



## economic outlook &amp; fiscal review



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## 2006 Ontario Economic Outlook and Fiscal Review

## Annex VII

### Details of Ontario's Finances

## Section I: Potential Expense Risks, Cost Drivers and Contingent Liabilities

Expense Risks and Sensitivities  
Compensation Costs  
Contingent Liabilities

## Section II: Fiscal Tables and Graphs

## SECTION I: POTENTIAL EXPENSE RISKS, COST DRIVERS AND CONTINGENT LIABILITIES

### EXPENSE RISKS AND SENSITIVITIES

Containing the rate of growth in the Province's medium-term expense plan is a key element of Ontario's fiscal plan. However, a number of expense risks and cost drivers could affect the Province's fiscal performance over the medium term.

A key cost driver within Ontario's expense outlook is the demand for programs and services that arises from changes in the economic outlook or other utilization pressures. These pressures are especially evident in the health and social services sectors.

Under the enhanced reporting introduced in the 2006 Budget, the net expenses of the Province's hospitals, school boards and colleges are included with the Province's total expense. Therefore any variance on these consolidated expenses will impact the Province's bottom line.

The following sensitivities are based on averages for program areas and could change, depending on the nature and composition of the potential risk.

Key sensitivities and risks to the Province's revenue outlook that could follow from unexpected changes in economic conditions are described in [Annex I, Ontario's Economic and Revenue Outlook](#).

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#### SELECTED EXPENSE RISKS AND SENSITIVITIES

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Program/Sector	2006–07 Assumption	2006–07 Sensitivities
Health Sector	Annual growth of 8.2 per cent.	One per cent change in health spending: \$355 million.
Hospitals	Annual growth of 11.1 per cent.	One per cent change in hospital net expense: \$165 million.
Drug Utilization	Annual growth of 10 per cent.	One per cent change in utilization of all drug programs: \$35 million (seniors and social assistance recipients).
Long-Term Care Homes	75,500 long-term care home beds.	Annual average Provincial operating cost per bed, after resident co-payment revenue, in a long-term care home is \$38,000. One per cent change in number of beds: \$28 million.
Home Care	Over 17 million hours of homemaking and support services;	One per cent change in hours of homemaking and support services: \$4 million.
	Nine million nursing and health professional visits.	One per cent change in nursing and professional visits: \$6 million.
Elementary and Secondary Schools	Almost two million average daily pupil enrolment.	One per cent enrolment change: \$160 million in school boards' net expense.
University Students	327,000 full-time undergraduate and graduate students.	One per cent enrolment change: \$26 million.
Ontario Works <sup>1</sup>	199,000 average annual caseload.	One per cent caseload change: \$17 million.
Ontario Disability Support Program <sup>1</sup>	212,000 average annual caseload.	One per cent caseload change: \$24 million.
College Students	151,000 full-time students.	One per cent enrolment change: \$7 million in colleges' net expense.
Interest on Debt	Average cost of borrowing is forecast to be approximately 5.1 per cent.	The impact of a 100 basis-point change in borrowing rates is forecast to be approximately \$250 million.
Correctional System	Three million adult inmate days per year.	Average cost \$160 per inmate per day. One per cent change in inmate days: \$5 million.

<sup>1</sup> Based on 2005-06.

## COMPENSATION COSTS

Compensation costs and wage settlements are key cost drivers and have a substantial impact on the finances of both the broader public-sector partners and the Province.

<b>Program/Sector</b>	<b>Cost of 1% Salary Increase</b>	<b>Size of Sector</b>
OHIP Payments to Physicians <sup>1</sup>	\$76 million	Just over 22,000 physicians in Ontario including approximately 10,900 family doctors and 11,335 specialists.
Hospital Nurses <sup>2</sup>	\$44 million	Over 53,000 full-time equivalent (FTE) nurses in hospitals.
Elementary and Secondary School Staff <sup>3</sup>	\$140 million	Over 195,000 staff including teachers, principals, administrators, and support and maintenance staff.
College Staff <sup>2</sup>	\$12 million	Almost 35,000 staff including faculty, administrators, and support and maintenance staff.
Ontario Public Service <sup>4</sup>	\$52 million	Over 64,000 public servants.

