

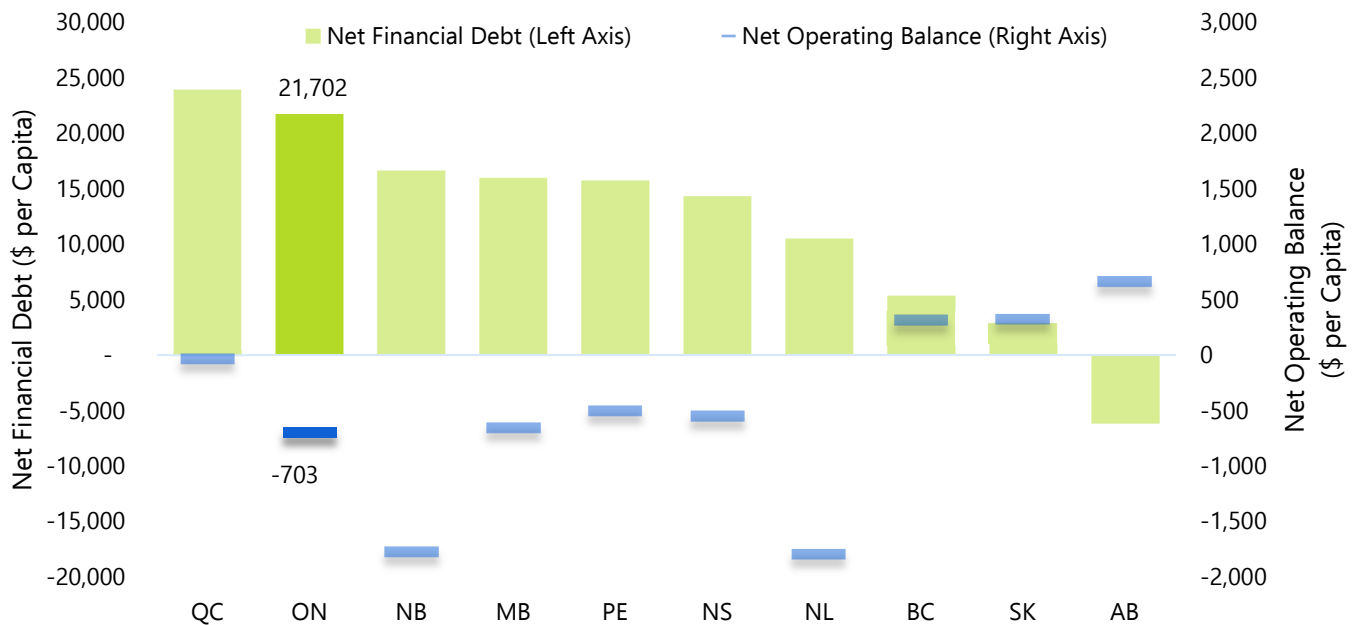
Comparing Ontario's Fiscal Performance with Other Provinces

Based on Statistics Canada's latest release of 'Government Finance Statistics' (GFS), the fiscal position of the provincial and local governments in Ontario has deteriorated compared to other provinces since the global recession in 2008-2009.¹

The net financial debt² of the provincial and local governments in Ontario increased from \$146.3 billion in 2008-09 to \$296.8 billion in 2014-15. On a per capita basis, Ontario's net financial debt was approximately \$21,700 in 2014-15, the second highest in the country and nearly 40 per cent higher than the provincial average. This represents a significant deterioration from 2008-09 when Ontario's net financial debt was approximately \$11,400 per capita and 26 per cent higher than the provincial average.

High operating deficits since 2008-09 led to the sharp rise in Ontario's net financial debt. In 2014-15, Ontario's net operating deficit based on the GFS data was \$9.6 billion or \$703 per person. On a per capita basis, Ontario's deficit in 2014-15 was third highest among provinces, below only Newfoundland and Labrador, and New Brunswick.

Net Financial Debt and Operating Balance by Province, 2014-15



Note: Figures represent consolidated provincial and local government data.

