Ontario

2017 Ontario
Fiscal Plan and Outlook

2017 Ontario Budget

A Stronger, Healthier Ontario

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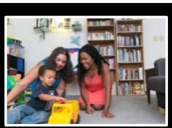
Overview

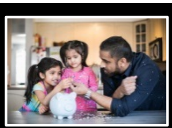
This presentation provides a high-level overview of key themes from the 2017 Budget and details of Ontario's fiscal plan:

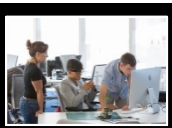
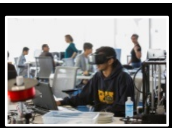
- 2017 Budget Overview
- Ontario's Fiscal Plan
  - 2016-17 Interim Fiscal Performance
  - Medium-Term Fiscal Plan
  - Key Fiscal Metrics

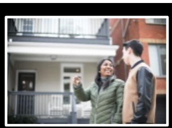


2017 Budget Overview





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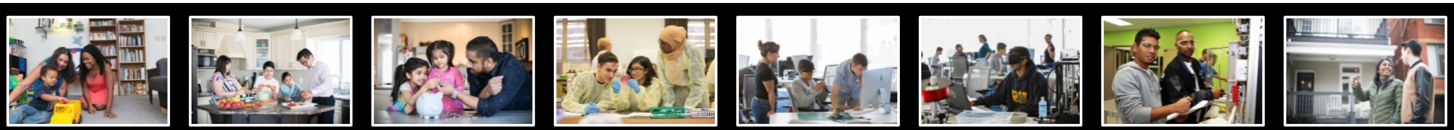
Budget in Brief

- In 2017-18, the government will deliver on its *2010 Budget* commitment to **restore balance to the Province's finances** for the first time since the 2008-09 global recession. The government is also projecting balanced budgets in both 2018-19 and 2019-20.
  - Through targeted, measured and fiscally responsible decisions, Ontario has restored its economic strength outpacing economic growth in Canada and the G7 countries over the past three years.
- With a balanced budget, the government will continue to:
  - **Strengthen health care** by supporting the expansion and modernization of hospitals, increasing access, reducing wait times, enhancing the patient experience and ensuring the needs of Ontario's aging population are met.
  - **Invest in education** to help learners reach their full potential by supporting them from full-day kindergarten to postsecondary education and training.
  - **Create opportunities** for people to find jobs and for businesses to grow in the new economy.
  - **Make everyday life more affordable** by lowering costs for necessities like electricity, child care and prescription drugs for young people, and increasing affordability in the housing market.
  - **Build transit and transportation infrastructure** to move people and goods efficiently, support a competitive economy and contribute to a high quality of life.
  - **Build inclusive communities** and **improve the justice system.**
  - **Set a target for reducing** net debt–to-GDP.

Ontario’s Fiscal Plan



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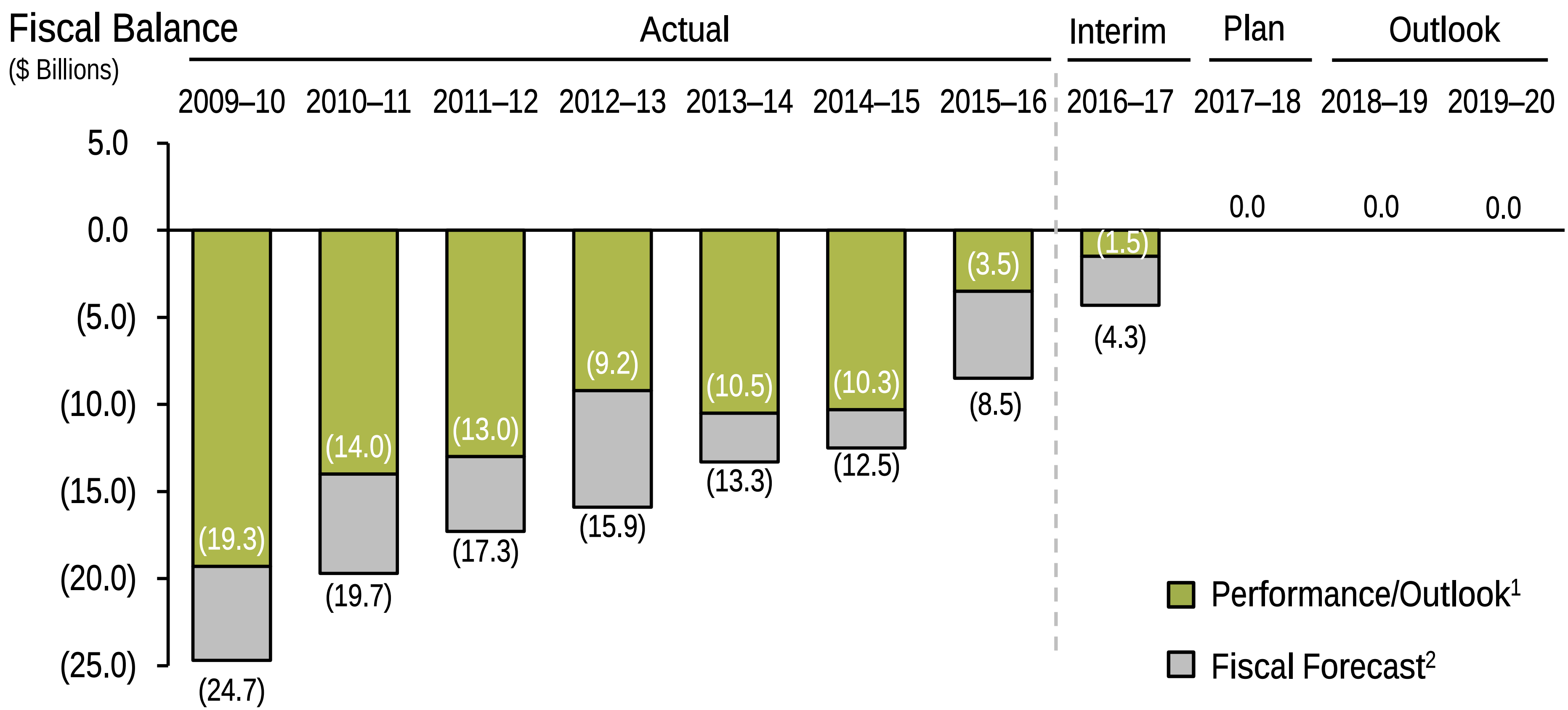
Ontario's Record Against Deficit Targets



