



# **2000 Ontario Budget**

## **Budget Papers**

*Balanced Budgets – Brighter Futures*

**Presented to the**  
**Members of the Legislative Assembly of Ontario by**  
**The Honourable Ernie Eves, Q.C.**  
**Minister of Finance**  
**May 2, 2000**

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## **BUDGET PAPER A**

**Ontario's Economic and Revenue Outlook:  
"Record Performance and Continuing Strong Growth"**



## ■ HIGHLIGHTS

Solid growth in Ontario's economy will continue in 2000 and 2001, resulting in healthy job gains and a falling unemployment rate.

*"Ontario, which led all of the other provinces in terms of economic growth in 1999, will grow at a stellar rate...in 2000."*

*TD Bank, March 2000*

<b>Ontario Economic and Revenue Outlook at a Glance</b>				
<b>(Annual Average)</b>				
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Real GDP Growth (per cent)	4.3	5.7	4.6	3.1
Employment (thousands)	5,490	5,688	Up to 5,887	Up to 6,064
Unemployment Rate (per cent)	7.2	6.3	5.5 - 6.0	5.0 - 5.5
CPI Inflation (per cent)	0.9	1.9	2.5	2.0
Provincial Revenue (\$ billions)	55.8	62.5	62.1	63.4

Sources: Statistics Canada and Ontario Ministry of Finance. Revenues are on a fiscal-year basis.

- The robust economy will underpin growing Provincial tax revenues. Since Ontario began cutting tax rates to stimulate economic growth, total Provincial tax revenue has increased by \$11.7 billion.
- Strong growth in consumer spending and residential investment will be supported by income tax cuts, job gains and rising income.
- Impressive increases in corporate profits, solid domestic demand and high industry capacity utilization rates are leading to vigorous growth in business investment, particularly in productivity-enhancing machinery and equipment.
- Ontario's export and import growth is expected to outpace overall economic growth. Solid auto sales in the United States and across Canada, and growth in high-tech investment, are stimulating Ontario exports.

## ■ **ONTARIO'S STRONG ECONOMIC RECORD**

### **Job Creation Booming**

- Since September 1995, total employment has risen by 701,000, almost half of all jobs created in Canada.
- A record 198,000 jobs were created in 1999, up 3.6 per cent from 1998. Almost all of the job gains were full-time.
- The unemployment rate has dropped from 8.7 per cent in mid-1995 to 5.6 per cent today.

### **Consumer Confidence Strengthening**

- The Conference Board of Canada's index of Ontario consumer confidence has risen 37.8 per cent since the end of 1995, compared to 25.5 per cent in the rest of Canada.
- Ontario retail sales rose 7.3 per cent in 1999. Over the first two months of 2000, retail sales were up 8.0 per cent from a year earlier.

### **Housing Momentum Building**

- Housing starts soared 24.9 per cent in 1999, reaching a decade high of 67,235 units. Housing starts in Ontario rose to an annual rate of 78,800 units in the first quarter of 2000, up 24.8 per cent from the same period in 1999.
- Ontario home resales advanced 7.4 per cent in 1999, to reach a record 148,660 sales. Over the first three months of 2000, resales are up 9.0 per cent from the same period in 1999.

### **Investment Spending Buoyant**

- Real business investment in machinery and equipment has increased by 80 per cent since 1995, while real commercial and industrial construction has grown by 19 per cent.
- Corporate profits grew by 22.3 per cent in 1999, encouraging the increase in investment.

### **Export Growth Continues**

- Ontario merchandise exports jumped 13.6 per cent in 1999. Ontario exports are up 8.2 per cent over the first two months of 2000 from a year earlier.

## ■ ECONOMIC GROWTH REMAINS ROBUST

The economy grew faster in 1999 than the 1999 Budget projection of 3.7 per cent. With real Gross Domestic Product (GDP) growth of 5.7 per cent, Ontario's economic performance surpassed that in the rest of Canada, the United States and all of the other G-7 major industrial countries.

The strong forward momentum of the Ontario economy in 1999 has carried into 2000. Real GDP is projected to grow by 4.6 per cent in 2000 and by 3.1 per cent in 2001. Growth is expected to be broadly based, with household spending, business investment and exports all making a contribution. In keeping with Ontario's policy of prudent forecasting, these projections are marginally below the current private-sector consensus.

### **Economic Growth Projections**

(Per Cent)

	<b>2000</b>	<b>2001</b>
<b>Ontario Real GDP Growth</b>		
Private-sector survey average	4.7	3.2
Ontario's projection	4.6	3.1

Note: The private-sector average is based on eight recent forecasts.

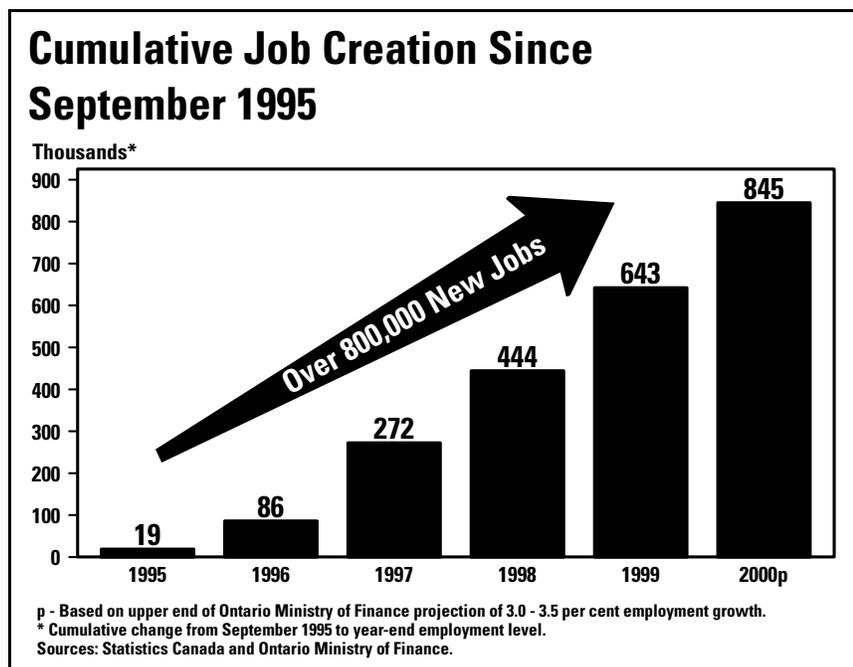
Sources: Ontario Ministry of Finance and Ontario Finance Survey of Forecasts (April 2000).

The cautious economic projection is, as in previous Budgets, supplemented by a reserve, as part of prudent budgeting practices. A \$1 billion reserve has been included in the 2000-01 fiscal plan to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook.

## ■ VIGOROUS JOB GROWTH

Tax cuts create jobs. Government policies of lower taxes, reduced regulation and sound fiscal management have laid a solid foundation for strong growth and job creation. Ontario is on track to surpass the Government's ambitious goal of 725,000 new jobs by the end of 2000 and is well positioned to reach the Government's new target of 825,000 jobs over the following five years.

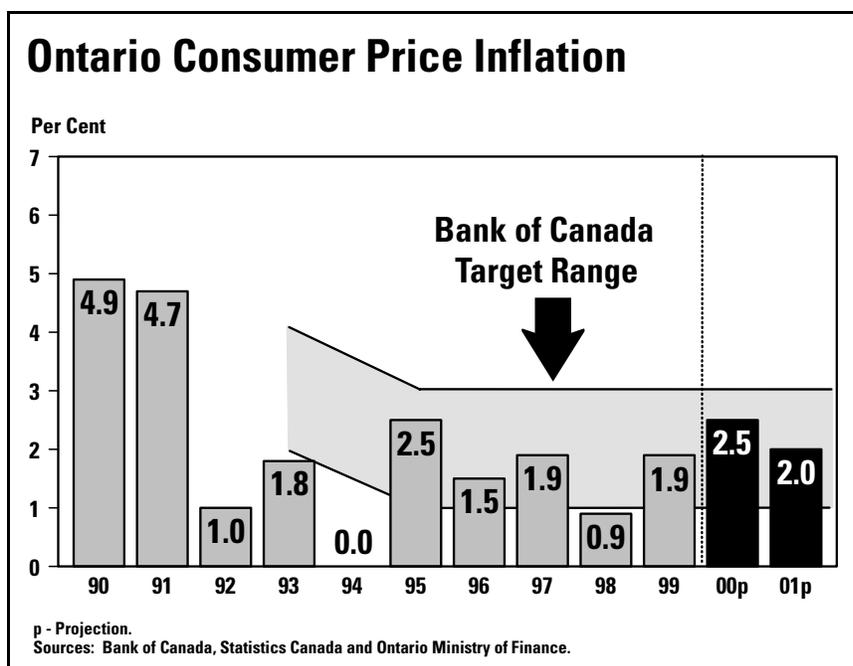
- Ontario created a record 198,000 new jobs in 1999, on the heels of 177,000 new jobs in 1998. These are the best two consecutive years of job creation in Ontario's history. Almost all of the jobs created in 1999 were full-time. Job creation has been broadly based with employment rising in most sectors of the economy.



- Strong economic growth is projected to support average annual job growth of up to 3.5 per cent in 2000 and up to 3.0 per cent in 2001.
- Rising job openings, tax cuts and welfare reform are encouraging more Ontarians to enter the labour force.
- The growth of income associated with more jobs and greater capital gains boosted Personal Income Tax (PIT) revenue by \$1,835 million above the 1999 Budget projection. In addition, Employer Health Tax revenue was \$135 million above last year's projection.

## ■ INFLATION REMAINS MODERATE

Despite strong growth, Ontario's CPI inflation is expected to remain in check, averaging 2.5 per cent in 2000 and 2.0 per cent in 2001. This is well within the Bank of Canada's target range.

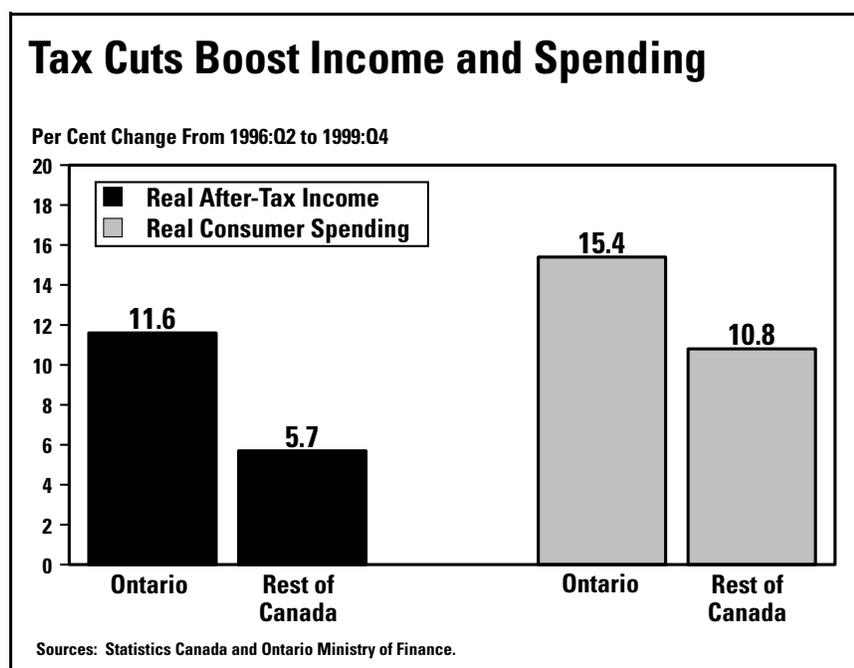


## ■ CONSUMER SPENDING BUOYED BY TAX CUTS AND RISING CONFIDENCE

Personal tax cuts and high and rising consumer confidence have led to robust growth in consumer spending. This pattern will continue in 2000 and will contribute to solid gains in real output and employment.

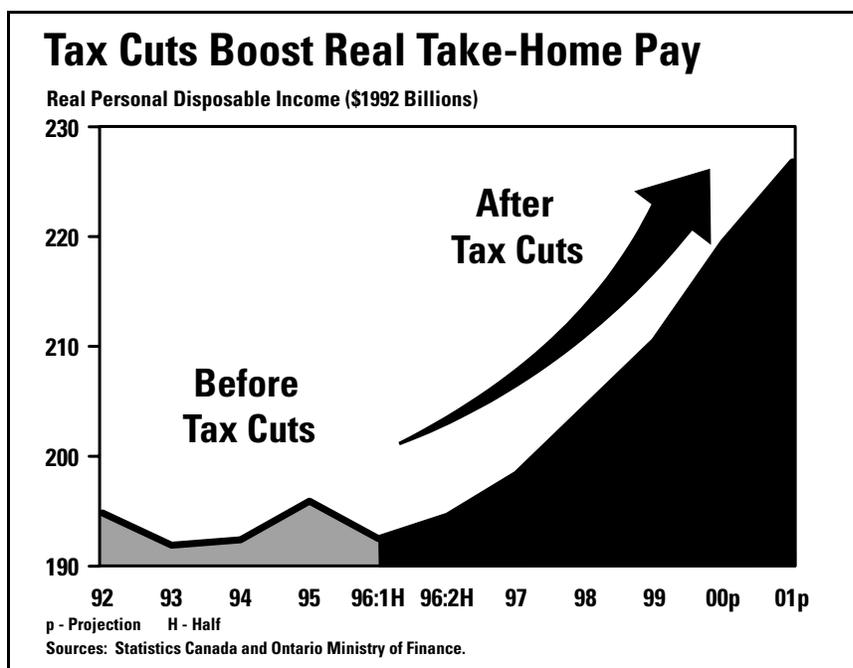
*“With after-tax household incomes...outpacing inflation and solid growth in profits, consumer and business confidence are on a strong upswing.”*

*Scotiabank, February 2000*



- The Conference Board's index of consumer confidence has risen by 37.8 per cent since the end of 1995. This surpassed the 25.5 per cent increase for the rest of Canada during the same period.
- Real consumer spending surged 4.1 per cent in 1999, supported by strong growth in real after-tax income.
- 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. In 1999-00, Retail Sales Tax revenue was \$674 million higher than projected in the 1999 Budget.

- From the second quarter of 1996, when Ontario income tax cuts began, to the fourth quarter of 1999, Ontario real disposable income has increased by 11.6 per cent, more than double the 5.7 per cent pace for the rest of Canada.
- During the same period, Ontario real consumption has increased by 15.4 per cent, much stronger than the 10.8 per cent rise recorded for the rest of Canada.



- Real disposable income is expected to rise by 4.3 per cent in 2000 and 3.6 per cent in 2001. The sharp rise in income is supported by Ontario Government policies to reduce taxes and improve the business climate. These policies leave more money in the pockets of taxpayers and encourage business investment and job creation. Real consumer spending is expected to grow in line with disposable income, rising 3.9 per cent in 2000 and 3.0 per cent in 2001.

## ■ HOUSING OUTLOOK BRISK

*“Ontario’s home markets will remain among Canada’s top performers.”*

*Canada Mortgage and Housing Corporation, February 2000*

The residential construction sector is expected to remain brisk in 2000, supported by strong job gains, rising incomes and 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 73,000 in 2000. Residential construction spending in Ontario is projected to rise by 5.4 per cent in 2000 and a further 2.3 per cent in 2001.
- The vibrant housing market in Ontario in 1999 increased Land Transfer Tax revenue by \$90 million above the 1999 Budget forecast.
- Five-year mortgages have risen from their historic lows, with the posted rate at most financial institutions at 8.35 per cent in late April. Mortgage rates are expected to stay within 50 to 100 basis points of their current levels and will remain well below the peak of over 14 per cent reached in 1990.
- More significantly, housing remains very affordable. In 1999, the monthly carrying cost for an average-priced home in Ontario was \$970 compared to \$1,489 in 1990. As a share of after-tax household income, the same carrying cost fell to 21.2 per cent in 1999 from a high of 36.4 per cent in 1990.

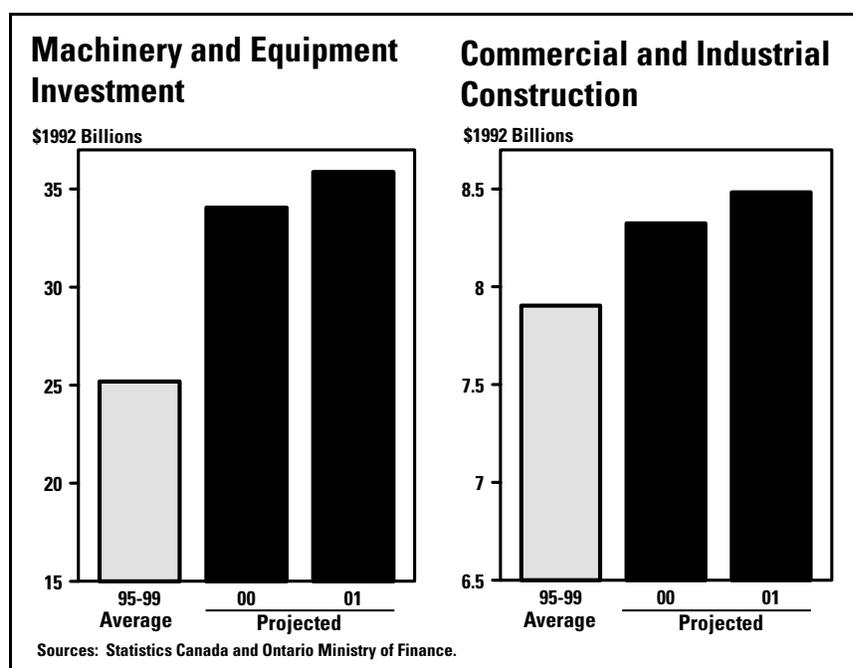
## ■ FIRMS CONTINUE UPGRADING AND INVESTING

New technologies, which are lowering costs and transforming the way we do business, require new capital goods and software. Ontario firms are rapidly upgrading their capital stock with modern, highly productive machinery, equipment and structures. These investments are leading to dynamic job creation, rising productivity and stronger output growth. Healthy investment growth over the past few years has been instrumental in enhancing Ontario's competitive position in the international economy.

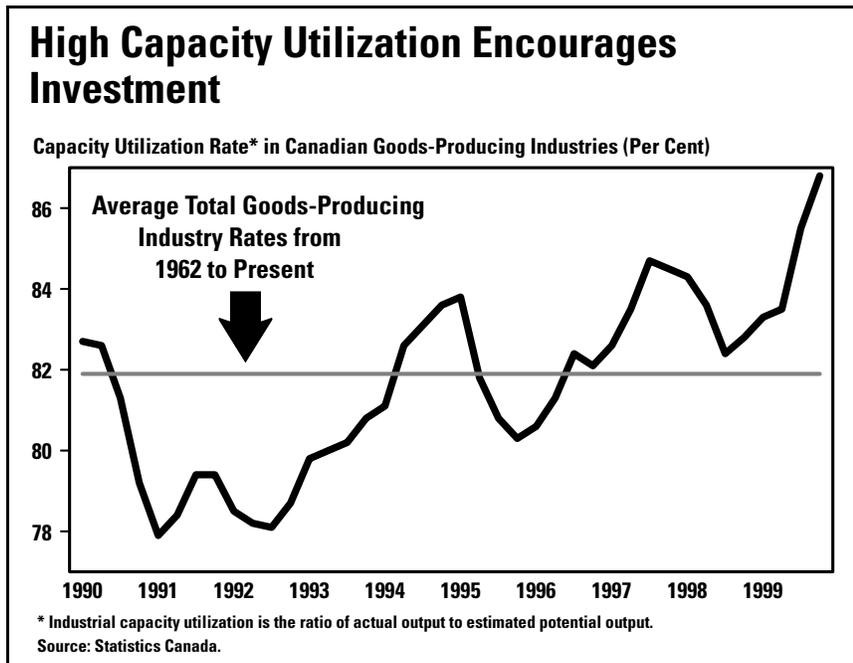
Corporate profits rose by 22.3 per cent in 1999, significantly stronger than expected. As a result, Corporations Tax revenue exceeded the 1999 Budget projection by \$776 million.

The real value of Ontario business investment in machinery and equipment rose by 80 per cent between 1995 and 1999. Real investment in commercial and industrial construction rose by 19 per cent over the same period.

- Machinery and equipment investment is projected to increase by an average of 7.0 per cent over 2000 and 2001.
- Spending in the commercial and industrial construction sector is expected to remain healthy, with a projected average increase of 2.1 per cent over the next two years.



- Large firms continue to demonstrate their commitment to the province. Firms with major current projects under way or announced include Dofasco, DuPont Canada, Nortel Networks and Stelco. Ontario's attractiveness as an investment location continues to draw new capital expenditure projects in the key automotive sector. DaimlerChrysler Canada, Ford of Canada, General Motors Canada, Honda Canada and Toyota Motor Manufacturing Canada are all making significant new investments in Ontario.
- Capacity utilization remains above its long-term average, prompting firms to invest further. Capacity utilization in the transportation equipment industry, for example, jumped to 91.4 per cent in 1999, a record high.



- Ontario industrial real estate development is growing strongly. Commercial and industrial building permits rose an average of 23.8 per cent over the past three years.

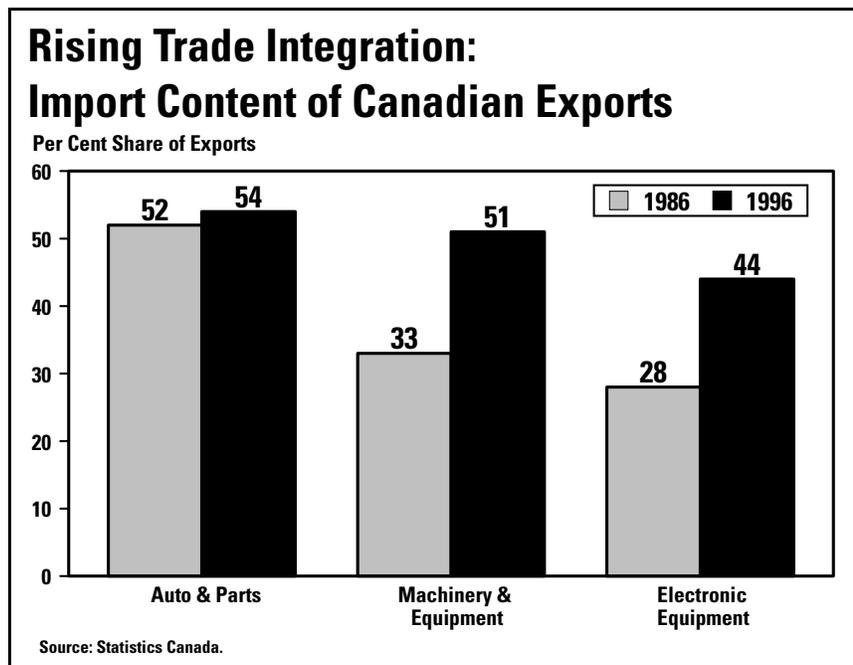
## ■ EXPORT GROWTH REMAINS SOLID

Ontario export industries recorded another banner year in 1999, with real exports up 10.7 per cent. Ontario's real exports are projected to remain strong in 2000 and 2001 with continued U.S. growth and rising demand in Europe and Asia.

- International trade has increased in importance to the Ontario economy through the 1990s. The province's international orientation has increased sharply. Ontario's exports were equivalent to only 29.4 per cent of GDP in 1989. This ratio rose to 54.4 per cent in 1999.

Strong growth in exports has been accompanied by rising imports. In large part this reflects the increasing integration of the North American economy. A significant consequence of this trend is the increasing import content of manufactured exports. This matches the experience of the Canadian auto industry, which has benefited from free trade with the United States since 1965. It has long been completely integrated on a North American basis, with the import content of exports exceeding 50 per cent.

- The following chart shows that, in recent years, since the implementation of the North American Free Trade Agreement (NAFTA), the import content of other manufactured exports also has increased sharply. A recent Statistics Canada study shows that this trend is particularly evident in the fast-growing industries producing electronic equipment and other capital goods for the world economy. Increased integration and specialization brings with it the promise, over time, of the strong productivity growth that has characterized Ontario's auto industry.



- Since 1995, net trade (exports minus imports) has accounted for 16.0 per cent of Ontario's total GDP growth.
- The auto sector, which accounts for nearly half of Ontario's total international exports, led export growth in 1999, rising 26 per cent. Ontario's auto industry recorded another record-breaking year in 1999, producing nearly three million cars and trucks.
- Prospects for Ontario's auto industry exports are bright. New investment is expanding and improving plants, while U.S. demand for autos and trucks is projected to remain strong.
- Knowledge-based, high-technology industries continue to grow in importance to the Ontario economy. In 1999, telecommunications equipment exports grew by 12.3 per cent in real terms, while computer exports jumped 18.1 per cent.

## ■ STRONG REVENUE PERFORMANCE

Ontario's tax cuts have fuelled robust growth in domestic demand and substantially increased government revenues. This performance was well above forecasts. Taxation revenue in 1999-00 was \$3.1 billion above the 1998-99 level. Tax revenues are expected to continue to grow in 2000-01 as a result of continuing strong growth in the Ontario economy.

Total revenue in 2000-01 is projected to be slightly below the 1999-00 level due to the inclusion in 1999-00 revenue of \$1,580 million for the net proceeds from the sale of Highway 407.

### Ontario Revenues: 1998-99 to 2000-01

(\$ Millions)

	<b>Actual 1998-99</b>	<b>Interim 1999-00</b>	<b>Projected 2000-01</b>
<b>Taxation Revenue</b>	43,077	46,192	47,323
Personal Income Tax	17,190	17,505	17,530
Retail Sales Tax	11,651	12,784	13,400
Corporations Tax	7,447	8,596	8,765
All Other	6,789	7,307	7,628
<b>Federal Payments</b>	4,515	5,888	6,032
<b>Income from Government Enterprises</b>	2,547	3,507	3,423
<b>Other Revenue</b>	5,647	6,885	5,282
<b>Total Revenue</b>	<b>55,786</b>	<b>62,472</b>	<b>62,060</b>
<b>Total Revenue Excluding Highway 407 Sale</b>	<b>55,786</b>	<b>60,892</b>	<b>62,060</b>

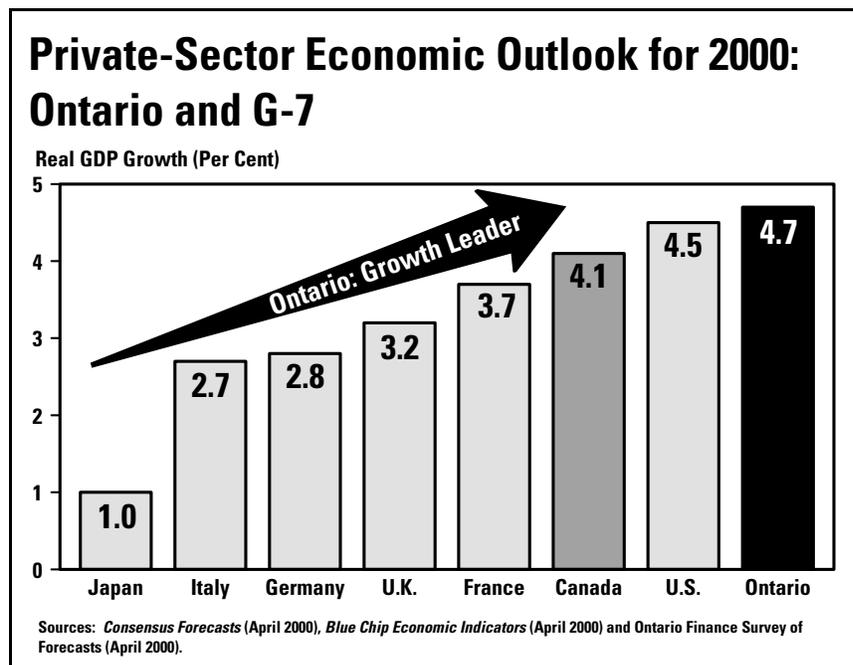
Driven by continued gains in employment, incomes, consumer spending and corporate profits, tax revenue is forecast to increase by over \$1.1 billion in 2000-01.

- Personal Income Tax revenue is projected at \$17,530 million.
- Continued strong growth in business and consumer spending, raising retail sales by 6.4 per cent in 2000, is expected to boost Retail Sales Tax revenue to \$13,400 million.

- Corporations Tax revenue is forecast to increase to \$8,765 million in 2000-01.
- Strong job creation and healthy wage gains are expected to increase Employer Health Tax revenues to \$3,320 million in 2000-01.
- Transfers from the Government of Canada are forecast to be \$6,032 million in 2000-01. This amount includes \$4,857 million for the Canada Health and Social Transfer (CHST), including the increase in CHST allocation and Supplements. This will be 27 per cent lower than in 1994-95.
- Income from Government Enterprises is expected to be \$3,423 million.
- Other Revenue is expected to be \$5,282 million. This is \$1,603 million below the 1999-00 level, which included \$1,580 million for the net proceeds from the sale of Highway 407.

## ■ CONCLUSION

The Ontario economy is poised for continued vigorous growth in 2000. Robust domestic demand assisted by solid export growth is underpinning future growth. Strong job creation is continuing; the unemployment rate is declining. The private-sector consensus projects real GDP growth of 4.7 per cent in 2000 and a further 3.2 per cent in 2001. This is, once again, faster than economic growth in the rest of Canada or any of the other G-7 major industrial countries.



By reducing tax rates and eliminating obstacles to market-led growth, the Ontario Government has established a framework for a strong economy that generates the revenues needed to pay for valued public services and infrastructure. Provincial tax revenues are projected to grow by over \$1.1 billion in 2000-01.





**PAPER A**  
**Appendix**

## ■ DETAILS OF THE ONTARIO ECONOMIC AND REVENUE OUTLOOK

The following tables and charts provide further details about the Ontario Ministry of Finance economic and revenue projections.

### The Ontario Economy, 1998 to 2001

(Per Cent Change)

	Actual		Projected	
	1998	1999	2000	2001
<b>Real Gross Domestic Product</b>	<b>4.3</b>	<b>5.7</b>	<b>4.6</b>	<b>3.1</b>
Personal consumption	3.4	4.1	3.9	3.0
Residential construction	(1.2)	14.6	5.4	2.3
Non-residential construction	(3.8)	0.8	2.3	1.9
Machinery and equipment	10.6	11.8	8.6	5.3
Exports	8.8	10.7	7.9	5.3
Imports	6.4	11.2	8.6	5.6
<b>Nominal Gross Domestic Product</b>	<b>4.3</b>	<b>7.1</b>	<b>6.5</b>	<b>4.7</b>
<b>Other Economic Indicators</b>				
Retail sales	6.9	7.3	6.4	4.8
Housing starts (000s)	53.8	67.2	73.0	70.0
Personal income	4.8	4.5	5.7	5.0
Corporate profits	0.3	22.3	13.2	3.6
Ontario Consumer Price Index	0.9	1.9	2.5	2.0
<b>Labour Market</b>				
Employment*	3.3	3.6	3.0 – 3.5	2.5 – 3.0
Unemployment rate* (per cent)	7.2	6.3	5.5 – 6.0	5.0 – 5.5

\* Based on Labour Force Survey.

Sources: Statistics Canada and Ontario Ministry of Finance.

For prudent planning purposes, the interest rate on three-month Government of Canada treasury bills is assumed to be 50 to 60 basis points higher than the average private-sector forecast. Interest rates on 10-year Government of Canada bonds are assumed to be 20 basis points higher than the average private-sector forecast.

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**Interest Rate Assumptions**

(Average Per Cent)

	1999	2000 Jan-Apr	2000 May-Dec	2001
<b>3-month Government of Canada treasury bills</b>				
Private-sector survey average	4.7	5.2	5.7	5.7
Ontario's assumption			6.3	6.2
<b>10-year Government of Canada bonds</b>				
Private-sector survey average	5.6	6.2	6.3	6.3
Ontario's assumption			6.5	6.5

Sources: Bank of Canada, Ontario Ministry of Finance and Ontario Finance Financial Market Survey (April 2000).

The following table shows the sensitivity of the fiscal balance to the direct impact of lower interest rates on public debt interest and the impact of stronger economic growth on revenues and expenditures.

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**Impact of Changes in Economic Assumptions on the Ontario Surplus**

(\$ Millions)

	2000-01
100 Basis Points Lower Canadian Interest Rates	80
1 Percentage Point Higher Real GDP Growth	565

Note: These responses would hold "on average" and could vary significantly depending on the composition of change in income and expenditures.

Source: Ontario Ministry of Finance.

