

# 3<sup>rd</sup> Quarter Financial Report

February, 2002



SASKATCHEWAN  
The Hon. Eric Cline  
Minister of Finance

# FINANCIAL OVERVIEW

## 2001-02 Financial Summary

	Budget Estimate	Mid-Year Projection	Third Quarter Forecast	Change from	
				Budget	Mid-year
<i>(\$Millions)</i>					
Revenue	6,041.7	5,938.0	5,889.6	-152.1	-48.4
Operating Spending	5,662.1	5,665.6	5,747.5	85.4	81.9
Operating Surplus	379.6	272.4	142.1	-237.5	-130.3
Interest Costs	640.5	630.5	620.5	-20.0	-10.0
Balance before FSF Transfer	-260.9	-358.1	-478.4	-217.5	-120.3
FSF Transfer	263.7	358.7	478.7	215.0	120.0
<b>Surplus</b>	<b>2.8</b>	<b>0.6</b>	<b>0.3</b>	<b>-2.5</b>	<b>-0.3</b>

### At mid-year:

- Total revenue was down \$103.7 million from Budget, primarily reflecting a \$32 million reduction in natural gas revenue and a \$76 million reduction in equalization;
- Operating spending was up \$3.5 million, with many of the increases in "uncontrollable" areas or resulting from discrete decisions and decreases reflecting reduced utilization;
- Interest costs were down \$10 million, primarily reflecting lower rates; and,
- The Fiscal Stabilization Fund transfer was increased by \$95 million to produce a thin surplus of \$0.6 million.

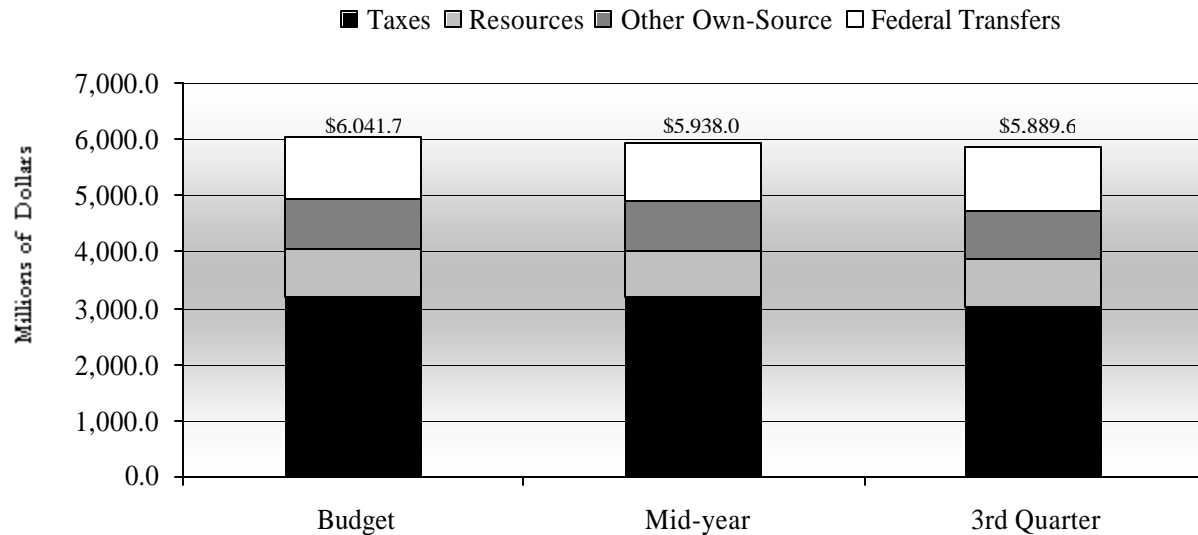
### The 3rd Quarter forecast reveals:

- A further \$48.4 million deterioration in revenue due to lower economic activity;
- Operating spending up \$81.9 million from the mid-year;
- A further \$10 million decline in interest costs - a saving of \$20 million relative to the Budget; and,
- A \$120 million increase in the Fiscal Stabilization Fund transfer - bringing the total transfer in 2001-02 to \$478.7 million, leaving \$296.3 million in the Fund.

