

FISCAL SUMMARY (\$ Millions)	Actual 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
Revenue	84,225	85,730	87,062	1,332
Expense				
Programs	74,908	77,651	78,807	1,156
Interest on Debt	9,019	9,429	9,204	(225)
Total Expense	83,927	87,080	88,011	931
Surplus/(Deficit) Before Reserve	298	(1,350)	(949)	401
Reserve	-	1,000	1,000	-
SURPLUS/(DEFICIT)	298	(2,350)	(1,949)	401

* Third-quarter fiscal forecast as at December 31, 2006.

2006-07 FISCAL OUTLOOK – HIGHLIGHTS

Third-quarter results project that the Province's fiscal outlook remains on track for a deficit of \$1.9 billion in 2006-07, or \$0.9 billion if the reserve is not required. This represents a \$0.4 billion improvement from the 2006 Ontario Budget forecast, and is consistent with the projection reported in both the First Quarter Ontario Finances and the 2006 Ontario Economic Outlook and Fiscal Review.

The Province's medium-term fiscal plan, as outlined in the 2006 Budget, projected a balanced budget no later than 2008-09. Higher oil prices, the stronger Canadian dollar and a weaker outlook for economic growth in the United States have led to slower projected Ontario economic growth than was anticipated at the time of the 2006 Budget. As a result, the 2006 Economic Outlook and Fiscal Review released in October revised the medium-term fiscal outlook to include deficits of \$2.2 billion in 2007-08 and \$1.0 billion in 2008-09 – reflecting the impact of more moderate economic growth on Ontario's revenue outlook.

The government remains committed to eliminating the deficit. It will therefore continue to be prudent and disciplined in its approach to managing the Province's finances. This approach, in addition to ongoing strategic investments in health care, education, infrastructure, and postsecondary education and training, will continue to strengthen the economy and ensure that Ontario is well positioned to manage both the challenges and opportunities ahead.

TERANET PROCEEDS FROM THE INITIAL PUBLIC OFFERING (IPO)

Last year, the government announced that it would receive net proceeds of \$519 million from the IPO of Teranet, which it would invest in priority projects. The 2006 Economic Outlook and Fiscal Review reported that \$326 million of the \$519 million was invested in priority areas such as rural development and infrastructure, transit vehicle assistance, and assistance to farmers. In the third quarter, the remaining proceeds were invested in an Economic Stimulus Package to boost jobs and economic growth in Ontario. Details on these investments can be found in the *Details of In-Year Changes* section in this document.

REVENUE AT \$87.1 BILLION

The 2006-07 revenue outlook, at \$87,062 million, is up \$18 million from the forecast in the 2006 Economic Outlook and Fiscal Review. This increase is due to higher federal transfers related to the Official Languages in Education program. This is fully offset by higher spending in this program.

The 2006-07 outlook maintains the prudent approach adopted in the 2006 Economic Outlook and Fiscal Review. Revenue information received to-date suggests the potential for higher Personal Income Tax revenues in 2006-07 based on processing 2005 tax returns. Since the 2006 Economic Outlook and Fiscal Review, Ontario economic growth, notably corporate profits, has been weaker than forecast. In addition, critical revenue information that could materially affect the forecast is not expected until later in the fiscal year, notably receipt of final 2006 Corporations Tax instalment payments from most of the non-financial sector. Given continued risks and uncertainties over the remainder of the fiscal year, the 2006-07 taxation revenue outlook remains unchanged at this time.

TOTAL EXPENSE AT \$88.0 BILLION

The 2006-07 total expense outlook, at \$88,011 million, is up a net \$18 million from the 2006 Economic Outlook and Fiscal Review, mainly due to additional in-year expense increases related to the Official Languages in Education program, fully offset by an increase of \$18 million in revenue due to higher federal payments related to this program. Ministry program expense changes this quarter, and corresponding offsets, include:

- ◆ Ministry of Community and Social Services: An increase of \$18 million to support the placement of individuals with developmental disabilities into community-based care, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Community Safety and Correctional Services: An increase of \$20 million for the Ontario Provincial Police's extraordinary policing costs in the Town of Caledonia, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Education: An additional \$10 million was provided in-year for the Official Languages in Education program, which supports the delivery of minority-language education and second-language instruction at the elementary and secondary levels, fully offset by revenues from the federal government.
- ◆ Ministry of Energy: An increase of \$7 million as part of the Ethanol Manufacturer's Agreement between Ontario and Suncor, which will provide a stable environment for investment in ethanol, fully offset from the Operating Contingency Fund.
- ◆ Ministry of the Environment: An additional \$4 million, fully offset from the Operating Contingency Fund, to support climate change and clean air measures; increase the efficiency of environmental assessments; improve information for waste management; and help sustain the province's source water supplies.
- ◆ Ministry of Finance: An increase of \$22 million for the Ontario Municipal Partnership Fund to provide municipalities with additional funding to assist with increased social programs and policing costs, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Finance – Operating Contingency Fund: A decrease of \$111 million in the Operating Contingency Fund that was allocated to fund ministries' expense changes as outlined.

IN-YEAR EXPENSE CHANGES, CONTINUED

- ◆ Ministry of Government Services: An increase of \$1 million to support the management of four main projects (ServiceOntario, e-Ontario, OSS Transactional Services and OSS Supply Chain Management) and the OPS-wide Accessibility Leadership Strategy, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Municipal Affairs and Housing: An increase of \$1 million is supporting disaster relief assistance to the Township of Madawaska Valley for clean up and recovery following the August 2, 2006, tornado, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Natural Resources: An additional \$28 million for the creation of the Northern Pulp and Paper Mill Electricity Transition program, fully offset from the Operating Contingency Fund. This new program will provide up to \$140 million over the next three years in electricity rebates to pulp and paper mills located in northern Ontario.
- ◆ Ministry of Public Infrastructure Renewal – Capital Contingency Fund: A decrease of \$1 million in the Capital Contingency Fund was allocated to the Ministry of Tourism for Old Fort William flood repairs.
- ◆ Ministry of Tourism: An increase of \$1 million to provide additional funding for rehabilitation of Old Fort William as a result of flooding, fully offset from the Capital Contingency Fund.
- ◆ Ministry of Training, Colleges and Universities: An increase of \$10 million was provided in-year to colleges to supplement quality improvement and enhancement funding, fully offset from the Operating Contingency Fund; and an additional \$8 million for colleges and universities was provided in-year for the Official Languages in Education program, which supports the delivery of minority-language education and second-language instruction at the postsecondary level, fully offset by revenues from the federal government.

ECONOMIC STIMULUS PACKAGE

To assist Ontario workers and communities most affected by slower growth in the economy, the government allocated more than \$190 million from the net proceeds of the Teranet IPO remaining in the Operating Contingency Fund to an Economic Stimulus Package. The following are details of the ministry expense changes this quarter that were funded as part of the Economic Stimulus Package:

- ◆ Ministry of Agriculture, Food and Rural Affairs: An increase of \$3 million to support infrastructure in rural Ontario.
- ◆ Ministry of the Attorney General: An increase of \$4 million to conduct repairs and minor renovations to courthouses in smaller communities to address security, health, safety, accessibility and capacity issues.
- ◆ Ministry of Citizenship and Immigration: An additional \$2 million for infrastructure projects and other improvements to citizenship and social infrastructure, and \$1 million to support additional bridge-training programs and other services for newcomers.
- ◆ Ministry of Children and Youth Services: An increase of \$37 million for deferred maintenance for not-for-profit agencies that provide services to vulnerable populations.

IN-YEAR EXPENSE CHANGES, CONTINUED

- ◆ Ministry of Community and Social Services: An increase of \$36 million for deferred maintenance for not-for-profit agencies that provide services to vulnerable populations.
- ◆ Ministry of Community Safety and Correctional Services: An increase of \$1 million to address security, capacity and accessibility issues in two regional coroners' facilities.
- ◆ Ministry of Culture: An increase of \$7 million to assist over 20 arts and heritage facilities across the province in refurbishing and restoring the sites' physical assets.
- ◆ Ministry of Economic Development and Trade: An additional \$2 million to support communities and people that are affected by slower economic growth; and to strengthen inter-provincial trade to match Ontario's industrial capacity to the industrial needs in Alberta.
- ◆ Ministry of Finance – Operating Contingency Fund: A decrease of \$170 million from the Teranet IPO proceeds in the Operating Contingency Fund, which was allocated to ministries as part of the Economic Stimulus Package.
- ◆ Ministry of Health Promotion: An increase of \$26 million for community infrastructure and multi-use facilities to promote physical activity, sport, and wellness in various communities throughout Ontario.
- ◆ Ministry of Tourism: An increase of \$22 million to encourage tourism in Ontario.
- ◆ Ministry of Training, Colleges and Universities: An additional \$20 million in-year to enhance the existing Adjustment Advisory Program by providing focused training and job services for laid-off workers and apprentices where plants have closed in communities most affected by slower growth in the economy; and \$9 million to colleges for new construction, renovations and deferred maintenance projects in 2006-07, with the remaining total cost estimated at \$21 million, amortized over 20 years.

