

PAPER B

Fiscal Responsibility: Ontario's Plan

Introduction

Ontario's fiscal position has been restored. As a result of the government's economic and fiscal policies, and its prudent approach to budgeting, Ontario has achieved two consecutive budget surpluses, recording a \$668 million surplus in 1999-2000, and a surplus of \$3.2 billion projected for 2000-01. With its 2001 Budget, the Province is on track to achieve a third consecutive balanced budget, and has in place the policies needed to maintain a balanced budget into the future. This will enable the government to continue to reduce Net Provincial Debt and the burden of interest costs on taxpayers both now and in the future.

In 1995, the government outlined its Balanced Budget Plan to steadily reduce the deficit and balance the budget. The 2001 Budget demonstrates that the Province's commitment to a balanced budget is ongoing. With the passage of the *Taxpayer Protection Act* and the *Balanced Budget Act* in 1999, the people of Ontario are assured that the Province's finances will continue to be managed wisely in 2001-02 and in the years to come.

Ontario's recent fiscal performance has been outstanding. With strong economic growth and a cautious and prudent approach to budgeting, the Balanced Budget Plan targets were overachieved each year and the budget was balanced in 1999-2000, one year ahead of schedule. With a \$1.0 billion reduction in Net Provincial Debt in 1999-2000 and a record \$3.0 billion contribution projected for 2000-01—the largest single-year debt reduction in the Province's history—the government has achieved 80 per cent of its \$5 billion debt-reduction commitment in the first two years of this mandate.

This paper reviews the following:

Section I: Interim Results for 2000-01

Section II: Ontario's 2001-02 Fiscal Plan

Section III: Medium-Term Outlook

Section IV: Ontario's Fiscal Record

Section V: Next Steps in Paying Down Debt

Section I: Interim Results for 2000-01

Second Consecutive Surplus

In 1999-2000 Ontario recorded a \$668 million surplus, balancing the budget in just five years—one full year ahead of the schedule laid out in the Balanced Budget Plan. With a \$3,192 million surplus projected for 2000-01, Ontario will have achieved two consecutive surpluses for the first time in more than half a century.

2000-01 In-Year Fiscal Performance

(\$ Millions)

	Budget Plan	Interim	In-Year Change
Revenue	62,060	64,927	2,867
Expenditure			
Programs	49,525	50,428	903
Restructuring and Other Charges	-	31	31
Total Program Expenditure	49,525	50,459	934
Capital	2,075	2,075	-
Public Debt Interest			
Provincial	8,940	8,883	(57)
Electricity Sector	520	520	-
Total Expenditure	61,060	61,937	877
Less: Reserve	1,000	-	(1,000)
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	-	202	202
Surplus / (Deficit)	0	3,192	3,192

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

Source: Ontario Ministry of Finance.

Revenue was \$2,867 million over the level projected in the 2000 Budget Plan. Most of the increase was due to higher tax revenue, which was \$2,339 million above the Budget forecast. This was a result of strong economic growth supported by the government's policies of lower taxes, reduced regulation, and sound fiscal management.

- , Total expenditure was \$877 million higher than projected in the 2000 Budget, mainly due to the impact of accounting changes introduced in the 1999-2000 Public Accounts and priority in-year investments in health care spending and health and education infrastructure, largely offset by underspending in other areas.

- , Ontario's 2000 Budget Plan included a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. Based on improvements in the economic and revenue outlook, the \$1 billion reserve was eliminated in-year and applied to reduce Net Provincial Debt.

Strong 2000-01 Revenue Performance

Ontario's strong revenue performance continued in 2000-01. Total revenue in 2000-01 was \$64,927 million, \$2,867 million above the 2000 Budget projection of \$62,060 million. Tax revenue, driven by the strength of the Ontario economy and continued job creation, was \$2,339 million above projection. Personal Income Tax, Retail Sales Tax, Corporations Tax, Employer Health Tax and Land Transfer Tax were all above the 2000 Budget forecast. Income from Government Enterprises and Federal Payments were also higher than projected in the 2000 Budget.

Summary of In-Year Changes to Revenue in 2000-01

(\$ Millions)

		Interim 2000-01
Taxation Revenue		
Personal Income Tax	1,445	
Retail Sales Tax	357	
Corporations Tax	365	
Employer Health Tax	135	
Land Transfer Tax	50	
All Other	(13)	
	<u> </u>	2,339
Federal Payments		
Canada Health and Social Transfer	38	
All Other	162	
	<u> </u>	200
Income from Government Enterprises		
Ontario Lottery and Gaming Corporation	455	
Ontario Power Generation Inc., and Hydro One Inc.	123	
All Other	(33)	
	<u> </u>	545
Other Revenue		
Miscellaneous	175	
Local Services Realignment—Reimbursement of Expenditure	(183)	
Sales and Rentals	(205)	
All Other	(4)	
	<u> </u>	(217)
Total In-Year Revenue Changes		2,867

Source: Ontario Ministry of Finance.

- , Personal Income Tax (PIT) revenue was \$1,445 million above the 2000 Budget projection. PIT revenues benefited from strong income, employment and capital gains growth. Of the \$1,445 million increase, \$764 million is a one-time revenue for higher 1999-2000 PIT than reported in the 1999-2000 Public Accounts.
- , Retail Sales Tax was \$357 million higher than forecast as a result of the strength of consumer spending in 2000.
- , Corporations Tax revenue was \$365 million above forecast. This includes \$250 million in one-time revenue in 2000-01 for higher 1999-2000 Corporations Tax revenue than estimated in the 1999-2000 Public Accounts. Corporate profits in 2000-01 grew faster than projected in the 2000 Budget.
- , Robust income and employment growth in 2000 increased Employer Health Tax revenue by \$135 million over the 2000 Budget forecast.
- , The vigorous Ontario housing market boosted Land Transfer Tax revenue by \$50 million above the 2000 Budget projection.
- , Due to the impact of higher energy prices on gas and fuel consumption, Gasoline Tax was \$18 million below the 2000 Budget projection and Fuel Tax revenue was \$14 million below.
- , Federal Payments were \$200 million above the 2000 Budget projection. This increase includes \$190 million for medical equipment. Other changes to Federal Payments are primarily the result of Canada Millennium Scholarships being paid directly to recipients rather than through the Province, reducing expenditure and revenue in-year by \$106 million.
- , Income from Government Enterprises was \$545 million higher than the 2000 Budget projection. Higher Ontario Lottery and Gaming Corporation net income accounted for \$455 million of the increase, a result of higher-than-projected income from casinos and slot machines at race tracks. Net income from Ontario Power Generation Inc., and Hydro One Inc., outperformed the 2000 Budget projection by \$123 million. This increase was due primarily to higher Ontario Power Generation net income, a result of higher electricity sales volume in Ontario and lower expenses due to higher returns on pension fund assets.

- , Sales and Rentals revenue was \$205 million below the Budget projection reflecting lower asset sales and lower revenue from government organizations. The lower government organizations' revenue primarily reflects lower Ontario Housing Corporation (OHC) revenue due to the acceleration of the OHC transfer to municipalities.

- , Local Services Realignment revenue was \$183 million lower than estimated in the 2000 Budget, reflecting lower reimbursable expenditures on behalf of municipalities.

- , Miscellaneous revenue was \$175 million more than projected. This includes a \$344 million increase for the consolidation of the Independent Electricity Market Operator as a government organization. This in-year change parallels the treatment of this organization in the 1999-2000 Public Accounts.

2000-01 In-Year Operating Expenditure Changes

Operating expenditure for 2000-01 at \$59,862 million is up \$877 million from the 2000 Budget forecast of \$58,985 million. This increase is mainly due to the impact in 2000-01 of accounting changes introduced in the 1999-2000 Public Accounts, and in-year investments in health care, largely offset by underspending in other program areas.

Summary of In-Year Operating Expenditure Changes in 2000-01

(\$ Millions)

	Interim 2000-01
Program Expenditure Changes:	
Health Care Funding (Net)	775
Municipal Assistance	216
Northern Ontario Heritage Fund Corporation—lower-than-planned spending	(157)
Canada Millennium Scholarships—paid directly to recipients	(106)
Ontario Cancer Research Network	(50)
Other (Net)	<u>(500)</u>
	178
Accounting Changes*	
Electricity Sector—increase in provision	398
Independent Electricity Market Operator—consolidation impact offset by revenue	321
Metro Toronto Convention Centre—consolidation impact offset by revenue	<u>37</u>
	756
Total Program Expenditure Changes	934
Public Debt Interest	(57)
Total In-Year Operating Expenditure Changes	877

* Accounting changes introduced in the 1999-2000 Public Accounts increased 2000-01 operating expenditure in-year by \$756 million.

Source: Ontario Ministry of Finance.

Health care operating spending increased by a net \$775 million in-year primarily for hospitals, which received \$443 million in funding enhancements, \$177 million to fund hospital deficits, and \$120 million to provide performance bonuses to efficient hospitals. In addition, \$189 million was provided in-year for medical equipment and an extra \$105 million was allocated for drug programs due to increased utilization. These increases were partially offset by reprofiling the implementation schedule for long-term care beds, reductions in OHIP utilization and slower-than-anticipated take-up of new programs, which resulted in savings of \$259 million.

- , An additional \$166 million was provided in-year to the cities of Hamilton, Ottawa and Greater Sudbury, and the counties of Haldimand and Norfolk, for municipal assistance related to restructuring. In addition, a final contribution of \$50 million was provided to reimburse the City of Toronto for improvements already made to Toronto's subway system.
- , Northern Ontario Heritage Fund Corporation (NOHFC) spending was \$157 million lower than planned in 2000-01, as NOHFC refocused its mandate and worked to develop a strategy for major capital partnerships. Funds not allocated in 2000-01 will be invested in the North in future years.
- , Canada Millennium Scholarships were paid directly to recipients, rather than through the Province, resulting in an in-year expenditure and revenue decrease of \$106 million.
- , Funding to establish the Ontario Cancer Research Network was reprofiled into future years, resulting in a \$50 million in-year reduction in spending.
- , Public Debt Interest costs are down \$57 million due to the reduction in Net Provincial Debt, lower-than-expected interest rates, and cost-effective debt management.

