



HOWARD HAMPTON'S

Fair deal for today's working families

The NDP's Fiscal Plan

Ontario's NDP fiscal plan shows balanced budgets in each of the next four fiscal years.

REVENUES

The plan assumes real GDP growth averaging 2.7% over the four years covered by the plan. This is somewhat below the private sector consensus and essentially the same as the growth rate contained in the Liberal fiscal plan. Base revenue is projected to grow at 4.3 per cent a year. This is extremely prudent and can be compared to annual revenue growth over the last five years of 6.43 per cent. Again, this is comparable to growth projections used in the Liberal plan and is somewhat more cautious than the 5.5 per cent growth figure used in the Conservative plan. Our assumptions on debt re-payment match those in the 2007 Pre-Election Report on Ontario's Finances.

Under the NDP plan the Ontario government will phase in the elimination of the unfair McGuinty Health Tax for 1.5 million workers earning under \$48,000 and give \$450 to individuals earning between \$48,000 and \$80,000. By 2011, \$1.5 billion annually will be put back in the pockets of low and moderate income working families.

The revenue measures adopted to replace the health tax have far more potential for revenue growth than the regressive health tax – which is assumed to grow at 3 per cent annually in the Ministry of Finance's Pre-Election Report. Under the NDP Plan, new corporate tax rates are assumed to grow at a rate of 12 per cent annually and new income taxes are assumed to grow at a rate of 5.7 per cent. In both cases this is lower than the average

annual growth rate of corporate and personal income tax revenues over the last five years. This can be compared to the Ontario PC Party's Fiscal Plan for Ontario's Future which removes \$2.8 billion in revenue from the treasury without any compensating revenue.

Revenues from the new anti-smoking Tobacco Tax are assumed to be declining after the initial increase to B.C. rates. Revenue from the existing Tobacco Tax has declined by an average of 2 per cent a year over the last five years. Studies indicate that every ten per cent increase in the price of cigarettes results in a four percent decrease in consumption (Chaloupka, F, "Macro-Social Influences: Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," Nicotine & Tobacco Research, 1999). The NDP's anti-smoking Tobacco Tax will increase the cost of cigarettes by 17 per cent – and assumes a 6 per cent reduction in cigarette consumption.

At present, the Employer Health Tax includes an exemption for the first \$400,000 of payroll. While this is touted as a benefit for small business, even employers with payrolls far in excess of this amount receive the exemption. Ontario's NDP would eliminate the \$400,000 exemption for corporations with payrolls in excess of \$1 million. This would generate \$535 million starting in 2008-9 and increasing to \$635 million in 2011-12.

FAIR FISCAL REPORTING

In his review of the pre-election finances report, Ontario's Auditor General anticipated increased revenues noting: "it is quite possible that the estimated deficit of \$400 million for the 2007/08 fiscal year could turn out to be a

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surplus and the estimated surpluses of \$300 million for 2008/09 and \$400 million for 2009/10 could approach \$1 billion." (P. 5, The Auditor General's Review of the 2007 Pre-Election Report on Ontario's Finances). Shortly after the report appeared these predictions were borne out: first-quarter results for the 2007-08 fiscal year showed the government is also \$400 million ahead of projections.

In previous reports the Auditor General has also noted that these surpluses would be larger – were it not for year-end spending. In his 2006 Annual Report the Auditor noted, "just prior to March 31, 2006, the government entered into a number of transfer-payment arrangements and expensed the amounts involved, thereby reducing the surplus for the year by almost \$1.6 billion more than otherwise would have been the case." (P. 344, 2006 Report).

Ontario's NDP believes that the McGuinty Government's practice of deliberately underestimating revenues to ensure year-end spending and "surprise" surpluses is unfair to working families. We will end this practice and ensure funds are allocated responsibly and transparently. Of the Auditor General's estimated \$1.6 billion in year-end spending and \$1 billion in estimated surpluses, the Ontario NDP Fair Fiscal Plan allocates \$500 million in annual savings.

EXISTING SPENDING PRESSURES

Existing spending pressures include \$7 billion for health care primarily related to agreements with physicians, ongoing hospital capacity enhancements, and drug costs. Existing spending pressures also relate to K-12 education system enhancements and post-secondary investments related to implementation of the Rae report.

NEW NDP INITIATIVES BY SECTOR IN 2011-12 OVER EXISTING 2007-8 SPENDING

By 2011-12, NDP spending in Health will increase by \$9.5 billion and in Education by \$2.7 billion. Post-secondary education spending will increase by \$1.1 billion while the Children's and Social Service's sector will see an additional \$1.75 billion in this period.

The NDP will make life **more affordable for working families** by fixing the regressive Liberal Health Tax by refunding \$1.5 billion to Ontarians by rebating up to \$450 of the McGuinty Health Tax to low and middle income earners; invest \$100 million in children's dental care through Ontario Smiles; re-list \$100 million for physiotherapy, optometry, and chiropractor care; and \$350 million in affordable housing.

The NDP will ensure **a fair day's pay for a hard day's work** by investing \$40 million in ensuring safe and fair workplaces. We will enhance existing jobs sector strategies through increased funding and - more importantly - by re-vamping programs to ensure that allocated funding actually flows. For example, when the McGuinty government announced their so-called "Forest Sector Prosperity Fund" they promised that all funds would be allocated by the end of 2006. As of March 2007, no funds had been distributed. The NDP plan commits an additional \$125 million for an auto strategy and Jobs Commissioner and \$60 million for an enhanced forest products strategy – over and above the existing funding already committed in the fiscal plan. In addition, the plan assumes that \$200 million of the profits currently submitted to the province's general revenues Hydro One and OPG will be needed to implement our

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industrial hydro strategy – which will ensure affordable reliable rates to industry in exchange for conservation and jobs commitments. Our plan also allocates \$220 million in increased operational funding for municipal transit and \$300 million in our Ontario Grows plan to aid farm families. Our Due North plan will ensure that government revenue generated in the North through the Mining Profits Tax, the Crown Timber Charge and Water Rental Fees would be set aside for the benefit of Northern Ontario – and replace the inadequate and political Northern Ontario Heritage Fund. Northern municipalities need these resources to meet their unique needs and First Nations need a fair resource revenue sharing deal. Much of these funds will involve re-allocation within the existing fiscal framework. The commitment to a new revenue stream for northern municipalities has an allocation of \$75 million.

