

Fiscal Summary (\$ Millions)

	Interim 2002-03	2003-04		
		Budget Plan	Current Outlook	In-Year Change
Revenue	66,391	71,566	71,439	(127)
Expenditure				
Programs	55,271	59,390	59,243	(147)
Gross Capital Expenditure	2,467	3,170	3,170	-
Less: Net Investment in Capital Assets	576	702	702	-
Public Debt Interest				
Provincial	8,225	8,188	8,135	(53)
Electricity Sector	520	520	520	-
Total Expenditure	65,907	70,566	70,366	(200)
Less: Reserve	-	1,000	1,000	-
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*	40	-	-	-
SURPLUS / (DEFICIT) – EXCLUDING SARS IMPACT	524	0	73	73
SARS Impact / No Federal Support				
Expenditure			1,073	
Other Actions: Reduce Contingency Fund			(400)	
Reserve			(600)	
SURPLUS / (DEFICIT) REPORTED THIS QUARTER	524	0	0	-
If Federal Support for SARS				
Revenue (90 per cent of SARS Costs)			965	
Expenditure			1,073	
Contingency Fund			(35)	
SURPLUS / (DEFICIT)	524	0	0	-

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

Note: An integrated fiscal summary that incorporates the impact of the SARS outbreak on Provincial finances is shown on page 4.

HIGHLIGHTS

2003-04 IN-YEAR PERFORMANCE

BALANCED BUDGET OUTLOOK

◆ The 2003-04 fiscal outlook is on track with the 2003 Budget Plan. As of June 30, 2003, a balanced budget is projected, unchanged from the Budget Plan.

IMPACT OF SEVERE ACUTE RESPIRATORY SYNDROME (SARS)

◆ Excluding the impact of the SARS outbreak on Provincial spending, Ontario would have posted a budget surplus of \$73 million.

◆ Ontario will incur an additional \$1,073 million in directly related costs in 2003-04 due to SARS. In the absence of any federal financial support, the Province will offset these higher expenditures by allocating \$600 million of the \$1 billion reserve and reducing the Contingency Fund by \$400 million to maintain the balanced budget. Additional measures may also be required if the federal government does not provide adequate support.

Expenditure Impact of Severe Acute Respiratory Syndrome (SARS) and Provincial Response (\$ Millions)

	2003-04 Costs	Multi-Year Costs
Extraordinary Costs in the Health Sector	395	395
Compensation for Health Care Workers	330	330
Health Sector Short-Term Action Plan	120	120
Ancillary Revenue Losses (hospitals and other health agencies)	100	100
Compensation for Individuals	10	10
Support for Municipalities and Volunteer Organizations	10	10
Tourism Recovery Plan	84	128
Ontario Investment Attraction Program	5	10
FitzGerald Infectious Diseases Network	2	10
Other Extraordinary Costs	17	17
TOTAL	1,073	1,130

FISCAL PERFORMANCE

REVENUE

- ◆ The revenue outlook, at \$71,439 million, is down \$127 million from the Budget Plan. Changes in the first quarter are:
 - ◆ The Personal Income Tax revenue forecast has been decreased by \$90 million due to the unexpected weakness of the Ontario economy in the April to June quarter of 2003.
 - ◆ The Retail Sales Tax revenue forecast has been decreased by \$210 million primarily due to the impact of SARS on the Ontario tourism industry.
 - ◆ The Corporations Tax revenue forecast has been increased by \$200 million due to higher 2002 profit growth than previously estimated, which increases the 2002-03 revenue base and therefore revenues this year.
 - ◆ The Employer Health Tax revenue forecast has been decreased by \$30 million largely due to the impact of SARS on Ontario job creation.
 - ◆ The Reimbursements revenue forecast has been increased by \$3 million due to new OPP municipal policing contracts for the City of Elliot Lake and the Towns of Carlton Place, South Bruce and South Huron, offsetting higher expenditures.

