Fiscal Architecture & Allocations

Draft – August 29, 2017 3:30 PM

Purpose

- Recap the current fiscal outlook, including the latest revenue updates, expense approvals and major risks.

- Review key decisions required in the lead up to the release of preliminary allocations, PRRT instructions, 2017 FES and the 2018 Document.

- Determine a strategy for setting preliminary allocations that limits pressure on the fiscal plan.

PART I: *Update on the Fiscal Plan*

What We Know So Far: Post 2017 Budget Fiscal Update

Revenue

- Significantly lower PIT revenue has been partially offset by higher-than-expected CIT and GBE net income.
- Economic growth has been stronger in 2017, but the revenue impact of this is more than offset by the slowing housing market.
- Hard risks resulting from Equalization and IFRS assumptions that cannot be maintained in the 2018 Document outlook deteriorate the outlook relative to the 2017 Budget plan starting in 2018-19.

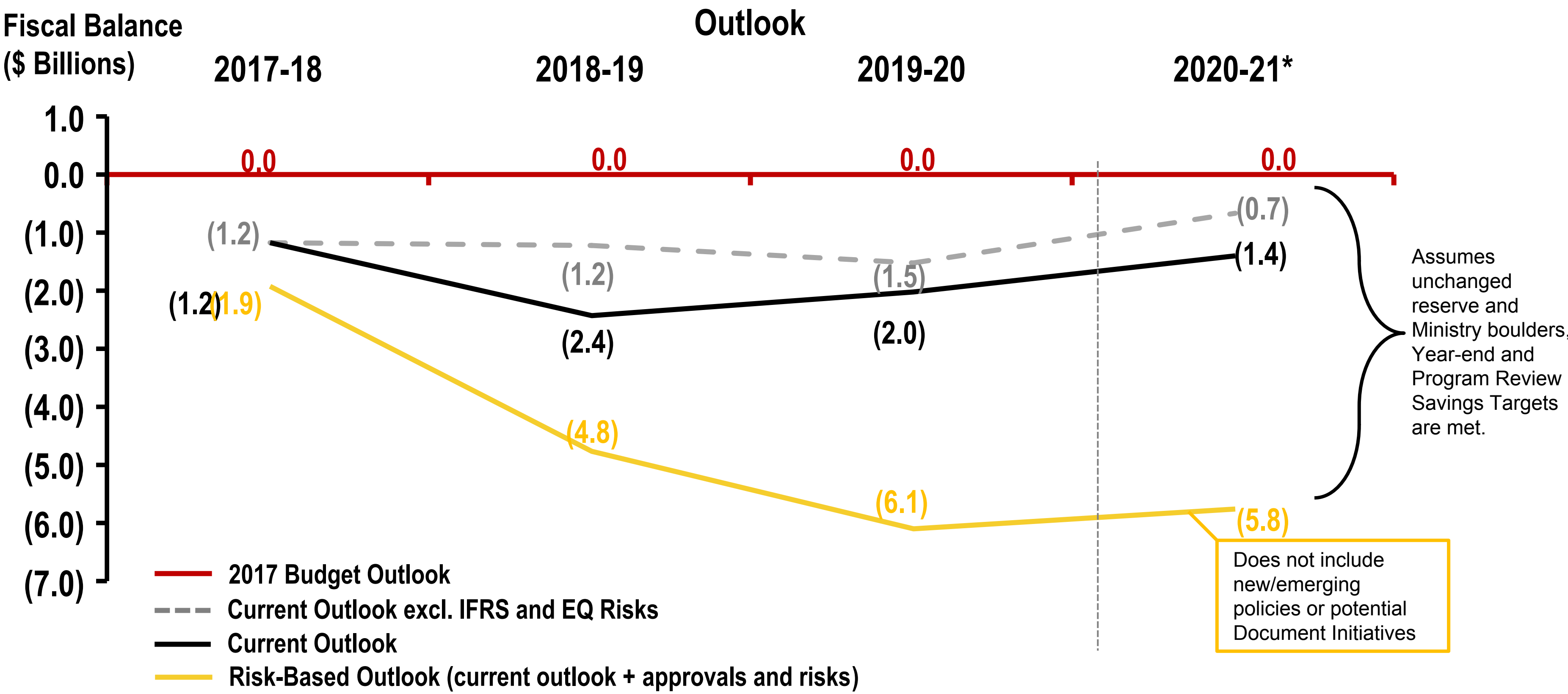
Program expense

- In 2017-18, in-year approvals have been offset from either the contingency funds or revenue. In 2018-19 and beyond, the out-year impacts of in-year approvals add pressure to the plan.
- Other risks over the outlook have been identified, including:
  - Compensation risks: physician services negotiations; attorney compensation; judiciary compensation; impact of minimum wage
  - Demand driven risks such as land claim settlement funding, and implementation risks such as creating 100,000 child care spaces and capital pressures related to the National Housing Strategy.
- Additional savings – beyond the year-end and program review savings target – (e.g., boulder targets) have been assumed in the fiscal plan and may be challenging to achieve.

- The **Interest on Debt (IOD) forecast has not changed since the 2017 Budget**, however **significant IOD savings assumptions** were made for 2017-18 and 2018-19 in the 2017 Budget resulting in **downside risk to the forecast** for this year and next
- Accounting changes will take effect in the **2016–17 Public Accounts, reflecting the revenues and expenses of BPS organizations on a line-by-line basis** and in all public reporting thereafter.

Range of Potential Fiscal Trajectories Based on Current Information

- The current outlook reflects an overall revenue deterioration (dotted grey line) as well as a significant downside impact resulting from the likely materialization of hard revenue risks (equalization and IFRS accounting assumptions – black line) that were included in the 2017 Budget forecast.
- Program expense risks further deteriorate the outlook (yellow line).

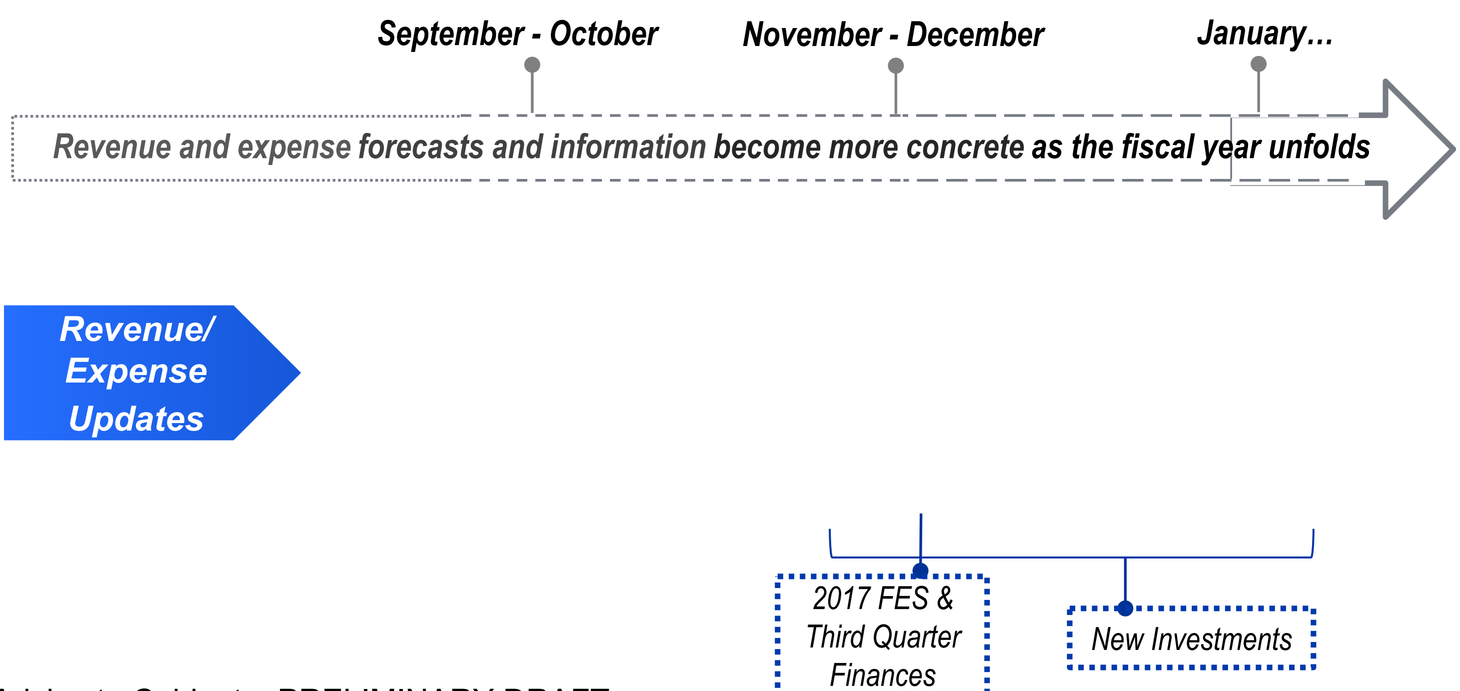


*2020-21 projections were not published in the 2017 Budget and include a reserve of $1.2 billion.
Note: $262 million in additional Cap and Trade expense is included in 2017-18 to offset additional revenues from first two auctions (to be fiscally neutral).
Remaining contingency funds (after set-asides and 2017-18 in-year approvals) of $0.4B in 2017-18, $0.4B in 2018-19, $1.0 B in 2019-20, and $1.2B in 2020-21.

