

## Fiscal Summary (\$ Millions)

	Actual 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	55,786	58,150	59,835	1,685
<b>Expenditure</b>				
Programs	46,752	47,025	48,058	1,033
Restructuring and Other Charges	76	--	100	100
Total Program Expenditure	46,828	47,025	48,158	1,133
Capital	1,944	2,883	2,930	47
Public Debt Interest				
Provincial	9,016	9,298	9,228	(70)
Ontario Hydro Successor Companies*	--	520	520	--
Total Expenditure	57,788	59,726	60,836	1,110
Reserve	--	500	--	(500)
<b>DEFICIT</b>	<b>2,002</b>	<b>2,076</b>	<b>1,001</b>	<b>(1,075)</b>

\* 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

### 1999-00 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK AT \$1.0 BILLION

- ◆ The 1999-00 deficit is projected at \$1,001 million, down \$1,075 million from the Budget Plan and down \$25 million from the Second Quarter Ontario Finances outlook of \$1,026 million.

#### REVENUE AT \$59.8 BILLION

- ◆ The revenue outlook, at \$59,835 million, is up \$1,685 million from the Budget Plan, and up \$745 million from the Second Quarter Ontario Finances, mainly due to increased tax revenue as a result of the strength of the economy, and increased federal transfers under the recently signed Canada-Ontario Social Housing Agreement.

#### EXPENDITURE AT \$60.8 BILLION

- ◆ Total expenditure, at \$60,836 million, is up \$1,110 million from the Budget Plan and up \$720 million from the Second Quarter Ontario Finances. Major changes this quarter included a \$200 million increase in Public Service/OPSEU Pension Plan expenditure; \$196 million in additional funding for hospitals; \$196 million resulting from the Canada-Ontario Social Housing Agreement; and \$106 million for child welfare.

#### RESERVE APPLIED TO DEFICIT REDUCTION

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

**FISCAL PERFORMANCE****REVENUE**

- ◆ Total revenue is \$59,835 million, \$745 million above the Second Quarter Ontario Finances and up \$1,685 million from the Budget projection. Major changes this quarter are:
  - ◆ Personal Income Tax revenue is \$500 million higher, based on preliminary information on the processing of 1998 Ontario PIT returns.
  - ◆ The outlook for Employer Health Tax revenue is \$50 million higher as a result of the strength of employment and income growth in Ontario in 1999.
  - ◆ Federal transfers are \$194 million above second quarter, mainly due to a \$264 million increase under the recently signed Canada-Ontario Social Housing Agreement. This increase is partially offset by a \$70 million decrease in Canada Health and Social Transfer (CHST) payments, due to the effect of higher Ontario income tax revenues in the CHST allocation formula.
  - ◆ Miscellaneous Revenue is \$1 million higher than in the second quarter due to additional non-tax revenue for Ontario Provincial Police services contracts.

**OPERATING EXPENDITURE**

- ◆ Net operating expenditure, at \$57,906 million, is up \$1,063 million from the Budget Plan. Major changes totalling \$734 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 the Attorney General: Additional funding of \$25 million for legally binding awards affecting Judges and Justices of the Peace, partially offset by \$14 million 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.
  - ◆ Ministry of Community and Social Services: An in-year increase of \$106 million to address higher volume as well as transitional costs associated with child welfare reform, and an additional \$8 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Education: An additional \$7 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of the Environment: An additional \$3 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Finance: An additional \$3 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Health and Long Term Care: An additional \$196 million to hospitals for front-line patient care and to assist hospitals with transitional issues, and an additional \$45 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.

