Ontario

Financial Leadership Overview

Office of the Budget
MINISTRY of FINANCE

Deputy Minister Orientation Program

February 5, 2018

About the Ministry of Finance

Mandate

Create an environment that helps foster a DYNAMIC, INNOVATIVE and GROWING ECONOMY, and manage the fiscal, financial and related regulatory affairs of the province. Responsibilities and activities are aligned to provide financial and economic stewardship policy — and policy and program delivery leadership.

Financial/Economic Stewardship

Office of the Budget

- Planning fiscal architecture and strategy
- Advising on Ontario's fiscal relations with federal government
- Facilitating policy development and ensuring expertise supports broader government objectives
- Coordinating development of key policy and fiscal documents including annual Budget

Office of Economic Policy

- Building intergovernmental relationships as a research centre of excellence
- Conducting analysis supporting economic priorities

Ontario Financing Authority

- Managing the Province's Treasury program
- Financing government priorities
- Conducting and providing financial analysis and advice on government policy options and initiatives, and supporting Government priorities

Policy/Program Delivery Leadership

Office of Regulatory Policy and Agency Relations

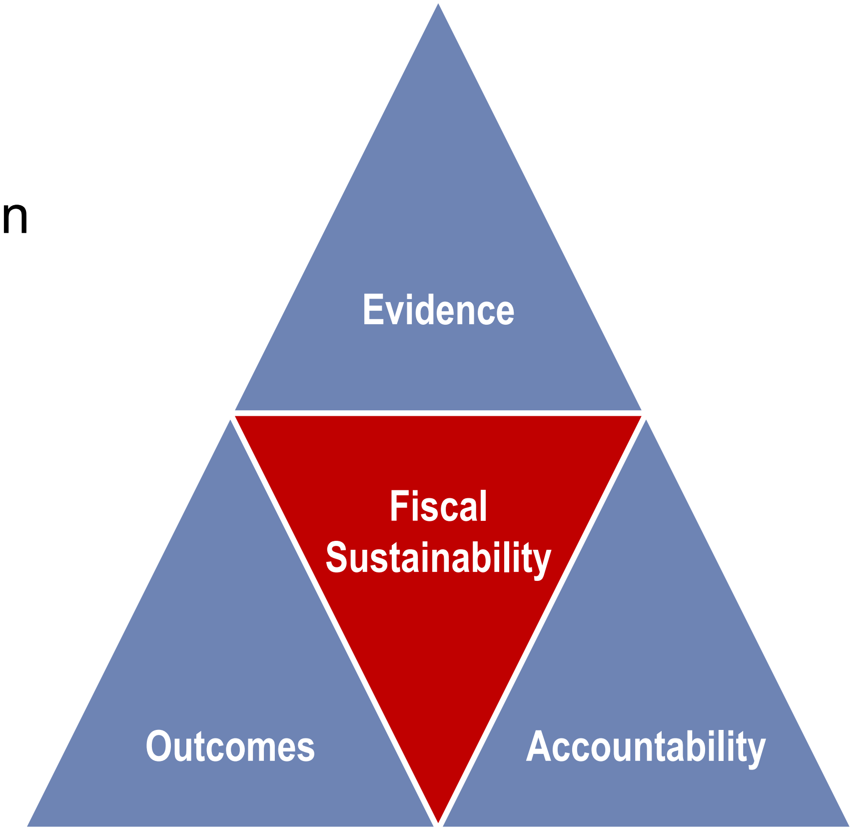
- Maintaining effective regulatory frameworks that balance stakeholder interests
- Developing opportunities for policy innovation
- Financial Services Regulation
- Ensuring effective regulatory oversight and agency relationships (e.g. OLG, LCBO, OSC, Cannabis)
- Strengthening the income security system and facilitating Ontario's role as joint steward of the Canada Pension Plan