PART II: *Building Fiscal Architecture*

Evolution of the Fiscal Year

- While it is still early in the year, updates to the revenue forecast since the 2017 Budget have resulted in a gap relative to the 2017 Budget fiscal plan.
- Allocations are the foundation of the PRRT process, and represent the starting point for the fiscal plan leading up to the outlook published in the 2018 Document and pre-election report.
  - As the process of setting ministry allocations gets underway, it is proposed that the **structure for allocations is within a range that limits additional pressure on the fiscal plan**.



Unique Considerations for this Fiscal Cycle

There are a number of unique considerations for this fiscal cycle that impact the context of fiscal planning.

General Factors

- **Pre-Election Report and scrutiny of the fiscal plan**: The 2018 Document will also inform a Pre-Election Report. The fiscal projections over the outlook will be scrutinized for reasonableness by the Auditor General. In addition, the Auditor General is expected to continue to criticize the government over its accounting treatment of net pension assets and the electricity cost refinancing component of the Fair Hydro Plan.

- **FAO Reports**: The FAO's 2017 Spring Outlook continued to suggest that, while balance in 2017-18 may be within reach, the province will likely return to, and remain in, deficits over the outlook. The FAO's August 2017 commentary on the province's revenue forecast echoed the same sentiment, adding that there appears to be significant downside risk to the government's [revenue] forecast.

- **Line-by-line consolidations**: Accounting changes will take effect in the 2016–17 Public Accounts, reflecting the revenues and expenses of BPS organizations on a line by line basis and in all public reporting thereafter. Though the change will be fiscally neutral, it will impact sector growth rates and any year-over-year comparisons.

New Fiscal Targets for this Cycle

- **Revenue integrity**: A revenue integrity target has been set in each year over the outlook ($0.1 billion in 2017-18, $0.2 billion in 2018-19, and $0.4 billion in 2019-20) that will need to be solved through measures to combat the underground economy and close tax loopholes.

- **Program review savings target (PRST)**: A $750 million PRST has been set in both 2018-19 and 2019-20. In order to achieve these savings, the government is initiating a multi-year enhanced approach to a line-by-line review, integrated into the PRRT process, with pilots being launched in the fall and results feeding into the 2018 Document.

PART III: *Establish Preliminary Allocations*

Building Blocks of Program Expense for this Fiscal Cycle

There are a number of decisions that will need to be made over the coming months that will impact the 2018 Document program expense, starting with considerations for setting allocations.

2017 Budget Program Expense:

2017-18	2018-19	2019-20
$137.2B	$140.3B	$144.1B

Considerations for setting ministry allocations *(September)*

2017 Budget Ministry Allocations
Starting point for 2018-19 Ministry Allocations

Impacts of 2017-18 TB/MBC Approvals
Incorporate out-year impacts of in-year approvals? All or some?

Major Risks and known Pressures
What to build into allocations? What to defer to the PRRT process?

Emerging Priorities

FES and Document Investments
Set aside funding envelopes for FES/Document initiatives?

Risks/Pressures Identified/Prioritized through the PRRT Process

Contingency Funds & Year-End Savings
What amount of prudence is needed?

Program Review Targets
Revise existing targets? Establish process for achievement

Pre-Election Report
Ensure “reasonableness” of fiscal plan (e.g., ‘rightsizing for growth’ to withstand scrutiny).

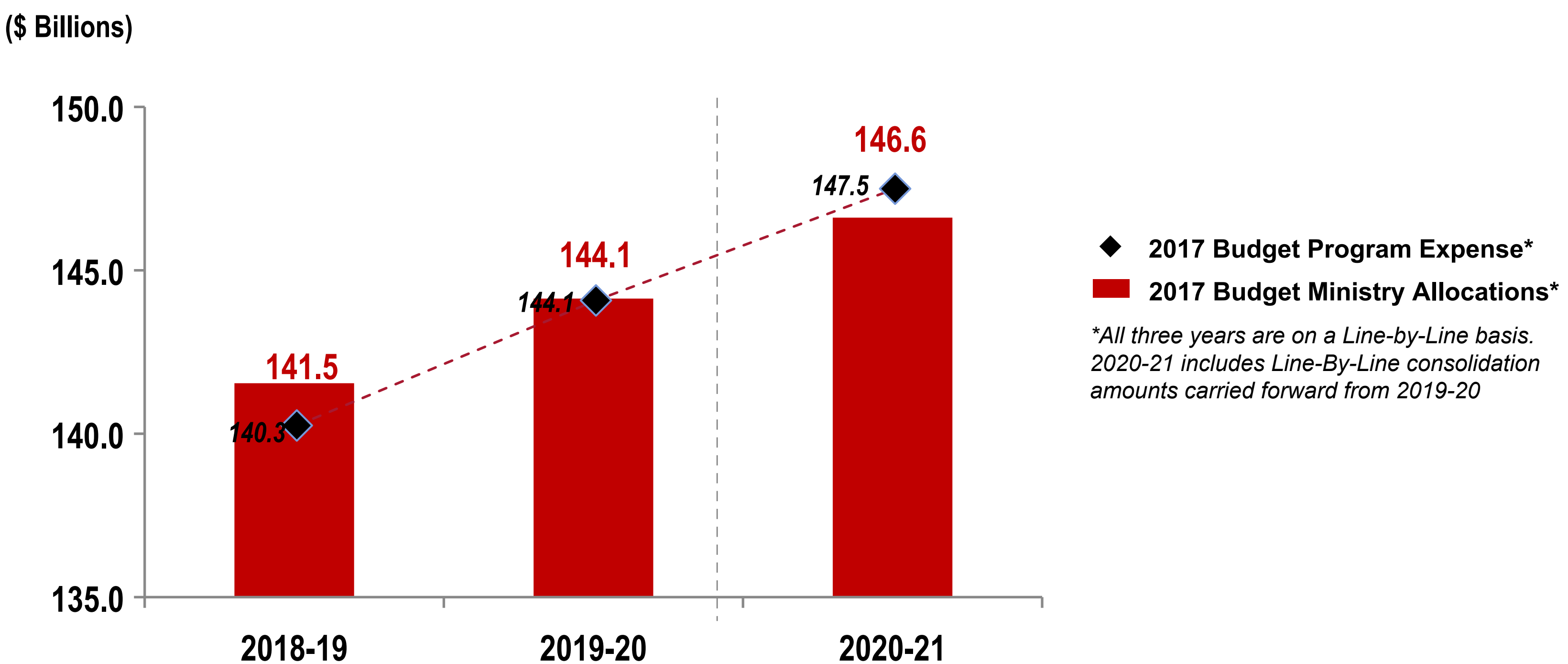
Additional Considerations *(Medium-Term and Document Planning)*

2018 Document Program Expense:

2018-19	2019-20	2020-21
?	?	?

Establishing Ministry Allocations

- Typically, preliminary allocations are based off of the previous year's program expense outlook, adjusted for recommended to include and other items (e.g., to address potential risks/pressures). Preliminary allocations provide a "**starting point**" for ministries to begin developing business plans for PRRT.
    - This year the PRRT process will be scrutinized by the Auditor General during her review of the Pre-Election Report to ensure that ministries created evidence-based plans, using allocations as a starting point.
- Ministry allocations for the 2017 Budget were set at a level that exceeded the program expense outlook in the fiscal plan because the 2017 Budget outlook included Program Review and Year end Savings Targets.
- Given that the current outlook already reflects a fiscal gap that will need to be solved for the 2017 FES and 2018 Document, allocations should be set as close as possible to the 2017 Budget program expense outlook. This would allow for time to develop and incorporate tools to address the existing gap and accommodate new investments.



