

Fiscal Summary (\$ Millions)

	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-Year Change
Revenue	48,359	46,660	47,830	1,170
Expense				
Programs	45,357	42,741	43,154	413
Capital	3,473	2,704	3,148	444
Public Debt Interest	8,255	8,745	8,550	(195)
Total Expense	57,085	54,190	54,852	662
Reserve	-	650	650	-
Deficit	8,726	8,180	7,672	(508)

HIGHLIGHTS

1996-97 IN-YEAR PERFORMANCE

DEFICIT OUTLOOK REDUCED TO \$7.7 BILLION

- The 1996-97 deficit, at \$7,672 million, is down \$508 million from the Budget Plan and \$501 million lower than second quarter results.

REVENUE AT \$47.8 BILLION

- The revenue outlook for 1996-97 is \$47,830 million, \$1,170 million above the 1996 Budget Plan and \$1,145 million higher than the level reported in the Second Quarter Ontario Finances. The increase is primarily due to higher-than-estimated Personal Income Tax revenue and the strength of the Ontario economy.

EXPENSE AT \$54.9 BILLION

- Total expense, at \$54,852 million, is up \$662 million from the Budget Plan and up \$644 million from second quarter results, mainly due to an increased allocation to the Restructuring Fund.
- The Restructuring Fund, included in Programs expense, has been increased by \$900 million to \$1.8 billion. Funds have been distributed for the Social Assistance Reserve (\$700 million), the Municipal Capital and Operating Restructuring Fund (\$250 million), the Teachers' Pension Plan Arbitration Award (\$100 million), a provision for a proposed extension to Canada-Ontario Infrastructure Works (\$200 million) and for the transfer of highways to municipalities and the acceleration of construction of Highway 416 (\$67 million) as announced in the Budget.

RESERVE AT \$650 MILLION

- The reserve, designed to protect the fiscal plan against unforeseen risks such as 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 CHANGES SINCE SECOND QUARTER

- Total revenue is \$47,830 million, \$1,145 million above the projection in the Second Quarter Ontario Finances and \$1,170 million above the Budget Plan. Higher-than-estimated Personal Income Tax (PIT) revenue is the largest component of the gain. The PIT projection for 1996-97 is \$970 million above the second quarter projection and the Budget Plan. Data received from Revenue Canada on the assessment of 1995 PIT returns indicates that 1995 PIT is higher than expected. Under PSAAB guidelines, Ontario is required to record this year, the difference between the higher estimate and the published actual 1995-96 PIT figures.
- Other major changes this quarter include:
 - The Retail Sales Tax forecast is \$160 million higher, and the Corporations Tax outlook is \$300 million higher, reflecting Ontario's economic performance improvement and the strength of year-to-date receipts.
 - The projection for Gasoline Tax revenue is \$25 million lower, reflecting slightly lower-than-expected sales, but is \$16 million above the 1995-96 level.
 - The Tobacco Tax outlook is \$20 million higher due to the increase in the federal tobacco tax in November 1996.
 - The Land Transfer tax is \$50 million higher because of the stronger-than-projected Ontario housing market in 1996.
 - The \$349 million decrease in Canada Health and Social Transfer payments reflects the upward revision in Personal Income Tax and federal data revisions related to corporate taxable income.
 - Existing Canada-Ontario Infrastructure Works reimbursements are down \$50 million as a result of faster-than-anticipated project completions in 1995-96, which increased revenue in 1995-96 which in turn is offset by lower 1996-97 revenue.
 - A \$100 million increase in reimbursements to reflect the federal government's share of the provision for a proposed extension to the Canada-Ontario Infrastructure Works program.
 - Other federal payments are up \$4 million as a result of increased reimbursement under the Strategic Transportation Improvement Program due to accelerated construction on Highway 416.
 - Ontario Lottery Corporation income is reduced by \$35 million. However, total Ontario Lottery Corporation revenue is projected to be \$25 million higher than in 1995-96.

Note: For details of changes prior to this quarter, see First and Second Quarter Ontario Finances.

ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

OPERATING EXPENSE CHANGES SINCE SECOND QUARTER

- Operating expense at \$51,704 million is up \$218 million from the Budget Plan. Major changes resulting in a net increase in operating expense of \$185 million this quarter include:
 - Ministry of Agriculture, Food & Rural Affairs: An additional \$3 million, mainly as a result of an increase in the liability for the Net Income Stabilization Program this fiscal year.
 - Ministry of the Attorney General: An \$11 million increase in Legal Aid Certificate expenses due to additional information from the audit of the Ontario Legal Aid Plan for the 1995-96 Public Accounts; an expenditure increase of \$2 million for victims of abuse in provincial institutions; \$1 million for additional Crown Attorneys to support a coordinated provincial enforcement program.
 - Ministry of Education and Training: An additional \$100 million for the Teachers' Pension Plan due to a recent arbitration award, fully offset from the Restructuring Fund; and an additional \$2 million for a pay equity grant for Ryerson Polytechnic University, fully offset from the Contingency Fund.
 - Ministry of Finance: A net expenditure increase of \$4 million primarily for implementation of Province-Wide Value-Based Reassessment.
 - Restructuring Fund: Increased by \$900 million to \$1.8 billion. (see page 11)
 - Management Board Secretariat: An additional \$5 million primarily to out-source the collection of overdue accounts receivable.
 - Ministry of the Solicitor General and Correctional Services: An additional \$1 million to expand the OPP Illegal Gaming Unit and enhance the capacity of the Centre of Forensic Sciences to support a coordinated provincial enforcement program.
 - Ministry of Transportation: A \$53 million accrual adjustment in municipal transit transfer payments due to revised estimates of outstanding liabilities.
 - Public Debt Interest: \$170 million savings due to lower interest rates than forecast in the Budget, reflecting the government's cautious approach in its interest rate forecasts, and to an increase in the level of lower rate floating rate debt.

Note: For details of changes prior to this quarter, see First and Second Quarter Ontario Finances.

ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

CAPITAL EXPENSE CHANGES SINCE SECOND QUARTER

- Capital expense at \$3,148 million is up \$444 million from the Budget Plan and up \$459 million from second quarter results. Major changes this quarter include:
 - Ministry of Finance: An increase of \$250 million for the Municipal Capital and Operating Restructuring Fund pending allocation to appropriate ministries under this Fund for 1996-97, fully offset from the Restructuring Fund; and a provision of \$200 million for the proposed extension to the Canada-Ontario Infrastructure Works program, fully offset from the Restructuring Fund.
 - Ministry of Transportation: \$60 million to upgrade highways being transferred to municipalities and \$7 million to accelerate construction of Highway 416 as announced in the Budget, both fully offset from the Restructuring Fund; an additional \$44 million due to a revised estimate of outstanding liabilities for the Transition Fund (Municipal Roads) Program; and \$6 million savings from the Alternative Services Delivery Strategy for engineering and construction administration for provincial highways.
 - Accrual Adjustments Related to 1995-96 Public Accounts: Revised accruals totalling \$97 million due to the faster-than-expected pace of construction for Canada-Ontario Infrastructure Works projects in 1995-96 which has reduced the Province's outstanding liability. Affected ministries include Education and Training (\$41 million), Municipal Affairs and Housing (\$40 million), and Northern Development and Mines (\$16 million).

Note: For details of changes prior to this quarter, see First and Second Quarter Ontario Finances.

ONTARIO FINANCES

ECONOMIC PERFORMANCE

ONTARIO ECONOMIC GROWTH ACCELERATES IN THE JULY-SEPTEMBER PERIOD

- In the third quarter of calendar year 1996, Ontario real GDP rose at an annualized rate of 3.8%, ahead of the national growth rate of 3.3%. Real growth was led by a strong rise in business investment, notably in machinery and equipment, and a continuing strong housing sector.

ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1996

- For the year 1996 as a whole, Ontario employment growth averaged 80,000.

PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1996

- Ontario's private sector created 90,000 net new jobs in 1996.

MANUFACTURING SHIPMENTS GROWING

- Ontario manufacturing shipments rose 3.1% over the first eleven months of 1996, ahead of the Canada growth of 2.6%.

STRONG ONTARIO EXPORT GROWTH IN 1996

- Over the first eleven months of 1996, Ontario's international merchandise exports rose 5.0% over the same period last year, ahead of the 4.2% gain recorded in Canada as a whole.

