CONFIDENTIAL ADVICE TO CABINET

Top Media Qs&As

Releasing Unaudited Financial Statements

1. **It sounds to me like the government is yet again fighting with the Auditor General. What do you say to this?**

   This is not true from the government's perspective. And let me explain why: The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. And in this case for this set of final accounts, while one specific issue is being sorted through, we actually are agreeing with the Auditor General's numbers.

   Given these differences of opinion, the Province filed a time-limited regulation, which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

   We believe that this accounting matter would benefit from additional discussions, information and consideration.

   The Public Sector Accounting Board has set up a task force to review the current accounting standards for retirement benefits. The Province will ensure that the task force is made aware of this area of difference in interpretation.

   In addition, Ontario will also be engaging an expert panel to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

2. **Why are you releasing your financial statements without the Auditor approving them?**

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Earlier today I met with the Auditor General to discuss the 2015-16 Public Accounts. I did so because this year, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

Ontario has followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years, resulting in unqualified – or clean audit opinions. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In preparing the Annual Report and Consolidated Financial Statements, the Province's professional accounting staff and the Auditor General have engaged in discussions regarding the treatment of pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have difference interpretations.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

The Public Sector Accounting Board has set up a task force to review the current accounting standards for retirement benefits. The Province will ensure that the task force is made aware of this area of difference in interpretation.

In addition, Ontario will also be engaging an expert panel to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

3. If the Public Sector Accounting Board is studying this issue, are other Canadian jurisdictions dealing with this as well?

No other province has similar governance frameworks for their jointly-sponsored pension plans that are in a surplus position.

British Columbia

Pension assets for BC's jointly sponsored pension plans are not reported on British Columbia's consolidated financial statements. The governance framework in BC is different than Ontario's and would appear to justify different accounting treatment under PSAB standards.

Specifically, the Boards of Trustees of the BC Plans, unlike their Ontario counterparts, are permitted to use ongoing surpluses through the amendment of the Plan rules governing contributions and benefits, so long as the amendment of the Plan rules:

- Does not result in an increased contribution rate for employees or employers
- Does not create or increase an unfunded liability in the Plan, and
- Is otherwise compliant with applicable legislation and the Trustees' fiduciary obligations.

In contrast, the governance arrangements with respect to the Ontario Teachers' Pension (OTPP) provide that the Partners that sponsor that arrangement, being the Minister of Education and the OTF, may use ongoing surpluses as they believe appropriate, subject only to the Ontario *Pension Benefits Act.* The Board of Directors of the OTPP, being the OTPP administrator for purposes of the PBA, has no authority with respect to the use of Plan surpluses.

The OPTrust governing documents also stipulate that it is the Sponsors of the OPTrust, being the Province of Ontario and OPSEU, who have the authority to utilize ongoing Plan surpluses. OPTrust's Board of Trustees, being the OPTrust administrator for purposes of the Ontario PBA, has no authority to utilize ongoing Plan surpluses.

New Brunswick

As we understand it, New Brunswick converted four of its pension plans into what it refers to as target plans.

In the prior year, New Brunswick accounted for these plans as defined contribution plans, meaning it expensed the contributions to the plan and did not reflect its share of the net asset or net liability of the plan in its financial statements. The Auditor General of New Brunswick issued a qualified opinion on those financial statements.

In the 2015-16 fiscal year, New Brunswick changed its accounting for those plans to account for them as defined benefit plans and the Auditor General of New Brunswick issued a clean opinion.

Ontario has always accounted for its share of its jointly sponsored plans as defined benefit plans.

4. **What is the professional judgment that exists out there to interpreting jointly-sponsored pensions?**

A key consideration in exercising professional judgment is if the resulting financial information is both relevant and reliable and gives a fair presentation of the transaction.

This area of pension accounting is particularly complex, and it is important to consider the specific facts and circumstances when assessing the appropriate accounting treatment.

In this regard, the Province has assessed the appropriate accounting treatments based on the governance frameworks applicable to Ontario's jointly-sponsored pension plans. It would be inappropriate to assume that the governance frameworks of plans in other jurisdictions would necessarily result in the same accounting treatment.

5. **Are you saying the Auditor General is misinterpreting Public Sector Accounting Board standards?**

The Auditor General's responsibility is to conduct an independent audit and provide her audit opinion based on her own professional judgment. A difference of opinion on the interpretation of accounting standards is not unique to this situation. Other jurisdictions have also experienced differences of opinion between preparers and auditors on complex accounting matters.

Over the coming months we will undertake activities to further assess the application of PSAB standards to Ontario's accounting for jointly-sponsored pension plans. In the meantime, it remains the professional judgment of the professional staff that the accounting treatment in place since 2001 continues to be appropriate.

6. **If the Auditor General had agreed with you, what would the differences have been in the deficit or net debt?**

   According to the Province's interpretation of PSAB, the annual deficit would be $1.5 billion lower (at $3.5 billion), and net debt would be $10.7 billion lower.

7. **The province has been treating pensions the same way since 2001. When did the Auditor General tell you about this new accounting treatment?**

   We only learned that the Auditor General was challenging the accounting treatment of the past 14 years very late in the audit. On September 13th the Auditor General communicated her position that the Province should write off the entire pension asset amount of $10.7 billion from the balance sheet.

8. **What does this mean for the Fall Economic Statement?**

   Looking forward, as we prepare the 2016 Fall Economic Statement, the Auditor's revised interpretation of the accounting standard and the subsequent ongoing review of this will need to be taken into consideration, along with other emerging economic and fiscal information.

   This is particularly important as we continue to track toward our commitment to balance the budget in 2017-18.

9. **Is this Public Accounts or not?**

From a content perspective, the unaudited results being released are the same as those which would be reported in the Public Accounts, including the information in the supplementary volumes.

The only difference is that the Auditor's Opinion is not included in the Annual Report.

