Communications Branch
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Media Analysis

Public Accounts 2016-17

Media Coverage: September 7 & 8, 2017

There were five distinct articles focusing on Public Accounts 2016-17 between September 7 and September 8, 2017:

- Shawn Jeffords, "Ontario says 2016 deficit was $991 million, beating target by $3.3 billion," The Canadian Press, Sept. 7, 2017.
    - Also published on: CTV, National Post, The Belleville Intelligencer, St. Catharines Standard, Owen Sound Times, Niagara Falls Review, Peterborough Examiner, Toronto Sun, Times Colonist (Victoria).
- Shawn Jeffords, "Ontario says 2016 deficit was $991M, auditor general says government 'understating' deficit," The Canadian Press, Sept. 7, 2017.
    - Also published on: Global News, Brantford Expositor, The Chronicle Journal, London Free Press, BNN
- Robert Benzie, "Government and auditor general at odds over size of deficit," Toronto Star, Sept. 7, 2017.
- Christopher Reynolds, "Ontario's deficit drops to $1 billion, though fiscal watchdogs have a bone to pick," Queen's Park Briefing, Sept. 7, 2017.
- David Reevely, "Liberals' creative math; Ontario's government's rosy financials grown in a bed of BS," Ottawa Sun, Sept. 8, 2017.
    - Also published in Ottawa Citizen as "Watchdogs barking at Liberal government's numbers again."

Initial Quantitative Analysis

- 20% of coverage was negative; 80% was neutral
- A government spokesperson was quoted 100% of the time
- The Auditor General was quoted 100% of the time
- The official opposition was quoted 20% of the time
- The Financial Accountability Office was quoted 40% of the time

Key Themes

Top themes in the first 24 hours of media coverage of Public Accounts 2016-17:

- **Disagreement between the government and auditor general**

- “It’s not quite Mayweather-McGregor, but the stakes are high in the **accounting slugfest** between the provincial government and the auditor general.” (Robert Benzie, “Government and auditor general at odds over size of deficit,” Toronto Star, Sept. 7, 2017)

- “Lysyk disputes the government's figures and says “**the statements were not prepared following Canadian Public Sector Accounting Standards.**” (Shawn Jeffords, “Ontario says 2016 deficit was $991 million, beating target by $3.3 billion,” The Canadian Press, Sept. 7, 2017)

- “Lysyk and the ministers have been **volleying back and forth for a couple of years now** over how to count assets on the government books.” (David Reevely, “Ontario government’s rosy financials grow in a bed of BS,” Ottawa Citizen, Sept. 7, 2017)

- “**Sandals maintains** the government is following established accounting practices and **people don't care about the on-going squabble**.” (Shawn Jeffords, “Ontario says 2016 deficit was $991 million, beating target by $3.3 billion,” The Canadian Press, Sept. 7, 2017)

- **Ontario’s fiscal position: government debt and deficit**
  - “If we do it your way, Lysyk told the ministers, the numbers are what you say they are, sure. But if we do it the way Canadian accounting rules say we're supposed to do it, **the government's debt is higher than you say and so's the deficit.** In fact, last year's deficit is $2.3 billion, not the $900 million you're claiming. Lysyk doesn't make projections about future deficits but the gaps in the two years she has complained about are not trivial.” (David Reevely, “Ontario government’s rosy financials grow in a bed of BS,” Ottawa Citizen, Sept. 7, 2017)

  - Canadian Press coverage focused on Minister Sandals’ quote from the media event: “The public wants to know, are you managing your deficit?" she said. "Are you going to balance the budget this year? Quite frankly, I don't think the public is terribly hung up on accounting disagreements.” (Shawn Jeffords, “Ontario says 2016 deficit was $991 million, beating target by $3.3 billion,” The Canadian Press, Sept. 7, 2017)

  - “Conservative finance critic **Vic Fedeli says it is clear that the provincial debt is "out of control."** He said in a statement Thursday that the Liberals are **thumbing their nose at the legislature's independent experts** and presenting their own version of the province's public accounts.” Shawn Jeffords, “Ontario says 2016 deficit was $991M, auditor general says government ‘understating’ deficit,” The Canadian Press, Sept. 7, 2017)

  - “Here's the thing. Contrary to opposition criticisms, the Liberals' financial record is not terrible. Considering what happened to the world economy a decade ago, they've done all right.” (David Reevely, “Ontario government’s rosy financials grow in a bed of BS,” Ottawa Citizen, Sept. 7, 2017)