HOUSING MARKET CONTINUES TO STRENGTHEN

- Ontario housing starts rose 20.2% in 1996, while home resales were up 31.3%. In Toronto, 1996 new home sales jumped 59.6%.

ONTARIO INFLATION REMAINS LOW IN 1996

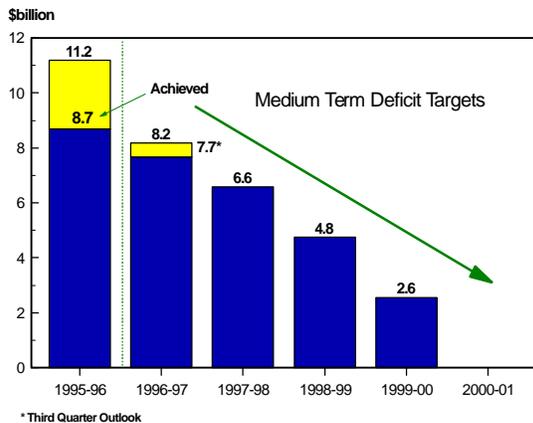
- The Ontario CPI inflation rate averaged 1.6% in 1996, compared to 2.4% in 1995.

Note: For details see Ontario Economic Accounts Third Quarter.

ONTARIO FINANCES

SELECTED FISCAL INDICATORS

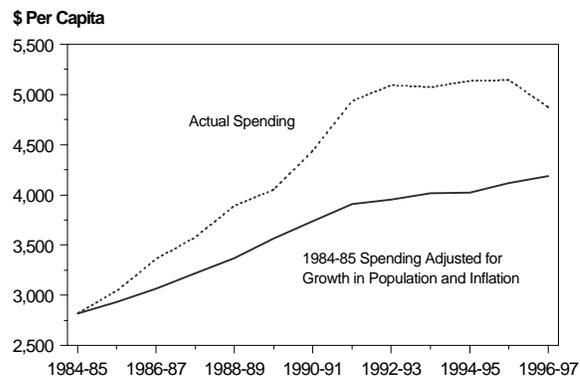
Ontario's Balanced Budget Plan



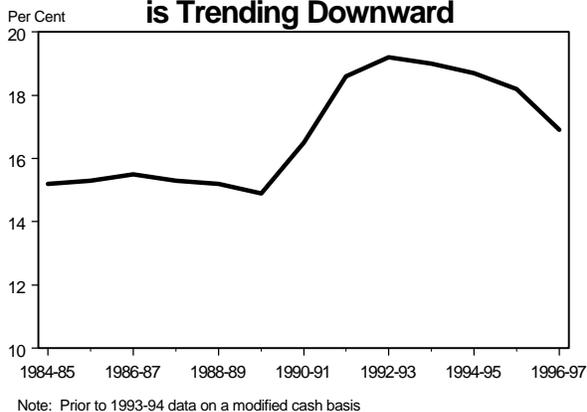
The government is on track to eliminate the deficit and balance the budget by the year 2000-01. The current outlook for the 1996-97 deficit is under \$7.7 billion, more than \$500 million below the Balanced Budget Plan deficit target.

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, spending is returning to more manageable and affordable levels.

Spending has Grown Faster Than the Growth in Population and Inflation



Spending to GDP Ratio is Trending Downward



As a share of Gross Domestic Product (GDP), Ontario's spending is steadily tracking downward since the early 1990s and currently stands at 16.9 per cent for 1996-97.

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	16,183	970
Retail Sales Tax	9,424	9,520	9,680	160
Corporations Tax	5,174	5,370	5,690	320
Employer Health Tax	2,695	2,665	2,665	--
Gasoline Tax	1,944	1,985	1,960	(25)
Fuel Tax	500	520	520	--
Tobacco Tax	337	330	350	20
Land Transfer Tax	342	365	435	70
Other Taxation	267	200	220	20
	36,316	36,168	37,703	1,535
GOVERNMENT OF CANADA				
Canada Health and Social Transfer	--	5,260	4,911	(349)
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	273	50
Other	358	366	370	4
	7,645	6,030	5,735	(295)
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery Corporation	651	736	676	(60)
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	1,622	(60)
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	47,830	1,170