10. **Were you aware of this before the Speech from the Throne? Had you known about this, would that have changed the government's commitments announced in the speech?**

    Response TBC

11. **Why are you doing this today, four days after you announced the delay?**

    Despite the outstanding difference in opinion between the Auditor General and the Province's professional accounting staff with regards to pension accounting, it is important to ensure that the public interest is served by timely and transparent reporting of the government's results for 2015-16 compared to Budget.

    Although the results being released are clearly labelled as unaudited, we look forward to tabling the Public Accounts once the Auditor General provides her opinion.

12. **On what exactly do you disagree with the Auditor?**

    Both the Auditor General and the Province agree that the Province's results should reflect PSAB's standard on pension accounting. It is just a difference in interpretation of those standards which is at the heart of the issue.

    The nature of the difference in interpretation is disclosed in Note 18 of the unaudited consolidated financial statements.

13. **If you think you're right, why would you change the numbers?**

    To clarify, the 2015-16 results are based on legislation and PSAB.
    Although they reflect the same fiscal results which would be presented according to the Auditor General's proposed interpretation of the

standards, the results as presented do not represent our professional staff's interpretation of PSAB standards for jointly sponsored pension plans.

By adopting the Auditor General's interpretation, the financial statements could be finalized and signed off in order to complete the financial reporting process and enable Public Accounts to be completed. Unfortunately, the Auditor General's audit opinion remains outstanding at this time so the Public Accounts have yet to be finalized.

14. Was there something wrong with the accounting rules that the government was using before?

No.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

That said, the Province believes that this complex accounting area would benefit from additional discussion and analysis. Over the coming months, efforts will be made to engage experts to assist with further analysis of the application of PSAB to accounting for jointly-sponsored pension plans on the Province's books.

15. Why hasn't the Auditor General raised this with you in the past two years?

I cannot speak for the Auditor General. Please refer your questions to the Auditor General's Office.

16. What is the government trying to hide by releasing unaudited books?

We are releasing our unaudited financial statements to ensure openness and transparency with respect to the Province's financial position. Our unaudited financial statements reflect the same fiscal outcome that would result from the Auditor General's proposed pension accounting treatment.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its annual deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

As part of the government's initiative to enhance transparency and accountability, additional disclosure of five-year trends is now provided in the Annual Report. The increased disclosure and discussion on five-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board and enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs.

In addition to the disclosure in the Annual Report, the government is also making available supplementary information through online data visualizations.

17. Are you fudging the books to try and show your finances are better than they really are – is that why the AG won't sign off?

No.

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. In fact, we have implemented legislation that allows our officials to sign off in a way that is consistent with the fiscal outcome proposed by the Auditor General.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditor Generals. There has been no change to the relevant accounting standards over the past 14 years.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its annual deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

18. Is this even legal – are you in contempt of the house by releasing your financial statements before you table them in the Legislature?

We are not releasing Public Accounts, we are releasing our financial statements to ensure openness and transparency with respect to province's financial position.

The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances so that we can submit the Public Accounts to the Lieutenant Governor in Council and table them as soon as possible.

19. Has this ever happened before in Ontario? Anywhere else in Canada?

Ontario has a strong track record of producing high-quality financial reports on a timely basis, and meeting its statutory tabling requirements. Ontario has had clean audit opinions for the past 22 years.

That said, differences of opinion between preparers and auditors do occasionally occur, and have occurred in other jurisdictions in Canada.

20. How are we supposed to trust your numbers if the Auditor General hasn't approved them?

Although the financial results being presented are labelled 'unaudited', they reflect the basis of reporting for pensions that the Auditor General proposed.

Once the Auditor General has issued her Audit Opinion, the Public Accounts will be finalized and tabled with the Lieutenant Governor in Council.

21. So what happens next? When will you table the actual Public Accounts?

The government will continue to work with the Auditor General to complete tabling of the 2015-16 Public Accounts.

The Public Sector Accounting Board has set up a task force to review the current accounting standards for retirement benefits. The Province will ensure that the task force is made aware of this area of difference in interpretation.

In addition, Ontario will also be engaging an expert panel to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

22. Does the change in accounting regarding the assets of the Teachers' or OPSEU pensions plans mean those plans might be financially threatened?

Absolutely not. This issue relates solely to the Province's reported financial results and the Province's historical practices of reporting pension assets.

The two pension plans in the Ontario Public Service – which are of the defined benefit type – are healthy and well-funded.

The OPSEU Pension Plan is fully funded with a small reserve of surplus assets standing to the credit of the joint-sponsors, while the Ontario Teachers' Pension Plan has a funding surplus of $13.2 billion.

23. You hired outside experts to give you a third-party accounting opinion, but you paid to get this advice. Didn't they just tell you what you wanted to hear?

The Province pays for services provided by external advisors – an accounting opinion is no different.

In providing an accounting opinion when the auditor has already provided their view, the professional standards require the firm providing the opinion confirm that the facts upon which the opinion is issued are complete so that the firm issuing the opinion is considering the same facts that the auditor is considering.

This process was followed by the Province.

24. The Auditor General has implied your Provincial Controller is in a position of conflict because she used to work for Deloitte. How do you respond?

All employees that are hired into the Ontario Public Service swear two oaths, an Oath of Allegiance and an Oath of Office. These oaths affirm that public servants will faithfully discharge their duties, and comply with all laws and confidentiality obligations.

25. The Auditor General says she raised this issue with you months ago. Why haven't you fixed this problem by now?

Until June, the Auditor General's audit plan for the 2015-16 Public Accounts only included a planned review of economic assumptions for pension plans. There were no significant issues raised by the Auditor's staff following their work on the assumptions.

The Province responded upon receiving the Auditor General's request for an actuarials valuation by procuring resources to complete the AG's request. The results were shared with the Auditor General's staff and only after several discussions did it become apparent that the Auditor General was challenging the accounting treatment that the Province had been following for the past 14 years.

