



Policy Solutions for Ontario's Prosperity

# Challenging Times: Looking Ahead to the *2024 Ontario Budget*

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UNIVERSITY OF  
**TORONTO**

*Ontario 360*'s purpose is to scan Ontario's economic opportunities and challenges and develop evidence-based public policy ideas to inform and shape the Ontario government's own policy planning and development.

*Ontario 360* is independent, non-partisan, and fact-based. It provides a neutral platform for policy experts to put forward clear, actionable policy recommendations to promote a growth and opportunity agenda for Ontario.

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## Executive Summary

The provincial economy has weakened since mid-2022 and has declined to below pre-COVID-19 levels.

Private sector forecasts predict a slow pace of growth in 2024, picking up in 2025.

Provincial finances have deteriorated over the last year and the forthcoming budget likely will predict further worsening.

Hospital challenges persist as staff shortages rise and wait times grow.

Meaningful progress has been made on increased housing construction, but further progress will require additional policy support.

The *2024 Ontario Budget* should provide progress updates on past policy commitments, including:

- housing supply,
- infrastructure spending and the Ontario Investment Bank,
- review of the provincial tax system,
- enhancing the provincial Guaranteed Annual Income Supplement (GAINS) program,
- skilled trades, and
- industrial policies related to electric vehicles and critical minerals.

Three themes are proposed here for the budget:

- supporting people most in need,
- a more resilient and sustainable economy, and
- responsible financial management.

Specific policy recommendations include:

- further tax incentives for rental housing,
- increased social assistance amounts,
- a realistic plan to address climate change,
- steps to address challenges in postsecondary education,
- fiscal restraint, and
- a Citizens First Integrity Act.

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# Introduction

The second budget of a government's mandate is normally low-key, with the next provincial election more than two years away.

These are not normal times.

The COVID-19 pandemic has left a challenging economic, financial, social, and political legacy. Geopolitical turmoil, high interest rates, and rising living costs have raised anxiety and restrained consumer and business spending. The provincial economy and finances have weakened over the past year.

The *2024 Ontario Budget* represents an important opportunity for the provincial government to demonstrate strong leadership amid troubling times. This Ontario 360 policy brief offers policy advice as the budget that the Minister of Finance will deliver on March 26th draws near.

# Tough Economic Times

Ontario experienced a robust economic recovery during 2021 and into 2022 following the end of COVID-19 restrictions. But, more recently, the provincial economy has been in modest but steady decline. Most key economic indicators are now worse than before the pandemic.

## Ontario Economic Situation – Selected Key Indicators

	Pre Covid	Latest	Change
<b>Output and Incomes<sup>1</sup></b>			
Gross Domestic Product	59,545	59,011	-0.9%
Household Disposable Income	33,101	32,708	-1.2%
Business Investment Expenditures	10,507	9,429	-10.3%
<b>Labour Markets and Prices<sup>2</sup></b>			
Employment Rate	61.7%	60.6%	-1.1 pts
Unemployment Rate	5.6%	6.5%	+0.9 pts
Consumer Price Index	138.7	159.9	+15.3%

1. The latest figures are real (\$2017) per capita author calculations based on Ontario Ministry of Finance 2023Q3 Ontario Economic Accounts and Statistics Canada Consumer Price Index data. Pre-COVID levels were those in 2019Q4.

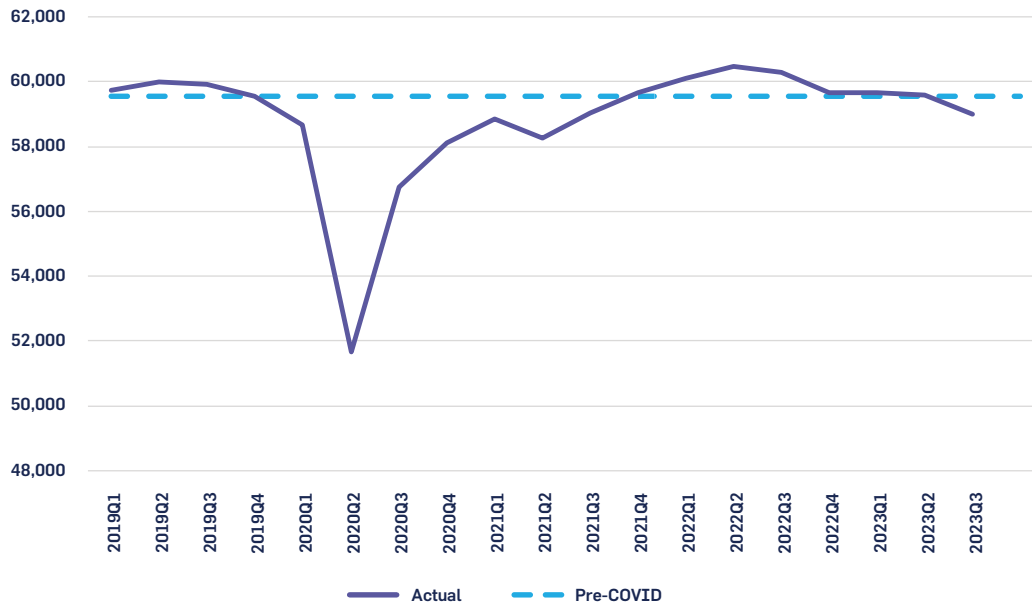
2. Statistics Canada Labour Force (February 2024) and Consumer Price Index (January 2024) data. Pre-COVID levels were those in February 2020.