OPERATING EXPENSE

(\$ Millions)	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY				
Agriculture, Food and Rural Affairs	420	425	428	3
Attorney General	1,085	637	654	17
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	7,608	7
- Teachers' Pension Plan	812	902	1,002	100
Environment and Energy	239	172	172	--
Executive Offices	13	13	13	--
Finance	701	392	415	23
- Public Debt Interest	8,255	8,745	8,550	(195)
- Municipal Social Assistance Reserve	--	--	700	700
- Restructuring Fund -- Unallocated*	--	900	483	(417)
Health	17,607	17,718	17,718	--
Intergovernmental Affairs	5	5	5	--
Labour	135	115	113	(2)
Management Board Secretariat	534	432	437	5
- Public Service/OPSEU Pension Plan	685	284	284	--
- Contingency Fund	--	213	163	(50)
- 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	1,125	9
Transportation	867	684	631	(53)
Year-end Savings	--	(200)	(200)	--
TOTAL OPERATING EXPENSE	53,612	51,486	51,704	218

* See Table on Page 11 for allocations from the Restructuring Fund

CAPITAL EXPENSE

(\$ Millions)	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY				
Agriculture, Food and Rural Affairs	5	--	--	--
Attorney General	--	46	46	--
Citizenship, Culture and Recreation	29	6	7	1
Community and Social Services	14	38	38	--
Economic Development, Trade and Tourism	113	41	21	(20)
Education and Training	559	222	181	(41)
Environment and Energy	238	196	196	--
Finance	1	--	--	--
- Municipal Capital and Operating Restructuring Fund		--	250	250
- Provision for Proposed Extension to Canada- Ontario Infrastructure Works		--	200	200
Health	168	167	167	--
Management Board Secretariat	272	146	146	--
- Contingency Fund	--	14	11	(3)
Municipal Affairs and Housing	531	332	292	(40)
Native Affairs Secretariat	9	15	15	--
Natural Resources	47	32	34	2
Northern Development & Mines	163	228	212	(16)
Solicitor General and Correctional Services	2	6	12	6
Transportation	1,322	1,215	1,320	105
TOTAL CAPITAL EXPENSE	3,473	2,704	3,148	444

RESTRUCTURING FUND

(\$ Millions)	1996-97
1996-97 Budget	900
Increase This Quarter	900
Total Restructuring Fund	1,800
Allocation:	
Programs Expense	
- Municipal Social Assistance Reserve	700
- Estimated Teachers' Pension Plan Arbitration Award	100
Capital Expense	
- Municipal Capital and Operating Restructuring Fund	250
- Provision for Proposed Extension to Canada-Ontario Infrastructure Works	200
- Highway Transfers and Highway 416	67
Unallocated/Still to be Distributed	483
Total	1,800

STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-year Change
Deficit	8,726	8,180	7,672	(508)
Cash Timing Adjustments:				
Net change in Receivables and Payables	(1,915)	90	26	(64)
Net Borrowing on Behalf of Agencies	(129)	533	450	(83)
Maturing Debt	2,142	6,086	6,086	0
Total Financing Requirements	8,824	14,889	14,234	(655)
Financed by:				
(Increase)/ Decrease in Liquid Reserves	(3,325)	4,705	6,407	1,702
Other Sources	120	184	51	(133)
Debt Issues	12,029	10,000	7,776	(2,224)
TOTAL FINANCING	8,824	14,889	14,234	(655)

1996-97 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued		
	(as of December 31st)	Remaining	% Completed
DEBT ISSUES*	5,953	1,823	77%

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

- The Province's total financing requirements for the 1996-97 fiscal year are \$14,234 million, \$655 lower than the Budget Plan. These requirements are expected to be financed by public market borrowing of \$7,776 million and a reduction of \$6,407 million in liquid reserves. The remaining \$51 million is expected to come from other sources which are internally administered special purpose accounts.
- Maturing debt in the third quarter totalled \$1,512 million, for a total of \$5,539 million in the first nine months of this fiscal year.
- Long-term debt issues undertaken in this quarter totalled \$1,490 million: \$662 million from the Canadian domestic market; \$476 million from the EuroMedium Term Note market; and \$352 million from the Province's second Japanese (samurai) issue.
- Provincial purpose debt is forecast to be \$100.3 billion on March 31, 1997, up from \$98.6 billion at March 31, 1996.