On September 13th, the Auditor General communicated her position that the entire balance of pension assets ($10.7 billion) should be written off the Province's books. Despite our best efforts, the

Province's professional accounting staff have not yet been able to reach a common interpretation of PSAB standards for the Province's jointly sponsored pension plans.

In light of the ongoing disagreement on interpretation of accounting standards, and the need to release the Province's financial results on a timely basis, Cabinet approved a regulation to allow for the results of the Province to be reported on a basis which reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension asset in question.

26. If you say you're open and transparent, why didn't you invite the Auditor General to your media technical briefing?

The technical briefing was for the purposes of updating media and members of the Opposition and the third party. However it was held in a public space in a government building, and anyone was free to attend.

27. Is the government still committed to balancing the budget by 2017-18?

Yes.

The Province's financial results show that the government has once again beaten its annual deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

28. The financial results show that the net debt and accumulated deficit has ballooned by $10.7 billion? How did this happen and what are you doing to address it?

This year, the Auditor General presented the province with a new fiscal interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province agreed to adopt the Auditor General's fiscal interpretation. The government made a regulatory amendment to allow us to amend our accounting policies for the 2015-

16 Public Accounts in order to comply with the Auditor's fiscal interpretation. The impact of the change resulted in an additional $10.7 billion being added to the net debt and accumulated deficit.

Despite this change, and as our results show, the government has once again beaten its annual deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Total debt remains unchanged by the pension adjustment.

The change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements.

29. How can the accumulated deficit and net debt increase by $10.7 billion without causing an increase in total debt?

Total debt is cash based – it is how much money we've borrowed and is owed to our creditors.

Net debt takes into account the difference between our financial assets and liabilities, whether they are cash or not.

The province has changed the valuation of the net pension liability by reducing the pension assets by $10.7 billion, but because there is no cash involved in that valuation, the total debt does not change.

30. Should taxpayers be concerned about the rise in net debt and accumulated deficit?

No.

The Province's financial results show that the government has once again beaten its annual deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

The treatment of pension assets is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

31. How does the Province plan to reduce its net debt-to-GDP ratio to its pre-recession level of 27 per cent?

The first step in returning to the targeted 27 per cent net debt-to-GDP ratio is to balance the budget. Once the budget is balanced, debt will continue to rise by the difference between the annual cash investment in capital and the amortization of these investments. These investments will contribute to the debt rising at a slower rate than the increase in the Province's GDP, over time lowering the net debt-to-GDP ratio to the government's 27 per cent target.

32. What is the difference between "Public Accounts" and "Financial Statements"?

Our financial statements include the Province's annual report and unaudited consolidated financial statements. These documents provide financial highlights of the past fiscal year compared to the Budget plan and report on performance in priority areas.

The full Public Accounts would also include these components, as well as a report by the Auditor General containing an audit opinion.

The full Public Accounts will be tabled with the house once the Auditor General's audit opinion is available.

33. You say you're releasing your financial results in the public interest. Aren't you creating confusion by having two sets of books – yours and the AG's?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General. Therefore there is only one set of books.

Our officials continue to work with the Auditor General's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

34. How different will the Auditor General's numbers be?

There is no difference in the unaudited financial statements released and the Auditor General's view of the results for the Province for fiscal 2015-16. The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General.

35. Why didn't you just release Public Accounts last week to meet your legislated timelines?

As stated in the House there was a delay in tabling the Public Accounts because of ongoing discussions with the Auditor General to work through an accounting issue related to pension assets.

Our officials have continued to work with the AG's office to finalize the 2015-16 Public Accounts. In the meantime, we felt it was in the public interest to release our unaudited financial statements in the spirit of transparency and accountability.

36. Clearly the government is in a spat with the Auditor General – releasing unaudited financial statements seems like a slap in the face. What does this say about your relationship with the Auditor General?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

Our officials continue to work with the Auditor General's office to resolve this accounting issue related to pension assets. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

37. The Auditor General claims you have been using creative accounting to overstate your numbers – how do you respond to that?

That is simply not true.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor General's assessment of our treatment of pension assets. This reflects the fiscal outcome proposed by the Auditor General.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years – resulting in unqualified (clean) audit opinions. It has also been accepted by three previous Auditors General.

There has been no change to the relevant accounting standards over the past 14 years.

That said, given the particularly complex area of pension accounting, further analysis of the impact of PSAB standards on the Province's books will be undertaken over the coming months.

38. So at the end of the day if your numbers are the same as the Auditor General's what's the issue?

Professional accounting staff and the Auditor General have a difference of interpretation as it relates to the application of public sector accounting standards to pension assets resulting from jointly-sponsored pension plans.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General.

The Auditor General has declined to issue an opinion on the financial statements. In the absence of the Auditor's opinion, the Province is not able to table the Public Accounts as required by law.

39. What's the difference between "audited" and "unaudited" financial results?

In practice, there should be no difference between audited and unaudited results.

An independent audit of an organization's financial statements provides independent assurance that the results fairly represent the financial position of the organization, and that those results are in accordance with generally accepted accounting principles.

The Province's unaudited financial statements include a Statement of Responsibility. This statement describes how the financial report is prepared, and attests to the government's responsibility for the objectivity and integrity of the consolidated financial statements.

The government also attests to its responsibility for maintaining appropriate systems of internal control. The systems support the integrity and completeness of the financial information reported.

40. What's the difference between a "qualified" and "unqualified" audit opinion?

Audit reports represent an auditor's professional opinion on whether an organization's financial position and results of its operations are presented fairly in its financial statements.

An unqualified, or clean opinion, is a judgment that an organization's financial records and statements are fairly and appropriately presented.

A qualified opinion indicates an auditor has concerns with the financial information. Those concerns could include things like the availability of sufficient information for users to make an informed decision, or the organization's reporting in accordance with public sector accounting standards.

