

MEMORANDUM

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

CC: Hon. Caroline Mulroney, MPP for York—Simcoe, Minister of Francophone Affairs and 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. Michael Parsa, MPP for Aurora—Oak Ridges—Richmond Hill, Minister of Children, Community and Social Services
Hon. Stephen Lecce, MPP for King—Vaughan, Minister of Education
Hon. David Piccini, MPP for Northumberland—Peterborough South, 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

DATE: January 31, 2024

SUBJECT: Ontario's Budget 2024 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 2024. Cardus is providing eight recommendations that address the following areas: supports for volunteers and the charitable sector, lowering the cost of Toronto's public infrastructure projects, addressing gambling addiction, helping parents with child care costs, correcting inequalities in special education funding, ensuring that post-secondary education supports the working class, and increasing employment opportunities for people with criminal records.

RECOMMENDATIONS

RECOMMENDATION 1: Further reduce barriers to volunteering

- In 2022, the Government of Ontario amended the *Police Record Checks Reform Act* to remove the cost of police record checks for volunteering. However, charities or volunteers will still have to pay for Vulnerable Sector Checks (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.

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- **Details:** The province should fully cover the cost of VSCs and associated fingerprinting requirements 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.

For more details read [Memo: Changes to Vulnerable Sector Check Fees - Ontario's Police Record Checks Reform Act Review](#) (Cardus, September 2023).

RECOMMENDATION 2: Increase the charitable tax credit

- According to [Imagine Canada's 2021 research](#), 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, and employs 844,000 people in the province.
- In a time of rising inflation, charities continue to face the challenge of rising demand and decreased donations. 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.
- **Details:** Ontario's current charitable tax credit is one of the least generous in the country. To help incentivize charitable giving, the province should increase its charitable tax credit to 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).

For more details read [Policy Brief: Increasing Ontario's Charitable Tax Credits](#) (Cardus, December 2022).

RECOMMENDATION 3: Promote savings on Toronto's infrastructure projects through open tendering

- 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. 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 City of Toronto has not realized the potential savings that this bill offers.
- Our estimates show that Toronto stands to gain \$347 million in savings if it moved to open tendering. In light of the city's proposed property tax increase to bring in \$380 million in revenue, the implementation of open tendering could result in needed savings while avoiding the significant tax hike on Torontonians.
- **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 [Better Choices for Toronto](#) (Cardus, May 2023) and [Opinion: How Toronto could avoid raising property taxes](#) (Financial Post, January 2024).

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

- The Ontario Lottery and Gaming Corporation (OLG) has a monopoly on gambling. 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 [Turning Aces into Assets](#) (Cardus, May 2021) and [ON360 Transition Briefings 2022 – Turning Aces Into Assets: The Case For Gambling Reform In Ontario](#) (ON360, June 2022).

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 [Policy Brief: Enhancing Ontario's Child Care Tax Credit](#) (Cardus, April 2022).

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.

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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 [Funding Fairness for Students in Ontario with Special Education Needs](#) (Cardus, March 2019).

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

- Working class Ontarians, defined as workers who are in jobs that only require secondary education or on-the-job training (i.e. do not require a post-secondary credential), represent 34 percent of the provincial labour force.
- Yet 53 percent of the working class in Canada hold some sort of post-secondary certificate, diploma, or degree. Thus, this group of workers hold educational credentials that exceed 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 they are actually receiving.
- This suggests that current funding allocations for various levels of post-secondary education may not be working for the working class. The Ontario government should consider whether other educational streams, such as apprenticeships, would yield better labour-market outcomes for Ontario's working class.
- **Details:** In preparing Budget 2024, Ontario should be attentive to the mix of funding between university-level education and training on the skilled trades to ensure that post-secondary education meets the needs of the labour market. 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 [Canada's New Working Class](#) (Cardus, December 2023) and [Advancing Structural Reforms to the Skilled Trades and Apprenticeships in Ontario](#) (ON360, February 2020).

RECOMMENDATION 8: Incentivize employers to hire people with criminal records

- Over a million Ontarians have criminal records, with a significant rate of recidivism. Research shows that employment has major positive effects and reduces the likelihood of reoffending. However, people with criminal records often struggle to find employment.
- Cardus has proposed a series of measures to address the stigma associated with criminal records. In addition, there are two direct fiscal measures that the government can take to incentivize the employment of people with criminal records. Together, these policies address the supply (worker) and demand (employer) sides of hiring.
- **Details:** Ontario should: (1) Create a provincial bonding program that provides no-cost insurance to employers, which would mitigate potential financial risks associated with hiring someone with a criminal record. (2) Introduce a wage subsidy for people with criminal records tailored specifically to the needs of this population, replacing and expanding on the wage subsidy currently provided through the Skills Development Fund.

For more details read [Employing Ontarians with Criminal Records](#) (Cardus, December 2023).