

ONTARIO ALTERNATIVE BUDGET 2007

# No time to lose

## An action blueprint for Ontario

COMMUNITY INFRASTRUCTURE  
CHILD CARE RENEWING THE PROMISE OF BEST START  
POST-SECONDARY EDUCATION  
HEALTH  
ENVIRONMENT  
A FOCUS ON CITIES  
RENEWING  
CHILDREN'S WELL-BEING  
AFFORDABLE HOUSING  
ELEMENTARY AND SECONDARY EDUCATION



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## Four more years?

The McGuinty Liberals were elected in 2003 on the strength of Ontarians' hopes that their new government would lift the dark cloud over public services left behind by the Harris-Eves Conservative era. There was great promise this new government would restore Ontario to a position of leadership on the key issues of the day.

Measured against those expectations, the McGuinty government has, quite simply, been a disappointment. In some areas there has been progress — most notably in health and education, where new investments have dispelled an atmosphere of near-perpetual crisis and made it possible again to have a real debate about how to make education and health care better in this province. This exercise of political will to change in health care and education, however, highlights the impact of its absence in areas of public policy where the shadow of the Harris era still looms large.

We still don't have an affordable housing policy worthy of the name. Local governments are still struggling financially from the impact of the Harris municipal government download, which has been ignored by the McGuinty government. Infrastructure funding, hobbled by the

Harris government's misplaced belief that public-private partnerships would produce "new" money for public capital projects, is now hobbled by the McGuinty government's misplaced belief that value for money can be found in Alternative Financing and Procurement projects (AFPS) — P3s by a different acronym.

Even where there have been significant new investments, results have fallen far short of what is needed. In health care, the new investment has clearly been substantial. What is not clear is how much change those new investments have really bought.

In elementary and secondary education, investments in new program initiatives have been loaded on top of a basic funding structure that doesn't work. So we have increased funding to reduce class sizes and provide additional teachers for "student success," but the formula still does not provide enough funding to pay staff, buy supplies and maintain buildings.

In post-secondary education, substantial new funding is on the way, but the government has abandoned its critique of the Harris government's reliance on higher tuition fees, moving on as if the more-than-doubling of tuition fees under Harris

had never happened. The tuition fee freeze that was a centerpiece of its 2003 campaign is gone. Indeed, as of September 2007, tuition fees will be higher than they would have been if the Harris-Eves policy of increasing tuition fees in step with inflation had remained in place.

And on the two most critical issues that confront Ontario today, the government has flopped. On global warming, the environmental issue of our generation, the government has done nothing, and has nothing to say. It abandoned the one campaign promise that might have made a difference — the closure of Ontario's coal-fired generating stations — leaving behind a policy vacuum on a critical issue.

And with respect to growing income inequality, the government's inaction has been nothing short of a disgrace. Ontario's lowest-income citizens — punished relentlessly under the Harris government — are now worse off.

Shamefully, families and individuals receiving social assistance — both Ontario Disability Support Program (ODSP) and Ontario Works (OW) benefits — are actually receiving less in provincial benefits, when inflation is taken into account, than they were when the McGuinty government was elected in 2003. Ontario's poorest citizens had been falling behind for 10 years when the McGuinty government was elected. Nearly four years later, the poorest among us are still falling behind. Even the government's crystal-clear commitment to end the claw-back of the Federal Child Benefit Supplement from the poorest Ontario families disappeared as it redefined the commitment as a promise to pass on only any increases in the Child Benefit Supplement during its first term in office.

It is clear that Ontarians want to see leadership from their government on these issues. They want the government to take action to clean up the environment, and to play a constructive role in addressing the threat from global warming. They support government action to address the growing income gap.

On these and other issues, Ontarians had a right to expect leadership and vision. Instead, all too often, we got political gamesmanship and hyperspin.

And at the centre of the gamesmanship is Premier McGuinty's campaign against the federal government over the so-called \$23 billion gap between what the federal government collects in revenue from Ontario and what it spends in this province.

It's a very large number. And large numbers get attention, even if — as even the Premier himself occasionally admits — the real gap is actually only about \$2 billion. But those who quibble about the credibility gap between a claimed \$23 billion and an actual \$2 billion are missing the point. The campaign isn't really about federal-provincial fiscal policy. It is pure political theatre, aimed at distracting attention away from issues that the government can actually do something about, here in Ontario.

The \$23 billion gap campaign simply provides the framework for a more concentrated effort to shift the blame for the government's lack of headway in rebuilding public services weakened during the Harris-Eves years.

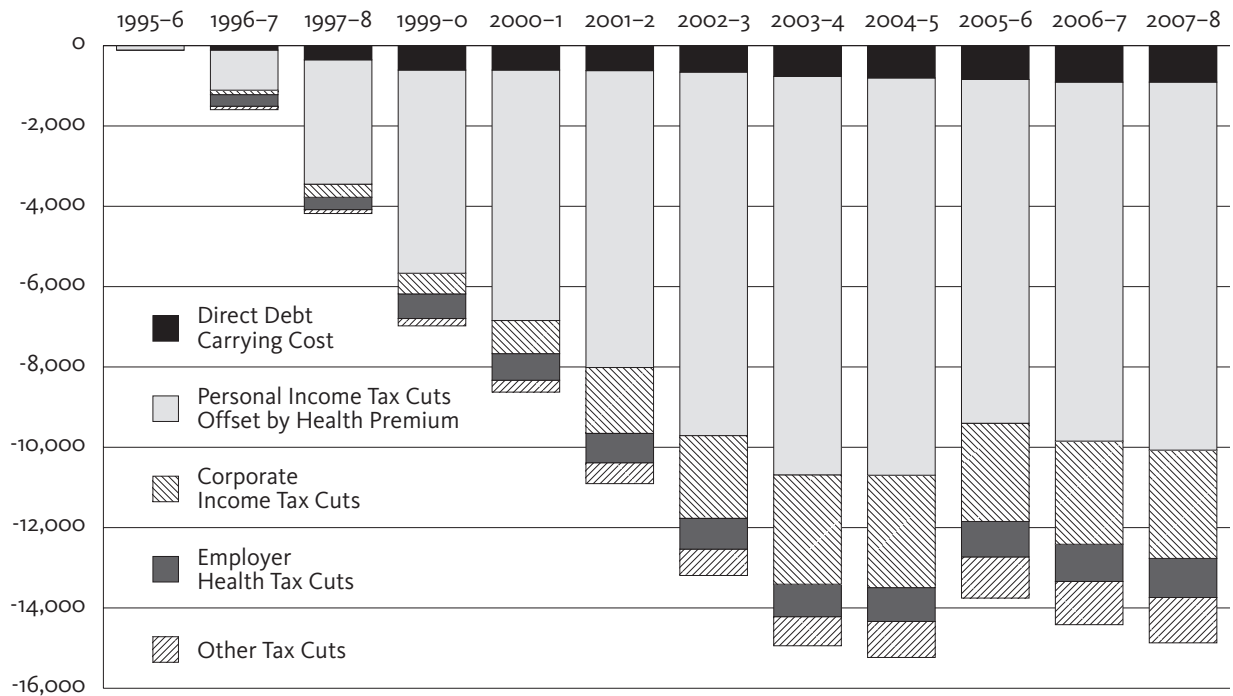
Lack of progress on child care? It's the federal government's fault for canceling the national child care program.

Nothing happening in housing? It's the federal government's fault for short-changing Ontario.

The problem with Ontario's venture into political theatre is that the facts keep getting in the way.

Ontario has a legitimate beef about a \$2 billion gap in federal funding, not a \$23 billion gap. While that's not a small number, it pales beside the annual revenue loss to Ontario from post-1995 provincial tax cuts. Even taking into account the Health Premium, which restored more than \$2.5 billion in lost fiscal capacity, the annual revenue loss from Ontario's tax cuts is \$15 billion. That, and not any federal spending gap, is the

**CHART 1 Annual Tax Cut Impact on Fiscal Capacity in Ontario, 1995-6 to 2006-7**  
Debt Carrying Cost and Revenue Loss



real cause of Ontario's revenue shortfall relative to the province's public services needs.

Chart 1 shows how Ontario's revenue shortfall has developed since tax cut mania hit the province in 1995.

The fate of Ontario's early childhood education initiative presents another inconvenient fact. Best Start was announced in the 2003 election campaign — before there was a federal child care program. Implementation of Best Start began in 2004 — before there was a federal child care program. Now the government wants us to believe that it has been forced to put the brakes on its program because of the cancellation of the federal child care program.

The status of Ontario's commitment — or lack thereof — to affordable housing is even harder to justify. The government promised substantial action on affordable housing in its election campaign. It has delivered only a small fraction

of what it promised. It refused for years to accept \$400 million in housing funding from the Federal Government, arguing that it wasn't enough. Premier McGuinty finally relented at the end of February 2007 and released the Federal housing money. But in the meantime, the government held thousands of families hostage to make a point in its long-running battle over transfer payments with the Federal Government.

Ontario deserves better than phony revenue gaps and equally phony political wars with the federal government.

The 2007 Ontario Alternative Budget is in part a report card on the McGuinty government's first term in office, and in part a blueprint for the leadership Ontario needs from the next Ontario Legislature, whichever political party happens to lead it.

It sets a four-year program to continue the job of rebuilding public services, including pro-

posals to rebuild the fiscal capacity necessary to pay for them.

It provides increased financial support for families, children, and individuals living in poverty.

It gets Ontario back into the affordable housing business.

It renovates the foundations of Ontario's funding formula for elementary and secondary education.

It starts the process of pulling down the affordability barriers and invests in quality in post-secondary education.

It commits real resources to environmental stewardship and energy conservation.

It funds a real new deal for cities.

And it sets out a mechanism and funding for infrastructure renewal that will actually work and that Ontario can actually afford.

The McGuinty government has tried to govern as if the Harris government had never existed. As if the incomes of families dependent on so-

cial assistance had never been slashed. As if the formula for elementary and secondary education funding introduced by Harris actually worked. As if the more-than-doubling of tuition fees in the Harris era had never happened. As if early childhood education hadn't been decimated by a decade of funding cuts. As if the downloading of provincial responsibilities onto local governments had never happened. As if Ontario's ability to regulate in the public interest in areas like employment and environment had not been fundamentally compromised by staffing and funding cuts. As if tax cuts had not undermined our ability to pay for the public services we need.

As if none of the elements of the Harris government's record around which it based its 2003 election campaign had ever happened.

Ontarians don't live in McGuinty Government's world of the "as if". Ontarians live the Harris legacy — and the government's failure to deal with it — every day.



# Income Security

## Introduction

Nowhere is the dark cloud left behind by the Harris government more evident than in the way this province treats its most vulnerable citizens. Ontario may think of itself as the province of opportunity, but, for all too many, Ontario is a province of poverty and despair.

Many Ontarians are shocked to learn that one in seven people in this province lives in poverty<sup>1</sup>. Once they recover from the shock, many wonder what living in poverty in Ontario means. Surely, many insist, living in poverty in this rich province couldn't be too bad.

But it is. Living in poverty in Ontario means, for some, searching for dinner in the grocery store dumpster after the rations from the food bank run out. Poverty means skipping meals in order to pay the electricity bill. Poverty means hungry kids distracted in school and suffering poor academic performance as a result. Poverty means more illness and poor health. Poverty means parents working at multiple jobs and rarely getting to spend meaningful time with their children. Poverty means kids enduring the stress of life in a homeless shelter. Poverty means

women are trapped in violent relationships with few possibilities for escape.

Make no mistake about it. Poverty in Ontario is not about going without fashionable clothes or the newest electronic device. Poverty in Ontario is about deprivation and isolation.

Most people in Ontario would agree that no one in our rich province should be deprived of adequate nutrition, safe housing, or a decent standard of living. But more than 1.6 million people in this province are.

Poverty is not inevitable. With appropriate policies and programs, low-income people could be ensured a decent standard of living and the causes of poverty could be effectively addressed.

It is simply a matter of political will, as evidenced by the stark contrast between our success in alleviating poverty among seniors in the past 20 years and our abject failure in addressing poverty among every other demographic group. The only difference between seniors and non-seniors is that, while the politics of the deserving poor versus the undeserving poor doesn't play well when it comes to seniors, it has been

used far too brutally on the remainder of Ontario's poor.

Establishing the policies and programs Ontario needs demands the political courage to explode the powerful myths and stereotypes that currently provide politicians and the public with permission to sentence low-income people to lives of dangerous deprivation and devastating exclusion.

The McGuinty government has often expressed its concern about the most vulnerable people in Ontario. As recently as October 17, 2006, the United Nations Day for the Eradication of Poverty, Premier McGuinty acknowledged that his government still has a lot of work to do to address poverty in Ontario.

While the McGuinty government has made very modest improvements to income security programs in Ontario, such as implementing a 5% increase to social assistance rates, providing a six-month extension of drug and dental benefits to people leaving social assistance, and establishing an Emergency Energy Fund, low-income people are still living in hunger, insecure housing, and isolation. The OAB undertakes measures that will improve the lives of low-income people in Ontario.

Only a comprehensive poverty alleviation strategy can ensure that no one in Ontario lives in poverty, regardless of source of income. Such a strategy must increase the incomes of people on social assistance, as well as the working poor. It must include increases to social assistance rates, the creation of an Ontario Child Benefit for poor families with children, increasing the minimum wage, modernizing the Employment Standards Act and improving its enforcement, creating accessible, affordable, high-quality child care, creating accessible, affordable housing, and ensuring a strong public health care system. This chapter addresses social assistance, the minimum wage, and the modernization of the Employment Standards Act.

## **Social assistance**

### **a) Access to the Ontario Disability Support Program**

Social assistance is intended to provide income assistance to people who are not able to work due to disability or for other reasons, such as the inability to find appropriate work. There are two separate programs: Ontario Works and the Ontario Disability Support Program.

The income assistance provided by both OW and ODSB is disgracefully low, condemning recipients to lives of deprivation and insecurity. But before we address the inadequate income support provided, it is necessary to make sure people can access social assistance programs in the first place.

The Ontario Disability Support Program is intended to assist low-income people with disabilities, but many disabled people are unable to benefit from this program. Part of the problem of access can be attributed to restrictive interpretations of the rules in the administration of the program. In 2004–05, 48% of the cases in which applicants appealed to the Social Benefits Tribunal were granted after having been rejected at the application stage.

The narrowing of the eligibility rules implemented by the Harris government when it eliminated the unemployable category in the disability assistance program in the mid-1990s is also a key issue. Many people who receive Ontario Works benefits are not able to work and are likely never going to be able to work because they face substantial limitations. Despite that, they do not qualify for ODSB. The problem has been recognized by the government, but no action has been taken. The OAB will restore the “permanently unemployable” category in the ODSB.

Disabled homeless people face particularly significant barriers. These difficulties include: obtaining and completing application packages, providing the required identification and financial documents, getting ODSB medical forms filled

out accurately, meeting the 90-day time limit for submitting applications, and navigating the appeal process following negative decisions.

In June 2006, Street Health, a community-based health care organization working with homeless and under-housed people in downtown Toronto, released a report entitled *Failing the Homeless: Barriers in the Ontario Disability Support Program for Homeless People with Disabilities*. As part of this project, Street Health provided accessible and holistic assistance to 85 homeless people with disabilities. They helped with their ODSP applications and related needs, such as accessing health care providers and identification. Significantly, 100% of eligible participants needed help navigating the application process, due to its complexity and because the system makes the individual applicant responsible for all steps in the process, regardless of his or her disability.

The Ontario Disability Support Program has begun to address several of the barriers outlined above. For example, important steps, such as hiring additional ODSP staff, have been taken to reduce delays from when applications are submitted to when successful applicants receive benefits.

With the right help, homeless people with disabilities can get the ODSP benefits they need and to which they are entitled. Eventually, 93% of participants assisted by the Street Health project received ODSP benefits (7% continue to wait for decisions on appeals). All of the participants who accessed ODSP were able to secure housing, and 66% of participants who did not have family doctors when they enrolled in the project were connected to stable health care providers.

