

Fiscal Summary (\$ Millions)

	Actual 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
Revenue	55,786	58,150	59,090	940
Expenditure				
Programs	46,752	47,025	47,284	259
Restructuring and Other Charges	76	--	100	100
Total Program Expenditure	46,828	47,025	47,384	359
Capital	1,944	2,883	2,944	61
Public Debt Interest				
Provincial	9,016	9,298	9,268	(30)
Ontario Hydro Successor Companies*	--	520	520	--
Total Expenditure	57,788	59,726	60,116	390
Reserve	--	500	--	(500)
DEFICIT	2,002	2,076	1,026	(1,050)

* Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies are offset by increased income from Government Enterprises revenue, which reflects the net income from these corporations.

HIGHLIGHTS

1998-99 PUBLIC ACCOUNTS

- ◆ The Public Accounts, released October 15, 1999, reported the 1998-99 audited actual deficit at \$2,002 million, down \$1,159 million from the \$3,161 million interim forecast in the 1999 Budget. This improvement was due to \$927 million in higher revenue than anticipated in the Budget and lower expenditure of \$232 million.

1999-00 IN-YEAR PERFORMANCE

DEFICIT OUTLOOK AT \$1.0 BILLION

- ◆ The 1999-00 deficit is projected at \$1,026 million, down \$1,050 million from the Budget Plan and First Quarter Ontario Finances outlook of \$2,076 million.

REVENUE AT \$59.1 BILLION

- ◆ The revenue outlook, at \$59,090 million, is up \$940 million from the Budget Plan, and up \$939 million from the First Quarter Ontario Finances mainly due to increased tax revenue as a result of the strength of the economy.

EXPENDITURE AT \$60.1 BILLION

- ◆ Total expenditure, at \$60,116 million, is up \$390 million from the Budget Plan and up \$389 million from the First Quarter Ontario Finances mainly due to a \$100 million unallocated provision for Restructuring and Other Charges, added at second quarter; an additional \$107 million for Canada Millennium Scholarships and \$47 million for training of Employment Insurance clients, both fully offset by federal revenues; and a net \$74 million increase for forest fire-fighting.

RESERVE APPLIED TO DEFICIT REDUCTION

- ◆ The reserve, designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook, has been applied to deficit reduction. Based on the improved revenue outlook and Ontario's strong economic performance for 1999-00, the \$500 million reserve will not be needed.

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FISCAL PERFORMANCE**REVENUE**

- ◆ Revenue at \$59,090 million is up \$940 million from the Budget Plan, and up \$939 million from the First Quarter Ontario Finances. Major changes this quarter are:
 - ◆ Personal Income Tax revenue is \$405 million higher, based on preliminary information on the processing of 1998 Ontario PIT returns.
 - ◆ The outlook for Retail Sales Tax revenue is \$350 million higher as a result of the strength of business and consumer spending in Ontario in 1999.
 - ◆ Land Transfer Tax revenue is \$60 million above the First Quarter forecast due to the strength of the housing market in Ontario.
 - ◆ Federal transfers are \$122 million above First Quarter, mainly due to new transfers of \$107 million from the Canada Millennium Scholarship Foundation and \$47 million for the training of Employment Insurance clients. Revenue from the Softwood Lumber Agreement also increased \$2 million. These increases are partially offset by a \$34 million decrease in Canada Health and Social Transfer payments, caused by the effect of increased Ontario income tax revenues in the CHST allocation formula.
 - ◆ Miscellaneous Revenue is \$2 million higher than in the First Quarter due to an additional \$2 million for Ontario Provincial Police services contracts with the counties of Haliburton and Wellington.

OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$57,172 million, is up \$329 million from the Budget Plan. Major changes totalling \$330 million this quarter are as follows:
 - ◆ Ministry of Agriculture, Food and Rural Affairs: An additional \$2 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
 - ◆ Ministry of Citizenship, Culture and Recreation: An additional \$3 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund, and an increase of \$6 million due to the transfer of the Ontario Seniors' Secretariat from the Ministry of Health as part of the recent reorganization of government ministries.
 - ◆ Ministry of Community and Social Services: An additional \$9 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
 - ◆ Ministry of Consumer and Commercial Relations: An additional \$2 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
 - ◆ Ministry of Economic Development and Trade: An additional \$2 million to cover the costs of winding down ORTECH.
 - ◆ Ministry of Education: An additional \$8 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
 - ◆ Ministry of the Environment: An additional \$2 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
 - ◆ Executive Offices: Additional funding of \$1 million to establish the Ontario Olympic Sports and Waterfront Development Agency, and an additional \$2 million for the restructuring of Cabinet Office to support the establishment of the new Cabinet Committee structure.
 - ◆ Ministry of Finance: A \$100 million increase for an unallocated provision for Restructuring and Other Charges, and an additional \$4 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.

