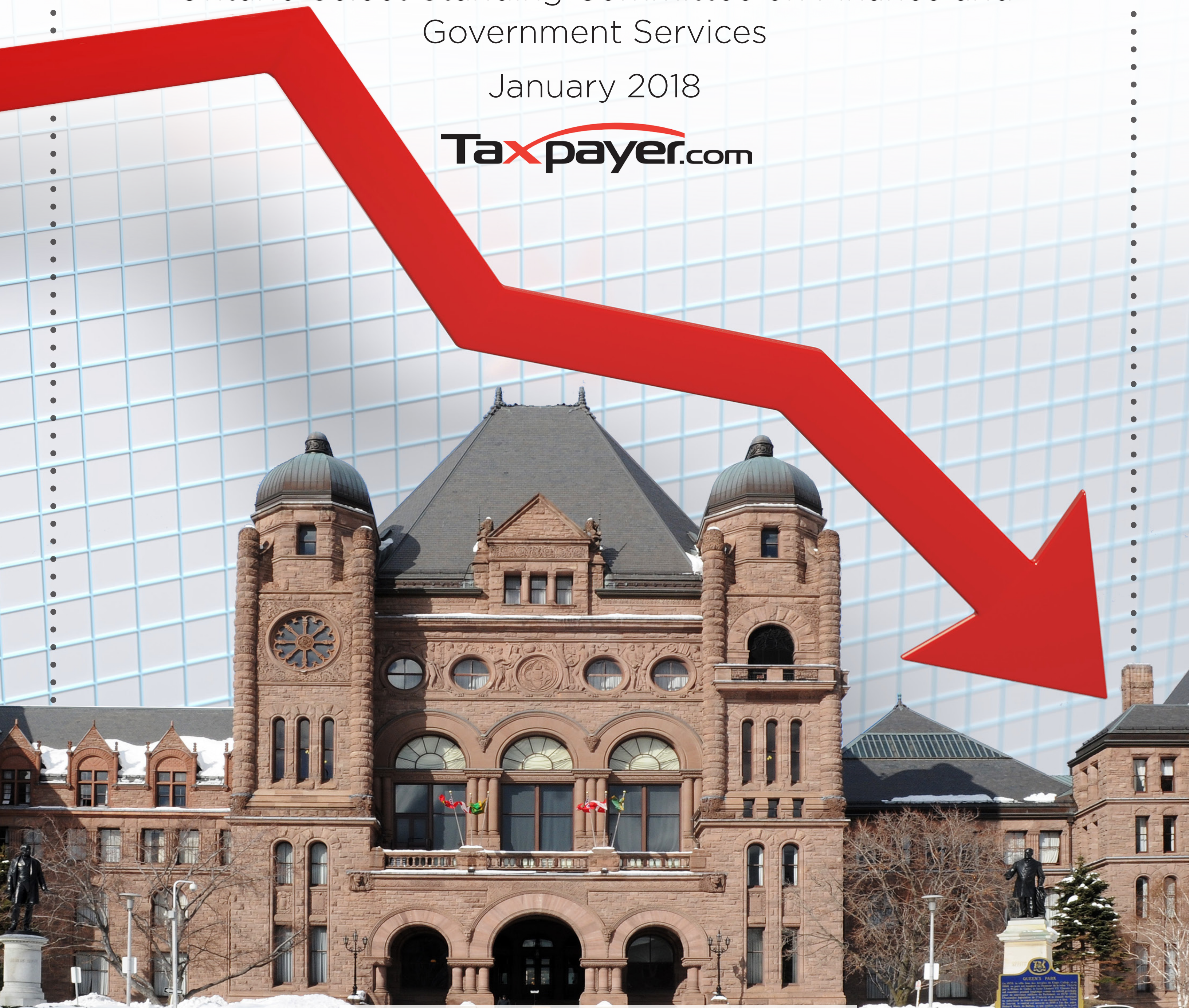
2018-19
Pre-Budget Submission

Ontario Select Standing Committee on Finance and Government Services

January 2018

Taxpayer.com



by Christine Van Geyn
Ontario Director
Canadian Taxpayers Federation

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers' organization. Today, the CTF has 136,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic Canada. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive issue and Action Updates. Financial supporters can additionally receive the CTF's flagship publication The Taxpayer magazine published four times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2016-17 the CTF raised $4.7-million on the strength of 29,102 donations. Donations to the CTF are not deductible as a charitable contribution.

Canadian Taxpayers FEDERATION

Canadian Taxpayers Federation – Ontario Office

260 Adelaide Street East, PO Box 38
Toronto, Ontario M5A 1N1

Phone: 647-607-6633

Email: cvangeyn@gmail.com
Twitter: @cvangeyn
Website: www.taxpayer.com

Contents

PART I: INTRODUCTION

As 2018 is an election year, there is little doubt that the government will build a budget designed not for long term economic strength, but for short term electoral gain.

