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**Journal
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(Hansard)**

F-4

**Standing Committee on
Finance and Economic Affairs**

Estimates

Ministry of Finance

**Comité permanent
des finances
et des affaires économiques**

Budget des dépenses

Ministère des Finances

1st Session
43rd Parliament

Wednesday 16 November 2022

1^{re} session
43^e législature

Mercredi 16 novembre 2022

Chair: Ernie Hardeman
Clerk: Michael Bushara

Président : Ernie Hardeman
Greffier : Michael Bushara

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Wednesday 16 November 2022

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Mercredi 16 novembre 2022

The committee met at 0901 in room 151.

The Chair (Mr. Ernie Hardeman): Good morning, everyone. I call this meeting of the Standing Committee on Finance and Economic Affairs to order.

Our agenda today is the consideration of 2022-23 expenditure estimates of certain ministries and offices as selected by the committee at its meeting on October 26, and as from the previous meeting, my understanding is that—

Interjections.

The Chair (Mr. Ernie Hardeman): For this session to start, we must have a minister or the minister's representative here to answer questions. We do not have them yet, so we'll wait for a few minutes to see if they're here.

Committee members, pursuant to standing order 63(e), no estimates shall be considered in a committee while any matter, including a procedural motion, relating to the same policy field is being considered in the House, and the order has just been called. Bill 36, An Act to amend Budget measures and to enact and amend various statutes, is currently being considered in the House. As this bill relates to the Ministry of Finance, I rule that today's meeting would contravene standing order 63(e). This morning's meeting is therefore cancelled.

Ms. Catherine Fife: Chair, a question for the Chair and for the Clerk: Would it be in order for us to move, with the support of the government members, that we reorder the selection of ministries to examine the Ministry of Economic Development, Job Creation and Trade today instead of the Ministry of Finance?

The Chair (Mr. Ernie Hardeman): Committee members, standing order 63(c) states, "The estimates of the ministries and offices shall be considered in the order in which they were selected. The subcommittee on committee business of each committee may, by unanimous agreement, alter the order of consideration."

Therefore, unless there is unanimous agreement from the members of the subcommittee or an order from the House to alter the order, we are required to proceed with the consideration of the estimates, in the order in which they were selected, at this meeting. So, from that, to be short: If you have unanimous consent to do that, it can be done.

Ms. Catherine Fife: So I am asking for unanimous consent from the members of the finance committee—

The Chair (Mr. Ernie Hardeman): It's not through the Chair. You would have to find that out from the other members of the subcommittee. It is a direction from the subcommittee that would have to make that happen.

Ms. Catherine Fife: And can I do that publicly?

The Chair (Mr. Ernie Hardeman): Yes.

Ms. Catherine Fife: So I would ask the member from the government's subcommittee if you're amenable to changing the selection of the ministries which the finance committee will be examining today to also examine the Ministry of Economic Development, Job Creation and Trade.

Mr. Stephen Crawford: I think it's best we stick with the order that we've already agreed upon, Chair.

Ms. Catherine Fife: Chair, just one other question then: Given the fact that the government has run out the clock on this committee and we only have today to examine the estimates, will this committee be exploring any estimates today at all or is that process going to be null and void for this budget session?

The Chair (Mr. Ernie Hardeman): If we recess until 3 p.m., my understanding is that that bill is not on the agenda this afternoon. So rather than, as we did in the previous meeting where we called it a day—we can just recess until 3 this afternoon and hopefully, if that's not on the agenda, we can start with estimates at 3 o'clock.

Ms. Catherine Fife: Okay. Thank you for the clarification.

The Chair (Mr. Ernie Hardeman): Well then, we'll recess until 3 o'clock.

The committee recessed from 0906 to 1458.

ESTIMATES

MINISTRY OF FINANCE

The Chair (Mr. Ernie Hardeman): I'll call the committee to order. Welcome back, everyone, and thank you very much to the minister for being here.

Our agenda this afternoon is the consideration of the 2022-23 expenditure estimates of certain ministries and offices as selected by the committee at its meeting on October 26, 2022. All committee members should have received an electronic copy of the 2022-23 estimates and the corresponding ministry and office briefing books from the Clerk.

We'll begin with the Ministry of Finance for a total of three hours. As this is the first ministry before the committee, I'd like to take this opportunity to remind everyone that the purpose of the review of the estimates is for members of the Legislature to determine if the government is spending money appropriately, wisely and effectively in the delivery of the services intended.

