Draft – March 22, 2017 2:30 PM
Introductory Remarks – *[Minister Sousa]*

Fiscal Architecture

- Premier – we are now entering the latter phases of pulling together the Budget. These are important days, and today's discussion is critical to landing our fiscal planning architecture – which is central to our Budget.

- The fiscal plan is more than just a series of numbers – it needs to reflect our values as a government, but more importantly, it needs to reflect and speak to the values of Ontarians.

- This is what we heard very clearly at our Cabinet Retreat a few weeks ago. I think Cabinet was very aligned in that it wants to see a Budget that shows we are the steady hand on the wheel during a time of economic and global uncertainty, that we are visioning and situating Ontario for a future for everyone has the opportunity and security to succeed and share in the growth we are seeing in Ontario's economy.

- Part of that narrative, and part of how the budget will demonstrate our leadership in these areas, is publishing a balanced budget -- not just for the coming year, but in every year over the outlook.

- Today we are here to talk about an approach to achieving these two important objectives: satisfying our commitment to balance, and making significant new investments in priority areas.

    - In fact, as you will see from the deck when officials walk you through it in a minute, that compared to 2016 Budget, we are accommodating additional new investments of almost $5.0 billion in 2017-18, growing to $7 billion in 2019/20 while still balancing the budget in that year – the year we committed to balancing eight years ago. This is $7 billion in expenditures that we did not account for in last year's budget

  - Minister Sandals will speak to some of the priority new investments being funded within that in a moment.

- However, making these investments and achieving balance is not an easy task.

- In fact, as you said publicly when we announced the fair hydro plan a few weeks ago – making these investments and balancing the budget will be challenging.

- In fact, doing all this will not be possible without taking on significant amount of risk. We have used some very aggressive tools and assumptions to close off the significant fiscal gap in all years of the plan that we showed to Cabinet at the retreat.

- To publish a balanced plan, we will need to make a number of revenue and expense assumptions. These assumptions carry varying degrees of risk – some of which are essentially not building in downside forecast risks we are pretty sure will be almost impossible to avoid, and some which may subject our government to criticism by stakeholders, such as the FAO.

- On the revenue side, it is true that we have, in recent years, come out ahead of our Budget forecasts – this has been particularly true of the last two fiscal years.

- We have taken this additional revenue and invested it in our priorities and beating our deficit targets.

- But it is important to know that, with the aggressive forecast we are building into the fiscal plan, the experience of the last two years will not continue.

- Just to give you one example, we've assumed that our Equalization payments will remain at the same level from 2017–18 to 2018–19, despite the fact that Ontario's economic growth continues to outpace that of other provinces and territories and forecasts call for our entitlement to go down by about $0.7 billion.

- Similarly, we are pushing our tax revenue forecast growth above our expectations for nominal growth in the economy – something that is certainly consistent with recent years, but not a trend that has existed over the long-term.

- As a result of these assumptions, external stakeholders such as the FAO, credit rating agencies, and private sector economists will scrutinize the validity of the revenue forecast and in the end, we may fall short of the projections.

- On the expense side, we have also taken on a number of tools to achieve balance.

  - We've increased savings targets and reduced the contingency fund in some years, which limits flexibility and the government's ability to respond to unforeseen circumstances.

  - This also means that any in-year decisions will not be possible without new revenue or will need to be funded by running deficits, including potential future collective agreements or other unforeseen expense and pressures ministries will face.

- All that said, I am very pleased that we have managed to find a balanced plan that continues to invest in priorities while meeting our commitment to balance the budget. For me, it is important that we leave today's meeting aligned on the basic building blocks of the fiscal plan, so we can lock down the numbers and work on the narrative.

Document Narrative

- Premier, since the last time we spoke, **we've made significant progress** on our Budget narrative.

- At the Cabinet Retreat, I mentioned that the **Budget will need to speak to our values and our vision** for Ontario. We are developing a budget **plan that is inclusive and represents the needs of all Ontarians**.

- Our Minister colleagues provided **valuable feedback** at the Retreat. They told us about the concerns they're hearing from Ontarians in their communities.

- We heard concerns about:
  - Our **seniors and the aging population**;
  - **Housing affordability**;
  - **Uncertainty about jobs** and **future opportunities**; and
  - Ensuring we **continue to invest** in key priorities **while restoring balance**.

- **Premier, this year's budget will respond to all of these concerns. The Budget will speak to our commitments to ensuring that everyone shares in the prosperity** we are building together.

- We are also of the view that the balanced budget narrative helps to add a level of stability to the province's finances and positions the government to better respond to longer-term challenges, such as an aging population and unexpected global economic shocks.

- As I said at the retreat, a balanced budget affords us the credibility to then articulate why we need to invest in our strategic priorities

- Our Budget will demonstrate how we are:

- **Helping Ontarians and their families by** dealing with issues of affordability - - whether that be providing electricity relief, continuing to take steps to address the housing market, expanding child care spaces, providing free tuition to students who need it or supporting our seniors ;

- **Creating opportunities and security for Ontarians** by investing in people and jobs through our plan to support the economy, and in particular, the highly skilled workforce strategy and other labour market programs, business support programs, low-carbon economy initiatives and our efforts on the Canada Pension Plan; and,

- **Investing in public services** that all Ontarians can count on – particularly health care and education – but also our social programs, our justice system, and our transit and transportation infrastructure.

* Our Budget will **reassure Ontarians that we are:**
  - **Listening to their concerns**;
  - **Investing in their priorities;**
  - **Delivering a plan that is inclusive**; and
  - **Creating opportunities and ensuring security**
  - **While doing so within a framework that is fiscally responsible.**