

Fiscal Summary (\$ Millions)

	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook*	In-Year Change
Revenue	49,450	48,400	50,300	1,900
Expense				
Programs	42,581	41,780	42,517	737
Restructuring and Other Charges	2,430	610	1,510	900
Total Programs Expense	45,011	42,390	44,027	1,637
Capital	2,737	2,750	2,779	29
Public Debt Interest	8,607	9,190	9,086	(104)
Total Expense	56,355	54,330	55,892	1,562
Reserve	--	650	--	(650)
DEFICIT	6,905	6,580	5,592	(988)

* Incorporates measures announced in 1997 Ontario Economic Outlook and Fiscal Review

HIGHLIGHTS

1996-97 PUBLIC ACCOUNTS

- The Public Accounts, released September 9th, reported the 1996-97 audited actual deficit at \$6,905 million, down \$565 million from the \$7,470 million interim deficit forecast in the 1997 Budget. This improvement was due to \$307 million in higher revenues than anticipated in the Budget and lower expenses of \$258 million.

1997-98 IN-YEAR PERFORMANCE

DEFICIT OUTLOOK AT \$5.6 BILLION

- The 1997-98 deficit at \$5,592 million is down \$988 million from the Budget Plan and \$983 million lower than the level reported in the First Quarter Ontario Finances.

REVENUE AT \$50.3 BILLION

- The revenue outlook for 1997-98 is \$50,300 million, \$1,900 million above the outlook in the 1997 Budget and the First Quarter Ontario Finances, mainly as a result of an \$1,140 million increase in Personal Income Tax revenue. As part of local services realignment, responsibility for a number of programs will be transferred to municipalities January 1, 1998. An additional \$564 million has been included for reimbursements of expenditures from municipalities for these programs, which as a transition measure, will be delivered by the Province on their behalf, pending program transfer. Transitional measures will also increase revenues by \$16 million while the Province continues to administer the Provincial Offences Act.

EXPENSE AT \$55.9 BILLION

- Total expense, at \$55,892 million, is up \$1,562 million from the Budget Plan and up \$1,567 million from the First Quarter Ontario Finances. This is mainly due to an increased provision of \$900 million for Restructuring and Other Charges, and an additional expense of \$577 million as a result of the Province continuing to deliver a number of programs on behalf of municipalities, as a transition measure related to local services realignment.

RESERVE ELIMINATED

- The \$650 million reserve included in the 1997 Budget to protect the fiscal plan against unforeseen risks, such as unexpected and adverse changes in the economic outlook, will not be needed. With the strong improvements in Ontario's economic performance since the 1997 Budget, the reserve has been applied to deficit reduction.

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ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

FISCAL PERFORMANCE

REVENUE

- The current revenue outlook of \$50,300 million is \$1,900 million above the 1997-98 Budget Plan and the outlook in the First Quarter Ontario Finances. Revenue changes this quarter are:
 - The taxation revenue outlook is increased by \$1,500 million. This gain reflects the strength of the economy in 1997 and the cautious nature of the Budget projections. Personal Income Tax (PIT) revenue is \$1,140 million higher due to an increase in the estimate of 1996 PIT assessments, based on interim PIT return processing information, and stronger 1997 economic growth. The Retail Sales Tax revenue projection is \$200 million higher, reflecting the robust growth of domestic demand. As a result of the strength of 1997 corporate profits, the Corporations Tax outlook has been increased by \$100 million. The Land Transfer Tax outlook is raised by \$60 million due to the growth of the resale housing market.
 - Revenue from the Government of Canada is \$235 million below the Budget Plan. The Canada Health and Social Transfer (CHST) payment is down \$245 million as a result of the upward revision in Personal Income Tax and federal data revisions to Ontario's total CHST entitlement and corporate taxable income. Other federal transfers are increased by \$10 million for Special Opportunity Grants for students with disabilities.
 - Other Revenue is \$635 million higher this quarter. Revenues are higher by \$580 million as a result of transition measures related to local services realignment. Reimbursements of expenditure from municipalities accounts for \$564 million of this revenue increase. Transition measures related to local services realignment have also increased Fines and Penalties by \$16 million while the Province continues to administer the Provincial Offences Act. Revenue from Vehicle/Driver Registration Fees is increased by \$55 million with an offsetting expense to reflect the fees charged by private licence issuers. This conforms with the Public Sector Accounting and Auditing Board's requirement to report revenues and expenses on a gross basis.

