2025
Ontario Pre-Budget Proposal

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Canadian Taxpayers Federation

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Canadian Taxpayers Federation

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is citizen's 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 organization.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. 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.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Updates emails. Financial supporters can also receive the CTF's flagship publication *The Taxpayer* magazine published three 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 2023-24, the CTF raised $6.27 million on the strength of 74,472 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.

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Cover photo: [Juan Rojas]

Introduction

Now is the time for the Ontario government to be bold and deliver $16 billion in tax relief and wipe out Ontario's anticipated $1.5 billion deficit in fiscal year 2025-26.

Ontario needs bold policies to reverse decades of stagnation and decline. The province's real GDP per capita has grown at a paltry average annual rate of 0.6 per cent since 1990. That's less than half the rate of the rest of the Canadian economy over the same period. Ontario's economy grew five times faster each year on average between 1960 and 1989 than it has since 1990.

The answer is not more government spending. For 20 years, Ontario governments have tried to grow the economy by growing government. Since 2005, Ontario has run just one balanced budget and government spending has vastly outpaced inflation. Since 2005, successive Ontario governments have added nearly $300 billion to Ontario's debt tab, but Ontario's growth rate languished. The time has come for a new approach: leave more money in the pockets of taxpayers so that they can drive economic growth.

Bold tax relief must be paired with a balanced budget. Ontario is set to spend $14 billion on debt interest payments this year. That's more than the government's budget for post-secondary education. That's $14 billion going into the pockets of bondholders on Bay Street, not staying in the pockets of hardworking taxpayers on Main Street. The government must present a balanced budget to get debt interest costs going down, so more money can be committed to tax relief and core services.

Tax relief is also crucial because of the cost-of-living crisis. About 50 per cent of people say they're $200 away from not being able to pay their bills. If taxpayers can't pay their bills, they certainly can't spend, invest, and help grow the economy. Leaving more money in taxpayers' pockets means making it easier for families to make ends meet and spend in the economy. Lower taxes can fuel both affordability and economic growth.

The key to helping Ontarians confront soaring living costs is tax relief. This report is encouraging the government to deliver $16 billion in tax relief through three key policy changes:

- A three-percentage-point cut in the HST ($14.6 billion),
- Making the temporary gas tax cut permanent ($904 million); and,
- Ending tax-on-tax charges at the gas pumps ($549 million).

That would save the average family $1,494 in sales taxes and $648 at the gas pump every year. Total average family savings will amount to $2,142 next year alone.

This budget proposal will also offer the government a roadmap to balance the budget by reducing government spending to 2022-23 levels, with the exception of the health and education sectors. Those baseline savings amount to $14 billion. Along with those baseline measures, this pre-budget submission proposes ending corporate welfare ($9.1 billion) and scrapping the Ontario Infrastructure Bank ($3 billion).

It will also identify additional savings through reducing the gap between government and private sector wages, government pension reform and reducing the size and cost of government. Savings will amount to over $26 billion.

Those savings, in tandem with $16 billion in tax relief, will ensure the budget is balanced. It will wipe out the deficit and produce a $8.5-billion surplus. The anticipated surplus should go toward reducing the provincial debt.

Keeping the budget balanced is necessary to avoid inflationary pressures and ensure the government of Ontario, the most indebted sub-national government in the world, begins to get back on track financially.

Over the past 18 years, government spending has far outpaced revenue growth. If the province had kept government spending at the rate of inflation plus population growth, beginning in 2005-06, government spending would be nearly $65 billion lower this year than planned. Finding $26 billion in efficiencies represents just a small fraction of government over-spending.

Finally, this submission will propose reforms to improve the province's spending habits and practices over the long term. This includes a spending cap, restrictions on deficit spending, reducing the size of municipal governments and allowing recall elections to promote greater accountability.

The remainder of this pre-budget submission will be broken down into six sections. It will begin by outlining the Canadian Taxpayers Federation's tax relief proposals. Next, it will offer an overview of government over-spending. It will then suggest cost cutting measures through broad-based expenditure reduction and suggestions for additional savings. It will then turn to accountability reforms and methods of promoting greater fiscal discipline. Finally, it will present a conclusion.

