

The Honourable Donna Harpauer  
Minister of Finance



SASKATCHEWAN PROVINCIAL BUDGET

**18-19**

**ON TRACK**



# MINISTER'S MESSAGE

---

I am pleased to table the 2018-19 Budget and supporting documents for public discussion and review.

## **ON TRACK**

Our Government has a plan to return Saskatchewan to a balanced budget by next year, and that plan is on track.

Faced with significant challenges, including a resource revenue decline of more than \$1 billion due in large part to low oil and potash prices, our Government initiated a three-year plan last year. Our plan reduces the province's reliance on resource revenue, controls and carefully manages spending and achieves a balanced budget in 2019-20.

This year's budgeted deficit is \$365 million in 2018-19. A return to balance is forecast for 2019-20 with a modest surplus of \$6 million. Higher surpluses of \$108 million and \$212 million respectively are projected for 2020-21 and 2021-22.

The 2018-19 Budget supports the priorities of Saskatchewan people through major investments in health care, education, social services and the protection of people and property. It also invests in needed infrastructure, hospitals, schools and highways, and helps support a strong and growing economy.

We were able to make all of these investments with no increases to tax rates. That means all provincial tax rates, including those for sales, income, and property tax, remain the same.

The 2018-19 Budget supports our Government's vision to ensure that Saskatchewan is the best place in Canada – to live, work, start a business, to get an education and raise a family, and to build a life.



Honourable Donna Harpauer  
Minister of Finance



# TABLE OF CONTENTS

## MINISTER'S MESSAGE

## GOVERNMENT DIRECTION FOR 2018-19

|                |   |
|----------------|---|
| On Track ..... | 6 |
|----------------|---|

|   |           |
|---|-----------|
| <b>SASKATCHEWAN BUILDS CAPITAL PLAN .....</b> | <b>18</b> |
|---|-----------|

## TECHNICAL PAPERS

|  |    |
|--|----|
| The Saskatchewan Economy .....                         | 27 |
| 2018-19 Financial Outlook .....                        | 36 |
| 2018-19 Borrowing and Debt .....                       | 47 |
| 2018-19 Revenue Initiatives .....                      | 52 |
| Saskatchewan's Tax Expenditures .....                  | 57 |
| 2018 Intercity Comparison of Taxes and Utilities ..... | 61 |

## BUDGET FINANCIAL TABLES

|  |    |
|--|----|
| Budget .....                           | 66 |
| Statement of Accumulated Deficit ..... | 67 |
| Statement of Change in Net Debt .....  | 67 |
| Schedule of Pension Liabilities .....  | 68 |
| Schedule of Capital Assets .....       | 68 |
| Schedule of Public Debt .....          | 69 |
| Schedule of Revenue .....              | 70 |
| Glossary of Financial Terms .....      | 71 |





SASKATCHEWAN PROVINCIAL BUDGET

**18-19**

GOVERNMENT DIRECTION FOR 2018-19

# Government Direction for 2018-19: ON TRACK

*The Government has a balanced budget plan and that plan is on track.*

*Saskatchewan's vision is to be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life.*

*Four goals set the Government's direction for the province: sustaining growth and opportunities for Saskatchewan people, meeting the challenges of growth, securing a better quality of life for all Saskatchewan people and delivering responsive and responsible government.*

*The foundation for the Government's direction is strong fiscal management and balanced budgets. In 2017-18, the Government charted a three-year plan to reduce the province's dependency on resource revenue and balance the budget in 2019-20.*

*Budget 2018-19 keeps that plan on track by controlling government spending, while at the same time making important new investments targeted in health, education and social services to improve the lives of Saskatchewan people.*

Saskatchewan is on track.

Faced with challenging years marked by resource revenue that declined by more than \$1 billion, due largely to low oil and potash prices, a plan to restore balance was initiated last year. This Budget sticks to that plan, to control spending and reduce Government's reliance on volatile resource revenue.

Saskatchewan's finances are improving and our economy is showing resilience. Oil patch production has increased and potash mines are more active,

reflecting higher resource prices. Agriculture, the service industry, the manufacturing sector, and other engines of the economy are steady, as well.

While positive signs are emerging, challenges remain. To address those challenges, this year's budget makes investments in priorities, supports growth in the economy, carefully manages expenses and stays focused on a return to balance.

The goal to balance is important for many reasons.

Staying on a path to balance ensures the long-term sustainability of the services and programs Saskatchewan people value – among them health care, education and services for those most vulnerable.

Staying on track ensures that investments in infrastructure, including hospitals, highways and schools, continue this year and in the years to come.

Over the last decade our province's population has grown at the second highest rate in the country – over 160,000 more people now call Saskatchewan home.

As it was more than a century ago, Saskatchewan is a place of opportunity, a place where people see growth and prosperity. People look to our province as a place that provides compassion and care.

The Jim Pattison Children's Hospital is on schedule to open in Saskatoon in the fall of 2019. This Budget includes the Province's final investment to complete construction of the hospital and continued phase-in of funding for doctors, nurses and other health professionals that will provide the best care for children.



The new Saskatchewan Hospital North Battleford will open this fall, replacing a hospital that is more than a century old.

This new facility is a significant commitment to address and improve mental health. This Budget includes funding to finish construction, and funding for the men and women who will provide care for people with psychiatric rehabilitation needs.

Investments continue in education, with increased funding for Saskatchewan classrooms and investments in school capital projects.

This Budget provides more funding for social services and assistance, for foster families and those in our communities who provide direct, daily care for our most vulnerable children and adults.

The 2018-19 Budget ensures full coverage of HIV drugs for Saskatchewan people, as well as additional supports.

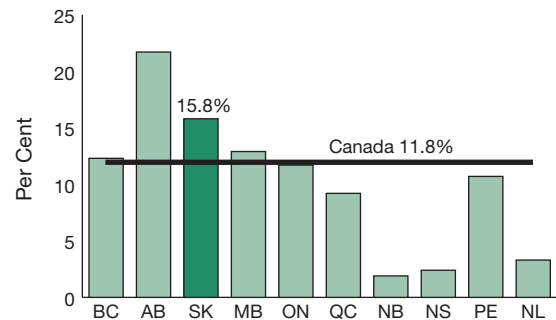
This Budget includes individualized funding for each child under the age of six with Autism Spectrum Disorder, to help children and their families access additional support.

This Budget continues funding for the Regina Bypass, completes funding for the Saskatoon North Commuter Bridge, and invests in transportation capital and maintenance to help people travel more easily and move our products to market, but most importantly to improve safety and save lives.

Those are a few examples of how the 2018-19 Budget demonstrates Government's commitment to ensuring Saskatchewan stays on track.

There's more to do. There are challenges to tackle. The important goal of achieving balance in order to ensure sustainability continues to be pursued, and balance is in sight.

## POPULATION GROWTH BY PROVINCE (January 2018 over January 2008)



Source: Statistics Canada

## ECONOMIC GROWTH

Saskatchewan's economy is projected to have the fourth highest growth in the country in 2018, according to private sector forecasters. In 2019, Saskatchewan is projected to have the third highest economic growth among provinces.

Saskatchewan's export-based economy is fueled by strong global economic growth. The value of the province's exports rose 8.7 per cent to approximately \$28.9 billion last year, up more than \$2 billion from 2016.

Agriculture exports were \$13.5 billion last year, the fourth highest total on record, with sales to 143 countries.

To help further support the economy and this vital sector, this Budget introduces a Saskatchewan Value-added Agriculture Incentive for corporations making a minimum capital investment of \$10 million in an eligible project.

To be eligible, projects must upgrade or transform raw or primary agricultural products. The incentive is provided through a non-refundable income tax credit equal to 15 per cent of the eligible project's qualifying capital investments.

Also important to Saskatchewan's economy is the ability to help create an environment for innovation and support for technology companies in their infancy.

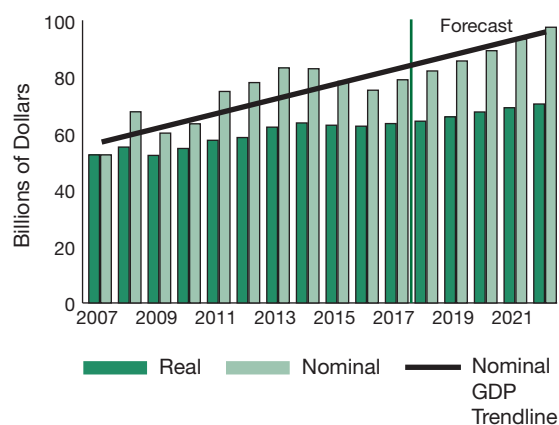
The Saskatchewan Technology Start-up Incentive introduced in this Budget will provide eligible investors with a non-refundable income tax credit equal to 45 per cent of qualifying new investments made in eligible small businesses.

