News Release

Ontario Deficit $3.5 Billion Lower Than Projected

Province Remains on Track to Balance Budget by 2017-18

News

The Public Accounts of Ontario for 2015-16 [Update hyperlink] show Ontario's deficit is $3.5 billion lower than the $8.5 billion projected in the 2015 Budget, and $0.7 billion lower than the $5.7 billion in the 2016 Budget interim projection. The province's deficit for 2015-16 is $5 billion.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18 while remaining balanced in 2018-19.

To help Ontarians better understand their government's finances, new digital tools have been developed that present the Public Accounts data in interactive and visual formats. These tools make Ontario's finances easier to understand, access and use, and are part of Ontario's commitment to Open Government.

Public Accounts includes the Province's Annual Report, a central element in demonstrating transparency and accountability in reporting the province's financial position and results.

As part of this year's Public Accounts work, the Auditor General raised questions about the Province's historical practices of reporting pension assets for jointly sponsored pension plans. Following a review of the Province's accounting policies for these assets, the government passed a regulation to implement a change in its accounting policy for pension assets.

Ontario has followed the same pension accounting treatment for all of the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years.

The treatment of pension assets is a complex accounting issue, the Public Sector Accounting Board has initiated a project to review pension accounting standards. They are currently in the process of scoping their project and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs.

The impact of the change resulted in an additional $10.6 billion being added to the accumulated deficit. The accumulated deficit is the difference between the province's liabilities and assets. It represents the total of all past annual deficits minus all past annual surpluses, including prior-period adjustments.

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The government is continuing to make investments that create jobs, expand opportunities and enhance prosperity for all Ontarians while investing in people's talents and skills, building new public infrastructure like roads and transit, and creating a dynamic, innovative environment where business thrives.

QUOTE

"Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario."

— Liz Sandals, President of the Treasury Board

QUICK FACTS

- Public Accounts are a retrospective report that compares Ontario's actual performance to what was planned in the Budget.
- Treasury Board Secretariat prepares the Public Accounts in accordance with the accounting principles for governments recommended by the Public Sector Accounting Board. Ontario's Auditor General audits the Public Accounts against these standards.
- The government's path to a balanced budget remains focused on achieving better outcomes and lowering costs through Program Review, Renewal and Transformation (PRRT) and maintaining the integrity of Provincial revenues while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

LEARN MORE

- Watch a video explaining Public Accounts [insert whiteboard hyperlink]
- Read the 2015-16 Public Accounts [update hyperlink]
- Explore supplementary information available through new data visualization tools [insert hyperlink]

- Learn about the government's fiscal cycle
- Read the 2016 Ontario Budget
- Explore the more than 400 open data sets in the Open Data Catalogue

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Backgrounder

Improving Outcomes for Ontarians

About the Public Accounts

The Public Accounts of Ontario [update hyperlink] are a key accountability and transparency financial report in the province's fiscal cycle. The Public Accounts are a retrospective report that compares Ontario's actual performance to what was planned in the Budget.

Accounting Standards

Treasury Board Secretariat prepares Public Accounts of Ontario in accordance with the accounting principles and standards for governments recommended by the Public Sector Accounting Board.

These accounting standards are common, nationally recognized standards used by governments across Canada in their financial reporting. Ontario has used the same Public Sector Accounting Board standards for the last 15 years.

In 2016 the CD Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

As part of this year's Public Accounts work, the Auditor General raised a question about the Province's historical practices of reporting pension assets for jointly sponsored pension plans. Following a review of the Province's accounting policies for these assets, and to address the Auditor General's question, the government passed a regulation to implement a change in its accounting policy for pension assets. The impact of the change resulted in an additional $10.6 billion being added to the accumulated deficit. The accumulated deficit is the difference between the province's liabilities and assets. It represents the total of all past annual deficits minus all past annual surpluses, including prior-period adjustments.

Health Care

Building on Ontario's Patient's First: Action Plan, the government continued transforming Ontario's health care system in 2015-16 to become more patient-centred and focused on better access to care, quality and value by:

- Increasing investment in home and community care by five per cent annually: $250 million in 2015-16, for a total of $750 million over three years.

