2017 FALL ECONOMIC STATEMENT PLANNING

Initial Considerations and Key Decisions

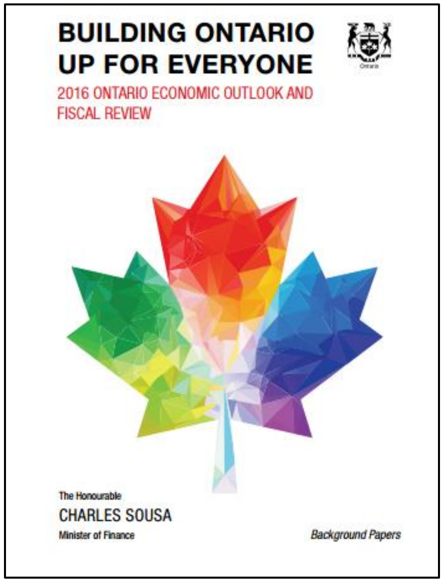
Ministers & Premier Meeting | September 28, 2017

Office of the Budget
MINISTRY of FINANCE

Overview

- The Fiscal Transparency and Accountability Act (FTAA) requires the Minister of Finance to release a mid-year review of the fiscal plan by November 15.

- The **Ontario Economic Outlook and Fiscal Review** (or Fall Economic Statement) provides an opportunity to report on progress against the Budget, and either confirm, or pivot the government's fiscal and policy priorities to set the stage for the upcoming Budget.



- A number of strategic considerations will need to be addressed in order to facilitate the development of the FES, including:
  - Overall thematic structure and storyboard;
  - Fiscal strategy and economic updates;
  - Progress updates, new initiatives, measures or policy intentions to "signal" and/or "pre-condition" for the 2018 Document; and
  - Timing of release.

Tentative Key Dates and Milestones

- Week of October 9 – 13:
  - Small Business Week
  - Constituency Week
  - Numbers Lock (Oct. 13)

- October 20 - 23: Premier Review of FES Narrative

- November 2: Potential FES Release

- November 15: Legislated FES Deadline
  - A letter to the Clerk may be used if there is a desire to delay beyond statutory deadline

FAIRNESS AND OPPORTUNITY FOR ONTARIO FAMILIES

Through our plan to maintain balance, support economic growth and invest in key public services, we will foster greater opportunity for more individuals and businesses; helping them get ahead and stay ahead. Ontario is committed to ensuring that everyone shares in the prosperity we are building together creating a more fair Ontario.

Fair Ontario

With a growing economy and a balanced budget, Ontario is able to make investments in key services like health care and education that matter most to people. The province will continue to make investment that make everyday life more manageable, like providing free prescription medications for babies, children and youth 24 and under. The government is committed to making life more affordable for people in Ontario, while at the same time building a fairer, more inclusive province.

Signature FES Initiatives and Major Updates

Other Progress on 2017 Budget

ENSURING FAIRNESS

- Supports for Seniors (New Initiatives)
- Fair Hydro Plan
- Fair Housing Plan
- Changing Workplaces; Transition to Minimum Wage

- Supports for Seniors
  - Dementia Strategy
  - Elderly Person Centres
  - Caregiver Organization
- Health Care
  - Mental Health
  - OHIP+
  - Opioid Strategy
- Child Care

- Basic Income
- Education
  - Free Tuition
  - School Renewal
- Auto Insurance
- Access to Justice

CREATING OPPORTUNITY

- Supports for Small Business (New Initiatives)
- Trade Promotion
- Highly Skilled Workforce

- Other supports for business (BGI, Going Global)
- Infrastructure Update: Transit Projects, Hospitals, Broadband & Natural Gas

- Women's Economic Opportunities
- Low-Carbon Economy
- Economic Development
- Jobs and Prosperity Fund

Fiscal and Economic Strength

Ontario's plan to create jobs and grow the economy is working. The plan has strengthened Ontario's economy and restored the Province's finances to balance. The government has achieved this while making strategic investments to support people, communities and public services.

Fiscal Sustainability/ Responsible Fiscal Management

- Revenue Integrity Strategy
- Details on Ontario's Finances and Economic Outlook
- Restoring Balance: Ontario's Fiscal and Economic Strength

- Borrowing and Debt Management
- Net-Debt to GDP Targets
- Accountability and Transparency

Working with Our Partners

Working with municipal, Indigenous and other government partners across the federation, Ontario has taken action to enhance everyday life, prosperity and competitiveness. Fair and constructive partnerships are key to achieve lasting solutions to the complex challenges facing Canadians.

- Health Care Bilateral Agreement
- Infrastructure
  - Phase II bilateral agreements
  - National Housing Strategy
- Early Learning and Child Care Agreement

- Low Carbon Economy Fund
- Labour Market Transfer Agreements
- Working in Partnerships with Municipalities
- Partnerships with Indigenous Communities

Small Business Strategy

Overview / Narrative

Small businesses are a cornerstone of Ontario's economy, contributing to a large portion of overall employment and GDP. However, they have not benefitted from the province's return to economic strength as much as larger firms. There is an opportunity to enhance support for small businesses to ensure their continued vitality and further their contribution to economic growth.