Government debt is forecast to decrease from mid-year by \$69.6 million primarily due to an increase in cash requirements due to falling revenues and the equity repayment to the General Revenue Fund of \$120 million as a result of the Crown Investment Corporation sale of Cameco Corporation shares.

# REVENUE UPDATE

## Comparison of 2001-02 Revenue by Category



At mid-year, provincial government revenue was projected to be down \$103.7 million, or 1.7%, from the 2001-02 Budget level. Provincial revenue is forecast to be down a further \$48.4 million from mid-year, bringing the decline from the Budget estimate to \$152.1 million or 2.5%.

Taxes are forecast to be \$151.4 million, or 4.8%, lower than at mid-year.

- Corporation Income Tax is forecast to be down \$134.4 million, primarily reflecting weaker national and Saskatchewan corporate taxable income information.
- Consumption taxes – sales tax, fuel tax and tobacco tax – are forecast to be down \$27.6 million.
- Corporation Capital Tax is forecast to be down \$5.0 million due to reduced oil and natural gas prices.
- Individual Income Tax is forecast to be up \$15.6 million, primarily reflecting slightly stronger national and Saskatchewan personal taxable income information.

Non-renewable resource revenue is forecast to be \$21.7 million lower than at mid-year.

- Natural Gas revenue is forecast to be down \$8.5 million, primarily reflecting declines in production and price assumptions. Over the course of 2001-02, production estimates have declined by 2.2% and the price assumption has been reduced to \$3.70/GJ, slightly down from \$3.71/GJ at mid-year and down from the Budget assumption of \$4.52/GJ.
- Oil revenue is forecast to be down \$13.3 million, reflecting reductions in revenue due to declining average annual WTI price assumptions (falling to \$23.47US/bbl from \$24.61US/bbl at mid-year), partially offset by a lower exchange rate and a 1.8% higher production estimate.

Other own-source revenue is forecast to be down \$6.8 million on a combined basis, primarily reflecting reduced interest revenue and reduced forestry revenue.

Transfers from the Government of Canada are projected to be up \$131.5 million from mid-year.

- Equalization payments are projected to be up \$133.0 million, primarily reflecting higher entitlements resulting from declines in corporate taxable income and from revised economic information.

# EXPENDITURE UPDATE

At mid-year, provincial government expenditure was projected to be down \$6.5 million from the 2001-02 Budget level. Three quarters of the way through fiscal 2001-02, provincial government expenditure is forecast to be up \$71.9 million from mid-year, or \$65.4 million from the Budget estimate.

Three quarters of the way through fiscal 2001-02, operating expenditures are projected to be up \$81.9 million, or 1.4%, from mid-year. \$70.0 million of this increase is attributable to a single item - a change in the accounting treatment of the Canadian Farm Income Program. Setting aside the impact of this accounting treatment change, operating expenditure is forecast to be up \$11.9 million relative to mid-year.

Operating spending increases are forecast in 10 of the 31 votes, with the largest increases concentrated in six areas.

- Health is forecasting an increase of \$6.7 million due largely to increased health district funding to manage projected district deficits.
- Economic and Co-operative Development is projecting an increase of \$1.6 million due primarily to additional funding required as part of the Western Economic Partnership Agreement with the federal government.
- Intergovernmental and Aboriginal Affairs is forecasting an increase of \$1.5 million due mostly to higher-than-projected gaming revenue.
- Justice is forecasting an increase of \$1.5 million due mainly to higher costs in adult correctional centres.
- Finance is projecting an increase of \$1.3 million due to a decision to gross budget the administrative costs for the mandatory photo identification program administered by SGI.
- Saskatchewan Environment and Resource Management is forecasting an increase of \$1.1 million due mainly to increased costs for forest fire management.

Operating spending is projected to be down \$2.1 million from the mid-year forecast in 11 of the 31 votes.

The remaining 10 votes have not changed from the mid-year forecast.

Interest costs are projected to be \$10.0 million lower than the mid-year forecast due to further savings realized on current year financing as a result of lower-than-projected interest rates.

# BORROWING AND DEBT UPDATE

The debt of the General Revenue Fund (GRF) consists of:

- Gross Debt - the amount of money owed to lenders; plus
- Guaranteed Debt - the debt of the Crown corporations and others that the Province has promised to repay if they are unable to do so; less
- Sinking Funds - the amount of money which has been set aside for the repayment of debt.

