

2001 Ontario Budget Highlights

May 9, 2001

Surplus at \$3.2 billion

- With a \$3.2 billion surplus projected for 2000-01, Ontario will have achieved two consecutive surpluses for the first time in more than half a century.
- Ontario's surplus of \$3.2 billion includes \$202 million of excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). This amount goes to reduce the stranded debt from electricity restructuring. Consequently, \$3.0 billion of the total surplus of \$3.2 billion is applied to reduce Net Provincial Debt.
- Ontario's strong revenue performance continued in 2000-01. Total revenue was \$64,927 million, \$2,867 million above the 2000 Budget projection of \$62,060 million.
- Ontario is on track to record another balanced budget in 2001-02.

Continued Commitment to Tax Reduction

In Budget 2001 the government proposes to:

- Complete the 20 per cent cut to personal income taxes announced in the 1999 Budget.
- Take the first step to eliminate the surtax.
- Eliminate the capital tax on the first \$5 million of taxable capital.
- Legislate the remaining steps to reduce corporate income taxes to 8% by 2005.

Solid Foundation for Economic Growth

- In 2000, the Ontario economy grew by 5.5%, significantly higher than the 2000 Budget assumption of 4.6%.
- Ontario's real GDP is projected to grow at 2.2 per cent in 2001 and by 3.5 per cent in 2002.
- Ontario's economy is expected to pick up in the second half of the year as lower interest rates and tax cuts promote solid growth in domestic demand and export demand strengthens.
- Personal tax cuts and rising income will continue to drive solid growth in consumer spending in 2001 and 2002.
- Lower business tax rates will encourage companies to continue making capital equipment investments that increase capacity and productivity.
- The housing market is expected to remain healthy in 2001, supported by lower interest rates and higher after-tax incomes.

Fiscal Summary

March 31, 2001

(\$ Millions)	2000-01		2001-02
	Budget Plan	Interim	Budget Plan
Revenue	62,060	64,927	64,270
Expenditure			
Programs	49,525	50,428	52,011
Restructuring & Other Charges	—	31	—
Total Program Expenditure	49,525	50,459	52,011
Capital	2,075	2,075	1,944
Public Debt Interest			
Provincial	8,940	8,883	8,795
Electricity Sector	520	520	520
Total Expenditure	61,060	61,937	63,270
Less: Reserve	1,000	—	1,000
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	—	202	140
Surplus / (Deficit)	0	3,192	140

* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

Source: Ontario Ministry of Finance.

Ontario's Economic Outlook

(Annual Average)	1999	2000	2001p	2002p
Real GDP Growth (per cent)	6.1	5.5	2.2	3.5
Unemployment Rate (per cent)	6.3	5.7	5.5-6.0	5.5-6.0
CPI Inflation (per cent)	1.9	2.9	2.8	2.0

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

Copies of the 2001 Ontario Budget and Budget Papers are available on the Ministry of Finance web site at www.gov.on.ca/FIN/hmpage.html

Financing Program Update

- For fiscal 2000-01, the Province completed \$8.5 billion in long-term public borrowing.
- The Province's long-term public borrowing for 2001-02 is projected at \$9.1 billion. The Province will be borrowing to refinance \$9.6 billion in maturing debt, \$2.3 billion related to accruals and consolidations, and \$1.0 billion as a provision for early bond redemptions. The Province may borrow an additional \$1.1 billion from the CPP if it is cost-effective.
- The domestic market will likely be the Province's main source of public financing, including the seventh annual Ontario Savings Bonds (OSB) campaign planned for June.
- The Ontario Financing Authority continues to monitor international capital markets for cost-effective borrowing opportunities.
- Since the end of fiscal 2000-01, the Province has completed nearly \$0.6 billion of its 2001-02 long-term public borrowing program.

Net Provincial Debt

- In the 2000 Budget, the government made a commitment to reduce Net Provincial Debt by at least \$5 billion during the current term of office. With a contribution to debt reduction of \$1.0 billion in 1999-2000 and \$3.0 billion in 2000-01, the government has already met 80% of its \$5 billion commitment in the first two years.
- Based on the budget surplus for 2000-01, Net Provincial Debt is projected at \$110.7 billion as of March 31, 2001.

Ontario Electricity Financial Corporation (OEFC)

- For 2000-01, the Province raised almost \$3.0 billion in long-term public borrowing on behalf of the OEFC, to meet that entity's \$1.9 billion long-term borrowing requirements while paying down short-term debt by \$0.7 billion, and pre-borrowing almost \$0.4 billion for fiscal 2001-02.
- For 2001-02, the OEFC's long-term borrowing requirement is projected at \$3.6 billion, reflecting \$4.4 billion in maturing debt, partially offset by a projected cash surplus of about \$0.8 billion. The OEFC has already completed nearly \$0.4 billion of its 2001-02 long-term public borrowing program.

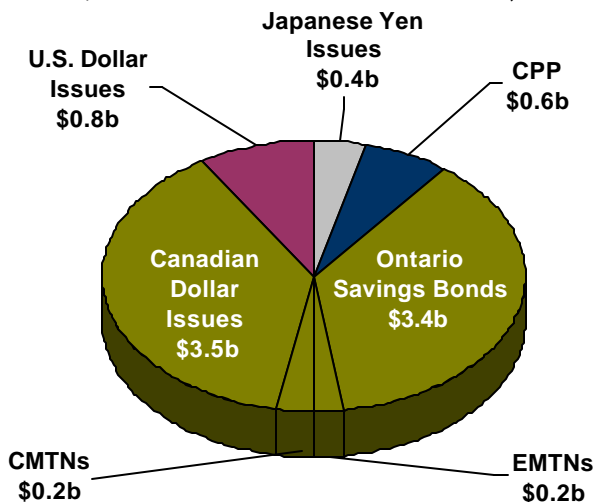
Financial Summary

(\$ Billions)	2000-01		2001-02
	Budget Plan	Interim	Budget Plan
Surplus / (Deficit)	—	3.2	0.1
Accruals and Consolidations	(5.2)	(4.6)	(2.3)
Maturities	(8.4)	(8.1)*	(9.6)
Provision for Early Redemptions	(0.5)	(1.1)	(1.0)
Other Sources / (Uses)	—	(0.3)	—
Net Repayment from / (Loans to) Agencies	—	(0.1)	—
Decrease / (Increase) in Liquid Reserves	4.5	2.0	2.6
Increase / (Decrease) in Short-term Borrowing	—	(0.1)	—
Canada Pension Plan Borrowing	1.0	0.6	1.1
Long-Term Public Borrowing	8.6	8.5	9.1
of which:		Completed	0.6
		Remaining	8.5

*Maturing debt is lower than the 2000 Budget Plan due to the Province exercising options on extendible bonds.
Note: Numbers may not add due to rounding.

2000-01 Long-Term Borrowing

C\$9.1 billion issued as of March 31, 2001*



*Excludes debt buybacks.