Notes:

- *The 2017 Budget Program Review Savings Targets for each of 2018-19 and 2019-20 is $750 million. No target was set for 2020-21.*
- *The 2017 Budget Year-End Savings Targets in 2018-19 is $1.2 billion and in 2019-20 is $1.1 billion. The target for 2020-21 is $1.2 billion, however, this was not published in the Budget.*
- *Contingency funds of $0.7 billion in 2018-19 and $1.8 billion in 2019-20 were included in the program expense outlook.*

Selecting Approvals and Risks

- The out-year impacts of in-year board approvals as well as major risks and potential adjustments to certain ministries to adjust for growth cause expense risks grow from $2.4 billion in 2018-19 to $4.4 billion in 2020-21.
  - Throughout the year, the impact of these pressures will evolve as new information is received.
- Based on the following criteria, consideration could be given to building some of these pressures into ministry allocations (see appendix for list of items in these categories).

Board Approvals

These are in-year approvals with multi-year impacts, where the out-year funding requirements are clear and the ministries involved would have great difficulty offsetting amounts from within their 2017 Budget allocation.

2018-19: $0.1B 2019-20:$0.1B 2020-21:$0.1B

Board Approvals – Out-Years TBC

These are in-year approvals with multi-year impacts, where out-year implementation plans remain unclear and there is some scope for ministries to manage some of the funding from within their 2017 Budget allocation as well as scale proposals and adjust timing.

2018-19: $0.4B 2019-20:$0.6B 2020-21:$0.7B

Rightsizing for Growth

Represents potential adjustments to ministries for which growth rates are closely scrutinized.

2018-19: $0.8B 2019-20:$1.3B 2020-21:$1.6B

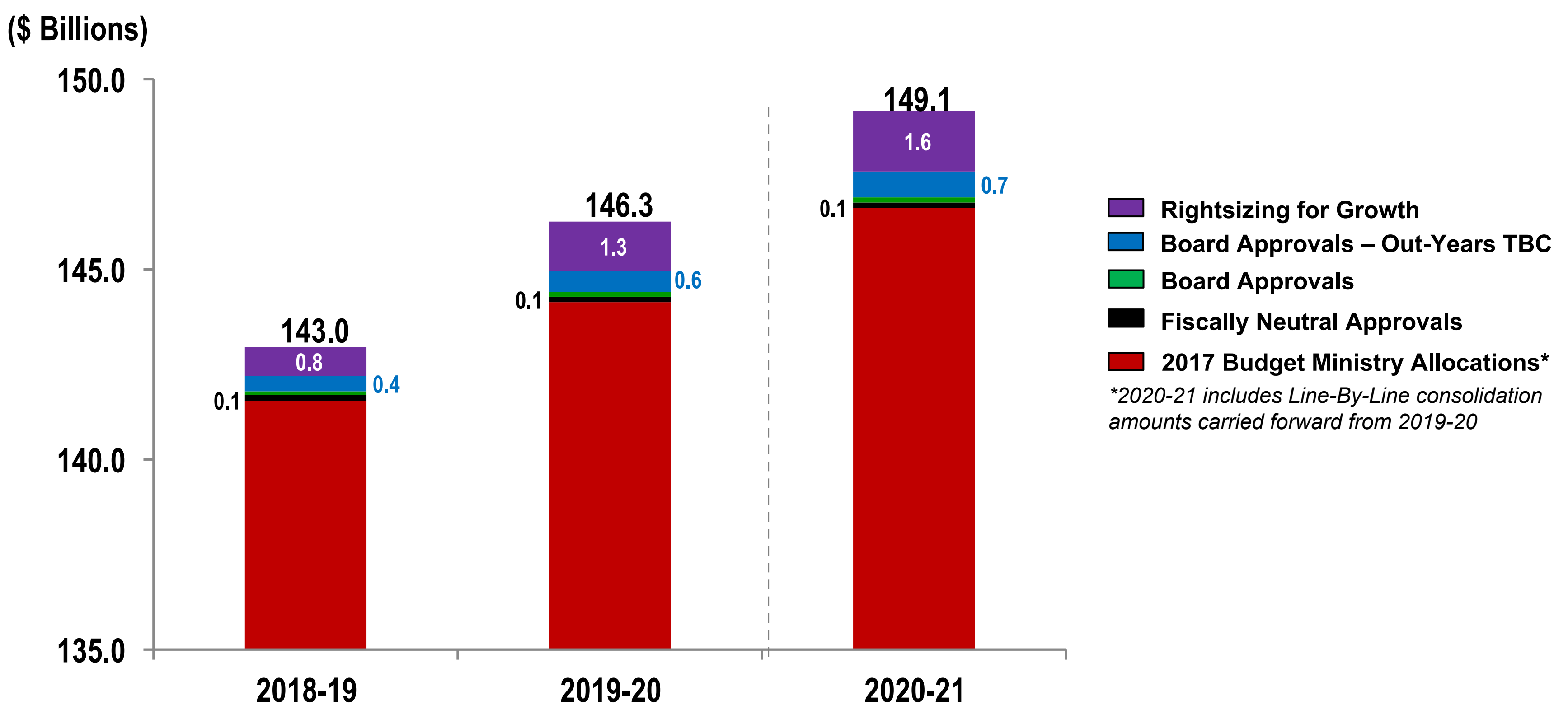
Major Risks

Represents a list of pressures that are likely to materialize, but continue to evolve and do not necessarily need to be included in ministry Preliminary Allocations.

2018-19: $1.0B 2019-20:$2.1B 2020-21:$2.0B

Proposed Preliminary Allocations Scenario

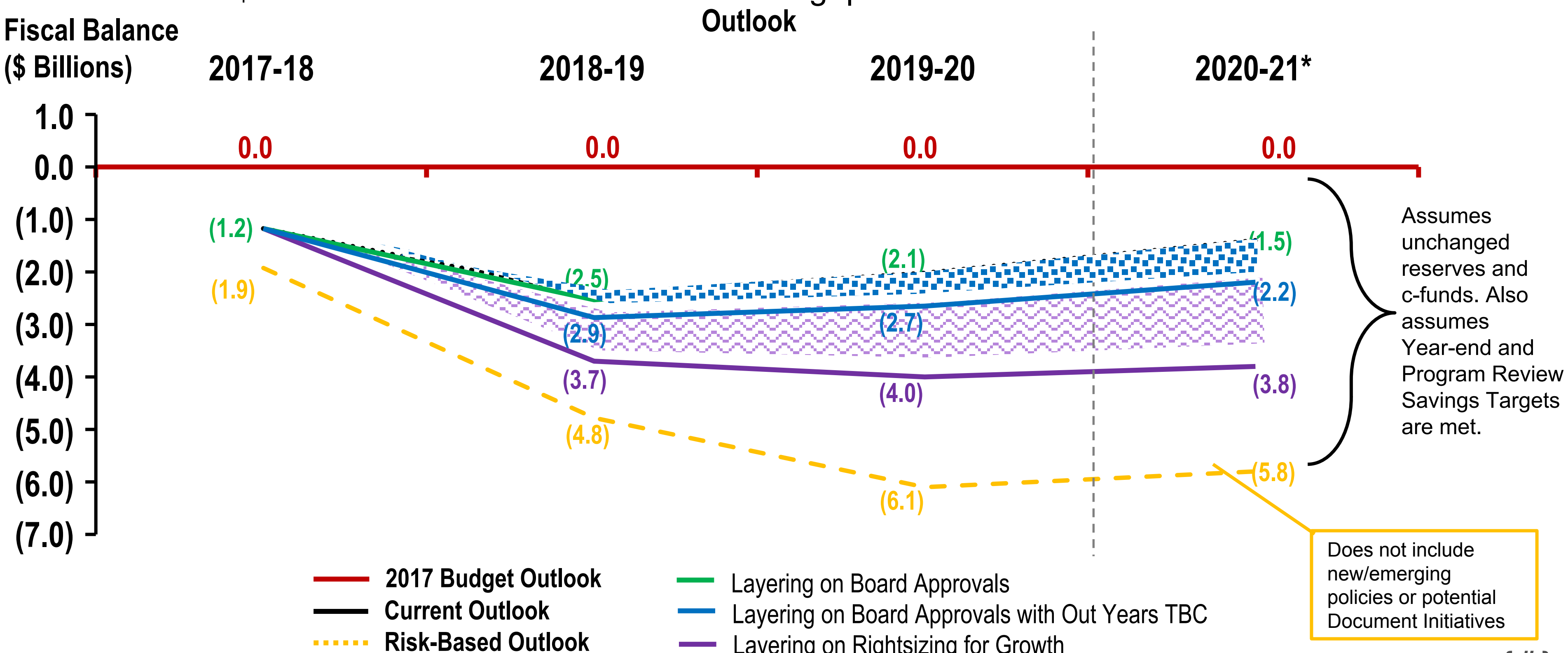
- Based on the criteria set in the previous slide, the proposed scenario layers on the following items to the 2017 Budget ministry allocations:
  - All fiscally neutral expense approvals (included in allocations);
  - The impacts of board approvals with firm out year impacts (included in allocations)
  - Board approvals with out-year impacts that have yet to be confirmed (not included in allocations, decisions handled through PRRT);
  - Rightsizing for growth (not included in allocations, decisions handled through PRRT).
- It is assumed that the 2017 Budget savings targets are achieved and contingency fund balances are maintained in all years.
- In this scenario, program expense at the time of allocations grows at 2.2%. Once additional decisions are layered on through the PRRT process, including board approvals with uncertain out-year impacts and rightsizing for growth, program expense grows at 2.7%



