

4.1 Create a meaningful plan to tackle the debt and move towards balanced or surplus budgets

KEY MESSAGES:

- According to the 2017 Budget, Ontario's debt will rise by 21% in the next three years, with no existing plan to begin repayment.
- The OCC is calling on the newly elected government to create a meaningful plan to tackle the debt and move towards a balanced or surplus Budget.

According to the 2017 Budget, Ontario's debt will rise by 21 percent in the next three years due to interest charges alone—with no existing plan to begin debt repayment.¹ As we have seen in previous years, scheduled tax reductions have been halted because the Budget has not been balanced, freezing important reforms that would have benefited business competitiveness.

As of February 2018, Ontario's net debt, the difference between total liabilities and total financial assets, was expected to rise to \$311.7 billion in 2017-2018²—the highest of any non-sovereign jurisdiction in the world. Between 2003/04 and 2015/16, Ontario's debt level increased by more than any other province. Over this time, Ontario's net debt rose by \$10,292 per person, the largest per capita increase in Canada. Quebec experienced the second largest increase; in that province net debt per person increased by \$9,807.2 New Brunswick had the third largest increase at \$7,802 per capita.

While there was no deficit in Budget 2017, there was also no plan for surplus. Beyond balancing the budget, Ontario needs a clear path for long-term fiscal prudence to regain our status as an economic

powerhouse in Canada and a reliable investment destination globally. Although Ontario's credit rating has stabilized over the past few years after being downgraded in 2015 Ontario's current fiscal environment deters investment, reduces the government's capacity to make productivity-enhancing investments, and compromises the province's ability to respond to future economic slowdowns. In 2017 Quebec surpassed Ontario, receiving a higher credit ranking from S&P for the first time ever.

Ontario should capitalize on strong fiscal projections and begin downward payment on the debt. Failure to do so will place a tremendous fiscal burden on future generations and considerable pressure on future economic planning. A balanced budget and a reduction in the provincial debt ensures that future Ontarians will not be paying for the spending of today, and that government resources will be available for investment when the need arises. Additionally, a balanced budget ensures that scheduled spending (including tax reductions) is not paused or cancelled.

1 Government of Ontario. 2017 *Ontario Budget: A Stronger, Healthier Ontario*. Ministry of Finance, 2017. <https://www.fin.gov.on.ca/en/budget/ontariobudgets/2017/budget2017.pdf>

2 Government of Ontario. *A Strong and Fair Ontario*. Ministry of Finance, 2017. <https://www.fin.gov.on.ca/en/budget/fallstatement/2017/fes2017.pdf>

3 Fraser Institute. Debt Accumulation in Ontario Compared to Other Provinces. 2016. <https://www.fraserinstitute.org/sites/default/files/debt-accumulation-in-ontario-compared-to-other-provinces.pdf>

4 Fraser Institute. Quebec now more creditworthy than Ontario, 2017. <https://www.fraserinstitute.org/article/quebec-now-more-creditworthy-than-ontario>