Office of Tax, Benefits and Local Finance

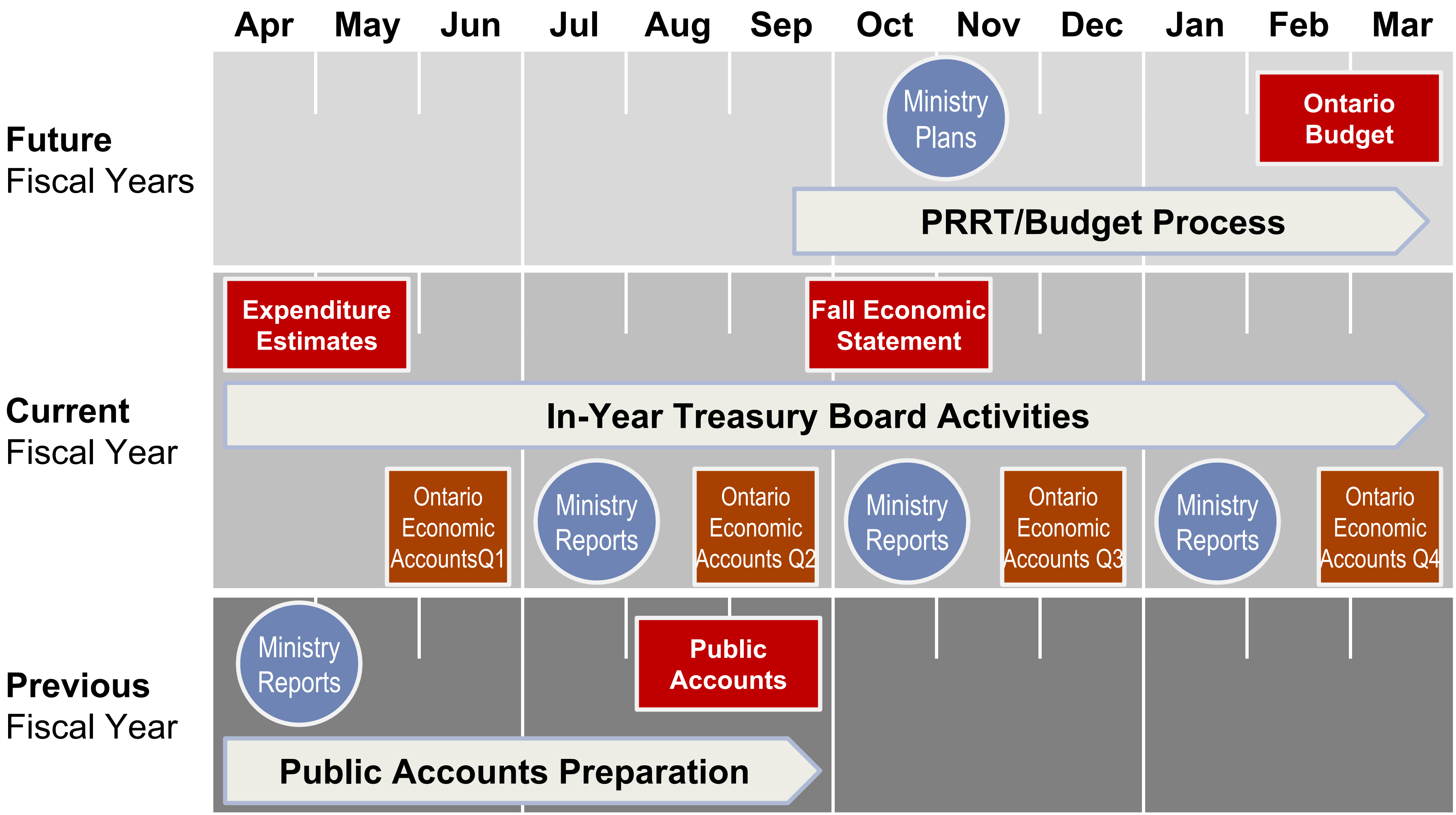
- Maximizing collection of tax and non-tax revenues
- Exploring opportunities to better target income and benefit programs
- Optimizing revenue integrity for the province while maintaining a competitive, efficient and fair tax system
- Providing strategic analysis and advice on income, commodity and sales tax policy and design
- Supporting OPS transformation for program efficiencies and enhanced client experience
- Establishing the policy and legislative framework for Ontario's $27 billion property tax and assessment system
- Oversight of the Province's financial relationship with municipalities, including management of the Ontario Municipal Partnership Fund (OMPF)

The Current Landscape

- Fiscal sustainability is a key focus
- Emphasis on evidence-based decision making
- Measuring performance outcomes
- Enhanced oversight of fiscal transparency and accountability



The Fiscal Year



At any point in time, the government is considering its plans for the future (top), the current fiscal year (middle), and previous year's results (bottom).

Fiscal Transparency and Accountability Act

- The Fiscal Transparency and Accountability Act (FTAA) provides guidelines for public reporting.
  - Annual budget must include a **multi-year fiscal plan** (current year and following two years), and should be informed by pre-budget consultations
  - Government should plan for a **balanced budget or have a recovery plan**
  - Government may release a **pre-election report** on Ontario's finances and a **Long-Term Report** on Ontario's economic and fiscal prospects.
- FTAA outlines the following principles which govern Ontario's fiscal planning and budgeting process:
  - **Responsibility** – should be based on cautious assumptions
  - **Flexibility** – should be able to respond to changing circumstances
  - **Equity** – should recognize impact on different groups and on future generations
  - **Transparency** – should be clearly articulated and information about it should be readily available to the public

Legislative Officers

- The government’s fiscal performance is subject to independent review by legislative officers.

