

Fiscal Summary (\$ Millions)

	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Revenue	49,450	48,400	50,825	2,425
Expense				
Programs	42,581	41,780	42,642	862
Restructuring and Other Charges	2,430	610	1,510	900
Total Programs Expense	45,011	42,390	44,152	1,762
Capital	2,737	2,750	2,789	39
Public Debt Interest	8,607	9,190	9,046	(144)
Total Expense	56,355	54,330	55,987	1,657
Reserve	-	650	--	(650)
DEFICIT	6,905	6,580	5,162	(1,418)

HIGHLIGHTS

1997-98 IN-YEAR PERFORMANCE

DEFICIT OUTLOOK AT \$5.2 BILLION

- The 1997-98 deficit, at \$5,162 million, is down \$1,418 million from the Budget Plan and \$430 million lower than second quarter results.

REVENUE AT \$50.8 BILLION

- The revenue outlook for 1997-98 is \$50,825 million, \$2,425 million above the outlook in the 1997 Budget and up \$525 million from the level reported in the Second Quarter Ontario Finances, mainly due to higher personal income tax revenue.

EXPENSE AT \$56.0 BILLION

- Total expense, at \$55,987 million, is up \$1,657 million from the Budget Plan and up \$95 million from the level reported in the Second Quarter Ontario Finances, mainly due to relief provided to those affected by the recent severe ice storms in Eastern Ontario.

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 improvement in Ontario's economic performance since the 1997 Budget, the reserve was applied to deficit reduction in the Second Quarter Ontario Finances.

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ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

FISCAL PERFORMANCE

REVENUE

- The current revenue outlook of \$50,825 million is \$2,425 million above the Budget Plan and up \$525 million from the outlook in the Second Quarter Ontario Finances.
- Major revenue changes this quarter are:
 - The Personal Income Tax (PIT) outlook is \$630 million higher than the Second Quarter Ontario Finances due to stronger 1996 assessments. Data received from Revenue Canada on the assessment of 1996 PIT returns indicates that 1996 PIT is higher than incorporated in the Second Quarter PIT estimate.
 - Revenue from the Government of Canada is \$10 million higher than the amount reported in Second Quarter Ontario Finances. Based on amounts committed by the Province to date for disaster relief in the wake of the recent ice storms in Eastern Ontario, it is expected that Ontario will receive \$45 million from the federal government in 1997-98, under the cost-sharing rules of the Disaster Financial Assistance Arrangements (DFAA). This is partly offset by a \$35 million decrease in Canada Health and Social Transfer (CHST) payments reflecting the upward revision in Personal Income Tax, partially offset by a positive prior year adjustment due to federal data revisions.
 - Ontario Lottery Corporation income is \$90 million lower due to the revised implementation schedule for Video Lotteries at race tracks and Charity Gaming Clubs.
 - Miscellaneous revenue is \$25 million lower as a result of the revised implementation schedule for Charity Gaming Clubs.

OPERATING EXPENSE

- Operating expense at \$53,198 million is up \$1,618 million from the Budget Plan. Major changes resulting in a net increase in operating expense of \$85 million this quarter include:
 - Ministry of Agriculture, Food and Rural Affairs: An initial \$10 million for immediate disaster relief to the farming community affected by the recent severe ice storms in Eastern Ontario.
 - Ministry of the Attorney General: An expenditure increase of \$4 million, including \$1 million for the Police Complaints Commission to continue operations to the end of the fiscal year; and an additional \$3 million for the Office of the Public Guardian and Trustee for operational requirements.
 - Ministry of Citizenship, Culture and Recreation: An increase of \$1 million in transition funding to transform the Ontario Trillium Foundation into an agency which will distribute video lottery based funds of up to \$100 million to charitable and not-for-profit organizations.
 - Ministry of Community and Social Services: A net expenditure decrease of \$42 million due to savings of \$45 million in social assistance as a result of lower caseloads; and an additional \$3 million for necessary Year 2000 computer systems changes.

ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

FISCAL PERFORMANCE Cont'd

- Ministry of Consumer and Commercial Relations: An expenditure increase of \$1 million for the Video Lottery Special Communications unit.
- Ministry of Education and Training: An additional \$102 million reflecting the government's commitment to stable funding for the former Metropolitan Toronto School Board and the Ottawa Board of Education.
- Ministry of Finance: An expenditure increase of \$3 million in transition costs resulting from municipal boundary changes, including administration and systems tax changes, and staff and systems development, fully offset from the Contingency Fund; an additional \$2 million for the Integrated Information Systems Project, transferred from the Management Board Secretariat; and \$1 million in funding to implement Budget tax changes and technology efficiency measures, fully offset from the Contingency Fund.
- Ministry of Health: An extra \$2 million for necessary Year 2000 computer systems changes.
- Ministry of Intergovernmental Affairs: An expenditure increase of \$1 million for the Canadian Unity Public Consultation to enable Ontario to fulfil its commitment to the Calgary framework.
- Ministry of Labour: \$1 million in additional funding for the Employee Wage Protection Program; and an additional \$2 million, fully offset from the Contingency Fund, to support implementation of the Public Sector Transition Stability Act.
- Management Board Secretariat: A net reduction in expense of \$16 million due to a savings of \$15 million in the Human Resources Management Information System; the transfer of \$2 million to the Ministry of Finance for the Integrated Information Systems Project; and an additional \$1 million for necessary Year 2000 computer systems changes.
- Ministry of Municipal Affairs and Housing: An initial \$55 million to provide immediate disaster relief to victims of the recent severe ice storms in Eastern Ontario; and an additional \$50 million for financial assistance for local services realignment to the City of Toronto, fully offset from the provision of Restructuring and Other Charges.
- Ministry of Natural Resources: Savings of \$5 million in Extra Forest Fire Fighting.
- Ministry of the Solicitor General and Correctional Services: an expenditure increase of \$1 million for the expansion of the training capacity at the Ontario Police College; an additional \$2 million for the Centre for Forensic Sciences to address concerns raised in the Kaufman Inquiry; and \$1 million for necessary Year 2000 computer systems changes to the Integrated Justice System.
- Ministry of Transportation: An additional \$4 million for truck inspection stations as part of implementing Road Safety III; and an extra \$1 million for necessary Year 2000 computer systems changes.

ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

FISCAL PERFORMANCE CONT'D

PUBLIC DEBT INTEREST

- Public Debt Interest costs at \$9,046 million are \$144 million below the Budget Plan and \$40 million below the Second Quarter projection as a result of interest rates remaining below the prudent Budget forecast assumptions.

CAPITAL EXPENSE

- Capital expense at \$2,789 million is up \$39 million from the Budget Plan and up \$10 million from the Second Quarter Ontario Finances. Changes this quarter are:
 - Ministry of Municipal Affairs and Housing: An initial \$10 million in immediate disaster relief for public agencies and municipalities for damaged or lost public property as a result of the recent severe ice storms in Eastern Ontario.

ONTARIO FINANCES

ECONOMIC PERFORMANCE

ONTARIO ECONOMY RECORDS STRONG GROWTH IN THE THIRD QUARTER OF 1997

- In the third calendar quarter of 1997 (July-September period), Ontario real GDP rose 5.7% at annual rate, compared to growth of 4.1% for Canada.
- Growth was led by increased spending on personal consumption, business investment, and housing.

PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1997

- Over the past 11 months, private sector employment has increased by 234,000.
- The unemployment rate in Ontario was 8.0% in January.

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

STRONG CONSUMER SPENDING IN 1997

- Over the first 11 months of 1997, Ontario retail sales rose 6.8%.
- Ontario unit auto sales increased 17.0% during the first 11 months of 1997.

HOUSING MARKET REMAINS VIBRANT IN 1997

- Housing starts rose 25.6% in Ontario during 1997. Ontario home resales rose 1.9% for the year 1997.

MANUFACTURING SHIPMENTS GROWING

- Over the first 11 months of 1997, Ontario manufacturing shipments rose 7.4% from a year ago.
- In the transportation equipment sector, shipments rose 11.7% so far this year. Auto production reached a record level of 2.5 million units in 1997.

ONTARIO EXPORTS RISING

- Over the first 11 months of 1997, Ontario international merchandise exports increased 7.9% from a year earlier.

ONTARIO INFLATION REMAINS LOW

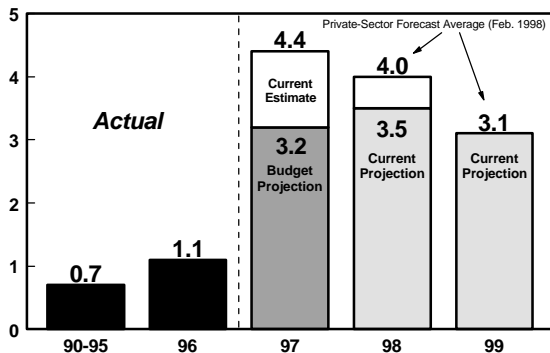
- Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 0.7% in December (year-over-year).