Eligible small businesses are early stage technology start-ups that are developing new technologies, or applying existing technologies in a new way to create new proprietary products, services or processes that are repeatable and scalable.

Eligible small businesses must also be incorporated and headquartered in Saskatchewan and have fewer than 50 employees, the majority of which are located in the province.

Combined with competitive taxes and labour costs, targeted incentives like these continue to support diversification and growth in Saskatchewan's economy.

## SASKATCHEWAN REAL AND NOMINAL GDP LEVEL



Source: Ministry of Finance

A number of indicators point to a Saskatchewan economy that is on track.

Manufacturing sales were \$15.9 billion in 2017, up 12.6 per cent year-over-year, representing the fourth highest growth among provinces in 2017. Sales of new motor vehicles were up 8 per cent, again the fourth highest growth among provinces. Building permits, wholesale and retail trade were all up in 2017, as were oil and potash production.

*The Fraser Institute's Annual Survey of Mining Companies 2017* named Saskatchewan the best place in Canada and the second best jurisdiction in the world for mining investment, based on competitive taxes, regulatory certainty and permitting practices.

The Institute's survey has ranked the province first or second in the world in each of the last four years, as well as first in the nation in all four years.

(More detailed economic information is provided in *The Saskatchewan Economy* technical paper beginning on page 27 and in the 2018-19 Revenue Initiatives technical paper which begins on page 52.)

## FISCAL PICTURE

Saskatchewan is on track with its financial plan to return to balance, with a steadily improving outlook over the next four years.

A deficit of \$365 million is projected for 2018-19.

A return to balance is forecast for 2019-20 – a modest surplus of \$6 million, with higher surpluses of \$108 million projected in 2020-21 and \$212 million forecast in 2021-22.

Revenue is forecast at \$14.24 billion in the 2018-19 Budget, up about \$80 million from last year's budget and \$300 million higher than the 2017-18 third quarter forecast.

The increase in expected revenue in the 2018-19 Budget over last year is largely attributable to higher non-renewable resource revenue, net income from Government Business Enterprises, and other own-source revenue. Taxation is lower largely due to lower individual and corporation income tax revenue, offset by higher revenue from provincial sales tax.

Expense is forecast at \$14.61 billion in 2018-19, down from the previous year's budget by \$200 million, and up \$70 million from the 2017-18 third quarter forecast.

The 2018-19 Budget provides increases for health, social services and assistance, protection of persons and property, as well as the K-12 and post-secondary education sectors. However, total expense is lower than the previous year's budget as a result of lower pension expense, primarily due to a significant decrease in Government's pension liability. Expenses are also projected to be down across many other areas, as entities are managing spending carefully while continuing to provide high quality services to Saskatchewan people.

(More information is available in the 2018-19 Financial Outlook, beginning on page 36.)

## IMPROVED REVENUE STABILITY

Government has worked to modernize the tax system, in order to move away from an over-reliance on volatile resource revenue.

Improved revenue stability helps Government plan and invest in needed priority services, programs, and the infrastructure Saskatchewan people value.

In this Budget, all provincial tax rates, including Provincial Sales Tax (PST), Education Property Tax (EPT), and income tax rates are being held at their current levels.

A measure being taken, consistent with the shift to consumption taxes, is the broadening of the existing application of PST to used light vehicles, effective April 11, 2018.

This measure aligns Saskatchewan's tax treatment on used light vehicles with every other jurisdiction in the country that applies a sales tax. In addition, the trade-in allowance which allows a deduction for the value of a trade-in when determining PST is reinstated, so PST will only be paid on the difference in price between the trade-in vehicle and the purchased vehicle.

Unique to Saskatchewan, PST will not be applied to the private sale of used vehicles with a purchase price of up to \$5,000. Private sales of used vehicles registered for commercial use, as well as dealer sales of used vehicles, are not eligible for the \$5,000 exemption.

And PST will not be charged for used vehicles gifted between qualifying family members – spouses, parents or legal guardians, children, grandparents, grandchildren or siblings.

Also, the PST exemption for ENERGY STAR® appliances is removed. Energy efficient appliances are more common and affordable than in the past. Energy cost savings provide a strong incentive for consumers to choose these appliances.

While it remains unclear exactly when the federal government's legalization of cannabis will occur, and the size of the cannabis market and retail pricing is difficult to predict, Saskatchewan will follow a taxation approach agreed to by Canadian Finance Ministers in late 2017.

Saskatchewan intends to formalize its participation by entering into a two-year agreement, where the Province will receive 75 per cent of the federal cannabis excise duty revenue.

PST will also apply to all retail sales of cannabis products in Saskatchewan and the federal excise duty rate will be increased to account for interprovincial sales tax rate differentials. Saskatchewan will receive this revenue from the federal government.

Personal Income Tax (PIT) rates were reduced by half a point in 2017 and are staying the same in the near term, pausing the rate reduction plan announced last year. Income tax bracket indexation has also been paused.

Since 2008, PIT exemptions have removed 112,000 people from the province's income tax roll and PIT reductions introduced over the past decade, as well as last year's half-point rate reduction, are providing over \$606 million in annual income tax savings to Saskatchewan people.

A Saskatchewan family of four pays no provincial income tax on their first \$51,600 of combined income. In 2007, that threshold was much lower, as a family of four began paying provincial income tax once their combined income reached just \$26,150.

A Saskatchewan family of four with \$100,000 in total income pays \$1,945 less in combined provincial income and sales tax in 2018 compared to 2007.

In terms of tax competitiveness for businesses, Saskatchewan has the highest small business income threshold in the country – that is, the amount of income up to which businesses pay tax at the much lower two per cent small business tax rate. The threshold went up from \$500,000 to \$600,000 effective January 1, 2018.

Saskatchewan's 12 per cent corporate income tax rate continues to be among the lowest in the country, matching the rates of the other western provinces.

(More information is included on pages 52 to 56 in the 2018-19 Revenue Initiatives section and pages 57 to 60 of the Saskatchewan's Tax Expenditures section, and in the 2018 Intercity Comparison of Taxes and Utilities on pages 61 to 64.)

## **CONTROLLING SPENDING**

Government continues to control and carefully manage spending in the 2018-19 Budget.

Many ministries and agencies are forecasting lower spending than in the previous fiscal year, while continuing to provide valued core services and programs.

Controlling compensation costs, the largest single component of Government's expense, is key to keeping Saskatchewan's fiscal plan on track. Employers and unions understand the fiscal environment and continue to bargain in good faith. Through the bargaining process, fair and equitable agreements will be achieved.

In addition to negotiated settlements, there is a target to achieve \$70 million in savings over two years, \$35 million in this Budget and a further \$35 million next fiscal year. This is largely through efficiency initiatives and attrition as part of Government's commitment to return to balance in 2019-20.

Using tools like vacancy management, overtime management and internal process improvement, the strategy is specific to Executive Government and the Crown corporations. And while the request hasn't been extended to major third parties, Government expects them to continue to manage their resources in the most efficient way possible.

An example of achieving efficiencies through positive change is the creation of a single Saskatchewan Health Authority.

The consolidation of 12 regional authorities was completed last year to improve front-line patient care for Saskatchewan people.

Greater integration and coordination has resulted in savings of \$19 million in this Budget, from salaries, the amalgamation of IT services, and lower board costs.

Savings continue to be realized across Government, mainly by exploring new ways to address challenges.

The Ministry of Central Services, for example, has reduced the size of its government vehicle fleet budget by 14.7 per cent, saving more than \$5 million, in part by using private rental cars where it proves to be more efficient and cost effective.

These are a few examples of Government seeking changes to improve services while controlling spending in order to meet the challenges of lower revenues and the needs of a growing province.

Overall, Government has managed expense carefully over the past several years. Expense was down 2 per cent in 2016-17 from the previous year.

In 2017-18, expense is forecast to be down a further 2 per cent. And in this Budget, expense is forecast to be about the same level as the 2017-18 third quarter forecast.