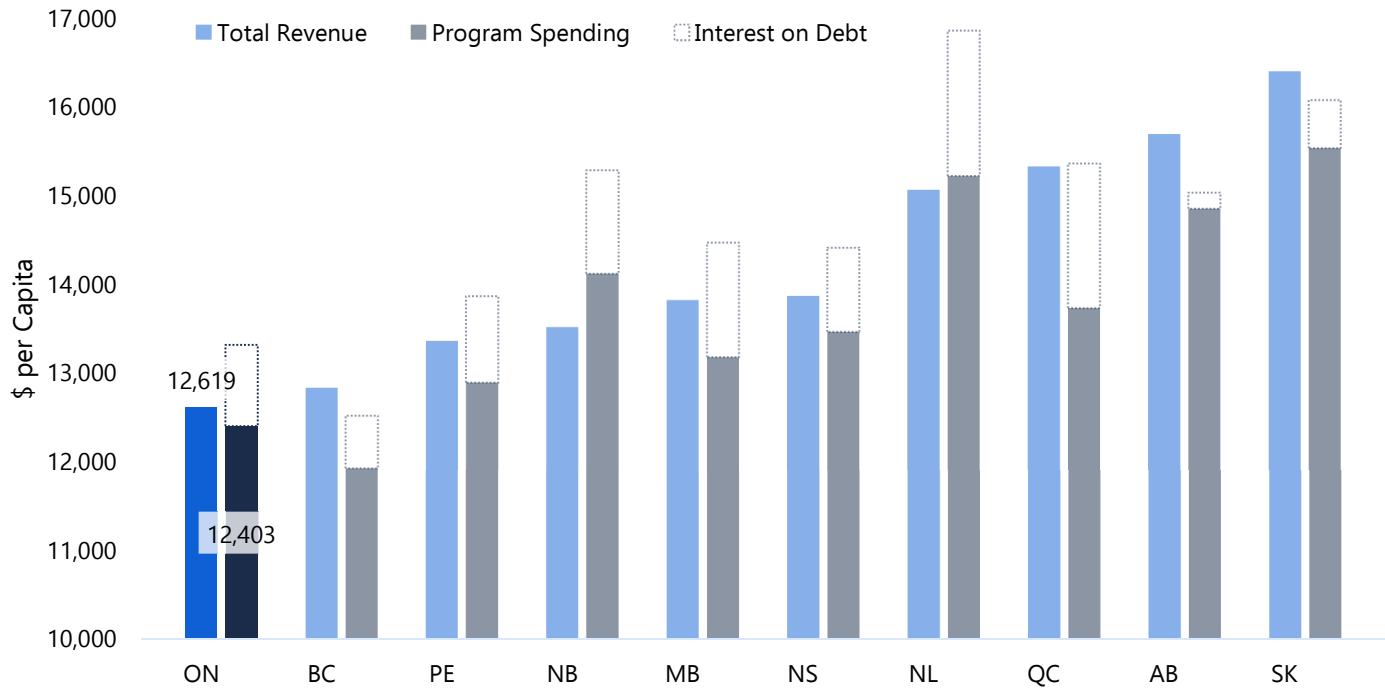
Source: Statistics Canada's Government Finance Statistics

¹ Statistics Canada's 'Government Finance Statistics' measure public sector financial performance including operating results and net worth or debt. The GFS data provide a consistent basis for provincial comparisons, adjusting for differences in organizational structure and accounting practices across jurisdictions. This commentary focuses on consolidated data for provincial-territorial and local governments, which includes provincial governments, health and social service institutions, universities and colleges, municipalities and other local public administrations, and school boards. The latest available data cover the fiscal year 2014-15, prior to the sharp decline in oil prices that affected the fiscal position of oil-producing provinces. (Consolidated Canadian Government Finance Statistics, 2014, Statistics Canada, March 23, 2016).

² Net financial debt refers to the difference between total liabilities and financial assets.

Ontario's relatively high deficit in 2014-15 was largely a reflection of Ontario's low per capita revenues, partially offset by its similarly low program spending per capita.

Revenues and Spending by Province, 2014-15



Note: Figures represent consolidated provincial and local government data. Provinces are ordered by total revenue per capita.

