

**OVERVIEW 2000-2001**

Increased revenues have resulted in the Department of Finance revising the deficit forecast for 2000-2001. Revenues are forecast to be \$49.7 million higher than estimated in the April budget. This increase more than offsets deficits expected by health and hospital boards as a result of the delayed implementation of their business plans. As a result, the deficit for 2000-2001 is now forecast to be \$261.8 million, \$6.3 million less than estimated in April.

Personal income tax and Harmonized Sales Tax revenues are forecast to be \$24.1 million higher than estimated. Prior years adjustments, which are revisions to revenues collected in previous years, account for an additional \$25.6 million in revenues.

<b>2000-2001 FISCAL SUMMARY</b> <i>(\$ thousands)</i>	<b>2000-2001 Budget</b>	<b>2000-2001 Forecast</b>	<b>Per Cent (%) Change from Budget Fav (Non-Fav)</b>
<b>Consolidated Fund</b>			
Revenue	<u>4,794,941</u>	<u>4,844,666</u>	<u>1.04 %</u>
Net Program Expenses *			
Health	1,686,140	1,693,927	(0.46)%
Education and Universities	1,060,064	1,063,437	(0.32)%
Community Services	575,989	581,032	(0.88)%
Other Net Program Expenses	<u>823,819</u>	<u>820,811</u>	<u>0.37 %</u>
Total - Net Program Expenses	<u>4,146,012</u>	<u>4,159,207</u>	<u>(0.32)%</u>
Net Debt Servicing Costs	899,122	899,122	--- %
Total Expenses	<u>5,045,134</u>	<u>5,058,329</u>	<u>(0.26)%</u>
	<u>(250,193)</u>	<u>(213,663)</u>	
<b>Consolidation and Accounting Adjustments for Government Service Organizations</b>			
Health and Hospital Boards	---	(30,244)	
	---	<u>(30,244)</u>	
<b>Net Income (Losses) for Government Business Enterprises</b>			
Nova Scotia Resources Limited	(25,900)	(25,900)	
Sydney Steel Corporation	---	---	
Other Enterprises	<u>8,000</u>	<u>8,000</u>	
	<u>(17,900)</u>	<u>(17,900)</u>	
<b>Provincial Surplus (Deficit)</b>	<u>(268,093)</u>	<u>(261,807)</u>	<u>2.34 %</u>

\* Net Program Expenses includes Restructuring Costs.

## **OVERVIEW 2000-2001 (Continued)**

On the expense side, government departments are generally holding firm. Net program expenses, which cover most spending in government departments and agencies, is forecast to be 1/3 of a percentage point off the budget estimate. Expenses are now forecast to be \$13.2 million higher than estimated in April.

In responding to the regional health boards' and hospital business plans in June, the government recognized that cost savings resulting from health care restructuring would not be fully realized in the current fiscal year. As a result, these organizations were permitted to run deficits, forecast to be \$30.2 million.

The Nova Scotia economy is growing stronger than expected. Real Gross Domestic Product is forecast to grow by 2.4 percent in 2000, compared to the budget estimate of 1.8 percent. The outlook for improved economic growth is reflected in higher than expected increases in employment, personal income, corporate profits and exports as the provincial economy benefits from the continuing sustained economic expansion in North America.

Debt servicing costs remain unchanged at \$899.1 million. The provinces borrowing program is on schedule and foreign exchange exposure continues to be reduced consistent with the budget plan.

## **REVENUES**

Two revenue sources are forecast to result in higher than budgeted revenues in 2000-2001: personal income tax and Harmonized Sales Tax. In addition, the province is expecting a positive prior years' adjustment. Data relating to Nova Scotia and national personal income, revised since the April budget, point to higher than expected personal income tax revenues. These revenues are now forecast to be 1.4 percent, or \$15.6 million higher than budgeted.

HST revenues are expected to be higher than estimated at budget time by 1.1 per cent or \$8.5 million. The change is in large part due to revisions made by the federal government to the estimated national declared revenue pool, the national total of GST and HST revenues collected by the Canada Customs and Revenue Agency (formerly Revenue Canada). The current estimate of the declared revenue pool is being adjusted upward based on actual collections in previous years.