- **The government’s alleged continued dismissal of watchdogs**
  - “These are **just the latest dismantlings of the Liberals' financial forecasts from Lysyk and LeClair**, who've made a businesslike routine of pointing out all the extreme assumptions and accounting stretches the government is using to make the books look good in an election year.” (David Reevely, “Ontario government’s rosy financials grow in a bed of BS,” Ottawa Citizen, Sept. 7, 2017)

  - “But they set an ambitious deficit-killing target for themselves. **To say they've met it, they're forced to dismiss the government's two most prominent independent financial experts as amateurs** and promise a magical future of unlikely growth and stability.” (David Reevely, “Ontario government’s rosy financials grow in a bed of BS,” Ottawa Citizen, Sept. 7, 2017)

  - “Auditor general Bonnie Lysyk said Thursday the government "significantly understated" its deficit - $1.4 billion in her view - while the Financial Accountability office this week called the Liberal plan to reduce the debt burden "unlikely."” (Christopher Reynolds, “Ontario’s deficit drops to $1 billion, though fiscal watchdogs have a bone to pick,” Queen’s Park Briefing, Sept. 7, 2017)

Media Scan

Shawn Jeffords, "Ontario says 2016 deficit was $991 million, beating target by $3.3 billion," The Canadian Press, Sept. 7, 2017.

- CTV
- National Post
- The Belleville Intelligencer
- St. Catharines Standard
- Owen Sound Times
- Niagara Falls Review
- Peterborough Examiner
- Toronto Sun
- Times Colonist (Victoria)

TORONTO -- The Ontario government posted a $991-million deficit last year -- beating its 2016 projections by $3.3 billion.

Ontario Finance Minister Charles Sousa and Treasury Board President Liz Sandals made the announcement today as they released the province's 2016-2017 public accounts.

The government attributes the results to billions of increased revenue, a cut in program spending, and smaller interest costs to service the province's debt.

Ontario's auditor general has questioned the province's decision to include a pair of public pensions as assets.

But the government maintains it is following established accounting practices by doing so.

Sousa says the province will balance its budget in 2018-2019 ahead of next spring's provincial election.

Shawn Jeffords, "Ontario says 2016 deficit was $991M, auditor general says government 'understating' deficit," The Canadian Press, Sept. 7, 2017.

- Global News
- Brantford Expositor
- The Chronicle Journal
- London Free Press
- BNN

TORONTO -- The Ontario government posted a $991-million deficit last year -- and said Thursday it had beat its 2016 projections by $3.3 billion.

But the province's auditor general says the Liberal government is "significantly understating" its deficit, which she pegs at $1.4 billion.

Ontario Finance Minister Charles Sousa and Treasury Board President Liz Sandals made the announcement Thursday as they released the province's 2016-2017 public accounts.

The government attributes the results to billions of increased revenue, a cut in program spending, and smaller interest costs to service the province's debt.

In 2016, Ontario's auditor general Bonnie Lysyk questioned the province's decision to include a pair of public pensions -- the Ontario Public Service Employee's Union Pension Plan and the Ontario Teacher's Pension Plan -- as assets on its balance sheet. As a result, she has offered a "qualified" opinion on the financial statements two years in a row.

Sandals maintains the government is following established accounting practices and people don't care about the on-going squabble.

"The public wants to know, are you managing your deficit?" she said. "Is your deficit getting smaller? Are you going to balance the budget this year? Quite frankly, I don't think the public is terribly hung up on accounting disagreements."

Sousa says the province will balance its budget ahead of next spring's provincial election.

"Ontario remains committed, and on track to, balance the budget in 2017-2018," Sousa said. "We're restoring balance through targeted, measured, and fiscally responsible decisions, managing program spending and fostering job creation and economic growth."

Lysyk disputes the government's figures and says "the statements were not prepared following Canadian Public Sector Accounting Standards."

"The legislature and all Ontarians must be able to rely on the province's consolidated financial statements to fairly report the fiscal results for the year," she said in a statement. "This year they cannot do so.

By law, the auditor general must review the province's financial statements each year and given an opinion as to whether they "fairly and accurately reflect" Ontario's finances. When the auditor issues a qualified opinion she believes the statements are "significantly misstated," a statement from her office said.

Conservative finance critic Vic Fedeli says it is clear that the provincial debt is "out of control."

He said in a statement Thursday that the Liberals are thumbing their nose at the legislature's independent experts and presenting their own version of the province's public accounts.

