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Rebuilding Our Public Services

An Alternative Budget for Ontario

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Executive Summary

ONTARIO IS A place of tremendous wealth, but despite our evident prosperity, something is wrong.

As our province enters a new decade, the public services we all depend on are in a shocking state. Ontario now has the fewest acute care hospital beds per capita of any province in Canada — fewer, in fact, than any country in the Organization for Economic Cooperation and Development save Mexico. Our public schools are waiting for at least $15 billion in funding to return them to a state of good repair. Roughly 1 in 10 Ontarians — including over 200,000 children — live in poverty.

Meanwhile, the current government's strategy to address the climate crisis is "not based on sound evidence" and is "not likely to achieve its proposed emission-reduction target," in the words of Ontario's auditor general.

The reason for this state of affairs is clear enough: the government is failing to invest in our public services, and dramatically so. Ontario's spends $2,000 less per person, per year on programs than the average of the other Canadian provinces. But instead of moving spending towards the average of other provinces, the government is heading the other way, with plans to deepen its funding cuts over the next five years and reduce annual inflation-adjusted program spending by $1,070 per person over the same period.

The government's stated rationale for these cuts does not hold up to scrutiny. As a new decade begins, Ontario's GDP per capita is at or near record levels. The province's debt-to-GDP ratio is stable, and interest on the debt is stable as well; it has averaged between 8.1 and 9.1 per cent of revenues for the last 15 years, and is projected to remain in that range.

This Alternative Budget proposes substantial investments to rebuild Ontario's public services.

- The Alternative Budget provides $2.6 billion in 2020–21 and $3.4 billion in 2021–22 for initiatives to address the climate crisis.
- In health care, spending rises by 5.6% in both 2020–21 and 2021–22, raising an additional $2.3 billion in the first year and $5.4 billion in the second compared to the government's plan. This provides funding to account for higher costs due to inflation, population growth, and demographic changes, plus an additional one percentage point for health care enhancements.
- In education, spending rises by 2.7% per year (not including the child care tax benefit), reversing the funding cuts introduced by the Ford government, investing $870 million more in 2020–21 and $1.4 billion more in 2021–22 compared to the government's plan.
- In social assistance, the Alternative Budget boosts incomes for those on Ontario Works (OW) and the Ontario Disability Support Plan (ODSP) by 3% per year, for the next ten years while restoring the basic income pilot.
- The Alternative Budget abolishes the poorly targeted Childcare Access and Relief from Expenses (CARE) tax credit and redirects $500 million a year to existing child care fee subsidy programs and alternative affordability measures.

To pay for these measures, the Alternative Budget proposes revenue changes in four main areas. These changes would:

- reverse tax cuts already introduced by the current government;
- redirect the Ontario portion of the most recent federal personal income tax (PIT) cut to provincial coffers;
- moderately increase PIT rates for higher-income Ontarians; and
- return the provincial Corporate Income Tax (CIT) rate to 2010 levels.

Taken together, these measures would raise $8.9 billion in additional revenues in 2020–21 and $13.9 billion in 2021–22, helping to maintain and rebuild important programs as well as reduce the provincial deficit slightly more quickly than currently proposed by the government.

The Alternative Budget uses the Ministry of Finance's fiscal plan as a starting point. It makes identical assumptions about government finances, labour market trends, and economic growth. But where the current government chooses to cut taxes for the rich, we ask them to pay more. Where the government chooses to cut spending and vital services, we choose to protect those services and invest in Ontarians. And we demonstrate — in detail — that these choices are within reach.

Because Ontario *can* afford great public services.

Introduction

Ontario can afford great public services

ONTARIO IS A place of tremendous wealth.

Its resources are vast. Its cities and towns are vibrant and productive. Its people are creative, diverse, and hardworking. And in 2020, its economy is generating more wealth than ever before.

But despite our evident prosperity, something is wrong.

As our province enters a new decade, the public services we all depend on are in a shocking state.

