Ontario

2017 Ontario Budget - Program Expense Overview

2017 Ontario Budget

A Stronger, Healthier Ontario

Rating Agency Briefing Presentation
DRAFT May 4, 2017

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2016-17 Interim Performance

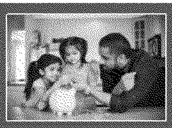
- **Ontario's deficit for 2016-17 is projected to be $1.5B** – an improvement of $2.8B compared to the 2016 Budget forecast.

- **Program expense is projected to be $1.4B higher** than outlined in the 2016 Budget.

  – Primarily due to additional investments in hospitals, Green Investment Fund initiatives, the Ontario Disability Support Program and the Ontario Rebate for Electricity Consumers.

  – The increase is partially offset by lower-than-projected interest on debt expense.



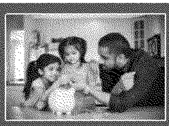


Summary of Expense Changes since *2016 Budget*

Summary of Expense Changes since the *2016 Budget* ($ Millions)	2016–17
Increase/(Decrease) in Program Expense since the *2016 Budget*[1]	
Health Sector	483
Education Sector[2]	105
Postsecondary and Training Sector	(69)
Children's and Social Services Sector	287
Justice Sector	115
Other Programs	441
Total Increase/(Decrease) in Program Expense since the *2016 Budget*	**1,362**
Interest on Debt	(506)
Total Expense Changes since the *2016 Budget*	**856**

1 Expense change by sector, restated for fiscally neutral transfers of programs between sectors.
2 Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs.

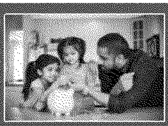




Ontario’s Return to Balance

- Ontario is **balancing the budget** for the first time since the 2008–09 global recession and maintaining a balanced budget for the next two years.
  - Through targeted, measured and fiscally responsible decisions, Ontario has restored its fiscal and economic strength.
  - Ontario remains the province with the lowest per-capita program spending in Canada, effectively managing spending while transforming the delivery of public services like health care and education.
- The benefits of balanced budgets and a strengthening economy provide the government with the **fiscal flexibility to do more to help Ontarians**.
  - For the 2017 Budget, this includes **additional investments over three years** of $**11.5B in health care** ($7B more than planned in the 2016 Budget), and **$6.4B in education and training** ($5.5B more than planned in the 2016 Budget), and a **$30B expenditure increase to the multi-year infrastructure plan** published in the 2016 Budget.

Total program expense projected to **grow on average by 2.9% per year** between 2015-16 and 2019-20.



Summary of Medium-Term Expense Outlook

Summary of Medium-Term Expense Outlook
($ Billions)