In this case the Auditor General has chosen not to issue an opinion at all – either unqualified or qualified.

41. Why didn't the Auditor General issue an audit opinion? Is this even legal?

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. This reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

The government also believes it is in the public interest for the Auditor General to issue and audit opinion on Ontario's consolidated financial statements as soon as possible.

42. What is a jointly-sponsored pension plan?

The Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and Ontario Teachers' Pension Plan (OTPP) are jointly sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of both pension plans are held in a trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between both parties.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

43. How does the Auditor General want you to account for jointly-sponsored pension plans?

During the 2015-16 Public Accounts audit, the Auditor General expressed a different interpretation of the existing PSAB standards which would impact the accounting for pension assets of jointly-sponsored pension plans.

The Auditor General's view is that the government does not have legally enforceable right to unilaterally access the assets of these jointly sponsored pension plans. As such, with no agreement in place to the contrary, the Auditor General believes that the pension asset should be removed from the Province's balance sheet.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. We believe that this reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

General Media Qs&As

44. Is the government artificially balancing the budget through the one-time sale of assets like Hydro One?

The government's plan to eliminate the deficit does not depend on revenues from asset sales. Maximizing the value of these assets is part of the government's economic plan for Ontario. The net revenue gains from these transactions are helping the government to deliver on its plan by investing in infrastructure.

The government is committed to dedicating the net revenue gains from asset optimization activities, including the broadening of ownership of Hydro One and real estate sales to the Trillium Trust which will be used to invest in transit, transportation and other priority infrastructure projects under Moving Ontario Forward.

45. According to your numbers the deficit was down $3.5 billion from the $8.5 billion projected in last year's budget. Where did this money come from?

The improvement over plan was largely due to revenues that were $4.0 billion above the forecast of $124.4 billion.

This reflects higher than expected tax revenue and net revenues from the first phase of broadening Hydro One ownership, and stronger overall performance from government business enterprises. Maximizing the value of these assets is part of the government's economic plan for Ontario.

46. Does the fact that your deficit is $3.5 billion lower than projected mean you have more money to bring to the table in labour negotiations (e.g. doctors)?

It is important to point out that through the Public Accounts process, we are reporting on past performance, whereas labour negotiations impact future fiscal pressures.

Our government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19. We know we have difficult choices ahead, but people can be assured that their government will take a fair and balanced approach, one that protects and improves the services that matter to Ontarians.

Managing compensation costs is critical to balancing the budget, as over half of government spending goes to salaries and benefits in the Ontario Public Service (OPS) and the broader public sector (BPS).

Compensation costs must be addressed within Ontario's existing fiscal framework and all public-sector partners must continue to work together to control current and future compensation costs.

While continuing to work to achieve fiscal balance by 2017–18, the government is achieving significant results in priority areas for Ontarians.

We know there is more hard work ahead as we work towards a balanced budget, and we are confident that our partners will work with us to build Ontario up.

47. Will you still be able to balance the budget if Ontario's economy does not perform as strongly as you forecast? Even the FAO has said that your forecast is optimistic.

The government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the U.S. and all other G7 countries.

While uncertainty in the global economy has increased, along with increased volatility in global financial and currency markets, Ontario has a diversified economy – meaning the Province is well positioned to respond to changing global economic conditions.

With the economy expected to continue to grow, and the Province's ongoing commitment to transform government programs and services, Ontario is well positioned to achieve balance.

48. Are you cutting back on vital services like health care to balance the budget?

No. Through Program Review, Renewal and Transformation (PRRT), we are helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care.

49. This is the seventh year in a row that you have reported a deficit lower than forecast. Are you purposefully overestimating your deficit projections?

The government remains committed to balancing the budget by 2017-18 and is taking deliberate and responsible steps to achieve this goal.

The government recognizes that a fiscally sound approach to managing the Province's finances will provide the foundation for the long-term well-being and prosperity of Ontarians, and protect the public services that Ontarians rely on.

The government's fiscal projections are based on the best economic and fiscal information available at the time. They reflect a realistic and responsible plan to manage the Province's resources, while still protecting the vital services that Ontarians rely on.

Beating our deficit targets helps to keep interest on debt at a manageable level and protects future generations from rising interest costs, which could otherwise crowd out spending on government priorities.

50. You spent $433 million more than you budgeted for programs. How is your government keeping spending in check?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education, and by retaining the lowest per capita program spending in Canada.

51. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget? How will the province pay for this $1 billion rebate?

The Ontario Rebate for Electricity Consumers would help make everyday life easier for Ontario families, small businesses and farms with electricity costs by providing a rebate that is equal to the eight per cent provincial portion of HST. This eight per cent rebate would appear directly on the consumer's electricity bill.

The government remains committed to balancing the budget by 2017-18 while continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

The government will provide further details and will update the medium-term fiscal outlook in the upcoming Ontario Economic Outlook and Fiscal Review.

52. How is the money spent on the now defunct Ontario Retirement Pension Plan reflected in Public Accounts? How does the government justify this expense?

TBC OPCD + MOF

53. Was the delay in tabling Public Accounts because you can't afford the childcare commitment and the electricity rebate?

No. Public Accounts is a retrospective document that compares Ontario's actual performance to what was planned in the Budget.

I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan and finalize the Public Accounts as soon as possible.

54. In 2003, your government brought in legislated timelines for Public Accounts, yet you're past the deadline and you still haven't tabled them. Why didn't you adhere to your own legislation?

We have been working with the Office of the Auditor General to try to come to an agreement on the treatment of pension assets.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension asset in question.

55. Disagreement with officers of the legislature seems to be a recurring theme – at least with the Auditor General – what's your position on this? Does this government have a problem with officers of the legislature?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

56. Is the fact that you've changed your accounting standards an indication of financial mismanagement on the part of government?

