

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MINISTRY OF FINANCE – ISSUES SCAN

Contents

Media Scan	2
Hansard Scan	26
FOIs/OPQs.....	61
Supporting Materials: House Book Notes.....	66
ONTARIO’S FISCAL OUTLOOK	66
BORROWING AND DEBT	67
ONTARIO’S CREDIT RATINGS	69
Supporting Materials: Other Considerations.....	75
Media Event: Auditor General Annual Report.....	75
Fedeli Focus on Finance – Year-end in Focus (December 2017)	85

Media Scan

Contents

Hydro One sale will lead to long-term costs for Ontario: Financial Accountability Office	3
They'll be the debt of us; Liberals go on \$7-billion election-year spending spree. 4	
Ontario's finances are still a mess.....	7
Grit numbers don't add up; Independent financial officers say Wynne government's books can't be trusted	9
EDITORIAL: Liberals hiding deficit, second watchdog says.....	11
Liberals Under Fire For 'Cooking' Ontario's Books; 'Fair Hydro Plan' undermines accountability standards.....	12
Provincial Debt : The Next Generation; Ontario set to hand billions in unpaid bills to young people.....	14
Millennials will have to deal with Ontario's debt unless action taken: watchdog. 16	
Government borrowing to lower hydro bills gets broadside from AG	17
Liberals costing us extra \$4 billion in interest costs.....	19
Government and auditor general at odds over size of Ontario's deficit	22
Is Ontario deficit really \$991M?	24
Ontario says 2016 deficit was \$991 million, beating target by \$3.3 billion.....	25

Hydro One sale will lead to long-term costs for Ontario: Financial Accountability Office

- Canada - National Post
- Mon Feb 12 2018
- Section: Canada
- Byline: The Canadian Press
- [Permalink](#)

TORONTO - Taxpayers would have saved \$1.8 billion if the **Ontario government** had taken on traditional **debt** to fund infrastructure projects instead of partially privatizing Hydro One to pay for the work, the province's fiscal watchdog said Monday.

In a report that examined the Liberal government's sale of shares in the utility, the Financial Accountability Office examined both scenarios and found the cost implications were clear.

"Over the long term, the FAO estimates that the province's net **debt** will be higher as a result of the partial sale of Hydro One when compared to an alternative of borrowing to finance an equivalent amount of infrastructure investment," said Jeffrey Novak, chief financial analyst for the FAO.

Hydro One went public in November 2015, with the province saying it planned to use the sale of shares to fund transit and infrastructure projects. By December 2017, the province had sold off 53 per cent of its stake in the company.

Ontario Premier Kathleen Wynne speaks to media at the Legislative Assembly of Ontario in Toronto on Thursday Jan. 25, 2018.

The FAO analysis said that in the first three years after the partial privatization, the province saw a total profit of \$3.8 billion on the deal.

But by 2018-2019, the FAO forecasts a loss of \$1.1 billion because of one-time charges and fewer dividends as a result of the province's smaller stake in the company.

The FAO report also warns that Hydro One's \$4.4 billion deal to buy U.S. energy firm Avista will "dilute" Ontario's shares of Hydro One ownership from 47 per cent to 42 per cent.

"To purchase Avista Hydro One is issuing convertible **debt** to the folks who own Avista," Novak said. "When the purchase is completed that convertible **debt** will be transformed into shares of Hydro One. The province will just have less of a percentage of overall shares outstanding in the company."

The Electricity Act, which regulated the sale of Hydro One shares, requires the province to take steps to ensure that its ownership stake remain no lower than 40 per cent. That

means if further purchases shrink Ontario's ownership of the company it will have to buy back shares.

Energy Minister Glenn Thibeault said the government remains the largest single Hydro One shareholder and the company continues to be subject to provincial oversight.

"Hydro One's rates will continue to be regulated by the Ontario Energy Board - the province's independent energy sector regulator," he said. "In fact, our government passed legislation that has further strengthened the board's oversight.

As of December 2017, the province had raised an estimated \$9.2 billion by selling Hydro One shares, the FAO said. The Liberal government has said they plan to use \$5 billion to pay down leftover **debt**, while the remaining \$4 billion would fund transit and infrastructure projects.

NDP energy critic Peter Tabuns said the FAO's analysis backs up his party's argument that the utility's partial privatization is bad for Ontarians. The NDP have promised to buy back shares of Hydro One and return it to public ownership if elected in the spring election.

"We're going to have less revenue in the future (from Hydro One)," he said. "That means less money for schools and hospitals. We're going to have higher **debt** charges than we would have had if we'd simply borrowed the money ... In every aspect, this has been a bad deal for Ontarians."

PC finance critic Lisa MacLeod said the Hydro One share selloff has helped the government balance its budget before the election but will have consequences down the road.

"This was short-term gain for very long-term pain," she said. "This is not a good deal for Ontarians."

- **Length:** 596 words
- **Tone:** Neutral
- **Reach:** 607500

They'll be the **debt** of us; Liberals go on \$7-billion election-year spending spree

- **Toronto Sun**
- **Tue Feb 6 2018**
- **Page:** A6
- **Section:** News
- **Byline:** James Wallace
- **Source:** Toronto Sun

How bad is Kathleen Wynne's credit-card addiction? Prepare to be depressed. Ontario Liberals ran deficits in 11 of their past 14 budgets, almost 80% of the time, a new Fraser Institute report by Ben Eisen reminds us.

Liberal deficits ranged from \$991 million to \$19.3 billion annually and averaged \$8.6 billion annually while Wynne and Dalton McGuinty held office.

Over the same period, Liberal program spending - excluding **debt** - increased from \$70 billion to \$130 billion, an 84.6% increase, almost double the 44% growth necessary to offset inflation and population growth.

And now, in an election year, Wynne's government has massively hiked spending - by \$7 billion over last year.

It's difficult to see that as anything but the craven, self-serving tactic of a government that cares primarily about clinging to power and little about the damage living beyond our collective means causes the province, or the **debt** it's heaping on future generations.

Over the past several months, the Wynne government has rolled out a succession of free-for-all campaign promises - free tuition, hydro rate cuts, free prescription meds for youth.

They are, of course, not free, and in fact come with an onerous price tag.

Provincial net **debt** has increased dramatically since the Liberals were elected in 2003, the Fraser report notes, currently some \$302 billion or \$21,500 for every soul in the province. Net **debt** stood at \$138 billion when the Liberals took power.

"Between 2003 and 2015, Ontario added more **debt** either per person or relative to the size of the economy than any other province in Canada and by quite a bit," Eisen said.

Following a period of "modest" spending restraint over the past four years (since the last election) the Liberals have returned in an election year where they're dogged by scandal and lousy poll numbers to spending money they don't have and piling on **debt**.

"The government, by its own accounting, is adding **debt** and the pace of debt accumulation hasn't even really slowed down in the past few years," Eisen said.

And that accounting is pretty loosey-goosey.

Ontario's Financial Accountability Office concluded last year that the Liberals were hiding a \$4-billion deficit this year, while claiming they would balance the province's books. The FAO estimated Ontario's actual deficits at \$4 billion this year, \$7 billion in 2019, \$9 billion in 2020 and almost \$10 billion in 2021; Provincial Auditor Bonnie Lysk

calculated the Liberals' 25% hydro rate cut will cost \$4 billion in unnecessary interest payments, improperly took \$26 billion off the province's books and will drive up rates for 30 years.

Eisen, in his report "Repeating Past Mistakes? Spending Restraint Critical for Ontario's Fiscal Health" suggests the cold, hard facts clearly show the Liberals are living off a credit card.

"No matter how you slice it, no matter whose accounting you want to use, Ontario's government is continuing to rack up **debt** to the tune of about \$10 billion a year," he said.

"So the notion we're making huge fiscal progress is wishful thinking at best."

The most obvious consequence of higher **debt** is higher **debt** payments, which are poised to hit \$12 billion annually, eating up eight cents of every dollar in government revenue.

In context, families deal with this issue on a daily basis. The higher your house mortgage the less you have to spend on food, lights and other necessities - in Ontario's case, health care, education, transit, social housing and other critical services.

Neither is Ontario's economy growing as it should, as the rest of Canada is.

From 2003 to 2015, inflation adjusted per-person economic growth in Ontario averaged 0.5% annually, about half the growth rate in the rest of Canada.

Meanwhile, Ontario now has the highest hydro rates in Canada, the highest auto insurance premiums, the highest sub-sovereign **debt** in the world, and a declining auto and manufacturing sector.

Had the Liberals managed modest restraint over the term of government, more in line with GDP growth and inflation, program spending last year would have been \$20 billion to \$30 billion lower and the government would have been sitting on a \$19-billion to \$28-billion surplus, Eisen calculated in his report.

It was the road not taken, and all Ontarians will wear the price of that for years to come.
jawallace@postmedia.com

- **Length:** 680 words
- **Tone:** Negative
- **Reach:** 171076
- **Illustration:** / Sources: **Ontario, Ministry Of Finance** (2003-2017) And **Ontario, Ministry Of Finance**(2017)-Fraser Institute Graphic; / (See hardcopy for photo); / WYNNE Hiked spending;

Ontario's finances are still a mess

- **Toronto Sun**
- **Wed Jan 10 2018**
- **Page:** A15
- **Section:** Comment
- **Byline:** Beneisen
- **Source:** Toronto Sun

Last spring, Ontario Finance Minister **Charles Sousa** tabled a **balanced budget** for 2017/18, the province's first since 2007/08.

The Wynne government frequently points to this projection as evidence that it's managing public finances effectively.

However, there are many reasons to treat such claims with skepticism.

For starters, many analysts, including Ontario Auditor General Bonnie Lysyk, have called the government's accounting techniques into question, arguing proper accounting would show continued deficits.

Others, including the government's Financial Accountability Office, warn that without additional policy changes to reduce spending, or raise taxes, Ontario will likely slip back into deficits.

There are still more reasons to be concerned about the health of Ontario's finances.

Among the most important and under-discussed is that to shrink the deficit in recent years, the Wynne government has relied heavily on large annual increases in transfer payments from the federal government.

Despite constant tension between the McGuinty/Wynne governments and the Harper government in Ottawa during the latter's time in office, in reality, federal transfer payments to Ontario have grown briskly in recent years.

Specifically, in 2009/10, the federal government sent \$14.3 billion in major transfers to Ontario.

This number has steadily swelled and will reach \$21.1 billion this year - a nominal increase of 48% in eight years.

That's a far faster increase than what would have been necessary to offset inflation and population growth and far faster than provincial economic growth.

In fact, holding all else constant, if the growth of federal transfers to Ontario had been in line with either of these economic indicators, the province would still face a significant

deficit today.

In short, rapid growth in transfer payments is an important and frequently overlooked reason for Ontario's recent deficit reduction.

One reason that overall transfers to Ontario are up is that the province has, since 2009/10, received equalization payments.

To simplify slightly, equalization is a federal program that gives money to lower income provinces to help them fund public services.

Ontario became eligible for the program for the first time in history in 2009/10 and has remained eligible since.

Equalization payments to Ontario peaked at \$3.3 billion in 2012/13 and have come down gradually, but they remain a source of revenue.

This year, the government is receiving \$1.4 billion through the equalization program.

In total, the province has received \$18 billion in equalization since 2009.

Again, without this historically unprecedented help from Ottawa, the recent runup in Ontario's **debt** would have been even worse.

Recently, the federal department of finance revealed equalization payments for 2018/19, confirming Ontario will indeed continue to receive them.

In other words, the province will retain its status as a lower income, "have-not" province, relying on equalization payments to help fund programs for another year.

And yet, the Wynne government frequently points to its **balanced budget** projections as proof of its successful approach to public finances.

In fact, the province went a full decade between balanced budgets, triggering a huge run-up in public **debt**.

Even then, the government has needed a lot of help - from both its own questionable accounting methods and a big increase in federal transfers - to finally present a **balanced budget**.

Simply put, the idea that a notionally **balanced budget** means Ontario's finances have been restored to health simply does not withstand scrutiny.

Eisen is director of the Fraser Institute's Ontario Prosperity Initiative.

- **Length:** 542 words
- **Tone:** Neutral
- **Reach:** 171076

Grit numbers don't add up; Independent financial officers say Wynne government's books can't be trusted

- **Toronto Sun**
- **Sun Dec 17 2017**
- **Page:** A8
- **Section:** News
- **Byline:** Lorriegoldstein
- **Source:** Toronto Sun

It's unprecedented in Ontario's political history.

With less than six months to go before the June 7 election, two independent, non-partisan financial watchdogs of the Ontario Legislature say the books of Premier Kathleen Wynne's Liberal government cannot be trusted.

Both the Auditor General and the Financial Accountability Office (FAO) say that despite claims by Wynne and Finance Minister **Charles Sousa** that the government's books are now balanced and will be for at least the next two years, the reality is the Liberals are running multi-billion-dollar deficits that will only get bigger over time.

While the government predicted a **balanced budget** for the current 2017-18 fiscal year in its April 28 budget speech, FAO Chief Economist David West and Auditor General Bonnie Lysyk predict the actual deficit this year will be in the range of \$4 billion to \$4.5 billion.

The Liberals' budget speech also predicted balanced budgets for the 2018-19 and 2019-20 fiscal years.

But the FAO last week, supporting earlier findings by Lysyk, projected a \$7.1 billion deficit in 2018-19, \$7.8 billion in 2019-20, \$9 billion in 2020-21 and \$9.8 billion in 2021-22.

Counting all government fiscal obligations, the FAO projected that, "Ontario's net **debt** will increase by more than \$75 billion over the next four years to approximately \$400 billion, on the Auditor General's accounting basis."

(When the Liberals took office in 2003, Ontario's net **debt** was \$138.8 billion) The FAO warned "rising **debt** will increase the Province's net **debt**-to-GDP ratio (a key indicator of financial health) to over 41% by 2021-22, well above the government's interim target of 35% by 2023-24."

Wynne's goal of reducing the net **debt**-to-GDP ratio to prerecession levels of 27% by 2029-30 appears even more unlikely.

Lysyk and the FAO warn there are serious financial implications to the fact the province now has, in effect, two sets of books, one by the Wynne government and the other by independent financial officers of the Legislature whose job is to report on the province's fiscal situation.

In her Dec. 6 annual report, Lysyk warned "there is a very real risk" the "government's continued use of non-standard accounting" will "seriously distort the true state of the province's finances... The government uses these incorrect accounting treatments to claim it has balanced the province's books, but in reality, legislators, the financial community and all Ontarians will be misled as to the true condition of the province's finances."

In its fall economic and fiscal outlook released last week, the FAO warned, "since the government has not adopted the Auditor General's recommended accounting for both the Fair Hydro Plan and net pension assets, it is becoming more difficult for legislators and the public to assess the government's fiscal projections. This has reduced the transparency and reliability of Ontario's fiscal plan."

Lysyk argues the government is improperly claiming the \$11.5 billion surplus in the Ontario Teachers' Pension Plan as an asset, because it cannot access these funds without the permission of Ontario's teacher unions.

She also contends the financial borrowing required to finance Wynne's reduction of electricity rates by 25% is improperly designed to keep the costs from impacting Ontario's annual deficits and **debt**, and will require the public to pay \$4 billion more than necessary in interest payments over three decades.

As a result, Lysyk has refused to give the Wynne government's Consolidated Financial Statements a clean bill of health, issuing a "qualified opinion" regarding their accuracy last year, the first time an Ontario auditor general has done so in more than two decades.

The Wynne government disagrees with Lysyk's conclusions, portraying it as an accounting dispute.

In November 2016 it hired what it described as an expert, fourperson pension advisory panel, with a budget of up to \$435,000 for salaries, excluding expenses, which in February 2017 backed the government's accounting on the teachers' pension plan.

The government also issued a 1057-word rebuttal of Lysyk's findings on its Fair Hydro Plan, stating, "the **government of Ontario** does not agree with the assertions and conclusions expressed in the report by the Office of the Auditor General", adding it had

consulted “legal, accounting, financial and energy sector third-party experts” to ensure it was in compliance with “Public Sector Accounting Standards.”lgoldstein@postmedia.com @sunlorrie

- **Length:** 677 words
- **Tone:** Negative
- **Reach:** 222184
- **Illustration:** Stan Behal, Toronto Sun Files / KATHLEEN WYNNE; / SOUSAFinance minister;

EDITORIAL: Liberals hiding deficit, second watchdog says

- [torontosun.com](#)
- **Wed Dec 13 2017**
- **Section:** Editorials
- **Byline:** Postmedia News
- [Permalink](#)

The financial credibility of Premier Kathleen Wynne’s government has taken another huge hit with a second independent, non-partisan financial watchdog of the Ontario Legislature saying Liberal claims they’ve balanced the budget are inaccurate.

The legislature’s Financial Accountability Office Monday supported an earlier finding by auditor general Bonnie Lysyk that the Liberals are using accounting tricks to hide their deficits from the public.

Contrary to claims by Wynne and Finance Minister **Charles Sousa** in his April 28 budget speech projecting balanced Ontario budgets for 2017, 2018 and 2019, the FAO reported the Liberals are running a deficit this year and predicted they will continue to do so under their current fiscal policies.

The FAO projects the provincial deficit at \$4 billion this year, \$7.1 billion in 2018, \$7.8 billion in 2019, \$9 billion in 2020 and \$9.8 billion in 2021.

It says these projections are based on weaker revenue growth and the Wynne government’s rejection of “the Auditor General of Ontario’s recommended accounting treatment for both the government’s Fair Hydro Plan and the net pension assets of jointly-sponsored pension plans.”

Defying the auditor general, the Wynne government hired what it described as an expert panel, which endorsed its pension accounting.

It also denied Lysyk’s finding its financing of the Fair Hydro Plan to reduce electricity rates by 25% is an accounting trick.

Lysyk said this will cost Ontarians \$39.4 billion, including \$4 billion extra in interest payments, because the Liberals are transferring the **debt** to Ontario Power Generation

to keep it off the province's books.

FAO chief economist David West said Monday in releasing the FAO's report which backed Lysyk that: "The government is out borrowing this money. This current year they're going to borrow \$23 billion in the markets. That's going to rise to \$45 billion in the coming years."

