

# **Estimates Briefing Book**

## **2015-16**

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**Ministry of Finance**

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# **Part I: 2015-16 Published Plan**

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## **Ministry of Finance**



## MINISTRY OVERVIEW

### Mandate

The Ministry of Finance's (MOF's) mandate is to promote a dynamic, innovative and growing economy, and to manage the fiscal, financial and related regulatory affairs of the Province of Ontario. In addition, it delivers revenue and benefits programs in support of a better future for Ontarians.

### Ministry Priorities

The ministry's priorities include:

1. Supporting a strong economic, fiscal and investment climate including retirement security
2. Being accountable and transparent with public funds while optimizing government assets
3. Maintaining a competitive tax system and ensuring a fair and effective tax, benefit and revenue administration
4. Prudent and effective fiscal management and financial sector regulation
5. Transforming public services

### Ministry Contributions to Priorities and Results

Through its mandate, MOF actively promotes the government's priorities of investing in people's talents and skills, building modern infrastructure and transportation networks and supporting a dynamic and innovative business climate.

The ministry works with Treasury Board Secretariat to manage the Province's \$132 billion<sup>1</sup> budget, oversees nearly \$125<sup>2</sup> billion of revenues through taxation, business enterprises and non-tax revenue, and manages the Province's \$31<sup>3</sup> billion borrowing program.

The ministry also supports government-wide initiatives and provides key fiscal, taxation and economic policy advice to the Minister of Finance, Cabinet Committees and the Premier, manages the Province's federal-provincial financing arrangements, provincial debt and regulates the financial services sector through its agencies.

The ministry continues to provide leadership in transforming Ontario's public services through strategies, policies, and processes designed to drive efficiencies and enable modernization initiatives while also remaining focused on implementing measures that support achievement of a balanced budget by 2017-18.

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<sup>1</sup> 2015 Ontario Budget

<sup>2</sup> 2015 Ontario Budget

<sup>3</sup> 2015 Ontario Budget

**Ministry of Finance: 2015-16**  
**Effective Economic, Fiscal and Financial Management for a Prosperous and Fair Ontario**

**PRIORITIES**
**ACTIVITIES**

**Support a strong economic, fiscal & investment climate including retirement security**

- Develop and implement sound economic and fiscal strategies
- Maintain a fair and competitive tax system
- In conjunction with Treasury Board Secretariat, provide key fiscal, taxation and economic policy advice & support to the Minister of Finance, Cabinet Committees and the Premier
- Build a strong retirement income system, including development of the Ontario Retirement Pension Plan (ORPP)
- Develop policies, legislation and regulations governing the property assessment and taxation system

**Be accountable & transparent with public funds while optimizing government assets**

- Collaborate with Treasury Board Secretariat to monitor and report on the fiscal plan, through the Ontario Budget, Ontario Quarterly Finances, Ontario Economic Accounts, the Economic Outlook and Fiscal Review, and Public Accounts
- Prepare the Long-term Report on the Economy and undertake annual population projections for use in resource planning and allocation
- Respond to requests from Financial Accountability Officer

**Maintain a competitive tax system and ensure fair and effective tax, benefit and revenue administration**

- Maintain a fair and competitive tax administration
- Strengthen tax integrity by addressing corporate tax avoidance, contraband tobacco and the underground economy
- Oversee Ontario's tax revenue collected by Canada Revenue Agency
- Oversee and support LCBO and OLG strategies
- Advise on Ontario's interests and policies related to federal-provincial fiscal arrangements
- Administer key benefit programs
- Improve services to taxpayers, including enhanced electronic services

**Prudent & effective fiscal management & financial sector regulation**

- Provide responsible regulation of financial sectors and build flexibility to stimulate growth
- Create, direct and oversee policies to manage the Province's investment, debt financing, credit rating, investor relations and banking activities
- Manage Provincial debt prudently
- Manage municipal support programs
- Implement pension reform, including measures to improve the affordability, sustainability and efficiency of public sector pension plans
- Regulate Financial Services and Auto Insurance
- Oversee agencies under the authority of the Minister of Finance

**Transform public services**

- Leverage ministry expertise in audit, inspections and collections
- Provide imaging and data services to the OPS
- Transform benefits administration for Ontarians to improve access and reduce duplication
- Collaborate with other ministries to establish and report on dedicated funding, including the Trillium Trust, for public transit and transportation infrastructure.

**Ministry Support Services**  
**Financial, Communications, Legal, Audit, Human Resources**

## Ministry Programs and Activities

Ministry of Finance program areas are responsible for a wide range of strategic services and activities as described below:

### Income Security and Pension Policy Division (ISPPD)

- Develops policy or legislation regarding employment pension plans and income security issues and programs, including the Ontario Child Benefit, social assistance and Employment Insurance.
- Develops strategic policy to strengthen Ontario's retirement income system (RIS), including the development of innovative retirement savings models such as target benefit plans and pooled registered pension plans (PRPPs).
- Represents Ontario in inter-governmental negotiations about retirement income system (RIS) issues, including the Canada Pension Plan (CPP).
- For Budget and Public Accounts purposes, provides assumptions for estimates of pension expense for the pension plans of teachers, OPS employees and other pension plans which are consolidated in the province's financial statements, as well as related post-retirement benefits.
- Collaborates with Treasury Board Secretariat in the development of relevant sections with the Ontario Budget and Fall Economic Statement.

### Revenue Agencies Oversight Division (RAOD)

- Leads and coordinates the development of government policy related to alcohol and gaming and manages the accountability and oversight relationship with the Liquor Control Board of Ontario and the Ontario Lottery and Gaming Corporation on behalf of the Ministry of Finance.
- Manages the government's Deposit Return Program for beverage alcohol containers.
- Advises the Minister on the policy and legislative design of beer and wine taxes, on strategic policy options related to alcohol mark-ups, and the integration of provincial horse racing within Ontario's gaming strategy.

### Office of Economic Policy (OEP)

- Provides the Minister of Finance with forecasts and analysis of the provincial economy and revenues, analysis and advice on the economic consequences of policy proposals, and advice and information on economic issues and trends.
- Provides the Minister of Finance with advice and analysis in support of a sound economic environment that ensures continued prosperity through sustainable economic growth and job creation.
- Conducts research and quantitative analyses to support the development of tax, pension, alcohol fee, income security and benefits policy.
- Represents Ontario in federal-provincial-territorial discussions regarding economic analysis and forecasting, fiscal planning and in negotiations with Statistics Canada.

- Undertakes timely preparation and release of population projections for Ontario and each of the 49 Census Divisions to support the government's planning and resource allocation exercises.

### **Financial Services Policy Division (FSPD)**

- Provides advice on and advances financial services regulation and policy initiatives, including initiatives related to capital markets, securities and derivatives and initiatives related to the regulation of credit unions, mortgage brokers, co-operative corporations and the insurance industry.
- Represents Ontario in federal-provincial-territorial discussions regarding financial services policy.
- Represents Ontario and advances Ontario's interests in the implementation of a cooperative capital markets regulatory system (CCMR) as reflected in the Memorandum of Agreement released in September 2014, including leading the development of uniform capital market laws underpinning the CCMR.
- Continues to support the government's Automobile Insurance Cost and Rate Reduction Strategy.
- Provides support to the Parliamentary Assistant completing the five year review of the Credit Unions and Caisses Populaires Act, 1994 by the fall of 2015 and, subsequently, implements her recommendations to the extent that they are adopted by the government.
- Provides support for the mandate reviews by an expert panel of the Financial Services Commission of Ontario, the Financial Services Tribunal and the Deposit Insurance Corporation of Ontario.
- Investigates the merits of proceeding with more tailored regulation of financial advisers, including financial planners in Ontario, by supporting the work of the expert committee that the government appointed in April 2015, including facilitating stakeholder engagement and examination of policy options.
- Implements initiatives to modernize the Insurance Act and regulations.
- Implements key recommendations from the five year review of the Mortgage Brokers Lenders and Administrators Act, 2006 by strengthening fraud prevention measures in regulations.

### **Provincial-Local Finance Division (PLFD)**

- Provides advice on the development of policies, legislation and regulations governing the property assessment and \$24 billion property taxation system in Ontario, including \$6.7 billion in education property taxes, Provincial Land Tax, and the business tax capping program.
- Implements the recommendations in the Special Purpose Business Property Assessment Review report to improve the property assessment system in Ontario including the performance of the Municipal Property Assessment Corporation.
- Provides advice on fiscal arrangements with the municipalities and the \$515 million<sup>4</sup> Ontario Municipal Partnership Fund (OMPF).

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<sup>4</sup> The \$515 million for the 2015 OMPF reflects the municipalities fiscal year (January to December), which is different from the provincial budget planning cycle (April to March).

**Office of the Budget (OTB)**

- Leads the development and provides strategic oversight of the fiscal plan and multi-year strategies with key partners in the Ministry of Finance, Treasury Board Secretariat and Cabinet Office.
- Coordinates the development of the annual Budget, the Economic Outlook and Fiscal Review, along with the Quarterly Finances while supporting various decision-making processes, including Program Review, Renewal and Transformation and Treasury Board/Management Board of Cabinet.
- Monitors and advises on Ontario's fiscal relations with the federal government and maintains ongoing contact with the ministries of Finance at the federal level and in other provinces and territories.
- Supports the Ministry of Finance, in conjunction with other divisions, in responding to requests from the Financial Accountability Officer.

