

Don't be deceived by

Big numbers

"A truth that's told with bad intent

Beats all the lies you can invent"

— William Blake

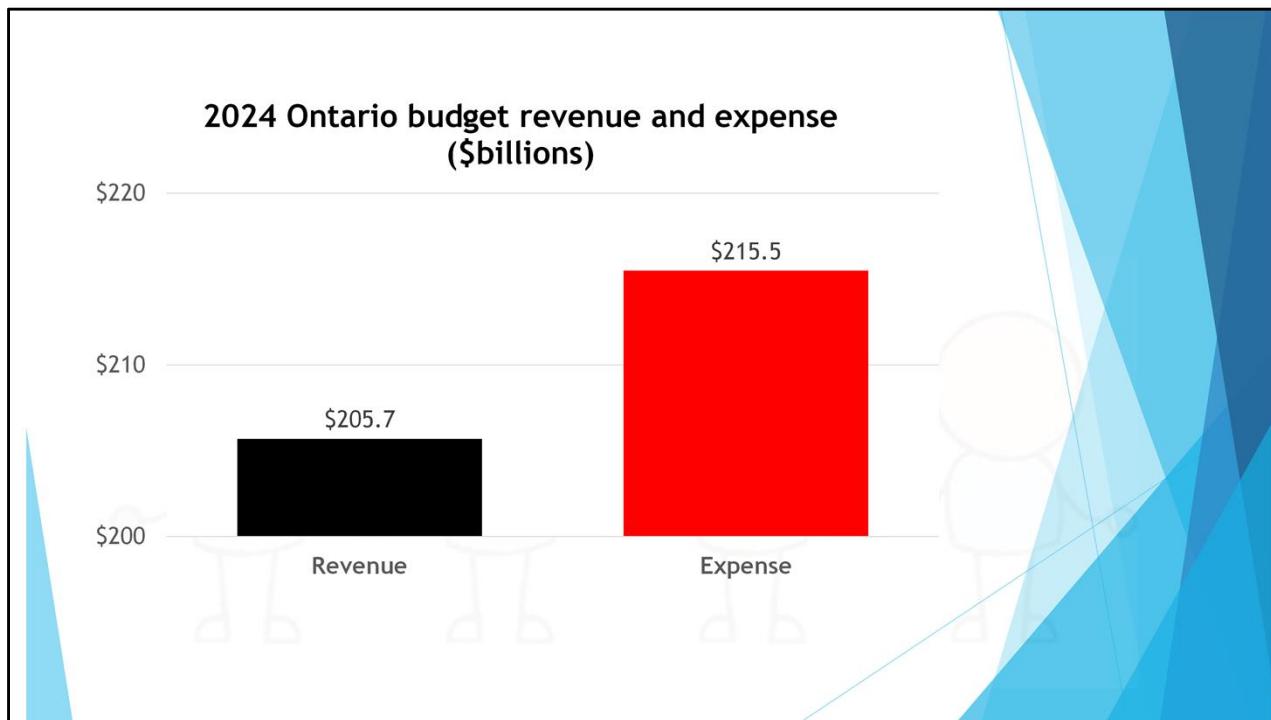
August 23, 2024

A presentation by Randy Robinson
Ontario Director, Canadian Centre for Policy Alternatives
October 25, 2024

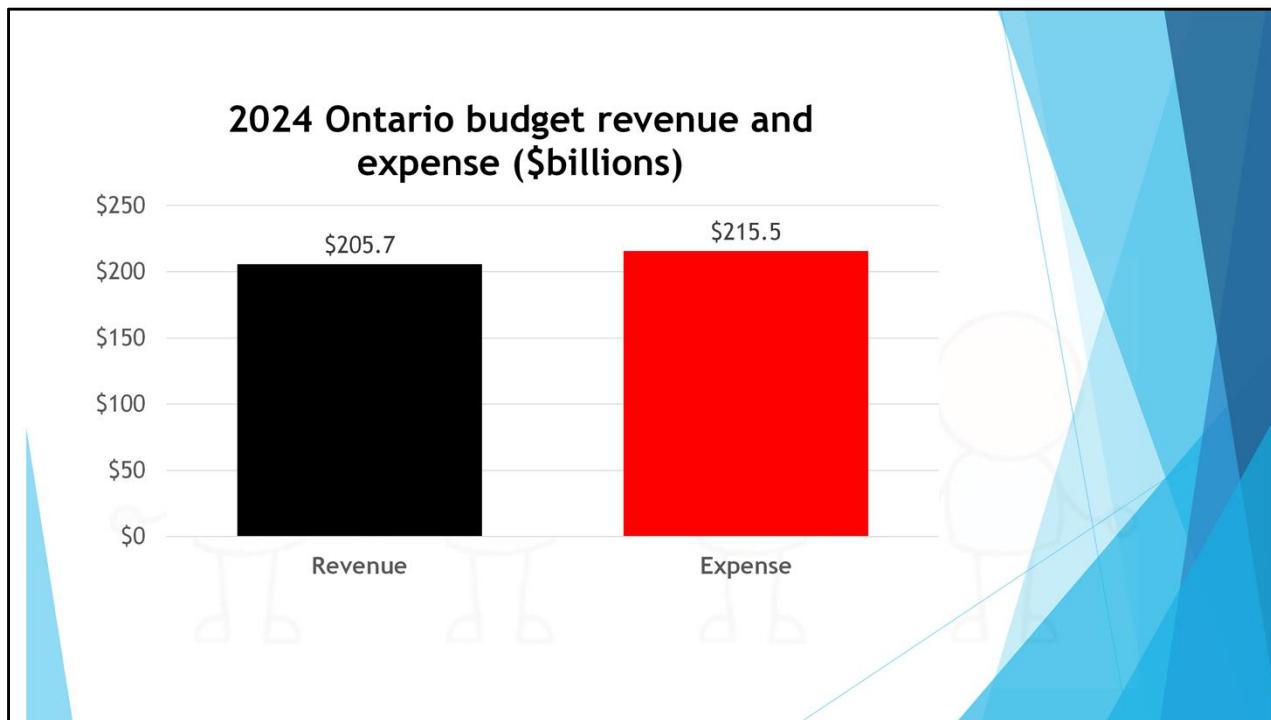


Our topic today: public finance in Ontario...

- ▶ ...And why it's important to think about big numbers.
- ▶ This issue is partly about finance but mostly about political communication.



Any math teacher knows how easy it is to change people's perception about numbers. This chart, for example, shows the revenue and expenditure projections in the Ontario budget for 2024-25. The red bar is 2.7 times higher than the black one, which makes it look like Expense is much, much greater than Revenue. That's because the base of the chart starts at \$200 billion....



Starting the chart at \$0 shows a more realistic idea of the proportions between the two bars. Here, Expense is just 4.7 per cent higher than Revenue, and looks it.

