



ONTARIO
BUDGET

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ECONOMIC
TRANSFORMATION

THE HONOURABLE LARRY GROSSMAN, Q.C., TREASURER OF ONTARIO

Ontario
Budget
1 9 8 4

**Economic
Transformation**

**Presented in the Legislative Assembly of Ontario
by the Honourable Larry Grossman, Q.C.,
Treasurer of Ontario and Minister of Economics**

Tuesday, May 15, 1984

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1984 Ontario Budget

Table of Contents

Budget Statement

The Budget Strategy	1
Economic Transformation: Employment and Training	2
Economic Transformation: Innovation, Enterprise and Small Business	7
Economic Transformation: Investing in Communities and Resources	11
Social Transformation: Assisting Individuals	12
Government Restraint	16
Premiums, Rental Charges and Bank Reserves	17
1984-85 Fiscal Plan	19
Conclusion	21
Appendix A: Budget Measures	22
Appendix B: Economic Outlook	29
Appendix C: Ontario Finances	33

1984 Budget at a Glance

	1983-84	1984-85	Growth Rates
	(\$ million)		(%)
Gross Provincial Product	146,221	159,332	9.0
Spending	24,947	26,801	7.4
Revenue	<u>22,597</u>	<u>24,762</u>	9.6
Cash Requirements	2,350	2,039	(13.2)

1984 Budget Statement

The Budget Strategy

Mr. Speaker:

Before submitting to this Legislature the Budget initiatives I am proposing, I want to outline briefly the basic choices I have made and how I have approached this assignment.

To encourage constructive discussion across the province, I presented last autumn a pre-budget statement that assessed our economic outlook and outlined the basic choices facing Ontario. The discussions arising from that document have been valuable and I am grateful for the advice that has been tendered. It speaks well of the open consultative process that will remain a hallmark of Budget preparation in our province.

In designing the specific measures in this Budget, I have been guided by what I have heard and by what I believe to be a broad consensus on our economic circumstances and the aspirations of our people.

The Ontario economy has recovered from recession and will grow broadly in 1984. Rising exports and expanding domestic activity should provide a 4.7 per cent increase in real economic growth and an 8.9 per cent increase in personal income. However, if we are to prosper in a changing world economy, sustained expansion demands not only steady resolve in the fight against inflation, but a shared commitment to economic transformation. We cannot return to "business as usual". We are in the midst of profound economic change and adjusting to this transformation -- indeed assisting it -- is a social and economic imperative.

This year, employment is expected to increase by 125,000 jobs. This reinforces our confidence in our economy but it must not disguise the fact that unemployment, particularly among our young people, is too high and will require energetic and innovative action by government.

This Budget will focus on our ability to invent, to create, to be entrepreneurial. In this sense, our people, and especially our entrepreneurs, are clearly our greatest economic asset.

Our public institutions and our communities themselves have a powerful contribution to make in meeting new economic challenges and equipping our people to enjoy rewarding lives. Local governments, universities and colleges, labour and our active volunteer organizations must be full partners in the economic and social transformation of the province. This Budget will encourage that partnership.

Mr. Speaker, the Government has a clear mandate to invest vigorously in supporting and shaping change in Ontario. But in doing

so, we must live within our means. Deficits must come down. For the year just ended, I am pleased to report that we have been able to reduce the projected deficit of \$2.695 billion to \$2.350 billion. However, this Budget must go further. By maintaining our commitment to productivity and efficiency, we will be able to make major new investments in our economic transformation.

This Budget rejects stop-gap measures; rather, it makes strategic investments in the long-term interests of our people.

Consistent with these principles, the Board of Industrial Leadership and Development will guide the implementation of the economic strategy in this Budget. This year, BILD will be provided with a \$500 million economic transformation fund to equip our citizens and our industries to meet the demands of a changing economy.

Bearing in mind the need to be creative and the advice we have received, this Budget will:

- significantly expand and reform our support for youth employment;
- improve job access for women;
- assist older workers in acquiring new skills;
- strengthen the role and resources of our learning institutions;
- quicken the modernization of our industries;
- stimulate innovation and small business;
- enhance our resource industries;
- help break the cycle of welfare dependency;
- offer more independence to the elderly and the disabled;
- extend our commitment to productivity and restraint; and
- reduce the deficit.

Economic Transformation: Employment and Training

Mr. Speaker, during this time of economic transformation, the products of inventive and energetic minds will shape our horizons and determine our competitive success.

Industry, in particular, has an obligation to increase its efforts to train our people. Individual businesses must generate more opportunities not only by participating in government programs, but by sponsoring initiatives of their own.

Accordingly, private sector employers who benefit from government employment subsidy programs will be expected to provide meaningful experience and training.

Today, I am announcing the establishment of two major funds through which this Government will invest \$600 million over the next three years in youth training and employment and in retraining for experienced workers.

We will create a \$150 million *Ontario Skills Fund* to build on the experience of older workers by investing in retraining and upgrading.

We will also create a \$450 million *Ontario Youth Opportunities Fund* to provide major new opportunities for young people to acquire the training and experience they need to prepare for the future. We have rejected temporary "make work" schemes because they do not prepare our young people adequately for the future. Only a strong and growing economy will ensure a job for every young woman and man.

These new initiatives, together with our existing programs and activities, are strategic, long-term investments in our young people. They will complement the activities of the federal government and our educational system, and will mobilize the efforts of the voluntary sector, municipalities and business.

Mr. Speaker, together we will provide an opportunity for every young person in this province.

An Opportunity for Every Young Person in Ontario

Last year our colleges and universities provided opportunities for training and higher learning to more than 330,000 people in Ontario.

In addition, we have in place a range of programs that address specific employment problems of young people. These programs will now be co-ordinated and consolidated through *Ontario Youth Opportunities*. Young people and employers will gain access to this program through a province-wide telephone network.

Ontario Youth Opportunities will place new emphasis on training and experience for:

- the hard-to-employ -- those young women and young men who suffer frequent and extended periods of unemployment; and
- young workers who have lost their jobs during a time of economic change.

I now wish to announce a ten-point strategy to increase youth training and youth employment in Ontario.

One: We will create a non-profit corporation called *Ontario Youth Trust* which will increase training and job experience for hard-to-employ young people. It will offer basic work skills and provide placements in local firms. The Government will expect business leaders from all regions of the province to serve as active members of the Board of Directors. Local firms will be asked by the Board to provide funding, training positions and jobs. They will also be asked to contribute staff to co-ordinate the program and provide counselling and job search skills. These counsellors will work

closely with participants during their early weeks of employment to help improve their job performance and build their self-confidence.

Two: Under a new program, *Ontario Youth Corps*, we will put our young people to work in important community services such as home care for the elderly and assistance to the handicapped and disabled. This will give them experience, work and a sense of self-worth. We will provide wage subsidies and seed money to support initiatives developed by service organizations and municipalities.

Three: A new *residential centres program* will be created. It will offer basic and intensive education, vocational training and counselling for disadvantaged youth, aged 15 to 19, who lack literacy and other basic skills needed to get a job. These centres will be operated by voluntary groups, businesses, school boards or municipalities. Trainees will receive room and board and a weekly allowance.

Four: Through our community colleges, we will create a new *Ontario Youth Start* program combining instruction in basic work skills, on-the-job training and counselling for young people who left school early and lack experience, motivation and self-confidence. This program will operate away from the traditional educational environment and will use surplus space in public buildings, commercial facilities and, where appropriate, vacant schools.

Five: A new program, *Ontario Youth Tourism*, will combine intensive training at a community college with on-the-job experience. Employers in designated tourist areas will be asked to create 2,500 positions and provide young workers with a training allowance of \$100 a week.

Six: We are committing \$80 million to a new *Ontario Youth Work Opportunities* subsidy program. The object of this program will be to support those job opportunities that offer real training or important job experience. A variable rate of subsidy will be introduced so we can target support to young people whose employment problems are most severe. The highest rate will be offered to young people who have less than a high school education and who have been without work for at least three months.

Seven: To encourage young people to start new businesses and become entrepreneurs, a new *year-round venture capital incentive* will be established for out-of-school youth. It will provide interest-free loans of up to \$5,000.

Eight: We will increase from 33 to 100 the number of *youth employment counselling centres* in Ontario and make this a permanent program. They will play an important role in directing young people to programs that best meet their needs and will be a major link between young people and opportunities for training and jobs. The new centres will be focussed on smaller communities.

Nine: For many young people, the difference between staying in school and dropping out is the extra income they earn through a part-time job. To keep these young people in school, we will have, for the first time, a *part-time employment program*. A \$1.25 per hour wage subsidy

will be paid to employers who provide part-time jobs for students identified by our counselling centres to be in serious financial need.

Ten: We will expand the *Ontario Career Action Program* and strengthen its value by focussing on training to develop more marketable skills. This year, the Government will increase this program's allocation from \$19 million to \$24 million, and will provide a combination of training and employment for more than 16,000 young people.

To oversee the co-ordination and design of Provincial youth training and employment programs, we are appointing a *Youth Commissioner* reporting to the Chairman of BILD. The Youth Commissioner will be responsible for strengthening training and practical experience in all youth programs, and for placing a new emphasis on the needs of those young people whose employment problems are most severe. The Commissioner will have a mandate to work aggressively with individual firms and volunteer groups to involve them in developing, or participating in, new training and job programs.

Many of the new initiatives I am announcing today have never been attempted in this country. They break new ground. They will provide an opportunity for every young person to prepare for a life of useful work and independence.

Retraining and Skills Upgrading for Experienced Workers

Mr. Speaker, we must also provide opportunities for our experienced workers to retrain and to upgrade their skills. The federal government already sponsors on-the-job training in industry and skill training in Ontario's community colleges. The Province has a network of colleges and universities teaching skills and developing the techniques and knowledge necessary to adapt successfully to a changing economy. We also have a wide range of direct training initiatives.

With the new *Ontario Skills Fund*, we will strengthen our commitment to retraining and skills upgrading. We will invest \$150 million over the next three years to help experienced workers adapt to economic transition, and provide skills and technical upgrading opportunities for women who want to enter or return to the labour force.

First: We will create, for the first time in Canada, an incentive to establish *Training Trust Funds* which will encourage workers and firms to undertake continuous training efforts. Employers and employees will make equal hourly contributions to the trust fund. In the first year, the Province will match the hourly contribution of employees up to a maximum of \$100,000 for each firm. These funds will provide retraining and job security. They will also encourage more businesses to establish training programs and develop co-operative arrangements among business, labour and government.

Second: We will provide \$40 million this year for *special training initiatives* targetted to help women, older workers and others adversely affected by technological change. These programs will help them to

complete high school education, take technical courses, upgrade skills, train in new technology and participate in on-the-job training. In particular, we are tripling our funding for the Technical Upgrading Program, from \$4 million to \$12 million. This will provide new opportunities for women who want to improve their qualifications so they can enter the workforce or benefit from more advanced technical training.

Third: We will create a new *incentive to help older workers* who have been laid off. Employers who hire and train laid-off workers over age 45 will receive a \$2,000 incentive when the employee has been on the job for one year. Older workers who have lost their jobs as a consequence of economic change face a distinct and serious set of problems. This measure will provide special support to help them acquire marketable skills.

Fourth: The Government will provide financial assistance to Unemployed Help Centres run by trade unions. During our pre-budget consultations, the Ontario Federation of Labour emphasized that these centres provide important counselling, advice and support for laid-off workers. Therefore, we have decided to provide funding to help keep the centres open this year.

Mr. Speaker, the initiatives I have outlined today represent a major and strategic investment in the future of our province and the quality of life of our people. To summarize, we will provide new opportunities for experience and training by:

- co-ordinating all programs through *Ontario Youth Opportunities*;
- mobilizing business involvement in youth training and counselling through Ontario Youth Trust;
- providing valuable experience and jobs in the community through Ontario Youth Corps;
- creating a new residential centres program to train disadvantaged youth;
- giving training and basic work skills to hard-to-employ youth with Ontario Youth Start;
- providing training and experience for young people through Ontario Youth Tourism;
- targetting higher wage subsidies to youth who most need jobs through Ontario Youth Work Opportunities;
- offering interest-free loans for out-of-school youth to start new businesses;
- expanding to 100 the number of youth employment and counselling centres;
- creating an incentive for part-time jobs for students in financial need;
- expanding the Ontario Career Action Program and promoting training in higher-skill jobs;
- appointing a Youth Commissioner;

- establishing a Training Trust Fund program;
- expanding all our special training initiatives;
- introducing a new incentive for employers who hire and train older laid-off workers; and
- supporting Unemployed Help Centres run by trade unions.