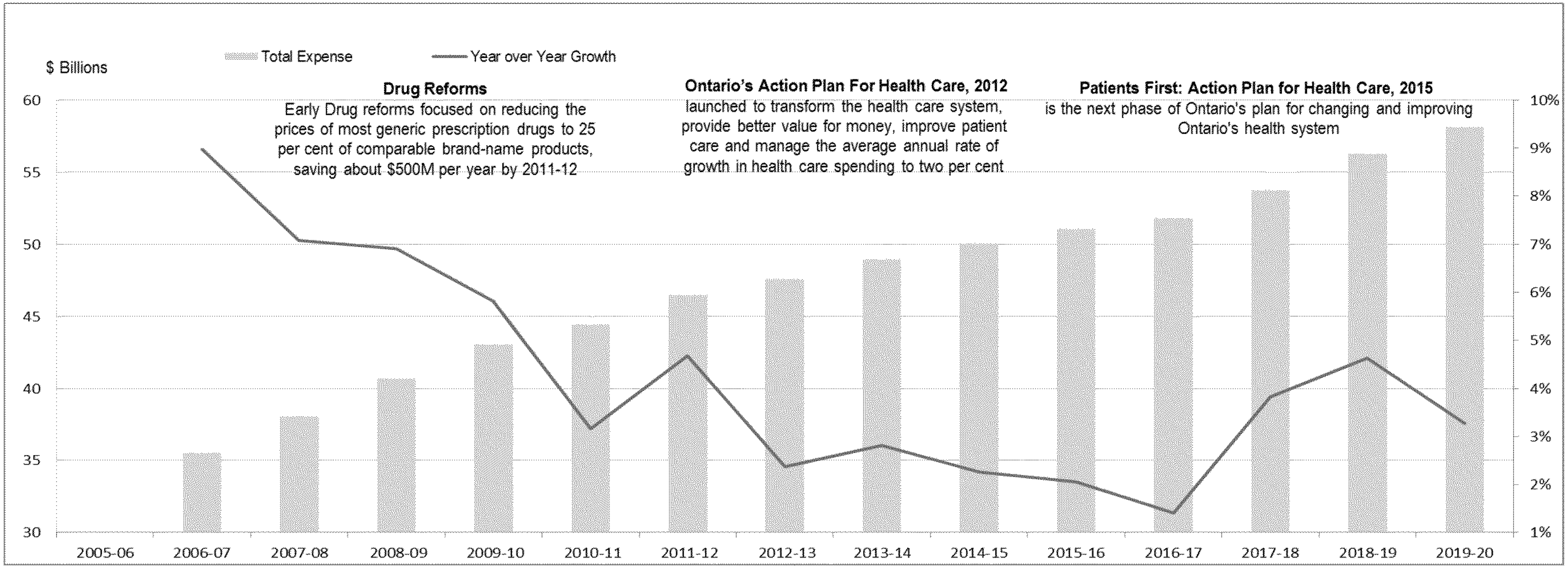
	Actual	Interim	Plan	Outlook		Average Annual Growth
	2015–16	2016–17	2017–18	2018–19	2019–20	2015–16 to 2019–20
Programs						
Health Sector	51.0	52.2	53.8	56.3	58.1	3.3%
Education Sector[1]	25.0	25.7	26.5	27.4	28.0	2.8%
Postsecondary and Training Sector	7.7	7.8	8.4	8.3	8.4	2.5%
Children's and Social Services Sector	15.6	16.2	16.9	17.2	17.4	2.7%
Justice Sector	4.5	4.6	4.7	4.7	4.8	1.2%
Other Programs	17.1	17.0	19.2	18.4	19.2	2.9%
Total Programs	**120.9**	**123.5**	**129.5**	**132.3**	**135.8**	**2.9%**
Interest on Debt	11.0	11.3	11.6	12.0	12.6	3.6%
Total Expense	**131.9**	**134.8**	**141.1**	**144.3**	**148.4**	**3.0%**

[1] Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs.
Note: Numbers may not add due to rounding.



Health Sector

- Ontario continues to **transform** the health care system — so patients and their families can get the right care when and where they need it.
  - Increasing health care investments by $11.5B over the next three years to **increase access to care**, **reduce wait times** and **enhance patient experience**.
  - The balanced 2017 Budget plan includes a new $7B booster shot for health care, building on the commitment made in the 2016 Budget.



Sector expense projected to **grow on average by 3.3% per year** between 2015-16 and 2019-20.

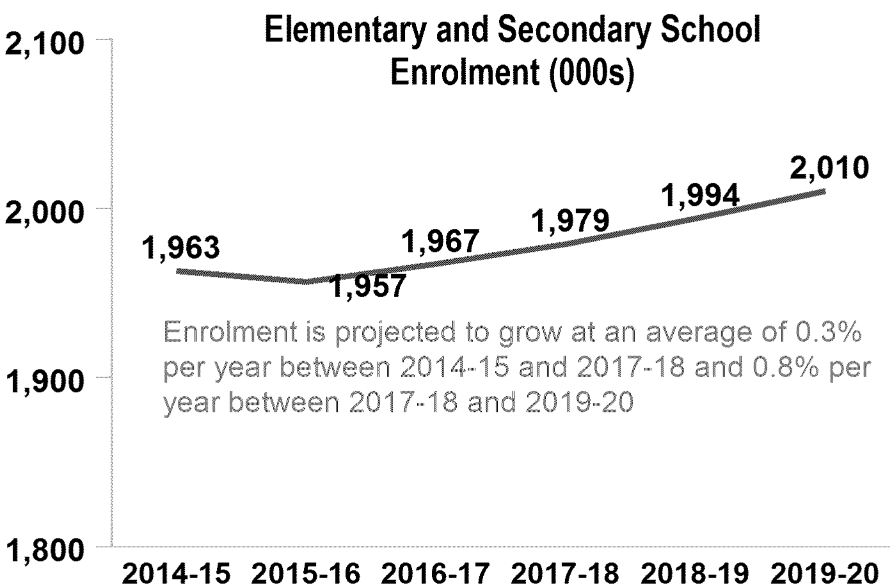
Health Sector (cont'd)