[1] Represents the *2017 Budget* outlook for 2016–17 to 2019–20. For 2009–10 to 2015–16, actual results are presented. The 2015–16 actuals have been restated to reflect recognizing jointly sponsored net pension assets for the Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan on the Province's financial statements, consistent with the *2016 Budget* as described in the *2016–17 Third Quarter Finances*.

[2] Forecast for 2009–10 is based on the *2009 Ontario Economic Outlook and Fiscal Review,* 2010–11 to 2013–14 is based on the *2010 Budget*; 2014–15 is based on the *2014 Budget*; 2015–16 is based on the *2015 Budget*; 2016–17 is based on the *2016 Budget*.

Source: Ontario Ministry of Finance.

2016-17 Interim Performance

2016–17 In-Year Fiscal Performance
($ Millions)

	Actual 2015-16	Budget Plan	Interim	In-Year Change	Y-O-Y Change
Total Revenue	128,377	130,589	133,228	2,639	3.8%
Expense					
Programs	120,925	122,139	123,502	1,362	2.1%
Interest on Debt	10,967	11,756	11,250	(506)	2.6%
Total Expense	131,891	133,895	134,752	856	2.2%
Reserve	-	1,000	-	(1,000)	n/a
Surplus/(Deficit)[1]	(3,514)	(4,306)	(1,524)	2,783	n/a

Note: Numbers may not add due to rounding.

[1] Reflects recognizing jointly sponsored net pension assets for the Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan as recommended by the Pension Asset Expert Advisory Panel.

Largely due to:
- Higher **taxation revenues** of $3.2 billion.
- Stronger overall performance from **Government Business Enterprises** of $0.3 billion.
- Partially offset by **lower federal transfers and other non-tax revenue.**

Largely due to:
- **Program expense increase of $1.4 billion**, mainly as a result of increases in the **health sector** and **other programs.**
- Also includes funding from **federal agreements** for investments in affordable housing, the Strategic Investment Fund, and Clean Water and Wastewater Fund etc.
- Partially offset by $0.5 billion lower **interest on debt** expense.

- With a **higher than expected revenue** forecast exceeding higher projected expense, it is anticipated that the **reserve will not be required by year-end and has been drawn down.**



Medium-Term Fiscal Plan

Ontario's Fiscal Plan and Outlook

($ Billions)

	Actual	Interim	Plan	Outlook	
	2015–16	2016–17	2017–18	2018–19	2019–20
Revenue	128.4	133.2	141.7	144.9	149.3
y-o-y growth	*8.3%*	*3.8%*	*6.3%*	*2.3%*	*3.1%*
Expense					
Programs	120.9	123.5	129.5	132.3	135.8
y-o-y growth	*2.3%*	*2.1%*	*4.8%*	*2.2%*	*2.7%*
Interest on Debt[1]	11.0	11.3	11.6	12.0	12.6
y-o-y growth	*3.1%*	*2.6%*	*2.9%*	*3.9%*	*5.0%*
Total Expense	131.9	134.8	141.1	144.3	148.4
y-o-y growth	*2.4%*	*2.2%*	*4.7%*	*2.3%*	*2.9%*
Surplus/(Deficit) Before Reserve	(3.5)	(1.5)	0.6	0.6	0.9
Reserve	–	–	0.6	0.6	0.9
Surplus/(Deficit)	(3.5)	(1.5)	0.0	0.0	0.0
Net Debt as a Per Cent of GDP	38.6	37.8	37.5	37.3	37.2
Accumulated Deficit as a Per Cent of GDP	25.2	24.2	23.2	22.3	21.4

[1] Interest on debt expense is net of interest capitalized during construction of tangible capital assets of $0.2 billion in 2014–15, $0.1 billion in 2015–16, $0.2 billion in 2016–17, $0.4 billion in 2017–18 and $0.6 billion in 2018–19.

Note: Numbers may not add due to rounding.

Supported by the outlook for continued economic growth, revenue is projected to grow by an average annual rate of 3.9%.

Program expense is projected to grow at an average annual rate of 2.9% - reflecting investments in priority areas such as healthcare, education, childcare expansion and electricity cost relief programs.

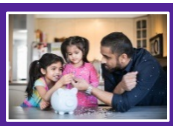
To protect the fiscal outlook against unforeseen adverse changes in revenue and expense the reserve has been set at $0.6 billion in 2017–18 and 2018–19 and $0.9 billion in 2019–20.

Changes since the *2016 Budget*

Change in Medium-Term Fiscal Outlook since the *2016 Budget* ($ Millions)			
	2016–17	2017–18	2018–19
Surplus/(Deficit) from the *2016 Budget*	(4.3)	0.0	0.0
Total Revenue Changes	2.6	3.9	3.0
Expense Changes			
Net Program Expense Changes	1.4	5.3	4.7
Interest on Debt	(0.5)	(0.9)	(1.1)
Total Expense Changes	0.9	4.4	3.6
Change in Reserve	(1.0)	(0.5)	(0.6)
Fiscal Improvement/(Deterioration)	2.8	0.0	0.0
2017 Budget Surplus/(Deficit)	(1.5)	0.0	0.0

Note: Numbers may not add due to rounding.