The FAO said the Fair Hydro Plan will add \$3.2 billion to the deficit by 2021-22.

It also said the Wynne government's rejection of Lysyk's recommended accounting measures means, "it is becoming more difficult for legislators and the public to assess the government's fiscal projections" which "has reduced the transparency and reliability of Ontario's fiscal plan."

In other words, the Liberals' budgeting can't be trusted.

- **Length:** 346 words
- **Tone:** Negative
- **Reach:** 326700

Liberals Under Fire For 'Cooking' Ontario's Books; 'Fair Hydro Plan' undermines accountability standards

- **Toronto Sun**
- **Sun Oct 22 2017**
- **Page:** A5
- **Section:** News
- **Byline:** Antonella Artuso
- **Source:** Toronto Sun

Ontario's Auditor General Bonnie Lysyk revealed this week that Kathleen Wynne's government hid the cost of its "Fair Hydro Plan" from taxpayers.

The way they did it has raised concerns other governments across the country could follow suit and bury deficits.

Although ratepayers will get a temporary, 25% break over four years on their hydro bills, the plan will cost "up to \$4 billion more than necessary" in interest, Lysyk said.

The Liberals also "improperly" moved \$26 billion in hydro **debt** off their books, borrowing the money through Ontario Power Generation, and as a consequence hydro ratepayers will face increases for 30 years.

Lysyk argued that was like claiming your credit card **debt** is an asset.

Tory leader Patrick Brown was more blunt, accusing the government of "cooking the

books” to “look good in an election year” “Ontario’s Auditor General uncovered an appalling attempt to hide the true \$4 billion cost of Kathleen Wynne’s hydro rebate scheme, a price which will be paid by ratepayers, Brown said in a statement.

“She concluded senior government officials knowingly ignored the government’s own policy for preparing financial statements to create an unnecessary, complex, financing structure designed to keep the true financial impact of its rate reduction scheme off the province’s books.

“More damningly, the Auditor General said the Canadian Public Sector Accountability Standards are the standard for all federal and provincial governments of Canada and that the Liberal Government “has brushed aside these standards,” he said. “The unavoidable and very strong suggestion is that something highly improper has transpired.”

Meanwhile, Ontario’s budget slight-of-hand is raising questions across the country.

“Listen, if Ontario can legislate an asset in this case, and everybody thinks that’s okay, then you can bet your booties Quebec will be right on the train following them and so will British Columbia,” said Tim Besuchamp, the former director of the Public Sector Accounting Board (PSAB) of Canada. “Anybody who’s got a deficit - they’ll just make it go away by creating an asset.”

If Ontario’s method of accounting for expenses spreads, taxpayers might never know if their government is truly in the red or black or even how big a **debt** has been run up, said Beauchamp, who’s spent 27 years helping develop clear and open accounting standards so citizens can see what their governments are doing.

“And so the bottom line, everything balanced to zero,” he said. “And that’s just not the way it is.”

For their part, Ontario Energy Minister Glenn Thibeault said the government wanted to make sure the borrowing costs for the Fair Hydro Plan were borne by hydro customers, not taxpayers.

Rate-regulated accounting is commonly used in the energy sector, he said, and cast doubt on the auditor’s projection of \$4 billion in extra borrowing costs.

Colin Nikolaichuk, a spokesperson for Thibeault, said in an email that “It was essential that we get the structure right (of the Fair Hydro Plan) while delivering the meaningful relief Ontario families needed,” Beauchamp acted as a consultant for Lysyk but said she only asked him what he thought of the accounting plan, not to confirm her opinion.

Lysyk also canvassed Auditors General across Canada, and everyone agreed that Ontario was going down the wrong path, he said.

"If they get that through to the province's financial statements, then every province, every municipality in Canada, will take advantage of it," Beauchamp said. "It will destroy what the Public Sector Accounting Board has worked for ever since it started."

Public accounting standards, in the U.S. as well as Canada, mandate that governments not treat taxes yet to be levied as an asset, he said.

He dismissed the position of the **Ontario government**, that this is at its heart an accounting dispute.

"(This) is going to bleed through the whole public sector in Canada," Beauchamp said. "It sets a precedent...It's not two accountants sitting in a boxing ring having it out with each other." aartuso@postmedia.com

- **Length:** 650 words
- **Tone:** Negative
- **Reach:** 222184
- **Illustration:** Craig Robertson, Toronto Sun / Premier Kathleen Wynne defends her government in the Legislature regarding a special report from Ontario Auditor General Bonnie Lysyk, inset.; / (See hardcopy for photo);

Provincial **Debt**: The Next Generation; Ontario set to hand billions in unpaid bills to young people

- **Toronto Sun**
- **Fri Oct 20 2017**
- **Page:** A6
- **Section:** News
- **Byline:** Antonella Artuso
- **Source:** Toronto Sun

Ontario is facing three decades of soaring **debt** unless the provincial government permanently raises revenues or cuts spending by at least \$6.5 billion, the Financial Accountability Office of Ontario (FAO) says.

Otherwise, much like the recent decision to push off some hydro costs on future Ontario electricity customers, it will have to go on the tab of younger generations.

FAO chief economist David West said that as the baby boomers retire and age, it will put enormous pressure on the provincial budget.

Without a significant and speedy response from government, the **debt**-to-GDP ratio would rise to a staggering 63% by 2050, gobbling up public funds for **debt** repayment charges instead of health and education services, he said.

"The longer the government delays fiscal policy changes, the more expensive it will be

for future Ontarians,” West said.

The FAO’s Long-Term Budget Outlook looked at the provincial economy and the province’s fiscal position over the next 30 years.

The report released Thursday opens with the Yogi Berra quote, “The future ain’t what it used to be.”

According to the FAO projections, unless Ontario makes significant changes to its budget, future governments will be in a poor position to respond to any financial crises such as a recession.

“Importantly, if the needed fiscal adjustments are postponed, the burden of stabilizing Ontario’s public finances would be increasingly shifted from the baby boom generation to younger Ontarians,” the report says.

The **Ontario government**’s vow to lower provincial debt-to-GDP from its current 40% to 27% by 2029-30 would require higher taxes or lower spending starting this year, the report says.

Finance Minister **Charles Sousa** said the report also notes that the growth in the province’s economy is projected to remain strong.

Seniors are living longer so the government is taking steps to encourage savings, one of the reasons why Ontario led the national discussion on enhancing pensions in retirement, he said.

“And as a government, we need to be fiscally responsible, we need to manage effectively those social programs, the extension of universal health care,” Sousa said.

PC MPP Vic Fedeli said the FAO painted “a very bleak and a very stark picture” of the province’s budget future.

“It won’t be left to just the baby boomers to pay the **debt**,” Fedeli said. “It’s now going to roll over into Ontario’s youth.”

Ontario already owes more than \$307 billion. aartuso@postmedia.com

- **Length:** 389 words
- **Tone:** Neutral
- **Reach:** 171076
- **Illustration:** Dave Abel, Toronto Sun / Onatrio's Financial Accountability Office says the province faces decades of soaring **debt** unless provincial revenues are boosted or the government slashes spending by at least \$6.5 billion. Finance Minister **Charles Sousa**, right, remains confident in the health of the provincial economy.; / (See hardcopy for photo);

Millennials will have to deal with Ontario's **debt** unless action taken: watchdog

- National Post
- Thu Oct 19 2017
- Section: PMN Canada
- Byline: The Canadian Press
- [Permalink](#)

TORONTO - Millennials will have to foot the bill for Ontario's rising **debt** over the next three decades if the government doesn't hike taxes or cut spending by \$6.5 billion annually to address major demographic changes, the province's fiscal watchdog warned Thursday.

As the baby boom generation ages, the province's economy will change, experiencing slow revenue growth and requiring increased spending on social programs like health care, Ontario's Financial Accountability Office explained.

Consequently, government **debt** - which currently sits at \$312 billion - will be driven up unless taxes are increased or spending is cut beginning next year, the office warned in its long-term budget outlook.

"If these difficult fiscal changes are postponed the burden of stabilizing Ontario's public finances would be increasingly, and arguably unfairly, shifted from the baby boom generation to younger Ontarians," said David West, the FAO's chief economist.

The FAO report, which took a year to research, said balancing the province's budget annually won't be enough to offset the financial impacts of the aging demographic. The government must generate surpluses and use that cash to pay down **debt**, it said.

West acknowledged, however, that a \$6.5 billion tax increase or spending cut would have large budget implications.

"(It's) roughly equivalent to eliminating funding for 40 per cent of the province's hospitals, raising the HST rate by two percentage points, or a 25 per cent increase in federal transfers," he said.

The report recommends the **Ontario government** stick to a promise it made to drop the provinces' **debt**-to-gross domestic product ratio from its current level at 40 per cent to 27 per cent by 2030. West said the measure, which gauges the province's ability to pay back and manage **debt** interest payments, would actually increase to 63 per cent by 2050 if significant fiscal changes aren't made.

"Since the demographic pressures on the budget will not intensify until the mid-2020s it will be tempting to postpone or even ignore the difficult fiscal policy changes that are going to be required to stabilize or reduce Ontario's **debt** burden," he said, adding that

would result in higher costs to reduce the **debt**.

Ontario Finance Minister **Charles Sousa** said the province takes the FAO's findings seriously, but he would not commit to either hiking taxes or slashing spending. The province will find ways to foster further **debt** management, he said.

"In all of Ontario's history, for that matter even Canadian history, very little has ever occurred in terms of reduction in actual **debt**," he said. "Ontario's **debt** is managed by its ability to support growth in our economy. I am very sensitive to the degree of **debt**."

Ontario Progressive Conservative finance critic Vic Fedeli called the FAO report a "bleak and stark" budget picture.

"The **debt** is going to crowd out the services that families need like health and education," he said. "All the things people have come to rely on they will struggle to pay for and the baby boomers **debt** will now roll over to the younger Ontarians."

Peter Tabuns, an NDP legislator said the government has been fiscally irresponsible and has tried to deal with budget shortfalls by selling off public assets.

"Their whole approach is one that's making the fiscal picture in Ontario much tougher," he said.

- **Length:** 532 words
- **Tone:** Negative
- **Reach:** 607500

Government borrowing to lower hydro bills gets broadside from AG

- **National Post**
- **Wed Oct 18 2017**
- **Page:** A5
- **Section:** Canada
- **Byline:** David Reevely
- **Source:** National Post

Hiding billions of dollars the **Ontario government** is borrowing to lower electricity bills for a few years will cost hydro users an extra \$4 billion, the province's auditor general reported Tuesday.

Maybe worse, Bonnie Lysyk said in a special report on the Liberals' "Fair Hydro Plan," the tricks the government is using throw doubt on all the province's books. The government, citizens, auditors and giant institutions that lend the province money are pretty much operating in a post-truth universe, where what the Liberals say is going on

with Ontario's finances has begun to drift from any previously understood shared reality.

What the Liberals have done “would be unacceptable in the private sector, and we maintain that this is also unacceptable in the public sector,” Lysyk reported. “If the consolidated financial statements are so unreliable that an adverse opinion is warranted, terms like ‘**balanced budget**’, ‘deficit’, ‘asset’ and ‘net **debt**’ will be meaningless.”

Here's what's happening. Earlier this year, Premier Kathleen Wynne gave up defending the increases in the price of electricity since the Liberals took over in 2003. She and her cabinet put together a plan to cut bills that amounted to paying today's costs with borrowed money and repaying it with interest later. It has already cut residential bills by an average of 25 per cent, beginning last summer. And it will increase them by a combined total of \$21 billion over time, when all that interest has to be paid, according to a report by Ontario's financial accountability officer (whose job is specifically to run budget numbers independently of the government, and whose findings Lysyk used for her dollar figures).

The argument the government makes is that the investment in cleaner and more reliable power will benefit us for a long time, so we should pay for it over more years - that's “fairer.” This is debatable but not obviously ludicrous. That additional “fairness” is costing \$17 billion in interest, spread out over years.

The Liberals really, really, really wanted to keep that **debt** off their books, so they could also go into the next election saying the budget is balanced. Borrowing billions in an election year would get in the way. So they did some financial engineering to put the **debt** on Ontario Power Generation instead. The Crown corporation is publicly owned but it doesn't get interest rates as good as the provincial government itself, so that's where the \$4-billion premium comes in.

Her team looked at emails from the upper reaches of several government ministries, though the Ministry of Energy kept some back, Lysyk's report says. “Hopefully they'll come to the conclusion that it can be financed by the province ... rather than externally, as that would be a lot simpler and cheaper,” she quotes one unnamed senior official, in an email. Nope. OPG is borrowing the money on our behalf and then there's a complicated interplay of regulatory and financial manoeuvres to book money we're expecting hydro users to pay for electricity in the 2020s, '30s and '40s as assets that balance off the **debt**. The essence is to say Ontarians are borrowing these billions as hydro ratepayers, not as voting citizens.

Same people, different hats, different rules.

All of which is bull, Lysyk says. The point of accounting is to tell you how much money you have, how much you owe and how much you are owed. That's what the standards for Canadian public-sector accounting are supposed to achieve.

“These standards are there to ensure that the financial reporting of government policy decisions reflects common sense: borrowings are **debt**, unearned revenue is not an asset today and when your expenses exceed your revenues, you incur a deficit,” Lysyk said Tuesday. Nobody has used electricity in 2025 yet, let alone 2040. You can’t count guesstimates of use and prices 20 years down the line as an asset today.

The usefulness of doing so was visible when Energy Minister Glenn Thibeault and Treasury Board president Liz Sandals responded to Lysyk’s report. They think the \$4-billion estimate for the extra cost of hiding the **debt** is too high. They argue the gap between the government’s interest rate and Ontario Power Generation’s might not be as big as the financial accountability office thinks.

They could be right - we won’t know for sure till the 2040s. So it’s a bit weird to account for it as if it’s fait accompli.

The government even went shopping for different accounting standards it might use, Lysyk’s report says, trying out rules used for private businesses in the U.S. because they seemed friendlier. Consulting firm Deloitte told the government this was OK, a position it repeated at the government’s request on Tuesday after Lysyk released her report.

Maybe reasonable accountants can disagree about this. But the ground they’re fighting over is whether the trick the Liberals used to keep the **debt** off the government books at a cost of billions of dollars is an acceptable trick, not whether they’re keeping the **debt** off the government books or whether it’s going to cost billions of dollars.

Which is just what you want from your government, right? Ottawa Citizen

- **Length:** 847 words
- **Tone:** Neutral
- **Reach:** 159480
- **Illustration:** Brian Thompson, Postmedia News / Hiding billions the **Ontario government** is borrowing to lower electricity bills for a few years will cost hydro users an extra \$4 billion, the province’s auditor general says.;

Liberals costing us extra \$4 billion in interest costs

- **torontosun.com**
- **Tue Oct 17 2017**
- **Section:** Regional
- **Byline:** Antonella Artuso Toronto Sun
- [Permalink](#)

The Kathleen Wynne’s Liberal government is flouting accounting rules and taking on an unnecessary \$4 billion in extra borrowing costs — to be applied to future electricity bills — to keep the true cost of its Fair Hydro Plan buried, Ontario Auditor General Bonnie Lysyk says.

A battle between accountants is not usually the stuff of Hollywood blockbusters, but Queen's Park was enthralled Tuesday as Lysyk and her experts faced off against the government and its counter experts.

While the Liberals tried to minimize the conflict as a mere accounting dispute, Lysyk said what was at stake was far more important as the financing manoeuvre allows the government to write its own budget bottom line.

"This is wrong," she said.

Under public pressure to respond to soaring hydro costs across Ontario, Wynne earlier this year released a plan that reduced bills by 25% on average, and promised to keep increases to the rate of inflation for four years — in part by eliminating the provincial portion of the HST from bills.

The government also announced that it would open contracts it had signed with private power suppliers, such as Bruce Nuclear and wind and solar providers, and refinance those usually 20-year deals over a longer period to lower bills in the short-term.

However, instead of borrowing that money itself — the provincial government gets a really good rate — the Wynne team decided to ask Ontario Power Generation to borrow it at higher rates.

The difference adds up to an extra \$4 billion in borrowing interest costs — for a total cost of \$39.1 billion for the hydro plan — but means that extra red ink doesn't show up on the province's books, Lysyk said.

Internal government correspondence shows that was the goal of the financing plan, she said.

Energy Minister Glenn Thibeault said the government made a policy decision that the cost of refinancing electricity assets would be borne by the hydro ratepayer, not taxpayers, as has been the historic practice.

The government's accounting method has been reviewed and approved by senior staff from several ministries, the cabinet office, Ontario Power Generation, the Independent Electricity Operator, and third-party consultants, including KPMG and Deloitte, he said.

Treasury Board President Liz Sandals noted that they also took hydro relief programs off of the electricity bill, and placed them on the government books, because that was a more appropriate way to record the expense.

"There was no fast ones being pulled at all," Thibeault insisted.

The government is now estimating the cost of the Ontario Fair Hydro Plan (OFHP) at

less than \$20 billion.

Lysyk said she consulted with auditor generals from across Canada, and attending in support at her media conference was Tim Beauchamp, the recently retired director of the Canadian Public Sector Accounting Standards Board.

The provincial government's method of accounting, a first in Canada for any government, is not yet carved in stone and the \$4 billion can be saved, Lysyk said.

"There's still time to fix it," she said.

What the opposition parties had to say

The Ontario Liberal government "cooks the books" — spending up to \$4 billion more than necessary to hide the true cost of its latest hydro scheme, Progressive Conservative Leader Patrick Brown says.

By structuring the cost of the Ontario Fair Hydro Plan (OFHP) in such a way that it was off the government books — adding to borrowing costs but not showing up as more red ink in the provincial budget — the Liberals were essentially forcing taxpayers to fund their re-election campaign, he said.

"This is cynical politics at its worst, making up their own rules, charging Ontario families more to serve the partisan interests of the Liberal Party," Brown said, shortly after a damning auditor's report was tabled in the Ontario legislature Tuesday.

The Ontario Liberals, who ran a budget deficit for several years after the 2008-09 recession, announced in their spring budget that the books will be balanced for the upcoming fiscal year.