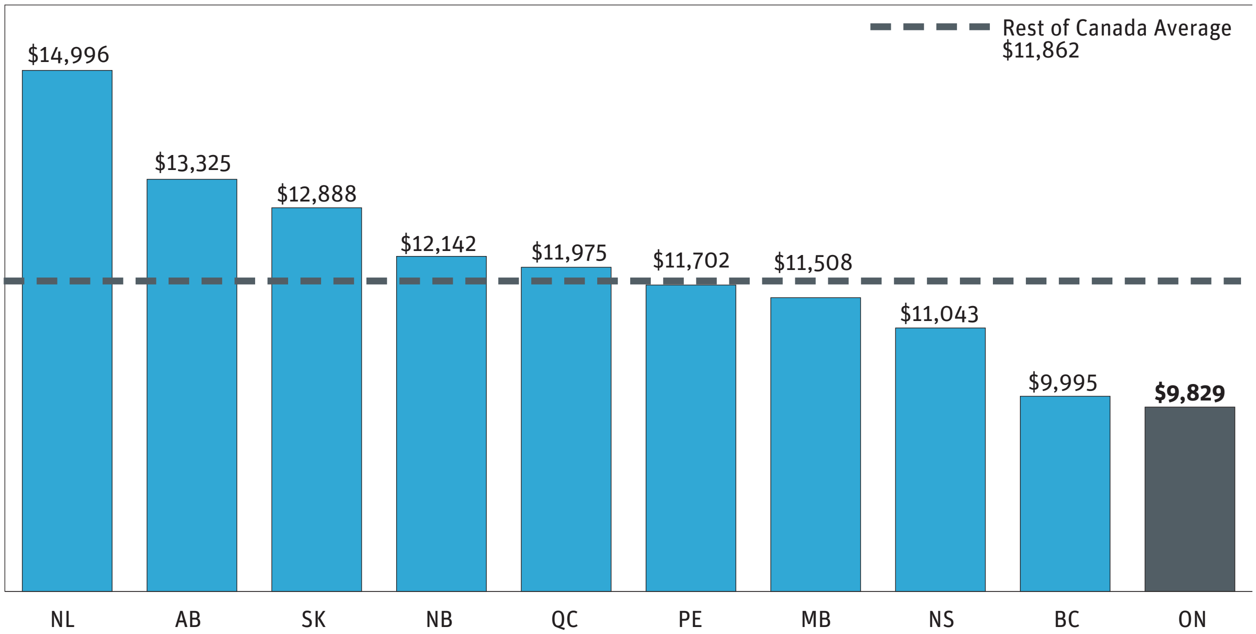
Ontario now has the fewest acute care hospital beds per capita of any province in Canada — fewer, in fact, than any country in the Organization for Economic Cooperation and Development save Mexico.[1] Our public schools are waiting for at least $15 billion in funding to return them to a state of good repair.[2] Roughly 1 in 10 Ontarians — including over 200,000 children — live in poverty.[3]

Meanwhile, our current government's plan to help tackle the worldwide climate crisis is "not based on sound evidence or sufficient detail," in the words of the provincial auditor, and is "not likely to achieve its proposed emission-reduction target."[4]

Our public services are seriously underfunded.

Despite being a rich province, Ontario's per capita, per year program spending is around $2,000 *less* than the average of the other Canadian provinces. But instead of moving spending towards the average of other prov-

FIGURE 1 Program expense per capita, per province



Source Financial Accountability Office of Ontario. Comparing Ontario's Fiscal Position with Other Provinces.

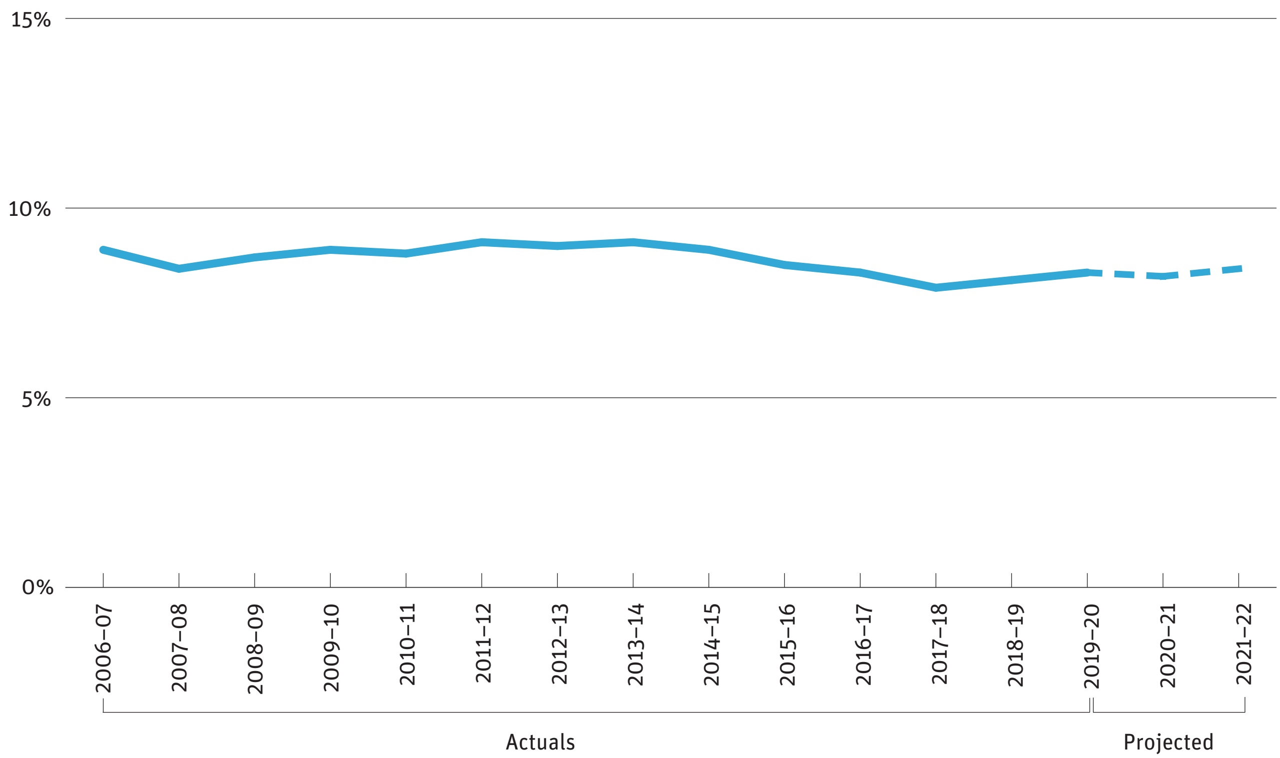
inces, our current government is heading the other way, with plans to deepen its funding cuts over the next five years.