Real Gross Domestic Product (GDP) – the standard measure of overall economic output – has been increasing at a very slow pace over the past five quarters for which data is available.<sup>1</sup> During this period, the province’s population increased more than real GDP, resulting in five consecutive

quarters of declining real GDP per capita. While the province has avoided a technical recession – typically defined as two consecutive quarterly declines in aggregate real GDP – it has been in a per capita recession since the middle of 2022.

<sup>1</sup> Ontario Economic Accounts for the third (July to September) quarter of 2023.  
<https://www.ontario.ca/page/ontario-economic-accounts>

## Ontario Real GDP per Capita Declining



Source: Ontario Economic Accounts.

The cost of living has increased sharply and remains elevated. In January 2024, the provincial all-items Consumer Price Index (CPI) was 15.3 per cent higher than before the COVID-19 pandemic, driven by higher costs of gasoline (+29.5 per cent), food (+22.7 per cent) and shelter (+21.8 per cent). The higher cost of living has more than offset rising incomes, resulting in declines in inflation-adjusted household disposable income, now below pre-COVID levels.

In February 2024, unemployment (+122,900) had increased more than employment (+88,600) compared to one year ago, resulting in an unemployment rate

(6.5 per cent) materially higher and well above the pre-COVID level.

The economic slowdown, rising costs and higher interest rates have impacted the business sector heavily. The economy-wide net corporate operating surplus has decreased sharply (-18.7 per cent in 2023Q3) from the 2022Q2 peak. Lower profits and gloomy expectations have dampened business investment spending, down 10.3 per cent from pre-COVID-19 levels in real per capita terms. Machinery and equipment investment has been falling, which is very concerning for an economy that has consistently exhibited weak

productivity growth and for a provincial government that has expended a great deal of policy effort on the manufacturing sector.

Current economic forecasts suggest these tough economic times will continue throughout 2024, with real GDP growing much slower than the provincial population. Minimal real GDP and employment growth, combined with the rising population, means that real GDP per capita will continue to decline while

unemployment will rise. The good news in the outlook for 2024 is that these forecasts imply that any recession would be relatively mild. Furthermore, the growth rate in the Consumer Price Index is expected to ease to about 2.0 per cent during the year.

Economic forecasters are predicting growth to occur at a modest pace from 2025 onwards. The table below summarizes the forecast of key economic indicators from the recent PEAP forecast.

### Ontario Economic Outlook (per cent change)

	2023	2024	2025	2026
Real Gross Domestic Product	1.2	0.2	2.3	2.8
Nominal Gross Domestic Product	4.2	2.6	4.2	4.8
Employment	2.4	1.0	1.8	1.8
Unemployment Rate (per cent)	5.7	6.7	6.7	6.5
Consumer Price Index	3.8	2.0	1.8	1.9
Population	2.9	3.0	1.4	1.3

Source: University of Toronto Policy and Economic Analysis Program." Updated Forecast for Canada, New Forecast for Ontario." February 28, 2024.

