



Elementary Teachers' Federation of Ontario (ETFO)

Fédération des enseignantes et des enseignants
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MEMORANDUM

TO: Local Presidents
Executive Members (For Information)

FROM: Sharon O'Halloran, General Secretary
Lorna Larmour, Deputy General Secretary
Federico Carvajal, Executive Staff, Communications and Political Action Services

DATE: March 27, 2023

RE: **Budget 2023**

On March 23, the Ford government tabled the 2023 provincial budget. At \$204.7 billion, this is the largest budget tabled by the provincial government. The province saw more than \$20 billion in unexpected revenue growth for 2022-23, which resulted in a significantly lower deficit, and a return to surplus budgets three years earlier than estimated in the 2022 budget.

While the government had significant fiscal room to make the necessary investments in public education, health care, and other public services Ontarians rely on, it chose instead to continue its pattern of providing additional tax cuts to corporations and underspending in social programs.

End of Deficits

In the 2023 budget, the government revised its deficit projection for 2022-23 to \$2.2 billion, down from \$19.9 billion projected in the 2022 budget and \$12.9 billion projected in the fall fiscal update. The 2023 budget projects a deficit of \$1.3 billion for 2023-24 returning to balance in 2024-25 with a small surplus of \$0.2 billion which will grow to \$4.4 billion in 2025-26.

The reduction of the deficit for 2022-23 was largely the result of additional tax revenue, which was \$20.6 billion higher than forecast in the 2022 budget and \$13.6 billion higher than forecast in the fall fiscal update. This was primarily driven by an increase in personal income tax revenue.

The government's projections of surpluses starting in 2024-25, despite the additional corporate tax breaks the 2023 budget contains, provide further evidence that the decisions not to invest in public services are ideological and not due to fiscal constraints.

Corporate Tax Cuts

The 2023 budget contains additional tax reductions for businesses. A new manufacturing tax credit will be created providing a 10 per cent refundable credit to Ontario manufacturers for investments in buildings, machinery, and equipment. This new tax credit is expected to lower government revenues by approximately \$780 million over the next three years.

The 2023 budget would also expand the preferential small business corporate tax rate by increasing the phase-out range for this tax rate from between \$10 million to \$15 million to between \$10 million and \$50 million. This change would lower government revenues by an estimated \$265 million by 2025-26.

Combined with measures previously announced and implemented by the government, these measures amount to \$8 billion in corporate tax relief for 2023-24 alone, with more than half—\$4.4 billion—going to large corporations.

Infrastructure

The budget includes \$20.6 billion in infrastructure spending for 2023-24, with more than \$184 billion in infrastructure spending proposed for the next 10 years. Highway 413 and the Bradford Bypass, alongside the widening of Highway 401 are some of the projects considered in the budget. This multi-year capital spending plan includes \$70.5 billion for public transit projects, \$48 billion for hospitals and healthcare facilities and \$22 billion for schools, with \$15 billion going to capital grants.

Paid Sick Leave

With the announcement of the 2023 budget, the government also confirmed that it will scrap the program that provided three subsidized paid sick days for workers. This program was implemented at the height of the COVID-19 pandemic. This decision will once again leave many workers in Ontario without access to any paid emergency or medical leave.

Education

The 2023 budget reduced the projections for education spending for 2022-23 by \$47 million when compared to what was reported in the fall fiscal update. Starting in 2023-24 the government will no longer report COVID-19 time-limited funding separately.

For 2023-24, the budget shows an increase of \$1.35 billion in education funding—including child care—when compared to 2022-23. The increase in child care funding, resulting from the federal child care program, accounts for most of this increase—\$932 million—leaving only \$417 million for funding increases to the remaining education budget, including school board operations, ministry spending, and other programs. This represents an increase of 1.4 per cent compared to 2022-23. This nominal increase in funding is easily outpaced when accounting for enrolment growth and inflation, which for 2022 was 6.8 per cent.

In the medium term, the budget projects increase to education funding, with funding projected at \$34.7 billion for 2023-24, \$36.1 billion in 2024-25, and \$37.5 billion in 2025-26. A significant portion of these annual increases are the result of new federal funding resulting from the new Canada-Ontario child care agreement; which seeks to reduce child care fees across the province.

When the new federal child care funding is factored in, the average annual growth in education funding for the next three years is projected to be 2.1 per cent, well below the current and projected rate of inflation for the coming years.

Conclusion

The government benefited from a significant increase in personal income tax revenue, resulting in a much smaller deficit than predicted for 2022-23. This increase in revenue also gave the government additional fiscal room to address its priorities.

Instead of taking the opportunity to make the necessary investments in public education, public health care and other public services, the government is using this additional fiscal room to provide additional tax breaks to corporations and to continue to maintain billions of dollars in contingency funds.

While the budget contains increases to health care and child care funding, these new funds come primarily from the federal government, as a result of new health care and child care agreements signed with the provinces.

While the budget did not contain details on school board allocations, which will be provided when information on the Grants for Student Needs is released, it is clear that the government's plan for education does not address the funding gap identified by the Financial Accountability Office.

The nominal increases in education funding contained in the budget, are simply not enough to keep up with enrolment growth or inflationary costs. Unless there are additional funds made available to school boards, many of them will experience increasing fiscal pressures that could result in staffing reductions and the corresponding loss of important student supports.

SO:LL:FC:KK