We are seeing that with the Fair Hydro Plan, which will provide short term savings at a tremendous cost of upwards of $93 billion over 29 years. And with wage increases to the province's already well compensated government employees, without any effort by the government to engage in bargaining. And we are seeing it with the government now providing taxpayer money to political parties to spend on partisan advertising during the election.

The cost of this electioneering is mainly being hidden from the public that is expected to pay for it.

Whether it is through acrobatic accounting that distorts the condition of the province's books to claim there is a balanced budget instead of a fiscal mess, through hiding the true cost of their Fair Hydro Plan using an unnecessarily complex (and costly) financing structure, or hiding the cost of cap and trade from our bills, our government isn't being honest.

Until the government is transparent and honest about the financial condition of the province, real long-term solutions to many of the problems we face will be out of reach.

This report recommends several areas where the government could improve their transparency and accountability so that strong public policy can be proposed and implemented. The areas that we focus on this year are on improving honesty in government accounting, reducing debt levels, reducing overall spending, especially with respect to government employee wages, reform and transparency in the electricity sector, unwinding the cap-and-trade tax system, and improving transparency in advertising and fundraising for political parties.

It's time to restore trust in our government and politicians, so that our province can become a strong member of our Canadian federation.

PART II: SUMMARY OF RECOMMENDATIONS

Make Government Accounting Honest

- ✔ We recommend that the government use Canadian Public Sector Accounting Standards in all provincial financial statements, including the budget, to accurately reflect the state of the province's finances.
- ✔ We recommend that the government pass legislation requiring all future financial statements comply with Canadian Public Sector Accounting Standards so that that future governments can no longer conceal the true state of the province's finances.

Reduce Debt Levels

- ✔ We recommend that the government adopt the Auditor General's accounting methods and report net debt and debt growth accurately.
- ✔ We recommend that the government develop a realistic plan for balancing the budget, that is long term and sustainable. We recommend the government make an undertaking of real spending restraint.
- ✔ We also recommend a legislated debt reduction calendar to ensure the government will begin addressing the massive debt that has been accumulated.

Reduce Spending

- ✔ We recommend that program spending be reduced until the government is able to achieve a balanced budget, at which point any program spending growth should be capped at or below the combined rate of inflation and population growth.
- ✔ We recommend that the government freeze hiring, and begin negotiating a reduction in government employee wages, which outpace private sector wages.

Electricity Reform

- ✔ Given that the government is planning on wasting billions of dollars in additional interest payments using the existing Fair Hydro Plan financing structure, and given that the Fair Hydro Plan as it is currently designed will add upwards of $93 billion in costs to ratepayers over the next 29 years, we recommend that the government scrap the plan as it is currently designed and focus instead on resolving the large underlying problems with the electricity sector.
- ✔ We recommend that the government retain outside experts to perform a value-for-money audit the electricity sector for waste that can be eliminated in order to bring cost savings to consumers.
- ✔ We recommend that the government abide by the Electricity Act, 1998, and commit to respecting the checks and balances that are legally required.
- ✔ disentangle itself from the cap-and-trade tax scheme of the "Western Climate Initiative" and end the existing cap-and-trade carbon tax.

Transparency and Accountability

- ✔ We recommend the government restore the discretionary powers to the Auditor General to determine what government advertisements are partisan and to block taxpayer money from paying for such advertisements.
- ✔ We recommend that the government repeal their unconstitutional gag laws contained in provisions of the Election Finances Act that place limits on political speech in the pre-campaign period.
- ✔ We recommend that the government reverse the provisions of the Election Finance Statute Law Amendment Act, 2016, which provide taxpayer subsidies to political parties and constituency associations.

PART III: GOVERNMENT ACCOUNTING

This year, the Auditor General had to issue a qualified audit opinion on the Consolidated Financial Statements of the Province of Ontario, because the statements were not prepared following Canadian Public Sector Accounting Standards.