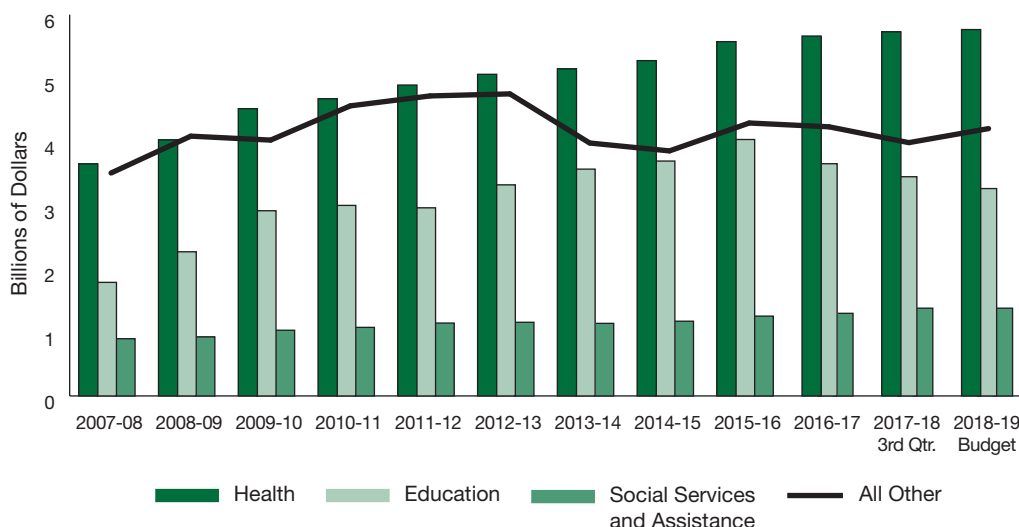
## PRIORITY INVESTMENTS

In Saskatchewan, investment into three priority areas – health, education and social services and assistance is \$10.4 billion in this Budget – an increase of more than 64 per cent or \$4 billion since 2007-08.

This accounts for 70 per cent of overall government spending.

In 2018-19, total spending for **health** is projected to be \$5.77 billion, an increase of \$138 million or 2.5 per cent over last year's budget. This includes spending through the Ministry of Health, the Saskatchewan Health Authority, the Saskatchewan Cancer Agency, eHealth, the Health Quality Council, 3sHealth, and the Physician Recruitment Agency.

## SPENDING BY THEME



Boards of Education did not become part of the Government Reporting Entity until 2009-10.  
Source: Saskatchewan Budget, Public Accounts

This Budget provides \$3.5 billion for Saskatchewan Health Authority base operating funding and targeted programs and services, an increase of \$71.87 million, or 2.1 per cent from 2017-18.

Included is a \$25 million increase for general operations and services, as well as \$11.4 million in new funding for mental health initiatives and \$12 million in additional funding for home and community care initiatives.

There is a \$16.8 million increase for physician and operating capacity for the Jim Pattison Children's Hospital, and \$14.2 million in new funding for operating and accommodations costs at the Saskatchewan Hospital North Battleford.

There is also a \$49.4 million increase for physician services, including existing services and the recruitment of new specialists and primary physicians.

There is additional funding of \$700,000 to increase coverage for HIV drugs to 100 per cent from 91 per cent, as well as provide additional HIV supports.

Higher investments into classrooms highlight **education** expense, budgeted at \$3.26 billion – down \$268 million from last year, primarily due to a decrease in Government's pension liability for the Teachers' Superannuation Plan.

**Education** includes budgeted spending through the Ministries of Advanced Education, Education, and Immigration and Career Training, the Boards of Education, Saskatchewan Polytechnic, Regional Colleges, the Saskatchewan Apprenticeship and Trade Certification Commission, the Saskatchewan Student Aid Fund and the Teachers' Superannuation Plan.

Saskatchewan's school divisions will receive \$1.87 billion in operating funding for the 2018-19 school year, a \$30 million increase over last year.

There is also \$20.8 million in new funding from the federal government through the recently signed Canada-Saskatchewan Early Learning and Child Care Agreement. The funding allows for the continued support of more than 16,000 licensed child care spaces and for the addition of 2,500 more by 2020.

The 2018-19 expense budget for the Ministry of Advanced Education is \$729 million, an increase of \$11 million from last year. It includes an \$18.3 million increase to ensure a successful College of Medicine that provides quality medical education.

This Budget supports the continuation of the Saskatchewan Advantage Scholarship, which assists Saskatchewan students with post-secondary tuition costs, and the Graduate Retention Program, one of the most aggressive and successful youth retention programs in the country, providing up to \$20,000 in income tax credits to graduates who live and work in Saskatchewan.

**Social services and assistance** includes the budgeted spending of the Ministry of Social Services, the Saskatchewan Housing Corporation, the Saskatchewan Legal Aid Commission, as well as portions of the Ministries of Government Relations, Justice and Attorney General and Advanced Education.

Social services and assistance expense is \$1.38 billion in the 2018-19 Budget, an increase of \$25 million, or 1.8 per cent, over last year, and a 53 per cent increase since 2007-08 when total expense was \$900 million.

This Budget includes a \$14.2 million increase to address higher Saskatchewan Assistance Program caseloads.

In this Budget, \$10.4 million will be targeted to those in communities providing direct daily care to adults with intellectual disabilities and mental health challenges, direct supports to families, and daily care for children in need of protection.

This includes funding increases for foster families, community-based organizations (CBOs) that deliver day programs and residential services to persons with intellectual disabilities and other CBOs that provide family-focused services.

The 2018-19 Budget has \$10 million to continue moving residents from Valley View Centre into community-based care, and \$9 million to provide services for adults with intellectual disabilities whose needs have increased.

Significant investment into **protection of persons and property** is prominent in this year's budget. Expense in this area is increasing in the 2018-19 Budget to \$690 million, up \$46 million, or 7.2 per cent, from last year.

Protection of persons and property expense includes portions of the Ministries of Government Relations, Justice and the Attorney General, Corrections and Policing, Labour Relations and Workplace Safety, as well as the entire appropriation for the Advocate for Children and Youth, the Information and Privacy Commissioner and the Ombudsman and Public Interest Disclosure Commissioner, among a number of other accounts and funds.

Combined increases in the Ministries of Justice and the Attorney General and Corrections and Policing, including amounts funded through the new Integrated Justice Services vote, total more than \$45 million.

Highlights include increases of \$13.6 million for the RCMP, \$11.4 million to operate the province's correctional facilities, \$9 million for utilization of court services, \$4.9 million to enhance the Rural

Crime Strategy, and \$1.8 million to expand the Remand Reduction Strategy aimed at reducing corrections and court system pressures.

While expense is being managed carefully, there continues to be significant investments into programs and services across all areas of government in: **agriculture, community development, economic development, environment and natural resources, and transportation.**

Further details of highlights in these areas related to the 2018-19 Budget are outlined in media releases and backgrounders from individual ministries and agencies.

## INVESTING IN INFRASTRUCTURE

The 2018-19 Budget includes \$2.7 billion for investment into Saskatchewan's infrastructure. The commercial Crown sector is investing \$1.5 billion and \$1.2 billion is being invested by Executive Government ministries and agencies.

This Budget includes \$20 million for the final investment of the Province's \$235.5 million commitment to the Jim Pattison Children's Hospital in Saskatoon. The 176-bed facility is scheduled to open in the fall of 2019.

There is \$34 million in this year's budget to complete construction of a unique 284-bed psychiatric care facility, Saskatchewan Hospital North Battleford, which is scheduled to open in the fall of this year. The hospital replaces a facility that is over 100 years old and includes secure beds to provide mental health care for people in custody, a step forward in breaking the cycle of crime and victimization.

Construction of the Regina Bypass continues to move forward, with completion slated for late 2019. This year, \$330 million will be invested in work on phase two, which has and will vastly improve highway safety and traffic flow.



It's part of a \$924 million Ministry of Highways and Infrastructure's budget commitment to build, operate and maintain transportation capital.

In the fall of 2018, Saskatoon's new North Commuter Parkway Bridge will improve traffic flow and safety in Saskatchewan's largest city, and \$15 million provided in this Budget completes Government's \$50 million commitment to the project.

The 2018-19 Budget provides \$10.5 million for a major school consolidation project in Rosthern, and \$12.2 million for a similar project in Weyburn, as well as \$49.6 million for school maintenance and emergency funding, up \$6.4 million from last year.

These are just a few highlights among many, across Executive Government.

In 2018-19, major Crown projects include \$883 million at SaskPower, primarily to connect customers and expand electricity generation assets to meet growing customer power needs. SaskPower also plans to renew its distribution and transmission systems to ensure continued reliable service.

