

Fiscal Summary (\$ Millions)

	Actual 1995-96	Budget Plan	1996-97	
			Current Outlook	In-Year Change
Revenue	48,359	46,660	46,685	25
Expense				
Programs	44,005	41,841	41,899	58
Restructuring Fund and Other Charges	1,352	900	900	-
Total Programs Expense	45,357	42,741	42,799	58
Capital	3,473	2,704	2,689	(15)
Public Debt Interest	8,255	8,745	8,720	(25)
Total Expense	57,085	54,190	54,208	18
Reserve	-	650	650	-
Deficit	8,726	8,180	8,173	(7)

HIGHLIGHTS

1995-96 PUBLIC ACCOUNTS

- The Public Accounts released September 30th, reported the 1995-96 audited, actual deficit at \$8,726 million, down \$372 million from the \$9,098 million interim deficit forecast in the 1996 Budget. This improvement was due to revenue being \$540 million higher than anticipated in the Budget, offset by increased expense of \$168 million.

1996-97 IN-YEAR PERFORMANCE

DEFICIT

- The 1996-97 deficit, at \$8,173 million, is down \$7 million from the Budget Plan and \$5 million lower than first quarter results.

REVENUE

- The revenue outlook for 1996-97 is \$46,685 million, \$25 million above the 1996 Budget outlook and unchanged from the level reported in the First Quarter Ontario Finances.

EXPENSE

- Total expense, at \$54,208 million, is up \$18 million from the Budget Plan and down \$5 million from first quarter results.

RESERVE

- The reserve, designed to protect the fiscal plan against unexpected and adverse changes in the economic outlook and its impact on revenues and public debt interest costs, is maintained at \$650 million. If this reserve is not required, it will be applied directly towards deficit reduction.

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ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

FISCAL PERFORMANCE

REVENUE

- The current revenue outlook of \$46,685 million is \$25 million above the Budget Plan and unchanged from the outlook in the First Quarter Ontario Finances.
- Major revenue changes this quarter are:
 - The taxation revenue outlook is increased by \$40 million. Corporations Tax revenue is revised upward by \$20 million, reflecting the strength of receipts so far this year. Projected Race Tracks Tax is increased by \$20 million due to the new implementation date of the tax rate cut on pari-mutuel betting, a 1996 Budget initiative.
 - Income from the Ontario Lottery Corporation has been lowered by \$25 million. This results from lower-than-projected Video Lottery income.
 - Other Revenue is \$15 million lower from Miscellaneous revenue sources. Later-than-expected implementation of Charity Gaming Halls resulted in a projected decline of \$20 million in table game revenues. This was partially offset by a \$5 million gain from the Victim Justice Fund that will fund increased spending for programs to assist victims of crime.

OPERATING EXPENSE

- Operating expense at \$51,519 million is up \$33 million from the Budget Plan. Major changes resulting in a net increase in operating expense of \$10 million this quarter include:
 - Ministry of the Attorney General: an expenditure increase of \$4 million for victims of abuse in provincial institutions, fully offset from the Contingency Fund; savings of \$5 million in the Family Support Plan; an expenditure increase of \$3 million for the Victim/Witness Assistance Program, offset by revenues from the Victim Justice Fund.
 - Ministry of Community and Social Services: expenses for the child nutrition initiative are lower by \$2 million this year, reflecting program requirements, as funding committed in the 1996 Budget will be flowed over two years rather than one.
 - 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. This expenditure increase will be fully offset by an increase in provincial tax revenues on horse racing collected between July 1 and September 30, 1996. Effective September 30, 1996, the Racetracks Tax Sharing Arrangement was replaced by the pari-mutuel tax reduction announced in the Budget.
 - Ministry of Economic Development, Trade and Tourism: savings of \$4 million resulting from the merger of the Telecommunications Assistance Program with the Ontario Network Infrastructure Program. In addition, the merger has resulted in capital savings of \$20 million.
 - Ministry of Finance: an expenditure increase of \$10 million for the property reassessment initiative; and an expenditure increase of \$9 million to implement Budget tax initiatives, \$6 million of which are fully offset from the Contingency Fund.

ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

FISCAL PERFORMANCE Cont'd

OPERATING EXPENSE CONT'D

- Ministry of Natural Resources: an additional \$7 million for office closures and consolidations fully offset from the Contingency Fund.
- Office Responsible for Women's Issues: savings of \$2 million as responsibility for funding the Victim/Witness Assistance Program and Victim Crisis Assistance and Referral Service have been transferred to the Ministries of the Attorney General, and the Solicitor General and Correctional Services.
- Ministry of the Solicitor General and Correctional Services: an expenditure increase of \$2 million for the Victim Crisis Assistance and Referral Service, Victim Justice Community Grants and automated victim notification systems, offset by revenues from the Victim Justice Fund; and an additional \$2 million to facilitate office closures and consolidations, and the amalgamation of communication centres, fully offset from the Contingency Fund.

