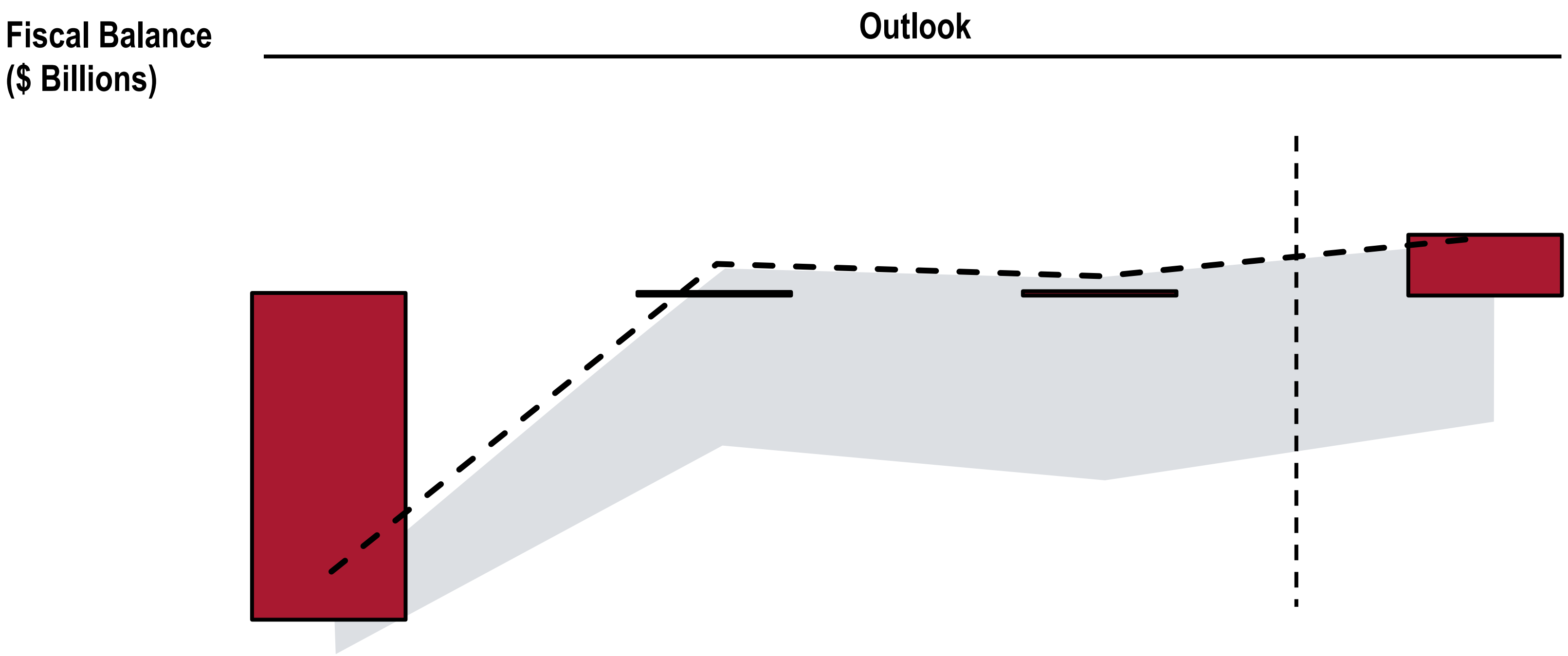
Appendix to MMP:
Update on Fiscal Outlook and Path Forward

Draft - September 14th, 2016 9:00 AM

June MMP

June MM+P Range of Potential Fiscal Trajectories Based on Current Information



2016 Budget Surplus/(Deficit)

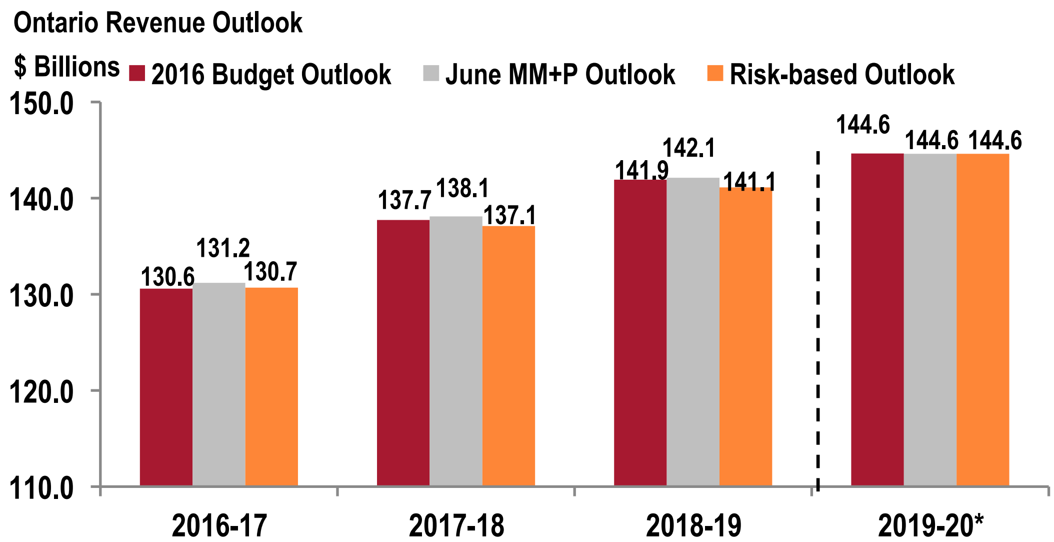
Potential Fiscal Trajectory if Risks Fully Managed
Reflects improved revenue outlook, and assumes federal revenue received unconditionally. All other risks managed and new funding requests are offset from within.

Potential Fiscal Trajectory in Absence of Action to Manage Risks
Reflects improved revenue outlook and assumes federal infrastructure revenue is not received. Net program expense risks materialize and new funding requests have no offsets.

See appendix for key scenario assumptions

Note: scenarios include the reserve, but not funding for new Document initiatives.
** 2019-20 projections were not published in the 2016 Budget.*

Details of the June MM+P Revenue Outlook



Revenue Changes since the 2016 Budget $ Billions	2016-17	2017-18	2018-19	2019-20*	
Prudence in 2016 Budget	—	—	—	—	
Economic Outlook	*0.5*	*0.5*	*0.6*	*0.6*	
Revenue Information	*0.1*	*0.1*	*0.1*	*0.1*	
OLG	—	—	—	—	
Equalization	—	*(0.2)*	*(0.4)*	*(0.7)*	
Total Changes: June MM+P Revenue Outlook	**0.6**	**0.4**	**0.2**	**(0.0)**	***Potential Improved Scenario***
Federal Revenue Risk (Infrastructure)	(0.5)	(1.0)	(1.0)	—	
Total Risk-Based Changes to Revenue	**0.1**	**(0.6)**	**(0.8)**	**(0.0)**	***Potential Deteriorated Scenario***

* Revenue projections for 2019-20 do not include new federal transfers of $1.3 billion. 2019-20 projections were not published in the 2016 Budget.

June MM+P Contingency Fund Outlook and Expense Risks

Contingency Fund Outlook

$ Billions	2014-15	2015-16	2016-17	2017-18	2018-19
Opening contingency fund balance	**0.5**	**0.7**	**1.2**	**1.7**	**3.5**
Less: Approvals to date[1]	0.0	0.0	0.3	0.5	0.6
Current contingency fund balance	**0.5**	**0.6**	**0.9**	**1.2**	**2.9**
Less: Compensation Risks set-aside	-	-	0.4	0.9	1.6
Less: Moving Ontario Forward set-aside	-	-	-	0.0	0.4
Contingency fund balance incl. set-asides			**0.5**	**0.3**	**0.9**

[1] For 2014-15 and 2015-16, approvals through Q3 are shown.

Includes Drug Program changes, Child Welfare, Northern Health Action Plan, Action Plan for Reconciliation, School Renewal Funding

Accommodates approximately 1.4% increases in next round of bargaining

- Of the remaining 2016-17 contingency fund, $0.6 billion is encumbered for education capital appropriation, leaving $0.3 billion to cover any contingencies.
- The 2016 Budget included a larger contingency fund, primarily due to funds set aside for future compensation increases and outside the GTHA Moving Ontario Forward projects.
- There have been more draws from the contingency fund in the current fiscal cycle, compared to recent years.
- The remaining contingency fund balance would be used to offset risks.