There is an urgent need to help eligible homeless people gain access to ODSP benefits. A key recommendation of the *Failing the Homeless* report is that the Ministry of Community and Social Services provide funding for a two-year pilot project for two Income Support Workers to work from community agencies to provide

outreach and support to homeless people with disabilities to assist them in accessing ODSP benefits. The costs associated with such a pilot project are minimal, estimated at \$140,000 per year (totaling \$280,000 for a two-year pilot project), and would lead to substantial benefits for homeless people as well as cost savings to the province of Ontario. The OAB will fund this pilot project.

Income from ODSP would allow homeless people with disabilities to secure and maintain adequate housing, leading to improved health and well-being, decreased homelessness, and cost savings to the Ministry of Community and Social Services. Providing ODSP benefits to a single person who is housed (\$980/month) costs the Ministry of Community and Social Services approximately \$320 less a month than keeping a person in the emergency shelter system (\$1,300/month). For every homeless person with disabilities who receives ODSP benefits and secures housing, the Ministry of Community and Social Services would save \$3,800 a year.

#### **b) Adequacy of income**

Social assistance in Ontario is delivered through two separate programs: Ontario Works (OW) and the Ontario Disability Support Program (ODSP). People relying on these programs are living far below the poverty line, no matter what poverty line you refer to, and do not have sufficient income to ensure a decent standard of living.

For example, a single person on OW receives \$548/month. A single mother with one child on OW receives \$1,008/month. A single disabled person receives \$979/month. A single disabled person with one child receives \$1,498/month.

Since coming to power, the McGuinty government has increased social assistance rates by 5%. The 5% increase provided to date is far from sufficient, especially considering that the previous Conservative government slashed the OW rates by 21.6% in 1995. ODSP rates have been frozen since 1993, and people living on social assistance

TABLE 1 **OW rates and urban LICOs compared**

Family size*	Current monthly OW rate	Current monthly ODSP rate**	Low-Income Cut-Off*** (monthly)	OW rate as % of LICO
Single	548.00	979.00	1,489.00	37%
single + 1	1,008.00	1,498.00	1,856.00	54%
single + 2	1,142.00	1,673.00	2,282.00	50%
single + 3	1,299.00	1,870.00	2,771.00	47%
single + 4	1,454.00	2,067.00	3,143.00	46%
single + 5	1,585.00	2,233.00	3,544.00	45%
Couple	949.00	1,490.00	1,856.00	51%
couple + 1	1,084.00	1,665.00	2,282.00	48%
couple + 2	1,240.00	1,862.00	2,771.00	45%
couple + 3	1,395.00	2,059.00	3,143.00	44%
couple + 4	1,526.00	2,225.00	3,544.00	43%

\* All children under 12 years \*\* Couple on ODSP assumes one disabled spouse \*\*\* 2005 pre-tax LICO for a community of 100,000–499,999

benefits did not have adequate incomes to meet their needs even before the cuts were imposed. Indeed, when inflation is factored in, the social assistance rates are now lower than when the Liberals took office nearly four years ago.

To make matters worse, families on social assistance in Ontario have been denied the full benefit of the Federal Child Tax Benefit program. While families receiving social assistance receive the basic Child Tax Benefit, from its introduction in 1998 the Child Benefit Supplement (NCBS) has been deducted from Ontario social assistance benefits. Every month, families on social assistance lose \$122 for the first child, \$105 for the second child, and \$98 for each additional child.

While running for election, Premier McGuinty promised to end the claw-back of the NCBS. Instead of keeping this promise, the McGuinty government has allowed only the annual increases since 2004 to flow through to families receiving social assistance. These increases amount to roughly \$40/month for each child. The bulk of the NCBS is still clawed back.

The claw-back of the NCBS is a cruel and discriminatory practice that is literally taking food from the mouths of babes — hungry babes.

And for the final straw, the provincial government has recently moved to restrict the availability of funding for special diets for social assistance recipients — the one remaining program that enabled case-workers to offer some hope and some relief to clients suffering the effects of a hopelessly punitive system.

The situation faced by people on social assistance is critical. Families are in desperate and dire situations. This desperation, combined with the predicted economic downturn, requires immediate and meaningful action.

The cruel and costly consequences of poverty in Ontario are getting greater public and political attention. In fact, a number of proposals have recently been released outlining how a more just and adequate income security system might be structured.

Based on any definition of poverty, Ontario's social assistance benefit levels fall far short of poverty income levels, regardless of family type

and regardless of whether the benefits are delivered through Ontario Works or the Ontario Disability Support Plan.

Using the most commonly accepted definition of low income, the pre-tax Low-Income-Cut-Off (LICO) calculated annually by Statistics Canada, Ontario's social assistance benefits fall far below poverty levels. Overall, Ontario's social assistance rates deliver benefits that are only 42.5% of LICO incomes. Disability benefits are higher, but still reach only 67% of LICO incomes.

### **c) Ontario Child Benefit**

Families on social assistance are not alone in coping with inadequate income. The prevalence of low-wage, precarious work in Ontario also condemns millions more Ontario families — the “working poor” — to lives ravaged by poverty. Action is required to improve the living standards of all low-income families, both those with adults in the labour force and those with adults who are not able to work.

Sharing this concern, many anti-poverty organizations in Ontario have endorsed the creation of an Ontario Child Benefit that both begins to reform social assistance and moves towards providing the same child-related and income tested benefits to all low-income families — regardless of the source of their income.

There is a tendency to assume the so-called working poor are more deserving of income assistance than those on social assistance. This assumption, however, completely ignores the reasons people are forced to rely on social assistance — disability, lack of affordable child care, and inability to find suitable work. Contrary to the well-embedded myth, people on social assistance are not lazy freeloaders who need to be prodded into finding work. The OAB refuses to pit the working poor against those on social assistance. The OAB insists that all families — and all children — deserve a decent standard of living, regardless of their source of income. They deserve the benefit of poverty policy that is root-

ed in economic and social realities, rather than politically convenient mythology.

The OAB therefore commits to providing an OCB that is phased in over three years, with a substantial down-payment in the 2007 budget. A critical component of the OCB will be that it provides equal benefits to all low-income families, regardless of source of income, thereby ending the claw-back of the National Child Benefit Supplement from families on social assistance.

An Ontario Child Benefit will be created equal to at least the value of the current NCBS clawed-back amounts of \$122 a month (first child), \$104.50 a month (second child) and \$98.00 a month for each child in excess of two.

It will benefit nearly one million children in Ontario, the vast majority of whom have parents in the labour market, yet receive no provincial child-related supports. The Ontario Child Care Supplement for Working Families, which provides benefits only for children under seven, will be folded into the OCB.

Eligibility rules will parallel those of the NCBS.

Current re-investments of the NCBS claw-back in communities and municipalities will continue to be funded.

The central design feature of an OCB — delivering the same benefit to all families with children regardless of their source of income — is fundamental. It is not acceptable to provide lower benefits for poor children whose parents depend on social assistance than for the children of working poor families.

### **d) Social assistance rates**

In a similar vein, while the OAB welcomes any interest on the part of government in addressing the issue of child poverty, it is absurd to pretend that we are addressing child poverty when we refuse to address the inadequacy of the benefits provided for their parents.

Child poverty cannot be separated from adult poverty. To do so is to lose sight of the ob-

vious: that children are poor because their parents are poor.

In addition to endorsing the introduction of an Ontario Child Benefit targeted to poor families with children, regardless of their source of income, the Ontario Alternative Budget will reduce the gap between social assistance benefits and poverty income levels through substantial increases in social assistance rates for all categories of beneficiaries.

The OAB will introduce across-the-board increases in social assistance rates: 35% for Ontario Works benefits; 20% for Ontario Disability Support Plan benefits.

This will raise the average Ontario Works benefit to 59% of the LICO from the current 43%, and the average Ontario Disability Support Program benefit to 82% of the LICO from the current 68%.

### **Poverty wages and insecure jobs**

People in Ontario work hard. We work hard for the benefit of our families and our communities. And we deserve to be paid decently. However, in Ontario 21% of workers make poverty wages of less than \$10/hour<sup>2</sup>; 237,600 workers make the bare minimum wage<sup>3</sup>. Not surprisingly, women, Aboriginal people, people of colour, and recent immigrants make up a disproportionate share of low-wage workers<sup>4</sup>.

The OAB will adopt a principle to guide the setting of the provincial minimum wage. Specifically, the OAB will establish a minimum wage rate that is the equivalent of the pre-tax Low Income Cut-Off for a single person living in a large urban centre and working average hours. An immediate increase in the minimum wage to \$10/hour will be a good start towards achieving this goal. It will not only benefit workers currently making less than \$10/hour, but also other low-waged workers who will benefit from the ripple effect that will soon cause all low wages to increase.

Some argue that such an increase in the minimum wage is a “job killer,” but the research tells a different story. A growing body of research shows that increases to the minimum wage have little or no effect on employment levels<sup>5</sup>.

The current government established a plan to increase the minimum wage by 30 cents every year from 2003 to 2007, when it would reach \$8/hour. This plan would still leave workers in poverty. For example, a single person working 40h/week for 50 weeks in 2007 at \$8/h would still be approximately \$2,000 below the 2005 Low Income Cut-Off.

Other factors contributing to workers’ poverty include the growth of non-standard work — work that is generally temporary, without benefits, and with little security — and the failure of employers to comply with employment standards law and the outdated character of the Employment Standards Act.

Non-standard work now makes up 37% of jobs in Canada<sup>6</sup>. Much of this non-standard work is part-time, temporary, sub-contracted, and “own account self-employment.” However, the existing Employment Standards Act is not designed to protect workers in these sorts of precarious arrangements. The ESA was established when the standard work form was permanent and full-time. Today, non-standard workers are deprived of protection because employers have sought to shift responsibility to third parties such as temporary work agencies or to even smaller sub-contractors — who often end up being the employees themselves. As a result, even though the employer maintains control over the work (e.g., scheduling, overtime, wages), workers have to absorb other costs normally absorbed by the employer such as vacation pay, public holiday pay, and termination pay.

Even where workers are covered by the ESA, employers are getting away with massive violations. The Workers’ Action Centre estimates that one in three workplaces in Ontario violates the ESA. The most common violations affect

workers' incomes and include unpaid vacation pay, unpaid wages, and unpaid termination pay. Between 1989 and 2003, cases subject to complaints revealed more than half a billion dollars in unpaid workers' wages and almost certainly hundreds of millions more in cases where no complaint was filed.

Despite the rise in vulnerable work and increased attention to violations of the ESA, a workplace in Ontario has less than a 1% chance of being subjected to a surprise inspection from the Ministry of Labour.

The OAB will modernize the ESA to ensure coverage for those engaged in non-standard work and increase funding to support a significant increase in the number of inspections of Ontario's workplaces. To this end, the OAB commits to hiring an additional 100 new inspectors.

### Conclusion

The provincial government has both a moral and political obligation to take bold, courageous steps towards the alleviation of poverty. Excuses that poverty alleviation programs are too expensive are unacceptable and based on the most myopic thinking. What we fail to spend to ensure people have adequate resources to care for themselves and their families, we spend many times over in the areas of health, child protective services, justice, and education.

A government that attempts meaningfully to tackle poverty will not only improve the lives of

low-income people in Ontario, but the lives of everyone in the province.

### OAB Measures

- Create an Ontario Child Benefit.
- Increase Ontario Works rates by 35% and then index the benefit to inflation.
- Increase Ontario Disability Support Plan rates by 20% and then index the benefit to inflation.
- Fund a pilot project to increase access to ODSP for homeless disabled people.
- Increase minimum wage to \$10/hour with a plan to annually adjust to reach the Low Income Cut-Off.
- Modernize the Employment Standards Act and improve its enforcement. Hire 100 new inspectors.

Income security	
	\$ million
End NCBS clawback	250
Introduce Ontario Child Benefit	1,000
Establish ODSP access pilot project	.141
Increase ODSP and OW benefits	1,200
Strengthen employment standards	10
<b>Total</b>	<b>2,460</b>

# Community Infrastructure

Ontario's non-profit community sector is the largest in Canada. It includes approximately 45,000 organizations with annual revenues of \$29 billion.<sup>7</sup> One in 11 Ontarians work in a non-profit organization, and 7.8 million people volunteer for a non-profit organization, contributing a total of 791 million hours of volunteer labour each year.

This massive workforce plays a vital role in the lives of Ontarians. Agencies provide a wide range of community services, particularly to those who are most marginalized, from housing and employment support to newcomer settlement and youth services, to name a few. In addition to service delivery, the sector is deeply engaged in community building activities that promote active civic participation and advance the equity goals of the province.

Despite the importance of the sector to the quality of life of Ontarians and its role in promoting social cohesion and equity, the sector suffers from funding that is both inadequate and unstable. Small, fledgling and ethno-specific organizations are hardest hit by funding problems, undermining their capacity to meet the needs of local, diverse, and newcomer communities.

Projected population trends suggest a crisis in the making for the already under-resourced community sector. Based on provincial projections, Ontario's population is expected to increase by 30.7% or 3.9 million people over the next 25 years.<sup>8</sup> Immigration is expected to contribute the majority of Ontario's population growth in the years to come, with an estimated 90,000 to 150,000 new immigrants making their home in Ontario each year. Over that same period, the population aged 65 and over is expected to more than double from 1.6 million or 12.8% of the population to 3.6 million or 22% of the population.

Both seniors and newcomers are likely to turn to community agencies in significant numbers for services and support. Already stretched thin and reliant on short-term project funding, Ontario's community sector currently lacks the capacity to respond to the challenges presented by the increased demand for services that the future will bring. Adequate, stable, multi-year core funding is critical to ensuring the sector's capacity to meet the needs of Ontarians, ensure the successful transition of newcomers, and support the well-being of a growing number of seniors.



Currently, the Ontario government contracts with community agencies to deliver specific services, but does not provide core funding to support the general mission of organizations — though it has done so in the past. In 1985, the Liberal-NDP coalition government led by former Premier David Peterson introduced the Community and Neighbourhood Support Services Program (CNSSP), an innovative program supported by the provincial government, municipalities, and the United Way of Greater Toronto. CNSSP provided stable core funding to non-profit agencies to cover overhead and administrative costs, build organizational capacity, and deliver programs and services to the community. In particular, small emerging ethno-specific and cultural organizations, and the diverse communities that they serve, benefited greatly from the program.

In 1995, the Ontario government under former Conservative Premier Mike Harris eliminated CNSSP, along with a slew of other vital programs. Since its election victory in 2003, the current Liberal government has yet to re-introduce a core funding program for the non-profit community sector.

During the same period in which the Ontario Conservative government was axing CNSSP, the Quebec provincial government was moving in the opposite direction with the introduction of the Secretariat for Autonomous Community Action (SACA) in 1995. The SACA, an independent agency of the Quebec provincial government, was established in recognition of the importance of Québec's non-profit community sector to the

lives of residents and to the development of public policies that affect Quebecers.

The SACA provides core funding to non-profit community organizations through the Autonomous Community Action Fund, which was also established in 1995. Core funding is provided to support advocacy and the defence of collective rights, organizations which help the most vulnerable, and special projects for community development. The SACA explicitly recognizes the centrality of advocacy to the work of the community sector, and the importance of funding organizations that are autonomous to the state. The SACA and the Autonomous Community Action Fund provide important illustrations of how government-sector relations can be structured and how sector work can be funded.

It is time for the Ontario government to re-introduce a core funding program that recognizes the importance of the sector in the lives of Ontarians and to the social cohesion of the province. The OAB will move immediately to set up this core funding program, which is urgently needed to support the sector in responding to the growing and diverse needs of the population. Stable committed resources are essential to advance civic engagement and community capacity building work in the interests of all Ontarians.

<b>Community social infrastructure</b>	
	<b>\$ million</b>
Core funding for community organizations	225

# Affordable Housing

One of the first things the Harris government did was to cancel Ontario's extraordinarily successful affordable housing program, cutting off access to affordable housing by tens of thousands of Ontario families and, in the process, wiping out a productive affordable housing development infrastructure. More than three years into the McGuinty government's term in office, that has not changed.

The centerpiece of the Harris government's download of provincial responsibilities onto local governments was its offloading of responsibility for public housing onto municipalities. More than three years into the McGuinty government's term in office, that has not changed.

