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Dealing with Deficits: Ontario's 2024 Budget



Building a Better Ontario

March 2024

The Top Line

The province is returning to a nearly double-digit deficit of **\$9.8 billion** from a reported surplus in its Q3 finances, the **largest since Kathleen Wynne's election year budget in 2018**. The Ford government is hoping to pull out all the stops to grow Ontario's economy through targeted investments in infrastructure, housing, and skills training, all while keeping costs down for Ontarians.

To explain the red ink, the Ford government is pointing the finger at a host of factors – inflation, interest rates, and **\$6 billion** in desperately needed payments to the broader public sector due to the court's ruling against the PCs' Bill 124 public sector wage constraint legislation.

Central to the government's plan to stay on course is **massive investments in infrastructure**. With over **\$190 billion** set aside over the next 10 years (an increase of roughly **\$6 billion** since last year's plan), the government continues to prioritize new builds and redevelopments in the health and long-term care, housing, and public transportation sectors.

As high interest rates persist and the global economy prepares to weather more headwinds, **Ontario's deficit is expected to triple** in the short term. The PCs continue to stick to “third road” fiscal planning – no new taxes, no deep cuts, balancing the budget through growth – but will that be enough?



"Our responsible approach allows us to support Ontario families, workers, and municipalities while retaining a path to balance."

Minister of Finance Peter
Bethlenfalvy



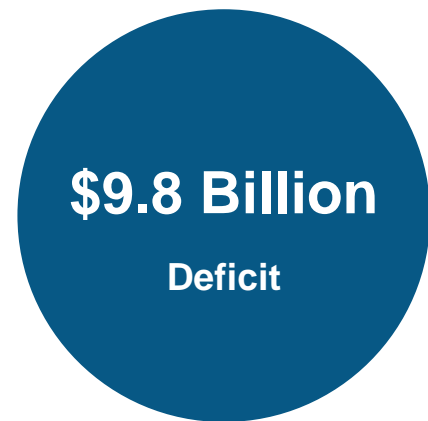
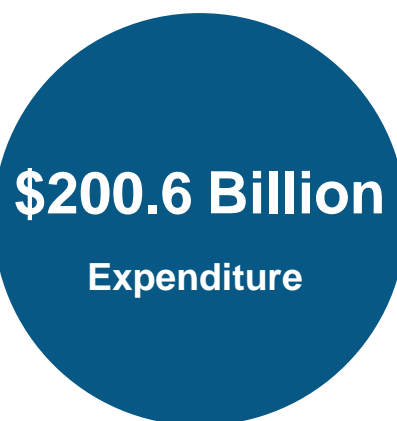
By the Numbers

The province expects to be **back to balance by 2026-27**, reaching a surplus of \$500 million.

Provincial revenue is forecasted at **\$205.7 billion**.

Total program spending has increased by **\$7.2 billion**, totaling **\$200.6 billion** – an increase of **\$58.2 billion** or 40.8 per cent since 2018.

- **\$85 billion** in health spending (up **\$0.5 billion** from 2023-24, **\$26.1 billion** or 44 per cent since previous government)
- **\$37.6 billion** in education spending (up **\$1 billion** from 2023-24, **\$10.3 billion** or 37 per cent since previous government).
- **\$12.2 billion** in post-secondary spending (only up **\$1.1 billion** since previous Liberal government)





Healthcare and Long-Term Care

The health and long-term care sectors have urged the government for months to significantly increase operational and capital funding. Despite this, the government is maintaining a status-quo funding model for the province's hospitals, with a **four per cent** year-over-year increase (**\$965 million**) to their operating budgets.

However, in response to escalating calls for enhanced access to family doctors and primary care, the government announced additional funding with:

- **\$2 billion** for home and community care.
- **\$546 million** to create primary care teams; and
- **\$743 million** over three years for healthcare staffing needs.