Many of these innovative initiatives are new to Canada. They are an important step toward building co-operation among all sectors of the economy. They represent a package we are proud to place before you today.

Economic Transformation: Innovation, Enterprise and Small Business

As we adapt to a very different economic structure, high value will be placed on the entrepreneurial skills of our citizens and their ability to innovate and adopt new technologies.

Research and Enterprise at our Universities

As pointed out in our policy paper, "Economic Transformation: Technological Innovation and Diffusion in Ontario", universities can be the basis for the growth of innovative firms. They generate scientific leadership and attract many of the best minds in Canada. We must improve the transfer of excellence in the laboratory to success in the marketplace. Consequently, I am announcing today a new initiative to improve the research capacity of our universities and to strengthen their partnership with the private sector.

We hope to generate \$90 million in new resources over the next three years to help our universities and Ryerson acquire state-of-the-art equipment and to stimulate research activity most relevant to the innovative demands of our economy. Over this period, the Province will commit \$30 million to a new *University Research Incentive Fund*, and we are confident that our universities will attract two dollars of investment from the private sector to match every dollar drawn from this fund. This program will be structured to meet the unique circumstances of each institution.

Through this and other initiatives, the Government will spend over \$42 million on research activities, buildings and equipment purchases for universities this year.

Technology Diffusion

For many firms, immediate opportunities for increased competitiveness are provided not by new inventions, but by the rapid adoption of up-to-date processes. To improve access to advanced technologies, the Government's six technology centres have created a new partnership among business, trade unions and government.

Lack of adequate financing, however, can prove a serious stumbling block to putting knowledge to work within our firms. We will reinforce our technology centres program to help ensure that funds are available to assist in modernization and retooling. The Ontario Development Corporations will work with the centres to assist small- and medium-sized companies acquire the high technology equipment they need. In addition, the Minister of Industry and Trade will be introducing a new program to assist firms in renting robots and other high technology equipment.

Mr. Speaker, the adoption of new technologies requires not only awareness and dollars, but also advanced management and technical skills. We will create a *Technology Diffusion Training Program*. Through this program, Ontario's technology centres will provide educational grants to managers, engineers and technicians who are key to the technology adoption decisions of small- and medium-sized firms.

Computers and Children

The ability of our people to participate fully in the economy of the future will depend on access to, and familiarity with, new technologies.

I believe no child should be denied the opportunity and the right to become familiar with computers and other information technologies. The foundation of today's democracy was put in place by those who had the vision to teach the poor, as well as the rich, to read and write. If equality of opportunity is to remain the hallmark of Ontario, all our children must have fair and adequate access to the computer.

Through initiatives already underway in our schools, children in Ontario will receive a basic grounding in computer literacy.

To build on these foundations, I wish to announce what I believe to be an important new program. Through the Ministry of Citizenship and Culture, our Government will provide \$4 million to place 4,000 computers in communities across the province. They will be offered through service organizations, libraries and other community institutions, which will provide children with instruction and opportunities to become familiar with computers.

Auto Parts Investment

Perhaps nowhere is the impact of industrial transformation more evident than in the automotive sector. To capitalize fully on emerging opportunities, our winning Canadian automotive parts firms must adapt to stay competitive.

To help meet this challenge we will provide, through BILD, \$30 million as our contribution to a new three-year *Automotive Parts Investment Fund*. Working with the industry, we will identify opportunities in such areas as product development, plant modernization and improved management and training practices. As a partner, the Government will expect commitments and contributions from firms and workers to ensure long-term competitiveness.

Small Business and Enterprise

Mr. Speaker, our ability to respond successfully to change will depend in large part on the vigour and strength of entrepreneurs and small businesses. The job-creation record of young firms is evidence of their will and ability to adjust and to innovate. We must use our resources to support these new firms, which create most of the new jobs in our economy. This focus was confirmed in my pre-budget discussions with small-business people and their representatives.

Targetting the Small Business Tax Exemption

All Members will be aware of the extraordinary measure taken by my predecessor, the Honourable Frank Miller, to help small business weather the recession. By exempting small firms from Provincial corporate income tax for a three-year period, we have made a major contribution to preserving and creating employment. This has also ensured that our small firms emerged from the recession on a solid financial footing.

I have decided to continue the exemption from Ontario corporations income tax for start-ups and young firms. The exemption will apply to companies during their first three years of incorporation. It will mean an estimated \$45 million annual benefit to new businesses in future years, providing significant support for young firms and reinforcing our commitment to entrepreneurship. (Appendix A.)

Targetting Small Business Development Corporations

Mr. Speaker, I have decided to maintain our commitment to the successful Small Business Development Corporations program by providing a \$25 million allocation for 1984-85. Consistent with the need to target and focus our efforts, changes will be made to increase the benefits available to new enterprises and provide pools of capital for small business in selected regions of Ontario.

The SBDC program will be organized into three separate funds; \$12.5 million will be available to investors in small business throughout Ontario. In addition, a special fund of \$7.5 million will be dedicated exclusively to investments in the North and the East. Another special \$5 million fund will be available specifically for investments in start-ups. (Appendix A.)

Further, to ensure a wider and more effective distribution of equity capital, additional technical changes will be made which will, for example, limit the maximum size of SBDC investments in any one small business to \$2.5 million. (Appendix A.)

Reviewing Small Business Policies

Encouraging further investment in small business might be achieved most effectively through changes to the personal income tax system. Accordingly, I will be asking the federal government to join with us in looking at the following new approaches:

- permitting full deductibility of capital losses on shares in business start-ups;
- allowing self-administered RRSPs to invest in start-ups or other small businesses; and
- developing a special class of limited partnership, permitting the flow-through of tax deductions to investors.

These could be costly, but they may be cost-effective. Over the next few months I intend to review carefully these and other ideas to support entrepreneurship and small business start-ups in our economy.

A New Generation of Entrepreneurs

Mr. Speaker, there will be a high premium on creative entrepreneurial activity during this time of profound economic transition. While our small business tax and financing initiatives will help create a new generation of entrepreneurs, this Budget goes further. We will encourage business enterprise as a career choice for women and men in our learning institutions and in the community at large. Accordingly, I am establishing a \$10 million *Enterprise Growth Fund* to invest in three new entrepreneur development initiatives.

First, we will establish *Innovation Centres* in selected universities and colleges to link the marketplace and the academic community. These centres should produce hundreds of new enterprises by providing a wide variety of business and technical support to innovators who want to commercialize their ideas, products and processes.

Furthermore, these centres will provide a welcome point of entry for local businesses to draw on the expertise of our learning institutions in developing their own potential products and processes.

Second, we will provide special funding to set up *Enterprise Centres* in communities across Ontario. These centres will provide new entrepreneurs with low-cost start-up space and common support services such as bookkeeping and computer facilities. Assistance will be provided on a cost-shared basis to a municipality, in conjunction with a private developer, to rent, renovate and operate appropriate facilities.

Finally, many viable new businesses have been established by employees who go out on their own, initially as suppliers to the parent firm. We will encourage that activity by assisting with the costs of evaluating the potential for "spinning-off" certain in-house activities to other local firms or to new businesses to be operated by current employees of large firms. This is a challenge to large businesses not only to increase their own productivity and reduce their overhead, but to participate in the creation of new enterprise.

Economic Transformation: Investing in Communities and Resources

I turn now, Mr. Speaker, to special initiatives to strengthen key economic sectors and help our communities address the challenges of economic change.

Community Economic Transformation Agreements

My pre-budget meetings across the province convinced me that the effects of social and economic transformation on each community are different, and that each community must respond in a different way. Accordingly, we have designed a flexible program to aid community development in Ontario.

The Province will enter into formal *Community Economic Transformation Agreements* with communities facing extreme structural change and where economic problems have been most severe and persistent. Under these agreements, the unique needs and potential of these communities will be assessed against the array of economic and community development programs now available. Enhanced assistance will then be tailored to individual circumstances. As part of this program, the Province will cost-share with municipalities vital economic projects which will generate employment. We will commit \$20 million to these agreements this year.

The Government will also establish a new \$10 million, three-year economic development program for Northern Ontario. This new program will provide industrial infrastructure and, together with our new SBDC fund, will help diversify and strengthen the economy of the North. The Minister of Northern Affairs will be announcing details shortly.

Key Sectors

Agriculture: Mr. Speaker, our investment in the agricultural sector will be increased substantially this year as we assist the farming community in transition. We have increased the budget of the Ministry of Agriculture and Food by 16.3 per cent this year. This growth reflects additional funds for new initiatives and enrichments of priority programs. The Ontario Farm Tax Reduction Program will be enriched by \$18 million to \$90 million and the Beginning Farmers Program will provide a further \$9 million this year. Action is also being taken by the Minister of Agriculture and Food on our \$62 million five-year commitment to the new Ontario Red Meat Plan and progress is being made in negotiating a national Tripartite Stabilization Program.

The agricultural community has consistently indicated that its fundamental concern is the cost of credit. Accordingly, I am announcing today that we are prepared to set up a national *Agribond Program* with the federal government. In recent years, Ontario and other governments have independently introduced programs to help farmers cope with the high cost of credit. My colleague, the Minister of Agriculture and Food, is taking the lead to consolidate the various programs under a Canada-wide

agribond program. Our proposal is cost-effective and, with federal government participation, will lead to a substantial cut in borrowing costs for farmers. This is a high priority for us and we are determined to see established an appropriate national arrangement.

Forestry: I am pleased to announce that the federal Minister of Finance and I have reached agreement on the funding of a new program to strengthen the management and renewal of our forests. Under this new agreement, \$150 million will be provided by the two levels of government, on an equal basis, over the next five years to preserve our forestry industry.

Mining: We expect to undertake new minerals programs this year. A cost-shared federal-provincial mineral development agreement, for which we are allocating funding, should provide \$30 million in support of geo-scientific surveys, specific research and development projects. The Minister of Natural Resources will be working on these and other mining industry initiatives.

In addition, the Province will be releasing a paper on taxation in the mining industry for discussion with the industry and the public. I am confident this process will help us to evaluate approaches to mining taxation most appropriate for the decade ahead.

Tourism: Mr. Speaker, earlier I described our new youth tourism training program. As well as providing experience for young people, it will benefit many tourist firms which might not otherwise hire additional trained staff.

Further, to address a concern of Ontario's tourist industry, I am announcing today a temporary addition to the retail sales tax refund program for visitors to Ontario. Under the *Accommodation Tax Rebate Program*, the five per cent retail sales tax on accommodation will be rebated to out-of-province visitors effective midnight tonight until December 31, 1984. (Appendix A.)

Finally, to ensure the long-term strength of this vital industry, I am providing funding for a five-year, \$60 million joint tourism development agreement with the federal government. When concluded, this agreement will assist new projects, enhance visitor services and help upgrade planning and marketing activities.

Social Transformation: Assisting Individuals

Mr. Speaker, the challenge today is not only economic. Major changes are taking place in the social fabric of Ontario, and these changes must be reflected in our actions.

We want independence, good health and dignity for our seniors. We will help the disabled contribute fully to their communities and lead active, independent lives. We want to give the disadvantaged a greater sense of purpose and self-worth. We will deal compassionately with the problem of family violence. We will help those who rely on social assistance to assert their independence. We will increase access to day care for children from low-income families.

Social Assistance

Through a range of new initiatives, we will help those on social assistance who want to overcome welfare dependency, gain experience, employment and training, and participate more fully in our economy. These initiatives were raised at the federal-provincial meeting of Finance Ministers last December and are being developed in co-operation with the federal government under the shared-cost Canada Assistance Plan. They will require up to \$120 million over three years.

Currently, there are 50,000 young people on direct social assistance. Many lack the experience, motivation and self-confidence they need to find a job or acquire new skills.

