

1st Quarter Financial Report



SASKATCHEWAN
The Hon. Eric Cline
Minister of Finance

FINANCIAL OUTLOOK

The First Quarter forecast reveals, relative to the Budget:

- A \$24.3 million reduction in revenue;
- A \$57.0 million increase in operating spending;
- No change in interest costs; and,
- An \$81.4 million increase in the Fiscal Stabilization Fund transfer – bringing the total transfer in 2002-03 to \$306.4 million, leaving \$188.6 million in the Fund.

2002-03 Financial Summary

	Budget Appropriation*	1st Quarter Forecast	Change from Budget
Revenue	6,094.3	6,070.0	-24.3
Operating Spending	5,686.3	5,743.3	57.0
Operating Surplus	408.0	326.7	-81.3
Interest Costs	633.0	633.0	0.0
Balance before FSF Transfer	-225.0	-306.3	-81.3
FSF Transfer	225.0	306.4	81.4
Surplus	0.0	0.1	0.1

* *The Appropriation Act, 2002* (No. 4) reduced the Estimate for Highways and Transportation by \$7.4 million and increased the Estimate for Health by \$7.4 million.

GRF revenue is projected to be \$24.3 million lower than the Budget estimate. The most significant changes are projected for oil revenue and equalization payments.

- Oil revenue is currently projected to be \$164.0 million higher than the Budget estimate, primarily reflecting higher prices and a narrowing of the light-heavy differential, partially offset by a decrease in production.
- Equalization payments are currently projected to be \$189.0 million lower than the Budget estimate, primarily reflecting increased non-renewable resource revenue in both 2001-02 and 2002-03.

In addition, natural gas revenue is currently projected to be \$26.2 million higher than the Budget estimate, primarily reflecting higher prices and production levels; whereas, potash revenue is currently projected to be \$19.4 million lower than the Budget estimate, primarily reflecting the higher US/Canadian dollar exchange rate.

There are a number of other, smaller, changes to the revenue outlook, primarily reflecting changes in activity levels.

GRF operating spending is projected to be \$57.0 million higher than the Appropriation level. The most significant changes are projected for the Departments of Agriculture, Food and Rural Revitalization, Health and Environment.

- Agriculture, Food and Rural Revitalization is currently projected to be \$25.4 million over the Appropriation level, reflecting assistance to Saskatchewan livestock producers impacted by drought conditions.
- Health is currently projected to be \$14.3 million over the Appropriation level, reflecting the increased expenditure on the drug plan, primarily due to increased use of prescription medications, particularly newer, more expensive products. Previously, the Regional Health Services and Support subvote was increased by \$7.4 million to offset the cost of reversing the proposed changes to long-term care fees.
- Environment is currently projected to be \$14.0 million over the Appropriation level, reflecting higher-than-anticipated costs for forest fire management and the firefighting assistance to municipalities.

Spending is currently projected to be over the Appropriation level in three other areas:

- Learning is projected to be \$3.0 million over the Appropriation level, reflecting increased costs for one-time costs to consolidate the Department's operations in Regina from the current seven locations into four.
- Governmental Relations and Aboriginal Affairs is projected to be \$1.5 million over the Appropriation level, reflecting unanticipated payments related to the 2002 Gaming Framework Agreement related to Saskatchewan Indian Gaming Licensing, the First Nations Addiction Rehabilitation Foundation and the Federation of Saskatchewan Indian Nations.
- The Chief Electoral Officer is projected to be \$0.2 million over the Appropriation level, reflecting the pending by-election in the Kindersley riding.

Spending is currently projected to be under the Appropriation level in one area:

- Social Services is projected to be \$1.3 million under the Appropriation level, primarily reflecting lower-than-expected utilization of income support programs.

The Estimate for Highways and Transportation was reduced by \$7.4 million to offset the cost of reversing the proposed change to long-term care fees.

Interest costs are currently projected to be at the Budget level.

The transfer from the Fiscal Stabilization Fund has been increased by \$81.4 million to offset the net decrease in revenue and net increase in operating spending.

In the 2002-03 Budget, it was estimated there would be \$364.3 million remaining in the Fiscal Stabilization Fund at the end of 2001-02 and \$225.0 million of this would be required to deliver a balanced GRF budget in 2002-03, leaving \$139.3 million available to be used in 2003-04.

The 2001-02 Public Accounts report there was actually \$495.0 million remaining in the Fiscal Stabilization Fund at the end of 2001-02. It is currently projected that \$306.4 million will be required to deliver a balanced GRF budget in 2002-03, leaving \$188.6 million available to be used for other purposes in the current year and/or in the future.

