

## Glossary

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**Note:** The descriptions of the terms in the glossary are solely intended for the assistance of readers of the 2008 Budget. The glossary and the descriptions of the terms in the glossary are not intended to affect or alter the meaning of any terms under law.

**Accounting Period:** time covered by financial statements, which can be for any length but is usually a fiscal year (April to March for the Province), a quarter or a month.

**Accumulated Deficit:** the difference between liabilities and assets. It represents the total of all past annual deficits minus all past annual surpluses, including prior period adjustments.

**Agreement on Internal Trade (AIT):** an agreement signed in 1994 by First Ministers to reduce barriers to the movement of people, goods, services and investments within Canada. The AIT provides for the streamlining and harmonization of regulations and standards; removal of barriers to labour mobility; a formal dispute resolution mechanism for individuals, businesses and governments; and commitments to further liberalize trade through continuing negotiations.

**Amortization:** the portion of an asset's cost allocated to an accounting period as a result of writeoff over its estimated useful life.

**Broader Public Sector (BPS):** organizations receiving government transfer payments to provide services to the public. Such organizations include universities, colleges, school boards, hospitals, long-term care facilities, community care access centres and children's aid societies.

**Brownfields:** underdeveloped or previously developed properties that may be contaminated. They are usually, but not exclusively, former industrial or commercial properties that may be underutilized, derelict or vacant.

**Business Education Tax (BET):** taxes for education purposes levied on the basis of assessed values of properties in the commercial, industrial and pipeline property classes.

**Capital Tax:** tax levied on a corporation's taxable capital comprising capital stock, surpluses, indebtedness and reserves.

**Canada Health Infoway:** a federally funded, independent, not-for-profit organization whose members are Canada's 14 federal, provincial and territorial Deputy Ministers of Health. Infoway is Canada's catalyst for collaborative change to accelerate the use of electronic health information systems and electronic health records (EHRs) across the country.

**Canada Health Transfer (CHT):** a federal transfer provided to each province and territory in support of health care.

**Canada Pension Plan (CPP) Borrowing:** the Province has the option of borrowing from the CPP as a source of long-term borrowing.

**Canada Social Transfer (CST):** a federal transfer provided to each province and territory in support of postsecondary education, social assistance and social services, including early childhood development and early learning and child care.

**Capital Expenditure:** money spent to acquire or upgrade physical assets including transportation infrastructure, land and buildings.

**Capital Gain:** the profit arising from the sale or transfer of capital assets or investments; i.e., the proceeds or market value received less the net book value of the capital asset or investment.

**Cash and Cash Equivalents:** cash or other short-term liquid low-risk instruments that are readily convertible to cash, typically within three months or less.

**Change in Net Debt:** 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.

**Consolidated Revenue Fund:** the aggregate of all public monies on deposit to the credit of the Minister of Finance or in the name of any agency of the Crown approved by the Lieutenant Governor of Ontario.

**Consolidation:** the inclusion of the financial results of government-controlled organizations in the Province's consolidated financial statements.

**Consumer Price Index (CPI):** a measure of prices produced by Statistics Canada on a monthly basis. The CPI measures the retail prices of a shopping basket of about 300 goods and services including food, housing, transportation, clothing and recreation. The index is weighted to reflect typical spending patterns. The change in a price index such as the CPI is a measure of inflation. Increases in the CPI are also referred to as increases in the cost of living.

**Contingency Fund:** an amount of expense available to address unanticipated spending pressures; for example, disaster assistance.

**Debt:** an obligation resulting from the borrowing of money.

**Debt Maturities:** total forecast amount of debt due for repayment on specific dates.

**Debt Redemptions:** total forecast amount of bond issues expected to be redeemed prior to maturity. Debt redemptions primarily relate to Ontario Savings Bonds.

**Debt Term:** remaining term to maturity of long-term debt.

**Debt-to-GDP Ratio:** a measurement of the government's debt as a percentage of gross domestic product. It is a measure of the debt in relation to the economy and capacity to carry and repay debt.

**Deficit:** the amount by which government expenses exceed revenues in any given year. On a forecast basis, a reserve may be included.

**Derivatives:** financial contracts that derive their value from other underlying instruments. The Province uses derivatives including swaps, forward foreign exchange contracts, forward rate agreements, futures and options to hedge and minimize interest costs.

**Domestic Bonds:** debt securities issued in the domestic market, settling through the domestic clearing system.

**e-Health:** an overarching term used to describe the application of information and communications technologies in the health sector. It encompasses a range of purposes from purely administrative through to health care delivery.

**Employment Insurance (EI):** a federal income security program that provides temporary earnings replacement for unemployed workers. This assistance is provided through EI regular benefits. The EI program also provides maternity, parental, adoption, sickness, compassionate care, work-sharing and fishing benefits. Employment Insurance Part II benefits provide funding for training programs and income support while training. The federal government provides EI Part II funds to workers through Labour Market Development Agreements with each province. The EI program is entirely funded by premium contributions from workers and employers that will now be paid into a dedicated fund.

