

Ontario budget falls flat on funding for public services ^[1]

The Ontario government has tabled its election budget. Public services got short shrift.

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EXCERPTS

It's a good thing the people of Ontario have 34 days to learn more about the April 28 provincial budget. Because there's a lot to figure out.

This year's budget, titled "A Plan to Build," boosts overall spending by more than \$11 billion in 2022-23. No doubt Ontarians will hear a lot about that spending in the weeks ahead.

If the government is re-elected and the budget is passed, the controversial Highway 413 in the western part of the Greater Toronto Area may well be built, along with many other major projects.

All told, the government proposes to spend more than \$20 billion on roads, transit, bridges and buildings. That's an 18% increase over last year. The government also plans to pour money into a number of ventures aimed at supporting business.

That said, the main business of budgets is the delivery of public services and, on this front, the budget falls flat. Despite all the spending, public services do not seem to be a priority.

The budget says overall base funding for government programs will go up at an average rate of 5.1% over the next three years. In normal times, that would likely be enough to maintain services at their current level, taking into account inflation, population growth, and demographic aging.

With year-over-year inflation rising to 7% in Ontario last month, many operating costs borne by the public sector (for example for hospital equipment, heating of schools, gasoline for government vehicles, etc.) will be much higher than usual. In this context, funding levels based on past inflation simply aren't enough.

That is certainly the case in **health care**, which will see an average funding increase of just 3.3% a year over three years. Even in ordinary times, health care inflation is higher than in other areas (drug costs are one reason), and most of the added costs of an aging population are borne by the health care system. Normally, health spending must rise by at least 4.5% a year just to maintain services. The budget's plan for health care is to cut it.

Funding for **education** in the budget is not what it seems. At first glance, an average spending hike of 5.9% a year over the next three years looks like a significant jump. But there's a catch. Included in that amount is \$6.8 billion in federal money for the implementation of the Ontario Early Learning and Child Care Agreement. This money is for child care, not school operations. Take this amount out of the education budget and the net result is that, in a time of high inflation, education is almost certainly seeing a cut in real funding per student. This is nothing less than a tragedy for two million students who need more resources, not fewer, to help them recover from the pandemic.

Base funding for **postsecondary education** gets an annual average increase of 4.7% over the next three years, possibly because the sector has been aggressively underfunded in recent years. With inflation and enrolment changes, it remains to be seen whether this is an increase or not.

Spending on **children's and social services** will grow by a mere 2.6% a year, which would be a real per capita cut at the best of times. The government makes no mention in the budget of improving autism services or increasing social assistance rates for those surviving on Ontario Works or the Ontario Disability Support Plan. Ignoring the desperate need in which many Ontarians live is shameful.

Spending in the **justice** sector will grow by 2.1 per cent a year, on average, for the next three years. This is absolutely a real per capita cut to services in a sector where funding has already been stagnant.

And then there is the mystery category: "**other**" spending, which gets an average funding increase of 10.6% a year for three years. The category is not actually a mystery—there are many important ministries in it, from Agriculture to Transportation, as I've mentioned before—but the way it is funded is peculiar. By all appearances, the government is not just funding these ministries: it is stockpiling money in them, with no clear explanation of how it will be spent.

The budget states: "The changes [in the Other category] over this period primarily reflect a significant annual increase in the level of

contingencies over the course of the outlook to reflect a cautious approach to planning as uncertainty increases over time.”

In other words, we’re not sure what we’re spending it on, but if we are sure, we’re not telling you. This is a highly unusual way to account for unexpected costs.

On the revenue front, the budget continues the government’s four-year campaign to cut provincial revenues. Various tax cuts and credits in the budget will cost about \$1 billion in 2022-23. This is on top of the \$1 billion a year the government is losing with the cancellation of licence plate fees for household vehicles.

For the first time since the June 2018 election, the government will actually be increasing a tax, albeit only on people who don’t live (or vote) in Ontario. A hike in the Non-Resident Speculation Tax will bring in \$175 million for the government this year and more in the years ahead.

Nonetheless, the tax cuts in this budget, if implemented, will bring the cost of new tax cuts and credits announced by the government since 2018 to \$7 billion a year.

Lastly, the government’s decision to run a large deficit this year is unexpected. The \$19.9 billion deficit for 2022-23 is certainly manageable, given a stable debt-to-GDP ratio and record-low interest on the provincial debt. But it was just a couple of weeks ago that the Financial Accountability Office, an independent body of the legislature, calculated that under “current policies,” the provincial deficit was likely going to be \$1.7 billion, a small number in the Ontario context.

“Current policies,” it seems, have gone out the window. A bigger deficit is no cause for alarm, but for a government that once built its brand on fighting deficits, it is out of the ordinary.

Thursday’s budget is 242 pages and not always clear. It raises a lot of questions. Hopefully those questions will be answered on the campaign trail.

We have 34 days to find out.

Region: Ontario ^[3]

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