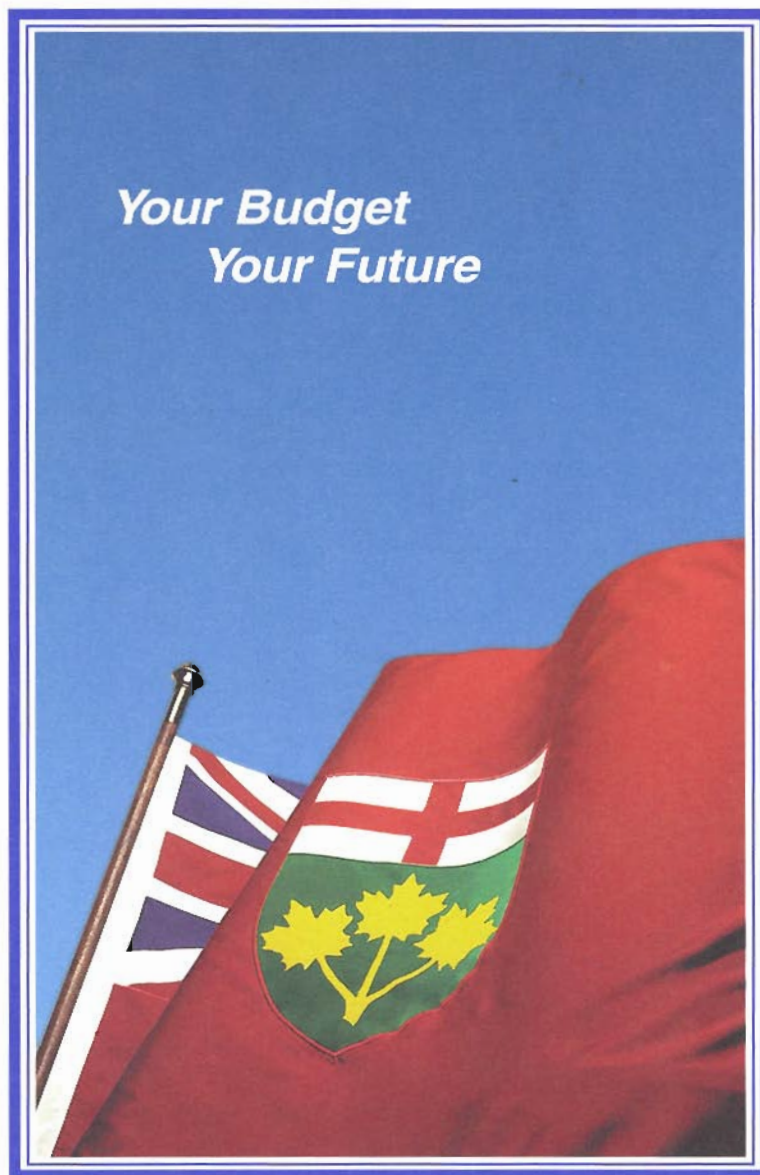


1996 Ontario Budget

Budget Speech



The Honourable Ernie Eves, Q.C.
Minister of Finance



1996 Ontario Budget Budget Speech

Presented to the
Members of the Legislative
Assembly of Ontario by
The Honourable Ernie Eves, Q.C.
Minister of Finance
May 7, 1996

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INTRODUCTION:

CREATING JOBS, BUILDING A BETTER TOMORROW

I am honoured to present our Government's first Budget.

It is a Budget for the people of Ontario. It is a Budget that reflects what we have heard from the people of Ontario.

It is about hope and opportunity.

The people of Ontario want to know that tomorrow will be better than today — for themselves, and for their children. The people of Ontario want jobs. They want action to get more people working, stimulate investment, provide them with greater opportunity and reward them for their initiative.

This Budget is yet another step in carrying out the commitments of the Common Sense Revolution. It is based on discussions with people from all parts of Ontario and all walks of life.

The Budget I am presenting today:

- ◆ Leaves more money in the hands of hard-working Ontarians who have endured 65 tax increases in the past decade;
- ◆ Invests in programs that are a priority for Ontarians such as health care, classroom education and community safety;
- ◆ Reduces the cost and size of government;
- ◆ Spends taxpayers' dollars more wisely; and
- ◆ Builds a better future for ourselves and future generations.

Cutting taxes is a key part of our plan to achieve these goals.

The people of Ontario want to know that tomorrow will be better than today — for themselves, and for their children.

***The best job
creation
program is a
tax cut for
every
Ontario
taxpayer***

***High taxes
are stifling
businesses
that will be
the source of
tomorrow's
jobs***

Tax cuts mean jobs for Ontario

The tax cuts I am announcing today will prove a simple truth: the best job creation program is a tax cut for every Ontario taxpayer. These tax cuts will create jobs in four ways.

- ◆ First: They will put extra money in Ontarians' pockets. Men and women across the province will be able to make purchases that they have been putting off for themselves and their families — and that creates jobs.
- ◆ Second: Families who have been struggling to get by and going into debt will be able to pay off their debts sooner. That increases their net worth, increases their future purchasing power and increases the pool of savings available for new investment — and that will create jobs.
- ◆ Third: Lower taxes will provide more incentive for entrepreneurs to form small businesses, and for existing business owners to reinvest. That too will create jobs.
- ◆ Fourth: People with specialized skills will have an extra incentive to choose Ontario as a place to live and work — helping to build industries that can compete worldwide — and that creates jobs.

Creating jobs and meeting Ontario's priorities

Today's Budget sets a new direction for government in Ontario. It carries out the changes the people of Ontario asked us to make to deal with the problems we all face.

We live in a province whose potential is unlimited. We have skilled and hard-working people, abundant resources, and innovative entrepreneurs. We have every reason to expect a future that is better than today — with better jobs, greater prosperity, a better life for ourselves, and real hope for our children.

But we can't get there with the size of government that has been built up over the years. Government is bigger and more costly than it needs to be.

The cost of big government burdens the people of this province with high taxes and high deficits that hold down their standard of living. These high taxes are stifling the new and growing businesses that will be the source of tomorrow's jobs.

***Unleashing
the job-
creating
potential of
our economy***

As a province we face a choice. We can continue on the track that governments have pursued for over a decade — with uncontrolled spending, spiralling taxes, and ever-mounting deficits. Or we can take a new direction — a direction that unleashes the job-creating potential of our economy by lifting the heavy yoke of inefficient government and high taxes.

Last June the people of Ontario — who did have other choices — indicated clearly that they want to take this new direction. They want their government to do what is needed to ensure a better future for themselves and their children.

- ◆ They want to see the burden of public debt on the economy reduced. That means eliminating the deficit, and laying the groundwork to reduce debt. It also means cutting taxes and taking actions that will strengthen economic growth.
- ◆ They want their government to balance the Budget and to spend their tax dollars wisely.
- ◆ They want a more efficient government that focuses on the services that matter most: a health care system whose quality is unsurpassed, classrooms where our children receive an excellent education, and law enforcement that keeps our communities safe.
- ◆ They want an environment where businesses can create jobs and opportunities here at home while competing for markets around the world.
- ◆ And they want their government to create jobs by cutting taxes — leaving more dollars in taxpayers' pockets, encouraging investment and initiative, and creating opportunities for Ontarians.

