Ontario

2008 Ontario Budget

Growing a Stronger Ontario

The Honourable Dwight Duncan
Minister of Finance

Budget Papers

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For electronic copies of this document, visit our website at
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Printed copies are available free from:
ServiceOntario Publications
777 Bay Street, Market Level
Toronto, Ontario M5G 2C8

Telephone:	(416) 326-5300
Toll-free:	1-800-668-9938
TTY Toll-free:	1-800-268-7095
Website:	www.publications.serviceontario.ca

ISBN 978-1-4249-6159-7 (Print)
ISBN 978-1-4249-6161-0 (PDF)
ISBN 978-1-4249-6160-3 (HTML)

Ce document est disponible en français sous le titre :
Budget de l'Ontario 2008 - Documents budgétaires

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Foreword

Ontario's edge — its competitive advantage — is its people. Ontario is at its best when its people have the opportunities and tools they need to reach their full potential.

Since taking office in 2003, the McGuinty government has invested in the programs and services to help Ontario's people and families reach their full potential — publicly funded education, universal health care, modern infrastructure, support for vulnerable citizens and a greener Ontario.

The government has been able to support these priorities to help people and families because of its disciplined and prudent fiscal management over the past four years and because of its five-point economic plan. This plan encourages growth and job creation through ongoing investments in skills and knowledge, infrastructure, competitiveness, innovation and key partnerships.

These strategic investments, combined with the efforts of Ontario's hard-working people, have strengthened the economy and created jobs. Since October 2003, the Ontario economy has created 456,800 net new jobs, including 101,100 in 2007.

Although the Ontario economy continues to grow, a number of external factors — including a slower U.S. economy, higher oil prices and the stronger Canadian dollar — have caused growth to moderate. Some sectors and communities have lost jobs. In the 2007 Economic Outlook and Fiscal Review, the government took action to boost Ontario's ability to compete in the global economy by lowering costs for businesses, helping workers and communities adjust to competitive challenges, and investing in infrastructure.

The government cannot control the changes affecting Ontario's economy, but it can seize the economic opportunities they create and can, through its economic plan, help make these changes positive ones for families and businesses. The government's goal is to ensure that Ontarians have good, well-paying jobs that permit them to succeed and support their families. That means giving:

- **children and youth** the best possible elementary, secondary and postsecondary education, apprenticeship and skills training
- **workers of all ages** ongoing opportunities to upgrade their skills and pursue lifelong learning
- **workers facing change** the support and long-term retraining they need not just to find new jobs, but to find better jobs
- **newcomers to Ontario** the information, access, training and language skills they need to reach their potential
- **the unemployed and underemployed** the literacy skills, academic upgrading, training and support they need to enter the workforce.

In this Budget, the government continues its investments in its greatest strength — its people.

1. Investing in Skills and Knowledge

This Budget announces a $1.5 billion, three-year Skills to Jobs Action Plan to help people get well-paying, stable jobs through programs that support new skills for new careers, increase access to postsecondary education and build places to learn. The centrepiece of the Skills to Jobs Action Plan is the Second Career Strategy — a $355 million investment over three years to help 20,000 unemployed workers get long-term training for new and better careers. The Skills to Jobs Action Plan also includes $75 million over the next three years to expand apprenticeship training. When combined with campus renewal capital investment included in the 2007 Economic Outlook and Fiscal Review, the government is investing $2 billion in the Skills to Jobs Action Plan.

2. Investing in Infrastructure for a Stronger Ontario

For Ontario to achieve its full potential, it must have modern infrastructure that helps move people and goods quickly and efficiently. This Budget announces $1 billion in new municipal infrastructure investments in 2007–08, including $400 million for roads and bridges, $497 million for public transit in the Greater Toronto Area and Hamilton, and $100 million to rehabilitate existing social housing units, including improving their energy efficiency. As part of its Skills to Jobs Action Plan, the government is also investing an additional $500 million to expand training centres, renew and expand university facilities, and enhance the College Equipment and Renewal Fund.

3. Lowering Business Costs

Ontario's competitive strengths make it an attractive place for businesses to locate and create jobs. Businesses in Ontario benefit from a well-trained and highly educated workforce, a publicly funded health care system, proximity to major markets, and excellent infrastructure and public services. Maintaining a tax system that is competitive builds on these strengths, promotes investment and encourages economic growth. This Budget proposes $750 million in tax measures over four years to support businesses, primarily benefiting Ontario's manufacturing and resource sectors. These measures include eliminating and rebating the Capital Tax, retroactive to January 1, 2007, for businesses primarily engaged in manufacturing and resource activities. The government is also accelerating Business Education Tax rate cuts for northern businesses.

4. Strengthening the Environment for Innovation

Innovation is important to Ontario's future prosperity. This Budget includes measures to foster innovative firms, including a 10-year Ontario income tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes. The government is also enhancing the Ontario Innovation Tax Credit and investing $250 million over five years in the Ontario Research Fund.

5. Forming Key Partnerships to Strengthen Ontario

Key partnerships with industry are also an important part of the government's economic plan. This Budget announces several measures to boost financial and business services, entertainment/creative industries, tourism, manufacturing, mining, forestry and agriculture. Highlights include proposed enhancements to the Ontario Interactive Digital Media Tax Credit and modernization of financial services regulation. In addition to measures to strengthen key sectors, the Budget addresses the importance of the government's partnerships with Aboriginal peoples, municipalities and the federal government.

Improving Quality of Life for People

The government is committed to improving the quality of life for all Ontarians, including families and vulnerable citizens. This Budget invests in several initiatives under the government's Poverty Reduction Strategy, including $135 million over three years to provide better dental care for low-income families and $32 million over three years for the Student Nutrition Program. A two per cent increase to benefits under the Ontario Works and Ontario Disability Support Program, and to the comfort allowance for residents of long-term care homes, is proposed for 2008–09. The Budget also proposes a new property tax grant of $1 billion over five years for low- and moderate-income senior homeowners.

Excellent public education, better health care and a greener Ontario are ongoing priorities for the government.

This Budget proposes several initiatives to improve student achievement, including investments to expand special education, Aboriginal education and English as a Second Language programs. Grants for Student Needs funding will rise to $18.8 billion in 2008–09.

The government is also proposing to expand the Wait Time Strategy to include emergency departments; to move towards hiring 9,000 nurses by 2011–12; and to implement a new Chronic Disease Prevention and Management Strategy, starting with diabetes.

Measures to build a greener Ontario include proposing to extend the Retail Sales Tax exemption on ENERGY STAR® household appliances and light bulbs for an additional 13 months and initiatives to address climate change, including investments in public transit.

The government has been able to make major investments in people over the past four years and commit to future investments because of its disciplined, prudent and balanced management. The government has restored the Province's fiscal health, eliminating the $5.5 billion deficit it inherited.

Building on this record of sound fiscal management, the Budget anticipates a 2007–08 surplus of $600 million. The medium-term fiscal outlook projects balanced budgets for the following three years, putting Ontario on track to post six consecutive balanced budgets between 2005–06 and 2010–11, the most consecutive balanced budgets for the Province since 1908.[1]

The government continues to urge the federal government to work with Ontario to address the province's current challenges and become a full partner in building Ontario's long-term prosperity. This requires new federal investments to help meet the needs of laid-off workers that are not being met by the federal Employment Insurance program, help Ontario manufacturers, partner with Ontario to invest in infrastructure and ensure fairness in federal health transfers to Ontario.

This Budget also builds on the government's investments since 2003 to strengthen health care, education and infrastructure, and protect the environment. These investments have yielded significant results.

In health care:

- wait times are down for cataract surgery, hip and knee replacements, cancer surgery, MRI scans, CT scans and pediatric surgery
- more than 500,000 Ontarians who didn't have a family doctor now have one
- more than 8,000 nurses have been hired between 2003 and 2008
- the Northern Ontario School of Medicine — Canada's first new medical school in over 30 years — has opened, and the government is creating four new satellite medical schools in Kitchener-Waterloo, Windsor, St. Catharines and Mississauga, contributing to an increase in first-year medical school enrolment of 23 per cent between 2003–04 and 2008–09.

In education:

- student achievement levels are up; Grades 3 and 6 test results have increased by an average of nine percentage points since 2002–03
- high school graduation rates have increased to 75 per cent from 68 per cent since 2003–04; 10,500 more students are graduating from high school every single year

[1] Based on today's accounting standards.

- 99.7 per cent of primary classes have 23 or fewer students, compared to 64 per cent in 2003–04, and 88.4 per cent have 20 or fewer students
- under the government's $6.2 billion Reaching Higher plan, 93,000 more students are attending colleges and universities than in 2002–03 — a 22 per cent increase
- 110,000 apprentices are learning a trade today — nearly 50,000 more than in 2002–03.

In infrastructure:

- the government is making significant progress to complete its five-year, $30 billion ReNew Ontario infrastructure plan — creating the equivalent of about 330,000 full-time jobs. The government will invest another $60 billion over 10 years to modernize infrastructure, creating the equivalent of about 660,000 full-time jobs by 2020.

For the environment:

- the government has created a greenbelt that protects approximately 1.8 million acres of environmentally sensitive and agricultural land in the Greater Golden Horseshoe
- the Next Generation of Jobs Fund is helping to develop clean auto and green technology/fuels
- transit projects across Ontario are reducing gridlock and pollution
- 50 million new trees will be planted by 2020 to fight climate change
- 640,000 homes have received a free energy-efficient light bulb through Project Porchlight, with assistance from government partnerships.

In this Budget, the first of its second mandate, the government is continuing to invest in the things that matter most to Ontarians. Through its investments in people, the government will further strengthen economic growth, create new jobs and continue to enhance the quality of life for all.

CHAPTER I

A STRONGER ONTARIO

SECTION A A STRONGER ONTARIO: BUILDING SKILLS AND CREATING JOBS

The skills and knowledge of Ontarians are key to the success of the province's economy. This Budget announces the government's new investments in the skills of Ontario's people.

This section describes how the government will continue to build on commitments made in the 2007 Throne Speech and Economic Outlook and Fiscal Review by encouraging economic growth and job creation through its five-point economic plan:

- Investing in Skills and Knowledge — A new $1.5 billion Skills to Jobs Action Plan that helps workers train for new careers and advances Ontario's competitive edge in skills and postsecondary education. Combined with campus renewal capital investment included in the 2007 Economic Outlook and Fiscal Review, the government is investing $2 billion in the Skills to Jobs Action Plan.

- Investing in Infrastructure for a Stronger Ontario — new investments of $1 billion in municipal infrastructure in 2007–08.

- Lowering Business Costs — $750 million in tax reductions to help businesses modernize, primarily benefiting the manufacturing and resource sectors, over four years starting in 2007–08.

- Strengthening the Environment for Innovation — nearly $300 million in new investments to build on and support the province's innovation strengths.

- Forming Key Partnerships to Strengthen Ontario — moving forward with major new economic development initiatives such as the Next Generation of Jobs Fund, Investment Ontario Inc. and sector-specific support.

This economic plan will help Ontario's workers, families, businesses and communities make the transition to a new period of economic growth.

I. Investing in Skills and Knowledge

The first priority of the Province's five-point economic plan is investing in skills and knowledge. Ontario's skilled and highly educated workforce is a key economic advantage and enhances Ontario's position as a destination of choice for global investment.

Many high-growth industries — such as information technology, construction, energy and health care — face a shortage of people with the right skills. At the same time, workers who have been affected by job loss due to changing economic conditions are looking for new opportunities. The challenge is to ensure that workers with the right skills are available when growing industries need them, while also giving unemployed workers the retraining they need to get new jobs in expanding areas of the economy.

$1.5 Billion Skills to Jobs Action Plan

To further enhance Ontario's skills and knowledge strategy and help workers get ahead, this Budget announces the Skills to Jobs Action Plan — a new $1.5 billion investment over three years. Combined with campus renewal capital investment included in the 2007 Economic Outlook and Fiscal Review, the government is investing $2 billion in the Skills to Jobs Action Plan.

This plan provides:

- $560 million to support new skills for new careers
- $465 million to expand postsecondary student aid and programs
- $970 million to build places where students learn.

The Skills to Jobs Action Plan complements the government's strategy to promote the success of industries that will provide the high-paying jobs of tomorrow, through such initiatives as the Next Generation of Jobs Fund, the Ontario Automotive Investment Strategy (OAIS) and the Advanced Manufacturing Investment Strategy (AMIS). Details are provided later in this section, under Forming Key Partnerships to Strengthen Ontario.

New Skills for New Careers

This Budget announces $560 million over three years for skills training to:

- introduce a new Second Career Strategy to help workers affected by job loss train for new careers
- expand apprenticeships and improve equipment for student training
- support effective integration of newcomers in the job market
- support workplace training.

This skills training investment builds on over $1 billion in annual spending for Employment Ontario, the Province's training and job service, as well as over $400 million in annual spending for employment supports for newcomers and social assistance recipients.

Second Career Strategy

This Budget introduces a new Second Career Strategy of $355 million over three years to help unemployed workers make the transition to new careers and well-paying jobs in growing areas of the economy. The strategy will offer one- or two-year skills training courses, related needs-based income supports and career planning services. The strategy will help 20,000 unemployed workers who commit to a long-term training plan.

The Second Career Strategy includes Ontario's Rapid Re-Employment and Training Service, which provides job counselling assistance to workers affected by large layoffs. In 2007, rapid re-employment teams provided 143 responses and assisted over 34,000 workers in communities such as London, Smiths Falls, Windsor, Nipigon, Hamilton, Tillsonburg, Guelph, Kenora, Dubreuilville and Dryden.

SECOND CAREER STRATEGY — EXAMPLES OF WORKERS IN TRANSITION TO NEW JOBS

The Second Career Strategy will provide long-term skills training opportunities for 20,000 unemployed workers, including financial support based on individual need.

A Forestry Worker Moves to a New Job in Mining

- age 40, has Grade 12 diploma
- Return-to-Work Action Plan identifies surveyor as long-term goal
- attends four-semester, two-year Mining Engineering Technician Program at a college
- Second Career Strategy provides $28,000 towards tuition, and living and transportation allowances.

A Manufacturing Worker Successfully Moves to a Skilled-Trades Job

- age 28, completed one year of undergraduate studies
- Return-to-Work Action Plan identifies mechanical technician as long-term goal
- attends four-semester, two-year Mechanical Technician Program at a college
- Second Career Strategy provides $25,000 towards tuition and living allowance.

An Assembly Worker Successfully Studies to Be a Pharmaceutical Technician

- age 35, has Bachelor of Science from India
- Return-to-Work Action Plan identifies pharmaceutical technician as long-term goal
- attends one-year Pharmaceutical Technician Program at a private career college
- Second Career Strategy provides $20,000 towards tuition, and living and dependant care allowances.

A Cleaner Attains the Skills for a Job as a Gas and Oil Burner Technician

- age 25, has less than Grade 12 education
- Return-to-Work Action Plan identifies gas and oil burner technician as long-term goal
- attends two-semester, one-year Gas and Oil Burner Technician Program at a college
- Second Career Strategy provides $16,500 towards tuition and living allowance.

A Labourer Successfully Moves to an Accounting Clerk Job

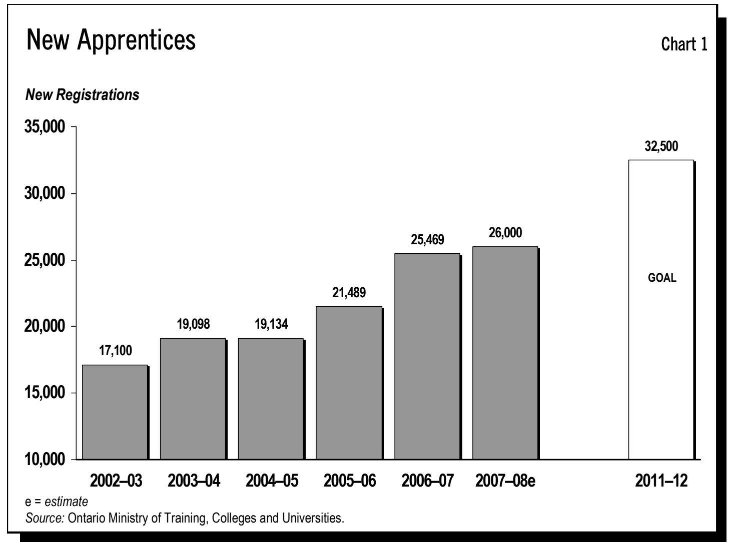
- age 37, has Diploma in Computerized Accounting from China
- Return-to-Work Action Plan identifies accounting clerk as long-term goal
- takes trainee position with local accountant to gain work experience and skills as an accounting clerk
- Second Career Strategy provides $7,000 to employer, representing 50 per cent of the trainee wage for six months.

A Machine Operator Prepares to Write Industry-Wide IT Certification Exam

- age 45, has college diploma in computer studies
- Return-to-Work Action Plan identifies network technician as long-term goal
- has experience in computer networking but lacks IT certification required by employers to work as network technician
- attends courses at a college to prepare for IT certification exam
- Second Career Strategy provides $3,000 towards tuition.

Expanding Apprenticeship

This Budget announces an investment of $75 million over the next three years, rising to $50 million annually by 2011–12, to further expand the number of Ontario apprentices. This will increase the supply of workers in critical trades that are facing shortages or high retirement rates in industries such as construction and mining. The new funding will support classroom training, expand pre-apprenticeship programs that prepare young people for their training and increase program completions.



In Ontario, about 110,000 apprentices are learning a trade today — nearly 50,000 more than in 2002–03. This number reflects a 52 per cent expansion in annual registrations, from 17,100 to 26,000, over the same period. The government's new goal is to increase new apprenticeship registrations by another 25 per cent, to 32,500 annually, by 2011–12.

In addition, the Apprenticeship Enhancement Fund will provide $45 million over the next three years to buy state-of-the-art equipment essential to the technical training of apprentices.

In Ontario, over 30,000 employers actively participate in apprenticeship training. Employers taking on qualifying apprentices will continue to benefit from the Apprenticeship Training Tax Credit, which provided an estimated $70 million in 2007.

TAX SUPPORT FOR SKILLS TRAINING

Apprenticeship Training Tax Credit

In 2004, Ontario introduced a new Apprenticeship Training Tax Credit (ATTC) to encourage employers to hire and train apprentices in skilled trades. This 25 per cent refundable tax credit (30 per cent for small businesses) is available to businesses on wages and salaries paid to qualifying Ontario apprentices in the construction, industrial, motive power and certain service trades.

Cooperative Education Tax Credit

Ontario businesses are eligible for a 10 per cent (15 per cent for small businesses) refundable tax credit on the wages and salaries paid to qualifying students enrolled in a recognized postsecondary cooperative education program.

Tools Deduction for Tradespersons and Apprentice Vehicle Mechanics

For Ontario personal income tax purposes, tradespersons and registered apprentice vehicle mechanics may deduct up to $500 from their employment income for the cost of eligible tools exceeding $1,019. Registered apprentice vehicle mechanics may also, under certain circumstances, claim an additional tax deduction towards the total cost of eligible tools.

$1.5 BILLION SKILLS TO JOBS ACTION PLAN

New investments of $1.5 billion over the next three years will build on the government's strategies for training and postsecondary education. Combined with campus renewal capital investment included in the 2007 Economic Outlook and Fiscal Review, the government is investing $2 billion in the Skills to Jobs Action Plan.

New Skills for New Careers — $560 million over three years

- $355 million over three years for a new Second Career Strategy to help 20,000 unemployed workers get long-term training for new careers
  - Includes Rapid Re-Employment and Training Service to respond to major layoffs
- $75 million over next three years to expand apprenticeship
  - target of 32,500 new registrants annually — a 25 per cent increase — by 2011–12
  - expanded classroom training and pre-apprenticeship training
  - new efforts to increase program completions
  - support to employers to ensure job placements
- $45 million over three years for the Apprenticeship Enhancement Fund for state-of-the-art training equipment
- almost $30 million for English as a Second Language (ESL) enhancements and additional training services for new Canadians
- $25 million in 2007–08 for employer-based training in the manufacturing sector through the Yves Landry Foundation
- $22.1 million in 2007–08 for the Toyota training centre in Cambridge and $700,000 for research
- $5.6 million in 2007–08 for Chrysler Canada employee training in Etobicoke, Brampton and Windsor
- service delivery to be redesigned to improve access for Employment Ontario.

Student Access, Student Excellence — $465 million over three years

- $385 million over three years for a new Textbook and Technology Grant, or $300 per full-time student when fully in place, benefiting about 550,000 full-time college and university students annually
- $27 million over three years for a new Distance Grant to assist students in rural and remote areas with travel costs
- almost $17 million in 2007–08 for a new research internship program for graduate students through business partners
- more than $16 million in 2007–08 to expand Pathways to Education for at-risk youth
- more than $7 million over three years for an International Ontario Strategy to attract international students
- more than $1 million over three years for Global Edge to provide postsecondary students with international work placements to make connections abroad for successful entrepreneurship in the future
- $3.5 million in 2007–08 for Youth Science Foundation Canada and $1.5 million for Let's Talk Science to inspire young people to pursue science and technology careers.

Building Places to Learn — $970 million over three years

- $200 million for Strategic Skills Training Capital Investments to expand training centres and capacity
- $200 million in 2007–08 for university campus renewal to maintain and upgrade facilities
- $60 million over three years for the College Equipment and Renewal Fund
- $25 million in 2007–08 to the University of Toronto to establish a new Munk School of International Studies
- $10 million in 2007–08 to the University of Waterloo at Stratford for a new digital media institute
- $9 million in 2007–08 to the Ontario College of Art and Design for a digital media lab
- $464 million included in the 2007 Economic Outlook and Fiscal Review for postsecondary campus renewal and strategic capital projects.

Supports for New Canadians

Ontario is now spending about $160 million each year through several ministries to help newcomers settle in their new home, improve their language skills and find jobs through training programs that bridge their credentials into Ontario qualifications. In addition, the government launched the pilot Provincial Nominee Program in May 2007 to nominate individuals for permanent residence based on skills shortages in the labour force.

This Budget provides almost $30 million more over three years to enhance English as a Second Language (ESL) services for adult newcomers and support more bridge training.

Immigration has been a key factor in Ontario's highly educated workforce, and diversity is one of Ontario's great strengths. In 2006, Ontario welcomed 126,000 newcomers — half of all immigrants to Canada. Talented people from all over the world help make Ontario competitive in a global economy. Policies that promote faster and more effective integration of new Canadians will continue to be a priority.

Supporting Workplace Training

This Budget also provides new funding to promote workplace training:

- $25 million in 2007–08 for the Yves Landry Foundation to encourage partnerships between industry and educators to train a world-class pool of manufacturing workers, with a focus on operating new technologies, software and machinery. About 500 firms and their workers will benefit.

- $22.1 million in 2007–08 for training costs in a new Toyota Motor Manufacturing Canada training centre in Cambridge, plus $700,000 for research.

- $5.6 million in 2007–08 for Chrysler Canada to expand its Smart Training Program in its Brampton, Etobicoke and Windsor operations.

Enhancing Employment Ontario

Employment Ontario invests more than $1 billion in jobs and training services for workers. The government continues to enhance program and service delivery so that Ontarians can get services in their local communities quickly and easily. Ontario will continue to integrate provincial and federal services, set clear performance measures and add new features such as local labour-market planning. The Skills to Jobs Action Plan adds $475 million in new spending over three years to Employment Ontario, including more apprenticeships, equipment and a new Second Career Strategy.

Student Access, Student Excellence

An estimated 70 per cent of new jobs in the next decade will require postsecondary education, up from about 60 per cent in the last 10 years. That is why Ontario is continuing to implement the $6.2 billion Reaching Higher plan for postsecondary education, which has created more opportunities, more student financial assistance and a higher-quality student experience.

This Budget announces a further $465 million to expand postsecondary student aid and programs.

Building on major improvements to student financial assistance in the past three years, this Budget introduces three additional initiatives to help make college and university education more affordable. Together, these new investments will help about 550,000 full-time students annually.

- $85 million in 2008–09, $130 million in 2009–10, and $170 million annually starting in 2010–11, for a new Textbook and Technology Grant. It will help lower costs for about 380,000 full-time university students and about 170,000 full-time college students annually with grants of $150 per student this fall, $225 in the fall of 2009 and $300 in subsequent years.

- $27 million over three years for a new, annual Distance Grant to assist with transportation costs for students from rural and remote areas attending college or university.

- Almost $17 million in 2007–08 to support ACCELERATE Ontario, an initiative of the Mathematics of Information Technology and Complex Systems (MITACS) and other business partners. This group will establish a new research internship program to place promising graduate students in businesses and allow the private sector to benefit from leading-edge research. The investment will help provide 250 fellowships, growing to 550 by the third year.

This Budget also announces four other new initiatives to increase participation in postsecondary education:

- more than $7 million over three years for an International Ontario Strategy to attract talented postsecondary students from around the world, raising the level of research excellence in Ontario's universities and contributing to economic prosperity. This will include a new doctoral scholarship program for international students and a Registry of Approved Schools

- more than $1 million over three years for Global Edge, a program that facilitates international work and learning opportunities for enterprising postsecondary students. It will help young Ontarians aged 19 to 29 discover the opportunities and challenges of conducting business in the international marketplace and will enhance long-term business relationships with other countries

- more than $16 million in 2007–08, in addition to $2.9 million committed previously, to enhance the successful Pathways to Education program and increase the number of at-risk youth finishing high school and proceeding to postsecondary education or directly to the workforce. New community projects in Ottawa and Kitchener and two in Toronto will benefit

- $3.5 million in 2007–08 to the Youth Science Foundation Canada and $1.5 million in 2007–08 to Let's Talk Science to inspire high school students to pursue careers in science and technology.

Building Places to Learn

This Budget provides capital investments of $970 million to build and renew places where students learn.

It provides $200 million in 2007–08 for the maintenance and renewal of university facilities and $200 million for new and expanded skills training centres and facilities under the Strategic Skills Training Capital Investments program. It also provides $60 million over the next three years for the College Equipment and Renewal Fund, to ensure colleges have up-to-date equipment.

The 2007 Economic Outlook and Fiscal Review included $464 million in capital investments in Ontario's colleges and universities:

- $264 million for strategic capital projects with clear links to economic growth and competitiveness. Investment details are outlined in the box below
- $200 million for a Campus Renewal Strategy for safety, energy efficiency and facilities upgrades.

RECENT POSTSECONDARY CAPITAL INVESTMENTS

- $45 million for Ryerson University's Student Learning Centre
- $40 million for the University of Windsor's Centre for Engineering Innovation
- $33.5 million for Brock University's Niagara Health and Biosciences Research Complex
- $20 million for York University's (Glendon Campus) Centre of Excellence for French Language and Bilingual Postsecondary Education
- $18 million for the Nipissing University and Canadore College E-Learning Resource Centre
- $16.5 million for the McMaster University and Mohawk College Bachelor of Technology Partnership
- $91 million for 15 other capital projects.

The Budget provides $25 million in 2007–08 to lever private-sector support to establish a new Munk School of International Studies at the University of Toronto. The school will have a positive effect on the province's capacity to manage globalization and create new opportunities in a global economy.

The Budget also announces $19 million in 2007–08 to encourage skills development and research capabilities in digital media — a knowledge-intensive industry that presents opportunities for Ontario to build on existing strengths and create new skilled jobs:

- $10 million to the University of Waterloo at Stratford for a new digital media institute and convergence centre

- $9 million to the Ontario College of Art and Design for a research and innovation laboratory in interactive design and digital media.

Major Investments in Infrastructure

This Budget is announcing $1 billion in new municipal infrastructure investments in 2007–08.

For Ontario to be competitive in the global economy and achieve its full potential, it must have modern infrastructure that makes business productive, helps move people and goods faster, and contributes to a high quality of life for all Ontarians. That is why investing in infrastructure is part of Ontario's five-point economic plan. For more details, see Section B: *Stronger Communities: Investing in Municipal Infrastructure and Communities.*

The government is modernizing Ontario's infrastructure through ReNew Ontario, its five-year, $30 billion infrastructure investment plan. ReNew Ontario provides for major investments in areas that are of primary importance to Ontarians: transportation, health, education and economic prosperity. The government will implement a new $60 billion infrastructure plan over 10 years, once ReNew Ontario is completed.

Infrastructure investments create jobs, improve access to markets, and support business investment. They deliver immediate benefits through job creation and form the foundation for long-term economic growth, as modern infrastructure is a major factor in attracting private investment and world-class businesses.

The Province, in cooperation with municipalities, calls on the federal government to invest in Ontario's infrastructure, specifically the government's $17.5 billion MoveOntario 2020 plan, the Windsor border, the Ontario–Quebec Continental Gateway and Trade Corridor, and strong community infrastructure. For more details, see Section F: *Need for a Strong Federal Partner to Support Ontario Workers and Industries*.

Ontario's Electricity Infrastructure

Investments in New Electricity Supply

Investments in Ontario's electricity infrastructure support and enhance the province's economic competitiveness, environmental objectives and quality of life. The government's policies and 20-year energy plan are providing the foundation for ensuring a stable, affordable and reliable electricity supply for the next two decades.

Conservation and Building Greener, Cleaner Energy Sources

The 20-year plan begins with replacing coal-fired generation by 2014, reducing electricity demand by 6,300 megawatts (MW) or about 20 per cent of projected future peak demand, and doubling the use of renewable energy. When completed, the replacement of coal-fired plants will mean a reduction of up to 30 megatonnes of greenhouse gas (GHG) emissions, the single-largest emissions reduction in Canada.

To promote energy conservation, this Budget proposes to extend the Retail Sales Tax (RST) exemption for qualifying new ENERGY STAR® household appliances and light bulbs to the end of August 2009, resulting in tax savings for Ontarians of $37 million in 2008–09 and $22 million in 2009–10.

The Province is committed to a balanced and sustainable property assessment system for the renewable energy sector that provides certainty and ensures that residents are not deterred from taking steps to supply their own clean energy. The government will consult with municipalities, the Municipal Property Assessment Corporation (MPAC) and the energy generation sector to ensure that the property tax treatment of renewable energy facilities remains fair and consistent, and promotes the development of green energy. Consultations will conclude by the fall of 2008.

In November 2006, the government established a Renewable Energy Standard Offer Program to promote the development of small wind, water, solar and biomass power projects of less than 10 MW each. This program is the largest of its kind in North America and its reception from potential electricity generators has been remarkable, with contracts for 279 projects representing more than 1,100 MW as of February 2008.

Building on experience from the first 18 months of the program's operation, the government will work with Ontario's energy agencies and stakeholders to ensure that the efficiency, fairness and effectiveness of this leading-edge program's delivery make it a model for other jurisdictions. The government will also work with stakeholders to ensure these energy projects can proceed expeditiously and that approvals processes are timely and predictable.

In addition, the government will propose legislation to ensure clarity and fairness in the application of transmission standards in Ontario.

Renewing Ontario's Nuclear Fleet

Another key part of the government's 20-year energy plan is maintaining the province's nuclear capacity at 14,000 MW. In March 2008, the Honourable Gerry Phillips, Minister of Energy, announced the next step in this plan, with a competitive, transparent process to select a technology for new nuclear units. Four internationally recognized vendors have been invited to participate in this process. The decision will be based on the best technology offered at the best price that provides the greatest benefits and lowest risks to ratepayers over the lifetime of the new facilities, including the vendor's ability to deliver on time and on budget and to provide economic benefit to the province.

Following government direction in June 2006, Ontario Power Generation (OPG) is proceeding with feasibility studies on refurbishing its existing nuclear units and an application to the Canadian Nuclear Safety Commission (CNSC) for a Site Preparation Licence for new nuclear units at its Darlington site. Bruce Power Limited Partnership has filed its own site preparation application with the CNSC.

The nuclear industry's ability to respond to increased demand for skilled workers will be enhanced by Ontario's Skills to Jobs Action Plan, including the further expansion of apprenticeship by 25 per cent.

III. Enhancing Ontario's Competitiveness

A strong economy is one that is continuously renewing itself in the face of external challenges and changing environments. The Ontario economy has undergone profound changes in recent times, yet has remained resilient and continues to grow in the face of numerous external challenges.

This Budget is announcing that Premier McGuinty has asked Richard Florida, Professor of Business and Creativity at the Rotman School of Management, and Roger Martin, Dean of the Rotman School of Management at the University of Toronto, to undertake a study of the changing composition of Ontario's economy and workforce. Dr. Florida and Dr. Martin will examine historical changes and projected future trends affecting Ontario and provide recommendations to the Province on how to ensure Ontario's economy and people remain globally competitive and prosperous.

The Province looks forward to Dr. Florida and Dr. Martin's recommendations.

Lowering Ontario's Business Costs

Ontario's competitive strengths make it an attractive place for business to locate and create jobs. Businesses in Ontario benefit from a well-trained and highly educated workforce, a publicly funded health care system, proximity to major markets, and excellent infrastructure and public services.

The government has invested, and continues to invest, in tax cuts for business. However, simply lowering taxes is not enough to ensure that an economy can compete in global markets. According to a 2006 competitiveness study by KPMG, the combined total of all taxes imposed by all levels of government represents only 3 to 13 per cent of location-sensitive costs. As KPMG notes, "Selecting the best site for a business operation requires balanced consideration of many factors, including business costs, business environment, personnel costs, and quality of life issues."[1]

"Competitiveness is much more than simple cost factors or tax rates. A great business climate is important. But so is a great people climate — a community needs to develop talent, retain talent and attract talent from all over the world — It's the key to competitiveness. And to do that a community needs to excel not just at the hard factors but the soft factors — culture, openness, tolerance and diversity to name just a few."

Richard Florida, Professor of Business and Creativity at the Rotman School of Management
and author of *Rise of the Creative Class.*

[1] *Competitive Alternatives: KPMG's Guide to International Business Costs, 2006.*

While this Budget proposes business tax measures to further encourage economic growth, the province is gaining investments because Ontario's economic plan leverages Ontario's other competitive strengths:

- A highly skilled and educated workforce:
  - Ontario has an extensive network of postsecondary institutions, with 19 universities and 24 colleges across the province
  - about 60 per cent of Ontarians aged 25 to 64 have completed a postsecondary certificate, diploma or university degree program — a higher rate of postsecondary education than in any Organization for Economic Co-operation and Development (OECD) country
  - Ontario's universities grant more degrees than any other province. In 2005, approximately 40 per cent of Canada's undergraduate, masters and earned doctorates were granted in Ontario.
- Modern transportation infrastructure:
  - Through the ReNew Ontario infrastructure plan, the following results are expected by 2010:
    - 1,600 kilometres of highway repairs and 130 kilometres of new highways in southern Ontario
    - 264 repaired/new bridges in southern Ontario
    - 2,000 kilometres of highway repairs and 64 kilometres of new highways in northern Ontario
    - 254 repaired/new bridges in northern Ontario.
  - The $17.5 billion MoveOntario 2020 rapid-transit action plan for the GTA and Hamilton will result in:
    - 902 kilometres of new or improved rapid transit
    - 800 million new transit trips per year and 300 million fewer car trips per year
    - cutting smog and reducing carbon dioxide emissions by 10 megatonnes by 2020.
- Innovative businesses:
  - Investing in innovation so that creative Ontarians turn ideas into the next generation of jobs.
  - In 2005–06, initiatives supported by the Ministry of Research and Innovation leveraged investments of $314 million and helped create 33 spinoff firms. These initiatives also helped 10,500 individuals acquire higher levels of skills and knowledge for the new economy.
  - Ontario's investments in extending its public communications infrastructure mean businesses will be able to take advantage of the latest technologies and services. The $10 million Rural Connections program announced in the 2007 Budget is expanding access to broadband internet in 18 municipalities.

- An effective and accessible universal health care system:
  - Ontario's publicly funded health care system eases the cost pressure on firms to purchase many health benefits for their employees. This is a valuable advantage for Ontario in competing for jobs, especially in the manufacturing sector.
  - Through ReNew Ontario, the government is providing funding for over 100 major projects to upgrade and expand hospitals to provide better services in high-growth areas, as well as to modernize older hospitals, improve access to care and reduce wait times.
- A results-oriented, high-quality educational system:
  - Increased graduation rates translate into a more competitive skilled labour force and a stronger Ontario economy
    - Since 2003–04, the high school graduation rate increased by seven percentage points to 75 per cent, which means 10,500 more students every single year earn their high school diploma
  - Through the ReNew Ontario plan, the government is investing more than $10 billion to renew and expand schools and postsecondary institutions, including $600 million for a major expansion of medical and graduate school spaces, resulting in:
    - a 15 per cent increase in the number of doctors graduating each year, starting in 2011–12
    - 14,000 new places in graduate programs across Ontario by 2009–10.

By continuing to invest in all these areas of provincial strength, Ontario can maintain its high standard of living and quality of life, and compete successfully with any jurisdiction in the world.

Ontario's Business Taxes

Maintaining a tax system that promotes investment and encourages economic growth supports Ontario's fundamental strengths.

In this Budget, the government is proposing $750 million in tax measures over four years that would provide support for businesses, including Ontario's manufacturing sector. These investments, which start in 2007–08, include:

- eliminating the Capital Tax retroactive to January 1, 2007, for businesses primarily engaged in manufacturing and resource activities
- extending an accelerated Capital Cost Allowance (CCA) rate for manufacturing and processing machinery and equipment investments made before 2012 and paralleling other CCA measures announced in the 2008 federal budget

- accelerating Business Education Tax (BET) rate cuts for northern businesses
- providing a 10-year Ontario income tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes.

For further details, see Chapter III: *Tax Support for Families and Business.*

These new measures would build on the $1.1 billion in business tax reductions over three years proposed in the 2007 Economic Outlook and Fiscal Review as outlined in the box below.

BUSINESS TAX MEASURES PROPOSED IN THE 2007 ECONOMIC OUTLOOK AND FISCAL REVIEW

- Eliminating the Capital Tax on January 1, 2008, for corporations primarily engaged in manufacturing and resource activities.
- Cutting Capital Tax rates for all businesses by 21 per cent, retroactive to January 1, 2007, on the way to full elimination in 2010.
- Extending the lower Small Business Corporate Income Tax rate to more small businesses, retroactive to January 1, 2007.
- Increasing film tax credit rates, effective January 1, 2008.

These proposed tax measures are in addition to the government's plan to eliminate the Capital Tax for all business on July 1, 2010 and to reduce high BET rates across the province by $540 million over seven years.

Ontario's current combined federal-provincial Corporate Income Tax (CIT) rates for general corporations and manufacturers are almost seven percentage points below the average rate of its main trading partners, the Great Lakes States. In fact, the combined CIT rate in Ontario for both general corporations and manufacturers is lower than the combined CIT rate in every one of the 50 U.S. states.

Modernizing Regulation

The government is modernizing its regulatory regime to strengthen Ontario's global competitiveness and respond to concerns raised by the business community. The Canadian Federation of Independent Business has indicated that a main concern for many small- and medium-sized businesses is their paper burden.

Ontario's goal is to lead all Canadian jurisdictions with its efforts to measure and reduce the regulatory burden. Ontario's regulatory modernization will start with an aggressive cap-and-trade initiative for government regulations, which means that when new regulations are enacted, others must be eliminated.

The government will also actively engage the business community and its key leaders to help improve Ontario's regulatory regime and deliver meaningful change. This partnership will address priority areas and sectors, with the goal to make government services simpler, faster, smarter and more connected.

MODERNIZING ONTARIO'S REGULATION

ONT-TAXS

ONT-TAXS (Ontario's Tax Services) is providing businesses with flexible, easier and more convenient ways to meet their tax obligations, including:

- new self-serve options over the Internet through ONT-TAXS online to file returns, make payments and view accounts
- one toll-free number that replaces 39 existing ones
- one integrated computer system to support "one-window" service delivery
- one business number for convenient access to multiple tax accounts
- user-friendly letters and forms.

In 2010, these modernization initiatives will be completed for all tax programs administered by Ontario.