Based on projections in the government's *2019 Economic Outlook and Fiscal Review*, the 2020 budget will continue to put the squeeze on our public services. Funding for education, health care, children's services, social services, and infrastructure is budgeted to remain below what is necessary to preserve existing service levels and maintain public infrastructure. The impact of this continued austerity will be felt in longer hospital wait times, larger school class sizes, inadequate (and reduced) supports for children with disabilities, high poverty rates, and steady deterioration of the province's infrastructure.

Ontario's economy is not to blame for any of this. The Ministry of Finance projects continued real economic growth over the next three years: 1.5% in 2020, 1.5% in 2021 and 1.9% in 2022; some private-sector forecasts are even more optimistic.[5] These are prosperous times, and our economy is well positioned to support the revenue measures the government needs to rebuild our public services.

By the same token, the provincial debt is no obstacle to properly funding our public services. Even with the 2019–20 budget deficit of $7.4 billion, On-

FIGURE 2 Interest on debt-to-revenue ratio



Source Ministry of Finance. 2019 Ontario Economic Outlook and Fiscal Review.

tario's debt-to-GDP ratio (perhaps the most basic measure of sustainability) is stable. Despite repeated warnings from certain commentators that interest on the debt will devour the budget, the share of revenues spent on servicing the debt has been stable for almost 15 years, varying between 8.1 and 9.1 per cent. And it is projected to remain below 8.5% in the next three years.

Last year, even the Ontario Chamber of Commerce agreed: investing in public services and infrastructure must be a higher priority for Ontario than obsessing over debts and deficits.[6]

The public service cuts that our current government has portrayed as necessary, for economic and fiscal reasons, are anything but. The government's policy choices have been purely political.

The government is *choosing* to slash public services and allow physical infrastructure to decay. It is *choosing* not to raise the revenues it needs to keep its house in order and invest in the future. It is *choosing* to further deplete its resources by approving billions of dollars in damaging tax cuts.

The result of all these choices is the crisis of underfunding we face today.

In a province as rich as Ontario, this is not acceptable. We must preserve and boost our world-class education system, shore up an enviable health care system, provide children with the support they need, ensure every Ontarian has a decent standard of living, and build the infrastructure we need for today and tomorrow.

Because Ontario can afford great public services.

An Alternative Budget for 2020

This paper presents alternative fiscal policies that could put Ontario on a better path, starting now. The first section sets out our plan to protect and enhance public services, including health care, education, child care, social assistance, and environmental programs. The second section describes measures that would substantially increase the revenues the province brings in to pay for those enhancements. The third section looks at the big fiscal picture and makes the case that Ontario can afford the services and infrastructure Ontarians need in order to thrive.

Program spending

Rebuilding our public services

THE FORD GOVERNMENT underfunded public services in 2019–20,[7] and aims to keep doing so. It plans to increase nominal program spending by 2.1% in 2020–21 and 1.2% in 2021–22. Increases at this rate are simply too small to keep up with inflation and population growth. Over the next five years, the government's plan will reduce program spending per capita, adjusted for inflation, by 10% — $1,070 less per person.[8]

To maintain our public services at current levels, we need to increase funding to keep up with population growth, demographic changes, and inflation. Maintaining Ontario's public services as they are today would require an increase in program spending of 3.5% in 2020–21 and 3.8% in 2021–22.[9]

Increasing program spending to that baseline level is the first step in this Alternative Budget. The second step is to further increase funding for some of these services.

1) Investing the proceeds of a carbon tax

Leading international scientists have confirmed that climate change is happening more rapidly than expected and that we need to take urgent action to reduce global greenhouse gas (GHG) emissions.[10]

In Ontario, we are already feeling the effects of the climate crisis, with an increase in the frequency and severity of extreme weather events including deadly heat waves, increased rain and flooding, increases in tick and mosquito borne diseases, and intense forest fires, among others.[11]

In eliminating the cap and trade program, the Ford government also eliminated over a billion dollars a year (over the next two fiscal years) in spending on green projects and initiatives to reduce emissions.[12] We need to re-introduce that spending to reduce greenhouse gas emissions and to strengthen the ability of the Ontario economy and Ontarians to withstand the impacts of the climate crisis.