**Revenue**

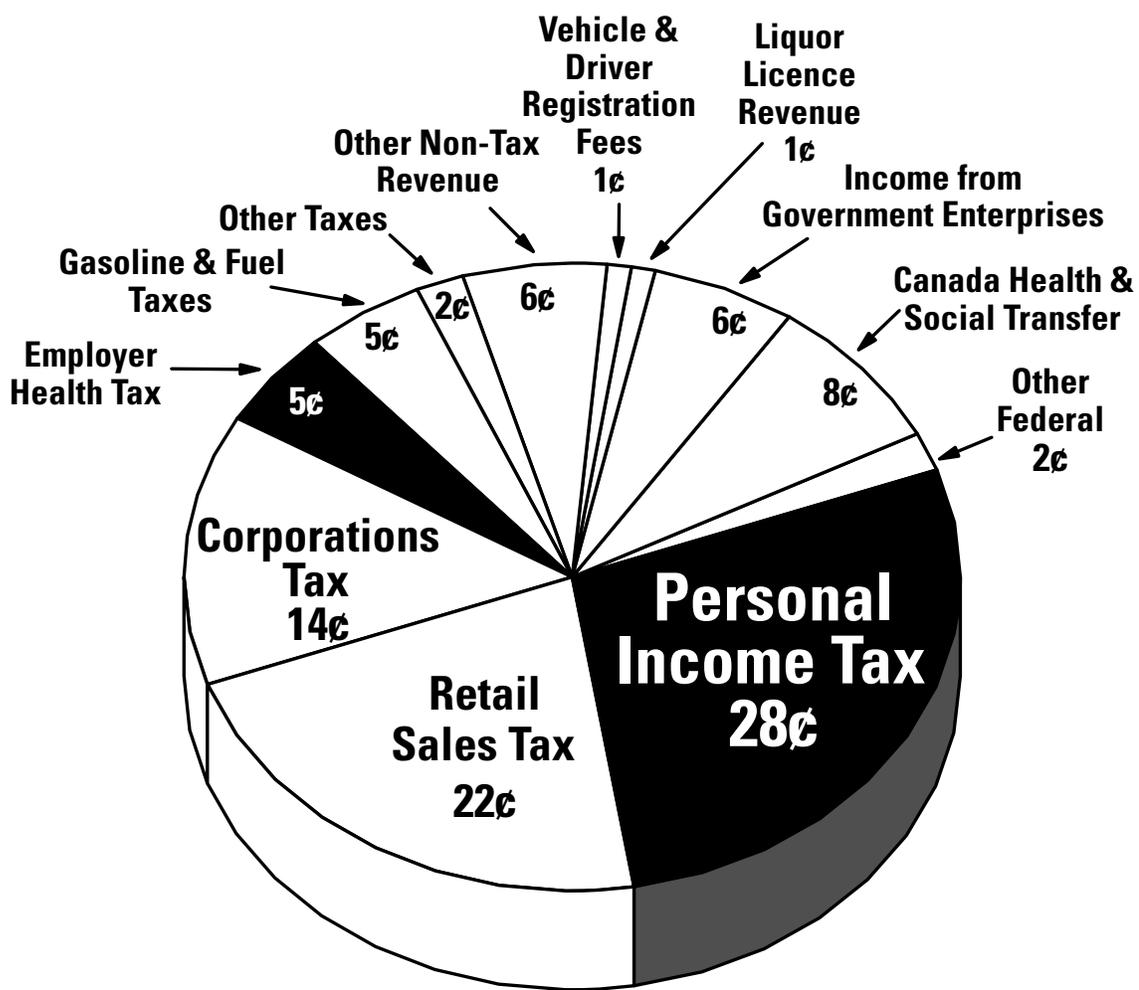
(\$ Millions)

	<b>Actual 1996-97</b>	<b>Actual 1997-98</b>	<b>Actual 1998-99</b>	<b>Interim 1999-00</b>	<b>Projected 2000-01</b>
<b>Taxation Revenue</b>					
Personal Income Tax	16,357	16,293	17,190	17,505	17,530
Retail Sales Tax	9,964	10,843	11,651	12,784	13,400
Corporations Tax	5,852	7,456	7,447	8,596	8,765
Employer Health Tax	2,772	2,851	2,882	3,125	3,320
Gasoline Tax	1,951	2,028	2,068	2,175	2,260
Fuel Tax	540	563	592	635	665
Tobacco Tax	356	425	447	481	510
Land Transfer Tax	452	565	470	570	580
Mining Profits Tax	54	40	23	53	55
Race Tracks Tax	46	4	6	5	5
Preferred Share Dividends Tax	73	60	50	35	40
Other Taxation	113	141	251	228	193
	<b>38,530</b>	<b>41,269</b>	<b>43,077</b>	<b>46,192</b>	<b>47,323</b>
<b>Government of Canada</b>					
Canada Health and Social Transfer	4,814	3,970	3,553	3,767	3,548
Increase in CHST Allocation	-	-	-	190	552
CHST Supplements	-	-	-	755	757
Social Housing	341	387	358	503	533
Student Assistance	9	18	64	171	171
Indian Welfare Services	128	87	155	112	114
Bilingualism Development	44	49	55	65	64
Employability Assistance for People with Disabilities	65	53	71	66	66
Canada-Ontario Infrastructure Works	142	116	71	25	-
Other	235	418	188	234	227
	<b>5,778</b>	<b>5,098</b>	<b>4,515</b>	<b>5,888</b>	<b>6,032</b>
<b>Income from Government Enterprises</b>					
Ontario Lottery and Gaming Corporation*	1,248	1,485	1,764	1,811	1,695
Liquor Control Board of Ontario	701	745	809	844	915
Ontario Hydro Successor Companies	-	-	-	820	795
Other	10	61	(26)	32	18
	<b>1,959</b>	<b>2,291</b>	<b>2,547</b>	<b>3,507</b>	<b>3,423</b>
<b>Other Revenue</b>					
Vehicle and Driver Registration Fees	816	820	890	923	920
Other Fees and Licences	560	548	661	637	670
Liquor Licence Revenue	520	506	519	528	530
Royalties	264	286	289	294	240
Sales and Rentals	543	582	640	2,339	790
Fines and Penalties	157	174	50	40	35
Local Services Realignment - Reimbursement of Expenditure	-	519	2,109	1,665	1,572
Miscellaneous	323	425	489	459	525
	<b>3,183</b>	<b>3,860</b>	<b>5,647</b>	<b>6,885</b>	<b>5,282</b>
<b>Total Revenue</b>	<b>49,450</b>	<b>52,518</b>	<b>55,786</b>	<b>62,472</b>	<b>62,060</b>
<b>Total Revenue Excluding Highway 407 Sale</b>	<b>49,450</b>	<b>52,518</b>	<b>55,786</b>	<b>60,892</b>	<b>62,060</b>

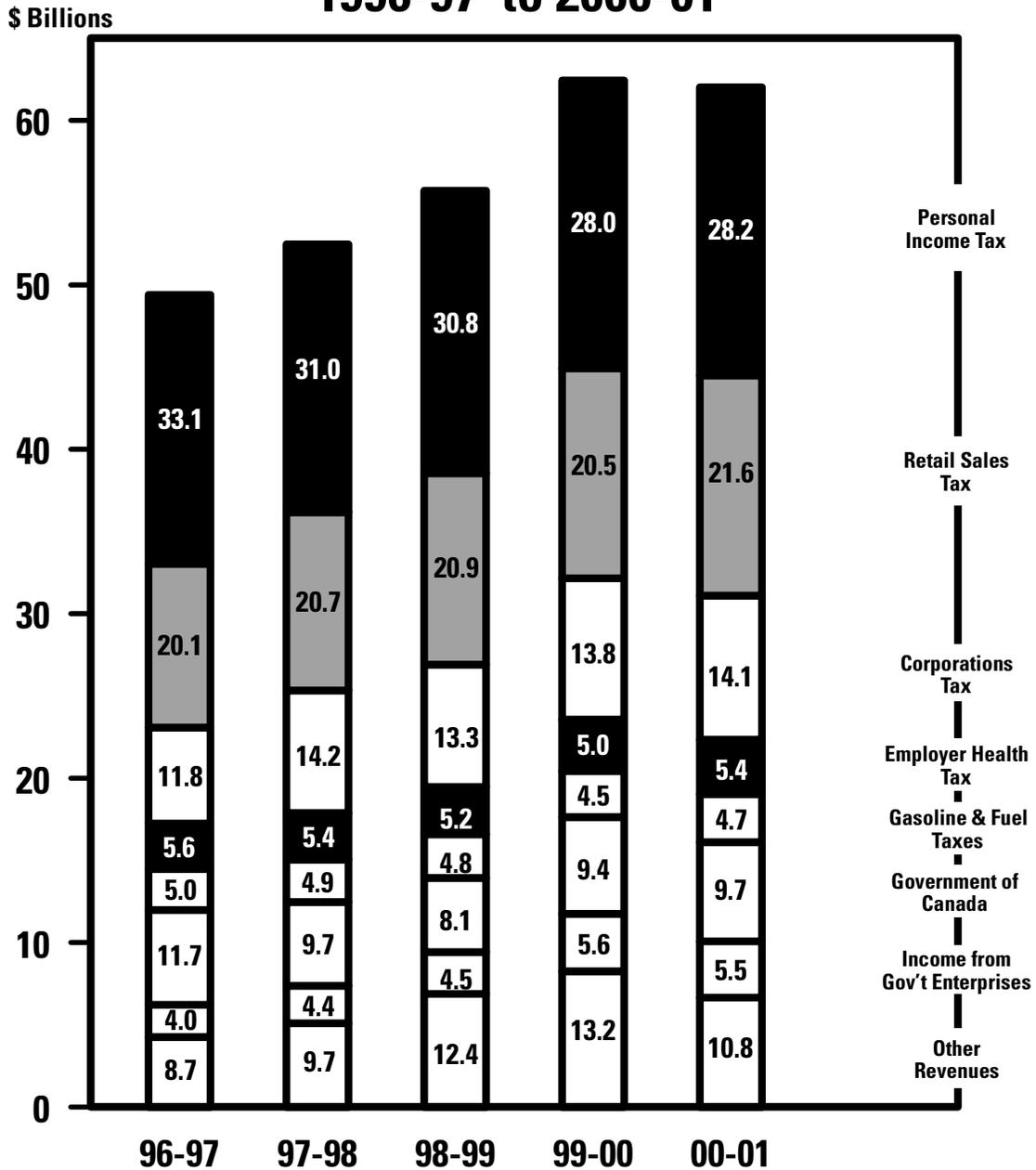
\*Effective April 1, 2000, the Ontario Lottery Corporation and Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation.

Source: Ontario Ministry of Finance.

# The Budget Dollar: Revenue 2000-01



## Revenue Sources by Category Per Cent of Total 1996-97 to 2000-01





## **BUDGET PAPER B**

**Ontario's Fiscal Plan:  
"The Best Fiscal Performance in More than  
Half a Century"**



## ■ INTRODUCTION

The 2000 Ontario Budget represents an historic achievement. After a decade of deficits, Ontario is now on track to record back-to-back balanced budgets in 1999-00 and 2000-01. These are the first back-to-back balanced budgets in more than half a century.

During World War II, in 1942-43 and 1943-44, Ontario recorded two consecutive budget surpluses.

By recording a \$654 million surplus for the fiscal year 1999-00, the 2000 Ontario Budget is delivering, one year ahead of schedule, on the Government's commitment to balance the budget. Moreover, the Province is on track to balance the budget again in 2000-01 as well.

To help ensure that the era of repeated annual deficits does not recur, in December 1999 the Government introduced and the Legislature passed the *Taxpayer Protection and Balanced Budget Act, 1999*. Ontario's fiscal position is now on a more stable and secure track, one that is designed to deliver on the Government's debt-reduction commitment of at least \$5 billion during this mandate.

This paper reviews the following:

**Section I:** Interim results, 1999-00

**Section II:** Fiscal plan, 2000-01

**Section III:** SuperBuild infrastructure investments

**Section IV:** Ontario's commitment to health care

**Section V:** Ontario's recent fiscal record of exceeding its fiscal performance commitments

## ■ SECTION I: INTERIM RESULTS, 1999-00

### Balanced Budget Achieved One Year Early

With a budgetary surplus in 1999-00, the Government has achieved its Balanced Budget Plan target one year ahead of schedule. The 1999-00 interim outlook of a \$654 million surplus is a \$2,730 million improvement from the 1999 Budget forecast, and a \$3.3 billion improvement over the original Balanced Budget Plan deficit target of \$2.6 billion. As a result of prudent and realistic planning, this is the fifth year in a row in which the Balanced Budget Plan deficit-reduction target has been overachieved.

#### 1999-00 In-Year Fiscal Performance

(\$ Millions)

	Budget Plan	Interim	In-Year Change
<b>Revenue</b>	58,150	62,472	4,322
<b>Expenditure</b>			
Programs	47,025	47,581	556
Restructuring and Other Charges	–	226	226
Total Program Expenditure	47,025	47,807	782
Capital	2,883	4,511	1,628
Public Debt Interest			
Provincial	9,298	8,980	(318)
Ontario Hydro Successor Companies	520	520	–
Total Expenditure	59,726	61,818	2,092
Reserve	500	–	(500)
<b>Surplus / (Deficit)</b>	<b>(2,076)</b>	<b>654</b>	<b>2,730</b>
<b>Contribution to Net Debt Reduction</b>	–	<b>654</b>	
<b>Surplus / (Deficit) after Net Debt Reduction</b>	–	<b>0</b>	

Source: Ontario Ministry of Finance.

- Revenue was \$4,322 million above the 1999 Budget Plan. Most of the increase was a result of the vigorous pace of economic growth, which boosted tax revenues by \$3,607 million above the 1999 Budget forecast.
- Total expenditure was \$2,092 million higher than projected in the 1999 Budget, largely due to strategic, one-time investments in health, education and infrastructure.

- 
- Restructuring and Other Charges of \$226 million in 1999-00 include a \$149 million increase to the estimated provision for costs related to the implementation of Local Services Realignment and an increase of \$77 million for Ontario Public Service (OPS) restructuring costs.
  - The 1999 Budget Plan included a \$500 million reserve to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. With the improvements in the in-year revenue outlook and the strength of the Ontario economy, the reserve was eliminated in-year and applied to deficit reduction and debt repayment.

## 1999-00 REVENUE PERFORMANCE

Total revenue in 1999-00 was \$4,322 million above the level projected in the 1999 Budget. Most of the increase was a result of the vigorous pace of economic growth, which boosted tax revenues \$3,607 million above the 1999 Budget forecast. Other revenue sources including Federal Payments, Income from Government Enterprises and Other Revenue were also above projection.

<b>Summary of In-Year Changes to Revenue in 1999-00</b>		<b>Interim</b>
(\$ Millions)		<b>1999-00</b>
<b>Taxation Revenue</b>		
Personal Income Tax	1,835	
Retail Sales Tax	674	
Corporations Tax	776	
Employer Health Tax	135	
Land Transfer Tax	90	
All Other	97	<b>3,607</b>
<b>Federal Payments</b>		
Canada Health and Social Transfer	40	
All Other	292	<b>332</b>
<b>Income from Government Enterprises</b>		
Ontario Hydro Successor Companies	293	
Ontario Lottery and Gaming Corporation	(114)	
Other	81	<b>260</b>
<b>Other Revenue</b>		
Royalties	69	
Vehicle and Driver Registration Fees	43	
Sales and Rentals	109	
Local Services Realignment – Reimbursement of Expenditure	(129)	
All Other	31	<b>123</b>
<b>Total In-Year Revenue Changes</b>		<b>4,322</b>

Source: Ontario Ministry of Finance.

## 1999-00 In-Year Operating Expenditure Changes

Operating expenditure for 1999-00 was \$464 million higher than forecast in the 1999 Budget, increasing from \$56,843 million to \$57,307 million. This increase is mainly due to necessary investments in priority sectors such as health care and education, as well as about \$300 million in in-year spending increases fully offset by funding from the federal government.

### Summary of In-Year Operating Expenditure Changes in 1999-00

(\$ Millions)

	Interim 1999-00
<b>Program Expenditure Changes:</b>	
Hospital Funding – front-line patient care and transitional assistance	431
School Board Phase-in Funding – one-time grant	268
Canada Millennium Scholarships – increased funding *	107
Child Welfare – volume and transition costs	106
Canada-Ontario Social Housing Agreement – transfer of federal programs *	85
Teachers' Pension Plan – reduced expenditures	(278)
Other Changes (net)	63
<b>Total Program Expenditure Changes</b>	<b>782</b>
<b>Public Debt Interest</b>	<b>(318)</b>
<b>Total In-Year Operating Expenditure Changes</b>	<b>464</b>

\* Fully offset by federal transfers.

Source: Ontario Ministry of Finance.

- An additional \$431 million was provided in-year to hospitals including \$196 million for priority programs and to address demographic changes, and \$235 million primarily for transitional health care restructuring.
- A one-time grant of \$268 million was provided in-year to school boards in order to complete the phase-in funding component of the School Board Operating Grant. This will facilitate the move to fair funding and enable affected school boards to proceed with restructuring projects.

- An additional \$107 million was provided in-year for Canada Millennium Scholarships, fully offset by increased transfers from the federal government.
- An additional \$106 million was provided in-year for Child Welfare Services to address higher volume as well as transition costs associated with child welfare reform.
- The transfer of federal programs to the Province under the Canada-Ontario Social Housing Agreement resulted in a net in-year expenditure increase of \$85 million, including the impact of this agreement on the Ontario Housing Corporation. This increase was fully offset by federal payments.
- Teachers' Pension Plan expenditure fell in-year by \$278 million, mainly due to a higher-than-expected investment return on pension fund assets and increased interest revenue on a higher-than-expected pension plan surplus.
- A smaller financing program, coupled with higher interest earnings on the Province's liquid reserve portfolio, generated in-year Public Debt Interest (PDI) savings of \$318 million.

## 1999-00 In-Year Capital Expenditure Changes

SuperBuild capital expenditure for 1999-00 at \$4,511 million, was \$1,628 million higher than the 1999 Budget Plan outlook of \$2,883 million, mainly due to an acceleration of Health Services Restructuring Commission (HSRC) directed capital projects, an additional investment in the Ontario Innovation Trust and additional funding for new capital projects and renovations at Ontario's colleges and universities.

### Summary of In-Year Capital Expenditure Changes in 1999-00

(\$ Millions)

	<b>Interim 1999-00</b>
Health Services Restructuring – accelerated capital projects	1,004
Ontario Innovation Trust – additional endowment	500
Post-Secondary Education Expansion Projects – additional projects	231
Post-Secondary Education – major renovation projects	55
Health Capital – construction delays	(76)
GO Transit – devolution	(15)
Adult Infrastructure (jails) – construction delays	(8)
All Other Changes (Net)	(63)
<b>Total In-Year Capital Expenditure Changes</b>	<b>1,628</b>

Source: Ontario Ministry of Finance.

- Through SuperBuild, \$1,004 million was provided to hospitals to help accelerate Health Services Restructuring Commission (HSRC) directed capital projects. By providing the Province's 70 per cent share for these projects up front, hospitals will be better positioned to accelerate restructuring efforts in the health care sector.
- An additional \$500 million endowment to the Ontario Innovation Trust will provide added resources to Ontario research institutions for research infrastructure, including laboratories and equipment, while helping them to attract other public- and private-sector contributions. The initial endowment in 1998-99 was \$250 million.
- An added \$231 million in grants was provided in-year to universities and colleges to support construction of new classrooms, laboratories and other facilities needed to accommodate a growing student population.

- SuperBuild also allocated \$55 million in-year for increased funding to upgrade college and university facilities to provide a modern learning environment, while accommodating higher enrolment for college and university students. This will help post-secondary institutions use existing facilities more efficiently to accommodate growth in student demand.
- Construction delays reduced capital expenditures on health facilities in-year by \$76 million. The funding for these construction projects has been reallocated to 2000-01 and future years.
- GO Transit was fully transferred to municipalities in August 1999. This was ahead of schedule, resulting in \$15 million in savings which were offset by lower revenue reimbursements from municipalities.
- Slower-than-projected construction of Adult Infrastructure Renewal projects (jails) resulted in \$8 million in underspending.

## Local Services Realignment Transition Measures

Starting in 1998, the provincial and municipal levels of government initiated the exchange of funding and delivery of various services from one level of government to another. The objective of the Local Services Realignment (LSR) initiative is to improve accountability, reduce waste, and provide Ontario taxpayers with improved government services at the best possible price.

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

<b>Local Services Realignment Transition Measures: Impact on Fiscal Plan</b>		
(\$ Millions)		
	1999-00	2000-01
<b>Transition Expenditures</b>		
Social Housing	767	797
Social Assistance	581	545
Child Care	17	–
Land Ambulance	94	94
GO Transit	24	–
Provincial Offences Act	14	7
Grant in Respect of Provincial Offences Act Net Revenues	84	69
<b>Total Increase in Expenditure</b>	<b>1,581</b>	<b>1,512</b>
<b>Reimbursement of Expenditure from Municipalities</b>	<b>1,479</b>	<b>1,406</b>
<b>Provincial Offences Act Revenue</b>	<b>98</b>	<b>76</b>
<b>Net Impact on Surplus</b>	<b>(4)</b>	<b>(30)</b>

Source: Ontario Ministry of Finance.

- Social Housing expenditures in 1999-00 were reduced by \$30 million as a result of a recovery of prior years' expenditures, leading to a year-over-year increase. These recoveries are primarily related to pre-1998-99 costs, which do not affect municipal reimbursements.
- Municipalities have assumed direct responsibility for GO Transit and Child Care programs under Local Services Realignment in 1999-00. As a result, the Province will not incur transitional costs for these programs in 2000-01.
- Provincial transitional expenditures associated with the *Provincial Offences Act* will decline in 2000-01 as a result of the transfer of a portion of this program to direct municipal responsibility during 1999-00.

## SECTION II: FISCAL PLAN, 2000-01

A balanced budget is forecast for 2000-01. With the achievement of a budget surplus in 1999-00, the Government is projecting two consecutive balanced budgets for Ontario, the first time in more than half a century.

<b>2000-01 Fiscal Plan</b>					
(\$ Millions)					
	<b>Interim 1999-00</b>	<b>Plan 2000-01</b>	<b>Change</b>		<b>Outlook 2001-02</b>
			<b>\$ Million</b>	<b>Per Cent</b>	
<b>Revenue</b>	62,472	62,060	(412)	(0.7)	63,400
<b>Expenditure</b>					
Programs	47,581	49,525	1,944	4.1	51,000
Restructuring and Other Charges	226	–	(226)	–	–
Total Programs Expenditure	47,807	49,525	1,718	3.6	51,000
Capital	4,511	2,075	(2,436)	(54.0)	2,000
Public Debt Interest					
Provincial	8,980	8,940	(40)	(0.4)	8,900
Ontario Hydro Successor Companies	520	520	–	–	500
Total Expenditure	61,818	61,060	(758)	(1.2)	62,400
Reserve	–	1,000	1,000	–	1,000
<b>Surplus / (Deficit)</b>	<b>654</b>	<b>0</b>	<b>(654)</b>	<b>–</b>	<b>0</b>
<b>Contribution to Net Debt Reduction</b>	<b>654</b>				
<b>Surplus / (Deficit) after Net Debt Reduction</b>	<b>0</b>				

Source: Ontario Ministry of Finance.

- Revenue is projected at \$62,060 million for 2000-01. Total revenue in 2000-01 is projected to be slightly below the 1999-00 level due to the inclusion in 1999-00 revenue of \$1,580 million from the net proceeds of the sale of Highway 407.
- Total expenditure in 2000-01 is projected at \$61,060 million, \$758 million lower than the 1999-00 level of \$61,818 million. The decline in total spending in 2000-01 is largely due to a return to the base level of planned SuperBuild capital investments, following one-time, in-year investments in health and post-secondary education. This reduction is partially offset by an increase in base operating health spending in the 2000-01 fiscal year.

- As part of the Province's prudent budgeting practices, a \$1 billion reserve has been included in the 2000-01 fiscal plan to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The \$500 million increase in the reserve in 2000-01 provides an added degree of caution which will better able the Government to meet its commitment to reduce Net Provincial Debt by at least \$5 billion during this mandate. The higher reserve will be available for debt reduction if not needed.
- In 2001-02, the Government is forecasting a balanced budget, as required by the *Balanced Budget Act, 1999*. The 2001-02 fiscal outlook also includes a \$1 billion reserve.

## 2000-01 Revenue Outlook

Ontario's robust economic performance in 1999 provided a strong boost to revenue growth in 1999-00. Tax revenue is expected to grow again in 2000-01 as a result of continuing strong growth in the Ontario economy.

Total revenue in 2000-01 is projected to be slightly below the 1999-00 level due to the inclusion in 1999-00 revenue of \$1,580 million from the net proceeds of the sale of Highway 407.

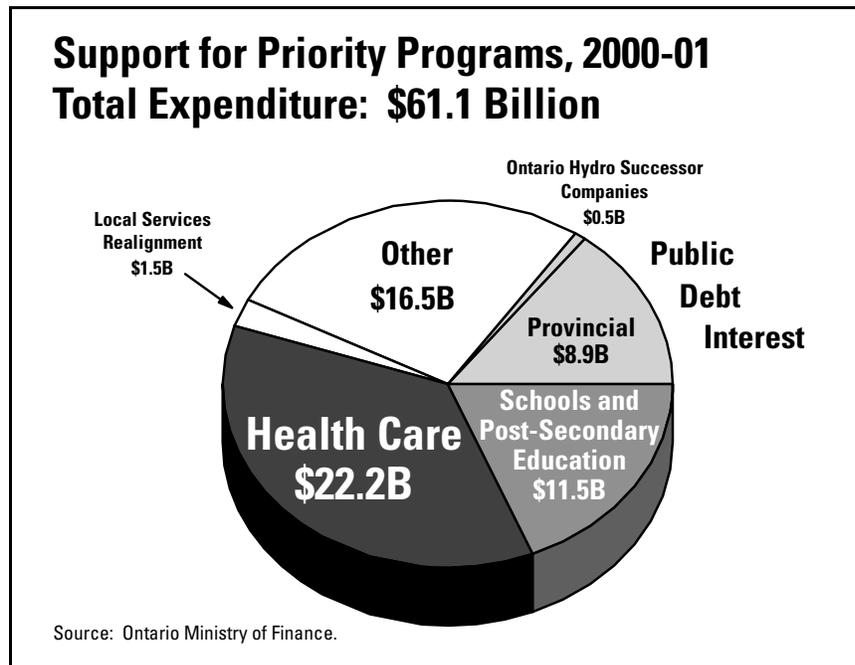
<b>2000-01 Revenues</b>			
(\$ Millions)			
	<b>Actual 1998-99</b>	<b>Interim 1999-00</b>	<b>Plan 2000-01</b>
Taxation	43,077	46,192	47,323
Federal Payments	4,515	5,888	6,032
Income from Government Enterprises	2,547	3,507	3,423
Other Revenue	5,647	6,885	5,282
<b>Total Revenue</b>	<b>55,786</b>	<b>62,472</b>	<b>62,060</b>
<b>Total Revenue Excluding Highway 407 Sale</b>	<b>55,786</b>	<b>60,892</b>	<b>62,060</b>

Source: Ontario Ministry of Finance.

- Details on the 2000-01 revenue outlook can be found in Budget Paper A, *Ontario's Economic and Revenue Outlook: Record Performance and Continuing Strong Growth*.

## 2000-01 Expenditure Outlook

The Government continues to focus its expenditures on priority sectors such as health care and education while finding cost efficiencies to assure taxpayers that their money is spent wisely and effectively.



- In 2000-01, total base health care funding will rise to \$22.2 billion, excluding Local Services Realignment (LSR) Land Ambulance reimbursements, a \$1.3 billion increase above the 1999-00 level.
- In 2000-01, total spending on schools and post-secondary education, excluding expenditures on the Teachers' Pension Plan, will be \$11.5 billion.

## Continued Support for Health Care, Ontario's Charities, Communities and the Agricultural Sector

Legislation dedicates all provincial revenue generated from charity casinos and slot machines at race tracks to support priority services, including health care, problem gambling programs, and funding for charities and not-for-profit organizations through the Ontario Trillium Foundation.

<b>Support for Ontario's Charities, Problem Gambling and Health Care</b>		
(\$ Millions)		
<b>Program</b>	<b>Interim 1999-00</b>	<b>Plan 2000-01</b>
Health Care	63	185
Ontario Trillium Foundation	100	100
Problem Gambling	10	17
Transition Funding for Charities*	30	—
<b>Total</b>	<b>203</b>	<b>302</b>

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

Source: Gaming Secretariat.

Provincial revenues from Charity Casinos and slot machines at race tracks are as follows:

- The Ontario Trillium Foundation is providing \$100 million annually for distribution to charitable and not-for-profit organizations throughout the province. The Foundation's Annual Report identifies the specific charities that receive funding.
- Two per cent of gross slot machine revenue has been dedicated to support problem gambling treatment, awareness and research. In 2000-01, this is estimated at \$17 million, more than any other jurisdiction in North America.
- The remaining \$185 million of provincial revenue from charity casinos and slot machines at race tracks has been dedicated to support health care priorities.

**Other beneficiaries of Charity Casinos and slot machines at race tracks include:**

- Twenty per cent of gross race track slot machine revenue is provided to the horse-racing sector. For 2000-01, this support is estimated at \$138 million. The slot machine initiative is preserving and enhancing the 45,000 jobs in Ontario's horse-racing sector, with as many as 7,000 new jobs created. The horse-racing sector constitutes the Province's third-largest agricultural industry.
- A portion of gross slot machine revenue, estimated at \$35 million, is also being provided to benefit the 18 municipalities that host charity casino and race track slot operations, including funding to help offset any additional local infrastructure and service costs.

## ■ SECTION III: SUPERBUILD INFRASTRUCTURE INVESTMENTS

SuperBuild is moving forward on its commitment to modernize and invest in new infrastructure for the Province's future. Over \$4.5 billion was invested by the Province in 1999-00—more than double the 1998-99 total of \$2.2 billion.

Investment exceeded the amount set out in the 1999 Budget by \$1.6 billion, primarily as a result of in-year investments in Ontario's hospitals, colleges and universities. An additional \$2.1 billion will be invested in 2000-01. See the Budget Paper entitled "*Building Strong and Safe Communities*" for more details.

<b>SuperBuild Capital Investment</b>		
(\$ Millions)		
	<b>1999-00</b>	<b>2000-01</b>
Highways	975	1,000
Health and Long-Term Care	1,344	291
Post-Secondary Education	1,028	40
Justice	189	232
Environment and Natural Resources	266	144
Sports, Culture, Tourism	16	81
Science and Technology	500	8
Small Town and Rural Infrastructure	–	80
SuperBuild Millennium Partnerships	–	200
Other	193	119
Year-End Savings	–	(120)
<b>Total</b>	<b>4,511</b>	<b>2,075</b>

Source: Ontario Ministry of Finance.

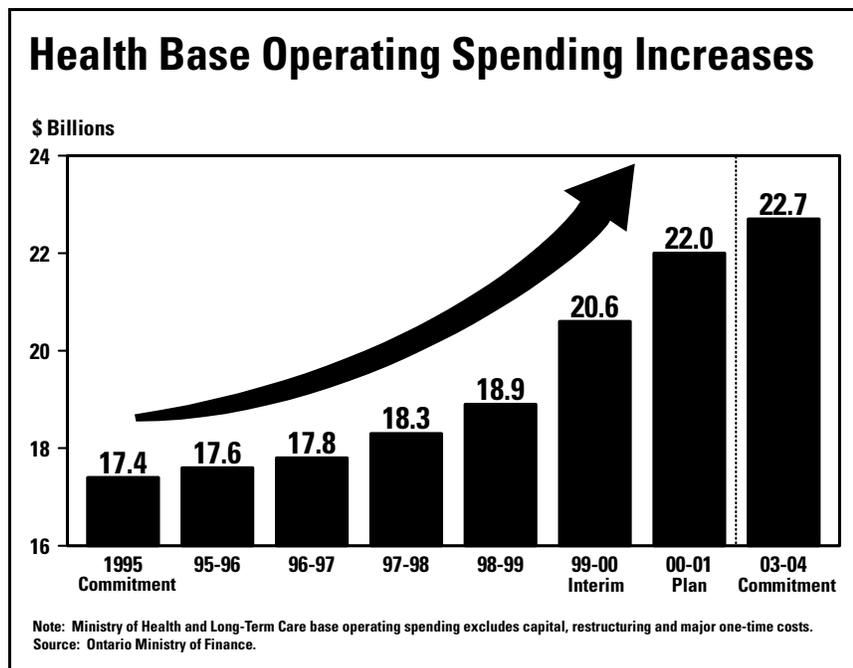
- In 2000-01, the Province will set a new record by investing \$1 billion in Provincial highways.
- Ontario's investment in health care facilities reached \$1.3 billion in 1999-00, primarily due to an in-year investment of \$1 billion to accelerate hospital restructuring. An additional \$291 million will be provided in 2000-01 to modernize and upgrade health care facilities.

- In 1999-00, Ontario provided over \$1 billion in capital funding for post-secondary institutions.
- In 2000-01, the Province will invest \$232 million in courts, correctional facilities and other justice facilities.
- In 2000-01, the Province will invest \$144 million in environmental and natural resources infrastructure.
- In 2000-01, the Province will invest \$81 million in sports, cultural and tourism facilities, including \$60 million for the SuperBuild Sports, Culture and Tourism Partnerships initiative.
- The Province invested an additional \$500 million in the Ontario Innovation Trust in 1999-00 for laboratories, high-technology equipment and other research infrastructure.
- The Province will contribute \$80 million in 2000-01 for the infrastructure component of the Ontario Small Town and Rural Development initiative.
- The SuperBuild Millennium Partnerships initiative will invest \$200 million in 2000-01 in strategic infrastructure through public-private partnerships.
- An additional \$119 million will be provided in 2000-01 to support a wide range of capital projects, including aboriginal economic development, community and social services and provincial schools.

## SECTION IV: ONTARIO'S COMMITMENT TO HEALTH CARE

### Investing More Than Ever in Health Care

The Government has increased health base operating spending to the highest level of ongoing support in Ontario's history. From 1994-95 to 1999-00, health base operating spending increased by \$3 billion. It will be increased by a further \$1.4 billion in 2000-01, to reach \$22.0 billion.



