

1999 Ontario Budget

Budget Papers

Foundations for Prosperity



The Honourable Ernie Eves, Q.C.
Minister of Finance



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Foundations for Prosperity

Presented to the
Members of the Legislative Assembly of Ontario by
The Honourable Ernie Eves, Q.C.
Minister of Finance
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PAPER A
Ontario Economic Outlook

Highlights

Ontario's economic future is bright. Job creation has accelerated and is expected to remain strong. Consumers are enjoying rising income, lower taxes and low interest rates. Businesses are hiring, investing and increasing sales.

“Ontario stands out as the province with the greatest economic momentum coming into the new year, with both healthy domestic demand and trade sectors.”

Royal Bank, February 1999

Economic Outlook at a Glance				
(Annual Average)				
	1997	1998	1999	2000
Real GDP growth (per cent)	4.6	4.2	3.7	2.8
Employment (thousands)	5,413	5,613	Up to 5,836	Up to 6,013
Unemployment Rate (per cent)	8.5	7.2	6.0 – 6.5	5.5 – 6.0
CPI Inflation (per cent)	1.9	0.9	1.3	1.4
Sources: Statistics Canada and Ontario Ministry of Finance.				

Ontario's Strong Economic Record

Job Creation Booming

- ◆ Since the Government's first Throne Speech in September 1995, total employment has risen by 539,000, almost half of all jobs created in Canada.
- ◆ The unemployment rate has dropped from 8.7 per cent in mid-1995 to 6.4 per cent today.
- ◆ The Conference Board of Canada estimates that Ontario will have surpassed the Government's ambitious 725,000 job target by the first quarter of 2000.

Consumer Confidence Strengthening

- ◆ The Conference Board of Canada's index of Ontario consumer confidence has risen 43.4 per cent since the end of 1995.
- ◆ Ontario retail sales rose 6.9 per cent in 1998, almost twice the Canadian pace. Department store sales rose 7.1 per cent.

Housing Momentum Building

- ◆ Housing starts in Ontario are up 6.8 per cent so far in 1999 over the same period in 1998.
- ◆ The pace of new housing starts has increased 161 per cent since mid-1995.

Investment Spending Buoyant

- ◆ Real business investment in machinery and equipment has increased by 63.2 per cent since 1995. Real commercial and industrial construction has increased by 24.4 per cent.

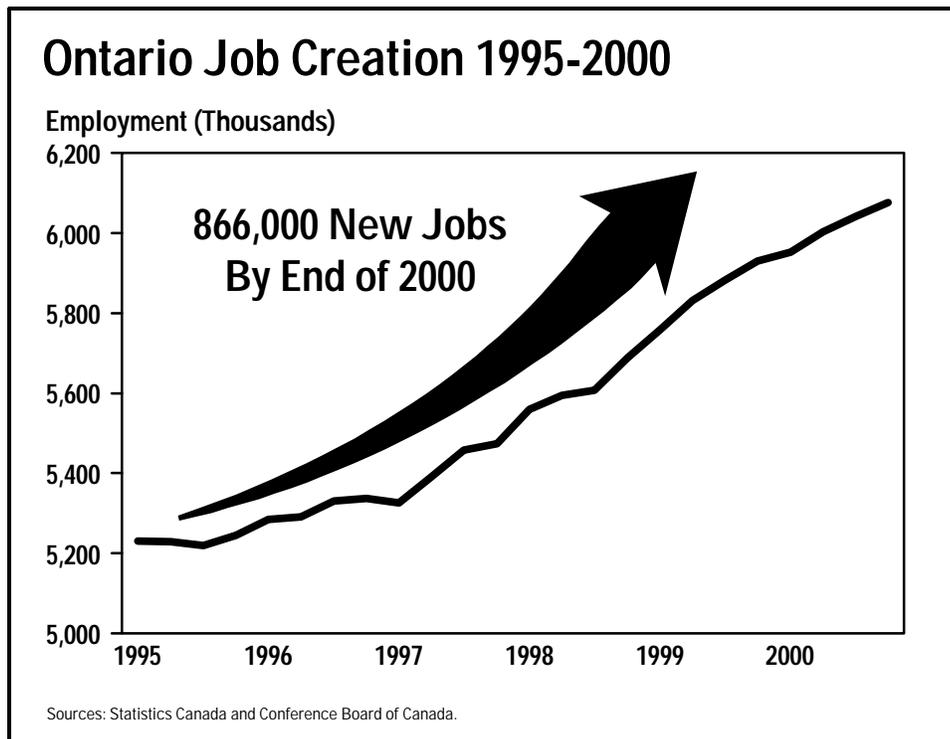
Export Growth Continues

- ◆ Ontario merchandise exports rose 11.1 per cent in 1998.
- ◆ Over the past three years, Ontario has exported as many cars to the United States as the rest of the world combined.

Job Creation Accelerating

Supportive Government policy, including a reduced tax and regulatory burden, strong consumer confidence and an improving international financial climate set the stage for continued economic growth and job creation in Ontario.

- ◆ Ontario employment rose by a record 200,000 jobs in 1998.



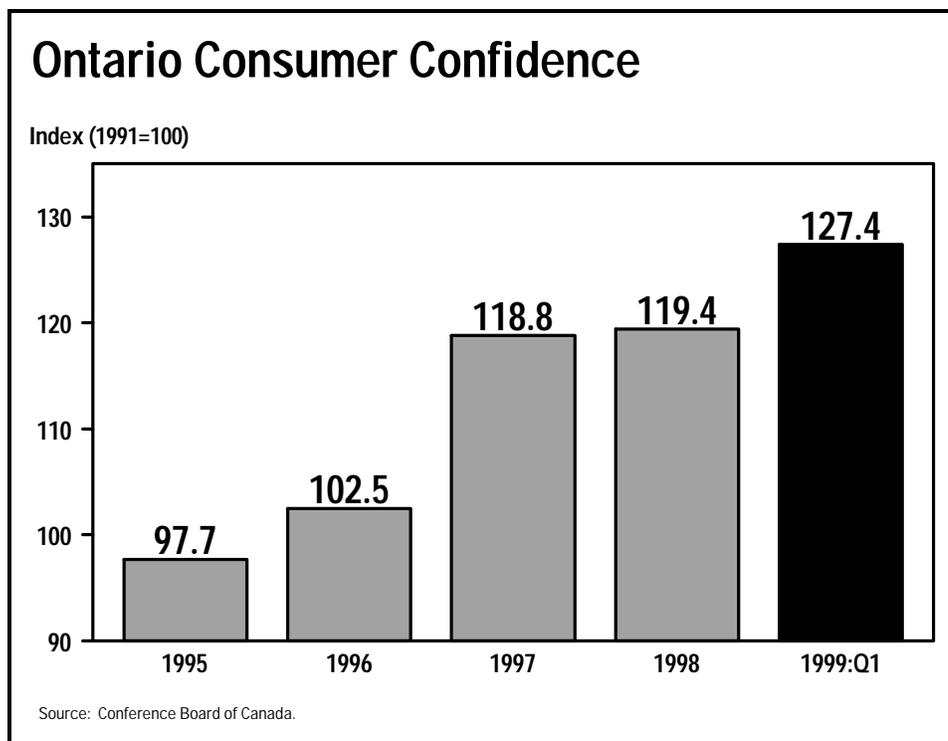
- ◆ The strong economy is projected to support average annual job growth of up to 4.0 per cent in 1999 and up to 3.0 per cent in 2000.
- ◆ Private-sector forecasters are optimistic about Ontario job growth.
- ◆ The Conference Board of Canada estimates that Ontario will have surpassed the Government's ambitious 725,000 job target by the first quarter of 2000. By the end of 2000, the Board estimates that the economy will have created 866,000 jobs.

Consumer Confidence and Demand Rising

High and rising consumer confidence levels have led to strong consumer spending, contributing to solid gains in real output and employment.

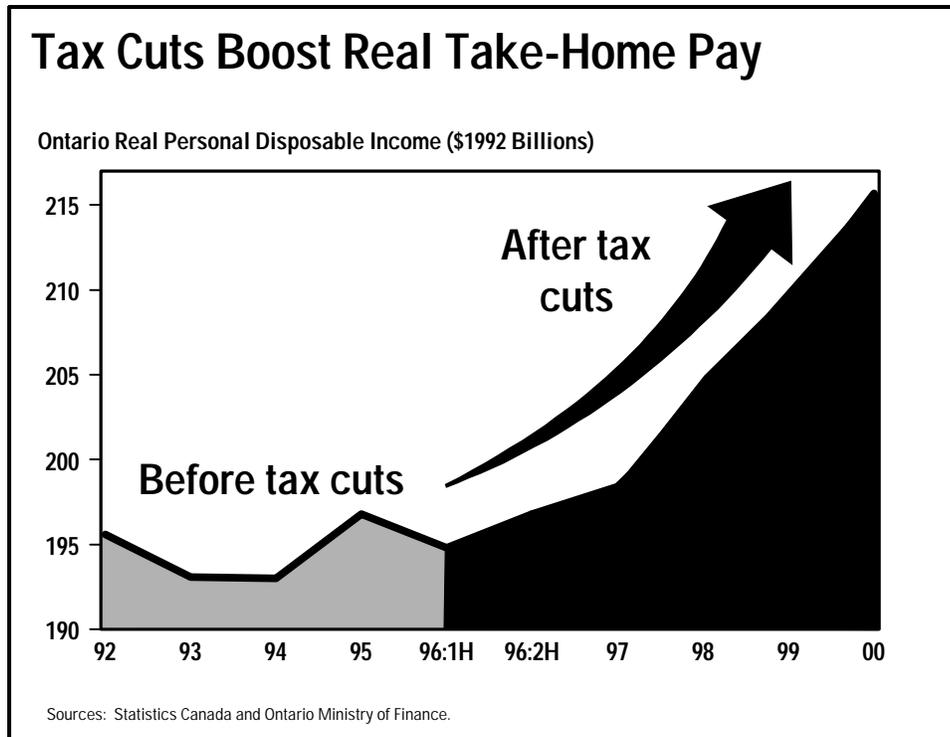
“The Ontario economy has received a significant boost from the tax reductions of 1997 and 1998, and the positive impacts on consumer confidence and the investment climate will serve Ontario well this year and next.”

WEFA Canada, Inc., January 1999



- ◆ The Conference Board's index of consumer confidence has risen by 43.4 per cent since the end of 1995. This surpassed the 34.0 per cent increase for Canada during the same period.
- ◆ Tax cuts and strong job creation have increased Ontarians' confidence in their economic prospects and reinforced their willingness to make important investment and spending decisions such as buying a home or purchasing a car.

- ◆ Real consumer spending surged 4.7 per cent in 1998. This buoyant spending reflected strong gains in after-tax income, as workers' real take-home pay climbed 2.4 per cent.



- ◆ In 1999 and 2000, consumer spending is projected to grow more in line with gains in personal disposable income. Continuing gains in real disposable income as a result of tax cuts, strong job gains and rising wages will be the driving force behind solid consumer spending.
- ◆ Ontario's healthy job creation and economic growth have resulted mainly from strong domestic demand. In the foreign trade sector, large increases in real imports have accompanied the growth of real exports since 1996.

Housing Outlook Bright

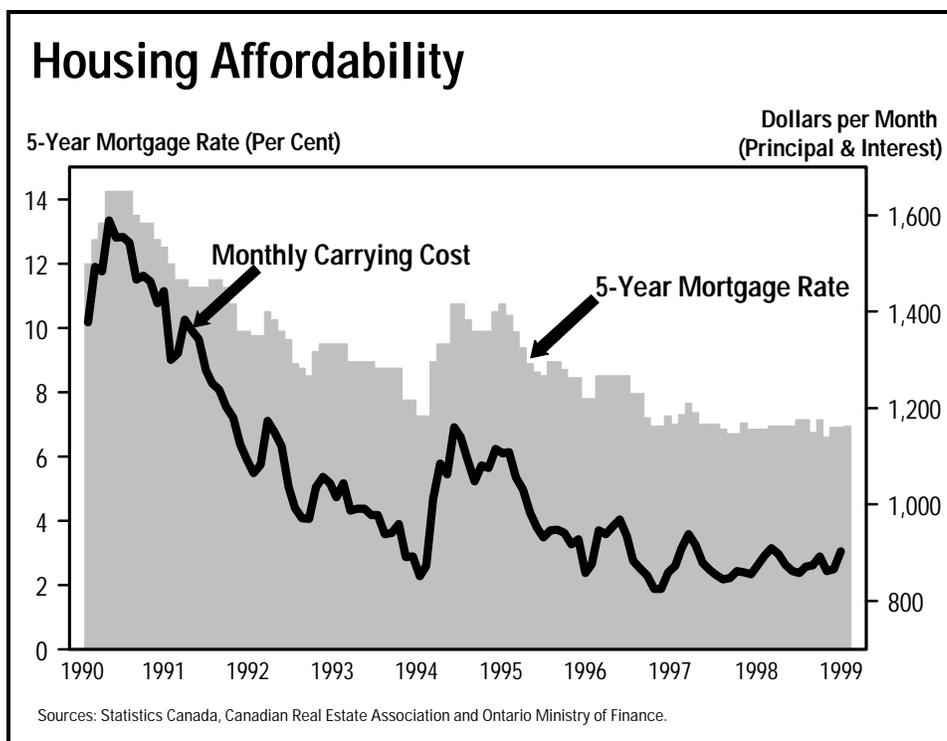
“A solid economic performance points to growth in housing demand.”

Canada Mortgage and Housing Corporation, 1999

The residential construction sector is expected to remain strong in 1999, fuelled by strong job creation, rising real income and continued population growth.

The Land Transfer Tax (LTT) rebate for first-time buyers of new homes will continue to support the housing industry. Ontario housing starts are expected to rise to 59,500 in 1999, an increase of 10.6 per cent, and to 62,700 in 2000. Residential construction spending in Ontario is projected to rise by 4.0 per cent in 1999 and a further 3.5 per cent in 2000.

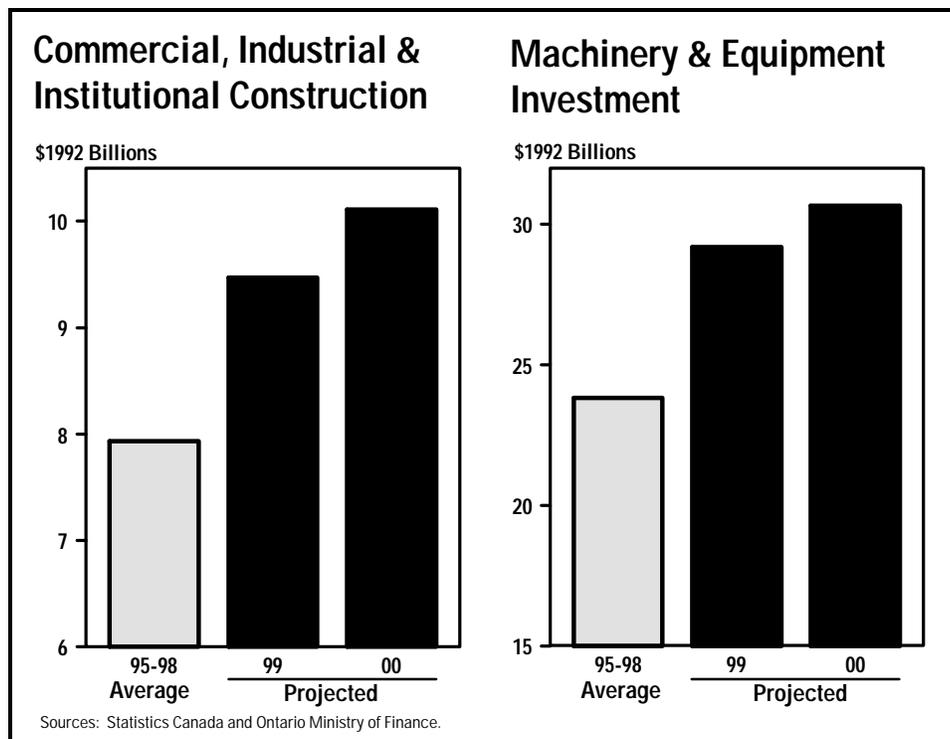
Housing remains very affordable. Five-year mortgages are near historic lows, with the posted rate at most financial institutions at 6.95 per cent, compared to rates over 14 per cent in the early 1990s. Average resale home prices are rising modestly, up 1.7 per cent in 1998. In 1998, the carrying cost for an average-priced home in Ontario was \$877, compared to \$1,488 in 1990.



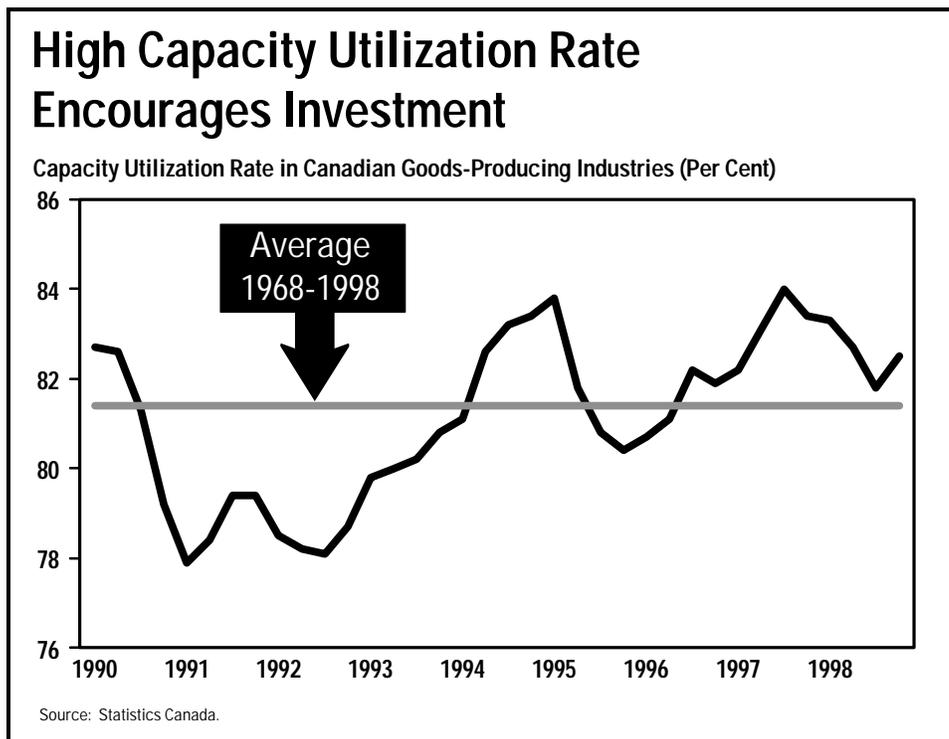
Firms Investing for the New Millennium

Businesses have responded to supportive Government policies, resulting in healthy investment growth over the past three years. This growth has been instrumental in enhancing Ontario's competitive position in the international economy. Ontario real business investment in new machinery and equipment rose 63.2 per cent over the 1995 to 1998 period. Real investment in commercial, industrial and institutional construction rose 24.4 per cent in the same period. As Ontario's firms prepare to do business in the new millennium, they are rapidly upgrading their capital stock with modern, highly productive machinery, equipment and structures. This investment will lead to greater job creation, rising productivity and additional output growth.

- ◆ Machinery and equipment investment is projected to increase by 7.9 per cent over 1999 and 2000.
- ◆ Spending in the commercial, industrial and institutional construction sector is expected to remain vigorous, with a projected increase of 11.9 per cent in 1999 and a further 6.8 per cent in 2000.



- ◆ Large firms continue to reaffirm their commitment to the province. Agrium, Bayer, Chrysler, DuPont Canada, Halla Climate Control, Honda and Toyota have recently completed major investments. Firms with large current projects include Buchanan Forest Products, Dofasco, Ford, Owens Corning and Stelco.
- ◆ The strength in business investment in recent years has led to an increase in potential output. Capacity utilization remains above its long-term average, prompting firms to invest further.



- ◆ Capacity use in the auto industry jumped to 90.3 per cent in the fourth quarter of 1998, the highest rate in over a decade.
- ◆ Ontario industrial real estate development is growing strongly. Commercial and industrial building permits rose 32.6 per cent in 1997 and a further 19.9 per cent in 1998.
- ◆ The strong demand for commercial space is encouraging new construction throughout the Greater Toronto Area, as well as in surrounding markets.

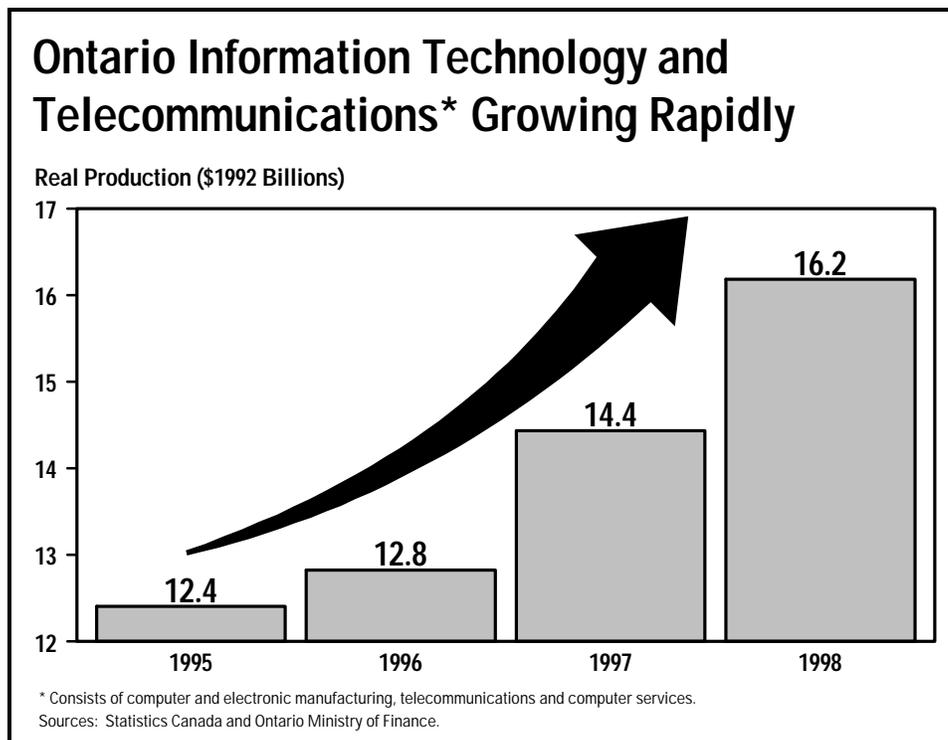
Ontario Embraces Innovation and New Technology

Ontarians are at the forefront of adopting new technology. Across the full spectrum of industries, Ontario firms are investing in computers, robotics, telecommunications and other new technologies to remain competitive in an international marketplace. Ontario consumers are also leading-edge users of technology. Ontario and the rest of Canada lead the G-7 in the penetration of cable, telephones and home computers. Canada is second only to the United States in Internet access.

The growing use of the Internet and cellular phones, combined with deregulation, has helped to make the information technology and telecommunications (IT&T) sector one of the most dynamic in the 1990s. The firms supporting and developing these technologies have blossomed into an important, fast-growing sector of Ontario's economy, creating new jobs and keeping Ontario at the leading edge of innovation. Technology-based firms currently investing in Ontario include Call-Net, Gennum and Jetform.

- ◆ Ontario has several major centres with large clusters of technology-based industries.
 - A recent Deloitte & Touche study concluded that the Greater Toronto Area (GTA) has developed into one of North America's premiere centres for IT&T. There are more than 3,100 IT&T firms in the GTA, many of which spend heavily on research and development (R&D), helping to make the GTA one of the top five R&D-performing urban areas in North America.
 - The GTA also has North America's highest per-capita use of cellular phones, the largest free telephone calling area in the world, and 1,500 call centres providing 90,000 jobs.
 - The Ottawa region is home to more than 800 companies working in a diverse range of advanced technologies and employing more than 50,000 workers. Ottawa has the highest percentage in Canada of persons with university degrees and scientists/engineers in the workforce.
 - The Kitchener-Waterloo, Guelph and Cambridge area is home to more than 300 technology companies, over half of which are in computer software. There are nearly 100 technology-based spinoff companies from the University of Waterloo alone, one of three universities in the area.

- ◆ Since 1995, Ontario's computer programming and related services industry has nearly doubled its production. Computer system design industries alone created over 50,000 net new jobs during this period.

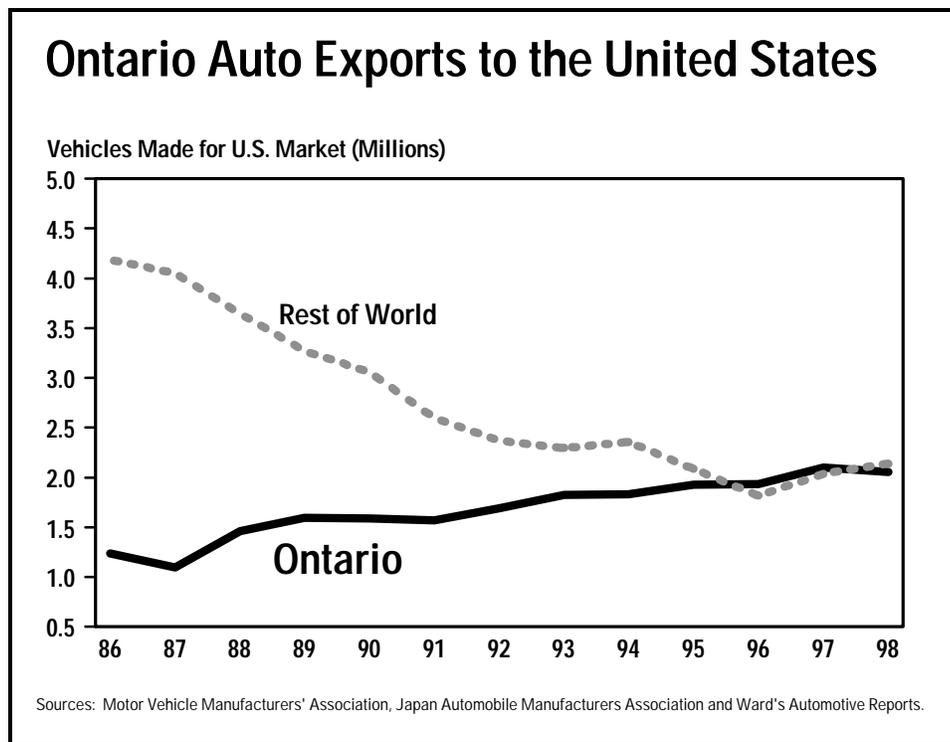


- ◆ Computer, electronics and telecommunications equipment production has grown 11.2 per cent on average over the last two years. This industry has created 13,000 net new jobs since 1995.
- ◆ Computer sales have been one of the fastest-growing segments of Ontario's wholesale and retail markets in the 1990s. In 1998 alone, Ontario sales of computer products jumped 13.9 per cent above levels recorded a year earlier.
- ◆ Telecommunications carriers have recorded consistently strong growth since 1995, averaging 8.4 per cent per year. Strong growth combined with a nearly 20 per cent increase in employment over the last four years has made the telecommunications sector one of Ontario's economic engines.

Rising Exports Contribute to Growth

Ontario's real exports are projected to grow at an average rate of 5.5 per cent over the next two years. The province's international export orientation has increased sharply, rising from 27.5 per cent of GDP in 1989 to 48.9 per cent in 1998. The United States is the destination for about 90 per cent of Ontario's international exports, and economic conditions in the United States are expected to support continued trade expansion.

- ◆ The auto sector remains Ontario's largest export industry, accounting for 45.5 per cent of total international exports in 1998. On average, over the past three years, Ontario exported as many vehicles to the United States as the rest of the world combined. The auto industry continued to break records in 1998, achieving an output level of 2,473,000 units.

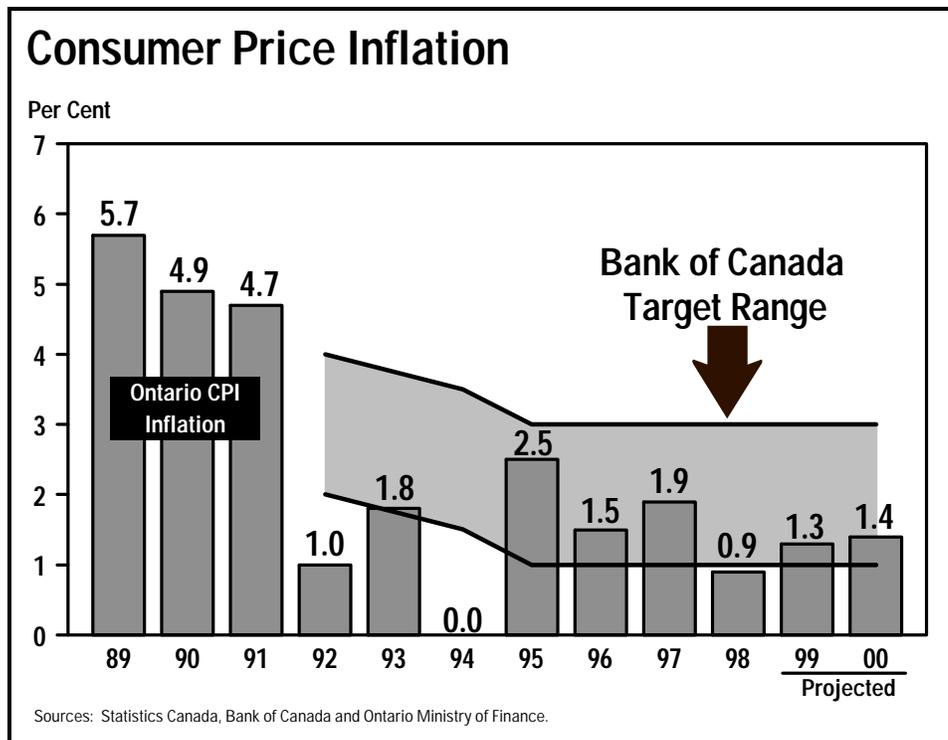


- ◆ The strong competitive position of Ontario's auto industry is based on efficient production and high quality. With demand expected to be firm, the industry is expected to continue growing over the next two years.
- ◆ Telecommunications and computer-related Canadian exports have risen by 128.6 per cent in the last four years. Knowledge-based, high-technology industries will continue to be the leading job-creating sector of the economy.

Continued Low Inflation

The Canadian inflation rate was 1.0 per cent in March 1999, at the low end of the Bank of Canada's target range. Falling commodity prices, stiff import competition and modest wage gains have offset the inflationary impact of the weak Canadian dollar, keeping inflation low.

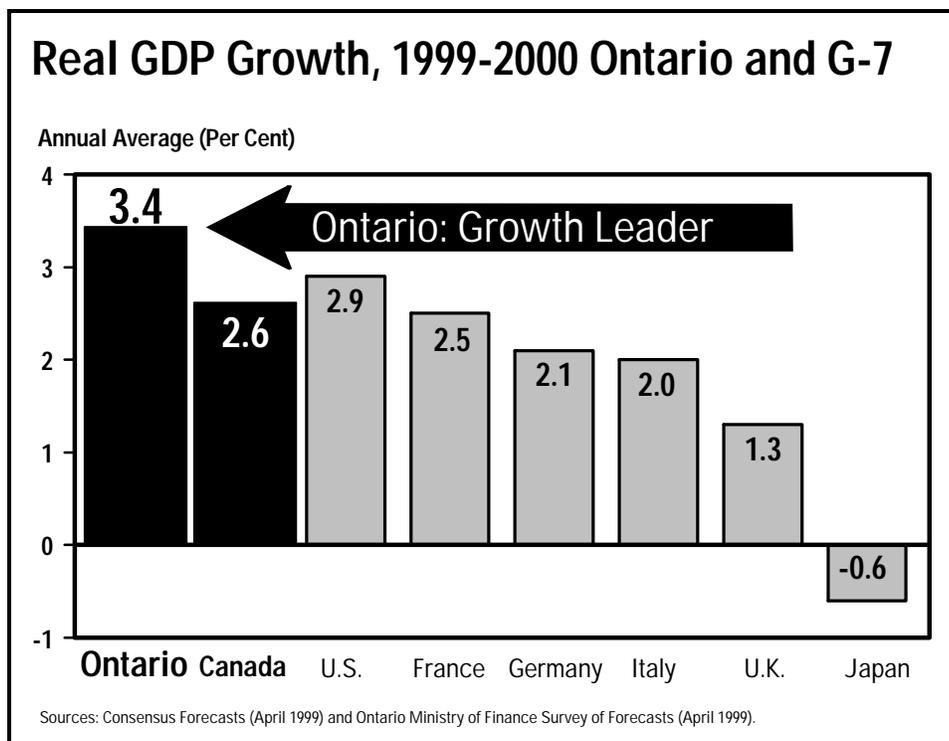
Over the next two years, inflation is expected to remain in the lower half of the Bank of Canada's one to three per cent target band. Sustained low inflation will contribute to a healthy economic environment by helping to keep interest rates low and bolstering business and consumer confidence.



