



Canadian Taxpayers Federation Pre-Budget Submission: 2020–21

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Canadian
Taxpayers
Federation

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizens' advocacy group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers' organization. Today, the CTF has 235,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, the Prairies (SK and MB), Ontario, Quebec and Atlantic Canada. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change. Each week CTF offices send out *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive issue and Action Updates. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine published four times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2017-18 the CTF raised \$5.1 million on the strength of 31,205 donations. Donations to the CTF are not deductible as a charitable contribution.



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Contents

I. Introduction	1
II. Summary of recommendations	2
<i>Cut Spending</i>	2
Create a plan to return the budget to balance	2
Legislate a debt reduction schedule	2
<i>Eliminate Waste</i>	2
End all corporate welfare	2
Restore the auditor general's power to review government advertisements to end partisan advertising	3
<i>Reduce the size and cost of government</i>	3
Reduce the size of government through attrition	3
Reduce the cost of government	3
Reduce the province's responsibility in municipal transfers	4
<i>Make life more affordable</i>	4
Lower the cost of electricity	4
Reduce the excise tax on gasoline	4
Introduce recall legislation	4
<i>Education Reform</i>	5
End the Teachers' Unions' Monopoly over Public Education in Ontario	5
Introduce Charter School Legislation	5

1.

Introduction

Over two years ago, Ontarians voted for a government to get the province's books back in order. Ontario taxpayers were fed up with the wasteful spending that characterized the former government and voted for the candidate who promised to restore respect for taxpayers.

Within the first year this government was elected, it became apparent that it brought more of the same. More spending. More deficits. More debt. And that was before COVID-19 struck.

Since March, the Ontario government has spent billions. This year's deficit is projected to hit \$39 billion, while the provincial debt spirals toward \$400 billion. Ontarians will owe nearly \$27,000 as each individual's portion of the province's debt by the end of this fiscal year.

While increased spending on health care during a global pandemic is understandable, not all of this government's increased expenditure related to health care or even to the pandemic at all.

For example, this government proceeded with a government-wide pay raise this year that cost taxpayers over \$720 million. There's no reason that every single bureaucrat employed by the government of Ontario should be getting a raise when they're already well paid, many outside of government lost their jobs, and the province is broke.

Similarly, the Ontario government and the federal government just gave \$590 million of taxpayers' money to the Ford Motor Company to retool its Oakville plant which will result in a net loss of 400 jobs. This government is fond of saying "promise made, promise kept," but this is not the first time it has broken its election campaign promise to end the wasteful and expensive practice of corporate welfare in Ontario.

That said, this government has found some opportunities for saving, such as through its SMART initiatives, which the CTF applauded. Additionally, the CTF was pleased to see some of its budget recommendations from last year implemented, such as tax relief for small businesses, changes to the Ontario Student Assistance Program, and increased transparency in Ontario's financial reporting.

While COVID-19 has necessitated additional spending in some areas, this government can and must reduce wasteful spending in other areas to get the province's finances back in order. To accomplish this, the CTF recommends the following measures for budget 2020: cut spending, eliminate waste, reduce the size and cost of government, make life more affordable for Ontarians, and fix the problems with Ontario's public education system.

2.

Summary of recommendations

➤ **Cut Spending**

Create a plan to return the budget to balance

This government was elected on a promise to restore respect to taxpayers, yet it disrespected every single taxpayer in the province by promising to balance the budget the year after the end of its four-year mandate, in 2023. Not only was it possible to balance the budget sooner, it would have better prepared Ontario for the economic turbulence that arrived in 2020.

This government was adding over \$40 million per day to the province's debt which surpassed \$350 billion before COVID-19. This year, the province's debt will skyrocket toward \$400 billion. While increased spending on health care is understandable, the government can and must find savings in other areas to get spending under control.

Debt today means taxes tomorrow, and Ontario taxpayers are tapped out. We must act now to reduce the debt burden we'll pass on to future generations.

Legislate a debt reduction schedule

Ontario cannot afford to keep adding to the debt. The province is already the largest subnational debtor on the planet, and will spend more on interest payments this year than on colleges and universities. If interest payments continue to grow more costly, there will be less funding available for the vital services on which Ontarians rely. Therefore, we recommend that the government legislate a debt reduction schedule to kick in once budgetary balance is achieved, to ensure Ontario's finances get back on track.

