

<b>Fiscal Summary (\$ Millions)</b>				
		<b>2004-05</b>		
	<b>Actual 2003-04</b>	<b>Budget Plan</b>	<b>Current* Outlook</b>	<b>In-Year Change</b>
<b>Revenue**</b>	68,400	78,360	79,041	681
<b>Expense</b>				
Programs	62,104	66,695	67,515	820
Capital	2,175	2,575	2,580	5
Interest on Debt	9,604	10,329	10,114	(215)
Total Expense	73,883	79,599	80,209	610
Reserve	-	1,000	1,000	-
<b>SURPLUS / (DEFICIT)</b>	<b>(5,483)</b>	<b>(2,239)</b>	<b>(2,168)</b>	<b>71</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

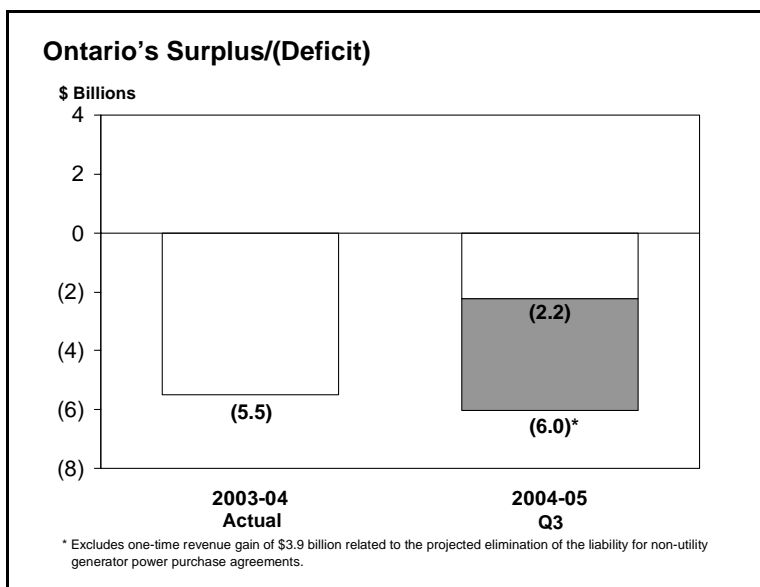
\*\* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

## 2004-05 FISCAL OUTLOOK

As at December 31, 2004, a deficit of \$2,168 million is projected for 2004-05, an in-year improvement of \$71 million from the deficit projected in the 2004 Ontario Budget, and a \$3.3 billion improvement from the 2003-04 deficit of \$5.5 billion.

The deficit outlook of \$2.2 billion includes a one-time revenue gain of \$3.9 billion related to the projected elimination of the above-market liability for power purchase agreements with non-utility generators, based on a reformed electricity market structure being in place this fiscal year, and sufficient and appropriate evidence that the liability has been eliminated.

Since the 2004 Budget, the *Electricity Restructuring Act, 2004* has been introduced and passed by the Legislature. The Act provides the legislative framework for the government's new vision for the electricity sector. Effective January 1, 2005, the full costs of the existing power purchase agreements signed by the former Ontario Hydro are being recovered from electricity consumers. Decisions on the initial regulated rate for Ontario Power Generation regulated output and other implementation details are expected to be announced shortly. The Act, associated regulations and implementation details will be assessed to determine whether sufficient and appropriate evidence exists to support the elimination of the liability. The outlook for 2004-05, excluding this one-time gain, is a deficit of \$6.0 billion (including a reserve of \$1.0 billion).