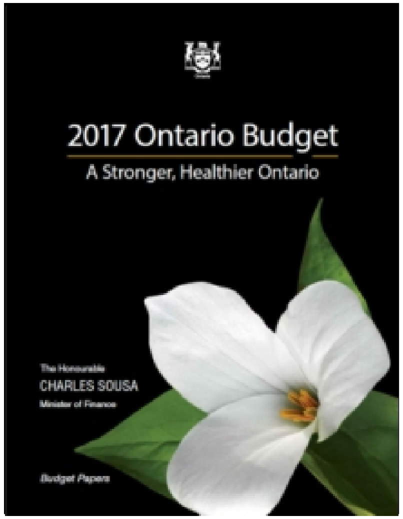
- The Auditor General has a mandate to:
  - Examine the government's financial accounts and transactions, known as the Public Accounts, and to report to the Legislature his or her findings, including any instances of misuse or mismanagement of public funds

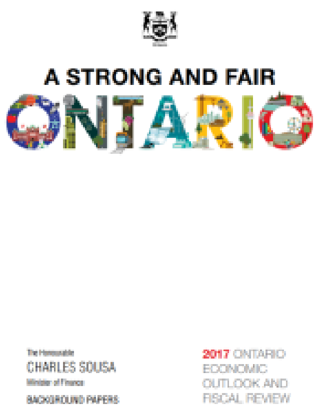
- The Financial Accountability Officer (FAO) has a mandate to:
  - Provide, on his or her own initiative, an independent analysis to the Assembly about the state of the Province’s finances
  - Respond to requests from committees or members of the Assembly to undertake research on matters pertaining to provincial finances, the economy and financial implications of proposals before the Assembly

Annual Budget

The fiscal planning cycle is launched by the tabling of the annual Budget in the Legislature by the Minister of Finance

The Budget is the culmination of months of planning, and is the core policy and financial document of the government:





- Provides a detailed outlook on the economy and provincial revenue over the medium term
- Outlines the medium-term fiscal outlook and details on the borrowing program
- Launches new programs or initiatives and provides status updates on other programs
- All other in-year documents are reconciled to the Budget

The Fall Economic Statement is the mid-year update of the Budget plan

FAIRNESS AND OPPORTUNITY FOR ONTARIO FAMILIES

Through our plan to maintain balance, support economic growth and invest in key public services, we will foster greater opportunity for more individuals and businesses; helping them get ahead and stay ahead. Ontario is committed to ensuring that everyone shares in the prosperity we are building together creating a more fair Ontario.

Creating Fairness and Opportunity

With a growing economy and a balanced budget, Ontario is able to make investments in key services like health care and education that matter most to people. The province will continue to make investment that make everyday life more manageable, like providing free prescription medications for babies, children and youth 24 and under. The government is committed to making life more affordable for people in Ontario, while at the same time building a fairer, more inclusive province.

Signature FES Initiatives and Major Updates

Other Progress on 2017 Budget Initiatives

FAIRNESS FOR FAMILIES

- Supports for Seniors (New Initiatives)
- Fair Housing Plan
- Fair Hydro Plan
- Changing Workplaces; Transition to Minimum Wage

- Health Care
  - OHIP+
  - Mental Health
  - Opioid Strategy
- Supports for Seniors
  - Dementia Strategy
  - Caregiver Organization
  - Seniors Active Living Centres
- Child Care

- Retirement Security
- Basic Income
- Access to Justice
- Consumer Protection
- Auto Insurance

CREATING OPPORTUNITY

- Supports for Small Business (New Initiatives)
- Trade Promotion
- Highly Skilled Workforce

- Other supports for business (BGI, Scale-Up strategy)
- Infrastructure Update: Transit Projects, Hospitals, Broadband & Natural Gas
- Education
  - School Renewal
  - Free Tuition

- Global Trade Strategy
- Jobs and Prosperity Fund
- Financial Technology
- Women's Economic Opportunities
- Low-Carbon Economy

Fiscal and Economic Strength

Ontario's plan to create jobs and grow the economy is working. The plan has strengthened Ontario's economy and restored the Province's finances to balance. The government has achieved this while making strategic investments, in health care, education and other public services that matter most to Ontario families.