**Tax Policy Division (TPD)**

- Advises the Minister on the policy and legislative design of personal, corporate, commodity, payroll, estate administration and sales taxation and benefit programs.
- Develops policy options and legislative design and performs analysis of commodity, corporate, mining, payroll, personal, estate administration and sales taxation, and benefit programs.
- Conducts research and analysis on Ontario's tax competitiveness and emerging economic and social trends in taxation, and benefits policy.
- Represents Ontario in federal-provincial tax policy discussions, including tax committees.

**Strategy, Stewardship and Program Policy Division (SSPPD)**

- Works collaboratively with other ministries, levels of government and external stakeholders (including academics and industry leaders) to develop and implement new strategies, policies, legislative and transformational initiatives.
- Leads the government's efforts in developing policies and programs to address the underground economy and instances of aggressive corporate tax avoidance.
- Provides evidence-based policy options and recommendations to proactively address opportunities and propose solutions for identified tax and benefits administration operational issues.
- Develops proactive and effective tax administration policy that supports the government's competitive business environment and Open for Business priorities.
- Leads a multi-year benefits transformation initiative that will improve the way income-tested programs are delivered to Ontarians by reducing duplication, streamlining access to information, and modernizing and automating processes.
- Manages relationships, service provisions, fee-for-service arrangements, and accountability and risk management frameworks for tax and benefit administration involving partnerships with other governments (most notably the Canada Revenue Agency) and the broader public sector.
- Leads the implementation of Ontario's Tobacco Strategy through its partnership efforts with First Nations and other government and external stakeholders.

- Provides strategic planning services including tracking, analyzing and reporting on Tax and Benefit Administration's performance measures, service standards, and revenue commitments.
- Leads the review of all tax and benefit administration programs to identify administrative and service improvements that can deliver tangible simplifications by further leveraging e-services. The e-services strategy will improve services to taxpayers for taxes administered by Ontario and include a fundamental shift toward e-services.

### **Tax Compliance and Benefits Division (TCBD)**

- Provides excellence in the audit and inspection functions using risk-based techniques, modern technology and best practices.
- Provides effective, progressive collections activities for tax and non-tax accounts and identifies opportunities for centralized collections.
- Focuses its compliance and enforcement efforts at conducting strategic, intelligence-led investigations.
- Provides service excellence in the advisory and objections/appeals functions.
- Partners with other ministries, agencies and the broader public sector to provide technical services, including forensic data recovery and forensic accounting.
- Administers Ontario's tax statutes, tax incentive programs, benefits programs and revenue programs.
- Delivers benefits programs, such as the Guaranteed Annual Income System, and the Ontario Child Care Supplement.
- Encourages voluntary compliance through taxpayer services such as registration, account maintenance and processing tax returns, refunds and rebate applications, and by providing public education and interpretative services.
- Encourages participation in tax incentive and benefits programs through effective client outreach. This includes timely response to public inquiries, providing pertinent information online, and eligibility verification and validation reviews.
- Provides remittance, data and image capture and revenue processing services.
- Develops and implements processes and programs to strengthen the ministry's efforts to address contraband tobacco products.

### **Ontario Retirement Pension Plan Implementation Secretariat (ORPP-IS)**

- The Ontario Retirement Pension Plan Implementation Secretariat is responsible for supporting the government in all aspects of the implementation of the Ontario Retirement Pension Plan (ORPP), including governance, plan design, plan operations, pension investments, communications and stakeholder relations, and corporate services. Specific responsibilities include:
- Developing an overall implementation strategy, including a project plan and a critical path for the ORPP, and monitoring progress.
- Developing the plan design for the ORPP, including conducting analysis, developing policy options, preparing the plan text, developing the ORPP funding policy, conducting actuarial analysis, and preparing the legislation to put the plan design into place.

- Designing the governance of the ORPP, including the structure of the proposed ORPP Administration Corporation and its board of directors, transparency and accountability measures, the role of government versus that of the administrative entity, and draft legislation establishing the ORPP Administration Corporation.
- Leading discussions between officials and providing advice on the relationship with the federal government with respect to ORPP implementation, including registration of the plan and exploration of options to leverage federal infrastructure and expertise.
- Building the administration arm of the ORPP, including the registration of employers, the collection of contributions, the payment of benefits, and the delivery of member and employer service through a variety of channels. This includes developing business requirements associated with an administrative system, exploring options for service delivery, working with delivery partners, and preparing for the launch through testing.
- Developing an interim framework for ORPP investments in order to inform other aspects of ORPP design. Provide this advice to the government and the initial board members of the ORPP Administration Corporation.
- Providing strategic communications and stakeholder engagement advice and services to support the implementation of the ORPP, including designing and implementing an education and engagement program for members and employers.

#### **Main Office**

- Includes the offices of the Minister, the Associate Minister (Ontario Retirement Pension Plan), the Parliamentary Assistant, and Deputy Minister.
- Provides professional and technical support for the legislative, policy making and administrative responsibilities of the Minister, Associate Minister (Ontario Retirement Pension Plan (ORPP) and Deputy Minister.

#### **Financial and Administrative Services**

- Provides strategic executive decision and controllership support services to the ministry.
- Includes ministry strategic planning, resource monitoring and risk management, program analysis, controllership, accounting, accommodation management, continuity of operations planning, emergency management and security services, coordination of corporate and ministry-specific modernization program, coordination of information management planning and administration of the *Freedom of Information and Protection of Privacy Act*.
- Provides coordination and expert support for the development and delivery of enterprise priorities related to Accessibility, Inclusion, Greening, Open Government and Staff Recognition, including Accessibility Compliance and annual progress reports.

#### **Strategic Human Resources Services Branch**

- Provides strategic and advisory human resources services to ministry senior executives to ensure they have the right people, in the right place, at the right time to achieve their business objectives.

### **Communications Services Branch**

- Provides strategic communications advice and planning to the Minister of Finance, the Associate Minister (Ontario Retirement Pension Plan), the Deputy Minister, all Ministry of Finance divisions, Premier's Office and Cabinet Office, and where appropriate, other ministries, to support the government's fiscal priorities and ministry's programs.
- Coordinates and manages the production of the Ontario Budget, Fall Economic Statement and other high-profile initiatives.

### **Legal Services Branch**

- Provides legal advice to the ministry on the interpretation of statutes and regulations and the preparation, drafting and review of proposed legislation, regulations, and other legal documents. General legal services include litigation, prosecutions, collections, and drafting of agreements.
- Provides legal advice on government financial matters, provincial borrowing and investments, tax policy, administration and enforcement, *Freedom of Information and Protection of Privacy Act* matters, and advice with respect to the agencies under the responsibility of the Minister and pensions, securities and financial services sector regulation.

### **Audit Services**

- Provides value-added control, risk and consulting services, as well as independent and objective assurance services to the Ministry of Finance and some of its agencies.
- The overall objective for FAST is to ensure that the ministry's financial and risk management plans and processes meet the highest standards of integrity, accountability, and transparency.

## **AGENCIES, BOARDS AND COMMISSIONS**

**Deposit Insurance Corporation of Ontario (DICO)** protects depositors in credit unions and caisses populaires by providing deposit insurance within statutory limits. It promotes the safety and soundness of Ontario's credit unions and caisses populaires by establishing standards of sound business and financial practices. DICO is responsible for monitoring and enforcing compliance with solvency related requirements set out in the *Credit Unions and Caisses Populaires Act, 1994*. DICO supervises the affairs of credit unions and caisses populaires that have insufficient capital. As administrator, DICO can manage the affairs of a troubled credit union, require it to amalgamate, or provide financial assistance when necessary. DICO conducts orderly liquidations of credit unions winding up their affairs and pays deposit insurance claims. The Corporation's administrative costs and insurance funding are provided by an annual insurance premium paid by all credit unions and caisses populaires that conduct business in the Province of Ontario. DICO maintains a Deposit Insurance Reserve Fund to cover potential claims. A review of this fund is undertaken annually by DICO's board of directors to ensure that it remains within an appropriate range.

**Financial Services Commission of Ontario (FSCO)** is an integrated regulator that brings together regulatory activities governing the following sectors in Ontario: insurance industry, pension plans, loan and trust companies, credit unions and caisses populaires, the mortgage brokering sector, health service providers, and co-operative corporations. FSCO uses a consistent and comprehensive risk-based approach to regulating these seven sectors. It gathers market intelligence from the sectors in order to make evidence-based decisions and focus regulatory efforts, thereby delivering regulatory services in an efficient and effective manner.

FSCO's approach to fulfilling its legislated regulatory responsibilities is outlined in greater detail in its Regulatory Framework

<http://www.fSCO.gov.on.ca/en/about/Pages/regulatory-framework.aspx>

FSCO also reports back on its core activities through its annual report. The Commission works closely with regulators across Canada. In conducting its business, FSCO provides regulatory services to enhance public confidence in the sectors it regulates through a balanced approach to protecting consumer interests and enabling healthy financial services industries.