Expense Risks: Items to be managed

$ Billions	2016-17	2017-18	2018-19
Identified high-likelihood risks	0.4	0.7	1.0
PRRT boulder risks	0.1	0.3	0.3
Cap and trade not applied against in-plan items as assumed	-	0.0	0.6
Other likely funding requests	0.6	0.7	0.7
Total items to be managed*	**1.0**	**1.7**	**2.6**

* Does not include a remedy for the Bill 115 court decision

$ Billions	2014-15	2015-16	2016-17	2017-18	2018-19
Year-end Savings Target	**1.1**	**1.0**	**0.8**	**1.0**	**1.0**
Total Risks to be managed			**1.8**	**2.7**	**3.6**

Pressures such as: Health, Social Assistance caseloads, emergencies, Complex Special needs

Risks include: Business Supports, Benefits Transformation and NTR/full cost recovery

Health, MTO (including UP Express), Business Growth Initiative request, Drive Clean.

- In past years, unspent contingency funds have been used to meet the year-end savings target.
- An initiatives envelope for the 2017 or 2018 Budgets has not yet been incorporated into the fiscal plan.

Note: Numbers may not add due to rounding

Evolution Since the June MM+P

Evolution Since the June MM+P $ Billions	2016-17	2017-18	2018-19	2019-20	2020-21
June MM+P Surplus/(Deficit): Potential Fiscal Trajectory in Absence of Action to Manage Risks	**(4.8)**	**(2.0)**	**(2.4)**	**(1.6)**	**N/A**
Revenue Updates Since June MM+P					
PIT/OHP Assessments	*0.9*	*1.0*	*1.1*		
Canada Health and Social Transfers	*0.0*	*0.1*	*0.1*		
Equalization	*-*	*(0.4)*	*(0.5)*		
Federal Funding – In-year Approvals	*0.5*	*0.8*	*0.1*		
Total Revenue Updates Since June MM+P	***1.4***	***1.5***	***1.0***		
Expense Updates Since June MM+P					
In-Year Approvals	*0.4*	*1.8*	*1.1*		
Additional Expense Pressures	*2.1*	*2.7*	*3.0*		
Change in Interest on Debt (IOD)	*(0.2)*	*(0.4)*	*(0.3)*		
Total Expense Updates Since June MM+P	***2.3***	***4.1***	***3.9***		
Current Surplus/(Deficit): Deteriorated Scenario	**(5.7)**	**(4.6)**	**(5.3)**	**(4.8)**	**(3.3)**

Details of Current Outlook

New Information Since 2016 Budget

- Since the 2016 Budget, **new information has been received that impacts the fiscal outlook** and assessment of potential risks to the plan.

Revenue	Expense
✓ Final 2015-16 revenue results as part of Public Accounts	✓ Final 2015-16 expense information as part of Public Accounts
✓ Economic updates, including results for the first quarter of 2016	✓ In-year TB/MBC expense approvals
✓ Monthly personal and corporate income tax assessments and provincially administered tax receipts	✓ First quarter expense risk reporting from ministries
✓ Monthly updates to income forecasts for Government Business Enterprises	✓ Report backs from ministries on implementation of boulders
✓ Preliminary estimates on the net impact of asset optimization initiatives (i.e. sale of Hydro One shares and LCBO head office lands)	✓ New initiatives tracking through policy/cabinet committees
✓ 2016 federal budget funding announcements	✓ Impact of early federal negotiations (affordable housing, postsecondary education infrastructure, and clean water/waste water)
	✓ Release of Ontario's Climate Change Action Plan
	✓ Updates on interest on debt forecast

- It is only halfway through the fiscal year and there is still important information to come and upcoming decisions that will impact the fiscal outlook going forward.

Change from 2015 Budget to Public Accounts

Change from the 2015 Budget to Public Accounts	
$ Billions	**2015-16**
2015 Budget Surplus/(Deficit)	**(8.5)**
Revenue Changes	
Revenue Changes Excluding Hydro One	*2.5*
Net Revenue from First Phase of Broadening Hydro One Ownership	*1.5*
Total Revenue Change	**4.0**
Expense Changes	
Program Expense	*0.4*
Interest on Debt	*(0.4)*
Total Expense Changes	**–**
Reserve	**(1.0)**
Total Improvement/(Deterioration)	**5.0**
Preliminary Actual Surplus/(Deficit)	**(3.5)**

Details of the Current Revenue Outlook

Revenue Changes Since the 2016 Budget $ Billions	2016-17	2017-18	2018-19	2019-20*	2020-21*
2016 Budget	**130.6**	**137.7**	**141.9**		
June MM+P Updates					
Economic Outlook & Revenue Information	*0.6*	*0.6*	*0.6*		
Equalization	*-*	*(0.2)*	*(0.4)*		
Total June MM+P Updates	***0.6***	***0.4***	***0.2***		
August Updates					
PIT/OHP Assessments	*0.9*	*1.0*	*1.1*		
Canada Health and Social Transfers	*0.0*	*0.1*	*0.1*		
Equalization	*-*	*(0.4)*	*(0.5)*		
Federal Funding – In-year Approvals	*0.5*	*0.8*	*0.1*		
Federal Infrastructure Funding Assumption	*(0.5)*	*(1.0)*	*(1.0)*		
Total Revenue Changes Since 2016 Budget	***1.5***	***0.9***	***0.2***		
Current Revenue Outlook	**132.1**	**138.6**	**142.1**	**145.6**	**150.7**

* Revenue projections for 2019-20 and 2020-21 do not assume new unconditional federal transfers of $1.3 billion per year that were built into the medium-term fiscal plan as part of the 2016 Budget.

Federal Revenue Risks

- In addition to the risk that Ontario's Equalization entitlements will decline, there is also **a risk associated with $3.4 billion in new unconditional federal revenue** built into the fiscal plan.
- Recent progress on infrastructure agreements with the federal government suggest that Ontario's share of **new federal funding will not be in the form of unconditional block transfers**.
- Instead, recent progress on agreements indicate a **requirement for some form of cost-matching/sharing** by Ontario, or flow to municipalities (e.g. transit).

Update on Federal Infrastructure Agreements*

$ Billions	2016-17	2017-18	2018-19
2016 Budget - New Unconditional Federal Infrastructure Revenue	0.5	1.0	1.0
Fiscal Impact of Agreements since 2016 Budget			
Net New Revenue	0.5	0.8	0.1
Associated Increase in Expense	0.5	0.8	0.2
Fiscal Pressure from Agreements since 2016 Budget	**-**	**-**	**(0.0)**
Reversal of Unconditional Infrastructure Transfer	**(0.5)**	**(1.0)**	**(1.0)**
Total Fiscal Pressure from Federal Agreements	**(0.5)**	**(1.0)**	**(1.0)**

* Impact of Public Transit Infrastructure Fund still to be determined.

- For example, Ontario has agreed to participate in the federal Investment in Affordable Housing, Strategic Infrastructure Fund (PSE), and Public Transit Infrastructure Fund – all of which result in either cost-matching or flow to municipalities – rather than unconditional federal revenue.
- Similarly for the Clean Water/Waste Water agreement, Ontario will provide up to 25 per cent of overall funding, with the federal government providing 50 per cent, and municipalities 25 per cent. If ministries are unable to manage the provincial share from within their existing allocations, this will result in additional pressures to the fiscal plan.

Federal Revenue Risks (continued)

- To date, Ontario has been able to offset most Provincial infrastructure cost-matching/sharing with in-plan funding – thereby mitigating some of the fiscal pressure arising from the agreements.
    - However, this does not provide the kind of fiscal benefit anticipated by an unconditional transfer. Overall, there currently exists fiscal pressures of $2.5 billion over 3 years.
- The federal budget also did not include funding for home care, but did include lower-than-expected funding for jobs and training in 2016-17 only.

2016 Budget - New Federal Revenue Assumptions			
$ Billions	**2016-17**	**2017-18**	**2018-19**
Other Federal Revenue Assumptions			
Home Care	0.2	0.3	0.2
Jobs and Training	0.1	0.1	0.1
Total Other Federal Revenue Assumptions	**0.2**	**0.3**	**0.3**

- Taken together, the projected reduction in Equalization payments, the lack of unconditional infrastructure funding combined with the requirement to cost-match/share, and no clear federal commitments on health care and labour market training, pose a material risk to the fiscal plan.