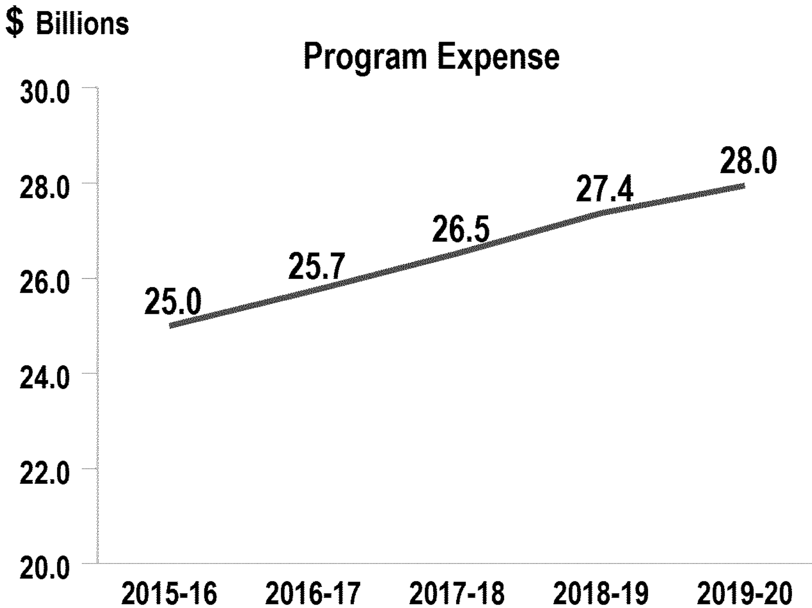
- Actions being taken:
  - Providing **free prescription medications to all children and youth aged 24** and under starting in January 2018 **while continuing to achieve savings in drug programs** through the pan-Canadian Pharmaceutical Alliance.
  - **Enhancing primary care** and providing more funding **for home and community care to make it easier** for Ontarians **to get the services they need** in their communities.
  - **Improving access to high-quality health care services** for people across the province by investing $1.3 billion over three years to reduce wait times across the continuum of care.
  - **Funding mental health and addiction initiatives**, such as structured psychotherapy, supportive housing and youth services.
  - **Improving services** for people living with dementia and providing more support to their caregivers.
  - Increasing funding to long-term care homes and services **to improve residential care with healthier food and more specialized staff**.
  - Developing **chronic pain management programs** at 17 hospitals and community clinics.
  - Providing **more than $20 billion in capital grants over 10 years**, including a new commitment of approximately $9 billion, to support the construction of major hospital projects across the province.



Education Sector

- Ontario continues **to build a strong education system that sets students up for success**, giving them the knowledge and skills they need for success in the modern economy.
- Education sector expense is projected to grow from $25.0 billion in 2015-16 to $28.0 billion in 2019-20 mainly due to increased funding to school boards to support enrolment growth, and new investments in child care.





Sector expense projected to **grow on average by 2.8% per year** between 2015-16 and 2019-20.

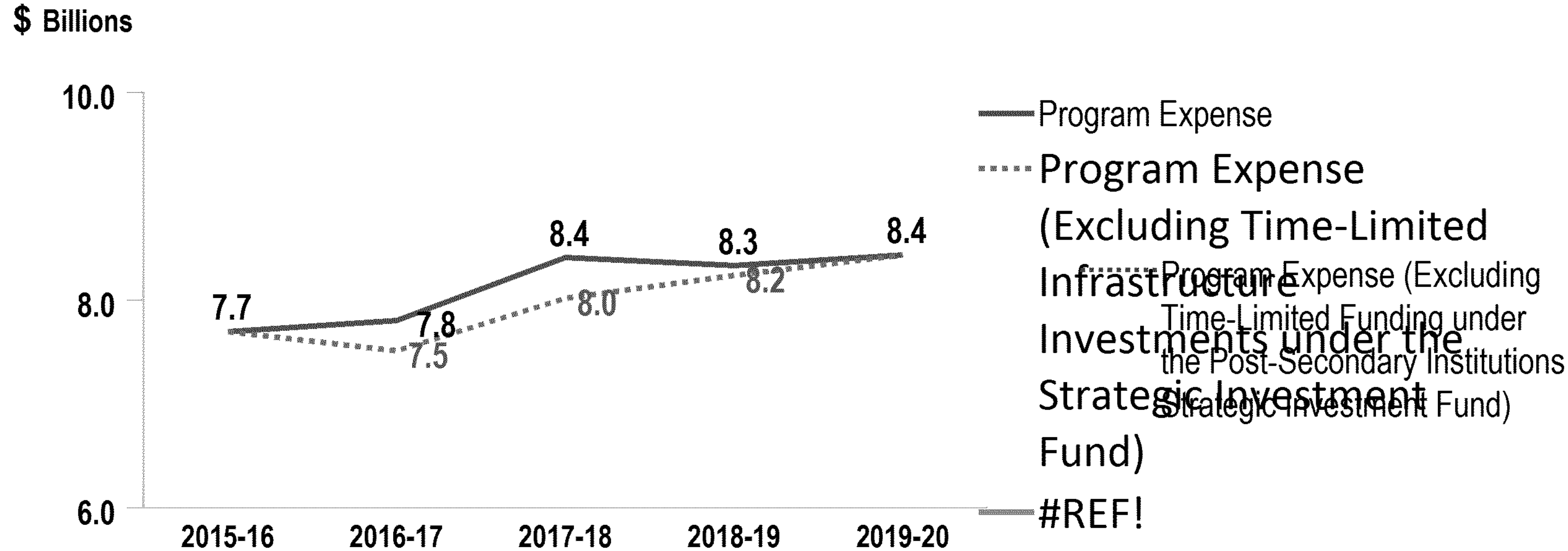
Education Sector (cont'd)

