

Fiscal Architecture & Allocations



Draft – September 1, 2017 11:00 AM

Purpose

- Recap the current fiscal outlook, including the latest revenue updates, expense approvals and major risks.
- Review key decisions required in the lead up to the release of preliminary allocations, PRRT instructions, 2017 FES and the 2018 Document.
- Determine a strategy for setting preliminary allocations that limits pressure on the fiscal plan.

PART I: Update on the Fiscal Plan

Forecast Implications of Finalized 2016-17 Revenues

\$ Billions	Interim	Public Accounts	Change	Implications for Forecast for 2017-18 and Beyond
Total Revenues*	141.3	140.7	-0.6	Largely carries forward
Taxation Revenues	95.1	94.3	-0.7	Carries forward. Lower PIT largely offset by higher CIT and other taxes.
Government of Canada Transfers*	24.8	24.5	-0.3	Fiscally neutral. No material carry forward.
Government Business Enterprises	5.3	5.6	0.3	Expected to carry forward. Discussion with GBEs occurring.
Other Non-Tax*	16.2	16.3	0.1	No material impact going forward.

** Interim numbers are restated to include the revenue impact of the line-by-line consolidation of the Broader Public Service (BPS) organizations.*

Impact of Revenue Information Received to Date

\$ Billions	2016-17	2017-18	2018-19	2019-20
<u>Change from 2017 Budget</u>				
2016-17 Public Accounts Update - Personal Income Tax (incl. OHP)	-2.3	-2.3	-2.4	-2.4
2016-17 Public Accounts Update - Corporate Income Tax	1.5	1.6	1.7	1.8
Post Public Accounts 2016 PIT	—	-0.6	-0.3	-0.3
GDP Growth - Stronger 2017	—	0.7	0.7	0.7
GDP Growth - 2017 Budget Assumption Achieved (GDP Prudence)	—	-0.1	-0.2	-0.3
Housing Resale Market (LTT)*	0.0	-0.6	TBD	TBD
Own-source Tax Revenue Collections Experience (excl. LTT)	0.0	-0.1	0.0	0.0
Government Business Enterprise Net Income	0.3	0.2	0.2	0.2
Change excluding Fiscally-neutral items	-0.4	-1.2	-0.3	-0.4
Carbon Allowance Proceeds <i>(Fiscally-Neutral once MOECC spending proposal is approved)</i>	—	0.3	—	—
Government of Canada Transfers and Other NTR <i>(mostly Fiscally-Neutral)</i>	-0.2	0.2	0.1	0.1
Total Change including Fiscally-neutral items	-0.6	-0.7	-0.2	-0.2
Hard Risks: Equalization and IFRS	—	—	-1.2	-0.5
Total Change including Fiscally-neutral items and Hard Risks	-0.6	-0.7	-1.4	-0.7

Note: *If 2017-18 LTT downside carries forward into the out-years, it could result in additional -0.9 billion in 2018-19 and -1.1 billion in 2019-20. Numbers may not add to totals due to rounding.

Key Information Outstanding on Revenue Performance

Revenue Risk	Factors to Monitor	Timing
Economic Growth	• Could the economy continue to strengthen? ▪ Average private-sector forecast for 2017 already up since Budget, from 2.4% to 2.8%, while 2018-20 largely unchanged.	Q2 Canada GDP released Aug 31 OEA Q2 on Oct 16
2016 Personal Income Tax Assessments	• Will 2016 PIT revenue continue to deteriorate? • Will full reduction carry through to outlook?	Monthly updates to be finalized by January 2018
2016 Corporations Income Tax Assessments	• Will upward risk to Public Accounts estimate materialize? ▪ Current outlook includes high yield assumption from 2017 Budget.	Monthly updates to be finalized by January 2018
Land Transfer Tax	• Will greater-than-expected weakness in housing market since April stabilize?	Monthly updates of LTT receipts
Harmonized Sales Tax	• Will strength in household spending be enough to raise revenue above expectations? ▪ Current outlook includes high yield assumption from 2017 Budget.	Final entitlements to be released in December 2017
Equalization Entitlement	• Significant changes in provincial economic growth could increase or decrease 2018-19 entitlement. • Will Equalization top-up provision be retained?	Final entitlements for 2018-19 released in December 2017
IFRS Accounting Impact for OPG/H1	• Will there be revisions to the hard risks currently in plan?	December 2017 (estimated timing)

What We Know So Far: Post 2017 Budget Fiscal Update

Program expense

- In 2017-18, in-year approvals have been offset from either the contingency funds or revenue. In 2018-19 and beyond, the out-year impacts of in-year approvals add pressure to the plan.
- Other risks over the outlook have been identified, including:
 - Compensation risks: physician services negotiations; attorney compensation; judiciary compensation; impact of minimum wage
 - Demand driven risks such as land claim settlement funding, and implementation risks such as creating 100,000 child care spaces and capital pressures related to the National Housing Strategy.
- Additional savings – beyond the year-end and program review savings target – (e.g., boulder targets) have been assumed in the fiscal plan and may be challenging to achieve.

Interest on Debt

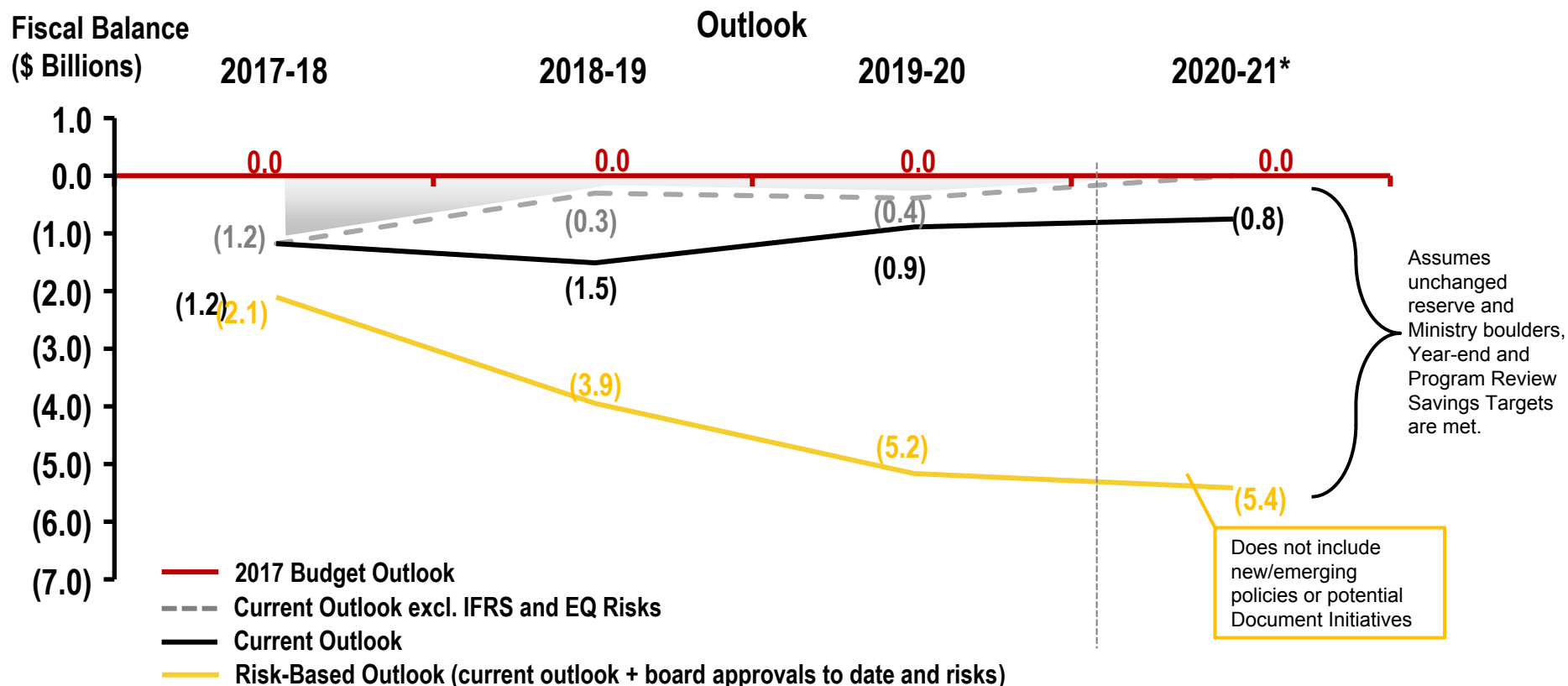
- The **Interest on Debt (IOD) forecast has not changed since the 2017 Budget**, however **significant IOD savings assumptions** were made for 2017-18 and 2018-19 in the 2017 Budget resulting in **downside risk to the forecast** for this year and next

Other

- Accounting changes will take effect in the **2016–17 Public Accounts, reflecting the revenues and expenses of BPS organizations on a line-by-line basis** and in all public reporting thereafter.

Range of Potential Fiscal Trajectories Based on Current Information

- While there is still uncertainty in the outlook, the current forecast reflects a potential revenue deterioration (dotted grey line) as well as a significant downside impact resulting from the likely materialization of hard revenue risks (equalization and IFRS accounting assumptions – black line) that were included in the 2017 Budget forecast.
- Program expense risks further deteriorate the outlook (yellow line).