PART IV: *The Resulting Fiscal Gap*

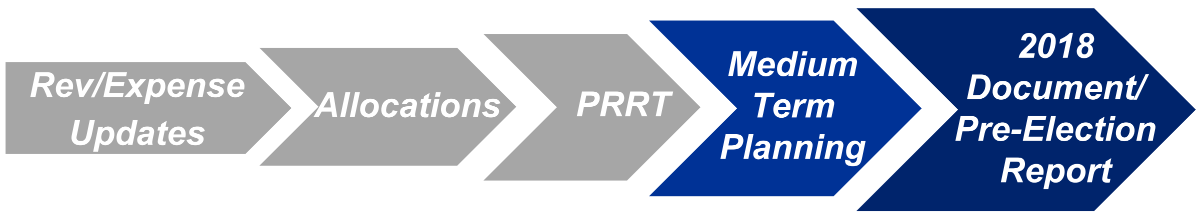
The Resulting Fiscal Gap

- As a result of revenue forecast updates and hard revenue risks, maintaining allocations at the same level as the 2017 Budgets results in a gap relative to the governments fiscal targets (black line).
- Layering on select board approvals adds approximately $0.1 billion to the current outlook in each year. Incorporating approvals with uncertain out-year impacts (blue) as well as pressures to "rightsize" ministries (purple) further deteriorates the outlook. However, the gap remains constrained relative to funding all major risks (yellow line).
  - Falling short of meeting established savings targets of $2.0 billion in 2018-19 and 2019-20 and $1.2 billion in 2020-21 will increase the gaps shown below.



Layering on Remaining Building Blocks

- Setting allocations is the starting point for the 2018 fiscal outlook, however, there are remaining decisions that will create additional pressure on top of those already identified through the allocations process.
- As updated information comes in and decisions are made, consideration will need to be given to addressing further deterioration to the fiscal plan as the year unfolds.



Additional Considerations *(Medium-Term and Document Planning)*

Emerging Priorities	**FES and Document Investments** Set aside funding envelopes for FES/Document initiatives?	**Risks/Pressures Identified/Prioritized through the PRRT Process**
Contingency Funds & Year-End Savings What amount of prudence is needed?	**Program Review Targets** Revise existing targets? Establish a process for achievement.	**Pre-Election Report** Ensure "reasonableness" of the fiscal plan (e.g., 'rightsizing for growth' to withstand scrutiny)

2018-19 PRRT

- For this fourth **Program Review, Renewal and Transformation (PRRT)** cycle, it is proposed that the focus continue to be on fostering collaboration across government and supporting the balanced budget in 2018-19 and beyond.
- Ministries will be responsible for building plans (i.e., four years for operating and 10 years for capital) that manage within their **preliminary allocations.**
- Ministries are also being asked to include an assessment of their program base.
- This year's approach will encourage the development of **plans** that:
  - Support **evidence-based decision making;**
  - Identify **transformational initiatives** that improve program outcomes and contribute to ensuring the ministry has a sustainable multi-year plan; and
  - Ensure the **integrated consideration** of the impact of each decision on all components of a program.
- **Ministries PRRT plans will be the evidence that the Auditor General uses when reviewing the upcoming Pre-Election Report** on Ontario's Finances.
- Ministries have already received instructions to undertake targeted refinements to their **program inventory** to support the increased understanding of the programs, ongoing program review processes and better identification of horizontal linkages across government

Document Initiatives Planning

- In recent years, scalable new investment options have been closely integrated with PRRT.
- Moving forward, line ministries would remain involved in developing investment options for inclusion in the Document to ensure scalability and options for phasing – but the development would happen outside of the PRRT process.
  - Determination of priorities for document initiatives remains consistent (i.e., follow-through on 2017 Budget commitments, PO direction, MM&P meetings, mandate letter commitments, etc.).
  - Minuting and ultimate approval flows through TB/MBC and Cabinet.
  - Items submitted for consideration under the Process must be ready for launching implementation post -2018 Budget.
  - Shared responsibility between MOF and TBS for coordinating decision-making for all document Initiatives with support from CO.
- Separation of document initiatives from PRRT submissions would ensure consistency between both processes and alignment with the fiscal plan.
- Certain ministries would receive document initiative-specific instructions that explain the objectives of the investments and the parameters of submissions.
- Ministries would need to ensure that investments and forecasted spending align with standards required by the Pre-Election Report (PER and can withstand review by AG as part of the PER review.

Next Steps

1. Finalize allocations that will be sent out to ministries
2. Release allocations and PRRT instructions to ministries
3. Identify potential initiatives for the Fall Economic Statement and start tracking additional initiatives for the 2018 Document process.