OPERATING EXPENDITURE CONT'D

- ♦ Ministry of Health and Long Term Care: An additional \$18 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund; an additional \$18 million for insurance costs for Canadian Blood Services; and a reduction of \$6 million due to the transfer of the Ontario Seniors' Secretariat to the Ministry of Citizenship, Culture and Recreation as part of the recent reorganization of government ministries.
- ♦ Ministry of Labour: An additional \$1 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Management Board Secretariat: An additional \$14 million for necessary Year 2000 computer system changes and an additional \$5 million for the Year 2000 Corporate Management Project Office, both fully offset from the Contingency Fund.
- ♦ Ministry of Municipal Affairs and Housing: An additional \$8 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Natural Resources: An additional \$82 million for extra forest fire-fighting, partially offset by \$8 million from the Contingency Fund; an additional \$5 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund; and a reduction of \$4 million related to capital leases, consistent with the treatment in the recently released Public Accounts.
- ♦ Ministry of the Solicitor General: An additional \$2 million for OPP policing services contracts with the counties of Haliburton and Wellington; an increase of \$1 million for additional Highway 401 patrols, fully offset from the Contingency Fund; and an additional \$11 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Training, Colleges and Universities: An additional \$107 million for Canada Millennium Scholarships and \$47 million for training of Employment Insurance clients, both fully offset by federal revenues; and an additional \$2 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Transportation: An additional \$10 million, to deal with the backlog and demand in the graduated licence system; an additional \$1 million to fund the Red Light Camera Pilot Enforcement project; and \$11 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.

PUBLIC DEBT INTEREST

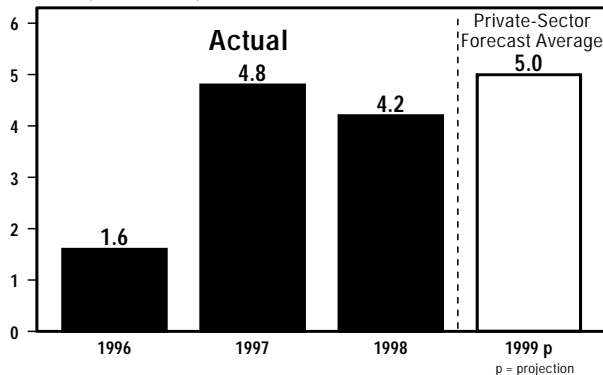
- ♦ The revised Public Debt Interest forecast of \$9,788 million, consisting of \$9,268 million related to borrowing by the Province on its own behalf and \$520 million related to the Province's equity ownership of Ontario Hydro successor companies, is \$30 million below the Budget forecast. The decline of \$30 million is due to lower financing requirements, leading to higher liquid reserves and consequently higher investment income than projected at the time of the Budget.

CAPITAL EXPENDITURE

- ♦ Capital expenditure at \$2,944 million is up \$61 million from the Budget Plan. The major changes totalling \$59 million this quarter are:
 - ♦ Ministry of Natural Resources: Increased expenditure of \$57 million to complete the planned acquisition of four remaining forest fire-fighting water bombers, and additional funding of \$2 million for the purchase of land on Manitoulin Island to protect significant natural heritage sites.

Strong Economic Growth Continues

Real GDP growth, average annual per cent



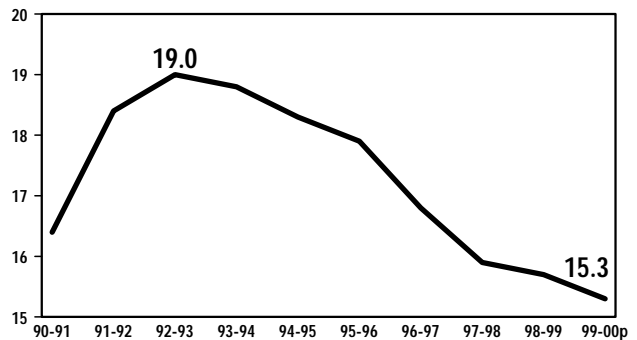
Sources: Ontario Ministry of Finance, Survey of Private-Sector Forecasts (November 1999).