Budget Projection, 2025-26			
	Revenue	**Expenses**	**Budget Surplus/Deficit**
Fall Fiscal Update	$220,753	$222,285	(1,532)
CTF Proposal	$204,735	$196,185	8,550

*Millions

Proposed Fiscal Impact, 2025-26		
Costed Measures, 2025-26	**Fiscal Stimulus/ Relief**	**Budgetary Savings**
Cutting the provincial portion of the HST by three percentage points	$14.6	
Making the gas tax cut permanent	$1.0	
Ending tax-on-tax	$0.5	
Broad-based expenditure reductions		$14.0
Ending corporate welfare		$9.1
Scrapping the Infrastructure Brank		$3.0
Net budgetary impact		+$10.0

*Billions

SECTION I:
Lower Taxes

The Ford government ran for office by pledging to reduce the heavy tax burden faced by Ontario families. The government has made some progress in that direction through repealing the Wynne government's cap-and-trade carbon tax scheme and temporarily cutting the gas tax. Nonetheless, there is much more work to do.

With a sluggish economy and significant cost-of-living concerns, Ontarians are in desperate need of relief. The price of food for the average family is up $700 this year over last. Government revenue will be higher than initially projected because higher prices for goods leads to higher sales tax revenue. Ontarians need the government to deliver on tackling the cost of living. Rather than create new programs or spending initiatives, the government should stimulate the economy and deliver relief to families by leaving more money in taxpayers' pockets.

Inflation has led to higher sales tax revenue, meaning the government is essentially profiting from inflation. Last year alone, HST revenue was $4.5 billion higher than anticipated. To reduce costs for taxpayers, the government should reduce the provincial portion of the HST by three percentage points to save Ontario taxpayers $14.6 billion.

> **Recommendation:** Cut the provincial portion of the HST from eight per cent to five per cent, saving taxpayers $14.6 billion per year.

During the 2018 Ontario provincial election, the Progressive Conservative platform promised to permanently reduce the provincial gas excise tax by 5.7 cents per litre. For nearly four years, the government chose not to honour its commitment to reduce the gas tax. Ahead of the 2022 provincial election, the government committed to reducing the gas tax by 5.7 cents per litre for a six-month period, beginning on July 1, 2022. This gas tax cut has been temporarily extended three times.

While the government's temporary gas tax cuts have helped, this gas tax cut must be made permanent. The average Ontario family filling up a sedan and a minivan once a week stands to save roughly $400 a year should the government honour its original commitment and make the gas tax cut permanent.

> **Recommendation:** Reduce the gas tax permanently by 5.7 cents per litre, as promised in the 2018 Progressive Conservative Party platform, saving taxpayers $996 million per year.

When Ontarians fill up at the pump, they are forced to pay sales tax on top of the other taxes they are already being charged. This tax-on-tax is unfair, and taxpayers in several other provinces do not face the same burden. Governments should never charge tax on another tax. The government should end the practice immediately. This proposal would save taxpayers about $549 million.

> **Recommendation:** Ontario is one of the few provinces that charges sales tax on top of other taxes, like excise taxes and the carbon tax. This should be repealed. Taxpayers could save up to $549 million per year by repealing this measure.

SECTION II:

Ontario's 18-Year Spending Binge

Ontario has arrived at a critical moment in the province's history due to years of overspending.

Ontario does not have a revenue problem. Revenue grew at an average annualized rate of 6.75 per cent during the 18-year period spanning 2005 to 2023. In 2005, Ontario had a balanced budget. Had successive Ontario governments simply kept spending in line with revenue growth, which has been a robust 6.75 per cent (Table A), the province would have maintained balanced budgets over the past 18 years. Instead, Ontario ran massive deficits and has become the most-indebted sub-national unit in the world.

Had Ontario increased government spending by inflation plus population growth each year in the same 2005 to 2023 span examined previously, government spending today would sit at $138 billion (Table B), rather than the $206 billion expected to be spent by the government in the present fiscal year. This means that 18 years of bloated budgets led to $64.6 billion in overspending in fiscal year 2022-23 alone.[1] Total overspending across those same 18 years amounted to $547.4 billion, which is higher than the provincial debt.

Rather than limiting government spending to the rate of inflation plus population growth, or even the rate of revenue growth, which was a robust 6.75 per cent on average, successive Ontario governments have increased spending dramatically. Between 2005 and 2023, Ontario's government spending increased at an average annualized rate of 7.29 per cent (Table C). These numbers are simply unsustainable.