Interest on debt expense for the year remains unchanged from the 2006 Economic Outlook and Fiscal Review at \$9,204 million. This is \$225 million lower than the 2006 Budget forecast due to cost-effective debt management and lower-than-forecast long-term interest rates.

RESERVE AT \$1.0 BILLION

The current fiscal outlook maintains a \$1.0 billion reserve to help achieve the government's overall fiscal objectives, and to protect against unexpected and adverse changes in the economic and fiscal outlook.

STATEMENT OF FINANCIAL TRANSACTIONS					Current*
(\$ Millions)	2002-03	2003-04	2004-05	Actual 2005-06	Outlook 2006-07
Revenue	68,891	68,400	77,841	84,225	87,062
Expense					
Programs	59,080	64,279	70,028	74,908	78,807
Interest on Debt	9,694	9,604	9,368	9,019	9,204
Total Expense	68,774	73,883	79,396	83,927	88,011
Surplus / (Deficit) Before Reserve	117	(5,483)	(1,555)	298	(949)
Reserve	—	—	—	—	1,000
Surplus / (Deficit)	117	(5,483)	(1,555)	298	(1,949)
Net Debt [†]	132,647	138,557	140,921	141,928	145,345
Accumulated Deficit [†]	118,705	124,188	125,743	109,155	111,104

Note: Starting in 2005-06, the Province's financial reporting has been 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.

* Third-quarter fiscal forecast as at December 31, 2006.

† 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 Service (BPS) entities.

SELECTED ECONOMIC AND FISCAL STATISTICS

	2002-03	2003-04	2004-05	Actual 2005-06	Current* Outlook 2006-07
Gross Domestic Product (GDP) at Market Prices** (\$ Millions)	477,763	493,219	517,608	537,657	553,787
Ontario Population (000s) – July 1	12,102	12,263	12,417	12,559	12,687
Ontario Revenue as a per cent of GDP	14.4	13.9	15.0	15.7	15.7
Ontario Revenue Growth (%)	3.5	(0.7)	13.8	8.2	3.4
Ontario Total Expense as a per cent of GDP	14.4	15.0	15.3	15.6	15.9
Ontario Total Expense Growth (%)	4.0	7.4	7.5	5.7	4.9
Ontario Total Program Expense as a per cent of GDP	12.4	13.0	13.5	13.9	14.2
Ontario Total Program Expense Growth (%)	5.8	8.8	8.9	7.0	5.2
Ontario Interest on Debt as a per cent of Revenue	14.1	14.0	12.0	10.7	10.6
Ontario Interest on Debt as a per cent of Total Expense	14.1	13.0	11.8	10.7	10.5
Ontario Interest on Debt as a per cent of GDP	2.0	1.9	1.8	1.7	1.7
Ontario Surplus / (Deficit) as a per cent of GDP	0.0	(1.1)	(0.3)	0.1	(0.4)
Net Debt per capita (\$)	10,961	11,299	11,349	11,301	11,456
Net Debt as a per cent of GDP	27.8	28.1	27.2	26.4	26.2
Accumulated Deficit per capita (\$)	9,809	10,127	10,127	8,691	8,757
Accumulated Deficit as a per cent of GDP	24.8	25.2	24.3	20.3	20.1

* Third-quarter fiscal forecast as at December 31, 2006.

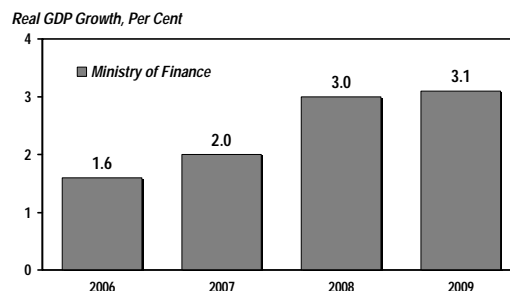
** Reflects Statistics Canada's revisions to the National Income and Expenditure Accounts, and the Ontario Economic Accounts.

Sources: Ontario Ministry of Finance and Statistics Canada.