Fiscal Sustainability/ Responsible Fiscal Management

- Revenue Integrity Strategy
- Details on Ontario's Finances and Economic Outlook
- Restoring Balance: Ontario's Fiscal and Economic Strength

- Borrowing and Debt Management
- Net-Debt to GDP Targets
- Accountability and Transparency

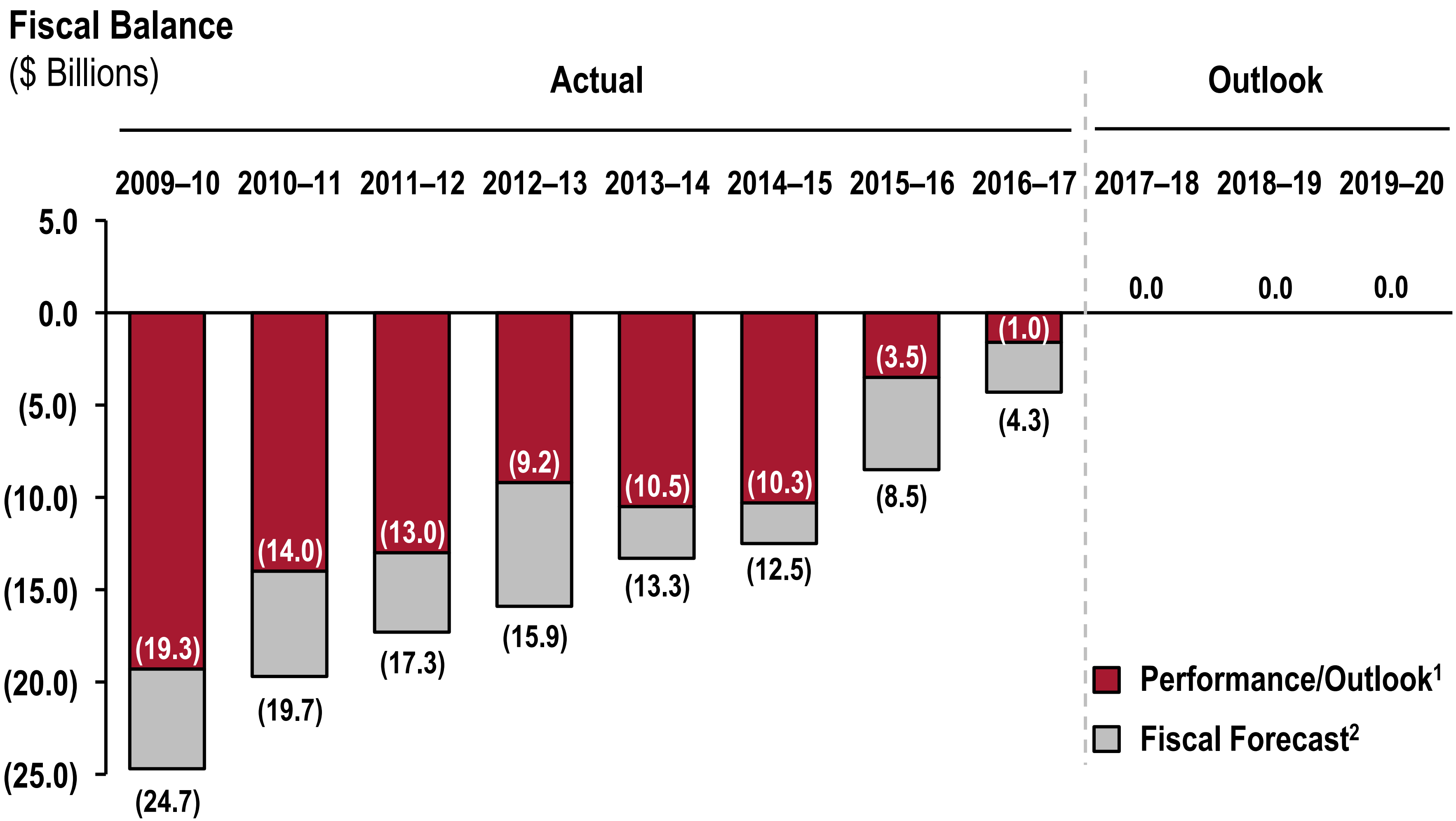
Working with Our Partners

Working with municipal, Indigenous and other government partners across the federation, Ontario continues to embrace a collaborative approach to address the complex challenges facing the province. Fair and constructive partnerships are key to achieve lasting solutions to the complex challenges facing all Canadians.