From the 2024 Ontario budget:

- ▶ “Ontario’s Plan to Build includes the most ambitious capital plan in Ontario’s history, with planned investments over the next 10 years totalling \$190.2 billion.”
- ▶ The government is committed to building modern schools by investing \$23 billion, including approximately \$16 billion in capital grants over 10 years, to build, expand and renew schools and child care spaces across Ontario.... This includes \$1.4 billion for the current school year to support the repair and renewal needs of schools.”
- ▶ “Ontario’s plan includes supporting more than 50 hospital projects that would add approximately 3,000 new beds over 10 years.”

This presentation looks at some recent statements from Ontario government budget documents. We'll look at these three examples.

From the 2024 Ontario budget:

- ▶ “Ontario’s Plan to Build includes the most ambitious capital plan in Ontario’s history, with planned investments over the next 10 years totalling \$190.2 billion.”
- ▶ ***What did it used to be?***

When looking at any big number, one handy way to put it in context is to ask, “What did this number used to be?”

From the 2024 Ontario budget:

- ▶ “Ontario’s Plan to Build includes the most ambitious capital plan in Ontario’s history, with planned investments over the next 10 years totalling \$190.2 billion.”

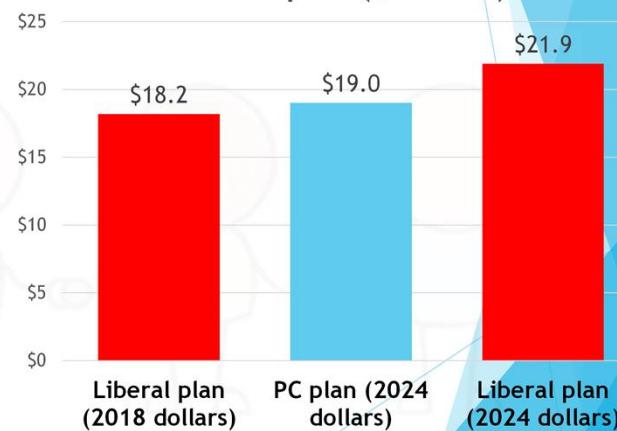
From the 2018 Ontario budget:

- ▶ “The Province is investing about \$230 billion over 14 years starting in 2014-15 for priority projects such as hospitals, schools, transit, bridges and roads, and broadband in rural and remote communities.” [This includes] “significant infrastructure investments of about \$182 billion over the next 10 years....”

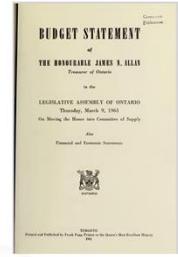
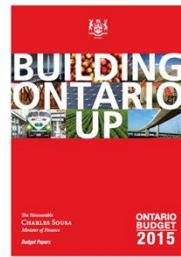
Reading the 2024 Ontario budget and the 2018 budget reveals that the current government’s plan for infrastructure spending is \$190.2 billion over 10 years, the previous government’s plan was to spend \$182 billion over 10 years. The current government’s plan is higher in nominal terms, but here’s a key fact: 2018 dollars were worth a lot more than 2024 dollars are.

- ▶ Liberal average spending plan was \$18.2 billion a year in 2018
- ▶ PC average spending plan was \$19 billion a year in 2024
- ▶ BUT inflation went up 20 per cent from March 2018 to March 2024

Planned Ontario infrastructure spending, 2018 Liberal plan vs. 2024 PC plan (\$billions)



Looking at inflation-adjusted numbers, the Liberal plan was actually bigger.



2024:

“Ontario’s Plan to Build includes the most ambitious capital plan in Ontario’s history...”

2015:

“Budget 2015 Makes Largest Infrastructure Investment in Ontario’s History”

1961:

“In the coming fiscal year we shall either undertake ourselves, or contribute to, the largest volume of new capital construction in our history.”

Construction is a normal activity of Ontario governments through time. Sometimes what people call exceptional is just... normal. As Ontario grows, everything grows with it. The quote here on the right shows that boasting about high capital spending is not a new phenomenon!

The real story of Ontario infrastructure

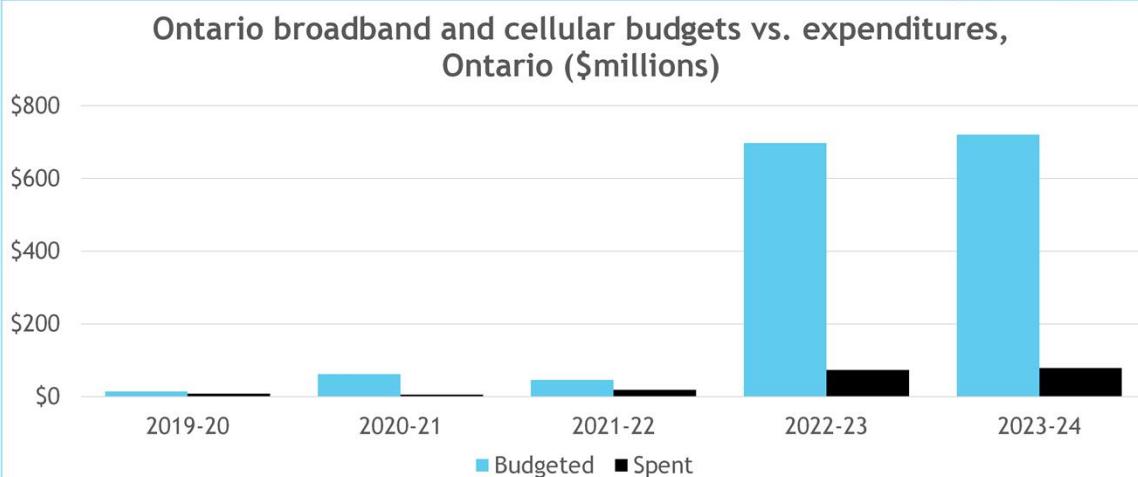
- ▶ Ontario is currently budgeting a lot on infrastructure, but if we are comparing 10-year plans to 10-year plans, adjusted for inflation, the current plan is not “the most ambitious capital plan in Ontario’s history.” It is just... normal.
- ▶ How old is your building?