Our alternative proposes that the province replace the federal government's carbon pollution pricing system in Ontario with a provincial carbon tax and, after offsetting the impact on low-income Ontarians (families in the bottom 25% of the income distribution), use those funds to invest in climate change mitigation. As a result, spending in these areas increases by $2.6 billion in 2020–21 and $3.4 billion in 2021–22.

In Ontario, transportation and buildings are two of the largest emitters of greenhouse gases; enhanced public transit and more building retrofits are effective ways to reduce emissions. These are examples of policies that could be funded through these revenues.

2) Investing in health care

Ontarians rely on the health care system when they are at their most vulnerable. Funding a high-quality, accessible health care system is one of the most fundamental roles of government. Polling data from last year that showed that 80% of Ontarians opposed proposed cuts to public health is just one indicator of how high a priority health care is for Ontarians.[13]

Health care spending is the largest program area in the Ontario budget, accounting for 41% of program spending.[14] Given this large share of the budget, health care has often been the target of austerity policies.

These austerity policies have been wasteful and harmful to the health care system, to the Ontarians that rely on it, and to health care providers. Both in the Harris years and during the last Liberal governments, ill-conceived austerity policies have had to be reversed, and increased funding injected into the system.

The most recent period of austerity was between 2011–12 and 2016–17, when health care spending grew at an average annual rate of 2.2%, far below what was needed to maintain existing services. Today, once again, the Ford government is planning to underfund the health care system. The 2019 fall economic statement projects health spending to increase by 2% in 2020–21 and 1.1% in 2021–22.

Funding needed to maintain the existing health system

Last year, the Financial Accountability Office (FAO) produced updated estimates of the funding that will be required to maintain Ontario's existing health system. It projected the impact of the core cost drivers: population growth, population aging, and inflation in health care expenditures. To maintain services, given the current cost structure and government commitments, will require health spending to increase by 4.6% per year.[15]

The government's spending plans fall far short of that mark.

The Ontario Hospital Association (OHA) recently released a report describing how thinly resourced the hospital sector is in Ontario.[16] The OHA reported that, if Ontario's per capita hospital spending reached the average of Canada's other provinces, we would be spending an additional $4 billion per year. As noted above, a telling statistic cited in the report is that Ontario is tied with Mexico for the lowest number of acute care beds per capita of any country tracked by the Organization for Economic Cooperation and Development (OECD).

The report notes that these funding cutbacks are happening while hospitals are facing record emergency-room wait times and rising numbers of Alternate Level of Care patients waiting for more appropriate care.

The OHA report concludes that Ontario's healthcare system is severely strained and any further attempts to pare back frontline care may lead to reduced public access to vital services that are already at or over capacity.[17] Underfunding of other sectors of the health care system, like home care and long-term care, contributes to these problems in hospitals. At the same time, creeping privatization is increasing costs and decreasing quality of care.[18]

Expanding health care services

The government doesn't need to make draconian decisions that will reduce the quality of health care for Ontarians. It doesn't have to take actions that will put the health of Ontarians, and the health care they receive, at risk.

The province has the wealth and resources to provide enough money to fund the existing system, and to enhance health care services as well.

The alternative we propose increases health care spending by 5.6% in both years. That is an additional $2.3 billion in 2020–21 and $5.4 billion in 2021–22 compared to the government's plan. This would increase spending beyond what is required to maintain services by one percentage point — monies that could be used to enhance the health care system.

3) Protecting our schools

Education is the most visible target of the Ford government's service-cutting spree. The new Child Care Access and Relief from Expenses (CARE) tax credit accounts for a large portion of the nominal increase in the Ministry of Education budget. When this program is set aside, education funding is projected to grow by an average of 1.4% a year between 2019–2020 and 2021–2021 — well below the 2.7% required to maintain service levels and avoid cuts. The limited-time $1.6 billion Teacher Job Protection Fund is buried inside this 1.4% increase, so the real cut is even deeper.

The Ontario government has a plan to square this circle: eliminate 10,000 teaching positions, introduce mandatory e-learning for high school students, and cut education workers' salaries by capping increases below the rate of inflation.[19]

This Alternative Budget grows the education budget the needed 2.7% a year — not including the CARE program. This would reverse all the funding changes introduced by the Ford government, providing $870 million more in 2020–21 and $1.4 billion more in 2021–22 compared to the government's plan.

4) Making smarter childcare investments

The Childcare Access and Relief from Expenses (CARE) tax credit (discussed in more detail below) is a poorly designed program that benefits few families. The program fails to address the main challenge parents face when trying to access licensed child care: high fees. The nearly $500 million a year spent on CARE should be redirected to the existing child care fee subsidy program, delivered by municipalities, or to addressing the shortage of regulated, not-for-profit child care spaces through alternative affordability measures. Five hundred million dollars a year is insufficient to fully address Ontario's child care affordability crisis, but if the money is invested wisely, we will be a step closer to a solution.