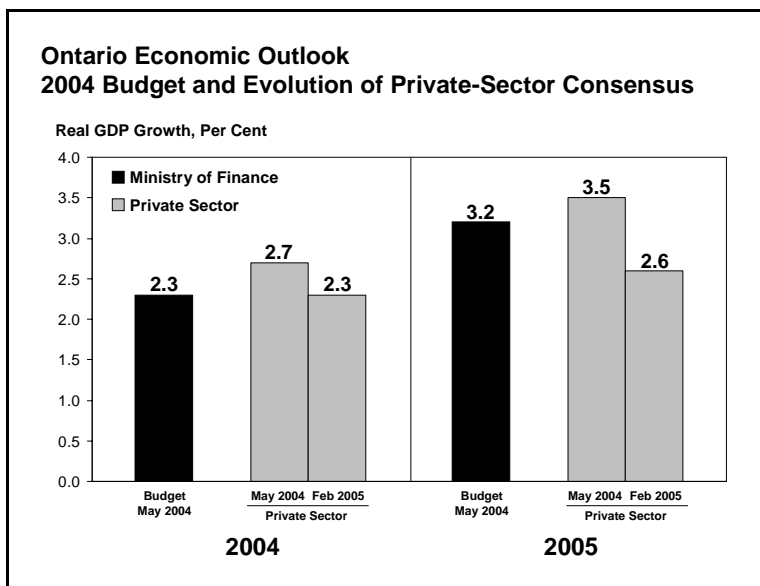


## ONTARIO ECONOMIC OUTLOOK

Ontario's economic performance over the last calendar year was broadly in line with the 2004 Budget assumptions. The current average private-sector estimate of real GDP growth in 2004 equals the Budget projection of 2.3 per cent.

The outlook for 2005, however, has deteriorated in large part as a result of the unexpected strength of the Canadian dollar. Recent private-sector forecasts for 2005 real growth average 2.6 per cent compared to a Budget assumption of 3.2 per cent. Slower growth in 2005 would not affect revenues in 2004-05 significantly but will need to be taken into account in developing the 2005 Budget.

The Ministry of Finance is currently analyzing a number of risks including the ongoing volatility of the Canadian dollar, fluctuations in oil prices, and wage settlements as it determines prudent growth forecasts for 2005 and beyond and the resulting effect on future revenues, and expenses.



## FISCAL PERFORMANCE

### REVENUE AT \$79.0 BILLION

- ♦ The revenue outlook, at \$79,041 million, is up a net \$681 million from the 2004 Budget and is unchanged from the 2004 Ontario Economic Outlook and Fiscal Review. The increase from Budget, as reported last quarter, is primarily due to the First Ministers' health agreement, which increased federal payments to Ontario by \$824 million.

### EXPENSE AT \$80.2 BILLION

- ♦ The total expense outlook, at \$80,209 million, is up a net \$610 million from the 2004 Budget and is unchanged from the 2004 Economic Outlook and Fiscal Review. The increase from Budget, as reported last quarter, is primarily due to increased health spending of \$824 million, equal to Ontario's entitlement from the First Ministers' health agreement, partially offset by interest on debt savings of \$215 million.