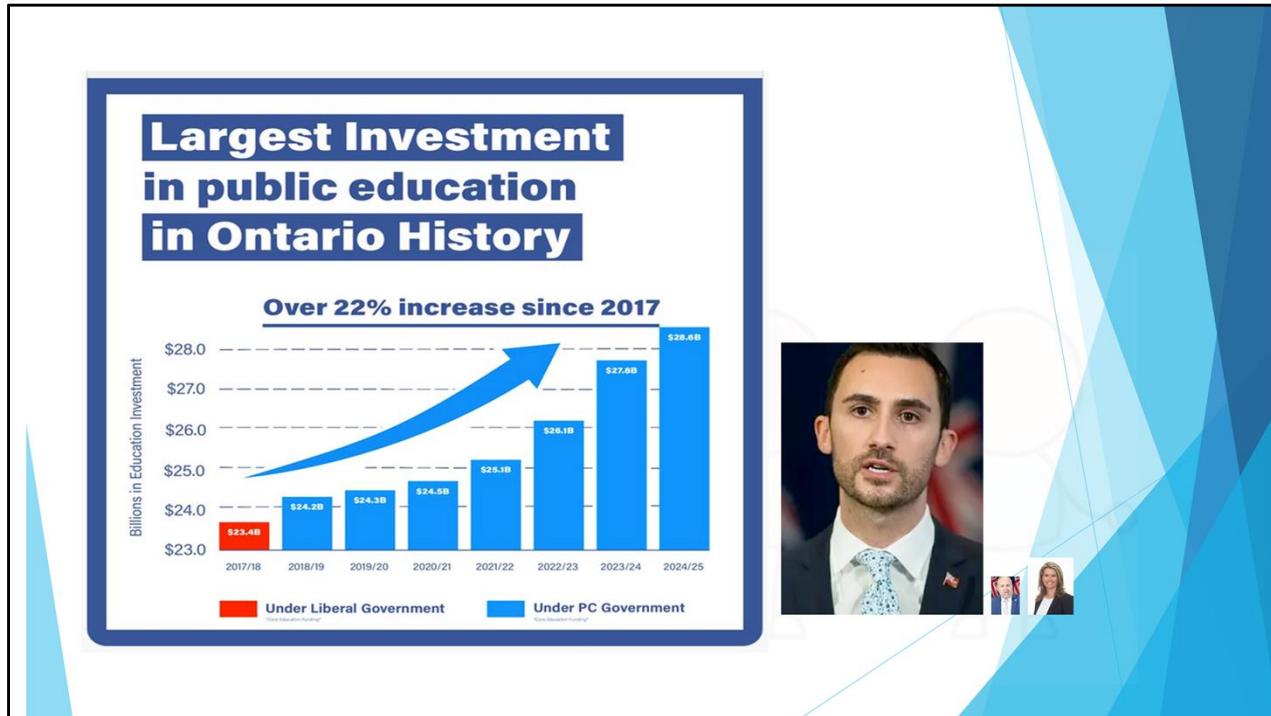
Aside: Ontario's broadband plan

- ▶ Since 2021, the government has repeatedly insisted that it is investing close to \$4 billion in rural broadband infrastructure. Government talking points say “this is the largest single investment in high-speed internet, in any province, by any government in Canadian history.”
- ▶ When you hear big numbers, think: “Are they actually spending it?”

