

# Ford Government Plans to Outspend the Wynne Government

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## SUMMARY

■ When it was in opposition, the Progressive Conservative Party of Ontario frequently criticized the fiscal records of previous Liberal governments and repeatedly committed to reducing spending, balancing the budget, and reducing the province's debt burden.

■ However, many areas of fiscal policy have been characterized by continuity rather than change since the Ford government took office. This bulletin considers the Ford government's Budget 2022, which laid out the fiscal plan for Ontario through 2024/25.

■ We find that the Ford government generally maintained higher per-capita inflation-adjusted spending during its first term in office than prevailed under Premier Wynne. Further, Bud-

get 2022 suggests that the Ford government plans to further increase spending in its second term in office.

■ Largely as a result of this spending trajectory, Budget 2022 forecasts that Ontario will continue to run operating deficits in the years ahead.

■ The Ford government forecasts that the pace of debt growth will largely continue along the same trajectory as under Premier Wynne.

■ If the Ford government is to fulfill its early promises of bringing sustainability to Ontario's finances it will need to change course during its second term in office. Budget 2022, however, suggests that the government is not planning any such change—that continuity rather than change is likely to characterize provincial fiscal policy for the foreseeable future.

## Introduction

Ontario's government faces long-standing fiscal challenges. The province has run deficits every fiscal year since 2008/09. Several plans to gradually balance the budget have proven unsuccessful. When it was in opposition, Ontario's Progressive Conservative Party frequently criticized the fiscal records of previous Liberal governments and repeatedly committed to reducing spending, balancing the budget, and reducing the province's debt burden (PCPO, 2018).

Past research has shown that following its election in 2018 and throughout its first term in office, Premier Doug Ford's government largely neglected these commitments. Instead, since the Ford government took office, fiscal policy in Ontario has been largely characterized by continuity rather than change with respect to the levels of public spending and debt accumulation (Eisen, 2021).

This short research bulletin builds on previous analysis and considers the Ford government's Budget 2022, which laid out its fiscal plan through 2024/25.<sup>1</sup> This analysis will consider how the Ford government's most recent budget compares to the Wynne government's record of fiscal management.

This bulletin begins with a brief section highlighting the fiscal commitments and promises of a change in direction that the Progressive Conservatives made while in opposition. The next section compares spending and deficit levels under the Wynne and Ford governments

to the present time. We also discuss the Ford government's projections from the pre-election Budget 2022 to assess how the government intends to proceed on program spending in its operating budget. We then compare the pace of debt accumulation under Wynne to that of Ford to date—and look at the Ford government's debt projections from Budget 2022. A brief discussion and conclusion end the paper.

## The Progressive Conservatives in opposition: Promises of a new fiscal era

When it was in opposition, Ontario's Progressive Conservative Party heavily criticized Premier Wynne's fiscal policies. We present some of the rhetoric below to establish that the party indeed promised a new fiscal direction for the province.

When in opposition, the OPCP's finance critic, Vic Fedeli, who would go on to become the Ford government's first finance minister, published an annual report series entitled *Focus on Finance*. These documents were detailed, well sourced, and at times blunt. For instance:

Any family having trouble paying their bills knows you don't run out and buy a swimming pool. You don't go on a spending spree. Basically, what the Liberals proposed to do was use their MasterCard to pay off their Visa, and their Visa to pay off their MasterCard. (Fedeli, 2015: 47)

While there are big differences between household and government finances, this quotation is one example of many assertions from OPCP leaders that provincial budgeting under Wynne was fundamentally misguided. As a result, he argued for a shift in approach to solve the underlying problems, as we see below:

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<sup>1</sup> The spring 2022 budget will not be enacted into law, however, it remains the government's most recent detailed fiscal projection and contains the best available data concerning the Ford government's planned approach to spending and deficits during its second term.

The solutions to Ontario's problems aren't hard to figure out; they're just not easy to do. Ontario needs a government that has a plan to reduce spending and create jobs, and the courage to implement it. But it's hard to justify these tough decisions if people don't know how serious the problem is here in Ontario. The budget presented to Ontarians offers no reform, shows no sense of understanding the severity of our debt crisis, or the urgency required to fix the problem. It appears Ontario is headed to become the next Greek tragedy. (Fedeli, 2015: 50-51).

