

Fedeli **Focus on Finance**

The Path To Balance? Not So Fast...

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As the 2015 budget approaches, a lot of attention is being paid to the 'shiny baubles' the government likes to throw out to distract from its abysmal fiscal record. The proposed sale of part of Hydro One and changes to the way beer and wine are sold are two of the more prominent ones. The reasoning behind these moves, of course, is to wring out new revenue to pay for the government's fiscal mismanagement and overspending which has left us with a deficit larger than all the other provinces combined (though they ask you to believe that all the new money they bring in will go toward transit and

infrastructure). The Auditor General's 2014 report recently highlighted new waste over and above gas plant, eHealth, and ORNGE scandals, pointing out the smart meter program cost \$900 million more than estimated, and \$8 billion more was spent on infrastructure projects than should have been.

Now, a recent response from the Ministry of Finance to an Order Paper question I posed raises new questions about the competency of this government and its fiscal projections.

The revenue increase required to balance the budget by 2017-18 is projected to come from the following major sources as reported in 2014 Budget.

2014 Budget: Summary of Medium-Term Revenue Outlook (\$ billions)						
	Plan 2014-15	Medium-Term Outlook		Extended Outlook	Revenue Outlook	Revenue Outlook
		2015-16	2016-17	2017-18	2014-15 to 2016-17	2014-15 to 2017-18
Personal Income Tax	29.2	30.9	32.6	/	3.4	/
Sales Tax	21.9	23.0	23.9		2.0	
Corporations Tax	10.3	11.4	12.0		1.7	
Education Property Tax	5.7	5.7	5.8		0.1	
Ontario Health Premium	3.3	3.5	3.7		0.4	
All Other Tax	13.0	13.7	14.1		1.1	
Total Taxation Revenue	83.4	88.1	92.0	/	8.6	/
Government of Canada	21.9	22.7	24.0		2.1	
Business Enterprises	5.0	5.0	5.5		0.4	
Other Non-Tax Revenue	8.6	8.6	7.9		-0.7	
Total Revenue	118.9	124.5	129.4	134.8	10.5	15.9

Source: page 225, 2014 Ontario Budget

Committed

In the 2013 Ontario budget, the government went to great pains to stress that it is “on track” to balance the province’s books by 2017-18. It’s interesting to note the change in language from then to now. The Order Paper response notes the government “remains committed” to balancing by 2017-18.

That’s a far less certain statement, and similar to the “aspirational” term the Premier was using last year, but quickly retreated from. This shift in language suggests there’s a whole lot of hoping and wishing going on, and not a lot of evidence to back it up.

“ The government is on track to eliminate the deficit by 2017-18 ”

– 2013 Ontario Budget, page 103

“ For 2014-15 and 2015-16, not on track to meet 2012 Budget deficit targets ”

– internal Ministry of Finance document, March 2013

“ The government remains committed... ”

– Ministry of Finance Order Paper response, March 2015

“ We have committed to eliminating the deficit by 2017-18 ”

– Premier Kathleen Wynne, Question Period, March 24, 2015

In December 2013, the Standing Committee on Estimates received internal documents from the Ministry of Finance that confirm the government is NOT being honest about the state of the province’s finances. In fact, the documents showed the government is at least \$4.5 billion off track to balance the budget by 2017-18.

In a previous Focus edition, we highlighted the fact that the 2013 Fall Economic Statement failed to include the medium-term outlook, which is traditionally included. And there were no projections for 2017-18. Now two years later, the Ministry of Finance still can’t tell us – or perhaps worse, won’t tell us – what its specific line-by-line projections are for 2017-18. This should be concerning to all Ontarians.

Federal Transfers

Since before last year's election, the government has been trying to convince Ontarians it's not receiving enough federal transfer money from Ottawa. In fact, they suggested that the province was receiving \$600 million less than the previous year. However, the 2014 Ministry of Finance Public Accounts document

confirms that total federal money flowing to Ontario actually went UP by \$600 million. That's confirmed in this Order Paper question response, and in fact, you can see the province expects even more transfer money from Ottawa over the next couple of years — \$24 billion by 2016-17.

"All Other Tax" Revenue

It's also worth noting that the government expects a significant increase of \$1.1 billion in what it lists as "all other tax" revenues in the next two years.

Previously, we've highlighted a document made public through the Standing Committee on Justice investigation into the Mississauga and Oakville gas plant cancellations which listed nearly 50 new fee proposals the government was considering. It would not be a stretch to assume that more new ideas to increase tax revenues have been pitched between 2013 and now.

The government needs to explain where this new "other tax" revenue will come from.

Further to that point, the government continues to tell us they will put the revenue from the sale of assets into the newly-created Trillium Trust.

But that's not how the Budget read when it was passed. The Act states the government 'may' put a 'portion' of any asset sale into the Trust. We brought Amendments forward to change 'may' to 'must' and 'portion' to 'all'. However, the Amendments were voted down – meaning the government is free to put any revenue from the sale of an asset right into general revenue, and apply it against the deficit.

Closer inspection of the Budget revealed the full story. Asset sales are included in the "other non-tax revenue" table. And page 232 of the Budget is quite revealing, showing asset sales of \$900 million this year and \$1 billion next year. Almost \$2 billion in asset sales have already been booked and built into the budget – and these assets have yet to be sold. The fact this money is already booked in revenue proves any asset sale is to help balance the budget, not be invested in infrastructure.

Conclusion

With a projection of a \$12.5 billion deficit, the government clearly continues to scrounge around for new revenue rather than deal with its fiscal waste, mismanagement, and overspending.

However, it has still failed to lay out a clear plan to balance the budget by 2017-18, and many serious questions still remain as to how this will be accomplished.

Key Questions

Why is the government unable – or unwilling – to show its calculations to prove it can balance the budget in 2017-18?

Where specifically is the more than \$1 billion in increased “other tax” revenue expected to come from? Will it come from asset sales the government claims it is investing in transit and infrastructure?

Why has the government misled Ontarians about the fact it has received an INCREASE in money from the Government of Canada?

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