Composition of 2018-19 Outlook

2016 Budget Assumptions Recap

Total Revenue
141.9 billion

- **1.3 billion** assumption related to unconditional federal funding for infrastructure, home care and jobs and training
- **2.2 billion** in equalization
- **1.8 billion** in Cap-and-Trade proceeds
- **0.2 billion** from Asset Optimization, including sale of final tranche
- **0.7 billion** in tax measures

Total Expense
140.7 billion

- **2.5 billion** in reduced expense from major transformation initiative plans (i.e. boulders)
- **1.8 billion** assumed to fund climate change initiatives with Cap-and-Trade proceeds (**0.6 billion in-plan funding**, and 1.2 billion in new initiatives)
- **3.5 billion** set aside in the Contingency Fund, of which $2.0 billion notionally set-aside for compensation and Moving Ontario Forward
- **1.0 billion** as Year-End Savings Target
- Program expense excluding corporate items growth of 1.4%. Health sector growth of 1.8% (2017-18 to 2018-19 growth)

Reserve
1.2 billion

2016 Budget Target for 2018-19
0.0 billion

2016 Budget Target for 2018-19 0.0 billion

− Pension Adjustment
3.7 billion

+ Stronger Assumed Revenue Outlook
1.3 billion

− Hydro One & OPG Accounting Impact
0.5 billion

− Cap and Trade
Lower Proceeds 0.5 billion
Increased Expense 0.1 billion
Total 0.6 billion

− Increased Program Expense
5.5 billion

− Additional Electricity Cost Relief
2.0 billion

+ Interest on Debt Savings
0.7 billion

+ Reduced Prudence
Reduced Contingency Funds
0.6 billion
Increased Year-End Savings
0.2 billion
Reduced Reserve 0.4 billion
Total 1.2 billion

Outlook in the Absence of Tools
(9.1) billion

- Revenue has increased by **1.3 billion**, mainly as a result of higher taxation revenues and government business enterprise net income
- This is partially offset by downward revisions to equalization and gains from asset optimization

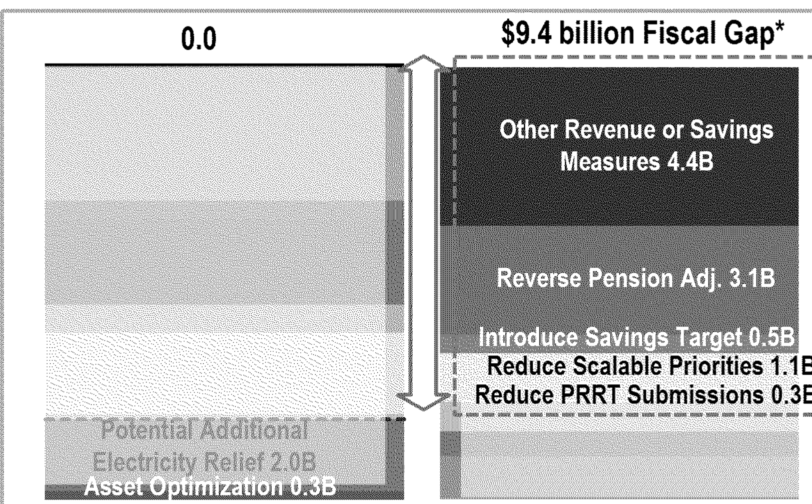
Note: Excludes changes to Cap and Trade proceeds and fiscally-neutral new federal funding

Cap and Trade

- Lower proceeds of **0.5 billion**
- The reversal of **0.6 billion** in-plan expense
- This results in an increase of **0.1 billion** to expense, which will be dedicated to new climate change initiatives

- Program Expense has increased by **5.5 billion** as a result of:
  - **2.4 billion** for in-year approvals (includes 1 billion for Electricity Cost Relief announced in FES)
  - **3.1 billion** for PRRT submissions and Scalable Priority Initiatives

