



MUNICIPAL FINANCE
OFFICERS' ASSOCIATION
OF ONTARIO

PROVINCIAL BUDGET 2021 – ONTARIO'S ACTION PLAN: PROTECTING PEOPLE'S HEALTH AND OUR ECONOMY

Date: March 24, 2021

1. BUDGET SUMMARY DOCUMENTS

Click here for the [2021 Provincial Economic and Fiscal Update](#), [Highlights](#), and [News Release](#).

2. PROVINCIAL SUMMARY 2021 PRIORITIES

Ontario's Action Plan: Protecting People's Health and Our Economy includes \$173B in spending with a deficit of \$33.1B in 2021/22. The 2021 budget brings Ontario's total COVID-19 Action Plan spending to \$51B, focusing on health, Ontario's economy, and economic recovery for people and businesses (p. ix).

The 2021 budget focuses on two themes:

- Protecting People's Health
- Protecting Our Economy

3. MUNICIPAL HIGHLIGHTS

The 2021 budget includes summaries of prior commitments as well as some new announcements.

PROPERTY TAX AND ASSESSMENT SYSTEM

- Further postponing the property tax reassessment. The government will be seeking input from municipalities, taxpayers and interested stakeholders regarding the timing and valuation date for the next reassessment. (p. 121).
- Outcomes from the Property Assessment and Taxation Review will be communicated in fall 2021 (p. 121).

INFRASTRUCTURE

- Investing an additional \$2.8B in broadband connectivity on top of the \$1.2B previously committed (p. 68).
- Investing \$200M to fund larger sport and community infrastructure projects to address some unmet demand of Investing in Canada Infrastructure (ICIP), the Strategic Priorities and Infrastructure Fund will be delivered in two streams:
 - The Priority Local Infrastructure Stream for the multi-purpose facilities, and

- The Sport and Community Renewal Stream for maintenance and renovations (p. 88).
- Doubling the Indigenous Community Capital Grants Program to \$6M annually (p. 116).

HOUSING

- \$18.5M over three years, beginning in 2021/22, in the Transitional Housing Support Program, to support victims of domestic violence and survivors of human trafficking to find and maintain affordable housing (p. 61).
- \$13M over three years, beginning in 2021/22, to assist people with developmental disabilities in accessing community housing and expanding the Adult Protective Service Worker program (p. 61).

COVID-19

- \$1B in financial relief for municipalities, including:
 - \$500M in additional provincial funding to support municipal operating pressures and recovery in 2021;
 - \$255M in new provincial funding through the Social Services Relief Fund to support municipal service managers and Indigenous program administrators in immediately responding to rising COVID-19 caseloads in shelter settings, and
 - \$150M in additional provincial funding to support municipal transit systems in 2021, including expanded eligibility for municipal–provincial priorities such as fare and service integration and on-demand microtransit (p. 120).

4. OTHER INITIATIVES

HEALTHCARE

- \$700M in additional financial assistance to public hospitals across the Province. This funding for working funds deficits will support eligible public hospitals, with a focus on small and medium hospitals as well as specialty and rehabilitation hospitals (p. 49).
- As previously announced, \$1B in previous investments for a provincewide vaccination plan, as well as \$2.3B for testing and contact tracing (p. 29).
- As previously announced, the Province has spent \$1.4B in personal protective equipment (PPE) (p. 33).
- As previously announced, \$1.8B in 2021/22 to continue providing care for COVID-19 patients, address surgical backlogs, and address patient needs (p. 35).
 - \$760M to support more than 3,100 hospital beds to provide care for COVID-19 patients and other patients;
 - \$300M to reduce surgical backlogs from delayed or cancelled surgeries and procedures due to the pandemic; and,
 - \$778M to support hospitals to address patient needs and increase access to high quality care. Funding will support four key areas: caring for a growing and aging

population; supporting hospital beds; providing clinical services; and specialty psychiatric hospitals, specialty children's hospitals, and small hospitals (p. 48).