I would also like to remind everyone that the estimates process has always worked well with the give-and-take approach. On one hand, members of the committee take care to keep their questions relevant to the estimates of the ministry, and the ministry, for its part, demonstrates openness in providing information requested by the committee.

As Chair, I intend to allow members to ask a wide range of questions pertaining to the estimates before the committee to ensure they are confident that the ministry will spend those dollars appropriately. In the past, members have asked questions about the delivery of similar programs in previous fiscal years, about the policy framework that supports a ministry approach to a problem or a service delivery, or about the competence of a ministry to spend the money wisely and efficiently. However, it must be noted that the onus is on the members asking the questions to make the questions relevant to the estimates under consideration.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer.

Are there any questions from the members before we start? MPP Fife.

Ms. Catherine Fife: Thank you very much, Chair, and thanks to the minister and staff for being here today. Given the fact that we're under a very tight timeline with regard to Bill 36 being called later in the House—maybe 40 minutes, maybe 41 minutes—can I just ask, through you to the ministry staff: If we have specific questions, can we forward those questions to the ministry in written form to ensure that we can at least get some answers on some of the questions, given the truncated time that this committee is dealing with right now?

The Chair (Mr. Ernie Hardeman): That's a question that the minister, when the opportunity arrives, may be able to answer in his presentation. Thanks for putting the question.

Going on, I am required to call vote 1201, which sets the review process in motion. We will begin with a statement of up to 20 minutes from the Minister of Finance, followed by questions in rounds of 20 minutes for the official opposition members, 10 minutes for independent members as a group, and 20 minutes for the government members for the remainder of the time allotted.

As a reminder to all ministry staff appearing in person or virtually, when speaking for the first time please introduce yourself by stating your name and title for the record.

With that, Mr. Minister, you have the floor for the first 20 minutes.

Hon. Peter Bethlenfalvy: Thank you, Chair. With regard to the question from the member: If the members submit the questions to the committee, my office would be happy to respond to those written questions in the spirit of transparency, which I'm a champion of.

Interjection.

Hon. Peter Bethlenfalvy: So there you go.

Good afternoon, everyone. I'm pleased to be here before the Standing Committee on Finance and Economic Affairs to discuss the 2022 expenditure estimates. I'd like to thank the members of the committee and the Chair for your hard work and participation.

The approval of the government's proposed spending is a key element of fiscal accountability and transparency. The people of Ontario deserve a transparent and accountable government when it comes to public finances. Our government is committed to openness, transparency and accountability, so I welcome this opportunity to describe our plan for the people of Ontario.

The Ministry of Finance's mandate is to manage public finances in a responsible, accountable and sustainable manner, and this includes through the yearly provincial budget, quarterly and mid-year updates, while working with the Treasury Board Secretariat to prepare consolidated financial statements. We're constantly working to ensure the province's finances are up to date. In addition, the ministry supports government-wide initiatives and develops key fiscal, taxation and economic policy. We manage the province's federal-provincial financing arrangement and the provincial debt. We also regulate the financing services sector through our government agencies. And through our mandate, we truly understand what it means to be meticulous when it comes to managing the province's financial affairs.

So to my colleagues and staff at the Ministry of Finance who work endlessly to ensure we are following our mandate, I personally thank each and every one of you—and many of them are staring at me right on the screen in front of me. So thank you very much, and to all your teams.

Since our government was elected back in 2018, it has always been in our plan to find smarter and more efficient ways to manage the province's finances while continuing to invest in the people of Ontario and the province's economy. This task, which we thought was going to happen seamlessly, changed quite quickly. Over the past couple of years, our province, along with the rest of the world, faced a challenge unlike any other that we have seen in our lifetimes. The once-in-a-generation COVID-19 pandemic tested our resolve as a people and as a province. But we stood together, and we supported one another to get through those difficult and challenging times. When COVID-19 caused uncertainty in the global economy, our government was there to support the people of Ontario.

The province's economic recovery from COVID-19 has been uneven. Despite recent progress in the recent quarters, the real GDP in some industries still remains below pre-COVID-19 levels—arts, entertainment and recreation; transportation and warehousing; and accommodation and food services, among others—whereas certain industries, such as retail, finance as well as insurance, have risen above pre-COVID levels.

Despite the uneven progress, today we find ourselves navigating yet another challenge. The next couple of years are likely to be marked by ongoing economic turbulence and challenges. Our government recognizes that we are

facing a difficult road ahead, and an economic slowdown in the near term is very real. Notre gouvernement le sait bien : le chemin qui nous attend sera semé d'embûches, et le spectre d'un ralentissement économique à brève échéance est bien réel. The world is facing challenging economic times, and as Ontario—I've said many times—is not an island, we're not immune to what we are witnessing all across the globe. In 2022, the consumer price inflation reached a near-40-year high. En 2022, l'indice des prix à la consommation de l'Ontario a atteint un sommet inégalé depuis près de 40 ans.

