

# **Results-based Plan Briefing Book 2013-14**

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**Ministry of Finance**

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**Ministry of Finance**



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# **Part I: Published Results-based Plan 2013-14**

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## **Ministry of Finance**



## MINISTRY OVERVIEW

### Mission

The Ministry of Finance's mission is to promote a dynamic, innovative and growing economy, and to manage the fiscal, financial and related regulatory affairs of the Province of Ontario. In addition, it delivers revenue and benefits programs in support of a better future for Ontarians.

### Ministry Priorities

The ministry's priorities include:

- Supporting a strong economic, fiscal and investment climate
- Being accountable and transparent with public funds
- Revenue Administration
- Prudent and effective fiscal management and financial sector regulation
- Transforming public services

### Ministry Activities

The Ministry of Finance's activities actively support these priorities through both central agency and line ministry responsibilities.

In its central agency role by:

- providing key fiscal, taxation and economic policy advice and support to the Minister of Finance, Treasury Board/Management Board of Cabinet, other Cabinet committees and the Premier;
- developing and implementing a multi-year Result-based Planning process across government, including reviewing ministries' annual multi-year Results-based Plans and advising Treasury Board/Management Board of Cabinet on the allocation of funds within the context of the government's key priorities;
- establishing spending authority for all ministries and programs through the development of the Printed Estimates and Supplementary Estimates;
- preparing the provincial budget, a mid-year fiscal and economic update (Economic Outlook and Fiscal Review, also known as the Fall Economic Statement), the quarterly Ontario Economic Accounts, and the Public Accounts;
- managing the province's financing arrangements and Provincial debt through Provincial Crown agencies, the Ontario Financing Authority and the Ontario Electricity Financial Corporation, as well as overseeing the province's contingency fund;
- reporting Ontario's economic and fiscal plan and results to the public;
- advising on Ontario's interests and policies related to federal-provincial fiscal arrangements; and

- promoting the principles of modern controllership, accountability and transparency for the use of public funds within the Ontario Public Service and in all Ontario public sector institutions.

In its line capacity, the ministry is responsible for:

- overseeing the regulation of the financial services sector, including securities, pension plans, insurance companies, credit unions, co-operatives and mortgage brokerages through applicable legislation and agency regulatory functions;
- managing Ontario's fiscal relationship with municipalities, through the provision of advice on property assessment and property tax policy, and administering municipal support programs such as the Ontario Municipal Partnership Fund (the government's main unconditional transfer payment to municipalities), Toronto Pooling Compensation and Special Payments to Municipalities;
- overseeing the regulatory agencies under the authority of the Minister of Finance (Ontario Securities Commission, Financial Services Commission of Ontario, Financial Services Tribunal); and the Ontario Economic Forecast Council, an advisory agency;
- overseeing the operational enterprise agencies (Liquor Control Board of Ontario (LCBO), Ontario Lottery and Gaming Corporation (OLG), Ontario Financing Authority, Ontario Electricity Financial Corporation, and the Deposit Insurance Corporation of Ontario) that are accountable to the Minister of Finance;
- overseeing Ontario's tax revenue collected by the Canada Revenue Agency;
- working collaboratively with the Canada Revenue Agency to ensure it meets its commitments in delivering Ontario's tax and benefits programs;
- efficiently and effectively administering Ontario tax statutes, tax incentive programs and benefits programs, administer revenues, and enrolment in benefits programs while reducing the burden on participating businesses and citizens;
- efficient and transformative delivery of income-based benefits programs, such as Guaranteed Annual Income System, Ontario Child Care Supplement, and Investment in Affordable Housing; and
- transforming provincial debt owing to the crown through its centralized collection initiative.

Ministry of Finance activities are designed to enable and provide the fiscal foundation for other activities in the Ontario Public Service.

**Ministry of Finance: 2013-14**  
**Effective Economic, Fiscal and Financial Management for a Prosperous and Fair Ontario**

| PRIORITIES                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                             |
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|                                                                                                     | Support a strong economic, fiscal & investment climate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Be accountable & transparent with public funds                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Revenue Administration                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Prudent & Effective Fiscal Management & Financial Sector Regulation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Transform public services                                                                                                                                                                                                                                                   |
| ACTIVITIES                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                             |
|                                                                                                     | <ul style="list-style-type: none"> <li>Develop and implement sound economic and fiscal strategies</li> <li>Provide key fiscal, taxation and economic policy advice &amp; support to the Minister of Finance, Cabinet Committees and the Premier</li> <li>Monitor and report on the fiscal plan through the quarterly Ontario Economic Accounts; the Economic Outlook and Fiscal Review; Public Accounts; and the Ontario Budget</li> <li>Develop policies, legislation and regulations governing the property assessment and taxation system</li> <li>Administer benefit programs</li> </ul> | <ul style="list-style-type: none"> <li>Ensure integrity of provincial financial systems, processes and information</li> <li>Ensure that OPS financial and risk management plans and processes meet the highest standards of integrity, accountability and transparency</li> <li>Ensure that public organizations remain accountable to taxpayers for the use of public funds</li> <li>Implement a multi-year Results-based Planning process across government</li> <li>Establish spending authority for all ministries and programs through development of Printed Estimates and Supplementary Estimates</li> </ul> | <ul style="list-style-type: none"> <li>Maintain a fair and competitive tax system</li> <li>Strengthen tax integrity, such as corporate tax compliance, by targeting the underground economy and increasing tobacco enforcement</li> <li>Oversee Ontario's tax revenue collected by Canada Revenue Agency</li> <li>Oversee and support LCBO and OLG strategies</li> <li>Advise on Ontario's interests and policies related to federal-provincial fiscal arrangements</li> </ul> | <ul style="list-style-type: none"> <li>Provide responsible regulation of financial sectors and build flexibility to stimulate growth</li> <li>Create, direct and oversee policies to manage the Province's investment, debt financing, credit rating, investor relations and banking activities</li> <li>Manage Provincial debt prudently</li> <li>Manage municipal support programs</li> <li>Implement pension reform, including measures to improve the affordability, sustainability and efficiency of public sector pension plans</li> <li>Regulate Financial Services and Auto Insurance</li> <li>Oversee agencies under the authority of the Minister of Finance</li> </ul> | <ul style="list-style-type: none"> <li>Leverage ministry expertise in audit, inspections and collections</li> <li>Provide imaging and data services to the OPS</li> <li>Transform Benefits administration for Ontarians to improve access and reduce duplication</li> </ul> |
| <b>Ministry Support Services</b><br><b>Financial, Communications, Legal, Audit, Human Resources</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                             |

## **Areas of Responsibility**

The Ministry of Finance program areas are responsible for a wide range of strategic services and activities as described below:

### **Tax Policy Division (TPD)**

- Advises the Minister on the policy and legislative design of personal, corporate, commodity and sales taxation and benefits.
- Develops policy options, and legislative design and performs analysis of commodity, corporate, mining, payroll, personal, estate administration and sales taxation, and benefits.
- Conducts research and analysis on Ontario's tax competitiveness and emerging economic and social trends in taxation, and benefits policy.
- Represents Ontario in federal-provincial tax policy discussions, including tax committees.

### **Pension, Income Security and Research Division (PISRD)**

- Develops policy and legislation regarding employment pension plans and income security issues.
- Represents Ontario in inter-governmental taxation and retirement income system (RIS) issues, including the Canada Pension Plan (CPP).
- Develops strategic policy on income security programs including the Ontario Child Benefit, social assistance and Employment Insurance.
- Conducts research and quantitative analyses to support the development of tax, pension, alcohol fee, income security and benefits policy.
- For Budget and Public Accounts purposes, provides estimates of pension expense for the pension plans of teachers, OPS employees and other pension plans which are consolidated in the province's financial statements, as well as related post-retirement benefits.

### **Revenue Agencies Oversight Division (RAOD)**

- Leads and coordinates the development of government policy related to alcohol and gaming and manages the accountability and oversight relationship with the Liquor Control Board of Ontario and the Ontario Lottery and Gaming Corporation on behalf of the Ministry of Finance.
- Manages the government's Deposit Return Program for beverage alcohol containers.
- Advises the Minister on the policy and legislative design of beer and wine taxes and on strategic policy options related to alcohol mark-ups.

### **Office of Economic Policy (OEP)**

- Provides the Minister of Finance with forecasts and analysis of the provincial economy and revenues, analysis and advice on the economic consequences of policy proposals, and advice and information on economic issues and trends.
- Provides the Minister of Finance with advice and analysis in support of a sound economic environment that ensures continued prosperity through sustainable economic growth and job creation.

