

MOVING FORWARD, TOGETHER

THE ONTARIO LIBERAL PLAN, 2007
COSTING SUMMARY



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Introduction

In just four short years, the Ontario Liberal government has made significant progress in restoring the financial health of the province.

After the 2003 election, an independent review of the province's fiscal situation found that the previous Conservative government — which had claimed the books were balanced — had actually left behind a \$5.6 billion deficit.

To ensure that this situation was not repeated in the future, the Ontario Liberal government introduced the *Fiscal Transparency and Accountability Act*. That new law allowed the Auditor General to review the 2007 Pre-Election Report on Ontario's Finances. The auditor concluded it is an accurate and reliable representation of the government's fiscal plan.

The Ontario Liberals' plan, *Moving Forward Together*, delivers a balanced budget in each of the next four years while investing in the priorities of Ontarians including health care, our publicly funded schools and helping people and businesses achieve their full potential.

Pre-Election Report and Auditor General's Response:

On April 23rd, 2007 the Ontario Liberal government released the first-ever Pre-Election Report on Ontario's Finances and submitted it for review to the Auditor General. The 2007 Pre-Election Report on Ontario's Finances follows the recommendations made by the former provincial auditor, Erik Peters. Reporting back on June 18th, 2007, the Auditor found the report to be “an informative financial document that provides extensive information about Ontario's expected future fiscal situation in a reasonably understandable manner.”¹

The Auditor General found that “the estimated revenues and expenses [...] underlying these amounts, as well as the assumptions supporting them, were reasonable.” He also found that “the estimated results, while reasonable, are more likely to be on the conservative side than on the optimistic side.”²

On August 17th, 2007 the Ontario Ministry of Finance released the 2007-08 First Quarter Ontario Finances. Due to improvements in economic conditions since the release of the Pre-Election Report, the First Quarter Finances reported a \$600 million increase in base revenue for 2007-08 to \$92.1 billion.³

The Ontario Liberal Platform utilizes this higher base revenue figure for 2007-08 as the basis for projecting revenues over the four years covered by the platform.

¹ Auditor General's Review of the 2007 Pre-Election Report on Ontario's Finances, p. 9.

² Auditor General's Review of the 2007 Pre-Election Report on Ontario's Finances, p.4-5.

³ Ontario Ministry of Finance: 2007-08 First Quarter, p. 1.



MOVING FORWARD TOGETHER

The Ontario Liberal Platform Fiscal Plan:

Table 1 provides a summary of the projected fiscal position of the province under the Ontario Liberal Party's platform.

Table 1: ONTARIO LIBERAL PARTY MEDIUM-TERM FISCAL PLAN

(\$ BILLIONS)	Ontario Liberal Platform				
	07-08 ¹	08-09	09-10	10-11	11-12
Net Revenues	92.1	95.3	99.0	102.7	107.0
Expenditures					
Programs	82.2	85.6	88.8	92.3	96.6
Interest on Debt	9.1	9.2	9.4	9.4	9.4
Total Expenditures	91.3	94.8	98.2	101.7	106.0
Surplus - (Deficit) Before Reserve	0.8	0.5	0.8	1.0	1.0
Reserve	0.8	0.5	0.8	1.0	1.0
Surplus - (Deficit)	0.0	0.0	0.0	0.0	0.0

Note: Numbers may not add up due to rounding

¹ 2007-08 figures are based on Ontario Ministry of Finance's Q1 Finances and the Auditor General's Review of the 2007 Pre-Election Report on Ontario's Finances.

The Ontario Liberal Platform projects a balanced budget in each of the next four fiscal years. Under a Liberal government, by 2012 the province will have experienced seven consecutive balanced budgets.

Total revenues are projected to grow by \$15.3 billion from \$92.1 billion in 2007-08 to \$107.4 billion in 2011-12. Over the same period, investment in government programs is expected to grow by \$14.4 billion, rising from \$82.2 billion in 2007-08 to \$96.6 billion in 2011-12.

Interest on Debt is projected to remain relatively constant, rising from \$9.1 billion to \$9.4 billion by 2011-12.

The Ontario Liberal Platform is fiscally responsible and contains a reserve every year. The reserve rises from \$0.5 billion in 2008-09 to \$1.0 billion in 2011-12. If the reserve is not required, the province will show a small surplus every year.



MOVING FORWARD TOGETHER

Economic Outlook:

Table 2 contains a summary of recent private-sector forecasts for Ontario's real GDP growth. The estimates contained in the chart are up to date as of August 15th, 2007.