*2020-21 projections were not published in the 2017 Budget and include a reserve of \$1.2 billion.

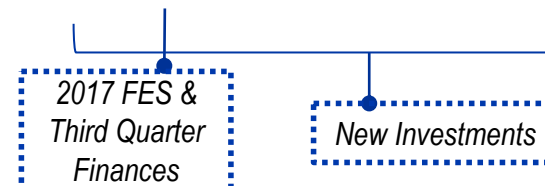
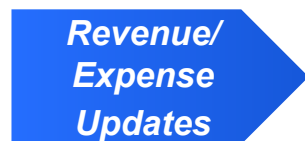
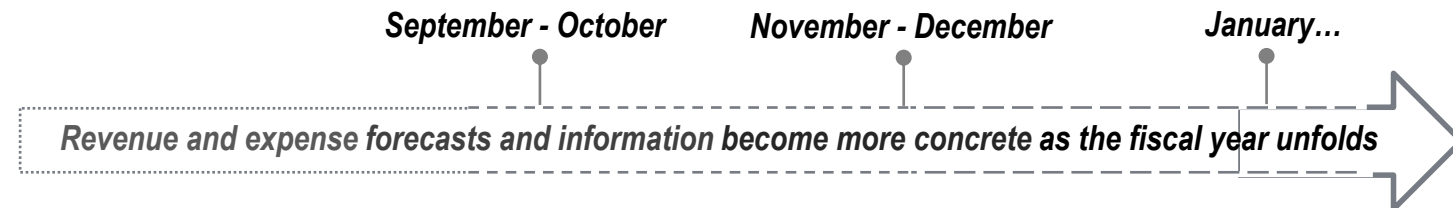
Note: \$262 million in additional Cap and Trade expense is included in 2017-18 to offset additional revenues from first two auctions (to be fiscally neutral).

Remaining contingency funds (after set-asides and 2017-18 in-year approvals) of \$0.4B in 2017-18, \$0.4B in 2018-19, \$1.0 B in 2019-20, and \$1.2B in 2020-21.

PART II: *Building Fiscal Architecture*

Evolution of the Fiscal Year

- While it is still early in the year, updates to the revenue forecast since the 2017 Budget have resulted in a gap relative to the 2017 Budget fiscal plan.
- Allocations are the foundation of the PRRT process, and represent the starting point for the fiscal plan leading up to the outlook published in the 2018 Document and pre-election report.
- As the process of setting ministry allocations gets underway, it is proposed that the **structure for allocations is within a range that limits additional pressure on the fiscal plan.**



Unique Considerations for this Fiscal Cycle

There are a number of unique considerations for this fiscal cycle that impact the context of fiscal planning.

General Factors

- **Pre-Election Report and scrutiny of the fiscal plan:** The 2018 Document will also inform a Pre-Election Report. The fiscal projections over the outlook will be scrutinized for reasonableness by the Auditor General. In addition, the Auditor General is expected to continue to criticize the government over its accounting treatment of net pension assets and the electricity cost refinancing component of the Fair Hydro Plan.
- **FAO Reports:** The FAO's 2017 Spring Outlook continued to suggest that, while balance in 2017-18 may be within reach, the province will likely return to, and remain in, deficits over the outlook. The FAO's August 2017 commentary on the province's revenue forecast echoed the same sentiment, adding that there appears to be significant downside risk to the government's revenue forecast.
- **Line-by-line consolidations:** Accounting changes will take effect in the 2016–17 Public Accounts, reflecting the revenues and expenses of BPS organizations on a line by line basis and in all public reporting thereafter. Though the change will be fiscally neutral, it will impact sector growth rates and any year-over-year comparisons.

New Fiscal Targets for this Cycle

- **Revenue integrity:** A revenue integrity target has been set in each year over the outlook (\$0.1 billion in 2017-18, \$0.2 billion in 2018-19, and \$0.4 billion in 2019-20) that will need to be solved through measures to combat the underground economy and close tax loopholes.
- **Program review savings target (PRST):** A \$750 million PRST has been set in both 2018-19 and 2019-20. In order to achieve these savings, the government is initiating a multi-year enhanced approach to a line-by-line review, integrated into the PRRT process, with pilots being launched in the fall and results feeding into the 2018 Document.

PART III: *Establish Preliminary Allocations*

Building Blocks of Program Expense for this Fiscal Cycle

There are a number of decisions that will need to be made over the coming months that will impact the 2018 Document program expense, starting with considerations for setting allocations.

**2017 Budget
Program Expense:**

**2017-18
\$137.2B**

**2018-19
\$140.3B**

**2019-20
\$144.1B**

**Considerations for
setting ministry
allocations**
(September)

**2017 Budget Ministry
Allocations**
Starting point for 2018-
19 Ministry Allocations

**Impacts of 2017-18
TB/MBC Approvals**
Incorporate out-year
impacts of in-year
approvals? All or some?

**Major Risks and known
Pressures**
What to build into
allocations? What to
defer to the PRRT
process?

Emerging Priorities

**FES and Document
Investments**
Set aside funding
envelopes for
FES/Document
initiatives?

**Risks/Pressures
Identified/Prioritized
through the PRRT
Process**

**Contingency Funds &
Year-End Savings**
What amount of
prudence is needed?

**Program Review
Targets**
Revise existing targets?
Establish process for
achievement

Pre-Election Report
Ensure “reasonableness”
of fiscal plan
(e.g., ‘rightsizing for
growth’ to withstand
scrutiny).

**Additional
Considerations**
*(Medium-Term
and Document
Planning)*

**2018 Document
Program Expense:**

**2018-19
?**

**2019-20
?**

**2020-21
?**

Selecting Approvals and Risks

- The out-year impacts of in-year board approvals as well as major risks and potential adjustments to certain ministries to adjust for growth cause expense risks to grow from \$2.4 billion in 2018-19 to \$4.7 billion in 2020-21.
 - Throughout the year, the impact of these pressures will evolve as new information is received.
- Based on the following criteria, consideration could be given to building some of these pressures into ministry allocations (see appendix for list of items in these categories).

Board Approvals & Fiscally Neutral Items

These are in-year approvals with multi-year impacts, where the out-year funding requirements are clear and the ministries involved would have great difficulty offsetting amounts from within their 2017 Budget allocation.

2018-19: \$0.2B **2019-20:** \$0.3B **2020-21:** \$0.3B

Board Approvals – Out-Years TBC

These are in-year approvals with multi-year impacts, where out-year implementation plans remain unclear and there is some scope for ministries to manage some of the funding from within their 2017 Budget allocation as well as scale proposals and adjust timing.

2018-19: \$0.4B **2019-20:** \$0.6B **2020-21:** \$0.7B

Rightsizing for Growth

Represents potential adjustments to ministries for which growth rates are closely scrutinized.

2018-19: \$0.6B **2019-20:** \$1.2B **2020-21:** \$1.4B

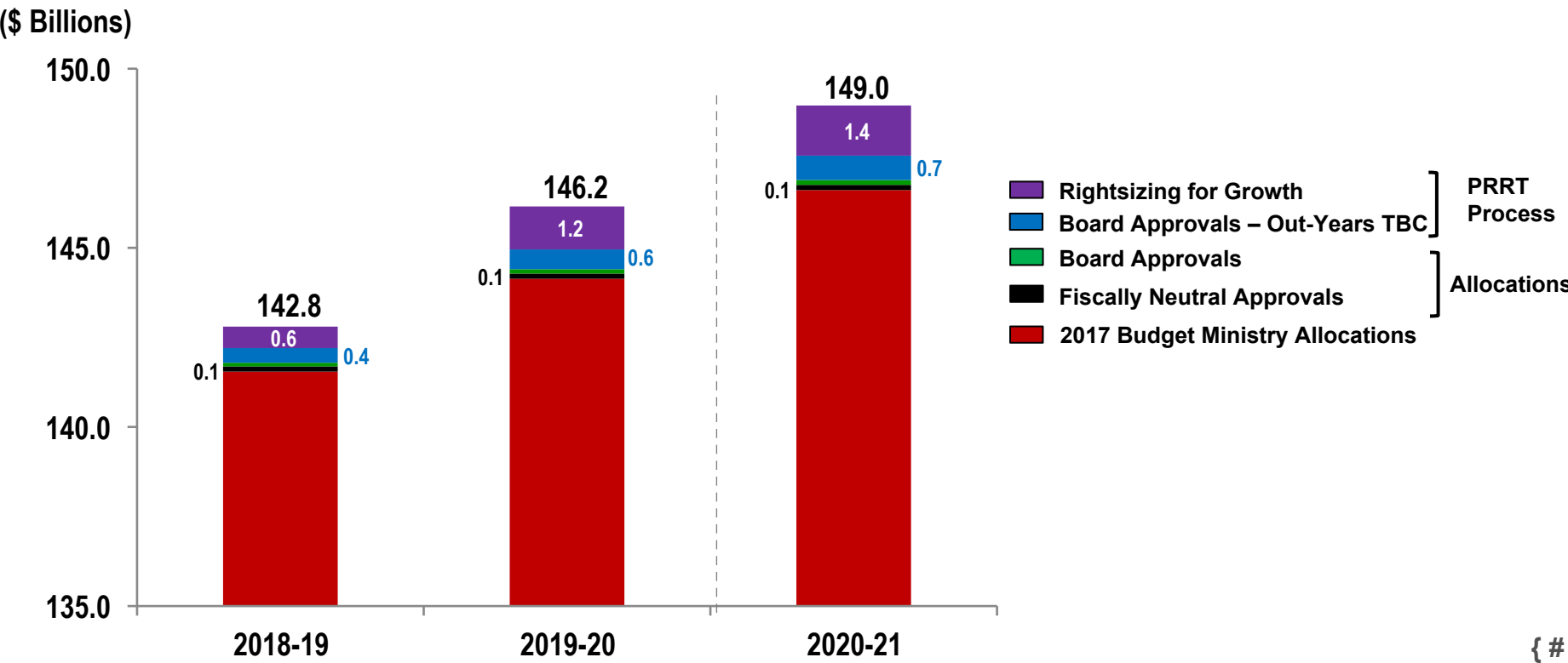
Major Risks

Represents a list of pressures that are likely to materialize, but continue to evolve and do not necessarily need to be included in ministry Preliminary Allocations.