OPERATING EXPENDITURE

- ◆ Net operating expenditure including the expenditure impacts of the SARS outbreak, at \$68,571 million, is up \$473 million from the Budget Plan. Changes this quarter include:
 - ◆ Ministry of the Attorney General: An additional \$16 million for courts to help ensure that criminal trials proceed within a reasonable period of time, fully offset from the Contingency Fund, and \$3 million for SARS-related extraordinary costs for an investigation into the occurrence and spread of SARS.
 - ◆ Ministry of Enterprise, Opportunity and Innovation: An additional \$7 million in SARS-related expenditure for the FitzGerald Infectious Diseases (FIND) Network and the Ontario Investment Attraction Program.
 - ◆ Ministry of Health and Long-Term Care: An expenditure increase of \$945 million for SARS-related costs including exceptional operating costs, financial assistance to frontline health workers for lost income, ancillary revenue losses at hospitals and other agencies, and ongoing SARS-related expenditures, partially offset by savings of \$150 million from the Contingency Fund; an additional \$10 million for other SARS-related administrative costs; and an additional \$13 million, fully offset from the Contingency Fund, to enhance the West Nile Virus Larvicide Program.
 - ◆ Ministry of Labour: An additional \$1 million for SARS-related extraordinary costs to implement legislation to protect the jobs of quarantined workers.
 - ◆ Management Board Secretariat: To mitigate the impact of SARS and in the absence of any federal support, the Contingency Fund was reduced by \$400 million.
 - ◆ Ministry of Municipal Affairs and Housing: An expenditure increase of \$20 million for SARS-related expenditures to assist municipalities, volunteer organizations and individuals, and \$1 million for SARS-related extraordinary costs for the establishment of the SARS Assistance Office.
 - ◆ Ministry of Natural Resources: An additional \$27 million for forest fire-fighting costs, fully offset from the Contingency Fund.
 - ◆ Ministry of Public Safety and Security: An additional \$3 million for OPP municipal policing contracts for the City of Elliot Lake and for the Towns of Carlton Place, South Bruce and South Huron, offset by revenue; and an additional \$2 million for SARS-related extraordinary costs for the operation of Emergency Management Ontario and SARS screening in provincial correctional institutions.
 - ◆ Ministry of Tourism and Recreation: An additional \$84 million in SARS-related expenditure for the Tourism Recovery Plan.
- ◆ The Public Debt Interest forecast of \$8,655 million, consisting of \$8,135 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 down \$53 million due to lower interest rates and cost-effective debt management.

CAPITAL EXPENDITURE

- ◆ Gross capital expenditure and net capital expenditure, at \$3,170 million and \$2,468 million respectively, are unchanged from the Budget Plan.

Statement of Financial Transactions (Including SARS Impact) (\$ Millions)

	Actual 1999-00	Actual 2000-01	Actual 2001-02	Interim 2002-03	Q1 2003-04
Revenue	62,931	63,824	63,886	66,391	71,439
Expenditure					
Programs	47,525	50,401	52,523	55,271	59,916
Gross Capital Expenditure	4,887	2,123	1,890	2,467	3,170
Less: Net Investment in Capital Assets*	-	-	-	576	702
Public Debt Interest					
Provincial	8,977	8,896	8,509	8,225	8,135
Electricity Sector	520	520	520	520	520
Total Expenditure	61,909	61,940	63,442	65,907	71,039
Less: Reserve	-	-	-	-	400
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	(354)	18	(69)	40	-
SURPLUS / (DEFICIT)***	668	1,902	375	524	0
Net Provincial Debt after Provisional Adjustment for CCRA Error; and Accounting Changes†	113,715	112,480	112,036	98,352	98,352
Accounting Changes (included in Net Provincial Debt above)					
Provisional Adjustment for CCRA Error		(2,043)	(2,043)	(2,043)	
Retirement Benefits		197	197	197	
Tangible Capital Assets‡				13,200	
Net Impact of Accounting Changes		(1,846)	(1,846)	11,354	11,354
NET PROVINCIAL DEBT - BEFORE PROVISIONAL ADJUSTMENT FOR CCRA ERROR; AND ACCOUNTING CHANGES	113,715	110,634	110,190	109,706	109,706

* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expenditure in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

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

*** Includes provisional adjustment for Canada Customs and Revenue Agency error; retirement benefits accounting policy change in accordance with new Public Sector Accounting Board recommendations; and adjustment to decrease in stranded debt from electricity sector restructuring to be recovered from ratepayers.

† Starting in 2002-03 Net Provincial Debt has been adjusted to include Investment in Capital Assets. For all other years, Net Provincial Debt represents total liabilities less financial assets.

‡ Estimated opening net book value at April 1, 2002.