### OPERATING EXPENSE

- ♦ The program expense outlook, at \$67,515 million, is up a net \$820 million from the 2004 Budget and down a net \$5 million from the 2004 Economic Outlook and Fiscal Review. Changes this quarter include:
  - ♦ Ministry of Agriculture and Food: An additional \$20 million in assistance under the Companion Program Strategy during the transition to the Agricultural Policy Framework, fully offset from the Contingency Fund.
  - ♦ Ministry of the Attorney General: An additional \$23 million for the recent Judges' and Justices' of the Peace salary awards, fully offset from the Contingency Fund.
  - ♦ Ministry of Children and Youth Services: An additional \$3 million in investments to support the establishment of a dedicated youth justice system, and to support the ministry in its mandate to reform the child welfare system, both fully offset from the Change Fund.
  - ♦ Ministry of Consumer and Business Services: A reduction of \$6 million in the ministry's operating program, transferred to fund ServiceOntario capital requirements.
  - ♦ Ministry of Culture: An additional \$1 million in funding for the Royal Botanical Gardens, transferred from the ministry's capital program to operating.
  - ♦ Ministry of Education: An additional \$60 million for Teacher Development Accounts, fully offset from the Change Fund, to provide one-time funding to support teachers' professional development and school board collective bargaining; and an additional \$2 million for the Reporting Entity Project, an initiative to add hospitals, school boards and school authorities, and community colleges to the Province's financial plans and reports, in accordance with Public Sector Accounting Board (PSAB) recommendations, fully offset from the Ministry of Finance.
  - ♦ Ministry of Finance: An additional \$20 million for special payments to the City of Hamilton, fully offset from the Contingency Fund; and a reduction of \$7 million to reflect transfers to the Ministries of Health and Long-Term Care, Education, and Training, Colleges and Universities to implement the Reporting Entity Project, an initiative to add hospitals, school boards and school authorities, and community colleges to the Province's financial plans and reports, in accordance with PSAB recommendations.
  - ♦ Ministry of Health and Long-Term Care: An additional \$4 million for the Reporting Entity Project, an initiative to add hospitals, school boards and school authorities, and community colleges to the Province's financial plans and reports, in accordance with PSAB recommendations, fully offset from the Ministry of Finance.
  - ♦ Ministry of Intergovernmental Affairs: An additional \$5 million to support rebuilding and recovery efforts in areas affected by the tsunami in South Asia, fully offset from the Contingency Fund.

## OPERATING EXPENSE CONTINUED

- ♦ Management Board Secretariat: An additional \$2 million, fully offset from the Change Fund, for various investments including implementation of an Ontario Public Service (OPS) Workplace Safety and Insurance Board claims management strategy, human resources transformation projects, funding for the Project and Partnership Centre of Excellence and a horizontal review of OPS central agencies.
- ♦ Ministry of Municipal Affairs and Housing: An additional \$8 million for disaster relief assistance due to flooding in Peterborough in July 2004, fully offset from the Contingency Fund. This funding supported emergency costs incurred by individuals and small business, as well as response costs incurred by the municipality.
- ♦ Native Affairs Secretariat: An additional \$4 million for land claim settlements, including the Wahta Mohawk land claim and the final payment to Big Grass First Nation, fully offset from the Contingency Fund.
- ♦ Ministry of Northern Development and Mines: An additional \$1 million in Change Fund investments for mining lands and geosciences systems upgrades, fully offset from the Change Fund.
- ♦ Ministry of Training, Colleges and Universities: An additional \$1 million for the Reporting Entity Project, an initiative to add hospitals, school boards and school authorities, and community colleges to the Province's financial plans and reports, in accordance with PSAB recommendations, fully offset from the Ministry of Finance.
- ♦ Ministry of Transportation: An additional \$2 million in Change Fund investments, including implementation of real time roadside data capture systems and improvements to the Oversize/Overweight electronic permit application process for vehicles, fully offset from the Change Fund.
- ♦ The Interest on Debt expense forecast, at \$10,114 million, is down \$215 million from the 2004 Budget and is unchanged from the 2004 Economic Outlook and Fiscal Review.

## CAPITAL EXPENSE

- ♦ Capital expense, at \$2,580 million, is up a net \$5 million from the 2004 Budget and the 2004 Ontario Economic Outlook and Fiscal Review. Changes this quarter include:
  - ♦ Ministry of Consumer and Business Services: An additional \$6 million to fund ServiceOntario, transferred from the ministry's operating program to capital.
  - ♦ Ministry of Culture: A reduction of \$1 million in the ministry's capital program and transferred to operating, for the Royal Botanical Gardens.

## RESERVE AT \$1.0 BILLION

- ♦ The reserve at \$1 billion, is unchanged from the 2004 Budget and the 2004 Economic Outlook and Fiscal Review. The reserve is included to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. Any portion of the reserve not required at year-end will be used to reduce the deficit.