The third section of this proposal will present a plan to get Ontario's finances back on track. It will call for spending reductions that will be mild in comparison to where spending levels would be today had governments from 2005 to 2023 simply increased spending at the rate of inflation plus population growth, or even simply revenue growth. In the fourth section, additional suggestions for finding further savings will be presented.

TABLE A: Government Revenue (2005-2023)

Year	Revenue (Billions)	Percentage Change
2005-06	$84,225	
2006-07	$90,397	+7.33%
2007-08	$103,579	+14.58%
2008-09	$96,933	-6.42%
2009-10	$102,553	+5.80%
2010-11	$113,594	+10.77%
2011-12	$116,601	+2.65%
2012-13	$120,319	+3.19%
2013-14	$122,955	+2.19%
2014-15	$126,152	+2.60%
2015-16	$136,148	+7.92%
2016-17	$140,734	+3.37%
2017-18	$149,494	+6.22%
2018-19	$153,700	+2.81%
2019-20	$156,096	+1.56%
2020-21	$151,813	-2.74%
2021-22	$173,600	+14.35%
2022-23	$200,402	+15.44%
Change, 2005-6 to 2022-23		**+121.56%, average 6.75%**

*See: Ontario Budgets of 2024, 2022, 2018, 2010 and 2008.

1. Spending comparisons run up to 2022-23 because that is the last fiscal year for which the government has provided full and final spending figures.

TABLE B: Spending if limited to inflation plus population growth (2005-2023)			
Year	Inflation	Population Growth	Alternate Spending (Billions)
2005-06	Base	Base	$83,927
2006-07	2.74%	0.81%	$86,906
2007-08	3.40%	0.93%	$90,669
2008-09	-0.86%	0.89%	$90,696
2009-10	1.92%	1.06%	$93,399
2010-11	3.17%	0.96%	$97,257
2011-12	1.16%	0.97%	$99,328
2012-13	1.07%	0.90%	$101,285
2013-14	2.03%	0.79%	$104,141
2014-15	1.03%	0.66%	$105,901
2015-16	1.34%	1.23%	$108,623
2016-17	1.55%	1.40%	$111,827
2017-18	2.22%	1.70%	$116,211
2018-19	1.87%	1.65%	$120,302
2019-20	0.51%	1.38%	$122,575
2020-21	0.70%	0.55%	$124,107
2021-22	3.40%	0.77%	$129,282
2022-23	4.00%	2.71%	$137,956

*Inflation: Statistics Canada; Population: Statistics Canada

TABLE C: Government Spending (2022-2023)		
Year	Spending (Billions)	Percentage Change
2005-06	$83,927	
2006-07	$88,128	+5.01%
2007-08	$96,522	+9.52%
2008-09	$97,317	+0.82%
2009-10	$121,815	+25.17%
2010-11	$127,605	+4.75%
2011-12	$129,370	+1.38%
2012-13	$129,536	+0.12%
2013-14	$133,408	+2.99%
2014-15	$136,467	+2.29%
2015-16	$139,663	+2.34%
2016-17	$141,725	+1.48%
2017-18	$149,494	+5.48%
2018-19	$161,135	+7.79%
2019-20	$164,768	+2.25%
2020-21	$181,300	+10.03%
2021-22	$187,100	+3.20%
2022-23	$202,572	+8.27%
Change, 2005-06 to 2021-22		**+131.2% average 7.29%**

*See: Ontario Budgets of 2024, 2022, 2018, 2010 and 2008.

SECTION III:

Broad-Based Expenditure Reduction and Immediate Savings

To help compensate for 18 years of overspending, the CTF is calling on the government to reduce spending, other than in the health and education sectors, to 2022-23 spending levels. This spending reduction strategy will generate $14 billion in savings, which could wipe out the government's anticipated budget deficit. Given that government spending has increased by $65 billion more than it should have, imposing spending reductions that represent 22 per cent of that gap is more than reasonable. Each ministry should determine where to find savings, but the government should look to employee compensation, which represented $47.9 billion in spending in fiscal year 2021-22, as one of the multiple tools to use to achieve the spending reduction targets outlined above. The proposed $14 billion in savings is outlined on a sector-by-sector basis (as presented in chapter three of the 2024 budget) in the table below (Table D).