**Table 2: PRIVATE SECTOR FORECASTS FOR ONTARIO REAL GDP GROWTH
(PER CENT)**

	2008	2009
Conference Board of Canada (July)	3.2	3.4
Global Insight (July)	2.6	2.8
Centre for Spatial Economics (July)	2.1	2.7
University of Toronto (July)	1.5	2.4
RBC Financial (July)	2.7	–
Scotiabank Group (Jul)	2.1	–
TD Bank Financial Group (May)	3.0	–
BMO Capital Markets (July)	2.3	2.7
CIBC Work Markets (July)	2.1	–
Low	1.5	2.4
High	3.2	3.4
Private-Sector Survey Average	2.4	2.8
Ontario Liberal Platform Planning Assumption	2.3	2.6

The Ontario Liberal Platform is based on assumptions of real GDP growth of 2.3% and 2.6% in 2008 and 2009, respectively. These assumptions were chosen after consultations with private-sector economists and contain a measure of prudence, as they are slightly below the private-sector average of the year in which they occur.



MOVING FORWARD TOGETHER

Revenue Outlook:

Table 3 contains details on the Ontario Liberal Platform's economic growth assumptions and projected rates of revenue growth

**Table 3: ECONOMIC AND REVENUE OUTLOOK – ONTARIO LIBERAL PLATFORM
(PER CENT)**

	2008	2009	2010	2011	Average Growth
Economic Assumptions					
Real GDP Growth ¹	2.3%	2.6%	3.0%	3.0%	2.7%
Inflation	1.9%	1.9%	2.0%	2.0%	2.0%
Nominal GDP Growth	4.3%	4.6%	5.0%	5.0%	4.7%
Revenue Growth					
Tax Revenue Growth ²	4.1%	4.4%	4.1%	4.6%	4.3%
Non-Tax Revenue Growth ³	3.0%	3.0%	3.0%	3.0%	3.0%
Annual Revenue Growth	3.8%	4.0%	3.8%	4.1%	3.9%

Sources: 2007 Ontario Budget and Table 2: Private Sector Forecasts for Ontario Real GDP Growth

¹ See Table 2: Private Sector Forecasts for Ontario Real GDP Growth

² Tax Revenue growth is based on Nominal GDP growth and is adjusted to account for revenue measures included in the 2007 Ontario Budget.

³ Non-Tax Revenue is assumed to grow at 3% annually.

Forecasting Methodology:

The base for future revenue growth is the latest revenue projection from the Ontario Ministry of Finance of \$92.1 billion taken from the 2007-08 First Quarter Finances. This is \$600 million above the Ministry's forecast in the 2007 Budget and the Pre-Election Report of \$91.5 billion.

Tax revenue and non-tax revenue were forecasted separately. Tax revenue is highly correlated with economic growth and thus must be forecasted based on estimates of real GDP growth. The remaining revenue generated by the province (eg: federal transfers, income from government businesses, etc.) is traditionally less correlated with economic growth. As such, the two sources of revenue have been separated and different growth rates for each category have been used.

Tax Revenue: Growth is based on assumptions of real GDP growth, which are then used to estimate nominal GDP growth. For 2008-09 and 2009-10 tax revenue growth is based on available forecasts of real GDP growth from private sector forecasts. In the last two years such forecasts are not available for Ontario, therefore we have estimated a real GDP growth rate of 3.0% – a standard practice of estimating reversion to the mean in long-range forecasting. We have also adjusted tax revenue growth to account for revenue measures included in the 2007 Budget, including the elimination of the capital tax and reductions in the business education tax.



THE ONTARIO LIBERAL PLAN, 2007

MOVING FORWARD TOGETHER

Non-Tax Revenue: An estimate of 3% growth in non-tax revenue has been used. While this is lower than the historic average rate of growth of 7.8% over the past six years, the expiry of federal-provincial agreements over the planning period necessitates a more conservative growth estimate.

Table 4: REVENUE PROJECTIONS – ONTARIO LIBERAL PLATFORM

(\$ BILLIONS)	Ontario Liberal Platform					Increase (\$B)
	07-08 ¹	08-09	09-10	10-11	11-12	
Tax Revenue	64.6	67.2	70.2	73.1	76.4	11.8
Non-Tax Revenue	27.5	28.3	29.2	30.0	31.0	3.5
Total Base Revenue	92.1	95.6	99.4	103.1	107.4	15.3
Note: Numbers may not add up due to rounding						

¹ 2007-08 figures are based on *Ontario Finances: 2007-08 First Quarter* and the *Auditor General's Review of the 2007 Pre-Election Report on Ontario's Finances*.