<sup>1</sup> Based on 2006-07 outlook.

<sup>2</sup> Based on 2005-06 actuals.

<sup>3</sup> One per cent increase in salary benchmarks in Grants for Student Needs based on 2006-07 school year.

<sup>4</sup> Based on 2005-06, reflects total compensation costs.

## **CONTINGENT LIABILITIES**

In addition to the key demand sensitivities and economic risks to the fiscal plan, there are additional risks stemming from the government's contingent liabilities. Whether these contingencies will result in actual liabilities for the Province is beyond the direct control of the government. Losses could result from legal settlements, defaults on projects, and loan and funding guarantees. Provisions for losses that are likely to occur and can be reasonably estimated are expensed and reported as liabilities in the Province's financial statements. Significant contingent liabilities are described as follows.

### **ONTARIO NUCLEAR FUNDS AGREEMENT**

The Province has certain responsibilities with respect to nuclear used fuel waste management and nuclear station decommissioning. The Province, Ontario Power Generation Inc. (OPG), a wholly owned subsidiary, and certain subsidiaries of OPG are parties to the Ontario Nuclear Funds Agreement (ONFA), to establish, fund and manage segregated funds to ensure sufficient funds are available to pay the costs of nuclear station decommissioning and nuclear used fuel waste management. Under ONFA, the Province is liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds for a fixed volume of used fuel. As well, under ONFA, the Province guarantees a return of 3.25 per cent over the Ontario consumer price index for the nuclear used fuel waste management fund. Ontario has also provided a direct Provincial guarantee to the Canadian Nuclear Safety Commission on behalf of OPG for up to \$1.5 billion, which relates to the portion of the decommissioning and waste management obligations not funded by the segregated funds.

### **OBLIGATIONS GUARANTEED BY THE PROVINCE**

Ontario provides guarantees on loans on behalf of various parties. The authorized limit for loans guaranteed by the Province as at March 31, 2006, was \$3.8 billion. The outstanding loans guaranteed and other contingencies amounted to \$3.3 billion at March 31, 2006. A provision of \$504 million based on an estimate of the likely loss arising from guarantees under the Student Support Programs has been reflected in the 2005-06 Consolidated Financial Statements of the Province.

### **SOCIAL HOUSING — LOAN INSURANCE AGREEMENTS**

The Province is liable to indemnify and reimburse the Canada Mortgage and Housing Corporation for any net costs, including any environmental liabilities incurred as a result of project defaults, for all non-profit housing projects in the Provincial portfolio. At March 31, 2006, there were \$8.6 billion of mortgage loans outstanding.

### **CLAIMS AGAINST THE CROWN**

There are claims outstanding against the Crown arising from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property, and like items. At March 31, 2006, there were 94 claims outstanding against the Crown that were for amounts over \$50 million.

### **CANADIAN BLOOD SERVICES**

The provincial and territorial governments of Canada have entered into a Canadian Blood Services Excess Insurance Captive Support Agreement (the "Captive Support Agreement") with Canadian Blood Services (CBS) and Canadian Blood Services Captive Insurance Company Limited (CBSI), a wholly owned subsidiary of CBS established under the laws of British Columbia. Under the Captive Support Agreement, each government indemnifies CBSI for its pro rata share of any payments that CBSI becomes obliged to make under a comprehensive blood risks insurance policy it provides to CBS. The policy has an overall limit of \$750 million, which may cover settlements, judgments and defence costs. The policy is in excess of, and

secondary to, a \$250 million comprehensive insurance policy underwritten by CBS Insurance Company Limited, a subsidiary of CBS domiciled in Bermuda. Given current populations, Ontario's maximum potential liability under the Captive Support Agreement is approximately \$376 million. The Province is not aware of any proceedings that could lead to a claim against it under the Captive Support Agreement.

## SECTION II: FISCAL TABLES AND GRAPHS

The following pages provide details on Ontario's finances — both historical and projections over the medium term.