Investment of \$298 million is projected at SaskTel to increase and upgrade its wireless and wireline networks, improve customer service through network growth and modernization, enhance rural services, and continue the roll out of infiNET, its high-speed fibre-optic internet service.

SaskEnergy plans to invest \$268 million to ensure the integrity of its natural gas transmission and distribution system, providing safe and reliable service that meets continually growing customer demand. SaskWater plans to invest \$34 million in 2018-19 for the creation of water and wastewater systems, and the maintenance of infrastructure to ensure the continued delivery of safe and reliable water and wastewater services.

(More detail is in the Saskatchewan Builds Capital Plan on pages 18 to 23.)

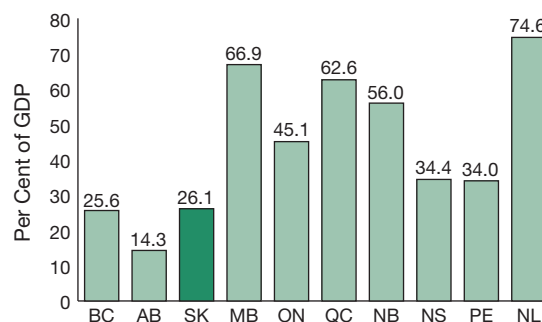
## DEBT MANAGEMENT

Responsible debt management keeps Saskatchewan on track.

Saskatchewan's forecasted 26.1 per cent of total debt-to-GDP as of March 31, 2018 is third lowest among the provinces, according to the Dominion Bond Rating Service's most recent analysis. Prince Edward Island is fourth lowest at 34.0 per cent, and Newfoundland and Labrador has the highest debt-to-GDP ratio at 74.6 per cent.

The 2018-19 Budget estimates all government debt, including that of Crown corporations, to remain manageable at \$20.0 billion as at March 31, 2019.

### 2017-18 TOTAL DEBT (PER CENT OF GDP)



DBRS-Adjusted Total Debt as at March 31, 2018.

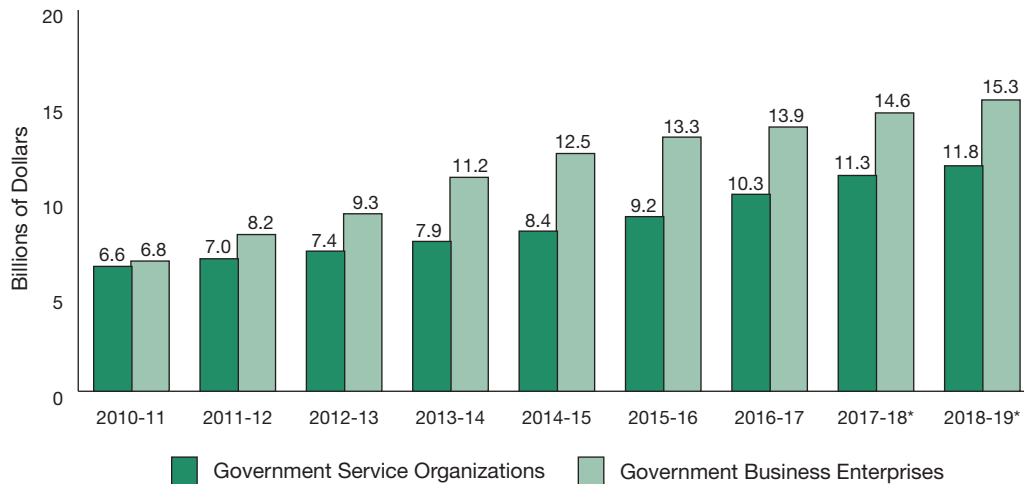
Sources: Statistics Canada, Conference Board of Canada

Government's operating debt is nearly 10 per cent lower than it was in 2008, resulting in cumulative savings of over \$1.1 billion in interest payments.

Strong credit ratings, low interest rates and our province's low debt-to-GDP, make this a cost-effective time to finance capital, using a disciplined approach, and matching the benefits of the assets with the term of payments.



## GROWTH OF TANGIBLE CAPITAL ASSETS



\* Forecast

The additions to capital assets (net of amortization) for 2018-19 is almost \$1.2 billion, including \$508 million in government service organizations and \$684 million in government business enterprises, largely the major Crown corporations. The total budgeted book value of tangible capital assets at March 31, 2019 is \$27.1 billion.

A key principal of Government's capital financing plan is the repayment of capital debt upon maturity.

At least two per cent of the value of these borrowings is set aside and invested each year to ensure sufficient cash is available to repay capital debt as it comes due, ensuring it isn't passed on to future generations.

(More information on 2018-19 Borrowing and Debt begins on page 47.)

## CONCLUSION

Saskatchewan is on track. Our province's economy and population are growing, and the Government's three-year plan to return the budget to balance remains on target.

The 2018-19 Budget controls spending and continues to follow a plan that shifts away from over dependence on volatile revenue to a more stable base.

This Budget invests in needed infrastructure, hospitals, schools and highways and supports growth in the Saskatchewan economy. This Budget invests in the priorities of health care, education, social services and the protection of people and property.

Importantly, the 2018-19 Budget is on track with the plan to balance.

The pursuit and ultimate realization of the fiscal plan ensures the long-term sustainability of the services and programs Saskatchewan people value.

A plan to balance ensures a stronger Saskatchewan in the future, better positioned for growth and better able to meet the challenges ahead.





SASKATCHEWAN PROVINCIAL BUDGET

18-19

SASKATCHEWAN BUILDS CAPITAL PLAN

# SASKATCHEWAN BUILDS CAPITAL PLAN

## (2018-19 to 2021-22)

### CAPITAL PLAN HIGHLIGHTS

The 2018-19 Saskatchewan Builds Capital Plan includes the capital investment activities of Executive Government ministries and agencies. The plan strategically aligns capital expenditures to the province's growth and quality of life priorities, and serves to strengthen the reporting on Government's infrastructure investments.

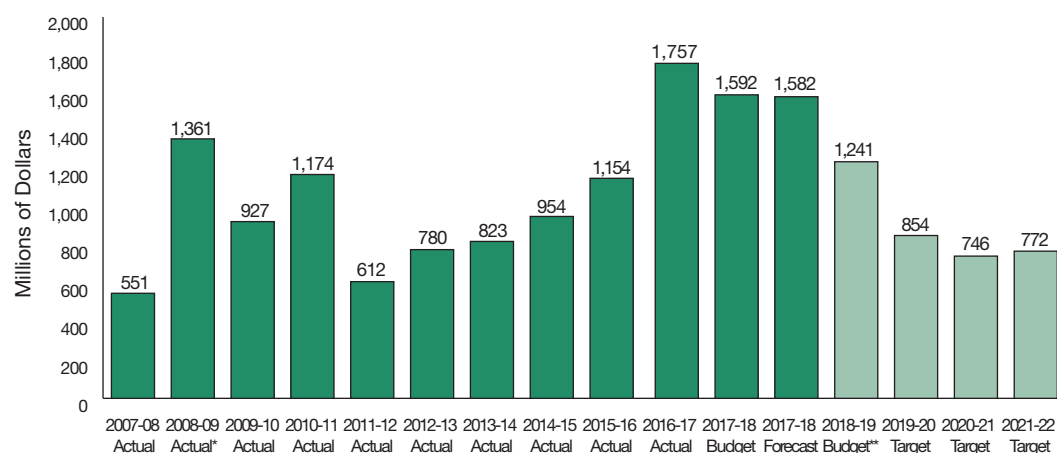
Including the \$1.2 billion provided in the 2018-19 Budget, \$12.4 billion has been provided since 2008-09 to meet ongoing infrastructure needs, as well as to support future growth and expanded economic opportunities. This includes critical funding for schools, health care facilities, roads,

bridges, highways and municipal infrastructure. The 2018-19 Saskatchewan Builds Capital Plan continues to balance the need for further capital funding with long-term sustainability.

Investing in the infrastructure required to foster economic growth and address the challenges of growth is a core component of *The Saskatchewan Plan for Growth*. Strategic and sustainable infrastructure expenditures support all sectors of the economy and provide the base to support continued growth and keep Saskatchewan *On Track*.

*The 2018-19 Budget includes a total capital investment of over \$2.7 billion, including Crowns and the \$1.2 billion outlined in this plan.*

### SASKATCHEWAN BUILDS CAPITAL PLAN



\* The 2008-09 Budget provided \$829M for capital expenditures. Actual capital expenditures were \$1.361B in 2008-09.