No. The Province's financial results show that the government has once again beaten its annual deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

For 2015-16 financial statements, the government legislated its accounting treatment for pension assets of its jointly-sponsored pension plans.

57. Are you concerned about how the credit rating agencies will view this issue?

The Province's financial results show that the government has once again beaten its annual deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

58. Can credit rating agencies adjust their ratings based on this new development? What about bondholders?

The government remains committed to balancing the budget by 2017-18.

The deficit for 2015-16 is $5 billion, a $3.5 billion improvement compared to the 2015 Budget. The deficit is also a $0.7 billion improvement compared to the interim results for 2015-16 contained in the 2016 Budget, which formed the basis for three rating agencies to confirm the Province's credit rating, and the fourth to improve their assessment of the Province's credit outlook.

This marks the seventh year in a row that Ontario has beaten its annual deficit target, reflecting the government's responsible and balanced approach to fiscal management.

The rating agencies and bondholders will understand that the change in the Province's accounting treatment for pension assets of jointly-sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements or total debt outstanding.

Hydro One

59. Why are you selling off Hydro One?

The government is broadening the ownership in Hydro One to improve the company's long-term performance and unlock billions in value for investment in major infrastructure projects that will help grow Ontario's economy for years to come.

This approach will create an improved company that would operate more efficiently and better serve the interests of ratepayers and customers of Hydro One.

The net revenue gains from broadening the ownership of Hydro One shares will provide the government with approximately $4 billion to be credited to the Trillium Trust to invest in key infrastructure and create thousands of jobs, as well as $5 billion to reduce debt.

60. What is the Hydro One deferred tax benefit?

As a result of Hydro One exiting the Payment in Lieu (PILs) regime and the revaluation of its fixed assets upon entering the corporate tax regime, the company recognized a deferred tax benefit in fiscal 2015-16, which positively affected its net income.

At consolidation in Public Accounts of the Province's portion of Hydro One's net income, Hydro One's recognition of a deferred tax benefit increased the Province's revenues by $2.4 billion. The gain associated with Deferred Tax Benefit from the IPO has been allocated to the Trillium Trust.

61. Why did you loan the electricity unions money to buy shares of Hydro One?

In connection with the IPO, the Province sold $116 million worth of Hydro One shares to trusts of the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts. Of the shares sold to the Trusts, about $108 million was purchased using loans provided by the Province. The gains from those share sales will be credited to the Trillium Trust over time as the loans are repaid.

The government is fully committed to dedicating net revenue gains from the sale of designated assets to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of Moving Ontario Forward.

The $3.2 billion being credited to the Trust at this time does not include amounts associated with shares purchased by the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts using loans provided by the Province.

62. The government is being sued over the sale of Hydro One. Was the sale worth it to balance you budget now that you're being sued?

I understand Ontario has been served with a notice of claim. As this matter may be subject to litigation, it would be inappropriate to comment further.

63. The FAO has warned that the partial sale of Hydro One will have direct implications on the provinces debt and ability to balance the budget. What do you say to these concerns?

To date, Ontario has sold approximately 30 per cent, or about half of the 60 per cent of shares the government intends to sell, and with this $3.2 billion credited to the Trillium Trust is well on track to meet its multi-year asset optimization target to generate $5.7 billion over time to support investments in infrastructure.

Crediting the $3.2 billion to the Trillium Trust demonstrates Ontario's commitment to investing in infrastructure projects that help stimulate economic growth and create good, well-paying jobs.

The government acknowledges the important role played by the FAO in providing independent analysis to the Assembly on the state of the Province's finances.

Bargaining and Compensation

64. What is the government doing to control executive compensation in the Broader Public Sector?

In March 2015, the government proclaimed the Broader Public Sector Executive Compensation Act, 2014 (BPSECA) into force. This legislation allows the government to establish compensation frameworks for designated senior executives in the broader public sector.

An Executive Compensation Framework came into force on September 6, 2016. The framework reinforces that designated BPS employers are accountable for compensation decisions, sets caps and prohibitions on certain types of compensation, requires enhanced public transparency and allows impacted employers to balance the need to attract the necessary talent to deliver high quality public services while managing public dollars responsibly.

The framework applies to all designated employers under BPSECA, including hospitals, school boards, colleges and universities, community care access corporations, provincial agencies and named hydro entities.

The framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of appropriate comparators and prohibits elements like signing bonuses and pay in lieu of perquisites.

The framework also requires that each designated employer engage in public consultation on their compensation program before it is finalized and requires final programs to be posted on the designated employer's website. These requirements enhance transparency and give Ontarians the opportunity to provide input on executive compensation in the BPS.

BPSECA includes significant compliance and enforcement measures: employers will be required to complete reports concerning compliance with the framework and individuals could be subject to penalties if they willfully fail to provide a report, provide a false report or obstruct an auditor.

65. How are you managing the costs of public sector compensation?

Managing compensation costs is critical to balancing the budget, as more than half of government spending goes to salaries and benefits, including those of both the Ontario Public Service (OPS) and broader public sector (BPS). All public-sector partners must continue to work together to control current and future compensation costs.

Since July 2012, the average annual negotiated wage increase across Ontario's provincial public sector has been 0.6 per cent. This is lower than:

- Ontario's municipal public sector (1.7 per cent)
- the federal public sector in Ontario (1.7 per cent)
- Ontario's private sector (1.9 per cent)

66. Where is the agreement with OPSEU reported in Public Accounts? Was this truly net-zero?

The agreement reached with OPSEU's Central and Unified bargaining units on October 30, 2015 is net-zero and remains consistent with the fiscal plan outlined in both the 2014 and 2015 Budgets.