Change Fund Investments (\$ Millions)	
	2004-05
<b>BUDGET PLAN</b>	
<b>Investments for Health Care</b>	
Community Health Services – home care and community mental health	140
Family Health Teams	111
e-Health Initiatives	78
Other Projects (including wait lists and workplace safety)	280
	609
<b>Other Investments</b>	
ServiceOntario Enhancement	27
College Stabilization	25
Nutrient Management Financial Assistance Program	5
All Other	6
	63
<b>PROJECT APPROVALS SINCE BUDGET</b>	
Teacher Development Accounts	60
All Other	8
	68
<b>Unallocated amounts remaining</b>	260
<b>TOTAL CHANGE FUND INVESTMENTS</b>	<b>1,000</b>

- ♦ The 2004 Budget included a one-time \$1.0 billion Change Fund to support the government's plans to change and improve Ontario's public services. The Fund will help pay for projects that rationalize or better integrate existing programs and services, put in place new systems and processes to reduce long-term costs, or mitigate the demand for services over the long run.
- ♦ New key investments of \$68 million financed from the Change Fund this quarter include:
  - ♦ Ministry of Education: \$60 million for Teacher Development Accounts to provide one-time funding to offset some of the costs that teachers now bear for their professional development and to support school board collective bargaining.
  - ♦ All other approvals totalling \$8 million include projects supporting transformation in Management Board Secretariat and the Ministries of Children and Youth Services, Northern Development and Mines, and Transportation.
- ♦ Any unallocated amounts remaining in the Change Fund at year-end will be applied to reduce the deficit.

Statement of Financial Transactions (\$ Millions)					
	2000-01	2001-02	2002-03	Actual 2003-04	Current* Outlook 2004-05
<b>Revenue**</b>	66,294	66,534	68,891	68,400	79,041
<b>Expense</b>					
Programs	51,396	53,932	57,204	62,104	67,515
Capital***	2,123	1,890	1,876	2,175	2,580
Interest on Debt	10,873	10,337	9,694	9,604	10,114
<b>Total Expense</b>	<b>64,392</b>	<b>66,159</b>	<b>68,774</b>	<b>73,883</b>	<b>80,209</b>
<b>Reserve</b>	-	-	-	-	1,000
<b>SURPLUS / (DEFICIT)</b>	<b>1,902</b>	<b>375</b>	<b>117</b>	<b>(5,483)</b>	<b>(2,168)</b>
<b>Net Debt†</b>	<b>132,496</b>	<b>132,121</b>	<b>132,647</b>	<b>138,557</b>	<b>141,493</b>
<b>Accumulated Deficit†</b>	<b>132,496</b>	<b>132,121</b>	<b>118,705</b>	<b>124,188</b>	<b>126,356</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

\*\* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

\*\*\* 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 expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Selected Ontario Economic and Fiscal Statistics					
	2000-01	2001-02	2002-03	Actual 2003-04	Current* Outlook 2004-05
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	440,759	453,931	479,556	494,501	516,259
Population (000s) - July 1	11,685	11,898	12,102	12,257	12,393
Revenue as a per cent of GDP	15.0	14.7	14.4	13.8	15.3
Revenue Growth (%)	1.9	0.4	3.5	(0.7)	15.6
Total Expense as a per cent of GDP	14.6	14.6	14.3	14.9	15.5
Total Expense Growth (%)	0.0	2.7	4.0	7.4	8.6
Total Program Expense as a per cent of GDP	11.7	11.9	11.9	12.6	13.1
Total Program Expense Growth (%)	6.1	4.9	6.1	8.6	8.7
Interest on Debt as a per cent of Revenue	16.4	15.5	14.1	14.0	12.8
Interest on Debt as a per cent of Total Expense	16.9	15.6	14.1	13.0	12.6
Interest on Debt as a per cent of GDP	2.5	2.3	2.0	1.9	2.0
Surplus / (Deficit) as a per cent of GDP	0.4	0.1	0.0	(1.1)	(0.4)
Net Debt per capita (\$)	11,339	11,104	10,961	11,304	11,417
Net Debt as a per cent of GDP	30.1	29.1	27.7	28.0	27.4
Accumulated Deficit per capita (\$)	11,339	11,104	9,809	10,132	10,196
Accumulated Deficit as a per cent of GDP	30.1	29.1	24.8	25.1	24.5

\* Third-quarter fiscal forecast as at December 31, 2004.