2018-19: \$1.3B **2019-20:** \$2.4B **2020-21:** \$2.4B

Proposed Preliminary Allocations Scenario

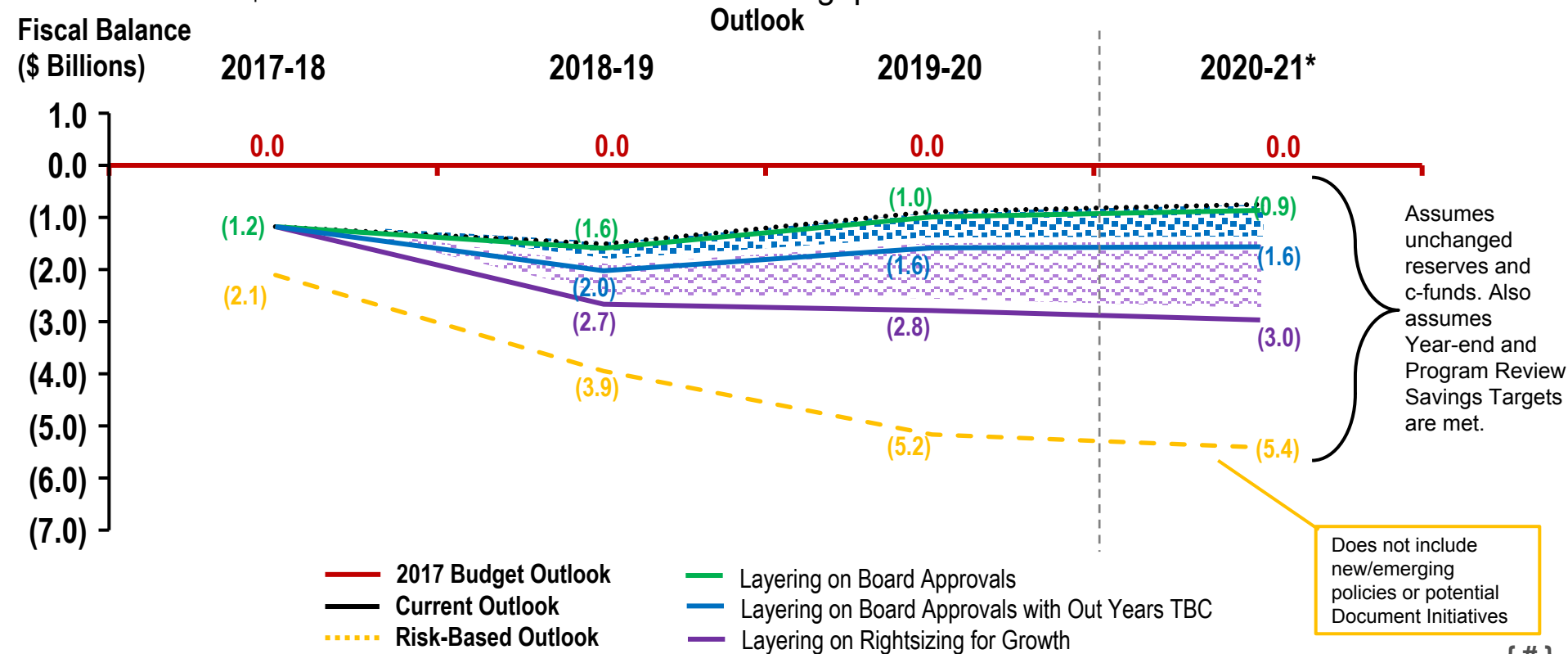
- Based on the criteria set in the previous slide, the proposed scenario layers on the following items to the 2017 Budget ministry allocations:
 - All fiscally neutral expense approvals (included in allocations);
 - The impacts of board approvals with firm out year impacts (included in allocations)
 - Board approvals with out-year impacts that have yet to be confirmed (not included in allocations, decisions handled through PRRT);
 - Rightsizing for growth (not included in allocations, decisions handled through PRRT).
- It is assumed that the 2017 Budget savings targets are achieved and contingency fund balances are maintained in all years.
- In this scenario, program expense at the time of allocations grows at 3.3% between 2016-17 and 2020-21. Once additional decisions are layered on through the PRRT process, including board approvals with uncertain out-year impacts and rightsizing for growth, program expense grows at 3.6%.



PART IV: *The Resulting Fiscal Gap*

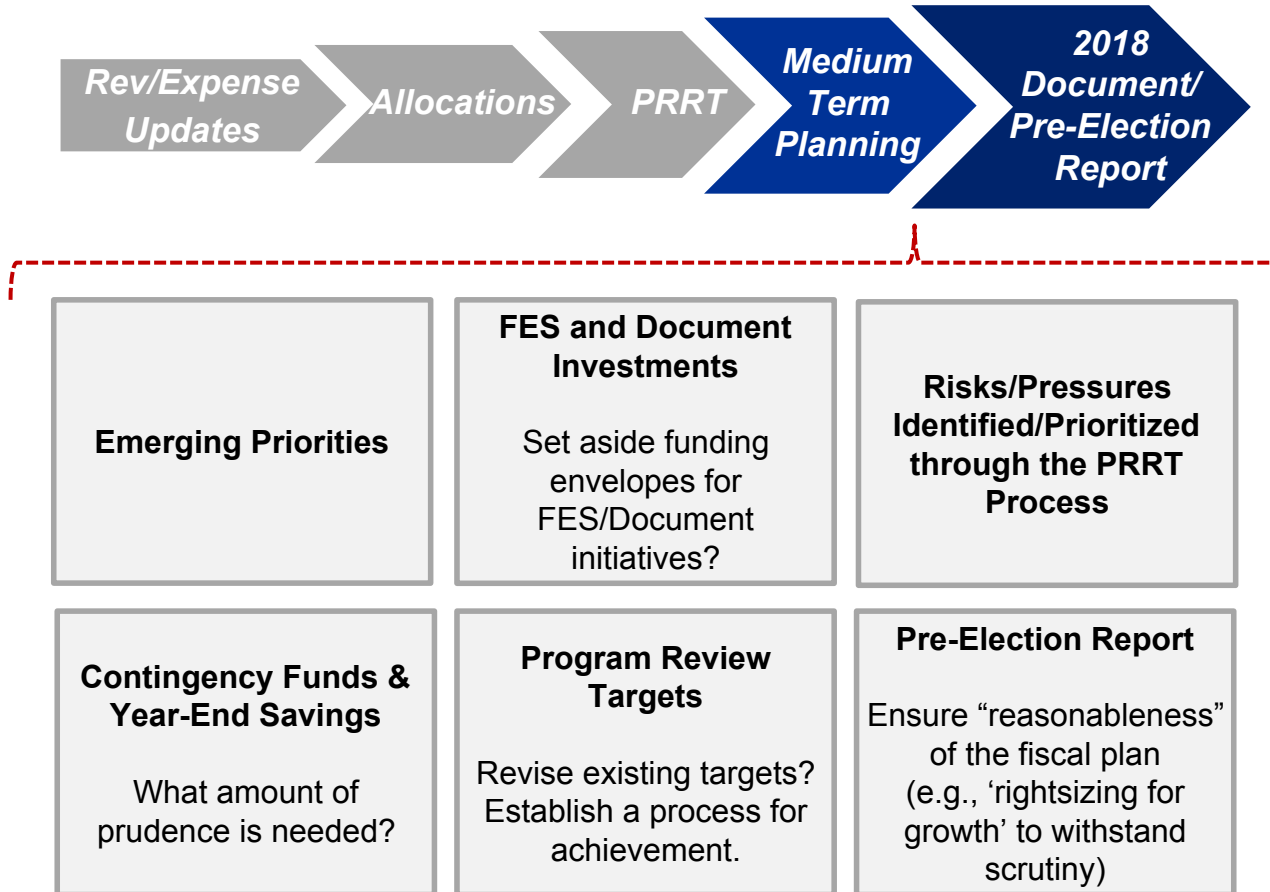
The Resulting Fiscal Gap

- As a result of revenue forecast updates and hard revenue risks, maintaining allocations at the same level as the 2017 Budgets results in a gap relative to the governments fiscal targets (black line).
- Layering on select board approvals adds approximately \$0.1 billion to the current outlook in each year. Incorporating approvals with uncertain out-year impacts (blue) as well as pressures to “rightsize” ministries (purple) further deteriorates the outlook. However, the gap remains constrained relative to funding all major risks (yellow line).
- Falling short of meeting established savings targets of \$2.0 billion in 2018-19 and 2019-20 and \$1.2 billion in 2020-21 will increase the gaps shown below.