- Action being taken:
  - **Increased funding to school boards** to support enrolment growth.
  - Completing **labour agreements** with all teachers and education workers, which will extend the current contracts for two years.
  - Helping 100,000 more children aged 4 and under **access affordable, quality licenced child care,** including creating 24,000 new child care spaces in 2017-18
  - **Expanding before- and after-school programs for children 6 to 12 years of age** and 60 minutes per day focusing on effective instruction in math.
  - **Improving students' cognitive, emotional, social and physical development** with programs and services focusing on their well-being and mental health.
  - Providing **almost $16 billion over 10 years to help build and improve schools**, including an additional $1.2 billion for school repair and renewal over the next two school years.



Postsecondary & Training Sector

- Ontario is committed **to helping people acquire the skills** they need to find a good job, as the province's competitiveness and prosperity depend increasingly on a highly skilled workforce.
- Post-secondary and training sector expense is projected to grow from $7.7 billion in 2015-16 to $8.4 billion in 2019-20 mainly due to investments in Ontario's Highly Skilled Workforce Strategy and post-secondary infrastructure investments.



Sector expense projected to **grow on average by 2.5% per year** between 2015-16 and 2019-20.



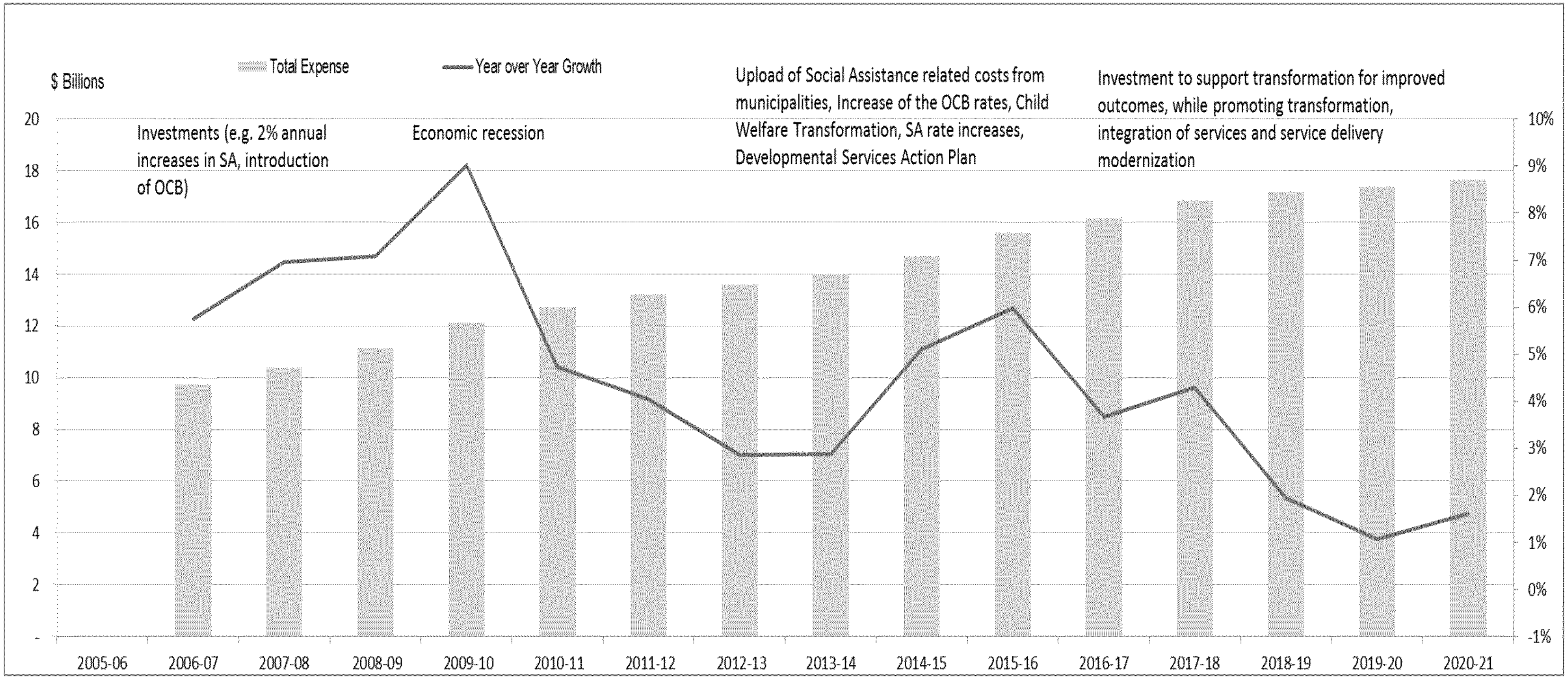
Postsecondary & Training Sector (cont'd)