BORROWING AND DEBT UPDATE

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

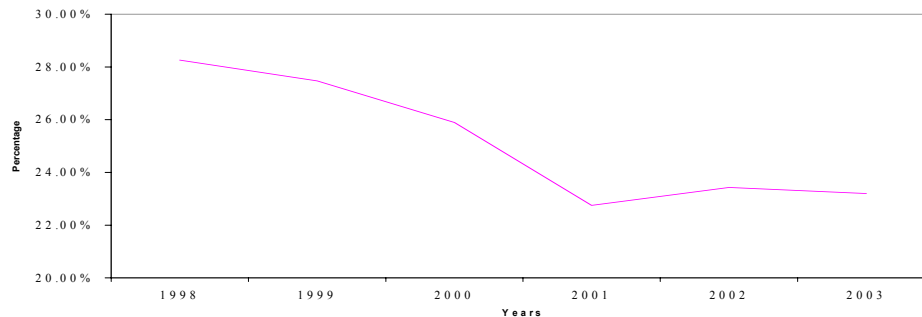
- Gross Debt – the amount of money owed to lenders; plus
- Guaranteed Debt – the debt of the Crown corporations and others that the Province has promised to repay if they are unable to do so; less
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

Summary of Debt As at March 31, 2003

	Budget Estimate	1 st Quarter Forecast	Change from Budget
Government Debt	\$ 7,756.9	\$ 7,888.7	\$ 131.8
Crown Corporation Debt	3,656.2	3,570.8	(85.4)
Total Debt	\$ 11,413.1	\$ 11,459.5	\$ 46.4

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.

General Government Debt as a % of GDP



The First Quarter forecast shows an increase in Government debt of \$131.8 million over the Budget Estimate primarily due to an increase in guaranteed debt of \$30.6 million due to agricultural loan guarantees, a \$34.0 million forecast withdrawal from the Forest Fire Contingency Fund and a \$67.2 million decrease in other cash sources, such as working capital.

The First Quarter forecast does not include potential impacts on Crop Insurance deposits in the GRF resulting from the current drought in Saskatchewan. Major Crop Insurance claims can substantially affect Government debt. For example, last year Crop Insurance claims totaled \$330.0 million, resulting in an \$85.0 million decrease in Crop Insurance deposits with the GRF.

FINANCIAL TABLES

2002-03 First Quarter Financial Report
Province of Saskatchewan
General Revenue Fund
Statement of Revenue

	Budget Estimate	Current Projection	Change
(in Thousands of Dollars)			
Corporation Capital	\$ 340,200	\$ 340,200	\$ 0
Corporation Income	118,500	118,500	0
Fuel	357,700	357,700	0
Individual Income	1,165,500	1,165,500	0
Sales	826,900	821,900	(5,000)
Tobacco	182,500	177,500	(5,000)
Other	66,200	72,100	5,900
Taxes	\$ 3,057,500	\$ 3,053,400	\$ (4,100)
Natural Gas	\$ 87,000	\$ 113,200	\$ 26,200
Oil	383,000	547,000	164,000
Potash	202,600	183,200	(19,400)
Other	38,200	40,600	2,400
Non-Renewable Resources	\$ 710,800	\$ 884,000	\$ 173,200
Crown Investments Corporation of Saskatchewan	\$ 300,000	\$ 300,000	\$ 0
Saskatchewan Liquor and Gaming Authority	332,000	330,000	(2,000)
Other Enterprises and Funds	73,600	73,600	0
Transfers from Crown Entities	\$ 705,600	\$ 703,600	\$ (2,000)
Fines, Forfeits and Penalties	\$ 13,700	\$ 13,700	\$ 0
Interest, Premium, Discount and Exchange	43,000	43,000	0
Motor Vehicle Fees	116,900	116,900	0
Other Licences and Permits	41,800	41,800	0
Sales, Services and Service Fees	68,300	68,900	600
Transfers from Other Governments	14,100	14,100	0
Other	21,200	16,200	(5,000)
Other Revenue	\$ 319,000	\$ 314,600	\$ (4,400)
Own-Source Revenue	\$ 4,792,900	\$ 4,955,600	\$ 162,700
Canada Health and Social Transfer	\$ 638,300	\$ 638,300	\$ 0
Equalization Payments	530,700	341,700	(189,000)
Other	132,400	134,400	2,000
Transfers from the Government of Canada	\$ 1,301,400	\$ 1,114,400	\$ (187,000)
Revenue	\$ 6,094,300	\$ 6,070,000	\$ (24,300)