Accounting Changes

- , Consistent with the government's commitment to keep electricity income in the electricity sector, \$398 million has been added in-year to the Provision for the Electricity Sector. This provision is equal to the net income of Ontario Power Generation Inc. and Hydro One Inc. in excess of the Province's interest expenditure on its equity investment in the electricity sector. This treatment is consistent with the establishment of the provision in the 1999-2000 Public Accounts.
- , Reported spending increased \$321 million in-year to reflect the operating component of the consolidation of the Independent Electricity Market Operator as a government organization, consistent with the treatment in the 1999-2000 Public Accounts. This increase is offset by revenue.
- , Reported spending increased \$37 million in-year as a result of the consolidation of the Metro Toronto Convention Centre as a government organization, consistent with the treatment in the 1999-2000 Public Accounts. This increase is offset by revenue.

In-Year Capital Expenditure Changes

The level of 2000-01 capital expenditure at \$2,075 million is unchanged from the 2000 Budget forecast. Major in-year changes include one-time investments in hospital restructuring and post-secondary education, offset by lower-than-expected spending in the first year of a number of SuperBuild partnership initiatives and other capital projects.

Summary of In-Year Capital Expenditure Changes in 2000-01

(\$ Millions)

	Interim 2000-01
Health Services Restructuring—accelerated capital projects	140
Post-Secondary Institutions—funding for deferred maintenance	100
Ontario Institute of Technology	60
SuperBuild Partnership Initiatives	(334)
Adult Infrastructure Renewal Project and Dedicated Young Offender System	(61)
Courts Construction Projects	(24)
Other (Net)	<u>39</u>
	(80)
Accounting Changes*	
Independent Electricity Market Operator—consolidation impact	80
Total In-Year Capital Expenditure Changes	0

* Accounting changes introduced in the 1999-2000 Public Accounts increased 2000-01 capital expenditure in-year by \$80 million.

Source: Ontario Ministry of Finance.

- , An additional \$140 million was provided in-year to hospitals to help accelerate Health Services Restructuring Commission (HSRC) directed capital projects.
- , An additional \$100 million was provided to post-secondary institutions in-year to fund deferred maintenance costs incurred by colleges and universities.
- , Expenditure increased \$60 million in-year for the establishment of the Ontario Institute of Technology, a new post-secondary institution in Durham region that will offer university-degree and college-level programs.

- , Underspending of \$334 million in the SuperBuild Partnership Initiatives was due to decisions to delay launching of these initiatives to take into account the November 2000 elections and the time required by municipalities to prepare business cases for their projects and pass required municipal council resolutions.
- , Slower-than-expected construction of capital projects under both the Adult Infrastructure Renewal Project and the Dedicated Young Offender System resulted in underspending of \$61 million.
- , Underspending of \$24 million in the Ministry of the Attorney General was due to delays in court construction projects in Pembroke, Brampton, Owen Sound, Chatham and Brockville.
- , Reported expenditure increased \$80 million in-year to reflect the capital component of the consolidation of the Independent Electricity Market Operator as a government organization, consistent with the treatment in the 1999-2000 Public Accounts.

Local Services Realignment Transition Measures

Provincial and municipal levels of government initiated the realignment of government services effective January 1, 1998. The objective of the Local Services Realignment (LSR) initiative is to improve accountability, reduce waste and provide the highest quality services to Ontario taxpayers at the lowest possible cost.

The financial responsibility for a number of LSR programs was transferred to municipalities starting on January 1, 1998. To ensure a smooth transition, the Province is continuing to deliver some of these programs on behalf of municipalities, pending program transfer. Municipalities reimburse the Province for the expenditures made on their behalf. Of the remaining LSR programs listed below, those associated with Social Assistance (the Ontario Disability Support Program and Ontario Drug Benefits) will not be transferred to municipalities.

Local Services Realignment Transition Measures: Impact on Fiscal Plan

(\$ Millions)

	2000-01	2001-02
Transition Expenditures		
Social Housing	683	585
Social Assistance	520	554
Land Ambulance	57	0
Provincial Offences Act	8	4
Grant in Respect of Provincial Offences Act Net Revenues	37	7
Total Increase in Expenditure	1,305	1,150
Reimbursement of Expenditure from Municipalities	1,254	1,133
Provincial Offences Act Revenue	45	11
Net Impact on Surplus	(6)	(6)

Source: Ontario Ministry of Finance.

- Social Housing expenditures decline by \$98 million from \$683 million in 2000-01 to \$585 million in 2001-02 as a result of the transfer of the public housing component of the program to municipalities effective January 1, 2001.
- Caseload increases in the Ontario Disability Support Program contribute to the \$34 million increase in Social Assistance expenditures, from \$520 million in 2000-01 to \$554 million in 2001-02. Municipalities will benefit from year-over-year declines in Ontario Works caseloads, saving them approximately \$50 million.

- , There are no transition expenditures for Land Ambulance services in 2001-02 since the program was devolved by January 1, 2001.

- , With the majority of the *Provincial Offences Act* court transfers completed, transition expenditures for this program decline significantly in 2001-02.

Section II: Ontario's 2001-02 Fiscal Plan

Third Consecutive Balanced Budget

Ontario is on track for a balanced budget in 2001-02. With surpluses recorded in each of the past two years, the Province's budget will be balanced for the third year in a row.

2001-02 Fiscal Plan

(\$ Millions)

	Interim 2000-01	Plan 2001-02	Change	
			\$ Million	Per Cent
Revenue	64,927	64,270	(657)	(1.0)
Expenditure				
Programs	50,428	52,011	1,583	3.1
Restructuring and Other Charges	31	-	(31)	(100.0)
Total Program Expenditure	50,459	52,011	1,552	3.1
Capital	2,075	1,944	(131)	(6.3)
Public Debt Interest				
Provincial	8,883	8,795	(88)	(1.0)
Electricity Sector	520	520	-	-
Total Expenditure	61,937	63,270	1,333	2.2
Less: Reserve	-	1,000	1,000	-
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	202	140	(62)	(30.7)
Surplus / (Deficit)	3,192	140	(3,052)	(95.6)

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

Source: Ontario Ministry of Finance.

- , Total expenditure in 2001-02 is projected at \$63,270 million, up \$1,333 million from the 2000-01 level of \$61,937 million, mainly due to increased base health care spending in 2001-02.
- , As part of the Province's prudent budgeting practices, a \$1 billion reserve has been included in the 2001-02 fiscal plan to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

2001-02 Revenue Outlook

Ontario's strong revenue performance continued in 2000-01, driven by the robust performance of the Ontario economy. Revenue is projected to decline in 2001-02, largely as a result of one-time revenues included in 2000-01.

2000-01 Revenues

(\$ Millions)

	Actual 1999-00	Interim 2000-01	Plan 2001-02
Taxation	45,881	49,662	48,820
Federal Payments	5,885	6,232	7,359
Income from Government Enterprises	3,708	3,968	3,424
Other Revenue	7,457	5,065	4,667
Total Revenue	62,931	64,927	64,270
Total Revenue Excluding One-Time Tax Revenue in 2000-01*	62,931	63,913	64,270

* Excludes one-time Personal Income Tax revenue of \$764 million and Corporations Tax revenue of \$250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenues for 1999-2000 than reported in the 1999-2000 Public Accounts.

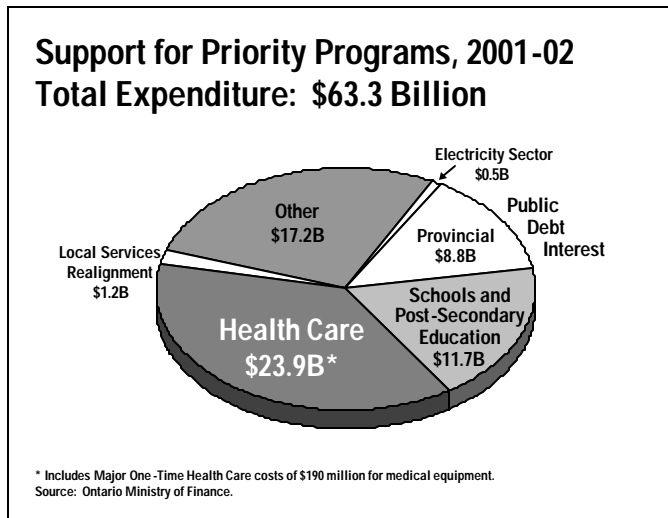
Source: Ontario Ministry of Finance.

- , Revenue in 2001-02 is projected at \$64,270 million, down \$657 million from the level recorded in 2000-01, primarily as a result of one-time revenues included in 2000-01.
- , Details on the 2001-02 revenue outlook can be found in Budget Paper A, *Growth Continues: Ontario's Economic and Revenue Outlook*.

2001-02 Expenditure Outlook

The government's expenditure plan continues to focus on priority sectors, including health care and education, while improving efficiency and effectiveness in the delivery of government services.

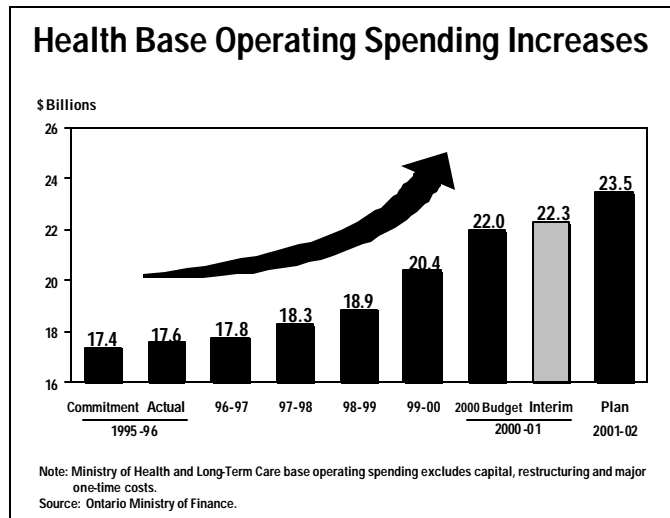
- , In 2001-02 total base health care funding, excluding Local Services Realignment and ambulance reimbursements, will be \$23.9 billion.
- , Provincial spending on schools and post-secondary education will be \$11.7 billion in 2001-02.