The prior years' adjustments affect provincial revenues that are paid to or collected on the province's behalf by the federal government. Adjustments for 2000-2001 are currently forecast to be \$25.6 million, and include \$24.2 million in HST revenues and \$1.4 million in personal income tax.

All other revenue sources, including fuel taxes, gaming revenues and liquor commission profits are forecast to remain as budgeted.

## NET PROGRAM EXPENDITURES

Departmental spending is over by \$13.2 million. Health, Education and Community Services will be over spent by \$16.2 million, while Transportation and Public Works is projecting an under-expenditure of \$3.0 million.

Health over-expenditures of \$7.8 million are the result of increased medical payments and the wage settlement with emergency dispatchers.

<b>NET PROGRAM EXPENSES SUMMARY</b> <i>(\$ thousands)</i>	<b>2000-2001 Budget</b>	<b>2000-2001 Forecast</b>	<b>Change from Budget Fav (Non-Fav)</b>
Agriculture and Marketing	33,537	33,537	---
Business and Consumer Services	31,201	31,201	---
Community Services	575,989	581,032	(5,043)
Economic Development	49,033	49,033	---
Education and Universities	1,060,064	1,063,437	(3,373)
Environment	13,132	13,132	---
Finance	9,298	9,298	---
Fisheries and Aquaculture	5,716	5,716	---
Health	1,686,140	1,693,927	(7,787)
Housing and Municipal Affairs	88,663	88,663	---
Human Resources	3,986	3,986	---
Justice	82,293	82,293	---
Labour	8,689	8,689	---
Natural Resources	52,090	52,090	---
Public Service	76,244	76,244	---
Tourism and Culture	38,388	38,388	---
Transportation and Public Works	243,514	240,506	3,008
Restructuring Costs	88,035	88,035	---
<b>Total - Net Program Expenses</b>	<b>4,146,012</b>	<b>4,159,207</b>	<b>(13,195)</b>

Education over-expenditures of \$3.4 million are resulting from increased contributions to the Teachers' Pension Plan, increased Acadian and French language program costs, and increased contributions to school boards.

Increased pharmacare costs and expenses under the Child Maintenance Program have resulted in a forecast over-expenditure of \$5.0 million for Community Services.

The under-expenditure by Transportation and Public Works is a result of the change in accounting policy announced in the April budget. Certain projects were budgeted under the old policy and have now been corrected to the new policy.

## **DEBT MANAGEMENT**

Net debt servicing costs are calculated by subtracting sinking fund earnings from debt servicing costs. Debt servicing costs are forecast to be down \$4.4 million due to a number of factors, but generally interest rates have been favourable compared to budget assumptions. Offsetting those favourable conditions have been a weaker Canadian dollar than budget assumptions for the first number of months of the fiscal year, and sinking fund earnings are forecasted to be less than the budget estimate. The current assumption for the Canadian dollar is \$1.4815 (\$0.675 USD/CAD), for Canadian treasury bills is about 5.5% and for the Japanese Yen is 108.5 Yen/USD.

## **BORROWING PROGRAM**

The Province's borrowing requirements for 2000-2001 are projected at \$1.4 billion, unchanged from the Budget estimate. To date in 2000-2001, the Province has raised \$325.0 million of its planned borrowing by way of a 10 year domestic issue for \$300.0 million and one private placement of \$25.0 million.

## **HEALTH AND HOSPITAL BOARDS**

Consistent with the June 24, 2000 announcement by the Department of Health, the health and hospital boards are now forecasting to run deficits of approximately \$30.2 million. These deficits are resulting from delayed implementation of their business plans.

## **NOVA SCOTIA RESOURCES AND SYDNEY STEEL**

Consistent with past reporting practices, consolidated financial reporting for NSRL is based on publicly released results. The second Forecast Update normally includes the first quarter results for NSRL.

Any gains or losses associated with the sale or closure process for Sysco will be charged against the \$378.5 million provision made in 1999-2000.

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