Layering on Remaining Building Blocks

- Setting allocations is the starting point for the 2018 fiscal outlook, however, there are remaining decisions that will create additional pressure on top of those already identified through the allocations process.
- As updated information comes in and decisions are made, consideration will need to be given to addressing further deterioration to the fiscal plan as the year unfolds.



2018-19 PRRT

- For this fourth **Program Review, Renewal and Transformation (PRRT)** cycle, it is proposed that the focus continue to be on fostering collaboration across government and supporting the balanced budget in 2018-19 and beyond.
- Ministries will be responsible for building plans (i.e., four years for operating and 10 years for capital) that manage within their **preliminary allocations**.
- This year's approach will encourage the development of **plans** that:
 - Support **evidence-based decision making**;
 - Identify **transformational initiatives** that improve program outcomes and contribute to ensuring the ministry has a sustainable multi-year plan; and
 - Ensure the **integrated consideration** of the impact of each decision on all components of a program.
- **Ministries PRRT plans will be the evidence that the Auditor General uses when reviewing the upcoming Pre-Election Report** on Ontario's Finances.
- Ministries have already received instructions to undertake targeted refinements to their **program inventory** to support the increased understanding of the programs, ongoing program review processes and better identification of horizontal linkages across government

Document Initiatives Planning

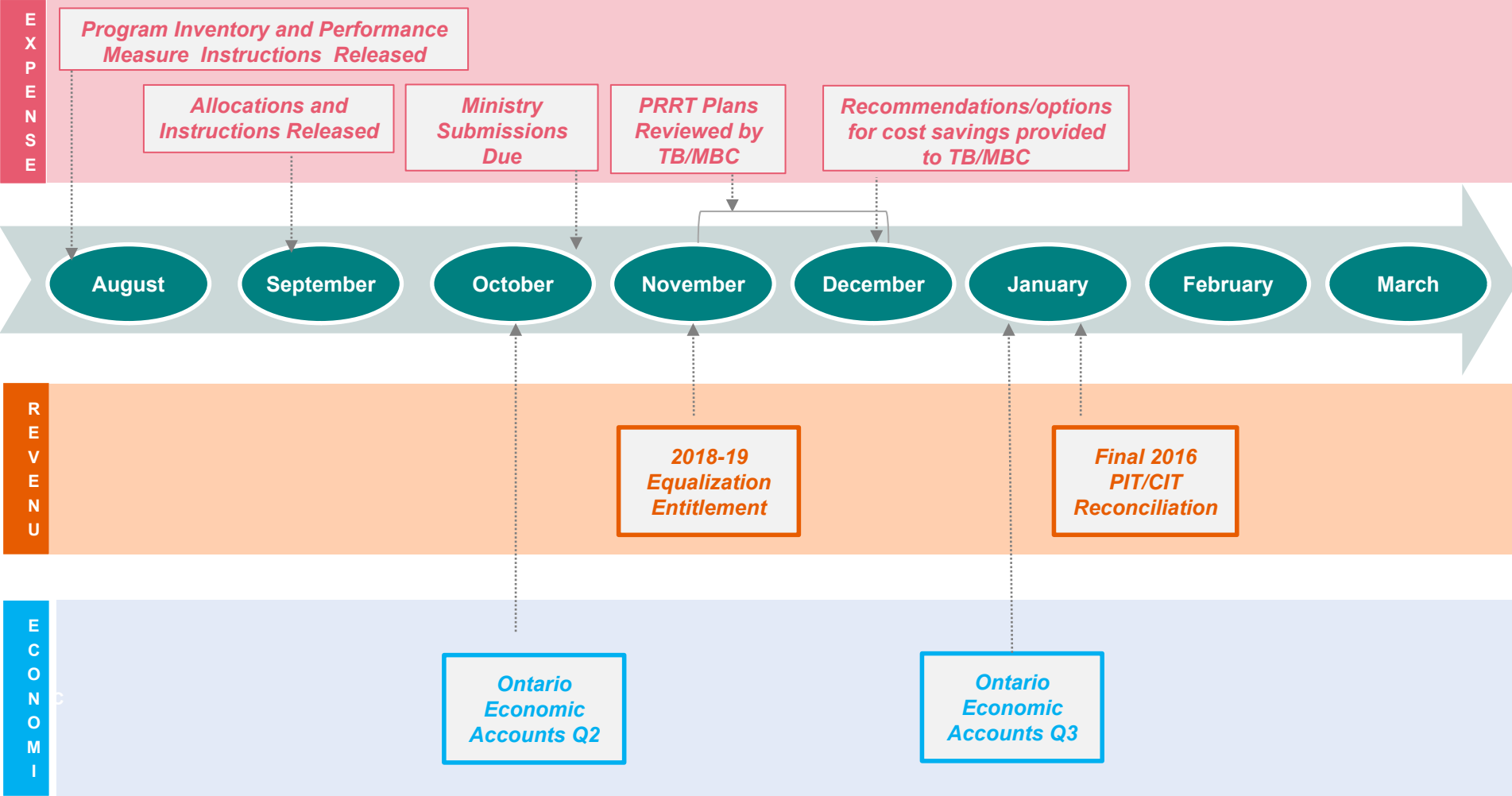
- In recent years, scalable new investment options have been closely integrated with PRRT.
- Moving forward, line ministries would remain involved in developing investment options for inclusion in the Document to ensure scalability and options for phasing – but the development would happen outside of the PRRT process.
 - Determination of priorities for document initiatives remains consistent (i.e., follow-through on 2017 Budget commitments, PO direction, MM&P meetings, mandate letter commitments, etc.).
 - Minuting and ultimate approval flows through TB/MBC and Cabinet.
 - Items submitted for consideration under the Process must be ready for launching implementation post -2018 Budget.
 - Shared responsibility between MOF and TBS for coordinating decision-making for all document Initiatives with support from CO.
- Separation of document initiatives from PRRT submissions would ensure consistency between both processes and alignment with the fiscal plan.
- Certain ministries would receive document initiative-specific instructions that explain the objectives of the investments and the parameters of submissions.
- Ministries would need to ensure that investments and forecasted spending align with standards required by the Pre-Election Report (PER and can withstand review by AG as part of the PER review.

Next Steps

1. Finalize allocations that will be sent out to ministries
2. Release allocations and PRRT instructions to ministries
3. Identify potential initiatives for the Fall Economic Statement and start tracking additional initiatives for the 2018 Document process.

Key Dates

Q1 Ontario Finances Released Aug. 11	2016-17 Public Accounts Release Sept. 7	2017 Fall Economic Statement Release Oct/Nov TBD	Q3 Ontario Finances Feb 15 Deadline	2018 Document and Pre Election Report Release Feb TBD	2018 Expenditure Estimates Release Mar TBD
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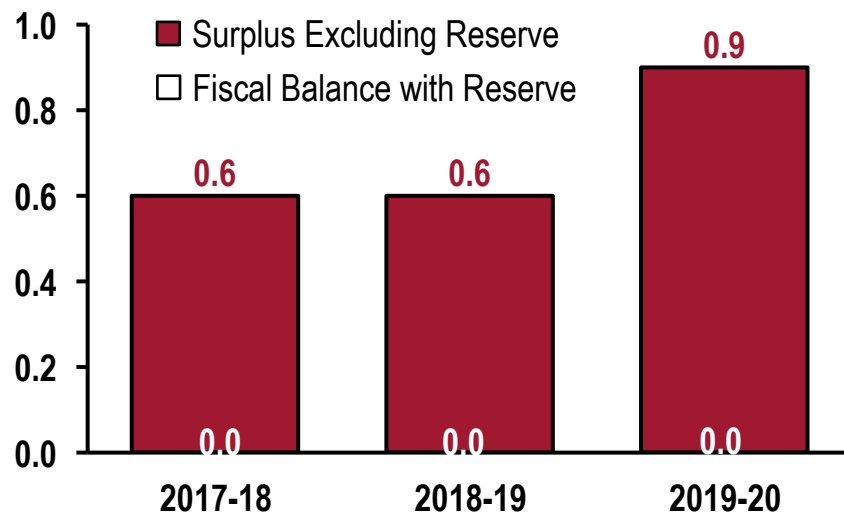


Appendix

Recapping the 2017 Budget Fiscal Architecture

2017 Budget Fiscal Targets

Fiscal Balance (\$ Billions)



Net Debt-to-GDP

	2016-17	2017-18	2018-19	2019-20
Outlook	37.8%	37.5%	37.3%	37.2%
Targets	35% in 2023-24 27% in 2029-30			

- Ratio peaked in 2014-15 at 39.1%
- 1% change in the GDP would impact ratio by ~0.5 percentage points.

Historically low reserve of \$0.6 billion in 2017–18 and 2018–19, \$0.9 billion in 2019–20.