This Budget will help secure the kind of future Ontarians want. In preparing it, I have had the help and advice of hundreds of Ontarians who wrote to me, who met with me at pre-Budget consultations, who appeared before the Standing Committee on Finance and Economic Affairs or who provided their counsel through their MPP. I have considered their advice carefully, and I thank them for their contributions.

I also want to thank Ada Lee from Jesse Ketchum Public School in Toronto, who provided the artwork for the back cover of the Budget.

In addition, I want to express my appreciation to the outstanding staff of the Ministry of Finance, led by Deputy Minister Michael Gourley, to my personal staff, and to my wife Vicki and daughter Natalie for their support and understanding.

***This year's
deficit is
\$3 billion
lower than
when we
took office***

A new direction

Never in our province's history has the need for action been so clear and so urgent. That is why our government has moved so quickly to fulfil so many of our commitments.

My colleagues and I took office following governments that had been taxing and spending Ontario in the wrong direction. And the people of Ontario felt the costs all too dearly.

- ◆ When a province of skilled and hard-working men and women goes for six years with no net new jobs — that's the wrong direction.
- ◆ When people who pay their bills each month see their government spending a million dollars an hour more than it takes in — that's the wrong direction.
- ◆ When people who work hard to save for the future see that future imperilled, with their government's debt tripling in 10 years — that's the wrong direction.
- ◆ And when people who have made sacrifices in their own lives to adapt to difficult times see their government reach deeper and deeper into their pockets — with 65 tax increases in the past 10 years — that too is the wrong direction.

After years of seeing their leaders go in the wrong direction, the people of Ontario asked us to chart a new course. We are doing just that.

Our Government is delivering on its promises.

And it is building a better tomorrow for Ontarians.

SPENDING YOUR TAX DOLLARS WISELY

Since taking office, our Government has moved quickly to set a new direction with respect to the Province's finances.

Balancing the Budget

We have made a commitment to balance the Budget in the fiscal year 2000-01. We are on track to do that.

In June we faced a deficit of \$11.2 billion for 1995-96. I said last summer that, by acting quickly to start bringing spending under control, we could reduce that figure. I am pleased to tell Ontarians today that we met our deficit target of \$9.3 billion — and in fact improved on it. Our deficit for the fiscal year just ended will be \$9.1 billion.

We set our targets and we met them. In my opinion, that's what Ontarians should expect to hear on Budget day. Meeting our targets should be the norm.

This year we expect to meet our deficit target again. Our deficit will fall to \$8.2 billion. That's a drop of \$3 billion, or 27 per cent, since we took office.

Our Government's deficit figures are based on cautious and prudent economic projections. They include a contingency reserve in case the economy performs below these projections.

Restructuring government and changing the way services are delivered will require up-front investment. This Budget provides a Restructuring Fund of \$900 million. This fund will allow for investments that support restructuring efforts and will cover the one-time costs associated with them.

Our fiscal plan is based on realistic and credible financial reporting practices that were recommended to the Government by the Ontario Financial Review Commission. We have put an end to the former government's practice of keeping "two sets of books." Their approach papered over the problem — our approach is to fix it.

In keeping with our practice of open financial reporting, I am releasing with today's Budget more than 150 pages of financial and economic information, so that all Ontarians can see the Province's financial situation and outlook.

Ontario Opportunities Fund

Recently I met with students from Mattawa Public School in my riding. Two students from that school, Chelsea and Samantha Smith, who are six and five years old, gave me \$21.97 from their savings. They asked me to use their money to pay the Province's bills and help reduce the deficit.

I am creating a special fund to accommodate their wishes.

It's not fair to saddle our children with the high cost of paying interest on all the debt that has built up in the past. They deserve a better future than that. Eliminating the deficit today means more opportunities for young people like Chelsea and Samantha tomorrow.

Officially this fund will be known as the Ontario Opportunities Fund. But for me it will always be the Chelsea and Samantha Fund. To their first contributions we will be adding more:

- ◆ We will add donations from any Ontarian who wishes to contribute. I believe from what people have told me that Chelsea and Samantha are not alone in their desire to help pay down the Province's deficit. To give them an easy way to do so, we are working with the federal government to make it possible for Ontarians

***Eliminating
the deficit
today means
more
opportunities
for young
people
tomorrow***

***Two new
Ontario
Savings
Bonds
options
coming in
June***

who so wish to donate their income tax refund each year, simply by checking a box on their tax return. I am grateful to Mr. Ted Arnott, the member for Wellington, for proposing this idea.

- ◆ We will also add the proceeds from any major asset or enterprise that the Province sells.
- ◆ We will add each year any funds that remain once we have met our deficit target. We won't rush out at year-end and spend the money — we will put it in this fund.
- ◆ At the end of each year we will use the balance in the Ontario Opportunities Fund to reduce the deficit and the debt of the Province.

The Ontario Opportunities Fund will allow us to cut the deficit, reduce our foreign borrowing, and reduce the growth in interest costs. Once the Budget is balanced, it will allow us to begin paying off the debt. That day is less than five years away.

Ontario Savings Bonds

To give as many people as possible an additional opportunity to invest in their province and build a better Ontario, the Government will offer Ontario Savings Bonds from June 1 to June 17. This year, there will be two options to suit investors' needs: a step-up bond, where the rates improve every year, and a variable-rate bond where new, competitive rates are set every six months. Both bonds will be eligible for RRSPs and are fully backed by the Province.

Buying Ontario Savings Bonds means that we can reduce our reliance on international lenders — at the same time ensuring that more of the government's interest payments will go to Ontarians.

Living within the government's means

The people of Ontario expect their government to live within its means. To eliminate the deficit, we are finding savings in every area of government activity. The government is making the same difficult decisions and adjustments that we have all had to make at home and at work in our everyday lives.

These actions make it possible to invest in the priorities that Ontarians expect their government to deliver — a universal and comprehensive health care system, an excellent education for our children, and law enforcement to keep our communities safe.

We have not yet finished the job. But look at what we have already accomplished:

- ◆ We have passed legislation to reform MPPs' compensation, get rid of hidden tax-free allowances, and abolish the gold-plated pension plan. The legislation cuts MPPs' pay by a further five per cent. No consideration will be given to changing that level of compensation until the Budget is balanced.
- ◆ We are reforming our welfare system. The most recent data show the number of people depending on social assistance has fallen for nine consecutive months and was 129,700 lower in March than last June — a drop of 9.6 per cent. We have brought our welfare rates back into line with other provinces, and we have taken a hard line against fraud and abuse. Later this year, the Minister of Community and Social Services, the Honourable David Tsubouchi, will announce a work-for-welfare program designed to help people move off welfare and back into the workforce.
- ◆ We have protected income support for seniors and people with disabilities. Our Government will announce plans to move seniors and people with disabilities off welfare and on to an Ontario Guaranteed Support Plan that meets their needs, respects their dignity, and continues to protect their benefits.
- ◆ Under the direction of the Chair of Management Board, the Honourable David Johnson, we have stopped spending taxpayers' dollars on programs that did not make sense. We cancelled spending for the conversion of private-sector child care spaces into non-profit spaces — a program that cost taxpayers \$52 million without creating a single new space for Ontario's children. We cancelled the Jobs Ontario Community Action program, which had been criticized extensively by the Provincial Auditor. We terminated the Interim Waste Authority, which spent millions of dollars without establishing a single site for municipal waste disposal.
- ◆ We are tackling the cost of government administration. We have already identified almost \$200 million in savings. That puts us about two-thirds of the way to our target of cutting administration costs by 33 per cent by the end of 1997-98.
- ◆ We have found savings of \$500 million in the way government delivers and operates its programs. That puts us about half-way towards our target of reducing spending by 33 per cent by the end of 1997-98.