We are suffering from high inflation because of the consequences of a worldwide pandemic and Russia's brutal war against Ukraine. It has impacted us all. It has caused supply chain issues for numerous industries, impacting commodity markets and fuelling inflation. While here at home, inflation has seen a slight decline recently, interest rates and prices of groceries and other everyday goods continue to rise or be elevated. This is putting financial pressure on families, on seniors and the hard-working people of this province. People across this province are understandably feeling uneasy about their finances. It's not easy to wake up every day and feel uncomfortable about what tomorrow might bring. We understand that feeling, and our government continues to offer numerous meaningful solutions to support workers and families.

Mr. Chair, instead of delivering broad, one-time support that could risk worsening inflation, our government is thinking strategically and taking a different approach. We have introduced targeted measures that we could build over the long term, maintaining our flexibility as we navigate the uncertainty that lies ahead. Let me explain exactly what I mean.

To help keep costs down for families, in March, we eliminated licence plate stickers and refunded drivers who had already paid the cost, a move that is saving the drivers of Ontario an average of \$120 in southern Ontario and \$60 in northern Ontario per year.

One of the most effective measures we introduced was temporarily cutting the gas tax by 5.7 cents per litre and the fuel tax by 5.3 cents per litre. In fact, Statistics Canada confirmed that cutting the gas and fuel taxes contributed to the drop in gas prices in Ontario in July, which helped to lower the growth of the overall consumer price index.

The Ontario Childcare Access and Relief from Expenses Tax Credit is supporting eligible families with up to 75% of child care expenses, providing, on average, \$1,250 in child care support for this year. These targeted measures are helping to keep costs down for families and for businesses.

Ongoing labour shortages and supply chain disruptions are some challenges that can also be felt throughout the economy. The challenges of getting goods and services across our province or around the world continue to impact us all tremendously. It's a contributing factor to the higher-than-usual inflation. That is why we are seizing opportunities every day.

We are helping to develop the Ring of Fire and capitalize on Ontario's critical minerals, which remain a necessity for all of Canada. A key part of the government's Critical

Minerals Strategy is the corridor to prosperity: the roads to the Ring of Fire. These roads will help bring critical minerals to the manufacturing hubs in southern Ontario, which will bring a prosperity to Ontario's north and unlock economic potential that has been long awaited by the people of Ontario.

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Our government is also building roads, bridges, subways and highways to ensure people, goods and services can move freely and boost our economy. We've invested in Ontario's automotive and manufacturing supply chain to become a North American leader in building electric and hybrid vehicles and battery manufacturing. Through strong and prudent economic management, we can attract investment and remain a leader in steel manufacturing and other industries. Now, by attracting more investment in these industries, it means we need more skilled workers, something that has been underinvested in for far too long. We have provided supports for thousands of workers to train for rewarding careers in the skilled trades—workers who can help build the critical infrastructure our government is investing in all across Ontario. These measured and sensible approaches will support workers and businesses in a targeted way, leaving the government room to build as we navigate emerging challenges.

Mr. Speaker—Mr. Chair, sorry; Freudian slip—just this week, I rose in the Legislature to deliver our government's 2022 fall economic statement, and it was a privilege to stand before my colleagues, old and new, to provide an update on the province's economy, its finances and the progress we have made on our plan to build Ontario. Our government took an approach like no other. We're building Ontario's economy by attracting investments and good jobs. We're building Ontario's workforce by ending the stigma against skilled trades. We're building infrastructure for Ontario by getting shovels in the ground on critical projects all across the province. And, most of all, we're keeping costs down and putting more money back in the people's pockets, where it belongs.

We have also taken the extra step to include targeted measures to advance our plan and help families and businesses during these challenging times. We are making changes that would allow a person with disability on ODSP to keep more of the money they earn by increasing the monthly earnings exemption from \$200 to \$1,000 per month. We are also investing an additional \$40 million in 2022-23, for a total of \$145 million, for the latest round of the funding in the Skills Development Fund. We are also investing an additional \$4 million over two years, beginning in 2023-24, to expand the Dual Credit Program. We are also proposing to provide Ontario's small businesses with \$185 million in income tax relief over the next three years. We are proposing to double the Guaranteed Annual Income System payment for all recipients for 12 months, starting in January 2023; that is a maximum increase of almost \$1,000 per person in 2023. We are matching property tax reductions for small businesses for all municipalities that adopt the small business property subclass.