Prudence

Prudence is included in the fiscal plan to ensure the Province meets its fiscal targets. This includes:

- Reserve:

$ Billions	2016–17	2017–18	2018–19	2019–20
Reserve	-	0.6	0.6	0.9

- Contingency Funds: $0.6 billion in 2017-18
- **Revenue Forecast:** The Ministry of Finance real GDP forecast is prudent as it is pegged one-tenth of a percentage point below the private sector average in 2017 and onwards. This prudence is reflected in the revenue forecast, which is largely based on Ministry of Finance economic projections.
- **Interest on Debt Forecast:** Interest on debt expense forecast reflects prudent debt management strategy as well as additional prudence to account for potential rise in interest rates

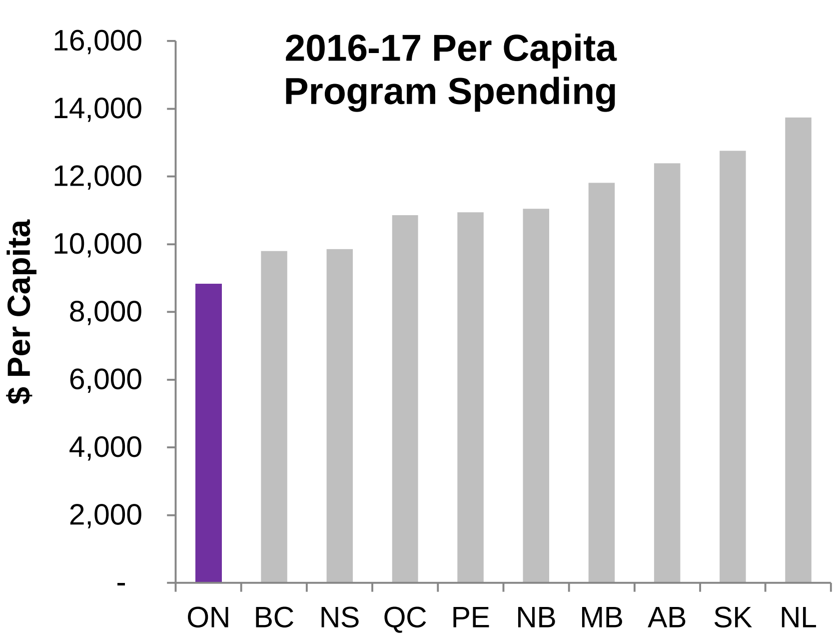
Key Characteristics of the Fiscal Plan

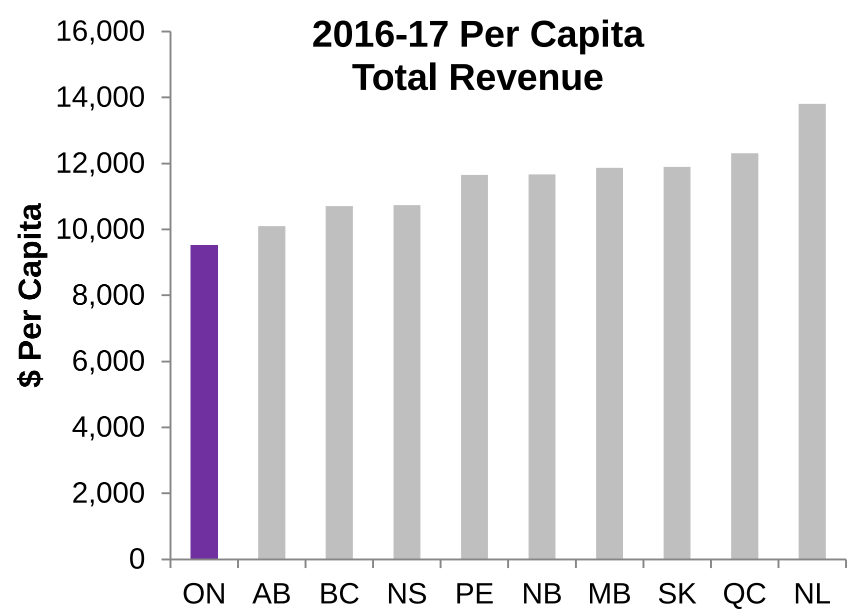
The medium-term fiscal plan is premised on a number of prudent and sustainable building blocks.

- The **revenue outlook** is based on prudent economic assumptions derived from the private sector forecast. In addition, three economic experts reviewed the Ministry of Finance's economic assumptions and found them to be reasonable.
- The **expense outlook** reflects a credible and prudent growth trajectory that is based on the outcomes of the 2017-18 Program Review, Renewal and Transformation (PRRT) process, and is built on detailed information collected from ministries that takes into account demand for existing programs, creating efficiencies and improving outcomes.
- **Interest on debt** expense is lower due to lower interest rates and cost-effective debt management.
- Beginning in 2017-18, **borrowing will be limited to** net investments in **capital assets**.
- **Policy decisions** made by the government also influence the revenue and expense outlooks. Key programs outlined in the 2017 Budget include launching OHIP+:Children and Youth Pharmacare, reducing electricity bills through Ontario's Fair Hydro Plan and a number of initiatives to address housing affordability.

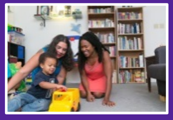
Provincial Spending and Revenue Per Capita for 2016-17

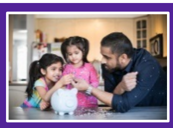
- Ontario has recorded the **lowest per capita program spending** across provinces from 2006-07 to 2015-16, and this trend is projected to continue in 2016-17, 2017-18 and over the outlook.
- Ontario has recorded the **lowest per capita total revenue** from 2006-07 to 2015-16, and is projected to continue to have the lowest per capita total revenue in 2016-17, 2017-18 and over the outlook.