- Provides advice on economic and financial market performance, regulation and policy, including the regulation of securities, credit unions, mortgage brokerages, co-operatives and the insurance industry.
- Represents Ontario in federal-provincial-territorial discussions regarding financial services policy, economic analysis and forecasting, fiscal planning and in negotiations with Statistics Canada.
- Undertakes timely preparation and release of population projections for Ontario and each of the 49 Census Divisions to support the government's planning and resource allocation exercises.

**Provincial-Local Finance Division (PLFD)**

- Provides advice on the development of policies, legislation and regulations governing the property assessment and taxation system in Ontario, including education property taxes and the business tax capping program.
- Provides advice on fiscal arrangements with the municipalities.
- Manages the \$575 million<sup>1</sup> Ontario Municipal Partnership Fund (OMPF).
- Implements the recommendations of the Provincial-Municipal Fiscal and Service Delivery Review (PMFSDR) that affect the OMPF.

**Budget and Treasury Board Office**

- Provides analysis and support to Treasury Board/Management Board of Cabinet (TB/MBC), particularly with regard to the Results-based Planning (RbP) and Estimates processes, development of the fiscal plan and in-year expenditure monitoring.
- Develops, monitors and reports on the fiscal plan and results for the quarterly Ontario Economic Accounts, the Economic Outlook and Fiscal Review, and the Ontario Budget, as well as federal-provincial fiscal relations.

**Office of the Provincial Controller Division (OPCD)**

- Provides accounting and financial management policy advice and support to the government.
- Ensures that financial control policies and practices are in place to safeguard Ontario's assets and to ensure the integrity of its financial systems, processes and information.
- Maintains Ontario's Public Accounts and prepares the Annual Financial Report, Consolidated Financial Statements, and Public Sector Salary Disclosure.
- Supports the preparation of the Ontario Budget, quarterly Ontario Economic Accounts, and the Economic Outlook and Fiscal Review.

**Ontario Internal Audit Division (OIAD)**

- Provides value-added control, risk and consulting services, as well as independent and objective assurance services to the ministries and agencies of the Government of Ontario.
- Ensures that the government's financial, operational and risk management plans and processes meet the highest standards of integrity, accountability and transparency.

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<sup>1</sup> The \$575 million for the 2013 OMPF reflects the municipalities fiscal year (January to December), which is different from the provincial budget planning cycle (April to March).

**Program Delivery Division (PDD)**

- Supports the administration of tax statutes as well as a number of tax incentive and benefits programs.
- Encourages voluntary compliance and tax revenue integrity through taxpayer services such as registration, account maintenance and processing tax returns, refunds and rebate applications.
- Encourages participation in tax incentive and benefits programs through effective client outreach and promotes fairness through systematic eligibility verification and validation reviews.
- Provides remittance, data and image capture and revenue processing services.
- Leads the service delivery initiatives of the Benefits Transformation project and provides benefits administrative services to partner ministries.

**Strategic Partnerships and Program Policy Division (SPPPD)**

- Develops proactive and effective tax administration policy that supports the government's competitive business environment and Open for Business priorities.
- Manages relationships, service provisions and fee-for-service arrangements for tax and benefit administration involving partnerships with other governments (most notably the Canada Revenue Agency) and the broader public sector as well as develops accountability frameworks for the stewardship of programs and services administered by TBA and third party service providers such as the CRA.
- Identifies opportunities to leverage the ministry's expertise to deliver products and services to other OPS and broader public sector in support of OPS modernization.
- Provides service excellence in the tax advisory and tax appeals functions as well as develops and implements processes and programs to strengthen the ministry's efforts to address illegal tobacco products, the underground economy and corporate tax avoidance.
- Provides strategic management services including tracking, analyzing and reporting on TBA's performance measures, service standards, and revenue commitments as well as provides data analysis and project management to support the development, implementation and delivery of tax and benefits programs.

**Compliance Programs Division (CPD)**

- Directs and executes excellence in the audit function using risk based techniques, modern technology and best practices.
- Provides high quality, progressive collections activities through the centralized collections initiative.
- Provides high quality, effective investigations and inspections.
- Partners with other ministries, agencies and the broader public sector to provide technical services, including forensic data recovery and forensic accounting.

**Main Office**

- Includes the offices of the Minister, Parliamentary Assistants, and Deputy Minister.
- Provides professional and technical support for the legislative policy making and administrative responsibilities of the Minister and Deputy Minister.

**Financial and Administrative Services**

- Provides strategic executive decision and controllership support services to the Ministry.
- Includes ministry strategic planning, resource monitoring and risk management, program analysis, controllership, accounting, accommodation management, continuity of operations planning, emergency management and security services, document production, coordination of corporate and ministry-specific modernization programs and administration of *the Freedom of Information and Protection of Privacy Act*.

**Strategic Human Resources Services**

- Provides strategic and advisory human resources services to Ministry senior executives to ensure they have the right people, in the right place, at the right time to achieve their business objectives.

**Communications Services Branch**

- Provides strategic communications advice and planning to the Minister of Finance, the Deputy Minister, all Ministry of Finance divisions, Premier's Office and Cabinet Office, and where appropriate, other ministries, to support the government's fiscal priorities and ministry's programs.

**Legal Services**

- Provides legal advice to the Ministry on the interpretation of statutes and regulations and the preparation, drafting and review of proposed legislation, regulations, and other legal documents. General legal services include litigation, prosecutions, collections, and drafting of agreements.
- Provides legal advice on government financial matters, provincial borrowing and investments, tax policy, administration and enforcement, *Freedom of Information and Protection of Privacy Act* matters, and advice with respect to the agencies under the responsibility of the Minister and pensions, securities and financial services sector regulation.

**Audit Services** (Finance Audit Service Team (FAST) of the Ontario Internal Audit Division)

- Provides value-added control, risk and consulting services, as well as independent and objective assurance services to the Ministry of Finance and some of its agencies. The overall objective for FAST is to ensure that the ministry's financial and risk management plans and processes meet the highest standards of integrity, accountability, and transparency.

## AGENCIES, BOARDS AND COMMISSIONS

**Deposit Insurance Corporation of Ontario (DICO)** protects depositors in credit unions and caisses populaires by providing deposit insurance within statutory limits. It promotes the safety and soundness of Ontario's credit unions and caisses populaires by establishing standards of sound business and financial practices. DICO is responsible for monitoring and enforcing compliance with solvency related requirements set out in the *Credit Unions and Caisses Populaires Act, 1994*. DICO administers the affairs of credit unions and caisses populaires that have insufficient capital and provides financial assistance to these institutions when necessary, conducting orderly liquidations and making direct payments to depositors. The Corporation's administrative costs and insurance funding are provided by an annual insurance premium paid by all credit unions and caisses populaires that conduct business in the Province of Ontario. DICO maintains a Deposit Insurance Reserve Fund to cover potential claims. A review of this fund is undertaken annually by DICO's board of directors to ensure that it remains within an appropriate range.

**Financial Services Commission of Ontario (FSCO)** regulates Ontario's financial services sector, including insurance companies, pension plans, credit unions, caisses populaires, mortgage brokerages, brokers, agents and administrators, loan and trust companies, and co-operatives. FSCO makes recommendations to the Minister of Finance on matters affecting these sectors. In addition, FSCO is responsible for the administration of the Motor Vehicle Accident Claims Fund (MVACF), which compensates people injured in automobile accidents in Ontario where no other insurance is available to respond to the claim. FSCO is also responsible for the administration of the Pension Benefits Guarantee Fund (PBGF), which pays a minimum level of pension benefits if a plan is wound up with insufficient assets.

FSCO works with the Ministry of Finance, consumers and industry stakeholders to protect the public interest, enhance public confidence, and create a business climate that promotes Ontario's domestic and international competitiveness.

**Financial Services Tribunal** is an independent, adjudicative body that conducts hearings arising from regulatory and proposed regulatory decisions of the Superintendent of FSCO. The Tribunal has exclusive jurisdiction to exercise the powers conferred under the *Financial Services Commission of Ontario Act, 1997* and other acts that confer powers or assign duties to the Tribunal.

The Tribunal also has exclusive jurisdiction to determine all questions of fact or law that arise in any proceedings before it. As well, the Tribunal has the authority to make rules for the practice and procedure to be observed in a proceeding before it; and to order a party to a proceeding before it to pay the costs of another party or the Tribunal's costs of the proceeding.