TABLE 1 Alternative Budget program spending increases

($s millions)	2020–21	2021–22
Maintain overall program spending and prevent cuts[i]	200	1,400
Environmental programs from carbon tax revenue[ii]	2,600	3,400
Maintain and expand health care[i]	2,300	5,400
Reverse education cuts and maintain services[i, iv]	870	1,400
Investments in childcare affordability[ii]	490	480
Increase social assistance rates and reinstate basic income pilot[iii]	430	450
Total program spending increase*	**6,900**	**12,500**

i Authors' estimates using 2019 Ontario Budget and Ontario Economic Outlook and Fiscal Review
ii Authors' SPSD-M 28.0 simulation
iii Authors' estimates using Financial Accountability Office 2018 Economic and Budget Outlook estimates and MCYS estimate of Basic Income Pilot cost
iv This includes base spending in education, contributions to Ontario Teachers' Pension Plan is included in other spending
***** Totals may not add up due to rounding

5) Increasing social assistance rates

Ontario has two main social assistance programs. Ontario Works (OW) provides financial and employment support for people deemed employable, who have exhausted other options, and have very limited financial assets. The Ontario Disability Support Program (ODSP) offers the same supports for people in similar circumstances but who have a disability that prevents them from holding full-time employment. A single person on OW receives $800 per month. A single person on ODSP receives close to $1,250 per month for food, housing and other necessities; the rate is adjusted to family size.[20] A recent Maytree report found that, in 2016, the OW rate for a single person amounted to 36% of the low-income measure,[21] which constitutes deep poverty, according to the province's own poverty reduction strategy.[22]

The previous Liberal government did little to concretely improve social assistance in Ontario, but its final two budgets included a basic income pilot and a 9% rate increase (3% per year over three years). The Ford government cancelled the basic income pilot and slashed the approved rate increase to 1.5%. In our Alternative Budget, we propose reintroducing a 3% rate increase per year, for the next ten years, while restoring the basic income pilot. This amounts to $430 more in 2020–21 and $450 million more in 2021–22 compared to the government's plan.

Revenue measures

The funding Ontario needs

OUR ALTERNATIVE BUDGET proposes tax measures that would begin to generate the revenue Ontario needs to maintain and improve its public services. They have been grouped into four categories: (1) reversing tax cuts already introduced by the current government; (2) redirecting the Ontario portion of the most recent federal income tax cut to provincial coffers; (3) moderately increasing personal income tax (PIT) rates for higher-income Ontarians; and (4) returning the Corporate Income Tax (CIT) rate to 2010 levels. This section explains each in detail. *Table 3* lists all revenues measures for the 2020–21 and 2021–22 fiscal year — the same time period used in the provincial government's 2019 fall economic statement.

1) Reversing provincial tax cuts

While repeatedly claiming that Ontario has had no choice but to cut spending, the current government has approved several tax cuts that have actively weakened the province's finances. The first step in raising revenues is to reverse these cuts, recovering $4 billion in the 2020–21 fiscal year.

Bringing back tax fairness and additional revenues

Research shows that tax breaks for Canadian-controlled private corporations (CCPCs) tend to benefit the wealthiest 1% of individuals rather than small business owners.[24] The 2018 Ontario budget increased tax fairness by mirroring two federal tax changes aimed at closing loopholes associated with CCPCs. Both of these changes were reversed by the current government.

The first change introduced a measure that reduced CCPCs' tax advantage on passive investment income, which includes most forms of investment income like interest, dividends, and capital gains. This change was set to generate $160 million in 2020–21 and $175 million in 2021–22. The Ford government cancelled this measure.

The second change targeted income sprinkling, a tax avoidance practice where high-income individuals divert income to family members who can then pay lower tax rates through CCPCs. CCPA research has shown that this tax measure is mainly a tool for already wealthy Canadians to reduce their tax bill.[25] In 2018, the federal government tightened the rules to prevent income splitting with family members who are not in business with the high-income relative. The 2018 Ontario budget paralleled the federal change, increasing tax fairness and generating an additional $15 million per year. The Ford government cancelled this measure.

The 2018 Ontario budget also paralleled federal measures that closed tax loopholes for Canadian financial institutions that use sophisticated tax avoidance mechanisms. These measures would have brought in $230 million per year in additional revenues. The Ford government cancelled these measures.

The 2018 budget also introduced measures to better target the Employer Health Tax (EHT) exemption for small businesses. Implementing federal eligibility criteria and anti-avoidance rules would have increased revenues by $45 million per year. The Ford government cancelled this measure.

In the fall of 2019, the current government announced that it would further reduce the small business tax rate from 3.5 to 3.2%, draining another $20 million from provincial coffers in 2020–21 and $35 million in 2021–22.