Provincial voters go to the ballot box this June.

NDP MPP Peter Tabuns, who also sided with the auditor general's view that this type of accounting was wrong, said the government was attempting to book as an "asset" its ability to charge future hydro ratepayers more than their power will be worth.

"This was one of the most shameless displays I've ever seen from Liberal cabinet ministers," Tabuns said, after Energy Minister Glenn Thibeault and Treasury Board President Liz Sandals defended their financing decisions. "They're trying to make this whole thing to be a fight over accounting. The guts of this is that the government is spending \$4 billion more in interest that we're going have to pay for in our hydro bills, so they can move these numbers off their books so they can make it look like they're not running a deficit."

What the Auditor General of Ontario Bonnie Lysyk says:

Kathleen Wynne government's complex financing for Ontario Fair Hydro Plan (OFHP) needlessly dumps up to \$4 billion more in borrowing interest costs on Ontarians.

Only reason to spend extra \$4 billion is to ensure that the expense doesn't impact government's surplus and deficit figures.

No government in Canada has ever used this method of accounting before, like booking credit card **debt** as an asset. The government books should reflect the costs of its policy decision — about \$2.5 billion a year until 2027.

Ministry of Energy gave law firm \$500,000 retainer to go through its OFHP e-mails, requested by the auditor, and still haven't turned over everything even though other energy agencies have. Government spent at least \$2 million on outside advisors to design this financing structure.

Total bill for OFHP — \$39.4 billion over 30 years.

What the **Ontario government** and energy agencies say:

Total bill for OFHP will be under \$20 billion, down from an estimate of \$27 billion in March.

Auditor's e-mail request pulled over 100,000 e-mails, so lawyers needed to go through them to ensure they were on topic. About 7,000 have been turned over already.

Financing decision was based on government policy to make sure hydro ratepayers, and not taxpayers, covered the cost.

Similar accounting methods are used by many energy agencies, here and in the United States.

Government enlisted advice of many experts, including KPMG, on the structure of the accounting.

- **Length:** 1034 words
- **Tone:** Neutral
- **Reach:** 326700

Government and auditor general at odds over size of Ontario's deficit

- **thestar.com**
- **Thu Sep 7 2017**
- **Section:** News | Toronto Star
- **Byline:** Robert Benzie

It's not quite Mayweather-McGregor, but the stakes are high in the accounting slugfest between the provincial government and the auditor general.

Finance Minister **Charles Sousa** and Treasury Board President Liz Sandals - and the bureaucrats in their ministries - say Ontario's deficit last year was \$991 million, while auditor general Bonnie Lysyk maintained it was \$2.44 billion.

At the same time, the province said the net **debt** was \$301.6 billion, while Lysyk calculated it was \$314.1 billion.

The actuarial dispute - a reprise of last year's tussle (www.thestar.com) between Queen's Park and the fiscal watchdog - stems from a difference of opinion over whether the government should include on its bottom line its share of assets from the teachers' and public servants' pension funds that it co-sponsors.

Sandals on Thursday shrugged off Lysyk's accounting (www.thestar.com) interpretation, which lead to her to issue a qualified audit opinion on the province's books for the second year in a row.

"The experience last year was the books were qualified on the same issue and it didn't impact the credit ratings," the treasury board president said.

"Quite frankly, I don't think the public is terribly hung up on accounting disagreements."

Sousa noted the books are balanced this year, but he refused to bite when asked what plans the Liberals have for an expected budget surplus next spring before the June 7 election.

A government-appointed panel of accounting experts concluded earlier this year that Lysyk erred (www.thestar.com) when she claimed the province couldn't count as assets the taxpayer-funded surpluses in the co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan.

Still, the auditor general (www.auditor.on.ca) , who has sparred with the government for years on myriad issues, stuck to her guns.

"The Legislature and all Ontarians must be able to rely on the province's consolidated financial statements to fairly report the fiscal results for the year. This year they cannot do so," she said.

Lysyk warned that her next target will be an audit of the government's 25-per-cent electricity rate cut, which "may lead to a larger understated deficit and net **debt** next year."

A special report on the scheme will be released this fall.

- **Length:** 393 words
- **Tone:** Negative
- **Reach:** 999000
- **Illustration:** Finance Minister **Charles Sousa** said Thursday the books are balanced this year, but he refused to say what plans the Liberals have for an expected budget surplus next spring before the June 7 election.

Is Ontario deficit really \$991M?

- **Toronto Sun**
- **Fri Sep 8 2017**
- **Page:** A6
- **Section:** News
- **Byline:** Shawn Jeffords
- **Source:** The Canadian Press

The **Ontario government** posted a \$991-million deficit last year - and said Thursday it had beat its 2016 projections by \$3.3 billion.

But the province's auditor general says the Liberal government is "significantly understating" its deficit, which she pegs at \$1.4 billion.

Ontario Finance Minister **Charles Sousa** and Treasury Board President Liz Sandals made the announcement Thursday as they released the province's 2016-2017 public accounts.

The government attributes the results to billions of increased revenue, a cut in program spending, and smaller interest costs to service the province's **debt**.

In 2016, Ontario's auditor general Bonnie Lysyk questioned the province's decision to include a pair of public pensions - the Ontario Public Service Employee's Union Pension Plan and the Ontario Teacher's Pension Plan - as assets on its balance sheet. As a result, she has offered a "qualified" opinion on the financial statements two years in a row.

Sandals maintains the government is following established accounting practices and people don't care about the on-going squabble.

"The public wants to know, are you managing your deficit?" she said. "Are you going to balance the budget this year? Quite frankly, I don't think the public is terribly hung up on accounting disagreements." Lysyk disputes the government's figures and says "the statements were not prepared following Canadian Public Sector Accounting Standards."

- **Length:** 213 words
- **Tone:** Neutral
- **Reach:** 171076
- **Illustration:** / SOUSAAnnouncement; / SANDALS"Qualified";

Ontario says 2016 deficit was \$991 million, beating target by \$3.3 billion

- **National Post**
- **Thu Sep 7 2017**
- **Section:** PMN Canada
- **Byline:** The Canadian Press
- [Permalink](#)

TORONTO - The **Ontario government** posted a \$991-million deficit last year - beating its 2016 projections by \$3.3 billion.

Ontario Finance Minister **Charles Sousa** and Treasury Board President Liz Sandals made the announcement today as they released the province's 2016-2017 public accounts.

The government attributes the results to billions of increased revenue, a cut in program spending, and smaller interest costs to service the province's **debt**.

Ontario's auditor general has questioned the province's decision to include a pair of public pensions as assets.

But the government maintains it is following established accounting practices by doing so.

Sousa says the province will balance its budget in 2018-2019 ahead of next spring's provincial election.

- **Length:** 110 words
- **Tone:** Neutral
- **Reach:** 607500

Hansard Scan

- **8** or **19%** of the questions directed to the Minister of Finance in the fall 2017 session of the legislature were about fiscal accountability.
 - **7** of these questions cited a report or commentary by the FAO.
 - **5** of these questions cited a report by the Auditor General.
 - The Minister of Finance was asked **3** questions on fiscal accountability following the release of the Auditor General's report on the Fair Hydro Plan.
- The Minister received **1** question on the privatization of public assets and the partial sale of Hydro One, following news about the Canadian Union of Public Employees' (CUPE) lawsuit.
- **5** or **12%** of the questions directed to the Minister of Finance in the fall 2017 session of the legislature were about the government's fiscal policies.

Ontario Hansard - 11-September2017
FISCAL ACCOUNTABILITY

Mr. Victor Fedeli: Good morning, Speaker. My question is for the finance minister. For years, this government has been presenting our Legislature with made-up finance numbers. Whether it was from the independent experts or the government's own confidential cabinet documents received in the gas plant scandal, it's been proven that the numbers they present to the public are simply made up to fit their story. Last week, the Financial Accountability Officer—

The Speaker (Hon. Dave Levac): The members will lose their props shortly and actually get warned if they do it again.

Interjection.

The Speaker (Hon. Dave Levac): You want to make an excuse? You know what I'm talking about, and you know you're not supposed to do that.

Carry on.

Mr. Victor Fedeli: Last week, the Financial Accountability Officer provided irrefutable evidence they were using "unlikely assumptions" for debt reduction claims. He projects a "steady deterioration in the budget deficit over the next five years." All of their made-up numbers don't come anywhere near historical numbers. It's only wishful thinking.

I would ask the minister, if he can't present the province's finances with integrity—

The Speaker (Hon. Dave Levac): Thank you.

Minister of Finance?

Hon. Charles Sousa: Let me begin by thanking the Financial Accountability Officer for the work he does, and their department, recognizing their sensitivity analyses that they provide.

Every year, similar accusations are made by the member opposite, and every year, we exceed our targets. Every year, we exceed our targets, and public accounts reaffirms that. We beat our deficit by \$3.3 billion this year. We are the leading jurisdiction in North America when it comes to economic growth. Our unemployment rate is at 5.7%. We're on track to balance the budget—as we said we would—this year, next year and the year after that.

The Speaker (Hon. Dave Levac): Supplementary.

Mr. Victor Fedeli: Back to the finance minister: As if the blistering commentary from the FAO wasn't enough, the Auditor General has now weighed in. She said that this government's annual deficit is understated, net debt is understated and accumulated debt is understated. We're not talking nickels and dimes here. The auditor says that our deficit is \$1.5 billion more and our net debt is \$12.5 billion more than reported. For the second year in a row, the auditor has said, "Based on the ... evidence ... the statements are significantly misstated."

Both of the legislative officers have told us that this government's numbers can't be trusted. I ask the minister: Why does it always take the Financial Accountability Officer, the Auditor General or the OPP to get to the truth in Ontario?

Hon. Charles Sousa: Investors around the world are investing in Ontario for a reason. They recognize that Ontario's economy is growing. They're recognizing that our fiscally responsible approach to growing the economy, investing in things that matter, is working. And our plan is working. We're borrowing \$30 billion less than we had anticipated. Our net debt to GDP is lower now than was anticipated and is tracking to go further down.

As we produce and as we move forward, we're taking every necessary step to grow the economy. And as we grow the economy, it enables us to source more opportunity to invest in things that matter to Ontarians, things that that member and his party opposite have voted against. They voted against providing more free tuition for our students. They voted against the very nature of trying to provide extended pharmacare for every young person under 25. These are the reasons we're able to do that: because we've balanced the budget and we're taking the steps necessary to invest in infrastructure. That makes us competitive and enables us to balance the books all the while.

Mr. Patrick Brown: My question is for the Minister of Finance. CUPE announced this morning that they are appealing the ruling in their lawsuit against the government. That, of course, would be the lawsuit that alleges that the sale of Hydro One was motivated by improper and ulterior purposes. CUPE alleges that it does not benefit the people of Ontario. In a direct quote—this is about “lining the pockets of political cronies on Bay Street and funnelling money” into party coffers.

Mr. Speaker, 80% of the province is against this fire sale of Hydro One. Was the government, according to CUPE, motivated by improper and ulterior purposes?

Hon. Charles Sousa: The answer is no, Mr. Speaker.

The Speaker (Hon. Dave Levac): Supplementary.

Mr. Patrick Brown: Again to the minister: One of the government’s defences was that they were going to be using the fire sale of Hydro One for infrastructure. What’s really interesting is that the member for Dufferin–Caledon exposed yesterday that 20% of the infrastructure budget was not used. That added up to \$3.3 billion. Coincidentally, that \$3.3 billion is pretty close to what the Hydro One sale was supposed to net for infrastructure—an interesting coincidence.

My question is pretty simple. Mr. Speaker, to the Minister of Finance: Why sell Hydro One for apparent infrastructure money if the Liberals weren’t going to use it?

Hon. Charles Sousa: This province, under this government, over the last 10 years, has contributed more to our infrastructure spend than other governments combined over that history. We have put in our budget \$190 billion over the next 13 years. That member opposite voted against those measures.

The law case that he makes reference to has been dismissed by the courts without merit. He knows that, and he’s trying to infer something he knows is not true. What we’re doing is stimulating growth, improving our economy and balancing the books, and we are making the investments necessary for our future competitiveness.

The Speaker (Hon. Dave Levac): Supplementary.

Mr. Patrick Brown: Mr. Speaker, again to the Minister of Finance—and I did not get a response on why the Hydro One fire sale funds were not used on infrastructure.

Fred Hahn from CUPE had a pretty good quote that I’ll quote right here. He said, “The case is about more than the sale of Hydro One. It’s about the government’s responsibility to act in the best interest of its citizens. When a government abandons that responsibility, and does so to the benefit of their political party, they must be held accountable.”

CUPE is right. There must be accountability. Will the minister admit that the sale of Hydro One was not about the best interests of the province of Ontario; it was about the Liberals trying to find funds to make up for their promises that they can't honour? This was not about the best interests of Ontario; it was about the best interests of the Ontario Liberal Party.

Hon. Charles Sousa: We are repurposing some of our assets, as all governments do over the course of their mandates, to try to ensure that we invest most appropriately in those measures for the benefit of our economy. That is in the best interests of Ontarians. Ontarians will remain the largest shareholder of a much more productive organization, reinvesting those proceeds into infrastructure—

Interjection.

The Speaker (Hon. Dave Levac): The member from Bruce–Grey–Owen Sound, come to order.

Finish, please.

Hon. Charles Sousa: We established the Trillium Trust to ensure that all those proceeds, dollar for dollar, get earmarked specifically for those investments. The member opposite knows that, and he voted against those measures.

We are going to continue to work in the best interests of Ontarians, and that is what's important. We are looking long-term, and we're not making these election-cycle decisions that this member opposite, who has no plan, who has offered nothing in return—

The Speaker (Hon. Dave Levac): Thank you.

New question.

Ontario Hansard - 03-October2017

GOVERNMENT FISCAL POLICIES (GOVERNMENT RECORD)

Mr. Arthur Potts: My question is to the Minister of Finance. In 2010, this government promised to eliminate the deficit and balance the budget by 2017-18. This was not very long

after the 2008-09 recession, which had very extremely negative impacts on countries around the world, and Ontario, of course, was not immune.

However, rather than slash the programs and services upon which Ontario families rely in order to eliminate the deficit, I am very proud of the fact that our government chose to build Ontario up. The investments that we have made in transit, schools, hospitals and education have led people to choose Ontario as their home now more than ever. And I, for one, am happy to see that there are more supports for municipalities. Ontario cities and towns are now receiving four times the level of support they got in 2003, more than \$4 billion in support.

Can the minister remind the House how on this side of the House we've been able to invest in the people of Ontario for 14 years without the slashing and cutting that they would do on that side of the House?

Hon. Charles Sousa: I thank the member for the question. For the past 14 years, our government has taken a balanced approach to keeping Ontario at the forefront of a global economy. We managed our expenses and transformed how we deliver public services, making them more efficient and more effective.

This is the type of financial responsibility that the opposition doesn't understand. By investing in progressive policies, we're stimulating growth in our economy. We're making historic infrastructure investments: \$20 billion into hospitals, \$16 billion into schools, free tuition for our students and free pharmacare for our young people. Meanwhile, our program-expense-to-GDP is lean and lower than pre-recession levels.

Let me remind you: Under the previous PC government, Ontario taxpayers were paying 15 cents for every dollar earned just to service the debt. Now in Ontario we're paying only 8.4 cents, and next year it will be even lower. We've eliminated the deficit, we've balanced the budget and that means more money to invest in health care, education and other public services that—

The Speaker (Hon. Dave Levac): Thank you. Supplementary.

Mr. Arthur Potts: Back to the Minister of Finance: If you listen, Speaker, to what the opposition are saying, they want people to believe that we've made no advancements over the last 14 years. They would like people to believe we have had no improvements in businesses and no investments in industries like the tech sector and the STEM sector. They would want you to believe—

Mr. Victor Fedeli: They advanced, but they all advanced backwards. They advanced backwards.

The Speaker (Hon. Dave Levac): Too late. The member from Nipissing is warned.

Interjections.

The Speaker (Hon. Dave Levac): In case the member needs a reminder, we're into warnings.

Mr. Arthur Potts: They would want us to believe that Ontarians have not been working hard to grow this economy into one of the strongest in Canada and all of North America. It's hard to rectify that with what the Minister of Finance has just spoken about: how, under Liberal leadership, we have dug Ontario out of the recession, and how, because of this, we are now able to make very progressive investments in new policy that will attract foreign investment.

Can the minister tell us about the great progress that this side of the House has made over the last 14 years, to make Ontario the best place to create and grow jobs?

Hon. Charles Sousa: Minister of Economic Development and Growth.

Hon. Brad Duguid: I'm very proud to stand up today to say that we've worked tirelessly with our business community and Ontario workers to build Ontario up and to turn our economy into one of the strongest in Canada and North America.

Yes, we've weathered one of the worst recessions we've seen in recent memory. Since then, we've added 760,000 net new jobs. Since then, and for the last three years, we've been leading the G7 in growth. Since then, we've brought our unemployment rate down to 5.7%, the lowest in 16 years. Since then, we've invested \$3 billion in partnerships with businesses, leveraging \$27 billion in private sector investment, supporting 170,000 jobs and, just as importantly, we're now poised to lead in the new global economy.

We've transformed our economy; we're heading in the right direction—

The Speaker (Hon. Dave Levac): Thank you. New question.

Ontario Hansard - 05-October2017
FISCAL ACCOUNTABILITY

Mr. Victor Fedeli: My question is for the Minister of Finance. Last month, there were two

legislative reports on the state of Ontario's finances. They were described as blistering and scathing. Those descriptions, Speaker, are well deserved.

Both of the Legislature's—

Interjections.

The Speaker (Hon. Dave Levac): Stop the clock, please. The member from Beaches–East York, come to order.

As I indicated to both sides, I'm not going to tolerate the interjections, and you'll see how quickly I'll deal with them if I have to.

Continue, please.

Mr. Victor Fedeli: Both of the Legislature's independent officers openly challenged the ministry's credibility. The Financial Accountability Officer said that the minister is using "unlikely assumptions" to make his debt claims. In fact, they said that if any of these wild assumptions fall short, the government's targets would not be achieved. They particularly took issue with the government's overly optimistic growth projections.