- An additional \$50M in 2021/22 to the Ontario Together Fund to help manufacturers retool their operations to produce PPE, critical supplies and equipment, and develop technology-driven solutions and services for businesses to reopen safely (p. 34).
- \$933M over four years to support building 30,000 new long-term care beds (p. 41).
- \$246M over four years to improve living conditions in existing long-term care homes, including improvements like air-conditioning (p. 43).
- \$650M in 2021/22 to protect long-term care homes, including increasing staffing and improve infection prevention and control practices (p. 40).
- \$4.9B over four years to increase the average direct daily care to four hours a day in long-term care and hiring more than 27,000 new positions, including personal support workers and nurses (p. 43).
- As previously announced, the Province is investing in hospital expansion and construction projects, including a new inpatient wing at William Osler Health System's Peel Memorial, a new regional hospital in Windsor-Essex, as well as new children's treatment centres in Ottawa and Chatham-Kent (pp. 28, 53).
- An additional \$175M in 2021/2022 for the Roadmap to Wellness, providing mental health and addiction support services. This is part of the \$3.8B provincial investment over 10 years for the program (p. 54).
- \$8.4M over three years in a crisis call diversion program. This program will offer immediate support for individuals experiencing a mental health crisis, which may include diversion to appropriate mental health services. Mental health workers will be embedded in Ontario Provincial Police (OPP) communications centres to provide support to individuals facing a mental health crisis, offer referrals and help people find and access existing services (p. 55).
- \$12.5M over three years to enhance mental health services available to OPP staff (p. 55).
- An additional \$234.9M over three years to ensure patients can access vital blood products, particularly plasma. The Province plans to open an additional six dedicated plasma collection sites to sustain the demand (p. 52).
- An additional \$50M in 2021/22 for Infection Preventing and Control funding (p. 52).

SOCIAL ASSISTANCE

- Opening a third payment round, and doubling the previous payment, for qualifying parents in its Support for Learners program, estimated at \$980M (p. 69).
- Proposing a 20% top up to Childcare Access and Relief from Expenses (CARE) tax credit, totaling an estimated \$75M (p. 66).
- Introduced Seniors' Home Safety Tax Credit providing \$30M in support to seniors (p. 67).

SAFETY

- \$2.1M over three years to support victims of crimes such as domestic violence and human trafficking (p. 63).
- \$18.2M over three years to help address violence against First Nations, Inuit, and Métis women and girls (p. 64).
- \$1.6M over two years to support the Anti-Racism and Anti-Hate Grant program, which will support community based anti-racism initiatives focusing on anti-Black racism, anti-Indigenous racism, anti-Semitism, and Islamophobia (p. 64).

TOURISM AND CULTURE

- Investing additional \$400M over the next three years to support tourism, hospitality and culture industries (p. 86), which includes:
 - New Ontario Tourism and Hospitality Small Business Support Grant which provides one-time payments of \$10K to \$20K for business that experienced at least a 20% decline in revenue and have fewer than 100 employees (p. 86).
 - New Ontario Tourism Recovery Program, \$100M program targeting historically successful tourism business impacted by the pandemic (p. 87).
 - New \$150M tax credit covering 20% of eligible Ontario tourism expenses to encourage residents to travel within Ontario when it is safe to do so (p. 87).
 - \$15M increase in funding to Regional Tourism Organizations (p. 87).
 - \$10M increase in funding to support the arts community impacted negatively by the pandemic (p. 87).
- Creating a \$50M grant program for cultural and faith-based organizations impacted by the pandemic (p. 68).
- One-time \$10M grant program to help wineries and cideries impacted by lockdown measures (p. 91).