***A new
Ontario
Guaranteed
Support
Program for
seniors and
people with
disabilities***

***Finding
savings in
every area of
government***

- ◆ We have found savings of over \$80 million by requiring agencies, boards and commissions to operate more efficiently. These actions put us over one-third of the way towards our target of reducing spending by 28 per cent by the end of 1997-98. The Government Task Force on Agencies, Boards and Commissions, which is chaired by Mr. Bob Wood, the member for London South, is working to find additional savings in this area.
- ◆ We have already identified \$700 million in savings in government grants, putting us half-way towards our target of reducing spending by 28 per cent by the end of 1997-98.
- ◆ We are managing the government's financial assets better. Starting this year the Province's borrowing agency, the Ontario Financing Authority, will take responsibility for borrowing, investing, cash management, and other financial activities of a number of ministries and Crown agencies that until now have carried out their own financial management. This action will mean less duplication, greater efficiency, and lower overall borrowing costs that will save taxpayers money.

Changing the way government does business

As Premier Harris has said, we are committed to finding the best way to deliver government services. Taxpayers' dollars now fund many different activities that could be better run by the private sector or by public-private partnerships. We will be seeking ways to refocus the role of government, ensure our resources are put to their best use, and let the private sector play a larger role in the economy.

Our own employees have a major stake in these changes. This was recognized in the recently signed agreements with OPSEU and AMAPCEO. Employees will be given an equal opportunity to bid on operations being divested by the Province.

Privatization is one option for improving the way services are delivered. A special Cabinet Committee on Privatization, which the Premier has asked me to chair, will be established to oversee the privatization process. It will be supported by private- and public-sector advisors to ensure the best value for taxpayers is obtained. The Committee will ensure that the selection of privatization candidates is based on strict criteria that protect the public interest, and that the process is open, fair and free of conflict of interest. We will also establish procedures to require the registration of all persons and firms who lobby the government.

I will be inviting all Ontarians to provide the Government with their suggestions as to those government services that should be considered for possible privatization. The means for providing these suggestions will be announced shortly.

INVESTING IN ONTARIO'S PRIORITIES

At the same time as we are changing the way government works, we are investing in the programs that Ontarians have told us they value most. This Budget provides a total of \$42.7 billion to pay for government programs and services this year.

We are making this investment in spite of the federal government's cuts in transfer payments to Ontario for health, education and social programs. The federal government will contribute \$1.2 billion less this year than last for health, education and social programs in the province.

Let me put that figure in perspective:

- ◆ Over the period 1995-96 to 1998-99, the federal government will cut payments to the provinces for health, education and social programs by 42.2 per cent.
- ◆ During this same period, it will cut all of the rest of its own program spending by only 1.3 per cent.

Those are strange priorities for a federal government that purports to be "fair and compassionate" and tells Canadians "the commitment of their national government in support of health care, post-secondary education and assistance to the poor will be intact, and strong."

In my opinion, those federal cuts do not reflect the priorities of the people of Ontario, or of the people of Canada.

Quality health care

Ontarians value our health care system, and they want us to manage it in a way that protects it for the future.

In November I said that we would ask hospitals to find savings, and that we would reinvest these savings in other health priorities. I said we would not let health care spending fall below the \$17.4 billion benchmark we have established. In spite of the federal government's cuts to health care, we are meeting this commitment. With the substantial reinvestments we have made, this year's operating budget for the Ministry of Health will be \$17.7 billion.

The best way to keep Ontarians healthy is to detect signs of illness early, to act quickly, and to prevent problems before they start.

***Providing
\$42.7 billion
for
government
programs
and services
this year***

***Investing our
health
dollars
wisely***

We are spending our health dollars wisely and differently. Change is essential so we can serve an increasing population of seniors, and so we can make new technologies available to those who need them.

Here is what the Ministry of Health is already doing, under the direction of the Honourable Jim Wilson:

- ◆ We are reinvesting \$170 million this year to provide seniors and people with disabilities with care at home instead of in institutions. This means an additional 80,000 people will receive services such as in-home nursing care, housekeeping and meal programs — creating 4,400 new health care jobs in community settings.
- ◆ We are expanding a program to aid in the early detection and treatment of breast cancer, which affects 6,000 women in Ontario each year. We are providing additional funding to treat women with breast cancer and ovarian cancer. The Minister of Health will provide further details.
- ◆ We are providing funds to immunize all schoolchildren against measles, to immunize young people against Hepatitis B, and to immunize seniors and those at high risk against serious pneumonia.
- ◆ Too many patients and their families face the anxiety of long waits for a diagnosis of internal illnesses. To meet this need, the Ministry of Health will provide operating funding for 23 new Magnetic Resonance Imaging machines in locations across the province, bringing the total province-wide to 35.
- ◆ We are reinvesting \$25 million to help hospitals serve areas of high population growth. The Ministry of Health worked with hospitals and the Ontario Hospital Association to reinvest these funds where they are needed most.
- ◆ We are expanding emergency paramedic services, by providing training and by equipping over 400 paramedics across the province to perform life-saving emergency care procedures.
- ◆ We are reinvesting funds to allow patients with acquired brain injuries to be treated in Ontario rather than in the United States.
- ◆ We are protecting emergency services in Northern and rural hospitals by paying doctors on a sessional basis rather than on a fee-for-service basis. This action has enabled over 60 small rural hospitals to keep their emergency rooms open 24 hours a day.

- ◆ We have restored out-of-country OHIP coverage for Ontarians.

The changes we are making will protect Ontario's health care system while reinvesting dollars where they are needed most.

Excellence in classroom education

Ontarians have told us to make sure our school system provides our children with an excellent education — but to rein in spending outside of the classroom. We are doing what the people have asked.

We are working with school boards, teachers and parents to ensure that our school system promotes excellence in student achievement and is accountable to taxpayers. The Sweeney Report found that as much as 47 cents of every education dollar is spent outside the classroom. We have given school boards tools to reduce spending outside the classroom and to bring Ontario's costs into line with those in other provinces.

More fundamental reforms are required. People have told us that the current system is not working — not for parents, not for taxpayers, and most importantly not for the young people who represent our future.

The way we now pay for education favours students in rich school boards at the expense of those in poor ones. People have told us that the current system requires significant changes to make it better for students and fairer to taxpayers.

Fairness in local government finance

In the coming weeks the Government will propose significant change in local government and education financing and will embark on a comprehensive consultation with local representatives. The assessment system in Metropolitan Toronto and other communities is broken and unfair — we want to fix it as well.

We want to see a division of responsibilities between the Province and the local level that delivers services more efficiently and effectively, that makes elected officials more accountable to taxpayers for the services they deliver, that provides a better education for our students, and that provides fair and adequate funding for priority services. The Minister of Municipal Affairs and Housing, the Honourable Al Leach, and the Minister of Education and Training, the Honourable John Snobelen, will provide further details in due course.

Fundamental reforms in education finance are required

***Expanding
the use of
computer
technology
in our
schools***

Access to new technologies for our students

In partnership with school boards and the private sector, our Government is announcing a series of collaborative projects that will expand the use of leading-edge computer technology projects in our schools.

