2017 Document: Preliminary Fiscal Planning Scenarios

As of: March 7, 2017 3:15pm – Confidential Advice to Cabinet

Base Scenario

Updates for the Latest Revenue Forecast and Approvals to Date; No New Investments or 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	99,025	103,803	108,364	4.4%	4.6%
Incl. Targeted Tax Changes	-	-	-		
All Other Revenue	40,877	38,247	38,501	0.2%	-2.9%
Total Current Revenue	**139,902**	**142,050**	**146,865**	**3.2%**	**2.5%**
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 Contingency Funds	-	-	-		
Scalable Priority Initiatives	-	-	-		
Document Initiatives Envelope	-	-	-		
Current Interest on Debt	11,589	12,089	12,283		
Total Expense	**139,976**	**144,684**	**147,715**	**3.1%**	**2.7%**
Current Reserve	700	800	1,000		
Planning Surplus/(Deficit)	***(774)***	***(3,434)***	***(1,850)***		
Fiscal Anchor	**-**	**-**	**-**		
Fiscal Room/(Hole)	**(774)**	**(3,434)**	**(1,850)**		

Key Revenue Assumptions	2017-18	2018-19	2019-20
Includes:			
PIT: Balanced Tax Planning Risk	250	250	250
CIT: Higher Revenue Yield	285	527	713
LTT: Stronger Housing Resale Market	544	787	995
Stronger HST: Ontario Economic Outlook	247	259	273
Total High Yield Revenue Assumptions	**1,326**	**1,823**	**2,231**
Other Key Revenue Assumptions			
Aggressive H1 Share Price Scenario	155	-	-
Take CHT Target Funding Offer	(134)	96	424
Reverse Federal Infrastructure Funding	(500)	(1,000)	-
Equalization Forecast	1,424	691	691
Public Transit Infrastructure Fund (PTIF)	1,114	372	-
IFRS Accounting for OPG/HOL	(425)	(525)	(675)
Debt Retirement Charge ends 2018-19	623	-	-
Asset Optimization (Net Impact)	1,154	(82)	(430)
Cap and Trade Proceeds Assumptions	1,778	1,388	1,365
Total Other Key Revenue Assumptions	**5,189**	**940**	**1,375**

Preliminary Document Planning Scenario

Builds in 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	104,443	109,166	4.7%	4.8%
Incl. Targeted Tax Changes	*409*	*640*	*802*		
All Other Revenue	40,877	38,247	38,501	0.2%	-2.9%
Total Current Revenue	**140,311**	**142,690**	**147,667**	**3.4%**	**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	-	-		
Scalable Priority Initiatives	729	1,274	1,580		
Document Initiatives Envelope	200	200	200		
Must-Do PRRT Deferrals	85	19	91		
Adjust Cap & Trade for Colleges Consolidation	(100)	-	-		
Total Program Spending	**129,744**	**134,087**	**137,303**	**3.7%**	**2.9%**
Current Interest on Debt	11,589	12,089	12,283		
Total Expense	**141,333**	**146,176**	**149,586**	**3.6%**	**2.9%**
Current Reserve	700	800	1,000		
Planning Surplus/(Deficit)	***(1,722)***	***(4,286)***	***(2,919)***		
Fiscal Anchor	**-**	**-**	**-**		
Fiscal Room/(Hole)	**(1,722)**	**(4,286)**	**(2,919)**		

