

## Fiscal Summary (\$ Millions)

	Interim 2001-02	2002-03		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	63,463	66,544	66,546	2
<b>Expenditure</b>				
Programs	52,413	54,384	54,386	2
Gross Capital Expenditure	1,850	2,713	2,713	--
Less: Net Investment in Capital Assets*	--	634	634	--
Public Debt Interest				
Provincial	8,553	8,550	8,550	--
Electricity Sector	520	520	520	--
Total Expenditure	63,336	65,533	65,535	2
Less: Reserve	--	1,000	1,000	--
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	(69)	(11)	(11)	--
<b>SURPLUS / (DEFICIT)</b>	<b>58</b>	<b>0</b>	<b>0</b>	<b>--</b>

\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

\*\* Reflects the estimated excess of revenue over expenditure 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

### 2002-03 IN-YEAR PERFORMANCE

#### BALANCED BUDGET OUTLOOK

◆ The 2002-03 fiscal outlook is on track with the Budget Plan. As of June 30, 2002, a balanced budget is projected, unchanged from the Budget Plan.

#### REVENUE AT \$66.5 BILLION

◆ The revenue outlook, at \$66,546 million, is up \$2 million from the Budget Plan due to increased revenue for policing services provided by the Ontario Provincial Police.

#### EXPENDITURE AT \$65.5 BILLION

◆ Total expenditure, at \$65,535 million, is up a net \$2 million from the Budget Plan due to OPP municipal policing services contracts.

#### RESERVE AT \$1 BILLION

◆ Ontario's 2002-03 fiscal plan includes a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

## FISCAL PERFORMANCE

### REVENUE

- ◆ The revenue outlook, at \$66,546 million, is up \$2 million from the Budget Plan. The sole change this quarter is:
  - ◆ Miscellaneous Revenue is up \$2 million for policing services provided to the County of Wellington, the Municipality of Meaford and the towns of Lakeshore and the Blue Mountains.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$63,456 million, is up \$2 million from the Budget Plan. Changes this quarter include:
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$3 million to provide immediate emergency assistance to residents, small businesses and farmers affected by severe flooding in Northwestern Ontario and to establish an Ontario Disaster Relief office in Fort Frances, fully offset from the Contingency Fund.
  - ◆ Ministry of Public Safety and Security: An additional \$2 million for OPP municipal policing services contracts for the County of Wellington, the Municipality of Meaford and the towns of Lakeshore and the Blue Mountains, offset by revenue.
- ◆ The Public Debt Interest forecast of \$9,070 million, consisting of \$8,550 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, is unchanged from the Budget Plan.

### CAPITAL EXPENDITURE

- ◆ Net capital expenditure, at \$2,079 million, is unchanged from the Budget Plan. Changes this quarter include:
  - ◆ Ministry of Enterprise, Opportunity and Innovation: An additional \$8 million towards the construction of the Region of Waterloo Research and Technology Park, transferred from the SuperBuild Millennium Partnerships including \$4 million in Canada-Ontario Infrastructure Program contributions.
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$3 million to cover the cost of repairs to municipal capital infrastructure damaged during severe flooding in Northwestern Ontario, fully offset from the Capital Contingency Fund.

## Statement of Financial Transactions (\$ Millions)

	Actual 1998-99	Actual 1999-00	Actual 2000-01	Interim 2001-02	Q1 2002-03
<b>Revenue</b>	55,786	62,931	64,682	63,463	66,546
<b>Expenditure</b>					
Programs	46,557	47,525	50,062	52,413	54,386
Gross Capital Expenditure	2,215	4,887	2,123	1,850	2,713
Less: Net Investment in Capital Assets*	--	--	--	--	634
Public Debt Interest					
Provincial	9,016	8,977	8,896	8,553	8,550
Electricity Sector	--	520	520	520	520
<b>Total Expenditure</b>	<b>57,788</b>	<b>61,909</b>	<b>61,601</b>	<b>63,336</b>	<b>65,535</b>
Less: Reserve	--	--	--	--	1,000
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	--	(354)	244	(69)	(11)
<b>SURPLUS / (DEFICIT)</b>	<b>(2,002)</b>	<b>668</b>	<b>3,325</b>	<b>58</b>	<b>0</b>
<b>NET PROVINCIAL DEBT***</b>	<b>114,737</b>	<b>113,715</b>	<b>110,634</b>	<b>110,507</b>	<b>110,496</b>

Note: 1998-99 to 2000-01 programs and gross capital expenditure totals restated to reflect reclassification of Northern Ontario Heritage Fund Corporation expenditure from operating to capital.