To achieve a net-zero outcome, there are no wage increases in 2015 and 2016. In 2016 there will be a modest 1.4% one-time lump sum payment that does not form part of employees' base salaries, and in 2017 there is a 1.4% pay increase. Both are offset through changes to employee benefits and entitlements over the three-year term of the contract, including a freeze on salary progression in 2016 and 2017 and capping of termination payments.

This agreement will support the government's ongoing efforts to eliminate the deficit while protecting the valued public services Ontario families rely on.

67. The Premier recently said the era of net zero is over. How will this affect labour negotiations?

As a government, we'll continue to do what we've always done in terms of negotiations. As the time comes to negotiate new contracts, whether it's Treasury Board Secretariat that's negotiating or an individual ministry, they always come to Treasury Board to get an approved mandate. So we'll carry on with that practice of coming to Treasury Board for an approved mandate that will fit within the fiscal plan.

Ontario's Financial Position

68. The FAO has warned that if Ontario's fiscal position deteriorates beyond 2017-18, the four international credit rating agencies could lower Ontario's credit

rating, which could lead to higher borrowing costs and more challenging fiscal position. What is the government doing to manage the debt?

The government remains firmly committed to balancing the budget by 2017–18.

The deficit for 2015-16 is $5 billion, a $3.5 billion improvement compared to the 2015 Budget. This marks the seventh year in a row that Ontario has beaten its annual deficit target, reflecting the government's responsible and balanced approach to fiscal management.

Given ongoing challenges in the broader economic environment, the government recognizes that now is the time to be making investments in people, modern infrastructure and a dynamic and innovative business climate — investments that will help to spur economic growth and create the new jobs necessary to support eliminating the deficit.

Alongside these strategic investments, the government is also taking deliberate actions to ensure it can continue to manage spending and improve outcomes for Ontarians. Together, these investments and deliberate actions will help ensure that the priority programs and services that people rely on are maintained and enhanced while the deficit is eliminated.

69. Some have said your government has a spending problem, not a revenue problem. As the largest subnational borrower, what do you say to that?

The government beat its annual deficit target for the seventh year in a row. Last fiscal year's deficit is $5 billion, down $3.5 billion from the $8.5 billion projected in last year's budget.

The government is projecting a deficit of $4.3 billion in 2016-17 and a return to a balanced budget in 2017-18.

The improvement over plan was due in large part to the Ontario government's strong focus on managing growth in spending. Ontario consistently has the lowest per capita program spending among all Canadian provinces.

Over the past four years the Province has held the average annual growth in program spending to 1.9 per cent, less than the rate of inflation, while investing in services that people rely on.

Key elements of the government's plan to eliminate the deficit are:

- Program Review, Renewal and Transformation
- managing compensation costs
- maintaining tax fairness and a level playing field for business
- strengthening government transparency, financial management and fiscal accountability

70. How much did government spend in 2015-16?

The Consolidated Statement of Operations reports the total government spending by sector which came to $133.4B for 2015-16 ($128.9B 2014-15). When this is compared to the consolidated revenue reported by the province of $128.4B (118.5B 2014-15) the result is the annual deficit of $5B ($10.3B 2014-15).

71. **Why was total expense $300 million higher than projected in the 2015 Budget plan?**

Total expense in 2015–16 was $133.4 billion, $1.5 billion higher than the 2015 Budget plan. Program spending was $122.4 billion, up by $1.9 billion from a planned spending of $120.5 billion.

Total program spending was $1.9 billion higher than the Budget, resulting in actual program expense of $122.4 billion. The increases were attributable to:

- $1.5 billion pension asset valuation allowance for OTPP and OPSEU.

- Health sector expense was $294 million, or about 0.6 per cent, above plan. Higher spending resulted from increased drug costs as well as higher hospital sector expense, partially offset by underspending in agencies.

- Children's and social services sector expense that was $124 million higher than planned, due mainly to additional spending to address demand for the Ontario Disability Support Program and the cost of prescription drugs for social assistance recipients.

- Justice sector expense increased by $120 million, mainly due to settlements under the Proceedings Against the Crown Act and higher-than expected bad debt provisions related to unpaid fines.

- Other programs expense was $628 million higher than expected. The increase was due to one-time investments through the Green Investment Fund, higher than anticipated expense for the Ontario Production Services Tax Credit and costs related to the Hydro One IPO.

Increases in these sectors and programs were offset by:

- Education sector expense was $233 million lower than expected, due in part to a higher share of funding spent on capital projects that are capitalized and amortized instead of expensed, higher-than-forecasted revenues from education development charges, and slightly lower-than-projected enrolment.

- Post-secondary and training sector expense was $176 million lower than expected, mainly due to lower spending on post-secondary operating grants and lower student financial assistance as a result of lower-than-forecast enrolment. As well, spending on employment and training programs was below plan, partially offset by higher expense on tax credits to employers to support training.

72. What are you going to do if Ontario's economy does not perform as strongly as you forecast?

The Province has included prudence as part of the fiscal plan to help ensure it meets future fiscal targets as it moves towards a balanced budget in 2017–18.

As required by the Fiscal Transparency and Accountability Act, 2004 (FTAA), the fiscal plan continues to incorporate prudence in the form of a reserve to protect the fiscal outlook against adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at $1.0 billion in 2016–17, $1. billion in 2017–18 and $1.2 billion in 2018-19 .

73. What if interest rates go up? What affect would higher interest rates have on debt?

The Province is operating under a historically low interest rate environment, however, if interest rates did increase, a one percentage point change will result in an impact of approximately $350 million to the Province's interest expense.

74. What is the government's annual borrowing program?

The amount of money the government borrows varies from year to year and is dependent on the deficit, proposed investments in capital and amount of debt that is maturing.

Over the three years 2016-17 to 2018-19 average long term public borrowings are estimated to be $26 billion per annum, considerably lower than what the Government borrowed over the past three years which averaged at $33 billion per annum. The lower borrowings are primarily due to the Government's efforts in reducing the deficit and balancing in 2017-18.