The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports are all contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. Ontario is expected to grow faster than the Canadian economy or any of the G-7 economies over the next two years. Private-sector economists are, on average, forecasting real growth of 5.0 per cent in 1999.

After rising sharply in the early 1990s, total spending as a per cent of Provincial GDP has been declining. The Government's policy of controlling spending and cutting taxes to promote economic growth has resulted in an improved business climate and worked toward restoring Ontario's finances to a sound footing.

Spending as a Per Cent of GDP

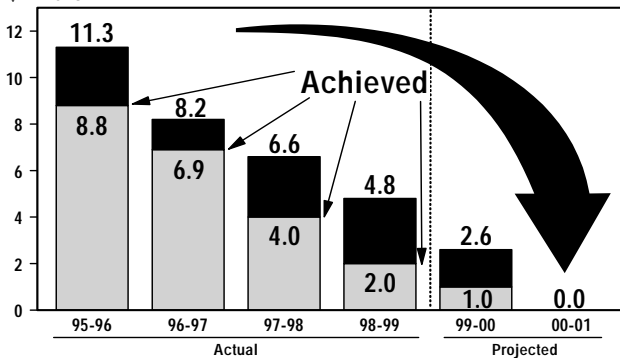
Per Cent of GDP



Sources: Ontario Ministry of Finance and Statistics Canada.

Ontario's Balanced Budget Plan on Track

\$ Billions



Source: Ontario Ministry of Finance.

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. At \$2.0 billion, the 1998-99 deficit is more than \$2.2 billion below the 1998 Budget target of \$4.2 billion, and \$2.8 billion below the original 1998-99 Balanced Budget Plan deficit target of \$4.8 billion. Due to improved fiscal performance, the 1999-00 deficit target of \$2.6 billion was cut by \$0.5 billion in the 1999 Budget and set at \$2.1 billion. With the deficit now forecast at \$1.0 billion, Ontario is on track to overachieve its deficit target for the fifth consecutive year.

STRONG JOB GROWTH CONTINUES IN 1999

- ◆ In October, Ontario employment climbed sharply by 43,600. This followed a strong 28,800 job gain in September.
- ◆ During the first 10 months of 1999, Ontario employment is up 177,000 following a record gain of 200,000 net new jobs in 1998.
- ◆ In October 1999, Ontario's unemployment rate was 6.0%, down substantially from 7.0% a year earlier.

ECONOMY EXPANDS AT ROBUST PACE IN THE SECOND QUARTER OF 1999

- ◆ In the second calendar quarter of 1999 (April-June), Ontario real Gross Domestic Product (GDP) rose 5.0% at annual rates, following a 5.2% increase in the first quarter.

STRONG CONSUMER SPENDING GROWTH IN 1999

- ◆ Over the first nine months of 1999, Ontario retail sales are up 7.3% from a year ago.
- ◆ Over the first nine months of 1999, unit auto sales in Ontario jumped 11.0% from a year ago.

HOUSING MARKET REMAINS STRONG

- ◆ Over the first 10 months of 1999, housing starts in Ontario rose 24.3% from a year ago.
- ◆ Ontario home resales rose 8.4%, over the first nine months of 1999, compared to a year ago.
- ◆ Over the first 10 months of 1999, Toronto new home sales increased 29.5% from a year ago.

MANUFACTURING SHIPMENTS GROWING

- ◆ Over the first nine months of 1999, Ontario manufacturing shipments rose 12.9% from a year ago.

AUTO PRODUCTION SOARS IN 1999

- ◆ Ontario auto production is up 21.6% over the first 10 months of 1999, on track for another record production year.

ONTARIO EXPORTS RISING IN 1999

- ◆ Over the first nine months of 1999, Ontario international merchandise exports increased 16.2% from a year ago.

ONTARIO INFLATION REMAINS LOW IN 1999

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) averaged 1.8% over the first 10 months of 1999.