Key Revenue Assumptions (2017–18 to 2019–20)

- The forecast assumes **revenue growth continues at a stronger pace than would normally be forecast given the economic outlook** and removes prudence from the nominal GDP forecast as well as assumes a modest slowing of the housing market.
- Assumes **High-Yield Tax assumptions** of \$1.3 billion in 2017–18, \$1.8 billion in 2018–19, and \$2.2 billion in 2019–20, and zero PIT tax planning.
- Includes **Revenue Integrity Targets** of \$0.1 billion in 2017–18, \$0.2 billion in 2018–19, and \$0.4 billion in 2019–20.
- Assumes no year-over-year decline in **Equalization Payments in 2018-19 (flat-lined at \$1.4 billion)**.
- Potential accounting impacts that amount to \$0.5 billion in 2018–19 and 2019–20.

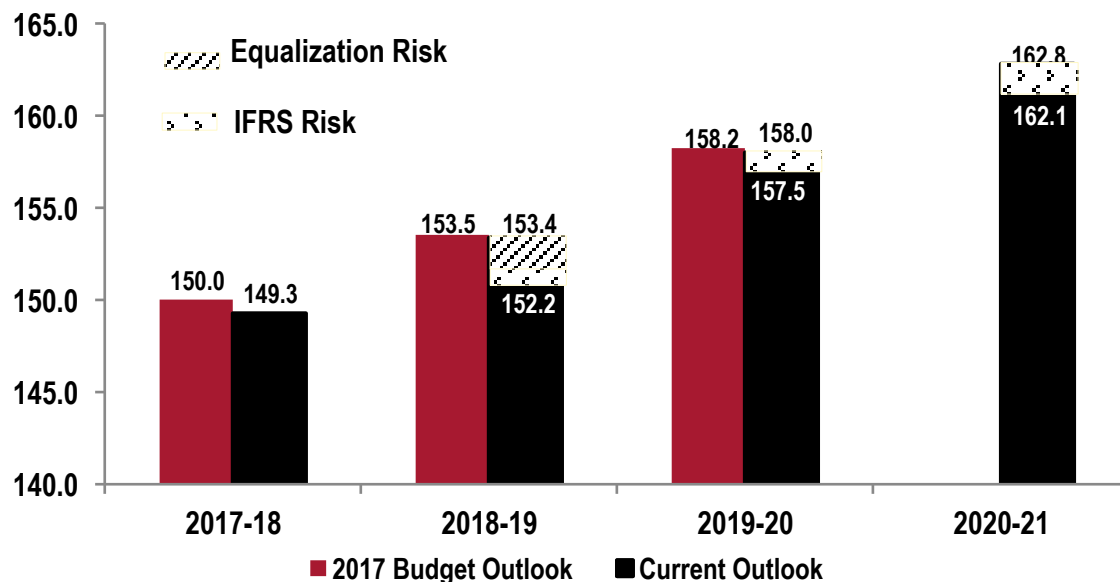
Key Expense Assumptions (2017–18 to 2019–20)

- Net increase in program expense of \$16.4 billion over three years** compared to the *2016 Budget* to invest in every sector and increase overall average spending growth from **1.9% to 2.9%** -- with a particular focus on **health and education**.
- However, overall program spending **remains constrained** – continues to decline as a share of GDP; overall growth slower than inflation+population.
- Contingency Funds** at \$0.6 billion in 2017–18; grows to \$1.8 billion in 2019–20 (including set aside for MoFwd Outside the GTHA of \$0.7 billion)
- Year-end Savings** targets of \$1.2 billion in 2017–18 and 2018–19, and \$1.1 billion in 2019–20.
- Program Review Savings** targets of \$750 million in 2018–19 and 2019–20.
- Limited **Interest-on-Debt** prudence over the outlook.

Key Changes to the Revenue Outlook

Ontario Revenue Outlook

\$ Billions

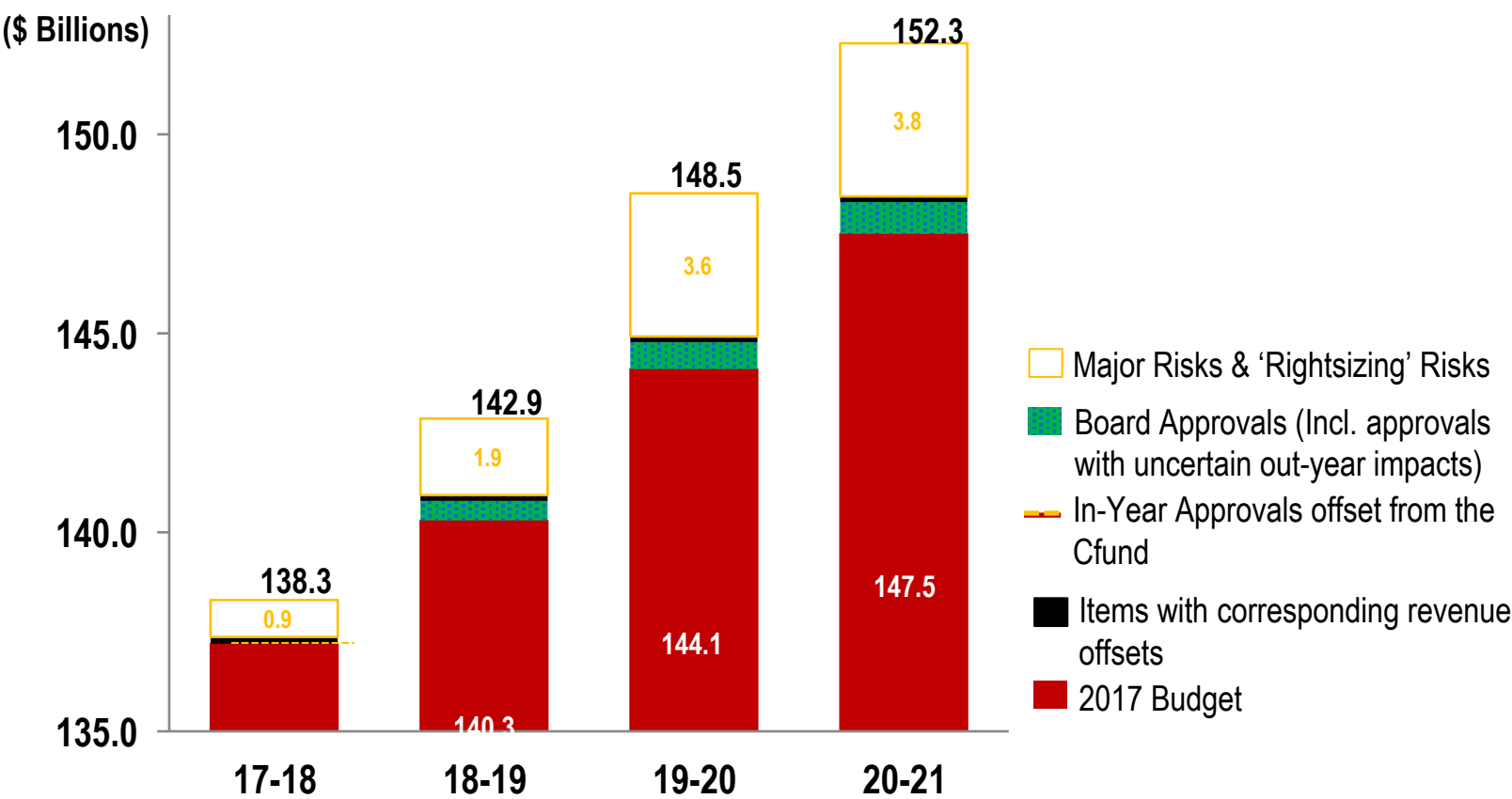


R I S K S

- It is early in the fiscal year and there is a **broad range of risks** around the economic and revenue outlook – information that arrives in December/January could materially change the outlook
- There are **downside** risks related to: federal equalization payments reflecting Ontario's relatively stronger economic growth compared to the rest of Canada; impact of IFRS accounting in 2017-18; and 2016 PIT assessments, cooling of the housing market and OEB rate decisions/ OPG net income
- There are **upside** risks related to Corporate Income Tax assessment, carbon allowance proceeds, OLG and LCBO net income, and **balanced** risks related to economic growth and HST

Program Expense Outlook

- Based on in-year TB/MBC approvals to date, and a current assessment of risks and potential unfunded initiatives, the program expense outlook is projected to **grow at an average annual rate of 3.2%** between 2016-17 and 2020-21. The 2017 Budget projected program expense growth of 2.9% from 2015-16 to 2019-20.
- This outlook assumes that all Year-End Savings targets of \$1.2 billion in 2017–18 and 2018–19, and \$1.1 billion in 2019–20 and Program Review targets of \$0.8 billion in 2018-19 and 2019-20 are met.



