

1997 Ontario Budget

Budget Speech

Investing in the Future



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



1997 Ontario Budget

Budget Speech

Investing in the Future

**Presented to the
Members of the Legislative Assembly of Ontario by
The Honourable Ernie Eves, Q. C.
Minister of Finance
May 6, 1997**

General enquiries regarding policy in the
1997 Ontario Budget: Budget Speech
should be directed to:

Ministry of Finance
Frost Building South, Queen's Park
Toronto, Ontario M7A 1Y7
Telephone (416) 325-0333

Copies are available free from:
Publications Ontario Bookstore
880 Bay Street, Toronto M7A 1N8
Telephone (416) 326-5300
Out-of-town customers call: 1-800-668-9938

or call:
Ministry of Finance
(English and French enquiries) 1-888-562-4769
Teletypewriter (TTY) 1-800-263-7776

For electronic copies of the budget documents,
visit our WEB site at
<http://www.gov.on.ca/fin/hmpage.html>

© Queen's Printer for Ontario, 1997

ISBN 0-7778-6327-8

Back cover design: Dick Derhodge

Photos courtesy of South Simcoe Public School, The Hospital for Sick Children,
Spar Aerospace Limited, Dick Derhodge and Eric Hutton.

Le document Budget de l'Ontario 1997 : Exposé budgétaire
est disponible en français.

CONTENTS

Introduction	1
Balancing the Budget and Controlling the Debt	3
Ontario's Economy - Strong, and Getting Stronger	5
Investing for Jobs and Growth	7
Creating Jobs for the Future	13
Investing in Quality Health Care	18
Investing in Excellence in the Classroom	21
Investing in Ontario's College and University Students.....	23
Investing in Children and Families	25
Supporting Safe Communities.....	29
Promoting Charitable Giving.....	31
The Federal Government Must Take a Co-operative Approach	32
Less Government.....	35
Cutting Taxes and Creating Jobs	38
Conclusion	40

INVESTING IN THE FUTURE

INTRODUCTION

The Province of Ontario is on the way to a better tomorrow. The endless cycle of tax, spend and borrow is over. From the first day our Government took office, our plan has been clear: lift the burden of debt from our children's shoulders while reinvesting in priority programs like health care and education.

Investing in the
Future

Under the leadership of Premier Mike Harris, our plan allows Ontarians to keep more of their hard-earned money; it invests in health care, classroom education and safe communities; it reduces the size of government and ensures that taxpayers' dollars are spent more wisely.

Between 1985 and 1995, the period Premier Mike Harris refers to as "The Lost Decade", previous governments hiked taxes 65 times, including 11 increases to personal income tax. These tax hikes did not balance the budget or create jobs. In fact, debt tripled over this period, choking Ontario's growth potential and eroding the economic health of this Province.

Our Government is turning the economy around. We recognize that all Ontarians deserve opportunity and a job, with the personal dignity and security that a job brings. To that end, we are continuing with our tax cuts to create jobs. Today I will announce a further 20 reductions, for a total of 30 tax cuts in less than two years.

Thirty Tax Cuts in
Less Than Two
Years

We have cut government spending in a deliberate and careful way, because government was too big, too wasteful and was doing too many things that could be done better by the private sector.

We are reducing the size of governments in this province, peeling away the layers of red tape and bureaucracy. We are redefining the role of governments in Ontario to make them more accountable to taxpayers.

I am pleased to report today that our plan is working. Ontario's economy is responding with jobs and growth and, perhaps most

Renewed Confidence and Optimism

importantly, with renewed confidence and optimism. This document builds on the Budget I presented last year. It is based on sound economic and fiscal policies.

We are investing in the economy and helping Ontarians get jobs. This Budget helps small businesses get access to capital to invest in the economy and do what they do best - create jobs.

We are investing in research and development to create jobs for the future. The actions I announce today will reaffirm Ontario as one of the leading jurisdictions for new research and development in the world.

We are investing in health care because Ontarians deserve care that is second to none. Our Government is not only keeping our commitment to guarantee health care funding, we are increasing our investment.

We are investing in our classrooms, and in fairer support for child care for all working families, giving Ontario's future leaders the best start possible.

A Better Future for our Children

We are investing in a better future for our children, for my daughter Natalie and her generation. In the words of Premier Leslie Frost, "We are laying the sure foundations for a greater and stronger Ontario".

This Budget will help secure those foundations for all Ontarians -- now and for future generations. In preparing it, I received assistance and advice from literally hundreds of Ontarians. I have considered their advice carefully and I thank them for their important contribution.

I want to thank all my colleagues, especially Premier Mike Harris, for his guidance and leadership.

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

BALANCING THE BUDGET AND CONTROLLING THE DEBT

On Track for a Balanced Budget

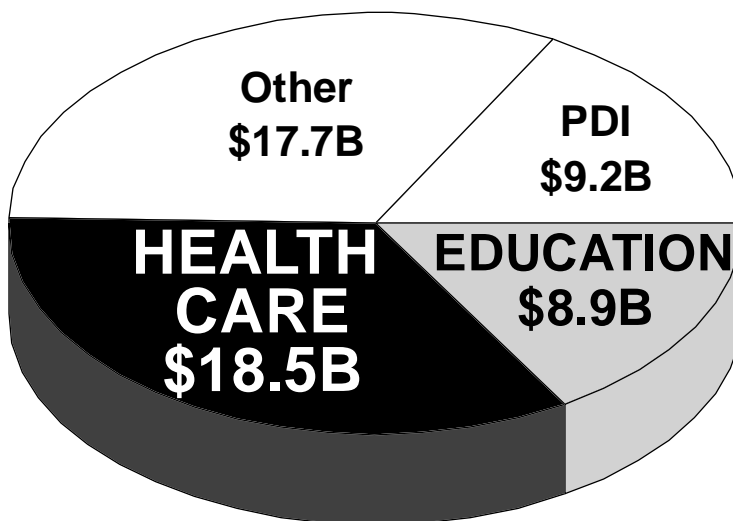
Everyone knows that when we took office in June 1995, government was spending \$1 million more every hour than it was taking in.

Thanks to our cautious and prudent approach, the deficit for the fiscal year 1996-97 will be \$7.5 billion, an improvement of \$710 million over the 1996 Budget Plan.

Improving on our
Deficit Target

Support for Priority Programs, 1997-98

Total Expense: \$54.3 Billion

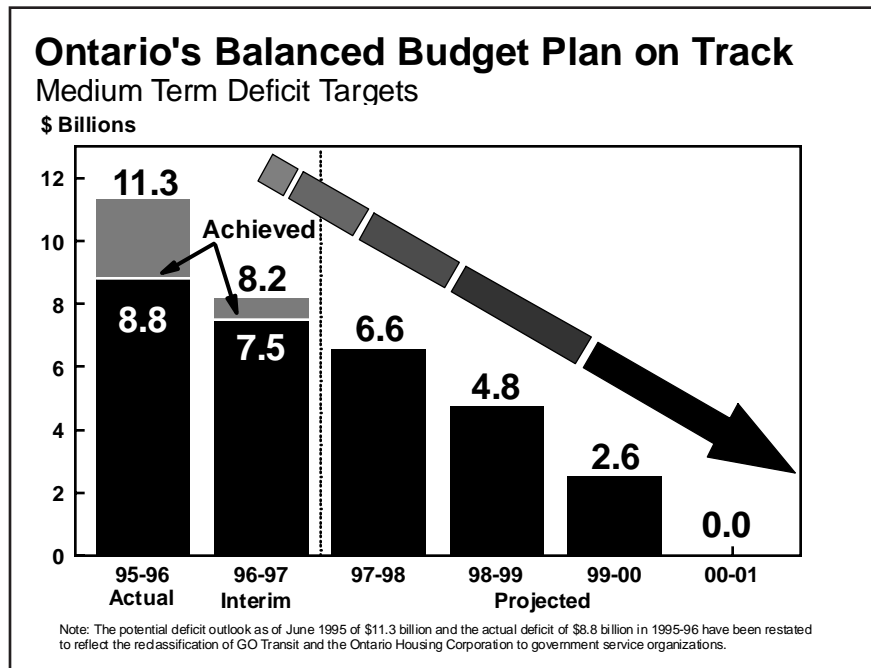


For fiscal year 1997-98 our Budget Plan projects a deficit of \$6.6 billion. The deficit will be reduced further to \$4.8 billion next year or some 58 per cent less than the deficit we faced on taking office.

Our Balanced Budget Plan will ensure that the deficit is eliminated by the year 2000-01.

We have turned the corner toward a balanced budget.

Turning the
Corner Toward a
Balanced Budget



Controlling Ontario's Debt

**We Remain on
Track for our
Balanced Budget
Target**

While we remain on track for our balanced budget target, we are not about to sit by and watch our children's future swept away by a sea of debt.