We are doubling the funding available for innovative uses of technology in the classroom to \$40 million. This amount will be matched by equal funding from school boards and the private sector.

This initiative will create innovative approaches to learning in our schools, such as distance education, Internet access, and electronic learning databases, in addition to helping teachers and school boards share valuable resources.

The Minister of Education and Training will announce details soon of the first projects under this program.

Safe communities

To ensure that people in Ontario are safe in their homes and communities, the Government is working to make our justice system more effective. We are focusing on prosecuting serious crimes, making our courts system more timely and accessible, and protecting funding for front-line policing.

- ◆ To ensure funding is available for front-line services in the justice system, we are going to integrate administrative support services to achieve maximum efficiency.
- ◆ We are launching a major capital investment program to modernize correctional facilities and courthouses.
- ◆ The Ontario Provincial Police are taking action to streamline management and administration to ensure that resources available for front-line policing are maintained.
- ◆ To meet the growing demand for DNA analysis in criminal cases, we are expanding the DNA testing capability of the Centre of Forensic Sciences. The Solicitor General, the Honourable Robert Runciman, will announce further details.
- ◆ We are committing \$2 million a year to community crime-prevention initiatives to assist the voluntary efforts of Neighbourhood Watch, Block Parents, Apartment Watch and other organizations that help keep our communities safe.

Supporting volunteers in the community

Promoting and encouraging both the spirit and the commitment of volunteers is a high priority for our government. We all understand that Ontarians working together can do much more for their communities than government can do alone.

Volunteer organizations are a vital part of communities in Ontario. They understand the needs of their communities best, and they address these needs with a sense of caring that reflects their commitment to helping others. Ms. Julia Munro, the Parliamentary Assistant to the Premier and member for Durham-York, has been working with a number of volunteer organizations and a special advisory group in support of our shared commitment to volunteers across the province.

To support the volunteers who give so generously of their time, this Budget provides up to \$10 million to invest in new measures and new technologies to coordinate and link the voluntary service agencies that already exist in the province. Under a new Linkages program, we will be better able to co-ordinate services and to match people in need of services with volunteers willing to offer their time and skills.

Local charities often have limited financial resources that prevent them from doing all the things they would like to help their neighbours and others in need.

Many charities depend on charitable gaming as a source of vital funding for their efforts. But under current arrangements, too little of the revenue from these games actually flows to charities. In addition, many current charitable gaming activities are difficult to regulate and control, placing their integrity at risk.

To improve regulation and provide a higher yield to charities, our Government will replace the current three-day roving charity events with the establishment of permanent charity event sites. This measure will enhance control of these activities and substantially increase the funds available to local and community charities. It is expected to result in up to \$80 million in extra revenues being made available to Ontario's local and community charities each year. Operators of the current mobile charitable gaming businesses will have an opportunity to bid on the establishment and operation of these new permanent sites through an open competitive process. The Minister of Consumer and Commercial Relations, the Honourable Norman Sterling, will provide further details.

Ms. Isabel Bassett, my Parliamentary Assistant and the member for St. Andrew-St. Patrick, has held extensive consultations on ways to make it easier for public institutions to solicit charitable donations. Based on her findings, the Government will proceed with its plan to introduce legislation to permit the establishment of Crown foundations by public hospitals, public libraries, the Ontario Cancer Treatment and Research Foundation, the Ontario Arts Council, the Royal Ontario Museum, the Art Gallery of Ontario, the Royal Botanical Gardens and

***Ontarians
working
together can
do much
more for their
communities
than
government
can do alone***

***Providing
more secure
funding for
community
charities***

Ensuring that elementary school children are receiving the nutrition they need

Help for pre-school children with speech and language disorders

Investing in children's health

certain other public institutions which may qualify, such as the National Ballet of Canada, the Canadian Opera Company, the Toronto Symphony Orchestra, the Shaw Festival, and the Stratford Festival. These foundations provide a tax incentive for major donations to public institutions.

Through this legislation, donations to these foundations will now receive the same treatment as donations to universities, colleges, the Ontario Heritage Foundation, the Trillium Foundation, the Ontario Science Centre, Science North, the McMichael Canadian Art Collection and Ontario Parks.

Assisting parents and their children

Raising children is a demanding job, especially for families where both parents work outside the home. Every Ontarian has an interest in making sure that young children start life in a healthy and secure environment. We all have a stake in their well-being.

This Budget introduces four specific actions to make a real and direct improvement in the lives of our children.

First, we are investing in nutrition for children.

Children who go to school hungry are not going to be good learners. To ensure that elementary school children are receiving the nutrition they need, the Government is forming a partnership with the Canadian Living Foundation for Families to help parents and communities set up and expand local nutrition programs. The Government will provide up to \$5 million this year in start-up funding for this initiative.

By avoiding a large government bureaucracy, this partnership will ensure that the largest possible share of available funding, including donations from individuals and businesses in the community, goes directly towards meeting children's needs.

Second, we are helping children who have speech and language disorders.

This Budget provides \$10 million this year, growing to \$20 million in future years, to expand services for pre-school children with speech and language disorders. About 10 per cent of Ontario's children have a speech or language disorder. Early intervention means that more of these children will be able to function with little or no extra help as they grow older.

Third, we are investing in children's health.

Investing in children's health improves their well-being and their long-term prospects. For example, proper education and support can help young mothers avoid giving birth to babies with low birth weights — which is a major cause of infant death. This Budget provides \$10

million annually to support expectant mothers and families with children under six years old, especially those who would otherwise be at risk. These actions will help more children have a healthier start in life.

Fourth, we will increase the Province's support for child care, bringing it to the highest level in the history of the province.

Today Ontario spends more per capita for child care than any other province with the possible exception of British Columbia.

Ms. Janet Ecker, the member for Durham West, is reviewing child care programs to ensure that funding is provided to those most in need and that parents have affordable child care alternatives.

Ms. Ecker has heard from many working parents about the substantial price they pay to ensure that their children are properly cared for.

The need to expand the child care choices available to parents is real and urgent. To address these concerns, I am announcing today an enhancement of our child care funding that will provide over the next five years an additional \$200 million in support above current levels. This year we will spend \$600 million on child care — the highest in Ontario's history. The Minister of Community and Social Services, the Honourable David Tsubouchi, will provide details on new child care measures following the completion of the child care review.

Helping young people complete school and get jobs

We are investing \$57 million this summer to provide 29,000 summer jobs for young people. That's almost 5,000 more jobs than last year. In addition to helping young people meet their education expenses, these jobs provide a wide range of work experience. By giving young people a chance to gain experience and learn meaningful skills, we are helping to ensure that they will have an opportunity to lead productive and independent lives.

Ontario's college and university students are among the greatest strengths of our future economy.

- ◆ To help ensure that students have enhanced employment opportunities, I am introducing a Co-operative Education Tax Credit of up to \$1,000 per co-op placement effective September 1, 1996. This refundable tax credit will provide corporations with a tax savings equal to 10 per cent of the costs of hiring a student who is participating in a recognized co-op program at an Ontario college or university.