This year we will provide new opportunities to help these young people participate in the economy. Specifically, we will:

- enable them to go back to high school or take special upgrading classes without losing social assistance;
- provide counselling in job search skills and basic work habits; and
- offer placements in business, industry and the community so they can build self-confidence and gain some work experience.

Other initiatives will focus on young people, aged 12 to 18, whose parents are on social assistance. To help them prepare for an independent, productive future, we will provide summer counselling and employment-related experience. We will also provide funding for special support services for children most in need through Children's Aid Societies and Children's Mental Health Centres.

Further, Mr. Speaker, we are developing new programs to meet the specific needs of Ontario's 60,000 single parents on social assistance, most of whom are women. Many single parents lack access to affordable child care. At the same time, there is little incentive for them to participate in training programs or look for work when new wages are offset by greatly reduced social assistance benefits. To meet the special needs of these single parents, we will:

- provide increased support services, such as day care, to enable them to go out and participate in the labour market; and
- place individuals in social service agencies where they can gain job experience while providing valuable services for the elderly and other groups in the community.

New initiatives will also be developed to help disabled people who want to make the transition from social assistance to gainful employment.

Mr. Speaker, we hope that up to 11,000 people will choose to take advantage of new opportunities to gain important skills and experience and thereby increase their long-term employment possibilities. Our programs will ensure a more productive use of welfare funding. I urge employers, municipalities and social service agencies to join us in the

delivery of these programs. Constructive discussions with the federal government are proceeding and the Minister of Community and Social Services will soon be working with municipalities on the implementation of these important new initiatives.

Child Care

Mr. Speaker, access to high quality, affordable child care is an essential requirement for many who want to participate fully in our economy, particularly for those with lower incomes.

Because child care is an important part of today's economy and society, I am allocating a further \$4.8 million this year to provide 1,500 more full-time, subsidized spaces. In addition, we will provide \$1.2 million in day care subsidies through our expanded program to assist single parents on social assistance.

The Elderly and Disabled: Alternatives to Institutions

Mr. Speaker, we want our elderly and disabled to lead active lives in their own communities, away from institutions. Many elderly and disabled people want to live with their families. However, in some cases, providing shelter requires extensive home renovations which result in increased property taxes. We must encourage -- not penalize -- families for their efforts to provide shelter and supportive care.

Accordingly, I am announcing today that homeowners who undertake renovations or additions, specifically to keep an elderly or disabled person at home and in the community, will be exempt from any increase in taxable assessment that would otherwise occur. Homeowners who are elderly or disabled themselves will also qualify.

We will continue to provide the highest standards of service for those who need institutional care. At the same time, we will look for new and more effective alternatives so that our elderly and disabled can remain active in their own communities, close to family and friends. This assessment exemption is one such initiative.

Mr. Speaker, we will also expand our program of attendant care to support independence for people with serious physical disabilities. Over the next five years, the number of people benefitting from this program will be almost doubled. In addition, a new *Outreach Attendant Care* program will enable 240 severely handicapped people to remain in, or return to, their own homes. The total cost of these two attendant care initiatives will be in the order of \$30 million over five years.

Finally, additional funding will be provided to enable the Ministry of Transportation and Communications to help municipalities purchase special buses for the physically handicapped.

Income Security for the Elderly

Last month I released a policy paper detailing Ontario's proposals for reform of Canada's retirement income system. As we have already indicated, Ontario will raise GAINS payments for the single elderly in conjunction with increases in the federal Guaranteed Income Supplement. By the end of 1984, our single elderly will be guaranteed a basic annual income of more than \$8,000, or 60 per cent of that provided to couples. These GAINS increases will benefit 124,000 elderly persons in Ontario, most of whom are women. We are providing an additional \$27 million for these improvements.

Social Housing

Mr. Speaker, we now support more than 118,000 rent-geared-to-income housing units in Ontario. Because housing for the least fortunate is a priority of this Government, I wish to announce today that we will increase our funding to enable 3,200 more families and disabled individuals to benefit from rent-geared-to-income housing. We will spend an additional \$30 million over five years.

Family Violence

Last fall, the Deputy Premier announced new initiatives to address the urgent problem of family violence. At that time, \$4 million was allocated to improve funding for transition houses and northern family resource centres, and a further \$1 million was provided for capital purposes.

Today, I am announcing important enrichments to those initiatives. We will commit an additional \$3.5 million to expand shelter services for battered women and their children and to provide emergency assistance and support. Further funding will be made available through the Ontario Women's Directorate for a public education campaign to increase awareness of this intolerable problem and inform victims about the help that is available.

Mr. Speaker, the major new initiatives I have outlined today represent a sensitive and compassionate response to the special needs of the less fortunate in our society. They reflect the commitment of this Government to enable all of our people to lead active, productive and independent lives.

Government Restraint

Mr. Speaker, in 1975, this Government introduced a policy of fiscal restraint. At that time we had about eleven public servants for every 1,000 residents. After nine years of restraint, we are able to provide more and better services with only nine public servants for every 1,000 residents. Further efficiencies should be achieved this year.

These efficiencies have been accompanied by appropriate compensation policies. As a transition from mandatory wage controls in the public sector, last fall we established zero to five per cent as an appropriate range for average increases in total compensation. Our fiscal policy was set to reinforce this program by limiting the payroll component of transfer payments and allocations for civil service pay. Arbitrators are required to consider the employer's ability to pay in light of existing Provincial fiscal policy.

I am encouraged that most public sector employers and employees have chosen to act responsibly in following this program.

In order to keep deficits and taxes down, governments must, above all, control their own costs. Therefore, I have decided to hold our direct operating expenditures for most activities to last year's level, rather than permit them to rise with inflation. This is a difficult step but, with the continued dedication and commitment of my Cabinet colleagues and their ministries, I am confident this will be accomplished.

Mr. Speaker, our local governments must restrain their staffing and direct operating expenses as well. I expect them to do so this year and certainly to incorporate such restraint into their 1985 plans.

In determining our transfer payments to municipalities and school boards in 1984, we have been generous in making allowances for five per cent inflation for goods and services and a similar increase for salary costs. Therefore, local governments should be able to live with modest spending and mill rate increases provided they take as firm a stance as this Government.

Unlike the Province, local governments do not have to finance pressures in the health care system. Furthermore, our school boards are experiencing declining enrolments, and I expect that, on average, school mill rates can be held to increases of less than five per cent. Yet, early indications are that some spending increases in the local sector this year will exceed what we consider to be appropriate.

I will be discussing with my colleagues ways in which we can more closely monitor the spending performance of our school boards and municipalities. It should not be necessary to control mill rates formally, and I am convinced that major savings to our taxpayers can be realized without any deterioration in the high level of local services. We are determined to see this happen.

On a surprising number of occasions during my pre-budget meetings, concern was raised about the visibility of school board, as well as municipal, taxes. Municipalities are now required to inform their taxpayers, on annual tax bills, of both school and municipal tax burdens.

But there is a need to ensure that this information is provided in a very clear fashion, so that there is a visible link between services that are provided and the cost of those services. The Minister of Municipal Affairs and Housing will be discussing this further with municipalities.

Mr. Speaker, I also expect our own Crown corporations and public agencies to follow the Province's example of restraint. In some of these organizations, where base salaries are relatively high, I expect salary growth rates in the future to be held below the five per cent maximum guideline introduced this year. Further, just as the Province is holding its overhead expenses, I believe that public agencies and corporations should demonstrate similar resolve.

We are witnessing a healthy public debate on Crown corporations in Canada. We believe Ontario can benefit from an examination of its Crown sector. To this end, the Ministry of Treasury and Economics is initiating a special Government review which will examine the mandates of our Crown corporations, including instances where privatization might better serve the public.

In light of moderating needs for Government buildings, I believe significant savings for new spending priorities can be achieved through the sale or lease of Government landholdings in urban and commercial areas. Where these lands can be sold, they will be.

All of these measures will assist us in delivering quality services to our citizens and in keeping taxes or fees to a minimum, a subject to which I now turn.

Premiums, Rental Charges and Bank Reserves

Mr. Speaker, in providing new measures to support economic and social transformation, I have weighed three basic factors: our ability to restrain costs; our responsibility to reduce the deficit; and the taxpayer's capacity to pay more. I have attempted to strike a balance which I believe should serve the immediate and future interests of this province.

First, flatlining our direct operating expenditures for most Government activities and selling off property holdings no longer essential to our needs will secure \$75 million in necessary savings to help finance our new initiatives.

Second, fiscal responsibility demands that we move to reduce our deficit further as the economy expands. We will meet this responsibility in a prudent fashion.

Third, while economic expansion is underway, major tax increases would undermine activity and confidence. Mr. Speaker, the targeted approach to spending we have adopted enables us to achieve our economic and social objectives without any major tax increases. Indeed, I have decided that the personal income tax surcharge of 5 per cent will expire on December 31, 1984, as scheduled. There are, however, three measures I believe are appropriate.

OHIP Premiums

This year, the increase in OHIP premiums will be limited to 4.9 per cent, in line with our continued commitment to the Provincial restraint program. This monthly increase of \$1.40 for single persons and \$2.80 for family coverage will yield \$69 million in additional revenues.

While this is necessary and appropriate, Mr. Speaker, it must be acknowledged that it is very modest when compared to over \$800 million that was added to our health care bill last year. We must recognize that major costs are involved in protecting the excellence of our health care system. OHIP premiums have a legitimate role to play in financing these costs. While we expect the growth in health care costs to moderate this year, the proportion of costs covered by OHIP premiums will decline. Premiums paid for 24.3 per cent of the health bill five years ago, covered only 19.5 per cent last year and will carry even less this year. I believe there should be a clear and continuing link between premiums and the cost of health care.

Water Power Rentals

Mr. Speaker, we have reviewed the charges levied for the right to use publicly-owned water resources in the production of electrical power. Ontario Hydro is the principal user of these rights. With the exception of annual adjustments related to the rate of inflation, these water rental charges have not been increased for Ontario Hydro since 1958. Consequently, effective June 1, Ontario Hydro's water rental rates will be adjusted to reflect more accurately the value of this resource. In 1984-85, this increase in water rental rates will produce an additional \$44 million in revenue.

Bank Reserves

Mr. Speaker, in provinces which have their corporate income taxes collected by the federal government, banks are required to claim the same reserves for provincial income tax purposes as claimed at the federal level. In Ontario, banks have utilized the current provisions in our statute to claim an amount greater than that claimed for purposes of federal tax. This has minimized taxes paid to Ontario. I propose to harmonize our treatment with that of the majority of the provinces by requiring that the reserve amounts claimed by banks for Ontario tax purposes not exceed those claimed for federal tax purposes. This change, effective for fiscal years ending after May 15, 1984, will increase revenues in the order of \$5 million this year.

I am also concerned that the current formula for allocating the world income and capital of banks does not provide Ontario and other provinces with their fair share of tax revenues. I will therefore propose that a complete review of the allocation rules applicable for determining the tax base for banks be undertaken by the provinces and the federal government.

Further details on these three measures are included in Appendix A.