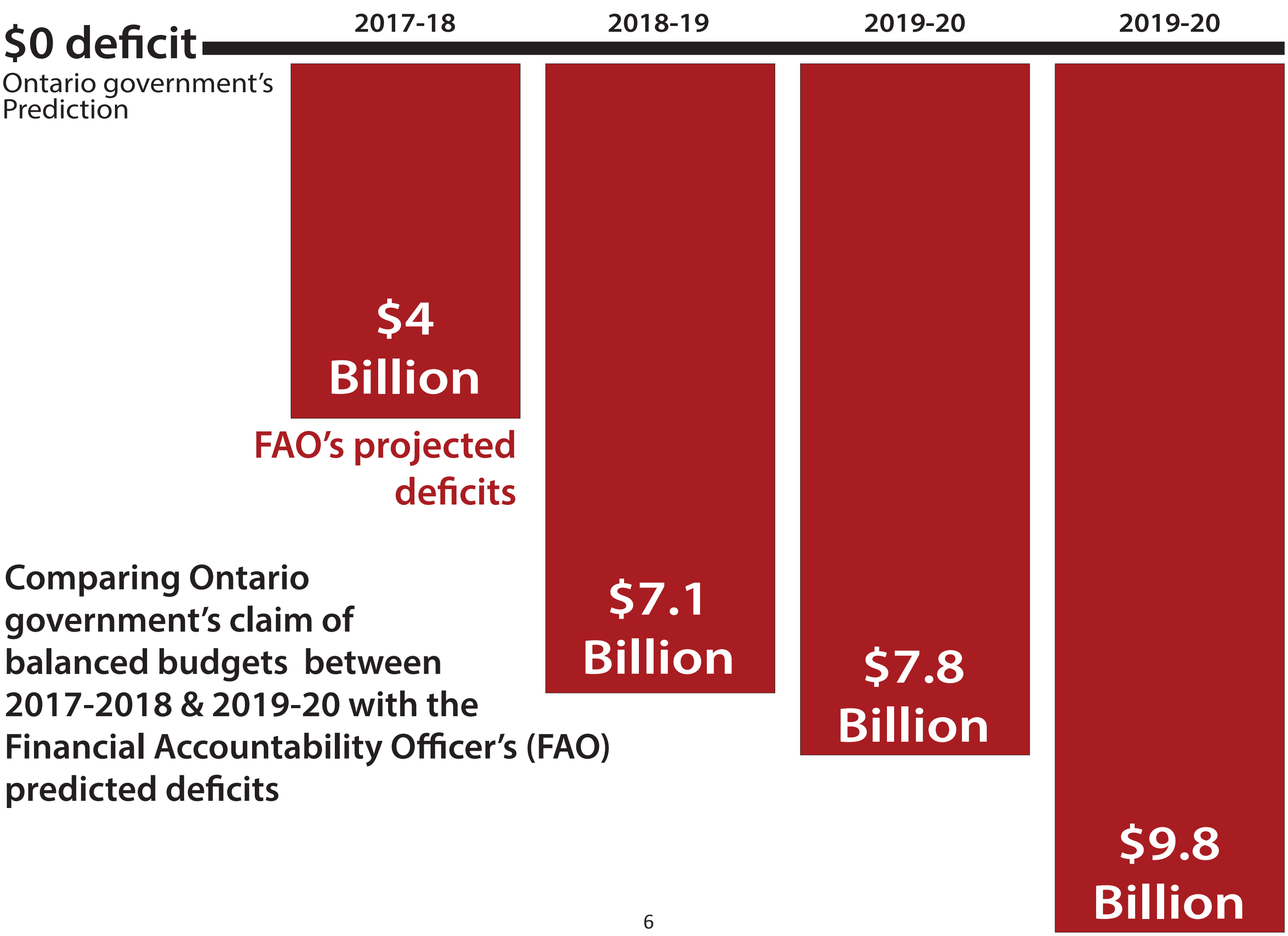
The Auditor General is required by law to review the province's financial statements and issues a qualified opinion when she believes the statements are significantly misstated.

The government is predicting a balanced budget in 2017-18, and each year until 2019-20. However, the independent Financial Accountability Officer (FAO) has backed the Auditor General's accounting methods. Using Canadian Public Sector Accounting Standards, the FAO has predicted a $4 billion deficit for 2017-18, a $7.1 billion deficit by 2018-19 and a $7.8 billion deficit by 2019-20. By 2021-22, that deficit will be $9.8 billion.

The use of acrobatic accounting in order to mislead the public about the province's financial condition is unethical, and leads to poor policy choices.

We recommend that the government use Canadian Public Sector Accounting Standards in all provincial financial statements, including the budget, to accurately reflect the state of the province's deficit.

We recommend that the government pass legislation requiring all future financial statements comply with Canadian Public Sector Accounting Standards so that that future governments can no longer conceal the true state of the province's finances.