Conclusion

The outlook for the Ontario economy remains robust. Job creation is continuing at a record pace. Real GDP is projected to grow by 3.7 per cent in 1999 and a further 2.8 per cent in 2000. Private-sector economists are, on average, forecasting real growth of 3.8 per cent in 1999 and 2.9 per cent in 2000.

Ontario is expected to achieve faster economic growth than Canada or any of the G-7 major industrial countries over the next two years.



The Ontario Economy, 1997–2000
(Per Cent Change)

	Actual		Projected	
	1997	1998	1999	2000
Real Gross Domestic Product	4.6	4.2	3.7	2.8
Personal consumption	4.6	4.7	2.9	2.6
Residential construction	15.7	0.2	4.0	3.5
Non-residential construction	6.7	-1.5	11.9	6.8
Machinery and equipment	19.5	9.8	2.8	5.0
Exports	10.1	9.1	6.9	4.1
Imports	13.3	8.9	6.2	4.0
Nominal Gross Domestic Product	5.3	3.4	4.3	4.5
Other Economic Indicators				
Retail sales	7.7	6.9	4.3	4.1
Housing starts (000s)	54.1	53.8	59.5	62.7
Personal income	3.6	4.1	4.3	4.6
Corporate profits	13.9	-2.3	5.6	5.8
Ontario Consumer Price Index	1.9	0.9	1.3	1.4
Labour Market				
Employment*	1.9	3.7	3.5 – 4.0	2.3 – 3.0
Unemployment rate* (per cent)	8.5	7.2	6.0 – 6.5	5.5 – 6.0

Sources: Statistics Canada and Ontario Ministry of Finance.

* Based on Labour Force Survey.

PAPER A

Appendix

For fiscal planning purposes, interest rates are assumed to be 50 basis points higher than the average private-sector forecast.

Interest Rate Assumptions				
(Average Per Cent)				
	1998	1999	1999	2000
		Jan. – Apr.	May – Dec.	
3-month treasury bill				
Private-sector survey average	4.7	4.7	4.5	4.4
Ontario's assumption			5.0	4.9
10-year government bonds				
Private-sector survey average	5.3	5.1	5.0	5.1
Ontario's assumption			5.5	5.6

Sources: Bank of Canada, Ontario Ministry of Finance and Ontario Finance Financial Market Survey (April 1999).

Projected real economic growth is set near the average private-sector forecast for 1999 and 2000.

Economic Growth Projections		
(Per Cent)		
	1999	2000
Ontario Real GDP Growth		
Private-sector high	4.5	3.6
Private-sector low	3.3	2.4
Private-sector survey average	3.8	2.9
Ontario's projection	3.7	2.8

Sources: Ontario Ministry of Finance and Ontario Finance Survey of Forecasts (April 1999).
 Note: The private-sector average is based on eight recent forecasts.

The budget includes a \$500 million reserve designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook.

The following table shows the sensitivity of the deficit to the direct impact of lower interest rates on public debt interest (PDI) and the impact of stronger economic growth on revenues and expenditures. These are partial calculations. For example, the impacts do not incorporate the economic impact of lower interest rates on economic activity.

**Impact of Changes in Fiscal Plan Economic Assumptions on the Ontario Deficit
(\$ Millions)**

	1999-00
100 Basis Points Lower Canadian Interest Rates	-102
1 Percentage Point Higher Real GDP Growth	-525

Source: Ontario Ministry of Finance.

PAPER B
Ontario's Fiscal Plan

Introduction

In June 1995, when the Government took office, Ontario was facing a deficit of \$11.3 billion. The projected deficit was only marginally lower than the 1992-93 recession-year peak of \$12.4 billion.

Ontario faced serious fiscal challenges. The Province was spending over \$1 million more per hour than it was collecting in revenue. Provincial debt more than tripled in the ten years after 1985-86.

Upon assuming office, the Government took immediate action to deal with the deficit and to restore confidence in Ontario's finances. Measures were announced in July 1995 to reduce the deficit immediately, and in November of the same year, the Government introduced the Balanced Budget Plan, which set out declining annual deficit targets for the Province, culminating in a balanced budget by 2000-01.

In each of the past four years, the Provincial deficit reduction target has been overachieved. With the 1999 Budget, the original 1999-00 deficit target of \$2.6 billion will be cut by \$0.5 billion, and set at \$2.1 billion. Ontario is currently on track to achieve the final Balanced Budget Plan deficit target with a zero deficit in 2000-01.

Fiscal year 1999-00 is the last year in which Ontario will record a deficit. In 2000-01, Ontario will balance the budget.

This paper will:

- ◆ review the interim financial results for 1998-99;
- ◆ provide details on the 1999-00 Budget Plan;
- ◆ project the medium-term fiscal outlook, including a balanced budget for 2000-01; and
- ◆ examine Ontario's recent fiscal record.

1998-99 In-Year Fiscal Performance

Deficit Target Overachieved for Fourth Year

For the fourth year in a row, the Balanced Budget Plan deficit target has been overachieved. The interim deficit of \$3.2 billion for 1998-99 is \$1,063 million below the 1998 Budget target of \$4.2 billion, and \$1.6 billion below the original Balanced Budget Plan target of \$4.8 billion.

1998-99 In-Year Fiscal Performance			
(\$ Millions)			
	Budget Plan	Interim	In-Year Change
Revenue	53,390	54,859	1,469
Expenditure			
Programs	45,219	46,855	1,636
Restructuring and Other Charges	194	220	26
Total Program Expenditure	45,413	47,075	1,662
Capital	2,337	1,873	(464)
Public Debt Interest	9,214	9,072	(142)
Total Expenditure	56,964	58,020	1,056
Reserve	650	–	(650)
Deficit	4,224	3,161	(1,063)

- ◆ Revenue was \$1,469 million above the 1998 Budget Plan. The higher revenue reflects both the strength of the economy and the cautious nature of the 1998 Budget projections.
- ◆ Total expenditure was \$1,056 million above the amount projected in the 1998 Budget, largely due to increases in health and education expenditures, partially offset by savings in capital spending.
- ◆ With in-year improvements in the revenue outlook, the \$650 million reserve, included in the 1998 Budget to protect the Budget Plan against unforeseen risks such as adverse changes in the economic and fiscal outlook, was not needed. The reserve was applied to deficit reduction.

1998-99 Restructuring Charges

Over the past three years, the Government has made significant investments to assist with restructuring efforts in such key sectors as health care, education and municipalities. In 1998-99, \$220 million was provided to assist with restructuring.

1998-99 Restructuring and Other Charges	
(\$ Millions)	
	Interim 1998-99
Health Care – increase in provision	193
Municipal – Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	44
Municipal Capital and Operating Restructuring Fund – reduction in provision	(17)
Total Restructuring and Other Charges	220

- ◆ As a result of additional projects and revised costs for renovation projects, the provision to support modernization of the Province's health care system was increased by \$193 million in 1998-99.
- ◆ As part of Local Services Realignment, under which municipalities are becoming fully responsible for all aspects of transit operations and funding, the Province made a one-time payment of \$44 million to discharge provincial responsibilities flowing from cancellation of the Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement.
- ◆ The decision to maintain Provincial control of ferries resulted in a \$17 million reduction in the provision for transportation-related needs through the Municipal Capital and Operating Restructuring Fund.
- ◆ Consistent with the treatment in the 1997-98 Public Accounts, items formerly noted as restructuring charges have been reclassified as program spending, including Special Circumstances funding for municipalities for 1998 and 1999 totalling \$180 million and school board transition costs of \$88 million. The Government will provide a total of \$385 million over four years in transition and restructuring assistance to school boards, including \$224 million reflected in 1997-98 restructuring charges.

Local Services Realignment Transition Measures

The goal of Local Services Realignment (LSR) is to improve accountability, reduce waste and duplication, and provide better government services at a lower cost to Ontario taxpayers.

Provincial and municipal services are being realigned in order to provide the best possible services at the lowest possible price.

Responsibility for a number of programs was transferred to municipalities on January 1, 1998. To ensure a smooth transition, the Province is continuing to deliver some of these programs on behalf of municipalities, pending program transfer. During the transition period, municipalities will reimburse the Province for these expenditures made on their behalf.

Local Services Realignment Transition Measures: Impact on Fiscal Plan		
(\$ Millions)		
	1998-99	1999-00
Transition Expenditures		
Social Housing	832	821
Social Assistance	697	583
Child Care	57	37
Land Ambulance	166	99
Property Assessment	93	0
GO Transit – Operating	21	41
– Capital	45	40
Provincial Offences Act	16	14
Grant in Respect of Provincial Offences Act Net Revenues	76	70
Total Increase in Expenditure	2,003	1,705
Reimbursement of Expenditure from Municipalities	(1,876)	(1,597)
Provincial Offences Act Revenue	(92)	(84)
Net Impact on Deficit	35	24

- ◆ In 1999-00, the Province will provide \$99 million for land ambulance transition expenditures. The Province now shares 50 per cent of approved municipal costs. During 1998, municipalities were fully responsible for land ambulance costs.
 - The change in LSR arrangements for public health and land ambulances will reduce costs to municipalities by \$290 million in 1999-00, with overall net savings to municipalities of \$152 million.

1998-99 In-Year Revenue Changes

Total revenue in 1998-99 was \$54,859 million, \$1,469 million above the \$53,390 million projected in the 1998 Budget. Tax revenue gains offset lower federal transfers, non-tax revenue and Income from Government Enterprises. Tax revenue was \$2,093 million above projection in 1998-99 as a result of the strength of the Ontario economy. Most of the in-year tax revenue gain was from improved Personal Income Tax, Employer Health Tax and Retail Sales Tax revenue, resulting in large part from stronger economic growth and job creation.

Summary of In-Year Changes to Revenue in 1998-99

(\$ Millions)

Taxation Revenue		
Personal Income Tax	2,115	
Employer Health Tax	100	
Retail Sales Tax	90	
Corporations Tax	(165)	
Land Transfer Tax	(83)	
All Other	36	
		2,093
Federal Payments		
Canada Health and Social Transfer	(371)	
All Other	(49)	
		(420)
Income from Government Enterprises		
Ontario Casino Corporation	82	
Liquor Control Board of Ontario	25	
Ontario Lottery Corporation	(164)	
Other	27	
		(30)
Other Revenue		
Sales and Rentals	156	
Royalties	32	
Miscellaneous	(189)	
Local Service Realignment – Reimbursement of Expenditure	(157)	
Vehicle and Driver Registration Fees	(65)	
All Other	49	
		(174)
Total In-Year Revenue Changes		1,469

- ◆ Personal Income Tax (PIT) revenue was \$16,750 million, \$2,115 million above the 1998 Budget projection. Of this increase, \$1,474 million is due to higher estimated 1997-98 PIT than was reported in the 1997-98 Public Accounts. Under Public Sector Accounting Board (PSAB) guidelines, the difference between the higher estimate and the 1997-98 Public Accounts estimate is recorded in 1998-99.
- ◆ Robust employment growth boosted Employer Health Tax revenue \$100 million above forecast.
- ◆ Retail Sales Tax was \$90 million above the 1998 Budget projection due to strong consumer and business spending.
- ◆ Corporations Tax revenue was \$165 million below the Budget forecast due to weaker-than-projected corporate profits in 1998. Corporate profits fell by 2.3 per cent in 1998.
- ◆ Land Transfer Tax revenue was \$83 million below the 1998 Budget forecast.
- ◆ All other Taxation Revenue was \$36 million above the 1998 Budget projections. This increase was due to the transfer of \$63 million in Estate Fees revenue to the new Estate Administration Tax, partially offset by lower Mining Profits Tax and Preferred Share Dividend Tax revenue.
- ◆ Transfers from the Government of Canada for 1998-99 were \$4,508 million, \$420 million lower than the 1998 Budget forecast. This largely reflects \$371 million in lower-than-projected Canada Health and Social Transfer (CHST) payments for 1998-99 as a result of a downward revision of estimates to Ontario's population going back to 1995, and an increase in the Province's PIT revenue. Under the federal CHST allocation formula, an increase in the value of Ontario's income tax points results in lower federal cash payments to the Province.
- ◆ All other transfers from the Government of Canada were \$49 million lower than the 1998 Budget forecast.
- ◆ Income from Government Enterprises was \$30 million below the 1998 Budget projection. Stronger net income growth for the Ontario Casino Corporation and the Liquor Control Board of Ontario was offset by lower Ontario Lottery Corporation (OLC) income. OLC income was \$164 million below forecast due to changes in the charity casino and slot machines at race tracks program and a revised implementation schedule.

- ◆ Total Other Revenue was down \$174 million.
 - Sales and Rentals are \$156 million higher, largely due to higher GO Transit revenue.
 - Miscellaneous Revenue was down \$189 million due in part to the reclassification of \$64 million of fees from the Alcohol and Gaming Commission to Other Fees and Licences. Miscellaneous Revenue was also reduced by \$75 million as recoveries and reimbursements of prior years' spending have been netted against expenditure, in keeping with the treatment of these items in the 1997-98 Public Accounts.
 - Reimbursement of expenditure from municipalities is lower by \$157 million, reflecting LSR program savings and changes in cost-sharing arrangements to the benefit of municipalities.
 - Vehicle and Driver Registration Fees are lower by \$65 million as the 1997-98 revenue base was overestimated in the 1998 Budget.

1998-99 In-Year Operating Expenditure Changes

Operating expenditure for 1998-99 was \$1,520 million higher than forecast in the 1998 Budget Plan, increasing to \$56,147 million. This increase is mainly due to in-year increases in health and education spending and the establishment of the Ontario Innovation Trust.

Summary of In-Year Operating Expenditure Changes in 1998-99

(\$ Millions)

	Interim 1998-99
Program Expenditure Changes:	
Hospitals – one-time assistance	229
Canadian Blood Services – start-up and insurance costs	220
Hepatitis C compensation – pre-1986 and post-1990	200
Drug Programs – utilization increase	75
School Board Capital Debentures – change in accounting treatment of debt servicing	307
Ontario Innovation Trust	250
School Board Operating Grants – in-year increase	154
Special Circumstances Fund – increase for 1999	103
GO Transit	87
Whole Farm Assistance – income relief for farmers	40
All Other Changes (Net)	(3)
Total Program Expenditure Changes	1,662
Public Debt Interest – in-year savings	(142)
Total In-Year Operating Expenditure Changes	1,520

- ◆ One-time assistance totalling \$229 million was provided in-year to hospitals, including \$129 million to assist with managing change and improving their financial positions, and \$100 million for the Hospital System Transition Fund to assist hospitals with short-term financial pressures.
- ◆ An additional \$220 million was provided in-year for start-up and insurance costs for Canadian Blood Services.
- ◆ Ontario provided an additional \$200 million in-year for compensation to individuals who contracted Hepatitis C through the blood system prior to 1986 and after 1990.

- ◆ Funding for Ontario Drug Programs was increased in-year by \$75 million mainly due to increased utilization.
- ◆ Consistent with the 1997-98 Public Accounts treatment of the Province's three-year commitment to fund debt service costs for school board capital debentures, increased expenditure of \$307 million is reflected in 1998-99.
- ◆ The Province established the Ontario Innovation Trust and provided an endowment of \$250 million for purposes of providing funding to Ontario research institutions for infrastructure, including laboratories, buildings and equipment.
- ◆ A net in-year increase in the School Board Operating Grant of \$154 million reflects the reduction in 1999 residential education property taxes; additional funding for secondary school credits, special education and teachers' retirement gratuities; and revised expenditure estimates from school boards.
- ◆ The Province provided \$103 million for the 1999 Special Circumstances Fund in addition to the \$77 million for 1998 reported in the 1998 Budget. This funding is to assist municipalities with transitional expenditures resulting from Local Services Realignment.
- ◆ Expenditures related to GO Transit increased \$87 million in-year, reflecting the continuing consolidation of GO Transit as a government service organization until GO Transit is fully transferred to municipalities in 1999-00.
- ◆ The Province provided \$40 million in-year for much-needed income relief for farmers suffering from extremely low commodity prices and weather-related disasters.
- ◆ Financing at lower-than-projected interest rates generated in-year Public Debt Interest (PDI) savings of \$142 million.

1998-99 In-Year Capital Expenditure Changes

Capital expenditure for 1998-99 was \$464 million lower than forecast in the 1998 Budget Plan, declining from \$2,337 million to \$1,873 million as a result of slower-than-anticipated project implementation.

Summary of In-Year Capital Expenditure Changes in 1998-99

(\$ Millions)

	Interim 1998-99
Health Capital – slower implementation	(299)
School Capital – construction delays	(70)
Adult Infrastructure Renewal Projects – construction delays	(42)
Ontario Research and Development Challenge Fund Capital Grants	(22)
Courts Construction – delays in construction	(18)
All Other Changes (Net)	(13)
Total In-Year Capital Expenditure Changes	(464)

- ◆ Slower-than-projected implementation and planning delays in projects reduced 1998-99 Ministry of Health capital expenditure by a total of \$299 million in-year.
- ◆ School capital spending was \$70 million lower than originally forecast, mainly due to delays in new school construction.
- ◆ Construction delays reduced capital expenditure for Adult Infrastructure Renewal projects by \$42 million.
- ◆ In 1998-99, Ontario approved \$23 million for Ontario Research and Development Challenge Fund capital grants, \$22 million less than forecast in the 1998 Budget.
- ◆ Construction spending for new consolidated courthouses was \$18 million lower than originally projected, due to construction delays.

1999-00 Fiscal Plan

The 1999-00 Balanced Budget Plan deficit target of \$2.6 billion is revised down by \$0.5 billion, and is forecast at \$2.1 billion. The deficit has been reduced by \$9.2 billion, or more than 80 per cent, from the \$11.3 billion potential deficit facing the Government when it assumed office in June of 1995.

1999-00 Fiscal Plan				
(\$ Millions)				
	Interim 1998-99	Plan 1999-00	Change	
			\$ Millions	Per Cent
Revenue:				
Taxation Revenue	42,539	42,585	46	0.1
Federal Transfers	4,508	5,556	1,048	23.2
Income from Government Enterprises	2,408	3,247	839	34.8
Other Revenue	5,404	6,762	1,358	25.1
Total Revenue	54,859	58,150	3,291	6.0
Expenditure:				
Programs*	46,855	47,025	170	0.4
Restructuring and Other Charges	220	-	(220)	(100.0)
Total Programs Expenditure	47,075	47,025	(50)	(0.1)
Capital	1,873	2,883	1,010	53.9
Public Debt Interest				
Provincial	9,072	9,298	226	2.5
Ontario Hydro Successor Companies**	-	520	520	-
Total Expenditure	58,020	59,726	1,706	2.9
Reserve	-	500	500	-
Deficit	3,161	2,076	(1,085)	(34.3)

* Major one-time spending in 1998-99 includes \$733 million in the Ministry of Health, \$250 million for the Ontario Innovation Trust, \$180 million for the Special Circumstances Fund, and \$159 million for non-Ministry of Health Year 2000 computer system changes.

** Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased Income from Government Enterprises revenue, which reflects the net income of these corporations.

- ◆ Revenue is projected at \$58,150 million for 1999-00, 6.0 per cent higher than the 1998-99 level of \$54,859 million.
- ◆ Total expenditure in 1999-00 is projected at \$59,726 million, \$1,706 million higher than the 1998-99 level of \$58,020 million. Program spending has decreased by 0.1 per cent.

- ◆ Consistent with prudent budgeting practices, a \$500 million reserve has been included in the 1999-00 fiscal plan. The reserve is designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook and is equivalent to the revenue impact of one per cent lower real GDP growth, a four per cent decline in Retail Sales Tax revenue, or a six per cent decline in Corporations Tax revenue. If the reserve is not needed, it will be applied to deficit reduction.

1999-00 Revenue Outlook

Total revenue in 1999-00 is projected to increase to \$58,150 million, or 6.0 per cent above the 1998-99 level of \$54,859 million. Tax revenue is projected to grow in 1999-00 to \$42,585 million. Excluding the \$1,474 million included in 1998-99 Personal Income Tax (PIT) revenue for higher estimated 1997-98 PIT than was included in the 1997-98 Public Accounts, tax revenue grows by 3.7 per cent.

1999-00 Revenues			
(\$ Millions)			
	Actual	Interim	Plan
	1997-98	1998-99	1999-00
Taxation	41,269	42,539	42,585
Federal Payments	5,098	4,508	5,556
Income from Government Enterprises	2,291	2,408	3,247
Other Revenue	3,860	5,404	6,762
Total Revenue	52,518	54,859	58,150

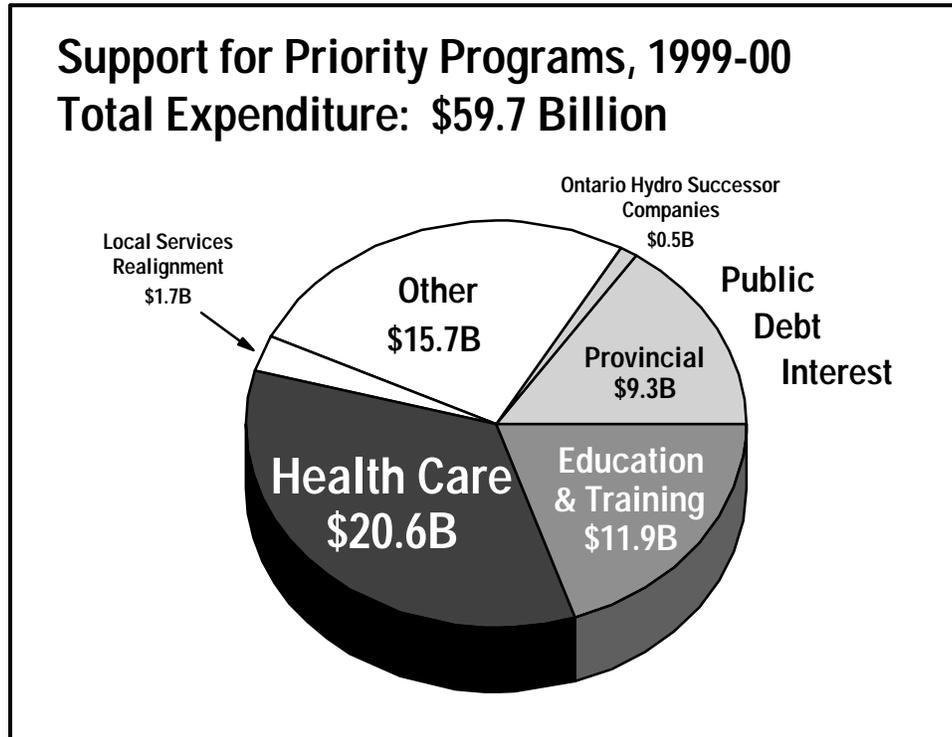
- ◆ Personal Income Tax revenue is projected at \$15,670 million.
- ◆ Retail Sales Tax is forecast to increase to \$12,110 million due to continued growth in consumer and business spending.
- ◆ Growing corporate profits are projected to increase Corporations Tax revenue to \$7,820 million.
- ◆ The continued rise in employment and incomes is expected to boost Employer Health Tax revenue to \$2,990 million in 1999-00.
- ◆ Transfers from the Government of Canada are forecast to increase to \$5,556 million in 1999-00.
- ◆ Canada Health and Social Transfer (CHST) payments are forecast at \$4,672 million, an increase of \$1,093 million over 1998-99 levels. Part of the change, \$190 million, is due to changes to the CHST allocation formula, part is due to technical changes, and the remainder, \$755 million, is the 1999-00 portion of the one-time CHST Supplement for Health Care, announced in the 1999 federal budget. In 1999-00, the Supplement partially recovers previous federal cuts to Ontario's CHST payments.

- ◆ Income from Government Enterprises is expected to increase to \$3,247 million. This outlook includes the net income of Ontario Hydro successor companies, estimated at \$527 million in 1999-00. Income from the Ontario Lottery Corporation includes \$188 million in revenue from charity casinos and slot machines at race tracks.

- ◆ Other revenue is expected to increase to \$6,762 million. Sales and Rentals revenue includes an estimated \$1,600 million in 1999-00 from the net proceeds from the sale of Highway 407. Other Revenue also includes Vehicle and Driver Registration Fees, Other Fees and Licences, Royalties, and Fines and Penalties.

1999-00 Expenditure Outlook

The Government is continuing to focus its resources on priority sectors such as health care and education, and at the same time control total spending. Almost \$32.5 billion will be allocated to health care and education in 1999-00, over 54 per cent of total spending.



- ◆ Over the past three years, the Government has demonstrated its commitment to health care by increasing spending levels steadily. In 1999-00, base operating and capital health care spending excluding Local Services Realignment transition expenditure, will rise to \$20.6 billion, an increase of \$1.6 billion over the 1998-99 level, which was already the highest level ever in Ontario.
- ◆ Operating and capital spending on education and training will be \$11.9 billion in 1999-00. Universities and colleges are being provided with the capital funding they require to invest in the infrastructure necessary to accommodate growth in the student population in the coming years. Over the past year, the Government has also announced numerous enhancements to provincial support for school boards.

Increased Funding for Health Care

As a result of new Provincial funding of \$702 million this year, combined with the \$945 million in recovered entitlements from the federal government, Ontario's total health care spending will increase by \$1.6 billion in 1999-00 to \$20.6 billion. Total health care spending includes base operating and capital expenditures, but excludes Local Services Realignment (LSR) transition expenditures.

Health Expenditures Increasing by \$1.6 Billion			
(\$ Millions)			
	Interim	Plan	
	1998-99	1999-00	Change
Base Operating*	18,925	20,173	1,248
Capital Expenditures	172	504	332
Total	19,097	20,677	1,580
Less: Local Services Realignment (LSR) Transition Expenditures**	(166)	(99)	67
Total	18,931	20,578	1,647
	Additional federal entitlements		945
	Additional provincial funding		702
	Total Change		1,647

* Interim 1998-99 excludes \$193 million in health care restructuring and \$733 million in major one-time health care costs (including \$220 million for Canadian Blood Services start-up and insurance costs, \$200 million for compensation to individuals who contracted Hepatitis C through the blood system prior to 1986 and after 1990, \$229 million in one-time assistance to hospitals, and \$84 million in Ministry and broader public sector Year 2000 computer system changes).

** Portion of land ambulance services reimbursed by municipalities.

- ◆ Ontario will follow the draw-down schedule set out in the 1999 federal budget and the CHST Trust Agreement, and in 1999-00 will spend \$755 million of its \$1,323 million share. The Province will also receive an estimated \$190 million in 1999-00 as a result of changes to the CHST allocation formula. The Province has committed to spending the \$945 million on health care in 1999-00.

1999-00 Capital Outlook

The Government will provide almost \$2.9 billion in 1999-00 to make strategic investments through the SuperBuild Growth Fund. This represents a 54 per cent increase in capital investments this year and an initial government contribution to a \$20 billion infrastructure program. This will help secure more in private-sector funding through innovative, leading-edge financing techniques.

Capital Outlook		
(\$ Millions)		
Program	Interim 1998-99	Plan 1999-00
Universities and Colleges	69	742
Schools	224	50
Highways	832	936
Health	172	504
Environment and Natural Resources	64	254
Corrections & Courts	103	189
Other	409	208
Total	1,873	2,883

- ◆ The SuperBuild Growth Fund will spend \$742 million for universities and colleges in 1999-00 to support construction of new classrooms, labs and other facilities needed to accommodate a growing student population. This spending will also help post-secondary institutions use existing facilities more efficiently to accommodate growth in student demand.
- ◆ The Province will provide one-time capital funding of \$50 million to school boards to address health and safety issues.
- ◆ The Province's new education operating funding model includes a Pupil Accommodation Grant to pay for the costs of running, maintaining and constructing school buildings. Provincial funding will support approximately \$1.9 billion in new school construction, adding space for about 170,000 students.
- ◆ The SuperBuild Growth Fund has allocated approximately \$936 million in 1999-00 for expanding and improving provincial highways.
- ◆ Health capital expenditures of \$504 million in 1999-00 are focused primarily on modernizing and upgrading hospital facilities.

- ◆ The SuperBuild Growth Fund will provide \$254 million in 1999-00 for a variety of environmental and natural resource projects, including municipal water and sewer transition assistance, the creation of new parks, abandoned mine site rehabilitation, expanded fire fighting capacity in the North, rehabilitation of dams, and improvements to fish hatcheries.

- ◆ Capital expenditures of \$133 million for corrections reflect projects to modernize correctional facilities through retrofits, expansion and new jail construction. At the same time, the Province is spending \$56 million renovating, consolidating and building new courthouses across the province.

- ◆ Other capital expenditures will support a wide range of projects including information infrastructure, aboriginal communities and tourism attractions.

Supporting Ontario's Charities, Communities and Health Care

The Government is taking significant steps to support Ontario's charities, communities and the health care sector. New legislation in 1998-99 dedicated all provincial revenue generated from charity casinos and slot machines at race tracks to support priority areas including health care, funding to charities and not-for-profit organizations, communities and the Trillium Foundation. To ensure that the public has full access to information on the use of revenues from charity gaming, the Province will report annually on these activities in the Ontario Budget, the Public Accounts and through the Ontario Lottery Corporation's Annual Report to the Legislature.

Supporting Ontario's Charities, Communities and the Health Care Sector		
(\$ Millions)		
	Interim	Plan
	1998-99	1999-00
Transition Funding for Charities*	14	26
Trillium Foundation	10	100
Problem Gambling	3	10
Health	0	52
Total	27	188

* Reflects commitments to distribute funds from the \$40 million Advance Funding Program for Charities.

- ◆ In advance of the opening of charity casinos and slot machines at race tracks, the Government has committed revenue to support charities and problem gambling programs.
- ◆ The Ontario Lottery Corporation (OLC) distributed \$14 million to charities through the Advance Funding Program for charities in 1998-99 and will distribute the remaining funding, estimated at \$26 million, in 1999-00.
 - This program is intended to assist charities through the transition from roving Monte Carlos to Ontario Trillium Foundation funding.
 - The OLC will report in their 1998-99 Annual Report on the specific charities that received funding.

- ◆ The Trillium Foundation has been guaranteed \$100 million per year to distribute to charitable and not-for-profit organizations across the province, beginning in 1999-00.
- ◆ Two per cent of slot machine gross revenue, with a guaranteed minimum of \$10 million, has been dedicated to support problem gambling treatment, awareness programs and research.
- ◆ The remaining \$52 million of provincial revenue generated from charity casinos and slot machines at race tracks has been dedicated to support health care priorities.

Eliminating the Unfunded Liability of the Teachers' Pension Plan

On April 1 of this year, the Province made the final payment needed to eliminate the unfunded liability of the Teachers' Pension Plan (TPP). When this Government took office, the unfunded liability stood at \$8.4 billion, and the Province was obligated to make annual payments of about \$500 million until 2029 in order to eliminate the unfunded liability. Under PSAB accounting guidelines, these special payments were not included in Provincial expenditures, but were reflected in Provincial borrowing requirements and contributed to increased debt.

Last May the Province and the Ontario Teachers' Federation reached an agreement that provided for an early retirement opportunity to renew the teaching profession, as well as other benefit improvements. The agreement also allowed the gains realized in large part due to higher-than-expected investment returns to be used to eliminate the unfunded liability of the TPP. The Ontario Teachers' Pension Plan Board contributed to the benefit improvements and the elimination of the unfunded liability through active investment management. In 1998 the performance of the TPP put it in the top 25 per cent of all Canadian pension plans.

Medium Term Fiscal Outlook

Ontario is on track to meet the final Balanced Budget Plan target to eliminate the deficit in 2000-01. The deficit will fall from \$2.1 billion in 1999-00 to zero in 2000-01.

Medium Term Fiscal Outlook			
(\$ Billions)			
	Interim	Plan	Outlook
	1998-99	1999-00	2000-01
Revenue	54.9	58.1	58.9
Expenditure			
Programs	45.6	46.7	46.9
Restructuring and Other One-time Charges*	1.5	0.3	-
Total Programs	47.1	47.0	46.9
Capital	1.9	2.9	1.7
Public Debt Interest			
Provincial	9.1	9.3	9.3
Ontario Hydro Successor Companies**	-	0.5	0.5
Total Expenditure	58.0	59.7	58.4
Reserve	-	0.5	0.5
Deficit	3.2	2.1	0.0

Note: Numbers may not add due to rounding

* 1998-99 includes \$220 million in Restructuring and Other Charges, and major one-time spending of \$733 million in the Ministry of Health, \$250 million for the Ontario Innovation Trust, \$180 million for the Special Circumstances Fund, and \$159 million for non-Ministry of Health Year 2000 computer system changes. Major one-time spending in 1999-00 includes \$251 million for Year 2000 computer system changes.