The NDP will increase investments in **health care** by \$9.5 billion by 2011-12. On top of \$7 billion in existing system pressures, our incremental health investments will include \$400 million for our long-term care quality guarantee; \$150 million for 2,000 new long-term care beds; \$400 million for new doctors and nurses for front line care; \$50 million to eliminate emergency room wait times; \$230 million for home care; and \$65 million for cancer care.

The NDP will increase investments in **publicly funded education** by \$2.7 billion by 2011-12. All of this money will go towards publicly funded schools. Our new investments by 2011-12 will include increased funding of

\$75 million to eliminate external fundraising such as bake sales; \$400 million for local priorities; \$250 million for students-at-risk, students with special needs and English-as-a-Second Language; \$800 million for full-day Sr. & Jr. Kindergarten; and a \$100 million for increased services for children with autism.

The NDP will **remove barriers to university, college and training** by implementing a 4-year tuition freeze costing \$250 million; enhancing post-secondary funding by \$200 million; improving student assistance programs at a cost of \$90 million; eliminating apprenticeship fees for \$35 million; and investing \$5 million in a program to certify internationally trained doctors.

We will **protect our children's health and environment** by investing \$125 million in environmental enforcement, \$450 million in the NDP's Climate Change Plan, \$10 million in Right to Know and Toxics Implementation, and \$55 million in Violence Against Women programming.

Other funding includes \$250 million in annual funding for the much-delayed new Windsor Tunnel crossing, \$40 million for enhanced film and television financing, and a number of smaller investments.

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Annual Expenditure Increases from 2007-08 to 2011-12 for Key Initiatives

(in millions of dollars)

Making Life more Affordable for Working Families

Health Tax cut of \$450 up to \$80,000	1,500
Upload/downloaded provincial programs	1,205
Ontario Smiles	100
Re-list physiotherapy, optometry and chiropractic services	100
Affordable Housing	350

A Fair Day's pay for a hard Day's work

Ensuring Safe and Fair Workplaces	40
New Revenue Sharing For Northern Municipalities	75
Industrial Hydro Rate	200
Jobs/Jobs commissioner	125
Forest Industry Strategy	50
Transit Freeze/50% operational funding	220
Ontario Grows	300

Reduce Hospital Waits and Enhance Long-term Care

Minimum Standards for Long-Term Care	400
More Long-Term Care Beds	150
More Front Line Doctors and Nurses and Other Health Care Professionals	400
Emergency rooms	50
Home Care	230
Cancer Prevention	65

Excellent Schools

Actual Cost of School Operations	75
\$200 per student for local priorities	400
Student at Risk/ESL/Special Needs	250
Childcare/Jr. & Sr. Kindergarten	800
Increased services for children with Autism	100

Remove barriers to university, college, and training

Post Secondary freeze	250
Improved Student Assistance Program	90
Eliminating Apprenticeship Fees	35
Certifying Internationally Trained Doctors	5
Post Secondary Funding Enhancements	200

We will protect our children's health and environment

Environmental Enforcement	125
Climate Change	450
Right to Know and Toxics Implementation	10
Violence Against Women	55
Other NDP initiatives	740

Total New Initiatives

9,145

Initiatives other than Health Tax Reduction

7,645



2007 Promises Costing

(in millions of dollars)

	Existing 2007-8	2007-8	2008-9	2009-10	2010-2011	2011-12
Base Revenue		92,100	95,600	99,400	103,200	107,400
2% increase in bracket at \$150,000		200	850	900	950	1,000
Corporate Tax/Banks and Insurance companies tax		175	600	675	750	850
Eliminating EHT exemption on first \$400,000 in payroll on larger business		150	535	565	600	635
B.C. Tobacco Rate		175	625	600	575	550
An End to Wasteful Year-End Spending and Slush Funds		150	500	500	500	500
No Private-Money For-Profit hospitals		10	20	30	40	50
Total Revenue (including new NDP Revenues)	92,100	92,960	98,730	102,670	106,615	110,985
Total Revenue less Health Tax Reduction		92,585	97,980	101,545	105,115	109,485

Expenditure

Programs	Current Budgeted	2007-8	2008-9	2009-10	2010-2011	2011-12	Total increase
Health	37,900	38,100	41,250	43,000	45,200	47,400	9,500
Education	12,400	12,700	13,600	14,100	14,650	15,100	2,700
Postsecondary Education and Training	5,900	6,000	6,400	6,600	6,700	7,000	1,100
Children's and Social Services Sector	11,000	11,200	11,600	11,900	12,350	12,750	1,750
Justice	3,300	3,300	3,700	3,800	3,950	4,000	700
Environment	300	300	350	400	450	500	200
Other Programs	11,400	11,717	11,850	12,290	12,340	12,295	895
Total Programs	82,200	83,317	88,750	92,090	95,640	99,045	16,845
Interest on Debt		9,100	9,200	9,400	9,400	9,400	
Total Expenses		92,417	97,950	101,490	105,040	108,445	
Surplus		168	30	55	75	1,040	