

# Toronto city budget: Broken promises and austerity <sup>[1]</sup>

**Author:** Swinarton, Jeremy

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## AVAILABILITY

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## EXCERPTS

In late November, Toronto Mayor John Tory announced a 2017 budget surplus of \$141.8 million, shortly before city council revealed a balanced budget plan for 2018. The news lends support to Tory's image as a stable, responsible mayor, wisely investing in public services while not spending more than the city can afford. However, a closer look reveals a different picture. The budget, which represents an increase of one per cent in spending over the previous year, actually represents a cutback in services once inflation and population growth is taken into account. Even worse, the "balanced" budget is in fact perched on the edge of an inflated and precarious housing market, making the consequences of a potential correction disastrous for workers.

A grand total of \$41 million worth of approved programs have received no funding. This includes the poverty reduction strategy, which would provide relief to many who rely on affordable housing, transit, and other public services; TransformTO, an ambitious climate action strategy that would divert waste from landfills and reduce the city's greenhouse gas emissions by 80 per cent by 2050; funding for extended time-based TTC transfers; measures to reduce traffic congestion; an anti-Black racism action plan, and an Indigenous office. While some of these missing programs will no doubt be added into the budget during debates in the first few months of 2018, no extra revenue will be added. City councillors will simply be shuffling money into one essential program at the expense of another.

In a speech at the University of Toronto, city manager Peter Wallace remarked that the city faces "really big areas of failure" in the areas of transit, congestion, housing, and poverty. The city's revenue and per-capita expenditure, when adjusted for inflation, has been steadily dropping since 2010. There is only enough to maintain the most essential city services. Unless the city is able to find new sources of revenue, Toronto's underfunded social infrastructure will remain at the status quo, and risks being subjected to even deeper cutbacks. The failure of city hall to fund these programs reveals the grim nature of capitalism in crisis. In an economy that can only function when profit is produced for a select few, periods of economic slump mean declining standards of living for the working class.

## City social services in crisis

The poverty reduction strategy is a band-aid on a bullet wound. According to a 2017 report by Social Planning Toronto, Toronto has the highest rates of inequality and child poverty for large urban cities in Canada. Almost half of Toronto neighbourhoods are classified as "low income". Even if fully funded, this program is completely unequipped to tame the colossal waiting lists for affordable housing or subsidized child care.

The strategy is ultimately an attempt to paper over draconian service cuts that were made in the previous decades. These cuts have contributed to the degeneration of social services at a time when demand is higher than ever. The Toronto Community Housing Corporation (TCHC) was forced to shutter 600 dilapidated housing units in 2017 due to a funding shortage that halted urgent repairs. Meanwhile, more than 180,000 people are on the wait list for affordable housing. Many pay market rent at a time where rent costs are soaring and wages remain stagnant, forcing many to cut back on other essentials like food and clothing.

The crisis of affordable housing has intensified the crisis of homelessness as those who cannot afford the astronomical cost of rent are forced onto the street. Toronto's shelters are operating well above capacity and the rampant overcrowding has led to outbreaks of bug infestations and infectious diseases. This prompts many to take their chances out of doors, facing potentially deadly winter weather, rather than deal with unsanitary conditions within the shelters.

Investments made into the shelter system are mere drops of water in an ocean. The city's solution to the shelter crisis has been to rely on temporary space at drop-in or referral centres, where many sleep sitting in chairs or on hardwood floors. Following the lengthy period of extreme cold, city council voted to open a handful of new winter respite centres. These centres include the Better Living Centre and the Moss Park Armoury, which will add about 380 temporary beds to the system. Of course, these announcements have only come after extreme pressure from community advocacy groups and shelter staff. These beds, which will be removed at the end of winter, are nowhere near enough to address the magnitude of the crisis—advocacy groups have called for the addition of 1,000 new permanent beds into the system. The city's temporary solution just barely replaces the number of beds in shelters that have been closed due to unsanitary conditions or lack of funding.

In other cases, city councillors simply take funds from one program to fund another. In 2017, for example, the city added \$3 million to fund

300 new child care subsidies, while the number of families on the list for subsidized child care exceeds 15,000. The \$3 million comes at the expense of a grant that funded 350 child-care centres in public schools, which were closed in July. What parents are saving on one hand they are forced to pay with the other.

John Tory repeatedly touts “major investments” into city infrastructure and pays lip service to the widening gap between rich and poor in Toronto. On the announcement of the poverty reduction strategy, he wrote that Toronto has become a city “unfairly and unjustly divided by income”, a development which “cannot be allowed to continue”. However, he has also committed to not raising property taxes above the rate of inflation, a promise which he has steadfastly kept. The contradictions between words and actions reveal the truth: Tory’s interests lie with the affluent propertied class of Toronto. When the budget for social services begins to encroach on the bank accounts of the wealthy, concrete plans are reduced to dust.