Fixing Ontario's fiscal situation was a campaign theme for the whole party. For instance, here is an excerpt from the party's 2018 election platform:

Ontario doesn't have a revenue problem. It has a spending problem. Efficiencies exist all across the government, whether it is how different agencies and ministries purchase goods or how they deliver services. (PCPO, 2018)

These quotations show that reducing spending in order to return to balanced budgets was a high priority for the OPCP in opposition and during the 2018 campaign.

The next section compares spending and deficits during the Ford government's first term and its projections for both based on its pre-election Budget 2022 with those that prevailed during the Wynne era.

## Program spending growth

When Premier Wynne took office in 2013, Ontario was facing an operating deficit of \$11.5 billion. Her government repeatedly committed to eliminating the deficit by 2017. However, the

government failed to achieve this goal, and deficits persisted throughout Kathleen Wynne's time as premier.

The Wynne government was unable to balance the budget largely because it did not reduce inflation-adjusted per-person spending. Real per-person spending fell slightly from 2013/14 to 2016/17, but then increased by 5 percent in 2017/18 immediately before the provincial election. As a result, per-person spending in 2017/18 was higher than it was when Kathleen Wynne became premier in 2013. Figure 1 illustrates these developments.

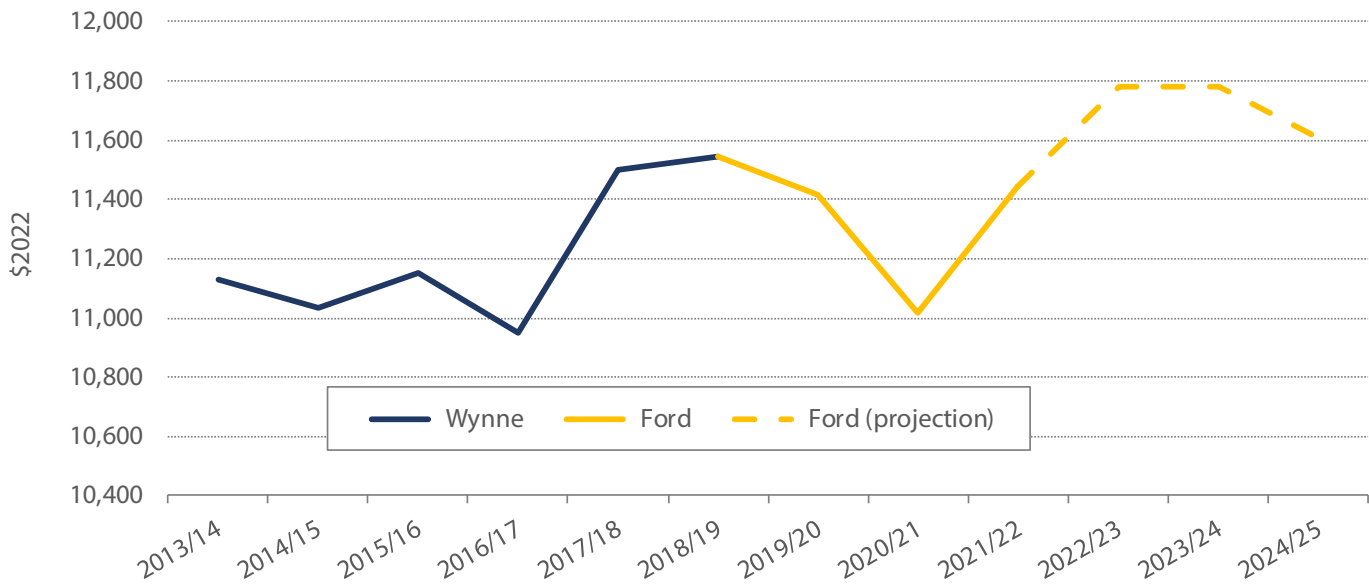
The Ford government took office in 2018 promising a different path forward, claiming it would reduce spending and rapidly reduce the province's deficit. Instead, in its early years, the Ford government kept real per-person spending at existing levels, maintaining policy continuity.

Figure 1 shows that over the course of the first two years of the Ford government (Ford took office in June 2018 and so is assigned responsibility for fiscal year 2018/19 in this analysis), real per person program spending remained essentially unchanged from the pre-election levels that had spiked in 2017/18. Real per-capita spending in 2017/18 was \$11,501 and in 2019/20 it was slightly lower at \$11,416.

Largely because of its inability to reduce spending from the Wynne-era peak, the Ford government did not keep its commitment to reduce the deficit. Ontario ran a deficit of \$7.4 billion in 2018/19 and \$8.7 billion in 2019/20.