Together we've come far, and at the end of the day, a growing economy and new jobs are the best ways to support the province's path to balance and long-term prosperity. When faced with a degree of uncertainty, governments need to be ready for anything. They need to be flexible and forward-thinking with a fiscal plan that is ready to support people and businesses when and if the time comes. Our government remains committed to responsibly and transparently managing Ontario's finances, while maintaining our commitment to support the people of Ontario during these uncertain times.

We work with the Treasury Board Secretariat to manage the province's \$198.8-billion budget, to oversee \$186.8 billion of revenues through taxation, business enterprises and non-tax revenue, and make sure we are making record investments in priorities that matter to every family, worker and senior in Ontario. This is not an easy task in uncertain economic times, but we are getting it done. Our government remains strategic, responsible and measured when it comes to supporting the people of this province.

In the province's 2022 fall economic statement, Ontario's real GDP is projected to rise by 2.6% in 2022, 0.5% in 2023, 1.6% in 2024 and 2.1% in 2025. These projections are set slightly below the average forecast due to global economic conditions that remain uncertain. Ontario's economy will continue to see growth in the near term, but growth will stagnate below 2% in 2023-24, as I just mentioned—something that our government is thinking about today because Ontario must remain agile and responsive to any short-term instability.

Ontario's net-debt-to-GDP rate is now forecast to be 38.4% in 2022-23, a decrease of three percentage points compared with the forecast of 41.4% in the 2022 budget. While there has been improvement, we anticipate that economic uncertainty could cause the net-debt-to-GDP rate to spike, and our government is making sure that we proceed cautiously and optimistically.

Right now, paying interest on the province's debt remains Ontario's fourth-largest expenditure item. That's billions of dollars that could be invested in programs and services. This is why our government has taken a different path in our 2022 fall economic statement. We are making record investments in the priorities that matter to the people of Ontario—building infrastructure, training workers, and keeping costs down.

Our government is projecting a deficit of \$12.9 billion in 2022-23, nearly \$7 billion lower than the outlook published in the 2022 budget. However, over the medium term, our government projects declining deficits of \$8.1 billion in 2023-24, and \$0.7 billion in 2024-25. This shrinking number could get our province back to balanced budget, and this demonstrates our ongoing effort to eliminate the province's structural deficit in the face of numerous challenges over the past couple of years.

Revenues in 2022-23 are projected to be \$186.8 billion, \$7 billion higher than what was forecasted in the 2022 budget. The increase in revenue is predominantly due to higher-than-expected 2021 taxation revenues. This will help our government and the people of Ontario because, as a responsible government, we are making sure that we

preserve the flexibility necessary in the case of unforeseen events while continuing to implement our long-term plan to invest in the people of Ontario.

The economic road ahead will not be easy for our government or the people of this province. In the face of persistent inflation and more economic turbulence, it's critical that we promote stability by remaining flexible, responsive and strategic. We simply cannot ignore the fiscal challenges on the horizon and embark on a massive spending spree. This will only worsen inflation at a critical time. After an unprecedented need to spend in response to COVID-19, now is the time for our government to show restraint. More spending will only drag out an economic downturn. And I know this is causing concern for many people.

What I will say is this: There is nothing that we cannot do together—no challenge, no obstacle that we cannot overcome. Our government will always make sure that we keep Ontario in a strong position to manage risks while remaining supportive to the people of the province. Whatever economic uncertainty may bring, our government has a plan.

In our first-ever Building Ontario Progress Report, our government attracted \$16 billion in transformative automotive investments in Ontario over the last two years to help the province become a North American leader in building electric and hybrid vehicles and battery manufacturing; attracted \$2.5 billion in investments over the past year that will support transformation in the steel sector and help make the province a world-leading producer of clean steel; supported an estimated \$8.7 billion in cost savings and support for Ontario businesses in 2022, with \$4 billion going to small businesses. We also added over 11,700 health care workers, including nurses and personal support workers, since 2020. And we've committed \$25.1 billion in highway expansion rehabilitation over the next 10 years to connect communities, fight gridlock, and keep goods and people moving across the province. These are the statistics the people of the province can be proud of.

I'm confident I have presented a clear snapshot of our track record and our projections for the future. We are making progress, building the hospitals, long-term-care homes, schools, subways and highways that this rapidly growing province desperately needs.

