

## Fiscal Summary (\$ Millions)

	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	62,931	62,060	64,218	2,158
<b>Expenditure</b>				
Programs	46,649	49,525	50,289	764
Restructuring and Other Charges	211	--	--	--
Accounting Changes from 1999-00 Public Accounts*	720	--	606	606
Total Program Expenditure	47,580	49,525	50,895	1,370
Capital*	4,832	2,075	2,212	137
Public Debt Interest				
Provincial	8,977	8,940	8,910	(30)
Electricity Sector	520	520	520	--
Total Expenditure*	61,909	61,060	62,537	1,477
Reserve	--	1,000	--	(1,000)
Net Impact of Electricity Restructuring to be Recovered from Ratepayers**	354	--	270	270
<b>SURPLUS / (DEFICIT)</b>	<b>668</b>	<b>0</b>	<b>1,411</b>	<b>1,411</b>

\* Accounting changes introduced in the 1999-00 Public Accounts increased total 2000-01 expenditure in-year by \$746 million, representing more than 50 per cent of the in-year change from Budget Plan.

\*\* Reflects the estimated excess of expenditure over revenue of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

## HIGHLIGHTS

### 2000-01 IN-YEAR PERFORMANCE

#### SURPLUS AT \$1.4 BILLION

- ◆ The 2000-01 surplus is projected at \$1,411 million, as compared to a balanced budget outlook in the 2000 Ontario Budget, an improvement of \$45 million from the \$1,366 million surplus reported in the Second Quarter Ontario Finances.

#### REVENUE AT \$64.2 BILLION

- ◆ The revenue outlook, at \$64,218 million, is up \$2,158 million from the Budget Plan, and up \$165 million from the Second Quarter Ontario Finances outlook, mainly due to higher Personal Income Tax revenue.

#### IN-YEAR EXPENDITURE UP \$0.7 BILLION

- ◆ In-year decisions have increased total expenditure \$731 million from the 2000 Budget Plan and increased expenditure by \$120 million from the Second Quarter Ontario Finances outlook, mainly due to Provincial financial support for transition costs in the cities of Hamilton, Ottawa and Greater Sudbury, and the counties of Haldimand and Norfolk.

#### ACCOUNTING CHANGES INCREASED TOTAL EXPENDITURE BY \$0.7 BILLION AT SECOND QUARTER

- ◆ Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 total expenditure by \$746 million at second quarter due to an increase in the Provision for the Electricity Sector and the expenditure impact of consolidating the Independent Electricity Market Operator and the Metro Toronto Convention Centre as government organizations. Revenue increased by \$358 million in 2000-01 as a result of these accounting changes.

#### RESERVE APPLIED TO REDUCE NET PROVINCIAL DEBT

- ◆ Based on improvements in the economic and revenue outlook, the \$1 billion reserve was eliminated and applied to Net Provincial Debt reduction in the Second Quarter Ontario Finances.

