

ANNEX I

Fiscal Outlook

SECTION A | ONTARIO'S 2008–09 FISCAL OUTLOOK

In the current environment of heightened economic uncertainty, many international jurisdictions face an unparalleled economic crisis as slowing economies result in lower revenue growth. Ontario is no exception. The Province's 2008–09 revenue is currently projected to decline by 1.2 per cent compared to 2007–08 — the first time Provincial revenues have declined since 2003–04. This projected decline in revenue, combined with increased spending on health, has resulted in a forecasted deficit of \$500 million for 2008–09, which represents 0.5 per cent of the 2008–09 revenue outlook.

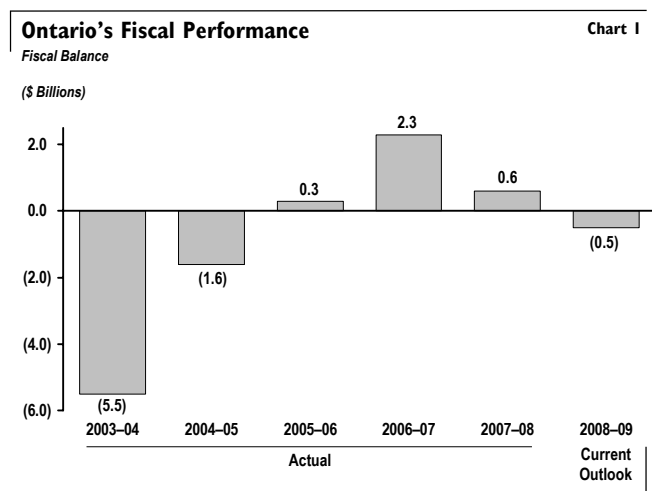
This government has successfully eliminated deficits in the past. The \$5.5 billion deficit inherited in 2003–04 was eliminated within two years. The government then posted three consecutive surpluses. This prudent fiscal management of Ontario's finances was achieved while investing in key priorities. These actions have strengthened Ontario's economic advantage and prepared the province for the current economic downturn. The projected deficit in 2008–09 is a clear indication of the government's commitment to do everything it can to protect these investments.

The government continues to strengthen the economy through its five-point economic plan to invest in skills and knowledge; invest in infrastructure; lower business costs; strengthen the environment for innovation; and form key partnerships to strengthen Ontario. Recognizing the current economic uncertainty, the government will continue to maintain a cautious and prudent fiscal plan, including a reserve and contingency funds, while taking immediate action to manage expense growth.

This Annex provides an update on the fiscal outlook for 2008–09. The government continues to monitor risks to Ontario's economic and fiscal situation closely, and will update Ontario's medium-term fiscal plan and outlook in the 2009 Budget.

2008–09 FISCAL PERFORMANCE

The 2008–09 First Quarter Ontario Finances noted that the consensus forecast predicted slower economic growth for Ontario than was projected in the 2008 Budget but that it was still too early to determine the effect on the Province's revenue and expense outlook. The current fiscal outlook reflects the estimated impact of these economic risks and modifies the outlook projected in the 2008 Ontario Budget.



2008–09 In-Year Fiscal Performance
(\$ Millions)

Table 1

	Budget Plan	Current Outlook	In-Year Change
Revenue	96,920	96,002	(918)
Expense			
Programs	87,279	87,411	132
Interest on Debt	8,891	8,891	–
Total Expense	96,170	96,302	132
Reserve	750	200	(550)
Surplus/(Deficit)	0	(500)	(500)

Total revenue in 2008–09 is currently projected to be \$96,002 million, a decrease of 0.9 per cent from the 2008 Budget forecast, reflecting projections for slower economic growth. Total expense in 2008–09 is currently estimated to be \$96,302 million, 0.1 per cent higher than the 2008 Budget forecast, primarily due to higher utilization-related expense in the Ontario Health Insurance Plan (OHIP) program.

The 2008 Budget plan included prudence in the form of a \$750 million reserve in 2008–09 to protect against adverse changes in the Province’s revenue and expense, including those resulting from changes in Ontario’s economic performance. A portion of the reserve has been drawn down to partially offset the effects of slower economic growth on the Province’s fiscal outlook. The Province continues to maintain a \$200 million reserve in recognition of the continued global economic uncertainty that could further impact the Province’s finances.