ONTARIO ECONOMIC OUTLOOK

In the 2006 Economic Outlook and Fiscal Review, the Ministry of Finance projected real GDP growth of 1.6 per cent for 2006, 2.0 per cent in 2007, 3.0 per cent in 2008 and 3.1 per cent in 2009. These projections were below the average private-sector forecast at that time. The slower rate of economic growth in the near term reflects the appreciation of the Canadian dollar, continuing high oil prices, higher interest rates and an easing in the pace of growth in the U.S. economy. The current average private-sector forecast for Ontario real GDP growth is 1.5 per cent in 2006, 1.8 per cent in 2007, 3.0 per cent in 2008 and 3.2 per cent in 2009.

Ontario Economic Outlook 2006 Economic Outlook and Fiscal Review



ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) GROWTH PAUSES

- ◆ Ontario's real GDP edged lower by 0.1 per cent in the third calendar quarter of 2006. This decrease was due mainly to a decline in net trade as exports decreased while imports increased. Ontario's household and business sectors both posted solid growth moderating the impact of weaker net trade.

SOLID JOB CREATION IN 2006

- ◆ Ontario created 37,400 net new jobs in December, the strongest monthly gain since August 2002. The unemployment rate fell by 0.3 percentage points to 6.1 per cent in December.
- ◆ In 2006, Ontario added 95,000 net new jobs for a gain of 1.5 per cent, up from a gain of 1.3 per cent in 2005. Full-time employment dominated job gains in 2006 with 98,200 net new jobs (+1.9 per cent), while part-time employment fell by 3,200 (-0.3 per cent). The unemployment rate averaged 6.3 per cent in 2006, the lowest annual level since 2001.
- ◆ Since October 2003, the Ontario economy has created 321,000 net new jobs. Over this same period, the unemployment rate has fallen from 7.0 per cent to 6.4 per cent in January 2007. Of these net new jobs, 241,800 or 75 per cent were in full-time positions.

RETAIL SALES GROWING

- ◆ Over the first eleven months of 2006, Ontario retail sales were 4.3 per cent ahead of the same period in 2005.

INFLATION REMAINS MODERATE

- ◆ The Ontario annual CPI inflation rate was 1.1 per cent (year-to-year) in December, unchanged from November. In 2006, the Ontario CPI inflation rate was 1.8 per cent, down from 2.2 per cent in 2005.

ACTIVITY IN HOUSING MARKET MODERATES

- ◆ In 2006 there were 194,793 home resales in Ontario, the third best year on record, down 1.1 per cent from 2005.

MANUFACTURING SHIPMENTS AND INTERNATIONAL EXPORTS WEAKER IN 2006

- ◆ Over the first eleven months of 2006, Ontario manufacturing shipments were 4.0 per cent lower than the same period in 2005.
- ◆ Ontario exports grew 3.0 per cent in November, following a 2.5 per cent gain in October (Ontario Ministry of Finance estimates). However, on a year-to-date basis, Ontario exports were down 1.9 per cent over the first eleven months of 2006, compared to the same period in 2005.

KEY ECONOMIC INDICATORS (Per Cent Change from previous period, unless indicated otherwise)								
		Annual	Annual ¹	Quarterly				
		2004	2005	05:3	05:4	06:1	06:2	06:3
Output (Seasonally Adjusted at Annual Rates)								
Real GDP	Ontario	3.2	2.8	0.5	0.3	0.4	0.2	(0.1)
Nominal GDP	Ontario	4.9	3.9	1.3	0.3	0.7	0.6	0.1
		Annual	Annual ¹	Monthly 2006				
		2005	2006	Aug	Sep	Oct	Nov	Dec
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)		74	78	(24)	7	(16)	21	18
Employment (Change in 000s)		81	95	(15)	(6)	2	18	37
Unemployment Rate (%)		6.6	6.3	6.4	6.6	6.3	6.4	6.1
Household Sector								
Retail Sales		4.7	N/A	1.1	(1.7)	(0.6)	0.7	N/A
Housing Starts (000s)*		78.8	73.4	66.8	63.8	69.8	68.1	65.9
MLS Home Resales**		(0.2)	(1.1)	(7.3)	(7.9)	(1.3)	(5.0)	6.4
Manufacturing Shipments								
Transportation Equipment		(0.9)	N/A	(2.4)	(5.4)	(0.5)	10.2	N/A
Consumer Price Index**								
		2.2	1.8	1.5	0.2	0.6	1.1	1.1

