# Federal budget highlights for OMSSA members [1]

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EXCERPTS

The federal government introduced their first budget since the 2019 election and since the start of the 2019 COVID-19 pandemic titled "A Recovery Plan for Jobs, Growth, and Resilience". Measures in the fall economic statement set the stage for the expected contents in today's budget but comes at a time when the Province of Ontario and Canada see record COVID cases as part of the third wave. A good portion of the budget sets the stage for economic recovery and a post-pandemic vision but also attempts to balance some of the immediate concerns to deal with the growing health crisis capturing public attention in the moment.

The federal government has also been accused of using this budget as an election platform in the short-term. In a minority government, the budget is a confidence vote and could trigger an election if at least one opposition party does not support the government or abstain on the vote. Prior to the budget, the NDP announced they would not vote non-confidence and trigger an election during the pandemic meaning an election is not expected resulting from the upcoming confidence votes but may happen in the fall or spring of 2022.

The budget document is 796 pages and covers a lot of ground over many years. The budget projects a deficit of $354.2 billion for 2020-21, $154.7 billion in 2021-22, and eventually declines to pre-pandemic levels of $30.7 billion in 2025-26. The federal debt-to-GDP ratio is expected to peak in 2021-22 at 51.2 per cent, and is expected to fall to 49.2 per cent by 2025-26, which is the same year that the deficit will reach 1.1. per cent of GDP. No timeline to return to balance or fiscal anchor was announced. The budget projects new spending of $101.4 billion over three years, however this may change in the event of an election or unexpected changes resulting from the state of the pandemic over time. Some of the announcements (including child care) also require negotiation and cooperation with the Premiers as they fall under provincial jurisdiction. The budget did not include increasing provincial health transfers previously demanded by the Premiers as a top priority and this may complicate those negotiations.

From an OMSSA perspective, the budget does contain important measures for early years and child care, housing, social assistance and long-term care. Some of the budget highlights include:

**Early Years and Child Care:**

The headline out of the 2021 federal budget is the historic investment in national child care, originally promised decades ago. As expected, the federal government hopes to model their national child care proposal after the Quebec $10 per day program. If a national program is set up, Quebec will be able to use its share of the money to improve its own system. Newfoundland and Labrador was also cited as an example of a province that has made gains that will be rewarded in federal-provincial bilateral negotiations.

"This budget commits up to $30 billion over five years, reaching $8.3 billion every year, permanently, to build a high-quality, affordable and accessible early learning and child care system across Canada. This is not an effort that will deliver instant gratification. We are building something that, of necessity, must be constructed collaboratively, and for the long-term. But I have confidence in us. I have confidence that we are a country that believes in investing in our future; in our children; and in our young parents. Here is our goal : Five years from now, parents across the country should have access to high quality early learning and child care, for an average of $10 a day."

Of the $30 billion promised today, $27.2 billion will be used to "bring the federal government to a 50/50 share of child care costs with provincial and territorial governments," according to the budget document. Legislation is expected later this year to provide further details on the proposed national child care program. OMSSA will work with our membership and the Ministry of Education in Ontario to determine what this means in an Ontario context. It will be a challenge to negotiate cost sharing with the Premiers during the pandemic and ahead of the next election.

OMSSA will work with our membership to ensure a strong role remains for municipalities through Ontario's unique system.

**Community Housing:**

Economic stimulus packages often include funding for infrastructure including social infrastructure. Housing advocates and municipal associations had been advocating for enhancements to the National Housing Strategy and investments in community housing as part of any economic stimulus package. Rising home prices in the real estate market had also led to speculation that the federal government would consider taking action to cool housing prices in order to promote affordability.

“And a growing country needs to build. We need to build housing. We need to build public transit. We need to build broadband. We need to build infrastructure. And we will. We will invest $2.5 billion and reallocate $1.3 billion in existing funding to help build, repair and support 35,000 existing housing units. And we will support the conversion to housing of the empty office space that has appeared in our downtowns, by reallocating $300 million from the Rental Construction Financing Initiative. Houses should not be passive investment vehicles for offshore money. They should be homes for Canadian families. So, on January 1st, 2022, our government will introduce Canada's first national tax on vacant property owned by non-resident, non-Canadians.”