Key Dates

Q1 Ontario Finances Released Aug. 11

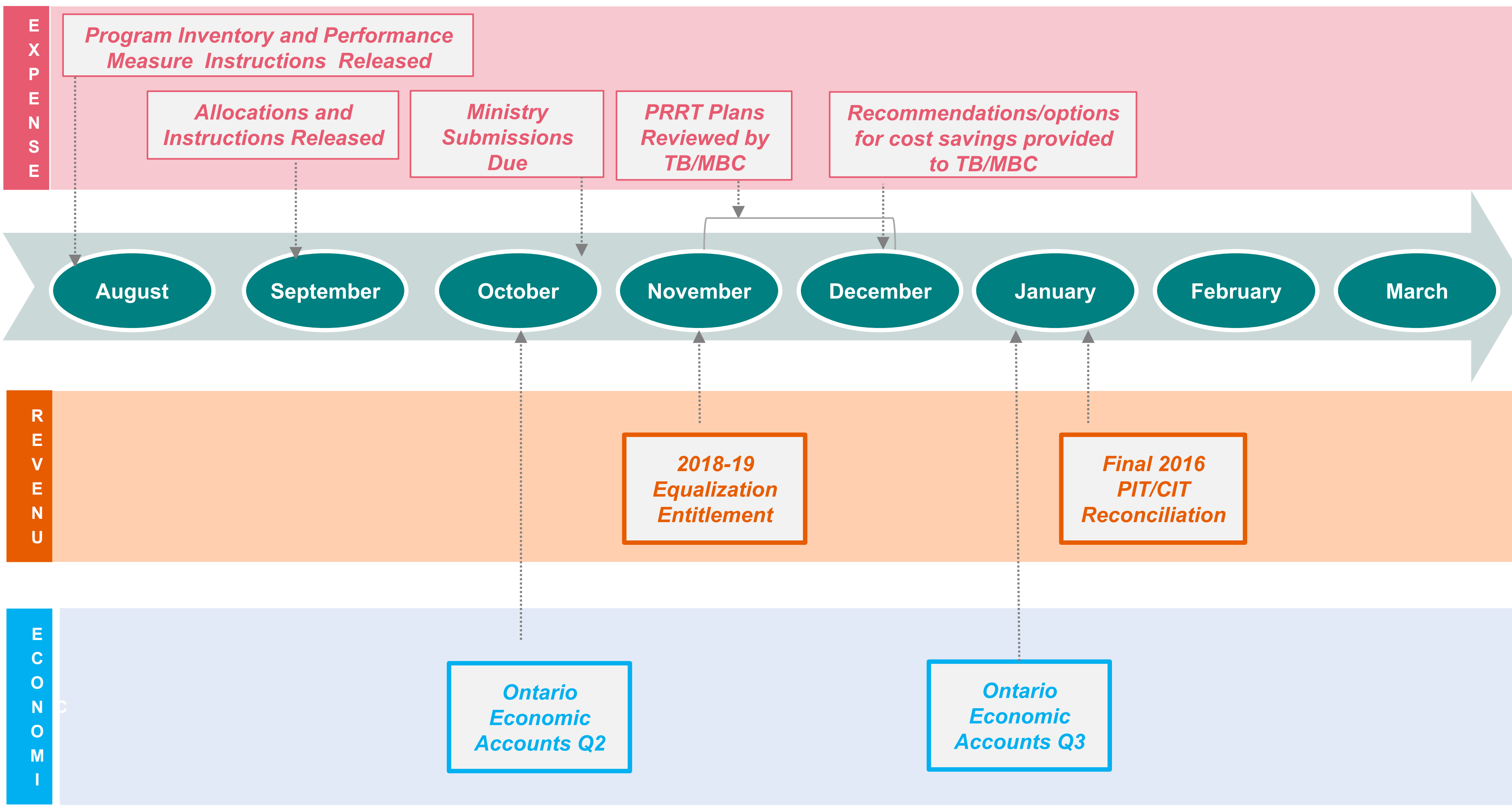
2016-17 Public Accounts Release Sept. 7

2017 Fall Economic Statement Release Oct/Nov TBD

Q3 Ontario Finances Feb 15 Deadline

2018 Document and Pre Election Report Release Feb TBD

2018 Expenditure Estimates Release Mar TBD

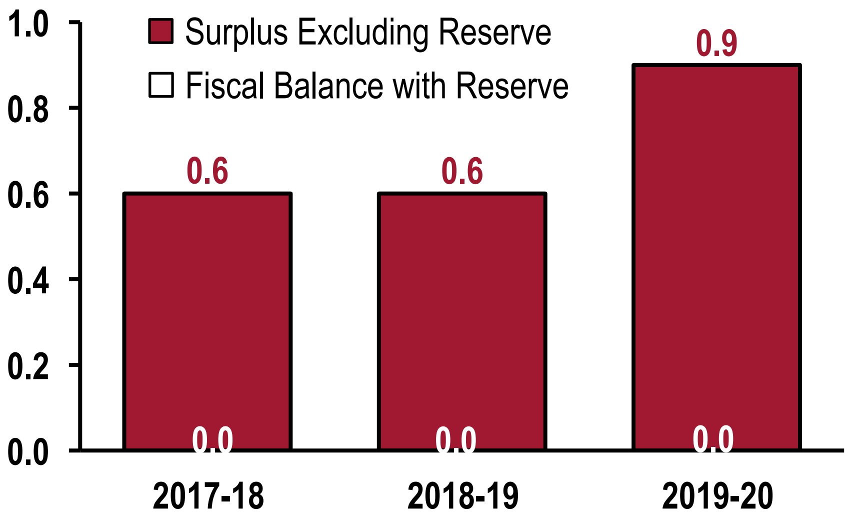


Appendix

Recapping the 2017 Budget Fiscal Architecture

2017 Budget Fiscal Targets

Fiscal Balance
($ Billions)



Net Debt-to-GDP

	2016-17	2017-18	2018-19	2019-20
Outlook	37.8%	37.5%	37.3%	37.2%
Targets	▪ 35% in 2023-24 ▪ 27% in 2029-30			

- Ratio peaked in 2014-15 at 39.1%
- 1% change in the GDP would impact ratio by ~0.5 percentage points.

Historically low reserve of $0.6 billion in 2017–18 and 2018–19, $0.9 billion in 2019–20.

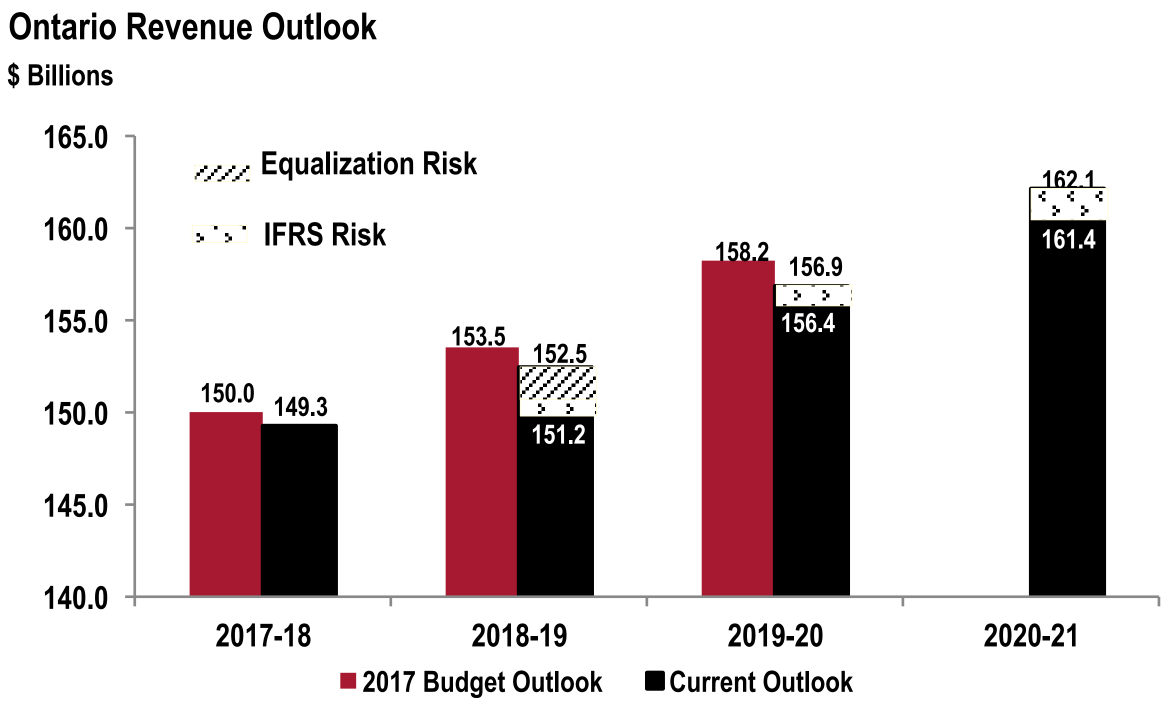
Key Revenue Assumptions (2017–18 to 2019–20)

- The forecast assumes **revenue growth continues at a stronger pace than would normally be forecast given the economic outlook** and removes prudence from the nominal GDP forecast as well as assumes a modest slowing of the housing market.
- Assumes **High-Yield Tax assumptions** of $1.3 billion in 2017–18, $1.8 billion in 2018–19, and $2.2 billion in 2019–20, and zero PIT tax planning.
- Includes **Revenue Integrity Targets** of $0.1 billion in 2017–18, $0.2 billion in 2018–19, and $0.4 billion in 2019–20.
- Assumes no year-over-year decline in **Equalization Payments in 2018-19 (flat-lined at $1.4 billion)**.
- Potential accounting impacts that amount to $0.5 billion in 2018–19 and 2019–20.

Key Expense Assumptions (2017–18 to 2019–20)

- **Net increase in program expense of $16.4 billion over three years** compared to the *2016 Budget* to invest in every sector and increase overall average spending growth from **1.9% to 2.9%** -- with a particular focus on **health and education.**
- However, overall program spending **remains constrained** – continues to decline as a share of GDP; overall growth slower than inflation+population.
- **Contingency Funds** at $0.6 billion in 2017–18; grows to $1.8 billion in 2019–20 (including set aside for MoFwd Outside the GTHA of $0.7 billion)
- **Year–end Savings** targets of $1.2 billion in 2017–18 and 2018–19, and $1.1 billion in 2019–20.
- **Program Review Savings** targets of $750 million in 2018–19 and 2019–20.
- Limited **Interest-on-Debt** prudence over the outlook.