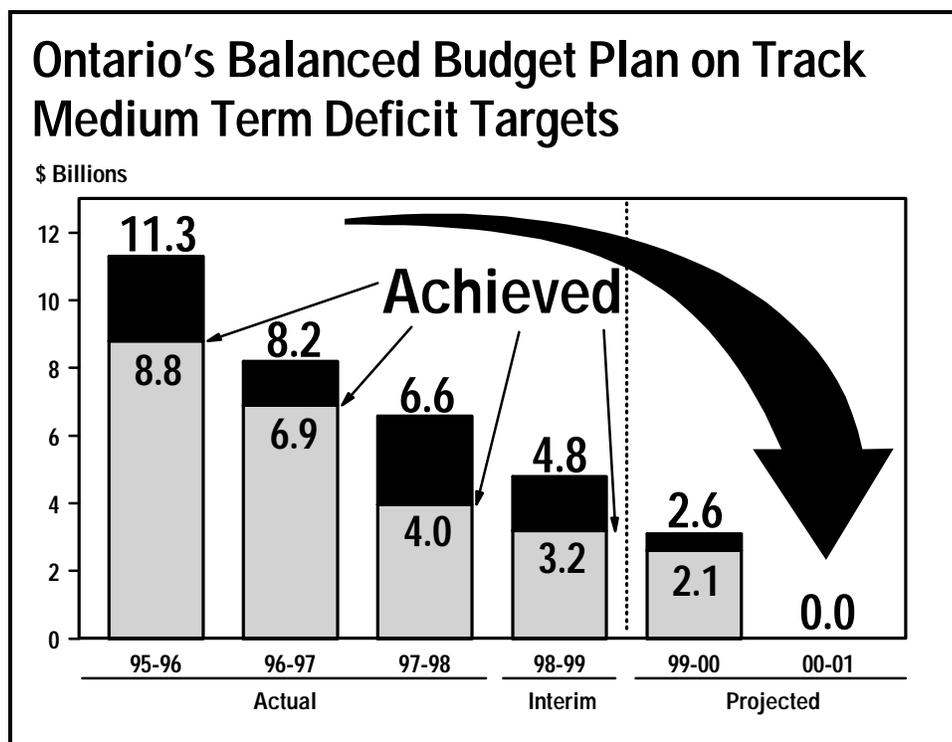
** Debt service costs in 1999-00 and 2000-01 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased Income from Government Enterprises revenue, which reflects the net income of these corporations.

- ◆ With a balanced budget in 2000-01, the \$11.3 billion potential deficit the Government faced when it assumed office in June of 1995 will be completely eliminated.
- ◆ The 2000-01 outlook includes a \$500 million reserve designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. If the reserve is not needed, it will be applied to debt reduction.

Ontario's Fiscal Record

Deficit Target Overachieved – Four Consecutive Years

Solid fiscal performance has allowed the Province to achieve deficits significantly below the Balanced Budget Plan targets in each of the last four years. Due to improved fiscal performance, the 1999-00 deficit target of \$2.6 billion will be cut by \$0.5 billion and set at \$2.1 billion. Ontario is currently on track to achieve the final year of the Balanced Budget Plan with a balanced budget in 2000-01.



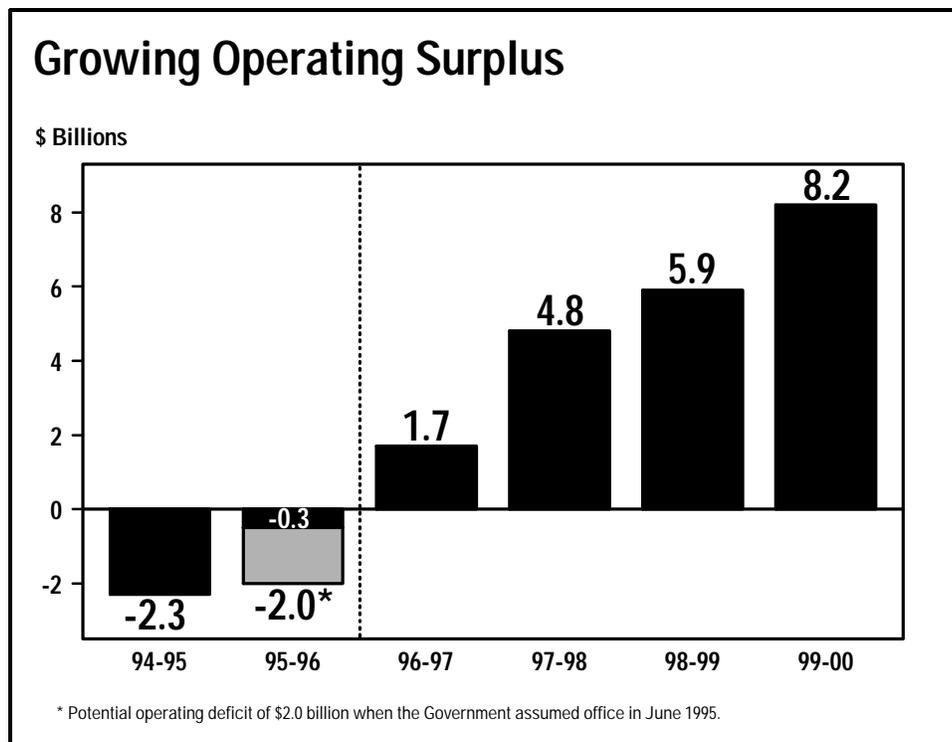
- ◆ 1998-99 was the fourth consecutive year in which the Balanced Budget Plan deficit target was overachieved.
 - When the Government assumed office in June of 1995, Ontario faced a potential deficit of \$11.3 billion. Moving quickly to restore the Province's finances, the Government set a \$9.3 billion deficit target for 1995-96.
 - The actual 1995-96 deficit of \$8.8 billion was \$508 million lower than the Balanced Budget Plan target, and in 1996-97, Ontario recorded a deficit of \$6.9 billion, \$1,275 million below the Budget target of \$8.2 billion.

- The 1997-98 deficit of \$4.0 billion was \$2,614 million lower than the \$6.6 billion target set out in the 1997 Budget.
- At \$3.2 billion, the interim 1998-99 deficit is \$1,063 million below the 1998 Budget target of \$4.2 billion, and \$1.6 billion lower than the original Balanced Budget Plan target of \$4.8 billion for 1998-99.
- ◆ Due to improved fiscal performance, the 1999-00 deficit target of \$2.6 billion will be cut by \$0.5 billion and set at \$2.1 billion.

Growing Operating Surplus

Ontario's fiscal performance is showing solid progress. When the budget is balanced in 2000-01, total spending will equal revenue. As the Government moves toward a balanced budget, the improved fiscal environment is reflected in a growing operating surplus.

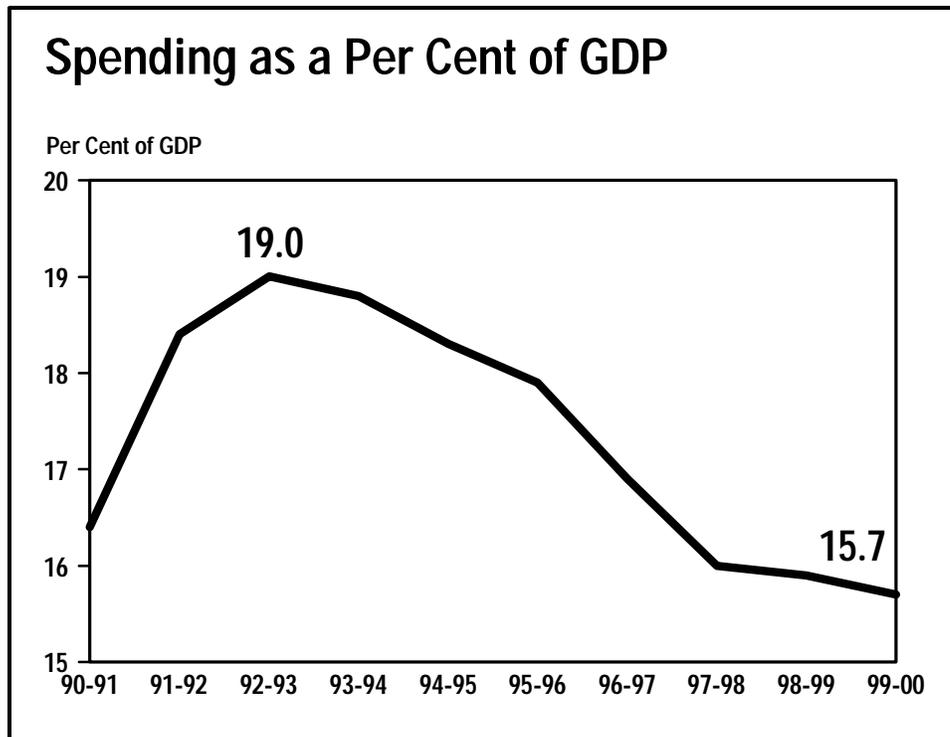
The operating balance is an important fiscal measure also used by the federal government. It represents the difference between government revenue and total spending on programs and capital, not including public debt interest costs. With a growing operating surplus, the Government is continuing to reduce borrowing needed to pay interest costs on the public debt.



- ◆ When the Government assumed office in June of 1995, the potential operating deficit was \$2.0 billion. In its first full year of office, the Government recorded an operating surplus of \$1.7 billion for 1996-97.
- ◆ The operating surplus has grown each year, increasing to \$5.9 billion in 1998-99, and is forecast at \$8.2 billion for 1999-00.

Reducing Provincial Spending as a Share of the Economy

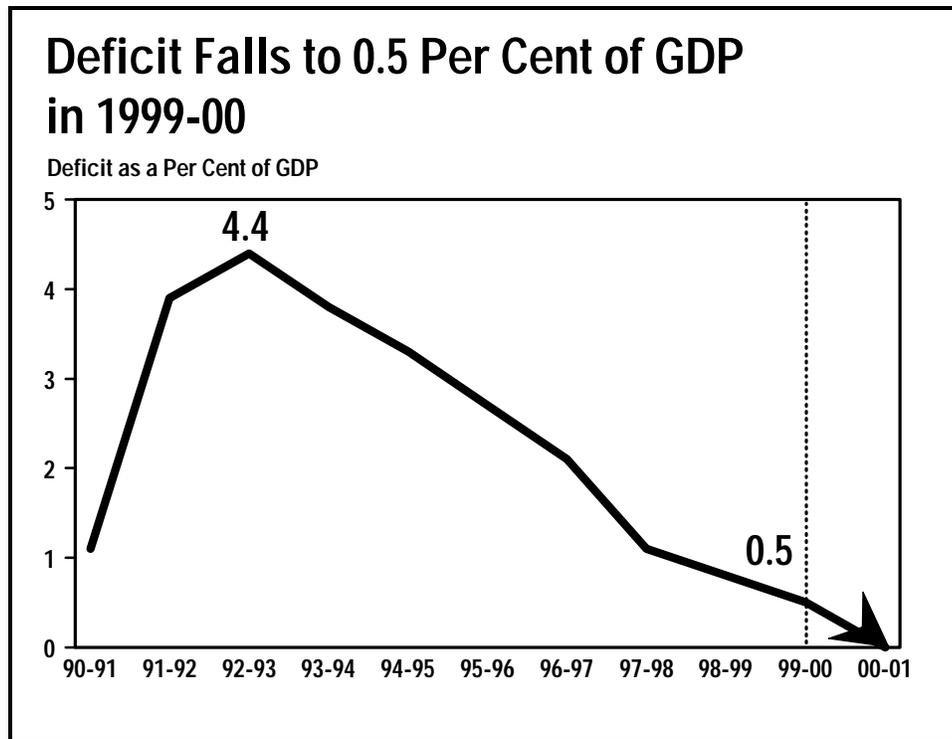
Provincial government spending as a per cent of Ontario's Gross Domestic Product (GDP) increased rapidly in the early 1990s. As a result of the Government's spending policy since 1995, which focuses on priority areas such as health care and education while promoting improvements in the efficiency of government services, spending as a per cent of GDP will be reduced to 15.7 per cent in 1999-00.



- ◆ With rapidly increasing spending and a weak economy, Provincial spending as a share of the economy rose to 19.0 per cent in 1992-93.
- ◆ As a result of this Government's policies, spending as a per cent of GDP will be reduced to 15.7 per cent in 1999-00.
- ◆ With continued economic growth and prudent expenditure policies, spending as a per cent of GDP will continue to decline.

Deficit as a Per Cent of GDP Falling

By controlling spending and cutting taxes to promote economic growth, the Government has made progress toward restoring Ontario's finances and improving the Province's business climate. In 1998-99, the Provincial deficit dropped below one per cent of GDP for the first time this decade.



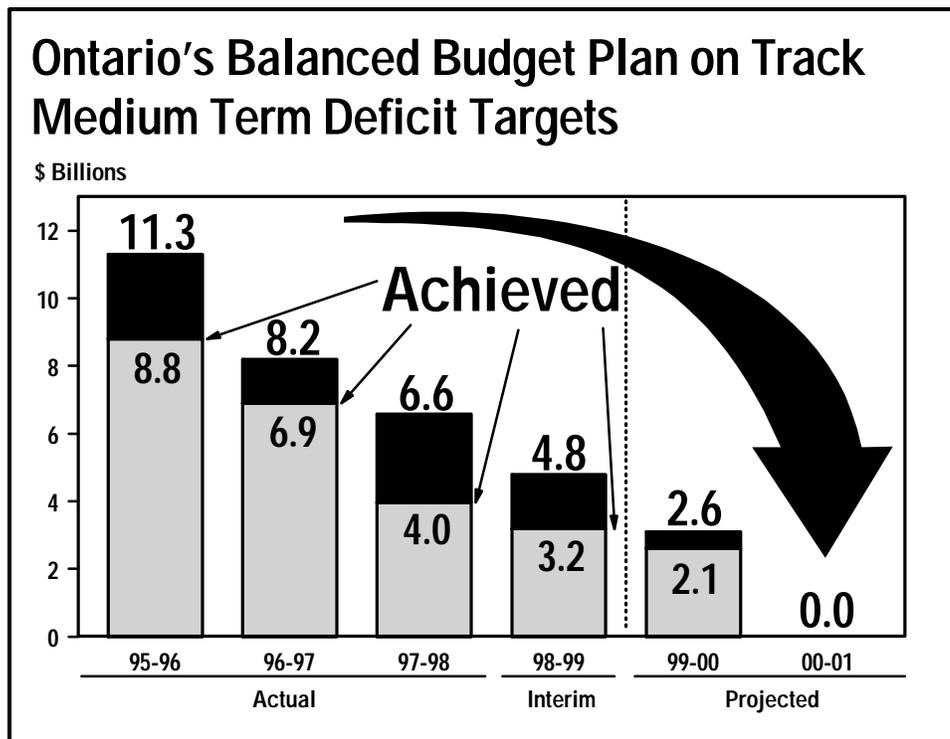
- ◆ Deficits in excess of \$10 billion, combined with a shrinking economy, pushed Ontario's deficit to 4.4 per cent of provincial GDP by 1992-93.
- ◆ The deficit is forecast at 0.5 per cent of GDP in 1999-00, falling to zero in 2000-01 when the budget is balanced.

Conclusion

With the 1999 Budget, the deficit will be cut to \$2.1 billion, a reduction of \$9.2 billion or more than 80 per cent from the \$11.3 billion potential deficit facing the Government when it assumed office.

The Balanced Budget Plan target for 2000-01 is zero – the budget will be balanced. Ontario will enter the new millennium with its fiscal position restored.

With a balanced budget, lower taxes and a growing economy, Ontarians can be assured that priority provincial programs and services are affordable and will be available when they are needed now and in the years to come.



PAPER B

Appendices

Financial Tables and Graphs

Statement of Financial Transactions
 (\$ Millions)

Table B1

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Interim 1998-99	Plan 1999-00
Revenue	49,473	49,450	52,518	54,859	58,150
Expenditure					
Programs	45,309	42,831	43,637	46,855	47,025
Restructuring and Other Charges	854	2,180	1,595	220	-
Total Program Expenditure	46,163	45,011	45,232	47,075	47,025
Capital	3,635	2,737	2,523	1,873	2,883
Public Debt Interest					
Provincial	8,475	8,607	8,729	9,072	9,298
Ontario Hydro Successor Companies*	-	-	-	-	520
Total Expenditure	58,273	56,355	56,484	58,020	59,726
Reserve	-	-	-	-	500
Deficit	8,800	6,905	3,966	3,161	2,076

* Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased Income from Government Enterprises revenue, which reflects the net income of these corporations.

Ontario Opportunities Fund
 (\$ Millions)

Table B2

	1998-99
Provincial Purpose Debt at April 1, 1998	105,474
Add: Borrowing requirements to finance projected deficit of \$4,224 million and loans and investments in agencies	7,526
Decrease in liquid reserves	(2,897)
Increase in debt:	4,629
Debt before Ontario Opportunities Fund	110,103
Less:	
Ontario Opportunities Fund	
Overachievement in 1998-99 deficit target (including contributions from Ontarians*)	1,063
Fund Balance Applied to Debt Reduction	(1,063)
Provincial Purpose Debt at March 31, 1999	109,040

* Contributions from Ontarians amounted to \$164,365 in 1998-99.

Revenue (\$ Millions)	Table B3				
	Actual 1995-96	Actual 1996-97	Actual 1997-98	Interim 1998-99	Plan 1999-00
Taxation Revenue					
Personal Income Tax	15,633	16,357	16,293	16,750	15,670
Retail Sales Tax	9,424	9,964	10,843	11,525	12,110
Corporations Tax	5,174	5,852	7,456	7,435	7,820
Employer Health Tax	2,695	2,772	2,851	2,880	2,990
Gasoline Tax	1,944	1,951	2,028	2,077	2,155
Fuel Tax	500	540	563	590	595
Tobacco Tax	337	356	425	470	470
Land Transfer Tax	342	452	565	497	480
Mining Profits Tax	71	54	40	27	30
Race Tracks Tax	92	46	4	5	5
Preferred Share Dividends Tax	65	73	60	33	35
Other Taxation**	97	113	141	250	225
	36,374	38,530	41,269	42,539	42,585
Government of Canada					
Canada Health and Social Transfer*	6,328	4,814	3,970	3,579	3,727
Increase in CHST Allocation	-	-	-	-	190
CHST Health Supplement	-	-	-	-	755
Fiscal Stabilization	367	-	-	-	-
National Training Act	55	37	-	-	-
Bilingualism Development	62	44	49	55	55
Young Offenders	61	59	59	58	58
Employment Assistance for People with Disabilities	63	65	53	65	65
Canada-Ontario Infrastructure Works	350	142	116	80	29
Social Housing	384	341	387	353	370
Other	210	276	464	318	307
	7,880	5,778	5,098	4,508	5,556
Income from Government Enterprises					
Ontario Lottery Corporation	651	654	714	676	930
Liquor Control Board of Ontario	667	701	745	785	830
Ontario Casino Corporation	422	594	771	997	995
Ontario Hydro Successor Companies	-	-	-	-	527
Other	(10)	10	61	(50)	(35)
	1,730	1,959	2,291	2,408	3,247
Other Revenue					
Vehicle and Driver Registration Fees	736	816	820	850	880
Other Fees and Licences**	573	560	548	600	625
Liquor Licence Board of Ontario Revenues	530	520	506	510	515
Royalties	263	264	286	297	225
Sales and Rentals	497	543	582	636	2,230
Fines and Penalties	143	157	174	59	57
Local Services Realignment – Reimbursement of Expenditure	-	-	519	2,104	1,794
Miscellaneous	747	323	425	348	436
	3,489	3,183	3,860	5,404	6,762
Total Revenue	49,473	49,450	52,518	54,859	58,150

* Includes Established Programs Financing and Canada Assistance Plan revenue in 1995-96.

** Prior years restated to reflect introduction of new Estate Administration Tax.

Operating Expenditure					Table B4
(\$ Millions)					
Ministry	Actual 1995-96	Actual 1996-97	Actual 1997-98	Interim 1998-99	Plan 1999-00
Agriculture, Food and Rural Affairs	263	324	306	317	365
Farm Tax Rebate	157	150	158	-	-
Attorney General	1,085	638	681	721	816
Board of Internal Economy	206	124	113	118	121
Citizenship, Culture and Recreation	363	302	282	344	393
Community and Social Services	8,816	7,965	8,047	7,707	7,677
Consumer and Commercial Relations	140	123	92	134	126
Economic Development, Trade and Tourism	385	245	194	157	175
Education and Training*	8,390	7,825	7,701	10,997	11,197
School Board Transition – Restructuring	-	-	224	-	-
Teachers' Pension Plan (TPP)	812	933	1,443	67	(85)
Energy, Science and Technology	13	11	69	334	146
Environment	226	146	142	160	165
Executive Offices	13	13	14	18	20
Finance - Own Account	701	435	690	833	731
Public Debt Interest					
Provincial	8,475	8,607	8,729	9,072	9,298
Ontario Hydro Successor Companies					520
Community Reinvestment Fund	-	-	169	678	543
Health	17,607	17,760	18,284	18,925	20,173
Health Care Restructuring	-	970	532	193	-
Major One-time Health Care Costs	-	-	113	733	-
Intergovernmental Affairs	5	4	5	4	4
Labour	135	103	117	107	95
Management Board Secretariat	554	712	352	375	432
Public Service/OPSEU Pension Plan	685	94	(86)	(208)	(223)
Contingency Fund	-	-	-	-	694
OPS Employee Severance	400	438	(159)	-	-
Special Circumstances Fund	-	-	-	180	-
Municipal Affairs and Housing	2,421	2,456	2,395	1,600	1,546
Municipal Capital and Operating Restructuring Fund	-	150	23	-	-
Municipal Restructuring Fund	-	-	71	-	-
Native Affairs Secretariat	16	17	10	10	12
Natural Resources	519	417	405	521	364
Northern Development and Mines	66	52	62	82	127
Office of Francophone Affairs	2	2	2	3	3
Office Responsible for Women's Issues	18	14	18	21	26
Solicitor General and Correctional Services	1,111	1,159	1,175	1,290	1,243
Transportation	1,054	879	709	627	539
Restructuring/ Municipal Capital and Operating Restructuring Fund	-	550	50	(17)	-
TTC Five Year Capital Transfer and Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	-	-	829	44	-
Year-End Savings	-	-	-	-	(400)
Total Operating Expenditure	54,638	53,618	53,961	56,147	56,843

* Includes increase in School Board Operating Grants to reflect reduction in 1999 residential education property taxes.

Capital Expenditure
(\$ Millions)**Table B5**

Ministry	Actual 1995-96	Actual 1996-97	Actual 1997-98	Interim 1998-99	Plan 1999-00
Agriculture, Food and Rural Affairs	5	-	1	-	-
Attorney General	-	20	47	73	56
Citizenship, Culture and Recreation	29	9	7	6	16
Community and Social Services	14	116	51	30	22
Economic Development, Trade and Tourism	113	11	3	2	2
Education and Training	559	199	380	299	796
Energy, Science and Technology	-	-	-	23	17
Environment	238	225	98	19	23
Water Protection Fund	-	-	-	15	185
Finance	1	18	7	7	6
Health	168	175	106	172	504
Management Board Secretariat	272	152	80	11	16
Municipal Affairs and Housing	628	313	152	68	-
Native Affairs Secretariat	9	13	11	10	12
Natural Resources	47	33	209	30	46
Northern Development and Mines	163	168	173	176	225
Solicitor General and Correctional Services	2	6	12	30	133
Transportation	1,387	1,279	1,186	902	824
Total Capital Expenditure	3,635	2,737	2,523	1,873	2,883

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

	Modified Cash Basis		
	1990-91	1991-92	1992-93
Financial Transactions			
Revenue	42,892	40,753	41,807
Expenditure			
Programs	38,924	43,613	45,350
Restructuring and Other Charges	-	-	-
Total Program Expenditure	38,924	43,613	45,350
Capital	3,221	3,874	3,592
Public Debt Interest			
Provincial	3,776	4,196	5,293
Ontario Hydro Successor Companies	-	-	-
Total Expenditure	45,921	51,683	54,235
Reserve	-	-	-
Deficit/(Surplus)	3,029	10,930	12,428
Provincial Purpose Debt	42,257	53,083	68,607
Gross Domestic Product (GDP) at Market Prices	280,604	280,853	285,313
Personal Income	236,865	243,485	252,288
Population - July (000s)	10,300	10,428	10,570
Total Debt per Capita (dollars)	4,103	5,090	6,491
Personal Income per Capita (dollars)	22,997	23,349	23,868
Total Expenditure as a per cent of GDP	16.4	18.4	19.0
Public Debt Interest as a per cent of Revenue	8.8	10.3	12.7
Provincial Purpose Debt as a per cent of GDP	15.1	18.9	24.0
Cumulative Net Borrowing for Ontario Hydro			
CAD	-	-	-
U.S.	5,049	4,185	3,969
C.P.P.	2,748	2,748	2,748
Contingent Liability (mainly Ontario Hydro)	26,009	30,369	34,657

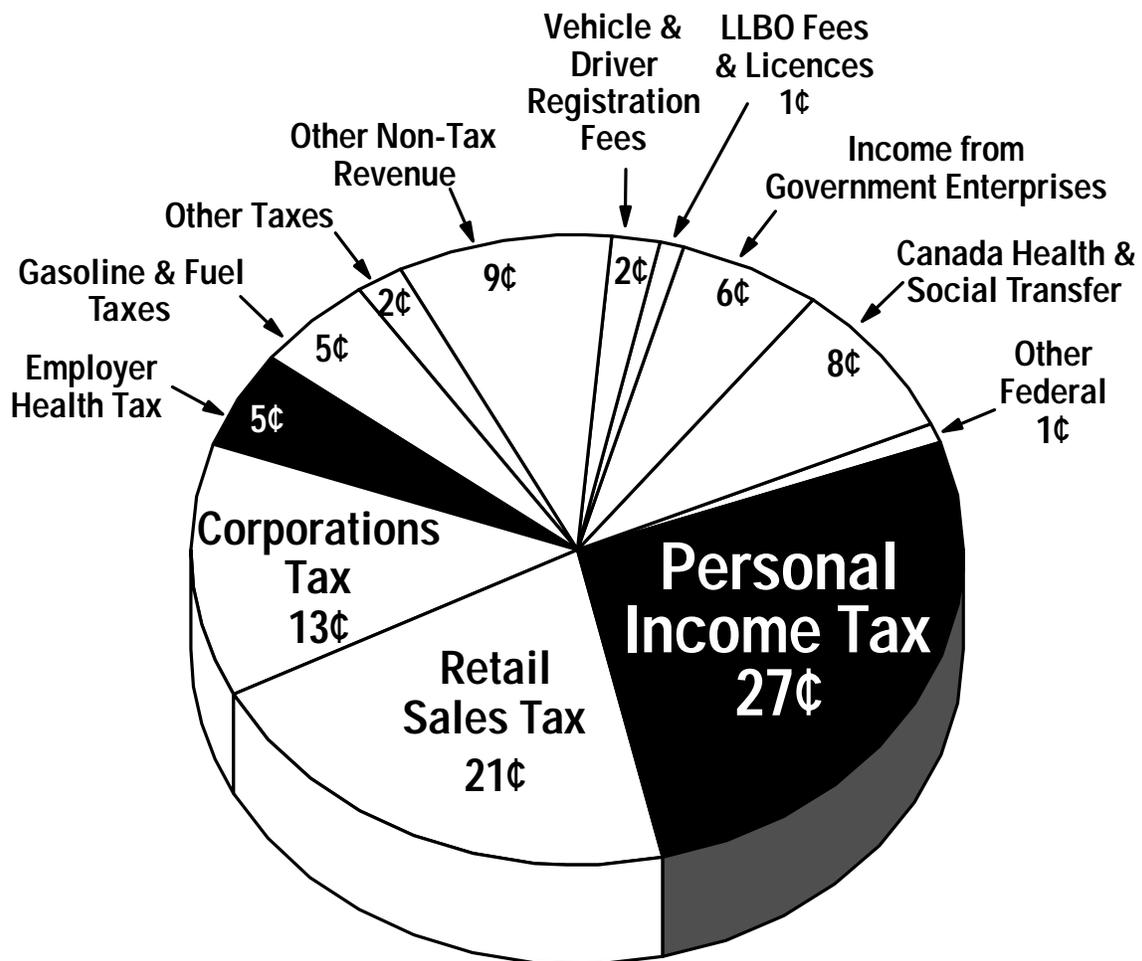
* Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased Income from Government Enterprises revenue, which reflects the net income of these corporations.