- Increasing the hourly wages of publicly funded personal support workers caring for patients at home and in the community by $1.50 per hour in 2015-16 to at least $15.50 per hour, in the second of three annual increases totaling up to at least $16.50 per hour by April 1, 2016.

- Appointing Ontario's first-ever Patient Ombudsman who will help address needs of patients who have not had their concerns with health care organizations resolved through existing complaint mechanisms.

Advanced Education and Skills Development

In 2015-16, the Ontario government made progress on its plan to help more people get and create the jobs of the future by continuing to invest in student financial assistance and expand access to high quality college and university education.

Over the past 12 years government investments have resulted in more than double the number of students qualifying for aid, while enrolment has increased by 38 per cent.

In 2015, 67 per cent of adults in Ontario had a postsecondary degree, diploma or certificate – higher than the average of any OECD country.

Childcare, Elementary and Secondary Education

The government has made gains in building and supporting an integrated early years, elementary and secondary education system. This includes increasing funding for schools and licenced child care, the establishment of the Ontario Early Years Policy Framework and implementation of Full-Day Kindergarten. In 2015-16, the government built on this success by:

- Increasing wages for early childhood educators and other child care professionals in licensed child care settings by providing a $1 per hour wage increase for eligible child care workers bringing the total wage increase up to $2 per hour, plus benefits.

- Increasing the five-year high school graduation rate to 85.5 per cent – the highest level in the province's history.

- Doubling the funding for school renewal projects to $500 million in 2015-16 to ensure our students are benefitting from safe, modern and efficient learning environments.

Infrastructure

Ontario is making the largest investment in public infrastructure in the province's history – about $160 billion over 12 years, starting in 2014-15. Planned investments are supporting over

110,000 jobs, on average, every year across the province. In 2015-16, the Province continued to invest in hospitals, schools, roads, bridges and transit, including:

- Completing construction of the $1.4 billion Right Honourable Herb Gray Parkway in Windsor–Essex, which provides an express route to the country’s busiest land border crossing.
- Ongoing construction of the Eglinton Crosstown Light Rail Transit line, which will offer fast, efficient service and improve travel for commuters.
- Providing small, rural and northern municipalities with funding to build and repair core infrastructure through the Ontario Community Infrastructure Fund.
- Completing the new Humber River Hospital which offers a comprehensive range of acute care services and support for inpatient and outpatient hospital programs.

Staying on the Path to Balance

The government is working towards a balanced budget through Program Review, Renewal and Transformation (PRRT), a government-wide approach to multi-year planning and budgeting that puts a heightened focus on evidence and outcomes to inform funding allocations. But PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarian’s while freeing up resources to reinvest in key government priorities, such as health care, and education and infrastructure.

Examples of successful PRRT initiatives include:

- Improving the sustainability of the Ontario Drug Benefit Program and patients’ access to drugs by making the program more efficient and effective. The changes saved approximately $100 million in 2015-16 and will enable over $200 million in savings annually when fully implemented.
- Changes to the Second Career program by removing client targets for service providers while ensuring funding support for eligible clients. This change will generate approximately $40 million per year and will allow the government to invest in the Canada-Ontario Jobs Grant and a renewed Ontario Youth Job strategy.
- Reducing the government’s office footprint by over 820,000 rentable square feet, which generated approximately $24 million in savings in 2015-16.

- Achieving approximately $56 million in savings through the consolidation of data centres, early vendor payments and lower contract costs – including for software and IT consulting services, laboratory supplies and security services.

- Achieving $7 million in savings from contracts related to government cell phone plans and toll free lines.

The government is also transforming Ontario's student aid system to help thousands of students obtain greater access to advanced education and have lower levels of student debt upon graduation. For students from lower-income and many middle-income families, it would make the tuition portion of the average postsecondary experience free. These changes will start in the 2017-18 academic year.

