FW: FYI - Reevely article on Public Accounts - refers to Treasury Board President Deb Matthews "Ontario government's rosy financials grow in a bed of BS"

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FYI

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Subject: FYI - Reevely article on Public Accounts - refers to Treasury Board President Deb Matthews "Ontario government's rosy financials grow in a bed of BS"

Reevely: Ontario government's rosy fina

DAVID REEVELY
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We can't believe the Ontario Liberals' reports on the province's finances, auditor general Bonnie Lysyk says.

"The legislature and all Ontarians must be able to rely on the province's consolidated financial statements to fairly report the fiscal results for the year. This year they cannot do so," she said in a statement rejecting the contents of the public accounts, the formal declarations from Finance Minister Charles Sousa and Treasury Board President Deb Matthews of how much money we've got, how much we took in and how much we spent.

Also, the Liberals can keep their promise to start clawing out from under the province's mountain of debt, Ontario's financial accountability officer Stephen LeClair says, only if a whole bunch of implausible things happen.

These are just the latest dismantlings of the Liberals' financial forecasts from Lysyk and LeClair, who've made a businesslike routine of pointing out all the extreme assumptions and accounting stretches the government is using to make the books look good in an election year.

That they've got the budget in order is one of the important stories the Liberals will tell about themselves as they try to get re-elected next June. Yes, we've borrowed and spent a lot of money. We had to. We had a recession, and we had to make up for years of Mike Harris's underfunding of important things like health care and schools. We had to build Ontario up. We had to — and still have to — help people in their everyday lives. But now that we've built a foundation for prosperity, we're also able to balance budgets, pay down debt, and be fiscally responsible, Wynne will say.

She'll need some graphs. The last provincial budget from last spring has them, showing that we're entering a golden age for the Ontario treasury, with a newly balanced budget and bright outlook. By 2030, Ontario's provincial debt will be just 27 per cent of its gross domestic product, down from an all-time peak of 39 per cent, the government says.

Sousa and Matthews re-touted their own financial management Thursday afternoon with the annual release of the government's accounts.

"Thanks to the hard work of the people of Ontario, we are leading Canada in economic growth while investing in programs like free tuition and free pharmacare for children and youth," Sousa proclaimed.

Just hold it right there, Lysyk responded instantly, in a statement she had ready to let fly.

Lysyk and the ministers have been volleying back and forth for a couple of years now over how to count assets on the government books. Without getting too deep into it, what's in question is whether certain public-sector pension plans and some holdings in the electricity system belong to the government or not.

If we do it your way, Lysyk told the ministers, the numbers are what you say they are, sure. But if we do it the way Canadian accounting rules say we're supposed to do it, the government's debt is higher than you say and so's the deficit. In fact, last year's deficit is $2.3 billion, not the $900 million you're claiming. Lysyk doesn't make projections about future deficits but the gaps in the two years she's complained about are not trivial.

Onto the next problem. Unlike Lysyk, the completely separate financial accountability officer LeClair does make projections about future deficits — and he's not impressed by the government's numbers, either. The Liberals are assuming roaring economic growth, freakishly low spending on public works and an unprecedented streak of balanced budgets as they promise to lighten the province's debt burden.

"The government's forecast for a gradual decline in the net debt-to-GDP ratio depends critically on achieving a string of balanced budgets on average over the next 12 years," LeClair's latest report says (it came out Wednesday, drowned out by Wynne's promise to overhaul the school curriculum). "Over the past 30 years, Ontario has rarely achieved successive surpluses or balanced budgets."

The longest-ever streak, if we take government numbers at face value, was four years of surpluses under Tory governments in the late 1990s and early 2000s. Stuff tends to happen, like recessions that crash government revenues and increased demand for social services at the same time.

The Liberals are counting on four-per-cent growth each year, before accounting for inflation, when the average over the last 15 years has been 3.6 per cent.

"Given Ontario's aging population and slower expected growth in its labour force, four per cent annual growth may prove to be too optimistic for the next decade," the financial accountability office says, without even contemplating possible higgledy-piggledifiers such as Donald Trump's abrogating the North American Free Trade Agreement.

Finally, the government's expecting to slash its capital spending — for highways, new hospitals and schools, municipal transit, and so on — by 2027. That'll come after a deliberate megabillion-dollar binge on public works, so "some pullback is to be expected," the watchdog office says, but it'll still have to reach exceptionally low levels, just half the past 10-year average of 1.6 per cent of Ontario's GDP, for the forecast to work out. That should be easy, right?

Here's the thing. Contrary to opposition criticisms, the Liberals' financial record is not terrible. Considering what happened to the world economy a decade ago, they've done all right. But they set an ambitious deficit-killing target for themselves. To say they've met it, they're forced to dismiss the government's two most prominent independent financial experts as amateurs and promise a magical future of unlikely growth and stability.