Source: Statistics Canada's Government Finance Statistics

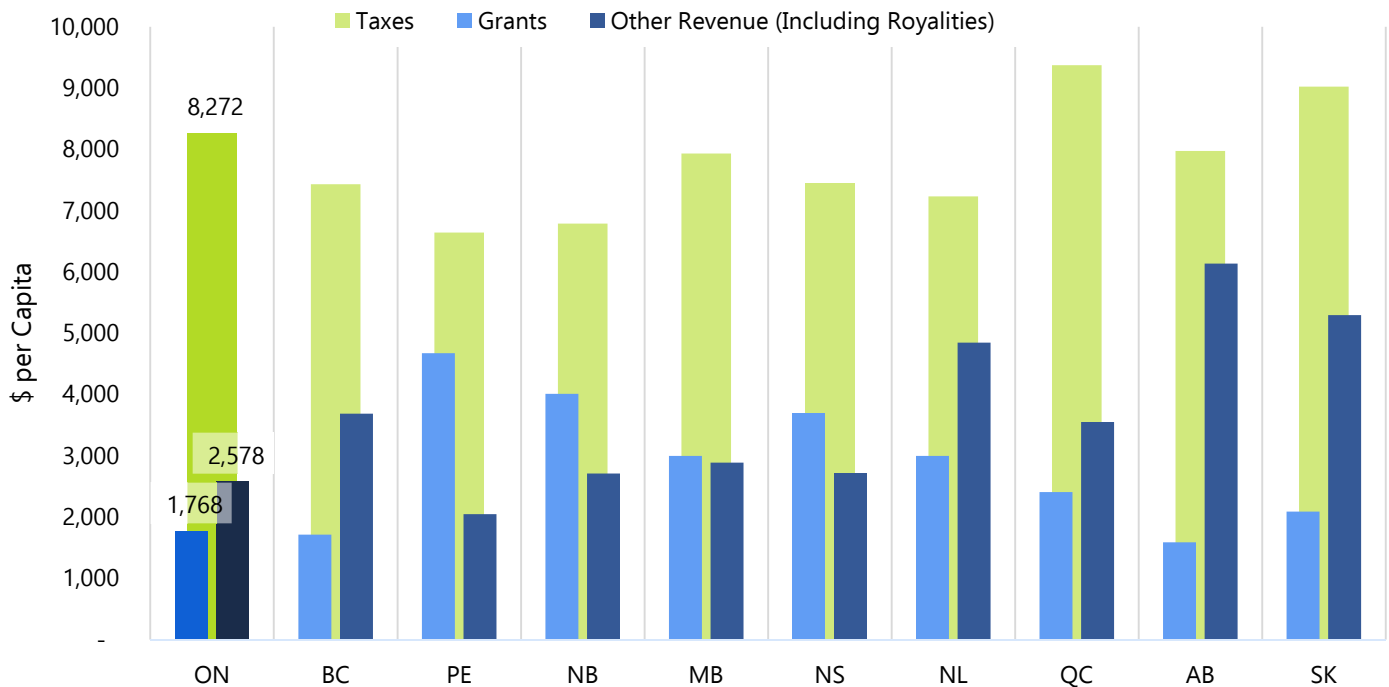
Ontario had the lowest per capita revenues of all provinces in 2014-15 at \$12,619, nine per cent below average.

According to the GFS data, Ontario provincial and local governments collected tax revenue of \$8,272 per person in 2014-15, the third highest level of taxes per person in the country, behind only Quebec and Saskatchewan. However, Ontario's relatively elevated level of taxation per capita is a reflection of the province's robust and diverse business sector and high household incomes that generate more tax revenue. As a share of nominal GDP (the broadest measure of the tax base), Ontario's tax revenue was close to the provincial average, suggesting the tax burden imposed by the provincial and local governments in Ontario is in-line with other provinces.

However, Ontario's high per capita tax revenues are offset by lower levels of non-tax revenue than other provinces. Specifically, Ontario received \$1,768 in 'grants' (federal government transfers) per person in 2014-15, the third lowest among provinces, behind only British Columbia and Alberta.

Ontario also had the second lowest amount of 'other revenues'³ at \$2,578 per person. Resource-rich provinces benefited from significant royalties that resulted in much higher 'other revenues'. Newfoundland and Labrador, Saskatchewan and Alberta received an average of \$5,425 per person in 'other revenues' in 2014-15, more than double the level in Ontario.

