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# OAB 2008

ONTARIO ALTERNATIVE BUDGET | TECHNICAL PAPER THREE | March 2008

## Ontario Budget 2008

THE LAST OF THE EASY BUDGETS

**Hugh Mackenzie**

We had to wait a year for it, but the Ontario government has finally finished allocating the leftover surplus from its 2007–08 budget.

It says as much about Ontario's past as it does its future:

Very little of what was announced in Budget 2008 is funded from 2008–09 revenue. As a result of dramatically reduced revenue estimates based on much lower forecasts of economic growth, increased costs will end up being financed largely through a reduction in one-time-only expenditures.

Furthermore, the size of this end-of-year cash flow means that virtually none of the investment initiatives announced in the budget has a secure funding base for the future.

Welcome to the last of the easy budgets.

Most of the key initiatives announced in Budget 2008 are either funded from last year's surplus or back-end loaded to future years with funding rolled into three-year totals to make it look more significant than it really is.

First, here is a list of the one-timers:

All of the newly announced infrastructure funding in the budget is one-time only. Infrastructure expenditures will be

lower, by more than \$1.3 billion, in 2008–09. That level of investment is far below what is required.

There is \$100 million in the budget for social housing rehabilitation, using 2007–08 revenue. Again, this falls short of need. The City of Toronto alone faces a social housing maintenance backlog of more than \$300 million.

Budget 2008 makes it clear that low-income Ontarians will have to wait another year for the government's promised poverty reduction strategy. There is no money this year for anything that might be a cornerstone of such a strategy. No funding for new social housing or expanded access to child care. Only extremely modest improvements in dental coverage and school lunch programs.

Ontarians who depend on social assistance are being asked to mark time, once again. The two percent increase in benefits announced in Budget 2008 will not match projected inflation, leaving Ontario's most disadvantaged citizens still further behind where they were when the McGuinty government was first elected in 2003.

In elementary and secondary education, the only reference to the deeply embedded funding problems left over from the Harris era is a commitment to review the funding formula by 2010. As a result, the funding problems that plague our schools will persist. The government will continue to underfund basics like school operations, maintenance and transportation, forcing school boards to divert funding from other needs. Funding for special education, education as a second language and students at risk for other reasons continues to be woefully inadequate. And there continues to be no funding at all to support local priorities.

In postsecondary education, the government at least appears to recognize that there is an affordability problem, but its solution — a \$150 grant for textbooks next year, rising to \$300 in two years — doesn't come close to meeting the need. And while the government continues to stress its investment in college and university buildings, there's no money to pay the increased numbers of teachers that will be required if we are to deliver a high-quality education in those new buildings.

It is clear from the numbers in the budget the government believes that the days of easy budgets funded from end-of-year surpluses are over. For the majority of Ontarians, this represents a huge lost opportunity. Ontario has allowed a period of extraordinary revenue growth pass by without addressing critical public service voids left behind by its predecessor.

Beyond the end-of-year, one-time only investments in infrastructure Budget 2008 spreads a relatively small amount of funding among a very large number of scattered programs. These announcements will form the basis for news release after news release, but taken together will make very little difference to the real public investment issues facing the province.

In areas like health and education, over the past four years Ontario has invested enough to keep the services deficit from getting worse, but we will wait another year for any sign of progress.

In areas like housing, environmental protection, local government finance, child care and public infrastructure, the services deficit is deeper now than it was when the McGuinty government was first elected.

And most notably for a government that made poverty reduction a key component of its re-election strategy, the poorest Ontarians are in a worse position, relative to inflation, today than they were at the end of eight years of sustained attack from the Harris–Eves Conservatives.

Budget 2008 contains literally dozens of individual initiatives that it packages up as an economic strategy. But there is nothing in the budget that really reflects the extent and scope of the economic challenges faced by the province. And there is nothing in this budget that suggests the government is prepared even to recognize the extent of the gap between the services Ontario needs and its current level of investment.

At the root of this complacency is the government's refusal to come to terms with the continuing legacy of nearly a decade of tax cuts that this province still cannot afford.

Without an effort to rebuild Ontario's fiscal capacity, renewing public services will continue to depend on revenue windfalls. And thanks to a weak economy and a Federal government determined to get out of the public services business, there are no such windfalls on the horizon.

Ontario needed a budget that tackled the real problems facing this province head on; a budget that set out a bold strategy to fund long-term solutions to those problems.

What we got was a last gasp fiscal party based on last year's surplus and strategy towards the future that can only be described as complacent and timid.

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