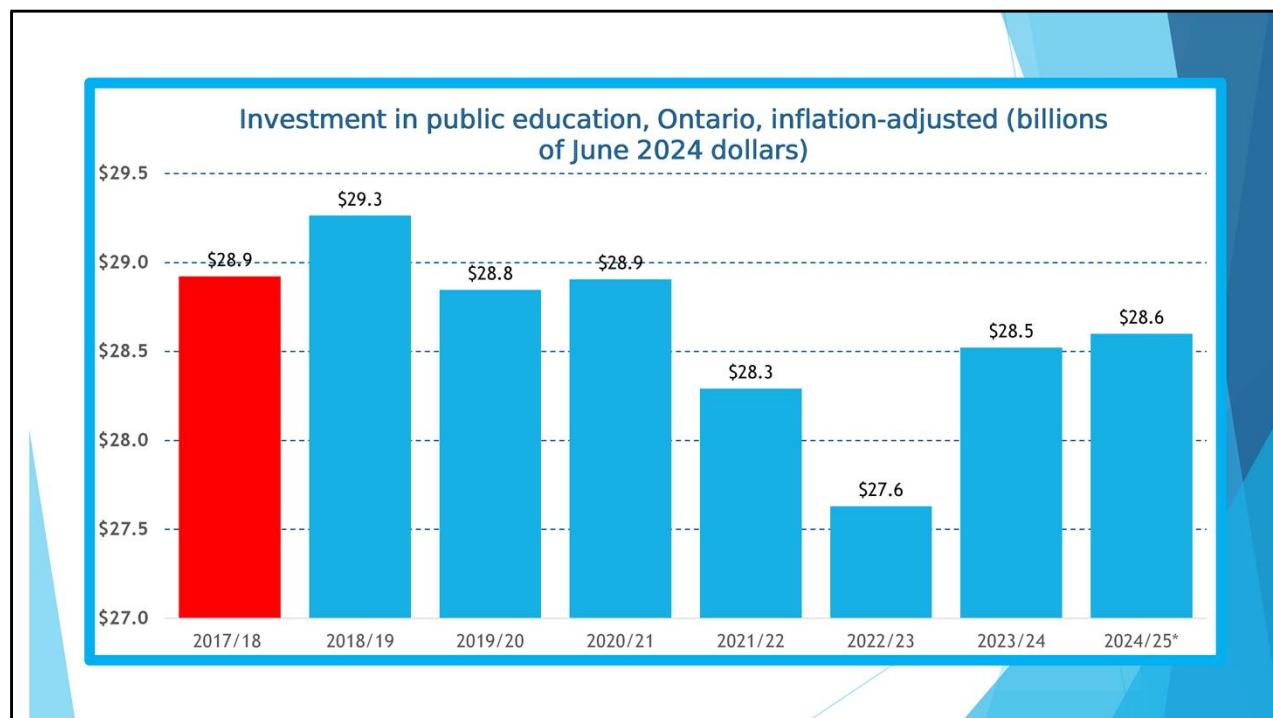
Aside: Ontario's broadband plan



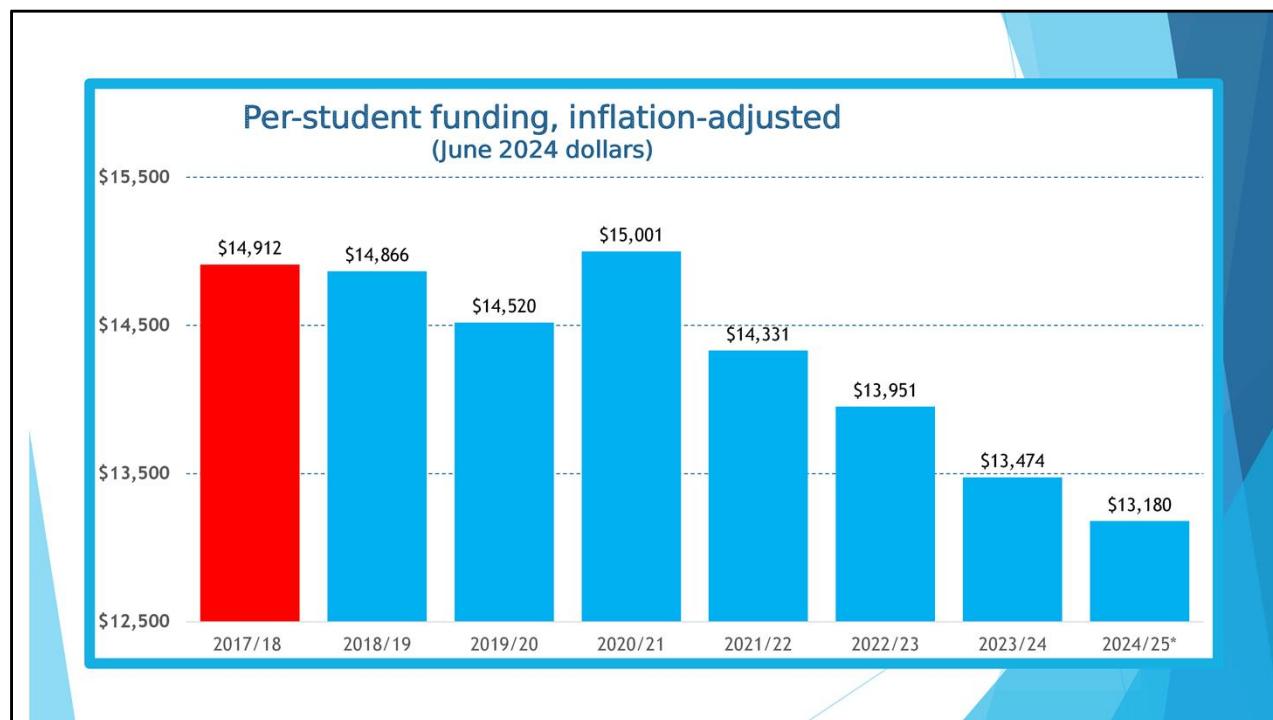
This chart shows the first five years of the Ontario government's six-year plan to invest in rural broadband. The money has been budgeted repeatedly but mostly not spent. (The budget allocation for broadband for 2024-25 is over \$1.3 billion—roughly twice what it was in 2023-24—but we don't yet know if it will be spent. Even if it is, the total expenditure over the six years will be less than half of \$4 billion.)



This graphic from early 2024 attempts to communicate that the government is spending more on education every year, and it is. But there's a catch:



Adjusting the numbers in the chart for inflation, we see that those expenditures aren't actually going up (Note: inflation for 2024-25 is estimated using the latest data from Statistics Canada and the Ontario government's own budget estimates of what inflation will be this year.)



Adjusting the previous chart to take into account student enrolment shows a different story than the government's chart: Using real dollars and higher student numbers, per-student funding in Ontario is actually going down, not up.



This banner is being attached to schools all over Ontario. School boards are required to pay for the banners, which cost up to \$1,000 each. The \$16 billion is mentioned in the 2024-25 Ontario budget.

From the 2024 Ontario budget:

- ▶ The government is committed to building modern schools by investing \$23 billion, including approximately \$16 billion in capital grants over 10 years, to build, expand and renew schools and child care spaces across Ontario.... This includes \$1.4 billion for the current school year to support the repair and renewal needs of schools.”
- ▶ ***What did it used to be? What is the need?***

We want to ensure all students achieve their full potential. That effort starts with the places in which our young people learn. Ontario is investing almost \$16 billion in capital grants over 10 years for new and improved schools.

From the 2018 Ontario budget:

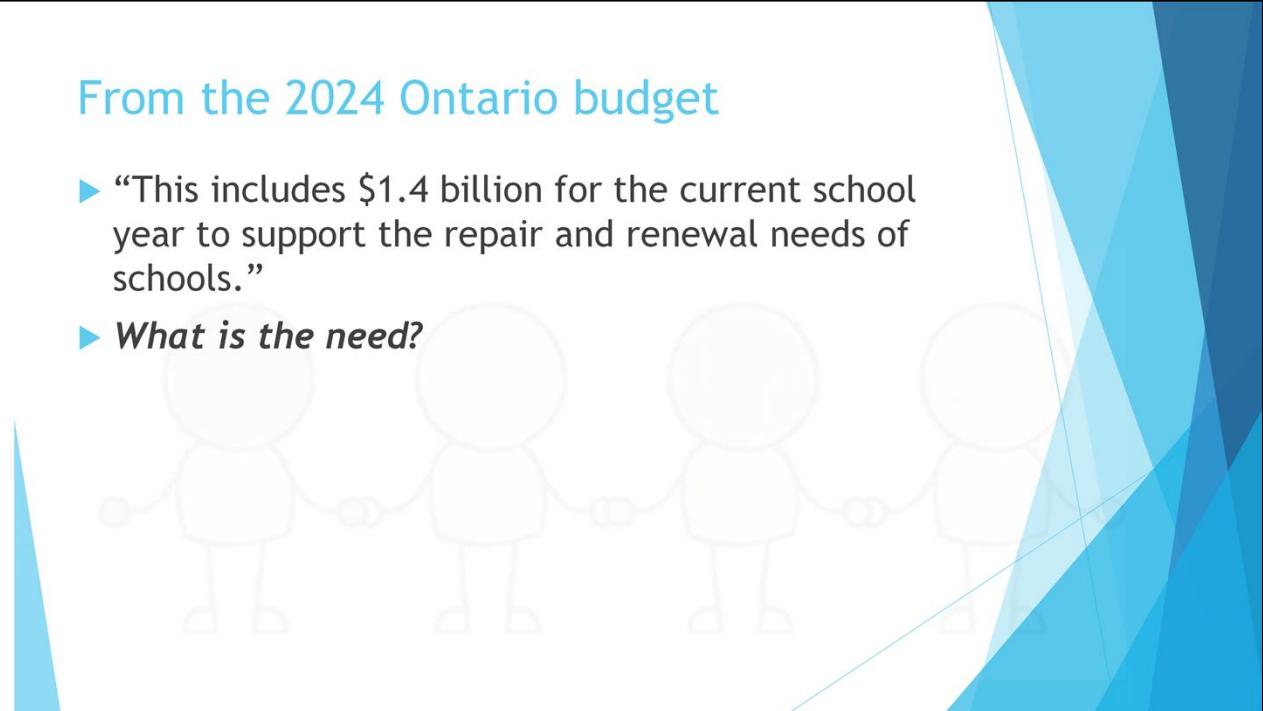
- ▶ “We want to ensure all students achieve their full potential. That effort starts with the places in which our young people learn. Ontario is investing almost \$16 billion in capital grants over 10 years for new and improved schools.”

As it turns out, \$16 billion in capital grants over 10 years was exactly what the province was expected to spend way back in 2018. However, the Consumer Price Index is up more than 20 per cent since 2018-19. In real terms, the \$16 billion the previous government was planning to spend was significantly more than the plan six years ago.

We want to ensure all students achieve their full potential.
That effort starts with the places in which our young people learn. Ontario is investing almost
\$16 billion in capital grants over 10 years for new and improved schools.