Based on economic projections, tax revenues are projected to grow at an average rate of 4.3% over the four years of the platform. Tax revenues will rise from \$64.6 billion to \$76.4 billion between 2007-08 and 2011-12.

Non-tax revenues are projected to grow at a steady rate of 3.0% each year. As a result, non-tax revenue will rise from \$27.5 billion to \$31.0 billion between 2007-08 and 2011-12.

Overall revenue is projected to grow at a rate of 3.9% between 2007-08 and 2011-12. Revenues are projected to rise from \$92.1 billion to \$107.4 billion by 2012.



MOVING FORWARD TOGETHER

Ontario Liberal Platform by Sector:

The chart below provides details on the Ontario Liberal Party's fiscal outlook for the years 2008-09 to 2011-12 broken down by sector. Figures from the Ontario Ministry of Finance's First Quarter Finances for 2007-08 are also provided as a comparison.

Table 5: ONTARIO LIBERAL PLATFORM MEDIUM-TERM FISCAL PLAN – BY SECTOR

(\$ BILLIONS)	Ontario Liberal Platform					Increase (\$B)
	07-08 ¹	08-09	09-10	10-11	11-12	
Revenues						
Base Revenue ²	92.1	95.6	99.4	103.1	107.4	15.3
Less: Benefits to Families ³		(0.3)	(0.4)	(0.4)	(0.4)	
Total Revenues	92.1	95.3	99.0	102.7	107.0	14.9
Expenditures						
Programs:						
Health Sector	37.9	40.1	42.1	44.3	46.6	8.7
Education Sector	12.4 ⁴	13.2	13.6	14.0	14.8	2.4
Postsecondary Education and Training Sector	5.9	6.2	6.3	6.5	6.7	0.8
Children's and Social Services Sector	11.0	11.4	11.6	11.9	12.3	1.3
Justice Sector	3.3	3.4	3.4	3.4	3.5	0.2
Environment	0.3	0.3	0.4	0.4	0.5	0.2
Other Programs	11.4	11.0 ⁵	11.4	11.8	12.2	0.8
Total Programs	82.2	85.6	88.8	92.3	96.6	14.4
Interest on Debt	9.1	9.2	9.4	9.4	9.4	0.3
Total Expenditures	91.3	94.8	98.2	101.7	106.0	14.7
Surplus - (Deficit) Before Reserve	0.8	0.5	0.8	1.0	1.0	
Reserve	0.8	0.5	0.8	1.0	1.0	
Surplus - (Deficit)	0.0	0.0	0.0	0.0	0.0	

Note: Numbers may not add up due to rounding

Education sector excludes Teacher's Pension Plan.

¹ 2007-08 figures are based on *Ontario Finances: 2007-08 First Quarter* and the *Auditor General's Review of the 2007 Pre-Election Report on Ontario's Finances*.

² Base revenues are calculated using current economic growth figures and include provisions for revenue measures included in the 2007 Budget. See Table 4: Revenue Projections – Ontario Liberal Platform

³ Benefits to Families includes property tax grant for seniors, extension of land transfer tax rebate to all first time home buyers and expansion of the caregiver tax credit.

⁴ *Ontario Finances: 2007-08 First Quarter* did not include the additional \$182 million investment in education announced on August 14th, 2007.

⁵ The decrease in spending in the "Other" sector from 2007-08 to 2008-09 is carried forward from the *2007 Budget* and the *2007 Pre-Election Report on Ontario's Finances* and reflects projected savings from government contributions to pensions.



MOVING FORWARD TOGETHER

New Investments by Sector in 2011-12 over 2007-08:

The Ontario Liberal Party will increase investments in health care by \$8.7 billion by 2011-12. Our incremental investments in 2011-12 will include \$75 million for 50 Family Health Teams, \$280 million to fulfill our nursing commitments, \$150 million for a comprehensive strategy to battle chronic diseases starting with diabetes and \$250 million towards the creation of an electronic health record by 2015. Given our aging population we anticipate the growth in the area of utilization and health care capacity to be approximately \$7.5 billion. Other investments will focus on reducing wait times in the emergency rooms, increasing cancer screening rates and recognition of the growth in the province's fastest growing areas.