Policy Principles

I. The support should provide small businesses with an opportunity to grow and remain competitive in Ontario.

II. Ensure the support provided to small businesses is focused and targeted towards workers and sectors most adversely affected by minimum wage increase.

III. Some support should be time-limited to provide small businesses an opportunity to smoothly transition over the longer term.

IV. Measures should take effect as soon as possible to provide the most direct and immediate support to mitigate impacts of minimum wage increase.

Considerations / Background

Strategy options should consider the following:

- The ability of companies to pass on cost pressures to customers (e.g., exporters may be less able to pass on costs given a competitive global marketplace);
- If targeting support to specific sectors, avoid any unintended adverse effects on other sectors;
- Minimizing opportunities for tax planning; and
- Minimizing the fiscal cost to the province.

WSIB Premium Reduction	WSIB Board approved an average premium rate reduction in 2018.	Not all industries may see decreases, and reductions may be partially offset by benefit enhancements.

Building on a 6.2% reduction in 2017, the Board of Directors has approved a 3.3% reduction in 2018, for a total cumulative average premium rate reduction of 9.3% since 2016.

Potential Elements

Permanent, broad-based tax relief	Permanent reduction of the small business CIT rate from 4.5% to 3.5%.	To provide broad-based relief for small businesses
Transitional tax relief	Time-limited tax credit for employer contributions to Canada Pension Plan.	To provide short-term relief to allow businesses to adjust to higher wage rates.
Other targeted measures	A suite of initiatives that fall under three pillars (1) lowering costs, (2) creating more opportunities and (3) modernizing government.	To provide targeted relief to small businesses to encourage investment and growth (see Appendix).

Fiscal Details ($M)

2017-18	2018-19	2019-20
30.0 (TBD)	80.0 (TBD)	140.0 (TBD)
35.0 – 50.0 (TBD)	125.0 – 160.0 (TBD)	150.0 – 190.0 (TBD)
2.0 (TBD)	85.0 (TBD)	85.0 (TBD)

Note: MOF continues to explore options to modernize the Apprenticeship Training Tax Credit

Other Initiatives

Fairness for Seniors

Overview / Narrative

Building on the significant investments announced in the 2017 Budget, Ontario's strategy for seniors is a commitment to supporting seniors at all stages as they age by providing the supports they need to remain independent for as long as possible, and connected, engaged, healthy and safe.

Considerations for FES

I. Highlight progress on recent and ongoing investments (i.e., home/community care, Dementia strategy, Elderly Persons Centres, seniors community grants)

II. Foreshadow/signal the government's strategy to support Ontario's more than 2 million seniors.

Address Minimum Wage Pressures in Broader Public Sector

- The government may wish to acknowledge the potential impact of the minimum wage increases on the Broader Public Sector, and that it is prepared to take action to protect investments in public services as necessary.

Strategies to Accommodate New Initiatives in FES

The FES fiscal strategy will require an approach that reflects the impact of economic and fiscal developments since the Budget but still supports balanced budgets.

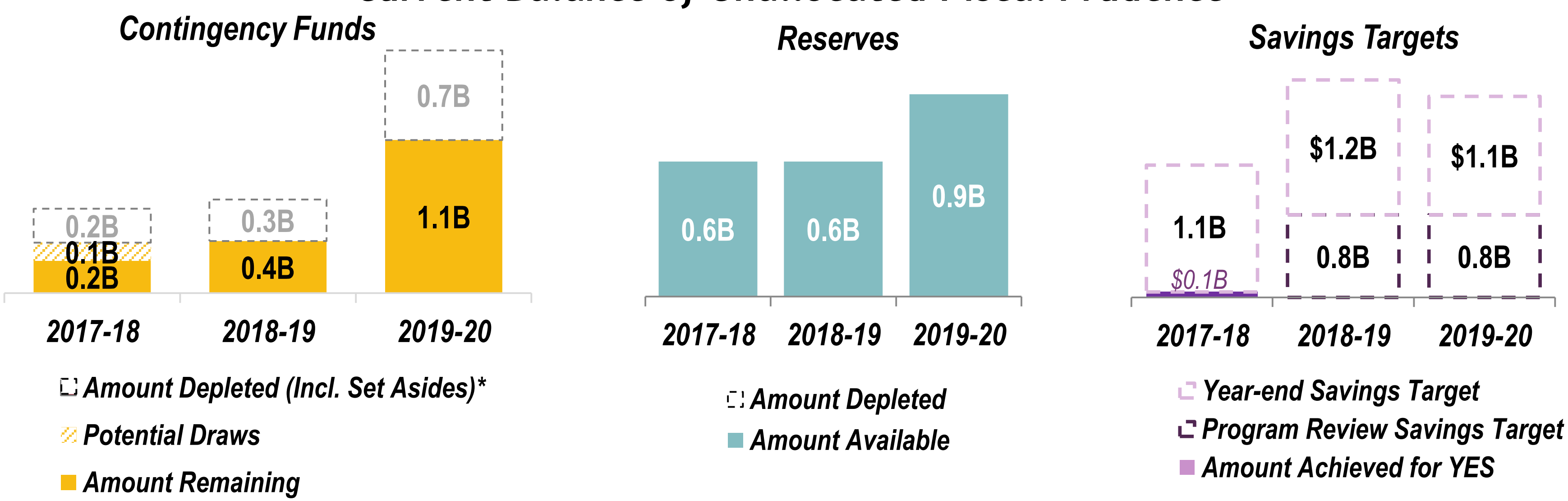
- A **revised revenue forecast can solve the gap** created from revenue information-to-date , but **it will not** provide flexibility to **support** the impact of **new initiatives**.

