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1). Budget 2017: Let's talk about tax

By: Geoff Zochodne

This year's provincial budget is chock full of changes to the taxes Ontarians pay and the tax credits that pay them back.

But, as Finance Minister Charles Sousa said with pride Thursday afternoon, the budget does not include hikes to the province's corporate and personal income tax rates.

It does, however, open the door to other taxes.

Per the budget's provisions, hotel guests may find an extra fee on their bills in addition to the mint on their pillows. Thursday's budget says the Liberal government will amend the City of Toronto Act and the Municipal Act to let cities and towns charge a hotel tax.

The tax could also apply to Airbnb rentals, although Sousa says that decision will be left up to the municipalities. Money raised from the tax would be shared with local not-for-profit tourism organizations.

As promised by Sousa earlier this month, the 2017 budget includes a new "Ontario Seniors' Public Transit Tax Credit" for Ontarians aged 65 and up. The credit would refund 15 per cent of eligible public transit costs, for an expected average annual benefit of $130. The budget shows the credit is anticipated to cost the province about $10 million annually for the next three fiscal years. The government is aiming to implement the tax credit for July 1, with the aim of letting people claim it on their tax filings for 2017.

Even PC Leader Patrick Brown welcomed the new tax credit, noting the federal Liberal government axed its own public transit tax credit in a budget released earlier this year.

One sin tax is getting a major hike in the 2017 budget, which vows to increase the tobacco tax rate by $10 per carton of cigarettes over the next three years, beginning with a $2 bump starting Friday. Doing so will raise an additional $40 million, $135 million and $215 million over the next three fiscal years, the government estimates.

The budget continues the war on the underground economy as well, and the government says it will “conduct a policy, legislative and administrative review of all taxes, including those shared with the federal government.”

“This review will seek to identify and eliminate loopholes, further strengthen administration of existing tax laws and enhance partnerships with other government entities, such as the Canada Revenue Agency,” the budget says. “A review of revenues from government business enterprises will also be undertaken.”

To ensure Ontario is getting its proper cut from taxpayers, the government says it will devote “additional expert resources” to sniff out tax loopholes and “sophisticated tax planning schemes.” The budget also says that the government “is discussing sharing a portion of provincial tobacco tax revenues with communities that agree to regulate tobacco sales on -reserve. ”

While the government announced its new 15-per-cent “Non-Resident Speculation Tax” earlier this month as part of its package to tame the Greater Toronto Area real estate market, the budget says yet-to-be tabled legislation would allow the foreign buyers’ fee to be applied to other parts of the province, “if warranted by market conditions.”

Another proposed amendment to the Taxation Act will “maintain the Province’s long - standing treatment of talk shows as ineligible for the provincial film and television tax credits, ” the budget says.

The government is also going to crack down on people who owe them money other than tax dollars, with amendments to come to the Ministry of Revenue Act. “Where debtors fail to pay or make arrangements to repay their non - tax debts, the amendments, if passed, would enable the Province to use enhanced collection tools, such as garnishments, warrants and liens, against debts, including debts that existed prior to the amendments coming into force, ” the budget says.

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2). Budget 2017: ‘It’s really not that complicated’

By: Sabrina Nanji

If the glossy cover binding Ontario’s 2017-18 budget wasn’t enough of an indication, the province’s finances are in the black – literally.

Liberal Finance Minister Charles Sousa tabled the province’s $141-billion, 296-page budget Thursday, entitled A Stronger, Healthier Ontario, which wipes out last year’s $1.5-billion deficit and balances the books for the first time since the 2008-09 recession. Sousa is also projecting balanced budgets for the next two years.

“Four years ago our government promised to balance the budget, and today Mr. Speaker I am proud to announce thanks to the hard work of the people of Ontario, we did it,” the much enthused finance minister told the house.

The government’s infrastructure spending plan has increased $190 billion over 13 years, up from the $160-billion, 12-year plan that began in fiscal 2014-15. Over the next decade that includes $20 billion for new and renovated hospitals, $16 billion to build and repair schools, and $84 billion going toward building transit.

“It’s really not that complicated. It’s revenue, less expenses, (that) gives you the number. In our case, we’re balancing consecutively over three years,” Sousa told reporters.

Total revenue for 2017 clocks in at just over $141.6 billion, and total expenditures round out at a little more than $141 billion – a significant chunk larger compared to last year’s $133-billion spending plan. Sousa said the balance is owed to Ontario's economic growth and an increase in tax revenue.

The centerpiece of the Liberals budget is universal prescription drug coverage for children and youth under 24 starting in 2018, six months before the election on June 7, at a cost of $465 million – the price, though, is actually not included in a line in the budget.