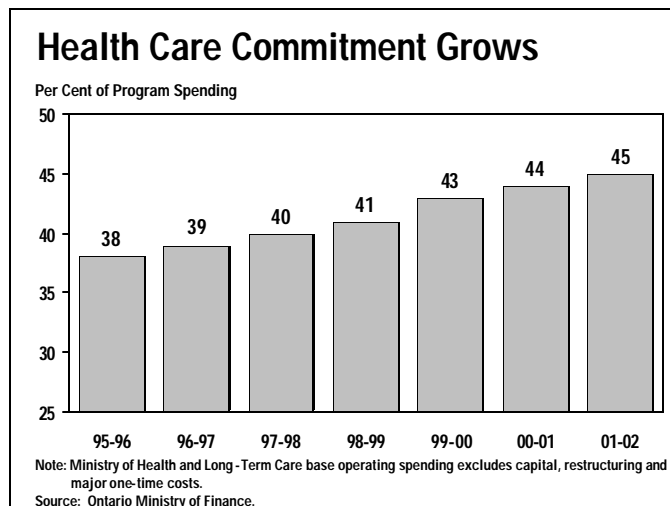
Ontario's Continued Commitment to Health Care

Since the government assumed office, Ontario's base operating spending for health care has increased steadily each year. Between 1994-95 and 2000-01, health base operating spending increased by \$4.7 billion. This year, it will increase a further \$1.2 billion to \$23.5 billion which is equivalent to \$745 per second.

In 1999, the government made a commitment to increase health care spending by 20 per cent to \$22.7 billion by 2003-04. The government will exceed this commitment in 2001-02, two years ahead of the original schedule.



Health care spending is consuming an increasing share of government spending capacity. In 1995-96, base health care spending made up 38 per cent of government program expenditures (excludes capital and public debt interest). Health care's share grew to 44 per cent in 2000-01 and will increase to 45 per cent in 2001-02.



Increased Funding for Health Care Exceeding CHST Commitment

In September 2000, in response to the federal announcement of additional funding for health care, the Province challenged the federal government to restore the CHST and to do more to help provinces maintain quality health services. Ontario called on the federal government to commit to paying, at a minimum, 18 per cent of the nation's health and social services bill, the same level paid before it started cutting in 1994-95.

Ontario had already made a commitment to use any additional health funding provided by the Government of Canada, including amounts announced in the 1999 and 2000 federal budgets, for health care.

In December 2000, the Second Quarter Ontario Finances reported an increase, or acceleration, of health care spending of \$498 million, almost half of the \$1,070 million federal enhancement to be provided in 2001-02.

Ministry of Health and Long-Term Care Spending: Selected Years

(\$ Millions)

	Actual 1994-95	Actual 1998-99*	Interim 2000-01**	Plan 2001-02†	Change from Interim
Base Operating	17,599	18,867	21,779	23,486	1,707
Accelerated Health Care Commitment	-	-	498	-	(498)
Capital Expenditures	249	187	211	200	(11)
Total	17,848	19,054	22,488	23,686	1,198
Less: Local Services Realignment (LSR) Land Ambulance Reimbursements	0	(166)	(57)	0	57
Total Base Excluding LSR Land Ambulance Reimbursements	17,848	18,888	22,431	23,686	1,255
Increase in Base Operating since 1994-95 (includes accelerated health care commitment)			4,678	5,887	
Increase in Base Total since 1998-99			3,543	4,798	
Increase in Base Total since 2000 Budget				1,501	

* 1998-99 excludes \$50 million in health care restructuring and \$639 million in Major One-Time Operating Costs including \$120 million startup for Canadian Blood Services, \$200 million to compensate persons who contracted Hepatitis C through the blood system prior to 1986 or after 1990, \$229 million in one-time assistance to hospitals and \$90 million in Ministry and Broader Public Sector Year 2000 computer system changes.

** 2000-01 excludes Major One-Time Operating Costs of \$486 million (\$189 million for medical equipment, \$120 million for performance bonuses to efficient hospitals and \$177 million to fund hospital deficits) and Major One-Time Capital Costs of \$140 million for HSRC capital grants.

† 2001-02 excludes Major One-Time Operating Costs of \$190 million for medical equipment.

Source: Ontario Ministry of Finance.

- , Since 1998-99, Ontario's total base health care spending (operating and capital) has increased by \$4,798 million, as compared to \$2,379 million in restored federal funding. Total base health care spending is \$1,501 million higher than the 2000 Budget forecast of \$22.2 billion, exceeding Ontario's commitment to invest all of the \$1,070 million in restored 2000-01 Canada Health and Social Transfer (CHST) funding from the federal government in health care.

- , Since 1994-95, Ontario's total base health care spending (operating and capital) has increased by \$5,887 million. That same year, federal funding began a steady decline until 1999-2000 when the federal government finally started restoring some of the cuts it had made. In 2001-02, however, federal CHST transfers to Ontario are still lower than the amounts transferred to the Province in 1994-95.

Ensuring Accessibility in Post-Secondary Education

The government is taking action to ensure that every willing and qualified Ontario student secures a place in a post-secondary education program. By 2003-04, enrolment in Ontario's colleges and universities will increase significantly as a result of secondary-school reform, population growth and a larger proportion of the population pursuing a post-secondary education.

To ensure that post-secondary institutions have the necessary resources to provide students with a high-quality education, the government will increase operating grants to colleges and universities by an estimated \$293 million by 2003-04, directly proportional to the projected enrolment growth. This multi-year funding commitment will allow institutions to hire new faculty and plan for the future. A portion of operating grants will be distributed based on performance and accountability measures to encourage efficiency in the post-secondary education sector.

Grants to Colleges and Universities

(\$ Millions)

	Actual 1999-00	Interim 2000-01	Plan 2001-02
Operating Grants to Colleges and Universities	2,291	2,364	2,394
Access to Opportunities Program (ATOP)	78	87	86
Total Operating Grants to Colleges and Universities	2,369	2,451	2,480
Capital	1,028	202	48

Source: Ontario Ministry of Finance.

- , Planned operating grant increases will complement significant capital investments already made. In 1999-2000, through SuperBuild, the Province invested over \$1 billion in colleges and universities. Combined with partner contributions, the total investment of \$1.8 billion will enable the creation of more than 73,000 new student spaces.
- , To help students manage the costs of their education, the Ontario Student Loan Program will be harmonized with the Canada Student Loan Program. In addition, the government will introduce legislation to establish an entity to facilitate financing for Ontario Student Loans on the best terms possible for taxpayers and for students.

- , These initiatives build on previous measures to assist students such as the Ontario Student Opportunities Trust Fund, which raised \$600 million to assist 185,000 students over 10 years, enhancements to the Ontario Graduate Scholarship awards, and Aiming for the Top scholarships, which have helped 4,000 high school students finance tuition costs this academic year.
- , The government will provide \$10 million over the next six years to establish the Premier's Platinum Awards, which will reward the very best senior researchers in the province. In addition to enhancing the government's existing \$85 million commitment under the highly successful Premier's Research Excellence Awards program, the Platinum Awards underscore to the global research and development community Ontario's commitment to research excellence and support for top research talent.

Ontario Institute of Technology

- , The government has provided \$60 million in capital funding for the establishment of Ontario's newest university, the Ontario Institute of Technology, in Durham Region. Responding to the skills needs of the global and local marketplace, this university will focus on preparing students for careers that call for both practical skills and theoretical grounding.
- , The Ontario Institute of Technology will prepare students for careers in such important fields as the applied health sciences, business and information technology and advanced manufacturing, and will give students flexibility by letting them move seamlessly between college and university programs.

Training and Innovation

- , The government will provide new funding to double the number of entrants to apprenticeship programs in the skilled trades from 11,000 in 1998-99 to 22,000. When the program is fully implemented, funding will amount to \$33 million annually. In addition, \$50 million in capital funding will be provided over five years for an Apprenticeship Enhancement Fund to upgrade equipment and facilities in colleges.

Support for Health Care, Charities, Communities and the Agricultural Sector

Legislation requires that net provincial revenue generated from charity casinos and race track slot machines support priority services, including health care, the problem gambling program, and funding for charitable organizations through the Ontario Trillium Foundation.

Support for Health Care, Charities and Problem Gambling Program

(\$ Millions)

	Interim 2000-01	Plan 2001-02
Health Care	556	529
Ontario Trillium Foundation	100	100
Problem Gambling Program	17	21
Total	673	650

Source: Ministry of Tourism, Culture and Recreation.

Provincial revenues from charity casinos and slot machines at race tracks are used as follows:

- , In 2001-02, \$529 million of provincial revenue from charity casinos and slot machines at race tracks will be dedicated to support health care priorities.
- , The Ontario Trillium Foundation is provided with \$100 million annually for distribution to charitable and not-for-profit organizations throughout the province. The Foundation's Annual Report identifies the charities and not-for-profit organizations that have received funding.
- , Two per cent of gross slot machine revenue is allocated to support problem gambling treatment, prevention and research. In 2001-02, this is estimated to be \$21 million.

Other beneficiaries of charity casinos and slot machines at race tracks include:

- , Twenty per cent of gross race track slot machine revenue is provided directly to the horse-racing industry. For 2001-02, this support is estimated at \$228 million. Since its inception, the slot machine initiative has preserved and enhanced the 45,000 jobs in Ontario's horse-racing industry, a key part of the Province's agricultural sector.

- , A portion of gross slot machine revenue, estimated at \$55 million, is also being provided to benefit municipalities that host charity casinos and slot operations at race tracks, including funding to help offset any additional local infrastructure and service costs.

Section III: Medium-Term Outlook

Ontario's medium-term forecast is projecting that the budget will remain balanced into the medium term, consistent with the requirements of the *Balanced Budget Act, 1999*.