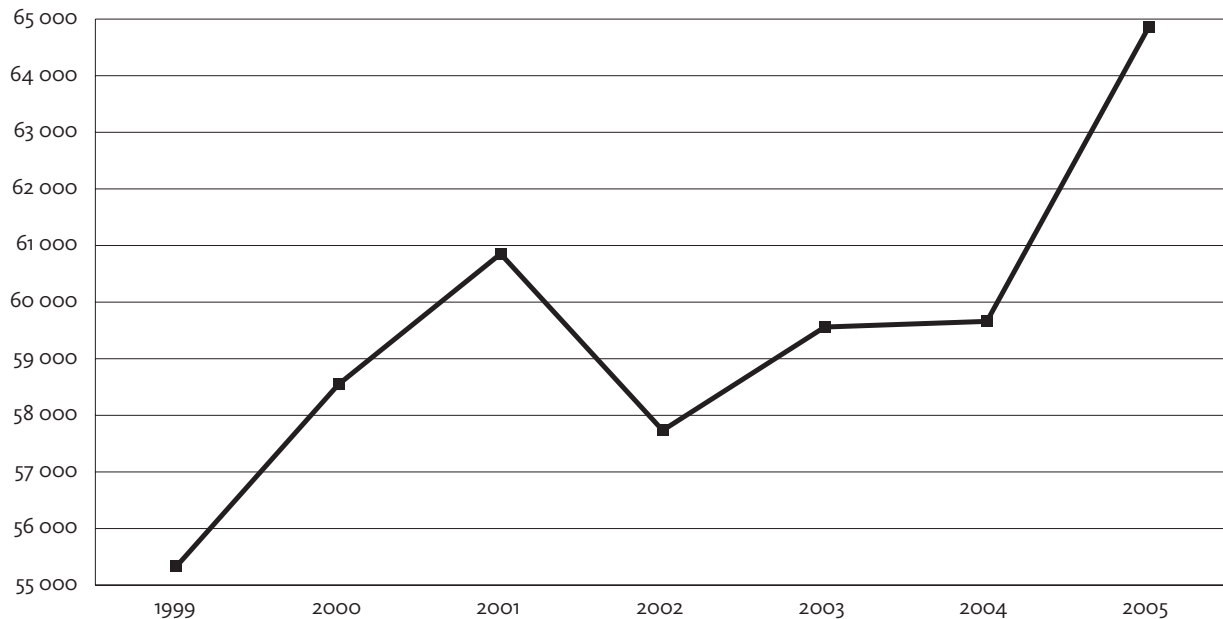
Ontario's affordable housing crisis and homelessness disaster continues to take a desperate toll on low, moderate, and middle-income households. Renter household incomes are falling even as rents are rising rapidly. The supply of affordable housing remains low as the numbers of households in desperate need grows. OAB 2007 provides substantial funds to build new affordable homes and fix up existing rundown housing, while providing rent supplements to tens of thousands of households in great need.

The federal government cut affordable housing funding in the 1980s and 1990s, then started to download most housing programs to the provinces in 1996. The Ontario government cut affordable housing funding starting in 1995, then downloaded most housing programs to municipalities in 1998. Municipalities have been given the administrative responsibility for delivering affordable housing, but lack the money and programs to make it happen. OAB 2007 will also help municipalities by uploading the cost of social housing programs back to the province, where it belongs.

Renter household incomes have been falling over the last 15 years. The median (or middle) income for tenant households in Ontario has dropped from \$33,300 in 1990 to \$27,800 in 2004, according to Statistics Canada. But, over an almost identical period of time (from 1992 to 2006), the average rent of a typical two-bedroom apartment has jumped from \$672 to \$919.

The affordability squeeze has trapped renter households between shrinking income and rising rents. One entirely predictable outcome: In 2005, an all-time record of 64,864 tenant households faced eviction in Ontario because they couldn't

CHART 2 Ontario tenant households facing eviction 1999 to 2005



SOURCE Ontario Rental Housing Tribunal

pay their rent. That's an average of 260 households every working day.

Ontario's rental vacancy rate — one measure of the number of available rental units — has dropped to the dangerously low level of 3.4%, a decrease of 10% in the last year alone. The number of renter households in core housing need — households unable to access decent, affordable housing — has increased to 599,700 (that's about 1.7 million women, men and children).

Meanwhile, almost two-thirds of Ontario's rental housing stock is more than 30 years old (both private and public housing). The conditions in a growing percentage of aging housing are poor and urgently require attention.

Ontario's massive and growing housing insecurity is costly for:

- Individuals. Epidemiological studies show the links between poor housing, poor health and premature death. In November, the Canadian Institute for Health Information issued its latest report

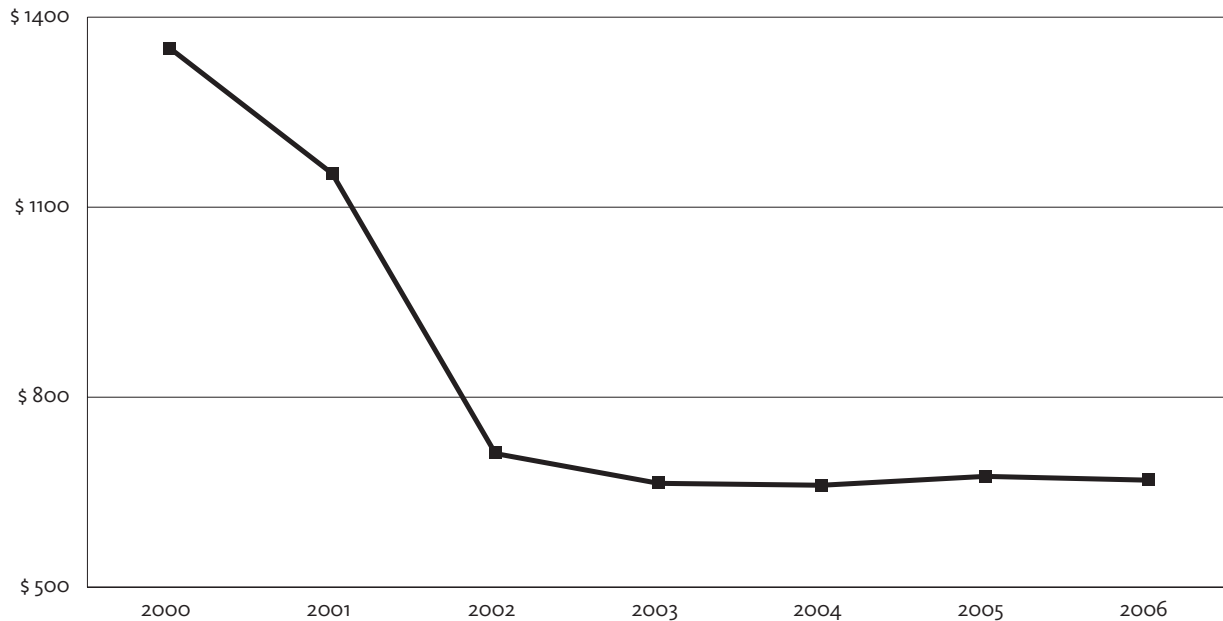
on health in urban places that identifies the huge health toll from inadequate housing.

- Communities and the economy. Housing insecurity disrupts neighbourhoods and is a drag on economic competitiveness. Business organizations from TD Economics to the Toronto Board of Trade have identified new affordable homes as a key factor for economic health.
- Government. Homelessness and insecure housing increase health costs, and also lead to increased public spending on shelters, services, policing, and jails. The cost of "doing nothing" is enormous and growing.

Provincial spending on housing has plummeted by more than 50% since the year 2000, falling from almost \$1.4 billion in 2000 to \$669 million in 2006.

The sharp drop in provincial housing spending is even more dramatic when set against the increase in population. Provincial housing spending has dropped from \$116 per capita in

CHART 3 Ontario housing spending 2000 to 2006 (in millions)



SOURCE Ontario Ministry of Finance Estimates, 2000 to 2006

the year 2000 and is currently stalled at about \$53 per capita in 2006 — or about 14 cents per day/person.

The McGuinty Liberals campaigned in the fall of 2003 on a promise to rebuild Ontario’s public services. Their supply commitments included:

- “almost 20,000 new housing units for needy families,”
- a “priority to the development of affordable housing on Ontario government-owned lands,”
- the creation of a new “Ontario Mortgage and Housing Partnership to provide competitive financing rates for non-profit, co-operative and commercial developers who want to build rental housing in Ontario,” and
- a “significant increase [to] supportive housing options for those suffering from mental illness”, approximately 6,600 units over four years.

The McGuinty Liberals also promised “a housing allowance for low-income families [to] provide direct, immediate housing relief for 35,000 families.”

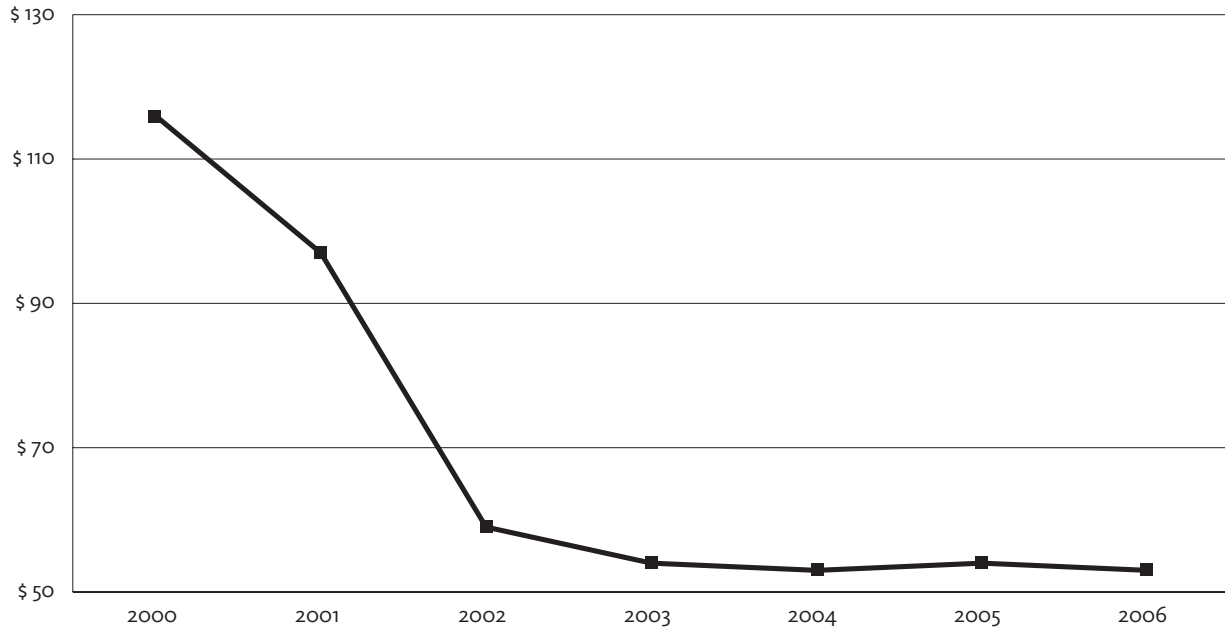
According to provincial officials, 2,122 of those new homes have been built as of October 2006, and another 2,161 are under construction. And 6,670 rent supplements have been delivered as of September 2006. With provincial housing spending frozen at its lowest level in more than two decades, it’s no wonder the government is having trouble meeting its own targets.

The Ontario Alternative Budget undertakes a socially and fiscally responsible affordable housing program that includes \$819 million in operating funding and \$1.1 billion in capital dollars.

On the operating side, OAB 2007 includes:

- \$600 million to upload the cost of housing programs to the provincial level;
- \$219 million for 45,000 rent supplements for low-, moderate- and middle-income households. Some of these rent

CHART 4 Ontario housing spending per capita 2000 to 2006



SOURCE Wellesley Institute calculation based on Ontario Ministry of Finance figures

supplements will be tied to the new supply program, and the rest will be divided among existing private and social housing providers. These are in addition to the 6,670 rent supplements that the province has already funded under the federal-provincial Affordable Housing Program.

OAB 2007 also provides for funding for more than 8,300 new truly affordable homes. On the capital side, OAB 2007 includes:

- \$831 million for a provincial housing program that will provide capital grants of up to \$100,000 per unit; and
- \$300 million for a social housing rehabilitation fund to assist local housing managers in bringing aging housing stock up to proper standard.

Housing	
	\$ million
Upload housing from municipalities to province	600
45,000 additional rent supplements	220
Provincial housing program — capital grants	830
Social housing rehabilitation fund — capital	260
<b>Total</b>	<b>1,910</b>

# Child care

## Renewing the promise of Best Start

Early childhood education in Ontario fell into a black hole in Ontario shortly after the Harris government was elected. The McGuinty government embraced the need for new investments in early childhood education early in its term in office, only to curtail its new initiative as part of its ongoing battle with Ottawa.

The evidence supporting public investment in quality early learning and child care (ELCC) is clear and compelling. The case has been made, again and again: high-quality early learning and child care is smart social policy, smart economic policy, and smart health policy. Most importantly, good ELCC is good for children.

ELCC promotes the healthy development of children. It also provides parenting supports and resources. It enables parents to work, study, care for other family members, and/or to participate in their community. ELCC is the foundation for life-long learning for all children, a fundamental element in reducing poverty, ensuring women's equality, providing equity for children with special needs, and fostering social inclusion.

There is a great need for decisive action on the early years. We lag behind most other industrialized nations in quality child care, and behind

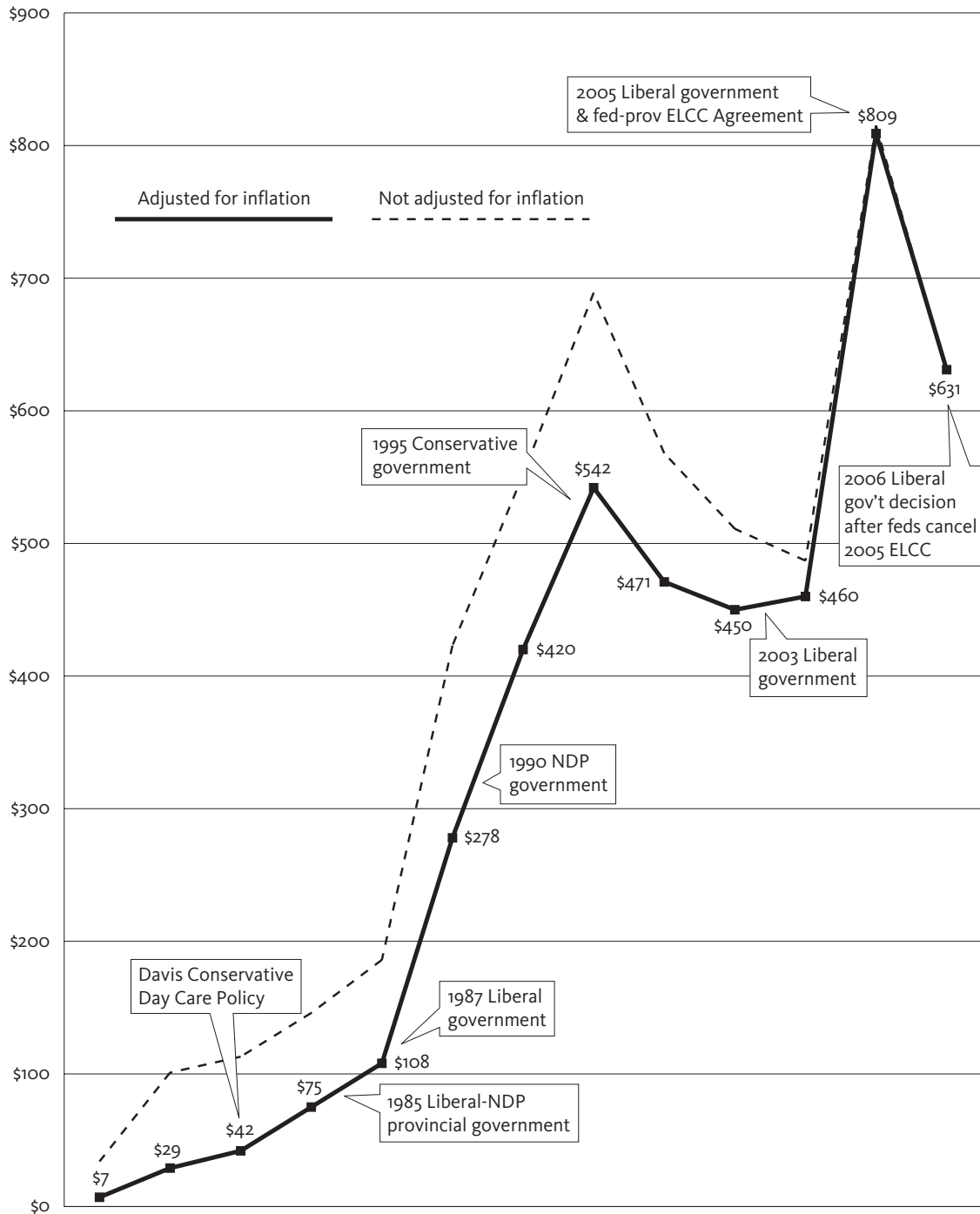
Quebec, which has taken considerable steps towards a universal child care program since it introduced a systematic and comprehensive child care plan in 1997.

