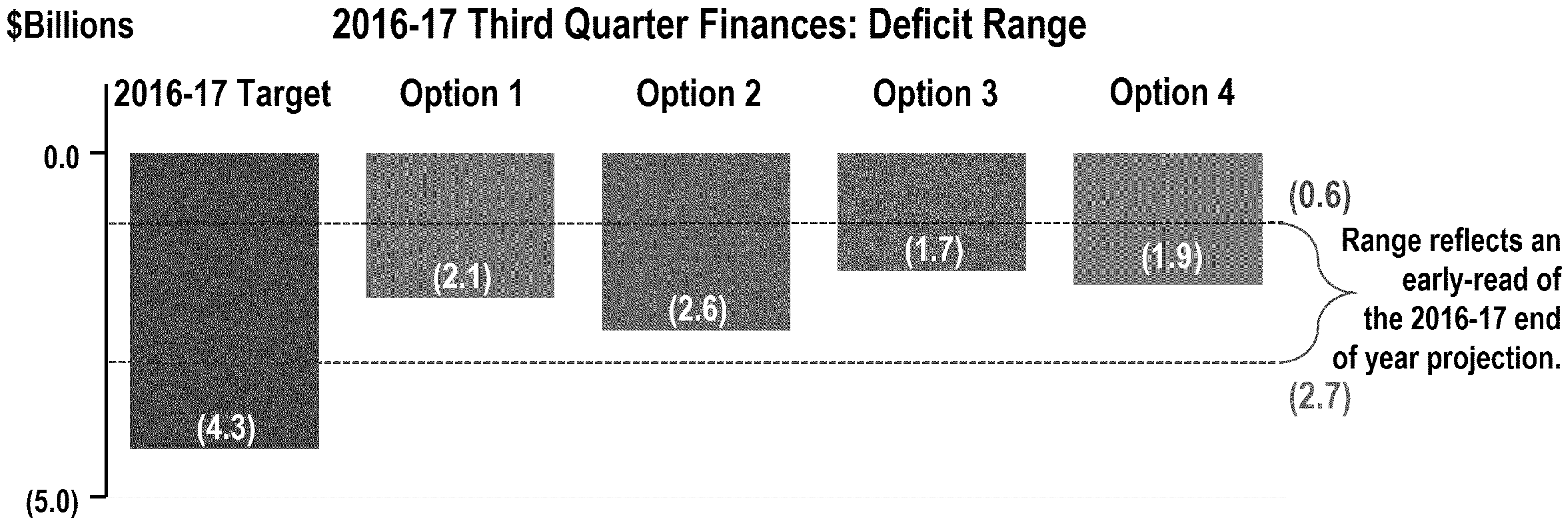

Options 1 through 4 build on each other. All options assume the pension reversal and progressively take on additional changes relative to FES.

Option 1	Option 2	Option 3	Option 4
Pensions: $2.2 billion	**Pensions**: $2.2 billion	**Pensions**: $2.2 billion	**Pensions**: $2.2 billion
	Cap and Trade: $(0.5) billion	**Cap and Trade:** $(0.5) billion	**Cap and Trade:** $(0.5) billion
		Asset Optimization: $(0.1) billion	**Asset Optimization:** $(0.1) billion
		HST & Other Taxes: $0.9 billion	**HST & Other Taxes:** $0.9 billion
			Expense Pressures: $(0.2) billion

Overall Narrative: *The strength of the Ontario economy, together with the government's approach to fiscal management, is supporting strategic investments, while allowing the government to continue to beat its fiscal targets.*

Option 1 Reversal of Pensions

$ Billions	Budget 2016-17	Change	Outlook 2016-17
Revenue	130.6	***2.1***	**132.7**
Expense			
Programs	122.1	*0.9*	123.1
Interest on Debt	11.8	*(0.4)*	11.4
Total Expense	**133.9**	***0.5***	**134.4**
Surplus/(Deficit) Before Reserve	**(3.3)**	***1.6***	**(1.7)**
Reserve	1.0	*(0.6)*	0.4
Surplus/(Deficit)	**(4.3)**	***2.2***	**(2.1)**
Net Debt-to-GDP (Per Cent)	**39.6**	***(1.3)***	**38.3**

