

MILLION JOBS PLAN

A GOVERNMENT WE CAN AFFORD

Eliminating Ontario's \$12.5-billion a year deficit requires a two-step approach. The current government has let the deficit get so large that it can't be eliminated by economic growth alone or by spending reductions alone. We need both. The important thing to know is that spending reductions are not an end in themselves, but a critical first step that helps create the job expansion required to wipe out the deficit.

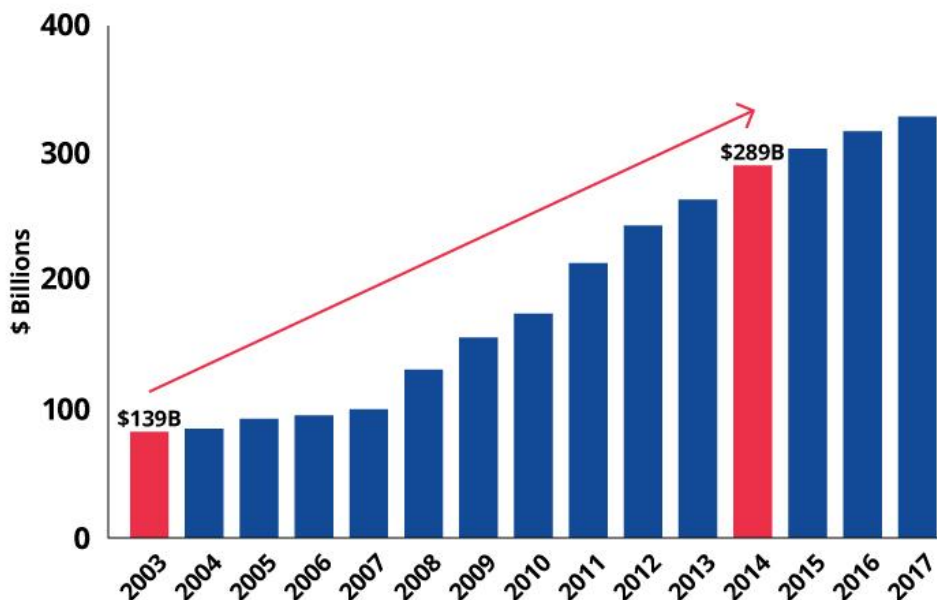
Businesses are only willing to invest and create jobs when they see a stable government with a sustainable budget. They know Ontario's massive annual deficits will eventually lead to further tax increases that hurt their competitiveness. They know the deficits threaten the province's ability to build the roads and transit our economy needs to succeed.

The experience of the last decade has shown that you can't build a healthy and expanding economy by borrowing money to enlarge the public sector. We have a responsibility to each other and to future generations to live within our means and to build an Ontario that will be a jobs powerhouse. To do that, we must get ourselves out of this debt crisis we are in right now.

That's why an Ontario PC government will balance the budget within two years of the election. Difficult decisions must be made, but delay doesn't make those decisions any easier.

This is a central pillar of our jobs plan. We know it won't be easy, but if we work together, we can do it.

ONTARIO'S DEBT (2003-PRESENT)



Source: Budget 2014 and Ministry of Finance Data

**LETTER FROM ERNIE STOKES
MANAGING PARTNER, CENTRE FOR SPATIAL ECONOMICS**

May 12, 2014

Mr. Tim Hudak
Leader
Ontario Progressive Conservative Party
59 Adelaide Street East, 4th Floor
Toronto ON M5C 1K6

Dear Mr. Hudak:

This letter is the response to your request to examine the reasonableness of the PC Party's fiscal plan. After reviewing the methodology to estimate the fiscal position of the province and the impacts on this position of the proposed policy plan, I find the approach quite reasonable.

The components of the approach include an accounting framework that describes the provincial government's income statement, current estimates of the income statement that do not include the PC plan, and estimates of the impacts of the plan on the latter statement. To establish the reasonableness of the approach you have provided me with all relevant information regarding these components and responded to questions I posed to you regarding them.

The accounting framework adopted in the PC plan is in line with the one that is currently used by the province to describe its fiscal position. The current estimates of the income statement are based on the government's latest budget, which have been prepared by the Ministry of Finance. The estimates of the impacts of the plan are based on analyses conducted by the Ministry of Finance, the Drummond Report, and other reliable sources.

If you have any further questions, please do not hesitate to give me a call.