Source: Provincial Budgets and Updates.

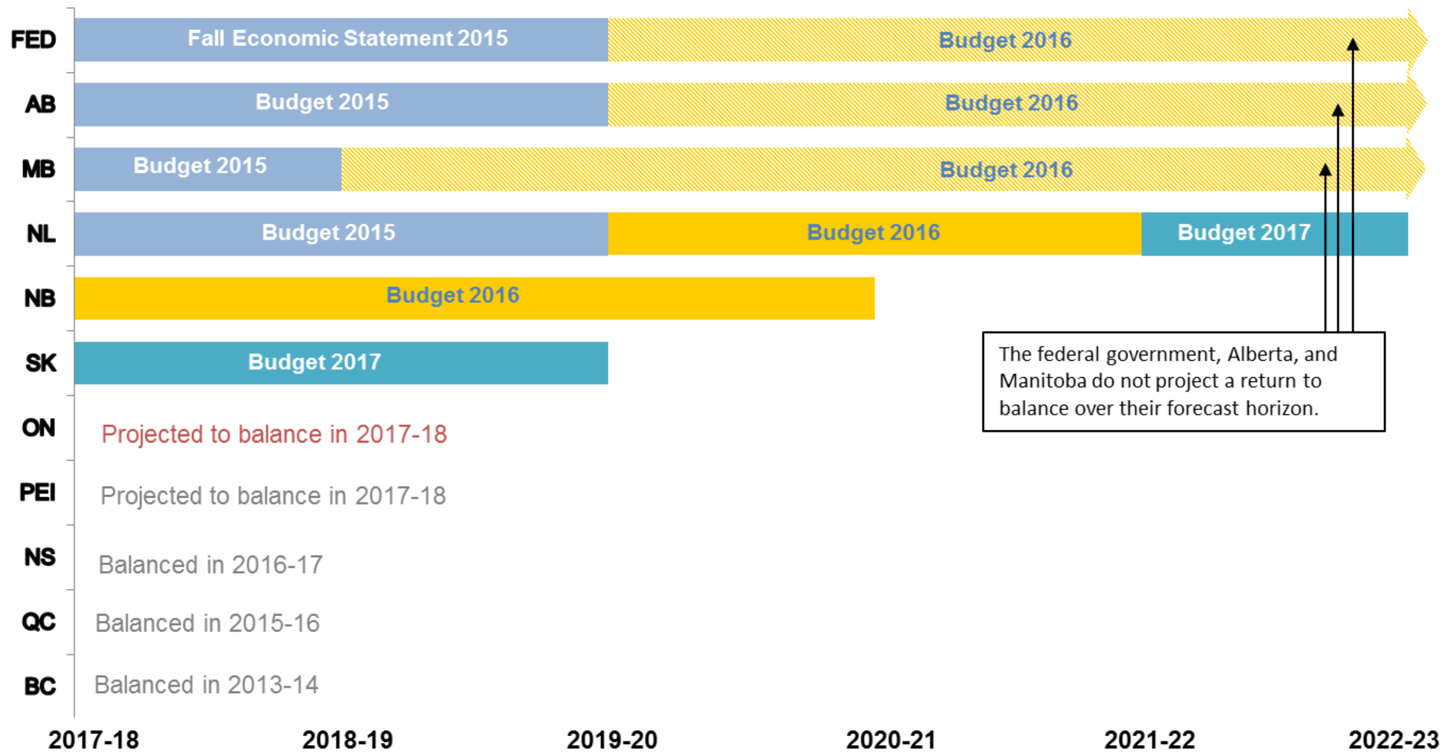




Provincial Comparison: Year-to-Balance

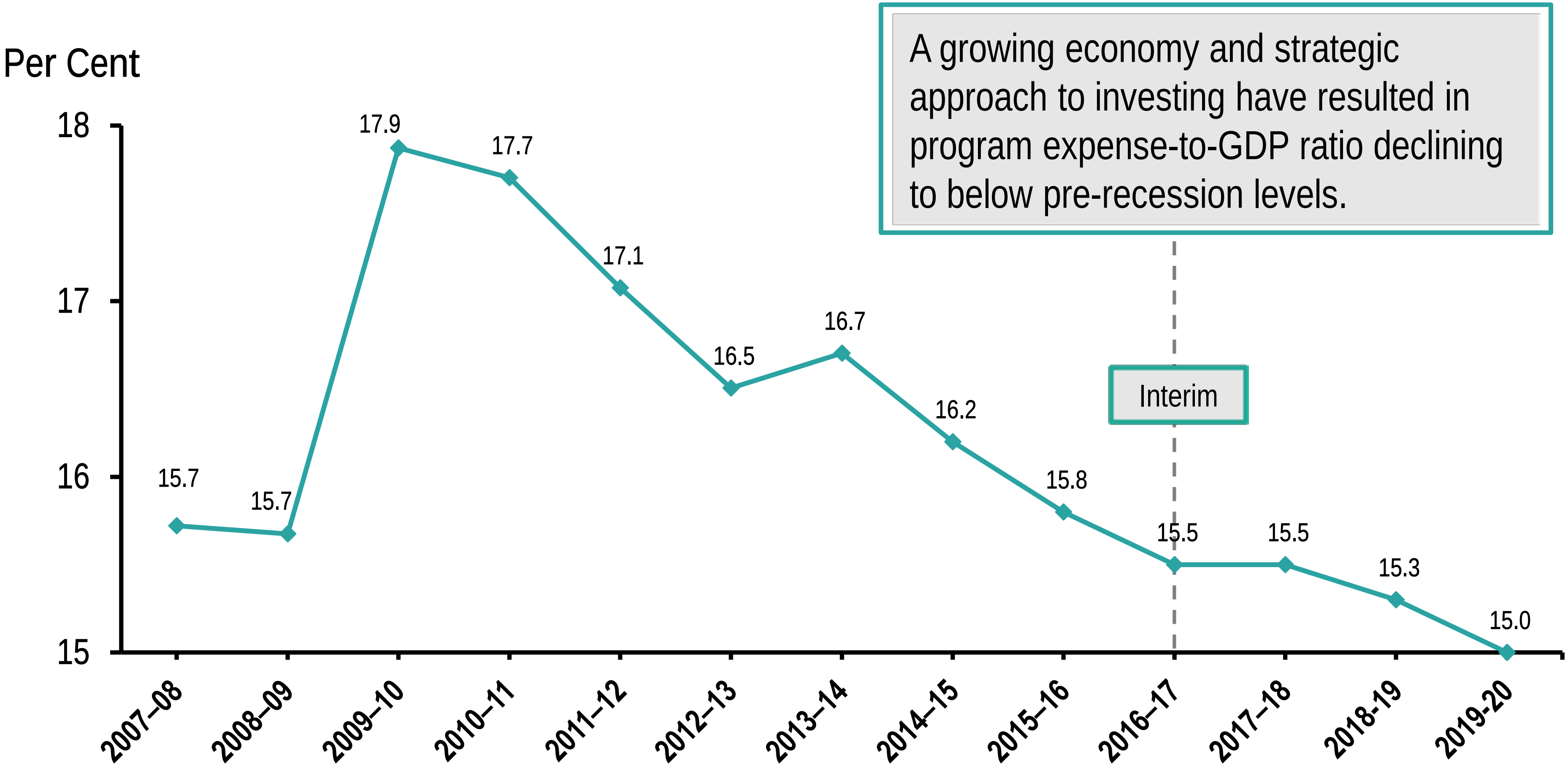
- Since 2010, the federal government and eight of ten provinces have either pushed back their expected balanced-budget year from targets outlined in previous budgets or fallen into new deficits.
  - Ontario and British Columbia have seen no change in their targeted balanced-budget dates since their 2010 budgets were released.

Comparison of Year-to-balance Targets

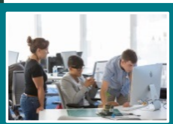


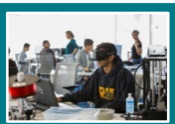
Source: Federal and Provincial Budgets and Updates.