## OPERATING EXPENDITURE CONT'D

- ♦ Management Board Secretariat: An in-year increase of \$200 million in Public Service/OPSEU Pension Plan expenditure mainly due to the impact on Provincial expenditure of OPSEU's decision to use the members' share of actuarial gains in the pension plan towards benefit enhancements and a contribution holiday; an additional \$8 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; less \$23 million savings in Realty Services Program operations mainly due to lower-than-expected payments-in-lieu of property taxes.
- ♦ Ministry of Municipal Affairs and Housing: An additional \$196 million resulting from the recently signed Canada-Ontario Social Housing Agreement, fully offset by federal revenues; an increase of \$54 million in assistance to municipalities related to business education property taxes, including \$2 million fully offset from the Contingency Fund for administrative costs related to the *Fairness for Property Taxpayers Act*; an additional \$22 million to reflect the interest concession on a \$100 million interest-free loan to the City of Toronto; and an additional \$1 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Natural Resources: An additional \$8 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund; \$4 million reallocated from capital to operating spending for the GeoSmart initiative; less \$10 million savings in forest fire-fighting expenditure.
- ♦ Ministry of the Solicitor General: Additional funding of \$30 million for the Integrated Justice project, partially offset by \$11 million from the Contingency Fund; additional funding of \$1 million for Ontario Provincial Police services contracts; and an additional \$12 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of the Training, Colleges and Universities: An additional \$1 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Transportation: An additional \$4 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.

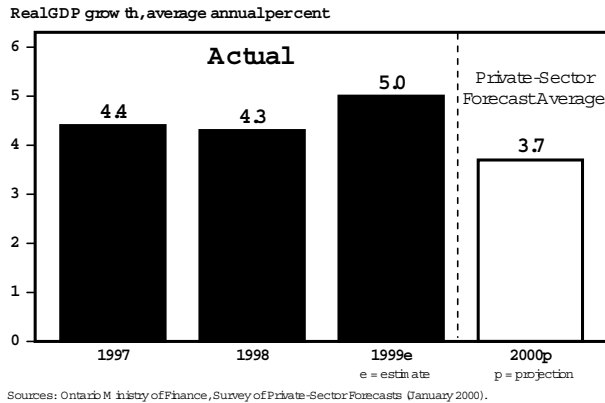
## PUBLIC DEBT INTEREST

- ♦ The revised Public Debt Interest forecast of \$9,748 million consisting of \$9,228 million related to the Province's borrowing on its own behalf and \$520 million related to the Province's equity ownership of Ontario Hydro successor companies, is \$70 million below the Budget forecast. The decline of \$40 million in the third quarter is due to lower financing requirements than projected at the time of the Budget.

## CAPITAL EXPENDITURE

- ♦ Capital expenditure at \$2,930 million is up \$47 million from the Budget Plan, and down \$14 million from second quarter. The major changes this quarter are:
  - ♦ Ministry of the Attorney General: Savings of \$6 million in courthouses construction.
  - ♦ Ministry of Natural Resources: Savings of \$4 million as a result of the reallocation from capital to operating spending for the GeoSmart initiative.
  - ♦ Ministry of Northern Development and Mines: Savings of \$4 million in the Community Infrastructure Program which funds community facilities, and water and sewage projects.

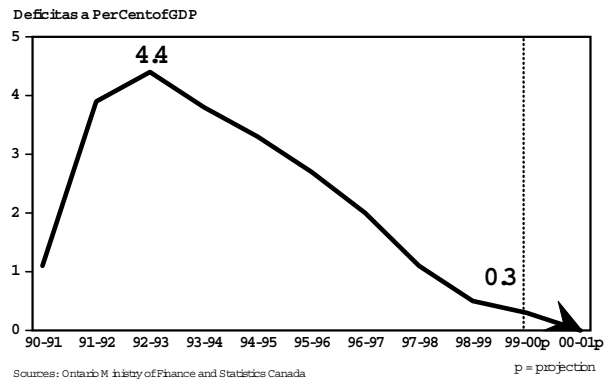
## Strong Economic Growth Continues



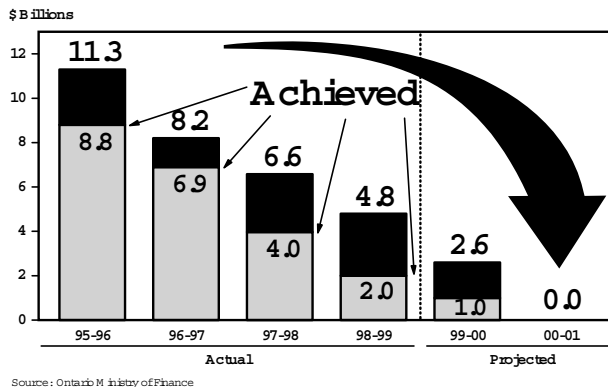
The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports are all contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. Private-sector economists are, on average, forecasting real growth of 3.7 per cent in 2000. Ontario's economy is expected to grow faster than any of the other economies of the G-7 industrialized nations in 2000, according to private-sector forecasters.