***\$600 million
for child care
— the
highest in
Ontario's
history***

***A tax credit
for
co-operative
education***

Ontario Student Opportunity Trust Funds

- ◆ To help make our education system more responsive to students' needs while keeping it accessible, the Province is working with the Government of Canada to develop an income-contingent student loan program. The objective of this program will be to make loan repayments reflect a student's earnings after graduation.
- ◆ To encourage companies and individuals to contribute to funds for Ontario's students, every college and university will have the opportunity to establish an Ontario Student Opportunity Trust Fund. The Province will match any donation to these trust funds made after today and before March 31, 1997. Monies from each fund will be used to assist academically qualified individuals who for financial reasons would not otherwise be able to attend college or university. It is estimated that the Province will contribute \$100 million towards this initiative, creating \$200 million in trust funds. The interest on these trust funds will help provide a solid base of financial support for Ontario's students.

The Minister of Education and Training will announce further details.

Fixing the Canada Pension Plan

In recent weeks the Government has been consulting with Ontarians on the future of the Canada Pension Plan. These consultations have been carried out by Mr. Ed Doyle, the member for Wentworth East, and Mr. Tim Hudak, the member for Niagara South, along with representatives of the federal government.

Ontarians told us that they want the Canada Pension Plan fixed so that their pensions will be there when they retire. They also told us to keep tight control on payroll taxes, because payroll taxes kill jobs.

In June, federal and provincial finance ministers will meet to discuss the plan's future design.

Ontario's goal is to ensure that the Canada Pension Plan is put on a sound financial footing once and for all. We want to ensure that the pensions people are counting on will be there when they retire, and that future generations will not be saddled with trying to fund a plan that is not financially solvent. We will work to eliminate waste, overlap and duplication, and to ensure fairness in benefit administration.

Meeting Ontario's transportation needs

This Budget provides \$2.7 billion this year for capital spending.

That includes over \$700 million for roads and highways. Our provincial highway system is a lifeline of our economy. The condition of our highways is essential in attracting new businesses, in moving goods to our major trading partners, and in enticing tourists to Ontario. Up-to-date infrastructure is essential for Ontario's economic competitiveness.

Too many of our highways are in poor condition. To help restore this provincial asset, while creating jobs and improving highway safety, we are committing an additional \$100 million this year to an accelerated program of repaving and repairing highways.

We will also provide \$60 million to municipalities this year to accelerate repairs to highways that are being transferred to their jurisdiction, and to highway connecting links that require urgent repair.

In addition, this Budget provides over \$100 million over the next four years to address safety deficiencies of municipal transit systems across the province. The Minister of Transportation, the Honourable Al Palladini, will provide further details.

Enforcing the tax laws and reducing the cost of tax administration

To make the investments in the programs that Ontarians want and value, it is essential that every taxpayer pay the amount of tax that he or she is legally required to pay. Law-abiding taxpayers have told me they want to crack down on tax evaders — they are tired of paying additional taxes on behalf of those who refuse to pay.

- ◆ The Provincial Auditor has recommended that the Government do more to identify those who may be evading Retail Sales Tax and to increase the number of audits that are performed. I can confirm today that we are taking action on each of his recommendations.
- ◆ In addition, effective August 1, successful bidders on Ontario Government contracts will be required to provide confirmation that their provincial taxes are in good standing. This measure will apply to all tendered contracts.
- ◆ I am adding 186 new audit and collections staff to the Ministry of Finance over the next three years, including 50 re-assigned from other duties. These staff will help collect additional revenues estimated at \$80 million annually by 1998-99.
- ◆ Once we have exhausted all government collections procedures, we will tender to the private sector the balance of uncollectable tax accounts.

***Creating jobs
and making
highways
and transit
systems
safer***

***Cracking
down on tax
evaders***

**Harmonizing
tax laws and
reducing
duplication**

- ◆ The method of calculating interest on overdue taxes will be harmonized to bring interest charges in line with those of Revenue Canada. Other penalty and interest provisions will be harmonized with federal statutes where appropriate.
- ◆ The Ministry of Finance will set up a new hotline for the reporting of suspected fraud or abuse, as I promised. Ontarians will be able to call the hotline at 1-888-TIP-INFO (1-888-847-4636), starting June 15.

A number of amendments will be introduced to improve tax enforcement. Details of tax measures are provided in Budget Paper A.

At the same time, the Government will pursue opportunities to lower the cost of complying with tax laws by harmonizing and reducing duplication.

- ◆ To simplify the tax system and reduce administration, the Ministry of Finance will examine options to harmonize Ontario's capital tax on financial institutions with the federal capital tax. Consultations will be held with the financial services industry.
- ◆ To reduce compliance costs for business, Ontario will harmonize with the changes to corporate income taxes introduced in the 1995 and 1996 federal Budgets.

Ontario will continue to co-operate with the federal government to reduce tobacco smuggling. The federal and Ontario governments agreed to share equally any recovery of the 1994 tobacco tax reduction. In recognition of this agreement, and to reduce the incentive for unwarranted tobacco price increases that may rekindle smuggling, I am amending the *Tobacco Tax Act*. The tobacco tax will be linked to any future changes in the selling price of cigarettes. We also will fully harmonize with the federal tobacco levies by matching any future increases or decreases in those levies.

Tax harmonization must be a two-way street. Ontario is already harmonized with the federal personal income tax system.

- ◆ But when we asked the federal government to administer the Fair Share Health Care Levy as we designed it in the Common Sense Revolution — as a tax on taxable income — the answer was: not now.
- ◆ When we asked them to use the income tax system to enforce child support agreements when parents do not pay, the answer was: not now.

- ◆ When we asked them to use the income tax system to help recover money that is owed to the Province by people who received more social assistance than they were entitled to, or by students who have defaulted on their loans, the answer was: not now.

These federal delays do not make sense. They mean that less money is available to support children or to make new student loans. Ontario is prepared to act immediately on these initiatives, taking actions that people have told us they support, and ensuring the continued viability of the harmonized income tax system.

BUILDING A BETTER TOMORROW

Balancing the Budget, eliminating the deficit, and turning around the growth in debt are not ends in themselves — they are a means to an end. The end is a more prosperous Ontario, where people can once again feel secure about their jobs, their families, their communities and their future, and feel better about themselves.

Building a better future for Ontarians means that we must restore the environment that allows businesses to create jobs.

My colleagues and I promised Ontarians we would take a new approach to getting our economy growing — by making Ontario a great place in which to live, work and invest.

We have put an end to more than 30 direct business subsidy programs. In my opinion, most business subsidies don't create lasting jobs. Too often, the job ends as soon as the government grant ends. Cutting these programs will save taxpayers \$230 million in grants and loans in 1996-97.

Our Government is taking a different approach.

- ◆ We are breaking down the barriers to job creation.
- ◆ We are cutting payroll taxes that kill jobs.
- ◆ We are changing the rules so that banks and private investment funds will invest more money in new and growing businesses that create jobs.
- ◆ And we are changing taxes that have blocked the growth of important sectors of our economy.

Breaking down the barriers to job creation

Our Government is breaking down the barriers to job creation. We have passed legislation to restore the balance in relations between workers and employers. We have repealed job quotas. We have frozen average Ontario Hydro rates until the year 2000.

***A new
approach to
getting our
economy
growing***

***Eliminating
overlap and
duplication
in loan and
trust
regulations***

***Private
sector leads
the way in
job creation***

The Red-Tape Review Commission, headed by Mr. Frank Sheehan, the member for Lincoln, is finding ways to eliminate unnecessary regulations and make government work better for Ontarians.

