

Intelligence MEMOS



From: Brian Lewis
To: Ontario Voters
Date: February 25, 2025
Re: **WHO IS PROTECTING ONTARIO'S FINANCES?**

There is a saying that truth is the first casualty of war. In Ontario's current election campaign, government finances appear to be the biggest victim. Expensive promises, slowing economic growth, and the looming uncertainty of a second Trump presidency have darkened the province's fiscal outlook. Amid the theatre of an election campaign, the release of party platforms, however late, is a welcome development. At the same time, they raise some significant concerns for the future of the province's finances.

Ontario's last fiscal update in October painted a relatively positive picture. The province was close to a balanced budget for 2023-24, with a modest projected deficit of \$6.5 billion for 2024-25 – a marked improvement from the \$9.8-billion spring forecast. Debt-to-GDP ratios had inched downward, and Ontario appeared on track to balance the books within two years.

That was then. Since the Fall Economic Statement (FES), the landscape has shifted. The federal government's proposed capital gains tax hike – expected to bolster Ontario's revenues by \$3.3 billion over three years – has been postponed, likely indefinitely. This revenue was tied to \$200 tax rebate cheques. More troubling are the economic risks tied to a Trump presidency. Whether tariffs materialize or not, uncertainty alone is enough to dampen business confidence and consumer spending, slowing economic growth.

As if these external shocks weren't enough, Ontario's political parties have piled on costly promises. The Progressive Conservatives have vowed to make temporary gas tax cuts permanent, pledged \$25 billion in infrastructure spending in response to tariff threats, and committed to additional funding for healthcare, energy, and business investment. Then there's the bizarrely extravagant promise to build a tunnel under Highway 401. How do they propose to pay for all this? Not a word.

Opposition parties have been more transparent about the financial implications of their platforms. That's the good news. The bad news is that there would be a significant financial cost related to their promises.

The New Democrats estimated a net fiscal impact of \$33.8 billion over three years, with \$70.6 billion in new spending offset to some degree by tax increases (\$21.9 billion), expenditure reallocation (\$12.7 billion) and ending the Therme Spa deal (\$2.2 billion).

The Liberal platform carries a net hit to the province's finances of \$36.6 billion over four years, slightly lower than the NDP on an annual basis. It estimates \$65.1 billion in new spending partially offset by \$28.4 billion in "savings, value, efficiency and reallocation of existing spending." Precisely what these would be is something to be worked out later.

The earliest and most detailed platform costing was provided by the Green Party of Ontario, which estimates a net fiscal cost of \$15.9 billion over the next four years, so kudos to the Greens for having the most transparent and financially responsible platform.

The lack of financial responsibility is as predictable as it is disappointing. Political leaders rarely gain traction by presenting voters with hard financial realities. The Ford government, for instance, has enthusiastically borrowed billions to marginally lower electricity bills and driving costs. The concern that Ontario was the world's largest subnational debtor – a key talking point in 2018 – now seems to be an aspiration rather than a problem.

Another casualty of this snap election is financial transparency. Ontario has longstanding legislative provisions for fiscal accountability, but the election timing has rendered them ineffective. The interim financial update for the current fiscal year, due February 15, is delayed until a month after a new cabinet is sworn in. This third-quarter report often discloses material changes in the province's finances. While the government has access to this data, opposition parties and the public remain in the dark.

Other accountability measures have also been discarded. The routine pre-election fiscal review by the Auditor General – instituted in 2003 to ensure voters had a clear picture of government finances – won't happen. Ontario's independent Financial Accountability Office, usually a vital source of non-partisan fiscal analysis, is also silent during the election. The result? Ontario voters enter the polling booths with significantly less financial information than they should have.

Regardless of who wins, delivering the 2025 budget and some transparency about provincial finances should be a top post-election priority. While the legislated March 31 deadline for a budget won't apply due to the election, a responsible government should deliver this as soon as possible. Transparency and accountability should not be an afterthought.

Brian Lewis is a Senior Fellow at the C.D. Howe Institute and the Munk School of Global Affairs and Public Policy and former Chief Economist for Ontario.

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