

Net Surplus \$8,922,400, Reductions in Debts Reported by Treasurer

No new taxes of any kind, a net surplus on ordinary account of \$8,922,400, reductions in the funded and gross debt, and a forecast of a balanced budget for 1946 were some of the major announcements in the Budget Speech delivered in the Legislature yesterday by Treasurer Leslie

Frost. Payment of \$8,808,000 to the school boards of Ontario, an amount equal to approximately 34 per cent of the 1945 general legislative grants for education, reduces the year's surplus to \$114,400. The sum of about \$17,000,000 will be paid to the school boards in the late summer or early fall to complete the Drew Government's pledge to assume 50 per cent of the overall cost of education in the Province.

Informing the House that the Government intended to continue its pay-as-you-go policy, Mr. Frost estimated a net surplus of \$69,328 on ordinary account for the fiscal year ending March 31, 1946. He based this forecast on estimated net ordinary revenue of \$113,668,317 and estimated ordinary expenditures of \$113,598,989.

Total net revenue during the fiscal year April 1, 1944, to March 31, 1945, was \$116,023,000, of which two months is estimated. Ordinary expenditure during the same period was \$115,909,400. Total gross capital receipts were \$34,869,800, and total gross capital payments were \$20,098,600.

Balanced in Wartime

Indicating that the days of huge surpluses are finished for some time to come, Mr. Frost predicted a balanced, wartime budget for 1946, the small net surplus of \$69,328 reflecting the Government's assumption of 50 per cent of overall educational costs.

Mr. Frost said he proposed to ask the House for immediate authorization to distribute the \$8,808,000 to the schools of the Province. This will amount to about one-third of the total grants to be paid school bodies. The advance payments will be made not later than the end of the present fiscal year, March 31, he said.

The Treasurer told the Legislature that, in achieving its results, the Government was not in any way stinting the undertakings of the Province in administrative, social or development service. In health and welfare more than \$600,000 is being appropriated for these departments in excess of their actual expenditures for the year just closing.

Labor Department estimates are increased by \$93,350, the largest increase in the history of the Province; mines will have an increased appropriation of \$196,000; lands and forests have been boosted \$612,000; game and fisheries \$170,000, and agriculture approximately \$140,000.

Mr. Frost announced a reduction in cost of interest and debt servicing of \$2,262,487, a reduction in the funded debt of \$27,109,209, and a decrease in the gross debt of \$18,420,350.

Speaking of the Government's decision not to impose any new tax-

ation, Mr. Frost said: "The Government has given full consideration to this problem, and has decided that, in view of the coming Dominion-Provincial conference, it is undesirable to add to a tax structure which we believe is faulty, and therefore it has been decided that no new taxation of any kind will be imposed. I am sure the House will rejoice that not only will there be no increase in taxation, but in fact great relief will be given to real estate owners by reason of a most drastic reduction in municipal taxation."

The keynote of the Budget speech, Mr. Frost's second address of this kind, was the imperative need for a Dominion-Provincial conference to clarify the positions of the various jurisdictions with respect to postwar planning and the huge expenditures these will entail.

Pay-As-You-Go Policy

Summarizing the salient features of the Budget, the Treasurer declared: "We are adhering to a strictly pay-as-you-go policy and are budgeting for a moderate wartime surplus. We have fully implemented the pledge concerning 50 per cent of the cost of education. The payment of one mill on the general assessment to every municipality will be continued. Provision is made to subsidize the Northern mining municipalities. The Teachers' Superannuation Fund has now been placed on a sound financial basis and adequate retiring allowance assured. We are budgeting to reduce the gross debt of the Province and also to reduce the net debt in the coming fiscal year.

"We have taken constructive action on postwar planning, and by conserving our credit, imposing no new taxes, adding no new debt and balancing the Budget up to March 31, 1946, we have left the way clear for a Dominion-Provincial conference," Mr. Frost said.

Pointing up some of the handicaps under which Ontario is operating, the Treasurer declared that, while most States of the American Union have piled up huge cash surpluses to be used in postwar development, "Ontario has turned over to the Dominion Government taxing rights from which very large sums would have accrued to the Province." Unless clarification of the various fields, including taxation, was obtained, it would be impossible for Ontario and its more than 900 municipalities to properly deal with postwar questions.

Heavy Outlays Certain

"It is inevitable that the Province will be confronted with great expenditures following the war," Mr. Frost continued. "It is necessary that we should not only have plans prepared to undertake these tasks, but we should know how long it will be before we may expect to

receive sufficient revenues from our own fields of taxation to meet the obligations which will be placed before us."

Mr. Frost spoke of the disappointment of his Government at the failure of the Dominion Government to call a Dominion-Provincial conference, asserting that such a con-

ference should be convened without further delay. Turning to the Dominion-Provincial tax agreement of 1942, he declared:

"The Government and Legislature of Ontario in good faith entered into the agreement of 1942. In the same spirit of co-operation and good faith it had the right to expect that, in this fiscal year just closing, when we are hurrying on to the days of peace with all its attendant problems, a conference would have been held to the end that this Province and all of the Provinces of Canada could have planned soundly and wisely for the coming days.

Great Injustices

"Denied the opportunity of meeting at the conference table with the other Governments of Canada, Ontario has nevertheless proceeded to attempt to dispose of certain problems within its constitutional powers," said Mr. Frost. "Great injustices and inequalities exist in our tax structure. These have been magnified and multiplied by the impact of heavy Federal taxation. One of the essentials of postwar planning is to bring about freedom of investment.

"The attraction of capital to our Province and the free employment of this capital would create prosperity and work, inevitably leading, among other things, to larger sources of revenue."

Financing Picture Bright

In a bright picture of the financing during the year, Mr. Frost announced a \$2,262,487 reduction in the cost of interest and debt servicing, a reduction of \$27,109,209 in the Province's funded debt, payment or funding of all Treasury bills and the refunding in New York of a new \$15 million loan at the lowest interest rate in history, 1½ per cent.

Mr. Frost pointed out that it had been customary to refer to the cost of servicing the public debt and expenditure required to procure foreign exchange to meet interest and debt maturities payable in currency other than the Dominion of Canada as "uncontrollable expenditures." This was true only in part. Net cost of interest and foreign exchange had been reduced in two years from \$22,945,087 for the fiscal year ended March 31, 1943, to \$20,682,600, for the year ending March 31 next.

"This impressive accomplishment," Mr. Frost said, "is the result of following sound policy, especially in respect to refinancing maturing obligations."

Good Example Cited

Interest charges for the year beginning next April 1 will show a further reduction, Mr. Frost told the House. One transactions in refunding which will save more than \$225,000 in interest charges next year concerned \$15 million borrowed in July, 1942, by the Government of the day. Borrowed in New York, the coupon rate was 2½ per cent, the term of the loan three years. The price obtained for the debentures had resulted in the money costing 3 per cent.