These cuts add up to close to half a billion dollars a year, of which most Ontarians won't see a single dime. They will benefit mostly the top 1% wealthiest families, high-income individuals who own CCPCs, and financial institutions.

This money would be better spent on public services for all.

Cancelling ineffective income supports

The Ford government cancelled the minimum wage increase scheduled for January 2019, keeping the lowest-earning workers at $14 per hour instead of $15. In response to public pressure, the government created the Low-income Individuals and Families Tax (LIFT) Credit, which exempted workers earning up to $30,000 per year from income taxes.

Analyses by CCPA and the Financial Accountability Office (FAO) found that workers would have been considerably better off with the minimum wage increase, in part because most minimum-wage workers don't pay income taxes.[26] Our Alternative Budget discontinues LIFT and redirects $450 million in 2020–21 and $440 million in 2021–22 to public services.[27] The best way to support low-wage workers' incomes is to increase the minimum wage to $15.

Instead of making the much-needed investments in Ontario's child care system, the Ford government has created a tax credit that partially reimburses those lucky parents who can find and pay for expensive child care. This tax credit program is called Childcare Access and Relief from Expenses (CARE). CCPA and FAO analyses have found that few families will receive CARE's maximum benefit, and low-income families are unlikely to benefit much from it.[28] Specifically, the FAO found that only 3% of the total CARE benefit will go to families with annual incomes equal to or below $21,400 (the 25th income percentile).[29]

Moreover, the Government of Ontario added the cost of this program to a Ministry of Education budget that included cuts in other areas, so this program came at the expense of other education priorities.[30] Our Alternative Budget discontinues CARE and redirects the $490 million in 2020–21 and $480 million in 2021–22 costs associated with this program to more effective affordable child care programs.[31]

Implementing an Ontario carbon tax

The Ford government's cancellation of Ontario's cap-and-trade system cut $1.9 billion per year of funding for greenhouse gas emissions programs. As a result of the cancellation, the federal government implemented its own carbon tax, generating similar revenue but sending it to federal coffers instead. A large portion of that money is now refunded to households in the form of a climate action incentive (CAI) payment.

This presents an opportunity for the Ontario government. By implementing its own provincial carbon tax, those revenues that now flow to the federal government would go to the province instead. If the province adopted the same rates and rate-increase schedule as those of the federal government, the Ontario carbon tax would bring in $2.6 billion in 2020–21 and $3.4 billion in 2021–22.

This would be less disruptive to Ontario businesses than re-introducing the cap and trade system, as there are costs associated with any change in this kind of policy. And CCPA research has shown that carbon taxes and cap and trade systems do not have materially different economic impacts.[32]

Instead of refunding carbon tax revenues to households, as the federal government is doing, we could invest most of the money on climate action programs, much the way the former cap and trade program did. Families in the bottom 25% of the overall income distribution would continue to receive a rebate.

2) Recovering Ontario's share of the federal government's $6 billion tax cut

The federal government is diverting $6 billion away from programs that can make a substantive impact on people's lives, spending it instead on an increase in the basic personal exemption, a form of tax cut that will benefit largely mid-to-high-income earners.[33] The CCPA has campaigned against this, arguing that the money would be better spent on affordable child care, improving social assistance, eliminating interest on student loans, protecting Canada's great lakes, or a number of other priorities.[34]

Our Alternative Budget takes back Ontario's share.[35] Individuals and families paying taxes would not see any changes in their tax payable or disposable incomes, but as a result of this change, the Ontario government would collect $1.3 billion in additional revenues in 2020–21 and $1.7 billion in 2021–22.[36]