Program Expense-to-GDP

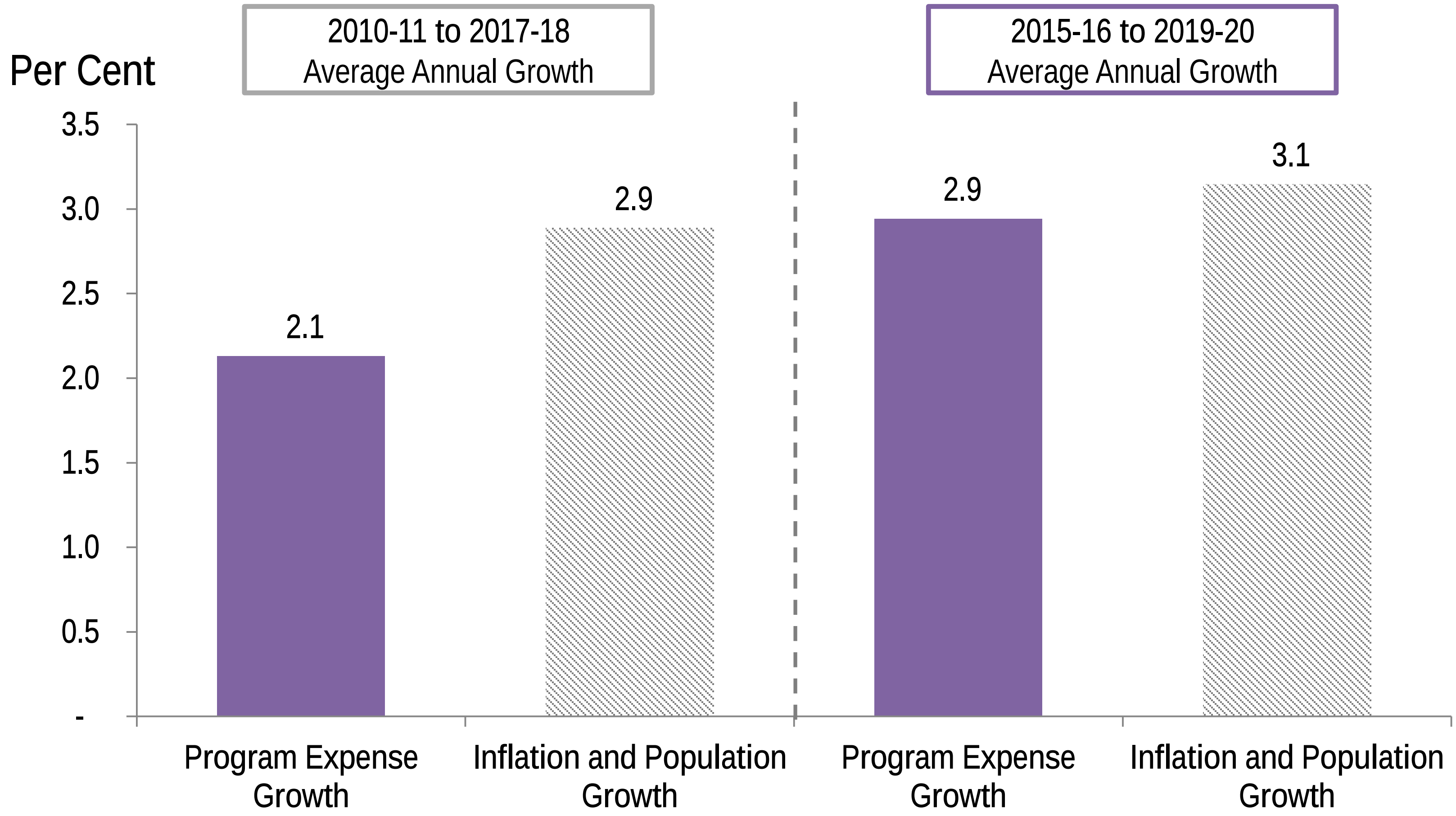


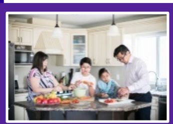
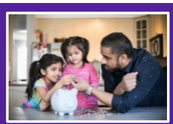
Sources: Statistics Canada and Ontario Ministry of Finance.