From the 2024 Ontario budget

- ▶ “This includes \$1.4 billion for the current school year to support the repair and renewal needs of schools.”
- ▶ ***What is the need?***



Fixourschools.ca

- ▶ “\$1.4 billion/year is simply not enough to make up for the 20 years when provincial funding was a mere fraction of what it ought to have been.”
- ▶ The school repair backlog is now **\$16.8 billion**, Fix Our Schools estimates



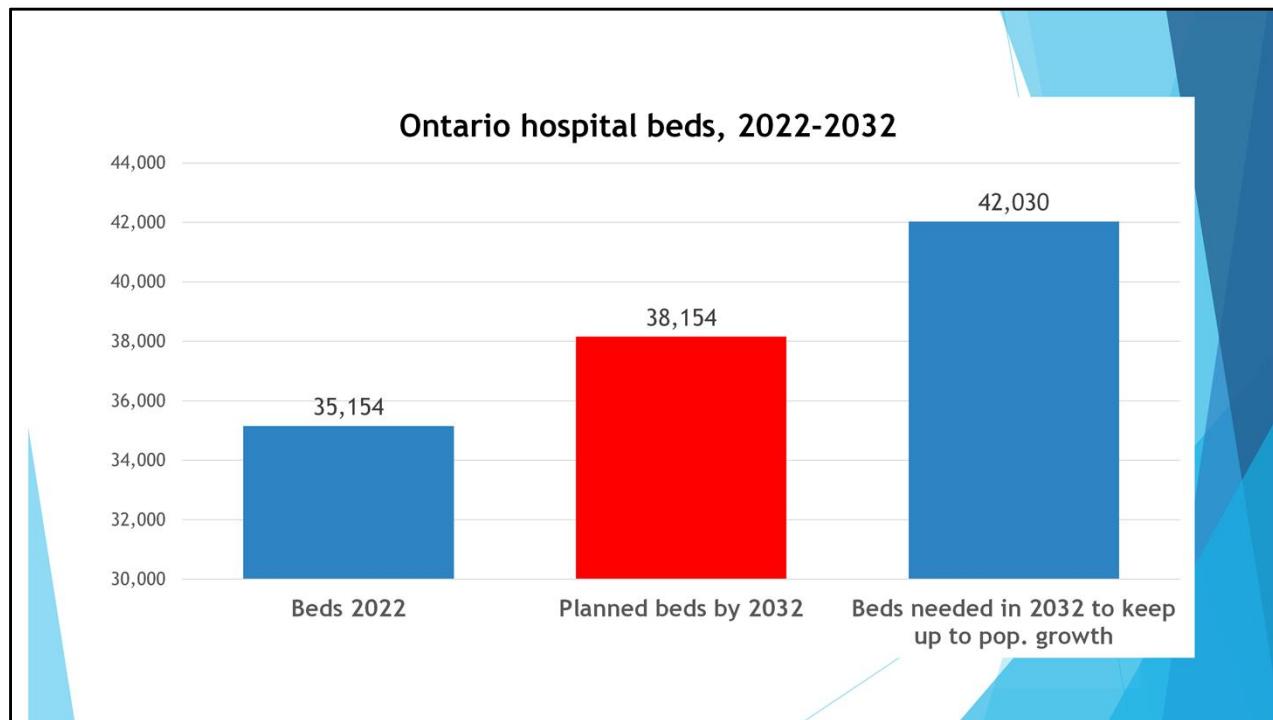
Another question to ask about big numbers is, “What is the need?” According to fixourschools.ca, a non-partisan group that has been tracking the school repair backlog, that backlog is now \$16.8 billion—\$1.4 billion is nowhere near to addressing the need.



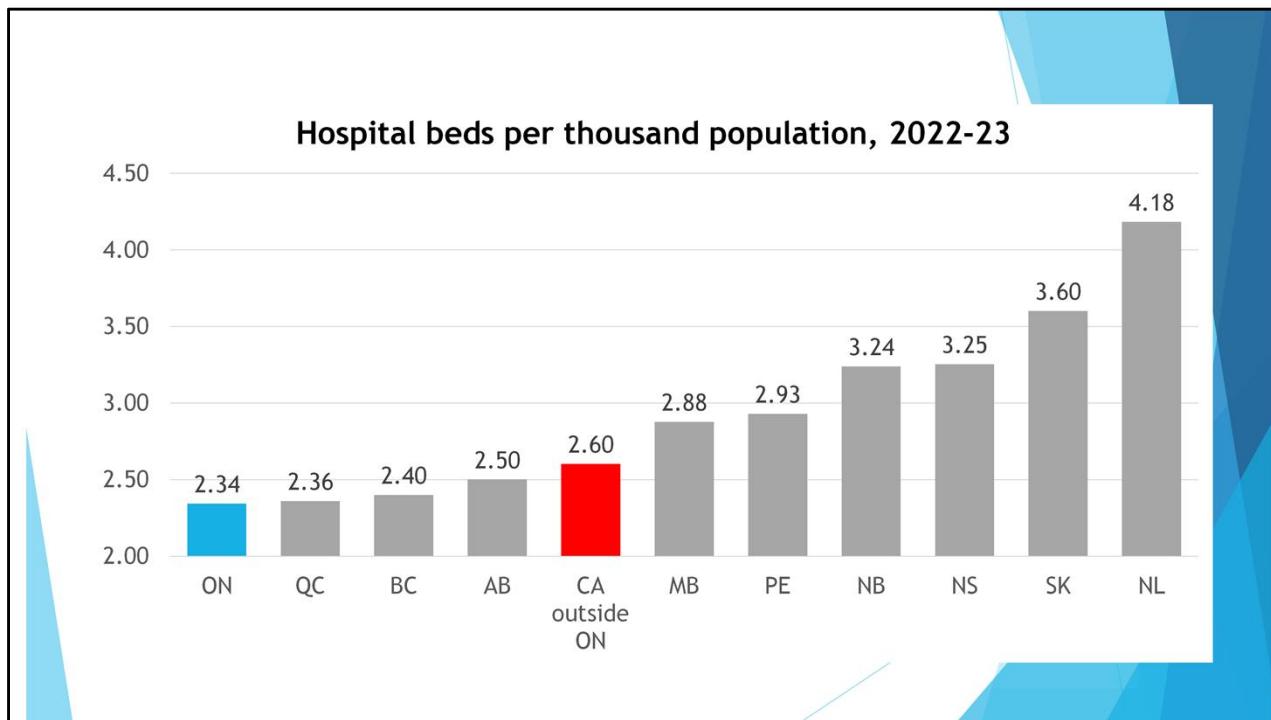
Another area that gets a lot of attention is health care.