- Action being taken:
  - Investing in initiatives to support the **Highly Skilled Workforce Strategy** to give people of all abilities and backgrounds the chance to develop their talents and learn new skills through education and training, including:
    - Creating 40,000 new work-related learning opportunities with employers for students and recent graduates through Ontario's **Career Kick-Start Strategy**.
    - Expanding programs and services for adult learners by providing approximately 90,000 more adults with easier access to skills training and upgrading through Ontario's **Lifelong Learning and Skills Plan**.
    - **Supporting postsecondary education and training for Indigenous learners**, including increasing capacity of the nine Indigenous-owned and operated Aboriginal Institutes in Ontario.
  - **Transforming the Ontario Student Assistance Program (OSAP)** to make postsecondary education more accessible and affordable, including increasing the minimum salary an individual needs to earn from $25,000 to $35,000 before they start repaying the Provincial portion of OSAP loans.
  - Collaborating with the federal government, colleges, universities and Aboriginal Institutes to enhance and **modernize research facilities on campuses and improve the environmental sustainability of these facilities** through the Post-Secondary Strategic Investment Fund.



Children & Social Services Sector

- Ontario is committed **to helping people realize their potential** and **participate fully in an inclusive society**.
  - Investing to **achieve better outcomes** and **transform the Sector's key programs** including Social Assistance, Developmental Services, Autism, and Child Welfare.



Sector expense projected to **grow on average by 2.7% per year** between 2015-16 and 2019-20.

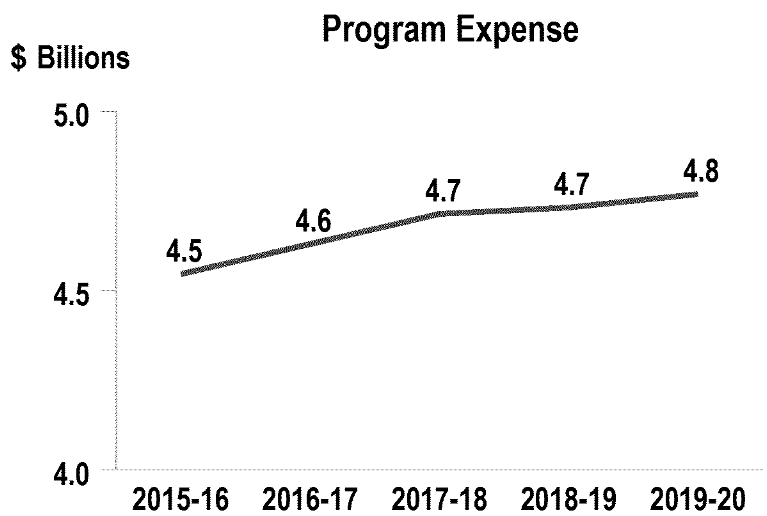
Children & Social Services Sector (cont'd)

- Action being taken:
  - Investing $677M over four years in **Developmental Services** to provide adults with developmental disabilities services that are more appropriate for their needs and keep them out of crises.
  - Strengthening and modernizing **Child Welfare services** including raising the age of protection from 16 to 18 and improving oversight of service providers so that children and youth receive consistent, high-quality services across the province.
  - Introducing the new **Ontario Autism Program** to reduce wait times and provide more flexible services at a level that meets each child's individual needs.
  - Increasing **social assistance** rates in Ontario Works and the Ontario Disability Support Program and increasing asset limits and gift exemptions.
  - Implementing a pilot to test whether a **Basic Income** could be a simpler and more effective way to ensure security and opportunity in a changing job market.
  - Establishing an **Income Security** Working Group to develop a multi-year roadmap for an income security system that is based on equity, adequacy, sustainability and simplicity.