FSCO makes recommendations to the Minister of Finance on matters affecting these sectors. FSCO provides the administrative resources necessary for the proper functioning of the Financial Services Tribunal. In addition, FSCO is responsible for the administration of the Motor Vehicle Accident Claims Fund (MVACF), which compensates people injured in automobile accidents in Ontario where no other insurance is available to respond to the claim. FSCO is also responsible for the administration of the Pension Benefits Guarantee Fund (PBGF). The PBGF pays a minimum level of pension benefits if a plan of an insolvent employer is wound up with insufficient assets.

**Financial Services Tribunal** is an independent, adjudicative body that conducts hearings arising from regulatory and proposed regulatory decisions of the Superintendent of Financial Services. The Tribunal has exclusive jurisdiction to exercise the powers conferred under the *Financial Services Commission of Ontario Act, 1997* and other acts that confer powers or assign duties to the Tribunal.

The Tribunal also has exclusive jurisdiction to determine all questions of fact or law that arise in any proceedings before it. As well, the Tribunal has the authority to make rules for the practice and procedure to be observed in a proceeding before it; and to order a party to a proceeding before it to pay the costs of another party or the Tribunal's costs of the proceeding.

**Liquor Control Board of Ontario (LCBO)** is a Government of Ontario Crown Corporation established in 1927 under the *Liquor Control Act* to control the importation, distribution, pricing, and sale of beverage alcohol in the province in an efficient and socially responsible manner. The LCBO's mandate is reflected in its mission statement, three-year strategic plan and annual business plan. The agency maintains social responsibility measures to protect against the misuse of beverage alcohol including social reference pricing, which sets the lowest price at which alcohol can be sold by

government regulation. The corporation directly operates more than 650 retail stores, and five warehouses, and has contracts with almost 220 retail agency stores across Ontario.

The LCBO is a Board-Governed Operational Enterprise Agency, meaning that it sells goods or services to the public. Its assets, expenses and net income are consolidated in the Province's financial statements on the modified equity basis. This means that the agency's net income is reported on one line (Income from Investment in Government Business Enterprises) and its net assets are reported on another line (Investment in Government Business Enterprises). For additional financial information, see the LCBO annual report available on the agency's website at [www.lcbo.com/annualreport](http://www.lcbo.com/annualreport).

Profits distributed to the Province by LCBO (i.e., dividends) are deposited into the Consolidated Revenue Fund and recorded by the Ministry of Finance as revenues.

**Ontario Electricity Financial Corporation (OEFC)** is the legal continuation of the former Ontario Hydro and is responsible for managing that organization's legacy debt and other liabilities. The OEFC receives risk management, cash management, banking and accounting services from the Ontario Financing Authority (OFA) to manage and retire the outstanding debt and other liabilities of the former Ontario Hydro.

**Ontario Financing Authority (OFA)** is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993*. The OFA conducts borrowing and investment for the Province, manages the Provincial debt, and provides other financial and centralized banking and cash management services for the Province. In addition, the OFA advises government on financial matters and assists other public bodies such as school boards, colleges, hospitals and certain Crown Corporations in borrowing and investment.

The OFA also provides a broad range of financial services to Ontario Electricity Financial Corporation and Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

**Ontario Lottery and Gaming Corporation (OLG):** Established in 2000 under the *Ontario Lottery and Gaming Corporation Act*, the OLG is responsible for the conduct and management, and operation of slots and casinos, lottery operations, internet gaming, and electronic games at charitable bingo halls across Ontario. OLG provides gaming entertainment in a socially responsible manner that provides revenues to the Province of Ontario to fund government priorities, as well as economic benefits for the people of Ontario, particularly communities where slots and casino sites are located.

The OLG is a Board-Governed Operational Enterprise Agency, meaning that it sells goods or services to the public. OLG's assets, expenses and net income are consolidated in the province's financial statements on the modified equity basis. This means that the agency's net income is reported on one line (Income from Investment in Government Business Enterprises) and its net assets are reported on another line (Investment in Government Business Enterprises). For additional financial information,

see the OLG Annual Report available at:

[http://www.olg.ca/about/public\\_disclosure/annual\\_report.jsp](http://www.olg.ca/about/public_disclosure/annual_report.jsp).

OLG's net profits are distributed to the Province into the Consolidated Revenue Fund and recorded by the Ministry of Finance as revenues.

**Ontario Securities Commission (OSC)** is the regulatory body responsible for overseeing Ontario's capital markets, which include the equities, fixed-income and derivatives markets. The OSC's mandate, set by statute is to provide protection to investors from unfair, improper or fraudulent practices, and to foster fair and efficient capital markets and confidence in capital markets. The OSC administers and enforces the provincial *Securities Act* and the *Commodity Futures Act*, and administers certain provisions of the *Business Corporations Act*.

The OSC is included in the Ministry of Finance's Expenditure Estimates on a consolidated basis.

### **Non-classified Entities**

The following agencies are considered "non-classified entities", which means they are organizations that are excluded from the financial and administrative requirements of the Management Board of Cabinet, but to which the government makes at least one appointment.

**The Registered Insurance Brokers of Ontario (RIBO)** is a self-regulating organization for insurance brokers. It is responsible for licensing and disciplining insurance brokers. The Superintendent of Financial Services has a statutory interest in the Registered Insurance Brokers of Ontario. The Council of the Registered Insurance Brokers of Ontario is the governing body and board of directors of the organization. It establishes and appoints a Qualifications and Registration Committee, one or more Complaints Committees, a Discipline Committee, and may establish additional committees as it considers necessary. A Complaints Committee considers and investigates complaints regarding the conduct or actions of any member of the Registered Insurance Brokers of Ontario. The Discipline Committee, when directed by the Council or by a Complaints Committee, hears and determines allegations of misconduct or incompetence against any member of the Registered Insurance Brokers of Ontario.

**Municipal Property Assessment Corporation (MPAC)** is a not-for-profit corporation established by provincial statute, the *Municipal Property Assessment Corporation Act, 1997*. MPAC is not a provincial Crown Agency. MPAC is composed of its members, Ontario's 444 municipalities. MPAC delivers property assessment services on behalf of all municipalities in Ontario.

MPAC is responsible for administering the property assessment system in Ontario in accordance with provincial legislation and regulation. Its primary mandate is to value properties at their current market value and to provide each municipality with an assessment roll which is used to calculate municipal and education property taxes.

MPAC's affairs are managed by a 15-member Board of Directors, all of whom are appointed by the Minister of Finance. The Board is composed of eight municipal representatives, nominated by the Association of Municipalities of Ontario (AMO), five taxpayer representatives, and two provincial representatives.

## HIGHLIGHTS OF 2014-15 ACHIEVEMENTS

The Ministry of Finance (MOF) performs a variety of critical roles, all focused on supporting a strong economic, fiscal and investment climate for Ontario, while ensuring accountability and transparency with respect to the use of public funds. During 2014-15, the ministry played a central role in preparing the annual Budget, Fall Economic Statement, Long-Term Report and Public Accounts.

Complete details of all the ministry's achievements can found in the Appendix: 2014-15 Annual Report.

### **1. Support a Strong Economic, Fiscal and Investment Climate including Retirement Security**

On February 4, 2015, the Province completed the sale of its remaining 36.7 million General Motors common shares for total proceeds of \$1.55 billion, resulting in a fiscal gain of \$1.08 billion. The Ontario government directed the gain from the sale, including the additional \$200 million generated above the 2014 target, to the Trillium Trust to invest in the Moving Ontario Forward plan to invest in roads, bridges and public transit throughout Ontario.

Undertook reviews and proposed measures to ensure that tax supports provided to businesses are effective, efficient and sustainable, while continuing to foster economic growth, job creation and a competitive business environment.

Provided leadership and support to several priority initiatives, including Ontario's environmental agenda as well as consolidation of the electricity sector.

Supported the government's commitment to implement the Ontario Retirement Pension Plan (ORPP) by January 1, 2017.

### **2. Be Accountable and Transparent with Public Funds while Optimizing Government Assets**

Delivered a number of reports including: the 2014 Transparency in Taxation Report, which provides an estimate of the value of Ontario's tax expenditures; and the 2013-14 Public Accounts, including the Province's Annual Financial Report and Consolidated Financial Statements and supplementary Volumes, receiving a clean audit opinion from the Auditor General.

Ensured the Ontario Lottery and Gaming Corporation (OLG) continued a transparent, fair and competitive procurement process to identify private sector service providers for the future delivery of lottery and gaming in Ontario. As part of OLG modernization, private sector service providers will take over day-to-day operations of OLG slots and casinos, internet gaming and the lottery business. OLG will maintain its role of conducting and managing gaming in Ontario.

Supported the Premier's Advisory Council on Government Assets in its work.

### **3. Maintain a Competitive Tax System and Ensure a Fair and Effective Tax, Benefit and Revenue Administration**

OLG is forecasted to deliver approximately \$1.9 billion in net profits to the Province in 2014-15. OLG is continuing to implement its modernization plan which includes the launch of internet gaming in January 2015 and shifting day-to-day operations of OLG slots and casinos, and the lottery business to private sector service providers. These initiatives will deliver additional net profit which will allow for additional investment in provincial priorities such as health care and education.