It would be wrong to shackle our children with this financial burden. The debt threatens our economy and our public services. It means that the Province must continue to pay more than \$9 billion in interest each and every year. This is more than we spend on education and is now almost half the size of the budget for health care, our highest priority.

Once the budget is balanced, we will put in place a program to cut that debt to ensure that our children will have the opportunities they deserve.

ONTARIO'S ECONOMY - STRONG, AND GETTING STRONGER

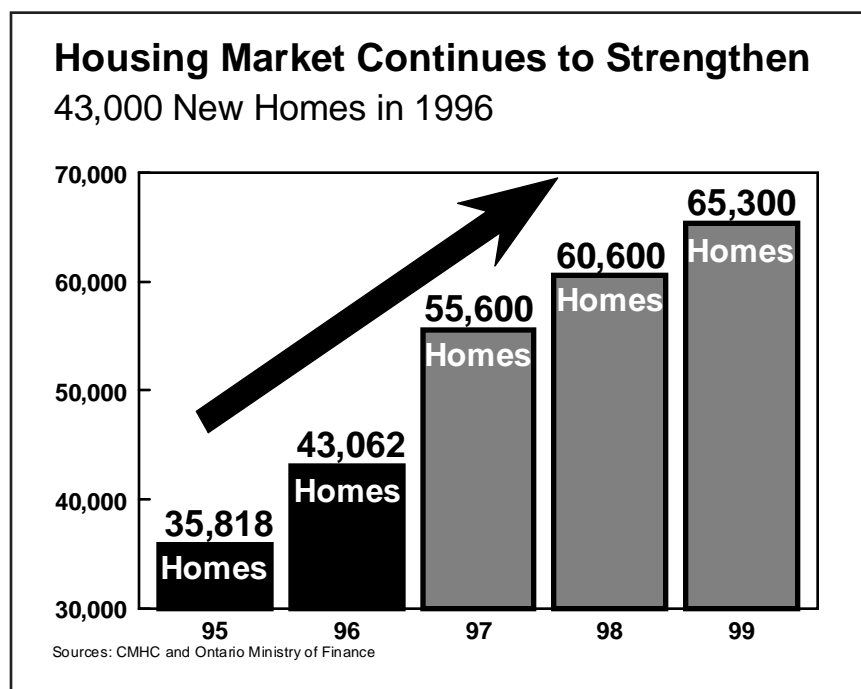
Ontario's economy is responding to the Government's plan to make Ontario, once again, a province of jobs and opportunity.

Our deficit reduction plan, along with those of other governments, has been a major factor in lowering interest rates. This record of fiscal responsibility by all governments in Canada is leading to improved business and consumer confidence, and to more jobs.

The housing market continues to strengthen and the number of housing starts is projected to rise by 29.1 per cent in 1997.

In last year's Budget I introduced a rebate of the Land Transfer Tax for first-time buyers of new homes. This measure contributed to a 20.2 per cent increase in the number of housing starts in 1996. More than 12,000 refunds were paid to first-time home buyers in the past 12 months.

**Fiscal
Responsibility
Leads to More
Jobs**



On March 31st, I announced that this successful rebate has been extended for another year.

Jobs are Being Created

The Ontario economy has responded in a renewed spirit of confidence and optimism.

45,600 New Jobs in March Alone

In March alone, the Ontario economy created 45,600 new jobs. Reflected in this increase is the largest monthly private sector job gain on record.

A wide range of indicators point to strong job growth in the coming months. The Ontario Help Wanted Index, which measures job ads placed by employers seeking workers, is up 17.8 per cent over the past twelve months. The last time the Help Wanted Index grew that fast, job growth accelerated to nearly 200,000 jobs per year.

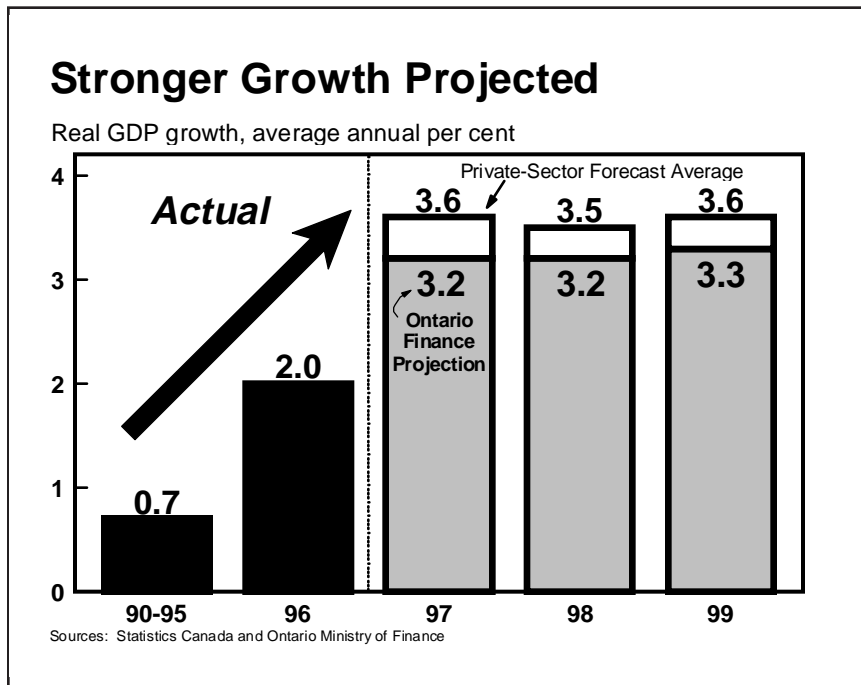
Private sector economists have identified the rising trends in consumer spending, housing activity, new orders and overtime activity as strong leading indicators of accelerating job growth.

The Royal Bank, for example, is predicting an increase of 700,000 net new jobs in Canada over the next two years. According to the Bank, Ontario is expected to account for well in excess of its normal share of that job growth.

Ontario's Economy Will Do Better

While this pace of job creation is an improvement, it's not acceptable to this Government. Ontario's economy can and will do better.

We need to continue to cut taxes. We need less government. We need to continue to reduce the regulation and red tape that discourage businesses and we need to continue to create an environment that encourages communities and small businesses to grow and create jobs.



INVESTING FOR JOBS AND GROWTH

Helping Communities to Grow and Small Business to Create Jobs

Small businesses create jobs - more than any other sector.

As noted by the Committee on Small Business Access to Capital, small businesses need greater access to financing to help them grow and create jobs.

I would like to thank my colleagues Jim Brown, Tom Froese and John O'Toole, who served as members of the Committee, as well as the co-chairs, Rob Sampson and Joe Spina, for their ideas.

Following consultations on their recommendations, I am announcing today that the Government will help with the creation of Community Small Business Investment Funds.

I will introduce legislation to make these funds eligible as investments for Labour Sponsored Investment Funds (LSIF) and the small business investment tax credit for banks.

Creating
Community Small
Business
Investment Funds

To further encourage investment in these Community Small Business Investments Funds, every dollar invested by an LSIF in these funds will count as two dollars up front in meeting the LSIF's small business investment requirement. We will also be increasing that requirement from 10 per cent to 15 per cent for 1997 and 1998, and to 20 per cent for 1999.

We have asked the federal government to recognize LSIF investments in these new Community Small Business Investment Funds as eligible investments for federal purposes.

Helping Communities through Enterprise Centres

Enterprise Centres for Small Business

To help both new and growing small businesses throughout the province, we will help establish a network of Enterprise Centres for Small Business. The Centres will provide coaching and mentoring in business planning, marketing, accounting and overall business strategy.

The current Self Help Office Program of the Ministry of Economic Development, Trade and Tourism will be consolidated with Enterprise Centres.

I want to thank the new Parliamentary Assistant for the Ministry of Northern Development and Mines, Joe Spina, for his enthusiastic work in developing the Enterprise Centre concept.

Banks Must Assist Small Business in Providing Jobs and Growth

Banks also have a role to play in small business development.

Helping Small Business Create Jobs

Last year, bank profits reached more than \$6 billion, an increase of more than 20 per cent from the record levels of 1995. However, small business people tell us they continue to have problems getting the bank financing they need to grow and create jobs. These financing problems are the greatest for new and emerging small businesses.

The small business investment tax credit for banks, announced in the 1996 Budget as a temporary incentive, allows banks to earn back a surtax introduced last year by investing in small business.

To help increase small business access to financing, I am announcing today a number of measures to enrich this earn-back program. I am also making it permanent. As of tomorrow:

- ◆ The amount of tax that can be earned back will be increased from 20 per cent to 75 per cent for equity investments of \$50,000 or less.
- ◆ Large financial institutions investing in Community Small Business Investment Funds will be able to earn back tax at 40 per cent.
- ◆ Other large financial institutions will be allowed to earn back tax by lending to small business.