The federal government will invest an additional $2.5 billion over seven years including $1.5 billion for the Rapid Housing Initiative. $600 million over two years will be allocated from the Rental Construction Financing Initiative to help convert vacant office and commercial properties into rental housing. Overall, the goal is to add an additional 35,000 affordable housing units to build on the existing National Housing Strategy. The government will also impose a national vacant home tax targeted to non-Canadian residents.

OMSSA will continue to advocate for funding that includes all 47 CMSMs and DSSABs as much of this new money will be allocated to large urban centres.

**Social Assistance:**

The Canada Emergency Relief Benefit (CERB) provided many Canadians with $500 per week early in the pandemic. Last fall it was extended until June under the new Canada Relief Benefit and Employment Insurance program for those who qualify. These programs will be extended again until September as a result of the third wave happening in Ontario and other provinces.

“The Canada Recovery Benefit, which we created to support Canadians not covered by EI, will remain in place through September 25 and extend an additional 12 weeks of benefits to Canadians. As our economy fully reopens over the summer, the benefit amount will go to $300 a week, after July 17.”

It should be noted that the benefit is expected to drop to $300 per week in July when the “economy fully reopens”, however the government doesn’t expect the population to be fully vaccinated until September. It is possible that if trends continue with COVID cases and the third wave that these benefits could further be extended until the end of the year. There were concerns these programs may expire federally leading to rising caseloads for provincial social assistance programs.

The federal government will also increase Old Age Security for seniors ages 75 and older, providing up to $766 more for eligible seniors in the first year.

**Health and Long Term Care:**

The federal budget promises $3 billion over five years, starting in 2022-23, for Health Canada to support provinces and territories in improving standards for long-term care. Long term care is also in provincial jurisdiction. In 2018, Ontario spent $4.28 billion (7% of the overall provincial health budget).

Canadian Premiers were hoping that the federal government would increase the Canada health Transfer from 28 to 35% at an annual cost of $28 billion. Prime Minister Trudeau said he was open to increasing transfers in the future and negotiating with the Premiers after the pandemic but in this budget document there is no allocation for an increase in the CHT. It was somewhat surprising that more money was not allocated to support provincial health systems currently in crisis.

The NDP is also likely to be disappointed that there were no significant measures to advance pharmacare or dental coverage in this budget. This may be seen as a missed opportunity as deficits and spending are expected to be reduced in the coming years.

The federal government plans to invest $100 million over the next three years, to support projects for mental health interventions for populations disproportionately impacted by COVID-19, such as health care and front-line workers.

**Support for Municipalities:**

Deputy Prime Minister Freeland previously announced that legislation would be introduced that would include $2.2 billion through the federal gas tax fund to address short-term infrastructure priorities and a $1 billion one-time payment to the provinces and territories to help with vaccine rollout. There was also support for early years and child care; housing; social assistance; broadband; public transit and infrastructure over many years.

Municipal advocates were hoping to see a renewal of the Safe Restart agreement that was important in supporting municipalities with pandemic costs. Municipalities could see budget pressures in the future without new rounds of the Safe Restart Agreement and provincial supports such as the Social Services Relief Fund.

**Support for the Economy:**

The federal government has a goal to create one million jobs in a year as part of our post-pandemic economic recovery with a focus on the green economy and ensuring no Canadian is left behind. Some metrics have shown the economy is already recovering faster than expected but it has been an unequal "K" shaped recovery with some doing well while others struggle.

The federal government will spend $17.6 billion towards a green recovery to create jobs, build a clean economy, and protect against climate change.

The budget extends the wage subsidy, commercial rent subsidy, and other lockdown support measures for businesses and other employers until September 25, 2021, for an estimated total of $12.1 billion in additional support. This support may be further extended beyond September if the Canadian population is not fully vaccinated allowing the economy to open up by this time.

The government plans to introduce a new Canada Recovery Hiring Program to provide eligible employers with a subsidy of up to 50 per cent on the incremental remuneration paid to eligible employees between June 6 and November 20. The program will provide $595 million to make it easier for businesses to hire back laid-off workers or to bring in new ones.

