



News Release

For Immediate Release

November 19, 2014

GOVERNMENT'S PROJECTED SAVINGS WERE REASONABLE, ONTARIO AUDITOR GENERAL SAYS IN SPECIAL REPORT ON EDUCATION SECTOR COLLECTIVE AGREEMENTS

(TORONTO) The government's estimates that it could reduce education sector costs by more than \$2 billion over a two-year period were reasonable, Auditor General Bonnie Lysyk said in her Special Report released today. In 2012, the government had projected it would achieve the savings largely by eliminating or reducing certain benefits for the province's 215,000 school board employees.

The Report, entitled *Education Sector Collective Agreements (September 1, 2012–August 31, 2014)*, noted that the government's original cost reduction estimate of \$2.4 billion, made in August 2012, was revised to \$2.1 billion after the Ministry of Education granted several concessions to employees during the contract negotiations that followed.

The Auditor General conducted this work at the request of the Legislature's Standing Committee on Public Accounts, which asked her in September 2013 to audit and analyze the government's original and revised projections.

"The government made reasonable estimates based on accepted accounting principles and on the information available at the time," Lysyk said today after tabling the Report. "As additional employee and financial data became available, our Office recalculated these expenses. Despite some variances in actual costs, we found that for the most part the government's projections were reasonable."

The financial projections depended significantly on the one-time elimination of accumulated long-term liabilities—specifically, employee benefits of \$1.445 billion for accumulated sick days, subsidized post-retirement benefits and lump-sum retirement benefit payouts. However, this one-time elimination does not result in immediate cash savings. Cash transfers from the province to school boards remained relatively constant between 2011/12 and 2013/14.

Other observations included:

- Many of the earlier agreements in the bargaining process included what is known as a "me-too" clause: once an agreement was finalized with one union, its members would receive any additional concessions that were subsequently granted to another union. As a result, the cost of revisions made to one collective agreement could become sector-wide costs.
- A Charter challenge of the *Putting Students First Act* by several unions is still before the courts. The outcome of this legal dispute is unknown, as are any financial implications. The now-repealed law required school boards to negotiate and sign local collective labour agreements that were consistent with the government's cost-cutting measures by a deadline of December 31, 2012.

- Many of the provisions in the current collective agreements could result in additional net savings if they are carried forward in future agreements. These estimated ongoing savings, which are not reflected in the above financial projections, could be over \$200 million annually.
- Changes to the collective agreements meant the Ontario Teachers' Pension Plan's pension liability was reduced by about \$2.25 billion. Half of the reduced liability, \$1.125 billion, would be of benefit to the Ontario government, which jointly sponsors the plan.

Ontario has 72 school boards across the province, representing approximately 4,900 schools and 2 million students. School boards are responsible for operating Ontario schools, managing the funds they receive from the province through the Ministry of Education, and negotiating and signing off on collective agreements with employee labour unions.

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