# Mounting Financial Pressures

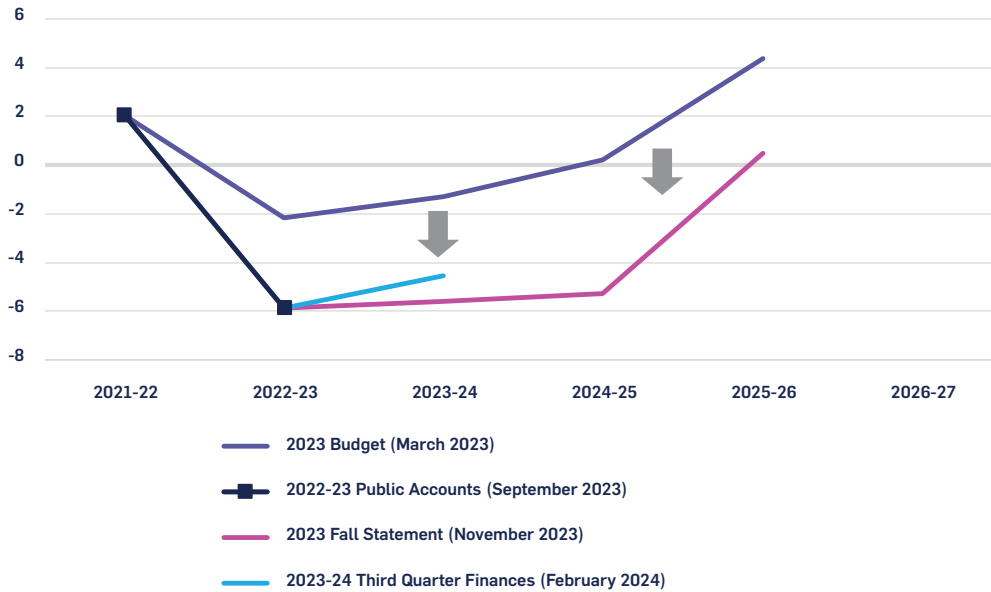
The *Ontario 2023-24 Third Quarter Finances* released mid-February provided an updated deficit projection of -\$4.5 billion for the current fiscal year. This deficit represented a slight improvement over the November *2023 Ontario Economic Outlook and Fiscal Review* (-\$5.6 billion). The March *2023 Ontario Budget* had projected a much lower deficit of -\$1.3 billion. Changes in revenue expectations mainly drove deficit revisions throughout the year.

The 2023-24 deficit estimate could be revised in the *2024 Ontario Budget* as new information emerges regarding revenues and expenses. Of particular interest will be how retroactive costs related to the repeal of Bill 124, the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, weigh against the contingent liability booked in 2022-23 financial statements and extraordinarily high contingencies included in 2023-24.<sup>2</sup> The 2023-24 deficit presented in the *2024 Ontario Budget* will be an estimate based on the latest available information and is potentially subject to significant revision in the *2023-24 Public Accounts of Ontario*, which are due to be released by the end of September.

The province faces significant downward pressures on the fiscal outlook for 2024-25 and beyond. In the November *2023 Ontario Economic Outlook and Fiscal Review*, the province projected higher deficits mainly due to a reduced revenue outlook. More recently, the Ontario Financial Accountability Office projected a more extensive deterioration in the revenue outlook for the province. Current private sector forecasts of nominal GDP growth for 2024 and 2025 are weakening, suggesting further downward pressure on the revenue outlook and higher projected deficits.

<sup>2</sup> *2022-23 Public Accounts of Ontario* included \$2.5 billion in contingent liabilities related to Bill 124. *2023-24 Third Quarter Finances* included \$3.3B in contingency funds and a \$1 billion fiscal reserve.

## Ontario's Evolving Fiscal Outlook (\$billions)



The deficit outlooks outlined above do not reflect significant program expenditure pressures that have emerged in recent months, including the going-forward costs related to the repeal of Bill 124, increased funding announced for postsecondary education and the City of Toronto and potential expense pressures related to higher-than-expected inflation and unprecedented population growth. The carry-forward impact of higher 2023-24 revenues and drawing down prudence

included in previous fiscal outlooks would help reduce the deficit outlook. Still, it is unlikely they will fully offset the adverse factors. On balance, the province could face significantly larger deficits and a longer path back to balance than forecasted in the fall, which would be much worse than projected in the last budget. Ontario would not be alone in this regard, as Quebec, British Columbia and Alberta have reported a worsening fiscal outlook in their recent budgets.

