. Fiscal balance can be achieved only gradually, as deficits in services and shortfalls in fiscal capacity are addressed.

Our fiscal plan is designed to achieve a balanced budget within five years, at currently forecast economic growth rates, more quickly if growth rates exceed those forecasts.

Many Ontarians who identified with the goals set out by the Liberal Government in its election platform have been dismayed by the apparent determination of the McGuinty cabinet to back away from those goals. Statements to the effect that the Ontario public sector is big enough, or declarations that Ontarians will not be asked to bear the burden of recovery from the Harris years miss the point. In 2004, we have a much smaller public economy than we need to meet the needs of our citizens and to thrive in the new economy. And if Ontarians are not asked to share in the burden of recovery from the Harris years, no recovery will take place.

The government that asked Ontarians to "choose change" faces a significant choice of its own. If it follows the direction that it set in its election campaign, it will at least be taking a step towards the renewal that Ontario's public economy now requires. If it follows the advice it has been giving itself recently, it will merely consolidate the weakened public economy it inherited from Mike Harris and Ernie Eves, squandering the trust of Ontarians in the process.

In its January 2004 Technical Paper, the Ontario Alternative Budget set out a revenue-raising framework that would enable the Government to deliver on the most reinvestment proposed in its election platform and still meet a target of balancing the budget during its term of office.

In what follows, we set out a budgetary framework that goes beyond the modest goals of the Liberal election campaign to make real and substantial headway in renewing public services in Ontario to meet the challenges we face today.

Section II: Program Spending

Renewing our elementary and secondary schools

Ontario's elementary and secondary education system is just emerging from a period of unprecedented turmoil, brought about by the massive cuts imposed by the Harris and Eves Governments. The turn-around began with the publication in December 2002 of the Rozanski Task Force report on education funding.

The Rozanski report vindicated critics of the Harris and Eves governments, who argued that the funding formula introduced in 1998 imposed substantial cuts in funding for elementary and secondary education when enrolment and costs are taken into account.

Rozanski found that funding benchmarks had fallen far behind changes in costs in the system, and that in key areas — school maintenance, special education and English as a second language funding — the benchmarks were inadequate to begin with. It recommended updating those benchmarks. Equally important, it recommended that, in the future, benchmarks be adjusted annually to reflect cost changes. It also recommended new investments to address the most pressing issues of inadequate funding in the underlying formula.

The Eves government's claims notwithstanding, the government's response was not to implement Rozanski's recommendations but to provide enough additional funding to restore the system to its financial state as of when Rozanski was appointed. The Ontario Alternative Budget's analysis of the Eves government's three-year funding commitment showed that, at the end of the three years, funding would be as far behind the starting point for the funding formula as it was when Rozanski was appointed.

In other words, elementary and secondary education in Ontario is still substantially underfunded. That fact was recognized in the platforms of the two opposition parties in the 2003 election campaign, both of which committed to substantial amounts of additional funding.

The Liberal platform called for regular annual increases in funding to reflect changes in costs and enrolment as well as $1.6 billion in new investments.

There is clearly a consensus that more funding is needed.

In our view, however, it would be a serious mistake simply to pump additional funds into the current funding formula categories.

The principal objective of the government in designing the funding formula was financial — to reduce the provincial government's total financial commitment. The formula's success in doing just that provided much of the fuel for the funding debate. But the funding formula is more than a mechanism for rationalizing funding cuts. In its detailed provisions and restrictions, it reflects a well-defined ideological perspective.

First and foremost, the formula is built around a narrow definition of "education" and of the role of schools in our communities. It makes no provision for community use of schools. It makes no provision for student nutrition and health — programs that have proven positive impacts on learning. It makes no provision for programs to support the role of parents in their children's learning. In its failure to provide funding for the use of school space for child care, the formula embeds the previous government's hostility towards publicly funded and regulated child care. It provides totally inadequate funding for adult education.

Second, the formula is clearly designed to produce equality in funding, rather than equity. Funding benchmarks are based on province-wide standards, which are completely insensitive to local differences in needs and costs. Even where formula elements were supposedly introduced to generate additional funding for boards with extraordinarily high needs, funding levels were adjusted so that, overall, the outcomes were remarkably similar from board to board. For example, the learning opportunities grant, which was supposed to provide additional support based on the socio-economic characteristics of communities, has been both under-funded and distorted by the introducing factors unrelated to community characteristics.

Third, the distinctions between classroom and non-classroom spending and between "administrative" and "non-administrative" spending around which the formula is supposedly based are unrelated to any coherent perspective on how students learn. No justification has ever been offered, for example, for classifying teacher preparation time, school principals and vice principals and school operations and maintenance as "non-classroom" expenditure. These restrictions have driven some controversial adverse decisions, for example the closure of Toronto's outdoor education centres, expenditures considered by the Ministry to be administrative in nature. These distinctions may work as populist campaign rhetoric; they have no legitimate place in the running of a school system.

Fourth, the formula was clearly intended to reflect the Harris Government's hostility towards teachers, by putting downward pressure on teachers' salaries. How else can one explain why the formula does not provide sufficient funding to enable school boards to employ the teachers they are legally obligated to employ to meet class size requirements at the salaries they are contractually obligated to pay?

Fifth, the benchmark for school operations and maintenance was set at a level so far below the actual costs incurred by large urban school boards that it can only have been intended to drive boards to contract out these services and drive the Canadian Union of Public Employees out of the education sector. The Harris Government in effect tried to use its funding formula to make a change in school board operations that it could not legally have implemented directly. The inadequate level of funding for school operations and maintenance and the insensitivity of the formula to local variations in costs remains a major flaw in the design of the formula and a major contributor to deteriorating maintenance standards in schools.

Sixth, the formula set out to punish large urban public school boards for what the Harris Government deemed to be excessive spending and their defiance of the government's earlier attempts to cut funding for education. By underfunding those elements that were intended to address largely urban cost drivers, the Harris era formula in practice has been almost completely insensitive to the cost of providing education in urban centres.

Finally, the highly touted requirement that special education funding be spent on special education turns out, on closer analysis, to be a smokescreen for the fact that the formula actually provided for substantially less special education programming than school boards were actually delivering before the formula was introduced.

We believe the government should re-think the whole approach taken to the development of the current funding formula. Specifically, the formula should be re-cast so that it is built from the funding needed to achieve educational goals, from the teacher-student relationship as a base, rather than the current approach, which drives funding decisions from the top down.

As an interim step, the process of rebuilding from the damage caused by the current formula must continue.

Base funding in the 2004-5 Alternative Budget provides sufficient funding to maintain the real value of current spending on education. In addition, it provides for additional investments targeted towards addressing fundamental flaws in the design of the current funding formula.

Class size in the early grades

Educators have welcomed the commitment in the Liberal election platform to improving education in the early years. We believe it is critical to begin immediately to implement a reduction in class sizes in the primary grades.

The research on the benefits of small class sizes in the early grades (kindergarten to grade three) continues to mount. Students in small classes (fewer than 20 students) in the early grades, who then return to regular class sizes (about 25)

- do better on measures of achievement;
- are in school more;
- are less likely to display problem behaviors;
- are less likely to repeat a grade or a course;
- are less likely to drop out of school; and
- are more likely to take advanced level courses.

No other single education reform can produce these results. Students learn best in small classes. We would phase in a reduction in class sizes in the early grades. Without capital expenses, ensuring an average class size of 20 for grade one would cost about $80 million. An average class size of 20 for kindergarten to grade three would cost about $350 million. We would work towards a maximum class size of 20 in the early grades. Allowing smaller, community schools to remain open would alleviate some of the pressure.

Funding the actual cost of employing teachers

The current provisions for teacher salaries fall approximately $600 million below the actual costs of employing the teachers needed to satisfy class size requirements. This under funding has forced school boards to pull funding out of other areas, contributing significantly to cuts in other programs.

The Alternative Budget restores that funding.

Funding adequate standards for school operations and maintenance.

As it was originally conceived, the provincial formula short-changed school operations, in four respects. First, school operations and maintenance were funded at a level substantially below provincial average costs in 1997. Second, even with the changes introduced in response to the Rozanski report, that inadequate level was allowed to fall far behind changes in costs. Third, the space for which funding was provided was based on a uniform provincial standard per student that took no account of the physical characteristics of the buildings actually operated by boards. Fourth, funding allocations took no account of geographic differences such as local labour market conditions, climate and age and condition of existing school buildings.

In practice, this formula has driven unnecessary or shortsighted school closures and forced boards to both siphon funds out of other program areas and allow maintenance standards to deteriorate.

The 2004-5 Alternative Budget would increase funding to $6.50 per square foot, adjusted for 2003-4 cost increases. This would generate funding at the same inflation adjusted value as the $5.50 per square foot for 1997 recommended by the Harris Government's own expert panel, and represents an increase of $1.06 per square foot compared with the current funding level of $5.44.

This increase would not be provided across-the-board. Instead, it would be implemented as part of a reconfiguring of the operations formula to reflect actual operating costs incurred by boards to achieve adequate maintenance standards.

The cost of this change would be approximately $240 million.

Learning opportunities grant and English / French as a Second Language

The learning opportunities grant and the ESL / FSL grant were intended to account for the increased costs of education in disadvantaged communities and in communities with a significant immigrant population.

However, both grants were substantially underfunded, relative to need. The expert panel on the learning opportunities grant recommended $400 million in funding, in 1997 dollars. In 2003-4, the demographic component of the grant (the portion comparable with the expert panel's recommendation) is $250 million, compared with a 2003-4 dollar equivalent $468 million for the original recommendation — a difference of $218 million.

Although ESL / FSL funding has been increased in recent years, it still falls far below need. For example, the current formula assumes that no additional support is required after a student has been in Canada for three years. In addition, it does not adequately address the needs of ESL students who are not immigrants. To address this funding problem, the Alternative Budget would double ESL / FSL funding from its current level, at a cost of $200 million.

The combined cost of these adjustments is $418 million, of which $112 million has already been committed by the McGuinty government, for a net increase of $306 million.

Adult education

Funding for adult education, on a full-time equivalent per student basis, is just over half of the funding provided for regular secondary school students. The Alternative Budget would fund adult students at the same rate as regular secondary school students. Funding per student would increase from $2,429 to $4,681 plus an adjustment for inflation.

Funding would be increased by $150 million.

Other benchmark adjustments recommended by Rozanski

The recommendations above for teachers salaries and school operations cover approximately $550 million of the $1.08 billion in "catch-up" adjustments to funding benchmarks recommended by Rozanski. This funding must be restored, because it represents real reductions in funding basic needs for elementary and secondary education such as books, computers, pupil transportation and school renewal.

These benchmark adjustments will add $520 million to funding.

New investments recommended by Rozanski

Of the $689 million in new investments in public education recommended by Rozanski, the Eves government in its 2003-4 funding implemented $205 million. Additional funding for rural schools implemented prior to the government's defeat took care of a further $55 million. And changes introduced by the current government, combined with additional funding recommended for the learning opportunities and language grants detailed above account for a further $115 million.

This leaves $64 million for special education in elementary and secondary schools and $250 million to deal with deferred maintenance and renovation expenses still to be provided, for a total of $314 million.

Ontario's inadequate funding for special education was specifically addressed in the Rozanski funding formula review. Implementation of the remainder of the new investments recommended by Rozanski, will provide additional relief for underfunding of special education, pending a more comprehensive review of needs.

Reinvesting savings from the phase-out of the 5th year of high school

We would use any savings from the elimination of the 5th year of high school for further enhancements to elementary and secondary education.