Across our province, we are working for the people of Ontario in another way. Our responsible, targeted approach is one that demonstrates the government's strong record of fiscal management while remaining responsive to the people of this province. It is the right plan, and it will help families, workers and small businesses weather the economic challenges they face.

Despite what might be on the horizon, I have confidence in the resilience of Ontario's economy, its workers and its people. We remain committed to laying a strong fiscal foundation for future generations, a path of economic prosperity for everyone in this province, despite what challenges might come our way.

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Our government recognizes the potential in each and every person in this province. We are taking deliberate

steps to responsibly manage spending and ensure integrity. We want to get through these uncertain times better and stronger than ever to ensure Ontario remains the destination for people to work and to live and to attract investments. It is our plan to support people and businesses as we navigate these uncertain times.

Under this government, we are building a stronger province; a province with a strong economy and good-paying jobs; a province where anyone can start and grow a business; a province where you can easily learn new skills and seize new opportunities; a province where everyone feels connected through new highways, new roads and more reliable public transit; a province where you can build your career and raise a family.

The economic challenges will not be an easy road ahead, but by remaining flexible and demonstrating restraint, we can overcome any challenge to make Ontario a better place. I'm confident in our plan and proud of the significant progress our government has made on our plan to build. Thank you.

The Chair (Mr. Ernie Hardeman): Thank you very much for the presentation. You had a minute to spare.

Hon. Peter Bethlenfalvy: I did want to get through it, and I respect the—but hold your applause.

The Chair (Mr. Ernie Hardeman): I'll start with the official opposition member for up to 20 minutes of questions. We will then go to the independents and then to the government side. MPP Fife.

Ms. Catherine Fife: Thank you very much, Chair. Thank you, Minister, and I want to thank all the staff who have shown up a few times to appear before this committee and answered questions. I do want to also say thank you to the deputy minister and minister for agreeing to answer some of the questions in writing, since we are going to be—we're literally on the clock, because we're watching the private member's bill. While I do appreciate the finance minister saying "in the spirit of transparency," the spirit of transparency is also very different than the reality of transparency, because this committee has been seriously truncated and sidelined because the government has run out the clock on the estimates.

With that said, I'm going to approach this in a very careful way.

The Auditor General has reviewed the Ontario 2022 budget. She found that the "understatement of provincial revenue from corporate taxes for each of the three years" going forward is questionable. "As well, contingency funds recorded in other program expenses for the three-year period appear to be overly cautious." Just so you know, I'm referring to March 31, 2023; March 31, 2024; and March 31, 2025.

The concern around underestimating corporate tax revenue is that—this is a direct quote from her report—"when revenues are underestimated, the perception can be that the government has less funds available for decision-making than can be reasonably expected."

The auditor has also shown, in the past—in 2021 and 2022—the government underestimated corporate income tax revenue by \$7.9 billion and \$7.8 billion, respectively.

"The amount budgeted for contingencies appears overly cautious. Given the nature of contingency funds, it is challenging to assess their reasonableness."

Now, I know the minister has said he is cautious, even prudent. I actually had to look up the definition of "prudent," and it says: "acting with or showing care." There are obviously some issues in front of the province happening right here, right now, that require some additional investment. So my question to you, Minister of Finance, is why have you not allocated these funds to address the health care crisis and to address the education crisis? Because that is what people truly care about right now.

Hon. Peter Bethlenfalvy: Well, thank you for the question. I'm glad you looked up the word "prudent," because I'm very flattered to hear the word "care" in there.

Ms. Catherine Fife: Well, you use it a lot.

Hon. Peter Bethlenfalvy: And the word "care" in there—thank you—reflects who I am, as a finance minister.

Let's start with the corporate tax. As you know, the corporate tax is probably one of the most volatile elements of revenue forecasting and, of course, we very much rely on the federal government for the collection and administration of a number of those taxes. That said, we're constantly looking at ways to improve, and working with the Auditor General—I think she would say that we have one of the best methodologies in the country for forecasting corporate revenues and reliant on data sets from the federal government. So a lot of that has to do with the federal government data set, and I'll pass it to the deputy minister in a second for a more detailed answer on that.

I had the great fortune of meeting Floyd Laughren yesterday, a former finance minister—

Ms. Catherine Fife: Yeah, a good guy.

Hon. Peter Bethlenfalvy: A great guy. Us finance ministers stick together, you know. He would be the first one to tell you how volatile those corporate revenues can be and forecasting those. He was there in 1992-93 when they dropped like a stone. So, yes, I have to be prudent, and we, as a finance ministry, are prudent but realistic.