75. Did you use your reserve fund to pad your fiscal results and pay down the debt?

For planning purposes, a reserve is included in the budgeted surplus/deficit each year to guard against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance. The 2015 Budget plan included a $1.0 billion reserve. Without the reserve, the actual deficit result of $5.0 billion would not have been affected.

Budget Surplus and Revenue Increase

76. Can you explain the $4.0 billion increase in revenue since your 2015 Budget?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

77. How did net income from government business enterprises increase by $100 million from your 2015 Budget projection?

This increase was mostly attributable to combined higher net income from the Liquor Board of Ontario (LCBO), Ontario Lottery and Gaming Corporation (OLG) and Ontario Power Generation Inc. (OPG).

Higher net income from these business enterprises, however, was partially offset by lower net income from Hydro One, primarily reflecting impacts from broadening Hydro One ownership.

Contingency Fund / Reserve

78. What is the difference between the contingency fund and the reserve?

The contingency fund is an amount of expense that is approved by the Legislative Assembly at the beginning of the year to cover expenses due to unforeseen events (e.g. fighting forest fires). This approved spending limit is allocated during the year to ministries for their programs and activities.

The reserve is an amount included in the forecast each year to protect the plan against unforeseen revenue and expense changes that could have a negative impact on the Province’s fiscal performance.

Budget Projections vs. Public Accounts Reporting

79. What accounts for the $4.4 billion increase in taxation revenues from your 2015 Budget projection?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

80. Why did Ontario's net debt increase by $20 billion in 2015-16?

Net debt is the Province's total debt and other liabilities, less its financial assets, including cash and investments. The increase was primarily due to a $10.9 billion increase in liability and a $10.7 billion pension accounting adjustment, which was primarily offset by a $1.0 billion increase in financial assets.

81. How do you explain the $12.4 billion increase in total debt in 2015-16?

The increase of $12.4 billion in total debt is due to borrowing for the deficit and investments in capital assets for 2015-16. It also includes pre-borrowing of $2 billion to take advantage of low interest rates and continuing demand for the Province's Debt.

82. Why is the government now including 5-year trends in the Public Accounts?

The increased disclosure and discussion on 5-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs. In addition to the disclosure in the Annual Report, the government is also making available supplementary information through data visualization.

83. Why is the interest on debt for 2015-16 $400 million lower than forecast in the 2015 Budget?

Interest on debt expense was $0.4 billion below plan in 2015-16, as a result mainly of lower-than-forecast interest rates, the lower-than-planned deficit and cost effective borrowing and debt management.

84. Why is interest on debt for 2015-16 $400 million higher than in 2014-15?

Interest of debt is higher by $332 million from last year, mainly due to the funding of the deficit and investment in capital assets and partly offset by the impact of lower interest rates.

Program, Review, Renewal and Transformation

85. How are you reviewing and transforming government programs?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

86. Has PRRT achieved any tangible results/savings?

The government has achieved a number of efficiencies to make programs more sustainable, such as negotiating lower prices for goods and services and managing compensation.

But PRRT is about more than saving money — it is a continuous planning approach focused on improving outcomes for government programs and services to ensure they are effective, efficient, relevant and sustainable.

87. What do you have to say to those public sector workers who have lost their jobs or are at risk of losing their jobs because of PRRT?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Government Assets

88. What is the government doing to extract value from any government assets?

With the 2014 Budget, the government began the process of unlocking the economic value of the Province's assets, including setting up the Premier's Advisory Council on Government Assets, chaired by Ed Clark, former Group President and Chief Executive Officer of TD Bank Group.

The council delivered recommendations on the electricity sector to the Province in advance of the 2015 Budget, including broadening the ownership of Hydro One. This would involve an initial public offering of about 15 per cent of the voting securities in Hydro One, with additional share sales in subsequent years. Over time, share offerings would total up to 60 per cent of the voting securities in Hydro One.

The Province is also moving forward with its plans to unlock value from its real estate assets, including OPG's head office building, and the Seaton and Lakeview lands. In June 2016, the Province closed the sale for the Liquor Control Board of Ontario's (LCBO) head office lands, raising $260 million in gross proceeds.

All net revenue gains from the sale of qualifying assets will be dedicated to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of the Moving Ontario Forward initiative.

Trillium Trust

89. Have the net proceeds from the sale of the GM holdings and the partial sale of Hydro One been dedicated to the Trillium Trust, and how is that being reported in Public Accounts?

The Trillium Trust Act, 2014, provides for the dedication of net revenue gains from the sale of qualifying assets to help support key infrastructure priorities, such as roads, bridges and public transit. A schedule in Volume 1 of the Public Accounts reports on the financial activities of the Trillium Trust.

Volume 1 shows that $1.35 billion was available for the Trillium Trust at March 31, 2016, to help fund investments. This reflects the sale and redemption of the Province's shares in General Motors in earlier years.

In August 2016, a regulation was put in place that credited the trust with $3.2 billion from the net revenue gains resulting from the Hydro One IPO, the gain on sale of shares in November 2015 and the share of the deferred tax benefit to Hydro One that has been recognized by Ontario through its share of Hydro One net income as a result of its ownership position in Hydro One.

The net revenue gains from the secondary offering in April 2016 will be reported in the 2016-17 Public Accounts and credited to the Trillium Trust.

90. How have you spent the funds dedicated to the Trillium Trust?

As announced in the 2016 Budget, the government plans to begin drawing on the balance in the Trillium Trust in 2016-17 to support the largest investment in public infrastructure in Ontario's history.

Based on planned expenditures, in 2016–17 the Trillium Trust would support Moving Ontario Forward initiatives, such as GO Transit Regional Express Rail, Hurontario Light Rail Transit and the Ontario Community Infrastructure Fund.

91. Why are you allocating non-cash items like the deferred tax asset generated in the Hydro One transaction to the Trillium Trust?