EMPLOYMENT AND SMALL BUSINESS

- Ontario Small Business Support Grant has been renewed for a second round providing an estimated \$1.7B in support in addition to the \$1.7B already provided (p. 82).
- Introducing a temporary Ontario Jobs Training Tax Credit, which would cover 50% of eligible training expenses, up to \$2,000, in 2021 (p. 74).
- Temporarily increasing the Regional Opportunities Investment Tax Credit by an additional \$61M to further encourage business investment in some regions of the province with lower employment growth (p. 95).

- Increased employment and training supports including:
 - Increasing the Skills Development Fund by \$85M to help training and employment organizations assist workers (p. 75).
 - \$117.3M investment to assist women, racialized individuals, Indigenous peoples, youth and people with disabilities, whose employment status has been most impacted by the pandemic (p. 75).
 - \$157.2M to provide career counselling and training to those in the hardest hit sectors (p. 75).
 - \$60.8M for training providers and colleges to upgrade digital infrastructure to better serve remote students (p. 75).
 - \$194M in additional training and employment supports (p. 75)
- Investing an initial \$5M to develop a new suite of digital services to complement the existing services delivered through Employment Ontario (p. 76).
- Additional \$2M investment to develop a digital passport as a mechanism for participants in its micro-credentials strategy to share progress with prospective employers (p. 76).
- Investing \$288.2M in its Skilled Trades Strategy including:
 - \$39.6M over three years in the Specialist High Skills Major Program, providing students in grade 11 and 12 with the opportunity to gain job-ready skills (p. 77).
 - \$3M over three years in a pilot bursary program for skilled trades (p. 77).
 - Expanding the Ontario Youth Apprenticeship Program to include a grade 10 summer learning opportunity (p. 77).
- Increasing investment to Digital Mainstreet Program by \$10M to support small businesses with digital expansions (p. 83).
- \$3.9M investment to improve technology at Provincial parks to enhance visitor experience (p. 88).
- Creating the Invest Ontario Program, a \$400M investment over four years, designed to increase investment in key sectors of advanced manufacturing, technology, and life sciences (p. 92).
- \$56.4M investment over the next four years to create the Ontario Vehicle Innovation Network to accelerate the development of electric, connected, and autonomous vehicle and mobility technologies (p. 108).
- \$1M investment to create the Ontario Made program to promote Ontario-made products to consumers (p. 109).
- \$10M investment to extend the Enhanced Agri-food Workplace Protection Program, designed to protect workers in the Agri-food sector (p. 110).
- \$5M commitment for 2020/21 for a one-year extension to Agri-Recovery initiatives (p. 110).
- \$5M commitment over the next two years to create the Junior Minor Exploration Program, to support economic growth in Rural and Northern communities (p. 111).

OTHER

- An additional \$381M, through the federal Safe Return to Class Fund, to improve ventilation and air quality in schools. This includes up to \$700M through the COVID-19 Resilience Stream as part of the ICIP funding (p. 60).
- Investing \$40M over two years to improve remote learning technology in schools (p. 78).
- \$14B in capital grants to schools over ten years, including \$1.4B in 2021-22 (p.78).
- Increasing the Covid relief fund for Francophone non-profits by \$1M (p. 116).
- \$3M over three years for Francophone community organizations and small businesses (p. 116).

5. PROVINCIAL ECONOMY

OVERVIEW

- Uncertainty remains high as the evolution of the pandemic continues to represent the main risk to Ontario’s economy. Widespread vaccination presents an opportunity for a return to more normal economic activity, but risks remain due to new variants of COVID-19 and uncertainty related to the future path of the pandemic (p. 145).
- Key economic indicators have rebounded since the first half of 2020. Wholesale trade is now above it’s pre-pandemic level, while other indicators such as manufacturing sales, retail sales, and merchandise exports are close to their pre-pandemic levels (p. 136).
- Overall, private-sector economists have forecasted that Ontario’s economy will grow over the next four years, with average projections forecasting real GDP to grow 4.4% in both 2021 and 2022 (p. 137). Medium-term private-sector forecasts range widely, reflecting the heightened uncertainty of the pandemic (p. 139).
- Demand for housing has been strong during the COVID-19 pandemic, supported by low interest rates. Home resales rose 8.7% in 2020, representing the second-highest volume of sales on record. The average Ontario resale home price rose by 16% as well (p. 144).
 - Home resales are projected to rise 5.5% in 2021, and average home resale price to increase 7.5% (p. 144).

