

Ontario Budget 2012 analysis: Executive summary

Government deficits are the result of the 2008-09 global recession. Ontario is no exception. The recession didn't start in Ontario or in the public sector. It started on Wall Street and other financial capitals when bankers and hedge fund managers played their high-risk games.

Now, the Ontario government is telling us somebody's gotta pay. And they're saying it won't be the richest people. It will be the people who are hit hardest and who can't afford to lose any more.

In the 2009 and 2010 budgets, Ontario spent money to create and save jobs to lessen the recession's impact. Without finishing the job and launching the province on the road to prosperity, the McGuinty Liberals are gunning it down the road to austerity. The Budget fails Ontario and will make working people, including a lot of OPSEU members, pay for the 2008 recession.

Here are some points you can use to lobby your MPP to say "NO" to this budget and the devastation it would mean for our province and the people.

The budget fails Ontarians because the Liberals:

- 1. Blamed the deficit on overspending rather than the recession**
- 2. Exaggerated the size of the deficit**
- 3. Ignored revenue options and refused to consider tax fairness to raise revenues from profitable corporations and high-income individuals**
- 4. Bought into a plan that will hurt people, slow our economy, and sharply increase income inequality**

1. Overspending is NOT the problem (a few supporting facts)

- Three budgets before the 2008-09 recession were balanced.
- Ontario spending per person is lower than any province in Canada.
- Program spending per capita is 11 per cent lower than average of the other nine provinces.
- Duncan estimates 2012-13 budget deficit at \$15.3 billion.
- At 2.4 per cent of province's economy, these deficits are lower than for five consecutive years from 1991-92 to 1995-96, the period for the last recession.

Still, Liberals are cutting *real* spending by 2.3 per cent per year. As bad as this budget is there is worse ahead.

2. Exaggerated deficit

Duncan has overestimated the deficit by billions every year since the recession began. Now he's exaggerating how big the deficit will be in the years ahead to scare people into accepting the cuts.

Duncan's adviser, Don Drummond, made future deficits look bigger when he:

- Underestimated growth
- Overestimated interest on Ontario's debt
- Overestimated how much government spending would grow
- Built in a huge contingency fund to make the deficit look bigger

Duncan and Drummond also ignored revenue options:

- The Liberals refused to consider tax fairness as a way to strengthen the economy and reduce income inequality
- If Ontario had the same tax rates today as in 1994, the budget deficit would be a budget surplus
- While they froze cuts to corporate income and Business Education Tax this brings Ontario no new money

The only budget measures to bring in more revenue are user fees and plans to make more money from increased alcohol sales and gambling. This will account for \$4.4 billion over three years, or just over 1 per cent of total revenues.

3. Options the government ignored to increase revenue

- Eliminate lower tax rates for income earned from stock options. This cost Ontario \$180 million in 2010-11.
- Make income tax rates more progressive. Canada's top one per cent of taxpayers earn more than 13 per cent of the total individual aggregated income.
- Introduce Financial Transactions Tax (FTT). Even a tax of 0.1 per cent on the \$1.5 trillion in trades through the Toronto Stock Exchange would bring in well over \$1 billion a year.
- Tackle problem of offshore tax havens. Canadian banks avoided \$2.4 billion in taxes in 2007 alone. Money earned in Canada should be taxed in Canada.

- Restore corporate tax rates to 2009 levels to bring in an extra \$1.5 billion a year.

4. Cuts, Cuts, Cuts

- Government through budget measures is cutting \$17.7 billion in spending.
- There are so many cuts, the government had to publish them in their own book, available at: <http://www.fin.gov.on.ca/en/budget/ontariobudgets/2012/addendum.html>

	Spending growth in 2012-13 Budget, in dollar terms, next three years	REAL change in spending per capita per year (after inflation)
Total Government	1.0%	-2.3%
Health	2.1%	-1.2%
Education (Schools)	1.7%	-1.6%
Education (Post-Secondary)	1.9%	-1.4%
Social Services	2.7%	-0.6
Justice	0.4%	-2.9%
Social Services	0.5%	-2.8%
All Other Programs	-4.3%	-7.6%

LOOKING AT CUTS – MINISTRY BY MINISTRY

Corrections

- ✓ Three new closures will affect nearly 500 active OPSEU members: Brantford and Chatham jails and full closure of Toronto West Detention Centre.
- ✓ That's in addition to previously-announced closures of Owen Sound, Walkerton, and Sarnia jails.

Environment

The axe will fall on every ministry, but none more heavily than environment.

- ✓ More than nine per cent cut in dollar terms. That's more than 12 per cent after accounting for inflation and population growth.
- ✓ Ministry budget already 45 per cent less, in real terms, than in 1992.