1984-85 Fiscal Plan

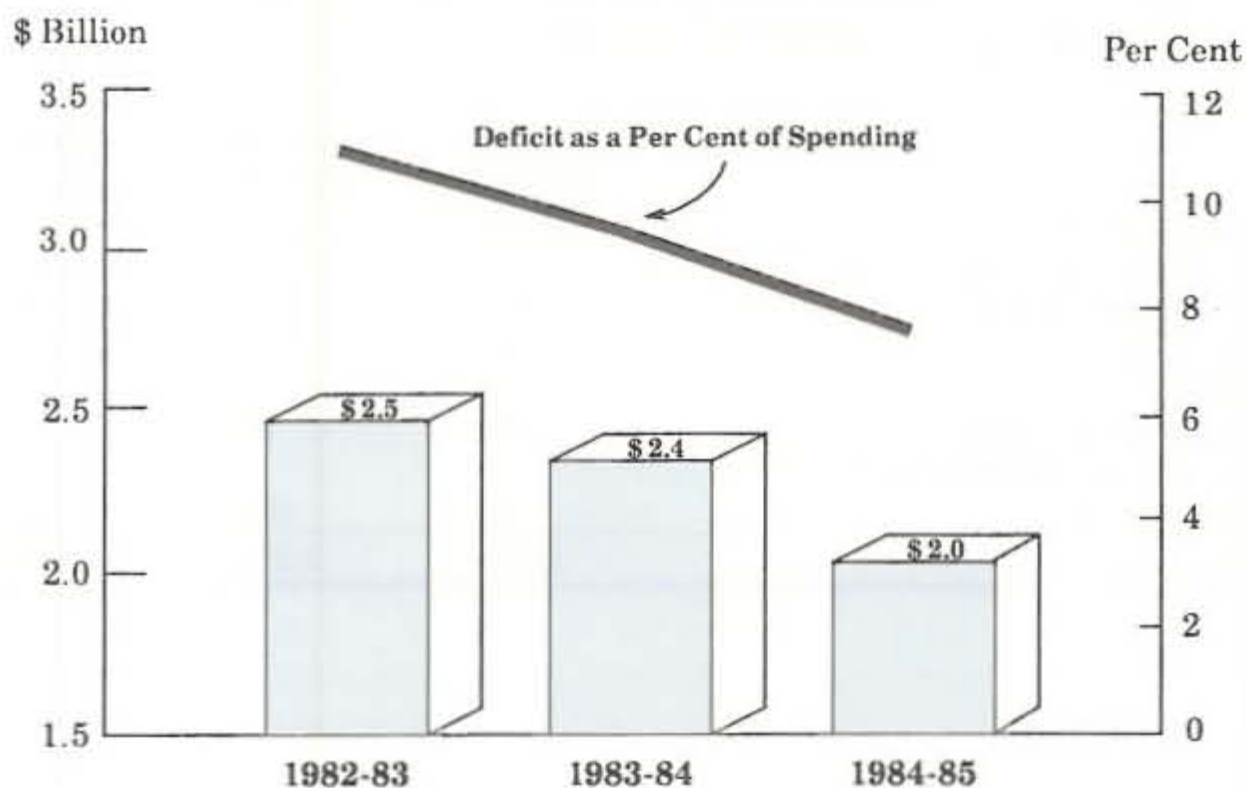
Mr. Speaker, our overriding concern and responsibility is the well-being of our citizens and the health of the provincial economy. The 1984-85 fiscal plan will honour these objectives and maintain our record of solid financial management.

I am pleased to report to this Legislature a reduction of \$345 million in the level of our net cash requirements for the year just ended. This reduction, from the 1983 Budget projection of \$2,695 million to an expected \$2,350 million, reverses the experience of recent years when the deficit had to rise to help alleviate the impact of the recession on our economy and our people.

Mr. Speaker, in my Autumn Pre-Budget Statement I stressed that the deficit level must be reduced. Progress has been made and we will go further. For the 1984-85 fiscal year, I am projecting that Provincial net cash requirements will be reduced to \$2,039 million. Revenues, strengthened by our strong economic performance, are now anticipated to grow by 9.6 per cent while expenditures, tempered by our commitment to restraint, will be held to 7.4 per cent.

The downward trend in Ontario's net cash requirements is especially evident when measured against total Provincial spending. In 1984-85, the deficit is expected to represent 7.6 per cent of total Government spending, compared to 10.8 per cent only two years ago.

**Deficit on a Downward Trend:
1982-83 to 1984-85**



Our cash requirements can be financed from internal sources without recourse to the public capital markets. Consequently, Ontario's only capital market activity this year will be to refinance existing Treasury Bill borrowing.

Ontario's 1984-85 Fiscal Plan

(\$ million)

	Interim 1983-84	Estimate 1984-85	Year-to-Year Change	
				(%)
Revenue	22,597	24,762	2,165	9.6
Expenditure	24,947	26,801	1,854	7.4
Net Cash Requirements	2,350	2,039	(311)	(13.2)
Net Non-Public Borrowing	1,977	2,169		
Net Public Borrowing	883	(96)		
Increase in Liquid Reserves	510	34		
Total Financing	2,350	2,039		

Mr. Speaker, I want to emphasize that we are achieving this significant improvement in our net cash requirements while we are increasing our already substantial capital investments. Our borrowing is directed towards new investments of lasting value to the province. In 1984-85, the Government will invest almost \$2.4 billion in upgrading and strengthening our social and economic infrastructure. No borrowing will be required to meet our operating costs.

Capital Investment: 1982-83 to 1984-85

(\$ million)

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Transportation	1,165	1,228	1,254
Health Care and Social Services	284	229	280
General Public Works	290	263	260
Environment	243	212	220
Education	155	155	161
Recreation and Culture	106	84	73
Industrial and Technological Development	63	102	129
Total	2,306	2,273	2,377

Conclusion

I said in my Autumn Statement that the 1984 Budget should be both an economic and a social document. I believe we have achieved that goal.

This Budget creates new opportunities for young people and older workers. It improves job access for women. It helps the disadvantaged and the elderly live independently in their communities. It strengthens the role of our learning institutions. It helps our small businesses to grow and our large firms to innovate. It encourages enterprise and entrepreneurship. It faces up to the reality of change and deals with it.

We are reaffirming our commitment to restraint. We are avoiding significant tax increases. We will reduce the deficit.

Mr. Speaker, our ability to develop these wide-ranging new initiatives is due in large part to the assistance, co-operation and support of my colleagues, all of whom I wish to thank today.

By building on our strong economic circumstances and enriching our network of compassionate social services, this Budget honours the goals, the values and the tradition of leadership of our Premier, the Honourable William G. Davis.

Mr. Speaker, we have rejected temporary, short-term measures. Instead, this Budget makes strategic long-term investments in our people and our future. It is right for our time. It is right for our people. I am confident it will make an important contribution to continued prosperity as we assist and shape Ontario's social and economic transformation.

Appendix A Budget Measures

Table of Contents

A1: Details of Tax Changes	24
A2: The Ontario Health Insurance Plan	27
A3: Small Business Development Corporations	28

A1: Details of Tax Changes

The purpose of this section is to provide a more detailed description of the tax changes outlined in the Budget Statement. This is a concise summary only, and the reader is advised to consult the statutes for exact information.

Assessment Act

- Renovations, additions or alterations to residences begun on or after May 16, 1984 will not increase taxable assessment if they are undertaken for the purpose of accommodating persons age 65 or older or disabled persons who would otherwise be institutionalized.
- This assessment exemption will also be available to homeowners who are age 65 or older or who are disabled, and who make substantial changes to their homes to allow them to continue to live there when they would otherwise be institutionalized.
- The exemption from assessment will remain in place as long as the disabled person or the person age 65 or older continues to occupy the property upon which the assessment exemption has been conferred.
- Affidavits to obtain this exemption will be available in all regional assessment offices of the Ministry of Revenue.

All enquiries regarding this change to the Assessment Act should be directed to the nearest regional assessment office or:

- in Metro Toronto - dial 965-8470
- in Area Code 807 - ask the Operator for Zenith 8-2000
- in Area Code 416 - dial 1-800-263-7700
- in all other areas - dial 1-800-263-3960

Corporations Tax Act

Three-Year Income Tax Exemption for New Qualifying Corporations

- A three-year income tax exemption for new qualifying corporations will be introduced. The new program will apply to corporations incorporated after May 13, 1982 for taxation years ending after May 13, 1985 where that taxation year is the first, second or third taxation year of the corporation.
- The program will apply to any Canadian-controlled private corporation that is not related to any other corporation now carrying on business in Canada.
- A "non-qualifying business" as defined in paragraph 125(6)(f) of the federal Act will not qualify for the new exemption.
- The exemption will apply to the first \$200,000 of eligible active business income in each year based on the amount qualifying for the federal small business deduction adjusted for any difference in the Ontario losses deducted.
- Income eligible under the program will be defined to be the portion allocated to Ontario.
- Details of the rules for eligible corporations will be found in the Ministry of Revenue's Information Bulletin.
- For small businesses whose income tax holiday is ending, the tax that would otherwise have been payable during the last year of the exempt period should be taken into account in calculating the tax instalments payable for the taxation year following the tax exempt period.

Reserve Provisions for Banks

- The Corporations Tax Act will be amended to provide that banks may not claim an amount greater than that deducted for federal tax purposes under subsection 26(2) of the Income Tax Act (Canada).
- This change will apply to taxation years ending after May 15, 1984.

All enquiries regarding corporations tax changes should be directed to:

Corporations Tax Branch
Ministry of Revenue
P.O. Box 622
33 King Street West
Oshawa, Ontario
L1H 8H6
(416) 433-6506

For telephone enquiries in Toronto call 965-1160, extension 6506.

Retail Sales Tax Act

Temporary Rebate to Out-of-Province Visitors of Tax Paid on Transient Accommodation

- Out-of-province visitors may apply for a rebate of the 5 per cent tax paid on transient accommodation consumed in Ontario during the period May 16 to December 31, 1984, inclusive.

Effective: May 16, 1984.

All enquiries regarding this retail sales tax change should be directed to:

Retail Sales Tax Branch
Ministry of Revenue
P.O. Box 623
33 King Street West
Oshawa, Ontario
L1H 8H7
(416) 433-6322

or

the nearest Retail Sales Tax Office. For telephone enquiries in Toronto call 487-1361.

A2: The Ontario Health Insurance Plan

Premium Increase

- Ontario Health Insurance Plan (OHIP) premiums will be increased from the current single and family certificate rates of \$28.35 and \$56.70 per month to \$29.75 and \$59.50 per month, respectively.

Effective: for premiums in respect of benefit months beginning August 1, 1984.

All enquiries regarding the Ontario Health Insurance Plan should be directed to the nearest OHIP office or to:

Enrolment Services Branch
OHIP
Macdonald Cartier Building
49 Place d'Armes
P.O. Box 48
Kingston, Ontario
K7L 5J3

A3: Small Business Development Corporations

The following changes will be made with respect to the Small Business Development Corporations Program:

- The limit on the total allowable investment by any number of SBDCs in any one small business or affiliated group of small businesses will be reduced from \$5 million to \$2.5 million. This will apply to investments by both private and public SBDCs.
- The limit on the maximum ownership of the voting shares of a small business that any number of SBDCs can hold together will be reduced from 60 per cent to 49 per cent.
- The definition of an "associate" will be amended to include any "members of the family" as defined in the Corporations Tax Act and to provide:
 - that if associates of any person, directly or indirectly, control a corporation, that corporation would be considered to be an associate of the person;
 - that if associates of any person, directly or indirectly, hold the majority of the beneficial interest of a trust, that trust would be considered to be an associate of the person; and
 - that a person who is an officer or a director of a corporation is an associate of that corporation.
- The definition of an eligible investment will be amended to provide that an investment will not be an eligible investment if any of the funds invested by the SBDC are used by the small business for the purpose of repaying any debt owing to any shareholder or any associate of such shareholder of the SBDC by the small business.
- A mechanism will be introduced whereby the total funding allocated to the program for payment of incentive grants and tax credits will be subdivided into three separate funds -- one for general investments, one for investments only in Northern and Eastern Ontario and one for investments only in new small business.
 - Upon registration of new SBDCs or the issuance of additional capital by existing SBDCs, the SBDC will be required to designate how much of its capital it intends to invest in each of these areas. The payment of incentive grants and allowance of tax credits will be charged against each of the funds in proportion to the SBDC's designated areas of investment.
 - Should the funds in the Northern and Eastern Ontario fund or the new small business fund be exhausted during the year, additional funding will be reallocated from the general investments fund if available.

- Northern and Eastern Ontario include those areas of the province presently covered by the Northern Ontario Development Corporation and Eastern Ontario Development Corporation respectively.
- A business will be considered to be a new enterprise if at the time of the SBDC investment it had not previously carried on business or the business operations had commenced within the previous twelve months, or the business was recently purchased from a receiver or a trustee in bankruptcy.

Effective: May 15, 1984.

All enquiries regarding SBDC changes should be directed to:

Taxation Policy Branch
Ministry of Treasury and Economics
Parliament Buildings
Queen's Park
Toronto, Ontario
M7A 1Y7
(416) 965-6869

or

SBDC Program
Ministry of Revenue
P.O. Box 625
33 King Street West
Oshawa, Ontario
L1H 8H9
(416) 433-6330

For telephone enquiries in Toronto call 965-1160, extension 6330.