2008–09 REVENUE CHANGES SINCE 2008 BUDGET

The revenue outlook at \$96,002 million has decreased by \$918 million from the 2008 Budget forecast, largely reflecting slower economic growth projections for 2008, partially offset by higher Government of Canada transfers.

Summary of Revenue Changes Since 2008 Budget (\$ Millions)	Table 2
Taxation Revenue Changes	
Corporations Tax	(880)
Land Transfer Tax	(180)
Gasoline Tax	(65)
Total Taxation Revenue Changes	(1,125)
Changes in Government of Canada Transfers	
Infrastructure Programs	25
All Other Government of Canada	182
Total Changes in Government of Canada Transfers	207
Total Revenue Changes Since 2008 Budget	(918)

Details of 2008–09 In-Year Revenue Changes

Key revenue changes include the following:

- **Corporations Tax** revenues are projected to be \$880 million below the 2008 Budget projection, mainly due to slower projected 2008 corporate profit growth.
- **Land Transfer Tax** revenues are forecast to decline by \$180 million, reflecting a weaker resale housing market than projected in the 2008 Budget.
- **Gasoline Tax** revenue is projected to be \$65 million lower than forecast in the 2008 Budget due to lower gasoline consumption resulting from higher gasoline pump prices.
- The \$207 million increase in **Government of Canada Transfers** is mainly due to:
 - \$25 million in federal funding, related to the Building Canada Plan, which will be received in 2008–09 instead of 2007–08, as the infrastructure framework agreement was signed on July 24, 2008;
 - \$150 million federal payment related to corporate tax harmonization being recorded in 2008–09 rather than 2007–08; and
 - \$31 million in funding under the Police Officers Recruitment Fund, which was not previously booked by the Province pending decisions on use of the funds. This amount is offset by an equivalent increase in expense as noted below.

2008–09 EXPENSE CHANGES SINCE 2008 BUDGET

Total expense in 2008–09 is currently projected to be \$96,302 million, an increase of \$132 million from the 2008 Budget forecast. This change in total expense primarily reflects an increase in the Ministry of Health and Long-Term Care for utilization-related expense in the OHIP program.

Summary of Expense Changes Since 2008 Budget (\$ Millions)	Table 3
Program Expense Changes with Contingency Fund Offsets This Quarter	
Ministry of Education – School Boards’ Net Expense – Grants for Student Needs funding.	187.5
Other Changes in Program Expense with Contingency Fund Offsets – mainly funding for flood relief response and repairs, and for the OMERS Administration Corporation.	7.1
Ministry of Finance – Operating Contingency Fund offsets	(191.5)
Ministry of Energy and Infrastructure – Capital Contingency Fund offsets	(3.1)
Net Program Expense Changes with Contingency Fund Offsets This Quarter	–
Additional Changes in Program Expense This Quarter	
Ministry of Health and Long-Term Care – utilization-related expense in the OHIP program.	100.0
Ministry of Community Safety and Correctional Services – increase to support recruitment of police officers.	31.0
Other Changes in Program Expense – primarily reflects funding for college training equipment.	1.1
Total Additional Changes in Program Expense This Quarter	132.1
Net Changes in Program Expense Reported in First Quarter Ontario Finances	–
Interest on Debt Changes	–
Total Expense Changes Since 2008 Budget	132.1

Details of 2008–09 In-Year Expense Changes

The following expense changes have occurred since the 2008–09 First Quarter Ontario Finances:

Program Expense Changes with Contingency Fund Offsets:

- An increase of \$187.5 million in the **Ministry of Education School Boards’ Net Expense** to enhance Grants for Student Needs funding to support salary benchmark increases for education sector staff.
- **Other Changes in Program Expense with Contingency Fund Offsets** reflect a net increase of \$7.1 million, which includes funding for flood relief services and repairs, and a one-time payment for the OMERS Administration Corporation to administer supplemental benefit plans.

The **Operating Contingency Fund** has decreased by \$191.5 million, and the **Capital Contingency Fund** has decreased by \$3.1 million, to fund ministries' expense changes as outlined.