## Summary of Debt as at March 31, 2002

	Budget Estimate	Mid-Year Projection	Third Quarter Forecast	Change from	
				Budget	Mid-year
<i>(\$Millions)</i>					
Government Debt	7,624.1	7,872.0	7,802.4	178.3	(69.6)
Crown Corporation Debt	3,520.9	3,664.6	3,647.0	126.1	(17.6)
<b>Total Debt</b>	<b>\$ 11,145.0</b>	<b>\$ 11,536.6</b>	<b>\$ 11,449.4</b>	<b>\$ 304.4</b>	<b>\$ (87.2)</b>

The Province borrows for government and Crown corporations. Crown corporations are responsible for the principal and interest payments on their debt. Crown Corporation debt is incurred in the normal course of business, primarily for investment in infrastructure and business development initiatives, which provide revenue streams to service the debt.

At mid-year, government debt was forecast to increase by \$247.9 million over the Budget Estimate primarily due to:

- As the Canadian dollar depreciates against the U.S. dollar, the value of the Province's U.S. dollar debt increases. The 2001-02 Budget assumed a 65.29 cent Canadian dollar; the Mid-Year and 3rd Quarter forecasts are based on a 62.42 cent Canadian dollar. This change increases government debt by \$70.5 million.
- Certain entities maintain deposits with the GRF. As funds are withdrawn from these deposits, the government must borrow to replace these funds, therefore increasing debt. The Mid-Year forecast showed an increase in the funds required by the Saskatchewan Crop Insurance Corporation (\$100.3 million) and the Fiscal Stabilization Fund (\$95.0 million).

The 3rd Quarter forecast shows a decrease in government debt of \$69.6 million primarily due to:

- An increase in the withdrawal from the Fiscal Stabilization Fund of \$120.0 million, offset by;
- An Crown Investment Corporation equity repayment of \$120.0 million as a result of Crown Investment Corporation's sale of Cameco Corporation shares<sup>1</sup>; and
- A \$70.0 million increase in the amount held in the Canadian Farm Income Program account with the GRF.

<sup>1</sup> The final level of the equity repayment is still pending.

# FINANCIAL TABLES

**2001-02 Third Quarter Financial Report**  
**Province of Saskatchewan**  
**General Revenue Fund**  
**Statement of Revenue**

	Budget Estimate	Mid-Year Projection	Third Quarter Forecast	Change from	
				Budget	Mid-year
<i>(In Thousands of Dollars)</i>					
Corporation Capital	\$ 367,700	\$ 375,000	\$ 370,000	\$ 2,300	\$ (5,000)
Corporation Income	273,100	271,000	136,600	(136,500)	(134,400)
Fuel	367,700	360,000	355,000	(12,700)	(5,000)
Individual Income	1,184,900	1,181,800	1,197,400	12,500	15,600
Sales	795,500	795,500	775,500	(20,000)	(20,000)
Tobacco	124,600	124,600	122,000	(2,600)	(2,600)
Other	65,000	65,000	65,000	0	0
<b>Taxes</b>	<b>\$ 3,178,500</b>	<b>\$ 3,172,900</b>	<b>\$ 3,021,500</b>	<b>\$(157,000)</b>	<b>\$ (151,400)</b>
Natural Gas	\$ 167,900	\$ 135,900	\$ 127,400	\$ (40,500)	\$ (8,500)
Oil	511,500	510,000	496,700	(14,800)	(13,300)
Potash	160,900	160,900	161,000	100	100
Other	37,000	39,600	39,600	2,600	0
<b>Non-Renewable Resources</b>	<b>\$ 877,300</b>	<b>\$ 846,400</b>	<b>\$ 824,700</b>	<b>\$ (52,600)</b>	<b>\$ (21,700)</b>
Crown Investments					
Corporation of Saskatchewan	\$ 200,000	\$ 200,000	\$ 200,000	\$ 0	\$ 0
Saskatchewan Liquor and Gaming Authority	312,700	316,600	317,700	5,000	1,100
Other Enterprises and Funds	45,000	44,500	45,200	200	700
<b>Transfers from Crown Entities</b>	<b>\$ 557,700</b>	<b>\$ 561,100</b>	<b>\$ 562,900</b>	<b>\$ 5,200</b>	<b>\$ 1,800</b>
Fines, Forfeits and Penalties	\$ 14,100	\$ 14,400	\$ 14,900	\$ 800	\$ 500
Interest, Premium, Discount and Exchange	47,300	45,200	41,500	(5,800)	(3,700)
Motor Vehicle Fees	112,700	112,700	114,000	1,300	1,300
Other Licences and Permits	47,500	47,500	39,800	(7,700)	(7,700)
Sales, Services and Service Fees	69,200	69,500	69,500	300	0
Transfers from Other Governments	17,500	16,100	16,100	(1,400)	0
Other	12,100	14,400	15,400	3,300	1,000
<b>Other Revenue</b>	<b>\$ 320,400</b>	<b>\$ 319,800</b>	<b>\$ 311,200</b>	<b>\$ (9,200)</b>	<b>\$ (8,600)</b>
<b>Own-Source Revenue</b>	<b>\$ 4,933,900</b>	<b>\$ 4,900,200</b>	<b>\$ 4,720,300</b>	<b>\$(213,600)</b>	<b>\$(179,900)</b>
Canada Health and Social Transfer	\$ 594,000	\$ 598,500	\$ 598,500	\$ 4,500	\$ 0
Equalization Payments	377,000	301,200	434,200	57,200	133,000
Other	136,800	138,100	136,600	(200)	(1,500)
<b>Transfers from the Government of Canada</b>	<b>\$ 1,107,800</b>	<b>\$ 1,037,800</b>	<b>\$ 1,169,300</b>	<b>\$ 61,500</b>	<b>\$ 131,500</b>
<b>Revenue</b>	<b>\$ 6,041,700</b>	<b>\$ 5,938,000</b>	<b>\$ 5,889,600</b>	<b>\$(152,100)</b>	<b>\$ (48,400)</b>