\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

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

\*\*\* The definition of Net Provincial Debt for 2002-03 has been adjusted to include the Net Investment in Capital Assets. For all other years, Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1998-99	Actual 1999-00	Actual 2000-01	Interim 2001-02	Q1 2002-03
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	378,031	407,754	434,077	444,431	454,799
Ontario Population (000s) - July 1	11,387	11,523	11,685	11,874	12,029
Ontario Revenue as a per cent of GDP	14.8	15.4	14.9	14.3	14.6
Ontario Revenue Growth (%)	6.2	12.8	2.8	(1.9)	4.9
Ontario Total Expenditure as a per cent of GDP	15.3	15.2	14.2	14.3	14.4
Ontario Total Expenditure Growth (%)	2.3	7.1	(0.5)	2.8	3.5
Ontario PDI as a Share of Revenue (%)	16.2	15.1	14.6	14.3	13.6
Ontario PDI as a Share of Total Expenditure (%)	15.6	15.3	15.3	14.3	13.8
Ontario PDI as a per cent of GDP	2.4	2.3	2.2	2.0	2.0
Ontario Surplus / (Deficit) as a per cent of GDP	(0.5)	0.2	0.8	0.0	0.0
Net Provincial Debt per capita (\$)	10,076	9,869	9,468	9,307	9,186
Net Provincial Debt as a per cent of GDP	30.4	27.9	25.5	24.9	24.3

Sources: Ontario Ministry of Finance and Statistics Canada.

## **ONTARIO'S REAL GDP GREW BY 1.7 PER CENT (6.9 PER CENT ANNUALIZED) IN THE FIRST QUARTER OF 2002**

- ◆ This marked the strongest growth in over two years.
- ◆ The main contributors of growth were real consumer spending (+0.8 per cent), machinery and equipment investment (+2.5 per cent) and housing construction (+3.7 per cent). Other highlights included a drop of pace in inventory depletion (-\$5.8 billion compared to -\$8.0 billion the previous quarter) and a widening of Ontario's real trade surplus.

## **JOB GROWTH CONTINUES IN 2002**

- ◆ Ontario job creation continues with 48,200 net new jobs created over the first half of 2002, compared to the same period in 2001.
- ◆ In June, Ontario employment rose 12,000, following a similar 12,100 gain in May.
- ◆ Ontario's unemployment rate was 7.1 per cent in June.

## **CONSUMER SPENDING RISING IN 2002**

- ◆ Over the first four months of 2002, Ontario retail sales are up 5.9 per cent from the same period a year ago.

## **HOUSING MARKET REMAINS STRONG**

- ◆ Over the first half of 2002, housing starts in Ontario rose 12.5 per cent from the same period last year.
- ◆ Ontario home resales are up 23.4 per cent over the first five months of 2002, compared to the same period in 2001.

## **EXPORTS AND SHIPMENTS UP**

- ◆ Over the first four months of 2002, Ontario merchandise exports rose 2.1 per cent from the same period in 2001.
- ◆ Ontario manufacturing shipments rose 0.3 per cent during the first four months of 2002, from the same period a year ago.

## **LOWER ENERGY PRICES HAVE MODERATING EFFECT ON 2002 INFLATION RATE**

- ◆ In May, Ontario's year-over-year inflation was 0.8 per cent, down sharply from 1.4 per cent in April.
- ◆ Lower prices for petroleum products compared to 12 months earlier continued to have a moderating effect on the overall increase.