**Liquor Control Board of Ontario (LCBO)** is a Government of Ontario Crown Corporation established in 1927 under the *Liquor Control Act* to control the importation, distribution, pricing, and sale of beverage alcohol in the province in an efficient and socially responsible manner. The LCBO's mandate is reflected in its mission statement, three-year strategic

plan and annual business plan. The agency administers social reference pricing, with the lowest price at which alcohol can be sold being set by government regulation, and maintains other social responsibility measures to protect against the misuse of beverage alcohol. The corporation directly operates approximately 630 retail stores, and five warehouses, and has almost 220 retail agency stores across Ontario.

The LCBO is classified as an Operational Enterprise Agency, meaning that it sells goods or services to the public. Its assets, expenses and net income are consolidated in the Province's financial statements on the modified equity basis. This means that the agency's net income is reported on one line (Income from Investment in Government Business Enterprises) and its net assets are reported on another line (Investment in Government Business Enterprises). For additional financial information, see the LCBO annual report available on the agency's website at <http://www.lcbo.com/annualreport>.

Profits distributed to the Province by LCBO (e.g. dividends) are deposited into the Consolidated Revenue Fund and recorded by the Ministry of Finance as revenues.

**Ontario Economic Forecast Council** is an advisory agency established by the Minister of Finance to provide advice on the macroeconomic outlook as required by the *Fiscal Transparency and Accountability Act*. Council members review the economic assumptions underlying the Budget and the Ontario Economic Outlook to assess the reasonableness of the forecast as a basis for planning. During this process, the council meets with Ministry of Finance staff to discuss emerging economic trends.

**Ontario Electricity Financial Corporation (OEFC)** is the legal continuation of the former Ontario Hydro and is responsible for managing that organization's legacy debt and other liabilities. The OEFC receives risk management, cash management, banking and accounting services from the Ontario Financing Authority (OFA) to manage and retire the outstanding debt and other liabilities of the former Ontario Hydro.

**Ontario Financing Authority (OFA)** is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993*. The OFA conducts borrowing and investment for the Province, manages the Provincial debt, and provides other financial and centralized cash management services for the Province. In addition, the OFA advises government on financial matters and assists other public bodies such as school boards, colleges, hospitals and certain Crown Corporations in borrowing and investment.

The OFA also provides a broad range of financial services to Ontario Electricity Financial Corporation (OEFC) and Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

**Ontario Lottery and Gaming Corporation (OLG):** Established in 2000 under the *Ontario Lottery and Gaming Corporation Act*, the OLG is responsible for the conduct, management and operation of slots and casino facilities, lottery operations, iGaming, and electronic games at bingo halls across Ontario. OLG provides gaming entertainment in a socially responsible manner that provides revenues to the Province of Ontario to fund government

priorities as well as economic benefits for the people of Ontario, particularly communities where slots and casino facilities sites are located.

The OLG is classified as an Operational Enterprise Agency, meaning that it sells goods or services to the public. OLG's assets, expenses and net income are consolidated in the province's financial statements on the modified equity basis. This means that the agency's net income is reported on one line (Income from Investment in Government Business Enterprises) and its net assets are reported on another line (Investment in Government Business Enterprises). For additional financial information, see the OLG Annual Report available at: [www.olg.ca/about/public\\_disclosure/annual\\_report.jsp](http://www.olg.ca/about/public_disclosure/annual_report.jsp).

OLG's net profits are distributed to the Province into the Consolidated Revenue Fund and recorded by the Ministry of Finance as revenues.

**Ontario Securities Commission (OSC)** is the regulatory body responsible for overseeing Ontario's capital markets, which include the equities, fixed-income and derivatives markets. The OSC's mandate, set by statute is to provide protection to investors from unfair, improper or fraudulent practices, and to foster fair and efficient capital markets and confidence in capital markets. The OSC administers and enforces the provincial *Securities Act* and the *Commodity Futures Act*, and administers certain provisions of the *Business Corporations Act*.

The OSC is included in the Ministry of Finance's Expenditure Estimates on a consolidated basis.

## PERFORMANCE AND RESULTS

The Ministry of Finance's objective is to promote a dynamic, innovative and growing economy, and to manage the fiscal, financial and related regulatory affairs of the Province of Ontario in addition to delivering revenue and benefits programs in support of a better future for Ontarians.

### Support a Strong Economic, Fiscal and Investment Climate

- Introduced regulations that permit certain public sector, single employer pension plans to obtain temporary solvency funding relief in exchange for a commitment to negotiate plan changes that would improve sustainability and affordability over the long run. To date, these measures have reduced solvency payment requirements by about \$240 million annually, thereby protecting jobs and programs.
- Made progress on a number of different measures aimed at making public sector and broader public sector pensions more affordable, sustainable and efficient.
- By producing an accurate and prudent economic and revenue forecast, the Ministry provides an essential element in the development of the Province's fiscal plan.
- The government's recent business tax reforms have helped turn Ontario into one of the most investment-friendly places in North America to do business.
- Corporate income tax cuts for large and small businesses, capital tax elimination and the move to a more modern and efficient sales tax system will deliver \$8.5 billion in tax relief annually to business.
- In addition to these major business tax reductions, the HST and the streamlined corporate income tax administration provide compliance costs savings to businesses of more than \$635 million per year.

### Be Accountable and Transparent with Public Funds

- The ministry's provision of appropriate guidance, advice and coordination to the Minister, other ministries, Treasury Board/Management Board of Cabinet and other committees of Cabinet is demonstrated by the production of the 2013 Ontario Budget, 2013 Economic Outlook and Fiscal Review, Expenditure Estimates and Public Accounts.
- To increase transparency and accountability, beginning with the 2012 Budget, tax expenditures that are not related to relief of taxes paid are being presented as expenses. This is consistent with the new Public Sector Accounting Board accounting standard for tax revenue, effective April 2012.

### Revenue Administration

- In 2012-13, MOF collected \$14.5 billion for tax programs administered by Ontario and oversaw another \$59 billion in tax revenue collected by the Canada Revenue Agency (CRA) for tax programs CRA administers on behalf of Ontario.

- MOF has oversight of a number of agencies including the Liquor Control Board of Ontario (LCBO) and the Ontario Lottery and Gaming Corporation (OLG); LCBO and OLG contributed \$3.54 billion in net revenue to the province in 2011-12.
  - Through its agency oversight and support activities, the ministry worked with the OLG to continue implementing its modernization plan, which will deliver over \$1 billion in additional net profit to the province by 2017-18. The LCBO dividend to the Ontario government is forecast to be \$1.74 billion in 2013-14, which is an increase of \$88 million (or 5.3%) over 2011-12 actuals.
- The ministry's ongoing work with the federal government, other jurisdictions and Ontario's First Nations has shown progress in protecting revenue integrity including initiatives dedicated to the Underground Economy, Deterring Illegal Tobacco and Corporate Tax Avoidance.
- In 2012 the ministry implemented the new Deficit-Fighting High-Income Tax Bracket. All additional revenue will be used to reduce the deficit and accelerate Ontario's plan to balance the budget by 2017-18.

### **Prudent & Effective Fiscal Management and Financial Sector Regulation**

- The ministry has demonstrated its commitment to prudent and effective management and financial sector regulation by creating, directing and overseeing policies to manage the Province's investment, debt financing, credit rating, investor relations and banking activities through the Ontario Financing Authority and Ontario Electricity Financial Corporation.
- The OFA continued to effectively and efficiently manage the Province's long-term borrowing and debt management program which resulted in reduced interest on debt costs.
- The OFA continued to manage the OEFC's debt and other liabilities, and OEFC's unfunded liability continued to decline. In addition, the OFA provided policy analysis and advice to the Ministry of Finance on a new regulation filed in May 2012 on the determination and reporting of the residual stranded debt to increase transparency and enhance reporting requirements.
- The government successfully negotiated historic agreements with all four consolidated public sector jointly sponsored pension plans to freeze contribution rates for five years, except in exceptional circumstances. The newly established BPS Pensions Branch will continue to drive measures to improve the affordability, sustainability and efficiency of public sector pension plans.
- The ministry has been successfully managing municipal support programs including the Province's main unconditional transfer payment to municipalities – the Ontario Municipal Partnership Fund.
  - Through the OMPF, municipalities will receive \$575 million in stable funding during the 2013 transition year – the first year of the program's four-year phase-down to \$500 million by 2016.

