

*The Toronto Star*, November 8, 2021

## **Opinion | A forensic accountant's take on key numbers, missing numbers and more in Ontario's budget update**

By Charles Smedmor Contributor

Finance ministers juggle numbers, forensic accountants drill down on numbers, both the ones provided and the missing ones.

Last Thursday, Finance Minister Peter Bethlenfalvy released his Ontario Economic Outlook (the budget update) revising the spring budget for the year ending March 31, 2022. As a forensic accountant, I reviewed the update's 198 pages to find the notable numbers.

This budget update brings positive news:

- This year's projected deficit is down by 35 percent to \$21.6 billion from \$33.1 billion.
- Ontario's revenues will total \$168.6 billion, \$14.6 billion more than the spring budget's expectation.
- Total spending (with reserve) will edge up by just \$3 billion to \$190.1 billion.
- No tax or fee increases are in this update.

With Ontario's economic rebound and tight spending, the situation has improved. However, the long-term outlook is problematic. Ontario's total debt will exceed \$400 billion — more than \$27,000 for each Ontarian. To pay down this debt and maintain the province's credit rating, there will eventually be tax increases.

**The Toronto Star, November 8, 2021**

## **Opinion | A forensic accountant's take on key numbers, missing numbers and more in Ontario's budget update**

Page 2

### **Total revenues are 9.4 percent higher than the spring budget**

With the improved economy, Ontario's total revenues will hit \$168.6 billion, or \$11,370 per person. Helpful revenue streams include:

- Money from Ottawa will total \$29.7 billion, 17.6 percent of total Ontario revenues. Federal money to Ontario is up by 18.6 percent since fiscal 2019. In contrast, all other Ontario revenues have grown by 7.9 percent in that period.
- Since the spring budget, Ontario's red-hot real estate market has provided an extra \$2 billion in revenues. For the current year, land transfer taxes will exceed \$5 billion.
- In fiscal 2019, cannabis was a negative \$23 million. For the current year, cannabis taxes and Ontario Cannabis Store profits will total \$340 million.

### **Spending up modest 1.6 percent**

The spending story is one of "don't spend the windfall."

- With rainy day reserve, total outlays are now forecast at \$190.1 billion; an increase of \$3 billion or 1.6 percent over the spring budget (\$12,754 for each Ontarian).
- Total outlays for spring budget items will be 1.9 percent (\$311 million) more than previously forecast.
- Of the update's \$311 million in new spending, \$123 million (40 percent) is earmarked for health and seniors' care.

***The Toronto Star, November 8, 2021***

## **Opinion | A forensic accountant's take on key numbers, missing numbers and more in Ontario's budget update**

Page 3

### **The deficit — better but not yet good**

In the spring, Ontario's budget deficit was projected as \$33.1 billion. Increased revenues and limited additional spending have cut this deficit by 35 percent to \$21.5 billion, or \$1,450 per Ontarian. That \$21.5 billion is added to Ontario's total debt.

### **Ontario's debt now \$108,000 for a family of four**

Ontario's debt is watched carefully by many, including Bay Street.

- For the current fiscal year, Ontario's net debt will reach \$402.4 billion.
- Since fiscal 2019, Ontario's net debt is up by \$63.9 billion or 18.9 percent from \$338.5 billion.
- Ontario's population now exceeds 14.8 million. Each person's share of that debt exceeds \$27,000; \$108,000 for a family of four.

Not disclosed is the apparent \$10.9 billion cost for Highway 413 and the Bradford and Morriston bypasses. The minister states, "the government has committed funding to build and advance the Bradford Bypass and Highway 413."

However, Ontario's taxpayers are in the dark on costs. The situation is the same for the Guelph — area Morriston Bypass. If the minister can tease taxpayers about Highway 413's \$350 million per year construction contribution to the provincial GDP he should disclose the financial commitment for these projects.

Given the minister's silence, preliminary 2021 cost calculations are needed. For these three projects I have calculated the cost as \$10.9 billion, being \$8.2 billion

***The Toronto Star, November 8, 2021***

**Opinion | A forensic accountant's take on key numbers, missing numbers and more in Ontario's budget update**

Page 4

for Highway 413, \$2.2 billion for the Bradford Bypass and \$530 million for the Morriston bypass. The calculations are based on previous estimates, costs per kilometre of highway and 5 percent annual construction inflation.

On tolls, the update labels the two bypasses as “freeways”; Highway 413 is a “400 series” highway” suggesting tolls for Highway 413.

Minister Bethlenfalvy has another budget in the spring. His skills will be on full display as Ontario marches to the June 2 election.

**Charles Smedmor** is a Toronto-based Chartered Professional Accountant specializing in forensic accounting.

With appreciation to *The Toronto Star*, Canada's largest circulation newspaper.