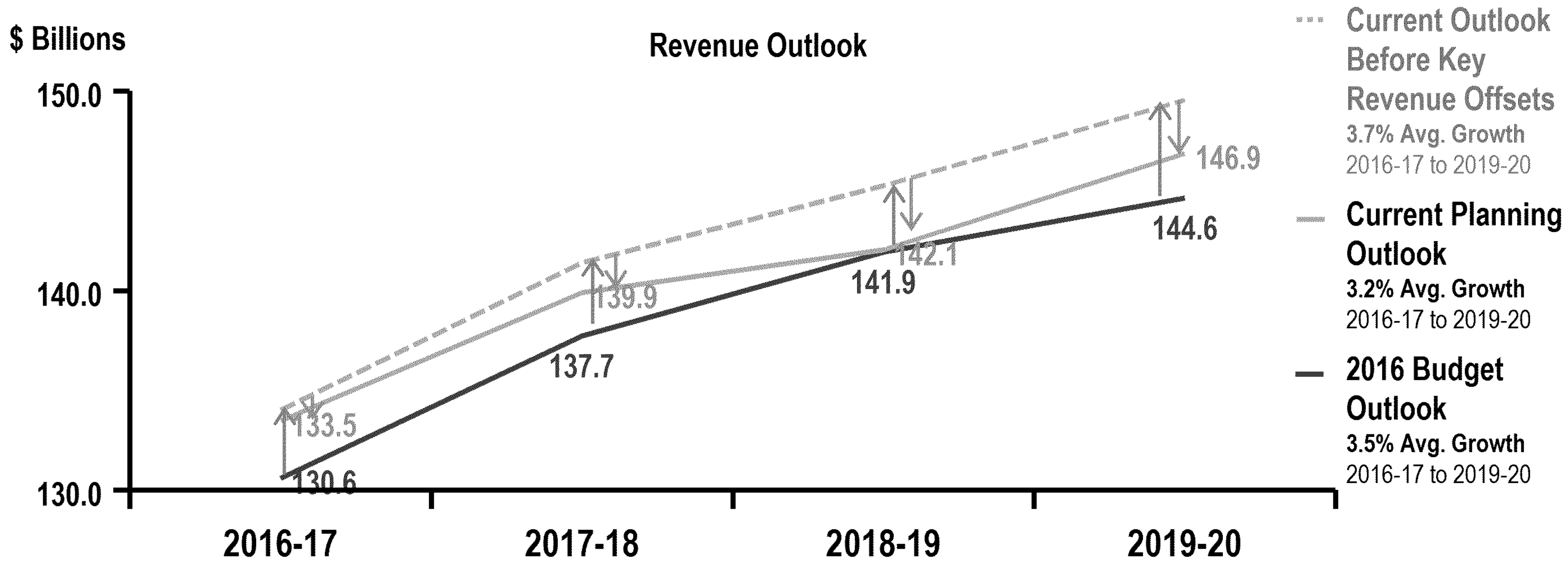
Key Document Scenario Assumptions	2017-18	2018-19	2019-20
Targeted Tax Changes			
Tobacco Tax: Additional $2 per carton of 200	40	39	38
Beer Tax: Additional 50 cents per 24-case	14	41	59
Increases to the Insurance Premium Tax	270	380	395
Increase Planned Education Property Tax	85	180	310
Total Targeted Tax Changes	**409**	**640**	**802**
Additional Investments			
Must-do PRRT Deferrals	85	19	91
Scalable Initiatives Envelope	729	1,274	1,580
Other Document Initiatives Envelope	200	200	200
Restore 2017-18 Contingency Funds to $600 million	444	–	–
Total Additional Expense Investments	**1,458**	**1,492**	**1,871**
Expense Levers			
Adjust Cap & Trade for Colleges Consolidation	(100)	–	–
Total Key Document Scenario Assumptions	949	852	1,069

Tools

Potential Revenue Tools	2017-18	2018-19	2019-20
Aggressive Revenue Forecast Assumptions			
Zero PIT Tax Planning	100	106	113
Federal Infrastructure Assumption	–	500	500
Hold Equalization at 2017-18 level ($1.4B)	–	733	733
Exclude IFRS Acct'g for OPG/H1 beyond 17-18	–	525	675
Asset Optimization – Assume additional 80 cents/share	105	–	–
Remove Nominal GDP Prudence	100	200	300
GBE Revenue Targets	100	200	300
More Aggressive Tax Rev. Growth	TBD	TBD	TBD
Subtotal Aggressive Revenue Forecast Assumptions	**405**	**2,264**	**2,621**
Augment Targeted Tax Change (Tobacco to $40 by 2019-20)	**–**	**80**	**160**
Revenue Strategy Target	**–**	**200 to 400**	**350 to 700**
Total Potential Revenue Tools	405	2,544 to 2,744	3,131 to 3,481

