CHAPTER 6B RESPONSIBLE FISCAL MANAGEMENT

Q: How has the government lowered the deficit from $3.5 billion in 2015-16 to $1.5 billion in 2016-17? What programs were cut?

A: Program expense has actually increased by $2.6 billion over the past year (from 2015-16 actuals to 2016-17 interim projections). [This includes an additional $1.2 billion dollars in new healthcare investments, $0.7 billion in investments in education and $0.6 billion in new investments children and social services – TBS to confirm].

The improvement in the deficit between 2015-16 and 2016-17 is driven by an increase in revenue that was larger than the increase in total expense.

Between 2015-16 actuals and 2016-17 interim projections:

- Revenue increased by $4.9 billion, or 3.8% [from $128.4 billion in 2015-16 to $133.2 billion for 2016-17 at interim].
- Total expense increased by $2.9 billion, or 2.2% [from $131.9 billion in 2016-17 to $134.8 billion for 2016-17 at interim].

Pension Adjustment

Q: Is the government beating its deficit target due to changing its interpretation of public sector accounting standards for jointly sponsored pension plans? Is the government planning on taking the other pension plans, HOOPP and CAAT, off the books also?

A: No. The Pension Asset Expert Advisory Panel released its independent advice and recommendations on the accounting treatment of pension assets in February.

The Panel recommended that the net pension assets for two jointly sponsored be recognized in the province's financial statements. As a result, the treatment of net pension assets of the Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan aligns with the treatment originally included in the 2016 Budget plan, and is consistent with how accounting standards have been applied to these plans since 2001.

The panel issued a supplemental report that provided advice and recommendations on how to account for potential future net pension assets related to the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP).

If CAATPP and HOOPP are in a net asset position, a full valuation allowance would be reported against the net pension asset unless an agreement it in place to use the surpluses to reduce future contributions. If those plans are in a net liability position, then the liability would be reported increasing the current deficit.

The projected overachievement on the deficit target for 2016–17 is mainly due to total revenue projected to be $2.6 billion above the 2016 Budget plan, largely because of strong performance in taxation revenues driven by a growing economy.

It is also the result of $0.5 billion in lower interest on debt expense, primarily as a result of lower-than-forecast interest rates, along with effective and efficient debt management.

///Qs for other areas:

Q: What was the contingency fund used for in 2016-17? [TBS]

Q: Why is the contingency fund significantly lower in 2017-18 than it was for the previous fiscal year? (from $1.2 billion to $615 million)

Q. What is driving growth rates in other sector?