This year, we will extend the sunset provision of the *Loan and Trust Corporations Act* and take action to eliminate overlap in the regulation of the loan and trust industry. We will remove the outdated requirement that Ontario duplicate regulatory activities already undertaken by other jurisdictions in Canada. By harmonizing with federal regulations, we will get rid of an unnecessary layer of regulation of this important industry. We will set out our direction in a policy paper to be issued for public comment in the near future.

Accelerating Ontario's economic growth

While the task of making Ontario a good place to create jobs is by no means completed, already Ontarians can see signs that we are going in the right direction.

Between June 1995 and March 1996, Ontario's private sector created 90,000 jobs. That's well over 300 net new private-sector jobs every day.

I know that the public sector is cutting back — at all levels. Many good and hard-working people are finding themselves on the job market for the first time in years.

But for every job lost in the broader public sector in the last nine months, almost four jobs were created in the private sector. We have to make this adjustment to get Ontario growing again.

To date this year we have more jobs in manufacturing than we had a year ago, more jobs in construction, more jobs in services, more jobs in the wholesale and retail sector, and more jobs in transportation and communications.

Investors are recognizing that Ontario is once again a good place to do business. Investment stands at record-high levels, and Ontario's investment growth is outpacing the rest of Canada.

- ◆ Magna International Inc. has chosen St. Thomas as the location for its new truck frame plant, creating over 700 jobs.
- ◆ Premier Harris recently participated in the ground-breaking for Honda of Canada's expansion in Alliston, which will create 1,200 permanent new jobs.
- ◆ The forest industry has announced additional investments in communities such as Thunder Bay, Red Rock and Marathon.
- ◆ Placer Dome recently committed \$260 million to develop its Musselwhite gold property north of Pickle Lake.

- ◆ Bayer Rubber Corporation is investing \$61 million to build two new chemical plants in Sarnia.
- ◆ The Pacific Century Group is working in partnership with IBM Canada and Rogers Cablesystems on a \$100-million project to build four condominium towers with fibre-optic wiring in downtown Toronto.

Investments such as these bring real benefits in the form of jobs for Ontario's people.

To help more companies grow and compete, I am announcing a new, private-sector-driven approach to business development.

- ◆ A new Partnerships for Jobs and Growth initiative will complement our efforts to improve the business climate.
- ◆ It will support innovation, encourage Ontario's entrepreneurs, strengthen Ontario's sectors, bridge the training gap, extend global reach, and strengthen economic development at the local level.
- ◆ Addressing these issues will make Ontario a more competitive, productive and successful trading economy.
- ◆ In its initial year, 1996-97, \$50 million of the savings from other programs will be reinvested to support Partnerships for Jobs and Growth. The Minister of Economic Development, Trade and Tourism, the Honourable William Saunderson, will announce further details.

The strongest area of our economy has been the export sector. Exports are at record levels and are expected to increase by a further 8.7 per cent in 1996. The motor vehicle industry — our largest manufacturing exporter — achieved the highest level of production in its history last year.

Overall, Ontario businesses plan to increase their investment spending for machinery and equipment by 3.2 per cent this year. Investment spending on new commercial and industrial buildings will grow by 5.4 per cent. According to the Conference Board of Canada survey of business confidence, 53.9 per cent of Canadian businesses consider Ontario to be the best province in which to invest.

Consumers are beginning to feel more confident, too. Home resales have improved by 36 per cent this year from last year's low levels — backed by interest rates that are at their lowest since July 1994. And the inflation rate is holding at less than two per cent.

In sum, Ontario's economic expansion is taking hold and accelerating. Our forecast — which is deliberately cautious — is that the economy will expand by 1.9 per cent this year and by 2.8 per cent in 1997. Most forecasters expect that we will do even better.

***Ontario's
economic
expansion is
taking hold
and
accelerating***

***Making more
equity capital
available to
emerging
small
businesses***

New sources of investment for growing businesses

A large share of Ontario's new jobs will come from new and growing businesses. These businesses need access to sources of capital that believe in their potential and are prepared to maintain their investment until that potential is fully realized. I am taking action today to help make that happen.

Labour-sponsored investment funds (LSIF) have become well established as a source of capital for entrepreneurs, especially for those requiring capital of between \$1 million and \$10 million. At present Ontario labour-sponsored investment funds hold assets of \$1.2 billion — including more than \$600 million that they are required to invest in eligible businesses over the next three years.

- ◆ I am introducing stricter investment rules today to ensure that capital raised by these funds is made available more quickly to Ontario's entrepreneurs — and especially to businesses that are not yet big enough to raise capital on the stock market.
- ◆ To reduce costs to the taxpayer, I am harmonizing with the federal government by limiting the Ontario tax credit for new LSIF investments to 15 per cent, effective today. I am also harmonizing with the changes to this program that were announced in the federal Budget.

Bringing banks and small businesses together

Banks too must play a key role in the new economy by increasing their longer-term financing of Ontario's innovative growth firms — especially smaller businesses.

- ◆ Effective midnight tonight, we will harmonize with the federal measure by imposing a temporary surtax on the capital tax paid by banks.
- ◆ We will provide a Small Business Investment Credit against this tax to banks making equity capital investments in small businesses in Ontario. Banks that increase the availability of equity capital for small business will be able to earn back the surtax over three years.

- ◆ We will make sure that banks that do business with the Provincial government are also doing business with Ontario's entrepreneurs. Starting this year, banks that wish to provide services to the Province will be required as part of their tender bid to show a comprehensive record of small business lending.

In addition, the Government will consider innovative ideas to foster the establishment of private-sector financed equity funds that focus on new and emerging small businesses. I have asked Mr. Rob Sampson, my Parliamentary Assistant for Financial Institutions and the member for Mississauga West, to lead this review and to report back to me. He will be assisted by Mr. Joe Spina, the Parliamentary Assistant for Small Business and the member for Brampton North.

Unified and efficient Canadian equity markets

The Ontario economy needs a strong, globally competitive capital market, and Ontario companies need access to equity financing without the extra costs and delays caused by regulatory duplication. Strong and well-regulated stock exchanges are good for business, and they are good for Toronto — the heart of Canada's financial sector.

To make it easier for companies to raise funds in Canadian equity markets, Ontario will pursue an agreement with the federal government and with other interested provinces to delegate responsibility for securities regulation to a Canadian Securities Commission.

Supporting Ontario's film industry in competing and creating jobs

Ontario has become one of the major film production centres in North America. The strategic alliance in animation productions between Sheridan College and the Disney Corporation is but one example of the kind of new investment that the film industry can bring to the province — creating skilled jobs for talented people. But this industry faces stiff competition because of the incentives offered by other jurisdictions.

- ◆ To ensure that Ontario remains a major player in the North American industry, I am introducing a film and television tax credit that harmonizes with the federal tax credit introduced last year and targets the benefits to Ontarians. This refundable tax credit will be 15 per cent of the eligible labour costs in Ontario, effective July 1, 1996.
- ◆ The Government will double the value of the credit for filmmakers making their first commercial production. These measures will be administered jointly with the Ontario Film Development Corporation.

***A new tax
credit for film
investments***

Adding to Ontario's call centre advantage

Bell Canada has been a pioneer in servicing over 1,500 major call centres in the province — creating competitive advantage by providing toll-free service to customers. Increasingly, these centres require employees with advanced skills — for example, service agents who explain complex financial services, or technicians who can install and repair state-of-the-art telecommunications equipment.