The Canadian Imperial Bank of Commerce has taken a leadership role in providing loans to small businesses at below-prime interest rates. To recognize that leadership and to encourage other financial institutions to follow, the ability to earn back taxes will be extended to encourage loans of \$50,000 or less to small businesses at interest rates below bank prime.

Encouraging Loans at Rates Below Bank Prime

These measures will help to provide lower cost financing and patient capital to more than 25,000 small businesses in Ontario. We will be consulting with small business and financial institutions on the implementation details of these measures before introducing legislation.

We will parallel the federal government's extension of its capital tax surtax on large financial institutions and harmonize the capital tax on banks and other financial institutions with the federal large corporations capital tax. These changes will help reduce compliance costs for business and administration costs for government.

Capital tax rates will be cut and special rules will be introduced to help credit unions and smaller financial institutions.

The new tax base and rates will be effective May 7, 1997 on a prorated basis.

Details of these measures are provided in Budget Paper C.

Investing in Rural Communities

The agricultural sector is an important contributor to jobs, growth and exports in Ontario. Our potential to export and create more jobs is a strength on which we want to build.

The budget of the Ministry of Agriculture, Food and Rural Affairs has been increased to \$405 million. We have maintained the Ministry's share of program spending.

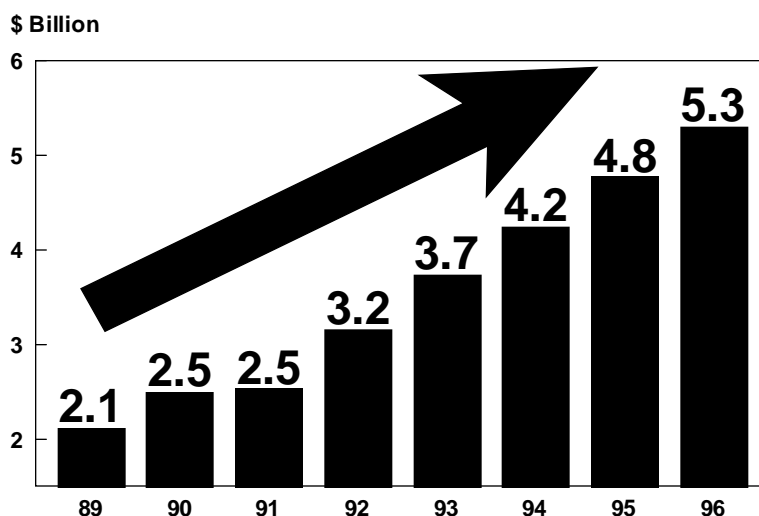
A Three-Year, \$30 Million Rural Job Strategy

Today, I am announcing the creation of a three-year, \$30 million Rural Job Strategy.

Three million dollars will be used this summer to create 3,000 jobs for youth in rural Ontario.

In addition, this strategy will build on the success of Ontario's agri-food sector, which has raised exports by 160 per cent over the past decade. It will include measures to increase exports by improving quality, marketing and the use of information technology.

Agricultural and Food Exports Growing



Source: Statistics Canada

Together with the enhanced support for small business lending announced today, the Rural Job Strategy will provide the basis for job creation throughout rural Ontario.

Details of these actions will be announced by my colleague, the Honourable Noble Villeneuve, Minister of Agriculture, Food and Rural Affairs.

In the 1996 Budget, we introduced a temporary retail sales tax rebate on building materials for farmers. This rebate has been extended to provide additional assistance to the farming community over the next year.

We are reforming the taxation of farmland and replacing the Farm Tax Rebate with a lower rate of property tax.

Investing in Jobs for Young People

To help young people secure needed income and work experience, we will invest in new summer work opportunities. This Budget provides an additional \$6 million to support summer employment. As a result of this added investment, we will support 40,000 students this summer. This is an increase of 6,000 over the previously announced level and 10,000 over the number of student opportunities last year.

**40,000 Jobs for
Students**

We will help graduates struggling to get experience in a tough job market. We will provide a 10 per cent tax credit to both large and small private-sector employers to create 45,000 internship jobs over the next three years for young people in Ontario.

Many of the new jobs being created in Ontario today are in small businesses and through self-employment. Working in co-operation with banks and private-sector business organizations, the government will contribute \$2.5 million toward the cost of providing business start-up loans for youth. These loans can be up to \$7,500 each and will support the creation of 3,000 jobs.

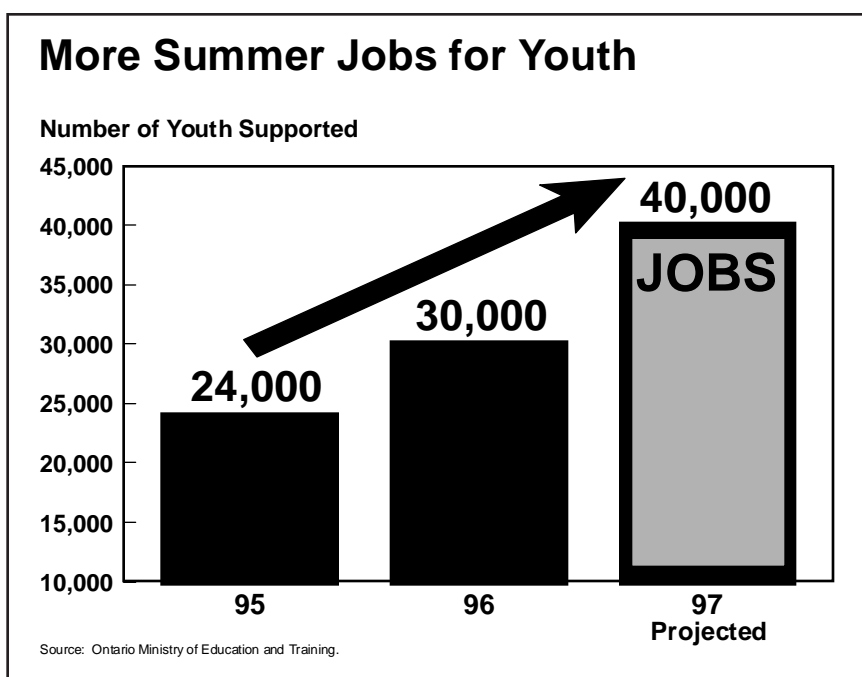
**Business Start-Up
Loans for Youth**

Our Government will also support jobs for youth in key sectors of the economy by expanding the successful Co-operative Education Tax Credit introduced in last year's Ontario Budget. This measure will provide students enrolled in leading edge

Tutors in the Classroom

technology educational programs, such as software development, with a 10 per cent tax credit voucher for employers who hire them in jobs related to their program of study.

To bring the latest in math, science and technology knowledge right into our classrooms, we will provide a similar grant to school boards that provide practical work placements for post-secondary students in these disciplines. These students will help teachers update teaching materials, introduce children to new technologies, and serve as tutors in the classroom.



Investing in Transportation for Economic Development

The highway system in Northern Ontario and the gateways to the North are important to economic development. They provide critical links for the shipment of goods, for resource based industries, and for tourism activity, so important to the North.

To promote the Northern economy and create jobs, the Government will provide an additional \$200 million over the next

five years to accelerate highway construction. This will improve travel and safety on Northern highways through the four-laning of certain key highways as well as the addition of passing lanes and paved shoulders for greater safety.

\$200 Million to Improve Northern Highways

Vehicle registration fees will be standardized in Southern Ontario at \$74 per year. This will mean a reduction of \$16 per year for every driver in the Toronto area.

To make a contribution to the cost of the upgrades of Northern highways while recognizing the higher costs of fuel in the North, Northern vehicle registration fees will be set at \$37 per year, one-half the level in the South. Every dollar raised in the North will be invested in improvements to Northern highways.

Investing in the Environment

A modern and efficient water and sewer system is essential for a healthy environment and for economic development.

To that end, the Province will provide \$200 million to help municipalities invest in these environmental facilities over the next three years.

CREATING JOBS FOR THE FUTURE

Keeping Ontario at the leading edge of science and technology will help the province create long-term jobs. However, Ontario's investment in research and development needs to keep pace with that of our competitors.

Ontario invests about 2 per cent of its economy in research and development, compared to 1.6 per cent for all of Canada. The United States, for example, spends 2.5 per cent and Japan spends 2.8 per cent.

Two of Every Three New Jobs in Technology-Based Industries

Ontario's economy needs to invest more in R&D. During the last 10 years, two of every three new jobs in Ontario were created in knowledge and technology-based industries.