Justice Sector

- Ontario is committed to **transform** the Justice System so that it is modern, focused on prevention, community-based and people-centered.
  - Working with police services, local agencies and the communities they serve, the Province is developing the **Strategy for a Safer Ontario** to help create stronger, more **integrated communities** across the province and **modernize police services** to ensure they are **community-focused, accountable, sustainable** and **culturally responsive**.



Sector expense projected to **grow on average by 1.2% per year** between 2015-16 and 2019-20.

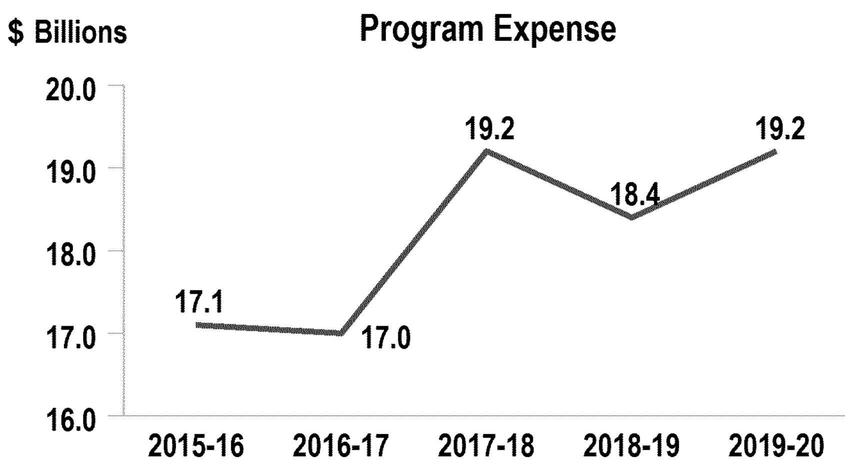
Justice Sector (cont'd)

- Action being taken:
  - **Reform of Ontario's corrections system** to reduce the number of individuals in custody and ensure those in custody receive services responsive to individual needs, including through:
    - Hiring additional health and social support staff
    - Retrofitting, repairing and repurposing existing spaces, including common rooms and yards
    - New correctional centres in Thunder Bay and Ottawa that would replace aging facilities, to improve health and safety of both inmates and staff, address capacity issues and better accommodate delivery of programming
  - **Reducing time-to-trial and improving the bail system** including through expanding a program to help facilitate the successful release on bail of low-risk accused pending trial, and providing safe, supportive and supervised housing for vulnerable accused people by adding additional bail beds.



Other Programs Sector

- Ontario is:
  - Making investments in key services that matter most to people, while at the same time **lowering costs for necessities** like electricity
  - Supporting **communities** by expanding transportation infrastructure through the largest investment in Ontario's history.
  - Supporting **businesses** by fostering innovation, increasing access to financing, and helping firms grow their exports.
  - Investing to grow a **low-carbon economy** through the government's Climate Change Action Plan.



Sector expense projected to **grow on average by 2.9% per year** between 2015-16 and 2019-20.

Other Programs Sector (cont'd)

- Action being taken:
  - **Lowering costs/increasing affordability**
    - Lowering **energy** costs for ratepayers while working with Provincial agencies to identify opportunities to drive efficiency and productivity improvements.
      - Implementing electricity cost relief programs under the **Fair Hydro Plan**, including lowering **household** electricity bills on average by 25%, beginning this summer.
      - Investing $100M in the new **Natural Gas Grant Program** to support the building of infrastructure to expand access to natural gas to areas currently underserved, including rural, northern Ontario and First Nation communities.
    - Introducing a **Fair Housing Plan** to increase affordability for both buyers and renters and to support stability in the housing market.
    - Supporting healthy and active aging **seniors**, including through the proposed Seniors' Public Transit Tax Credit.
  - **Investing in transit and transportation**
    - Building a world-class transit and transportation system by investing $56 billion in public transit and $26 billion in highways over 10 years to support a globally competitive economy and high quality of life.-
    - Continuing investment in the **Moving Ontario Forward** plan to support public transit, transportation and other priority infrastructure.
  - **Helping businesses**
    - Investments to **expand Ontario's footprint in key international markets** and grow the province's capacity to help businesses expand globally.
    - **Advocating for continued free trade** including new resources to ensure Ontario's interests are well represented throughout the United States.
    - Creating and retaining more than 37,000 jobs across the province through the 10-year, $2.7-billion **Jobs and Prosperity Fund**, which helps the government partner with businesses to enhance productivity, innovation and exports.