It differs from the pharmacare plan New Democrats proposed at their convention last weekend, which would cover the cost of 125 common prescription drugs for all Ontarians and come with a $475 million price tag.

As its title suggests, health care represents the biggest slice of the 2017 budget – at $53.8 billion, it gets nearly 40 per cent of the pie. The government is promising a $7-billion “booster shot” compared to projections in last year’s budget – for a grand total of $11.5 billion additional funding over the next three years. The government is also publicly funding the new abortion pill, Mifegymiso.

Cities are also being given the power to levy a hotel tax, and the Ontario government will amend the City of Toronto Act and the Municipal Act to do it. The budget says single- and lower-tier municipalities can collect the levy on “transient accommodation,” and Sousa said it would be up to City Halls to apply it to Airbnb rentals.

The government is projecting about $100 billion in tax revenue for its coffers – including $3.1 billion from the Land Transfer Tax this year. A one percentage point change in either the number or prices of housing resales would amount to a $26-million change either way for the treasury, according to potential risks outlined in the budget. Sousa has previously said his housing affordability plan, also trumpeted in the budget papers, may result in lower than projected revenue for the government if the housing market tempers, but it is expected to be offset by potential gains from the 15-per-cent tax slapped on foreign buyers.

Effective Friday morning, taxes on cigarettes will also go up $2 per carton and by $10 over the next three years. That will put $40 million into the provincial treasury this year, $135 million next year, and $215 million by 2019.

This year the province is also expecting to rake in nearly $1.8 billion from cap-and-trade allowances, and $1.4 billion for the year after that – slightly lower than the $1.9 billion initially projected in the 2016 budget. Those proceeds must go toward funding initiatives that reduce greenhouse gas emissions.

The government also said it is also cracking down on “the underground economy” and tax evaders. The Ontario Liberals also made the standard call to their cousins in Ottawa for more funding.

Students are getting a bit of a bigger break when it comes to OSAP, coming this fall, they won’t have to start paying back tuition loans until they start making a salary of $35,000, up from $25,000. As promised, the Liberals are also covering the average cost of tuition for those with family incomes of less than $50,000, and giving grants that equal or exceed the cost of tuition for 80 per cent of those with family incomes of less than $90,000.

While the deficit may have been crossed out, Ontario’s net debt continues to soar. As of March 31, 2017, the end of the last fiscal year, it was $301.9 billion, with the total debt hitting $332.4 billion. This year, net debt is projected to balloon to nearly $312 billion, and the government expects to spend almost $11.6 billion on interest payments, the fourth-largest expenditure behind health, education and social services.

But Sousa touted a lower net-debt-to-GDP ratio, which is forecast to hit 37.5 per cent in 2017-18. The budget lays out a goal to reduce the debt ratio to 35 per cent by fiscal 2023-24.

PC Leader Patrick Brown said his caucus could not support the budget because they believe the balance is false. He called the budget a “patchwork attempt” and a “Hail Mary pass” by a “desperate government” that has been floundering in public-opinion polls, which he leads.

Sousa however maintained his budget measures “are not based on election cycles.”

Brown has previously cited the Financial Accountability Officer’s warnings that the government would not be able to keep up its level of spending while remaining in fiscal balance, without coming up with new forms of revenue or lowering expenses – which is expected to rise by an average annual 2.9 per cent between 2015 and 2020. Health care spending is expected to grow even more, by 3.3 per cent.

NDP Leader Andrea Horwath said the budget “doesn’t undo any of the damage done” by the Premier, and highlighted the fact that the pharmacare program leaves out the millions of people, mostly adults and seniors, for which her party has promised coverage.

The budget may be big on new spending, but it's short on surprises – many of the measures dropped in the days and weeks leading up to its release, including the "Fair Housing Plan" and the $1.4-billion "Fair Hydro Plan," a $130-annual public transit tax credit for seniors 65 and up, 100,000 child care spaces over five years, a $20-million investment for respite care, and $190-million for the "career kick-start strategy" to create more co-op work placements for young folks.

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3). Budget 2017: A BFF breakup?

By: Geoff Zochodne

The Ontario Liberals are looking for more freedom and fewer strings attached from the federal government and their deeper pockets.

Despite the usually friendly tone between the Liberal governments in Ontario and Ottawa, the 2017 provincial budget, as is the case with most provincial budgets, contains a section arguing for more federal funding. But Thursday's budget also says that Ottawa's fledgling infrastructure bank needs to give the provinces some space.

"It is important that the [Canada Infrastructure Bank] allows provinces and territories to set their own infrastructure priorities, ensure alignment with existing plans and maximize positive impacts on the economy," says the budget of the CIB, which recently poached the former president of Metrolinx, Bruce McCuaig, to act as an adviser.