CAPITAL EXPENSE

- Capital expense at \$2,689 million is down \$15 million from the Budget Plan and first quarter results. Changes this quarter are as follows:
 - Ministry of Economic Development, Trade and Tourism: savings of \$20 million resulting from the merger of the Telecommunications Assistance Program with the Ontario Network Infrastructure Program. In addition, the merger has resulted in operating savings of \$4 million.
 - Ministry of Natural Resources: an extra \$2 million in capital expense to facilitate office closures and consolidations, offset by a reduction in the Operating Contingency Fund.
 - Ministry of the Solicitor General and Correctional Services: an additional \$3 million for expanded DNA facilities at the Centre of Forensic Sciences, fully offset from the Capital Contingency Fund and an extra \$3 million in capital expense to facilitate office closures and consolidations, offset by a reduction in the Operating Contingency Fund.

ONTARIO FINANCES

ECONOMIC PERFORMANCE

ONTARIO ECONOMIC GROWTH LED BY EXPORTS IN APRIL-JUNE PERIOD

- In the second quarter of 1996, Ontario real GDP rose at an annualized rate of 2.0%, ahead of the national growth rate of 1.3%. Real growth was led by a rebound in exports, notably automobiles, and a continuing strong housing sector.

ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1996

- In the third quarter of 1996 (July-September period) Ontario gained 45,000 jobs.

PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1996

- Over the first nine months of 1996, Ontario's private sector created 90,000 net new jobs, more than offsetting a 14,000 decline in public sector employment.

ONTARIO AUTO PRODUCTION UP STRONGLY IN JULY-SEPTEMBER PERIOD

- In the third quarter of 1996, Ontario automobile production rose 10.6% from a year ago, up strongly for the second straight quarter.

ONTARIO EXPORTS NEAR RECORD LEVELS

- In the second quarter of 1996, Ontario exports (international + interprovincial) totalled \$189.7 billion in annualized 1986 dollars, the second highest level on record, while the real trade surplus expanded to \$18.2 billion, the largest since 1985.

HOUSING MARKET CONTINUES TO IMPROVE

- Over the first eight months of 1996, Ontario home resales rose 25.8%, while Toronto new home sales jumped 46.2%. In September, Toronto home resales recorded its best September sales level since 1986.

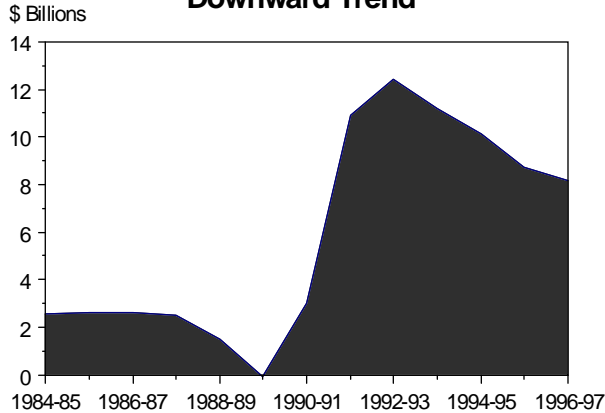
ONTARIO INFLATION REMAINS LOW IN AUGUST

- The Ontario CPI inflation rate (year-over-year) was 1.3% in August. This is the ninth straight month that inflation is under 2%.

ONTARIO FINANCES

SELECTED FISCAL INDICATORS

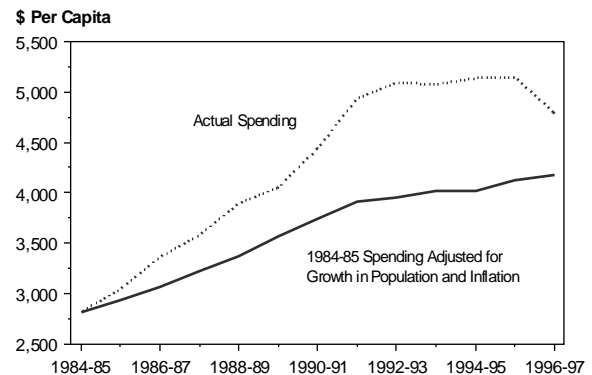
Ontario's Deficit is on a Downward Trend



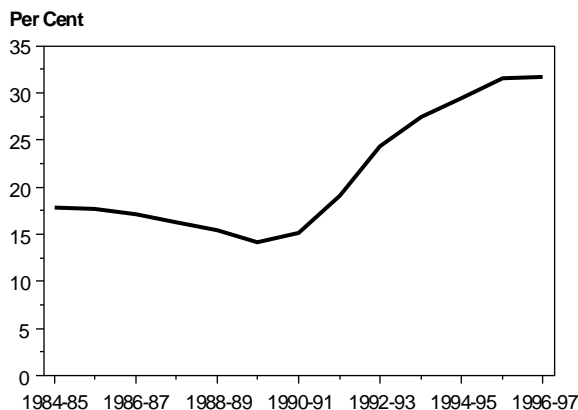
Ontario's deficit is steadily declining from the historic high set in the early 1990s. As of September 30th, Ontario's deficit for 1996-97 is on track at \$8.2 billion.