The LCBO demonstrated strong performance in 2014-15 and generated gross revenues of approximately \$215 million more than projected in their 2014-15 Business Plan. LCBO is forecasted to pay a dividend of approximately \$1.805 billion to the Province in 2014-15, an increase of \$65 million over the previous year. These funds contribute to key government priorities such as health care, education and skills training, and infrastructure investment that benefit all Ontarians.

In 2014-15, MOF collected approximately \$15 billion in tax revenue and oversaw \$62 billion in Ontario tax revenue collected by the Canada Revenue Agency.

The ministry entered into agreements with the federal government to enhance compliance activities related to aggressive international tax planning (AITP) and the underground economy (UE) which are estimated to generate \$700 million over the next four years.

- In 2014-15, the combined AITP and UE enhanced compliance activities generated more than \$213 million in additional tax revenues.

In fiscal 2014-15, the ministry successfully enforced 243 convictions under the *Tobacco Tax Act*, and *Land Transfer Tax Act*.

More than 10.6 million contraband cigarettes, 180,000 untaxed cigars and 61.9 million grams of fine cut and other contraband tobacco products were seized through investigation and inspection activities.

As part of its taxpayer information outreach efforts, the ministry organized over 195 tax seminars, revised numerous bulletins and notices and issued several new publications.

The ministry also delivered \$156 million in assistance to 176,000 benefit recipients, including \$126 million in Guaranteed Annual Income System (GAINS) payments to 158,000 low-income seniors and \$30 million in payments to low-income households to benefit children and provide housing allowance support.

#### 4. Prudent and Effective Fiscal Management and Financial Sector Regulation

Interim 2014-15 results for the Ontario Electricity Financial Corporation (OEFC) show an estimated excess of revenue over expense of about \$1.5 billion, which would reduce the OEFC's unfunded liability (or stranded debt) from \$9.8 billion as at March 31, 2014, to \$8.3 billion, as at March 31, 2015. OEFC is the legal continuation of the former Ontario Hydro and is responsible for managing that organization's legacy debt and other liabilities. This would be the eleventh consecutive year of stranded debt reduction, down from a peak of \$20.6 billion as at March 31, 2004.

Introduced Bill 57, the Pooled Registered Pension Plans Act, 2015, which sets out a framework for the administration and regulation of pooled registered pension plans in Ontario.

The August 2013 launch of the government's Auto Insurance Cost and Rate Reduction Strategy included additional reforms to further lower auto insurance costs. Rates approved by the Financial Services Commission of Ontario (FSCO) have decreased by 7.06% on average since the Cost and Rate Reduction Strategy was announced. The most significant decreases in approved rates were approved in the fourth quarter of 2013 and the first quarter of 2014.

In November 2014, Bill 15, the *Fighting Fraud and Reducing Automobile Insurance Rates Act, 2014*, was passed. The passage of this Act will help Ontario drivers settle disputes with insurers and get faster access to the benefits they need by transforming Ontario's auto insurance dispute resolution system (DRS).

Based on recommendations from the Honourable J. Douglas Cunningham's Auto Insurance Dispute Resolution System Review, the new DRS will be housed within the Ministry of the Attorney General's Licence Appeal Tribunal and will begin accepting accident benefit dispute applications on April 1, 2016.

On December 1, 2014, FSCO launched a licensing system for health service providers providing treatment and assessment services to injured auto insurance claimants. By December 1, 2014, FSCO had processed applications for almost 95 per cent of the top 1200 facilities by market share in the industry. In early 2015, FSCO started on-site compliance examinations of health service providers.

MOF is continuing the transformation and phase-down of the Ontario Municipal Partnership Fund (OMPF) from approximately \$600 million in 2012 to \$505 million by 2016. The ministry is on track and has achieved a phase-down of the OMPF to \$515 million in 2015. The program has been redesigned to better target funding to municipalities with more challenging fiscal circumstances.

Ontario took a leadership role in the implementation of the Cooperative Capital Markets Regulatory System (CCMR). As of the end of fiscal year 2014-15, five provinces and the federal government had signed the Memorandum of Agreement regarding the CCMR.

Consultation draft uniform provincial capital markets legislation and complementary federal legislation were released for a 90 day comment period in September 2014.

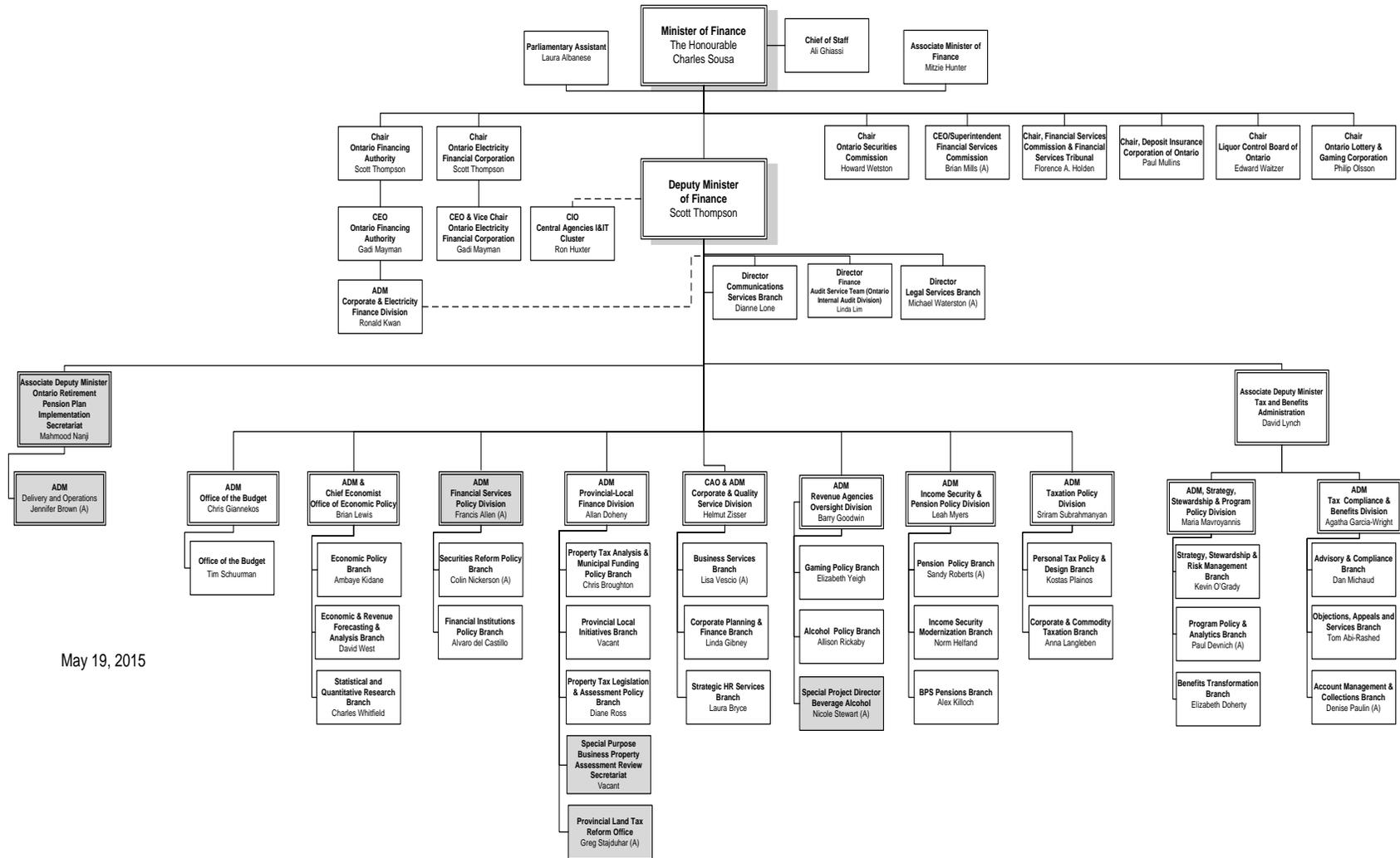
## **5. Transform Public Services**

The ministry is collaborating with other ministries on the asset optimisation initiative to help fund the Trillium Trust and dedicated funding for transit, transportation and other priority infrastructure. Support includes:

- Financial analysis and advice;
- Advice on the Trillium Trust Act; and
- Leading the Strategic Real Estate Assets Working Group.

The OPS has avoided incurring excessive costs by using the ministry's forensic accounting and forensic data recovery services, saving the OPS and BPS approximately \$1.465 million in 2014-15.

