

More Than Meets the Eye: Pre-budget Analysis 2005-06

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The Ontario Government's posture leading into the consultation cycle for the second budget of its mandate could best be described as one of "genteel poverty".

According to the Minister of Finance and the Premier, while there is no reason to panic, and while everything is on track to meet the government's target of balancing the budget in time for the next election in 2007-08, there is no money available to support new spending initiatives. The cupboard isn't exactly bare, but everything in it is spoken for.

As we might expect from a government that went to school on the performances of then Federal Finance Minister Paul Martin and then Ontario Finance Minister Ernie Eves in the late 1990s, nothing is exactly as it seems.

Indeed, both the current-year estimates of revenue and expenditure and the medium-term fiscal outlook are designed more to manage expectations and maximize the government's flexibility than to present a realistic forecast of the government's fiscal position.

For the current fiscal year, the government's biggest challenge is to prevent the deficit from dropping so low that it becomes a real challenge to maintain a steady downward trend in the deficit in the 2005-6 budget.

For next year and subsequent years, the challenge is to support the contention that the government is financially strapped, while at the same time making credible progress on the government's campaign promises to renew public services in the wake of the Harris-Eves cuts and its 2004 Budget commitment to balance the budget by the end of its term in office.

Estimates for 2004-05

The most noteworthy innovation in the government's construction of its 2004-05 budget was an adjustment related to electricity restructuring that enabled the government to show a one-time-only increase in non-tax revenue of \$3,881 million. That adjustment resulted from an accounting decision to shift the liability for certain power purchase contracts from the Government of Ontario to Hydro One customers.

Without that adjustment, the projected deficit for 2004-05 at budget time in May would have been \$6,120 million instead of \$2,239 million – an increase of \$700 million from 2003-04 rather than the reduction of \$3.2 billion that was reported.

Given the importance of this adjustment for the government's ability to show a reduction in the deficit in its first year in office, one would have expected the Minister of Finance to be concerned when the Provincial Auditor suggested that he had concerns about the way the adjustment was reported, and was considering requiring that the government spread the adjustment out over a number of years, rather than making it in one lump sum amount.

Instead, the Minister took the bad news in his stride, suggesting that the government would be open to spreading the adjustment out over several years if that was what the auditor wanted.

The reason for the Minister's sanguine response is evident in the revenue and expenditure numbers for 2004-05 reported in the government's November economic statement.

In a departure from the practice in previous years, the November Statement for 2004

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does not include the projections in the May budget, for comparison. The comparative numbers for 2003-4 and 2004-5 for the May budget and the November Statement for revenue, operating expenditures and capital expenditures are presented in Appendix 1.

The November 2004 statement continued the practice adopted by the Harris and Eves governments of making only limited changes in revenue and expenditure projections. The new financial statements include minor revisions to the revenue projections for the major tax bases – personal income tax, sales tax, and corporate income tax – as well as an \$800 million increase in federal health transfer revenue resulting from the new federal-provincial health accord and an acceleration of Ontario's draw-down of funds for waiting time reduction and medical equipment. The net increase in revenue is \$681 million.

On the expenditure side, the major change reported is an increase in health expenditures of \$824 million, offset in part by a reduction in public debt interest of \$215 million, for a net increase of \$610 million.

As a consequence, the net effect of these changes in revenue and expenditure line items is that the projected deficit is virtually unchanged, at just under \$2.2 billion.

In fact, however, the current forecast for 2004-5 conceals a much more positive fiscal picture than that suggested by the bottom line.

The May budget included a reserve allocation and contingencies for operating and capital expenditures totaling \$2,115 million. In the first six months of the fiscal year, these funds were drawn down by only \$24 million (\$8 million from operating contingencies; \$16 million from capital contingencies).

Even assuming that the \$400 million budgeted for year-end savings do not materialize, this still leaves \$1.7 billion in contingencies potentially available to offset the projected deficit.

Furthermore, an analysis of government debt financing costs (summarized in the next section) indicates that financing costs for 2004-5 are likely to fall approximately \$600 million below the current forecast of \$10.1 billion.