Social services

- ✓ Social assistance rates frozen, and in real dollars will soon be half of 1995 rates.
- ✓ Slow down increases to Ontario Child Benefit, now \$1,100 per child per year.
- ✓ Possible funding changes in developmental services that threaten services and jobs

- ✓ Plans to integrate Ontario Works, Ontario Disability Support Program, and Employment Ontario.

Health Care

- ✓ Limit spending increases to 2.1 per cent per year, a drop of 1.2 per cent after inflation and population growth.
- ✓ Zero increase for hospitals, except 2 per cent for a few specific programs such as wait-times initiatives.
- ✓ Home and community care get 4 per cent, 0.7 per cent after inflation and population growth. But, they face greater transfer of hospital patients.
- ✓ Long-term care gets 2.8 per cent (or 0.5 per cent after inflation and population growth). Only 1 per cent goes to frontline care for residents.
- ✓ Local Health Integration Networks get more ‘flexibility’, or power, to allocate resources.
- ✓ ‘Routine’ medical procedures to shift from hospitals to not-for-profit clinics.
- ✓ Health-Based Activity Model extended to take ‘price’ into account for services and treatments through Community Care Access Centres and Long Term Care Homes.
- ✓ Wealthier seniors will pay more for drugs with no adjustment for inflation. Over time, more seniors will pay more for drugs. Government won’t use the extra money to increase access to prescription drugs for working age, low-income Ontarians.
- ✓ Mental health . . . no mention.

Restructuring Public Services

- ✓ Amalgamate some school boards.
- ✓ Integrate employment and training services.
- ✓ Move to industry self-regulation in more areas.
- ✓ “Modernize” court services.
- ✓ Merge the Ministry of Economic Development and Trade with the Ministry of Research and Innovation.
- ✓ “Rationalize” some functions of the Ministry of Municipal Affairs and Housing.
- ✓ Bring in a new funding model for Children’s Aid in a hazy cloud of talk about “restructuring.”

Education

- ✓ Spending increases capped at 1.7 per cent per year for next three years. (A 2.7-per-cent cut after inflation and population growth.)
- ✓ Two-year freeze on salaries with threat to intervene if strikes occur.
- ✓ Amalgamations of some school boards.
- ✓ School closures.

Colleges

- ✓ Average annual increase over next three years before inflation and population growth of 1.04 per cent, even less than Drummond Commission recommended.
- ✓ Ontario has lowest per-student provincial operating grant in Canada.

Privatization

- ✓ Budget document sings praises of ServiceOntario for “fast, easy access to government information and services”, “exceptional track record”, and 93-per-cent customer satisfaction.
- ✓ ServiceOntario brings in \$10 for every \$1 it costs to run; yet, the government plans to run it as a “public-private partnership” (P3).
- ✓ McGuinty Liberals talking about “expanding the role of the private sector” in Ontario Lottery and Gaming.

They are promoting privatization even though repeatedly proven to be a failure. Privatization creates investment opportunities. It doesn't save public dollars. The public pays.

Here are a few examples:

- Province's air ambulance service, now called ORNGE, is tale of scams and rip-offs.
- Average lab test costs \$22 at public hospitals, \$33 at private labs, according to recent Ontario study.
- Government sold Teranet, its electronic land registry service, to private investor for barely one third of its real value.
- Other failures: meat inspection, super-jails, over-budget 'P-3' hospitals, and Highway 407.

Cutting Wages

Budget is more about cutting wages than anything else even though Ontario already has the leanest, most efficient public sector in Canada.

- ✓ Ontario Public Service has 14 per cent fewer employees than in 1995.
- ✓ Of the \$17.7 billion the government wants to cut over the next three years,

- ✓ \$6 billion is to come from pay to physicians and public servants and restraint for school boards.
- ✓ Another \$6.8 billion in cost-cutting in the broader public sector will certainly cut wages and jobs.
- ✓ Government not clear about whether it expects all workers to accept two-year wage freeze, or whether it wants more from some.
- ✓ Government claims to respect collective bargaining process, but says if it can't get the agreements it wants through bargaining, it will use legislation.

Pensions

Proposed changes could affect how much it costs you to retire, when you can retire, and what your retirement income will be. OPSEU is seeking actuarial and legal advice.

Legislation would:

- ✓ Force pension plans to make up shortfalls in a way that government as the employer won't have to pay more and plan members will receive less when they retire.
- ✓ Have costs for all public pension plans shared 50-50 by employers and employees.

Other changes:

- Major change to historical relationship between parties in jointly-sponsored pension plans: force "third-party dispute resolution" when plan sponsors can't agree on benefit reductions through bargaining.
- "Pool investment management functions" of smaller pension plans, with specific reference to the 25 pension plans at Ontario's 20 publicly-funded universities.

Collective Bargaining

- ✓ Anticipate difficult bargaining with restraints.
- ✓ Government threatens to force agreements if can't get what it wants through bargaining.
- ✓ OPSEU seeks legal opinions.