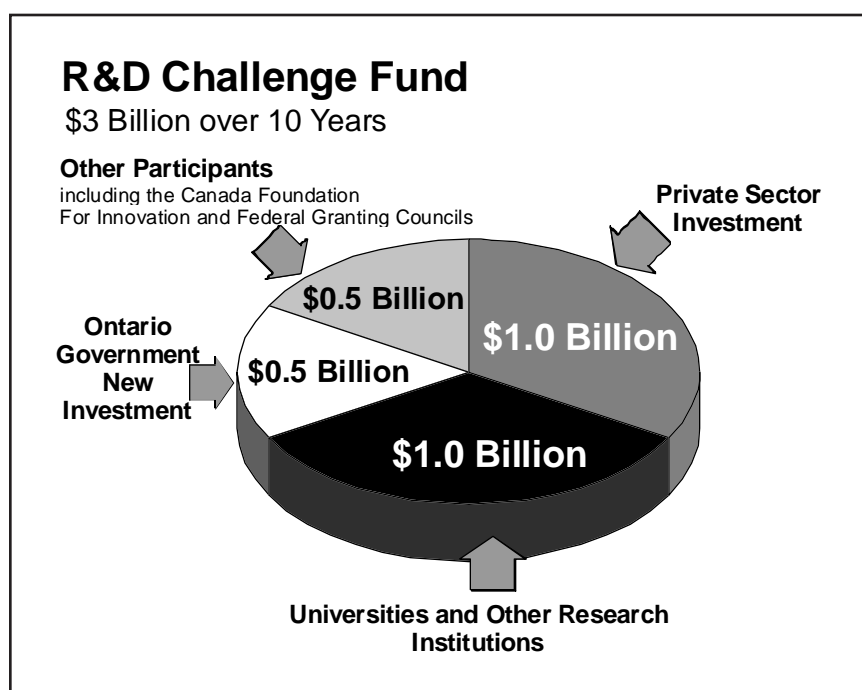
We need to promote more collaboration and co-operation with the private sector and we need to stimulate greater competition for research excellence among Ontario's universities.

Meeting the R&D Challenge

Ontario's universities are world leaders in many fields of research. To help the private sector take advantage of our world-class research capabilities in universities and other research institutions, I am announcing today the creation of a ten year \$3 billion R&D Challenge Fund.

The Province will contribute \$500 million in new funding to the R&D Challenge Fund over the next ten years.

Incentives for
Excellence



The proposed approach distributes research support, not through a block grant, but rather through a process that provides incentives for excellence while at the same time including a market test of research relevance.

To participate, universities and other research institutions must match the Provincial contribution in the first year of the Fund. The amount required from participants will rise over the life of the Fund.

The R&D Challenge Fund marks a new, competitively-based approach to research funding. All proposals to the R&D Challenge Fund will have to meet a market test linked directly to future economic growth and job creation, in the form of a one-third contribution from the private sector.

Teaching at the post-secondary level will be enhanced as a result of increased R&D activity and greater exposure to world-class research capabilities. The R&D Challenge Fund will also ensure that Ontario universities are able to compete effectively for funding from the Canada Foundation for Innovation.

This new program will result in a total of \$3 billion of R&D in our universities and other research institutions over the next ten years.

My colleagues, the Honourable John Snobelen, Minister of Education and Training, together with the Honourable Bill Saunderson, Minister of Economic Development, Trade and Tourism, will consult on the implementation of the program.

To strengthen Ontario's R&D tax competitiveness and to forge stronger linkages between the private sector and non-profit research institutions in Ontario, I am announcing today the Ontario Business-Research Institute Tax Credit. This credit will provide a 20 per cent refundable tax credit for qualifying business-sponsored R&D performed by eligible Ontario universities, research hospitals and other non-profit research centres.

To encourage medical research in Ontario, I am extending the sales tax exemption for research and development equipment to non-profit medical research facilities, such as the Robarts Research Institute in London, Ontario.

Removing Tax Barriers to R&D

Taxes should not discourage R&D and job creation.

We will also introduce changes to the capital tax and the Retail Sales Tax to remove barriers to research and development in Ontario.

**Taxes Should Not
Discourage R&D
and Job Creation**

Commercializing New Technology

In addition to R&D, the commercialization of new technology will help foster job creation and new investment. I am taking steps today to encourage the acquisition and commercialization of new technology by allowing firms to deduct immediately the costs of acquiring new technology and by eliminating Ontario's tax on royalty payments for foreign technology, such as computer software.

Details of tax changes to encourage new technology investment and the removal of barriers to R&D are provided in Budget Paper C.

One of the Most Competitive Tax Systems for R&D

With these changes, Ontario will have one of the most competitive tax systems for R&D in the world.

We are responding to the challenges of a global economy. In total, over the next 10 years, the actions I am announcing today will result in more than \$6 billion in private sector-related R&D. This is an investment in jobs for our children.

Building on Excellence

Sheridan College is an outstanding example of excellence in the field of computer animation.

Companies such as the Disney Corporation are establishing operations in Ontario to take advantage of the skills and talents of Ontario's computer animation and multimedia design graduates.

Promoting Skill and Talent to Create Jobs

We want to build on the success of institutions like Sheridan College in promoting excellence and creating jobs. The Government is prepared to commit up to \$12 million toward the creation of a new, world class, Animation, Communications Design and Technology Centre at Sheridan.

This Centre, which will incorporate digital and multimedia technologies as well as animation, will be established with private-sector partners. These private firms will more than match the government's commitment. We expect that this new Centre will

be self-sustaining and able to repay the Province's investment as it matures. We encourage other institutions to take up this challenge to develop world-class partnerships in their own areas of excellence.

In consultation with my colleague, the Honourable Marilyn Mushinski, Minister of Citizenship, Culture and Recreation, I am announcing a number of measures to support artistic activity and excellence in Ontario.

In recognition of the significance of cultural and artistic activities to the people and economy of the Province, I am announcing today that the successful Film and Television Tax Credit will be increased to 20 per cent. In addition, I am introducing a new 15 per cent Computer Animation and Special Effects Tax Credit for productions in Ontario. Computer animation and special effects for Ontario films will qualify for 35 per cent in tax credits all together. First-time film makers will continue to get a 30 per cent film tax credit, and total credits of 45 per cent will be available for computer animation in a first-time film.

Last week I had the opportunity to attend the opening of the studio for the new CBC prime time show Riverdale. I spoke with Canadian actress Lynne Griffin, who has returned to Canada after 15 years of working in the United States.

This Government wants to ensure that talented young people trained in this province have the opportunity to work and create jobs here, and to work on the global stage with such Canadian greats as Norman Jewison. We will consult with educators, industry and artists to explore further ways to accomplish this goal, for our talented young people.

Canadian authors and Ontario publishers have also established an international reputation for excellence in the arts. To support and build upon these achievements, I am announcing a refundable tax credit to assist Ontario companies that publish and promote first-time Canadian authors. This measure will provide a credit of 30 per cent for pre-production and promotional costs, and 15 per cent for printing costs in Ontario.

Supporting Artistic Activity and Excellence

Promoting First-Time Canadian Authors

INVESTING IN QUALITY HEALTH CARE

We promised a new approach to health care, one that puts the needs of patients first.

Higher Quality, Integrated and Community-Based Health Care

We are making sure that the money we are allocating for health care provides services for patients and not for bureaucratic waste. By managing the system better, we are providing a higher quality, integrated community-based health care system for the future.

The Government is more than meeting its commitment to maintain health care funding at \$17.4 billion. For 1997-98, Ministry of Health program funding to improve the quality of care will exceed \$17.8 billion. As well, \$450 million will be invested in restructuring and \$242 million will be provided for capital construction bringing total funding for health care to \$18.5 billion.

Support for Health Care – Our Highest Priority

Unlike the federal government, we have made support for health care our highest priority. The federal government has cut funding for people in Ontario from the program that supports health care by \$2.1 billion since 1995-96. The federal government provides about \$797 for each person in Ontario for the program that supports health care, less than it provides in eight other provinces.

Federal Program Supporting Health Care (Canada Health and Social Transfer) 1997-98

	CHST Per Person
Quebec.....	\$914
Newfoundland	\$883
Nova Scotia	\$845
Prince Edward Island	\$830
New Brunswick	\$830
Manitoba	\$829
Saskatchewan	\$806
British Columbia	\$804
Ontario	\$797
Alberta	\$754

The priority our Government places on comprehensive health care means that we have not only maintained health care funding despite the \$2.1 billion federal cut, we have increased program funding to a record level of \$17.8 billion.

Record Investment in Health Care

The recommendations of the Health Services Restructuring Commission will allow this Province to put in place the most modern and effective integrated health care system in this country. These actions will create a better managed, more efficient and more co-ordinated health care system that better meets the needs of patients.

The investments needed to achieve this goal are substantial. Over the next five years, \$2.7 billion will be invested in the restructuring of our community-based health care system.