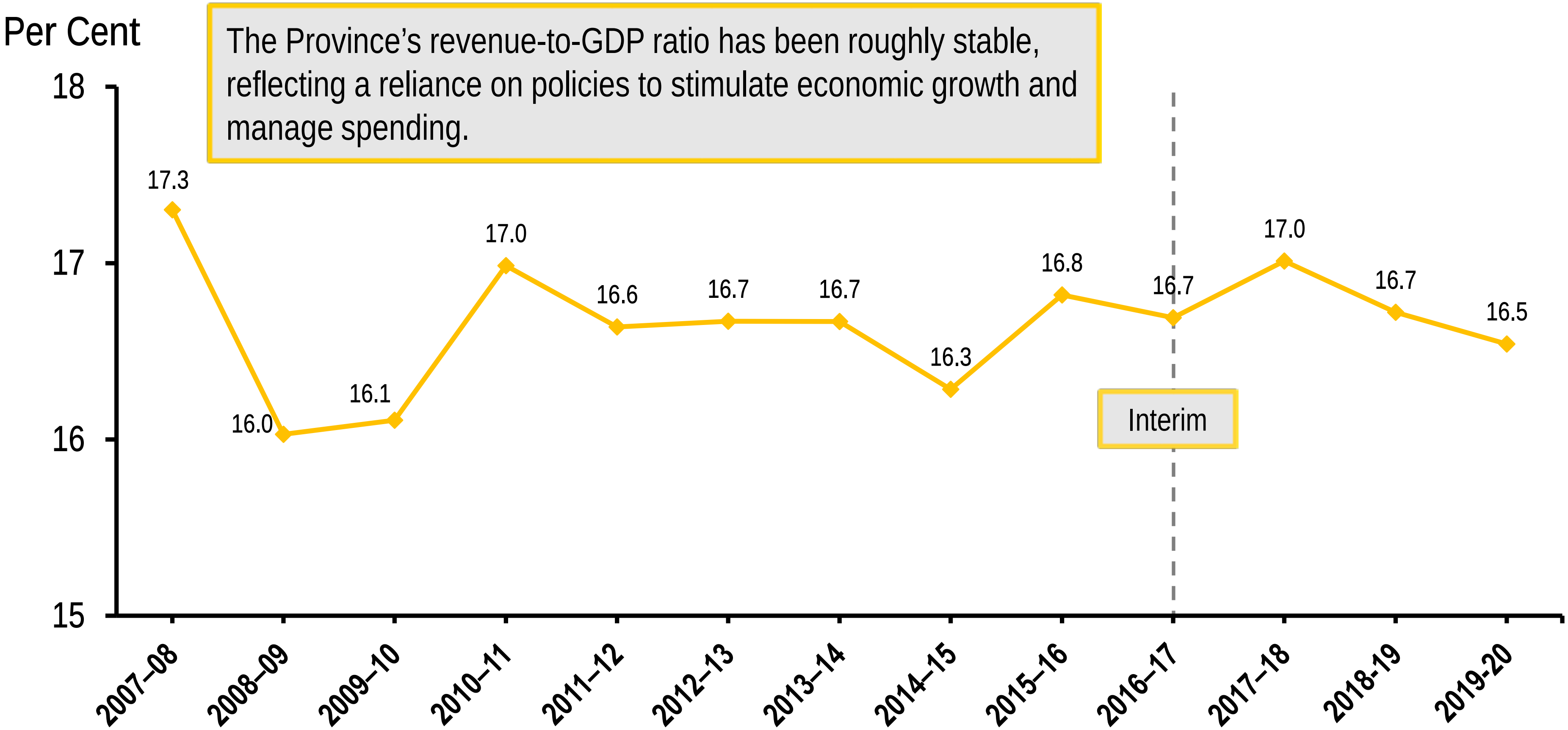


Program Expense Growth Below Pace of Inflation and Population Growth

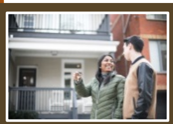
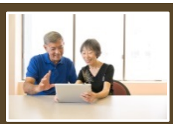