$18 billion over the next five years to try to narrow the socio-economic gap between Indigenous and non-Indigenous people, including $6 billion for infrastructure in Indigenous communities, and $2.2 billion to help end the tragedy of missing and murdered Indigenous women and girls.

The federal government will also introduce a $15 federal minimum wage that will increase over time to accommodate inflation. There are also plans to expand the Canada Workers Benefit, to invest $8.9 billion over six years in additional support for low-wage workers – extending income top-ups to about a million more Canadians and helping lift nearly 100,000 people out of poverty.

$1 billion was allocated over six years, starting in 2021-22, to the Universal Broadband Fund to speed up broadband access in rural and Northern communities.

The government plans to extend the EI sickness benefit from 15 to 26 weeks.

The budget includes an investment of $5.7 billion over five years for Canada's youth including doubling the Canada Student Grant for two more years and relief on student loan interest until March 2023.

$41.3 million will be invested over six years starting in 2021-22, for Statistics Canada to improve data infrastructure and data collection.

$424 million in 2021-22 to ensure the "safe reopening" of Canada's borders, through funding further air travel protections and mandatory quarantine measures.

$2.2 billion over the next seven years on boosting Canada's biomedical and life sciences research sector to support an increase in vaccine development.

$14.9 billion over eight years to build new public transit, electrify existing transit systems, and help to connect rural, remote and Indigenous communities.

**Potential Risks:**

The 2021 federal budget is extensive and attempts to address many items within the $100 billion of new spending over three years. Some pundits have called it an election platform. In a minority government, the average lifespan is 2 years and an election is expected as soon as the pandemic allows. With so much promised over several years, there is a risk that an eventual election could lead to changes regardless of if the current government is re-elected.

The budget also relies heavily on future economic growth to pay for the increased spending resulting from the COVID-19 pandemic. Canada's GDP saw a historic drop during the lockdowns, but the economy is recovering faster than expected (although many are still negatively impacted and unemployment remains high). While it is reasonable to expect a boost to GDP once the pandemic ends and the economy re-opens, long term growth in Canada may slow over time. This budget has no spending cuts or new significant tax increases. If economic growth is not as robust as predicted, future governments could face tough choices in the coming years that might make some of these announcements less sustainable over the long term. There is also a risk that tax hikes and higher debt serving costs for Canadians could cut into discretionary spending needed to boost the economy.

The national child care funding is the highlight of this budget, however it is conditional on negotiations with the provinces and dependent on cost sharing. Canada's debt-to-GDP ratio is reasonable compared to other G7 nations but gets worse when provincial debt is included. While there are strong arguments in favour of supporting a national early years and child care program, Premiers may not see it as an immediate priority during the pandemic after asking for more money through the Canada Health Transfer. Negotiations will be complex as each province is in a different position with their early years and child care programs and may be reluctant to accept cost sharing or federal direction within an area of provincial jurisdiction. On the flip side, the federal government has come to the table with significant money and Premiers may find it hard politically to turn down these funds for a program that will be popular with many Canadians from coast to coast.

Finally, we are in the middle of a pandemic that has been hard to predict since March of 2020. A year ago, there was an expectation that we would already be on the road to recovery. Instead we are now in a third wave with record cases and full ICU capacity in Ontario. If cases continue to surge, future lockdowns become necessary or any further issues arise with vaccines; new costs could emerge beyond those outlined in this budget document. The spending could also leave the federal government vulnerable should borrowing costs increase, new economic shocks emerge or unexpected events such as natural disasters or climate change force future government spending beyond what was outlined in the budget.

**Conclusion:**

Today's federal budget provides new funding for social assistance, housing and child care that will be helpful to OMSSA members. The emphasis on child care is also welcome and encouraging. While there is a lot of positive measures, there is some risk that money promised over multiple years or dependent on provincial negotiations may not become reality. The provincial and federal governments have now both outlined their budgets and set the expectations for the 2021-22 fiscal year. OMSSA staff will continue reviewing the budget in detail, collaborating with municipal associations and continuing to advocate on behalf of our members in areas where gaps may still exist.

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