2016 Document: Overview and Narrative

Presentation to Cabinet

Office of the Budget
MINISTRY of FINANCE

Preliminary Draft – All Numbers To Be Confirmed

Draft – January 22, 2016 4:15 PM

7/2016 INFO 370

Key Risks and Upside Potential to the Outlook

- Risks to the forecast beyond 2015 are balanced.

Upside Potential

- The recent improvements in Ontario exports and investment due to solid U.S. growth and a weaker Canadian dollar could intensify if business confidence improves.
- Sustained lower oil prices could provide a greater-than-expected boost to the Ontario economy through lower costs for businesses and households.

Downside Risks

- Uneven and uncertain global growth has exacerbated volatility in interest rates, stock markets, currencies and commodity prices. This could dampen business investment and export growth in the province.
- Intense global competition and weak productivity growth could hamper Ontario's export sector.
- Domestically, a potential housing market correction remains a risk, particularly given high levels of household debt.

Building Blocks of the 2016 Document

- The government is **implementing its plan to build Ontario up**:
  - ***Fostering a More Innovative and Dynamic Business Environment*** – focusing on helping businesses grow and creating rewarding, high-paying jobs.
  - ***Building Tomorrow's Infrastructure and Asset Optimization*** – moving ahead with priority projects as part of investments in public infrastructure; and
  - ***Investing in Tomorrow's Workforce*** – focusing on improving public services Ontarians rely on and investing in people to help them flourish in the evolving economy.
  - ***Strengthening Retirement Security*** – moving ahead with ORPP and continued engagement Federally.
  - ***Investing Today for a Better Tomorrow*** – enhancing public services to provide Ontarians with increased access, better value and more convenience.
- A **commitment to tackle climate change** through proven initiatives to meet environmental goals, while continuing to grow the economy.
- Develop a new approach to federalism by working collaboratively **towards a stronger Ontario and stronger Canada.**
- Ensuring **responsible fiscal management** will remain an on-going priority as the government continues to move forward on the **Program Review, Renewal and Transformation (PRRT) process** as well as **addressing the underground economy**.

Document Overview

BUILDING PROSPERITY

ONTARIO IS BUILDING PROSPERITY BY MAKING INVESTMENTS THAT GROW THE ECONOMY AND CREATE JOBS

Fostering a More Innovative and Dynamic Business Environment

The government is helping Ontario businesses grow and succeed so they can create rewarding, high-paying jobs and contribute to the province's economic prosperity.

Building Tomorrow's Infrastructure and Asset Optimization

Ontario has committed to the largest investment in public infrastructure in the province's history in priority projects such as bridges, public transit, hospitals, and schools.

Investing in Tomorrow's Workforce

Strengthening Retirement Security

Investing Today for a Better Tomorrow

The government is enhancing public services to provide Ontarians with increased access, better value and more convenience. The government is also investing in people to help them gain the education and skills they require to flourish in the province's evolving economy. The government is committed to taking a leadership role in strengthening the retirement income system. To help ensure all Ontarians get the quality health care services they need and rely on, now and in the future, the government is continuing to transform Ontario's universal public health care system.

TOWARDS A FAIR SOCIETY

RESPONSIBLE FISCAL MANAGEMENT

TOGETHER TOWARDS A STRONGER ONTARIO AND STRONGER CANADA

2016 Document – Potential Signature Initiatives

Fostering a More Innovative and Dynamic Business Environment

- Business Growth Initiative
- Supporting the Sharing Economy
- Investments of Cap & Trade Proceeds

- OLG Modernization
- Support for Small Businesses
- Progress on Cooperative Capital Markets Regulatory System

- Jobs and Prosperity Fund
- Regional and Community Partnerships
- Recommendations on Wine and Spirits Sector

Building Tomorrow's Infrastructure and Asset Optimization

- Moving Ontario Forward (non-GTHA and GTHA projects)
- Asset Optimization Strategy

- Electricity Infrastructure
- Alternative Finance Procurement

- Education, Health, Justice Infrastructure
- Long-term Infrastructure Plan

Investing Today for a Better Tomorrow – Enhancing Public Services

- Patients First Action Plan

- Investments in Long-term Care

- Primary Care Reform

Investing in Tomorrow's Workforce

- Student Assistance Reform
- Youth Jobs Strategy
- Highly Skilled Workforce Strategy
- Strengthening Skilled Trades

Strengthening Retirement Security

- Progress on ORPP
- Federal Engagement on Retirement Income Security
- Solvency Funding Framework Review

Rec

- The 2015 Budget fiscal plan outlined deficits of $8.5 billion in 2015-16, $4.8 billion in 2016-17 and a return to balance in 2017-18.
- In the 2015 Fall Economic Statement, the government revised its 2015-16 deficit target to $7.5 billion and its 2016-17 deficit target to $4.5 billion, while maintaining a commitment to balance in 2017-18.
- The government is committed to meeting or beating its fiscal targets in 2015-16, 2016-17 and 2017-18.

