KEY MESSAGES FAO SPRING REPORT

- I would like to thank the Financial Accountability Officer (FAO) for releasing his spring economic and fiscal outlook for Ontario. We value the FAO's independent assessment and projections of the province's fiscal plan.
- As outlined in the 2017 Budget, the government is projecting a balanced budget for 2017–18 and to remain balanced in 2018–19 and 2019–20.
- The government has a strong track record of beating its fiscal targets. In fact, for the 2016–17 fiscal year, the government is forecasting a deficit of $1.5 billion, beating our annual deficit target again, for the eighth year in a row.

- This Budget builds on the government's track record of fiscal management that has resulted in $29 billion in accumulated deficits being avoided over the past seven years, relative to the 2010 Budget forecast.
- The government is building on the success of recent initiatives to support the Province's fiscal objectives by expanding the review of current programs to identify opportunities for modernization and to ensure that expense growth is managed within the plan laid out in the Budget.
- Even though the FAO is projecting deficits in all years between 2016–17 and 2021–22 – the FAO has in the past overestimated the government's deficit in previous reports [In their Spring 2016 report, the FAO projecting a deficit of $5.7 billion vs. $3.5 billion].
- Ontario's economy posted strong real GDP growth in 2016. In fact, the FAO's projections are aligned with our own, forecasting solid growth of 2.4 per cent in 2017.
- Ontario's economic growth is now outpacing national growth, and is expected to remain one of the fastest growing provinces in Canada over the next two years. We also have the lowest program spending per capita of all provinces and territories.
- For prudent fiscal planning, the Province's real GDP growth projections are slightly below the average of private-sector forecasts. In fact, three

economic experts also reviewed these economic assumptions and found them to be reasonable.

- This shows that our plan to make strategic investments in Ontario to grow the economy is working.
- It is also important to note that the FAO affirmed key aspects of the Budget plan, including projecting that a balanced budget is within reach for Ontario in 2017–18 and that the net debt-to-GDP ratio is on a downward trajectory.
- A balanced budget is providing the Province the fiscal flexibility to invest more in health care, education and other public services that matter most to Ontario families. It also adds stability to Ontario's finances and positions the government to better respond to demographic challenges and unexpected global economic shocks that the province will face over the next decade.

ADDITIONAL MESSAGES

Pensions

- To help inform the future accounting treatment of pension plans the government appointed the Pension Asset Expert Advisory Panel last November. This Panel included experts from the accounting, legal and actuarial professions.
- The panel recommended that the province's share of the net pension assets of both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan be recognized as an asset in Ontario's financial statements, and is consistent with how accounting standards have been applied to these plans since 2001.
- This accounting treatment was used to inform the fiscal outlook presented in the 2017 Budget.

Debt

- The government is setting an interim net debt-to-GDP ratio target of 35 per cent by 2023–24. The government also continues to maintain a target of reducing Ontario's net debt-to-GDP ratio to its pre-recession level of 27 per cent, with current projections showing that this will be achieved by 2029–30.

- A DBRS report on the 2017 Budget stated that “The Province will continue borrowing to fund its capital needs, but the debt burden as a share of the economy is projected to track lower over the medium term with economic growth outpacing debt growth.”

Return to Balance

- Through targeted, measured and fiscally responsible decisions, Ontario has restored its fiscal and economic strength.
    - Since the recession, the government has focused on strategic investments that have stimulated economic growth and job creation while restoring balance to the Province’s finances.
- A stronger economy, together with a balanced budget, is positioning Ontario for long-term fiscal sustainability.
    - Restoring balance will help add stability to Ontario’s finances and position the government to better respond to demographic challenges and unexpected global economic shocks.
- Going forward, our government will continue to manage growth in program spending by reviewing its programs to deliver the best possible results at the lowest cost.
    - In addition, our government continues to focus on combatting the underground economy, as well as provide a level playing field for businesses.