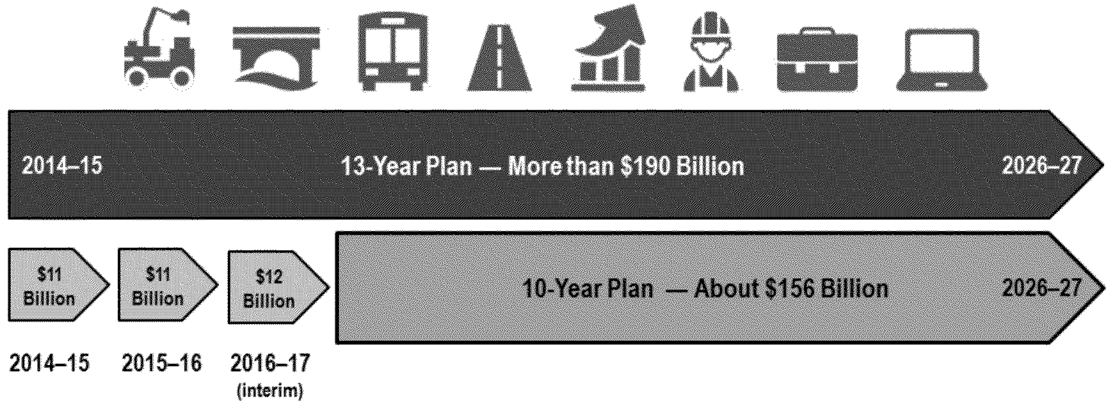
Other Programs Sector (cont'd)

- Action being taken (cont'd):
  - **Investing in initiatives under the Climate Change Action Plan**
    - Ontario's market-based carbon pricing program came into effect on July 1, 2016.
    - The first auction of emissions allowances in March 2017 generated $472M, which by law will be invested in programs that will reduce Greenhouse Gas (GHG) pollution and help families and businesses reduce their own emissions through the Climate Change Action Plan.
    - In addition to the initiatives supported by the Green Investment Fund (GIF) which are already underway, new investments include:
      - $85M in 2017–18 to support additional retrofit activities in social housing apartments across the province with energy efficiency improvements.
      - $377M in 2017–18 through the Green Ontario Fund to make it easier for households and businesses to adopt proven low -carbon technologies.
      - $200M in funding in 2017–18 for schools to improve energy efficiency and install renewable energy technologies.
      - $50M in 2017–18 in commuter cycling infrastructure to give Ontarians a safe and low-cost commuting alternative.
      - More than $22M in 2017–18 in electric vehicle (EV) charging infrastructure across the province, including at government facilities, making electric vehicles a viable option for more people.
  - **Tripling the Ontario Community Infrastructure Fund to $300M per year by 2018-19.**
  - **As part of the $640M Social Infrastructure Fund, the Province and federal government have agreed to support the repair and modernization of community infrastructure and address local service capacity and emerging needs.**



Province's Capital Plan

- The *2017 Budget* updates and rolls forward the 10-year capital plan by one year.
  - Planned infrastructure investments total more than $190 billion over 13 years, starting in 2014-15.
- The capital plan includes investments to support priority projects such as roads, bridges, public transit, hospitals and schools

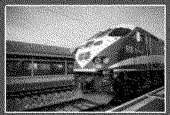
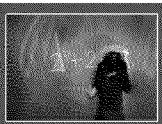


Figures exclude third-party investments in hospitals, colleges and schools.

- The Province estimates that planned infrastructure investments support 125,000 jobs, on average, each year in Ontario.
- The Centre for Spatial Economics (C4SE) finds that over the long term, the real GDP in Ontario rises up to $6 on average per dollar of public infrastructure spending.