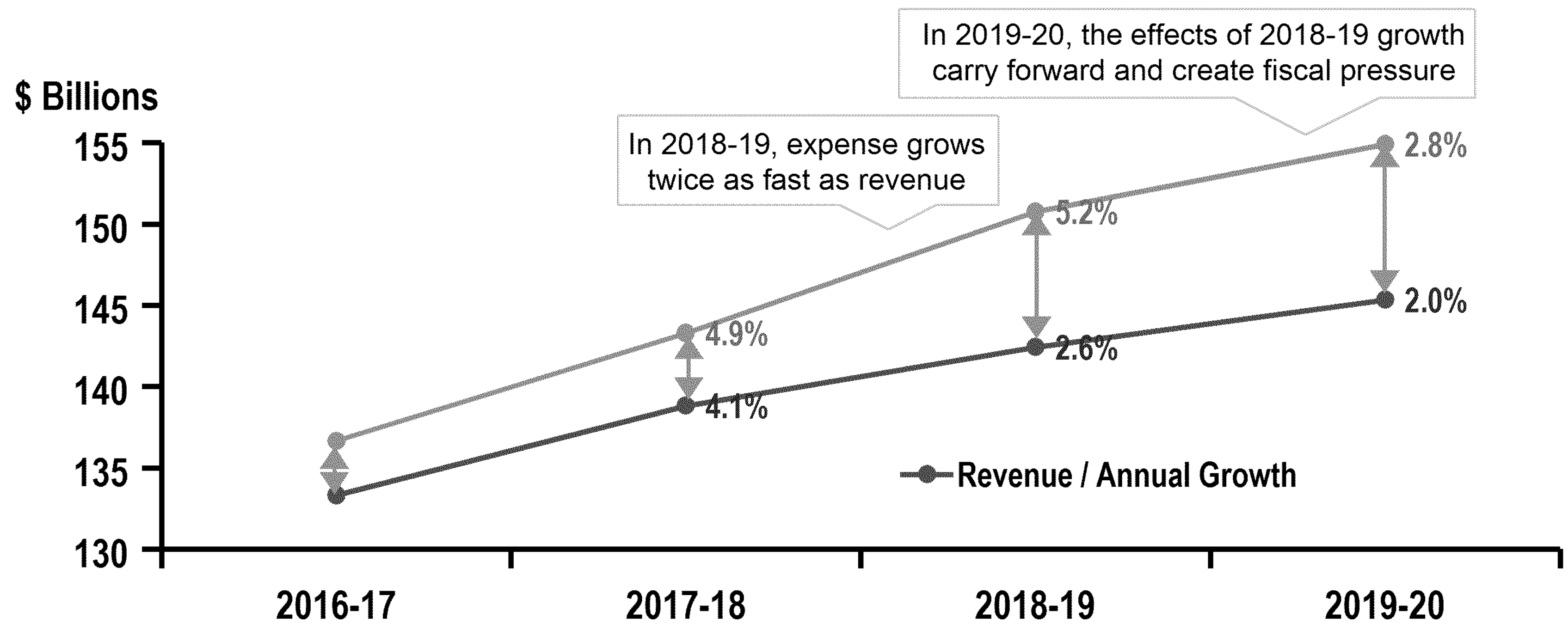
- Prudence was reduced by **1.2 billion** in FES to partially mitigate the Pension Adjustment. As a result, prudence is set at the following levels:
  - **2.9 billion** in Contingency Funds
  - **1.2 billion** Year-End Savings Target
  - **0.8 billion** Reserve