Sources: Ontario Ministry of Finance and Statistics Canada.

## ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) UP IN JULY-SEPTEMBER QUARTER

- ♦ Ontario real GDP grew by 1.0 per cent in the third calendar quarter of 2004, up from a 0.9 per cent pace in the second quarter of 2004. For the year 2004 as a whole, the Ontario Ministry of Finance May Budget forecast of real GDP growth was 2.3 per cent, equal to the current average estimate from private-sector forecasts.

## ONTARIO UNEMPLOYMENT RATE DROPS TO 6.8 % IN 2004

- ♦ Ontario employment increased by 1.7 per cent or 108,000 new jobs in 2004, slightly exceeding the Ontario Budget forecast, while the unemployment rate fell to 6.8 per cent for the year, down from 7.0 per cent in 2003.
- ♦ In January, Ontario employment fell by 28,300 jobs. The unemployment rate declined by 0.1 percentage points to 6.7 per cent in January.

## RETAIL SALES UP IN 2004

- ♦ Ontario retail sales slipped 0.1 per cent in November, following a 1.3 per cent advance in October. Over the first eleven months of 2004, Ontario retail sales were 2.6 per cent higher than the same period in 2003. Retail sales growth for 2004 will be below the 3.5 per cent rate projected in the 2004 Budget.

## INFLATION LOWER IN 2004

- ♦ The Ontario CPI inflation rate fell to 1.9 per cent (year-to-year) in December from 2.2 per cent in November. In 2004, the Ontario CPI inflation rate was 1.9 per cent, matching the 2004 Budget forecast, down from 2.7 per cent in 2003.

## HOUSING MARKET STRONG IN 2004

- ♦ Annual Ontario housing starts remained at a robust level in 2004, despite declining 0.1 per cent from a 14-year high in 2003. In January 2005, Ontario housing starts fell 11.8 per cent to 71,700 units (seasonally adjusted annual rate), the third decline in as many months. Housing starts totalled 85,100 in 2004 exceeding the 2004 Budget forecast of 77,600 units.
- ♦ Ontario home resales increased for the fourth consecutive year to a record high of over 197,000 units in 2004, up 7.0 per cent from 2003.

## ONTARIO BUILDING PERMITS REACH RECORD HIGH IN 2004

- ♦ In 2004, Ontario building permits hit a record level for the third year in a row, increasing 2.9 per cent to \$23.9 billion. A 6.6 per cent increase in the value of residential permits offset a 3.0 per cent decline in the non-residential component. The value of Ontario building permits issued in December surged 33.1 per cent to \$2.5 billion, the highest monthly total on record.

## EXPORTS AND SHIPMENTS WEAKER

- ♦ Real Ontario merchandise exports fell 0.4 per cent in the October to December quarter of 2004, following a 1.6 per cent decline in the third quarter (Ontario Ministry of Finance estimates). Real imports rose 2.6 per cent in the final quarter of 2004. On an annual basis, real Ontario exports rose 5.1 per cent in 2004 while imports advanced by an even stronger 7.9 per cent.
- ♦ In November, the value of Ontario manufacturing shipments fell for the third month in a row, down 0.6 per cent to \$25.9 billion. Over the first eleven months of 2004, Ontario shipments were 7.1 per cent higher than the same period in 2003.