Comparing Revenue by Source Across Provinces, 2014-15



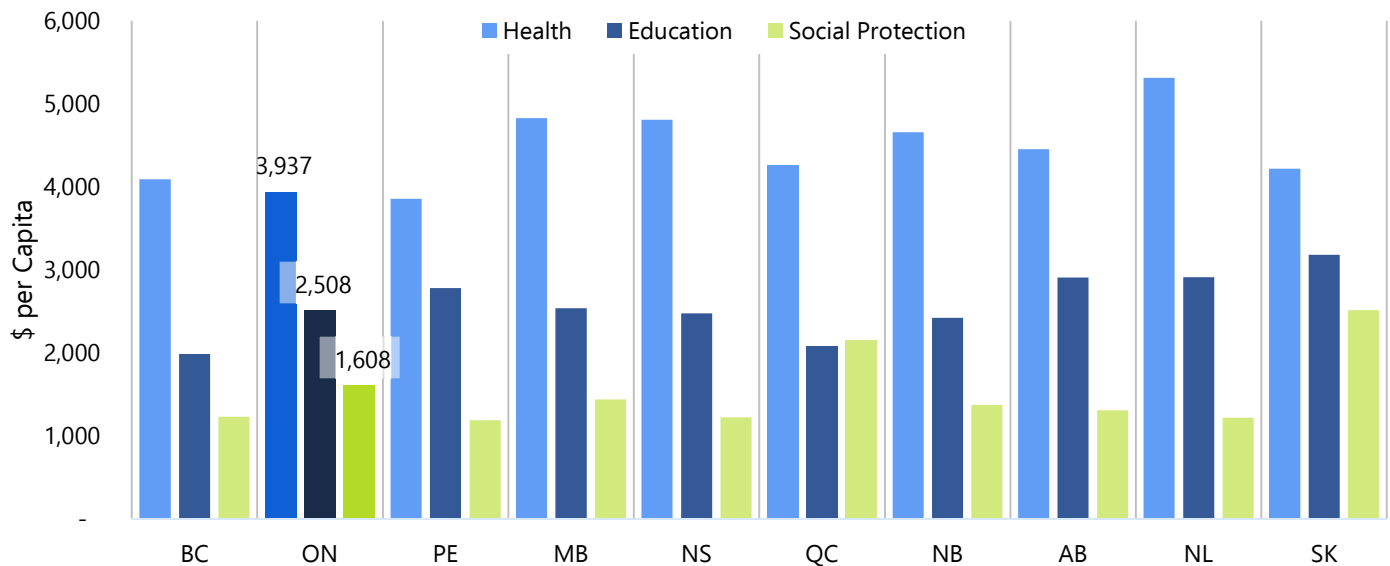
Note: Figures represent consolidated provincial and local government data. Provinces are ordered by total revenue per capita.

Source: Statistics Canada's Government Finance Statistics

Ontario partially offsets its relatively low per capita revenues by maintaining relatively low per capita program spending. Program spending per capita by the provincial and local governments in Ontario, at \$12,403, was second lowest among provinces and about six per cent below the provincial average. In nearly every spending category, Ontario's spending per capita was lower than the provincial average. One exception is education where Ontario's spending per capita was four per cent higher than the average in 2014-15.

³ Other revenue includes resource royalties, sales of goods and services, and social contributions (e.g. Workplace Safety and Insurance Board contributions).

Comparing Major Program Spending Categories Across Provinces, 2014-15



Note: Figures represent consolidated provincial and local government data. Spending figures exclude consumption of fixed capital expense. Provinces are ordered by total program spending per capita.

Source: Statistics Canada's Government Finance Statistics

Ontario's relatively low program spending is a reflection of a combination factors. As the most populous province, Ontario benefits from economies of scale⁴ that contribute to the more efficient delivery of public services. It may also be the case that Ontario provides fewer or less generous public services compared to other provinces in select areas.⁵

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⁴ 'Economies of scale' refers to lower unit costs as a result of a larger scale of operations. For example, the number of administrative staff required to manage the health or education sectors does not rise proportionally with the number of students or patients in the system.

⁵ For example, Ontario has fewer regulated child-care spaces, a higher elementary student to educator ratio, higher university tuition, and fewer residential-care beds per capita than other provinces. (Frontier Centre for Public Policy, *The Real Have-Nots in Confederation: Ontario, Alberta and British Columbia*, 2010)