Taxes Administration Act

A Taxes Administration Act would combine provincial tax administration rules common to various tax statutes into one statute with an accompanying reduction in regulations.

This would result in regulatory simplification for taxpayers by providing:

- a single point of reference
- an expected overall reduction in tax legislation of up to 25 per cent
- consistency of administration rules
- an opportunity to simplify legislative language.

Work on the initiative is commencing and is expected to be completed in late 2009.

Corporate Taxes

Federal administration of Ontario Corporate Taxes will make tax compliance simpler and less costly.

- Transferring the administration of Ontario corporate taxes to the federal government for taxation years ending after 2008 will save Ontario businesses up to $100 million a year in administrative costs.
- Businesses will save a further $90 million a year in Ontario CIT from a harmonized CIT base.
- Ontario businesses will benefit from one tax return, one set of rules, one audit and one appeals process.

IV. Strengthening the Environment for Innovation

Innovation is key to Ontario's future prosperity and is a catalyst for growth across all sectors of the economy. Innovation is a vital component of Ontario's five-point economic plan.

In this Budget the government is proposing tax incentives to support the startup and growth of innovative firms (for further details, see Chapter III: *Tax Support for Families and Business*):

- a 10-year Ontario income tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes

- enhancements to the Ontario Innovation Tax Credit, which is available to small and medium-sized corporations performing eligible Scientific Research and Experimental Development in Ontario.

This Budget also includes nearly $300 million in new investments by the Ministry of Research and Innovation that will build on and support the Province's innovation strengths:

- $250 million over the next five years to the Ontario Research Fund for investment in research infrastructure, such as laboratories and equipment, at Ontario institutions. This will help institutions leverage at least $375 million from the federal government, private sector and other sources, and attract and retain talented researchers. Funding for research infrastructure will be guided by Ontario's investment priorities, such as bio-economy/clean technology, advanced health technologies and creative industries (e.g., digital media).

- $42.5 million in strategic investments to boost innovation in Ontario's economy, including:
  - investments to develop skills and research capacity in digital media: $10 million to the University of Waterloo at Stratford and $9 million to the Ontario College of Art and Design
  - $7.5 million to the University of Western Ontario to support interdisciplinary research into chemicals and fuels made from agricultural resources, which will help Ontario transition to a low-carbon economy
  - $3.5 million to the Youth Science Foundation Canada and $1.5 million to Let's Talk Science
  - $5 million to the MaRS discovery district to support its initiatives in commercialization
  - $6 million to expand the Innovation Demonstration Fund, which supports the commercialization and initial demonstration of innovative technologies, processes and/or products

These investments build on the recently announced five-year, $150 million Biopharmaceutical Investment Program, a component of the $1.15 billion Next Generation of Jobs Fund aimed at attracting biopharmaceutical investment to Ontario.

In addition, the Ministry of Research and Innovation is implementing the Strategic Opportunities component of the Next Generation of Jobs Fund to support industry-led collaborations of Ontario-based companies, researchers, universities and not-for-profit organizations in targeted areas of strength for Ontario. One of the focus areas of this component is the bio-economy and clean technology. The creation of new green products, processes, technologies and industries will generate new employment across a broad range of skills, occupations and professions.

V. Forming Key Partnerships to Strengthen Ontario

Another key component of the government's five-point economic plan is promoting and supporting new business investment through strategic partnerships with industry, other levels of government, other jurisdictions and Aboriginal peoples.

To respond to intensifying global competition for new business investment and jobs, the government will establish Investment Ontario Inc., an independent agency, that will provide business with fast and effective access to economic development services and assistance. This will help the government become more strategic in targeting markets and sectors on which to focus its investment and trade activities, improving Ontario's international recognition.

Characterized by strong public–private cooperation, the agency's key functions will be to attract international investment, promote exports by small and medium-sized enterprises, attract business immigrants, and advise the Minister of Economic Development and Trade on global investment intentions, trends and opportunities for Ontario.

The government is also moving forward on the Next Generation of Jobs Fund, a five-year, $1.15 billion strategy to help innovative companies:

- secure new knowledge-based jobs and investment in Ontario
- build Ontario's strengths in sectors where the province is, or has the potential to be, a global leader
- support the growth and success of value-added businesses through the development and expansion of their global markets and exports
- support public–private partnerships that will build Ontario's expertise for innovation and commercialization
- support Ontario's Go Green Plan by reducing energy consumption and carbon emissions
- improve Ontario's reputation as a globally competitive jurisdiction that can compete and win international investment.

The fund has three components:

- Biopharmaceutical Investment Program — supports the expansion of research and advanced manufacturing by pharmaceutical and biotechnology firms
- Jobs and Investment Program — helps companies in a wide range of sectors to expand in Ontario and develop innovative products for global markets

- Strategic Opportunities Program — supports industry-led, public–private collaborations focused on increasing Ontario's innovation expertise in three key sectors: the bio-economy and clean technologies, advanced health technologies, and creative industries such as digital media and information and communications technologies.

To help companies get their projects off the ground sooner, companies are guaranteed a decision within 45 days of submitting a complete proposal.

Working for a Greener Economy

In June 2007, the Premier announced strict greenhouse gas (GHG) emission targets that will reduce Ontario emissions to six per cent below 1990 levels by 2014, 15 per cent below 1990 levels by 2020 and 80 per cent below 1990 levels by 2050.

Two initiatives will make a significant contribution towards achieving these targets. First, the closure of the Lakeview coal-fired generating station in 2005 and the enactment of a regulation prohibiting the use of coal to generate electricity at Nanticoke, Atikokan, Lambton and Thunder Bay after December 31, 2014 are expected to reduce GHG emissions by up to 30 megatonnes. Second, the government's $17.5 billion MoveOntario 2020, which will bring 902 kilometres of rapid or improved transit to the Greater Toronto and Hamilton Area (GTHA), will deliver another 10 megatonnes of GHG emission reductions.

The Next Generation of Jobs Fund is one of many Ontario programs that reflect a view that all economic players — government, industries and individuals — have a role to play in fighting and adapting to climate change while taking advantage of significant economic opportunities. The government is doing its part. Building on previous investments, this Budget is:

- providing $100 million to rehabilitate social housing units in communities across the province. Housing providers could use this funding towards energy-efficiency improvements

- allocating $30 million over four years to support consultations via the Northern Table on substantial land use planning and resource management in the Far North, a vital carbon sink

- proposing an RST exemption on qualifying new ENERGY STAR® household appliances and light bulbs to the end of August 2009

- contributing $25 million towards a centre of research and innovation in the bio-economy to be located in Thunder Bay

- providing $14 million per year for the Pick Ontario Freshness strategy and the Ontario Farmers' Market Initiative, which help encourage Ontarians to buy locally

- contributing $7.5 million to the University of Western Ontario to support interdisciplinary research into chemicals and fuels made from agricultural resources

- providing nearly $4 million over four years to enhance modelling, monitoring and research capacity at the Ministry of the Environment into the effects of climate change

- consulting with municipalities, the Municipal Property Assessment Corporation (MPAC) and the energy generation sector on the property tax treatment of renewable energy.

Ontario will work closely with other provinces, the federal government and U.S. state governments to reduce GHG emissions. Ontario will also work with industry because, in the long term, innovation and transformation of key sectors will be critical to moving to a prosperous low-carbon economy.
The government will continue to take action through its policies and initiatives on reducing GHG emissions created by buildings, land use, transportation and industry. Ontario will facilitate action by individual citizens to reduce their carbon footprint through the Community Go Green Fund and public education initiatives.

Ontario's participation in a broad North American emissions trading (cap-and-trade) system is critical to facilitate its transition to a low-carbon economy, but so far no single North American system has emerged. As a result, Ontario is pursuing partnerships with like-minded provinces and states to develop regional initiatives such as the Western Climate Initiative (WCI), Regional Greenhouse Gas Initiative (RGGI) and Midwestern Greenhouse Gas Accord (MGGA). Ontario has engaged in discussions with Quebec to set up a cap-and-trade system, is an observer at both the WCI and RGGI, and may also seek observer status at MGGA.

Supporting Opportunities for the Aboriginal Peoples of Ontario

The creation of the Ministry of Aboriginal Affairs, with a dedicated minister and deputy minister, is an important step in building a stronger relationship with Aboriginal peoples.

The government will spend approximately $600 million on average annually on initiatives across government to improve quality of life for Aboriginal peoples. Examples include:

- $300 million for children and social services
- $85 million for health services
- $80 million for justice and policing initiatives
- $45 million for education and training programs.

As part of this, the government will:

- increase funding to the Akwe:go program by $4 million annually. This program provides at-risk urban Aboriginal children and their families with culturally relevant and community-based supports such as support circles, individual counselling and after-school activities.

- provide $5 million more in the 2008–09 school year for Aboriginal education. This funding increase will support learning and achievement for Aboriginal students and help raise awareness about First Nations, Métis and Inuit cultures, histories and perspectives in schools. This initiative builds on the $13 million investment in the Aboriginal Education Strategy to improve achievement by First Nations, Inuit and Métis students, launched in January 2007.

- provide $1.5 million, to be matched by the Heart and Stroke Foundation of Ontario, to establish a Research Chair in Aboriginal and Rural Health at the Northern Ontario School of Medicine. The Chair will be the first of its kind in Canada.

The government is committed to working with Aboriginal peoples in Ontario, both on and off reserve, to expand economic development opportunities and improve their quality of life. This includes the opportunity to engage Aboriginal peoples in advancing the long-term sustainability of the Far North's communities, economy and environment; developing the Northern Growth Plan; and identifying proposals for sharing in the benefits of natural resource development.

The government, through the Ministry of Aboriginal Affairs, will explore ways to partner strategically with First Nations communities in Ontario on potential renewable-energy projects. For example, the Province will consider the feasibility of providing loan guarantees to help First Nations businesses develop renewable-electricity generation projects in Ontario.

PROGRESS TOWARDS THE NEW RELATIONSHIP

As announced by the Premier in June 2007, the Ministry of Aboriginal Affairs' mandate includes working with the federal government to expedite land claims; launching a New Relationship Fund to help Aboriginal communities strengthen their skills and resources to work more seamlessly with governments; and working towards resolving the future use of Ipperwash Provincial Park.

- Led by the Ministry of Aboriginal Affairs, the government is responding to the recommendations of the May 2007 Linden Report by announcing co-management of the Ipperwash Provincial Park lands with the Chippewas of Kettle and Stony Point First Nation and by establishing the Ipperwash Inquiry Priorities and Action Committee to work with First Nations and Métis to assess the report's recommendations.

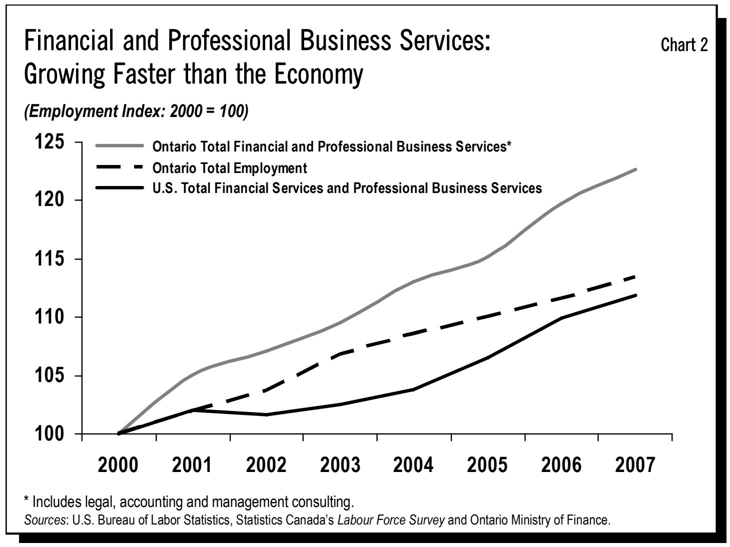
In February 2008, the Ontario First Nations and the government ratified the Gaming Revenue Sharing and Financial Agreement. This agreement provides more than $3 billion over 25 years.

- Funding started with an immediate $201 million payment in February 2008 and will provide Ontario First Nations with 1.7 per cent of Provincial gaming revenues beginning in 2011. These funds will provide a stable revenue source to Ontario First Nations and will support health, education, community, economic and cultural development.

New Investments in Key Ontario Sectors

Financial and Business Services

Financial and professional business services are major sectors of the economy, contributing greatly to Ontario's growth and competitiveness. These two key sectors together represent more than 10 per cent of total employment. Their employment has grown almost twice as fast as Ontario's economy as a whole from 2000 to 2007, reaching over 700,000 jobs.



Toronto is the leading location for business and financial head offices in Canada and is the third-largest financial centre in North America based on employment.

The government will:

- implement an updated "prudent portfolio" framework for Ontario insurance companies' investments. This will give mutual insurance companies, which serve rural communities, and other Ontario insurers, greater flexibility in the types of investments they can make, supporting their ability to compete

- complete the development of regulations to implement the modernization and streamlining of the *Credit Unions and Caisses Populaires Act* to enhance industry competitiveness

- propose legislative changes to further expand harmonized approaches across jurisdictions for regulating securities dealers and advisers, and investment fund managers

- appoint a committee to conduct the next review of Ontario's *Securities Act*, to ensure a high-quality regulatory system that enhances enforcement and investor protection, and increases the competitive position of Ontario's securities markets

- provide all seniors receiving income from Ontario locked-in accounts with greater flexibility and enhanced access to their locked-in funds. The existing rules for locked-in accounts under the *Pension Benefits Act* Regulation will be harmonized by extending the enhanced annual withdrawal and 25 per cent unlocking features of the new life income fund (LIF) to any remaining old LIFs or locked-in retirement income funds (LRIFs).

Toronto's financial services sector created over 50,000 net new jobs over the past 10 years — more than in any other North American city. Financial services is a key knowledge-based sector, as over 70 per cent of financial services employees in Toronto hold postsecondary credentials. Average earnings for workers in the financial services sector are 30 per cent higher than the all-industry Ontario average.

Financial and professional business services are also critical to growth in other sectors of the economy. They provide business and financial advisory services and financing for companies of all sizes. It is important to the economy that these key sectors further strengthen their international competitiveness by building on their knowledge-based capabilities in innovation, education and skills. It is equally important that the government work with the financial sector to help ensure it continues to move forward and grow, attracting the best and brightest people and financial firms from around the world.

The government continues to champion a common securities regulator to improve the efficiency, integrity and competitiveness of Canadian capital markets. A common securities regulator would help Canada realize its full economic potential.

The Entertainment and Creative Cluster

Ontario's entertainment and creative cluster is a cornerstone of Ontario's new innovative economy. It is the third largest in North America by employment after California and New York.

In this Budget the government is increasing the Ministry of Culture's funding by $63 million over the next four years.

In this Budget the government is proposing the following tax measures to help support the entertainment and creative cluster (see Chapter III: *Tax Support for Families and Business* for further details):

- enhancements to the Ontario Interactive Digital Media Tax Credit
- making permanent the Retail Sales Tax (RST) exemption on admissions to live theatres of not more than 3,200 seats

In this Budget, the government is investing:

- $2.5 million in 2007–08 in the Canadian Film Centre, to help the Centre undertake critical capital repairs and provide an improved training facility
- $7 million over the next four years to increase the market share of Ontario-produced digital content and support new content production for mobile and online use, by expanding Ontario Media Development Corporation's Interactive Digital Media Fund
- $4 million over the next four years in the International Fund, to support international marketing and touring initiatives, co-productions and cultural participation in trade missions and fairs to increase the profile of Ontario's artists and cultural industries on the world stage.

Over the next 12 months, the Ministries of Culture, Health Promotion, and Citizenship and Immigration will consult with key stakeholders on the design and criteria for a new capital program to strengthen the cultural and recreational assets of Ontario communities and improve their economic and social health.

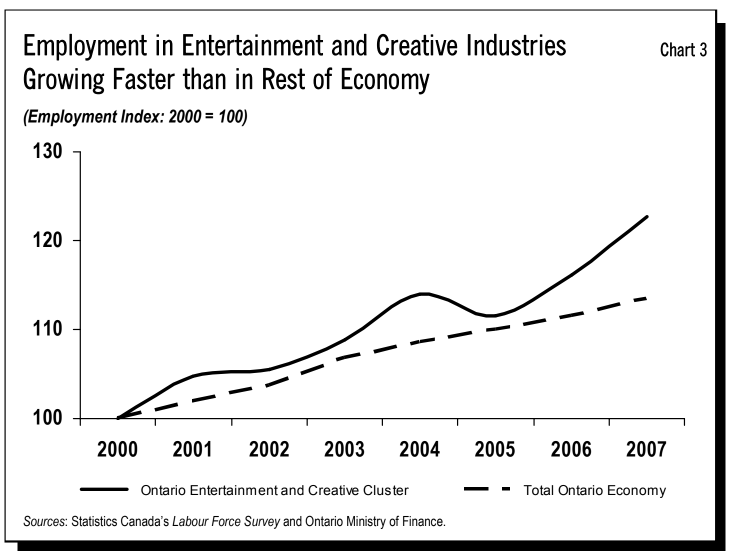
FILM AND TELEVISION TAX ENHANCEMENTS PROPOSED IN THE 2007 ECONOMIC OUTLOOK AND FISCAL REVIEW

- The Ontario Film and Television Tax Credit (OFTTC) rate for domestic productions would be increased from 30 per cent to 35 per cent for labour expenditures incurred after December 31, 2007, and before January 1, 2010.
  - The 10 per cent regional bonus would continue to be available for filming outside the GTA, and first-time producers would remain eligible for an enhanced rate of 40 per cent on the first $240,000 of labour expenditures.
- The Ontario Production Services Tax Credit (OPSTC) rate for foreign productions would be increased from 18 per cent to 25 per cent for labour expenditures incurred after December 31, 2007, and before January 1, 2010.

The OFTTC provided an estimated $120 million and the OPSTC provided an estimated $37 million in 2007 to help support growth and job creation in the Ontario film and television industry.

The government is working with the film industry to explore ways of advancing financial support for producers to the start of a production.

Ontario's entertainment and creative cluster includes such industries as film and television production, sound recording, book and magazine publishing, and new media (for example, digital special effects and interactive products such as video and computer games). It also includes independent artists, authors, musicians and filmmakers. The economic health of this cluster enhances creativity and innovation in the province, while in turn boosting economic growth by attracting businesses, skilled workers and highly mobile professionals and investors.



Between 1999 and 2007, Ontario's entertainment and creative cluster created over 80,000 net new jobs in Ontario, or an increase of 38.3 per cent, compared with 17 per cent in the overall Ontario economy. In 2007, Ontario employment in the cluster totalled approximately 292,000 people — 43 per cent of Canada's total workforce in this cluster.

Tourism

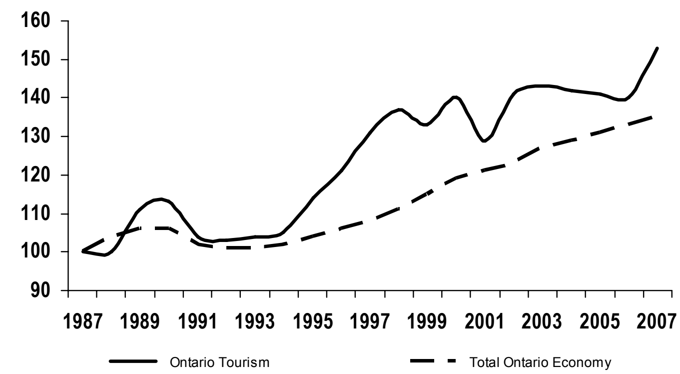
To support tourism in Ontario, this Budget announces new investments and a proposed tax measure totalling $92 million over five years starting in 2007–08. The government is:

- proposing to extend the RST exemption for Destination Marketing Fees — $6 million over two years ending June 30, 2010 (see Chapter III: *Tax Support for Families and Business* for further details)
- investing $8 million over the next two years to conduct research on new tourism markets, inform Ontario's tourism strategy and investments, and determine the steps necessary to attract and increase tourists to Ontario. On March 10, 2008, the government announced that Vaughan MPP Greg Sorbara will chair this new study to strengthen the competitiveness of Ontario's tourism industry
- investing $50 million over the next four years in tourism marketing and the Festival and Events Attraction and Support Program, to support Ontario festivals and events, and promote Ontario as a major tourist destination.

Tourism is an important component of Ontario's economy. In 2007, the industry employed over 185,000 workers across the province, representing 2.8 per cent of total Ontario employment, and 37 per cent of Canada's total tourism workforce.

Ontario's Tourism Employment Growing Faster than in Rest of Economy Chart 4

(Employment Index: 1987 = 100)



Sources: Statistics Canada's *Labour Force Survey* and Ontario Ministry of Finance.

The stronger Canadian dollar and increased border security have created significant challenges for the sector. International travel to Ontario, as well as to other provinces, has steadily decreased since 2001, mainly due to a drop in visitors from the United States. However, Canadian travel to Ontario during this same period grew by 2.3 per cent. Ontarians vacationing in their own province, with 6.7 per cent growth between 2005 and 2007, are vital to the tourism industry. Preliminary data in the Ontario Ministry of Tourism's *Ontario Tourism Outlook 2007–2011* estimated visits by Ontarians within the province at 93 million, and expenditures at $9.5 billion in 2007, accounting for 79 per cent of total visits and 52 per cent of total expenditures in Ontario last year.

Employment in Ontario tourism continues to grow despite challenges from the stronger Canadian dollar and lower international inbound travel. Thanks in part to government support, tourism employment grew by 16.7 per cent in the past decade, gaining approximately 15,000 jobs in 2007. From 2006 to 2007, Ontario tourism employment rose by nine per cent, versus 5.21 per cent in the rest of Canada.

Manufacturing

To help Ontario's businesses — including the manufacturing sector — modernize, the government is proposing $750 million in tax measures over four years, starting in 2007–08:

- eliminating the Capital Tax retroactive to January 1, 2007, for businesses primarily engaged in manufacturing and resource activities
- extending an accelerated Capital Cost Allowance (CCA) rate for manufacturing and processing machinery and equipment investments made before 2012 and paralleling other CCA measures announced in the 2008 federal budget
- accelerating Business Education Tax (BET) rate cuts for northern businesses.

These measures are in addition to the $1.1 billion in support over three years proposed in the 2007 Economic Outlook and Fiscal Review.

In 2007–08 the government is providing:

- $25 million to the manufacturing sector for productivity improvements and energy conservation projects. This is to be delivered through the Canadian Manufacturers and Exporters with assistance from partners including energy providers and the Information Technology Association of Canada.
- significant investments in training with new funding of $25 million to the Yves Landry Foundation, $22.1 million to Toyota Motor Manufacturing Canada in Cambridge and $5.6 million to Chrysler Canada in Brampton, Etobicoke and Windsor
- $5 million to the Ontario Chamber of Commerce for a Global Expansion Program to help companies increase access to export markets
- $500,000 to support the activities of the Ontario Manufacturing Council, including facilitation, studies, logistics and outreach.

Ontario's new leading-edge Investment and Trade Centre — a partnership between Ontario, other levels of government, economic development organizations and business associations that was officially opened February 4, 2008 — will bring together the information investors need and will help the Province market itself as the best place for international businesses to invest, grow and create good jobs.

The government continues to support and stand up for Ontario manufacturers as they face economic challenges. To further expand the benefits leveraged through the Advanced Manufacturing Investment Strategy (AMIS), the government will lower the investment project-size threshold for loan applications to a minimum of $10 million and 50 jobs created or retained. Also, the program's incentive will be increased from a 10 to a 30 per cent loan. These enhancements will increase access to more projects from small and medium-sized manufacturers in Ontario.

Existing initiatives have helped Ontario's manufacturing sector respond to these challenges in the most effective way — by continuing to invest in new products, facilities and equipment to improve competitiveness.

These significant new supports will deliver real and immediate help to manufacturers across the province.

RAMSAY REPORT ON INITIATIVES FOR ONTARIO'S MANUFACTURING

In November 2007, Premier McGuinty asked David Ramsay, Parliamentary Assistant to the Premier and MPP, Timiskaming-Cochrane, to investigate the challenges and opportunities facing Ontario's manufacturing sector and to provide advice on short-term actions the government could provide to help this vital sector expand and thrive in the global economy.

Following consultations with industry, Mr. Ramsay has provided advice to the Premier and the Minister of Finance in the following areas:

- provide tax relief for both profitable and currently non-profitable small and medium enterprises (SMEs) in the manufacturing sector
- provide resources for increased innovation and productivity including lean manufacturing activities.
- enhance skills, including workplace and apprenticeship training
- amend the Advanced Manufacturing Investment Strategy to reduce thresholds for eligible projects to allow greater access from SMEs
- expand the presence of Ontario's manufacturers in world markets, with particular focus on SMEs.

Mr. Ramsay also notes the importance of federal partnership in helping the Ontario manufacturing sector. The federal government should:

- significantly increase its funding commitment in the Automotive Innovation Fund to help support large-scale research and development projects in the automotive sector
- extend the 50 per cent straight-line write-off on manufacturing equipment to 2014
- extend its 10 per cent Atlantic Investment Tax Credit to all manufacturing activity across Canada to encourage new investment and to help level the playing field for businesses operating in Canada.

The government is looking forward to Mr. Ramsay's full report in the coming months.

Small and Medium-Sized Businesses and Entrepreneurship

Small and medium-sized businesses are vital to Ontario's economy. Many of the new manufacturing initiatives and tax measures proposed in this Budget will benefit this sector. The government is also providing direct assistance to support the small and medium-sized business sector. This Budget announces the following:

- The Global Edge program, with funding of $1.7 million over four years, to facilitate international work and learning opportunities for enterprising postsecondary students. This will also help ensure strong international business relationships in the future.

- A $1 million additional investment in Ontario's Small Business Enterprise Centres, which provide support for startup and small enterprises during their initial years of development and operation.

Small and medium-sized businesses would benefit from the proposed extension of the lower small business Corporate Income Tax rate, retroactive to January 1, 2007, as announced in the 2007 Economic Outlook and Fiscal Review. Other proposed tax relief benefiting small and medium-sized businesses includes enhanced capital cost allowance rates, the enhanced refundable Ontario Innovation Tax Credit, and accelerated Business Education Tax reductions.

Mining

To help foster the continued success of Ontario's mining industry, this Budget is announcing:

- $20 million over four years for geological mapping to help Ontario's mineral exploration sector identify areas of economic opportunity

- close to $7 million over four years to implement Ontario's Mineral Development Strategy, which will include modernization of the *Mining Act*.

The global mining industry is enjoying an exceptional boom, due to continuing robust demand. In 2007, Ontario produced roughly $11 billion in metals, non-metallic minerals and aggregates, up more than $1 billion from 2006. In addition, Toronto is one of the world's premier centres of mining finance, with over 1,200 mining companies listed on the Toronto-based TSX Group's stock exchanges.

Industry exploration and deposit appraisal expenditures surged in 2007 to an estimated $502 million from $347 million in 2006, helping to identify new reserves and extend the life of existing mines. Spending intentions indicate a further 25 per cent increase to $629 million in 2008, leading all other Canadian jurisdictions.

Forest Sector

The government is committed to helping Ontario's forest industry transform and compete successfully in the marketplace.

- As one of Ontario's most capital-intensive sectors, forest-products companies would benefit from the tax initiatives proposed in this Budget such as the elimination of capital tax for manufacturing and resource activities effective January 1, 2007, enhanced capital cost allowance rates for manufacturing and processing machinery and equipment, and the acceleration in the Business Education Tax rate cuts for northern business.

- To encourage new investment and greater use of the underutilized poplar species and support existing users, the government proposes to reduce the stumpage rate for poplar hardwood by $2.76 per cubic metre, to make it consistent with the white birch rate effective April 1, 2008. The estimated value of this initiative is $6 million in 2008–09. Forest renewal and forestry futures charges will remain in effect.

- The government will implement forest biofibre pricing that will encourage greater use of this underused resource for the production of energy and other value-added bioproducts, and spur the development of new technologies, while ensuring that users continue to contribute to the renewal and protection of Ontario's forests. Forest biofibre includes tree tops, cull or salvaged trees, and other portions of trees that are unmarketable or unsuitable for use in conventional forest products.

- The government will contribute $25 million towards a centre for research and innovation in the bio-economy, to be located in Thunder Bay, which will undertake frontier research in the next generation of higher-value forestry products, such as supercalendared paper used in advertising inserts in newspapers.

- The government will provide $15 million over four years for a centre for invasive species management in Sault Ste. Marie.

Ontario's forest sector employs almost 67,000 people and is the mainstay of many communities, particularly in northern Ontario. It is being challenged by increasing global competition, a slumping U.S. housing market and a sharp rise in the Canadian dollar.

With help from existing Ontario programs, the industry is making progress in reducing purchased-energy costs and harnessing new sources of value from wood fibre through investments in co-generation facilities and the development of biofuels such as wood pellets.

Ontario will continue to facilitate the sector's move to a more competitive position, while working with the sector and forest-dependent communities to better manage this transition during current market weakness.

Since 2005, the government has announced more than $1 billion in assistance for the forest sector. The resulting programs have stimulated new investments in value-added manufacturing and co-generation, helping the industry reposition itself in the global marketplace.

Agriculture

The government is helping farmers stay competitive in a rapidly changing global marketplace and move towards a more sustainable future. In this Budget, the government is:

- providing $56 million over four years for the Pick Ontario Freshness strategy and the Ontario Farmers' Markets Initiative, which will help encourage Ontarians to buy locally

- supporting research, animal health and the Ontario Veterinary College by providing $56 million in 2007–08 to the University of Guelph

- supporting the Vineland Research and Innovation Centre with $12.5 million in 2007–08, which builds on the support provided in 2006–07 — in total, the government has provided $25 million to the Centre

- proposing to expand the Land Transfer Tax exemption for transfers of the family farm to include transfers from family farm corporations to individual family members
- supporting interdisciplinary research into chemicals and fuels made from agricultural resources by providing $7.5 million in 2007–08 to the University of Western Ontario
- enhancing broadband access in rural southern Ontario with funding of $7.5 million annually for four years.

Ontario has the largest agriculture sector in Canada, accounting for 25 per cent of national crop and livestock receipts in 2006. It is highly diversified and benefits from proximity to major markets, a favourable climate and good soils. Farming employed about 96,000 people in Ontario in 2007.

Recently, some agriculture sectors have faced special challenges, such as higher fuel costs. The government responded with new support announced in 2007. The Risk Management Program and support for horticultural and livestock farmers assist the sector in the face of immediate challenges.

Ontario Ministry of Agriculture, Food and Rural Affairs expenditures are expected to total more than $1.2 billion in the 2007–08 fiscal year.

SECTION B STRONGER COMMUNITIES: INVESTING IN MUNICIPAL INFRASTRUCTURE AND COMMUNITIES

This Budget includes $1 billion in new funding for municipal infrastructure in 2007–08:

- $400 million for the Municipal Roads and Bridges Fund for communities outside Toronto
- $497 million for public transit in the Greater Toronto and Hamilton Area for Metrolinx projects and other transit priorities
- $100 million for infrastructure investments to rehabilitate existing social housing units, including energy-efficiency improvements. The government is also planning to make key public-sector social housing providers eligible for Infrastructure Ontario's OSIFA loan program, which would provide up to $500 million in low-cost loans.

These investments will create an estimated 10,000 jobs during construction and will build on recent initiatives including the $450 million Municipal Infrastructure Investment Initiative (MIII), a program that enabled municipalities to apply for funding for their own highest-priority projects.

Municipalities will also have the opportunity to potentially benefit from the proposed Investing in Ontario Act (see Chapter II: *Ontario's Economic Outlook and Fiscal Plan*).

Investing in Municipal Infrastructure

Municipal Roads and Bridges

Municipal roads and bridges are essential components of Ontario's transportation network as they connect communities, and provide access to economic opportunities. In this Budget a new $400 million Municipal Roads and Bridges Fund will help municipalities invest in critical projects across the province. Funding will be distributed to municipalities outside Toronto, based on their share of Ontario's road network in relation to population. This new investment builds on the success of a similar investment announced in the 2006 Budget.

The Province is investing $450 million in 2007–08 in the Municipal Infrastructure Investment Initiative, the combined total of $300 million announced in the 2007 Economic Outlook and Fiscal Review and $150 million announced at the 2008 Ontario Good Roads Association/Rural Ontario Municipal Association (OGRA/ROMA) conference. These investments will help communities across the province improve their infrastructure including roads, bridges, water and wastewater systems, and community facilities.

The Province is helping municipalities invest in local roadways designated as Connecting Links, which are specifically designated municipal roads that connect provincial highways. In 2006–07, the program invested $16 million to fund 37 projects and the 2007 Budget announced an additional one-time investment of $25 million to assist with municipal road improvements. In this Budget, the Province is investing $16 million to fund 35 projects.

Public Transit and Regional Transportation

Effective and expanded public transit will reduce traffic congestion and make it easier and faster to move people and goods, cut smog and provide cleaner air to breathe, help reduce greenhouse gas (GHG) emissions, and support sustainable urban development, which lead to stronger communities and a higher quality of life.

In this Budget the government is announcing its commitment to provide funding for all of Metrolinx's recommended "Quick Win" projects. (See Table 1, *Metrolinx Transit Projects*).

With the transit commitments in this Budget, the Province will have funded one-third of the cost of 360 new subway cars for the Toronto Transit Commission (TTC) and the infrastructure needed to improve capacity on the Yonge subway.

Metrolinx Transit Projects		Table 1
		Provincial Investment ($ Millions)
Hamilton	B-Line Improvements, King-Main Corridor	17.4
	A-Line Improvements, James-Upper James Corridor with service to Hamilton International Airport	12.4
	James Street North GO/VIA Station Gateway to Niagara	3.0
Peel	Dundas and Hurontario Higher-Order Transit Corridor Development	26.5
	Mississauga Transitway Hub, Airport-Renforth Gateway	39.0
	Bolton GO Transit Improvements	0.6
Halton	Dundas Street Bus Rapid Transit	57.6
York	VIVA Highway 7 – Pine Valley Drive to Kennedy Road	52.0
	VIVA Yonge Street – Richmond Hill Centre to 19th Avenue	19.0
	VIVA Yonge Street – 19th Avenue to Newmarket	29.0
Durham	Highway 2 Bus Rapid Transit Spine	82.3
	Cornell Terminal	5.6
Toronto	TTC Transit City Light Rail Transit (LRT) Head Start	7.1
	Yonge Subway Capacity Improvements	293.0
	Yonge Finch-Steeles Bus Rapid Transit	5.7[1]
Inter-Regional	Bicycle Expansion: New bicycle-carrying devices on municipal transit vehicles and bicycle-storage spaces at stations across the GO Transit network	5.0
	GO Transit Rail Fleet Expansion: 20 additional bi-level passenger coaches for the GO Lakeshore Corridor	60.0
	GO Transit Double-Decker Buses: 10 new double-decker commuter buses for the Highway 407-403 Corridor, and to York University	9.0
	GO Track Expansion: New passing-track sections for the GO Bradford and GO Stouffville corridors	20.0
Total[2]		**744.2**

[1] Funding previously provided to the City of Toronto to meet the Canada Strategic Infrastructure Fund provincial commitment.

[2] Funding provided through a combination of the 2007 Ontario Economic Outlook and Fiscal Review, the 2008 Budget and the ReNew Ontario Infrastructure Plan.

To move people and goods more efficiently, the government recently announced the MoveOntario 2020 rapid-transit action plan for the Greater Toronto Area and Hamilton. This multi-year, $17.5 billion investment proposes 52 projects that will result in 902 kilometres of new or improved rapid transit and is expected to create more than 175,000 jobs during construction.

The Province is committed to providing $11.5 billion of the funding for MoveOntario 2020 projects, and has called on the federal government to provide a minimum of $6 billion. For the plan to achieve its full potential, new long-term federal funding support will be required that goes beyond the infrastructure initiatives announced in recent federal budgets.

As part of MoveOntario 2020, the government will be expanding GO Transit service east of Oshawa.

Metrolinx is preparing a Regional Transportation Plan (RTP) for the GTHA, which will aim to improve the coordination and integration of all modes of transportation in the region. The RTP will also include Metrolinx's recommendations on MoveOntario 2020 — in particular, the selection, prioritization and timing of projects in the plan.

To improve seamless transit service across the GTA, the Province also supports the introduction of PRESTO, the new regional fare card.

The Province will continue to provide gas tax revenues to public transit, for a total of $314 million in 2008, which will be distributed to 86 transit systems serving 108 communities across the province. The Ontario Bus Replacement Program is also helping municipal transit systems acquire newer and more accessible bus fleets.

In addition to its investments, the government is making transit planning more efficient through plans to reduce the provincial environmental assessment process for transit projects to six months.

GO Transit is an integral part of the transportation system in the Greater Toronto Area, City of Hamilton, and Simcoe, Dufferin and Wellington counties, and moves more than 48 million passengers every year. In 2007, GO Transit opened two new stations: Lisgar and Barrie South. The Budget includes new funding for infrastructure investments in GO Transit. These investments will improve services, modernize infrastructure and help address concerns raised in the Auditor General's 2007 Annual Report. Key investments include:

- $382 million in 2008–09 for rehabilitation projects, including improvements to GO Transit facilities at Union Station and other stations throughout the network, as well as replacement and renewal of GO Transit's equipment
- $166 million over the next five years to expand GO Transit's Bus Rapid Transit (BRT) system, including purchasing new double-decker motor coaches; developing bus maintenance facilities; making BRT investments complementary to the Mississauga Transitway; and creating an interregional transit hub at Kipling subway station
- $89 million over the next two years for GO Transit projects identified by Metrolinx, including the purchase of 20 new bi-level passenger rail coaches, 10 new double-decker commuter buses, and track expansions on GO Transit rail corridors.

In addition, the Province remains committed to transit improvements in the City of Ottawa in cooperation with municipal and federal partners. The Province will review the recently released vision for public transit in Ottawa and assess next steps with the City and federal government. The government remains committed to investing $200 million in transit in Ottawa.

Waterloo Region is one of Ontario's fastest-growing and most innovative communities. The government is committed to working with its municipal, regional and federal partners to complete technical studies and an environmental assessment for a new rapid-transit system there and to supporting up to two-thirds of the project cost.

Municipal Infrastructure Investment Initiative (MIII)

The Province is investing $450 million in 2007–08 in the MIII, consisting of $300 million announced in the 2007 Economic Outlook and Fiscal Review and $150 million announced at the 2008 OGRA/ROMA conference. The MIII builds on last year's successful Rural Infrastructure Investment Initiative (RIII). The eligibility criteria of the MIII have also been expanded: 462 municipalities and Local Service Boards applied for MIII, compared to 358 for RIII. Under MIII, municipalities were able to apply for one infrastructure project based on their own priorities. Over 80 per cent of the applications were for roads and bridges, water and wastewater, and culture and recreation projects. Grants will be announced by March 31, 2008.

Affordable Housing

In this Budget a new investment of $100 million is being provided to rehabilitate existing social housing units, including improving their energy-efficiency.

The government intends to expand OSIFA loan eligibility to include key public-sector social housing providers. They would be able to access up to $500 million in low-cost loans to assist them in making necessary social housing infrastructure investments. The Province will also work with social housing experts to improve asset management in the sector.

Progress is well underway on the Province's plan to create more affordable housing options for families and individuals across Ontario. Under the 2005 Canada–Ontario Affordable Housing Program, the Province has committed $301 million to create new rental and supportive housing and to help families and individuals with lower incomes purchase new homes.

Water and Wastewater

The new $450 million MIII is expected to provide significant funding for municipal water and wastewater projects.

Last year's RIII program provided $56 million in response to water and wastewater project applications. The government, along with its federal partner, is investing nearly $380 million in water and wastewater systems in 60 municipalities through the Canada–Ontario Municipal Rural Infrastructure Fund. Infrastructure Ontario's OSIFA loan program has committed $1.1 billion to municipal water and wastewater projects since 2003.