### Ministry of Finance Organizational Structure



May 19, 2015

Temporary

**DETAILED FINANCIAL INFORMATION**
**Table 1: Ministry Planned Expenditures 2015-16 (\$M)**

(\$M)	Ministry Planned Expenditures 2015-16
Operating	12,415.5
Capital	2.6
TOTAL*	12,418.1

\*Excluding Consolidations and Other Adjustments

**Table 2: Combined Operating and Capital Summary by Vote**

VOTES / PROGRAMS	Estimates 2015-16 \$	Change from 2014-15 Estimates		Estimates * 2014-15 \$	Interim Actuals * 2014-15 \$	Actual * 2013-14 \$
		\$	%			
<b>OPERATING EXPENSE</b>						
Ministry Administration	40,679,100	(206,400)	(0.5)	40,885,500	39,897,800	38,023,498
Agencies, Income Security and Pensions Policy	7,255,900	(2,406,400)	(24.9)	9,662,300	10,024,100	10,105,832
Economic, Fiscal and Financial Policy	1,108,311,100	(261,724,000)	(19.1)	1,370,035,100	1,617,972,700	1,376,063,496
Financial Services Industry Regulation	2,489,600	-		2,489,600	2,415,000	1,966,324
Tax and Benefits Administration	402,273,900	(59,677,600)	(12.9)	461,951,500	339,860,900	346,825,787
Ontario Retirement Pension Plan	14,000,000	14,000,000		-	-	-
<b>Total Including Special Warrants</b>	<b>1,575,009,600</b>	<b>(310,014,400)</b>	<b>(16.4)</b>	<b>1,885,024,000</b>	<b>2,010,170,500</b>	<b>1,772,984,937</b>
Less: Special Warrants		(608,500,000)		608,500,000	-	-
<b>Total Operating Expense to be Voted</b>	<b>1,575,009,600</b>	<b>298,485,600</b>	<b>23.4</b>	<b>1,276,524,000</b>	<b>2,010,170,500</b>	<b>1,772,984,937</b>
Special Warrants	-	(608,500,000)	(100.0)	608,500,000	-	-
<i>Statutory Appropriations:</i>						
Treasury Program	10,802,901,200	407,610,400	3.9	10,395,290,800	10,069,851,553	9,905,757,920
Other Statutory Appropriations	37,589,729	(5,978,285)	(13.7)	43,568,014	43,085,729	34,486,846
<b>Total Operating Expense</b>	<b>12,415,500,529</b>	<b>91,617,715</b>	<b>0.7</b>	<b>12,323,882,814</b>	<b>12,123,107,782</b>	<b>11,713,229,703</b>
Consolidation Adjustment - Ontario Financing Authority	25,679,000	505,000	2.0	25,174,000	25,174,000	23,027,000
Consolidation Adjustment - Ontario Securities Commission	100,238,100	1,025,000	1.0	99,213,100	91,975,000	89,831,000
Consolidation Adjustment - Ontario Electricity Financial Corporation	315,000,000	23,880,100	8.2	291,119,900	16,000,000	701,272,344
Other Adjustments - Financial Services Commission of Ontario	106,440,100	6,170,800	6.2	100,269,300	90,182,800	82,456,735
Consolidation Adjustment - Treasury Program	704,319,600	(93,191,500)	(11.7)	797,511,100	751,675,047	798,910,325
Consolidation Adjustment - Treasury Program - Interest Capitalization for Other Sectors	(97,120,800)	85,681,100	(46.9)	(182,801,900)	(146,526,600)	(132,519,031)
<b>Total Operating Expense Including Consolidation &amp; Other Adjustments</b>	<b>13,570,056,529</b>	<b>115,688,215</b>	<b>0.9</b>	<b>13,454,368,314</b>	<b>12,951,588,029</b>	<b>13,276,208,076</b>
<b>OPERATING ASSETS</b>						
Financial Services Industry Regulation	1,000	-		1,000	-	-
Tax and Benefits Administration	350,000	50,000	16.7	300,000	300,000	266,782
Ontario Retirement Pension Plan	1,000	1,000		-	-	-
<b>Total Including Special Warrants</b>	<b>352,000</b>	<b>51,000</b>	<b>16.9</b>	<b>301,000</b>	<b>300,000</b>	<b>266,782</b>
Less: Special Warrants		(100,000)	(100.0)	100,000	-	-
<b>Total Operating Assets to be Voted</b>	<b>352,000</b>	<b>151,000</b>	<b>75.1</b>	<b>201,000</b>	<b>300,000</b>	<b>266,782</b>
Special Warrants	-	(100,000)	(100.0)	100,000	-	-
<i>Statutory Appropriations:</i>						
Tax and Benefits Administration	28,200,000	600,000	2.2	27,600,000	27,532,900	26,173,757
<b>Total Operating Assets</b>	<b>28,552,000</b>	<b>651,000</b>	<b>2.3</b>	<b>27,901,000</b>	<b>27,832,900</b>	<b>26,440,539</b>

**Table 2: Combined Operating and Capital Summary by Vote (cont'd)**

VOTES / PROGRAMS	Estimates 2015-16 \$	Change from 2014-15 Estimates		Estimates * 2014-15 \$	Interim Actuals * 2014-15 \$	Actual * 2013-14 \$
		\$	%			
<b>CAPITAL EXPENSE</b>						
Ministry Administration	1,000	-		1,000	-	-
Economic, Fiscal, and Financial Policy	1,000	-		1,000	-	-
Financial Services Industry Regulation	1,000	-		1,000	-	-
Investing In Ontario	1,000	-		1,000	-	-
Tax and Benefits Administration	1,000	-		1,000	-	-
<b>Ministry Total Capital Expense to be Voted</b>	<b>5,000</b>	<b>-</b>		<b>5,000</b>	<b>-</b>	<b>-</b>
<i>Statutory Appropriations:</i>						
Amortization, the <i>Financial Administration Act</i>	2,640,600	-		2,640,600	2,637,600	2,637,609
<b>Total Capital Expense</b>	<b>2,645,600</b>	<b>-</b>		<b>2,645,600</b>	<b>2,637,600</b>	<b>2,637,609</b>
Consolidation Adjustment - Ontario Financing Authority	848,000	1,000	0.1	847,000	818,000	832,000
Consolidation Adjustment - Ontario Securities Commission	2,913,100	46,200	1.6	2,866,900	2,769,000	2,478,000
<b>Total Capital Expense Including Consolidation &amp; Other Adjustments</b>	<b>6,406,700</b>	<b>47,200</b>	<b>0.7</b>	<b>6,359,500</b>	<b>6,224,600</b>	<b>5,947,609</b>
<b>CAPITAL ASSETS</b>						
Ministry Administration	1,000	-		1,000	-	-
Economic, Fiscal, and Financial Policy	1,000	-		1,000	-	-
Financial Services Industry Regulation	4,046,400	(5,631,200)	(58.2)	9,677,600	2,879,700	4,945,250
Tax and Benefits Administration	1,000	-		1,000	-	-
<b>Total Including Special Warrants</b>	<b>4,049,400</b>	<b>(5,631,200)</b>	<b>(58.2)</b>	<b>9,680,600</b>	<b>2,879,700</b>	<b>4,945,250</b>
Less: Special Warrants	-	(3,200,000)	(100.0)	3,200,000	-	-
<b>Ministry Total Capital Assets to be Voted</b>	<b>4,049,400</b>	<b>(2,431,200)</b>	<b>(37.5)</b>	<b>6,480,600</b>	<b>2,879,700</b>	<b>4,945,250</b>
Special Warrants	-	(3,200,000)	(100.0)	3,200,000	-	-
<b>Total Capital Assets</b>	<b>4,049,400</b>	<b>(5,631,200)</b>	<b>(58.2)</b>	<b>9,680,600</b>	<b>2,879,700</b>	<b>4,945,250</b>
<b>Ministry Total Operating &amp; Capital Including Consolidation and Other Adjustments (not including assets)</b>	<b>13,576,463,229</b>	<b>115,735,415</b>	<b>0.9</b>	<b>13,460,727,814</b>	<b>12,957,812,629</b>	<b>13,282,155,685</b>

\* Estimates, Interim Actuals and Actuals for prior fiscal year are re-stated to reflect any changes in ministry organization and/or program structure. Interim Actuals reflect the number presented in the 2015 Ontario Budget.

## CONTACT US

If you have questions about the programs and/or services of the Ministry of Finance, visit [www.ontario.ca/finance](http://www.ontario.ca/finance) or contact the ministry by:

- **Phone:** 1-866-ONT-TAXS (668-8297) or 1-800-263-7776 for teletypewriter (TTY)
- **Email:** [financecommunications.fin@ontario.ca](mailto:financecommunications.fin@ontario.ca)
- **Mail:**  
Ministry of Finance  
33 King Street West  
PO Box 627  
Oshawa ON  
L1H 8H5

You can also visit a ServiceOntario location in person, or call 1-866-ONT-TAXS (668-8297) to schedule an appointment if you need to meet with a representative at one of our tax offices.