What elementary and secondary schools need

Funding for actual costs of employing teachers	$600 million
Funding for actual costs of school operations	$240 million
Increased funding for LOG and ESL/FSL	$306 million
Adult and continuing education at regular rate	$150 million
Rozanski catch-up not covered above	$520 million
Rozanski new investments not covered above	$314 million
Class size reduction phase-in	$85 million / year 4 years
Community access funding	$75 million
LESS:	
Savings from eliminating standardized testing	$50 million annual

Improve access by reducing user fees

We estimate that user fees paid by families for services that were previously provided as part of the school program amount to $125 million. That represents the increase, in real terms, of the increase since 1995 in board's reliance on fees. This would include both fees paid by parents and fees and rentals paid by users of school facilities.

The increased funding provided by the Alternative Budget would provide enough additional resources to make fees charged to students and their families unnecessary. To open up community access to schools, the Alternative Budget would increase school operations funding by 5% to make schools accessible to their communities, after hours, at a cost of $75 million.

Testing

Our plan would cancel the standardized testing for students. There is mounting research to show that this is the wrong way to assess students. There is also strong evidence to show that such an approach does more harm than good. This would save about $50 million a year.

Total additional funding — $2,495 million.

Postsecondary education: Ensuring opportunity for Ontario's students

Ontario's postsecondary education system is grounded on the premise that every able and motivated Ontario student should be assured access to a high quality college or university education. A corollary of this principle was, of course, an obligation on the government to provide the requisite resources to maintain both the highest quality of education and access to the system. Policy decisions by recent governments have resulted in underfunding, which has undermined those goals.

Despite evidence which shows that classrooms bear the brunt of funding cuts to postsecondary education, the former Conservative government in Ontario implemented cuts they said could be absorbed through so-called efficiency measures. In the wake of the Conservative government, the corrosive impact of the spending reductions is being felt by the entire postsecondary education community, but most immediately by students, both through deteriorating conditions of learning, and through the skyrocketing costs of paying for their education.

Ontario, the richest province in the country, lags dramatically behind all other Canadian provinces in per capita provincial funding to universities. Many studies, and most recently, a report from the Ontario Task Force on Competitiveness, Prosperity and Economic Progress, report that Ontario's failure to invest enough in higher education is a key factor in its lagging prosperity relative to peer jurisdictions. Just to catch up to the national average in higher education funding, Ontario universities would have had to receive an additional $860 million based on 2001-02 statistics. In the past, the current Liberal government has articulated an appreciation of how universities suffer from underfunding. During the 1999 provincial election, then Leader of the Opposition, Dalton McGuinty, signed a pledge to raise postsecondary education funding to the national average during his first term in government.

Operating grants for colleges have also been severely reduced during this period. We estimate a cost of $298 million to sustain quality in the system and move toward the national average in operating funding. Deferred maintenance costs of university and college buildings and general infrastructure are conservatively estimated at $1.3 billion, posing a health and safety hazard for students, faculty, staff and the general public. The Alternative Budget provides money to bring higher education funding from the province up to the national average, which is needed to protect the quality of higher education in this province.

Tuition and fees

The most dramatic downloading of costs during the Conservative era occurred with respect to tuition fees. The Conservative government permitted unlimited tuition fee increases for all graduate programs and certain professional and post-diploma programs, resulting in tuition fee increases from 300% to 700% for programs such as Computer Animation, Dental Hygiene, Law, Medicine and Dentistry.

Ever increasing tuition fees have resulted in limiting access to higher education and increased debt loads for graduates. Over the past 10 years, average university undergraduate tuition fees in Ontario increased by 137% in current dollars, from $2,076 in 1993-94 to $4,923 in 2003-04. The reality is that students are now funding more than 40% of university operating costs through tuition fees. Tuition fees as a proportion of university operating revenue exceeded even the Conservatives' target share during their tenure. Thus far, the Liberals under Dalton McGuinty have kept their campaign promise to freeze tuition fees, and have provided $48.1 million to compensate universities and colleges for lost revenue.

The punitive effects of Ontario's student assistance programs have compounded the impact of the dramatic rise in tuition. With the average debt load of a graduating undergraduate university student rising to more than $22,000, the previous government focussed on reducing loan default rates, rather than funding higher education so that students don't need to amass that debt in the first place. Despite the policy decision to set aside 30% of all fee increases to provide additional student assistance, the data show that, in fact, provincial student assistance in Ontario is in decline.

Inadequate student assistance will not solve the problem of access, and neither will permitting private universities to operate in the province. In their campaign literature, the Liberals promised to enhance student assistance by expanding OSAP eligibility, as well as providing tuition waivers to the most needy 10% of students, which they estimate will help 16,000 students pursue higher education.

In addition to these measures, the Ontario Alternative Budget urges the government to keep universities accessible by making significant changes to student assistance in Ontario. The government should build upon its commitment to freeze tuition fees and improve student assistance in Ontario by reducing tuition fees by 10%; providing targeted assistance for students with dependents or special needs; expand work/study opportunities for students to earn while they study; expand interest relief for students with oppressive debt loads; aid in debt reduction for borrowers who have significant difficulties in meeting debt obligations; and create a deferred tax status for interest paid on student loans. Punitive student assistance policies affect not only students, but also the faculty and academic staff who teach them. These measures, and a new attitude of cooperation with higher education stakeholders in Ontario would go a long way to improving both access, and the quality of the higher education experience.

Enhancing accessibility by introducing up front, needs-based grants and other student financial assistance reforms will require an investment of an additional $135 million.

Enrolment growth

Enrolment at Ontario universities topped 280,000 students in September of 2003, growth of more than 60,000 over 2000 enrolment, based on headcounts of students eligible for government funding, which reflects the increase of the double cohort. While universities and colleges struggle to accommodate the demands of this group of students, the province should be providing adequate funding to institutions to prepare for the dramatic enrolment increases expected until 2015.

The double cohort is not a one-time phenomenon. As a result of demographic changes, an increase in participation rates and government-mandated secondary school changes, Ontario's universities and colleges are stretching to accommodate at least 115,000 additional students between 2000 and 2010. The surge in enrolment began in 2002-03. That September approximately 10,000 more students registered in first year university programs than the Ministry of Training, Colleges and Universities had projected.

In the face of the most dramatic increase in enrolment since the 1960s, there is a shortage of faculty and non-academic staff at our colleges and universities. Not only are additional hires needed to accommodate the enrolment surge, but also one-third of faculty will retire by the end of the decade and need to be replaced. Additional faculty are also required to reduce Ontario's student/faculty ratio, which is the highest in the country. The ratio of students to faculty is a key indicator of quality in higher education; students benefit enormously from direct access to those who teach them.

Infrastructure

The former Conservative government chose to increase corporate influence on higher education campuses with the SuperBuild program, which encouraged public-private partnerships (P3s) for the financing, building and management of public infrastructure. The record of P3s in Ontario and elsewhere has been highly blemished at best and the postsecondary education sector is a prime example of P3s gone wrong.

Public infrastructure financing in which private sector participation has been mandated by government has resulted in inefficiencies and distortions through corporate influence that have not served the public interest. Under the auspices of SuperBuild, and in the face of pressing need for additional classroom space, universities and colleges were required to provide matching funds for their capital projects, which disadvantaged some institutions. Inequities resulted from the private sector determining the building priorities in the higher education sector, and institutions are struggling as some of the funding agreements collapse. Universities and colleges have been forced to redirect operating funding to finance building projects underway. The Ontario Alternative Budget would address higher education infrastructure needs through public funding and control.

Restore funding to the national average

After a decade of systemic under funding and dramatic enrolment increases, Ontario's universities and colleges are struggling to maintain quality. The Ontario Alternative Budget has focussed on providing higher education funding, which would bring universities and colleges to the national average or above. In a competitive knowledge based economy, Canada's richest province must invest in postsecondary education. With appropriate funding, universities and colleges could focus on ensuring access; providing adequate student assistance provisions; hiring enough professors to teach the rising numbers of students; and ensure that quality is not compromised.

Substantial new investment is essential to ensuring that Ontario's students have an opportunity for a high quality, affordable and accessible postsecondary education. To reverse the damage brought on by years of neglect and to provide for growth in student demand, the Ontario Alternative Budget will invest $2.2 billion in new funding over and above the amount needed to maintain the real value of funding.

Making the right choice: Building an early learning and child care system in Ontario

High quality early learning and child care is the foundation for lifelong learning for all children, a fundamental element in reducing poverty, ensuring women's equality, providing equity for children with special needs and fostering social inclusion. While the benefits of early learning and child care (ELC) are widely recognized, Ontario continues to face a severe child care crisis.

There no coherent system. The supply of child care spaces needed to meet the needs of families with young children has been stagnant since 1995. Child care programs report financial crises, difficulty recruiting and retaining staff, escalating fees and deteriorating physical environments. As a result, many regulated child care programs struggle to deliver "developmental" environments.

What post-secondary education needs

Universities	
Enrolment increases	$202 million
Infrastructure improvement	$450 million
Move towards national average funding	$860 million
10% tuition cut	$200 million
CAATS	
Move towards national average funding	$298 million
Enrolment increases	$85 million
Infrastructure improvement	$55 million
10% tuition cut	$120 million
STUDENT GRANTS PROGRAM	$135 million
Annual updates in funding to reflect enrolment growth and costs	

The available stock of regulated child care - including regulated centre and family-based child care, nursery school, and after-school spaces - fails to meet the need of more than 90% of children in Ontario. Among the 70% of families where mothers are in the paid labour force, available spaces would only meet the needs of 12% of their children. Even when quality services are available, most families cannot afford them.

Child care, like other public services, suffered severe losses over the past eight years. Ontario's spending on regulated child care has been cut by more than $160 million since 1995 (in constant 2001 dollars). The cuts mean that parents must shoulder an increasing portion of the costs of care. Ontario has the highest monthly fees for full-time, centre-based care in Canada.

To further compound the financial crisis in the child care sector, provincial downloading to municipalities in 1997 passed many of the costs of wage grants, resource centres, and special needs programs to overburdened municipalities. In some regions, municipalities have been forced to cut subsidized spaces for low-income families. Municipal waiting lists for subsidies exclude many eligible parents and a variety of provincial policy changes have made it much more difficult for low and moderate income parents to gain access to child care.

Kindergarten is the only universal ELC program offered to Ontario children under age six and it too has taken a beating over the last eight years. In 1995, the previous Conservative government announced cuts of $100 million to junior kindergarten (a 50% reduction) and cancelled capital projects. Almost all school boards have been able to keep providing some form of junior kindergarten but they have to find the funds in their already stretched discretionary budgets to support them.

The first half of 2004 has seen the development of a new dimension in the child care crisis, increasing the urgency for provincial support of regulated child care. Nine years of provincial under funding has caught up and local governments cannot sustain their child care systems alone. In 2004, at least 8 municipal child care centres are threatened with closure due to the inability of municipalities to fund their share of program costs. This is because the province, due largely to caps imposed by the previous Tory government, is no longer funding its full share of costs. It is supposed to cover 80%, and the municipality 20%. However, across most of Ontario, the provincial share has dropped to anywhere from 65% to 75%, leaving municipalities to cover the difference out of their already stretched local resources.

The Ontario Alternative Budget's proposal

The Ontario Alternative Budget's plan proposes the following measures to ensure affordability and expand access to regulated child care:

- fund all existing regulated, non-profit spaces to make it possible to introduce a maximum $5 a day parental contribution;
- add a total of 20,000 new child care spaces;
- provide an additional subsidy envelope to ensure the participation of those families where the $5 contribution remains a barrier to access; and
- fund pay equity measures to contribute to continuing child care quality standards and to ensure the adequate remuneration of early childhood educators.