The provincial budget – which has upped the Ontario Liberals' infrastructure plan by one year and $30 billion, to $190 billion spread over 13 years – also makes the case for more "flexible" federal infrastructure programs overall, such as in the recently signed bilateral funding agreements for clean water, public transit and social infrastructure projects.

As an example of the right way to fund projects, the budget points to the recent decision of the federal government to chip in $1.9 billion for the province's $13.5-billion GO Regional Express Rail project, freeing up Ontario to spend money elsewhere.

"Agreements should allow provinces and territories to direct federal funding towards existing priorities and programs without additional unexpected fiscal costs to the Province and municipalities," the budget says.

A similar call for "flexibility" was issued to the feds over labour market transfer money, as the province says the existing arrangements require Ontario to direct 70 per cent of its training cash from Ottawa to current or recent employment insurance recipients.

“As only 28 per cent of unemployed Ontarians received EI regular benefits in 2016, the majority of Ontario’s unemployed workers were not eligible,” the budget says.

According to the government’s revenue figures, Ontario will receive $977 million from the Government of Canada this fiscal year for jobs programs. The Ontario Liberals want more flexibility for those funds, as well as more federal labour market funds altogether.

The Liberal government also sounds unsatisfied with how the past year’s health-transfer fight with Ottawa was settled. The budget notes that the province agreed to take $4.2 billion over 10 years for new home care and mental health programs, but Ontario also had to stomach a 3-per-cent annual increase in the Canada Health Transfer, when Premier Kathleen Wynne had proposed a 5.2-per-cent annual hike.

“At the same time, this agreement also means that the federal government’s share of health care funding is likely to decrease, particularly at a time when the cost pressures and demand for health care services are set to increase,” says the budget.

With its economy growing strongly relative to the rest of Canada, Ontario is also set to lose equalization money from Ottawa. The revenue projections show equalization funding will fall from $2.3 billion in 2016-17, to about $1.4 billion in 2017-18.

The Ontario budget highlights that the province is a “net” contributor to the federal government’s coffers, giving more in tax money than it gets back in Ottawa’s investments. Citing the Mowat Centre’s research, the budget says the gap was about $7.7 billion in 2014-15. The budget also references “a number of studies” showing the provinces and territories are in a precarious fiscal position in the long run.

“Ontario recognizes its long - standing role as a net contributor to the Canadian federation,” says the budget. “However, there is a need for critical assessment of current federal–provincial fiscal arrangements to ensure they are responding efficiently and effectively to the changing needs in the federation, and to align resources and jurisdictional responsibilities in a more equitable manner.”

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4). Budget 2017: Taking it slow on auto insurance

By: Geoff Zochodne

Drivers will get a bit of relief from Ontario’s 2017 budget, but it’ll only be worth the paper their auto insurance forms are printed on.

Thursday’s budget acknowledged there’s more that can be done in the auto insurance system

to make it more affordable, and says a discount is coming for drivers who switch from “pink slip” proofs of insurance and other paper documents to electronic versions on their smartphone.

“Distributing documents electronically, including proof of insurance and other documents such as policy renewals, will enhance consumer convenience and result in savings for insurance companies,” says the budget. “To ensure that these savings are passed along to the consumer, the government will require that insurers offer a discount to policyholders who choose to receive documents electronically.”

The exact discount for going from paper to electronic documents isn’t spelled out in the budget. However, the Financial Services Commission of Ontario, which oversees the insurance industry, will require companies to provide some kind of rate-cut for making the switch.

Whether it will make motorists happy remains to be seen. Auto insurance rates have dropped by an average of just over 7 per cent since 2013, when the Liberals vowed to cut those premiums 15 per cent by August 2015.

After they missed their 2015 deadline for a 15-per-cent cut, which Premier Kathleen Wynne dubbed a “stretch goal,” the government called in former Workplace Safety and Insurance Board president David Marshall to act as a special adviser. Marshall’s findings were published earlier this month, with his report declaring Ontario’s auto insurance system one of the least effective in Canada, and the most expensive as well.

The Liberals say they will hold consultations on Marshall’s recommendations, such as setting up independent medical evaluation centres and restricting cash settlements. Finance Minister Charles Sousa has said the government will act on the report’s findings.

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5). Five other things to know about Budget 2017

By: Geoff Zochodne

Here are five items from Thursday’s budget that we couldn’t turn into full stories:

- The estimated annual proceeds from Ontario’s cap-and-trade system have fallen, from approximately $1.9 billion in the 2016 budget to $1.4 billion in the 2017 budget (albeit starting 2018-19), according to a fancy graphic.