For the vast majority of children and families in Ontario, regulated child care is not an option. Ontario's patchwork system means that there are simply not enough regulated spaces to meet demand, and programs are unaffordable for the majority of families. More than 70% of mothers raising families are in the workforce, yet available spaces meet the needs of only 10% of their children.

Following a decade of provincial funding cuts in excess of \$160 million, the 2003 Liberal election promise to invest public funds in ELCC and to provide every child in our province with a Best Start was met with great optimism.

Ontario's intentions on the early years were critical in paving the way for the achievement of an historic federal-provincial agreement on early learning and child care. These federal investments — \$1.4 billion over five years — and \$300 million in new provincial investments were the underpinnings for the province's 10-year roll-out of Best Start.

CHART 5 Ontario's Spending for Regulated Child Care 1972 to 2006 (Millions \$)



**NOTES** Does not include funding for family resource centres or Ontario's Early Years programs. In 2003-04 federal funding began under the Federal-Provincial-Territorial Multilateral Agreement on Early Learning and Child Care (ELCC). In 2005-06 additional federal funding for ELCC began under the bilateral Canada-Ontario agreement. In 2006 the federal Conservative government cancelled the 2005 ELCC agreement. Ontario is allocating the final 2006-07 federal payment over four years (\$63.5 million/year) ending 2009-10.

**SOURCES** Child Care Resource and Research Unit (2002) *Briefing Notes: Ontario's Spending for Regulated Child Care, 1942-2001*, University of Toronto; (2004) *Federal-Provincial-Territorial Multi-lateral Framework Agreement on Early Learning and Child Care*, [www.ecd-elcc.ca/en/elcc/elcc\\_funding.shtml](http://www.ecd-elcc.ca/en/elcc/elcc_funding.shtml); Government of Canada and Government of Canada (May 6, 2005) *Moving Forward on Early Learning and Child Care*, p.6; Ontario Ministry of Children and Youth Services, (2006) *Best Start: Helping Young Children Get the Best Start in Life*, <http://www.children.gov.on.ca/CS/en/programs/BestStart/default.htm>

Best Start got off to a promising start with plans for wraparound care for 4- and 5-year-olds; the development of Local Best Start Networks; comprehensive, integrated Healthy Baby Healthy Children programs; the creation 14,000 new spaces; three pilot program fast-tracks; and the introduction of Expert Panels to guide and inform the development of Best Start.

While the cancellation of the ELCC agreement by the federal Conservative government in 2006 was a wrenching blow, Ontario's response was unacceptable.

Other provinces — including Quebec, Manitoba, and Saskatchewan — have committed to continue building their provincial ELCC systems with provincial dollars. But Ontario took the final federal installment and spread it out over four years. Nowhere in the 2006 provincial budget was there mention of the \$300 million McGuinty pledged to the electorate in September 2003 for early learning and child care.

Ontario is rightly leading the demand for federal re-engagement in building a pan-Canadian system of Early Learning and Child Care services. But this leadership must be backed by example. Today, the province's nascent ELCC system is at a critical point: without sustained provincial funding commitments, the investment in the future and well-being of Ontario's children is at risk.

### **Starting Strong** The OAB plan for Early Learning and Child Care

Ontario must lead the way. The OAB's strategy gives the province an opportunity to expand on its Best Start plan and kickstart a much-needed, ambitious early learning strategy in Ontario.

The OAB will jumpstart our plan by putting on the table funding that matches and raises what the previous federal government had promised. This will mean an initial infusion of \$600 million in new provincial dollars in the first year, \$750 million in the second year, \$900 million

in the third year, and \$1.2 billion by the fourth year. Added to existing provincial expenditures in child care (\$630 million annually), this will bring total provincial spending to \$1.8 billion annually by the fourth year of our plan.

With a commitment to direct funding in place, a child care transformation in Ontario will be within our grasp. It's a transformation that puts in place the human and financial resources, legislative tools, partnerships, expertise, and political will to make an early learning and child care system a reality. Six steps are required:

1. Framework legislation to establish a comprehensive system of high quality early learning and care services and enshrine the principles of quality, universality, accessibility, inclusion and developmentally appropriate programming in provincial law.
2. Directly funded early learning and child care programs, and eventual elimination of the subsidy system. Direct public funding of ELCC services is a prerequisite for affordability and accessibility: it ensures accountability, and provides predictability and stability for program planning, service delivery, and quality. The OAB will move to income-testing of program fees, and the abandonment of the intrusive and punitive means test to determine eligibility for child care space subsidies. This will result in an increase in the number and range of families eligible for assistance.
3. Funding support for the child care work force through increased wages and benefits, as well as improved working conditions. ELCC staff are integral to delivering quality programs for children. However, their capacity to do so is limited by low and uneven levels of compensation which aggravate the current shortage of skilled, qualified workers, and hobble staff retention and recruitment. The OAB will equalize child care workers' wages and benefits, including pensions, across Ontario, while continuing to fund pay



equity in a workforce in which 98% of workers are women.

4. Continued, increased investment in ELCC for all children between 0–12, and especially for children with special needs. Best Start has so far improved services for 4- and 5-year-olds and reduced the separation between learning and care for children aged 5 and 6. The OAB plan will extend early learning and care services to meet the needs of children outside these age ranges. The plan also recognizes the need for inclusive services for children with special needs. It will increase resources to strengthen and expand services for children under 6 years of age while expanding before- and after-school services for children aged 6 to 12.

5. Support for rural and underserved areas and for the nascent relationships in Best Start Networks. Local Best Start Networks have helped to foster stronger relationships and cooperation among members of the children’s services sector. Many families have seen the first improvements and service expansion in a long time, with one-point access to various ELCC services in hubs. However, the impact is uneven across the province, particularly in under-served, rural and remote areas. The OAB plan will provide funding and support mechanisms under Best Start that are responsive to the particular needs and circumstances in these areas to address uneven development, as well as improve and increase their services.

6. Expansion of early learning and child care system in the non-profit sector only. Non-profit child care services provide equitable access, are accountable to governments and taxpayers, and respond to the real needs of families and communities. Child care should not be a matter of

profit. But, under the current Best Start plan, there is no clear policy to restrict the expansion of child care in Ontario to the non-profit sector. Toronto, Ottawa and Windsor have taken the lead in improving quality and accountability of public dollars by limiting funding for expansion to the non-profit sector only. The OAB plan’s equitable policy will change the current mixed non-profit and commercial system to one that is wholly non-profit. The OAB will support current commercial operators as partners in the new system, but grandparent them into a non-profit system over time.

### Best Start From Vision to Reality

The longer we put off these investments, the further we will be from honouring our promises to children and families, and securing Ontario’s future success. The time has come to begin implementing meaningful changes that will transform the fragile patchwork of early learning and child care services in Ontario into a coherent and comprehensive system that works for children and families.

The OAB is committed to a prudent course of action which lays a critical financial and legislative foundation for the expansion of an affordable program. By taking a measured, long-term approach, the OAB is taking the necessary steps to make the vision for a system of early learning and child care services a concrete reality — one that can stand as an example for the rest of the country.

Child care	
	\$ million
New funding	1,200

# Elementary and Secondary Education

Public education is one of the cornerstones of Canadian society. It underpins the vision of equality of opportunity for all that sustains our economic system. It builds the foundation for participation in the economic, social, cultural, and political life of our communities. It brings together the children of the diverse national and ethno-cultural communities that make up Canada today.

Public education forms productive citizens. It also provides the most basic and important ingredient for success in the knowledge economy of the future.

Public education in Canada, and in Ontario, has been a spectacular success. A higher proportion of children of school age — 92% — attend public schools in Canada than in any other country in the world. Public education has succeeded because we have supported the system financially, through our tax system, and because we have been prepared to invest the additional resources required to give every child the opportunity to succeed, regardless of the disadvantages with which he or she comes to the classroom.

Public education in Ontario absorbed a body blow during the Harris era. Not only was funding

cut to the point where schools in many parts of the province were struggling to meet students' academic needs and literally falling apart physically, but the Conservative government took a blatantly negative and hostile approach to the idea of public education itself.

The election of the Liberal government in 2003 was seen as a breath of fresh air by Ontarians who care about public education. Funding was improved. Initiatives aimed at improving education quality, particularly in the primary grades, were promised and pursued. And, perhaps just as important, the new government brought an end to the repressive and hostile attitude towards public education that characterized its predecessor.

Unfortunately, in presenting its proposals for change, the McGuinty government made a choice that has come back to haunt both the government's political strategy and the public education system itself. It chose to ignore the fundamental problems with the education funding formula that it inherited when it took office. Instead, it directed additional funding towards the specific program improvements it promised in the election campaign. It provided addition-

al funding earmarked for smaller class sizes in primary grades. It added targeted funding for “Student Success” initiatives. And it provided special capital funding for renovations to address the backlog of deferred maintenance that had led to the physical deterioration of much of the school capital stock in the province.

The underlying funding problems, however, did not go away. The funding formula did not provide enough money to enable boards to pay the actual salaries of teachers and other education workers. The formula did not provide enough funding to cover the actual costs of maintaining school facilities at an acceptable standard. The formula did not provide enough funding to cover the costs of adult credit courses. The formula did not provide even the level of funding to address the needs of students at risk recommended to the Harris government when the formula was created. And key formula benchmarks have not kept up with inflation, forcing boards to make cuts each year in other areas to make up for the shortfall.

More generally, the formula was, and still is, based on a narrow view of what constitutes education for funding purposes. The formula does not recognize the role that schools and school facilities play in the communities in which they are located. The formula fails to recognize the importance of health and nutrition in student success. The formula is oriented strictly to the economically relevant academic needs of students, to the exclusion of their needs as future citizens, as future participants in the cultural, social, and political life of their communities.

The government likes to portray the political debate over education funding as a bureaucratic argument between school boards and the provincial government, as if school funding is an issue without consequences for students.

Nothing could be further from the truth. When the formula provided less for teacher salaries than boards’ actual costs, teachers didn’t go unpaid. School boards hired fewer teachers

and other education workers, provided less service to students, and found the money to pay the bills by using the formula’s allocations for students at risk and by using the allocation for local priorities.

When school boards receive less funding than they need to maintain school buildings to an adequate standard, boards respond in two ways. They reduce maintenance standards, allowing facilities to deteriorate. And they find funding to cover the shortfalls in other areas of the formula — most notably, the formula’s allocations for students at risk.

When school boards receive less than their costs of providing secondary school credit courses for adults, they have to find the money somewhere. And that somewhere, too, is typically the board’s allocations for students at risk.

So the real victims of underfunding are students who need additional support in order to succeed. Quite simply, by short-changing the funding of the system as a whole, we are short-changing the most vulnerable students.

In fact, even before boards are forced to divert funding for vulnerable students to cover shortfalls elsewhere, the funding component for students at risk itself — known as the learning opportunities grant — is substantially below the level originally recommended by the Harris government’s expert panel in 1997.

This trade-off between funding for local priorities and students at risk and funding inadequacies in other areas of the formula was actually acknowledged specifically by the government in its funding for the 2006–07 school year. Funding for teachers was increased to approximate boards’ actual costs for employing teachers. But that funding increase was fully offset by eliminating entirely the local priorities amount and reducing the demographic component of the Learning Opportunities Grant.

So, while the formula now provides enough funding to pay teachers, it provides no funding for local priorities, and it provides substantial-

ly less funding for students at risk. Because the reconfiguration of the formula did not address all of the areas of obvious underfunding, the process of using Learning Opportunities Grant funding to fill funding formula holes rather than to provide programming for students at risk will continue.

Another of the difficulties with the funding formula stems from its use of student enrolment as the sole driver of many categories of funding. The problem is that, while some cost drivers do in fact vary continuously with enrolment, others do not. Some costs are school-based, and remain the same regardless of the level of enrolment in the school. Others are system-wide.

In the partial reconfiguration of the funding formula in 2006–07, school-based administrative costs were finally recognized. As a result, funding for principals, vice-principals, and school support staff is no longer strictly linked to enrolment but is instead based on schools. Unfortunately, recognition of the reality of school-based costs did not extend either to operations and maintenance, or to programming areas like libraries, art, music, and physical education.

This creates particularly difficult problems for school boards whose enrolment is declining. Enrolment-based funding is going down, but the school-based costs that funding is intended to cover are not. In 2002–03, this problem was at least recognized through the introduction of the declining enrolment grant, designed to offer transitional relief to boards experiencing enrolment decline. In response to board complaints that one year's support was not enough, the grant was increased by \$37 million in 2005–06. But in 2006–07, the grant was cut back again, from \$125 million to \$65 million. With the number of boards experiencing enrolment decline steadily increasing, this unresolved problem with the design of the funding formula is steadily becoming more important.

The government's decision to review the basics of the funding formula provides an oppor-

tunity to address these issues and put Ontario's elementary and secondary education funding onto a solid footing.

But, to succeed, a renewed formula must provide for additional funding overall. It is an illusion to think that the deep-seated problems with the current system can be addressed by re-allocating funding within the system.

It will require additional funding of at least \$375 million to make up the difference between boards' actual costs for maintaining schools to an adequate standard and the current level of funding. Addressing this problem will also require the government to abandon the one-size-fits-all approach to school operations and maintenance and recognize that costs vary, depending on such factors as climate, age of school buildings, local availability of goods and services, and local labour markets.

It will also be necessary for the government to abandon the one-size-fits-all approach when it comes to non-teacher salaries, where funding allocations continue to be below boards' actual costs in many communities.

It will require additional funding of \$130 million to increase funding for adult credit courses to the same level of funding provided for those same courses when taught to regular secondary school students.

While the elimination of the local priorities amount from the formula has at least made it more realistic, it highlights the reality that there is not now, and never has been, any funding provided to support local priorities. At the level of funding provided before the change — \$200 per student — that would require an additional \$400 million annually. However, even that level of funding fell far short of the amounts recommended by previous funding formula reviews. The Crombie Task Force appointed by the Harris government in the mid-1990s recommended local priorities funding as a 5% top-up of formula funding. Virtually every other prior study recommended funding for local priorities at 10%.

These funding levels would cost \$800 million and \$1,600 million, respectively.

Most important, funding for students at risk must be increased. The 1997 expert panel recommended funding of \$400 million per year geared to demographic factors such as poverty that put students at risk. In today's dollars, that amount would be \$540 million. Yet, after the reconfiguration of the funding formula for 2006–07, actual funding has dropped to approximately \$290 million.

This is a critical issue for the formula review.

Similarly, with respect to special education, a formula that started out as an attempt to link additional costs directly to students with special needs has evolved into a system in which overall funding has been capped for fiscal reasons, regardless of the underlying needs.

Finally, it is critical that the provincial government be made accountable for the adequacy of its overall funding. The current system emphasizes accountability for everyone in the system,

from trustees to administrators to principals and vice-principals to teachers, other education workers and students, but not for the provincial government itself. The current review is welcome, but it is not nearly good enough. Overall funding should be monitored continuously by an independent body of educators which would issue annual reports on the adequacy of funding relative to Ontario's objectives for the elementary and secondary education system.

The OAB 2007's allocations for Ontario's public school system follow.