Between 1984-85 and June 1995, when this government assumed office, spending had increased at a much faster pace than the growth in population and inflation. As a result of the government's focus on business planning, total spending will have dropped by almost \$3 billion by the end of 1996-97, helping to return Ontario's spending to more manageable and affordable levels.

Spending has Grown Faster Than the Growth in Population and Inflation



Ontario Debt as a Percent of GDP



Since the early 1990s, debt as a percent of the province's gross domestic product had been rapidly increasing. In 1996-97, Ontario's debt to GDP ratio stands at 31.7 percent. The government's Balanced Budget Plan to eliminate the deficit by 2000-01 will stop the growth in Ontario's debt.

ONTARIO FINANCES

RECENT ECONOMIC DEVELOPMENTS

KEY ECONOMIC INDICATORS (% Change from previous Period), unless indicated otherwise								
		Annual 1994	Annual 1995	Quarterly				
				95:2	95:3	95:4	96:1	96:2
Output (Seasonally Adjusted Annual Rate)								
Real GDP	Ontario	4.7	3.2	(2.6)	7.8	4.7	(0.9)	2.0
	Canada	4.1	2.3	(1.0)	1.2	0.9	1.3	1.3
Nominal GDP	Ontario	4.3	4.1	0.4	8.2	5.4	(1.0)	3.8
	Canada	4.8	3.9	1.8	3.0	1.2	0.9	3.1
		Annual 1994	Annual 1995	Monthly 1996				
				May	Jun	Jul	Aug	Sept
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	15	25	(14)	24	13	14	8
Employment (Change in 000s)	Ontario	71	71	(17)	(4)	31	51	(35)
Private Sector	Ontario	73	116	(28)	8	11	40	(24)
Public Sector	Ontario	(2)	(45)	11	(12)	20	11	(11)
Unemployment Rate (%)	Ontario	9.6	8.7	9.1	9.5	9.2	8.5	9.2
Household Sector								
Retail Sales	Ontario	6.7	3.1	(0.5)	0.7	0.3	N/A	N/A
Urban Housing Starts (000s)	Ontario	46.6	35.8	41.4	41.1	39.7	39.6	42.8
New Home Sales*	Toronto	49.8	(24.0)	52.6	28.1	16.6	15.0	39.4
MLS Home Sales*	Ontario	8.8	(8.8)	29.0	8.9	14.9	(3.2)	N/A
Manufacturing Shipments	Ontario	13.2	10.4	1.6	(0.6)	3.7	(1.8)	N/A
Motor Vehicle Shipments	Ontario	15.4	12.3	6.4	(0.2)	4.4	(2.3)	N/A
Consumer Price Index: All Items	Ontario	0.1	2.4	1.3	1.2	1.2	1.3	N/A
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)	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	15,633	15,213	15,213	--
Retail Sales Tax	9,424	9,520	9,520	--
Corporations Tax	5,174	5,370	5,390	20
Employer Health Tax	2,695	2,665	2,665	--
Gasoline Tax	1,944	1,985	1,985	--
Fuel Tax	500	520	520	--
Tobacco Tax	337	330	330	--
Land Transfer Tax	342	365	385	20
Other Taxation	267	200	220	20
	36,316	36,168	36,228	60
GOVERNMENT OF CANADA				
Canada Health and Social Transfer	-	5,260	5,260	--
Established Programs Financing	3,820	-	-	--
Canada Assistance Plan	2,508	-	-	--
Fiscal Stabilization	367	-	-	--
National Training Act	55	26	26	--
Bilingualism Development	62	50	50	--
Young Offenders Act	61	59	59	--
Vocational Rehabilitation	63	46	46	--
Canada-Ontario Infrastructure Works	351	223	223	--
Other	358	366	366	--
	7,645	6,030	6,030	--
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery Corporation	651	736	711	(25)
Liquor Control Board of Ontario	667	685	685	--
Ontario Casino Corporation	422	575	575	--
Ontario Housing Corporation	(255)	(232)	(232)	--
GO Transit	(208)	(157)	(157)	--
Other	(10)	75	75	--
	1,267	1,682	1,657	(25)
OTHER REVENUE				
Vehicle/Driver Registration Fees	736	790	790	--
Other Fees and Licences	631	680	680	--
Liquor Licence Board of Ontario Revenues	530	530	530	--
Royalties	263	260	260	--
Sales and Rentals	81	67	67	--
Fines and Penalties	143	100	100	--
Miscellaneous	747	353	343	(10)
	3,131	2,780	2,770	(10)
TOTAL REVENUE	48,359	46,660	46,685	25