- In 1999, the Government made a commitment to increase spending to \$22.7 billion by 2003-04. This target will be achieved by next year, a full two years ahead of the Government's promise.

## Increased Funding for Health Care

Between 1998-99 and 1999-00, total health care spending increased by \$2.0 billion and will increase by a further \$1.3 billion in 2000-01. In each of the past two years, Provincial spending increases have exceeded the Canada Health and Social Transfer (CHST) Supplement provided by the federal government. See the Budget Paper entitled "Our Health Care Commitment" for further details.

### Ministry of Health and Long-Term Care Spending

(\$ Millions)

	Actual 1994-95	Actual 1998-99*	Interim 1999-00**	Plan 2000-01
Base Operating	17,599	18,868	20,600	21,988
Capital Expenditures	249	187	340	291
Total	17,848	19,055	20,940	22,279
Less: Local Services Realignment (LSR) Land Ambulance Reimbursements	0	(166)	(94)	(94)
<b>Total Base Excluding LSR Land Ambulance Reimbursements</b>	<b>17,848</b>	<b>18,889</b>	<b>20,846</b>	<b>22,185</b>
<b>Increase in Base Operating since 1994-95</b>			<b>3,001</b>	<b>4,389</b>
<b>Increase in Base Total since 1998-99</b>			<b>1,957</b>	<b>3,296</b>

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

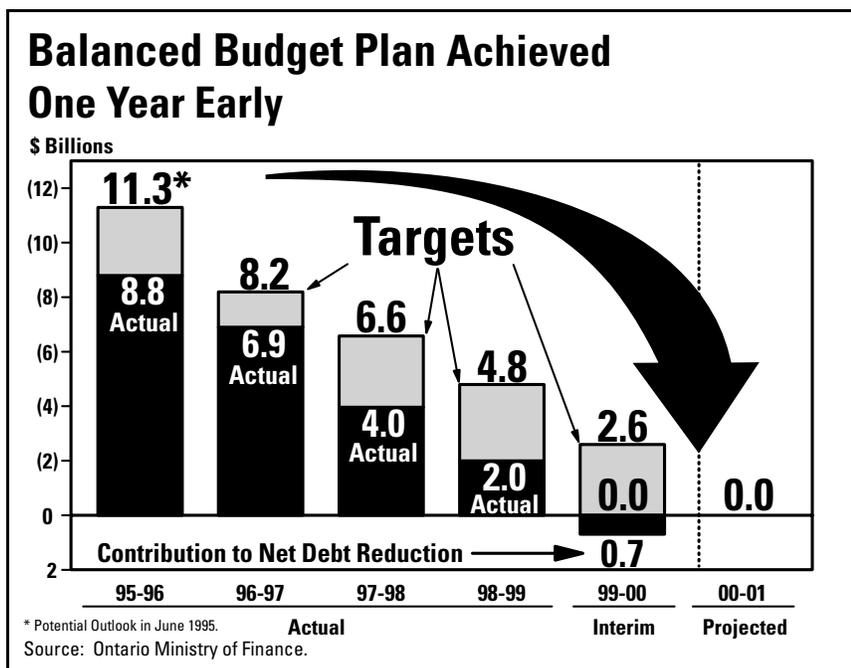
\*\* 1999-00 Interim excludes \$1,290 million in major one-time costs including one-time operating costs of \$175 million to hospitals for program and service restructuring, \$111 million for Ministry and Broader Public Sector Year 2000 computer system changes; and major one-time capital costs of \$1,004 million for HSRC capital grants.

Source: Ontario Ministry of Finance.

## SECTION V: ONTARIO'S RECENT FISCAL RECORD

### Balanced Budget Plan Achieved – One Year Early

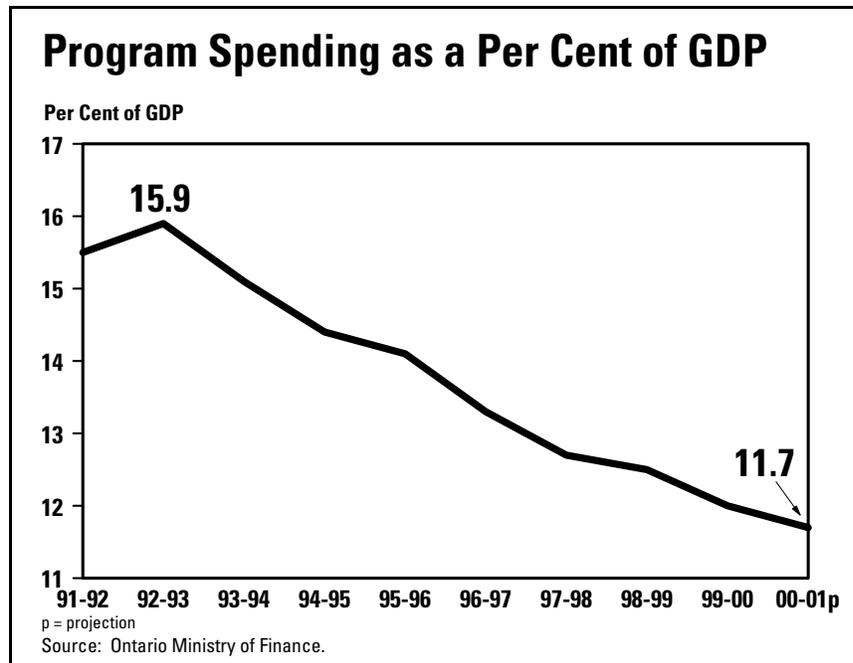
Upon assuming office in June 1995, the Government took immediate action to deal with a potential \$11.3 billion deficit. In November 1995 the Government set out its Balanced Budget Plan of steadily declining annual deficit targets, culminating in a balanced budget in 2000-01. In each of the past five years, the Balanced Budget Plan deficit target has been overachieved.



- 1999-00 marks the fifth consecutive year the deficit-reduction target was overachieved due to prudent, realistic planning.
  - With a balanced budget in 1999-00 and 2000-01, Ontario is on track to achieve back-to-back balanced budgets for the first time in more than half a century.

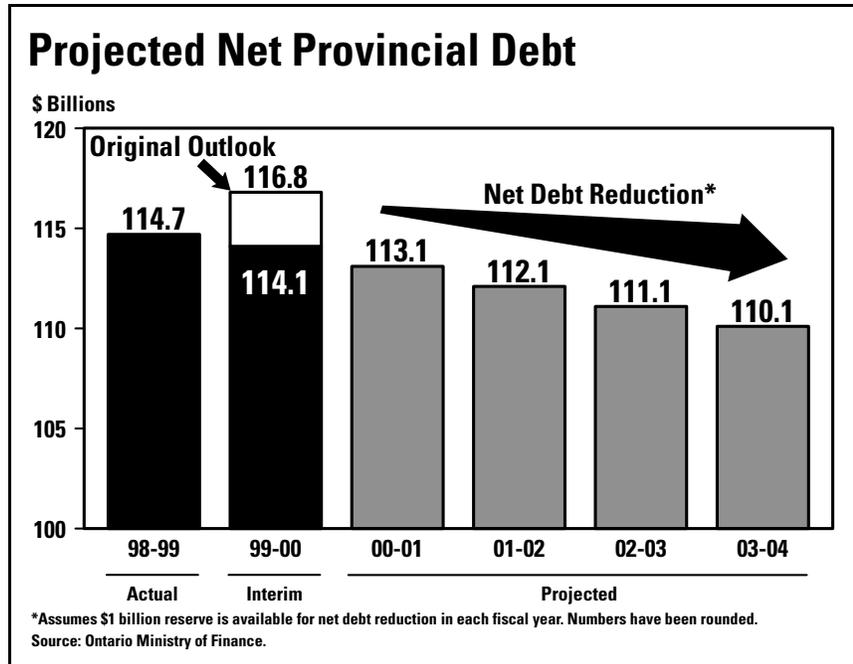
## Program Spending as a Share of the Economy

The Government's commitment to controlling spending is demonstrated by significant reductions in program spending as a per cent of Ontario Gross Domestic Product (GDP). A weak economy, and rapidly increasing spending pushed program expenditures as a per cent of GDP up to 15.9 per cent in 1992-93. By focusing on priorities such as restoring the economy and increasing health care and education classroom spending, while at the same time finding improvements in the efficiency of government services, program spending is projected to decline to 11.7 per cent of GDP in 2000-01.



## Commitment to Reduce Debt

Net Provincial Debt as of March 31, 2000 was \$114.1 billion, \$2.7 billion lower than it would have been under the 1999 Budget Plan. The Government's goal is to more than double the promised \$2 billion reduction in Net Provincial Debt to at least \$5 billion during this mandate.



- The \$654 million surplus in 1999-00 has been applied to reduce Net Provincial Debt.
- Ontario's 2000-01 fiscal plan includes a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

## ■ CONCLUSION

After a decade of deficits, Ontario is on track for consecutive balanced budgets. The \$11.3 billion potential deficit the Government faced when it assumed office has now been completely eliminated.

Ontario has entered the new millennium with its fiscal position restored. The Government has not just achieved a balanced budget, but has put in place policies that will ensure that future budgets stay balanced.

Thanks to sound financial management, a revitalized economy and a legislated commitment to balanced budgets, the deficits of the past are behind us and will not be repeated. Ontario's economic future and sustainable funding for priority programs have been assured.





# **PAPER B**

## **Appendices**

Financial Tables and Graphs



**Statement of Financial Transactions**  
 (\$ Millions)

**Table B1**

	<b>Actual 1996-97</b>	<b>Actual 1997-98</b>	<b>Actual 1998-99</b>	<b>Interim 1999-00</b>	<b>Plan 2000-01</b>
<b>Revenue</b>	49,450	52,518	55,786	62,472	62,060
<b>Expenditure</b>					
Programs	42,831	43,637	46,502	47,581	49,525
Restructuring and Other Charges	2,180	1,595	76	226	-
Total Program Expenditure	45,011	45,232	46,578	47,807	49,525
Capital	2,737	2,523	2,194	4,511	2,075
Public Debt Interest					
Provincial	8,607	8,729	9,016	8,980	8,940
Ontario Hydro Successor Companies	-	-	-	520	520
Total Expenditure	56,355	56,484	57,788	61,818	61,060
Reserve	-	-	-	-	1,000
<b>Surplus / (Deficit)</b>	<b>(6,905)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>654</b>	<b>0</b>

Source: Ontario Ministry of Finance.

<b>Operating Expenditure</b>		<b>Table B2</b>			
(\$ Millions)					
<b>Ministry</b>	<b>Actual 1996-97</b>	<b>Actual 1997-98</b>	<b>Actual 1998-99</b>	<b>Interim 1999-00</b>	<b>Plan 2000-01</b>
Agriculture, Food and Rural Affairs	324	306	309	328	446
Farm Tax Rebate	150	158	-	-	-
Attorney General	638	681	751	803	882
Board of Internal Economy	124	113	117	155	121
Citizenship, Culture and Recreation	316	300	365	455	398
Community and Social Services	7,965	8,047	7,648	7,604	7,504
Consumer and Commercial Relations	123	92	136	135	146
Correctional Services	537	531	540	562	591
Economic Development and Trade	192	140	89	94	99
Education	4,257	4,713	7,717	7,823	8,026
School Board Transition – Restructuring / Phase-in Funding	-	224	-	268	-
Teachers' Pension Plan (TPP)	933	1,443	67	(363)	(711)
Energy, Science and Technology	11	69	83	128	241
Environment	146	142	162	174	158
Executive Offices	13	14	17	21	22
Finance - Own Account	435	690	999	739	787
Public Debt Interest					
Provincial	8,607	8,729	9,016	8,980	8,940
Ontario Hydro Successor Companies	-	-	-	520	520
Community Reinvestment Fund	-	169	678	521	537
Health and Long-Term Care	17,760	18,284	18,868	20,600	21,988
Health Care Restructuring	970	532	50	-	-
Major One-Time Health Care Costs	-	113	639	286	-
Intergovernmental Affairs	4	5	4	4	5
Labour	103	117	108	101	100
Management Board Secretariat	712	352	358	355	298
Public Service / OPSEU Pension Plan	94	(86)	(219)	(144)	(248)
Contingency Fund	-	-	-	-	1,165
OPS Employee Severance (Net)	438	(159)	-	77	-
Special Circumstances Fund	-	-	180	-	-
Municipal Affairs and Housing	2,456	2,395	1,611	1,725	1,644
Municipal Capital and Operating Restructuring Fund	150	23	-	-	-
Municipal Restructuring Fund	-	71	-	-	-
Native Affairs Secretariat	17	10	10	13	16
Natural Resources	417	405	542	458	376
Northern Development and Mines	52	62	82	114	274
Office of Francophone Affairs	2	2	3	4	4
Solicitor General	622	644	746	827	856
Tourism	53	54	69	70	76
Training, Colleges and Universities	3,568	2,988	3,215	3,252	3,387
Transportation	879	709	607	618	537
Restructuring	550	50	(17)	-	-
TTC Five Year Capital Transfer and Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	-	829	44	-	-
Year-End Savings	-	-	-	-	(200)
<b>Total Operating Expenditure</b>	<b>53,618</b>	<b>53,961</b>	<b>55,594</b>	<b>57,307</b>	<b>58,985</b>

Source: Ontario Ministry of Finance.

**Capital Expenditure**  
(\$ Millions)

**Table B3**

<b>Ministry</b>	<b>Actual 1996-97</b>	<b>Actual 1997-98</b>	<b>Actual 1998-99</b>	<b>Interim 1999-00</b>	<b>Plan 2000-01</b>
Agriculture, Food and Rural Affairs	-	1	1	1	80
Attorney General	20	47	73	59	64
Citizenship, Culture and Recreation	9	7	6	15	71
Community and Social Services	116	51	38	20	20
Correctional Services	-	5	30	124	156
Economic Development and Trade	9	-	-	-	-
Education	146	267	229	54	5
Energy, Science and Technology	-	-	273	500	-
Environment	225	98	19	7	14
Water Protection Fund	-	-	15	160	51
Finance	18	7	3	12	3
SuperBuild Millennium Partnerships	-	-	-	-	200
Health and Long-Term Care	175	106	187	340	291
Major One-Time Capital Costs	-	-	-	1,004	-
Management Board Secretariat	152	80	39	18	12
Municipal Affairs and Housing	313	152	62	-	2
Native Affairs Secretariat	13	11	10	6	8
Natural Resources	33	209	62	97	83
Northern Development and Mines	168	173	177	211	273
Solicitor General	6	7	8	-	8
Tourism	2	3	1	3	11
Training, Colleges and Universities	53	113	69	1,028	44
Transportation	1,279	1,186	892	852	799
Year-End Savings	-	-	-	-	(120)
<b>Total Capital Expenditure</b>	<b>2,737</b>	<b>2,523</b>	<b>2,194</b>	<b>4,511</b>	<b>2,075</b>

Source: Ontario Ministry of Finance.

**Ten-Year Review of Selected Financial and Economic Statistics**

(\$ Millions)

	Modified Cash Basis		PSAB Basis
	1991-92	1992-93	1993-94
<b>Financial Transactions</b>			
Revenue	40,753	41,807	43,674
<i>Revenue Excluding Highway 407 Sale</i>	<i>40,753</i>	<i>41,807</i>	<i>43,674</i>
Expenditure			
Programs	43,613	45,350	44,195
Restructuring and Other Charges	-	-	-
Total Program Expenditure	43,613	45,350	44,195
Capital	3,874	3,592	3,552
Public Debt Interest			
Provincial	4,196	5,293	7,129
Ontario Hydro Successor Companies	-	-	-
Total Expenditure	51,683	54,235	54,876
Reserve	-	-	-
<b>Surplus / (Deficit)</b>	<b>(10,930)</b>	<b>(12,428)</b>	<b>(11,202)</b>
<b>Net Provincial Debt*</b>	<b>49,368</b>	<b>61,796</b>	<b>80,599</b>
Gross Domestic Product (GDP) at Market Prices	280,853	285,101	291,733
Personal Income	243,485	251,805	253,921
Population - July (000s)	10,428	10,570	10,690
Net Provincial Debt per Capita (dollars)	4,734	5,846	7,540
Personal Income per Capita (dollars)	23,349	23,823	23,753
Total Expenditure as a per cent of GDP	18.4	19.0	18.8
Public Debt Interest as a per cent of Revenue**	10.3	12.7	16.3
Net Provincial Debt as a per cent of GDP	17.6	21.7	27.6

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

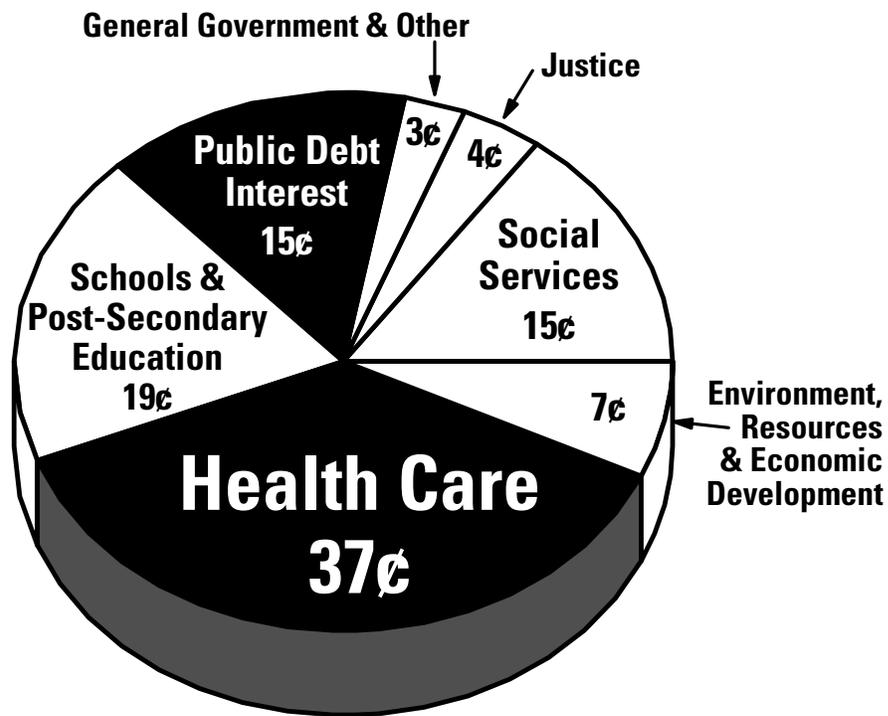
\*\* Starting in 1999-00, Public Debt Interest includes \$520 million related to the Province's equity ownership of Ontario Hydro successor companies.

Source: Ontario Ministry of Finance. Population projection for 2000 is preliminary.

Table B4

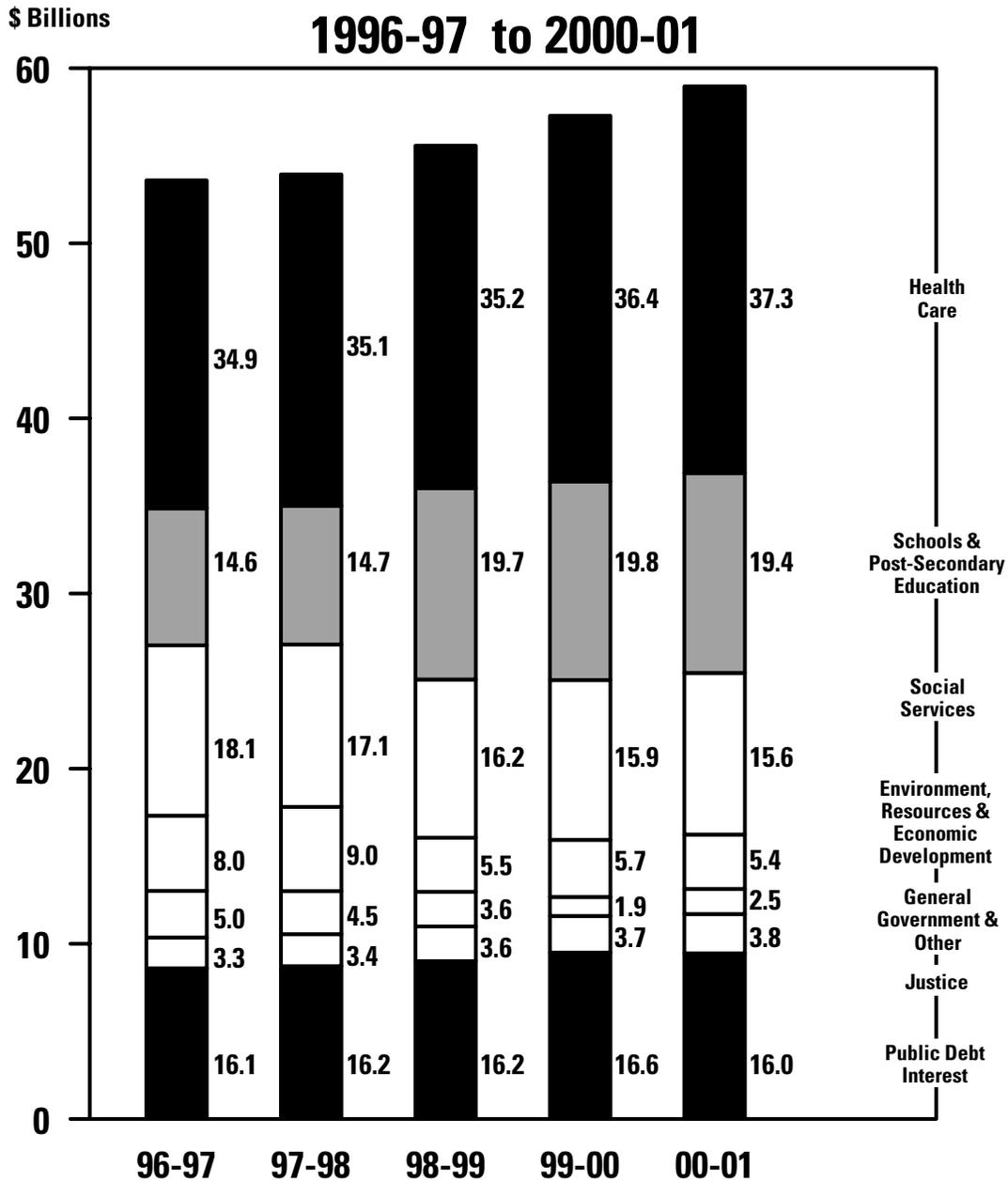
PSAB Basis						
1994-95	1995-96	1996-97	1997-98	1998-99	Interim 1999-00	Plan 2000-01
46,039	49,473	49,450	52,518	55,786	62,472	62,060
<i>46,039</i>	<i>49,473</i>	<i>49,450</i>	<i>52,518</i>	<i>55,786</i>	<i>60,892</i>	<i>62,060</i>
44,505	45,309	42,831	43,637	46,502	47,581	49,525
-	854	2,180	1,595	76	226	-
44,505	46,163	45,011	45,232	46,578	47,807	49,525
3,831	3,635	2,737	2,523	2,194	4,511	2,075
7,832	8,475	8,607	8,729	9,016	8,980	8,940
-	-	-	-	-	520	520
56,168	58,273	56,355	56,484	57,788	61,818	61,060
-	-	-	-	-	-	1,000
<b>(10,129)</b>	<b>(8,800)</b>	<b>(6,905)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>654</b>	<b>0</b>
<b>90,728</b>	<b>101,864</b>	<b>108,769</b>	<b>112,735</b>	<b>114,737</b>	<b>114,083</b>	<b>114,083</b>
309,031	327,246	337,833	356,578	371,874	398,286	424,359
258,304	268,926	273,577	285,858	299,458	312,960	330,678
10,828	10,965	11,101	11,249	11,384	11,514	11,665
8,379	9,290	9,798	10,022	10,079	9,908	9,780
23,855	24,526	24,644	25,412	26,305	27,181	28,348
18.2	17.8	16.7	15.8	15.5	15.5	14.4
17.0	17.1	17.4	16.6	16.2	15.2	15.2
29.4	31.1	32.2	31.6	30.9	28.6	26.9

# The Budget Dollar: Total Expenditure 2000-01



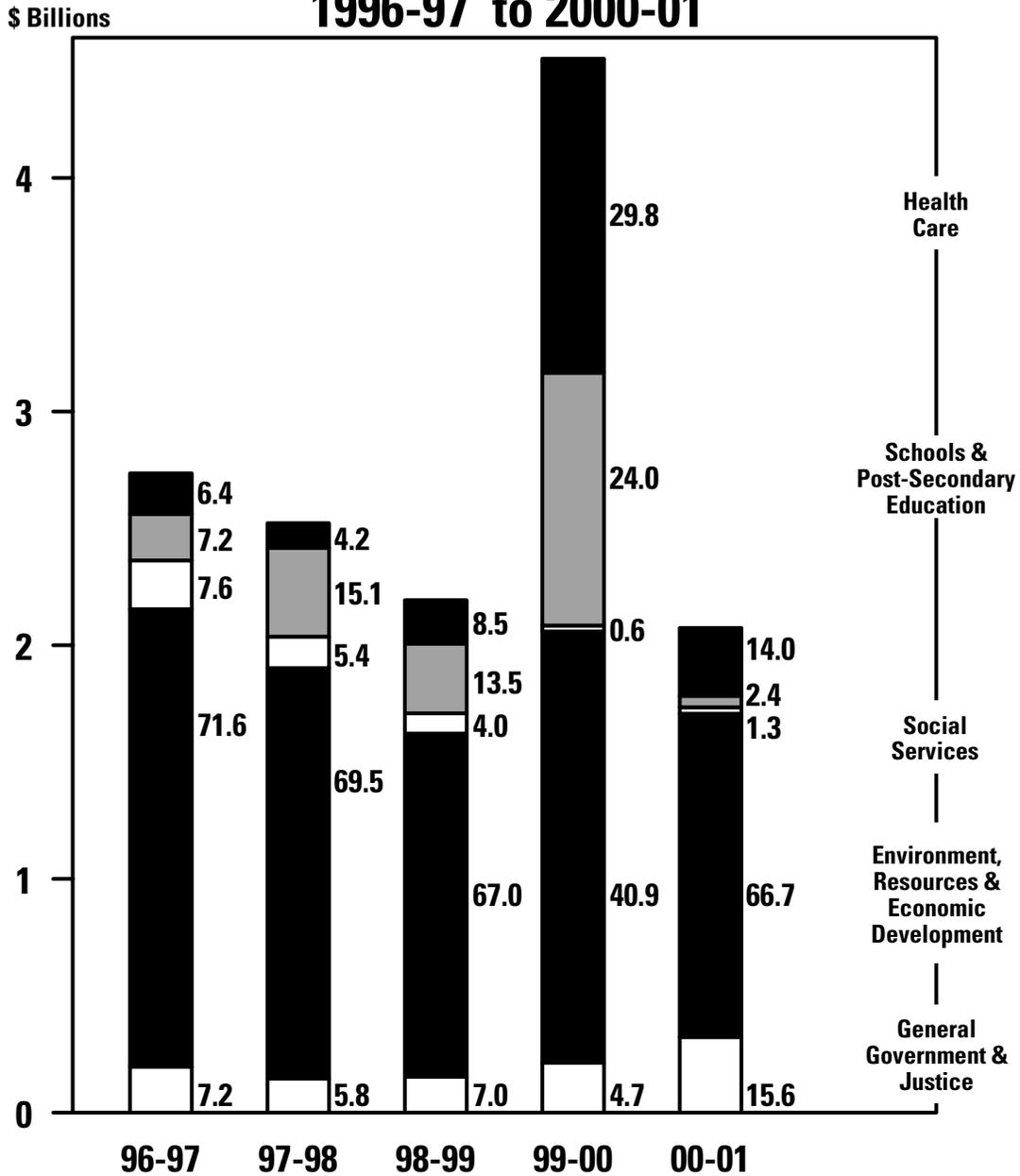
Source: Ontario Ministry of Finance.

## Operating Expenditure by Category Per Cent of Total 1996-97 to 2000-01

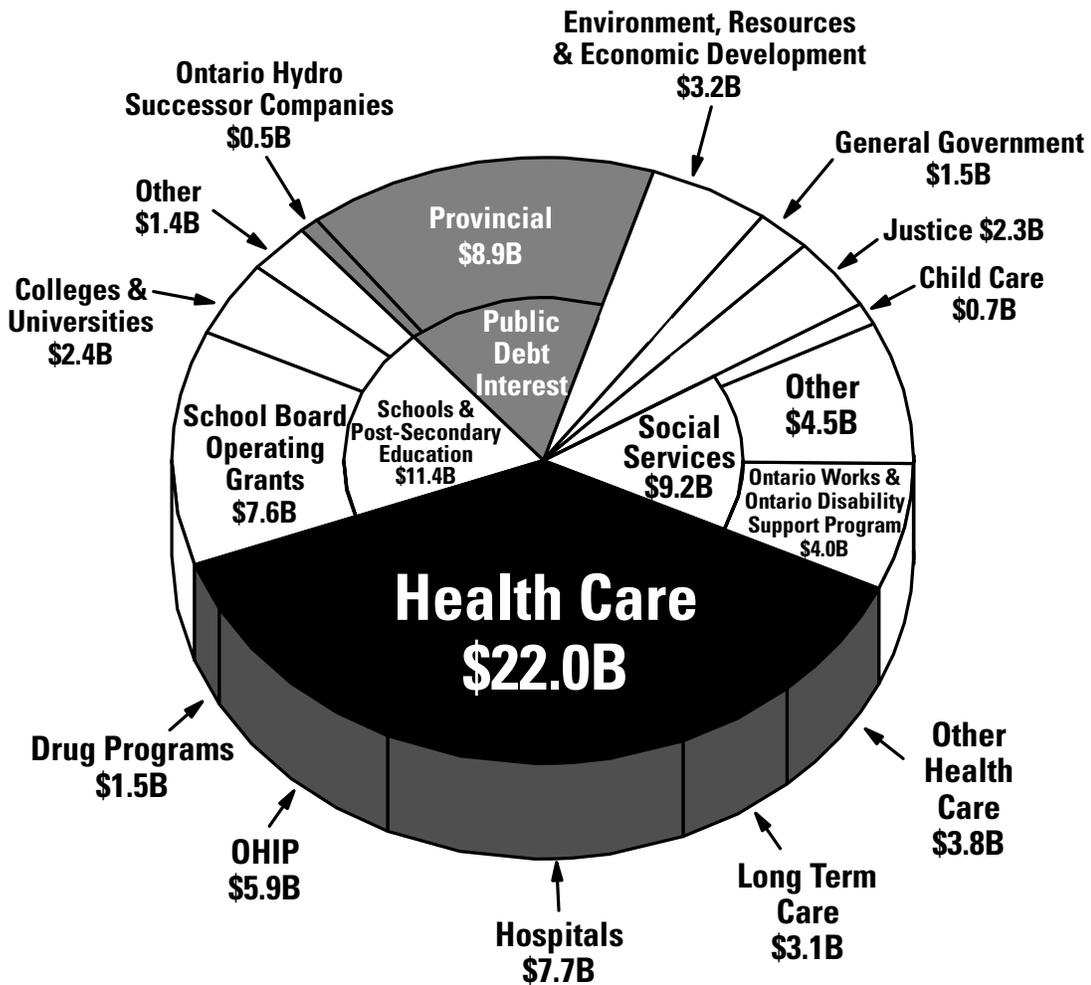


Source: Ontario Ministry of Finance.

## Capital Expenditure by Category Per Cent of Total 1996-97 to 2000-01

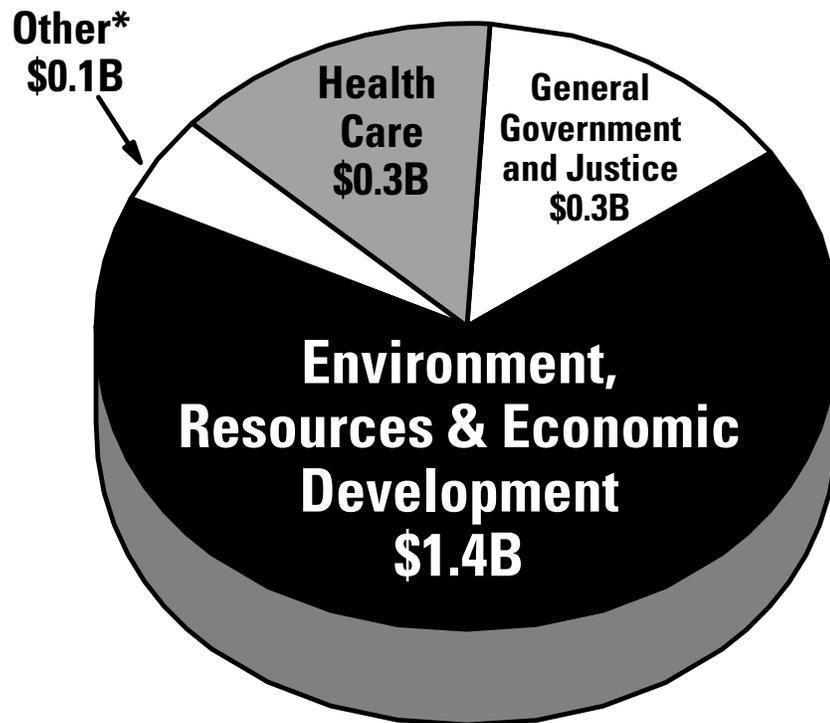


# 2000-01 Operating Expenditure by Category (\$ Billions)



Source: Ontario Ministry of Finance.