Key tables consist of:

- Medium-term Fiscal Plan and Outlook (2005-06 to 2008-09)
- 2006-07 Fiscal Outlook - In-year Change
- Details of Provincial Revenue (2002-03 to 2006-07)
- Details of Provincial Total Expense, by Ministry (2002-03 to 2006-07)
- Details of Infrastructure Expenditures (2005-06 to 2006-07)
- Ten-Year Review of Selected Financial and Economic Statistics (1997-98 to 2006-07).

Key graphs consist of:

- Composition of Revenue (2006-07)
- Composition of Total Expense (2006-07)
- Composition of Program Expense (2006-07).

**TABLE 1: MEDIUM-TERM FISCAL PLAN AND OUTLOOK  
(\$ BILLIONS)**

	Actual <sup>1</sup> 2005-2006	Outlook <sup>2</sup>		
		2006-07	2007-08	2008-09
<b>Revenue</b>	<b>84.2</b>	<b>87.0</b>	<b>90.0</b>	<b>93.2</b>
<b>Expense</b>				
Programs	74.9	78.8	81.2	83.1
Interest on Debt	9.0	9.2	9.5	9.6
<b>Total Expense</b>	<b>83.9</b>	<b>88.0</b>	<b>90.8</b>	<b>92.7</b>
<b>Surplus/(Deficit) Before Reserve</b>	<b>0.3</b>	<b>(0.9)</b>	<b>(0.7)</b>	<b>0.5</b>
Reserve	—	1.0	1.5	1.5
<b>Surplus/(Deficit)</b>	<b>0.3</b>	<b>(1.9)</b>	<b>(2.2)</b>	<b>(1.0)</b>
<b>Investment in Capital Assets</b>	<b>2.0</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>
<b>Net Debt <sup>3</sup></b>	<b>141.9</b>	<b>145.3</b>	<b>149.1</b>	<b>151.5</b>
<b>Accumulated Deficit <sup>3</sup></b>	<b>109.2</b>	<b>111.1</b>	<b>113.3</b>	<b>114.4</b>
Gross Domestic Product (GDP) at Market Prices	538.4	554.5	574.8	601.6
Net Debt as a per cent of GDP	26.4	26.2	25.9	25.2
Accumulated Deficit as a per cent of GDP	20.3	20.0	19.7	19.0

<sup>1</sup> Starting in 2005-06, the Province's financial reporting was expanded to include hospitals, school boards and colleges using one-line consolidation.

<sup>2</sup> Second-quarter fiscal forecast as at September 30, 2006.

<sup>3</sup> Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

*Note:* Numbers may not add due to rounding.

**TABLE 2: 2006–07 FISCAL OUTLOOK — IN-YEAR CHANGE**  
**(\$ MILLIONS)**

	<b>Budget Plan 2006–07</b>	<b>Outlook <sup>1</sup> 2006–07</b>	<b>In-Year Change</b>
<b>Revenue</b>	<b>85,730</b>	<b>87,044</b>	<b>1,314</b>
<b>Expense</b>			
Programs	77,651	78,789	1,138
Interest on Debt	9,429	9,204	(225)
<b>Total Expense</b>	<b>87,080</b>	<b>87,993</b>	<b>913</b>
<b>Surplus/(Deficit) Before Reserve</b>	<b>(1,350)</b>	<b>(949)</b>	<b>401</b>
Reserve	1,000	1,000	–
<b>Surplus/(Deficit)</b>	<b>(2,350)</b>	<b>(1,949)</b>	<b>401</b>

<sup>1</sup> Second-quarter fiscal forecast as at September 30, 2006.