Potential Expense Tools	2017-18	2018-19	2019-20
Program Expense Tools			
Program Review Savings Target	–	(500) to (1,000)	(500) to (1,000)
Re-profile TP Spending	(250)	250	
Reduce Cap-and-Trade Envelope (find-in-plan)	–	(200)	(200)
Reduce Pension Impact	–	(456)	(180)
Time Shift Capital to 2016-17	0 to (250)	0 to (84)	0 to (27)
Scale Back Investments	TBD	TBD	TBD
Scale Back Deferred Items	0 to (40)	0 to (19)	0 to (91)
Scale Back Approved in Principle	(206)	(223)	(285)
Adjust Contingency Funds	TBD	TBD	TBD
Subtotal Program Expense Tools	**(456) to (746)**	**(1,129) to (1,732)**	**(1,165) to (1,783)**
Additional Interest on Debt Savings	**(50)**	**(50)**	**(100)**
Total Potential Expense Tools	(506) to (796)	(1,179) to (1,782)	(1,265) to (1,883)
Reduce Reserve	(300)	(50)	–
TOTAL POTENTIAL TOOLS	**1,211 to 1,251**	**3,773 to 4,576**	**4,396 to 5,364**
Fiscal Gap from Scenario	**(1,722)**	**(4,286)**	**(2,919)**

Evolution of Revenue Since 2016 Budget



Revenue Changes since the 2016 Budget

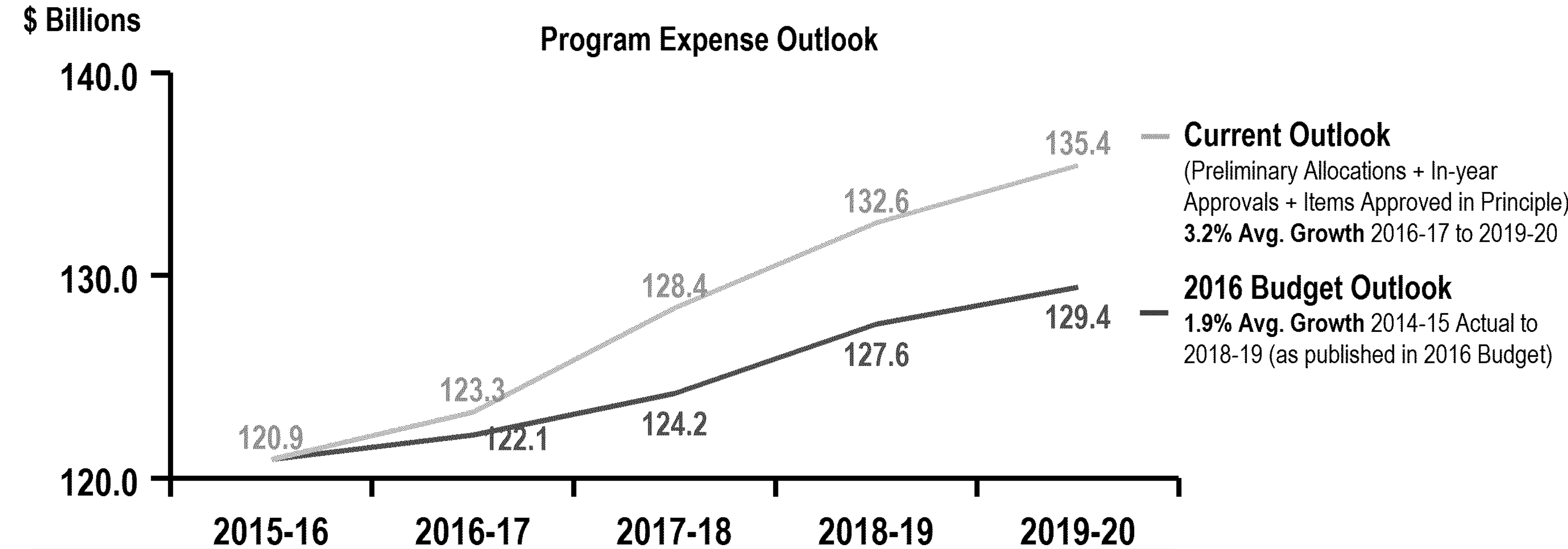
Key Increases Since Budget	Key Offsets Since Budget
• Taxation revenues (mainly PIT, CIT, Sales Tax, LTT) • Public Transit Infrastructure Fund (PTIF)	• Equalization entitlements • Asset Optimization • Cap and Trade Proceeds • IFRS related consolidation adjustments (H1/OPG)