Recommendation: Reduce government spending, other than in the health and education sectors, to 2022-23 spending levels.

There are two key additional moves the government could immediately make to save an additional $12.1 billion in the 2025-26 fiscal year.

First, governments should not give money to corporations, period. It is unfair for governments to choose which companies succeed and which companies fail by offering taxpayer-funded handouts. Government must get out of the business of doing business. Under the Ford government, Ontario has spent an average of $9.1 billion a year on corporate welfare. All of that corporate welfare should be eliminated.

Recommendation: Scrap all corporate welfare. Savings: $9.1 billion.

TABLE D: CTF baseline spending proposal

Program Areas Spending (Billions)	2022-23 (Actual)	2025-26 (Projected)	CTF Proposal	Savings
Health Sector	$63.7	$88.0	$88.0	-
Education Sector	$33.6	$38.8	$38.8	-
Postsecondary Education Sector	$11.7	$12.5	$11.7	$0.8
Children's and Social Services Sector	$18.0	$20.1	$18.0	$2.1
Justice Sector	$5.3	$5.6	$5.3	$0.3
Other Programs	$30.1	$40.9	$30.1	$10.8
Total	**$152.3**	**$206.8**	**$191.9**	**$14.0**

*Source: Ontario Budget, 2022, Ontario Fall Fiscal Update, 2024

Second, the Ford government announced plans to create an Ontario Infrastructure Bank last year. It is based on the federal government's failed attempt to create a Canada Infrastructure Bank, which has wasted billions of taxpayer dollars. The province should not get into the banking business. The province has thus far allocated $3 billion to set up the Ontario Infrastructure Bank.

> **Recommendation:** Scrap Ontario's Infrastructure Bank. One-time savings: $3 billion.

The government has proposed $206.8 billion in program spending for fiscal year 2025-26. The spending proposals outlined above would produce $26 billion in savings and lower overall program spending to $180.7 billion. Suggestions for finding additional savings are addressed in the next section of this proposal.

SECTION IV:
Additional Savings

While broad-based baseline savings are important, additional avenues for saving can be found. This section of the proposal outlines seven key recommendations for savings, both in the long-term and the short-term.

The government should bring government employee compensation in line with the private sector; reduce the size of cabinet; implement ministry consolidation; end political welfare; reform pensions; and end corporate welfare.

Bringing employee compensation, as well as employee benefits, in line with the private sector is far overdue. Government employees enjoy a wage premium of 10.3 per cent versus private sector workers. Government wages should be frozen until that unfair premium disappears. Moreover, the government should shift to defined contribution pensions rather than unaffordable defined benefit pensions.

> **Recommendation:** Savings can be achieved in part by reducing employee compensation. In 2021-22, salaries and wages represented $47.9 billion.[2] Ontario should freeze the wages of government employees. The freeze should be kept in place until government compensation is in line with the private sector. There is currently a 10.3 per cent wage gap.

> **Recommendation:** Government should shift away from the defined benefit pension model, which now covers 95 per cent of government employees, and replace it with RRSP-style matching pension.

While Premier Doug Ford pledged to be frugal in the 2018 election campaign, the size of government has grown. There are now more ministries and more seats at the cabinet table. There is no reason why the size of cabinet should be larger today than the day the Ford government assumed office. The same can be said for parliamentary secretaries. The government should go further still and see if the number of ministries can be consolidated to be below 2018 levels.

> **Recommendation:** Consolidate ministries.

> **Recommendation:** Reduce the size of cabinet. Today, there are 37 members of executive council, including nine associate ministries. The government should revert to a cabinet size of 21 and eliminate associate ministries. Reduced ministerial pay alone would save $800,000. Lower staffing costs could also produce significant savings. The government should also reduce the present record number of parliamentary secretaries to be in line with the size of a smaller cabinet.

During the 2018 election campaign, Premier Ford rightly promised to eliminate political welfare. However, so far, the government has failed to deliver on that promise. The government should end the per-vote subsidy now, rather than Jan. 1, 2026, which is the government's current plan.