If the FAO doesn't believe the minister's numbers, why should the people of Ontario?

Hon. Charles Sousa: Economists independent of government across Canada have cited this: Ontario is leading the way in economic growth in our country. The Conference Board of Canada has cited that we've outperformed and had the most transparent levels of reporting than any other government in Canada.

This member opposite continuously degrades and talks down the outstanding achievements of Ontarians and businesses in our province that are creating wealth, creating greater prosperity, and hiring for more jobs. We have the lowest unemployment of any part of this country, and we are overachieving every single year that we put forward our budgets, to the benefit of Ontario.

We've reduced the deficit to under \$900 million just last year, and we're going for it: We're balancing the budget this year, next year and the year after that.

The Speaker (Hon. Dave Levac): Supplementary?

Mr. Victor Fedeli: Back to the minister: The FAO's comments were strong enough, but the Auditor General painted an even more damning picture of the minister's financial reporting. For the second year in a row, the auditor wouldn't sign off on the province's books without a big asterisk.

The auditor went further, stating flat out that the statements are “significantly misstated.” She says our deficit last year was \$1.4 billion higher than claimed, and our debt is a whopping \$12.4 billion higher. She warned us and the markets and investors that we need to be able to rely on government figures being accurate, but “this year they cannot do so.” That’s her quote. You cannot rely on their numbers.

Again we ask—and I know they’re belittling the auditor; I can hear their comments again. But we ask: If the AG and the FAO don’t believe the minister’s numbers, why should we?

Hon. Charles Sousa: Investors around the world believe our numbers. The people of Ontario and throughout Canada who buy our bonds believe our numbers. We have the highest liquidity of trade in bonds of any government across this continent, in fact.

Our debt-to-GDP has been reduced—and it continues to reduce—below 37%, again overachieving our targets. Our accumulated deficit—which is a representation of the historical activity of Ontario’s budgets—today is at around 27%, the same as it was 25 years ago. Our interest on debt as a percentage of revenue today is 8%. When he was in power, when the Progressive Conservatives were in power, Mr. Speaker, it was 15% of our revenues.

We are overachieving, and we continue to do so. We are using the same standards as we’ve always done, including what the Auditor General has done even as recently as three years ago.

1050

The Speaker (Hon. Dave Levac): Final supplementary?

Mr. Victor Fedeli: Back to the minister: If the minister is comfortable using, “significant misstatements” and “unlikely assumptions,” then it should be no surprise to hear what else he continues to claim.

They continue to say, “We’re leading the G7 in economic growth.” But Ontario is not number one, Speaker. There are 27 US states ahead of us.

The minister continues to claim that manufacturing exports are up, but StatsCan just last week reported that Ontario manufacturing sales suffered their largest decline in eight years.

Here are some of the recent headings: “July Trade Deteriorates”; “Exports Languish”; “Ontario Residents Hit by Manufacturing Downturn”; “International merchandise exports fell”; “Manufacturing sales slip.”

Speaker, given all these examples, plus the Financial Accountability Officer’s and the Auditor General’s criticism, how can anyone trust anything this government says?

Interjections.

The Speaker (Hon. Dave Levac): Be seated, please. Thank you.

Minister.

Hon. Charles Sousa: Mr. Speaker, facts do matter, and that side of the House—

Interjections.

The Speaker (Hon. Dave Levac): Well, we're there. From now on, we're going into warnings for those interjections. The member from Renfrew–Nipissing–Pembroke, come to order. You brought us to this point. Warnings are on.

Finish.

Hon. Charles Sousa: Mr. Speaker, facts matter. This member opposite is citing sources—

Interjection.

The Speaker (Hon. Dave Levac): The member from Leeds–Grenville is warned.

Carry on.

Hon. Charles Sousa: He's citing references from years past, recognizing that as of today, Ontario is ahead of the curve. Our unemployment rate is the lowest it has been in 16 years, at 5.7%.

That's not to say that we're not continuously looking at stimulating economic growth around all of Ontario, recognizing some regional disparities exist. That member opposite and that party voted against those measures that improve prosperity, stimulate new growth and continuously balance the books.

Ontario Hansard - 19-October2017

FISCAL ACCOUNTABILITY

Mr. Victor Fedeli: Good morning, Speaker. My question is for the Minister of Finance. This morning, we learned from the Financial Accountability Office that the government's debt

reduction claims are \$6.5 billion off the mark. The FAO said that's equal to eliminating funding for 40% of Ontario's hospitals, to put it in perspective. They painted a bleak and stark long-term budget outlook for Ontario.

Meanwhile, the government continues to insist they're on track even though they use the same data the Financial Accountability Office used. The FAO clearly stated, "without an adjustment to Ontario's fiscal policy," we will see increasing budget deficits and higher levels of debt.

The people of Ontario clearly cannot trust anything this government says. Will the minister come clean about their debt claims and tell us what they plan to do to address these new concerns?

Hon. Charles Sousa: I appreciate the question. I appreciate the work done by the FAO in regard to looking long term, in terms of the demographic and challenges that not only Ontario—he makes reference to the fact that all OECD countries everywhere around the world are going to be facing these challenges.

We, too, came out with a long-term report last year recognizing these very issues. The FAO rightly states that we have to take measures and have to address these long-term challenges. It is exactly what it is that we're doing in our budgets today. We are looking long term in terms of the programs we put in place to support health care, to support education. In fact, universal health care that has been expanded to youth under 25 is part of that. The work that we're doing with pension reform is part of that, both of which that side of the House have actually declined to do.

We need to support these very measures. We need to manage our fiscal house. That's why we're balancing the books this year, next year and the year after that.

The Speaker (Hon. Dave Levac): Supplementary?

Mr. Victor Fedeli: Back to the minister: The FAO confirmed again this morning that their so-called balance is all with the one-time asset sales and other one-time revenues. But here's why what the Financial Accountability Office said today matters to families: The FAO says not meeting the debt targets means there will be "less fiscal room for spending on government priorities, such as health and education." The FAO also said that Ontario is less able to respond to unforeseen events, such as the next recession.

Interjection.

The Speaker (Hon. Dave Levac): The chief government whip is warned.

Mr. Victor Fedeli: Perhaps worst of all, the FAO says continuing on this course will unfairly shift the fiscal burden from baby boomers to younger Ontarians.

This week, two independent officers of the Legislature have disputed the Liberals' numbers. How can families ever trust anything this government says again?

Hon. Charles Sousa: We came into office recognizing that the recession had hit us hard, recognizing that the Conservative government federally doubled their debt, had almost the highest deficit in Canada's history under their watch, and we on this side of the House also recognize those challenges. It is why we stimulated growth, invested heavily in infrastructure to build our economy and support the people of Ontario.

Today, we're outpacing Canada and the G7 countries. Today, we have the lowest unemployment in 17 years. Today, 730,000 net new jobs have come to the province. Today, we are continuing to invest long term to address the very challenges that the FAO has rightly cited, ones that we accept and we are taking every step to manage going forward.

We are balancing. We're balancing the books this year. We're balancing the books next year and the year after that, and those members have voted against those measures.

Interjections.

The Speaker (Hon. Dave Levac): Just a little reminder: We're in warnings.

New question.

Ms. Andrea Horwath: My question is for the Acting Premier. Thanks to the Auditor General, we now know that the Premier and her Liberal government are forcing Ontario families to pay \$4 billion just to hide the damage that her hydro borrowing scheme will do in the long run. We know that she was warned about the cost, we know she was given other options and we know she went ahead anyway.

Can the Acting Premier tell us who made the decision to ignore staff warnings and push ahead with a \$4-billion scheme?

Hon. Charles Sousa: Again, the premise of the question is erroneous. The estimation by the Financial Accountability Officer made reference to what he felt were estimated numbers based on estimated borrowings, which we're reminding everyone that that is not actually what has taken place. So the premise of the question is erroneous.

There is a plan before us which reduces hydro rates, electricity rates, for Ontarians across the province by 25%, enabling us to do so in a responsible manner, which the opposition have now declined.

The Speaker (Hon. Dave Levac): Supplementary?

Ms. Andrea Horwath: Speaker, I would trust the estimations of the FAO and the Auditor General much more than I would expect to trust the estimations of the government. If you recall, this government estimated a \$40-million cost of the gas plants scandal, and that was \$1.1 billion, so I'm not going to take their estimations; definitely not.

In addition to the \$4 billion that this Premier spent to hide the real cost of her \$40-billion borrowing scheme, they also forked over another \$2 million to consultants to help design said scheme. Since they won't tell us about the \$4 billion, will the Liberal government at least make these consultants' contracts public so Ontarians know who exactly it is that's advising the Premier and what direction she was given?

Hon. Charles Sousa: President of the Treasury Board.

Hon. Liz Sandals: First of all, I think it's important to understand that the numbers that the leader of the third party is throwing around were estimates of something or other—projections that came from the FAO. They were not documents that were ever presented to cabinet on which to base a decision. They were projections that came after the fact. They were not cabinet decision-making documents.

The decision that cabinet did make was an important policy decision to say that things that actually have to do with electricity production belong on the rate base, from an accounting and from a real perspective—a financial, fiscal plan perspective. Things which have social policy

impacts belong on the tax base. That's exactly what the accounting is based on, that policy decision to put electricity on the rate base.

The Speaker (Hon. Dave Levac): Final supplementary?

Ms. Andrea Horwath: I have not been gobsmacked in this place for a long time, but for a minister to get up and talk about estimations of “something or other” is pretty worrisome. For a governing party to do that is pretty worrisome.

We know that the Liberal government knew how much it was going to cost to hide the disastrous effect of their borrowing scheme from the public. We know that they knew it was going to cost Ontario families \$4 billion to do, and clearly they just didn't care that they were going to spend \$4 billion to cook up this scheme. We also know that the people of this province paid an additional \$2 million for consultants to tell them how to pull it off.

Why is the Liberal government putting themselves and their party ahead of families once again? They're looking after their political interests, the interests of the Liberals and this Premier, instead of the interests of the families in this province, who are struggling just to make ends meet and pay their skyrocketing hydro bills.

Hon. Liz Sandals: Minister of Energy.

Hon. Glenn Thibeault: When it comes to our policy decision, we actually made a decision that helps every single family in this province by reducing their electricity bills by 25%. Then we went even further: We brought forward our social programs, the OESP program and the RRRP program, for those folks who live in rural or northern parts of our province. They're going to see a 40% to 50% reduction on their bill. That's the policy decision that we made as a government. We made sure that we kept electricity generating assets on the electricity side, and those social programs that I talked about, we pulled those off of the rate base to lower the rates even more and we put that on the tax base.

When it comes to putting families first, it's this government that does so. It's this government that brought forward the reduction, and it's this government that continues to bring forward plans and policies that will—

Interjection.

The Speaker (Hon. Dave Levac): The Member from Renfrew–Nipissing–Pembroke, second time.

Wrap up, please—one sentence.

Hon. Glenn Thibeault: Thank you, Mr. Speaker. It is this government, not the opposition, that is making a difference in the lives of families in this province each and every day.

Mr. Victor Fedeli: Good morning, Speaker. My question is for the Acting Premier. Under the Fiscal Transparency and Accountability Act, the finance minister is required to provide a fall economic statement. Over the last 30 days, we've all heard the warnings made about this government's documents. The Legislature's Financial Accountability Office says the budget will not balance because the numbers are based on "unlikely assumptions." Last month, the Auditor General said this government has "significantly misstated" the numbers for two years running. Last week, the AG said the government "is making up its own accounting rules."

To the Acting Premier: Is there even a remote chance we're going to see any numbers we can believe?

The Speaker (Hon. Dave Levac): Acting Premier and Minister of Finance.

Hon. Charles Sousa: I reject the premise of this question and the notion which the individual is trying to also reflect. The fact is that Ontario, by all accounts, is leading Canada. We have the lowest unemployment in 17 years, almost 800,000 net new jobs from the depths of the recession. We've been very open and transparent and we've beaten our targets consistently, year over year, as attested by public accounts, which the Auditor General does confirm.

The member opposite may talk about expectations and exaggerations. We deal with the facts here, and we are exceeding and delivering for the people of Ontario.

The Speaker (Hon. Dave Levac): Supplementary?

Mr. Victor Fedeli: Back to the Acting Premier. Well, that's certainly not what the Auditor General told us last week.

The transparency act also requires the finance minister to release August and February reports every year, but, sadly, this minister has missed issuing almost all of them since his appointment. Considering the lack of trust in this government's numbers, we can see why they choose to snub their nose at our laws.

The minister is also required to publish a pre-election finance report, to be reviewed by the Auditor General. The government must provide detailed accounts, the very numbers that the Financial Accountability Officer says would "not be achieved," the very numbers the Auditor General says we "cannot rely on."

Will the government produce a pre-election report? Will there be any numbers in it we can actually believe?

Hon. Charles Sousa: Mr. Speaker, this is a good question, and I'll tell you why. That party, when they were in power, gave us a bogus budget that contained a \$5.5-billion—

Interjections.

The Speaker (Hon. Dave Levac): Come to order.

Hon. Charles Sousa: Because of their practices in the past, we passed a law requiring that all governments, going forward, must be open and transparent and deliver those very opportunities for the entire province to see before the next election. We are doing that. The fall economic statement is going to be delivered very shortly as will the future reports that are being questioned here.

1050

The Speaker (Hon. Dave Levac): Before I turn to the member, I would ask him to listen.

Final supplementary?

Mr. Victor Fedeli: Again to the Acting Premier: The two reports aren't the only documents the members of the House are waiting for, Speaker. The government has withheld thousands of emails from the Auditor General and spent \$500,000 on hired lawyers to stall their release. The Auditor General and this Legislature are entitled to those documents—not some of them, Speaker; all of them—and we want them now. Not only that, but the media were told in a response to a freedom of information request that no documents on consultants exist, when clearly they do.

Speaker, to the Acting Premier: The last Liberals that said there were no documents are now in a courtroom down the street. Is that where this one is heading too?

Hon. Charles Sousa: Minister of Energy.

Hon. Glenn Thibeault: Our government remains committed to being open and transparent and continues to co-operate—

Interjection.

The Speaker (Hon. Dave Levac): The member from Leeds–Grenville will withdraw.

Mr. Steve Clark: Withdraw.

The Speaker (Hon. Dave Levac): Carry on.

Hon. Glenn Thibeault: We continue to co-operate with the Office of the Auditor General. For

example, the Independent Electricity System Operator has so far provided 1,200 records to the Auditor General. OPG has provided hundreds of records. The Ontario Financing Authority has provided 3,242. The Treasury Board has provided thousands of records. We've provided 13,212. In this process, Mr. Speaker, and throughout everyday operations, we're adhering to all document retention standards.

Additionally, the ministry has informed me that we're continuing to release additional information to the Auditor General, and we're doing this because we understand the importance of providing the auditor with everything that she has asked for. The ministry has been regularly providing the Auditor General with additional responsive documents each week, and we'll continue to adhere to this process.

Ontario Hansard - 25-October2017

FISCAL ACCOUNTABILITY (GOVERNMENT ACCOUNTING PRACTICES)

Mr. Peter Tabuns: My question is to the Acting Premier. This government keeps insisting that

it must spend an extra \$4 billion on a complicated alternative financing scheme because it is the only way to keep ratepayer and taxpayer costs separate. But nearly 20 years ago, the government established the Ontario Electricity Financial Corp. as a way to separate taxpayer and ratepayer funds.

The problem for this government is that the OEFC debt stays on the government's books, and this government wants to keep deficits and debt off the books to make the Liberal Party look better. Will the government admit that it is wasting \$4 billion in ratepayer money for no other purpose than to help the Liberal Party?

Hon. Deborah Matthews: The Minister of Energy.

Hon. Glenn Thibeault: I'm very pleased to rise and talk about the policy decision that we made as a government. We all know that the fair hydro plan is actually reducing the rates by 25% for every single household in this province and for 500,000 small businesses and farms. That policy decision made sure that we actually looked at where the borrowing was coming from, and then made sure that the borrowing stayed within the electricity system.

We actually did pull costs from the rate base and put them onto the tax base. Those were the social programs. The Affordability Fund, which we announced yesterday, is a \$100-million fund which is going to help tens of thousands more people in this province with their electricity bills. We're going to continue to work for the people of Ontario and continue to provide the relief that we know they wanted and asked for.

The Speaker (Hon. Dave Levac): Supplementary?

Mr. Peter Tabuns: Again to the Acting Premier: The government could have used normal public sector accounting to achieve exactly the same policy goals, and it would have cost ratepayers \$4 billion less. They could have used the OEFC to administer the program and keep ratepayer and taxpayer funds separate.

The only reason to use this \$4-billion alternative financing trick is to hide the true cost of the government's hydro borrowing scheme from the public. Will the government help ratepayers instead of the Liberal Party and stop this needless waste of \$4 billion today?

Hon. Glenn Thibeault: Minister of Finance.

Hon. Charles Sousa: In regard to the OEFC, it is still involved. As the member may or may not know, during our recent transaction to broaden the ownership of Hydro One, it paid down OEFC debt, in order to accommodate our work.

Furthermore, we inherited a stranded debt of almost \$28 billion from the opposition, which was not a marketable opportunity, unlike what is happening here in this instance.

As we proceed forward, we are taking a proportionate amount off the tax base and we have taken a proportionate amount off the rate base, as is normal under these circumstances. OEFC is engaged, and it's doing its part.

Mr. Victor Fedeli: My question is for the Premier. The fall economic statement presented yesterday in this House is nothing more than a pre-election—

Interjection.

The Speaker (Hon. Dave Levac): Stop the clock. The Minister of Tourism, Culture and Sport will come to order. The next one gets us to warnings.

Finish, please.

Mr. Victor Fedeli: This is a pre-election house of cards. As we dig deeper into the numbers, it's clear that the Auditor General and the Financial Accountability Officer are absolutely correct not to believe them.

By the government's own admission, the economy will underperform many private sector forecasts for 2017, which had growth at 3% or higher. Despite the government's narrative, it doesn't line up with the fact that growth is slowing as we speak. Yet they're still predicting a \$10-billion revenue increase this year. None of that adds up.