**TABLE 3: REVENUE**  
**(\$ MILLIONS)**

	2002-03	2003-04	2004-05	Actual 2005-06	Outlook <sup>1</sup> 2006-07
<b>Taxation Revenue</b>					
Personal Income Tax	18,195	18,301	19,320	21,041	22,321
Retail Sales Tax	14,183	14,258	14,855	15,554	16,165
Corporations Tax	7,459	6,658	9,883	9,984	9,585
Employer Health Tax	3,589	3,753	3,886	4,197	4,299
Ontario Health Premium	—	—	1,737	2,350	2,541
Gasoline Tax	2,306	2,264	2,277	2,281	2,303
Fuel Tax	682	681	727	729	742
Tobacco Tax	1,183	1,350	1,453	1,379	1,405
Land Transfer Tax	814	909	1,043	1,159	1,125
Electricity Payments-In-Lieu of Taxes	711	627	511	951	790
Other Taxes	429	347	283	292	283
	<b>49,551</b>	<b>49,148</b>	<b>55,975</b>	<b>59,917</b>	<b>61,559</b>
<b>Government of Canada</b>					
Canada Health and Social Transfer (CHST)	7,346	7,345	—	—	—
Canada Health Transfer (CHT)	—	—	5,640	7,148	7,619
Canada Social Transfer (CST) <sup>2</sup>	—	—	2,912	3,324	3,420
CHST Supplements	191	577	775	584	—
Social Housing	525	528	522	520	530
Infrastructure Programs	97	150	209	285	359
Wait Times Reduction Fund	—	—	242	243	467
Medical Equipment Funds	—	192	387	194	—
Other Government of Canada	735	1,101	1,195	953	1,643
	<b>8,894</b>	<b>9,893</b>	<b>11,882</b>	<b>13,251</b>	<b>14,038</b>
<b>Income from Investment in Government Business Enterprises</b>					
Ontario Lottery and Gaming Corporation	2,288	2,106	1,992	2,027	1,743
Liquor Control Board of Ontario	939	1,045	1,147	1,197	1,254
Ontario Power Generation Inc. and Hydro One Inc.	717	(17)	444	1,107	919
Other Government Enterprises	(2)	(64)	(5)	(23)	4
	<b>3,942</b>	<b>3,070</b>	<b>3,578</b>	<b>4,308</b>	<b>3,920</b>
<b>Other Non-Tax Revenue</b>					
Reimbursements	1,111	1,206	1,241	1,295	1,358
Electricity Debt Retirement Charge	889	1,000	997	1,021	1,027
Vehicle and Driver Registration Fees	982	985	976	763	1,021
Power Sales	635	510	610	779	988
Other Fees and Licences	606	594	506	550	556
Liquor Licence Revenue	530	488	489	516	453
Net Reduction of Power Purchase Contract Liability	161	104	236	396	412
Sales and Rentals	560	532	352	465	969
Royalties	304	248	278	191	243
Miscellaneous Other Non-Tax Revenue	726	622	721	773	500
	<b>6,504</b>	<b>6,289</b>	<b>6,406</b>	<b>6,749</b>	<b>7,527</b>
<b>Total Revenue</b>	<b>68,891</b>	<b>68,400</b>	<b>77,841</b>	<b>84,225</b>	<b>87,044</b>

<sup>1</sup> Second-quarter fiscal forecast as at September 30, 2006.



<sup>2</sup> Includes 2005 federal budget additional Early Learning and Child Care revenues of \$272 million in 2005-06 and \$254 million in 2006-07.

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**TABLE 4: TOTAL EXPENSE (\$ MILLIONS)**