- Labour Market Transfer Agreements
- Working in Partnerships with Municipalities
- Partnerships with Indigenous Communities

- Updates on Federal-Provincial Partnership
  - Early Learning and Child Care
  - Health Care
  - Labour Market Transfers
  - Infrastructure
  - Climate Change
  - Legalization of Cannabis

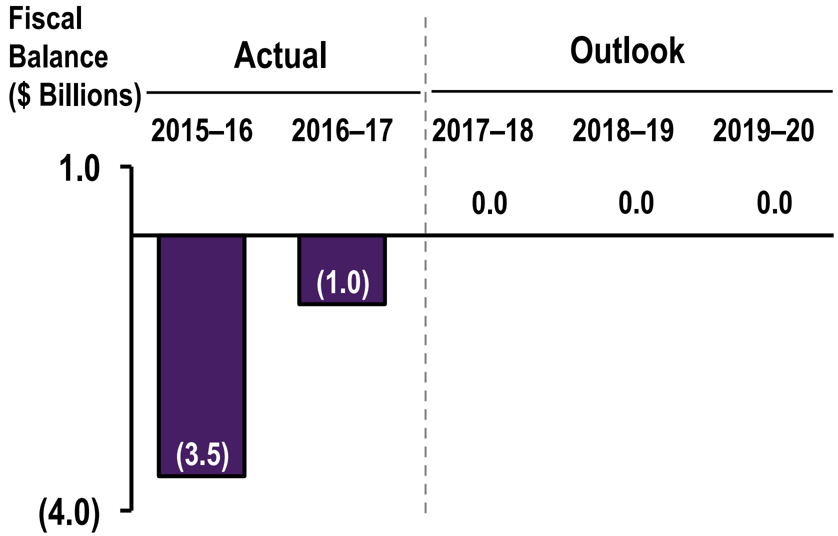
Ontario's Return to Balance



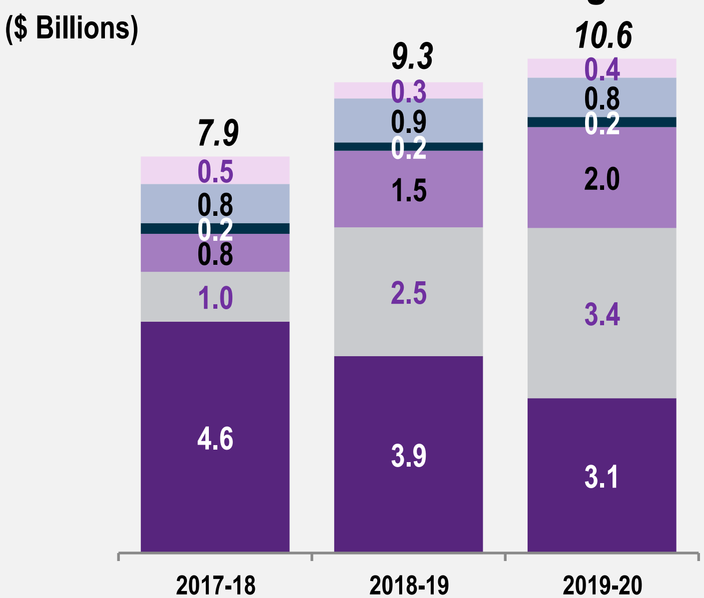
1 Represents the *2017 Ontario Economic Outlook and Fiscal Review* outlook for 2017–18 to 2019–20. For 2009–10 to 2016–17, actual results are presented.
2 Forecast for 2009–10 is based on the *2009 Ontario Economic Outlook and Fiscal Review;* forecasts for 2010–11 to 2013–14 are based on the *2010 Budget*; forecast for 2014–15 is based on the *2014 Budget*; forecast for 2015–16 is based on the *2015 Budget;* and forecast for 2016–17 is based on the *2016 Budget*.
Source: Ontario Ministry of Finance.

Recapping the 2017 Budget and FES Fiscal Architecture

2017 Budget and FES Fiscal Projections



Significant New Investments in 2017 Budget



- **Postsecondary and Training:** Reforms to OSAP; Highly Skilled Workforce Initiative.
- **Children's and Social Services:** Social Assistance; Developmental Services; Basic Income Pilot; Autism Reform; Child Welfare Reform.
- **Justice Sector:** Action Plan for Reconciliation; Corrections Reform; Compensation.
- **Education:** Child Care Expansion; higher than projected enrolment.
- **Health:** $7 billion booster shot includes hospital base funding, OHIP, and drug program.
- **Other Programs:** Fair Hydro Plan; Greenhouse Gas Reduction Account.