In order **to accommodate additional investments** within the existing fiscal architecture, consideration could be given to the following:

- **Requesting ministries to manage new initiatives from within** by limiting costs or finding offsets.
- **Limiting short-term impacts of new investments** by scaling-up new initiatives to reach full maturity after 2018-19.

A **secondary set of fiscal tools** could be considered – however these **will add to the pressures/further reduce "shock absorbers"** within the fiscal plan and **the likelihood of achieving a balanced budget**.

Current Balance of Unallocated Fiscal Prudence



*Set asides are:
Ring of Fire - $0.1B in 2017-18, $0.2B for 2018-19 and $0.2 for 2019-20.
Moving Ontario Forward - $0.1B for 2018-19 and $0.5B for 2019-20.

Key Decisions and Next Steps

Decisions Sought	
☐	Confirm FES timelines
☐	Confirm narrative approach and signature initiatives

Next Steps	
☐	Develop revenue and economic forecast for FES
☐	Determine new initiatives envelope
☐	Develop offsets for new initiatives

Appendix

Small Business Strategy – Targeted Measures and WSIB

Lowering Costs

Ministry	Initiatives	Description
MEDG	Fees reduction / voucher	Offer a $660 annual voucher for two years to offset the cost of fees for SMEs in manufacturing; accommodation and food; retail trade; and, agriculture, forestry, fishing and hunting
MOL	WSIB Premiums	Savings/benefits to business from an a average 3 per cent premium reduction in 2018

Modernizing Government

Ministry	Initiatives	Description
MEDG	Small Business Services	Provide a centralized, coordinated suite of services to promote and enhance small business offerings, included website, call centre support, and expanded Small Business Enterprise Centre mandate
MEDG	Risk-based Inspections by Default	Identify and adopt an OPS-wide risk framework that will guide risk-based approaches
MEDG	Coordinated Inspections Pilot	Implement a coordinated inspections pilot for the restaurant and bar sector
MEDG	Equivalency	Adopt alternative compliance approaches where businesses can demonstrate they meet regulatory requirements

Small Business Strategy – Targeted Measures and WSIB

Creating Opportunity

Ministry	Initiatives	Description
MEDG	Access to capital	Develop lending program for small businesses enabled by Fin-tech, such as P2P loans. Target pilot project for Jan. 1
MGCS	Procurement	Commit 33% of government procurement to SMEs, by contract value, along with supporting initiatives
TBD	Main street improvement	Establish a $40 million fund ($20 million per year) to support enhancements to main street/traditional town centres and to promote cost-savings and digital opportunities.
MAESD	Wage Subsidy	Support payroll costs for workers at firms with 100 or fewer employees. Construct could be all workers, only workers in targeted sectors, targeted workers (e.g. students), or targeted workers in targeted sectors
MAESD	Canada-Ontario job grant	Redesign program to provide funding to reduce financial barriers to employers' investment in workforce training.
MAESD	Group Sponsorship for Apprentices	Expand group sponsorship model to help small businesses attract, support and train apprentices.
MAESD	Graduated apprenticeship grant	Support apprenticeship completions.
MIT	Global trade strategy (including Magnet and domestic marketing)	Provide customized assistance ranging from exporter education and cost-sharing of export initiatives through the Global Growth Fund. Also the strategy includes the Accelerate to International Markets (AIM) program which will increase export readiness and competitiveness of firms in international markets.
MOHLTC	Training for age-restricted products	Enhance and align supports already in place for training and enforcement with tobacco retailers, along with other age-restricted products.

Fall Economic Statement Content

Core Content

Some content of the Fall Economic Statement is either required by legislation or expected by stakeholders. Core content includes:

- An update on the overall economic forecast (Finance planning & private sector);
- Updates on revenue, expense, interest on debt, and overall projections for the current year;
- An update on – or confirming – the government's medium-term fiscal plan;
- An update on government borrowing and debt-to-GDP ratio;
- A Tax Expenditure Report; and
- Information on Pre-Budget Consultations.

Optional Content

Additionally, the Fall Economic Statement could include:

- Announcements of new initiatives;
- Updates on key 2017 Budget Initiatives;
- Updates on post-Budget announcements (e.g., Changing Workplaces);
- Foreshadowing of other strategic initiatives tracking to 2018 Document.