## 2000-01 Capital Expenditure by Category (\$ Billions)



\* Includes Schools and Post-Secondary Education and Social Services.

Source: Ontario Ministry of Finance.



**BUDGET PAPER C**  
**Made-for-Ontario Taxes:**  
**"A New Beginning"**



## ■ ONTARIO'S COMMITMENT

Ontario is cutting personal taxes and supporting the growth of the economy. By 1999, the Ontario personal income tax rate had been cut by 30 per cent. Last year, another 5 per cent was cut as the first step of a 20 per cent tax cut promise. The next step of this new commitment is delivered in this Budget, including the Government's commitments: to index the provincial tax system for inflation; to develop maximum flexibility to meet Ontario's policy needs; and, to achieve these goals without creating onerous paperwork or unnecessary costs.

With this Budget, Ontarians would have a personal income tax system that meets those commitments.

## ■ A MADE-FOR-ONTARIO TAX SYSTEM

### The Old Approach to Calculating Ontario Tax

Until this year, Ontario personal income tax was calculated as a percentage of basic federal tax. On January 1, 2000, the Ontario rate was 38.5 per cent of basic federal tax—down from 58 per cent in 1995.

Because Ontario's tax rate was a percentage of basic federal tax, the calculation of Ontario tax implicitly reflected: the federal definition of taxable income; federal tax rates; the income ranges to which the taxes are applied (the tax brackets); and federal deductions and credits against tax.

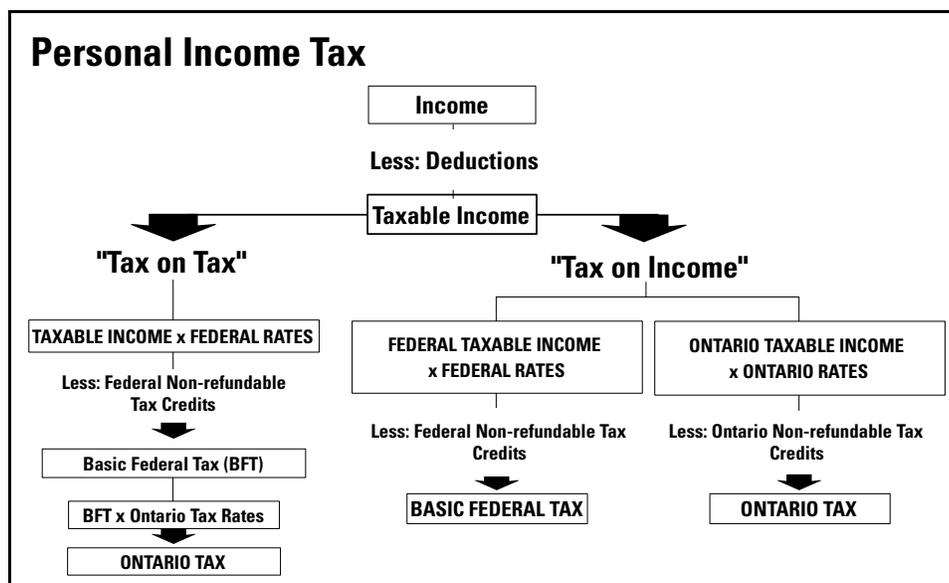
Taxpayers would add up their income from a variety of sources, then claim deductions such as child care costs, RRSP contributions and other allowable expenses, to arrive at "taxable income." They would then use the federal tax rates and brackets to determine the amount of gross federal tax.

From this gross federal tax, certain non-refundable tax credits would be deducted. These credits are intended to reflect taxpayers' personal circumstances that might be expected to affect their ability to pay tax—for example, whether there is a dependent spouse, a family member attending university or college, a family member with disabilities or a substantial medical expense. With these credits taken into account, taxpayers would know their "basic federal tax."

Ontario personal income tax would then be calculated by applying the Ontario tax rate to their basic federal tax. As a result, Ontario income tax acquired all of the most important design characteristics of federal tax. When the federal government decided not to index tax brackets to inflation, Ontario's income tax automatically followed along. When Ontario wanted to cut tax more for people with lower incomes, a complex tax-reduction program was required.

The Government of Ontario found that state of affairs to be unacceptable. As a result, Ontario has moved to implement a tax-on-income system. With this Made-for-Ontario system, Ontario would no longer be locked in to the federal tax calculation. Ontario income tax would now be calculated on taxable income and not on basic federal tax.

## The Made-for-Ontario Approach



## New Tax Brackets and Tax Rates

With a Made-for-Ontario approach, Ontario would decide how much tax is to be applied at a given level of income. Ontario would no longer be required to match federal brackets. In this Budget, it is proposed that Ontario's new personal income tax brackets and rates be:

<b>Tax Brackets (Ontario Taxable Income \$)*</b>	<b>Pre-2000 Budget Ontario Tax Rates (Per Cent)</b>	<b>2000 Ontario Tax Rates (Per Cent)</b>
Less than \$30,004	6.545	6.37
\$30,004 to \$60,009	10.010	9.62
More than \$60,009	11.165	11.16

\* Tax brackets would be indexed to inflation for 2001 and subsequent years.

## Recognizing Individual and Family Circumstances

Made-for-Ontario also means that Ontario would decide how much Ontario income tax will be reduced to recognize individual and family circumstances. For the 2000 taxation year, it is proposed that Ontario set values for the basic personal credit, the age and disability credits and the spousal credit, among others, that will increase the benefits for taxpayers compared to last year.

## The Benefits of a Made-for-Ontario Tax System

### Preserving the Benefits of Tax Cuts

Ontario's tax system is specifically protected against future rate increases by the *Taxpayer Protection Act*. This Act ensures that present and future governments will not be permitted to increase tax levels without first asking permission

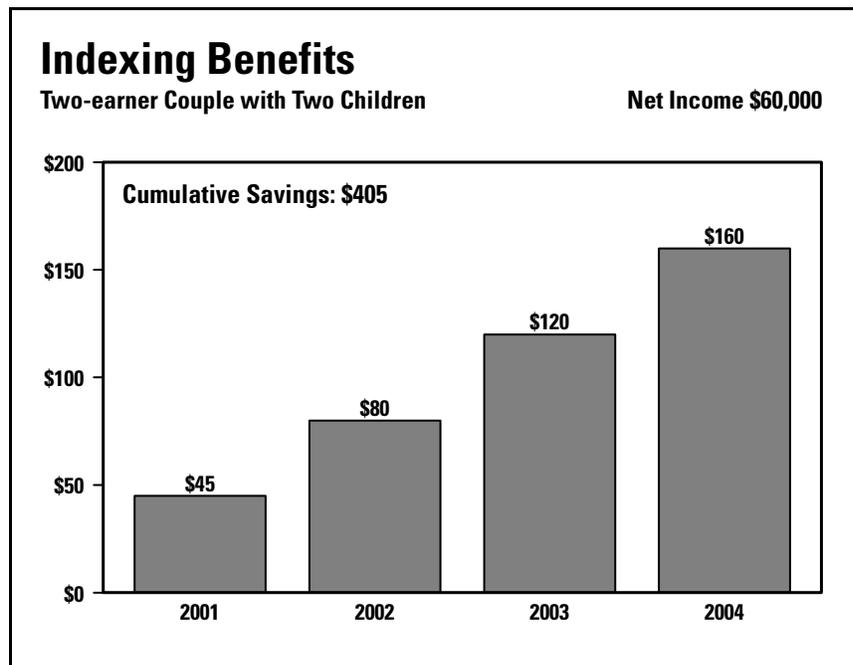
- ✓ Rate increases prohibited under the *Taxpayer Protection Act*
- ✓ Full inflation protection
- ✓ Disengaged from the federal system

from the people of Ontario in a referendum. Voter approval will be required prior to introducing a bill that imposes any new tax or increases the rate of existing taxes, unless other revenues are being reduced by at least as much.

This Budget adds to that fundamental protection by proposing that Ontario's new tax system be fully indexed to inflation, starting in the 2001 taxation year. Prior to 1986, the personal income tax system was fully indexed for inflation. However, beginning in 1986, the federal government indexed the tax system only to the extent that inflation exceeded three per cent. From 1992-99, tax brackets and credits were not adjusted because the annual inflation rate did not exceed three per cent in any year. Yet, the consumer price index rose by over 10 per cent over that period.

The result has been an increased personal income tax burden for people. If a taxpayer's income keeps up with inflation, the person may be pushed into a higher tax bracket even though, in real terms, this individual's income remained unchanged. This is referred to as "bracket creep" and is not transparent to taxpayers. The 1997 Ontario Budget alluded to this "hidden" aspect of taxation, noting that: "Ontario needs to be able to ensure that hidden tax increases are not built into the tax system and that taxes, once down, stay down."

This Budget proposes to put an end to bracket creep. Over the next four years alone, a two-earner family of four, with total income of \$60,000 growing at the rate of inflation, would save a total of \$405 in Ontario personal income tax, as a result of Ontario's decision to index fully for inflation.



### More Flexibility to Design Job-Creating Tax Breaks

The new Made-for-Ontario approach allows the Government to deliver initiatives that would not have been possible under the old system.

- ✓ Capital gains inclusion rate cut to one-half
- ✓ Ontario Research Employee Stock Option Deduction

The 2000 Budget proposes to reduce the capital gains inclusion rate to one-half of the gain. As a result of this new approach, 735,000 risk-taking and entrepreneurial Ontarians, from all income levels, would benefit from Ontario's reduced tax on capital gains and related income items. Beginning in the 2001 taxation year, only 62 per cent of capital gains would be subject to Ontario income tax. By 2004, only 50 per cent of capital gains would be included in Ontario taxable income. That compares with two-thirds for federal purposes.

As well, Ontario is now able to help research and development-intensive companies to hire and retain skilled research employees by providing tax relief through the personal income tax system. The proposed Ontario Research Employee Stock Option Deduction would help Ontario's research and development-intensive companies to provide competitive compensation packages to their employees.

### **Harmonized Administration**

Taxes are complicated enough without adding a second administrative structure to the equation. Taxpayers expect their governments to seek out the lowest-cost, most efficient

- ✓ Harmonized tax administration continues
- ✓ New measures designed more simply

methods for administering taxes. The Government of Ontario has long taken the position that the Canada Customs and Revenue Agency should be able to administer provincial personal income taxes, even when they differ from those imposed at the federal level.

In the past, Ontario and other provinces have had to design cumbersome and sometimes complex tax credit plans to achieve certain policy objectives. One of the key advantages of the new Made-for-Ontario system would be the straightforward approach that can be taken to put Provincial initiatives in place.

Ontario enters into this new tax-on-income system with the expectation of full policy flexibility. The measures proposed in this Budget have no meaningful administrative impediments to their implementation. There should be no reason that the Canada Customs and Revenue Agency could not administer these measures as proposed. However, Ontario is prepared to administer its own tax policy initiatives if the federal government fails to cooperate for the benefit of all taxpayers.

### **Accountability and Clarity**

Governments that are serious about being accountable ensure that their citizens are provided with ready access to relevant information. In particular, Ontario taxpayers should have an easily understood tax calculation.

Moving to a Made-for-Ontario personal income tax system would provide taxpayers with a clearer, more accountable system. Ontario's tax rates would be shown as percentages of taxable income, instead of a percentage of federal tax. As a result, Ontario taxpayers would be able to compare Ontario's rates easily with the federal government's rates.

## Ontario's Tax Cut Continues

### Lowering Rates of Tax

Since 1996, personal income tax rates have been cut significantly for Ontarians in all three tax brackets. This Budget proposes to continue cutting tax rates this year and next.

The following table converts the old tax-on-tax rate into the tax-on-income rates that Ontario would have levied if the federal government had allowed it.

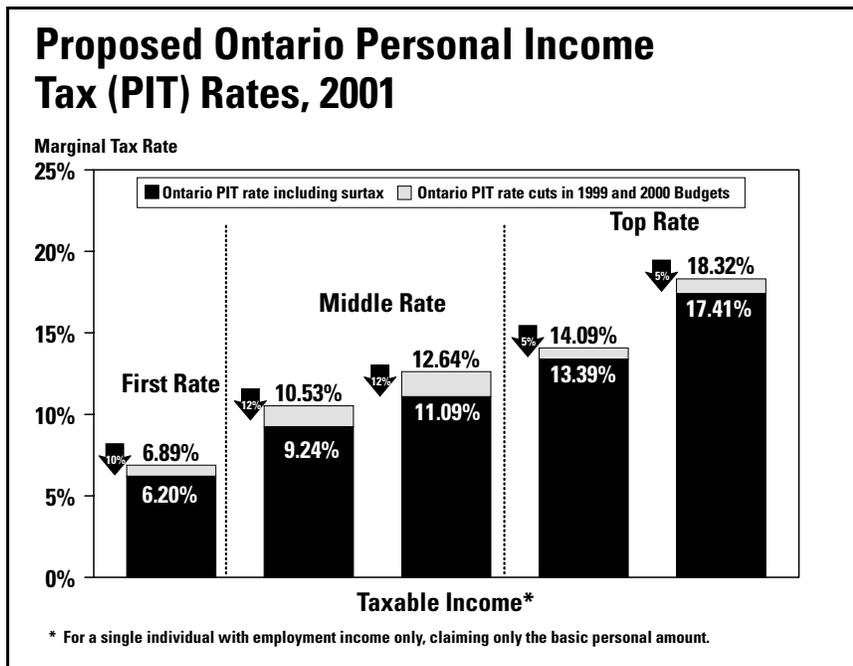
Taxable income brackets	Pre-2000 Tax Environment		
	\$29,590	\$59,180	
Federal tax rates	17%	26%	29%
Ontario tax rates before Ontario 1996 Budget (equivalent to Ontario "tax on tax" rate of 58%)	9.86%	15.08%	16.82%
Ontario tax rates before Ontario 1999 Budget (equivalent to Ontario "tax on tax" rate of 40.5%)	6.885%	10.53%	11.745%
Ontario tax rates after Ontario 1999 Budget (equivalent to Ontario "tax on tax" rate of 38.5%)	6.545%	10.01%	11.165%
Taxable income brackets	2000 Tax Year		
	\$30,004	\$60,009	
Federal tax rates	17%	25%	29%
Ontario tax rates for 2000	6.37%	9.62%	11.16%
Taxable income brackets	2001 Tax Year		
Ontario tax rates for 2001 (tax brackets to be adjusted for inflation)	6.20%	9.24%	11.16%

### Impact of Ontario's Surtax

In addition to three rates of Ontario personal income tax, Ontario levies a two-tiered surtax, which is calculated as a percentage of basic Ontario tax in excess of specified amounts. Because it is based on tax, not income, there is no single level of taxable income at which it becomes payable for all taxpayers.

Layering two tiers of surtax onto Ontario's three-rate tax system has the effect of creating two more marginal rates of Ontario personal income tax, on top of the "basic" rates. There may be some individuals with taxable income in the middle bracket who must also pay the first tier of surtax. Similarly, individuals who pay tax at the top Ontario rate may pay only the first tier of surtax, or both.

A Made-for-Ontario tax system fully implemented in 2001 would promote clarity and accountability by making the provincial tax brackets explicit.



## Providing Benefits to All Ontario Taxpayers

In the 1996 Budget, the first round of Ontario's personal income tax cuts began. On January 1, 1996, Ontario's income tax rate was 58 per cent of basic federal tax. In 1998, the Government of Ontario's commitment to a 30 per cent tax cut was fulfilled.

- ✓ Bracket thresholds increased
- ✓ First rate cut
- ✓ Middle rate cut

By July 1, 1998, Ontario's personal income tax rate was 40.5 per cent of basic federal tax.

Ontario's 30 per cent personal income tax cut, together with enrichments to the Ontario Tax Reduction program and Ontario's increases in personal exemptions in 1999, delivered an average 37.7 per cent reduction in Ontario taxes. All taxpayers benefited from these tax cuts, with individuals with lower incomes benefiting proportionately more.

In the 1999 Budget, this Government committed itself to a further reduction of Ontario's personal income tax. Beginning with the 1999 Budget, Ontario's personal income tax rate was cut from 40.5 per cent to 38.5 per cent of basic federal tax, a five per cent cut for all Ontario taxpayers.

This year, further tax cuts are proposed. In addition to lower rates, the 2000 Budget proposes to fully index the personal income tax system and reduce the inclusion rate of capital gains. This year's and last year's cuts together would produce an average Personal Income Tax saving of 23.5 per cent, when fully implemented. Once again, individuals with the lowest income would realize the highest proportionate savings.

## The Benefits of Ontario's Personal Income Tax Cuts

### Estimated Average Ontario Personal Income Tax (PIT) Savings, By Income Group

Income Group <sup>1</sup> (Dollars)	Ontario's Original PIT Cuts <sup>2</sup>	Additional Ontario PIT Cuts <sup>3</sup>	Combined Savings From Original and Additional Ontario PIT Cuts <sup>4</sup>
Less than 15,695	66.6%	59.8%	82.2%
15,695 - 20,525	45.0%	32.7%	59.8%
20,525 - 25,280	39.6%	22.9%	51.5%
25,280 - 30,130	37.7%	20.7%	49.0%
30,130 - 35,420	35.4%	21.4%	48.1%
35,420 - 41,165	33.4%	19.9%	46.1%
41,165 - 48,425	32.3%	18.1%	44.3%
48,425 - 58,635	31.7%	16.3%	42.8%
58,635 - 74,775	30.8%	17.2%	42.7%
74,775 - 77,715	28.7%	18.6%	41.9%
77,715 - 80,960	27.9%	18.4%	41.1%
80,960 - 84,735	27.3%	17.8%	40.2%
84,735 - 89,775	26.5%	17.2%	39.0%
89,775 - 95,475	26.2%	16.7%	38.3%
95,475 - 104,050	25.0%	16.2%	36.9%
104,050 - 118,500	24.0%	15.4%	35.5%
118,500 - 146,500	22.4%	14.2%	33.3%
146,500 - 219,250	20.7%	12.4%	30.3%
219,250 - 330,000	18.9%	11.0%	27.7%
330,000 and up	17.6%	11.1%	26.7%
Total	37.7%	23.5%	50.3%

1. The income groups divide Ontario taxpayers (before Ontario's original personal income tax cuts) into: nine deciles, each consisting of 555,000 taxpayers, with incomes up to \$74,775; nine percentiles, each containing 55,000 taxpayers, with incomes between \$74,775 and \$219,250; and two half-percentiles, consisting of 27,500 taxpayers each, with incomes over \$219,250.
2. Includes Ontario's 30 per cent PIT rate cut and 1999 increases to personal exemptions.
3. Includes Ontario's 1999 and 2000 rate cuts, indexation at estimated 2003 parameters and reduction of the capital gains inclusion rate to one-half. Savings have been calculated in comparison to the tax system in place after Ontario's original PIT cuts.
4. Savings have been calculated in comparison to the tax system in place before Ontario's original PIT cuts.

## **Real Savings for People**

Taken together, the tax cuts implemented by this Government since 1996 and those proposed in this Budget would deliver an average 50.3 per cent savings for Ontario's taxpayers.

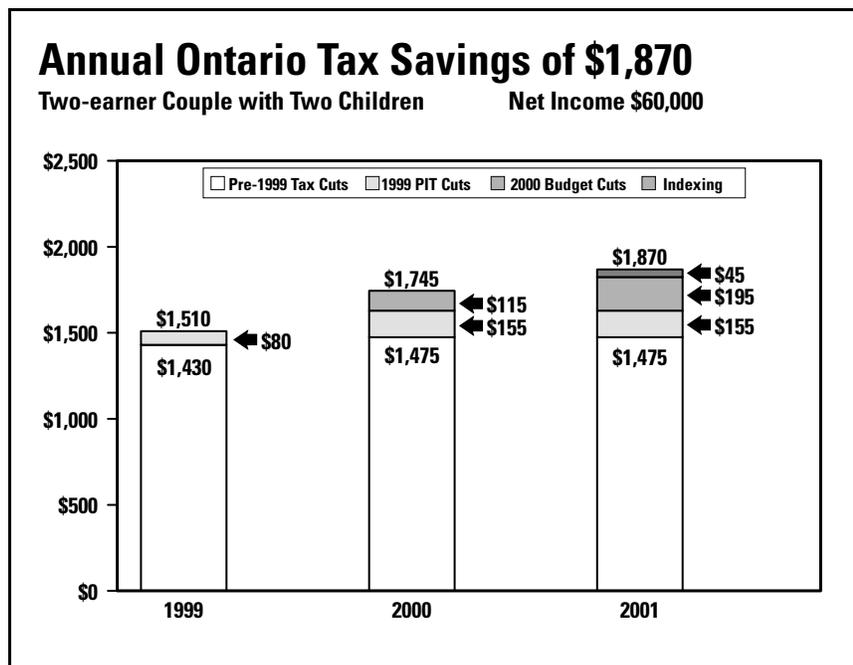
A couple with two children, and net income of \$40,000 from one earner, would pay \$1,325 less Ontario income tax next year, a saving of over 42 per cent from what would have been payable before the Ontario Government started cutting taxes. Federal tax cuts will deliver only \$770—about 14 per cent—in federal personal income tax savings next year.

A couple with two children, and net income of \$60,000 from two earners, would save \$1,870 in Ontario personal income tax, or more than 40 per cent, next year. By contrast, this family will save \$750—only nine per cent—in federal personal income tax savings next year. Ontario's tax cut would be more than twice the amount and four times the percentage of federal tax savings.

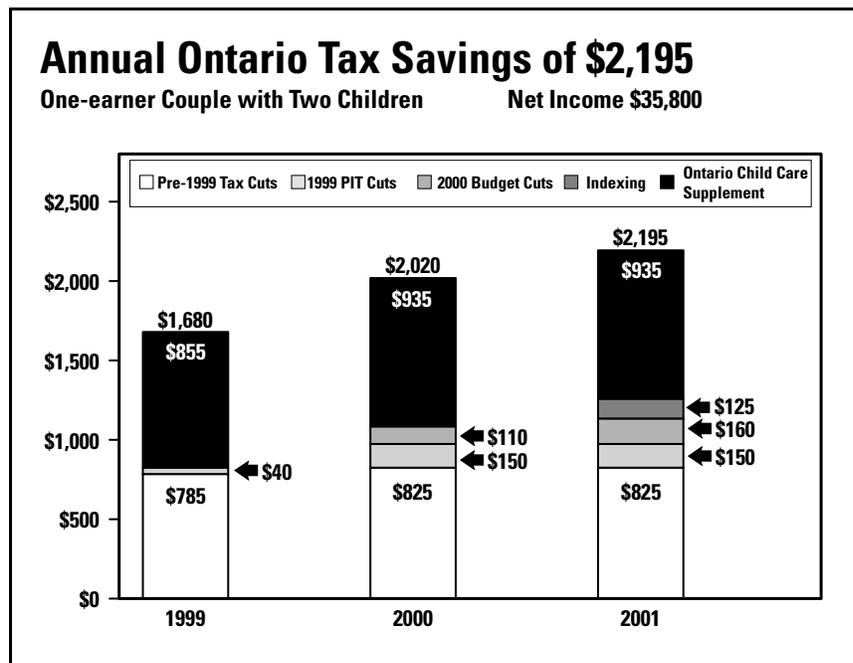
A single individual earning \$80,000 would save \$3,760—about 34 per cent—in Ontario personal income tax next year. Federal personal income tax savings will amount to \$1,710 next year, a tax cut of about nine per cent.

## Examples: Combined Impact of Ontario's Tax Cuts

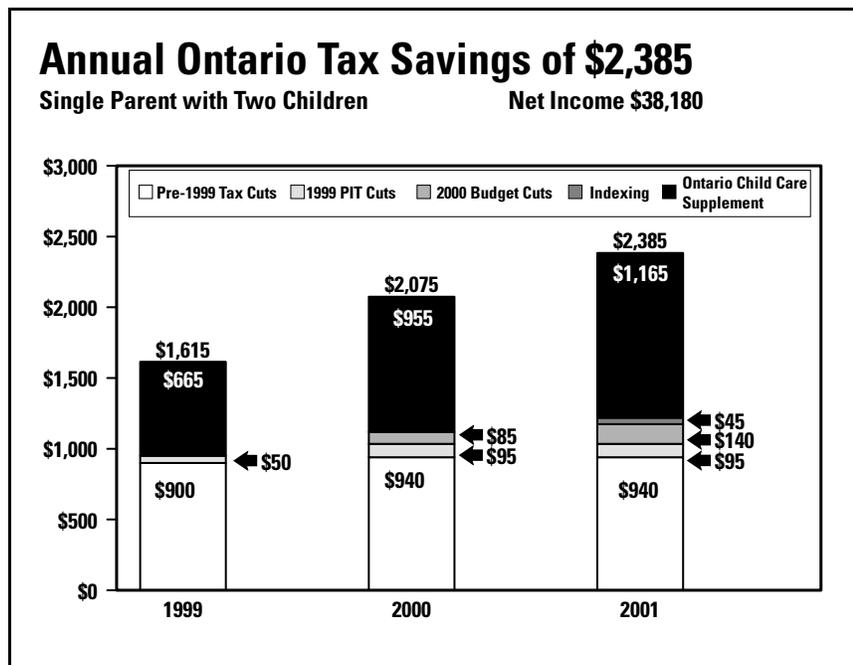
The following examples illustrate the combined impact of these proposed tax measures together with the tax cuts already in place—on individuals and families for a variety of incomes and circumstances.



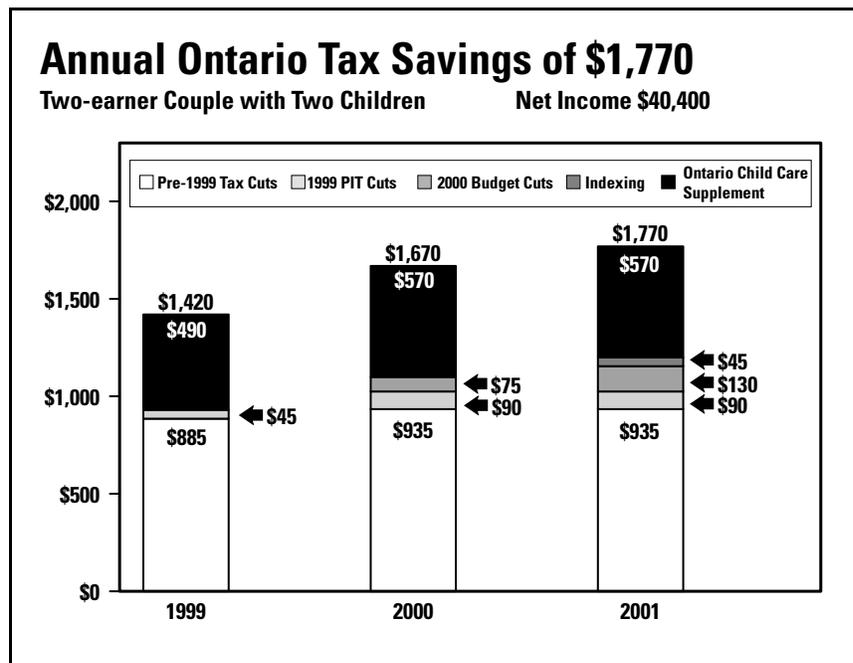
- One parent earns \$35,000 a year as a computer operator. The other parent is an office worker, making \$25,000 a year. No child care costs are incurred for their two school-aged children (ages 12 and 15).
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$1,630 in 2001.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$195 and indexing benefits of \$45, bringing the total savings to \$1,870.
- In addition, this family would receive another \$400 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$90 on this family's three-bedroom home in Mississauga, assessed at \$196,000.



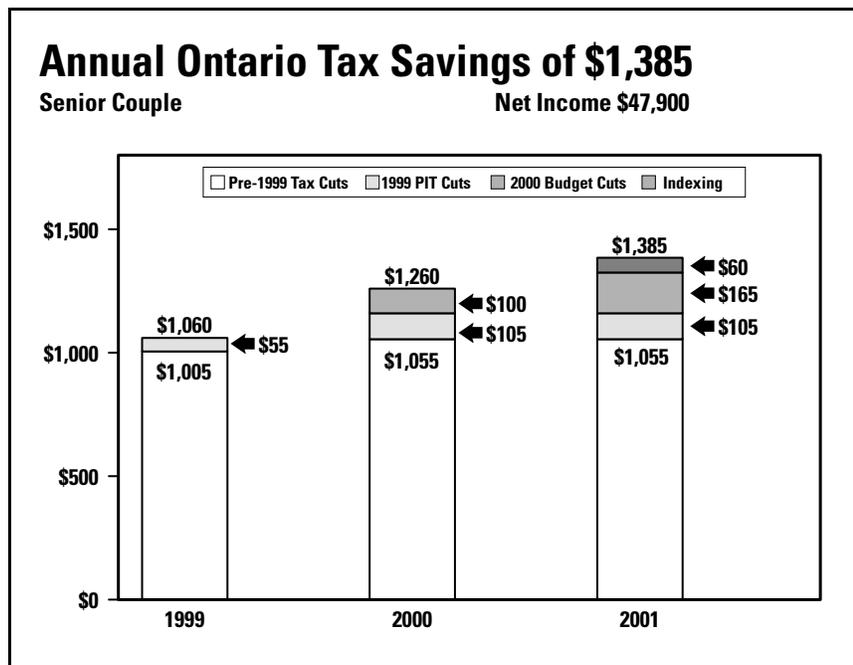
- One parent earns \$38,300 a year as a bus driver, pays \$500 a year in union dues and contributes \$2,000 to a company pension. The other parent stays home to care for their two young children (ages one and three).
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$975 in 2001. When combined with the child care supplement, this family will save a total of \$1,910.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$160 and indexing benefits of \$125, bringing the total savings to \$2,195.
- In addition, this family would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$55 on this family's three-bedroom home in Thunder Bay, assessed at \$120,000.



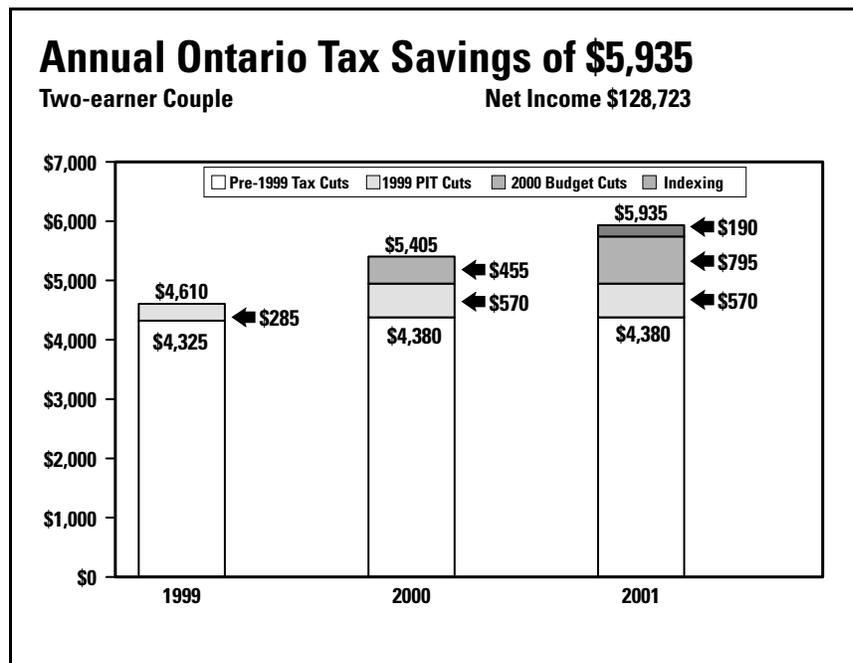
- A single parent with two children (ages three and five) earns \$50,800 a year as a registered nurse, pays \$590 a year in union and professional dues and contributes \$2,030 to a company pension. Day care for the children costs \$10,000 a year.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$1,035 in 2001. When combined with the existing child care supplement, this family will save a total of \$1,780.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$140, indexing benefits of \$45 and enrichment to the child care supplement of \$420, bringing the total savings to \$2,385.
- In addition, this family would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$50 on this family's three-bedroom home in Peterborough, assessed at \$109,000.



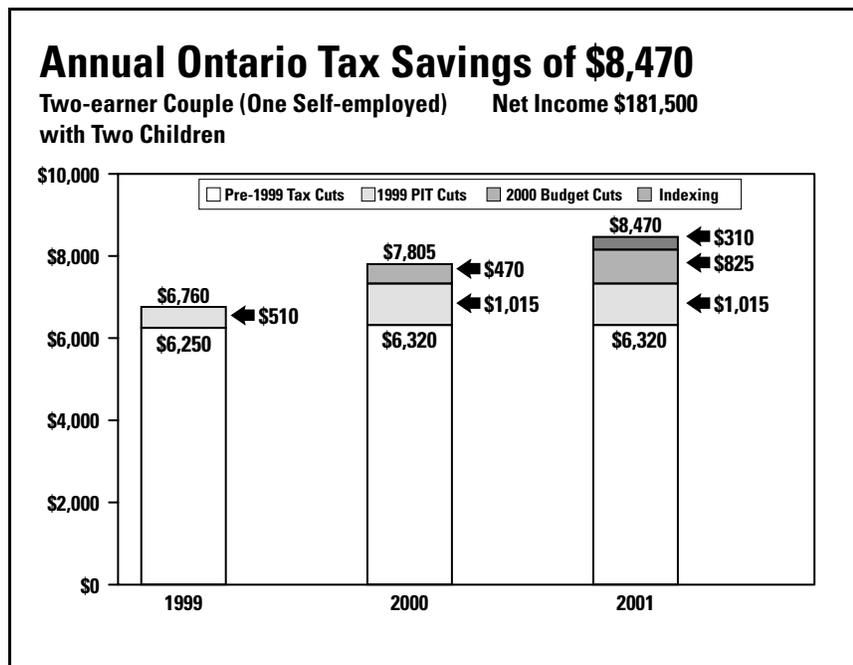
- One parent earns \$36,400 a year as a machine operator, pays \$600 in union dues and contributes \$1,400 a year to a company pension. The other parent, while caring for their two young children (ages one and four), earns \$6,000 a year from a home-based business.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$1,025 in 2001. When combined with the child care supplement, this family will save a total of \$1,595.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$130 and indexing benefits of \$45, bringing the total savings to \$1,770.
- In addition, this family would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$60 on this family's two-bedroom home in Oshawa, assessed at \$130,000.