## FISCAL PERFORMANCE

### REVENUE

- ◆ Total revenue is projected to be \$64,218 million, up \$2,158 million from the 2000 Ontario Budget Plan, and \$165 million above the Second Quarter Ontario Finances outlook. Major changes this quarter are:
  - ◆ Personal Income Tax revenue is increased by \$150 million due to the pace of employment and income growth in Ontario.
  - ◆ Other Federal Revenue is up \$9 million due to reimbursements under the federal *Firearms Act*.
  - ◆ Sales and Rentals are up \$5 million reflecting the transfer of industrial parks from the Ontario Development Corporation, a government business enterprise, to Management Board Secretariat.
  - ◆ Miscellaneous Revenue is up \$1 million for policing services provided to the Towns of Arnprior, Renfrew and Kingsville.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$60,325 million, is up \$1,340 million from the Budget Plan and up \$117 million from the Second Quarter Ontario Finances outlook. Major changes this quarter are as follows:
  - ◆ Ministry of the Attorney General: An additional \$1 million to provide funding for public electronic access to Ontario's legislation and regulations, fully offset from the Contingency Fund.
  - ◆ Ministry of Community and Social Services: An additional \$123 million to address higher volume and transitional costs in the Child Welfare Services program, fully offset from the Contingency Fund.
  - ◆ Ministry of Energy, Science and Technology: A reduction of \$50 million due to re-profiling into future years of the funding to establish the Ontario Cancer Research Network.
  - ◆ Ministry of Environment: An additional \$2 million to identify best health and safety practices for the protection of the environment and for consultations on how to ensure drinking water protection for small waterworks, and \$1 million to establish a database system to support a public website to report and track emission of air pollutants.
  - ◆ Ministry of Health and Long-Term Care: An expenditure decrease of \$1 million due the transfer of funds to the Ministry of Training, Colleges and Universities to provide 40 additional spaces in medical schools.
  - ◆ Management Board Secretariat: An additional \$5 million for operating costs associated with industrial parks transferred from the Ontario Development Corporation, offset by revenue.
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$165 million to provide Provincial financial support for transition costs in the cities of Hamilton, Ottawa and Greater Sudbury, and the counties of Haldimand and Norfolk, partially offset by \$18 million from the Contingency Fund.
  - ◆ Ministry of the Solicitor General: An increase of \$7 million for the Chief Firearms Office for the licensing component of the federal *Firearms Act*, fully offset by federal transfers, and an additional \$1 million for OPP municipal policing services contracts for the Towns of Arnprior, Renfrew, and Kingsville, offset by revenue.
  - ◆ Ministry of Training, Colleges and Universities: An expenditure increase of \$1 million, due to the transfer from the Ministry of Health and Long-Term Care of funds to provide 40 additional spaces in medical schools.
  - ◆ Ministry of Transportation: An additional \$4 million to upgrade and modernize the driver and vehicle information management systems.

### **PUBLIC DEBT INTEREST**

- ♦ The Public Debt Interest forecast of \$9,430 million, consists of \$8,910 million related to the Province's borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the Electricity Sector. This forecast is down \$30 million from the Budget Plan due to lower-than-expected interest rates, but unchanged from the Second Quarter Ontario Finances outlook.

### **CAPITAL EXPENDITURE**

- ♦ Capital expenditure at \$2,212 million is up \$137 million from the Budget Plan and up \$3 million from the Second Quarter Ontario Finances outlook. The major changes this quarter are as follows:
  - ♦ Management Board Secretariat: An additional \$2 million for environmental assessment and remediation efforts associated with industrial parks transferred from the Ontario Development Corporation.
  - ♦ Ministry of Natural Resources: An additional \$1 million for the Natural Areas Protection Program.
  - ♦ Ministry of Northern Development and Mines: An expenditure increase of \$18 million as a result of the transfer of funds from the Ministry of Transportation for highway rehabilitation projects in northern Ontario.
  - ♦ Ministry of Transportation: An expenditure decrease of \$18 million as a result of the transfer of funding to the Ministry of Northern Development and Mines for northern highway rehabilitation.

## Statement of Financial Transactions (\$ Millions)

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Q3 2000-01
<b>Revenue</b>	49,450	52,518	55,786	62,931	64,218
<b>Expenditure</b>					
Programs*	42,956	43,709	46,509	47,369	50,895
Restructuring and Other Charges	2,180	1,595	76	211	--
Total Program Expenditure	45,136	45,304	46,585	47,580	50,895
Capital*	2,612	2,451	2,187	4,832	2,212
Public Debt Interest					
Provincial	8,607	8,729	9,016	8,977	8,910
Electricity Sector	--	--	--	520	520
Total Expenditure	56,355	56,484	57,788	61,909	62,537
Reserve	--	--	--	--	--
Net Impact of Electricity Restructuring to be Recovered from Ratepayers**	--	--	--	354	270
<b>SURPLUS / (DEFICIT)</b>	<b>(6,905)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>1,411</b>
<b>NET PROVINCIAL DEBT †</b>	<b>108,769</b>	<b>112,735</b>	<b>114,737</b>	<b>113,715</b>	<b>112,034</b>

\* 1996-97 to 1998-99 restated to reflect reclassification of leases from capital to operating. Expenditure totals in 1999-00 and 2000-01 reflect the impact of accounting changes introduced in the 1999-00 Public Accounts.