Additional Changes in Program Expense:

- An increase of \$100.0 million in the **Ministry of Health and Long-Term Care** due to higher utilization-related expense in the OHIP program.
- An increase of \$31.0 million in the **Ministry of Community Safety and Correctional Services**, fully offset by federal revenue from the Police Officers Recruitment Fund announced in the 2008 federal budget. This federal transfer provides partial support for the recruitment of police officers to make communities safer.
- An increase of \$1.1 million in **Other Changes in Program Expense**, primarily due to funding for college training equipment, fully offset by federal revenue.

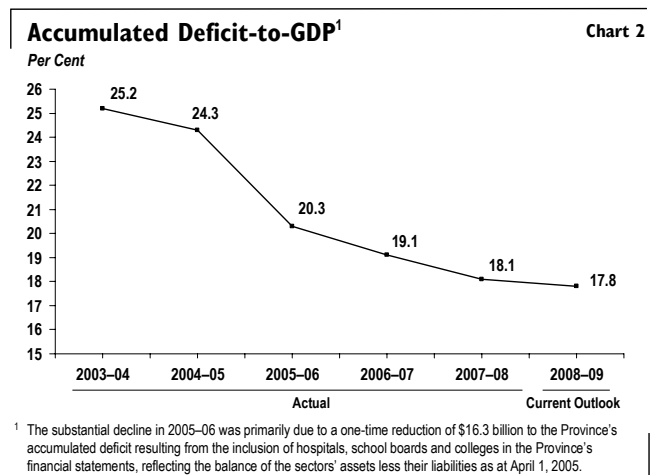
MAINTAINING A PRUDENT ACCUMULATED DEFICIT-TO-GDP RATIO

A key element of the government's fiscal plan is the commitment to maintain a prudent level of accumulated deficit relative to the size of Ontario's economy as measured by nominal gross domestic product (GDP). This contributes to responsible fiscal management that is long term in nature, so that future generations are not faced with the erosion of key programs and services.

Although a \$500 million deficit is forecast for 2008–09, the Province's accumulated deficit-to-GDP ratio is projected to improve to 17.8 per cent in 2008–09, down from 25.2 per cent in 2003–04.

This year's deficit is primarily the result of lower revenue growth due to heightened economic uncertainty, and is a clear indication of the government's commitment to do everything it can to protect investments in key public services.

Consistent with this approach, the government continues to pursue strategies to contain spending while doing all it can to protect key investments.



RISKS TO THE FISCAL OUTLOOK

Like many jurisdictions around the world, Ontario faces a much more challenging economic environment than both public and private forecasters expected at the time of the 2008 Budget. As a result, the Province's fiscal outlook is increasingly vulnerable to variances in both the revenue and expense outlooks. In particular, revenue risks are greater due to heightened global economic and financial uncertainty. Key cost drivers within the Province's expense outlook could also be affected, including pressures in demand-driven programs and services that arise from changes in the economic outlook, utilization or enrolment rates. Although the \$750 million reserve included in the 2008 Budget has been adjusted to offset a lower revenue outlook, prudence remains in the fiscal plan in the form of a reserve and contingency funds to help mitigate further changes arising from global economic uncertainty that could have an adverse impact on the Province's overall fiscal performance.

While the current outlook for Ontario's revenues has declined by \$918 million, risks that could have additional impacts on the revenue outlook for 2008–09 remain. In particular, ongoing developments in the world economy and financial markets could affect Ontario's overall economic performance. As well, as in past years, the revenue outlook could change as past years' tax return processing is finalized over the coming months. Corporations Tax revenues are subject to the greatest uncertainty, as these historically fluctuate considerably and information arriving late in the fiscal year can result in substantial changes to the outlook.

Risks to the expense outlook are especially evident in the health, education and social services sectors, which account for over two-thirds of total Provincial expense, and include assumptions about expected utilization, enrolment rates and caseloads, many of which are demand-driven and impacted by changes in Ontario's economic performance. For example, a one per cent increase in both Ontario Works and Ontario Disability Support Program caseloads would cost the Province an additional \$46 million a year.

Compensation costs and wage settlements, together with the investment performance of pension plans, are also key cost elements and could have a substantial impact on the finances of both broader public-sector (BPS) partners and the Province. With major contracts covering over 50 per cent of unionized workers in the BPS and approximately 85 per cent of employees in the Ontario Public Service (OPS) up for negotiation in 2008–09, the government will expect its bargaining agent partners in this new fiscal environment to achieve affordable agreements.