Medium-Term Fiscal Outlook

(\$ Billions)

	Actual 1999-00	Interim 2000-01	Plan 2001-02	Forecast 2002-03
Revenue	62.9	64.9	64.3	65.5
Expenditure				
Programs	47.4	50.4	52.0	53.2
Restructuring and Other Charges	0.2	-	-	-
Total Program Expenditure	47.6	50.5	52.0	53.2
Capital	4.8	2.1	1.9	2.0
Public Debt Interest				
Provincial	9.0	8.9	8.8	8.8
Electricity Sector	0.5	0.5	0.5	0.5
Total Expenditure	61.9	61.9	63.3	64.5
Less: Reserve	-	-	1.0	1.0
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	(0.4)	0.2	0.1	0.7
Surplus / (Deficit)	0.7	3.2	0.1	0.7

Note: Numbers may not add due to rounding.

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

Source: Ontario Ministry of Finance.

The 2001-02 Budget Plan and 2002-03 forecast each include a \$1 billion reserve to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. If the reserve is not required, it will be applied to debt reduction.

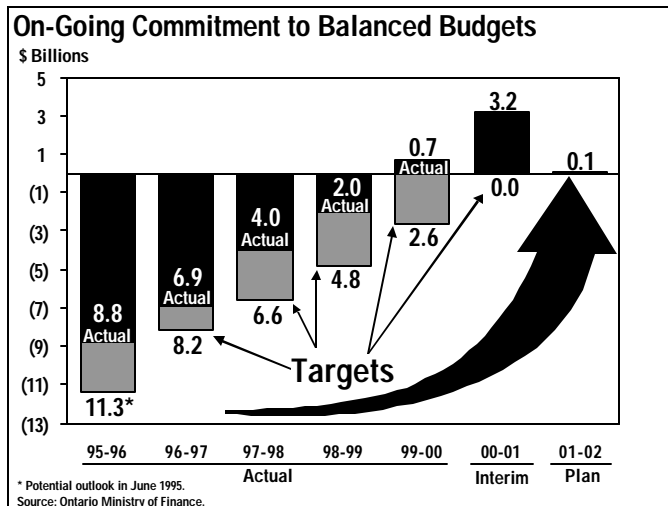
Section IV: Ontario's Fiscal Record

Balanced Budgets

In November 1995 the government set out the Balanced Budget Plan of steadily declining annual deficit targets, culminating in a balanced budget in 2000-01. The deficit-reduction targets were overachieved each year of the Plan, and the budget was balanced in 1999-2000, one year ahead of schedule.

, Deficit reduction targets have been overachieved each year due to prudent and realistic fiscal planning, the government's economic and fiscal policies, and a strong economy.

, Eliminating the deficit and balancing the budget was a key government commitment and is an essential component of a strategy that focuses on economic growth and competitiveness. By balancing the budget the government encourages economic growth by freeing up resources for private investment.



Program Spending as a Share of the Economy

The government has made a commitment to control spending. This is necessary to ensure that the Provincial budget remains balanced, even in times of economic uncertainty.

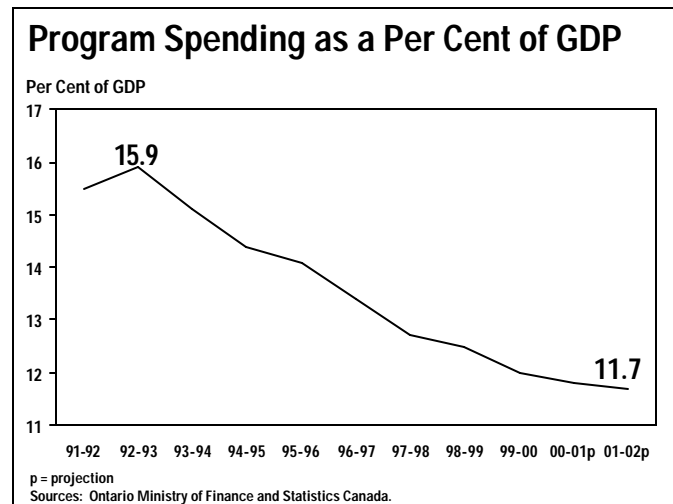
In 2001-02, program spending as a share of the economy is projected to decline to 11.7 per cent, down from a peak of 15.9 per cent in 1992-93.

, At 11.7 per cent, program spending as a per cent of provincial Gross Domestic Product (GDP) is at its lowest level since the early 1980s.

, This trend reflects the government's commitment to smaller, more efficient government.

, Reducing the size and cost of government means better services at a lower cost, more accountability and savings for taxpayers.

, This government requires each Ministry to develop comprehensive business plans each year to focus on core services and increase accountability.



Section V: Next Steps in Paying Down Debt

Net Provincial Debt

In the 2000 Budget the government made a commitment to reduce Net Provincial Debt by at least \$5 billion during the current term of office. With a contribution to debt reduction of \$1.0 billion in 1999-2000 and \$3.0 billion in 2000-01, the government has already met 80 per cent of its commitment in the first two years.

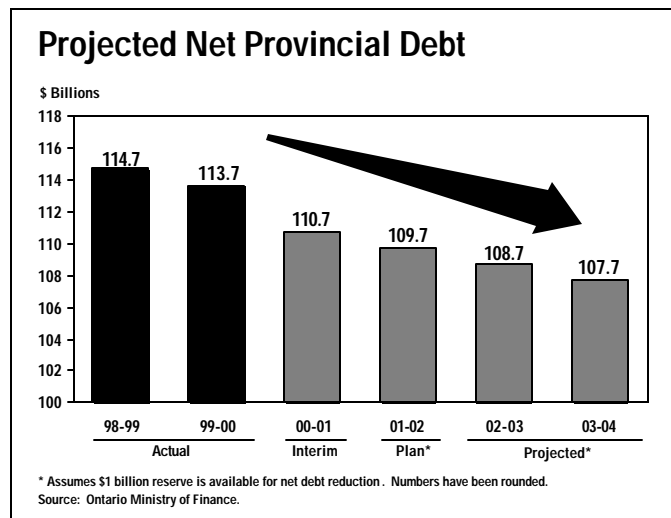
The \$3.0 billion contribution to debt reduction in 2000-01 is possible because of the fiscally prudent and cautious approach taken in the 2000 Budget, and the strong growth in the Ontario economy, which increased revenues above the level projected in last year's Budget.

The 2000-01 payment of \$3.0 billion is the largest reduction of debt in the Province's history. The government remains committed to applying the \$1 billion reserve, if not needed, as well as any surpluses, to pay down Net Provincial Debt.

Net Provincial Debt is projected at \$110.7 billion as at March 31, 2001.

Ontario's recent rating improvements, including the upgrade by Standard and Poor's and the "positive" outlook by Moody's Investors Service reflect, in part, the government's commitment to debt reduction. The upgrade from Standard and Poor's is the first the Province has received from the agency since 1988.

In their report upgrading Ontario to AA, Standard and Poor's noted "... the expectation of continued strong budgetary performance which will allow the government to continue nominal debt reduction beyond 2001, thereby allowing progressive easing of Ontario's debt burden through the medium term." Similarly, Moody's Investors Service stated that: "a trend of improving fiscal performance is beginning to produce budget surpluses and offers the promise of debt reduction over the medium term," which justifies a "positive" outlook.



Electricity Debt

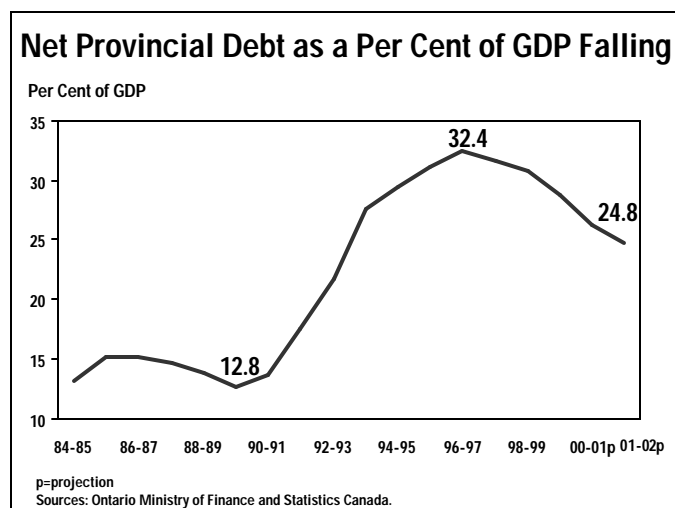
In addition to its commitment to reduce Net Provincial Debt, the government has developed a long-term plan to retire the obligations of the Ontario Electricity Financial Corporation (OEFC) through the ratepayer and not the taxpayer. Based on the conservative estimates used in the preparation of the plan, the Province anticipates that OEFC's obligations will be met between 2010 and 2017.

Based on projected results for 2000-01 and estimated results for 2001-02 and 2002-03, the estimated debt of OEFC will be reduced by over \$1 billion over these three years. Further details can be found in Budget Paper D, *Ontario's Financing Plan*.

Net Provincial Debt to GDP

With four consecutive deficits in excess of \$10 billion annually, Ontario's debt rose dramatically in the early 1990s. Net Provincial Debt as a per cent of GDP more than doubled from 12.8 per cent in 1989-90 to 32.4 per cent in 1996-97.

, Strong economic growth, sound fiscal management and two years of budget surpluses have reduced Net Provincial Debt to 24.8 per cent of GDP in 2001-02.



Conclusion

The Province's fiscal successes have been the result of cautious and prudent planning and strong stewardship of Ontario's financial resources. Realistic deficit-reduction targets were put in place, and in each year targets were overachieved.

To date, the Province has achieved 80 per cent of its \$5 billion Net Provincial Debt reduction target.

Realistic fiscal planning combined with sound financial management has yielded significant dividends to Ontario taxpayers, and will ensure continued benefits to future generations.