Partnerships for Municipal Financing

Infrastructure Ontario is responsible for managing the delivery of the Province's Alternative Financing and Procurement (AFP) projects and for administering loans to municipalities and other organizations for infrastructure investments.

In addition to the expansion of Infrastructure Ontario's OSIFA loan program to key public social housing providers, Local Services Boards and Ontario's not-for-profit public professional arts training institutions would also be eligible for loans.

To date, the OSIFA loan program has committed to providing almost $2.8 billion in low-cost, long-term financing to almost 200 municipalities and other public-sector entities. Of the $1.6 billion advanced to date, nearly 700 infrastructure projects have been initiated to support priorities such as clean water, sewage treatment, waste management, road and bridge improvements, teaching and learning facilities, and recreational and sport facilities.

Investing in Economic Infrastructure

Windsor Border

International trade is integral to Ontario's and Canada's economic prosperity. The government is committed to ensuring efficient and uninterrupted trade with the United States through Ontario's borders, gateways and trade corridors.

The government is working with federal and U.S. partners on a strategy to develop a new border crossing and associated infrastructure at the Windsor–Detroit Gateway. This initiative, the Detroit River International Crossing Study, is expected to provide recommendations in the spring of 2008 on a new transportation system to provide safe, efficient, secure and uninterrupted movement of people and goods across the Canada–U.S. border. This would support the local economy of the Windsor–Essex region, the provincial and state economies of Ontario and Michigan, and the national economies of Canada and the United States.

The recommendations are expected to address the location and design of a new river crossing, access road and customs plaza. The federal government is leading the development of the new river crossing and customs plaza and has earmarked an initial $400 million towards a commitment to fund 50 per cent of the total eligible capital costs of the access-road projects.

As part of the environmental assessment process, the work to select a preferred alternative for the access road is about to conclude. It is anticipated that construction will begin in 2009. Ontario will fully fund its share of the costs of the final proposed road link between Highway 401 and the new border crossing. Sufficient funds to cover the costs of the project are built into the government's 10-year infrastructure plan. Construction on the project, which is the most important infrastructure undertaking in Canada and the United States, will also create thousands of jobs in Windsor. Further details will be announced in coming weeks.

This project will include unprecedented features to enhance the quality of life for people in the Windsor–Essex region while ensuring that traffic keeps moving.

Highways

This Budget includes new funding of $448 million over the next five years to accelerate projects to rehabilitate bridges that are part of the provincial highway network. This investment is expected to result in improvements to over 100 bridges in addition to those expected as part of ReNew Ontario.

Through the five-year ReNew Ontario infrastructure plan, the government is investing over $3.4 billion to improve the provincial highway network in southern Ontario and $1.8 billion in northern Ontario. In 2008–09, the government will invest $927 million in the Southern Ontario Highways Program and $557 million in the Northern Ontario Highways Program.

A number of new projects to improve highway safety in northern Ontario are also being added to ReNew Ontario. Projects will proceed on key corridors, including Highway 17 east and west of Thunder Bay; the Thunder Bay Expressway; Highway 17 around North Bay; and Highway 11 north of North Bay. This work will result in the addition of new passing lanes, intersection and curve improvements, illumination and variable message signs. Another new project includes capacity improvements to Highway 17 near Arnprior in eastern Ontario to address growing traffic and enhance safety.

The Province is making good progress on its plan to complete the extension of Highway 407 eastward from Brock Road in Pickering to Highway 35/115 in Clarington by 2013. Work related to the environmental assessment process, including route design, is underway.

A High Quality of Life in Northern and Rural Regions

Strong, vibrant rural and northern communities are important to Ontario's economic success and quality of life. These regions have great potential to contribute to Ontario's innovative new economy, but they also face unique challenges that require a focused and coordinated response. That is why the government is working with communities and stakeholders to give them the opportunities and tools they need to embark on a prosperous future.

The 2007 Budget announced the appointment of Dr. Robert Rosehart as the Northwestern Ontario Economic Facilitator to work with local people and businesses to inspire a new generation of growth in the region. The government wishes to thank Dr. Rosehart for his hard work and looks forward to studying his report and recommendations.

Building Opportunities in Northern Ontario

In addition to investments in education and health care, this Budget announces $508.7 million in strategic initiatives over four years to create opportunities in northern communities and secure the region's place in Ontario's new economy. These initiatives include:

- $302 million over the next four years for new investments in northern highways (see "Highways")
- increasing funding to the Northern Ontario Heritage Fund Corporation (NOHFC) by $10 million per year from $60 million in 2007–08 to $100 million in 2011–12. The NOHFC works with northern entrepreneurs, communities and business organizations to support vital community infrastructure and economic development projects that create jobs and enhance the quality of life in the north
- $30 million over four years to support consultations via the Northern Table on sustainable land use planning and resource management in the Far North, a vital carbon sink. A carbon sink, such as a forest, is a reservoir that can absorb or "sequester" carbon dioxide from the atmosphere
- $25 million to support the creation of a centre for research and innovation in the bio-economy focused on forestry in Thunder Bay
- $15 million over four years to support the establishment of a centre for invasive species management in Sault Ste. Marie
- $9.7 million to complete funding of Ontario's commitment of $14.7 million to develop a Molecular Medicine Research Centre in Thunder Bay
- $27 million over three years for a new Distance Grant for students in rural and remote areas, to assist with travel costs.

This Budget accelerates Business Education Tax (BET) rate cuts for northern businesses announced in the 2007 Budget. Business Education Tax rates will be reduced more quickly in 85 northern municipalities, benefiting more than 30,000 businesses of all sizes. This will ensure that northern businesses will benefit from the full BET reduction by 2010, four years earlier than originally announced. Northern businesses will benefit from total BET savings of more than $70 million over the next three years.

The government is also working with First Nations and northern stakeholders on a Growth Plan for Northern Ontario. The plan will focus on achieving and sustaining growth, and creating economic and lifestyle opportunities to live, work and raise families in the north.

Building Opportunities in Rural Ontario

To further enhance opportunities for growth and support a high quality of life in Ontario's rural communities, this Budget announces:

- $30 million over four years to enhance broadband access in rural areas in southern Ontario, leveraging broadband infrastructure investment from private-sector businesses and public partners to grow and improve access to public services such as e-learning, e-health and e-government
- $30 million increase in funding over four years to the Rural Economic Development program (RED)
- $53 million over the next three years to add 50 more Family Health Teams by 2011–12, targeting rural and underserviced communities.

Led by the Ministry of Economic Development and Trade, the government is also working with stakeholders to develop the Eastern Ontario Development Fund. Through this fund, the government will provide support for business investment and economic development in the region. In addition, rural communities will benefit from initiatives to support key sectors such as manufacturing, agriculture and forestry, and from Ontario's commitment to develop the bio-economy.

On February 25, 2008, the government announced it will invest a further $150 million in the existing $300 million MIII. The MIII provides municipalities across Ontario, outside Toronto, with funding to build and repair roads, bridges and other public facilities.

Rural communities will also benefit from the new $400 million Municipal Roads and Bridges Fund.

These new initiatives build on existing investments in rural health care, education, infrastructure, support for key industries and new economic opportunities.

ACHIEVEMENTS

- $298 million under COMRIF to help fund 280 infrastructure projects, including an Asset Management Program to help rural and small communities improve their capacity to manage their infrastructure assets.
- Investments to help rural and small municipalities provide safe and reliable local infrastructure. This includes $140 million under the RIII for critical projects identified by communities.
- Funding to 68 small and rural hospitals in 2006–07 to address service gaps and maintain core services that support emergency care in their communities as part of the October 2006 Emergency Department Action Plan.
- $17 million in new annual funding in the 2007–08 school year under the $63 million Supported Schools Allocation for teachers and operating costs in schools with low enrolment that are too far apart to consolidate.
- The RED program, which in 2007–08 approved $18.4 million for 50 projects in three priority areas: improved access to health care services, revitalized communities and downtowns, and enhanced skills training.
- The Rural Connections Program, which invested $10 million to assist 18 southern Ontario rural communities to implement broadband access in 2007–08.
- The Rural Summer Jobs Service, which in 2007 helped more than 3,800 students, aged 14 to 24, gain valuable experience and work skills.

Partnering with Municipalities

PARTNERSHIPS WITH MUNICIPALITIES

The government has entered into agreements with the Association of Municipalities of Ontario and the City of Toronto that formalize the principle of consultation with the municipal sector. These agreements commit the Province and municipalities to work together in a relationship of mutual respect, ongoing consultation and cooperation on matters of mutual interest.

Through the Provincial-Municipal Fiscal and Service Delivery Review, the government is working with municipalities to develop affordable and sustainable ways to fund and deliver services for Ontario's communities.

The Review's main goal is to create a sustainable provincial–municipal relationship where both levels of government can meet their responsibilities. It is focusing on:

- affordability and fiscal sustainability for both levels of government
- fairness for taxpayers
- timely infrastructure investments
- effective delivery of provincial and municipal services across Ontario
- long-term economic development and prosperity for Ontario and its communities.

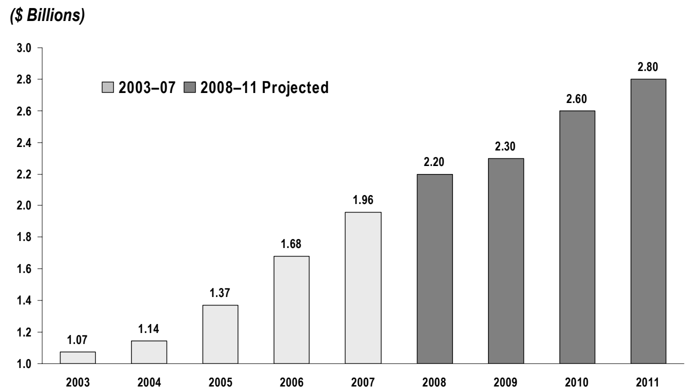
The Review's consensus-based public report is expected in the spring of 2008.

Investing in Municipalities

The government has made historic investments in municipalities and municipal partnerships. This has meant ongoing and increasing funding support for municipal operating costs; uploading costs that previous governments downloaded; and supporting municipal capital needs.

Since 2003, the Province has more than doubled its support to municipal operating budgets. In 2008, this amounts to $2.2 billion in ongoing operating support to municipalities.

Operating Support to Municipalities Is Increasing Chart 5



Sources: Ministries of Finance, Transportation, Health and Long-Term Care, and Community and Social Services.

The Ontario Municipal Partnership Fund (OMPF) assists municipalities with their social program costs, includes equalization measures, addresses challenges faced by northern and rural communities, and responds to policing costs in rural communities. It will transfer $870 million in 2008 — 41 per cent or $252 million more than 2004 transfers under the previous program.

Two cents per litre of the Provincial Gas Tax has been made available to municipalities annually for public transit. In 2008, $314 million is being distributed to transit systems that provide service in 108 communities across the province, for a total of more than $1.6 billion by 2010 since the program began.

The Province's share of public health funding increased from 50 per cent in 2004 to 75 per cent in 2007.

Since 2006, the government has made an additional investment in land ambulance services of just over $300 million, meeting the commitment of moving to 50/50 funding of existing levels of land ambulance service by 2008.

The Province is phasing out Greater Toronto Area (GTA) pooling, which will eliminate a $200 million burden from the municipal property tax bases of contributing GTA municipalities. Under this plan, the Province is uploading responsibility for social assistance and social housing costs currently funded under the program.

In August 2007, the Premier announced an unprecedented upload of social program costs. The government uploaded the municipal share of the cost of the Ontario Drug Benefit (ODB) program in January 2008 and will begin uploading the Ontario Disability Support Program (ODSP) in 2009. By the time it is fully implemented in 2011, the upload will save municipalities over $900 million a year.

As a result of these investments, by 2011 the Province will have increased ongoing annual operating support to municipalities to $2.8 billion — an increase of more than $1.7 billion, or 160 per cent, compared to 2003.

ACHIEVEMENTS

The government's actions to support municipalities include:

- introducing a fairer, more responsive transfer payment program: the OMPF
- providing $870 million in OMPF funding in 2008, a $252 million or 41 per cent increase over the funding provided in 2004
- providing $314 million in gas tax funding in 2008, for a total of more than $1.6 billion by 2010
- increasing the Provincial share of public health funding from 50 per cent in 2004 to 75 per cent in 2007
- providing over $300 million in incremental land ambulance funding since 2006
- phasing out GTA pooling over seven years, starting in 2007
- saving municipalities over $900 million per year by 2011 through the uploading of ODB and ODSP costs
- cutting BET rates.

Cutting Business Education Tax Rates

In the 2007 Budget, the government announced a $540 million cut to high BET rates over seven years — lowering high BET rates to a target maximum rate of 1.60 per cent. Business Education Tax reductions are key elements in the government's overall strategy to enhance Ontario's investment climate.

This initiative will also reduce the wide variation in BET rates across the province. The variation in rates distorts efficient business location decisions — placing many regions of Ontario at a disadvantage.

This Budget announces an accelerated plan for BET reductions in northern Ontario. The accelerated BET reductions will ensure that northern businesses will benefit from the full BET reduction by 2010, four years earlier than originally announced.

Northern businesses are defined as those that lie within any of the following districts: Algoma, Cochrane, Kenora, Manitoulin, Nipissing, Parry Sound, Rainy River, Sudbury, Thunder Bay and Timiskaming.

The accelerated BET reduction plan recognizes the unique challenges faced by northern businesses and responds to recent recommendations made by the Canadian Federation of Independent Business (CFIB) and others. In future years, consideration will be given to accelerating BET reductions in other parts of the province should the fiscal plan allow.

Accelerating BET reductions in northern Ontario will benefit more than 30,000 businesses of all sizes in 85 municipalities. Northern businesses will benefit from total BET savings of more than $70 million over the next three years. The BET reductions will improve the competitive position of northern Ontario businesses, create new jobs and strengthen the provincial economy overall.

Protecting and Improving Ontario's Natural Environment

Since 2003, Ontario has become one of North America's leading jurisdictions in protecting its air, water, green space and wilderness. Ontarians want to enjoy a clean and safe environment, explore nature, breathe clean air and drink clean water. Improving Ontario's environment not only improves Ontarians' quality of life, but also helps keep them healthy. An updated regulatory framework, introduction of waste-diversion programs and development of green technologies are key elements in addressing environmental challenges and building sustainable communities.

The government is making investments to protect Ontarians' health by taking action on toxic substances:

- Providing $41 million over four years to support the development of toxics legislation and a toxics reduction strategy that will require companies that emit toxic substances to reduce their emissions over time; the government will work with Cancer Care Ontario and the Ontario Medical Association to identify, target and reduce the number of cancer-causing agents released in the environment. The Ministry of the Environment (MOE) will also work with the Ministry of Economic Development and Trade (MEDT) and the Ministry of Research and Innovation (MRI) on initiatives and strategies to support the development and installation of new technologies to reduce industry reliance on toxic chemicals.

- Allocating over $10 million over four years in support of the Province's plan to ban the use of non-essential pesticides, which will foster the development and sale of green alternatives that are better for the environment and the health of Ontario families; funding would also be used for education, outreach and compliance.

- Working with Waste Diversion Ontario (WDO) to enhance household waste diversion by introducing a new Municipal Hazardous or Special Waste (MHSW) program. This program is expected to double the amount of MHSW diverted from landfill or the environment over the next five years, providing nearly $5 million over four years for additional waste inspectors to increase recycling compliance at industrial, commercial and institutional facilities; and almost $2 million over two years to remove 300,000 tires illegally stored in Middlesex County and review the inventory of scrap tires in the province.

- Providing $56 million over two years to eliminate polychlorinated biphenyl (PCB) contaminated soil stored in London. An additional $7 million will be invested in 2008–09 to clean up other sites.

This Budget includes a series of initiatives to improve the government's ability to protect Ontario's environment and promote environmental education:

- Allocating nearly $31 million over the next four years for new inspection resources and staff. These new resources will be mainly allocated to increase capacity for inspection and enforcement, including the government's lead action plan.

- A 14 per cent increase in spending for the Ministry of the Environment (MOE) in 2008–09.
- Providing more than $12 million over four years for additional staff at the MOE, and over $23 million in 2007–08 in capital to 19 Conservation Authorities for technical studies to support the development of source protection plans required under the *Clean Water Act, 2006*.
- Investing over $10 million in 2008–09 to modernize the MOE's lab and monitoring equipment, which is critical for water, air and soil sampling. In addition, $7.3 million will be invested over two years to upgrade the Ministry's lab and monitoring facility in Toronto.
- Providing the Ministry of Natural Resources with funding totalling $27 million over four years to acquire ecologically sensitive lands for conservation purposes.
- Providing $20 million over four years for an environmental public education and outreach strategy that will coordinate all environmental public education efforts under one roof. The strategy aims to increase participation in new and existing environmental initiatives and encourage Ontarians to adopt greener behaviours.
- Allocating $6.5 million over four years for new resources to prepare teachers to teach the new environmental curriculum.

Overview

The government is committed to improving the quality of life for all Ontarians, particularly the most vulnerable citizens.

The government's early initiatives to help reduce poverty and assist other Ontarians in need include:

- $135 million over three years to provide better dental care for low-income families
- $32 million over three years for the Student Nutrition Program
- $385 million over three years for a new annual Textbook and Technology Grant of $300 per year at maturity for full-time university and college students
- $27 million over three years for a new Distance Grant to assist with transportation costs for students from rural and remote areas attending college and university
- more than $13 million over four years to expand the 211 Ontario system, an integrated telephone and web-based system providing callers/users with one-stop information about — and referral to — local community, social, health and related government programs and services province-wide
- $100 million in one-time funding that may be used to rehabilitate existing social housing, including energy-efficiency improvements along with the opportunity for key public housing providers to access $500 million in low-cost loans through Infrastructure Ontario's OSIFA loan program
- $10 million over four years for an asset-building pilot program for low-income Ontarians
- a two per cent social assistance rate increase that provides an additional $36 million in 2008–09 and $87 million in 2009–10 to Ontario Works and Ontario Disability Support Program (ODSP) recipients
- increasing the minimum wage from $6.85 per hour in 2003 to $8.75 as of March 31, 2008, rising to $10.25 by 2010
- $30 million in one-time funding in 2007–08 for capital projects to support agencies that provide services to children and vulnerable populations.

Other measures in this Budget to assist Ontarians include:

- approximately $1 billion over five years to provide a new property tax grant to senior homeowners with low and moderate incomes

- $16 million over four years to enhance Ontario Property and Sales Tax Credits for senior couples.

Poverty Reduction Strategy

The government's Cabinet Committee on Poverty Reduction, chaired by the Honourable Deb Matthews, Minister of Children and Youth Services, will focus on expanding opportunities for those living in poverty. It will develop a focused poverty reduction strategy with measures, indicators and reasonable targets by the end of 2008. The Committee will review how best to organize and align the current system of supports to ensure more effective investment and more efficient administration. The government will work with communities and other governments to expand opportunity for all Ontarians and reduce poverty over the long term. Listed below are some early initiatives.

Children and Youth

Dental Care for Low-Income Families

As part of its poverty reduction strategy, the government will be developing a plan to provide dental services to low-income persons. The government will invest $135 million over three years, starting in 2008–09. The intention is to improve and enhance the delivery of the Children in Need of Treatment (CINOT) program, which currently provides urgent dental care services to children in low-income families from birth to Grade 8 or their fourteenth birthday, whichever is later. In January 2009, CINOT will be expanded to include children in low-income families until their eighteenth birthday. In addition, the government will work with Public Health Units, Community Health Centres, dentists and dental hygienists to deliver prevention and treatment services for low-income Ontarians. Details on the program will be announced in the near future by the Minister of Health and Long-Term Care, the Honourable George Smitherman.

Student Nutrition Program

The Student Nutrition Program supports local organizations in delivering nutritious meals and snacks to children and youth in schools and community settings. It helps to alleviate the impacts of poverty by helping children to arrive in the classroom ready to learn. As part of its poverty reduction strategy, the government is proposing to invest an additional $32 million over three years in the program. The government currently provides $8.5 million annually, supporting almost 400,000 children. The new investment will more than double annual funding for this program.

Parenting and Family Literacy Centres

The government is increasing the number of Parenting and Family Literacy Centres in the province by 34 with an additional investment of $2 million in the 2008–09 school year, so that families from all backgrounds can help their children arrive at school ready to learn. These centres help prepare children for successful school entry.

Making Education More Affordable

The government understands that a good education is a foundation for success and that for students to succeed, education must be affordable. That is why the Province is implementing new initiatives in 2008–09 to reduce postsecondary education costs. It is announcing:

- $385 million over three years for a new annual Textbook and Technology Grant of $300 per full-time student when fully in place

- $27 million over three years for a new annual Distance Grant to assist with transportation costs for students from rural and remote areas attending college and university.

For further details, see Section D: *A Smarter Ontario: Excellence in Publicly Funded Education*.

Quality of Life

Strengthening Ontarians' Access to Community Services through 211 Ontario

This Budget proposes to invest more than $13 million over four years, in cooperation with partners such as the United Way of Ontario and other partners, to make Ontario's 211 system province-wide beginning in 2008–09. This expansion would constitute a major reform in the way Ontarians receive information about community-based services.

211 Ontario is integrated telephone and internet-based systems providing callers/users with one-stop information about, and referrals to, local community social, health and related government programs and services.

By dialing 2-1-1, Ontarians would be directly connected to a qualified information and referral specialist who can answer their community services inquiries.

211Ontario.ca is a web-based directory that will allow the public to search for and access information online about community-based services in their area of the province.

This investment will enable more powerful web-based searching and better access to knowledgeable community services referral specialists. 211 Ontario is intended to contribute to the overall effectiveness of the social services sector and have a lasting impact on Ontarians' access to services.

ONTARIO CHILD BENEFIT

The 2007 Budget announced the creation of the Ontario Child Benefit (OCB), a major reform in the way benefits are provided to all low-income families with children. The new OCB will help lower the welfare wall by removing children's benefits from the social assistance system. It will improve equity by ensuring that all families with similar incomes will receive the same OCB payment per child regardless of whether the parents are employed or receiving social assistance.

- In July 2007, Ontario provided eligible families with a one-time down payment of up to $250 per child.
- Starting in July 2008, the OCB will be delivered monthly through the personal income tax system and will assist all low-income families with children under age 18.
- The OCB is being phased in over a five-year period, increasing annually until July 2011. At the same time, social assistance benefits for children and the Ontario Child Care Supplement for Working Families (OCCS) will be replaced by the OCB.
- Once the OCB is fully implemented, nearly 1.3 million children will receive annual OCB payments of up to $1,100 per child. Families will receive an additional $2.1 billion cumulatively over the first five years.

Maximum Annual Ontario Child Benefit Payment ($ Per Child Per Benefit Year[1]) — **Table 2**

	2008	2009	2010	2011
Benefit Level	600	805	900	1,100

[1] Benefit year is from July 1 to June 30.

Source: Ontario Ministry of Finance.

Low-Income Ontarians

Investing in Social Housing

In this Budget, a further $100 million is being provided that may be used to rehabilitate existing social housing, including energy efficiency improvements.

Key public social housing providers will be able to use this funding as well as access Infrastructure Ontario's OSIFA loan program. The government intends to expand OSIFA loan eligibility to include key public-sector social housing providers. They would be able to access up to $500 million in low-cost loans to assist them in making necessary social housing infrastructure investments.

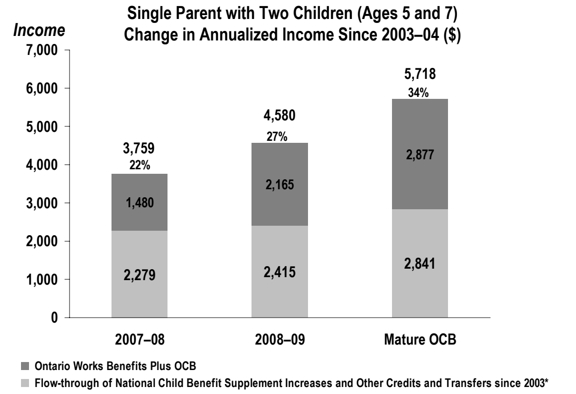
Asset-Building Strategy for Low-Income Ontarians

The government proposes to invest $10 million over four years to create a new pilot program to help low-income Ontarians build equity and save for an education or start a business. Details of the program, including specific goals and savings targets, will be announced later this year by the Minister of Community and Social Services, the Honourable Madeleine Meilleur.

Increased Support for Social Assistance

To help social assistance recipients, the government is proposing to increase the basic adult allowance and maximum shelter allowance by two per cent in 2008–09. This would provide Ontario Works and ODSP recipients with an additional $36 million in income support in 2008–09 and an additional $87 million in 2009–10. Families receiving Temporary Care Assistance and Assistance for Children with Severe Disabilities would also benefit from the increase, as would those living in long-term care homes who receive the comfort allowance.

Supporting Families Receiving Social Assistance Chart 6



* Includes Canada Child Tax Benefit, Universal Child Care Benefit, GST credit, and Ontario Property and Sales Tax Credits.
Note: Assumes federal benefits are indexed at approximately 1.9 per cent annually.
Source: Ontario Ministry of Finance.

Municipalities would not be required to contribute to the proposed rate increase until January 2009.

With the proposed increase, social assistance rates would have increased by a cumulative nine per cent since the government first took office in 2003. Before this, general welfare rates were reduced substantially in 1995, while benefits for people with disabilities were held constant at 1993 levels.

When the proposed social assistance rate increase is implemented and the OCB is mature, the total income of a single parent with two children ages five and seven who is receiving Ontario Works benefits would be $5,718 (34 per cent) higher than it was in 2003–04 (see Chart 6).

Social assistance encompasses Ontario Works, which provides income support and employment assistance to people in temporary financial need, and the ODSP, which offers financial assistance and employment supports for adults with long-term disabilities. Social assistance recipients also have most of their prescription drug costs covered through the Ontario Drug Benefit (ODB) Program. For more information on these programs, please refer to the Glossary.

Minimum Wage

The government is raising the minimum wage to $10.25 by 2010, with consecutive annual increases of 75 cents on March 31, 2008 and onwards.

Minimum-Wage Rates	
March 31, 2008	$8.75
March 31, 2009	$9.50
March 31, 2010	$10.25

After a nine-year period during which the Ontario minimum wage was frozen, the government has increased it five times from $6.85 per hour in 2003 to $8.75 at March 31, 2008.

Improving Facilities for Children and Vulnerable Ontarians

The government is also investing $30 million in one-time funding for capital projects to support community agencies that provide services to children and vulnerable populations, including families that require child care services; women experiencing abuse; adults and children with developmental disabilities; and youth with emotional or behavioural problems. These expansion and renovation projects will help make critical upgrades to these facilities. Examples include expansions of Violence Against Women shelters and Children's Treatment Centres, and upgrades to improve accessibility.

Seniors

Senior Homeowners' Property Tax Grants

The Province proposes a new property tax grant of approximately $1 billion over five years for seniors with low and moderate incomes who own their own homes. In 2009, about 550,000 senior homeowners would be able to obtain a new grant of up to $250. The maximum grant would be increased to $500 for 2010 and subsequent years.

Property Tax Grant — **Table 3**

	2009	2010	2011
Value of Grant	Up to $250	Up to $500	Up to $500
Number of Seniors Benefiting (Individuals and Couples)	550,000	575,000	600,000
Net Benefit to Seniors	$120 million	$245 million	$260 million

An eligible senior homeowner with up to $35,000 in annual income and $2,000 in property taxes would receive a grant of $250 in 2009 and $500 in 2010, representing 25 per cent of 2010 property taxes. He or she would also be entitled to property tax relief under the existing Ontario Property and Sales Tax Credits.

Ontario Property and Sales Tax Credits for Seniors

Under the provincial income tax system, low-income seniors who own or rent their homes may be eligible for assistance through the Ontario Property and Sales Tax Credits program. Since 2003, the government has made several improvements to these credits to ensure that they better reflect circumstances facing seniors. In 2008, the government is proposing to enrich this program again, by investing $16 million over four years to ensure that senior couples receiving the guaranteed minimum level of income from governments receive the full benefit of these credits. For more details, see Chapter III: *Tax Support for Families and Business*.

In 2008, nearly 735,000 senior recipients would benefit from an estimated $107 million in enhancements since 2003.

PROPERTY TAX — A FAIRER APPEAL SYSTEM

In a report issued on March 28, 2006, Ontario's Ombudsman recommended that the onus of proof on property assessment appeals be reversed so that when a property owner appeals an assessment, the Municipal Property Assessment Corporation (MPAC) would be required to prove the accuracy of the assessment. The government agrees with the Ombudsman that this measure would enhance the fairness of the appeal process. It intends to introduce legislation that, if passed, would place the onus on MPAC to prove the accuracy of property assessments that are appealed to the Assessment Review Board (ARB).

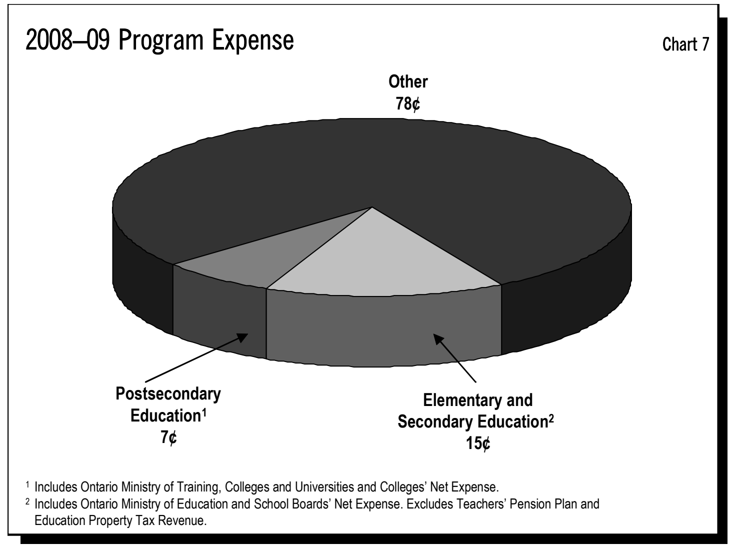
The government also intends to introduce legislation to implement changes to the assessment appeal system announced in the 2007 Budget — changes designed to create a more streamlined and transparent appeal system. A key proposed change would make the Request for Reconsideration (RFR) program the first stage of the appeal process for property owners. The RFR, which is free of charge, encourages the sharing of information between MPAC and the property owner, and provides taxpayers with the opportunity to resolve their concerns directly with MPAC in an informal setting.

The Ministry of Finance is also working with MPAC and the ARB to disclose valuation information to taxpayers about their property assessment in a timely way. This will help property owners review the accuracy of their assessment, decide whether to engage in the RFR process, and prepare for their hearing if they decide to appeal to the ARB.

These measures are proposed to take effect for the 2009 taxation year. Details about the proposed new appeal procedures and deadlines will be communicated to property owners in the coming months, prior to the 2009 implementation date.

SECTION D A SMARTER ONTARIO: EXCELLENCE IN PUBLICLY FUNDED EDUCATION

Ontario's continued prosperity in a competitive global economy depends on a well-educated and highly skilled workforce. A strong, vibrant, publicly funded education system underpins a smarter, more successful Ontario.



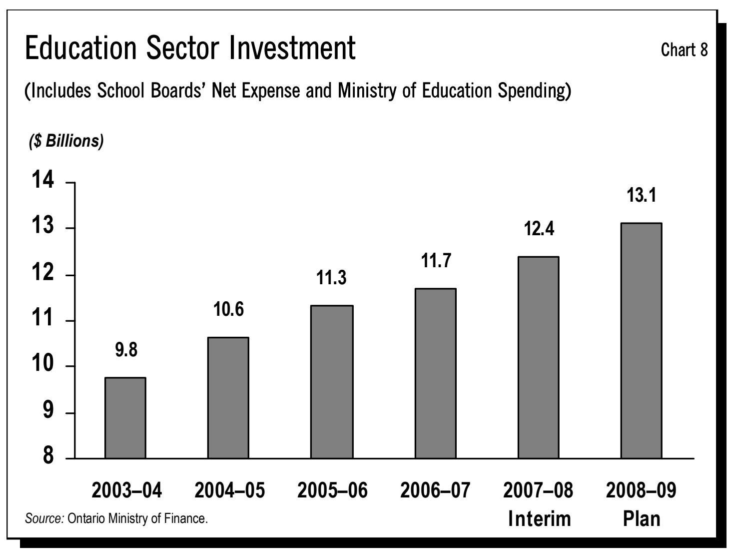
The government is investing in three core priority areas as outlined in its Reach Every Student plan to energize Ontario education:

- higher levels of student achievement
- reduced gaps in student achievement
- increased public confidence in publicly funded education.

To reach every student and further strengthen the public education system, this Budget increases funding to school boards:

- In the 2008–09 school year, Grants for Student Needs (GSN) funding to school boards will rise to $18.8 billion, an increase of $315 million since last year and $3.2 billion or 20.3 per cent since 2003–04, despite overall declining student enrolment.

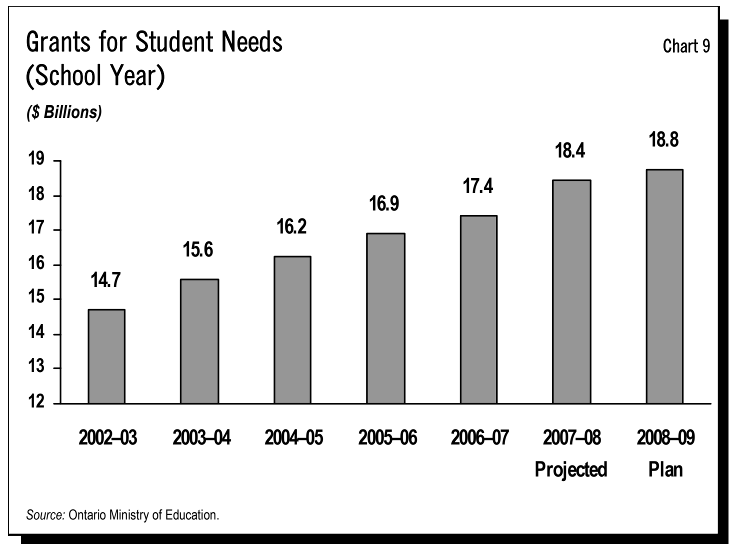
- Average per-student funding will increase to an estimated $9,821 in 2008–09, up $1,901 or 24.0 per cent since 2003–04.



The government's $6.2 billion Reaching Higher plan helps to ensure that postsecondary education is accessible and of high quality. An additional $1.5 billion over three years under the Skills to Jobs Action Plan announced in this Budget will directly support further postsecondary improvements and training initiatives to equip workers with skills for higher-value jobs.

Through substantial increases in funding and by partnering with schools and school boards, the government has built a strong foundation for student achievement. The Province's education plan is creating a learning environment in which all students of diverse backgrounds are welcomed and valued — and where all students are better able to achieve their full potential. Over the next four years, this foundation will be strengthened through the following initiatives:

- Further improving the school funding formula — Grants for Student Needs funding in the 2008–09 school year will increase to $18.8 billion, a 20.3 per cent increase since 2003–04. The formula will be reviewed by 2010 to ensure that it supports the government's priorities of improved student achievement in all Ontario schools.



- Boosting child literacy by investing $10 million in the 2008–09 school year for about 160 additional library staff and additional library resources.

- Investing $3 million in the 2008–09 school year in a range of coordinated initiatives to ensure that environmental education is part of every child's learning and that schools incorporate environmental awareness in planning their resource needs, operations and facilities.

Literacy and Numeracy

The government is investing an additional $8 million in 2008–09 for programs to continue to improve literacy and numeracy, bringing the total annual investment to $65 million. The government is committed to helping students improve their reading, writing and math skills so that 75 per cent of Grade 6 students are reaching the Provincial standard on reading, writing and math assessments.

Over the past four years, test scores in reading, writing and math have increased significantly. Grades 3 and 6 test results have increased by an average of nine percentage points from 2002–03 to 2006–07, the last year of testing:

- 65 per cent of Grade 3 students are at or above the provincial standard — up from 54 per cent in 2002–03.
- 61 per cent of Grade 6 students are at or above the provincial standard — up from 54 per cent in 2002–03.

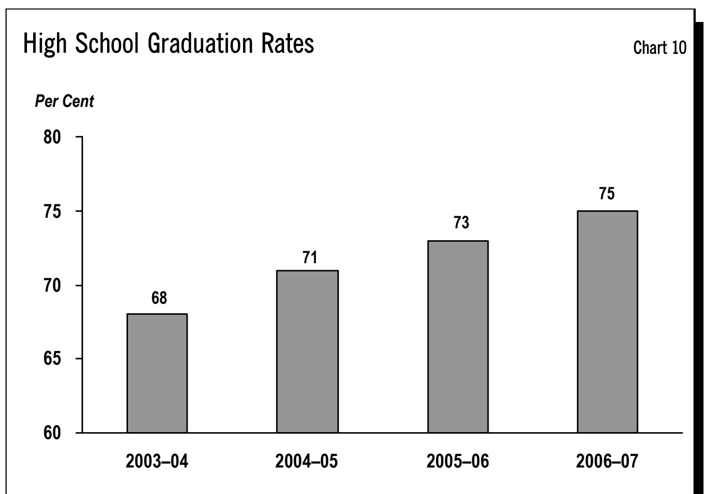
ONTARIO STUDENTS EXCEL

A recent international study gave Ontario's education system high marks for excellence:

- Ontario's Grade 4 students were among the highest-achieving participants in an international assessment of reading skills — the 2006 Progress in International Reading Literacy Study (PIRLS), conducted by the International Association for the Evaluation of Educational Achievement. Of the 45 countries and provinces participating in the international study, only the Russian Federation and Hong Kong performed at a higher level than Ontario in overall reading achievement.

Graduation Rates

A key measure of student achievement is the number of students who graduate. The high school graduation rate is up from 68 per cent in 2003–04 to 75 per cent in 2006–07, resulting in 10,500 more students graduating every single year. The government has set an 85 per cent graduation rate target by 2010–11.



Source: Ontario Ministry of Education.

The government will provide more than $16 million in 2007–08 to expand the successful Pathways to Education program to increase the number of at-risk youth finishing high school. The government will also invest over $50 million more in the 2008–09 school year for programs to help more students graduate. These include co-op support, dual credits, specialist high skills majors and supports for chronically absent students.

HELPING STUDENTS GRADUATE

The government's Student Success Strategy helps students in Grades 7 to 12 tailor their education to their individual strengths, goals and interests. Many programs have been established for students pursuing university, college, apprenticeships or the workplace after graduation.

- Specialist High Skills Majors allow students to focus on a future career through a bundle of classroom courses, workplace experiences and sector certifications.
- Expansion of Cooperative Education allows students to count hands-on learning towards two compulsory high school credits.
- E-Learning provides students with online courses and allows teachers to share resources across the province.
- Dual Credits count towards a student's high school diploma as well as a college certificate, diploma or apprenticeship certification.

Support is also being provided to struggling high school students so they can get back on track to graduate.

- The Elementary to Secondary School Transition Program helps students succeed in high school through customized timetables and other programs.
- Lighthouse projects help students refocus on graduation through unique opportunities developed by local school boards.
- Student Success Teams (composed of the principal, student success teacher, guidance counsellor, special education teacher and other educators) provide extra attention in every high school to students who need it.

Reduced Gaps in Student Achievement

A core priority for the government is a quality education for *all* students in publicly funded schools. Supporting conditions need to be established to reduce gaps in student performance. Schools need specialized resources to help each student realize his or her full potential. Special attention must be paid to students who are socio-economically disadvantaged, or who face particular cultural challenges or educational hurdles while at school.

To help every child succeed, the government is responding with the following initiatives:

- Investing $10 million for English as a Second Language (ESL) in the 2008–09 school year. Since 2003, the government has enhanced ESL funding by $64 million, and plans to increase funding for this program to 18 per cent over 2007–08 funding levels by 2011–12.

