

****>Ontario<** using reserve fund to help balance the books...**

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****>Ontario<** using reserve fund to help balance the books (**>Ont<** -Economy)**
By Allison Jones

THE CANADIAN PRESS

TORONTO _ ****>Ontario<***'s Liberal government is dipping into its reserve fund to help balance the budget for the next two years, ahead of the next provincial election.**

An accounting dispute with the auditor general over how pension assets should appear on the books is adding \$2.2 billion to the deficit this fiscal year, but the government insists it will reach balance by its self-imposed deadline of 2017-18.

In his fall economic update, Finance Minister Charles Sousa said that to help mitigate that unanticipated change, he is reducing the reserve for 2017-18 from \$1.1 billion to \$700 million, and in 2018-19, \$400 million is being used.

"We build prudence into our budget year over year and in this case the reserve is meant to offset any unforeseen circumstances and we had that" in the pension adjustment, Sousa said.

"We had to accommodate for it and as a result we used the reserve, as is common practice to do in any business, in any government, and it's done often."

It ensures the books will be balanced next year and when the government presents its 2018-19 budget just before the June 2018 election, though Sousa insisted balance could be sustained beyond that.

But Progressive Conservative finance critic Vic Fedeli said a balance achieved through the use of reserve funds is not true balance.

"When you tap into one-time reserves and one-time sale of assets, you're only artificially balancing the budget," he said. "They've got...a structural deficit in Ontario."

NDP finance critic Catherine Fife said this is not a helpful or strategic use of the reserves.

"The desperation that we see from this government to plug the holes from a financial perspective is astounding and so short-sighted," she said.

The government has also added about \$3 billion in new expenses since the spring budget, including the pension adjustment, \$300 million for the first few months of a new eight-per-cent electricity rebate and \$140 million in new health spending for hospitals to

improve access to elective surgeries and diagnostic imaging and to help reduce wait times.

Finance documents show those additional expenses are partly paid for by more than \$2 billion extra in higher-than-projected income tax, business tax and land-transfer tax revenues and lower-than-forecast interest on debt.

The tax revenues are up because of economic growth, not any tax hikes, Sousa noted.

“That has had a profound impact in enabling us to come to balance even with the commitments we’ve made in the throne speech (to take eight per cent off hydro bills and add 100,000 new child-care spaces) and even with the new (pension accounting) interpretation by the auditor general,” he said.

Spending on interest on debt is forecast to be \$11.4 billion, which is \$400 million lower than the projection in the spring budget, but still among the government's top spending areas, after health, education and children's and social services.

The economic update also shows the province's net-debt-to-GDP ratio rising above 40 per cent this year, though the government said it will decline from 2017-18 onward.

The “gradual decline” will come as a result of investments “to spur economic growth,” which will make the GDP rise more quickly than debt, the government said.

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