> **Recommendation:** End the per-vote subsidy for political parties, as promised by Premier Ford in 2018. Eliminating political welfare would produce $13.7 million in annual savings.

2. These are the most recent numbers put out by the Financial Accountability Office.

SECTION V:
Accountability Reforms

While the government has made strides in improving accountability in the province in recent years, there is much more work to do.

Soon after assuming office, the Ford government passed legislation to shrink the size of Toronto City Council. This reform should be extended elsewhere. Ottawa's city council, for example, is nearly as large as Toronto's, despite the fact that Toronto dwarfs Ottawa in terms of population. Other towns and cities across the province could benefit from leaner and more accountable government. Building on its previous work, the government should reduce the size of city councils across the province.

Recommendation: Pass legislation to reduce the size of city councils.

The government can also improve accountability at both the municipal and provincial levels by introducing recall legislation. This legislation should be similar to the recall legislation in Alberta. If politicians breach the public trust, voters should be able to hold them accountable. Recall legislation can be extremely effective even by just being on the books. British Columbia has had recall legislation for well over two decades, but has only used it a handful of times. Knowing that the recall mechanism exists can encourage politicians not to break their promises to voters.

Recommendation: Pass recall legislation for both the provincial and municipal levels of government.

There is far too much overlap in responsibilities between levels of government. For example, the province and municipalities are both responsible for helping to fund social housing. However, this overlap makes it more difficult to hold politicians accountable. The province should clarify responsibilities to make the province fully responsible for some policy areas and municipalities for others.

Recommendation: The province should clearly set out policy areas to be solely funded by either municipalities or the province.

SECTION VI:

More Transparency and Fiscal Discipline

Ontario's finances have been badly mismanaged for nearly two decades. While it will be important to balance the budget, structural reforms are needed to ensure that politicians don't lose control over the province's finances in the future. To that end, four policy adjustments should be made.

The province should introduce legislation to require that the provincial budget be balanced, with tightly restricted exceptions for once-in-a-lifetime disasters. This legislation should also provide a concrete timetable for government to follow in order to return to balance. In addition, every MPP who votes in favour of a deficit budget outside of crisis periods should have their pay slashed in half.

> **Recommendation:** The government should introduce legislation that requires balanced budgets, except during periods of once-in-a-lifetime crises.

The government should also pass legislation to prevent spending increases beyond inflation plus population growth.

> **Recommendation:** Legislation should ensure that annual program spending cannot increase by more than the combined growth rates of Ontario's population and inflation.

While balancing the provincial budget will be an important step, the government must go further in ensuring the province's debt begins to get paid back. Legislation should be introduced to require that, once the provincial budget is balanced, the same amount of funds dedicated to paying for debt interest be allocated toward debt repayment.

> **Recommendation:** The government should introduce a debt repayment line item in the provincial budget that requires the government, once the budget is balanced, to allocate the same amount of money to debt repayment as it does to paying debt interest.

More transparent budgeting is needed. Governments should be required to lay out spending plans for each ministry for a period of at least four years. Most Ontario budgets only present two-year forecasts for individual ministries. This change will allow Ontarians to better understand where government plans to allocate funding going forward.

> **Recommendation:** Going forward, the government should table spending estimates for all departments for at least four years.

Conclusion

Now is the time to significantly reduce taxes and balance the budget to begin to reverse decades of Ontario's economic decline. It's time to end the era of stagnant economic growth, runaway spending, and high taxes. This pre-budget submission includes a bold plan to leave an additional $2,100 in the pockets of hardworking families through sales tax cuts and relief at the pumps. This will help families make ends meet and ensure they have more money to spend to stimulate the economy. Instead of focusing on how Queen's Park can best spend taxpayers' money and handing out billions of dollars to wealthy corporations, it's time to leave money in taxpayers' pockets so that they can be the driving force in Ontario's economy and initiate a renewed period of economic growth.

There is also a clear need for structural government reform, to ensure that once the budget is balanced it stays that way. Ontarians are tired of wasting $14 billion a year on debt interest payments. It's time to ensure Ontario's debt burden begins to go down after decades of rising government debt. The need for real balanced budget legislation, budgeting reforms, spending restraint and eliminating wasteful programs is clear.

The Canadian Taxpayers Federation looks forward to talking about these priorities with the finance ministry during its pre-budget consultations.