



Department of Finance and Energy

Third Quarter Forecast 2014-2015

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Minister of Finance and Energy
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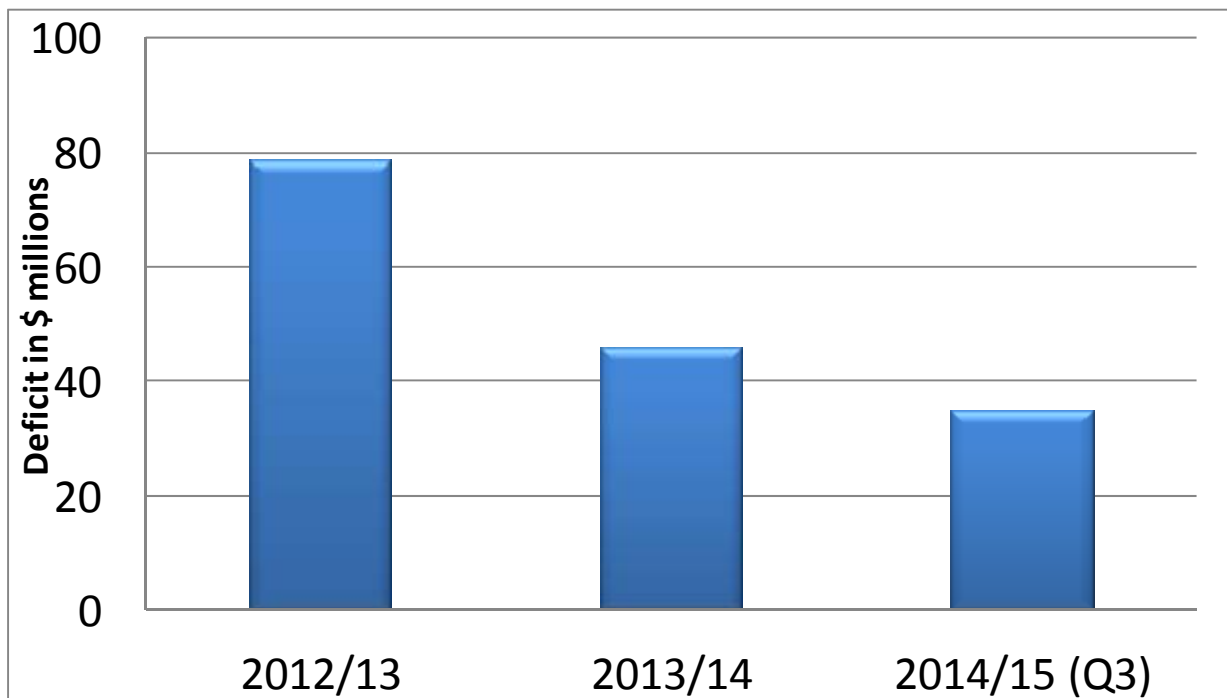
2014-2015 Fiscal Update

Third Quarter Forecast

The Third Quarter Forecast indicates that the Deficit is expected to be \$34.7M, a \$5.0M improvement on the Budgeted Deficit of \$39.7M. The improvement is a result of better performance of Crown Corporations, expenditure control by most Departments and some one-time funding.

The Net Debt is expected to increase by \$51.8M to \$2,151M.

Progress toward a balanced budget



Revenue

Revenue is \$14.6M higher than Budgeted and includes a one-time adjustment of \$35M as a result of the Province joining the Cooperative Capital Markets Regulatory System.

The Agricultural Insurance Corporation is showing a surplus of \$10M which will result in lower premiums for farmers in the future.

Personal Income Tax relative to the budget projection is down by \$3M.

As noted in the Fall, the Province is finding it difficult to access funding under the Federal Base Funding for Infrastructure Program. This results in a revenue shortfall of \$22M.

There is also a shortfall of \$3M in Harmonized Tax Revenue and \$2M in Corporate Income Tax.

Tobacco tax is down by \$2M as a result of lower sales and Gas tax is down by \$1M.

Net Income from the PEI Liquor Control Commission is \$2M less than budgeted.

Expense

Total expenses are up by \$9.6M. This is the result of \$17.2M in extraordinary expenditures offset by expenditure restraint in most Departments.

- An increase of \$10.5M in the Transportation and Infrastructure Renewal expenditures is a reflection of the flooding which occurred in Western PEI in December, as well as increased demands as a result of our harsh winter.
- Employee Benefits costs are \$6.7M higher as a result of improvements to the Plans to ensure they remain sustainable into the future. The improvements have also resulted in higher interest costs.
- Education and Early Childhood Development expenditures are forecast to be \$1.4M higher primarily as a result of more students requiring assistance from the English as an Alternative Language Program and School Board deficits.
- Agriculture and Forestry have reduced expenditures by over \$1M as a result of salary savings and adjustments to programs.
- Environment, Labour and Justice has reduced expenditures by \$.5M primarily from savings on the salary accounts.
- Tourism and Culture savings are a result of reduced expenditures for the 2014 celebrations.

