

Backgrounder

2006-07 Public Accounts Vol. 1

Volume 1 of the 2006-07 Public Accounts provides the year-end financial statements for the Government of Saskatchewan.

GENERAL REVENUE FUND (GRF)

A. KEY FACTS

- **\$293 million** – surplus remaining in the General Revenue Fund, to be allocated to debt reduction in 2007-08. This is the 13th consecutive balanced budget in the GRF.
- **\$916 million** – increase in revenue from Budget, largely due to taxation and natural resource revenue.
- **\$558 million** (8%) – increase in spending from Budget.
- **\$13 million** – decrease in interest costs from Budget.
- **\$10.8 billion** – GRF total debt at year-end, the lowest level in 20 years.
- **\$888 million** – current Fiscal Stabilization Fund (FSF) balance, which provides for multi-year commitments and other priority areas.
- **\$105 million** – current Saskatchewan Infrastructure Fund (SIF) balance, which provides support for public infrastructure.

B. REVENUE DETAILS

- **\$0.9 billion (\$916 million** or 12%) increase from budget in GRF revenue for 2006-07. Increases include:
 - **\$474 million** (12%) increase in taxation revenues with the largest increases recorded for corporation income, individual income and corporation capital tax. Due to strong economy and adjustments for stronger prior years.
 - **\$182 million** (12%) increase in non-renewable resource revenue, mainly oil. Partially offset by decrease in potash (lower export sales).
 - **\$144 million** (42%) increase in other own-source revenue
 - **\$65 million** (5%) increase in transfers from the federal government, mainly related to Bill C-48 (one-time trusts).
- **Breakdown of significant own-source revenue changes over budget:**
 - Oil \$329 million
 - Corporation income \$193 million
 - Individual income tax revenue \$175 million
 - Corporation capital tax revenue \$86 million
 - Potash (\$117 million)
- **How the \$916 million in increased revenue from Budget was allocated:**
 - \$545 million** (total increased expenses)
 - \$191 million** (GRF surplus improvement)
 - \$ 75 million** (FSF improvement)
 - \$105 million** (SIF improvement)
 - \$916 million**

C. EXPENSE DETAILS

1. Overall details - \$558 million (8%) increase in expenses over the 2006-07 Budget. The largest spending increases went to the following departments:

- **Community Resources** -- \$109 million (18%) higher than budgeted for affordable housing initiatives, and federal funding provided under Bill C-48 (Budget: \$602 million; Actual: \$711 million)
- **Agriculture & Food** – \$105 million (40%) higher than budgeted for fully funding the 2006 CAIS program, additional funding under the Agricultural Policy Framework (APF), and the new Unseeded Acreage Program; (Budget: \$265 million; Actual: \$370 million)
- **Advanced Education and Employment** – \$85 million (14%) higher than budgeted, which includes \$73 million for post-secondary capital and \$15 million for training; (Budget: \$604 million; Actual: \$689 million)
- **Learning** – \$72 million (8%) higher than budget for capital projects such as K-12 capital such as schools in Warman, Saskatoon and LaLoche, a North Central Regina centre and training facility, and funding for the Teachers’ Superannuation Plan (Budget: \$906 million; Actual: \$978 million)
- **Corrections and Public Safety** – \$33 million (26%) higher than budgeted largely for costs of redeployed staff, including RCMP costs, during the work stoppage; increased claims under the Provincial Disaster Assistance Program, and increased expenses in Adult Corrections, (Budget: \$130 million; Actual: \$163 million)
- **Health** –\$24 million (1%) higher than budgeted for increased funding for a replacement MRI at Royal University Hospital, Regional Health Authorities and the Saskatchewan Cancer Agency, and increased capital/equipment grants. (Budget: \$3.18 billion; Actual: \$3.20 billion)
- **Property Management commercial operations** - \$63 million higher than budgeted. SPM provides accommodation and transportation services to organizations outside of government and the revenues generated are “netted” against the related expenses, so the expense budget is \$0. For accountability, Public Accounts shows the revenue and expenses separately. (Budget: \$0; Actual: \$63 million)

Two main areas experienced **decreased spending** as compared to budget:

- **Servicing government debt** – \$13 million (2%) below the 2006-07 estimate reflecting rate savings on new debt issues and lower overall borrowing requirements. (Budget: \$551 million; Actual \$538 million)
- **Industry and Resources** – \$24 million (26%) less due to the cancellation of the Maple Leaf Foods agreement and delays in ethanol production which affected the Ethanol Fuel Tax Rebate Program; (Budget: \$91 million; Actual: \$68 million)

2. Spending Increase of \$558 million – broken down by significant increases in one-time and on-going expenses:

GRF Expense Increase 2006-07 Budget to Actual	Share of \$ Millions Increase	
One-time or Non-recurring Spending		
Capital Spending	264	47
Emergency Measures	62	11
Agriculture Funding	42	8
Other	60	11
Total One-time or Non-recurring	428	77
Commercial Operations	68	12
Other Net Changes	62	11
Total Operating Expense	558	100