\*\* Reflects the estimated excess of expenditure over revenue of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

† Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Q3 2000-01
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	335,843	357,300	372,630	396,775	426,755
Ontario Population (000s) - July 1	11,101	11,249	11,386	11,517	11,669
Ontario Revenue as a per cent of GDP	14.7	14.7	15.0	15.9	15.0
Ontario Revenue Growth (%)	0.0	6.2	6.2	12.8	2.0
Ontario Total Spending as a per cent of GDP	16.8	15.8	15.5	15.6	14.7
Ontario Total Spending Growth (%)	(3.3)	0.2	2.3	7.1	1.0
Ontario PDI as a Share of Revenue (%)	17.4	16.6	16.2	15.1	14.7
Ontario PDI as a Share of Total Spending (%)	15.3	15.5	15.6	15.3	15.1
Ontario PDI as a per cent of GDP	2.6	2.4	2.4	2.4	2.2
Ontario Surplus / (Deficit) as a per cent of GDP	(2.1)	(1.1)	(0.5)	0.2	0.3
Net Provincial Debt per capita	9,798	10,022	10,077	9,874	9,601
Net Provincial Debt as a per cent of GDP	32.4	31.6	30.8	28.7	26.3

Sources: Ontario Ministry of Finance and Statistics Canada.

## **VIBRANT ONTARIO ECONOMY IN 2000**

- ◆ The Ontario economy continued to grow strongly in the third quarter of the calendar year (July-September period), with real GDP up 5.5 per cent at annual rates. This followed growth of 5.2 per cent in the second quarter.

## **STRONG JOB GROWTH IN 2000**

- ◆ For the year 2000, Ontario employment increased 184,000 following record job growth in 1999 of 198,000.
- ◆ Ontario's average annual unemployment rate fell from 6.3 per cent in 1999 to 5.7 per cent in 2000.

## **JOB GROWTH CONTINUES IN 2001**

- ◆ In January, Ontario Employment rose 16,000.
- ◆ The Ontario unemployment rate was 5.7 per cent in January.

## **STRONG CONSUMER SPENDING GROWTH IN 2000**

- ◆ Over the first eleven months of 2000, Ontario retail sales were up 7.6 per cent from a year ago and unit auto sales rose 3.8 per cent.

## **HOUSING MARKET REMAINS STRONG**

- ◆ For the year 2000, housing starts in Ontario rose 6.4 per cent from the previous year.
- ◆ Over the year 2000, Toronto new home sales increased 14.4 per cent from a year earlier.

## **BUSINESS GROWING**

- ◆ Over the first eleven months of 2000, Ontario manufacturing shipments rose 7.6 per cent from a year earlier.
- ◆ Ontario international merchandise exports increased 6.2 per cent over the same period.

## **ONTARIO INFLATION RISES IN 2000**

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 2.9 per cent in 2000.

## KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		1999	2000	99:3	99:4	00:1	00:2	00:3
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	6.1	N/A	8.0	5.5	5.4	5.2	5.5
Nominal GDP	Ontario	6.5	N/A	7.2	3.9	11.9	9.4	8.0
		Annual	Annual	Monthly 2000-2001				
		1999	2000	Sept	Oct	Nov	Dec	Jan
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	157	7	33	44	2	(5)
Employment (Change in 000s)	Ontario	198	184	18	27	35	(1)	16
Unemployment Rate (%)	Ontario	6.3	5.7	5.8	5.9	6.0	6.0	5.7
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	N/A	0.7	(0.7)	0.1	N/A	N/A
Urban Housing Starts (000s)	Ontario	62.9	67.4	67.4	73.5	67.2	65.9	79.6
New Home Sales*	Toronto	29.4	14.4	34.7	6.2	(15.7)	(25.2)	N/A
MLS Home Resales*	Ontario	7.4	(1.1)	(3.6)	2.1	6.3	(7.7)	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	11.7	N/A	0.1	0.4	0.4	N/A	N/A
<b>Consumer Price Index*</b>	Ontario	1.9	2.9	2.8	2.9	3.7	3.5	N/A