** Debt increased in 1999-00 by the Province's investment of \$8.9 billion in Ontario Hydro successor companies.

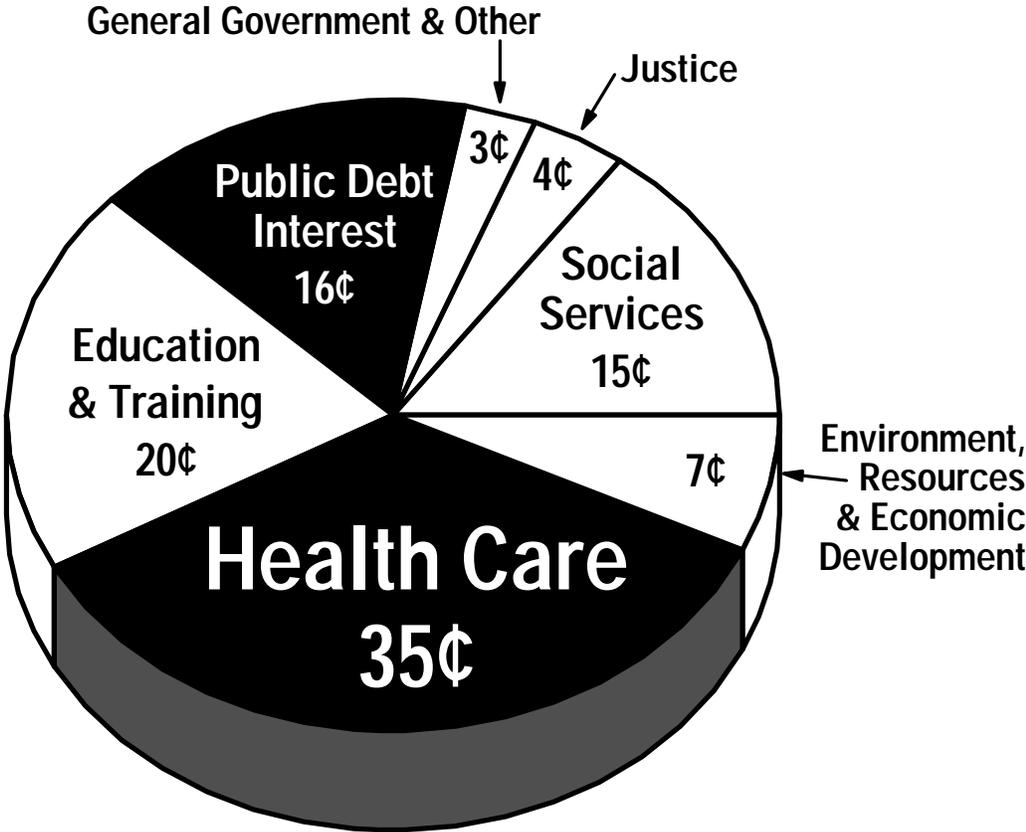
Table B6

PSAB Basis						
1993-94	1994-95	1995-96	1996-97	1997-98	Interim 1998-99	Plan 1999-00
43,674	46,039	49,473	49,450	52,518	54,859	58,150
44,195	44,505	45,309	42,831	43,637	46,855	47,025
-	-	854	2,180	1,595	220	-
44,195	44,505	46,163	45,011	45,232	47,075	47,025
3,552	3,831	3,635	2,737	2,523	1,873	2,883
7,129	7,832	8,475	8,607	8,729	9,072	9,298
-	-	-	-	-	-	520*
54,876	56,168	58,273	56,355	56,484	58,020	59,726
-	-	-	-	-	-	500
11,202	10,129	8,800	6,905	3,966	3,161	2,076
79,439	88,580	101,396	101,511	105,474	109,040	121,216**
291,844	307,528	326,051	334,292	351,989	363,946	379,739
255,078	258,494	268,914	274,224	284,131	295,921	308,646
10,690	10,828	10,965	11,101	11,264	11,414	11,549
7,431	8,181	9,247	9,144	9,364	9,553	10,496
23,861	23,873	24,525	24,703	25,225	25,926	26,725
18.8	18.3	17.9	16.9	16.0	15.9	15.7
16.3	17.0	17.1	17.4	16.6	16.5	16.9
27.2	28.8	31.1	30.4	30.0	30.0	31.9
-	-	-	-	-	1,500	N/A
1,789	1,087	1,060	392	138	-	N/A
2,748	2,748	2,748	2,748	2,748	2,748	N/A
34,008	33,782	31,590	31,786	30,675	29,036	N/A

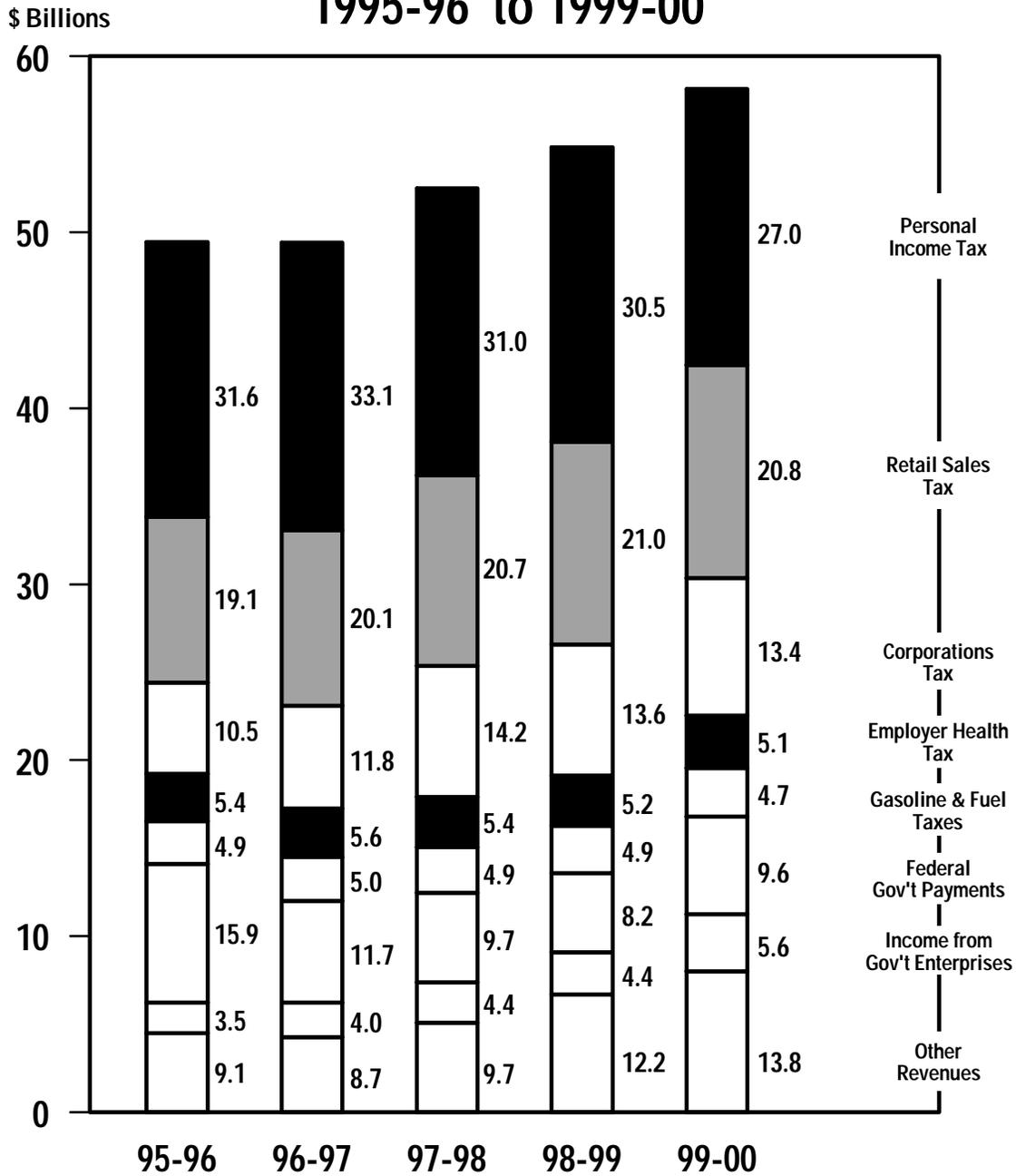
The Budget Dollar: Revenue 1999-2000



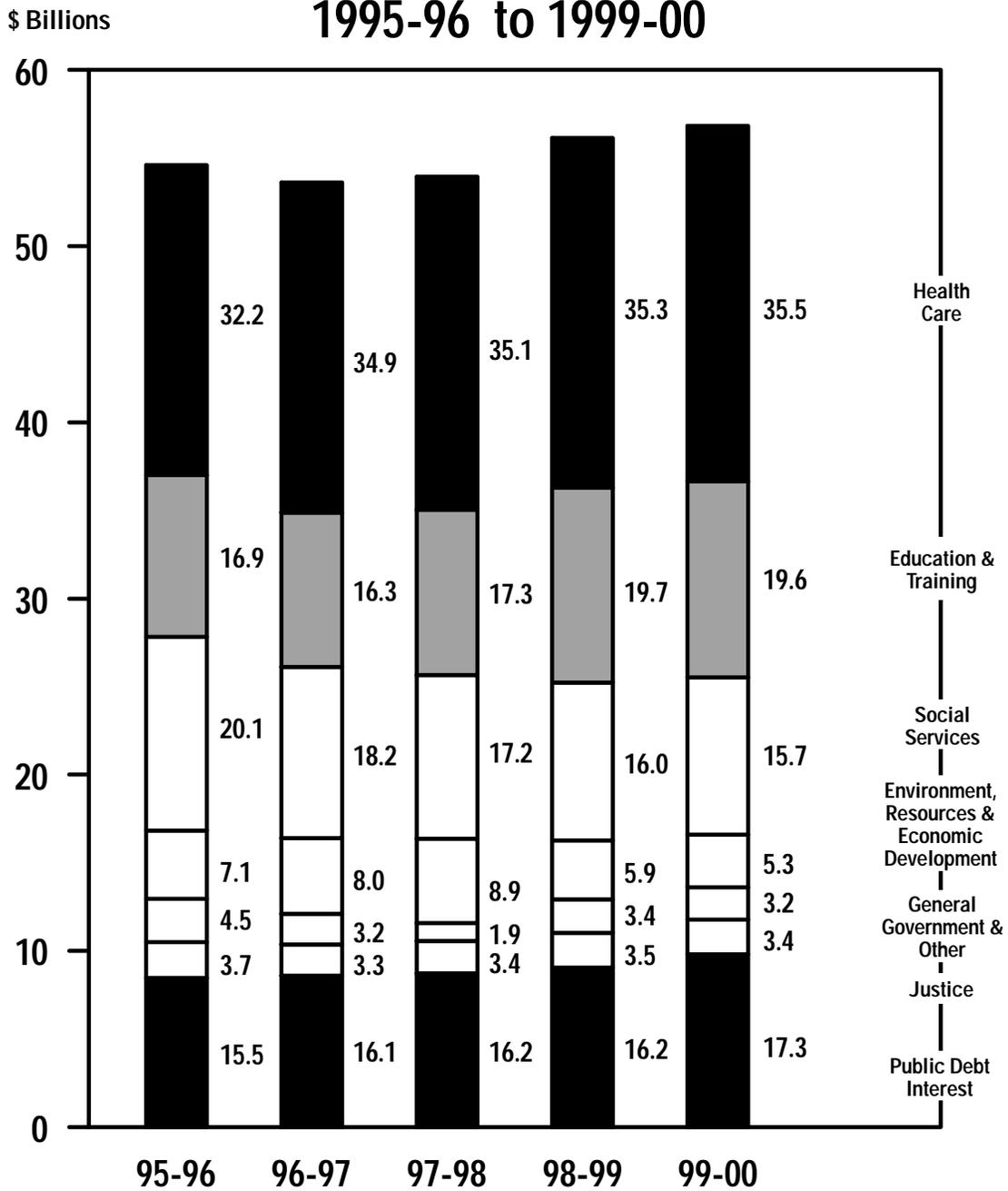
The Budget Dollar: Total Expenditure 1999-2000



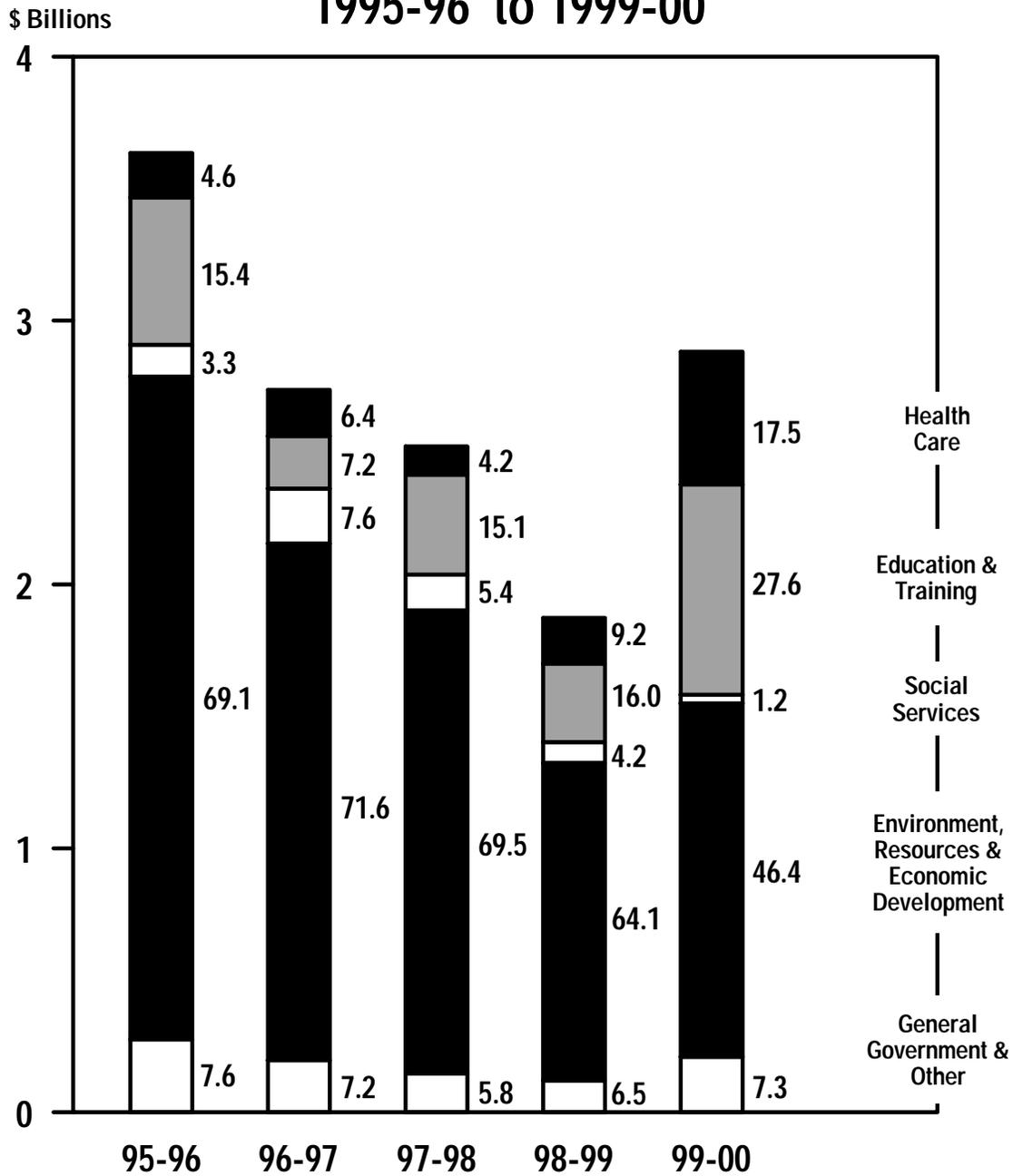
Revenue Sources by Category Per Cent of Total 1995-96 to 1999-00



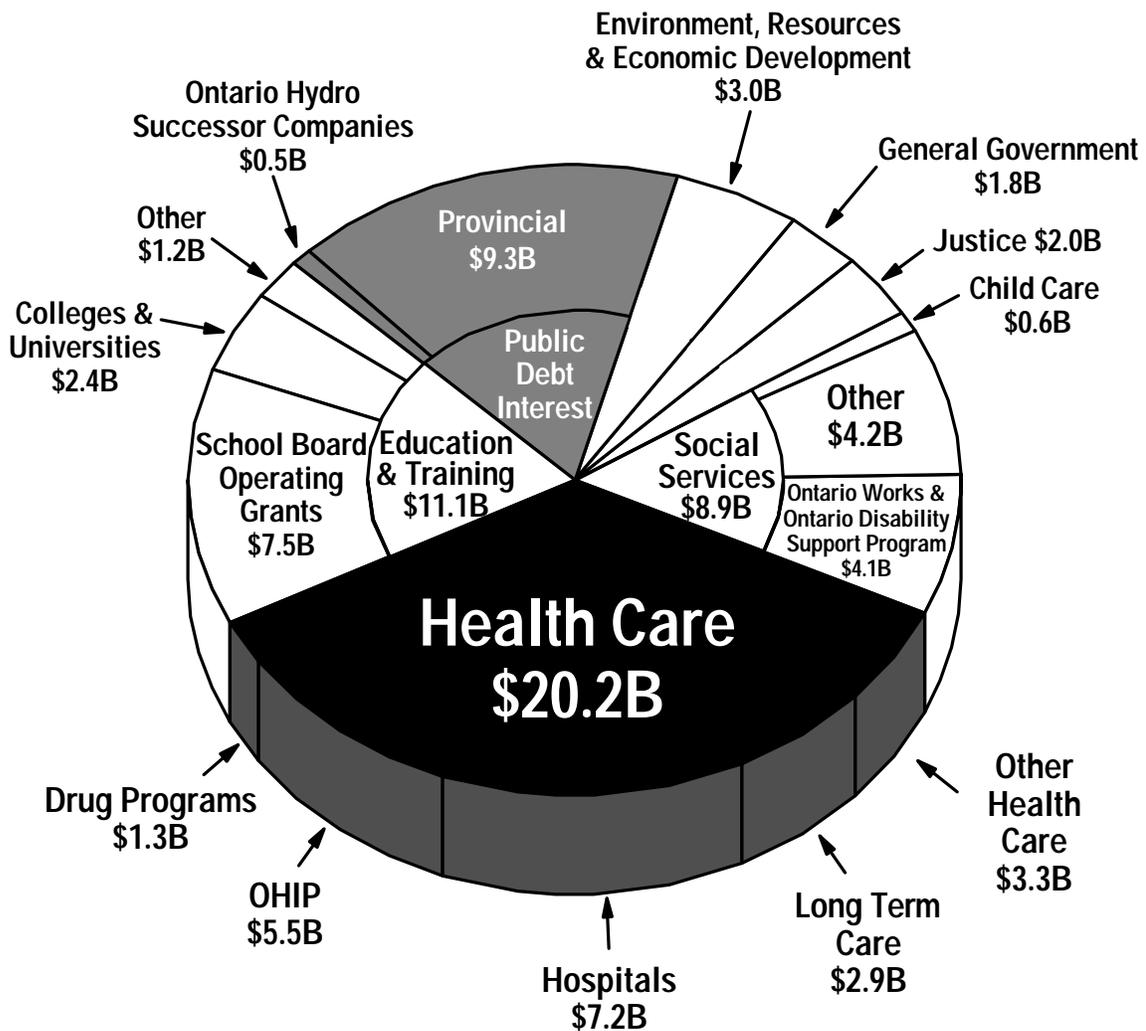
Operating Expenditure by Category Per Cent of Total 1995-96 to 1999-00



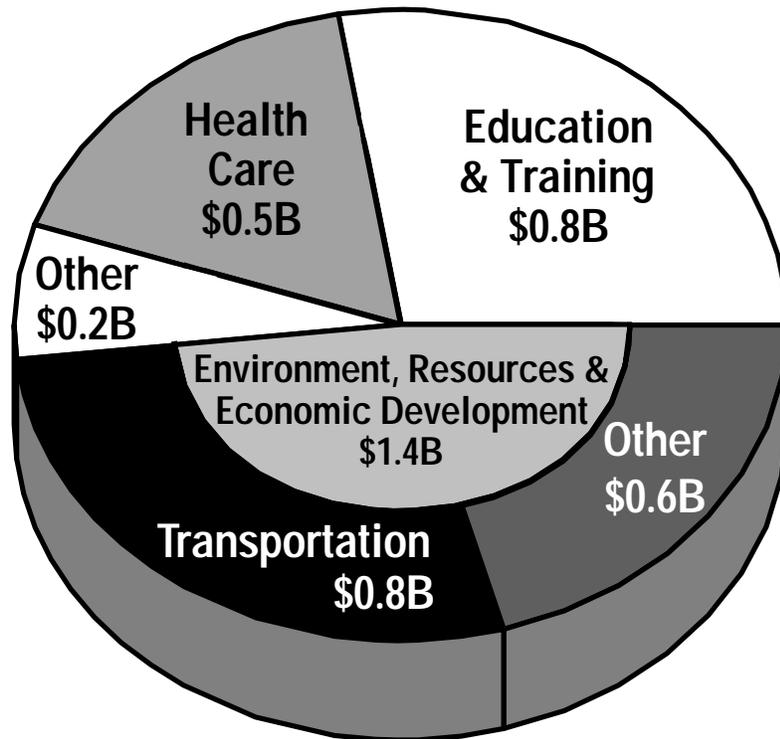
Capital Expenditure by Category Per Cent of Total 1995-96 to 1999-00



1999-2000 Operating Expenditure by Sector (\$ Billions)



1999-2000 Capital Expenditure by Sector (\$ Billions)



PAPER C
Details of Revenue Measures

Ontario's Tax Cuts: Reducing Taxes for People

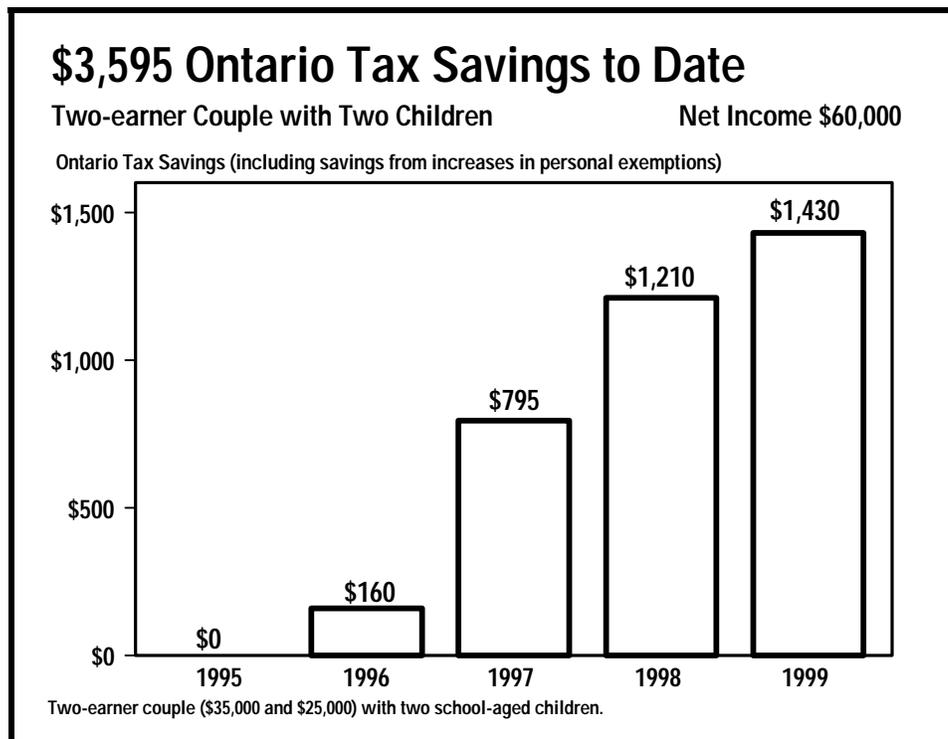
In 1995, Ontario taxpayers faced an Ontario personal income tax rate of 58 per cent of basic federal tax. Since that time, the Ontario Government has kept its promise and reduced that rate to 40.5 per cent of basic federal tax. With the income tax cut announced in this Budget, if approved by the Legislature, Ontario's income tax rate will be 38.5 per cent of basic federal tax, starting July 1, 1999.

Ontario's Income Tax Cuts Completed to Date

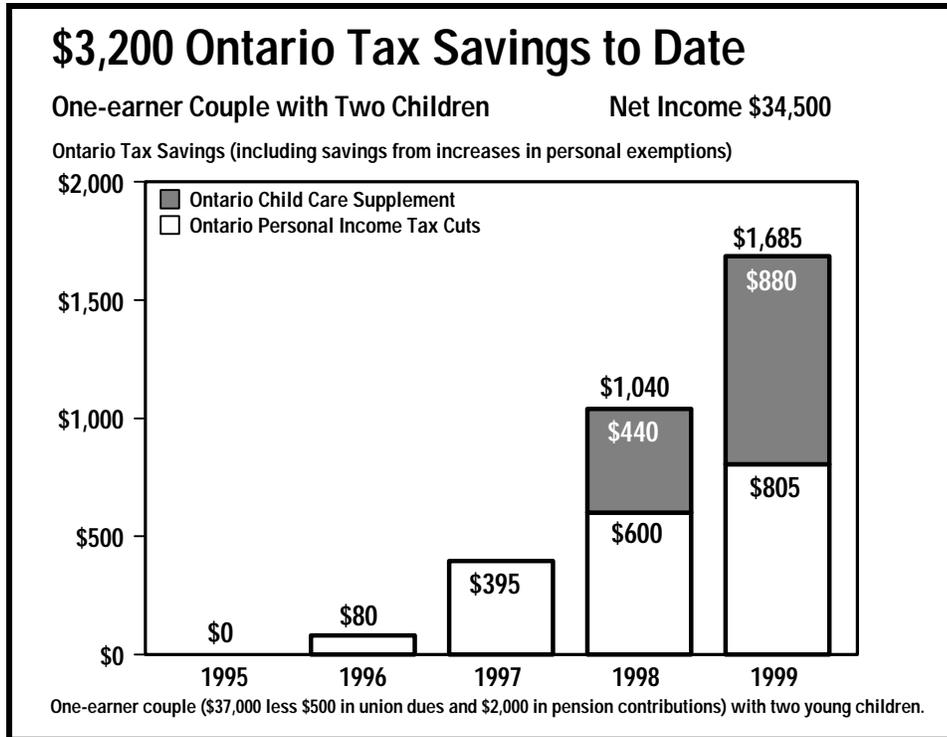
As a result of Ontario's first round of personal income tax cuts—fully implemented on July 1, 1998—more than 90 per cent of Ontario taxpayers have experienced a personal income tax cut of at least 30 per cent. Every Ontario taxpayer earning less than \$60,000 has received a 30 per cent tax cut or greater.

Ontario announced further tax savings in February of 1999 when it increased personal exemptions. This move has augmented taxpayers' savings from the Ontario 30 per cent rate cut.

The following two charts present the savings that Ontario's tax cuts completed to date have provided to Ontario individuals and families. The first chart shows that a two-earner couple with two children, earning a total of \$60,000, will pay \$1,430 less in Ontario income tax in 1999 as a result of Ontario's income tax cuts. This family will have saved a total of \$3,595 over the four years (1996-99) since the Ontario tax cuts started.



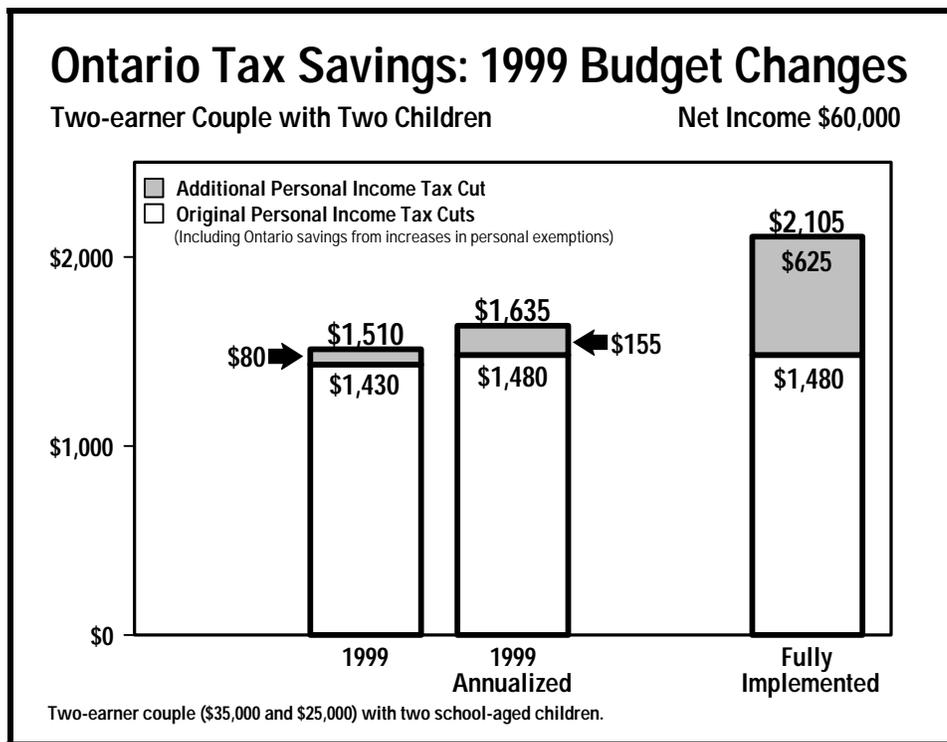
The following example shows the savings from the tax cuts completed to date for a one-earner couple with a stay-at-home parent caring for small children. This family, with net income of \$34,500, will save \$1,685 in 1999 as a result of Ontario's income tax cuts and the Ontario Child Care Supplement for Working Families. In total, this family will have saved \$3,200: \$1,880 in Ontario income tax, plus child care supplements of \$1,320, for the four years from 1996 through 1999.



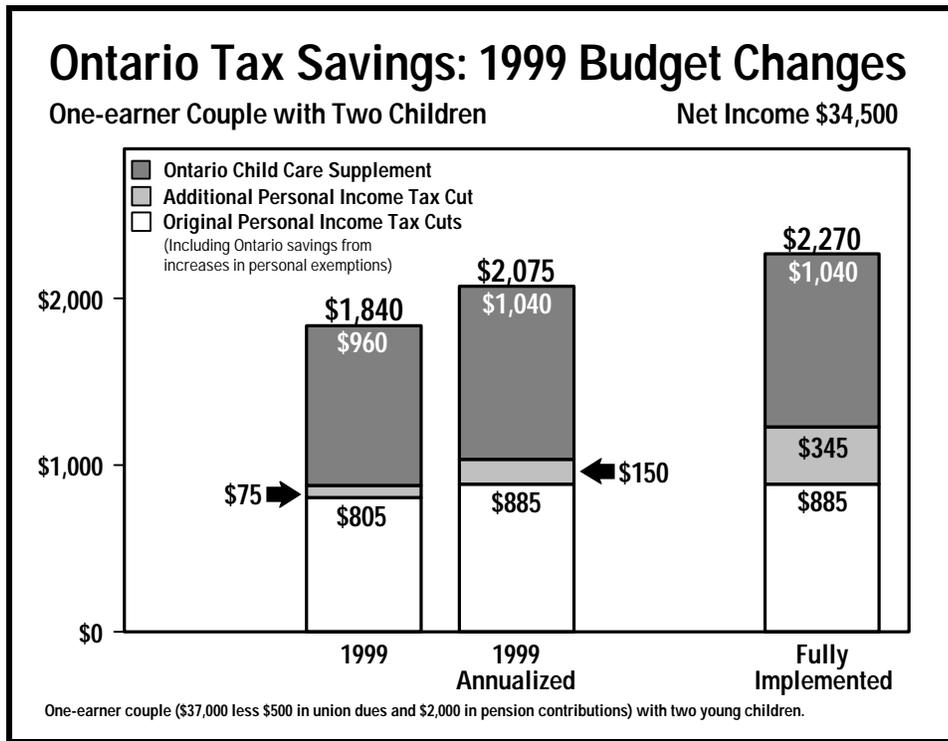
Ontario's Income Tax Cuts Announced in This Budget

Another 20 per cent cut in Ontario personal income taxes is promised in this Budget. As a down payment, this Budget proposes a five-per-cent reduction in the Ontario personal income tax rate, bringing that rate down to 38.5 per cent of basic federal tax, beginning July 1, 1999.

The following two charts show the impact of the tax cuts announced in this Budget on the two families in the above charts. The two-earner family would save an additional \$80 in 1999, and a total of \$2,105 per year when the tax cuts are fully implemented.



The one-earner family (below) would save an additional \$75 in personal income tax in 1999. The enriched Ontario Child Care Supplement for Working Families would give this family an additional \$960 in spending money in 1999, increasing to \$1,040 in subsequent years. Ontario income tax savings for this family, including the child care supplement, would total \$2,270 per year when the tax cuts are fully implemented.



As a result of these personal income tax reductions since 1995, Ontario has improved its tax-competitive position vis-a-vis other provinces and jurisdictions. In 1995, four provinces had a lower general income tax rate than Ontario. After the changes proposed in this Budget, Ontario would continue to have the lowest general rate in Canada. Ontario had the second-highest top marginal rate in the country in 1995. With the proposed changes, it would continue to be the second lowest in Canada.

Reducing Residential Education Taxes

Between 1985 and 1995, school boards raised education property tax rates by over 60 per cent. During that period, school board tax revenues increased by over 120 per cent, while enrolment increased by only about 16 per cent.

Education Tax Increases 1985–95		
Year	Average Education Mill Rate Change	Sum of Annual Increases
1985	7.4%	
1986	7.7%	
1987	5.8%	
1988	5.5%	
1989	12.0%	1985–90
1990	11.3%	42.3%
1991	5.9%	
1992	6.2%	
1993	3.7%	
1994	0.9%	1991–95
1995	2.8%	19.5%

In 1998, the Province took over responsibility for education funding in order to bring education property tax rates under control and to ensure fair and consistent treatment for all school boards across Ontario, putting an end to years of spiralling taxes.

Starting in 1998, the Province froze education tax rates on residential and business properties province-wide.

For residential properties, a uniform rate of 0.46 per cent has been established. Residences across Ontario with the same assessed value will now pay the same amount of education property tax, no matter where the property is located.

For business properties, not only have rates been stabilized, but they are also being reduced in many communities. As announced in the 1998 budget, education taxes are being reduced for commercial and industrial property classes whose education tax rates exceed the 1998 provincial average rate. This tax cut, which will provide more than \$500 million in benefits to business taxpayers province-wide, is being phased in over eight years beginning in 1998.

- ◆ In this Budget, education taxes for residential taxpayers are being cut. The Province would reduce the residential education tax rate by 20 per cent, beginning with 10 per cent in 1999. This tax cut would benefit residential, multi-residential, farmland and managed forest properties province-wide.