# **Appendix: 2014-15 Annual Report**

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## **Ministry of Finance**

## 2014-15 ACHIEVEMENTS

In 2014-15, the Ministry of Finance engaged in a number of activities to achieve its five key priorities. These are some highlights of the ministry's achievements:

### 1. Support a Strong Economic, Fiscal and Investment Climate including Retirement Security

- Led the coordination and monitoring of the province's fiscal plan and outlook and developed key public reports and documents such as the 2014 Budget, 2014 Economic Outlook and Fiscal Review, Transparency in Taxation Report 2014, and quarterly updates to the Ontario Economic Accounts.
- Successfully completed the development, production and publication of Ontario's Population Projections (2013-2041).
- Provided advice and analysis to the Minister, Treasury Board/Management Board of Cabinet and other committees of Cabinet on government fiscal policy.
- Provided leadership and support to priority initiatives in the electricity sector including the Premier's Advisory Council on Government Assets with respect to Ontario Power Generation, Hydro One and consolidation in the electricity distribution sector; programs to help businesses manage their electricity costs (expanding the Industrial Electricity Incentive and providing ongoing support for northern industrial facilities); and removing the Debt Retirement Charge from residential electricity user's bills.
- Continued to implement the Ontario Nuclear Funds Agreement to ensure that funds are set aside and managed to, over the life of the nuclear plants, fully fund the nuclear waste management and decommissioning liabilities.
- Implemented changes to various tax and tax credit programs that benefit Ontarians including:
  - Employer Health Tax exemption changes to increase the exemption threshold from \$400,000 of annual payroll to \$450,000, and eliminate the exemption for employers with over \$5 million in annual Ontario payroll, which results in tax relief for over 60,000 employers beginning in 2014.
  - Implementing the Community Food Program Donation Tax Credit for Farmers beginning in 2014.
  - Eliminating the exemption for biodiesel beginning April 1, 2014.
  - Providing a choice to Ontario Trillium Benefit (OTB) recipients to elect on their tax return to receive a single OTB payment instead of monthly payments.
  - Changes to the Ontario Dividend Tax Credit, as announced in the 2013 Fall Economic Statement, to improve the fairness of the taxation of dividends.
  - An income tax increase for people with over \$150,000 of taxable income, beginning in 2014, which is expected to raise about \$635 million of revenue in 2014-15.

- Continued to manage the Province's remaining auto sector investment holdings including the divestiture of Ontario's remaining 36.7 million General Motors shares. Together with the redemption of the preferred shares, this resulted in a gain on sale of \$1.1 billion compared to the book value of the shares, as adjusted for allowances taken against the auto loans in 2008-09 (\$75 million) and 2009-10 (\$3 billion). The \$1.1 billion was in excess of the \$900 million asset optimisation target for 2014-15 in Budget 2014. The \$1.1 billion amount, together with the \$249 million gain from the divestiture of Ontario's interest in 10 million shares, were directed into the Trillium Trust to help fund priority infrastructure and benefit the economy and Ontarians.
- Made significant progress in implementing the recommendations in the Special Purpose Business Property Assessment Review report, which are expected to increase the transparency, accuracy and predictability of property assessments and promote greater revenue stability of the \$24 billion property tax base shared with municipalities.
- To support the government's commitment to implement the Ontario Retirement Pension Plan (ORPP) by January 1, 2017:
  - Established the ORPP Implementation Secretariat to provide overall project management and advice.
  - Introduced and passed the *Ontario Retirement Pension Plan Act, 2015*.
  - Developed legislation to establish the ORPP Administration Corporation, the arms-length entity responsible for administering the plan.
  - Concluded consultations on key design issues with over 1,000 responses and roundtables in 10 locations across Ontario.
  - To support administration system development, conducted market soundings and sought advice from other pension plans, governments, and the financial sector.

## **2. Be Accountable and Transparent with Public Funds while Optimizing Government Assets**

- Ensured the Ontario Lottery and Gaming Corporation (OLG) continued a transparent, fair and competitive procurement process to identify private sector service providers for the future delivery of lottery and gaming in Ontario. As part of OLG modernization, private sector service providers will take over day-to-day operations of OLG slots and casinos, internet gaming and the lottery business. OLG will maintain its role of conducting and managing gaming in Ontario.
- The Province continues to move forward with the process to sell the LCBO's head office lands and that the transaction is expected to close in 2015-16. Net proceeds from the sale of the LCBO head offices lands will go into the Trillium Trust and will be directed to building transit, transportation, and other priority infrastructure through Moving Ontario Forward.
- Provided audit advisory services and participated in key enterprise-wide initiatives to support the enhancement of corporate governance, transformational initiatives, strong fiscal management, and management policy frameworks, and

corporate directives frameworks to strengthen risk management, control effectiveness, Transfer Payment Accountability, and Agency Governance.

### **Premier's Advisory Council on Government Assets**

- The Premier's Advisory Council on Government Assets was established in April 2014 to identify opportunities to extract more value from government assets, including the Liquor Control Board of Ontario (LCBO). Through a review of the existing system and industry consultations, it determined that the liquor distribution system in Ontario centred around three quasi-monopolies; the LCBO, the Beer Store and off-site Winery Retail Stores. Phase one of the Council's work culminated in its initial report, released November 13, 2014. The Council reported its finding that Ontario's alcohol distribution system works relatively well but, that value could be maximized by changing the behaviour of the three quasi-monopolies, adding some selective competition and ensuring the public "gets its fair share of the profits.
- In phase two of its work, the Council focussed on the Beer Store though work with the LCBO and wine sector continued. The Premier's Advisory Council on Government Assets designed, and negotiated an agreement-in-principle with owners of the Beer Store, a new framework for the retailing of beer in Ontario. The framework was developed over the course of 2014-15 in consultation with key stakeholders and with input from government officials, including the Ministry of Finance legal and policy staff. The new beer framework was outlined in the Council's report "Striking the Right Balance: Modernizing Beer Retailing and Distribution in Ontario" that was released on April 16, 2015. The report represents the Council's final report on beer and it includes recommendations to government on the future direction for beer retailing and distribution in Ontario.
- The government accepted the Council's recommendations and announced in the 2015 Budget steps it will take to transform beverage alcohol retailing (pending appropriate legislative approvals), including:
  - The Province will authorize the sale of beer in up to 450 grocery stores, with up to 150 open by May 2017, to improve consumer choice and convenience, while meeting the government's social responsibility mandate;
  - The government will support Ontario's craft beer industry by reducing red tape and expanding retail opportunities for craft brewers;
  - The government has accepted a framework of key principles the Council negotiated with the Beer Store and its owners. The government will negotiate a binding, New Beer Framework with the Beer Store and its owners, that will improve the fairness, transparency and consumer appeal of the beer store, while maintaining its operation as a low-cost, efficient distributor of beer in Ontario;
  - The Province will be increasing its annual revenue from the sale of beer by about \$100 million, phased in over four years, by implementing a new three cents per litre beer charge every year, beginning in November 2015, until 2018; and

- The Council will engage with wine and spirits stakeholders on reforms to their sectors and will continue to work with the LCBO on enhancing their pricing and mark-up strategies.

### **3. Maintain a Competitive Tax System and Ensure a Fair and Effective Tax, Benefit and Revenue Administration**

#### **Taxation, Benefit and Revenue Integrity**

- In 2014-15, MOF collected approximately \$15 billion in tax revenue and oversaw \$62 billion in tax revenue collected by the Canada Revenue Agency.
- Ministry audits recovered \$193 million.
- Inspectors completed over 11,000 fuel/gas, tobacco retailer and raw leaf inspections resulting in \$1.4 million in tax assessments.
- The ministry performs data mining and analysis and enters into agreements with the federal government to enhance compliance activities in key program areas. Ten such agreements for validation activities are currently in place, including agreements related to aggressive international tax planning (AITP) and the underground economy (UE), which are estimated to generate \$700 million over the next four years.
  - In 2014-15, the combined AITP and UE enhanced compliance activities generated more than \$213 million in additional tax revenues.
- In 2014-15, the ministry finalized Service Level Agreements with the federal government for the administration of the Ontario Trillium Benefit, providing for the processing of approximately \$2.3 billion in annual entitlements.
- In 2014-15, the MOF identified a number of new initiatives to combat the underground economy. These include:
  - enhanced information sharing to better inform actions;
  - measures to address electronic sales suppression;
  - measures to reduce the supply of low-cost, contraband tobacco; and
  - a plan to expand the government's existing tax verification initiatives to the broader public sector and Crown corporations, starting with core program enhancements and pilot projects to inform decision making.
- These new initiatives build on measures already in place in 2014-15, including:
  - The expanded Tender Contract Tax Compliance initiative, which verifies tax compliance for businesses seeking government procurements over \$25K in value. Since expansion, MOF has verified compliance for approximately 1,000 contracts.
  - A Residential Roofing Pilot Project was launched in the fall of 2014. This pilot helps to ensure compliance with health and safety obligations and informs consumers / workers about the risks and liabilities associated with participation in the underground economy.
  - Convening an underground economy roundtable with representatives from industry, academia and other governments, which provided a forum to

better understand underground economy impacts on businesses, the experience of other jurisdictions and potential additional initiatives Ontario may undertake.