- There is no specific line item for the expenses tied to the government’s splashy new pharmacare program for children and youth. The same goes for the revenue that will be raised by Ontario's new 15-per-cent foreign buyers' tax on real estate transaction in the Golden Horseshoe area. (The government's hydro plan, which aims to reduce electricity bills by an average of 25 per cent, will cost approximately $5.5 billion over the next five years, not including debt that will be held by Ontario Power Generation in service of the plan.)

- "A review of revenues from government business enterprises will also be undertaken." Those revenues, from Ontario Lottery and Gaming Corp., Ontario Power Generation, and Hydro One, fell from approximately $5.3 billion in 2016-17 to $4.9 billion in 2017-18. That the Liberal government intends to sell off another 30 per cent of its stake in Hydro One could dilute that revenue stream further.

- The government will conduct a $4-million pilot project to "help reduce cybersecurity risks," connecting Ontario's banks and credit unions with its small- and medium sized businesses. Ontario Centres of Excellence will run the program.

- In the wake of their "Red Tape Challenge," where Ontarians were invited to go online to suggest ways to kill onerous or redundant business regulations, the Liberals say they "will be acting on 120 opportunities" from the reports compiled on the auto parts and food processing sectors.

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6). Budget 2017: Liberals unveil universal prescription drug coverage for kids, young adults

By: Christopher Reynolds

Starting next year, Ontario's four million children and young adults will gain access to free prescription drugs under the Liberal government's new pharmacare plan, unveiled Thursday as the jewel in the Queen's Park budget.

The expanded health-care program provides universal coverage for all Ontarians aged 24 and under, something that's unprecedented for Canada, the government claims.

At a projected cost of $465 million, the Liberal announcement comes as a flanking manoevre to the NDP's $475-million proposal for universal coverage - regardless of age - for 125 essential medications.

The plan comes into effect Jan. 1, 2018, less than six months before the next provincial election.

"Let me be clear. Our children will now receive free medication," said Finance Minister Charles Sousa.

"Youth pharmacare will completely cover the cost of all (4,400) medicines funded through the Ontario Drug Benefit program, regardless of family income."

At street level, young people need only present a health card at a pharmacy to walk away with cost-free prescription meds. Up-front payment, deductibles or reimbursement play no part in the transaction, Sousa said.

The finance minister sees the new plan as a poke at Parliament Hill, which Queen's Park has been prodding for a national pharmacare strategy.

While framed in the budget as the "natural next step" in the march toward universal public health care, the program was met with derision from the official opposition, which characterized it as unfair and inefficient.

"Of course everyone wants greater drug coverage," said Progressive Conservative Leader Patrick Brown. "Under this plan, those precious funds would go to pay for millionaire kids, and that doesn't seem right."

Brown said he would cut waste like "exorbitant salaries and executive compensation," but offered no alternate pharmacare plan.

NDP Leader Andrea Horwath skewered the pharmacare plan as "meagre" and a "back-of-the-napkin" solution, citing her own party's solution as the "missing piece" of universal healthcare.

"No one should leave a doctor's office with a prescription knowing there's no way they can fill that prescription," Horwath said, stating the NDP option would cover all Ontarians, irrespective of age.

Horwath also criticized four years of "frozen budgets" - below the rate of inflation - and said roughly one-third of working Ontarians - the vast majority over age 24 - have no prescription drug coverage.

More than 3.9 million people currently receive free prescription medication under the Ontario Drug Benefit program, including more than 2.3 million seniors and more than 900,000 residents on social assistance.

The Liberals did not offer up information on how much families and young adults will save under the plan, or cite comparable models abroad.

The pharmacare plan, dubbed OHIP+, makes up less than 1 per cent of a beefed-up health care mandate for 2017-18. The government pegged healthcare expenditures at $53.8 billion, a 3.1-per-cent increase over last year.

That bump includes Sousa's $7-billion "booster shot" that tops up the $4.5 billion in health care spending already projected over the next three years. With most of the total three-year, $11.5-billion increase still unspent, health care funding is poised to increase at even steeper rates in 2018 and 2019.

Queen's Park is also committing $1.3 billion over three years to reducing wait times for priority surgeries and emergency care. The longstanding issue drew relatively little funding until this year, with the new commitment amounting to more than 40 per cent of the total cash injected into wait-time reduction since the Liberals came to power in 2003.

Digital tools, including the eReferral process and other "enhanced referral pathways," will suck up another $245 million to shorten the time between initial consultation and treatment for conditions demanding specialist care.

Meanwhile, new hospital construction is estimated at $9 billion over a decade, with fresh facilities planned, or in the works, in communities such as for Sudbury, Brockville and Ottawa.

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