- Investing $67 million in special needs funding in the 2008–09 school year through the GSN. This investment will support the continuing reform of special education, enhance school boards' capacity to serve students with special education needs, and improve student achievement. The government will provide $24 million in additional targeted funding outside the GSN to support students with special needs. This is in addition to enhanced annual funding of $20 million beginning in 2008–09 for services for children with complex special needs.

- Investing an additional $32 million over three years in the Student Nutrition Program. The new investment will more than double annual funding for this program.

- Increasing the number of Parenting and Family Literacy Centres in the province by 34 with an additional investment of $2 million in the 2008–09 school year, so that families from all backgrounds can help their children start school ready to learn. These centres help prepare children for successful school entry by supporting early positive connections to future schools and building home and school partnerships.

Increased Confidence in Publicly Funded Education

Public confidence is key to creating communities that value learning and are committed to maintaining and improving publicly funded schools. Ninety-five per cent of Ontario's students attend publicly funded schools.

Students in smaller classes receive more attention and have greater success in the early grades. The government is continuing to work with school boards to consolidate the substantial gains made in implementing its plan to cap 90 per cent of primary classes in Ontario at 20 or fewer pupils.

PRIMARY CLASS SIZES

Students in junior kindergarten to Grade 3 are receiving more individual attention from their teachers. In primary classes:

- 99.7 per cent now have 23 or fewer students this year compared to 64 per cent in 2003–04
- 88.4 per cent now have 20 or fewer students this year compared to 31 per cent in 2003–04.

The government is building on results achieved to date and strengthening schools and communities by doing the following:

- Supporting a $750 million investment, beginning in the 2008–09 school year, to build new schools and repair school facilities. Since 2005–06, school boards have used government funding under the Good Places to Learn initiative to undertake over 10,600 renewal projects to address urgently needed repairs in more than 2,500 schools across Ontario.

- Investing $10 million through the new Program Enhancement Grant in the 2008–09 school year to help students receive a well-rounded education through arts, music programs, physical education and outdoor education programs.

- Increasing funding for the Community Use of Schools program by $13 million in the 2008–09 school year to ensure that space for after-school activities is affordable for all Ontario families and free in communities that need it most. The government will double the existing $20 million funding for this program to more than $40 million in 2009–10.

- Making Ontario schools healthier by introducing Bill 8, the Healthy Food for Healthy Schools Act, 2007, that would, if passed, ban processed trans fats from food and beverages sold in school cafeterias and remove unhealthy foods and beverages from school vending machines.

- Ensuring a safe and positive learning environment. The government has a comprehensive strategy to help ensure that students have a safe and positive school environment in which to learn and grow. To support this strategy, the government will invest $57 million in the 2008–09 school year, including $10 million in new funding for high schools in urban communities.

Helping More People Go On to Higher Education

Under its $6.2 billion Reaching Higher plan, the government has provided more opportunities and financial assistance and improved the quality of higher education for Ontario students. This is the largest multi-year investment in postsecondary education in 40 years.

The Reaching Higher plan has been a success for Ontario students. It has allowed record numbers to find opportunities in the province's colleges and universities — 93,000 more since 2002–03 — a 22 per cent increase.

The government's employment and training strategy, Employment Ontario, provides over $1 billion annually to help raise the skills of Ontarians.

The government is implementing new initiatives in 2008–09 to increase the affordability of postsecondary education. The government will also expand the number of skilled workers in Ontario through more apprenticeships, and help unemployed workers train for new careers under its $1.5 billion Skills to Jobs Action Plan.

This Budget provides funding to support new or enhanced postsecondary education and training initiatives, including:

- $385 million over three years for a new annual Textbook and Technology Grant for full-time university and college students, starting with grants of $150 per student this fall, $225 in the fall of 2009 and $300 in subsequent years

- $27 million over three years for a new Distance Grant to assist postsecondary students from rural and remote areas with travel costs

- more than $7 million over three years for an International Ontario Strategy to attract postsecondary students from around the world

- more than $1 million over three years for Global Edge, a program that facilitates international work and learning opportunities for enterprising postsecondary students

- $355 million over three years for a Second Career Strategy to help 20,000 unemployed workers obtain the skills for new careers

- $75 million over the next three years to further expand apprenticeship programs.

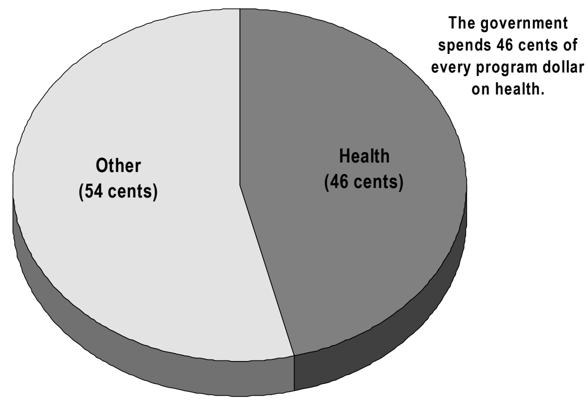
For additional information on these postsecondary education and training initiatives, see Section A: *A Stronger Ontario: Building Skills and Creating Jobs*.

Achieving Better Health

The government's plan for achieving better health is about keeping Ontarians healthy, providing high quality care if they become sick, and sustaining the public health care system for generations to come.

2008–09 Program Expense

Chart 11



Note: Health program expense includes Hospitals, and Ministries of Health and Long-Term Care and Health Promotion.
Source: Ontario Ministry of Finance.

Investments in public health care contribute to Ontario's advantages as a place to invest by lowering costs to business, enhancing the productivity of the province's workforce and supporting a high quality of life that is attractive to skilled workers.

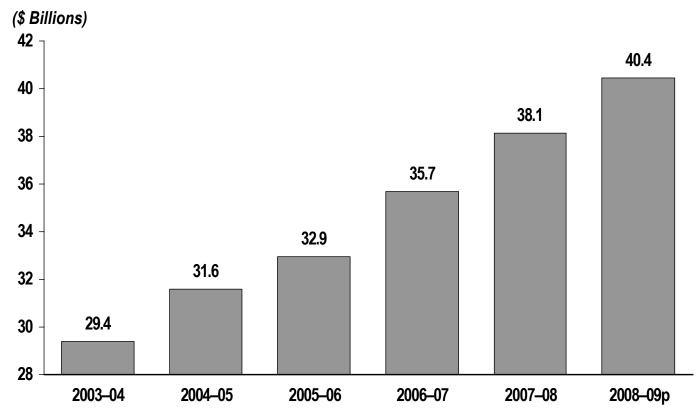
Since 2003, the government has taken significant steps to strengthen health care. In 2008–09, the government is investing $11.1 billion more than in 2003–04.

The 2008 Budget builds on these investments through four key strategies:

- improving access to health care
- shortening wait times
- promoting health and preventing illness
- modernizing health infrastructure

Health Sector Investments

Chart 12



p = Ministry of Finance planning projection.
Source: Ontario Ministry of Finance.

Spending in the health sector is proposed to be $40.4 billion in 2008–09, rising to $42.4 billion in 2009–10 and $44.7 billion in 2010–11. The government spends 46 cents of every program dollar on health.

Improving Access to Health Care

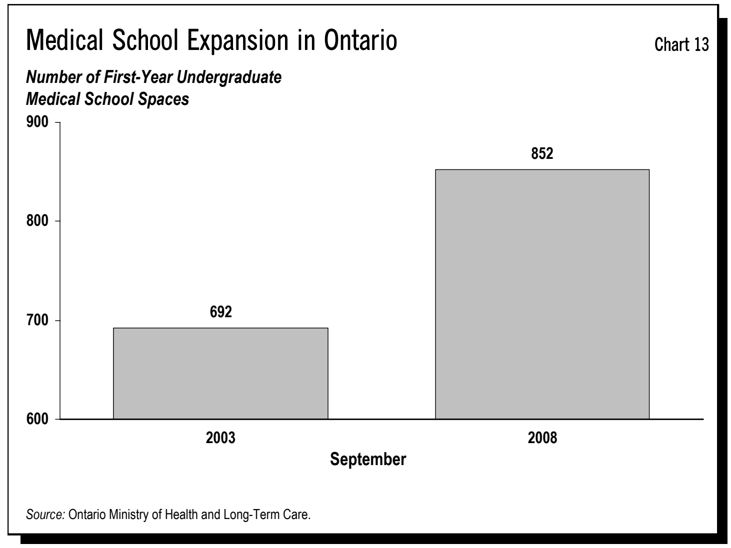
The government is committed to improving access to the care upon which families depend. Improving access is not only about investing more dollars. It is about creating a patient-centred approach in which care is provided by a team of health care professionals when and where needed. With this Budget, the government would improve access to health care by investing:

- $53 million over the next three years to add 50 more Family Health Teams by 2011–12, targeting rural and underserviced communities, in addition to the ongoing implementation of 150 Family Health Teams
- $38 million over the next three years to create 25 nurse-practitioner-led clinics by 2011–12
- in addition to other investments, more than $500 million over the next three years towards hiring 9,000 nurses by 2011–12
  - From this investment, 2,000 nurses will be hired in long-term care homes over the next four years, building on the 1,200 registered practical nurse positions announced in 2007
- $90 million in 2008–09 for the extension, as announced in March 2008, of the Nursing Graduate Guarantee to provide every new Ontario nursing graduate with an opportunity for full-time employment.

IMPROVING ACCESS TO HEALTH PROFESSIONALS

- more than 500,000 people who did not have a family doctor now have one
- hired over 8,000 nurses in Ontario between 2003 and 2008
- more than doubled the number of training and assessment positions for international medical graduates, from 90 in 2002 to 200 per year since 2004.

These investments will build on existing initiatives to improve access and to support other health professionals, including:



- opening the Northern Ontario School of Medicine (NOSM) in September 2005 — the first new medical school in Canada in more than 30 years. First-year medical school enrolment in Ontario is being increased by 23 per cent between 2003–04 and 2008–09 as a result of NOSM and other new medical school enrolment expansions including four satellite campuses — Kitchener-Waterloo, Windsor, St. Catharines and Mississauga

- increasing the number of undergraduate enrolment spaces for midwives, from 60 to 90 spaces from 2007–08 to 2008–09

- $13 million in 2008–09 for enhancements to the Northern Health Travel Grant to help northerners access health care services

- expanding the total number of enrolment spaces from 150 to 200 over the next four years for nurse practitioners specializing in primary health care.

Improving Access to Health Care for Seniors

This Budget would also improve access for seniors by investing:

- $107 million over the next three years to move towards 2,500 more personal support workers for long-term care homes. These workers, and the additional nurses referenced above, will significantly improve the amount and quality of care provided to long-term care residents

- $278 million over the next three years to address various program needs in long-term care homes, in addition to the investments for nurses and personal support workers and the commitment to redevelop 35,000 older long-term care beds

- as announced in August 2007, more than $700 million over the next three years to implement the Aging at Home Strategy to provide additional community services such as home care, supportive housing and other community supports. Seniors and others who are eligible will receive care at home or move to assisted living as required, keeping them independent and healthier longer

- more than $100 million over the next three years to treat Ontario Drug Benefit program recipients for neovascular (wet) age-related macular degeneration (AMD) with Lucentis, a prescription medication.

Shortening Wait Times

With this Budget, the government is moving forward on expanding the scope of Ontario's Wait Time Strategy to include wait times in emergency departments and general surgeries. Since 2004, through the Wait Time Strategy, significant investments have been made to provide more medical procedures and reduce wait times. The strategy began by targeting five key areas: cancer surgery, selected cardiac procedures, cataract surgery, hip and knee replacements, and magnetic resonance imaging and computed tomography (MRI/CT) scans. In last year's Budget, the strategy was expanded to include pediatric surgeries.

The emergency department is a vitally important component of the broader health care system. It is the place we depend on in our most vulnerable moments. From a system perspective, it is also a key indicator of how the system as a whole is functioning. Waiting in an emergency department is an issue that requires a system-wide solution. With this Budget, the government would provide system improvements that would address the issue of emergency-department wait times as well as continue to improve the other elements of the strategy, through the following investments:

- $180 million over the next three years to provide incentives to make continuous improvements in emergency-department wait times and patient satisfaction

- $64 million over the next three years to provide approximately 12,400 additional general surgeries starting in 2008–09, growing to approximately 30,000 additional surgeries in 2010–11

- $120 million over the next three years to help hospitals in areas experiencing high population growth to meet anticipated demand

- $190 million over the next three years to implement a Chronic Disease Prevention and Management Strategy, starting with diabetes. Prevention of chronic disease and improved patient care should help reduce emergency-department wait times

- $80 million over the next three years to improve mental health and addiction services, including funding to increase treatment for eating disorder services and early intervention for psychosis. The government will be developing a comprehensive mental health and addictions strategy

- $20 million to support children with complex special needs, bringing total Provincial spending on children's mental health to over $440 million annually

- $17 million over the next three years to fund the operation of an additional five MRI machines. This investment will result in approximately 21,900 additional MRI scans, improving access and reducing wait times for diagnostic services in areas of high demand.

SHORTENING WAIT TIMES

Wait times for various key procedures are down since 2005:

- Cataract surgeries: wait time down 191 days or 61 per cent
- Angiography: wait time down 26 days or 47 per cent
- Knee replacements: wait time down 196 days or 45 per cent
- CT scans: wait time down 32 days or 40 per cent
- Hip replacements: wait time down 129 days or 37 per cent
- Angioplasty: wait time down 9 days or 32 per cent
- Cancer surgeries: wait time down 12 days or 15 per cent
- MRI scans: wait time down 7 days or 6 per cent
- Pediatric surgeries (since 2006): wait time down 14 days or 5 per cent

Promoting Health and Preventing Illness

The government continues to focus on active and healthy living, health promotion and illness prevention. Over the long term, these investments should help manage health care costs. With this Budget, the government is planning to invest:

- $154 million over the next three years to build on the Province's cancer screening program to increase early detection and treatment of breast, cervical and colorectal cancers. This will also cover the cost of the Prostate-Specific Antigen (PSA) test used to diagnose and monitor treatment of prostate cancer, and extend the human papillomavirus (HPV) vaccination program

- $10 million annually in a childhood obesity strategy to encourage children to eat healthy and be physically active

- $135 million over three years to provide better dental care to low-income families. For details, see Section C: *A Better Future for Families: Improving Quality of Life*

- $32 million over three years in the Student Nutrition Program. The new investment will more than double annual funding for this program.

The government is also:

- proposing legislation to ban smoking in cars carrying children

- implementing a complete ban on the display of tobacco products by May 31, 2008, as originally set out in the *Smoke-Free Ontario Act*

- proposing a permanent Retail Sales Tax exemption for qualifying non-prescription nicotine replacement therapies to help Ontario smokers to quit

- proposing an extension of the temporary Retail Sales Tax exemption to December 31, 2010, for bicycles and related safety equipment to encourage Ontarians to stay healthy and be active in their daily lives

- making Ontario schools healthier by introducing Bill 8, the Healthy Food For Healthy Schools Act, 2007, that would, if passed, ban processed trans fats from food and beverages sold in school cafeterias and remove unhealthy foods and beverages from school vending machines

- naming the new office for the Ontario Agency for Health Protection and Promotion the Sheela Basrur Centre after the former Ontario Chief Medical Officer of Health and Medical Officer of Health for the City of Toronto during the SARS outbreak. Dr. Vivek Goel will head the agency.

Modernizing Health Infrastructure

As part of the ReNew Ontario plan, the Province has committed to funding more than 100 major hospital projects to expand and upgrade facilities across the province and to invest more than $5 billion in health infrastructure with its partners by 2010. These projects will help renew Ontario's public infrastructure, and will modernize hospitals, improve access to health care and reduce wait times.

Several major hospital projects are scheduled to start construction in 2008–09, representing a substantial investment once complete. In addition, the Province would:

- invest $14 million in 2007–08 for 10 residential hospices across the province to provide end-of-life care in a home-like environment for patients who cannot be cared for at home

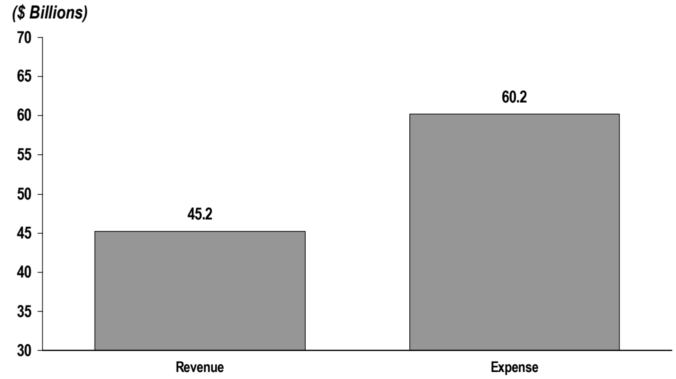
- contribute $9 million in 2007–08 to support the development of the new and expanded Toronto's Ronald McDonald House, which will provide support and accommodation for seriously ill children and their families from across Ontario who must travel to Toronto for specialized medical treatment

- invest $47 million in 2008–09, growing to $239 million in 2010–11, in e-health systems such as diagnostic imaging, drug and lab information, and a Diabetes Registry, which will help people with diabetes to actively manage their disease in conjunction with their health care providers.

Details of Investments in the Health Sector

Since taking office, the government has made strategic investments and achieved tangible results. Investments in the health sector have increased from $29.4 billion in 2003–04 to a planned $40.4 billion in 2008–09. Investments in health care are projected to rise to $42.4 billion in 2009–10 and to $44.7 billion in 2010–11. The introduction of the Ontario Health Premium (OHP) has helped to ensure the government's ability to improve health services. Every penny of the OHP goes towards improving Ontario's health care system. In 2008–09, revenue from the OHP is projected to generate $2.8 billion, representing 6.9 per cent of total expenses for the Ministries of Health and Long-Term Care and Health Promotion.

Cumulative Change in Health-Related Revenues and Expenses, 2003–04 to 2010–11 — Chart 14



Revenue includes transfers from the federal government, Ontario Health Premium, Employer Health Tax and contributions from Ontario Lottery and Gaming that are targeted towards health care.
Source: Ontario Ministry of Finance.

Investments in the Health Sector ($ Billions, Change from 2003–04 to 2008–09)	**Table 4**
Hospitals — increase in payments for direct hospital activities	3.5
OHIP Services — primarily to fund services provided by physicians and other health care practitioners	2.8
Ontario Drug Programs — to support Ontario drug programs including the Ontario Drug Benefit program	1.2
Long-Term Care Homes — to enhance the quality of care provided to about 76,000 residents of long-term care homes and increase long-term care capacity	1.1
Community Services — to expand home care, community support services and supportive housing	0.8
Public Health including Health Promotion — primarily to increase funding for public health programs including those delivered by public health units and immunizations	0.6
Other — including Cancer Care Ontario, mental health, emergency health services and other programs	1.2
Total Increase in Funding	**11.1**

Notes: Figures reflect major transfer payments in the Ontario Ministries of Health and Long-Term Care and Health Promotion; these figures do not reflect the structure published in the Estimates. Figures may not add due to rounding.
Sources: Ontario Ministries of Health and Long-Term Care and Finance.

SECTION F NEED FOR A STRONG FEDERAL PARTNER TO SUPPORT ONTARIO WORKERS AND INDUSTRIES

Overview

The Ontario Government has been working with the federal government to help Ontario workers and industries take advantage of economic opportunities while meeting the challenges of the global marketplace.

Ontario has made significant progress with the federal government in concluding a tax collection agreement to provide the business community with the benefits of a single corporate tax administration. Under the single tax administration, the Canada Revenue Agency will collect and administer Ontario corporate taxes. Federal administration will save Ontario businesses up to $100 million each year in compliance costs and an additional $90 million a year in Ontario Corporate Income Tax.

In its 2007 budget, the federal government committed $500 million annually from 2008–09 to 2013–14 for Labour Market Agreements (LMAs) to be signed with provinces and territories. Ontario has recently signed an LMA with the federal government that will provide the Province with $195 million per year. Funding from this agreement will contribute to new and enhanced programs under the Skills to Jobs Action Plan announced in this Budget, as well as Employment Ontario.

In its 2008 budget, the federal government provided additional funding to Ontario to support provincial priorities, including the Community Development Trust to support communities in transition and the Public Transit Capital Trust to invest in public transit projects.

Ontario and the federal government should continue building on this progress and commit to addressing current and future economic challenges facing the Province.

Ontario will continue pressing the federal government to:

- help Ontario workers, who are disadvantaged by the current design of the Employment Insurance (EI) program
- help Ontario manufacturers facing the multiple challenges of a slowing U.S. economy, high oil prices, a strong Canadian dollar and rising competition from rapidly emerging economies
- help Ontario municipalities by providing more long-term sustainable funding and providing additional financial support for critical investments in infrastructure and public transit
- provide a fair share of federal funding to support the delivery of quality public services important to Ontarians.

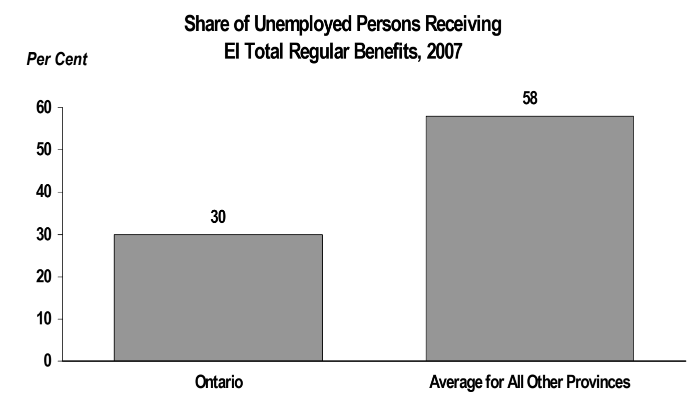
Employment Insurance Unfair to Ontarians

Ontario's unemployed workers continue to be disadvantaged by the design of the EI program. The program is especially ineffective in meeting the earnings-replacement needs of laid-off workers in manufacturing and other sectors that are currently undergoing transition.

Employment Insurance total regular benefits[1] per unemployed person in Ontario are the lowest of any province. Only 30 per cent of unemployed persons in the province received EI total regular benefits in 2007, compared with an average of 58 per cent in other provinces. Average total regular benefits per unemployed person in 2007 were about $5,120 in Ontario and $9,750 in other provinces — a difference of approximately $2.1 billion in total.

Low EI Coverage for Ontarians

Chart 15



Sources: Ontario Ministry of Finance and Statistics Canada.

Ontario's workers and employers contributed nearly 40 per cent of EI premiums, but received only 27 per cent of total regular benefits in 2007. Ineffective management of the EI Account has led to a cumulative EI surplus of $54 billion in 2006–07, which is largely due to the excess contributions of Ontarians.

In its 2008 budget, the federal government announced that it will create a new, independent Crown corporation to manage the EI Account. The EI Account will be funded with a reserve of $2 billion, which is insignificant in comparison to the $54 billion accumulated surplus that previously accrued to the federal government.

1 Employment Insurance total regular benefits include regular, training, job creation and self-employment assistance benefits provided under the EI income benefit program (EI Part I). EI regular benefits provide temporary earnings replacement to individuals who lose their jobs through no fault of their own (e.g., due to shortage of work, or seasonal or mass layoffs) and who are available for and able to work, but cannot find employment.

Employment Insurance Part II, the training and labour-market supports component of the EI program, also fails to meet the needs of unemployed workers in Ontario. Ontarians account for 42 per cent of Canada's unemployed population, but receive only 27 per cent of the national funding allocation for EI Part II. In 2007–08, the federal allocation for training through the EI program was only $1,177 per unemployed person in Ontario, compared with $2,241 per unemployed person in the rest of Canada. If the federal government had made available $2,241 of training support per unemployed person in Ontario, then unemployed Ontarians would have received $478 million more in training and labour-market supports.

These shortcomings of EI Parts I and II present significant obstacles to attaining the Province's goals of increased economic growth, competitiveness and prosperity. The design of the EI program is also inconsistent with the principles of the federal government's long-term economic plan to improve prosperity in Canada.

Additional Supports Needed for Ontario Workers

The federal government should also provide targeted resources for training and other employment supports that supplement the EI program.

The federal government is to provide Ontario with $119 million annually for each of three years through the Community Development Trust. Ontario will use these funds for programs to support improved productivity and competitiveness, technology development, and training in agriculture, forestry and manufacturing (including the auto-parts sector). Initiatives will include new skills training centres to provide up-to-date training for Ontario's unemployed workers who require skills upgrading. However, the federal contribution to these initiatives should be increased and extended beyond three years.

While federal funding under the LMA addresses in part Ontario's long-standing concerns about inequitable treatment, it does not eliminate the historic underfunding of labour-market training in Ontario through EI Part II and the related Labour Market Development Agreement (LMDA).

The federal government should also significantly enhance the Working Income Tax Benefit (WITB) by increasing the amount and income threshold and reducing the phase-out rate to provide more assistance to working individuals and families.

Supporting Ontario Manufacturers

The manufacturing sector is important to Ontario's — and indeed North America's — economy. However, employment in the sector is falling across the continent.

For its part, the Ontario Government is taking significant and immediate steps within its means to support manufacturers (see Chapter III: *Tax Support for Families and Business* for more information). The federal government's efforts to date — reducing Corporate Income Tax rates, extending an accelerated capital cost allowance for manufacturing and processing (M&P) machinery and equipment investments made before 2012, and establishing the Community Development Trust — will help. However, the federal government must work in partnership. Both Ontario's general corporate tax rate of 14 per cent and the 12 per cent rate for manufacturers are lower today than the 15 per cent corporate tax rate that the federal government will achieve once its recently announced Corporate Income Tax reductions are fully implemented in 2012. Furthermore, the five-year, $250 million Automotive Innovation Fund announced in the 2008 federal budget does not recognize the magnitude of Ontario's automotive sector, which contributed $24.4 billion in gross domestic product (GDP) in 2006.

Ontario is looking to Ottawa to match the strategic investments the Province is making and to undertake tax measures to support business investment:

- Extending the 50 per cent straight-line capital cost allowance for M&P machinery and equipment investments made before 2014. A 2004 federal Department of Finance study concluded that increasing capital cost allowances ranks ahead of reducing sales tax on capital goods and is many times more effective than Corporate Income Tax rate cuts in supporting business investment. The Province is calling on the federal government to extend this more valuable writeoff to 2014.

- Extending the federal 10 per cent Atlantic Investment Tax Credit to all manufacturing activity across Canada to encourage new investment and to help level the playing field for businesses operating in Canada.

- Matching Ontario's proposed 10-year corporate income tax exemption for the commercialization of intellectual property developed by Canadian universities, colleges or research institutes. This would support research and innovation.

As stated earlier, Ontario is working with the federal government to conclude a corporate tax collection agreement. However, in discussions to finalize the Agreement, the federal government has proposed a schedule for federal payments to Ontario that would cost the Province $80 million a year on average in higher debt interest charges. A fair payment schedule for Ontario would also apply to the other provinces that participate in a corporate tax collection agreement with the federal government and would provide these provinces with a fiscal benefit totalling about $20 million a year.

Supporting Ontario's Infrastructure

The federal government must partner with Ontario to invest in infrastructure projects that support economic growth in its communities, such as MoveOntario2020, the Windsor border, the Ontario–Quebec Continental Gateway and Trade Corridor, and infrastructure in rural and northern Ontario.

Ontario is addressing the Province's infrastructure needs and is committed to a long-term infrastructure plan (see Section A: *A Stronger Ontario: Building Skills and Creating Jobs* and Section B: *Stronger Communities: Investing in Municipal Infrastructure and Communities).* The proposed Investing in Ontario Act would ensure that surplus funds would be used to help municipalities address their infrastructure priorities and reduce Provincial debt, rather than directing better-than-expected surpluses to debt repayment alone.

Unfortunately, there has been a shortfall in federal funding for Ontario's physical infrastructure needs. Ontario's $3.1 billion share over seven years of the federal Building Canada Fund for infrastructure, announced in the 2007 federal budget, is not enough to meet its current infrastructure needs. The federal government's allocation of the Building Canada Plan among the provinces shortchanges Ontario by $970 million.

The Province will work with the federal government towards positive fiscal arrangements to help address Ontario's infrastructure deficit. As a starting point, the government will seek a fair share of all federal funding programs. The government will also seek an understanding with the federal government on the necessity of a high level of flexibility in future federal cost-share arrangements to accommodate fiscal pressures faced by the Province and some Ontario municipalities.

Ontario is also concerned about delays in federal contributions to infrastructure projects. One example is the delay in federal funding of the Toronto–York subway extension. Despite the federal commitment of $697 million in March 2007, no federal funds have flowed to the project. The federal government has also been slow to commit to the MoveOntario 2020 initiative. The federal government has been asked to participate by paying at least 35 per cent of construction costs over the life of the project, for a total of $6 billion. Ontario has already committed $11.5 billion.

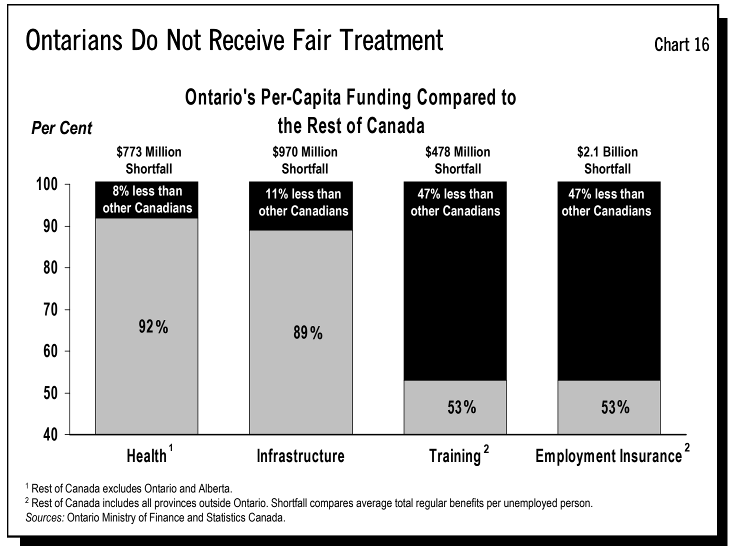
The 2008 federal budget announced a Public Transit Capital Trust, which will provide Ontario with $97 million each year for two years. This trust will be used in part to invest in the MoveOntario 2020 initiative to enhance GO train service east of Oshawa.

The Province continues to call on the federal government to do its part for Ontario's municipalities by providing them with $1.9 billion in additional annual funding for infrastructure and public transit.

A Fair Share of Federal Funding

No provincial government can support a properly funded health system alone. The federal government plays a crucial role in funding health care costs.

The 2007 federal budget confirmed that the Canada Health Transfer (CHT) will not be placed on an equal per-capita cash basis until 2014. This delay in implementation will cost Ontarians $773 million in 2008–09 alone. Accordingly, Ontario calls on the federal government to put the CHT on an equal per-capita basis immediately.



With the financial support of the federal government, Ontario has committed to reducing wait times for access to health care for key services. In September 2004, the federal government established the Wait Times Reduction Fund to help provinces and territories in their diverse strategies to reduce wait times. This federal funding, however, will fall dramatically over the next few years, while the Provincial commitment to this initiative will continue. In 2007–08, Ontario received $468 million in federal funding through the Wait Times Reduction Fund, but will receive less than $235 million in 2008–09 and less than $98 million in 2009–10.

Like the Wait Times Reduction Fund, the federal government committed time-limited funding to several other Provincial priorities, including postsecondary education infrastructure, affordable housing and the environment. The Province's ongoing commitments in these areas will not end when the federal transfers do.

Accordingly, for these projects to achieve long-term success, the federal government must maintain current funding levels and extend funding to meet Ontario's ongoing requirements. Ontario is confident that the federal government will maintain its commitments in these areas and will extend existing programs or replace them with new ones that provide ongoing funding.

Similarly, while the federal government has allocated $31 million for each of five years for Ontario through the Police Officers Recruitment Fund, this funding is time limited and enough to pay only a fraction of the cost of Ontario's fair share of the 2,500 officers committed nationally. Since 2003, the Ontario Government has hired or financially supported the hiring of more than 1,200 police officers.

CHAPTER II

ONTARIO'S ECONOMIC OUTLOOK AND FISCAL PLAN

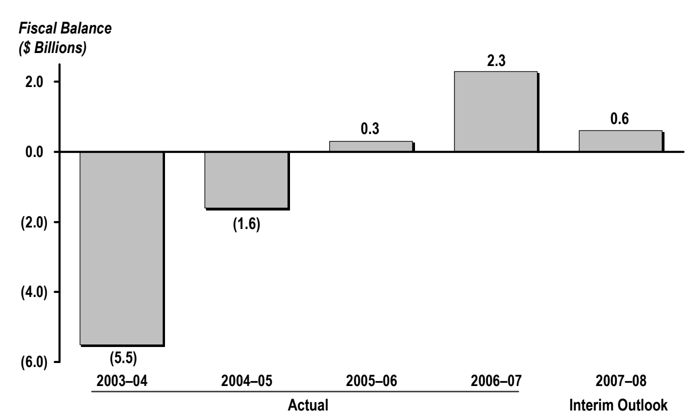
2008 Budget — Numbers at a Glance			Table 1
Ontario's Economy:		**Provincial Finances:**	
Projected Real GDP Growth, 2008	1.1%	2007–08 Interim Surplus	$600 million
Avg. Private-Sector Growth, 2008	1.2%	2008–09 Revenue Plan	$96.9 billion
Projected Real GDP Growth, 2009	2.1%	2008–09 Expense Plan	$96.2 billion
Jobs since October 2003	456,800	2008–09 Reserve	$750 million
Jobs Created in 2007	101,100	Debt[1]-to-GDP Ratio (03–04)	25.2%
Real GDP (2007 above 2003)	10%	Debt[1]-to-GDP Ratio (07–08)	18.1%
Real Disposable Income (2007 above 2003)	12%		
Real Machinery and Equipment Investment (2007 above 2003)	41%		

[1] Debt is defined as accumulated deficit.

Ontario's economy has been strong and resilient in recent years, with higher-than-forecast employment growth, and robust consumer and business investment spending. Modest economic growth is anticipated in 2008, as the Ontario economy faces a slowing U.S. economy along with ongoing challenges related to high oil prices and the strong Canadian dollar. Growth is expected to rebound after 2008 due to investments under the Ontario Government's five-point plan to strengthen the economy and an improving U.S. economy.

With a $0.6 billion surplus projected for 2007–08, the Province is on track to exceed its planned fiscal target for the fourth year in a row and to achieve its third consecutive surplus. The Province remains resilient and is on track to post six consecutive balanced budgets between 2005–06 and 2010–11, for the first time since 1908.

Ontario's Strong Fiscal Performance Chart 1



SECTION B 2007–08 INTERIM FISCAL PERFORMANCE

The government's prudent approach to managing the Province's finances continues to produce results. It has eliminated the $5.5 billion deficit it inherited in 2003–04 and is now on track to achieve its third consecutive surplus. A $0.6 billion surplus is forecasted for 2007–08, representing an in-year improvement of $1.0 billion from the 2007 Budget Plan.

The interim outlook indicates that revenue for 2007–08 is estimated to be $96.6 billion, a 5.5 per cent increase over the 2007 Budget forecast. Total expense is estimated to be $96.0 billion, 5.3 per cent higher than the 2007 Plan.

2007–08 In-Year Fiscal Performance ($ Millions) — **Table 2**

	Budget Plan	Interim	In-Year Change
Revenue	**91,503**	**96,563**	**5,060**
Expense			
Programs	82,030	86,997	4,967
Interest on Debt	9,123	8,966	(157)
Total Expense	**91,153**	**95,963**	**4,810**
Reserve	750	–	(750)
Surplus/(Deficit)	**(400)**	**600**	**1,000**

The 2007–08 interim results are based on the best information available as of early March 2008. Given the preliminary nature of these estimates, interim projections are subject to change when actual Provincial revenue and expense are finalized in the 2007–08 Public Accounts.

In-Year Revenue Performance

Total revenue in 2007–08 is estimated to be $96,563 million, $5,060 million higher than the 2007 Budget forecast. This is mainly due to stronger economic growth and higher revenues from processing past-year tax returns.

Summary of In-Year Changes to Revenue in 2007–08 **Table 3**
($ Millions)

		Interim 2007–08
Taxation Revenue		
Corporations Tax	2,141	
Personal Income Tax	1,381	
Land Transfer Tax	235	
Retail Sales Tax	198	
Employer Health Tax	122	
Ontario Health Premium	70	
Tobacco Tax	(96)	
Electricity Payments-in-Lieu of Taxes	(148)	
All Other Taxes	100	
		4,003
Government of Canada		
Canada Health Transfer and Canada Social Transfer	473	
All Other Government of Canada	285	
		758
Income from Government Enterprises		
Ontario Power Generation Inc. and Hydro One Inc.	90	
All Other Government Business Enterprises	27	
		117
Other Non-Tax Revenue		182
Total Revenue Change		**5,060**

Revenue Changes

- **Corporations Tax** (CT) revenues for 2007–08 are estimated to be $2,141 million above the 2007 Budget projection mainly due to stronger 2007 corporate profit growth, robust final tax remittance payments from the financial sector in December and stronger assessment payments related to prior years. The CT revenue change also reflects the impact of a number of tax measures since the 2007 Budget, including 2007 federal budget measures paralleled by Ontario, tax measures announced in the 2007 Economic Outlook and Fiscal Review, and proposed new measures as outlined in Chapter III: *Tax Support for Families and Business*.

- **Personal Income Tax** (PIT) revenues are estimated to be $1,381 million above forecast in 2007–08 mainly due to stronger 2007 wages and salaries growth and higher revenues from processing 2006 tax returns. Since the 2007 Budget, processing of 2006 and prior years' tax returns has increased 2006–07 revenues above Budget estimates, raising the base upon which growth is applied in forecasting PIT revenues for 2007–08 and beyond. Higher revenues than estimated in the 2006–07 Public Accounts result in a one-time increase to PIT revenues of $517 million in 2007–08 as variances from past Public Accounts estimates are included in the current year. Personal Income Tax revenues in 2007–08 also include a $120 million payment from the federal government resulting from corrections to past years' tax entitlements. Also included is the impact of tax measures announced in the 2007 federal budget that Ontario paralleled, tax measures announced in the 2007 Economic Outlook and Fiscal Review, and proposed new Ontario tax measures as outlined in Chapter III: *Tax Support for Families and Business*.

- **Land Transfer Tax** (LTT) revenues are estimated to be $235 million above forecast, reflecting a robust Ontario housing resale market that set new records in 2007. The LTT change captures the impact of tax measures announced in the 2007 Economic Outlook and Fiscal Review.

- **Retail Sales Tax** (RST) revenues are estimated to increase by $198 million due to stronger consumer spending in 2007. The RST change captures the impact of previously announced tax measures and new tax measures as outlined in Chapter III: *Tax Support for Families and Business*.

- **Employer Health Tax** revenues are estimated to be $122 million above the 2007 Budget projection due to stronger growth in employment and wages.

- **Ontario Health Premium** revenues are estimated to increase by $70 million above forecast, largely reflecting stronger growth in 2007 wages and salaries.

- **Tobacco Tax** revenue is estimated to be $96 million below forecast based on revenue performance to date. This reflects a combination of Ontarians' healthier lifestyles and contraband activity in the cigarette market. Enforcement measures to combat illegal activity continue. For more details see Chapter III: *Tax Support for Families and Business*.

- **Electricity Payments-In-Lieu of Taxes** (PILs) are estimated to be $148 million below forecast, largely due to lower payments from Hydro One Inc. (HOI) and Ontario Power Generation Inc. (OPG). Lower HOI PILs reflect lower net income as a result of the Ontario Energy Board's decision on HOI's transmission rate application, including a lower allowed rate of return on equity for HOI's transmission business. Lower OPG PILs are due to the corporation's special December 2007 contribution to the nuclear used-fuel segregated fund, established in 2003 for the costs of long-term used-fuel disposal. The latter impact on PILs is offset by an equivalent increase in OPG net income.