By controlling spending and cutting taxes to promote economic growth, the Government has made progress towards restoring Ontario's finances and improving the Province's business climate. In 1998-99, the Provincial deficit dropped below one per cent of GDP for the first time this decade. In 1999-00, the deficit is projected to fall to 0.3 per cent of GDP.

## Deficit Falls to 0.3 Per Cent of GDP in 1999-00



## Ontario's Balanced Budget Plan on Track



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 for 1999-00, Ontario is on track to overachieve its deficit target for the fifth consecutive year.

## **ONTARIO RECORDS STRONG ECONOMIC GROWTH IN THIRD QUARTER OF 1999**

- ◆ Real Ontario GDP increased 7.1% in the third quarter of 1999, compared to the same period a year earlier, the fastest gain in eleven years.

## **STRONG JOB GROWTH IN FOURTH QUARTER OF 1999**

- ◆ In the fourth quarter of 1999 (October-December), Ontario's employment rose 70,000. All of the job creation was full time.

## **ROBUST JOB CREATION CONTINUES IN 1999**

- ◆ For 1999, Ontario employment is up 173,000 following a record gain of 200,000 net new jobs in 1998.
- ◆ In December 1999, Ontario's unemployment rate was 5.6%, down substantially from 6.9% a year earlier.

## **STRONG CONSUMER SPENDING GROWTH IN 1999**

- ◆ Over the first eleven months of 1999, Ontario retail sales were up 7.5% from a year earlier.
- ◆ Over the same period, unit auto sales in Ontario jumped 12.1%.

## **HOUSING MARKET REMAINS STRONG**

- ◆ Housing starts in Ontario rose 24.9% in 1999.
- ◆ Ontario home resales rose 8.0% over the first eleven months of 1999, compared to a year ago.
- ◆ Toronto new home sales increased 33.1% in 1999.

## **MANUFACTURING SHIPMENTS GROWING**

- ◆ Over the first eleven months of 1999, Ontario manufacturing shipments rose 12.1% from a year earlier.

## **AUTO PRODUCTION SOARS IN 1999**

- ◆ For the year 1999, Ontario auto production rose 19.5% to reach a new record production level of 3 million units.

## **ONTARIO EXPORTS RISING IN 1999**

- ◆ Over the first eleven months of 1999, Ontario international merchandise exports increased 14.2% from a year earlier.

## **ONTARIO INFLATION REMAINS LOW IN 1999**

- ◆ For the year 1999, Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 1.9%.

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

		Annual	Annual	Quarterly				
		1998	1999	98:3	98:4	99:1	99:2	99:3
<b>Output (Seasonally Adjusted)</b>								
Real GDP	Ontario	4.3	N/A	0.2	2.5	1.3	1.4	1.7
Nominal GDP	Ontario	4.3	N/A	(0.1)	2.5	2.2	2.0	2.4
		Annual	Annual	Monthly 1999				
		1998	1999	Aug	Sept	Oct	Nov	Dec
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	135	132	(12)	33	17	(29)	34
Employment (Change in 000s)	Ontario	200	173	2	29	44	(7)	35
Private Sector	Ontario	154	193	(1)	36	30	(18)	39
Public Sector	Ontario	46	(20)	2	(7)	14	11	(4)
Unemployment Rate (%)	Ontario	7.2	6.4	6.4	6.4	6.0	5.6	5.6
<b>Household Sector</b>								
Retail Sales	Ontario	6.9	N/A	2.4	(1.3)	(0.6)	0.6	N/A
Urban Housing Starts (000s)	Ontario	50.1	62.9	62.0	60.3	59.5	67.0	68.6
New Home Sales*	Toronto	4.6	33.1	27.5	41.6	44.4	62.1	46.8
MLS Home Sales*	Ontario	(1.5)	N/A	(0.7)	(2.0)	(8.1)	1.5	N/A
<b>Manufacturing Shipments</b>	Ontario	4.8	N/A	4.2	0.1	(2.1)	0.7	N/A
Transportation Equipment	Ontario	6.8	N/A	7.9	(0.2)	(5.3)	0.6	N/A
<b>Consumer Price Index*</b>	Ontario	0.9	1.9	2.5	2.6	2.3	2.3	2.9

