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Dwight Duncan's 2011 Ontario Budget: Analysis and Highlights

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The McGuinty government's 2011 budget is focused on reducing the provincial deficit while protecting health and education investments. Health and education have been the priorities for the McGuinty Liberals over the last eight years, are the key themes for this budget, and they are expected to be the key planks going into the 2011 provincial election later this fall.

Indeed, the budget is largely a low-key affair, with the major announcement regarding the deficit (\$3 billion lower than projected last year), being announced well in advance. There are surprisingly very few new expenditures or programs, with a few important exceptions.

Politically, the McGuinty Liberals have built a strong case in the 2011 budget to differentiate themselves from Tim Hudak's Conservatives by going to the heart of what is expected to be the Conservatives' platform. The Budget document, and the Minister's Budget speech, moves to define the impact of an HST cut on Ontario's health and education programs. Rather than waiting for the Conservatives to release their platform, McGuinty Liberals have decided to go on the offensive before a Hudak HST promise can build any momentum.

While the provincial budget covers virtually every area of government spending and investment, the key highlights include:

Infrastructure: The McGuinty government proposes to invest an additional \$35 billion over three years, including \$12.8 billion in 2011-12. While there are no major details in the budget, expect the McGuinty Liberals to be making several announcements in the weeks to come, particularly in important key electoral regions of the province;

"Strategic investments": Over the next several weeks, the McGuinty government will be announcing new investments of \$1.3 billion, including nearly \$175 million from the Province. It is expected that much (but not all) of this funding will come from the Strategic Jobs and Investment Fund (SJIF), which replaced the Next Generation of Jobs Fund;

Financial Services Sector: Ontario affirms its commitment to the creation of a Canadian Securities Regulator, but is less aggressive about insisting that the headquarters be in Toronto. The government is announcing that it will move forward with the next phase of its efforts to improve disclosure for investors and reduce the impact on businesses in the mutual fund industry with the introduction of amendments to the *Securities Act*. The Ministry is also launching a review of the Insurance Act with respect to protection of consumers and harmonization with other Canadian jurisdictions, particularly in the areas of life insurance and accident and illness insurance. The Ministry is also considering regulatory and enforcement enhancements including the introduction of administrative monetary penalties;

Post-Secondary Education funding: Ontario is providing \$64 million in 2011, rising to \$309 million by 2013-14 to fund 60,000 student placements by 2014-15. As well, the McGuinty Liberals are providing \$50 million over ten years to the Perimeter Institute, founded by RIM Co-CEO, Michael Laziridis;

Health funding: will increase by over \$2 billion for 2011-12 to \$47.1 billion. Key investments include: a 3% increase for long-term care homes and community service supports, \$15 million over three years for enhanced breast cancer

screenings, a 1.5% increase to hospital base budgets, and \$100 million in annual funding to enhance pharmacy services, building on the MedsCheck program;

Government service delivery and the private / NFP sectors: the government is signaling that it is exploring alternative service delivery through its ServiceOntario agency, including leveraging private sector investment to deliver service to Ontarians. As well, the McGuinty government is also considering partnerships with non-profit organizations to enhance service delivery and reduce costs.

With the tabling of the McGuinty government's final budget before the 2011 election, there will be a review by the province's Auditor General who is required to make a determination of whether the projected revenues and expenditures are reasonable.

For more information, please visit:
<http://www.fin.gov.on.ca/en/budget/ontariobudgets/2011/>

Contact us

If you have questions regarding the topics in this newsletter or related government matters, please contact our consultants.

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