INFLATION (P. 129)

- Inflation is expected to reach 2.0% in 2022.
- The Bank of Canada has committed to keeping its policy interest rates unchanged until its 2.0% inflation target is achieved. Consistent with this, the three-month Treasury Bill rates are expected to remain low through 2023. The 10-year bond rate is projected to rise over the projection period to 2.4% in 2024.

%	2018	2019	2020	2021	2022	2023	2024
CPI inflation	2.4	1.9	0.7	1.7	2.0	2.0	2.0

INTEREST RATES (PP. 139-140)

- The three-decade decline in interest rates has meant interest on debt has not risen as quickly as Ontario's debt (p. 192).

%	2018	2019	2020	2021	2022	2023	2024
3 Mo. Treasury Bill rate	1.4	1.7	0.4	0.2	0.2	0.5	1.1
10 Yr. Canada Bond rate	2.3	1.6	0.7	1.0	1.4	1.8	2.4

GDP (PP. 130, 141)

- Ontario's real GDP is expected to decline by 5.7% in 2020, then rise by 4.0% in 2021 and 4.3% in 2022 before moderating to 2.5% in 2023 and 2.0% in 2024.
- In terms of Global real GDP, all G7 countries experienced growth in the second half of 2020. Despite this growth every G7 country remains below their pre-pandemic level of real GDP.

%	2018	2019	2020	2021	2022	2023	2024
Real GDP	2.2	2.1	(5.7)	4.0	4.3	2.5	2.0
Nominal GDP	4.1	3.8	(4.8)	6.2	6.4	4.5	4.0

EMPLOYMENT (PP. 129-134)

- The global pandemic had a significant impact on jobs in the province. Between February and May of 2020, employment declined by 1,134,700, while the unemployment rate increased to 13.5%. Between May 2020 and February 2021, employment increased by 829,400 net jobs. Overall employment remains 305,300 below the February 2020 level (p. 132).
- Despite the relatively strong initial rebound in employment compared to past recessions, recovery has been partial and uneven. Some industries, such as manufacturing, are above pre-pandemic levels, while others such as accommodation and food services are well below pre-COVID-19 levels of employment (p. 133).

%	2018	2019	2020	2021	2022	2023	2024
Employment Growth	1.6	2.8	(4.8)	4.2	3.0	2.2	1.6

HOUSEHOLD INCOME AND DEBT (P. 135)

- Higher overall household disposable income and lower spending in the second quarter of 2020 led to a significant increase in household savings, which reached a record \$148B before easing to \$74B in the third quarter.

CANADIAN DOLLAR (P. 140)

- Having declined from 77 cents US to 69 cents US in early 2020, the Canadian dollar has risen recently and is projected to appreciate gradually over the next three years.

6. PROVINCIAL FINANCES

REVENUE (PP. 151-182)

- Ontario is projecting \$154.0B in total revenue in 2021/22 up from \$151.8B in the 2020/21 fiscal year, a 1.5% year-over-year increase (p. 159).
- The Province expects taxation revenue to reach \$104.8B in 2021-20 up from \$99.1B in 2020/21, a 5.8% increase (p. 159).
- In a slow growth scenario, taxation revenue would reach only \$103B (p. 162)
- Compared to the 2020/21 fiscal year, the Government expects increased revenue for most sources in 2021/22. The exceptions are the Education Property Tax revenue which is forecasted to decline by \$0.2B, or -3%, and transfers from the Government of Canada revenue which is expected to decrease by \$6.3B, or -19% (p. 159, Table 3.5).
- The largest year-to-year revenue growths are expected in the corporations' tax revenue which is expected to increase by \$3B (26% more compared to 2020/21), and revenue from Government Business which is forecast to generate \$0.6B more compared to 2020/21, a 15% annual increase (pp. 159-160).
- The economic factors that have the highest impact on the total revenue forecast are nominal GDP, the compensation of employees, and household consumption expenditures (p. 161).