- The MOF has also taken significant action to address contraband tobacco, including:
  - Tobacco pilot projects that are in place with the Chippewas of the Thames First Nation and the Mohawk Council of Akwesasne. These projects represent an excellent opportunity to both enhance collaborative relationships and to develop a forum for conducting joint research / analysis to explore models for self-regulation of tobacco on-reserve and for revenue-sharing.
  - The oversight of raw leaf tobacco by MOF took effect on January 1, 2015. By having full oversight of the tobacco commodity, the province is better positioned to substantially curtail the supply of raw leaf tobacco to contraband manufacturers.
  - Amending the Tobacco Tax Act to increase fines for offences related to marked tobacco products, permit the impoundment of vehicles used to transport contraband tobacco in bulk, and give prosecutors the option to have complex tobacco prosecutions heard by a provincial judge.
  - Retained two independent facilitators to engage with First Nations communities and stakeholders to discuss modernizing and improving the Cigarette Allocation System.
- In 2014-15, the ministry referred 201 Tobacco Tax Act cases for prosecution and seized more than 10.6 million contraband cigarettes, 180,000 untaxed cigars and 61.9 million grams of fine cut and other contraband tobacco products.
  - MOF's partnership with the Ontario Flue-Cured Tobacco Growers Marketing Board resulted in a significant increase in the number of farm inspections to ensure all tobacco grown in Ontario is done so in compliance with the regulations of the Board.
- On January 1, 2015, the Ministry of Finance assumed oversight of the administration and enforcement of raw leaf tobacco.
- Substantial progress was made in implementing the recommendations from the Auditor General's 2012 Report in relation to collections activity under Ontario tax statutes. Of the six recommendations three have been fully implemented and those remaining are in the process of being implemented. In particular, the ministry has improved timeliness in contacting delinquent taxpayers. In addition, the ministry has moved forward with the following:
  - initiation of progressive collection action such as registering liens and warrants;
  - applied a risk-ranking methodology for prioritizing collection efforts; and
  - developed enhanced performance metrics to track collection effectiveness.

- In 2014-15 MOF successfully implemented a number of 2013 budget commitments including Employer Health Tax system changes and improved taxpayer communications, a Tobacco Tax increase, an Aviation Fuel Tax increase, and the removal of tax exemptions for biodiesel fuels including system changes and taxpayer notification.
- During 2014-15, Advisory Services staff responded to over 1500 requests for rulings and interpretations, created or revised 153 tax publications, and educated over 15,000 Ontarians on Ontario tax and benefits programs at 195 outreach events.
- To implement a 2011 budget commitment to enhance compliance of Estate Administration Tax (EAT), new administrative requirements were brought into effect on January 1, 2015. The new requirements will ensure that the MOF has the information needed to perform audits and verify that correct amounts of the tax have been paid.

### **Overseeing the Ontario Lottery and Gaming Corporation**

- OLG is forecasted to deliver approximately \$1.9 billion in net profits to the Province in 2014-15.
- With policy, legal and other support from the ministry, OLG is continuing to implement its modernization plan which includes the launch of internet gaming in January 2015 and shifting day-to-day operations of OLG slots and casinos, and the lottery business to private sector service providers. These initiatives will deliver additional net profit which will allow for additional investment in provincial priorities such as health care and education.
- In 2014-15, OLG issued two invitational RFPs; the East Gaming Bundle RFP (i.e., Kawartha, Thousand Islands and Belleville gaming sites) and the Lottery RFP to secure private service providers to undertake the day-to-day operations in these areas. OLG also launched its internet gaming site, 'PlayOLG.ca'. The remaining six Gaming Bundle RFPs will be released in 2015-16.

### **Overseeing the Liquor Control Board of Ontario**

- The LCBO demonstrated strong performance in 2014-15 and generated gross revenues of approximately \$215 million more than projected in their 2014-15 Business Plan. LCBO is forecasted to pay a dividend of approximately \$1.805 billion to the Province in 2014-15, an increase of \$65 million over the previous year. These funds contribute to key government priorities such as health care, education and skills training, and infrastructure investment that benefit all Ontarians.
- During 2014-15, the LCBO added 23 new and/or replacement stores, bringing the network total to 651 stores.
- At the end of 2014-15, 20 "Our Wine Country" Destination Boutiques were opened in existing LCBO stores. The stores are designed to help support Ontario wineries by making it easier for customers to discover and learn about Vintners Quality Alliance (VQA) wines.

- Growing the sales of Ontario wine, craft beer and micro distilleries remained a key priority and strategic objective for the LCBO in 2014-15. LCBO Ontario wine sales were up 6.5% compared to 2013-14, reaching \$421 million in sales, while VQA (4.5% growth) and International Canadian Blend (ICB) wines (8.0% growth) experienced impressive gains over 2013-14. Ontario craft beer sales grew 33.7% over the prior year to \$67.1 million.
- The LCBO continued to provide a wide range of supports to showcase the province's wine. Some of these include prime shelf space in all LCBO stores, dedicated promotions and marketing programs for Ontario wines, wine advocates in over 300 stores, and a comprehensive Vintages strategy to support VQA wines.
- The Ontario Deposit Return Program (ODRP), which is funded by the LCBO, is a successful environmental initiative that has diverted over 2.3 billion wine and spirits containers from landfills since it was launched in 2007.
  - Approximately 80% of all liquid containers have been returned to the Beer Store for a full deposit refund.
- LCBO enforced its social responsibility mandate by refusing service where appropriate and raised awareness of alcohol-related issues through public campaigns such as "Deflate the Elephant."
- Since a joint Cabinet meeting between Ontario and Quebec on November 21, 2014, the LCBO and the SAQ (Quebec Alcohol Corporation) have met frequently to identify opportunities to promote locally produced products from each other's jurisdictions, as well as to learn from each other's retailing practices.

### **Alcohol Policy Initiatives**

- The government continues to provide support to Ontario's VQA Wine industry through the renewed Wine and Grape Strategy.
  - In March 2015, the government announced funding of \$28 million over two years for a new Marketing and Vineyard Improvement Program and a renewed VQA Wine Support Program. By March 2015, 78 of 140 VQA wineries had sold their VQA wine at 142 farmers' markets across Ontario.
  - In May 2014, a two-year pilot program was launched to provide an opportunity for wineries to promote and sell VQA wines at farmers' markets.
- Given the range of policy issues affecting alcohol retailing systems across Canada, representatives from the provincial and territorial governments agreed to establish a senior forum to collaborate on public policy issues as they relate to alcohol. The Forum, which is chaired by Ontario, began meeting in September 2014.
- Ontario continues to facilitate discussions with its provincial and territorial counterparts to support the implementation of direct to consumer sales of alcohol across Canada.

### **Benefits Administration**

- The ministry also delivered \$156 million in assistance to 176,000 benefit recipients, including \$126 million in Guaranteed Annual Income System (GAINS) payments to 158,000 low-income seniors and \$30 million in payments to low-income households to benefit children and provide housing allowance support.
- Due to the success of the current Investment in Affordable Housing (IAH) program, City of Toronto partnered with MOF and the Ministry of Municipal Affairs and Housing (MMAH) to invest additional money in the IAH program to implement the Housing Stability Allowance in order to provide vulnerable people with monthly financial assistance for housing.
- Benefits administration services for IAH were also expanded by eight new programs within six new municipalities throughout 2014-15.

### **Provincial Land Tax Reform**

- Announced changes to the Provincial Land Tax in the 2015 Ontario Budget that would mark an important first step toward reducing property tax inequities as well as inequities in how important services are funded between northern municipalities and unincorporated areas.
- Delivered on the government's commitment to review the PLT and to address the concerns of Northern stakeholders in a fair and balanced way. This marks the first time that the PLT has been adjusted to increase revenues in more than 60 years.

## **4. Prudent and Effective Fiscal Management and Financial Sector Regulation**

### **Municipal Support**

- Providing \$515 million<sup>5</sup> to 388 municipalities through the Ontario Municipal Partnership Fund (OMPF) as part of the phase down of the program from approximately \$600 million in 2012 to \$505 million by 2016. In addition, the program has been redesigned to better target funding to municipalities with the greatest needs.
- Facilitated the provincial uploads of over \$1.7 billion in social assistance benefits program costs, as well as court security and prisoner transportation costs from municipalities in 2015. The province continues the phased upload of Ontario Works (OW) benefits and court security costs, building on the previous upload of the Ontario Drug Benefits (completed in 2008) and the Ontario Disability Support Program (completed in 2011).

### **Pension Reform**

- Beginning January 2014, eligible owners of locked-in accounts can apply directly to their financial institutions rather than to the Superintendent of Financial Services.

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<sup>5</sup> The \$515 million for the 2015 OMPF reflects the municipalities' fiscal year (January to December), which is different from the provincial budget planning cycle (April to March).

- MOF continues to drive measures to improve the sustainability and affordability of Broader Public Sector (BPS) pension plans for Ontarians, while emerging as a national leader in discussions to enhance the Canada Pension Plan.
- Enhanced stakeholder engagement by establishing several advisory and working groups to provide advice, explore options and implement change.
- Supported development of the Ontario Retirement Pension Plan (ORPP) by:
  - establishing a conceptual framework for the ORPP, as set out in Budget 2014;
  - introducing legislation outlining the main parameters of the ORPP and administrative entity (Bill 56, the Ontario Retirement Pension Plan Act, 2015); and
  - issuing the discussion paper, Ontario Pension Plan Key Design Questions, which identified and addressed key design issues for the ORPP.
- Introduced Bill 57, the Pooled Registered Pension Plans Act, 2015, which sets out a framework for the administration and regulation of pooled registered pension plans in Ontario.
- Implemented a number of regulatory changes benefitting both employees and employers including: asset transfers, pensions impacted by past government-initiated restructuring, certain broader public sector employers using letters of credit, and certain exemptions to the pension investment rules.
- FSCO's 2014 Report on the Funding of Defined Benefit Plans [http://www.fSCO.gov.on.ca/en/pensions/actuarial/Pages/risk-based\\_supervision.aspx](http://www.fSCO.gov.on.ca/en/pensions/actuarial/Pages/risk-based_supervision.aspx) in Ontario was published. The report provides pension stakeholders with up-to-date funding, investment, and actuarial information related to defined benefit pension plans registered in Ontario.