As the factors and assumptions comprising the revenue and expense forecasts interact and shift, fiscal and economic updates at various times of the fiscal cycle may include adjustments to the revenue and expense forecasts to reflect these changes. For example, a change of one per cent to total revenue or total expense in 2008–09 represents close to a \$1.0 billion change in the Province's overall fiscal outlook. While this change may be small relative to the government's \$96 billion budget, it can cause significant swings in the Province's surplus/deficit.

As part of its ongoing plan to prudently manage the Province's finances in the face of risks arising from global economic uncertainty, the government continues to pursue strategies to contain spending while doing everything it can to protect investments in key public services. This expenditure management includes delaying the implementation of and slowing down some new initiatives, undertaking a number of discretionary restraint initiatives that will realize savings, and requiring ministries to focus on the highest-priority programs and services through the results-based planning process. The 2008–09 fiscal plan also continues to maintain a cautious and prudent approach to fiscal planning, including a reserve and contingency funds.

Given global economic uncertainty, the government's immediate priority is to provide a fiscal update for 2008–09. The government continues to monitor Ontario's economic and fiscal situation closely, and will provide details about Ontario's medium-term fiscal plan and outlook in the 2009 Budget.

Detailed information on revenue and expense risks and sensitivities, including compensation costs, can be found in Chapter II of the 2008 Ontario Budget, Sections D and E respectively.

SECTION B | EXPENDITURE MANAGEMENT

The government has demonstrated its commitment to the prudent management of the Province's finances. To improve delivery of public services while managing growth in spending, the government has achieved efficiencies across the Ontario Public Service (OPS). Reportable savings of \$806 million were identified over the 2004–05 to 2007–08 period, exceeding the target of \$750 million. Savings were made possible through streamlined purchasing processes; reduced administrative costs; reduced energy and accommodation costs; improved use of information technology; and better harmonization and coordination of government operations.

The Province's commitment to finding efficiencies has reduced the overall cost of government administration from 15 per cent in 2003–04 to 12 per cent in 2007–08. In addition, Ontario's spending on general government services was \$124 per person in 2007–08 — the second-lowest rate among all provincial governments.

The government continues to pursue strategies to contain spending while doing everything it can to protect key public services that people depend on.

The government is taking action to manage its expenses in light of lower revenues and to provide fiscal flexibility. It is:

1. Delaying the implementation of and slowing down some new initiatives. Further information is available in materials released in conjunction with the *2008 Ontario Economic Outlook and Fiscal Review*.
2. Undertaking a number of discretionary restraint initiatives that will realize savings, including restrictions on government travel, consulting services, information technology and accommodation spending.
3. Requiring ministries through the 2009–10 results-based planning process to focus on the highest-priority programs and services while ensuring lower-priority programs are reviewed and assessed to look for improvements.

The Minister of Finance will continue to consult with Ontarians and other key groups and individuals to discuss how the Province can continue to manage expenses and do everything it can to protect key public services.

As Ontario faces these global economic conditions, the government is asking its Broader Public Sector (BPS) partners to help it in meeting these challenges. Broader Public Sector employers, as well as the OPS, face a heavy bargaining calendar in 2008–09. Major contracts, covering over 50 per cent of unionized workers in the BPS and approximately 85 per cent of employees in the OPS, are up for negotiations sometime during 2008–09. The government will expect its bargaining agent partners in this new fiscal environment to achieve affordable agreements.

While the Ontario Government continues to manage its expenses, \$76.6 billion (80 per cent) of total government spending in 2008–09 will be provided to transfer payment recipients. Funding will not be increasing in fiscal 2009–10 according to what was projected in the 2008 Budget last March. The government is confident that its transfer partners will work together with the Province to rise to the challenge of the current fiscal situation.

The Province continues to encourage its BPS partners to look for opportunities to modernize. For example, the OntarioBuys program has been innovative in extending supply-chain leading practices to hospitals, school boards, colleges and universities to realize efficiencies. In Toronto, a one-time government investment of \$2.6 million at four major Toronto hospitals is leading to \$21.1 million in savings over 10 years. A similar one-time government investment of \$2 million in London-area hospitals has achieved annual savings of \$1.9 million — a payback period of about one year. These are but two examples of the work being accomplished through the OntarioBuys program to ensure that Ontario tax dollars are used efficiently, and that health services continue to improve to meet Ontarians' needs. Once OntarioBuys is fully implemented across the hospital and education sectors, savings of up to \$100 million are expected, which can be reinvested back into front-line services.