We are keeping the promise to reinvest.

Managing Change to Ensure Better Services

Our goal in the restructuring of our health care system is to put the needs of patients first by creating the most comprehensive and effective health care services in this country. During pre-budget consultations, we heard that the pace of this restructuring needs to be kept in line with the activities occurring in our communities.

We are listening to the advice of communities and health care professionals. During pre-budget consultations we heard that the Health Services Restructuring Commission has set out achievable restructuring objectives. Decisions have been made and restructuring is well underway, based on these objectives. Planned savings for reinvestment, to be achieved in 1998-99, will be rescheduled so that they more closely coincide with the implementation of this restructuring.

The Minister of Health will be consulting with communities, and those involved in health care delivery, to determine how best to co-ordinate achievement of these savings with the restructuring activities in our communities.

A Health Care
System That
Better Meets the
Needs of Patients

Making Quality Care Available to More People, in More Places

The key to improving the quality of health care is the skill, expertise and caring of the people who work in the health care system.

We will ensure that special skills and knowledge are available throughout Ontario by helping to create networks of information. These networks will make best practices and innovations available quickly and broadly, providing care givers the knowledge needed to help patients across the province.

These networks will allow us to ensure that quality care in areas such as women's health care, orthopaedic care, and AIDS treatment and prevention is available to more people, in more places, than ever before.

Just recently, the Premier announced the establishment of Cancer Care Ontario to link and integrate cancer services throughout the Province. The existing Ontario Cancer Treatment and Research Foundation will become part of Cancer Care Ontario, and linkages will be established with all other service providers in the province.

Investing in Special Health Care Services

Reinvesting in Priority Health Care Services

As promised, we are reinvesting in priority health care services. This year, \$138.5 million in additional funds will be provided to ensure access to essential services in health care facilities.

These reinvestments include funding to advance the Minister of Health's Cardiac Strategy to ensure that patients in need of services are treated.

Also included is increased support for the Minister of Health's Dialysis Strategy which provides dialysis treatment for patients in need. Increased funding is being provided for transplants for adults and children. We are also providing more support to enhance community-based services for mental health patients.

We are all inspired by Rick Hansen and his Man in Motion Foundation. Through the Foundation, several groups are working together to fund head and spinal cord injury prevention programs, rehabilitation services and research.

As recently announced, the Government will match every dollar raised in the province, to a maximum of \$5 million per year. Over the next five years, this could mean \$50 million in new funding for neurotrauma initiatives. I encourage the private sector to join us in supporting this important program.

Details of these investments will be provided by my colleague, the Honourable Jim Wilson, Minister of Health.

INVESTING IN EXCELLENCE IN THE CLASSROOM

Classroom education in this province needs improvement.

From 1985 to 1995, school board spending grew by 82 per cent. Education mill rates rose by 80 per cent and school property tax revenues rose by more than 120 per cent. We know this did not result from increasing enrolment as that grew by only 16 per cent.

School board spending and taxing were out of control - the same reason the province's spending and taxes rose to unacceptable levels.

The solution for the problems in the school system is the same as it is for the Province itself. We have to eliminate unproductive spending. We have to stop the uncontrolled growth in taxes.

That is the problem. We are fixing it.

The direction in which we are going is clear.

- ◆ We will have less government in the school system.
- ◆ We will reduce the number of school boards by almost half, from 129.
- ◆ There will be fewer trustees - less than half of the 1,900 we have now.

We have to build a new and better system. That requires investment. We will make that investment.

**Less Government
in the School
System**

Investing in the Classroom

We are investing in the classroom.

We have committed \$650 million for primary and secondary school capital over the next two years. These funds will address the current needs of Ontario's school boards to renew existing schools and build new schools.

\$231 Million for New School Facilities

As part of this commitment, we have provided \$231 million to construct needed new school facilities. Through this investment, school boards will be able to eliminate more than 1,000 portable classrooms and replace them with needed permanent facilities.

We will continue to invest in better education for our children.

Renewing Classroom Teachers

For several years, many graduating teachers have been unable to secure full-time jobs in the teaching profession. Their skills and dedication are essential to the future of our children and we cannot afford to waste those talents.

Renewing the Teaching Profession

I am inviting the teaching profession to join with us in providing an early retirement benefit for teachers to renew the profession. As a result of this initiative, up to 6,500 new teachers would have the opportunity to bring their skills and energy to students in the classrooms of this Province.

This is an opportunity that benefits teachers and students:

- ◆ It is an opportunity to honour the efforts of long-time teachers who now want to take on other challenges;
 - ◆ It is an opportunity for graduating teachers to begin a full-time career in the classroom;
 - ◆ It is an opportunity for experienced teachers to benefit from the energy and enthusiasm that newly trained colleagues will bring to classrooms; and
-

- ◆ It is an opportunity for children in thousands of classes to benefit from a renewed classroom.

We have made a provision of \$250 million in the 1996-97 fiscal year for the Province's share of the cost of this \$500 million initiative. The early retirement program would be paid from the Teachers' Pension Plan, which has experienced gains of up to \$2 billion that can and should be used for this renewal. We are inviting the teachers to join us on an equal 50/50 basis to provide this benefit and renewal.

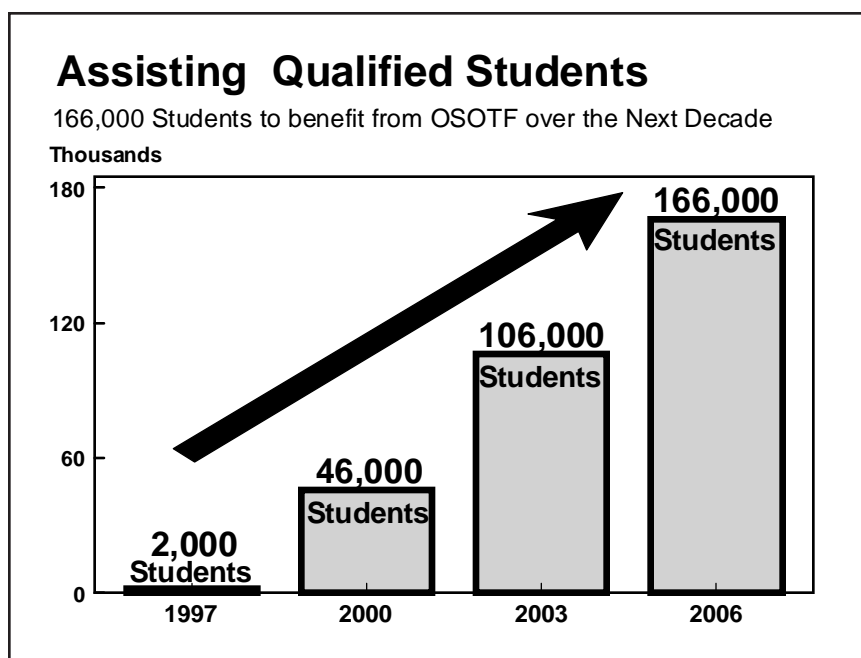
INVESTING IN ONTARIO'S COLLEGE AND UNIVERSITY STUDENTS

Ontario Student Opportunities Trust Funds Are Helping Qualified Students

The Ontario Student Opportunities Trust Funds (OSOTF) have more than doubled their \$100 million target. These funds were established in last year's Budget to allow universities and colleges to assist academically qualified individuals facing financial barriers to post-secondary education.

Reports from universities and colleges show that cash and pledges received by March 31 total over \$250 million. The Province will match this amount, creating an endowment of one-half billion dollars to assist students.

**One-Half Billion
Dollars to Assist
Students**



Helping 166,000 Students

It is estimated that these trust funds will assist 166,000 students over the next decade.

This successful program has permitted Ontario's colleges, many of which have never engaged in fund raising for student aid, to raise approximately \$18 million, creating \$36 million in trust funds.

Because colleges have a less developed tradition of fund raising, they faced special obstacles in taking advantage of this program. The Government recognizes the challenges faced by the colleges and wants to encourage their development of fund raising as a permanent activity. I am announcing today that colleges of applied arts and technology can continue to receive pledges and donations until March 31, 1998.

Helping Students with Learning Disabilities to Realize their Potential

Too few students with learning disabilities get the help they need to make the transition to college or university.

To help these students realize their potential, we will establish pilot projects at the college and university level, the first of their

kind, to provide real help to learning disabled students in a meaningful way. Dr. Bette Stephenson, pioneering former Minister of Education and mentor, will head a Task Force to design and implement these projects.

We will provide \$30 million over the next five years to carry out this initiative and implement the recommendations of the Task Force.

The courage and determination shown by my late son Justin, and many others like him, provided me with the inspiration to provide this much needed initiative, so that all young students can have an equal opportunity to fulfill their potential.

