

MEMORANDUM

TO: Hon. Peter Bethlenfalvy, MPP for Pickering—Uxbridge, Minister of Finance

CC: Hon. Prabmeet Singh Sarkaria, MPP for Brampton South, President of the Treasury Board
Hon. Michael S. Kerzner, MPP for York Centre, Solicitor General
Hon. Kinga Surma, MPP for Etobicoke Centre, Minister of Infrastructure
Hon. Merrilee Fullerton, MPP for Kanata—Carleton, Minister of Children, Community and Social Services
Hon. Stephen Lecce, MPP for King—Vaughan, Minister of Education
Hon. Monte McNaughton, MPP for Lambton—Kent—Middlesex, Minister of Labour, Immigration, Training and Skills Development
Hon. Jill Dunlop, MPP for Simcoe North, Minister of Colleges and Universities

FROM: Andreae Sennyah, Director of Policy, Cardus

DATE: February 10, 2023

SUBJECT: Ontario's Budget 2023 Consultation

WHO WE ARE

Cardus is a non-partisan think tank dedicated to clarifying and strengthening, through research and dialogue, the ways in which society's institutions can work together for the common good.

ISSUE

Ontarians have been invited to provide feedback to the government on setting priorities for Budget 2023. Cardus is providing seven recommendations that address the following areas: supports for volunteers and the charitable sector, lowering the cost of public infrastructure, addressing gambling addiction, helping parents with childcare costs, correcting inequalities for special education funding, and ensuring that education funding supports the working class.

A governing agenda for the working class must be based on an accurate and up-to-date understanding of those who constitute it. As Cardus's report [Canada's New Working Class](#) found, "The stereotypical image of a male, blue-collar worker in the goods-producing sector is no longer an accurate representation of Canada's working class, if it ever was. Our findings in fact show that a working-class Canadian is as likely to be a female, recently immigrated worker in the services-producing sector." As the Government of Ontario formulates Budget 2023, it should do so with this context in mind.

RECOMMENDATIONS

RECOMMENDATION 1: Further reduce barriers to volunteering

- In March 2022, the Government of Ontario [announced](#) a policy to absorb the cost of police record checks for volunteering. However, charities or volunteers will still have to pay for Vulnerable Sector Checks (VSCs). The existing policy should be extended to fully absorb the cost of VSCs.

- VSCs are the most comprehensive type of police check and are required for volunteers who will be working with vulnerable populations. The cost of VSCs for volunteers can range from \$15 to \$35. Fingerprinting is sometimes required for these checks at an additional cost.
- The financial burden of VSCs is onerous for smaller charities or volunteers with a low income, especially if each organization requires a separate check. Absorbing these fees would further eliminate barriers to volunteering.
- **Details:** The province should fully subsidize the cost of VSCs and associated fingerprinting requirements (if needed) when accessed for volunteer purposes. This should go beyond the current legislative elimination of fees. The province should instead transfer funding to police services based on the number of checks processed each year. This change would cost \$8 million, representing 0.005 percent of the province's \$173 billion budget for program expenses in 2021–22.

For more details read Cardus's [Policy Brief: Absorbing Vulnerable Sector Check Fees to Reduce Barriers to Volunteering](#).

RECOMMENDATION 2: Increase the charitable tax credit

- The nonprofit sector in Ontario (including non-profit organizations and charities) makes a 7.9 percent or \$65.4 billion contribution to Ontario's GDP. According to [research from Imagine Canada](#) and the Ontario Nonprofit Network, the sector as a whole employs 844,000 people in the province.
- While the contributions of charities in Ontario and across Canada are significant, charities are facing a dual-challenge. Given current economic trends, [26 percent of Canadians](#) anticipate they will access or were already accessing the services of charities in 2022. At the same time, 25 percent of Canadians anticipated that they would be donating less in 2022 than they did in 2021. Demand is rising while donations are decreasing.
- **Details:** Charitable tax credits play an important part in motivating donors to give. However, Ontario's current charitable tax credit rate is one of the lowest in the country. Ontario should increase its charitable tax credit to the same level as Alberta at 10 percent on the first \$200 (an increase from the current 5.05 percent) and 21 percent on amounts over \$200 (an increase from the current 11.16 percent). This change, coupled with a public awareness campaign, has the potential to incentivize giving from current, lapsed, and new donors in Ontario.

For more details read Cardus's [Policy Brief: Increasing Ontario's Charitable Tax Credits](#).

RECOMMENDATION 3: Lower the cost of major infrastructure projects by promoting competition

- Restrictive tendering policies in Ontario limit the companies eligible to bid on public construction projects. Bill 66 (2019) contained amendments to the *Labour Relations Act* to remove this restriction. However, by allowing municipalities to opt-out of these provisions, the positive effects of this bill have not been fully realized.
- Restrictive tendering in Ontario means that companies that do not employ unionized workers are ineligible to bid on municipal construction projects. This limits competition and drives up the cost of projects.
- Data from the Region of Waterloo showed that Bill 66 had significant positive effects on competition, thereby lowering taxpayer costs for capital projects. However, the City of Toronto [opted out](#) of Bill 66 in 2019. Ontario Power Generation construction contracts are also subject to

Hamilton: 185 Young Street, Hamilton, ON L8N 1V9

Ottawa: 45 Rideau Street, 7 & 8 Floor, Ottawa, ON K1N 5W8

P: 905.528.8866 | E: info@cardus.ca | www.cardus.ca

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restrictive tendering. Public entities spend millions of dollars each year on large infrastructure projects. Removing restrictive tendering policies would result in significant savings for taxpayers.