LIST OF FINANCIAL TABLES AND GRAPHS

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Graphs

The Budget Dollar: Revenue 2001-02

The Budget Dollar: Total Expenditure 2001-02

The Budget Dollar: Program Expenditure 2001-02

Revenue Sources by Category, Per Cent of Total 1997-98 to 2001-02

Operating Expenditure by Category, Per Cent of Total 1997-98 to 2001-02

Program Expenditure by Category, Per Cent of Total 1997-98 to 2001-02

Capital Expenditure by Category, Per Cent of Total 1997-98 to 2001-02

2001-02 Operating Expenditure by Category

2001-02 Capital Expenditure by Category

Statement of Financial Transactions

Table B1

(\$ Millions)

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Plan 2001-02
Revenue	52,518	55,786	62,931	64,927	64,270
Expenditure					
Programs	43,709	46,509	47,369	50,428	52,011
Restructuring and Other Charges	1,595	76	211	31	-
Total Program Expenditure	45,304	46,585	47,580	50,459	52,011
Capital	2,451	2,187	4,832	2,075	1,944
Public Debt Interest					
Provincial	8,729	9,016	8,977	8,883	8,795
Electricity Sector	-	-	520	520	520
Total Expenditure	56,484	57,788	61,909	61,937	63,270
Less: Reserve	-	-	-	-	1,000
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	-	-	(354)	202	140
Surplus / (Deficit)	(3,966)	(2,002)	668	3,192	140
Net Provincial Debt**	112,735	114,737	113,715	110,725	110,725

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

** Net Provincial Debt represents total Liabilities less Financial Assets.

Revenue

Table B2

(\$ Millions)

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Plan 2001-02
Taxation Revenue					
Personal Income Tax	16,293	17,190	17,617	18,975	18,010
Retail Sales Tax	10,843	11,651	12,879	13,757	14,340
Corporations Tax	7,456	7,447	8,095	9,130	8,340
Employer Health Tax	2,851	2,882	3,118	3,455	3,620
Gasoline Tax	2,028	2,068	2,154	2,242	2,300
Fuel Tax	563	592	665	651	655
Tobacco Tax	425	447	481	495	620
Land Transfer Tax	565	470	565	630	670
Mining Profits Tax	40	23	50	90	55
Preferred Share Dividends Tax	60	50	33	40	56
Other Taxation	145	257	224	197	154
	41,269	43,077	45,881	49,662	48,820
Government of Canada					
Canada Health and Social Transfer (CHST)	3,970	3,553	3,967	4,137	5,630
CHST Supplements	-	-	755	758	380
Social Housing	387	358	466	550	530
Student Assistance	18	64	170	40	64
Indian Welfare Services	87	155	85	118	117
Young Offenders Act	59	57	58	56	55
Bilingualism Development	49	55	65	64	64
Employability Assistance for People with Disabilities	53	71	65	58	39
Canada-Ontario Infrastructure Works	116	71	19	-	-
Other	359	131	235	451	480
	5,098	4,515	5,885	6,232	7,359
Income from Government Enterprises					
Ontario Lottery and Gaming Corporation	1,485	1,764	1,924	2,150	2,000
Liquor Control Board of Ontario	745	809	845	875	890
Ontario Power Generation Inc. and Hydro One Inc.	-	-	903	918	524
Other	61	(26)	36	25	10
	2,291	2,547	3,708	3,968	3,424
Other Revenue					
Vehicle and Driver Registration Fees	820	890	911	930	925
Other Fees and Licences	548	661	667	680	685
Liquor Licence Revenue	506	519	539	525	518
Royalties	286	289	345	219	240
Sales and Rentals	582	640	2,133	585	300
Fines and Penalties	174	50	41	37	40
Local Services Realignment - Reimbursement of Expenditure	519	2,109	1,678	1,389	1,223
Miscellaneous	425	489	1,143	700	736
	3,860	5,647	7,457	5,065	4,667
Total Revenue	52,518	55,786	62,931	64,927	64,270
Total Revenue Excluding One-Time Tax Revenue in 2000-01*			62,931	63,913	64,270

* Excludes one-time Personal Income Tax revenue of \$764 million and Corporations Tax revenue of \$250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenues for 1999-2000 than reported in the 1999-2000 Public Accounts.

Operating Expenditure

Table B3

(\$ Millions)

Ministry	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Plan 2001-02
Agriculture, Food and Rural Affairs	306	309	347	406	446
One-Time and Extraordinary	-	-	-	233	-
Farm Tax Rebate	158	-	-	-	-
Attorney General	683	753	846	971	979
Board of Internal Economy	113	117	154	117	117
Citizenship	73	82	95	78	78
Community and Social Services	8,067	7,659	7,512	7,638	7,756
Consumer and Business Services	92	136	134	157	168
Correctional Services	531	540	563	595	610
Economic Development and Trade	138	87	92	93	106
Education	4,715	7,719	7,704	8,096	8,471
School Board Transition/Phase-in Funding	224	-	268	-	-
Teachers' Pension Plan (TPP)	1,443	67	(363)	(779)	(230)
Energy, Science and Technology	69	83	429	469	284
Environment	142	162	174	190	215
Executive Offices	14	17	19	22	21
Finance - Own Account	691	998	548	896	773
Public Debt Interest					
Provincial	8,729	9,016	8,977	8,883	8,795
Electricity Sector	-	-	520	520	520
Community Reinvestment Fund	169	678	521	561	561
Provision for Electricity Sector	-	-	383	398	4
Health and Long-Term Care	18,283	18,867	20,373	21,779	23,486
Accelerated Health Care Commitment	-	-	-	498	-
Health Care Restructuring	532	50	-	-	-
Major One-Time Health Care Costs	113	639	286	486	190
Intergovernmental Affairs	5	4	4	5	5
Labour	117	108	101	105	113
Management Board Secretariat	359	353	147	224	346
Retirement Benefits	(86)	(219)	(165)	(197)	30
Contingency Fund	-	-	-	-	654
OPS Employee Severance (Net)	(159)	-	88	-	-
Special Circumstances Fund	-	180	-	-	-
Municipal Affairs and Housing	2,395	1,611	1,665	1,819	1,214
Municipal Capital and Operating Restructuring Fund	23	-	-	-	-
Municipal Restructuring Fund	71	-	-	-	-
Native Affairs Secretariat	12	12	15	18	15
Natural Resources	463	531	460	413	407
Northern Development and Mines	62	82	122	113	179
Office of Francophone Affairs	2	3	3	4	5
Solicitor General	646	756	816	905	932
Tourism, Culture and Recreation	205	286	367	361	392
Training, Colleges and Universities	3,052	3,281	3,285	3,236	3,365
Transportation	702	607	587	549	519
Restructuring	50	(17)	-	-	-
TTC Five Year Capital Transfer/Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	829	44	-	-	-
Year-End Savings	-	-	-	-	(200)
Total Operating Expenditure	54,033	55,601	57,077	59,862	61,326

Note: 1997-98 to 1999-2000 ministry totals restated to reflect recently announced government structure.

Capital Expenditure**Table B4**

(\$ Millions)

Ministry	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Plan 2001-02
Agriculture, Food and Rural Affairs	1	1	1	1	51
Attorney General	47	73	62	40	55
Community and Social Services	31	27	20	14	38
Correctional Services	5	30	124	95	98
Education	267	229	52	4	16
Energy, Science and Technology	-	273	656	80	76
Environment	98	19	1	4	13
Water Protection Fund	-	15	160	17	5
Finance	6	4	7	7	13
SuperBuild Millennium Partnerships	-	-	-	4	100
Contingency Fund	-	-	-	-	100
Health and Long-Term Care	106	187	338	211	200
Major One-Time Capital Costs	-	-	1,004	140	-
Management Board Secretariat	80	39	13	20	37
Municipal Affairs and Housing	152	62	(10)	14	8
Native Affairs Secretariat	14	13	7	5	7
Natural Resources	151	73	96	65	99
Northern Development and Mines	173	177	212	312	327
Solicitor General	7	-	-	4	9
Tourism, Culture and Recreation	3	2	231	27	68
Training, Colleges and Universities	117	71	1,028	205	51
Transportation	1,193	892	830	806	673
Year-End Savings	-	-	-	-	(100)
Total Capital Expenditure	2,451	2,187	4,832	2,075	1,944

Note: 1997-98 to 1999-2000 ministry totals restated to reflect recently announced government structure.

Ten-Year Review of Selected Financial and Economic Statistics

(\$ Millions)

	Modified Cash Basis	PSAB Basis	
	1992-93	1993-94	1994-95
Financial Transactions			
Revenue	41,807	43,674	46,039
Expenditure			
Programs	45,350	44,195	44,505
Restructuring and Other Charges	-	-	-
Total Program Expenditure	45,350	44,195	44,505
Capital	3,592	3,552	3,831
Public Debt Interest			
Provincial	5,293	7,129	7,832
Electricity Sector	-	-	-
Total Expenditure	54,235	54,876	56,168
Less: Reserve	-	-	-
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	-	-	-
Surplus / (Deficit)	(12,428)	(11,202)	(10,129)
Net Provincial Debt**	61,796	80,599	90,728
Gross Domestic Product (GDP) at Market Prices	285,101	291,733	309,031
Personal Income	253,773	256,082	260,617
Population - July (000s)	10,570	10,690	10,828
Net Provincial Debt per Capita (dollars)	5,846	7,540	8,379
Personal Income per Capita (dollars)	24,009	23,955	24,069
Total Expenditure as a per cent of GDP	19.0	18.8	18.2
Public Debt Interest as a per cent of Revenue†	12.7	16.3	17.0
Net Provincial Debt as a per cent of GDP	21.7	27.6	29.4