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, 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)	Actual 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
Taxation Revenue				
Personal Income Tax	21,041	21,671	22,321	650
Retail Sales Tax	15,554	16,165	16,165	–
Corporations Tax	9,984	9,845	9,585	(260)
Employer Health Tax	4,197	4,314	4,299	(15)
Ontario Health Premium	2,350	2,551	2,541	(10)
Gasoline Tax	2,281	2,303	2,303	–
Fuel Tax	729	742	742	–
Tobacco Tax	1,379	1,485	1,405	(80)
Land Transfer Tax	1,159	1,125	1,125	–
Electricity Payments-In-Lieu of Taxes	951	790	790	–
Other Taxes	292	283	283	–
	59,917	61,274	61,559	285
Government of Canada				
Canada Health Transfer (CHT)	7,148	7,619	7,619	–
Canada Social Transfer (CST)	3,324	3,420	3,420	–
CHST Supplements	584	–	–	–
Social Housing	520	530	530	–
Infrastructure Programs	285	359	359	–
Wait Times Reduction Fund	243	467	467	–
Medical Equipment Funds	194	–	–	–
Canada-Ontario Agreement	2	285	285	–
2006 Federal Budget Trusts	–	–	456	456
Other Government of Canada	951	902	920	18
	13,251	13,582	14,056	474
Income from Investment in Government Business Enterprises				
Ontario Lottery and Gaming Corporation	2,027	1,743	1,743	–
Liquor Control Board of Ontario	1,197	1,254	1,254	–
Ontario Power Generation Inc. and Hydro One Inc.	1,107	919	919	–
Other Government Enterprises	(23)	4	4	–
	4,308	3,920	3,920	–
Other Non-Tax Revenue				
Reimbursements	1,295	1,358	1,358	–
Electricity Debt Retirement Charge	1,021	1,027	1,027	–
Vehicle and Driver Registration Fees	763	1,021	1,021	–
Power Sales	779	988	988	–
Other Fees and Licences	550	556	556	–
Liquor Licence Revenue	516	453	453	–
Net Reduction of Power Purchase Contract Liability	396	412	412	–
Sales and Rentals	465	396	969	573
Royalties	191	243	243	–
Miscellaneous Other Non-Tax Revenue	773	500	500	–
	6,749	6,954	7,527	573
TOTAL REVENUE	84,225	85,730	87,062	1,332

* Third-quarter fiscal forecast as at December 31, 2006.

TOTAL EXPENSE

Ministry	Actual 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
Agriculture, Food and Rural Affairs**	865	880	880	—
One-Time and Extraordinary Assistance	282	16	125	109
Attorney General	1,291	1,301	1,305	4
Board of Internal Economy	150	169	169	—
Children and Youth Services	3,330	3,264	3,316	52
Citizenship and Immigration	93	91	94	3
Community and Social Services	6,737	7,045	7,124	79
Community Safety and Correctional Services	1,767	1,887	1,908	21
Culture	475	366	373	7
Democratic Renewal Secretariat	2	10	10	—
Economic Development and Trade	202	351	355	4
Education	418	438	446	8
School Boards†	10,886	11,182	11,229	47
Teachers' Pension Plan (TPP)	295	408	408	—
Energy	207	229	249	20
Environment	275	302	306	4
Executive Offices	19	19	19	—
Finance	1,034	1,060	1,167	107
Interest on Debt	9,019	9,429	9,204	(225)
Community Reinvestment Fund / Ontario Municipal Partnership Fund	714	731	753	22
Power Purchases	803	988	988	—
Operating Contingency Fund	—	995	1,011	16
Government Services	562	736	812	76
Pension and Other Employee Future Benefits	729	594	594	—
Health and Long-Term Care††	17,722	18,682	18,687	5
Hospitals†,††	14,816	16,359	16,463	104
Health Promotion	296	363	389	26
Intergovernmental Affairs	10	9	9	—
Labour	141	150	150	—
Municipal Affairs and Housing	928	693	694	1
Natural Resources	632	682	834	152
Northern Development and Mines	337	347	347	—
Office of Francophone Affairs	4	4	4	—
Public Infrastructure Renewal**	107	114	190	76
Capital Contingency Fund	—	175	168	(7)
Research and Innovation	370	345	345	—
Secretariat for Aboriginal Affairs	50	21	21	—
Tourism	210	161	184	23
Training, Colleges and Universities	3,529	3,876	3,899	23
Colleges†	1,185	1,359	1,383	24
Transportation	2,203	1,943	2,093	150
Move Ontario	1,232	6	6	—
Year-End Savings	—	(700)	(700)	—
TOTAL EXPENSE	83,927	87,080	88,011	931

* Third-quarter fiscal forecast as at December 31, 2006.