Note:

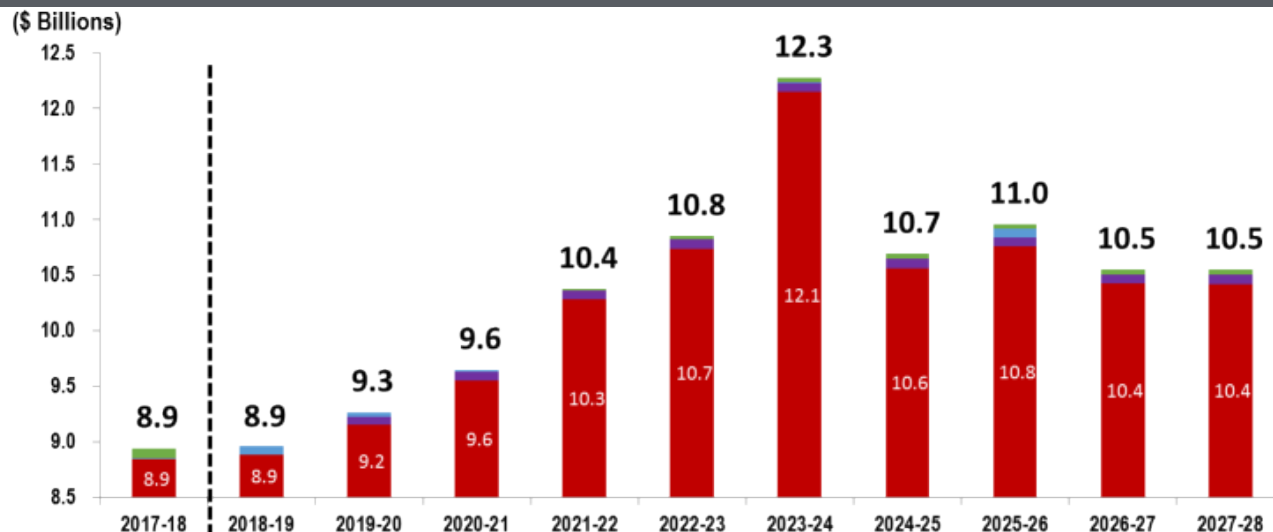
- Remaining contingency funds after set-asides and 2017-18 draws are \$429.7M in 2017-18, \$379.6M in 2018-19, \$1,115.1M in 2019-20, and \$1,179.1M in 2020-21.
- The fiscal plan includes a Program Review savings target of \$750M in 2018-19 and \$750M in 2019-20 along with a year-end savings target of \$1,200M in 2017-18, \$1,225M in 2018-19, \$1,075M in 2019-20, and \$1,150M in 2020-21.
- \$262 million in additional Cap and Trade expense is included in 2017-18 to offset additional revenues from first two auctions (to be fiscally neutral).

Government of Canada's Approach

The recommended approach is similar to that used by the federal government:

- To kick-off the federal budget process, the Minister of Finance issues Ministerial Letters to Cabinet members.
- These letters, sent mid-October, request ideas for budget priorities, including departmental and program integrity pressures.
 - Program integrity pressures refer to circumstances in which departments acknowledge that they are having difficulty delivering currently mandated programming as a result of cost and operational pressures.
- In mid-November, line ministers respond with a two-page note highlighting their suggested budget priorities.
- Finance Canada staff analyze the departmental asks and prepare briefing notes used to brief the Minister of Finance.
- The Minister of Finance's recommendations are communicated to the Privy Council Office who prepare a briefing for the Prime Minister.
- The Prime Minister makes the final decision, in consultation with the Minister of Finance.
- Once final, all Budget decisions are then recorded in a comprehensive Cabinet Record of Decision.

Changes to Capital Expense



Starting 2018-19, adjustments to the capital expense includes:

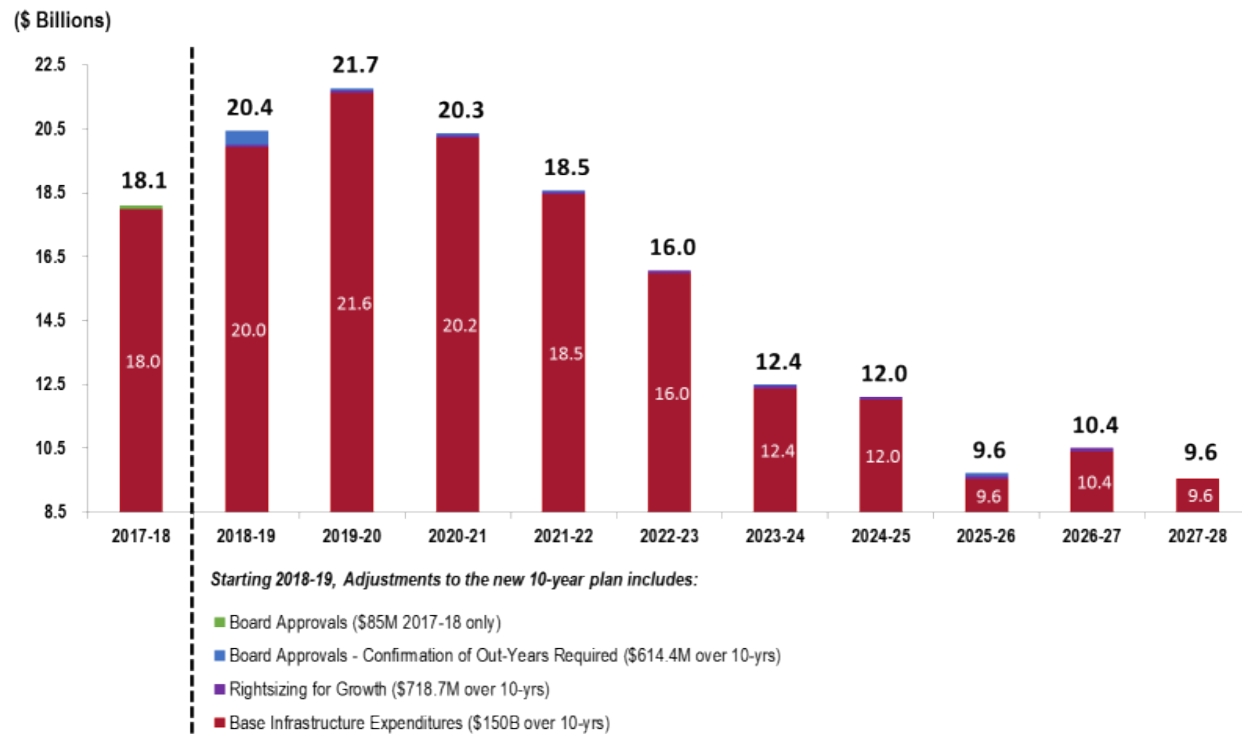
- Board Approvals (\$185.5M over 10-yrs)
- Board Approvals - Confirmation of Out-Years Required (\$303.9M over 10-Yrs)
- Rightsizing for Growth (\$718.7M over 10-Yrs)
- Base Capital Expense (\$103B over 10-Yrs)

- As of Budget 2017 approvals, the fiscal impact of the **capital plan (i.e., \$156B)** over the next 10-years starting 2018-19 is **\$103B**, and represents a growing share of total program expense
- For 2018-19 preliminary allocations, capital expense adjustments could be limited to in-year approvals to date, the associated out-year impacts (e.g., amortization of asset changes), and right-sizing adjustments which total to **\$1.2B over 10-years**
- Pressures that are likely to materialize, but continue to evolve and do not necessarily need to be included in ministry preliminary allocations:
 - Major capital risks (e.g., new metrolinx and highway projects, social sector partner facility renewal)
 - New federal-provincial programs (e.g., changes to Clean Water and Wastewater Fund)

For consideration, preliminary allocation adjustments over the next 10-years could include:

- **\$185.5M Board Approvals** mostly associated with GREP amortization for Halton Courthouse, and Thunder Bay and Ottawa Correctional Centres
- **\$303.9M Board Approvals – Out-Year Required** which are mostly comprised of adjustments for Ring of Fire Reprofilling to outyears (\$75M), First Nations SO Capital (\$72M), Waterloo Rapid Transit Project (\$59M) associated with vehicle delivery delays, Matawa First Nations Broadband development (\$30M), Ottawa Phase II LRT (\$20M), and Nellies Violence against women shelter (\$5M)
- **\$718.7M Rightsizing for Growth** related to National Housing Strategy provincial cost sharing (\$765M) and Randle Reef remediation (decrease of \$46M from 2018-19 to 2020-21)

Changes to the Province's 10-Year Capital Plan



- In Budget 2017, the Province updated it's infrastructure commitments to make significant investments of **about \$156B** over next 10-years.
 - The capital plan are comprised of investments in capital assets, non-consolidated transfer payments, and capital through operating.
- For 2018-19 preliminary allocations:
 - The capital plan is rolled over to the new 10th year (2018-19 to 2027-28) resulting in base capital plan expenditures of **about \$150B**
 - Other adjustments could be limited to in-year approvals to date, the associated out-year impacts (e.g., asset changes), and right-sizing adjustments which total to **\$1.3B over 10-years**
- Pressures that are likely to materialize, but continue to evolve and do not necessarily need to be included in ministry preliminary allocations:
 - Major capital risks (e.g., new metrolinx and highway projects, social sector partner facility renewal)
 - New federal-provincial programs (e.g., changes to Clean Water and Wastewater Fund)

For consideration, preliminary allocation adjustments over the next 10-years could include:

- \$614.4M Board Approvals – Out-Year Required** comprises mostly:
 - Asset adjustments for Finch West LRT (\$138M), Regional Express Rail (\$162M), Fort William Flood Mitigation (\$8.4M), and MOL Changing Workplace Review (\$7.7M), and Kitchener Rail Bypass (\$1.8B) which is fully offset from amounts held centrally
 - Waterloo Rapid Transit Project (\$59M) associated with vehicle delivery delays, First Nations SO Capital (\$72M), Matawa First Nations Broadband development (\$30M), Ottawa Phase II LRT (\$20M), and Nellies Violence against women shelter (\$5M)
- \$718.7M Rightsizing for Growth** related to National Housing Strategy provincial cost sharing (\$765M) and Randle Reef remediation (decrease of \$46M from 2018-19 to 2020-21)

Capital Plan: Other Considerations

- The 10-year capital plan faces potential expense pressures of **\$1.8B** mostly resulting from:
 - **\$113M** Federal-Provincial Programs mostly contributed to revised project timelines for Building Canada Fund and Clean Water and Wastewater fund
 - **\$899M** Capital Risks mostly associated with amortization changes of in-service highways, social sector partner facility renewal needs, and social housing revitalization/capital repairs
- In addition, Phase II Federal Funding for infrastructure may provide Ontario with an additional \$13B- \$17B in federal funding over the next 11 year. However, these agreements will contain potential cost-matching requirements. The Province's ability to nominate in-plan infrastructure projects/programs (i.e., About \$156B) will be limited by incrementality conditions.
 - MOI is working with federal officials to determine cost-matching requirements, incrementality conditions, and it's impact to the Province's capital plan
- In addition to capital expense, infrastructure investments create long-term operating implications including maintenance costs and other direct operating expense (ODOE)
- Investments in capital assets require provincial borrowing, which contributes to growing debt over time and creates long-term interest on debt obligations (IOD).

Scenario – Items to be Included in Allocations

EXPENSE ITEMS OFFSET BY REVENUE AND MAJOR TRANSFERS

\$ Millions	2018-19	2019-20	2020-21	
<i>Recommend to Include:</i>				
EDU: Early-Learning Bi-lateral Agreement	144.8	144.8	144.8	
MCSCS: First Nations emergency management	3.5	3.5	3.6	
MOL: Occupational Health and Safety Prevention	0.8	0.3	-	
MCSS: Children and Youth Pharmacare to OHIP+	(122.2)	(125.8)	(125.8)	
MOHLTC: Children and Youth Pharmacare to OHIP+	122.2	125.8	125.8	
Total: Recommend to Include	149.1	148.6	148.4	-

BOARD APPROVALS

\$ Millions	2018-19	2019-20	2020-21	
<i>Recommend to Include – Financials Confirmed</i>				
EDU: Rural and Northern Education Fund	20.0	20.0	20.0	
EDU: Nishnawbe Aski Nation (NAN) Education Funding	13.0	13.0	13.0	
CO: Washington Office	1.1	-	-	
MIT: US Engagement Team Continuation of Funding	3.8	-	-	
MOECC: Grassy Narrows Remediation Plan Development	8.4	-	-	
MFA: Francophone Community Grants Program	1.2	1.2	-	
MIRR/MNRF/MAG: Three Priority Claims	2.2	1.6	-	
MTCS Ontario Arts Council Funding	5.0	10.0	15.0	
MTO: Highway Maintenance Services Procurement and Report	7.3	37.5	48.0	
MTO: GO-TTC Discounted Double Fare Initiative	18.4	18.4	18.4	
Total: Recommend to Include	80.4	101.7	114.4	-

Scenario – Items to be considered Through PRRT

BOARD APPROVALS – CONFIRMATION OF OUT-YEARS REQUIRED

\$ Millions	2018-19	2019-20	2020-21	
<i>Consider Including</i>				
EDU: Child Care (operating for 100K spaces)	210.0	380.0	520.0	
EDU: Achieving Excellence/Whole Child	32.6	14.2	6.5	
MAESD - French-language University/ College Boreal	20.0	20.0	20.0	
MCSS: Nellies Violence Against Women Shelter	5.0	-	-	
MAG: Police Oversight Reform Initiative	17.9	23.3	23.2	
MAG: Local Planning Appeal Support Centre (TBC)	1.7	1.7	1.7	
MCSCS: Strategy for a Safer Ontario (incl. First Nations Capital)	31.6	63.7	60.7	
MCSCS: Chief Coroner - Inquest Legal Fee Reimbursement (TBC)	1.3	1.3	1.3	
ENE: Smart Grid Fund	20.0	18.0	15.0	
MOECC: Organization to Advance Science on Climate Change	9.0	15.0	15.0	
MOL: Changing Workplaces Review	16.8	23.8	25.7	
MNDM: Matawa Broadband	7.0	13.0	10.0	
MTO: Ottawa Phase II LRT	-	20.0	-	
MTO: Waterloo Rapid Transit Project	59.0	-	-	
Total: Consider to Include	431.9	593.9	699.0	-

Scenario – Items to be considered Through PRRT

RIGHTSIZING FOR GROWTH

\$ Millions	2018-19	2019-20	2020-21
MOHLTC: OHIP (OMA 2.6% mandate)	125.3	109.1	27.9
MOHLTC: increases for other non-physicians, primarily hospital	200.0	350.0	500.0
MOHLTC: Minimum Wage - Direct (TBC)	44.9	70.0	70.0
MOHLTC: Minimum Wage - Indirect (TBC)	29.7	35.8	35.8
EDU: Minimum Wage - Direct (TBC)	43.5	166.4	166.4
EDU: Minimum Wage - Indirect (TBC)	39.9	87.8	87.8
MCYS/MCSS: Minimum Wage - Direct (TBC)	11.1	13.7	13.7
MCYS/MCSS: Minimum Wage - Indirect (TBC)	11.1	14.5	14.5
MCSCS: OPSEU - Corrections Compensation	34.4	65.0	99.2
Other Sector: Recent Agreements (OPSEU/AMAPCEO/Mgmt)	64.1	130.1	211.4
Other Sector: Minimum Wage - Direct (TBC)	8.2	11.6	11.6
Other Sector: Minimum Wage - Indirect (TBC)	3.3	9.0	9.0
	615.5	1,063.0	1,247.3
MCSS: SA Forecast (partial funding)	41.0	68.7	82.1
MMA/MHO: National Housing Strategy - Provincial Sharing	-	85.0	85.0
MOECC: Randle Reef	(14.3)	(14.3)	(11.1)
	26.7	139.4	156.0
Total: Consider to Include	642.2	1,202.4	1,403.3

Major Risks

MAJOR RISKS

\$ Millions	2018-19	2019-20	2020-21
<i>Aboriginal Issues and Land Claims</i>			
MCYS: Child Welfare (designating 5 Indigenous agencies)	20	20	20
MIRR: Non-Williams Treaties Land Claims Settlement Funding	181	335	43
MIRR: Williams Treaties Land Claim Settlement	-	450	-
<i>Total Aboriginal Issues and Land Claims</i>	201	805	63
<i>Compensation Risks</i>			
MOHLTC: OMA (1.4% above mandate)	359	556	766
EDU: Next Round of Collective Agreements (2019 ongoing)	-	260	680
MAG/MCSCS: Attorney, judicial and police compensation	16	41	71
<i>Total Compensation</i>	375	857	1,517
<i>Fed-Prov Related</i>			
MOI: Clean Water and Wastewater Fund	92	-	-
MOI: Building Canada Fund revised project timelines	21	-	-
<i>Total Fed-Prove Related</i>	113	-	-

Major Risks

MAJOR RISKS

\$ Millions	2018-19	2019-20	2020-21
<i>Capital</i>			
MAESD: Capital (University expansion lever/PSE retrofits)	38	12	14
MCYS: Grandview CTC	8	8	8
MCYS: Partner Facility Renewal	10	10	10
MCSS: Partner Facility Renewal	10	10	10
MTO: Highway Amortization	22	38	55
<i>Total Capital</i>	88	78	96
<i>Other</i>			
MOHLTC: Opioid Strategy Initiatives	101	99	99
MAESD: Increased OSAP Uptake	160	160	160
MCYS: Administrative Compensating Leave	6	6	6
MCSS: Additional funding for Asylum Seekers	TBD	TBD	TBD
MAG/MCSCS: Boulder Savings at risk	55	80	105
Other sector: Boulder Savings at risk (TPAM, Benf. Trans., other)	153	245	348
MOECC: Drive Clean	29	39	39
MTO: Metrolinx Agency Growth	3	11	13
<i>Total Other</i>	507	639	769
TOTAL MAJOR RISKS	1,283	2,379	2,446

