



**PROVINCE OF NOVA SCOTIA**  
**HONOURABLE DONALD R. DOWNE**  
 Minister of Finance  
 Released July 31, 1998

FINAL UPDATE  
 FISCAL 1997-98  
**March 31, 1998**

## HIGHLIGHTS

- The province ended the financial year with it's first back-to-back surpluses in a generation.
- Provincial current own-sources revenue increased by \$84.4 million from the original estimates. In addition there were Prior Years' Adjustments on provincial own-source revenue that added \$5.9 million for a total of \$90.3 million.
- This was augmented by an increase in federal revenues and an increase in federal source Prior Years' Adjustments for an increase in total federal source revenues of \$115.8 million.
- Net Debt Servicing Costs, including an increase in Sinking Fund Earnings ended up being \$61.9 million less than estimate.
- The combination of lower costs and higher revenues provided for increased social program expenditures and created a surplus that was larger than estimated and forecast.
- The Budgetary Surplus amounted to \$38.5 million before distribution of surplus for the HST Electricity Rebate to residential electrical consumers.
- The Retained Budgetary Surplus of \$28.5 million and the improvement in the financial performance of the pension funds more than offset an increase in the deficiencies of certain crown corporations. As a result the Province's Net Direct Debt declined by \$219.4 million.

<b>FISCAL SUMMARY</b> <b>(\$ thousands)</b>	<b>1997-98</b> <b>Budget</b>	<b>1997-98</b> <b>Actual</b>	Favourable/ (Unfavourable) <b>Change from</b> <b>Budget</b>
<b>Revenue</b>	<b>4,240,674</b>	<b>4,446,761</b>	<b>206,087</b>
Net Program Expenditures *	3,477,912	3,688,585	(210,673)
Restructuring Costs	31,510	54,267	(22,757)
Net Debt Servicing Costs	727,280	665,413	61,867
<b>Total Expenditures</b>	<b>4,236,702</b>	<b>4,408,265</b>	<b>(171,563)</b>
<b>Budgetary Surplus (Deficit)</b>	<b>3,972</b>	<b>38,496</b>	<b>34,524</b>

\* Net Program Expenditures include both Current and Capital Account Expenditures.

**SUMMARY of REVENUE**  
*for the Fiscal Year Ending March 31, 1998*  
(\$ thousands)

	<b>1997-98 Budget</b>	<b>1997-98 Actual</b>	Favourable/ (Unfavourable) <b>Change from Budget</b>
<b>Provincial Revenue Sources</b>			
Personal Income Taxes	939,079	997,562	58,483
Corporate Income Taxes	113,044	121,682	8,638
Harmonized Sales Tax	668,879	716,656	47,777
Motive Fuel Taxes	199,500	204,114	4,614
NS Liquor Commission	116,693	118,477	1,784
NS Gaming Corporation	143,024	141,172	(1,852)
Other Provincial Revenues	351,279	316,212	(35,067)
<b>Total - Provincial Revenue</b>	<b>2,531,498</b>	<b>2,615,875</b>	<b>84,377</b>
<b>Federal Revenue Sources</b>			
Equalization	1,149,788	1,194,359	44,571
CHST	437,771	438,669	898
Federal Compensation for Harmonization	118,600	118,600	---
Other Federal Sources	3,017	3,296	279
<b>Total - Federal Revenue</b>	<b>1,709,176</b>	<b>1,754,924</b>	<b>45,748</b>
<b>Prior Years' Adjustments</b>	---	<b>75,962</b>	<b>75,962</b>
<b>Total Revenue</b>	<b>4,240,674</b>	<b>4,446,761</b>	<b>206,087</b>

**Provincial Revenue**

Total provincial own-source revenue for 1997-98 increased by \$84.4 million to \$2,615.9 million from \$2,531.5 million in the budget estimate. Within this change was a significant increase in income taxes, in the amount of \$67.1 million and an increase in all sales taxes due to increased economic activity in the amount of \$52.4 million. These increases were offset by a reduction \$35.1 million in other provincial revenues. In addition to the current year's increase in provincial own-source revenues, there was an increase in the amount of \$5.9 million for provincial own-source revenues in Prior Year's Adjustments for a total increase of \$90.3 million.

**Federal Revenue**

Equalization Payments increased in the amount of \$44.6 million. Other minor adjustments brought the increase in current federal source revenues to \$45.7 million. In addition, the federal source revenues from Prior Years' Adjustments was \$70.1 million which brings the total actual change in federal source revenues from the original budget estimate to \$115.8 million.