Robert Benzie, "Government and auditor general at odds over size of deficit," Toronto Star, Sept. 7, 2017.

It's not quite Mayweather-McGregor, but the stakes are high in the accounting slugfest between the provincial government and the auditor general.

Finance Minister Charles Sousa and Treasury Board President Liz Sandals — and the bureaucrats in their ministries — say Ontario's deficit last year was $991 million, while auditor general Bonnie Lysyk maintained it was $2.44 billion.

At the same time, the province said the net debt was $301.6 billion, while Lysyk calculated it was $314.1 billion.

The actuarial dispute — a reprise of last year's tussle between Queen's Park and the fiscal watchdog — stems from a difference of opinion over whether the government should include on its bottom line its share of assets from the teachers' and public servants' pension funds that it co-sponsors.

Sandals on Thursday shrugged off Lysyk's accounting interpretation, which lead to her to issue a qualified audit opinion on the province's books for the second year in a row.

"The experience last year was the books were qualified on the same issue and it didn't impact the credit ratings," the treasury board president said.

"Quite frankly, I don't think the public is terribly hung up on accounting disagreements."

Sousa noted the books are balanced this year, but he refused to bite when asked what plans the Liberals have for an expected budget surplus next spring before the June 7 election.

A government-appointed panel of accounting experts concluded earlier this year that Lysyk erred when she claimed the province couldn't count as assets the taxpayer-funded surpluses in the co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan.

Still, the auditor general, who has sparred with the government for years on myriad issues, stuck to her guns.

“The Legislature and all Ontarians must be able to rely on the province’s consolidated financial statements to fairly report the fiscal results for the year. This year they cannot do so,” she said.

Lysyk warned that her next target will be an audit of the government’s 25-per-cent electricity rate cut, which “may lead to a larger understated deficit and net debt next year.”

A special report on the scheme will be released this fall.

Christopher Reynolds, “Ontario’s deficit drops to $1 billion, though fiscal watchdogs have a bone to pick,” Queen’s Park Briefing, Sept. 7, 2017.

The province dug itself into a near $1-billion fiscal hole last year - $3.3. billion lower than projected in the 2016 budget. But Ontario's financial watchdogs aren't smiling; they're baring their teeth.

Auditor general Bonnie Lysyk said Thursday the government "significantly understated" its deficit - $1.4 billion in her view - while the Financial Accountability office this week called the Liberal plan to reduce the debt burden "unlikely."

Finance Minister Charles Sousa and Treasury Board President Liz Sandals said Thursday the lower-than-expected $991-million deficit is due to billions in increased revenue - partly from land transfer taxes in a scorching real estate market - spending cuts to programs and lower interest costs for the provincial debt.

Last year, Lysyk critiqued the inclusion of two public pensions - the Ontario Teacher's Pension Plan and the Ontario Public Service Employee's Union Pension Plan - as assets on the government ledger. The auditor general said earlier this year that the taxpayer-funded pension surpluses, which amount to $10.7 billion, shouldn't be pegged as assets because the government does not have easy access to the funds.

"The public wants to know, are you managing your deficit?" Sandals said Thursday at the release of the province's 2016-217 public accounts. "Is your deficit getting smaller? Are you going to balance the budget this year? Quite frankly, I don't think the public is terribly hung up on accounting disagreements."

Added Sousa: "The interpretation of accounting standards is not up to us, those are up to the experts. But what we can control, we've exceeded," he said, citing "confidence in Ontario's economy" by investors.

Lysyk said in a release Thursday that government "statements were not prepared following Canadian Public Sector Accounting Standards."

She also warned that the complex accounting mechanics behind the province's hydro-bill reduction could add to a bigger-than-expected deficit next year. A special report on that topic will be tabled in the fall.

The actuarial acrimony comes as the government stuck to his pledge to balance the budget ahead of the election on June 7, 2017.

The Financial Accountability office said in a commentary this week that the province's plan to reduce the debt-to-GDP ratio to its pre-recession level of 27 per cent rests on dubiously "optimistic" assumptions around balanced budgets, capital spending and GDP growth.

David Reevely, "Liberals' creative math; Ontario's government's rosy financials grown in a bed of BS," Ottawa Sun, Sept. 8, 2017.

Also published as: David Reevely, "Watchdogs barking at Liberal government's numbers again," Ottawa Citizen, Sept. 8, 2017.