BUDGET SUMMARY

	2014-2015 Budget Estimate \$	2014-2015 Third Quarter Adjustments \$	2014-2015 Third Quarter Forecast \$
REVENUE			
Provincial Own Sources.....	924,046,300	(7,674,700)	916,371,600
Federal Sources.....	633,326,600	14,346,000	647,672,600
Net Consolidated Surplus of Crown Corporations.....	50,522,000	6,660,600	57,182,600
Revenue for Capital Assets.....	9,361,500	1,278,400	10,639,900
Total Revenue.....	1,617,256,400	14,610,300	1,631,866,700
PROGRAM EXPENDITURES			
Program Expenditures.....	1,461,952,400	12,305,500	1,474,257,900
SURPLUS BEFORE INTEREST AND AMORTIZATION.....	155,304,000	2,304,800	157,608,800
INTEREST AND AMORTIZATION			
Interest Charges on Debt.....	128,563,900	247,700	128,811,600
Amortization of Tangible Capital Assets.....	66,407,300	(2,921,000)	63,486,300
Total Interest and Amortization.....	194,971,200	(2,673,300)	192,297,900
CONSOLIDATED DEFICIT.....	(39,667,200)	4,978,100	(34,689,100)

CURRENT REVENUE FROM PROVINCIAL OWN SOURCES

	2014-2015 Budget Estimate	2014-2015 Third Quarter Adjustments	2014-2015 Third Quarter Forecast
	\$	\$	\$
TAXES			
Income Tax - Personal (Net).....	322,005,100	(2,925,300)	319,079,800
Sales Tax (Net).....	250,324,100	(3,077,200)	247,246,900
Real Property Tax.....	107,900,000	900,000	108,800,000
Income Tax - Corporate.....	52,852,000	(1,933,700)	50,918,300
Gasoline Tax.....	36,000,000	(1,351,900)	34,648,100
Health Tax on Tobacco.....	32,000,000	(1,827,900)	30,172,100
Health Tax on Liquor.....	18,100,000	-	18,100,000
Other.....	21,450,000	1,373,000	22,823,000
TOTAL TAXES.....	840,631,200	(8,843,000)	831,788,200
TOTAL LICENSES AND PERMITS.....	30,181,800	127,800	30,309,600
TOTAL FEES AND SERVICES.....	33,705,200	400,700	34,105,900
INVESTMENTS/SINKING FUND.....	16,056,600	339,100	16,395,700
TOTAL OTHER REVENUE.....	3,471,500	300,700	3,772,200
TOTAL PROVINCIAL OWN SOURCES REVENUE.....	924,046,300	(7,674,700)	916,371,600

CURRENT REVENUE FROM GOVERNMENT OF CANADA

	2014-2015 Budget Estimate	2014-2015 Third Quarter Adjustments	2014-2015 Third Quarter Forecast
	\$	\$	\$
CORE FUNDING			
Equalization.....	359,821,000	-	359,821,000
Canada Health Transfer.....	131,225,000	967,000	132,192,000
Canada Social Transfer.....	51,434,000	379,000	51,813,000
TOTAL CORE FUNDING.....	542,480,000	1,346,000	543,826,000
NON-CORE FUNDING			
Labour Market Agreements.....	30,567,700	-	30,567,700
Base Funding for Infrastructure.....	25,000,000	(22,000,000)	3,000,000
Infrastructure - Programs.....	11,415,000	-	11,415,000
Securities.....	-	35,000,000	35,000,000
Other.....	23,863,900	-	23,863,900
TOTAL NON-CORE FUNDING.....	90,846,600	13,000,000	103,846,600
TOTAL REVENUE FROM GOVERNMENT OF CANADA.....	633,326,600	14,346,000	647,672,600

REVENUE SUMMARY BY DEPARTMENT

	2014-2015 Budget Estimate	2014-2015 Third Quarter Adjustments	2014-2015 Third Quarter Forecast
	\$	\$	\$
CURRENT REVENUE			
Agriculture and Forestry	7,594,500	(528,200)	7,066,300
Community Services and Seniors.....	12,353,800	(350,000)	12,003,800
Education and Early Childhood Development.....	5,458,000	600,000	6,058,000
Environment, Labour and Justice.....	37,423,000	600,000	38,023,000
Executive Council.....	587,200	6,300	593,500
Finance, Energy and Municipal Affairs.....	1,425,516,900	6,232,400	1,431,749,300
Employee Benefits.....	186,400	13,500	199,900
Fisheries, Aquaculture and Rural Development.....	46,200	-	46,200
Health and Wellness.....	1,108,200	536,300	1,644,500
Innovation and Advanced Learning.....	33,959,900	(466,200)	33,493,700
Tourism and Culture.....	1,203,300	-	1,203,300
Transportation and Infrastructure Renewal.....	31,315,300	21,500	31,336,800
P.E.I. Public Service Commission.....	620,200	5,700	625,900
TOTAL CURRENT REVENUE.....	1,557,372,900	6,671,300	1,564,044,200
Net Consolidated Surplus of Crown Corporations.....	50,522,000	6,660,600	57,182,600
TOTAL OPERATING REVENUE.....	1,607,894,900	13,331,900	1,621,226,800
REVENUE FOR CAPITAL ASSETS			
Health PEI.....	4,026,500	278,400	4,304,900
Transportation and Infrastructure Renewal.....	5,335,000	1,000,000	6,335,000
TOTAL REVENUE FOR CAPITAL ASSETS.....	9,361,500	1,278,400	10,639,900
TOTAL REVENUE.....	1,617,256,400	14,610,300	1,631,866,700