<b>ONTARIO KEY ECONOMIC INDICATORS</b> (Per Cent Change from previous period, unless indicated otherwise)							
	Annual		Quarterly				
	2002	2003	03:3	03:4	04:1	04:2	04:3
<b>Output (Seasonally Adjusted at Annual Rates)</b>							
Real GDP	3.4	1.6	(2.4)	4.6	1.8	3.7	4.0
Nominal GDP	5.6	3.1	(0.5)	4.3	4.5	8.6	6.4
	Annual		Monthly 2004				
	2003	2004	Aug	Sep	Oct	Nov	Dec
<b>Other Indicators (Seasonally Adjusted)</b>							
<b>Labour Markets</b>							
Labour Force (Change in 000s)	174	103	(9)	(20)	33	18	6
Employment (Change in 000s)	173	108	(18)	4	25	(2)	7
Unemployment Rate (%)	7.0	6.8	6.8	6.5	6.6	6.8	6.8
<b>Household Sector</b>							
Retail Sales	3.4	N/A	1.8	(0.4)	1.3	(0.1)	N/A
Housing Starts (000s)*	85.2	85.1	92.0	85.1	86.9	85.0	81.3
MLS Home Resales**	3.6	7.0	6.3	0.1	(5.2)	10.4	(1.4)
<b>Manufacturing Shipments</b>							
Transportation Equipment	(1.7)	N/A	1.5	(0.0)	(2.3)	(0.6)	N/A
<b>Consumer Price Index**</b>							
	2.7	1.9	1.5	1.5	2.1	2.2	1.9
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation and Canadian Real Estate Association.							

\* Monthly housing starts are expressed at a seasonally adjusted annual rate.

\*\* per cent change from a year earlier.

N/A = Data not available.



# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	2004-05			
	Actual 2003-04	Budget Plan	Current* Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	18,301	18,821	19,050	229
Retail Sales Tax	14,258	15,036	14,876	(160)
Corporations Tax	6,658	8,320	8,250	(70)
Employer Health Tax	3,753	3,874	3,862	(12)
Gasoline Tax	2,264	2,328	2,263	(65)
Fuel Tax	681	716	716	-
Ontario Health Premium	-	1,635	1,622	(13)
Tobacco Tax	1,350	1,452	1,452	-
Land Transfer Tax	909	927	977	50
Electricity Payments-In-Lieu of Taxes	627	630	630	-
Other Taxes	347	259	259	-
	<b>49,148</b>	<b>53,998</b>	<b>53,957</b>	<b>(41)</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer (CHST)	6,958	-	-	-
Canada Health Transfer (CHT)	-	4,677	5,065	388
Canada Social Transfer (CST)	-	2,924	2,924	-
CHST Supplements	577	775	775	-
Social Housing	528	521	521	-
Health Reform Fund	387	582	582	-
Medical Equipment	192	193	387	194
Wait Times Reduction Fund	-	-	242	242
Infrastructure	150	267	267	-
Other Government of Canada	1,101	859	859	-
	<b>9,893</b>	<b>10,798</b>	<b>11,622</b>	<b>824</b>
<b>INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	2,106	2,117	2,015	(102)
Liquor Control Board of Ontario	1,045	1,117	1,108	(9)
Ontario Power Generation Inc. and Hydro One Inc.	(17)	335	335	-
Other Government Enterprises	(64)	(5)	(5)	-
	<b>3,070</b>	<b>3,564</b>	<b>3,453</b>	<b>(111)</b>
<b>OTHER NON-TAX REVENUE</b>				
Net Reduction of Power Purchase Contract Liability**	104	4,024	4,024	-
Reimbursements	1,206	1,252	1,252	-
Electricity Debt Retirement Charge	1,000	1,009	1,009	-
Vehicle and Driver Registration Fees	985	987	987	-
Power Sales	510	675	675	-
Other Fees and Licences	594	536	536	-
Liquor Licence Revenue	488	499	507	8
Sales and Rentals	532	403	403	-
Royalties	248	239	239	-
Miscellaneous Other Non-Tax Revenue	622	376	377	1
	<b>6,289</b>	<b>10,000</b>	<b>10,009</b>	<b>9</b>
<b>TOTAL REVENUE</b>	<b>68,400</b>	<b>78,360</b>	<b>79,041</b>	<b>681</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