From the 2024 Ontario budget:

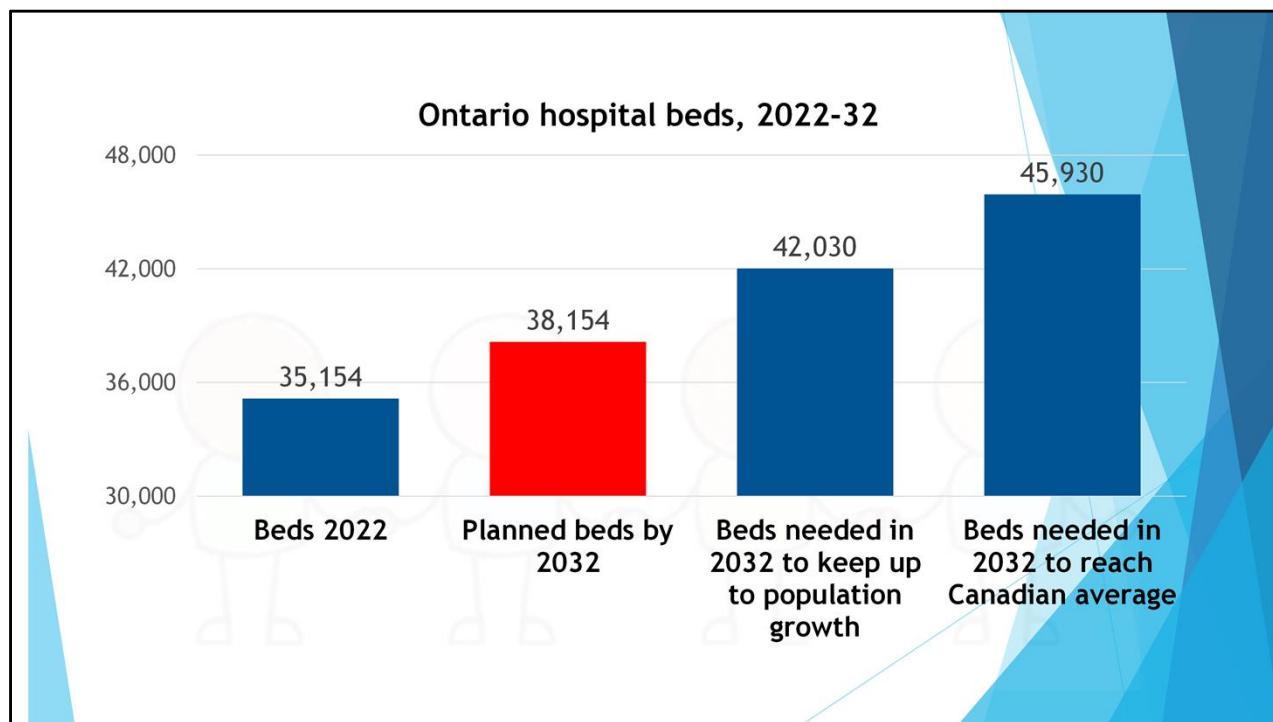
- ▶ “Ontario’s plan includes supporting more than 50 hospital projects that would add approximately 3,000 new beds over 10 years.”
- ▶ *Is that a big number? Is it enough?*
- ▶ *Compared to what? How many beds are there right now?*



As of 2022, the first year the Ontario government began talking about its 10-year plan to build 3,000 new beds, the province had 35,154 beds. The 10-year plan will boost that number to 38,154. However, in order to maintain the same number of beds relative to population, Ontario would actually need an additional 3,900 beds. So in reality, the number of beds relative to population will be less in 2032 if the government only creates another 3,000 beds.



The other thing to know is that Ontario has the fewest beds relative to population compared to the other provinces. Compared to the Canadian average, Ontario has 0.26 fewer beds per 1,000 population. That might sound like a small difference, but with 16 million Ontarians, we would currently need another 4,000 beds just to be average.

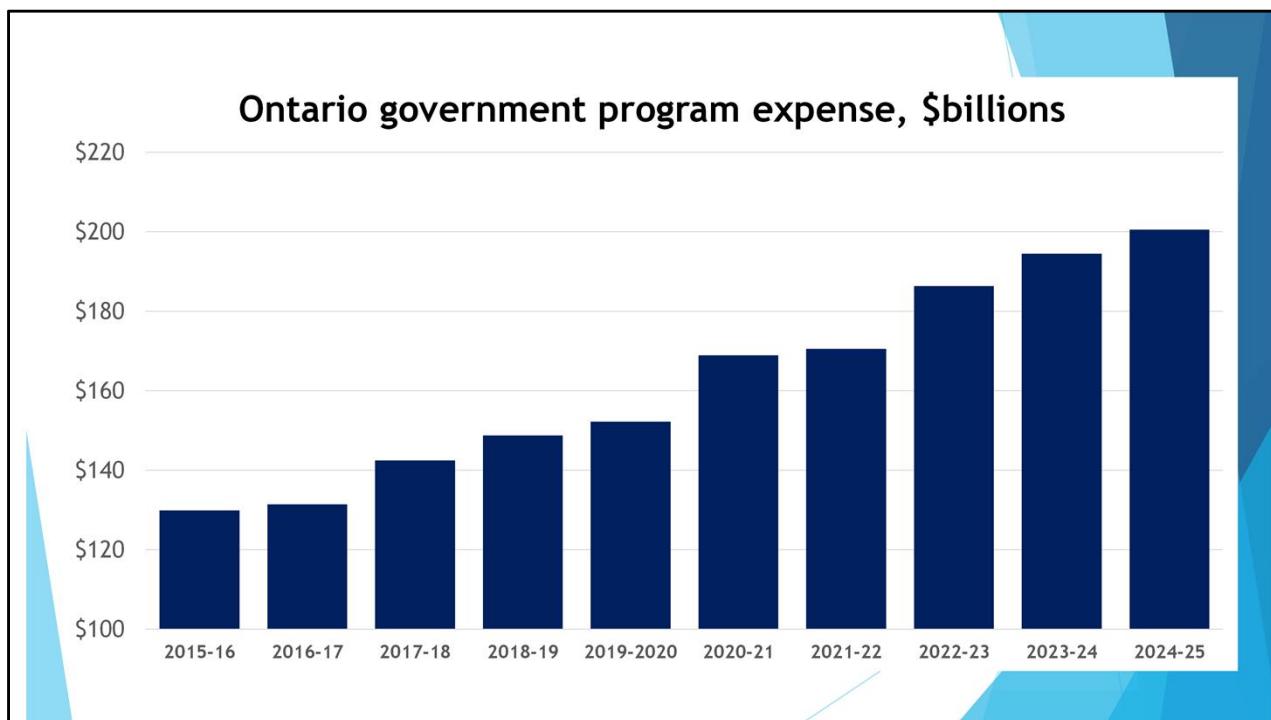


Ontario's plan for hospital beds is far behind what is needed.