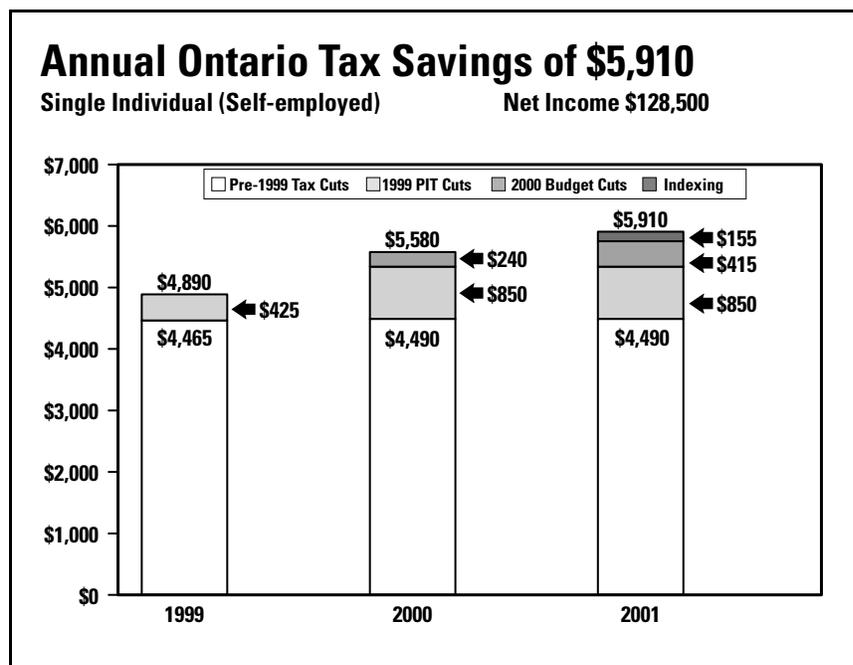
- Both individuals are retired. They each receive \$5,050 in Old Age Security and \$2,400 in Canada Pension. One individual has a company pension of \$29,000 a year. The other individual receives annual annuity payments of \$1,000. They each report interest income of \$1,500.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$1,160 in 2001.
- This couple would realize additional savings from Ontario's 2000 Budget cuts of \$165 and indexing benefits of \$60, bringing the total savings to \$1,385.
- In addition, this couple would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$45 on this couple's two-bedroom home in Sudbury, assessed at \$98,000.



- A professor earns \$77,000 a year, contributes \$4,300 annually to the university pension and has realized capital gains of \$5,000 through various investments. A teacher earns \$58,000, pays \$750 in union dues and contributes \$4,560 a year to the teachers' pension fund.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$4,950 in 2001.
- This couple would realize additional savings from Ontario's 2000 Budget cuts of \$795, including capital gains savings of \$115, and indexing benefits of \$190, bringing the total savings to \$5,935.
- In addition, this couple would receive another \$400 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$100 on this couple's three-bedroom home in London, assessed at \$217,000.



- 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 \$14,000 is deductible for tax purposes.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$7,335 in 2001.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$825 and indexing benefits of \$310, bringing the total savings to \$8,470.
- In addition, this family would receive another \$400 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$185 on this family's four-bedroom home in Toronto, assessed at \$402,000.



- A single doctor, with no dependants, earns \$142,000 a year and contributes \$13,500 to an RRSP.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$5,340 in 2001.
- This individual would realize additional savings from Ontario's 2000 Budget cuts of \$415 and indexing benefits of \$155, bringing the total savings to \$5,910.
- In addition, this individual would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$115 on this individual's three-bedroom home in Ottawa, assessed at \$250,000.

## ■ DETAILS OF REVENUE MEASURES

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

### ■ INCOME TAX ACT

#### **Taxpayer Dividend**

The surging Ontario economy has allowed tax revenue to exceed 1999 Budget forecasts. As a result, the Province will be able to eliminate the deficit one year ahead of schedule and still provide a dividend of up to \$200 of Ontario personal income tax to every eligible Ontario taxpayer for the 1999 taxation year.

- Eligible Ontario taxpayers would receive refunds of their 1999 Ontario personal income tax, including surtax, if any, and after deducting the Ontario Tax Reduction and foreign tax credits, if any, to a maximum of \$200.
- A minimum rebate of \$25 would be paid to taxpayers with Ontario personal income tax greater than \$0 and up to \$25.
- Trusts would not be eligible for the rebate. Individual Ontario taxpayers who emigrated from Canada in 1999 or who were non-residents of Canada in 1999 would not be eligible for the rebate.
- Taxpayers who were resident in other provinces or territories and who paid Ontario tax in 1999 on business income allocated to Ontario would be eligible for the rebate.
- Rebates would be based on assessments of 1999 Ontario personal income tax.
- Eligible Ontario taxpayers who have not filed their 1999 personal income tax returns by December 31, 2000, would not be entitled to receive a rebate.
- As with any personal income tax refunds, rebates would be set off against any federal, provincial or family support debts, prior to being paid out to eligible taxpayers.

## Further Cuts to the Ontario Personal Income Tax

Beginning with the 2000 taxation year, Ontario's tax brackets and rates are proposed to be set independently of the federal tax brackets and rates. Ontario's personal income tax system would be fully indexed for inflation starting in 2001. In addition, this Budget proposes a reduction in the Ontario personal income tax rates applied to the first and middle income brackets effective July 1, 2000.

- For withholding purposes, effective July 1, 2000, and for the 2000 taxation year, Ontario's new tax brackets and rates are proposed to be:

Tax Brackets (Ontario Taxable Income \$)	Ontario Tax Rates (Per Cent)	
	Effective July 1, 2000	2000 Tax Year
Less than \$30,004	6.20	6.37
\$30,004 to \$60,009	9.24	9.62
More than \$60,009	11.16	11.16

## Non-Refundable Tax Credits

With the exception of the charitable donations tax credit, Ontario non-refundable tax credits would be calculated using the lowest income tax rate applied to the amounts used to determine federal non-refundable tax credits. The tax rate used to calculate Ontario non-refundable tax credits would be 6.37 per cent for the 2000 taxation year and 6.20 per cent in 2001.

- Non-refundable tax credits that are based on income received, such as pension income (subject to a maximum amount), or amounts paid, such as CPP contributions, EI premiums, medical expenses, tuition fees and student loan interest, would be calculated by multiplying the appropriate income or payment by 6.37 per cent in 2000 and 6.20 per cent in 2001.

- It is proposed that non-refundable tax credits that are based on specified amounts would be provided as follows for the 2000 taxation year:

<b>Tax Credit</b>	<b>Amount (\$)</b>	<b>Value in 2000 (\$)</b>
Basic personal amount	7,231	461
Spousal/equivalent-to-spouse amount	6,140	391
Net income threshold	614	
Infirm dependant amount	2,386	152
Net income threshold	4,845	
Caregiver amount	2,386	152
Net income threshold	11,661	
Age amount	3,531	225
Net income threshold	26,284	
Disability amount	4,293	273
Medical expense tax credit		
3 per cent of net income ceiling	1,637	104
Education amount		
Amount per month enrolled full-time	200	13
Amount per month enrolled part-time	60	4
Pension income		
Maximum amount	1,000	64
Tuition fees and education amount		
Maximum amount transferable to spouse, parent or grandparent	5,000	319

In 2001, the amounts on which the tax credits are based would be indexed to inflation, and the tax credits calculated using a tax rate of 6.20 per cent.

- Ontario's lowest tax rate (6.37 per cent in 2000 and 6.20 per cent in 2001) would be applied to the first \$200 of donations and gifts, and Ontario's highest tax rate (11.16 per cent in 2000 and subsequent years) would be applied on allowable donations and gifts in excess of \$200.

## **Surtax and Tax Reduction**

Ontario's two-tiered surtax is calculated as a percentage of basic Ontario tax in excess of specified amounts. To parallel the reduction in the first and middle personal income tax rates, it is proposed that the basic Ontario tax thresholds above which the surtax rates apply be adjusted.

- Effective July 1, 2000, the surtax would be calculated as 20 per cent of Ontario income tax in excess of \$3,466 plus 36 per cent of Ontario income tax in excess of \$4,373.
  - For the 2000 taxation year, the surtax would equal 20 per cent of Ontario income tax in excess of \$3,561 plus 36 per cent of Ontario income tax in excess of \$4,468.

The Ontario Tax Reduction reduces or eliminates Ontario personal income tax payable by taxpayers with low and moderate incomes. To parallel the reduction in Ontario's first and middle personal income tax rates, it is proposed that the program parameters be adjusted to maintain the income levels at which benefits are provided by the Ontario Tax Reduction.

- Effective July 1, 2000, the basic reduction would be \$152 and the amount in respect of each dependent child age 18 or under and each dependant with a disability would be \$309.
  - For the 2000 taxation year, the basic reduction would be \$156 and the supplement for each dependent child age 18 or under and each dependant with a disability would be \$317.

## **Indexing**

The Made-for-Ontario system is proposed to be fully indexed to inflation. Full indexation is proposed to apply to all Ontario tax brackets and non-refundable tax credits, as applicable. It would also apply to Ontario Tax Reduction and surtax values. Ontario would no longer receive additional tax revenue solely because of income increases that keep up with inflation.

Annual adjustments to Ontario's non-refundable tax credit amounts and tax brackets are proposed to be based on the consumer price index (CPI). The indexing factor would be equal to the average CPI for the 12-month period ending on September 30 of the

previous year, relative to the average CPI for the 12-month period ending on September 30 of the year earlier. In 2000, the increase in value of the new Ontario brackets and applicable non-refundable tax credits would be equivalent to applying an indexing adjustment of 1.4 per cent.

## Capital Gains Inclusion Rate

To stay competitive with other jurisdictions and ensure that Ontario's tax system is conducive to investment, savings and entrepreneurship, it is proposed that the capital gains inclusion rate be reduced from 75 per cent to 50 per cent over the next five years.

In the 2000 taxation year, the Government proposes to reduce the inclusion rate for capital gains that result from the realization of capital gains after February 27, 2000, from 75 per cent to 66⅔ per cent. Starting in the 2001 taxation year, Ontario's inclusion rate would be further cut, from 66⅔ per cent to 62 per cent. It would be further reduced to 50 per cent by 2004.

Certain capital gains that arise from charitable donations are currently eligible for a 50 per cent deduction before the capital gains inclusion rate is applied. This system would be maintained such that the effective inclusion rate for these gains would be reduced from 33⅓ per cent to 25 per cent by 2004.

Adjustments are proposed in respect of related items: allowable business investment losses; net capital losses of other years; the \$500,000 lifetime capital gains exemption for qualified small business corporation shares and qualified farm property; and amounts included in income pursuant to paragraphs 110(1)(d) through (d.3) of the *Income Tax Act* (Canada).

<b>Proposed Schedule of Capital Gains Inclusion Rate</b>	
<b>Taxation Year</b>	<b>Ontario Capital Gains Inclusion Rate</b>
1999	75%
2000	66⅔% <sup>1</sup>
2001	62%

<sup>1</sup> For capital gains realized after February 27, 2000.

## Tax-on-Income Technical Issues

Moving to a Made-for-Ontario tax system would also provide more flexibility over a number of more technical aspects of the personal income tax system that, in the past, were included in basic federal tax and paralleled automatically by Ontario. The following tax treatment is proposed for technical aspects of Ontario's personal income tax system in 2000 and 2001.

- To maintain Provincial support for the relief from double taxation of corporate income distributed as dividends, this Budget proposes to set the Ontario dividend tax credit at 38.5 per cent of the federal dividend tax credit.
- In 2000, Ontario alternative minimum tax (AMT) would be calculated as 37.5 per cent (36.5 per cent in 2001) of the additional tax attributable to the federal AMT calculation and would be added to Ontario tax calculated under the regular rules. The calculation for 2000 would be expressed as:

$$\text{Ontario AMT} = \text{Ontario Tax} + 37.5 \text{ per cent} \times (\text{Federal AMT} - \text{Federal Tax})$$

In 2001, the appropriate percentage rate would be 36.5 per cent. The amount by which Ontario AMT exceeds the level of tax calculated under the regular rules may be carried forward for up to seven years and used to reduce future Ontario taxes in those years.

- The Ontario overseas employment tax credit (OETC) would be calculated by multiplying the federal OETC by 38.5 per cent.
- A claim for medical expenses that were paid for a dependant, other than a spouse, must be reduced where the dependant's net income exceeds the basic personal amount. For Ontario purposes, it is proposed that the claim made by an individual, for the medical expenses of a dependant that exceed the dependant's basic personal amount, be reduced by 25.5 per cent in 2000 and 24.8 per cent in 2001.
- Recipients of CPP/QPP disability benefits can elect to have these lump-sum benefits taxed in the year(s) to which they relate. Currently, when such an election is made, the Canada Customs and Revenue Agency makes the necessary recalculations and reports any changes as a tax adjustment. Ontario proposes to continue to provide a comparable tax adjustment. The Provincial tax reduction on CPP/QPP lump-sum payments would be the same percentage as the federal tax reduction on the payments.

- Certain lump-sum pension payments and deferred profit-sharing plan payments received from plans in existence before 1972 qualify for averaging over a number of years. Ontario proposes to continue to provide a comparable tax adjustment. The Provincial tax reduction on the payments would be the amount(s) a taxpayer elects to have taxed in the prior year(s) to which it relates.
- It is proposed that *inter-vivos* trusts would be taxed at Ontario's highest personal income tax rate. Ontario's personal income tax rate structure would be applied to testamentary and grandfathered *inter-vivos* trusts. Trusts would not be eligible for non-refundable tax credits.
- Under federal legislation, a special tax adjustment is provided in respect of income splitting with minor children. This is designed to account for certain types of activities that otherwise would circumvent the rules that apply the progressive rate structure to taxpayers. Any income subject to this measure would be taxed at Ontario's highest personal income tax rate and would be ineligible for any deductions or credits other than the dividend tax credit and the foreign tax credit attributable to that income.
- An individual with business income in more than one province is required to allocate this business income between the provinces. It is proposed that Ontario's personal income tax structure be applied to such an individual's total taxable income. After subtracting the individual's non-refundable tax credits, the resulting basic Ontario tax would be adjusted to reflect Ontario's share of taxable income, based on the federal allocation formula.
- To ensure that the use of non-refundable tax credits is maximized by taxpayers, it is proposed that the credits be claimed in the following order:
  - a) credits that cannot be transferred or carried over,
  - b) credits that can be transferred to a spouse or a supporting individual, and
  - c) credits that can be carried over.

### **Ontario Research Employee Stock Option Deduction**

The Government recognizes the importance of providing a competitive tax system to help Ontario high-technology companies to attract and retain highly skilled workers. In the 1999 Budget, a framework for a new tax measure relating to stock option benefits was proposed. Following the 1999 Budget, consultations were held on specific design aspects of this program. As well, changes to the underlying Ontario personal income tax treatment of stock option benefits have been proposed. Following are the finalized

parameters for the Ontario Research Employee Stock Option Deduction. This deduction would be available in respect of the taxable amount of stock option benefits and capital gains arising from the sale of shares acquired through the exercise of employee stock options granted after Royal Assent of the enabling legislation. The maximum deduction available to an individual in a year would be \$100,000.

### **Eligible Employee**

An individual would be an eligible employee for a taxation year if

- he or she spends at least 30 per cent of his or her time undertaking directly, supervising or supporting the performance of scientific research and experimental development in Ontario, as described under paragraph 2900(2)(b) of Regulations made to the *Income Tax Act* (Canada), in the corporation's taxation year in which the stock option agreement is entered into;
- he or she is employed by the eligible corporation for at least six consecutive months;
- his or her employment is full-time or permanent part-time as defined under the *Employment Equity Act*;
- he or she is not a specified shareholder, as defined under subsection 248(1) of the *Income Tax Act* (Canada). This means that, generally speaking, he or she does not own directly or indirectly, 10 per cent or more of any class of shares of the corporation.
  - In determining a person's ownership of any class of shares of a corporation, stock options granted to the person are deemed to have been exercised.
- in respect of a claim for a deduction for stock option benefits, he or she is a resident of Ontario
  - (i) on December 31 of the year in which an eligible stock option agreement is entered into; and
  - (ii) on December 31 of the year in which a paragraph 110(1)(d) or (d.1) deduction under the *Income Tax Act* (Canada) in respect of the eligible stock option is claimed; and
- in respect of a claim for a deduction for capital gains, he or she is a resident of Ontario
  - (i) on December 31 of the year in which the agreement is entered into; and
  - (ii) on December 31 of the year in which the underlying shares are sold.

### **Eligible Stock Options**

Eligible stock options would be those

- granted to an employee by virtue of his or her employment with the corporation;
- that qualify for a deduction under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada); and
- that are not to replace or to exchange existing options granted under an agreement that is entered into before the effective date.

### **Eligible Capital Gains**

- Eligible capital gains would be those arising from the sale of shares acquired by exercising eligible stock options.

### **Eligible Corporation**

An eligible corporation would be a corporation that

- carries on a business through a permanent establishment in Ontario, either by itself or as a member of a partnership, in a taxation year in which a stock option agreement is entered into;
- directly undertakes scientific research and experimental development (R&D) at a permanent establishment in Ontario, either by itself or as a member of a partnership, in the taxation year immediately preceding the year in which the stock option agreement is entered into; and
- incurs at a permanent establishment in Ontario, by itself, as a member of a partnership or in combination with one or more corporations associated with it throughout the year, an amount of eligible R&D expenditures that is at least:

(i) \$25 million; or

(ii) 10 per cent of the aggregate total revenue

in the taxation year immediately preceding the year in which the stock option agreement is entered into.

## Eligible R&D Expenditures

- Eligible R&D expenditures would be those that qualify for the Ontario R&D Super Allowance.
- In situations where one company contracts another company to perform scientific research and experimental development, adjustments would be required to attribute the R&D expenditures back to the R&D performer.

## Definition of Scientific Research and Experimental Development

- Scientific research and experimental development would have the same meaning as that used under subsection 248(1) of the *Income Tax Act* (Canada).

## Start-up Companies

- For the first year of operation of a corporation, the spending tests would be applied to that year.

## Deductions from Income

- A deduction from taxable income, as determined under subsection 2(2) of the *Income Tax Act* (Canada), would be allowed in respect of the aggregate of
  - (i) the taxable portion of eligible stock option benefits; and
  - (ii) eligible taxable capital gainsnot exceeding \$100,000 for the year.

## Effective Date

- The deduction would be available for eligible stock options granted after Royal Assent of the enabling legislation.

## **Enhanced Tax Deductions for Purchasers of Flow-Through Shares**

### **Ontario Focused Flow-Through Share Program (OFFTS)**

In recognition of the fact that the initial stage of mining exploration is a high-risk venture and to encourage mineral exploration in Ontario, the Province proposes to provide a new flow-through share incentive by offering eligible individual shareholders a bonus deduction, in addition to the 100 per cent currently available in respect of the eligible corporate exploration expenses. The bonus deduction would be limited to eligible exploration expenses incurred at the “grass-roots-level,” i.e., surface mining in respect of shares issued by junior mining companies.

Consultations with interested stakeholders will be held during the coming summer to determine program definitions such as grass-roots-level surface mining, junior mining companies, eligible individual investors and eligible exploration expenses.

### **Description of Ontario Focused Flow-Through Share Program**

- Ontario would offer individual shareholders a bonus deduction of 30 per cent of Ontario eligible expenses, in addition to the existing deduction.
- For ease of comprehension, the rules of the Ontario focused flow-through share program would generally use the same structure as the federal flow-through share regime for Canadian Exploration Expenses. Modifications to the existing federal definitions would be made where appropriate.
- Flow-through shares are an “expense for shares transaction” governed by an agreement between the issuing company and the investor. The transaction contains three components:
  - the exchange of consideration for new shares;
  - the incurring of eligible exploration expenses; and
  - the renunciation of the expenses to the shareholder. Once renounced, the expenses are deemed to have been incurred by the shareholder.
- In order to qualify as a flow-through share, a share must:
  - be issued pursuant to an agreement entered into after February 1986;
  - be issued by a principal business corporation; and
  - not be a prescribed share (defined in federal Regulations generally as a share whereby the shareholder’s risk of loss is reduced at any time within five years of issuance).

- In addition to the agreement, the issuing company must incur exploration expenses equal to the consideration received for the share.
- The expenses must be incurred within 24 months after the end of the month in which the agreement is entered into.
- The issuing company must renounce an amount equal to the eligible expenses incurred under the agreement within 30 days after the end of the two-year period, in a prescribed form.
- If expenditures are never incurred, then the flow-through share regime requires a revision of the amounts flowed out.

### **Ontario Eligible Expenses**

- The company's exploration expense must be incurred in Ontario and, to be eligible for renunciation, the expense must qualify as a Canadian Exploration Expense (CEE) as defined in the federal Act. For Ontario's purpose, the definition of CEE would be modified.

### **Effective Date**

- The deduction would be available following Royal Assent of the enabling legislation.

### **Ontario Child Care Supplement for Working Families**

In the 1998 Budget, the Government introduced the Ontario Child Care Supplement for Working Families as a reinvestment under the National Child Benefit initiative. Additional funds will be made available in July 2000 as a result of the enrichment of the National Child Benefit by the federal government in the 2000 federal budget.

The Government proposes to introduce a new single parent's benefit as part of the Ontario Child Care Supplement for Working Families. This change would increase the maximum annual benefit by \$210 for single parents from \$1,100 to \$1,310 per child under age seven, effective July 2000.

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 in the family who are under age seven.

Benefits are reduced by eight per cent of family net income in excess of \$20,000.

- Benefits are based on 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 for a family with two parents is \$1,100 multiplied by the number of children under age seven.
- The new maximum annual benefit for a single-parent family would be \$1,310 multiplied by the number of children under age seven.

The new benefit would be paid beginning with the July 2000 payment, or as a lump-sum retroactive amount depending on when the Legislature enacts the necessary changes to the legislation and on administrative considerations.

Benefit entitlements for the period July 2000 to June 2001 would be calculated on the basis of amounts reported on the 1999 income tax returns and Canada Child Tax Benefit information.

## ■ CORPORATIONS TAX ACT

### **Cutting Corporate Income Tax Rates**

To promote job growth and investment, Ontario's corporate income tax rates must remain competitive with those in other jurisdictions.

Ontario's general corporate income tax rate is currently set at 15.5 per cent of taxable income. Income from manufacturing and processing, mining, logging, farming and fishing is subject to a lower tax rate of 13.5 per cent. While other jurisdictions have been cutting tax rates, the general Ontario corporate income tax rate has remained unchanged since 1985.

To improve Ontario's tax competitiveness, the Government proposes to cut both the general corporate income tax rate and the tax rate on income from manufacturing and processing, mining, logging, farming and fishing. These tax rate cuts would be phased in over six years, starting Budget Day. When fully phased in, both tax rates would be 8 per cent. This Budget announces the first two stages of the proposed tax cut.

In 1998, the Government implemented legislation to cut the small business corporate income tax rate from 9.5 per cent to 4.75 per cent by 2006. The small business tax rate is currently 8 per cent. This Budget proposes to accelerate and enhance the small business tax rate reduction, effective Budget Day. When the tax rate cut is fully implemented in 2005, the small business tax rate would be 4 per cent.

### **General Income Tax Rate**

- Effective Budget Day, the tax rate would be reduced from 15.5 per cent to 14.5 per cent.
- On January 1, 2001, the tax rate would be further reduced to 14 per cent.

### **Tax Rate on Manufacturing and Processing Income**

- Effective Budget Day, the tax rate on income from manufacturing and processing, mining, logging, farming and fishing would be reduced from 13.5 per cent to 12.5 per cent.
- On January 1, 2001, the tax rate would be further reduced to 12 per cent.

### **Tax Rate on Small Business Income**

- The schedule implemented in 1998 to cut the small business tax rate from 9.5 per cent in 1998 to 4.75 per cent by 2006 would be accelerated as follows:
  - effective Budget Day, the income tax rate would be reduced from 8 per cent to 7 per cent;
  - effective January 1, 2001, the tax rate would be 6.5 per cent;
  - effective January 1, 2002, the tax rate would be 6 per cent;
  - effective January 1, 2003, the tax rate would be 5.5 per cent;
  - effective January 1, 2004, the tax rate would be 5 per cent; and
  - effective January 1, 2005, the tax rate would be 4 per cent.
  
- Effective Budget Day, the reduced tax rate available to credit unions on income in excess of the small business deduction would be harmonized with the small business tax rate.

### **All Tax Rates**

- All tax rate reductions would be prorated for taxation years straddling the effective dates.

### **Extending the Small Business Income Tax Rate to More Small Businesses**

Currently, the small business deduction reduces the Ontario corporate income tax rate from 15.5 per cent to 8 per cent for small Canadian-controlled private corporations. The full small business deduction is available to Canadian-controlled private corporations with taxable income of up to \$200,000. The benefit of the small business deduction phases out between \$200,000 and \$500,000 of taxable income.

It is proposed that the benefit of the lower small business corporate income tax rate be extended to businesses with up to \$400,000 of taxable income. The phase-out range would be extended from \$400,000 to \$1 million. This higher threshold would be introduced over a five-year period to correspond with the scheduled reductions in the small business corporate income tax rate to 4 per cent:

- effective January 1, 2001, the threshold would be raised to \$240,000 with the phase-out range extending from \$240,000 to \$600,000;

- effective January 1, 2002, the threshold would be raised to \$280,000 with the phase-out range extending from \$280,000 to \$700,000;
- effective January 1, 2003, the threshold would be raised to \$320,000 with the phase-out range extending from \$320,000 to \$800,000;
- effective January 1, 2004, the threshold would be raised to \$360,000 with the phase-out range extending from \$360,000 to \$900,000; and
- effective January 1, 2005, the threshold would be raised to \$400,000 with the phase-out range extending from \$400,000 to \$1 million.

The increases in the threshold would be prorated for taxation years straddling the effective dates.

### **Capital Gains Inclusion Rate**

For dispositions of property after February 27, 2000 and before January 1, 2001, the inclusion rate for capital gains and losses would be reduced from 75 per cent to 66⅔ per cent.

For dispositions occurring on or after January 1, 2001, the inclusion rate would be reduced from 66⅔ per cent to 62 per cent, and would be further reduced to 50 per cent by 2004. The phase-in to the 50 per cent inclusion rate would parallel the scheduled reductions in the inclusion rate for individuals.

The reduction in the capital gains inclusion rate would also apply to allowable business investment losses, net capital losses of other years, capital gains reserves and donations of listed securities and ecologically sensitive lands.

### **Educational Technology Tax Incentive**

The Government is proposing to introduce an Educational Technology Tax Incentive to encourage businesses to support Ontario's community colleges and universities in acquiring new teaching equipment and learning technologies. The incentive would apply to donations or price discounts made by businesses after Budget Day in respect of new teaching equipment and learning technologies. Corporations would be eligible for an additional deduction of 15 per cent and unincorporated businesses a refundable tax credit of 5 per cent.

## **Eligible Teaching Equipment and Learning Technologies**

Eligible teaching equipment and eligible learning technologies would be for use in classroom instruction or distance learning at eligible Ontario post-secondary educational institutions.

- Eligible Teaching Equipment
  - Eligible teaching equipment would include new specialized machinery, instruments, tools, computer software and other classroom, laboratory, studio or shop instructional equipment integral to course delivery.
  - Ineligible items would include standard classroom furniture, generic computer software programs and equipment related to maintenance of the building or facility.
- Eligible Learning Technologies
  - Eligible learning technologies would include new information and communications equipment, such as multi-media projectors and specialized computer software, that enhances instructional delivery and interaction among students and between students and instructors.

## **Eligible Ontario Post-Secondary Educational Institutions**

Eligible post-secondary educational institutions would include all provincially assisted Ontario colleges of applied arts and technology and universities.

## **Tax Incentive**

Corporations would be eligible for an additional deduction of 15 per cent and unincorporated businesses for a 5 per cent refundable tax credit on the amount by which the price that would normally be paid by an educational institution for the eligible teaching equipment or learning technology exceeds the actual price paid.

## **Effective Date**

The proposed incentive would be available for donations and price discounts made after Budget Day.

## **Enhancing and Simplifying Ontario's Film Tax Incentives**

The Ontario Film and Television Tax Credit (OFTTC) is a 20 per cent refundable tax credit available to Ontario-based, Canadian-controlled production companies producing eligible productions in Ontario.

The Ontario Production Services Tax Credit (OPSTC) is an 11 per cent refundable tax credit on the Ontario labour costs of foreign-based and domestic productions that are not claimed for purposes of the OFTTC.

To ensure the continued growth of the film and television industry in Ontario, the Government is proposing to enhance and simplify these incentives.

### **New Regional Bonuses**

For productions that have at least five location days in Ontario and at least 85 per cent of location days in Ontario outside the Greater Toronto Area, the Government is proposing the following regional bonuses under Ontario's film tax incentives:

- the OFTTC would provide a 10 per cent bonus on Ontario labour expenditures incurred after Budget Day; and
- the OPSTC would provide a 3 per cent bonus on Ontario labour expenditures incurred after Budget Day.

### **Enhancing and Simplifying the OFTTC**

At present, the OFTTC is based on the lesser of Ontario labour expenditures and 48 per cent of the cost of the production net of certain government assistance.

Effective for productions commencing principal photography after Budget Day, the Government is proposing the following measures:

- the OFTTC would be based only on Ontario labour expenditures, net of certain government assistance reasonably related to those expenditures; and
- equity investment by government agencies would be treated as government assistance with any reduction in Ontario labour expenditures calculated on a pro-rata basis.

## **Expanding the Ontario Sound Recording Tax Credit**

The Ontario Sound Recording Tax Credit is a 20 per cent refundable tax credit available to eligible Ontario sound recording companies for qualifying expenditures related to sound recordings by emerging Canadian artists.

To promote investment and jobs in the Ontario sound recording industry and to better support new and emerging Canadian artists, the Government is proposing to expand and simplify the Ontario Sound Recording Tax Credit:

- It is proposed that the credit would be available to all Ontario-based, Canadian-controlled sound recording companies. Currently, only sound recording companies with assets of \$10 million or less and total revenues of \$20 million or less qualify for this credit.
- An eligible sound recording company must carry on its sound recording business for at least 24 months preceding the taxation year and allocate, in the current taxation year, more than 50 per cent of its taxable income to Ontario. To simplify compliance, it is proposed that the corporation meet the allocation criteria in the preceding taxation year.
- The Government proposes to expand the 24-month test to include time spent as a sole proprietorship and, in the case of a corporate reorganization, time spent by a predecessor corporation.

These changes would be effective for expenditures incurred after January 1, 1999.

## **Enhancing the Ontario Book Publishing Tax Credit**

The Ontario Book Publishing Tax Credit (OBPTC) is a 30 per cent refundable tax credit available to eligible Ontario publishing companies for qualifying expenditures in respect of eligible literary works by first-time Canadian authors.

To further support the publishing and development of first-time Canadian authors, it is proposed that for qualifying expenditures incurred after Budget Day, the OBPTC would be enhanced as follows:

- eligible literary works would include the first three works by a Canadian author; and
- the maximum tax credit for each eligible literary work would be increased from \$10,000 to \$30,000.

## **Expanding the Ontario Interactive Digital Media Tax Credit**

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.

To strengthen the competitiveness of Ontario's digital media industry, the tax credit would be extended to include up to \$100,000 of qualifying marketing and distribution expenses directly related to an eligible interactive digital media product. Qualifying expenses would include the costs of:

- attending trade shows where the product is being promoted;
- preparing the product for display or demonstration;
- advertising the product in print and electronic media; and
- making the product available to consumers through distribution networks.

Qualifying marketing and distribution expenses would be limited to those incurred in the 24-month period prior to the completion of the eligible interactive digital media product, and those incurred in the 12 months following the completion of the product. This measure would be effective for expenses incurred after Budget Day.

## **Ontario R&D Super Allowance**

Research and innovation are two of the key determinants of the future standard of living of Canadians. Unfortunately, the federal government has chosen to ignore this crucial reality.

One important way that Ontario encourages research and development (R&D) is to provide a special additional Provincial income tax deduction for R&D expenditures undertaken by any corporation in Ontario. Since 1988 this incentive, the Ontario R&D Super Allowance, has provided significant tax support to R&D performers. Presently the Super Allowance provides more than \$100 million per year in funding for R&D projects in Ontario.

The 2000 federal budget proposes to penalize corporations undertaking R&D in Ontario. Specifically, the federal budget proposes to treat Provincial deductions for scientific research and experimental development that exceed the actual amount of the expenditure as government assistance for taxation years ending after February 2000.