Fall Economic Statement Fiscal Plan

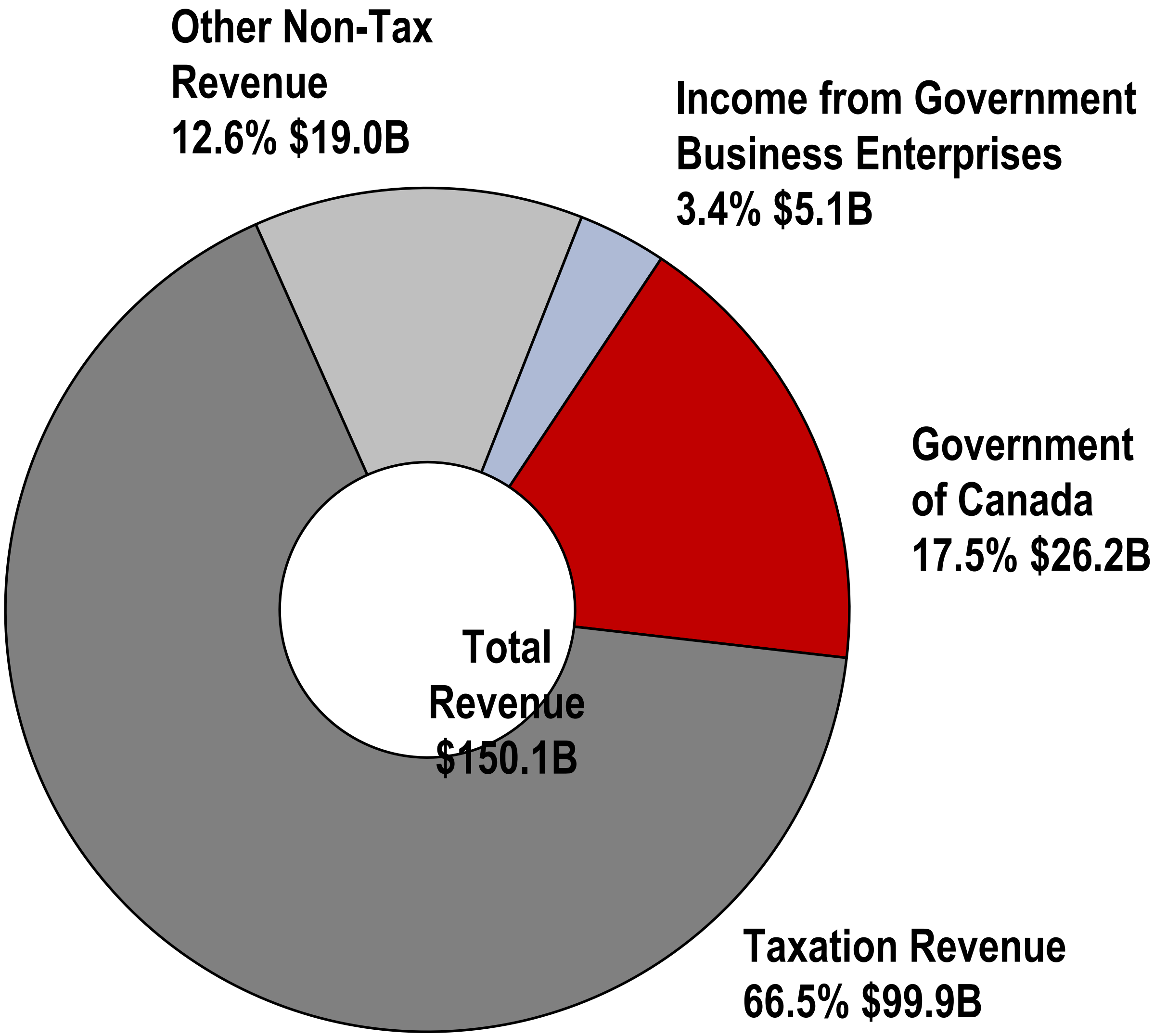
TABLE 3.7 Ontario's Fiscal Outlook[1]
($ Billions)

	Actual 2016–17	Current Outlook 2017–18	Medium-Term Outlook 2018–19	Medium-Term Outlook 2019–20
Revenue				
Taxation Revenue	94.3	99.9	105.1	110.0
Government of Canada	24.5	26.2	26.0	25.4
Income from Government Business Enterprises	5.6	5.1	5.9	6.2
Other Non-Tax Revenue	16.3	19.0	16.5	16.6
Total Revenue	**140.7**	**150.1**	**153.6**	**158.2**
Expense				
Programs	130.0	137.4	140.4	144.2
Interest on Debt	11.7	12.2	12.7	13.3
Total Expense	**141.7**	**149.6**	**153.1**	**157.4**
Surplus/(Deficit) Before Reserve	**(1.0)**	**0.5**	**0.5**	**0.8**
Reserve	–	0.5	0.5	0.8
Surplus/(Deficit)	**(1.0)**	**0.0**	**0.0**	**0.0**
Net Debt as a Per Cent of GDP	38.0	37.3	37.1	37.0
Accumulated Deficit as a Per Cent of GDP	24.3	23.1	22.2	21.3

[1] Amounts reflect a presentation change for hospitals, school boards and colleges. Third-party revenue for these organizations, previously netted against sector expenses, is now classified as revenue. This does not impact the Province's annual surplus/deficit results, net debt or accumulated deficit. Please see the *Improved Transparency in Financial Reporting* section later in this chapter for further information.