For the two years following 2019/20, spending comparisons become more difficult because of the unique fiscal conditions brought on by the COVID-19 pandemic, the substantial one-time spending levels associated with it, and the federal government's unprecedented emergency

**Figure 1: Inflation-Adjusted Program Spending per Capita, \$2022 (Excluding COVID-Related Spending), 2013/14 to 2024/25**



Sources: Canada (2021); Ontario Ministry of Finance (2021 & 2022); Statistics Canada (2022a, 2022b, and 2022c).

assistance. The 2020/21 fiscal year is especially difficult. Figure 1 shows that after adjusting for emergency spending,<sup>2</sup> real per-person spending in 2020/21 fell meaningfully, but this result should be interpreted cautiously due to the aforementioned accounting challenges. In 2021/22, however, COVID-adjusted real per-person spending rebounded back almost exactly to pre-pandemic levels.

An overall assessment of the Ford government's term in office reveals that its operating budget essentially maintained real per-person program spending from the 2017 levels it inherited from

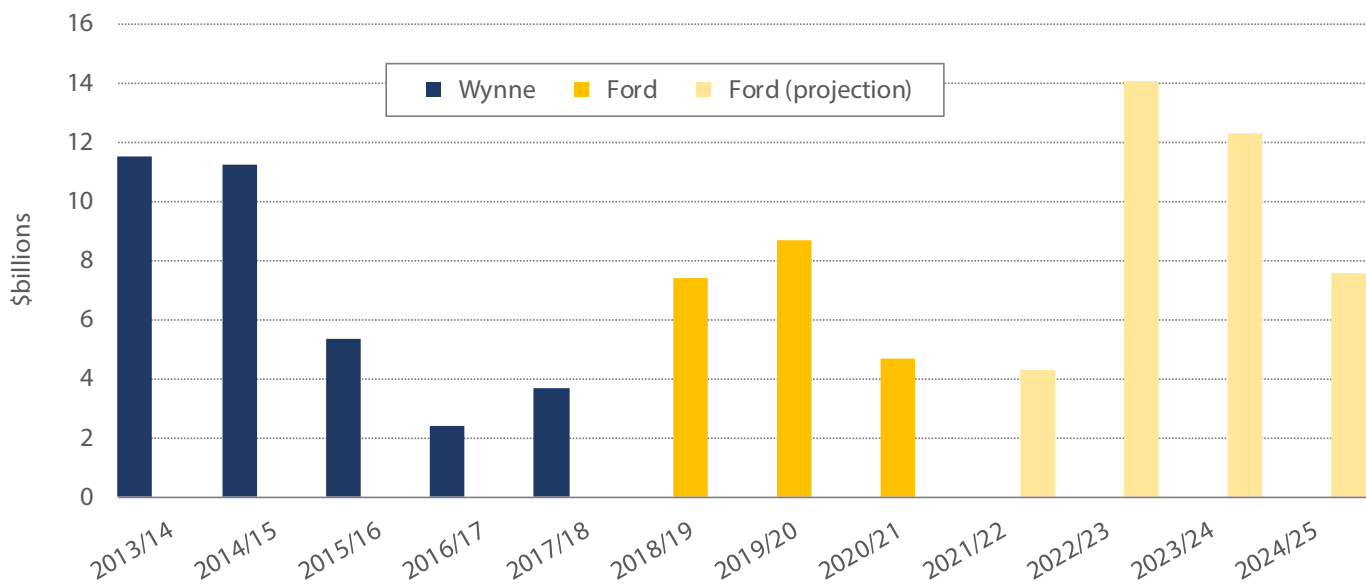
<sup>2</sup> COVID adjustments to spending and revenue are based on amounts identified in the 2021 and 2022 Ontario budgets for fiscal years 2020/21, 2021/22, and 2022/23. Spending is reduced by the full amounts of COVID spending while deficits are adjusted by net COVID spending, which is COVID spending less federal COVID transfers.

the Wynne government which was, itself, substantially higher than what prevailed in recent prior years. The Ford government generally maintained higher per-capita inflation-adjusted spending during its first term in office than prevailed under Premier Wynne.

Budget 2022 suggests that the Ford government plans to increase spending further in its second term in office. The budget was not passed into law and is subject to change before being reintroduced, however, it represents the government's most recently presented fiscal plan and is therefore the best available map of its planned approach to future spending.

