KEY MESSAGES

- I would like to thank the Financial Accountability Officer (FAO) for releasing his spring economic and budget outlook for Ontario. We value the FAO's independent assessment of the province's fiscal and economic outlook.
- I think it's important to acknowledge where the FAO and the government's Budget are in alignment.
- First of all, the FAO notes that the Ontario economy has shown significant strength over the past number of years -- the report hails Ontario's robust economy and the surge in employment that has reduced the unemployment rate to its lowest level since 2000.
- Second, the FAO also notes the important difference that the 2018 Budget investments will make for the province. The Report specifically notes that the Budget's investments in early childhood education and childcare, the proposed reforms and new investments in social assistance and additional funding for health care, will provide "significant social and economic benefits for Ontarians."
    - We agree these investments are important –that the best way to deliver prosperity to more people is by continuing to invest in the economy, and in public services that promote greater fairness and opportunity across the province.
- Third, like the FAO's Report, the Budget talked about the same risks to Ontario's economic outlook. While the possibility of stronger U.S. growth could boost Ontario's economy, protectionist trade policies in the U.S., and associated business uncertainty, could place Ontario at a competitive disadvantage. As well, high levels of household debt have left Ontario households vulnerable to rising interest rates.
- The FAO's deficit projections include the Auditor General's interpretation of how the government should be accounting for net pension assets and the Fair Hydro Plan. The disagreement in accounting is the main driver of the difference between the FAO's medium-term projections and the 2018 Budget.
- We acknowledge that the path to balance will be a difficult one that will require leadership and difficult trade-offs.
- And while there is uncertainty in any future-oriented forecast, what we do know is that this government has a strong track record of beating its fiscal targets. As outlined in the *2018 Budget*, the government is projecting a surplus of $600 million for 2017–18, beating its fiscal target for the ninth year in a row.
- Ontario's fiscal policy is based on cautious assumptions and recognizes the need for flexibility to respond to changing circumstances. During this period of rapid economic change, the fiscal plan considers the impact of today's choices on different groups within the province and on future generations.
- While Ontario's economy has been growing steadily, the government knows that more must be done to ensure that the benefits of a solid economy are being shared equally by all Ontarians.

Key References in FAO Report:

The FAO's fiscal projections are based on the Auditor General of Ontario's recommended accounting treatment for the Fair Hydro Plan and net pension assets.*

The Auditor General and the government continue to disagree over the appropriate accounting treatment of the refinancing portion of the Fair Hydro Plan (FHP) and the net pension assets of the government's jointly sponsored pension plans.

In the 2018 Ontario Budget, the government did not adopt the Auditor General's recommended accounting framework, reducing the clarity and reliability of Ontario's fiscal projections. The Auditor General has indicated that the government's financial statements may continue to receive a qualified opinion.

See the Appendix for the FAO's budget projections consistent with the government's accounting treatment.

* The FAO looks to the Auditor General as the provincial authority on the appropriate interpretation and application of accounting standards for the Province.

In contrast, in the 2018 Ontario Budget, the government projected a small budget surplus in 2017-18, followed by deficits of approximately $6 billion from 2018-19 to 2020-21.[27] The difference between the deficit projections of the FAO and the government reflects the FAO's moderately lower revenue projection combined with the FAO's adoption of the AG's recommended accounting treatment for the Fair Hydro Plan and net pension assets.

Accounting Adjustments					
Fair Hydro Plan	-	2.0	2.4	2.6	2.8
Net Pension Assets	1.4	2.2	2.6	3.0	3.2
Total Accounting Adjustments	**1.4**	**4.2**	**5.0**	**5.6**	**6.0**