Key Revenue Risks

Source	2016-17	2017-18 and onwards	Key Information Timing
Economic Growth Outlook	+/- $0.4B	+/- $0.8B	Key information still to come includes quarterly 2016 Canada Economic Accounts (August Q2, November Q3) and 2015 Provincial Economic Accounts in November 2016.
2015 Personal Income Tax Assessments	+/ - $0.6B	+/- $0.3B	New information monthly, finalized in January 2017.
2014 & prior year Personal Income Tax Assessments	$0.0 to $0.4B	$0.0 to $0.2B	New information monthly, finalized in January 2017.
2016 PIT Assessments (Tax Planning)	-$1.4B to $0.0B	-$0.7B to $0.0B	Analysis ongoing. Preliminary 2016 assessment information will begin flowing in June 2017.
2015 Corporate Income Tax Assessments	$0.0B to +$1.0B	$0.0B to +$0.5B	New information monthly, finalized in January 2017.
Harmonized Sales Tax	-$0.2B to $0.5B	-$0.3B to $0.8B	Provincial Economic Accounts (November 9 2016) and federal entitlement estimates (December 2016.)
Equalization	-	-$0.5B in 2017-18, -$1.3B in 2018-19, -$1.0B 2019-20 onwards	Tax and economic information incorporated on an ongoing basis. Conference Board of Canada forecasts (May, August, November) are a key input into the forecast. 2017-18 final entitlement communicated in December.
New Federal Funding Assumed in 2016 Budget	-$0.2B	-$0.3B	Discussion with federal government ongoing. Federal Budget.
Cap and Trade Proceeds	-$0.4B to $0.0B	-$1.5B to $0.0B	Quarterly auctions commencing March 2017.
Government Business Enterprises	-$0.2B to +$0.4B	$0.0B to +$0.4B	Quarterly financial reports from OPG, OLG and LCBO.
Asset Optimization Target	TBD	TBD	Depends on market conditions at the time of sale (e.g., share prices and property values).

2015-16 Public Accounts Revenues (Preliminary)

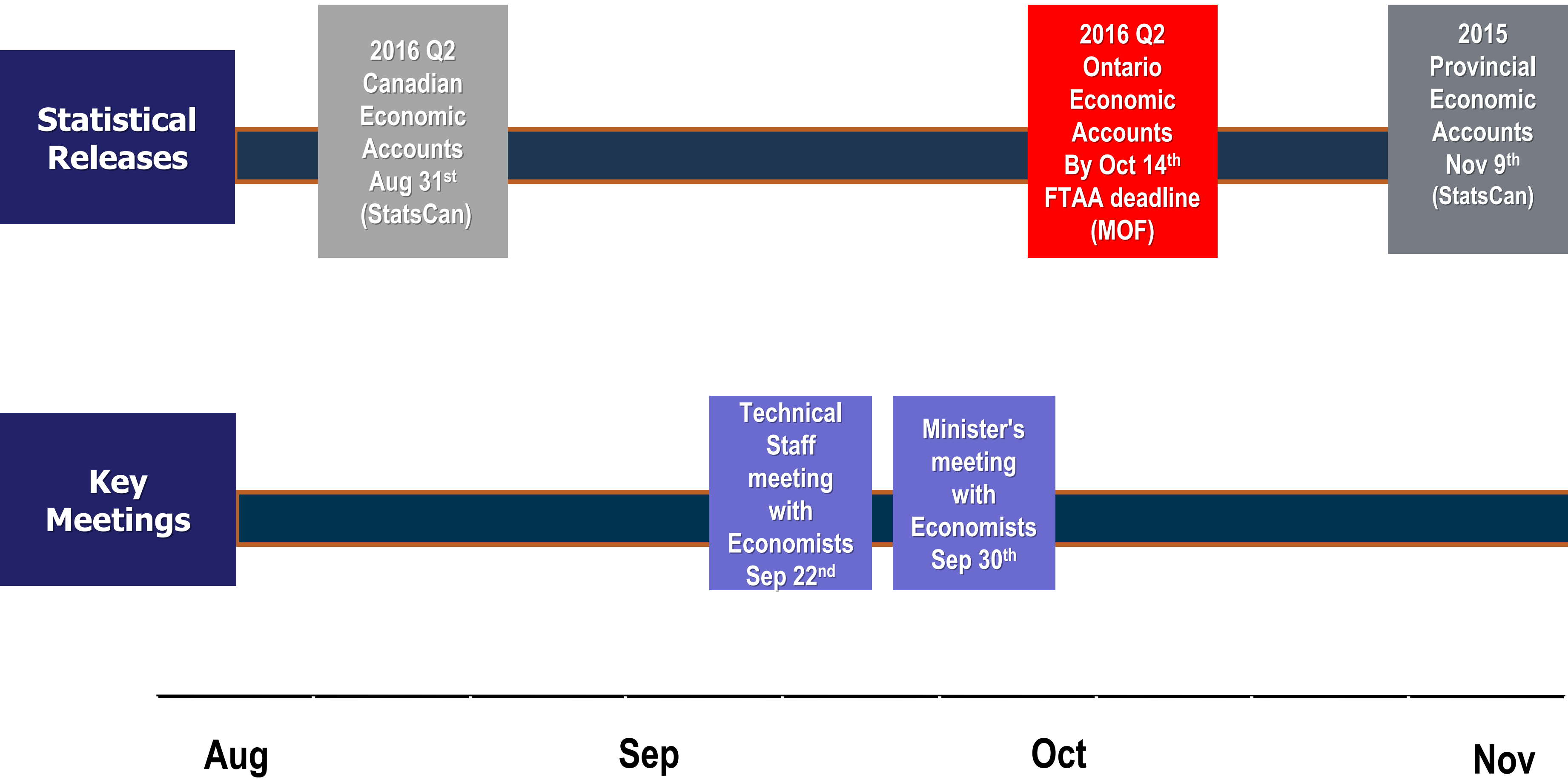
$ Billions		Forecast Implications
2016 Budget Interim Estimate	**126.5**	
2015-16 Public Accounts	**128.4**	
(Preliminary: subject to audit adjustments)		
Changes Since 2016 Budget	**+1.8**	
Details of Changes Since 2016 Budget		
Prudence Built into 2016 Budget	0.4	No Impact. Prudence was one-time. Largely a one time increase in non-tax revenues.
PIT/OHP Assessments	0.9	Increase to the extent it is a higher tax base and not driven by tax planning
Hydro One Net Income	0.4	No impact. Increase due to gain related to deferred tax benefit
Ontario Lottery and Gaming Net Income	0.1	Upside risk to outlook
Total Change Since 2016 Budget	**+1.8**	

Personal Income Tax: Tax Planning Risk

- A new high federal personal income tax rate, of 33 per cent, for income above $200,000 takes effect in 2016.
- It is possible that some of the unexpected strength in 2015 tax assessments is due to high income earners pulling forward income to 2015 where they have discretion to do so.
- The table shows three possible interpretations of the TSS data. If, in fact, there is no pull-forward of income into 2015, PIT would be $0.9 billion higher throughout (current forecast assumption).
- A more cautious estimate assumes that $0.7 billion is pulled forward from 2016 to 2015 with $0.2 billion reflecting stronger 2015 PIT revenue which then carries forward.
- The average scenario assumes that $0.3 billion is pulled forward from 2016 to 2015 with $0.6 billion reflecting stronger 2015 PIT revenue which then carries forward.

	Impact Relative to 2016 Budget Outlook		
$ Billions	2015-16	2016-17	2017-18 onwards
100% Base			
Base	+0.9	+0.9	+0.9
One Time	0.0	0.0	0.0
Net Impact	+0.9	+0.9	+0.9
Cautious Scenario			
Base	+0.2	+0.2	+0.2
One Time	+0.7	-0.7	0.0
Net Impact	+0.9	-0.5	+0.2
Average			
Base	+0.6	+0.6	+0.6
One Time	+0.3	-0.3	0.0
Net Impact	+0.9	+0.3	+0.6