Figure 1 shows that in the current fiscal year (2022/23) the Ford government plans to increase inflation-adjusted per-person program spending (excluding COVID-related spending) by 2.9 percent. This would bring inflation-

Figure 2: Ontario Deficit, \$billions (Excluding COVID-Related Spending)



Sources: Canada (2021); Ontario Ministry of Finance (2021 & 2022); Statistics Canada (2022a, 2022b, and 2022c).

adjusted per-person spending in 2022/23 to \$11,783, \$282 per person more than it inherited from Premier Wynne.

In the subsequent years of its fiscal plan the government forecasts a small reduction in real per-person spending. However, even if it meets these commitments, Ontario will still have higher inflation-adjusted per-person spending in 2024/25 than it did in Premier Wynne's final year in office.

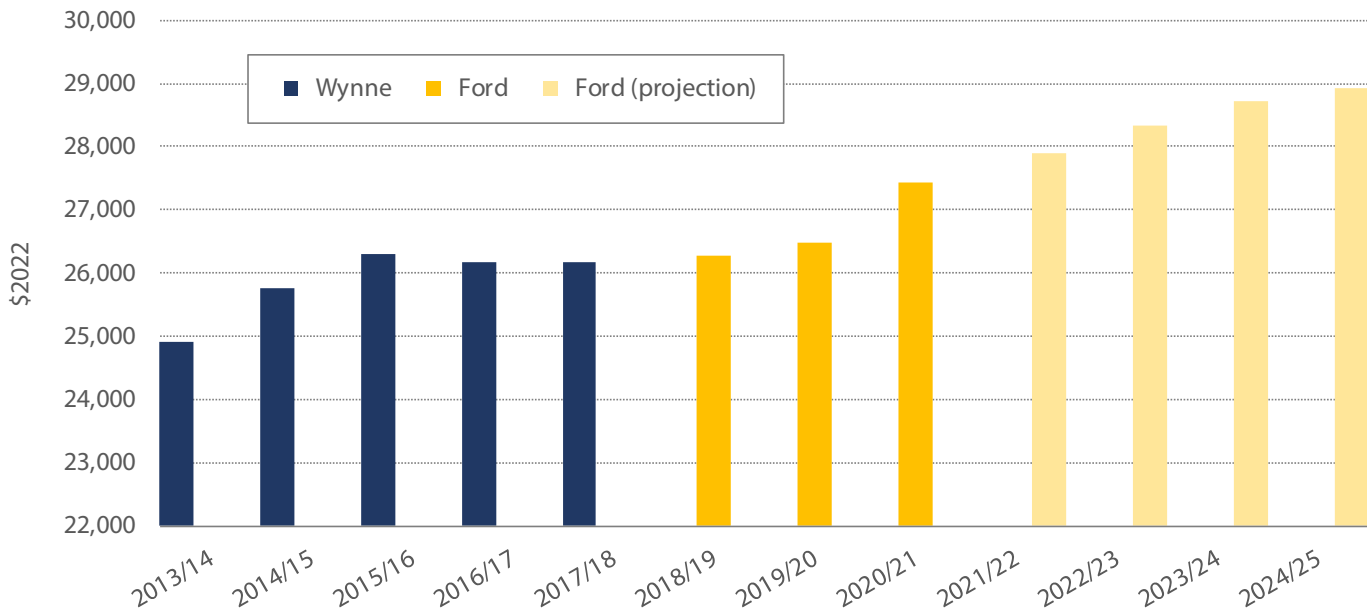
Throughout its first term in office the Ford government generally maintained inflation-adjusted per-person spending at nearly the same level it inherited from the Wynne government. Further, the 2022 budget forecasts that the Ford government intends to maintain spending at slightly higher levels for the duration of its current fiscal plan than the Wynne government ever reached during its time in office.

## Deficits and debt

Comparing fiscal performance by examining deficits and debt accumulation in recent years is more difficult than an analysis of changes in the trajectory of spending. During the worst of the COVID-19 pandemic provincial governments saw both new cost pressures from the pandemic as well as unprecedented emergency support from the federal government to help offset these expenses. The Ontario government's budgets do separate time-limited COVID spending, but for the years in which the pandemic's fiscal effects were deepest separating COVID and non-COVID spending is not straightforward. This becomes much less of an issue over time, particularly for the period projected in the 2022 budget.