Income Contingent Loans

This Government is committed to assisting students to achieve their educational goals. Funding for the Ontario Student Assistance Program has been increased by more than 25 per cent, or over \$100 million, since 1995-96. This year, spending on student assistance will total \$505 million.

We are committed to providing appropriate and adequate support for students who need it. This means that student loan support must better reflect the rewards that students realize from public investment in their education.

We are committed to working with the federal government to implement an income contingent student loan program for September, 1998.

INVESTING IN CHILDREN AND FAMILIES

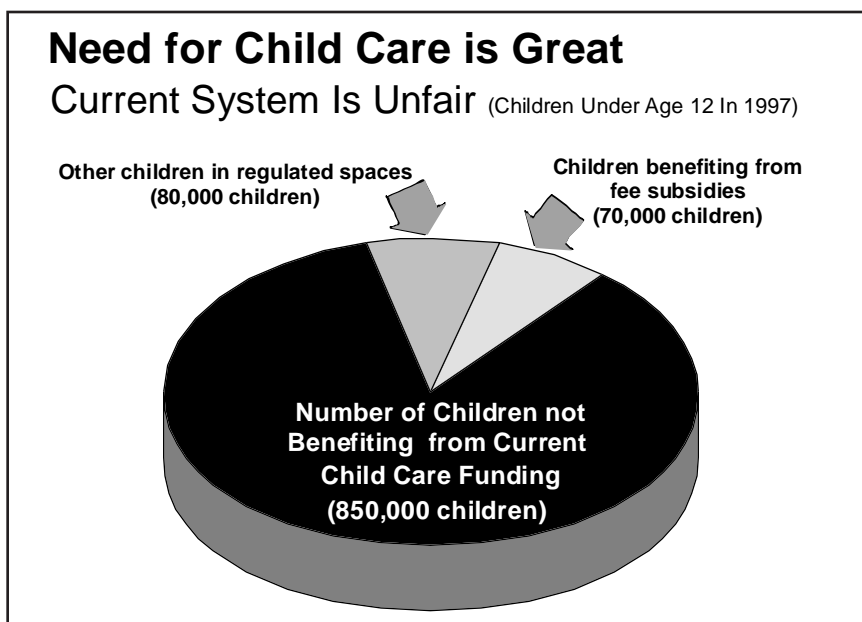
The Premier recently announced \$45 million in reinvestments to support children, including speech and language services and early intervention to protect children at risk of abuse and neglect.

Helping Learning Disabled Students to Realize Their Potential

Supporting the Needs of Children

A Tax Credit for Child Care

The government also provides \$344 million in child care fee subsidies to help more than 70,000 children in this province. However, too many other children and families in similar circumstances receive no help at all from the subsidy system. That's not fair.



I am announcing a new child care tax credit to assist working families who are not benefiting from the current institutional child care system.

Helping 90,000 Families With Child Care Costs

Our credit will provide assistance with child care costs to 90,000 families and 125,000 children. Families with two children will be eligible for this credit up to incomes of \$40,000.

For 1997, this credit will provide up to \$400 per child under the age of 7 and will decline in value for families with incomes above \$20,000 per year.

This credit will provide an immediate \$40 million in assistance to lower income working families with child care expenses and will be financed from the \$40 million enhancement announced in the 1996 Budget.

Our child care credit will build on our planned improvements to the child care system resulting from the child care review and

consultations with municipalities carried out by the Ministry of Community and Social Services. The new system will provide more choice to parents and help child care providers make care more affordable. More families will receive assistance, with priority being given to families who need help to start or stay at work.

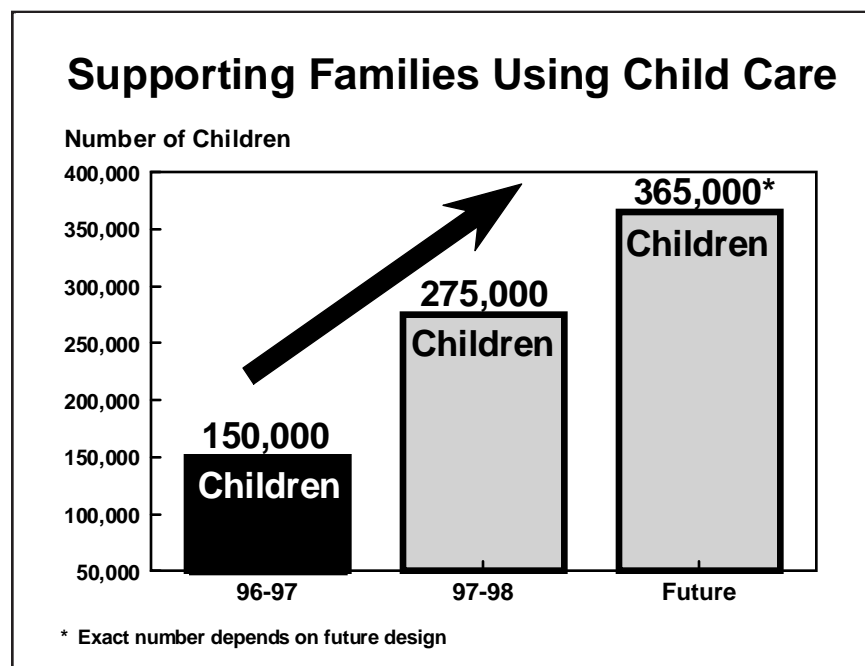
Helping Children in Need

Ontario supports the inter-provincial initiative for a National Child Benefit. Under this initiative, the federal government will contribute to part of the cost of income security for children. The provinces, in turn, have agreed to invest the funds formerly spent on social assistance in programs that help children in low income families.

For our part, we will redirect more than \$150 million in provincial funds by expanding programs that help families with children to find and keep jobs. \$100 million will be used to enhance our child care tax credit for working families as the National Child Benefit is phased in.

**\$150 Million to
Expand Programs
that Help Families**

I would like to thank my colleague, the Honourable Janet Ecker, Minister of Community and Social Services, for her leadership on these important measures to help children and families.



Cutting Taxes for Low Income Families with Children

In addition to providing help with child care costs, we will reduce taxes further for low income families, particularly those with children. The Ontario Tax Reduction program will be enriched to reduce taxes for 30,000 families. Twenty thousand more families will pay no Ontario income tax as a result of this change.

This means that, in our first two budgets, we have provided an enhanced tax cut for 255,000 low income individuals and families. Another 30,000 individuals and families pay no Ontario income tax as a result of these changes.

In total, the Ontario Tax Reduction cuts taxes for 530,000 individuals and families and eliminates Ontario income tax entirely for another 655,000 individuals and families. The federal government is collecting income taxes from more than 55 per cent of the low income families paying no Ontario tax.

Protecting Vulnerable Children

The protection of children is a priority for this Government. The government has supported the Child Mortality Task Force and welcomed its preliminary report.

As an initial step, this Budget provides \$15 million to respond to the Task Force and to protect vulnerable children.

We know that more must be done. The government looks forward to the final report of the Task Force and the recommendations from inquests currently underway. We are prepared to take the necessary steps to ensure that children are protected.

We will provide an additional \$5 million to accelerate implementation of enhanced enforcement measures to collect monies owed by delinquent parents. My colleague, the Honourable Charles Harnick, Attorney General of Ontario, will provide details.

Protecting Vulnerable Children

SUPPORTING SAFE COMMUNITIES

Our plan places a high priority on improving safety in our communities and dealing with violent crime.

Safe Children, Safe Communities

Parents are rightly concerned that their children be protected when participating in community sponsored and supervised activities. Recent highly publicized events, however, have undermined the confidence that parents have in the safety of these activities.

The Ontario Provincial Police currently provides, at no cost, about 100,000 checks of police records for volunteer organizations. It is expected that all local police forces will join in this important community safety initiative in support of volunteers. To complement the community safety initiatives of the police, the Government will assist community groups through the Volunteer Linkages program to better screen and supervise volunteers.

My colleague, the Honourable Dianne Cunningham, Minister Responsible for Women's Issues, will be announcing a comprehensive strategy which will strengthen our efforts to prevent violence against women. We will spend an additional \$27 million over the next four years to support women and their families in breaking the cycle of violence.

Breaking the
Cycle of Violence

Safe Travel in Our Communities

In order to promote safety in our communities, the Government will work with municipalities to help identify and establish "community safety zones". Fines levied for infractions committed in these zones would be doubled.

These zones could be portions of roads where the safety of children is paramount, such as school zones and crossings, school bus stops, day care centres, children's parks, or areas of roadways with high accident rates.

The Safety of
Children is
Paramount

Fines for other activities, such as the sale of cigarettes or liquor to minors, that put young people at risk will also be doubled.

These double fines will contribute revenue to the Victims' Justice Fund, which provides funding for programs and services helping victims of crime.

