

## Fiscal Summary (\$ Millions)

|                                      | Interim<br>1995-96 | 1996-97      |                    |                   |
|--------------------------------------|--------------------|--------------|--------------------|-------------------|
|                                      |                    | Budget Plan  | Current<br>Outlook | In-Year<br>Change |
| <b>Revenue</b>                       | 47,819             | 46,660       | 46,685             | 25                |
| <b>Expense</b>                       |                    |              |                    |                   |
| Programs                             | 43,652             | 41,841       | 41,889             | 48                |
| Restructuring Fund and Other Charges | 1,431              | 900          | 900                | -                 |
| <b>Total Programs Expense</b>        | 45,083             | 42,741       | 42,789             | 48                |
| Capital                              | 3,510              | 2,704        | 2,704              | -                 |
| Public Debt Interest                 | 8,324              | 8,745        | 8,720              | (25)              |
| <b>Total Expense</b>                 | 56,917             | 54,190       | 54,213             | 23                |
| Reserve                              | -                  | 650          | 650                | -                 |
| <b>Deficit</b>                       | <b>9,098</b>       | <b>8,180</b> | <b>8,178</b>       | <b>(2)</b>        |

## HIGHLIGHTS

### DEFICIT

- The deficit outlook for 1996-97 at \$8.2 billion remains on track with the government's Balanced Budget Plan to eliminate the deficit by 2000-01. As of June 30, 1996 the deficit is projected at \$8,178 million, down \$2 million from the Budget Plan released in May.

### REVENUE

- The revenue outlook for 1996-97 is revised upward by \$25 million to \$46,685 million primarily due to higher Land Transfer Tax revenue.

### OPERATING EXPENSE

- Operating expense is up a net \$23 million from the Budget Plan mainly due to increased funding requirements for forest fire fighting in Northern Ontario.

### CAPITAL EXPENSE

- Capital expense remains unchanged from the Budget Plan at \$2,704 million.

For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7

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Pour de plus amples renseignements,  
communiquez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7  
téléphone : (416) 325-0333.

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# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

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### FISCAL PERFORMANCE

#### REVENUE

- The current outlook for revenue is \$46,685 million, \$25 million above the Budget Plan.
  - The Land Transfer Tax outlook has been increased by \$20 million as a result of the stronger-than-expected real estate market.
  - Miscellaneous revenue is \$5 million higher due primarily to increased reimbursements from the approval of contracts with Orillia, Fort Frances and Mitchell for the OPP to provide policing services.

#### OPERATING EXPENSE

- Operating expense at \$51,509 million is \$23 million above the Budget Plan. Major changes include:
  - Ministry of Consumer and Commercial Relations: an expenditure increase of \$10 million in interim financial assistance to the horse racing industry for Sire Stakes, overnight purse supplements and equine research. The Racetracks Tax Sharing Arrangement is to be replaced by the pari-mutuel tax reduction announced in the Budget. Also, an extra \$2 million was approved for the Gaming Control Commission for regulating of the Niagara Casino.
  - Ministry of Education and Training: an additional \$5 million for the Summer Youth Employment Program, fully offset from the Contingency Fund. The total number of provincially funded student placements will now be increased by 20 per cent, or almost 5,000 more jobs than last year, for a total of 29,000 placements.
  - Ministry of Natural Resources: an additional \$50 million, of which \$18 million comes from the Contingency Fund, to combat the increase in forest fires this year.
  - Ministry of the Solicitor General and Correctional Services: an expenditure increase of \$4 million as the OPP has signed contracts with Orillia, Fort Frances and Mitchell to provide municipal policing services. These costs are recovered.
  - Public Debt Interest: savings of \$25 million realized to date due to lower interest rates than forecast in the Budget, reflecting the government's cautious approach in its interest rate forecasts.

#### CAPITAL EXPENSE

- Capital expense at \$2,704 million remains unchanged from the Budget Plan.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES (CONTINUED)

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### ECONOMIC PERFORMANCE

#### ONTARIO ECONOMY OUTPACES NATIONAL ECONOMY IN 1995

- Ontario real GDP rose 3.2 per cent in 1995, second strongest among the provinces and well above the national average of 2.3 per cent.
- In the first quarter of 1996, Canadian real GDP rose at an annualized rate of 1.2 per cent. Preliminary data indicate that Ontario's economy was weaker than Canada in 1996:1, reflecting the impact of the strike in the Ontario public service, and the March shutdown of several auto plants in Ontario resulting from U.S. strike activity in Dayton, Ohio.

#### ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1996

- Over the first six months of 1996, private sector employment is up 86,000 from a year earlier, more than offsetting a 28,000 decline in public sector employment.

#### ONTARIO EXPORTS INCREASE IN 1996

- Over the first five months of 1996, Ontario merchandise exports rose 5.0 per cent over a year ago, despite temporary auto plant closures for inventory correction and strike activity in the U.S.

#### HOUSING MARKET CONTINUES TO IMPROVE

- Over the first five months of 1996, Ontario home resales rose 32.5 per cent, while Toronto new home sales jumped 67 per cent. The strong showing in home sales so far this year reflects rising consumer confidence, and the best home ownership affordability in more than a decade.
- In May and June, Ontario urban-area housing starts, averaging 41,300 units, reached their highest level in almost two years.

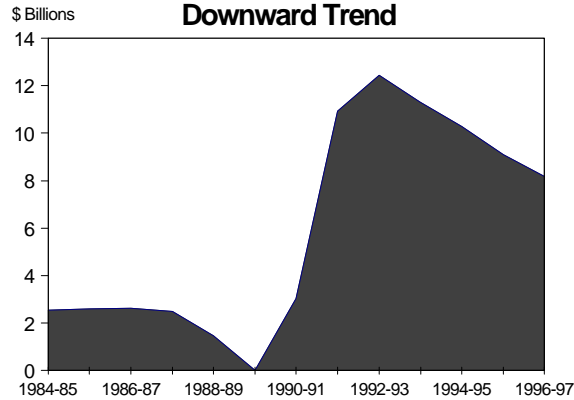
#### ONTARIO INFLATION REMAINS LOW IN JUNE

- The Ontario CPI inflation rate (year-over-year) was 1.2 per cent in June, down slightly from 1.3 per cent in May. This is the seventh straight month that inflation has been under 2 per cent.

# ONTARIO FINANCES

## SELECTED FISCAL INDICATORS

**Ontario's Deficit is on a Downward Trend**

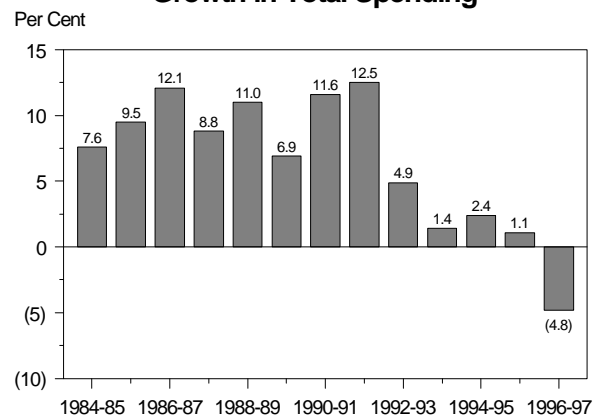


Note: Prior to 1993-94 data on a modified cash basis

Ontario's deficit is steadily declining from the historic high set in the early 1990s. As of June 30th, Ontario's deficit for 1996-97 is estimated at \$8.2 billion.

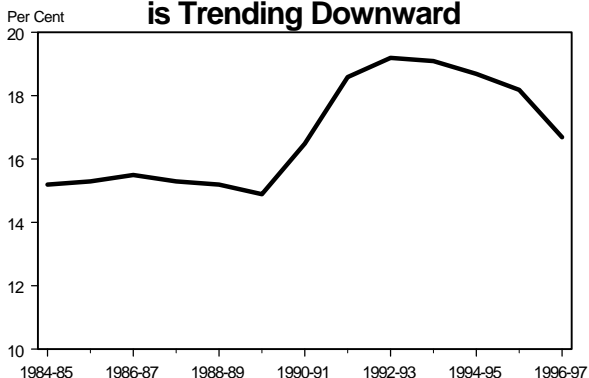
As part of its Balanced Budget Plan to eliminate the deficit by 2000-01, the government outlined spending reductions for 1996-97 and beyond in the November 1995 Fiscal and Economic Statement. The savings from these measures laid the foundation for a balanced budget by the fiscal year 2000-01.

**Growth in Total Spending**



Note: Prior to 1993-94, data on a modified cash basis

**Spending to GDP Ratio is Trending Downward**



Note: Prior to 1993-94 data on a modified cash basis

As a share of Gross Domestic Product (GDP), Ontario's spending is steadily tracking downward since the early 1990s and currently stands at 16.7 per cent for 1996-97.

# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

| KEY ECONOMIC INDICATORS   |         |        |        |              |        |      |       |      |
|---|---------|--------|--------|--------------|--------|------|-------|------|
| (% Change from previous Period), unless indicated otherwise   |         |        |        |              |        |      |       |      |
|   |         | Annual | Annual | Quarterly    |        |      |       |      |
|   |         | 1994   | 1995   | 95:1         | 95:2   | 95:3 | 95:4  | 96:1 |
| <b>Output</b>   |         |        |        |              |        |      |       |      |
| <b>(Seasonally Adjusted Annual Rate)</b>  |         |        |        |              |        |      |       |      |
| Real GDP  | Ontario | 4.7    | 3.2    | (0.3)        | (2.6)  | 7.8  | 4.7   | N/A  |
|   | Canada  | 4.1    | 2.3    | 1.6          | (1.0)  | 1.2  | 0.9   | 1.2  |
| Nominal GDP   | Ontario | 4.3    | 4.1    | 2.7          | 0.4    | 8.2  | 5.4   | N/A  |
|   | Canada  | 4.8    | 3.9    | 4.0          | 1.8    | 3.0  | 1.2   | 0.4  |
|   |         | Annual | Annual | Monthly 1996 |        |      |       |      |
|   |         | 1994   | 1995   | Feb          | Mar    | Apr  | May   | Jun  |
| <b>Other Indicators (Seasonally Adjusted)</b>   |         |        |        |              |        |      |       |      |
| <b>Labour Markets</b>   |         |        |        |              |        |      |       |      |
| Labour Force (Change in 000s)   | Ontario | 15     | 25     | 38           | (4)    | 14   | (14)  | 24   |
| Employment (Change in 000s)   |         |        |        |              |        |      |       |      |
| Private Sector  | Ontario | 73     | 116    | 27           | 14     | 0    | (28)  | 8    |
| Public Sector   | Ontario | (2)    | (45)   | 4            | (15)   | 8    | 11    | (12) |
| Unemployment Rate (%)   | Ontario | 9.6    | 8.7    | 8.9          | 8.9    | 9.0  | 9.1   | 9.5  |
| <b>Household Sector</b>   |         |        |        |              |        |      |       |      |
| Retail Sales  | Ontario | 6.7    | 3.1    | (1.8)        | 1.1    | 0.0  | (0.6) | N/A  |
| Urban Housing Starts (000s)   | Ontario | 46.6   | 35.8   | 32.7         | 34.2   | 28.0 | 41.4  | 41.2 |
| New Home Sales*   | Toronto | 49.8   | (24.0) | 106.2        | 82.7   | 81.9 | 52.6  | N/A  |
| MLS Home Sales*   | Ontario | 6.7    | (11.1) | 48.1         | 38.9   | 43.4 | 14.9  | N/A  |
| <b>Manufacturing Shipments</b>  | Ontario | 13.2   | 10.4   | (0.7)        | (3.4)  | 4.5  | 1.6   | N/A  |
| Motor Vehicle Shipments   | Ontario | 15.4   | 12.3   | 0.1          | (10.0) | 11.5 | 6.0   | N/A  |
| <b>Consumer Price Index: All Items</b>  | Ontario | 0.1    | 2.4    | 1.2          | 1.3    | 1.4  | 1.3   | 1.2  |
| Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive. |         |        |        |              |        |      |       |      |