With these caveats noted, figure 2 shows Ontario's nominal budget deficit each year during Premier Wynne's time in office, during Premier

**Figure 3: Inflation-Adjusted Net Debt per Capita, \$2022**



Sources: Canada (2021); Ontario Ministry of Finance (2021 & 2022); Statistics Canada (2022a, 2022b, and 2022c).

Ford's first term, and projections from Budget 2022. We see that pre-pandemic, in the earliest years of the Ford government, deficits were substantially higher than in the late Wynne years, but lower than in the early years of Wynne's time in office. Ontario's deficits were \$7.4 billion in 2018/19 and \$8.7 billion in 2019/20. The following two years are complicated by pandemic accounting issues which we do not discuss here, although they are presented in Figure 2 for reference.

The government forecasts a deficit of \$14.1 billion for the current (2022/23) fiscal year. This compares to an inherited deficit of \$3.7 billion in 2017/18. Next year, the government intends to run a large deficit of \$12.3 billion followed by another \$7.6 billion deficit in 2024/25. Clearly, as figure 2 shows, throughout its current fiscal plan, the Ford government anticipates running larger deficits than it inherited from the Wynne government.

## Debt accumulation

Ontario has run budget deficits every year since 2008/09. This has led to the province accumulating a substantial amount of debt. Figure 3 shows Ontario's inflation-adjusted per-person net debt (debt minus financial assets) since 2013/14, as well as projections up to 2024/25 from the budget that was presented before the spring 2022 election.

Operating deficits, however, do not constitute all the new debt incurred by a government in a given year. Debt-financed capital spending also adds to a province's net debt. In this section we consider the government's planned pace of debt accumulation in the years ahead relative to what occurred during Premier Wynne's time in office.

In 2012/13, Ontario's net provincial debt per capita was \$23,896. Real net debt per person increased by \$1,387 between 2013/14 and the end

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of the 2015/16 and declined slightly during the remainder of Premier Wynne's term in office. During the Ford government's pre-pandemic years the previous government's trend continued, with net debt per person increasing by approximately \$300 over two fiscal years.

In 2020/21 and 2021/22, real per person debt spiked, largely due to the spending related to the COVID-19 pandemic. However, the Ford government shows that it will continue to grow inflation-adjusted net debt per capita in the coming years, even though they will be basically unaffected by COVID-related spending. Budget 2022 forecasts real net debt per person will increase from \$27,889 in 2021/22 to \$28,930 in 2024/25.

Figure 3 shows that on the measure of real per person debt, the Ford government's debt accumulation trajectory will largely follow that set by Premier Wynne.

As a result of the growth in net debt, the Ford government expects to make very little progress in reducing its debt-to-GDP ratio during its current fiscal plan. This is the most-used measure of a jurisdiction's economic capacity to carry its debt load.

In 2018 the Progressive Conservative party inherited a debt-to-GDP ratio of 39.3 percent. In 2021/22 this ratio had increased to 40.7 percent. The recent fiscal plan forecasts a further increase, with the ratio expected to be 41.3 percent in 2024/25.

The provincial government's inability to reduce or stabilize the provincial debt-to-GDP ratio is concerning, particularly as Ontario faces long-run fiscal challenges including low projected productivity growth and an aging population. Due to these and other factors, a recent analysis by University of Calgary economist Trevor Tombe for the "Finances of the Nation" project

showed that Ontario's public finances are currently unsustainable. This means that in the absence of policy change, Ontario is currently on track to experience further growth in its debt-to-GDP ratio over time. Tombe's analysis suggests that to achieve sustainability without tax increases, Ontario's government needs to reduce spending by 2.2 percent of GDP (Tombe, 2022).

## Conclusion

Premier Ford came to power claiming that he would institute a fundamentally different budgetary approach to that of Premier Wynne. In fact, the change of government has been marked more by continuity than change. Budget 2022 forecasts that provincial spending will be, after adjusting for inflation and population growth, higher in each of the next three years than at any point during Premier Wynne's time in office. Further, the province's real per capita debt burden will increase and the provincial debt-to-GDP ratio will be slightly higher than it when the government changed in 2018.

If the Ford government is to fulfill its early promises of eliminating the deficit and make progress towards making provincial finances sustainable it will almost certainly have to change course during its second term in office. Budget 2022, however, suggests that no such change is on the government's immediate agenda and that continuity rather than change is likely to characterize provincial fiscal policy for the foreseeable future.

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