➤ **Eliminate Waste**

End all corporate welfare

Ontarians rightly find it abhorrent to witness their hard-earned tax dollars being handed over to profitable corporations by politicians. In 2018, this government gave Maple Leaf Foods nearly \$35 million of taxpayer money, even though the company enjoyed net earnings of more than \$100 million that year. More recently, the Ontario and Federal government gave \$590 million of taxpayers' money to the Ford Motor Company, the twelfth largest company on the planet.

These corporate welfare handouts aren't even justifiable on a job creation basis. In the case of Maple Leaf Foods, the company used taxpayers' money to consolidate three operating facilities thereby reducing its worker count from 1,600 to 1,450. The Ford Motor Company used the handout to retool its Oakville plant, which – when completed – will require 400 fewer workers.

Corporate welfare distorts the market. It allows the government to choose winners and losers, and unfairly hands the taxes paid by one corporation over to its competitor. Instead of choosing winners and losers, the government should further reduce the tax burden on all Ontario businesses.

When the Ontario government [reduced](#) the small business tax rate from 3.5 per cent to 3.2 per cent in its 2019 budget, it left \$185 million in the hands of over 275,000 businesses. Broad-based tax cuts leave more money in the pockets of actual jobs creators to fuel economic growth.

For these reasons, the CTF is calling on the Ontario government to keep its election promise to end corporate welfare once and for all.

Restore the auditor general's power to review government advertisements to end partisan advertising

For a time, Ontario was an example to the rest of the country in government advertising. The landmark Government Advertising Act, the only law of its kind in Canada, gave the auditor general the final say on whether a government ad would make it onto the airwaves. Under this law, a government ad would be rejected if it used tax dollars to pay for a partisan message.

But in 2015, the government weakened the auditor general's authority to prevent partisan advertising.

We have already called for the government advertising budget to be cut dramatically in order to achieve savings for taxpayers, but the auditor general's power to examine government advertising must be restored. This government committed in its 2018 election platform to "expand the auditor general's authority to include approval of government ads that Kathleen Wynne took away." It's time this government fulfilled that promise.

➤ Reduce the size and cost of government

Reduce the size of government through attrition

In Ontario, compensation for government employees represents roughly half of all provincial expenditure at \$72 billion annually for 1.2 million employees. The growth of the public sector has far outstripped the growth of the private sector in Ontario over the 20 year period from 1997-2017, and is unsustainable. If this government is going to return to balance, it will need to address the cost and size of Ontario's bloated bureaucracy.

The CTF was therefore pleased to see that immediately upon entering office, this government not only implemented a hiring freeze, but offered buyout packages to non-unionized government employees to quit voluntarily to reduce the size of government.

In light of the hole COVID-19 has left in provincial finances, the CTF recommends that this government continue down this path more aggressively.

Reduce the cost of government

As for the cost of the Ontario government, studies have confirmed what Ontarians already know to be true: government employees have it good. A recent report from the Fraser Institute found that on average, government employees in Ontario enjoy a 10.3 per cent wage premium over comparable non-government workers, in addition to better pensions, benefits, and earlier retirement.

Therefore, the CTF was disappointed to see this government offer raises to government employees at a time when the province can least afford it.

Additionally, an Ipsos poll revealed that nearly half of all Canadians are \$200 or less away from financial insolvency at the end of every month and are living pay cheque to pay cheque. It simply isn't fair to force struggling taxpayers to pay higher taxes or carry a bigger provincial debt burden to give already well compensated government employees raises.

The CTF appeared as a witness before the Standing Committee on General Government on Nov. 4, 2019, to speak to Bill 124, *Protecting a Sustainable Public Sector for Future Generations Act*, and called on the government to impose a wage freeze on government employees instead of offering a three per cent raise over the next three years. Each one per cent increase costs \$720 million, and Ontario is now projecting a \$39-billion deficit and the debt is approaching \$400 billion.

The CTF again calls on the government to implement wage freezes for its employees until the budget is balanced.