\*\* The 2018-19 Budget includes the transfer of government's ownership interest in laboratory equipment to the Saskatchewan Health Authority. The capital investment before this adjustment is \$1,239,473K.

In addition to the Saskatchewan Builds Capital Plan, capital spending by the Crowns is projected to be over \$1.5 billion in 2018-19. Between 2018-19 and 2021-22, Crown corporations forecast average annual expenditures of \$1.4 billion to maintain existing and build new infrastructure.

The 2018-19 to 2021-22 Saskatchewan Builds Capital Plan outlines projects approved to date and provides an estimate of anticipated future capital investment. The plan is detailed as follows.

### **SASKATCHEWAN BUILDS CAPITAL PLAN – 2018-19 TO 2021-22**

| (Thousands of Dollars)                                     | 2017-18<br>Budget | 2017-18<br>Forecast | 2018-19<br>Budget* | 2019-20<br>Target | 2020-21<br>Target | 2021-22<br>Target |
|--|-------------------|---------------------|--------------------|-------------------|-------------------|-------------------|
| Capital Asset Acquisitions (Government-Owned Capital)      | 1,065,379         | 1,094,704           | 779,327            | 450,780           | 386,214           | 383,339           |
| Capital Transfers (Third-Party Capital)                    | 526,316           | 486,908             | 461,683            | 403,446           | 359,610           | 388,687           |
| <b>Saskatchewan Builds Capital Plan Total</b>              | <b>1,591,695</b>  | <b>1,581,612</b>    | <b>1,241,010</b>   | <b>854,226</b>    | <b>745,824</b>    | <b>772,026</b>    |
| <b>Capital Plan by Sector</b>                              |                   |                     |                    |                   |                   |                   |
| <b>Transportation Infrastructure – \$690.8M in 2018-19</b> |                   |                     |                    |                   |                   |                   |
| Highways Capital (including Regina Bypass)                 | 842,882           | 912,882             | 672,882            | 387,684           | 345,682           | 342,882           |
| Highways Partnerships and Supporting Capital               | 17,955            | 17,955              | 17,955             | 17,805            | 17,805            | 17,805            |
| <b>Municipal Infrastructure – \$206.5M in 2018-19</b>      |                   |                     |                    |                   |                   |                   |
| Municipal Programs   | 279,261           | 246,863             | 206,466            | 106,032           | 100,034           | 100,077           |
| <b>Education Capital – \$76.4M in 2018-19</b>              |                   |                     |                    |                   |                   |                   |
| Schools (including Joint-Use school projects)              | 75,886            | 65,876              | 26,813             | 36,398            | 12,320            | 10,666            |
| Preventative Maintenance and Renewal                       | 43,200            | 43,200              | 49,600             | 55,900            | 62,300            | 75,300            |
| <b>Advanced Education – \$22.4M in 2018-19</b>             |                   |                     |                    |                   |                   |                   |
| Maintenance Capital  | 21,500            | 21,500              | 22,400             | 25,300            | 27,200            | 29,100            |
| <b>Health Care – \$128.2M in 2018-19</b>                   |                   |                     |                    |                   |                   |                   |
| Maintenance and Facility Regeneration                      | 34,700            | 34,700              | 44,600             | 54,380            | 64,280            | 74,180            |
| Health Equipment   | 15,723            | 15,723              | 22,360             | 23,343            | 23,943            | 24,543            |
| Long-term Care (including Swift Current LTC)               | 6,730             | 6,730               | –                  | –                 | –                 | –                 |
| Hospitals (including SHNB-ICF)                             | 174,000           | 139,000             | 61,200             | 8,300             | –                 | –                 |
| <b>Government Services – \$116.7M in 2018-19</b>           |                   |                     |                    |                   |                   |                   |
| IT Capital   | 25,225            | 25,069              | 31,598             | 20,228            | 1,775             | 1,700             |
| Courts and Corrections Capital                             | 16,704            | 14,565              | 17,039             | 10,189            | 7,689             | 4,180             |
| Parks Capital  | 5,050             | 5,050               | 9,500              | 9,500             | 9,500             | 9,500             |
| Equipment Capital  | 21,852            | 21,707              | 15,680             | 17,471            | 12,660            | 12,660            |
| Government Buildings                                       | 9,152             | 9,017               | 9,452              | 18,817            | 12,417            | 12,417            |
| Other Capital  | 1,875             | 1,775               | 33,465             | 62,879            | 48,219            | 57,016            |
| <b>Saskatchewan Builds Capital Plan Total</b>              | <b>1,591,695</b>  | <b>1,581,612</b>    | <b>1,241,010</b>   | <b>854,226</b>    | <b>745,824</b>    | <b>772,026</b>    |

\* The 2018-19 Budget includes the transfer of government's ownership interest in laboratory equipment to the Saskatchewan Health Authority. The capital investment before this adjustment is \$1,239,473K.

The chart below outlines the main categories of infrastructure expenditure by sector expected over the next four years.

The long-term sustainability of provincial infrastructure requires investments be made toward the maintenance and renewal of these assets. The 2018-19 Budget provides over \$116.6 million for maintenance investment in existing capital in Advanced Education, Health and Education. This amount represents an increase of \$17.2 million or 17.2 per cent. The four-year plan includes consistent increases for important capital maintenance activities to reinvest in and protect existing infrastructure.

## CAPITAL PLAN DETAILS

### Transportation Infrastructure

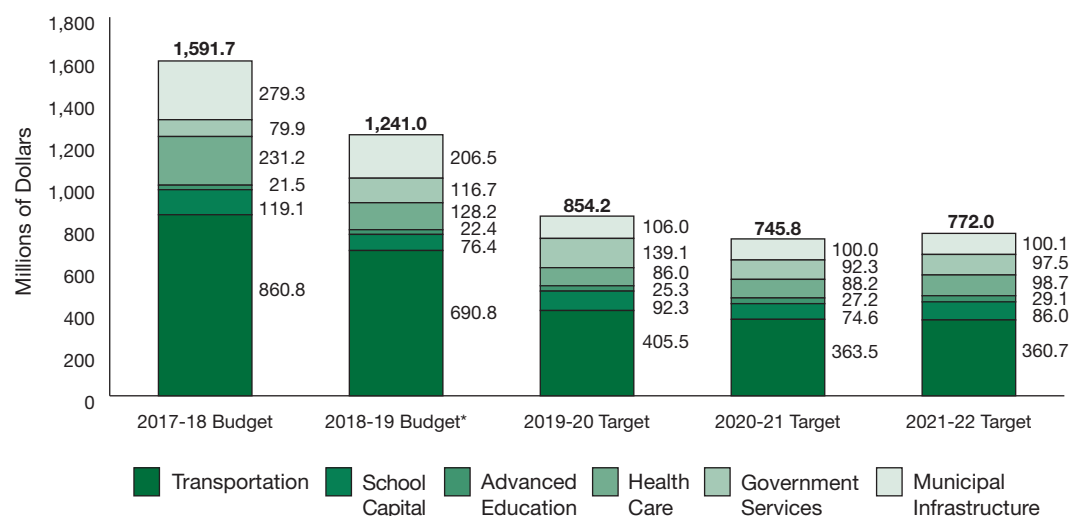
The 2018-19 Budget provides \$691 million in capital funding for transportation infrastructure. Safety is a primary focus of this spending in 2018-19 with about \$51 million being directed toward major safety

projects in the province, including continued work on interchanges for Warman and Martensville, as well as multiple twinning and passing lane projects on busy highways throughout the province.

Funding is provided to continue work on twinning Highway 7 between Vanscoy and Delisle; to start a series of twinning and passing lane projects on Highways 6 and 39 between Regina and Estevan; to build two sets of passing lanes on Highway 4 between North Battleford and Cochin; and to begin pre-construction and design work for passing lanes on Highway 7 between Rosetown and the Alberta border, Highways 9 and 10 between Melville and Canora, and Highway 5 between Highway 2 and Saskatoon.

In addition to major safety improvements, over 100 km of rural highways will be upgraded. Some of this work includes upgrades on Highway 4 between Val Marie and Cadillac, Highway 36 between Highway 18 and Willow Bunch and Highway 255 south and west of Tobin Lake.

### SASKATCHEWAN BUILDS CAPITAL PLAN BY SECTOR – 2018-19 TO 2021-22



\* The 2018-19 Budget includes the transfer of government's ownership interest in laboratory equipment to the Saskatchewan Health Authority. The capital investment before this adjustment is \$1,239,473K.

