

# *What you need to know about:* Yukon Financial Planning

## *Current State of Yukon Finances*

The Yukon government is facing financial challenges.

Current projections indicate that following a small **surplus** in 2017/18, the government will face significant deficits over the next three years based on anticipated revenue and spending levels.

In addition, the government's **financial assets** are forecast to become negative in 2018/19 and are projected to reach net **debt** of \$216 million by 2020/21.

*See additional information on the next page.*



### What's a surplus?

The amount remaining when expenses are less than revenues.

### What's a deficit?

Refers to a shortfall, when expenses are more than revenues

### What are net financial assets?

Cash and other assets that can easily be converted to cash. Financial assets do not include buildings, land or equipment.

### What is debt?

If what the government owes is greater than its financial assets this is shown as debt.

## *What is financial planning?*

Financial planning is a central activity of all governments. It is designed to help government reach its goals by allocating limited resources towards where they will be most effective.

A family puts together a financial plan to make sure it can afford a home and food, future education and retirement needs, and possibly a family vacation. In the same way, the Yukon government undertakes financial planning to guide decisions on how it raises revenues and spends money on fundamental programs and services such as health and education, as well as the priorities it was elected to deliver.

The results of the government's financial planning are expressed through its annual and long term budgets.

## *Why develop a financial plan?*

How will this support Yukon government decision making?

As a steward of public monies the Yukon government is responsible for ensuring it spends funds wisely to meet the immediate and long-term needs of Yukoners and invests in the priorities it was elected to deliver.

A key part of financial planning is the ability to evaluate the effectiveness of spending on programs and services to achieve desired outcomes, such as healthy, happy citizens. In the past, governments have not taken a structured approach to evaluation. The Department of Finance is adding an evaluation branch to address this need.

## Current State of Yukon Finances

Much like a family would plan for their long-term personal finances, so does the Yukon government. The table below provides highlights for both the current year as well as years to come. It provides an overview for how the Yukon government saves and owes money. Note: these are highlights. The Yukon government's budget forecasts can be found here: <http://www.finance.gov.yk.ca/pdf/budget/201718Projection.pdf>.

*(Figures are expressed in thousands)*

YEAR	CURRENT	PROJECTED		
	2017/18	2018/19	2019/20	2020/21
SURPLUS or (DEFICIT) Is there any money left over?	\$6,536	(\$48,942)	(\$58,010)	(\$42,373)
NET FINANCIAL ASSETS or (DEBT) Do we have money saved to cover what we owe?	\$9,521	(\$77,295)	(\$148,531)	(\$216,257)

**SURPLUS:** The amount remaining when expenses are less than revenues

**DEFICIT:** Refers to a shortfall, when expenses are more than revenues

**FINANCIAL ASSETS:** Cash and other assets that can easily be converted to cash. Financial assets do not include buildings, land or equipment

**DEBT:** If what the government owes is greater than its financial assets this is shown as debt



## Changing the State of Yukon Finances

The Yukon government has a number of tools, methods and approaches available to set the course of financial planning to change the state of Yukon's finances. The following provides a short description of these tools.

REVENUE		EXPENDITURE	
TOOL	DESCRIPTION	TOOL	DESCRIPTION
Taxes	<p>This includes income (i.e. personal, corporate, small business), commodity (i.e. fuel, tobacco) and general taxes (i.e. sales, estate, and payroll).</p> <p>Governments can increase, decrease, broaden existing taxes or bring in new taxes. They also have the ability to add or remove exemptions or credits available within any tax.</p>	Limit or increase government spending growth	<p>Governments can impact spending by imposing spending increases or decreases across all departments.</p> <p>For example, a government can freeze departments' existing budgets for a certain period of time; it can also reduce or increase these budgets. A government can also decide to cap growth at the growth rate that would be required to achieve fiscal balance.</p>
Federal transfers	<p>Governments may negotiate for increased transfers with the Government of Canada. However, these are federal government decisions largely outside the influence of the Yukon government.</p>	Targeted spending increases or cuts	<p>Governments can review spending on specific programs or services and make spending choices in order to meet the fundamental needs of citizens (i.e. health and education) and to achieve the priorities they were elected to deliver.</p>
Royalties	<p>Sources of revenue from royalties include mining, oil and gas, forestry, water and land leases and sales.</p>	Results or zero-based budgeting	<p>Government spending is allocated on the achievement of desired outcomes. Departments are required to justify any spending they are seeking. Spending decisions are based on in-depth evaluation of the effectiveness of programs or services to achieve desired outcomes.</p>

REVENUE		EXPENDITURE	
TOOL	DESCRIPTION	TOOL	DESCRIPTION
User fees	In many jurisdictions, residents pay user fees for programs and services they use. In Yukon, the prices people pay for permits and licenses generally have not increased to match inflation or other jurisdictions' rates.	Limit spending on salaries	Governments have used many tools to achieve this, from not filling vacant positions, to freezing salaries, to requiring staff to take a certain number of unpaid days of leave per year.
Sell or privatize government assets	This can involve partnering with the private sector to operate public assets. It can also include entering into agreements with municipal or First Nation governments to take over and run government assets or infrastructure.	Partner in the delivery of programs and services with outside organizations	Some organizations may be able to deliver programs and services more efficiently than government. This can reduce the cost of service delivery while maintaining or improving current service levels.
Stimulate economic growth to generate increased revenues	Governments have several options to support and attract economic development. These can include reducing the regulatory burden on businesses, the development of economic development infrastructure such as fibre optics, or offering financial incentives to companies that move their operations to the province or territory.		

Other tools available to the government can include:

- **Borrowing:** This can include borrowing to meet short term cash needs, or to invest in infrastructure such as power generation for future needs. It can also include running deficits to cover revenue shortfalls.