\*\* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

# OPERATING EXPENSE

(\$ Millions)		2004-05		
MINISTRY	Actual 2003-04	Budget Plan	Current* Outlook	In-Year Change
Agriculture and Food	673	549	569	20
Attorney General	1,199	1,162	1,195	33
Board of Internal Economy	196	149	149	-
Children and Youth Services	2,640	2,832	2,835	3
Citizenship and Immigration	52	62	62	-
Community and Social Services	5,995	6,317	6,317	-
Community Safety and Correctional Services	1,666	1,745	1,738	(7)
Consumer and Business Services	182	213	207	(6)
Culture	303	277	278	1
Democratic Renewal Secretariat	-	4	4	-
Economic Development and Trade	253	414	414	-
Education	9,665	10,623	10,685	62
Teachers' Pension Plan (TPP)	235	359	359	-
Energy	116	137	137	-
Environment	261	304	304	-
Executive Offices	24	19	19	-
Finance - Own Account	1,255	1,184	1,197	13
Interest on Debt	9,604	10,329	10,114	(215)
Change Fund	-	328	260	(68)
Community Reinvestment Fund	651	656	656	-
Electricity Consumer Price Protection Fund	253	-	-	-
Power Purchases	797	946	946	-
Health and Long-Term Care	28,036	29,652	30,480	828
Change Fund	-	609	609	-
SARS-related and Major One-Time Health Costs	824	-	-	-
Intergovernmental Affairs	6	9	14	5
Labour	117	133	133	-
Management Board Secretariat	214	355	358	3
Retirement Benefits	309	433	433	-
Contingency Fund	-	965	877	(88)
Municipal Affairs and Housing	662	692	705	13
Native Affairs Secretariat	15	14	18	4
Natural Resources	516	505	505	-
Northern Development and Mines	76	73	74	1
Office of Francophone Affairs	3	4	4	-
Public Infrastructure Renewal	18	31	31	-
Tourism and Recreation	209	184	184	-
Training, Colleges and Universities	3,883	4,194	4,195	1
Transportation	800	862	864	2
Year-End Savings	-	(300)	(300)	-
<b>TOTAL OPERATING EXPENSE</b>	<b>71,708</b>	<b>77,024</b>	<b>77,629</b>	<b>605</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

# CAPITAL EXPENSE

(\$ Millions)		2004-05		
MINISTRY	Actual 2003-04	Budget Plan	Current* Outlook	In-Year Change
Agriculture and Food	1	7	7	-
Attorney General	24	55	55	-
Children and Youth Services	-	9	9	-
Community and Social Services	10	21	21	-
Community Safety and Correctional Services	47	42	42	-
Consumer and Business Services	1	2	8	6
Culture	24	70	69	(1)
Economic Development and Trade	31	39	52	13
Education	15	27	27	-
Energy	53	52	52	-
Environment	4	13	13	-
Finance	5	4	4	-
Health and Long-Term Care	358	346	346	-
Management Board Secretariat**	(33)	(13)	(13)	-
Municipal Affairs and Housing	206	234	237	3
Native Affairs Secretariat	-	2	2	-
Natural Resources	111	85	85	-
Northern Development and Mines	332	447	447	-
Public Infrastructure Renewal	18	168	168	-
Capital Contingency Fund	-	150	134	(16)
Tourism and Recreation	51	65	65	-
Training, Colleges and Universities	120	171	171	-
Transportation	797	679	679	-
Year-End Savings	-	(100)	(100)	-
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,175</b>	<b>2,575</b>	<b>2,580</b>	<b>5</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

\*\* Ministries' contributions for investments in Provincially owned land and buildings are recorded as an expense by the contributing ministries. Any resulting adjustment to expense from the capitalization and amortization of most of these Provincially owned land and buildings is recorded in Management Board Secretariat.