EXPENSE (PP. 151-182)

- The Province expects total expenses to decline to \$186.1B in 2021/22 from \$190.3B in 2020/21, a 2.2% year-over-year reduction (p. 163).
- The reduction of total expenses is mainly due to the reduction in COVID-19 Time-Limited Funding which will only reach \$6.7B in 2021/22 compared to \$20.1B in 2020/21. This represents a reduction of \$13.4B, or -66% (p. 163).
- Conversely, expenses in base programs are planned to reach \$166.3B in 2021/22 up from \$157.7B in 2020/21, a 5.5% increase (p. 163).
- The largest expense increase is planned for the health sector programs in which the Provincial Government plans to spend \$3.1B more in 2021/22 compared to 2020/21, an increase of 4.6% (p.163)
- The lowest increase is planned for the Children's and Social Services Sector programs which will only see a \$0.1B expenses increase, or 0.6% (p. 163).
- The factors that could most impact total expense are changes in health spending and hospital costs (p. 170).

DEBT (PP. 185-202)

- Ontario plans to borrow \$54.7B in 2021/22 down from \$59.0B in 2020/21 (p. 186, Table 4.1)
- Borrowed funds in 2021/22 will be primarily used to fund deficits (\$33.1B) and refinance maturing debt (\$26.7B) (p. 186).
- The total debt of Ontario is expected to reach \$450.6B in 2021/22 up from \$414.9B in 2020/21 (p. 201).
- The net debt, equal to total debt netted of financial assets held by the Province, is forecast to reach \$439.8B in 2021/22 up from \$399.5B in 2020/21 (p. 201).
- As a result, the net debt-to-GDP is expected to reach 48.8% in 2021/22 up from 47.1% in 2020/21 (p. 198)
- Ontario is forecast to pay \$13.1B in interest costs in 2021/22 up from \$12.5B in 2020/21 (p. 181).
- The interest costs are forecast to represent 8.5% of total revenue in 2021/22 up from 8.2% in 2020/21 (p. 200).
- Ontario's average cost of borrowing in 2021/22 is forecast to be 1.90% up from 1.60% in 2020/21 (p. 193).

DEFICIT (P. 186)

- The Province expects to have a \$33.1B deficit in 2021/22 down from \$38.5B in 2020/21. Over the medium term, the government projects steadily declining deficits of \$27.7B in 2022/23 and \$20.2B in 2023/24 (p. 181).
- The Province is not projected to return to a pre-COVID-19 deficit until 2027/28 under its current projections (p. 3).

Medium-Term Fiscal Plan and Outlook (\$B)

Table 3.1 p. 153

	Actual 2019/20	Current Outlook 2020/21	2021/22	2022/23	2023/24	% change 2021- 2024
Revenue	156.1	151.8	154.0	160.0	167.0	10.0%
Expense						
Programs	152.3	177.8	173.0	172.5	171.1	-3.8%
Interest on Debt	12.5	12.5	13.1	13.7	14.6	16.8%
Total Expense	164.8	190.3	186.1	186.2	185.6	-2.5%
Surplus/Deficit before Reserve	-8.7	-38.5	-32.1	-26.2	-18.7	-51.4%
Reserve	0.0	0.0	1.0	1.5	1.5	
Surplus/(Deficit)	-8.7	-38.5	-33.1	-27.7	-20.2	-47.5%
Net Debt (as % of GDP)	39.6	47.1	48.8	49.6	50.2	6.6%
Accumulated Deficit (as % of GDP)	25.3	31.3	33.0	33.9	34.4	10.6%

Percentage column added

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