## Transform Public Services

- The Benefits Transformation initiative implemented an Automated Information Verification (AIV) service on a modernized platform. This provides the ministry with a foundation for becoming a centralized service provider to the OPS and municipalities. The first program to use the service, the housing allowance component of the Investment in Affordable Housing (IAH) program, was onboarded. A Productivity Team was established to recommend options for introducing a common client identifier for benefit recipients. Ontario's Guaranteed Annual Income System (GAINS) is now delivered through a modernized IT platform.
- The ministry is leading several major transformational initiatives including pension reform that will assist employers to clarify pension surplus rules and address rights of "retired members".
- By sharpening its strategic focus, the ministry has enhanced its central agency support role to the OPS and Treasury Board / Management Board of Cabinet (TB/MBC) through streamlining business processes for the RbP and quarterly reporting. In addition, modifications made to the handling of less contentious issues has allowed TB/MBC to dedicate more time for "major issues".
- The ministry's expertise in audit, inspections and collections, imaging and data capture is recognized by providing services to a significant number of ministries. For example, using MOF's Forensic Accounting and Forensic Data Recovery services resulted in savings of \$2.0 million to other ministries in 2012-13.
- In addition to providing streamlined imaging and data services to areas within the ministry, MOF has also extended this expertise to 16 other OPS clients including: Ontario Shared Services, Ministry of the Attorney General and the Ministry of Community and Social Services Family Responsibility Office.

## LOOKING FORWARD

The ministry will continue to provide leadership in transforming Ontario's public services through policies, directives and processes designed to drive efficiencies and enable modernization initiatives that support the Commission to Reform Ontario's Public Service (Drummond Report), while also remaining focused on implementing measures that support achievement of a balanced budget by 2017-18.

### Support a Strong Economic, Fiscal and Investment Climate

- The Ministry will continue to support modernization of its pension policy framework, and play a key role in national discussions on improvements to the retirement income system.
- The Ministry will continue to contribute to achieving fiscal targets by actively managing growth and reducing costs.
- Through accurate and prudent economic and revenue forecasts the Ministry will continue to produce an essential element in the development of the Province's fiscal plan.
- The Ministry will continue to consult on and implement measures to improve the affordability, sustainability and efficiency of public sector pension plans, including implementing a pooled asset management framework and moving to more equal cost- and risk-sharing (e.g. enabling conversions to jointly sponsored pension plans).
- The Ministry will review benefits and tax programs to ensure they are fair and affordable.
- Continued audit support to the OPS transformation and strong fiscal management by providing expertise in risk management, control evaluation, and performance measurement during the implementation of cross-cutting transformational initiatives in core business areas. OIAD will also play a key role in assessing the progress of these initiatives to help ensure they achieve their intended outcomes of enhanced service delivery and greater efficiencies. Internally, OIAD will continue to examine ways to streamline its operations. Increased automation and new audit tools are being explored to maximize audit time and increase coverage.

### Be Accountable and Transparent with Public Funds

- Upgrading the government's Integrated Financial Information System (IFIS) to ensure the sustainability and integrity of the Province's financial processes. The government has a critical reliance on IFIS as it supports preparation of the Ontario Budget and Fall Economic Statement. This upgrade also provides opportunities to address recommendations outlined in the Report of the Commission in the Reform of Ontario's Public Services including, service delivery improvements to citizens, suppliers, and transfer payment recipients.

- As a key player in corporate initiatives that have tax, accounting, and economic implications, MOF will work with relevant ministries to review refundable tax credits, which are now accounted for as expenditure, for effectiveness and efficiency.

## **Revenue Administration**

- The ministry continues to lead an initiative to move towards a centralized OPS-wide collections process within MOF to reduce costs and enhance collection of amounts owed to the Government of Ontario. Centralizing collections is expected to result in significant efficiencies and generate additional realized cash of \$25 million annually by 2014–15.
  - Collection of the Ontario Ministry of Agriculture and Food Risk Management Program overpayments is scheduled to begin in 2013.
  - MOF plans to provide collection services for the Ministry of Government Services non-tax revenue accounts beginning spring 2013.
  - An assessment to assume collection responsibility for programs in the Ministry of Community and Social Services, and the Ministry of Labour is in progress.
- Developing and implementing a strategy to combat the underground economy and address the commitments made in the 2012 and 2013 Ontario Budgets to develop measures to identify and address those who evade taxes.
- To ensure that everyone pays their fair share of taxes, Ontario continues to work with the federal government and the Canada Revenue Agency on enhanced compliance activities to address corporate tax avoidance and the underground economy. The ministry has made significant progress in its efforts to ensure that Ontario-based corporations are paying their fair share of income taxes.
- Ontario and federal finance officials have signed a new agreement under which the Canada Revenue Agency will provide enhanced compliance activities focused on aggressive international tax planning. This agreement builds on an existing agreement that has generated an additional \$500 million in revenues for Ontario over the past several years.
- Ontario also signed a Fee-For-Service agreement with the Canada Revenue Agency for additional compliance services to address the underground economy. The CRA will conduct reviews, examinations and audits of businesses involved in UE activities including: non-reporting of income tax and sales tax, high risk refund claims and fictitious registrations.
- Measures to address Corporate Tax Avoidance and the Underground Economy are expected to generate \$700M over the next four years.
- Providing continued oversight and support to the OLG in developing and implementing its multi-year modernization plan. This will be done by transforming the delivery of gaming across its slots and casino facilities, lottery and internet business lines. OLG will generate greater efficiencies, reduce capital requirements by relying on the private sector to invest, and reduce risks to the government.
- Elements of the plan include:
  - Launching an internet gaming site in late 2013;

- o Creation of five new gaming sites over the next five years in urban centres which is expected to create more than 2,300 gaming jobs and 4,000 service jobs and benefit host municipalities; and
  - o Introduction of a consistent fee model for municipalities hosting gaming sites.
- Continued support to the LCBO in achieving its three year strategic plan which includes new revenue and efficiency measures while retaining its objectives to increase customer engagement and brand strength and be a socially-responsible retailer. Components of the plan include:
  - o An accelerated store development plan with relocations and new stores;
  - o Gift card mall expansion; and
  - o Warehouse re-engineering.
- Provide continued oversight and support to the LCBO in its introduction of two new store formats to increase customer service and support Ontario's industry while maintaining social responsibility and protecting government revenues.

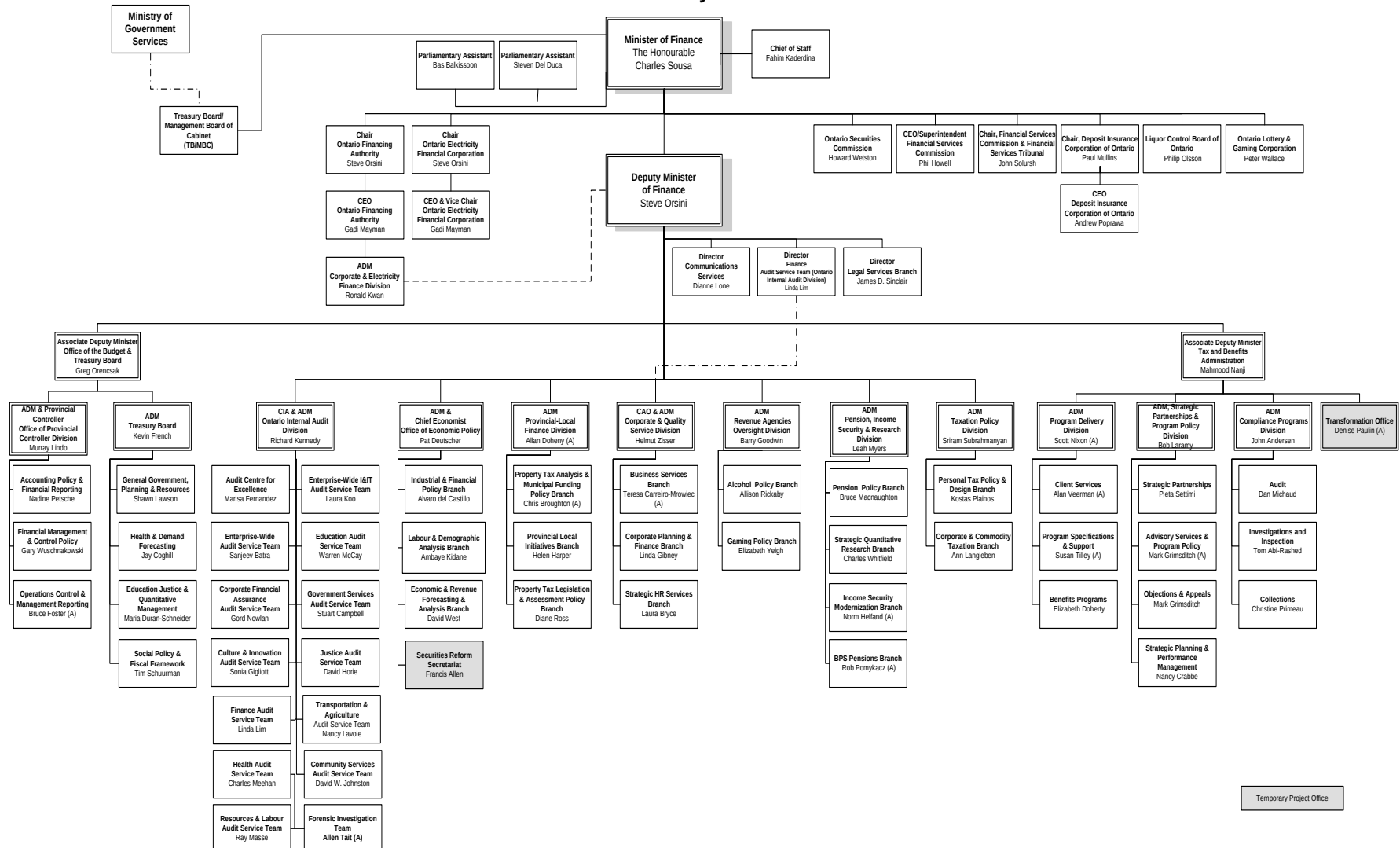
### **Prudent & Effective Fiscal Management and Financial Sector Regulation**