A quality child care program at $5 a day

Measures are needed to address the current exorbitant child care fees. In Ontario, parents using centre-based child care typically pay annual fees of $10,000 for an infant ($38 per day), $6,600 for a preschooler ($25 per day), and $4,000 for a school-age child ($13 per day for school days, $20 for in-service and summer days). Fees for regulated family child care are only slightly lower.

There are a number of possible approaches to the development of universal, affordable systems of early learning and child care. A sliding scale model which ties parental fees to a family's ability to pay; integrating early learning and child care with public education systems; and introducing a modest flat fee program with subsidies for low and modest income families.

In Canada, the introduction of the Quebec child care plan in the late 1990s captured public imagination as a bold and visionary initiative. The plan won widespread public support by funding care spaces so that the service is available to all parents for $5 per day. Recently, the Charest government has cited fiscal pressures as a justification for hiking daily fees to $7 a day. This backwards move for child care in Quebec has been met with sustained and widespread public opposition.

The $5 a day fee target for Ontario is a bold benchmark that reinforces Early Childhood Education as a universal program and takes concrete first steps to put it in place. Our three-year proposal backs the development of universality within the program while ensuring that full time child care fees remain affordable to modest and middle-income families.

It costs, on average, $30 a day to run a regulated child care space in Ontario. The Ontario Alternative Budget would fund each non-profit, regulated space at $25 per day. This public investment would make it possible to offer parents regulated child care at a maximum of $5 a day.

Our proposal will introduce an additional subsidy envelope to support the contribution of families with low and modest incomes, as well as families with more than one child in care for whom costs are unaffordable. To begin with, we will provide sufficient funding to fully cover the child care costs of one in four users and will adjust this amount as a more precise picture of the program emerges.

Expanding access to child care

Families who need child care in Ontario currently face a scarcity of spaces and long waiting lists. Our program calls for 20,000 new regulated, non-profit spaces to begin to address the needs of parents throughout the province.

To ensure equitable expansion, the distribution of new child care spaces will be proportionate to the population in each age cohort (0-2, 3-5, 6-12). The experience in Quebec shows us that the introduction of an affordable child care program results in an enormous rise in parental demand for services. Clearly, even after our proposal is implemented Ontario will still fall far short of the demand for child care. It is difficult to estimate the exact number of spaces that will be required.

We know that 1.3 million children under twelve years have mothers in the paid labour force. Many who are not in paid labour require child care to support their training and educational efforts. We also know that many are not in the paid labour force for a variety of reasons that include the unavailability of affordable child care.

The need for a more aggressive expansion is great and the main stumbling block has been the lack of sufficient political will on the part of both levels of senior government. Expanding Ontario's child care system to the point where it can respond to the needs of all families will require the training of new staff, a new institutional framework, building of new facilities, and garnering of financial support.

Seizing opportunities for action on child care

It has not been for a lack of resources or opportunities that early learning and care has deteriorated in Ontario. While the federal/provincial/territorial Early Childhood Development Agenda (ECDA) in September 2000 promised action on common priorities for children, the previous Conservative government refused to spend any federal dollars on quality child care. Even as Ontario's child care system crumbled, the province diverted a total of $460 million in federal transfers away from quality child care programs.

The Ontario government must make new provincial dollars available to bolster federal efforts and work constructively towards building a quality child care system that meets the needs of children and families. Over the next two years, the federal Early Childhood Development Agreement will transfer approximately $380 million per year to the province. In addition, the 2003 and 2004 federal budgets dedicated new dollars through the Multilateral Framework on Early Learning and Child Care (MFA) to those provinces with an interest of investing in regulated child care. Ontario's share of these funds will be $58 million in 2004-05, the first year, and $87 million in 2005-06. Although the new federal transfer is less than what is needed, reaching federal, provincial and territorial agreement on the expansion of regulated child care is a promising step for families and should be a catalyst for action in Ontario.

With additional provincial dollars, the monies available from federal transfers would allow for immediate implementation of phase one of the Alternative Budget's proposal. It would also go a long way towards addressing the urgent crisis in child care facing municipal governments.

Moving forward on the early years

The OAB is committed to the stabilization and measured expansion of Ontario's early learning and care system. Ontario can no longer afford to neglect the developmental needs of our youngest children and to deny support to parents enrolled in training or in the workforce. Our plan will create a $5/day system of child care and increase the number of licensed spaces by 20,000. This will bring our annual investment in the ECEC program to $1.195 billion. Of this amount, $800 million will replace the cost of the current exorbitant child care fee system with a $5 a day fee structure. A second amount of $230 million, including capital and operating costs, will result in 20,000 new child care spaces.

Nearly half of all of the spaces of Ontario's ECEC system will be further subsidized to accommodate the needs of low and modest income families, as well as those families with more than one child in care.

As well, the OAB will invest an additional $170 million in proxy pay equity measures to contribute to continuing child care quality standards and to ensure the adequate remuneration of early childhood educators.

Early childhood education and care program ($million)

	3-year total
Introduce $5 per day child care for current spaces	1,125
Create 20,000 new spaces	130
Capital costs for new spaces	100
Additional subsidy envelope	63
Pay equity	170
Total cost	1,588
Minus current provincial expenditure	452
TOTAL	1,136

The Ontario Alternative Budget proposes a prudent course for child care that lays a foundation for expansion of an affordable program and continues to allocate resources that will allow it to grow over time. The ultimate goal of a quality ELC system is to ensure that all families, regardless of income, job status or geography, have access to seamless, coordinated, and inclusive care services. Such a benchmark will require that ELC be viewed as a public priority with concomitant substantial multi-year investments. These investments coupled with planned systematic reforms and strong partnerships with the education system are essential to the ongoing expansion of early learning and care and towards the goal of universal access to care.

Promoting social inclusion and fighting poverty

The OAB is committed to promoting social inclusion and fighting poverty through a new model for income security and a system of services and supports to meet the diverse needs of Ontarians and their communities. Tackling deepening and persistent poverty and ensuring the well-being of all Ontarians requires a three-pronged strategy that focuses on the following interrelated factors:

- a healthy labour market, where individuals and families have access to jobs with good wages and decent working conditions;
- quality social and community services that include affordable housing and community programs such as child care; and
- strong income security programs.

Building a system that promotes the conclusion of all Ontarians should be based on the principles of universality, accessibility, comprehensiveness, accountability and democratization, preventive care and quality public services provided by unionized public sector workers.

Income security

The 2003 Ontario Alternative Budget Technical Paper on social assistance started out with the heading "Ontario's welfare system is broken." One year later that assessment continues to hold true.

Let's look at the facts. The social assistance system in Ontario is almost 50 years old. The system we have now is ostensibly the same as the one we had in the mid-1960s, with only some minor differences. It is a system based on fundamentally different labour market dynamics of that time, when a job was a clear route out of poverty and when the distinction between those who worked and those who did not was much clearer. It was never intended to handle part-time and temporary work and wages that are far below the basic costs of living: the situation now facing most people at the bottom of the income ladder whose labour market attachment is precarious.

It is a system that the public does not support. While it is true that the erosion of public support for social assistance has been driven by the belief — fostered by stereotyping — poor people are to blame for their own poverty, the fact remains that the design of the system tends to reinforce those perceptions. Welfare benefit structures were not designed to support the transition to employment, least of all in an economy where that employment is often very tenuous. And a lack of public support is a major obstacle to building a more effective social assistance system and a more inclusive society.

It is a system that social assistance recipients do not support. Surveys conducted by food banks and other community organizations routinely hear that recipients are dissatisfied with their welfare program. They point to the endless maze of bureaucracy, the excessive and demeaning policing that regulates the day-to-day activities of their lives, and the often ineffectual training and employment supports that do not take into account individual needs.

And it is a system that is wholly inadequate in meeting the basic needs of recipients. It has now been over eleven years since either welfare or disability rates in Ontario were raised (over the same period, the federally funded Old Age Security system and the Guaranteed Income Supplement (OAS/GIS) for low-income seniors was adjusted 44 times to keep pace with inflation). Prior to 1993, the longest period of time without an increase in social assistance in Ontario was just 3 years, with 23 increases in the 26 years since 1967. Including inflation and the 21.6% cut implemented in 1995, welfare rates have declined by about 38% since 1993. Disability rates have been frozen since 1993. Rates are now considerably below any measure of poverty or cost of basic needs currently available, including the Market Basket Measure, the Low Income Cut-Off and the Sarlo-Fraser Institute Poverty Line.

In search of a new anti-poverty strategy in Ontario

The 1995 election campaign was a watershed in the politics of social assistance in Ontario. The Harris Conservatives used welfare as a "wedge issue", exploiting public dissatisfaction with the system and playing cynically on the hopes of welfare recipients for meaningful employment.

Immediately after its election, the Harris Government launched an unprecedented attack on the economic well-being of the most disadvantaged residents of the province. Based on the claim that a less 'generous' system would force welfare recipients to get jobs, the government reformed the system with a stick:

- harsh cuts of 21.6% to social assistance rates with the opportunity to "earn back" the lost income by taking jobs;
- forced participation in "workfare" programs;
- the re-orientation of job training from finding good jobs to the "shortest route" to any job;
- a freeze in disability benefits; and
- a regimen of poor bashing that blamed the poor for their situation and their work ethic

while ignoring the structural realities that impeded their ability to move into self-sufficiency.

It was claimed that lowering the income floor would move people who, for reasons of personal deficit refused to work like ordinary citizens, into employment. Unfortunately, Ontario became a national leader in attacking the living standards of the poor. The stick approach gained currency almost universally throughout Canada, and most especially by conservative governments.

This view has proven itself to be a failure. A decade since the approach was introduced, poverty rates have shown no appreciable signs of decline. Homelessness is at an all-time high. Food bank use in many cities and across Ontario is at an all-time high, despite a growing economy. Even by the *sine qua non* standard of conservative policy — workforce participation — the approach has not worked.

Last year Ontario's current social assistance population, both Ontario Works and Ontario Disability Support Plan, was remarkably normal 4.7% compared to the post-war average of 5%. The stick approach didn't fix the system; it punished the poor. It is on the way out.

Even a relatively conservative government in Quebec could not bring itself to continue the stick approach in its recent budget, observing that: "we weren't getting the results we wanted." Quebec has instead opted for reinvestment in income security and employment incentives to help people back to work.

Ontario is emerging from a long period of retrenchment in its social assistance program. What is needed now is a significant and substantial public debate on a new direction for income security in Ontario. This debate is needed to mobilize a public that, while being generally opposed to the social assistance system as it currently exists, does believe in the need for a strong social safety net. It needs to take into account the new realities of the labour market that have changed substantially since the recession of the early 1990s. And crucially, it needs to take into account the lived experience of low-income Ontarians and their interaction with current programs.

The new Liberal government in Ontario should be taking the lead in initiating this debate. But unlike the last serious attempt at reviewing income security in Ontario — *Transitions* — that reported just over fifteen years ago, a public consultation on welfare cannot be a delaying tactic or a recipe for inaction. The needs are such that the government should set a firm deadline of one year to review and prepare for implementation a new strategy to address income security in Ontario.

In the meantime, the Ontario Alternative Budget is proposing what we consider to be initial first steps in rebuilding and reinvesting in income security for working age Ontarians. The proposals fall into three categories: first, measures to address basic income inadequacies; secondly, measures to build upon the welfare to work provisions that currently exist in the system; and third, measures that enhance asset retention, an area that has until recently been given short shrift in social policy debates.