Work continues on the Regina Bypass project. Once complete in October 2019, this project will significantly improve traffic safety and efficiency. This project has already provided for much safer travel through the opening of important interchanges for the communities of Pilot Butte, White City and Balgonie.

Over \$1.8 billion of capital investment will be provided through the Ministry of Highways and Infrastructure over the next four years to ensure that these important initiatives continue.

*800 km of highway upgrades and renewal will be made across the province with the 2018-19 Budget.*

## Municipal Infrastructure

Since 2008-09, almost \$1.6 billion in municipal infrastructure funding, including cost-shared programs, has been used to support municipal projects across the province. Participation in cost-shared programs such as the New Building Canada Fund and the Clean Water and Wastewater Fund have resulted in over 170 projects across the province being funded that support municipalities and their citizens.

Funding of \$206.5 million is included in the budget for municipal infrastructure in 2018-19, with plans to invest more than \$500 million over the course of this four-year plan for existing programs. Once agreements are in place respecting the new Investing in Canada Infrastructure Plan, up to an additional \$896 million of federal funding will be available to Saskatchewan over the next 11 years.

2018-19 investments will provide for important projects such as a new water treatment facility in Neudorf, a comprehensive recycling centre in Wynyard, a new River Street reservoir in Prince Albert and a water treatment plant upgrade in Meadow Lake.

*Since 2008-09, almost \$1.6 billion in municipal infrastructure funding, including cost-shared programs, has been used to support over 170 projects across the province.*

The 2018-19 Budget provides \$15 million to complete government's \$50 million commitment toward the new North Commuter Parkway Bridge project in Saskatoon. Once complete, this project will support transportation efficiencies in the City of Saskatoon and reduce traffic on existing bridges.

## Education Capital

Over \$1.5 billion has been invested in education capital since 2008-09. This significant investment includes funding for new schools, major renovations, relocatables, and preventative maintenance and renewal projects. The 2018-19 Budget provides \$76.4 million in education capital, while the four-year plan targets well over \$300 million in this area.

The Budget provides \$22.7 million to continue work on two new major school capital projects in Weyburn and Rosthern. Once complete, the new schools in Rosthern and Weyburn will provide for the much needed replacement of existing facilities.

*Over \$1.5 billion has been invested in education capital since 2008-09.*

Budget 2018-19 also provides \$49.6 million for preventative maintenance and renewal in the K-12 sector. This represents an increase of \$6.4 million from the previous year and provides increased financial support for the ongoing maintenance and renewal of the province's existing schools.

Finally, \$3.1 million will be provided to fund relocatables in 2018-19. This funding supports the cost-effective management of ongoing utilization pressures.

## Advanced Education

Since 2008-09, Government has invested nearly \$600 million through the Ministry of Advanced Education for infrastructure in the post-secondary education and research sector. This includes the Health Sciences Building and the International Vaccine Centre at the University of Saskatchewan, a new student residence at the University of Regina, and notable projects at Southeast, Parkland, Cumberland, and Carlton Trail Colleges. The 2018-19 Budget provides \$22.4 million for maintenance capital and renewal in the sector.

*Since 2008-09, Government has invested nearly \$600 million through the Ministry of Advanced Education for infrastructure in the post-secondary education and research sector.*

## Health Care

The four-year plan targets over \$400 million for investments in health facilities and equipment, including \$128.2 million for health capital in 2018-19.

Since 2008-09, Government has invested over \$1.5 billion in capital projects across the health sector in order to improve the quality of care for

Saskatchewan residents. This includes building new state-of-the-art facilities such as the Jim Pattison Children's Hospital of Saskatchewan in Saskatoon and the Dr. F. H. Wigmore Hospital in Moose Jaw, and replacing aging centres like Saskatchewan Hospital in North Battleford and the Roy Romanow Provincial Laboratory in Regina.

Additionally, \$329.9 million has been provided over this period to replace outdated long-term care facilities throughout the province. This includes The Meadows long-term care facility in Swift Current, the Leader Integrated Care Facility, and 11 other long-term care facilities across Saskatchewan.

*\$128.2 million is being invested in health care infrastructure in 2018-19 with \$400 million targeted over four years.*

The 2018-19 Budget provides ongoing funding of \$34.0 million to complete work on the Saskatchewan Hospital North Battleford, which will allow for the expansion of access to inpatient mental health care to more Saskatchewan residents; \$20.0 million to finish government's commitment to the construction on the Jim Pattison Children's Hospital of Saskatchewan, which will better meet the unique needs of mothers, babies, children and teens in a growing province; and \$7.2 million for electrical renewal upgrades at provincial hospitals, which will ensure the long-term viability of those facilities.

Government is also making critical investments in health facility maintenance and equipment by providing \$65.4 million, an increase of \$15.0 million from last year. The four-year plan to increase maintenance and equipment funding recognizes the importance of ensuring that adequate support exists to ensure the sustainability of Saskatchewan's health care system.



## Government Services

Program areas in government require infrastructure upgrades, including government buildings, correctional centres, day program facilities, courts, parks, recreation facilities and information technology (IT) management systems. Investments in these areas will support high quality program and service delivery.

The 2018-19 Budget provides \$116.7 million in capital funding for this area, including investments in IT infrastructure, court and correctional facilities, provincial dam rehabilitation and in the province's forest fire-fighting capacity.

An additional \$4.5 million in capital funding will be provided to Saskatchewan's Parks in 2018-19 as part of Government's commitment to improve and upgrade our provincial parks. In total, this brings capital investment in Saskatchewan Parks to \$9.5 million in 2018-19. The Government of Saskatchewan has invested almost \$99 million in capital expenditures in provincial parks since 2008-09; new campgrounds and recreational facilities have been developed, water and wastewater systems have been upgraded and expanded and almost 1,900 campsites have been electrified, a portion of which are full-service sites with water, sewer and electrical connections.

\$28.6 million is provided to contribute to the rehabilitation of the province's 69 owned dams and 130 km of conveyance channels as part of the Water Management Infrastructure Renewal Plan with the Water Security Agency.

The Jim Pattison Children's Hospital of Saskatchewan will receive \$6.6 million in 2018-19 for software and equipment that will provide the technological components required to run the hospital, bringing the total investment to date to \$24.5 million.

In addition, \$9.3 million is provided in 2018-19 to renew the Income Assistance Information Technology system at the Ministry of Social Services. This project will support and further enhance government's ability to deliver its income assistance programs.

## Saskatchewan Builds Capital Plan Financing

Saskatchewan, as with other jurisdictions in Canada, has a significant amount of aging infrastructure. In addition to providing for infrastructure renewal, Saskatchewan must make strategic investments in the capital required to support future growth opportunities while keeping the province *On Track* to balance.

Capital expenditures will continue to be funded through a disciplined financing strategy in order to meet the infrastructure needs of our province and better match the benefits of the assets with the term of payment for these assets.

*Current low interest rates, combined with the Province's excellent credit rating, continue to make this a cost-effective time to finance capital.*

Planning for and enabling the repayment of capital debt upon maturity continues to be a key principal of undertaking this capital financing plan. As a result, Government remains committed to having at least two per cent of the value of these borrowings set aside and invested each year to ensure that sufficient cash will be available to repay the debt as it comes due. This ensures that any debt pertaining to infrastructure assets will not be passed on to future generations.





SASKATCHEWAN PROVINCIAL BUDGET

**18-19**

TECHNICAL PAPERS



# THE SASKATCHEWAN ECONOMY

## INTRODUCTION

The outlook for the Saskatchewan economy in 2018 remains positive.

Oil and potash prices are expected to continue to improve, while global growth remains strong.

Though total Saskatchewan employment declined slightly in 2017, employment is forecast to rise by 2,500 in 2018 as the Saskatchewan economy continues to grow.

Overall, real GDP is forecast to rise by 1.3 per cent in 2018.

Nominal GDP is forecast to increase by 4.0 per cent.

## GLOBAL ECONOMIC OUTLOOK

Global economic growth was strong and broadly based across countries in 2017.