Appendix B Economic Outlook

Table of Contents

Economic Outlook.....	32
Output.....	32
Employment.....	33
Prices.....	33
External Environment.....	33

Appendix B Economic Outlook

The Ontario economy grew briskly last year, recovering the ground lost during the recession. In 1984, the Ontario economy will expand, with positive real growth expected throughout the year.

Strong export growth, triggered by the recovery in the United States, will be a major contributor to the expansion. Significant additional impetus will come from consumer spending. More modest contributions to growth will come from inventory accumulation and machinery and equipment investment. Overall business investment growth, however, will be below previous recovery rates. Inflation is expected to continue to be moderate and employment will continue to grow through 1984.

The economic outlook remains broadly consistent with the forecast presented in the Autumn Pre-Budget Statement. The forecasts of real growth, inflation and housing starts are all unchanged, although the expected composition of growth in 1984 is now different.

Exports will make a larger contribution to Ontario's economic performance because U.S. growth has been stronger than was expected last fall. Employment is projected to grow at a slightly slower rate than was anticipated, resulting in somewhat slower growth of personal income and retail sales. As a result of continuing business uncertainty and higher interest rates, total investment is now expected to make a smaller contribution to growth in 1984.

The details of the current forecast follow.

Output

Real Gross Provincial Product is forecast to grow by 4.7 per cent in 1984.

The rapid expansion in the United States, coupled with recovery in most other industrialized nations, will offer significant export opportunities to Ontario. Consequently, the trade sector will continue to be a bright spot. Although import spending will increase in 1984, the real impact will be more than offset by export growth. Strong investment growth in the United States will increase our exports of commodities, steel products and machinery. Auto exports will continue to be strong.

In the *consumer sector*, continued employment growth, an improved household financial position, and modest increases in wages and salaries will encourage increased spending. Personal income is expected to grow by 8.9 per cent. Although consumers will remain reluctant to increase borrowing significantly at current interest rates, and savings rates will remain relatively high, real consumer spending should increase by 3.8 per cent. Retail sales are forecast to rise by 9.1 per cent.

The strong recovery in *housing* that occurred in 1983 will continue this year. Housing starts are expected to rise to 58,000 units, up from last year's 54,939 starts.

The revival of *business investment*, particularly in non-residential construction, is lagging. There are a number of inhibiting factors including unused productive capacity, high real interest rates and uncertainty about the longer-term growth of demand.

Nevertheless, there are some positive developments on the investment front. Corporate balance sheets are strengthening. Capacity utilization rates, although still relatively low, have risen rapidly. Real growth in machinery and equipment investment began in the first quarter of 1983, and is expected to continue.

Employment

Since unemployment in Ontario peaked in November 1982, 229,000 jobs have been created in the province. The unemployment rate has declined from 12.3 per cent to 9.1 per cent over the same period.

The Ontario labour market is expected to continue to improve in 1984. Average annual employment is forecast to increase by 125,000 jobs over 1983. The unemployment rate is expected to average 9.1 per cent.

Prices

A major factor in the improved economic climate has been the decline in inflation. The impact of the recession, combined with the introduction of government wage restraint programs in mid-1982, resulted in a substantial easing of inflationary pressures. Consumer price inflation in 1983 was almost halved from the previous year.

The deceleration of inflation will continue in 1984 with the annual rate of increase in the CPI forecast to be 5.3 per cent. As the economy continues to expand this year, upward pressure on some commodity prices will emerge. However, input price increases are not expected to be automatically translated into higher wages and prices.

External Environment

Economic conditions outside Ontario, especially in the United States and in the rest of Canada, are an important determinant of Ontario's economic performance. Table 1 presents the highlights of the economic outlook for Ontario, Canada and the United States.

Economic growth in the United States is expected to continue throughout 1984, although at a moderating pace. The current strength of the U.S. economy is broadly based. Consumer spending, business investment and government expenditures, particularly for defence, are expected to record substantial growth. U.S. trade performance, however, is likely to remain weak.

**The Ontario, Canadian and
U.S. Economies: 1982 to 1984**
(per cent)

Table 1

	Ontario			Canada			U.S.		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Real Growth	-5.1	3.7	4.7	-4.4	3.0	4.1	-1.9	3.4	5.8
Inflation	10.8	5.8	5.3	10.8	5.8	5.3	6.2	3.2	4.6
Unemployment Rate	9.8	10.4	9.1	11.0	11.9	11.2	9.7	9.6	7.7

Source: Ontario Treasury.

The rest of Canada is not expected to grow as rapidly as Ontario in 1984. Nevertheless, other provinces will record significant growth led by strong export increases and government capital spending. Consumer spending will also increase. Because of the importance of interprovincial trade to Ontario, the province will benefit from the pick-up in growth in the rest of Canada.

Table 2 provides a detailed summary of the Ontario economic outlook.

**The Ontario Economy:
1982 to 1984**

Table 2

	1982	1983	1984	82/81	83/82	84/83
	(\$ billions)			(per cent)		
Total Output						
Gross Provincial Product	133.2	146.2	159.3	4.8	9.7	9.0
GPP (Constant 1971 dollars)	48.6	50.4	52.8	-5.1	3.7	4.7
Investment						
Machinery and Equipment	9.5	9.8	10.4	-8.7	2.9	6.2
Non-Residential Construction	6.2	5.1	5.2	4.9	-17.6	1.7
Residential Construction	4.5	6.2	6.9	-13.0	36.4	10.9
Other Components of Demand						
Housing Starts - Units (000s)	38.5	54.9	58.0	-	-	-
Retail Sales	35.4	38.8	42.3	5.1	9.5	9.1
Exports	45.8	49.0	56.4	3.6	7.0	15.1
Imports	35.1	39.8	46.5	-1.4	13.4	16.8
Income						
Personal Income	120.6	129.2	140.8	10.3	7.1	8.9
Corporate Profits (before taxes)	6.8	10.6	13.3	-42.3	55.2	26.2
Prices						
Consumer Price Index	-	-	-	10.8	5.8	5.3
Jobs						
Labour Force (000s)	4,508	4,570	4,646	1.0	1.4	1.7
Employment (000s)	4,067	4,096	4,221	-2.5	0.7	3.1
Unemployment Rate (% of labour force)	9.8	10.4	9.1	-	-	-

Source: Ontario Treasury.

Appendix C Ontario Finances

Table of Contents

Review of the 1983-84 Fiscal Year

1983-84 Expenditure	36
1983-84 Revenue	37

Financial Tables

C1	Statement of Provincial Net Cash Requirements and Related Financing	39
C2	Revenue	40
C3	Expenditure	41
C4	Payments from the Federal Government	45
C5	Deposits into Trust Accounts	45
C6	Repayments of Loans	45
C7	Payments out of Trust Accounts	46
C8	Loans and Investments	46
C9	Payments to Local Governments and Agencies	48
C10	Public Service Strength in Ontario: March 31, 1984	49
C11	Ten-Year Review of Selected Financial and Economic Statistics	50

Charts

C1	Major Revenue Sources: Per Cent of Total 1980-81 to 1984-85	42
C2	Expenditure Functions: Per Cent of Total 1980-81 to 1984-85	43
C3	Months of Revenue Required to Repay Funded Debt: 1980-81 to 1984-85	44
C4	Funded Debt as a Per Cent of Gross Provincial Product: 1980-81 to 1984-85	44
C5	Increasing Efficiency in the Ontario Public Service: 1980 to 1984	47
C6	Expenditure and Net Cash Requirements as a Per Cent of Gross Provincial Product: 1980-81 to 1984-85	47
C7	The Budget Dollar: Revenue Fiscal Year 1984-85 Estimate	52
C8	The Budget Dollar: Expenditure Fiscal Year 1984-85 Estimate	53

Appendix C Ontario Finances

Review of the 1983-84 Fiscal Year

Substantial success was achieved in improving on the 1983 Budget plan. Net cash requirements were \$345 million below forecast, at an interim estimate of \$2,350 million. In-year revenue increases were applied principally to reduce our net cash requirements, while the majority of unavoidable expenditure increases were financed by reallocations from other programs.

1983 Budget Performance
(\$ million)

Table 1

	Budget Plan	Interim Results	Change
Revenue	22,015	22,597	582
Expenditure	24,710	24,947	237
Net Cash Requirements	2,695	2,350	(345)

1983-84 Expenditure

In the 1983 Budget, an in-year expenditure constraint of \$300 million moderated the deficit level and permitted funding for new initiatives. Table 2 shows that this constraint was achieved. As well, another \$336 million in expenditure reductions were secured to help fund spending pressures encountered during the year.

Reconciliation of Expenditure Estimates to Interim Results: 1983-84
(\$ million)

Table 2

Printed Expenditure Estimates		24,825
Add: Budget Initiatives		185
Gross Expenditure		25,010
Less: Budget Constraints		(300)
Expenditure Target		24,710
In-Year Spending Pressures	573	
In-Year Spending Reductions and Savings	(336)	237
Interim Results		24,947

As shown in Table 3, over half of the in-year expenditure increases were for high priority programs in the Social Policy Field. These included \$129 million required to meet the caseload increase in Provincial income support programs and a 5 per cent rate increase in support payments. Health care programs required an additional \$96 million, mainly for the operation of hospitals and related facilities and for payments to doctors. A further \$200 million was needed in the Resources Policy Field, including \$63 million for municipal road and transit subsidies, \$27 million for agricultural programs and an extra \$18 million for forest fire fighting.

Summary of In-Year Expenditure Changes: 1983-84 **Table 3**
(\$ million)

Increases			
● Social Policy Field	290		
● Resources Policy Field	200		
● Justice Policy Field	56		
● General Government	27		573
Decreases			
● Social Policy Field	51		
● Resources Policy Field	60		
● Justice Policy Field	9		
● General Government	80		
● Public Debt Interest	75		
● Salaries and Benefits	37		
● Pensions - reduction of unfunded liability instalment	24		(336)
Net Change			237

1983-84 Revenue

Revenues received during the 1983-84 fiscal year were \$582 million above the 1983 Budget forecast. A summary of Ontario's revenue performance is presented below.

In-Year Revenue Performance: 1983-84 **Table 4**
(\$ million)

	<u>Budget Plan</u>	<u>Interim Results</u>	<u>Change</u>
Taxation Revenue	13,501	13,427	(74)
Federal Government Payments	3,759	4,096	337
Other Revenue	3,630	3,781	151
Non-Budgetary Revenue	1,125	1,293	168
Total Revenue	22,015	22,597	582

Despite a strengthening economy, corporate tax revenues were \$75 million below Budget estimate, partly due to losses carried forward from earlier in the recession. LCBO profits were also lower than anticipated, and federal re-estimates for 1983 and prior years reduced the yield from the personal income tax by \$51 million.

**Summary of In-Year Revenue
Changes: 1983-84**
(\$ million)

Table 5

Increases			
● Established Programs Financing		255	
● Repayments of Advances to Crown Corporations		84	
● Gasoline and Motor Vehicle Fuel Taxes		71	
● Canada Assistance Plan		66	
● Interest on Investments		60	
● Interprovincial Lottery Trust Fund		57	
● Environmental Projects		42	
● Fines and Penalties		33	
● Vehicle Registration Fees		20	
● Utility Service Charges		19	
● All Other		123	830
		—	
Decreases			
● Corporation Taxes		75	
● Personal Income Tax		51	
● LCBO Profits		30	
● All Other		92	(248)
		—	
Net Change			582

Federal recalculations resulted in other adjustments as well. Due to unusually high revisions to GNP and population data by Statistics Canada, federal transfers for the Established Programs Financing were raised by \$255 million. In tandem with the increase in Provincial spending for social assistance, federal payments under the Canada Assistance Plan increased \$66 million.

Strengthened fuel consumption, combined with firmer price levels, led to a \$71 million improvement in gasoline and motor vehicle fuel tax revenues. Higher liquid reserve levels, arising from the reduction in the 1983-84 deficit, and better-than-projected rates of return combined to yield a \$60 million increase in interest earnings from investments.

In our non-budgetary transactions, interprovincial lottery revenues were \$57 million higher than expected, and repayments of loans and advances by Crown corporations provided an additional \$84 million.