EXPENDITURE SUMMARY BY DEPARTMENT

	2014-2015 Budget Estimate	2014-2015 Third Quarter Adjustments	2014-2015 Third Quarter Forecast
	\$	\$	\$
CURRENT			
Agriculture and Forestry	36,785,700	(1,028,200)	35,757,500
Community Services and Seniors	96,286,700	(587,700)	95,699,000
Interministerial Women's Secretariat	438,600	-	438,600
Education and Early Childhood Development	232,215,700	1,350,000	233,565,700
Island Regulatory and Appeals Commission	1,200,300	-	1,200,300
Environment, Labour and Justice	62,077,300	(532,700)	61,544,600
Executive Council	9,224,100	(15,900)	9,208,200
Finance, Energy and Municipal Affairs	68,608,800	151,700	68,760,500
Council of Atlantic Premiers	188,400	-	188,400
Employee Benefits	47,432,700	6,691,600	54,124,300
General Government	11,550,000	(2,000,000)	9,550,000
Fisheries, Aquaculture and Rural Development	9,962,100	(150,000)	9,812,100
Employment Development Agency	5,506,800	-	5,506,800
Health and Wellness	12,535,300	60,000	12,595,300
Health PEI	581,134,300	-	581,134,300
Innovation and Advanced Learning	115,711,400	(603,300)	115,108,100
Innovation PEI	24,710,200	(750,000)	23,960,200
Tourism and Culture	17,877,700	(550,000)	17,327,700
Tourism PEI	15,417,300	(50,000)	15,367,300
Transportation and Infrastructure Renewal	98,621,100	10,500,000	109,121,100
Auditor General	1,849,000	-	1,849,000
Legislative Assembly	5,073,100	60,000	5,133,100
P.E.I. Public Service Commission	7,545,800	(240,000)	7,305,800
PROGRAM EXPENDITURE	1,461,952,400	12,305,500	1,474,257,900
Interest Charges on Debt	128,563,900	247,700	128,811,600
Amortization of Tangible Capital Assets	66,407,300	(2,921,000)	63,486,300
TOTAL EXPENDITURE	1,656,923,600	9,632,200	1,666,555,800

SUMMARY OF BUDGETED SURPLUS (DEFICIT) OF CROWN CORPORATIONS

	2014-2015 Budget Estimate \$	2014-2015 Third Quarter Adjustments \$	2014-2015 Third Quarter Forecast \$
Government Business Enterprises			
Charlottetown Area Development Corporation	60,600	-	60,600
Island Investment Development Inc.....	10,015,900	(1,549,700)	8,466,200
Island Waste Management Corporation.....	11,900	-	11,900
Prince Edward Island Energy Corporation.....	6,700,000	(325,000)	6,375,000
Prince Edward Island Liquor Control Commission.....	21,839,000	(1,975,900)	19,863,100
Prince Edward Island Lotteries Commission.....	12,420,000	(900,000)	11,520,000
Total Government Business Enterprises.....	51,047,400	(4,750,600)	46,296,800
Other Consolidated Agencies			
Finance PEL.....	(384,600)	1,411,200	1,026,600
P.E.I. Aquaculture and Fisheries Research Initiative Inc.....	(100,000)	-	(100,000)
Prince Edward Island Agricultural Insurance Corporation.....	100,000	9,900,000	10,000,000
Prince Edward Island Grain Elevators Corporation.....	-	-	-
Prince Edward Island Self-Insurance and Risk Management Fund.....	100,000	100,000	200,000
Summerside Regional Development Corporation	(240,800)	-	(240,800)
Total Other Consolidated Agencies.....	(525,400)	11,411,200	10,885,800
NET CONSOLIDATED SURPLUS OF CROWN CORPORATIONS	50,522,000	6,660,600	57,182,600

COMPARATIVE STATEMENT OF CHANGE IN NET DEBT

	2014-2015 Budget Estimate \$	2014-2015 Third Quarter Adjustments \$	2014-2015 Third Quarter Forecast \$
NET DEBT BEGINNING	2,098,971,000	-	2,098,971,000
Deficit.....	39,667,200	(4,978,100)	34,689,100
Acquisition of Tangible Capital Assets.....	73,676,800	6,986,200	80,663,000
Amortization of Tangible Capital Assets.....	(66,407,300)	2,921,000	(63,486,300)
NET DEBT ENDING	2,145,907,700	4,929,100	2,150,836,800

While the province’s overall net debt may have increased by \$4.9 million (to \$2.150 billion from the budgeted \$2.145 billion), the ratio of net debt to GDP began to decline in 2013/14 and did again in 2014/15. The ratio of net debt to GDP is a measure of how large the debt is relative to the economy.