KEY ECONOMIC INDICATORS (% Change from previous period, unless indicated otherwise)

		Annual	Quarterly					
		1998	98:1	98:2	98:3	98:4	99:1	99:2
Output (Seasonally Adjusted Annual Rate)								
Real GDP	Ontario	4.2	6.0	0.9	1.4	8.6	5.2	5.0
Nominal GDP	Ontario	3.4	5.8	1.1	(2.2)	8.5	10.0	8.1
		Annual	Monthly 1999					
		1998	May	June	July	Aug	Sept	Oct
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	135	12	(75)	31	(12)	33	17
Employment (Change in 000s)	Ontario	200	23	(29)	14	2	29	44
Private Sector	Ontario	154	27	(38)	20	(1)	36	30
Public Sector	Ontario	46	(4)	9	(6)	2	(7)	14
Unemployment Rate (%)	Ontario	7.2	7.0	6.3	6.6	6.4	6.4	6.0
Household Sector								
Retail Sales	Ontario	6.9	1.0	0.7	1.7	2.4	(1.1)	N/A
Urban Housing Starts (000s)	Ontario	50.1	66.3	67.9	61.1	62.0	60.3	59.4
New Home Sales*	Toronto	4.6	15.5	41.8	36.1	27.5	41.6	44.4
MLS Home Sales*	Ontario	(1.5)	9.3	12.0	5.8	10.3	6.8	N/A
Manufacturing Shipments	Ontario	4.8	0.4	1.5	0.4	4.6	0.4	N/A
Transportation Equipment	Ontario	6.8	2.3	1.5	(0.4)	8.2	0.6	N/A
Consumer Price Index: All Items	Ontario	0.9	1.8	1.9	2.0	2.5	2.6	2.3

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association, and Ward's Automotive.

* % change from a year earlier

ONTARIO FINANCES

FINANCIAL TABLES

REVENUE

(\$ Millions)	Actual 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	17,190	15,670	16,075	405
Retail Sales Tax	11,651	12,110	12,460	350
Corporations Tax	7,447	7,820	7,820	--
Employer Health Tax	2,882	2,990	2,990	--
Gasoline Tax	2,068	2,155	2,155	--
Fuel Tax	592	595	595	--
Tobacco Tax	447	470	470	--
Land Transfer Tax	470	480	540	60
Mining Profits Tax	23	30	30	--
Race Tracks Tax	6	5	5	--
Preferred Share Dividends Tax	50	35	35	--
Other Taxation	251	225	225	--
	43,077	42,585	43,400	815
GOVERNMENT OF CANADA				
Canada Health and Social Transfer	3,553	3,727	3,693	(34)
Increase in CHST Allocation	--	190	190	--
CHST Health Supplement	--	755	755	--
Bilingualism Development	55	55	55	--
Young Offenders Act	57	58	58	--
Employability Assistance for People with Disabilities	71	65	65	--
Canada-Ontario Infrastructure Works	71	29	29	--
Social Housing	358	370	370	--
Other	350	307	463	156
	4,515	5,556	5,678	122
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery Corporation	682	930	930	--
Liquor Control Board of Ontario	809	830	830	--
Ontario Casino Corporation	1,082	995	995	--
Ontario Hydro Successor Companies	--	527	527	--
Other	(26)	(35)	(35)	--
	2,547	3,247	3,247	--
OTHER REVENUE				
Vehicle and Driver Registration Fees	890	880	880	--
Other Fees and Licences	661	625	625	--
Liquor Licence Revenue	519	515	515	--
Royalties	289	225	225	--
Sales and Rentals	640	2,230	2,230	--
Fines and Penalties	50	57	57	--
Local Services Realignment -- Reimbursement of Expenditure	2,109	1,794	1,794	--
Miscellaneous	489	436	439	3
	5,647	6,762	6,765	3
TOTAL REVENUE	55,786	58,150	59,090	940

