

EDELMAN UPDATE

# 2023 ONTARIO BUDGET

March 23, 2023

## SUMMARY

Today, Ontario's Minister of Finance, Peter Bethlenfalvy, tabled Ontario's 2023 Budget, titled *'Building a Strong Ontario,'* detailing new investments and continued spending for 2023-24. The Ford government is touting the Budget as their fiscal plan to navigate uncertain economic times, while building a strong foundation for future generations.

In his address to the legislature, the Minister highlighted five key themes of the Budget:

- Building Ontario's Economy for Today and Tomorrow
- Building Highways, Transit and Infrastructure
- Working for Workers
- Keeping Your Costs Down
- Better Services for You

With \$204.7B in spending, this is Ontario's largest Budget to date. Yet the Ford government still projects a return to a balanced budget by next year, three years ahead of their forecast in Budget 2022. While many proposed measures build upon commitments from last year's pre-election budget, the government is transitioning away from one-time funding and towards long-term investments in key sectors, including:

- \$184.4B for major infrastructure projects such as highways, hospitals and schools over the next decade (a nearly \$25B increase from Budget 2022).
- \$81B for the health-care sector (up from nearly \$75B in Budget 2022), including more than \$500M to improve home care.
- \$780M for a Made in Ontario refundable tax credit.
- An additional \$224M to build and upgrade skilled trades training centers.

Minister Bethlenfalvy offered up the Budget to Ontarians as a continuation of last year's grand vision for the future of the province, as a sign of the government's commitment to continue investing in vital projects and services while exercising fiscal restraint. He highlighted cornerstone items such as the province's critical minerals strategy and investments in electric vehicle manufacturing & supply chains, plans to build new infrastructure including highways and hospitals, and efforts to boost skilled trades.

The Minister lauded the government's approach as being "rooted in strong fundamentals," and featuring "real action ... to not only face the current turbulence we see in the global economy but emerge from it stronger than ever." He drew harsh comparisons to Ontario's NDP and Liberal parties, asserting that a return to a balanced budget would not have been possible under their stewardship.

The Budget forecasts a potential \$200M surplus in 2024-2025, which could potentially increase to \$4.4B in the following fiscal year. For this year, the province is expecting a \$1.3B deficit.

## BUILDING ONTARIO'S ECONOMY



- Allocating \$780M for a new Ontario Made Manufacturing Investment Tax Credit, giving manufacturers up to \$2M a year in refundable tax for buildings, machinery, and equipment.
- The province has attracted \$16B in investments from global automakers, suppliers of EV batteries and EV battery materials. This is in addition to VW's new facility announcement in St. Thomas.
- As part of the \$1B in investments for the Ring of Fire, the government's focus turns to funding for critical legacy infrastructure - all-season roads, broadband and community supports.

## WORKING FOR WORKERS



- Enhancing the Skills Development Fund by investing \$75M over three years, for a total investment of close to \$700M since 2020.
- Investing an additional \$224M in 2023-24 to expand crucial brick-and-mortar training centers and also creating a new capital stream through the Skills Development Fund.

## HIGHWAYS, TRANSIT & INFRASTRUCTURE



- As part of its \$27.9B, 10-year commitment to connect communities, the government in 2023-24 is investing \$3.2B in projects that will expand and repair provincial highways and bridges.
- As promised, the government is reinstating the Northlander train connecting Timmins to Toronto. In 2023-34 \$139.5M will be invested to purchase three new trainsets.
- Nearly a \$4B investment in high-speed internet, with the goal of ensuring every province has access by the end of 2025.

## KEEPING COSTS DOWN



- Temporarily, until December 2023, double the Guaranteed Annual Income System (GAINS) payments for eligible seniors.
- Investing an additional \$202M each year in supportive housing and homelessness programs.
- Extend, until December 2023, the current gas tax and fuel tax rate cuts, keeping the rates at 9 cents per litre.

## HEALTH CARE



- Accelerating investments to bring funding in 2023-24 up to \$569M, including nearly \$300M to stabilize the home and community care workforce.
- Investing \$174M over two years, starting in 2024-2025 to continue the Community Paramedicine for Long-Term Care Program.
- Providing \$425M over three years to support mental health and addictions services.
- To build the health care workforce, investing \$22M in 2023-24 to hire up to 200 hospital preceptors and provide training.
- Investing \$200M in 2023-24 to extend supports to address immediate health care staffing shortages, as well as to grow the workforce
- The government is investing \$60M over two years to expand existing teams and create up to 18 new primary care teams in communities with the greatest need.

## GREEN INVESTMENTS



- Ontario has attracted \$2.5B in recent investments that will support transformation in the production of green steel sector and help cut greenhouse gases by up to six million tons.
- Ontario will continue to issue multiple Green Bonds each fiscal year, including in 2023-24, subject to market conditions.
- The province will launch a voluntary Clean Energy Credit Registry to boost competitiveness and attract jobs.



