TBS

Planning and Expenditure Management Division

# Standing Committee on Estimates

## Minister's Briefing on the Contingency Fund

**September 19, 2017   10:30 am**

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# Overview

- In the 2017 Budget, the Contingency Fund is highlighted in Chapter 6B (Responsible Fiscal Management):

  *"The fiscal plan also includes contingency funds (both operating and capital) to help mitigate expense risks — particularly in cases where health and safety may be compromised or services to the most vulnerable are jeopardized — that may otherwise adversely affect Ontario's fiscal performance."*

- The Contingency Fund is generally used to provide assistance for items such as emergency forest firefighting, emergency support for international earthquake, famine and other disaster relief, funding for emergency assistance in Ontario including flooding and ice storms and settlements to land claim as agreements are reached.

- For 2017-18, the 2017 Budget and the 2017-2018 Expenditure Estimates include a $515.0 million operating contingency fund and a $100.0 million capital contingency fund for a total of $615.0 million.

# Key Considerations

- The 2017-18 Contingency Fund opening balance is in-line with prior years:

| $ Millions | |
|---|---|
| Contingency Funds (combined operating and capital) | |
| 2008 Budget | 595 |
| 2009 Budget | 3,410 |
| 2010 Budget | 2,040 |
| 2011 Budget | 700 |
| 2012 Budget | 500 |
| 2013 Budget | 600 |
| 2014 Budget | 515 |
| 2015 Budget | 650 |
| 2016 Budget | 1,200 |
| 2017 Budget | 615 |
| **Average** | **1,083** |

- The contingency fund is generally budgeted to be around $600 million – approximately 0.5% of Provincial program expense. The size however does vary from budget to budget.

# Items Reported in the 2017-18 First Quarter Ontario Finances

- The 2017-18 First Quarter Ontario Finances provided an update on the balance of the contingency funds:

| Item | $ Millions |
|---|---|
| Grassy Narrows Remediation | 85.0 |
| Grassy Narrows Research | 2.7 |
| Lac des Mille Lacs flooding claim settlement | 14.8 |
| Famine relief efforts in Yemen, South Sudan, Somalia and Nigeria | 2.5 |
| **Total** | **105.0** |

- As a result, the published 2017-18 Operating Contingency Fund decreased from $515.0 million to $410.0 million for 2017-18. There were no updates to the Capital Contingency Fund balance.

# Key Messages

- The Contingency Fund helps address any risks that may arise in-year, particularly in cases where health and safety may be compromised or services to the most vulnerable are jeopardized.

- The 2017 Budget plan included Contingency Funds of $615 million in 2017-18, to help manage any expense risks in 2017-18 that might arise.

- The size of the 2017-18 Contingency Fund is in-line with the amounts included in prior-year Budgets.

# Key Issues

- 50% reduction in the size of the contingency fund compared to 2016-17
- Allegations of structural deficit
- Select media reporting on 2016 FES cite MOF usage of reserve fund to achieve balance:
  - Ottawa Sun, Nov. 15, 2016:
    - “But the path to balance the books makes a pit-stop in the tool shed to free up $400 million in reserves to make ends meet.”
    - “Progressive Conservative finance critic Vic Fedeli slammed the move, saying it covers up the real problem – ‘mismanagement, waste and scandal.’”
    - "When you tap into onetime reserves and one-time sale of assets, you're only artificially balancing the budget," he said.
  - CP (Keith Leslie), Nov. 29, 2016:
    - “In his fall economic statement Nov. 14, Sousa announced he would dip into the reserve fund to ensure a balanced budget in 2017-18, in part because of an accounting change in the way pension liabilities are calculated.”

# Top Questions & Answers

- **Why did you cut the contingency fund in half?**
  - The 2017-18 contingency fund, although lower than the 2016 contingency fund, will help address any expense risks that may arise in-year.
  - This year's contingency fund is comparable in size to prior years.
  - We have beaten our deficit reduction targets eight years in a row, and are on track for balanced budgets in 2017-18, 2018–19 and 2019–20.

- **Did you cut the fund to balance the budget?**
  - The 2017-18 contingency fund is comparable in size to prior years.
  - The government has restored balance through targeted, measured and fiscally responsible decisions — managing growth in program spending and fostering job creation and economic growth.
  - We have been managing our expenses and transforming how we deliver public services to make them more efficient and effective.

- **What is the contingency fund used for?**
  - The contingency fund helps address any risks that may arise in-year, particularly in cases where health and safety may be compromised or services to the most vulnerable are jeopardized, for example firefighting or floods.

- **Does the government have a structural deficit? Is the province is relying on things like one-time asset sales to balance the books?**
  - Any questions on this issue should be directed to my colleague, the Minister of Finance.