OPERATING EXPENSE

- Net operating expense at \$53,113 million is up \$1,533 million from the Budget Plan. Major changes resulting in a net increase in operating expense of \$1,538 million this quarter include:
 - Ministry of the Attorney General: Net savings of \$14 million primarily due to savings of \$39 million in Legal Aid due to an increase in the 1996-97 liability which resulted in a reduction of expenses this year; an extra \$5 million to fund the Kaufman Commission and Morin compensation partially offset by \$1 million from the Contingency Fund; \$8 million additional funding to handle increased workload as a result of the new Federal Child Support guidelines; and local services realignment adjustments detailed on page 4.
 - Board of Internal Economy: Savings of \$5 million due to a reduction in estimated funding requirements.
 - Ministry of Citizenship, Culture and Recreation: An additional \$1 million, fully offset from the Contingency Fund, for the final payment for the 1997 Special Olympic World Winter Games.
 - Ministry of Community and Social Services: A net increase of \$211 million, including a \$17 million increase due to a revised estimate of 1996-97 year-end liability in the General Welfare Assistance program; savings of \$5 million in Child Care Services; and local services realignment adjustments detailed on page 4.
 - Ministry of Consumer and Commercial Relations: An additional \$13 million for operating expenses and one-time accommodation costs for the Alcohol and Gaming Commission, and an additional \$1 million, fully offset from the Contingency Fund, for Ontario Business Connects to fund the project team, information technology and consulting services.

ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

FISCAL PERFORMANCE Cont'd

- Ministry of Economic Development, Trade and Tourism: A net additional expense of \$6 million due to the consolidation of Ontario Place as a service organization and exclusion of the St. Lawrence Parks Commission from consolidation.
- Ministry of Education and Training: A net decrease of \$159 million as a result of savings of \$190 million in the Teachers' Pension Plan based on more current information reflecting higher investment earnings; increased spending of \$14 million for Education Programs; and \$17 million for Special Opportunity Grants for students with disabilities.
- Ministry of Finance: A net increase of \$896 million as a result of a \$785 million increase in the unallocated provision for Restructuring and Other Charges; reallocation of the \$137 million operating portion of the Municipal Capital and Operating Restructuring Fund to support the creation of a \$77 million Special Circumstances Fund and \$75 million for the first year of the Special Transition Fund, included as part of the \$1,510 million provision for Restructuring and Other Charges; an increase of \$75 million for the Community Reinvestment Fund; and local services realignment adjustments detailed on page 4.
- Ministry of Health: Additional costs of \$106 million for local services realignment adjustments detailed on page 4.
- Management Board Secretariat: Additional expense of \$36 million for the Public Service and OPSEU Pension Plans based on more current financial information; an additional \$6 million for the Realty Services Program, fully offset from the Contingency Fund, for the Accommodation Program Review Project, lease buy-out and the Regional Delivery Restructuring pilot project; and an additional \$140 million in the Contingency Fund for one-time retroactive pay equity costs for agencies using proxy comparisons.
- Ministry of Municipal Affairs and Housing: Additional net expense of \$266 million, including an additional \$50 million for the new Municipal Restructuring Fund included as part of the \$1,510 million provision for Restructuring and Other Charges; and other local services realignment adjustments detailed on page 4.
- Native Affairs Secretariat: An additional \$1 million, fully offset from the Contingency Fund, to meet costs associated with the Algonquin Land Claims settlement.
- Ministry of Natural Resources: An additional \$5 million, fully offset from the Contingency Fund, to fund the consolidation of the Peterborough office.
- Ministry of Northern Development and Mines: An additional \$1 million for office closures and consolidations, fully offset from the Contingency Fund.
- Ministry of the Solicitor General and Correctional Services: Net additional expense of \$3 million, primarily for traffic management for Casino Rama.
- Ministry of Transportation: Additional net expense of \$118 million, including an increase of \$55 million to reflect accounting changes for the fees paid to private licence operators; an additional \$50 million for the Highway Transfers included as part of the \$1,510 million provision for Restructuring and Other Charges; and local services realignment adjustments detailed on page 4.

