With revised deficit target

We are on track to balancing the budget next year while helping to grow the economy, create jobs, and ensure the sustainability of programs and services that help Ontarians in their everyday lives.

Earlier this fall, the Auditor General proposed that the government change its longstanding approach to accounting policy for pension assets.

Quite unexpectedly, we found ourselves in the middle of an accounting dispute between the Office of the Auditor General and senior civil servants.

To provide clarity, we established an independent panel to review the issue and we are awaiting their report.

The government only has a preliminary estimate of the potential impact the Auditor General's new interpretation would have on the Province's finances. The pension plan has not yet undergone a valuation this year.

Out of respect for the Auditor General and pending the outcome of the panel's review process, we are using the Auditor's preliminary estimates of the fiscal impact.

The result is a higher deficit than originally planned for 2016-17 ($4.8B).

Even after accounting for the Auditor's new interpretation, we are on track to balance the budget in 2017-18 and 2018-19.

We are managing the potential impact through a combination of:

- revised revenue assumptions
- reserve funds

Before the Auditor raised this issue, for the eighth consecutive year we were forecasting a lower deficit target than outlined in the Budget.

Our prudent approach to fiscal management coupled with higher than expected growth in the first half of this year is supporting our strategic investments in new childcare spaces, hospitals and the HST rebate on electricity costs.

We will provide an updated account of our fiscal plan in the 2017 Budget.

With current deficit target

We are on track to meeting our deficit target this year and balancing the budget next year.

Our investments are helping to grow the economy, create jobs, and ensure the sustainability of programs and services that help Ontarians in their everyday lives.

Since the 2016 Budget, the most significant change to our fiscal plan has resulted from the Auditor General's direction that the government changes its longstanding approach to accounting policy for pension assets.

Earlier this fall, we found ourselves quite unexpectedly in the middle of an accounting dispute between the Office of the Auditor General and senior civil servants.

To provide clarity, we established an independent panel to review the issue and we are awaiting their report.

The government only has a preliminary estimate of the potential impact the Auditor General's new interpretation would have on the Province's finances. The pension plan has not yet undergone a valuation this year.

Out of respect for the Auditor General and pending the outcome of the panel's review process, we are using the Auditor's preliminary estimates of the fiscal impact.

Even after accounting for the Auditor's new interpretation, we are forecasting that we will meet our deficit target of $4.3B this year and are on track to balance the budget in 2017-18 and 2018-19.

We are managing the potential impact through a combination of:

- revised revenue assumptions
- reserve funds

Before the Auditor raised this issue, for the eighth consecutive year we were forecasting a lower deficit target than outlined in the Budget.
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Our prudent approach to fiscal management coupled with higher than expected growth in the first half of this year is supporting our strategic investments in new childcare spaces, hospitals and the HST rebate on electricity costs.

We will provide an updated account of our fiscal plan in the 2017 Budget

<u>Revised revenue assumptions</u>

What: Increase

Why:

- A result of higher than expected growth

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<u>Reserve funds</u>

What: Using a portion of the reserve

Why:

- we are more than halfway through the year
- Reserves are for unforeseen circumstances