In recent weeks Unitel Communications has chosen to locate a new call centre in Toronto, creating 250 jobs. S&P Data Corporation has announced plans for a new call centre in North Bay, creating 328 jobs.

These companies, and others like them, have discovered that Ontario offers a highly skilled workforce, bilingual and multilingual communities — including those in Northern and Eastern Ontario — advanced digital telecommunications technology, and proximity to North America's major consumer markets.

Ontario is determined to keep the jobs that these companies create. To help do so, I am exempting from the Retail Sales Tax the 1-800 and 1-888 telephone services purchased by business, effective July 1. This measure will bring Ontario into line with the tax incentive provided by seven other provinces.

Expanding access to telecommunications

Jobs and growth in the Ontario economy will depend on our ability to develop and use the information highway.

In partnership with Ontario's telecommunications and computing industries, we have already built sophisticated networks, some of which primarily serve the public sector such as health, education and Ontario Hydro.

New telecommunications applications offer the potential for significant improvements in the accessibility, timeliness and cost-effectiveness of public-sector services. We will explore how best to use existing public-sector networks, especially in rural areas of Ontario. We will also look at the merits of an expanded role for the private sector.

In addition, we will reinvest \$20 million found from other programs, for Telecommunications Access Partnerships to work with entrepreneurs, sectors and communities to improve Ontario's competitiveness through advanced telecommunications applications and infrastructure.

The Minister of Economic Development, Trade and Tourism will announce details.

Building homes, creating jobs

While many other sectors have returned to their pre-recession level of production, Ontario's housing industry has not yet recovered. New housing starts this year are projected to be less than half their 1989 level.

To encourage people who have been waiting to buy their first home, first-time buyers who purchase a newly constructed home after today and before March 31, 1997 will receive a refund of their Land Transfer Tax. The maximum refund will be \$1,725, equivalent to the tax on a \$200,000 home. Coupled with lower interest rates and more affordable pricing, this measure will help bring home ownership within reach for more families. In addition, it will create jobs in building, furnishing and equipping these new homes.

Bringing tourism and hospitality jobs to Ontario

The tourism and hospitality industry attracts millions of dollars to Ontario and creates thousands of jobs.

For many years the competitiveness of the hotel industry in Metropolitan Toronto has been hindered by property taxes that are higher than those on other commercial property. Over the coming year, the Government will take action to address this disadvantage as part of its review of property tax reform.

To assist Ontario's hospitality industry, the Ontario Lottery Corporation will develop a plan to introduce a limited number of video lottery terminals (VLTs) at selected locations across the province.

In recent years, the gaming marketplace has expanded dramatically, with numerous new products and activities which have made control and regulation difficult. In addition, the Ontario Provincial Police have indicated that illegal gaming activity is increasing, with thousands of video lottery terminals operating illegally in Ontario. It is anticipated that the establishment of a tightly regulated, government-managed VLT network, along with other measures announced in this Budget, will counter illegal gaming activity, and impose some needed discipline and control into Ontario's gaming marketplace.

The Ontario Lottery Corporation will be responsible for the operation and management of the VLT network, and the Ontario Gaming Control Commission will oversee and control every aspect of VLT gaming activity. We believe that VLTs, if implemented within tight regulatory controls and in limited-access environments, can meet a legitimate entertainment demand and provide a significant stimulus to the hospitality industry.

In designing Ontario's VLT program, the Ontario Lottery Corporation will take advantage of lessons learned in the eight other provinces in Canada where VLT networks already exist. The detailed implementation plan developed by the Ontario Lottery Corporation, in consultation with the Ontario Gaming Control Commission, will be

***A tax rebate
for first-time
buyers of
newly
constructed
homes***

As a result, the Fund now contains over \$120 million to be used exclusively for the benefit of the people of Northern Ontario. The Government will continue to provide \$30 million annually to the Heritage Fund.

To eliminate duplication, achieve economies of scale, and enhance the returns to the Heritage Fund, we will establish improved financing arrangements between the Fund and the Ontario Financing Authority. The management fees paid by the Fund will be eliminated and its rate of return improved, maximizing the Fund's ability to meet the economic development and infrastructure needs of current and future generations of Northerners.

Our efforts to improve the North's business climate will help sustain strong resource exports and investment that have been creating jobs. Freezing all mining taxes and *Mining Act*-related fees and licences will encourage investment in Northern resource sectors. A reduced regulatory burden on forestry and mining and streamlined approvals that maintain environmental standards will also lead to increased economic growth. A total of \$138 million also will be provided this year for repaving and repairing Northern roads — up \$40 million from 1995-96.

To foster development in the far north of the province, the Minister of Northern Development and Mines will investigate opportunities for partnerships between government and the private sector to build infrastructure and stimulate resource development in remote areas north of the 51st parallel, which extends approximately from Moosonee to Red Lake.

Strengthening agriculture and rural development

Across rural Ontario, communities are taking action to develop their full economic potential. New technologies are changing the nature of traditional industries and creating opportunities for new businesses.

Our government is taking steps to ensure the long-term growth and prosperity of rural Ontario.

- ◆ We have repealed legislation that permitted trade unions to invade the family farm.
- ◆ We are working on dismantling Bill 163 — the *Planning and Development Reform Act* — to expedite the planning process, and empower municipalities while maintaining tough environmental standards.
- ◆ We are retaining the Farm Property Tax Rebate program, pending the reform of municipal property taxes.
- ◆ We are increasing agriculture's share of the operating budget in 1996-97.

The needs of rural communities are unique, and the challenges facing them are different from those of urban Ontario. The new Ontario Municipal Support Program stands as evidence of our government's understanding of this fact.

Bringing economic stimulus to rural Ontario is a top priority. Agriculture and food is the province's second-largest goods-producing sector, and there is great potential for expansion in many areas — from aquaculture to ethanol production. Such expansion will benefit from our commitment to eliminate red tape and needless regulations throughout government.

To promote growth in rural Ontario, this Budget provides \$15 million to stimulate research, market development, investment, and competitiveness in the agriculture and food sector. The new Grow Ontario Program will strengthen the capacity of small and medium-sized farm and food sector groups and rural communities to compete in the global marketplace. The Minister of Agriculture, Food, and Rural Affairs, the Honourable Noble Villeneuve, will provide details.

To assist Ontario's farmers further and provide additional economic stimulus in rural areas, I will provide a rebate of the eight per cent Retail Sales Tax paid on building materials purchased by commercial farmers to upgrade or modernize farm operations after today and on or before March 31, 1997.

***A tax rebate
to upgrade or
modernize
farm
operations***

CUTTING TAXES, CREATING JOBS

While our economy is growing again, Ontarians know that— however competitive we may be abroad — the benefits are not yet being felt by many here at home.

Too many people are out of work in Ontario. Even those who are working have seen their standard of living fall. Men and women who work hard to raise their families and keep their homes, who in many cases have not seen a pay raise in several years, have been hammered by years of tax increases. In the past 10 years provincial taxes have been raised 65 times. That includes 11 increases in Ontario's personal income tax. In good times and bad, the government has put its hand deeper and deeper into the pockets of Ontario's people.

As a result, in real inflation-adjusted terms, the take-home pay of the average Ontario worker is lower today than in 1985.

Ontario can and must do better — much better.

