

## RE: FAO Summary Note (including key messages)

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**From:** "Kwamena, Bofoa (CAB)" <bofoa.kwamena@ontario.ca>  
**To:** "Orsini, Steve (CAB)" <steve.orsini@ontario.ca>, "Davidson, Steven (CAB)" <steven.davidson@ontario.ca>, "Betzner, Lynn (CAB)" <lynn.betzner@ontario.ca>  
**Cc:** "Bromm, William (CAB)" <william.bromm2@ontario.ca>, "Astill, Michelle (CAB)" <michelle.astill@ontario.ca>  
**Date:** Wed, 31 May 2017 09:46:13 -0400  
**Attachments:** EFO Spring 2017EN.pdf (1.87 MB)

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Final report and new release.

# FAO Expects Steady Deterioration of Ontario's Budget Deficit Without Additional Government Measures

May 31, 2017

Posted in: [Media Releases](#)

**TORONTO, May 29, 2017** – Today, Stephen LeClair, Ontario's Financial Accountability Officer, released the [Spring 2017 Economic and Fiscal Outlook](#), which provides the FAO's latest economic forecast and assessment of the Province's fiscal outlook.

Mr. LeClair says that the FAO expects "continued budget deficits over the next five years." For 2017-18, the FAO projects a smaller deficit, due to strong growth in tax revenues and a \$3.0 billion boost from one-time, non-tax revenues. However, beginning in 2018-19, the FAO projects a steady deterioration in the budget deficit due to more moderate revenue growth and higher expenses.

The FAO has presented two projections for the budget balance, reflecting the disagreement between the government and the Office of the Auditor General (AG), on the application of government accounting standards for the Province's two jointly-sponsored pension plans.

Using the government's accounting presentation, the FAO expects a balanced budget is within reach in 2017-18 -- in part, due to \$3.0 billion in one-time revenues. Beyond 2017-18, the FAO expects the deficit to deteriorate steadily.

Based on the AG's recommended accounting, the FAO is projecting significant budget deficits over the next five years, reaching \$6.5 billion by 2021-22. "On this basis, it's unlikely the government will balance the budget without significant fiscal policy adjustments," says LeClair.

The FAO projects Ontario's net debt will rise by \$76 billion over the next five years to more than \$390 billion by 2021-22 -- the result of on-going deficits, capital spending, and the AG's recommended accounting treatment for pension assets. On this basis, the FAO projects Ontario's net debt-to-GDP ratio will edge above 40 per cent by 2020-21, well above the government's interim target of 35 per cent by 2023-24.

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**From:** Kwamena, Boafoa (CAB)

**Sent:** May 30, 2017 8:17 PM

**To:** Orsini, Steve (CAB); Davidson, Steven (CAB); Betzner, Lynn (CAB)

**Cc:** Bromm, William (CAB)

**Subject:** FAO Summary Note (including key messages)

Please find attached a FAO Summary Note which MOF took Minister Sousa through earlier this afternoon. The note includes key messages that ministers can use tomorrow.

Sent from my BlackBerry 10 smartphone on the Rogers network.