### **Auto Insurance**

- The Financial Services Commission of Ontario finalized the mandatory, three-year review of Ontario's automobile insurance system. The report was the culmination of in-depth analysis, as well as consumer and stakeholder consultation on the subject of ensuring a stable, sustainable and competitive automobile insurance system.
- The ministry played a lead role in the continued implementation of the government's Auto Insurance Cost and Rate Reduction Strategy, which aims to ensure auto insurance premiums are affordable for Ontario's over nine million drivers. Since August 2013, auto insurance rates filings approved by FSCO have declined by over 7% on average. Since August 2013, 6 companies representing 3.29% of the Ontario auto insurance market have had a cumulative reduction in their approved rates of over 15%. 18 companies representing almost 30% of the market have had cumulative reductions in their approved rates of over 10%.
- The ministry has taken action on over half of the 38 recommendations identified in the Auto Insurance Anti-Fraud Task Force's Final Report, including key recommendations for the licensing of health service providers that are paid

directly by auto insurance companies and for improving oversight of the towing industry.

- In November 2014, Bill 15, the *Fighting Fraud and Reducing Automobile Insurance Rates Act, 2014*, was passed. The passage of this Act will help Ontario drivers settle disputes with insurers and get faster access to the benefits they need by transforming Ontario's auto insurance dispute resolution system (DRS). Based on recommendations from the Honourable J. Douglas Cunningham's Auto Insurance Dispute Resolution System Review, the new DRS will be housed within the Ministry of the Attorney General's Licence Appeal Tribunal and will begin accepting accident benefit dispute applications on April 1, 2016.
- The 2014 Automobile Insurance Third Party Liability Bodily Injury Closed Claim Study <http://www.fSCO.gov.on.ca/en/auto/Documents/Abbreviated-Closed-Claim-Study-Report-2014-08-13.html> in Ontario was published on FSCO's website on October 3, 2014. The study analyzed closed claims from selected insurers and gathered data on factors contributing to cost changes. The analysis will help FSCO to evaluate the potential impact of any future changes in the automobile insurance system on bodily injury (tort) claims.

### **Financial Services**

- The Ministry of Finance has worked with the Financial Services Commission of Ontario to implement a number of recommendations to the Mortgage Brokerages, Lenders and Administrators Act, 2006 – including, reviewing mortgage broker standards of practice to better combat fraud, and raising education standards for brokers and agents.
- Provided support for the launch of the statutory review of the Credit Unions and Caisses Populaires Act, 1994. Following the appointment of Laura Albanese, Parliamentary Assistant to the Minister of Finance to lead the review, public consultations were held in the fall of 2014 in eight communities across the province. The public was invited to provide feedback on a consultation paper released in November 2014. A final report with recommendations is expected in the fall of 2015.
- The passage of Bill 65 - *Prosperous and Fair Ontario Act (Budget Measures), 2013*, authorizes the Financial Services Commission of Ontario (FSCO) to license and regulate the business and billing practices of service providers in connection with statutory accident benefits. The regulation of service providers came into effect on December 1, 2014.
- FSCO and the Mortgage Broker Regulators' Council of Canada (MBRCC) completed national initiatives that identified common competency and curriculum requirements for mortgage agent and broker licensing courses. These requirements are a first step in the harmonization of licensing courses across jurisdictions. The MBRCC also launched an online tool that provides guidance on licensing requirements that may apply in multi-jurisdictional mortgage brokering transactions.

## Borrowing and Debt Management

- The government successfully completed its annual borrowing program in 2014-15, borrowing \$39.8 billion. This is up from the \$35.0 billion forecast in the 2014 Budget, as the Province capitalizes on the continuing low interest rate environment and strong demand for Ontario bonds to prefund \$4.8 billion of the 2015-16 requirement.
- The Province plans to borrow \$85.9 billion over the three-year period in the medium-term borrowing outlook, down from the forecast \$105.5 billion over the three-year period contained in the 2014 Budget. This \$19.6 billion decline in borrowing reflects the impact of lower deficits, prefunding and the Province's asset optimization activities.
- Strong global investor demand for Canadian-dollar assets, the liquidity of Ontario benchmark bonds and continuing confidence in the Province allowed Ontario to borrow 79 per cent in Canadian dollars in 2014-15.
- Over the past five years, Ontario has issued \$45.4 billion of bonds longer than 30 years to lock in low rates. As a result, the weighted-average term to maturity of long-term Provincial debt issued has been extended significantly.
- Interest on debt (IOD) expense is projected to be \$10.675 billion for 2014-15, which is \$335 million lower than forecast in the 2014 Budget, reflecting lower-than-forecast interest rates, the lower forecast deficit for 2014-15, cost-effective debt management and a one-time gain from the sale of asset-backed commercial paper that was written down in prior fiscal years.
- The 2010 Budget forecasted that, by 2015-16, the Province would have to spend 11.9 cents of every revenue dollar received on interest. The current forecast is 23 per cent lower, at only 9.2 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992-93 to 2005-06, and is forecast to remain lower through the period to balance in 2017-18.
- Stranded debt of the electricity sector has been reduced for the eleventh consecutive year to an estimated \$8.3 billion as at March 31, 2015, a decrease of \$1.5 billion compared to stranded debt of \$9.8 billion as at March 31, 2014 and down from a peak of \$20.6 billion as at March 31, 2004.
- During 2014-15, the Minister of Finance determined the residual stranded debt to be \$2.6 billion as at March 31, 2014, a decrease of \$1.3 billion compared to residual stranded debt of \$3.9 billion as at March 31, 2013, and a decrease of \$9.3 billion from an estimated peak of residual stranded debt of \$11.9 billion as at March 31, 2004.
- Ontario took a leadership role in the implementation of the Cooperative Capital Markets Regulatory System (CCMR). As of the end of fiscal year 2014-15, five provinces and the federal government had signed the Memorandum of Agreement regarding the CCMR. Consultation draft uniform provincial capital markets legislation and complementary federal legislation were released for a 90 day comment period in September 2014.

## 5. Transform Public Services

### Benefits Transformation

- Working with program and service delivery partners, the ministry has:
  - Developed an implementation plan and preliminary design for the My Benefits Account pilot initiative – an online service to provide expanded client-focussed e-services – with targeted implementation by late 2015-16;
  - Initiated program onboarding and implementation of two new programs utilizing MOF's automated income verification services; and
  - Developed a program delivery framework, the Benefits Reference Model, intended to bring consistency to the way benefit programs are designed and delivered to Ontarians.

### Services to the OPS

- Both the Ontario Public Service (OPS) and Broader Public Sector (BPS) have avoided incurring excessive costs by using the ministry's forensic accounting and forensic data recovery services, saving approximately \$1.465 million in 2014-15.
- MOF continues to move to a centralized collections model and currently provides collections services for all provincial tax statutes and approximately 100 non-tax programs for 21 ministries and agencies. MOF collects approximately \$3 billion in outstanding receivables and overpayments across the OPS.
- Nearly 1.7 million document pages were imaged, 70% of which were for the Ministry of Community and Social Services' Family Responsibility Office (FRO).
- Continued to provide cost-effective banking and cash management services to the OPS by processing payments for all ministries issuing invoices through IFIS. In 2014-15 the ministry also processed 363,000 juror questionnaires for the Ministry of the Attorney General.
- Processed 885 applications for the Electric Vehicle Incentive Program and 295 applications for the Electric Vehicle Charging Station Incentive Program on behalf of the Ministry of Transportation.
- Encouraging voluntary compliance through taxpayer services such as registration, account maintenance and processing tax returns and refund applications, and by providing effective communications, public education and outreach.
- In January 2015, MOF partnered with Ministry of Training, Colleges and Universities (MTCU) to launch the Student Loan Rehabilitation Program to allow borrowers to bring their Ontario Student Loans back into good standing. This supports the government's goal of increasing Ontario's postsecondary attainment rate to 70% and commitment that no qualified student will be denied access to postsecondary education because of financial need.

**Table 3: Ministry Interim Actual Expenditures 2014-15**

	Ministry Interim Actual Expenditures* 2014-15 (\$M except Staff Strength)
Operating and Capital	821.3
Ontario Municipal Partnership Fund	541.5
Power Supply Contract Costs	920.0
Interest on Debt	10,675.0
Staff Strength as of March 31, 2015**	2,296.6

\*Refer to page(s) 289 - 290 of the 2015 Ontario Budget

\*\*Ontario Public Service Full-Time Equivalent positions