



The Making of the Ontario Budget

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Overview – Budget function and development



The Budget presents the government's multi-year economic and fiscal plan:

- Updates the province's economic outlook
- Announces expected revenue and program expenditure intentions
- Outlines the government's borrowing plan

Developing the Budget is a year-long process with input from many sources, e.g.:

- Ontario Legislature and committees (e.g. Standing Comm. on Finance and Econ. Affairs)
- Broader public sector entities, community and business leaders, government stakeholders and the public
- Government ministries through the Results-based Planning process
- Inter-governmental discussions

Overview - Fiscal transparency



***Fiscal Transparency and Accountability Act, 2004 (FTAA)* outlines the principles that govern Ontario's fiscal planning and budgeting process:**

- **Responsibility** – should be based on cautious assumptions
- **Flexibility** – should be able to respond to changing circumstances
- **Equity** – should recognize impact on different groups and on future generations
- **Transparency** – should be clearly articulated and information about it should be readily available to the public

Before each election, the government must release an Ontario Finances report, reviewed by the Auditor General, that includes:

- **Macroeconomic forecasts** and assumptions
- **Revenue and expense estimate**
- **Reserve** required for unexpected adverse changes in revenues and expenses
- **Ratio of Ontario provincial debt to GDP** (gross domestic product)

Budget decision-making



The Minister of Finance, in consultation with the Premier, determines the direction and content of the Budget, which is built on the following components:

- **Fiscal plan** for the current and 2+ next fiscal years, including forecasts of:
 - Economic growth and revenue
 - Program expenditures and interest on debt expense
 - Size of the reserve
- **Expense forecast** is built from the expense plans of all government ministries, agencies and broader public sector enterprises (e.g. hospitals, colleges and school boards)
- **The government's platform, Speech from the Throne and key policy directions** shape the strategic themes for the Budget.

Stakeholder engagement



The **Standing Committee on Finance and Economic Affairs (SCFEA)** is empowered to consider and report to the Legislative Assembly its observations, opinions and recommendations on the fiscal and economic policies of the province

SCFEA assists in the pre-Budget consultation process and provides a report to the Minister outlining its findings from its public consultations, which contributes to the development of the Budget

Minister of Finance typically conducts his/her own province-wide pre-budget consultations (PBCs), as well as appearing before the SCFEA

SCFEA tables its report in the Legislature mid-February to early March

Stakeholder engagement (Cont'd)



Minister's Pre-Budget Consultations (PBCs) enable individuals, organizations and stakeholders to meet with the Minister to discuss issues, including expenditure and tax policies and programs

The consultations also help generate broad public awareness of key issues the Government is considering as part of the Budget

Ontarians have a variety of means to provide their input, including e-mail, fax, telephone, letters and new on-line submissions and questionnaires

Fiscal Plan



Budget presents a comprehensive overview of the government's fiscal plan

– current year and 2+ future years

FTAA imposes requirements on Budget making, including:

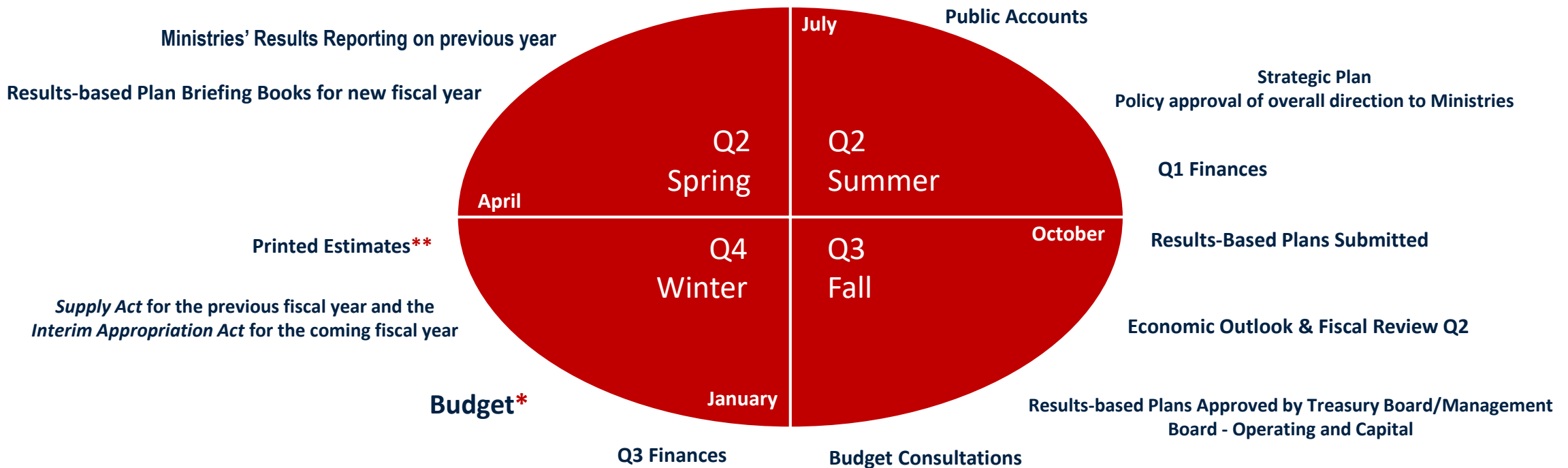
- Balanced budgets and/or recovery plans
- Multi-year fiscal plan
- Pre-budget consultations
- Role of the Economic Forecasting Council

Expenditure planning process



- **Ministry Results-based Plans (RbP)** are subject to expense limits provided by the previous year's Budget
- **Ministries submit multi-year RbPs to Treasury Board/Management Board** of Cabinet in preparation for the next Budget
- **RbP Guidelines guide ministries through this process** (which reflect Cabinet direction)
- **Policy direction and key priorities are set by Cabinet**
- **Once RbPs are submitted, Treasury Board reviews and comments on the plans** in conjunction with Ministry of Energy and Infrastructure and Cabinet Office
- **Treasury Board/Management Board make RbP decisions** based on expense limits developed through the budget process

Program Expenditure Planning Cycle



**Treasury Board/ Management Board approve expense portions of Budget in morning on Budget*

*** Tabled within 12 sitting days of the Budget.*

Transfer payment accountability guidelines



- **Transfer payment (TP) agencies delivering provincially funded services are accountable to ministries/agencies** for funds they receive and the results achieved
- **Transfer payments may only be provided:**
 - According to program criteria approved by Treasury Board/Management Board
 - In amounts not exceeding requirements for fulfillment of approved program objectives
 - In accordance with commitments made in ministry results-based plans
- **Risk assessment is used in the design of transfer payment programs**, the selection of eligible transfer payment recipients to deliver programs, and the choice of appropriate accountability requirements for transfer payment recipients
- **Value for money is expected** in the expenditure of government funds
- **Reporting requirements must be proportional** to the Ministry's needs, recipient's capacity, and the program's risks

Tabling the Budget



- **Budget is tabled in the Legislative Assembly of Ontario with a Budget Speech** – typically at 4:00 pm after the markets close
- **The Budget Speech and its papers become public documents as soon as the Budget is tabled** with the Clerk of the Legislative Assembly
- **Any statutory amendments required to implement Budget initiatives may be introduced as a Bill on Budget Day** in the Legislative Assembly or may be included in a later bill
- **A Budget bill must be accompanied by a Royal recommendation, approved by the Legislative Assembly, and receive Royal Assent** in order to take effect, but are often made effective as of the date of the Budget.

Tabling the Budget (Cont'd)



Printed Estimates are tabled no later than 12 sitting days after the Budget each year

Estimates set out operating and capital spending requirements for each ministry

Estimates are the government's annual formal request for approval of these expenditures and are the basis of each Ministry's legal spending authority, as per the *Supply Act*

Printed Estimates, once tabled, are referred to the Standing Committee on Estimates

Budget secrecy



Ministry of Finance develops the Budget under a veil of “Budget secrecy”

Budget secrecy is required to protect the integrity of financial markets:

- Ensures no disruption to the marketplace or unfair access to market information as all information is disclosed at the same time
- Ensures individuals are unable to profit from Budget information at the expense of others

Budget secrecy is a political and parliamentary tradition, inherited from the British parliamentary system

Budget ‘leaks’ may compel Finance Minister’s resignation