Ontario will also work with government agencies to look for efficiencies in their operations.

SECTION C | DETAILS OF ONTARIO'S FINANCES

This section provides information on the Province's historical financial performance, key fiscal indicators and details of Ontario's current fiscal outlook.

2008–09 Fiscal Outlook (\$ Millions)	Table 4			
	Actual	Current	Change	
	2007–08	Outlook	\$ Millions	Per Cent
		2008–09		
Revenue	97,122	96,002	(1,120)	(1.2)
Expense				
Programs	87,608	87,411	(197)	(0.2)
Interest on Debt	8,914	8,891	(23)	(0.3)
Total Expense	96,522	96,302	(220)	(0.2)
Reserve	–	200	200	–
Surplus/(Deficit)	600	(500)	(1,100)	–
Net Debt ¹	142,418	146,311	3,893	2.7
Accumulated Deficit ¹	105,617	106,117	500	0.5

¹ 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, the change in net assets of hospitals, school boards and colleges and the change in the fair value of the Ontario Nuclear Funds. 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.

Revenue (\$ Millions)	Table 5				
				Actual	Current Outlook
	2004–05	2005–06	2006–07	2007–08	2008–09
Taxation Revenue					
Personal Income Tax	19,320	21,041	23,655	24,538	25,171
Retail Sales Tax	14,855	15,554	16,228	16,976	17,206
Corporations Tax	9,883	9,984	10,845	12,990	11,459
Employer Health Tax	3,886	4,197	4,371	4,605	4,821
Ontario Health Premium	1,737	2,350	2,589	2,713	2,809
Gasoline Tax	2,277	2,281	2,310	2,360	2,315
Land Transfer Tax	1,043	1,159	1,197	1,363	1,163
Tobacco Tax	1,453	1,379	1,236	1,127	1,092
Fuel Tax	727	729	723	733	742
Electricity Payments-In-Lieu of Taxes	511	951	757	546	600
Other Taxes	283	292	399	481	472
	55,975	59,917	64,310	68,432	67,850
Government of Canada					
Canada Health Transfer (CHT)	5,640	7,148	7,702	8,487	8,826
Canada Social Transfer (CST)	2,912	3,324	3,478	3,778	4,089
CHST Supplements	775	584	–	–	–
Social Housing	522	520	532	525	514
Wait Times Reduction Fund	242	243	467	468	235
Infrastructure Programs	209	285	191	207	259
Medical Equipment Funds	387	194	–	–	–
Other Government of Canada	1,195	953	1,666	3,132	2,741
	11,882	13,251	14,036	16,597	16,664
Income from Investment in Government Business Enterprises					
Ontario Lottery and Gaming Corporation	1,992	2,027	1,945	1,857	1,772
Liquor Control Board of Ontario	1,147	1,197	1,307	1,374	1,420
Ontario Power Generation Inc. and Hydro One Inc.	444	1,107	947	1,214	930
Other Government Enterprises	(5)	(23)	(3)	(8)	–
	3,578	4,308	4,196	4,437	4,122
Other Non-Tax Revenue					
Reimbursements ¹	1,241	1,295	1,415	1,464	1,382
Vehicle and Driver Registration Fees	976	763	970	1,051	1,044
Electricity Debt Retirement Charge	997	1,021	991	982	1,004
Power Sales	610	779	863	929	856
Sales and Rentals	352	465	1,108	553	701
Other Fees and Licences ¹	506	550	624	668	672
Liquor Licence Revenue	489	516	467	475	454
Net Reduction of Power Purchase Contract Liability	236	396	412	398	373
Royalties ¹	278	191	215	193	215
Miscellaneous Other Non-Tax Revenue	721	773	790	943	665
	6,406	6,749	7,855	7,656	7,366
Total Revenue	77,841	84,225	90,397	97,122	96,002

¹ The change from 2008 Budget Plan reflects reclassification to be consistent with treatment in the 2007–2008 Public Accounts of Ontario.