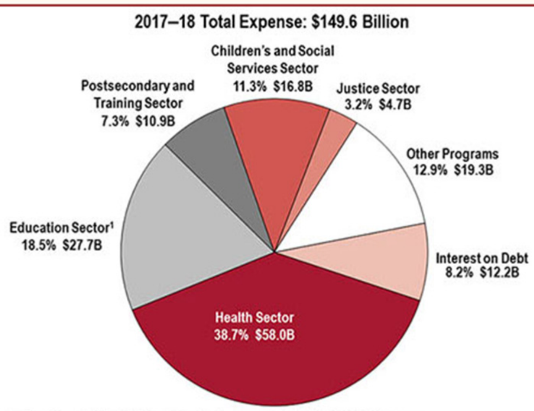


Comparing Ontario government's claim of balanced budgets between 2017-2018 & 2019-20 with the Financial Accountability Officer's (FAO) predicted deficits

PART IV: DEBT REDUCTION

Ontario is the most indebted province in Canada, and the most indebted sub-national government in the world. The province spent $11.7 billion on debt interest this year – money that could have been better served on programs Ontarians value, on reducing debt capital, or on tax breaks to struggling families.

Ontario's net debt has more than doubled in the last decade, and by the government's own projections, it will reach $336 billion by 2019-20. But as the Auditor General and Financial Accountability Officer have pointed out, even this eye-popping amount of debt growth is artificially low. The province's net debt will actually grow to about $368 billion by 2019-20, and to $404 billion by 2021-22.



[1] Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs.
Note: Numbers may not add due to rounding.

Government debt poses serious economic problems. In the long term, high levels of government debt hinder economic growth. In the short term, high debt requires increasing amounts of government revenues be devoted to paying interest on debt instead of services taxpayers value more, like paying for doctors, schools, roads and bridges.

The Financial Accountability Officer has found that using Canadian Public Sector Accounting Standards instead of the government's accounting method, net debt will increase by more than $75 billion over the next four years to $404 billion, and by 2021-22, debt-to-GDP ratio will be over 41 per cent.

The FAO also projected that interest on debt as a share of revenues will increase as revenue growth moderates and interest payments accelerate. By 2021-22, interest on debt will account for 8.3 per cent of total revenue.

The projected $404 billion mountain of debt will eventually be passed on to the next generation of taxpayers. Our children and grandchildren will be forced to pay for our big government and big waste. They will pay higher taxes and live with fewer resources thanks to our choices. This is irresponsible and unfair, and a shameful way to run a province.

We recommend that the government adopt the Auditor General's accounting methods and report net debt and debt growth accurately.

We recommend that the government develop a realistic plan for balancing the budget, that is long term and sustainable. We recommend the government make an undertaking of real spending restraint.

We also recommend a legislated debt reduction calendar to ensure the government begins addressing the massive debt that has been accumulated.

PART V: SPENDING RESTRAINT

Given the scale of Ontario's debt problem, spending restraint should be a priority.

The spring budget predicted program expenses will be $129 billion. But with an upcoming election and a full-scale electricity crisis underway, the government has added $200 million in new spending since the budget. Obviously, this new spending is not accompanied by a corresponding growth in revenue. And even then, the prediction is overly conservative.

The government's expenses are well above what the FAO assumed they would be when it projected last year that Ontario will remain in deficit over the next five years. There is no plan to balance the budget that doesn't involve more taxes.

We recommend that program spending be reduced until the government is able to achieve a balanced budget, at which point any program spending growth should be at or below the combined rate of inflation and population growth.

Size of Ontario's Government Sector

The number of government employees in Ontario has grown dramatically in the past 20 years. Since 1997, the number of government employees has grown by 403,100, or 43.1 per cent.

Growth in Work Force Composition				
	1997	**2007**	**2017**	**% change since 1997**
Government Employees	935,200	1,267,900	1,338,300	43.1 %
Private Sector Employees	3,571,300	4,298,300	4,758,900	33.25%
Self Employed	869,100	1,003,500	1,125,500	13.39%

In contrast, the private sector and self-employed sector have grown since 1997 by 1,444,000 employees, or 32.5 per cent. A more than 40 per cent increase in the number of government employees is concerning, when population growth has not warranted such a shift. The government's share of total working age employees grew by 12.2 per cent over that period.[1] Government employees now make up 14 per cent of the working age population of Ontario.

Academics have raised concerns about a "crowding out" effect where employment through government job creation is offset by a reduction in private sector employment elsewhere in the economy. If government employment simply crowds out private-sector employment, this could push up unemployment rates.

Ontario needs to see strong growth in private sector employment, not adding more and more workers to the taxpayer payroll. After all, it is private sector workers who pay for these government employees.

The Cost of Ontario's Government Sector

Government employees in Canada have seen an average of over 26 per cent wage growth since 1997, the second highest in the country. Second only to those in the mining industry. It's true that Canada has been fortunate with a resource boom. But that does not justify a corresponding government boom.