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

** Net Provincial Debt represents total Liabilities less Financial Assets.

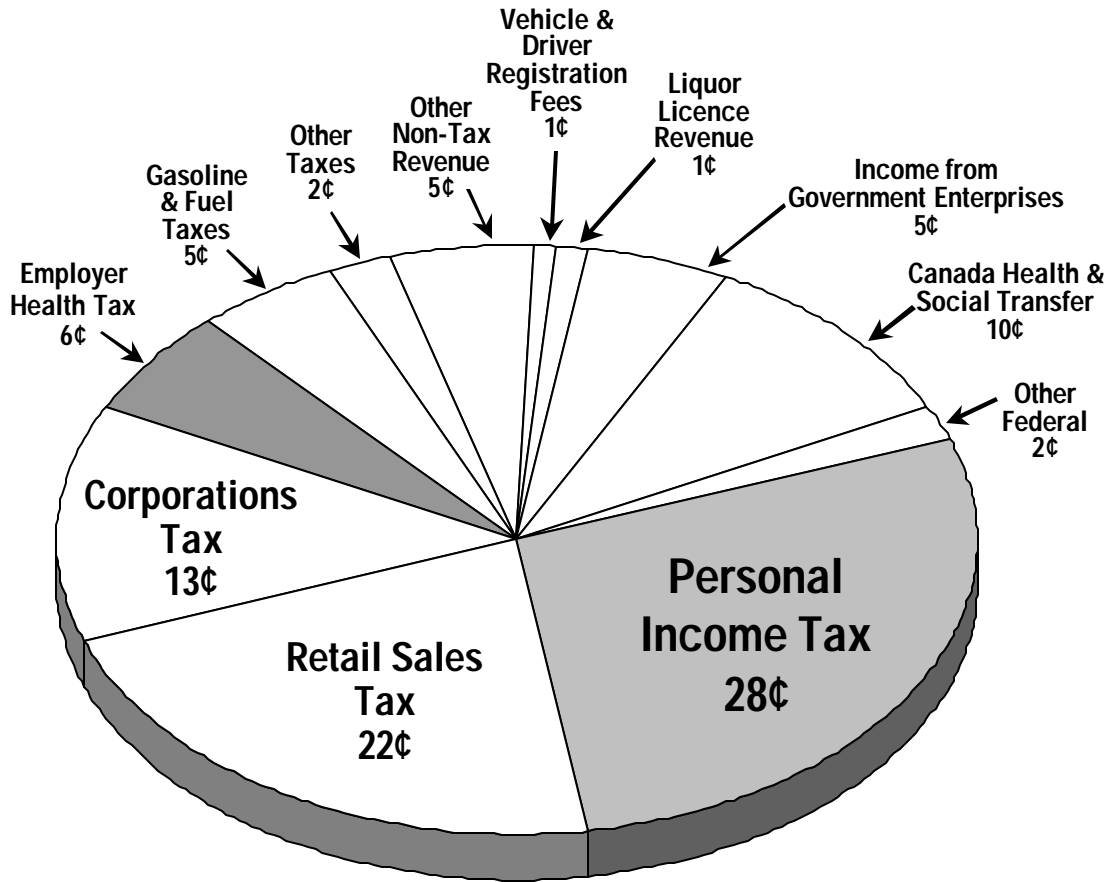
† Starting in 1999-2000, Public Debt Interest includes \$520 million related to the Province's equity investment in the electricity sector.

Sources: Ontario Ministry of Finance and Statistics Canada.

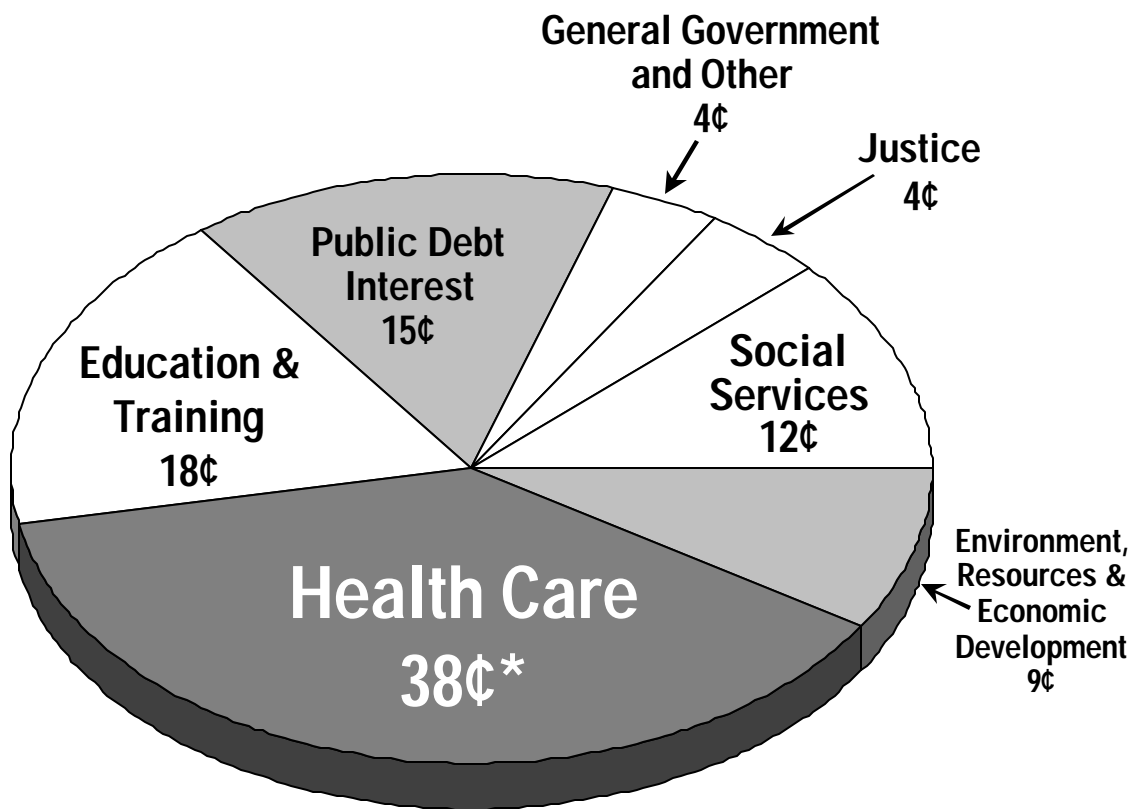
Table B5

1995-96	1996-97	PSAB Basis		Actual 1999-00	Interim 2000-01	Plan 2001-02
		1997-98	1998-99			
49,473	49,450	52,518	55,786	62,931	64,927	64,270
45,309	42,956	43,709	46,509	47,369	50,428	52,011
854	2,180	1,595	76	211	31	-
46,163	45,136	45,304	46,585	47,580	50,459	52,011
3,635	2,612	2,451	2,187	4,832	2,075	1,944
8,475	8,607	8,729	9,016	8,977	8,883	8,795
-	-	-	-	520	520	520
58,273	56,355	56,484	57,788	61,909	61,937	63,270
-	-	-	-	-	-	1,000
-	-	-	-	(354)	202	140
(8,800)	(6,905)	(3,966)	(2,002)	668	3,192	140
101,864	108,769	112,735	114,737	113,715	110,725	110,725
327,246	335,843	357,300	372,630	396,775	428,164	446,019
271,361	276,290	289,312	303,737	317,766	338,147	353,427
10,965	11,101	11,249	11,386	11,517	11,669	11,816
9,290	9,798	10,022	10,077	9,874	9,489	9,371
24,748	24,889	25,719	26,676	27,591	28,978	29,911
17.8	16.8	15.8	15.5	15.6	14.5	14.2
17.1	17.4	16.6	16.2	15.1	14.5	14.5
31.1	32.4	31.6	30.8	28.7	25.9	24.8

The Budget Dollar Revenue 2001-02

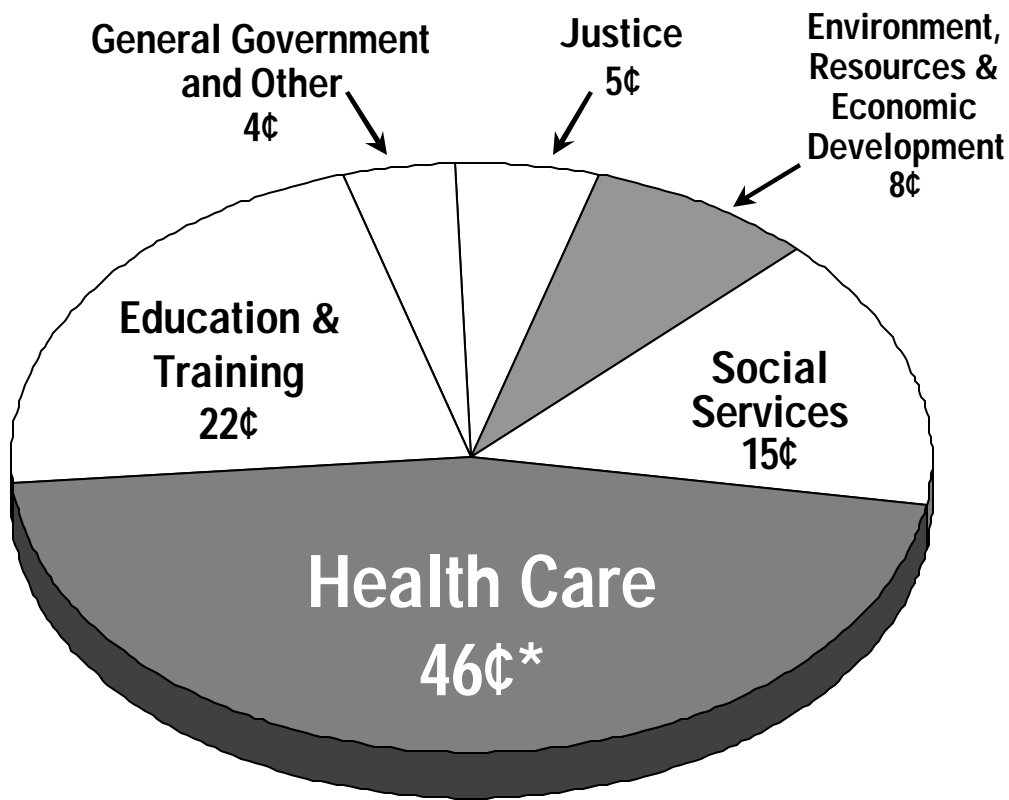


The Budget Dollar Total Expenditure 2001-02



* Includes Major One-Time Health Care Spending.