Yours truly,



Ernie Stokes
Managing Partner

ONTARIO PC BALANCED BUDGET PLAN

	2014-15	2015-16	2016-17	2017-18
Forecast Revenue¹	118.900	124.500	129.400	134.800
No Budget 2014 tax increases ²	-0.840	-0.915	-0.990	-1.010
Lower taxes on employers ³	-0.600	-0.800	-0.800	-1.800
Contraband tobacco initiative ⁴		0.050	0.100	0.150
Increase share of municipal/gas tax sharing		-0.075	-0.075	-0.075
Reduce personal income taxes (beginning FY 2018)				
Total Adjustments	-1.440	-1.740	-1.765	-2.735
Revised Revenue	117.460	122.760	127.635	132.065
Total Programs⁵	119.400	120.100	120.200	119.400
Not proceeding with \$2.5 billion corporate welfare fund ⁶	-0.100	-0.250	-0.250	-0.250
End other corporate welfare ⁷		-0.700	-0.800	-1.800
Modest increase in class sizes (per Drummond) ⁸		-0.100	-0.200	-0.425
Adjust staffing model for FDK (per Drummond) ⁹		-0.150	-0.300	-0.300
Reduce non-teaching positions by 9,700 (per Drummond) ¹⁰		-0.200	-0.400	-0.600
End 30% Tuition Grant (per Drummond) ¹¹	-0.300	-0.486	-0.500	-0.500
Combine OW and ODSP ¹²		-0.100	-0.160	-0.160
Income maintenance program review ¹³		-0.200	-0.600	-0.700
Freeze OCB benefits (per Drummond) ¹⁴	-0.090	-0.137	-0.166	-0.190
Move up expiry date of OCEB (per Drummond) ¹⁵	-0.500	-0.825		
Eliminate Healthy Homes Renovation Tax Credit ¹⁶	-0.060	-0.125	-0.135	-0.135
Reduce the number of ministries		-0.100	-0.100	-0.100
Not proceeding with new Liberal health-sector budget promises ¹⁷	-0.078	-0.118	-0.159	-0.181
New Ontario PC health initiatives				2.000
Program review ¹⁸		-0.300	-0.400	-0.500
Eliminate all advocacy funding		-0.010	-0.030	-0.050
Public sector wage freeze ¹⁹	-0.450	-2.150	-2.150	-2.150
Not proceeding with special ETFO pay increase ²⁰	-0.056	-0.112	-0.112	-0.112
Not proceeding with special ECE pay increase ²¹	-0.067	-0.094	-0.108	-0.108
OPS reduction (10%)	-0.100	-0.200	-0.400	-0.600
Additional BPS measures (per Drummond) ²²		-0.100	-0.400	-0.700
Total Adjustments	-1.802	-6.457	-7.369	-7.561
Revised Program Expenses	117.598	113.643	112.831	111.839
Debt Interest	11.000	12.000	13.300	14.200
Savings on Debt Interest	0.000	-0.091	-0.315	-0.524
Total Expenses	128.598	125.552	125.816	125.515
Reserve²³	1.200	1.200	1.500	2.500
Surplus / Deficit	-12.338	-3.992	0.319	4.050
Forecast Liberal Surplus/Deficit plan	-12.500	-8.900	-5.300	0.000
Difference in debt annually	0.162	4.908	5.619	4.050
Accumulated difference in debt	0.162	5.069	10.688	14.738

Note: Numbers may not sum due to rounding.

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- ¹ See base revenue plan, Ontario Budget 2014, Page 258, Table 2.22.
- ² Ontario Budget 2014, Page 337, Table 5.2.
- ³ Phase-in lower tax rate on employers to 10%, and then to 8% after balance.
- ⁴ Proceed with strengthening enforcement measures as permitted by Bill 186 (2011).
- ⁵ See base program expenditures plan, Ontario Budget 2014, Page 258, Table 2.22.
- ⁶ Ontario Budget 2014, Page 71.
- ⁷ Drummond Report pages 305-306 identified \$3.6 billion total in various support.
- ⁸ Drummond Report, Page 223.
- ⁹ Drummond Report, Page 214, Recommendation 6-12. Additional savings of \$50 million available for 2nd and 3rd years.
- ¹⁰ Drummond Report, Page 218.
- ¹¹ Drummond Report, Page 258; original cost projections included in Ontario Liberal 2011 Platform Costing document, Page 11.
- ¹² Lankin Report, Page 121. Drummond Report, Page 38.
- ¹³ Drummond Report, Page 514. Target savings of 6% of overall program envelope of \$11 billion.
- ¹⁴ Drummond Report, Page 40. The 2013 increase has gone through. The new inflation increase has been accounted for in this plan.
- ¹⁵ Drummond Report, Page 329.
- ¹⁶ 2012 Public Accounts. 2013 Estimates.
- ¹⁷ Not proceeding with special wage increase for PSWs. Cost cited in Globe & Mail, April 29, 2014. Not proceeding with new IVF funding announced in Ontario Budget 2014. Cost cited in Globe & Mail, April 10, 2014.
- ¹⁸ Drummond Report, Page 390.
- ¹⁹ Internal Ministry of Finance estimate of savings for 2014-15 and 2015-16.
- ²⁰ Globe & Mail, June 2013.
- ²¹ Ontario Budget 2014, Page 13.
- ²² Mainly achieved through the program review and implementation of over 50 Drummond recommendations pertaining to service delivery and program management.
- ²³ As per Drummond's recommendation to increase the size of the reserve over time as the budget projection is pushed further out into the future, Page 137.

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For more on the Million Jobs Plan, visit: MillionJobsPlan.com

To see today's news conference, go to: OntarioPC.com/livestream

CONTACT: Will Stewart | 647 925 2475 | Will.Stewart@ontariopc.com