As proposed, this federal measure will effectively, and retroactively, punish all Ontario R&D performers who are benefiting from the Super Allowance. Raising the cost of performing R&D in Ontario in this manner could reduce R&D spending in Ontario, harming Ontarians for years to come.

Ontario proposes not to harmonize with this federal measure.

### **Tax Harmonization Measures**

The Government is proposing to parallel, with necessary modifications, certain tax measures and effective dates announced in the 2000 federal budget and other federal releases. These measures include:

- paralleling the capital cost allowance (CCA) changes allowing for separate manufacturing and processing property classes, and increasing the CCA rates for rail assets, electrical generating equipment, and production and distribution equipment of a distributor of water or heat; and
- extending the manufacturing and processing tax credit to corporations that produce and sell steam for uses other than the generation of electricity. For Ontario tax purposes, the credit would be phased in commencing with an initial 1 per cent on January 1, 2000, increasing to 1.5 per cent on January 1, 2001, and attaining the full tax credit on January 1, 2002. The credit would be prorated for taxation years straddling these effective dates.

## ■ EMPLOYER HEALTH TAX ACT

It is proposed that the Employer Health Tax would no longer apply to employee stock option benefits arising from the exercise or disposition of stock options granted by eligible research and development-intensive companies.

### **Eligible Corporation**

An eligible corporation would be a corporation that:

- carries on a business through a permanent establishment in Ontario, either by itself or as a member of a partnership, in a taxation year in which a stock option agreement is entered into;
- directly undertakes scientific research and experimental development (R&D) at a permanent establishment in Ontario, either by itself or as a member of a partnership, in the taxation year immediately preceding the year in which the stock option agreement is entered into;
- incurs at a permanent establishment in Ontario, by itself, as a member of a partnership or in combination with one or more corporations associated with it throughout the year, an amount of eligible R&D expenditures that is at least:
  - (i) \$25 million; or
  - (ii) 10 per cent of the aggregate total revenuein the taxation year immediately preceding the year in which the stock option agreement is entered into; and
- conducts significant scientific research and experimental development in Ontario.

### **Eligible R&D Expenditures**

- Eligible R&D expenditures would be those that qualify for the Ontario R&D Super Allowance.
- In situations where one company contracts another company to perform scientific research and experimental development, adjustments would be required to attribute the R&D expenditures back to the R&D performer.

### **Definition of Scientific Research and Experimental Development**

- Scientific research and experimental development would have the same meaning as that used under subsection 248(1) of the *Income Tax Act* (Canada).

### **Eligible Stock Options**

Eligible stock options would be those:

- granted to an employee by virtue of his or her employment with the corporation;
- that qualify for a deduction under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada); and
- that are not to replace or to exchange existing options granted under an agreement that is entered into before the effective date.

### **Effective Date**

The measure is proposed to be effective on May 2, 2000, for options exercised after that date.

## ■ MINING TAX ACT

Ontario mineral producers make significant contributions to the Ontario economy. This Budget proposes to provide tax support to the Ontario mining industry to improve its competitiveness.

### **Reducing the Ontario Mining Tax**

The Ontario mining tax is a 20 per cent tax on mining profits over \$500,000 earned from mining operations in Ontario.

In order to support the competitive position of this important Ontario industry, the mining tax rate would be reduced to 10 per cent over five years as follows:

- effective Budget Day, the mining tax rate would be 18 per cent;
- effective January 1, 2001, the rate would be 16 per cent;
- effective January 1, 2002, the rate would be 14 per cent;
- effective January 1, 2003, the rate would be 12 per cent; and
- effective January 1, 2004, the rate would be 10 per cent.

The mining tax rate reductions would be prorated for taxation years straddling the effective dates.

### **Providing Additional Support to Remote Ontario Mines**

To recognize the additional costs to develop and operate mines in remote areas of the province, it is proposed that the existing three-year mining tax holiday be extended to 10 years for new mines opened in remote locations in Ontario after January 1, 2001.

In addition, after the proposed holiday, the profits from the operation of a remote mine would be taxed at 5 per cent.

## ■ LAND TRANSFER TAX ACT

### **Making the Land Transfer Tax Refund Program for First-Time Buyers of Newly Built Homes Permanent**

On March 21, 2000, the Government announced a one-year extension of the temporary refund program available to first-time buyers of newly built homes. Legislation will be introduced to make this program permanent, effective April 1, 2000.

#### **Eligibility Criteria**

- Current deadlines under the program would be replaced by a requirement that a qualifying purchaser apply for a refund no later than 18 months after registration of the home purchase where a refund is not claimed at the time of registration.
- Other eligibility requirements would remain unchanged.

## ■ RETAIL SALES TAX ACT

### Phasing Out RST on Vehicle Insurance Premiums

The RST on motor vehicle insurance premiums would be phased out until it is eliminated in 2004. Legislation will be introduced to reduce the RST rate to four per cent for vehicle insurance coverage after Budget Day. The proposed rate would apply to insurance contracts on vehicles that are required to be registered under the *Highway Traffic Act*, and insured under the *Compulsory Automobile Insurance Act*. It is proposed that the rate would be further reduced as follows:

- to three per cent effective April 1, 2001;
- to two per cent effective April 1, 2002;
- to one per cent effective April 1, 2003; and
- to zero per cent effective April 1, 2004.

### Phasing Out RST on Repairs and Replacements Made Under Warranty

The RST on repairs and replacements made under warranty would be phased out until it is eliminated in 2004. Legislation will be introduced to reduce the RST rate to six per cent for repairs and replacements made after Budget Day. It is proposed that the rate would be further reduced as follows:

- to four per cent effective April 1, 2001;
- to two per cent effective April 1, 2002;
- to one per cent effective April 1, 2003; and
- to zero per cent effective April 1, 2004.

### **Exempting Donations to Schools, Colleges and Universities**

Under the current RST legislation, donations to educational institutions may be subject to tax as promotional distributions. Donors are taxed as if they were the users of the donated items. Legislation will be introduced to ensure that donations made to Ontario educational institutions after Budget Day are exempt from RST.

### **Exempting Deposit Insurance Premiums Paid by Credit Unions**

Effective after Budget Day, deposit insurance premiums paid by Ontario credit unions and caisses populaires would be exempt from RST.

### **Exempting Educational CD-ROMs from RST**

Effective for purchases after Budget Day, the Government is proposing to amend the definition of “publications” to include educational CD-ROMs.

- This change would benefit schools, school boards, community colleges, universities and public libraries.

## ■ 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.

### **Phasing Out the Gross Receipts Tax on Telephone and Telegraph Companies**

Under the *Municipal Act* and *Provincial Land Tax Act*, telephone and telegraph companies are required to pay tax on their gross receipts arising from telephone and other equipment, including long distance calls.

As announced in the 1999 Budget, the gross receipts tax rate for 1999 was reduced from five per cent to four per cent. Effective January 1, 2000, it is proposed to reduce the tax rate a further one percentage point to three per cent. The tax rate would continue to be reduced by one percentage point on January 1 of each subsequent year, until the tax is eliminated in 2003.

### **Other**

#### **Incorporation of Professionals**

To level the playing field with other self-employed individuals who can choose whether to operate their businesses through a corporation, this Government proposes that the right to incorporate be extended to all regulated professionals.

Professionals would be able to enjoy many of the same tax and non-tax advantages of incorporation; however, their professional liability would not be limited in any way by practising within a professional corporation, nor would non-members of professional associations be permitted to own shares in a professional corporation.

The Government will consult with stakeholders and develop legislation that would ensure that protection of the public interest is paramount.

It is proposed that changes would take effect upon Royal Assent of enabling legislation.

### **Ontario Guaranteed Annual Income Act**

Currently an anomaly exists in the treatment of a group of Ontario seniors. Seniors who receive benefits under the federal Old Age Security and Guaranteed Income Supplement in accordance with an International Social Security Agreement (ISSA) are not eligible to receive Ontario Guaranteed Annual Income System (GAINS) benefits, no matter how long they lived in Ontario. Canada has ISSAs with over 30 industrialized countries.

Treating those seniors who have qualified for federal seniors' benefits, and have lived in Canada for 10 years, in the same manner as other Ontario seniors is only fair. Therefore, commencing July 1, 2000, all seniors in Ontario will be eligible for GAINS based on their income.

### **Seedlings Used in Reforestation of Crown Lands**

The Government proposes a new exemption in support of the reforestation of Crown lands in Ontario.

Effective May 3, 2000, forest resource licence holders may purchase seedlings used in the reforestation of Crown lands exempt of retail sales tax. To purchase seedlings exempt of RST, licence holders should provide their suppliers with a purchase exemption certificate.

### **Admissions Tax for Charitable Events**

Admissions to events held under the auspices or sponsorship of certain organizations are exempt from the 10 per cent retail sales tax on admissions.

Ontario would implement new rules to clarify how tax applies to events sponsored by these organizations. The proposed changes would specify that, for admissions to seasonal games of professional sports teams to qualify for exemption, at least 90 per cent of the net proceeds of the event must go to one or more of the sponsoring organizations listed in the legislation.

## Technical Amendments

To improve administrative effectiveness and to 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 Ontario statutes:

- *Assessment Act*
- *Community Small Business Investment Funds Act*
- *Corporations Tax Act*
- *Electricity Act, 1998*
- *Employer Health Tax Act*
- *Fuel Tax Act*
- *Gasoline Tax Act*
- *Income Tax Act*
- *Land Transfer Tax Act*
- *Mining Tax Act*
- *Ministry of Treasury and Economics Act*
- *Municipal Act*
- *Ontario Guaranteed Annual Income Act*
- *Provincial Land Tax Act*
- *Retail Sales Tax Act*
- *Tobacco Tax Act*

## ■ REDUCING RED TAPE

### **Reducing Red Tape for Farmers**

To reduce the administrative burden for farmers, the rebate program for farm building materials would be replaced with a point-of-sale retail sales tax exemption. Farmers may purchase materials used exclusively to construct or modernize farm buildings exempt of retail sales tax. The Ministry of Agriculture, Food and Rural Affairs will consult on an implementation strategy.

### **Reducing Red Tape for Small Businesses**

More Ontario small businesses would be eligible to use the Short-Form Corporations Tax Return. The gross revenue and total asset thresholds for using the Short-Form would be increased from \$1 million to \$1.5 million for taxation years ending after 2000.

## ■ ONTARIO SECURITIES COMMISSION FEE REDUCTION

The 1999 Budget announced a 10 per cent reduction in the fees that are charged by the Ontario Securities Commission (OSC). The 2000 Budget proposes a further 10 per cent across-the-board fee reduction. It is proposed that this fee reduction take effect on June 26, 2000. The OSC is continuing the comprehensive review of its fee structure with a view to realigning its revenue with regulatory expenses. The new fee schedule is expected to be in place by July 2001.

## ■ MINISTRY OF NATURAL RESOURCES RENTAL FEES

One thing that is important about any sort of fee, charge, levy or tax is that it must be fair and equitable. While the Government has made considerable progress, more needs to be done. Effective May 3, 2000, the Ministry of Natural Resources will suspend the practice of charging a nominal rental fee for landowners who have boathouses, until such time as a full review and reform, if necessary, of the current practice has been completed.

<b>Benefits to Taxpayers: 2000 Budget Impact Summary</b>	<b>2000-01 Benefit (\$ Millions)</b>	<b>Full Year Benefit (\$ Millions)</b>
<b>Personal Income Tax</b>		
Rebate of 1999 Personal Income Tax	N/A	1,020
First and Middle Personal Income Tax Rate Cuts	510	960
Indexation of Personal Income Tax System	195	1,070
Ontario Research Employee Stock Option Deduction	2	70
Ontario Focused Flow-Through Share Program	1	5
<b>Capital Gains Cut to 50 per cent</b>		
First Steps: 75% to 62%, Individuals & Corporations	375	645
<b>Corporations Tax</b>		
Cutting Corporate Income Tax Rates (first 2 stages)	540	770
Extending the Small Business Income Tax Rate	0	19
Educational Technology Tax Incentive	2	6
Enhancing and Simplifying Film Tax Incentives	7	7
Expanding the Sound Recording Tax Credit	2	3
Enhancing the Book Publishing Tax Credit	1	2
Expanding the Interactive Digital Tax Media Credit	0	1
R&D Super Allowance	4	4
Harmonization Measures	20	10
<b>Employer Health Tax</b>	11	20
<b>Mining Tax</b>	5	20
<b>Land Transfer Tax</b>	28	28
<b>Retail Sales Tax</b>		
Phasing Out RST on Vehicle Insurance Premiums	46	265
Phasing Out RST on Repairs and Replacements Made Under Warranty	28	130
Exempting Donations to Schools, Colleges and Universities	4	5
Exempting Deposit Insurance Premiums Paid by Credit Unions	2	2
Exempting Educational CD-ROMs from RST	2	2
<b>Making the Tax System Fairer</b>		
Phasing Out Gross Receipts Tax	50	160
Other	4	6
<b>Reducing Red Tape</b>	0	0
<b>Total Benefits to Taxpayers</b>	<b>1,839</b>	<b>5,230</b>





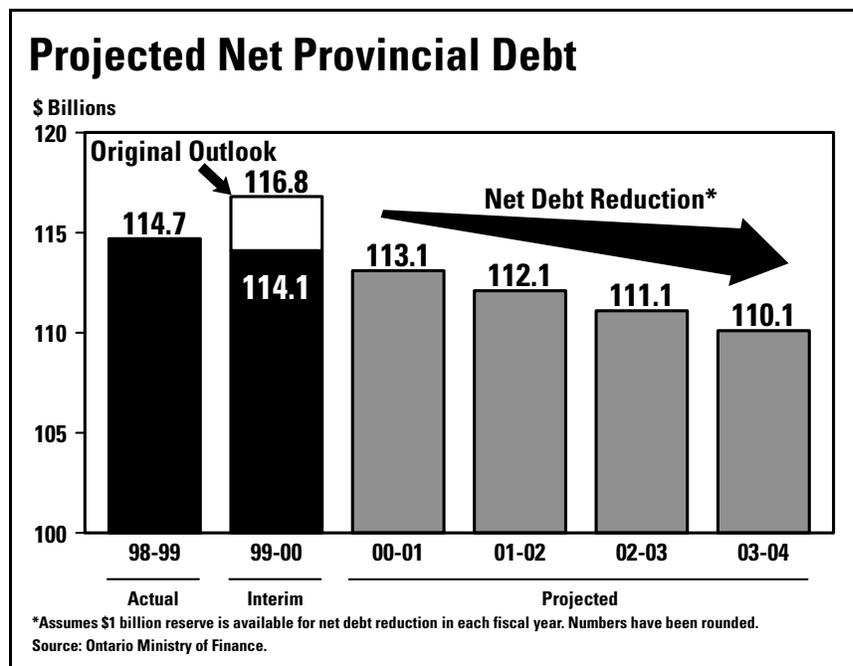
**BUDGET PAPER D**  
**Ontario's Financing Plan:**  
**"Cutting Ontario's Debt"**



## ■ ONTARIO'S PLAN TO REDUCE NET PROVINCIAL DEBT

Net Provincial Debt as of March 31, 2000 was \$114.1 billion, \$2.7 billion lower than it would have been under the 1999 Budget Plan.

- The \$654 million surplus in 1999-00 has been applied to reduce Net Provincial Debt.
- The Government has increased the reserve from \$500 million to \$1 billion in each of the next four years, with the goal of more than doubling the promised \$2 billion reduction in Net Provincial Debt to at least \$5 billion during the current mandate.



Net Provincial Debt represents the overall financial position of the Province, based on Public Sector Accounting Board (PSAB) accrual and consolidation accounting. Net Provincial Debt is defined as the total liabilities less the financial assets of the Province. It is found in the Public Accounts of Ontario, Financial Statements, Statement of Financial Position.

Net Provincial Debt provides a better overall picture of the Government's financial position. This fuller disclosure is another example of continued improvement and accountability in the Budget itself.

The federal government portrays "Net Public Debt" as its reporting standard. It makes the distinction between "Market Debt" (similar to Funded Debt and Trust Liabilities) and "Net Public Debt," which represents the overall financial position of the Government of Canada. More details on Net Provincial Debt and Funded Debt and Trust Liabilities are provided in the Financial Tables to this Paper.

## ■ 1999-00 FINANCING PROGRAM CUT BY \$0.9 BILLION

Total requirements to finance cash needs, maturing debt and debt buybacks were \$10.5 billion, \$0.9 billion below the 1999 Budget projection.

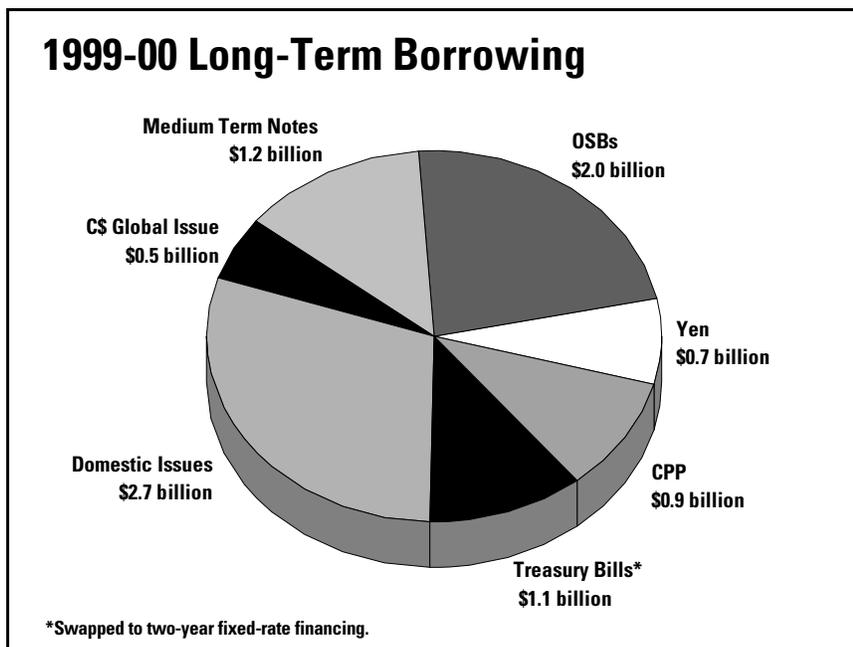
Total requirements were financed through an increase in short-term borrowing of \$1.1 billion and long-term borrowing of \$9.1 billion (\$0.9 billion of which was from the Canada Pension Plan). The Province also raised \$0.3 billion through an increase in Deposits with the Province of Ontario Savings Office (POSO).

### Long-Term Borrowing Highlights

Of the \$9.1 billion in long-term borrowing, \$8.4 billion was borrowed from the Canadian dollar market and \$0.7 billion from the Japanese yen market. The Province used a variety of instruments to fulfil its 1999-00 long-term borrowing program in order to lower financing costs.

- The Province saved on commissions and fees that would otherwise have been charged in the public market by borrowing \$0.9 billion directly from the CPP to refinance maturing debt held by that entity.
- In mid-January, the Canadian and U.S. yield curves became inverted (long-term bond yields were lower than shorter-term yields) mainly due to supply concerns in the long-term segment of the bond market. The Province benefited from this situation by launching two 40-year Canadian Medium Term Notes (CMTNs) and one domestic 31-year bond issue at rates lower than would have otherwise been achieved by issuing shorter-term securities.

- The development of the CMTN program allowed the Province to take advantage of smaller-sized borrowing opportunities that previously would not have been cost-effective. The Province launched a total of 15 separate Canadian Medium Term Notes targeted at specific investor needs.
- Increased liquidity lowers the Province's cost of borrowing and increases the marketability of Ontario bonds for investors. In order to promote the liquidity of its bonds, the Province purchased smaller, higher-yielding, less liquid Ontario bonds and replaced them with larger, more cost-effective benchmark issues.
- By accessing the Japanese yen market, the Province was able to borrow long-term funds at an interest rate of below 2 per cent, 4.5 per cent lower than the comparable rate in the domestic market. While foreign markets are monitored continuously for cost-effective borrowing opportunities, the Province limits the amount of debt that is left exposed to foreign currencies to 5 per cent of Funded Debt and Trust Liabilities in order to protect itself against fluctuations in foreign-currency exchange rates. Foreign-currency exchange exposure is taken only when the benefits of lower foreign interest rates are perceived to outweigh the risks of potential future foreign-currency appreciation.
- The 1999-00 Ontario Savings Bonds campaign raised just over \$2.0 billion.



## ■ ONTARIO'S 2000-01 FINANCING PROGRAM

The surplus or deficit is determined on a Public Sector Accounting Board (PSAB) basis. The Province's financing requirements represent the total cash requirements of the Province during the year. The difference between financing requirements and the PSAB surplus or deficit is due to a number of transactions that either provide funds to the Province or must be funded by the Province. These transactions, which include Accruals and Consolidations (reflecting changes in payables, receivables and investment in government enterprises), Borrowing on Behalf of Agencies and Changes in Liquid Reserves, determine the financing requirements for the PSAB surplus or deficit.

### 2000-01 Financing Program

(\$ Billions)

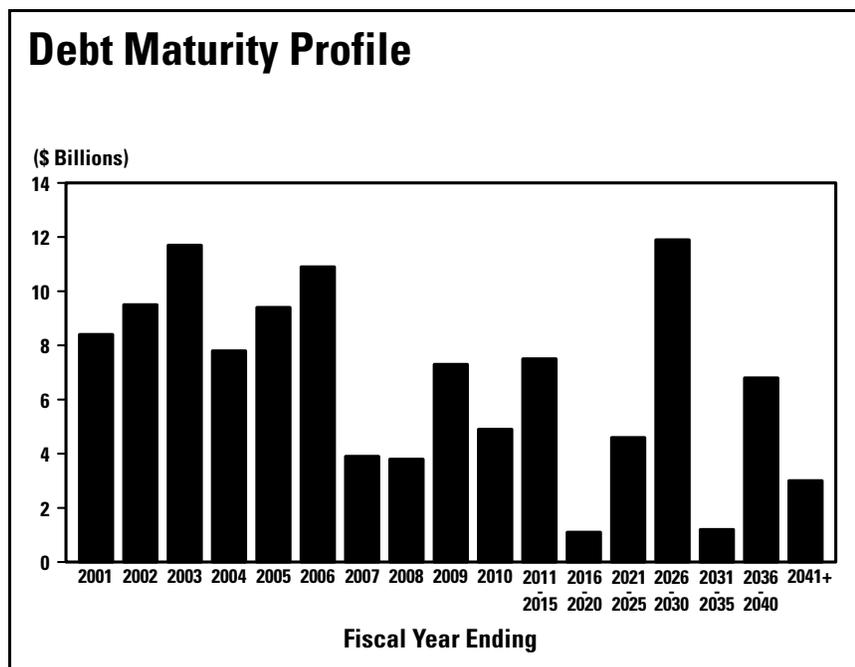
	1999-00 Budget Plan	1999-00 Interim	2000-01 Budget Plan
<b>USES OF FUNDS:</b>			
(Surplus)/Deficit	2.1	(0.7)	-
Accruals and Consolidations	3.2	0.9	5.2
Net Borrowing on Behalf of Agencies	(1.4)	(2.4)*	-
Increase/(Decrease) in Liquid Reserves	(0.6)	3.6	(4.5)
Net Cash Requirements	3.3	1.4	0.7
Maturing Debt	8.1	7.9	8.4
Early Redemptions and Debt Buybacks	-	1.2	0.5
<b>Total Financing Requirements</b>	<b>11.4</b>	<b>10.5</b>	<b>9.6</b>
<b>SOURCES OF FUNDS:</b>			
Canada Pension Plan Borrowing	0.9	0.9	1.0
Increase/(Decrease) in Short-Term Borrowing	1.8	1.1	-
Other Sources	-	0.3	-
Long-Term Borrowing Planned	8.1	-	8.5
Long-Term Borrowing Completed	0.6	8.2	0.1
<b>Total Financing</b>	<b>11.4</b>	<b>10.5</b>	<b>9.6</b>

Numbers may not add due to rounding.

\*Includes \$1.0 billion repayment from School Boards previously classified as Cash Timing Adjustments (now called Accruals and Consolidations).

- Total financing requirements for 2000-01 are projected at \$9.6 billion, of which \$8.4 billion is maturing debt. Just over \$1.0 billion of the maturing debt is held by the Canada Pension Plan and will be refinanced with the CPP. The remaining \$8.6 billion will be financed by long-term public market borrowing.

- The domestic market will continue to be the main source of public financing for the Province, including the sixth annual Ontario Savings Bonds campaign in June. The Province will continue to monitor foreign markets for cost-effective borrowing opportunities.
- The Province will also continue to promote liquidity of its bond issues by purchasing smaller, less liquid Ontario bonds and replacing them with more liquid, cost-effective issues if opportunities arise.
- It is important for the Province to maintain a flexible borrowing approach, given the high levels of maturing debt in the coming years and bond market dynamics. The Province will continue to monitor investor demand in order to react quickly to changes in the market environment.



## **OEFC's Financing Needs**

The Ontario Electricity Financial Corporation (OEFC) is the Crown agency responsible for the servicing and management of the former Ontario Hydro's provincially guaranteed debt, derivative contracts and certain other liabilities. As the OEFC does not have its own credit rating, the Province borrows on its behalf. In return, the OEFC issues debt to the Province.

- For 1999-00, the Province raised \$2.0 billion in long-term financing on behalf of OEFC, all of which was accomplished in the Canadian dollar market.
- For 2000-01, total OEFC long-term financing requirements are estimated at \$2.5 billion.

## ■ DEBT MANAGEMENT POLICIES

Managing Ontario's debt exposes the Province to financial market risks, such as: foreign currency risk, floating-rate interest risk, refinancing risk, liquidity risk and credit risk. The Province adheres to prudent risk management policies to mitigate its exposures to these risks, while maintaining the needed flexibility in its borrowing and debt management programs.

- The Province's exposure to unhedged foreign currency is limited to 5 per cent of Funded Debt and Trust Liabilities. As of March 31, 2000, the Province's foreign exchange exposure was 1.4 per cent of Funded Debt and Trust Liabilities.
- As of March 31, 2000, net floating-rate interest exposure (net of liquid reserves) was 2.9 per cent of Funded Debt and Trust Liabilities. Effective April 1, 2000, the measure of floating-rate exposure was broadened to include fixed-rate debt maturing within a 12-month period to more accurately reflect total interest rate resetting risk. The new measure limits interest rate resetting risk to no more than 25 per cent of Funded Debt and Trust Liabilities.
- When issuing new debt, the Province aims for a smooth debt maturity profile to diversify interest rate risk inherent in refinancing maturing and floating-rate debt.
- Liquid reserves are maintained at levels sufficient to ensure the Government can meet its short-term financial obligations. Syndicated lines of credit and Ontario's treasury bill and U.S. commercial paper programs are also available to meet additional liquidity needs if necessary.
- Credit risk arises when the Province invests its liquid reserves and when it carries out debt management activities to mitigate risks associated with new borrowing and Funded Debt and Trust Liabilities. To lower credit risk, the Province limits itself to undertaking transactions with the federal and provincial governments and non-government counterparties with high credit quality. The minimum credit rating of a non-government counterparty for long-term transactions is A- and for liquid reserve investments is R-1 (mid). Approximately 80 per cent of the Province's approved counterparties are rated AA- or better.



## **PAPER D**

### **Appendix: Financial Tables**

Table I(A): Net Provincial Debt

Table I(B): Funded Debt and Trust Liabilities

Table I(C): Debt Maturity Schedule

Table I(D): Summary of Ontario Electricity Financial Corporation Interim Debt

Table I(E): Description of Derivative Financial Instruments

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

**FINANCIAL TABLES**  
**TABLE I(A)**  
**NET PROVINCIAL DEBT**  
**Interim 2000<sup>(1)</sup>**

<b>As at March 31</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>Interim 2000</b>	<b>Plan 2001</b>
(\$ Millions)						
<b>Liabilities for Provincial Purposes</b>						
Debt Incurred by the Province	95,598	95,501	99,123	102,299	103,327	104,065
Debt Incurred by Government Service Organizations	2,888	2,891	2,859	2,834	2,817	2,800
Other Debt	<u>2,910</u>	<u>3,119</u>	<u>3,492</u>	<u>4,041</u>	<u>13,158</u>	<u>13,158</u>
Funded Debt and Trust Liabilities	101,396	101,511	105,474	109,174	119,302	120,023
Other Liabilities <sup>(2)</sup>	<u>18,858</u>	<u>19,954</u>	<u>20,748</u>	<u>17,713</u>	<u>17,353</u>	<u>15,832</u>
Total Liabilities for Provincial Purposes	120,254	121,465	126,222	126,887	136,655	135,855
<b>Financial Assets<sup>(3)</sup></b>	(18,390)	(12,696)	(13,487)	(12,150)	(22,572)	(21,772)
<b>Net Provincial Debt</b>	101,864	108,769	112,735	114,737 <sup>(4)</sup>	114,083	114,083

(1) Prepared on the basis of modified accrual and consolidation accounting.

(2) Other Liabilities include Accounts Payable and Accrued Liabilities and Pensions.

(3) Financial Assets include Cash and Temporary Investments, Accounts Receivable and Investment in Government Enterprises.

(4) For more information on Net Provincial Debt (Accumulated Deficit), please see 1998-99 Public Accounts of Ontario, Statement of Financial Position.

**FINANCIAL TABLES**  
**TABLE I(B)**  
**Funded Debt and Trust Liabilities<sup>(1)</sup>**

As at March 31

	1996	1997	1998	1999	Interim 2000
<b>(\$ Millions)</b>					
<b>Debt Incurred by the Province</b>					
Non-Public Debt					
Minister of Finance of Canada:					
Canada Pension Plan .....	\$ 11,620	\$ 10,807	\$ 9,956	\$ 9,085	\$ 8,967
Other .....	4	-	-	-	-
Ontario Teachers' Pension Fund .....	\$ 11,624	\$ 10,807	\$ 9,956	\$ 9,085	\$ 8,967
Ontario Municipal Employees Retirement Fund (OMERS) .....	14,386	14,049	13,822	13,213	12,252
Colleges of Applied Arts and Technology Pension Plan .....	742	722	697	666	622
Ryerson Retirement Pension Plan .....	91	91	91	89	86
Canada Mortgage and Housing Corporation .....	16	9	9	8	8
Public Service Pension Fund .....	258	251	244	236	228
Ontario Public Service Employees' Union Pension Fund (OPSEU) .....	3,884	3,790	3,681	3,604	3,535
	1,816	1,772	1,749	1,712	1,679
	\$ 32,817	\$ 31,491	\$ 30,249	\$ 28,613	\$ 27,377
Publicly Held Debt					
Debentures and Bonds <sup>(2)</sup> .....	\$ 60,888	\$ 61,939	\$ 68,199	\$ 72,464	\$ 72,552
Treasury Bills .....	1,716	2,071	675	950	3,002
U.S. Commercial Paper <sup>(2)</sup> .....	177	-	-	272	396
	\$ 62,781	\$ 64,010	\$ 68,874	\$ 73,686	\$ 75,950
Total Debt Incurred by the Province for Provincial Purposes .....	\$ 95,598	\$ 95,501	\$ 99,123	\$ 102,299	\$ 103,327
<b>Debt Incurred by Government Service Organizations</b>					
Non-Public					
Canada Pension Plan .....	\$ 1,402	\$ 1,402	\$ 1,402	\$ 1,402	\$ 1,402
Canada Mortgage and Housing Corporation .....	1,038	1,021	1,002	972	956
Public					
Other .....	18	35	18	18	17
Collateralized Financing <sup>(2)</sup> .....	430	433	437	442	442
Total Debt Incurred by Government Service Organizations for Provincial Purposes .....	\$ 2,888	\$ 2,891	\$ 2,859	\$ 2,834	\$ 2,817
<b>Other Debt</b>					
Province of Ontario Savings Office .....	\$ 2,220	\$ 2,135	\$ 2,245	\$ 2,517	\$ 2,760
Other Liabilities .....	690	984	1,247	1,524	1,513
Debt issued for investment purposes <sup>(3)</sup> .....	-	-	-	-	8,885
Total Other Debt .....	\$ 2,910	\$ 3,119	\$ 3,492	\$ 4,041	\$ 13,158
<b>Funded Debt and Trust Liabilities .....</b>	<b>\$101,396</b>	<b>\$101,511</b>	<b>\$105,474</b>	<b>\$109,174</b>	<b>\$119,302</b>

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) On April 1, 1999, as a result of the restructuring of Ontario Hydro, the Province assumed \$8,885 in debt from Ontario Power Generation Inc. (\$5,126) and Ontario Hydro Services Corporation Inc. (\$3,759). In exchange, the Province received shares in the two corporations.