Building for a new income security model in Ontario

The OAB is putting forth a plan that balances the call for fundamental program review with the need to address the immediate income inadequacies that place social assistance recipients at severe risk. Program review cannot be an excuse for delay. It should aim for implementation of a new system within one year.

The goals of a reformed system should be to:

- Provide benefits sufficient to cover the real cost of living in Ontario;
- Respond effectively and flexibly to the realities of the labour markets in which social assistance recipients seek to participate;
- Support the transitions from social assistance to work and ease the transition from work to social assistance for those who lose their jobs and their EI benefits; and
- Meet the needs of all low-income Ontario families and individuals for fair wages; adequate housing; high-quality, affordable child care; accessible heath care; and opportunity for their children.

This cannot be a long-term plan. The need for change is urgent. And there is no point pretending that it will not be expensive. In addition to the substantial amounts needed to address the current crisis detailed below, the Ontario Alternative Budget sets aside a minimum of $575 million for new program implementation.

Immediate action on the current crisis

Our proposed plan combines immediate and achievable down-payments on the income needs of social assistance recipients, while beginning to re-build the areas of highly supported areas of social assistance that are oriented toward improving labour market attachment.

Income adequacy

In Ontario social assistance cheques are comprised of two portions: the basic needs allowance and the shelter allowance. As its name implies, the shelter allowance is intended to cover the cost of shelter accommodations. Recipients receive an amount equal to the actual rent they pay up to a set maximum. The recipient is then responsible for meeting any dollar amount paid in rent beyond that maximum. For most recipients, this entails diverting money from the food budget (basic needs allowance) in order to pay for the cost of rent. For example, a family of three receives a maximum shelter allowance of $554 per month. If that family pays rent of $500 per month, it would receive a shelter allowance equal to its rent ($500). If that family pays a rent of $600 per month, it would receive the full $554 shelter allowance. However, the additional $46 in rent must be met through other income sources. This is the reality for most recipients.

Low social assistance rates have forced many household into unstable homes as rising rents and the elimination of funding for the development of affordable housing have placed safe, secure homes out of welfare recipients' price range. Municipalities across the province have documented the precarious housing situation facing welfare recipients because of inadequate welfare rates and the link between low rates and increasing homelessness. To provide stability in the housing situation of welfare recipients, and to stem the incidence of economic eviction, the OAB proposes a "Shelter Enhancement" that would be available to all welfare recipients paying above the current maximum shelter allowance. This Enhancement would cover the difference between the actual rent paid by the recipient and the maximum shelter allowance, and would be payable on a monthly basis for a period of one year.

This will provide $400 million in additional benefits to social assistance recipients — both those on welfare and those on disability benefits — living in private housing.

The majority of Canadian families with children receive a benefit from the federal government called the "National Child Tax Benefit." Low-income families with children also receive an extra amount called the National Child Tax Benefit Supplement (NCBS). This supplement is meant to help families pay for such necessities as food and clothing for their children. However, some provinces, including Ontario, reduce social assistance cheques by the amount of the National Child Tax Benefit Supplement. This results in a single mother with one child on social assistance seeing her family's annual NCBS payment of $1,511 deducted dollar-for-dollar from her monthly social assistance payment. This money is, in turn invested in other programs for low-income families with 80% funded through the province and 20% funded through municipalities. Children, who make up about half of social assistance beneficiaries, are now living with families whose benefits are only about half of the poverty line. The OAB will restore this benefit to families on social assistance to help combat child poverty, while maintaining the programs funded with the reinvestment money.

This will put $200 million into the hands of families with children living on social assistance.

During the 2003 election, the Liberal party committed to a cost of living adjustment (COLA) for both Ontario Works and Ontario Disability Support Plan recipients. This would result in an increase of about 3%, or $30 per month for a single parent with one child. The OAB believes we can improve upon the Liberal commitment by matching the commitment made by the Conservative Party during the 2003 election to raise ODSP rates by 5% in addition to the first year of a permanent commitment to cost of living adjustment. We will therefore raise both the ODSP rates *and* the basic needs allowance of OW by 5% plus cost of living as an immediate and achievable down-payment on in the income security needs of Ontarians, while recognizing the need for continued future increases to bring rates in line with costs of living.

Including the inflation adjustment for 2004, this change will add $310 million to social assistance payments.

Immediate action to ease the transition from welfare to work

The OAB wants to make it simple for those receiving support to make the transition out of social assistance into the labour market through constructive rather than punitive policies. The irony is that, despite its purported emphasis on welfare-to-work, the previous Conservative government did not update the employment oriented benefits already available in the welfare program, nor the ones they introduced when they cut welfare rates and invited recipients to "earn the money back." The OAB will begin the process of updating these welfare-to-work benefits by:

- Doubling the Employment Start-Up Benefit (ESUB), which was last raised in 1993, from $253 to $500. The ESUB is paid up to once per year, and helps Ontario Works recipients cover the costs associated with taking paid employment.
- Index earnings exemptions in Ontario Works from 1995. Earnings exemptions allow Ontario Works recipients to receive money from employment without having

it deducted dollar-for-dollar from their welfare cheques, and therefore act as an incentive to take jobs.

Furthermore, we believe that making a productive and sustainable transition from social assistance to work requires individualized opportunity planning that takes into account particular needs. For example, recent immigrants with high levels of education do not require the same job skills training as an aging worker with out-of-date skills.

The OAB will invest up-front $250 million in new job training that will move away from a "one-size-fits-all" approach that greatly frustrates Ontario Works and Ontario Disability Support recipients to an opportunity planning model that accommodates diverse needs.

Asset retention

Assets have long been underestimated in social policy circles. Current research indicates that assets help low-income people stay in the labour force, and reduce the time spent on social assistance — both important goals. But before qualifying for social assistance in Ontario, an applicant must become destitute by selling off or spending down accumulated assets:

- a single OW (welfare) recipient is allowed just $520 in "liquid" assets;
- a single parent is allowed just $1,457 + $500 per child.

In fact, social assistance programs are the *only* income security programs subject to asset testing. It is inconceivable, for example, to imagine a senior being required to sell off assets in order to access public pension plans. While asset testing ensures that those applying for and receiving social assistance benefits are truly in need, this must be balanced with the goals of social assistance programs, which are to help recipients achieve self-sufficiency.

The OAB will start the process of re-evaluating the role of assets in social policy by exempting Registered Education Savings Plans (RESPs) from Ontario's social assistance asset rules, for both welfare and disability beneficiaries. RESPs help families save for their children's education and in the process break the cycle of poverty. They are considered by the public to be a beneficial investment vehicle for all Ontarians, and can be exempted with little or no cost to the province.

A short-term program in perspective

While these changes will result in an increase in disposable income for social assist-

Social assistance – cost of reform ($ million)

Set shelter allowance at actual rent (interim)	$400
Increase social assistance basic allowance by 5%	$100
Increase ODSP rates by 5%	$120
Restore National Child Benefit	$200
New investment in job training	$250
Increase employment start-up benefit	$10
Exempt RESP savings from asset restrictions	$0
Index earnings exemptions in Ontario Works	$20
Reserve for comprehensive social assistance reform	$575
TOTAL	$1,700

ance recipients, they are not enough. Substantial reform of the entire system is needed on an urgent basis. But social assistance recipients cannot be expected to wait for a new system — even a new system that is developed on an urgent basis. At the same time, it would be a mistake simply to put more money into the current system, and leave it as it is.

A new model is needed for income security that promotes the social inclusion of everyone in Ontario. That is the goal.

Homes for all

Ontario's affordable housing crisis remains at a desperate level. Fully 565,000 households (that's about 1.5 million women, men and children) are paying more than 30% of their household income on rent — the standard warning sign that rents are unaffordable. That's 42% of the 1.3 million renter households in the province.

The provincial housing crisis has two dimensions: supply and affordability. There are simply not enough homes to meet the housing needs of all Ontarians. And the homes that are available have rents that are too high for low, moderate and often even middle-income renter households.

On the supply side, Ontario has suffered a net loss of rental units at a time when the need for new homes is rising rapidly. The province lost 13,258 private rental units since 1995, according to a 2003 technical report from the Canadian Centre for Policy Alternatives. Add to this the estimated 58,800 subsidized units cut by the Harris government from 1995 to 2002, and the total adds up to more than 72,000 units since 1995 — enough to provide homes for almost 200,000 Ontarians.

While the province's renters have suffered a net loss of housing, the need for new units grows every year. Federal and provincial studies estimate that Ontario needs between 12,000 to 20,000 new rental units annually to meet the growing need for new affordable homes.

As the shortfall in new rental housing grows larger, the rental vacancy rate for Ontario rose in 2003 to 3.5% from 2.7% in 2002. Some lobbyists for private sector landlords and development interests claim that the higher vacancy rate signals an end to the affordable housing crisis in Ontario. In fact, the affordable crisis is continuing — and is generating more homelessness.

The Canada Mortgage and Housing Corporation rental market survey for 2003 reports that there were a total of 21,656 vacant units in all Ontario. Compare that to the social housing waiting lists in the Greater Toronto Area alone, which have more than 100,000 households seeking an affordable place to call home.

On the affordability side, rents in the private market have increased to the point that a growing number of low, moderate and even middle-income renter households have literally been priced out of the market. Or, in the words of a CMHC economist in 2002, rents have reached a "price-sensitive threshold" and many tenants simply cannot afford to pay them. So tenants are forced to double and triple up — two, three or more families living in a one-bedroom unit — and many face economic eviction as they cannot afford to pay the rent, plus feed the kids or cover the utility bills.

A recent survey by Statistics Canada shows that half of all renter households in Ontario have annual incomes of $23,215 or less. Based on the standard affordability calculation of 30%, about 900,000 renter households can only afford rents of $580 a month or less — yet average rents are 44% higher.

The McGuinty Liberals campaigned in the fall of 2003 on a promise to re-build Ontario's public services. Their specific housing commitments include:

- "almost 20,000 new housing units for needy families";
- "a housing allowance for low-income families [to] provide direct, immediate housing relief for 35,000 families";
- "a provincial rent bank to help tenants with short-term arrears so that they can keep their homes";
- a "priority to the development of affordable housing on Ontario government-owned lands";
- the creation of a new "Ontario Mortgage and Housing Partnership to provide competitive financing rates for non-profit, co-operative and commercial developers who want to build rental housing in Ontario"; and
- a "significant increase [to] supportive housing options for those suffering from mental illness", approximately 6,600 units over four years.

The homeless, low-income tenants and housing advocates welcomed the Liberal promises, even as they warned that the numbers were too low to meet the real needs of Ontario's renters.

To date, the Liberals have announced $10 million for the rent bank and re-announced a promise made by the Harris government in May of 2002 to provide $2,000 per unit to help build new affordable housing.

The Ontario Alternative Budget proposes a socially and fiscally responsible affordable housing program that includes:

- $650 million annually for 9,300 new provincially-funded affordable units;
- $72 million annually for 2,400 new units as Ontario's share of the federal-provincial Affordable Housing Program;
- $178 million annually for 37,000 new rent supplement units; and
- $200 million annually for a housing rehabilitation fund.

As in previous years, the OAB also proposes to return the cost of social housing programs to the provincial level, where they belong. The Harris government downloaded the cost of co-op and non-profit housing to municipalities starting in 1998.