- The ministry continues to explore and implement measures in the area of pension reform for public sector pension plans including implementing a pooled asset management framework and freezing contribution rates for jointly sponsored pension plans.
- Maintaining robust financial services and capital markets remains a priority with the ministry. Ongoing strategies include streamlining the securities regulation framework and initiating a legislative review of the *Mortgage Brokerage, Lenders and Administrative Act, 2006* by July 1, 2013.
- The ministry will support the government's objective of reducing average auto insurance premiums by 15% and maintaining a competitive market that helps ensure auto insurance is readily available for Ontario drivers.
- The ministry is transforming the way it supports municipalities through the Ontario Municipal Partnership Fund (OMPF) to reflect the significant benefit to municipalities from the provincial uploads:
- By targeting funding to northern and rural municipalities facing more challenging fiscal circumstances, introducing a new transformative element (i.e., Municipal Fiscal Circumstances Index for northern and rural municipalities) in 2013, redesigning the program for 2014 and beyond and discontinuing reconciliation.
- Execute the Province's borrowing program effectively and manage the Province's debt, investments and financial risk, and contribute to the development of the Province's fiscal plan.
- As part of the Province's review of its tax and benefits programs, support the review of the Ontario Clean Energy Benefit (OCEB) to ensure that the program remains fair and affordable.

## Transform Public Services

- The Benefits Transformation initiative will build on its earlier success in the area of automated income verification services by onboarding up to two programs in 2013-14. Potential candidates include the Ministry of Health and Long-Term Care's Healthy Smiles program and the Ontario Drug Benefit senior's income testing program. In addition, the ministry will move forward with a potential common client identifier based on recommendations from the Productivity Team.
- The ministry remains committed to reforming service delivery and additional opportunities are underway with OPS ministries in the areas of:
  - o Imaging and Data Capture (Ministry of Labour, Ministry of Health and Long-Term Care, Ministry of the Attorney General, Ministry of Community and Social Services and the Ministry of Agriculture and Food and The Ministry of Rural Affairs).
  - o Audit and Inspections (Tobacco Strategy, Ontario Media Development Corporation)
  - o Forensic Data Recovery and Forensic Accounting (Ontario Provincial Police, Ministry of the Environment, Financial Services Commission of Ontario, Ministry of the Attorney General, Ministry of Community Safety and Correctional Services, Ministry of Natural Resources, Ministry of Consumer Services, and Ministry of Training, Colleges and Universities).

# Ministry of Finance Organizational Structure May 2013



Temporary Project Office

## MINISTRY FINANCIAL INFORMATION

**Table 1: Ministry Planned Expenditures 2013-14 (\$M)**

| (\$M)     | Ministry Planned Expenditures 2013-14 |
|-----------|---------------------------------------|
| Operating | 12,093.2                              |
| Capital   | 2.6                                   |
| TOTAL*    | 12,095.8                              |

\* Excluding Consolidation and Other Adjustments

**Table 2: Operating and Capital Summary by Vote**

| VOTES / PROGRAMS                                              | Estimates<br>2013-14<br>\$ | Change from<br>2012-13<br>Estimates<br>\$ % | Estimates<br>2012-13<br>\$ | Interim<br>Actuals<br>2012-13<br>\$ | Actual<br>2011-12<br>\$ |
|---------------------------------------------------------------|----------------------------|---------------------------------------------|----------------------------|-------------------------------------|-------------------------|
| <b>OPERATING AND CAPITAL EXPENSE</b>                          |                            |                                             |                            |                                     |                         |
| Ministry Administration                                       | 42,375,300                 | (298,700) (0.7)                             | 42,674,000                 | 41,996,200                          | 37,843,044              |
| Taxation, Agencies and Pensions Policy                        | 20,900,300                 | (63,200) (0.3)                              | 20,963,500                 | 24,484,000                          | 16,907,771              |
| Economic, Fiscal and Financial Policy                         | 1,658,651,900              | (227,820,000) (12.1)                        | 1,886,471,900              | 1,597,320,100                       | 1,309,142,196           |
| Financial Services Industry Regulation                        | 3,740,600                  | 1,412,700 60.7                              | 2,327,900                  | 5,856,100                           | 3,184,189               |
| Investing in Ontario                                          | 1,000                      | -                                           | 1,000                      | -                                   | -                       |
| Tax and Benefits Administration                               | 453,368,200                | 30,559,900 7.2                              | 422,808,300                | 367,071,600                         | 1,876,752,095           |
| <b>Total Operating and Capital Expense to be Voted</b>        | <b>2,179,037,300</b>       | <b>(196,209,300) (8.3)</b>                  | <b>2,375,246,600</b>       | <b>2,036,728,000</b>                | <b>3,243,829,295</b>    |
| Statutory Appropriations                                      |                            |                                             |                            |                                     |                         |
| Treasury Program                                              | 9,878,532,000              | 29,068,000 0.3                              | 9,849,464,000              | 9,563,421,000                       | 9,293,586,321           |
| Other Statutory Appropriations                                | 35,584,187                 | (21,883,827) (38.1)                         | 57,468,014                 | 30,637,700                          | 24,181,909              |
| Amortization, the <i>Financial Administration Act</i>         | 2,640,600                  | 40,100 1.5                                  | 2,600,500                  | 2,638,600                           | 3,031,541               |
| <b>Total Operating and Capital Expense</b>                    | <b>12,095,794,087</b>      | <b>(188,985,027) (1.5)</b>                  | <b>12,284,779,114</b>      | <b>11,633,425,300</b>               | <b>12,564,629,066</b>   |
| Consolidation and Other Adjustments                           | 2,045,903,100              | (69,868,300) (3.3)                          | 2,115,771,400              | 1,779,077,800                       | 1,862,368,534           |
| <b>Total Including Consolidation &amp; Other Adjustments</b>  | <b>14,141,697,187</b>      | <b>(258,853,327) (1.8)</b>                  | <b>14,400,550,514</b>      | <b>13,412,503,100</b>               | <b>14,426,997,600</b>   |
| <b>OPERATING AND CAPITAL ASSETS</b>                           |                            |                                             |                            |                                     |                         |
| Ministry Administration                                       | 1,000                      | -                                           | 1,000                      | -                                   | -                       |
| Economic, Fiscal and Financial Policy                         | 1,000                      | -                                           | 1,000                      | -                                   | -                       |
| Financial Services Industry Regulation                        | 6,990,000                  | 6,439,000 16.2                              | 551,000                    | -                                   | 301,306                 |
| Tax and Benefits Administration                               | 351,000                    | 49,000 16.2                                 | 302,000                    | -                                   | 972,792                 |
| <b>Total Operating and Capital Assets to be Voted</b>         | <b>7,343,000</b>           | <b>6,488,000 26.3</b>                       | <b>855,000</b>             | <b>-</b>                            | <b>1,274,098</b>        |
| Statutory Appropriations                                      |                            |                                             |                            |                                     |                         |
| Advances, the <i>Education Act</i>                            | 19,100,000                 | 100,000 0.5                                 | 19,000,000                 | -                                   | 18,211,684              |
| Advances, the <i>Northern Services Boards Act</i>             | 4,000,000                  | 500,000 14.3                                | 3,500,000                  | -                                   | 3,147,374               |
| Advances, the <i>Local Roads Boards Act</i>                   | 4,100,000                  | 100,000 2.5                                 | 4,000,000                  | -                                   | 3,819,005               |
| Harmonized Sales Tax, the <i>Financial Administration Act</i> | 1,000                      | -                                           | 1,000                      | -                                   | 541,076,236             |
| <b>Total Operating and Capital Assets</b>                     | <b>34,544,000</b>          | <b>7,188,000 26.3</b>                       | <b>27,356,000</b>          | <b>-</b>                            | <b>567,528,397</b>      |