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

N/A = Data not available

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)		2000-01			
		Actual 1999-00	Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE					
Personal Income Tax	17,617	17,530	18,880	1,350	
Retail Sales Tax	12,879	13,400	13,600	200	
Corporations Tax	8,095	8,765	8,765	--	
Employer Health Tax	3,118	3,320	3,380	60	
Gasoline Tax	2,154	2,260	2,260	--	
Fuel Tax	665	665	665	--	
Tobacco Tax	481	510	510	--	
Land Transfer Tax	565	580	580	--	
Mining Profits Tax	50	55	55	--	
Race Tracks Tax	6	5	5	--	
Preferred Share Dividends Tax	33	40	40	--	
Other Taxation	218	193	193	--	
	45,881	47,323	48,933	1,610	
GOVERNMENT OF CANADA					
Canada Health and Social Transfer	3,777	3,548	3,548	--	
Increase in CHST Allocation	190	552	552	--	
CHST Supplements	755	757	757	--	
Social Housing	466	533	533	--	
Student Assistance	170	171	171	--	
Indian Welfare Services	85	114	114	--	
Bilingualism Development	65	64	64	--	
Employability Assistance for People with Disabilities	65	66	66	--	
Canada-Ontario Infrastructure Works	19	--	--	--	
Other	293	227	236	9	
	5,885	6,032	6,041	9	
INCOME FROM GOVERNMENT ENTERPRISES					
Ontario Lottery and Gaming Corporation*	1,924	1,695	1,865	170	
Liquor Control Board of Ontario	845	915	915	--	
Ontario Power Generation Inc. and Hydro One Inc.	903	795	795	--	
Other	36	18	23	5	
	3,708	3,423	3,598	175	
OTHER REVENUE					
Vehicle and Driver Registration Fees	911	920	920	--	
Other Fees and Licences	667	670	670	--	
Liquor Licence Revenue	539	530	530	--	
Royalties	345	240	240	--	
Sales and Rentals	2,133	790	840	50	
Fines and Penalties	41	35	35	--	
Local Services Realignment - Reimbursement of Expenditure	1,678	1,572	1,572	--	
Miscellaneous	1,143	525	839	314	
	7,457	5,282	5,646	364	
TOTAL REVENUE	62,931	62,060	64,218	2,158	

\* Effective April 1, 2000, the Ontario Lottery Corporation and Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation.



# OPERATING EXPENDITURE

(\$ Millions)		2000-01		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Actual 1999-00			
Agriculture, Food and Rural Affairs	347	446	446	--
Attorney General	844	882	884	2
Board of Internal Economy	154	121	121	--
Citizenship, Culture and Recreation	337	398	398	--
Community and Social Services	7,512	7,504	7,627	123
Consumer and Commercial Relations	134	146	146	--
Correctional Services	563	591	591	--
Economic Development and Trade	94	99	99	--
Education	7,702	8,026	8,124	98
School Board Phase-in Funding	268	--	--	--
Teachers' Pension Plan (TPP)	(363)	(711)	(735)	(24)
Energy, Science and Technology	126	241	191	(50)
Environment	174	158	187	29
Executive Offices	19	22	22	--
Finance - Own Account	548	787	787	--
Public Debt Interest				
Provincial	8,977	8,940	8,910	(30)
Electricity Sector	520	520	520	--
Community Reinvestment Fund	521	537	537	--
Health and Long-Term Care	20,378	21,988	22,503	515
Major One-Time Operating Costs	286	--	--	--
Intergovernmental Affairs	4	5	5	--
Labour	101	100	100	--
Management Board Secretariat	170	298	315	17
Public Service/OPSEU Pension Plan	(165)	(248)	(110)	138
Contingency Fund	--	1,165	858	(307)
OPS Employee Severance (Net)	88	--	--	--
Municipal Affairs and Housing	1,665	1,644	1,810	166
Native Affairs Secretariat	13	16	15	(1)
Natural Resources	460	376	414	38
Northern Development and Mines	122	274	274	--
Office of Francophone Affairs	3	4	4	--
Solicitor General	814	856	871	15
Tourism	70	76	76	--
Training, Colleges and Universities	3,284	3,387	3,388	1
Transportation	587	537	541	4
Year-End Savings	--	(200)	(200)	--
Accounting Changes*				
Energy, Science and Technology – Independent Electricity Market Operator	303	--	283	283
Finance – Provision for Electricity Sector	383	--	275	275
Tourism – Metro Toronto Convention Centre	34	--	48	48
<b>TOTAL OPERATING EXPENDITURE</b>	<b>57,077</b>	<b>58,985</b>	<b>60,325</b>	<b>1,340</b>

\* Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 operating expenditure in-year by \$606 million.