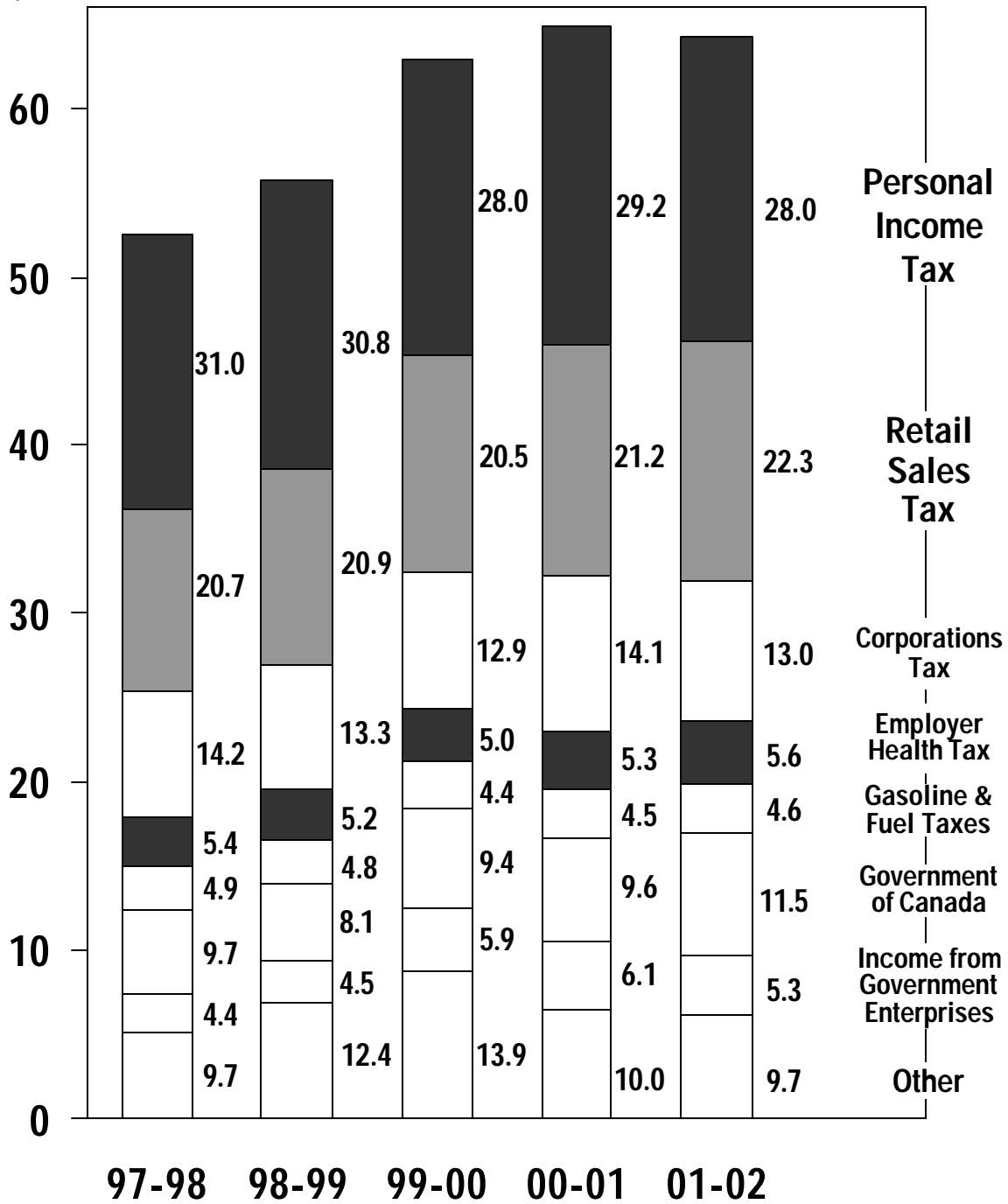
The Budget Dollar Program Expenditure 2001-02



* Includes Major One-Time Health Care Spending; excluding these costs, the health care share is 45 cents.

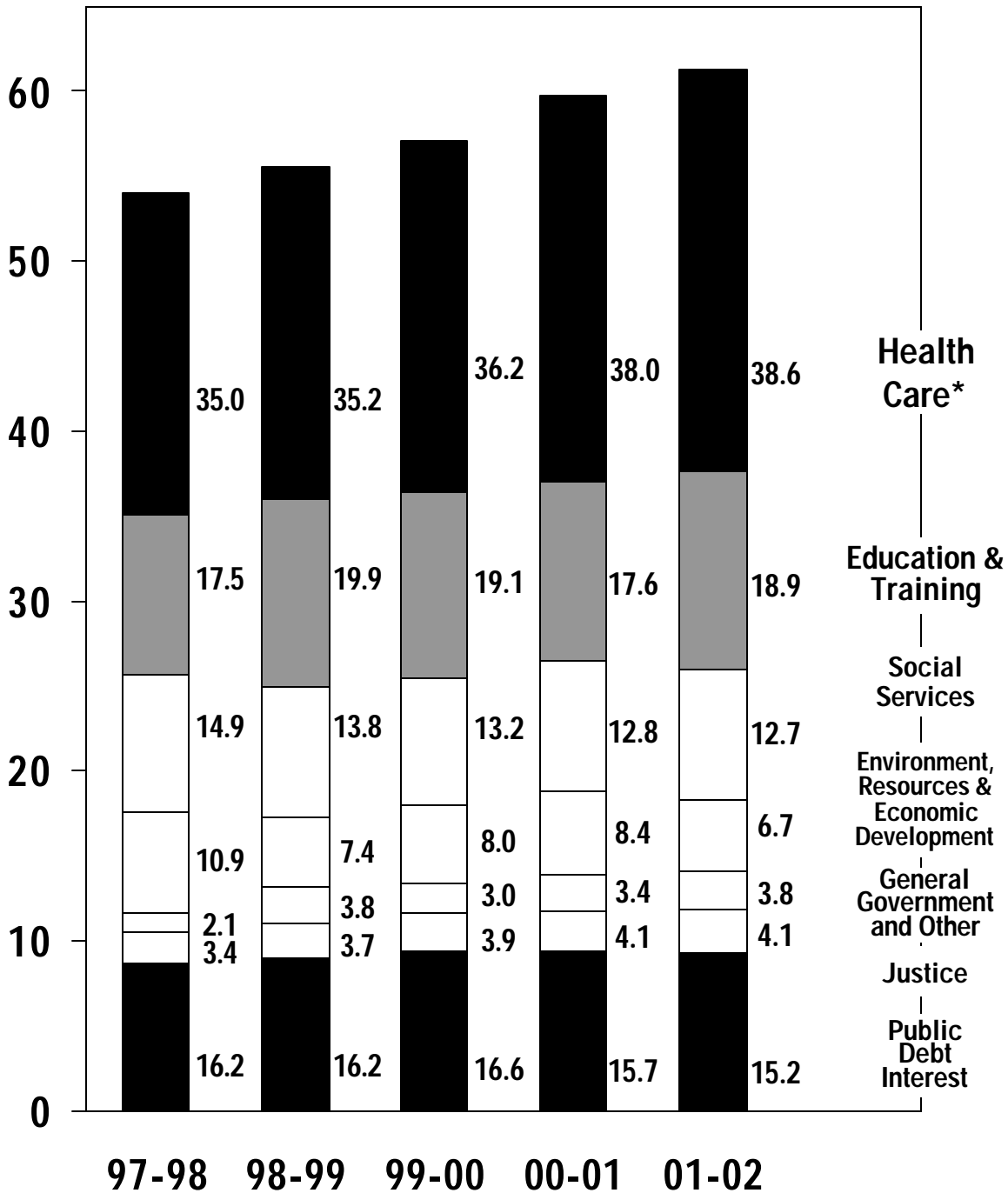
Revenue Sources by Category Per Cent of Total 1997-98 to 2001-02