Key Dates for Release of Economic Information and Meetings

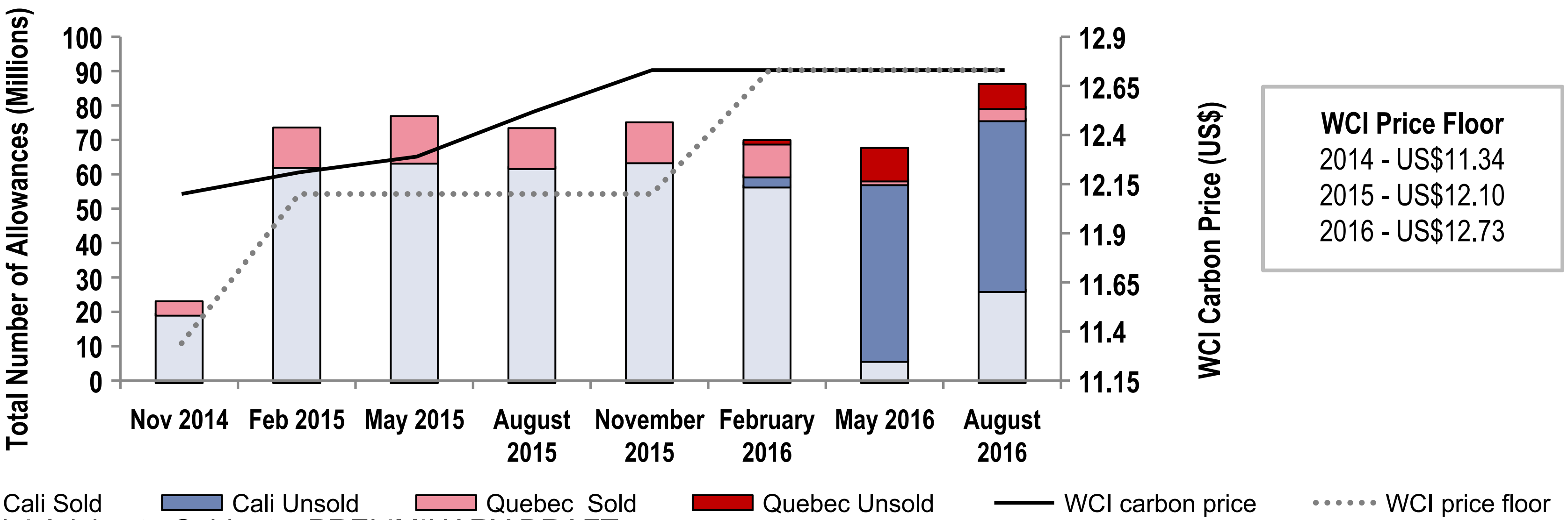


Cap and Trade Proceeds

- California's cap and trade program is currently facing legal challenges, which is creating some uncertainty.
  - It is possible that emitters are holding off on buying allowances until they get closer to the end of the compliance period (current compliance period from 2015 through 2017).
  - The uncertainty may have contributed to the poor sale of allowances at the May and August auction.
- Ontario is planning to hold stand-alone auctions starting in March 2017 before linking with California and Quebec in 2018. Initial stand-alone auctions could result in a higher-than-WCI domestic carbon price.
- Cap and trade revenue summary:

$ Billions	In Plan	Risk
2016-17	0.5	(0.4) to 0.0
2017-18 onwards	1.8 to 1.9	(1.5) to 0.0

- In three joint WCI auctions held so far in 2016, allowances have gone unsold (indicated by the dark blue and dark red bars).
  - In February, 94% of the allowances offered by Quebec were sold; California sold 95% of the total allowances it offered.
  - In May, both Quebec and California sold about 11% of the total allowances they each offered. The August auction performed relatively better though still undersubscribed, selling 35% of offered allowances.
  - In joint auctions prior to 2016, all the allowances that were offered for sale were sold.



Cap and Trade – Fiscal Risks

- **The fiscal plan assumes the $7.9 billion in revenue generated by the Cap and Trade program between 2016-17 and 2020-21 will be spent on greenhouse gas reduction initiatives (as required by legislation).**
  - The Ministry of the Environment and Climate Change (MOECC) has laid out proposed spending of $6.0-$8.3 billion over 5 years in the Climate Change Action Plan (CCAP).
  - Proposed initiatives must be evaluated by the Minister of the Environment and Climate Change and presented to TB/MBC as part of an Annual Investment Plan (AIP) process in order to be funded from Cap and Trade proceeds.
- **The current fiscal architecture assumes that a portion of cap and trade revenues will be spent on existing in-plan initiatives.**
  - If proposed CCAP spending does not align with the fiscal architecture assumptions there could be an impact on the fiscal plan.
  - Early estimates suggest there could be a fiscal pressure of $91 million in 2016-17, $103 million in 2017-18 and approximately $650-700 million in 2018-19 through 2020-21.
- **In addition, lower than expected revenue could create additional fiscal pressure as CCAP programs begin to be implemented.**
  - CCAP contains ranges for the costs of initiatives to promote flexibility and scalability in the event of revenue volatility.
  - In addition, MOECC has been asked to develop a prioritized list of initiatives in its AIP that is flexible and contains different options based on revenue scenarios.
  - Appropriate control mechanisms (such as hold backs) will be put in place to help ensure that any spending commitments do not roll out until revenues are confirmed.

Federal Agreements: Investment in Affordable Housing

- The 2016 Social Infrastructure Fund (SIF) Agreement with the Canada Mortgage and Housing Corporation requires Ontario to spend revenue received from the federal government as well as its own provincial contribution.
  - A portion of in-plan Building Canada Fund (BCF) expense can be re-directed to offset revenue received through the agreement, due to current under-spending in BCF.
  - However, BCF under-spending means Ontario will receive less revenue than planned from the BCF.
  - As a result, there is no fiscal impact in years one and two. Due to re-profiling some funding to 2018-19, there is a potential fiscal impact in 2018-19, in the absence of any offset.

Implementation: Revenue ($ Millions)			
	2016-17	**2017-18**	**2018-19**
SIF	348.8	124.0	-
BCF (in-plan)	(209.0)	(124.0)	-
Net Revenue	**139.8**	**-**	**-**

Implementation: Expense ($ Millions)			
	2016-17	**2017-18**	**2018-19**
SIF	411.1	146.0	84.0
Federal BCF* (in-plan)	(209.0)	(124.0)	-
Provincial BCF* (in-plan)	(62.4)	(22.0)	(49.4)
Net Expense	**139.8**	**-**	**34.6**

* A portion of the federal flow-through and provincial BCF spending will be used to offset federal revenue as a result of under-spending in the BCF.

Other Federal Agreements

Postsecondary Education Strategic Investment Fund

- Ontario will cost-match a portion of the federal investment, while PSE institutions will provide the remaining cost-matching funding.
- Ontario's contribution will come from in-plan PSE refurbishment projects (Facilitates Renewal Program) and will have no fiscal impact.

Postsecondary Education Strategic Investment Fund ($ Millions)			
	2016-17	2017-18	2018-19
Total Revenue	293.1	489.5	0.7
Total Expense	293.1	489.5	0.7
Fiscal Impact	-	-	-

Clean Water and Waste Water Fund

- The Clean Water/Waste Water Agreement is not an unconditional transfer. Ontario will provide up to 25% of total project costs.
- Ontario's contribution will be offset from within the existing fiscal plan, resulting in no planned fiscal impact.

Clean Water and Waste Water Fund ($ Millions)			
	2016-17	2017-18	2018-19
Total Revenue	85.5	341.7	142.4
Total Expense	85.5	341.7	142.4
Fiscal Impact	-	-	-

Details of the Program Expense Outlook

Details of the Program Expense Outlook $ Billions	2016-17	2017-18	2018-19	2019-20	2020-21
2016 Budget	**122.1**	**124.2**	**127.6**	**129.4**	**131.6**
In-Year Approvals					
In-year Approvals	*0.0*	*1.2*	*1.2*	*1.2*	*1.2*
In-year Approvals – Provisionary	*0.7*	*1.2*	*0.5*	*0.4*	*0.5*
Total In-Year Approvals	***0.7***	***2.3***	***1.7***	***1.6***	***1.6***
Proposed Items to Include in Allocations					
Proposed Items to Include	*0.8*	*0.4*	*0.1*	*0.6*	*0.6*
Transfers and Adjustments	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Total Proposed Items to Include in Allocations	***0.8***	***0.4***	***0.1***	***0.6***	***0.6***
Items to be Considered					
Items to be Considered – System Pressures	*0.6*	*1.5*	*2.1*	*2.7*	*3.3*
Items to be Considered – Responsive Policy	*0.0*	*0.1*	*0.2*	*0.2*	*0.2*
Items to be Considered – New Policy	*0.3*	*0.7*	*0.9*	*1.0*	*1.1*
Total Items to be Considered	***0.8***	***2.4***	***3.2***	***3.9***	***4.7***
Ministries to Manage	***0.7***	***0.8***	***0.7***	***0.7***	***0.7***
Risk-Based Outlook	**125.2**	**130.0**	**133.4**	**136.2**	**139.3**