Details of Key Revenue Changes since 2016 Budget

$ Billions	2017-18	2018-19	2019-20	Growth 16-17 to 19-20	Growth 17-18 to 19-20
2016 Budget Revenue	**137.7**	**141.9**	**144.6**	**3.5%**	**2.5%**
Year-over-year Growth	*5.5%*	*3.0%*	*1.9%*		
Taxation Revenue Update	1.8	1.9	2.0		
High Yield Tax Revenue Assumptions	1.3	1.8	2.2		
Equalization	(0.9)	(1.6)	(1.6)		
Public Transit Infrastructure Fund (PTIF) *(Fiscally Neutral)*	1.1	0.4	-		
Unconditional Fed Infrastructure Funding	(0.5)	(1.0)	-		
CHT/Homecare Agreement Update	(0.1)	0.1	0.4		
GBE Update	-	0.1	0.1		
IFRS Accounting for OPG/HOL	(0.4)	(0.5)	(0.6)		
Cap and Trade Proceeds Projection	(0.1)	(0.5)	(0.5)		
Asset Optimization	0.1	(0.7)	-		
All Other Changes	(0.1)	0.2	0.1		
Total Revenue Changes	**2.2**	***0.1***	**2.2**		
Current Revenue Forecast	**139.9**	**142.1**	**146.9**	**3.2%**	**2.5%**
Year-over-year Growth	*5.1%*	*1.5%*	*3.4%*		

Note: Budget amounts for 2019-20 were not published, and reflect internal forecasting assumptions.

Expense Growth: 2016 Budget to Current



$ Billions	2017-18	2018-19	2019-20
2016 Budget Interest on Debt	**12.5**	**13.1**	**13.3**
Changes	*(0.9)*	*(1.0)*	*(1.0)*
Current Interest on Debt	**11.6**	**12.1**	**12.3**
2016 Budget Reserve	**1.0**	**1.1**	**1.2**
Changes	*(0.3)*	*(0.3)*	*(0.2)*
Current Reserve	**0.7**	**0.8**	**1.0**

Details of Key Program Spending Changes since 2016 Budget

$ Billions	2017-18	2018-19	2019-20	Growth 16-17 to 19-20	Growth 17-18 to 19-20
2016 Budget Program Expense	**124.2**	**127.6**	**129.4**	**1.9%**	**2.1%**
Year-over-year Growth	*1.7%*	*2.8%*	*1.4%*		
Change in Pension Accounting	0.1	0.7	0.8		
In-year and Allocation Adjustments	1.9	1.8	2.7		
Changes: Budget to Prelim. Outlook.	*2.0*	*2.5*	*3.5*		
Preliminary Allocations Outlook	***126.2***	***130.1***	***132.9***	***2.6%***	***2.6%***
Year-over-year Growth	*2.5%*	*3.1%*	*2.2%*		
Revised Pension Forecast	0.4	0.5	0.2		
Public Transit Infrastructure (PTIF) *(Fiscally Neutral)*	1.1	0.4	-		
Additional Electricity Price Relief	0.7	0.8	0.8		
Other Approved in Principle Changes	0.0	0.9	1.5		
Changes: Prelim. to Current Outlook	*2.2*	*2.5*	*2.5*		
Total Changes from Budget to Current Outlook	***4.2***	***5.0***	***6.0***		
Current Program Expense Forecast	**128.4**	**132.6**	**135.4**	**3.2%**	**2.7%**
Year-over-year Growth	*4.2%*	*3.3%*	*2.1%*		