



NEWS RELEASE

A 1% spending reduction would balance Ontario's budget in two years

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For immediate release

TORONTO—The Ontario government can balance its budget in just two years with a modest one per cent spending reduction from 2018 levels, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“In this week’s provincial budget, the government can make good on its pledge to take a fundamentally different approach than the previous government and move quickly to balance the budget,” said Ben Eisen, Fraser Institute senior fellow and co-author of *A Turning Point or More of the Same? Ontario's Fiscal Choices in Budget 2019*.

“Previous governments relied on long-term deficit-reduction strategies that slowed spending increases while hoping revenues would increase enough to close the gap, and it didn’t work,” Eisen added.

The study finds that a one per cent reduction in nominal spending in each of the next two years would be enough to achieve balance by 2020/21 if current revenue forecasts come to pass.

For context, spending has increased in Ontario by 13.5 per cent in the past two years alone.

Crucially, a spending reduction of 9.8 per cent would also achieve a balance budget by 2020/21, but would also create the fiscal room necessary to lower both personal and corporate income taxes, which would increase the province’s competitiveness. (Currently Ontario’s top personal income tax rate is the second highest in all of Canada and the United States.)

“For many years, governments at Queen’s Park had a habit of unsustainable spending increases that led to routine deficits and mounting debt,” Eisen said.

“The 2019 budget is an opportunity for Ontarians to see whether the new government is going to embrace a fundamentally different approach to fiscal policy.”

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