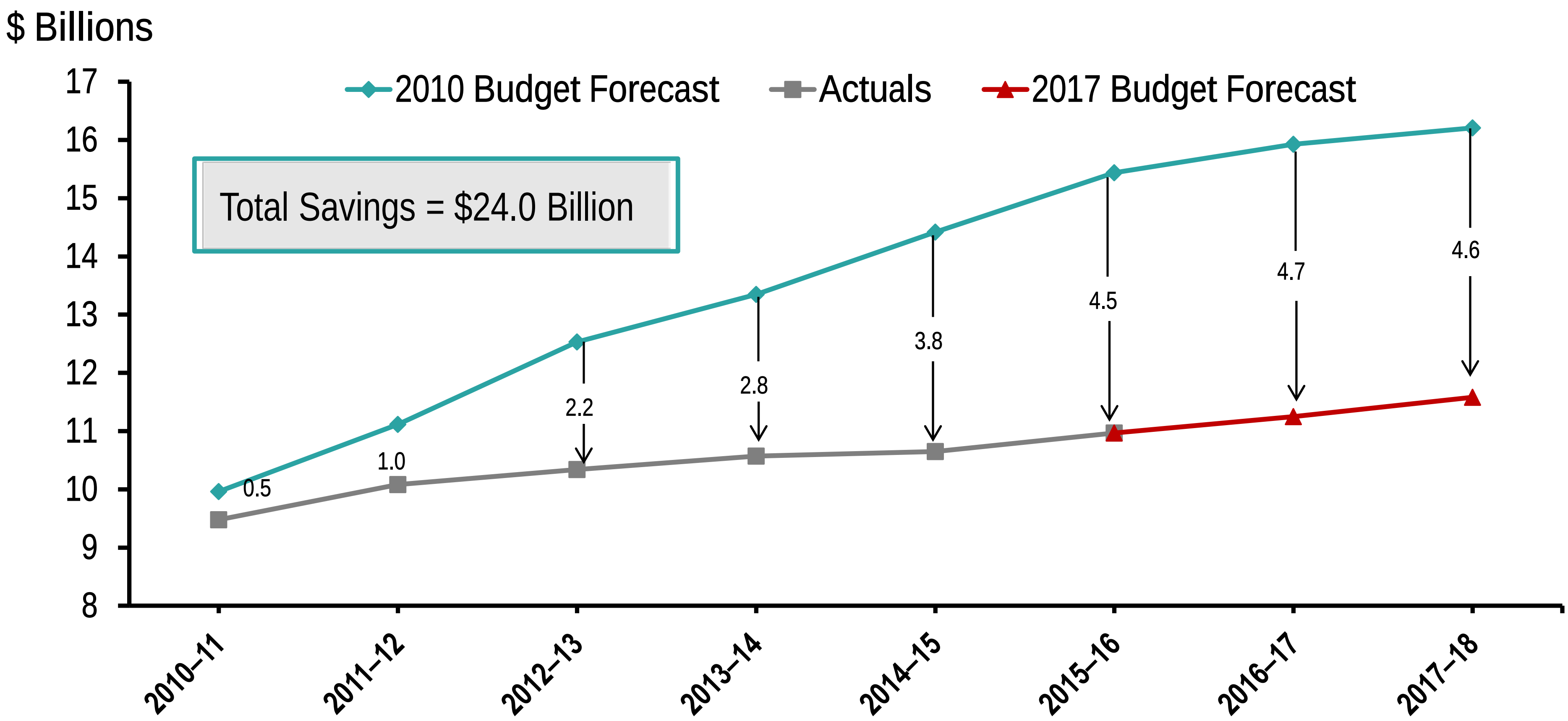
Revenue-to-GDP



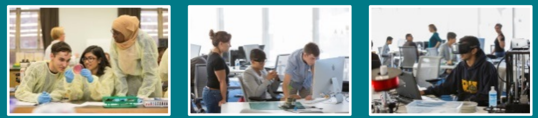
Sources: Statistics Canada and Ontario Ministry of Finance.