Key Changes to the Revenue Outlook

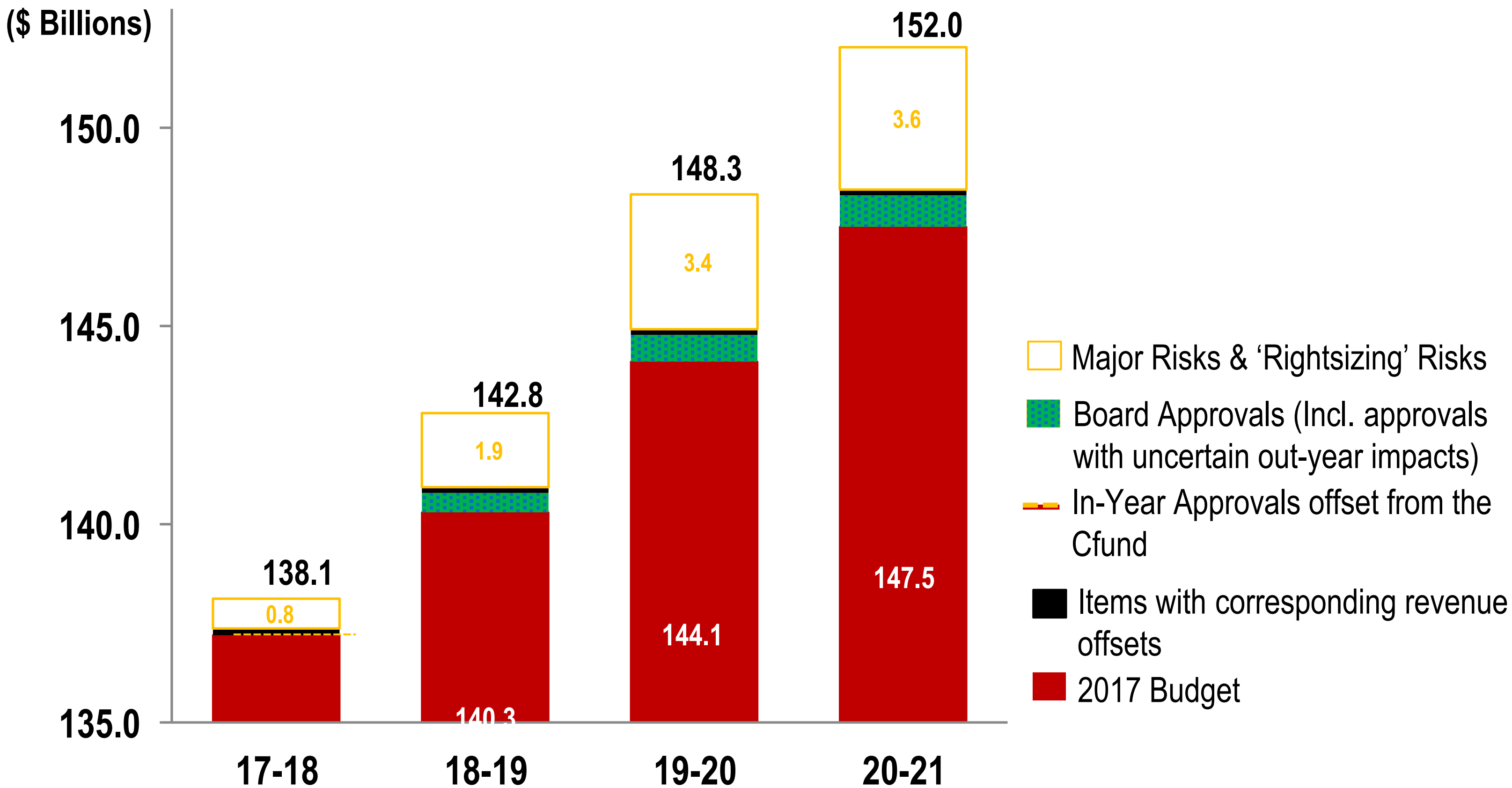


RISKS

- It is early in the fiscal year and there is a **broad range of risks** around the economic and revenue outlook – information that arrives in December/January could materially change the outlook
- There are **downside** risks related to: federal equalization payments reflecting Ontario's relatively stronger economic growth compared to the rest of Canada; impact of IFRS accounting in 2017-18; and 2016 PIT assessments, cooling of the housing market and OEB rate decisions/ OPG net income
- There are **upside** risks related to Corporate Income Tax assessment, carbon allowance proceeds, OLG and LCBO net income, and **balanced** risks related to economic growth and HST

Program Expense Outlook

- Based on in-year TB/MBC approvals to date, and a current assessment of risks and potential unfunded initiatives, the program expense outlook is projected to **grow at an average annual rate of 3.3%** between 2017-18 and 2020-21. The 2017 Budget projected program expense growth of 2.9% from 2015-16 to 2019 -20.
- This outlook assumes that all Year-End Savings targets of $1.2 billion in 2017–18 and 2018–19, and $1.1 billion in 2019–20 and Program Review targets of $0.8 billion in 2018-19 and 2019-20 are met.



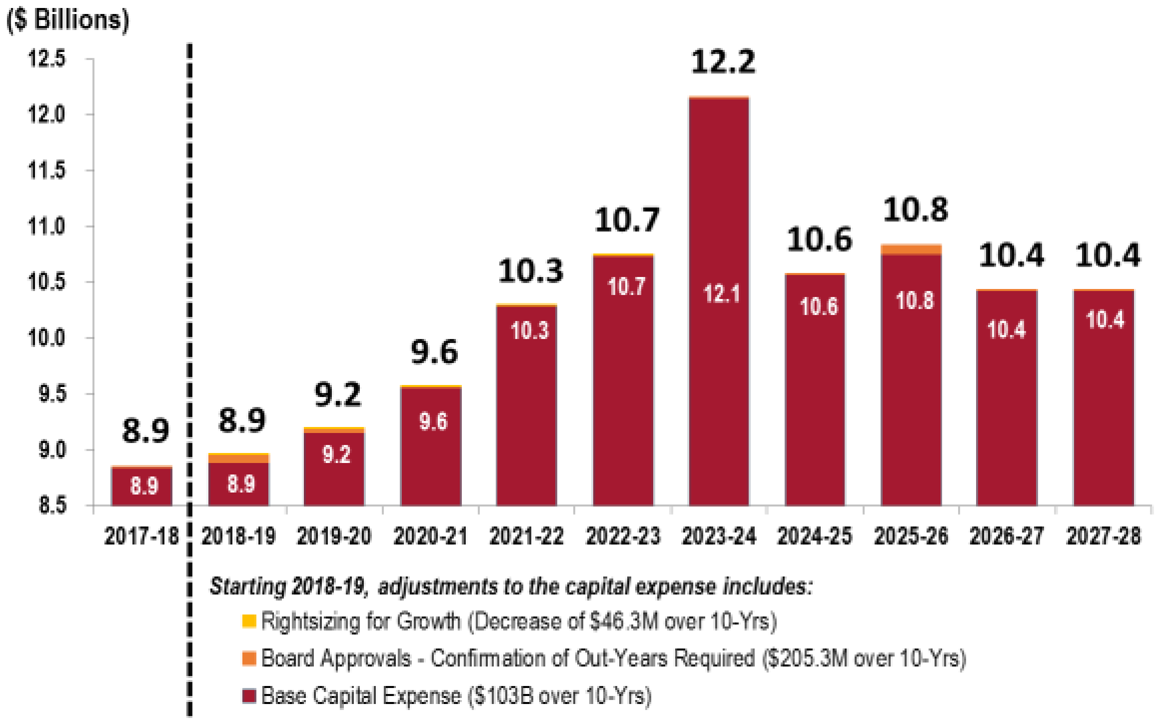
Note:
- Remaining contingency funds after set-asides and 2017-18 draws are $429.7M in 2017-18, $379.6M in 2018-19, $1,115.1M in 2019-20, and $1,179.1M in 2020-21.
- The fiscal plan includes a Program Review savings target of $750M in 2018-19 and $750M in 2019-20 along with a year-end savings target of $1,200M in 2017-18, $1,225M in 2018-19, $1,075M in 2019-20, and $1,150M in 2020-21.
- $262 million in additional Cap and Trade expense is included in 2017-18 to offset additional revenues from first two auctions (to be fiscally neutral).

Government of Canada's Approach

The recommended approach is similar to that used by the federal government:

- To kick-off the federal budget process, the Minister of Finance issues Ministerial Letters to Cabinet members.
- These letters, sent mid-October, request ideas for budget priorities, including departmental and program integrity pressures.
    - Program integrity pressures refer to circumstances in which departments acknowledge that they are having difficulty delivering currently mandated programming as a result of cost and operational pressures.
- In mid-November, line ministers respond with a two-page note highlighting their suggested budget priorities.
- Finance Canada staff analyze the departmental asks and prepare briefing notes used to brief the Minister of Finance.
- The Minister of Finance's recommendations are communicated to the Privy Council Office who prepare a briefing for the Prime Minister.
- The Prime Minister makes the final decision, in consultation with the Minister of Finance.
- Once final, all Budget decisions are then recorded in a comprehensive Cabinet Record of Decision.