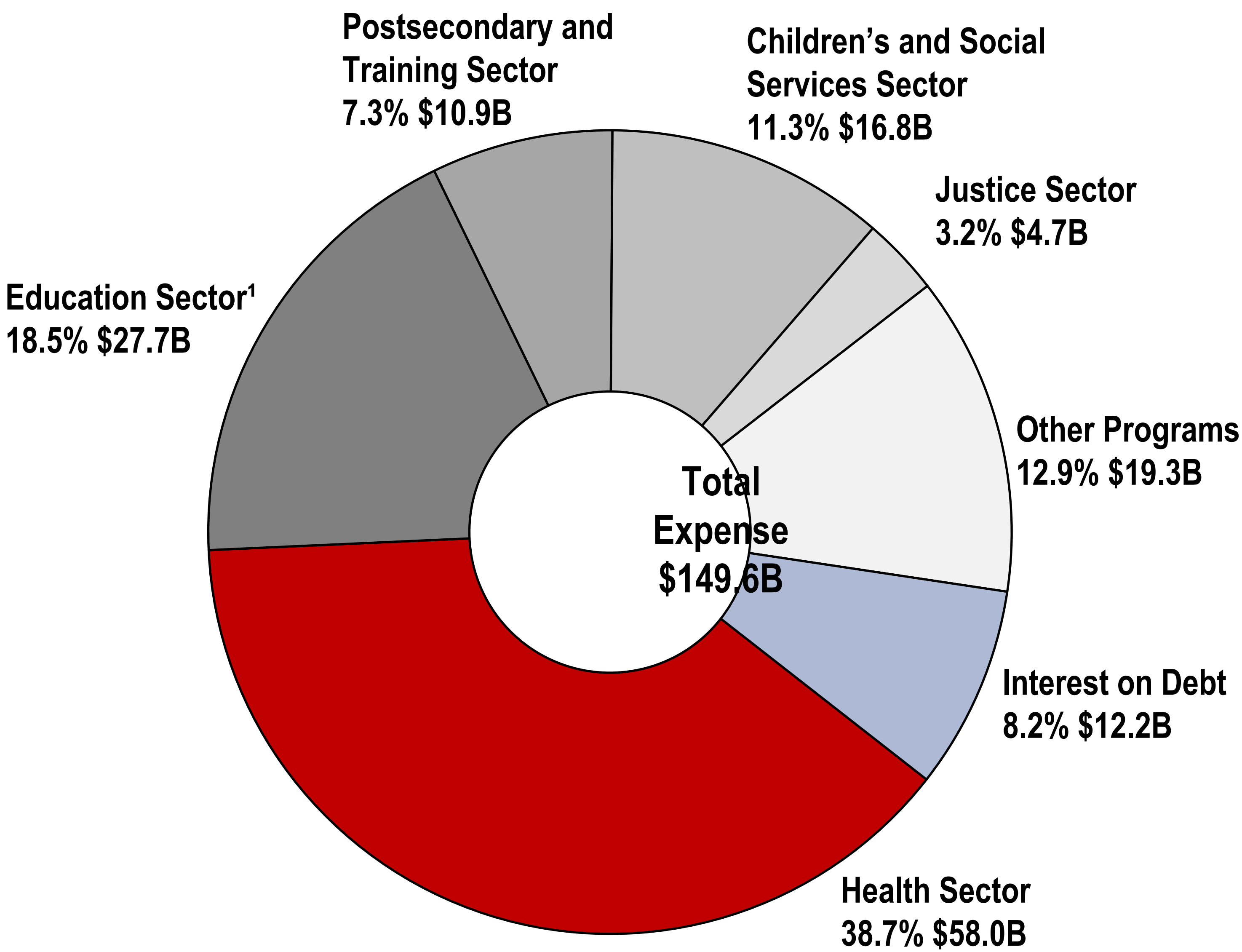
Note: Numbers may not add due to rounding.