| VOTES / PROGRAMS                                              | Estimates<br>2013-14  | Change from<br>2012-13<br>Estimates |              | Estimates<br>2012-13  | Interim<br>Actuals<br>2012-13 | Actual<br>2011-12     |
|---------------------------------------------------------------|-----------------------|-------------------------------------|--------------|-----------------------|-------------------------------|-----------------------|
|                                                               | \$                    | \$                                  | %            | \$                    | \$                            | \$                    |
| <b>OPERATING AND CAPITAL EXPENSE</b>                          |                       |                                     |              |                       |                               |                       |
| Ministry Administration                                       | 42,375,300            | (298,700)                           | (0.7)        | 42,674,000            | 41,996,200                    | 37,843,044            |
| Taxation, Agencies and Pensions Policy                        | 20,900,300            | (63,200)                            | (0.3)        | 20,963,500            | 24,484,000                    | 16,907,771            |
| Economic, Fiscal and Financial Policy                         | 1,658,651,900         | (227,820,000)                       | (12.1)       | 1,886,471,900         | 1,597,320,100                 | 1,309,142,196         |
| Financial Services Industry Regulation                        | 3,740,600             | 1,412,700                           | 60.7         | 2,327,900             | 5,856,100                     | 3,184,189             |
| Investing in Ontario                                          | 1,000                 | -                                   |              | 1,000                 | -                             | -                     |
| Tax and Benefits Administration                               | 453,368,200           | 30,559,900                          | 7.2          | 422,808,300           | 367,071,600                   | 1,876,752,095         |
| <b>Total Operating and Capital Expense to be Voted</b>        | <b>2,179,037,300</b>  | <b>(196,209,300)</b>                | <b>(8.3)</b> | <b>2,375,246,600</b>  | <b>2,036,728,000</b>          | <b>3,243,829,295</b>  |
| Statutory Appropriations                                      |                       |                                     |              |                       |                               |                       |
| Treasury Program                                              | 9,878,532,000         | 29,068,000                          | 0.3          | 9,849,464,000         | 9,563,421,000                 | 9,293,586,321         |
| Other Statutory Appropriations                                | 35,584,187            | (21,883,827)                        | (38.1)       | 57,468,014            | 30,637,700                    | 24,181,909            |
| Amortization, the <i>Financial Administration Act</i>         | 2,640,600             | 40,100                              | 1.5          | 2,600,500             | 2,638,600                     | 3,031,541             |
| <b>Total Operating and Capital Expense</b>                    | <b>12,095,794,087</b> | <b>(188,985,027)</b>                | <b>(1.5)</b> | <b>12,284,779,114</b> | <b>11,633,425,300</b>         | <b>12,564,629,066</b> |
| Consolidation and Other Adjustments                           | 2,045,903,100         | (69,868,300)                        | (3.3)        | 2,115,771,400         | 1,779,077,800                 | 1,862,368,534         |
| <b>Total Including Consolidation &amp; Other Adjustments</b>  | <b>14,141,697,187</b> | <b>(258,853,327)</b>                | <b>(1.8)</b> | <b>14,400,550,514</b> | <b>13,412,503,100</b>         | <b>14,426,997,600</b> |
| <b>OPERATING AND CAPITAL ASSETS</b>                           |                       |                                     |              |                       |                               |                       |
| Ministry Administration                                       | 1,000                 | -                                   |              | 1,000                 | -                             | -                     |
| Economic, Fiscal and Financial Policy                         | 1,000                 | -                                   |              | 1,000                 | -                             | -                     |
| Financial Services Industry Regulation                        | 6,990,000             | 6,439,000                           |              | 551,000               | -                             | 301,306               |
| Tax and Benefits Administration                               | 351,000               | 49,000                              | 16.2         | 302,000               | -                             | 972,792               |
| <b>Total Operating and Capital Assets to be Voted</b>         | <b>7,343,000</b>      | <b>6,488,000</b>                    |              | <b>855,000</b>        | <b>-</b>                      | <b>1,274,098</b>      |
| Statutory Appropriations                                      |                       |                                     |              |                       |                               |                       |
| Advances, the <i>Education Act</i>                            | 19,100,000            | 100,000                             | 0.5          | 19,000,000            | -                             | 18,211,684            |
| Advances, the <i>Northern Services Boards Act</i>             | 4,000,000             | 500,000                             | 14.3         | 3,500,000             | -                             | 3,147,374             |
| Advances, the <i>Local Roads Boards Act</i>                   | 4,100,000             | 100,000                             | 2.5          | 4,000,000             | -                             | 3,819,005             |
| Harmonized Sales Tax, the <i>Financial Administration Act</i> | 1,000                 | -                                   |              | 1,000                 | -                             | 541,076,236           |
| <b>Total Operating and Capital Assets</b>                     | <b>34,544,000</b>     | <b>7,188,000</b>                    | <b>26.3</b>  | <b>27,356,000</b>     | <b>-</b>                      | <b>567,528,397</b>    |

## CONTACT US

If you have questions about the programs and/or services of the Ministry of Finance, we invite you to start by reading our [About Finance](#) pages on the ministry's website <http://www.fin.gov.on.ca>. The [site map](#) and [search engine](#) on the website may also help you find the information you need.

Contact the Ministry of Finance by selecting one of the following choices:

- **Telephone:** 1-866-668-8297
- **E-mail:** [finance.communications@fin.gov.on.ca](mailto:finance.communications@fin.gov.on.ca)
- **In Person:** location of ServiceOntario/Government Information Centres can be found on [Find Us - Ontario.ca](#) where you can access a wide range of general government information related to the Ministry of Finance.
- **Mail:**

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Oshawa ON L1H 8H5

## **Appendix: 2012-13 Annual Report**

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Ministry of Finance



## 2012-13 ACHIEVEMENTS

In 2012-13, the Ministry of Finance engaged in a number of activities to achieve its five key priorities. These are some highlights of the ministry's achievements:

### 1. Provincial Economic Outlook

- Led the coordination and monitoring of the province's fiscal plan and outlook and developed key public reports and documents such as the April 25<sup>th</sup> 2012 Budget update, the 2013 Budget, 2012 Economic Outlook and Fiscal Review, Transparency in Taxation Report 2012, quarterly updates of the province's finances, and the Expenditure Estimates.
- Produced the Ontario Population Projections, 2010-2036 for the province and each of its 49 Census Divisions and provided on-going support for the government's compensation strategy and Poverty Reduction Strategy.
- Provided advice and analysis to the Minister, Treasury Board/Management Board of Cabinet and other committees of Cabinet on government fiscal policy and specific program expenditures.
- Provided analysis and advice to ministries in support of the development of their multi-year Results-based Plans and in-year Treasury Board/Management Board of Cabinet submissions. In addition, continued to promote effective partnerships with ministries, agencies and other central agencies to support sound, timely decisions and the delivery of priorities.

### 2. Competitive Business Climate

- Significant enhancement of Ontario's competitive position as a result of Ontario's Tax Plan for Jobs and Growth, including the Harmonized Sales Tax (HST).
- Ontario's business tax reforms will deliver \$8.5 billion in tax cuts annually to business, improving Ontario's tax competitiveness and business investment climate. In addition to major business tax reductions, Ontario has also made significant improvements in tax administration that have reduced compliance costs for businesses by more than \$635 million per year.
- Ontario's Marginal Effective Tax Rate (METR) on new business investment has been cut in half, placing Ontario below the average METR among the Organisation for Economic Co-operation and Development (OECD) countries and well below the average METR in the United States.
- Reduced the RST objection inventory by 31 per cent since April 1, 2012.
- Initiated a transparent, fair and competitive procurement process to identify private sector service providers for the future delivery of Provincial gaming across its slots and casino facilities, and lottery while maintaining strict control and accountability.
- As part of the OSC's effort to support small businesses, while safeguarding investors, the OSC established and launched a new Small and Medium Enterprises Institute designed specifically to provide these entities access to capital in the Ontario market in order to grow their business. The SME Institute also enhances cost-effective regulatory compliance in Ontario and businesses hear first-hand from OSC staff and industry representatives on the latest issues

impacting their markets. The OSC SME Institute has held 13 seminars since September 2012.