\* % change from a year earlier

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

| (\$ Millions)                             | Interim<br>1995-96 | 1996-97        |                    |                   |
|---|--------------------|----------------|--------------------|-------------------|
|   |                    | Budget<br>Plan | Current<br>Outlook | In-Year<br>Change |
| <b>TAXATION REVENUE</b>                   |                    |                |                    |                   |
| Personal Income Tax                       | 15,443             | 15,213         | 15,213             | --                |
| Retail Sales Tax                          | 9,355              | 9,520          | 9,520              | --                |
| Corporations Tax                          | 5,110              | 5,370          | 5,370              | --                |
| Employer Health Tax                       | 2,670              | 2,665          | 2,665              | --                |
| Gasoline Tax                              | 1,950              | 1,985          | 1,985              | --                |
| Fuel Tax                                  | 510                | 520            | 520                | --                |
| Tobacco Tax                               | 330                | 330            | 330                | --                |
| Land Transfer Tax                         | 346                | 365            | 385                | 20                |
| Other Taxation                            | 279                | 200            | 200                | --                |
|   | <b>35,993</b>      | <b>36,168</b>  | <b>36,188</b>      | <b>20</b>         |
| <b>GOVERNMENT OF CANADA</b>               |                    |                |                    |                   |
| Canada Health and Social Transfer         | -                  | 5,260          | 5,260              | --                |
| Established Programs Financing            | 3,921              | -              | -                  | --                |
| Canada Assistance Plan                    | 2,508              | -              | -                  | --                |
| Fiscal Stabilization                      | 367                | -              | -                  | --                |
| National Training Act                     | 61                 | 26             | 26                 | --                |
| Bilingualism Development                  | 58                 | 50             | 50                 | --                |
| Young Offenders                           | 63                 | 59             | 59                 | --                |
| Vocational Rehabilitation                 | 63                 | 46             | 46                 | --                |
| Canada-Ontario Infrastructure Works       | 313                | 223            | 223                | --                |
| Other                                     | 370                | 366            | 366                | --                |
|   | <b>7,724</b>       | <b>6,030</b>   | <b>6,030</b>       | <b>--</b>         |
| <b>INCOME FROM GOVERNMENT ENTERPRISES</b> |                    |                |                    |                   |
| Ontario Lottery Corporation               | 645                | 736            | 736                | --                |
| Liquor Control Board of Ontario           | 669                | 685            | 685                | --                |
| Ontario Casino Corporation                | 419                | 575            | 575                | --                |
| Ontario Housing Corporation               | (268)              | (232)          | (232)              | --                |
| GO Transit                                | (170)              | (157)          | (157)              | --                |
| Other                                     | 22                 | 75             | 75                 | --                |
|   | <b>1,317</b>       | <b>1,682</b>   | <b>1,682</b>       | <b>--</b>         |
| <b>OTHER REVENUE</b>                      |                    |                |                    |                   |
| Vehicle/Driver Registration Fees          | 760                | 790            | 790                | --                |
| Other Fees and Licences                   | 670                | 680            | 680                | --                |
| Liquor Licence Board of Ontario Revenues  | 530                | 530            | 530                | --                |
| Royalties                                 | 242                | 260            | 260                | --                |
| Sales and Rentals                         | 56                 | 67             | 67                 | --                |
| Fines and Penalties                       | 105                | 100            | 100                | --                |
| Miscellaneous                             | 422                | 353            | 358                | 5                 |
|   | <b>2,785</b>       | <b>2,780</b>   | <b>2,785</b>       | <b>5</b>          |
| <b>TOTAL REVENUE</b>                      | <b>47,819</b>      | <b>46,660</b>  | <b>46,685</b>      | <b>25</b>         |

# OPERATING EXPENSE

| (\$ Millions)                               |                    | 1996-97        |                    |                   |
|---|--------------------|----------------|--------------------|-------------------|
| MINISTRY                                    | Interim<br>1995-96 | Budget<br>Plan | Current<br>Outlook | In-Year<br>Change |
| Agriculture, Food and Rural Affairs         | 422                | 425            | 425                | --                |
| Attorney General                            | 753                | 637            | 637                | --                |
| Board of Internal Economy                   | 210                | 120            | 120                | --                |
| Citizenship, Culture and Recreation         | 376                | 322            | 322                | --                |
| Community and Social Services               | 8,770              | 8,200          | 8,200              | --                |
| Consumer and Commercial Relations           | 141                | 110            | 122                | 12                |
| Economic Development, Trade and Tourism     | 438                | 245            | 245                | --                |
| Education and Training                      | 8,156              | 7,601          | 7,606              | 5                 |
| - Teachers' Pension Plan                    | 795                | 902            | 902                | --                |
| Environment and Energy                      | 243                | 172            | 172                | --                |
| Executive Offices                           | 13                 | 13             | 13                 | --                |
| Finance - Own Account                       | 683                | 392            | 392                | --                |
| - Public Debt Interest                      | 8,324              | 8,745          | 8,720              | (25)              |
| Health                                      | 17,679             | 17,718         | 17,718             | --                |
| Intergovernmental Affairs                   | 5                  | 5              | 5                  | --                |
| Labour                                      | 141                | 115            | 115                | --                |
| Management Board Secretariat                | 625                | 432            | 432                | --                |
| - Public Service/OPSEU Pension Plan         | 734                | 284            | 284                | --                |
| - Contingency Fund                          | -                  | 213            | 190                | (23)              |
| - Employee Severance                        | 520                | -              | -                  | --                |
| Municipal Affairs and Housing               | 1,793              | 1,888          | 1,888              | --                |
| Native Affairs Secretariat                  | 16                 | 13             | 13                 | --                |
| Natural Resources                           | 523                | 373            | 423                | 50                |
| Northern Development & Mines                | 49                 | 42             | 42                 | --                |
| Office of Francophone Affairs               | 3                  | 2              | 2                  | --                |
| Office Responsible for Women's Issues       | 20                 | 17             | 17                 | --                |
| Solicitor General and Correctional Services | 1,133              | 1,116          | 1,120              | 4                 |
| Transportation                              | 842                | 684            | 684                | --                |
| Restructuring Fund                          | -                  | 900            | 900                | --                |
| Year-end Savings                            | -                  | (200)          | (200)              | --                |
| <b>TOTAL OPERATING EXPENSE</b>              | <b>53,407</b>      | <b>51,486</b>  | <b>51,509</b>      | <b>23</b>         |