The budget further boasts **\$50 billion** for over 50 hospital capital projects over 10 years, plus an additional **\$620 million** over 10 years for the Health Infrastructure Renewal Fund and the Community Infrastructure Renewal Fund.

For long-term care, there is **\$155 million** to increase the construction funding subsidy to support the cost of developing or redeveloping homes.

Even with these initiatives, the government's total increase in healthcare funding is **just 1.3 per cent**, below inflation. One likely factor in this shortfall is the repeal of **Bill 124, which consumed an additional \$1.58 billion** of the health care budget in 2023-24.



Housing and Infrastructure

The budget contains **\$1.6 billion** in new money for housing-enabling infrastructure (in addition to the \$200 million committed in the fall economic statement) – but may **not be on track to meet its pledge** to build 1.5 million new homes by 2031.

Budget 2024 projects fewer than 80,000 new homes to be built in 2024. Ontario will need to build at least 175,000 new homes per year to get back on track to meet its lofty housing targets.

Budget 2024 commits to the following new housing and infrastructure initiatives:

- Renaming the **\$3 billion** Ontario Infrastructure Bank as the **Build Ontario Fund** aimed at funding select projects, including long-term care, energy, housing, and transportation.
- **\$1 billion** for Municipal Housing Infrastructure Program.
- **\$825 million** invested into the Housing-Enabling Water Systems Fund.
- Doubled its annual investment into the Ontario Community Infrastructure Fund to nearly **\$2 billion** over five years.
- **\$200 million** over three years for a new local **Community Sport and Recreation Infrastructure Fund**.



Jobs and the Economy

Growth is going to be the saving grace of this budget, which means more investments in initiatives to support businesses and workers.

The government is earmarking an additional **\$100 million** for Invest Ontario, the relatively new agency set up to attract investment and create manufacturing, life sciences and tech jobs.

To support the \$28 billion in EV investment attracted to the province over the last few years, the province is committing **\$15 million** to the Critical Minerals Innovation Fund, which will support research, development and commercialization in the sector. It will also provide **\$86 million** added to the Northern Energy Advantage Program to support industrial operators in Northern Ontario.

When it comes to training and upskilling workers, the government is putting in **\$100 million** for the popular Skills Development Fund to attract people into skilled trades (up from the \$75 million over three years committed last year). It is also investing **\$62.9 million** towards helping students enter the skilled trades through OYAP and other pre-apprenticeship training projects.



Affordability

Last year, the PC government was criticized for only mentioning “affordability” once in the 2023 Budget by opposition members. Budget 2024 **emphasizes affordability 12 times** to ensure Ontarians get relief where they need it most – housing, the gas pumps and some of our most vulnerable populations.

- As the federal Liberals plan to increase the widely debated carbon tax, the Ontario government is drawing a line in the sand by **extending the gas tax cut to December 31, 2024**, which has saved Ontario households an average of approximately **\$320** since July 2022.
- The Ontario government is expanding the authority of all 444 municipalities to **impose higher taxes on vacant homes** to ensure the housing market is fair.
- To ensure no Ontarian is left behind, the province is expanding eligibility of the Guaranteed Annual Income System to allow 100,000 more low-income seniors to receive more than **\$1000 per year**.
- The province is also continuing its work to improve choice and the cost of **auto insurance**.



Honourable Mentions

While the big-ticket items in Budget 2024 will dominate in this week's headlines, the following items deserve some attention as well.

Mental Health

- The government is investing an additional **\$152 million** over three years towards various **supportive housing** initiatives designed to support vulnerable people.

Police Support

- To address the rise in auto theft and violent crime in the GTA, Budget 2024 commits **\$46 million** over three years to improve police response times and **purchase four new police helicopters**.

Beer & Wine Liberalization

- The government is **eliminating the basic wine tax** on Ontario wine and wine coolers, effective April 1, 2024.
- The PCs are also freezing the basic beer tax and LCBO mark-up rates until March 2026.

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**When
you can't
afford
to lose.®**