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Foreword (unqualified, regulation)

Each year, the government releases the Public Accounts to update Ontarians on our end-of-year financial position. The Annual Report that accompanies the financial statements provides transparency and accountability for the dollars we spend. In preparing the Annual Report, the government makes every effort to ensure that we are providing a faithful and consistent representation of the government's financial activities.

Ontario is a recognized leader in financial reporting. The CD Howe Institute, an independent research organization that focuses on support for economically sound public policies practices, has acknowledged the consistent basis used by Ontario for our Budget, Estimates and Public Accounts as a best practice to supporting transparency and accountability.

Treasury Board Secretariat prepares Public Accounts in accordance with the accounting principles for governments recommended by the Public Sector Accounting Board. Ontario's Auditor General audits the Public Accounts against these standards and provides an opinion that the accounts are fairly stated.

As part of this year's Public Accounts work, the Auditor General raised a question about the Province's historical practices of reporting pension assets for jointly sponsored pension plans. Following a review of the Province's accounting policies for these assets, and to address the Auditor General's question, the government passed a regulation to implement a change in its accounting policy for pension assets. The impact of the change resulted in an additional $10.6 billion being added to the accumulated deficit. With this change, the government has received an unqualified audit opinion from the Auditor General (TBC).

The Public Accounts of Ontario for 2015-16 show Ontario's deficit is $3.5 billion lower than the $8.5 billion projected in the 2015 Budget, and $0.7 billion lower than the $5.7 billion in the 2016 Budget interim projection. The province's deficit for 2015-16 is $5 billion. Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

When the global economic recession hit, our government made a deliberate choice to invest in our economy and stimulate growth. Since then, Ontario has created almost 600,000 net new jobs and the unemployment rate declined to an eight-year low of 6.4 per cent in July 2016. Ontario's economy continues to grow and is expected to remain one of the fastest-growing in Canada over the next two years.

Though we have made considerable progress since the recession, there is still hard work ahead to eliminate the deficit. Our government will make the tough but necessary decisions to ensure our province continues to grow. As President of the Treasury Board, it is my role to lead this effort and to help create a modern and open government – one that is fiscally responsible, uses evidence to track performance and is focused on results.

In the spirit of openness and increased transparency, this year we have built new data visualization tools to assist the public in understanding Ontario's finances. To access those new tools, and to see the full Public Accounts online, visit Ontario.ca/publicaccounts.

Making every dollar count

In 2014, we implemented a new fiscal planning and expenditure management approach. Through the Program Review, Renewal, and Transformation (PRRT) process, we are looking across ministries to achieve better value for money.

By prioritizing cross-ministry collaboration in our planning and policy development, we are undertaking major transformation and efficiency initiatives that will help to free up resources and allow us to invest in key priorities. This means asking tough questions and making tough choices about services that are not linked to government priorities, serve no clear public interest, or fail to achieve their desired outcomes.

For example, transfer payments to organizations that deliver services on behalf of the Province account for approximately 82 per cent of the government's expenditures. The Transfer Payment Administration Modernization (TPAM) project will streamline government transfers to hospitals, school boards, municipalities, non-profits, and all other transfer payment recipients. It will not only improve the way we work with these organizations, but will also make their jobs easier by reducing their administrative burdens. TPAM will also help us get better value for our money by emphasizing data and evidence when reaching funding decisions.

Making services simpler, faster and easier

Similarly, through Ontario's Digital Government strategy, we are modernizing government for the digital age, making services simpler, easier and more convenient for people using technology. This work will improve citizens' online experience with government and deliver better value for public money.

We are also finding innovative ways to support how we drive change across the government. In 2015, we established the Centre of Excellence for Evidence-Based Decision Making. The Centre is setting standards for the use of evidence. Its mandate is to build capacity to assess program performance, using evidence to inform choices and lead change in critical public services.

We have deliberately taken a fair and equitable approach, allowing us to continue to make strategic investments in physical infrastructure like roads and transit, as well as in social capital through the talents and skills of Ontarians, all while protecting the services on which Ontarians rely.