With regard to the contingency funds, that's another area of prudence. As you noted, the Auditor General did look at our pre-election budget. As I'm sure you also noted, she gave it a clean bill of health. She said it was—

Ms. Catherine Fife: With the exception of the underestimating.

Hon. Peter Bethlenfalvy: I will get to that. With regard to all the numbers, that they were a fair representation of the government's plan. That was something that—if I can say, Chair—the previous Liberal government did not get in 2018. Look at it. It's in the review on the first two pages.

That said, we have a \$185-billion budget. We set aside some \$4.6 billion—really a small number in the relative context of \$185 billion, so about \$180 billion allocated. It's the wise and prudent thing to do: to set aside some money for unforeseen events, to provide the flexibility. Any reasonable finance minister would do that—

Ms. Catherine Fife: I'm sorry, I have so little time. It would be wise and prudent if the money wasn't needed right now. That's the point.

With regard to the contingency funds, or the C funds, they were problematic because they are unallocated at the time of the vote. They can be moved around with any rationale or transparency—you've just said to this committee that you value transparency. Contingency funds are not transparent. I've noticed in this last fall economic statement that they have been disbursed, but there's no accountability about where that money is going, and this is a huge departure from other governments. There's no good rationale to accrue these C funds in this manner.

Hon. Peter Bethlenfalvy: I have to respectfully disagree, because every quarter I'm out there telling the people of Ontario how we're spending and allocated those funds in the contingency fund. It's prudent fiscal management.

But let me tell you another thing which the member would know quite well in the 243 pages of the budget. A historic increase in investments in health care: \$5.6 billion. That's a \$75-billion total budget—

Ms. Catherine Fife: I'm sorry. I'm really down to two minutes now.

Hon. Peter Bethlenfalvy: Well, you have to give me a chance to respond.

Ms. Catherine Fife: But the Financial Accountability Officer—

Hon. Peter Bethlenfalvy: When you're going to ask questions, you have to give me an opportunity to respond.

Ms. Catherine Fife: But you need to answer the questions succinctly. That would be really helpful.

Hon. Peter Bethlenfalvy: You asked about contingency funds. You also said we're not spending money.

Ms. Catherine Fife: You're not.

Hon. Peter Bethlenfalvy: Over \$180 billion of investments—the biggest investments in health care in the history of this province and the biggest investments in education. It's right there on every page of the budget.

Ms. Catherine Fife: So I'm going to—because literally like we're down to seconds here. The Financial Accountability Officer has said that we are on the razor's edge of an economic downturn, but he cited the needed investment to prevent that economic downturn from happening. He said that a potential lockdown could spiral this province into a true recession. That's why we're arguing with you right now. That's why the investment needs to happen, and you have the money.

You obviously have a stressed-out health care human resources crisis in Ontario. You are on the brink of once again having conflict in the education system. You know this. So, for me to be asking you this question is—I'm questioning your process, Minister. Like, who are you listening to, to make these decisions by not investing in health care and education?

Hon. Peter Bethlenfalvy: You know who we're listening to? The people of Ontario. When we tabled the budget and that budget in the campaign—we got roundly endorsed by the people of Ontario. That's who we're listening to. We recalled the Legislature in the summer to pass that budget. The only Legislature in Canada to sit—why? To pass that budget that had \$75 billion, a \$5.6-billion increase,

in health care. We didn't wait till the fall economic statement to put new money into health care because we already did. You know what we're doing? We're investing that money. You know it—

Ms. Catherine Fife: But then you adjourned for five weeks. This committee could have been doing our due diligence on these numbers. You adjourned because of a municipal election.

1530

I want to know: Will the government, will you as the finance minister, commit today to restarting the standing committee's role in the pre-budget consultation? When you have a flawed process, you end up with a flawed budget. Will you make that commitment today, Minister?

Hon. Peter Bethlenfalvy: What I'm making the commitment is that—every 90 days, I'm out in front of the people of Ontario. We consult widely on the budget; we'll continue to do so.

I do want the deputy to weigh in on the contingencies and the corporate tax—because you did ask those questions.

Mr. Greg Orenesak: I'm Greg Orenesak, Deputy Minister of Finance.

In terms of corporate taxes, there's a high degree of volatility. As you may know, corporations can sort of carry back and carry forward losses as well, which adds increased complexity. Our corporate taxes are also collected by the federal government, and there are some federal data points that the auditor has commented on that are no longer being provided with the federal government. We worked with the auditor and updated our corporate tax forecasting model as part of the work we did with her over the summer for public accounts, and we actually used that model to forecast revenues as part of the fall economic statement that the minister tabled, so those are addressed.