Total Expense
(\$ Millions)

Table 6

Ministry Expense	2004–05	2005–06¹	2006–07	Actual 2007–08	Current Outlook 2008–09
Aboriginal Affairs ²	21	50	25	33	55.6
Agriculture, Food and Rural Affairs ²	795	861	796	731	945.6
Attorney General ³	1,195	1,277	1,338	1,643	1,592.2
Board of Internal Economy	145	150	163	257	196.3
Children and Youth Services	2,793	3,271	3,264	3,721	4,086.1
Citizenship and Immigration ³	62	89	112	90	88.1
Community and Social Services	6,360	6,717	7,181	7,547	7,726.5
Community Safety and Correctional Services	1,732	1,749	1,876	2,003	2,140.7
Culture ²	346	478	414	350	379.8
Economic Development and Trade ^{2,4}	66	176	199	297	445.2
Education ²	365	440	423	446	472.3
School Boards' Net Expense	10,274	10,886	11,290	11,830	12,857.2
Energy and Infrastructure ^{2,4}	246	325	525	401	282.7
Environment	305	274	314	349	398.0
Executive Offices	34	31	37	36	36.3
Finance ²	534	578	564	455	557.4
Francophone Affairs, Office of	3	4	4	5	5.3
Government Services ^{2,4}	1,077	742	974	944	1,105.9
Health and Long-Term Care	17,512	17,799	19,121	20,375	21,712.4
Hospitals' Net Expense	13,877	14,816	16,145	17,381	18,436.3
Health Promotion	236	290	391	364	389.7
Labour	129	141	146	170	170.0
Municipal Affairs and Housing ²	770	926	843	744	799.5
Natural Resources ³	557	626	731	794	780.2
Northern Development and Mines	320	337	318	346	357.5
Research and Innovation ²	236	332	316	301	382.8
Revenue	523	442	563	554	610.6
Small Business and Consumer Services ^{3,4}	20	26	25	31	29.8
Tourism ³	167	210	204	234	177.4
Training, Colleges and Universities ²	3,297	3,509	4,115	4,384	4,825.3
Colleges' Net Expense	1,289	1,185	1,273	1,403	1,415.6
Transportation ²	1,744	1,802	1,794	1,899	1,960.9
Interest on Debt	9,368	9,019	8,831	8,914	8,891.0
Other Expense ²	2,998	4,369	3,813	7,490	3,091.7
Year-End Savings ⁵	–	–	–	–	(1,100.0)
Total Expense	79,396	83,927	88,128	96,522	96,301.9

¹ 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.

² Details on Other Ministry Expense can be found in Table 7, Other Expense.

³ Decline from 2007–08 to 2008–09 due to one-time initiatives in 2007–08.

⁴ Pending finalization of new ministry structure. Future updates will reflect adjusted ministry expense, including the newly formed Ministry of International Trade and Investment.

⁵ As in past years, the Year-End Savings provision reflects anticipated underspending that has historically arisen at year-end due to factors such as program efficiencies, and changes in project start-ups and implementation plans.

Note: Numbers may not add due to rounding.

Other Expense **Table 7**
(\$ Millions)

Ministry Expense	2004–05	2005–06	2006–07	Actual 2007–08	Current Outlook 2008–09
Aboriginal Affairs					
One-Time Expense for the First Nations Gaming Agreement	–	–	–	201	–
Agriculture, Food and Rural Affairs					
One-Time Extraordinary Assistance	458	125	259	274	–
Time Limited Assistance	143	157	19	76	166.5
Culture					
One-Time Investments	–	–	–	57	–
Economic Development and Trade ¹					
One-Time Investments	–	–	–	152	–
Education					
Teachers' Pension Plan ²	240	295	345	342	54.0
Energy and Infrastructure					
Capital Contingency Fund	–	–	–	–	171.9
One-Time Investments in Municipal Infrastructure	–	–	140	450	–
Finance					
Community Reinvestment Fund One-Time Transition Funding	233	–	–	–	–
Investing in Ontario	–	–	–	1,149	–
Ontario Municipal Partnership Fund ³	626	714	758	907	934.8
Operating Contingency Fund	–	–	–	–	193.4
Power Purchases	840	803	863	929	856.0
Government Services					
Pension and Other Employee Future Benefits	458	729	557	531	715.0
Municipal Affairs and Housing					
One-Time Investment in Municipal Social Housing Stock	–	–	–	100	–
Research and Innovation					
One-Time Investments	–	–	–	87	–
Training, Colleges and Universities					
One-Time Investments	–	–	–	699	–
Transportation					
One-Time Transit and Infrastructure Investments	–	1,546	872	1,536	–
Total Other Expense	2,998	4,369	3,813	7,490	3,091.7

¹ Pending finalization of new ministry structure. Future updates will reflect adjusted ministry expense.

