With/without revised deficit target

We are on track to {meeting our deficit target this year} and 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 communicated that she did not agree with the government's longstanding approach to accounting for net pension assets of its jointly sponsored pension plans

Quite unexpectedly, we found ourselves in the middle of an accounting disagreement over how the government has accounted for these assets over the past 14 years. Previous Auditor Generals have accepted this accounting treatment as has the current Auditor General for the past two years.
To provide clarity, we announced the formation of an independent expert panel to review the issue and we are expecting their report by the end of the calendar year

Given how recently this came to our attention, the government has estimated of the potential impact of the Auditor General's new interpretation on the Province's finances based on the most recent valuations of these plans, completed almost a year ago. . Pension expense in the future will be subject to change based on asset performance, changes to economic assumptions and agreements reached with the co-sponsors of the plans regarding changes to contribution rates.

Consistent with the approach taken in preparing the 2015-16 Public Accounts, the government has taken a cautious approach and incorporated an increased pension expense each year reflecting the Auditor General's interpretation
{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 {meet out 2016-17 deficit target} and balance the budget in 2017-18 and 2018-19.

We are able to manage the potential impact as a result of:

- Higher than expected revenue projections, mainly arising from a stronger economic outlook for Ontario, and
- By using the reserve, which is included in the fiscal plan to protect the Province from unexpected changes in the numbers.

Confidential

Before the Auditor General 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 stronger than expected economic 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.

This is our mid-year update for this year. We will provide an updated account of our fiscal plan in the 2017 Budget.

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Stronger revenue Outlook and Lower Interest on Debt Expense

What: Increase in taxation revenue and GBE revenue

Why:

- 2015 and 2016 economic growth expected to come in higher than anticipated at the time of the Budget.
- Stronger than anticipated personal and corporate income tax revenues, and continued strength in housing market which results in revenue as well.
- .

Commented [ES1]: OEP to fill in?

Reserve

What: Using a portion of the reserve

Why:

- This is an unexpected change to the accounting treatment for net pension assets of jointly sponsored pension plans that we have encountered for the first time in 14 years.
- The reserve is there to mitigate any unforeseen changes that will impact the fiscal plan -- such as this one.
- We are more than halfway through the year, so we felt that this was an appropriate use of the reserve, rather than diverting spending away from our priorities such as hospitals, electricity relief, investments in school buildings, and moving ahead with adding new childcare spaces.

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