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

		Annual	Annual	Quarterly				
		2000	2001	01:1	01:2	01:3	01:4	02:1
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	5.5	1.1	(2.5)	2.7	(3.0)	0.9	6.9
Nominal GDP	Ontario	6.5	2.4	3.2	3.9	(1.4)	(1.5)	10.6
		Annual	Annual	Monthly 2002				
		2000	2001	Feb	Mar	Apr	May	Jun
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	137	(10)	23	(3)	14	17
Employment (Change in 000s)	Ontario	184	91	20	17	(2)	12	12
Unemployment Rate (%)	Ontario	5.7	6.3	6.9	7.0	7.0	7.0	7.1
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	2.6	(1.8)	0.2	1.0	N/A	N/A
Urban Housing Starts (000s)	Ontario	67.4	70.3	74.6	80.6	71.6	82.3	76.9
New Home Sales*	Toronto	10.4	2.1	117.3	76.2	44.9	38.2	N/A
MLS Home Resales*	Ontario	(1.0)	10.3	35.3	17.6	30.0	6.8	N/A
<b>Manufacturing Shipments</b>	Ontario	6.2	(6.4)	1.4	(1.1)	6.4	N/A	N/A
Transportation Equipment	Ontario	0.7	(10.5)	6.0	(3.9)	11.7	N/A	N/A
<b>Consumer Price Index*</b>	Ontario	2.9	3.1	1.4	1.9	1.4	0.8	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)		2002-03			
		Interim 2001-02	Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE					
	Personal Income Tax	19,195	19,085	19,085	--
	Retail Sales Tax	13,753	14,230	14,230	--
	Corporations Tax	6,690	6,150	6,150	--
	Employer Health Tax	3,518	3,695	3,695	--
	Gasoline Tax	2,184	2,260	2,260	--
	Fuel Tax	641	655	655	--
	Tobacco Tax	671	1,325	1,325	--
	Land Transfer Tax	675	735	735	--
	Other Taxation	225	225	225	--
		47,552	48,360	48,360	--
GOVERNMENT OF CANADA					
	Canada Health and Social Transfer (CHST)	6,211	6,808	6,808	--
	Social Housing	528	530	530	--
	Student Assistance	31	64	64	--
	Medical Equipment Trust	190	--	--	--
	Indian Welfare Services	123	127	127	--
	Young Offenders Act	119	61	61	--
	Bilingualism Development	64	64	64	--
	Employability Assistance for People with Disabilities	68	33	33	--
	Infrastructure	11	225	225	--
	Other	439	278	278	--
		7,784	8,190	8,190	--
INCOME FROM GOVERNMENT ENTERPRISES					
	Ontario Lottery and Gaming Corporation	2,226	2,300	2,300	--
	Liquor Control Board of Ontario	905	954	954	--
	Ontario Power Generation Inc. and Hydro One Inc.	179	480	480	--
	Other	8	9	9	--
		3,318	3,743	3,743	--
OTHER REVENUE					
	Vehicle and Driver Registration Fees	936	963	963	--
	Other Fees and Licences	657	692	692	--
	Liquor Licence Revenue	524	515	515	--
	Royalties	242	237	237	--
	Sales and Rentals	586	2,424	2,424	--
	Independent Electricity Market Operation Revenue	137	160	160	--
	Local Services Realignment - Reimbursement of Expenditure	1,125	751	751	--
	Miscellaneous	602	509	511	2
		4,809	6,251	6,253	2
TOTAL REVENUE		63,463	66,544	66,546	2



# OPERATING EXPENDITURE

(\$ Millions)		2002-03		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Interim 2001-02			
Agriculture and Food*	464	572	572	--
One-Time and Extraordinary Costs	328	--	--	--
Attorney General*	981	966	966	--
Board of Internal Economy	113	117	117	--
Citizenship	75	69	69	--
Community, Family and Children's Services	7,780	7,814	7,814	--
Consumer and Business Services	175	171	171	--
Culture	271	277	277	--
Education	8,429	8,746	8,746	--
Teachers' Pension Plan (TPP)	3	149	149	--
Enterprise, Opportunity and Innovation	225	264	264	--
Environment and Energy	344	363	363	--
Executive Offices	21	21	21	--
Finance - Own Account*	749	802	802	--
Public Debt Interest				
Provincial	8,553	8,550	8,550	--
Electricity Sector	520	520	520	--
Community Reinvestment Fund	557	582	582	--
Provision for Electricity Sector	--	--	--	--
Health and Long-Term Care	23,709	25,452	25,452	--
Major One-Time Health Care Costs	190	--	--	--
Intergovernmental Affairs	5	4	4	--
Labour	113	114	114	--
Management Board Secretariat	386	230	230	--
Retirement Benefits	168	(42)	(42)	--
Contingency Fund	--	861	858	(3)
OPS Employee Severance (Net)	(17)	--	--	--
Municipal Affairs and Housing*	1,129	688	691	3
Native Affairs Secretariat	14	15	15	--
Natural Resources	433	413	413	--
Northern Development and Mines**	79	77	77	--
Office of Francophone Affairs	5	3	3	--
Public Safety and Security	1,603	1,530	1,532	2
Tourism and Recreation*	143	133	133	--
Training, Colleges and Universities	3,257	3,521	3,521	--
Transportation	681	772	772	--
Year-End Savings	--	(300)	(300)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>61,486</b>	<b>63,454</b>	<b>63,456</b>	<b>2</b>

\* Preliminary allocations pending finalization of new ministry structures. All other ministries reflect recently announced government structure.