The only other thing I would say about contingencies is that the pre-election report also acknowledges the high degree of uncertainty that exists. If you look at page 6 of the report—if I could read just two sentences from the auditor's statement—what she says is, "There remains considerable uncertainty surrounding the world's recovery from the COVID-19 pandemic, the global economic repercussions of Russia's invasion of Ukraine, and heightened inflation and supply chain disruptions. Ontario's economic performance also could be undermined by housing-price and interest-rate volatility, given the high level of household debt in the province," which is what the contingencies could help to mitigate if necessary.

Ms. Catherine Fife: So this province is benefiting from high inflationary costs. The revenue that came in the last quarter resulted in us wiping out the deficit. The Financial Accountability Officer has reported that this government will have a \$100-million surplus in this budget year. You have said that you're going to have a \$12.9-billion deficit. That discrepancy, that gap, is very concerning. I know the finance minister said, "Well, you'll just have to ask the FAO," but he's using the same modelling numbers as you are. I think that last-quarter revenue that came in through corporate and personal taxes took everybody by

surprise because they had not evaluated the full impact of inflationary costs.

At the same time, though, as a government, you're actually reducing the revenue that's coming into Ontario—and I'm thinking of the licence plate fees. The FAO said that this is about \$1 billion; you, as the finance minister, and your ministry, have said it's about \$1.1 billion; the auditor projected \$1 billion—but from public accounts, it shows a different story. There's a difference of—the calculation came out in public accounts at \$1.9 billion lost in revenue. Did that catch you by surprise? And did you know, when you were implementing that policy, that multiple car owners were going to receive up to \$36,000 instead of the \$250 licence fee renewal rebate?

Hon. Peter Bethlenfalvy: First off, I'm sure, with all respect, that the member has looked across all public accounts across the country and recognizes that revenue numbers that came in right across the country were higher than any government forecasted; in fact, BC's, Alberta's, Saskatchewan's, Nova Scotia's were all higher than ours. The federal government, which actually collects the majority of taxes, had a difference of 16%. So we're not the only jurisdiction to see higher-than-forecast revenues by a higher bounce back from COVID-19 and higher-than-expected inflation than private forecasters were forecasting.

The FAO's forecasts on economic activity are more optimistic than our numbers, because our numbers reflect the private sector's forecasts and they help inform the fall economic statement. In fact, I believe the Financial Accountability Officer said a statement to the effect that we're in a relatively stable fiscal and economic environment. I would respectfully challenge that, as many Ontarians would. In fact, we've got high degrees of uncertainty. The deputy just mentioned the reason, the necessity, for a level of contingency in volatile and uncertain times. We have to be prudent. We have to be responsible. We owe that to the taxpayer.

With that, I'll pass it over to the deputy.

Mr. Greg Orencsak: If I may, the Ministry of Finance uses private sector forecasts to determine its planning assumptions. We work with about a dozen private sector forecasters, and we look at the average forecast. We usually take a tenth of a percentage point off that forecast to build our revenue models.

What the FAO has done is it has developed its own forecast. It's a much more optimistic forecast than the private sector average. In its most recent report, the FAO uses a nominal GDP growth projection for 2022 which is estimated at 11.4%. That's almost two percentage points, or nearly 25%, higher than the private sector forecast. That's why you're seeing some of the significantly higher projections in terms of revenues that the FAO is using, which is driving its underlying numbers.

Ms. Catherine Fife: And on the licence plate renewal fees, did this catch you by surprise, that it would be an additional loss of revenue of \$800 million more than what the government estimated? Maybe that's a political question, but as you were calculating these and as the program was being designed—it was, in theory, designed, as you know, as a relief program for drivers, but it was not supposed to

benefit some people to the tune of \$36,000 or \$38,000. Is that a design flaw that can be corrected?

Hon. Peter Bethlenfalvy: I think you're referring to the refunds.

Ms. Catherine Fife: Yes, \$1.9 billion.

Hon. Peter Bethlenfalvy: No, that—I'll pass it to the deputy for those numbers.

Mr. Greg Orencsak: Ms. Fife, I'm not familiar with some of the numbers that you're quoting, in terms of 30,000-some dollars in refunds. But perhaps if you could submit that as part of your written questions, we're happy to look into that, working with the Ministry of Transportation, which is responsible for that particular program.