- *The government is projecting a **deficit of $2.1 billion in 2016-17**, an improvement of $2.2 billion since the 2016 Budget.*
- *The Pension Asset Expert Advisory Panel recently released its report on the treatment of pension assets, including a recommendation that jointly-sponsored net pension asset be recognized in the Province's financial statements. The government is adopting this recommendation, which aligns with the treatment originally included in the 2016 Budget plan.*
- *With this reversal, together with stronger revenue and lower interest on debt, the government is projected to beat its fiscal target.*

Option 2 Option 1 + Cap and Trade

$ Billions	Budget 2016-17	Change	Outlook 2016-17
Revenue	130.6	***1.7***	**132.2**
Expense			
Programs	122.1	*0.9*	123.1
Interest on Debt	11.8	*(0.4)*	11.4
Total Expense	**133.9**	***0.5***	**134.4**
Surplus/(Deficit) Before Reserve	**(3.3)**	***1.1***	**(2.2)**
Reserve	1.0	*(0.6)*	0.4
Surplus/(Deficit)	**(4.3)**	***1.7***	**(2.6)**
Net Debt-to-GDP (Per Cent)	**39.6**	***(1.3)***	**38.3**

- *The government is projecting a **deficit of $2.6 billion in 2016-17**, an improvement of $1.7 billion since the 2016 Budget.*
- *Cap and Trade is a cornerstone of the Province's fight against climate change. Ontario's first Cap and Trade auction is scheduled for March 22, 2017, and establishes Ontario's partnership in the largest carbon market in North America.*
- *Revenues from Ontario's first auction will be certified and settled at the beginning of the 2017-18 fiscal year. As such, the Third Quarter Finances reflect the re-profiling of auction proceeds from 2016-17 to 2017-18.*

Option 3 Option 2 + Assets + HST & Other Taxes

$ Billions	Budget 2016-17	Change	Outlook 2016-17
Revenue	130.6	***2.5***	**133.1**
Expense			
Programs	122.1	*0.9*	123.1
Interest on Debt	11.8	*(0.4)*	11.4
Total Expense	**133.9**	***0.5***	**134.4**
Surplus/(Deficit) Before Reserve	**(3.3)**	***2.0***	**(1.3)**
Reserve	1.0	*(0.6)*	0.4
Surplus/(Deficit)	**(4.3)**	***2.6***	**(1.7)**
Net Debt-to-GDP (Per Cent)	**39.6**	***(1.4)***	**38.2**

- *The government is projecting a **deficit of $1.7 billion in 2016-17**, an improvement of $2.6 billion since the 2016 Budget.*
- *Ontario's economy continues to grow in an uncertain global environment. Stronger 2015 income tax assessment results and the continued strength of Ontario's economy and housing market resulted in higher than forecasted taxation revenues.*
- [Suggest not addressing AO downward estimate in narrative.]

Option 4 Option 3 + Expense Pressures

$ Billions	Budget 2016-17	Change	Outlook 2016-17
Revenue	130.6	***2.5***	**133.1**
Expense			
Programs	122.1	*1.1*	123.3
Interest on Debt	11.8	*(0.4)*	11.4
Total Expense	**133.9**	***0.7***	**134.6**
Surplus/(Deficit) Before Reserve	**(3.3)**	***1.8***	**(1.5)**
Reserve	1.0	*(0.6)*	0.4
Surplus/(Deficit)	**(4.3)**	***2.4***	**(1.9)**
Net Debt-to-GDP (Per Cent)	**39.6**	***(1.3)***	**38.3**

- *The government is projecting a **deficit of $1.9 billion in 2016-17**, an improvement of $2.4 billion since the 2016 Budget.*
- *The government's fiscally sound approach to managing the Province's finances will help grow the economy, create jobs and ensure the sustainability of programs and services that help Ontarians in their everyday lives.*
- *[This includes supporting strategic investments, such as funding for social assistance, and increased enrolment in schools.]*