\*\* Reflects Northern Ontario Heritage Fund Corporation expenditure reclassified from operating to capital.

# CAPITAL EXPENDITURE

(\$ Millions)		2002-03		
MINISTRY	Interim 2001-02	Budget Plan	Current Outlook	In-Year Change
Agriculture and Food*	29	197	197	--
Attorney General*	46	51	51	--
Community, Family and Children's Services	32	27	27	--
Consumer and Business Services	--	1	1	--
Culture	9	10	10	--
Education	15	10	10	--
Enterprise, Opportunity and Innovation	18	39	47	8
Environment and Energy	58	85	85	--
Water Protection Fund	1	3	3	--
Finance – Own Account*	11	24	24	--
SuperBuild Millennium Partnerships	--	110	102	(8)
Contingency Fund	--	100	97	(3)
Health and Long-Term Care	203	342	342	--
Management Board Secretariat	29	46	46	--
Municipal Affairs and Housing*	3	4	7	3
Native Affairs Secretariat	3	6	6	--
Natural Resources	70	80	80	--
Northern Development and Mines†	379	376	376	--
Public Safety and Security	89	92	92	--
Tourism and Recreation*	12	125	125	--
Training, Colleges and Universities	52	67	67	--
Transportation	791	1,018	1,018	--
Year-End Savings	--	(100)	(100)	--
<b>TOTAL GROSS CAPITAL EXPENDITURE**</b>	<b>1,850</b>	<b>2,713</b>	<b>2,713</b>	<b>--</b>
Less: Net Investment in Capital Assets***	--	634	634	--
<b>Net Capital Expenditure</b>	<b>1,850</b>	<b>2,079</b>	<b>2,079</b>	<b>--</b>

\* Preliminary allocations pending finalization of new ministry structures. All other ministries reflect recently announced government structure.

\*\* Gross Capital Expenditure includes the following: i) acquisition or construction of major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) and other tangible capital assets; ii) repairs and maintenance; and iii) transfers for capital purposes.

† Reflects Northern Ontario Heritage Fund Corporation expenditure reclassified from operating to capital.

(\$ Millions)		2002-03		
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS		Budget Plan	Current Outlook	In-Year Change
Acquisition/Construction of Major Tangible Capital Assets		1,367	1,367	--
Amortization of Provincially Owned Major Tangible Capital Assets		(733)	(733)	--
<b>Net Investment in Capital Assets***</b>		<b>634</b>	<b>634</b>	<b>--</b>

\*\*\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

# ONTARIO'S 2002-03 FINANCING PROGRAM

(\$ Millions)	Interim 2001-02	2002-03		
		Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	58	0	0	--
Adjustments for:				
Non-Cash Items Included in Surplus	(1,748)	(2,875)	(2,875)	--
Amortization of Tangible Capital Assets*	--	733	733	--
Acquisitions of Tangible Capital Assets*	--	(1,367)	(1,367)	--
Maturities of Debt	(9,507)	(11,725)	(11,725)	--
Early Redemptions of Debt	(1,581)	(1,200)	(1,200)	--
Canada Pension Plan Borrowing	--	688	688	--
Decrease / (Increase) in Cash and Cash Equivalents	366	3,000	3,000	--
Increase / (Decrease) in Short-Term Borrowing	174	--	--	--
Other Sources / (Uses) of Cash**	(79)	--	--	--
Long-Term Public Borrowing Requirement	12,317	12,746	12,746	--
of which: Completed			4,958	--
Remaining			7,788	--

\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

\*\* Includes net repayment from, or loans to, agencies and an increase or decrease in deposits with the Province of Ontario Savings Office.

◆ Long-term public borrowing undertaken in the first quarter is estimated at \$4,958 million as follows:

	(\$ Millions)
Ontario Savings Bonds	2,598
Domestic Issues	2,215
Euro Medium Term Notes	145
	<b>4,958</b>

◆ The 2002 Ontario Savings Bond (OSB) campaign has raised \$2.6 billion.

◆ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$325 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.

◆ The forecast Net Provincial Debt as of March 31, 2003 is \$110.5 billion, unchanged from the 2002 Budget.