<b>Education</b>	
	<b>\$ million</b>
School operations and maintenance	375
Adult credit courses	123
\$200 per student for local priorities	400
Learning opportunities grant to 3.3% of operating	250
<b>Total additional funding required</b>	<b>1,148</b>

# Post-secondary education

As the McGuinty government enters the final year of its mandate, its promising departure from the Harris/Eves approach to post-secondary education, which included a tuition fee freeze and commitment to re-invest, has turned out to be major setback for students and their families. The introduction of the Reaching Higher plan for tuition fee increases and expanded student debt will completely erase any of the initial gains that the McGuinty government may have made. The significant disconnect between the stated goals of the Reaching Higher plan — improved access and quality — and what it has been able to deliver, has become increasingly evident and, despite the energetic spin coming from the Ministry of Training, Colleges and Universities, polling data show that the public is also keenly aware of these problems<sup>9</sup>.

In addition to having to accommodate higher costs for post-secondary education, families saw their real earnings decrease by about 2.6% between 2000 and 2004, and their savings decline. A September 2005 report by the Canadian Imperial Bank of Commerce (CIBC) noted: “The Canadian personal savings rate is now in negative territory (-0.5% in the second quarter

of 2005) — its lowest levels since the 1920s.” For those who are fortunate enough to attend college or university, the data on incomes show that they are likely to experience difficulty repaying mortgage-size student debts.

The bottom line is that Ontario students and recent graduates are facing the parallel challenges of being the most indebted generation in the country’s history while the real incomes of their families have been in decline.

## Funding

Currently, Ontario’s post-secondary students are being short-changed by one of the lowest rates of per-capita funding in all of North America. In 2006, Ontario’s funding per student fell to eighth place from fifth in 1993. Much of this is the responsibility of the previous Conservative government, which dramatically cut funding and allowed tuition fees to skyrocket.

Tuition fees now represent almost half of the operating costs of universities, up from less than 20% in 1990.

The underfunded system of post-secondary education that the McGuinty government in-

TABLE 2 **Per Capita Rank of provincial transfers to universities & colleges**

	2006		1993	
	Transfers (\$ millions)	Rank	Transfers (\$ millions)	Rank
Saskatchewan	582	1	393	8
Quebec	556	2	556	1
Newfoundland & Labrador	556	3	448	3
Alberta	537	4	470	2
British Columbia	429	5	418	6
Manitoba	420	6	356	9
Prince Edward Island	412	7	443	4
Ontario	365	8	426	5
Nova Scotia	342	9	410	7
New Brunswick	237	10	248	10

**SOURCE** Canadian Association of University Teachers, CAUT Backgrounder on Post-Secondary Education Funding, <http://www.caut.ca>

herited required immediate re-investment just to keep it minimally sustainable. However, without further commitment this investment merely amounts to treading water. At best, Ontario's funding is poised to match the national average by 2009–10, when previous funding commitments are finally realized. Just as likely, however, Ontario may continue its downslide relative to other provinces that continue to invest.

### Tuition Fees & Funding

“There comes a point in time when post-secondary education becomes something that’s out of reach... Some people believe that increasing...student assistance is the solution. But I can tell you that I’ve had the opportunity to review some studies that have come from other jurisdictions, and they show that, notwithstanding the amount of student assistance...in the face of exceedingly high tuition fees, there are many, many students — and

this is documented — who would say to themselves, ‘I am not comfortable graduating with that size of a debt load!’.”

—**Dalton McGuinty**, Leader of the Opposition, Ontario Legislative Assembly, 1997

Despite impassioned speeches decrying the Conservatives’ moves to increase tuition fees in the 1990s, the Liberal government pulled the rug out from under its own accessibility initiatives by cancelling Ontario’s fledgling tuition fee freeze after its second year. With this reversal in direction in Fall 2006, it ushered in some of the steepest tuition fee increases in recent history.

Under the McGuinty government’s Reaching Higher plan for higher tuition fees, first-year undergraduate and college students faced up to 4.5% and 5.5% fee increases, respectively. Students in year two and beyond face increases of up to 4% each year. The situation is even worse for graduate and professional students, who are paying some of the highest fees in Canada. First-year students in those programs will face fees up to

8% higher than those faced by the first-year students before them, followed by 4% increases in each subsequent year. Institution-wide average fee increases are limited to 5% per year.

These hikes will translate into fee increases of between 20% and 36% over the course of a four-year program. By 2009–10, average fee increases of 5% per year will result in average tuition fees of nearly \$6,000. One year of medical school at the University of Toronto will cost nearly \$20,000 — \$3,400 more than in 2005–06 and four times more than in 1998.

The McGuinty government claims that asking Ontarians to pay these massive fee increases is justified because every dollar in fee increases will be matched by three dollars of new government funding. Upon closer analysis, this argument is an opportunistic sales pitch that does not accurately reflect the bigger picture. In fact, over the last 10 years government investments total only one dollar for every four dollars of increased tuition fee revenue.

Tuition fee increases are also justified as “natural” in the context of inflation. However, if tuition fees had only increased by the rate of inflation over the last 15 years, average undergraduate fees would currently be only \$2,300 per year, less than half of today’s fees. Moreover, even if tuition fees were immediately rolled back to 2004 levels and frozen indefinitely, it would take until the year 2043 for the effects of inflation to undo the damage caused by the tuition fee policy of the last 15 years.

The Ontario Alternative Budget will reinstate the tuition fee freeze at 2004 levels, while expanding operating transfers to replace revenue that is currently being provided from tuition fee increases under Reaching Higher. Tuition fee revenue is expected to surpass 2005–06 levels by approximately \$130 million in 2006–07 and by \$260 million in 2007–08 as a consequence of fee increases alone.

The \$750 million in federal transfers for post-secondary education via the Canada-Ontario

Agreement is more than sufficient to finance this restoration of government funding and the continuation of the fee freeze.

### **Student assistance**

In an effort to deflect Ontario voters’ anger over the cancellation of the tuition fee freeze, the McGuinty government attempted to diminish the perceived impact of the fee hikes by highlighting investments to student financial assistance as a way to help families pay the higher fees.

While the Ontario government has budgeted for an additional \$358 million in student assistance funding to be phased in by 2009–10, most of this money will be clawed back through tuition fee increases. In fact, if tuition fees rise by 5% each year for the next three years, then for every dollar allocated by the government to student aid, more than \$1.30 will be clawed back through tuition fee increases.

Much has been made of the new Student Access Guarantee. Taking a page from the book of former Conservative Minister of Training, Colleges and Universities Dianne Cunningham, current Liberal Minister Chris Bentley has repeated the mantra that his government’s Student Access Guarantee will ensure that “no qualified Ontario student will be prevented from attending”<sup>10</sup> college or university. But there is no centralized plan that will ensure enrolment for students who are deterred by high tuition fees or the prospect of graduating with massive debt, let alone a mechanism to determine who and how many of these students there are. Without any additional funding to institutions, the responsibility to follow through on this “guarantee” has been downloaded to individual colleges and universities. Furthermore, very little has been done to ensure that institutions meet Ministry benchmarks or timelines. In fact, institutions have been left largely to their own devices in developing their own ad-hoc Student Access Guarantee without any oversight from the government.



### **Grants for a Few**

The maximum value of an Ontario Access Grant is \$3,000 or 50% of tuition fees, whichever is less. Eligibility requirements for the grant have changed such that students from some middle-income families may now receive it. However, insufficient funding for the program and rules that punitively reduce the amount of the grant based on the income of students' parents have reduced the average value of the Ontario Access Grant in 2006–07 by \$200 to \$1,400, down from \$1,600 in 2005–06.

In 2005–06, the paltry grants program helped less than 5% of students in Ontario. The obvious paucity of this program, combined with the unpopularity of tuition fee increases, forced the McGuinty government to extend eligibility for the Ontario up-front grant program. Even under the new proposal, grants are still only available to first- and second-year students, though recent changes allow families with incomes of \$89,000 or less per year to qualify for some portion of grants. This measure brings the total number of grant recipients to about 54,000, or less than 10% of the student population. The remaining 90% of students not qualifying for grants will still be expected to pay the much higher tuition fees up-front or through access to debt.

Students pursuing high-fee programs like dentistry, law and medicine with prerequisites of more than two years of post-secondary education will not be eligible for the grants, despite the fact that they will be paying much higher fees and accumulating more debt. Moreover, not a single graduate student, part-time student, or mature/independent student will qualify for grants.

### **If not grants, then debt**

In the last decade-and-a-half, student debt has tripled and, with McGuinty's Reaching Higher plan for higher tuition fees, it is poised to reach \$28,000 for a four-year undergraduate degree.

In addition, more families will have to rely on debt since the amount parents are expected

to pay up-front has been reduced to reflect the higher costs attributable to tuition fees. While state-sponsored loans with in-study, interest-free subsidies are superior to private bank loans (upon which students already rely far too heavily), the fact remains that "student assistance" means debt.

Given that student loan allocations rarely cover actual education-related expenses, and given that university students will be paying nearly \$1,000 more in tuition fees by the end of a four-year program, there is little comfort in the prospect of more families saddled with even higher debt loads upon graduation.

Forcing colleges and universities to attempt to make up for government funding cuts to their operating grants with high tuition fees is not only unfair, but also inefficient. In 2005–06 alone, the Government of Ontario spent \$20 million in interest subsidies on student loans. As tuition fees increase, so too will the government's carrying costs of the loan system. Furthermore, tracking graduates as they move through repayment adds another layer of unnecessary bureaucracy and cost to the financial aid system. These costs could be avoided if tuition fees were reduced and a more robust system of up-front, need-based grants was developed.

### **The Faculty Shortage Doesn't Improve Quality**

Despite the McGuinty government's significant investment in post-secondary education through the Reaching Higher plan, years of underfunding in the sector have resulted in gaps in the quality of education provided at Ontario colleges and universities. Key to ensuring that students receive high-quality education is the maintenance of the relationship between students and faculty. Underfunding has resulted in fewer full-time faculty; for every 2% increase in enrolment at Ontario colleges, the number of full-time faculty teaching has declined by 1%.

The need to hire additional university and college teachers is urgent. In his review of higher education in Ontario, the Hon. Bob Rae recommended that 11,000 faculty be hired in Ontario by the end of the decade to replace retiring “baby boomers” and to meet the demands of continually growing student enrolment. The end of the decade is less than four years from now and, at the current rate of hiring, it will take 12 years to reach that goal.

Faced with financial uncertainty during years of underfunding, university and college administrators disproportionately hired part-time and contract instructors rather than full-time, tenure-stream faculty. This stopgap measure places greater burden on faculty who are forced to teach under uncertain circumstances without the guarantee of academic freedom that comes with tenured positions. The entire post-secondary education community suffers under this situation; students have less time with faculty in general; college faculty and contingent university faculty have few protections; class sizes increase significantly, and opportunities for quality improvements are lost.

Improvements to quality are directly linked to the working conditions of faculty and institutional supports available to students. If faculty lack secure employment or adequate institutional supports, any quality improvement goals within the system are undermined.

Currently, the 16,000 part-time college instructors in Ontario are prohibited from forming a union. At present, 15,000 full-time college staff and faculty are represented by the Ontario Public Service Employees Union. The International Labour Organization has recently criticized the Ontario government for this prohibition. A private member’s bill has been introduced in the provincial legislature to amend the Colleges Collective Bargaining Act to allow part-time faculty to unionize.

The working conditions in university classrooms are also in need of drastic improvement.

Unfortunately, at 24:1, Ontario’s student/faculty ratio is the worst in Canada, 15% higher than anywhere else in the country, and 35% higher than at public universities in peer jurisdictions in the United States. Student/faculty ratio is considered a critical indicator of quality in higher education and, in Ontario, demonstrates a disturbing deterioration of the student/faculty relationship. The province’s student/faculty ratio rose from 19:1 to 24:1 between 1995 and 2005. The need for additional faculty is urgent. The problem of faculty shortages will continue to worsen unless the government takes immediate steps to close the gap. One-third of Ontario’s aging faculty complement — 5,500 professors — is expected to retire by 2010, and enrolment numbers are projected to increase during the same period.

The McGuinty government recognized the importance of the relationship between faculty hiring and quality in its Reaching Higher plan, and has recently joined with universities to publicize what appears to be the hiring of large numbers of faculty. Unfortunately, when examined, the numbers presented by the universities in the 2005–06 Interim Accountability Agreements show only a 2% increase in hiring this year while student enrolment has increased by 4%. Disappointingly, only 35% of those hires are tenure-stream. These measures will not be enough to meet the need.

Additional support staff are also needed in our universities and colleges. Reducing Ontario’s student/faculty ratio and reducing class sizes, which are also among the largest in Canada, should be a top priority for a government that claims it wants to improve quality in post-secondary education.

University and college professors of the future are the graduate students of today. The McGuinty government has committed \$220 million by 2009–10 to expand graduate programs at Ontario universities by 14,000 students. Such expansion is welcome and necessary: Canadian universities graduate 4,000 PhD candidates a year,

only one-third of whom will pursue a career in academia. But the expansion must go hand-in-hand with support and additional funding for faculty to teach graduate level courses.

Quality in post-secondary education is linked to adequate, reliable funding. Although the new funding announced in the 2005 Ontario budget is desperately needed and welcome, the fact is that the McGuinty Reaching Higher plan will, at best, allow Ontario universities and colleges to reach for mediocrity. The new funding will be phased-in by 2009–10, at which point the Ministry of Training, Colleges and Universities' annual budget will be \$1.6 billion more than it was in 2004–05, but that increased funding will still only bring Ontario's post-secondary education funding up to the current national average.

#### **Hire 11,000 college and university faculty**

In order to restore student/faculty ratio to at least Ontario's historic levels, the Alternative Ontario Budget increases funding to universities sufficient to meet the faculty-hiring targets of the Rae report: namely, 11,000 full-time faculty by the end of the decade.

#### **Freeze tuition fees at 2004–05 levels**

The OAB will re-instate the tuition fee freeze at 2004 levels while expanding operating transfers to replace operating revenue that is currently being raised by tuition fee increases under Reaching Higher. Tuition fee revenue from fee increases is expected to surpass 2005–06 levels by approximately \$130 million in 2006–07 and by \$260 million in 2007–08.

#### **Double the number of needs-based grants**

The OAB will double the number of up-front, need-based grants. In 2006–07, the Ontario government spent \$80 million on grants, with about \$20 million of that money coming from the Canada Millennium Scholarship Foundation and the remaining \$60 million from the Ontario government. The doubling of grants to

\$160 million will cost approximately \$80 million over its current contribution. In combination with the measures to reduce tuition fees, the eligibility for needs-based grants will be reassessed so that more students are eligible and the grants are larger.

The OAB will reduce the student loan borrowing limit (or annual maximum amount of debt that is accumulated after debt reduction) from \$7,000 to \$6,000 per year by way of a \$1,000, up-front grant to all OSAP borrowers. This grant will be pro-rated to apply to OSAP borrowers whose need assessment determines a loan amount of \$1,000 per year or less, such that the first \$1,000 borrowed, or any part thereof, is a grant.

#### **Extend student financial assistance eligibility to part-time students**

Post-secondary education students studying part-time face a number of unique challenges. Some of these challenges include limited availability of programs and institutions, inaccessible student financial aid, and diminished course selection. Also, part-time students often balance their studies with other responsibilities such as work and family.

In Ontario, part-time students are excluded from financial aid programs. Part-time students are not eligible for OSAP, the Ontario Access Grant, or the joint Ontario-Millennium Scholarship Foundation bursaries. The OAB will restore eligibility to OSAP loans and grants for part-time students.

#### **Increase graduate student funding**

The Ontario Graduate Scholarship (OGS) program is part of the Ontario Student Assistance Program and is awarded to masters and doctoral level students on the basis of merit. For 2007–08, the value of the OGS is \$5,000 per term amounting to a maximum award of \$15,000 over three terms. In this fiscal year, 2,000 scholarships will be awarded with the province contributing two-

thirds of the overall financial amount and universities providing one-third.

The recent government announcement that graduate student enrolment will increase 55% over the 2002–03 levels by adding 12,000 graduate students and 14,000 by 2009–10 means that there also needs to be a significant investment. The Canadian Association of Graduate Studies 1994–2003 Statistical Report (2003) shows that in 2002 there were 40,386 graduate students enrolled in Ontario universities. Given the inadequate funding available to current graduate students, the government must immediately invest in increasing the student level support through the OGS program.