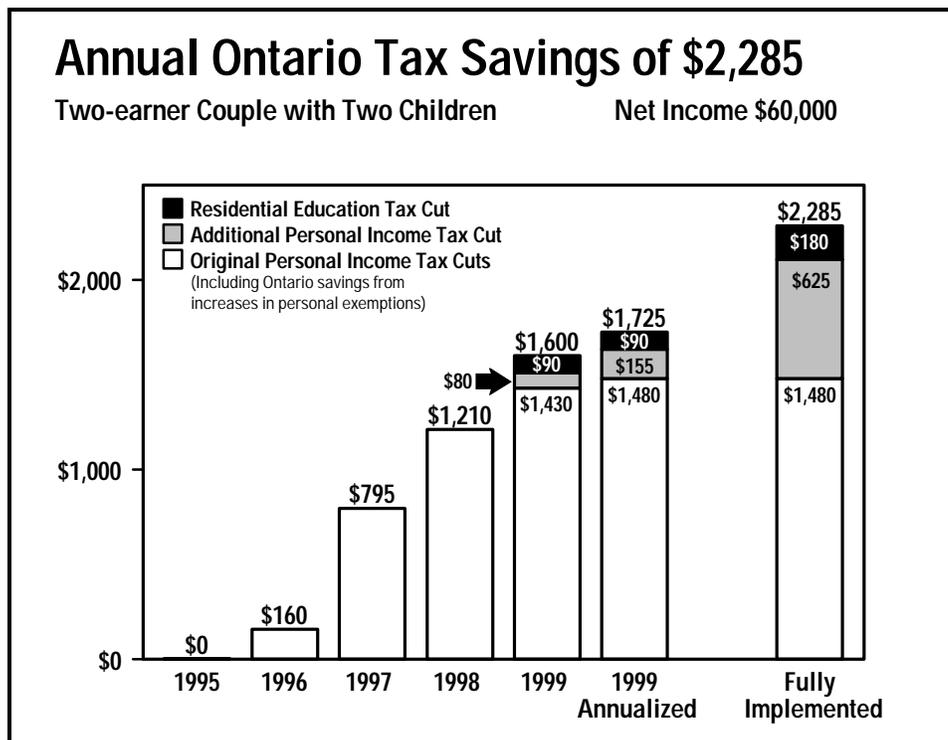
Average Education Tax Savings for Homeowners¹		
Municipalities	Average Education Tax Savings 1999	Average Education Tax Cut When Fully Implemented
Algoma District	\$40	\$80
Brant County	\$53	\$107
Bruce County	\$43	\$87
Chatham-Kent County	\$46	\$92
Cochrane District	\$39	\$78
Dufferin County	\$68	\$137
Durham Region	\$71	\$142
Elgin County	\$52	\$104
Essex County	\$59	\$118
Frontenac County	\$55	\$109
Grey County	\$48	\$96
Haldimand-Norfolk Region	\$49	\$98
Haliburton County	\$45	\$90
Halton Region	\$92	\$183
Hamilton-Wentworth Region	\$62	\$125
Hastings County	\$44	\$89
Huron County	\$45	\$90
Kenora District	\$48	\$96
Lambton County	\$47	\$95
Lanark County	\$48	\$96
Leeds & Grenville County	\$49	\$98
Lennox and Addington County	\$45	\$89
Manitoulin District	\$34	\$69
Middlesex County	\$61	\$122
Muskoka District	\$69	\$138
Niagara Region	\$58	\$116
Nipissing District	\$46	\$92
Northumberland County	\$51	\$101
Ottawa-Carleton Region	\$67	\$134
Oxford County	\$54	\$108
Parry Sound District	\$52	\$105
Peel Region	\$86	\$172
Perth County	\$56	\$112
Peterborough County	\$52	\$105
Prescott and Russell County	\$46	\$92
Prince Edward County	\$52	\$104
Rainy River District	\$35	\$70
Renfrew County	\$42	\$84
Simcoe County	\$61	\$122
Stormont, Dundas & Glengarry County	\$41	\$82
Sudbury District	\$30	\$61
Sudbury Region	\$51	\$103
Thunder Bay District	\$51	\$101
Timiskaming District	\$31	\$63
Toronto	\$96	\$193
Victoria County	\$52	\$104
Waterloo Region	\$64	\$128
Wellington County	\$68	\$136
York Region	\$114	\$227
Provincial Average Property:	\$70	\$139

¹ Average includes all residential property types (e.g., single-family detached, semi-detached, row houses and condominiums).

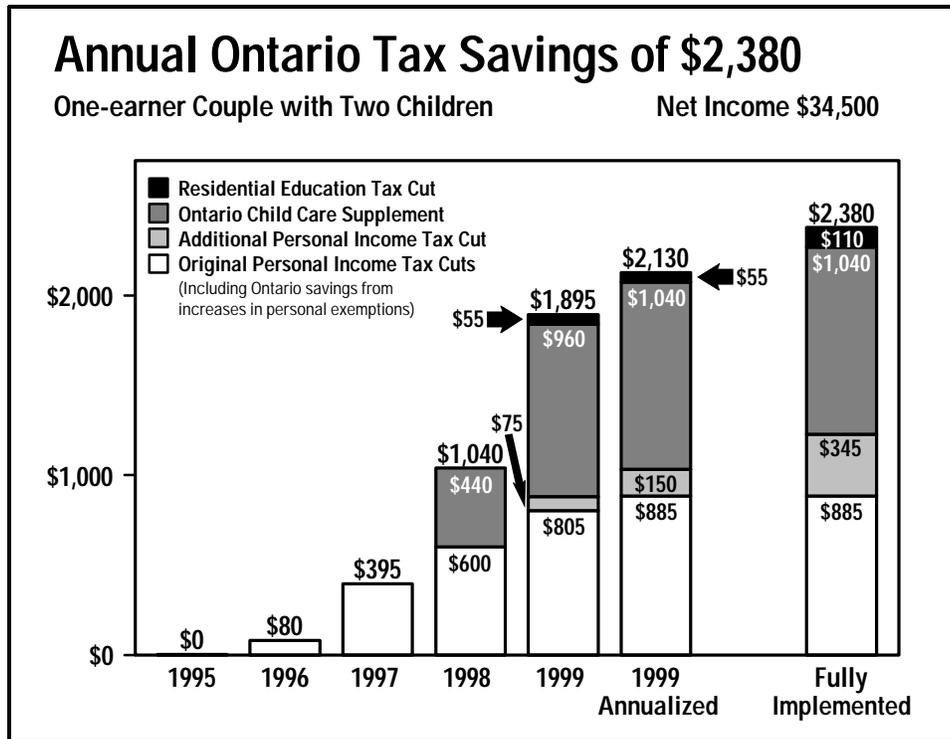
Education Tax Savings by House Value (\$)		
House Value	1999 Education Tax Savings	Savings When Fully Implemented
100,000	46	92
150,000	69	138
200,000	92	184
250,000	115	230

Examples: Combined Impact of Ontario's Tax Cuts

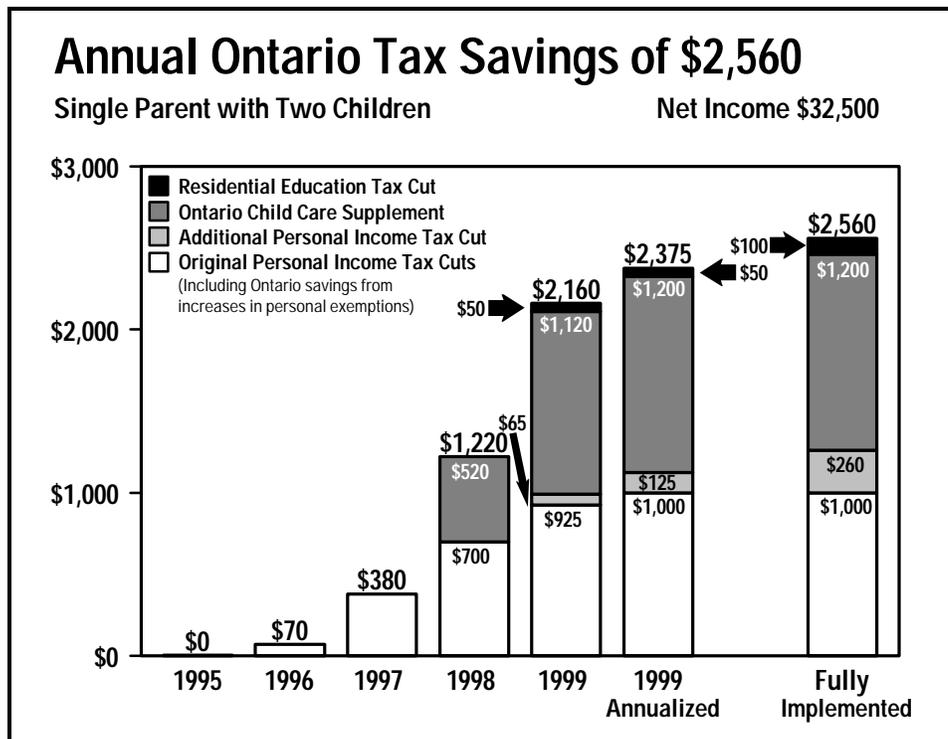
The following examples illustrate the combined impact of these proposed tax measures— together with the tax cuts already in place—on individuals and families for a variety of incomes, circumstances and residential locations.



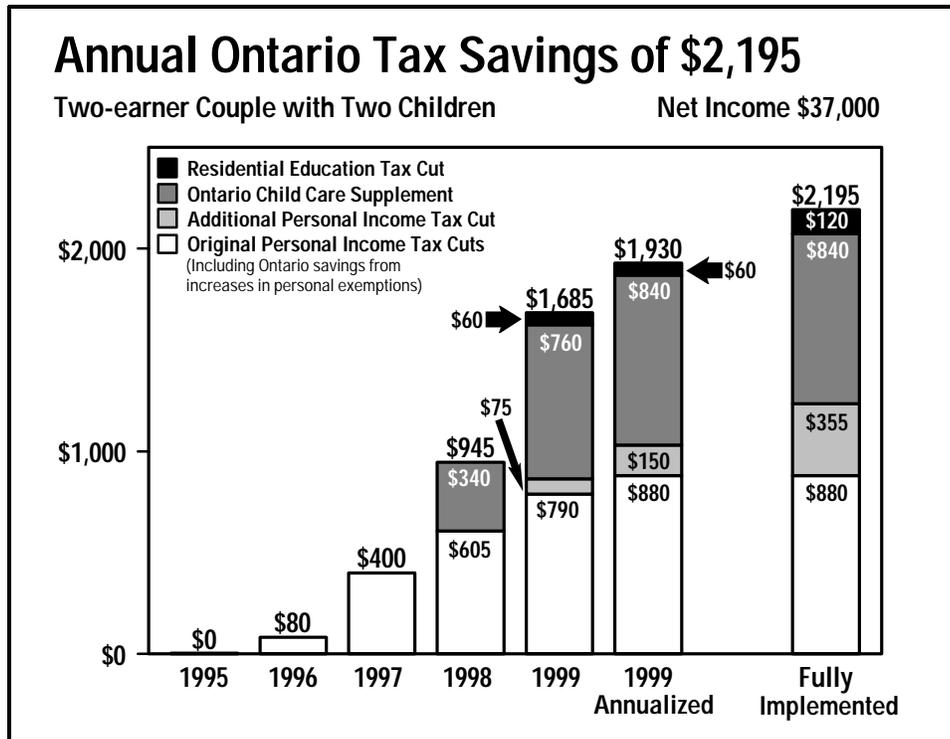
- ◆ One parent earns \$35,000 a year as a computer operator. The other parent is an office worker, making \$25,000 a year. No child care costs are incurred for their two school-aged children (ages 12 and 15).
- ◆ The family lives in a three-bedroom home in Mississauga, assessed at \$196,000.
- ◆ Ontario's original personal income tax cuts will save this family \$1,430 in 1999, and a total of \$3,595 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario tax savings by \$805, for total savings of \$2,285 per year.



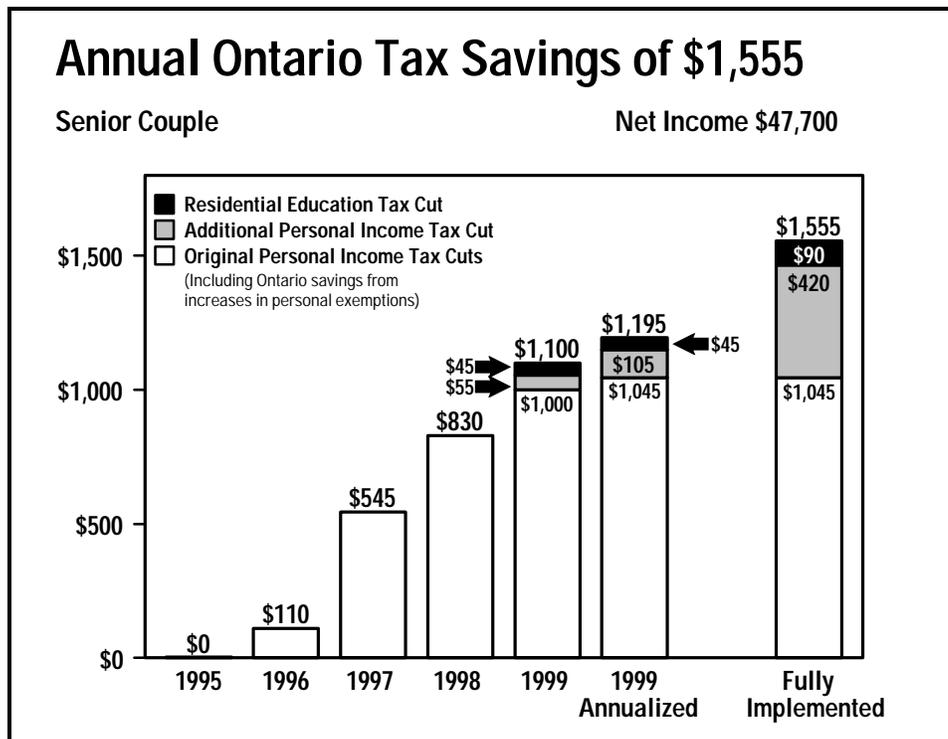
- ◆ One parent earns \$37,000 a year as a bus driver, pays \$500 a year in union dues and contributes \$2,000 to a company pension. The other parent stays home to care for their two young children (ages one and three).
- ◆ The family lives in a three-bedroom home in Thunder Bay, assessed at \$120,000.
- ◆ Ontario's original personal income tax cuts will save this family \$805 in 1999, and a total of \$1,880 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario tax savings by \$455. When combined with the original cuts and the enriched child care supplement, this family's savings would total \$2,380 per year.



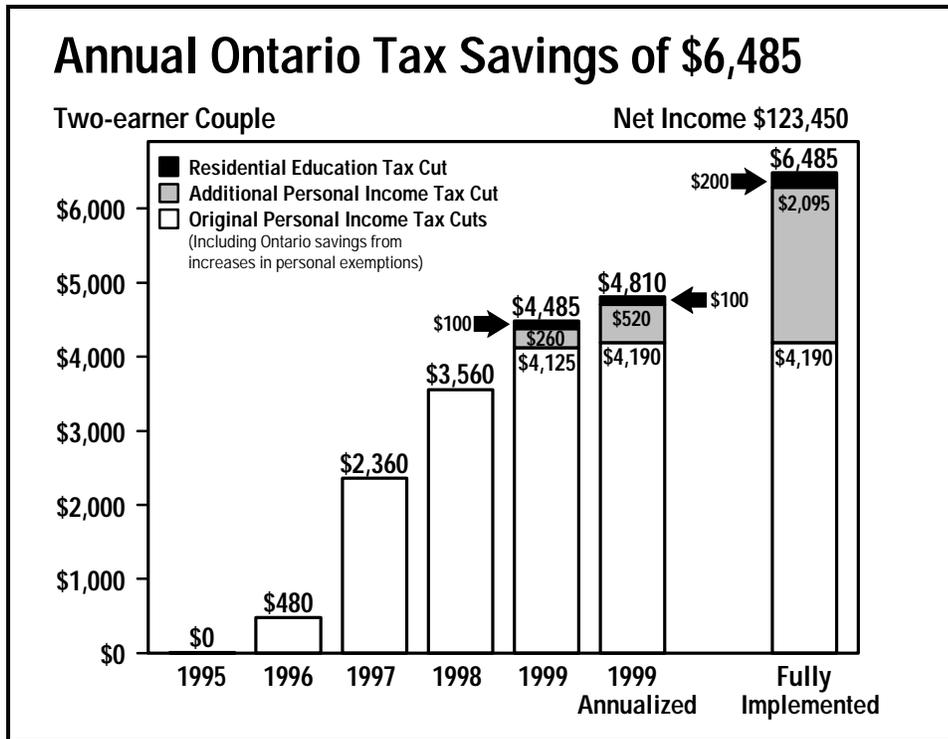
- ◆ A single parent with two children (ages three and five) earns \$46,000 a year as a registered nurse, pays \$850 a year in union and professional dues, and contributes \$2,650 to a company pension. Day care for the children costs \$10,000 a year.
- ◆ The family lives in a three-bedroom home in Peterborough, assessed at \$109,000.
- ◆ Ontario's original personal income tax cuts will save this family \$925 in 1999, and a total of \$2,075 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario tax savings by \$360. When combined with the original cuts and the enriched child care supplement, this family's savings would total \$2,560 per year.



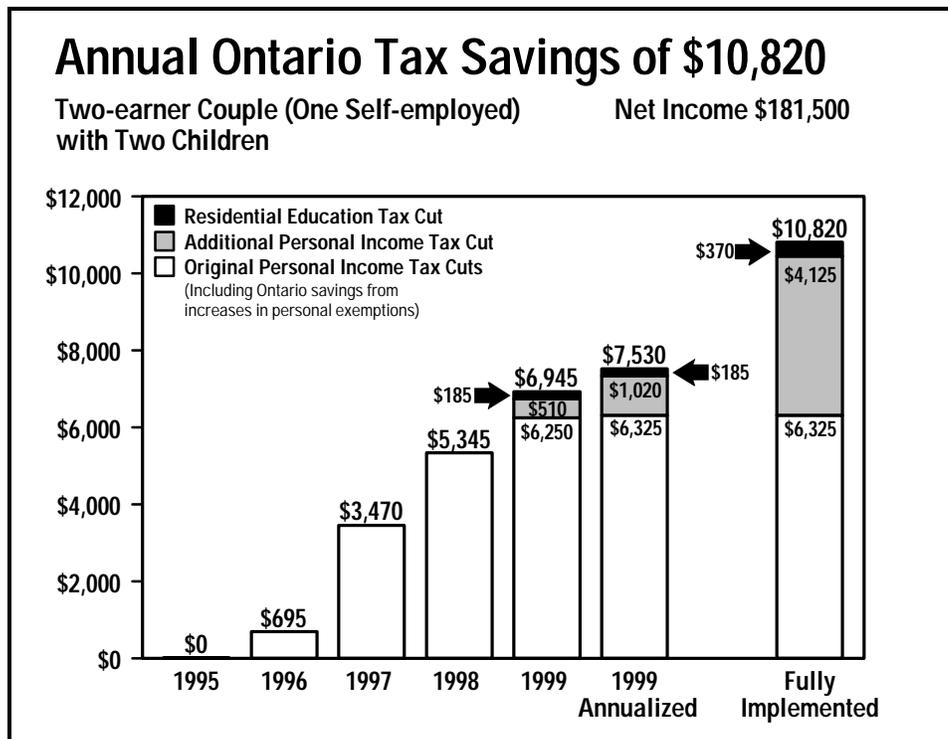
- ◆ One parent earns \$33,000 a year as a machine operator, pays \$600 in union dues and contributes \$1,400 a year to a company pension. The other parent, while caring for their two young children (ages one and four), earns \$6,000 a year from a home-based business.
- ◆ The family lives in a two-bedroom home in Oshawa, assessed at \$130,000.
- ◆ Ontario's original personal income tax cuts will save this family \$790 in 1999, and a total of \$1,875 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario tax savings by \$475. When combined with the original cuts and the enriched child care supplement, this family's savings would total \$2,195 per year.



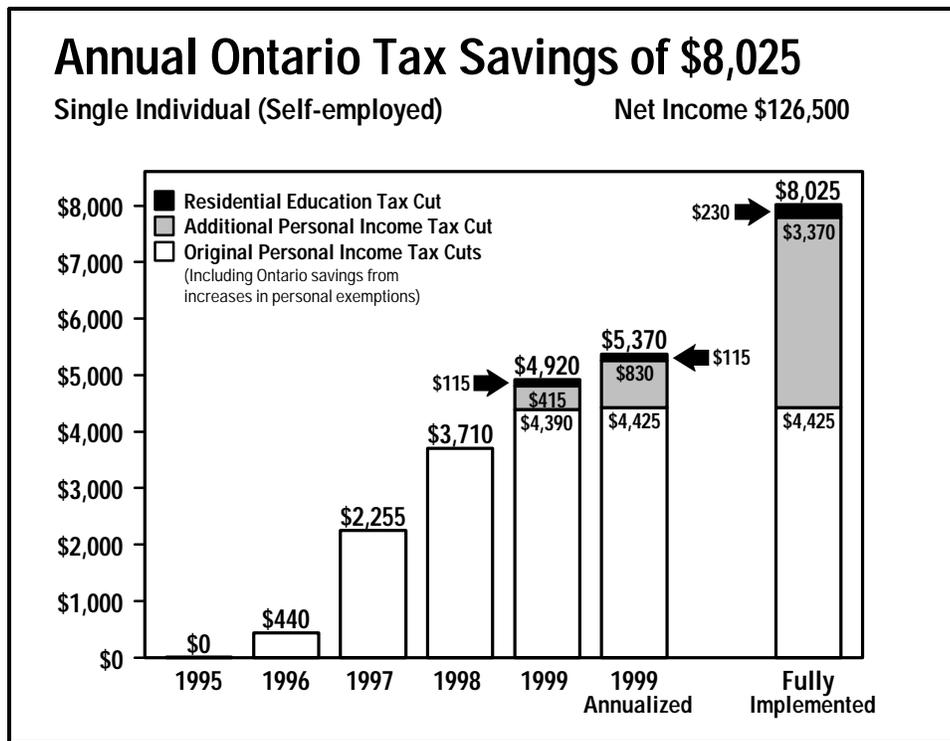
- ◆ Both individuals are retired. They each receive \$4,950 in Old Age Security and \$2,400 in Canada Pension. One individual has a company pension of \$29,000 a year. The other individual receives annual annuity payments of \$1,000. They each report interest income of \$1,500.
- ◆ The couple lives in a two-bedroom home in Sudbury, assessed at \$98,000.
- ◆ Ontario's original personal income tax cuts will save this couple \$1,000 in 1999, and a total of \$2,485 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this couple's Ontario tax savings by \$510, for total savings of \$1,555 per year.



- ◆ A professor earns \$75,000 a year and contributes \$4,300 annually to the university pension. A teacher earns \$58,000, pays \$750 in union dues and contributes \$4,500 a year to the teachers' pension fund.
- ◆ The couple lives in a three-bedroom home in London, assessed at \$217,000.
- ◆ Ontario's original personal income tax cuts will save this couple \$4,125 in 1999, and a total of \$10,525 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this couple's Ontario tax savings by \$2,295, for total savings of \$6,485 per year.



- ◆ A self-employed lawyer makes \$125,000 a year and contributes \$13,500 to an RRSP. An engineer at a large telecommunications company earns \$84,000 a year. Their two young children (ages two and four) are cared for in their home by a nanny, at a cost of \$18,000 a year—of which \$10,000 was deductible from 1995 through 1997, and \$14,000 was deductible for 1998 and subsequent years.
- ◆ The family lives in a four-bedroom home in Toronto, assessed at \$402,000.
- ◆ Ontario's original personal income tax cuts will save this family \$6,250 in 1999, and a total of \$15,760 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario personal income tax savings by \$4,495, for total savings of \$10,820 per year.



- ◆ A single doctor, with no dependants, earns \$140,000 a year and contributes \$13,500 to an RRSP.
- ◆ This individual lives in a three-bedroom home in Ottawa, assessed at \$250,000.
- ◆ Ontario's original personal income tax cuts will save this individual \$4,390 in 1999, and a total of \$10,795 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this individual's Ontario personal income tax savings by \$3,600, for total savings of \$8,025 per year.

Details of Revenue Measures

The following sections provide information on the taxation measures in the Budget. For a precise description of these measures, the reader is advised to consult the amending legislation.

Income Tax Act

Further Cuts to the Ontario Personal Income Tax

The Ontario personal income tax rate is set as a percentage of basic federal tax. In 1995, the Ontario tax rate was 58 per cent of basic federal tax. With the full implementation of the tax cuts first announced in the 1996 budget, the Ontario personal income tax rate was reduced to 40.5 per cent of basic federal tax for the 1999 and subsequent taxation years. This Budget proposes a further cut in the Ontario personal income tax rate.

- ◆ Effective July 1, 1999, the Ontario personal income tax rate would be reduced from 40.5 per cent of basic federal tax to 38.5 per cent of basic federal tax.
 - For the 1999 taxation year, the Ontario personal income tax rate would be 39.5 per cent of basic federal tax.
- ◆ For the 2000 and subsequent taxation years, the Ontario personal income tax rate would be 38.5 per cent of basic federal tax.

The Fair Share Health Care Levy (FSHCL) is a surtax applied to basic Ontario income tax. This levy currently does not apply to taxpayers reporting less than \$51,000 of income. The FSHCL has two tiers. To parallel the reduction in the personal income tax rate, the thresholds above which the FSHCL rates apply are proposed to be adjusted to maintain the income levels at which the FSHCL becomes payable.

- ◆ Effective July 1, 1999, the FSHCL would be calculated as 20 per cent of Ontario income tax in excess of \$3,655 plus 36 per cent of Ontario income tax in excess of \$4,562.
 - For the 1999 taxation year, the FSHCL would equal 20 per cent of Ontario income tax in excess of \$3,750 plus 36 per cent of Ontario income tax in excess of \$4,681.
- ◆ For the 2000 and subsequent taxation years, the FSHCL would equal 20 per cent of Ontario income tax in excess of \$3,655 plus 36 per cent of Ontario income tax in excess of \$4,562.

The Ontario Tax Reduction program reduces or eliminates the Ontario income tax payable by low- and moderate-income taxpayers. By leaving current program parameters in place when the Ontario tax rate is reduced, 30,000 low-income taxpayers would be removed from Ontario's tax rolls and 555,000 additional taxpayers with modest incomes would have their Ontario tax further reduced.

Ontario Research Employee Stock Option Credit

During the pre-Budget consultations, concerns were expressed about the difficulty facing high-technology companies in attracting and retaining highly skilled workers. In response to these concerns, the Government is proposing the following framework for a new Ontario tax credit that would substantially reduce or eliminate Ontario personal income tax arising from the exercise or disposition of eligible stock options granted by R&D companies to their eligible employees. Over the next few months, the Government will consult with stakeholders on the definitions of an eligible corporation and an eligible employee, and on the appropriate level of the tax credit.

Eligible employee

- ◆ An eligible employee:
 - must be employed by an eligible corporation at the time the stock option is granted; and
 - must be a resident of Ontario on December 31 of the year in which the stock option is granted, and December 31 of the year for which the employee takes a deduction under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada).
- ◆ If an individual is an employee of the eligible corporation as well as an employee of a corporation not dealing at arm's length with the eligible corporation, the individual would be eligible for the tax credit only if he or she provides substantially all of his or her employment services to the eligible corporation in the year the stock option is granted.
 - In the application of this rule, where an individual provides services to a corporation not dealing at arm's length with the eligible corporation, through the use of a personal services corporation, he or she would be considered to be an employee of the corporation not dealing at arm's length with the eligible corporation.
- ◆ The tax credit would not be available to an individual who:

- owns (individually or in combination with a related group), or is related to a person (or a related group) who owns, directly or indirectly, at least 10 per cent of any class of shares of the eligible corporation, or of any corporation not dealing at arm's length with the eligible corporation, at any time prior to the date the stock option is granted; or
- is a corporate director of the eligible corporation unless he or she also performs employment duties other than as a corporate director of the eligible corporation.

Eligible stock options

- ◆ Eligible stock options would be those granted under an agreement by which the eligible corporation will sell, issue or cause to be issued to its employees its shares or the shares of a corporation not dealing at arm's length with the eligible corporation.
- ◆ Stock options must qualify for a deduction under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada).

Eligible corporation

- ◆ An eligible corporation:
 - must be directly undertaking scientific research and experimental development at a permanent establishment in Ontario; and
 - must meet any additional tests, to be determined through consultation.
- ◆ Scientific research and experimental development would be as defined in subsection 248(1) of the *Income Tax Act* (Canada).

Tax credit

- ◆ The tax credit would be based on the amount of the deduction taken under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada).
- ◆ The tax credit would be claimed with respect to the taxation year for which the stock option benefit is reported in income and the deduction is taken under paragraph 110(1)(d) or (d.1).
- ◆ The tax credit would be available on a lifetime maximum of \$1 million of eligible stock option benefits reported by an individual.

- ◆ The tax credit would not be refundable.

Effective date

- ◆ The tax credit would be available for eligible stock options granted by an eligible corporation following proclamation of the legislation enacting the tax credit.

Ontario Child Care Supplement for Working Families

Last year, the Government introduced the Ontario Child Care Supplement for Working Families as its reinvestment under the National Child Benefit initiative and announced that spending on this program would be increased this year. Additional funds made available in July 1999 by the second phase of the National Child Benefit initiative would fund this enrichment.

The Government proposes to increase the maximum benefit under the Ontario Child Care Supplement for Working Families from \$1,020 to \$1,100 per year for each child under age seven, effective July 1999.

For families with earnings from work (including self-employment), benefits are calculated as a percentage of earnings in excess of \$5,000, depending on the number of children under age seven. With the increase in the maximum supplement for each child, it is proposed that the percentage of earnings be adjusted to ensure that lower-income working families benefit from the enrichment.

- ◆ Benefits are proposed to be 21 per cent of earnings above \$5,000 for a family with one child under age seven, 42 per cent for a family with two children under age seven, and 63 per cent for a family with three or more children under age seven.
- ◆ The maximum annual benefit would be \$1,100 multiplied by the number of children under age seven.

Families must return their application forms by June 30, 1999 to receive a child care supplement payment in July 1999.

The benefit increase would be paid beginning with the July 1999 payment or as a lump-sum retroactive amount following Royal Assent of the amending legislation.

Benefit entitlements for the period July 1999 to June 2000 would be calculated on the basis of amounts reported on the 1998 income tax return and Canada Child Tax Benefit information.

Education Tax Rate Reduction

In 1998, education tax rates were frozen as part of Ontario's tax reform initiative. For residential property taxpayers across Ontario, a uniform education tax rate of 0.46 per cent of assessed value was established.

This Budget sets out a province-wide reduction in the residential education tax rate. When the 20 per cent cut is fully implemented, the education tax rate applicable to residential properties will be 0.368 per cent of assessed value.

Amendments will be introduced to the *Education Act* to incorporate the residential education tax rate in legislation, and to make the following changes to the education tax rates for 1999:

- ◆ The rate applicable to residential and multi-residential properties would be reduced by 10 per cent to 0.414 per cent of assessed value.
- ◆ The rate applicable to farmlands and managed forests would be reduced to 0.1035 per cent of assessed value.

Community Small Business Investment Funds Act

During pre-Budget consultations with interested stakeholders, various suggestions were received for improving access to capital for small and medium-sized businesses under the Community Small Business Investment Fund (CSBIF) program and the Labour Sponsored Investment Fund (LSIF) program. As a result of these consultations, the Government is proposing changes to both programs to further enhance the flow of investment capital to small and medium-sized businesses in Ontario. The proposed changes to each program are described below.

Some of the suggestions received require further consultation and review. These suggestions include expanding the objectives of both programs to increase the flow of capital into research and development activities in Ontario. The Government will consult further with stakeholders on these suggestions prior to the introduction of legislation to amend the Act.

Community Small Business Investment Funds

The CSBIF program was introduced in 1997 to promote greater access to investment capital for very small, growing businesses with \$1 million or less in assets. To date, three CSBIFs, capable of investing up to a total of \$18 million in small businesses, have been registered. Other potential CSBIFs are under active consideration by interested community sponsors and investors.

- ◆ In order to facilitate the establishment of additional CSBIFs, the Government is proposing the following changes:
 - the deadline for registering a CSBIF would be extended an additional two years to December 31, 2001;
 - the requirement that financial institutions or labour sponsored investment funds contribute more than 50 per cent of a CSBIF's equity would be reduced to 25 per cent;
 - the minimum equity contribution to a CSBIF by an individual investor would be reduced from \$150,000 to \$25,000, and the investment incentive available to individuals would be extended to corporations; and

- the minimum amount of equity capital required for registration of a CSBIF would be reduced from \$5 million to \$2 million.
- ◆ To provide a fairer and simpler framework for CSBIF investment decisions in growing small businesses, it is proposed that:
 - the \$1 million asset limit for an eligible business be applied only at the time of the CSBIF's initial investment;
 - the initial investment in an eligible business may be in any amount up to the current overall limit of 20 per cent of the CSBIF's equity; and
 - the eligible business criteria be amended to require that at least 75 per cent of assets and employees be engaged in eligible business activities within the community at the time a CSBIF makes an investment.
- ◆ Technical amendments would be made to the legislation governing CSBIFs to improve the administration, effectiveness and technical integrity of the program.

Labour Sponsored Investment Funds

Labour sponsored investment funds are designed to provide capital to businesses with no more than \$50 million in assets and 500 employees. In 1998, labour sponsored investment funds invested over \$210 million in 144 Ontario businesses.

- ◆ To further improve access to capital for small and medium-sized businesses that do not have access to public equity markets, the Government is proposing amendments to the rules governing investments in reporting issuers. The current investment limit would be amended to apply only to reporting issuers listed on a recognized stock market or exchange. If a reporting issuer in which an investment is held becomes listed, it would become subject to the limit.
- ◆ The Government proposes to introduce legislation to govern mergers and amalgamations of labour sponsored investment funds, as well as the procedures for withdrawals from the program. The proposed rules would be comparable to the federal rules announced in the 1999 federal budget.
- ◆ Technical amendments would be made to the legislation governing labour sponsored investment funds to improve the administration, effectiveness and technical integrity of the program.

Land Transfer Tax Act

Land Transfer Tax Refund for First-time New Home Buyers Extended and Maximum Refund Increased

As announced on March 31, 1999, the Government will introduce legislation to extend by one year the temporary refund program applicable to the purchase of a newly built home by a first-time home buyer.