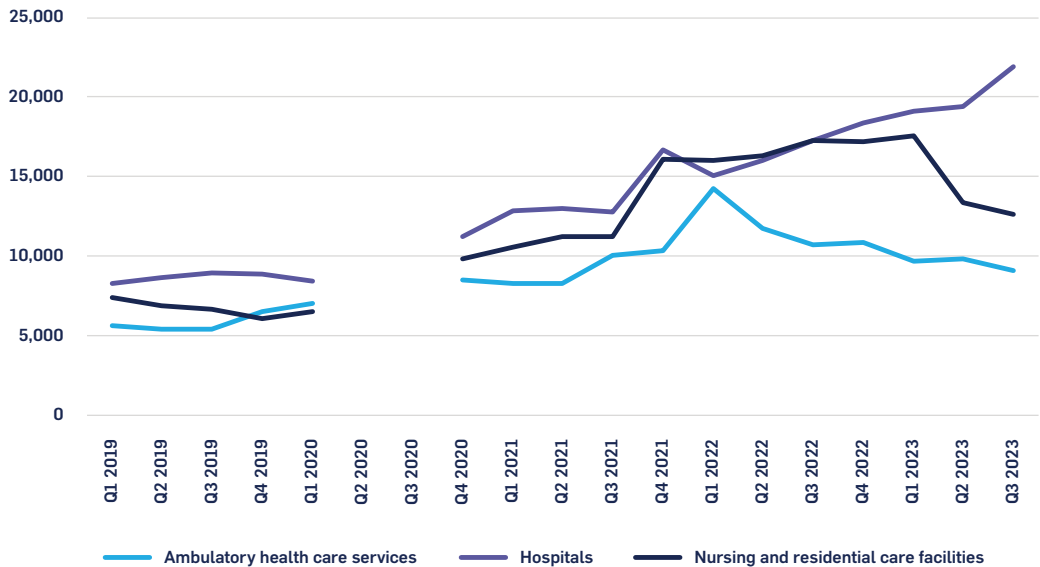
# Mixed Results on Key Policy Priorities

Consistent with the government’s focus on “getting it done,” the *2024 Ontario Budget* can be expected to provide updates on key policy priorities. Some of the key ones are outlined below.

The *2023 Ontario Budget* devoted significant increases in funding toward **health care**. Addressing the issues in health care is going to take time. Results to date are discouraging. Health Quality Ontario reports that roughly 10 per cent of Ontario families need a family doctor or other primary care provider. It also reports that wait times got longer during 2023.<sup>3</sup> Progress on health human resources

is mixed, with declining job vacancies in ambulatory health care services and nursing and residential care while those in hospitals continue to rise. Given the importance of health care to the people and finances of the province, the *2024 Ontario Budget* should include a description of the actions the government is taking to address the significant challenges.

## Job Vacancies, Ontario Health Care Sub-Sectors



Source: Statistics Canada. Table 14-10-0326-01. Job vacancies, payroll employees, job vacancy rate, and average offered hourly wage by industry sector, quarterly, unadjusted for seasonality. Data is not available for 2020Q2 and Q3 due to the COVID-19 pandemic.

<sup>3</sup> Health Quality Ontario, “Time Spent in Emergency Departments,” indicates wait times were rising gradually over the year (2023), averaging from 1.8 hours in January and February and rising to 2.1 hours from October to December. <https://www.hqontario.ca/system-performance/time-spent-in-emergency-departments>

**Housing** remains a high priority. The government has embraced the ambitious target of 1.5 million new homes by 2031. There has also been welcome transparency<sup>4</sup> related to these targets, as previously advised.<sup>5</sup> Still, there are issues related to how the province measures progress. The inclusion of home construction starts and additional residential units (ARUs) such as laneway, garden, and basement suites added to existing homes is totally appropriate. Including new and upgraded long-term care beds toward the housing target is not. The government would be well-advised to continue its commitment to transparency by publishing projected targets by municipality through 2031.

The government reports being roughly on track with 99 percent of the 110,000 housing target reached in 2023, but it will get tougher. Annual targets are expected to ramp up to 125,000 in 2024, 150,000 in 2025 and 175,000 in each subsequent year. Increased housing starts will be hard to achieve given the limited economic capacity in the residential construction sector, while current high interest rates discourage activity. At the time of the November 2023 *Ontario Economic Outlook and Fiscal Review*, private-sector forecasters were projecting a modest decline in housing starts due to economic and financial headwinds. Further policy options to increase the housing supply are outlined below.

The province is firmly committed to a sensible set of **industrial policies** centred on electronic vehicles and critical minerals. Connected to this is long-awaited mineral development in the Ring of Fire region. These industrial policies build on legitimate areas of economic strength. However, based on recent financial arrangements with Volkswagen and Chrysler, they are also getting increasingly expensive. An update on private sector business investment activity and intentions would be useful, along with greater transparency regarding the fiscal cost of these policies.

Another area of sensible and extensive policy effort has been with regard to the **skilled trades**. Increasing the availability of skilled trades is essential for the province to meet its housing supply and infrastructure construction goals. Skilled trades also provide opportunities for stable, well-paid employment at a time of broad disruption by new technologies. It would be helpful to learn more about trade program registrations and completions, notably related to housing and infrastructure.

