

# Intelligence MEMOS



From: Benjamin Dachis  
To: Charles Sousa, Ontario Minister of Finance  
Date: March 23, 2018  
Re: **AN ECONOMIC PROGRAM FOR ONTARIO**

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Ontario is on an unsustainable fiscal course, and in my recent pre-budget [Commentary](#) for the C.D. Howe Institute I provide a roadmap for Ontario's fiscal priorities in 2018/2019 and beyond.

The government must act to bring the long-term cost of government in line with the revenue-raising capacity of the province and our economic program shows a number of policy directions in areas as diverse as healthcare, labour and education policy, tax reform, housing and municipal policy, as well as electricity and greenhouse gas policy, that can balance increases in spending with the generation of new revenues and cost-savings measures.

This analysis adopts the fiscal presentations of the independent officers of the Ontario legislature – the Auditor General and Financial Accountability Office – as the authoritative sources for the short-, medium- and long-term fiscal outlook. The medium- and long-term fiscal outlook for Ontario is dire. The economic program recommends that the government restate the province's books to reflect the Auditor General's accounting treatment of pension assets and electricity-sector debt. Further, the government should adopt a sound long-term fiscal policy – which requires surpluses, not just balanced budgets – that meets the government's debt-to-GDP target ratio of 27 percent. In healthcare, which already consumes roughly half of the province's own-source revenues, policymakers will face continued cost pressure. We view progress in addressing this issue – in addition to limiting public and private gaps in coverage for prescription drugs and mental health – as a critical challenge.

As well, we recommend:

- Private-sector retailing for alcohol and marijuana and the revision of tax schemes for both products.
- Lowering high provincial business property taxes to create a level playing field across the province.
- Better recognizing the cost of raising children in the provincial personal income tax.
- Begin replacing fuel taxes with tolls for road users. The best solution for traffic congestion is a road toll.
- Reducing high personal tax rates across the income scale.

Finally, no policy area has been more controversial than Ontario's greenhouse gas and electricity policies. Our economic program would preserve the best parts of the current government's plan, while cutting ineffective policies and reducing costs to households. It would seek long-term cost savings in the electricity sector, as opposed to short-term fixes that only add to the long-term cost of energy.

These and other policies can balance smart increases in spending with the generation of new revenues and vital cost-savings. It is the roadmap Ontario needs.

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