Ontario's 2017-18 Revenue Outlook



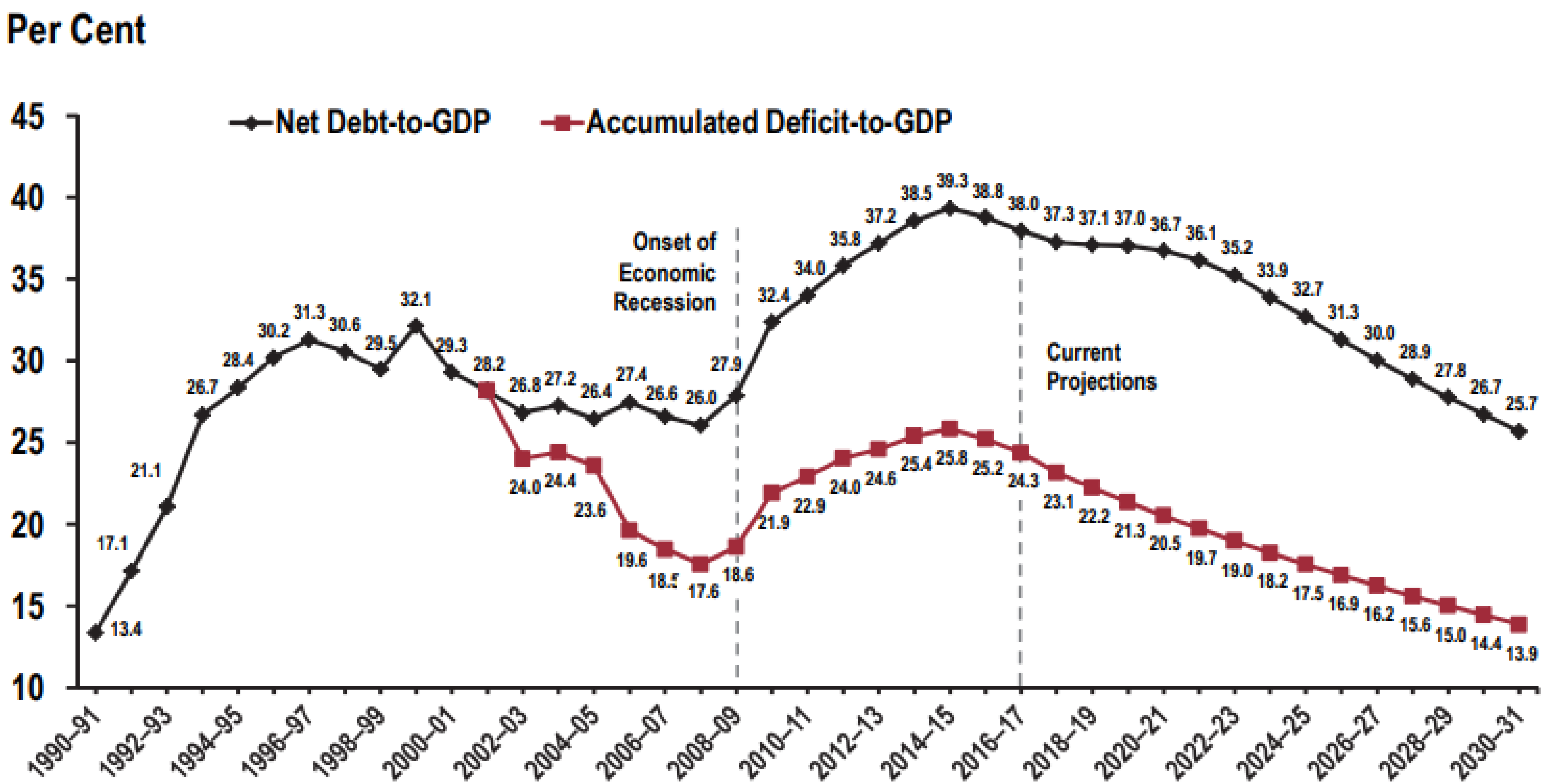
Note: Figures are current as of *Ontario's 2017 Ontario Economic Outlook and Fiscal Review* and have been restated on a line-by-line basis. Numbers may not add due to rounding.

Ontario’s 2017-18 Expense Outlook



[1] Excludes Teachers’ Pension Plan. Teachers’ Pension Plan expense is included in Other Programs.
Note: Figures are current as of *Ontario’s 2017 Ontario Economic Outlook and Fiscal Review* and have been restated on a line-by-line basis. Numbers may not add due to rounding.

Net Debt-to-GDP and Accumulated Deficit-to-GDP



Note: Net Debt has been restated to include Broader Public Sector Net Debt, starting in 2005–06.