The OAB will double the number of Ontario Graduate Scholarships, at a cost of \$26 million.

### **Strengthen the Higher Education Quality Council of Ontario (HEQCO)**

The HEQCO was created as the solution to the quest for supposed improvements to the level of accountability achieved by Ontario's system of public post-secondary education. The government's assumption is that funding another regulatory body to establish frameworks for assessing quality and monitoring access, and to attempt to ensure that institutions adhere to these measures, will increase accountability. The slow start of the HEQCO and the lack of any involvement of students and faculty in the Council have resulted in a less than promising start to the accountability aspect of the McGuinty government's Reaching Higher plan.

To increase both the accountability of the system and the HEQCO itself, the OAB will ensure that there will be meaningful and formal stakeholder representation within all levels of Council governance and decision-making: specifically representation for students, faculty, and staff. Since the HEQCO will be conducting research and distributing funding for that research, the OAB also will have the HEQCO adopt a rigorous, transparent, and academically competitive research program to be operated through public colleges and universities and/or the granting councils.

To ensure financial accountability within the post-secondary system, the HEQCO will be directed to promote and enforce standardized and comprehensive enrolment and budgetary reporting mechanisms that allow for accurate monitoring of tuition fee revenues in post-secondary education institutions.

<b>Postsecondary</b>	
	<b>\$ million</b>
<b>Faculty hiring by end of decade</b>	
University (11,000)	804
College (7,000)	408
<b>Student Assistance</b>	
Tuition fee freeze	380
Needs based grants	80
OSAP Grant	120
Graduate student funding	26

# Health

The Ontario Alternative Budget puts equity at the core of health policy and funding. A connected series of initiatives on child care, housing, education, and income security will address the social and economic inequality that contribute directly to ill health and pervasive health disparities. Reducing these gaps will have a positive impact on health and health disparities in the medium term. At the same time, reforms within the health care system will enhance equitable access to the full range of preventive and treatment services people need and target innovative services to support those communities facing the worst health disparities.

## **The Roots of Health Disparities**

Why some people are healthy and others are not healthy can be traced to key social determinants of health such as Aboriginal status, early childhood development, education, employment and working conditions, food security, health care services, housing, income and its distribution, social safety nets, and social exclusion.<sup>11 12</sup> These are the social patterns and structures that shape people's chances to be healthy.<sup>13</sup>

The dramatic impact of health disparities due to social and economic inequities can be illustrated with a few key examples. Life expectancy at birth, on average, is five-to-10 years less for First Nations and Inuit peoples than for all Canadians.<sup>14</sup> Not coincidentally, the economic and social status of Aboriginal peoples is lower than that of non-Aboriginal Canadians on virtually every measure.<sup>15</sup> While infant mortality rates have been declining overall, infant mortality rates in Canada's poorest neighbourhoods remain two-thirds higher than those of the richest neighbourhoods.<sup>16</sup> To put the issue into perspective, had the infant death rate for all of Canada matched that of the richest neighbourhoods, there would have been 513 fewer infant deaths annually.<sup>17</sup>

## **Health Care System Reforms to Enhance Equity**

Ontario has been developing primary care, improved health record and information systems, encouraging multi-disciplinary health teams and other major reforms of the health care system. The OAB wants to ensure that this overall

transformation results in more equitable access to preventive and treatment services, that health care planning and delivery takes account of the incredible diversity of the Ontario populations, that effective interventions are targeted to the most disadvantaged individuals and communities, and that health disparities will be reduced. One of the most important elements of the transformation agenda is the creation of Local Health Integration Networks (LHINS).

### **LHINS**

The Local Health Integration Networks across the province have developed their first Integrated Health Service Plans (IHSPs), outlining their priorities for the next three years. They will soon be managing and allocating funds for hospitals, Community Health Centres, and other providers within their regions. The OAB sets out a policy and fiscal framework within which the LHINS can realize their potential.

Effective regional planning, service coordination, and resource allocation through the LHINS will:

- allocate resources to the sectors and communities of greatest need and where they will have the greatest impact;
- coordinate the complex system of institutions and service providers most effectively;
- create a full and seamless continuum of health promotion, preventive care and treatment; and
- ensure equitable access to this full range of care for all who need it.

For the LHINS to be able to realize this potential, however, certain key conditions will be crucial:

- sustained community involvement in LHIN planning and priority setting;

- ensuring that their services and planning processes reflect the full diversity of their local populations;
- ensuring that access to care is equitable;
- developing strategies to address health disparities and ensuring that the most marginalized and vulnerable populations have the care and services needed; and
- supporting front-line innovation.

### **Embed Community Role in Planning**

All the LHINS undertook extensive community consultations. They must build on this good initial start by embedding ongoing and significant community input and influence in their planning, priority setting, and resource allocation processes.

There are many mechanisms:

- neighbourhood councils to encourage local participation in planning discussions;
- community representatives on sector specific advisory bodies in areas such as mental health or seniors;
- participatory planning processes in which local councils or forums identify needs and priorities through extensive discussion and feed recommendations up to the LHINS;
- requirements that boards and advisory forums represent the full social and cultural diversity of the local population; and
- deliberative dialogue, residents' panels, juries, or other specific mechanisms to advise on issues as they arise.

Policy instruments to ensure effective participation will include the Ministry of Health and Long-Term Care (MOHLTC):

- incorporating performance requirements for significant community participation

in planning into funding agreements with LHINS;

- establishing dedicated lines in each LHIN budget to support engagement and participation (the funding to date has not been adequate); and
- including incentives for community engagement beyond the required standards and for pilot projects and experiments in innovative new ways of community planning and participation.

Capacity challenges must also be recognized: most community groups and virtually all informal neighbourhood or residents' associations do not have the capacities to analyze information and develop meaningful input. The Ministry and LHINS must provide funding and other resources to community groups to allow them to effectively participate in planning.

The Ontario Alternative Budget will:

- allocate \$1 million to each LHIN to enhance ongoing community participation in LHIN planning; and
- develop specific requirements and performance standards for LHINS regarding community engagement.

### **Embed Diversity into All LHINS**

Ontario's population has become increasingly diverse, especially in the major urban areas. While LHINS have included diversity in their priorities in various ways, there needs to be provincial support to ensure significant and consistent action. The policy instruments here are similar to those for community engagement: specific expectations and incentives must be built into funding arrangements so that each LHIN will ensure that:

- the composition of its board, advisory committees and other governance processes reflects the social, ethno-

cultural and demographic diversity of its population;

- its ongoing community engagement activities also effectively reflect and involve the social, ethno-cultural and demographic diversity of its population;
- all providers funded by the LHINS deliver culturally competent care;
- access to services delivered within its region is equitable for all regardless of ethno-cultural and racial background, sexual orientation, socio-economic position, etc.; and
- service use patterns reflect the diverse make-up and needs of the local population.

The MOHLTC must develop, working with the LHINS and community diversity practitioners and advocates, concrete indicators and milestones for each of these expectations. Being required to report performance in terms of such expectations and indicators would in turn require the LHINS to collect sufficient diversity-related data.

This is where the province also has a key role to play: it must begin to systematically collect health outcomes, utilization and system performance data that can allow such detailed planning and performance management. For example, it must develop systems that collect health data by income, occupation, ethno-cultural background, race, sexual orientation, etc. The province must also create sufficient analytical infrastructure to be able to deliver data on access, diversity, and other issues that LHINS need for ongoing management and planning, and that communities need to be able to assess LHIN priorities and delivery. The proposed new Ontario Agency for Health Protection and Promotion is a mechanism for helping to make these important changes in data collection and analysis possible.<sup>18</sup>

The Alternative Budget will:

- allocate funds to enable LHINS to ensure their planning, resource allocation and delivery sufficiently address the diversity of their populations; and
- develop specific requirements and performance standards for LHINS regarding diversity.
- A more specific study found that turnover among nurses and personal care workers rose with competitive bidding and increased for-profit provision.<sup>22</sup>
- The extensive 2005 review of the competitive bidding process used by CCACS, chaired by former Minister of Health Elinor Caplan, heard that certain features of non-profit agencies — such as providing extra (meaning non-mandated) services to meet specific needs and their connections to local communities — were much valued by clients. However, it failed to analyze in detail continuity of care, satisfaction, working conditions, or other variables by type of provider.<sup>23</sup>

### **Ensure Equitable Access to Health Care**

The LHINS legislation allows broad variations in how funds will be allocated and services purchased from service delivery organizations. There has been considerable concern that the government will move towards a split purchaser-provider model, in which the LHINS purchase services from a wide range of providers through competitive bidding and in which there is extensive for-profit provision. This concern has not been helped by the Ministry's and LHIN IHSPs' lack of clarity on exactly how services will be funded.

Available research indicates that such concern is well-founded. A comprehensive survey of data and analysis on the UK split purchaser-provider model documents significant problems with privatized care in higher overall administrative costs, quality of care, and working conditions.<sup>19</sup> The history of competitive bidding and for-profit contracting in Critical Care Access Centres (CCACS) and home care in Ontario reveals similar problems:

- One study found increased transaction costs, quality of care and continuity concerns raised by both providers and consumers, and poorer provider morale.<sup>20</sup>
- Several studies have found that the shift to competitive bidding led to intensification of work, increased casualization of work, lower pay and benefits, and increased job insecurity. A cross-country survey from Human Resources Development Canada found that wages of home care workers were lower in non-unionized for-profit agencies.<sup>21</sup>

The Ontario Alternative Budget will:

- require LHINS to provide a right of first refusal to not-for-profit providers in the provision or integration of health care services; and
- prohibit LHINS from using competitive bidding as a method of allocating funding among health care providers.

### **Equalizing Wages and Benefits for Health Care Workers Across Sectors**

The LHINS legislation sets out extensive powers for the transfer, merger, amalgamation, seizure, dissolution, and/or winding up services or operations. These changes will have a significant disruptive impact on the lives and careers of health care workers. It is a mistake for the government to assume workers can be transferred from place to place along with the furniture and the funding. Of particular concern is the potential for many nurses to take early retirement and withdraw from the system, aggravating and accelerating the pending crisis of a nursing shortage.<sup>24</sup> There will be a profound impact on other health care workers with the potential loss of good-paying, unionized jobs in this sector.



Equalizing wages and benefits across sectors would address a number of potential problems. First, it would reduce the incentive to move to an expansion of competitive bidding. Secondly, it would ensure that any transfers of services were driven by a patient-centred model of care rather than by cost containment. Thirdly, by avoiding the higher turnover that would inevitably result from competitive bidding and commercial provision, better continuity of care would be encouraged. Finally, it would mitigate the shortages that are expected in the health care work force.

Equalizing wages would also support equity and diversity goals. The hospital and other health care sectors have been among the most important areas where women, recent immigrants, people of colour, and other disadvantaged communities can secure decent pay and conditions. Equalization would preserve the wages and working conditions of a particularly vulnerable group within the workforce, preventing them from falling into poverty.

The Ontario Alternative Budget will:

- equalize wages and benefits for the existing community-based health workforce to that of the hospital sector (\$975 million annual costs).

## Supporting Vulnerable Populations

### Community Health Centres (CHCs)

The government has recognized that CHCs can play a crucial role in addressing health inequities and broader social determinants. CHCs work to provide primary care and preventive health services to the most disadvantaged neighbourhoods and communities. Recognizing that health is affected by broader determinants beyond the formal health system, many develop cross-sectoral partnerships and collaborations. Funding has been considerably expanded and new centres or satellites are being established. This has been a progressive and important initiative. However,

the impact of these centres could be strengthened even further.

The Ontario Alternative Budget will:

- expand funding for Aboriginal Health Centres, to address some of the most shocking disparities; and
- increase funding for health promotion and community health work (much of the increased funding for CHCs has been for primary care).

### Public Health System Reform

Public health practitioners have been analyzing how to address social determinants and health disparities through their front-line programming. However, the mandate and resources of public health units have restricted their potential for innovation.

Professionals working in public health have called for mandatory health program standards, including social and economic determinants of health.<sup>25</sup>

A second direction is to enhance public health funding to:

- ensure that health promotion, dental care, sexual and reproductive health, immunization and related services are located in and provided equitably in disadvantaged communities;
- put public health workers in every school and multi-service neighbourhood agency, especially concentrated in areas with greatest need; and
- increase public health capacity to provide services in the languages of local communities.

The Ontario Alternative Budget will:

- earmark funds within the MOHLTC to support public health initiatives directed at reducing health disparities and

addressing underlying social and economic determinants of health.

### **Innovative Practices in Health Care Delivery**

#### *Chronic Disease Management*

By age 65, 77% of Canadian men and 86% of Canadian women have acquired at least one chronic condition.<sup>26</sup> With Ontario's aging population, chronic illness across the population as a whole is increasing.

The chronic care model<sup>27</sup> takes into consideration the progressive nature of chronic disease, the impact on families and patients, and the need to address care along a continuum. This approach empowers those suffering from the diseases by making them a key partner in the management of their disease and takes into account the need for caregiver support.

The success of nurse-led clinics in a variety of settings provides strong evidence of the benefits of having nurses provide chronic care.<sup>28</sup> Nurse-led clinics for the management of chronic disease have been found to be cost-effective, and there is high patient satisfaction, improvements in care and patient lifestyle, increased access to care, and reduced wait times as compared to care provided from an illness managed perspective.<sup>29 30 31</sup>

The Ontario Alternative Budget will:

- introduce two nurse-led clinics that provide chronic disease management.

#### *Nurse-Led Primary Care*

In Ontario, difficulties continue in accessing primary care for patients living in underserved areas and for those without a family physician. In a number of countries, nurse-led clinics have alleviated pressure from shortages of health human resources, resulting in decreased waiting times, better integrated pathways of care, enhanced continuity of care, better access to

care, and cost containment.<sup>32</sup> Nurse-led clinics in Ontario have resulted in improved access to primary care and improved quality of life for patients and their families.<sup>33</sup>

The Ontario Alternative Budget will:

- fund three additional nurse-led primary health care clinics.

#### *Community-Based Innovation*

Community Health Centres and other community-based health care providers have made major strides in providing integrated care that directly addresses health disparities. Examples:

- In the new satellite CHCs in designated areas in Toronto, primary care and social and other services are provided from the same facilities providing complementary services from different agencies in community locations.
- Early years programs involve local collaborations of CHCs and other partners delivering clinical and preventative care and health promotion services.
- The GTA CHCs have developed an inter-CHC referral system so that clients can easily move from one to another.
- The CAISI (Client Access to Integrated Services and Information) system supports better client record and information sharing for homeless people among hospitals, shelters, and other front-line providers.

Provincial funding regimes create significant barriers to community-based health care providers developing and sustaining this kind of front-line innovation. The shift to project funding has meant very little core and stable funding to support ongoing development for most agencies. While these can be seen as operational matters to be worked out by Ministries and

LHINS, the problem — and the opportunity to fix it — is structural.

The clear consensus that the long-term health of the economy is dependent upon research and development, and enhancing human capital and knowledge, underlies government industrial and economic policy. It is just as important to support innovation in the health sector. The government and the Ministry of Health and Long-Term Care should make supporting front-line research, evaluation and innovation a crucial part of its overall health policy.

- Some projects with a broader scope could be funded at the provincial level and others through LHINS.

The Ontario Alternative Budget will support innovation by:

- providing specific lines in the Ministry of Health and Long-Term Care's budget for innovation and research for CHCs and other community-based providers;
- providing specific lines in budget agreements and incentives for LHINS to fund pilot projects and innovations; and
- developing provincial infrastructure to find local front-line innovations in health care delivery and organization, assess their impact and potential, share information widely, and scale up innovation where appropriate.

#### *Enhanced Coordination and Collaboration*

The need for cross-Ministry policy collaboration at the provincial level was emphasized above. There must also be effective coordination at the regional level, among contiguous LHINS and beyond.

#### *Across LHIN Boundaries*

That health strategy and funding must be coordinated across jurisdictional boundaries is nowhere clearer than in the major cities, with their greater

concentrations of health needs and disparities. For example, especially in Toronto, but in other large or regional cities as well, there are:

- more people with mental health, HIV/AIDS and other specific health challenges;
- more communities and people facing adverse social conditions that affect their health — more homeless people, newcomers, people without health insurance, racialized communities, concentrated poverty in particular neighbourhoods, etc.; and
- far more culturally diverse populations, which require more intensive and complex service mixes and networks.