Source: Statistics Canada – Global News

In Ontario, the number of employees on the Sunshine List grew by 7 per cent last year, and there are now 123,572 government employees earning over $100,000 per year. This growth is above population growth and inflation, and it doesn't even include the thousands of employees at Hydro One who used to be subject to Sunshine List disclosure.

1 In 1997, government employees accounted for 13.1 per cent of the working age population. Today they account for 14.7 per cent, which is a share increase of 12.2 per cent.

The Fraser Institute has found that government employees are paid an average of 13.4 per cent more than private sector workers for similar work, in addition to non-wage benefits.

Wages and salaries for government employees are the biggest single area of expenditure for any provincial government, and in Ontario, make up half the provincial budget. So decisions about government employee wages can make a big difference in the budget.

The Drummond Report recommended that the government tie compensation for government employees to performance, in particular bonuses and raises. Bureaucracies should always be searching for ways to cut waste and eliminate redundancies, and any raise – in particular for management – should come only as a result of finding departmental savings.

This recommendation has not been followed. Instead, the government signed a deal to give a 7.5 per cent raise to Ontario Public Service Employees Union workers over four years. The offer was made before contracts expired, with no demands for concessions. It was called "unprecedented" by the OPSEU union president, who speculated that the offer was related to the election. There appeared to be zero intention by the government to engage in any bargaining. The government has a responsibility to taxpayers to ensure value for money in wage negotiations, but it appears that in the lead up to an election, this principle has been suspended by the current government.

This was a predictable result after the government removed their "net-zero" requirement from bargaining, which previously required all wage increases be offset by savings in other areas. In our last pre-budget submission, we opposed removing the "net-zero" bargaining requirement, and warned that without it, the government would hand out wage increases in the lead up to an election to buy labour peace. It seems that this warning has come to pass.

It's true that "net-zero" bargaining wasn't perfect, largely because the government found ways of working around their own "net zero" mandate. For example, the government excluded millions in benefits and secret payouts to teachers unions from the net zero framework.

But removing the net zero mandate before the government has truly achieved their balanced budget target is reckless, and will guarantee the Financial Accountability Officer's prediction of continued deficits for years to come.

We recommend that the government freeze hiring, and reduce government employee wages, which outpace private sector wages. Until this reduction is negotiated, we recommend a true government employee wage freeze and until the budget is balanced, following which wages shall increase at a rate no greater than the rate of inflation. As a further alternative, we recommend a return to "net zero" bargaining.

PART VI: ELECTRICITY REFORM

Electricity Costs Remain High

Electricity prices in Ontario have spiraled out of control as a result of years of political interference in the electricity sector.

Over the past few years, we have seen stories like those of Kathy Katula. We met with Kathy in Ottawa last year after she received national media coverage for telling Prime Minister Trudeau that she could not afford a carbon tax on top of her high electricity bill. At the time, Kathy was struggling to pay for both her mortgage and her electricity bills. Kathy has now sold her home. It's a story we have seen across the province.

This fall, we travelled across Ontario as a part of a province-wide tour, where we spoke with individuals and small business owners about how the cost of electricity is hurting their businesses. We met with the Coalition of Concerned Manufacturers, and talked about how industrial electricity rates, which have increased between 30 and 40 per cent since 2012, are making it difficult to remain competitive in Ontario.

We met with the Save Our Stores coalition of independently owned convenience stores, who are concerned that massive increases to small business electricity costs are putting them out of business. And we met countless individual business owners who are afraid they won't be able to keep their doors open when they have no ability to control electricity costs.

We have seen that high hydro rates mean more costs not just to businesses and families, but also to government and public institutions. The cost of running a school or hospital has gone up because of hydro rates. Money that might otherwise be spent on students or patients is being used just to keep the lights on. We have been running a campaign across Ontario releasing the electricity bills for hospitals across the province, and the results have been shocking.

This last year we filed freedom of information requests with 144 different health care institutions to access their electricity record. The overwhelming result we have seen is dramatically increasing bills. For example, Brockville General Hospital has seen a 48 per cent increase in electricity bills over five years, even though consumption fell.

The current cost of electricity is unsustainable, and is a direct result of the government's continual political

Corner store owner laments impact of provincial policies

NEWS Oct 10, 2017 by Jeff Hicks Waterloo Region Record

From left, James Oh, Don Cha and HyukByung Kwon, all of the Ontario Korean Businessmen's Association were joined by members of the Canadian Taxpayers Federation, Christine Van Geyn and Brittany Allison for a press conference outside Kwon's Lancaster St. Kitchener store. - David Bebee,Record Staff

Muskoka hospitals rising electricity costs - using less, paying more

Electricity bills have grown by 32.1 per cent for the hospital

NEWS Dec 05, 2017 Bracebridge Examiner

- Metroland/File Photo

The electricity bill for Muskoka Algonquin Healthcare has increased by $265,462 over five-year period, according to a press release from the Canadian Taxpayers Federation.

meddling. Undoing over a decade of damage is an urgent challenge that the government is not meeting. Instead, the government is providing temporarily solutions, and obscuring the cost of these band-aids, to present a rosy but inaccurate fiscal snap-shot in the lead up to an election. Before a true solution to the electricity crisis can be developed, Ontario taxpayers and ratepayers need to know the truth about the extent of the problems with the province's electricity sector.