### 3. Benefit and Tax Administration

- Over three years, the tax plan and additional measures are providing \$12 billion in temporary and permanent tax relief to people; including the Children's Activity Tax Credit, the Northern Ontario Energy Credit, and the Healthy Homes Renovation Tax Credit.
- Development and implementation of key 2012 Budget initiatives such as a new income-tested deductible for the Ontario Drug Benefit (ODB).
- Implementation of the Ontario Trillium Benefit, with monthly payments beginning in July 2012; the Healthy Homes Renovation Tax Credit, beginning in the 2012 tax year; and the Deficit-Fighting High-Income Tax Bracket, beginning in the 2012 tax year.
- Reduced OTB administration costs by \$19M from the original estimate through analysis of tax credit components (Ontario Sales Tax Credit OSTC, OEPTC, and Northern Ontario Energy Credit (NOEC)).
- Successfully implemented the ministry's Automated Information Verification (AIV) service, a foundation initiative to become a centralized service provider. In September 2012, the AIV was utilized to implement a shared delivery model to provide the housing allowance component of the Investment in Affordable Housing (IAH) program, in partnership with the Ministry of Municipal Affairs and Housing and eight municipalities.
- Launched a cross-ministry Productivity Team to support My Benefits Account, including work re: common client identifier in order meet the overall objective of driving productivity and reform in the public sector through transformational activities.
- Delivered \$149.4M in assistance to 186,500 benefit recipients, including \$119.4M in Guaranteed Annual Income System (GAINS) payments to 153,000 low-income seniors.

### 4. Federal-Provincial-Municipal Relations

- Committed \$575 million<sup>1</sup> to 388 municipalities in stable funding through the Ontario Municipal Partnership Fund (OMPF) for the 2013 transition year – the first year of the OMPF's four-year phase-down to \$500 million by 2016.
- Facilitated the provincial uploads of almost \$1.4 billion in social assistance benefits programs as well as court security and prisoner transportation costs to municipalities in 2013. This year the province continues the phased upload of Ontario Works (OW) benefits and court security costs, building on the previous upload of the Ontario Drug Benefits (completed in 2008) and the Ontario Disability Support Program (completed in 2011).

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<sup>1</sup> The \$575 million for the 2013 OMPF reflects the municipalities fiscal year (January to December), which is different from the provincial budget planning cycle (April to March).

- Supported the province's leadership role during Federal-Provincial-Territorial (FPT) Finance Ministers' meetings and negotiations on improving Canada's retirement income system (RIS).
- Completed service management of Aggressive International Tax Planning agreement with the CRA from 2009-13, yielding \$546M to Ontario from \$75M investment.
- Generated \$27M in additional revenue for 2012-13 through fee-for-service arrangements for various tax credit programs (Ontario Energy and Property Tax Credit (OEPTC), Corporations Tax (CT), media tax credits).
- Finalized 25 formal agreements with federal, provincial and municipal partners including: Service Level Agreements with the Canada Revenue Agency covering provincial tax credits for Corporations Tax and Personal Income Tax (PIT), Ontario Trillium Benefit (OTB) administration, OEPTC and the Healthy Homes Renovation Tax Credit (HHRTC) validations; with the City of Toronto for tax/audit advice related to municipal Land Transfer Tax; with the Ministry of Economic Development and Innovation to provide tax compliance verification services; and a Memorandum of Understanding with the Alcohol and Gaming Commission of Ontario for the exchange of information under the Tobacco Tax, Gaming Control and Liquor Licence Acts. In addition, involved in the prosecution of Provincial Offences charges laid by Ministry personnel as well as in the conduct of appeals and other civil actions arising from appeals of tax assessments under the various provincial tax statutes.
- Provided strategic advice to the Minister of Finance to support participation in meetings of federal-provincial-territorial Finance Ministers and the Premier at the annual Council of the Federation meeting. Also provided ongoing monitoring and strategic advice on Ontario's position on federal-provincial fiscal arrangements.
- Contributed key input into a major policy document "Building a More Productive & Prosperous Canada" that Deputy Minister Orsini provided at a Federal-Provincial-Territorial meeting of Finance Ministry Deputy Ministers.

## **5. Improving Accountability, Transparency and Financial Management**

- Improved the transparency of tax expenditures by adopting the Public Sector Accounting Board's tax revenue standard and reporting certain refundable tax credits as transfers or grants made through the tax system.
- Delivered the [2011-12 Public Accounts, including the Province's Annual Financial Report and Consolidated Financial Statements](#) and supplementary Volumes, receiving a clean audit opinion from the Auditor General.
- Worked with ministries on the annual Certificate of Assurance process on the status of ministries' internal controls and implemented enhancements to controls for financial systems and processes specified under legislation.
- Collaborated on requirements for accountability for ministries to strengthen the reporting for agencies and publically funded organizations.
- Completed the implementation of financial reporting changes for Alternative Financing and Procurement (AFP) projects for the 2012-13 Estimates. Ministries' capital construction expenditures for (AFPs) are appropriately reflected in ministries' funding appropriations and financial reports.

- Developed a three to five year roadmap to capitalize on the opportunities identified in a 2011-12 impact assessment on the government's central financial system and work is underway to implement the overall roadmap.
- Provided audit advisory services and participated in key enterprise-wide initiatives to support the enhancement of corporate governance, transformational initiatives, strong fiscal management, and management policy frameworks, and corporate directives frameworks to strengthen risk management, control effectiveness, Transfer Payment Accountability, and Agency Governance.
- Coordinated recovery of \$30.4M in Crown debts for eight programs across four ministries through the Refund Set-off Program.
- Conducted a range of outreach activities, in partnership with the CRA, Ontario Seniors Secretariat, City of Toronto and others, to educate taxpayers about their rights and obligations, and to raise awareness of available tax credits and incentives.
- Deposit Insurance Corporation of Ontario protected all depositors from loss of any deposits held in Ontario's credit unions and caisses populaires despite some institutions ceasing to carry on business.
- Increased DICO's Deposit Insurance Reserve Fund at the end of 2012 to \$147.5 million, to provide increased safety and security for depositors.

## **6. Tax, Pension and Financial Services**

### **i) Pensions**

- Successfully negotiated historic agreements with all four consolidated public sector jointly sponsored pension plans to freeze contribution rates for five years, except in exceptional circumstances.
- Maintained the government's commitment to provide no additional funding to finance public sector pension deficits and amended pension regulations to provide certain public sector pension plans with temporary solvency funding relief in exchange for adopting changes to make their plans more sustainable in the long term (estimated current savings of \$240 million annually).
- Modernized pension regulation by eliminating partial plan wind-ups, implementing immediate vesting, making grow-in benefits more available, clarifying surplus rules, and specifying the rights and responsibilities of "retired members".
- Implemented regulatory changes that provide single-employer public sector pension plans with temporary solvency funding relief.
- Extended the temporary solvency funding exemption available to specified Ontario multi-employer pension plans and eligible private sector defined benefit pension plans.
- As part of the Improving Pension Regulatory Services project, FSCO developed a Risk-based Regulation Framework to enhance the overall effectiveness of regulatory oversight of pension plans. The framework has garnered international attention as a best practice and was the subject of case studies organized through the Toronto Centre.

**ii) Auto Insurance**

- The Ministry of Finance and FSCO worked together to implement the recommendations of the Auto Insurance Anti-Fraud Task Force's Final Report. Some of the recommendations came into effect on June 1, 2013. The Ministry and FSCO will continue to work together to implement the balance of the recommendations.
- FSCO will continue to provide support and advice on the government's auto insurance cost and rate reduction strategy.
- FSCO has made significant progress on measures to address the recommendations in the Auditor General of Ontario's 2011 Annual Report on auto insurance regulatory oversight, including changes to the rate approval service standards for private passenger auto rate filings.
- FSCO implemented a number of initiatives to eliminate the Dispute Resolution Services (DRS) backlog, including the use of a private dispute resolution service provider to supplement in-house staff, which significantly reduced the backlog of mediation files in the dispute resolution system. By May 2013, the backlog was reduced to 6,067 files, down 79 percent from 29,142 files in March 2012. As a result, all files will be assigned in 2013, eliminating the backlog.