The OAB housing plan would fund the creation of 11,700 new social housing units every year in Ontario. These new homes, along with the 2,000 or so private rental units that are currently being built annually in Ontario, would — over time — ease the af-

Affordable housing ($ million)

A new Ontario Housing Supply Program @ 9,300 units per year	$650
Ontario's share of Federal-Provincial Affordable Housing Program @ 2,400 units per year (fully funded as of year one)	$72
Rent supplements for 40,000 new rent supplement units	$178
Housing rehabilitation fund	$200
Province re-assumes responsibility for housing	$850

fordable housing crisis and end homelessness in the province.

About one-quarter of the new rent supplement units would be allocated to the new social supply to ensure that low and moderate-income households could afford the rents. The remaining 28,000 units would go to low-income households in existing social or private units that are struggling to pay their rent.

As Ontario's rental housing supply ages, especially the former public housing (known as Ontario Housing Corporation), the housing rehabilitation fund would allow housing managers to maintain the buildings to a proper standard.

Health care

The McGuinty government has attempted to position itself as the saviour of Medicare in Canada. McGuinty himself has committed to a leadership role in the federal-provincial negotiations, and has spoken about his government's commitment to a universal, publicly-funded health care system, and to accountability in the system. However, despite its strong words, the McGuinty government has failed in its leadership role. The government has failed to state its support for not for profit delivery of health care. Furthermore, it has not called on the federal government to enforce the Canada Health Act and to impose conditions on federal transfers.

But McGuinty's most damaging failure of leadership is his failure to challenge the assumption that health care costs are rising out of control and beyond our ability to pay. While this assumption is commonly accepted by critics of our public health insurance system and is used as a point of departure for advocates of privatization, it are not supported by the facts.

The Romanow Commission considered all of the evidence, and came to the opposite conclusion. Recently, a study by the federal Department of Finance leaked to the Globe and Mail confirms it.[4] The federal Finance Department report estimates that health care will remain affordable for the next 40 years. The federal Finance Department report estimates that governments' share of total health care expenses for the country will likely remain less than 10% of the size of the Canadian economy. Currently, public and private health care account for 9.8% of GDP.

The Romanow Commission asked for evidence that would support a move towards increased for profit health care. All of those vested interests, with all those potential profits, could not provide the Romanow Commission with any evidence that for-profit health care was cheaper, better quality or more efficient.

The McGuinty government's failure to challenge the unfounded claim that the system is unaffordable is unfortunate, because it raises questions about the ultimate goals of his government's legitimate efforts to introduce accountability into the system and to accelerate primary care reform.

That skepticism about the government's goals is reinforced by its actions since it took office in October, 2003.

It has failed to effectively stop the P3 (the so-called public-private-partnership) hospitals as it promised. It has failed to return the MRI and CT Scans Clinics to the not-for-profit system, as it promised. And it has failed in the drafting of Bill 8 the "Commitment to the Future of Medicare" Act.

Prior to the last provincial election campaign, Premier's McGuinty promised Ontario that he would make William Olser Health Centre in Brampton and the Royal Ottawa Hospital publicly owned and publicly financed. After the election, the McGuinty government reneged on its promise. In November 2003, the government announced it would be proceeding with plans to redevelop the hospitals as P3s. Not only did the Liberals break their pre-election promise about William Osler and Royal Ottawa, but the Liberals are moving to create more so called public/private partnerships. The P3 option is now being considered for eight other facilities.

We know from international experience that P3 hospitals drive up costs and provide a lower quality of care. Furthermore, there is a lack of transparency and accountability in the information that has been made available about these hospitals. [5] We also know that P3s are a more expensive financing method. Estimates suggest that each $1 billion in capital raised by a P3 model costs taxpayers almost $7 million more than it would if it were financed by the government.[6]

In November 2003, the new government introduced its "Commitment to the Future of Medicare" Act. This legislation was described as protecting universal public medicare and protecting the health care system from privatization.[7] While the Bill's preamble has much to commend it, the Act itself is virtually the same as its predecessor, the *1986 Health Care Accessibility Act*. It focuses solely on accountability of health care providers to government. It does not provide for further accountability of the government to the public on health care decisions or spending. The experience of P3 hospitals in Brampton and Ottawa illustrate the need for the government to be more accountable in its actions.

The original drafts of the Bill permitted the government to open up collective agreements. This serious interference with the right of workers and their unions to collectively bargain caused great concern to the labour movement and others in Ontario. In March 2004, the government proposed and voted in support of key amendments that significantly narrowed the powers granted to the Minister of Health.[8] These amendments removed any potential authority that the Bill gave the Minister to impose accountability agreements on individual practitioners and trade unions, to issue compliance directives and orders against individual practitioners and trade unions, and to amend or alter collective agreements.

However, the accountability regime remains a fundamental feature of the Bill. It could be used to facilitate increased centralization, regionalization, and privatization and divestment of hospital and other health care services.

The public should be concerned about the Minister's power to control and direct the operation and restructuring of the health care system through accountability and performance. The Bill grants to the Minister of Health and to cabinet unprecedented centralized power to compel fundamental restructuring in the delivery of hospital services with limited accountability to the public for these actions.

Stabilization

The entire health care system in Ontario needs stable, multi-year funding that will, at minimum, attempt to keep up with inflation. In addition to the targeted increases in funding outlined below, the Alternative Budget will increase the base health care budget by 3% per year. That will result in an increase in funding of $840 million in each year.

People: The backbone of health care

As the 2003 OAB paper "The Cure is Worse than What Ails Us" demonstrated, there is a shortage of health care workers in Ontario.

Staffing levels in Ontario's hospital and long-term care facilities have dropped dramatically. In 1995, there were 168 hospital staff and 93 long-term care staff for every 10,000 Ontarians. Today there are 153 hospital staff and 75 long-term care staff per 10,000. This budget will rebuild our health care system by rebuilding staffing.

Had the ratio of staff to population been maintained, there would be 18,000 more hospital workers and nearly 22,000 more long-term care workers in Ontario. To address this problem, $1.1 billion dollars will be directed to increase staffing in hospitals and long-term care facilities. Some of these monies will be directed specifically to hiring registered nurses.

Ontario has the lowest nurse to population ratio in the country — 65 RNs per 10,000 compared to 78.6 for the rest of the country.[9] Excessive workloads along with an aging workforce have resulted in high rates of injury. Early retirements further exacerbate the situation. Ontario has a high share of part-time and casual employment — currently 43% but as high as 50% in recent years. This casualization of nursing has negative implications for the continuity and safety of patient care. As we saw during the SARS crisis, it also has a detrimental effect on public health as RNs require multiple jobs at multiple facilities to support themselves.

The McGuinty government must keep its campaign pledge to create 8,000 additional nursing positions and make sure that 70% of registered nurses in Ontario are working full-time. In earmarking $50 million in this fiscal year to funding 800 full-time nurses the government has made a start towards fulfilling this commitment.

Now, the government must maintain that commitment by establishing a four year funding schedule which will increase the number of RNs and the number of full time positions. Hiring an additional 8,000 full time registered nurses costs $500 million annually. The cost of bringing the current registered nursing work force up to a ratio of 70% full time workers would be a further $340 million annually.

The remaining funds from a $1.1 billion annual commitment to staffing would be directed toward training, upgrading and hiring a wide range of health care workers that are in short supply in all sectors of the health care system.

Home care

The Romanow Commission identified the expansion of the home care system as an essential element of an expanded Medicare system. The Liberal government made an election promise to invest in home care. In 1996, the Conservative Government established 43 regional Community Care Access Centres (CCACs) to govern the delivery of nursing home visits, homemaking services and admissions to long-term care facilities. The community care access centres were supposed to make the provision of home care more efficient by introducing "market discipline." In fact, the opposite has occurred. A 2001 study by the Ontario Health Coalition found that these reforms resulted in: a lack of standards and quality control; burgeoning waiting lists; a lack of assessment of population need; severe staffing shortages; and increased administrative costs through duplication, waste and profit-taking.[10]

In May 2001, the Conservative government announced a funding "freeze" that essentially cut millions from the CCAC budgets, leaving them $175 million short of meeting demand. Not surprisingly, services were cut, hospitals backed up and a flood of complaints ensued. The result is that personal support services were cut for patients across Ontario. There was a reduction of 115,000 patients served from April 1, 2001 to April 1, 2003. In this period six million hours of service were cut - a 30% drop.[11]

The Alternative Budget would restore and expand funding to home care. This expansion in funding would help restore non-profit services in home care. This would require $600 million.

Primary health care reform

Primary Health Care Reform will transform Ontario's Medicare program. While the Liberal government's expansion of family health networks is a step in the right direction, it doesn't go far enough. The primary health care system should change from a from a doctor-dominated, fee-for-service practices to an expansion of Community Health Centres open seven days a week, 24 hours a day. Salary based teams of health care workers, including doctors, nurses, nurse practitioners, therapists and counsellors will work together to make the most of all the talents of the health care team.

Significant start up and transition costs require an investment of $300 million for primary care reform.

Environment

Ontario's environmental deficit

Public health, an efficient economy, and our children's future: all of these depend on a clean environment. Repeated public opinion polling shows that a huge majority of Ontario citizens support strong environmental laws, even in times of recession and government deficit cutting. Yet one of the Harris Eves era's most dubious achievements was the undoing of the entire environmental protection regime in this province. Its four-part strategy — dismantle environmental laws, weaken the role of government, shut out the public, and sell off our natural heritage — essentially crippled the province's ability to regulate environmental quality in the public interest.

This budget would begin to change that reality.

The massive cuts of the last eight years have left staff capacity down 40% and the combined operating and capital budgets of the Ministry of the Environment (MOE) and the

Health care summary ($ million)

Health care staffing enhancement	1,100
Long-term and home care reform	600
Primary care reform	300
Maintain existing base (3%)	837

Ministry of Natural Resources (MNR) cut by over $100 million. As our environmental challenges escalate, Ontario no longer has the capacity (let alone the political will) even to monitor environmental performance, much less to enforce existing environmental standards or to develop and implement the new standards that are badly needed.

An effective environmental policy, which seriously intends to address Ontario's growing "environmental deficit", must start by reinstating the enforcement and planning capacity in both the MOE and MNR. We are committed to doing that.

We would increase funding to MOE by $80 million to restore capacity, and to MNR by $150 million to develop the tools and policies needed to manage our province's resources well.

The catastrophe at Walkerton delivered a clear message. We cannot take safe, clean drinking water for granted. It also points to the need for Ontario to rebuild its sewer and water infrastructure. A new Clean Water Fund would devote $250 million per year in new funding to sewage and water treatment capital projects.

Adequate funding for these two key ministries would provide the capacity to embark on the fundamental reforms that are needed in Ontario. It will not be easy to undo the impacts of the recent gross mismanagement of environmental issues, but with adequate resources we can develop the initiatives we need.

A start would be the development of creative technology, forcing regulation which can make an important contribution to bringing Ontario the clean air, clean water and healthy food that we need. Making a priority the development of a more energy and materials efficient economy, less dependent on fossil fuels and rooted in innovation, would pay dividends to all of Ontario residents, not just high-income earners.

Ontario pays a tremendous price every day for the environmental recklessness of this government. The Ontario College of Family Physicians is concerned that in southern Ontario Canada's highest levels of smog caused by urban sprawl, automobiles, industry and coal-fired power plants, on both sides of the Canada U.S. border, cause premature deaths for up to 6,000 Ontarians each year. If the government really was concerned about "health issues", as it claims, it would get serious about Ontario air quality issues immediately.