Modern infrastructure and a dynamic business climate

Ontario must build and maintain its infrastructure to remain economically strong and competitive.

Ontario is continuing to pursue opportunities to unlock economic value from its assets. Unlocking value from provincial assets is providing resources to invest in new transit and transportation infrastructure, and is helping to expand the economy and improve competitiveness and productivity. In short, it will help to create jobs for Ontarians.

We're investing more than $137 billion over the next 10 years, in public infrastructure such as roads, bridges, public transit, hospitals, and schools. This builds on previous commitments, resulting in about $160 billion to public infrastructure investments over 12 years, starting in 2014–15. This is the largest investment in public infrastructure in the Province's history. Planned investments would support more than 110,000 jobs, on average, each year.

The government is building the infrastructure that is needed today and tomorrow. These investments will help manage congestion, connect people and improve the economy and Ontarians' quality of life.

In addition, our government continues to create a dynamic and innovative business climate.

As of August 31, 2016, the 10-year, $2.7 billion Jobs and Prosperity Fund is helping to create and retain more than 22,000 jobs and is attracting more than $2.2 billion in investments. Our government is reducing business costs, keeping tax rates competitive, building strategic partnerships, helping businesses go global, strengthening the financial services sector and investing in training and education.

We have an ambitious agenda to Build Ontario Up. Our balanced budget plan is vitally important, and Public Accounts is the tool by which we report our progress. Working to eliminate the deficit, and taking a balanced and disciplined approach over the last three and a half years to our fiscal plan, has allowed us to deliver better services and outcomes to Ontarians, and help people in their everyday lives. We are striving to build a province that is the best place to live, from childhood to retirement – a place where everyone has the opportunity to realize their full potential.

The Honourable Liz Sandals
President of the Treasury Board

Q & As – Regulation and Revised Deficit Numbers

Q. Is the government still on track to balance the budget by 2017-18?

A. Yes. The Province's financial results show that the government has once again beaten its deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

The government's path to a balanced budget remains focused on achieving better outcomes and lowering costs through Program Review, Renewal and Transformation (PRRT) and maintaining the integrity of Provincial revenues while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

We know there is more hard work ahead as we work towards a balanced budget, and we are confident that our partners will work with us to build Ontario up.

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Q. How will this affect the province's debt? Does this mean the province owes more money?

Response in development.

Q. It appears in this year's Public Accounts that the accumulated deficit has ballooned by almost $10 billion? How did this happen and what are you doing to address it?

A. As part of this year's Public Accounts work, the Auditor General raised a question about the Province's historical practices of reporting pension assets for jointly sponsored pension plans.

Following a review of the Province's accounting policies for these assets, and to address the Auditor General's question, the government passed a regulation to implement a change in its accounting policy for pension assets. The impact of the change resulted in an additional $10.6billion being added to the accumulated deficit.

The Public Accounts of Ontario for 2015-16 show Ontario's deficit is $3.5 billion lower than the $8.5 billion projected in the 2015 Budget, and $0.7 billion lower than the $5.7 billion in the 2016 Budget interim projection. The province's deficit for 2015-16 is $5 billion. Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

Q. Should taxpayers be concerned about the rise in accumulated deficit?

A. No. The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

The treatment of pension assets is a complex accounting issue. The Public Sector Accounting Board has initiated a project to review pension accounting standards. They are currently in the process of scoping their project and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs.

We look forward to working with the Auditor General and the Public Sector Accounting Board to ensure that public sector accounting standards continue to support transparency and accountability in reporting to the public, legislature and other users.

Q. Why did the government change its accounting practices? What is the long-term impact of this change?

A. As part of this year's Public Accounts work, the Auditor General raised a question about the Province's historical practices of reporting pension assets for jointly sponsored pension plans.

Following a review of the Province's accounting policies for these assets, and to address the Auditor General's question, the government passed a regulation to implement a change in its accounting policy for pension assets.

The treatment of pension assets is a complex accounting issue, the Public Sector Accounting Board has initiated a project to review pension accounting standards. They are currently in the process of scoping their project and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs.