Selected Economic and Fiscal Statistics

	Actual 1999-00	Actual 2000-01	Actual 2001-02	Interim 2002-03	Q1 2003-04
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	410,350	438,092	449,780	475,243	499,956
Ontario Population (000s) - July 1	11,528	11,698	11,895	12,068	12,226
Ontario Revenue as a per cent of GDP	15.3	14.6	14.2	14.0	14.3
Ontario Revenue Growth (%)	12.8	1.4	0.1	3.9	7.6
Ontario Total Expenditure as a per cent of GDP	15.1	14.1	14.1	13.9	14.2
Ontario Total Expenditure Growth (%)	7.1	0.1	2.4	3.9	7.8
Ontario PDI as a Share of Revenue (%)	15.1	14.8	14.1	13.2	12.1
Ontario PDI as a Share of Total Expenditure (%)	15.3	15.2	14.2	13.3	12.2
Ontario PDI as a per cent of GDP	2.3	2.1	2.0	1.8	1.7
Ontario Surplus / (Deficit) as a per cent of GDP	0.2	0.4	0.1	0.1	0.0
Net Provincial Debt per capita (\$)	9,864	9,615	9,419	8,150	8,044
Net Provincial Debt as a per cent of GDP	27.7	25.7	24.9	20.7	19.7

Sources: Ontario Ministry of Finance and Statistics Canada.

ONTARIO ECONOMIC GROWTH CONTINUES IN FIRST QUARTER

- ◆ Ontario's real GDP grew by 0.7 per cent (2.9 per cent annualized) in the first quarter of 2003, up from 0.4 per cent (1.7 per cent annualized) growth in the fourth quarter of 2002.
- ◆ Ontario's economy outperformed both the Canadian economy which advanced 2.4 per cent and the U.S. economy which grew 1.4 per cent at annualized rates in the first quarter.

JOB GROWTH CONTINUES IN 2003

- ◆ Ontario employment is up 0.9 per cent since the beginning of 2003, a gain of 53,000 jobs. This represents 75 per cent of all job creation in Canada this year.
- ◆ Ontario's unemployment rate was 7.2 per cent in July, below the Canadian average of 7.8 per cent.

CONSUMER SPENDING RISING

- ◆ Ontario retail sales grew by 1.6 per cent in May. Over the first five months of 2003, retail sales were 4.1 per cent ahead of the same period last year.

HOUSING MARKET REMAINS STRONG

- ◆ Ontario housing starts rose 12.6 per cent in June, from May, to a level of 86,900 units. Over the first half of 2003, housing starts were 2.4 per cent lower than the same period last year. However, this still represents a very high level of starts, as 2002 was the strongest year in 13 years.
- ◆ The value of building permits issued for Ontario residential construction projects rose 2.0 per cent in the second quarter of the calendar year, following a 2.9 per cent advance in the first quarter.

EXTERNAL MARKETS SOFT

- ◆ Ontario merchandise exports dropped 4.8 per cent over the first five months of 2003 compared to the same period of 2002. Over the same period the value of Ontario manufacturing shipments increased 1.2 per cent.

KEY ECONOMIC INDICATORS								
(% Change from previous period, unless indicated otherwise)								
		Annual	Annual	Quarterly				
		2001	2002	02:1	02:2	02:3	02:4	03:1
Output (Seasonally Adjusted at Annual Rates)*								
Real GDP	Ontario	1.8	3.8	1.7	0.8	1.0	0.4	0.7
Nominal GDP	Ontario	2.7	5.7	2.6	2.5	1.7	1.4	1.8
		Annual	Annual	Monthly 2003				
		2001	2002	Mar	Apr	May	June	July
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	137	167	8	(12)	24	36	(17)
Employment (Change in 000s)	Ontario	91	105	17	(27)	(1)	17	(8)
Unemployment Rate (%)	Ontario	6.3	7.1	6.5	6.8	7.1	7.3	7.2
Household Sector								
Retail Sales	Ontario	2.6	5.6	(0.7)	(2.3)	1.6	N/A	N/A
Urban Housing Starts (000s)	Ontario	70.8	79.6	72.6	71.1	71.6	81.3	N/A
New Home Sales**	Toronto	2.4	29.0	(45.3)	(36.1)	(13.2)	0.8	N/A
MLS Home Resales**	Ontario	10.3	9.3	(6.4)	(13.4)	(1.4)	18.2	N/A
Manufacturing Shipments								
Transportation Equipment	Ontario	(6.4)	3.4	2.0	(3.5)	0.0	N/A	N/A
Consumer Price Index**	Ontario	(10.5)	6.5	4.1	(3.7)	(0.5)	N/A	N/A
		3.1	2.0	3.3	2.3	2.7	2.5	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.