3) Increasing income taxes and the progressivity of Ontario's tax system

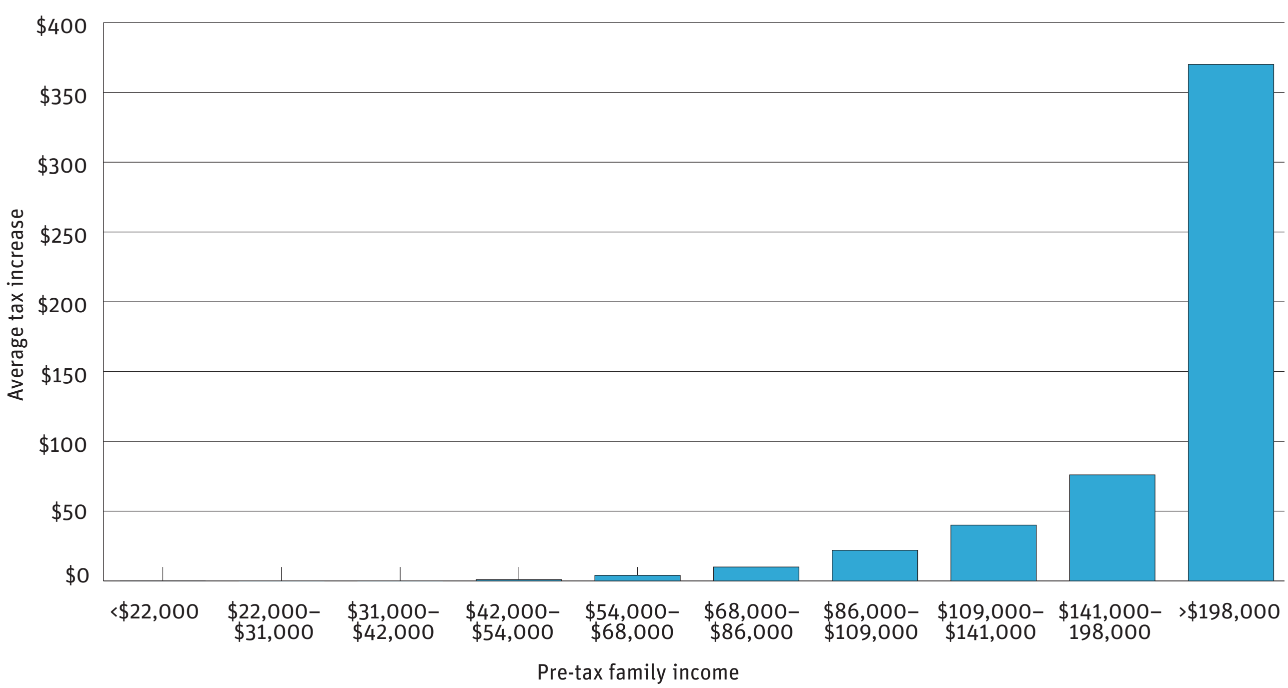
Personal Income Tax (PIT) is the largest single government income source, responsible for 23 per cent of Ontario provincial revenue in 2019–2020.[37] Even small increases in PIT rates can generate substantial resources to fund pub-

TABLE 2 Proposed PIT rate increases

Taxable income brackets (est. 2021 values)	Proposed rate increases	Applicable surtax rate	Rate increases including impact of surtax (percentage points)
$0 up to $45,629	none, remains 5.05%	none	none
Over $45,629 up to $91,259	from 9.15% to 10.00%	no surtax	0.85
		20%	1.02
		56%	1.33
Over $91,259 up to $150,000	from 11.16% to 12.12%	56%	1.50
Over $150,000 up to $220,000	from 12.16% to 13.44%	56%	2.00
Over $220,000	from 13.16% to 15.08%	56%	3.00

Sources SDPD-M 28.0 and authors' calculations.

FIGURE 3 Average annual increase in family income taxes by income decile



Source SPSD-M 28.0 and authors' calculations.

lic services, like education and health care, for which the private alternative would be costly and unaffordable to most families. PIT is a progressive form of taxation; higher incomes are taxed at higher rates.

The proposed Alternative Budget includes PIT increases starting in 2021–2022.

The lowest income bracket (up to $45,629) would be unaffected by these increases. The next bracket ($45,629 to $91,259) would see a 0.85 percentage point rate increase for incomes at the lower end of the bracket and a 1.33 percentage point rate increase for incomes at the high end of the bracket. The tax rate on incomes between $91,259 and $150,000 would increase by 1.5 percentage points. The top brackets — $150,000 to $220,000 and $220,000 and up — would absorb the highest increases, at 2 and 3 percentage points, respectively.[38] Revenues would rise by $3.6 billion in 2021–22 as a result of these changes.

The proposed increases make the PIT system even more progressive: 71% of the additional revenue would come from families with a household income of $198,000 or higher — roughly the top 10% highest-income families. These families would pay, on average, $370 more per year in provincial income taxes. Families with incomes between $109,000 and $198,000 would pay, on average, between $40 and $76 more. Families with incomes between $68,000 and $109,000 would pay between $10 and $25 more. Families with annual incomes below $68,000 would pay up to $5 more.

4) Returning the corporate tax rate to pre-2010 levels

Cuts to Ontario's Corporate Income Tax rate (CIT) introduced a decade ago have not delivered on the increase in investment their proponents promised; they have, instead, enriched corporations and their shareholders.[39] Ontario's competitiveness (not to mention Ontarians' lives) would be better served by government investments in education, public health care and infrastructure. This Alternative Budget increases CIT rates back to where they were in 2010, before the latest round of corporate income tax reductions began. This change would increase revenues by $3.6 billion in 2020–21 and $3.8 billion in 2021–22.