### **Where does municipal funding come from?**

Toronto’s operating budget largely comes from municipal taxes, user fees like TTC fares, and upstream revenue from provincial and federal taxes. (This excludes the self-sustaining rate-supported programs—water, waste management and public parking—which users pay for on an as-needed basis.) In 2018, as in the years before, the bulk of this revenue will come from housing: property taxes account for 38 per cent (\$4.2 billion) of the budget, while the Municipal Land Transfer Tax accounts for seven per cent (\$0.8 billion). Provincial and federal grants together account for 21.5 per cent (\$2.3 billion). A hot Toronto housing market has sent revenues from the land transfer tax soaring. 2017 revenues were over 300 per cent higher than in 2011, showing the vital role that real estate sales played in balancing the budget.

It has not always been the case that Toronto has depended so heavily on municipal revenues to fund its services. The city has been chronically underfunded since the mid-’90s, when the Liberal Chrétien government cut provincial and municipal funding in an effort to balance a large federal deficit. At the provincial level, Conservative Premier Mike Harris and his so-called “common sense revolutionaries” offloaded billions of dollars in programs to municipalities, which included public transit, health, disability support, affordable housing and child care. The effects of these cuts continue to be felt by city residents today.

John Tory, who campaigned on the promise of not raising property taxes above inflation, has instead depended on increases in fees and fines (which have increased from \$463 million in 2015 to \$795 million in 2017) and TTC fare hikes to fund new projects. The impact of these increases has been cushioned somewhat by a massive increase in revenue from the land transfer tax.

The budget cuts at all levels stem from the inability of Canadian politicians to obtain concessions from the ultra-wealthy. Tory’s stalwart refusal to increase property taxes reveals that it is Toronto’s affluent property owners that really benefit from the budget. In 1996, Harris’ provincial budget proposed \$8.2 billion in social services cuts while also announcing more than \$15,000 per year in tax savings for the highest tax bracket (while cutting nearly nothing for the lowest). These supposedly “balanced” budgets are a vehicle for the enrichment of the billionaire class at the expense of the poor.

Today, the only thing standing in the way of astronomical fine and fare increases or even more brutal service cutbacks is revenue from the land transfer tax. A downturn in the housing market could eliminate this with little notice, leaving the majority of Torontonians facing worse living conditions than before. The massive growth in housing in the last period has been on an artificial basis, namely through massive debt spurred on by rock-bottom interest rates. It is impossible to predict in advance what will burst the bubble or when it will happen, but the inevitable consequences for Toronto workers will be disastrous. The sudden loss of revenue from housing-related taxes will result in swift cutbacks to essential services. This will also happen at a time of massively increased unemployment, as workers employed in housing-related sectors—real estate, construction, finance, and transport—will be subject to layoffs, rendering these services even more necessary than they were before.

### **Fight back against austerity!**

The current city budget is completely incapable of funding the array of services that workers and students in Toronto depend on for survival. The budget’s heavy dependence on property tax revenues reveals the instability behind the facade of fiscal prudence. Instead of making responsible financial choices, city councillors are gambling on an unstable housing market. Even if the market could soar indefinitely and city council passed large property tax increases to fund social services, the contradiction between housing costs and income would be enough to keep hundreds of thousands in poverty. Of course, the bubble will eventually burst, and deep cuts to social services will follow. This will serve to sharply intensify the political polarization that is already underway in Toronto.

The only solution to Toronto’s chronically underfunded budget is to re-upload costs to the provincial and federal levels, which were dramatically cut in the previous period. Municipal trade unions must lead a militant fight against austerity, advancing a program for massive improvement to transit, housing and social services tied to the creation of good union jobs. The labour movement must mobilize in advance of the next municipal election to elect city councillors that represent the interests of workers and youth. These councillors should coordinate with labour councils, community groups and local residents to set city budgets in accordance with the needs of the workers and youth, running illegal deficit budgets if necessary, and demand that the provincial and federal governments fill in the funding gaps. These gains could in turn create wide enthusiasm and embolden city council to push for even greater reforms. The road to defeating austerity and winning gains for the working class begins with a militant and organized workers’ resistance.

The degeneration of social services in Toronto is not because of lack of means. Canada is one of the richest nations in the world. The root of the problem lies not in the budget itself, but in the fact that the basic commodities that sustain life—housing, food, transportation, and health care—are produced for profit. In the process, the bulk of the wealth in society passes into the hands of developers, oil bosses, realtors, lawyers, and Bay Street financiers, who have been making vast returns on the backs of the working class. When profit cannot be

realized, capitalists refuse to invest in production, and society grinds to a halt—capitalism enters into crisis, which results in skyrocketing unemployment and deep cuts to social services.

There is more than enough wealth in the country to fund the needs of every Canadian municipality. The two richest Canadians own more wealth than the bottom 30% of the country combined. Meanwhile, between two and four per cent of residences in Toronto remain vacant. Using even using the most conservative estimate, the number of vacant homes in the city could provide three homes for each homeless person in Toronto, illustrating the senselessness of a system that produces for profit rather than need.

-reprinted from Fightback

**Region:** Ontario <sup>[3]</sup>

**Tags:** poverty <sup>[4]</sup>

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