** The 2006-07 in-year change for Public Infrastructure Renewal includes a re-allocation of \$70 million for rural infrastructure spending that was reported in Agriculture, Food and Rural Affairs in the 2006 Economic Outlook and Fiscal Review.

† Starting in 2005-06 the Province's financial reporting has been expanded to include hospitals, school boards and colleges using one-line consolidation. As a result, these amounts reflect the net expense of these sectors.

†† The Budget Plan figures have been restated to 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, or the surplus/deficit of the Province.

2006–07 INFRASTRUCTURE EXPENDITURES

(\$ Millions)	Total Infrastructure Expenditures 2005-06 Actual	2006-07*		
		Investment in Capital Assets	Transfers and Other Expenditures in Infrastructure**	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	34	9	43
Universities	88	—	27	27
Water/Environment	342	10	229	239
Municipal and Local Infrastructure†	455	2	486	488
Justice	84	64	57	121
Other	468	290	306	596
TOTAL††	6,164	2,580	3,119	5,699

* Third-quarter fiscal forecast as at December 31, 2006.

** 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 the Total Expense Table.

† Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector.

†† 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).

ONTARIO'S 2006-07 FINANCING PROGRAM

CONSOLIDATED PROVINCE AND ONTARIO ELECTRICITY FINANCIAL CORPORATION (\$ Millions)

	Actual 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
Deficit/(Surplus)	(298)	2,350	1,949	(401)
Adjustments for:				
Non-Cash Items Included in Deficit	3,887	1,058	428	(630)
Amortization of Major Tangible Capital Assets	(815)	(2,228)	(2,277)	(49)
Investment in Capital Assets	1,675	2,544	2,580	36
Debt Maturities	19,805	15,140	14,627	(513)
Debt Redemptions	1,134	700	1,041	341
Canada Pension Plan Borrowing	(996)	(351)	(185)	166
Increase/(Decrease) in Cash and Cash Equivalents	(788)	—	—	—
Decrease/(Increase) in Short-Term Borrowing	(1,771)	1,371	1,517	146
Other Uses/(Sources) of Cash	2,014	247	743	496
Total Long-Term Public Borrowing Requirement	23,847	20,831	20,423	(408)

* Third-quarter fiscal forecast as at December 31, 2006.

BORROWING PROGRAM STATUS (AS AT DECEMBER 31, 2006) (\$ Billions)

	Completed	Remaining	Total
Province	13.7	3.2	16.9
Ontario Electricity Financial Corporation	2.3	1.2	3.5
TOTAL	16.0	4.4	20.4

Numbers may not add due to rounding.

- ◆ Long-Term Public Borrowing undertaken as at December 31, 2006, was \$16.0 billion as follows:

	(\$ Billions)
Ontario Savings Bonds	1.4
Domestic Issues	10.1
Global/US Dollar Issues	4.1
Euro Medium-Term Notes	0.4
	16.0

- ◆ The \$630 million decline in non-cash items included in the deficit is a result of the net impact of the \$1.1 billion cash transfer from the federal trusts.
- ◆ The \$49 million decline in amortization of major tangible capital assets is due to lower amortization for hospitals.
- ◆ The \$36 million increase in investments in capital assets reflects higher-than-expected acquisition of land and buildings.

ONTARIO'S 2006-07 FINANCING PROGRAM

- ◆ The \$513 million decline in Debt Maturities is mainly due to debt issues with callable or extendible features that were shifted into future years.
- ◆ The \$341 million increase in Debt Redemptions is a result of higher-than-forecast redemptions of Ontario Savings Bonds.
- ◆ \$166 million in Canada Pension Plan (CPP) borrowing was used by the Province to repurchase outstanding debt and was therefore unavailable for long-term public borrowing.
- ◆ The \$146 million decrease in short-term borrowing is mainly due to a decline in Treasury Bills outstanding.
- ◆ The \$496 million increase in other uses of cash is mainly attributable to new loans to school boards, partially offset by other items such as lower-than-planned Ontario Power Generation loan utilization, and a reduced drawdown on the Ontario Power Authority line of credit.