Note: Does not reflect new ministry structure announced on February 8, 2001.

# CAPITAL EXPENDITURE

(\$ Millions)		2000-01		
MINISTRY	Actual 1999-00	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	80	80	--
Attorney General	62	64	64	--
Citizenship, Culture and Recreation	75	71	71	--
Community and Social Services	20	20	20	--
Correctional Services	124	156	156	--
Education	52	5	5	--
Energy, Science and Technology	500	--	--	--
Environment	1	14	14	--
Water Protection Fund	160	51	51	--
Finance	7	3	3	--
SuperBuild Millennium Partnerships	--	200	200	--
Health and Long-Term Care	338	291	291	--
Major One-Time Capital Costs	1,004	--	--	--
Management Board Secretariat	13	12	14	2
Municipal Affairs and Housing	(10)	2	2	--
Native Affairs Secretariat	5	8	10	2
Natural Resources	96	83	76	(7)
Northern Development and Mines	212	273	291	18
Solicitor General	--	8	8	--
Tourism	2	11	11	--
Training, Colleges and Universities	1,028	44	44	--
Transportation	830	799	781	(18)
Year-End Savings	--	(120)	(120)	--
Accounting Changes*				
Energy, Science and Technology – Independent Electricity Market Operator	156	--	140	140
Tourism – Metro Toronto Convention Centre	156	--	--	--
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>4,832</b>	<b>2,075</b>	<b>2,212</b>	<b>137</b>

\* Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 capital expenditure in-year by \$140 million.  
Note: Does not reflect new ministry structure announced on February 8, 2001.

# ONTARIO'S 2000-01 FINANCING PROGRAM

(\$ Millions)	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	668	–	1,411	1,411
Accruals and Consolidations	(623)	(5,205)	(5,456)	(251)
Maturities*	(7,895)	(8,425)	(8,239)	186
Provision for Early Redemptions	(1,246)	(500)	(1,064)	(564)
Other Sources / (Uses)	295	--	(270)	(270)
Net Repayments from / (Loans to) Agencies	2,758	--	(83)	(83)
Decrease / (Increase) in Liquid Reserves	(4,102)	4,500	4,500	--
Increase / (Decrease) in Short-Term Borrowing	608	--	--	--
Canada Pension Plan Borrowing	870	1,038	611	(427)
Long-Term Borrowing	8,667	8,592	8,590	(2)
of which: Completed			7,501	
Remaining			1,089	

\* Maturing debt is lower than Budget Plan due to the Province exercising its options on extendible bonds.

♦ Long-term financing undertaken in the third quarter totalled \$1,576 million as follows:

	(\$ Millions)
Domestic Issues	1,501
Medium Term Notes	75
	<b>1,576</b>

- ♦ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$844 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.
- ♦ Long-term public market borrowing requirements are virtually unchanged from the 2000-01 Budget plan. This is because the increase in the surplus is almost fully offset by \$564 million higher-than-forecasted redemptions of Ontario Savings Bonds, \$83 million lent to agencies, \$270 million in net withdrawals from POSO, and \$427 million less borrowing from the Canada Pension Plan.
- ♦ In early December 2000, the Province of Ontario held its first bond auction, a reopening of a 4.875% issue due June 2, 2004, raising \$250 million for the Ontario Electricity Financial Corporation (OEFC).
- ♦ As of December 31, 2000, the Province had completed \$1,459 million of the required refinancing of \$1,843 million on behalf of the OEFC. The OEFC's refinancing requirements are down \$618 million from the forecasted \$2,461 million requirement at the time of the Budget.
- ♦ Net Provincial Debt is forecast to be \$112.0 billion at March 31, 2001, \$2.0 billion lower than the Budget Plan due to higher-than-forecasted surpluses in both 1999-00 and 2000-01.