² Numbers reflect accrued pension expense, not Ontario's contributions. Ontario's matching contributions to the plan grow from \$708 million in 2004–05 to \$808 million in 2007–08 and \$1,061 million in 2008–09.

³ The 2004–05 figure includes transfers under predecessor Community Reinvestment Fund.

Note: Numbers may not add due to rounding.

2008–09 Infrastructure Expenditures
(\$ Millions)

Table 8

Sector	Total Infrastructure Expenditures 2007–08 Actual	2008–09 Current Outlook		
		Investment in Capital Assets	Transfers and Other Expenditures in Infrastructure ¹	Total Infrastructure Expenditures
Transportation				
Transit	1,857.6	901.0	349.9	1,250.9
Highway Construction	1,452.2	1,484.3	–	1,484.3
Other Transportation ²	710.3	520.5	70.7	591.3
Health				
Hospitals	638.0	1,045.7	2.5	1,048.2
Other Health	285.9	60.8	187.4	248.1
Education				
School Boards	950.4	–	1,018.6	1,018.6
Colleges	183.3	202.0	–	202.0
Universities	677.6	–	54.8	54.8
Water/Environment	387.7	16.3	286.9	303.2
Municipal and Local Infrastructure ³	1,794.8	33.1	274.9	308.0
Justice	215.2	426.2	49.7	475.9
Other	717.1	244.9	294.1	539.0
Total⁴	9,870.1	4,934.7	2,589.5	7,524.2

¹ 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 expense in Tables 6 and 7.

² Other Transportation includes planning activities, property acquisition, and other infrastructure programs (e.g., Municipal/Local Roads/Remote Airports).

³ Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector. 2007–08 actual expenditures include \$1,149 million under the *Investing in Ontario Act, 2008*.

⁴ Total expenditures in 2008–09 include \$48 million in flow-throughs in Investment in Capital Assets (for provincial highways) and \$225 million in flow-throughs in Transfers and Other Expenditures in Infrastructure (\$15 million in Transportation, \$15 million in Health, \$67 million in Water/Environment, \$128 million in Municipal and Local Infrastructure).

Note: Numbers may not add due to rounding.

Ten-Year Review of Selected Financial and Economic Statistics
(\$ Millions)

	1999–00	2000–01	2001–02
Financial Transactions			
Revenue	65,042	66,294	66,534
Expense			
Programs	53,347	53,519	55,822
Interest on Debt	11,027	10,873	10,337
Total Expense	64,374	64,392	66,159
Reserve	–	–	–
Surplus/(Deficit)	668	1,902	375
Net Debt^{3,4}	134,398	132,496	132,121
Accumulated Deficit⁵	134,398	132,496	132,121
Gross Domestic Product (GDP) at Market Prices	409,020	440,759	453,701
Personal Income	321,702	347,653	361,187
Population — July (000s)	11,505	11,683	11,897
Net Debt per Capita (dollars)	11,682	11,341	11,106
Personal Income per Capita (dollars)	27,963	29,756	30,360
Total Expense as a per cent of GDP	15.7	14.6	14.6
Interest on Debt as a per cent of Revenue	17.0	16.4	15.5
Net Debt as a per cent of GDP	32.9	30.1	29.1
Accumulated Deficit as a per cent of GDP	32.9	30.1	29.1

¹ 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 are 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.

² 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.

³ 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, the change in net assets of hospitals, school boards and colleges and, effective April 1, 2007, the change in the fair value of the Ontario Nuclear Funds.

⁴ Net Debt is restated in 2003–04, 2004–05 and 2005–06 to reflect the value of hydro corridor lands transferred to the Province from Hydro One Inc.