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
<b>TAXATION REVENUE</b>				
Personal Income Tax	17,190	15,670	16,575	905
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	3,040	50
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	--
	<b>43,077</b>	<b>42,585</b>	<b>43,950</b>	<b>1,365</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	3,553	3,727	3,623	(104)
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	634	264
Other	350	307	463	156
	<b>4,515</b>	<b>5,556</b>	<b>5,872</b>	<b>316</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
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)	--
	<b>2,547</b>	<b>3,247</b>	<b>3,247</b>	<b>--</b>
<b>OTHER REVENUE</b>				
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	440	4
	<b>5,647</b>	<b>6,762</b>	<b>6,766</b>	<b>4</b>
<b>TOTAL REVENUE</b>	<b>55,786</b>	<b>58,150</b>	<b>59,835</b>	<b>1,685</b>



# OPERATING EXPENDITURE

(\$ Millions)		1999-00		
MINISTRY	Actual 1998-99	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	309	365	369	4
Attorney General	751	816	841	25
Board of Internal Economy	117	121	121	--
Citizenship, Culture and Recreation	345	393	405	12
Office Responsible for Women's Issues	20	26	26	--
Community and Social Services	7,648	7,677	7,819	142
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	7,906	15
Teachers' Pension Plan	67	(85)	(85)	--
Energy, Science and Technology	333	146	146	--
Environment	162	165	170	5
Executive Offices	17	20	23	3
Finance - Own Account	999	731	742	11
Public Debt Interest				
Provincial	9,016	9,298	9,228	(70)
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	20,444	271
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	441	9
Public Service/OPSEU Pension Plan	(219)	(223)	(23)	200
Contingency Fund	--	694	377	(317)
Special Circumstances Fund	180	--	--	--
Municipal Affairs and Housing	1,611	1,546	1,867	321
Native Affairs Secretariat	10	12	12	--
Natural Resources	542	364	449	85
Northern Development and Mines	82	127	127	--
Office of Francophone Affairs	3	3	3	--
Solicitor General *	746	741	799	58
Tourism *	70	64	64	--
Training, Colleges and Universities *	3,215	3,306	3,463	157
Transportation	607	539	566	27
Restructuring	(17)	--	--	--
Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	44	--	--	--
Year-End Savings	--	(400)	(400)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>55,844</b>	<b>56,843</b>	<b>57,906</b>	<b>1,063</b>

\* 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	50	(6)
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	101	55
Northern Development and Mines	177	225	221	(4)
Solicitor General *	8	--	--	--
Tourism *	1	2	2	--
Training, Colleges and Universities *	69	742	742	--
Transportation	892	824	826	2
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,944</b>	<b>2,883</b>	<b>2,930</b>	<b>47</b>

\* 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	1,001	(1,075)
Cash Timing Adjustments*	4,147	3,192	961	(2,231)
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	(13)	(3,306)
Maturing Debt	7,139	8,050	8,050	--
Early Redemptions and Debt Buybacks	--	--	1,074	1,074
Total Financing Requirements	10,562	11,343	9,111	(2,232)
Financed by:				
Canada Pension Plan	--	917	870	(47)
Increase in Short-term Borrowing	440	1,800	600	(1,200)
Long-term Public Borrowing**	10,122	8,626	7,641	(985)
<b>TOTAL FINANCING</b>	<b>10,562</b>	<b>11,343</b>	<b>9,111</b>	<b>(2,232)</b>

\* Includes Balance Sheet Items

\*\* Includes Ontario Savings Bonds

## 1999-00 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued	Remaining	% Completed
	(as of December 31)		
LONG-TERM PUBLIC BORROWING	6,426	1,215	84.1%

♦ Long-term financing undertaken in this quarter totalled \$2,423 million as follows:

	(\$ Million)
Canadian Dollar Issues	1,948
Yen Issues	267
Canada Pension Plan	208
	<b>2,423</b>

♦ The amount of \$1,074 million under the heading “Early Redemptions and Debt Buybacks” consists of \$955 million in early redemptions of Ontario Savings Bonds in June and December, and \$119 million from the repurchase and retirement of Province of Ontario bonds.

♦ The Province’s total direct debt is forecast to be \$118.0 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 swap with each of the Ontario Power Generation and Ontario Hydro Services Company, slightly offset by the small negative net cash requirements.