## OUR POINT OF VIEW



The Ford government will balance the budget next year - something that has not been seen in Ontario for many years. Returning to balance will occur all while investing more in Healthcare, Housing, Skilled Trades and Infrastructure. Last year's budget sought a second mandate from Ontarians, with the PCs being returning to government stronger with 83 seats. This government has the confidence of voters to continue building upon the plan it campaigned on.

The past few years have been filled with a global pandemic and geopolitical developments which continue to pose significant challenges for all jurisdictions, especially Canada's economic engine, the province of Ontario. In times of economic uncertainty, this budget takes a laser-focused approach in exercising fiscal restraint while ensuring prosperity for all.

- DARCY WALSH, PRESIDENT, EGA CANADA



As Ontario continues to face uncertain economic times, the Ford government has taken a targeted and measured approach with its budget in response to a period of high inflation, high interest rates and global geopolitical strife, while building on a strong fiscal foundation for future generations. The budget lays out a robust plan by continuing to make historic investments in infrastructure, health care, training for workers and supports for those who need it most.

In the first year of their second mandate, the Ford government continues their path to drive growth by lowering cost, getting key infrastructure projects built faster and attracting more jobs and investment to the province to help businesses, families, and workers.

The government projects to balance the budget next year, three-years ahead of schedule, and the province continues to outpace Canada and the United States in GDP and job growth. This represents a significant turnaround from the economic conditions inherited when first elected in 2018.

- CARLO OLIVIERO, SENIOR VICE PRESIDENT, PUBLIC & GOVERNMENT AFFAIRS (TORONTO)



Ontario Finance Minister Peter Bethlenfalvy's 2023 Ontario Budget, entitled "Building a Strong Ontario," is Ontario's largest budget ever at \$204 billion. In the fiscal year starting next month, Ontario projects a \$1.3 billion deficit, while moving into the black with a small surplus of \$200 million in 2024-25, followed by a \$4.4-billion surplus the following fiscal year. This is due to increasing government revenues - about \$20 billion higher than expected - which was leveraged off of high inflation and modest economic growth.

On the expenditure side, Premier Ford's government is putting cash behind the visuals of his hard hat wearing campaign of last year with infrastructure-heavy plans of more than \$20 billion in highway, hospital and transit projects. On the social side, the government is adding \$6.1 billion in new funds to health services, with a total health care spend of \$81 billion - roughly 40% of the entire budget in 2023-2024.

There were few surprises in the budget. Premier Ford's brand of making clear and simple promises and deliver on them is becoming his brand. This budget is further evidence of a Premier that is aspiring to deliver a caretaker government focused on the big tasks of health spending needs, infrastructure-based economic growth and fiscal fundamentals. The biggest criticism will be the lack of measures on tax relief, inflation mitigation, and the lack of measures to help Ontarians with the rising cost of living on virtually every front.

- HON. JAMES MOORE, P.C., SENIOR ADVISOR, EGA CANADA, FORMER MINISTER OF INDUSTRY

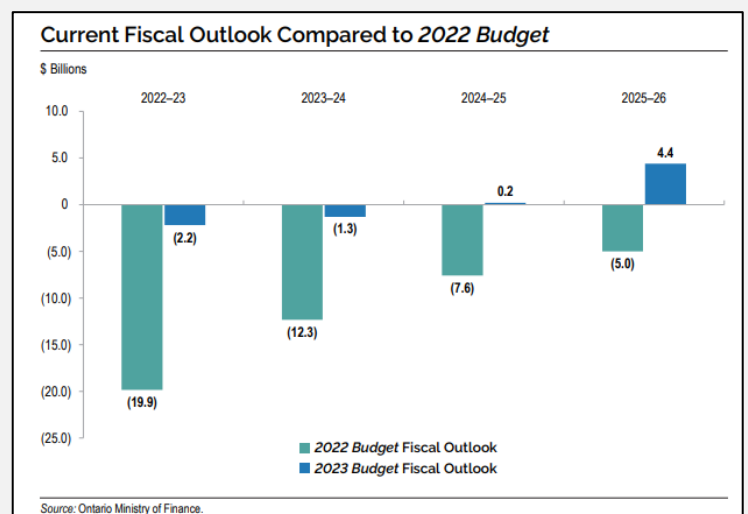


## BY THE NUMBERS - ANALYSIS

This is a balanced second mandate budget - one that is more targeted in outlining new spending while exercising fiscal conservatism. In particular, the continued focus on capital and infrastructure spending, while also doubling economic migrant quotas (and boosting Skilled Trades) go hand in hand for ensuring sustainable labor markets and economic growth

At the same time renewed investments into Healthcare, supportive housing and affordability measures will provide some assurance and relief for those hardest hit by the rapid increases in the cost of living.

While the fiscal projections are optimistic, the economic forecasts they are built on seem prudent. Given global instability in financial markets and continued conflicts, much remains to be seen about Ontario's true outlook a year from now.