**Building infrastructure** is a key pillar of the government's approach to the economy and a source of significant expenditures annually. The 2024 *Ontario Budget* will likely unveil a new record-high 10-year investment commitment. Considering persistent

<sup>4</sup> Ontario Ministry of Municipal Affairs and Housing, "Tracking Housing Supply Progress." <https://www.ontario.ca/page/tracking-housing-supply-progress>

<sup>5</sup> "The government should continue to provide progress updates on key policy areas... Some reasonable and realistic targets for housing supply over the next three years would be appropriate." Brian Lewis, "Ontario Budgeting: Darkening Clouds Raise Stakes for Fall Economic Statement", Ontario360, October 2023.

shortfalls from spending commitments<sup>6</sup>, further information on progress and completion timelines for significant projects would be pertinent.

The budget also should provide an update on implementation of the **Ontario Investment Bank**. There is little compelling reason for an infrastructure bank, and given the lack of spare capacity in the construction sector, there are potential adverse consequences. A focus on long-term care and affordable housing might be most appropriate, guided by robust accountability guidelines that protect the interests of taxpayers.<sup>7</sup>

The November 2023 *Ontario Economic Outlook and Fiscal Review* provided a thorough progress update on a **review of the provincial tax system**. The government might now report on the review results and outline tax policy priorities. Any tax reforms should take into consideration the province's challenging fiscal outlook. A commitment to revenue-neutral reforms until the budget is balanced probably would be prudent.

The standard economic growth-oriented advice is to shift taxes away from incomes (Corporate and Personal Income Tax) and toward consumption (e.g. Harmonized Sales Tax) to encourage savings and investment. Given the current importance of household affordability issues, any such

shift would not be appropriate now. But the government could potentially overhaul the provincial Personal Income Tax (PIT), which is incredibly complex. Reform of the provincial PIT could improve clarity and taxpayer decision-making while lowering the administrative burden on households through annual filing. At the same time, the reform could be designed to have a negligible net impact on the government's finances.

The 2023 *Ontario Budget* announced that the **Guaranteed Annual Income System (GAINS)** program would be expanded starting in July 2024, meaning more seniors can be eligible for GAINS payments. With the July 2024 timeline approaching, specific changes to the program and the expected benefits it will deliver to seniors in the 2024 *Ontario Budget*.

An update on **public sector compensation and collective bargaining** also is needed. The government has repealed Bill 124, the *Protecting a Sustainable Public Sector for Future Generations Act*.<sup>8</sup> A new framework for public sector compensation and collective bargaining also would be appropriate in the 2024 *Ontario Budget*, reflecting the importance of these issues for government service delivery and expenses.

<sup>6</sup> Brian Lewis, "Practical Advice for the Ontario Infrastructure Bank," CD Howe Institute Intelligence Memo, February 26, 2024.

<https://www.cdhowe.org/intelligence-memos/brian-lewis-practical-advice-ontario-infrastructure-bank>.

<sup>7</sup> *Ibid.*

<sup>8</sup> This closely followed the February 12, 2024, Ontario Court of Appeal ruling that upheld the previous Ontario Superior Court of Justice ruling that the legislation was unconstitutional.

# A Proposed Strategy for the 2024 Budget

Effective government budgets are guided by coherent strategy. Three themes, reflecting the current context, are proposed here for the *2024 Ontario Budget*: supporting people most in need, a more resilient and sustainable economy, and responsible financial management. New policy initiatives are proposed that align with each.

Proposed Framework for the 2024 Ontario Budget			
Theme	Supporting People Most in Need	A Resilient and Stronger Economy	Responsible Financial Management
Policy Initiatives	Tax incentives for rental housing Social assistance increase	A real plan to address climate change Postsecondary education reform	Fiscal restraint Citizens First Integrity Act

## Supporting People Most in Need

Households are contending with the rising cost of living. The government has done a lot to help. Examples include the controversial elimination of the cap-and-trade program, electricity price relief, lower gasoline taxes and elimination of vehicle registration fees. At the same time, though, these policies have hit provincial finances. For example, the Financial Accountability Office estimated that electricity price relief would cost a hefty \$6.9 billion in 2024-25.<sup>9</sup> Actions related to affordability in the budget might be most appropriately focused on areas of greatest need, such as rental housing and social assistance.