# CAPITAL EXPENSE

| (\$ Millions)                               |                    | 1996-97        |                    |                   |
|---|--------------------|----------------|--------------------|-------------------|
| MINISTRY                                    | Interim<br>1995-96 | Budget<br>Plan | Current<br>Outlook | In-Year<br>Change |
| Agriculture, Food and Rural Affairs         | 5                  | -              | -                  | --                |
| Attorney General                            | 17                 | 46             | 46                 | --                |
| Citizenship, Culture and Recreation         | 24                 | 6              | 6                  | --                |
| Community and Social Services               | 25                 | 38             | 38                 | --                |
| Economic Development, Trade and Tourism     | 112                | 41             | 41                 | --                |
| Education and Training                      | 576                | 222            | 222                | --                |
| Environment and Energy                      | 232                | 196            | 196                | --                |
| Health                                      | 135                | 167            | 167                | --                |
| Management Board Secretariat                | 248                | 146            | 146                | --                |
| - Contingency Fund                          | -                  | 14             | 14                 | --                |
| Municipal Affairs and Housing               | 483                | 332            | 332                | --                |
| Native Affairs Secretariat                  | 10                 | 15             | 15                 | --                |
| Natural Resources                           | 47                 | 32             | 32                 | --                |
| Northern Development & Mines                | 173                | 228            | 228                | --                |
| Solicitor General and Correctional Services | 3                  | 6              | 6                  | --                |
| Transportation                              | 1,420              | 1,215          | 1,215              | --                |
| <b>TOTAL CAPITAL EXPENSE</b>                | <b>3,510</b>       | <b>2,704</b>   | <b>2,704</b>       | <b>--</b>         |

# STATEMENT OF FINANCIAL TRANSACTIONS

| (\$ Millions)                           | Interim<br>1995-96 | 1996-97        |                    |                   |
|---|--------------------|----------------|--------------------|-------------------|
|   |                    | Budget<br>Plan | Current<br>Outlook | In-year<br>Change |
| Deficit                                 | 9,098              | 8,180          | 8,178              | (2)               |
| Cash Timing Adjustment                  | (2,360)            | 90             | 90                 | --                |
| Borrowing on Behalf of Agencies         | 442                | 533            | 533                | --                |
| Maturing Debt                           | 2,142              | 6,086          | 6,086              | --                |
| Total Financing Requirements            | 9,322              | 14,889         | 14,887             | (2)               |
| Financed by:                            |                    |                |                    |                   |
| (Increase)/ Decrease in Liquid Reserves | (2,962)            | 4,705          | 4,703              | (2)               |
| Other Sources                           | 255                | 184            | 184                | --                |
| Debt Issues                             | 12,029             | 10,000         | 10,000             | --                |
| <b>TOTAL FINANCING</b>                  | <b>9,322</b>       | <b>14,889</b>  | <b>14,887</b>      | <b>(2)</b>        |

## 1996-97 FINANCING ACTIVITIES TO DATE

| (\$ Millions) | Issued            | Remaining | % Completed |
|---------------|-------------------|-----------|-------------|
|               | (as of June 30th) |           |             |
| Debt issues   | 2,076             | 7,924     | 20.8        |

- The province's total financing requirement for the 1996-97 fiscal year is \$14,887 million. Of the total financing requirement, it is expected that \$10,000 million will be borrowed from public sources and \$184 million from other sources such as the Province of Ontario Savings Office. The remaining financing of \$4,703 million will be met by reducing liquid reserves.
- Maturing debt in the first quarter totalled \$2,465 million. The remaining \$88 million in outstanding callable debentures due December 1, 1997, were called as of June 1, 1996.
- Debt issues undertaken in this quarter totalled \$2,076 million. \$1,030 million of this was from Ontario Savings Bonds; \$88 million was from the Canadian domestic market; \$163 million was raised in the EuroMedium Term Note market; and \$795 million was from a French franc Eurobond issue.
- The Province's total direct debt is forecast to be \$102.8 billion on March 31, 1997, up from \$98.7 billion at March 31, 1996.