Schedule of Net Investment in Capital Assets – 2004-05 Current Outlook*				
(\$ Millions)				
	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
Acquisition/Construction of Major Tangible Capital Assets	135	998	432	1,565
Amortization of Provincially Owned Major Tangible Capital Assets	(78)	(524)	(195)	(797)
<b>NET INVESTMENT IN CAPITAL ASSETS**</b>	<b>57</b>	<b>474</b>	<b>237</b>	<b>768</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

\*\* 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 continue to be accounted for as expense 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 2004-05 FINANCING PROGRAM

<b>Consolidated Provincial Borrowing Program (\$ Millions)</b>				
		<b>2004-05</b>		
	<b>Actual 2003-04</b>	<b>Budget Plan</b>	<b>Current* Outlook</b>	<b>In-Year Change</b>
Deficit	5,483	2,239	2,168	(71)
Adjustments for:				
Non-Cash Items Included in Deficit	(707)	3,219	3,237	18
Amortization of Major Tangible Capital Assets	(785)	(797)	(797)	-
Acquisitions of Major Tangible Capital Assets	1,350	1,565	1,565	-
Debt Maturities	13,296	16,087	15,440	(647)
Debt Redemptions	1,542	1,041	1,377	336
Canada Pension Plan Borrowing	(100)	(1,133)	(1,033)	100
Increase / (Decrease) in Cash and Cash Equivalents	887	-	-	-
Decrease / (Increase) in Short-Term Borrowing	1,441	150	150	-
Other Uses / (Sources) of Cash	3,042	1,380	1,546	166
Long-Term Public Borrowing Requirement	25,449	23,751	23,653	(98)

\* Third-quarter fiscal forecast as at December 31, 2004.

<b>Borrowing Program Status (as at December 31, 2004) (\$ Millions)</b>			
	<b>Completed</b>	<b>Remaining</b>	<b>Total</b>
Province	16,533	3,123	19,656
Ontario Electricity Financial Corporation (OEFC)	2,656	1,341	3,997
<b>TOTAL</b>	<b>19,189</b>	<b>4,464</b>	<b>23,653</b>

- ♦ The Province's Long-Term Borrowing Requirement, at \$23,653 million, is down \$98 million from the 2004 Budget and up \$239 million from the 2004 Economic Outlook and Fiscal Review. Changes this quarter include:
  - ♦ An \$800 million increase in Cash and Cash Equivalents, and a \$76 million decrease in Short-Term Borrowing. This action was taken because the Province is well ahead in its 2004-05 borrowing program and long-term interest rates remain at very attractive levels. This returns these components of the Long-Term Borrowing Requirement to their Budget Plan levels.
  - ♦ A \$98 million increase in Other Uses of Cash mainly attributable to the deferral of a \$250 million principal payment on a loan from OEFC to Ontario Power Generation (OPG), partially offset by a smaller-than-expected net increase in loans to the Ontario Student Loan Trust.

# ONTARIO'S 2004-05 FINANCING PROGRAM CONT'D

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- ♦ The \$647 million decline in debt maturing this year is attributable to debt which had extendible features which were exercised - either the investor or the Province had the right to extend the maturity to future years. As part of prudent budget forecasting, it was assumed that this debt would mature in fiscal 2004-05. \$608 million of these maturity deferrals have occurred since the release of the 2004 Economic Outlook and Fiscal Review.
  - ♦ A \$123 million decline in Ontario Savings Bond (OSB) redemptions as compared to the forecast at the time of 2004 Ontario Economic Outlook and Fiscal Review.
  - ♦ A \$4 million decline in Non-Cash Items Included in Deficit which includes a \$95 million interest payment on a loan from OEFC to OPG, for which OEFC received a promissory note in lieu of cash.
- ♦ Long-term public borrowing undertaken as at December 31, 2004, was \$19.2 billion as follows:

	(\$ Millions)
Ontario Savings Bonds	1,144
Domestic Issues	11,634
Euro Medium Term Notes	1,629
Other	4,782
	<b>19,189</b>