PUBLIC DEBT INTEREST

- Public debt interest costs at \$9,086 million are \$104 million below the Budget Plan and \$72 million below the first quarter projection. The additional savings realized to date are the result of interest rates remaining below the prudent Budget forecast assumptions.

ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

FISCAL PERFORMANCE Cont'd

CAPITAL EXPENSE

- Capital expense at \$2,779 million is up \$29 million from the Budget Plan and from the first quarter results. Changes this quarter include:
 - Ministry of Community and Social Services: An additional \$11 million to fund the purchase and renovation of community-based residences to facilitate the transfer of developmental service clients out of large institutional settings.
 - Ministry of Municipal Affairs and Housing: Additional costs of \$3 million for local services realignment adjustments detailed below.
 - Ministry of Transportation: Additional costs of \$15 million for local services realignment adjustments detailed below.

LOCAL SERVICES REALIGNMENT: SUMMARY

- Responsibility for a number of programs will be transferred to municipalities January 1, 1998. As a transition measure, and to ensure continuity of service, the Province will continue to deliver these programs on behalf of municipalities, pending program transfer. Municipalities will reimburse the Province for these expenditures on their behalf. Programs involved are:

	<u>\$ Million</u>	
Attorney General - Provincial Offences Act	8	
Community and Social Services - Social Assistance, Employment Program and Children's Services	199	
Finance - Property Assessment	21	
Health - Emergency and Public Health Services*	106	
Municipal Affairs and Housing:		
Non-profit Housing and Ontario Housing Corporation operating subsidies and payments	213	
Ontario Housing Corporation capital grant	3	
Transportation:		
Ferry services and GO Transit	12	
GO Transit Capital	<u>15</u>	
Total Increase in Provincial Expense		577
Reimbursement of Expenditures from Municipalities	(564)	
Continued Administration of Provincial Offences Act	<u>(16)</u>	
Total Increase in Provincial Revenue		(580)
Net Impact on Deficit		(3)

* Of this amount, \$56 million is a contingency provision for Public Health, which will be funded by municipalities as of January 1, 1998.

ONTARIO FINANCES

ECONOMIC PERFORMANCE

ONTARIO ECONOMY RECORDS STRONG GROWTH IN THE SECOND QUARTER OF 1997

- In the second calendar quarter of 1997 (April - June period), Ontario real GDP rose 7.2% at annual rates, similar to the growth of 6.8% in the first quarter of 1997.
- Growth was propelled by increased domestic spending on personal consumption, housing and business investment.

PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1997

- Over the last nine months, private sector employment has increased by 204,000.
- The unemployment rate in Ontario was 8.4% in November.

CONSUMER CONFIDENCE AT A NINE YEAR HIGH IN THE JULY - SEPTEMBER PERIOD

- Consumer confidence for Ontario rose for the seventh straight quarter and reached a nine year high in the third quarter of 1997.

HOUSING MARKET REMAINS VIBRANT

- Over the first eleven months of 1997, housing starts rose 27.0% in Ontario from a year ago. Ontario home resales rose 7.7% over the first ten months.

MANUFACTURING SHIPMENTS GROWING

- Over the first nine months of 1997, Ontario manufacturing shipments rose 6.9% from a year ago.
- In the transportation equipment sector, shipments rose 10.1% so far this year.

ONTARIO EXPORTS RISING

- Over the first nine months of 1997, Ontario international merchandise exports increased 6.5% from a year ago.

ONTARIO INFLATION REMAINS LOW

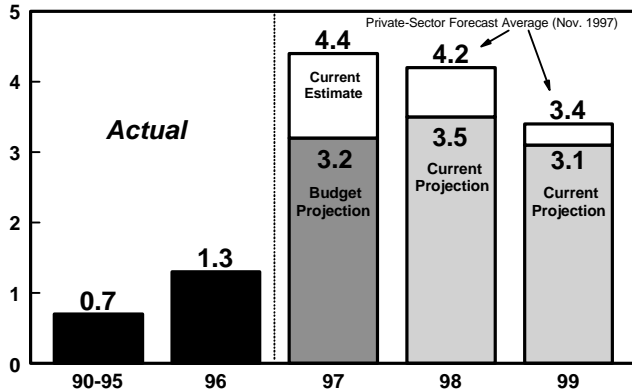
- Ontario's inflation rate as measured by the CPI was 1.8% in October (year-over-year).