The Trillium Trust Act, 2014, provides for the dedication of net revenue gains associated with the sale of designated assets to the Trust to support transit, transportation and priority infrastructure projects under Moving Ontario Forward.

The deferred tax benefit provides an up-front revenue gain to the Province, which also increases the book value of Hydro One's shares and reduces the accounting gains for subsequent sales. This does not affect the total cash the Province receives. By dedicating the fiscal benefit from the deferred tax benefit to the Trillium Trust, the government ensures that the Trust will receive the full benefit of the value created from broadening Hydro One's ownership.

Moving Ontario Forward

92. In the 2015 Budget, the government stated that $3.5 billion would be dedicated to the Moving Ontario Forward plan. So far, only $1.35 billion has been dedicated to the Trillium Trust. How do you propose to supply the $2.15 billion difference?

Moving Ontario Forward dedicated funds would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.
- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.

- The government's asset optimization strategy, with net revenue gains dedicated to the Trillium Trust to help support investments in public infrastructure.

- Working with the federal government to secure federal funding through the Building Canada Plan.

93. How much did the government spend on Moving Ontario Forward in 2015-16?

Moving Ontario Forward is part of the government's commitment to invest more than $137 billion in public infrastructure over the next 10 years. Investments are underway, including providing $100 million per year to small, rural and northern municipalities through the Ontario Community Infrastructure Fund to build and repair critical infrastructure.

Like most large infrastructure investments, initial spending on Moving Ontario Forward projects is focused on planning, design, property acquisition and other activities to get projects construction-ready. Spending would ramp up significantly once this preliminary work is completed and construction activity is underway. Over the 10-year Moving Ontario Forward period, all of the dedicated funds are expected to be spent on priority infrastructure projects.

94. Why aren't the additional $2.2 billion in revenues dedicated to the Moving Ontario Forward plan reported in the Public Accounts?

In the 2015 Budget, the government committed to dedicate $31.5B over 10 years to support infrastructure projects under the Moving Ontario Forward plan, which included $5.7B from its asset optimization strategy. In 2014-15, this amounts to about $3.5B in dedicated funds including $1.3B from asset optimization. The remaining $2.2B in 2014-15 would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.

- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.
- Working with the federal government to secure federal funding through the Building Canada Plan.

These additional amounts are largely taxation revenues and are reflected in the total revenue figures in the 2014-15 Public Accounts.

95. How does investing in public infrastructure impact the economy?

A large and growing body of independent research shows that infrastructure investments support jobs, augment personal incomes and produce real growth in the economy. For example, a September 2015 report by the Broadbent Institute and the Centre for Spatial Economics showed that, on average, investing a dollar in public infrastructure in Canada raises gross domestic product (GDP) by $1.43 in the short term and up to $3.83 in the long term.

The Province's planned investments in infrastructure are expected to support over 110,000 jobs, on average, each year.

96. The Public Accounts makes reference that the Province's investment in capital assets is guided by sound asset management planning principles, so why is the education sector facing large renewal needs?

The Province has announced new renewal investment, including: increased investments in GO Transit rehabilitation and renewal; additional annual funding of $50 million to assist hospitals in maintaining their facilities in good repair; and a $1.1 billion investment to repair and renew schools across the province (allocated to school boards in proportion to their renewal needs).

In the education sector, the School Condition Improvement program addresses renewal needs focusing on ensuring that facilities are in good condition, energy efficient and accessible and meet modern service standards. The funding will enable school boards to repair roofs, update HVAC units and modernize electrical and plumbing systems. It will also significantly improve more visible elements of schools that impact students' learning and well-being, including flooring, walls, ceilings, playing fields and more. To support transparency, the government has also released detailed information regarding the condition and renewal needs of each of Ontario's publicly funded schools.

Transparency

97. You say the Province's Annual Report is a central element in demonstrating transparency in reporting financial activities and accountability, yet the FAO continues to criticize your government for withholding information. What do you say to these criticisms?

The relationship between the FAO's office and our government is very important.

Our door is open to meet with the FAO and his staff upon request, and our government has tried to be proactive in reaching out to provide clarification when it could be of use.

We want to be accommodating and helpful, while also respecting the requirements of the 2013 FAO Act. With this in mind, Treasury Board has provided additional information to complement and/or further clarify our responses to the FAO when we've received follow-up requests from his office.

We have also reformatted information into machine-readable charts upon request, when it was possible and consistent with legislation. All requests from the FAO office to the Treasury Board Secretariat have been responded to.

Pan Am Games

98. How much was spent on the games, where does it appear in Public Accounts? And how does your government justify this expense?

These were the largest, most successful Pan/Parapan Am Games ever – creating 26,000 jobs, boosting Ontario's GDP by $3.7B and leaving a lasting legacy that will benefit Ontario for years to come. The economic boost that resulted from the Games acted as a catalyst for economic, social, infrastructure and athletic development and we were proud to host these Games.

Questions related to the Pan Am Games should be referred to my colleague, the Minister of Tourism, Culture and Sport.

Underground Economy

99. How are you ensuring revenue integrity?

A fair and efficient tax system is critical to sustaining public services. The 2014 Budget noted that when businesses aggressively avoid or evade paying taxes, everyone else is left to make up the shortfall, putting the competitiveness of legitimate businesses at risk.

Since 2013–14, the Province has taken concrete measures to help ensure tax fairness and a level playing field for business. These include enhanced auditing and compliance activities, such as a multi-year agreement with the Canada Revenue Agency to address the underground economy and corporate tax avoidance in Ontario. The Province has also targeted areas at high risk of underground economic activity with pilot initiatives that focus on mitigating unfair and unsafe circumstances for Ontario's workers and consumers.

In total, these efforts have generated an estimated $1.1 billion for Ontario to date. The Province will build on these successful initiatives with new approaches to ensuring revenue integrity.