**Employment Ontario:** the Province's training and employment services program of over \$1 billion annually. Services such as apprenticeship, literacy programs, technical training, wage subsidies, summer jobs, laid-off worker assistance and employment counselling are provided through an integrated network in communities across the province. Those assisted include the unemployed, at-risk youth, apprentices, laid-off workers, people with disabilities, newcomers, youth seeking summer jobs, employed workers requiring upgraded skills, and businesses.

**Euro Medium-Term Notes (EMTNs):** debt issued outside the United States and Canada and structured to meet individual investor requirements.

**Financial Assets:** assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; a financial claim on an outside organization or individual; and inventory.

**Fiscal Plan:** an outline of the government's consolidated revenue and expense plan for the upcoming fiscal year and the medium term, including information on the projected surplus/deficit. The plan is formally presented in the Budget, which the government presents in the spring of each year and is updated, as required, during the year. The Fiscal Plan numbers can be different from the expenditures outlined in the Printed Estimates.

**Fiscal Policy:** government policy on tax, spending and borrowing.

**Fiscal Year:** the Province of Ontario's fiscal year runs from April 1 to March 31.

**Floating Rate Notes (FRNs):** debt instruments that bear a variable rate of interest.

**Flow-Through:** in the context of government benefits, a provincial government's act of *not* deducting part or the entire amount of a federal benefit, such as the National Child Benefit Supplement, from income-tested or means-tested benefits.

**Forward Rate Agreement:** a forward contract in which one party pays a fixed interest rate and receives a floating interest rate.

**Fund:** fiscal and accounting entity segregated for the purpose of carrying on specific activities, or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**Futures:** an exchange-traded contract that confers an obligation to buy or sell a physical or financial commodity at a specified price and amount on a future date.

**Global Bonds:** debt securities issued simultaneously in the international and domestic markets, settling through various worldwide clearing systems. These can be issued in a variety of currencies, including Canadian and U.S. dollars.

**Greater Golden Horseshoe (GGH):** an Ontario geographic region encompassing the Greater Toronto Area (GTA) and a large part of central Ontario, including Hamilton, Peterborough, Waterloo, Niagara and Simcoe.

**Gross Domestic Product (GDP):** the total unduplicated value of the goods and services produced in the economy of a country or region during a given period of time such as a quarter or a year. Gross domestic product can be measured three ways: as total income earned in current production, as total final expenditures, or as total net value added in current production.

**Group of Eight (G8):** the world's eight largest industrial market economies: United States, Japan, Germany, France, Britain, Italy, Canada and Russia; the G8 is also referred to as the Group of Seven and Russia. The leaders of these countries meet annually to discuss political and economic issues of mutual concern. In addition, G8 finance ministers meet several times a year to discuss economic policy. Their work is supported by regular functional meetings of officials, including the G8 Finance Deputies.

**Income Test:** is used in the determination of financial eligibility and levels of assistance for benefit programs and is based on individual or family income.

**Infrastructure:** the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

**Interest on Debt Expense:** the amount reported as an expense for borrowed money. Interest is calculated as a percentage of the amount of debt for each period of time.

**Investment in Capital Assets:** the cost of acquiring or upgrading major tangible capital assets owned by the Province and its consolidated organizations during the year, including land, buildings, highways and bridges.

**Labour Market Agreement (LMA):** the Canada-Ontario Labour Market Agreement, signed in February 2008, provides funding to Ontario for training and employment services for Ontarians ineligible for EI, such as many immigrants, or workers with low literacy skills.

**Labour Market Development Agreement (LMDA):** the Canada-Ontario Labour Market Development Agreement, signed in November 2005, provides funding to Ontario annually from Part II of EI to address Ontario's labour-market priorities. Funding supports training and employment services.

**Locked-in Accounts:** a prescribed retirement savings arrangement under the *Pension Benefits Act* to which members of registered pension plans may transfer funds when they terminate employment or cease membership in a pension plan. Ontario locked-in accounts include locked-in retirement accounts (LIRAs), life income funds (LIFs) and locked-in retirement income funds (LRIFs). On January 1, 2008, a new LIF that permits 25 per cent unlocking and enhanced annual withdrawals came into effect.

**Means Test:** is used in the determination of financial eligibility and levels of assistance for benefit programs and is based on individual or family income and assets.

**Medium-Term Notes (MTNs):** debt instruments offered under a program and structured to meet specific investor needs.

**Municipal Infrastructure Investment Initiative (MIII):** a \$450 million, one-time grant funding program in the 2007–08 fiscal year that will support investments in local infrastructure priorities in communities across Ontario. The objective of this program is to direct new infrastructure funding to support the construction or renewal of municipally owned infrastructure assets.

**National Child Benefit Supplement (NCBS):** an income-tested federal cash benefit that supplements the Canada Child Tax Benefit — a similar benefit paid to about 80 per cent of families with children in Canada. The federal government provides the NCBS to all low-income families with children, regardless of whether they work or receive social assistance.

**Net Debt:** the difference between the Province’s total liabilities and financial assets.

**Net Loans/Investments:** the total funds paid by the Province towards loans/investments netted against loan repayments.