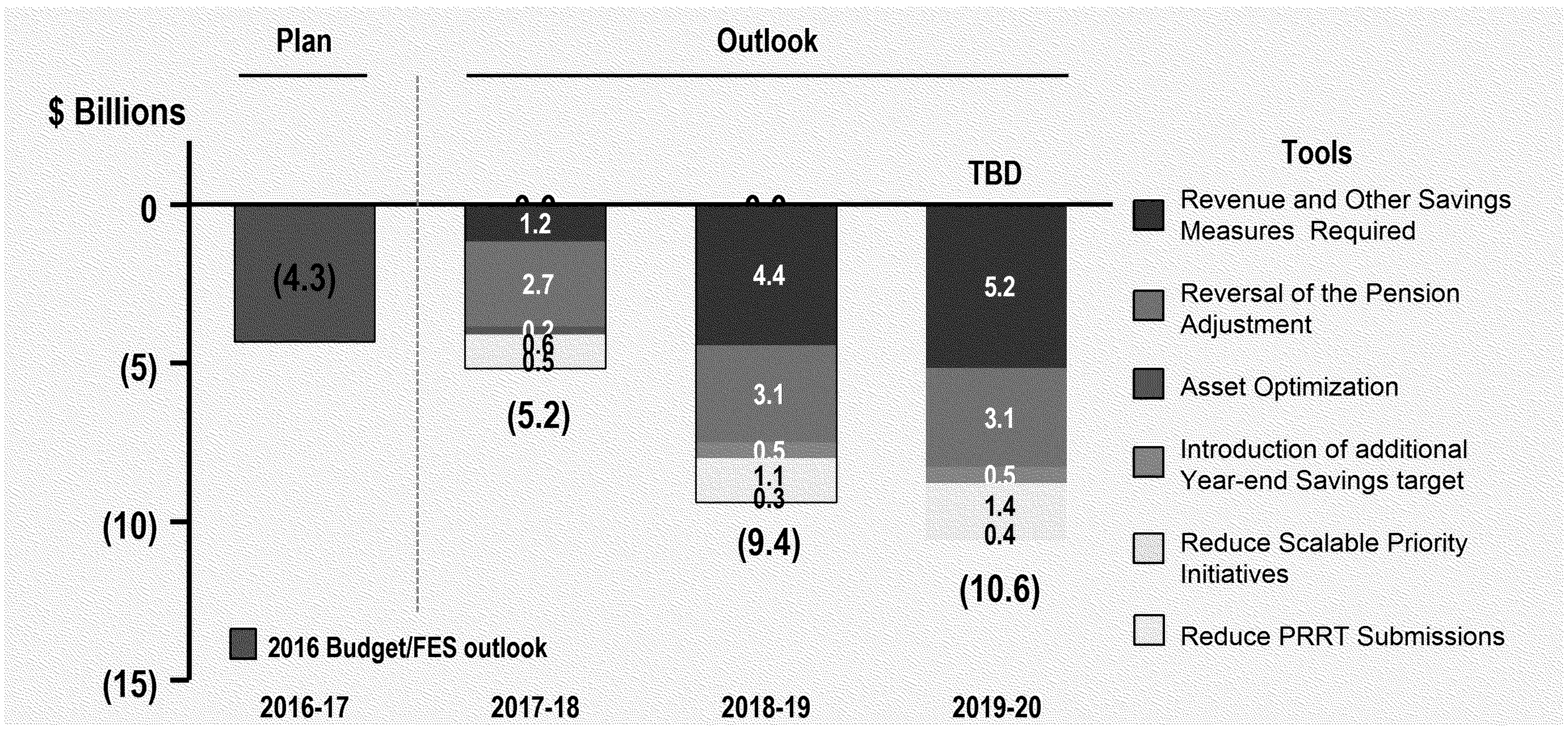


*Total gap increased from $9.1 billion to $9.4 billion due to the asset optimization tool assumed in 2017-18.

2019-20 Outlook Impacted by 2018-19 Trends

Over the outlook, **total expense growth outpaces revenue growth**. Substantial growth in expense in 2017-18 and 2018-19 results in higher levels of program expense, which **carry forward into 2019-20**.





Note: Revenue and expense growth rates exclude federal flow-throughs and other revenue offsets being considered through PRRT.

2019-20 Expense Consists of:

- Pension Adjustment of 3.9 billion
- In-year approvals of 2.7 billion
- Additional Electricity Cost Relief of 2.0 billion
- PRRT Submissions and Scalable Priority Initiatives of 4.1 billion
- Lower proceeds of 0.5 billion and the reversal of 0.6 billion in-plan expense results in an increase of 0.1 billion to expense for new climate change initiatives

2019-20 Revenue Growth Slowed by:

- No unconditional federal funding assumption
- No one-time asset sales following sale of final H1 tranche in 2018-19
- Incremental 2019-20 impact of Hydro One & OPG Accounting Impact (IFRS) of 0.2 billion

Projected taxation revenue growth of 3.9 billion in 2019-20, consistent with current private sector forecasts for Ontario economic growth.

2019-20 Tools

If 2018-19 tools are carried forward into 2019-20, 5.2 billion of revenue and other savings measures would be required to achieve a balanced budget