To the Premier: Why do they continue to thumb their nose at the Legislature's independent experts, who say that the budget is not balanced?

Hon. Kathleen O. Wynne: Here are the facts that we are dealing with in Ontario.

Our economy has grown faster than all G7 countries over the past three years, and 800,000 net new jobs have been created since the recession.

Our unemployment rate is at a 16-year low, and it has been below the national average for 31 straight months.

We've beaten our deficit targets eight years in a row, and our debt-to-GDP ratio is projected to fall from around 40% to 37.8%.

The fact is that Ontario is doing very well. We are leading economic growth in this country.

What the member opposite fails to acknowledge is that there is more to be done, which is why our plan to raise the minimum wage, to ensure equal pay for equal work—those are the pillars of a fair society that apparently the member opposite is not interested in supporting.

Interjections.

The Speaker (Hon. Dave Levac): Be seated, please.

Supplementary.

Mr. Victor Fedeli: Back to the Premier: Well, again, none of that is agreed to by the Auditor General or the Financial Accountability Officer. By almost every metric, this government has underperformed since the 2017 budget. Revenues are up only \$115 million—nowhere close to their forecast—yet expenses are up \$215 million since the budget. Personal income tax and health premium revenue is down \$1.8 billion since the budget, yet they still say that revenue will increase by \$10 billion this year.

We have rosy, glowing predictions from the government, but in reality the numbers just aren't there. The truth does not fit with their narrative.

Why does it always take the Auditor General, the Financial Accountability Officer or the OPP to get to the truth in this government?

Hon. Kathleen O. Wynne: The reality is that corporate revenue is up. The fact is that our economic growth is leading the country.

Yesterday, this party across the floor promised that they would roll back the \$15 minimum wage. They would kick the increase to \$15 over a four-year phase-in—

Interjections.

The Speaker (Hon. Dave Levac): Your decision is made. We're in warnings.

Hon. Kathleen O. Wynne: They would kick the increase to \$15 an hour down to a four-year phase-in, which is tantamount to denying that increase. It is tantamount to not allowing people to catch up. The fact is that, although the province is doing well, not everyone in the province—

Interjections.

The Speaker (Hon. Dave Levac): The member from Renfrew–Nipissing–Pembroke and the member from Leeds–Grenville are warned. If you don't get the message, I'll give it to you.

Final supplementary.

Mr. Victor Fedeli: Back to the Premier: The experts have been clear that the government has been using one-time revenue to fluff up their budget numbers.

Money from the Hydro One sale? That's over now. From land transfer tax? The housing market is cooling. From federal transfers? That fluctuates every year.

Now, without these massive, one-time revenues, the government still says annual revenue growth will be 4% over the next four years, but the Financial Accountability Officer says it will average just 3%. It doesn't sound like much, but those are billions of dollars apart. None of what they're saying adds up whatsoever.

Speaker, if the independent legislative experts don't believe this government's numbers, why should any Ontario families?

Hon. Kathleen O. Wynne: Minister of Finance.

Hon. Charles Sousa: The member opposite maybe didn't read this fall economic statement, because we revised our numbers from 2.3% real GDP to 2.8% real GDP, which is lower than independent economists predict for the continuing growth of our economy and for the province of Ontario. In fact, HST has gone up, showing consumer confidence. Business investment is going up, showing business confidence, Mr. Speaker. Our accumulated deficit over the past 25 years is lower today than it has ever been, and our debt-to-GDP is improving.

The member opposite is making reference, but he is not acknowledging that the independent economists, the independent review and the investors are showing confidence in our province because we are winning and we are supporting opportunity at the same time, creating fairness so that every individual in this province does get a fair wage and businesses get their fair share. We are all improving our economy and we are working together, Mr. Speaker.

Ontario Hansard - 15-November2017

GOVERNMENT FISCAL POLICIES (GOVERNMENT RECORD)

Mr. Shafiq Qaadri: My question is to the Minister of Finance. All Ontarians, I think, can be encouraged by yesterday's release of the fall economic statement, which demonstrates that our government is working to create fairness and opportunity during this period of rapid economic change.

It's also clear that our path to balance is on track. Most importantly, unlike the approach of other parties, this is not being achieved by slashing and burning the services that people depend on, and it's being supported by a thriving economy.

As you will know, Speaker, businesses have created more than 800,000 net new jobs since the 2008 recession, and 300,000 jobs are expected by 2020. Real GDP is now forecast to grow at a healthy 2.8%, a very substantial increase from the previous budget projection.

A balanced budget allows for more money to invest in things that matter to everyone in Ontario: schools, hospitals, roads, bridges and more.

To the minister: Est-ce que vous pouvez élaborer sur le travail et les mesures que notre gouvernement fait?

Hon. Charles Sousa: Thank you for the question from the member from Etobicoke North. Our government is delivering a balanced budget. We've beaten our fiscal targets for the eighth year in a row. Net debt to GDP has improved to 37.3%. Our strengthening investments continue to attract private and foreign direct investment.

The numbers show that our policies are working. Real GDP growth is above projections. In fact, over the last three years, Ontario's real GDP growth exceeds that of all G7 countries. Our businesses have created over 800,000 net new jobs, as indicated, bringing our unemployment rate below the national average for 31 straight months. We've managed growth in program spending, making Ontario the leanest government in Canada.

1120

Mr. Speaker, Ontario has come out of the recession stronger but we know there is more to do. We want to ensure everyone in Ontario benefits from our strong economy. That's why we're taking steps to support workers and their families to create more fairness and opportunity for all hard-working Ontarians.

The Speaker (Hon. Dave Levac): Supplementary.

Mr. Shafiq Qaadri: Thank you, Minister. I think it's clear that our growing economy, together

with a balanced budget, is creating more and more opportunities for businesses and individuals across Ontario.

On the ground in my own riding of Etobicoke North, this is reflected, for example, by the \$400-million expansion of Etobicoke General Hospital which, I would respectfully remind the House, is also part of the William Osler system.

We know, Speaker, that policies which build our people up are what matter most to Ontarians. That's why I'm proud to stand with a party that's increasing the minimum wage to \$15 an hour, coming up shortly. We know that hard-working people are struggling to put food on their tables and they cannot wait for years for this pay increase.

We know that students—over 200,000 of them—will be benefiting from free tuition.

And Speaker, as a doctor, I have to support OHIP+, the greatest expansion of pharmacare in a generation, as was mentioned.

Speaker, we know our historical investments to infrastructure—\$190 billion over 13 years—will spur economic growth. Can the minister please detail more of these initiatives?

Hon. Charles Sousa: Thank you again for the question. We're building a stronger, fairer Ontario. We're designating another \$155 million in supports for our seniors strategy, so our seniors can live independent, healthy and active lives. We're helping to build more competitiveness in our business environment by providing another \$500 million in new initiatives for small business. We're cutting WSIB costs and reducing red tape further. It includes more incentives to businesses to hire young people—\$124 million over three years—as well as new grants to encourage employers to hire apprentices, up to \$19,000 per apprentice. Mr. Speaker, we're creating the third pillar to our post-secondary education system to support our indigenous institutes. We've also announced \$5 million in extra dollars for the north through our Ontario Municipal Partnership Fund. This is our balanced approach to create fairness and opportunity for the people of Ontario.

Ontario Hansard - 27-November2017
GOVERNMENT FISCAL POLICIES

Mr. Victor Fedeli: My question is for the Minister of Finance. Life is unaffordable in Ontario. Families are working harder, paying more and getting less than in any other province in the country. That's why the government needs to do more to alleviate the tax burden on the middle class.

This weekend, the Ontario PC Party and our leader, Patrick Brown, laid out our plan: the People's Guarantee. One part of that guarantee was a 22.5% cut to income taxes for the middle class—

Interjections.

The Speaker (Hon. Dave Levac): Stop the clock. So that all members realize, I have not changed the direction that I'm trying to bring our House to. Today is no different. If I'm getting the signals that that is going to change, I will start with warnings very quickly, just to set the tone.

Please carry on.

Mr. Victor Fedeli: Mr. Speaker, an Ontario PC government would bring real change for middle-class families. Why won't this Liberal government?

Hon. Charles Sousa: Mr. Speaker, it's a real honour to be able to stand before you and the rest of this House to acknowledge the tremendous work that Ontarians have done to bring our economy to where it is today, and recognizing that it has only been possible because of the stimulus and the balanced approach that we've taken to ensure that we recover from this global economic downturn that has been sustained for a long period of time—and, yet, Ontario leads Canada, it leads the G7, and for that matter, Mr. Speaker, we are continuing to create more jobs than ever before.

The member opposite, the critic, and the Leader of the Opposition have long advocated for balanced budgets, and Mr. Speaker, the largest deficit in Canadian history was voted on by the Leader of the Opposition—\$16 billion. That is their plan. They're taking the province into deficit going forward.

The Speaker (Hon. Dave Levac): Supplementary?

Mr. Victor Fedeli: I'll send a copy of the plan over to you and you can have a real look at it.

Ontario used to be a province where if you worked hard, spent wisely and saved diligently, a family could get ahead. They could build a better future for their children. But that's not the case

in Ontario any longer, Speaker. Families are struggling and some are falling behind. They need help. That's why we know Ontario families need lower taxes—

Interjections.

The Speaker (Hon. Dave Levac): Excuse me. Stop the clock. We're in warnings.

Carry on.

Mr. Victor Fedeli: —22.5% lower income taxes for middle-class families, Speaker, would make a significant difference in the lives of those trying to get ahead. But we can't trust the Liberals to make life more affordable. Why should anyone in Ontario trust them?

Hon. Charles Sousa: Mr. Speaker, this government, under the leadership of Premier Kathleen Wynne, has instituted progressive measures while at the same time managing our expenses. We are providing free tuition for students, free pharmacare for everyone under the age of 25 and 100,000 more child care spaces.

The member opposite is advocating for cuts—cuts to education and cuts to health care, Mr. Speaker; that is their plan. We on this side of the House will take a balanced approach to ensure that we can afford the things that matter to Ontarians, while that side is cutting revenues and cutting across the board the very services that matter to us. We on this side of the House will always look after the people of Ontario.

The Speaker (Hon. Dave Levac): Final supplementary.

Mr. Victor Fedeli: Back to the minister: That is a complete fabrication, Speaker—

Interjections.

The Speaker (Hon. Dave Levac): The member will withdraw.

Mr. Victor Fedeli: Withdraw.

For 14 years, we have seen Liberal insiders get rich at the expense of the people of Ontario. While the government lined the pockets of high-priced executives, middle-class families struggled. It's not their imagination. Middle-class wages have stagnated for 14 years while Liberal taxes and fees continued to rise. Thanks to this government, middle-class Ontario is poorer than the average Canadian.

So, Mr. Speaker, we have to ask: When did the Liberals decide they were the government for the insiders and no longer for the people?

Hon. Charles Sousa: Page 76 of their plan made it very clear, Mr. Speaker: Over \$12 billion is what's being cut across the board from the people of Ontario. So the question becomes, what are you going to cut?

Furthermore, they're making decisions only on election cycles. They don't want to go long-term or look beyond. We've got to have a long-term vision on things that matter—

Interjections.

The Speaker (Hon. Dave Levac): You may choose your last comment that could get you the warning. When I stand, you stop.

Finish, please.

Hon. Charles Sousa: We've created over 800,000 net new jobs, primarily in the private sector. The economy is growing. I recognize that many across the province don't feel the same benefit as others with our prosperity. We need to do better, and I said so in the fall economic statement. I hope the member opposite will approve and support the fall economic statement. That's a real plan for the real people of this province to make sure they get real prosperity going forward.

Interjections.

The Speaker (Hon. Dave Levac): Be seated, please.

Interjections.

The Speaker (Hon. Dave Levac): You can take the risk, if you'd like to keep talking.

New question.

Ontario Hansard - 27-November2017
GOVERNMENT FISCAL POLICIES

Mr. Victor Fedeli: My question is for the Minister of Finance. First they disparage the Auditor General, then they disparage the Financial Accountability Officer, and now they disparage Kevin Page, the former budget officer.

In the 1990s, Ontario's average income was 10% above the national average. But in 2012, income in Ontario fell below the national average for the first time ever. In fact, between 2005 and 2015, Ontario families saw the slowest rate of income growth of any province in Canada. Once the envy of the country, middle-class Ontarians now struggle. They work harder, pay more and get less under this Liberal government.

Why has the Liberal government spent 14 years allowing middle-class families to struggle to keep their heads above water?

Hon. Charles Sousa: That is rich coming from that side of the House. We're providing for an increase in the minimum wage that they are now denying the people of Ontario. Stand up and fight for the people of Ontario. We have a 5.9% unemployment rate, the lowest it has been, and it has been below the national average for 31 months.

We will continually support everyone in this province for the sake of the families of this province. They're putting at risk their livelihood. They are instituting a much more expensive carbon tax to the people of Ontario. We recognize that that will put us in harm's way. We need to be competitive for businesses and competitive for the people of Ontario, where everyone should share in that growth. That is why we are increasing minimum wage to \$15, and they are not.

The Speaker (Hon. Dave Levac): Supplementary.

Mr. Victor Fedeli: Back to the minister: This government brought in some of the largest tax increases in Ontario's history. Between the health tax, the HST and other fees, the Liberals have made life unaffordable.

Every day, families email and call our offices. They share their stories and tell us they just don't have any money left. That is why we can't trust this Liberal government. That is why a PC government will reduce income taxes for the middle class, that's why a PC government will increase the Ontario Sales Tax Credit, and that's why an Ontario PC government will make life more affordable for Ontario families. That's what is fair. Why won't the Liberals make life affordable for Ontario families?

1050

Hon. Charles Sousa: We know their plan in the past and we hear it now going forward. It's not much of a plan because what they're going to do in order to achieve deficits, no less—they're promoting deficit spending going forward. We are going to balance this year, next year and the year after that. In order for them to achieve even a little bit of that deficit that they're proposing, they're going to go back to firing nurses, closing hospitals, reducing funding for health care—

Interjections.

The Speaker (Hon. Dave Levac): Finish, please.

Hon. Charles Sousa: We have been disciplined and determined in our plan to recover and to plan to come to balance, and it's being achieved. The members opposite are going to put our economy in harm's way by taking the excessive actions that they're proposing, which will in essence put us at a disadvantage over other jurisdictions around the world.

We will continue to be free traders and continue to support Ontario.

The Speaker (Hon. Dave Levac): Final supplementary.

Mr. Victor Fedeli: Back to the minister: This is about trust. This is about looking out for families across Ontario. This is about making life more affordable. That is why we need to lower taxes in Ontario after years of Liberals raiding middle-class families to pay their Liberal insiders. If you want to know what the Liberals will do, just look at what they've done for the last 14 years. The Ontario PCs will make life more affordable. Why do the Liberals continue to make it harder for Ontario families to succeed?

Interjections.

The Speaker (Hon. Dave Levac): Be seated, please. Thank you.

Minister.

Hon. Charles Sousa: It is all about trust, and I can tell you this: We can trust this government to continue to fight for the people of Ontario while the opposition, you can trust them to cut the very measures that matter to Ontarians.

I can tell you this: When we provided free pharmacare for everyone under the age of 25, they voted against that. They'll take that away. When we were talking about providing free tuition for students so they can get a better start in life, they voted against that as well. That's what you can trust from that side of the House.

We can also trust that when the Leader of the Opposition was in power federally, he voted in the largest deficit in our history. And the largest debt increase in Canadian history came from the Leader of the Opposition. The critic now stands here and suggests that somehow cutting revenues as well as—Mr. Speaker, cutting revenues and going into deficit spending is not what's in the best interest of the people of Ontario.

We need to provide programs and services that—

The Speaker (Hon. Dave Levac): Thank you.

Ontario Hansard - 12-December2017

FISCAL ACCOUNTABILITY (GOVERNMENT ACCOUNTABILITY)

Mr. Victor Fedeli: Good morning, Speaker. My question is for the Minister of Finance. The Financial Accountability Office showed us that Ontario is working with three sets of books. That is simply ridiculous. We need one set of books, one true set of numbers, to guide us.

1110

There's a way to do this, and that's for the government to follow the law, pass a regulation and release their pre-election finance report. The Auditor General said, "It is in the public's interest for the government to give us a pre-election report to examine as soon as possible, with sufficient time to do our work." This will give us one number, one set of books.

Will the government tell us when they will be bringing the regulation forward and when they will present the auditor with their pre-election finance report?

Hon. Charles Sousa: The reason there is a pre-election report is because this government mandated it, because of the elimination—and the fact that they held and hid a deficit throughout their proposals when they were coming into a budget.

We are balancing the books. I thank the FAO for the work they're doing around the sensitivity. He acknowledges that our economy is growing, that we have taken steps to balance the budget. In fact, public accounts, which is the one that matters most as to what has happened to this day, illustrates that we beat again our targets last year by over \$3 billion to under \$0.1 billion in terms of our actual results.

I acknowledge the work that's being done by the FAO, and I recognize that the member opposite, with his own promises, is unable to keep them because his own analysis states that they are not going to be able to achieve it. I will say more in the supplementary.

The Speaker (Hon. Dave Levac): Supplementary.

Mr. Victor Fedeli: Back to the minister: Families need to be able to trust what the government says about our finances. They deserve a true fiscal picture. That's only fair.

But the Auditor General has refused to sign off on Ontario's books multiple times under this Liberal government. The auditor has one more opportunity, and that's to review a pre-election finance report. First, the government must pass a regulation confirming it will release a pre-election report by a committed deadline. We want one set of books so we can truly assess the damage that the Liberals have done to Ontario.

Speaker, I'll ask again, will the government tell us when they will be bringing the regulation forward and when they will present the auditor with their pre-election finance report?

Hon. Charles Sousa: We are using the accounting principles that have been provided over the last 16 years. In fact, an independent review of the government's pension accounting and other things that was commissioned illustrated—with an expert panel concluding—that the province's accounting treatments are correct. I'll leave those disputes to the accountants.

But I'll say this, Mr. Speaker. Kevin Page, the individual who assessed the People's Guarantee, says the following:

“Re: Assessing the reasonableness of the estimates of the fiscal plan underlying the 2018 election platform of the Progressive Conservative Party....