Ministry	Actual Outlook <sup>1</sup>				
	2002-03	2003-04	2004-05	2005-06	2006-07
Agriculture, Food and Rural Affairs	666	843	799	865	880
One-Time and Extraordinary Assistance	18	64	601	282	192
Attorney General	1,103	1,231	1,209	1,291	1,301
Board of Internal Economy	146	196	145	150	169
Children and Youth Services	2,457	2,660	2,851	3,330	3,279
Citizenship and Immigration	55	55	64	93	91
Community and Social Services	5,844	5,990	6,379	6,737	7,070
Community Safety and Correctional Services	1,713	1,704	1,749	1,767	1,887
Culture	373	327	344	475	366
Democratic Renewal Secretariat	—	—	2	2	10
Economic Development and Trade	104	89	84	202	353
Education	345	352	368	418	446
School Boards <sup>2</sup>	8,739	9,400	10,251	10,886	11,219
Teachers' Pension Plan (TPP)	238	235	240	295	408
Energy	190	169	194	207	242
Environment	250	265	307	275	302
Executive Offices	20	24	19	19	19
Finance	1,082	1,229	1,067	1,034	1,167
Interest on Debt	9,694	9,604	9,368	9,019	9,204
Community Reinvestment Fund/Ontario Municipal Partnership Fund	622	651	626	714	731
Community Reinvestment Fund One-Time Transition Funding	—	—	233	—	—
Electricity Consumer Price Protection Fund	665	253	—	—	—
Power Purchases	786	797	840	803	988
Contingency Fund	—	—	—	—	1,292
Government Services	331	467	898	562	811
Pensions and Other Employee Future Benefits	102	309	458	729	594
Health and Long-Term Care <sup>3</sup>	14,758	16,232	17,572	17,722	18,687
Hospitals <sup>2,3</sup>	11,241	12,830	13,759	14,816	16,463
Health Promotion	175	204	241	296	363
Intergovernmental Affairs	9	6	13	10	9
Labour	123	117	129	141	150
Municipal Affairs and Housing	656	635	772	928	693
Natural Resources	526	627	563	632	806
Northern Development and Mines	302	189	320	337	347
Office of Francophone Affairs	3	3	3	4	4
Public Infrastructure Renewal <sup>4</sup>	93	(35)	41	107	120
Contingency Fund	—	—	—	—	169
Research and Innovation	158	194	263	370	345
Secretariat for Aboriginal Affairs	18	15	21	50	21
Tourism	155	212	167	210	161
Training, Colleges and Universities	2,473	2,834	3,316	3,529	3,876
Colleges <sup>2</sup>	987	1,090	1,289	1,185	1,359
Transportation	1,554	1,816	1,831	2,203	2,093
Move Ontario	—	—	—	1,232	6

Year-End Savings	-	-	-	-	(700)
<b>Total Expense</b>	<b>68,774</b>	<b>73,883</b>	<b>79,396</b>	<b>83,927</b>	<b>87,993</b>

<sup>1</sup> Second-quarter fiscal forecast as at September 30, 2006.

<sup>2</sup> Starting in 2005-06, the Province's financial reporting was expanded to include hospitals, school boards and colleges using one-line consolidation. Prior to 2005-06, historical figures reflect grants to these entities for comparison purposes.

<sup>3</sup> The 2003-04 expenses for Health and Long-Term Care and Hospitals include \$824 million of SARS-related and major one-time health costs. The 2006-07 figures reflect a change in the presentation of expense in the Health Sector to be consistent with the 2005-06 Public Accounts. This change in presentation does not affect total expense.

<sup>4</sup> Credit amounts relate to consolidation adjustments between the Ontario Realty Corporation and ministries to reflect net spending for the year.

*Note:* Expense amounts for 2002-03 to 2004-05 have been restated to reflect ministry restructuring that occurred during fiscal 2005-06. This restatement has no impact on total expense or the surplus/deficit.

**TABLE 5: 2006-07 INFRASTRUCTURE EXPENDITURES  
(\$ MILLIONS)**

	Total Infrastructure Expenditures 2005-06 Actual	2006-07 Outlook <sup>1</sup>		
		Investment in Capital Assets	Transfers and Other Expenditures in Infrastructure <sup>2</sup>	Total Infrastructure Expenditures
Transportation				
Transit	1,541	546	547	1,093
Highways	1,237	1,295	116	1,411
Other Transportation	494	2	60	62
Health				
Hospitals	296	305	–	305
Other Health	166	32	172	204
Education				
School Boards	949	–	1,110	1,110
Colleges	44	13	–	13
Universities	88	–	27	27
Water/Environment	342	10	226	236
Municipal and Local Infrastructure <sup>3</sup>	455	2	451	453
Justice	84	64	53	117
Other	468	290	232	522
<b>Total <sup>4</sup></b>	<b>6,164</b>	<b>2,559</b>	<b>2,994</b>	<b>5,553</b>

<sup>1</sup> Second-quarter fiscal forecast as at September 30, 2006.

