Preliminary 2017 Document Scenario

Includes new investments, additional prudence, and targeted revenue Tools

$ Millions	2017-18	2018-19	2019-20	Avg. Ann Growth 2016-17 to 2019-20	Avg. Ann Growth 2017-18 to 2019-20
Current Revenue					
Taxation Revenue	99,434	104,539	109,343	4.7%	4.9%
Incl. Low-End Targeted Tax Changes	*409*	*736*	*979*		
All Other Revenue	40,907	38,247	38,501	0.2%	-3.0%
Total Current Revenue	140,341	142,786	147,844	3.5%	2.6%
Incl. High Yield Assumptions	*1,326*	*1,823*	*2,231*		
Program Spending					
Approved In Principle Outlook	128,387	132,595	135,432	3.2%	2.7%
Incl. Current C-Funds	*156*	*1,115*	*1,823*		
Incl. Current Year-end Savings	*(1,200)*	*(1,225)*	*(1,075)*		
Rebuild C-Funds to $600M	444	-	-		
Managed Scalable Priority Initiatives	815	1,363	1,684		
Document Initiatives Envelope	200	200	200		
Must-Do PRRT Deferrals	85	19	91		
Total Program Spending	129,931	134,177	137,407	3.7%	2.8%
Current Interest on Debt	11,589	12,089	12,283		
Total Expense	141,520	146,266	149,690	3.6%	2.8%
Current Reserve	700	800	1,000		
Total Expense with Reserve	142,220	147,066	150,690	3.7%	2.9%
Planning Surplus/(Deficit)	*(1,879)*	*(4,280)*	*(2,847)*		

Current Revenue Assumptions	2017-18	2018-19	2019-20
Targeted Tax Changes			
Tobacco Tax: Increase to $40/carton by 2019-20	40	135	215
Beer Tax: Additional 50 cents per 24-case	14	41	59
Increases to the Insurance Premium Tax	270	380	395
Increase Planned Education Property Tax	85	180	310
High Income Surtax Option	0 to 610	0 to 630	0 to 630
Total Current Revenue Assumptions	409 to 1,019	736 to 1,366	979 to 1,609

High-Yield and Other Key Revenue Assumptions	2017-18	2018-19	2019-20
PIT: Balanced Tax Planning Risk	250	250	250
CIT: Higher Yield Beginning in 2017	285	527	713
LTT: Stronger Housing Resale Market	544	787	995
HST: Ontario Economic Outlook	247	259	273
Total High Yield Revenue Assumptions	1,326	1,823	2,231
Other Key Revenue Assumptions			
Updated Asset Optimization Impact	155	-	-
Take CHT Target Funding Offer	(104)	96	424
Reverse Federal Infrastructure Funding	(500)	(1,000)	-
IFRS Accounting for OPG/HOL	(425)	(525)	(675)

Balance Scenario

Builds in revenue and expense tools to achieve balance

$ Millions	2017-18	2018-19	2019-20	Avg. Ann Growth 2016-17 to 2019-20	Avg. Ann Growth 2017-18 to 2019-20
Revenue Oulook					
Current Revenue	140,341	142,786	147,844	3.5%	2.6%
Revenue Tools	977	2,407	1,919		
Total Revised Revenue Oulook	141,318	145,193	149,763	3.9%	2.9%
Current Program Spending Outlook	129,931	134,177	137,407	3.7%	2.8%
Expense Tools	(877)	(1,873)	(928)		
Total Revised Program Spending	129,054	132,304	136,480	3.5%	2.8%
Current Interest on Debt	11,564	12,089	12,283		
Includes IOD Changes to Balance	*(25)*	*-*	*-*		
Total Expense	140,618	144,393	148,763	3.4%	2.9%
Current Reserve	700	800	1,000		
Total Expense with Reserve	141,318	145,193	149,763	3.5%	2.9%
Planning Surplus/(Deficit)	*0*	*0*	*0*		