Even with a coherent administrative structure, these factors pose particular challenges for coordination and collaboration. But Toronto has five LHINS, four of which extend into dense suburban and sparsely populated rural areas. Integrated GTA-wide planning and collaboration that spans these boundaries and complex spectrum of needs will be crucial.

The same principle will apply in other cities or in rural or Northern areas as well; for example, coordinating travel for specialized care, record-sharing and professional collaboration will cross LHIN boundaries in the North.

The value of system-wide planning was demonstrated with SARS, and intensive coordination and joint planning is proving vital to pandemic flu preparation. Such cross-sectoral planning tables may also be the most appropriate place to link LHINS and public health, which is otherwise not in the LHINS' formal mandate.

The Ontario Alternative Budget will:

- mandate and fund cross-sectoral health planning tables to foster policy and programme collaboration to address health disparities; and

- mandate and fund LHIN participation in such collaborative planning tables and processes.

*Beyond Health*

The Ontario Alternative Budget recognizes the impact of poor housing, social exclusion, poverty,

income inequality, and other broader social determinants of health and the value of up-stream investments in preventive and health promotion program. Carrying the cross-LHIN planning recommendation further, the province should create and fund coordinating infrastructures and planning tables of health, social services, education, etc., as ways of acting on the underlying social determinants of health.

The Ontario Alternative Budget will:

- mandate and fund cross-sectoral planning tables to address the underlying social and economic determinants of health and to foster policy and program collaboration to address health disparities; and
- mandate and fund LHIN participation in such collaborative planning tables and processes.

<b>Health</b>	
	<b>\$ million</b>
Equalize occupational wages across health sector	975
Enhance community engagement through \$1M for each LHIN	14
Fund 5 new nurse-led clinics	7.5
Create a health innovation fund .025% of the Ministry budget	10
<b>Total</b>	

# Renewing Public Infrastructure

Public infrastructure is a pivotal underpinning of Ontario's quality of life, the provision of public services, and the province's economic competitiveness and productivity. Low-income residents are most dependent on high-quality public services and infrastructure. They cannot purchase substitutes in the private market. They are the ones who fall through the cracks when public support crumbles.

That Ontario faces a crisis in public infrastructure has been obvious for more than a decade. The evidence of the gap between what we need and what we have is uncontested. And the basis of the problem — under-investment by the provincial government and the agencies for which it is ultimately responsible — is equally obvious.

What is surprising is the government's failure to come to terms with the problem. The Ministry of Public Infrastructure Renewal, charged with solving the crisis, has issued reports quantifying the shortfall and proposing principles for infrastructure investment. A five-year \$30 billion plan was announced in last year's budget. That sounds like a substantial commitment, but it is barely half the need.

Furthermore, the mechanism the government has chosen to deliver its capital program raises questions about affordability and about the government's ability to deliver the infrastructure investments it promises. Rather than committing public dollars to meet public infrastructure needs, the Ontario government is increasing its reliance on the notion of some magic, undiscovered pot of private-sector money which will become available through public-private partnerships (P3s) or, in the latest government-speak, Alternate Financing and Procurement (AFP).

Ontario's original five-year \$30 billion infrastructure plan projected that 10% of investment would come from private financing through AFPs. The Minister, on the other hand, seems to have bigger plans for the private sector, telling a business audience, "The choice is not between building the infrastructure we need using the traditional method or building it using alternative financing. The choice is between building it now, using AFP, or not building at all until some point in the indeterminate future."<sup>34</sup>

The five-year infrastructure plan includes hospitals, highways, transit, housing, municipal water systems, bridges, roads, school boards,

long-term care facilities, and post-secondary education. The areas earmarked for major AFP projects are “hospitals, the justice sector, and other areas”.<sup>35</sup> It appears that no area of public service is safe from P3s or AFPs.

Despite repeated pronouncements, the government has experienced considerable difficulty getting its private sector-based capital program off the ground. When the government department it created to run the program pointed to high borrowing costs as a problem for P3s, the government created a new Crown corporation with a majority of private sector directors to oversee large AFP projects. This Ontario Infrastructure Projects Corporation will also have responsibility for the Ontario Strategic Financing Authority (OSIFA), the program providing municipalities, universities, and other public sector institutions with access to low-cost long-term loans. Infrastructure Ontario, as it is called, illustrates the hidden costs and lack of accountability of P3s by removing decision-making about major infrastructure projects to an arms-length, unelected body.

The Liberal government has completely reversed its opposition to the commercialization of Ontario’s infrastructure. In the past year, the Minister of Health has announced more than two dozen new hospital P3 projects. The Ministry of Public Infrastructure Renewal is considering how to respond to recommendations from a panel chaired by Harry Swain that water and wastewater services be restructured to the level of regional governments or something equivalent so that they can be profitably privately delivered.

Last year’s OAB detailed the disadvantages of building infrastructure through P3 projects compared to publicly financed projects:

- Less transparency, public control and accountability;
- project costs are increased by 15% to 50% through the higher borrowing rates

charged to private investors and by the profit margins rolled into project costs by private sector financiers and developers; and

- profits for the private investors are also likely to be generated through reduction in quality of the service, cuts in service, cuts in employment, and/or the introduction of user fees for some services.

Cuts in publicly available services and increases in user fees will always hit lower-income residents hardest. They cannot substitute privately purchased services for public services.

Until recently, P3s offered some accounting advantages for the provincial government. Beginning with the 2005–06 Public Accounts and the subsequent 2007 Ontario Budget, the province’s financial statements will incorporate the bottom-line financial results of school boards, colleges, and hospitals. As a result, the assets in these sectors will be capitalized and amortized, effectively spreading the cost of the assets over their useful lives on the province’s books.<sup>36</sup>

According to Statistics Canada, Ontario’s public infrastructure is valued at \$240 billion. The Government of Canada owns approximately 12%. The rest — an estimated \$211 billion — is either owned directly by the provincial government or owned by transfer payment agencies for which the provincial government is ultimately responsible.

Just to maintain this capital stock in a state of good repair through life-cycle replacement is estimated to cost 3% of the value of the stock, currently about \$6 billion a year. That amount will tend to increase over time as the size of the capital stock grows and as repair and replacement unit costs increase.

It will take additional annual investments of 3% of the value of infrastructure stock to meet increased demand generated by economic growth. Annual capital expansion requirements will re-

quire an investment of another \$6 billion, indexed to unit costs. And these numbers do not address the backlog of deferred maintenance and unmet needs for new facilities created by prior years' funding constraints. Of this \$12 billion requirement, approximately \$5.3 billion is provided for in the current provincial budget.

This year's OAB invests an additional \$6.7 billion in infrastructure renewal to meet this requirement.

<b>Infrastructure renewal</b>	
	<b>\$ million</b>
Increase infrastructure investment to \$12 billion/year target (capital) [see program summary for annual expense associated with capital investment program]	6,700
<b>Total</b>	<b>6,700</b>

## A Focus on Cities

Poverty is concentrated in cities, and then again in certain neighbourhoods in cities. Low-income families and individuals depend on public services, especially those provided by municipalities, to meet their basic needs. Food banks and food programs; hostels and social housing; subsidized child care; well baby programs; literacy and ESL programs in the schools and in the communities; public transit; public recreation programs for kids and adults; public parks; libraries with free access to the internet — all these are municipal or municipally-supported services critical to low-income residents.

All of us rely on the basic municipal infrastructure to underpin the quality of our lives: drinkable water, sewage disposal, garbage pick-up, police, firefighters and ambulance services, streets and roads.

Successive provincial governments have created fiscal crises for Ontario's municipalities by downloading responsibilities without adequate funding and without creating room for municipal government to fund these services through progressive taxes. The Association of Municipalities of Ontario (AMO) calculates that municipalities spend \$3 billion annually on provincial health,

social services, and income redistribution programs. That amount doesn't include the funding vacated by the province in the past few years to provide land ambulance services, public transit capital and operations costs, child care expansion, public housing, or social infrastructure. It amounts to more than \$30 billion taken from municipal budgets over the past 10 years.

This year's OAB restores the province's responsibility for fair funding, allowing municipalities to use the municipal property tax base for their own services and capital expenditures.

The provincial government has announced that it will resume 75% (up from 50%) of public health funding at a cost of \$469 million in 2007–08. Land ambulance funding will be restored to 50%, increasing to \$385 in 2008. (Prior to 2000, land ambulance was 100% provincially funded.)

On the other hand, the province continues to download expenses to the municipal level. The Ontario Clean Water Act places responsibility for water source protection on small and large cities without adequate or stable funding. Even laws proscribing pit bulls will add to costs downloaded to cities.



This year's OAB also:

- re-assumes responsibility for funding affordable housing;
- reinstates the 75% funding formula for public transit capital;
- makes contributions of \$6.7 billion per year to a capital renewal fund, much of which will be directed towards local government initiatives;
- reforms and renews the social assistance system, which will alleviate some costs currently borne by local governments;
- restores the ability of school boards to participate fully in supporting services to children;
- implements the child care program;

- implements the recommendations of the Walkerton Inquiry by creating a clean water fund, to be funded from the infrastructure renewal fund; and
- provides additional direct funding for the non-profit organizations whose work is so important to developing and maintaining community social infrastructure.

The call on the part of a number of local government leaders for a 1% share of the Ontario Retail Sales Tax or the GST would cost \$2 billion. The OAB delivers approximately half of that amount by replacing the municipal contribution to housing and social assistance costs with provincial funding. The remainder will be delivered through a transfer to each municipality of half of 1% of the RST revenue raised in that municipality.

# Environment

Public health, an efficient economy, and our children's future: all of these depend on a clean environment.

Repeated public opinion polling shows that a huge majority of Ontario citizens support strong environmental laws, even in times of recession and government deficit cutting.

Yet one of the Harris-Eves era's most dubious achievements was the undoing of the entire environmental protection regime in this province. Its four-part strategy — dismantle environmental laws, weaken the role of government, shut out the public, and sell off our natural heritage — essentially crippled the province's ability to regulate environmental quality in the public interest.

When the people of Ontario "chose change" and elected a Liberal government in 2003, they wanted to see the restoration of environmental protection, policies and programs to significantly reduce pollution and improve public health, and a public power system that will meet Ontario's future energy needs in environmentally sustainable ways.

In their first year in government, the Liberals appeared to take small steps in the right di-

rection: the promise of a share of the gas tax for public transit, clean water programs and funds, watershed-based source protection programs, some protection of farm lands and environmentally sensitive areas, a promise to close polluting coal-powered electricity generating plants by 2007, and increased targets for municipal waste diversion.

There has been no real gain in Ontario's capacity to monitor environmental performance or to implement badly-needed new standards. An effective environmental policy must start by reinstating the enforcement and planning capacity of both the MOE and MNR. This year's OAB is committed to doing that.

Ontario pays a tremendous price every day for our failure to regulate environmental quality. The Ontario College of Family Physicians is concerned that in southern Ontario Canada's highest levels of smog, caused by urban sprawl, automobiles, industry and coal-fired power plants (on both sides of the Canada-U.S. border) cause premature deaths for up to 6,000 Ontarians each year.

To have any serious impact on air quality issues, this government has to make funding

for public transit a priority, rather than new spending on highways. Successful public transit systems require greater contributions from senior levels of government than we now see in Ontario. Senior government funding for transit operations in Ontario is totally inadequate. Our transit systems are more heavily dependent on the fare box for operating finances than virtually any other transit system in the world.

### **The case for public power**

Ontario's energy system has a profound impact on the quality of our environment, as well as the strength of the province's economy. The Liberal government is headed down the same path as the Harris-Eves Conservatives, but with more stealth. By requiring that all new power come from private sources — power to replace the coal plants as they are closed, limited development of renewable power sources, power to replace aging nuclear plants reaching the end of their lives, and power to meet any growth in demand — the government's electricity policy will result in the piece-by-piece privatization of all of Ontario's electricity generation within 20 to 25 years

Private power is more expensive than public power. It will add to the cost of doing business in Ontario and to the cost of providing public services. The government intends to put the cost of long-term, guaranteed profitable contracts with private companies building new electricity generation facilities right onto our power bills. If the people of Ontario are going to pay for the new plants, they want to get the best deal and they want to own them when they're paid for.

Building increased generating capacity is not the best energy investment for Ontario to ensure that the people of this province have an affordable, accessible, reliable energy supply for the future. The first step must be investments in energy efficiency and conservation. The government is proposing to spend \$1 billion over the next five years to install "smart meters" in

each home in Ontario, charging everyone \$3 or \$4 extra per month, every month for all time, to pay for them. But "smart meters" and time-of-use pricing don't save power; they simply allow consumers to rearrange their power usage. There is no evidence that consumers will even be able to save the amount needed to cover the cost of the meters. That \$1 billion would be better spent on serious energy efficiency and conservation programs.

Investments in energy efficiency have been found to produce four times more jobs than equivalent spending in new supplies of conventional energy. We are lagging behind Europe and Japan in utilizing new energy-efficient technologies and techniques, even though these new approaches could reduce energy cost, improve air quality, improve public health, stimulate new industries, and create new jobs. We support implementation of the Low Income Conservation Program proposed by the Low Income Energy Network. That program is funded through electricity bills.

### **An environmental plan to live by**

This year's OAB calls for \$200 million — funded from provincial general revenue — for new programs supporting energy conservation and efficiency.

Many of the ideas we can use have already been developed in other jurisdictions around the world. In these days of rising worldwide temperatures and shrinking ice-caps, what we need in Ontario is the political will to take on our environmental deficit for the crucial challenge it really is. This year's OAB will be an important first step in the right direction and provide a base for much more innovative and creative solutions for the future.

This year's OAB also allocates \$200 million in the next fiscal year for capital costs and \$105 for operating, in addition to the federal contribution to public transit.<sup>37</sup> Any special projects,

such as new “smart cards” and new subway construction, will require additional funding. This additional funding will be conditional on the withdrawal of all P3 transit plans, such as the ones proposed for York Region and Ottawa. These plans accomplish nothing that normal government borrowing could not accomplish, involve

a substantially higher cost, and would come at the expense of public accountability.

As a first step, this year’s OAB will revert to the funding formula that existed prior to the cutbacks imposed by the Conservative government in the mid-1990s. Under this interim arrangement, transit fares will be expected to cover 70% of operating funds, with subsidies of 15% of operating costs from each of provincial and municipal governments. This support will be over and above local governments’ revenue from federal and provincial gas tax sharing. Capital costs will be shared equally between federal, provincial, and municipal governments.

This year’s OAB will also increase funding for environmental regulation and enforcement in the Ministries of the Environment and Natural Resources: \$200 million in the next year.

<b>Environmental Investments</b>	
	<b>\$ million</b>
Increased capacity for regulation and enforcement	200
Clean Water Fund (capital)	250
Transit operations	105
Transit capital	200
Energy conservation and efficiency programs	200
<b>Total</b>	<b>955</b>

## Secure, well-paid employment — “good jobs”

The relatively low general unemployment rate of 6.4% at the end of 2006 masks a crash in the well-paid middle-class jobs typical of the manufacturing sector that have formed a foundation of prosperity and economic security for working families in the post-war years.

The list of closures ranges from Ford’s engine plant in Windsor to sawmills across northern Ontario to the Goodrich tire factory in Kitchener and the Domtar paper mill in Cornwall. In all, more than 125,000 manufacturing jobs have disappeared since 2004, but the Ontario government’s response has been a disappointing mix of half-measures, finger-pointing, and wishful thinking.

Sometimes it appears the government has joined the ranks of those who believe manufacturing doesn’t really matter to Ontario or Canada, and that the sooner those old-style jobs disappear, the better. This kind of thinking disregards the facts. In Canada, manufacturing accounts for 12.9% of all jobs, but 17.1% of all value-added in the economy. Manufacturers perform 75% of the country’s private sector Research and Development work. Manufacturing also provides most of our country’s merchandise exports, but

projections by Export Development Canada are for Ontario’s exports to decline by 3% in 2007, with autos and forest products expected to be hardest hit.

Manufacturing jobs pay 28% more than the national average, according to the Canadian Manufacturers and Exporters Association. These jobs also tend to come with decent pension and benefit packages, and manufacturers are more likely than other employers to provide employee training.