Interest on Debt: Budget Forecast versus Actual

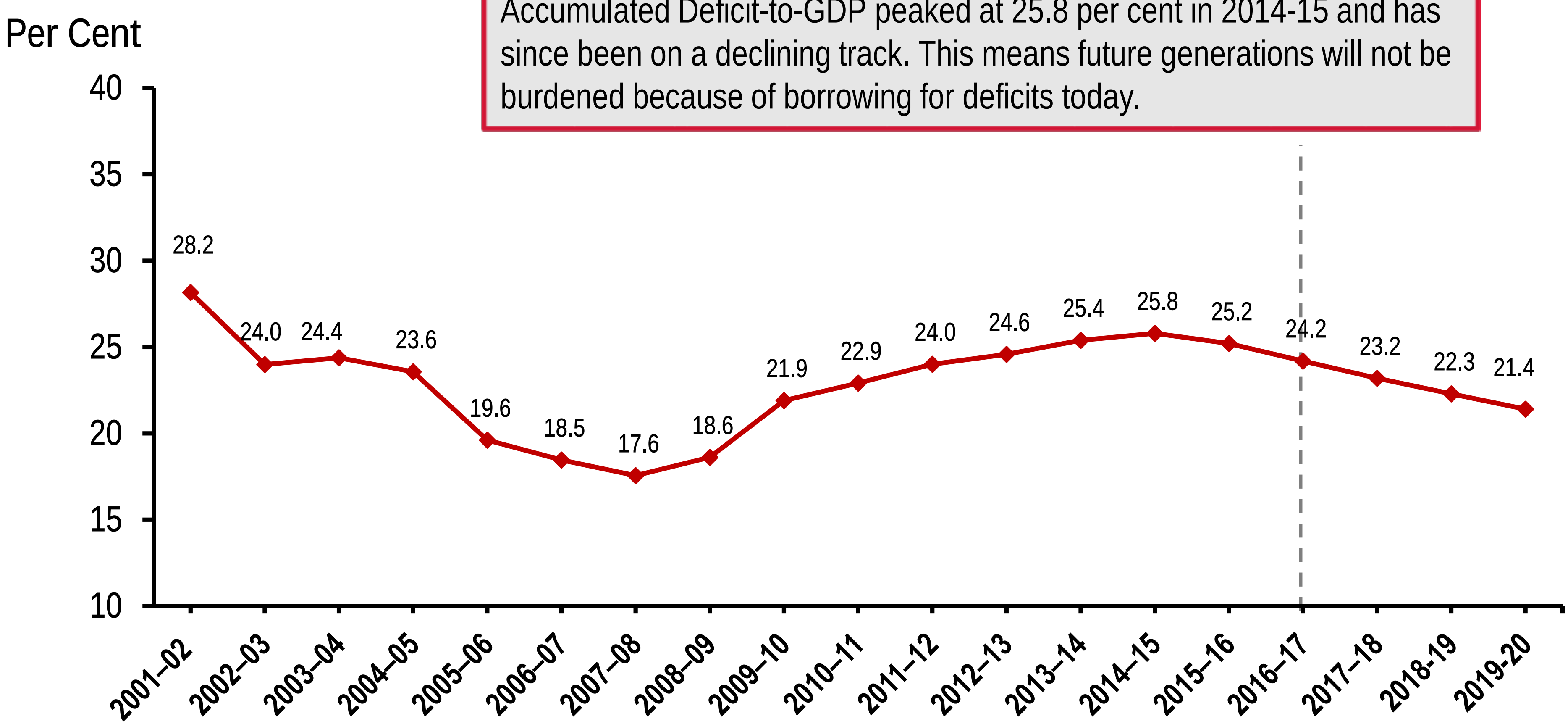


Note: Numbers may not add due to rounding
Sources: Statistics Canada and Ontario Ministry of Finance.



Accumulated Deficit-to-GDP Declining as Balance is Restored

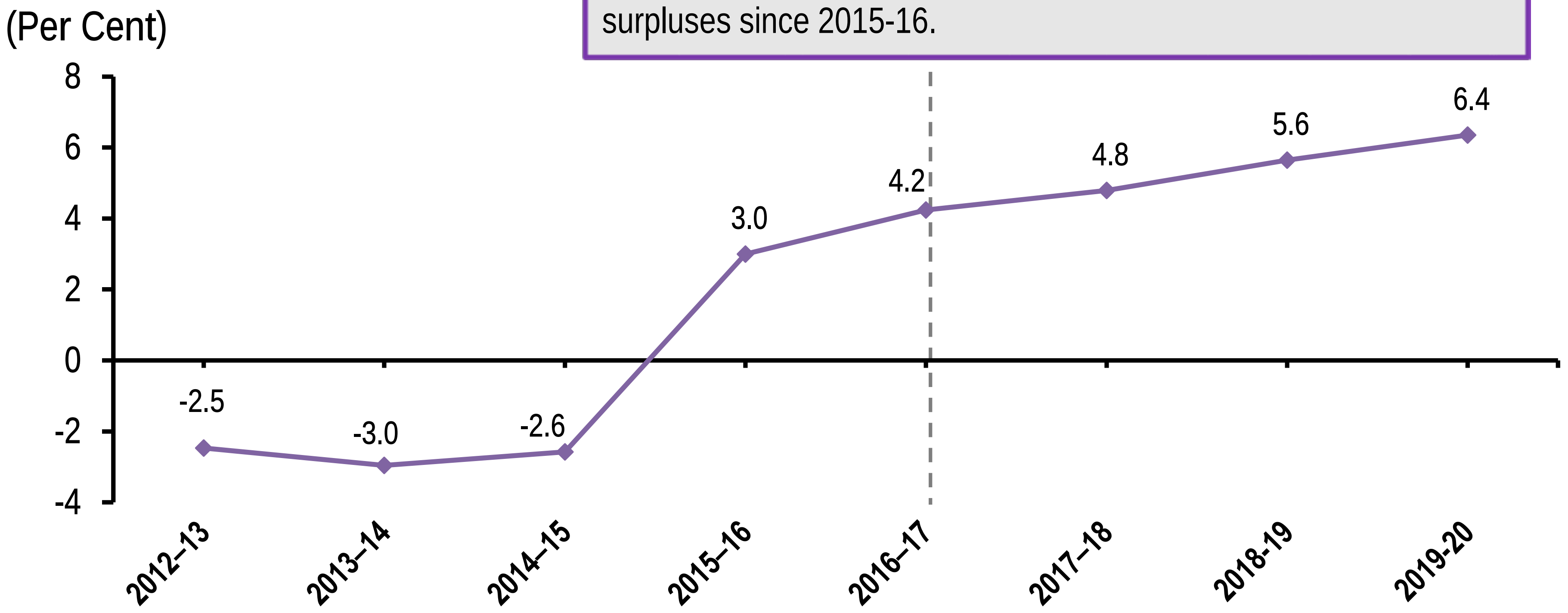
Accumulated Deficit-to-GDP peaked at 25.8 per cent in 2014-15 and has since been on a declining track. This means future generations will not be burdened because of borrowing for deficits today.



Sources: Statistics Canada and Ontario Ministry of Finance.

Operating Surplus/(Deficit) to Operating Revenue

Excluding capital, the government has experienced operating surpluses since 2015-16.



Source: Ontario Ministry of Finance

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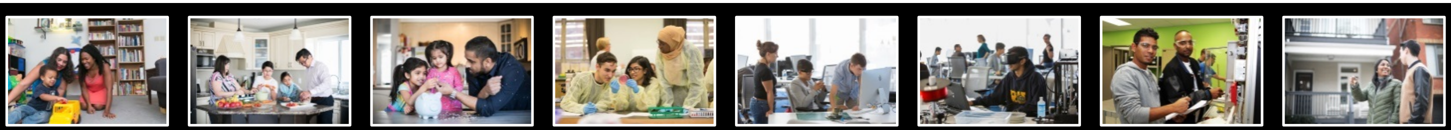

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