Stop Shifting the Cost of Electricity to the Future

Faced with forceful criticism over the cost of electricity, the government enacted a plan to use taxpayer money and borrowing to temporarily reduce electricity bills in the short term.

The plan, called the "Fair Hydro Plan," will cost the province $45 billion over 29 years, while providing ratepayers with $24 billion in lower cost reductions. The net cost of the plan is $21 billion. And this $45 billion cost is assuming the province can balance the budget, and maintain balance for 29 years.

Since the government is currently not on track for a balanced budget, and the FAO is predicting continued and growing deficits, the true cost of the government's plan will be far greater. Indeed, if the province pays for their plan through more borrowing, the FAO estimates we will end up spending upwards of $93 billion for $24 billion in temporary savings. Beginning in 2028, ratepayers will be charged more than the actual cost of electricity being produced in order to pay back this borrowing.

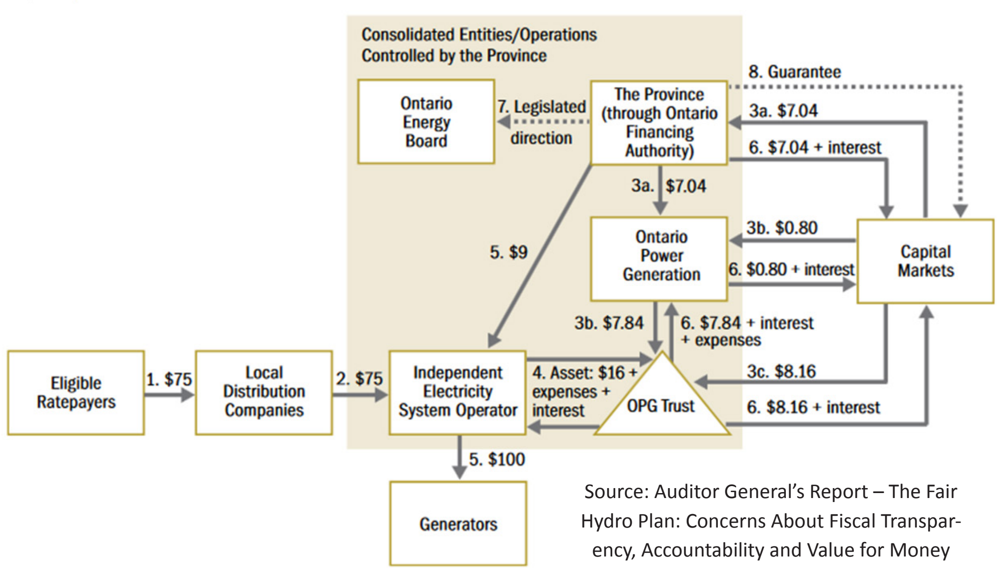
This plan is obviously unsustainable, and makes absolutely zero long term financial sense. The move can only be explained as an election ploy financed by the current government.

Stop Hiding the Cost of Temporary Rate Reductions from the public

What is even more concerning is that the government is hiding the cost of their plan. The Auditor General has slammed the government's structure for financing the "Fair Hydro Plan," and found that the government created

Figure 2: The Form of the Planned Accounting/Financing Transactions

Prepared by the Office of the Auditor General of Ontario



Source: Auditor General's Report – The Fair Hydro Plan: Concerns About Fiscal Transparency, Accountability and Value for Money an unnecessary complex financing structure to keep the true financial impact of most of the plan's cost off the books. The accounting the government has proposed to finance this plan does not follow Canadian Public Sector Accounting Standards, and hides the real cost of the policy,

This consequence of this decision to hide the cost could be an additional $4 billion in unnecessary interest costs over the next 30 years. This $4 billion is unnecessary and "additional," because the province does not plan to borrow the money directly. Instead, the government will be doing the borrowing through other government entities, including Ontario Power Generation, at higher interest rates.

As can be seen above, the design of the accounting is obtuse and confusing, and appears designed to hide the cost of the plan from the province's books, so that the government can continue to claim that they have balanced the budget.