It would be providing funding for extensive additions to public transport all over Ontario, rather than new spending on highways. It would be providing funds to promote more sustainable forms of energy and energy conservation, not looking to privatize Ontario's "white elephant" nuclear plants.

This budget commits $300 million for support to public transport and other energy-efficient transportation options. And a significant amount of the community economic development funds can be used for energy-efficient renovations and water conservation initiatives, which deliver employment at the local level while accomplishing larger environmental goals. (See "Restoring Basic Public Services", below.)

Urban sprawl is at the heart of many of the environmental challenges we face. Whether it is on the car-choked freeways of southern Ontario or the short-sighted development proposals to pave over much of the Oak Ridges Moraine, the lack of effective land use planning and the Government's abdication of responsibility is handcuffing our ability to act in our own best interests.

One of the first acts of the previous Government was to throw out key changes to the *Planning Act* in Ontario which had been developed over four years of consensus building under the Sewell Commission. Effective land use planning must be at the heart of Ontario policy development to provide the vision and the ideas that we need to confront the mistakes of the past. Confronting urban sprawl and reintroducing public control over the development industry would be a key part of our agenda to reduce greenhouse gases produced in Ontario and to promote the intensification of housing in urban areas.

We need to extend the Countdown Acid Rain Program. We need a Safe Drinking Water Act and a comprehensive Water Policy, a Pollution Prevention Planning Act, and new Pesticide Standards. We need an 80% reduction in garbage disposal and a commitment to meet or exceed Canada's commitments under the Kyoto Protocol, complete with a strategy to make it happen.

Ontario needs a public lands policy respectful of: First Nation treaty rights and the constitutional obligation to consult before decisions are taken; the need to manage Crown lands in the public trust; biodiversity protection which assures long-term ecosystem sustainability; and the need for "real" protected areas safe from mining, hunting, and forestry, rather than the Lands for Life set of policies which promote the intensification of forestry and mining on public lands.

There is much that needs to be done to address Ontario's environmental deficit, but an excellent place to start would be to re-orient the Ontario tax system.

We should penalize excessive energy use and promote material efficiency in our economy and use incentives to promote efficiency and creative solutions to our pollution challenges. Investments in energy efficiency have been found to produce four times more jobs than equivalent spending in new supplies of conventional energy. We are lagging behind Europe and Japan in utilizing new energy-efficient technologies and techniques, even though these new approaches could reduce energy cost, improve air quality, improve public health, stimulate new industries, and create new jobs. We must begin the transition to a renewable energy economy now and abandon the deadly coal-fired energy stations Ontario Hydro is so dependent upon.

Many of the ideas we can use have already been developed in other jurisdictions around the world. In these days of rising worldwide temperatures and shrinking ice caps, what we need in Ontario is the political will to take on our environmental deficit for the crucial challenge it really is. This budget would be an important first step in the right direction and provide a base for much more innovative and creative solutions for the future.

Environmental investments

Rebuilding the Ministry of Environment	$80 million
Rebuilding the Ministry of Natural Resources	$150 million
The Clean Water Fund	$250 million

Restoring basic public services

Worker protection

In one of its first acts, the Harris government destroyed the Ministry of Labour's capacity to enforce Ontario's worker protection laws. Huge cuts to budget and staff, and to the laws themselves, have given bad bosses a green light to exploit. The OAB would restore the budget to the Ministry of Labour with an investment of $25 million, and reestablish the Wage Protection Fund.

Community social development

One of the many unfortunate consequences of the transfer of more than $12 billion in tax cuts to Ontario's upper middle class has been the elimination of hundreds of millions of support dollars for essential social and economic infrastructure.

Thousands of voluntary cultural, social, recreational and community action groups have been de-funded.

This key component of Ontario's social fabric will be supported by the OAB at $225 million per year.

Rebuilding infrastructure

That Ontario faces a crisis in public infrastructure is hardly news. That fact has been obvious for more than a decade. The evidence of the wide and growing gap between what we need and what we have is uncontested. And the basis of the problem — under-investment by the provincial government and the agencies for which it is ultimately responsible — is equally obvious.

As a province, we have not been building new public infrastructure to keep pace with need. We have not built a single unit of social housing in nearly ten years. The Walkerton Inquiry condemned our water and sewage treatment facilities as inadequate. Public transit investments — particularly in the Greater Toronto Area — are falling far short of demand.

Nearly 20 years of negative pressure on operating funding for schools, hospitals, colleges and universities and municipalities has limited investment in new facilities to accommodate growth and driven a steady deterioration in the state of good repair of existing facilities as funds have been diverted from capital into operations, and maintenance has been deferred, and deferred and deferred again.

Protecting working people	
Restore Ministry of Labour	$25 million
Wage Protection Fund	$20 million
Supporting communities	
Community Economic Development	$225 million
Transportation and Transit	$300 million
Native Affairs	$8 million

Estimates of the infrastructure funding shortfall amount to billions of dollars, in every sector of the public economy.

According to Statistics Canada, Ontario's public infrastructure is valued at $240 billion. The Government of Canada owns approximately 12%. The rest — an estimated $211 billion — is either owned directly by the provincial government or owned by transfer payment agencies for which the provincial government is ultimately responsible. Just to maintain this capital stock in a state of good repair through life cycle replacement is estimated to cost 3% of the value of the stock, currently about $6 billion a year. That amount will tend to increase over time as the size of the capital stock grows and as repair and replacement unit costs increase.

That amount doesn't take into account the need for public infrastructure investment to keep pace with growth. Since for most public infrastructure, demand is related to the needs of the economy, we should expect to have to increase the stock of public infrastructure at a rate roughly equal to the rate of real growth in the economy. With long-term real growth at roughly 3%, annual capital expansion requirements will also require an investment of approximately $6 billion, indexed to unit costs.

And these numbers do not address the backlog of deferred maintenance and unmet needs for new facilities created by prior years' funding constraints.

None of this should be surprising.

What is surprising is the failure of successive governments to come to terms with the problem.

Governments are approaching the infrastructure funding problem as if there is some magic, undiscovered pot of money out there that will enable them to avoid paying the political price for years of neglect — as if involvement of the private sector in public infrastructure is some kind of magic bullet for funding shortfalls. Unfortunately for governments trying to avoid tough choices, the idea that private sector involvement will enable governments to avoid costs is an illusion.

Even the starting premise is false. It is not true that the private sector is not now involved in either the construction or the financing of public infrastructure. Almost all infrastructure construction is carried out under contract by private construction companies and builders. And the financing of public infrastructure is generally funded through the issuance of bonds, which are sold in private sector markets.

There are five primary differences between traditional public sector capital investment and so-called public-private-partnerships. First, the private sector developer generally retains some degree of control of the asset for a considerable period of time, often as the exclusive operator. Second, the private sector developer expects to earn a profit over and above normal borrowing costs, and that expectation is build into the financing structure for the project. Third, the private sector developer, as the borrower of the capital needed to fund the project, will pay interest based on its credit rating, which will generally be lower than that of any government-backed agency. That higher interest will be built into the financing structure for the project. Fourth, in some cases income is generated for the project through user fees. Fifth, the cost of the project will not appear on the government's books when the project is completed. Instead, the costs will appear on the books spread out over time as the payments are made under the contract.

Three of these differences are clearly negative. One need only look to Highway 407 for an example of the problems associated with loss of public control. The profit and higher interest costs inherent in P3s amount to paying a private operator for a financing transaction which the government could do itself for substantially less money.

One is neutral. The only obstacle to the government itself levying user charges is political. It would appear that governments interested in P3s believe that the public is more willing to accept a user charge levied by a private operator than one levied by the government.

And the final difference is a quirk of the nonsensical way governments account for capital investments. Under the accounting rules that applied until 2001 in Ontario, all capital spending was counted as a cash cost in the year the investment was made, rather than spread out over the economic life of the asset, as is the practice in the private sector. Even now, with new rules in place for the province's own capital spending, capital funding for transfer payment agencies of the government — municipalities, school boards, universities, hospitals — are still accounted for on a cash basis. The one substantive difference between P3 financing and direct government financing is that P3 financing costs to the government can be spread out over the life of the project.

In other words, with P3s, we are giving up public control and incurring substantially higher costs to deal with an accounting problem.

Until the problem of how to account for and pay for public infrastructure investments is addressed and resolved, governments will continue to face an artificial political obstacle to making those investments, and will continue to be vulnerable to costly and short-sighted public private partnerships that are little more than costly money-laundering schemes designed to make it appear as if taxpayers are not on the hook for the costs.

As an interim arrangement designed to pump substantial additional funding into rebuilding our public infrastructure, the Alternative Budget for 2004-5 proposes a substantial increase in annual allocations for capital investment:

- $250 million per year for clean water investments;
- $925 million per year for social housing investments;
- $500 million per year for college and university capital improvement;
- $250 million per year for school boards to reduce outstanding deferred maintenance;
- $300 million for transit; and
- $1,500 million per year for a general public capital renewal fund.

In total, including the $2.5 billion in annual capital investments in the base budget, the Alternative Budget for 2004-5 calls for a budget allocation of $6,225 million annually, in 2004-5 dollars, adjusted to reflect annual population growth and inflation. If normal cost sharing arrangements can be made with the federal government, this increased funding allocation will have a substantial impact on Ontario's capital investment shortfall.

In addition, the substantial increases in support for local governments will enable municipalities to focus on renewing services, including their capital investment needs. The proposal to return responsibility for housing funding to the province and the gas tax sharing proposal alone will direct more than $1.3 billion into the municipal sector.

Federal – Provincial – Municipal issues

While Ontario's budget and public investment deficits are entirely self-inflicted, thanks to the Harris-Eves era of unaffordable tax cuts, the stark fiscal imbalance in Canada's political system poses a significant long-term problem for the health of our public services.

It has long been said of the Canadian fiscal system that local governments have the responsibility, but not the money; the federal government has the money, but not the responsibility; and the provincial governments sit in the middle. Indeed, intergovernmental fiscal arrangements have been a preoccupation in Canada for most of the country's existence.

Historically, about once a generation, we study ourselves and develop new arrangements between provinces and the federal government designed to address fiscal capacity imbalances both among individual provinces and between the provinces as a group and the federal government.

In the 1960s and early 1970s, we created fiscal arrangements that made possible the development and maintenance of national standards for health, social services and post-secondary education. Federal government budget cutbacks, which began in the mid-1980s and continuing until the late 1990s, destroyed those fiscal arrangements. Federal government transfers to provincial governments shrank dramatically. Provincial governments responded by squeezing their health care systems and pushing responsibilities and costs down onto their transfer payment agencies.

While health care funding is the most prominent issue in federal-provincial fiscal arrangements, it is by no means the only one. The shrinking fiscal equalization program is having a profound negative impact on services in Canada's "have not" provinces. The end of the Canada Assistance Plan and the reductions in federal government support for the unemployed have effectively shifted the burden of economic stabilization onto provincial governments, whose revenue bases are simply not robust enough to cope. Post-secondary educational institutions have been damaged by the exit of the federal government from direct funding. Direct assistance to students is not an adequate response.

Because big city governments sit at the front line in meeting service needs and at the bottom of the food chain when it comes to revenue, all of these issues have come to a head in the demand for a "new deal" for Canada's major cities. Although much lip service has been paid to the idea of a new deal by both the federal and provincial governments, there are ominous signs that even at this stage in the debate, senior governments — most notably the federal government — do not get it.

This is not a problem of "communities", or of "municipalities" in general. It is a big city problem. And it demands responses that recognize that fact.