We look forward to working with the Auditor General and the Public Sector Accounting Board to ensure that public sector accounting standards continue to support transparency and accountability in reporting to the public, legislature and other users.

Q. What are the key issues that the AG had with the government's reporting practices?

A. As part of this year's Public Accounts work, the Auditor General has raised some questions regarding the Province's historical practices of reporting pension assets. The treatment of pension assets is a complex accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards.

Ontario has followed the same pension accounting treatment for all of the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years.

However, we look forward to working with the Auditor General and the Public Sector Accounting Board to ensure that public sector accounting standards continue to support transparency and accountability in reporting to the public, legislature and other users.

Q. Why hasn't the Auditor General raised this in the past two years?

A. I cannot speak for the Auditor General and refer your questions to the Auditor General's Office.

Q. Why is the AG raising this with you now?

A. I cannot speak for the Auditor General and refer your questions to the Auditor General's Office.

Q. What do public sector accounting standards require with respect to reporting of pension assets and liabilities?

A. The treatment of pension assets is a complex accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards.

They are currently in the process of scoping their project and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs.

Q. Was there something wrong with the accounting rules that the government was using before?

A. Ontario has followed the same pension accounting treatment for all of the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years.

As part of this year's Public Accounts work, the Auditor General raised a question about the Province's historical practices of reporting pension assets for jointly sponsored pension plans.

Following a review of the Province's accounting policies for these assets, and to address the Auditor General's question, the government passed a regulation to implement a change in its accounting policy for pension assets.

Q. What is a jointly sponsored or jointly controlled pension plan?

Response in development.

Q. Are you concerned about how the credit rating agencies will view this issue?

A. The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

Q. Can credit rating agencies adjust their ratings based on this new development? What about bondholders?

Response in development.

Q. Does the change in accounting regarding the assets of the Teachers' or OPSEU pensions plans mean those plans might be financially threatened?

A. Absolutely not. This issue relates solely to the Province's reported financial results and the Province's historical practices of reporting pension assets.

The two pension plans in the Ontario Public Service – which are of the defined benefit type – are healthy and well-funded.

The OPSEU Pension Plan is fully funded with a small reserve of surplus assets standing to the credit of the joint-sponsors, while the Public Service Pension Plan is nearly fully funded at 98%.

Both plans exceeded their target long-term rates of return in 2015. The Public Service Pension Plan achieved a 6.14% return and the OPSEU Pension Plan achieved an 8.0% return.

Q & As – Qualified Audit Opinion (TBC)

Q. Why did the Auditor General qualify the Province's 2015-16 Public Accounts?

A. As part of this year's Public Accounts work, the Auditor General raised a question about the Province's historical practices of reporting pension assets for jointly sponsored pension plans.

Following a review of the Province's accounting policies for these assets, and to address the Auditor General's question, the government passed a regulation to implement a change in its accounting policy for pension assets.

We have now brought that regulation into force. We have done everything we can to comply with the AG's opinion. We respectfully disagree with Auditor General's decision to qualify the Public Accounts.

Q. Does the AG's qualification mean that the government has been misrepresenting its financial results for the past 15 years?

A. No. Ontario has followed the same pension accounting treatment for all of the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years.

The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Q. What is a qualified audit opinion? Has the province ever received one?

A. *Response in development.*

Q. Should taxpayers be concerned about the qualified audit?

A. No. The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

Q. Will Ontario continue to have a qualified audit opinion in future years too because of this disagreement?

A. The treatment of pension assets is a complex accounting issue, the Public Sector Accounting Board has identified the accounting standards of reporting pension assets as a current issue and they are working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

We look forward to working with the Auditor General and the Public Sector Accounting Board to ensure that public sector accounting standards continue to support transparency and accountability in reporting to the public, legislature and other users.

Q. Is this an indication of financial mismanagement on the part of government?

A. Absolutely not. Ontario has followed the same pension accounting treatment for all of the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years.

The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.