TABLE 3 Alternative Budget revenue measures

($s millions)	2020–21	2021–22
Reversing current government's tax cuts		
Reduce tax advantge to passive investment income in CCPCs (parallel federal measure)[i]	160	175
Tighten income sprinkling rules (parallel federal measure)[i]	15	15
Tighten tax loopholes used by financial institutions (parallel federal measure)[i]	230	230
Target Employer Health Tax[i]	45	45
Reverse the small business tax cut[ii]	20	35
Reverse LIFT tax credit[iii]	450	440
Reverse CARE tax credit[iii]	490	480
Introduce Ontario carbon tax[iii]	2,600	3,400
Subtotal	**4,000**	**4,800**
Other revenue measures		
Recapture lost revenue from federal tax cut[iii]	1,300	1,700
Increase personal income tax rates[iii]		3,600
Increase corporate income tax rate[iv]	3,600	3,800
Total revenue increase*	**8,900**	**13,900**

i 2018 Ontario Budget
ii 2019 Ontario Economic Outlook and Fiscal Review
iii Authors' SPSD-M 28.0 simulation
iv Authors' estimates using revenue forecast from the 2019 Ontario Economic Outlook and Fiscal Review
***** Totals and subtotals may not add up due to rounding

Conclusion

Another Ontario is possible

THE SPENDING AND revenue measures described in the previous sections amount to more than an alternative budget. They represent a viable alternative vision for Ontario.

Our Alternative Budget uses the Ministry of Finance's fiscal plan as a starting point.[40] We make identical assumptions about government finances, labour market trends, and economic growth. But where the current government chooses to cut taxes for the rich, we ask them to pay more. Where the current government chooses to cut spending and vital services, we choose to protect public services and invest in Ontarians. And we demonstrate — in detail — that these choices are within reach.

In the first year of this Alternative Budget, increased spending would be financed simply from reversing provincial and federal tax cuts. Undoing the Ford's government tax cuts would raise up to $4.8 billion in 2021–22 (including $3.4 billion from reclaiming the federal carbon tax). The latest federal income tax cut, if recaptured by the provincial government, would bring in $1.7 billion in 2021–22. Ontarians would hardly feel any impact on their finances as a result of these reversals.

In the first year of our plan, the Corporate Income Tax rate would also return to the pre-July 2010 level of 14%. This change would increase provincial revenues by $3.8 billion.

TABLE 4 Alternative Budget impacts

	Government's Plan[i]		Alternative Budget	
($ billions)	**2020–21**	**2021–22**	**2020–21**	**2021–22**
Revenues[ii]	160.5	164.4	169.4	178.3
Program spending	154.0	155.9	160.9	168.4
Debt service	13.2	13.9	13.3	13.8
Budget balance (surplus/deficit)	-6.7	-5.4	-4.8	-3.9
Net debt	366.0	375.3	363.0	372.8
Budgetary indicators (per cent)				
Revenues / GDP	17.6	17.4	18.6	18.9
Program spending / GDP	16.9	16.5	17.6	17.9
Budgetary balance / GDP	-0.7	-0.6	-0.5	-0.4
Net debt / GDP	40.1	39.8	39.8	39.5
Debt service/revenues	8.2	8.4	7.8	7.8

i 2019 Ontario Economic Outlook and Fiscal Review
ii Revenues are reduced by $1 billion to reflect the government's reserve policy

In the second year, middle- and high-income earners would pitch in a bit more. Households with incomes between $86,000 and $141,000 a year would pay between $22 and $44 more in income taxes, on average, and households earning between $141,000 and $198,000 would pay $76 more, on average. The wealthiest 10% of households, whose incomes start at $198,000, would pay $370 more a year, on average.

In 2021–22, these personal income tax increases, coupled with tax-cut reversals and the pre-2010 corporate tax rate, would generate an additional $13.9 billion in revenues.

Table 4 summarizes the impact of the changes in the Alternative Budget, contrasting them with the government's current fiscal plan. In the Alternative Budget, revenue as a share of GDP rises to 18.9% as compared to the government's plan of 17.4%; Ontario would go from having the second-lowest ratio in Canada to having the third highest, below Quebec and British Columbia. Program expenditures would rise to 17.9% of GDP as compared to the government's plan of 16.5%, also moving the province from second lowest to third highest, below the same provinces.[41] The debt-to-GDP ratio would remain below 40%, slightly below the government's current plan. The provincial deficit would go down to $4.8 billion in 2020–21 and $3.9 billion in 2021–22, which is lower than what the government is trying to achieve by cutting programs.

In the second year of our Alternative Budget, a portion ($1.5 billion) of the new revenues would go towards reducing the deficit, while most of it ($12.5 billion) would be invested in Ontarians.

We'd invest it in aging Ontarians, who rightly expect access to quality health care after contributing to society for so many hard-working years.

We'd invest it in young Ontarians, who need educators — not online courses — to teach their minds, train their bodies, and prepare them for life.

We'd invest it in Ontarians with little or no employment income, who need not only a warm bed, a hot meal, and a transit pass, but also a chance to dream of better days.

We'd invest it in Ontario children with disabilities, who deserve a shot at developing to their full potential.

We'd invest it in the next seven generations of Ontarians, who will need a planet to live on.

This Alternative Budget wouldn't achieve all of this at once, but it would put us on the right path: the path to rebuilding our public services.

Notes

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