RNAO
Registered Nurses' Association of Ontario
L'Association des infirmières et infirmiers autorisés de l'Ontario

QPD QUEEN's PARK DAY

Fiscal capacity: Restoring infrastructure and decent jobs

RNAO believes it is imprudent for government to cut revenue that is crucial for delivering essential services and reducing debt. Instead, the government should grow revenue through a fairer taxes and other means that trigger healthier activities. Do you agree with RNAO?

Revenue cuts are not the way to go
Taxes and other revenues pay for the public services required in a civilized and healthy society – including health care, education, social services, environmental protection, and public security. Taxes also pay the wages of workers who deliver those services, including nurses and other health professionals.

Some rationalize low taxes on the grounds that they stimulate the economy. But as the Task Force on Competitiveness indicated, substantial federal and Ontario tax cuts were accompanied by falling investment rates per worker.[1] The economic benefits of tax cuts are more than offset by corresponding spending cuts by the private and public sectors, resulting in the loss of important public services and jobs. 'Putting money in people's pockets'[2] through tax cuts doesn't get very far if corresponding spending cuts take more money out of their pockets than the tax cuts put there in the first place.

Previous governments chose to limit tax revenue. In Ontario, this resulted in government austerity measures that reduced critical public services. The effect was striking for RNs: Ontario's RN-to-population ratio dropped and has fallen to the lowest level in Canada, with the province only having 689 RNs-per-100,000 population, vs. 837 RNs-per-100,000 people in the rest of the country. Ontario now needs an estimated 21,052 more RNs in the workforce to catch up to the rest of Canada.[3] [4] The situation could well get worse if significant, new cuts happen.

Need for fair, equitable revenue tools
Canadians are offended by growing income inequality and tiers of access to health.[5] They are offended by tax avoidance and the failure of some to pay their fair share. Government can collect revenue and spend it in ways that reduce income inequality and enhance greater access to health. Pharmacare and universal oral health coverage benefit everyone, but especially those living in poverty, thereby enhancing health equity. RNAO wants to see progressive tax systems, where tax rates are higher for higher earners and lower for lower earners.

Green taxes (e.g., emission taxes) discourage harmful behaviour by making it more expensive. These taxes generate revenue and also can replace less efficient taxes, such as payroll taxes that discourage employment. On these grounds, in 2013 the Task Force on Competitiveness called for the implementation of an Ontario carbon tax.[6] Ontario's method of pricing carbon, cap-and-trade auctions, generated $2.873 billion in revenue from in 2017 through May 2018.[7] [8] Those who impose costs on society ought to pay for those costs. A pollution tax appeals to Canadians' basic sense of fairness and equity.

Already on the books are a number of taxes on commodities that can adversely affect health, such as gasoline, diesel, wine and beer. But these taxes aren't adjusted for inflation, a failing that erodes their value as a source for revenue and deterrent against unhealthy behavior. The Drummond Commission recommends these apply in much the same way a sales tax is a fixed percentage of the sale price.[9]

Insufficient revenue leads to spending cuts and privatization

The Ford government committed to shrinking government and lowering taxes, which lowers revenue. This policy direction and a promise to cut hydro rates will add an estimated $10.4 billion to the annual deficit. [10] Even if the government cuts the existing deficit in half, that would yield a combined shortfall of $13.75 billion. [11]

That estimate doesn't take into account other potential effects of the cuts. For example, when the government foregoes $1.9 billion in annual revenue from ending the cap-and-trade carbon pricing program, the loss may be greater: greenhouse gas emitters had already paid $2.873 billion as of May 2018,[12] and those emitters may seek to recover that money from the government. Furthermore, the federal government is withholding $420 million in climate change funding for Ontario because Ontario has gotten rid of its climate change plan with no replacement.[13] It will now go directly to Ontario businesses and institutions, bypassing the Ontario treasury.[14]

Finally, the downgrading of Ontario's credit rating on the grounds of revenue cuts[15] could result in money being diverted from program spending to increased interest payments.

Spending cuts have already started to take place. The government announced that it will reduce the modest planned increases to social assistance (Ontario Works and Ontario Disability Support Program) from 3 percent to 1.5 percent,[16] [17] which is below the forecast rate of inflation of 1.9 percent in 2019 and 2.4 percent in 2020,[18] meaning that recipients will be worse off than they were before. The government also says it will "wind down" the Basic Income Research Project.[19] [20] That project was testing out a method of supplying a guaranteed income to replace inadequate social assistance programs.