Indeed, assuming: no further revenue changes; no year-end expenditure savings; a draw-down of contingency funds in the second half of the year at the same rate as in the first half; and debt service cost savings from refinancing at lower interest rates, Ontario could be headed towards a modest budget surplus in the current fiscal year.

Clearly, given the government's overriding political need to show steady progress towards deficit elimination, that is not going to happen.

It does suggest, however, that the government has considerable room to maneuver this fiscal year – additional room that might lead the Minister of Finance to welcome adverse news from the Provincial Auditor on the timing of his adjustment for electricity contracts, and that will enable spending flexibility towards the end of the fiscal year.

But that's not the end of the government's potential flexibility. An alternative projection of government revenues suggests that revenue projected for 2004-5 may be understated.

Using the current consensus economic growth projections reported in the November Economic Statement, the Ontario Alternative Budget revenue forecasting model projects revenue for 2004-5 of \$80.1 billion

– approximately \$1.0 billion higher than that currently forecast by the government.

This revenue adjustment is equivalent to the impact on Ontario’s revenue of nearly 2% in economic growth. Forecast revenue evidently includes a substantial cushion against the possibility that growth forecasts from November may be revised downwards.

If the higher estimated revenue is realized, the “other things equal” surplus for 2004-5 could reach \$1 billion.

The numbers are summarized in Table 1.

Medium-term fiscal outlook

One of the welcome innovations of the current government has been its willingness to publish a multi-year forecast of revenue and expenditure. Unfortunately, the actual execution of the multi-year forecast idea has not measured up to its promise.

The forecast originally published in the May 2004 budget was more an exercise in

making the numbers implied by the government’s various promises add up, than a serious attempt to forecast actual revenue and expenditure. The forecast was structured to meet three overriding political constraints: the need to balance the budget by the end of the government’s first term in office; the need to demonstrate that the additional revenue generated by the new “health premium” and increased federal government transfers for health would be directed towards health care; and the need to show steady and measured progress towards the balanced budget goal.

That forecast is reproduced in Table 2.

While the November Economic Statement included a revised version of this outlook, the revision is limited to incorporating revisions to both health care spending and federal government transfers, reflecting the increased federal government transfers for health negotiated by the First Ministers in the September 2004 Accord and the government’s political commitment to flow those

Table 1

Projected budget position	(\$2,168)
Ignore year-end savings	(\$400)
Budget position without year-end savings	(\$2,568)
Operating contingency	\$949
Capital contingency	\$118
Budgetary Reserve	\$1,000
Debt service cost overestimate	\$483
Revised budget projection with current revenue forecasts	(\$18)
Estimated revenue understatement	\$1,077
Budget position, current status quo	\$1,059

Assumptions

Year-end savings not realized

Operating contingency

Assume 2nd six months draw-down same as 1st six months -- \$8 million

Capital contingency

Assume 2nd six months draw-down same as 1st six months -- \$16 million

Interest rates

10-year bond rate 4.5%

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Table 2

2004 Ontario Budget
Medium-Term Plan and Fiscal Outlook
(\$ Billions)

	Plan 2004-05	Outlook 2005-06	2006-07	2007-08
Revenue				
Taxation Revenue				
Personal Income Tax	18.8	19.9	21.1	22.4
Retail Sales Tax	15	15.9	16.9	17.8
Corporations Tax	8.3	8.6	8.9	9.2
Ontario Health Premium	1.6	2.4	2.5	2.6
All Other Taxes	10.2	10.9	11.2	11.5
Total Taxation Revenue	54	57.7	60.6	63.5
Government of Canada	10.8	11.6	11.4	11.8
Income from Government Enterprises	3.6	4.1	4	4.1
Other Non-Tax Revenue	10	6.4	6.5	6.6
Total Revenue	78.4	79.9	82.5	86
Expense				
Programs				
Health Care	29.7	30.9	31.9	32.9
-- Change Fund	0.6	0	0	0
Education	10.6	11.3	11.7	12
Training, Colleges and Universities	4.2	4.3	4.3	4.4
Social Services	9.1	9.4	9.6	9.7
Justice	2.9	2.9	2.8	2.8
Other Programs	9.6	8.5	8.6	8.9
Total Programs	66.7	67.2	68.9	70.6
Capital	2.6	2.5	2.5	2.5
Interest on Debt	10.3	10.8	11.1	11.5
Total Expense	79.6	80.5	82.5	84.5
Reserve	1	1.5	1.5	1.5
Surplus / Deficit	-2.2	-2.1	-1.5	0