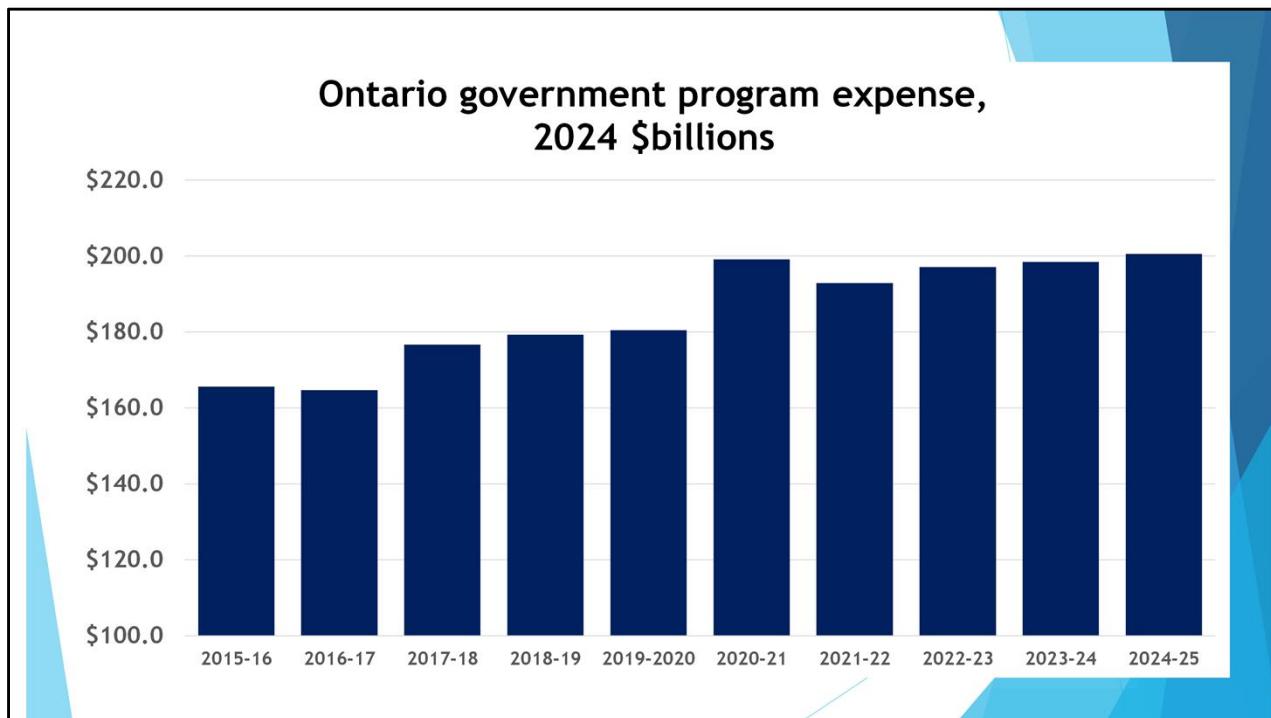
“We are spending more than ever before.”



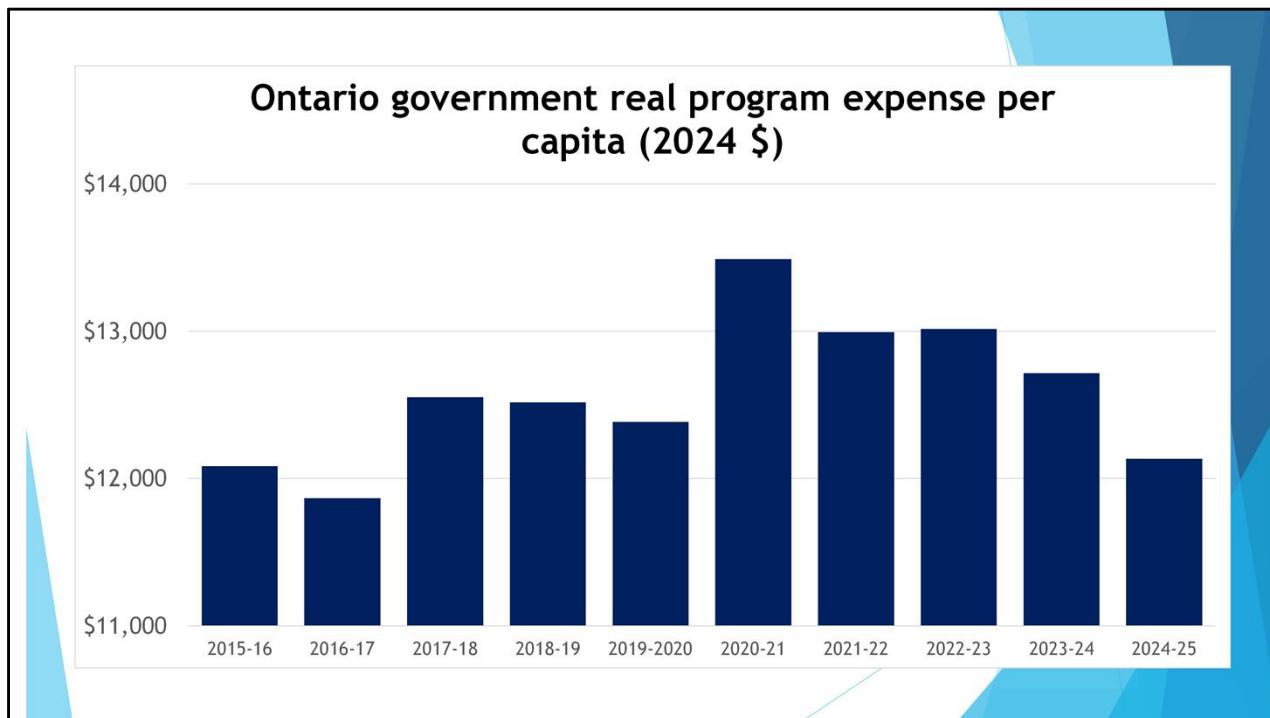
This is a common theme the government likes to repeat in various contexts.



This is the Ontario government's actual program expense from 2015-16 to 2023-24 and the budgeted amount for 2024-25.



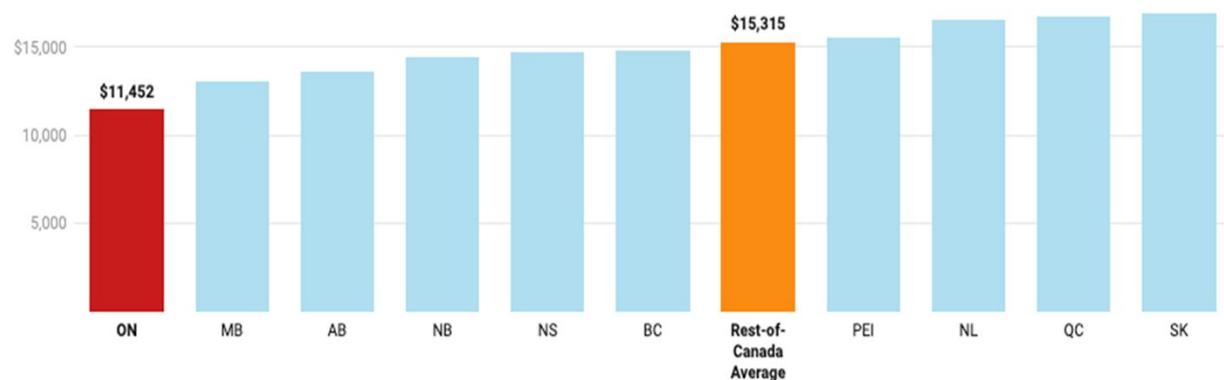
Adjusting those expenses to inflation shows a different picture. Real spending peaked in 2020-21—the first COVID year.