- **All Other Tax** revenues are estimated to be $100 million above forecast, largely due to higher Mining Profits Tax revenues arising from robust metal prices. Partially offsetting this increase were lower-than-expected Gasoline Tax and Fuel Tax revenues, due respectively to higher gasoline pump prices and weaker manufacturing shipments.

- **Canada Health Transfer** (CHT) and **Canada Social Transfer** (CST) revenues are estimated to be $473 million above forecast mainly due to revised estimates of current- and past-year entitlements under these programs. Revised estimates of Ontario's entitlements under CHT and CST are largely due to a lower estimated share of the Canada-wide tax base in 2006 boosting Ontario's share of federal funding. This results in a $339 million increase in CHT and CST, including a one-time revenue increase of $239 million as variances from past Public Accounts estimates are reflected in the current year. In addition, 2007 federal budget changes to the calculation of entitlements under CHT and CST result in an additional $134 million in revenues.

- The $285 million increase above forecast in **Other Government of Canada Transfers** in 2007–08 is largely related to the 2007 federal budget announcement of funds for the patient wait-times guarantee and a program to provide the human papillomavirus (HPV) vaccine, as well as higher transfers for infrastructure projects and new federal transfers related to Ontario's capital tax elimination.

- **Hydro One Inc.** and **Ontario Power Generation's** combined net income is estimated to be $90 million above forecast largely from higher OPG net income due to the special contribution to the nuclear used-fuel segregated fund, the impact of which is offset by an equivalent decrease in OPG PILs. The increase in OPG's net income more than offsets lower HOI net income related to the Ontario Energy Board's decision noted above.

- **All Other Government Business Enterprises** net income increased due to higher net incomes from the Ontario Lottery and Gaming Corporation (OLG) and Liquor Control Board of Ontario (LCBO).

- **Other Non-Tax Revenue** is expected to be $182 million above forecast largely due to higher recoveries of prior-year expenditures, reimbursements from municipalities for Provincial spending, and consolidated sales and rentals.

In-Year Expense Performance

Total expense in 2007–08 is currently projected to be $95,963 million, an increase of $4,810 million from the 2007 Budget forecast. This increase primarily reflects government investments that strengthen Ontario's economic growth through its five-point economic plan.

Summary of In-Year Expense Changes in 2007–08 ($ Millions)	**Table 4**
	Interim 2007–08
Program Expense Changes:	
Infrastructure and Transportation	1,923.4
Postsecondary Education and Training Sector	758.4
Strengthening Ontario's Industries	516.2
Children's and Social Services/Social Housing	493.4
Justice Sector	378.4
Aboriginal Affairs	207.3
Health Sector	178.2
Strengthening the Environment for Innovation	71.2
Northern Development and Natural Resources	64.9
Business and Economic Development	57.0
Greener Ontario	35.8
Other (net) Program Expense Changes	282.9
Total Program Expense Changes	**4,967.2**
Interest on Debt Savings	**(157.0)**
Total Expense Changes	**4,810.2**

Note: Numbers may not add due to rounding.

Expense Changes

Since the 2007 Budget forecast, total expense increased by $4,810.2 million, largely as a result of a $4,967.2 million increase in program expense, offset by $157.0 million in interest on debt savings. Highlights of key expense changes include the following:

- In 2007–08, **infrastructure and transportation** expense increased by a net $1,923.4 million. This includes $1,104.0 million for new municipal transit, including the funding announced in the 2007 Economic Outlook and Fiscal Review; $400.0 million for municipal roads and bridges, as announced in this Budget; $450.0 million in funding for the Municipal Infrastructure Investment Initiative; and an additional $32.4 million to assist municipalities in addressing immediate transportation infrastructure demands.

- The **postsecondary education and training sector**, including the net expense of Ontario's colleges of applied arts and technology, increased by a net $758.4 million in 2007–08. This increase is primarily related to investments in Ontario's colleges and universities, including $353.5 million to support energy-efficiency improvements and campus renewal projects at postsecondary institutions, and $289.4 million for strategic capital investments at colleges and universities.

- Investments to **strengthen Ontario's industries** totalled $516.2 million in 2007–08 and include:

  - A net in-year expense increase of $335.1 million for the **agriculture sector,** which includes $150.0 million in funding to provide financial assistance to help cattle, hog and horticulture farmers manage the effects of current market conditions, as well as initiatives to strengthen competitiveness and $135.0 million in support for grain and oilseed farmers.

  - An expense increase of $102.2 million for **culture and tourism**. This change is largely related to investments in libraries as well as festivals and marketing initiatives that aim to attract new domestic and international visitors to communities and major attractions across the province.

  - Investments of an additional $78.9 million in the **manufacturing sector**. The funding includes $25 million to the Yves Landry Foundation for training programs to improve the productivity and adaptability of employees. Funding is also provided to help firms reduce costs and improve competitiveness.

- **Children's and social services** expense increased by a net $493.4 million in 2007–08 largely to support the delivery of social assistance, developmental services and child care, and provide one-time funding to municipalities to rehabilitate their social housing stock.

- **Justice sector** expense increased by $378.4 million in 2007–08, primarily due to a one-time provision for the backlog of cases in the Criminal Injuries Compensation Board, capital investments, and various justice initiatives and community safety enhancements.

- In 2007–08, **Aboriginal Affairs** expense increased by a net $207.3 million. This change is primarily related to the Ontario First Nations Gaming Revenue Sharing Financial Agreement, which will provide a revenue source for Ontario First Nations to support health, education, community, economic and cultural development.

- A net in-year expense change of $178.2 million in the **health sector** is primarily due to the introduction of the new $39.2 million voluntary human papillomavirus (HPV) vaccination program, a $14.1 million investment in 10 residential hospices to provide end-of-life care in a home-like environment, $9.0 million in funding for the development of the new expanded Toronto's Ronald McDonald House, as well as investments to accommodate pressures related to the Ontario Health Insurance Plan (OHIP) program and the Long-Term Care Homes sector.

- To **strengthen the environment for innovation,** government expense increased by a net $71.2 million in 2007–08. This change includes strategic investments in research, innovation and commercialization initiatives, including the Ontario Institute for Cancer Research, the Institute for Quantum Computing and the Windsor Institute for Diagnostic Imaging.

- Support for **northern development and natural resources** increased by a net $64.9 million in 2007–08, largely to fund additional forest fire-fighting due to the above-average number of fires this year; address associated renewal and legal obligations under the *Crown Forest Sustainability Act*; and fund the startup of the Molecular Medicine Research Centre in Thunder Bay.
- **Business and economic development** expense has increased by $57.0 million in 2007–08. This increase is primarily the result of one-time support for the University of Toronto – Rotman School of Management's new Prosperity Institute. The Institute will develop capacity for interdisciplinary research on the creation of jurisdictional economic advantage. Support is also provided for communities facing significant challenges, and for a new Global Expansion Program to assist companies reach export markets.
- In 2007–08, expense related to promoting a **greener Ontario** increased by $35.8 million. This net in-year increase is largely supporting the Go Green climate change plan and the development of drinking water source protection plans.
- **Other program expense changes** amount to a net increase of $282.9 million in 2007–08, reflecting the balance of changes in program expense. Highlights of additional spending captured in this change include investments in government information technology, international disaster relief and the Ontario Education Collaborative Marketplace program.
- **Interest on Debt**, at $8,966.0 million, is $157.0 million lower than the 2007 Budget Plan. This amount reflects the impact of lower interest rates and the cost-effective management of the borrowing program, partially offset by the preliminary allowance of $100 million for asset-backed commercial paper as reported in the 2007 Economic Outlook and Fiscal Review.

Outlook for Strengthening Ontario Economic Growth

This section outlines Ontario's current macroeconomic outlook, which is the basis for the fiscal plan. The Ministry of Finance is projecting real GDP growth of 1.1 per cent in 2008, 2.1 per cent in 2009 and 2.7 per cent in 2010.

Ontario real GDP rose by an estimated 2.1 per cent in 2007, 0.5 percentage points above the Ministry's 2007 Budget forecast. Stronger-than-expected growth occurred despite a significantly more challenging external environment, including a stronger Canadian dollar, higher oil prices, weakening U.S. growth and financial market disruptions resulting from rising sub-prime mortgage defaults in the United States.

Ontario Economic Outlook **Table 5**
(Per Cent)

	2003	2004	2005	2006	2007	2008p	2009p	2010p
Real GDP Growth	1.4	2.5	2.9	2.1	2.1e	1.1	2.1	2.7
Nominal GDP Growth	3.2	4.8	3.9	3.9	5.1e	2.8	3.9	4.6
Employment Growth	3.0	1.7	1.3	1.5	1.6	1.0	1.1	1.3
CPI Inflation	2.7	1.9	2.2	1.8	1.8	1.4	1.9	2.0

e = estimate; p = Ministry of Finance planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

Private-Sector Forecasts Call for Continued Growth

Economic projections are a key building block for the government's fiscal plan. To ensure reasonable and accountable economic projections, the Ministry of Finance consults with private-sector forecasters. The Ontario Economic Forecast Council[1] provides expert advice on the macroeconomic forecasts and assumptions used to develop the Budget. The Minister of Finance met with Council members and other private-sector forecasters twice over the last year, in the process of preparing the 2007 Economic Outlook and Fiscal Review and the 2008 Budget. Council members reviewed the economic assumptions underlying the 2008 Budget to verify that the forecast was a reasonable basis for planning.

[1] Members are Peter Dungan from the University of Toronto, Ernie Stokes from the Centre for Spatial Economics, Dale Orr from Global Insight and Glen Hodgson from the Conference Board of Canada.

Private-Sector Forecasts for Ontario Real GDP Growth (Per Cent) — Table 6	2008	2009	2010
Conference Board of Canada (February)	2.1	2.9	3.4
Global Insight (February)	1.4	1.9	2.3
Centre for Spatial Economics (January)	1.3	2.0	2.4
University of Toronto (February)	0.4	2.5	3.2
RBC Financial Group (February)	0.9	2.2	–
Scotiabank Group (February)	1.4	1.7	–
TD Bank Financial Group (January)	1.5	2.5	–
BMO Capital Markets (February)	0.9	2.4	–
CIBC World Markets (February)	1.3	–	–
Private-Sector Survey Average	**1.2**	**2.3**	**2.8**
Ontario's Planning Assumption	**1.1**	**2.1**	**2.7**

Sources: Ontario Ministry of Finance and Ontario Ministry of Finance Survey of Forecasts (February 29, 2008).

Challenging External Economic Environment

Ontario's Resilience in the Face of Global Economic Challenges

The short-term Ontario economic outlook is heavily influenced by external factors such as oil prices, the Canadian dollar exchange rate, interest rates and U.S. economic growth. The following table shows the typical range for the first- and second-year impacts of these external factors on Ontario real GDP growth. These estimates are based on historical relationships and illustrate the upper and lower limits for the average response. They show the implications of changes in key assumptions in isolation from changes to other external factors. The combination of changing circumstances can also have a substantial bearing on the actual outcome.

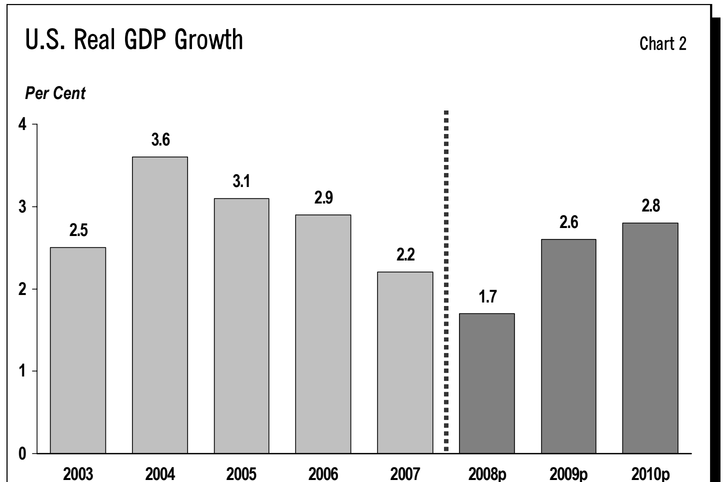
Impacts of Changes in Key Assumptions on Ontario Real GDP Growth[1] (Percentage Point Increase) — Table 7	First Year	Second Year
Canadian Dollar Depreciates by Five Cents US	0.1 to 0.8	0.5 to 1.2
World Crude Oil Prices Decrease by $10 US per Barrel	0.1 to 0.5	0.1 to 0.5
U.S. Real GDP Growth Increases by One Percentage Point	0.3 to 0.7	0.4 to 0.8
Canadian Interest Rates Decrease by One Percentage Point	0.1 to 0.5	0.2 to 0.6

[1] Impacts based on changes being sustained.

Source: Ontario Ministry of Finance.

U.S. Growth Set to Strengthen in the Second Half of 2008

The state of the U.S. economy is important to Ontario. In 2007, almost 84 per cent of the province's international merchandise exports went to the United States. A decline in U.S. residential investment, slower consumer spending and weaker business investment, as well as financial market challenges arising from increasing mortgage defaults, caused U.S. real GDP growth to slow to 2.2 per cent in 2007.

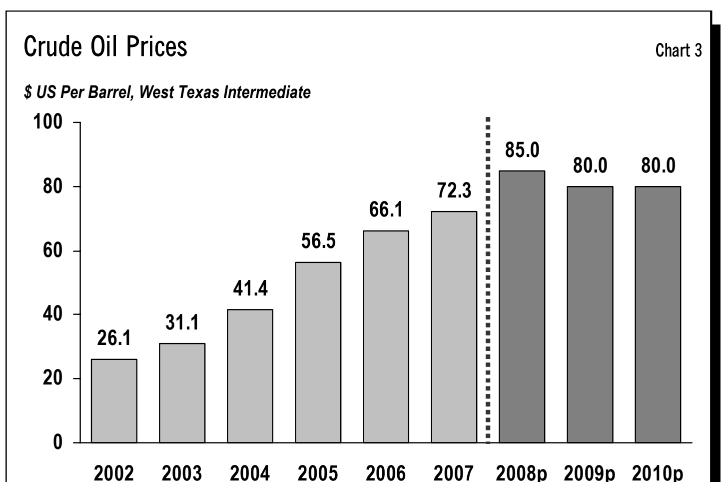


p = private-sector survey average.
Sources: U.S. Bureau of Economic Analysis and *Blue Chip Economic Indicators* (February 2008).

Most economists expect the weakness in the U.S. economy to be short-lived. The U.S. Federal Reserve has cut its key interest rate by 225 basis points since September 2007 to help stimulate the economy and stem the slump in housing. Lower interest rates combined with a large fiscal stimulus, including tax rebates, are expected to boost consumer spending. Private-sector forecasters, on average, expect U.S. real GDP to grow by 1.7 per cent in 2008, with growth expected to be soft in the first half of 2008 and to rebound solidly in the second half of the year. Growth in the United States is projected to rebound to 2.6 per cent in 2009 and 2.8 per cent in 2010.

Oil Prices Expected to Remain High

Ontario imports virtually all the crude oil it consumes, and higher prices for this key commodity raise costs for businesses and consumers. However, elevated oil prices do not pose the same risk as they did in the past — the Ontario economy is over 50 per cent more energy efficient than it was during the oil shocks in the 1970s.



p = Ministry of Finance planning projection.
Sources: New York Mercantile Exchange and Ontario Ministry of Finance.

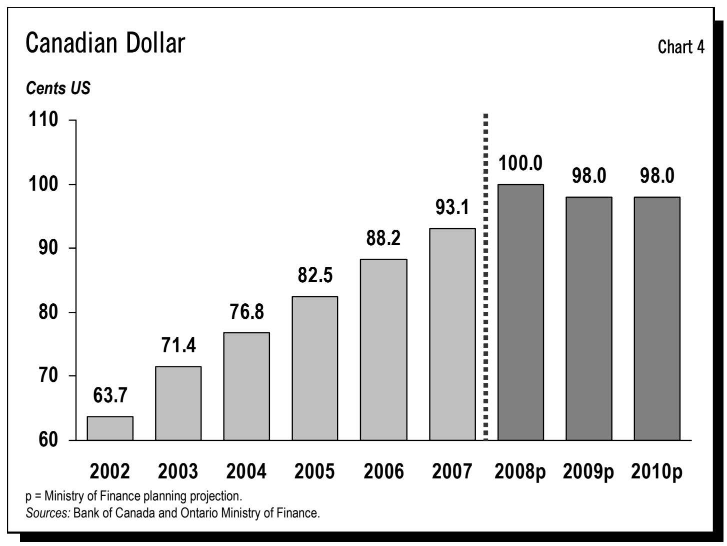
Oil prices averaged $72.30 US per barrel in 2007, rising for the sixth consecutive year. Oil prices climbed from less than $50 US in mid-January 2007 to over $110 US in early March 2008.

Oil prices have increased and are expected to remain elevated over the forecast horizon due to restrained supply growth and strong global demand. Ongoing geopolitical risks in key oil-producing regions, continued production restraint by OPEC (Organization of the Petroleum Exporting Countries) and slow growth of non-OPEC capacity will limit global supply. Rising global demand, particularly from rapidly emerging economies such as China and India, will keep oil markets tight and vulnerable to a major supply disruption.

The average private-sector forecast for oil prices is $84 US per barrel in 2008, $77 US per barrel in 2009 and $79 US per barrel in 2010 (annual averages). Ministry of Finance planning projections (see chart above) are prudent compared to the average private-sector forecast. Significant uncertainty persists in oil markets and analysts' projections for the annual average in 2008 range from less than $77 US per barrel to more than $92 US per barrel.

The Canadian–U.S. Exchange Rate Around Parity

The Canadian dollar has increased in value since 2002 due primarily to higher oil and commodity prices and more recently due to weakness in the U.S. economy. The high dollar has created challenges for Ontario's export-oriented manufacturing, agriculture, forestry and tourism sectors.



The higher dollar benefits Ontario businesses importing goods and services, including lowering the cost of imported machinery and equipment goods.

The Canadian dollar averaged 93.1 cents US in 2007, rising for the fifth straight year. Forecasters on average call for a Canadian dollar of 98.7 cents US in 2008, 96.2 cents US in 2009 and 97.9 cents US in 2010. Ministry of Finance planning projections (see chart above) are prudent compared to the average private-sector forecast. Forecasts for the Canadian dollar in 2008 range from a low of 96 cents US to a high of 103 cents US.

Ontario's Exports to Overcome Short-Term Challenges

Along with weaker U.S. demand and growing competition from newly industrialized countries, exporters have been faced with the competitive challenge of the strong Canadian dollar. Exporters have responded by shifting to higher value-added products, entering new international markets and trading more with the rest of Canada.

Over the past five years, the value of Ontario's merchandise exports to the United States has declined by 12.3 per cent, while exports to other countries have more than doubled. Last year, the value of Ontario's merchandise exports fell by 0.2 per cent as exports to the United States declined by 3.6 per cent, while exports to the rest of the world increased by 21.6 per cent.

Imports have increased rapidly over the last five years, reflecting a strengthening Canadian dollar that has reduced the relative cost of imported goods and services; greater investment in productivity-enhancing machinery and equipment, most of which is imported; and buoyant household demand.

With U.S. demand slipping and a strong Canadian dollar, the real value of Ontario's exports is expected to be flat this year. The opening of the new Toyota plant in Woodstock, scheduled to begin production in the fall of 2008, will give exports a lift. Stronger U.S. domestic demand in 2009 should increase exports of autos and durable goods. Robust growth in Western Canada will continue to boost Ontario interprovincial exports. Ontario real exports are projected to increase by 2.5 per cent in 2009 and 2.9 per cent in 2010.

Interest Rates Lower in 2008

The current outlook is for interest rates to decline in 2008 and rise moderately afterwards. The Bank of Canada cut its benchmark rate by 100 basis points between December and the beginning of March, dropping the Canadian overnight lending rate to 3.50 per cent. Further cuts are expected. According to the Bank of Canada, domestic demand in Canada remains firm, but the Bank acknowledges that further monetary stimulus will likely be required in the near term.

Heightened risk aversion in financial markets, combined with slower economic growth, has led to lower yields on secure government assets including treasury bills and government bonds. The fall in interest rates for government debt has not been matched by declines in interest rates for private-sector debt. As of early March, the Canadian three-month treasury bill rate declined by around 220 basis points since August 2007 while the three-month commercial paper rate declined by about 120 basis points. Private-sector forecasters project Canadian three-month treasury bill rates will average 3.3 per cent in 2008, down from 4.2 per cent in 2007. Once economic and credit conditions improve, interest rates are projected to rise but remain well below historical averages. Forecasters expect three-month treasury bill rates to rise to 3.8 per cent in 2009 and 4.5 per cent in 2010. Ten-year Government of Canada bond yields are forecast to average 3.9 per cent in 2008, 4.5 per cent in 2009 and 5.2 per cent in 2010. Ministry of Finance planning projections (see table above) are consistent with the average private-sector forecast.

Canadian Interest Rate Outlook **Table 8**
(Annual Per Cent)

	2007	2008p	2009p	2010p
Three-month Treasury Bill Rate	4.2	3.3	3.8	4.5
10-year Government Bond Rate	4.3	3.9	4.5	5.2

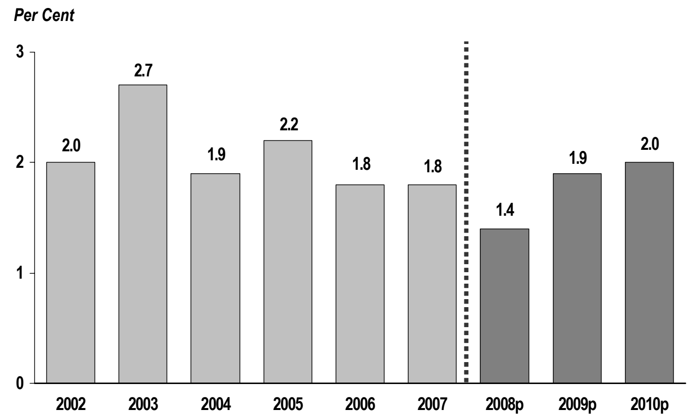
p = Ministry of Finance planning projection.
Sources: Bank of Canada and Ontario Ministry of Finance.

Inflation Expected to Drop in 2008

Ontario's consumer price index (CPI) inflation rate has been low and stable in recent years, averaging 1.8 per cent in both 2006 and 2007.

Inflation is expected to remain low over the forecast horizon. Ontario's CPI inflation rate is expected to fall to a 10-year low of 1.4 per cent in 2008, largely reflecting the impact of the one percentage point cut in the federal Goods and Services Tax (GST). Once the 2008 GST cut no longer affects year-to-year price changes, Ontario's CPI inflation rate is expected to average 1.9 per cent in 2009 and 2.0 per cent in 2010.

Ontario CPI Inflation Chart 6



p = Ministry of Finance planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

Strong Investment to Lead Growth

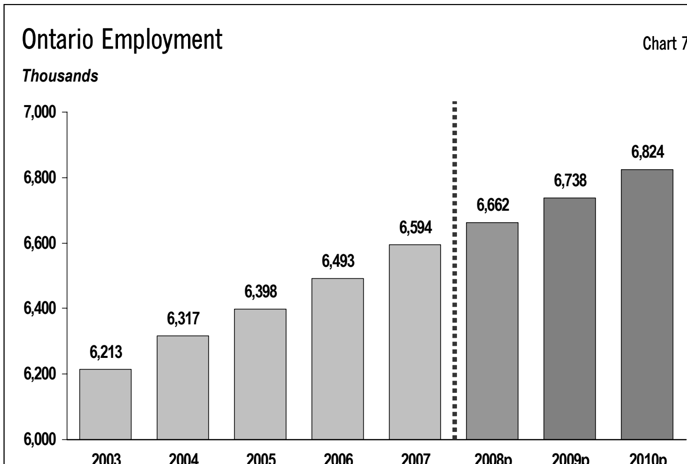
Business investment remained strong in 2007 and is expected to be a leading contributor to growth in the Ontario economy in coming years. Real investment in commercial and industrial structures expanded 4.6 per cent, while real investment in machinery and equipment grew 8.4 per cent.

Healthy corporate balance sheets and the rising Canadian dollar have encouraged business investment. Corporate profits rose by an average of 4.7 per cent annually since 2003, and are projected to grow by an average of 4.4 per cent annually from 2008 through 2010. Growth in corporate profits should continue to provide a healthy financial environment for business investment in Ontario. Interest rates are projected to decline this year, lowering borrowing costs for business expansion and upgrading machinery and equipment.

The higher Canadian dollar lowers the costs of imported machinery and equipment, making it more attractive for business to invest in leading-edge technologies. Real investment in machinery and equipment is projected to rise by 6.0 per cent in 2008 and by an average of 4.3 per cent a year in 2009 and 2010. Commercial and industrial construction is also expected to remain strong. Real spending on business construction is expected to rise by 2.5 per cent in 2008 and by an average of 2.4 per cent a year in 2009 and 2010.

Employment Growth to Continue

Since October 2003, the Ontario economy has created 456,800 net new jobs — 383,500, or 84 per cent, have been full time. There has been strong employment growth in sectors paying above-average wages, including finance (47,800), education (93,500), health care and social assistance (71,100), construction (71,400), and professional services (62,000).



p = Ministry of Finance planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

The Ontario economy created 101,100 net new jobs in 2007, a gain of 1.6 per cent — the largest increase since 2004. Private-sector forecasters expect continued job growth. The Ministry of Finance is projecting employment will increase by 1.0 per cent this year, 1.1 per cent in 2009 and 1.3 per cent in 2010, which translates into a total gain of 230,000 net new jobs over this three-year period. The annual unemployment rate is projected to fall to 6.3 per cent by 2010.

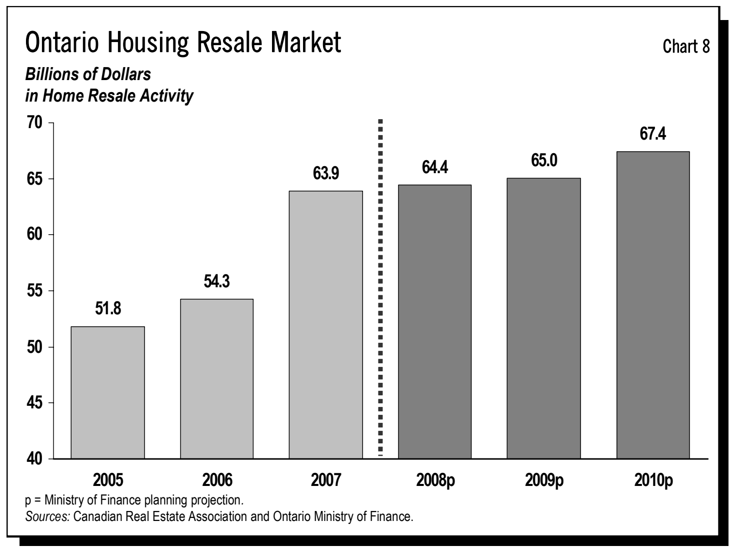
Household Income and Spending to Increase

The healthy labour market has resulted in solid wage gains. Since 2003, the average hourly wage rate has increased by 12.7 per cent. Steady employment gains and rising wages led to a 4.9 per cent increase in labour income in 2007. Labour income is forecast to increase by 3.4 per cent in 2008 and to pick up over the medium term, averaging 4.0 per cent in 2009 and 2010.

Rising incomes will support growing household spending. Real consumer spending grew by 3.4 per cent in 2007 and is expected to average 2.6 per cent growth a year between 2008 and 2010, in line with after-tax income growth.

Healthy Housing Market Conditions

The healthy pace of activity in the Ontario housing market continued in 2007. Home resales hit a record high in 2007, climbing 9.5 per cent. Robust activity in the resale market supported strong price gains, with the average resale price rising 7.6 per cent to $299,500 in 2007. Last year, housing starts moderated to 68,100 units, from 73,400 units in 2006.



Population growth is projected to result in the creation of 67,700 net new Ontario households a year from 2008 to 2010, supporting demand for housing. Housing starts are expected to average 64,300 per year over the 2008 to 2010 period.

Resales are projected to ease slightly in 2008 and 2009 before rising in 2010. The level of home resales over the 2008 to 2010 period is expected to remain almost four per cent higher than the average from 2003 to 2007. The average Ontario home resale price is projected to increase from $311,400 in 2008 to $328,900 in 2010. Housing affordability is projected to remain steady in 2008 as lower interest rates and rising incomes are expected to offset rising home prices.

Details of the Ontario Economic Outlook

The following table shows key details of the Ministry of Finance's economic outlook for the 2008 to 2010 period.

The Ontario Economy, 2005 to 2010 (Per Cent Change) — **Table 9**

	Actual			Projected		
	2005	2006	2007	2008	2009	2010
Real Gross Domestic Product	2.9	2.1	2.1e	1.1	2.1	2.7
Personal Consumption	3.6	3.5	3.4e	2.5	2.6	2.6
Residential Construction	1.8	1.1	0.6e	(0.5)	1.3	2.5
Non-residential Construction	3.6	10.4	4.6e	2.5	2.0	2.9
Machinery and Equipment	9.1	11.2	8.4e	6.0	4.1	4.6
Exports	2.2	(0.2)	1.4e	0.0	2.5	2.9
Imports	3.9	2.7	3.8e	2.2	2.7	3.0
Nominal Gross Domestic Product	3.9	3.9	5.1e	2.8	3.9	4.6
Other Economic Indicators						
Retail Sales	4.8	4.1	4.0	3.4	3.7	4.1
Housing Starts (000s)	78.8	73.4	68.1	64.0	63.0	66.0
Personal Income	4.5	4.8	5.0e	3.1	4.0	4.4
Labour Income	5.0	4.5	4.9e	3.4	3.9	4.1
Corporate Profits	(2.7)	3.2	8.5e	4.0	4.9	4.5
Consumer Price Index	2.2	1.8	1.8	1.4	1.9	2.0
Labour Market						
Employment	1.3	1.5	1.6	1.0	1.1	1.3
Job Creation (000s)	81	95	101	68	76	87
Unemployment Rate (per cent)	6.6	6.3	6.4	6.6	6.5	6.3

e = estimate.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation and Ontario Ministry of Finance.

Changes in Key Economic Forecast Assumptions, 2007 Budget Compared to 2008 Budget (Per Cent Change)						**Table 10**
	2007		**2008**		**2009**	
	2007 Budget	**Actual**	**2007 Budget**	**2008 Budget**	**2007 Budget**	**2008 Budget**
Real Gross Domestic Product	1.6	2.1e	2.8	1.1	3.1	2.1
Nominal Gross Domestic Product	3.1	5.1e	4.7	2.8	4.7	3.9
Retail Sales	3.6	4.0	4.6	3.4	4.6	3.7
Housing Starts (000s)	68.0	68.1	67.0	64.0	68.0	63.0
Personal Income	3.9	5.0e	4.7	3.1	4.9	4.0
Labour Income	3.9	4.9e	4.8	3.4	4.9	3.9
Corporate Profits	1.1	8.5e	2.4	4.0	2.5	4.9
Employment	1.1	1.6	1.4	1.0	1.6	1.1
Job Creation (000s)	71	101	90	68	109	76
Key External Variables						
Crude Oil ($ US per Barrel)	61.0	72.3	61.0	85.0	61.0	80.0
U.S. Real Gross Domestic Product	2.7	2.2	3.0	1.7	3.1	2.6
Canadian Dollar (Cents US)	86.0	93.1	87.5	100.0	88.0	98.0
3-month Treasury Bill Rate	4.1	4.2	4.3	3.3	4.5	3.8
10-year Government Bond Rate	4.2	4.3	4.7	3.9	5.1	4.5

e = estimate.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Bank of Canada, New York Mercantile Exchange, U.S. Bureau of Economic Analysis, *Blue Chip Economic Indicators* and Ontario Ministry of Finance.

Ontario's real GDP grew by 2.1 per cent in 2007 — 0.5 percentage points higher than the Ministry's 2007 Budget forecast despite a more challenging economic environment, including weaker U.S. growth, the stronger dollar, higher oil prices and credit tightening. The labour market was healthy, with employment increasing by 1.6 per cent — 0.5 percentage points above the Budget forecast and resulting in 30,000 more jobs than expected. Income growth was 5.0 per cent in 2007, 1.1 percentage points higher than the Budget forecast. Corporate profits were much healthier, rising by 8.5 per cent, significantly stronger than the prudent Budget projection of 1.1 per cent growth. Nominal GDP rose by 5.1 per cent, two percentage points above the Budget projection.

Forecasts for growth in 2008 and 2009 are lower than projected at the time of the 2007 Budget, reflecting significantly weaker U.S. growth, the higher Canadian dollar and higher oil prices. Real GDP growth has been revised down 1.7 percentage points in 2008 and 1.0 percentage point in 2009 since the 2007 Budget. Similarly, nominal GDP has been lowered 1.9 percentage points in 2008 and 0.8 percentage points in 2009. The growth of wages and salaries along with retail sales, both key revenue drivers, are projected to be lower than projected in the 2007 Budget, but corporate profits, also an important revenue driver, are forecast to grow at a stronger pace than projected in the 2007 Budget.

SECTION D ONTARIO'S REVENUE OUTLOOK

The medium-term revenue forecast reflects the Ministry of Finance economic outlook for Ontario and estimated impacts of government policy decisions. Total revenues are projected to increase by $6.9 billion between 2008–09 and 2010–11, or 3.5 per cent a year on average.

Summary of Medium-Term Outlook ($ Billions) — **Table 11**

	Interim	Plan	Outlook	
Revenue	**2007–08**	**2008–09**	**2009–10**	**2010–11**
Taxation Revenue	68.3	69.0	71.9	74.5
Personal Income Tax	24.7	25.2	26.6	28.1
Retail Sales Tax	16.9	17.2	18.1	19.0
Ontario Health Premium	2.7	2.8	2.9	3.1
Corporations Tax	12.7	12.3	12.5	12.3
All Other Taxes	11.3	11.5	11.8	12.0
Government of Canada	16.9	16.5	17.0	17.7
Income from Government Enterprises	4.1	4.1	4.3	4.6
Other Non-Tax Revenue	7.3	7.4	7.3	7.0
Total Revenue	**96.6**	**96.9**	**100.6**	**103.8**

Note: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

The **Personal Income Tax** (PIT) revenue forecast is consistent with the economic outlook for wages and salaries growth. Personal Income Tax revenues are boosted in 2007–08 by a one-time adjustment of $0.5 billion due to underestimation of 2006–07 PIT revenues in the Public Accounts and a further $0.1 billion due to a payment from the federal government relating primarily to a correction to Ontario's 2005 tax entitlements. The PIT revenue forecast reflects previously announced tax measures and measures proposed in this Budget as discussed in Chapter III: *Tax Support for Families and Business*. The PIT revenue base tends to grow at a faster rate than incomes due to the progressive structure of the tax system.

Personal Income Tax Revenue Outlook ($ Billions)				**Table 12**
	Interim	**Plan**	**Outlook**	
	2007–08	**2008–09**	**2009–10**	**2010–11**
Total Projected Revenue	24.7	25.2	26.6	28.1
Measures Included in Total[1]	–	(0.1)	(0.1)	(0.2)
Adjustments for Prior Years	0.5	–	–	–
Other One-Time Revenue	0.1	–	–	–
Base Revenue[2]	24.0	25.2	26.7	28.3
Base Revenue Growth (Per Cent)	5.7	5.1	5.8	5.9
Wages and Salaries Growth (Per Cent)	4.8	3.4	3.9	4.1

[1] Represents the incremental revenue impact of all tax measures, announced previously and in this fiscal update, relative to their impact on revenue in 2007–08.

[2] "Total projected revenue" less the impact of tax measures or other one-time factors such as prior-year adjustments. Base revenue reflects the impact of underlying macroeconomic factors.

Note: Numbers may not add due to rounding.

Retail Sales Tax (RST) revenue growth is based on the forecast for increased spending by households and businesses. The RST outlook reflects the estimated impact of previously announced tax measures and measures proposed in this Budget as discussed in Chapter III: *Tax Support for Families and Business*.

The **Ontario Health Premium** forecast is based on the outlook for rising employment and personal incomes.

The **Corporations Tax** (CT) revenue outlook largely reflects the outlook for pre-tax corporate profits. Corporations Tax revenues in 2007–08 include $0.6 billion in one-time revenue largely due to strong tax assessment payments related to past years. The CT revenue outlook also reflects previously announced tax measures and measures proposed in this Budget as discussed in Chapter III: *Tax Support for Families and Business*.

Corporations Tax Revenue Outlook ($ Billions)				**Table 13**
	Interim	**Plan**	**Outlook**	
	2007–08	**2008–09**	**2009–10**	**2010–11**
Total Projected Revenue	12.7	12.3	12.5	12.3
Measures Included in Total[1]	(0.2)	(0.4)	(0.6)	(1.2)
Adjustments for Prior Years	0.6	–	–	–
Other One-Time Revenue	–	–	–	–
Base Revenue[2]	12. 3	12.7	13.1	13.5
Base Revenue Growth (Per Cent)	6.2	3.0	3.2	3.1
Corporate Profit Growth (Per Cent)	8.5	4.0	4.9	4.5

1 Represents the incremental revenue impact of all tax measures, announced previously and in this fiscal update, relative to their impact on revenue in 2007–08.

2 "Total projected revenue" less the impact of tax measures or other one-time factors such as prior-year adjustments. Base revenue reflects the impact of underlying macroeconomic factors.

Note: Numbers may not add due to rounding.

The forecast for **All Other Taxes** is based on the economic growth outlook outlined in Section C: *Ontario's Economic Outlook*. All Other Taxes include, for example, the Employer Health Tax, Gasoline and Fuel Taxes, and the Land Transfer Tax. The forecast is developed on an item-by-item basis. For example, the forecast for Employer Health Tax revenues is based on the outlook for wages and salaries growth. The forecast for all other taxes takes into account the estimated impact of previously announced tax measures and measures proposed in this Budget as discussed in Chapter III: *Tax Support for Families and Business*.

The forecast for **Government of Canada** transfers is based on the assumption that existing federal transfer agreements are renewed. The outlook includes the 2007 federal budget announcement of funding for the patient wait-times guarantee trust and an immunization program to provide the human papillomavirus (HPV) vaccine as well as 2008 federal budget funding for community development and public transit. The outlook also assumes that the federal government will continue to fund previously announced time-limited transfers at 2008–09 levels. These revenues help fund the expenditures projected in this Budget.

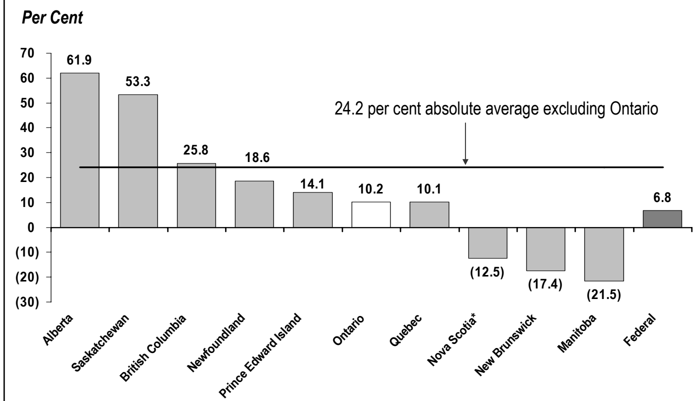
The outlook for **Net Income from Government Business Enterprises** is based on information enterprises provide. Total net income is projected to grow by an annual average rate of 5.1 per cent between 2008–09 and 2010–11. Net income from the Ontario Lottery and Gaming Corporation (OLG) is impacted by the strength of the Canadian dollar and cross-border competition. Net Income of the Liquor Control Board of Ontario (LCBO) is projected to grow steadily based on increasing sales. Net incomes from OPG and Hydro One are projected to increase as their returns on equity are expected to improve and as new generation, transmission and distribution investments come into service.