The allocation of shared gas tax revenue among municipalities and the seriousness with which affordable housing is taken as a financing issue have emerged as powerful symbols. A distribution of gas tax revenue based on expenditures on public transit would demonstrate recognition of these issues as big city issues. A distribution based on population would demonstrate a total lack of understanding of the problem. Likewise, refusing to fund an adequate social housing program indicates a failure to appreciate the nature of the issue.

We believe that these issues must be resolved, on an urgent basis. However, we have not based our 2004-5 budget on the assumption that they will.

Our revenue projections assume that federal health transfer increases will be limited to those already announced and that other federal transfers will increase at the rate of growth of the economy.

Any and all increases in federal funding will be directed towards new public investments. Increased health care funding will be invested in accelerating change in the system: deepening primary care reform; expanding home care; extending Ontario's prescription drug plan.

As a first step towards a rationalization of taxation arrangements, we are proposing to harmonize Ontario's corporate income tax system with the federal system. Tax system transfers for the arts and culture will be converted into targeted grant programs, delivering the same dollars in a much more effective way.

The most regressive single tax change made by the federal and Ontario governments in recent years was the reduction in the capital gains inclusion rate from 75% to 50%. That had the effect of reducing taxes on unearned income by one third. And because gains within RRSPs and gains on principal residences are already totally exempt, the benefit from these changes went almost entirely to very high-income taxpayers.

Mike Harris and Ernie Eves were the drivers of this dramatically regressive change in Canadian taxes. Ontario pushed the federal government into its first stage reduction, to 62.5% and then pre-empted the federal government by reducing its own inclusion rate even more, to 50%.

Unfortunately, it is difficult to turn a race to the bottom into a race to the top. Provinces may be able to start a race to the bottom; it is virtually impossible to reverse the process from the provincial level.

Ontario should pressure the Federal Government to restore the principle that a buck is a buck in Canada's corporate and personal income tax systems. Rather than returning to the 75% inclusion rate, the rate should be increased to 100% with the capital gains base indexed to the cost of living.

If this measure were taken by the Federal Government and followed by Ontario, provincial revenue would increase by at least $1.6 billion.[12] This in turn would enable a $1.6 billion reduction in the size of the OAB 2004-5 tax proposal.

With respect to Ontario's cities, the Alternative Budget makes a substantial down payment on a "new deal".

Under our proposal, Ontario will:

- reassume responsibility for funding affordable housing, at a cost of $850 million annually;
- reinstate the 75% funding formula for public transit capital;
- Transfer over $500 million annually in gasoline and motor vehicle fuel tax revenue to local governments based on public transit expenditures;
- make an annual contribution of $1.5 billion a year to a capital renewal fund, much of which will be directed towards local government initiatives;

- reform and renew the social assistance system, which will alleviate some costs currently borne by local governments;
- restore the ability of school boards to participate fully in supporting services to children;
- implement the recommendations of the Walkerton Inquiry by creating a clean water fund at $250 million per year; and
- provide additional direct funding for the non-profit organizations whose work is so important to developing and maintaining community social infrastructure.

Investing in public services renewal – summary

		Subtotal
Health Care		
Staffing restoration	1,100	
Home Care Reform	600	
Primary Care Reform	300	
Maintain value of current base (3% annual)	837	2,837
Social Assistance		
Set shelter allowance at actual rent (interim)	400	
Increase social assistance basic allowance by 5%	100	
Increase ODSP rates by 5%	120	
Restore National Child Benefit by ending clawback	200	
New investment in job training	250	
Index earnings exemptions in Ontario Works	20	
Increase employment start-up benefit	10	
Exempt RESP savings from asset restrictions	0	
Reserve for comprehensive social assitance reform	575	1,675
Housing		
New Ontario Housing Supply Program 9,300 units)	650	
Federal-Provincial Program (2,400 units)	72	
Social housing rehabilitation fund	200	
Province re-assume responsibility for housing	850	
Rent supplements for new & existing housing (37,000 units)	178	1,950
Early years and child care		
The Early Years Program and $5 a day child care	1,134	1,134
Education -- Elementary and Secondary		
Annual update -- 3%	459	
Actual cost of employing teachers	600	
Actual cost of school operations (1997 updated)	240	
Learning opportunites grant and ESL	306	
Adult education	150	
Rozanski benchmark updating outstanding	520	
Rozanski new investments outstanding	314	
Community access funding	75	
Class size reduction	340	
Cancel province-wide testing program	-50	2,954
Education -- post-secondary		
Universities -- Enrolment increases	202	
Universities -- Infrastructure improvement	450	
Universities -- Move towards national average funding	860	
Universities -- 10% tuition cut	200	
CAATS -- Move towards national average funding	298	
CAATS -- Enrolment increases	85	
CAATS -- Infrastructure improvement	55	
CAATS -- 10% tuition cut	120	
Annual update all budgets -- 3%		
Student Grants Program	135	2,405

Investing in public services renewal – summary

		Subtotal
Environmental Protection		
Restore the capacity of the Ministry of Environment	80	
Restore capacity of Ministry of Natural Resources	150	
Clean Water Fund	250	480
Protecting Working People		
Restore Ministry of Labour	25	
Wage Protection Fund	20	45
Capital Renewal Fund	1,500	1,500
Supporting Communities		
Community social infrastructure.	225	
Transportation and Transit	300	
2 cents per litre of gas tax	418	
Native Affairs	8	951
Increases to sustain real per capita programs not otherwise specified	399	399
Total program funding increase, 2004-5 $		*16,330*
Of which: funding to offset cost and population increases included above		
Health	*739*	
Social Assistance	*106*	
Elementary and Secondary Education	*259*	
Post-Secondary Education	*106*	
Real per capita maintenance, other programs	*399*	
TOTAL cost and population growth offsets		*1,609*
Net new program spending		*14,721*

Section III: Fiscal framework

By the 2004-5 fiscal year, the budgetary impact of the tax cuts introduced and planned by the Harris and Eves governments would have reached $17.6 billion per year, distributed as follows:

- $10.8 billion in personal income tax cuts;
- $4.1 billion in corporate income tax cuts;
- $0.9 billion in Employer Health Tax cuts;
- $1.0 billion in other tax cuts; and
- $0.9 billion in carrying costs for money borrowed to finance tax cut deficits.[13]

Ontario cannot begin to redress the damage caused to its public economy in the Harris-Eves lost years without dealing with the destruction of this province's fiscal capacity that accompanied it. The fact is that, thanks to the tax cuts, the province no longer has the fiscal capacity to pay for the services we need, and without which this province cannot fulfill its promise. No amount of blaming the previous government for the fiscal mess the Liberals inherited — no matter how justified that blame might be — can avoid the harsh fact that, to enable Ontario to reinvest in renewed public services, Ontario's fiscal capacity will also have to be rebuilt.

And no matter how often Premier McGuinty declares that he will not burden Ontario taxpayers with the cost of rebuilding public services in this province, the only way to raise the revenue we need is from Ontario taxpayers.

The tax changes introduced by the McGuinty Government in the fall of 2003, as important as they may be symbolically, are only a start.

We estimate that the Harris-Eves era tax cuts have reduced Ontario's fiscal capacity by nearly $18 billion. However, the extended period of export-led growth that coincided with the first six years of the Harris Government gave rise to substantial growth in Ontario's tax bases. As a result, it is not necessary to replace all of the foregone revenue to bridge the gap between Ontario's fiscal capacity and the funding needed to rebuild public services.

We reject explicitly, however, the suggestion that Ontario's revenue raising capacity can or indeed should be rebuilt through increasing user charges. In the first place, the existing user charge base is not even close to sufficient to solve the problem. A doubling of motor vehicle and drivers' licence fees, LCBO profits and other fees would raise about $3.5 billion — still not enough to solve the fiscal problem. More important, as a recent study by OCUFA has demonstrated, user fees have already been increased substantially by the Harris-Eves governments. It is simply bad public policy to respond to reduced capacity in the progressive taxes in the system by increasing the most regressive sources of revenue in the system.[14]

The OAB fiscal framework for 2004-5 sets out the basis for a substantial reinvestment in public services over a four-year period.

The framework is based on the following goals and assumptions:

- financing of $14.7 billion in renewal investments over a 4-year period;
- maintaining the real, per capita value of the spending base as it existed in 2003-4;
- real economic growth for 2004 and 2005 as forecast by the five largest chartered banks in their fall, 2002 forecasts and 3.0% per year thereafter;
- an increase of 0.45% in Ontario's growth rate in 2005 and 2006 as a result of the simulative effect of the implementation of the Alternative Budget;
- inflation as forecast by the chartered banks for 2004 and 2005, and 2% thereafter; and
- a balanced budget by the fourth fiscal year.

For the purposes of this forecast, we have assumed that the deficit for 2003-4 will be as estimated in Ontario Finances for the 3rd Quarter of 2003-4. Recent reports that the deficit for 2003-4 may reach $8 billion will not affect these projections because any revisions will involve one-time-only reductions in outstanding liabilities.

The key economic assumptions, on a calendar year basis, are presented in table 3.

Over the four-year period, the framework provides for renewal investments of $14.7 billion in 2004-5 dollars, while maintaining the real, per capita value of the 2003-4 expenditure base.

Our plan will wipe out a substantial fiscal deficit and restore Ontario's public economy to 14.5% of GDP — still slightly below the 14.9% average share in the 20 years before the Conservatives were elected in 1995, under governments of all three major political parties.

Our plan calls for the implementation of the proposed new investments gradually over the four years: 50% of those investments in 2004-5 and the remainder spread over the subsequent three years. Correspondingly, approximately 50% of our proposed $10.1 billion ($ 2004-5) in revenue recovery would be implemented in 2004-5 with the spread over the

Table 2: Economic assumptions[15]

	2004	2005	2006	2007	2008
Real GDP	2.7%	3.65%	3.65%	3%	3%
Inflation	1.6%	1.8%	2.0%	2.0%	2.0%
Nominal (real + inflation)	4.30%	5.45%	5.65%	5.00%	5.00%
Population	1.00%	1.00%	1.00%	1.00%	1.00%
10-year Government Bonds	5.1%	5.60%	5.80%	5.80%	5.80%

Table 3 — Fiscal framework summary (all figures $billion)

OAB 2004-5 fiscal framework					
	2003-4 Projected	2004-5 Projected	2005-6 Projected	2006-7 Projected	2007-8 Projected
Revenue	69.5	80.1	86.3	93.2	99.2
Program & Capital	64.4	72.8	78.2	84.1	88.2
Interest	10.0	10.3	10.2	10.0	10.0
Contingencies	0.7	1.0	1.0	1.0	1.0
Balance	(5.6)	(4.0)	(3.0)	(2.0)	(0.0)

Table 4 – Phase-in summary (all figures $ billion)

Phase-in of revenue measures and investments	2004-5	2005-6	2006-7	2007-8
Revenue				
Current value of total ($ billion)	10.1	11.0	11.4	11.7
% implemented	54%	61%	84%	100%
$ implemented ($ billion)	5.4	6.7	9.6	11.7
Investments				
Current value of total	14.8	15.2	15.7	16.1
% implemented	50%	67%	90%	100%
$ implemented ($ billion)	7.4	10.1	14.1	16.1

following three years. To the extent that economic growth exceeds our conservative assumptions, and revenue runs ahead of projections, the full revenue recovery package will not be required and will not be fully implemented.

Section IV: Financing the fiscal framework

The revenue recovery measures required by our budget framework are significant. These measures are required to eliminate the two substantial deficits left behind by the Harris-Eves era: a multi-billion dollar fiscal deficit; and a debilitating public services investment gap.