Reduce the province's responsibility in municipal transfers

The province has cost sharing arrangements with municipalities which require it to fund a portion of municipal programs such as public health. However, it's problematic that taxpayers from across the province are being forced to give money to municipal governments they didn't elect – especially when those politicians have a penchant for wasting money.

For example, the province gives the city of Toronto millions every year for its public health program, and Toronto city councillor, Joe Cressy, claimed “people would die” if the province reduced its share of funding. Yet, that same city councillor supports the city of Toronto's extravagant plan to build a \$3.8-billion floating park in the air above the railyards leading into Union Station.

The government of Ontario should reduce its responsibility in cost sharing arrangements with municipalities to save taxpayers' money by discouraging wasteful spending by local councillors.

➤ *Make life more affordable*

Lower the cost of electricity

The high cost of electricity in this province is a burden on Ontario families and makes the province a less competitive place to do business. The Fraser Institute reported that Ontario's electricity rates are 22 per cent higher on average for consumers compared to the rest of the country, and up to 65 per cent higher for large consumers.

Ontario is in this situation because the former government signed a number of bad green energy deals that locked ratepayers in above market rates.

The CTF recommends that the government cancel or renegotiate all remaining renewable energy contracts in the most economical way possible to ease the financial burden on families and increase the province's competitiveness.

Reduce the excise tax on gasoline

Leading up to the 2018 election, now Premier Doug Ford promised to reduce the cost of gas by 10 cents per litre. He said he would do this by cancelling the Wynne-era cap and trade carbon tax (which added about 4.6 cents to each litre of gasoline), and also by reducing the provincial excise tax on gasoline from 14.7 cents per litre to nine.

Although he kept his promise to scrap the cap-and-trade tax, those savings were quickly erased by the federally imposed carbon tax. However, he can and should keep the second part of his promise.

In Ontario, approximately 35 per cent of the cost of gas is taxes. Ontarians pay five different taxes at the pumps: the carbon tax, provincial excise tax, federal excise tax, provincial sales tax and federal sales tax. Cumulatively, these five taxes add 44 cents per litre to the price of gasoline. The federal and provincial sales taxes are charged on top of the first three, which means tax on tax adds 3.8 cents per litre. Enough is enough.

The CTF recommends the government keep its election promise to reduce the provincial excise tax on gasoline to nine cents per litre.

Introduce recall legislation

Recall legislation would allow voters to formally petition to have politicians removed from office. If the petitioner gathered a required number of signatures from the politician's constituency, the politician would be fired and an election would occur. This legislation would increase accountability and help prevent unwanted tax hikes.

In Toronto, Mayor John Tory broke his election promise not to raise property taxes and passed a plan to raise the city building levy on property taxes to 10.5 per cent by 2025. Toronto explicitly voted against a property tax increase in the last election, yet voters have little recourse.

The CTF recommends introducing recall legislation to be applied at the provincial and municipal level to increase accountability.

► **Education Reform**

End the Teachers' Unions' Monopoly over Public Education in Ontario

Monopolies drive prices up and quality down. Under the teachers' unions' monopoly over public education in Ontario, public education funding has reached historic highs while student test scores have declined.

Teachers' unions refuse to hire and promote based on merit. Students in the public education system deserve better than a monopoly has to offer. They deserve choice.

Charter schools would offer choice to students in the publicly-funded education system, and would effectively end the teachers' unions' monopoly over public education in Ontario. The CTF urges the Ontario government to introduce charter school legislation.

Introduce Charter School Legislation

The government could improve education outcomes in Ontario and reduce costs through the introduction of charter schools, which are autonomous, government-funded, non-profit, non-religious public schools which charge no tuition.

These schools are working in Alberta. Reports have consistently shown above average student performance, and there are long wait lists to get into some of them.

Charter schools also present a big opportunity for savings. Based on a Fraser Institute report, charter schools in Alberta reduced the per student cost by over \$4,000. Currently, the total cost per student in Ontario's public education system is nearly \$17,000 when adding capital spending and teachers' pensions to operational spending.

Finally, the introduction of charter schools to Ontario would eliminate the teachers' unions' current monopoly on public education in Ontario, and all the problems that come with it.

The CTF recommends that the government introduce legislation to allow for publicly funded charter schools in the province of Ontario.