“We caution readers that the provision of an opinion on the reasonableness of the estimates underlying the fiscal plan includes the reliance on third parties for information.”

He says that they are “not currently in a position to pronounce” on those expectations, saying, “We look forward to seeing more detailed plans in the future.”

Their numbers are based on ours, and they are estimating a deficit with what we're saying is—

The Speaker (Hon. Dave Levac): Thank you.

New question.

Ontario Hansard - 14-December2017
GOVERNMENT'S RECORD

Mr. Steve Clark: My question is to the Premier.

The voters are skeptical; that is no lie,

But we have to reflect and ask ourselves why.

From this side of the aisle, it's plain to see.

Premier, will you be accountable and sign the People's Guarantee?

Hon. Kathleen O. Wynne: Minister of Economic Development and Growth.

Hon. Brad Duguid: 'Tis the last question period

before Christmas

And I must say, with much passion,

We will bring in a minimum wage of \$15,

With or without your attention.

We will lower energy rates,

We will create jobs as well.

This Christmas will be great for Ontario,

We're working to make things swell.

Interjections.

The Speaker (Hon. Dave Levac): Be seated, please.

Supplementary? The member from Bruce–Grey–Owen Sound.

Mr. Bill Walker: To the Premier:

In question period, politicians, they go back and forth

When people want change for taxes

and support for the north.

So I'll ask again, because no answer was found:

Will you sign the People's Guarantee

when I sit down?

Hon. Brad Duguid: To the Minister of Finance.

Hon. Charles Sousa: The halls of the Legislature are haunted by the ghosts of Christmas past. They bring to us today the likeness of the miser Ebenezer Scrooge from across the aisle: they who have wanted to make cuts to supporting our families, to deny the gifts of our province's prosperity, to share for all.

On this side of the aisle, we thank the Premier and the jolly red grandmothers of Ontario, who, like Santa Claus, care for all of our children.

Interjections.

The Speaker (Hon. Dave Levac): Be seated, please.

New question.

FOIs/OPQs

Overview	Key Issues	Key Dates
OPQ 677 - MPP Fedeli Would the Minister of Finance state whether he accepts the Financial Accountability Office's 2017 Fall Economic Outlook assessment of the state of Ontario's fiscal position, given that the FAO stated Ministry of Finance bureaucrats did not disagree with any of the information in their report. (Tabled February 20, 2018) *Proposed response with Minister's Office	Financial Accountability Office's 2017 Fall Economic Outlook	OPQ House due date April 16
OPQ 636 - MPP Fedeli Would the Minister of Finance state on what page(s) in the Fall Economic Statement he has made corrections to reflect the concerns of the Auditor General and the Financial Accountability Officer about the validity of the province's stated fiscal position. (Tabled December 04, 2017) *Proposed response with Minister's Office	Fiscal Position Financial Accountability Office & Auditor General reports	OPQ House due date March 26

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Sessional Paper No. 677

677. Mr. Fedeli — Enquiry of the Ministry — Would the Minister of Finance state whether he accepts the Financial Accountability Office's 2017 Fall Economic Outlook assessment of the state of Ontario's fiscal position, given that the FAO stated Ministry of Finance bureaucrats did not disagree with any of the information in their report. (Tabled February 20, 2018)

Response:

The government values the Financial Accountability Office's independent assessment and projections of the province's fiscal plan.

The government is committed to a responsible fiscal plan that provides the conditions for all Ontarians to thrive. As outlined in the *2017 Ontario Economic Outlook and Fiscal Review* (FES), the government is projecting a balanced budget for 2017–18, consistent with the FAO's projection for this year.

In addition, The FAO's real GDP projections are aligned with the *2017 FES* over the 2017 to 2020 period. The government's economic projections are informed through regular consultations with private sector economists. In fact, the Ministry of Finance's real GDP growth projections are slightly below the average private-sector forecasts, in keeping with prudent fiscal planning.

The FAO's outlook continues to incorporate the Auditor General's accounting interpretation for pension assets and the Fair Hydro Plan, which differs from the government's accounting treatment. However, the government prepares its financial statements in accordance with the accounting standards issued by the Public Sector Accounting Board (PSAB).

- In the *2016-17 Public Accounts of Ontario*, this included Public Sector Accounting Standards (PSAS) for pension asset accounting that have been used since 2001.
- The government's accounting presentation of the Fair Hydro Plan is appropriate under Canadian PSAS, and is in accordance with guidance provided for rate regulated entities under U.S. Generally Accepted Accounting Principles (GAAP).

We will continue moving forward on our fiscally responsible plan that creates fairness and opportunity for all Ontarians.

Sincerely,

Charles Sousa
Minister of Finance

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Sessional Paper No. 636

636. Mr. Fedeli — Enquiry of the Ministry — Would the Minister of Finance state on what page(s) in the Fall Economic Statement he has made corrections to reflect the concerns of the Auditor General and the Financial Accountability Officer about the validity of the province's stated fiscal position. (Tabled December 04, 2017)

Response:

The *2017 Ontario Economic Outlook and Fiscal Review* (FES) provides an update to the fiscal and economic plan presented in the *2017 Ontario Budget*, and continues to demonstrate the government's approach to responsible fiscal management.

The Auditor General's Office and the Financial Accountability Office have raised two areas of concern with respect to the government's accounting: pension assets and the Fair Hydro Plan.

The government prepares its financial statements in accordance with the accounting standards issued by the Public Sector Accounting Board (PSAB). In the 2016-17 Public Accounts of Ontario, this included Public Sector Accounting Standards (PSAS) for pension asset accounting that have been used since 2001.

This is supported by:

- The conclusions reached by an independent Pension Asset Expert Advisory Panel (the 'Panel'). The Panel, comprised of accredited accounting, actuarial and legal professionals with extensive background in pension accounting and plan governance, was established by the government to provide advice on the interpretation of PSAS with respect to the reporting of net pension assets of these two joint defined benefit plans.

- An opinion from Deloitte LLP on aspects of the Province's accounting as at March 31, 2016 for the Ontario Teachers' Pension Plan (OTPP). The opinion, which was dated October 2, 2016, concluded that it was permissible to recognize a pension asset under Canadian PSAS, even though the Province did not have a unilateral right to reduce contributions. The opinion did not address the value at which the asset should be recorded; and
- Analysis completed by EY as to whether any valuation allowance is required to be recorded for OTPP or the Ontario Public Service Employees Union Pension Plan (OPSEUPP) as of March 31, 2017. EY confirmed no valuation allowance was required for either plan.

Similarly, with the support of external advisors, it was determined that the accounting presentation for the Fair Hydro Plan – according to guidance provided for rate regulated entities under US Generally Accepted Accounting Principles (GAAP) – is appropriate under Canadian PSAS.

For the current status of the Province's fiscal plan, please refer to *Chapter 3, Section C: Fiscal Outlook* of the 2017 FES.

Sincerely,

Charles Sousa
Minister of Finance

ONTARIO'S FISCAL OUTLOOK

What is Ontario's Fiscal Outlook?

SUGGESTED RESPONSE

- Ontario is delivering on its commitment to balance the budget in a fair and responsible way — a plan that was first introduced in the *2010 Budget*.
 - Over the medium term, revenue is forecast to increase from \$140.7 billion in 2016–17 to \$158.2 billion in 2019–20, while total expense is projected to increase from \$141.7 billion to \$157.4 billion over the same period.
- The Public Accounts of Ontario 2016–2017 reported that the 2016–17 deficit was \$1.0 billion. This result is \$3.3 billion lower than projected in the *2016 Budget*.
 - This marks the eighth year in a row that Ontario has beaten its deficit target.
- Investments have helped to stimulate the Ontario economy, which has continued to grow despite an uncertain global environment. Over the past three years, Ontario's economy has grown faster than Canada's and that of all other G7 countries. Exports are up, businesses are hiring more workers and household incomes are rising.
- A growing economy, together with a balanced budget, is creating more opportunities for individuals and businesses in Ontario to share in the benefits resulting from the province's return to economic strength.
- Since peaking in 2014–15 at 39.3 per cent, the net debt-to-GDP ratio has been on a declining track as a result of Ontario's economic growth and the government's progress towards a balanced budget in 2017–18.
 - The government continues to maintain a target of reducing the net debt-to-GDP ratio to its pre-recession level of 27 per cent, currently projected to be achieved by 2029–30.

February 1, 2018

BORROWING AND DEBT

What is the status of Ontario's borrowing and debt management plan?

SUGGESTED RESPONSE

Debt-to-GDP

- The first very important step in reducing debt is to balance the budget. Balanced budgets from 2017–18 onwards will ensure that the increase in net debt is limited to net investments in capital assets.
- The net debt-to-GDP ratio peaked at 39.3 per cent in 2014–15 and has been on a declining trend since then. It is projected to be 37.3 per cent at the end of 2017–18, 0.2 per cent lower than was forecast in the *2017 Budget*. This ratio is projected to continue to decline to 37.1 per cent in 2018–19.
- We are making the biggest investment in public infrastructure in Ontario's history. We have a plan to invest about \$190 billion over 13 years, starting in 2014–15. These investments will not only create jobs, but will also contribute to the economy growing at a faster rate than the net debt.
- The positive impact of capital investments on the Province's economy was confirmed by the Centre for Spatial Economics which reported recently that, over the long term, GDP in Ontario increases by \$6 for every dollar of public infrastructure spending.
- The government is setting an interim net debt-to-GDP ratio target of 35 per cent by 2023–24 and continues to maintain a target of reducing the net debt-to-GDP ratio to its pre-recession level of 27 per cent, currently projected to be achieved by 2029–30.
- In June 2016, the International Monetary Fund (IMF) released a report recommending that Canadian "fiscal policy should be pro-growth." Christine Lagarde, Managing Director (IMF), also expressed her support for the government's growth strategy and agreed that investment in infrastructure should be an essential element of the strategy.

Borrowing Program

- As of January 31, 2018, the Province has successfully completed its borrowing requirement of \$25.8 billion for 2017–18. To date, the Province

has borrowed \$28.6 billion, including \$2.8 billion in pre-borrowing for 2018–19.

- Through prudent and cost-effective debt management, we have consistently kept interest on debt costs below budget projections.
 - Interest on debt to revenue is forecast to be 8.2 per cent in 2017–18, 8.3 per cent in 2018–19 and 8.4 per cent in 2019–20. The *2010 Budget* forecast that, by 2017–18, the Province would have to spend 11.3 cents of every revenue dollar received on interest. The current forecast is 3.1 cents lower, at 8.2 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period to 2019–20.
- Term extension has allowed us to take advantage of and lock in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on interest on debt costs. As of January 31, 2018, the average term for new borrowing in 2017–18 was 13.7 years compared to 8.1 years in 2009–10.
- Going back to the beginning of fiscal 2010–11, we have issued \$70.1 billion of bonds with maturities longer than 30 years to lock in low rates. As interest rates begin to rise, the Province will assess whether it remains cost-effective over the long term to continue to extend the term of its debt.

February 6, 2018

ONTARIO'S CREDIT RATINGS

What are the credit rating agencies' views on Ontario?

SUGGESTED RESPONSE

- All four rating agencies have a stable outlook on Ontario's credit ratings. This reflects rating agencies' confidence in our government's fiscal plan and its ability to grow Ontario's economy and create jobs for Ontarians.

Quotes:

- "The outlook is stable. This reflects our forecast that Ontario's debt burden will continue to fall marginally and interest expense will remain manageable across the 18-24 month horizon." (Moody's, February 2 2018)
- "The ratings remain well supported by the Province's large and diversified economy, improving budgetary results and declining debt burden." (DBRS, June 28, 2017)
- "S&P expects the Province of Ontario to benefit from solid economic growth over the next two years, allowing it to generate additional revenues to fund its capital spending plan and stabilize its finances following its eight-year path back to a balanced operating budget." (S&P, June 15, 2017)
- "The return to balance is encouraging and suggests that there will likely be some modest improvement in the Province's credit metrics over the medium term, which will slowly rebuild flexibility within the rating." (DBRS, April 28, 2017).

Ontario's ratings are:

	<u>Long-Term</u>	<u>Short-Term</u>
• Moody's:	Aa2	P-1
• DBRS:	AA (low)	R-1 (mid)
• Fitch:	AA-	F1+
• Standard and Poor's:	A+	A-1

BACKGROUND

S&P:

Why is S&P's rating for Quebec higher than Ontario?

Although Ontario's budgetary performance has improved, S&P believes that it will continue to lag that of Quebec. S&P gives a lot of credit to Quebec for the Generations Fund, and the implicit \$2-\$3 billion per year surplus that it results in.

- Quebec is expected to record an operating surplus of close to 9% of revenues on average over 2015-16 to 2019-20, compared to close to 4% for Ontario. In addition, S&P expects Quebec to record after-capital surpluses of over 1.0% of total revenues over 2015-16 to 2019-20, compared to an after-capital deficit of 3.1% for Ontario over the same period.

S&P believes that Ontario's credit profile is strengthening however, they will need to see a track record of consistent operating surpluses and balanced or near-balanced after-capital results coupled with continuing declines in direct and tax-supported debt burdens that make Ontario's finances more comparable with peers' in the 'AA' category before they consider a positive rating action on the province.

- Quebec's tax-supported debt as a share of revenues is expected to average 217% over the 2015-16 to 2019-20 period, while Ontario's tax-supported debt is expected to average 246% over the same period.

S&P's Report on Ontario – June 15, 2017

S&P believes that Ontario's credit profile is strengthening however, they will need to see a sustained improvement in budgetary performance leading to near-balanced after-capital results, coupled with ongoing declines in the tax-supported debt burden that make Ontario's finances more comparable with peers' in the 'AA' category before they consider a positive rating action.

S&P expects the Province of Ontario to benefit from solid economic growth over the next two years, allowing the Province to generate additional revenues to fund its capital spending plan and stabilize its finances following its eight-year path back to a balanced operating budget.

The stable outlook reflects expectations that within the next two years the province will sustain a more balanced budgetary performance, including fairly steady liquidity metrics, modest after-capital deficits, and a high but slowly declining debt burden.

The ratings reflect the province's very strong and diversified economy, strong financial management, very predictable and well-balanced institutional framework, and low

contingent liabilities. The ratings also reflect S&P's view of the province's weak budgetary performances and very high debt burden.

S&P Lowers Ontario's Short-term Rating to A-1 from A-1+ – June 15, 2017

S&P lowered Ontario's short-term rating to A-1 from A-1+ reflecting their revised methodology". This is the highest short-term rating for an issuer with an A+ long-term rating, unless the issuer's liquidity is viewed as exceptional. Ontario's short-term borrowing costs are unaffected by this change as this simply reflects a change in their methodology rather than any change in the quality of Ontario's credit.

S&P Mapping of Short-Term Ratings to Long-Term Ratings

Long-Term Rating	Short-Term Rating
AAA, AA+, AA, AA-	A-1+
A+, A	A-1
A-, BBB+, BBB	A-2
BBB-	A-3
BB+, BB, BB-, B+, B, B-	B
CCC+, CCC, CCC-, CC, C	C

Moody's:

Moody's Report on Ontario – February 2018

Moody's updated their Credit Opinion for Ontario following the release of their rating on the Fair Hydro Trust (FHT) on January 22nd. Moody's is now including debt issued by the Fair Hydro Trust in their key debt measure for Ontario. "While FHT, which was created at the behest of the province, is designed to be self-supporting (pay principle and interest through revenue generation) on a life-cycle basis, it is not currently as it faces a moratorium on revenue generation. Further, FHT carries the possibility that a provincial guarantee of its debt may be invoked in certain prescribed circumstances."

They do note that the total financing required is "nonetheless fairly negligible given the province's high net direct and indirect debt level." They also note that they will review this treatment once revenues from the Clean Energy Adjustment charge is added to consumers' electricity bills in 2021.

The stable outlook reflects Moody's forecast that the debt burden will continue to fall marginally and interest expense will remain manageable across the 18-24 month horizon.

Moody's noted the following credit strengths:

- Institutional framework provides significant fiscal policy flexibility

- Prudent debt management with a focus on market access and debt affordability
- Revenue supported by a diversified economy with a broad and productive tax base

Moody's highlighted a number of credit challenges:

- High debt burden and debt will continue to increase despite balanced budget projections
- Elevated interest expense, with higher rates anticipated
- Rising expenditures risk to balanced fiscal targets

Factors that could lead to a downgrade:

A return to an upward trend in the province's debt burden leading to higher interest expense or increases in provincial liabilities, including off-balance sheet contingent liabilities, could put downward pressure on the rating. Loss of fiscal discipline leading to consecutive years of material consolidated deficits could also lead to downward credit pressure.

DBRS:

DBRS 2018 Canadian Provincial Government Outlook – November 17, 2017

DBRS notes that most provincial ratings are expected to remain relatively stable.

Economic fundamentals have exceeded expectations in 2016 and 2017, enabling most provinces to finish the year better than expected while increasing spending or reducing taxes. Growth will likely slow over the medium term as cyclical influences diminish.

Ontario's credit profile is improving. However, the province has only recently balanced its budget, debt is significantly higher than it was before the recession and the pace of debt-to-GDP reduction is gradual. In past recessions, the policy response and economic contraction led to significant increases in the debt-to-GDP ratio. A similar economic impact and policy response could put downward pressure on the rating.

DBRS notes that Ontario intends to maintain balanced budgets, with rising revenues being directed into program spending. Debt growth has slowed with the return to balance, which is leading to a gradual decline in the debt-to-GDP ratio. DBRS expects debt to decrease to 40.0% of GDP over the medium term.

The ratings for Ontario and New Brunswick appear most at risk of a negative rating action if the economy were to face a severe recession, while a downturn may accelerate the pace of a rating change in Alberta.

DBRS Report on Ontario – June 28, 2017

DBRS notes that the ratings remain well supported by the Province's large and diversified economy, improving budgetary results and declining debt burden.

The better-than-expected result stemmed from strength in the underlying economy, which provided incremental revenue more than sufficient to offset the in-year spending pressures.

