



2021 Ontario Budget

“The Ontario government tackled several significant challenges in its provincial budget, most notably continuing to support families and businesses through the pandemic, providing a long-term path to balanced budgets that will be welcomed by investors and credit agencies, and improving the efficiency and effectiveness of the province’s capital markets to strengthen confidence and increase capital formation.” Ian Russell, IIAC President and CEO

Budget Announcements

The government unveiled a \$38.5 billion deficit for fiscal 2020-21, up from \$8.7 billion in fiscal 2019-20, a confirmation of the magnitude of fiscal support during the pandemic. Over the medium term, the government projects steadily declining deficits of \$33.1 billion in 2021-22, \$27.7 billion in 2022-23 and \$20.2 billion in 2023-24.

Net debt in fiscal 2021-22 is forecast to rise to \$439.8 billion (up from \$399.5 last year and \$353.3 in fiscal 2019-20) and to reach \$503.1 billion in fiscal 2023-24. The net debt-to-GDP ratio is projected to rise to 48.8% this fiscal year and to reach 50.2% by 2023-24. The government included a target for net debt-to-GDP to not exceed 50.5% over the medium-term outlook, as well as introducing two additional relevant measures of debt sustainability.

The long-term public borrowing forecast is \$54.7 billion in fiscal 2021-22 and \$59.1 billion in fiscal 2022-23. Ontario has adjusted its target range for domestic borrowing to 65% to 80% for the 2021-22 fiscal year (from 70% to 80%). Approximately 65% of 2020-21 borrowing has been completed in Canadian dollars through 37 syndicated issues, including the largest issue ever by a province in the Canadian dollar bond market and the two largest Green Bond issues to-date by Ontario.

Several announcements are of interest to our members:

- The government is moving forward with legislative amendments to support the expansion of the Ontario Securities Commission’s (OSC) mandate to include competition and capital formation to facilitate economic growth. Ontario is also moving forward with proposed amendments to separate the OSC Chair and Chief Executive Officer position into two distinct roles, as well as to separate the currently combined board and adjudicative responsibilities of the Commission. The government states these proposed changes will represent corporate governance best practices and instill more confidence in Ontario’s capital markets when they come into effect later this year.

- In the coming months, the government will publish the draft *Capital Markets Act* for stakeholder consultation. Concurrently, the OSC is conducting analysis to inform its regulatory consultation process on the Capital Markets Modernization Taskforce's recommendations that fall within the purview of OSC rules.
- The OSC will begin policy work to inform further regulatory consultation on ESG disclosure later this year. In its final report, the Modernization Taskforce recommended mandating disclosure by public companies of material ESG information, specifically climate-related disclosure that is compliant with the Task Force on Climate-Related Financial Disclosure recommendations.
- Additional proposed legislative amendments include:
 - Technical amendments to the *Financial Services Regulatory Authority of Ontario Act, 2016* that would enable FSRA to make a rule governing fees for activities in respect of the *Financial Professionals Title Protection Act, 2019*. Corresponding technical amendments to the *Financial Professionals Title Protection Act, 2019* would address the existing overlapping authority related to fees, with further technical amendments to reflect the proposed approach to collect fees from FSRA approved credentialing bodies.
 - Amendments that will be proposed in the future to align certain Ontario statutes with proposed legislation to modernize the governance of the OSC and with proposed changes to the *Securities Act* and the *Commodity Futures Act*.
- Ontario is supportive of the federal government's plan to consult on the modernization of Canada's anti-avoidance rules, in particular, the General Anti-Avoidance Rule (GAAR).