Given that the government is planning on wasting billions of dollars in additional interest payments using the existing Fair Hydro Plan financing structure, and given that the Fair Hydro Plan as it is currently designed will add upwards of $93 billions in costs to ratepayers over the next 29 years, we recommend that the government scrap the plan as it is currently designed and focus instead on resolving the large underlying problems with the electricity sector.

Find and End Waste in the Electricity Sector

There is a tremendous amount of wasteful spending in the electricity sector in Ontario for which both taxpayers and ratepayers end up footing the bill.

For example, so-called conservation programs cost ratepayers between $300 and $400 million annually, yet do little to save money. In fact, we have seen that when consumption has declined in Ontario, costs have gone up. The Independent Electricity System Operators monthly report for July 2017 showed that Class B ratepayers consumption dropped by 15.6 per cent, but total costs increased.

A study from the University of California, Berkeley, looked at participants in a household energy conservation program using metered consumption data, to try to understand why there was little voluntary investment by households in efficiency improvements that were purported to save money. The study found that on average, the energy efficiency programs predicted 2.5 times more energy savings than actually realized, and the program cost $2 for every $1 saved.

Yet now Queen's Park has announced a new plan to create a $377 million "Ontario Green Fund," out of cap-and-trade tax proceeds, and to spend about $40 million of that to pay for smart thermostats.

There is also a $100 million conservation program for industrial consumers called Demand Response run by the Independent Electricity System Operator (IESO), which allows companies and large consumers to auction off chunks of time to cut back on their consumption. But because Ontario has such a large electricity surplus, there is very little risk that these companies will actually need to provide the promised consumption cut back. The Ontario Energy Board (OEB) has said that this program is "unnecessary and inefficient," yet the government continues to waste millions on it.

Or consider the $245 million that was removed from the bills of large industrial ratepayers as part of the Industrial Conservation Initiative in the first ten months of 2017. That $245 million was added to the bills of residential and small business consumers.

And of course, there is all the waste at the IESO that was uncovered by the Auditor General in her 2017 Annual Report. For example, the $30 million that the IESO pays gas generators each year for the Standby Cost Recovery Program that has continued despite repeated recommendations by the OEB to scale back the program. The Standby Cost Recovery program was also used by generators for $260 million in ineligible expenses, on things like scuba gear, landscaping and racoon traps. The government has tried, but so far failed, to recover that whole $260 million.

And this is all waste that has been widely reported. There is likely far more below the surface that the government is either unaware of, or isn't telling the public about.

We recommend that the government retain outside experts to perform a value-for-money audit the electricity sector for waste that can be eliminated in order to bring cost savings to consumers.

PART VII: CANCEL CAP AND TRADE

On January 1, 2018, Ontario linked our cap-and-trade tax scheme with Quebec and California. This means 2018 is the first year Ontario tax revenue from that program will be flowing out of the province and into Quebec and California.

Cap and trade will achieve nothing for Ontario, and it will achieve nothing at a tremendous expense to Ontario families and businesses. Ontario businesses are expected to send $466 million to California and Quebec under cap and trade by 2020. And by 2030, businesses will have sent about $2.2 billion. Because the province linked in with California and Quebec to trade carbon credits, Ontario businesses will be forced to buy credits from outside Ontario.

That's all money leaving the Ontario economy to achieve almost nothing.

The Auditor General found in her 2016 report that cap and trade will only result in a small fraction of this government's emission reduction target being achieved within the borders of Ontario. It is likely that less than 20% of the reductions required to meet the government's 2020 target will be achieved in Ontario. The government appears to be set to take political credit for the other 80% of reductions, which will occur in California and Quebec.

And sadly, it's just the beginning. That's just the money being sent out of Ontario. The total cost is projected to be $8 billion over the first four years.

That's not money conjured out of thin air – it's money from businesses that are already squeezed by out of control hydro rates, and money out of your pockets every time you pay your natural gas bill, fill your car up or buy products that are manufactured or transported in Ontario. It's money we can't afford to waste on a policy that does nothing.

And once again, the government is telling us very little.

The government will not separately disclose the cost of cap and trade on natural gas bills, despite the fact that British Columbia and Quebec include the carbon tax as a separate line item on bills.

A survey of natural gas consumers found that 89% thought it was important to disclose the cost of cap and trade on bills. Nevertheless, the government will not act transparently and will not provide consumers with this information.

There also remains little detail about how the revenue will be spent, and if it will be spent in a way that provides value for money. For example, the government will use proceeds from cap and trade to provide businesses with up to $75,000 in tax rebates for electric vehicles. Providing this kind of rebate is more meddling in the private sector and will risk creating further market distortions.

Based on all of the above, we recommend that the government abandon its plans for cap and trade.

PART VIII: TRANSPARENCY AND ACCOUNTABILITY

But the 2016-17 fiscal year was the first full year that new amendments to this act came into effect, which weakened the Auditor General's authority to ensure that public money is not spent on partisan advertising.