Debt growth has slowed with the return to balance. The DBRS adjusted debt-to-GDP ratio, which is currently at 43.3%, is projected to approach 40.0% of GDP over the medium term.

DBRS expects the ratings to remain stable. Improvement or deterioration in Ontario's credit profile tends to be gradual because of the diverse economy and revenue base.

A downgrade could occur if debt were to rise sharply because of a downturn in the economy or a change in the government's fiscal policies. In contrast, an upgrade would require a significant reduction in the provincial debt burden.

DBRS Commentary on Ontario's Plan to Reduce Electricity Prices – March 2017

DBRS views the proposed changes as credit neutral, since the Province has the ability to absorb the fiscal impact while still restoring budgetary balance in 2017–2018.

The Province will recover the debt and financing costs associated with reducing the Global Adjustment through future electricity rates. Provided the debt continues to be fully supported by the electricity rate base, DBRS will treat it as self-supported and exclude it from tax-supported debt. DBRS will re-evaluate once more information becomes available.

DBRS Report – October 2016

DBRS released a report stating that spending on infrastructure “can result in higher nominal GDP that can be large enough to result in a declining government debt ratio.” According to DBRS, “historically low interest rates are providing a window for governments to lock in low rates on public investment projects.”

Fitch:

Fitch Report on Ontario – June 2017

The tabled budget for fiscal 2018 completes the province's plan to eliminate its annual budget deficits by fiscal 2018. Despite some variations to the plan announced in the 2010 budget, the province has remained committed to this fiscal goal.

The province has demonstrated the ability to exert considerable expenditure restraint while instituting revenue changes to achieve its deficit reduction objectives. Ontario's 'AA-' rating is supported by its wealthy, diversified economy and generally sound financial management.

Ontario's Current Long-term and Short-term Ratings

Agency	Long-Term Rating	Short-Term Rating	Most Recent Review
Moody's	Aa2	P-1	Confirmed February 2, 2018
DBRS	AA (low)	R-1 (mid)	Confirmed June 28, 2017
Fitch	AA-	F1+	Confirmed June 20, 2017
S&P	A+	A-1	Long-term rating confirmed; short-term rating lowered June 15, 2017

Supporting Materials: Other Considerations

MEDIA EVENT: AUDITOR GENERAL BONNIE LYSYK ANSWERS QUESTIONS FOLLOWING RELEASE OF HER ANNUAL REPORT

Date / Time / Location:

December 6, 2017 / Noon / Queen's Park Media Studio

Speaker:

Ontario Auditor General Bonnie Lysyk

Media Attendance:

Print – 11

TV – 4

Radio –

Media Outlets:

Benzie – Star; Ferguson – Star; Boyle – Star; Giovanetti – Globe; Artuso – Sun; Smith Cross – QP Briefing; Hains – QP Briefing; Reynolds – QP Briefing; Smith – QP Today; Crawley - CBC Radio/TV; Carter – Global; Tumelty - City TV; Morissette – TFO; McGrath – TVO.

Statement:

Hello, everyone. I'm Bonnie Lysyk and I'm the Auditor General of Ontario. And, thank you for the opportunity to discuss our 2017 Annual Report with you today. This report, my 5th, contains fourteen Value For Money audits, which we call VFMs for short. Seven of them are in the health and education sectors that together account for more than 2/3 of all government spending. This report also provides several important cautions about recent changes to the government's financial reporting processes. I'll have more to say on that in a few minutes. But I want to start with the VFMs. Each year, we look for common themes that run through all of our audits. One that emerges year after year is that the decision makers do not always have all of the information needed to make the most appropriate decisions. A related theme in many of this year's VFMs is the need for governments to improve longer-term planning that supports timely, and informed decision making and oversight. This will become readily apparent as I summarize the VFMs.

Our audit of emergency management in Ontario found that the last provincial risk assessment was based on emergencies experienced in Ontario up to 2009. That means the current provincial emergency management program has not planned for more recent and evolving threats related to climate change, cyber-attacks, and terrorism. In addition, the Provincial Emergency Response Plan and the Provincial Nuclear Response Plan have not been updated since 2008 and 2009 respectively.

Our audit of the IESO's market oversight and cyber security found that the Ontario Energy Board's market surveillance panel has said in thirty reports since 2002 that Ontario's Electricity Market is vulnerable to manipulation because of design weaknesses and flaws. Some market participants have exploited these flaws, resulting in millions of dollars of additional costs for rate payers.

Our audit of cancer treatment services, found that Ontarians needs were not fully being met in the areas of radiation treatment, head scans, and wait times for some urgent cancer surgeries and diagnostic services. In addition, the province's limited capacity to perform stem cell transplants was first identified as an issue in 2009. In the next six years, this issue led to excessive wait times and costly out of country procedures. Only in 2016/17 did the Ministry of Health and Long-term Care approve capital projects to expand stem cell transplants in Ontario. Earlier planning could have mitigated many of those difficulties.

Our audit of laboratory services in the health sector found that the Ministry of Health and Long-Term Care will in 2017/18 update the prices it pays private sector community labs for medical tests. Nearly twenty years after its last major price update. The province could have saved \$39 million in 2016 alone, if it had planned to implement the new prices just two years earlier.

Our audit of social and affordable housing found that Ontario's social housing wait list has increased 36% in the last 13 years. Challenges are also likely to increase, in the medium term, as contracts with housing

providers offering below market rents on 83,000 units have begun to expire and will continue to expire over the next 15 years. Despite this however, we found there is no provincial strategy in place to address Ontario's growing social housing wait list.

We noted during our audit of the assessment review board, that as of March 31, 2017 the board had a back log of more than 16,000 unresolved appeals, but put a plan in place to reduce that backlog. We also noted in our related audit of the Ontario Municipal board, that this board took between 10 months and almost seven years to close complex cases. However, this board had no plan in place -- no plan in place to handle the existing workloads and reduce the delays.

The Ministry of Agriculture, Food and Rural Affairs is responsible for four main farm support programs to help farmers manage production risk and price risks. However, our audit found that the ministry's existing programs would likely not be sufficient to provide support during extended market crises or natural disasters. And the Ministry had no explicit plan for dealing with such major issues.

Our audit of settlement and immigration programs in Ontario found that there was only limited coordination between the federal and provincial governments to avoid duplication of services. We estimated that in 2016-17, for example, about 30 million in Ontario-funded newcomer's services duplicated services there were already funded by the federal government.

We audited real estate services provided by Infrastructure Ontario. With respect to the province's real estate portfolio of about 4,800 buildings we noted that Ontario spent almost 19 million in 2016-17 to operate and maintain 812 vacant buildings across the province. The majority of these buildings had been vacant for an average of almost eight years.

The Ontario public drug programs provide drug coverage to 4 million people at an annual net cost of \$4.9 billion. It found that the Ministry paid \$271 million more than some Ontario hospitals in 2016-17 for the same drugs, indicating that opportunities exist for the province to get more discounts on generic drugs.

Ontario's 75 community health centres provide health care services and community programs to vulnerable populations and have the potential to help lessen the load on the overall health care system. However, the province lacks the critical information needed to determine whether the centers are cost effective in providing quality care.

Our audit of public health chronic disease prevention noted that Ontario has no overarching policy framework on chronic disease prevention to guide overall program planning development and continuing program evaluation. Plans are needed on how to collectively address important contributors to chronic disease, such as physical inactivity, poor diet, and heavy drinking.

We conducted audits of school boards management of financial and human resources and of the Ministry of Education's funding and oversight of school boards. The funding formula used by the Ministry to fund school boards has not been fully reviewed since 2002. As well, the ministry is not monitoring school boards use of special purpose funding to address such priorities as students at risk of low academic achievement. As a result the Ministry does not know whether this special purpose funding is meeting its stated priorities.

In addition to the VFM's, every annual report contains follow up work on audits of two years earlier. So this year we review the government's progress on the actions we recommended in our 2015 annual report. We found that government ministries and agencies made some progress toward implementing 71 per cent of the actions recommended in the 2015 annual report, but only 33 per cent of them were fully implemented. New this year we also looked at the progress made with recommendations from 2012, 2013 and 2014 and found by 2017 the rate for full implementation was only about 50 per cent for each of those years. However, on a positive note, we were told that work continues on implementing most of the remaining recommendations.

Turning to government advertising, in 2016-17 the government spent more than \$58 million on advertising, the most since 2006-07, with just over 30 per cent of that for ads we believe had as their primary goal to foster a positive impression of the government party.

Now I mentioned earlier that government needs good information to make good decisions. All Ontarians also need good financial information on government finances to help them assess the government's performance. Financial numbers tell a story. If that story is not truthful, it risks breaking the trust that must exist between the government and the people. This year, our October 2017 Special Annual Report on the Government's Financing and Accounting Design Under the Fair Hydro Plan also raised a significant question of value for money. Why would the government create an unnecessary complex and opaque structure to borrow when it will cost more for Ontarians? The response we heard was that it is being done to keep ratepayer and taxpayer costs separate. This is not the full story. These costs can be kept separate without incurring the extra borrowing expenses that the Office of the Financial Accountability Officer estimated at about \$4 billion. The government has challenged this figure but to my knowledge, it has offered no new estimate to update the \$4-billion figure. We are aware that the government did it this way because of its desire to ensure this policy decision is not reflected in the annual deficit. In other words, by creating a needlessly complex financing structure rather than using traditional borrowing methods at lower interest rates, the government consciously decided to incur more costs, potentially up to \$4 billion more, to try to keep the bottom line and net debt impact of the Hydro Rate Reduction policy decision from showing up on the province's consolidated financial statements. This is by far the most serious value for money issue this year. Chapter 2 in our annual report highlights our concerns on this and other financial matters.

Again, on the issue of transparency, there is another potential issue on the horizon in the new year: the government's pre-election report on Ontario's finances and the subsequent review of it. The work can only take place when the government passes a regulation confirming that it will release a pre-election report by a deadline that it sets, and which has to be done prior to the voting day. The process went smoothly in the last two regularly scheduled elections, which were both held in October. The government issued its pre-election report after the spring budget, and we had about ten weeks to review it and issue a report. Ontarians then had more than three months to digest both documents before the election. With the next election being in June, not October, it is important to plan ahead to ensure there is sufficient time for my office to issue our review of the pre-election report and for Ontarians to absorb both reports before the election. I urge the government to keep the calendar in mind as it prepares its pre-election report.

Our mandate is to comment on areas where there are opportunities for improvement in the delivery of government and broader public sector programs and services. This is important to keep in mind in reading our reports because it is equally important not to forget that there are many things that are working well. For example, to name only a few from our audits this year: Most cancer patients are generally receiving treatment in a timely manner; the Ontario Public Drug Programs have provided timely access for eligible recipients when their prescribed drugs are listed on the formulary; accurate and timely lab results are being delivered to health care professionals; crop protection insurance is helping most crop farmers manage production losses; school boards are using their restricted funds for purposes intended and have been increasing their use of group purchasing arrangements to acquire goods and services which should result in cost savings.

In closing, I want to thank, on behalf of my team, the many people in the public and broader public sectors involved in our work, for their assistance and cooperation in the completion of this year's audits. I want to extend my personal thanks to my team, the various experts who shared with us their knowledge and advice, and to the private sector accounting firms that provided us with assistance during the past year. Now I would be happy to take your questions.

Q: Ferguson: What does this say about the IESO that gas fired plants were passing on the cost of items like parkas, coveralls, landscaping, staff car washes? How does

So I think the thing to keep in mind is that the responsibility for oversight is split between the IESO and the Ontario Energy Board. They have the Ontario Energy Board panel has for many years issued reports signaling that there were

that get through? And at what point does as an auditor, either in the private or public sector, would you advise to call the police about things like that?	problems with the two programs that we highlighted in our report and so they did provide that information. The IESO staff have conducted investigations there but unfortunately program changes were not made based on fully based on the recommendations of the OEB board. So we would say that, you know, that we think that there should have been more due consideration for those reports by the OEB panel. As well, the panel wanted more information to support the justification of those reports from IESO because IESO did indicate they needed those programs for liability purposes. That technical assessment has not been done yet. In terms of the next step no it's not for me to comment on, you know, anything to do with a referral anywhere, that's up to IESO and the OEB to determine, you know, how their concerns best get addressed.
Q: Ferguson: But how does those coveralls, parkas, landscaping? How does a \$300,000 landscaping bill get passed on to ratepayers? Someone is not paying attention, right?	So the program was such that costs could be, bill could be submitted but without any support for the bills and the bills were being paid. And it wasn't until more detailed, more requests were made for detailed information that they became aware that there were costs behind that bill that probably shouldn't be reimbursed under those programs.
Q: Carter: Overall, if I am correct, (inaudible) of overpayment?	Well there's two different programs right? So there's one that is called a Standby Costs Recovery Program which is supposed to provide money for the plant and people that would be providing peak power. That one is a reimbursement for gas, maintenance and operating. The OEB panel said that when they started including maintenance and operating costs, that that was too generous and that it should only be gas. But the IESO continued reimbursing for all those costs. The OEB panel said perhaps that program is not necessary because only one per cent of power is provided under that of those funds.
Q: Carter: 30?	Yes.
Q: Carter: Just so we are clear here. People in this province are paying \$30 million more a year for power than they should be?	So based on the OEB panel's report, they indicate that they do not believe that there is support for maintenance and operating costs to be covered under such a program. And that equates to about \$30 million. So yes.
Q: Carter: Would you be shaking your hydro bill in anger then because of that?	I guess I would hope that this is addressed and that the IESO revisits this program as is recommended by the OEB panel to do.
Q: Giovanetti: (Inaudible) fully audit the IESO?	Yeah. In our report we have a recommendation that we comment on the financial statements of IESO. So we have already made the board of IESO aware of our intent under the Electricity Act to conduct the test audit, financial statement audit, of IESO. We'll do it in one of three ways. Either we will do it as the sole external auditor of IESO. We will either do it in partnership with their existing audit firm, which is possible you can do joint audits. If they indicate to us that they don't like either of those, under our legislation

	and the IESO's and the Electricity Act, we will still be conducting an audit at IESO.
Q: Giovanetti: Is it unprecedented for your office to do?	It probably is unprecedented to suggest that we go in now and audit IESO financial statements. We haven't audited those financial statements as an office before. But the Electricity Act provides us that opportunity.
Q: Benzie: Bonnie you mentioned the next election. Are you concerned that you are not going to get that pre-election report. Because by my calendar, the election is June 7 th . Traditionally you have ten weeks before so you would need that pre-election report by March 29 th to be able to give you time to sign off on all the books. Are you concerned that you are not, have you received indications that you are not going that?	I think the thing is, the earlier the better because then there is an opportunity to issue the report without it being too close to an election, that there is an opportunity for people to digest the report. I do not want to be caught up in any discussion that, you know, why are you issuing a report so close to the election? But I think our concern is we don't know yet. We do not know what is planned. We have had some general meetings with the controller's office but we have not had a definitive indication of whether or not the pre-election report will be provided to us and when. So I think we need more concrete communication this.
Q: Benzie: Speaking of the election, you expressed concern again about the books not being balanced in your view, according to the accounting practices, they are using different methods that you dispute. Are you concerned that the Progressive Conservative platform that was released two weeks ago, it uses those same government assumptions, the same government accounting, the same practices. So they are projecting a \$2.8 billion deficit in their first year. Does that mean that their \$2.8 billion deficit would actually be considerably higher, it would be possibly \$7 billion, something like that, depending on the accounting?	You know what, I have not read the platform. My only comment would be that I guess when you think about it, you kind of have to use the same numbers, so that you would have an apples-to-apples public comparison. That is the only comment that I would have on it.
Q: Benzie: If you say there is a deficit now and the government says there is not one, if there is a \$2.8 billion projected deficit based on the government's numbers, it is going to be therefore higher, right?	Yeah I think we think the impact for 17-18 will be about \$4.5 billion.
Q: Benzie: \$7.3 billion - my calculations with about \$7.3 billion based on your numbers.	Yeah I'm not sure the seven but I'll say that we estimate that it would be the additional costs to the bottom line might be about \$4.5 billion. We have our estimates in Chapter 2 of our report.
Q: Artuso: Signing off on the books pre-election - are these disputes over accounting practices likely to figure into part of that report?	You know I think our position on the on the accounting for the rate reduction and the pension assets is pretty understood and that will be factored into our review on a pre-election report depending on how, you know, how the government chooses to reflect that in the report.

Q: Crawley: How concerned are you about the apparent increase in sick days being taken by teachers and other education workers?	Yeah we noticed. I mean we looked at the school boards and we also looked at a survey that the school boards had done of 50 school boards. So we looked at the ones, you know four specific ones in the 50 and we did identify there that, you know, they've identified too that there is an increase. I think it's concerning in the sense that money that perhaps is intended to be used for programming has to cover other financial pressures associated with sick leave such as substitute teachers. So we do highlight that in the report.
Q: Crawley: And just to follow up on it, the government's ostensible reason for wanting to end that banking of sick days was that it saves money. So do you analyze - like, are we better off financially that teachers and other education workers are not allowed to bank that sick time and then cash it out at retirement.	Well I don't think we looked at it as a trade-off. I mean I think when you hear the term sick leave and sick days you assume that people are sick and so, you know, we're commenting that school boards perhaps need to put in place some sick leave policies and a program to manage the sick leave so that they can minimize the cost to the overall school board budgets. So you know, someone you would think - I would think as a taxpayer that in order to book a sick leave I need to be sick. So I think with the increase that we're seeing, we're just saying school boards you need to monitor this to make sure that a sick leave program is in place that is followed that would stand our scrutiny of it.
Q: Boyle: Auditor, of all the health audits that you did, what stands out to you the most?	I guess I didn't know, or I think a few of us in the office didn't know, what a CHC was, a community health center was, before we actually went in and looked at the community health center's and they're pretty -- it's pretty neat actually, the concept, right. I mean you walk in and you've got your primary care physician, you've got, you know, maybe a physiotherapist, maybe a social worker, maybe you have somebody to help you with housing, a lawyer there to help you with paperwork if you have, you know, if you're a vulnerable -- a member of a vulnerable population and you need assistance. So I think that was probably the most surprising to understand that that type of operation existed in Ontario. And you know we sat back and we said well that's interesting, I mean, has it been studied in terms of the broader application. So one of the things we recommended in the report is that the information around those units and how they operate needs to be looked at by government to see how it fits into the provision of primary care in Ontario. The CHC accumulate your own information. There is no OHIP billing. So in terms of understanding what services they are giving to their patients they might know that, but the province doesn't know it right now because they're on a separate IT platform. So I think, you know to answer your question that was probably one of the more most interesting, I think, points, you know, that how they operate in Ontario.
Q: Boyle: And cancer drugs outside of hospital, you're recommending that the province pay for those? And if so, how much would that cost?	I'm not recommending that they pay for it, more looking at it from the perspective of an equity in the sense that if the concept is to reduce costs of people going into the hospitals or getting treated in the hospitals, if you if you have to take a cancer drug you have to go into the hospital and get it done.