Safer Communities Through Co-ordinated Policing

Safer Communities

The Campbell Report has identified a number of needed improvements in the way in which police services work together to investigate and apprehend serial predators. This Government is acting on those recommendations. We will provide \$25 million over the next five years to improve the information sharing capacities of police services and to better co-ordinate the efforts of all the participants in these investigations.

Helping Victims of Violence

Sometimes the victims of violence also include the survivors of those who have lost their lives protecting others. People in Ontario are justifiably outraged that the killer of a police officer can receive an education in prison at the taxpayers' expense while the children and spouse of the slain officer have no support for their education.

This is not right and it is not just.

To correct this injustice, we will provide \$5 million this year to create an endowment for the families of police, firefighters and other public safety officers killed in the line of duty. This endowment will fund the cost of tuition and books for post-secondary education. Private donations will enhance this endowment.

In addition, the Victim Support Line pilot, scheduled to end in June of this year, will be extended until March 31, 1998 at a cost of \$1.5 million. Ontario is the first jurisdiction in Canada to provide an automated notification service to victims of crime.

I would like to thank my colleague, the Honourable Robert Runciman, Solicitor General and Minister of Correctional Services, for his contribution to community safety.

PROMOTING CHARITABLE GIVING

In last year's Budget, I announced Crown foundation legislation to assist in mobilizing resources for important health, cultural and social organizations.

In the last year, 19 Crown foundations have been created. These consist of one research organization, 8 hospitals and 10 arts and culture organizations, including the Stratford and Shaw Festivals, and the National Ballet of Canada foundations.

I want to take this opportunity to thank Isabel Bassett, my Parliamentary Assistant, for her hard work in making this measure so successful and for her excellent advice on this and other important issues.

In its most recent budget, the federal government actually reduced the amount of a gift to a Crown foundation that can be claimed for an income tax credit from 100 per cent of income in a year to 75 per cent. While that budget followed Ontario's lead by providing incentives for conventional charitable giving, its treatment of Crown foundations is not appropriate.

We have asked the federal government to administer, for Ontario, a tax credit to address this problem. This credit would ensure that those wishing to make gifts above the federal maximum will pay no more Ontario tax than they did before the unfortunate federal changes.

The federal government has said no. Our request means no cost to the federal government, since we would pay for administration, and only Ontario tax would be affected. It also means that the federal government is attempting to prevent Ontario from encouraging giving to charitable foundations by making changes to our own provincial tax system.

THE FEDERAL GOVERNMENT MUST TAKE A CO-OPERATIVE APPROACH

The Best Job Creation Program is a Tax Cut

The best job creation program is a tax cut.

Federal Action Needed on Taxes and Job Creation

In addition to Ontario, British Columbia, Alberta, Manitoba, New Brunswick, Nova Scotia, and Saskatchewan have each introduced several tax cuts in their budgets.

The federal government said it had no flexibility to cut taxes. Now, a little over two months later, we hear media reports that its 1996-97 deficit is as much as \$6 billion lower than was reported at budget time. It is missing an opportunity to cut taxes and create jobs.

High EI Payroll Taxes are Killing Jobs

It will come as no surprise that I believe one of the first federal tax cuts should be to Employment Insurance (EI) premiums. At the current employee premium rate of \$2.90, Canadian employees and employers are paying \$5 billion more than is being received in benefits.

An excessive EI premium rate is particularly damaging to Ontario. Ontario businesses and employees pay \$4 billion more in premiums than Ontarians receive in EI program benefits. This means that contributions from people in Ontario account for 80 per cent of the \$5 billion annual surplus. That is unfair.

This tax is killing jobs in this province and in Canada as a whole. While the federal government has committed to a 10 cent cut next year, there is room for a much larger reduction.

Many economic studies, including those by the Canadian Federation of Independent Business, have found that cutting the EI payroll tax would provide a major boost to job creation. In fact, a study by the Bank of Canada found that rising "payroll taxes may

have increased the trend unemployment rate by over one percentage point between 1989 and 1994.” These studies tell us that up to 200,000 jobs have been lost nation-wide because of high payroll taxes.

Even federal finance minister Paul Martin has recognized the drag that payroll taxes place on job creation. On August 30, 1994, he said that “high payroll taxes are a cancer on the economy”.

We agree. The federal government has the opportunity to create as many as 200,000 jobs across this country by cutting the EI rate to \$2.20. It should do so as soon as possible.

I have written to the federal Minister of Finance to express Ontario’s view that the EI Account should be removed from Ottawa’s books and externally managed, as will be the new CPP investment fund. We want this fund to be responsibly managed in the interests of the people who pay into it and we want the federal government to stop using it as cash flow.

Fair Treatment for People in Ontario

While Ontarians contribute a fair share to the EI program, they do not receive a fair share of EI benefits when they are unemployed. In 1996, the federal government paid an average of \$13,100 in EI benefits per unemployed person in New Brunswick and \$6,500 in British Columbia, but an average of only \$4,800 in Ontario.

For EI-financed training, the federal government has offered to spend, on average, \$850 per unemployed worker in Ontario. In Quebec, the federal government will provide \$1,060 per unemployed worker as part of a recently signed agreement. Ontarians believe that unemployed workers in Ontario should have the same federal support for training as in Quebec or other provinces.

If the federal government is prepared to treat the unemployed in Ontario fairly, we are prepared to sign a training agreement today.

Ontarians Deserve to be Treated Fairly

People in Ontario deserve a fairer deal.

Employment Insurance is not the only area in which people in Ontario are unfairly treated.

As I said earlier, the situation is similar in health care. The federal government provides \$797 per person for the program that supports health care in Ontario. In eight other provinces, it provides up to \$117 more per person.

Similarly, if the federal government were prepared to provide First Nations people in Ontario with the same level of funding it provides in the rest of Canada, annual funding to First Nations people in Ontario would increase by about \$145 million.

Whether it is people in Ontario who need training, who are unemployed and need EI benefits, or who need health care, the federal government provides less support to individuals in Ontario than to people in other parts of the country.

Ontarians deserve to be treated fairly.

Federal Co-operation in Improving the Tax System

The federal government needs to show flexibility in the way it deals with provinces in shared tax areas, like the personal income tax.

While the provinces and the federal government are supposed to act as partners in the tax collection agreement, the federal government often makes unilateral changes to these shared tax arrangements. These can affect the provinces without their agreement.

Ontario needs to be able to ensure that hidden tax increases are not built into the tax system and that taxes, once down, stay down. Ontario needs the flexibility to ensure that its tax system rewards risk-taking and creates jobs.

Changes are needed to make these agreements work as a real partnership.

There are substantial costs to Ontario taxpayers in having the federal government act as the tax collector. For example, the federal government collects over \$1.5 billion in taxes from Ontario taxpayers on behalf of Ontario before sending any tax money to Ontario. That means extra interest costs for Ontario taxpayers. We estimate that these costs are well over \$100 million each year. We do not believe that this is a cost our taxpayers should bear.

Further, the federal government can and has refused to make changes that Ontario has requested that affect only Ontario's taxes.

- ◆ When we asked that it administer a tax credit to restore the treatment of gifts to Crown Foundations, it said no.
- ◆ When we asked that it include an easily accessed check-off box for those wishing to donate their tax refund to lower the debt, it said sorry, no room.
- ◆ When we asked for a simple, easily understood design for administering the Fair Share Health Care Levy, as we set out in the Common Sense Revolution, it said not now.

The federal government has not addressed these concerns.

Unless the federal government is prepared to address these inequities, Ontario will have to seriously consider withdrawing from the current arrangement. We have already begun to seek expert advice on this matter to protect Ontario taxpayers' best interests.

LESS GOVERNMENT

Who Does What

In January, the Ontario Government proposed a new arrangement for provincial-municipal responsibilities. This plan was designed to bring fairness to the funding of education in Ontario and to improve the quality of education by providing a fair distribution of funding across the province.

Bringing Tax Fairness to the People of This Province

In proposing its arrangement, the Government had several objectives in mind:

- ◆ to reduce taxes by ending the spiralling costs of education in the Province;
- ◆ to reduce taxes by rationalizing the delivery of services between the provincial and municipal governments; and
- ◆ to bring tax fairness to the people of this Province regardless of the municipality in which they live.

This Government clearly stated these objectives and indicated that we were willing to listen to other ways of achieving them. We said, on page 20 of the Common Sense Revolution, that “we are unconditionally committed to reaching our goals, but we are very open to discussing how we get there. If there are better ideas out there about how to cut spending, reduce waste and improve efficiency, we want to hear them”.

Following several months of discussions, municipal representatives offered an alternative solution based on a coalition of several groups reflecting a broad cross-section of interests. We have listened.