increases through into increased health care spending.

These projections are noteworthy in several respects.

First, while the taxation revenue projections are generally reasonable, given current projections for economic growth, projections for federal government transfers appear to have been understated.

Table 3 compares the projected increases in federal transfers from a 2004-5 base in the November Statement with increases in federal government health transfers projected for

the same period as a result of the 2003 and 2004 health accords. The difference between the two sets of figures yields the projection for federal transfers other than those for health.

Based on these figures, it appears that the government's outlook assumes a substantial reduction in transfers for purposes other than health.

Second, projections for 2005-6 and beyond imply that public debt interest will increase by 5% in 2004-5, 6.9% in 2005-6, 2.8% in 2006-7 and 3.6% in 2007-8.

Table 3

Federal transfer estimates

	2005-6	2006-7	2007-8
Total transfer increases (Nov. statement)	1.3	-0.2	0.4
Health transfer increases (After Sept. Accord)	1.0	1.1	1.5
Non-health transfers (Implicit)	0.3	-1.3	-1.1

The underlying numbers for government debt show new debt incurred to finance projected deficits as well as cash costs that are not included in budgetary deficit calculations will increase the government's total borrowing by approximately 4% in 2004-5, 3% in each of 2005-6 and 2006-7 and 2% in 2007-8.

The fact that interest rates have dropped substantially over the past decade means that additions to debt have a lower carrying cost than the pre-existing debt. As of the November statement, the implicit average carrying cost for Ontario's public debt was 6.8%. This compares with the current yield on Ontario Government 10-year bonds of approximately 4.5%.

Increases in government debt over the next four years are likely to be financed at rates no greater than 4.5%.

It is therefore not possible for increases in borrowing to result in debt servicing costs increasing more rapidly than the amount of the debt being serviced.

In addition, the substantial proportion of Ontario's debt that comes up for refinancing each year will in general be refinanced at lower interest rates than the maturing debt. Data released along with the November 2004 Economic Statement show maturing debt of \$19 billion in 2005-6, \$12 billion in 2006-7 and \$10 billion in 2007-8.

A portion of this debt is currently financed at floating interest rates. As a consequence,

refinancing of this portion of the debt will not generate any carrying cost savings. However, a detailed review of the terms of the securities up for refinancing shows that a substantial proportion of the debt which is subject to refinancing in the years 2005-6 to 2007-8 is currently financed at fixed rates established at the time the security was issued. Not surprisingly, given the steady downward trend in interest rates over the past 10 years, these maturing securities typically carry at higher-than-current interest rates, and will therefore be refinanced at lower rates. At current interest rates, this refinancing will generate savings of: \$290 million in 2004-5; an additional \$430 million in 2005-6; an additional \$270 million in 2006-7; and a further \$250 million in 2007-8.¹

Taking into account projected increases in total government borrowing, the costs of borrowing to finance those increases and the savings resulting from refinancing maturing fixed-rate debt, the outlook for the next four years looks quite different from that forecast in the November Economic Statement.

An extremely limited spending program

Despite the government's substantial promises of increased investment in public services renewal, the investment plan implicit in the Medium-Term Fiscal Outlook is extremely modest.