⁵ 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 plus, effective April 1, 2007, the change in the fair value of the Ontario Nuclear Funds. 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. For fiscal 2006–07, the change in the Accumulated Deficit includes an adjustment to the unfunded liability of the Ontario Electricity Financial Corporation made at the beginning of the year. For fiscal 2007–08, a \$1.2 billion decrease in the Accumulated Deficit is made up of \$0.6 billion in the Province's operating surplus, with the remainder resulting from a change in accounting policy. Under this change, Ontario Nuclear Funds Agreement (ONFA) funds are reported at fair value on Ontario Power Generation Inc. (OPG) books and, upon consolidation, on the Province's consolidated financial statements.

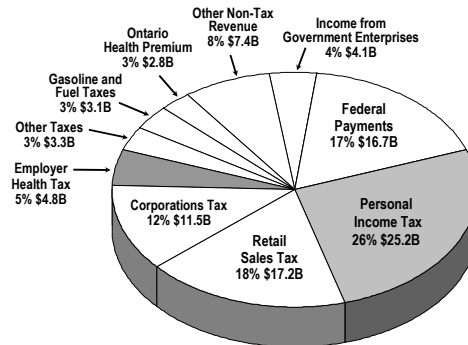
Sources: Ontario Ministry of Finance and Statistics Canada.

Table 9

2002–03 ¹	2003–04	2004–05	2005–06 ²	2006–07	Actual 2007–08	Current Outlook 2008–09
68,891	68,400	77,841	84,225	90,397	97,122	96,002
59,080	64,279	70,028	74,908	79,297	87,608	87,411
9,694	9,604	9,368	9,019	8,831	8,914	8,891
68,774	73,883	79,396	83,927	88,128	96,522	96,302
–	–	–	–	–	–	200
117	(5,483)	(1,555)	298	2,269	600	(500)
132,647	138,816	140,921	141,928	141,100	142,418	146,311
118,705	124,188	125,743	109,155	106,776	105,617	106,117
477,763	493,081	517,068	536,431	559,840	584,053	596,245
369,420	381,127	401,066	419,253	441,371	463,520	483,104
12,091	12,242	12,391	12,528	12,665	12,794	12,929
10,971	11,339	11,373	11,328	11,141	11,132	11,317
30,553	31,132	32,369	33,464	34,849	36,231	37,366
14.4	15.0	15.4	15.6	15.7	16.5	16.2
14.1	14.0	12.0	10.7	9.8	9.2	9.3
27.8	28.2	27.3	26.5	25.2	24.4	24.5
24.8	25.2	24.3	20.3	19.1	18.1	17.8

**Composition of Revenue
2008–09**

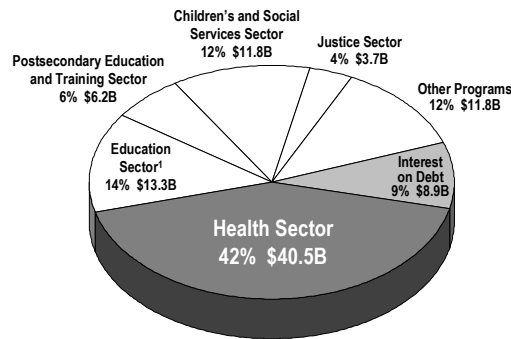
Chart 3



Note: Numbers may not add due to rounding.

**Composition of Total Expense
2008–09**

Chart 4

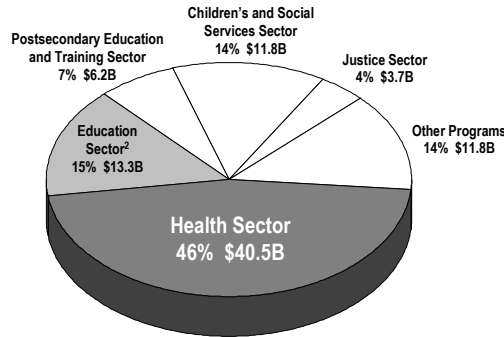


¹ Excludes Teachers' Pension Plan

Note: Numbers may not add due to rounding.

**Composition of Program Expense¹
2008–09**

Chart 5



¹ Program expense equals total expense minus interest on debt.

² Excludes Teachers' Pension Plan.

Note: Numbers may not add due to rounding.