The Ontario Liberal Party will increase investments in publicly funded education by \$2.4 billion by 2011-12 – an increase of \$3.1 billion over 2006-07. All of this money will go towards publicly funded schools in the province. Our new investments in 2011-12 will include increased funding of \$26 million for English as a second language, \$144 million for special needs funding and \$43 million to provide homework help for students and a doubling of the funding for our community use of schools program.

The Ontario Liberal Party will continue to build on our Reaching Higher Plan, an historic investment in post secondary education that was introduced in 2005. Our investments in training, colleges and universities will increase by \$800 million by 2011-12. This will include \$170 million for the \$300 textbook and technology grant for students and \$50 million to increase the number of apprentices by 25% and addressing growth in the sector.

The Ontario Liberal Party will increase investments in social services and children's programs by \$1.3 billion by 2011-2012. This will include completing the Ontario Child Benefit to \$1,100 per child, progress towards a new full-day pre-school program, dental services for low-income Ontarians, and other social service and housing investments.

The Ontario Liberal Party will increase investments in community safety and justice by \$200 million by 2011-12. These new investments will continue to build on our investments in municipal and provincial police, our state-of-the-art provincial justice operations centre and our successful provincial anti-gang and guns strategy. We will also continue to invest in preventative initiatives such as our Youth Opportunities Strategy and the Youth Challenge Fund which help our youth make good choices in their lives.

The Ontario Liberal Party will increase investments in the environment by 66% or \$200 million by 2011-12. Our new funding will be dedicated to initiatives to assist municipalities, businesses and families be more energy efficient and reduce greenhouse gas emissions. We will also expand funding to clean up the Great Lakes and Lake Simcoe, develop new technologies to reduce toxic chemical use, plant trees, protect green space and divert waste. We will continue to hire new inspection and enforcement staff and conservation officers.



MOVING FORWARD TOGETHER

The Ontario Liberal Party will continue to invest in other ministries. Our incremental investment in this area will be \$800 million by 2011-12. Our new funding will support key investments such as \$100 million to attract new investment through the Next Generations Job Fund, \$15 million to support our tourism industry, \$50 million to support our television and film industry and an additional \$70 million to support economic development in rural, Eastern and Northern Ontario.



MOVING FORWARD TOGETHER

Conclusion:

The previous Conservative government left behind many deficits, one of them the \$5.6 billion dollar hole in Ontario's finances. After four years, the Liberal government under Premier Dalton McGuinty, has made significant progress on all of the Conservative deficits, including healthcare, education, infrastructure and the province's finances. On the fiscal deficit Ontario has now experienced two consecutive balanced budgets (2005 and 2006) and projections for 2007 are that the books will be balanced this year as well.

Our plan will build on this fiscal responsibility. We have used the figures from the Auditor General's report as the basis for our plan. Our revenue projections are transparent and based on the most up to date economic projections we have available. Our expenditures are costed and focused on the priorities of Ontarians: a vibrant public education system, public health care, a cleaner environment, safer communities and competing with the world with our greatest strength, our people. Working together we will keep Ontario moving forward.

The logo features the name "Dalton" in a stylized, handwritten script font, with a light blue shadow effect behind the text.

THE ONTARIO LIBERAL PLAN, 2007

MOVING FORWARD TOGETHER

Table 6: KEY PLATFORM INITIATIVES WITH ANNUAL FUNDING IN 2011-12 OVER 2007-08

	Increase* (\$ Millions)
<i>Smarter Ontario</i>	
Homework help	43
Increased ESL funding	26
Increased special needs funding	144
Every Student fund	150
Graduation rate to 85%	110
Technology and textbook grant	170
<i>Stronger Ontario</i>	
Expand Next Generation Jobs Fund	100
Second Career Strategy	25
Early Learning and Full Day Preschool	300
Increases to NOHFC, RED and Eastern Ontario Economic Development Fund	70
Dental Program	45
Helping our tourism industry	15
<i>Healthier Ontario</i>	
ER Wait times	100
50 more Family Health Teams	75
100 more medical school spaces	60
Chronic disease-diabetes strategy	150
Cancer screening-vaccination	100
Nursing strategy	280
E-Health Record	250
<i>Greener Ontario</i>	
Fighting Climate Change	100
Tackling Environmental Causes	35
Stronger Protections	65
<i>Better Ontario for Families</i>	
Expanding help to all first time home buyers	100
Property tax grant for seniors	250
Tax credit for caring for relatives	70

* Represents new investment in 2011-12 compared to a base year of 2007-08. Amounts are annual investments.