Table 4

Forecasts of Ontario Debt Servicing Costs (\$million)

	2003-04	2004-05	2005-06	2006-07	2007-08
Economic Statement	\$ 9,604	\$ 10,100	\$ 10,800	\$ 11,100	\$ 11,500
Revised by OAB	9,604	9,631	9,452	9,397	9,316
DIFFERENCE	\$ -	\$ 469	\$ 1,348	\$ 1,703	\$ 2,184

OAB assumptions

Maturing debt refinanced at current rates matched to the initial term of the maturing security

Additions to debt are financed at current 10-year bond rates.

Program spending — including health — increases at just over the rate of inflation during the outlook period. Spending in areas other than health actually declines in 2005-6, and then increases at slightly less than the rate of inflation for 2006-7 and 2007-8.

Overall, program spending as a share of GDP drops in each year, from 13.5% in 2004-5, to 12.8% in 2005-6, 12.5% in 2006-7, and 12.2% in 2007-8.

To put that into perspective, program spending was lower than 12.2% of GDP in

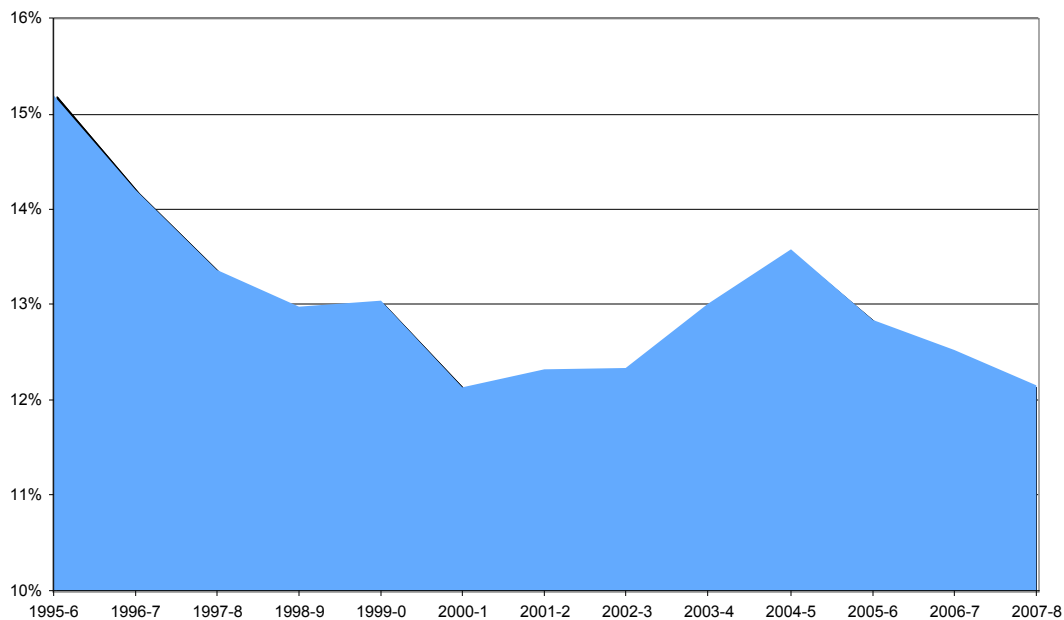
only one year (2000-1) of the Harris and Eves governments' eight years in office.

Chart 1 shows actual and projected program spending as a share of GDP from 1995-6 to 2007-8.

The government's claims notwithstanding, its medium term outlook can hardly be characterized as a program of investment in public services renewal. Rather, it would best be described as a consolidation of the reduced role for the public sector introduced by the Harris and Eves governments.

Chart 1

Program and capital spending as a share of GDP, Ontario
1995-6 to 2003-4 actual; 2004-5 to 2007-8 projected



Summary impact of 4-year forecast revisions

Table 5 summarizes the impact of the adjustments discussed above on projected budget balances. This presentation implicitly assumes that expenditures will be as projected, other than the adjustment of public debt charges for interest rate reductions on refinanced debt.

The \$1 billion revenue underestimate for 2004-5 affects base revenue for each year after that year. Fixing non-health transfers from the federal government at the 2005-6 level increases estimated transfer revenue by \$1.3 billion in 2006-7 and \$1.1 billion in 2007-8. Public debt interest costs are adjusted in accordance with the methodology set out above. By 2007-8, this adjustment alone changes the forecast fiscal balance by \$2.2 billion.