- **Details:** Ontario should update the *Labour Relations Act* so that all public employers (including municipalities and crown corporations) currently deemed "construction employers" are regarded as "non-construction employers." Changes should also be made to ensure that public procurement legislation specifically prohibits the use of union affiliation as a barrier to bidding on public projects.

For more details read Cardus's reports, [Bouncing Back Through Diversity: The Effects of Bill 66 on Construction Competition in the Region of Waterloo](#) and [No Longer the Best: The Effects of Restrictive Tendering on the Region of Waterloo](#).

RECOMMENDATION 4: Reduce reliance on gambling revenue and meaningfully help problem-gamblers

- The Ontario Lottery and Gaming Corporation (OLG) has a monopoly on gambling. Given that the OLG's revenues are the lowest they have been in years due to the pandemic, the government should act now to reduce its dependence on gambling profits altogether.
- Lucrative profits collected from gambling are channelled into general revenue funds. Unlike progressive taxation where the rich are taxed more heavily than the poor, gambling acts as a regressive tax. Canadians with the lowest income spend the highest proportion of their money on gambling each year. Problem gamblers are also the main source of gambling revenue.
- The profit model of gambling means that gamblers always lose money in the long run. As problem gamblers often come from marginalized communities, the government should reduce its reliance on a system that preys on the poor and vulnerable.
- **Details:** The province should: (1) Return annual gambling profits to the poor through cash transfers; (2) Promote asset building through a matched savings program; (3) Work with financial institutions to offer prize-linked savings products, an innovative way to help families build emergency savings funds; and (4) Use the OLG's marketing budget to increase funding for problem-gambling research, prevention, and treatment.

For more details read Cardus's report [Turning Aces into Assets](#).

RECOMMENDATION 5: Help more Ontario families with their child care costs

- The provincial Childcare Access and Relief from Expenses (CARE) credit helps parents with their child care fees. While the federal-provincial \$10-a-day child care agreement is currently in place, only one-third of children under the age of 6 use the kind of care covered by the agreement. Given that most families will not benefit from that program, the CARE credit remains an important support for families.
- Unlike the Canada-wide agreement, the CARE credit applies to a wide range of child care options for children aged 0 to 17. However, the current credit does not go far enough to help the low- and middle-income families who need it most.
- **Details:** The CARE credit should be enhanced by increasing the credit's clawback threshold, indexing it to inflation, and removing two-thirds of the lower-income limit. Currently, the CARE credit is clawed back at a household income of \$20,000 annually and this threshold is not indexed to inflation. Given inflationary pressures, the clawback threshold should be increased and tied to

inflation. The credit is also limited to two-thirds of the income of the lower-earning parent. As this tends to disproportionately impact lower-income families, the limit for this credit should be removed.

For more details read Cardus's [Policy Brief: Enhancing Ontario's Child Care Tax Credit](#).

RECOMMENDATION 6: Ensure all students with special needs receive equal funding

- The current provincial approach to special education funding unfairly disadvantages students who attend independent schools. Students with special needs only receive special education funding if they attend a public school. Unlike health funding which is based on a student's needs and follows them regardless of school type, special education funding is limited based on the type of school the student attends.
- Cardus research from 2019 estimated the cost of extending special education funding to students in independent schools. Our model estimated the cost based on 75 and 50 percent of the per-student allocation for public schools. In these two scenarios, the cost ranged from approximately \$52 million to \$195 million depending on the funding level and the share of students who require the funding.
- **Details:** The current approach unfairly penalizes the most vulnerable children in our communities. Ontario can correct this inequality by shifting special education funding from a school-based model to a student-centred model. This student-centred model would fully fund all students with special needs at the same level as their peers in public schools.

For more details read Cardus's report [Funding Fairness for Students in Ontario with Special Education Needs](#).

RECOMMENDATION 7: Ensure post-secondary education funding supports the needs of working-class Ontarians

- Current funding allocations for various levels of post-secondary education may not be working for the working class. In terms of national statistics, 53 percent of the working class hold some sort of post-secondary certificate, diploma, or degree that exceeds what is necessary for the work they do. This is a significant opportunity cost for the Ontario economy and points to a misalignment between the kind of education that Ontarians need for the current economic environment and the kind of education that they are actually receiving.
- There is a significant need in the provincial economy for a stronger focus on the trades, particularly as Ontario faces labour shortages and ambitious public procurement plans by various levels of government. Continued promotion of the skilled trades as a viable career path for working-class Ontarians would help address both of these issues.
- **Details:** Ontario should re-evaluate if it has the right mix of funding between university-level education and training on the skilled trades. Additionally, opportunities should be increased for co-ops in the secondary school system and for lifelong education in the skilled trades.

For more details read Cardus's report [Canada's New Working Class](#) and Brian Dijkema and Sean Speer's proposals in [Ontario 360: Advancing Structural Reforms to the Skilled Trades and Apprenticeships in Ontario](#).