Changes to Capital Expense

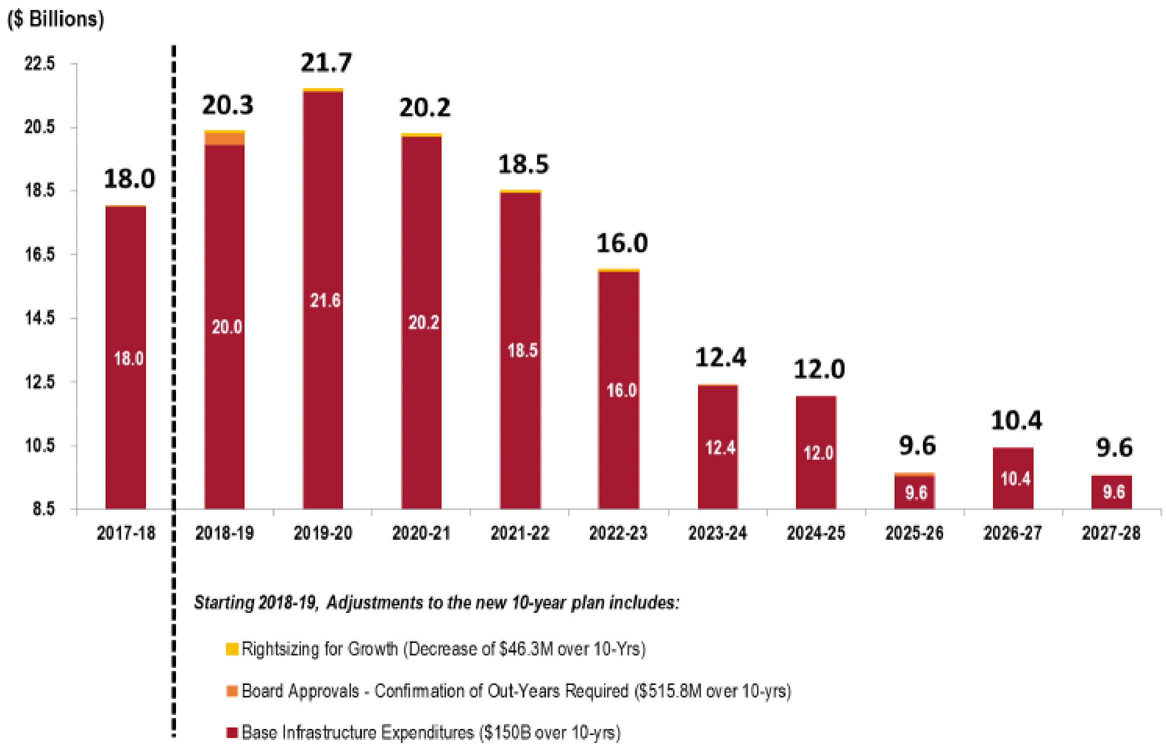


- As of Budget 2017 approvals, the fiscal impact of the ***capital plan (i.e., $156B)*** over the next 10-years starting 2018-19 is **$103B**, and represents a growing share of total program expense
- For 2018-19 preliminary allocations, capital expense adjustments are limited to in-year approvals to date, the associated out-year impacts (e.g., amortization of asset changes), and right-sizing adjustments which total to **$159M over 10-years**
- Allocations adjustments do not include:
  - Major capital risks (e.g., new metrolinx and highway projects, social sector partner facility renewal)
  - New federal-provincial programs (e.g., National Housing Strategy)

Key Preliminary Allocation Adjustments over the next 10-years include:

- **$205.3M Board Approvals – Out-Year Required** which are mostly comprised of adjustments for Ring of Fire Reprofiling to outyears ($75M), Waterloo Rapid Transit Project ($59M) associated with vehicle delivery delays, Matawa First Nations Broadband development ($30M), Ottawa Phase II LRT ($20M), and Nellies Violence against women shelter ($5M)
- **$46.3M decrease related to Rightsizing for Growth** related to Randal Reef remediation (decrease of $46M from 2018-19 to 2020-21)

Changes to the Province's 10-Year Capital Plan



- In Budget 2017, the Province updated it's infrastructure commitments to make significant investments of **about $156B** over next 10-years.
  - The capital plan are comprised of investments in capital assets, non-consolidated transfer payments, and capital through operating.
- For 2018-19 preliminary allocations:
  - The capital plan is rolled over to the new 10th year (2018-19 to 2027-28) resulting in base capital plan expenditures of **about $150B**
  - Other adjustments are limited to in-year approvals to date, the associated out-year impacts (e.g., asset changes), and right-sizing adjustments which total to **$469.5M over 10-years** bringing the new capital plan to **$150.6B**
- Allocations adjustments do not include:
  - Major capital risks (e.g., new metrolinx and highway projects, social sector partner facility renewal)
  - New federal-provincial programs (e.g., National Housing Strategy)

Key Preliminary Allocation adjustments over 10-years include:

- **$515.8M Board Approvals – Out-Year Required** comprises mostly:
  - Asset adjustments for Finch West LRT ($138M), Regional Express Rail ($162M), Fort William Flood Mitigation ($8.4M), and MOL Changing Workplace Review ($7.7M), and Kitchener Rail Bypass ($1.8B) which is fully offset from amounts held centrally
  - Waterloo Rapid Transit Project ($59M) associated with vehicle delivery delays, Matawa First Nations Broadband development ($30M), Ottawa Phase II LRT ($20M), and Nellies Violence against women shelter ($5M)
- **$46.3M decrease related to Rightsizing for Growth** related to Randal Reef remediation (decrease of $46M from 2018-19 to 2020-21)

Capital Plan: Other Considerations

- The 10-year capital plan faces potential pressures mostly resulting from:
  - **$1.6B** Federal-Provincial Programs in provincial cost sharing risks associated with Clean Water and Wastewater fund, National Housing Strategy , and revised project timelines for Building Canada Fund
  - **$1.0B** Capital Risks associated with amortization changes of in-service highways, social sector partner facility renewal needs, and social housing revitalization/capital repairs
- In addition, Phase II Federal Funding for infrastructure may provide Ontario with an additional $13B- $17B in federal funding over the next 11 year. However, these agreements will contain potential cost-matching requirements. The Province's ability to nominate in-plan infrastructure projects/programs (i.e., About $156B) will be limited by incrementality conditions.
  - MOI is working with federal officials to determine cost-matching requirements, incrementality conditions, and it's impact to the Province's capital plan
- In addition to capital expense, infrastructure investments create long-term operating implications including maintenance costs and other direct operating expense (ODOE)
- Investments in capital assets require provincial borrowing, which contributes to growing debt over time and creates long-term interest on debt obligations (IOD).

Scenario – Items to be Included in Allocations

EXPENSE ITEMS OFFSET BY REVENUE

$ Millions	2018-19	2019-20	2020-21	2021-22
Recommend to Include:				
EDU: Early-Learning Bi-lateral Agreement	145	145	145	
MCSCS: First Nations emergency management	4	4	4	
MOL:Occupational Health and Safety Prevention	1	0	-	
Total: Recommend to Include	**149**	**149**	**148**	-

BOARD APPROVALS

$ Millions	2018-19	2019-20	2020-21	2021-22
Recommend to Include – Financials Confirmed				
EDU: Rural and Northern Education Fund	20	20	20	
EDU: Nishnawbe Aski Nation (NAN) Education Funding	13	13	13	
CO: Washington Office	1	-	-	
MIT US Engagement Team Continuation of Funding	4	-	-	
MOECC: Grassy Narrows Remediation Plan Development	8	-	-	
MFA- Francophone Community Grants Program	1	1	-	
MIRR/MNRF/MAG: Three Priority Claims	2	2	-	
MTCS Ontario Arts Council Funding	5	10	15	
MTO: Highway Maintenance Services Procurement and Report	7	37	48	
MTO: GO-TTC Discounted Double Fare Initiative	18	18	18	
Total: Recommend to Include	**80**	**102**	**114**	-

Scenario – Items to be considered Through PRRT

BOARD APPROVALS – CONFIRMATION OF OUT-YEARS REQUIRED

$ Millions	2018-19	2019-20	2020-21	2021-22
Consider Including				
EDU: Child Care (operating for 100K spaces)	210	380	520	
EDU: Achieving Excellence/Whole Child	33	14	6	
MAESD - French-language University/ College Boreal	20	20	20	
MCSS: Nellies Violence Against Women Shelter	5	-	-	
MAG: Police Oversight Reform Initiative	18	23	23	
MCSCS: Strategy for a Safer Ontario (incl. First Nations Capital)	32	64	61	
MOECC: Organization to Advance Science on Climate Change	9	15	15	
MOL: Changing Workplaces Review	17	24	26	
MNDM: Matawa Broadband	7	13	10	
MTO: Ottawa Phase II LRT	-	20	-	
MTO: Waterloo Rapid Transit Project	59	-	-	
Total: Consider to Include	**409**	**573**	**681**	-

