



# News Release

For Immediate Release

June 28, 2011

## GOVERNMENT SPENDING FORECASTS “OPTIMISTIC”: AUDITOR GENERAL

(TORONTO) The Ontario government was appropriately cautious in estimating its revenues, but its forecast of how much it will spend over the same period is based on optimistic assumptions, Auditor General Jim McCarter said in a 37-page report issued today.

The *Fiscal Transparency and Accountability Act, 2004*, requires the Ontario government to release a pre-election report on Ontario's finances that includes revenue and spending projections for the next three years. The Auditor General is required to review that report and release a statement outlining the results of his review.

“We concluded that the government's estimates of revenues and of interest costs on the provincial debt were prudent and cautious,” McCarter said.

“However,” he added, “its expense estimates were often based on optimistic assumptions, whereas the Act says that Ontario's fiscal plan should be based on cautious assumptions.” The Auditor noted that “this was especially true of the assumptions about spending on compensation across the broader public sector and on health care, which together account for a major portion of total government expenses.”

McCarter cautioned, “Of course, a forecast is just that—a look into the future that is always subject to unforeseeable factors. Assumptions about the future could range from being cautious and prudent on the one hand to being optimistic and aggressive on the other. But the more cautious and prudent the assumptions are, the less risk there is that any adverse unforeseeable factors will result in larger deficits than planned.” While McCarter was satisfied that the revenue and debt interest forecasts were based on cautious assumptions, he said the government often assumed a best-case scenario in its spending forecasts.

The report notes that the government says it will spend an average of just 1.8% more in each of the next three years, even though its annual spending growth over the past eight years, after adjusting for large one-time expenses, averaged almost 7%.

The government expects to achieve this much lower growth rate in part through changes in health-care spending, which accounts for 42% of total annual spending. The government is projecting an average annual increase in health spending of 3.6% over the next three years—slightly less than half the annual growth rate of 7.1% over the past eight years. “In light of Ontario's growing and aging population, we considered this to be an aggressive rather than a cautious outlook,” McCarter wrote.

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For more information, please contact:  
Communications  
Tiina Randoja (416) 327-2351 or  
Joël Ruimy (416) 327-2336