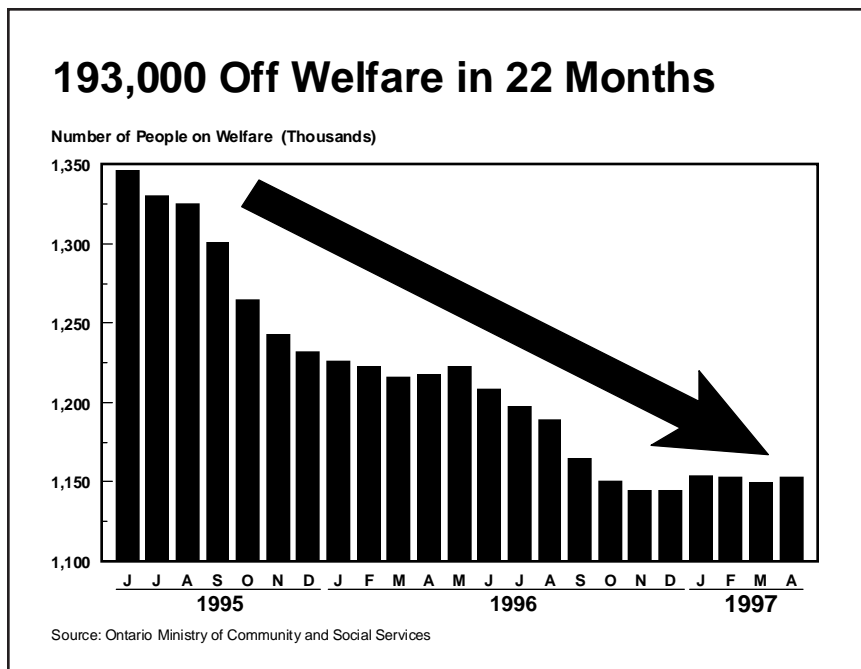
Last Thursday, the Government accepted the municipal alternative and will now proceed with the necessary implementation.

A Hand-Up, Not a Hand-Out

Part of our plan to reduce the role and size of government is getting people off welfare and into work.

This Government has increased the incentive to work, reduced benefits to realistic levels, introduced mandatory workfare and cracked down on welfare fraud.

Since June of 1995, the welfare caseload in Ontario has fallen by 14.4 per cent: 193,000 fewer people rely on social assistance today than when this government took office.



**193,000 Fewer
People Relying on
Social Assistance**

Open and Accountable Government

My colleague, Bart Maves, MPP for Niagara Falls, has introduced legislation to improve accountability in the public sector.

With the benefit of his advice and comments, I will introduce the Public Sector Accountability Act.

This Act will require that organizations:

- ◆ report their financial activities in accordance with the recommendations of the Canadian Institute of Chartered Accountants;
- ◆ adopt policies that ensure that the private sector has an open opportunity to compete to provide services to their organizations; and
- ◆ adopt and publicly report on organizational performance using private and public sector benchmarks.

Budget Paper B contains further details of this initiative.

**Improving
Accountability in
the Public Sector**

CUTTING TAXES AND CREATING JOBS

Making the Tax System Fair

Cutting taxes and ensuring that taxpayers receive efficient and effective public services is an important part of tax fairness. It is also essential that people pay their fair share of taxes so that the burden is not passed to their neighbours.

The underground economy is one way in which some try to avoid paying their fair share. In the last year, we have added 191 audit and collections staff to improve the integrity of our tax system and to make sure that taxes are paid if they are owed. They are expected to recover \$80 million a year by 1998-99.

Dealing with the Underground Economy and Improving Tax Fairness

We will continue to deal with the underground economy and improve tax fairness.

Today, I am announcing further actions which are expected to result in improved collections of up to \$100 million per year by fiscal year 2000-01.

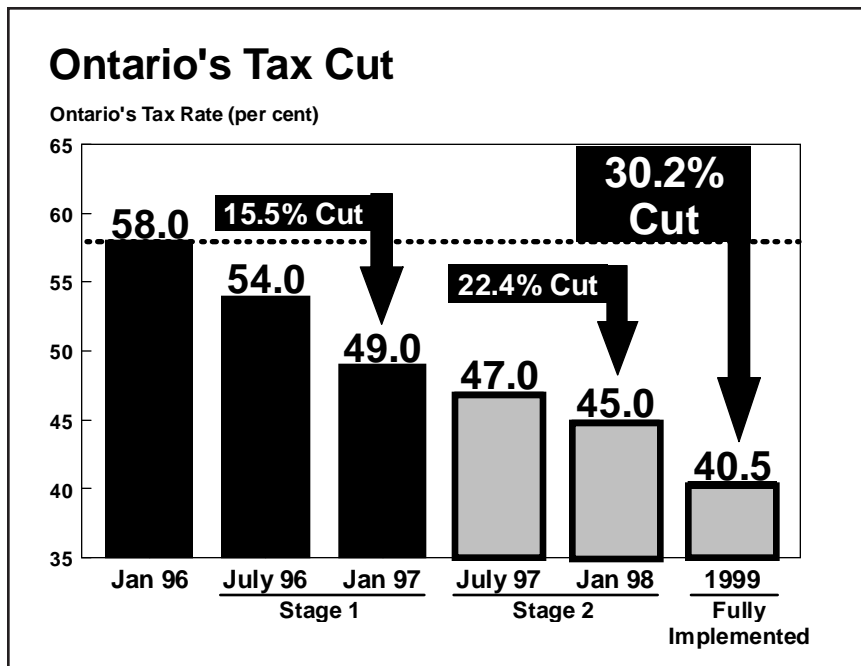
Further amendments will be made to improve tax enforcement and modernize and simplify the tax system and streamline the operations of government.

I have asked my colleague and new Parliamentary Assistant, Bill Grimmett, MPP for Muskoka-Georgian Bay, to look into ways to simplify administrative procedures for small business.

Details of tax measures are provided in Budget Papers B and C.

Our Plan to Cut Taxes and Create Jobs

A tax cut is the best job creation program.



Delivering the
Tax Cut

We have promised to cut personal income tax rates by 30 per cent over three years to create jobs. Today we are delivering the next two steps of that tax cut.

Effective July 1, Ontario's personal income tax rate will be reduced to 47 per cent of Basic Federal Tax from the current 49 per cent.

We will cut taxes again on January 1, 1998. The income tax rate will be reduced further, to 45 per cent.

This means that Ontario's rate of income tax will have been reduced by 22.4 per cent since 1995.

In last year's Budget, I announced a three-year plan to cut the Employer Health Tax by completely exempting the first \$400,000 of payroll from the EHT. This marks the second year of our plan and when fully implemented on January 1 of 1999, 270,000, or 88 per cent of Ontario employers will no longer have to pay this job-killing payroll tax.

Our Tax Cutting Plan is Working

The benefits of our plan to cut taxes 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.
- ◆ This means that, with the cuts announced today, an autoworker earning \$84,000, will get a tax cut of \$1,875. When the tax cut is fully implemented, this same auto worker would save \$2,505, a tax reduction of 25.4 per cent.

The best job creation program is a tax cut. This is our plan and it is working.

CONCLUSION

This Budget continues the implementation of the government's plan.

This Government is committed to doing what it said it would do. Such commitment requires the strong leadership and courage of conviction that Premier Mike Harris exemplifies. His direction and foresight have been instrumental in developing this plan.

On Track for a Balanced Budget

The plan keeps us on track for a balanced budget in 2000-01 and makes government more accountable to taxpayers.

It invests in the economy by helping small and medium size businesses in communities across Ontario get access to the financing they need to grow and create jobs.

This plan makes record investments in research and development to create jobs for the future. It establishes a stronger partnership in Ontario between the private and public sector, creating a

powerful force for innovation and prosperity. It builds, in Ontario, the foundation for the most competitive R&D in the world.

It promotes growth of agricultural exports, job creation and economic development in Ontario's rural communities.

It makes communities safer throughout Ontario by protecting our children and our neighbourhoods.

Families are an important part of our community. This Budget assists hard working families throughout Ontario. It provides help to many more young families with child care expenses.

This plan invests in education. It invests where the money is needed - in the classroom. It provides for renewal of the teaching profession. It helps students realize their full academic potential.

The plan ensures our commitment to provide quality health care for all Ontarians now and for the future.

It allows taxpayers to keep more of their hard-earned money by cutting personal income taxes. In total we have cut taxes 30 times in less than 2 years.

We have an obligation to the future of Ontario. My daughter Natalie and her younger generation will accomplish things that some never imagined possible.

Our plan creates jobs for the future.

Our plan lays the foundations for a better tomorrow by investing in the future today.

Investing in the
Future

Investing in the

Future



EDUCATION



HEALTH CARE



JOBS

SAFE COMMUNITIES



ONTARIO