Ontario's 2016-17 Third Quarter Finances

KEY MESSAGES

- The Ontario government is projecting to beat its deficit target for the eighth year in a row.
- Ontario remains committed to balancing the budget in 2017-18.
- The province's economy is growing in an uncertain global environment and is the strongest in Canada.
- Balancing the budget in 2017-18 and supporting inclusive growth are part of Ontario's plan to create jobs and prosperity, grow the economy and help people in their everyday lives.
- Interest-on-debt expense for 2016-17 is forecasted to be $11.4 billion, $0.4 billion lower than forecasted in the 2016 Budget.

FISCAL OUTLOOK/PATH TO BALANCE

Q1. When will you be tabling the budget?

A1. I will be presenting the budget this spring.

We'll announce the date once it's set.

Q2. This is the first time you've provide a third-quarter fiscal update since 2012. Why didn't you do this before and why are you doing it now?

A2. Since 2012, we've included this update as part of the Budget. This year, given the Pension Asset Advisory Panel's recent report, we're issuing a separate Q3 update to provide a current and accurate portrayal of Ontario's finances.

Q3. Where's the $3-million funding for citizen ideas (Budget Talks) coming from?

A3. We're committed to making strategic investments while keeping an eye on the bottom line.

We'll be funding up to eight ideas that help people in their everyday lives.

Q4. There's still a $1.9-billion deficit on the province's books, how are you going to balance the budget?

A4. We've beaten our deficit targets for seven years in a row. *Insert fiscal management message*

Ontario remains committed to balancing the budget by 2017-18 and we're on track to do that.

Q5. What makes up Other Non-Tax Revenue?

A5. Other non-tax revenue includes things like:

- user feeds
- royalties and fines
- sales and rentals

Q6. Are you planning to use the province's sales of Hydro One shares and the LCBO head office lands to balance the next two budgets?

A6. We will be dedicating net revenue gains from the sale of qualifying assets, including Hydro One shares and the LCBO lands, to the Trillium Trust.

These sales will help fund priority infrastructure projects – including transit and transportation initiatives – under Moving Ontario Forward.

PENSIONS

Q7. Why is the government including the impact of recognizing net pension assets for Ontario Teachers' Pension Plan (OTTP) and Ontario Public Sector Employees' Union Pension Plan (OPSUEPP) in its projections?

A7. The Pension Asset Expert Advisory Panel recently released its independent advice and recommendations on the accounting treatment of pension assets.

The panel recommends that the jointly sponsored net pension assets for _ be recognized in the province's financial statements.

We've accepted the panel's recommendations to present our financial statements in accordance with public sector accounting standards

Q8. What will the government do if the Auditor General rejects the advisory panel's advice and issues a qualified audit opinion?

A8. When the Auditor General raised concerns about including pensions as a net asset, we updated the 2015-16 Public Accounts to reflect this interpretation.

Until we released the 2015-2016 Public Accounts, the government had been recognizing pension assets in its financial statements for 14 years.

We're committed to working collaboratively with the Auditor General and will continue to do so.

Q9. What does this change mean for Ontario's credit rating agencies?

A9. Despite a challenging global climate, our economy continues to perform well.

Commented [IQ1]: Is there a better non-tax revenue question we should include?

Commented [HS(2]: It was 14 years before 2015-16; with the change in reporting for Q3 it is now 15 years.

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Our economy is the strongest in Canada and economists expect Ontario to continue to be one of Canada's fastest-growing provinces over the next two years.

Q10. You now have a $1.5-billion dollar surplus – what does the government plan to do with the money?

A10. The $1.5-billion impact on the 2015-16 deficit related to the difference between the governments historical accounting and the time limited regulated followed in 2015-16 is not a surplus.

We are recognizing net pension assets for OTTP and OPSEUPP in the province's financial statements, in line with the advice of the independent advisory panel.

[*If pressed*] The 2015-2016 Public Accounts, marked the first time, since 2001, that we didn't recognize pension assets in our financial statements.

ONTARIO'S ECONOMIC OUTLOOK

Q11. How is the economy doing?

A11. Despite a challenging global climate, our economy continues to perform well.

Our economy is the strongest in Canada and economists expect Ontario to continue to be one of Canada's fastest-growing provinces over the next two years.

Q12. Aren't you concerned about the negative trend for Ontario's international exports?

A12. We've actually seen exports rise by X.X per cent over the last year.

And, despite a challenging global climate, Ontario's economy continues to perform well.

Our economy is the strongest in Canada and economists expect Ontario to be one of Canada's fastest-growing provinces over the next two years.

DEBT

Q13. Ontario is still billions of dollars in debt and that number is expected to rise. What are you doing to keep spending in check?

A13. The first step is to balance the budget and we're on track to do that.

Interest-on-debt expense for 2016-17 is forecasted to be $11.4 billion, $0.4 billion lower than forecast in the 2016 Budget.

Once the budget is balanced, the province’s debt will rise at a slower rate than its GDP.

CANADA HEALTH TRANSFER

Q14. Health care spending is the province’s largest line item. How are you going to balance the budget in light of a reduced Canada Health Transfer?

A14. We’re continually finding innovative solutions to meet the demands on the province’s health care system.

We’ve had to manage health care spending in a time of fiscal restraint for a number of years.

We are in discussions with the federal government about the CHT and we’re committed to working with them to make this happen.

HOUSING PRICES

Q15. How are high housing prices impacting Ontario’s economy and your forecast for growth in the long term?

A15. Our housing market has had years of strong growth, driven by low borrowing rates, steady employment gains and growth in the number of households.

We’re working with the federal government and officials across the country to help maintain a stable and secure housing market.

HYDRO

Q16. How are you going to eliminate the deficit <u>and</u> provide energy relief?

A16. Ontario remains committed to balancing the budget by 2017-18 and we’re on track to do that.

Helping Ontarians with the cost of living is part of our plan to help Ontarians in their everyday lives.

That’s why we’re looking at ways to reduce hydro costs for people across the province.

Q17. Is the government going to cut the global adjustment rate?

A17. Ontarians have told us that hydro costs are too high and we’re listening.

Helping Ontarians with the cost of living is part of our plan to help Ontarians in their everyday lives.

That's why we're looking at ways to reduce hydro costs for people across the province.

Q18. How can the government afford to help with hydro rate relief? Where's that money coming from?

A18. We know Ontarians are concerned about electricity costs.

That's why we're looking at ways to reduce hydro costs for people across the province.

Q19. Hydro prices are through the roof. What is your government doing to help Ontarians?

A19. **We know Ontarians are concerned about electricity costs.**

That's why we're reducing electricity costs for small businesses, farms and large electricity consumers to help them remain competitive by:

- Providing a rebate on electricity costs
- Ending the debt retirement charge and
- Reducing electricity consumption during peak hours.

CAP AND TRADE

Q20. The last California/Quebec cap-and-trade auction of emissions was a dismal failure – only 11 per cent of licenses were purchased. Given that your path to balance relies on cap-and-trade revenues, how can you still say you will balance the budget next year?

A20. Cap and trade is a cornerstone of our fight against climate change.

Our government's plan to eliminate the deficit doesn't depend on the revenues from cap and trade.

Our approach to investing cap-and-trade proceeds is balanced and strategic. It's focused on initiatives where the opportunity for reducing emissions and sustained economic growth is greatest.

Q21. How confident are you that the Cap and Trade auction will be successful?

A21. Our approach to investing cap and trade proceeds is balanced and strategic.

It's focused on initiatives where the opportunity for reducing emissions and sustained economic growth is greatest.