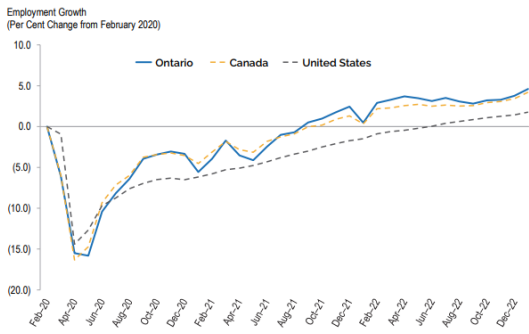


- ROBERT FONBERG, SENIOR ADVISOR, EGACANADA, FORMER DEPUTY MINISTER

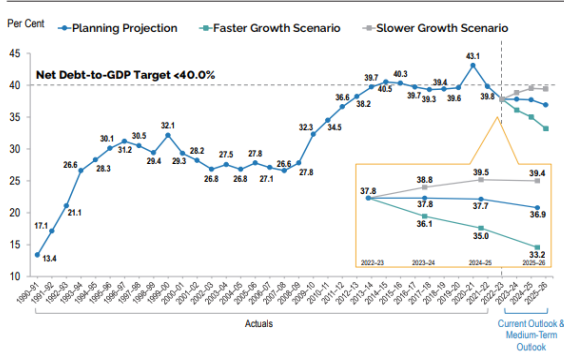


## BY THE NUMBERS

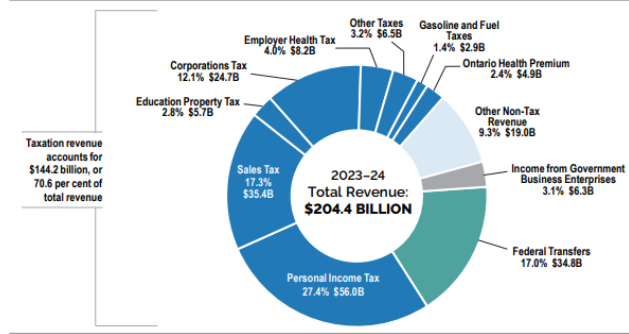
**Chart 2.3 Strong Employment Recovery in Ontario**



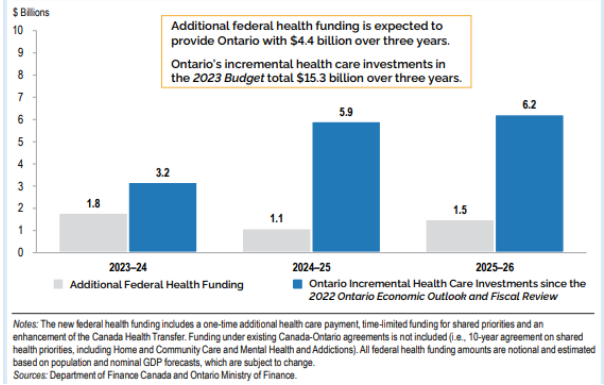
**Chart 4.11 Net Debt-to-GDP**



**Chart 3.5 Composition of Total Revenue, 2023-24**



**Chart 1.6 Ontario Is Investing Every Dollar of New Federal Funding into Care and Significantly More**



Notes: The new federal health funding includes a one-time additional health care payment, time-limited funding for shared priorities and an enhancement of the Canada Health Transfer. Funding under existing Canada-Ontario agreements is not included (i.e., 10-year agreement on shared health priorities, including Home and Community Care and Mental Health and Addictions). All federal health funding amounts are notional and estimated based on population and nominal GDP forecasts, which are subject to change. Sources: Department of Finance Canada and Ontario Ministry of Finance.

## STAKEHOLDER REACTIONS



“Ford’s Conservatives want you to think that this is the new normal – that this is as good as it gets. But things are not normal in Ontario right now. Ford’s budget fails to meet the moment, and shows he isn’t interested in making the investments we need in public health care, affordable housing, or education – all the things that make Ontario a place where people want to live, work, learn, and grow.”

- Marit Stiles, Leader of the Ontario NDP



“The Ford Conservatives could balance the budget without neglecting the health and wellbeing of everyday Ontarians. Instead of investing in the services Ontarians desperately need, they are quietly underfunding critical services and programs. Under this budget, simply getting by will get even harder for Ontario families”

- John Fraser, Interim Leader of the Ontario Liberal Party



“The Provincial Building and Construction Trades Council of Ontario is pleased with the vast construction opportunities announced in today’s budget. These investments translate to excellent construction training and employment opportunities for entrants to the industry, helping to propel them into prosperous life-long careers that sustain Canada’s middle-class.”

- Marc Arsenault, Business Manager, Ontario Building & Construction Trades Council



“We applaud Ontario’s 2023 budget. It demonstrates that our economy and high standard of living are key priorities for the province, addressing numerous issues that have been on the Board’s agenda for years. This budget fuels our region’s competitiveness and growth and sets us on a course for continued momentum and a stronger economy.”

- Jan De Silva, President and CEO of the Toronto Region Board of Trade



“A strong commitment to advance skilled trades in #ONBudget2023. Ongoing collaboration from labour, industry & government will continue to empower opportunity & build strong career paths. We look forward to continue working together for the betterment of all sectors of our province.”

- Joseph Mancinelli, Vice President and Regional Manager for Central and Eastern Canada, LiUNA International



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