### *Further Tax Incentives for Rental Housing*

The provincial government is encouraged to focus new housing policies on the rental market. The current extreme scarcity of rental housing and corresponding skyrocketing rents on vacant units is particularly problematic because renting is the only feasible housing option for many new entrants into the housing market, including young people and recent immigrants. High rents and limited availability also raise concerns for low-income or otherwise vulnerable individuals who need to relocate.

<sup>9</sup> Financial Accountability Office of Ontario, “Ontario’s Energy and Electricity Subsidy Programs,” February 2022.

The province persuaded the federal government to exempt Harmonized Sales Tax (HST) from qualifying new purpose-built rental housing. This is helpful, but more is needed. The province should encourage the federal government to take further action through the tax system to support rental housing supply. Specific options that would have an immediate impact include halving the proportion of rental income included for income tax purposes, eliminating current restrictions on applying capital cost allowance deductions from income for tax purposes and introducing a tax exemption for the capital cost recapture and capital gain income on the disposition of a rental property rolled over into new investments.<sup>10</sup> A new Rental Housing Investment Tax Credit program should be implemented, modelled after the highly successful Low-Income Housing Tax Credit program offered in the United States<sup>11</sup> that provides subsidies for rental housing construction through a competitive process where government funding is linked to rental unit affordability. Such a program would significantly benefit rental housing supply over the longer term.

### ***Social Assistance Increase***

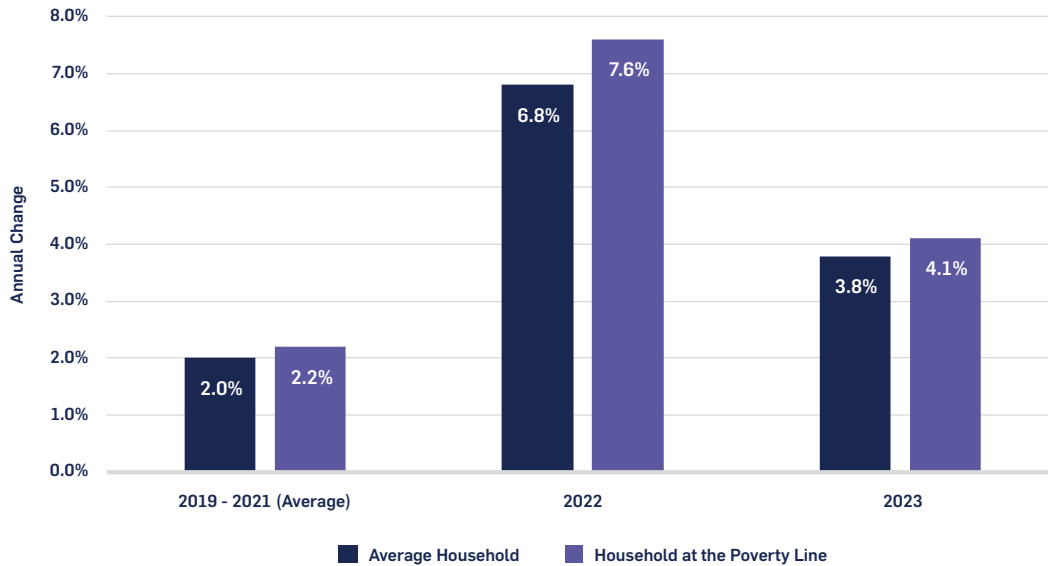
Low-income individuals have been heavily impacted by consumer price inflation due to the large increases in the prices of food and shelter, which represent a comparatively high share of their household expenses. For example, the cost of living for an Ontario household living at the poverty line increased more during 2022 and 2023 (7.6 and 4.1 percent, respectively) than for a typical household (6.8 and 3.8 percent).<sup>12</sup>

<sup>10</sup> For more information on these tax options see Brian Lewis, “No Time for Half Measures: Tax Policy Options to Grow Rental Housing,” CD Howe Institute, August 2023. <https://www.cdhowe.org/intelligence-memos/brian-lewis-no-time-half-measures-tax-policy-options-grow-rental-housing>

<sup>11</sup> Options for implementing a program along these lines in Canada are provided by Marion Steele, The Case for an Affordable Rental Housing Investment Tax Credit, CD Howe Institute, November 2023. <https://www.cdhowe.org/intelligence-memos/marion-steele-case-affordable-rental-housing-investment-tax-credit>

<sup>12</sup> CPI inflation for a household with income equal to the provincial poverty line is calculated using weights from the Statistics Canada “Market Basket Measure.” For a discussion of this measure and how it has differed from overall CPI inflation over time, see Burton Gustajtis and Andrew Heisz, “Market Basket Measure poverty thresholds and provisional poverty trends for 2021 and 2022,” Statistics Canada, January 2023.