* Annual growth rates reflect April 28, 2003, release of Statistics Canada Provincial Economic Accounts.

** % change from a year earlier

N/A = Data not available

ONTARIO FINANCES

FINANCIAL TABLES

REVENUE

(\$ Millions)	Interim 2002-03	2003-04		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	18,800	19,905	19,815	(90)
Retail Sales Tax	14,090	14,885	14,675	(210)
Corporations Tax	6,520	6,845	7,045	200
Employer Health Tax	3,590	3,805	3,775	(30)
Gasoline Tax	2,300	2,365	2,365	-
Fuel Tax	685	710	710	-
Tobacco Tax	1,215	1,260	1,260	-
Land Transfer Tax	825	785	785	-
Other Taxation	376	195	195	-
	48,401	50,755	50,625	(130)
GOVERNMENT OF CANADA				
Canada Health and Social Transfer (CHST)	7,386	7,146	7,146	-
New CHST Supplements	967	771	771	-
Social Housing	526	643	643	-
Health Reform Fund	-	386	386	-
Infrastructure	118	285	285	-
Diagnostic and Medical Equipment Fund	-	193	193	-
Other	697	753	753	-
	9,694	10,177	10,177	-
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery and Gaming Corporation	2,275	2,406	2,406	-
Liquor Control Board of Ontario	953	1,123	1,123	-
Ontario Power Generation Inc. and Hydro One Inc.	650	884	884	-
Other	11	3	3	-
	3,889	4,416	4,416	-
OTHER REVENUE				
Sales and Rentals	321	2,207	2,207	-
Vehicle and Driver Registration Fees	963	952	952	-
Local Services Realignment - Reimbursement of Expenditure	707	711	711	-
Other Fees and Licences	671	677	677	-
Reimbursements	470	503	506	3
Liquor Licence Revenue	528	477	477	-
Royalties	237	225	225	-
Independent Electricity Market Operation Revenue	171	153	153	-
Other Miscellaneous Revenue	339	313	313	-
	4,407	6,218	6,221	3
TOTAL REVENUE	66,391	71,566	71,439	(127)

OPERATING EXPENDITURE

(\$ Millions)		2003-04		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Interim 2002-03			
Agriculture and Food	602	622	622	-
One-Time and Extraordinary Costs	28	-	-	-
Attorney General*	1,030	1,024	1,043	19
Board of Internal Economy	138	129	129	-
Citizenship	72	76	76	-
Community, Family and Children's Services	7,969	8,281	8,281	-
Consumer and Business Services	179	179	179	-
Culture	263	269	269	-
Education	9,058	9,716	9,716	-
Teachers' Pension Plan (TPP)	296	306	306	-
Energy	120	127	127	-
Enterprise, Opportunity and Innovation*	231	309	316	7
Environment	250	266	266	-
Executive Offices	21	20	20	-
Finance – Own Account	500	612	612	-
Public Debt Interest				
Provincial	8,225	8,188	8,135	(53)
Electricity Sector	520	520	520	-
Support for Children and Seniors	282	674	674	-
Community Reinvestment Fund	624	649	649	-
Provision for Electricity Sector	130	23	23	-
Health and Long-Term Care	25,888	27,595	27,608	13
SARS-Related Health Costs*	-	-	955	955
Intergovernmental Affairs	4	5	5	-
Labour*	118	120	121	1
Management Board Secretariat	223	336	336	-
Retirement Benefits	(131)	218	218	-
Contingency Fund	-	762	156	(606)
Municipal Affairs and Housing*	646	688	709	21
Native Affairs Secretariat	17	15	15	-
Natural Resources	464	450	477	27
Northern Development and Mines	76	77	77	-
Office of Francophone Affairs	3	4	4	-
Public Safety and Security*	1,782	1,601	1,606	5
Tourism and Recreation*	140	147	231	84
Training, Colleges and Universities	3,451	3,994	3,994	-
Transportation	797	796	796	-
Program Review and Evaluation	-	(500)	(500)	-
Year-End Savings	-	(200)	(200)	-
TOTAL OPERATING EXPENDITURE	64,016	68,098	68,571	473

* Includes increased expenditure related to the \$1,130 million multi-year impact of Severe Acute Respiratory Syndrome (SARS).