Approximately one third of our proposed revenue recovery package will be devoted to the elimination of the on-going portion of the 2003-4 deficit. The remainder will fund the 60% of our proposed new investments that cannot be funded from economic growth.

Revenue package

The OAB revenue package for 2003-4 to 2004-5 is based on the following objectives:

- generate the revenue needed to finance services renewal;
- ensure that all Ontario taxpayers share in the financing of public services renewal through the personal income tax.
- spread tax increases over the four-year period;
- reverse the Harris Government's race-to-the-bottom legacy of concessionary corporate tax rates, restoring rates to their pre-2000 levels;
- establish a structure for the Employer Health Tax that reflects the substantial benefit to ALL Ontario employers from publicly funded health insurance;
- reaffirm commitment to progressive taxation with a new tax brackets applicable to income in excess of $100,000, 2% above the current top bracket

All Ontarians have paid a price, in reduced or deteriorating public services, to achieve the Ontario Conservatives' single-minded goal of reducing taxes. And we believe that all Ontario taxpayers can and should share, based on their ability to pay, in the additional costs that will be incurred as we rebuild public services.

Much of the additional fiscal capacity we need can be recovered by stabilizing corporate income tax rates that should never have been cut in the first place.

We will introduce fairness into the system for funding health care by ensuring that every employer makes a contribution to the health care system through a flat rate employer health tax. We will target a fixed 25% share of health care costs to be funded from the EHT, moving towards that target over a four-year period.

We believe that a portion of the cost should be generated through increases in the Personal Income Tax — increases that would be paid by all Ontarians, based on their ability to pay.

Spreading the renewal of public services over a two year period means that it does not require substantial additional sources of revenue to get us back on a sustainable track. The recommended tax increase is modest: an increase in all personal income tax rates of 5%. This is a very important element of the OAB

Table 5: Sources of additional revenue

Revenue measures ($ million)	2004-5 $
Personal income tax	2,295
Employer Health Tax	3,096
Corporate income tax rates	2,267
Corporate income tax loopholes	1,157
Gasoline and motor vehicle fuel	418
Tobacco	463
Tax administration	418

in that it acknowledges that, since everybody benefits from a better public economy, everybody, who is able, should pitch in to help rebuild it. That means all taxpayers have a role to play.

In addition, to offset some — but by no means all — of the exceptional tax reductions provided to high-income Ontarians by the Conservative government, we call for a marginal tax rate increase of 2% for income in excess $100,000 per year.

These changes will restore about 40% of the personal income tax cuts implemented by the Harris and Evens Governments between 1996 and 2003.

Corporate tax rates will be rolled back to their 2000 level and Ontario's corporate income tax base will be harmonized with the federal base, eliminating approximately $1.1 billion in Ontario-only tax expenditures. A further $200 million in tax expenditures directed towards the arts and culture will be converted into targeted grants.

Tobacco taxes will be increased to the western Canadian standard of $32 per carton.

Motor vehicle fuel and gasoline taxes will be increased by 2 cents per litre to generate revenue for sharing with municipalities for transit.

The revenue package is summarized in table 5.

Revenue summary

Personal Income Tax

- A 5% increase in each Ontario tax rate;
- Introduce a new tax bracket 2% above current maximum on income in excess of $100,000.

Corporate income tax rates.

- Restore corporate income tax rates to levels existing prior to 2000.

Corporate tax expenditures

- Reduce cost of Harris-Eves era corporate tax expenditures by eliminating some and converting others to direct grants, reducing the total cost of tax expenditures in excess of those provided for in the Federal Corporate Income Tax by 80%.

Employer Health Tax

- Immediately eliminate graduated rate structure and replace it with a flat rate tax of 1.95% on all payroll, and on the incomes of self-employed individuals and over a four-year period phase in a tax rate sufficient to cover 25% of health care operating costs (estimated rate, 2.7%).

Examples of personal income tax impacts

Income level	*Impact of PIT changes*
$35,000	$80 increase
$50,000	$150 increase
$100,000	$650 increase
$185,000	$4,000 increase

Tobacco taxation

- Increase tobacco taxes by $5.00 per carton, putting Ontario among the Canadian leaders in pricing tobacco as a disincentive for smoking.

Motor vehicle fuel taxation

- Increase motor vehicle fuel tax by 2 cents per litre.

Revenue recovery from tax administration

- Following up from repeated recommendations by the Provincial Auditor, generate 1% more revenue from the existing tax system through tougher enforcement.

Appendix I:
Additional background on revenue measures

Personal income tax

The OAB 2002-3 proposal is for two new income tax measures:

- Increase each tax rate by 5% — for example, the bottom rate would increase from 6.05% to 6.35%.
- Add a new 2% tax bracket on incomes over $100,000.

Paying for health care — the Employer Health Tax

When the Ontario Employer Health Tax (EHT) was introduced in the late 1980s as a replacement for OHIP premiums, it included a graduated rate structure. The rate was 0.98% for employers with total payrolls of less than $200,000, increasing on a graduated scale to 1.95% on payrolls exceeding $400,000.

It was the only payroll tax levied in Canada with a graduated rate structure. In its analysis of the tax, the Ontario Fair Tax Commission concluded that the graduated structure in place at the time was not appropriate. Although it was presumably designed to provide relief to small business, benefit from the rate structure concession actually bore very little relationship to the size or nature of a business or its ability to pay the tax.

The fact that payroll taxes tend to be shifted back onto employees raised further questions about the fairness of the system.

Since the graduated rate was based on total payroll rather than the pay of individual employees, an individual earning $200,000 a year in a oneemployee business would pay the preferential rate whereas a minimum wage employee in a supermarket would pay the full rate. In its first budget, the Harris Government compounded the unfairness. It replaced the graduated structure with a blanket exemption for the first $400,000 of annual payroll. In addition to being unjustifiable on fairness grounds, ironically, this exemption is not even primarily of benefit to small business.

The Fair Tax Commission's analysis of the Employer Health Tax found that two thirds of the benefit from an exemption for the first $100,000 of payroll would go to employers with annual payrolls in excess of $400,000. Using data from the same Fair Tax Commission Technical Paper on the EHT, we estimate that the Harris Government's EHT exemption reduces EHT revenue by a total of $893 million in 2003-4 compared to what would have been raised on the preCSR graduated scale. More than 54% of the benefit from the Harris exemption went to employers with payrolls in excess of $400,000 a year.

In addition to the problems of fairness and targeting of the EHT exemption, there is a further problem in principle. Public health insurance is not only a major benefit to Canadian individuals and families, it is also a significant competitive advantage for Canadian business. The EHT is the only tax levy that reflects in any way that competitive advantage, and in fact covers only a fraction of the cost of OHIP.

Eliminating the Harris Government's EHT exemption give-away and moving to a single rate of EHT would raise an additional $1.1 billion. This change would take effect with the 2004-5 budget.

Thereafter, the tax rate would be adjusted and reviewed annually to maintain a 25% ratio between EHT revenues and provincial budgetary expenditures on health care, lagged by one year. The EHT rate will be adjusted to achieve this target over a four-year period. We estimate that the rate required to achieve the 25% target in 2007-8 will be 2.7% compared with the current rate of 1.95%.

Corporate income taxation

The Harris Government has proudly declared its intention to start, and win, a race to the bottom in corporate taxation in North America.

There is no evidence that this policy will have any impact, other than to deprive the people of Ontario of revenue from the profit-making activities that take place here and to reduce the contribution of the corporate sector to the financing of the public services on which much of their earnings potential depends.

Information tabled as part of the 2003 Federal Budget shows that corporate tax rates in Ontario are already below those in the key competing jurisdictions in the United States.

All corporate tax rates — including the small business rate — will be maintained at their levels prior to January 1, 2000.

In addition, all of the many corporate tax give-aways — corporate tax expenditures — of the Harris-Eves era will be reviewed and either eliminated or converted into equivalent, publicly accountable grant programs, at a cost savings of 80%.

Tobacco taxation

In the early 1990s, the tobacco industry persuaded the Government of Canada that high taxes on tobacco products in Canada were giving rise to a massive increase in tobacco product smuggling. According to tobacco industry reports, Canadian_manufactured cigarettes exported to the United States and smuggled back into Canada were taking up a substantial proportion of the market for Canadian cigarettes.

Despite widespread evidence that steady increases in tobacco taxation over the years had a real impact on smoking by young people, the Federal Government met the industry's request and reduced its taxes. But rather than simply lower federal excise taxes on cigarettes, the Federal Government chose to lever corresponding reductions in provincial taxes. In provinces that chose to lower their taxes, federal taxes would be reduced. In provinces that did not choose to give the industry a break, there would be no federal tax reduction.

Ontario reduced its taxes, as did Quebec. Other provinces either reduced taxes by lesser amounts, or did not reduce taxes at all.

It is now evident that this policy shift was a significant mistake. Tobacco use by young, firsttime smokers is on the increase. The promised dramatic reductions in smuggling activity did not materialize, and to the extent that smuggling has declined, the change has been attributed to other factors.

The Federal Government signalled its view that this policy was a failure by restoring a portion of the tax that was cut in 1993 and by taking the tobacco industry to court.

Ontario has been moving gradually to recover revenue lost in the early 1990s. The Liberals have made a commitment to move Ontario's tobacco taxation levels to the current Canadian average. The problem with that strategy is that Ontario itself brings the average down. We believe that Ontario should be a leader in Canada in all aspects of tobacco policy, including taxation. Ontario's rates should be increased beyond the Liberals' promise to match the $32 per carton rate in Alberta, BC and Saskatchewan.

That would raise just over $500 million.

Gasoline tax

To offset a portion of the subsidy currently provided for road use and urban sprawl, and to generate the additional revenue required for revenue sharing for urban transit, the gasoline and motor vehicle fuel taxes will be increased by 1 cent per litre, raising approximately $410 million.

Endnotes

1 See below, health care section.

2 Because the government has not restated its revenue and expenditures to reflect the integration of electricity sector expenses for years prior to 2002-3, the currently stated revenue and expenditure shares of GDP are not comparable to the historical data. For the purposes of comparison, current data are adjusted to reflect a basis consistent with historical measures.

3 Source: Department of Finance, Ottawa, unpublished data, October 2002.

4 "Medicare Study Challenges Crisis Scenario", *The Globe and Mail*, 15 April, 2004.

5 Toronto Health Coalition Submission, Ontario Pre-Budget Consultations, Toronto, February 11, 2004

6 ibid, p.6

7 "Notes Concerning Bill 8 The Commitment to the Future of Medicare Act" Ontario Council of Hospital Unions Brief to the Standing Committee on Justice and Social Policy of the Ontario Legislature, February 12, 2004.

8 Sack Goldblatt Mitchell, Analysis of the Effect of Bill 8 Amendments on the Validity and Enforceability of Collective Agreements, March 11, 2004.

9 Doris Grinspun Speaking Notes: Standing Committee on Finance and Economic Affairs, Pre-Budget Hearings, February 11, 2004.

10 Secrets in the House: Home Care reform in Ontario: 1997-2000. Ontario Health Coalition, 2001

11 Ontario Health Coalition Backgrounder, Home Care, November , 2003.

12 $1.6 billion is the estimated cost in 2004-5 of the reduction in the inclusion rate from 75% to 50%.

13 OAB estimates: variance from Department of Finance results from the fact that the OAB estimate is a more comprehensive estimate of cuts.

14 Choose Change or Loose Change: User Fees are so 20th Century - April 2004, Vol.5 No.2

15 Not including growth impact of OAB of 0.45% in 2005 and 2006.

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