Financial Tables

**Statement of Provincial Net Cash Requirements
and Related Financing**
(\$ million)

Table C1

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Consolidated Revenue Fund Inflows			
Budgetary Revenue	19,322	21,304	23,476
Deposits into Trust Accounts	770	868	961
Repayments of Loans	341	425	325
Total Inflows (Table C2)	20,433	22,597	24,762
Consolidated Revenue Fund Outflows			
Budgetary Expenditure	22,509	24,562	26,359
Payments out of Trust Accounts	221	206	251
Loans and Investments	181	179	191
Total Outflows (Table C3)	22,911	24,947	26,801
NET CASH REQUIREMENTS	2,478	2,350	2,039
Financing			
Non-Public Borrowing			
Canada Pension Plan	1,236	1,201	1,220
Teachers' Superannuation Fund	945	786	960
Retirements	(84)	(10)	(11)
Net Non-Public Borrowing	2,097	1,977	2,169
Public Borrowing			
Treasury Bills/Debenture Issues	-	1,150	-
Retirements	(46)	(267)	(96)
Net Public Borrowing	(46)	883	(96)
Increase in Liquid Reserves	(427)	510	34
TOTAL FINANCING	2,478	2,350	2,039

Revenue
 (\$ million)

Table C2

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Taxation Revenue			
Personal Income Tax ¹	5,858	5,994	6,952
Corporation Taxes			
Income Tax	875	1,057	1,380
Capital Tax	353	373	389
Insurance Premiums Tax	133	153	173
Mining Profits Tax	27	32	45
Retail Sales Tax	3,420	3,875	4,239
Gasoline Tax	848	932	976
Motor Vehicle Fuel Tax	184	212	228
Reciprocal Taxation	52	65	69
Tobacco Tax	447	542	583
Land Transfer Tax	100	132	141
Race Tracks Tax	65	62	63
Other Taxation ²	2	(2)	24
	<u>12,364</u>	<u>13,427</u>	<u>15,262</u>
Other Revenue			
OHIP Premiums	1,365	1,476	1,597
LCBO Profits	533	520	554
Interest on Investments	548	455	440
Vehicle Registration Fees	280	290	329
LLBO Fees, Licences and Permits	210	236	251
Other Fees and Licences	195	211	228
Royalties	73	88	146
Ontario Lottery Profits	117	118	118
Fines and Penalties	76	108	96
Utility Service Charges	84	89	92
Sales and Rentals	62	51	78
Miscellaneous	123	139	97
	<u>3,666</u>	<u>3,781</u>	<u>4,026</u>
Payments from the Federal Government (Table C4)	3,292	4,096	4,188
Deposits into Trust Accounts (Table C5)	770	868	961
Repayments of Loans (Table C6)	341	425	325
TOTAL INFLOWS	20,433	22,597	24,762

¹ Net of Tax Credits of \$273 million, \$277 million and \$257 million for the 1982-83, 1983-84 and 1984-85 fiscal years.

² Includes net federal recoveries of \$14 million and \$13 million in 1982-83 and 1983-84 for public utilities income tax.

Expenditure
 (\$ million)

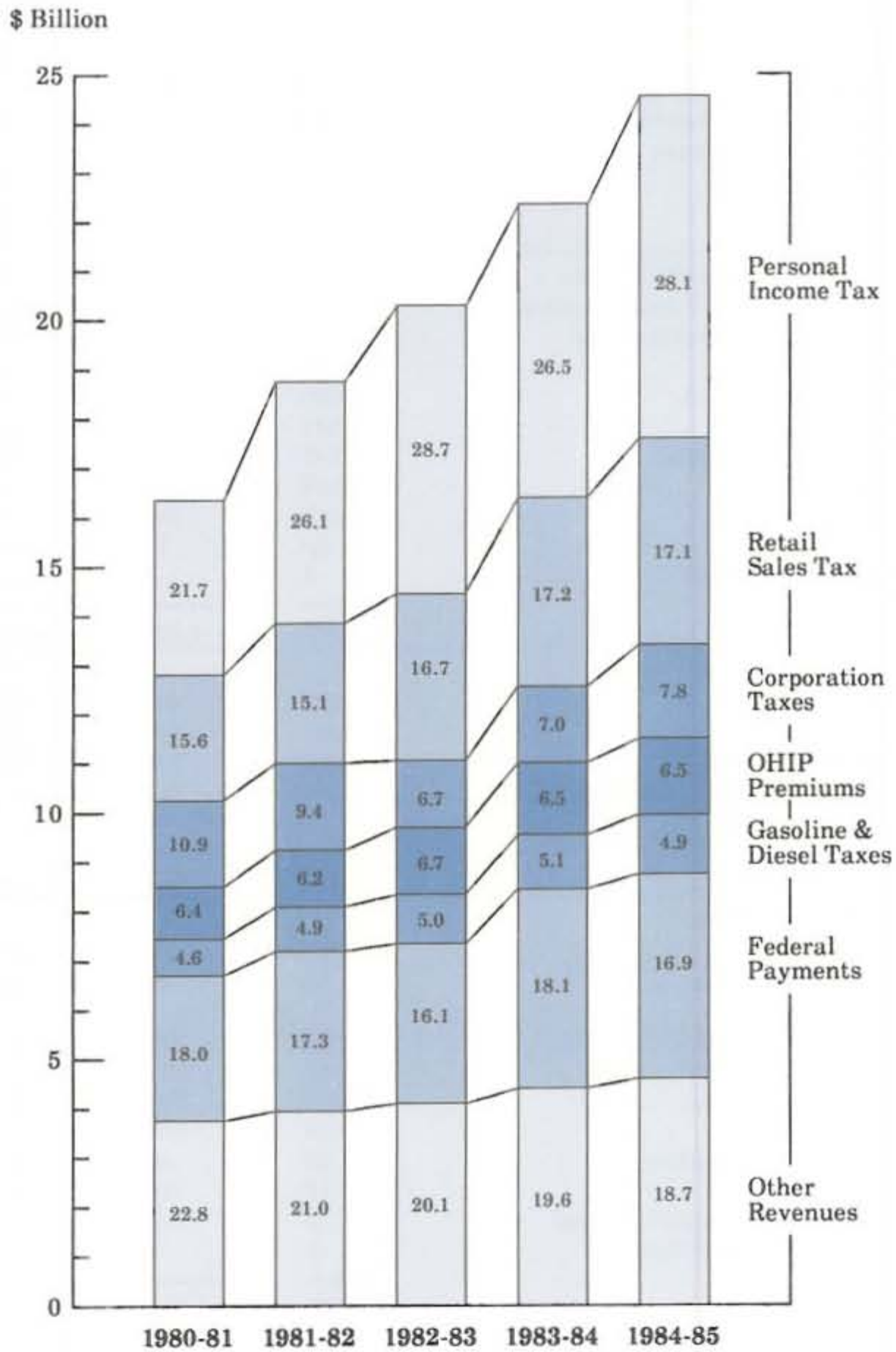
Table C3

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Social Development Policy			
Health	6,768	7,584	8,245
Education	2,848	3,089	3,223
Community and Social Services	2,125	2,403	2,540
Colleges and Universities	1,860	2,014	2,103
Citizenship and Culture	169	175	172
Social Secretariat	5	10	12
	<u>13,775</u>	<u>15,275</u>	<u>16,295</u>
Resources Development Policy			
Transportation and Communications	1,446	1,542	1,539
Municipal Affairs and Housing	1,033	1,011	1,036
Natural Resources	376	407	423
Agriculture and Food	330	288	335
Environment	341	331	312
Tourism and Recreation	143	152	138
Energy	112	119	116
Industry and Trade	162	103	106
Labour	69	75	74
Resources Secretariat	3	3	4
	<u>4,015</u>	<u>4,031</u>	<u>4,083</u>
Justice Policy			
Solicitor General	281	290	307
Attorney General	237	262	266
Correctional Services	206	226	228
Consumer and Commercial Relations	124	152	129
Justice Secretariat	1	1	2
	<u>849</u>	<u>931</u>	<u>932</u>
General Government			
Revenue	612	621	637
Treasury and Economics	29	25	28
BILD:			
Transformation and Training	275	247	400
Short-term Job Creation	158	161	102
Government Services	384	368	384
Northern Affairs	180	158	159
Board of Internal Economy	40	45	44
Management Board	13	16	18
Legislative and Executive Offices	5	4	11
Intergovernmental Affairs	7	7	8
	<u>1,703</u>	<u>1,652</u>	<u>1,791</u>
Public Debt Interest	2,110	2,535	2,953
Pensions	459	523	589
Contingency Fund	-	-	158
TOTAL OUTFLOWS¹	22,911	24,947	26,801

¹ Includes Payments out of Trust Accounts, Table C7, and Loans and Investments, Table C8.

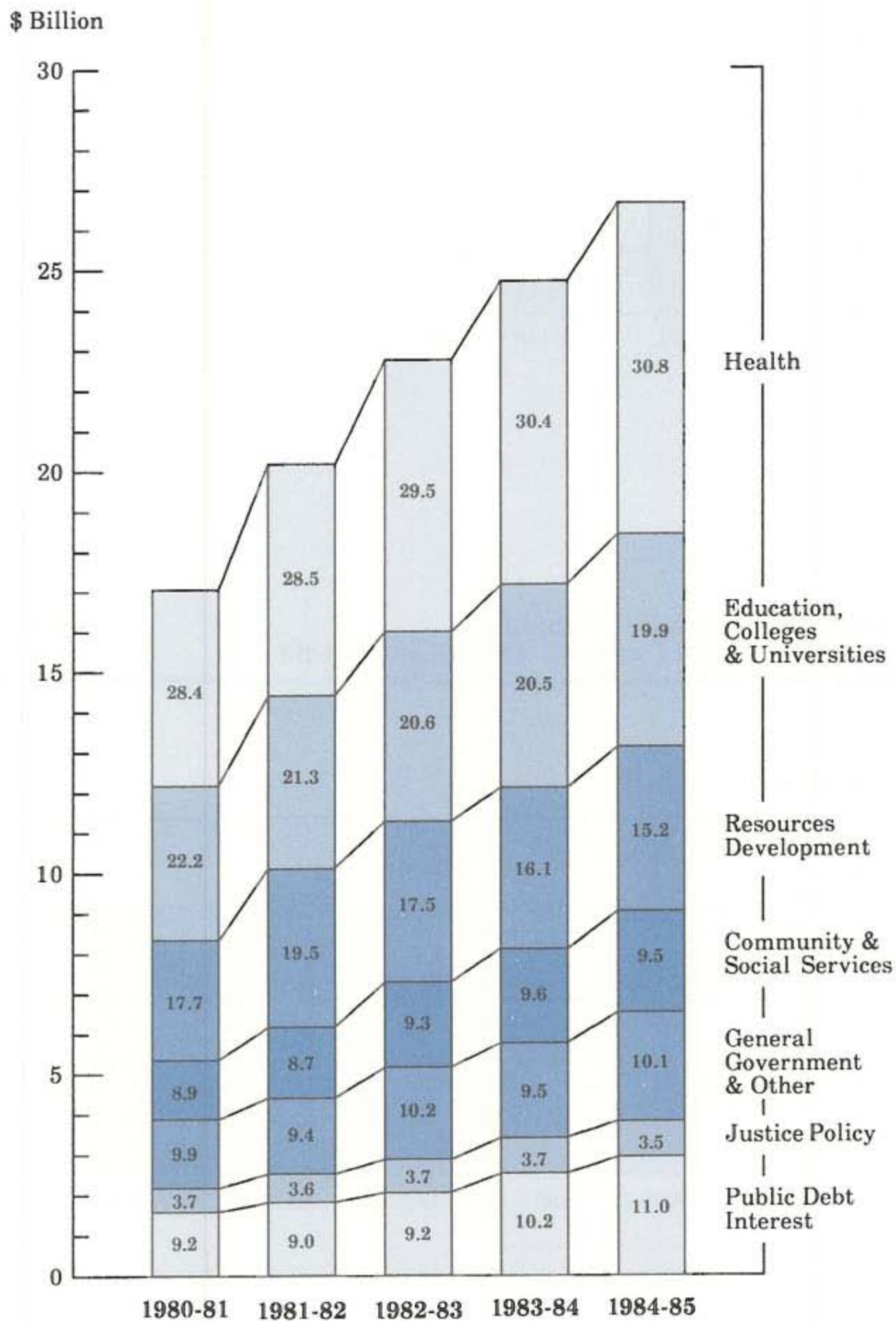
**Major Revenue Sources: Per Cent of Total
1980-81 to 1984-85**