The government has nixed three planned university campuses[21], restricted Ontario Student Assistance Program (OSAP)[22] and cut tuition by 10%, the latter draining an estimated $300 million to the university system.[23]And the termination of the cap-and-trade program will costs programs that depended on its $1.9 billion annual revenues.[24]

The cuts will mean greater privatization. Services that formerly were paid for publicly will be paid for privately. Who gets those services will be shaped by who has the ability to pay.

Two government-commissioned reports released in September give cause for concern about future cuts. The first, the *Report of the Independent Financial Commission of Inquiry* concluded that the provincial deficit was $8.3 billion higher than the $6.7 billion that had been estimated by the previous government. [25] [26] By itself, this report is not necessarily harmful, as there are more and less responsible ways of reducing deficits. The second report was a line-by-line review (not an audit) by Ernst and Young of Ontario government expenditures from 2002-03 to 2017-18.[27] The report offers a range of policy options, from helpful ones, such as targeting tax avoidance,[28] to risky ones, such as means-testing of universal programs,[29] public-private partnerships (also known as alternative financing and procurement)[30] and selling off government enterprises.[31] Means-testing will undermine universality in programs like Medicare and will add significant administrative costs. It will also raise prices by lowering the bargaining power of a single-payer system. Public-private partnerships are well established by to be very expensive ways of procuring public infrastructure.[32] [33]

Ontario has a revenue problem, not a spending problem

Although Ontario has a higher per capita GDP than six of the nine other provinces,[34] per capita spending by its government is the second lowest in Canada, after Quebec.[35] The depth of austerity in Ontario is evident: its program spending-to-GDP ratio was the lowest of all provinces and territories in 2016-17 (16.6 percent) and second-lowest in 2017-18 (17.2 percent). Five of the other provinces were well over 20 percent.[36]

The Financial Accountability Office of Ontario found that the province had the lowest revenue per capita in 2017-18.[37] The problem is that Ontario's low revenue collection is even lower than its expenditures, meaning that it has been running a deficit most years. The resulting debt accumulation (39.5 percent of GDP in 2016-17) is the fourth highest in Canada after Quebec, Newfoundland and New Brunswick. It is not yet crippling, but it must be addressed.

The key is choosing the correct solution. Ontario has a revenue problem, not an expenditure problem. As the Financial Accountability Office noted: “The Ontario government has committed to balancing the budget over a “reasonable and pragmatic” timeframe while not raising taxes. Given these commitments, the burden of eliminating the deficit falls mainly on reducing program spending. However, since Ontario’s program spending is already the lowest in Canada, opportunities for achieving additional spending restraint or reductions may be limited.”[38] Or they may be very painful.

Ban asset sales

The government must be wary of further sales of long-term assets for one-shot revenue. Ontario sold 15 percent of Hydro One shares in the fall of 2015,[39] and a further 15 percent in April 2016,[40] despite objections of organizations like RNAO.[41] In May 2017, Ontario reduced its holdings of Hydro One to 49.9 percent through another sale.[42] This happened in spite of the report from Ontario's Financial Accountability Office suggesting that the sale would worsen the province's deficit position over the long run.[43] Selling off assets is not a sustainable way of reducing debt, particularly when that asset is a monopoly that provides a large guaranteed stream of revenue.

The government also has sold Hearn generating station on the Toronto waterfront [44] and the former London Psychiatric Hospital.[45] It is said to be looking to quickly sell 14,600 acres of land at what appear to be fire-sale rates – between $7,000 and $9,000 per acre.[46] Those assets could be used for many public purposes, but once sold, are lost. The Hearn station was sold without consulting Toronto (a party interested in the land) at a seemingly low price to a company with connections to the Premier.[47] This does not bode well for future asset sales.

RNAO's FISCAL ASKS

- Ensure the fiscal capacity to deliver all essential health, health care, social, and environmental services by building a more progressive tax system. Do not cut taxes.
- Increase revenue sources that are fair and equitable, and encourage environmental and societal responsibility. Make polluters pay for the full cost of the pollution they create, including their carbon emissions.
- Update the gasoline tax by making it a tax on value rather than on volume.
- Reject sales of publicly owned crown corporations and assets to fund government programs. Halt the further sale of Hydro One shares.
- Do not impose means testing on any universal program like Medicare.
- Place a moratorium on public-private partnerships in the procurement of public infrastructure.
- Ensure transparency and accountability in fiscal measures to deliver services people want and deserve, and to ensure that is done in an efficient manner.

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