

## **Provincial Budget Update March 27, 2012**

The Hon. Minister of Finance, Dwight Duncan today delivered the Liberal government's 2012-13 budget; *Strong Action for Ontario*.

The focus is to achieve a balanced budget by 2017-18 through a five-year plan that focuses heavily on a priority commitment to education and healthcare, significantly reducing program spending and containing costs across the public service sector. For every \$1 in new revenues collected in 2012, there is \$4 of expense measures being taken.

The government has noted that debt interest payments is the 3<sup>rd</sup> largest expense in the budget and has found measures that will reduce borrowing by more than \$3 billion over 6 years. The annual cost of servicing the debt is approximately \$10 billion. For every 1% increase in interest rates, the cost to service the debt increases by \$467 million in the first year of the increase.

The full budget paper is on the GTHA website at: [www.gtha.com](http://www.gtha.com)

### Fiscal Outlook & Deficit Reduction

- \$17.7 billion of savings and actions to contain costs over the next 3 years through reductions in program spending and \$4.4 billion of revenue raising measures
- Annual growth in program spending will be held at 1% between 2011-2012 and 2014-2015
- Deficit for 2011-12 projected to be \$15.3million; 2012-13 projection is \$15.2 million, 2014-15 projected at \$10.7 billion
- Economy is growing at a slower pace than projected in the 2011 budget
- 2011-12 per capita spending at \$8,560 is the lowest amongst the provinces
- Real GDP increased by 1.8% in 2011. Projected growth is 1.7% in 2012, 2.2% in 2013, 2.4% in 2014 and 2.5% in 2015
- Employment is projected to increase by 0.9% in 2012, or 59,000 new jobs. By 2012 projections are 360,000 net new jobs
- Oil prices will continue to be high due to political instability through 2015
- Canadian dollar is expected to remain close to parity over the medium term
- Interest rates are expected to rise gradually to 2015

### Tourism

- Ontario currently provides \$2 billion in annual program support to businesses including tax expenditures through more than 40 different programs across 7 ministries
- The government will consolidate these programs into one "Jobs & Prosperity Fund" that will focus on supporting productivity growth and job creation
- All business support programs are under review. The support programs that do not fit the new productivity focus will be wound down for savings of \$250 million in 2014-15
- Luminato festival funding will be reduced over the next 2 years

- The Convention Development Fund program will be sunsetted 1 year early in 2013-14.
- OTMP's internal review has produced savings of \$3.5 million to be realized over the next 3 years
- As announced previously, Ontario Place will be partially closed for revitalization to be completed by 2017
- Pan/Parapan Games construction of athlete village is on track and on budget for 2015 games
- Funding renewal to tourism agencies such as St. Lawrence Parks Commission will be flatlined
- 7 cultural attraction agency operating grants will be reduced over 3 years starting in 2012. Of note, the Art Gallery of Ontario, McMichael Canadian Art Collection, Ontario Heritage Trust, Ontario Science Centre, and the ROM are affected.
- Closure beginning in 2012 of 7 Ontario Travel Information Centres to focus on online travel marketing activities
- Reductions in capital funding for Ontario Parks for infrastructure repairs and improvements

#### Infrastructure

- Delaying and cancelling previously approved infrastructure projects such as highway expansion and HOV lanes to reduce borrowing by over \$3 billion
- Ministry and Metrolinx work on highways and GO Transit funding will be reduced by \$1.4 billion over the next 6 years

#### Labour

- The Ontario Labour Relations Board transitions to part-time board members anticipating a reduction in hearing wait times
- Solvency funding relief for private-sector pension plans will be extended
- Interest arbitration legislation is proposed to encourage transparency in collective bargaining outcomes. Submission hearings will be heard from employers and stakeholders

#### Training

- 30% Off Ontario Tuition Grant continues for eligible post-secondary students
- Strengthening apprenticeship training to ensure completion of programs and make them responsive to today's job market needs

#### Tax

- Freeze on planned tax reductions to Corporate Income Tax at 11.5% as of July 1, 2012 until budget is balanced
- Freeze to Business Education Tax in 2013 until budget is balanced
- No new tax increases

#### Other Areas of Note

- Ministry of Economic Development & Innovation is capping funding under the Ontario Research Fund
- Processing of Private Security Licences will be handled by alternative service providers beginning in 2013
- Ministry of Finance through the Ontario Municipal Fiscal & Service Delivery Review will continue to honour its commitment to uploads which will potentially avoid municipal property tax increases
- Capping of discounts in Ontario Clean Energy Benefit at 3,000kWh eligibility

The GTHA will continue to review the budget and its implications for the hotel industry. For more information, please contact the GTHA office at 416-351-1276.