OPERATING EXPENSE

(\$ Millions)		1996-97		
MINISTRY	Actual 1995-96	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	420	425	425	--
Attorney General	1,085	637	639	2
Board of Internal Economy	206	120	120	--
Citizenship, Culture and Recreation	363	322	322	--
Community and Social Services	8,816	8,200	8,198	(2)
Consumer and Commercial Relations	140	110	132	22
Economic Development, Trade and Tourism	385	245	241	(4)
Education and Training	8,390	7,601	7,606	5
- Teachers' Pension Plan	812	902	902	--
Environment and Energy	239	172	172	--
Executive Offices	13	13	13	--
Finance - Own Account	701	392	411	19
- Public Debt Interest	8,255	8,745	8,720	(25)
Health	17,607	17,718	17,718	--
Intergovernmental Affairs	5	5	5	--
Labour	135	115	115	--
Management Board Secretariat	534	432	432	--
- Public Service/OPSEU Pension Plan	685	284	284	--
- Contingency Fund	-	213	166	(47)
- Employee Severance	420	-	-	--
Municipal Affairs and Housing	1,802	1,888	1,888	--
Native Affairs Secretariat	16	13	13	--
Natural Resources	519	373	430	57
Northern Development & Mines	66	42	42	--
Office of Francophone Affairs	2	2	2	--
Office Responsible for Women's Issues	18	17	15	(2)
Solicitor General and Correctional Services	1,111	1,116	1,124	8
Transportation	867	684	684	--
Restructuring Fund	-	900	900	--
Year-end Savings	-	(200)	(200)	--
TOTAL OPERATING EXPENSE	53,612	51,486	51,519	33

CAPITAL EXPENSE

(\$ Millions)		1996-97		
MINISTRY	Actual 1995-96	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	5	-	-	--
Attorney General	-	46	46	--
Citizenship, Culture and Recreation	29	6	6	--
Community and Social Services	14	38	38	--
Economic Development, Trade and Tourism	113	41	21	(20)
Education and Training	559	222	222	--
Environment and Energy	238	196	196	--
Finance - Own Account	1	-	-	--
Health	168	167	167	--
Management Board Secretariat	272	146	146	--
- Contingency Fund	-	14	11	(3)
Municipal Affairs and Housing	531	332	332	--
Native Affairs Secretariat	9	15	15	--
Natural Resources	47	32	34	2
Northern Development & Mines	163	228	228	--
Solicitor General and Correctional Services	2	6	12	6
Transportation	1,322	1,215	1,215	--
TOTAL CAPITAL EXPENSE	3,473	2,704	2,689	(15)

STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-year Change
Deficit	8,726	8,180	8,173	(7)
Cash Timing Adjustments:				
Net change in Receivables and Payables	(1,915)	90	90	0
Net Borrowing on Behalf of Agencies	(129)	533	533	0
Maturing Debt	2,142	6,086	6,086	0
Total Financing Requirements	8,824	14,889	14,882	(7)
Financed by:				
(Increase)/ Decrease in Liquid Reserves	(3,325)	4,705	4,698	(7)
Other Sources	120	184	184	0
Debt Issues	12,029	10,000	10,000	0
TOTAL FINANCING	8,824	14,889	14,882	(7)

1996-97 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued		
	(as of September 30th)	Remaining	% Completed
DEBT ISSUES*	4,458	5,542	45%

* Includes planned short-term borrowing of \$706 million

- The Province's total financing requirements for the 1996-97 fiscal year are \$14,882 million. This includes the deficit of \$8,173 million, a net change of \$90 million in receivables and payables, net borrowing of \$533 million on behalf of agencies, and \$6,086 million in maturing debt. Planned borrowing for 1996-97 totals \$10,184 million, of which \$10,000 million is expected from public sources (including an increase of \$706 million from short-term debt, mainly Treasury bills), while \$184 million is expected from other sources such as the Province of Ontario Savings Office (POSO). The balance of \$4,698 million will be met by reducing liquid reserves.
- Maturing debt in the second quarter totalled \$1,559 million, for a total of \$4,024 million in the first half of this fiscal year.
- Long-term debt issues undertaken in this quarter totalled \$1,676 million. \$908 million was from the Canadian domestic market; \$453 million was raised in the EuroMedium Term Note market; and \$315 million came from the Province's first Japanese domestic (samurai) issue.
- Provincial purpose debt is forecast to be \$102.7 billion on March 31, 1997, up from \$98.6 billion at March 31, 1996.