**2001-02 Third Quarter Financial Report**  
**Province of Saskatchewan**  
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**Statement of Expenditure**

	Budget Estimate	Mid-Year Projection	Third Quarter Forecast	Change from	
				Budget	Mid-year
<i>(In Thousands of Dollars)</i>					
<b>Executive Branch of Government</b>					
Agriculture and Food	\$ 337,103	\$ 333,603	\$ 403,603	\$ 66,500	\$ 70,000
Centenary Fund	30,000	30,000	30,000	0	0
Culture, Youth and Recreation	29,709	25,611	25,392	(4,317)	(219)
Economic and					
Co-operative Development	67,896	69,642	71,247	3,351	1,605
Education	521,543	520,938	520,938	(605)	0
– Teachers' Pensions and Benefits	93,380	101,689	101,689	8,309	0
Energy and Mines	30,301	30,726	30,301	0	(425)
Environment and Resource					
Management	130,022	136,416	137,524	7,502	1,108
– Forest Fire Contingency	40,000	40,000	40,000	0	0
Executive Council	7,707	7,630	7,630	(77)	0
Finance	36,823	36,283	37,583	760	1,300
– Pensions and Benefits	175,495	177,649	177,164	1,669	(485)
Health	2,207,228	2,198,296	2,204,983	(2,245)	6,687
Highways and Transportation	311,692	311,692	311,085	(607)	(607)
Intergovernmental and					
Aboriginal Affairs	46,422	51,176	52,667	6,245	1,491
Justice	235,376	238,440	239,918	4,542	1,478
Labour	13,408	13,373	13,408	0	35
Municipal Affairs and Housing	170,778	170,547	171,318	540	771
Post-Secondary Education					
and Skills Training	511,486	508,946	508,926	(2,560)	(20)
Public Service Commission	8,965	9,211	9,145	180	(66)
Rural Revitalization Office	800	792	792	(8)	0
Saskatchewan Municipal Board	1,101	1,090	1,090	(11)	0
Saskatchewan Property					
Management Corporation	21,719	24,502	24,502	2,783	0
Saskatchewan Research Council	8,390	8,390	8,390	0	0
Saskatchewan Water Corporation	8,810	8,722	8,722	(88)	0
Social Services	588,492	582,690	582,340	(6,152)	(350)
Women's Secretariat	1,183	1,171	1,171	(12)	0
<b>Legislative Branch of Government</b>					
Chief Electoral Officer	710	859	861	151	2
Conflict of Interest Commissioner	122	115	101	(21)	(14)
Information and Privacy Commissioner	105	97	87	(18)	(10)
Legislative Assembly	17,571	17,479	17,294	(277)	(185)
Ombudsman and Children's Advocate	2,651	2,696	2,651	0	(45)
Provincial Auditor	5,136	5,136	5,011	(125)	(125)
<b>Operating Expenditure</b>	<b>\$ 5,662,124</b>	<b>\$ 5,665,607</b>	<b>\$ 5,747,533</b>	<b>\$ 85,409</b>	<b>\$ 81,926</b>
<b>Servicing the Public Debt</b>	<b>\$ 640,500</b>	<b>\$ 630,500</b>	<b>\$ 620,500</b>	<b>\$ (20,000)</b>	<b>\$ (10,000)</b>
<b>Expenditure</b>	<b>\$ 6,302,624</b>	<b>\$ 6,296,107</b>	<b>\$ 6,368,033</b>	<b>\$ 65,409</b>	<b>\$ 71,926</b>