In short, for much of Ontario’s recent history, the recipe for working families to move out of poverty and into a life of economic security has been for a family member to be hired into a well-paying manufacturing job, whether it was in Toronto, in a smaller southern Ontario community, or a northern Ontario resource town. More recently, growth in incomes has been disproportionately concentrated among the very wealthy, as manufacturing jobs have been replaced in the economy by precarious, lower-paying positions with few if any benefits or security. Wages in these jobs, especially in the service industries, seem to be stuck to the minimum wage, which has fallen by nearly 20% in real terms since 1974.

Manufacturing provides both direct and spin-off employment in our economy. Losing our manufacturing base will create long-term unemployment, and will increase our overall reliance on imports. A strong economy is a diverse economy, and if our manufacturing base declines we are all weaker as a result. With the right policies, however, Ontario can build on its historic foundation to lead the way with new manufacturing technologies that will be needed to meet the economic and environmental challenges of the 21st century.

Not all of the causes of the good jobs gap in Ontario's manufacturing and forest products sector are within the control of the provincial government: for example, the soaring Canadian dollar and the federal government's handling of the softwood lumber dispute. But there are measures Ontario can and should take on its own, including:

**Stable, job-supporting electricity prices:** Expense scandals at Hydro One and Ontario Power Generation have been just the latest episodes to shake confidence in the handling of Ontario's electricity system, which has seen hydro prices for manufacturing skyrocket in recent years. Stable industrial rates, based on the real cost of producing power, have been the keystone of Ontario industrial policy for the last century.

**Sectoral Strategies:** The government needs to take bold initiatives to encourage and, if necessary, participate in strategic investments in key sectors of the economy. By now it is clear that a hands-off strategy of "tax cuts and hope" for the best will not succeed. Indeed, an active suite of strategies — with a well-designed mix of incentives, loan guarantees, direct investments, domestic procurement provisions and other measures — is needed to promote the environmentally sustainable jobs that will provide enduring prosperity.

**Jobs Protection Commissioner:** This position would be a strong, effective jobs advocate, building on the example set in British Columbia, where the commissioner was able to save 75,000 good jobs before the position was abolished by the new Liberal government in 2001. The commissioner would have a mandate to bring workers, employers, creditors, investors, and community leaders together to put troubled businesses back on a solid footing.

**Safeguards when jobs are beyond saving:** Ontario needs to establish a wage-earner protection fund to ensure employees receive compensation for unpaid wages, severance and vacation pay when their employer is bankrupt, insolvent, or does not pay for whatever reason. In addition, while Ontario benefits from having the only pension guarantee fund in Canada, its provisions are woefully out of date, covering only \$1,000 per month when companies shut down without putting enough money in their pension funds. This should be increased to \$2,500 per month.

**Special measures for the forest industry:** Nowhere is the "good jobs" gap more of a crisis than in northern Ontario's forest-dependent communities, which have seen thousands of jobs in woodlands, sawmills, and pulp and paper mills destroyed, and many more thousands in danger. The industry would benefit from many of the steps aimed at helping general manufacturing, but also needs specific measures, such as setting value-added conditions on companies' access to publicly-held forests in Ontario.

**Training:** A large proportion of Ontario's skilled manufacturing workforce is nearing retirement age, but concern about a looming shortage of skilled workers is not translating into nearly enough action on training apprentices to step into those jobs. The government must work actively with manufacturing employers to expand training.

# Program summary

TABLE 3 **Operating**

<b>Income Security</b>	<b>2007-8</b>	<b>2008-9</b>	<b>2009-10</b>	<b>2010-11</b>
Community social infrastructure.	113	225	225	225
Employment standards enforcement/ODSP access	10	10	10	10
End download of social assistance		400	400	400
Introduce Ontario Child Benefit	250	1,000	1,000	1,000
Increase OW and ODSP benefits to pre-tax LICO	1,200	1,315	1,430	1,545
End claw-back of Federal Child Tax Benefits (included above)				
<b>Housing</b>				
Province re-assume responsibility for housing	600	600	600	600
Rent supplements for new & existing housing (37,000 units)	220	220	220	220
<b>Early years and child care</b>				
Early learning and child care	600	750	900	1,200
<b>Education—Elementary and Secondary</b>				
Local priorities reinstatement		200	400	400
Actual cost of school operations (1997 updated)	188	375	375	375
Learning opportunities grant	125	250	250	250
Adult education		62	123	123
<b>Education—post-secondary</b>				
Funding for faculty hiring recommended in Rae report	303	606	909	1,212
Continue tuition fee freeze	260	300	340	389
Student financial assistance	213	226	226	226
<b>Health Care</b>				
Health care salary equalization		488	975	975
LHIN community engagement	14	14	14	14
Nurse-led clinics	8	8	8	8
Health innovation fund	10	10	10	10
<b>Environmental Protection</b>				
Environmental regulation—Environment and Energy and MNR	200	200	200	200
Transit operating support	105	105	105	105
Energy conservation and efficiency programs	100	200	200	200
Cities				1,000
<b>Total program funding increase</b>	<b>4,518</b>	<b>7,563</b>	<b>8,920</b>	<b>10,687</b>

TABLE 4 **Infrastructure investment**

	2007-08	2008-09	2009-10	2010-11
<b>Infrastructure fund</b>				
Maintain state of good repair	6,000	6,000	6,000	6,000
Additional spending to keep pace with growth	6,000	6,000	6,000	6,000
Total annual capital	12,000	12,000	12,000	12,000
Infrastructure in base plan 2007-08 to 2010-11 (est.)	-5,300	-5,300	-5,300	-5,300
Net amount to be financed	6,700	6,700	6,700	6,700
<b>Annual amortization</b>				
Current year amortization (20-year) — half year	168	168	168	168
Prior year amortization	-	335	670	1,005
Total amortization reported as capital	168	503	838	1,173
<b>Cost of capital</b>				
Current year interest costs	151	151	151	151
Prior year interest costs		302	603	905
Interest costs associated with capital program	151	452	754	1,055
<b>Budgetary expense</b>				
Amortization	168	503	838	1,173
Interest	151	452	754	1,055
<b>Total cost</b>	<b>318</b>	<b>955</b>	<b>1,591</b>	<b>2,228</b>



# Fiscal Framework and Revenue Measures

The fiscal framework for the Ontario Alternative Budget for 2007–08 takes as its starting point the three-year outlook presented by the government in its 2006–07 Fall Economic Statement.

The table presents actual revenue and expenditure data for 2005–06 as reflected in the Public Accounts, the government's updated forecast for the current (2006–07) fiscal year, and the outlook for 2007–08 and 2008–09.

As the OAB response to the Fall update shows, the \$1.9 billion deficit forecast for 2006–07 is unlikely to materialize, absent end-of-fiscal-year expenditure increases. An estimated \$200 million overstatement of debt service costs and the inclusion of \$2.5 billion in reserves more than half way through the fiscal year results in a \$2.7 billion turnaround and a likely surplus of \$0.8 billion.

The OAB adjusts the outlook for 2007–08 and 2008–09, as shown in Table 7.

We correct for debt service cost overestimates in both 2007–08 and 2008–09, and for an underestimate of revenue for 2008–9, based on current forecasts of economic growth, of \$0.8 billion. We also revert to the normal reserve allocation of \$1 billion.

The OAB provides increases in program and capital expense of \$4.8 billion in 2007–08, rising to \$8.5 billion in 2008–09, \$10.5 billion in 2009–10 and \$12.9 billion in 2010–11.

Additional revenue sources contribute \$4.2 billion in 2007–08 \$6.6 billion in 2008–09, \$6.9 billion in 2009–10, and \$7.2 billion in 2010–11.

The fiscal framework, including revenue from additional revenue sources, is summarized in Table 6.

At present, the Employer Health Tax includes an exemption for employers with payrolls under \$400,000. While this is touted as a benefit for small business, it is poorly targeted. Furthermore, the OAB believes that it is important that all businesses pay a share of the costs of Ontario's public health insurance system. That system constitutes a formidable competitive advantage for Ontario business, particularly in relation to businesses in the United States.

Accordingly, the OAB makes the EHT a flat rate tax, with no exemptions, tied to 18% of health care budgetary costs, for a tax rate of 2.2%, implemented in the second year of the OAB's four-year program.

TABLE 5 **Medium-term fiscal plan and outlook**  
Fall Update 2006 (\$Billions)

	Actual	Outlook		
	2005-06	2006-07	2007-08	2008-09
<b>Revenue</b>				
Taxation Revenue	59.9	61.6	63.5	66.1
Government of Canada	13.3	14	15.4	15.5
Income from Government Enterprises	4.3	3.9	4.1	4.3
Other Non-Tax Revenue	6.7	7.5	7	7.3
<b>Total Revenue</b>	<b>84.2</b>	<b>87</b>	<b>90</b>	<b>93.2</b>
<b>Expense</b>				
<i>Programs</i>				
Health Sector	32.8	35.5	37.5	38.9
Education Sector	11.6	12.1	12.6	12.7
Postsecondary Education and Training Sector	4.7	5.2	5.9	6
Children's and Social Services Sector	10.1	10.3	10.5	10.6
Justice Sector	3.1	3.2	3.2	3.2
Other Programs	12.6	12.4	11.6	11.6
Total Programs	74.9	78.8	81.2	83.1
Interest on Debt	9	9.2	9.5	9.6
<b>Total Expense</b>	<b>83.9</b>	<b>88</b>	<b>90.8</b>	<b>92.7</b>
Surplus/(Deficit) Before Reserve	0.3	-0.9	-0.7	0.5
Reserve	0	1	1.5	1.5
<b>Surplus/(Deficit)</b>	<b>0.3</b>	<b>-1.9</b>	<b>-2.2</b>	<b>-1</b>

Middle-income Ontarians have already made a substantial contribution towards the rebuilding of Ontario's fiscal capacity through the Health Premium. The OAB will therefore adopt a parallel to the structure of the federal personal income tax by adding a new tax bracket, beginning at an individual income of \$100,000 per year, 2% above the current top rate. Under this revision, an individual with an income of \$110,000 per year will pay an additional \$200 per year; an individual with an income of \$200,000 will pay \$2,000 more.

The federal government has been cutting corporate taxes far below what would be required to keep Canadian rates consistent with corresponding jurisdictions in the United States.

At the same time, the federal government has consistently refused to acknowledge the fiscal problems faced by provincial governments. The OAB will therefore have Ontario occupy the corporate tax room vacated by the federal government, increasing corporate tax rates (other than the small business rate) by 2%.

Tobacco tax rates will be brought into line with the rates applicable in B.C.: to \$35.80 per carton.

The gasoline and motor vehicle taxes will be increased by 2 cents per litre to pay a portion of the cost of improvements to roads and transit in the OAB program.

Finally, the OAB expects, conservatively, to realize a 1% increase in taxation revenue from

**TABLE 6 Medium-term fiscal plan and outlook**  
Change from Budget 2006 to Fall Update 2006 (\$Billions)

	Actual	Outlook		
	2005-06	2006-07	2007-08	2008-09
<b>Revenue</b>				
Taxation Revenue	0.2	0.3	-0.8	-1
Government of Canada	0.1	0.4	0.5	0.2
Income from Government Enterprises	0.1	0	0	0
Other Non-Tax Revenue	-0.1	0.5	0	0
<b>Total Revenue</b>	<b>0.3</b>	<b>1.2</b>	<b>-0.3</b>	<b>-0.8</b>
<b>Expense</b>				
<i>Programs</i>				
Health Sector	-0.7	0.1	0.2	0.1
Education Sector	0.1	0.1	0	0
Post-secondary Education and Training Sector	0	0	0	0
Children's and Social Services Sector	0	0	0	0
Justice Sector	0	0	0	0
Other Programs	-0.7	0.9	0.5	0.3
<b>Total Programs</b>	<b>-1.3</b>	<b>1.1</b>	<b>0.7</b>	<b>0.4</b>
Interest on Debt	-0.1	-0.2	-0.2	-0.3
<b>Total Expense</b>	<b>-1.4</b>	<b>0.9</b>	<b>0.5</b>	<b>0.1</b>
Surplus/(Deficit) Before Reserve	0.3	-0.9	-0.7	0.5
Reserve	0	0	0	0
<b>Budget Balance improvement/(deterioration)</b>	<b>1.7</b>	<b>0.3</b>	<b>-0.7</b>	<b>-1</b>

**TABLE 7 Summary of changes**

	2007-08	2008-09
Fall Update Projected Deficit	(2.20)	(1.00)
Revenue underestimate	-	0.80
Debt service cost overestimate	0.58	0.86
Reserve allowance increase	0.50	0.50
Projected balance after adjustments	(1.12)	1.16
Reserve	1.00	1.00
Projected balance without reserve	(0.12)	2.16

TABLE 8 OAB Framework Summary

	2007-08	2008-09	2009-10	2010-11
<b>Planned Balance (Target)</b>	<b>(2.2)</b>	<b>(1.0)</b>		
Projected balance w/o reserve	(0.2)	2.1	4.3	6.7
Reserve	(1.0)	(1.0)	(1.0)	(1.0)
Projected balance with reserve	(1.2)	1.1	3.3	5.7
Program Spending	4.5	7.6	8.9	10.7
Capital (Expense)	0.3	1.0	1.6	2.2
<b>Total Expenses</b>	<b>4.8</b>	<b>8.5</b>	<b>10.5</b>	<b>12.9</b>
<b>Additional revenue required</b>	<b>3.8</b>	<b>5.4</b>	<b>6.3</b>	<b>6.2</b>
<b>New Revenue Sources</b>				
Eliminate EHT exemptions	-	1.4	1.5	1.6
PIT 2% income + 100,000	1.2	1.3	1.3	1.4
EHT 18% of health costs		0.8	0.8	0.9
BC Tobacco Tax Rates	0.7	0.7	0.7	0.7
Gasoline & motor vehicle fuel 2 cents	0.4	0.5	0.5	0.5
Tax Administration	0.6	0.7	0.7	0.7
Corporate Tax 2% Increase	1.2	1.3	1.4	1.5
<b>Total new revenue</b>	<b>4.2</b>	<b>6.6</b>	<b>6.9</b>	<b>7.2</b>
<b>Balance</b>	<b>(1.9)</b>	<b>(0.8)</b>	<b>(0.4)</b>	<b>(0.0)</b>

tighter administration of the tax system. Despite repeated adverse comments from various provincial auditors, Ontario's tax audit density continues to be lower than that needed to ensure compliance. The result is the most unfair kind of tax system: one which permits some tax-

payers to avoid paying their share of taxes at the expense of others.

# Notes

**1** Statistics Canada, 2001 Census, based on the number of people in Ontario whose total income is at or below the pre-tax Low Income Cut-Off.

**2** Business and Labour Market Analysis Division, Statistics Canada. Custom Table, 2005.

**3** Statistics Canada, "Minimum Wage," Perspectives on Labour and Income, September 2006. (Figure for 2005 based on Labour Force Survey.)

**4** Human Resources and Development Canada, *When Working is not enough to Escape Poverty: An Analysis of Canada's Working Poor*, August 2006. Cat. No.SP-630-06-06E. Statistics Canada, Custom Table R16253YC-1, 1999.

**5** Saunders, Ron. "Lifting the Boats: Policies to Make Work Pay," Canadian Policy Research Network, 2005.

**6** Vosko, Leah. "Precarious Jobs" A new Typology of Employment." Perspectives on Labour and Income, 2003.

**7** Eakin, Lynn (2006). *Advancing the Nonprofit Sector*. Toronto, Ontario.

**8** Ontario Ministry of Finance (2006). *Ontario Population Projections Update: 2005–2031*. Toronto, Ontario.

**9** A poll conducted by the Ontario Confederation of University Faculty Associations and the Canadian Federation of Students (2006) show that almost 90% of Ontario voters are concerned that accessibility is on the decline and only 10% believe that quality has increased under the McGuinty Liberals. 74% of voters consider the cancellation of the tuition fee freeze as a broken promise.

**10** Legislative Assembly of Ontario, Standing Committee on Estimates, Oct. 18, 2006

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**37** Estimates by Toronto Environmental Alliance, based on 2003 spending reported in Canadian Urban Transit Association 2003 Ontario Transit Factbook.