Tools to Achieve Balance	2017-18	2018-19	2019-20
Revenue tools to Balance			
Hold Equalization at 2017-18 level ($1.4B)	-	733	-
Exclude IFRS Acct'g Impact for OPG/H1	-	525	675
Asset Optimization – Additional $1/share	130	-	-
Revenue Integrity Targets (Includes GBE)	100	200	300
Remove Nominal GDP Prudence	100	200	300
PIT: Zero Tax Planning	100	106	113
CIT: Higher Yield Beginning in 2016	96	102	106
HST: Higher Ontario 2016 Share	188	196	201
HST: Stronger Housing Market	263	345	224
Total Revenue tools to Balance	977	2,407	1,919
Program Expense tools to Balance			
Approved in Principle Levers	(501)	(308)	(252)
Taking Down Scalable Levers	(96)	(100)	(107)
Further Scalable Levers	(30)	(280)	(455)
Contingency and Prudence Levers			
Program Review Targets	-	*(500)*	-
Further Program Review Targets	-	*(500)*	-
Program Implementation Review	*(250)*	*250*	-
Adjust Contingency Funds	-	*(135)*	*187*
Cap and Trade/GGRA Adjustment	-	*(300)*	*(300)*
Contingency and Prudence Levers	`(250)	(1,185)	(114)
Total Program Expense tools to Balance	(877)	(1,873)	(928)
Interest on Debt Adjustment to Balance	(25)	-	-
Total Tools to Achieve Balance	1,879	4,280	2,847

Tools

Potential revenue and expense tools to achieve balance

Potential Revenue Tools/Assumptions	2017-18	2018-19	2019-20
Potential Additional High Yield NTR			
Federal Infrastructure Assumption	–	500	500
Hold Equalization at 2017-18 level ($1.4B)	–	733	733
Exclude IFRS Acct'g Impact for OPG/H1	–	525	675
Asset Optimization – Additional $1/share	130	–	–
Revenue Integrity Targets (Includes GBE)	100	200	300
Total Potential Additional High Yield NTR	230	1,958	2,208
Remove Nominal GDP Prudence	100	200	300
Potential Additional High Yield Tax			
PIT: Zero Tax Planning	100	106	113
CIT: Higher Yield Beginning in 2016	96	102	106
HST: Higher Ontario 2016 Share	188	196	201
HST: Stronger Housing Market	263	345	224
Total Potential Additional High Yield Tax	647	749	644
Remaining High Income Surtax Option	0 to 610	0 to 630	0 to 630
Total Potential Revenue Tools	977 to 1,587	2,907 to 3,537	3,152 to 3,782

Potential Expense Tools	2017-18	2018-19	2019-20
Approved-in-Principle Levers			
Energy – Affordability Fund	(50)	(50)	–
Energy – Price Mitigation Programs	(100)	–	–
Cap and Trade/GGRA Adjustment	(100)	–	–
Other Approved-in-Principle Levers	(251)	(258)	(252)
Total Approved in Principle Levers	(501)	(308)	(252)
Taking Down Scalable Levers	(96)	(100)	(107)
Further Scalable Levers	(30)	(280)	(455)
Contingency and Prudence Levers			
Program Review Targets	–	(500)	(500)
Further Program Review Targets	(100)	(500)	(1,000)
Program Implementation Review	(250)	250	–
Adjust Contingency Funds	–	(208)	(558)
Cap and Trade/GGRA Adjustments	–	(300)	(300)
HOOPP and CAATPP Governance	–	(765)	(914)
Total Contingency and Prudence Levers	(350)	(2,023)	(3,272)
Additional Interest on Debt Savings	(50)	(50)	(100)
Total Potential Expense Tools	(1,027)	(2,761)	(4,186)
Reduce Reserve	TBD	TBD	TBD
TOTAL POTENTIAL TOOLS	2,004 to 2,614	5,668 to 6,298	7,338 to 7,968
Fiscal Gap from Scenario	(1,879)	(4,280)	(2,847)

Amounts shaded reflect tools included in the Balance Scenario

Potential Risks of Revenue and Expense Tools used to Achieve Balance

Risks of Revenue Tools

- Aggressive revenue forecasts may be challenging to maintain/defend, and could be subject to criticism by external stakeholders (e.g., FAO, Credit rating agencies, private sector economists, etc).
- Overall uncertainty in the economic outlook, particularly around the housing market, United States, and the broader global outlook, could impact the revenue outlook.
- Recent advice from economists to the Minister recommended increasing prudence, due to current heightened uncertainty.
- Assumptions on revenues associated with strong activity in the housing market may be overly aggressive, and not align with the government's narrative and potential measures to increase housing affordability
- Approach to PIT contains extra risk related to potential tax planning that occurred in 2015 -- could result in significant downside revenue in 2016-17 Public Accounts and over the forecast period as well.

Risks of Expense Tools

- Reducing allocations increases risks to be managed, combined with lower prudence in 2018-19 as a result of a new $1 billion savings targets in addition to existing savings targets, and reduced contingency funds.
- Funding additional in-plan initiatives with cap-and trade proceeds may hamper the ability to achieve on greenhouse gas reduction targets and result in scrutiny from stakeholders (e.g., the FAO)
- Reduced flexibility in the plan means that any in-year decisions (e.g., OMA agreement, other collective bargaining, etc) will either require higher revenue or potentially be funded by deficits.