Eligibility criteria

- ◆ Qualification deadlines would be extended as follows: the agreement of purchase and sale must be entered into on or before March 31, 2000, the purchaser must take possession of the house no later than December 31, 2000 and the transfer must be registered no later than December 31, 2001.
- ◆ Other program eligibility rules would remain unchanged.

Maximum refund increased

- ◆ To further assist families to purchase their first home and to promote home construction, it is proposed that the maximum refund be increased from \$1,725 to \$2,000 effective for agreements of purchase and sale entered into after March 31, 1999.

Retail Sales Tax Act

Relief for Farmers

Permanent rebate on building materials for farmers

On March 31, 1999, the Government announced a one-year extension of the temporary rebate for retail sales tax paid on building materials purchased by farmers. The Government will introduce legislation to make this program permanent, effective April 1, 1999. The program eligibility rules would remain unchanged.

Expanding retail sales tax relief for farmers

- ◆ Regulation amendments are also proposed to expand the exemptions available to farmers. Effective May 5, 1999, farmers would also be able to purchase the following items exempt of retail sales tax by providing their suppliers with a purchase exemption certificate:
 - antifreeze;
 - calcium chloride;
 - forms for recording animal weight and other data;
 - lubricating oil and grease; and
 - generators.

Temporary Rebate on Building Materials for Heritage Properties

The Government will introduce legislation to implement a new temporary rebate program. Owners of qualifying heritage properties may apply for a retail sales tax rebate on building materials purchased after May 4, 1999 and before May 5, 2000, and used in approved conservation and restoration projects in Ontario. The rebate would be capped at \$3,000 per heritage property.

Qualifying properties

- ◆ Qualifying properties would be defined to include a heritage property formally protected under the *Ontario Heritage Act*.
 - buildings and structures designated by a municipality under Part IV of the Act;
 - buildings and structures in a heritage conservation district designated under Part V of the Act; and
 - buildings and structures protected by a heritage easement agreement.

Qualifying conservation and restoration projects

- ◆ Qualifying conservation and restoration projects would be defined as work that maintains, conserves, reconstructs or enhances architectural features described in the municipal designation by-law, the heritage conservation district plan, or the easement agreement under the *Ontario Heritage Act*.

Corporations Tax Act

Enhancing the Capital Tax Exemption for Small Businesses

Small businesses are currently exempt from Ontario capital tax if both their assets and revenue are less than \$1 million. Businesses with taxable paid-up capital under \$2.3 million are subject to flat or reduced rates of capital tax.

The Government proposes to simplify and enrich this exemption for small businesses.

- ◆ A corporation or a group of associated corporations that have aggregate taxable paid-up capital under \$2 million would be exempt from capital tax.
- ◆ For corporations or associated groups of corporations with aggregate taxable paid-up capital greater than \$2 million and less than \$4 million, the full rate of capital tax would be phased in gradually between \$2 million and \$4 million of taxable paid-up capital.
- ◆ The \$4 million threshold would be staged over five years.
 - For taxation years ending after May 4, 1999 and before January 1, 2000, prorated for taxation years straddling May 4, 1999, the threshold at which the capital tax rate would be fully phased in would be \$2.4 million.
 - This threshold would be increased by \$400,000 each subsequent January 1, until the \$4 million threshold is fully phased in on January 1, 2003.
- ◆ Corporations or associated groups of corporations that have aggregate taxable paid-up capital greater than the threshold at which the capital tax rate is fully phased in for a year would continue to pay capital tax at the rate of 0.3 per cent on their taxable paid-up capital.
- ◆ Central credit unions, family farm corporations, family fishing corporations and certain mutual insurance corporations would be exempt from capital tax if they are currently subject to the \$100 flat tax.
- ◆ Small businesses that have total assets and gross revenue under \$1 million and that are not part of an associated group of corporations or a partnership would continue to be exempt from capital tax and from the requirement to calculate taxable paid-up capital.

Effective date

This measure would be effective for taxation years ending after May 4, 1999, prorated for taxation years straddling May 4, 1999 and a calendar year-end.

Eliminating Capital Tax for Credit Unions and Caisses Populaires

Ontario's credit unions and caisses populaires are unique, community-based financial institutions that provide an alternative to banks and trust companies. As announced in the 1997 budget, credit unions are subject to capital tax at a rate of 0.6 per cent, which is being phased in over a five-year period.

- ◆ To further assist credit unions to compete in the financial sector, legislation will be introduced to exempt credit unions from capital tax.
- ◆ This measure would be effective for taxation years ending after May 4, 1999, prorated for taxation years straddling May 4, 1999.

Enhancing the Ontario Film and Television Tax Credit

The Ontario Film and Television Tax Credit (OFTTC) is a refundable tax credit available to Ontario-based, Canadian-controlled production companies for producing eligible film and television productions in Ontario. To qualify for the OFTTC, a production must currently earn at least eight "creative services" points regarding Canadian content.

- ◆ Effective for productions commencing principal photography after May 4, 1999, it is proposed that eligibility for the OFTTC would be extended to productions with at least six "creative services" points. This enhancement would extend the OFTTC to a broader range of Canadian productions and would make the OFTTC consistent with comparable federal and provincial film tax credit programs.

Enhancing the Computer Animation and Special Effects Tax Credit

To reinforce Ontario's world-renowned excellence in digital animation and digital special effects and support Ontario's highly skilled talent, the Ontario Computer Animation and Special Effects (OCASE) tax credit would be enhanced.

The OCASE tax credit is a 20 per cent refundable tax credit available to corporations for the creation in Ontario of digital animation and digital visual effects for use in film and television productions.

- ◆ Effective for expenditures incurred after May 4, 1999, the OCASE tax credit would be expanded to include 50 per cent of amounts paid to individuals in Ontario who are not employees of the qualifying corporation with respect to qualifying activities performed in Ontario.

Enhancing the Ontario Interactive Digital Media Tax Credit

To support highly skilled jobs and encourage investment in Ontario's dynamic, interactive industry, the Ontario Interactive Digital Media tax credit would be enhanced.

The Ontario Interactive Digital Media tax credit is a 20 per cent refundable tax credit available to corporations for the creation in Ontario of original interactive digital media products.

- ◆ Effective for expenditures incurred after May 4, 1999, the Ontario Interactive Digital Media tax credit would be expanded to include 50 per cent of amounts paid to arm's-length parties in Ontario who are not employees of the qualifying corporation for the creation of eligible products in Ontario.

Eliminating Barriers to Technology Transfers

As announced in the 1997 budget, Ontario removed barriers to technology transfers by excluding certain royalties paid to non-residents from the 5/15.5 add-back where a tax treaty exempts the royalty from federal withholding taxes under the *Income Tax Act* (Canada).

- ◆ A royalty is currently excluded from the add-back if it is paid with respect to:
 - computer software; or
 - patents and information concerning industrial, commercial or scientific experience (know-how), including designs, models, plans, secret formulas and processes.
- ◆ To provide fair treatment for all technology transfers, the Government proposes that the types of royalties described above would be excluded from the add-back, whether or not a tax treaty exempts the royalty from federal withholding taxes under the *Income Tax Act* (Canada).
- ◆ This measure would be effective for royalties incurred after May 4, 1999.

Expanding the Ontario Innovation Tax Credit

The Ontario Innovation Tax Credit (OITC) provides qualifying small and medium-sized Canadian-controlled private corporations with a 10 per cent refundable tax credit for research and development carried out in Ontario. Under the present rules, to be eligible for the full OITC, the federal taxable income of a corporation and its taxable capital (for federal large corporations tax purposes) in the preceding taxation year must not exceed \$200,000 and \$10 million, respectively. Where a corporation exceeds these thresholds, the annual limit on qualifying expenditures is phased out on a graduated scale.

- ◆ The Government will introduce legislation to extend the availability of the OITC to all public and private corporations that satisfy the same income criteria as Canadian-controlled private corporations currently eligible for the OITC.
- ◆ In addition, corporations would be eligible to claim the full OITC where they have up to \$25 million of taxable paid-up capital. The annual limit on qualifying expenditures would be fully phased out when taxable paid-up capital is \$50 million or more.
- ◆ These measures would be effective for taxation years ending after May 4, 1999, prorated for taxation years straddling May 4, 1999.

Enhancing Tax Incentives for Businesses Hiring Apprentices

To increase opportunities for Ontarians acquiring skills in leading-edge technology fields, and to assist growth-oriented businesses in finding and training new workers, the Government proposes to enhance the tax incentive for hiring apprentices provided through the Leading-Edge Technology (LET) component of the Co-operative Education Tax Credit (CETC) introduced in the 1997 budget. For incorporated and unincorporated businesses, the CETC currently provides a 10 per cent (up to 15 per cent for small businesses) refundable tax credit up to a maximum tax credit of \$4,000 per apprentice with respect to the first 16 months of the apprenticeship.

- ◆ Effective for apprentices whose employment commences after May 4, 1999, the maximum period for which salaries, wages and benefits would be eligible expenses for the tax credit with respect to LET apprenticeships would be extended from 16 to 24 months. This would increase the maximum tax credit to \$6,000 with respect to each apprentice.

Ontario School Bus Safety Incentive

The Canadian Standards Association (CSA) has published a new standard for school buses that Ontario intends to adopt on September 1, 1999. To encourage school bus operators to replace old buses with buses that meet the new CSA standard, the Government is proposing a new incentive.

Tax incentive

- ◆ The proposed incentive would be a 30 per cent deduction for the capital cost of acquiring a new school bus for use in Ontario.
- ◆ Where a corporation allocates part of its taxable income to another jurisdiction, the incentive would be grossed up by its Ontario allocation factor to ensure that the full benefit of the incentive is realized.
- ◆ The proposed incentive would be a once-only claim and separate from, and in addition to, the deduction available for income tax purposes with respect to the capital cost.

Eligible bus

- ◆ An eligible bus would be a vehicle that:
 - is acquired within three years of May 4, 1999;
 - conforms to the CSA D250-M 1998 standard;
 - is used primarily to transport students to and from school in Ontario; and
 - the capital cost is an expenditure described in Capital Cost Allowance class 10 of the federal Income Tax Regulations.

Effective date

- ◆ The proposed incentive would apply to acquisitions made after May 4, 1999.

Tax Harmonization Measures

Extension of the manufacturing and processing tax credit to the electricity-generating sector

The manufacturing and processing tax credit in Ontario reduces the corporate income tax rate applicable to manufacturing and processing income from 15.5 per cent to 13.5 per cent.

- ◆ In order to assist participants in the electricity-generating industry to compete in a restructured electricity market, the Government proposes to extend the manufacturing and processing tax credit to corporations that produce electrical energy or steam for sale.
- ◆ The extension of the manufacturing and processing tax credit to the electrical and steam-generating sector would be phased in, commencing January 1, 1999, over four years at 0.5 per cent per year, prorated for taxation years straddling a calendar year-end. The full two per cent credit would be available in 2002. This is consistent with the extension of the manufacturing and processing tax credit to the electricity sector as announced in the 1999 federal budget.

Other measures

The Government proposes to harmonize with certain federal income tax changes and effective dates announced in the 1999 federal budget and other federal releases. These include:

- ◆ extending class 43.1 (30 per cent) capital cost allowance treatment to electrical generating equipment using flare gas;
- ◆ allowing accelerated capital cost allowance deductions to small and medium-sized businesses for up to \$50,000 of eligible computer hardware and software acquired between January 1, 1998 and June 30, 1999 to replace systems that are not year 2000 compliant; and
- ◆ paralleling, with necessary modifications, proposed federal tax measures dealing with the demutualization of life insurance companies.

Making the Tax System Fairer

Ontario will introduce legislation to improve the fairness of the tax system, simplify tax legislation, reduce the administrative burden for taxpayers and ensure that all taxpayers pay their fair share of taxes.

Income Tax Act

- ◆ The *Income Tax Act* allows a mutual fund trust to claim a refund of income tax and surtax paid on its capital gains, if certain conditions are met. Effective for the 1999 and subsequent taxation years, it is proposed that the calculation of this refund be amended to ensure that all income tax and surtax paid on capital gains after 1995 are available for the refund.

Corporations Tax Act

Corporate minimum tax

- ◆ The Government will introduce amendments to improve the fairness of the corporate minimum tax by allowing a corporation to reduce its adjusted net income by the amount of interest paid on debt that is treated as equity for accounting purposes. This measure would be effective for interest incurred after May 4, 1999.

Capital tax

- ◆ The Government will also introduce legislation to make the investment allowance claimed by financial institutions fairer. Currently, the investment allowance available to a financial institution is limited to investments in shares and long-term debt of a related financial institution or insurance corporation with a permanent establishment in Ontario. The investment allowance is also limited to the extent that the related financial institution or insurance corporation carries on business in Ontario.

- The new rules would allow a financial institution to claim a full investment allowance for investments in shares and long-term debt of related financial institutions and insurance corporations in Canada, whether or not they have a permanent establishment in Ontario, provided that the financial institution claiming the investment allowance allocates all its capital to Ontario and is not controlled directly or indirectly by another financial institution. The investment allowance in this situation would not be adjusted to reflect the extent to which the related financial institution or insurance corporation operates in Ontario.

- This measure would be effective May 7, 1997, which was the date that Ontario's capital tax for financial institutions was harmonized with the federal large corporations tax.

Corporate income tax

- ◆ The *Corporations Tax Act* was amended in 1998 to implement rules preventing the undue reduction of provincial tax through the manipulation of claims for discretionary deductions and reserves in taxation years where there are significant changes in the proportionate amount of taxable income that a corporation allocates to Ontario. Amendments will be introduced to clarify the rules so that they are more effective and fair and do not interfere with legitimate business transactions. These changes would include clarifying that these rules apply only where a corporation claims a deduction and it is reasonable to believe that one of the reasons for claiming the deduction is to unduly reduce provincial tax.

Other

- ◆ Under the *Municipal Act* and the *Provincial Land Tax Act*, telephone and telegraph companies are required to pay a tax on their gross receipts arising from telephone and other equipment, including long distance calls. It is proposed that the tax rate for 1999 would be reduced to four per cent from the five per cent that was in place in 1998.
- ◆ Ontario will consult with fuel, gasoline and tobacco tax collectors to improve the method of reconciling tax accounts where loss of product has occurred.

Technical Amendments

To improve administrative effectiveness and maintain the integrity and equity of the tax system and the Government's collection and use of revenues, as well as to enhance legislative clarity, various changes will be introduced to the following statutes:

- ◆ *Corporations Tax Act*
- ◆ *Education Act*
- ◆ *Electricity Act, 1998*
- ◆ *Employer Health Tax Act*
- ◆ *Financial Administration Act*
- ◆ *Fuel Tax Act*
- ◆ *Gasoline Tax Act*
- ◆ *Income Tax Act*
- ◆ *Land Transfer Tax Act*
- ◆ *Mining Tax Act*
- ◆ *Municipal Act*
- ◆ *Ontario Guaranteed Annual Income Act*
- ◆ *Provincial Land Tax Act*
- ◆ *Race Tracks Tax Act*
- ◆ *Retail Sales Tax Act*
- ◆ *Tenant Protection Act*
- ◆ *Tobacco Tax Act*

Reducing Red Tape for Small Business

This Budget builds on measures introduced in the previous three budgets to streamline and simplify tax compliance by proposing further administrative simplification and service enhancements. Additional measures may be developed in consultation with the small business community.

Declaration of Taxpayer Rights

- ◆ A Charter of Taxpayer Rights will be developed in response to the recommendation of the Canadian Federation of Independent Business. The declaration will demonstrate Ontario's commitment to administering tax laws with fairness, courtesy and common sense.

Corporations Tax

- ◆ A new short-form tax return is proposed for small business corporations commencing with the filing of returns for taxation periods ending on or after January 1, 2000. The new return will be reduced from 16 to 4 pages.
- ◆ Eligible small business corporations would be corporations that are exempt from capital tax, have taxable income under \$200,000, and are not part of a larger corporate group.

Employer Health Tax

- ◆ It is proposed that effective January 1, 2000, employers with an annual total Ontario remuneration of \$600,000 or less would no longer be required to pay instalments, and would remit tax owing only once a year along with their Employer Health Tax annual return.

Retail Sales Tax

- ◆ Current penalties for late-filed or short-paid tax remittances include the loss of compensation given for administering the tax. It is proposed that vendors be allowed to retain the compensation and that the late-filing and late-payment penalties be reviewed and refocused to deter significant non-compliance.
- ◆ Most retail sales tax is remitted on a monthly basis. However, many small vendors have extended return filing periods because the sales tax they collect is below established thresholds. It is proposed that the existing thresholds be doubled to allow more small vendors to benefit from the extended filing periods.

- Vendors remitting less than \$2,000 every six months would be allowed to remit once every six months.
 - Vendors remitting \$2,000 or more but less than \$4,000 every six months would be allowed to remit every three months.
 - Vendors remitting \$4,000 or more but less than \$6,000 every six months would be allowed to remit every two months.
- ◆ The Purchase Exemption Certificate system will be simplified to reduce red tape and compliance costs for vendors.

Improved Customer Service Measures

Quality service has always been a priority of this Government. Recent measures to improve service for business taxpayers include:

- ◆ the creation of four Regional Tax Offices that provide “one-stop shopping” for taxpayers on retail sales tax, employer health tax and corporations tax matters;
- ◆ telephone registration for part-time retail sales tax vendors; and
- ◆ joint information seminars conducted with Revenue Canada to assist new goods and services tax/retail sales tax registrants.

In addition, this Budget proposes the following service enhancements:

- ◆ A Small Business Service Desk will be established in Regional Tax Offices with toll-free telephone access to better focus on servicing the tax-related needs of the small business community. Other services customized for the small business client will include:
 - a new series of *Small Business Pointers* tax guides to provide easy-to-understand retail sales tax overviews for various business sectors;
 - sector-specific retail sales tax information seminars; and
 - a new guide to answer the most frequently asked tax-related questions raised by small businesses, from initial registration requirements to filing tax returns and payments.

- ◆ Telephone registration will be extended to full-time retail sales tax vendors.
- ◆ A series of sector-specific employer health tax bulletins will be developed.
- ◆ A new fax-on-demand service will be introduced, initially for retail sales tax guides, and Internet opportunities will be developed.

Streamlining the Securities Act for Small Business

The Ontario Securities Commission (OSC) will introduce new rules to make it easier to raise money in Ontario's capital markets.

These new rules will revamp the regulatory requirements for closely held issuers and for issuers that raise capital from "accredited" or sophisticated investors including most financial institutions and many so-called "angel" investors.

The OSC will move to replace four existing *Securities Act* prospectus and registration exemptions with two new ones to make it easier for small and medium-sized businesses to raise capital through private placements. The OSC proposes to allow:

- ◆ "Closely held issuers" to raise up to \$3 million, through any number of financings, from up to 35 investors, including employees, without regard to the sophistication or other qualifications of those investors. Such financings would be subject to streamlined securities regulatory requirements.
- ◆ Issuers to raise an unlimited amount from persons or companies that meet the definition of "accredited investors." "Accredited investors" would include, among others, most financial institutions, governments and agencies, pension funds, charities, certain high-net-worth or high-income individuals, promoters, certain corporations, certain mutual funds and those recognized by the OSC as accredited investors.

The Province will encourage the OSC to harmonize these rules and related securities matters with other Canadian jurisdictions. These rules will broaden the base of investors that can be tapped by businesses, and promote a deeper and more efficient capital market. This initiative should increase access to equity capital, especially for smaller businesses that are critical to economic growth and job creation in Ontario.

Ontario Securities Commission Fee Reduction

The OSC is proposing to implement a 10 per cent across-the-board fee reduction in order to address the Government's commitment to reduce the OSC's fees to meet its expenditures. This is a first, interim step in a planned review and re-engineering by the OSC of its fee schedule. The fee reductions will benefit securities intermediaries, issuers and investors, and will be effective August 3, 1999.

Credit Unions and Caisses Populaires

Ontario's credit unions and caisses populaires are unique, community-based financial institutions that provide Ontarians an alternative to the large banks and trust companies. There are 378 credit unions and caisses populaires in the province, operating in over 700 locations. They manage assets of over \$13.7 billion for their nearly two million members. Deposit insurance is provided by the Deposit Insurance Corporation of Ontario (DICO), an agency of the Province established under the provisions of the *Credit Unions and Caisses Populaires Act*.

To help credit unions and caisses populaires better serve the needs of their communities, the Government will make deposit insurance more affordable. Deposit insurance premiums paid by credit unions and caisses populaires will be made fairer by calculating the annual premiums based on the *insured* portion of deposits. The calculation is currently based on *all* deposits, including the uninsured portion and deposits in foreign currencies.

In addition, the Government will improve deposit insurance coverage to meet members' needs and help credit unions and caisses populaires stay competitive. Deposit insurance coverage will be extended to deposit products with maturities greater than five years. This will extend the range of possible product offerings and improve the ability of credit unions and caisses populaires to attract deposits to match term loans in excess of five years. As DICO and the credit union and caisses populaires system stay on course to strengthen the financial performance of the sector, the Government will increase the current level of insurance coverage of \$60,000 per account to \$100,000.

The Government will also examine ways to support small business lending by Ontario's credit unions and caisses populaires. Working with the sector, the Ministry of Finance will review alternative designs for a loan guarantee program to enable credit unions and caisses populaires to channel local savings towards small business loans.

Benefits to Taxpayers: 1999 Budget Impact Summary	1999-00 Benefit (\$ Millions)	Full Year Benefit (\$ Millions)
Income Tax Act		
Personal Income Tax Cut	520	4,000
Enriched Ontario Tax Reduction	5	10
Education Act		
Residential Education Tax Cut	248	500
Community Small Business Investment Funds Act		
	0	0
Land Transfer Tax Act		
	24	24
Retail Sales Tax Act		
Permanent Rebate on Building Materials for Farmers	7	7
Expanding Retail Sales Tax Relief For Farmers	2	2
Temporary Rebate on Building Materials for Heritage Properties	1	1
Corporations Tax Act		
Enhancing Capital Tax Exemption for Small Business	13	35
Eliminating Capital Tax for Credit Unions	1	4
Enhancing the Ontario Film and Television Tax Credit	10	10
Enhancing the Ontario Interactive Digital Media Tax Credit	1	1
Enhancing the Computer Animation and Special Effects Tax Credit	1	1
Eliminating 5/15.5 Add-Back Rule for Technology Transfers	19	21
Expanding Ontario's Innovation Tax Credit	16	17
Enhancing Co-op Tax Credit for Hiring Apprentices	0	10
Ontario School Bus Safety Incentive	3	4
Extending the Manufacturing and Processing Credit to the Electricity-Generating Sector	2	8
Small Business Tax Incentive for Y2K Computer Expenditures	6	12
Gross Receipts Tax	40	40
Making the Tax System Fairer	6	3
Reducing Red Tape for Small Business	3	5
Total Benefits to Taxpayers	928	4,715

For further information on these Budget initiatives:

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Ministry of Finance WEB site: <http://www.gov.on.ca/FIN/hmpage.html>

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Personal income tax

Taxation Policy Branch
Ministry of Finance
5th Floor, Frost Building South
7 Queen's Park Crescent East
Toronto ON M7A 1Y7

Corporations tax

Corporations Tax Branch
Ministry of Finance
P.O. Box 622, 33 King Street West
Oshawa ON L1H 8H6

Land transfer tax

Motor Fuels and Tobacco Tax Branch
Ministry of Finance
P.O. Box 625, 33 King Street West
Oshawa ON L1H 8H9

Retail sales tax

Retail Sales Tax Branch
Ministry of Finance
P.O. Box 623, 33 King Street West
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Community small business
investment fund program,
Labour sponsored investment fund program,
Changes to make the tax system fairer

Tax Design and Legislation Branch
Ministry of Finance
2nd Floor, Frost Building North
95 Grosvenor Street
Toronto ON M7A 1Z1

Reducing red tape

Tax Revenue Division
Ministry of Finance
P.O. Box 627, 33 King Street West
Oshawa ON L1H 8H5

Streamlining securities regulation,
Credit unions and caisses populaires

Financial Services Policy Branch
Ministry of Finance
30th Floor, 250 Yonge Street
Toronto ON M5B 2N7

Property tax,
Education property tax

Property Tax Policy Secretariat
Ministry of Finance
5th Floor, Frost Building South
7 Queen's Park Crescent East
Toronto ON M7A 1Y7

PAPER D
Ontario Financing Operations

Introduction

Despite increased volatility in global capital markets, the Government, through the Ontario Financing Authority (OFA), fulfilled the Province of Ontario's 1998–99 financing requirements in a cost-effective manner. Public debt interest costs were \$142 million below the 1998–99 Budget plan, largely due to borrowing at lower-than-budgeted interest rates.

In 1999–00, the Province intends to raise \$8.1 billion of long-term financing in the public capital markets, in addition to the \$0.6 billion raised so far in the fiscal year. This \$8.1 billion will include proceeds from the fifth annual Ontario Savings Bonds campaign in June. The domestic market will continue to be the main source of financing for the Province, while foreign markets will be accessed when cost-effective borrowing opportunities arise.

With total Provincial Purpose Debt at \$109.0 billion as of March 31, 1999, cost-effective borrowing and prudent debt management practices are essential.

1998–99 Borrowing Program Review

Many borrowers faced limitations in accessing global capital markets due to the increased market volatility in 1998–99. These limitations often meant increased borrowing costs, despite a low interest rate environment. However, the Province continued to enjoy preferred access to capital markets.

- ◆ For 1998–99, total requirements to finance the deficit, cash timing adjustments, borrowing on behalf of agencies and maturing debt were \$12.6 billion. This was financed by short-term borrowing of \$0.4 billion, a decrease in liquid reserves of \$2.9 billion and long-term borrowing of \$9.3 billion.
- ◆ With a deficit of \$3.2 billion and maturing debt of \$6.4 billion, 1998–99 marked the second year in a row that borrowing to refinance maturing debt exceeded borrowing to finance the deficit. While debt maturing in fiscal year 1998–99 had a weighted-average interest rate of 8.59 per cent, the Province was able to refinance this debt at a weighted-average rate of 5.61 per cent.
- ◆ The Province reopened its 30-year benchmark bond in March 1999 at a yield of 5.78 per cent, the lowest yield at which the Province had ever issued a 30-year public bond.

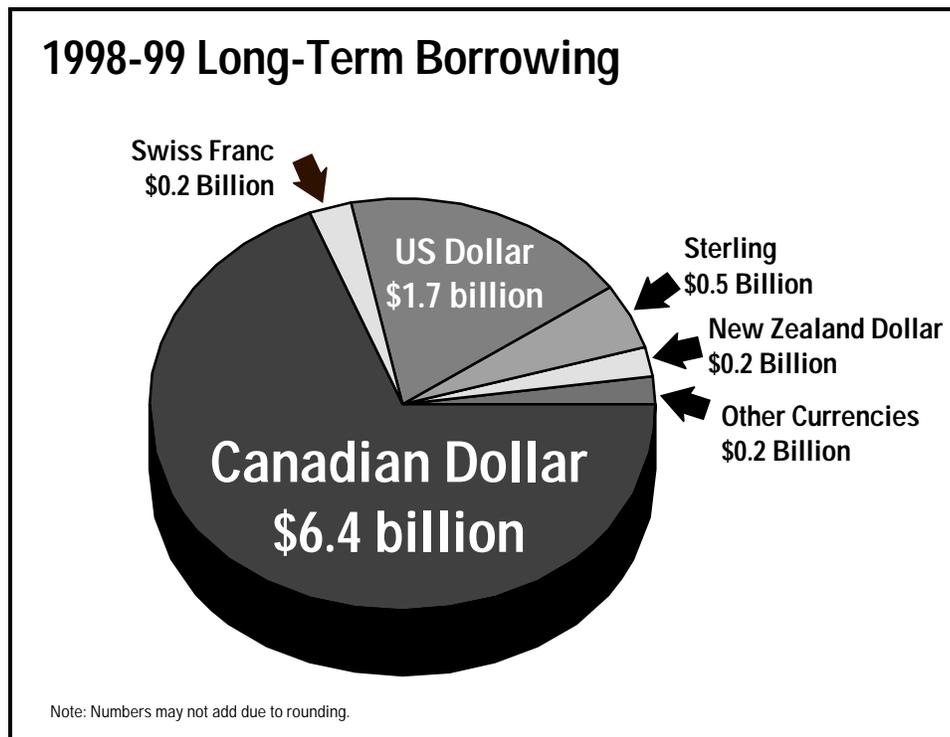
Ontario Hydro Borrowing

To meet the former Ontario Hydro's financing requirements in a cost-effective manner, the Province issued \$1.5 billion of debt on its behalf in the last quarter of 1998 and first quarter of 1999. The Province received Ontario Hydro securities bearing like terms and conditions in return for the proceeds of these issues.

Accessing Foreign Markets

The Province's flexible approach to borrowing allows it to take advantage of cost-effective financing opportunities. This is particularly important during periods of high market volatility. While the domestic market remained the primary source of funds, foreign markets were accessed when they provided lower-cost financing opportunities.

- ◆ Of the \$9.3 billion long-term financing program, \$6.4 billion was raised in Canadian dollars, including \$2.0 billion from the fourth annual Ontario Savings Bonds campaign.
- ◆ The Province successfully raised the equivalent of \$1.5 billion Canadian through a U.S. Dollar Global issue, its first since February 1996.
- ◆ The Province also issued the Canadian dollar equivalent of \$472 million in Sterling, \$249 million in Swiss Francs, \$105 million in Japanese Yen, \$207 million in New Zealand dollars, \$48 million in Greek Drachma, \$46 million in Euro, and an additional \$193 million in U.S. Dollars.



Prudent Debt Management

In order to mitigate the financial risks inherent in having a large and diversified debt portfolio, it is important to maintain prudent debt management policies. The Ontario Financing Authority uses financial options and swaps to manage the Province's exposure to fluctuations in interest rates and foreign currency exchange rates. Current debt management policies require that:

- ◆ Floating rate debt (net of liquid reserves) not exceed 20 per cent of total Provincial Purpose Debt. For the fiscal year 1998–99, the Province's floating rate debt (net of liquid reserves) averaged 5.9 per cent, compared to the 7.3 per cent average in fiscal year 1997–98. As of March 31, 1999, floating rate debt (net of liquid reserves) amounted to 6.7 per cent of total Provincial Purpose Debt.
- ◆ No more than five per cent of total Provincial Purpose Debt can be left exposed to fluctuations in foreign currencies. For the fiscal year, the Province's foreign exchange exposure averaged 1.0 per cent of total Provincial Purpose Debt outstanding, compared to 0.6 per cent in fiscal year 1997–98. As of March 31, 1999, all but 1.1 per cent of total Provincial Purpose Debt was held in Canadian dollars.

Compliance with exposure limits is monitored and reviewed by management daily and audited annually. The Ontario Financing Authority's board of directors, which reports to the Minister of Finance, receives regular reports on debt management plans and risk exposures.

1999–00 Financing Program

1999–00 Financing Program				
(\$ Billions)				
	1997–98	1998–99	1998–99	1999–00
	Final	Budget	Interim	Budget
		Plan		Plan
Deficit	4.0	4.2	3.2	2.1
Cash Timing Adjustments	0.2	3.8	2.9	3.2
Cash Requirements	4.2	8.0	6.1	5.3
Maturities	5.8	5.8	6.4	8.1
Borrowing on Behalf of Agencies	(0.1)	0.3	0.1	(1.4)
Total Financing Requirements	9.8	14.1	12.6	12.0
Financed By:				
(Increase)/Decrease in Liquid Reserves	0.3	3.0	2.9	0.6
Other Sources	(0.4)	(0.1)	—	—
Canada Pension Plan Borrowing	—	—	—	0.9
Increase/(Decrease) in Short-term				
Borrowing	(1.3)	2.0	0.4	1.8
Long-term Borrowing Completed	11.3	0.8	9.3	0.6
Long-term Borrowing Planned	—	8.4	—	8.1
Total Financing	9.8	14.1	12.6	12.0

Positive cash timing adjustments reflect cash flowing in a given year on expenditures accounted for in previous years' deficits. The deficit is determined on an accrual basis and reports the gap between revenues and expenses attributed to the reporting period. Numbers may not add due to rounding.

- ◆ Provincial financing requirements for 1999–00 are estimated to be \$12.0 billion. With a deficit of only \$2.1 billion, the focus of the financing program will be on refinancing \$8.1 billion of maturing debt.
- ◆ The domestic market will continue to be the main source of financing for the Province, including the fifth Ontario Savings Bonds campaign in June. The Ontario Financing Authority will monitor international capital markets for cost-effective borrowing opportunities, while following prudent debt management policies and practices.