**FINANCIAL TABLES  
TABLE I(C)  
DEBT MATURITY SCHEDULE  
Interim 2000<sup>(1)</sup>**

(\$ Millions)

Year Ending March 31	Debt Incurred by the Province and Government Service Organizations			Ontario Electricity Financial Corporation (OEFC) Purposes <sup>(3)</sup>	Total
	Publicly Held Debt <sup>(2)</sup>	Non-Public Debt	Sub-Total		
2000	117 <sup>(4)</sup>	-	117	-	117
2001	9,867 <sup>(5)</sup>	1,393	11,260	3,945	15,205
2002	6,353	1,519	7,872	500	8,372
2003	9,235	2,375	11,610	-	11,610
2004	4,978	2,518	7,496	350	7,846
2005	6,705	2,224	8,929	2,000	10,929
0 <sup>(4)</sup> -5 years	37,255	10,029	47,284	6,795	54,079
6-10 years	20,005	10,794	30,799	2,248	33,047
11-15 years	303	7,439	7,742	-	7,742
16-20 years	3	1,342	1,345	-	1,345
21-25 years	4,501	125	4,626	-	4,626
26-50 years	14,342	6	14,348	604	14,952
	<b>76,409</b>	<b>29,735</b>	<b>106,144</b>	<b>9,647</b>	<b>115,791</b>

- (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 Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.
- (4) The 1995 series of Ontario Savings Bonds matured on March 1, 2000. The outstanding amount at March 31, 2000, \$117 million, represents bonds not yet presented for redemption.
- (5) Includes \$3,002 million in Treasury Bills and \$396 million in U.S. Commercial Paper.

**FINANCIAL TABLES**  
**TABLE I(D)**  
**SUMMARY OF ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC) INTERIM DEBT**

(\$ Millions)

<b>Currency</b>	<b>Canadian Dollar</b>	<b>U.S. Dollar</b>	<b>Swiss Franc</b>	<b>Japanese Yen</b>	<b>31-Mar-00 Total</b>	<b>01-Apr-99 Total</b>
Fiscal Year						
2001	4,785	737	150	-	5,672	4,320
2002	2,000	708	-	-	2,708	2,230
2003	2,848	-	-	-	2,848	2,755
2004	1,748	-	-	65	1,813	3,097
2005	2,000	-	-	-	2,000	1,212
1-5 years	13,381	1,445	150	65	15,041	13,614
6-10 years	5,699	1,088	-	-	6,787	6,330
11-15 years	1,786	1,090	-	-	2,876	3,296
16-20 years	500	-	-	-	500	648
21-25 years	3,133	-	-	-	3,133	3,633
26-50 years	3,001	-	-	-	3,001	2,965
	27,500	3,623	150	65	31,338	30,486

**OEFC Debt Statistics**

<b>As at March 31 (\$ Millions)</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>Interim 2000</b>	<b>Plan 2001</b>
Debt issued by the Province for OEFC (formerly Ontario Hydro)	3,808	3,140	2,886	4,248	9,647	11,600
Debt guaranteed by the Province	31,590	31,786	30,675	26,238	21,691	19,000
<b>Total OEFC Debt</b>	<b>35,398</b>	<b>34,926</b>	<b>33,561</b>	<b>30,486</b>	<b>31,338</b>	<b>30,600</b>

**FINANCIAL TABLES**  
**TABLE I(E)**  
**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, 2000, 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, 2000**

Maturity in Fiscal Year	2001	2002	2003	2004	2005	6-10 Years	Over 10 Years	Interim 2000 Total	1998-99 Total
(\$ Millions)									
Swaps:									
Cross-Currency .....	5,615	6,524	7,988	3,397	4,169	9,487	1,337	38,527	44,180
Interest Rate .....	4,584	5,464	9,463	1,355	3,688	15,040	2,546	42,140	40,136
Forward Foreign Exchange Contracts .....	2,420	918	-	-	-	-	-	3,338	1,498
Forward Rate Agreements	790	-	-	-	-	-	-	790	600
Futures .....	-	-	-	-	-	-	-	-	468
Options (FX & BOND) .....	564	-	-	-	-	-	-	564	290
	13,973	12,906	17,451	4,752	7,857	24,537	3,883	85,359	87,172

**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, 2000**

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>Debt Incurred for Provincial Purposes</b>						
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>NON-PUBLIC DEBT</b>						
<b>To Minister of Finance of Canada</b>						
<b>Canada Pension Plan Investment Fund:</b>						
Year ending March 31						
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	45,270,000	
2020	1999	CPP	5.5 to 6.91	869,889,000	<u>869,889,000</u>	
					<u>8,967,004,000</u>	(5)
<b>To Ontario Teachers' Pension Fund:</b>						
Year ending March 31						
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>12,252,333,495</u>	(1)

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

<b>Date of Maturity</b>	<b>Date of Issue</b>	<b>Series</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Outstanding</b>	<b>Reference</b>
			%	\$	\$	
<b>To Ontario Municipal Employees Retirement Fund:</b>						
Year ending March 31						
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>621,624,772</u>	(1)(38)
<b>To College of Applied Arts &amp; Technology Pension Plan:</b>						
Year ending March 31						
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>86,025,228</u>	(1)(38)
<b>To Ryerson Retirement Pension Plan:</b>						
Year ending March 31						
2001	1995	RRPF	13.40	586,257	586,257	
2002	1995	RRPF	16.95	732,095	732,095	
2003	1995	RRPF	14.65	926,036	926,036	
2004	1995	RRPF	12.78	1,081,061	1,081,061	
2005	1995	RRPF	13.33	1,229,597	1,229,597	
2006	1995	RRPF	11.16	1,464,199	1,464,199	
2007	1995	RRPF	9.64	1,618,485	<u>1,618,485</u>	
					<u>7,637,730</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	Reference
			%	\$	\$	
<b>To Canada Mortgage and Housing Corporation:</b>						
Year ending March 31						
2000-2003	1971 to 1978	CMHC	5.375	688,415	128,632	
2000-2004	1974 to 1975	CMHC	5.125 to 7.875	1,296,489	337,633	
2000-2005	1971 to 1975	CMHC	5.125 to 8.625	2,754,646	910,719	
2000-2006	1973 to 1976	CMHC	5.125 to 10.375	2,200,837	1,005,637	
2000-2007	1974 to 1977	CMHC	5.375 to 10.375	6,049,712	3,111,119	
2000-2010	1970 to 1975	CMHC	5.75 to 6.875	4,312,601	2,088,375	
2000-2011	1971 to 1976	CMHC	5.375 to 8.25	5,876,136	3,520,638	
2000-2012	1972	CMHC	6.875 to 8.25	7,281,714	4,493,427	
2000-2013	1973	CMHC	7.25 to 8.25	1,252,053	825,499	
2000-2014	1974	CMHC	6.125 to 8.25	19,734,125	13,252,363	
2000-2015	1975	CMHC	7.50 to 10.375	11,488,523	8,152,187	
2000-2016	1976	CMHC	5.375 to 10.75	22,775,312	17,142,256	
2000-2017	1977	CMHC	7.625 to 10.75	15,797,368	12,577,291	
2000-2018	1977 to 1978	CMHC	7.625 to 13.00	38,133,367	31,917,258	
2000-2019	1977 to 1980	CMHC	7.625 to 15.25	41,958,001	36,060,576	
2000-2020	1978 to 1980	CMHC	7.625 to 15.75	65,976,661	57,495,055	
2000-2021	1981	CMHC	9.50 to 15.75	30,946,135	27,507,047	
2000-2022	1982	CMHC	9.75 to 15.75	1,177,064	<u>1,079,591</u>	
					<u>221,605,303</u>	(7)
<b>To Canada Mortgage and Housing Corporation (CMHC) Section 40 Debt:</b>						
2002	1982	CMHC	7.099	36,967,243	<u>6,399,310</u>	
					<u>6,399,310</u>	(7)
<b>Total to Canada Mortgage and Housing Corporation</b>					<u>228,004,615</u>	(2)
<b>To Public Service Pension Fund:</b>						
Year ending March 31						
2001	1997	OPB	10.04 to 11.61	75,635,207	37,817,604	
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>3,534,956,105</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	Reference
			%	\$	\$	
<b>To Public Service Employees' Union Pension Fund:</b>						
Year ending March 31						
2001	1997	OPPT	10.04 to 11.61	35,930,854	17,965,427	
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	<u>214,220,513</u>	
					<u>1,679,297,208</u>	(1)(23)(65)
<b>TOTAL NON- PUBLIC DEBT INCURRED</b>					<b><u>27,376,883,153</u></b>	

**(A) PAYABLE IN CANADA IN CANADIAN DOLLARS****PUBLICLY HELD DEBT**

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)
Jul. 13, 2003	Jan. 13, 2000	NB	Floating	100,000,000	100,000,000	(8)
Sept. 16, 2003	Sept. 16, 1998	MA	Floating	100,000,000	100,000,000	(1)(73)
June 2, 2004	Feb. 08, 2000	MG	4.875	100,000,000	100,000,000	(1)
June 30, 2004	May 21, 1999	MM	5.40	100,000,000	100,000,000	(28)
July 14, 2004	July 14, 1999	MQ	6.15	60,000,000	60,000,000	(31)
Sept. 15, 2004	June 21, 1994	HU	9.00	1,450,000,000	1,450,000,000	(1)
Dec. 02, 2004	Oct. 28, 1999	MV	6.40	107,000,000	107,000,000	(34)
Mar. 08, 2005	Dec. 10, 1999	MZ	6.25	500,000,000	500,000,000	(1)
May 13, 2005	May 13, 1999	ML	5.85	50,000,000	50,000,000	(44)
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)

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
			%	\$	\$	
<b>PUBLICLY HELD DEBT - Continued</b>						
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	985,000,000	(1)(98)
Dec. 10, 2007	Dec. 10, 1997	LH	5.875	125,000,000	125,000,000	(1)(81)
June 3, 2008	May 28, 1999	MN	4.82	50,000,000	50,000,000	(46)
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. 19, 2008	Aug. 19, 1999	MS	4.868	50,000,000	50,000,000	(58)
Dec. 1, 2008	Nov. 24, 1998	LZ	5.70	1,500,000,000	1,500,000,000	(1)(96)
Dec. 19, 2008	June 28, 1999	MP	5.75-6.0	50,000,000	50,000,000	(60)
Apr. 1, 2009	Apr. 9, 1998	LR	6.15	205,000,000	205,000,000	(87)
July 27, 2009	July 27, 1999	MR	4.82	40,000,000	40,000,000	(25)
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)
Nov. 19, 2009	Nov. 16, 1999	MU	6.20	500,000,000	500,000,000	(1)
Mar. 2, 2010	Mar. 2, 1998	LP	6.15	60,000,000	60,000,000	(82)
Sept. 22, 2011	Sept. 22, 1999	MT	6.10-7.125	40,000,000	40,000,000	(49)
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	12,500,000	(1)(93)
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)
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	81,011,000	(74)
Feb. 3, 2027	Aug. 3, 1997	KT	6.95	200,000,000	40,295,000	(75)
Feb. 3, 2027	Apr. 7, 1997	KY	7.50	68,000,000	19,549,000	(1)
Feb. 3, 2027	Dec. 4, 1998	LA	7.50	50,000,000	50,000,000	(1)
Feb. 4, 2027	Feb. 4, 1998	KQ	7.375	125,000,000	990,000	(76)
June 2, 2027	Oct. 17, 1996	KJ	7.60	4,117,200,000	4,117,200,000	(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	4,000,000,000	4,000,000,000	(1)
Jan. 13, 2031	Sept. 8, 1995	JN	9.50	125,000,000	125,000,000	(1)
June 2, 2031	Mar. 22, 2000	NF	6.20	500,000,000	500,000,000	(1)
Nov. 3, 2034	Nov. 3, 1994	HY	9.75	280,000,000	280,000,000	(1)
Jan. 10, 1995 to						
Jan. 10, 2035	Nov. 30, 1994	HZ	9.4688	189,616,626	74,476,154	(1)(24)
"	"	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)

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

Date of Maturity	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
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	250,000,000	250,000,000	(1)(37)
Dec. 02, 2039	Feb. 25, 2000	NE	5.70	100,000,000	100,000,000	(1)(94)
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	150,000,000	(20)
					<u>28,433,563,701</u>	
<b>ONTARIO SAVINGS BONDS</b>						
March 1, 2000	March 1, 1995	Annual	Variable	789,297,500	51,383,600	(29)
March 1, 2000	March 1, 1995	Compound	Variable	817,902,500	65,125,500	(29)
June 21, 2000	June 21, 1997	Annual	Fixed	281,498,800	287,365,200	(6)(30)(62)
June 21, 2000	June 21, 1997	Compound	Fixed	168,756,600	160,093,600	(30)(62)
June 21, 2001	June 21, 1996	Annual	Step-Up	279,338,000	273,512,800	(62)(63)
June 21, 2001	June 21, 1996	Compound	Step-Up	337,518,000	297,703,600	(62)(63)
June 21, 2001	June 21, 1996	Annual	Variable	219,990,000	44,853,100	(62)(64)
June 21, 2001	June 21, 1996	Compound	Variable	194,579,100	49,837,900	(62)(64)
June 21, 2001	June 21, 1998	Annual	Fixed	101,725,500	103,999,800	(6)(30)(62)
June 21, 2001	June 21, 1998	Compound	Fixed	78,706,000	75,892,400	(30)(62)
June 21, 2002	June 21, 1999	Annual	Fixed	160,184,700	161,200,000	(6)(30)(62)
June 21, 2002	June 21, 1999	Compound	Fixed	148,829,300	147,566,200	(30)(62)
June 21, 2003	June 21, 1998	Annual	Step-Up	439,199,300	375,496,700	(62)(92)
June 21, 2003	June 21, 1998	Compound	Step-Up	404,053,600	341,729,400	(62)(92)
June 21, 2004	June 21, 1997	Annual	Step-Up	447,763,300	448,230,600	(6)(62)(66)
June 21, 2004	June 21, 1997	Compound	Step-Up	451,525,200	386,502,100	(62)(66)
June 21, 2004	June 21, 1997	Annual	Variable	107,533,500	29,233,600	(62)(67)
June 21, 2004	June 21, 1997	Compound	Variable	80,484,400	21,664,900	(62)(67)
June 21, 2004	June 21, 1999	Annual	Step-up	350,043,000	282,754,300	(62)(97)
June 21, 2004	June 21, 1999	Compound	Step-up	386,322,100	313,666,200	(62)(97)
June 21, 2005	June 21, 1998	Annual	Variable	495,453,600	243,186,400	(62)(81)
June 21, 2005	June 21, 1998	Compound	Variable	435,985,400	215,568,800	(62)(81)
June 21, 2006	June 21, 1999	Annual	Variable	556,662,200	346,094,900	(62)(81)
June 21, 2006	June 21, 1999	Compound	Variable	447,350,800	303,336,400	(62)(81)
					<u>5,025,998,000</u>	(1)
TOTAL PAYABLE IN CANADIAN DOLLARS .....					<u>33,459,561,701*</u>	

\* Excludes Ontario Treasury Bills of \$3,002,000,000.

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

Date of Maturity	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(B) GLOBAL MARKET PAYABLE IN CANADIAN DOLLARS</b>						
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. 24, 2005	Jan. 24, 2000	NC	Floating	500,000,000	500,000,000	(50)
Jan. 19, 2006	Jan. 19, 1996	JV	7.50	1,250,000,000	1,240,000,000	(98)
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>5,740,000,000</u>	(1)
<b>(C) PAYABLE IN EUROPE IN CANADIAN DOLLARS</b>						
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	
Dec. 01, 2005	Dec. 01, 1999	EMTN045	6.50	250,000,000	250,000,000	
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>2,910,125,000</u>	(1)
<b>(D) PAYABLE IN UNITED STATES IN CANADIAN DOLLARS</b>						
Feb. 18, 2013	Feb. 18, 1993	HJ	9.24	250,000,000	<u>250,000,000</u>	
TOTAL PAYABLE IN UNITED STATES IN CANADIAN DOLLARS .....					<u>250,000,000</u>	(1)
<b>(E) PAYABLE IN THE UNITED STATES IN U.S. DOLLARS</b>						
Oct. 17, 2001	Oct. 17, 1991	GY	8.00	750,000,000	<u>750,000,000</u>	
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS .....					<u>750,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.18125 .....					<u>885,937,495</u>	(10)
<b>(F) GLOBAL MARKET PAYABLE IN U.S. DOLLARS</b>						
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	7.625	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>11,500,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.31803 .....					<u>15,157,357,500</u>	(43)

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

Date of Maturity	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(G) PAYABLE IN CANADA IN U.S. DOLLARS</b>						
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)
<b>(H) PAYABLE IN EUROPE IN U.S. DOLLARS</b>						
Nov. 7, 2000	Nov. 7, 1995	EMTN018	5.75	200,000,000	200,000,000	
Feb. 28, 2001	Feb. 28, 1991	GL	8.50	600,000,000	<u>600,000,000</u>	
TOTAL PAYABLE IN EUROPE IN U.S. DOLLARS .....					<u>800,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.20334 .....					<u>962,672,278</u>	(11)
<b>(I) PAYABLE IN JAPAN IN U.S. DOLLARS</b>						
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)
<b>(J) PAYABLE IN JAPAN IN JAPANESE YEN</b>						
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	10,000,000,000	(1)(39)
Nov. 12, 2009	Nov. 12, 1999	YL014	2.00	10,000,000,000	<u>10,000,000,000</u>	(1)
TOTAL PAYABLE IN JAPAN IN JAPANESE YEN .....					<u>161,000,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01314 .....					<u>2,115,363,386</u>	(14)

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

Date of Maturity	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(K) GLOBAL MARKET PAYABLE IN JAPANESE YEN</b>						
Jan. 25, 2010	Jan. 13, 2000	ND	1.875	25,000,000,000	<u>25,000,000,000</u>	(39)
TOTAL PAYABLE IN JAPAN IN JAPANESE YEN .....					<u>25,000,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01416 .....					<u>354,000,000</u>	
<b>(L) PAYABLE IN EUROPE IN JAPANESE YEN</b>						
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	
Sept. 19, 2005	Sept. 4, 1998	EMTN038	6.205	10,000,000,000	10,000,000,000	
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	7,100,000,000	(80)
July 16, 2009	July 16, 1999	EMTM044	2.221	5,000,000,000	5,000,000,000	
Nov. 19, 2009	Nov. 24, 1999	EMTN046	2.00	10,000,000,000	<u>10,000,000,000</u>	
TOTAL PAYABLE IN EUROPE IN JAPANESE YEN .....					<u>197,100,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01500 .....					<u>2,956,985,913</u>	(15)
<b>(M) PAYABLE IN EUROPE IN AUSTRALIAN DOLLARS</b>						
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>125,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.09189 .....					<u>136,486,250</u>	(18)
<b>(N) PAYABLE IN EUROPE IN DEUTSCHE MARKS</b>						
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>1,439,150,000</u>	(3)
TOTAL PAYABLE IN EUROPE IN DEUTSCHE MARKS .....					<u>1,939,150,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.89250 .....					<u>1,716,029,291</u>	(16)

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

<b>Date of</b>	<b>Date of Issue</b>	<b>Series</b>	<b>Interest</b>	<b>Original Issue</b>	<b>Outstanding</b>	<b>Reference</b>
			<b>%</b>	<b>\$</b>	<b>\$</b>	
<b>(O) PAYABLE IN EUROPE IN EUROS</b>						
Feb. 17, 2006	Feb. 17, 1999	EMTN043	3.50	27,000,000	<u>27,000,000</u>	(1)
TOTAL PAYABLE IN EUROPE IN EUROS .....					<u>27,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.6890 .....					<u>45,603,000</u>	(27)
<b>(P) PAYABLE IN EUROPE IN FRENCH FRANCS</b>						
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)
<b>(Q) PAYABLE IN EUROPE IN GREEK DRACHMA</b>						
June 19, 2001	June 19, 1998	EMTN040	Floating	10,000,000,000	<u>10,000,000,000</u>	(36)
TOTAL PAYABLE IN EUROPE IN GREEK DRACHMA .....					<u>10,000,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.004903 .....					<u>49,031,053</u>	(59)
<b>(R) PAYABLE IN EUROPE IN NETHERLANDS GUILDERS</b>						
Sept. 27, 2004	Sept. 27, 1994	HX	7.75	500,000,000	<u>400,000,000</u>	(26)
TOTAL PAYABLE IN EUROPE IN NETHERLAND GUILDERS .....					<u>400,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.77542 .....					<u>310,168,000</u>	(17)
<b>(S) GLOBAL MARKET PAYABLE IN NEW ZEALAND DOLLARS</b>						
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)
<b>(T) PAYABLE IN EUROPE IN NORWEGIAN KRONER</b>						
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	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(U) PAYABLE IN EUROPE IN POUNDS STERLING</b>						
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)
<b>(V) PAYABLE IN EUROPE IN SWISS FRANCS</b>						
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)
<b>TREASURY BILLS .....</b>					<u>3,002,000,000</u>	(84)
<b>U.S. COMMERCIAL PAPER (in U.S. Dollars) .....</b>					<u>268,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.47625 .....					<u>395,636,205</u>	(91)
<b>TOTAL PUBLICLY HELD DEBT INCURRED BY THE PROVINCE FOR PROVINCIAL PURPOSES .....</b>					<u>75,949,992,454</u>	
<b>TOTAL DEBT INCURRED BY THE PROVINCE FOR PROVINCIAL PURPOSES .....</b>					<u>103,326,875,607</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	Reference
			%	\$	\$	
<b>DEBT INCURRED BY GOVERNMENT SERVICE ORGANIZATIONS</b>						
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>NON-PUBLIC DEBT</b>						
<b>To Minister of Finance of Canada</b>						
<b>Canada Pension Plan Investment Fund:</b>						
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	<u>75,135,000</u>	
					<u>1,402,361,000</u>	(5)
<b>To Canada Mortgage and Housing Corporation:</b>						
Year ending March 31						
2003	N/A	CMHC	5.125 to 7.98		9,434	
2004	N/A	CMHC	5.2068 to 7.98		37,371	
2005	N/A	CMHC	5.125 to 7.98		29,751	
2006	N/A	CMHC	4.25 to 7.98		77,589	
2007	N/A	CMHC	4.6739 to 7.98		332,466	
2008	N/A	CMHC	5.875 to 7.98		244,329	
2009	N/A	CMHC	5.375 to 7.98		193,077	
2010	N/A	CMHC	6.4598 to 7.98		941,260	
2011	N/A	CMHC	6.4159 to 7.98		8,338,924	
2012	N/A	CMHC	5.2994 to 7.98		424,325	
2013	N/A	CMHC	5.375 to 7.98		6,229,101	
2014	N/A	CMHC	5.6206 to 7.98		18,662,371	
2015	N/A	CMHC	5.822 to 7.98		17,039,434	
2016	N/A	CMHC	6.1388 to 7.98		45,872,200	
2017	N/A	CMHC	6.2491 to 7.98		70,784,246	
2018	N/A	CMHC	7.1327 to 7.98		57,869,185	
2019	N/A	CMHC	5.875 to 7.98		61,936,259	
2020	N/A	CMHC	6.25 to 7.98		198,326,379	
2021	N/A	CMHC	5.75 to 7.98		106,539,027	
2022	N/A	CMHC	6.089 to 8.25		105,091,725	
2023	N/A	CMHC	6.089 to 7.98		80,559,428	
2024	N/A	CMHC	6.089 to 7.98		69,346,134	
2025	N/A	CMHC	6.089 to 7.98		55,296,275	
2026	N/A	CMHC	6.089 to 7.98		24,257,547	
2027	N/A	CMHC	6.089		23,538,784	
2028	N/A	CMHC	6.089		<u>3,564,444</u>	
					<u>955,541,062</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	Reference
			%	\$	\$	
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>PUBLICLY HELD DEBT</b>						
2000 to 2002	N/A	Various Mortgages	Various		<u>16,835,733</u>	
<b>(B) PAYABLE IN THE UNITED STATES IN U.S. DOLLARS</b>						
July 1, 2006	Mar. 31, 1994	Collateralized financing	7.261 to 7.395	311,866,966	<u>317,091,985</u>	
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS .....					<u>317,091,985</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.39392 .....					<u>442,003,950</u>	
<b>TOTAL DEBT INCURRED BY GOVERNMENT SERVICE ORGANIZATIONS FOR PROVINCIAL PURPOSES .....</b>					<b><u>2,816,741,745</u></b>	
<b>DEBT INCURRED BY THE PROVINCE AND GOVERNMENT SERVICE ORGANIZATIONS .</b>					<b><u>106,143,617,352</u></b>	(83)
<b>OTHER DEBT</b>						
PROVINCE OF ONTARIO SAVINGS OFFICE .....					2,759,830,874	
OTHER LIABILITIES .....					1,513,285,966	
DEBT ISSUED FOR INVESTMENT PURPOSES .....					<u>8,885,000,000</u>	
<b>TOTAL OTHER DEBT .....</b>					<b><u>13,158,116,840</u></b>	

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
			%	\$	\$	
<b>Debt Incurred for Ontario Electricity Financial Corporation (OEFC)*</b>						
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>NON-PUBLIC DEBT</b>						
<b>Canada Pension Plan Investment Fund</b>						
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>(B) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>PUBLICLY HELD DEBT</b>						
Nov. 27, 2003	Jun. 17, 1999	HC-ME	5.00	350,000,000	350,000,000	
June 2, 2004	Dec. 9, 1998	HC-MG	4.875	2,000,000,000	2,000,000,000	(52)
Aug. 25, 2008	Apr. 13, 1999	HC-LQ	6.25	78,600,000	78,600,000	
Dec. 1, 2008	Jan. 22, 1999	HC-LZ	5.70	500,000,000	500,000,000	
June 2, 2027	Feb. 11, 2000	HC-KJA	7.60	25,500,000	25,500,000	
June 2, 2031	Feb. 24, 2000	HC-NF	6.20	500,000,000	<u>500,000,000</u>	(51)
					<u>3,454,100,000</u>	
<b>TREASURY BILLS</b> .....					2,661,000,000	
<b>US COMMERCIAL PAPER (in U.S. Dollars)</b> .....					<u>507,500,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.4535 .....					<u>737,651,250</u>	
<b>TERM LOAN FROM THE PROVINCE TO OEFC</b> .....					<u>47,000,000</u>	
<b>TOTAL DEBT INCURRED FOR ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC)</b>						
(INCLUDED IN TABLE I(C) DEBT MATURITY SCHEDULE) .....					<u>9,647,497,250</u>	

\* This debt is offset by bonds of Ontario Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.

**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. On October 13, 1999 the Province purchased for cancellation \$60.85 million of the HR Series bonds.
4. Interest payable is six-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. Interest payable is three-month Canadian BA.
9. The Province entered into currency exchange agreements that 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 that effectively converted the interest obligation on this debt to a fixed rate of 8.64%.
10. The Province entered into currency exchange agreements that 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 that effectively converted the interest obligation on this debt to a fixed rate of 9.66%.
11. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.20334. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 10.99% .
12. The Province entered into currency exchange agreements that 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 that effectively converted the interest obligation on this debt to a fixed rate of 7.53%.
13. The Province entered into currency exchange agreements that 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 that effectively converted the interest obligation on this debt to a fixed rate of 8.44% on \$437 million and floating Canadian BA on \$532 million.
14. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01314. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.13% on \$1,787 million, and floating Canadian BA on \$328 million.
15. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01500. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.11% on \$2,768 million and floating Canadian BA on \$189 million.
16. The Province entered into currency exchange agreements that 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 that effectively converted the interest obligation on this debt to a fixed rate of 7.52% on \$1,246 million and floating Canadian BA on \$470 million.
17. The Province entered into currency exchange agreements that 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 that effectively converted the interest obligation on this debt to a fixed rate of 8.42%.
18. The Province entered into currency exchange agreements that effectively converted these Australian Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.09189. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate.
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. Bonds are extendible at the option of the Province on every coupon date starting on July 27, 2001, to the final maturity date of July 27, 2009. Coupon interest is paid semi-annually at a rate of 5.75% in years 1-2, 5.90% in years 3-4, 6.00% in years 5-6, 6.15% in years 7-8, 6.25% in year 9, and 6.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.125%.
26. On September 27, 1999 the Province purchased for cancellation \$100 million of the HX Series bonds.
27. The Province entered into currency exchange agreements that effectively converted these Euro obligations to Canadian Dollar obligations at an exchange rate of 1.6890. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA.
28. The terms of these debentures require that a special one-time interest payment be made on June 30, 2000, in addition to the regular semi-annual coupon. The bondholder has the option to exchange an equal notional amount of this bond for the same amount of Ontario 4.875% June 2, 2004s at a yield give up of 2 bps. The bondholder can exercise this right between July 4, 2000 and July 28, 2000. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA.
29. The 1995 series of Ontario Savings Bonds matured on March 1, 2000. The outstanding amount at March 31, 2000 represents bonds not yet presented for redemption.
30. For the 1997 and 1998 Series OSB, the interest rate was set at 5.25% for the three-year life of the bond. The 1999 Series was set at 5.50% interest for the same term.
31. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating rate Canadian BA -0.085%. The Province has the right to call the issue after 2.5 years (Jan 14, 2002).
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. The bonds are extendible at the option of the bondholder on or before November 10, 2004. Coupon interest is paid at 6.40% for the first five years. If extended to final maturity date of December 2, 2014, the coupon will step-up to 6.80%.
35. Interest payable is six-month U.S LIBOR +0.0475%.
36. Interest payable is three-month Athimid LIBOR -0.75%.
37. During the 1999/2000 fiscal year, Series MK bonds were reopened bringing the total issue to \$250 million.
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, comprising both principal and interest, will be made in the amount of \$700 million.
43. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.31803. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.09% .
44. Bond is callable on May 13, 2003 at the option of the Province. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA -0.05%.
45. Callable, in whole but not in part, at par on October 12, 2000.
46. The Province has the right to call the note after two years (June 3, 2001). Interest is payable at floating Canadian BA +0.85% paid quarterly for the first two years, then 5.75% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA - 0.07%.
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.

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. Bonds are extendible at the option of the Province on every coupon date starting on September 22, 2001, to the final maturity date of September 22, 2011. Coupon interest is paid semi-annually at a rate of 6.10% in years 1-4, 6.15% in years 5-6, 6.20% in years 7-8, 6.30% in year 9, 6.40% in year 10, and 6.75% in year 11, and 7.125% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA -0.11%.
50. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.63%.
51. This issue has been on-lent to OEFC until June 2, 2010, after which the issue will be assumed by the Province until the maturity date.
52. During the 1999/2000 fiscal year, Series MG bonds were reopened twice bringing the total issue to \$2,000 million.
53. The Province entered into currency exchange agreements that 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 that effectively converted the interest obligation on this debt to a fixed rate of 6.18% on \$1,509 million and floating Canadian BA on \$200 million.
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 three-month Yen LIBOR + 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 Province has the right to call the note after two years (October 19, 2001). Interest is payable at floating Canadian BA +0.84% paid quarterly for the first two years, then 6.29% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA - 0.08%.
59. The Province entered into currency exchange agreements that effectively converted these Greek Drachma obligations to Canadian Dollar obligations at an exchange rate of 0.004903. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA.
60. The Province has the right to call the note after two years (December 19, 2001). Interest is payable at floating Canadian BA +0.82% paid quarterly for the first two years, then 6.29% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA - 0.07% until the call date, then to floating Canadian BA -0.05% for the remaining seven years.
61. The Province entered into currency exchange agreements that 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 that effectively converted the interest obligation on this debt to floating Canadian BA.
62. All current outstanding OSBs are redeemable at the option of the holder on June 21 and December 21 or upon the death of the beneficial owner. 1999 Series and later issues may also be redeemed during the 14 calendar days immediately following June 21 and December 21. 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, 1999 the interest rate was set at 5.00%.
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 redistribution 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 3.25%. Effective December 21, 1999 the interest rate was set at 5.00%.

68. Callable by the Province, in whole but not in part, at par on June 27, 2001.
69. The Province entered into currency exchange agreements that effectively converted these New Zealand Dollar obligations to Canadian Dollar obligations at an exchange rate of 0.82770. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA.
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 extendible 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 extendible 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 three-month Canadian BA -0.05%.
74. On October 5, 1999, the Province purchased for cancellation \$43.934 million of the KN Series bonds.
75. On September 28, 1999, the Province purchased for cancellation \$10.68 million of the KT Series bonds.
76. On October 5, 1999, the Province purchased for cancellation \$27.34 million of the KQ Series bonds.
77. During the 1999/2000 fiscal year, Series KJ bonds were reopened twice bringing the total issue to \$4,117 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%.
81. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 5.00%. Effective December 21, 1999 the interest rate was set at 5.00%.
82. Extendible at the Province's option on March 2, 2000 and every six 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 \$442 million and the Ontario Housing Corporation for \$2,296 million.
84. The Treasury Bill balance does not include the following Treasury Bill holdings: \$203 million held by the Northern Ontario Heritage Fund Corporation, \$60 million held by Ontario Trillium Foundation and \$16 million held by Ontario Securities Commission, as these will be eliminated upon consolidation.
85. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.2598. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.17%.
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. U.S. Commercial Paper issues are non-interest bearing with maturities up to 101 days.
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. On September 22, 1999, the Province purchased for cancellation \$37.5 million of the JY Series bonds.
94. During the 1999/2000 fiscal year, Series NE bonds were reopened, bringing the total issue to \$100 million.
95. During the 1999/2000 fiscal year, Series LK bonds were reopened, bringing the total issue to \$4,000 million.
96. During the 1999/2000 fiscal year, Series LZ bonds were reopened, bringing the total issue to \$1,500 million.
97. 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, 6.00% in the fourth year and 6.25% in the final year.
98. Agricorp, a Government Service Organization, holds \$15 million in Series LE and \$10 million in Series JV. On consolidation under PSAB these amounts reduce the outstanding balance of each issue.