Contingency Fund Status

Fiscal Basis ($ Millions)	2016-17
2016 Budget Plan	**1,200.0**
TB/MBC Approvals - As Minuted	
Disaster Relief: Ecuador and Fort McMurray Wildfire (Chair's Delegated)	(1.0)
Priority Initiatives that Support Ontario's Indiginous Communities (April 12)	(1.8)
Child Support Payments Exemption (April 12)	(2.7)
Chapleau Cree Stage 2B (May 3)	(0.7)
Ontario Corn Fed Beef Market Development Strategy (May 3)	(3.1)
First Nations Health Action Plan (May 17)	(40.4)
Business Growth Initiative - Tranche 1 (Jun 21)	10.0
Autism Reform (Jun 21)	(91.3)
National Disaster Mitigation Program (Jun 21)	(0.9)
Anti-Racism Directorate Request for Additional Resource (Jun 21)	(2.9)
2016-17 Treasury Board Order for Public Protection (Jul 19)	(65.0)
Transfer of Brant -- Burtch Correctional Centre (Jul 19)	(4.3)
Provincial Anti Human Trafficking Coordination Office (Aug 12)	(1.4)
ORPP AC Wind-Up (Aug 23)	(20.0)
Electricity Price Mitigation	(300.0)
Green Investment Fund	(325.0)
Adjustment for items where expense not recorded	1.2
Total TB/MBC Approvals	**(849.4)**
Current Balance (Fiscal Basis)	**350.7**
Other potential draws if ministries cannot manage	
Truth and Reconciliation Commission	(24.7)
Strategy to End Human Trafficking	(3.9)
MCSCS: NAN/Self-administered Policing	(10.5)
MAG - Motherisk Commission and Police Oversight Review	(8.5)
Income Testing - Revison to Drug Strategy	(106.0)
MMAH: Social Infrastructure Fund (federal flow-through)	(139.8)
TCU: Strategic Investment Fund (federal flow-through)	(293.1)
MEDEI: Clean Water and Wastewater Fund (federal flow-through)	(85.5)
EDU: School Renewal Funding	(37.6)
Adjustment for items where expense not recorded	518.4
Total Other potential draws if ministries cannot manage	**(191.1)**
Remaining Balance	**159.5**

Note: the 2016 Budget Plan included a year-end savings target of $800 million in 2016-17.

Compensation Set Aside in Contingency Fund

The outlook continues to include provisions for an approximately 1.4% salary increase for future rounds of bargaining

$ Millions	Item	2016-17	2017-18	2018-19	2019-20	2020-21	5 Year Total
MOHLTC	Hospital Compensation	105.0	227.0	353.0	465.0	582.0	**1,732.0**
MOHLTC	OHIP Compensation	-	260.0	309.0	301.0	301.0	**1,171.0**
MOHLTC	Other Health Compensation	18.0	31.0	52.0	66.0	83.0	**250.0**
EDU	Remedy: Roll-Over and One-Time Expenditures	-	176.4	280.0	280.0	280.0	**1,016.4**
EDU	Education Agreements After One Year of Roll-Over	-	-	190.0	500.0	810.0	**1,500.0**
EDU	Remedy: Ongoing Targeted Sector Investments	-	94.5	150.0	150.0	150.0	**544.5**
EDU	Provincial Benefits Trusts - Ongoing Costs	15.0	56.0	56.0	56.0	56.0	**239.0**
MCSCS	OPPA Collective Agreement	21.6	44.1	56.9	56.9	56.9	**236.4**
MCSS	Compensation Increases Risk	-	25.0	50.0	75.0	100.0	**250.0**
Various	All Other Compensation Risks	31.6	85.2	171.7	250.7	336.2	**875.4**
CFund	Set aside for compensation	(191.2)	(999.2)	(1,668.6)	(2,200.6)	(2,755.1)	**(7,814.7)**
	Total	**-**	**-**	**-**	**-**	**-**	**-**

In-Year Approvals

Multi-year fiscal impacts noted for 2016-17 TB/MBC in-year approvals

$ Millions	Item	2016-17	2017-18	2018-19	2019-20	2020-21	5 Year Total
MOHLTC/ MCYS	First Nations Health Action Plan	40.4	75.7	105.5	104.5	104.5	**430.7**
MCYS	Autism Reform	91.3	64.6	5.0	5.0	-	**165.9**
MCYS	Child Welfare Reform (Preliminary impact)	-	2.8	35.4	46.2	49.9	**134.3**
EDU	School Renewal Funding	37.6	43.8	41.7	41.7	41.7	**206.6**
Various	Action Plan for Reconciliation	24.7	109.3	124.5	120.2	120.2	**498.9**
MOHLTC	Income Testing - Revision to Drug Strategy	106.0	170.0	188.0	238.0	288.0	**990.0**
MAESD	Strategic Investment Fund	293.1	488.3	0.7	-	-	**782.0**
MEDEI	Clean Water and Wastewater Fund	85.5	341.7	142.4	-	-	**569.5**
MMAH	Social Infrastructure Fund	139.8	0.3	-	-	-	**140.1**
MOECC	Drive Clean	-	38.5	38.5	38.5	38.5	**154.0**
MNRF	Emergency Forest Firefighting	65.0	-	-	-	-	**65.0**
ENE	Electricity Price Mitigation	300.0	1,000.0	1,000.0	1,000.0	1,000.0	**4,300.0**
Various	Green Investment Fund	325.0	-	-	-	-	**325.0**
Cap&Trade	Cap and Trade Offset for Electricity Mitigation	-	(60.0)	(60.0)	(60.0)	(60.0)	**(240.0)**
Various	Other*	(813.0)	46.0	82.2	53.2	53.8	**(577.8)**
	Total In-Year Approvals	**695.4**	**2,321.0**	**1,703.9**	**1,587.3**	**1,636.6**	**7,944.2**

* Includes contingency fund offsets in 2016-17

Proposed Items to Include in Allocations

Fiscal impacts related to updated information on programs/initiatives for which alternative funding decisions are likely unachievable (e.g., fund demand for mandated programs)

$ Millions	Item	2016-17	2017-18	2018-19	2019-20	2020-21	5 Year Total
MTO	Municipal Transit project delays	(61.1)	36.1	(1.7)	7.3	-	**(19.4)**
MCSS	Social Assistance Forecast (partially funded)	150.0	175.0	200.0	250.0	300.0	**1,075.0**
MOHLTC	Ontario Health Insurance Plan	178.4	-	-	-	-	**178.4**
MOHLTC	Cancer Care Ontario	66.2	-	-	-	-	**66.2**
MAESD	OSAP Changes to ensure support level is matched to 30% off Tuition Grant	(60.0)	50.0	50.0	50.0	50.0	**140.0**
MIRR	Land Claims Risks	50.8	-	-	-	-	**50.8**
MTO	Other Next Wave (Yonge North Subway & Relief Line)	11.1	21.5	41.5	50.0	50.0	**174.1**
Various	Other	206.4	96.1	256.7	529.2	785.7	**1,874.1**
Cap&Trade	Cap and Trade Update	91.4	103.3	655.8	669.0	692.2	**2,211.7**
Cfund	Reset Contingency Fund to $600M in 2017-18 and on-going	191.2	(117.1)	(1,066.9)	(989.6)	(1,246.9)	**(3,229.3)**
	Total Proposed Items to Include in Allocations	**824.4**	**364.9**	**135.4**	**565.9**	**631.0**	**2,521.6**

System Pressures

Estimated fiscal impacts of potential actions to be taken to address demand for (and improve quality) of services

$ Millions	Item	2016-17	2017-18	2018-19	2019-20	2020-21	5 Year Total
MCSS	Social Assistance Forecast (residual from forecast)	76.3	263.4	388.9	471.6	607.0	**1,807.2**
MCSS	Social Assistance Rate Increase	-	70.0	200.0	330.0	460.0	**1,060.0**
MCYS/ MCSS	Transition Adults with Special Needs	29.1	80.0	120.0	160.0	200.0	**589.1**
MTO	Winter Highway Maintenance	4.0	25.7	25.9	26.0	26.2	**107.8**
MTO	Metrolinx Operating Subsidy - Go Transit Regional Express Rail		27.1	38.5	57.6	71.7	**194.9**
MOHLTC	Hospitals	360.0	400.0	450.0	500.0	550.0	**2,260.0**
MOHLTC	Community Care	-	100.0	200.0	300.0	400.0	**1,000.0**
MOHLTC	Drug Programs - Utilization	-	100.0	150.0	200.0	250.0	**700.0**
MOHLTC	OHIP - Other	-	60.0	70.0	140.0	200.0	**470.0**
MOHLTC	Long-Term Care Homes	-	20.0	40.0	60.0	80.0	**200.0**
MOHLTC	Assistive Devices Program	-	18.0	18.0	18.0	18.0	**72.0**
MOHLTC	Other Program Pressures	-	100.0	150.0	200.0	250.0	**700.0**
MCSS	Benefits Transformation Pressures	-	54.7	49.6	29.6	14.6	**148.5**
Various	Business Supports Risk	53.0	125.3	165.8	119.8	99.8	**563.7**
Various	Service Fee Boulder Risks	19.4	33.5	41.2	51.1	59.9	**205.1**
Various	Other System Pressures	14.7	32.3	34.9	35.8	42.0	**159.6**
	Total System Pressures	**556.5**	**1,510.0**	**2,142.8**	**2,699.5**	**3,329.2**	**10,237.9**

Responsive Policy

Estimated fiscal impacts of potential initiatives to be taken in response to publicly raised concerns