ONTARIO FINANCES

SELECTED FISCAL AND ECONOMIC INDICATORS

Strong Growth Projected

Real GDP growth, average annual per cent



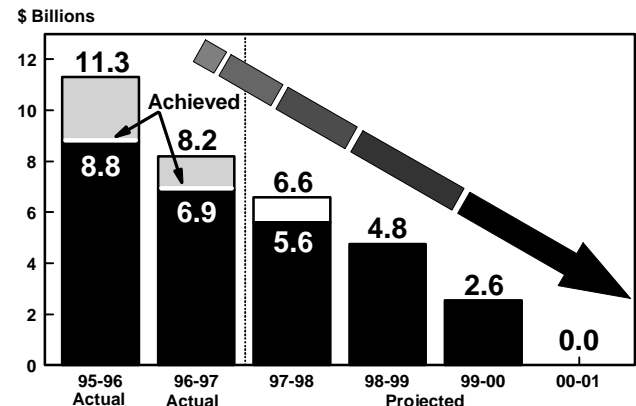
Sources: Statistics Canada and Ontario Ministry of Finance

Following a half-decade of limited and sporadic growth, the Ontario economy has entered a period of strong, sustainable growth. Real GDP rose by an estimated 4.4% in 1997, compared to a cautious Budget projection of 3.2%. Strong, broadly-based growth is expected to continue, as the long-term effects of reduced taxes, low interest rates and a highly competitive economy promote confidence and investment. Private-sector forecasters expect Ontario to grow faster than the rest of Canada and all of the G-7 countries over the next few years.

In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. With the recent release of the Public Accounts, 1996-97 was the second year in a row that the deficit target has been over-achieved. The 1995-96 Budget deficit target was over-achieved by \$508 million. The 1996-97 audited actual deficit was \$1,275 million below the target of \$8.2 billion. The projected 1997-98 deficit is \$5.6 billion, down \$988 million from the \$6.6 billion target set out in the Budget.

Ontario's Balanced Budget Plan on Track

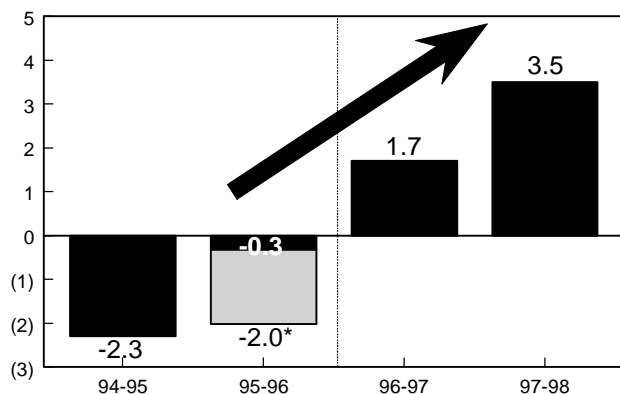
Medium Term Deficit Targets



The operating balance is an indicator used by the federal government to show the amount by which total revenues exceed spending on all programs. It is calculated as the difference between government revenue and total spending on all programs, not including public debt interest. Ontario has gone from an operating deficit in 1994-95 of \$2.3 billion to an operating surplus in 1996-97 of \$1.7 billion and \$3.5 billion this year.

Operating Balance Now in Surplus

\$ Billions



* Potential operating deficit of \$2.0 billion when the government assumed office in June, 1995.

