MOF - FAO Budget report

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Good morning

FAO 2018 Spring Economic and Budget Outlook
Report released this morning. Press conference at 10AM. The report adopts the AG's accounting treatment of both the Fair Hydro Plan and net pension assets and indicates that the government is facing persistent budget deficits over the medium-term that will continue to grow well into the government's deficit recovery phase, unless spending growth slows dramatically beginning in 2021–22. It also suggests that the deficit cannot be eliminated by economic growth alone, but will require fiscal policy changes to raise revenue or reduce spending.
The report highlights Ontario's robust economy and that our investments in childhood education, childcare, social assistance and health care will provide "significant social and economic benefits for Ontarians."

Statement
We thank the Financial Accountability Office for their annual Economic and Budget Outlook. We're pleased that he notes that this year the "Ontario economy recorded the strongest pace of growth since the early 2000s," and that "job growth surged last year, with 128,400 net new jobs."

While our economic growth has led the G7 nations and our unemployment is at a 17 year low, we know that not everyone has benefited from that growth. That is why we made the decision to invest in programs that will make life more affordable for people in the province like free tuition, free prescription drugs for seniors over 65 and those 25 and under and free pre-school. The FAO affirms the importance of investing in these programs, acknowledging that that these investments will provide "significant social and economic benefits for Ontarians."

In the Economic and Budget Outlook, the FAO adopts the Auditor General's position regarding ongoing technical accounting disputes. These are disagreements that have been reported on by the Auditor General in the past, have been the subject of technical briefings for both media and opposition. Reports by internal and external experts, including opinions by internationally renowned accounting firms and former members of the Canadian Accounting Standards Board, have informed the government's reporting and full disclosure of its fiscal status.

The first item of dispute is the accounting treatment for a portion of the Fair Hydro Plan. We continue to believe that the government's accounting for the Fair Hydro Plan is appropriate, and specifically the use of rate- regulated accounting to account for the component of the plan recoverable from the ratepayers, is supported by United States Generally Accepted Accounting Principles, as Public Sector Accounting Standards are silent on this issue. The second issue is the accounting for the net pension assets of the Province's two jointly sponsored pension plans, which is supported by an expert panel of accountants, actuaries and lawyers. The government's opinion on these two matters has not changed.

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