

Fiscal update, Q1 2019 Mitzie Hunter Liberal Finance Critic



“The next few months will be chaotic. The Ford Government will likely try to get as many of the severe cuts over with in the next few months. They will likely move quickly on a wide variety of issues, hoping that it will make it difficult for the public to focus on any one issue.

This is the typical conservative game plan. Create a crisis, fuel the crisis and use it to drive the conservative agenda — buckle up as we brace for Ford’s austerity budget.” - **Mitzie**

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To repeat, the Ford Government continues to follow the classic conservative game plan that I have talked about before.

- ▶ Manufacture a politically driven inflated deficit to create a “fiscal crisis”
- ▶ In spite of the “fiscal crisis” — cut revenue through aggressive tax cuts to maintain the “fiscal crisis”
- ▶ Use the “fiscal crisis” to justify cuts to essential services such as health, education, post-secondary and community services

I have three overall key conclusions that I will share with you.

1. The 15-billion-dollar deficit number is not real and is politically manufactured to create this “fiscal crisis”.

My basis for that is as follows:

- ▶ The original \$6.7 billion deficit number presented by the previous government was attested to by Scott Thompson, Deputy Minister Finance, Helen Angus, Deputy Treasury Board and Cindy Veinot, Provincial Controller. These non-partisan, public employees said that these estimates were based on the best estimates available at the time of the budget and the deficit was prepared in accordance with accounting principles for government issued by the Public Sector Accounting Board.
- ▶ The former Provincial Controller has said that the Ford government has “materially overstated the deficit of the province”. She has taken the courageous step of resigning from the public service because of this issue.

2. In spite of this “fiscal crisis”, the Ford Government is implementing an aggressive revenue cutting exercise (mainly tax cuts) to keep this deficit crisis alive for the next few years.

The Financial Accountability Office found changes already announced by Ford government will cut annual revenue by \$2B a year (exclusive of \$1.7B in cap and trade). The following are revenue cuts we find in FES and in the Ford campaign promises:

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2018- 2019 Fiscal Year Revenue Cuts

- ▶ \$160M – business tax cut (pg. 47 FES)
- ▶ \$500M – LIFT tax cut (pg. 62 FES)
- ▶ \$1.5B cancelling cap and trade – offset by cancelling much of the related spending
- ▶ Cancel beer tax increase
- ▶ Cancel license renewal increase
- ▶ \$800M - Parallel federal capital cost appreciation (pg.16 FAO report)
- ▶ \$250M – not proceeding with changes to provincial income tax (pg.120 FES)

2019– 2020 Fiscal Year Revenue Cuts

- ▶ \$1.2B – lower gas tax by .10c (pg. 20 of “Plan for Ontario”)
- ▶ \$400M – Child Care Tax Credit (pg. 21 of “Plan For Ontario”)
- ▶ \$400M – use hydro one dividend for electricity rate cut (pg. 10 Plan For Ontario)
- ▶ \$1.3B reduce business tax (ph.24 of Plan For Ontario)

2020-2021 Fiscal Year Revenue Cuts

- ▶ \$2.3B – personal income tax cut (pg. 20 of Plan For Ontario)

We estimate that the combination of all these revenue cuts is between \$5B and \$6B annually, exclusive of cap and trade revenue. With Ontario’s government revenues per capita already amongst the lowest in the country this will put even more pressure on funding essential government services.

3. We expect the upcoming budget – and the lead up to it – will be where the Ford Government begins its major cut to government services to deal with its “fiscal crisis”. This is in spite of the fact that the Financial Accountability Office in its February 14 report said that Ontario’s per capita spending is the lowest in Canada, and \$2000 per person (20%) lower than the rest of Canada. We can see the picture beginning to emerge. 86% of operational spending is in the following 5 areas – so they will bear close watching.

- ▶ Health \$62B or 42% of spending: The Health sector is going to see major change led by their “super agency”, operating likely at arm’s length from government with sweeping powers. It is difficult to know where they will find their \$6 in “efficiencies” without touching healthcare.
- ▶ Education \$31 or 21% of spending: We can already see them looking at full day learning for 4 and 5-year olds and class size in the lower grades. Teachers’ compensation will also likely be in their line of sight.
- ▶ Community service \$17B or 11% of spending: The Ford Government has already started cuts here – reducing the planned 3% increase in social assistance rates to 1.5%.
- ▶ Post-secondary education \$11B or 7% of spending: They have already moved here by eliminating much of the OSAP grant program and replacing it with loans. With these higher student loans, The Ford Government is eliminating the grace period on interest, saddling young people with more debt. The Ford government also cut tuition fees by 10% and told the universities and colleges to make up for the lost revenue through “efficiencies”.
- ▶ Transportation \$5B or 4% of spending: The province has started to make moves to take ownership for subways to allow the Ford government to shift subway costs from a grant to amortization. This means not having to show any expense against the deficit until the subway opens.

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Please feel free to email me if you have comments or suggestions.

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