ONTARIO FINANCES

SELECTED FISCAL INDICATORS

Strong Growth Projected

Real GDP growth, average annual per cent



Sources: Statistics Canada and Ontario Ministry of Finance

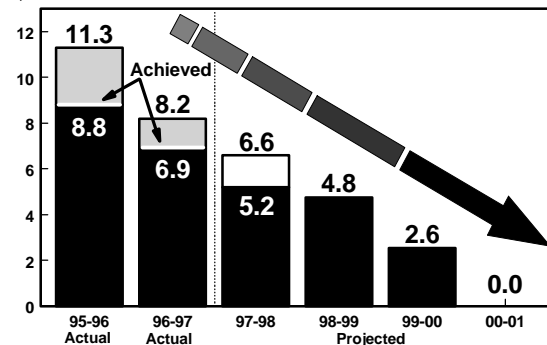
Following a half-decade of limited and sporadic growth, domestic spending has entered a period of strong and sustained growth. This growth reflects the impact of personal income tax cuts, lower interest rates and growing consumer and business confidence. Private-sector forecasters expect Ontario to grow more rapidly than the rest of Canada and all of the G-7 countries over the next three years. The private-sector forecast average for real GDP growth has increased to 4.0% from the 3.5% forecast in May.

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. 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 Budget target of \$8.2 billion. The projected 1997-98 deficit is \$5.2 billion, down \$1,418 million from the \$6.6 billion deficit target set out in the Budget.

Ontario's Balanced Budget Plan on Track

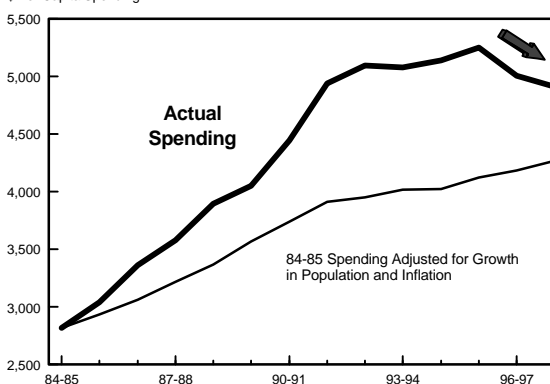
Medium Term Deficit Targets

\$ Billions



Less Government, Lower Spending

\$ Per Capita Spending



Since assuming office the Government has taken firm action to control spending. Between 1984-85 and 1995-96, Provincial spending per person almost doubled, growing much faster than the rate of inflation. With the measures taken to control spending since June 1995, the Government has reversed this trend. Government spending has been reduced in each of the past two years. Spending per person in 1997-98 will fall to \$4,908, a decline of 2.0 per cent from 1996-97. Spending per person this year is down 6.5 per cent from the high of \$5,251 recorded in 1995-96.

ONTARIO FINANCES

RECENT ECONOMIC DEVELOPMENTS

KEY ECONOMIC INDICATORS								
(% Change from previous Period, unless indicated otherwise)								
		Annual		Quarterly				
		1996	1997	96:3	96:4	97:1	97:2	97:3
Output (Seasonally Adjusted Annual Rate)								
Real GDP	Ontario	1.1	4.4	3.3	2.6	7.5	6.7	5.7
Nominal GDP	Ontario	2.5	5.7	5.3	4.8	8.0	5.9	4.3
		Annual		Monthly 1997				
		1996	1997	Sept	Oct	Nov	Dec	Jan
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	107	76	(1)	8	7	(2)	52
Employment (Change in 000s)	Ontario	80	102	0	(10)	13	28	39
Private Sector	Ontario	90	130	10	(3)	(10)	9	35
Public Sector	Ontario	(10)	(26)	(9)	(7)	23	20	4
Unemployment Rate (%)	Ontario	9.1	8.5	8.1	8.4	8.3	7.8	8.0
Household Sector								
Retail Sales	Ontario	0.3	N/A	0.0	1.0	(0.7)	N/A	N/A
Urban Housing Starts (000s)	Ontario	39.5	50.0	49.5	53.4	48.2	50.5	N/A
New Home Sales*	Toronto	59.6	30.6	42.4	7.2	(9.5)	(15.9)	N/A
MLS Home Sales*	Ontario	31.3	1.9	2.4	(6.0)	(28.3)	(25.0)	N/A
Manufacturing Shipments								
Motor Vehicle Shipments	Ontario	2.5	N/A	(1.2)	2.7	(0.6)	N/A	N/A
Motor Vehicle Shipments	Ontario	5.1	N/A	(1.1)	3.6	1.2	N/A	N/A
Consumer Price Index: All Items	Ontario	1.6	1.9	2.0	1.8	0.8	0.7	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 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	16,357	14,490	16,260	1,770
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	39,635	2,130
GOVERNMENT OF CANADA				
Canada Health and Social Transfer	4,814	4,205	3,925	(280)
National Training Act	37	--	--	--
Bilingualism Development	44	48	48	--
Young Offenders Act	59	59	59	--
Vocational Rehabilitation	65	64	64	--
Canada-Ontario Infrastructure Works	142	201	201	--
Social Housing	341	476	476	--
Other	276	242	297	55
	5,778	5,295	5,070	(225)
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery Corporation	654	785	695	(90)
Liquor Control Board of Ontario	701	730	730	--
Ontario Casino Corporation	594	740	740	--
Other	10	65	65	--
	1,959	2,320	2,230	(90)
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	540	(25)
	3,247	3,280	3,890	610
TOTAL REVENUE	49,450	48,400	50,825	2,425