**SUMMARY of NET PROGRAM EXPENDITURES**

*for the Fiscal Year Ending March 31, 1998*

*(\$ thousands)*

	<b>1997-98 Budget</b>	<b>1997-98 Actual</b>	Favourable/ (Unfavourable) <b>Change from Budget</b>
Agriculture and Marketing	32,102	33,480	(1,378)
Business and Consumer Services	38,063	38,565	(502)
Community Services	548,245	556,825	(8,580)
Economic Development and Tourism	72,863	86,931	(14,068)
Education and Culture/Universities	954,743	954,629	114
Environment	18,053	17,019	1,034
Finance	9,666	9,430	236
Fisheries	6,144	6,355	(211)
Health	1,286,097	1,426,686	(140,589)
Housing and Municipal Affairs	103,263	96,864	6,399
Human Resources	4,032	4,003	29
Justice	75,257	75,257	---
Labour	10,838	24,145	(13,307)
Natural Resources	57,299	59,528	(2,229)
Public Service	47,406	55,822	(8,416)
Transportation and Public Works	255,841	263,180	(7,339)
Unallocated Recoveries	(42,000)	(20,134)	(21,866)
<b>Total - Net Program Expenditures</b>	<b>3,477,912</b>	<b>3,688,585</b>	<b>(210,673)</b>

Comprised of:	Current Account	3,305,270	3,526,516	(221,246)
	Capital Account	172,642	162,069	10,573

**Net Program Expenditures**

Net Program Expenditures (Current and Capital) are \$233.4 million more than estimated at the beginning of the fiscal year. The majority of the extra expenditures went to the area of health care. An additional \$140.6 million was allocated to health care for improvements in many areas including regional health services, doctor's services, home care and pharmacare. Accounting adjustments to realize the full extent of outstanding liabilities was responsible for a \$13.3 million increase in the Department of Labour. A similar issue with respect to the provision for a write down of an industrial development loan was the major factor in a \$14.1 million increase in the budget for Economic Development and Tourism. Community Services continued to face pressures to meet the needs of children and family services. As a result its spending increased by \$8.6 million. In addition the cost of by-elections and the general election was the main cause of the \$8.4 million increase the budgets of the Public Service appropriations. Transportation and Public Works increased its budget by \$7.4 million. The largest single factor in that area was a series of unexpected late winter storms.

**DEBT MANAGEMENT SUMMARY**

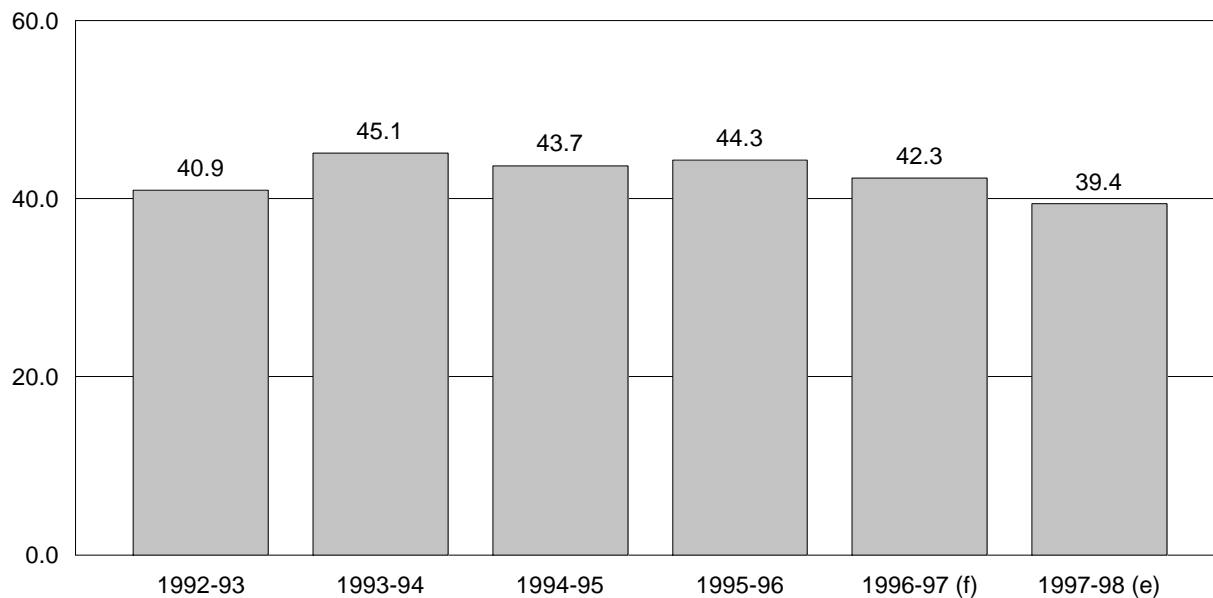
**Debt Refinancing Program**

As a result of a favourable interest climate for much of 1997-98, the province embarked upon one of the largest refinancing efforts in its history. A total of \$1.8 billion was raised to pay off debt that was maturing or had been called early and to contribute to its sinking fund for the future repayment of debt.

**Net Debt Servicing Costs**

Debt servicing costs were \$57.4 million lower than the original budget estimate. This was largely due to lower than estimated interest rates through much of 1997-98. The province was also able to obtain a better than estimated return on Sinking Fund Earnings for an additional \$4.5 million in revenue. As a result, the Net Debt Servicing costs declined by \$61.9 million.

*Net Direct Debt as a Percentage of  
Gross Domestic Product  
(per cent)*



For more information contact:

Nova Scotia Department of Finance,  
P.O. Box 187  
Halifax, N.S., B3J 2N3  
E-Mail address: [infofinance@gov.ns.ca](mailto:infofinance@gov.ns.ca)  
InterNet Address: <http://www.gov.ns.ca/fina/>