FAO Questions for MOF

April 28, 2017

Economics

- Why is the growth rate for labour compensation running significantly above the growth for primary household income, particularly in 2018 and 2019?
- Do you use Compensation of Employees on a 'National Basis' (from Table 11 of the OEA) as the principal PIT driver? In 2016, Labour Compensation on a national basis grew at 4.4% while on a domestic basis it grew 4.2%, which is an unusually large gap.

Revenue

- In Table 3.14, sales and rental revenues are projected to increase by $1 billion in 2017-18. Can we can get details about the assumptions behind this increase?
- The 2017 federal budget announced new funding for affordable housing, child care, infrastructure, home care and labour-market training. To what extent are these new revenues (and the associated expense) built into the fiscal plan?
- Expected revenues from Carbon Allowance Proceeds have been reduced by $0.5 billion beginning 2018-19 (Table 6.10). Any explanation of the lower revenue projection?
    - Is the annual forecast for Carbon Allowance Proceeds $1.4 billion? If so, does the higher amount in 2017-18 of $1.8 billion just reflect the shifting of proceeds from the first auction in 2016-17 (that is there is an extra auction in 2017-18 than in future years)?
    - Are the associated expenses from the Green Initiative Fund being reduced as well, to reflect the lower revenue forecast?
- Base revenue growth for Corporations Tax and Sales Tax are noticeably stronger than the growth of their underlying drivers. What are your elasticity assumptions for Personal Income Tax, Corporations Tax and Sales Tax with respect to their drivers?
    - For HST, could you break out the revenues expected from housing and nominal consumption over the forecast?
- The federal government's 2015-16 Annual Financial Report indicated that stronger 2015 federal PIT returns partly reflect "...tax planning by high-income individuals to recognize income in the 2015 tax year before the new 33 per cent tax rate came into effect in 2016". What assumptions were made on the impact of income shifting on Ontario's PIT revenue?

Expense

- The anticipated fiscal impact of the Fair Hydro Plan is approximately $1.8 billion based on information provided to the FAO (roughly $1 billion for HST rebate and $800 million for the electricity social programs). However, the 2017 Budget indicates that the total cost would be around $1.4 billion in 2017-18 (Table 6.15). Can you explain the discrepancy?

- A number of new programs were announced in the budget. Can you provide the fiscal impact for these new initiatives (e.g. children and youth pharma-care, child care spaces expansion) by completing the following table? Are these fiscal impacts in the plan?
  - The September Throne Speech announced the expansion of 100,000 new child care spaces. The budget announced 24,000 additional spaces. What is the progress in the rollout plan for the remaining spaces? Is there additional fiscal impact from the Throne Speech that have not been incorporated?

Cost of Announced Programs

	2017-18	2018-19	2019-20	2020-21
Children and Youth Pharmacare				
100,000 Child Care Spaces Expansion				
Fair Hydro Plan				
Caregiver Tax Credit				
Other major programs?				

Debt

- The budget indicated that the government aims to reduce the net debt to GDP target to 35 per cent by 2023-24 and 27 per cent by 2028-29. What assumptions are built into this projection for nominal GDP, the budget balance, and capital expenditure?
- What's the explanation for the increase in cash reserves? Is it related to recent changes in rating criteria requiring more liquid reserves covering the issuance of commercial paper debt?
- What is a Designated Purpose Account?