Chart C1



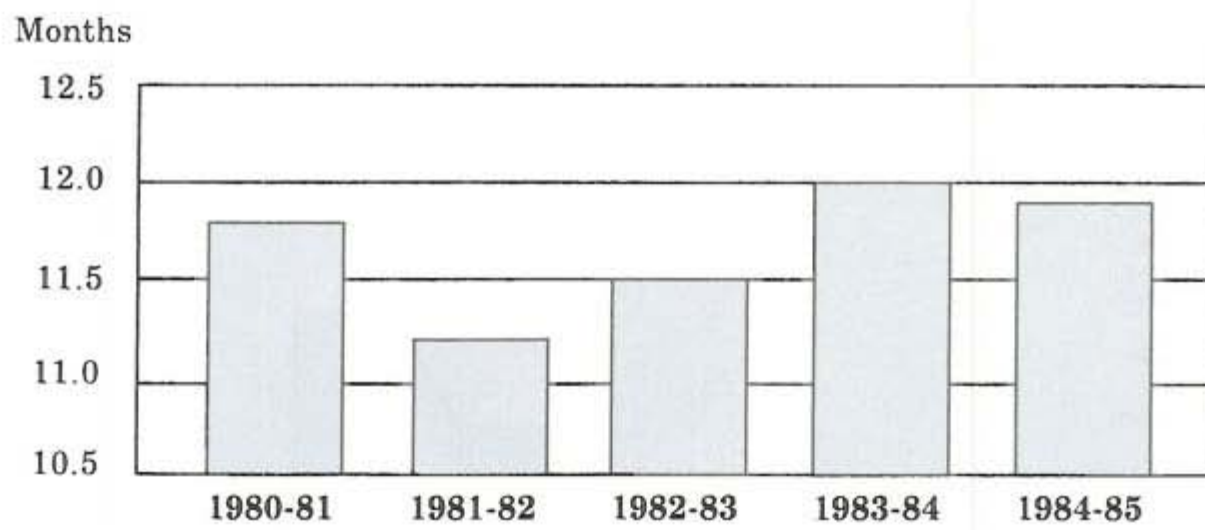
**Expenditure Functions: Per Cent of Total
1980-81 to 1984-85**

Chart C2



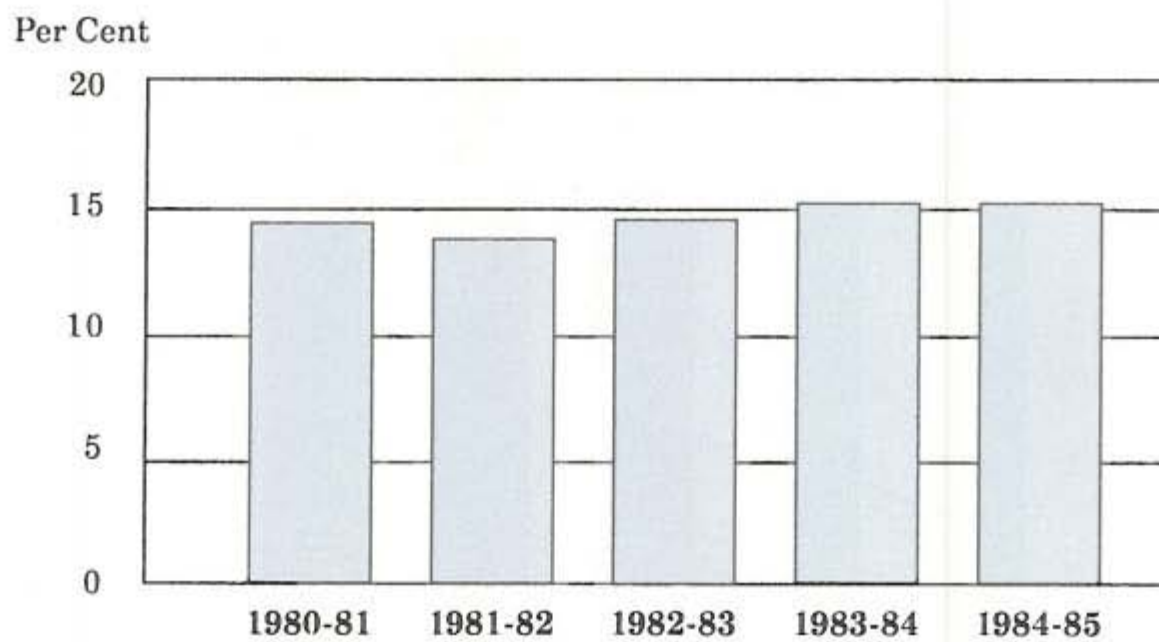
**Months of Revenue Required
to Repay Funded Debt: 1980-81 to 1984-85**

Chart C3



**Funded Debt as a Per Cent of
Gross Provincial Product: 1980-81 to 1984-85**

Chart C4



Payments from the Federal Government
 (\$ million)

Table C4

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Established Programs Financing	1,894	2,548	2,545
Extended Health Care Services	288	333	355
Canada Assistance Plan	758	845	909
Young Offenders	16	18	18
National Training Act	152	157	156
Bilingualism Development	36	44	45
Vocational Rehabilitation	24	31	31
Economic Development	20	18	28
Crop Insurance	15	33	23
Legal Aid	10	17	21
Indian Welfare Services	18	16	20
Other	61	36	37
TOTAL	3,292	4,096	4,188

Deposits into Trust Accounts
 (\$ million)

Table C5

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Public Service Superannuation Fund	485	522	590
Superannuation Adjustment Fund	190	212	230
Interprovincial Lottery Trust Fund	45	99	95
Province of Ontario Savings Office – Net Deposits	20	15	25
Other	30	20	21
TOTAL	770	868	961

Repayments of Loans
 (\$ million)

Table C6

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Education Capital Aid Corporation	87	92	98
Environmental Projects	68	89	55
Ontario Land Corporation	67	70	52
Universities Capital Aid Corporation	32	34	36
Ontario Development Corporations	25	50	23
Tile Drainage Debentures	16	21	21
Public Hospitals	17	16	9
Ontario Northland Transportation Commission	–	15	4
Other	29	38	27
TOTAL	341	425	325

Payments out of Trust Accounts
(\$ million)

Table C7

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Public Service Superannuation Fund	109	124	150
Superannuation Adjustment Fund	36	51	67
Interprovincial Lottery Trust Fund	47	12	22
Motor Vehicle Accident Claims Fund	17	13	8
Other	12	6	4
TOTAL	221	206	251

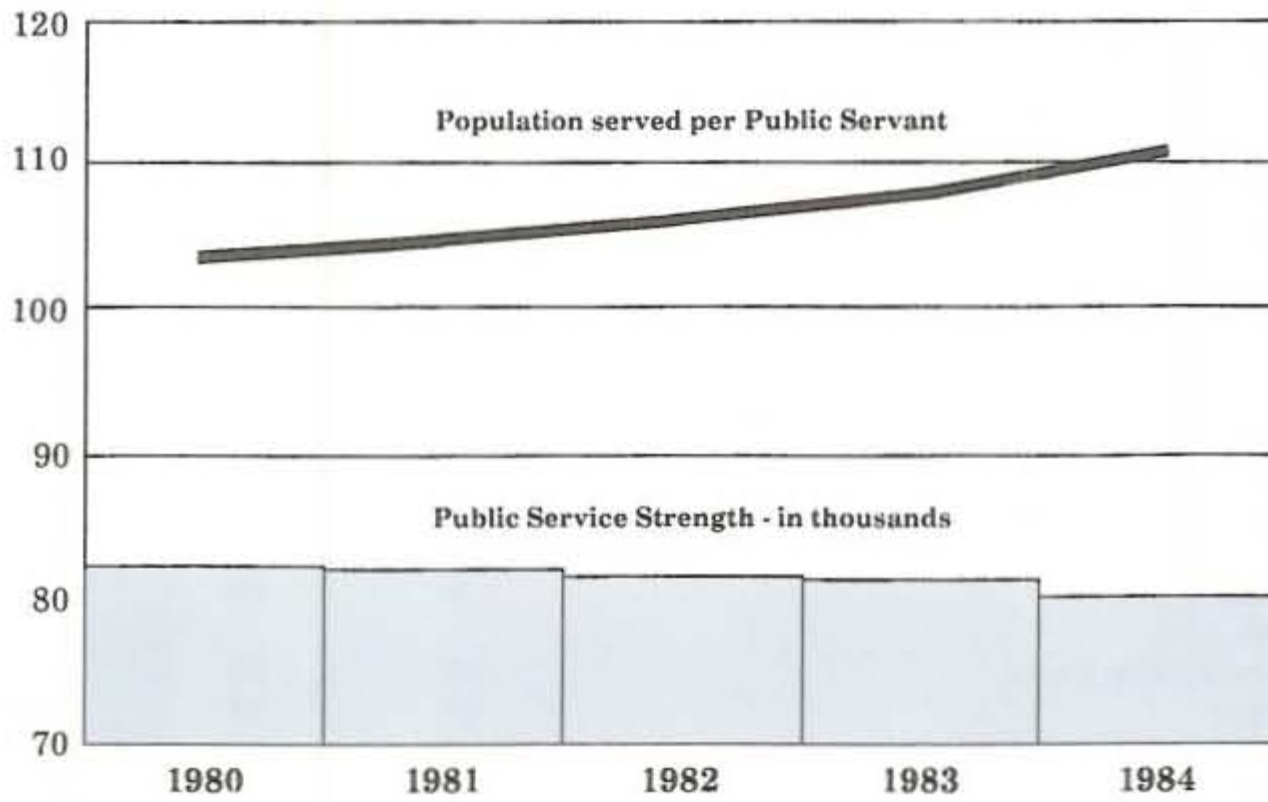
Loans and Investments
(\$ million)

Table C8

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Environmental Projects	72	71	60
BILD	13	15	35
Ontario Energy Corporation	11	29	28
Ontario Development Corporations	14	27	28
Tile Drainage Debentures	29	24	25
Ontario Land Corporation	11	7	8
Municipal Improvement Corporation	6	-	2
Other	25	6	5
TOTAL	181	179	191

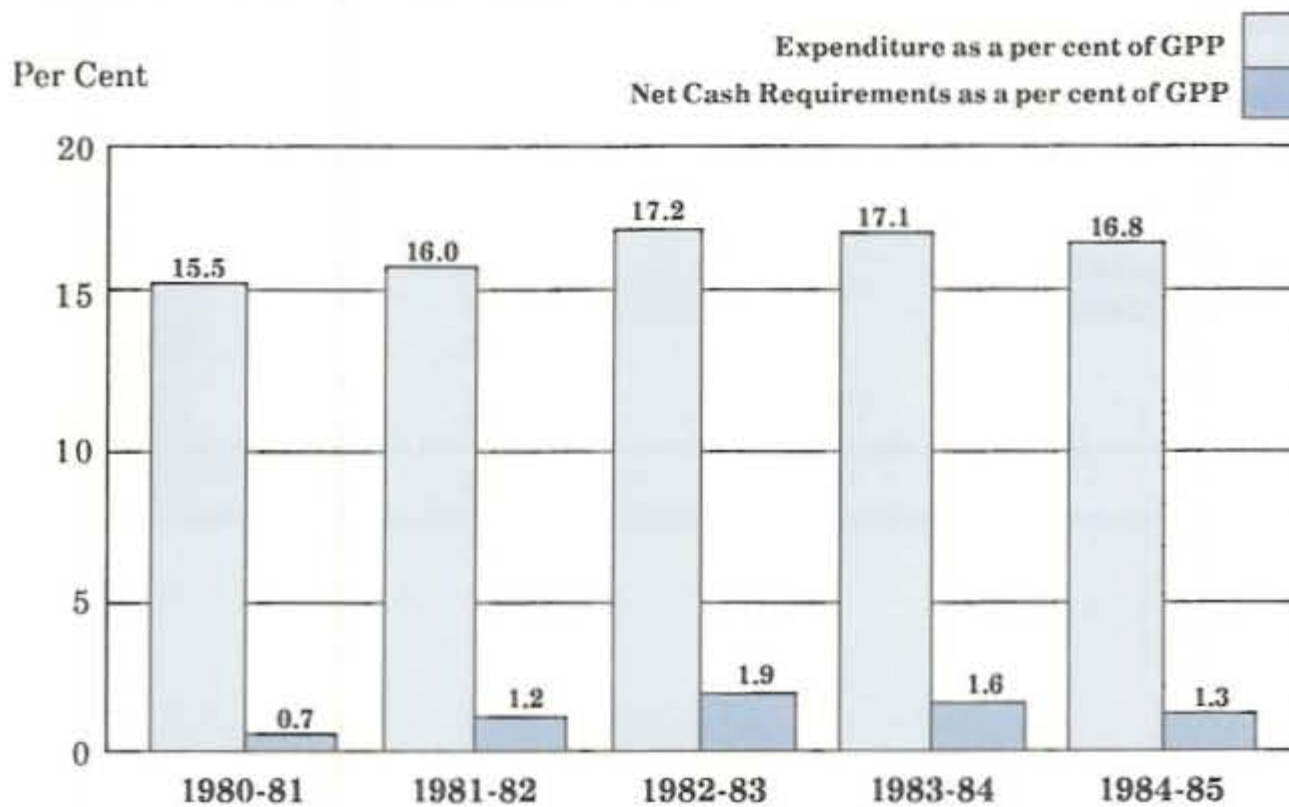
Increasing Efficiency in the Ontario Public Service: 1980 to 1984