OPERATING EXPENDITURE

(\$ Millions)		1999-00		
MINISTRY	Actual 1998-99	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	309	365	367	2
Attorney General	751	816	816	--
Board of Internal Economy	117	121	121	--
Citizenship, Culture and Recreation	345	393	402	9
Office Responsible for Women's Issues	20	26	26	--
Community and Social Services	7,648	7,677	7,705	28
Consumer and Commercial Relations	136	126	128	2
Correctional Services*	540	502	502	--
Economic Development and Trade*	88	111	113	2
Education*	7,717	7,891	7,899	8
Teachers' Pension Plan	67	(85)	(85)	--
Energy, Science and Technology	333	146	146	--
Environment	162	165	167	2
Executive Offices	17	20	23	3
Finance -- Own Account	999	731	739	8
Public Debt Interest				
Provincial	9,016	9,298	9,268	(30)
Ontario Hydro Successor Companies	--	520	520	--
Community Reinvestment Fund	678	543	543	--
Restructuring and Other Charges -- Unallocated	--	--	100	100
Health and Long Term Care	18,868	20,173	20,203	30
Health Care Restructuring	50	--	--	--
Major One-time Health Care Costs	639	--	--	--
Intergovernmental Affairs	4	4	4	--
Labour	108	95	96	1
Management Board Secretariat	358	432	451	19
Public Service/OPSEU Pension Plan	(219)	(223)	(223)	--
Contingency Fund	--	694	514	(180)
Special Circumstances Fund	180	--	--	--
Municipal Affairs and Housing	1,611	1,546	1,594	48
Native Affairs Secretariat	10	12	12	--
Natural Resources	542	364	447	83
Northern Development and Mines	82	127	127	--
Office of Francophone Affairs	3	3	3	--
Solicitor General*	746	741	756	15
Tourism*	70	64	64	--
Training, Colleges and Universities*	3,215	3,306	3,462	156
Transportation	607	539	562	23
Restructuring	(17)	--	--	--
Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	44	--	--	--
Year-End Savings	--	(400)	(400)	--
TOTAL OPERATING EXPENDITURE	55,844	56,843	57,172	329

* Interim allocation pending finalization of new ministry structure.

CAPITAL EXPENDITURE

(\$ Millions)		1999-00		
MINISTRY	Actual 1998-99	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	--	--	--
Attorney General	73	56	56	--
Citizenship, Culture and Recreation	6	16	16	--
Community and Social Services	38	22	22	--
Correctional Services*	30	133	133	--
Education*	229	54	54	--
Energy, Science and Technology	23	17	17	--
Environment	19	23	23	--
Water Protection Fund	15	185	185	--
Finance	3	6	6	--
Health and Long Term Care	187	504	504	--
Management Board Secretariat	39	16	16	--
Municipal Affairs and Housing	62	--	--	--
Native Affairs Secretariat	10	12	12	--
Natural Resources	62	46	105	59
Northern Development and Mines	177	225	225	--
Solicitor General*	8	--	--	--
Tourism*	1	2	2	--
Training, Colleges and Universities*	69	742	742	--
Transportation	892	824	826	2
TOTAL CAPITAL EXPENDITURE	1,944	2,883	2,944	61

* Interim allocation pending finalization of new ministry structure.

STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)		1999-00		
		Budget Plan	Current Outlook	Change from Budget
	Actual 1998-99			
Deficit	2,002	2,076	1,026	(1,050)
Cash Timing Adjustments*	4,147	3,192	2,129	(1,063)
Borrowing on Behalf of Agencies	(92)	(1,375)	(1,375)	--
Increase (Decrease) in Liquid Reserves	(2,634)	(600)	(600)	--
Net Cash Requirements	3,423	3,293	1,180	(2,113)
Maturing Debt	7,139	8,050	8,050	--
Early Redemptions and Debt Buybacks	--	--	405	405
Total Financing Requirements	10,562	11,343	9,635	(1,708)
Financed by:				
Canada Pension Plan	--	917	870	(47)
Increase in Short-term Borrowing	440	1,800	139	(1,661)
Long-term Public Borrowing**	10,122	8,626	8,626	--
TOTAL FINANCING	10,562	11,343	9,635	(1,708)

* Includes Balance Sheet Items

** Including Ontario Savings Bonds

1999-00 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued	Remaining	% Completed
	(as of September 30)		
LONG TERM PUBLIC BORROWING	4,211	4,415	48.8%

♦ Long-term financing undertaken in this quarter totalled \$954 million as follows:

	(\$ Millions)
Canadian Dollar Issues	790
Canada Pension Plan	164
	954

♦ The amount of \$405 million under the heading “Early Redemptions and Debt Buybacks” includes \$286 million in early redemptions of Ontario Savings Bonds in June, and \$119 million from the repurchase and retirement of Province of Ontario bonds.

♦ Total Provincial Purpose debt is forecast to be \$119.2 billion at March 31, 2000, up from \$109.2 billion at March 31, 1999. The increase includes \$8.9 billion as a result of the debt-for-equity swaps with each of Ontario Power Generation and Ontario Hydro Services Company.