The forecast for **Other Non-Tax Revenue** is based on information that government ministries and provincial agencies provide. Between 2008–09 and 2010–11, other non-tax revenues are forecast to decrease by $0.3 billion. This is mainly due to the government's decision to upload the municipal share of ODSP and ODB costs.

Uncertainty in Forecasting Corporations Tax Revenue

Variances from revenue projections arise due to the inherent uncertainties of predicting the future and lags in information flows. These pose particular challenges in forecasting Corporations Tax revenues that are clearly demonstrated by the experience of Canadian jurisdictions in 2006–07, summarized in Chart 9. On average, other provinces' Corporations Tax revenues varied by 24.2 per cent from forecast. Ontario's variance was significantly lower at +10.2 per cent.

2006–07 Corporations Tax Revenue Variance from Forecast Chart 9



*Adjusted to include prior-year amounts.
Sources: 2006 Budgets (Provincial and Federal) and 2006–07 Public Accounts (Provincial and Federal).

The Corporations Tax payments system operates with a considerable lag between changes in the underlying tax entitlements and the tax payments, so it can take a great deal of time before current revenue performance is fully understood. For example, most of the financial sector's final tax remittances arrive at the end of December, and most of the non-financial sector's remittances arrive in late February, resulting in considerable revenue uncertainty late in the fiscal year. Uncertainty remains due to amounts to be received after the government's fiscal year-end, such as payments on filing 2007 tax returns (largely between April and June) and subsequent tax assessment payments and refunds arising from processing those tax returns (largely between July and December). This uncertainty is one of the principal reasons for the proposed Investing in Ontario Act, 2008, which would allow a portion of any positive variance between interim and actual 2007–08 revenues to be devoted to priority investments as outlined in Section G: *Accountability, Transparency and Fiscal Management*.

Sources of Medium-Term Revenue Change Since 2007 Ontario Budget

Summary of Medium-Term Revenue Change Since 2007 Budget **Table 14**
($ Billions)

	Interim 2007–08	2008–09	2009–10	2010–11
Key Revenue Changes Since 2007 Ontario Budget				
Prior-Year Tax Return Processing — Ongoing	1.7	1.9	2.0	2.0
Prior-Year Tax Return Processing — One Time	1.4			
Stronger 2007 Economic Growth	2.2	2.4	2.5	2.7
Slower Economic Growth in 2008 and 2009	0.0	(1.1)	(1.5)	(2.0)
Tax Policy Measures	(0.9)	(1.1)	(0.8)	(0.7)
Government of Canada Transfers (2007 and 2008 Federal Budgets)	0.3	0.3	0.4	0.2
Other	0.3	(0.2)	0.3	0.5
Total Revenue Changes	5.1	2.2	2.8	2.7

Note: Numbers may not add due to rounding.

The medium-term forecast for total revenues is higher in each year compared to the 2007 Budget.

Since the 2007 Budget, processing of **prior years' tax returns** has boosted the estimated 2006–07 revenue base upon which growth is applied for 2007–08 and beyond. Also, there is a one-time revenue pickup in 2007–08 because variances from past Public Accounts estimates are picked up in the current year.

Stronger 2007 economic growth also contributes to a higher revenue base upon which growth is applied for 2008–09 and onwards.

A **slower economic growth outlook beginning in 2008** dampens revenue growth over the 2008–09 to 2010–11 period. The economic outlook is discussed in greater detail in Section C: *Ontario's Economic Outlook*.

New **tax measures** announced since the 2007 Budget lower the revenue outlook. These include paralleling of tax measures announced in the 2007 and 2008 federal budgets and other measures announced by the Province. More details on proposed tax measures can be found in Chapter III: *Tax Support for Families and Business*.

The **2007 and 2008 federal budgets** included measures that result in a net increase in Government of Canada transfers over the medium term. New transfers from the 2008 federal budget reflected in the forecast include funding for community development and public transit. The 2007 federal budget included changes to the CHT and CST, including a move to a 10-province standard for calculating equalization entitlements under the CHT and a move to a per-capita basis for calculating CST entitlements. The 2007 federal budget also included funding for the patient wait-times guarantee and for the HPV immunization program.

Other changes largely reflect the assumption that the federal government will continue to fund previously announced time-limited transfers at 2008–09 levels, higher federal infrastructure transfers, higher sales and rentals, and higher projected other non-tax revenues. These increases are partially offset by lower revenues over the medium term from OLG and the electricity sector as well as the government's decision to upload the municipal share of the ODSP and ODB costs for social assistance recipients over four years starting in 2008. Municipalities currently reimburse the Province for a portion of the costs of delivering these programs. By the time it is fully implemented in 2011, the upload will save municipalities over $900 million a year.

Potential Risks to Provincial Revenue

This section highlights some of the key sensitivities and risks to the fiscal plan that could arise from unexpected changes in economic conditions. It should be cautioned that these estimates, while useful, are only guidelines and actual results can vary depending on the composition and interaction of the various factors. The risks are those that could have the most material impact on the largest revenue sources. There are a broader range of potential additional risks that are not included because either they are not as material or are difficult to quantify. For example, Income from Government Business Enterprises, representing roughly four per cent of total revenues, could be affected by changes in each business's particular business environment; for instance, by economic, market, policy and regulatory developments. Likewise, the outlook for Government of Canada transfers is subject to future negotiations and legislation.

Selected Economic and Revenue Risks and Sensitivities		Table 15
Item/Key Components	**2008–09 Assumption**	**2008–09 Sensitivities**
Total Revenues		
– Real GDP – GDP Deflator	1.1 per cent growth in 2008 1.7 per cent increase in 2008	$730 million revenue change for each percentage point change in real GDP growth. Can vary significantly, depending on composition and source of changes in GDP growth.
– Canadian Interest Rates	3.3 per cent three-month treasury bill rate in 2008	Between $75 million and $365 million revenue change in the opposite direction for each percentage point change in interest rates.
– U.S. Real GDP	1.7 per cent growth in 2008	Between $220 million and $510 million revenue change for each percentage point change in U.S. real GDP growth.
– Canadian Dollar Exchange Rate	100.0 cents US in 2008	Between $15 million and $110 million revenue change in the opposite direction for each one cent change in the Canadian dollar exchange rate.
Total Taxation Revenues		
– Revenue Base[1] – Nominal GDP	3.4 per cent growth in 2008–09 2.8 per cent growth in 2008	$505 million revenue change for each percentage point change in nominal GDP growth. Can vary significantly, depending on composition and source of changes in GDP growth.
Personal Income Tax (PIT) Revenues		
– Revenue Base	5.1 per cent growth in 2008–09	
Key Economic Assumptions		
– Wages and Salaries	3.4 per cent growth in 2008	$310 million revenue change for each percentage point change in wages and salaries growth.
– Employment	1.0 per cent growth in 2008	
– Unincorporated Business Income	3.0 per cent growth in 2008	$36 million revenue change for each percentage point change in unincorporated business income growth.
Key Revenue Assumptions		
– Net Capital Gains Income	0.6 per cent decrease in 2008	$13 million revenue change for each percentage point change in net capital gains income growth.
– RRSP Deductions	5.2 per cent growth in 2008	$16 million revenue change in the opposite direction for each percentage point change in RRSP deductions growth.
– 2007 Tax-Year Assessments[2]	$22.6 billion	$226 million revenue change for each percentage point change in 2007 PIT assessments.[3]
– 2006 Tax-Year and Prior Assessments[2]	$1.1 billion	$11 million revenue change for each percentage point change in 2006 and prior PIT assessments.[3]

Selected Economic and Revenue Risks and Sensitivities		
Item/Key Components	**2008–09 Assumption**	**2008–09 Sensitivities**
Retail Sales Tax Revenues		
– Revenue Base	2.1 per cent growth in 2008–09	
Includes:		
– Taxable Household Spending	1.7 per cent growth in 2008–09	
– Other Taxable Spending	2.6 per cent growth in 2008–09	
Key Economic Assumptions		
– Retail Sales	3.4 per cent growth in 2008	
– Nominal Consumption Expenditure	3.5 per cent growth in 2008	$125 million revenue change for each percentage point change in nominal consumption expenditure growth.
Corporations Tax Revenues		
– Revenue Base	3.0 per cent growth in 2008–09	
– Corporate Profits	4.0 per cent growth in 2008	$70 million revenue change for each percentage point change in pre-tax corporate profit growth.
– 2007–08 Tax Assessment Refunds[4]	$1.7 billion payable in 2008–09	$17 million revenue change in the opposite direction for each percentage point change in 2007–08 refunds.[3]
– 2007–08 Tax Payments upon Filing[4]	$1.1 billion receivable in 2008–09	$11 million revenue change for each percentage point change in 2007–08 payments upon filing.[3]
– 2007–08 Tax Assessment Payments[4]	$1.1 billion receivable in 2007–08 and 2008–09	$11 million revenue change for each percentage point change in 2007–08 assessment payments.[3]
Employer Health Tax Revenues		
– Revenue Base	3.2 per cent growth in 2007–08	
– Wages and Salaries	3.4 per cent growth in 2008	$42 million revenue change for each percentage point change in wages and salaries growth.
Ontario Health Premium (OHP) Revenues		
– Revenue Base	4.1 per cent growth in 2008–09	
– Personal Income	3.1 per cent growth in 2008	$26 million revenue change for each percentage point change in personal income growth.
– 2007 Tax-Year Assessments	$2.5 billion	$25 million revenue change for each percentage point change in 2007 OHP assessments.

Selected Economic and Revenue Risks and Sensitivities		
Item/Key Components	**2008–09 Assumption**	**2008–09 Sensitivities**
Gasoline Tax Revenues		
– Revenue Base	1.0 per cent growth in 2008–09	
– Gasoline Pump Prices	101.4 cents per litre in 2008	$5 million revenue change in the opposite direction for each cent per litre change in gasoline pump prices.
Fuel Tax Revenues		
– Revenue Base	2.0 per cent growth in 2008–09	
– Real GDP	1.1 per cent growth in 2008	$7 million revenue change for each percentage point change in real GDP growth.
Land Transfer Tax Revenues		
– Revenue Base	0.7 per cent decline in 2008–09	
– Housing Resales	3.0 per cent decline in 2008	$18 million revenue change for each percentage point change in both the number and prices of housing resales.
– Resale Prices	4.0 per cent growth in 2008	
Canada Health Transfer		
– Ontario Population Share	38.8 per cent in 2007–08	$34 million revenue change for each tenth of a percentage point change in population share.
– Ontario Basic Federal PIT Share	42.1 per cent in 2007–08	$9 million revenue change in the opposite direction for each tenth of a percentage point change in Ontario's basic federal PIT share.
Canada Social Transfer		
– Ontario Population Share	38.8 per cent in 2007–08	$11 million revenue change for each tenth of a percentage point change in population share.

[1] Revenue base is revenue excluding the impact of measures, adjustments for past Public Accounts estimate variances and other one-time factors.

[2] Ontario 2007 Personal Income Tax (PIT) is a forecast estimate because 2007 tax returns are yet to be assessed by the Canada Revenue Agency. Some tax amounts for 2006 and prior years are also yet to be assessed in 2008, and estimates of these amounts are included in the revenue outlook.

[3] Any changes in the 2007 or prior-year PIT assessments or 2007–08 Corporation Tax revenues will have an effect on 2008–09 revenues through a change in the revenue base upon which that year's growth is applied.

[4] Corporations Tax revenues for 2007–08 are still subject to uncertainty because a high proportion of corporations have until June 30, 2008 to file their 2007 tax returns and much of the activity that arises from that (payments on filing, refunds, assessment payments) will occur after this Budget.

The Province's total expense outlook is projected to grow from $96.2 billion in 2008–09 to $102.6 billion by 2010–11. This $6.4 billion increase reflects the initiatives and investments announced in this Budget for health, education, postsecondary education and training, social services, infrastructure and the environment.

Holding the average annual growth of spending to less than that of revenue is a key element of prudence and discipline built into the government's medium-term fiscal plan. While the average annual growth of expense is projected at 3.3 per cent over the medium term, total revenue is forecast to increase by $6.9 billion — from $96.9 billion in 2008–09 to $103.8 billion in 2010–11 — yielding a higher average annual growth rate of 3.5 per cent.

Total program spending, which includes both capital and operating expense, will grow from $87.3 billion in 2008–09 to $93.4 billion in 2010–11. This growth includes investments made under the government's ongoing five-point economic plan presented in this Budget.

Included in the total expense outlook is interest on Provincial debt, which is expected to increase over the medium term from $8.9 billion in 2008–09 to $9.1 billion in 2010–11 mainly due to additional borrowings to finance investments in capital assets.

Details of Expense Outlook

- Total **health** sector spending, including the net expense of hospitals, will increase from $40.4 billion in 2008–09 to $44.7 billion in 2010–11. This increase of $4.2 billion reflects an average annual growth rate of 5.1 per cent over the medium term.

- Total **education** sector spending, including the net expense of the Province's school boards, will grow by $1.0 billion, or 8.4 per cent, from $12.4 billion in 2007–08 to $13.4 billion in 2010–11 primarily due to increased provincial grants to school boards for continued improvements in student achievement.

- Total **postsecondary education and training** sector spending, including the net expense of the Province's 24 colleges of applied arts and technology, will grow by $0.3 billion, or 5.5 per cent, from $5.9 billion in 2007–08, not including one-time investments, to $6.2 billion in 2008–09. Total sector spending will increase to $6.5 billion by 2010–11. This increase is primarily due to initiatives included in the Skills to Jobs Action Plan.

- Total **children's and social services** sector funding will grow annually by $0.5 billion in 2008–09, $0.2 billion by 2009–10 and $0.1 billion in 2010–11. This increased support for Ontario's families includes the planned phasing-in of additional investments for the Ontario Child Benefit, enhanced funding for adults with developmental disabilities and their families, and a further two per cent increase in social assistance benefits.

- **Justice** sector spending will grow by 4.7 per cent from $3.7 billion in 2008–09 to $3.9 billion in 2009–10, and by a further 3.9 per cent to $4.0 billion in 2010–11. This level of spending includes investments for various justice initiatives, including courthouses, correctional facilities and community safety enhancements.

- **Other Programs** spending will increase from $11.9 billion in 2008–09 to $12.8 billion in 2010–11. This increase of $0.9 billion reflects investments in the Province's infrastructure, as well as ongoing and growing support to strengthen the environment for innovation.

- **Interest on debt** expense increases by $0.2 billion — from $8.9 billion in 2008–09 to $9.1 billion in 2010–11 due to additional borrowings to finance investments in capital assets.

Risks to Expense Outlook

There are a number of revenue and expense risks that could challenge the Province's ability to achieve its fiscal targets over the medium term. Key cost drivers within the Province's expense outlook are demand-driven programs and services that arise from changes in the economic outlook, utilization or enrolment rates. These pressures are especially evident in the health, education and social services sectors, which comprise over two-thirds of total Provincial expense, and include assumptions about expected utilization, enrolment rates and caseloads. 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. For reasons such as this, it is important that the government maintain a focused and disciplined approach to investing in key priority areas, while managing the Province's spending in a diligent and prudent way. Prudence in the form of contingency funds and a reserve is built into the fiscal plan to protect against such risks.

The following table provides a summary of key expense risks and sensitivities that could result from unexpected changes in economic conditions and program demands. A change in these factors could impact total expense, causing changes in the overall fiscal forecast. It should be cautioned that these sensitivities and risks are only guidelines and can vary, depending on the nature and composition of potential risks.

Selected Expense Risks and Sensitivities		Table 16
Program/Sector	**2008–09 Assumption**	**2008–09 Sensitivity**
Health Sector	Annual growth of 6.2 per cent.	One per cent change in health spending: $404 million.
Hospitals' Net Expense	Annual growth of 6.1 per cent.	One per cent change in hospitals' net expense: $184 million.
Drug Programs	Annual utilization growth of 6.9 per cent.	One per cent change in utilization of all drug programs: $44 million (seniors and social assistance recipients).
Long-Term Care Homes	75,866 long-term care home beds. Annual average Provincial operating cost per bed in a long-term care home is $40,800.	One per cent change in number of beds: approximately $29 million.
Home Care	Over 17 million hours of homemaking and support services; 10 million nursing and professional visits.	One per cent change in hours of homemaking and support services: $5 million. One per cent change in nursing and professional visits: $6 million.
University Students[1]	325,075 full-time undergraduate and graduate students.	One per cent enrolment change: $25 million of net expense.
Ontario Works	192,000 average annual caseload.	One per cent caseload change: $16 million.
Ontario Disability Support Program	244,000 average annual caseload.	One per cent caseload change: $30 million.
College Students	155,000 full-time students.	One per cent enrolment change: $13 million.
Interest on Debt	Average cost of 2008–09 borrowing is forecast to be approximately 4.8 per cent.	The 2008–09 impact of a 100 basis-point change in borrowing rates is forecast to be approximately $290 million.
Correctional System	3.0 million adult inmate days per year. Average cost $160 per inmate per day.	One per cent change in inmate days: $5 million.

[1] Based on 2007–08.

Compensation costs and wage settlements are also key cost drivers and could have a substantial impact on the finances of both broader public-sector partners and the Province.

Selected Compensation Costs		**Table 17**
Sector	**Cost of 1% Salary Increase**	**Size of Sector**
OHIP Payments to Physicians	$87 million	Almost 23,200 physicians in Ontario, comprising 11,200 family doctors and 12,000 specialists.
Elementary and Secondary School Staff[1]	$145 million	Over 200,000 FTE staff including teachers, principals, administrators, and support and maintenance staff.
College Staff[2]	$15 million	About 37,000 staff including faculty, administrators, and support and maintenance staff.
Ontario Public Service[3]	$56 million	Over 66,000 public servants.

[1] One per cent increase in salary benchmarks in Grants for Student Needs based on 2007–08 school year.
[2] Based on 2006–07, reflects total compensation costs.
[3] Based on 2006–07, reflects total compensation costs.

Contingent Liabilities

In addition to the key demand sensitivities and economic risks to the fiscal plan, there are additional risks stemming from the government's contingent liabilities. Whether these contingencies will result in actual liabilities for the Province is beyond the direct control of the government. Losses could result from legal settlements, defaults on projects, and loan and funding guarantees. Provisions for losses that are likely to occur and can be reasonably estimated are expensed and reported as liabilities in the Province's financial statements. Significant contingent liabilities are described as follows.

Ontario Nuclear Funds Agreement

The Province has certain responsibilities with respect to nuclear used fuel waste management and nuclear station decommissioning. The Province, Ontario Power Generation Inc. (OPG), a wholly owned subsidiary, and certain subsidiaries of OPG are parties to the Ontario Nuclear Funds Agreement (ONFA), to establish, fund and manage segregated funds to ensure sufficient funds are available to pay the costs of nuclear station decommissioning and nuclear used fuel waste management. Under ONFA, the Province is liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds for a fixed volume of used fuel. As well, under ONFA, the Province guarantees a return of 3.25 per cent over the Ontario consumer price index for the nuclear used fuel waste management fund. Ontario has also provided a direct Provincial guarantee to the Canadian Nuclear Safety Commission on behalf of OPG for up to $760 million (effective January 1, 2008), which relates to the portion of the decommissioning and waste management obligations not funded by the segregated funds.

Obligations Guaranteed by the Province

Ontario provides guarantees on loans on behalf of various parties. The authorized limit for loans guaranteed by the Province as at March 31, 2007, was $2.9 billion. The outstanding loans guaranteed and other contingencies amounted to $2.6 billion at March 31, 2007. A provision of $416 million based on an estimate of the likely loss arising from guarantees under the Student Support Programs has been reflected in the 2006–07 Consolidated Financial Statements of the Province.

Social Housing — Loan Insurance Agreements

The Province is liable to indemnify and reimburse the Canada Mortgage and Housing Corporation for any net costs, including any environmental liabilities incurred as a result of project defaults, for all non-profit housing projects in the Provincial portfolio. At March 31, 2007, there were $8.3 billion of mortgage loans outstanding.

Claims Against the Crown

There are claims outstanding against the Crown arising from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property, and like items. At March 31, 2007, there were 111 claims outstanding against the Crown that were for amounts over $50 million.

Canadian Blood Services

The provincial and territorial governments of Canada have entered into a Canadian Blood Services Excess Insurance Captive Support Agreement (the "Captive Support Agreement") with Canadian Blood Services (CBS) and Canadian Blood Services Captive Insurance Company Limited (CBSI), a wholly owned subsidiary of CBS established under the laws of British Columbia. Under the Captive Support Agreement, each government indemnifies CBSI for its pro rata share of any payments that CBSI becomes obliged to make under a comprehensive blood risks insurance policy it provides to CBS. The policy has an overall limit of $750 million, which may cover settlements, judgments and defence costs. The policy is in excess of, and secondary to, a $250 million comprehensive insurance policy underwritten by CBS Insurance Company Limited, a subsidiary of CBS domiciled in Bermuda. Given current populations, Ontario's maximum potential liability under the Captive Support Agreement is approximately $376 million. The Province is not aware of any proceedings that could lead to a claim against it under the Captive Support Agreement.

Medium-Term Fiscal Outlook

Despite significant challenges arising from the global economic environment, the Province remains on track to post six consecutive balanced budgets between 2005–06 and 2010–11. If achieved, this would be the most consecutive balanced budgets for the Province since 1908.

Total revenue increases by $6.9 billion over the medium term, from $96.9 billion in 2008–09 to $103.8 billion in 2010–11 — an average annual growth rate of 3.5 per cent. Revenue growth is dampened by a slower economic growth forecast than projected at the time of the 2007 Budget.

Total expense over the medium term is projected to increase from $96.2 billion in 2008–09 to $102.6 billion in 2010–11, reflecting investments to promote economic growth and job creation through the government's five-point economic plan. The total expense outlook also includes interest on debt, which is increasing over the medium term due to additional borrowings to finance investments in the Province's capital assets.

The fiscal plan also includes prudence in the form of reserves of $0.8 billion in 2008–09, $1.0 billion in 2009–10 and $1.2 billion in 2010–11.

Medium-Term Fiscal Plan and Outlook **Table 18**
($ Billions)

	Interim	Plan	Outlook	
	2007–08	**2008–09**	**2009–10**	**2010–11**
Total Revenue	**96.6**	**96.9**	**100.6**	**103.8**
Expense				
Programs				
Health Sector	38.1	40.4	42.4	44.7
Education Sector[1]	12.4	13.1	13.4	13.4
Postsecondary Education and Training Sector	6.6	6.2	6.4	6.5
Children's and Social Services Sector	11.3	11.8	12.0	12.1
Justice Sector	3.7	3.7	3.9	4.0
Other Programs	14.9	11.9	12.5	12.8
Total Programs	**87.0**	**87.3**	**90.6**	**93.4**
Interest on Debt	9.0	8.9	9.0	9.1
Total Expense	**96.0**	**96.2**	**99.6**	**102.6**
Reserve	–	0.8	1.0	1.2
Surplus/(Deficit)	**0.6**	**0.0**	**0.0**	**0.0**

[1] Excludes Teachers' Pension Plan. (Printed Budget erroneously says "Includes Teachers' Pension Plan".)
Note: Numbers may not add due to rounding.

Key Elements of Ontario's Medium-Term Fiscal Plan

The *Fiscal Transparency and Accountability Act, 2004* sets out a number of criteria that the Province's fiscal plan must meet. These criteria ensure the highest level of transparency and accountability in fiscal planning and reporting.

The act requires the Ontario Government to plan for balanced budgets. The key elements of the government's fiscal plan that will contribute to ensuring the achievement of six consecutive balanced budgets include:

- making disciplined decisions and achieving efficiencies that hold the average annual rate of growth in total expense to less than the average annual rate of growth in total revenue over the medium term
- strengthening Ontario's economic advantage through a five-point economic plan to invest in skills and knowledge, lower business costs, strengthen the environment for innovation, invest in infrastructure and form key partnerships to strengthen Ontario's industries
- promoting principled and sustainable federal–provincial fiscal arrangements
- maintaining a prudent debt-to-GDP ratio
- maintaining a cautious and prudent fiscal plan, including an annual contingency fund and reserve.

Fiscal Prudence

In addition to maintaining a prudent and disciplined approach to spending in light of slower economic growth and other challenges arising from the global economic environment, the fiscal plan includes other key elements of prudence each year to help protect the government's overall fiscal objectives and ensure the achievement of fiscal targets.

In keeping with sound fiscal practices, the Province's revenue outlook is based on prudent economic assumptions.

Consistent with the requirements under the *Fiscal Transparency and Accountability Act, 2004*, the fiscal plan incorporates prudence in the form of a reserve to protect the fiscal outlook against adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The medium-term fiscal plan includes a reserve of $0.8 billion in 2008–09, $1.0 billion in 2009–10 and $1.2 billion in 2010–11. The reserve increases over the medium term to better reflect the uncertain nature of the medium-term revenue and expense projections. The fiscal plan also includes contingency funds (operating and capital) totalling $0.6 billion in 2008–09 to help mitigate against expense risks that may otherwise have a negative impact on results.

Risks and the Fiscal Outlook

The outlook for each fiscal year is subject to change and reflects a continuum of information that begins with the Budget and ends with the Public Accounts. As new information affecting the economic, revenue and expense assumptions arises throughout the year, the fiscal forecast changes. In this context, it is important to note that the forecast presented in economic and fiscal updates, including this Budget, represents a point in time along this continuum and is based on the best available information at that time.

The revenue forecast includes assumptions about tax-return filings and growth of key factors such as wages, salaries, disposable income and housing prices. It also takes into account current federal–provincial funding arrangements and funding formulas for major health and social transfers. Developing revenue estimates also requires highly detailed economic forecasts, which include assumptions about factors such as the U.S. economic outlook, Canadian dollar exchange rate, oil prices and economic growth in the rest of Canada.

Variances from revenue estimates arise due to inherent uncertainties involved in predicting the future and lags in information flows. A variance in any of the key factors underlying the revenue assumptions could result in a change to the revenue forecast.

The total expense forecast includes assumptions about program growth and demands, as well as additional planned spending in key priority areas. As many ministries' expense forecasts are based on assumptions about utilization, enrolment and caseloads for government programs and services, a change in these factors could impact total expense, causing changes in the overall fiscal performance.

For example, a change of one per cent to total revenue or total expense in 2010–11 represents about a $1.0 billion change in the Province's overall fiscal outlook. While this change may be small compared to the government's overall budget, it can cause significant swings in the Province's surplus/deficit. It is due to this type of uncertainty that the fiscal plan includes a revenue forecast based on prudent economic assumptions, contingency funds and a reserve. These forms of prudence exist to help offset any negative impact to the fiscal plan that could result from even a small variance in the revenue and expense forecast.

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. Updates such as those provided in this Budget are based on the best available information, and provide transparency around the changes to the fiscal forecast and information on key risks and sensitivities that may affect the fiscal plan.

To help mitigate the impact these variances can have on the government's ability to invest in key priority areas, the proposed Investing in Ontario Act, 2008, would allow the government to use any unexpected surplus funds in 2007–08 to help reduce the Province's accumulated financial deficit, and help municipalities address their infrastructure priorities such as roads and bridges, public transit or social housing.

The government is committed to enhancing accountability, increasing transparency and improving its financial management. Since taking office in 2003, it has introduced a number of important improvements to this end and is taking further steps to strengthen accountability for the spending of taxpayer dollars, improving transparency in the Province's financial reporting, and increasing efficiencies in the government and in hospitals, schools and other broader public-sector (BPS) organizations.

Investing Unanticipated Year-End Surpluses

The government is committed to maintaining the highest standards of financial transparency, ensuring its accounting policies support sound public policy decision-making and improving public understanding of its financial reports.

Year-end surpluses are forecast based on the best information available to governments at the time their budgets are prepared. However, these forecasts are subject to economic and program risks. The final Public Accounts surplus or deficit depends on information on tax revenues and consolidated expenses that in some cases is not known for a number of months after the end of a government's fiscal year. This forecast variance can result in unanticipated surpluses or deficits. This is a common risk faced by all governments in Canada.

The government recently introduced the proposed Investing in Ontario Act, 2008. If enacted, it would allow the government to use unanticipated year-end surpluses to both address priority public needs such as the municipal infrastructure deficit, as well as reduce the accumulated financial deficit. In prior years, the government had no choice but to use all unanticipated surpluses to reduce the Province's accumulated financial deficit.

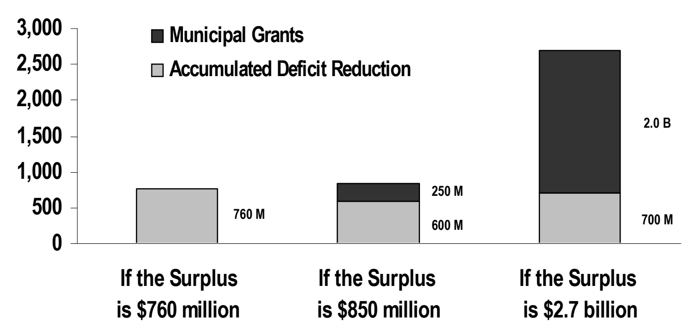
PROPOSED INVESTING IN ONTARIO ACT, 2008

- The government has introduced the proposed Investing in Ontario Act that would permit the use of a portion of unanticipated year-end surpluses to address public priority needs such as municipal infrastructure deficits.
- If enacted, the government will use the regulation-making authority in the proposed act to provide a portion of the 2007–08 surplus to municipalities throughout Ontario on a per-capita basis to help address priority capital needs in areas such as roads and bridges, transit and social housing.
- The total amount available to allocate to municipalities would be determined with the following formula: If the Province's 2007–08 surplus determined in the Public Accounts this summer is:
  - **Less than $800 million**, the entire amount would be used to reduce the Province's accumulated financial deficit. Municipalities would not receive any additional funding.
    - Example: if the surplus were $760 million, then all of it would be used to reduce the Province's accumulated financial deficit.
  - **Greater than $800 million, but less than $2.6 billion**, then $600 million would be used to reduce the Province's accumulated financial deficit and the remaining amount would be provided to municipalities.
    - Example: if the surplus were $850 million, then $250 million would be allocated to municipalities and $600 million would be used to reduce the Province's accumulated financial deficit.
  - **Greater than $2.6 billion,** then $2 billion would be provided to municipalities, and the excess would be used to reduce the Province's accumulated financial deficit.
    - Example: if the surplus were $2.7 billion, then $2 billion would be provided to municipalities and $700 million would be used to reduce the Province's accumulated financial deficit.
- To ensure that available funds are allocated in a fair and transparent manner to all municipalities, the government proposes to use a per-capita allocation to distribute funding among the single-tier municipalities and the upper-tier geographic areas.
- In areas with two-tier municipal systems, the per-capita share of available funding for the geographic area would first be allocated between the upper-tier municipality and the collective lower-tier municipalities according to their respective shares of capital expenditures over the past five years. The collective lower-tier portion would then be further distributed amongst the individual lower-tier municipalities on a per-capita basis.

Surplus[1] Allocation Examples

($ Millions)

Chart 10



[1] Surplus at Public Accounts before accounting for the proposed Investing in Ontario Act.

- Population data would be based on the 2006 Census, while municipal capital expenditures would be based on their Financial Information Returns.

Strengthening Accountability for Government Transfer Payments

The government provides more than $65 billion in transfer payments annually to individuals and organizations in Ontario. In August 2007, the government introduced a new transfer payment accountability directive to provide stronger assurance that these public funds are being spent by organizations for their intended purposes.

As well, in response to concerns raised by the Auditor General of Ontario, the government has taken specific measures to improve accountability for its year-end transfers. The Ministry of Finance worked with the Auditor General to ensure that significant provisions in the new transfer payment accountability directive can apply equally to year-end transfer payments without compromising their accounting treatment. The government has also strengthened its due-diligence processes to provide additional assurance that year-end investments comply with these more stringent requirements.

Public Service Efficiencies

Starting in 2004, as part of its continuing commitment to increase efficiencies and maximize savings, the government reduced costs, resulting in savings of more than $800 million annually by 2007. To date, efficiency initiatives have focused on savings from such activities as streamlining purchasing, improving the use of technology, and absorbing cost increases through program reviews. These savings have been reinvested in priority sectors such as education and health care.

For the past four years, the government has also established an annual savings target of approximately one per cent of total expenditures. These savings result mainly from program efficiencies, delays in new program start-ups, and changes in implementation plans. As overall expenditures are increasing, the government has established an annual savings target of $1.1 billion starting in 2008–09.

Collectively, BPS organizations purchase over $10 billion in goods and services. With so much at stake, ensuring that these organizations operate efficiently and effectively is a government priority.

Whether providing care to patients, teaching children or plowing roads, BPS front-line staff are dedicated to providing excellent service. Their dedication is shared by co-workers who provide critical back-office support in areas such as accounting, human resources and supply chain.

OntarioBuys is an innovative program with a simple goal: to reduce the time and money spent by the BPS on procuring goods (more than $4 billion in the health care sector alone), and funnel savings back into front-line services.

OntarioBuys has demonstrated that adopting supply chain leading practices can improve the efficiency and effectiveness of Ontario’s BPS. The government strongly supports the implementation of these leading practices by BPS organizations to improve efficiency, effectiveness and internal customer service levels.

ONTARIOBUYS INITIATIVES

- **Hospital regional supply chains**
  - Seventy-five hospitals representing 70 per cent of the sector have received funding from OntarioBuys to help modernize and streamline their systems for ordering, storing and paying for supplies. Hospitals that received early funding are already experiencing lower unit costs, reduced inventory levels with fewer stockouts and less time spent by nurses searching for supplies.
  - Expected results: Once fully implemented across the hospital sector, savings of more than $50 million annually are expected, with improved productivity and internal service quality. Annual savings already exceed $10 million and internal service levels have been improved.
- **School boards, colleges and universities**
  - Currently, Ontario school boards, colleges and universities tend to each purchase their own supplies and many use manual (paper-based) purchasing systems. The Ontario Education Collaborative Marketplace (OECM) has been established to facilitate group purchasing and introduce an integrated electronic marketplace.
  - Expected results: Educational professionals can focus more on teaching, research and student services. Savings and productivity gains are expected to exceed $250 million over five years and will be redirected to supplies, equipment and other student needs.

2007–08 RESULTS

Plexxus is a not-for-profit shared-service organization established by Toronto-area hospitals to consolidate and improve supply chain services. Plexxus is already generating a saving of $6 million annually as a result of more streamlined and automated procurement processes and effective coordination of product selection.

Twenty-four Ontario hospitals received a total of $1 million to help analyze the pricing of the thousands of items they collectively purchase. The project is on track to yield annual savings of more than double the one-time investment.

Ontario Council of University Libraries (OCUL) received funding in 2007–08 to scan 50,000 books and make them available online to university students. Within 12 months, 100,000 books had been scanned — creating jobs for students and providing 24/7 access to materials for students across Ontario.

The OntarioBuys program was established on a relatively small scale to facilitate and accelerate the adoption of supply chain leading practices by the BPS. As of early 2008, BPS interest in additional funding for high-impact projects exceeded available funding — an indicator of BPS willingness to embrace change and improve services. Based on the results to date, the government intends to renew and expand the OntarioBuys' mandate and plans to invest an additional $15 million to achieve greater supply chain efficiencies in the BPS. In addition, the government will propose legislation to support the renewal and expansion of the OntarioBuys program.

The government is also considering legislation that would require BPS organizations to report on their progress in implementing supply chain leading practices, starting with health care service providers.

Improving Transparency in Financial Reporting

2007 Pre-Election Report

In April 2007, the government released the first-ever *Pre-Election Report on Ontario's Finances*. Designed to inform Ontarians and political parties about the Province's fiscal outlook prior to the provincial election, it was the first of its kind in Canada and among the first in the world.

"We found the government's pre-election report to be an informative document that provided extensive information about Ontario's expected fiscal situation over the next three years (2007/08 to 2009/10)."

Jim McCarter, Auditor General of Ontario
2007 Annual Report, Office of the Auditor General of Ontario

Consolidation of Hospitals, School Boards and Colleges

The government funds over $30 billion annually to hospitals, school boards and colleges throughout the province. In compliance with Public Sector Accounting Standards, the government began including the financial results of hospitals, school boards and colleges with those of the Province on a one-line consolidation basis starting with the 2006 Budget and 2005–06 annual financial statements. The government also began providing additional financial information in its annual financial statements on the revenues, expenses, assets and liabilities of each of these major public sectors.

In the government's view, one-line consolidation financial statement presentation of these sectors best reports the bottom-line fiscal accountability of these organizations for managing these public funds. It also provides a more transparent and easily understood presentation of their financial results. Further, it respects the public accountability of school boards, hospital boards and boards of governors of colleges to the communities they serve throughout the province for managing the performance of their organizations.

The government has expressed this view to the Public Sector Accounting Board (PSAB) and requested that it reconsider its position that all provincial governments in Canada should merge the financial results of these broader public-sector organizations with those of government ministries and agencies on a line-by-line basis in their financial statements. In the government's view, line-by-line financial presentation would diminish transparency in the Province's financial reporting and be inconsistent with the public accountability structures in place in Ontario. In November 2007, PSAB reaffirmed its position that governments in Canada should move to a line-by-line consolidation basis of financial reporting for fiscal years commencing April 1, 2008.

The government retains its view that the financial results of hospitals, school boards and colleges should be presented on a one-line basis in its financial statements. The one-line consolidation presentation of hospital, school board and college net expenses supports the government's commitment to public accountability and transparency in financial reporting. The government will consult further with other stakeholders impacted by PSAB's decision.

PSAB Joint Working Group

At their June 2007 meeting, the Federal-Provincial-Territorial Ministers of Finance requested that a group of deputy ministers meet with Public Sector Accounting Board (PSAB) members to discuss the importance of government accounting standards and their impact on fiscal transparency, public accountability and sound government policy decision-making. As a result of these discussions, a Joint Working Group of deputy ministers and PSAB members was formed to review government accounting standards in a number of emerging areas. It is expected that this dialogue will lead to greater understanding and alignment of public-sector accounting standards with fiscal transparency and public accountability objectives of governments in Canada.

Investments in Tangible Capital Assets

In response to changes in PSAB standards, the government began accounting for its investments in land, buildings and transportation infrastructure as tangible capital assets in 2003. With the adoption of this accounting treatment, investments in depreciable assets including buildings, roads and bridges are being amortized to expenses over their estimated useful lives instead of being expensed in the years they are purchased or constructed. Starting with the Province's 2009–10 fiscal year, this policy is being extended to building leasehold improvements, assets acquired through capital leases, and other tangible capital assets owned by the Province such as vehicles, aircraft, information technology infrastructure, information technology systems and other equipment. With the extension of this policy to these classes of assets, Ontario will be accounting for its tangible capital assets on a comparable basis to the federal government and other provinces.

Fiscal Transparency and Accountability Act, 2004

As part of its commitment to enhancing accountability, increasing transparency and improving its financial reporting, in December 2004 the government enacted the *Fiscal Transparency and Accountability Act* (FTAA).

The government is proposing other legislation and amendments to enhance accountability, transparency and financial management. The government is proposing legislation to set out interim appropriations spending, clarify the basis for determining whether a liability has been incurred and addressing Treasury Board's decision-making authority over payments within the scope of an appropriation.

With the introduction of fixed election dates and changes in Public Sector Accounting Standards since the FTAA was introduced in 2004, the government will also review the act based on experience to date and external developments to determine whether amendments to the act should be proposed.

This section provides information on the Province's historical performance, key fiscal indicators, as well as details on Ontario's medium-term fiscal plan and outlook.