<sup>2</sup> Mainly consists of transfers for capital purposes to municipalities and universities, expenditures for servicing capital-related debt of schools, and expenditures for the repair and rehabilitation of schools. These expenditures are included in the Province's Total Expenses in Table 4.

<sup>3</sup> Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector.

<sup>4</sup> Total expenditures include \$36 million in flow-throughs in Investment in Capital Assets (for provincial highways) and \$208 million in flow-throughs in Transfers and Other Expenditures in Infrastructure (\$31 million in Transportation, \$26 million in Water/Environment, \$150 million in Municipal and Local Infrastructure, and \$1 million in Other Infrastructure).

**TABLE 6: TEN-YEAR REVIEW OF SELECTED FINANCIAL AND ECONOMIC STATISTICS  
(\$ MILLIONS)**

	1997–98	1998–99	1999–00	2000–01	2001–02
<b>Financial Transactions</b>					
Revenue	52,782	56,050	65,042	66,294	66,534
Expense					
Programs <sup>3</sup>	48,019	49,036	53,347	53,519	55,822
Interest on Debt	8,729	9,016	11,027	10,873	10,337
Total Expense <sup>3</sup>	56,748	58,052	64,374	64,392	66,159
<b>Surplus/(Deficit) Before Reserve</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>1,902</b>	<b>375</b>
Reserve	–	–	–	–	–
<b>Surplus/(Deficit)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>1,902</b>	<b>375</b>
<b>Net Debt <sup>4</sup></b>	<b>112,735</b>	<b>114,737</b>	<b>134,398</b>	<b>132,496</b>	<b>132,121</b>
<b>Accumulated Deficit <sup>4</sup></b>	<b>112,735</b>	<b>114,737</b>	<b>134,398</b>	<b>132,496</b>	<b>132,121</b>
Gross Domestic Product (GDP) at Market Prices	359,353	377,897	409,020	440,759	453,701
Personal Income	289,537	304,652	321,702	347,653	361,187
Population — July (000s)	11,228	11,367	11,506	11,685	11,898
Net Debt per Capita (dollars)	10,041	10,094	11,681	11,339	11,104
Personal Income per Capita (dollars)	25,787	26,801	27,959	29,752	30,357
Total Expense as a per cent of GDP	15.8	15.4	15.7	14.6	14.6
Interest on Debt as a per cent of Revenue	16.5	16.1	17.0	16.4	15.5
Net Debt as a per cent of GDP	31.4	30.4	32.9	30.1	29.1
Accumulated Deficit as a per cent of GDP	31.4	30.4	32.9	30.1	29.1

**TABLE 6: TEN-YEAR REVIEW OF SELECTED FINANCIAL AND ECONOMIC STATISTICS (CONTINUED)**  
(\$ MILLIONS)

	2002-03	2003-04	2004-05	Actual <sup>1</sup> 2005-06	Outlook <sup>2</sup> 2006-07
<b>Financial Transactions</b>					
Revenue	68,891	68,400	77,841	84,225	87,044
Expense					
Programs <sup>3</sup>	59,080	64,279	70,028	74,908	78,789
Interest on Debt	9,694	9,604	9,368	9,019	9,204
Total Expense <sup>3</sup>	68,774	73,883	79,396	83,927	87,993
<b>Surplus/(Deficit) Before Reserve</b>	<b>117</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>298</b>	<b>(949)</b>
Reserve	—	—	—	—	1,000
<b>Surplus/(Deficit)</b>	<b>117</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>298</b>	<b>(1,949)</b>
<b>Net Debt <sup>4</sup></b>	<b>132,647</b>	<b>138,557</b>	<b>140,921</b>	<b>141,928</b>	<b>145,345</b>
<b>Accumulated Deficit <sup>4</sup></b>	<b>118,705</b>	<b>124,188</b>	<b>125,743</b>	<b>109,155</b>	<b>111,104</b>
Gross Domestic Product (GDP) at Market Prices	477,528	491,859	517,306	538,386	554,529
Personal Income	370,418	383,197	400,287	419,230	438,685
Population — July (000s)	12,102	12,260	12,407	12,541	12,696
Net Debt per Capita (dollars)	10,961	11,302	11,358	11,317	11,448
Personal Income per Capita (dollars)	30,608	31,256	32,263	33,429	34,553
Total Expense as a per cent of GDP	14.4	15.0	15.3	15.6	15.9
Interest on Debt as a per cent of Revenue	14.1	14.0	12.0	10.7	10.6
Net Debt as a per cent of GDP	27.8	28.2	27.2	26.4	26.2
Accumulated Deficit as a per cent of GDP	24.9	25.2	24.3	20.3	20.0