## Cost of Living Rising More for Low Income Households



Source: Statistics Canada and author calculations

The government is advised to index the maximum basic needs and shelter allowances of the Ontario Works program based on changes in the cost of living of a family living at the poverty line. These amounts have stayed the same since the fall of 2018, and recipients are falling

further below the poverty line every year. Specifically, it is recommended that the maximum combined amounts be increased by \$56 to \$789 on April 1 and a further \$42 to \$821 on January 1. These increases are based on the rising cost of living at the poverty line in 2022 and 2023, respectively.

"Ontario Works" Program Rates, 2017 to 2023 and Proposed 2024 and 2025								Proposed	
Year	2017	2018	2019	2020	2021	2022	2023	April 1, 2024	Jan. 1, 2025
Basic Needs Allowance	\$337	\$343	\$343	\$343	\$343	\$343	\$343	\$369	\$384
Shelter Allowance	\$384	\$390	\$390	\$390	\$390	\$390	\$390	\$420	\$437
<b>Total Revenues</b>	<b>\$721</b>	<b>\$733</b>	<b>\$733</b>	<b>\$733</b>	<b>\$733</b>	<b>\$733</b>	<b>\$733</b>	<b>\$789</b>	<b>\$821</b>
<b>Annual Change</b>		<b>1.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>7.6%</b>	<b>4.1%</b>
Poverty Line <sup>1</sup>	\$1,957	\$2,006	\$2,054	\$2,072	\$2,140	\$2,303	\$2,397		
<b>Annual Change</b>		<b>2.5%</b>	<b>2.4%</b>	<b>0.9%</b>	<b>3.3%</b>	<b>7.6%</b>	<b>4.1%</b>		
<b>Cumulative Change</b>			<b>2.4%</b>	<b>3.3%</b>	<b>6.7%</b>	<b>14.8%</b>	<b>19.5%</b>		

1. The monthly amount for a single individual living in Toronto based on the Statistics Canada Market Basket Measure.  
Source: Ontario Ministry of Children and Community Services, Statistics Canada and author calculations.

The adoption of this recommendation would help address the heavy impact of the rising cost of living on the poorest people in the province over the past two years. It would benefit people living on their own, a segment of the population where poverty is relatively prevalent and who have not benefited from recent enhancements to

provincial and federal assistance devoted to low-income people with children or who have a disability. Indexation of these amounts would be consistent with the approach taken towards a broad range of programs that focus support toward low-income individuals, including the Ontario GAINS and Child Benefit programs.

## A Resilient and Stronger Economy

The government's economic growth narrative has consistently focused on skilled trades, electric vehicle production, critical minerals, infrastructure investments, reducing business costs, cutting red tape and attracting business investment. These are all credible policies for boosting economic growth. However, a few significant gaps in the government's approach to economic growth merit attention, notably postsecondary education and climate change.

### *Addressing the Challenges in Postsecondary Education*

Postsecondary education remains a significant gap in the provincial governments' approach to labour force skills. The economy needs more skilled trades. It also needs college and university graduates, especially in areas such as healthcare, science, technology, engineering, and mathematics. While a lot has been done to strengthen skilled trades, the province has been weakening the postsecondary education sector.

Recently, the province essentially dismissed recommendations of its blue-ribbon panel on postsecondary financing.<sup>13</sup> Government funding commitments have been increased by roughly half the panel recommendation. At the same time, tuition fees have been frozen for the next three years rather than allowing the modest increases proposed by the panel. New limits being imposed by the federal government on international students will increase financial pressures above those considered by the panel by an estimated \$1.8 billion.<sup>14</sup> Some clarity on how the province will manage the new federal cap on international students is needed as soon as possible with admissions and planning for the next academic year well under way. Also, the province should review the financial outlook of provincial post secondary institutions under the new federal limits on international students to identify those (likely in northern and rural locations) under significant financial pressure.

Increasing financial stresses in the postsecondary sector do not ensure improved outcomes or more efficient operations. Better results can be achieved through Strategic Mandate Agreements (SMAs) that incentivize postsecondary institutions to deliver on government objectives. The province can use the SMAs to clearly articulate what postsecondary institutions are expected to provide and link funding to achieving those results. Ultimately, students and taxpayers want

excellence from the postsecondary education system. The current path is does not lead in this direction.

### *A Real Plan to Address Climate Change*

Climate change remains a significant shortcoming in the province's policy priorities.