Of course, Ontario's population has increased by more than two million people since the first year of this chart. On a per capita basis, inflation-adjusted spending this year is not just lower than it was in the pandemic—it's lower than it was under the previous government.

Ontario is dead last in program spending per resident

Program expense per capita, 2022

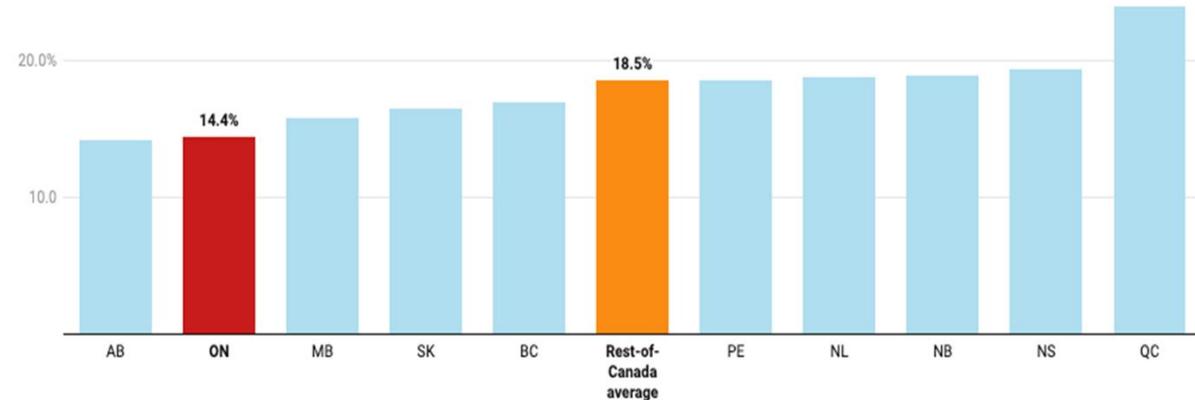


Rest-of-Canada average does not include Ontario or the territories.

Source: Statistics Canada Table 10-10-0017-01, Table 17-10-0005-01, and author's calculations. • [Get the data](#) • Created with [Datawrapper](#)

This chart uses data from 2022, which is the last year the data is available for (2023 data will be available in late November or December 2024). In 2022, program spending in Ontario was \$3,863 dollars per person less than the rest-of-Canada average. With 16 million Ontarians, we would have to spend at least \$60 billion a year more just to be average.

Own-source revenue as a percentage of GDP, 2022



Rest-of-Canada average does not include Ontario or the territories.

Source: Statistics Canada Table 10-10-0017-01, Table 36-10-0221-01, and author's calculations. • [Get the data](#) • Created with [Datawrapper](#)

This chart shows how committed the different provinces are to raising revenues to fund their public services. “Own-source revenues” are revenues provinces are raising themselves—separate and apart from any federal transfers they might receive. Here, we measure what percentage of their economy (GDP) provinces are willing to invest in program spending. In 2022, Ontario raised 14.4 per cent of its economy to fund public services, government operations, capital spending, and interest on debt. In the rest of the country, the average was 18.5 per cent. If that difference is the same in 2024 as it was in 2022—4.1 percentage points—Ontario would have to raise more than \$45 billion just to be average.

“Since we’ve been in office, for six years, we grew revenues from 150 billion to 214 billion, 64 billion.”



| | 2017 | 2024 | % Change |
|---------------------------------|--------------|--------------|--------------|
| Nominal Revenues | 150.6 | 205.7 | 36.6% |
| June CPI | 130.4 | 161.4 | 23.8% |
| Q2 pop. | 14,012,209 | 15,986,989 | 14.1% |
| Real per capita Revenues | 212.7 | 206 | -3.3% |

This summer, Premier Ford said in a radio interview that Ontario’s revenues had gone up by \$64 billion. He was mistaken—revenues were actually \$205.7 billion in the budget—but that surge in revenue was almost entirely caused by inflation. Comparing 2017 to 2024, real (inflation-adjusted) revenues per person have actually gone down by 3.3 per cent.

The government has voluntarily reduced its own revenues

- ▶ Since November 2018, the current government has cut its own revenues through a series of cuts to various fees and taxes that total approximately \$7 billion a year.



That shortfall is mostly the result of a number of tax cuts, tax credits, and fee cuts since 2019 that have reduced the government's own revenues by roughly \$7 billion a year. (More details on this are available at <https://monitormag.ca/articles/bleeding-the-patient-tracking-five-years-of-ontario-revenue-reductions/.>)

Big numbers: How big are they?

- ▶ Compared to what?
- ▶ What did that number used to be?
- ▶ What happens when you take inflation into account?
- ▶ What happens when you take population/enrollment into account?
- ▶ What is the actual need? Will the big number cover it?
- ▶ Where is the money coming from?
- ▶ Is the spending actually happening?

In conclusion: When you hear government using big numbers to underscore how much they are spending, here are some questions to ask!



Bonnie Lysyk, April 2024

- ▶ “It is impossible, even for a former auditor general, to decipher how taxpayer money is being spent relative to prior years on a detailed level....
- ▶ Budget documents do not say what planned spending will accomplish in the short, medium and long term, and whether that will meet the public’s needs.”



Something important to know: former Ontario Auditor General Bonnie Lysyk says “it is impossible” to tell exactly how the government is spending Ontarians’ money in any detail. So don’t feel bad if you can’t make sense of all the announcements—you’re not supposed to be able to.



Opinion | Why is Doug Ford planning to send cheques to millionaires?

Updated Oct. 21, 2024 at 4:00 p.m. | Oct. 18, 2024 | 2 min read   

Recent announcements by the Ontario government, like the idea of building a tunnel under Highway 401, or sending out \$200 cheques to every Ontarian (regardless of need), suggest we have entered an era where traditional concerns about fiscal responsibility and value for money have gone out the window. Meanwhile, many of the public services people depend on are under attack. For more on this, see here:

https://www.thestar.com/opinion/contributors/why-is-doug-ford-planning-to-send-cheques-to-millionaires/article_d48b6190-8cc6-11ef-975b-cb9d13cdec34.html