We can't believe the Ontario Liberals' reports on the province's finances, Auditor General Bonnie Lysyk says.

"The Legislature and all Ontarians must be able to rely on the province's consolidated financial statements to fairly report the fiscal results for the year. This year they cannot do so," she said in a statement rejecting the contents of the public accounts, the formal declarations from Finance Minister Charles Sousa and Treasury Board President Liz Sandals of how much money we've got, how much we took in and how much we spent.

Also, the Liberals can keep their promise to start clawing out from under the province's mountain of debt, Ontario's financial accountability officer, Stephen LeClair, says, only if a whole bunch of implausible things happen.

These are just the latest dismantlings of the Liberals' financial forecasts from Lysyk and LeClair, who've made a businesslike routine of pointing out all the extreme assumptions and accounting stretches the government is using to make the books look good in an election year.

That they've got the budget in order is one of the important stories the Liberals will tell about themselves as they try to get re-elected next June. Yes, we've borrowed and spent a lot of money. We had to. We had a recession, and we had to make up for years of Mike Harris' under-funding of important things like health care and schools. We had to build Ontario up. We had to - and still have to - help people in their everyday lives. But now that we've built a foundation for prosperity, we're also able to balance budgets, pay down debt, and be fiscally responsible, Wynne will say.

She'll need some graphs.

The last provincial budget from last spring has them, showing that we're entering a golden age for the Ontario treasury, with a newly balanced budget and bright outlook. By 2030, Ontario's provincial debt will be just 27% of its gross domestic product, down from an all-time peak of 39%, the government says.

Sousa and Sandals re-touted their own financial management Thursday afternoon with the annual release of the government's accounts.

"Thanks to the hard work of the people of Ontario, we are leading Canada in economic growth while investing in programs like free tuition and free pharmacare for children and youth," Sousa proclaimed.

Just hold it right there, Lysyk responded instantly, in a statement she had ready to let fly.

Lysyk and the ministers have been volleying back and forth for a couple of years now over how to count assets on the government books. Without getting too deep into it, what's in question is whether certain publicsector pension plans and some holdings in the electricity system belong to the government or not.

If we do it your way, Lysyk told the ministers, the numbers are what you say they are, sure. But if we do it the way Canadian accounting rules say we're supposed to do it, the government's debt is higher than you say and so's the deficit. In fact, last year's deficit is $2.3 billion, not the $900 million you're claiming. Lysyk doesn't make projections about future deficits but the gaps in the two years she has complained about are not trivial.

Onto the next problem. Unlike Lysyk, the completely separate financial accountability officer, LeClair, does make projections about future deficits - and he's not impressed by the government's numbers, either. The Liberals are assuming roaring economic growth, freakishly low spending on public works and an unprecedented streak of balanced budgets as they promise to lighten the province's debt burden.

"The government's forecast for a gradual decline in the net debt-to-GDP ratio depends critically on achieving a string of balanced budgets on average over the next 12 years," LeClair's latest report says (it came out Wednesday, drowned out by Wynne's promise to overhaul the school curriculum). "Over the past 30 years, Ontario has rarely achieved successive surpluses or balanced budgets."

The longest ever streak, if we take government numbers at face value, was four years of surpluses under Tory governments in the late 1990s and early 2000s. Stuff tends to happen, like recessions that crash government revenues and increased demand for social services at the same time.

The Liberals are counting on 4% growth each year, before accounting for inflation, when the average over the last 15 years has been 3.6%.

"Given Ontario's aging population and slower expected growth in its labour force, 4% annual growth may prove to be too optimistic for the next decade," the financial accountability office says, without even contemplating possible higgledy-piggledifiers, such as U.S President Donald Trump's abrogating the North American Free Trade Agreement.

Finally, the government's expecting to slash its capital spending - for highways, new hospitals and schools, municipal transit, and so on - by 2027.

That'll come after a deliberate megabilliondollar binge on public works, so "some pullback is to be expected," the watchdog office says, but it'll still have to reach exceptionally low levels, just half the past 10-year average of 1.6% of Ontario's GDP, for the forecast to work out. That should be easy, right? Here's the thing.

Contrary to opposition criticisms, the Liberals' financial record is not terrible. Considering what happened to the world economy a decade ago, they've done all right. But they set an ambitious deficit-killing target for themselves. To say they've met it, they're forced to dismiss the government's two most prominent independent financial experts as amateurs and promise a magical future of unlikely growth and stability.
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