ONTARIO FINANCES

RECENT ECONOMIC DEVELOPMENTS

KEY ECONOMIC INDICATORS

(% Change from previous Period), unless indicated otherwise

			Annual	Quarterly					
			1996	96:1	96:2	96:3	96:4	97:1	97:2
Output									
(Seasonally Adjusted Annual Rate)									
Real GDP	Ontario		1.3	(3.9)	0.3	2.3	2.5	6.8	7.2
Nominal GDP	Ontario		2.8	(2.2)	1.0	5.0	5.7	8.0	5.8
			Annual	Monthly 1997					
			1996	Jun	Jul	Aug	Sept	Oct	Nov
Other Indicators (Seasonally Adjusted)									
Labour Markets									
Labour Force (Change in 000s)	Ontario		107	15	(10)	34	1	5	11
Employment (Change in 000s)	Ontario		80	18	5	33	4	(15)	13
Private Sector	Ontario		90	17	10	25	15	(5)	(7)
Public Sector	Ontario		(10)	1	(5)	8	(11)	(10)	20
Unemployment Rate (%)	Ontario		9.1	8.5	8.2	8.2	8.1	8.5	8.4
Household Sector									
Retail Sales	Ontario		0.3	0.7	1.4	1.4	(0.7)	N/A	N/A
Urban Housing Starts (000s)	Ontario		39.5	43.4	48.7	55.2	49.5	53.4	48.2
New Home Sales*	Toronto		59.6	34.2	33.7	13.7	42.4	7.2	N/A
MLS Home Sales*	Ontario		31.3	6.0	7.4	0.7	2.4	(6.0)	N/A
Manufacturing Shipments									
Transportation Equipment	Ontario		2.5	0.2	6.3	(4.1)	(1.7)	N/A	N/A
Consumer Price Index: All Items									
	Ontario		1.6	2.1	2.1	2.2	2.0	1.8	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

Revenue (\$ Millions)

	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Taxation Revenue				
Personal Income Tax	16,357	14,490	15,630	1,140
Retail Sales Tax	9,964	10,390	10,590	200
Corporations Tax	5,852	6,450	6,550	100
Employer Health Tax	2,772	2,640	2,640	--
Gasoline Tax	1,951	1,970	1,970	--
Fuel Tax	540	545	545	--
Tobacco Tax	356	415	415	--
Land Transfer Tax	444	450	510	60
Mining Profits Tax	54	60	60	--
Race Tracks Tax	46	10	10	--
Preferred Share Dividends Tax	73	60	60	--
Other Taxation	57	25	25	--
	38,466	37,505	39,005	1,500
Government of Canada				
Canada Health and Social Transfer	4,814	4,205	3,960	(245)
National Training Act	37	--	--	--
Bilingualism Development	44	48	48	--
Young Offenders	59	59	59	--
Vocational Rehabilitation	65	64	64	--
Canada-Ontario Infrastructure Works	142	201	201	--
Social Housing	341	476	476	--
Other	276	242	252	10
	5,778	5,295	5,060	(235)
Income from Government Enterprises				
Ontario Lottery Corporation	654	785	785	--
Liquor Control Board of Ontario	701	730	730	--
Ontario Casino Corporation	594	740	740	--
Other	10	65	65	--
	1,959	2,320	2,320	--
Other Revenue				
Vehicle/Driver Registration Fees	816	805	860	55
Other Fees and Licences	624	625	625	--
Liquor Licence Board of Ontario Revenues	520	525	525	--
Royalties	264	225	225	--
Sales and Rentals	543	445	445	--
Fines and Penalties	157	90	106	16
Local Services Realignment - Reimbursement of Expenditure	-	-	564	564
Miscellaneous	323	565	565	--
	3,247	3,280	3,915	635
TOTAL REVENUE	49,450	48,400	50,300	1,900

OPERATING EXPENSE

Operating Expense (\$ Millions)