In addition, to make the figures comparable from year to year, the increase in the reserve allocation from \$1 billion to \$1.5 billion is deducted from the figures for 2005-6 and later.

In summary, these adjustments suggest that the government will have additional flexibility in its budget planning, most notably in the years after 2004-5, compared with the Economic Statement's Medium-Term Fiscal Outlook, particularly in 2006-7 and 2007-

8, when estimated budget surpluses relative to the Outlook reach \$3 billion and \$5 billion, respectively.

Options for increased revenue

While the government's political misadventure with the health care tax introduced in the 2004-5 budget may have scared the government away from further tax increases, there is still considerable room to improve Ontario's fiscal capacity through measures that do not alter tax rates but instead maximize the revenue that can be raised from the current tax system.

Everyone in Ontario is aware of the Harris and Eves governments' cuts in personal income tax rates, from press releases if not from their own tax forms. Many people are aware of the corporate tax rate cuts that dominated the tax cut agenda in the later years of the Conservatives period in office. Far less visible was a series of more than 50 corporate tax loopholes opened up or expanded in successive budgets.

Tax loopholes give some taxpayers the opportunity to choose not to pay taxes that everyone else is obligated to pay. They are the ultimate in unfair taxation.

Corporate tax loopholes introduced by the Harris and Eves governments now cost the people of Ontario over \$1 billion a year in foregone revenue. These tax preferences are

Table 5²

Fiscal balance projections compared

	2004-5	2005-6	2006-7	2007-8
Projected budget balance	(2.2)	(2.1)	(1.5)	-
2004-5 revenue underestimate	1.0	1.1	1.1	1.2
Fix non-health transfers at 2005-6 level	-	-	1.3	1.1
Adjust public debt interest costs	0.5	1.3	1.7	2.2
Increase in reserve allowance		0.5	0.5	0.5
Revised estimate of budget balance	(0.7)	0.8	3.1	4.9

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unfair; they are poorly targeted; they are ineffective; and they open up differences between the Federal and provincial corporate tax systems that complicate tax administration and create opportunities for tax avoidance.

Some of the corporate tax changes introduced in the Harris-Eves era were brought in to parallel changes in the Federal Income Tax Act. Those changes should remain in place. Other changes result from the Harris Government's decision to change funding for cultural industries from a grants system to a tax-based system. Those provisions should either be retained or converted to grants, in order to increase the transparency of the tax system and ensure accountability for public money.

Even after allowing for selected changes either to be retained or converted into equivalent grants, however, harmonizing the provisions of the Ontario Corporate Income Tax with those of the Federal Corporate Income Tax would generate an additional \$800 million.

The most expensive loopholes in Ontario's tax system are the various exemptions from the Employer Health Tax. The loopholes include: the exemption for the first \$400,000 in payroll; exemptions for self-employed individuals; and exemptions for income from stock options. All of these exemptions undermine the fairness of the system; all of these exemptions cost the people of this province a substantial amount in lost revenue; and none of these exemptions meets the test of being well targeted to an accepted public policy goal.

More important, exemptions from the Employer Health Tax are inconsistent with the history behind its creation and the role

that it plays in funding the health care system. The EHT was conceived as the contribution expected of employers in return for the substantial competitive benefit they receive from the existence of public medicare in Ontario.

Eliminating all exemptions from the EHT would raise an additional \$1.1 billion.

Weak tax enforcement creates the ultimate in tax unfairness: a tax that is paid by people who choose to respect the law and is not paid by people who choose not to respect the law.

Ontario's tax administration has been heavily and repeatedly criticized as inadequate in a series of toughly worded reports from the Provincial Auditor. Large portions of Ontario's tax system are essentially unaudited, and generally known to be unaudited. Using a rule of thumb that intensive auditing would increase revenue by a minimum of 1%, heightened enforcement could be expected to generate an additional \$400 million per year.