## **BUDGET PAPER E**

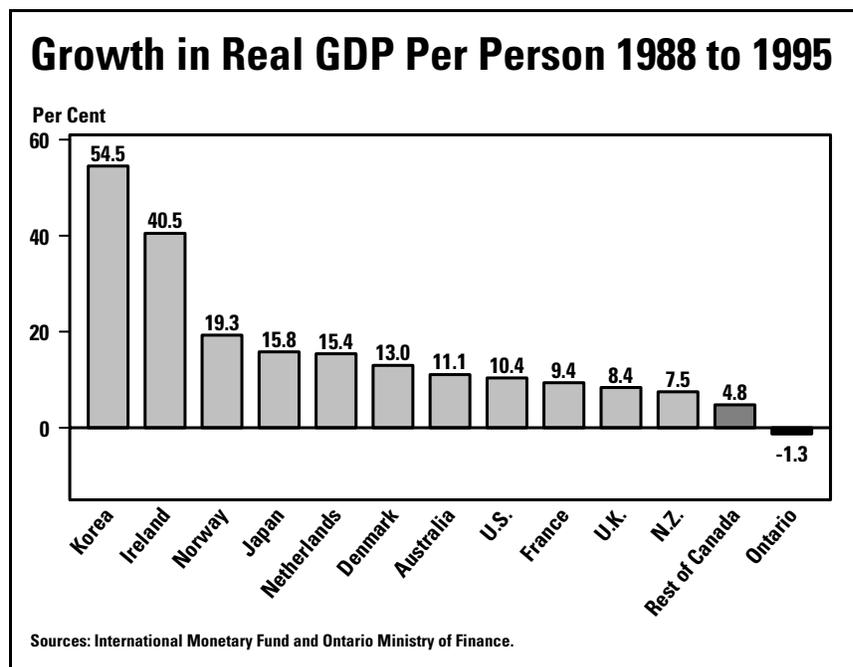
**Ontario's Plan for the Economy:  
"Cut Taxes, Invest in Infrastructure and Reduce Debt"**



## ■ INTRODUCTION

Ontario is one of the best places in the world to live, work, invest and raise a family. There are many factors that make it so, such as secure and cohesive communities, high air and water quality, a world-class education system, and first-rate and accessible health care. But underpinning all of these factors is a high and rising level of income.

In this regard, the period from 1988 to 1995 was one of underachievement for both Canada and Ontario. Many other countries surpassed Canada and Ontario in the growth of real per capita incomes and productivity. In fact, Ontario's real GDP growth per person in the period from 1988 to 1995 was negative and among the lowest in the OECD countries.<sup>1</sup>



To reverse this trend and to ensure that Ontario remains one of the best places in the world to live, work, invest and raise a family, the Ontario Government has committed itself to the following strategic actions:

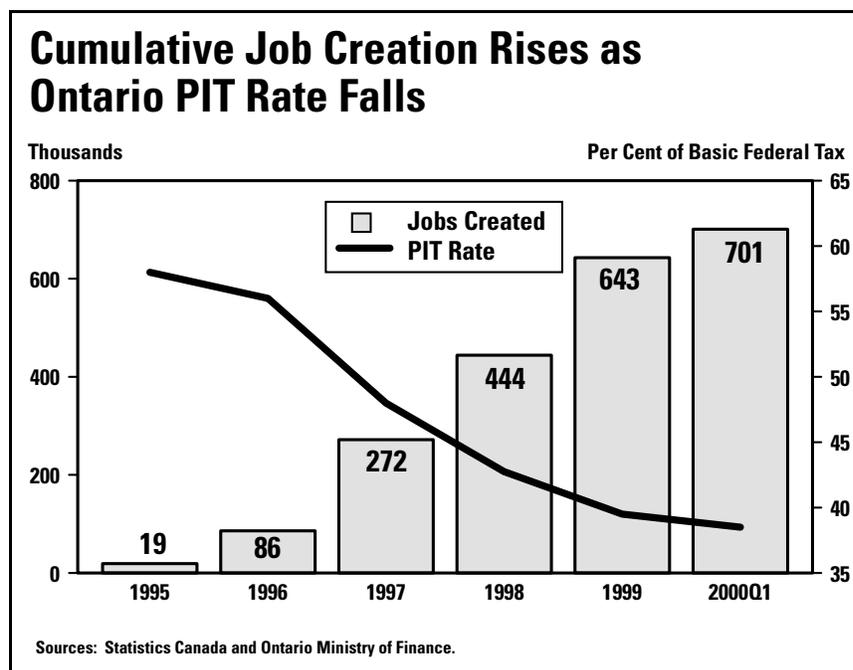
- Lowering personal income taxes to encourage high levels of domestic demand and to boost incentives for creativity and hard work;
- Lowering corporate income taxes to attract and retain globally mobile investment;

- Encouraging innovation and small business entrepreneurship, and attracting and retaining highly skilled individuals;
- Rebuilding and expanding strategic provincial infrastructure such as highways, schools, colleges and universities, and hospitals; and,
- Restoring fiscal balance and reducing provincial debt levels.

This paper reviews these basic elements of the overall strategy.

## ■ PERSONAL TAX CUTS, JOBS AND HIGH PRODUCTIVITY

The Ontario economy has created 701,000 jobs since September 1995. The rate of job growth in Ontario over this period is almost 50 per cent higher than in the rest of Canada. Over half of Canada's net new private-sector jobs have been created in Ontario. This is in sharp contrast to the first half of the decade, when Ontario lost 89,000 jobs, while the rest of Canada created 320,000 jobs.



Ontario's tax policy changes account for much of this turnaround. In the late 1980s and early 1990s, Ontario increased taxes at considerably higher rates than the rest of Canada. Since 1995, the Ontario Government's tax cuts have restored confidence in the economy and now Ontario's growth leads the rest of Canada by a large margin.

Personal income tax (PIT) cuts have left more money in people's pockets. This has boosted both spending and the incentive to earn. In contrast to the first half of the 1990s, the incomes of Ontarians have climbed. Since this Government began to cut income taxes, Ontario's real disposable income has increased by 11.6 per cent, more than double the 5.7 per cent pace for the rest of Canada.

PIT cuts will continue to boost the Ontario economy, through both stronger consumer demand and increased supply. Lower PIT rates encourage work effort and entrepreneurial initiative, resulting in a more dynamic economy with higher long-term growth rates.

### **Ontario's Personal Income Tax Cuts in 2000 Budget**

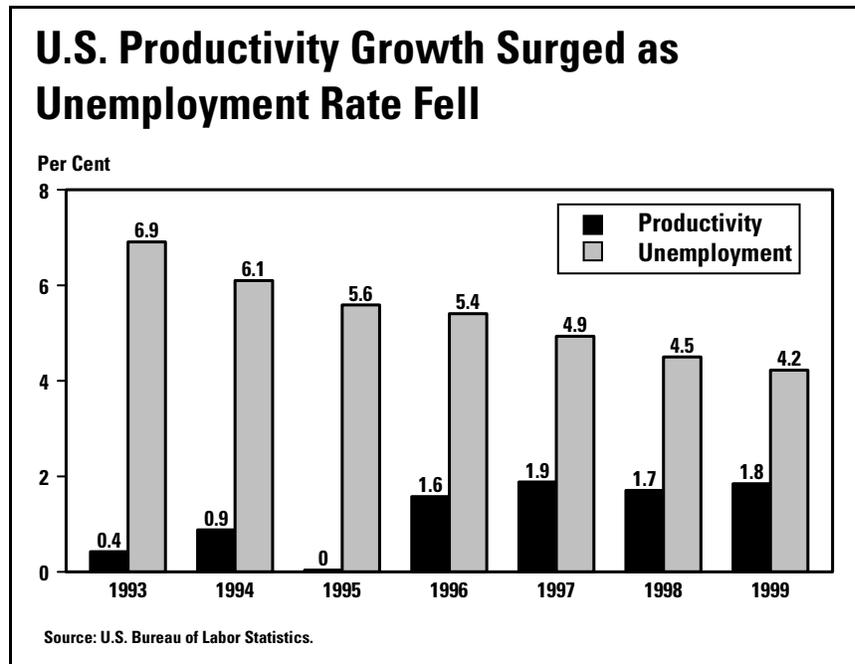
- Ontario's lowest income tax rate would be cut by 5 per cent, to 6.20 per cent, effective July 1, 2000.
- Ontario's middle income tax rate is proposed to be cut to 9.24 per cent of Ontario taxable income, effective July 1, 2000.
- Non-refundable tax credits are proposed to be increased in 2000.
- The inclusion rate for taxable capital gains for Ontario income tax purposes would be cut to 66⅔ per cent in 2000 and to 50 per cent by 2004.
- The first \$100,000 of taxable employee benefits arising from designated stock options and capital gains granted by eligible research and development firms in Ontario would be exempt.

*See Budget Paper, "Made-For-Ontario Taxes: 'A New Beginning'"*

An economy that operates at a high level of aggregate demand has higher long-run growth because strong demand boosts the incentive for businesses to make new investments in expanding their capacity and renewing their technology. In the past few years, over 80 per cent of Ontario's growth has been due to strong domestic demand, boosted by PIT cuts. This leads to productivity growth and contributes to growing incomes for Ontarians.

The link between productivity growth, employment growth and strong demand is evident in the United States. The period of highest productivity growth in the United States has occurred since 1997, when the U.S. unemployment rate fell below 5 per cent.

The high level of demand and the relative scarcity of labour have induced businesses to substantially increase their rate of investment, considerably boosting productivity.

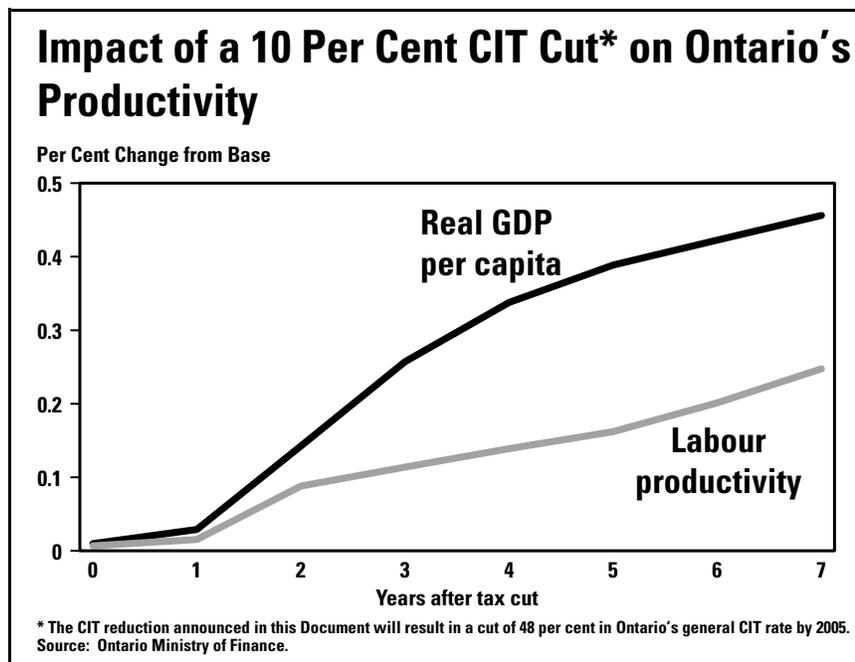


## ■ LOWERING BUSINESS TAXES ENHANCES ECONOMIC GROWTH

Three of the countries that had much higher growth in real GDP per capita than Canada during the 1990s are Norway, the Netherlands and Denmark. All of these countries have higher overall tax burdens (tax as a per cent of GDP). But in the area of corporate income tax (CIT), they are lower by a wide margin, with rates of 28, 35 and 32 per cent, respectively, compared to about 45 per cent in Canada.

Ireland provides another example of how good tax policies can help a small country to vault to a higher economic standing. When Ireland joined the European Union (EU), it was one of the poorest countries in Europe. Between 1986 and 1999, Ireland lowered its general PIT rate by 11 percentage points and its CIT rate by 22 percentage points. The burden of taxes as a share of GDP in Ireland has fallen to 32.8 per cent, well below the EU average of 41.5 per cent.

The results of these policies in Ireland are well known: the government deficits have been replaced by surpluses. Corporate tax revenues increased by more than 300 per cent over the 1990s. Since 1986, output per person in Ireland has more than doubled and was 5 per cent above the EU average in 1998. The unemployment rate, which was 17 per cent in 1986, has fallen below 6 per cent.



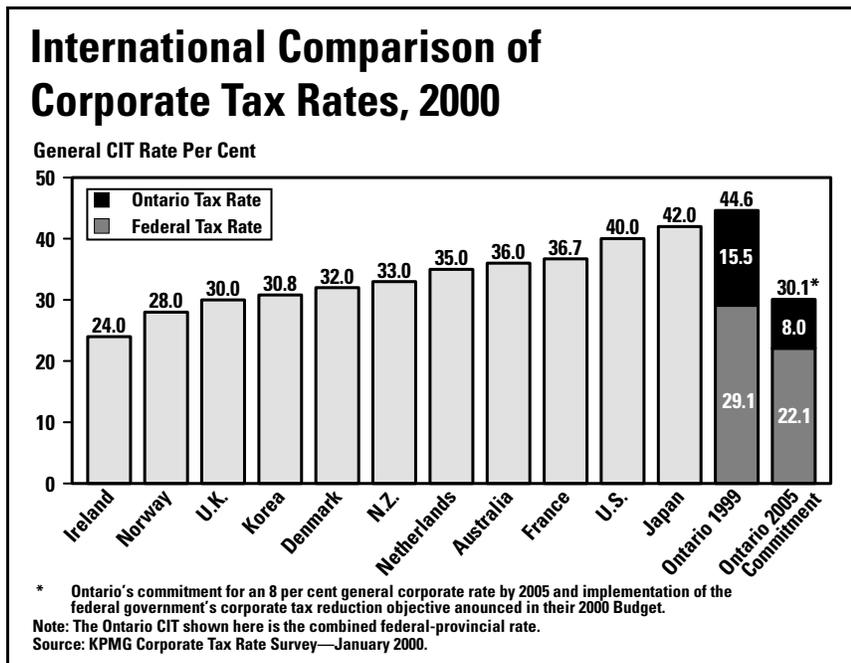
The previous chart shows the impact of a 10 per cent Ontario CIT cut on productivity and income stemming from increased investment. A cut in business taxes is an investment in increasing long-term growth. Lower business tax rates encourage companies to make additional investments in capital equipment, which boosts capacity.

In addition to the positive macroeconomic impacts on investment, there is also the potential for a substantial improvement in economic efficiency by adopting a more neutral business tax structure. The current system, which maintains a higher tax rate for the service sector, means that the Canadian economy does not use enough of its talent and capital in the service sector, increasingly the source of high-technology, high-paying jobs. Microeconomic analysis suggests that the present corporate income tax system “creates an efficiency loss equal to 15 per cent of annual corporate income taxes, due to interindustry and interasset distortions, compared to a non-distortionary tax.”<sup>2</sup>

Cutting the corporate tax rate leads to more efficient use of resources, which further boosts productivity. A C.D. Howe Institute study estimates that a 10 per cent reduction in the effective tax rate on corporate capital could increase per capita income by \$300 per year. “Combined, the two changes—a small reduction in the effective tax rate and a more neutral tax system—could result in a \$500 per capita increase in income, or \$2,000 for a family of four.”<sup>3</sup>

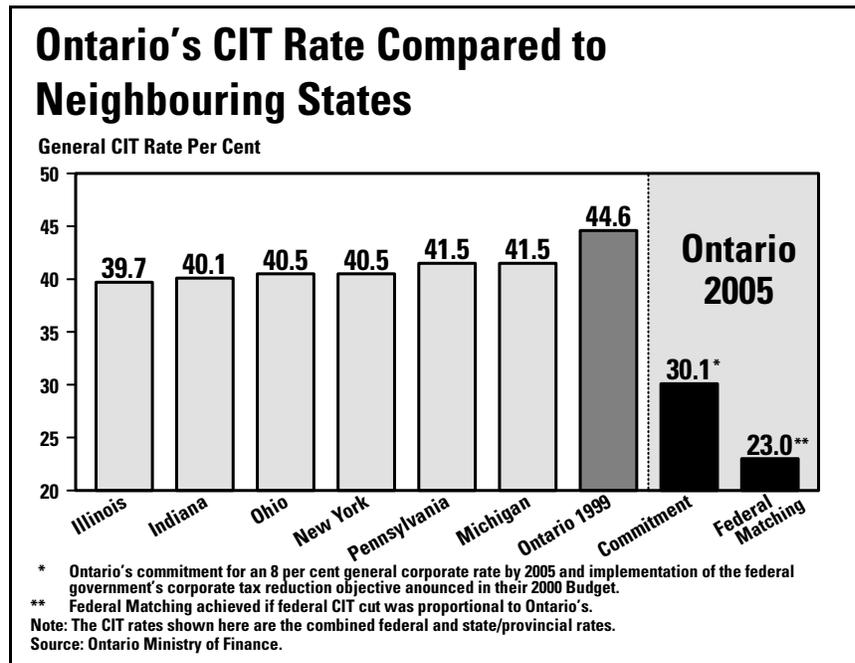
## ■ CORPORATE INCOME TAXES: ONTARIO'S TARGET REDUCTION

Canada's corporate income tax rate is not competitive by international standards. In recent years, many countries have been cutting CIT rates. After Germany implements a CIT cut in 2001,<sup>4</sup> Canada will have the highest general CIT rate of any major industrialized country.



The combined federal-provincial CIT rate paid by businesses in Ontario is higher than in any of the neighbouring states of the United States.<sup>5</sup> This gap is particularly important, as many companies view these states as alternative locations when considering Ontario as a site for investment.

The recent federal budget initiative will bring the combined federal-provincial CIT rate in Ontario down to about 38 per cent by 2004. That is still above the OECD average of 34 per cent in 2000, and other countries are not standing still.



In this Budget, the Ontario Government is setting a target of 8 per cent for a single lower overall corporate rate for all large businesses. When Ontario's proposed CIT rate cuts are fully implemented in 2005, Ontario's combined federal-provincial rate of 30.1 per cent would be about 10 percentage points lower than the current CIT rates in nearby competing states. However, Ontario cannot do all that needs to be done alone. The federal government must act more aggressively to cut corporate taxes. It will be a significant beneficiary of the added economic activity as a result of Ontario's tax cuts.

If the federal government matches the initiative in this Budget, Ontario's combined federal-provincial rate at 23 per cent would be among the lowest in the world. Future income growth in Ontario and Canada would be much stronger due to a higher rate of investment and productivity growth. Ontario challenges the federal government to match Ontario's reductions and make us the most competitive jurisdiction in North America.

### **Ontario's Corporate Income Tax Cuts in 2000 Budget**

- The general CIT rate would be cut immediately by 1 per cent, to 14.5 per cent, declining to 8 per cent when fully implemented in 2005.
- The manufacturing and processing rate would be cut immediately by 1 per cent, to 12.5 per cent, declining to 8 per cent when fully implemented in 2005.
- The small business rate would be cut immediately by 1 per cent, to 7 per cent, declining to 4 per cent when fully implemented in 2005.

*See Budget Paper, "Made-For-Ontario Taxes: 'A New Beginning'"*

## ■ CUTTING BUSINESS TAX RATES WILL INCREASE THE INCOMES OF WORKING ONTARIANS

The rate of capital investment in Canada has been considerably below the OECD average, as has the rate of growth of real incomes of Canadians. Lowering corporate tax rates to encourage investment will help reverse this situation and improve the economic well-being of individual Canadians.

Careful economic studies are unanimous in finding that higher capital investment is associated with higher incomes for workers. A recent study by one of Canada's best-known trade union economists stated, "Of all taxes collected in Canada, it is almost certainly income taxes on companies in the real economy which have the largest negative impact on capital accumulation, growth, and hence productivity and incomes."<sup>6</sup> In the same study, he noted that "an increase of 10 per cent in the capital-labour ratio of an industry is associated with an extra \$5,400 per year in average wages and salaries per worker."<sup>7</sup>

## ■ CUTS IN CAPITAL GAINS TAXES ENCOURAGE A DYNAMIC BUSINESS ENVIRONMENT

The global economy is being transformed, not just by the increasing integration through trade and investment of all the world's major markets, but also through a profound technological revolution. The revolution is in information technology, biotechnology, robotics and lasers, to name but a few. To be well positioned in these technologies is critical to all industries, both old and new. Key to this is an economy that encourages financial risk-taking and new business and scientific ideas from talented Ontarians.

In the "new economy," the toughest competition between jurisdictions is the competition for talented young people willing to take risks. Making Ontario companies competitive in their ability to attract such talent will benefit all Ontarians. For example, many companies utilize employee stock option plans to compete for talent against large U.S.-based companies. The initiatives in this Budget would augment their ability to compete.

### **Capital Gains and Stock Options in 2000 Budget**

- The inclusion rate for taxable capital gains would be cut to 66 $\frac{2}{3}$  per cent in 2000 and 50 per cent by 2004.
- The first \$100,000 of taxable employee benefits and capital gains earned on designated stock options granted by eligible research and development firms in Ontario would be exempt.
- Qualifying stock options issued by R&D-intensive firms would be exempt from Employer Health Tax.

*See Budget Paper, "Made-For-Ontario Taxes: 'A New Beginning'"*

Capital gains tax is an important instrument to change incentives: for risk-taking; for financing of business expansion; for motivating effort; and for attracting and retaining talented workers. The earnings retained by a corporation are an important source of funds for growing the business. However, this form of reinvestment is discouraged unless the capital gains tax rate is considerably lower than the general PIT rate.<sup>8</sup> Also, numerous studies have found that companies are much more successful when the rewards of their employees are directly tied to how well the company does.

The initiatives in this Budget are designed to make Ontario the most dynamic community for business in North America.

## ■ BUILDING ONTARIO'S FUTURE

One of the most important roles of government is to take an active role in the planning and organization of infrastructure for the public good. This does not always mean that government needs to build or own this infrastructure. Many types of infrastructure can be provided at lower cost, and higher quality, through partnerships with the private sector.

Ontario's SuperBuild strategy is aimed at ensuring that vital provincial infrastructure is expanded and renewed. Through SuperBuild, a minimum of \$20 billion will be invested to renew Ontario's network of hospitals, high-technology links, highways, educational institutions and other infrastructure. The Province has committed to invest \$10 billion, matched by at least \$10 billion from the private sector and other partners. Greater private-sector involvement in the provision of public infrastructure means that higher-quality investments can be made more quickly and at lower cost.

Through SuperBuild, the Province invested over \$4.5 billion in 1999-00. This is \$1.6 billion more than the 1999 Budget Plan.

Ontario's 1999-00 capital investment included a record \$975 million in highway construction. In 2000-01, the Province will set a new record by investing an additional \$1 billion to expand and improve Ontario's highway network.

The private sector is also making key investments in Ontario's highway infrastructure. The Greater Toronto Airports Authority will invest \$80 million to make improvements to Highway 409 to improve access to Pearson International Airport. The Highway 407 consortium will invest \$500 million to extend Highway 407 east to Brock Road in Pickering and west to Burlington.

Last year, the Province invested over \$1 billion in colleges and universities to help them grow to meet expanding needs for new spaces. In addition to the \$742 million that was planned for post-secondary institutions in 1999-00, the Province provided a further \$286 million to support collaboration between universities and colleges, address capacity shortages, and meet capital restructuring and renewal needs. Taking contributions from our partners into account, almost \$1.8 billion will be invested in post-secondary capital projects, creating more than 73,000 new student spaces.

Ontario also invested over \$1.3 billion in 1999-00 to help hospitals and other health care institutions modernize their facilities and purchase new equipment. The Province provided over \$1 billion to accelerate hospital restructuring directed by the Health Services Restructuring Commission. Together with funding from our partners, this will result in a total investment of \$1.5 billion.

In 2000-01, SuperBuild will invest \$2.1 billion in strategic priorities that support provincial economic growth and the quality of life in the province.

A new SuperBuild Millennium Partnerships initiative will invest \$1 billion over five years in public-private partnerships focused on strategic infrastructure projects.

The SuperBuild Sports, Culture and Tourism Partnerships initiative will invest \$300 million over five years to rebuild publicly owned recreation, sports, cultural and tourism facilities throughout the province and to expand major cultural and tourist attractions.

The Ontario Small Town and Rural Development initiative will invest \$600 million over five years, including \$400 million for infrastructure critical to the future economic growth of rural areas, small towns and small cities.

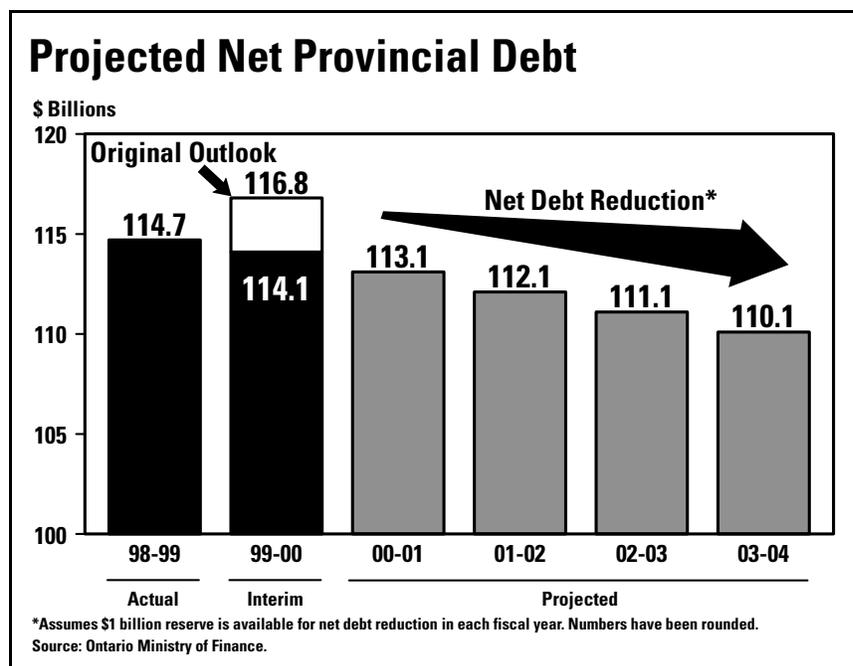
Taken together, these new SuperBuild initiatives represent a major step forward into the new century and a new, more strategic and more promising way of providing the capital infrastructure that Ontario needs.

## ■ A NEW ERA OF DEBT REDUCTION

One of the main factors undermining business confidence in the first half of this decade was the huge growth in government deficits. Deficits represent future taxes. If they go unchecked, they discourage both private-sector investment and consumer spending, thereby keeping the economy from achieving its real potential.

This Budget represents an historic achievement. Ontario is now on track to record back-to-back balanced budgets in 1999-00 and 2000-01. Furthermore, Ontario is committed to avoiding future budget deficits. The Government introduced and the Legislature has passed the most stringent balanced budget legislation in Canada.

As well, the Government's \$1 billion reserve will serve to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. A plan is also in place to ensure the future will be one of debt reduction, not increase. The Government has pledged to reduce Ontario's debt. Net Provincial Debt as of March 31, 2000 was \$114.1 billion, \$2.7 billion lower than it would have been under the 1999 Budget Plan. With this Budget, the goal is to reduce Net Provincial Debt by at least \$5 billion over the Government's current mandate. The first instalment of debt reduction has already taken place. The 1999-00 \$654 million surplus has been used to reduce debt by that amount.

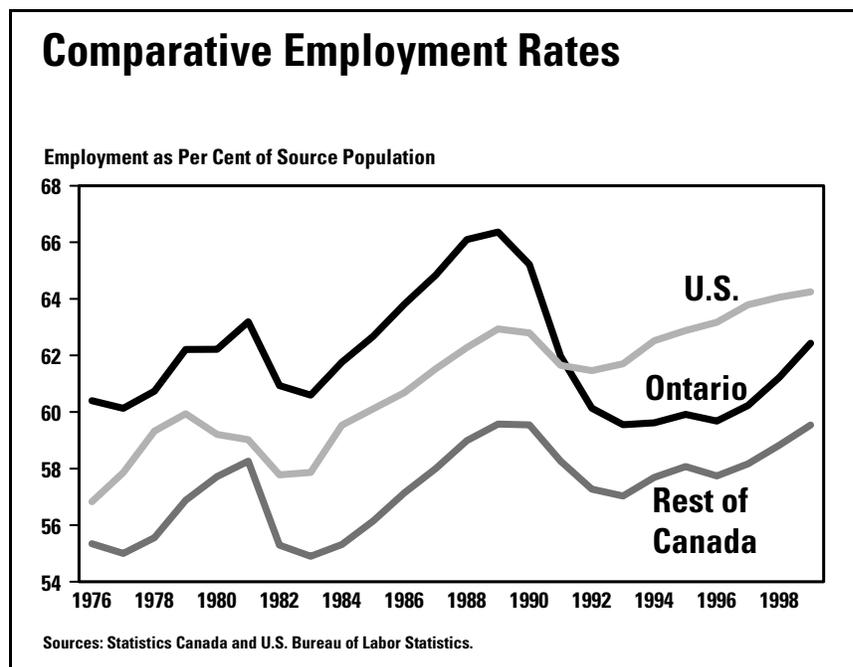


This commitment to debt reduction will assure investors that the long-term investments they make in Ontario will not be threatened by future increases in taxes. It will also assure individual Ontarians that they can plan for their families' futures, without the fear that a rising government debt will shrink their standard of living.

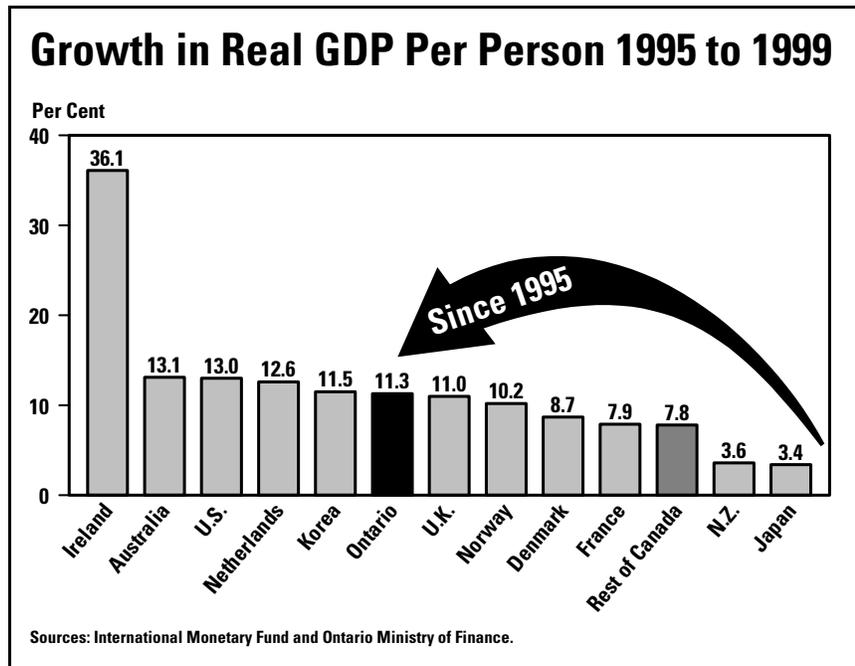
## ■ ONTARIO'S POTENTIAL FOR GROWTH IS GREAT

There is a major economic revolution under way, rivalling the Industrial Revolution in its significance. The internet and its related advances in technology and communications are transforming the way corporations do business. The countries whose businesses are in the vanguard of this revolution will be the leading centres of growth in the new century.

Ontario's PIT cuts have led to stronger employment growth and are helping to boost investment, productivity and living standards. As a result, the economy is, once again, closing the gap on employment rates with the United States. But there is still substantial room for increasing Ontario's employment.



Higher employment rates lead to higher productivity and higher income growth. This has been Ontario's experience since 1995. In fact, Ontario's economy has reversed the dismal performance of the early 1990s. Since 1995, real GDP per person in Ontario has increased by 11.3 per cent, compared to a decline of 1.3 per cent in the previous seven years.



To ensure the Ontario economy continues to prosper in this challenging environment, the Ontario Government has implemented a strategy of cutting taxes, encouraging innovation, renewing infrastructure, restoring fiscal balance and reducing government debt. The initiatives in this Budget will build on that strategic foundation.

**References:**

1. Pierre Fortin, *The Canadian Standard of Living: Is There a Way Up?* C.D. Howe Institute Benefactors Lecture, 1999 and Ontario Ministry of Finance.
2. Canada Department of Finance, *Report of the Technical Committee on Business Taxation*, 1997, p. 3.6.
3. Jack M. Mintz, "The February 2000 Federal Budget's Business Tax Measures: Is Canada Missing the Boat?" C.D. Howe Institute *Backgrounders* (March 23, 2000).
4. Germany's reform of their corporate tax system in 2001 will potentially lead to rates below 40 per cent. KPMG *Corporate Tax Rate Survey—January 2000*.
5. The gap would widen if Ontario stands still, since Michigan has plans to entirely eliminate its state business tax over the long term. (Michigan has a business value-added tax, rather than a CIT. Its CIT equivalent has been calculated to be about 10 per cent by the Ministry of Finance in the chart "Ontario's CIT Rate Compared to Neighbouring States.")
6. Jim Stanford, *Paper Boom*, Canadian Centre for Policy Alternatives, and James Lorimer and Co. Ltd., 1999, p. 253.
7. *Ibid*, p. 110.
8. Jack M. Mintz, and Thomas A. Wilson. "Capitalizing on Cuts to Capital Gains Taxes." C.D. Howe Institute *Commentary* 137 (February 2000).