$ Millions	Item	2016-17	2017-18	2018-19	2019-20	2020-21	5 Year Total
EDU	School Renewal Funding - 2018-19 onwards	-	-	48.5	79.3	103.4	**231.2**
MCSS	Developmental Services response to Ombudsman	-	50.0	50.0	50.0	50.0	**200.0**
MCSCS	Segregation/Correctional Services Transform	-	65.0	82.5	82.5	82.5	**312.5**
	Total Responsive Policy	**-**	**115.0**	**181.0**	**211.8**	**235.9**	**743.7**

New Policy

Estimated fiscal impacts of upcoming ministry policy or other new funding proposals

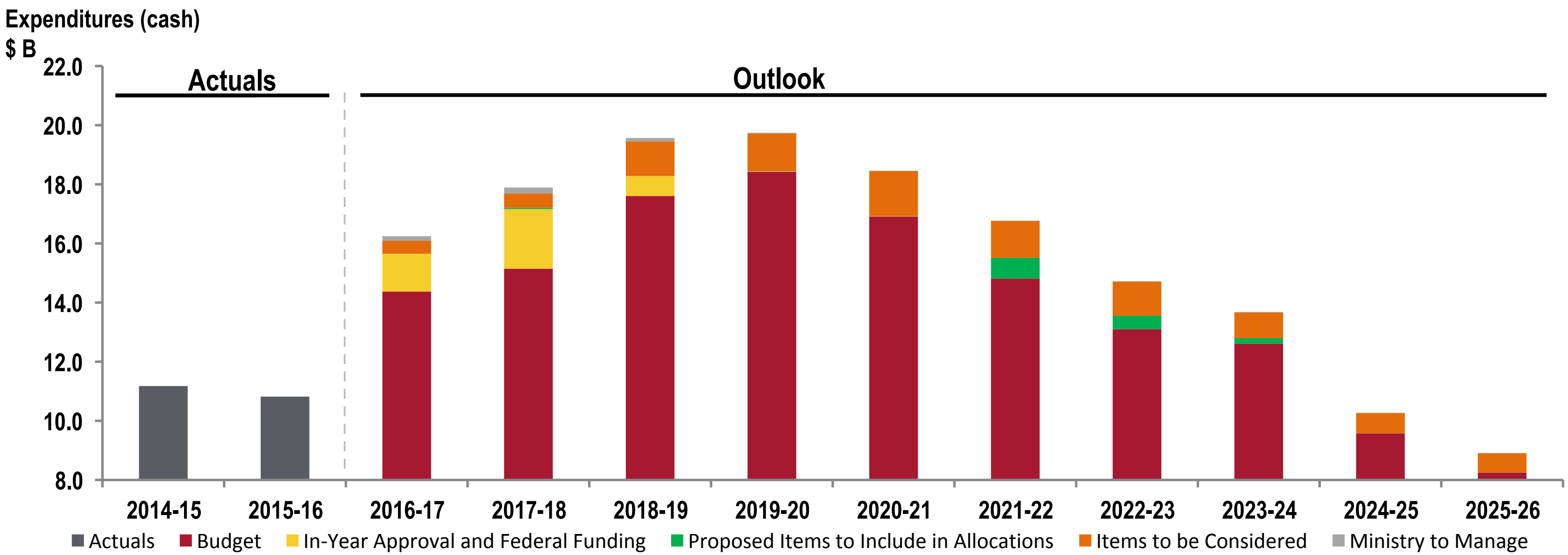
$ Millions	Item	2016-17	2017-18	2018-19	2019-20	2020-21	5 Year Total
EDU	Child Care Expansion	-	232.0	421.0	610.0	799.0	**2,062.0**
MEDEI/ MRI	Project Momentum	192.1	209.9	213.1	164.6	41.2	**820.9**
MEDEI/ MRI	Business Growth Initiative – Next Phase	39.1	84.2	84.2	84.2	84.2	**375.9**
MAG/ MCSCS	Serious Fraud Office	-	60.0	60.0	60.0	60.0	**240.0**
MAESD	OSAP Changes – Further enhancements	-	50.0	50.0	50.0	50.0	**200.0**
MOHLTC	Alcohol Strategy	40.0	44.7	42.5	42.5	42.5	**212.2**
MMAH	Building Code Research Out-Year Pressure	-	5.7	8.2	-	-	**13.8**
MTO	Highway expansion funding with Municipalities	-	2.0	2.0	2.0	2.0	**8.0**
MOHLTC	Fluoridation	-	32.7	32.7	12.8	12.8	**91.0**
MIT	Going Global Export Strategy	10.0	10.0	10.0	10.0	10.0	**50.0**
	Total New Policy	**281.2**	**731.2**	**923.7**	**1,036.1**	**1,101.7**	**4,073.8**

Ministries to Manage

Risks that would not be funded and ministries would be directed to manage within their allocation

$ Millions	Item	2016-17	2017-18	2018-19	2019-20	2020-21	5 Year Total
MOHLTC	Pressures Across Ministry	152.5	225.0	225.0	225.0	225.0	**1,052.5**
OMAFRA	Business Risk Management	85.7	85.7	85.7	85.7	85.7	**428.5**
EDU	Pressures related to School Board Efficiencies and Modernization targets	37.2	61.6	-	-	-	**98.8**
EDU	Grants for Student Needs Enrolment Risk	15.8	40.8	65.8	90.8	115.8	**329.0**
EDU	Remedy - Ongoing Targeted Sector Investments (Ministry Portion)	-	31.5	50.0	50.0	50.0	**181.5**
EDU	School Board Consolidation Pressure	159.4	-	-	-	-	**159.4**
MNRF	Emergency Forest Firefighting	-	60.0	60.0	60.0	60.0	**240.0**
MTO	Metrolinx Operating Subsidy - PRESTO	-	13.8	22.4	29.6	29.6	**95.4**
MNDM	New Contaminated Sites	103.6	-	-	-	-	**103.6**
MEDEI	Clean Water and Wastewater Fund (Provincial share)	40.0	160.1	66.7	-	-	**266.9**
Various	Other	102.0	139.4	155.0	143.6	134.4	**674.4**
	Total Ministry to Manage	**696.2**	**817.9**	**730.6**	**684.7**	**700.5**	**3,630.0**

Capital Plan - Infrastructure Expenditures (Gross)



* Note: Figures represent total infrastructure expenditures.

- The 2016 Budget identifies a 10-year over $137B infrastructure plan (2016-17 to 2025-2026) and a 12-year $160B plan, starting in 2014-15.
- The Capital Plan includes a commitment of $31.5B in dedicated funds over 10 years for Moving Ontario Forward.

Inside GTHA – approx. $16.5B	Fully committed
Outside GTHA – approx. $15B	Almost fully committed*

* Remaining set-aside of $3.2B is almost fully committed to proposed projects awaiting approval: Strategic Community Infrastructure Fund ($2.6B), London transit (up to $300M), Natural Gas (up to $50M).

  - Moving Ontario Forward cannot accommodate new project costs in the short term and there is very limited capacity over the 10-year capital plan.

Capital Plan Outlook - Infrastructure Expenditures (Gross)

In-Year Approvals and Federal Funding:

$M	Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
In-Year Approvals												
MIRR	Chapleau Cree Stage 2B	0.4	0.2	-	-	-	-	-	-	-	-	0.5
MMAH	Increasing Affordable Housing 2014 Extension Reallocation	(1.3)	-	-	-	-	-	-	-	-	-	(1.3)
MMAH	National Disaster Mitigation Program (NDMP)	0.0	-	-	-	-	-	-	-	-	-	0.0
MOI/ MMAH/ MCSS	Reallocation of BCF for Affordable Housing Programs	(5.2)	-	34.6	-	-	-	-	-	-	-	29.4
EDU	School Renewal Funding (2016-17 and 2017-18 only)	556.0	487.0	-	-	-	-	-	-	-	-	1,043.0
MCYS	Child and Youth Mental Health BI Solution	4.6	-	-	-	-	-	-	-	-	-	4.6
EDU/ MTCS	Action Plan and Reconciliation	1.40	8	14. 30	14. 0	10. 0	10.					**50.5**
Sub-Total In-Year Approvals		**555.9**	**502.0**	**48.9**	**10.0**	**10.0**	**-**	**-**	**-**	**-**	**-**	**1,126.7**
Federal Funding												
MMAH	Social Infrastructure Fund (federal flow-through)	139.8	0.0	-	-	-	-	-	-	-	-	139.8
MAESD	Strategic Investment Fund	292.0	488.0	-	-	-	-	-	-	-	-	780.0
MTO	Public Transit Infrastructure Fund: Substitute in-plan prov. contributions with federal funding (no expense or appropriation impacts, revenue benefit of $100M over 3 years)	-	-	-	-	-	-	-	-	-	-	-
MTO/ MOI	Public Transit Infrastructure Fund (federal flow-through)	207.0	690.0	483.0	-	-	-	-	-	-	-	1,380.0
MOI	Clean Water and Wastewater Fund	85.5	341.7	142.4	-	-	-	-	-	-	-	569.5
Sub-Total Federal Funding		**724.2**	**1,519.7**	**625.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,869.2**
Total In-Year Approvals and Federal Funding		**1,280.1**	**2,021.6**	**674.3**	**10.0**	**10.0**						**3,996.0**