Medium-Term Fiscal Plan and Outlook ($ Billions) — Table 19

	Interim 2007–08	Plan 2008–09	Outlook 2009–10	Outlook 2010–11
Revenue	**96.6**	**96.9**	**100.6**	**103.8**
Expense				
Programs	87.0	87.3	90.6	93.4
Interest on Debt[1]	9.0	8.9	9.0	9.1
Total Expense	**96.0**	**96.2**	**99.6**	**102.6**
Reserve	–	0.8	1.0	1.2
Surplus/(Deficit)	**0.6**	**0.0**	**0.0**	**0.0**
Investment in Capital Assets	3.6	4.9	6.0	7.1
Net Debt[2]	142.8	146.2	150.6	156.1
Accumulated Deficit[2]	106.2	106.2	106.2	106.2

[1] Interest on debt expense increases by $0.2 billion between 2008–09 and 2010–11 due to additional borrowings to finance investments in capital assets.

[2] Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the surplus/deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges.

Note: Numbers may not add due to rounding.

2008–09 Fiscal Outlook ($ Millions) — Table 20

	Interim 2007–08	Plan 2008–09	Change $ Millions	Change Per Cent
Revenue	**96,563**	**96,920**	**357**	**0.4**
Expense				
Programs	86,997	87,279	282	0.3
Interest on Debt	8,966	8,891	(75)	(0.8)
Total Expense	**95,963**	**96,170**	**207**	**0.2**
Reserve	–	750	750	–
Surplus/(Deficit)	**600**	**0**	**(600)**	**–**
Investment in Capital Assets	3,603	4,935	1,332	37.0
Net Debt[1]	142,839	146,232	3,393	2.4
Accumulated Deficit[1]	106,176	106,176	–	–

[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 and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges.

Revenue ($ Millions)					Table 21
			Actual	Interim	Plan
	2004–05	2005–06	2006–07	2007–08	2008–09
Taxation Revenue					
Personal Income Tax	19,320	21,041	23,655	24,666	25,171
Retail Sales Tax	14,855	15,554	16,228	16,880	17,206
Corporations Tax	9,883	9,984	10,845	12,746	12,339
Employer Health Tax	3,886	4,197	4,371	4,672	4,821
Ontario Health Premium	1,737	2,350	2,589	2,708	2,809
Gasoline Tax	2,277	2,281	2,310	2,357	2,380
Land Transfer Tax	1,043	1,159	1,197	1,422	1,343
Tobacco Tax	1,453	1,379	1,236	1,121	1,092
Fuel Tax	727	729	723	726	742
Electricity Payments-In-Lieu of Taxes	511	951	757	558	600
Other Taxes	283	292	399	466	472
	55,975	**59,917**	**64,310**	**68,322**	**68,975**
Government of Canada					
Canada Health Transfer (CHT)	5,640	7,148	7,702	8,445	8,826
Canada Social Transfer (CST)	2,912	3,324	3,478	3,872	4,089
CHST Supplements	775	584	–	–	–
Social Housing	522	520	532	517	514
Wait Times Reduction Fund	242	243	467	468	235
Infrastructure Programs	209	285	191	219	234
Medical Equipment Funds	387	194	–	–	–
Other Government of Canada	1,195	953	1,666	3,343	2,559
	11,882	**13,251**	**14,036**	**16,864**	**16,457**
Income from Investment in Government Business Enterprises					
Ontario Lottery and Gaming Corporation	1,992	2,027	1,945	1,805	1,772
Liquor Control Board of Ontario	1,147	1,197	1,307	1,366	1,420
Ontario Power Generation Inc. and Hydro One Inc.	444	1,107	947	930	930
Other Government Enterprises	(5)	(23)	(3)	2	–
	3,578	**4,308**	**4,196**	**4,103**	**4,122**
Other Non-Tax Revenue					
Reimbursements	1,241	1,295	1,415	1,524	1,412
Vehicle and Driver Registration Fees	976	763	970	1,027	1,044
Electricity Debt Retirement Charge	997	1,021	991	995	1,004
Power Sales	610	779	863	831	856
Sales and Rentals	352	465	1,108	523	701
Other Fees and Licences	506	550	624	624	615
Liquor Licence Revenue	489	516	467	454	454
Net Reduction of Power Purchase Contract Liability	236	396	412	398	373
Royalties	278	191	215	211	242
Miscellaneous Other Non-Tax Revenue	721	773	790	687	665
	6,406	**6,749**	**7,855**	**7,274**	**7,366**
Total Revenue	**77,841**	**84,225**	**90,397**	**96,563**	**96,920**

Total Expense Table 22
($ Millions)

Ministry Expense	2004–05	2005–06[1]	Actual 2006–07	Interim 2007–08	Plan 2008–09
Aboriginal Affairs[2]	21	50	25	34.7	55.6
Agriculture, Food and Rural Affairs[2]	795	861	796	869.4	945.6
Attorney General[3]	1,195	1,277	1,338	1,686.8	1,592.4
Board of Internal Economy	145	150	163	244.9	173.9
Children and Youth Services	2,793	3,271	3,264	3,703.3	4,074.3
Citizenship and Immigration[3]	62	89	112	91.3	88.6
Community and Social Services	6,360	6,717	7,181	7,617.8	7,727.2
Community Safety and Correctional Services	1,732	1,749	1,876	2,004.7	2,110.4
Culture[2]	346	478	414	348.2	379.8
Economic Development and Trade[2]	66	176	199	340.4	445.3
Education[2]	365	440	423	462.9	472.5
School Boards' Net Expense	10,274	10,886	11,290	11,921.5	12,669.7
Energy	194	207	229	301.5	304.4
Environment	305	274	314	349.3	398.0
Executive Offices[4]	34	31	37	36.5	35.2
Finance[2]	538	582	568	465.7	559.1
Francophone Affairs, Office of	3	4	4	5.0	5.2
Government and Consumer Services[2]	1,075	740	971	958.4	1,102.0
Health and Long-Term Care	17,521	17,808	19,130	20,353.1	21,621.9
Hospitals' Net Expense	13,877	14,816	16,145	17,382.7	18,436.3
Health Promotion	236	290	391	367.3	389.7
Labour	129	141	146	159.8	170.2
Municipal Affairs and Housing[2]	770	926	843	747.1	795.9
Natural Resources[3]	557	626	731	803.3	780.5
Northern Development and Mines	320	337	318	343.6	357.5
Public Infrastructure Renewal[2,5]	41	107	286	169.3	(33.0)
Research and Innovation[2]	236	332	316	309.5	382.8
Revenue	523	442	563	577.5	610.6
Small Business and Entrepreneurship[3]	20	26	25	31.7	27.8
Tourism[3]	167	210	204	242.5	176.1
Training, Colleges and Universities[2]	3,297	3,509	4,115	4,406.2	4,825.8
Colleges' Net Expense[6]	1,289	1,185	1,273	1,508.7	1,414.5
Transportation[2,7]	1,744	2,116	2,660	1,883.1	1,961.7
Interest on Debt	9,368	9,019	8,831	8,966.0	8,891.0
Other Expense[2]	2,998	4,055	2,947	6,269.3	3,321.3
Year-End Savings	–	–	–	–	(1,100.0)
Total Expense	**79,396**	**83,927**	**88,128**	**95,963.2**	**96,169.7**

1 Starting in 2005–06, the Province's financial reporting has been 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 23, Other Expense.

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

4 Executive Offices is comprised of Cabinet Office, Premier's Office and the Office of the Lieutenant Governor.

5 Credit expense amounts result from a consolidation adjustment to avoid the double counting of internal charges to ministries from the Ontario Realty Corporation (ORC). Decline of $202 million from $169 million in 2007–08 to ($33 million) in Plan 2008–09 due to the impact of the ($227 million) ORC consolidation. The consolidation is negative to offset the impact of an increase in capital assets amortized over a longer period instead of expensed in one year.

6 The college net expense in 2008–09 is projected to be $94 million lower than 2007–08 due primarily to one-time expenses in 2007–08 related to facility and campus renewal investments.

7 Decline from 2006–07 to interim 2007–08 due to one-time transit initiatives in 2006–07.

Note: Numbers may not add due to rounding.

Other Expense ($ Millions)					**Table 23**
Ministry Expense	**2004–05**	**2005–06**	**Actual 2006–07**	**Interim 2007–08**	**Plan 2008–09**
Aboriginal Affairs					
One-Time Expense for the First Nations Gaming Agreement	–	–	–	201.0	–
Agriculture, Food and Rural Affairs					
One-Time Extraordinary Assistance	458	125	259	283.7	–
Time Limited Assistance	143	157	19	77.3	166.5
Culture					
One-Time Investments	–	–	–	57.2	–
Economic Development and Trade					
One-Time Investments	–	–	–	116.8	–
Education					
Teachers' Pension Plan[1]	240	295	345	342.0	54.0
Finance					
Community Reinvestment Fund One-Time Transition Funding	233	–	–	–	–
Ontario Municipal Partnership Fund[2]	626	714	758	916.7	934.8
Operating Contingency Fund	–	–	–	50.0	420.0
Power Purchases	840	803	863	831.0	856.0
Government and Consumer Services					
Pension and Other Employee Future Benefits	458	729	557	522.0	715.0
Municipal Affairs and Housing					
One-Time Investment in Municipal Social Housing Stock	–	–	–	100.0	–
Public Infrastructure Renewal					
Capital Contingency Fund	–	–	–	–	175.0
One-Time Investments in Municipal Infrastructure	–	–	140	450.0	–
Research and Innovation					
One-Time Investments	–	–	–	86.5	–
Training, Colleges and Universities					
One-Time Investments	–	–	–	698.8	–
Transportation					
One-Time Transit and Infrastructure Investments	–	1,232	6	1,536.4	–
Total Other Expense	**2,998**	**4,055**	**2,947**	**6,269.3**	**3,321.3**

1 Numbers reflect PSAB pension expense. 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.

2 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 24**
		2008–09 Plan		
Sector	**Total Infrastructure Expenditures 2007–08 Interim**	**Investment in Capital Assets**	**Transfers and Other Expenditures in Infrastructure**[1]	**Total Infrastructure Expenditures**
Transportation				
Transit	1,925.3	901.0	349.9	1,250.9
Highway Construction	1,345.7	1,484.3	–	1,484.3
Other Transportation[2]	832.8	520.5	70.7	591.3
Health				
Hospitals	674.1	1,045.7	2.5	1,048.2
Other Health	241.8	60.8	187.4	248.1
Education				
School Boards	1,000.4	–	1,018.6	1,018.6
Colleges	181.3	202.0	–	202.0
Universities	677.0	–	54.8	54.8
Water/Environment	259.5	16.3	286.9	303.2
Municipal and Local Infrastructure[3]	816.8	33.1	273.1	306.2
Justice	215.5	426.2	49.7	475.9
Other	700.8	244.9	295.9	540.8
Total[4]	**8,871.1**	**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 22 and 23.

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.

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 Deficit[3]	**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)	11,506	11,685	11,898
Net Debt per Capita (dollars)	11,681	11,339	11,104
Personal Income per Capita (dollars)	27,959	29,752	30,357
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 has been expanded to include hospitals, school boards and colleges using one-line consolidation. Total expense prior to 2005–06 has not been restated to reflect expanded reporting.

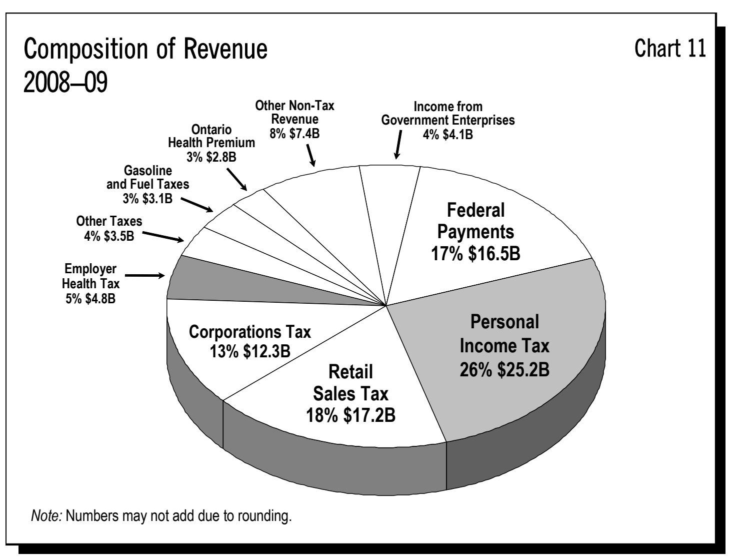
3 Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the surplus/deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the surplus/deficit. For fiscal 2005–06, the change in the Accumulated Deficit includes the opening combined net assets of hospitals, school boards and colleges that were recognized upon consolidation of these Broader Public 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.

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.

Sources: Ontario Ministry of Finance and Statistics Canada.

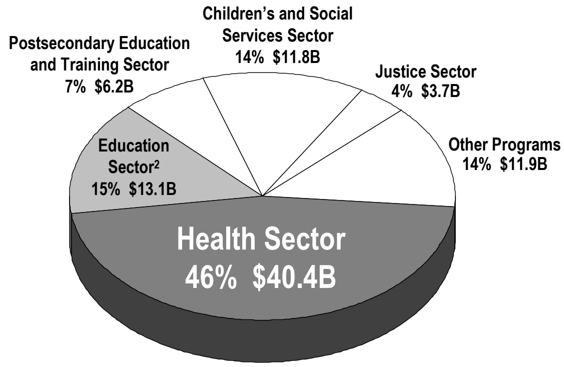
Table 25

2002–03[1]	2003–04	2004–05	2005–06[2]	Actual 2006–07	Interim 2007–08	Plan 2008–09
68,891	**68,400**	**77,841**	**84,225**	**90,397**	**96,563**	**96,920**
59,080	64,279	70,028	74,908	79,297	86,997	87,279
9,694	9,604	9,368	9,019	8,831	8,966	8,891
68,774	**73,883**	**79,396**	**83,927**	**88,128**	**95,963**	**96,170**
–	–	–	–	–	–	750
117	**(5,483)**	**(1,555)**	**298**	**2,269**	**600**	**0**
132,647	**138,816**	**140,921**	**141,928**	**141,100**	**142,839**	**146,232**
118,705	**124,188**	**125,743**	**109,155**	**106,776**	**106,176**	**106,176**
477,763	493,081	516,792	536,908	557,784	586,494	603,197
369,420	381,309	399,781	417,861	438,030	459,938	474,134
12,102	12,263	12,420	12,565	12,705	12,804	12,942
10,961	11,320	11,346	11,295	11,106	11,156	11,299
30,526	31,094	32,188	33,255	34,476	35,922	36,635
14.4	15.0	15.4	15.6	15.8	16.4	15.9
14.1	14.0	12.0	10.7	9.8	9.3	9.2
27.8	28.2	27.3	26.4	25.3	24.4	24.2
24.8	25.2	24.3	20.3	19.1	18.1	17.6



Composition of Program Expense[1] 2008–09

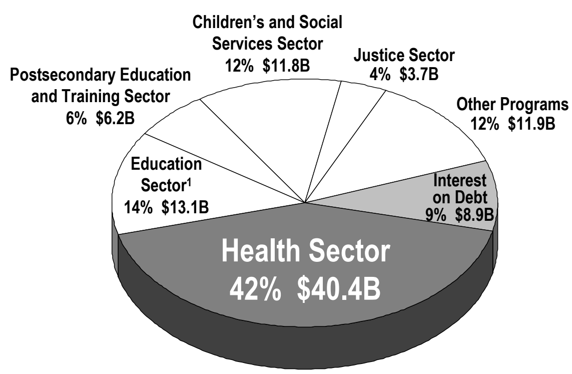
Chart 12



[1] Program expense equals total expense minus interest on debt.
[2] Excludes Teachers' Pension Plan.
Note: Numbers may not add due to rounding.

Composition of Total Expense 2008–09

Chart 13



[1] Excludes Teachers' Pension Plan
Note: Numbers may not add due to rounding.

Support from Gaming for Health Care, the Ontario Trillium Foundation and Communities

Provincial proceeds from gaming activities continue to support Provincial priorities, including the operation and support of hospitals, charities, amateur sports, communities and the agricultural sector.

Support for Health Care, Charities, and Problem Gambling and Related Programs ($ Millions) — **Table 26**

	Interim 2007–08	Plan 2008–09
Lotteries, Charity Casinos and Slot Machines at Racetracks Revenue		
Operation of Hospitals	1,507	1,493
Ontario Trillium Foundation	105	110
Problem Gambling and Related Programs	37	39
Ontario Amateur Sports	10	10
Commercial Casinos Revenue		
General Government Priorities	146	120
Total	**1,805**	**1,772**

Sources: Ontario Ministries of Public Infrastructure Renewal and Finance.

Revenue from Lotteries, Charity Casinos and Slot Machines at Racetracks

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net Provincial revenue generated from lotteries, charity casinos and racetrack slot machines support services such as the operation of hospitals, problem gambling and related programs, amateur sports, and funding for charitable and not-for-profit organizations through the Ontario Trillium Foundation.

An estimated $1,493 million in net revenue from lotteries, charity casinos and slot machines at racetracks will be applied to support the operation of hospitals in 2008–09. While this level of support for hospitals from gaming revenue is down slightly from last year, hospitals' net expense on a consolidated basis will increase by $1,054 million this year to $18.4 billion made up from other government revenues.

In 2008–09, the Ontario Trillium Foundation will be provided with $110 million to help build strong and healthy communities through contributions to charitable and not-for-profit organizations in the arts and culture, sports and recreation, human and social services, and environment sectors.

Two per cent of gross slot machine revenue, estimated at $39 million for 2008–09, is allocated for problem gambling prevention, treatment and research programs.

The Quest for Gold lottery will provide an estimated $10 million in 2008–09 for direct financial support to Ontario's high-performance amateur athletes. This funding will also support enhanced coaching and skills development.

Benefits from Commercial Casinos

In 2008–09, net Provincial revenue from commercial casinos, estimated at $120 million, will be used to support general government priorities, including health care, education and public infrastructure.
In addition to the support for general government priorities, commercial casino operations support approximately 11,800 direct jobs in Ontario and provide vital tourism and economic development attractions for their respective communities.

Other Beneficiaries of Charity Casinos and Slot Machines at Racetracks

Twenty per cent of gross revenue from slot machines at racetracks is provided to promote the economic growth of the horse-racing industry. Since 1998, this initiative has provided over $2 billion to Ontario's horse-racing industry, a key component of the Province's agricultural sector. For 2008–09, additional support is estimated at $346 million.

Support for Agricultural Sector and Municipalities ($ Millions) **Table 27**

	Interim 2007–08	Plan 2008–09
Agricultural Sector[1]	337	346
Municipalities	78	80
Total	**415**	**426**

[1] The agricultural sector's share of racetrack slot-machine revenue and municipalities' share of slot-machine revenue from charity casinos or racetrack slot facilities is received directly from the Ontario Lottery and Gaming Corporation.
Source: Ontario Ministry of Public Infrastructure Renewal.

A portion of gross slot-machine revenue, estimated at $80 million in 2008–09, will be provided to municipalities that host charity casinos and slot operations at racetracks. These revenues will help offset local infrastructure and service costs.

CHAPTER III

TAX SUPPORT FOR FAMILIES AND BUSINESS

Overview

Ontario's tax system plays an important part in the government's comprehensive plan to promote economic and social prosperity. The initiatives in this Budget build on this plan by:

- investing in people and communities
- supporting an innovative economy
- lowering costs for business
- promoting a healthy lifestyle and environment for Ontarians.

Tax measures announced in this Budget would provide an additional benefit of almost $1.5 billion to individuals and businesses over four years.

Investing in People and Communities

Senior Homeowners' Property Tax Grant

The government is committed to helping low- and moderate-income senior homeowners offset their property taxes. In addition to the current property tax credit, the Province proposes to provide a new property tax grant to seniors with low and moderate incomes who own their own homes. This new grant would be available in early 2009 to help seniors pay their 2009 municipal and education property taxes. Grants would be provided in each year thereafter.

In 2009, about 550,000 senior homeowners would be able to obtain a new grant of up to $250. The maximum grant would be increased to $500 for 2010 and subsequent years. Senior homeowners would apply for the grant when filing their 2008 and subsequent income tax returns.

Eligible single seniors with $500 or more in property taxes and income of up to $35,000 a year would receive the maximum grant. Eligible single seniors with income between $35,000 and $50,000 would receive a proportionately smaller grant. Eligible senior couples with $500 or more in property taxes and income of up to $45,000 a year would receive the maximum grant. Eligible senior couples with income between $45,000 and $60,000 would receive a proportionately smaller grant.

The Province would be providing about $1 billion over five years in property tax relief to seniors through the new grant program.

Proposed Senior Homeowners' Property Tax Grant Typical Grant Amounts and Existing Property Tax Credits ($)						**Table 1**
Single Seniors Paying $2,000 in Property Taxes						
	2009			**2010 and Subsequent Years**		
Income	**New Seniors' Property Tax Grant**	**Existing Property Tax Credit[1]**	**Total Tax Relief**	**New Seniors' Property Tax Grant**	**Existing Property Tax Credit[1]**	**Total Tax Relief**
$20,000	250	825	1,075	500	825	1,325
$25,000	250	718	968	500	718	1,218
$30,000	250	540	790	500	540	1,040
$35,000	250	361	611	500	361	861
$40,000	167	183	350	334	183	517
$45,000	84	4	88	167	4	171
$50,000	0	0	0	0	0	0
Senior Couples Paying $2,000 in Property Taxes						
	2009			**2010 and Subsequent Years**		
Income	**New Seniors' Property Tax Grant**	**Existing Property Tax Credit[1]**	**Total Tax Relief**	**New Seniors' Property Tax Grant**	**Existing Property Tax Credit[1]**	**Total Tax Relief**
$25,000	250	803	1,053	500	803	1,303
$30,000	250	642	892	500	642	1,142
$35,000	250	481	731	500	481	981
$40,000	250	320	570	500	320	820
$45,000	250	159	409	500	159	659
$50,000	167	0	167	334	0	334
$55,000	84	0	84	167	0	167
$60,000	0	0	0	0	0	0

[1] Calculated as a share of property and sales tax credits proportionate to eligible property tax, using an estimate of the proposed increase to the 2008 senior couples' income threshold.

Ontario Property and Sales Tax Credits for Seniors

Ontario Property and Sales Tax Credits for seniors provide property and sales tax assistance to seniors with modest incomes. Since 2003, the government has made several improvements to these credits to ensure that they better reflect the circumstances facing seniors.

In 2004, the government enriched the credits by increasing the underlying property tax credit amount by 25 per cent, from $500 to $625. The government also increased the income threshold at which senior couples' benefits begin to be reduced to $22,250 for 2005, $23,090 for 2006 and $23,820 for 2007.

The Government of Ontario wants seniors who receive the minimum level of income guaranteed by the government from Old Age Security (OAS), Guaranteed Income Supplement (GIS) and Ontario Guaranteed Annual Income System (GAINS) to get the full benefit of the Ontario Property and Sales Tax Credits. Because this level of income is rising, the Province proposes to increase the senior couples' income threshold for these credits beginning in 2008. The new threshold would be determined when the federal government finalizes OAS and GIS amounts for 2008. Nearly 735,000 senior recipients would benefit this year from an estimated $107 million in enhancements to these credits since 2003, including this proposal.

Tax-Free Savings Account (TFSA)

The 2008 federal budget proposed a new savings vehicle, a TFSA, that would allow Ontarians to earn tax-free investment income.

Beginning in 2009, Ontarians would be able to contribute up to $5,000 annually to a TFSA. Contributions would not be tax deductible but capital gains and investment income earned within the TFSA and withdrawals from the TFSA would be tax-free. Withdrawals and unused room would be carried over for future contributions. A TFSA would be able to hold the same qualified investments as a Registered Retirement Savings Plan, such as bonds, stocks, mutual funds and Guaranteed Investment Certificates.

This new savings incentive would automatically be adopted for Ontario Personal Income Tax purposes when the federal legislation receives Royal Assent.

Transfers from Family Farm Corporations

Farming and farm-related businesses make an important contribution to Ontario's economy. Currently, transfers of farmland between family members and transfers into a family farm corporation are exempt from Land Transfer Tax. To provide relief for all farmers, regulatory amendments will be proposed to expand the exemption to include transfers of farmland from family farm corporations to individual family members. This will help continue the tradition of passing on ownership of the family farm.

The proposed measure would apply to qualifying transfers after March 25, 2008.

Retail Sales Tax (RST) Exemption for Newspapers

As announced in December 2007, Ontario is expanding the definition of "newspaper" to enable publications with smaller circulation or less frequent publishing schedules, such as community and ethnic newspapers, to qualify for the RST exemption for newspapers.

A draft regulation was posted on the Ministry of Finance website in December 2007 for consultation. The regulation is expected to be finalized in the spring. The expanded definition will be retroactive to January 1, 2000, and will be more responsive by using a listing of physical characteristics typical of newspapers, with points allocated for each characteristic.

RST Exemption for Destination Marketing Fees

To provide continued support for marketing fund initiatives within Ontario's tourism and hotel industries, the government proposes to extend the RST exemption for destination marketing fees for two additional years. Destination marketing fees billed on or before June 30, 2010 would qualify for exemption from the five per cent RST on accommodations that would ordinarily apply.

RST Exemption for Admissions to Live Theatres of Not More than 3,200 Seats

Ontario recognizes that live theatre productions contribute to Ontario's draw as a tourist destination. There is currently a temporary RST exemption on admissions to live theatres of not more than 3,200 seats that present live performances, such as theatrical plays, the ballet and performances by an orchestra or opera company.

The government proposes to introduce legislation to make this a permanent exemption, effective April 1, 2008.

Supporting an Innovative Economy

Ontario Tax Exemption for Commercialization (OTEC)

To further support innovation in the Ontario economy, the government is proposing a 10-year tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes.

A qualifying corporation established after March 24, 2008 and before March 25, 2012 would be exempt from Ontario Corporate Income Tax and Corporate Minimum Tax for its first 10 taxation years.

The exemption would generally apply to corporations that commercialize intellectual property in priority areas such as, but not limited to, bio-economy/clean technologies, advanced health technologies, and telecommunications, computer and digital technologies.

Eligible commercialization activities would include the development of prototypes and the marketing and manufacturing of products related to the intellectual property.

A qualifying corporation would be incorporated in Canada and derive all or substantially all of its income from eligible commercialization activities carried on in Ontario.

The Province calls on the federal government to support innovation by matching this income tax exemption.

Ontario Innovation Tax Credit (OITC)

The OITC is a refundable tax credit available to small and medium-sized corporations that carry on scientific research and experimental development (SR&ED) in Ontario. The OITC provides a refundable 10 per cent tax credit on a corporation's qualifying SR&ED in Ontario.

The government proposes to extend the OITC to more small and medium-sized corporations and expand the tax credit to more qualifying SR&ED expenditures.

This extension of the OITC would be implemented by paralleling enhancements to the federal SR&ED tax credit proposed in the 2008 federal budget. Ontario proposes to increase the OITC expenditure limit from $2 million to $3 million of qualifying SR&ED expenditures. Ontario also proposes to extend the taxable income phase-out range of between $400,000 and $600,000 under the OITC to a new upper limit of $700,000 of taxable income.

The required amendments to the *Corporations Tax Act* and *Taxation Act, 2007* would be introduced once the implementing federal legislation is enacted. The effective date of the amendments and phase-in rules would parallel the federal amendments.

The 2008 federal budget also proposed a new taxable capital phase-out range of $10 million to $50 million for the SR&ED tax credit. Ontario will maintain its current taxable capital phase-out range of $25 million to $50 million for the OITC — more generous than both the existing and proposed federal phase-out in respect of taxable capital.

In addition, unlike the federal refundable SR&ED credit, the OITC is not restricted to Canadian-controlled private corporations. As a result, even after the proposed federal budget enhancements are enacted, the refundable OITC will still be available to more small and medium-sized corporations performing SR&ED in Ontario than the federal refundable SR&ED tax credit.

Ontario Interactive Digital Media Tax Credit (OIDMTC)

The OIDMTC is a refundable tax credit available to Ontario corporations for the creation, marketing and distribution of interactive digital media products.

The Budget proposes to enhance the OIDMTC and extend the time period for qualifying expenditures.

The 2006 Budget enhanced the OIDMTC rate to 30 per cent for corporations with annual gross revenues of not more than $20 million and total assets of not more than $10 million that develop and market their own interactive digital media products. The 2006 Budget also extended eligibility for the OIDMTC at a rate of 20 per cent to multimedia developers that exceed the size test and allowed contracting corporations without the copyright to a digital media product the entitlement to claim the OIDMTC in cases where all or substantially all of the product is developed by them rather than by the copyright owner. These 2006 Budget enhancements are effective for expenditures incurred after March 23, 2006, and before January 1, 2010, including expenditures incurred pursuant to fee-for-service contracts entered into before March 24, 2006.

This Budget proposes to increase the 20 per cent tax credit rate for corporations exceeding the size test and for fee-for-service work to 25 per cent for qualifying expenditures incurred after March 25, 2008 and before January 1, 2012.

This Budget also proposes to extend the enhanced 30 per cent OIDMTC rate for small corporations to qualifying expenditures incurred after December 31, 2009 and before January 1, 2012.

In addition, this Budget proposes to extend the eligibility period for eligible labour expenses for qualifying digital media products for the OIDMTC from two to three years. Currently, eligible labour expenditures for the OIDMTC must be incurred within the two-year period, ending when development of a product is completed. This measure would apply to products completed after March 25, 2008.

Lowering Costs for Business

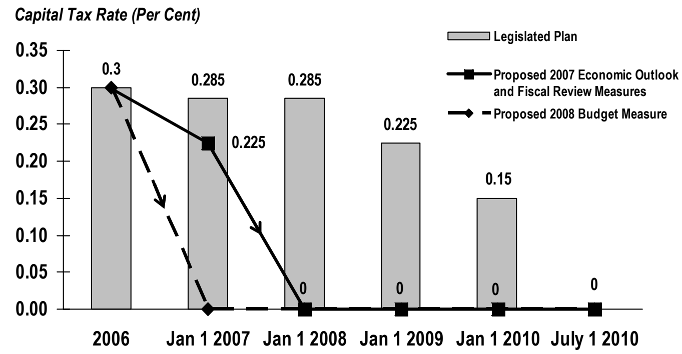
Capital Tax Elimination for Manufacturing and Resource Activities

The 2007 Economic Outlook and Fiscal Review proposed to eliminate the Capital Tax effective January 1, 2008, for Ontario companies primarily engaged in manufacturing and resource activities.

In this Budget, the government is proposing to retroactively eliminate the Capital Tax one year earlier, effective January 1, 2007, for Ontario companies primarily engaged in manufacturing and resource activities.

Eliminating Capital Tax for Manufacturing and Resource Activities

Chart 1



Note: The graph lines are intended to illustrate the trend in Capital Tax rates for manufacturing and resource activities as a result of the proposed measures — they do not reflect statutory Capital Tax rates between the data points.
Source: Ontario Ministry of Finance.

This measure would provide an additional $190 million to manufacturing and resource industries challenged by the slowing U.S. economy and stronger Canadian dollar. The government would provide this tax relief to manufacturing and resource companies either by issuing a refund cheque or offsetting other corporate taxes owing.

The proposed elimination of the Capital Tax for manufacturing and resource activities would apply to corporations whose salaries and wages relating to manufacturing and processing (M&P), mining, logging, farming or fishing activities in Ontario represent 50 per cent or more of their total salaries and wages in Ontario.

For corporations whose salaries and wages in Ontario for these activities comprise less than 50 per cent, but more than 20 per cent of their total salaries and wages in Ontario, the Capital Tax would be reduced proportionately on a straight-line basis. For example, a corporation whose Ontario salaries and wages for these activities comprise 35 per cent of total Ontario salaries and wages would have one-half of its Capital Tax eliminated.

The proposed elimination for 2007 would apply to a qualifying corporation if it or a successor corporation has employees reporting to a permanent establishment in Ontario on March 25, 2008.

EXAMPLES OF SECTORS BENEFITING FROM PROPOSED JANUARY 1, 2007 CAPITAL TAX ELIMINATION FOR MANUFACTURING AND RESOURCE ACTIVITIES

MANUFACTURING

- automobile and parts
- chemical and petroleum products
- electrical products
- food and beverage products
- machinery
- plastic and rubber products
- primary metal and fabricated metal products
- transportation equipment (other than automobile and parts)
- wood and paper products

RESOURCE

- farming
- forestry and logging
- mining

Capital Tax Elimination Schedule

The government has been working steadily to eliminate the Capital Tax, which is widely recognized as a barrier to attracting new investment and fostering economic growth.

As previously legislated, the Capital Tax deduction increased to $15 million on January 1, 2008, and the Capital Tax will be fully eliminated on July 1, 2010.

The following table sets out the Capital Tax elimination schedule with the proposed 2008 Budget and 2007 Economic Outlook and Fiscal Review initiatives.

Ontario's Accelerated Capital Tax Elimination Plan with Proposed Initiatives						Table 2
		Rates (%)				
		Non-Financial Institutions		Financial Institutions		
				1st $400 Million of Taxable Capital	Taxable Capital Over $400 Million	
	Deduction ($ M)	M&P and Resources[1]	Other Corporations		Non-Deposit Taking	Deposit Taking
2004	5	0.3	0.3	0.6	0.72	0.9
Jan. 1, 2007	12.5	0.285	0.285	0.57	0.684	0.855
Jan. 1, 2007	12.5	**Eliminated**	**0.225**	**0.45**	**0.54**	**0.675**
Jan. 1, 2008	15		**0.225**	**0.45**	**0.54**	**0.675**
Jan. 1, 2009	15		0.225	0.45	0.54	0.675
Jan. 1, 2010	15		0.15	0.3	0.36	0.45
July 1, 2010	Legislated Accelerated Elimination Date					

21% rate cut

Shading denotes the Capital Tax initiatives proposed in the 2008 Budget and the 2007 Economic Outlook and Fiscal Review.
Measures would be pro-rated for taxation years straddling the effective date.
[1] Primarily engaged in manufacturing and processing, mining, logging, farming or fishing activities in Ontario.

Accelerated Capital Cost Allowance (CCA) for M&P Machinery and Equipment

The 2007 federal budget proposed a temporary tax incentive in the form of a 50 per cent straight-line CCA rate for M&P machinery and equipment acquired on or after March 19, 2007, and before 2009. Ontario announced that it would parallel this incentive and has repeatedly urged the federal government to extend this temporary incentive for a longer time period to further support jobs and new investment.

The 2008 federal budget proposed to extend this incentive by allowing eligible assets acquired in 2009 to be depreciated on a 50 per cent straight-line basis and those acquired in 2010 and 2011 on a declining balance basis.

Subject to enactment of the applicable federal regulations, this Budget proposes to extend this tax incentive for manufacturers in line with the proposed federal rates and effective dates. Ontario continues to call on the federal government to extend the 50 per cent straight-line CCA rate for M&P machinery and equipment to 2014 to provide an enhanced incentive for new investments.

Capital Cost Allowance: Other Measures

Subject to enactment of the applicable federal regulations, Ontario proposes to parallel the following Corporate Income Tax initiatives and their effective dates relating to CCA announced in the 2008 federal budget:

- expanding eligibility for Class 43.2 to include a broader range of clean energy generation assets for biogas production equipment and additional applications of ground-source heat-pump and waste-to-energy systems
- increasing the CCA rate for carbon dioxide pipelines and setting the CCA rate for pumping and compression equipment for these pipelines to be consistent with the rates that apply to oil and gas pipelines and equipment
- increasing the CCA rate for railway locomotives to more accurately reflect the useful life of these assets.

Reducing Business Education Taxes

In the 2007 Budget, the government announced a $540 million cut to high Business Education Tax (BET) rates over seven years — lowering high BET rates to a target maximum rate of 1.60 per cent. The BET reductions are key elements in the government's overall strategy to enhance Ontario's investment climate.

This initiative will also reduce the wide variation in BET rates across the province. The variation in rates distorts efficient business location decisions, placing many regions of the province at a disadvantage and harming the provincial economy.

This Budget announces an accelerated plan for BET reductions in northern Ontario. The accelerated BET reductions will ensure that northern business will benefit from the full BET reduction by 2010, four years earlier than originally announced.

Northern businesses are those that lie within any of the following districts: Algoma, Cochrane, Kenora, Manitoulin, Nipissing, Parry Sound, Rainy River, Sudbury, Thunder Bay and Timiskaming.

Northern Ontario Business Education Tax Annual Ceiling Rates				Table 3 (%)
	Originally Announced		Accelerated	
Year	Annual Commercial Ceiling Rate	Annual Industrial Ceiling Rate	Annual Commercial Ceiling Rate	Annual Industrial Ceiling Rate
2008	2.50	3.00	2.35	2.75
2009	2.35	2.75	2.05	2.30
2010	2.20	2.50	1.60	1.60
2011	2.05	2.25	1.60	1.60
2012	1.90	2.00	1.60	1.60
2013	1.75	1.75	1.60	1.60
2014	1.60	1.60	1.60	1.60

Note: BET annual ceiling rates may need to be recalculated in 2009 and future years to adjust for the impact of reassessment-related changes. The target maximum BET rate may also need to be adjusted to account for these changes.

The accelerated BET reduction plan recognizes the unique challenges faced by northern businesses and responds to recent recommendations made by the Canadian Federation of Independent Business and others. In future years, consideration will be given to accelerating BET reductions in other parts of the province should the fiscal plan allow.

Accelerating BET reductions in northern Ontario will benefit more than 30,000 businesses of all sizes in 85 municipalities. Northern businesses will benefit from total BET savings of more than $70 million over the next three years. The BET reductions will improve the competitive position of northern Ontario businesses, create new jobs and strengthen the provincial economy.

Northern Ontario Business Education Tax Cuts		Table 4 ($ Millions)
Year	Tax Cut as Originally Announced	Tax Cut with Acceleration
2008	4	8
2009	8	19
2010	13	47
Total	**25**	**73**

Note: Numbers may not add due to rounding.

Mandatory Phase-in of Assessment Increases

The 2007 Budget announced changes to the property assessment system that included introducing a four-year reassessment cycle and a mandatory phase-in of assessment increases for residential properties.

Based on consultations with municipal and business representatives, the Province will expand the mandatory phase-in of assessment increases to all property classes, including commercial, industrial and multi-residential.

This ensures that business taxpayers benefit from the same increased stability and predictability that the phase-in of assessment increases will provide homeowners. It will also help maintain equity and consistency between different types of properties.

Promoting a Healthy Lifestyle and Environment for Ontarians

RST Exemption for ENERGY STAR® Household Appliances and Light Bulbs

To encourage Ontarians to purchase products that are more energy efficient, the Province created a temporary RST exemption for qualifying new ENERGY STAR® household appliances and light bulbs purchased on or after July 20, 2007, and on or before July 19, 2008.

The exemption is available at the point of sale for qualifying new household appliances and light bulbs listed as ENERGY STAR® by the Office of Energy Efficiency, Natural Resources Canada at the time they are purchased. It applies to the first-time sale, rental or lease, for at least one year, of a qualifying new appliance.

Qualifying products are non-commercial refrigerators, dishwashers, clothes washers (including inseparable clothes washer-dryer combinations), freezers, dehumidifiers, room air conditioners, light bulbs and decorative light strings.

The government is proposing to introduce legislation to extend this temporary exemption to include qualifying appliances purchased, rented or leased on or before August 31, 2009, and delivered on or before September 30, 2009, and to include qualifying light bulbs purchased on or before August 31, 2009.

RST Exemption for Bicycles and Related Safety Equipment

To encourage Ontarians to stay healthy and be active in their daily lives, the government created a temporary RST exemption for bicycles and related safety equipment purchased on or after December 1, 2007, and on or before November 30, 2008. The exemption is available on the purchase of new or used bicycles that have a purchase price of $1,000 or less, and includes tricycles and unicycles. Bicycle safety equipment, including bicycle helmets, is also exempt.

The government is proposing to introduce legislation to extend this temporary exemption to include purchases made on or before December 31, 2010.