Ministry	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	412	405	405	--
Crop Insurance Claims	62	45	45	--
Attorney General	638	654	645	(9)
Board of Internal Economy	124	119	114	(5)
Citizenship, Culture and Recreation	302	280	283	3
Community and Social Services	7,965	7,848	8,063	215
Consumer and Commercial Relations	123	94	108	14
Economic Development, Trade and Tourism	245	201	207	6
Education and Training	8,075	7,735	7,766	31
Teachers' Pension Plan	683	745	555	(190)
Energy, Science and Technology*	11	11	11	--
Environment*	146	139	139	--
Executive Offices	13	13	13	--
Finance - Own Account	435	445	466	21
Public Debt Interest	8,607	9,190	9,086	(104)
Municipal Capital and Operating Restructuring Fund	--	137	--	(137)
Community Reinvestment Fund	--	142	217	75
Restructuring and Other Charges -- Unallocated	--	--	785	785
Special Transition Fund	--	--	75	75
Special Circumstances Fund	--	--	77	77
Health	17,760	17,845	17,951	106
Health Care Restructuring	970	450	450	--
Intergovernmental Affairs	4	4	4	--
Labour	103	106	106	--
Management Board Secretariat	712	353	361	8
Public Service/OPSEU Pension Plan	94	145	181	36
Contingency Fund	--	380	467	87
Employee Severance	438	--	--	--
Municipal Affairs and Housing	2,456	2,020	2,240	220
Municipal Capital and Operating Restructuring Fund	150	23	23	--
Municipal Restructuring Fund	--	--	50	50
Native Affairs Secretariat	17	9	10	1
Natural Resources	417	369	415	46
Northern Development and Mines	52	41	42	1
Office of Francophone Affairs	2	2	2	--
Office Responsible for Women's Issues	14	20	20	--
Solicitor General and Correctional Services	1,159	1,095	1,098	3
Transportation	879	715	783	68
Restructuring/Municipal Capital and Operating Restructuring Fund	550	--	50	50
Year-End Savings	--	(200)	(200)	--
TOTAL OPERATING EXPENSE	53,618	51,580	53,113	1,533

* Interim allocation pending ministry restructuring which is currently underway

CAPITAL EXPENSE

Capital Expense (\$ Millions)				
Ministry	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Attorney General	20	53	53	--
Citizenship, Culture and Recreation	9	4	4	--
Community and Social Services	116	20	31	11
Economic Development, Trade and Tourism	11	--	--	--
Education and Training	199	450	450	--
Environment	225	154	154	--
Municipal Capital and Operating Restructuring Fund	--	40	40	--
Finance	18			
Health	175	242	242	--
Management Board Secretariat	152	46	46	--
Municipal Affairs and Housing	313	308	311	3
Native Affairs Secretariat	13	12	12	--
Natural Resources	33	25	25	--
Northern Development and Mines	168	193	193	--
Solicitor General and Correctional Services	6	13	13	--
Transportation	1,279	1,190	1,205	15
TOTAL CAPITAL EXPENSE	2,737	2,750	2,779	29

RESTRUCTURING AND OTHER CHARGES

(\$ Millions)	1997-98
1997-98 Budget Provision	610
Increased Provision this Quarter	900
Total Restructuring and Other Charges	1,510
Allocation:	
Health Care Restructuring	450
Municipal Capital and Operating Restructuring Fund -- Operating	137
Municipal Capital and Operating Restructuring Fund -- Social Housing	23
Special Transition Fund	75
Special Circumstances Fund	77
Municipal Restructuring Fund	50
Highway Transfers	50
Municipal Capital and Operating Restructuring Fund (Operating) -- Reallocated	(137)
Unallocated / Still to be Distributed	785
TOTAL	1,510

STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)		1997-98		
		Budget Plan	Current Outlook	In-year Change
	Actual 1996-97			
Deficit	6,905	6,580	5,592	(988)
Cash Timing Adjustments	(1,573)	2,605	2,881	276
Net Cash Requirements	5,332	9,185	8,473	(712)
Maturing Debt	6,474	5,424	5,424	--
Borrowing on Behalf of Agencies	658	575	575	--
Total Financing Requirements	12,464	15,184	14,472	(712)
Financed by:				
Decrease in Liquid Reserves	5,741	3,000	3,000	--
Other Sources	209	94	94	--
Short-Term Borrowing	--	1,500	1,000	(500)
Long-Term Borrowing	6,514	10,590	10,378	(212)
TOTAL FINANCING	12,464	15,184	14,472	(712)

1997-98 FINANCING ACTIVITIES TO SEPTEMBER 30, 1997

(\$ Millions)	Issued	Remaining	% Completed
LONG TERM DEBT ISSUES	6,419	3,959	62

- Long-term debt issues undertaken in the second quarter totalled \$2,003 million as follows:

	(\$ Millions)
Canadian Domestic Market	1,641
Samurai Issue	362
	2,003

- The Province's total direct debt is forecast to be \$107.6 billion at March 31, 1998 up from \$101.5 billion at March 31, 1997.