3. One-time or non-recurring Spending

Capital (\$264 M) - highlights include:

- **\$108.1 million from federal funding (Bill C-48)**
 - \$50.6 million (Community Resources) - Affordable Housing and Off-reserve Aboriginal Housing Trusts, for initiatives in Saskatoon, Regina, Moose Jaw, northern Saskatchewan and a few other cities/towns.
 - \$30.3 million (AEE) - Post-Secondary Education Infrastructure Trust for the University of Regina Laboratory Building, SIAST Palliser Moose Jaw, and a rapid Response Mobile Training Labs
 - \$27.5 million (GR) - Public Transit Trust for public transit systems including Saskatoon, Regina, Moose Jaw and Prince Albert.

- **\$89.5 million to Revitalize Saskatchewan’s Neighbourhoods**
 - \$49.5 million (Community Resources) - inner city housing initiatives in Saskatoon, Regina, Prince Albert, North Battleford, and the North.
 - \$17.0 million (AEE) - integrated training facility at Mount Royal Collegiate in Saskatoon.
 - \$15.0 million (Learning) - multi-service community centre in Regina.
 - \$8.0 million (Health) - Station 20 Neighbourhood Community Service Center in Saskatoon.

- **\$40.6 million for Education Capital**
 - Learning:
 - K-12 Block Funding for minor projects, plus other major projects;
 - Rossignol High/ Joint Use Facility in Ile-a-la-Cross; Warman High School; Centennial Collegiate, Saskatoon; La Loche Community School; and,

- AEE funding for:
 - Universities of Saskatchewan and Regina and Federated Colleges.
- **\$13.9 million for Health Capital**
 - Primarily related to a replacement MRI machine in Royal University Hospital, increased Regional Health Authority equipment grants, and RHA facility studies and upgrades.
- **\$12.1 million for Building Communities program**
 - Funding for Lloydminster, Yorkton , and Swift Current .

Emergency Measures (\$62 M) – highlights include:

- **\$49.7 million for emergency, disaster and flooding measures.** These consist of:
 - flooding and public safety issues related to the transportation system;
 - the Unseeded Acreage program;
 - a downed plane; and,
 - higher-than-expected claims through the Provincial Disaster Assistance Program for 2005-06 and 2006-07.
- **\$12.4 million net expense for the SGEU work stoppage.** (RCMP costs, costs for deployed staff, partially offset by savings.)

Agriculture

- \$34.6 million in additional funding under the Agricultural Policy Framework.
- \$7.3 million for the Saskatchewan Specified Risk Material Management program.

Other (one-time or non-recurring spending) – (\$60M) highlights include:

- statutory funding for the Teachers’ Superannuation Plan;
- Revitalize Saskatchewan’s Neighbourhoods – rent subsidies and funded training for inner city and northern youth in housing and construction repairs
- winter road maintenance for the provincial transportation system
- the completion of the Milgaard Inquiry
- increased RCMP expenses for the Spiritwood manhunt and investigation

4. On-going Expenses

Commercial Operations - \$68 M

- Property Management, Highways and Transportation and Information Technology services provided to third parties.

Other Net Changes - \$62 M

- Program, salary and operating pressures across departments. Significant changes include:
 - fully funding the 2006 CAIS Program;
 - partially offset by a variety of savings.

D. DEBT

The government continues to make great strides in managing debt.

- The \$293 million GRF surplus is planned for debt reduction in 2007-08.
- \$10.8 billion GRF total debt at March 31, 2007 (includes government and Crown debt and guaranteed debt).
- GRF total debt to GDP was 23.7% in March 2007 – the lowest it has been in 25 years.
- GRF government debt to GDP (which excludes Crown debt) was 15.9% in March 2007, the lowest it's been in 20 years.

E. FISCAL STABILIZATION FUND (FSF)

- \$887.5 million balance at the end of 2006-07.
- The 2006-07 Budget estimated a transfer from the FSF of \$75.0 million, but the improved financial situation by mid-year eliminated the need for a transfer.

F. SASKATCHEWAN INFRASTRUCTURE FUND

- Created during the year to support public infrastructure.
- Balance of \$105.1 million is allocated for the Building Communities program (\$87.9 million) and Municipal Infrastructure (\$17.2 million)

SUMMARY FINANCIAL STATEMENTS (SFS)

A. KEY FACTS

The SFS provide an accounting for the full extent of financial activities of the government, including the GRF, Crown corporations and Treasury Board organizations.

- **\$574 million** – SFS surplus, an increase of **\$687 million** over the Budget estimate of a \$113 million deficit, mainly due to improved revenues in the GRF (mainly taxation and oil revenues).