RST Exemption for Nicotine Replacement Therapies

Ontario is committed to helping people quit smoking. In July 2007, the Province created an RST exemption for qualifying non-prescription nicotine replacement therapies purchased on or after August 13, 2007, and on or before August 12, 2008 and that have been assigned a Drug Identification Number by the federal government.

The government proposes to introduce legislation to make this a permanent exemption in the *Retail Sales Tax Act*. For purchases made after March 25, 2008, qualifying nicotine replacement therapies would be those that have been assigned a Drug Identification Number or a Natural Product Number by the federal government, and are sold for the sole purpose of assisting the purchaser to stop smoking tobacco. These therapies come in a variety of delivery mechanisms, including transdermal patches, gums, lozenges, inhalers, sprays and sublingual tablets.

Products that purport to be nicotine replacement therapies but are not registered with a Drug Identification Number or a Natural Product Number by the federal government remain taxable.

Paralleling Federal Tax Measures

Concordance with the *Income Tax Act* (Canada)

A number of other proposals announced by the federal government in its 2008 budget would be automatically adopted once federal legislative and regulatory changes have been approved. These include:

- changes to the Registered Education Savings Plan (RESP) program, beginning in the 2008 taxation year, that would extend the maximum contribution period and the maximum lifespan of an RESP, as well as the contribution age limit for a family plan, by 10 years
- an increase in the maximum Northern Residents Deduction for the 2008 taxation year and beyond
- an expansion of the list of expenses eligible for the Medical Expense Tax Credit, effective for the 2008 and subsequent taxation years, and clarification that expenses incurred after February 26, 2008, for drugs and medications that may be purchased without a prescription, are ineligible for this credit
- an extension of the existing capital gains exemption for donations of publicly traded securities, in certain circumstances, to capital gains realized on the exchange of specified unlisted securities for publicly traded securities, where the publicly traded securities are then donated, after February 25, 2008, to registered charities or other qualified donees
- rule changes to the regime for the capital gains exemption for donations of publicly listed securities to private charitable foundations
- changes to the tax treatment of dividends that would, beginning in 2010, reduce the gross-up factor applicable to eligible dividends received by Ontario individuals. Ontario proposes to maintain its plan to increase the tax credit rate on grossed-up eligible dividends from 7.0 per cent in 2008 to 7.4 per cent in 2009 and 7.7 per cent in 2010 and subsequent years.

A Single Corporate Tax Administration

In October 2006, Ontario and the federal government signed a memorandum of agreement to transfer the collection and administration of certain Ontario corporate taxes to the federal government.

Following that agreement, the Legislature enacted the *Taxation Act, 2007*, which enables the Canada Revenue Agency (CRA) to collect and administer Ontario's Corporate Income Tax, Capital Tax, Corporate Minimum Tax and Special Additional Tax on life insurers for taxation years ending after December 31, 2008.

The single tax administration will reduce compliance costs for business and improve Ontario's competitiveness. Ontario businesses will save $90 million annually in Ontario Corporate Income Tax from a harmonized corporate income tax base and up to an additional $100 million annually in compliance costs from one tax return, one tax administration and one set of tax rules.

Ontario corporations will start seeing compliance cost savings beginning in April 2008 from integrated audits, rulings, objections and appeals for all pre-2009 taxation years. Effective April 3, 2008, Ontario businesses will have one tax authority to deal with for these functions. This will be followed by a single integrated tax return for taxation years ending after December 31, 2008.

The CRA has started collecting Ontario corporate tax instalments for taxation years ending in 2009.

Relief from Tax Instalments for Small Businesses

Quarterly tax instalments for Ontario tax are provided for small businesses under the *Corporations Tax Act* for taxation years ending before 2009. One of the requirements for federal administration of Ontario taxes for subsequent taxation years is to follow the federal corporate tax instalment rules, which do not provide quarterly instalments for corporations.

Recent federal legislation has changed corporate tax instalment rules to generally permit small Canadian-controlled corporations to remit their instalments on a quarterly basis rather than on a monthly basis. The new federal legislation also allows corporations with current- or past-year federal tax of up to a new limit of $3,000 (increased from $1,000) complete relief from the requirement to pay instalments.

For taxation years ending after 2008, Ontario proposes to amend the corporate tax instalment rules in the *Taxation Act, 2007* to parallel the new federal corporate tax instalment rules.

Assessment Act

The government will conduct a review of the property tax treatment of long-term care homes that were established under the *Charitable Institutions Act* for the purpose of clarifying and maintaining eligibility for the tax exemption that has historically been provided to these facilities.

Retail Sales Tax Act

Amendments are proposed to the *Retail Sales Tax Act*, effective May 7, 1997, in response to a recent court interpretation. The proposed amendments would confirm Ontario's longstanding requirement for persons to pay RST on purchases of containers and other packaging, storage and shipping items that are intended to be returned for reuse in the packaging, storage or shipping of goods. The proposed amendments would also confirm the longstanding requirement for persons to pay RST on containers and other items that are provided as a promotional distribution.

Succession Duty Act

Succession duties were eliminated in 1979 in respect of persons who died after April 10 of that year. However, in certain instances, succession duty continued to apply with respect to the estates of persons who died on or before that date if the amount of an inheritance or the identity of a beneficiary remained uncertain until a later date; for example, where a life interest was granted to the spouse of the deceased and a remainder interest to their children.

In 2001, amendments were made to eliminate succession duties, except where such duty was due and owing on May 8, 2001. As a result, the number of remaining estates for which payment of succession duty has been deferred is now insignificant.

To complete the process of bringing succession duty in Ontario to an end, the government will propose to amend the *Succession Duty Repeal Act, 1979*, repeal the *Succession Duty Act Supplementary Provisions Act, 1980* and delete references to succession duty in the following statutes:

- *Credit Unions and Caisses Populaires Act*
- *Financial Administration Act*
- *Land Titles Act*
- *Proceedings Against the Crown Act*
- *Registry Act*
- *Succession Law Reform Act*
- *Trustee Act*.

Tobacco Tax Act

Ontario continues to work with its federal and provincial counterparts to explore new and innovative measures to address contraband tobacco.

Ontario also continues to review opportunities in its own legislation to enhance its enforcement measures to encourage tobacco tax compliance. The following proposals build on measures enacted in 2004, 2006 and 2007 to strengthen enforcement against the illegal manufacture and distribution of tobacco products:

- requiring purchasers or importers of cigarette-making machinery to be registered as manufacturers under the act
- adding more legislative provisions that would allow the seizure of tobacco products from persons found to be in violation of the act
- adding minimum penalties to existing tax-based penalties issued to persons found to be in violation of the act.

The Province will continue to consult with key stakeholders on additional mechanisms to improve compliance and administration.

Implementing the Tax Measures Announced in the 2007 Economic Outlook and Fiscal Review

In the 2007 Economic Outlook and Fiscal Review, the government proposed the following new tax initiatives that would provide more than $1.4 billion in tax relief over the 2007–08 to 2009–10 period:

- eliminating the Capital Tax for manufacturing and resource activities
- cutting the Capital Tax rates for all businesses by 21 per cent retroactive to January 1, 2007
- extending the lower small business corporate income tax rate to more small businesses effective January 1, 2007
- increasing the film tax credit rates effective January 1, 2008
- extending the phase-out of the Labour-Sponsored Investment Fund tax credit by one year and increasing the maximum eligible investment to $7,500
- expanding the Land Transfer Tax Refund Program for First-Time Homebuyers to include resale homes for agreements of purchase and sale entered into after December 13, 2007.

A single bill will be introduced to implement the tax initiatives proposed in the 2007 Economic Outlook and Fiscal Review and those proposed in this Budget.

Other Technical Amendments

To improve administrative effectiveness and enforcement, and maintain the integrity and equity of Ontario's tax and revenue collection system, as well as enhance legislative clarity and regulatory flexibility to preserve policy intent, legislation will be proposed, including amendments to the following statutes:

- *Assessment Act*
- *City of Toronto Act, 2006*
- *Corporations Tax Act*
- *Education Act*
- *Employer Health Tax Act*
- *Fuel Tax Act*
- *Gasoline Tax Act*
- *Income Tax Act*
- *Land Transfer Tax Act*
- *Ministry of Revenue Act*
- *Municipal Act, 2001*
- *Municipal Property Assessment Corporation Act, 1997*
- *Provincial Land Tax Act, 2006*
- *Retail Sales Tax Act*
- *Taxation Act, 2007*
- *Tobacco Tax Act*.

2008 Budget Impact Summary ($ Millions)				**Table 5**
	2007–08	**2008–09**	**2009–10**	**2010–11**
Investing in People and Communities				
Senior Homeowners' Property Tax Grant[1]	–	(30)	(160)	(260)
Ontario Property and Sales Tax Credits for Seniors[2]	(1)	(5)	(5)	(5)
Tax-Free Savings Account (TFSA)	–	(1)	(12)	(43)
Transfers from Family Farm Corporations	–	(1)	(1)	(1)
Retail Sales Tax (RST) Exemption for Newspapers	(2)	(2)	(2)	(2)
RST Exemption for Destination Marketing Fees	–	(2)	(3)	(1)
RST Exemption for Admissions to Live Theatres of Not More than 3,200 Seats	–	(18)	(18)	(18)
Supporting an Innovative Economy				
Ontario Tax Exemption for Commercialization (OTEC)	–	–	(2)	(5)
Ontario Innovation Tax Credit (OITC)	–	(11)	(15)	(15)
Ontario Interactive Digital Media Tax Credit (OIDMTC)	–	(7)	(7)	(7)
Lowering Costs for Business				
Capital Tax Elimination for Manufacturing and Resource Activities	(190)	–	–	–
Accelerated Capital Cost Allowance (CCA) for M&P Machinery and Equipment	–	(12)	(120)	(295)
Capital Cost Allowance: Other Measures	–	(1)	(2)	(3)
Reducing Business Education Taxes[3]	(2)	(6)	(18)	(28)
Promoting a Healthy Lifestyle and Environment for Ontarians				
RST Exemption for ENERGY STAR® Household Appliances and Light Bulbs	–	(37)	(22)	–
RST Exemption for Bicycles and Related Safety Equipment	–	(5)	(16)	(12)
RST Exemption for Nicotine Replacement Therapies	–	(3)	(5)	(5)
Paralleling Federal Tax Measures				
Concordance with the *Income Tax Act* (Canada)	–	(1)	(1)	(3)
Technical Measures	–	–	–	–
Total Revenue Changes[4]	**(195)**	**(142)**	**(409)**	**(703)**

– Small, non-existent or prevents revenue loss.

1 Includes amounts reported as Ministry of Finance expense in the Total Expense table in Chapter II: *Ontario's Economic Outlook and Fiscal Plan*.

2 Estimate based on anticipated adjustment to the 2008 income threshold for senior couples.

3 While Business Education Taxes are not a direct revenue source for the Province, provincial transfers to school boards will be increased to ensure that BET cuts do not affect planned increases in overall education funding.

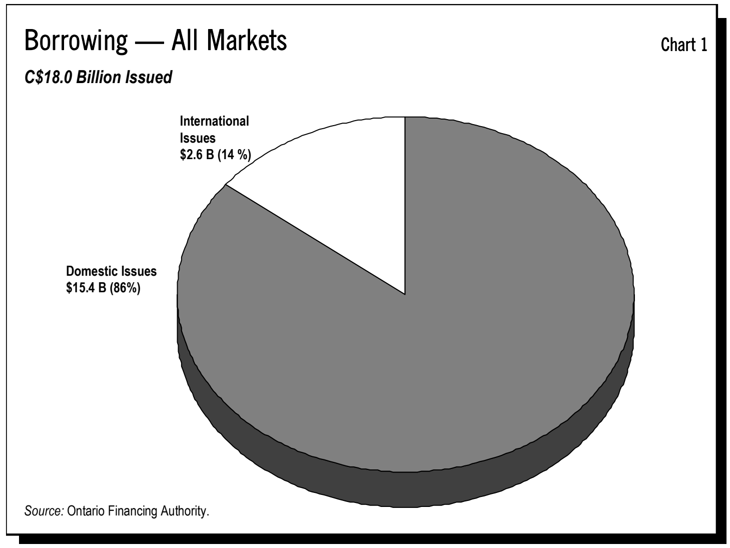
4 Includes Senior Homeowners' Property Tax Grant and Business Education Taxes.

CHAPTER IV

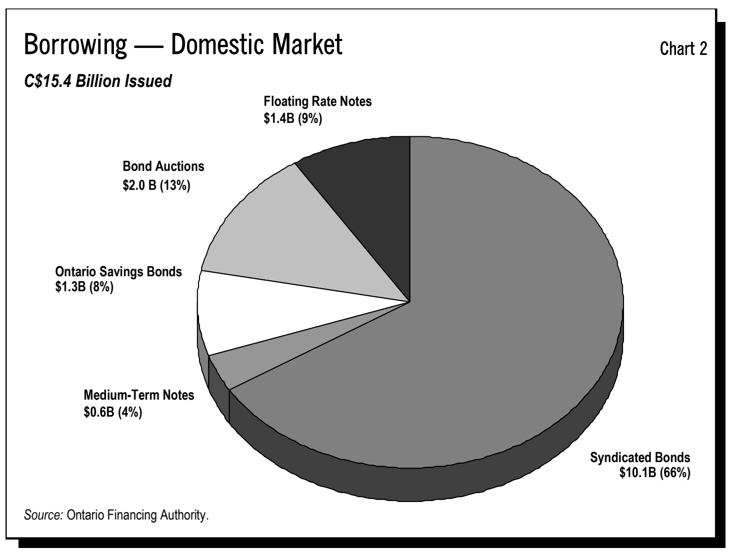
BORROWING AND DEBT MANAGEMENT

Long-Term Public Borrowing

As an agency of the Ministry of Finance, the Ontario Financing Authority (OFA) manages the borrowing, debt, investment and cash management activities of the Province and the Ontario Electricity Financial Corporation (OEFC) in a cost-effective manner.



The interim long-term public borrowing requirement for 2007–08 is $18.0 billion, down $0.8 billion from the $18.8 billion estimated in the 2007 Budget Plan. This decline reflects an improvement in the Province's fiscal position.



The OFA maintained a flexible approach to borrowing, monitoring both domestic and international capital markets to minimize debt service costs and diversify the borrowing program. The Province typically targets 25 per cent of borrowing from international markets. Approximately $2.6 billion, or 14 per cent, of the borrowing program was raised from international markets as borrowing costs have generally been much higher abroad. While the majority of the borrowing was completed in the domestic market, the Province successfully accessed the international capital markets through two U.S. dollar Global bonds.

Approximately $15.4 billion, or 86 per cent, of the borrowing was completed in the domestic market, through a number of instruments, including:

- syndicated bonds
- bond auctions
- floating rate notes
- Ontario Savings Bonds
- medium-term notes.

Bond markets have been very volatile in recent months, but the Province continues to have relatively steady access to the domestic bond market due to investor confidence in Ontario and the liquidity provided by its benchmark bond issues.

2007–08 Borrowing Program: Province and OEFC ($ Billions) — **Table 1**

	Budget Plan	Interim	In-Year Change
Deficit/(Surplus)	0.4	(0.6)	(1.0)
Non-Cash Adjustments	(0.5)	(0.3)	0.1
Investment in Capital Assets	3.3	3.6	0.3
Net Loans/Investments	1.2	2.3	1.1
Debt Maturities	14.4	13.5	(0.9)
Debt Redemptions	0.9	1.3	0.4
Total Funding Requirement	**19.7**	**19.8**	**0.0**
Canada Pension Plan Borrowing	(0.4)	(0.3)	0.2
Decrease/(Increase) in Short-Term Borrowing	(0.5)	(1.4)	(0.8)
Increase/(Decrease) in Cash and Cash Equivalents	0.0	(0.2)	(0.2)
Total Long-Term Public Borrowing Requirement	**18.8**	**18.0**	**(0.8)**

Note: Numbers may not add due to rounding.

Key contributors to the decline in the total long-term public borrowing requirement include a $1 billion improvement in the fiscal position and a $0.9 billion reduction in debt maturities. The decline is partially offset by a $1.1 billion increase in net loans/investments, of which $0.8 billion is attributable to loans to Ontario Power Generation Inc. (OPG). The total long-term public borrowing requirement was further reduced through a $0.8 billion increase in short-term borrowing.

The Province currently holds about $645 million of asset-backed commercial paper (ABCP) in its investment portfolio. This is down by $75 million from the $720 million reported in the 2007 Economic Outlook and Fiscal Review, as the $75 million holding in Skeena Trust was repaid on December 20, 2007, when that trust was redeemed.

Medium-Term Borrowing Outlook: Province and OEFC ($ Billions)			**Table 2**
	2008–09	**2009–10**	**2010–11**
Deficit/(Surplus)	0.0	0.0	0.0
Non-Cash Adjustments	(0.9)	(1.7)	(1.9)
Investment in Capital Assets	4.9	6.0	7.1
Net Loans/Investments	1.3	0.8	0.3
Debt Maturities:			
Currently Outstanding	20.5	14.6	10.4
Incremental Impact of Future Financing	0.0	0.0	1.9
Debt Redemptions	1.0	1.0	1.0
Total Funding Requirement	**26.9**	**20.6**	**18.9**
Canada Pension Plan Borrowing	(0.6)	(0.7)	0.0
Decrease/(Increase) in Short-Term Borrowing	(2.0)	0.9	0.4
Increase/(Decrease) in Cash and Cash Equivalents	0.0	0.0	0.0
Total Long-Term Public Borrowing Requirement	**24.3**	**20.9**	**19.4**

Note: Numbers may not add due to rounding.

Refinancing maturing debt and funding capital investments are the primary components of the medium-term borrowing outlook. Debt maturities for the Province and the OEFC are projected at $20.5 billion in 2008–09, $14.6 billion in 2009–10 and $12.3 billion in 2010–11.

The government will seek approval by the legislature for additional borrowing authority to meet program requirements. In addition, the government will propose amendments to the *Ontario Lottery and Gaming Corporation Act* and *Liquor Control Act* that will address the borrowing requirements for capital expenditures by the Ontario Lottery and Gaming Corporation and the Liquor Control Board of Ontario.

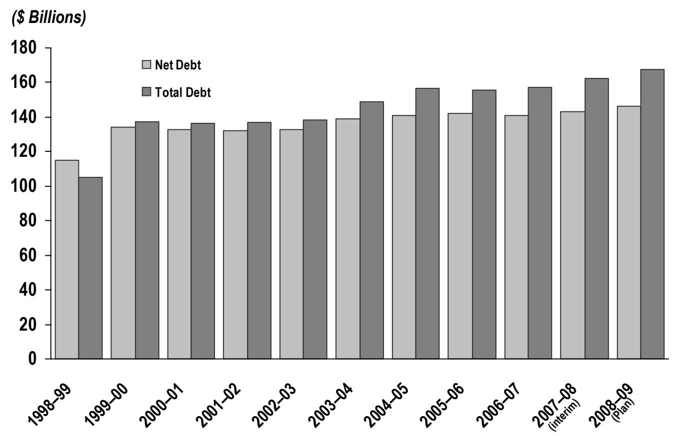
Debt

Total debt, which represents all borrowing without offsetting financial assets, is projected to be $162.3 billion as at March 31, 2008, compared to $157.3 billion as at March 31, 2007.

Ontario's net debt, the difference between the total liabilities and total financial assets, is projected to be $142.8 billion as at March 31, 2008, compared to $141.1 billion as at March 31, 2007.

Debt

Chart 3



Sources: Ontario Public Accounts 1993–2007, Ontario Ministry of Finance and Ontario Financing Authority.

Accumulated deficit, the third definition of debt, is the sum of all past Provincial surpluses and deficits. It is projected to decline by $0.6 billion from $106.8 billion as at March 31, 2007, to $106.2 billion as at March 31, 2008.

While the accumulated deficit is forecast to decrease by the amount of the surplus, total debt and net debt are forecast to increase. Total debt is expected to increase due to the government's capital investments in key priority areas, loans to school boards for capital projects and increased short-term borrowing to maintain cash levels. The increase in net debt is primarily a result of the government's capital investments.

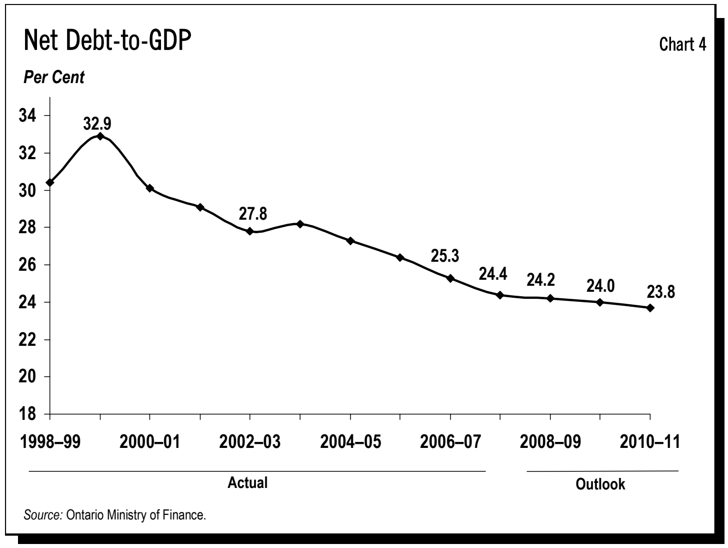
Investing in these capital projects is similar to a family investing in a house using a mortgage, which is paid off over time. Like a mortgage, where the total amount is borrowed at the time a house is purchased, the government borrows the entire amount required to invest in capital investments during construction. This increases total and net debt. The impact on the government's surplus, and the accumulated deficit, is limited to the amortization costs of these capital investments. Amortization spreads the cost of these investments over the useful life of the assets, instead of charging the total costs upfront for an asset that will be used for many years.

Debt of the Ontario Infrastructure Projects Corporation ("OIPC" or "Infrastructure Ontario") is projected to be $1.6 billion as at March 31, 2008. This debt is included in total debt; however, the impact on net debt is significantly lower, as its debt is largely offset by projected net assets of $1.4 billion. Infrastructure Ontario's debt is not guaranteed by the Province.

Interim 2007–08 results for OEFC show a projected excess of revenue over expense of about $1.1 billion, reducing the Corporation's unfunded liability (or "stranded debt of the electricity sector") from $18.3 billion to $17.2 billion as at March 31, 2008. This would be the fourth consecutive annual decline in the unfunded liability ($2.2 billion below the $19.4 billion level at the time Ontario Hydro was restructured on April 1, 1999). Projected 2008–09 results for OEFC are an excess of revenue over expense of about $1.2 billion, resulting in a further projected reduction in its unfunded liability to about $16.1 billion as at March 31, 2009.

Debt-to-GDP Ratios

Net debt-to-GDP peaked at 32.9 per cent in 1999–2000, the year the Province first consolidated the unfunded liability (or "stranded debt") of the OEFC. Since then, Ontario's net debt-to-GDP ratio has trended downward. The current outlook projects a ratio of 24.4 per cent in 2007–08, its lowest level since 1992–93. It is projected to improve even further to 24.2 per cent in 2008–09, 24.0 per cent in 2009–10 and 23.8 per cent in 2010–11.



In line with projecting six consecutive balanced budgets, the Province's accumulated deficit-to-GDP ratio, a second measure of debt-to-GDP, is forecast to improve from 25.2 per cent in 2003–04 to 16.2 per cent by 2010–11.

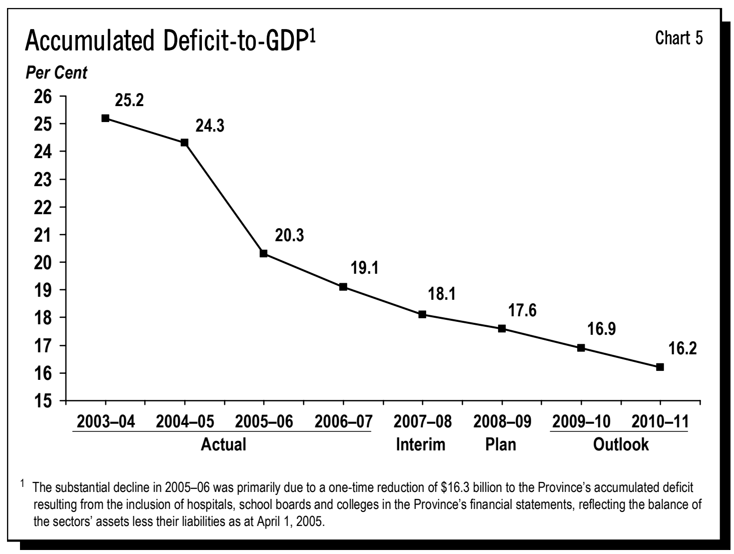


Chart 5 shows the trend of the ratio of accumulated deficit-to-GDP since the enactment of the *Fiscal Transparency and Accountability Act, 2004,* which defined Provincial debt as the accumulated deficit.

The Province's debt-to-GDP ratios are forecast to continue to decline under both definitions. It declines more quickly under the accumulated deficit definition, as this definition of debt includes only the amortization costs of the government's capital investments. Net debt reflects the full amount of debt issued for these projects.

Total Debt Composition

Total debt is composed of bonds issued in both the short- and long-term public capital markets and non-public debt.

Public debt totals $142.0 billion, primarily consisting of bonds issued in the domestic and international long-term public markets in 11 currencies. Ontario also has $20.3 billion outstanding in non-public debt issued in Canadian dollars. Non-public debt consists of debt instruments issued to public-sector pension funds in Ontario and the Canada Pension Plan Investment Board (CPPIB). This debt is not marketable and cannot be traded.

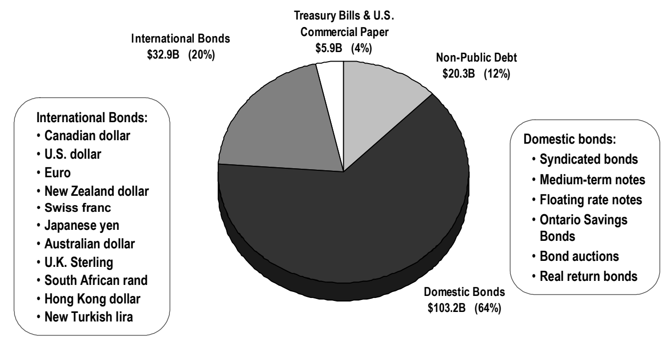
Debt Management

The Province limits itself to a maximum net interest rate resetting exposure of 35 per cent of debt issued for Provincial purposes and a maximum foreign exchange exposure of five per cent of debt issued for Provincial purposes.

As at February 29, 2008, the net interest rate resetting exposure was 14.8 per cent and foreign exchange exposure was 0.5 per cent. All exposures remained well below policy limits in 2007–08.

Total Debt Composition — Chart 6

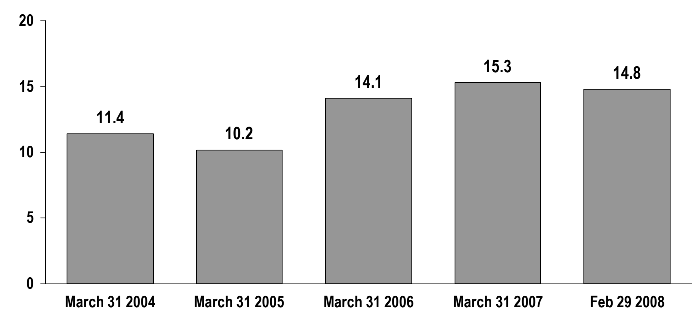
C$162.3 Billion



Source: Ontario Financing Authority.

Net Interest Rate Resetting Exposure — Chart 7

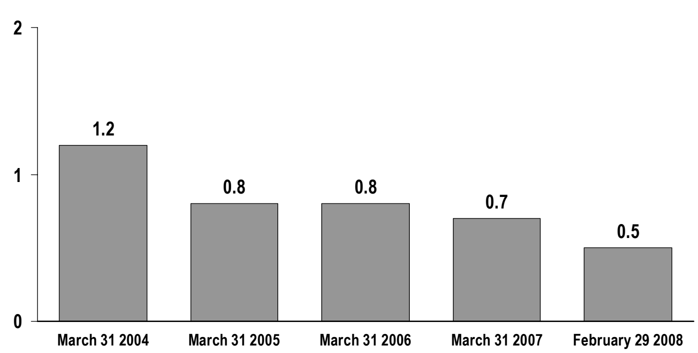
Percentage of Debt Issued for Provincial Purposes



Source: Ontario Financing Authority. Excludes OEFC debt.

Foreign Exchange Exposure — Chart 8

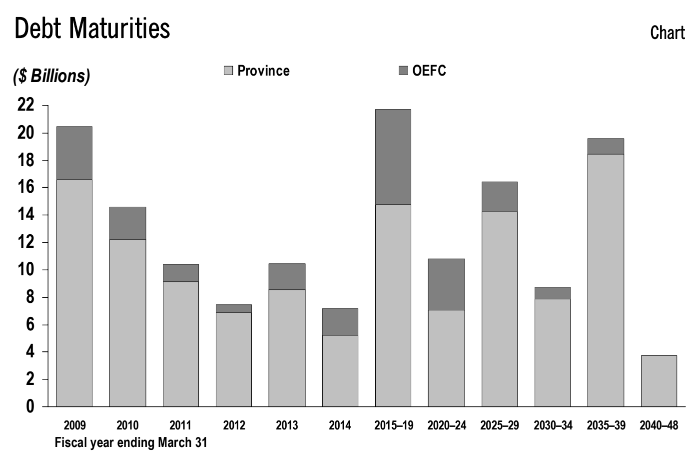
Percentage of Debt Issued for Provincial Purposes



Source: Ontario Financing Authority. Excludes OEFC debt.

Debt Maturities

The largest component of the borrowing program is the refinancing of maturing debt. The year-to-year variation in debt maturities largely reflects past borrowing activities. The Province will continue to aim for a balanced maturity profile and take advantage of opportunities to schedule maturities into years that currently have lower levels of maturing debt.

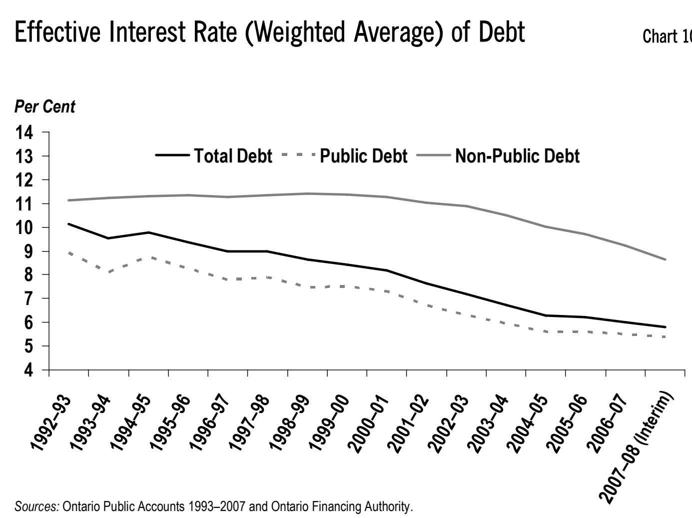


Excludes short-term debt and other liabilities and the incremental impact of future financing.
Assumes issues with options will be retired at the earliest possible date.
Source: Ontario Financing Authority.

Cost of Debt

The effective interest rate (on a weighted-average basis) on total debt is estimated to be 5.80 per cent as at March 31, 2008 (March 31, 2007, 6.02 per cent). For comparison, as at March 31, 1993, the effective interest rate on total debt was 10.14 per cent.

The effective interest rate on public debt is estimated at 5.40 per cent as at March 31, 2008, compared to 5.48 per cent as at March 31, 2007. The effective interest rate on non-public debt is estimated to be 8.62 per cent as at March 31, 2008, compared to 9.23 per cent as at March 31, 2007.



Sources: Ontario Public Accounts 1993–2007 and Ontario Financing Authority.

Consolidated Financial Tables

Net Debt and Accumulated Deficit Interim 2008						Table 3 ($ Millions)
	2003–04	2004–05	2005–06	2006–07	Interim 2007–08	Plan 2008–09
Debt[1]						
Publicly Held Debt						
Bonds[2]	116,732	125,279	123,129	128,666	134,302	139,535
Treasury Bills	3,359	3,747	5,215	4,249	5,247	7,247
U.S. Commercial Paper[2]	1,156	269	706	254	619	619
Ontario Infrastructure Projects Corporation (OIPC)[3]	323	1,288	1,323	1,262	1,573	1,950
Other	422	404	387	–	–	–
	121,992	130,987	130,760	134,431	141,741	149,351
Non-Public Debt						
Canada Pension Plan Investment Board	10,233	10,233	10,233	10,233	10,233	10,233
Ontario Teachers' Pension Fund	9,487	8,666	7,596	6,411	4,466	3,001
Public Service Pension Fund	3,052	2,886	2,705	2,502	2,260	1,991
Ontario Public Service Employees' Union Pension Fund (OPSEU)	1,450	1,371	1,285	1,188	1,074	946
Canada Mortgage and Housing Corporation	1,047	1,003	960	914	865	813
Other[4]	1,096	1,231	1,367	1,314	1,419	1,377
	26,365	25,390	24,146	22,562	20,317	18,361
	148,357	**156,377**	**154,906**	**156,993**	**162,058**	**167,712**
Unrealized Foreign Exchange Gains[5]	376	424	426	318	225	132
Total Debt	**148,733**	**156,801**	**155,332**	**157,311**	**162,283**	**167,844**
Cash and Temporary Investments	(8,139)	(13,422)	(6,258)	(6,622)	(5,400)	(5,400)
Other Net (Assets)/Liabilities[6]	(1,465)	(1,193)	(5,824)	(8,493)	(12,658)	(14,454)
OIPC Net (Assets)/Other Liabilities[3]	(313)	(1,265)	(1,322)	(1,096)	(1,386)	(1,758)
Net Debt	**138,816**	**140,921**	**141,928**	**141,100**	**142,839**	**146,232**
Non-Financial Assets[7]	(14,628)	(15,178)	(32,773)	(34,324)	(36,663)	(40,056)
Accumulated Deficit[8]	**124,188**	**125,743**	**109,155**	**106,776**	**106,176**	**106,176**

[1] Includes debt issued by the Province and Government Organizations, including the OEFC.
[2] All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts.
[3] OIPC's interim 2007–08 debt is composed of Ontario Opportunity Bonds ($323 million), Infrastructure Renewal Bonds ($950 million) and short-term commercial paper ($300 million). OIPC's debt is not guaranteed by the Province. OIPC Net (Assets)/Other Liabilities include cash, temporary investments, accounts receivable, loans receivable, debt issue costs, accounts payable and loans payable.
[4] Other non-public debt includes Ontario Municipal Employees Retirement Fund, College of Applied Arts and Technology Pension Plan, Ryerson Retirement Pension Plan, Ontario Immigrant Investor Corporation and indirect debt of school boards (the indirect debt of school boards was incurred in June 2003 to refinance the non-permanently financed debt of 55 school boards; an equivalent amount is included in Net Assets as advance payments to school boards).
[5] To conform with Public Accounts reporting, unrealized foreign exchange gains, which were previously reported in Other Net (Assets)/Liabilities, are now reported separately.
[6] Other Net (Assets)/Liabilities include accounts receivable, loans receivable, advances and investments in government business enterprises, accounts payable, accrued liabilities, pensions and the liability for power purchase agreements with non-utility generators.
[7] Non-financial assets include the Province's tangible capital assets and net assets of hospitals, school boards and colleges, which, starting with fiscal year 2005–06, are consolidated using one-line consolidation.
[8] Accumulated deficit represents net debt adjusted for non-financial assets. Starting with 2005–06, accumulated deficit includes the opening combined net assets of hospitals, school boards and colleges.

Source: Ontario Ministry of Finance.

Debt Maturity Schedule Interim 2008							**Table 4 ($ Millions)**
			Currency				
	Canadian Dollar	**U.S. Dollar**	**Japanese Yen**	**Euro[1]**	**Other Currencies[2]**	**Interim 2007–08 Total**	**2006–07 Total**
						Fiscal Year Payable	
Year 1	21,368	4,634	–	795	265	27,062	19,222
Year 2	9,028	1,629	685	1,443	870	13,655	20,556
Year 3	9,280	1,509	–	–	252	11,041	13,720
Year 4	6,168	1,136	–	–	47	7,351	6,438
Year 5	7,935	3,291	–	–	118	11,344	7,127
1–5 years	53,779	12,199	685	2,238	1,552	70,453	67,063
6–10 years	22,672	4,865	94	1,188	1,837	30,656	33,812
11–15 years	9,038	–	–	–	–	9,038	6,424
16–20 years	14,710	–	–	–	–	14,710	12,300
21–25 years	13,486	–	–	–	–	13,486	13,606
26–40 years[3]	23,715	–	–	–	–	23,715	23,788
Unamortized Foreign Exchange Gains	–	123	102	–	–	225	318
Total[4]	**137,400**	**17,187**	**881**	**3,426**	**3,389**	**162,283**	**157,311**
Debt Issued for Provincial Purposes	110,427	15,130	881	3,426	2,463	132,327	128,046
OEFC Debt	25,400	2,057	–	–	926	28,383	28,003
OIPC Debt	1,573	–	–	–	–	1,573	1,262
Total[5]	**137,400**	**17,187**	**881**	**3,426**	**3,389**	**162,283**	**157,311**

[1] Euro includes debt issued in Euro and French franc legacy currency.

[2] Other currencies comprise Australian dollar, New Zealand dollar, Pound sterling, Swiss franc, Hong Kong dollar, South African rand and New Turkish lira.

[3] The longest term to maturity is to June 2, 2047.

[4] Total foreign currency denominated debt (before unrealized foreign exchange gains) as at March 31, 2008, is projected to be $24.7 billion (2007, $28.2 billion). Of that, $24.0 billion or 97.1 per cent (2007, $27.2 billion or 96.4 per cent) was fully hedged to Canadian dollars.

[5] Total debt includes issues totalling $2.7 billion (2007, $3.3 billion) that have embedded options exercisable by either the Province or the bondholder under specific conditions.

Medium-Term Outlook Net Debt and Accumulated Deficit	**Table 5 ($ Billions)**	
	2009–10	**2010–11**
Total Debt	173.2	178.5
Cash and Temporary Investments	(5.4)	(5.4)
Other Net (Assets)/Liabilities	(15.0)	(14.5)
OIPC Net (Assets)/Liabilities	(2.1)	(2.5)
Net Debt	**150.6**	**156.1**
Non-Financial Assets	(44.5)	(49.9)
Accumulated Deficit	106.2	106.2

Note: Numbers may not add due to rounding.

Derivative Portfolio Notional Value — **Table 6**
Interim 2008 — **($ Millions)**

Maturity in Fiscal Year	**2008–09**	**2009–10**	**2010–11**	**2011–12**	**2012–13**	**6–10 Years**	**Over 10 Years**	**Interim 2007–08 Total**	**2006–07 Total**
Swaps:									
Interest rate	11,457	8,910	4,561	2,411	7,174	20,552	4,794	59,859	68,565
Cross currency	5,270	5,529	1,972	1,225	2,796	10,057	_	26,849	31,320
Forward foreign exchange contracts	1,933	–	–	–	–	–	–	1,933	1,803
Caps and floors	–	88	–	–	–	–	–	88	138
Total	**18,660**	**14,527**	**6,533**	**3,636**	**9,970**	**30,609**	**4,794**	**88,729**	**101,826**

The table above presents a maturity schedule of the Province's derivatives, by type, interim at March 31, 2008, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows. The Province uses derivatives to hedge and to minimize interest costs. Hedges are created primarily through swaps. Swaps allow the Province to offset existing obligations, effectively converting them into obligations with more desirable characteristics.

Glossary

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.

ISBN 978-1-4249-6159-7 (Print)
ISBN 978-1-4249-6161-0 (PDF)
ISBN 978-1-4249-6160-3 (HTML)