The government has made it abundantly clear that it will not contemplate broad-based carbon pricing. Less clear is how it will deliver on its plan to reduce greenhouse gas emissions. In 2019, the Auditor General of Ontario found it “not likely to achieve its proposed emission-reduction target,” and two years later, noted very little progress had been made. The government is overdue to table a credible plan to achieve its emission reduction targets.

It is also recommended that the province release a plan for climate change adaptation. The long-awaited climate change assessment impact report<sup>15</sup> released in August 2023 outlined how climate change will in the future be “damaging infrastructure, disrupting business operations, and imposing harm to human health and wellbeing.” Specifically, the province should establish new climate change-resistant standards for infrastructure and offer increased funding to adapt municipal infrastructure to climate change. The Financial Accountability Office of Ontario has reported that

<sup>13</sup> Blue-Ribbon Panel on Postsecondary Education Financial Sustainability, “Ensuring Financial Sustainability for Ontario’s Postsecondary Sector.” November 15, 2023.

<sup>14</sup> Higher Education Strategy Associates, March 6, 2023.

<sup>15</sup> Climate Risk Institute, “Ontario Provincial Climate Change Impact Assessment Technical Report’,” January 2023. Released August 2023.

there are potentially significant savings from adaptation policies – building more resilient infrastructure today to reduce future maintenance and replacement costs – especially at the municipal level.<sup>16</sup>

### ***A Plan for Long-Term Economic Growth***

Legislation requires release of a long-range assessment of Ontario’s

economic and fiscal environment within two years after the most recent general election, which is June 2, 2024. The government is encouraged to go further, utilizing this requirement as the basis for developing a comprehensive economic strategy for the province and as a framework for economic policy over the next several years.

## **Responsible Financial Management**

As outlined above, the *2024 Ontario Budget* is being delivered during a recent trend toward worsening government finances. Below is some advice on tabling a responsible fiscal plan in this challenging environment.

### ***Fiscal Restraint***

Given the worsening state of provincial finances, this is a time for fiscal restraint. As such, new budgetary measures should have a net positive financial impact.

There are opportunities for improved transparency in a few areas, such as more detailed disclosure of the impact of new spending and non-tax revenue initiatives. It would also be appropriate to be transparent about expenses related to the repeal of Bill 124.

As predicted in previous Ontario360 reports, fiscal prudence has served the province well, dampening the adverse impact of recent developments. Significant

financial risks call for a continued prudent approach. These risks range from a highly fraught geopolitical environment to the potential for further erosion in provincial revenues due to the impacts of the housing market slowdown on Harmonized Sales Tax and Land Transfer Tax revenues, and the impacts of declining corporate profits on Corporate Income Tax revenues.

The provincial government is also encouraged to continue to strive towards more efficient delivery of public services. For example, an Ontario College of Family Physicians survey reported that family doctors spend 19 hours a week on administrative tasks. A full ninety-four percent said they are overwhelmed with administrative work. Given the crisis in primary healthcare, the government should be doing more to relieve family doctors of paperwork so they can spend more time with patients.<sup>17</sup>

<sup>16</sup> Financial Accountability Office of Ontario, “Climate Change and Public Infrastructure: Summary Report,” November 2023.

<sup>17</sup> Ontario College of Family Physicians, “A Profession in Crisis: The Survival of Family Medicine in Ontario,” May 2023.

### *Citizens First Integrity Act*

There is significant public skepticism regarding how the provincial government does business with private-sector companies. It is proposed that the government introduce a Citizen's First Integrity Act to outline requirements for entering into new business arrangements with the private sector. The core principle would be clear: put the interests of citizens first. The act would include requirements that changes in the use of

significant provincial assets or in service delivery involving the government and private sector would be explored openly and include citizen and stakeholder engagement. Allocating government assets or service delivery to a private sector company or consortium would be based on open and competitive processes. Such steps would help to ensure best outcomes and help to alleviate voter concerns, particular in the wake of recent controversial agreements.

## Conclusion

On March 26 at about 4:00 pm, Finance Minister Peter Bethlenfalvy will rise in the legislature and deliver a budget speech likely to echo a recent ubiquitous advertising campaign that Ontario is on the rebound. And in fact, some progress is being made in specific areas. The underlying story is more complex than the government makes out. The economy is in decline, and provinces finances are weakening. Significant policy needs remain unmet. In the face of heightened uncertainty and citizen anxiety, the *2024 Ontario Budget* represents an important opportunity for the provincial government to demonstrate strong leadership amid challenging times.

# ONTARIO 360

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