- ◆ Fiscal year 1999–00 will mark the first time since the early 1990s that surplus funds from the Canada Pension Plan will be available to the Province to refinance maturing debt. By borrowing \$0.9 billion directly from the Canada Pension Plan, the Province will save on the commissions and fees that would otherwise be charged in the public market.
- ◆ The Ontario Financing Authority plans to develop a Canadian Medium-Term Note program on behalf of the Province in 1999–00. This will facilitate the issuance of medium-term domestic debt by streamlining the documentation process and allowing the Province to take advantage of smaller-sized retail borrowing opportunities that would not have been cost-effective in the past.

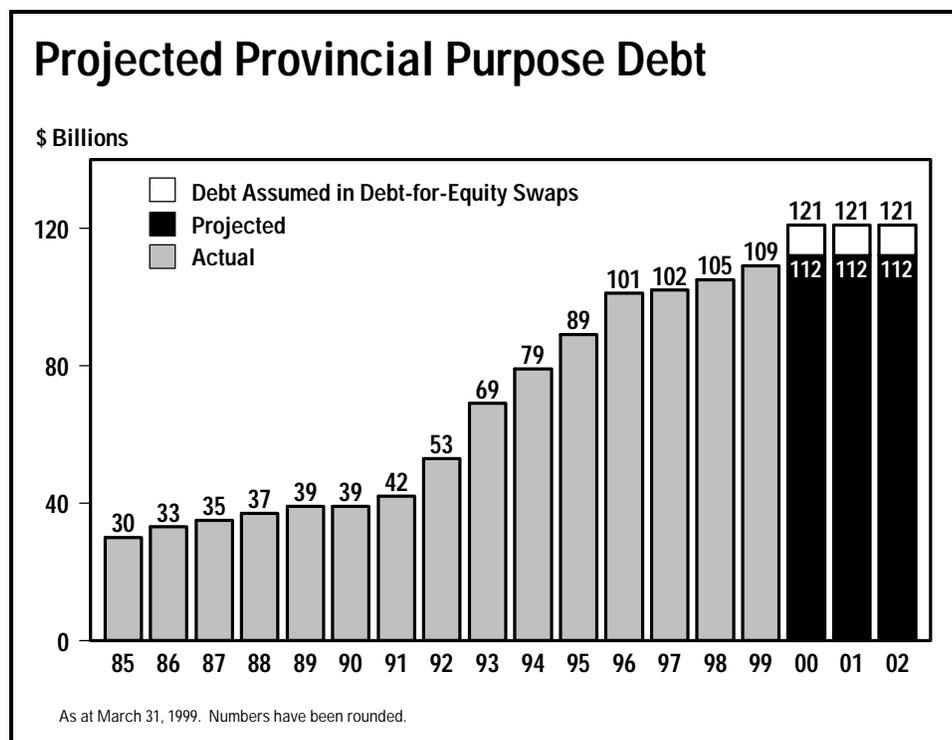
Ontario Electricity Financial Corporation

The Ontario Financing Authority, on behalf of the Ontario Electricity Financial Corporation (OEFC), will provide the required debt and cash management, banking and accounting services to ensure proper management of the outstanding provincially guaranteed debt of the former Ontario Hydro. It is estimated that the OFA will need to borrow \$2.2 billion on behalf of the OEFC in 1999–00 to finance maturing debt.

Debt Outlook

Effective April 1, 1999, total Provincial Purpose Debt increased by \$8.9 billion as a result of a debt-for-equity swap with each of Ontario Power Generation and Ontario Hydro Services Company. The increase in debt has been offset by an equivalent increase in *Investments in Government Enterprises* of \$8.9 billion, reflecting 100 per cent of the equity in Ontario Power Generation and Ontario Hydro Services Company. Over the long term, the equity returns generated by the new companies are expected to more than offset the costs of servicing the debt assumed in the debt-for-equity swaps.

Total Provincial Purpose Debt as of March 31, 2000 is forecast to be \$112.3 billion, excluding the \$8.9 billion in debt assumed from the debt-for-equity swaps. Under the Balanced Budget Plan, the deficit will be eliminated by 2000–01, at which time the Government will be in a position to begin paying down its accumulated debt.



PAPER D

Appendix: Financial Tables

Table I (A): Summary of Provincial Purpose Debt

Table I (B): Ontario's Debt Maturity Schedule

Table I (C): Description of Derivative Financial Instruments

Table II: Schedule of Outstanding Debt Incurred by the
Province of Ontario

FINANCIAL TABLES
TABLE I(A)
SUMMARY OF PROVINCIAL PURPOSE DEBT⁽¹⁾

As at March 31

	1995	1996 ⁽³⁾	1997 ⁽³⁾	1998 ⁽³⁾	Interim 1999 ⁽³⁾
(in millions)					
Incurring by the Province					
Non-Public Debt					
Minister of Finance of Canada:					
Canada Pension Plan	\$12,404	\$ 11,620	\$ 10,807	\$ 9,956	\$ 9,085
Other	8	4	---	---	---
Ontario Teachers' Pension Fund	\$12,412	\$ 11,624	\$ 10,807	\$ 9,956	\$ 9,085
Ontario Municipal Employees Retirement Fund (OMERS) ⁽⁵⁾	14,584	14,386	14,049	13,822	13,213
Colleges of Applied Arts and Technology Pension Plan ⁽⁵⁾	1,015	742	722	697	666
Ryerson Retirement Pension Plan	---	91	91	91	89
Canada Mortgage and Housing Corporation	16	16	9	9	8
Public Service Pension Fund	264	258	251	244	236
Ontario Public Service Employees' Union Pension Fund (OPSEU)	3,976	3,884	3,790	3,681	3,604
	1,859	1,816	1,772	1,749	1,712
	\$34,126	\$ 32,817	\$ 31,491	\$ 30,249	\$ 28,613
Publicly Held Debt					
Debentures and Bonds ⁽²⁾	\$49,522	\$ 60,888	\$ 61,939	\$ 68,199	\$ 72,489
Treasury Bills	1,921	1,716	2,071	675	950
U.S. Commercial Paper ⁽²⁾	142	177	---	---	272
	\$51,585	\$ 62,781	\$ 64,010	\$ 68,874	\$ 73,711
Total Debt Incurred by the Province for Provincial Purposes	\$85,711	\$ 95,598	\$ 95,501	\$ 99,123	\$ 102,324
Incurring by Government Service Organizations					
Non-Public					
Canada Pension Plan ⁽⁴⁾	\$ 79	\$ 1,402	\$ 1,402	\$ 1,402	\$ 1,402
Canada Mortgage and Housing Corporation	---	1,038	1,021	1,002	978
Public					
Other	---	18	35	18	18
Collateralized Financing ⁽²⁾	---	430	433	437	444
Total Debt Incurred by Government Service Organizations for Provincial Purposes	\$ 79	\$ 2,888	\$ 2,891	\$ 2,859	\$ 2,842
Total Debt Incurred for Provincial Purposes	\$85,790	\$ 98,486	\$ 98,392	\$101,982	\$ 105,166
Other					
Province of Ontario Savings Office	\$ 2,089	\$ 2,220	\$ 2,135	\$ 2,245	\$ 2,483
Other Liabilities ⁽⁴⁾	701	690	984	1,247	1,391
Subtotal	\$ 2,790	\$ 2,910	\$ 3,119	\$ 3,492	\$ 3,874
Total Provincial Purpose Debt ⁽⁶⁾	\$88,580	\$101,396	\$101,511	\$105,474	\$ 109,040

Source: Ontario Ministry of Finance

- (1) Prepared on the basis of modified accrual and consolidation accounting.
- (2) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.
- (3) Figures for Interim 1998-99 and fiscal 1997-98, 1996-97 and 1995-96 reflect the change in status of Ontario Housing Corporation ("OHC") and GO Transit to Government Service Organizations, which are consolidated on a line-by-line basis. Fiscal 1994-95 has not been restated and reflect OHC and GO Transit as Government Enterprises, which are consolidated on the modified equity basis. Therefore, comparisons of information from fiscal 1994-95 with fiscal 1995-96, 1996-97, 1997-98 and Interim 1998-99 may not be meaningful.
- (4) Figures for fiscal 1994-95 through Interim 1998-99 include the reclassification of \$79 million from Other Liabilities to "Canada Pension Plan" debt.
- (5) The original debentures payable to OMERS were replaced effective December 31, 1995, with debentures payable to OMERS and to Colleges of Applied Arts and Technology Pension Plan, in the amounts of \$741.6 million and \$90.9 million, respectively. The terms and conditions remain the same as those of the original debentures.
- (6) The total Provincial Purpose Debt does not include debt issued on behalf of Ontario Hydro, which is offset by bonds of Ontario Hydro bearing like terms and conditions to the Ontario obligations.

TABLE I(B)
ONTARIO'S DEBT MATURITY SCHEDULE
Interim 1999⁽¹⁾

Year Ending March 31	Debt Incurred for Provincial Purposes			Ontario Hydro Purposes ⁽³⁾	
	Publicly Held Debt ⁽²⁾	Non- Public Debt	Total	Canadian Dollar- Denominated	Total Debt Incurred for Provincial Purposes and Ontario Hydro
2000	6,979 ⁽⁴⁾	2,106	9,085	0	9,085
2001	6,471	1,304	7,775	500	8,275
2002	6,404	1,465	7,869	500	8,369
2003	8,916	2,560	11,476	0	11,476
2004	4,974	2,515	7,489	0	7,489
2000-04	33,744	9,950	43,694	1,000	44,694
2005-09	21,158	10,846	32,004	2,597	34,601
2010-14	1,615	8,798	10,413	651	11,064
2015-19	4	710	714	0	714
2020-24	4,501	578	5,079	0	5,079
2025-49	13,151	111	13,262	0	13,262
	74,173	30,993	105,166	4,248	109,414

- (1) Prepared on the basis of modified accrual and consolidation accounting.
- (2) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.
- (3) This debt is offset by bonds of Ontario Hydro bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, the Ontario Electricity Financial Corporation (OEFCC) was established as a continuation of Ontario Hydro on April 1, 1999.
- (4) Includes \$950 million in Treasury Bills and \$272 million in U.S. Commercial Paper.

TABLE I(C)
DESCRIPTION OF DERIVATIVE FINANCIAL INSTRUMENTS

The table below presents a preliminary maturity schedule of the Province's derivative financial instruments, by type, outstanding at March 31, 1999, based on the notional amounts of the contracts.

The Province has had sizeable financing requirements, generally to refinance maturing indebtedness and to fund the annual deficit of the Province. To meet these financing requirements in the most cost-effective manner, the Province has issued a variety of debt instruments in domestic and international markets. To take advantage of favourable interest rates, the Province issues debt instruments that are repayable in numerous currencies other than Canadian dollars. The Province employs prudent debt management strategies and operates within strict limits to ensure exposure to risk is well managed. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying assets. The Province uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements, the effect of which is that each party agrees to exchange with another party, cash flows on a notional amount during a specified period in order to offset or effectively convert its existing obligations. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures and options.

DERIVATIVE PORTFOLIO NOTIONAL VALUE
as at March 31, 1999

Maturity in Fiscal Year	2000	2001	2002	2003	2004	6-10 Years	Over 10 Years	Interim 1999 Total	1997-98 Total
(in millions)									
Swaps:									
Cross-Currency	6,460	5,641	6,257	7,904	3,413	13,590	915	44,180	43,861
Interest Rate	4,181	4,702	3,691	8,638	1,657	16,661	606	40,136	35,746
Forward Foreign Exchange Contracts	1,094							1,094	1,677
Forward Rate Agreements	600							600	200
Futures	417							417	867
Options (FX & BOND) . . .	241	60						301	345
	12,993	10,403	9,948	16,542	5,070	30,251	1,521	86,728	82,696

Definitions:

- Notional value: represents the volume of outstanding contracts. It does not represent cash flows.
- Swap: a legal arrangement, the effect of which is that each of the parties (the counterparties) takes responsibility for a financial obligation incurred by the other counterparty. An interest rate swap exchanges floating interest payments for fixed interest payments or vice versa. A cross-currency swap exchanges principal and interest payments in one currency for cash flows in another currency.
- Forward foreign exchange contract: an agreement between two parties to set exchange rates in advance.
- Forward rate agreement (FRA): an agreement between two parties to set future borrowing/lending rates in advance.
- Future: a contract that confers an obligation to buy/sell a commodity at a specified price and amount, on a future date.
- Option: a contract that confers a right but not the obligation to buy/sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a fixed future period.

**TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario
Interim as at March 31, 1999**

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
Debt Incurred for Provincial Purposes						
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS						
NON-PUBLIC DEBT						
To Minister of Finance of Canada						
Canada Pension Plan Investment Fund:						
Year ending March 31						
2000	1980	CPP	9.98 to 12.74	987,943,000	987,943,000	
2001	1981	CPP	12.50 to 13.39	537,872,000	537,872,000	
2002	1982	CPP	13.66 to 16.10	768,736,000	768,736,000	
2003	1983	CPP	12.01 to 16.53	1,235,751,000	1,235,751,000	
2004	1984	CPP	10.92 to 12.14	1,200,847,000	1,200,847,000	
2005	1985	CPP	12.08 to 14.06	1,133,182,000	1,133,182,000	
2006	1986	CPP	10.58 to 12.57	1,213,502,000	1,213,502,000	
2007	1987	CPP	9.36 to 10.17	232,269,000	232,269,000	
2008	1988	CPP	10.79	42,300,000	42,300,000	
2012	1992	CPP	9.81 to 10.04	987,249,000	987,249,000	
2013	1993	CPP	9.17 to 9.45	700,137,000	700,137,000	
2019	1999	CPP	5.81 to 5.84	45,270,000	<u>45,270,000</u>	
					<u>9,085,058,000</u>	(5)
To Ontario Teachers' Pension Fund:						
Year ending March 31						
2000	1975-1991	TI	8.39 to 13.13	960,288,107	960,288,107	
2001	1981-1991	TI	11.05 to 11.10	717,238,319	717,238,319	
2002	1977-1991	TI	9.54 to 10.11	492,524,321	492,524,321	
2003	1978-1991	TI	9.82 to 10.53	655,570,855	655,570,855	
2004	1982-1984	TI	12.88 to 13.34	900,000,000	900,000,000	
2005	1984-1991	TI	12.60 to 13.27	821,000,000	821,000,000	
2006	1985-1991	TI	11.07 to 14.40	1,070,000,000	1,070,000,000	
2007	1985-1991	TI	10.26 to 13.01	1,185,000,000	1,185,000,000	
2008	1983-1991	TI	10.15 to 15.38	1,945,000,000	1,945,000,000	
2009	1986-1991	TI	10.98 to 11.50	1,465,000,000	1,465,000,000	
2010	1986-1991	TI	10.22 to 11.24	1,236,000,000	1,236,000,000	
2011	1987	TI	10.11 to 10.32	560,000,000	560,000,000	
2012	1988-1991	TI	10.68 to 11.24	580,000,000	580,000,000	
2013	1989-1991	TI	11.06 to 11.31	625,000,000	<u>625,000,000</u>	
					<u>13,212,621,602</u>	(1)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

<u>Date of Maturity</u>	<u>Date of Issue</u>	<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Outstanding</u>	<u>References</u>
			%	\$	\$	
To Ontario Municipal Employees Retirement Fund:						
Year ending March 31						
2000	1996	MER	8.19	43,849,567	43,849,567	
2001	1996	MER	9.10	52,494,948	52,494,948	
2002	1996	MER	7.85	67,500,000	67,500,000	
2003	1996	MER	8.02 to 10.28	235,259,824	235,259,824	
2004	1996	MER	9.45	163,695,000	163,695,000	
2007	1996	MER	9.77	102,675,000	<u>102,675,000</u>	
					<u>665,474,339</u>	(1)(38)
To College of Applied Arts & Technology Pension Plan:						
Year ending March 31						
2000	1996	CAAT	8.19	2,850,433	2,850,433	
2001	1996	CAAT	9.10	5,105,052	5,105,052	
2002	1996	CAAT	7.85	7,500,000	7,500,000	
2003	1996	CAAT	8.02 to 10.28	30,540,176	30,540,176	
2004	1996	CAAT	9.45	24,255,000	24,255,000	
2007	1996	CAAT	9.77	18,625,000	<u>18,625,000</u>	
					<u>88,875,661</u>	(1)(38)
To Ryerson Retirement Pension Plan:						
Year ending March 31						
2000	1995	RRPF	11.53	494,883	494,883	(1)
2001	1995	RRPF	13.40	586,257	586,257	(1)
2002	1995	RRPF	16.95	732,095	732,095	(1)
2003	1995	RRPF	14.65	926,036	926,036	(1)
2004	1995	RRPF	12.78	1,081,061	1,081,061	(1)
2005	1995	RRPF	13.33	1,229,597	1,229,597	(1)
2006	1995	RRPF	11.16	1,464,199	1,464,199	
2007	1995	RRPF	9.64	1,618,485	<u>1,618,485</u>	(1)
					<u>8,132,613</u>	(1)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
To Canada Mortgage and Housing Corporation:						
Year ending March 31						
2000-2003	1971 to 1978	CMHC	5.30	688,415	167,157	
2000-2004	1974 to 1975	CMHC	5.125 to 7.875	1,296,489	418,546	
2000-2005	1971 to 1975	CMHC	5.125 to 8.625	2,754,646	1,060,838	
2000-2006	1973 to 1976	CMHC	5.125 to 10.375	2,200,837	1,125,966	
2000-2007	1974 to 1977	CMHC	5.375 to 10.375	6,049,712	3,411,142	
2000-2010	1970 to 1975	CMHC	5.75 to 6.875	4,312,601	2,244,439	
2000-2011	1971 to 1976	CMHC	5.375 to 8.25	5,876,136	3,716,413	
2000-2012	1972	CMHC	6.875 to 8.25	7,281,714	4,723,299	
2000-2013	1973	CMHC	7.25 to 8.25	1,252,053	861,313	
2000-2014	1974	CMHC	6.125 to 8.25	19,734,125	13,794,046	
2000-2015	1975	CMHC	7.50 to 10.375	11,488,523	8,438,110	
2000-2016	1976	CMHC	5.375 to 10.75	22,775,312	17,649,793	
2000-2017	1977	CMHC	7.625 to 10.75	15,797,368	12,886,852	
2000-2018	1977 to 1978	CMHC	7.625 to 13.00	38,133,367	32,557,710	
2000-2019	1977 to 1980	CMHC	7.625 to 15.25	41,958,001	36,688,460	
2000-2020	1978 to 1980	CMHC	7.625 to 15.75	65,976,661	58,407,766	
2000-2021	1981	CMHC	9.50 to 15.75	30,946,135	27,886,449	
2000-2022	1982	CMHC	9.75 to 15.75	1,177,064	<u>1,090,947</u>	
					<u>227,129,246</u>	(7)
To Canada Mortgage and Housing Corporation (CMHC) Section 40 Debt:						
2002	1982	CMHC	7.099	36,967,243	<u>9,279,500</u>	
					<u>9,279,500</u>	(7)
Total to Canada Mortgage and Housing Corporation					<u>236,408,746</u>	(2)
To Public Service Pension Fund:						
Year ending March 31						
2000	1997	OPB	8.39 to 10.17	63,070,663	31,535,332	
2001	1997	OPB	10.04 to 11.61	75,635,207	75,635,207	
2002	1997	OPB	10.10 to 13.48	101,778,265	101,778,265	
2003	1997	OPB	9.81 to 17.11	128,554,996	128,554,996	
2004	1997	OPB	9.50 to 14.81	134,530,331	134,530,331	
2005	1997	OPB	9.82 to 12.89	160,431,479	160,431,479	
2006	1997	OPB	11.05 to 13.48	172,212,515	172,212,515	
2007	1997	OPB	11.16 to 13.47	188,766,466	188,766,466	
2008	1997	OPB	15.38 to 15.51	218,362,903	218,362,903	
2009	1997	OPB	12.79 to 12.89	264,512,886	264,512,886	
2010	1997	OPB	12.88 to 13.02	273,669,452	273,669,452	
2011	1997	OPB	13.33 to 13.48	282,994,558	282,994,558	
2012	1997	OPB	11.55 to 11.67	336,229,108	336,229,108	
2013	1997	OPB	10.38 to 10.40	374,479,804	374,479,804	
2014	1997	OPB	11.10 to 11.19	409,677,031	409,677,031	
2015	1997	OPB	11.19 to 11.31	450,938,707	<u>450,938,707</u>	
					<u>3,604,309,040</u>	(1)(23)(65)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
To Public Service Employees' Union Pension Fund:						
Year ending March 31						
2000	1997	OPPT	8.39 to 10.17	29,962,010	14,981,005	
2001	1997	OPPT	10.04 to 11.61	35,930,854	35,930,854	
2002	1997	OPPT	10.10 to 13.48	48,350,235	48,350,235	
2003	1997	OPPT	9.81 to 17.11	61,070,644	61,070,644	
2004	1997	OPPT	9.50 to 14.81	63,909,254	63,909,254	
2005	1997	OPPT	9.82 to 12.89	76,213,714	76,213,714	
2006	1997	OPPT	11.05 to 13.48	81,810,350	81,810,350	
2007	1997	OPPT	11.16 to 13.47	89,674,381	89,674,381	
2008	1997	OPPT	15.38 to 15.51	103,734,305	103,734,305	
2009	1997	OPPT	12.79 to 12.89	125,658,067	125,658,067	
2010	1997	OPPT	12.88 to 13.02	130,007,936	130,007,936	
2011	1997	OPPT	13.33 to 13.48	134,437,870	134,437,870	
2012	1997	OPPT	11.55 to 11.67	159,727,189	159,727,189	
2013	1997	OPPT	10.38 to 10.40	177,898,359	177,898,359	
2014	1997	OPPT	11.10 to 11.19	194,618,964	194,618,964	
2015	1997	OPPT	11.19 to 11.31	214,220,513	214,220,513	
					<u>1,712,243,640</u>	(1)(23)(65)
TOTAL NON-PUBLIC DEBT INCURRED					<u>28,613,123,641</u>	

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate %	Original Issue \$	Outstanding \$	References
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS						
PUBLICLY HELD DEBT						
Jan. 28, 2000	Aug. 26, 1998	LV	10.756	100,836,000	100,000,000	(1)(44)
Jan. 10, 2001	Jan. 10, 1991	GH	10.875	1,050,000,000	1,050,000,000	(1)
Dec. 12, 2001	Aug. 12, 1991	GS	10.50	600,000,000	600,000,000	(1)
Apr. 22, 2003	Dec. 29, 1992	HG	8.75	750,000,000	750,000,000	(1)
Sept. 16, 2003	Sept. 16, 1998	MA	Floating	100,000,000	100,000,000	(1)(73)
Sept. 15, 2004	June 21, 1994	HU	9.00	1,450,000,000	1,450,000,000	(1)
Oct. 12, 2005	Oct. 12, 1995	JR	8.95	65,000,000	65,000,000	(45)
Dec. 1, 2005	Sept. 13, 1995	JP	8.25	1,000,000,000	1,000,000,000	(1)
Feb. 1, 2006	Feb. 1, 1999	MJ	5.00	90,000,000	90,000,000	(1)
Feb. 20, 2006	Feb. 20, 1996	JZ	0.00-17.25	107,000,000	107,000,000	(1)(40)
July 24, 2006	July 24, 1996	KE	7.75	600,000,000	600,000,000	(1)
Jan. 12, 2007	Jan. 12, 1995	JF	9.50	200,000,000	200,000,000	(1)(21)
June 27, 2007	June 27, 1997	LB	7.20	100,000,000	100,000,000	(68)
Sept. 12, 2007	Sept. 12, 1997	LE	6.125	1,000,000,000	1,000,000,000	(1)
Dec. 10, 2007	Dec. 10, 1997	LH	5.875	125,000,000	125,000,000	(1)(81)
Jul. 15, 2008	Feb. 6, 1998	LM	5.50	75,000,000	75,000,000	(70)
Sept. 4, 2008	Sept. 4, 1998	LW	6.30	50,000,000	50,000,000	(86)
Oct. 17, 2008	Oct. 17, 1996	KH	6.75-9.375	65,000,000	65,000,000	(3)
Dec. 1, 2008	Nov. 24, 1998	LZ	5.70	1,000,000,000	1,000,000,000	(1)
Apr. 1, 2009	Apr. 9, 1998	LR	6.15	205,000,000	205,000,000	(87)
Sept. 4, 2009	Sept. 4, 1997	LD	6.00-7.625	75,000,000	75,000,000	(71)
Oct. 10, 2009	Oct. 10, 1997	LG	5.875-7.00	50,000,000	50,000,000	(72)
Nov. 13, 2009	Nov. 13, 1998	MD	5.40-6.10	47,000,000	47,000,000	(88)
Mar. 2, 2010	Mar. 2, 1998	LP	6.15	60,000,000	60,000,000	(82)
Sept. 4, 2020	Sept. 4, 1998	LY	6.30	50,000,000	50,000,000	(89)
July 13, 2022	July 13, 1992	HC	9.50	1,850,000,000	1,850,000,000	(1)
Sept. 8, 2023	Sept. 8, 1993	HP	8.10	1,350,000,000	1,350,000,000	(1)
June 2, 2025	Dec. 20, 1994	JE	9.50	500,000,000	500,000,000	(1)
Dec. 2, 2025	Oct. 5, 1995	JQ	8.50	1,000,000,000	1,000,000,000	(1)
Feb. 6, 2026	Feb. 6, 1996	JY	8.00	50,000,000	50,000,000	(1)
June 2, 2026	Dec. 21, 1995	JU	8.00	1,000,000,000	1,000,000,000	(1)
Dec. 2, 2026	Dec. 2, 1996	KL	4.35-7.04	162,000,000	26,000,000	(48)
Dec. 2, 2026	Feb. 13, 1997	KR	8.00	425,000,000	425,000,000	(1)(49)
Dec. 2, 2026	Jan. 20, 1999	MH	7.00	124,584,000	124,584,000	(1)(90)
Feb. 3, 2027	Aug. 3, 1997	KN	7.50	300,000,000	124,945,000	(74)
Feb. 3, 2027	Aug. 3, 1997	KT	6.95	200,000,000	50,975,000	(75)
Feb. 3, 2027	Apr. 7, 1997	KY	7.50	68,000,000	19,549,000	(50)
Feb. 3, 2027	Dec. 4, 1998	LA	7.50	50,000,000	50,000,000	(1)(51)
Feb. 4, 2027	Feb. 4, 1998	KQ	7.375	125,000,000	28,330,000	(76)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate %	Original Issue \$	Outstanding \$	References
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS (CONT'D)						
PUBLICLY HELD DEBT						
June 2, 2027	Oct. 17, 1996	KJ	7.60	4,000,000,000	4,000,000,000	(1)(77)
Aug. 25, 2028	Feb. 25, 1998	LQ	6.25	645,243,000	645,243,000	(1)
Mar. 8, 2029	Jan. 8, 1998	LK	6.50	3,500,000,000	3,500,000,000	(1)
Jan. 13, 2031	Sept. 8, 1995	JN	9.50	125,000,000	125,000,000	(1)
Nov. 3, 2034	Nov. 3, 1994	HY	9.75	280,000,000	280,000,000	(1)
Jan. 10, 1995 to	Nov. 30, 1994	HZ	9.4688	189,616,626	121,880,367	(1)(24)
Jan. 10, 2035	"	JA	9.4688	24,766,559	24,766,559	(1)(24)
"	"	JB	9.4688	8,482,324	8,482,324	(1)(24)
"	"	JC	9.4688	4,764,354	4,764,354	(1)(24)
"	"	JD	9.4688	3,171,134	3,171,134	(1)(24)
Feb. 8, 2035	Feb. 8, 1995	JJ	9.875	73,000,000	73,000,000	(19)
June 20, 2036	June 20, 1996	KC	8.25	211,000,000	211,000,000	(1)
June 20, 2038	Sept. 16, 1996	KG	8.10	120,000,000	120,000,000	(1)
July 13, 2038	July 29, 1998	LS	5.75	50,000,000	50,000,000	(1)
Aug. 25, 2038	Aug. 17, 1998	LT	6.00	100,000,000	100,000,000	(91)
July 13, 2039	Feb. 2, 1999	MK	5.65	141,000,000	141,000,000	(1)
Jan. 10, 2045	May 25, 1995	JL	8.39	35,531,176	35,531,176	(1)(41)
Mar. 1, 2045	Mar. 1, 1995	JK	9.50	150,000,000	<u>150,000,000</u>	(20)
					<u>25,207,221,914</u>	
ONTARIO SAVINGS BONDS						
Mar. 1, 2000	Mar. 1, 1995	Annual	Variable	789,297,500	545,280,900	(29)
Mar. 1, 2000	Mar. 1, 1995	Compound	Variable	817,902,500	526,354,800	(29)
June 21, 2000	June 21, 1997	Annual	Fixed	281,498,800	286,033,800	(6)(30)
June 21, 2000	June 21, 1997	Compound	Fixed	168,756,600	162,649,100	(30)
June 21, 2001	June 21, 1996	Annual	Step-Up	279,338,000	274,164,100	(62)(63)
June 21, 2001	June 21, 1996	Compound	Step-Up	337,518,000	306,825,300	(62)(63)
June 21, 2001	June 21, 1996	Annual	Variable	219,990,000	62,571,800	(62)(64)
June 21, 2001	June 21, 1996	Compound	Variable	194,579,100	59,109,900	(62)(64)
June 21, 2001	June 21, 1998	Annual	Fixed	101,725,500	102,258,500	(6)(30)
June 21, 2001	June 21, 1998	Compound	Fixed	78,706,000	77,960,500	(30)
June 21, 2003	June 21, 1998	Annual	Step-Up	439,199,300	431,170,300	(62)(92)
June 21, 2003	June 21, 1998	Compound	Step-Up	404,053,600	397,989,600	(62)(92)
June 21, 2004	June 21, 1997	Annual	Step-Up	447,763,300	448,017,800	(6)(62)(66)
June 21, 2004	June 21, 1997	Compound	Step-Up	451,525,200	399,806,400	(62)(66)
June 21, 2004	June 21, 1997	Annual	Variable	107,533,500	41,567,400	(62)(67)
June 21, 2004	June 21, 1997	Compound	Variable	80,484,400	30,720,200	(62)(67)
June 21, 2005	June 21, 1998	Annual	Variable	495,453,600	419,621,000	(62)(93)
June 21, 2005	June 21, 1998	Compound	Variable	435,985,400	<u>355,472,100</u>	(62)(93)
					<u>4,927,573,500</u>	(1)
TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS.....					<u>30,134,795,414*</u>	