CAPITAL EXPENDITURE

(\$ Millions)		2003-04		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Interim 2002-03			
Agriculture and Food	67	1	1	-
Attorney General	51	35	35	-
Community, Family and Children's Services	24	13	13	-
Consumer and Business Services	1	1	1	-
Culture	49	106	106	-
Education	10	16	16	-
Energy	40	30	30	-
Enterprise, Opportunity and Innovation	25	46	46	-
Environment	14	14	14	-
Water Protection Fund	1	1	1	-
Finance – Own Account	8	6	6	-
SuperBuild Millennium Partnerships	4	52	52	-
Contingency Fund	-	200	200	-
Health and Long-Term Care	335	504	504	-
Management Board Secretariat	44	15	15	-
Municipal Affairs and Housing	26	304	304	-
Native Affairs Secretariat	3	3	3	-
Natural Resources	78	91	91	-
Northern Development and Mines	391	347	347	-
Public Safety and Security	67	53	53	-
Tourism and Recreation	58	50	50	-
Training, Colleges and Universities	74	98	98	-
Transportation	1,097	1,284	1,284	-
Year-End Savings	-	(100)	(100)	-
TOTAL GROSS CAPITAL EXPENDITURE*	2,467	3,170	3,170	-
Less: Net Investment in Capital Assets**	576	702	702	-
Net Capital Expenditure	1,891	2,468	2,468	-

* 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. Total gross capital expenditure in 2003-04 includes \$429 million in flow-through funds. Gross capital expenditure excluding flow-through funds is \$2.7 billion.

(\$ Millions)	Current Outlook 2003-04			
	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS				
Acquisition/Construction of Major Tangible Capital Assets	133	1,042	346	1,521
Amortization of Provincially Owned Major Tangible Capital Assets	(110)	(546)	(163)	(819)
Net Investment in Capital Assets**	23	496	183	702

** Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expenditure in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

ONTARIO'S 2003-04 FINANCING PROGRAM

(\$ Millions)	Interim 2002-03	2003-04		
		Budget Plan	Current Outlook	In-Year Change
Surplus / (Deficit)	524	-	-	-
Adjustments for:				
Non-Cash Items Included in Surplus	(4,227)	(1,293)	(1,893)	(600)
Amortization of Tangible Capital Assets	763	819	819	-
Acquisitions of Tangible Capital Assets	(1,339)	(1,521)	(1,521)	-
Maturities of Debt	(11,588)	(10,146)	(10,146)	-
Early Redemptions of Debt	(1,094)	(1,000)	(1,000)	-
Canada Pension Plan Borrowing	-	1,201	666	(535)
Decrease / (Increase) in Cash and Cash Equivalents	(150)	3,000	2,000	(1,000)
Increase / (Decrease) in Short-Term Borrowing	1,300	250	-	(250)
Other Sources / (Uses) of Cash*	-	(3,156)	(3,156)	-
Long-Term Public Borrowing Requirement	15,811	11,846	14,231	2,385
of which: Completed			9,687	-
Remaining			4,544	-

* Includes net repayment from, or loans to agencies and the transfer of all deposits with the Province of Ontario Savings Office (POSO) to Desjardins Credit Union on April 1, 2003.

- ◆ The \$600 million change in Non-Cash Items Included in Surplus assumes no federal financial support for the impact of SARS. The associated increase in borrowing will not affect the plan to maintain the balanced budget.
- ◆ Planned Canada Pension Plan (CPP) borrowing is down \$535 million from the Budget Plan because the Province was able to borrow long-term funds from the public markets at lower interest rates than those available from the CPP.
- ◆ Other changes in the manner that the Province will borrow (smaller decrease in Cash and Cash Equivalents and no Increase in Short-Term Borrowing) are the result of the Province being able to take advantage of the strong public demand for Ontario bonds, including Ontario Savings Bonds, to lock in the lowest long-term interest rates in 40 years.
- ◆ Long-term public borrowing undertaken in the first quarter is estimated at \$9,687 million as follows:

	(\$ Millions)
Ontario Savings Bonds	3,770
Domestic Issues	2,429
Euro Medium Term Notes	1,573
Global Issues	1,915
	9,687

- ◆ The 2003 Ontario Savings Bond campaign raised a total of \$3.8 billion, the second highest sales in the history of Canadian provincial bond issues. During the past nine years, more than one million Ontario residents have invested a total of \$22 billion in Ontario Savings Bonds.