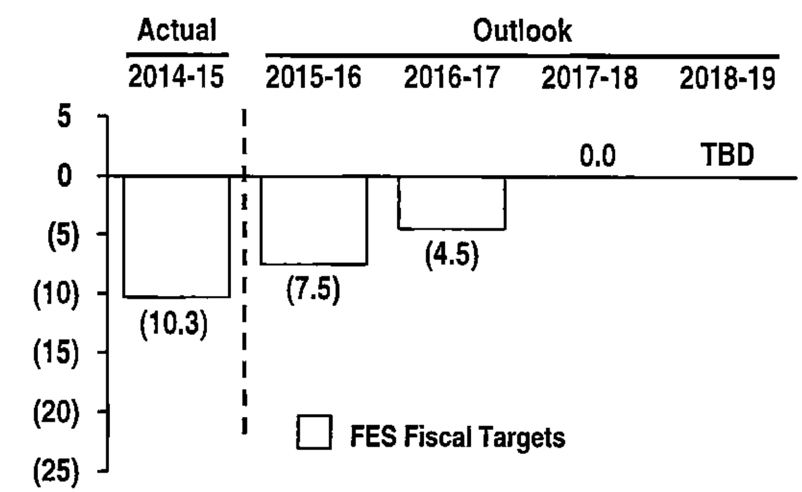
2015 Budget Medium-Term Fiscal Plan

$ Billions	Actual 2014-15	2015-16	2016-17	2017-18
Revenue	**118.5**	**124.4**	**129.4**	**134.4**
Expense				
Program Expense	118.2	120.5	120.6	120.0
Interest on Debt	10.6	11.4	12.4	13.2
Total Expense	**128.9**	**131.9**	**133.0**	**133.2**
Reserve	–	1.0	1.2	1.2
Surplus/(Deficit)	**(10.3)**	**(8.5)**	**(4.8)**	**0.0**

Note: Numbers may not add due to rounding.

2016 Document Preliminary Fiscal Targets

$ Billions



FES Net Debt-to-GDP:	39.4%	40.2%	40.2%	39.4%	TBD

Pat [illegible] dge

- The government is making progress on its plan and is building on its proven track record of responsible fiscal management.
- The government remains committed to balancing the budget by 2017-18.
- A balanced path to a balanced budget is premised on:
  - Transforming government and managing costs - PRRT and compensation; and
  - Addressing the underground economy and maintaining tax fairness.

Responsibly Managing Spending

As the ongoing planning and budgeting process for managing government spending, PRRT has been successful in continuing to control expenditure growth, achieving government-wide savings targets, and identifying opportunities to realign, scale back or end programs.

Renewing or Transforming Major Government Programs and Services

A number of major renewal or transformation opportunities have been identified, focused on both public services and back-office administration.

Modernizing the Ontario Government for People and Businesses

Ongoing renewal of the Ontario Government to ensure it is providing world class public administration, delivering the highest quality programs and services, and improving outcomes for Ontarians.

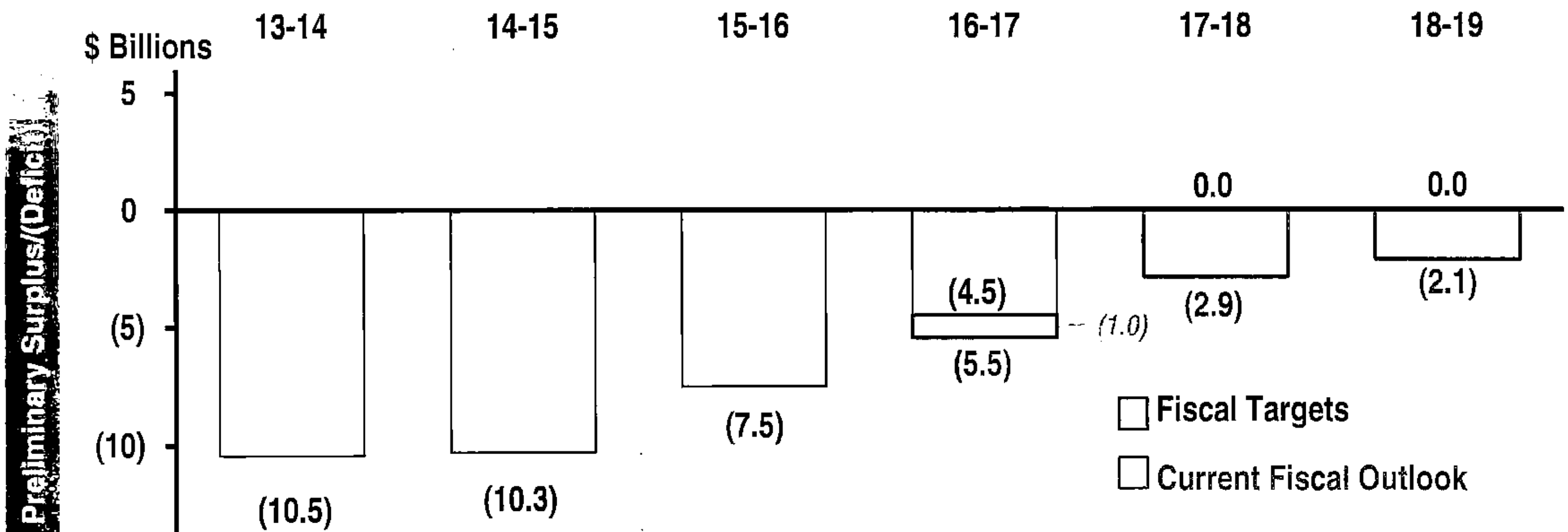
Addressing the Underground Economy

The government will help ensure everyone pays their fair share of taxes by taking measures to address the underground economy. This includes combating electronic sales suppression technology.

Current Fiscal Outlook

Based on the latest information and assuming all currently planned fiscal effort is achieved, a gap remains compared with existing deficits targets.

If no further action is taken, the document outlook would show a gap compared to existing targets of $1.0 billion in 2016-17, $2.9 billion in 2017-18 and $2.1 billion in 2018-19.



	15-16	16-17	17-18	18-19
Current Outlook: Net Debt as a per cent of GDP	39.9	40.1	39.8	39.5
Existing Fiscal Targets*: Net Debt as a per cent of GDP	39.9	40.0	39.3	38.8

* Assumes FES deficit track (including 2015-16) and balance in 2018-19. Still subject to change pending decisions on capital, revisions to GDP forecasts, 2015-16 interim outlook, and other changes to the composition of fiscal plan.