Ms. Catherine Fife: Thank you. I will submit that to you, because it is a design flaw, and I don't think anybody thinks that that's fair. The 2021-22 public accounts, pages 1 to 12, shows the discrepancy and the additional loss of \$800 million in revenues more than the government had projected.

I guess the next question that I have, though, is around the process—and I didn't get an answer from the finance minister. When we don't listen to people in the province of Ontario, we develop policies and strategies that I don't think meet their needs. So I really would like to get a commitment from the finance minister today that in the next budget cycle, this standing committee will, in fact, travel and do the pre-budget consultation going forward.

Hon. Peter Bethlenfalvy: I'll respect the Chair and this committee on that. But with regard to your question about the design flaw, I don't know where in anyone's thinking that putting more money back in the pockets of people in Ontario is a design flaw.

Ms. Catherine Fife: Well, I don't think you intended to put \$36,000 back in somebody's pocket based on how many cars they have, and I don't think that that is reasonable when there are other financial pressures in Ontario.

Hon. Peter Bethlenfalvy: And as the deputy said, we'll follow up with the written. But with eight million people benefiting—of driving vehicles in this province, you're talking about a small, infinitesimal—and we'll follow up on that. But the vast majority of people in a high-inflation environment, where the cost of many things is up, are feeling the pinch, and they're hurting. It's felt by many. I don't see that as a design flaw.

Ms. Catherine Fife: Chair, how much time do I have?

The Chair (Mr. Ernie Hardeman): You have two minutes left.

Ms. Catherine Fife: Thank you.

The seed funds: I have to say, even the Financial Accountability Officer and other jurisdictions have noted that it is not reasonable for a ministry or for a government to have in excess of \$1 billion. That would be reasonable, and that would be cautious, to have \$1 billion. Yes, and even the Auditor General had said this calls into question where that money is going, and it does speak to a lack of transparency.

Hon. Peter Bethlenfalvy: It is completely transparent. I don't know; we may differ on the definition of uncertainty, but two years of a once-in-100-years pandemic, geopolitical forces, supply chain, interest rates and inflation that we haven't seen in 40 years—I don't know what the definition

of uncertainty is, but I think it's closer to that mark. Having contingencies is the prudent thing to do. It's the responsible thing to do for the 15 million people in this province, and I would do it every time.

Ms. Catherine Fife: But to have unallocated funding—surely you would understand why people would look at \$4.3 billion and say that there are current issues that are facing the people of this province right now which could, potentially, impact the economy, impact the health and well-being. And certainly, after the pandemic, we should have a better understanding of the connection between keeping people healthy—with paid sick days, for instance—and the economy. If we want to prevent a lockdown and we want to stabilize the economy, we have to keep people healthy.

The Chair (Mr. Ernie Hardeman): The time has concluded. I just want to point out that the orders of the day have just been called. Committee members, pursuant to standing order 63(e), no estimates shall be considered in a committee while a matter including a procedural motion relating to the same policy field is being considered in the House. Bill 36, An Act to implement Budget measures and to enact and amend various statutes, is currently considered in the House. As this bill relates to the Ministry of Finance, I rule that today's meeting would contravene standing order 63(e).

With that, are there any questions? The meeting on the estimates is now concluded. But if there are any questions before we adjourn the meeting—

Ms. Catherine Fife: Yes. This is a process question. Bill 36 has about two more hours left for debate. This

committee could wait for the legislation, because it can go to six and a half hours. Is it not possible for this committee, then, to meet following the Bill 36 debate? Because we've only had 20 minutes of debate, and the independent parties didn't even have an opportunity to question the finance minister. Running down the clock on financial transparency is not in the best interest of our democracy, Mr. Chair. My question is, what options does the committee have to continue meeting?

The Chair (Mr. Ernie Hardeman): The committee was started today to hear the estimates that we have been hearing, and when we can no longer do that, we have to adjourn this meeting in the interest of the standing orders.

So, with that, unless there was something that was coming forward from the standing committee to do something different, or from the subcommittee, if that's not the case, we do want to thank the minister for presenting here today. With that—

Ms. Catherine Fife: Chair, before you bang the gavel, my question was a process question, with respect. If debate collapses on Bill 36 prior to 6 o'clock—because it is only quarter to four—can this committee reconvene?

The Chair (Mr. Ernie Hardeman): The Chair does not have the ability to forecast what might happen down the road. We have to deal with the situation as we are right now, and it says that I must adjourn this meeting because the bill is presently before the House.

Ms. Catherine Fife: But a responsible Chair would—

The Chair (Mr. Ernie Hardeman): This meeting is concluded.

The committee adjourned at 1544.

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