Chart C5



Expenditure and Net Cash Requirements As a Per Cent of Gross Provincial Product: 1980-81 to 1984-85

Chart C6



**Payments to Local Governments
and Agencies**
(\$ million)

Table C9

	Actual 1982-83	Interim 1983-84	Estimate 1984-85
Conditional Payments			
Grants to School Boards			
General Legislative Grants	2,661	2,898	3,030
School Capital Grants	67	65	67
Transportation			
Roads	473	491	506
Transit	199	278	286
Other	3	2	3
Social Assistance			
General Welfare Assistance	346	416	445
Homes for the Aged	160	170	176
Children's Aid Societies	147	157	166
Day Nurseries	61	66	81
Other	9	10	10
Health			
Local Health Units	86	92	96
Other	25	30	30
Environment	110	91	78
Agriculture	78	82	99
Municipal Affairs and Housing	72	63	66
Conservation Authorities	42	38	39
Library Boards	27	28	29
Recreation	33	29	21
Northern Affairs	17	13	10
Other	85	74	78
	<u>4,701</u>	<u>5,093</u>	<u>5,316</u>
Unconditional Payments			
General Support	202	217	234
Resource Equalization	177	186	129
Per Capita - Policing	112	113	130
Per Capita - General	62	96	101
Payments-in-lieu of Taxes	70	77	83
Northern Ontario Support	56	59	63
Revenue Guarantee	-	-	51
Other	19	17	14
	<u>698</u>	<u>765</u>	<u>805</u>
TOTAL	5,399	5,858	6,121

Public Service Strength in Ontario
March 31, 1984¹

Table C10

Ministry	Classified Staff	Unclassified Staff	Other Crown Employees	Total
Social				
Health	10,339	1,924	-	12,263
Education	1,415	479	448	2,342
Community and Social Services	9,611	1,897	-	11,508
Colleges and Universities	505	68	1	574
Citizenship and Culture	528	226	-	754
Social Secretariat	43	38	-	81
	<u>22,441</u>	<u>4,632</u>	<u>449</u>	<u>27,522</u>
Resources				
Transportation and Communications	8,977	1,325	-	10,302
Municipal Affairs and Housing	1,123	183	-	1,306
Natural Resources	3,936	1,533	-	5,469
Agriculture and Food	1,491	498	-	1,989
Environment	1,454	148	-	1,602
Tourism and Recreation	537	312	-	849
Energy	175	87	-	262
Industry and Trade	410	88	3	501
Ontario Development Corporations	153	16	-	169
Labour	1,407	134	21	1,562
Resources Secretariat	17	42	1	60
	<u>19,680</u>	<u>4,366</u>	<u>25</u>	<u>24,071</u>
Justice				
Solicitor General	1,530	565	5	2,100
Attorney General	3,169	1,523	447	5,139
Correctional Services	4,817	937	48	5,802
Consumer and Commercial Relations	1,697	294	514	2,505
Justice Secretariat	14	10	-	24
	<u>11,227</u>	<u>3,329</u>	<u>1,014</u>	<u>15,570</u>
General Government				
Treasury and Economics	374	87	1	462
Revenue	3,836	231	-	4,067
Government Services	2,718	267	-	2,985
Northern Affairs	160	67	-	227
Management Board	62	17	-	79
Civil Service Commission	191	62	-	253
Legislative and Executive Offices	75	32	-	107
Intergovernmental Affairs	68	23	-	91
	<u>7,484</u>	<u>786</u>	<u>1</u>	<u>8,271</u>
O.P.P. Uniformed Staff and Security Guards	4,266	-	-	4,266
Environment Plant Operators	570	125	-	695
Total Staffing	65,668	13,238	1,489	80,395
Short-term Job Creation	-	613	-	613
GRAND TOTAL	65,668	13,851	1,489	81,008

¹ Excludes staff of the Lieutenant Governor, Office of the Assembly, Ombudsman and Provincial Auditor.

**Ten-Year Review of Selected Financial
and Economic Statistics**
(\$ million)

	1975-76	1976-77	1977-78	1978-79
Financial Transactions				
Revenue	9,520	11,148	11,782	13,233
Expenditure	11,319	12,467	13,544	14,413
Net Cash Requirements	1,799	1,319	1,762	1,180
Financial Position				
Funded Debt ¹ (excluding Ontario Hydro)	9,818	10,895	12,364	14,037
Provincial Debt Transactions (net)	1,974	1,092	1,506	1,652
Publicly-Held Debt	1,909	1,679	1,613	1,718
Gross Provincial Product (GPP) at Market Prices				
Personal Income	53,902	61,074	67,417	74,835
Population - June (000s)	8,172	8,264	8,353	8,440
Funded Debt Per Capita (dollars)	1,201	1,318	1,480	1,663
Personal Income Per Capita (dollars)	6,596	7,390	8,071	8,867
Net Cash Requirements as a per cent of GPP				
Funded Debt as a per cent of GPP	15.2	14.6	15.1	15.6
Total Expenditure as a per cent of GPP				
Publicly-Held Debt as a per cent of GPP	2.9	2.3	2.0	1.9
Cumulative Net Borrowing for Ontario Hydro				
U.S.	2,240	2,509	2,901	3,568
C.P.P.	-	-	-	-
Contingent Liabilities (mainly Ontario Hydro)				
	5,147	5,806	6,211	6,734

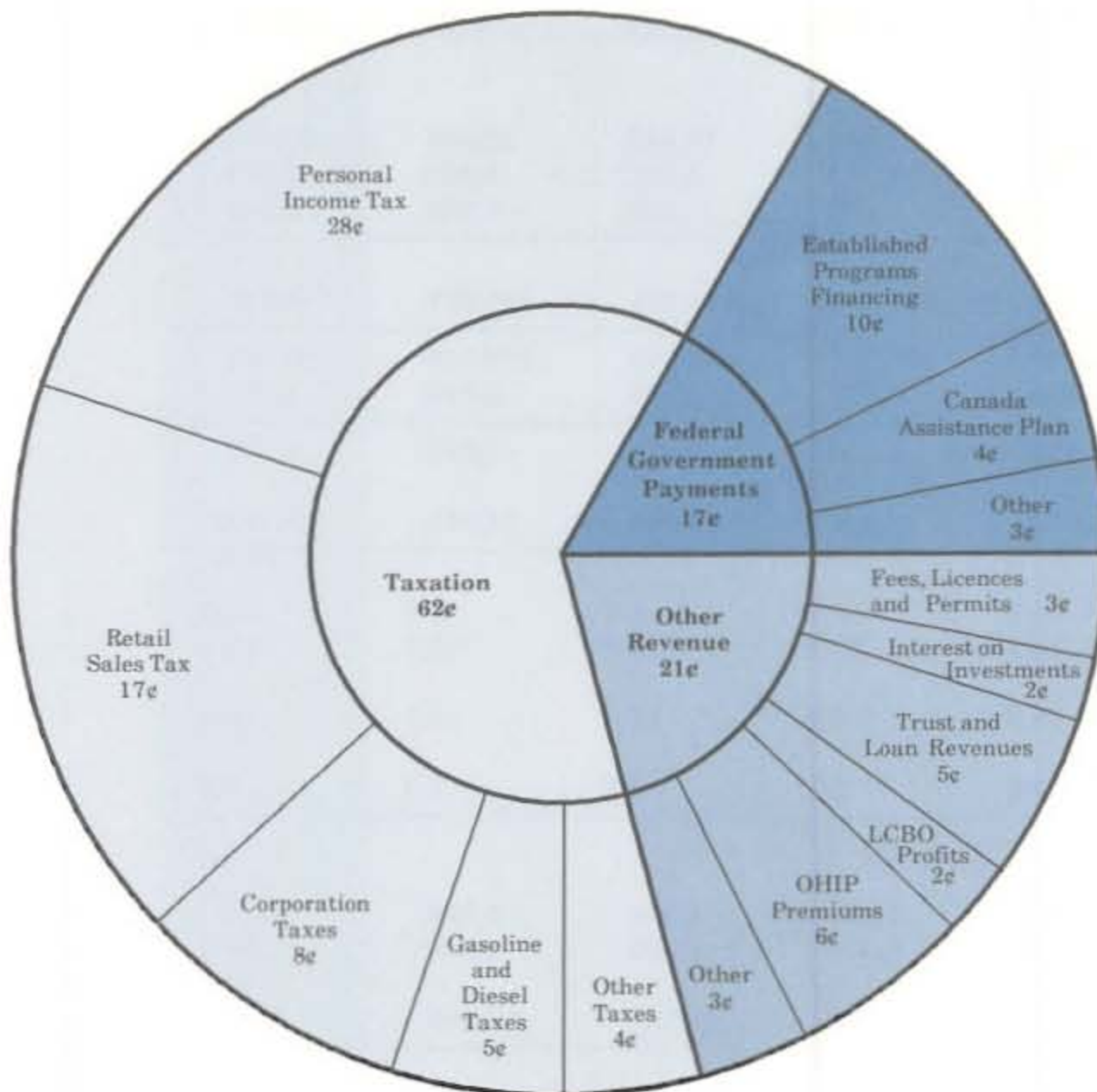
¹ Funded Debt includes bonds, debentures, notes and Treasury Bills.
N/A - not available.

Table C11

1979-80	1980-81	1981-82	1982-83	Interim 1983-84	Estimate 1984-85
15,246	16,470	18,886	20,433	22,597	24,762
15,830	17,273	20,389	22,911	24,947	26,801
<u>584</u>	<u>803</u>	<u>1,503</u>	<u>2,478</u>	<u>2,350</u>	<u>2,039</u>
15,196	16,214	17,592	19,643	22,503	24,576
1,132	968	1,363	2,051	2,860	2,073
1,307	1,164	1,102	1,056	1,939	1,843
100,942	111,607	127,105	133,231	146,221	159,332
83,480	93,730	109,373	120,648	129,249	140,783
8,501	8,570	8,625	8,716	8,816	8,920
1,788	1,892	2,040	2,254	2,553	2,755
9,820	10,937	12,681	13,842	14,661	15,783
0.6	0.7	1.2	1.9	1.6	1.3
15.1	14.5	13.8	14.7	15.4	15.4
15.7	15.5	16.0	17.2	17.1	16.8
1.3	1.0	0.9	0.8	1.3	1.2
3,782	3,690	4,530	4,910	5,082	N/A
-	500	1,000	1,000	1,000	1,000
7,601	8,257	8,966	10,823	12,400	N/A

**The Budget Dollar: Revenue
Fiscal Year 1984-85 Estimate**

Chart C7



**The Budget Dollar: Expenditure
Fiscal Year 1984-85 Estimate**

Chart C8