RIGHTSIZING FOR GROWTH

$ Millions	2018-19	2019-20	2020-21	2021-22
Consider Including				
MOHLTC: OHIP (OMA 2.6% mandate)	125	109	28	
MOHLTC: increases for nurses and other non-physicians	387	614	838	
MCSS: SA Forecast (partial funding)	41	69	82	
MCSCS: OPSEU - Corrections Compensation	31	43	56	
MOECC: Randle Reef	(14)	(14)	(11)	
Various: Recent Agreements (OPSEU, AMAPCEO, Management)	64	130	211	
MOHLTC/EDU/MCSS/MCYS: Minimum Wage - Direct	108	262	262	
MOHLTC/EDU/MCSS/MCYS: Minimum Wage - Indirect	78	91	91	
Total: Consider to Include	820	1,304	1,558	-
TOTAL excl. REVENUE OFFSET ITEMS	1,310	1,979	2,353	

Major Risks

MAJOR RISKS

$ Millions	2018-19	2019-20	2020-21	2021-22
First Nations				
MCYS: Indigenous Children's Aid Societies designation	20	20	20	
MIRR: Indigenous Youth Secretariat	TBD	TBD	TBD	
MIRR: Non-Williams Treaties Land Claims Settlement Funding	181	335	43	
MIRR: Williams Treaties Land Claim Settlement	-	450	-	
Total First Nations	201	805	63	
Compensation Risks				
MOHLTC: OMA (1.4% above mandate)	359	556	766	
EDU: Next Round of Collective Agreements (2019 and ongoin	-	260	680	
MAG/MCSCS: Attorney, judicial and police Compensation	16	41	71	
Total Compensation	375	857	1,517	
Fed-Prov Related				
MOI: Clean Water and Wastewater Fund	92	-	-	
MOI: Building Canada Fund revised project timelines	21	-	-	
MMA/MHO: National Housing Strategy - Provincial Sharing	-	85	85	
Total Fed-Prove Related	113	85	85	

Major Risks

MAJOR RISKS

$ Millions	2018-19	2019-20	2020-21	2021-22
Capital				
MAESD - University Expansion 17-18 Lever	32	-	-	
MCYS: Grandview CTC	8	8	8	
MCYS: Partner Facility Renewal	10	10	10	
MCSS: Partner Facility Renewal	10	10	10	
MOI: Community Hubs capital program	TBD	TBD	TBD	
MTO: Highway Amortization	22	38	55	
Total Capital	82	66	82	
Other				
MOHLTC: Opioid Strategy Initiatives	101	99	99	
MAESD: Increased OSAP Uptake	160	160	160	
MCYS: Administrative Compensating Leave (ACL)	6	6	6	
MCSCS: Corrections Reform [TBD]	TBD	TBD	TBD	
MNDM: Intercommunity Bus Modernization	7	8	8	
MTO: Metrolinx Agency Growth	3	11	13	
Total Other	277	284	286	
TOTAL MAJOR RISKS	1,047	2,096	2,033	

Appendix: Capital Expense Adjustments – Detailed

Preliminary Allocation Adjustments Details - Capital Expense

Year:		1	2	3	4	5	6	7	8	9	10	1 to 3	1 to 10
$ M	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	3-Year Totals	10-year Totals
Budget 2017: Capital Expense (A)	8,850.2	8,890.3	9,159.4	9,559.5	10,290.0	10,742.7	12,149.0	10,568.4	10,759.2	10,426.0	10,425.3	27,609.2	102,969.8
Board Approvals (B)	85.0	-	-	-	-	-	-	-	-	-	-	-	-
MOECC: Grassy Narrows First Nations Commitment	85.0											-	-
Board Approvals - Confirmation of Out-Years Required (C)	5.0	71.2	33.5	11.0	1.0	1.0	8.9	1.0	75.9	1.0	1.0	115.7	205.3
MCSS: Nellies Violence Against Women Shelter	5.0	5.0										5.0	5.0
MOL: Changing Workplaces Review		0.2	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.7	8.5
MNDM: Matawa Broadband		7.0	13.0	10.0								30.0	30.0
MTCS: Fort William Historical Park Flood Mitigat												-	-
MNDM: Reprofile of RoF 2017-18 funding to 2025-26									74.9			-	74.9
MTO: RUSMOD Segment 2.1												-	-
MTO: Metrolinx - Finch West												-	-
MTO: Regional Express Rail												-	-
MTO: London Bus Rapid Transit Project		0.0					7.9					0.0	7.9
MTO: Waterloo Rapid Transit Project		59.0										59.0	59.0
MTO: Ottawa Phase II LRT			20.0									20.0	20.0
MTO: Kitchener Rail Bypass												-	-
Rightsizing for Growth (D)		(14.3)	(14.3)	(11.1)	(6.0)	(0.7)	-	-	-	-	-	(39.6)	(46.3)
MOECC: Randle Reef		(14.3)	(14.3)	(11.1)	(6.0)	(0.7)						(39.6)	(46.3)
Adjustments (E = B+C+D)	90.0	56.9	19.3	(0.1)	(5.0)	0.3	8.9	1.0	75.9	1.0	1.0	76.1	159.0
Total Capital Expense - Potential (A + E)	8,940.2	8,947.2	9,178.7	9,559.4	10,285.0	10,743.0	12,157.9	10,569.4	10,835.1	10,427.0	10,426.3	27,685.3	103,128.8
Major Risks	82.0	244.4	286.1	302.6	261.4	261.4	261.4	261.4	261.4	261.4	261.4	833.1	2,663.1
Federal-Provincial Programs	23.0	112.5	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	452.5	1,642.5
MOI:Clean Water and Wastewater Fund (CWWF)	23.0	92.0	-									92.0	92.0
MMA/MHO: National Housing Strategy - Provincial Sharing			85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	170.0	765.0
MMA/MHO: National Housing Strategy - Federal Contribution			85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	170.0	765.0
MOI:Federal Infrastructure Funding Phase 2		0.0										0.0	0.0
MOI: Building Canada Fund (BCF) revised project timelines		20.5										20.5	20.5
Capital Risks	59.0	131.9	116.1	132.6	91.4	91.4	91.4	91.4	91.4	91.4	91.4	380.6	1,020.6
MMA/MHO: Revitalization of Social Housing/Capital Repairs	50.0	50.0	50.0	50.0								150.0	150.0
MNDM: Intercommunity Bus Modernization		0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.1	4.1
MOI: Community Hubs capital program	9.0											-	-
MAESD - University Expansion 17-18 Lever		32.0										32.0	32.0
MCYS: Grandview CTC		7.7	7.7	7.7								23.0	23.0
MTO: Highway Amortization		22.0	38.0	54.5	71.0	71.0	71.0	71.0	71.0	71.0	71.0	114.5	611.5
MCSS: Partner Facility Renewal		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	30.0	100.0
MCYS: Partner Facility Renewal		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	30.0	100.0

Appendix: Infrastructure Expenditures Adjustments – Detailed

Line-By-Line Consolidations – Impact on Sector Growth

Line-By-Line Consolidations - Impact on Sector Growth Rates							
$ Billions	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21*	Avg. Ann. Growth 15-16 to 19-20
Program Expense Sectors							
Health	51.0	52.2	53.8	56.3	58.1	59.7	*3.3%*
Education	25.0	25.7	26.5	27.4	28.0	28.0	*2.8%*
Postsecondary	7.7	7.8	8.4	8.3	8.4	8.4	*2.5%*
Social Services	15.6	16.2	16.9	17.2	17.4	17.7	*2.7%*
Justice	4.5	4.6	4.7	4.7	4.8	4.8	*1.2%*
Other Programs	17.1	17.0	19.2	18.4	19.2	20.5	*2.9%*
Total 2017 Budget Program Expense	**120.9**	**123.5**	**129.5**	**132.3**	**135.8**	**139.0**	***2.9%***
Line-By-Line Consolidations							
Health	3.9	4.1	4.2	4.3	4.3	4.4	
Education	1.0	1.0	1.0	1.0	1.1	1.1	
Postsecondary	2.2	2.4	2.5	2.7	2.9	3.0	
Total Line-By-Line Consolidations	**7.2**	**7.4**	**7.7**	**8.0**	**8.3**	**8.5**	
Program Expense Sectors							
Health	54.9	56.3	57.9	60.5	62.4	64.2	*3.2%*
Education	26.0	26.7	27.5	28.4	29.0	29.1	*2.8%*
Postsecondary	9.9	10.2	10.9	11.0	11.3	11.3	*3.3%*
Social Services	15.6	16.2	16.9	17.2	17.4	17.7	*2.7%*
Justice	4.5	4.6	4.7	4.7	4.8	4.8	*1.2%*
Other Programs	17.1	17.0	19.2	18.4	19.2	20.5	*2.9%*
Total Restated Program Expense	**128.1**	**130.9**	**137.2**	**140.3**	**144.1**	**147.5**	***3.0%***