

Making Ontario's 2012 Budget Stronger

April 23, 2012 4:50 PM

The McGuinty government's 2012 Budget takes strong action to eliminate the deficit while protecting the health and education services families rely on most. Balancing the budget is also essential for economic growth and job creation.

The following changes are being made to enhance the budget -- and will help Ontario further reduce its deficit. The changes include no new overall spending and accelerates Ontario's five-year plan to eliminate the deficit by 2017-18.

Deficit-Fighting Two Per Cent Point Surtax on Individuals Earning over \$500,000

Ontario will introduce legislation to create a new income tax bracket for individuals with incomes over \$500,000. Subject to approval of the Legislature, the top statutory Ontario income tax rate on incomes over \$500,000 would increase by two percentage points -- from 11.16 per cent to 13.16 per cent.

The proposed changes to income taxes for those earning more than \$500,000 would be eliminated once the budget is balanced in 2017-18.

This would increase revenues by an estimated \$470 million in 2013-14. The surtax would apply to only 23,000 taxpayers and all of the additional revenue from this change would be used to decrease the deficit.

This change would be effective July 1, 2012 -- the same day the freeze on corporate income taxes is proposed to take effect.

Child Care

To ensure the child care sector remains strong and can help families experience a seamless transition to full-day kindergarten (FDK), Ontario will provide assistance to child care operators as we move towards full implementation of FDK in 2014-15.

The total fiscal impact of this action is \$90 million in 2012-13, \$68 million in 2013-14 and \$84 million in 2014-15. This investment is funded from within the Ministry of Education's allocation published in the 2012 Budget.

Merger of the Ontario Power Authority and Independent Electricity System Operator

To continue to drive efficiencies in the electricity sector, Ontario will propose legislation that, if approved, would merge the Ontario Power Authority (OPA) and the Independent Electricity System Operator (IESO) into a single organization. This merger would end duplication, saving ratepayers up to \$25 million a year and help better meet today's electricity supply needs.

This merger would allow for a more seamless and co-ordinated approach to planning as Ontario integrates new renewable energy projects into the electricity grid and shuts down its last coal-fired plants by the end of 2014.

Additional Savings Measures

The government is moving ahead with two additional savings initiatives so funding can be increased in areas of higher priority. The savings initiatives are:

1. In 2010, Ontario lowered the cost of generic drugs paid for by the

Related News

Accelerating Ontario's Balanced Budget Plan

April 23, 2012 4:45 PM

Trillium Drug Benefit and Ontario Drug Benefit to 25 per cent of the cost of the brand product.

The government will move immediately to lower the cost of the top ten generic drugs to 20 per cent of the brand product. This will generate an additional \$55 million a year in savings.

2. Between 2002-03 and 2011-12, Ontario cut spending on consultants by 45 per cent.

The government is committed to further reducing spending on consultants by \$20 million in 2012-13.

Together, these initiatives produce \$75 million in savings.

One Per Cent Increase in Ontario Disability Support Program Rates

Ontario Disability Support Program rates will be increased by one per cent in the fall of 2012.

The annual cost of this policy is \$33 million -- and will come from the additional savings measures identified above.

One Per Cent Increase in Ontario Works Rates

Ontario Works rates will be increased by one per cent in the fall of 2012.

The annual cost of this policy is \$22 million -- and will come from the additional savings measures identified above.

Transformation Fund for Small, Rural and Northern Hospitals

A \$20 million investment will be made in 2012-13 to help small, rural and northern hospitals improve patient care and transform their organizations. These funds will be allocated through Local Health Integration Networks on a proportional basis for transformation in small, rural and northern hospitals. The funding will allow changes to better serve their patients and improve the collaboration between small and rural hospital care and community care.

This is a one-time cost of \$20 million in 2012-13 -- and will come from the additional savings measures identified above.

Jobs and Prosperity Council

The 2012 Budget announced the creation of a Jobs and Prosperity Council to provide advice to the government on consolidating and refocusing existing business support programs. Currently, Ontario provides about \$2 billion in annual support to business, including targeted tax expenditures, through more than 40 different programs across at least seven ministries. In the years to come, funding for these initiatives will be reduced -- including finding savings of \$250 million in 2014-15.

The government will ask the Jobs and Prosperity Council to examine the New Democratic Party's proposal for a Job Creator Tax Credit, which would be a two-year refundable tax credit that would reimburse employers for 10 per cent of the salary paid to a new hire during their first year of employment, up to a maximum of \$5,000.

The Council will be asked to report back on this proposal by February 1, 2013, for consideration as part of the 2013 Budget.

Executive Compensation

The 2012 Budget continues to take action to manage compensation costs by proposing to extend the base pay freeze for executives at Ontario's hospitals, colleges, universities, school boards and designated agencies for another two years. This means the base pay of these executives will have been frozen for four years.

The budget will be improved through proposed legislation that, if approved by the Legislative Assembly, would freeze the overall performance pay envelopes at Ontario's hospitals, colleges, universities, school boards and designated agencies for two years. If approved, this would mean that performance pay could not exceed the total performance pay provided to all eligible non-bargaining employees in the previous performance cycle.

Where organizations reduced performance pay to zero in the most recent performance cycle, the organization would use the total performance pay provided to all eligible non-bargaining employees from the most recent year in which it was last provided.

Horse Racing

The Government has announced the end of the Slots at Racetracks program to focus \$340 million in funding on health care and education. The government is committed to working with the industry in a constructive way, including one-time transition funding, to help them transition away from the Slots at Racetracks program.

Office of the Premier
ontario.ca/premier