\$ Billions



Operating Expenditure by Category Per Cent of Total 1997-98 to 2001-02

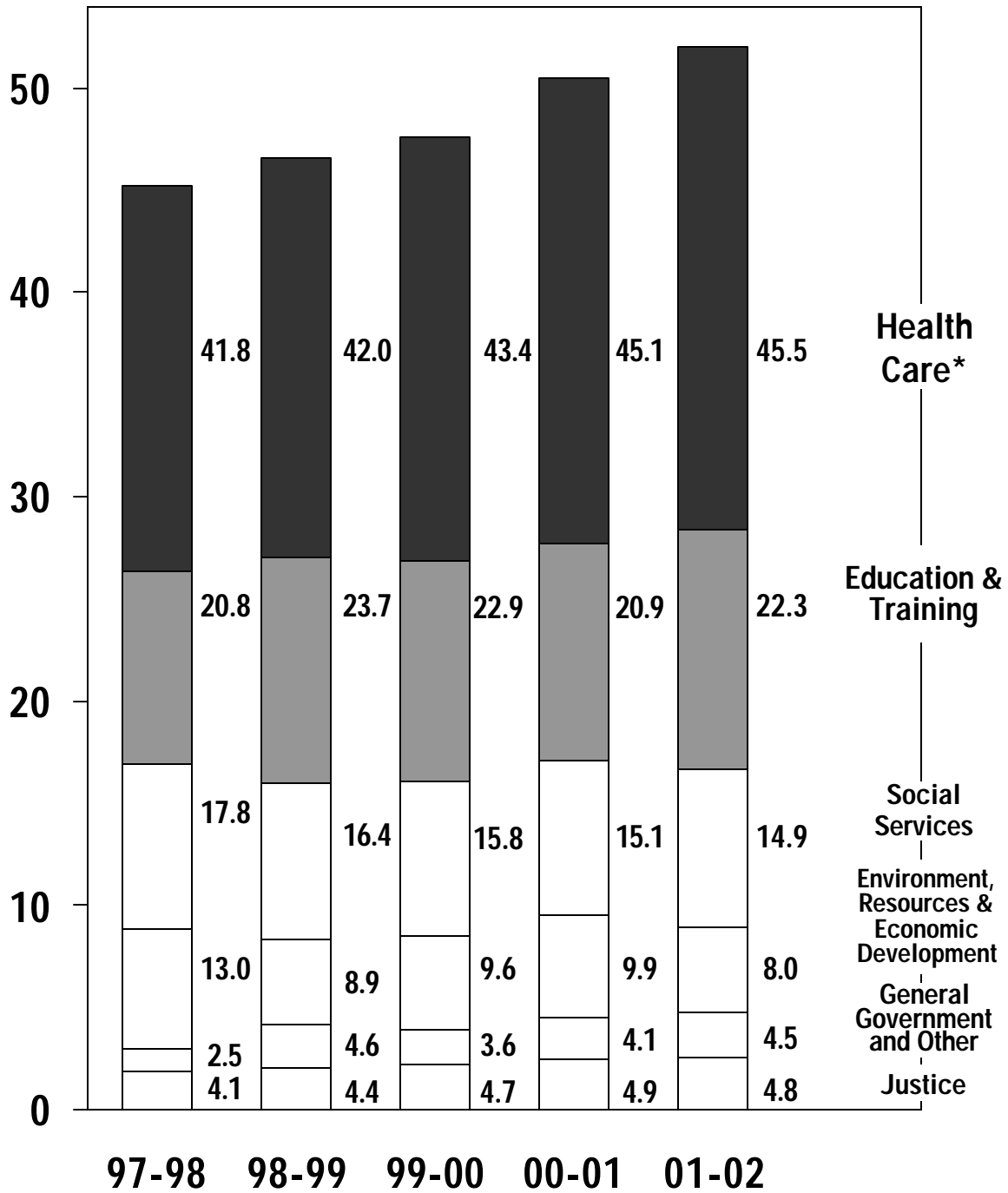
\$ Billions



* Includes Major One-Time Health Care Spending.

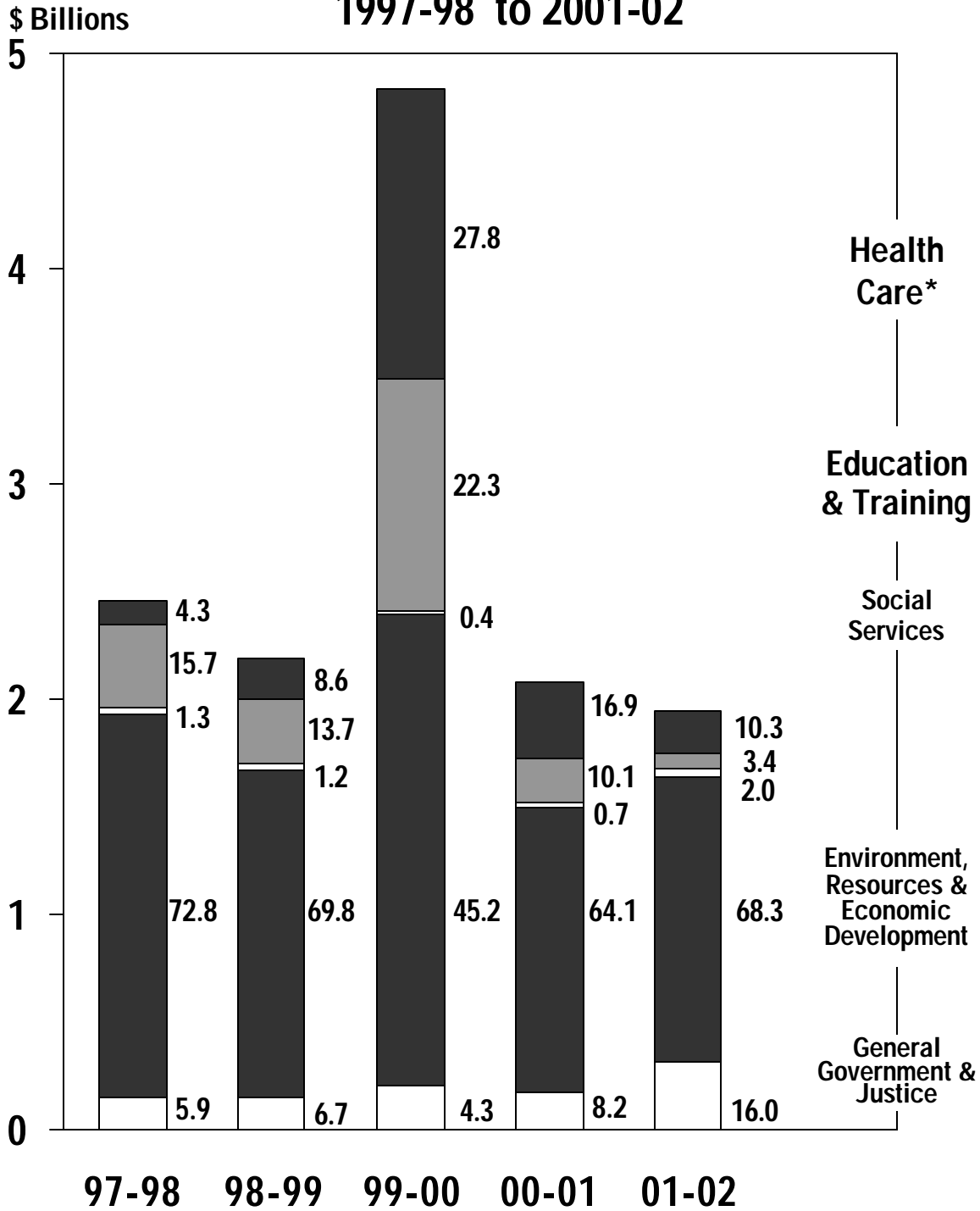
Program Expenditure by Category Per Cent of Total 1997-98 to 2001-02

\$ Billions



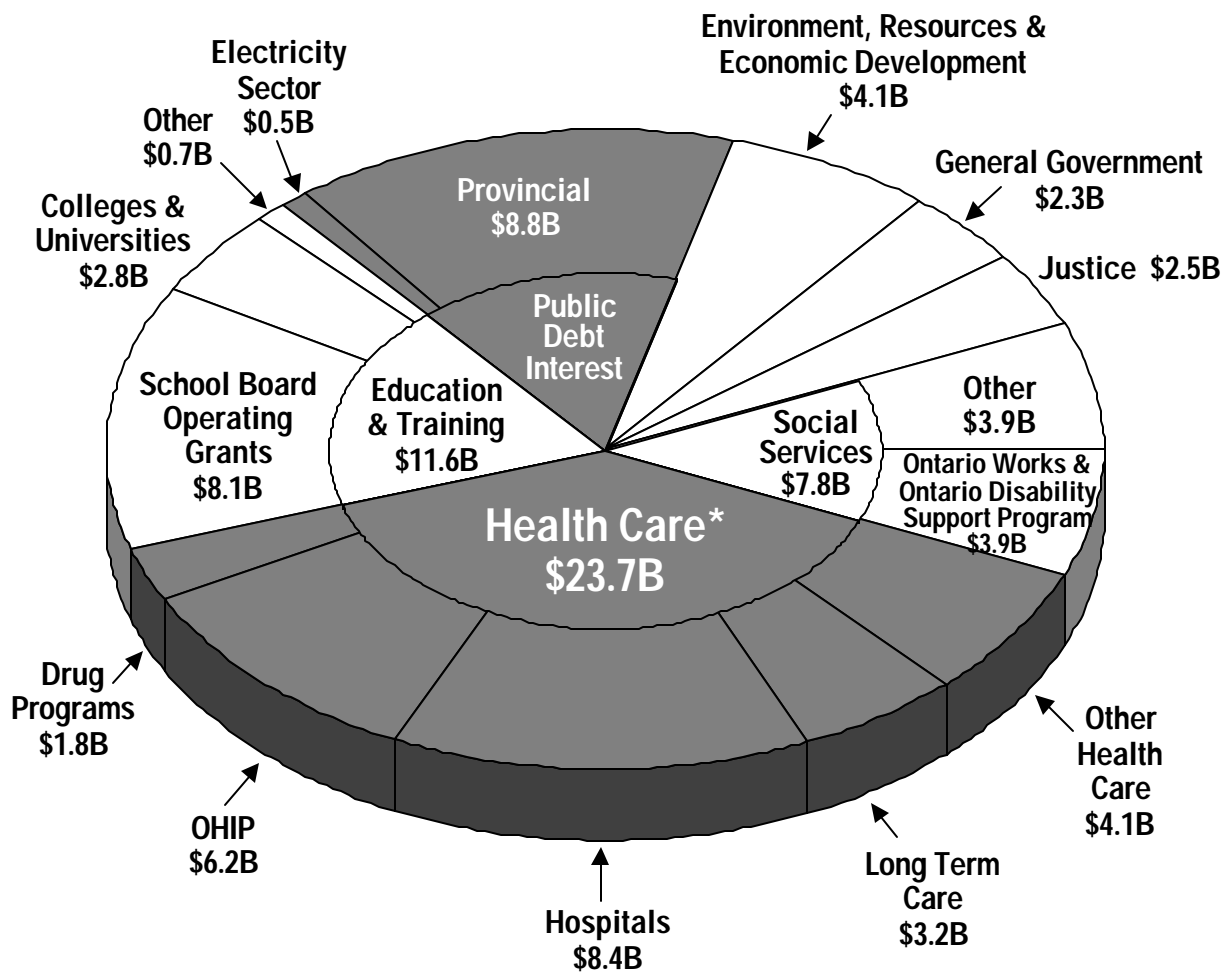
* Includes Major One-Time Health Care Spending.

Capital Expenditure by Category Per Cent of Total 1997-98 to 2001-02



* Includes Major One-Time Health Care Spending.

2001-02 Operating Expenditure by Category (\$ Billions)



* Includes Major One-Time Health Care costs of \$190 million for medical equipment.

2001-02 Capital Expenditure by Category (\$ Billions)