2002-03 First Quarter Financial Report
Province of Saskatchewan
General Revenue Fund
Statement of Expenditure

	2002-03		Current		Change
	Appropriation*		Projection		
(in Thousands of Dollars)					
Executive Branch of Government					
Agriculture, Food and Rural Revitalization	\$ 291,665	\$	317,065	\$	25,400
Centenary Fund	29,500		29,500		0
Corrections and Public Safety	108,543		108,543		0
Culture, Youth and Recreation	42,888		42,888		0
Environment	130,876		144,916		14,040
Executive Council	7,436		7,436		0
Finance	38,572		38,572		0
- Public Service Pensions and Benefits	188,713		188,713		0
Governmental Relations and Aboriginal Affairs	173,600		175,074		1,474
Health	2,342,416		2,356,716		14,300
Highways and Transportation	292,900		292,900		0
Industry and Resources	87,107		87,107		0
Justice	184,206		184,206		0
Labour	13,834		13,834		0
Learning	969,176		972,166		2,990
- Teachers' Pensions and Benefits	105,398		105,398		0
Public Service Commission	8,614		8,614		0
Saskatchewan Property Management Corporation	21,613		21,613		0
Saskatchewan Water Corporation	7,747		7,747		0
Social Services	614,314		613,014		(1,300)
Legislative Branch of Government					
Chief Electoral Officer	811		961		150
Conflict of Interest Commissioner	122		122		0
Information and Privacy Commissioner	105		105		0
Legislative Assembly	17,721		17,721		0
Ombudsman and Children's Advocate	2,651		2,651		0
Provincial Auditor	5,727		5,727		0
Operating Expenditure	\$ 5,686,255	\$	5,743,309	\$	57,054
Servicing the Public Debt	633,000		633,000		0
Expenditure	\$ 6,319,255	\$	6,376,309	\$	57,054

* The amounts in *The Appropriation Act, 2002 (No.4)* differed from the 2002-03 Estimates for Health and Highways and Transportation. *The Appropriation Act, 2002 (No.4)* reduced the Estimate for Highways and Transportation by \$7.4 million and increased the Estimate for Health by \$7.4 million.

2002-03 First Quarter Financial Report**Province of Saskatchewan****General Revenue Fund****Statement of Debt**

As at March 31

	Budget Estimate	1st Quarter Forecast	Change
Gross Debt	<i>(In Thousands of Dollars)</i>		
Crown Corporation Debt			
Agricultural Credit Corporation of Saskatchewan	\$ 34,751	\$ 28,351	\$ (6,400)
Crown Investments Corporation of Saskatchewan	40,419	40,419	-
Education Infrastructure Financing Corporation	85,749	52,000	(33,749)
Information Services Corporation of Saskatchewan	62,000	66,000	4,000
Municipal Financing Corporation of Saskatchewan	13,391	13,391	-
Saskatchewan Housing Corporation	110,504	110,504	-
Saskatchewan Opportunities Corporation	168,765	163,699	(5,066)
Saskatchewan Power Corporation	1,934,287	1,973,619	39,332
Saskatchewan Property Management Corporation	5,500	5,500	-
Saskatchewan Telecommunications Holding Corporation	558,922	476,762	(82,160)
Saskatchewan Water Corporation	54,324	50,645	(3,679)
SaskEnergy Incorporated	747,487	745,686	(1,801)
Crown Corporation Debt	\$ 3,816,099	\$ 3,726,576	\$ (89,523)
Government Debt	8,275,465	8,376,460	100,995
Gross Debt	\$ 12,091,564	\$ 12,103,036	\$ 11,472
Guaranteed Debt			
Crown Corporations	\$ 27,938	\$ 27,938	-
Other	183,216	203,077	19,861
Guaranteed Debt	\$ 211,154	\$ 231,015	\$ 19,861
Less: Equity in Sinking Funds			
Crown Corporations	\$ 187,761	\$ 183,723	\$ (4,038)
Government	701,825	690,803	(11,022)
Equity in Sinking Funds	\$ 889,586	\$ 874,526	\$ (15,060)
Total Debt	\$ 11,413,132	\$ 11,459,525	\$ 46,393
Crown Corporation Debt	\$ 3,656,276	\$ 3,570,791	\$ (85,485)
Government Debt	7,756,856	7,888,734	131,878
Total Debt	\$ 11,413,132	\$ 11,459,525	\$ 46,393