<sup>1</sup> Starting in 2005-06, the Province's financial reporting was expanded to include hospitals, school boards and colleges using one-line consolidation. Total expense prior to 2005-06 has not been restated to reflect expanded reporting.

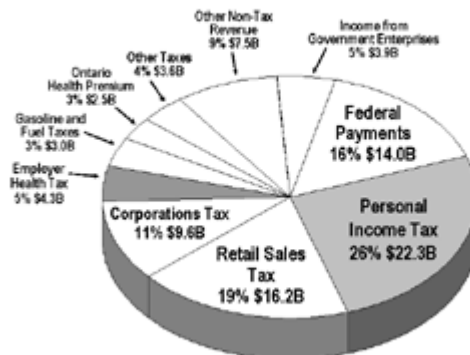
<sup>2</sup> Second-quarter fiscal forecast as at September 30, 2006.

<sup>3</sup> 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 organizations are accounted for on a full accrual basis.

<sup>4</sup> Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit. For fiscal 2005-06, the change in the Accumulated Deficit includes the opening combined net assets of hospitals, school boards and colleges that were recognized upon consolidation of these broader public sector entities.

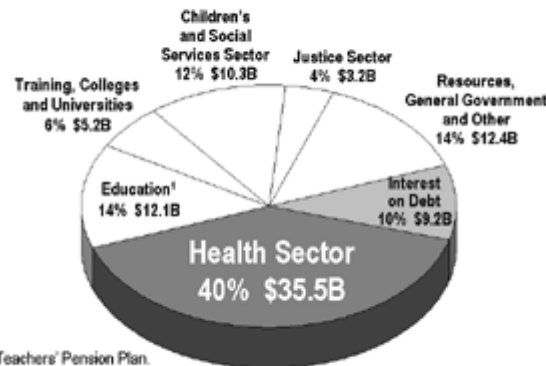
Sources: Ontario Ministry of Finance and Statistics Canada.

## Composition of Revenue 2006-07



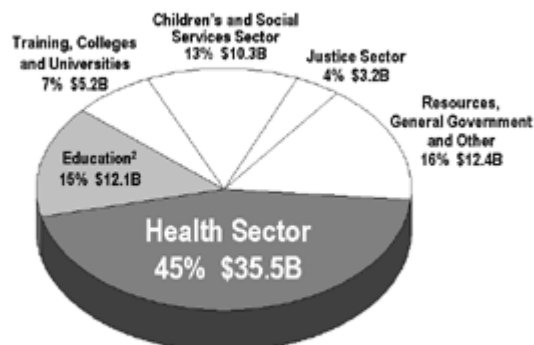
Note: Numbers may not add due to rounding.  
Second-quarter fiscal forecast as at September 30, 2006.

## Composition of Total Expense 2006-07



<sup>1</sup> Includes Teachers' Pension Plan.  
Note: Numbers may not add due to rounding.  
Second-quarter fiscal forecast as at September 30, 2006.

## Composition of Program Expense<sup>1</sup> 2006-07



<sup>1</sup> Program expense equals total expense minus interest on debt.  
<sup>2</sup> Includes Teachers' Pension Plan.  
Note: Numbers may not add due to rounding.  
Second-quarter fiscal forecast as at September 30, 2006.



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