This past year, the government spent $58 million on advertising – the most since the 2006-07 fiscal year. And the Auditor General found that 30 per cent was for advertising that had the primary goal of fostering a positive impression of the governing Liberal party.

That $17.4 million in taxpayer money being used to make the government look good in the lead up to an election. Meanwhile, the government has enacted other legislation that silences third parties from advertising on public policy issues unless they jump through new regulatory hoops.

We recommend the government restore the discretionary powers to the Auditor General to determine what government advertisements are partisan and to block taxpayer money from paying for such advertisements.

Repeal New Election Gag Law

In 2016, Ontario broadened the definition of political advertising to *de facto* include any and all political speech. Any individual or organization in Ontario that spends more than $500 to publicize their position on an "issue that can reasonably be regarded as closely associated with a registered party or its leader" is now engaging in political advertising.

The legislation in both provinces requires any third party who engages in political advertising to register with the government, file an onerous report, and in Ontario, be subject to spending limits. And unlike the long-held restrictions on speech during the campaign period and upheld by the Supreme Court in *Harper v Canada*, these new Ontario requirements now apply six months before the call of the election. This year, they came into effect on November 9, 2017. The election will not be until June 2018.

These are in effect gag laws, limiting the ability of individuals, groups, and essentially any "non-politician" entity to support or level criticism against the government, politicians or their parties.

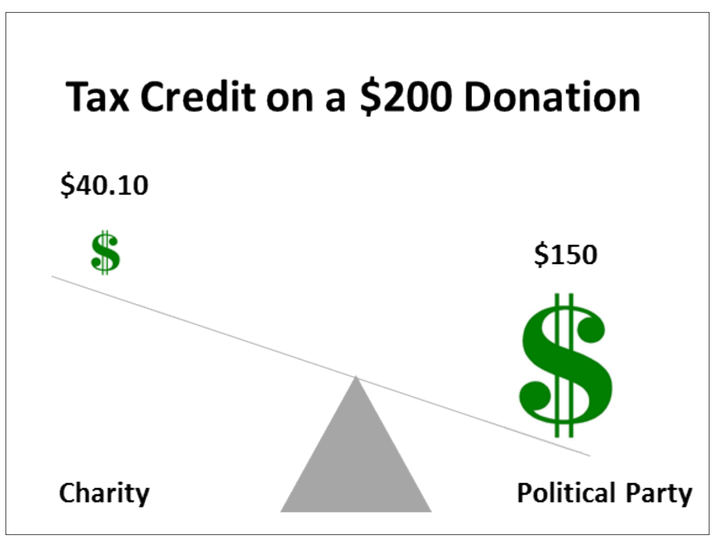
The laws aimed at regulating the pre-campaign period are troubling, and—if history is any suggestion—they are in all likelihood a Charter violation. Almost identical (and indeed less onerous) restrictions on pre-campaign free expression were repeatedly found to be unconstitutional in British Columbia.

Members of the public ought to be free to engage in lively debate about public policy issues without having to register with the government and be subject to filing and audit requirements. This freedom is even more important in the months leading up to an election when matters of public policy are top of mind.

We recommend that the government repeal their unconstitutional gag laws contained in provisions of the *Election Finances Act* that place limits on political speech in the pre-campaign period.

Stop Subsidizing Political Parties

The 2018 election will be the first election where Ontario political parties and politicians are subsidized by taxpayers. Last year, the government passed the *Election Finances Statute Law Amendment Act*, that will give millions of dollars in taxpayer money to political parties and constituency



associations.

These subsidies have no legislated termination date.

Subsidizing politicians is not a priority for Ontarians who are all being asked to do more with less. Political parties already receive generous tax benefits; they don't need direct subsidies. A $200 donation to an Ontario political party will give you a tax credit of $150. Meanwhile, a donation of $200 to the Red Cross will result in a tax credit of $40.10.

The decision to provide subsidies is a blatantly political response to the backlash the government has faced to revelations that cabinet ministers had $500,000 fund-raising targets, and were hosting secret invitation-only fundraisers for special interest groups. If the government is unhappy with the political backlash they have faced, they should not engage in that kind of conduct. Instead, the government has filled their fundraising gap with the money of the hardworking people of this province.

As a non-profit, we recognize that fundraising is hard work. But the Canadian Taxpayers Federation is able to operate on a budget of purely voluntary donations and we do not accept any subsidies from any level of government. We believe that our government should be held to the same standard.

We recommend that the government reverse the provisions of the *Election Finance Statute Law Amendment Act, 2016*, which provide taxpayer subsidies to political parties and constituency associations.