Tax rate adjustments

The government's self-induced amnesia notwithstanding, the eight years of Conservative Government in Ontario between 1995 and 2004 had a significant negative effect on Ontario's fiscal capacity. A failure to address that negative impact amounts to a retrospective endorsement of the policies that created it, and a fiscal plan designed to accommodate Ontario's public services to that reduced capacity amounts to a plan to consolidate the damage created in the Harris and Eves era.

While the Government's mishandling of the tax issue during and after the election has limited its political options, there are ar-

eas for potential revenue gain that stand on their own merits.

With respect to corporate income tax, the rate reductions introduced by the Harris and Eves Governments combined with Federal rate cuts have left Ontario's corporate tax rates below those of comparable jurisdictions in the United States. A return of Ontario's corporate tax rates to their levels in 2000 would put the combined rate back in line with those of comparable jurisdictions in the United States, and would generate more than \$1.25 billion in additional revenue.

Re-setting corporate tax rates to 2000 levels would increase the general corporate tax rate by 1.5%, from 14% to 15.5%, the manufacturing and processing tax rate by

1.5%, from 12% to 13.5%, and the small business rate by 2.5%, from 5.5% to 8%.

With respect to personal income taxes, one area in which Ontario's tax system stands apart from the Federal personal income tax system is in its treatment of taxpayers with incomes over \$100,000 per year. While the Federal income tax includes a step-up in marginal rates at \$100,000 of 3%, Ontario's does not.

A new tax bracket at 13.16% (2% higher than the current maximum bracket) at \$100,000 would raise an estimated \$1.2 billion in additional revenue. Taking into account Ontario's surtax system, this would result in a top Ontario marginal tax rate of 20.5%.

Summary of potential revenue gains

Tax measure	Additional Revenue
Corporate Income Tax	
Harmonization of Ontario's Corporate Income Tax with the Federal Corporate Tax, allowing for retention of film, television, arts and publishing credits	\$800 million
Employer Health Tax	\$1,100 million
Elimination of all exemptions	
Tax enforcement	\$400 million
1% taxation revenue increase	
Income Tax Rates – Corporate	\$1,250 million
Revert to 2000 rate structure	
Income Tax Rates – Corporate	\$1,200 million
Introduce new top marginal rate of 13.16% at \$100,000 to parallel Federal structure	

Conclusion

In its 2004-5 budget and November 2004 Economic Statement, the government has put out projections that purport to show that the only way for the government to balance the budget by 2007-8 is to curtail growth in non-health spending and refrain from implementing key election promises for services renewal. Such projections may serve the government's political interest in dampening expectations for increased spending on services renewal, but they are misleading.

More realistic assumptions about revenue, federal government transfers and debt servicing costs lead to revised projections that show substantial and growing fiscal flexibility within the government's announced fiscal plan.

Endnotes

- ¹ Ontario's net borrowing requirements from 2004-5 to 2007-8 are derived from two tables presented in the 2004 Economic Outlook and Fiscal Review: "Consolidated Provincial Borrowing Program", p. 87 (for 2004-5); and p. 89 (for 2005-6 to 2007-8).

Details of debt maturing in the period 2004-5 to 2007-8 are drawn from Budget Paper E, Ontario Budget 2003 pp. 122-138. Savings are calculated as follows: the rate applicable to the maturing debt is compared with the current yield of Ontario bonds with the same term to maturity as the original term of the maturing debt. To the extent that active management of the refinancing program (borrowing in other jurisdictions or for different terms) can reduce costs, the savings will be greater than those estimated using this method.