OPERATING EXPENSE

(\$ Millions)		1997-98		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Actual 1996-97			
Agriculture, Food and Rural Affairs	412	405	415	10
Crop Insurance Claims	62	45	45	--
Attorney General	638	654	649	(5)
Board of Internal Economy	124	119	114	(5)
Citizenship, Culture and Recreation	302	280	284	4
Community and Social Services	7,965	7,848	8,021	173
Consumer and Commercial Relations	123	94	109	15
Economic Development, Trade and Tourism	245	201	207	6
Education and Training	8,075	7,735	7,868	133
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	472	27
Public Debt Interest	8,607	9,190	9,046	(144)
Municipal Capital and Operating Restructuring Fund	--	137	--	(137)
Community Reinvestment Fund	--	142	217	75
Restructuring and Other Charges -- Unallocated	--	--	735	735
Special Transition Fund	--	--	75	75
Special Circumstances Fund	--	--	77	77
Health	17,760	17,845	17,953	108
Health Care Restructuring	970	450	450	--
Intergovernmental Affairs	4	4	5	1
Labour	103	106	109	3
Management Board Secretariat	712	353	345	(8)
Public Service/OPSEU Pension Plan	94	145	181	36
Contingency Fund	--	380	461	81
Employee Severance	438	--	--	--
Municipal Affairs and Housing	2,456	2,020	2,345	325
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	410	41
Northern Development & 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	1,102	7
Transportation	879	715	788	73
Restructuring/Municipal Capital and Operating Restructuring Fund	550	--	50	50
Year-end Savings	--	(200)	(200)	--
TOTAL OPERATING EXPENSE	53,618	51,580	53,198	1,618

* Interim allocation pending ministry restructuring which is currently underway

CAPITAL EXPENSE

(\$ Millions)		1997-98		
MINISTRY	Actual 1996-97	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	321	13
Native Affairs Secretariat	13	12	12	--
Natural Resources	33	25	25	--
Northern Development & 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	2,789	39

RESTRUCTURING AND OTHER CHARGES

(\$ Millions)	1997-98
1997-98 Budget Provision	610
Increased Provision in Second 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)
City of Toronto Financial Assistance for Local Services Realignment	50
Unallocated / Still to be Distributed	735
TOTAL	1,510

STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-year Change
Deficit	6,905	6,580	5,162	(1,418)
Cash Timing Adjustments	(1,573)	2,605	2,866	261
Net Cash Requirements	5,332	9,185	8,028	(1,157)
Maturing Debt	6,474	5,424	5,768	344
Borrowing on Behalf of Agencies	658	575	200	(375)
Total Financing Requirements	12,464	15,184	13,996	(1,188)
Financed by:				
Decrease in Liquid Reserves	5,741	3,000	3,000	--
Other Sources	209	94	94	--
Short-term Borrowing	--	1,500	524	(976)
Long-term Borrowing	6,514	10,590	10,378	(212)
TOTAL FINANCING	12,464	15,184	13,996	(1,188)

1997-98 FINANCING ACTIVITIES TO DECEMBER 31, 1997

(\$ Millions)	Issued	Remaining	% Completed
Long Term Debt Issues	8,347	2,031	80.4

- Long-term debt issues undertaken in this quarter totalled \$1,928 million. The entire amount of borrowing was done in the domestic market.
- The Province's total direct debt is forecast to be \$106.7 billion at March 31, 1998, up from \$101.5 billion at March 31, 1997.