	It's covered, it's free. Right. But if you have to take a cancer drug and it's in a form that you can take at home you have to pay for it yourself. So, we just pointed that out that perhaps that's just something that can be looked at, you know, what's the trade-off in having people have to go and have it done in a hospital versus is it cheaper to support the cost of the drugs in somebody's -- you know, taking the drugs in their homes. So that's how we've looked at it versus saying, you know, there should be coverage of it.
Q: Reynolds: Auditor, with the emergency preparedness, I understand that there's ineffective oversight structures and there's a low priority status for the emergency management office, but how does that actually -- to what extent does that actually put Ontario residents at risk?	So it was interesting looking at this because, I mean, it's one of those programs where I think you have to make a decision, you know, I mean there's a lot of programs that need money and you see the results of that money right away. And then there's something like emergency management until you need it you don't see the results of that. So we do comment in the report that over the last number of years there's been less attention given to that function. You know, a committee of cabinet hasn't met on it for many years. But we're not saying that if something happened in Ontario -- there'd be a response, there for sure would be a response, but we're commenting that perhaps the response could be more effective if there was more time spent on the planning -- planning before something happens. So for sure we're saying that you know there would be a response is it -- would it be the most cost effective, most efficient response. That's where we're saying we think more attention needs to be put on emergency management planning simulations, communication between the province and municipalities. That type of thing.
Q: Reynolds: Are Ontarians at risk though?	I wouldn't phrase it that way. I would say that this is -- this is a type of program that you make a choice as to the extent to which you invest in it for the future. So like I said, can there be a response if there is a forest fire? There'll be a response. Will it be the most effective? You know, a good one is the nuclear planning, that one is a plan for evacuation around a nuclear plant, you know, so until more time is spent doing maybe a simulation -- and I believe something is happening today around that, you don't know how responsive you're going to be. So -- but I wouldn't phrase it, I wouldn't phrase it the way you've phrased it.
Q. Artuso: You mentioned transparency as a priority. Should these [Inaudible] be recorded? I think they used to record what they call "Covariance Reports," what they are what they got the money for what they actually spent the money on. In this case, should you look at a province like Ontario, which has so many new immigrants coming in. ESL money is being diverted and at-risk money for kids is being diverted to other fiscal pressures on the school-boards. Should there be more clarity around what	So, there are funds that are restricted funds and in the audit we found that school boards are abiding by that. So, when they know something is restricted, they're definitely following the rules and they're using the money appropriately. Where we highlighted in the report, our questions were around more the funds that are designated for something. So I think we use the example of students that are not high achievers-low achievers. And the province said one of our priorities is to have those people become higher achievers. But when we looked at the money, it wasn't being spent for that, it was being spent for other purposes. And the reason being- it's not school board's fault, the province says we're going to

schoolboards spend their money on, and a comparison between what money was meant for and what it was actually spent on?	give you this money and you can do whatever you want with it, even though we have this provincial priority. We're just saying that if you designate money as a provincial priority, it kind of makes sense to taxpayers that we would assume you're following up to make sure that priority is going to be achieved somehow or what's the progress toward achieving that priority. So, that's more our issue, because it's not whether or not the school board spent the money right or wrong. They have the discretion. But it's the province designating it for something and labeling it that and then not following up that it's spent, that is our issue.
Q: Smith Cross: Can you elaborate on the 900 applicants on social housing waitlists that have homes?	Yeah, in our report we have a table and when we were looking at social housing, there were about 900 people on the waiting list that had self-declared that they owned properties. So, I think one of our points in that report is that eligibility criteria for social housing really is kind of locked into the income. Are you bringing in income, versus looking at other criteria when that assessment is being made. We also highlight if somebody said they can still stay on the list. If they own assets no matter what level of assets, as long as it's not generating income for them, they can stay on the list. They can say no to properties and stay on the list. Our point and all of that is that other provinces seem to have more criteria that they use to determine who should be on the list and it's more based on need. So somebody that's homeless, should they have more priority versus somebody died even though 40% of your income is going toward their rent, just because you're "first come first serve" on that list, should you be getting that house? They do have an exception though for situations with violence, housing those people gets priority.
Q: Smith Cross: [Inaudible] who own a home getting social housing when they get to the top of the list?	Our understanding is that that's the case. Having said that, the focus of our work was looking at who was on the waiting list.
Q: Tumelty: The strategy for sexual abuse was [inaudible] there's just under 190,000 people on the waiting list. There's [Inaudible] there is the real-estate, they have just under 190,000 homes. But the province has [Inaudible].	There is a requirement for about 187, 000 social housing properties to be available for households. And when we looked at it, we recognize that they are about 20,000 short in providing that and meeting that requirement. That's really the only requirement in Ontario or Canada for social housing. Really, there isn't a requirement for anybody to provide social housing -that is the only requirement, the firm requirement. So we did comment, some of the properties are just they were in poor condition. We had some people that perhaps don't require social housing that are still occupying those units. So they're not really social housing units per se. Some have converted from social housing I believe to market rate.
Q: Crawley: What's the impact of all these hundreds of government buildings sitting empty?	They do have a plan, Infrastructure Ontario has a plan to dispose of properties. It's just not, they are not disposing maybe as fast as one might expect. I think they only had a handful – just 19 properties I think were sold. So what we're

	saying is you're paying a few million dollars maintaining these vacant properties. Maybe it would be good to speed up the disposal of them.
Q: Crawley: Couldn't they be repurposed for other needs? We were just talking about the lack of social housing and the government has talked a lot about property, wanting to benefit that people are trying to find properties. Would you have some ideas of what should be what should be done with these government buildings?	I mean, they're like old OPP detachment offices, correctional facilities. So I mean, is there a potential re-purposing? I think that's a good question for maybe Infrastructure Ontario. I don't want to - I'm not sure. I'm not sure of the re-purposing, so I don't want to take you down a path there but I think these are designated properties for disposal. So our point was just, you know, maybe it's good to do something with them rather than continue to pay, I think it's \$19 million a year, goes toward maintaining these vacant properties.
Q: Crawley: Many, many millions more worth of real estate, were you able to count (inaudible)?	We don't have an estimate. They're all book value. So we don't have an estimate of the value of all of that property now. But again, that's probably a good question for Infrastructure Ontario.
Q: Ferguson: Getting back to the car washes and the (inaudible) traps and the carpet cleaning at the power plants. How much money was spent on - was billed on things like car washes?	So in the report, we indicate that there was about, the ISO - excuse me - through the investigation, they identified about \$260 million in billings that they would say were for ineligible costs. About 168 of the million of that were recovered. And part of the rest, there wasn't a material or invoices provided. And so, there was a settlement. Right. So, you know, how much of that remaining? I don't - I can't comment.
Q. Ferguson: For car washes, like dirt, does any of your (inaudible)?	No, we didn't tabulate that. I think the ISO team, I think, did a lot of work there in coming up to the \$260 million but I don't know the breakdown. I think we cited some examples because it was kind of foreign to us when we looked at this because, you know, these are supposed to be costs for gas, costs for maintaining a plant and costs for operating a plant. So, obviously, you know, we were concerned when we saw what they had identified themselves as issues. I think the point here is the OEB panel did their job. They did their job in identifying issues. I think where there needs to be a little bit more accountability is that the ISO level for making changes or for looking and providing reasons for why changes weren't being made to back to the panel to explain why their recommendations weren't implemented more fully.
Q. Crawley: Do you have any sense of why it is that they did not recommend the (inaudible)?	Well, I think, like what we say in the report and what we were told is that, you know, there are reliability concerns and that, you know, these programs are operating for reliability purposes and that's where the OEB comes in and says no, well give us your technical reports as to why you think those two programs are needed for reliability of the system. I mean, one deals with congestion on the lines and the other one deals with people, the gas plants being available to provide peaking power. But when you're in a surplus situation again, you know, you kind of revisit that program and the other one and congestion. You know, I think you revisit that one too when times change. Those programs have been around since 2002, 2003. So, time to revisit.

Q. Crawley: The IESO have too close relationship with the private companies that are making money off of this and providing the power. Is there two...	The only thing I would say there is that when we looked at the market initiative that, you know how there is now an initiative to redesign the market. Right? And we have concerns that there might not be sufficient representation from, you know, a residential rate pair or a small business rate pair on not that. And that people that were members - working for companies that either have been investigated or under investigated and found to have been playing the market. Those companies still continue to be in that group that's redesigning the market. So we do have that in the report. We said that is a concern. I did find out today that as of December 1st, I think Goreway was removed but, you know, that and I think the technical panel that provides advice to ISO, also has people involved - organizations. This is not a people thing, this is an organization discussion because over time players change, right. So even though the person on December 1st was from Goreway, chances are they weren't the person that was involved in some of the problems that they had there. So the technical panel also has membership that we would question. All right, thank you very much.
<i>N.B.: Comments captured are not verbatim quotes</i>	

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Fedeli Focus on Finance

Year-End in Focus

Volume 4: No. 12 | December, 2017

Happy New Year! As we settle into the start of 2018, this edition catches you up on what happened in December with respect to Ontario's finances. The earlier December Special Edition of *Focus* covered what the Auditor General had to say. This regular issue will fill in what happened throughout the rest of the month.

The FAO Weighs-in

Of major significance was the release of the Financial Accountability Office's (FAO) *Economic and Fiscal Outlook: Assessing Ontario's Medium-term Prospects*. The very first sentence should give you all the information you need ... "FAO projects a return to significant budget deficits." It goes on to explain that despite a strong boost to revenues this year (much is one-time revenue), "the FAO is projecting a budget deficit of \$4 billion in 2017-18." This is the result of the Auditor General's (AG) recommended accounting treatment for both the government's so-called Fair Hydro Plan and the net pension assets of jointly-sponsored pension plans.

Beyond this year, the FAO is projecting a "significant increase in the budget deficit due to the loss of time-limited revenues, a more moderate pace of tax revenue growth, and the growing impact from the Fair Hydro Plan." By 2021-22, the FAO is projecting a budget deficit of \$9.8 billion. The report reveals "This is a significant deterioration since the FAO's spring outlook and is primarily the result of the introduction of the Fair Hydro Plan, which will add \$3.2 billion to the budget deficit by 2021-22, under the Auditor General's recommended accounting treatment."

The FAO, both in the report and in the briefing lock-up, expressed concern about having all these various forks in the road, leading to several versions of deficit numbers. The report concludes "It is becoming more difficult for legislators and the public to assess the government's fiscal projections. This has reduced the transparency and reliability of Ontario's fiscal plan."

The FAO stated that "additional measures to raise revenue or lower spending will be required if the province intends to achieve and maintain a balanced budget." However, there are major differences between the FAO's forecasts and the government's, both on the revenue and expense side. According to the government, between 2017-18 to 2019-20, revenues will grow by 5.2% on average, much higher than the FAO's projection of 4.3%. This results in a difference of \$2.9 billion in tax revenue. In addition, many of the one-time revenues will expire, including federal equalization payments (gone by 2019-20), debt retirement charge, federal infrastructure transfers, carbon allowance proceeds (there were five auctions vs four as in most years), and sales of assets, such as Hydro One and various real estate. On the expense side, the government will spend \$9.7 billion more than what they had planned to spend in 2017-18, according to their own fiscal plan of just two years ago.

As for the key risks in the outlook, the FAO, as well as most forecasters, continues to assume that uncertainty over NAFTA will have a detrimental effect. Some businesses are postponing investment decisions until this is resolved. The FAO is also concerned that "strong growth in household spending has not been matched by similar gains in household incomes, leading to higher levels of household debt." With rates expected to rise, "many households will scale back discretionary spending in order to make higher debt interest payments, which in turn could have implications for the pace of overall economic growth." In the FAO's spring report, it outlined the housing market as a significant threat to the economy, with record consumer debt loads and stretched level of affordability.

Further Analysis

This all ties in with what many associations and financial groups published in December. RBC Economics stated "After several years of consumer spending and housing activity acting as the main engines of growth, changes

to regulations in the housing market and rising interest rates are setting up for a moderation in housing resales and ancillary purchases.” With respect to overall growth, RBC further commented that “economic slack has diminished considerably following long periods of expansion, making it harder to repeat 2017’s rapid growth rates.”

Central 1’s economic analysis sees slower growth in the near term, largely from personal consumption and residential spending, with a small drag from a shrinking trade balance. They also list the minimum wage impact and NAFTA uncertainties as sources of risk for the province’s economy. Central 1 also reported that small business optimism in Ontario decreased since November, to 57.5/100 (down 0.8%). Since June, year-over-year small business confidence tracked lower than the same period last year. December’s year-over-year negative gap was the widest of 2017.

Many organizations chimed in on the minimum wage issue. The Bank of Canada announced that Ontario’s move to \$15 per hour will cost the province 60,000 jobs. This is bracketed by the Financial Accountability Office’s estimate of 50,000 lost jobs, and TD Bank’s assessment pegging it at 90,000 jobs to be lost. The CFIB suggested this change will cost Ontario between 68,100-155,900, when both direct and indirect job losses are considered. Undoubtedly this debate will continue, but all eyes will be on the monthly labour statistics, for some months to come.

In a series of blistering reports, the Fraser Institute painted a bleak picture of Ontario. The titles are very revealing. Uneven Recovery: Much of Ontario still hasn’t fully recovered from the 2008 recession; Canada’s job engines are in the West and Quebec – not Ontario; Ontario’s manufacturing sector falling behind other provinces, U.S. states; and Rising electricity costs and declining employment in Ontario’s manufacturing sector.

Fraser claims that most of the province’s job creation took place in its largest urban areas. Toronto and Ottawa alone created the equivalent of 98.6% of all new jobs in Ontario between 2008 and 2016. Basically, throughout the rest of Ontario, there has been virtually no job creation since 2008. I can attest that my hometown of North Bay is one of the 17 urban areas that are under the national average, and one of the 11 urban areas that actually experienced net job losses (around 9%) since 2008.

While Ontario is not alone in having a reduced manufacturing sector, it exhibits the most substantial decline when compared to other jurisdictions in Canada and the U.S. Fraser compared the manufacturing sector’s share of real GDP between 2005 and 2016. Ontario’s share dropped 5.1% compared to the U.S. falling less than 1%. In fact, several jurisdictions in the U.S. northeast (our main competitors) saw increases, including Indiana at 1.5%, and Michigan and Kentucky by almost 1%. Another indicator of decline is Ontario’s relative ability to attract investment. Between 2006 and 2016, manufacturing investment declined by 26%, while it increased in Saskatchewan by 35%, B.C. by 15%, Quebec by 11%, and Manitoba by 5%.

The various reports conclude “Ontario is faring so poorly relative to other jurisdictions that all face the same challenges. Simply put, poor policy, including policies that have dramatically increased electricity costs, which have likely placed too large a financial burden on manufacturing and hampered the sector’s competitiveness.”

Hydro Still Making News

Ontario’s skyrocketing hydro rates just can’t seem to shake the news cycle. After the Auditor General revealed that \$260 million was paid out in ineligible expenses claimed by power plants, opposition parties have called for a deeper review, including asking the OPP to investigate. It was further revealed that Ontario Power Generation is one of the companies that still owes ratepayers for inappropriate expenses.

New government rules forced local utilities to promote the government’s programs. An Order in Council mandated that utilities must print ‘Ontario’s Fair Hydro Plan’ and ‘Bringing electricity bills down’ in a “reasonably prominent location on the face of the bill insert.” The so-called Fair Hydro Plan is the name the government gave to their financing scheme to temporarily (and the AG states artificially) lower hydro bills by an average of 25%. The Niagara-on-the-Lake Hydro Board issued a statement accusing the government of politicizing electricity bills.

Hydro customer debt and disconnections soared, according to new numbers quietly posted by the Ontario Energy Board. During the past four years, there’s been a 19% increase in residential hydro disconnections, a 28% increase in households in arrears, and a 40% increase in customer debt owed to the local electricity distributors. North Bay Hydro wrote off more than \$1.12 million in past-due bills for 2,930 customer accounts. This was 40 times greater than the \$25,573 written off the previous year, for 145 accounts.

A CBC News story detailing how market-based bidding has pushed down the price of renewable electricity in places such as Mexico, got others doing comparisons with Ontario's costs. The story described 'the cheapest electricity on the planet' in Mexico, at 1.7 cents/kwh for wind power. Over the last year the rate paid to wind generators in Ontario was 14 cents/kwh. As a result, Ontario families and industries are struggling to pay amongst the highest electricity rates in North America, with rates increasing by 71% since 2008.

Conclusion

Ontario families, businesses, Legislators, and rating agencies, need to trust the government's fiscal projections. But as the FAO stated, there is reduced transparency and reliability of Ontario's fiscal plans. This needs to end. We should have one set of books in Ontario – and a government that will work to ensure the government's books are properly reported.

Key Questions

Will the government accept the fiscal assessment of the Financial Accountability Officer and publish realistic numbers in their 2018 budget?

Will the government acknowledge that much of Ontario hasn't recovered from the recession and propose turn-around solutions for our economy?

Will the government address the core causes of skyrocketing hydro rates and stop buying costly power we don't need?

Similar stories of waste, mismanagement, and scandal are disclosed in my new book, *Focus on Finance 4*.

Please go to www.fedeli.com to download your own copy of the book.

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