

# Fiscal update, Q1 May 2019

## Mitzie Hunter Liberal Finance Critic



**"This is the Ford Budget we expected.** They perpetuate the myth that they inherited a \$15 billion deficit (real number is closer \$6 billion), they continue to put in place tax measures to dry up revenue to maintain the "crisis", and they began their program of relentlessly cutting key public services. The Ford conservative budget leads to a decline in Canada's financial outlook." - **Mitzie**

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

1. Ford will continue to drive revenue down to attempt to maintain the fiscal "crisis".
2. In spite of Ontario per capita provincial spending already being 20% lower than the rest of Canada, Ford is determined to widen that gap.
3. The real deficit is approximately **\$6 billion, not \$15 billion.**

### 1. Ford will continue to drive revenue down to attempt to maintain the fiscal "crisis"

▶ Ford still has outstanding tax cut promises from \$3 billion to \$5 billion. These were promised for 2019-20 and 2020-21. We suspect that he will try to keep at least some of these promises to continue pressure on spending cuts. **Promised tax cuts are as follows:**

- ▶ **\$1.2 billion** – lower gas tax by .10c (pg. 20 of "Plan for Ontario")
  - ▶ **\$400 million** – use hydro one dividend for electricity rate cut (pg. 10 of "Plan for Ontario")
  - ▶ **\$1.3 billion** – reduce business tax (pg. 24 of "Plan for Ontario")
  - ▶ **\$2.3 billion** – personal income tax cut (pg. 20 of "Plan for Ontario")
- ▶ Apparently, the revenue loss from the PIT cut is already reflected in the revenue forecasts

*Continue to next page*

### Mitzie Hunter, MPP/ Députée Scarborough-Guildwood

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



# Fiscal update, Q1 2019 - Mitzie Hunter

## 2. In spite of Ontario per capita provincial spending already being 20% lower than the rest of Canada, Ford is determined to widen that gap.

As predicted, Ford is determined to make substantial cuts in government services using the \$15 billion deficit club, despite our already low spending on programs compared to other provinces. We think it is important that Ontarians recognize the real spending situation. The Financial Accountability Office (FAO) issued a useful report on February 14, 2019. It compared Ontario's spending to the rest of Canada's provinces. **This is important data and shows the following:**

- ▶ Ontario's provincial government spending per capita is the lowest, and is 20% below the average for the rest of Canada.
- ▶ This gap has widened since 2011.
- ▶ On healthcare it is 11% below the average.
- ▶ On social services it is 18% below the average.
- ▶ Since 2011, Ontario's program spending has grown at half the rate than the rest of Canada.

### A few of the key spending plans:

- ▶ Health spending will increase by 1.6% per year, well below the rate of inflation. In addition, the Ford government has committed to cutting public health units by \$200 million per year.
- ▶ Education will increase at the rate of 1.2%. A significant part of that is \$400 million per year for the new Child Care Tax Credit. Additionally, per student funding is expected to decline from \$12,300 to 12,246 per pupil.
- ▶ Post Secondary Education and Training will decrease by an average 1% per year – that is nearly \$700 million in cuts.
- ▶ Children and Social Services spending will decline by an average of 2.1% per year. Ontario's Children, Community and Social Services Ministry received roughly \$1 billion in cuts.
- ▶ Indigenous affairs will see a reduction of its base funding last year of \$88 million to \$74.4 million – a 15% cut.
- ▶ Justice will decrease by an average 2% per year, including cuts to Legal Aid Ontario, which will receive \$133 million less this fiscal year than the \$456 million it had anticipated.
- ▶ Culture funds are being cut - the Ontario Music Fund has been slashed by over 50% from \$15 million to \$7 million, and the Southern Ontario Library Service is being more than halved.

**Mitzie Hunter, MPP/ Députée**  
**Scarborough-Guildwood**

*Continue to next page*

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



scarboroughguildwood@gmail.com



@MitzieHunter



@MPPMitzieHunter



@MPPMitzieHunter



# Fiscal update, Q1 2019 - Mitzie Hunter

## 3. The real deficit is approximately \$6 billion, not \$15 billion

The Ford government claim that they inherited a “crisis” with a \$15 billion deficit is **not true**. The real deficit has turned out to be approximately \$6 billion, lower than what the previous government forecasted when they presented their budget.

Here are the facts – from the Ford Budget. On page 262 of the budget, they state the deficit is now \$11.7 billion. **However, their number still includes 3 things that are of their own doing:**

- ▶ \$2.7 billion was added by accepting the Auditor General’s view of how to record pension expense. We see on page 263 of the budget that the acceptance of the Auditor General’s view is only “provisional”. The Provincial Controller, the accounting expert who signs the accounting statements, fundamentally disagreed with this decision, resigned, and refused to sign off on the Province’s finances, because of the treatment of pension expenses by Ford. We agree with the Provincial Controller.
- ▶ \$2.4 billion was added by accepting the Auditor General’s accounting for the Fair Hydro Plan. This means that the taxpayer, and not the electricity ratepayer, is paying for the price reduction.
- ▶ \$800 million was cut from revenue by Ford putting into place tax-cuts designed to drive revenue down. Page 340 shows the lost revenue to be \$800 million in 2018-19.
- ▶ Ford inherited a strong economy from the previous Liberal government.
- ▶ Ford will continue to use his manufactured \$15 billion deficit to drive down services – rather than ask the key question: **“What is the appropriate level of service that Ontarians need to prosper and thrive now and in the future?”**
- ▶ Ontario needs to know that the \$15 billion deficit never existed, and that Ford will continue to use it as a club to drive down spending.
- ▶ In addition, while this report is mainly on the budget, the Financial Accountability Office (FAO) report provides the following quick summary that indicates Ford inherited a very strong economic foundation laid by the previous Liberal government:
  - ▶ “In 2018, Ontario real GDP is projected to increase by a moderate 2.2%, following four years of stronger than average growth. Over the past four years, real GDP has averaged 2.5%, the fastest pace of growth since the mid-2000s. Ontario’s labour market continued to perform strong. In 2018 as robust employment gains pushed down the province’s projected annual unemployment rate for 2018 to the lowest level in two decades.”

---

**Mitzie Hunter, MPP/ Députée**  
**Scarborough-Guildwood**

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