Transforming Government

- Through Program Review, Renewal and Transformation (PRRT), the government is supporting **evidence-based decision-making** and **identifying major transformational initiatives** focused on finding savings, modernizing services and improving outcomes.
- Collaborative action across government continues on major transformation and efficiency initiatives identified in the *2016 Budget*, aimed at improving outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education, including:
  - **Digital Government**
    - In 2016, Ontario became the first province in Canada to appoint a Minister Responsible for Digital Government, demonstrating its commitment to deliver high-impact digital projects and give people a stronger voice in their government. Examples of projects include:
      - A simple online immunization calendar that helps parents and families view and save vaccination schedules for young children;
      - A digital consultation platform that has allowed thousands of people to provide input to government on topics ranging from fairness in ticket sales to a basic income pilot; and
      - Budget Talks, an interactive web platform that empowered Ontarians to identify and vote on initiatives that are funded in the *2017 Budget*.
  - **Transforming the Delivery of Income-Based Benefits**
    - Since the release of the *2016 Budget*, Ontario has introduced and passed new framework legislation that will allow for information sharing across benefit programs, which will improve client access and the delivery of benefits. Once fully implemented, clients will no longer be required to provide personal information multiple times when applying to different benefit programs.
    - Ontario has also partnered with the Canada Revenue Agency (CRA) so that applicants to a growing number of programs can choose to have their income verified automatically. These applicants will no longer be required to bring paper-based proof of income.

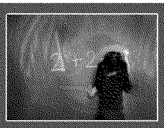




Transforming Government (cont'd)

- Going forward, the government is adopting a 2-pronged approach to support transformation.

  1. **Meeting Fiscal Objectives and Improving Sustainability**
     - The government is committed to undertaking systematic and strategic program reviews to meet year-end savings targets.
     - A strong project management approach will be employed to undertake both cross-ministry/horizontal reviews (assessment of common functions across ministries), and ministry-specific program reviews (review of current base programs).

  2. **Outcome-Focused and User-Centred Transformation**
     - Key priorities include using evidence-based approaches to improve outcomes, harness innovative business practices and service delivery models, and maximize the use of digital channels and solutions.
     - Examples include: (i) The use of behavioural science insights to improve outcomes and accelerate innovative program delivery; scaling up approaches where evidence shows outcomes are improved and service experience of users is enhanced. (ii) The province is moving ahead with building capacity to provide services digitally and make services simpler and faster to use.

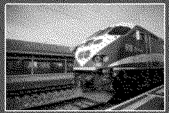
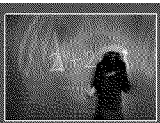

Transforming Government (cont'd)

Government Transparency, Financial Management and Fiscal Accountability

- The Province's 2016-17 financial results will report the net pension assets for jointly sponsored pension plans, in accordance with Public Sector Accounting Standards and consistent with the findings of Pension Asset Expert Advisory Panel.

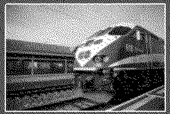
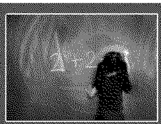
- Starting with the 2016-17 Public Accounts, Ontario's Statement of Operations will reflect the revenues and expenses of hospitals, school boards and colleges on a line-by-line basis.

- Budget 2017 includes reporting on the first investments to be tracked through a Designated Purpose Account (e.g., Trillium Trust starting in 2016-17 and Greenhouse Gas Reduction Account).
  - A new accountability framework will report on progress of designated-purpose spending commitments based on identified revenue streams.


Managing Compensation

- Over the past seven years, the government has been successful in moderating wage growth across the provincial public sector.
  - Wage outcomes in the provincial public sector continue to track below the municipal, federal and private sectors in Ontario.
- Recent Negotiations and Compensation Outcomes since the 2016 Budget:
  - Received an interest arbitration award for correctional staff represented by OPSEU, which provides for modest wage increase that are offset through a freeze on salary grid progression.
  - Received an arbitration decision for the Ontario Provincial Police Association, which provides outcomes below police-sector norms.
  - Took steps to re-initiate negotiations of the Physician Services Agreement, beginning with negotiations of a process for binding interest arbitration; and
  - Successfully negotiated two-year contracts in the education sector, which will continue to help achieve positive results for students and those who work in the sector.
- Broader Public-Sector Executive Compensation
  - All designated employers, under the Broader Public Sector Executive Compensation Act, 2014 are developing executive compensation programs that will be posted publicly.
  - Government will direct employers to revisit any proposed compensation program that is not reasonable.
- Going Forward, the government will focus on addressing longer-term workforce challenges that affect the sustainability of public services.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