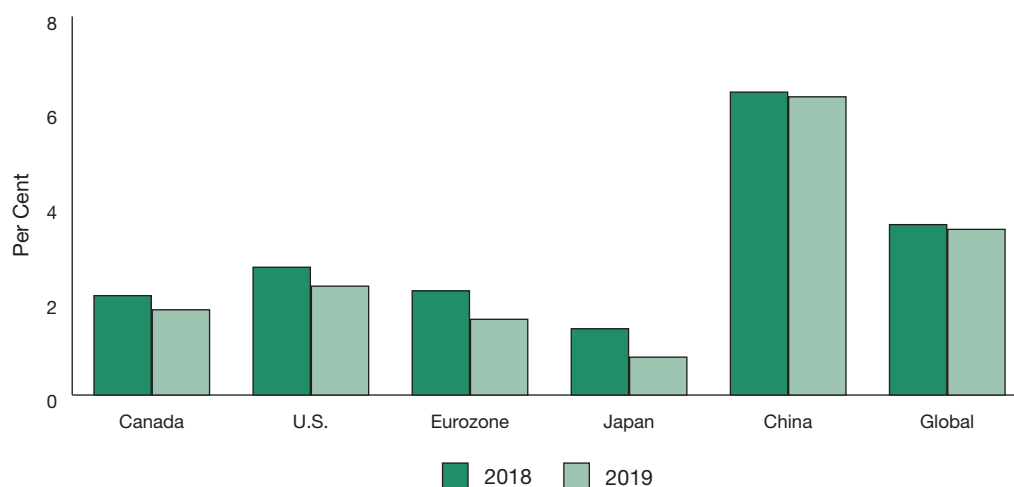
The Eurozone economy performed robustly, not only across countries but also across categories of expenditure. Buoyed by strong investment and household consumption, the Eurozone economy grew by 2.5 per cent in 2017.

Over the next two years, the Eurozone expansion is expected to moderate, growing by 2.2 per cent in 2018 and 1.6 per cent in 2019.

Benefiting from strong demand for its exports, the government's fiscal stimulus measures and accommodative monetary policy, Japan's economy grew by 1.5 per cent in 2017.

Japan's economy is expected to continue its moderate expansion in 2018, highlighted by business investments related to the 2020 Summer Olympic Games. Overall, Japan's economy is forecast to grow by 1.4 per cent in 2018 and 0.8 per cent in 2019.

## GLOBAL REAL GDP GROWTH ASSUMPTIONS



Sources: Bank of Canada (January 2018), Conference Board of Canada (December 2017)

Economic growth in emerging-market economies remained strong in 2017, particularly in China. China's growth is forecast to moderate slightly in the near term while the country continues to address structural reforms and financial sector vulnerabilities. China's economy is expected to grow by 6.4 per cent in 2018 and 6.3 per cent in 2019, after posting 6.8 per cent growth in 2017.

The U.S. economy finished up with 2.3 per cent growth in 2017, despite weak growth in the first quarter. The acceleration in real GDP growth primarily reflected upturns in consumer spending, non-residential fixed investment and exports.

U.S. economic growth momentum is expected to carry into 2018, mainly driven by business investment. The approved federal tax cuts are expected to have marginal impact in 2018.

Overall, U.S. real GDP is expected to grow by 2.7 per cent in 2018 and 2.3 per cent in 2019.

## CANADIAN ECONOMIC OUTLOOK

The Canadian economy grew strongly and outperformed other G7 economies in 2017. Real GDP increased by 3.0 per cent in 2017, well above 1.4 per cent growth in 2016. Most of the growth was

led by household consumption and business investment. Growth in exports, however, remained slow at 1.0 per cent.

In terms of GDP by industry, growth in 2017 was widespread across sectors. The oil and gas extraction sector grew by 6.3 per cent and support activities for mining rose by 37.0 per cent. Service-producing industries rose by 2.8 per cent, led by a 7.5 per cent increase in the wholesale trade sector.

Canadian real GDP grew strongly in the first half of the year, posting 4.0 per cent and 4.4 per cent annualized rates in the first and second quarters of 2017, respectively.

Economic growth momentum weakened in the second half of 2017, posting 1.5 per cent in the third quarter and 1.7 per cent in the fourth quarter.

Overall, growth is expected to slow to 2.1 per cent in 2018 and 1.8 per cent in 2019 as high household debt and uncertainties related to U.S. trade policies continue to be key challenges to the Canadian outlook.

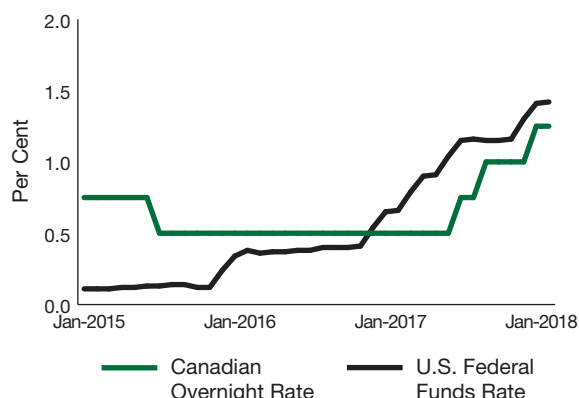
Amid buoyant economic growth, the Bank of Canada has raised its overnight lending rate three times since July 2017, a total of 75 basis points to 1.25 per cent.

## CANADIAN AND U.S. ECONOMIC ASSUMPTIONS

|  | Actual<br>2017 | 2018  | 2019  | 2020  | 2021  | 2022  |
|--|----------------|-------|-------|-------|-------|-------|
| Can. Real GDP Growth (%)                 | 3.0            | 2.1   | 1.8   | 1.8   | 1.7   | 1.7   |
| U.S. Real GDP Growth (%)                 | 2.3            | 2.7   | 2.3   | 2.2   | 2.2   | 2.1   |
| Short-term Interest Rate (%)             | 0.70           | 1.42  | 2.27  | 2.70  | 2.71  | 2.71  |
| 10-year Government of<br>Canada Bond (%) | 1.79           | 2.61  | 3.38  | 3.59  | 3.59  | 3.59  |
| Canadian Dollar (US cents)               | 77.10          | 78.40 | 79.10 | 81.30 | 82.30 | 83.40 |

Sources: Statistics Canada, Conference Board of Canada, Ministry of Finance

## CANADIAN AND U.S. INTEREST RATES



Sources: Bank of Canada, U.S. Federal Reserve

Following the rate hikes, the value of the Canadian dollar gained about 6.2 U.S. cents from an average of 75.2 U.S. cents in June 2017 to 81.4 U.S. cents in September 2017 – the highest level since May 2015.

The value of the Canadian dollar has been under pressure recently due to slower economic growth, tightening monetary policy in the U.S. and uncertainties related to the renegotiations of the North American Free Trade Agreement. The value of the Canadian dollar weakened to around 77.0 U.S. cents in early March 2018.

Overall, the value of the Canadian dollar is expected to average 78.4 U.S. cents in 2018 and 79.1 U.S. cents in 2019.

## CANADIAN DOLLAR



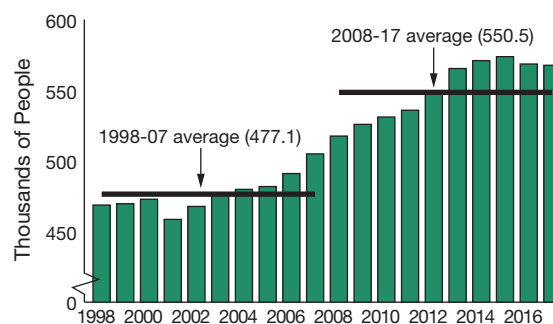
Source: Bank of Canada

## SASKATCHEWAN 2017 PERFORMANCE

Following two consecutive years of negative growth due to low commodity prices and modest global growth, the Saskatchewan economy is expected to post positive growth in 2017.

Total employment was down slightly last year, but still above the 10-year average.

## SASKATCHEWAN EMPLOYMENT

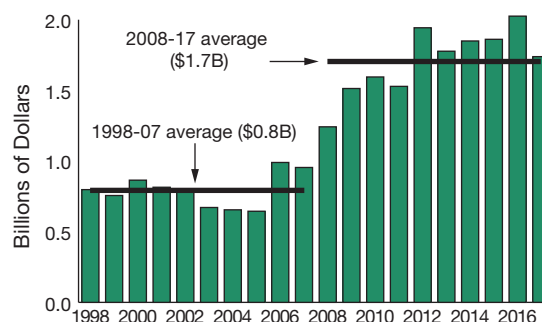


Source: Statistics Canada

Similarly, though some investment indicators were down slightly, they remain historically high.

On a 10-year-average basis, Saskatchewan non-residential building construction investment more than doubled from \$0.8 billion in the 1998 to 2007 period to \$1.7 billion in the 2008 to 2017 period.