The calculations are summarized in the following table:

	Year ended				
	3/31/04	3/31/05	3/31/06	3/31/07	3/31/08
Prior debt	140.6	148.7	154.8	159.8	164.3
Deficit	5.4	2.1	2.1	1.5	-
Non-cash adjustments	1.1	2.4	1.2	1.1	1.1
Capital	1.6	1.6	1.7	1.9	1.7
Year-end Debt	148.7	154.8	159.8	164.3	167.1
Increase	8.1	6.1	5.0	4.5	2.8
Interest on new borrowing	4.50%				
Increase over 03-04	-	0.3	0.2	0.2	0.2
Changes from refinancing	-	(0.3)	(0.4)	(0.3)	(0.2)
Debt service base	9.6	9.6	9.5	9.4	9.3

- ² Estimated balance for 2004-5 in Table 5 includes contingency amounts and reserve as expenditure items.

Appendix 1

Revenue estimates and projections, Budget 2004 and November Statement 2004

For the year ended March 31 (\$ Millions)	Fiscal year 2003-4			Fiscal year 2004-5		
	Interim	Final	Change	Budget	November	Change
Taxation						
Personal Income Tax	17,778	18,301	523	18,821	19,050	229
Retail Sales Tax	14,260	14,258	(2)	15,036	14,876	(160)
Corporations Tax	7,222	6,658	(564)	8,320	8,250	(70)
Employer Health Tax	3,737	3,753	16	3,874	3,862	(12)
Gasoline Tax	2,282	2,264	(18)	2,328	2,263	(65)
Fuel Tax	684	681	(3)	716	716	0
Ontario Health Premium	0	0	0	1,635	1,622	(13)
Tobacco Tax	1,299	1,350	51	1,452	1,452	0
Land Transfer Tax	911	909	(2)	927	977	50
Electricity Payments-In-Lieu of Taxes	597	627	30	630	630	0
Other Taxes	391	347	(44)	259	259	0
	49,161	49,148	(13)	53,998	53,957	(41)
Government of Canada						
Canada Health and Social Transfer	7,014	6,958	(56)	0	0	0
Canada Health Transfer	0	0	0	4,677	5,065	388
Canada Social Transfer	0	0	0	2,924	2,924	0
CHST Increase from 2003-4	0	0	0	0	0	0
CHST Supplements	577	577	0	775	775	0
Social Housing	522	528	6	521	521	0
Health Reform Fund	387	387	0	582	582	0
Diagnostic/Medical Equipment	193	192	(1)	193	387	194
Wait Times Reduction Fund	0	0	0	0	242	242
Infrastructure	155	150	(5)	267	267	0
Other	1,114	1,101	(13)	859	859	0
	9,962	9,893	(69)	10,798	11,622	824
Income from Investment in Government Business Enterprises						
Ontario Lottery and Gaming	2,100	2,106	6	2,117	2,015	(102)
LCBO	1,043	1,045	2	1,117	1,108	(9)
OPG and Hydro One	(15)	(17)	(2)	335	335	0
Other	(59)	(64)	(5)	(5)	(5)	0
	3,069	3,070	1	3,564	3,453	(111)
Other non-tax revenue						
Net Reduction of Power Purchase						
Contracts	104	104	0	4,024	4,024	0
Reimbursements	1,175	1,206	31	1,252	1,252	0
Electricity Debt Retirement Charge	1,000	1,000	0	1,009	1,009	0
Vehicle and Driver Registration Fees	986	985	(1)	987	987	0
Power Sales	510	510	0	675	675	0
Other Fees and Licences	505	594	89	536	536	0
Liquor Licence Board of Ontario						
Revenues	486	488	2	499	507	8
Sales and Rentals	520	532	12	403	403	0
Royalties	243	248	5	239	239	0
Miscellaneous non-tax revenue	529	622	93	376	377	1
	6,058	6,289	231	10,000	10,009	9
Total Revenues	68,250	68,400	150	78,360	79,041	681

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Operating Expenditures Estimates and Projections, Budget 2004 and November Statement 2004