Unless we reduce our current levels of taxation, we will never return to prosperity

Exempting the first \$400,000 in annual payroll from the Employer Health payroll tax

Our economy has the capacity to produce billions of dollars a year more in additional economic output than it is producing today. The use of our existing plants and equipment could be much higher; and if that were the case, production would rise. There is no need for us to accept a rate of growth that keeps good people out of work and good capacity out of use.

Unless we reduce our current levels of taxation, we will never return to prosperity. We will never create enough jobs to give Ontarians a secure future. We will never generate enough revenues to balance the Budget.

To build a better future, we have to give Ontario's economy a break. We have to give the people of Ontario and future generations a break.

Cutting payroll taxes that kill jobs

During the 1980s, small businesses were the province's largest source of new jobs. Yet in the 1990s they have suffered major job losses.

A big part of the problem is the heavy payroll tax burden borne by small business

To help businesses create jobs, I am fulfilling today our commitment to exempt the first \$400,000 in annual payroll from the Employer Health payroll tax. This tax cut will be introduced in three steps, starting January 1, 1997, and will be fully implemented on January 1, 1999.

Ontarians want to see small businesses expand and hire new workers. Yet the current payroll tax penalizes them for doing exactly that. It increases the ongoing cost of hiring a new worker by as much as four per cent for a small and growing business. In addition, the payroll tax imposes a substantial and unnecessary paperwork burden on employers who may have only a single employee. Ontario and Quebec are the only provinces that impose a provincial payroll tax on small employers.

The former government changed this tax five times without fixing its underlying problems. Their one-year tax exemption for increased payrolls added to the paperwork burden on employers, and it did not provide permanent tax relief. I am replacing it with a permanent tax reduction.

By 1999, 88 per cent of Ontario employers will no longer have to pay this job-killing tax. That means 270,000 employers can spend less time filling out forms for the government and more time doing productive work. This tax cut will remove a barrier that discourages small and growing businesses from creating jobs.

To reduce the payroll tax burden further, we will deliver on our commitment to reduce the average Workers' Compensation assessment rate by five per cent.

Cutting income taxes by 30 per cent over three years

We will also cut taxes for the people of Ontario — providing real and immediate benefits from our actions to make government smaller, and helping to create the jobs that people want.

My colleagues and I said we would cut personal income taxes by an average of 30 per cent over three years, with half of that cut to be provided in our first Budget. We promised that Ontarians with higher incomes would pay their fair share for the health care system. Today we are delivering on those promises.

- ◆ Ontario's income tax rate will be cut by 30.2 per cent over three years.
- ◆ The first step will take effect this July 1, 1996 — less than 60 days from today. That is the earliest date allowed under the federal-provincial tax collection agreement. The amount of income tax deducted from people's paycheques will be reduced starting July 1 to reflect a tax rate of 54 per cent of Basic Federal Tax for the second half of 1996. That's down from 58 per cent at present.
- ◆ The second step will take effect on January 1, 1997. Beginning January 1, 1997, Ontario's income tax rate will be 49 per cent of Basic Federal Tax. That will bring us slightly more than half-way to a 30.2 per cent cut in Ontario's tax rate.
- ◆ The rest of the tax cut will be phased in between 1997 and 1999. In 1999, Ontario's tax rate will be 40.5 per cent. That's 30.2 per cent less than it is today.
- ◆ When the tax cut is fully implemented, 520,000 taxpayers with modest incomes will get a tax cut that is greater than 30 per cent. Another 635,000 individuals with lower incomes will continue to pay no Ontario income tax at all.
- ◆ Those with higher incomes will pay a Fair Share Health Care Levy. In the Common Sense Revolution we proposed that this levy take the form of a tax on taxable incomes. The federal government has refused to implement the tax that we designed. Therefore, the Fair Share Health Care Levy will be incorporated into Ontario's existing surtax. For example, a single individual with no dependants will pay the Fair Share Health Care Levy only if his or her salary exceeds \$52,315 a year. The levy will be adjusted as the tax cut is phased in. The payroll tax on the self-employed will be eliminated. The additional revenues the Fair Share Health Care Levy generates will offset the loss from the new Employer Health Tax exemption.

**91 per cent
of all
taxpayers
will see an
Ontario tax
cut of 30 per
cent or
greater.**

It is a privilege, on behalf of the Government and people of Ontario, to introduce today legislation that will cut Ontarians' taxes this July 1st and again on January 1st, 1997.

The benefits of these measures are clear:

- ◆ 91 per cent of all taxpayers will see an Ontario tax cut of 30 per cent or greater.
- ◆ All taxpayers with incomes of \$60,000 or less will see their Ontario taxes fall by 30 per cent or more.
- ◆ 64 per cent of the benefits from this tax cut will be concentrated on middle-income Ontarians earning between \$25,000 and \$75,000 a year.
- ◆ For those with higher incomes, the 30.2 per cent rate cut will be offset in part by the Fair Share Health Care Levy. Everyone will see his or her taxes cut, but the percentage benefits will be greater for those with moderate and modest incomes. Ontario's income tax system will be more progressive when the tax cut is fully implemented than it is today. That's fair for everyone.
- ◆ The marginal tax rate on those with higher incomes — which can be almost 55 per cent for a self-employed entrepreneur and which poses a significant disincentive to investment — will be reduced to 49.6 cents on each additional dollar earned, the second lowest in Canada.
- ◆ Best of all, these tax cuts will mean more jobs for Ontarians. People will have more dollars to spend, more dollars to pay down their debts, more dollars to invest in new businesses, and more incentive to create jobs in Ontario.

I can remember, only a few short years ago, when governments thought taxes could go in only one direction: *up*. This Budget does just the opposite. It cuts taxes a total of 10 times.

CONCLUSION

This is a Budget for the people of Ontario. This is a Budget that:

- ◆ Spends taxpayers' dollars more wisely;
- ◆ Promotes job creation in the private sector;
- ◆ Helps those in genuine need; and
- ◆ Reduces the tax burden on middle-income and low-income taxpayers.

Reducing the deficit will mean lower borrowing costs. Lowering borrowing costs means we will have more money to invest in the programs that Ontarians value the most. Creating efficiencies in government reduces the burden on all of us.

The changes we are making are based on our belief that Ontario can have a better future:

- ◆ An Ontario that has freed its children and grandchildren from the burden of government deficits and growing debt.
- ◆ An Ontario that provides programs that will take care of people in need of permanent help and gives a hand up to those requiring temporary assistance.
- ◆ An Ontario that leads Canada in jobs, in investments, in health care, in education and community safety.
- ◆ An Ontario that creates a society that not only believes in compassion and justice, but has the financial capacity to make it a reality.

To set Ontario in this new direction has taken vision and courage, which have been the hallmark of Premier Mike Harris' leadership. I salute him for his leadership, and thank him for his support.

We have heard the people of Ontario. The people of Ontario told us they want a Government that works for them and not the other way around.

They want an Ontario where hard work is rewarded, where initiative is encouraged.

They want an Ontario where their children can grow, where young people have hope and opportunity. An Ontario where social justice and fiscal responsibility are the rule rather than the exception.

These are the principles and beliefs my son Justin shared. They can be tomorrow's reality.

With the initiatives announced today, the people of Ontario can meet the challenges of the twenty-first century confident that tomorrow will be better than today for themselves — and for their children.



“The people of Ontario want to know that tomorrow will be better than today — for themselves, and for their children.”