

NEWS RELEASE

Ontario government adding \$9 billion in debt next year, despite balanced budget pledge

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For immediate release

TORONTO—Ontario’s debt is expected to continue to grow—increasing by approximately \$9 billion next year—despite the government’s promise to finally balance its budget this spring, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Even if Queen’s Park balances the budget, it will still add billions to the provincial debt with no end in sight,” said Ben Eisen, director of the Fraser Institute’s Ontario Prosperity Initiative and co-author of *Hold the Celebration: A Balanced Budget Won’t End Ontario’s Fiscal Challenges*.

The study finds that the Ontario government—even with a balanced operating budget this coming fiscal year after nine consecutive deficits—plans to add \$9 billion to the debt in 2017/18 and \$9.1 billion the following year.

This may seem counterintuitive, but the province separates capital spending from its operating budget for accounting purposes. Although the province will stop adding new debt from spending on day-to-day operations such as salaries, programs and income transfers, it will continue adding new debt from spending on long-term projects like highways and infrastructure.

And there’s no end to the borrowing in sight.

The province’s own Financial Accountability Office estimates Ontario’s debt will keep growing, hitting \$370 billion in 2020/21.

Crucially, Ontario’s debt relative to the size of the provincial economy—the debt-to-GDP ratio, used to measure a jurisdiction’s ability to manage its debt burden currently stands at approximately 40 percent and is expected to hover close to this historically high level for the foreseeable future.

“A balanced budget is a step towards repairing Ontario’s battered finances—but it’s just the first step in a long journey,” Eisen said.

“The province faces serious fiscal problems, and it would be a big mistake to believe that a balanced budget solves those problems.”

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