**iii) Tobacco Tax Act**

- The availability of cheap, illegal tobacco makes it easier for non-smokers, especially youth, to start smoking, and removes an incentive for smokers to quit, undermining the government's policies to reduce smoking. During fiscal 2012-13, the ministry referred 226 *Tobacco Tax Act* cases to prosecutions and seized 38,881,137 illegal cigarettes, 882,299 cigars and 31,745,544 grams of other tobacco.
- Two tobacco pilot projects underway with First Nations to recognize and support economic diversification including: a research exercise to explore a First Nations community-based approach for regulating tobacco within the Chippewas of the Thames First Nation reserve; and a project to update the Akwesasne First Nation's existing tobacco law and establish regulatory mechanisms for its tobacco regime to work with federal and provincial regulatory systems.
- As a result of amendments to the TTA on June 1, 2011, prosecutions of smaller quantities of untaxed tobacco have increased due to the new provisions and corresponding offences for simple possession and for possession for the purpose of sale. Ministry enforcement units continue to work with police partners to prosecute authorized seizures made by police under the new provisions.

**iv) Financial Services**

- Continued work on advancing the government's direction to review the non-automobile parts of the Insurance Act.
- Provided support and advice on efforts to establish a common securities regulator, the development of regulatory frameworks for over-the-counter derivatives and credit rating agencies; the updating of rules relating to marketplace operation and trading and the tightening of investor protection measures.

- FSCO implemented a multi-strategy approach to address compliance issues in the mortgage broking sector, through a combination of industry education, compliance audits and enforcement. Each year, audits target areas of high risk of non-compliance, and audits are conducted industry wide to monitor sector compliance. Based on audit results from 2008 and 2012, the compliance rate in the mortgage broking sector has improved from 70% to 94%.

## **7. Borrowing and Debt Management**

- Successfully completed the Province's long-term borrowing program, and pre-funded 2013-14 in order to take advantage of low interest rates and robust demand for the Province's debt.
- The 2012-13 borrowing program was completed with more than 70% borrowed in the domestic market, in line with the target of at least 70%, and achieved the program objective of term extension. The term extension allowed the Province to lock in low interest rates for a longer period thereby offsetting the impact of expected higher interest rates on the Province's Interest on Debt costs. The OFA also provided \$1.1 billion in long-term loans to public bodies, including a number of school boards, Ontario Colleges and crown corporations.
- Through effective debt management and lower than forecast interest rates and deficits, reduced Interest on Debt costs by \$247M below what was projected in the 2011-12 budget.
- Interim actuals for 2012-13 in the 2013 Ontario Budget show for the Ontario Electricity Financial Corporation (OEFC) an excess of revenue over expense of about \$1.0 billion, which would reduce the OEFC's unfunded liability (or stranded debt) from \$12.3 billion to \$11.3 billion, as at March 31, 2013. OEFC is the legal continuation of the former Ontario Hydro and is responsible for managing that organization's legacy debt and other liabilities. This would be the ninth consecutive annual decline in the unfunded liability (\$8.1 billion below the \$19.4 billion level at the time the former Ontario Hydro was restructured on April 1, 1999).
- During 2012-13, the Minister of Finance determined the residual stranded debt to be \$4.5 billion as at March 31, 2012, a decrease of about \$1.3 billion compared to residual stranded debt of \$5.8 billion as at March 31, 2011, and a decrease of about \$7.4 billion from an estimated peak of residual stranded debt of \$11.9 billion as at March 31, 2004.
- As part of the Ontario Securities Commission's (OSC) commitment to fostering fair and efficient capital markets, while protecting investors, the OSC developed a proposal for a series of new capital raising exemptions. The proposal includes a number of new exemptions from existing regulatory requirements to facilitate the ability of companies to raise capital, including on the basis of crowdfunding.

## **8. Agencies**

### **i) Ontario Lottery and Gaming Corporation:**

- With policy, legal and other support from the Ministry, the Ontario Lottery and Gaming Corporation (OLG) is continuing to implement its modernization plan which includes changes to its delivery of provincial gaming at its slots and casino

facilities, lottery, internet gaming, and charitable gaming across the province. These initiatives will increase net profit to the province by over \$1 billion annually by 2017-18 which will allow for additional investment in provincial priorities such as health care and education.

- Generated approximately \$6.7 billion in OLG gross revenues and delivered approximately \$1.8 billion in net profits to the Province.
- Lottery and gaming operations supported over 17,000 jobs in Ontario at OLG gaming facilities, resort casinos, head offices and other sites.
- Spent approximately \$10 million annually on its responsible gambling activities and programs.
- Attained the highest level of recognition, in April 2011, for its Responsible Gambling (RG) program from the World Lottery Association (WLA). OLG became just the fifth gaming operator in North America and one of only 22 in the world to achieve Level 4 accreditation from the WLA.
- Continued to implement Internet Gaming (iGaming), including the completion of a rigorous, fair and open procurement process to identify and select a world-class private-sector vendor to build an iGaming platform. OLG is pursuing a staged launch of games on its iGaming website, beginning with Lottery, and expanding to include a full complement of single-player and peer-to-peer games. A non-monetary play site was launched in January, 2013, with the full monetary play site expected to go live by the end of 2013.
- Continued to implement the Charitable Bingo and Gaming Revitalization Initiative to increase funds for local charities by continuing to upgrade existing paper-based bingo halls to include electronic games.

## **ii) Liquor Control Board of Ontario:**

- Two new LCBO store formats were announced – 10 Express Stores in large grocery stores and 5 Destination Boutiques in existing LCBO stores - to improve customer access and support Ontario alcohol beverage producers.
- A new contract has been negotiated to continue delivery of the Ontario Deposit Return Program (ODRP) for another five years (with option to extend for a sixth year). This successful environmental initiative has diverted almost 1.6 billion wine and spirits containers from landfills since it launched in 2007.
- Achieved a combined waste diversion rate of 93 per cent for the containers LCBO sells when the Ontario Deposit Return Program and municipal Blue Box systems are taken together.
- Enforced its social responsibility mandate by refusing service where appropriate and raised awareness of alcohol related issues through public campaigns such as Deflate the Elephant.
- The LCBO generated approximately \$1.7 billion in revenue to the province, which contributes to key government priorities such as health care, education and skills training, and infrastructure investment that benefit all Ontarians.

## **9. Supporting Other Ministries and the Broader Public Sector**

- Signed a Memorandum of Understanding with the Forensic Investigation Team in March 2013; an example of the Ministry meeting the 2012 Ontario Budget

commitment of providing forensic data recovery and forensic accounting services to other ministries and BPS organizations through a service level agreement. The OPS has avoided incurring excessive costs by using the Ministry's forensic accounting and forensic data recovery services saving the OPS and BPS \$2.0 million dollars from April 2012 – March 2013.

- Imaged nearly 1.5 million pages, over 40% of which were for the Ministry of Community and Social Services' Family Responsibility Office (FRO); met all service commitments in the first full year of providing processing services for FRO.
- Processed applications for the Electric Vehicle Incentive Program and the Electric Vehicle Charging Station Incentive Program on behalf of the Ministry of Transportation. This government supports electric vehicles as part of the province's plan to create jobs and reduce greenhouse gas emissions by providing a financial incentive to support the purchase or lease of qualified new plug-in vehicles.
- Administered Small Beer Manufacturers' Tax Credit (\$4.4M) on behalf of the Ministry of Economic Development, Trade and Employment.
- Continued to provide cost effective banking and cash management services to the OPS. The Ministry of Transportation, the ministry which accepts the largest volume of payments by credit and debit card, was certified compliant in 2012 with the Payment Card Industry Data Security Standards. These standards are mandatory industry requirements imposed on all merchants who accept payments via debit and credit card.
- Worked with Ontario Ministry of Agriculture and Food to support the development of the transition assistance program for the horse racing industry.

- **Ministry 2012-13 Interim Actual Expenditures and Staff Strength**

*Table 1: Ministry Interim Actual Expenditures and Staff Strength, 2012-13*

|                                           | Ministry Interim Actual Expenditures *<br>2012-13 (\$M except Staff Strength) |
|-------------------------------------------|-------------------------------------------------------------------------------|
| Operating and Capital                     | 911.3                                                                         |
| Ontario Municipal Partnership Fund        | 592.2                                                                         |
| Operating Contingency Fund                | 50.0                                                                          |
| Transition Fund                           | 225.0                                                                         |
| Power Supply Contract Costs               | 1,262.0                                                                       |
| Interest on Debt                          | 10,372.0                                                                      |
| Staff Strength<br>as of March 31, 2013 ** | 2,574.5                                                                       |

\* Refer to page(s) 223-224 in the 2013 Ontario Budget

\*\* Ontario Public Service Full-Time Equivalent positions.