**2001-02 Third Quarter Financial Report**  
**Province of Saskatchewan**  
**General Revenue Fund**  
**Statement of Debt**  
**As at March 31**

	Budget Estimate	Mid-Year Projection	Third Quarter Forecast	Change from	
				Budget	Mid-year
<b>Gross Debt</b>					
<i>(In Thousands of Dollars)</i>					
<b>Crown Corporation Debt</b>					
Agricultural Credit Corp.	\$ 46,951	\$ 45,751	\$ 45,751	\$ (1,200)	\$ –
Crown Investments Corp.	175,027	175,027	175,027	–	–
Information Services Corp.	32,400	55,000	55,000	22,600	–
Municipal Financing Corp.	24,575	24,575	24,575	–	–
Sask. Housing Corp.	166,459	166,459	139,959	(26,500)	(26,500)
Sask. Opportunities Corp.	193,406	166,491	168,265	(25,141)	1,774
SaskPower	1,845,351	2,012,987	2,012,987	167,636	–
Sask. Property Management	–	–	5,500	5,500	5,500
SaskTel	480,272	486,522	464,322	(15,950)	(22,200)
SaskWater	49,184	44,193	44,193	(4,991)	–
SaskEnergy	778,516	763,487	788,687	10,171	25,200
Crown Corporation Debt	\$ 3,792,141	\$ 3,940,492	\$ 3,924,266	\$ 132,125	\$ (16,226)
<b>Government Debt</b>	7,994,605	8,242,619	8,174,284	179,679	(68,335)
Gross Debt	\$ 11,786,746	\$ 12,183,111	\$12,098,550	\$ 311,804	\$ (84,561)
<b>Guaranteed Debt</b>					
Crown Corporations	\$ 36,607	\$ 36,607	\$ 35,258	\$ (1,349)	\$ (1,349)
Other	217,809	231,641	230,344	12,535	(1,297)
Guaranteed Debt	\$ 254,416	\$ 268,248	\$ 265,602	\$ 11,186	\$ (2,646)
<b>Less: Equity in Sinking Funds</b>					
Crown Corporations	\$ 307,830	\$ 312,500	\$ 312,500	\$ 4,670	\$ –
Government	588,362	602,271	602,271	13,909	–
Equity in Sinking Funds	\$ 896,192	\$ 914,771	\$ 914,771	\$ 18,579	\$ –
<b>Total Debt</b>	<b>\$ 11,144,970</b>	<b>\$ 11,536,588</b>	<b>\$11,449,381</b>	<b>\$ 304,411</b>	<b>\$ (87,207)</b>
<b>Crown Corporation Debt</b>	\$ 3,520,918	\$ 3,664,599	\$ 3,647,024	\$ 126,106	\$ (17,575)
<b>Government Debt</b>	\$ 7,624,052	\$ 7,871,989	\$ 7,802,357	\$ 178,305	\$ (69,632)
<b>Total Debt</b>	<b>\$ 11,144,970</b>	<b>\$ 11,536,588</b>	<b>\$11,449,381</b>	<b>\$ 304,411</b>	<b>\$ (87,207)</b>