Appendix: Capital Expense Details – adjustments for consideration

Preliminary Allocation Capital Considerations - Capital Expense Details													
	Year:	1	2	3	4	5	6	7	8	9	10	1 to 3	1 to 10
\$ M	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	3-Year Totals	10-year Totals
Budget 2017: Capital Expense (A)	8,850.2	8,890.3	9,159.4	9,559.5	10,290.0	10,742.7	12,149.0	10,568.4	10,759.2	10,426.0	10,425.3	27,609.2	102,969.8
Expense items offset by Revenue (B)		-	-	-	-	-	-	-	-	-	-	-	-
Board Approvals (B)	85.0	-	-	-	1.6	19.6	28.7	33.9	33.9	33.9	33.9	-	185.5
MOECC: Grassy Narrows First Nations Commitment	85.0											-	-
MOI:MCSCS TB & Ottawa Correctional Centres GREP					1.6	19.6	26.1	26.1	26.1	26.1	26.1	-	151.7
MOI: MAG Halton Courthouse GREP Amortization							2.6	7.8	7.8	7.8	7.8	-	33.8
Board Approvals - Confirmation of Out-Years Required (C)	5.0	94.3	66.6	34.0	20.5	1.0	8.9	1.0	75.9	1.0	1.0	194.8	303.9
MAESD - French-language University		10.0	10.0									20.0	20.0
MAG: Police Oversight Reform Initiative (PORI)		4.1	2.6									6.6	6.6
MCSCS: SSO - First Nations Capital		9.0	20.5	23.0	19.5							52.5	72.0
MCSS: Nellies Violence Against Women Shelter	5.0	5.0										5.0	5.0
MOL: Changing Workplaces Review		0.2	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.7	8.5
MNDM: Matawa Broadband		7.0	13.0	10.0								30.0	30.0
MTCs: Fort William Historical Park Flood Mitigat												-	-
MNDM: Reprofile of RoF 2017-18 funding to 2025-26									74.9			-	74.9
MTO: RUSMOD Segment 2.1												-	-
MTO: Metrolinx - Finch West												-	-
MTO: Regional Express Rail												-	-
MTO: London Bus Rapid Transit Project							7.9					-	7.9
MTO: Waterloo Rapid Transit Project		59.0										59.0	59.0
MTO: Ottawa Phase II LRT			20.0									20.0	20.0
MTO: Kitchener Rail Bypass												-	-
Rightsizing for Growth (D)		(14.3)	70.7	73.9	79.0	84.3	85.0	85.0	85.0	85.0	85.0	130.4	718.7
MOECC: Randle Reef		(14.3)	(14.3)	(11.1)	(6.0)	(0.7)						(39.6)	(46.3)
MMA/MHO: National Housing Strategy - Provincial Sharing			85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	170.0	765.0
Adjustments (E = B+C+D)	90.0	80.0	137.3	107.9	101.1	104.9	122.6	119.9	194.8	119.9	119.9	325.2	1,208.1
Total Capital Expense - Potential (A + E)	8,940.2	8,970.3	9,296.7	9,667.4	10,391.1	10,847.6	12,271.6	10,688.3	10,954.0	10,545.9	10,545.2	27,934.4	104,177.9
Major Risks	28.0	200.3	78.0	96.4	91.0	91.0	91.0	91.0	91.0	91.0	91.0	374.6	1,011.6
Federal-Provincial Programs	28.0	112.5	-	-	-	-	-	-	-	-	-	112.5	112.5
MOI:Clean Water and Wastewater Fund (CWWF)	28.0	92.0	-									92.0	92.0
MOI:Federal Infrastructure Funding Phase 2		0.0										0.0	0.0
MOI: Building Canada Fund (BCF) revised project timelines		20.5										20.5	20.5
Capital Risks	-	87.8	78.0	96.4	91.0	91.0	91.0	91.0	91.0	91.0	91.0	262.1	899.1
MAESD: Capital (University expansion lever/PSE retrofits)		38.1	12.3	14.2								64.6	64.6
MCYS: Grandview CTC		7.7	7.7	7.7								23.0	23.0
MTO: Highway Amortization		22.0	38.0	54.5	71.0	71.0	71.0	71.0	71.0	71.0	71.0	114.5	611.5
MCSS: Partner Facility Renewal		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	30.0	100.0
MCYS: Partner Facility Renewal		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	30.0	100.0

Appendix: Infrastructure Expenditures – adjustments for consideration

Preliminary Allocation Capital Considerations - Infrastructure Expenditures (excluding third party)												
	Year:	1	2	3	4	5	6	7	8	9	10	Year 1 to 3
\$ M	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	3-Year Totals
Year 1 to 10												
10-year Totals												
Base Infrastructure Expenditures (A)	17,999.9	19,952.6	21,633.0	20,247.3	18,468.0	15,984.0	12,387.2	12,027.1	9,552.9	10,412.8	9,562.5	61,832.9
Board Approvals (B)	85.0	-	-	-	-	-	-	-	-	-	-	-
MOECC: Grassy Narrows First Nations Commitment	85.0	-	-	-	-	-	-	-	-	-	-	-
Board Approvals - Confirmation of Out-Years Required (C)	7.1	409.2	69.9	33.0	19.5	-	7.9	-	74.9	-	-	512.1
MAESD - French-language University		10.0	10.0									20.0
MAG: Police Oversight Reform Initiative (PORI)		4.1	2.6									6.6
MCSCS: SSO - First Nations Capital		9.0	20.5	23.0	19.5							52.5
MCSS: Nellies Violence Against Women Shelter	5.0	5.0										5.0
MOL: Changing Workplaces Review (Assets)	2.1	3.8	3.8									7.7
MNDM: Matawa Broadband		7.0	13.0	10.0								30.0
MTCs: Fort William Historical Park Flood Mitigation (Assets)		8.4										8.4
MNDM: Reprofile of RoF 2017-18 funding to 2025-26									74.9			-
MTO: RUSMOD Segment 2.1 (Assets)		3.0										3.0
MTO: Metrolinx - Finch West (Assets)		138.0										138.0
MTO: Regional Express Rail (Assets)		162.0										162.0
MTO: London Bus Rapid Transit Project		0.0					7.9					0.0
MTO: Waterloo Rapid Transit Project		59.0										59.0
MTO: Ottawa Phase II LRT			20.0									20.0
MTO: Kitchener Rail Bypass (Assets)		87.1	196.8	373.8	412.7	695.2						657.7
Less: MOFwd Asset Set Asides - Included in (A)		87.1	196.8	373.8	412.7	695.2						657.7
Rightsizing for Growth (D)	-	(14.3)	70.7	73.9	79.0	84.3	85.0	85.0	85.0	85.0	85.0	130.4
MOECC: Randle Reef		(14.3)	(14.3)	(11.1)	(6.0)	(0.7)						(39.6)
MMA/MHO: National Housing Strategy - Provincial Sharing			85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	170.0
Adjustments (E = B+C+D)	92.1	395.0	140.6	106.9	98.5	84.3	92.9	85.0	159.9	85.0	85.0	642.5
Total Infrastructure Expenditures - Potential (A + E)	18,091.9	20,347.5	21,773.6	20,354.2	18,566.5	16,068.3	12,480.1	12,112.1	9,712.8	10,497.8	9,647.5	62,475.4
Major Risks	28.0	172.2	27.7	27.7	20.0	20.0	20.0	20.0	20.0	20.0	20.0	227.5
Federal-Provincial Programs	28.0	112.5	-	-	-	-	-	-	-	-	-	112.5
MOI: Clean Water and Wastewater Fund (CWWF)	28.0	92.0	-									92.0
MOI: Federal Infrastructure Funding Phase 2		0.0										0.0
MOI: Building Canada Fund (BCF) revised project timelines		20.5										20.5
Capital Risks	-	59.7	27.7	27.7	20.0	20.0	20.0	20.0	20.0	20.0	20.0	115.0
MAESD: Capital (University expansion lever/PSE retrofits)		32.0										32.0
MCYS: Grandview CTC		7.7	7.7	7.7								23.0
MCSS: Partner Facility Renewal		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	30.0
MCYS: Partner Facility Renewal		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	30.0

Line-By-Line Consolidations – Impact on Sector Growth

Line-By-Line Consolidations - Impact on Sector Growth Rates

							Avg. Ann. Growth 15-16 to 19-20
\$ Billions	2015-16*	2016-17*	2017-18	2018-19	2019-20	2020-21*	
Program Expense Sectors							
Health	51.1	51.8	53.8	56.3	58.1	59.7	3.3%
Education	25.0	25.6	26.5	27.4	28.0	28.0	2.9%
Postsecondary	7.6	7.9	8.4	8.3	8.4	8.4	2.5%
Social Services	15.5	15.8	16.9	17.2	17.4	17.7	2.9%
Justice	4.6	4.5	4.7	4.7	4.8	4.8	1.1%
Other Programs	17.1	16.5	19.2	18.4	19.2	20.5	2.9%
Total 2017 Budget Program Expense	122.4	122.1	129.5	132.3	135.8	139.0	2.6%
Line-By-Line Consolidations							
Health	3.9	4.1	4.2	4.3	4.3	4.4	
Education	1.0	1.0	1.0	1.0	1.1	1.1	
Postsecondary	2.3	2.4	2.5	2.7	2.9	3.0	
Total Line-By-Line Consolidations	7.1	7.4	7.7	8.0	8.3	8.5	
Program Expense Sectors							
Health	55.0	56.0	57.9	60.5	62.4	64.2	3.2%
Education	26.0	26.6	27.5	28.4	29.0	29.1	2.8%
Postsecondary	9.9	10.1	10.9	11.0	11.3	11.3	3.4%
Social Services	15.5	16.0	16.9	17.2	17.4	17.7	2.9%
Justice	4.6	4.6	4.7	4.7	4.8	4.8	1.1%
Other Programs	17.1	16.7	19.2	18.4	19.2	20.5	2.9%
Total Restated Program Expense	128.1	130.0	137.2	140.3	144.1	147.5	3.0%

*2015-16 and 2016-17 reflect actuals from the 2016-17 Public Accounts

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