**Nominal:** an amount expressed in dollar terms without adjusting for changes in prices due to inflation or deflation. It is not a good basis for comparing values of GDP in different years, for which a “real” value expressed in constant dollars (i.e., adjusted for price changes) is needed. *See* Real GDP.

**Non-Cash Adjustments:** adjustments required to determine the cash flows resulting from operating activities. Non-cash adjustments include changes in balance-sheet accounts such as accounts receivable and payable, prepaid expenses and deferred revenue. Amortization of capital assets is also a non-cash adjustment.

**Non-Tax Revenue:** revenue received by the government from external sources. This also includes revenues from the sale of goods and services, fines and penalties associated with the enforcement of government regulations and laws; fees and licences; royalties; profits from a self-sustaining Crown agency; and asset sales.

**Ontario Child Benefit (OCB):** an income-tested, non-taxable benefit announced in the 2007 Budget provided to low-income families with children in Ontario. Beginning in July 2008, OCB benefits will start to flow monthly. The OCB will consolidate social assistance benefits for children and the Ontario Child Care Supplement for Working Families (OCCS) into one benefit that will be paid to all low-income families with children, regardless of the source of their income. It is being phased in over five years, increasing annually until it reaches its mature benefit level of \$1,100 in July 2011.

**Ontario Child Care Supplement for Working Families (OCCS):** an income-tested, non-taxable earnings supplement provided to low-income working families with children under age seven. It is intended to enhance labour-force attachment. In July 2008, OCCS payments will be consolidated with the OCB. If a family’s OCCS entitlement is larger than its OCB payment, the family will still receive the extra OCCS benefit. Once the OCB is fully implemented in July 2011, the OCCS will be phased out over seven years.

**Ontario Disability Support Program (ODSP):** a program designed to meet the unique needs of people with disabilities who are in financial need, or who want and are able to work and need support. Ontarians aged 65 years or older who are ineligible for Old Age Security may also qualify for ODSP supports if they are in financial need. The program has two components: Income Support and Employment Supports. Income Support provides financial assistance and other benefits to eligible people with disabilities and their families. The ODSP Employment Supports program works with community service providers to help people with disabilities prepare for and find jobs, keep a job and advance their career. The program can also help people with disabilities become self-employed.

**Ontario Drug Benefit Program (ODB):** one of the most generous drug benefit programs in Canada, reimbursing patients for more than 3,200 drug products, including nutrition products and diabetic testing agents. Seniors and recipients of Ontario Works and the Ontario Disability Support Program are eligible for assistance under the ODB.

**Ontario Works (OW):** a provincial program that provides income and employment assistance for people who are in temporary financial need. All OW recipients are required to participate in one or more employment assistance activities as a condition of eligibility for financial assistance. This helps people move as quickly as possible to a job and to become self-reliant.

**Option:** a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

**Productivity Growth:** increase in output per unit of a factor of production in the economy.

**Program Expense:** the expense related to operating and capital programs including amortization.

**Public Accounts:** the Consolidated Financial Statements of the Province along with supporting statements and schedules as required by the *Financial Administration Act*, *Treasury Board Act* and *Management Board of Cabinet Act*.

**Real GDP:** gross domestic product measured to exclude the impact of changing prices.

**Reserve:** an amount included in the fiscal plan to protect the plan against adverse changes in the economic outlook, or in Provincial revenue and expense. Any portion of the reserve not required at year-end is used to improve the surplus/deficit.

**Results-Based Management:** a comprehensive, government-wide approach that informs results-based decision-making, ensuring that all government-funded activities are aligned with strategies that contribute to meeting government priorities or serve an important public interest.

**Rural Infrastructure Investment Initiative (RIII):** a \$140 million, one-time grant funding program in the 2006–07 fiscal year that supported investments to help rural and small municipalities provide safe and reliable local infrastructure. Overall, 190 communities across Ontario received a share of the RIII funding.

**Structural Deficit:** may occur when the growth of total government expense consistently outpaces the growth in total revenue over a period of consecutive years.

**Surplus:** the amount by which revenues exceed government expenses in any given year. On a forecast basis, a reserve may be included.

**Syndicated Bond Issues:** debt securities that are underwritten by a group of investment dealers.

**Tangible Capital Assets:** physical assets including land, buildings, transportation infrastructure, information technology infrastructure and systems, vehicles and equipment.

**Total Debt:** the Province's total borrowings outstanding without taking into consideration any of the Province's assets.

**Total Expense:** sum of program expense and interest on debt expense.

**Treasury Bills:** short-term debt instruments issued by governments on a discount basis.

**U.S. Commercial Paper:** short-term debt typically issued in the United States by a government or corporation on a discount basis. U.S. Commercial Paper is limited to terms of one to 270 days.

**Weighted-Average Interest Rate:** takes into account the proportion of debt at each level of interest rate in the debt portfolio.

**Winding-Up:** the dissolution of a corporation, either voluntarily by the shareholders or members or by court order.

**Yield:** the effective rate of interest paid on an investment. Yield is the annual rate of return of any investment or debt and is expressed as a percentage.

**Yield Curve:** the relationship between market yields and bond maturities. It is often upward-sloping with maturity, due to investors' requirements for a greater yield when committing their funds for a longer time.