*Excludes Ontario Treasury Bills of \$950,000,000

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
(B) GLOBAL MARKET PAYABLE IN CANADIAN DOLLARS						
Mar. 11, 2003	Mar. 11, 1993	HK	8.00	1,500,000,000	1,500,000,000	
Dec. 8, 2003	July 20, 1993	HM	7.75	1,250,000,000	1,250,000,000	
Jan. 19, 2006	Jan. 19, 1996	JV	7.50	1,250,000,000	1,250,000,000	
Feb. 7, 2024	Feb. 7, 1994	HS	7.50	1,250,000,000	<u>1,250,000,000</u>	
TOTAL PAYABLE IN CANADIAN DOLLARS					<u>5,250,000,000</u>	(1)
(C) PAYABLE IN EUROPE IN CANADIAN DOLLARS						
July 22, 1999	July 22, 1996	EMTN020	6.25	100,000,000	100,000,000	
Apr. 5, 2001	Feb. 22, 1996	JW	6.23	510,125,000	510,125,000	(42)
Oct. 29, 2001	Oct. 29, 1991	GX	9.75	750,000,000	750,000,000	
Nov. 6, 2001	Nov. 6, 1998	MC	5.00	100,000,000	100,000,000	
Nov. 27, 2003	Nov. 27, 1998	ME	5.00	250,000,000	250,000,000	
Sept. 27, 2005	Sept. 27, 1993	HQ	7.25	500,000,000	500,000,000	
Jan. 27, 2009	Jan. 27, 1999	EMTN042	5.00	250,000,000	250,000,000	
July 13, 2034	July 13, 1994	EMTN005	9.40	300,000,000	<u>300,000,000</u>	
TOTAL PAYABLE IN EUROPE IN CANADIAN DOLLARS					<u>2,760,125,000</u>	(1)
(D) PAYABLE IN UNITED STATES IN CANADIAN DOLLARS						
Feb. 18, 2013	Feb. 18, 1993	HJ	9.24	250,000,000	<u>250,000,000</u>	(1)
TOTAL PAYABLE IN UNITED STATES IN CANADIAN DOLLARS					<u>250,000,000</u>	
(E) PAYABLE IN THE UNITED STATES IN U.S. DOLLARS						
Oct. 17, 2001	Oct. 17, 1991	GY	8.00	750,000,000	<u>750,000,000</u>	(1)
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS					<u>750,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.18125					<u>885,937,495</u>	(10)
(F) GLOBAL MARKET PAYABLE IN U.S. DOLLARS						
Aug. 17, 1999	Feb. 17, 1994	HT	Floating	2,000,000,000	2,000,000,000	(34)
June 28, 2000	June 28, 1993	HL	6.125	2,000,000,000	2,000,000,000	
June 4, 2002	June 4, 1992	HB	7.75	2,000,000,000	2,000,000,000	
Jan. 27, 2003	Jan. 27, 1993	HH	7.375	3,000,000,000	3,000,000,000	
June 22, 2004	June 22, 1994	HV	7.375	1,000,000,000	1,000,000,000	
Aug. 4, 2005	Aug. 4, 1995	JM	7.00	1,000,000,000	1,000,000,000	
Feb. 21, 2006	Feb. 21, 1996	KA	6.00	1,500,000,000	1,500,000,000	
Oct. 1, 2006	Oct. 1, 1998	MB	5.50	1,000,000,000	<u>1,000,000,000</u>	
TOTAL PAYABLE IN U.S. DOLLARS					<u>13,500,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.32586					<u>17,899,132,500</u>	(43)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
(G) PAYABLE IN CANADA IN U.S. DOLLARS						
Apr. 24, 2005	Apr. 24, 1995	DMTN1	Floating	100,000,000	100,000,000	
May 1, 2005	May 1, 1995	DMTN2	Floating	100,000,000	100,000,000	
May 9, 2005	May 9, 1995	DMTN3	Floating	100,000,000	100,000,000	
May 16, 2005	May 16, 1995	DMTN4	Floating	100,000,000	<u>100,000,000</u>	
TOTAL PAYABLE IN CANADA IN U.S. DOLLARS					<u>400,000,000</u>	(35)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.36625					<u>546,500,000</u>	(9)
(H) PAYABLE IN EUROPE IN U.S. DOLLARS						
Nov. 18, 1999	Nov. 18, 1996	EMTN27	6.00	60,000,000	60,000,000	(1)
Nov. 18, 1999	Nov. 18, 1996	EMTN028	5.15	¥10,000,000,000	89,007,600	(8)
Dec. 17, 1999	Dec. 17, 1996	EMTN30	6.00	¥5,000,000,000	44,648,800	(1)(25)
Jan. 27, 2000	Jan. 30, 1997	EMTN32	5.60	70,000,000	70,000,000	(1)
Nov. 7, 2000	Nov. 7, 1995	EMTN18	5.75	200,000,000	200,000,000	(10)
Feb. 28, 2001	Feb. 28, 1991	GL	8.50	600,000,000	600,000,000	(1)
Jan. 10, 2002	Jan. 10, 1997	EMTN31	Floating	50,000,000	<u>50,000,000</u>	(26)
TOTAL PAYABLE IN EUROPE IN U.S. DOLLARS					<u>1,113,656,400</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.23095					<u>1,370,850,401</u>	(11)
(I) PAYABLE IN JAPAN IN U.S. DOLLARS						
July 17, 2001	July 17, 1997	LC	3.25	285,714,000	<u>285,714,000</u>	(78)
TOTAL PAYABLE IN JAPAN IN U.S. DOLLARS					<u>285,714,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.25980					<u>359,942,263</u>	(85)
(J) PAYABLE IN JAPAN IN JAPANESE YEN						
Jan. 28, 2003	Jan. 28, 1993	YL001	5.50	10,000,000,000	10,000,000,000	(1)
Mar. 24, 2003	Mar. 22, 1993	YL002	4.80	7,000,000,000	7,000,000,000	(1)
Aug. 25, 2003	Aug. 25, 1993	YL003	Floating	10,000,000,000	10,000,000,000	(1)(4)
Sept. 22, 2003	Sept. 22, 1993	YL004	5.20	10,000,000,000	10,000,000,000	(1)
July 6, 2004	July 6, 1994	YL005	4.40	10,000,000,000	10,000,000,000	(1)
July 21, 2004	July 21, 1994	YL006	4.53	10,000,000,000	10,000,000,000	(1)
July 28, 2004	July 27, 1994	YL007	4.55	7,000,000,000	7,000,000,000	(22)
Sept. 8, 2004	Sept. 7, 1994	YL008	4.71	7,000,000,000	7,000,000,000	(1)
Oct. 25, 2004	Oct. 25, 1994	YL009	5.00	10,000,000,000	10,000,000,000	(1)
Dec. 20, 2004	Dec. 20, 1994	YL010	4.80	5,000,000,000	5,000,000,000	-1
Aug. 31, 2005	Aug. 31, 1995	YL011	3.10	25,000,000,000	25,000,000,000	-1
Mar. 16, 2007	Mar. 18, 1997	KU	3.10	5,000,000,000	5,000,000,000	(1)(54)
Mar. 16, 2007	Mar. 18, 1997	KV	3.25	15,000,000,000	15,000,000,000	(1)(55)
July 18, 2007	July 18, 1997	YL012	2.615	10,000,000,000	10,000,000,000	-1
Aug. 31, 2008	Aug. 28, 1998	YL013	2.06	10,000,000,000	<u>10,000,000,000</u>	(1)(39)
TOTAL PAYABLE IN JAPAN IN JAPANESE YEN					<u>15,100,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01291					<u>1,949,116,728</u>	-14

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate %	Original Issue \$	Outstanding \$	References
(K) PAYABLE IN EUROPE IN JAPANESE YEN						
May 27, 1999	May 27, 1994	EMTN003	Floating	10,000,000,000	10,000,000,000	(31)
Sept. 20, 1999	Sept. 20, 1994	EMTN010	4.24	10,000,000,000	10,000,000,000	
Sept. 21, 1999	Sept. 26, 1994	EMTN011	4.43	10,000,000,000	10,000,000,000	
Nov. 29, 1999	Nov. 29, 1994	EMTN013	4.50	2,000,000,000	2,000,000,000	
Jan. 25, 2000	Jan. 30, 1995	EMTN014	Floating	10,000,000,000	10,000,000,000	(28)
July 5, 2000	July 5, 1996	EMTN019	2.05	5,000,000,000	5,000,000,000	
Sept. 19, 2000	Sept. 19, 1996	EMTN023	Floating	5,000,000,000	5,000,000,000	(56)
Sept. 26, 2000	Sept. 26, 1996	EMTN024	Floating	5,000,000,000	5,000,000,000	(56)
June 20, 2001	July 11, 1994	HW	4.40	100,000,000,000	100,000,000,000	
July 12, 2001	July 12, 1994	EMTN006	3.90	5,000,000,000	5,000,000,000	(32)
Nov. 10, 2001	Nov. 10, 1994	EMTN012	4.75	3,000,000,000	3,000,000,000	
Mar. 15, 2005	Mar. 15, 1995	EMTN015	6.00	2,000,000,000	2,000,000,000	(33)
Sept. 8, 2005	Mar. 23, 1998	EMTN037	6.21	10,000,000,000	10,000,000,000	(37)
Sept. 19, 2005	Sept. 4, 1998	EMTN038	6.205	10,000,000,000	10,000,000,000	(36)
Aug. 29, 2006	Aug. 29, 1996	EMTN021	4.28	10,000,000,000	10,000,000,000	(57)
Mar. 26, 2007	Apr. 3, 1997	EMTN033	3.20	10,000,000,000	10,000,000,000	(47)
June 13, 2007	June 13, 1997	EMTN034	3.58	10,000,000,000	10,000,000,000	(79)
Feb. 25, 2008	Feb. 25, 1998	EMTN036	2.60	7,100,000,000	<u>7,100,000,000</u>	(80)
TOTAL PAYABLE IN EUROPE IN JAPANESE YEN					<u>224,100,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01450					<u>3,249,192,777</u>	(15)
(L) PAYABLE IN EUROPE IN AUSTRALIAN DOLLARS						
Nov. 18, 1999	Nov. 18, 1996	EMTN026	5.72	¥7,000,000,000	79,293,060	(58)
Oct. 15, 2001	Oct. 15, 1996	EMTN025	5.00	125,000,000	<u>125,000,000</u>	
TOTAL PAYABLE IN EUROPE IN AUSTRALIAN DOLLARS					<u>204,293,060</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.00613					<u>205,544,546</u>	(18)
(M) PAYABLE IN JAPAN IN AUSTRALIAN DOLLARS						
Aug. 26, 1999	Aug. 29, 1996	KF	6.00	¥25,000,000,000	<u>296,271,500</u>	(60)
TOTAL PAYABLE IN JAPAN IN AUSTRALIAN DOLLARS					<u>296,271,500</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.07269					<u>317,808,410</u>	(52)
(N) PAYABLE IN EUROPE IN DEUTSCHE MARKS						
Jan. 27, 2000	Jan. 27, 1995	JH	Floating	500,000,000	500,000,000	(46)
Feb. 15, 2001	Feb. 15, 1996	JX	5.00	500,000,000	500,000,000	
Jan. 13, 2004	Jan. 13, 1994	HR	6.25	1,500,000,000	<u>1,500,000,000</u>	
TOTAL PAYABLE IN EUROPE IN DEUTSCHE MARKS					<u>2,500,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.89250					<u>2,231,254,639</u>	(16)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	S
(O) PAYABLE IN EUROPE IN EURO DOLLARS						
Feb. 17, 2006	Feb. 17, 1999	EMTN043	3.50	27,000,000	<u>27,000,000</u>	(1)
TOTAL PAYABLE IN EUROPE IN EURO DOLLARS					<u>27,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.6890					<u>45,603,000</u>	(27)
(P) PAYABLE IN EUROPE IN FRENCH FRANCS						
July 29, 2008	July 29, 1996	KD	6.875	3,000,000,000	3,000,000,000	
July 21, 2009	July 21, 1997	EMTN035	5.875	3,000,000,000	<u>3,000,000,000</u>	
TOTAL PAYABLE IN EUROPE IN FRENCH FRANCS					<u>6,000,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.28491					<u>1,709,459,932</u>	(53)
(Q) PAYABLE IN EUROPE IN GREEK DRACHMA						
June 19, 2001	June 19, 1998	EMTN040	Floating	10,000,000,000	<u>10,000,000,000</u>	(1)
TOTAL PAYABLE IN EUROPE IN GREEK DRACHMA					<u>10,000,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.004903					<u>49,031,053</u>	(59)
(R) PAYABLE IN EUROPE IN NETHERLANDS GUILDERS						
Sept. 27, 2004	Sept. 27, 1994	HX	7.75	500,000,000	<u>500,000,000</u>	
TOTAL PAYABLE IN EUROPE IN NETHERLANDS GUILDERS					<u>500,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.77542					<u>387,710,000</u>	(17)
(S) GLOBAL MARKET PAYABLE IN NEW ZEALAND DOLLARS						
Dec. 3, 2008	Dec. 3, 1998	MF	6.25	250,000,000	<u>250,000,000</u>	
TOTAL PAYABLE IN NEW ZEALAND DOLLARS					<u>250,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.82770					<u>206,925,000</u>	(69)
(T) PAYABLE IN EUROPE IN NORWEGIAN KRONER						
Dec. 29, 2004	Sept. 13, 1996	EMTN022	7.00	300,000,000	<u>300,000,000</u>	
TOTAL PAYABLE IN EUROPE IN NORWEGIAN KRONER					<u>300,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.21235					<u>63,704,048</u>	(61)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate %	Original Issue \$	Outstanding \$	References
(U) PAYABLE IN EUROPE IN POUNDS STERLING						
Sept. 15, 2000	Sept. 15, 1993	HN	6.875	255,000,000	255,000,000	
Feb. 14, 2001	Feb. 14, 1991	GK	11.125	100,000,000	100,000,000	
July 30, 2002	July 30, 1992	HD	9.375	200,000,000	200,000,000	
June 10, 2004	June 10, 1998	EMTN039	6.375	200,000,000	<u>200,000,000</u>	
TOTAL PAYABLE IN EUROPE IN POUNDS STERLING					<u>755,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$2.18238					<u>1,647,700,000</u>	(12)
(V) PAYABLE IN EUROPE IN SWISS FRANCS						
June 29, 2001	Mar. 29, 1996	KB	4.00	250,000,000	250,000,000	
Jan. 27, 2003	Jan. 27, 1993	HF	6.25	400,000,000	400,000,000	
July 7, 2003	July 7, 1998	EMTN041	2.50	250,000,000	<u>250,000,000</u>	
TOTAL PAYABLE IN EUROPE IN SWISS FRANCS					<u>900,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.07645					<u>968,804,139</u>	(13)
TOTAL PUBLICLY HELD DEBENTURES AND BONDS					<u>72,489,137,345</u>	
TREASURY BILLS					<u>950,000,000</u>	(84)
U.S. COMMERCIAL PAPER						
June 8, 1999	Mar. 22, 1999				130,000,000	
June 11, 1999	Mar. 10, 1999				<u>50,000,000</u>	
TOTAL U.S. COMMERCIAL PAPER					<u>180,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.50820					<u>271,475,625</u>	
TOTAL PUBLICLY HELD DEBT INCURRED BY THE PROVINCE FOR PROVINCIAL PURPOSES					<u>73,710,612,970</u>	
TOTAL DEBT INCURRED BY THE PROVINCE FOR PROVINCIAL PURPOSES					<u>102,323,736,611</u>	

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate %	Original Issue \$	Outstanding \$	References
Debt Incurred by Government Service Organizations						
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS						
NON-PUBLIC DEBT						
To Minister of Finance of Canada						
Canada Pension Plan Investment Fund:						
Year ending March 31						
2009	1989	CPP	9.15 to 10.31	310,439,000	310,439,000	
2010	1990	CPP	9.78 to 11.33	925,157,000	925,157,000	
2011	1991	CPP	9.81 to 10.04	91,630,000	91,630,000	
2012	1992	CPP	9.00 to 9.45	75,135,000	75,135,000	
					<u>1,402,361,000</u>	(5)
To Canada Mortgage and Housing Corporation:						
Year ending March 31						
2000	N/A	CMHC	7.98		12,888	
2001	N/A	CMHC	7.98		13,938	
2002	N/A	CMHC	7.98		15,072	
2003	N/A	CMHC	5.125 to 7.98		28,572	
2004	N/A	CMHC	5.2068 to 7.98		63,199	
2005	N/A	CMHC	5.125 to 7.98		53,910	
2006	N/A	CMHC	4.25 to 7.98		109,333	
2007	N/A	CMHC	4.6739 to 7.98		394,067	
2008	N/A	CMHC	5.875 to 7.98		291,762	
2009	N/A	CMHC	5.375 to 7.98		235,444	
2010	N/A	CMHC	6.4598 to 7.98		1,034,703	
2011	N/A	CMHC	6.4159 to 7.98		8,878,189	
2012	N/A	CMHC	5.2994 to 7.98		482,050	
2013	N/A	CMHC	5.375 to 7.98		6,588,873	
2014	N/A	CMHC	5.6206 to 7.98		19,558,944	
2015	N/A	CMHC	5.822 to 7.98		17,777,273	
2016	N/A	CMHC	6.1388 to 7.98		47,567,274	
2017	N/A	CMHC	6.2491 to 7.98		73,120,771	
2018	N/A	CMHC	7.1327 to 7.98		59,469,584	
2019	N/A	CMHC	5.875 to 7.98		63,453,514	
2020	N/A	CMHC	6.25 to 7.98		202,433,542	
2021	N/A	CMHC	5.75 to 7.98		108,708,463	
2022	N/A	CMHC	6.089 to 8.25		107,370,162	
2023	N/A	CMHC	6.089 to 7.98		82,207,689	
2024	N/A	CMHC	6.089 to 7.98		67,532,613	
2025	N/A	CMHC	6.089 to 7.98		59,443,392	
2026	N/A	CMHC	6.089 to 7.98		23,576,755	
2027	N/A	CMHC	6.089		23,877,103	
2028	N/A	CMHC	6.089		3,612,009	
					<u>977,911,088</u>	(7)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate %	Original Issue \$	Outstanding \$	References
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS						
PUBLICLY HELD DEBT						
2000 to 2002	N/A	Various Mortgages	Various		<u>17,398,936</u>	
(B) PAYABLE IN THE UNITED STATES IN U.S. DOLLARS						
July 1, 2006	Mar. 31, 1994	Collateralized financing	7.261 to 7.395	311,866,966	<u>318,091,985</u>	
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS					<u>318,091,985</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.39652					<u>444,222,517</u>	
TOTAL DEBT ISSUED BY GOVERNMENT SERVICE						
ORGANIZATIONS FOR PROVINCIAL PURPOSES					<u>2,841,893,541</u>	
TOTAL DEBT INCURRED FOR PROVINCIAL PURPOSES					<u>105,165,630,152</u>	(83)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate %	Original Issue \$	Outstanding \$	References
Debt Incurred for Ontario Hydro*						
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS						
NON-PUBLIC DEBT						
Canada Pension Plan Investment Fund						
2001	1981	CPP	11.61 to 13.46	500,000,000	500,000,000	
2002	1982	CPP	14.81 to 17.51	500,000,000	500,000,000	
2007	1987	CPP	9.64	119,000,000	119,000,000	
2008	1988	CPP	9.13 to 9.72	302,278,000	302,278,000	
2009	1989	CPP	9.62 to 10.31	675,756,000	675,756,000	
2010	1990	CPP	9.61 to 10.31	650,712,000	<u>650,712,000</u>	
TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS					<u>2,747,746,000</u>	(5)
(B) PAYABLE IN CANADA IN CANADIAN DOLLARS						
PUBLICLY HELD DEBT						
June 2, 2004	Dec. 9, 1998	HC-MG	4.875	1,000,000,000	1,000,000,000	
Dec. 1, 2008	Jan. 22, 1999	HC-LZ	5.70	500,000,000	<u>500,000,000</u>	
					<u>1,500,000,000</u>	
TOTAL DEBT INCURRED FOR ONTARIO HYDRO						
(NOT INCLUDED IN TABLE I(A) SUMMARY OF PROVINCIAL PURPOSE DEBT)					<u>4,247,746,000</u>	
TOTAL DEBT INCURRED FOR PROVINCIAL PURPOSES AND ONTARIO HYDRO					<u>109,413,376,152</u>	

* Pursuant to the *Ontario Electricity Act, 1998*, the Ontario Electricity Financial Corporation (OEF) was established as a continuation of Ontario Hydro on April 1, 1999.

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

References:

1. Non-callable.
2. Liability to Canada Mortgage and Housing Corporation assumed by the Ministry of Finance upon the dissolution of Ontario Land Corporation.
3. Callable, in whole but not in part, on October 17 in each year from 1999 to 2007 at par. Interest payable is 6.75% for the first four years, 7.25% in years five and six, 8% in year seven, 8.25% in year eight, 8.75% in year nine, 9% in year ten, 9.25% in year eleven, and 9.375% in year twelve.
4. Interest payable is 6-month Yen LIBOR.
5. Securities sold to the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice, when the Minister deems it necessary in order to meet the requirements of the Canada Pension Plan. In the case of redemption before maturity, the Ontario Securities are to be redeemed in the order in which they were issued and the amount of Ontario Securities to be redeemed at any time shall be proportionate to the amount of all securities then held to the credit of the said fund represented by Ontario Securities.
6. The par value of bonds outstanding exceeds the original par value of bonds issued due to conversions from compound interest form bonds into annual interest form bonds.
7. The terms of these debentures require that equal payments be made each year until their maturity. Each payment consists of blended principal and interest.
8. Proceeds were received in Japanese Yen. Redemption of principal is in U.S. Dollars at an exchange rate of 112.35 Yen/U.S. Dollar. Interest is payable in Japanese Yen based on a notional Principal of JPY 10,000 million at a rate of 5.15%.
9. The Province entered into currency exchange agreements which effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.36625. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.57%.
10. The Province entered into currency exchange agreements which effectively converted the U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.18125. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.21%.
11. The Province entered into currency exchange agreements which effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.23095. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.85%.
12. The Province entered into currency exchange agreements which effectively converted these Pounds Sterling obligations to Canadian Dollar obligations at an exchange rate of 2.18238. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.32% on \$1,229 million and floating Canadian BA rate on \$352 million.
13. The Province entered into currency exchange agreements which effectively converted these Swiss Franc obligations to Canadian Dollar obligations at an exchange rate of 1.07645. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.07% on \$455 million and floating Canadian BA rate on \$473 million.
14. The Province entered into currency exchange agreements which effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01291. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 6.34% on \$2,321 million, and floating Canadian BA rate on \$199 million.
15. The Province entered into currency exchange agreements which effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01450. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.36% on \$3,013 million, and floating Canadian BA rate on \$601 million.
16. The Province entered into currency exchange agreements which effectively converted these Deutsche Mark obligations to Canadian Dollar obligations at an exchange rate of 0.89250. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 7.87% on \$1,761 million and floating Canadian BA rate on \$470 million.
17. The Province entered into currency exchange agreements which effectively converted these Netherlands Guilder obligations to Canadian Dollar obligations at an exchange rate of 0.77542. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.44%.

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

18. The Province entered into currency exchange agreements which effectively converted these Australian Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.00613. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 6.66% on \$593 million and floating Canadian BA rate on \$19 million.
19. Retractable in whole or in part on February 8, 2007, at the holder's option, provided that the notice of retraction is made during the period from July 15, 2006 to January 15, 2007 inclusive. Such election is irrevocable.
20. Retractable in whole or in part on March 1, 2010, at the holder's option, provided that the notice of retraction is made during the period from March 1, 1995 to February 12, 2010 inclusive. Such election is irrevocable.
21. Exchangeable at any time, in whole or in part, at the holder's option, for an equivalent principal amount of Series JG 9.50% bonds due January 12, 2035.
22. Callable in full, and not in part, on July 27, 2001, at par.
23. The terms of these debentures require that the principal be repaid in 12 equal monthly payments in the year preceding the date of maturity.
24. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals. At January 10, 2035, the principal to be repaid on each debenture will be \$2.3 million.
25. The terms of these debentures permit the principal to be repaid in either USD 44.6 million or AUD 55.0 million at the Province's option.
26. Interest payable is 6-month US LIBOR + 0.3%, with a maximum rate of 6.8%. Callable, in whole but not in part, at par on January 10, 2000 and every six months thereafter.
27. The Province entered into currency exchange agreements which effectively converted these Euro Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.6890. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate 3.5% on \$32 million and floating Canadian BA rate on \$5 million.
28. Interest payable is 12-month Yen LIBOR + 0.3%.
29. 1995 OSB Series: Redeemable at the option of the holder on March 1 or September 1 or upon the death of the beneficial owner. The Minister of Finance may reset the interest rate from time to time prior to maturity. Effective March 1, 1999 to August 31, 1999 the interest rate is set at 4.75%. The interest rate will be reset next on September 1, 1999.
30. The interest rate was set at 5.25% for the three-year life of the bond.
31. Interest payable is 4.5% to May 27, 1996, then 1.0% + 5 times (YEN 7-year swap rate minus YEN 3-month LIBOR minus 1.28%) to maturity, with a minimum of 1.0%.
32. Interest is payable in Australian Dollars, based on a notional principal of AUD 66 million at a rate of 3.9%.
33. Interest is payable in Australian Dollars, based on a notional principal of AUD 27.2 million at a rate of 6.0%.
34. Interest payable is 3-month U.S LIBOR rate.
35. Interest payable is 6-month U.S LIBOR rate + .0475%.
36. Interest is payable in Australian Dollars, based on a notional principal of AUD 138.2 million at a rate of 5.65%.
37. Interest is payable in Australian Dollars, based on a notional principal of AUD 149.3 million at a rate of 5.50%.
38. The original debentures payable to OMERS were replaced effective December 31, 1995, with debentures payable to OMERS and to Colleges of Applied Arts and Technology Pension Plan, in the amounts of \$741.6 million and \$90.9 million, respectively. The terms and conditions remain the same as those of the original debentures.
39. Redeemable on August 31, 2000 at par.
40. No interest is payable in the first five years, thereafter interest is payable monthly at an annual interest rate of 17.25%.
41. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals with the final payment on January 10, 2045. The total principal and interest to be paid over the life of the debenture is \$1,325 million in total.
42. The terms of these debentures require no interest payments until maturity, at which time a single payment, comprised of both principal and interest, will be made in the amount of \$700 million.
43. The Province entered into currency exchange agreements which effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.32586. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.43%.
44. The terms of these debentures require that a payment be made on August 28, 1998 consisting of interest and a partial repayment of principal in the amount of \$836 thousand, with monthly interest payments made thereafter.
45. Callable, in whole but not in part, at par on October 12, 2000.
46. Interest payable is 3-month Deutsche Mark LIBOR + .0625%.
47. Interest is payable in Australian Dollars based on a notional principal of AUD 103.2 million at a rate of 3.2% payable annually.

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

48. The terms of these debentures require that a special one-time interest payment in the amount of \$6.5 million be made at maturity. Interest payable is 4.35% for the first seven years, thereafter interest payable is 7.04%. The debentures are retractable, in whole but not in part, on December 2, 2003, at the holder's option, provided that the notice of retraction is made during the period from October 31, 2003 to November 12, 2003 inclusive. Such election is irrevocable and if invoked the one-time interest payment at maturity is forfeited.
49. On September 25, 1998, investors in 30-year LF Series bonds exercised their option to purchase an additional amount of LF Series bonds at a price of 120 plus accrued interest. On September 29, 1998 all 30-year LF Series bonds were exchanged for 30-year 8.00% KR Series bonds due Dec. 2, 2026. The amount of this exchange was \$200 million.
50. Investors have exercised their option to exchange the 10-year 7.5% bond on March 27, 1998 for an equal amount of 7.5% bond due February 3, 2027.
51. Investors have exercised their option to exchange the 10-year 7.5% Series KZ bond on December 4, 1998 for an equal amount of 7.5% bond due February 3, 2027.
52. The Province entered into currency exchange agreements which effectively converted these Australian Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.07269. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a floating Canadian BA rate.
53. The Province entered into currency exchange agreements which effectively converted these French Franc obligations to Canadian Dollar obligations at an exchange rate of 0.28491. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 6.31%.
54. Interest is payable in Australian Dollars, based on a notional principal of AUD 52.5 million at a rate of 3.10%.
55. Interest is payable in U.S. Dollars, based on a notional principal of USD 120.8 million at a rate of 3.25%.
56. Interest payable is 3-month Yen LIBOR rate + 0.1%
57. Interest is payable in Australian Dollars, based on a notional principal of AUD 121.1 million at a rate of 4.28%.
58. The terms of these debentures are: proceeds received at issuance were JPY 7,000 million, the obligation to be repaid is AUD 79.3 million and interest is payable in Japanese Yen based on a notional principal of JPY 7,000 million at a rate of 5.72%.
59. The Province entered into currency exchange agreements which effectively converted this Greek Drachma obligations to Canadian Dollar obligations at an exchange rate of 0.004903. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed floating Canadian BA rate.
60. The terms of these debentures are: proceeds received at issuance were JPY 25,000 million, the obligation to be repaid is AUD 296.3 million and interest is payable in Japanese Yen based on a notional principal of JPY 25,000 million at a rate of 6.00%.
61. The Province entered into currency exchange agreements which effectively converted these Norwegian Kroner obligations to Canadian Dollar obligations at an exchange rate of 0.21235. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a floating Canadian BA rate.
62. 1996, 1997 and 1998 Series OSB: Redeemable at the option of the holder on June 21 or December 21 or upon the death of the beneficial owner. The Minister of Finance may reset the interest rate from time to time prior to maturity.
63. The interest rate was set at 4.50% for the first year. The minimum interest payable is 5.75% in the second year, 6.25% in the third year, 7.25% in the fourth year, and 9.00% in the final year.
64. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 4.75%. Effective December 21, 1998 the interest rate was set at 4.75%.
65. Pursuant to the *Ontario Public Service Employees' Pension Act 1994*, and the *Asset Transfer Agreement of December 12, 1994*, the Province is obligated to re-split the debentures between the Public Service Pension Fund (PSPF), and the Ontario Public Service Employees' Union Pension Plan Trust Fund (OPSEUPF) based on accurate data when it is available. On June 13, 1997 a *Restated Sponsorship Amendment and Asset Transfer Agreement* was signed, replacing the 1994 agreement. Pursuant to this Agreement on September 17, 1997, the re-split of the debentures was completed. To effect this re-distribution of assets, \$3,745.8 million of debentures held by PSPF and \$1,751.4 million of debentures held by OPSEUPF were retired and replaced by \$3,726.8 million and \$1,770.4 million of debentures to be held by PSPF and OPSEUPF respectively.
66. The interest rate was set at 3.00% for the first year. The minimum interest payable is 5.25% in the second year, 6.00% in the third year, 6.50% in the fourth year, 7.00% in the fifth year, 7.50% in the sixth year, and 8.00% in the final year.
67. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 4.25%. Effective December 21, 1998 the interest rate was set at 4.75%.
68. Callable by the Province, in whole but not in part, at par on June 27, 2001.

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

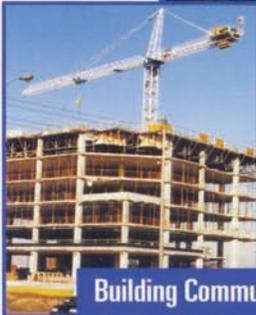
69. The Province entered into currency exchange agreements which effectively converted this New Zealand Dollar obligations to Canadian Dollar obligations at an exchange rate of 0.82770. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a floating Canadian BA rate.
70. On January 8, 2001, the investor has the right to purchase an equal amount of July 15, 2028, 6.25% bonds at a price of 105.66.
71. Notes are extendable at the option of the Province on September 4, 2000, 2003 and 2006 to the final maturity date of September 4, 2009. Coupon interest is paid semi-annually at a rate of 6.00% in years 1-3, 6.125% in years 4-6, 6.35% in years 7-9 and 7.625% in years 10-12.
72. Bonds are extendable at the option of the Province on every coupon date starting on October 10, 1999 to October 10, 2009, except in year five. Coupon interest is paid semi-annually at a rate of 5.875% in years 1-2, 6% in years 3-4, 6.25% in years 5-6, 6.375% in years 7-8, 6.5% in years 9-10, and 7% in years 11-12.
73. Interest payable is 3-month Canadian BA rate -0.05%.
74. KN Series bonds in the amount of \$169.7 million face value were purchased and retired by the Province. Series LQ bonds were reopened to finance the retirement of the KN Series bonds.
75. KT Series bonds in the amount of \$149 million face value were purchased and retired by the Province. Series LQ bonds were reopened to finance the retirement of the KT Series bonds.
76. On February 4, 1998, investors exercised their options and exchanged their 5-year Series KP bonds for 30 year 7.375% KQ Series bonds due February 4, 2027.
77. During the 1997/1998 fiscal year, Series KJ bonds were reopened seven times bringing the total issue to \$4,000 million.
78. Proceeds were received in Japanese Yen. Redemption of principal is in US Dollars at an exchange rate of 105 Yen/US Dollar. Interest is payable in Japanese Yen based on a notional principal of JPY 30,000 million at a rate of 3.25%.
79. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars based on a notional principal of USD 86.3 million, at a rate of 3.58% payable annually.
80. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars semi-annually based on notional principal of USD 57.1 million, at a rate of 2.6% payable semi-annually.
81. On December 7, 1998, exchangeable at par, at the holder's option for a 5.875% December 10, 2027 bond.
82. Extendible at the Province's option on March 2, 2000 and every 6 months thereafter with the exception of September 2, 2002 and March 2, 2003. Final maturity date is set at March 2, 2010. Interest accrues at 6.15% semi-annually and is paid on the maturity date.
83. Total Debt incurred for Provincial Purposes on a consolidated basis, includes the long-term debt of the Toronto Area Transit Authority (GO Transit) for \$444 million and the Ontario Housing Corporation for \$2,319 million.
84. The Treasury Bill balance does not include \$209 million of Treasury Bills held by the Northern Ontario Heritage Fund Corporation which is eliminated upon consolidation.
85. The Province entered into currency exchange agreements which effectively converted this U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.2598. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 5.29%.
86. Between August 1, 2001 and August 28, 2001, these bonds can be exchanged for 6.30% bonds maturing September 4, 2020.
87. Bond is callable on April 1, 2003 at the Province of Ontario's option.
88. This bond can be extended every six months commencing on November 13, 2001 up until November 13, 2009, excluding May 2002 to May 2003.
89. Callable between August 1, 2001 and August 28, 2001 for repayment at par on September 4, 2008.
90. The terms of these debentures require that a special one-time interest payment of \$31.1 million be made at maturity.
91. Investor has the right to buy up to \$100 million of this issue quarterly for one year commencing November, 1998 at a price of 103.375 plus accrued interest.
92. The interest rate was set at 4.75% for the first year. The minimum interest payable is 5.00% in the second year, 5.50% in the third year, 5.75% in the fourth year and 6.00% in the final year.
93. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 5.00%. Effective December 21, 1998 the interest rate was set at 4.75%.

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Building Communities



Creating a Skilled Workforce



Encouraging Respect & Responsibility



Investing in Early Years



Educating for a Lifetime



Foundations
for Prosperity