Capital Plan Outlook - Infrastructure Expenditures (Gross)

Proposed Items to Include in Allocations:

$M	Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Proposed Items to Include												
MCYS	Asset appropriation for CYMH IT project	4.6	2.6	-	-	-	-	-	-	-	-	7.2
MEDEI/ MRI	Strategic Community Infrastructure Fund	-	-	160.0	420.0	690.0	700.0	450.0	180.0			2,600.0
C-Fund	Strategic Community Infrastructure Fund (MOFwd Set Aside Offset)			(160.0)	(420.0)	(690.0)						(1,270.0)
MMAH	Underspending in Affordable Housing Program	(1.1)	-	-	-	-	-	-	-	-	-	(1.1)
MTCS	Fort William Flood Mitigation Project Delay	(8.5)	8.5	-	-	-	-	-	-	-	-	-
MTO	Durham BRT better than expected progress	4.0	(3.0)	-	-	-	-	-	-	-	-	1.0
MTO	Hwy 407 - Delay in Opening	(1.6)	-	-	-	-	-	-	-	-	-	(1.6)
MTO	Municipal Transit project delays	(61.1)	36.1	(1.7)	7.3	-	-	-	-	-	-	(19.4)
TBS	Guelph Data Centre Lifecycle Costs Shortfall	-	0.8	0.7	1.0	1.0	1.0	1.1	1.8	1.8	1.8	11.0
Total Proposed Items to Include in Allocations		**(63.7)**	**45.1**	**(1.1)**	**8.3**	**1.0**	**701.0**	**451.1**	**181.8**	**1.8**	**1.8**	**1,327.1**

* Note: Figures represent total infrastructure expenditures.

Capital Plan Outlook - Infrastructure Expenditures (Gross)

Items to be Considered:

$M	Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Historical/System Pressures												
OMAFRA	Business Supports Risk	30.0	-	-	-	-	-	-	-	-	-	30.0
OFA	Funding Realignment for the Queen's Park Monument	(0.4)	0.4									-
MAG	Halton Region Consolidated Courthouse						15.0	15.0	14.9	14.8	14.7	74.4
MTO	Contractual Land Transfers	5.3	-	-	-	-	-	-	-	-	-	5.3
MTO	Upcoming Highway Transfers	-	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	135.0
	Items to Consider – Historical/System Pressures	**34.9**	**15.4**	**15.0**	**15.0**	**15.0**	**30.0**	**30.0**	**29.9**	**29.8**	**29.7**	**244.7**

$M	Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Responsive Policy												
EDU	School Renewal - 18-19 onwards			618.0	618.0	618.0	618.0	618.0	618.0	618.0	618.0	4,944.0
EDU	TDSB Surplus Sites (TBD)	-	-	-	-	-	-	-	-	-	-	-
	Items to Consider – Responsive Policy	**-**	**-**	**618.0**	**618.0**	**618.0**	**618.0**	**618.0**	**618.0**	**618.0**	**618.0**	**4,944.0**

$M	Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
New Policy												
EDU	Child Care Expansion	400.0	400.0	400.0	400.0	400.0	-	-	-	-	-	2,000.0
MOHLTC	Fluoridation	-	19.9	19.9	-	-	-	-	-	-	-	39.7
MTO	Highway expansion funding with municipalities	-	2.0	0	2. 0	2. 2.0	2.0	2.0	2.0	2.0	2.0	18.0
MMAH	National Housing Strategy	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
MOI	Phase 2 Federal Infrastructure Funding	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
MOHLTC	Stage 2 Approvals for Hospital Construction	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
MTCS	Ontario Place Revitalization	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	Items to Consider – New Policy	**400.0**	**421.9**	**421.9**	**402.0**	**402.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2,057.7**

Capital Plan Outlook - Infrastructure Expenditures (Gross)

Items to be Considered:

$M	Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Items to Consider - Other												
MTO	GO Rail Extension to Bowmanville - Construction (2014$)	5.0	10.0	30.0	55.0	160.0	165.0	100.0	25.0	-	-	**550.0**
MTO	Bowmanville - Cost Escalation and Financing	0.3	1.2	4.5	10.6	33.4	47.9	47.1	20.8	-	-	**165.8**
MTO	Hamilton and Hurontario LRT - Financing	0.6	3.3	13.8	35.4	66.6	103.8	89.2	60.3	32.6	-	**405.6**
MTO	Other Next Wave Planning - Cost Escalation	-	1.3	4.7	11.1	15.7	9.9	2.6	1.6	1.9	2.2	**51.0**
MTO	GO Rail Expansion on Kitchener Corridor incl. CN Bypass - Cost Escalation and Financing	1.8	23.5	62.7	128.0	205.2	257.4	256.3	112.6	-	-	**1,047.5**
MTO	Go Rail Extension to Niagara - Cost Escalation and Financing	0.3	1.3	3.8	6.4	9.3	11.7	12.1	6.1	-	-	**49.7**
MTO	AFP, Lifecycle, Operating and Maintenance Costs for Above Projects, and for RER Package 2 and Package 3	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	**-**
Sub-Total Items to Consider – Other		**8.0**	**40.6**	**119.5**	**246.5**	**490.2**	**595.7**	**507.3**	**226.4**	**34.5**	**2.2**	**2,270.9**
Items to Consider - Total		**442.9**	**477.9**	**174.4**	**1, 281.5**	**1, 525.2**	**1, 245.7**	**1, 157.3**	**1, 876.3**	**84.3**	**6 51.9**	**6 9,517.3**

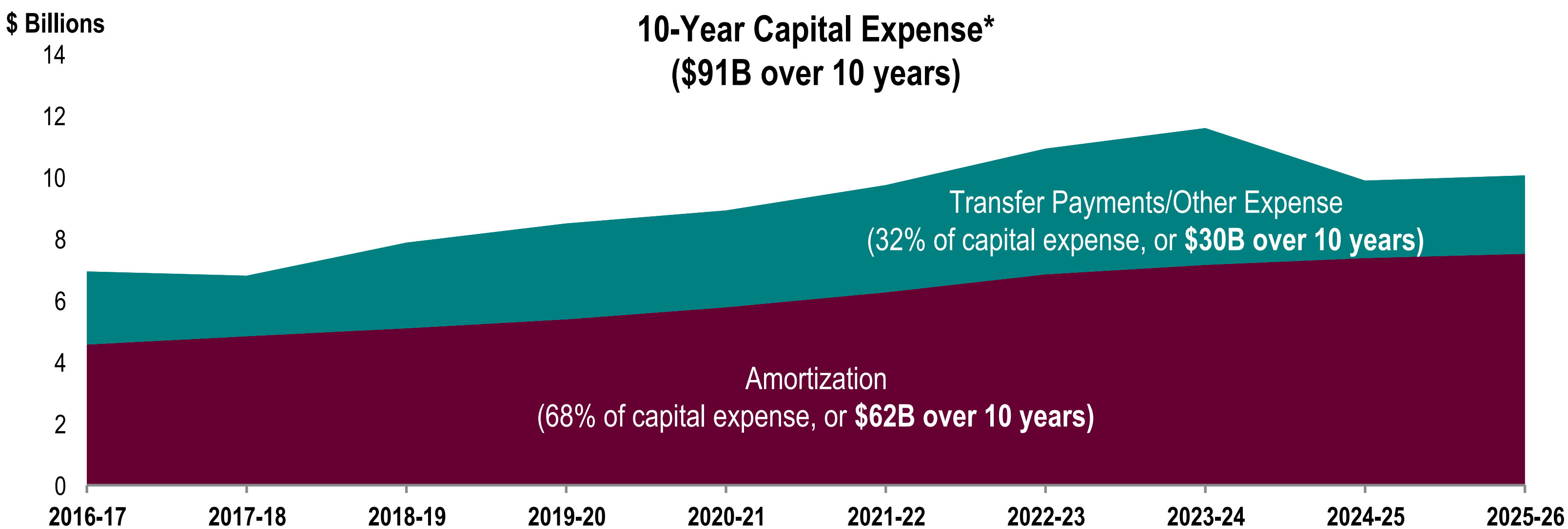
Capital Plan Outlook - Infrastructure Expenditures (Gross)

Ministries to Manage:

$M	Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Ministries to Manage												
EDU	Child Care Capital Pressure	1.0										1.0
EDU	Proceeds of Disposition from Sale of Assets		21.0	21.0								42.0
EDU	Sharlour Children's Centre	3.0										3.0
MAG	Court Construction Underspending	(14.8)	3.5	5.9	5.9							0.4
MAG	MAG - Facilities Renewal Underspending	(7.0)										(7.0)
MAG	MAG Initiative 1020 - 720 Bay	4.5	5.8	5.8	5.8	0.5						22.3
MCSCS	Alternative Financing Procurement (AFP) - Capital	7.4										7.40
MEDEI	Clean Water and Wastewater Fund (Provincial share)	40.0	0.1	16 66.7								266.9
MGCS	Lower Interest Payments of the Capital Leases	(0.2)										(0.2)
MGCS	ONBIS Project Delay	(0.5)	(2.3)									(2.9)
MNDM	Contaminated Sites Inflationary Adjustment	15.2	10.8	10.8	10.8	10.8	10.8	10.8	10.8	8	10. 8	10. 112.4
MNDM	New Contaminated Sites	3.6	10									103.6
MOECC	Dorset Lab Site Relocation	0.5	2.5	0.3								3.2
MTO	Salaries and Wages	(0.4)										(0.4)
Ministries to Manage – Total		**52.2**	**1 01.4**	**2 10.4**	**1 22.4**	**11.3**	**10.8**	**0.8**	**1 10.8**	**10.8**	**8**	**10. 551.7**

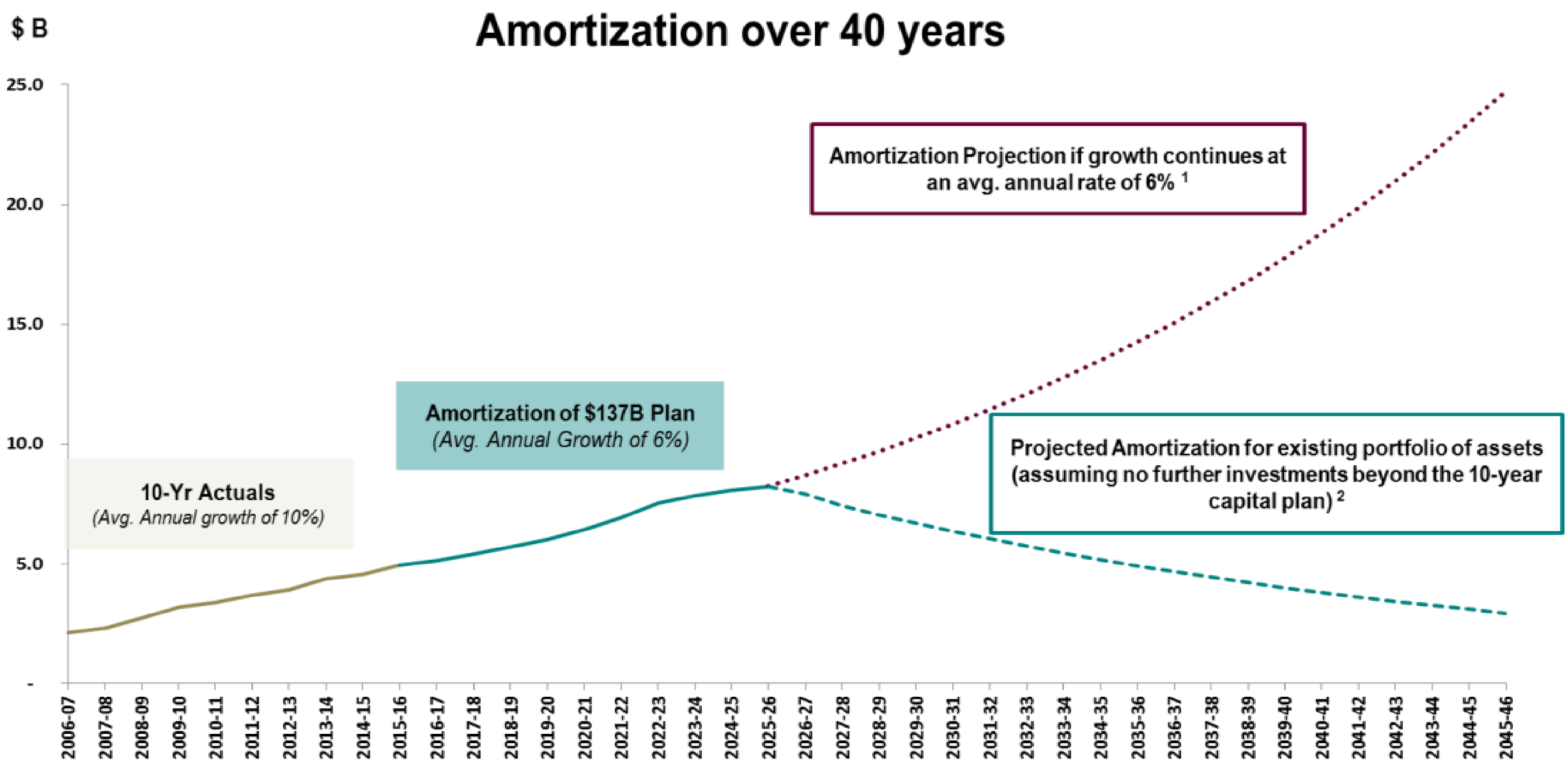
Fiscal Impact of the Capital Plan

- As of Budget 2016, capital expense is projected to grow at an average annual rate of **6% over 10-years**. It increases from $6.9 billion in 2016-17 to $11.6 billion in 2023-24.
- If amortization expense continues to grow at this rate, the government will need to accommodate an increasing amount of non-discretionary expense in its budget, potentially crowding out other program expenses.
- **Amortization expense** is the biggest component of capital expense and is primarily made up of amortization on existing assets. As new projects come into service, they contribute to the growth in amortization.



**As of Budget 2016, figures do not include 2016 in-year approvals and risks; Numbers may not add due to rounding*

Long-Term Amortization Impacts



Notes

- Commencing April 1, 2005, the Provincial Reporting Entity was expanded to include BPS entities *(hospitals, school boards and colleges)*
- Amortization profiles converted to represent gross amortization which includes amortization associated with Third Party contributions; Public Accounts only discloses gross amortization

1 Assumes flat-line annual growth of 6% over 20 years.
2 Illustrative profile; assumes a flat-line average annual decline of 5%.

Net Debt-to-GDP Outlook

Net debt is influenced by the surplus/deficit as well as investments in capital.

2015-16 Net Debt-to-GDP $= \dfrac{\text{Net Debt}}{\text{Nominal GDP}} = \dfrac{\$294{,}565\text{ M}}{\$747{,}101\text{ M}} = 39.4\%$

Nominal GDP is influenced by periodic updates to the economic outlook and performance.

Recent Updates

- The **current net debt-to-GDP outlook is slightly improved in each year compared to the 2016 Budget**, reflecting updates to net debt as part of the 2015-16 Public Accounts and nominal GDP projections as of spring 2016.
  - The reduction in the final deficit for 2015-16 from an interim forecast of $5.7 billion in the 2016 Budget to $3.5 billion has improved the medium-term net debt outlook.
  - Nominal GDP results for 2015 were slightly lower-than-expected at the time of the 2016 Budget as a result of lower GDP inflation. This also results in a lower outlook for nominal GDP over the medium-term.
  - Changes to 2015-16 net debt as part of Public Accounts has resulted in a trajectory where the net debt-to-GDP ratio is higher in 2016-17 than in 2015-16. This differs from the 2016 Budget trajectory, which projected that net debt-to-GDP would level off in 2016-17, before beginning to decline in 2017-18. There are still outstanding items to be discussed with the Auditor General before the Public Accounts are finalized.

	2015-16	2016-17	2017-18	2018-19
2016 Budget Net Debt-to-GDP	39.6%	39.6%	38.9%	38.5%
Updated Net Debt-to-GDP Forecast	39.4%	39.5%	38.8%	38.4%

- Nominal GDP for 2015 (and potentially further back), as well as the outlook for 2016 and beyond, may be revised in November after the release of Statistic Canada's Provincial Economic Accounts.

Interest on Debt Outlook

- The outlook for **interest on debt** expense is below the 2016 Budget estimate, primarily due to lower-than-forecasted interest rates.

$ Billions	2016-17	2017-18	2018-19	2019-20	2020-21
2016 Budget Interest on Debt	**11.8**	**12.5**	**13.1**	**13.3**	**13.7**
Interest on Debt Forecast Update	(0.2)	(0.4)	(0.3)	(0.3)	(0.2)
Current Interest on Debt Outlook	**11.6**	**12.1**	**12.8**	**13.0**	**13.5**