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THE PLAN TO BALANCE THE BUDGET
A Responsible Four-year Plan to Eliminate the Deficit by 2007-08

To preserve Ontario's economic health, to protect services people value, and to put Ontario on a path to fiscal sustainability and accountability, the government is committing to a medium-term plan to balance the budget.

As a result, the government is setting out a comprehensive four-year fiscal plan to gradually reduce the deficit and eliminate it by 2007-08. The plan includes steadily declining deficit targets:

Multi-Year Balanced Budget Plan (\$ Billions)					
	Interim 2003-04	Plan 2004-05	Outlook		
			2005-06	2006-07	2007-08
Revenue*	68.3	78.4	79.9	82.5	86.0
Expense					
Programs	62.5	66.7	67.2	68.9	70.6
Capital	2.2	2.6	2.5	2.5	2.5
Interest on Debt	9.8	10.3	10.8	11.1	11.5
Total Expense	74.5	79.6	80.5	82.5	84.5
Reserve	-	1.0	1.5	1.5	1.5
Surplus/(Deficit)	(6.2)	(2.2)	(2.1)	(1.5)	0.0

* Includes one-time revenue gain of \$3.9 billion related to the elimination of the liability for non-utility generator power purchase agreements in 2004-05. Numbers may not add due to rounding.

Medium-term fiscal targets between 2004-05 and 2007-08 will be achieved by holding average annual program spending growth (1.9 per cent) below the average annual growth in tax revenues (5.6 per cent).

Over the medium term, total expense will rise moderately by \$4.9 billion, from \$79.6 billion in 2004-05 to \$84.5 billion in 2007-08.

In 2004-05, the deficit target of \$2.2 billion includes a one-time revenue gain of \$3.9 billion related to the elimination of the liability for power purchase agreements with non-utility generators, if the proposed new electricity market structure is approved by the legislature and implemented.

A Balanced Approach to Eliminating the Structural Deficit

The 2003 Economic Outlook and Fiscal Review released in December 2003 showed that the deficit identified by former Provincial Auditor Erik Peters was not a one-year anomaly in an otherwise healthy fiscal situation. It is a structural deficit caused by several years of much faster growth in program spending than in government tax revenues.

The fiscal path followed by the previous government was not sustainable. Between 2000-01 and 2003-04, Provincial program spending increased by 22 per cent, far exceeding tax revenues, which declined by 0.6 per cent during the same period.

This imbalance between Provincial spending and revenue created a fiscal situation that was not sustainable in the long run and resulted in a structural or permanent deficit, unless further action was taken.

The four-year plan is based on prudent assumptions that are achievable. The Ontario Government is predicting that the provincial economy will grow by 2.3 per cent in 2004, and an average 3.3 per cent annually from 2005 to 2007. The private-sector consensus forecast is calling for a faster rate of growth and predicting that by 2005, Ontario will have one of the strongest economies in the advanced industrialized world.

Reserves of \$1.5 billion for 2005-06 and beyond have been included in the medium-term fiscal outlook to protect against unexpected changes in the economic and fiscal outlook to better reflect the inherent risks and uncertain nature of medium-term fiscal projections.

The accumulated deficit as a percent of GDP is projected to decrease steadily from 25.3 per cent in 2003-04 to 21.9 per cent in 2007-08.

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