For the year ended March 31 (\$ Millions)	Fiscal year 2003-4			Fiscal year 2004-5		
	Interim	Final	Change	Budget	November	Change
Agriculture and Food	677	673	(4)	549	549	0
Attorney General	1,156	1,199	43	1,162	1,172	10
Board of Internal Economy	204	196	(8)	149	149	0
Children's Services	2,643	2,640	(3)	2,832	2,832	0
Citizenship and Immigration	56	52	(4)	62	62	0
Community and Social Services	6,016	5,995	(21)	6,317	6,317	0
Community Safety and Correctional Services	1,670	1,666	(4)	1,745	1,738	(7)
Consumer and Business Services	184	182	(2)	213	213	0
Culture	294	303	9	277	277	0
Democratic Renewal Secretariat	0	0	0	4	4	0
Economic Development and Trade	260	253	(7)	414	414	0
Education	9,754	9,665	(89)	10,623	10,623	0
Teachers' Pension (Note 7)	235	235	0	359	359	0
Energy	118	116	(2)	137	137	0
Environment	260	261	1	304	304	0
Executive Offices	22	24	2	19	19	0
Finance	1,316	1,255	(61)	1,184	1,184	0
Interest on Debt	9,752	9,604	(148)	10,329	10,114	(215)
Change Fund	0	0	0	328	328	0
Community Reinvestment Fund	652	651	(1)	656	656	0
Electricity Consumer Price Protection Fund	253	253	0	0	0	0
Power Purchases	799	797	(2)	946	946	0
Health and Long-Term Care	28,100	28,036	(64)	29,652	30,476	824
Change Fund	0	0	0	609	609	0
SARS-related costs	842	824	(18)	0	0	0
Intergovernmental Affairs	6	6	0	9	9	0
Labour	120	117	(3)	133	133	0
Management Board Secretariat	268	214	(54)	355	356	1
Public Service/OPSEU Retirement Benefits	340	309	(31)	433	433	0
Contingency Fund	0	0	0	965	957	(8)
Municipal Affairs and Housing	678	662	(16)	692	697	5
Ontario Native Affairs Secretariat	16	15	(1)	14	14	0
Natural Resources	518	516	(2)	505	505	0
Northern Development and Mines	79	76	(3)	73	73	0
Office of Francophone Affairs	4	3	(1)	4	4	0
Public Infrastructure Renewal	23	18	(5)	31	31	0
Tourism and Recreation	213	209	(4)	184	184	0
Training, Colleges and Universities	3,934	3,883	(51)	4,194	4,194	0
Transportation	808	800	(8)	862	862	0
Year-End Savings2	0	0	0	(300)	(300)	0
Total expenses	72,270	71,708	(562)	77,024	77,634	610

Technical Paper #1

Capital Expenditures Estimates and Projections, Budget 2004 and November Statement 2004 (\$ Millions)	Fiscal year 2003-4			Fiscal year 2004-5		
	Interim	Final	Change	Budget	November	Change
For the year ended March 31						
Agriculture and Food	1	1	0	7	7	0
Attorney General	25	24	(1)	55	55	0
Children and Youth Services	0	0	0	9	9	0
Community and Social Services	10	10	0	21	21	0
Community Safety and Correctional Services	47	47	0	42	42	0
Consumer and Business Services	1	1	0	2	2	0
Culture	28	24	(4)	70	70	0
Economic Development and Trade	32	31	(1)	39	52	13
Education	16	15	(1)	27	27	0
Energy	54	53	(1)	52	52	0
Environment	4	4	0	13	13	0
Finance	5	5	0	4	4	0
Health and Long-Term Care	355	358	3	346	346	0
Management Board Secretariat	(1)	(33)	(32)	(13)	(13)	0
Municipal Affairs	208	206	(2)	234	237	3
Ontario Native Affairs Secretariat	0	0	0	2	2	0
Natural Resources	69	111	42	85	85	0
Northern Development and Mines	344	332	(12)	447	447	0
Public Infrastructure Renewal	17	18	1	168	168	0
Capital Contingency	0	0	0	150	134	(16)
Tourism and Recreation	54	51	(3)	65	65	0
Training, Colleges and Universities	121	120	(1)	171	171	0
Transportation	812	797	(15)	679	679	0
Year-end savings	0	0	0	(100)	(100)	0
Total expenses	2,202	2,175	(27)	2,575	2,575	0



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