## SASKATCHEWAN NON-RESIDENTIAL BUILDING CONSTRUCTION INVESTMENT



Source: Statistics Canada

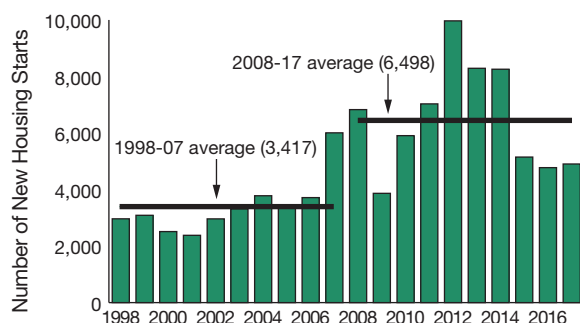
## SASKATCHEWAN ECONOMIC INDICATORS

|  | 2017<br>Actual | 2017<br>% Change | Saskatchewan<br>Rank | 2011-17<br>% Change | Rank   | Canada<br>2011-17<br>% Change |
|--|----------------|------------------|----------------------|---------------------|--------|-------------------------------|
| Population at January 1, 2018<br>and 2012-18 (000s)          | 1,169.8        | 1.2              | 6                    | 8.8                 | 2      | 7.0                           |
| Employment (000s)  | 567.6          | (0.2)            | 9                    | 5.9                 | 5      | 6.9                           |
| Unemployment Rate (%)  | 6.3            | 6.3              | 5th lowest           | 5.0                 | Lowest | 7.0                           |
| Consumer Price Index (2002=100)                              | 134.4          | 1.7              | 5                    | 10.2                | 2      | 8.8                           |
| Average Weekly Earnings (\$)                                 | 1,010.5        | 2.2              | 3                    | 15.5                | 2      | 11.7                          |
| Retail Sales (\$B)   | 19.9           | 4.0              | 8                    | 22.9                | 5      | 28.6                          |
| Wholesale Trade (\$B)  | 27.1           | 7.2              | 7                    | 26.4                | 6      | 31.7                          |
| New Motor Vehicle Sales (# of units)                         | 56,265         | 8.0              | 4                    | 10.2                | 9      | 28.2                          |
| Manufacturing Sales (\$B)                                    | 15.9           | 12.6             | 4                    | 25.4                | 3      | 14.2                          |
| International Exports (\$B)                                  | 28.9           | 8.7              | 5                    | (2.0)               | 8      | 19.7                          |
| Building Permits (\$B)                                       | 2.2            | 10.9             | 7                    | (16.4)              | 9      | 28.3                          |
| Housing Starts (# of units)                                  | 4,904          | 2.7              | 9                    | (30.3)              | 8      | 13.3                          |
| Investment in New Housing<br>Construction (\$B)              | 1.2            | (1.0)            | 9                    | (17.8)              | 8      | 39.7                          |
| Investment in Non-residential<br>Building Construction (\$B) | 1.7            | (14.1)           | 10                   | 13.8                | 3      | 10.0                          |

Source: Statistics Canada

New housing starts increased from an average of 3,417 units to 6,498 units per year during the same periods.

## SASKATCHEWAN NEW HOUSING STARTS



Source: Statistics Canada

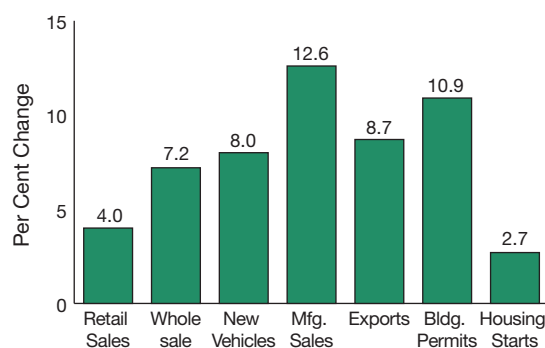
Other indicators had strong growth in 2017.

Manufacturing sales grew by 12.6 per cent, the fourth-highest percentage increase among provinces. Sales of new motor vehicles were up by 8.0 per cent, also the fourth-highest percentage increase among provinces.

In addition, the value of building permits, international goods exports, wholesale and retail trade were up substantially in 2017, as were oil and potash production.



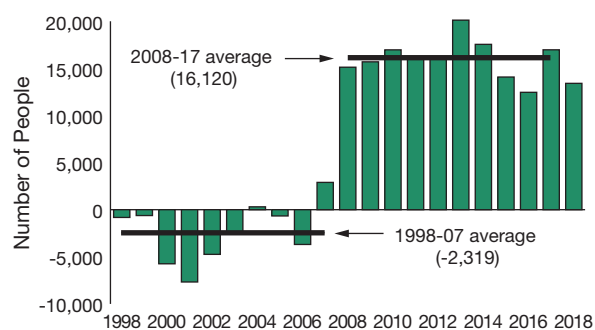
### SASKATCHEWAN KEY ECONOMIC INDICATORS (2017 over 2016)



Source: Statistics Canada

Saskatchewan's population continued to grow. Between January 1, 2017 and January 1, 2018, Saskatchewan's population increased by 13,410 persons. It was estimated to be 1,169,752 as of January 1, 2018, according to Statistics Canada's latest release.

### SASKATCHEWAN POPULATION GROWTH (January 1)



Source: Statistics Canada

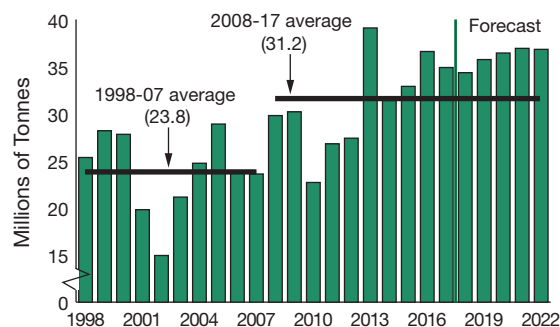
### SASKATCHEWAN ECONOMIC OUTLOOK

Overall, the outlook for the Saskatchewan economy in 2018 remains positive, though there are still challenges remaining in some sectors.

Though last year's crop was affected by hot and dry weather, total crop production in Saskatchewan in 2017 turned out to be significantly better than what had been expected in the summer. Crop production in 2017 totaled 34.9 million tonnes. In the 2017-18 Mid-Year Report, crop production in 2017 was estimated to be 29.2 million tonnes.

For 2018, crop production is expected to be 34.4 million tonnes, slightly less than in 2017 but still well above the 10-year average.

### SASKATCHEWAN CROP PRODUCTION



Source: Ministry of Agriculture

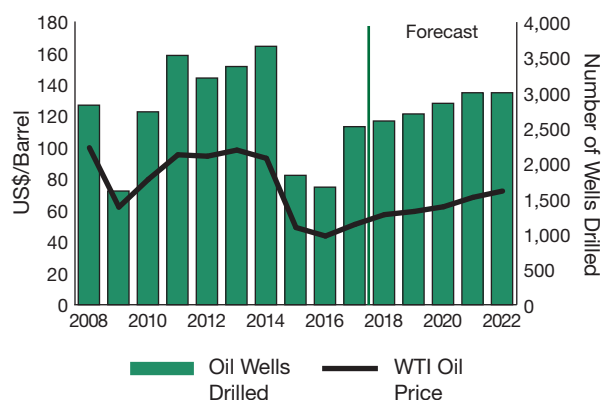
Oil prices have continued to improve over the course of the last few years.

The price of West Texas Intermediate (WTI) oil is expected to average US\$59.00 per barrel in 2018, up from US\$50.78 per barrel in 2017.

Drilling activity is expected to improve as a result of increases in the price of oil.

In 2017, 2,520 new oil wells were drilled in the province. This figure is expected to rise by 3.2 per cent to 2,600 this year.

### WTI OIL PRICE AND OIL WELLS DRILLED



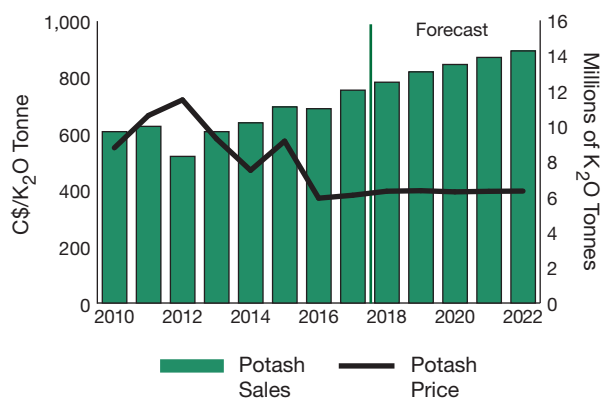
Source: Ministry of Energy and Resources

Total Saskatchewan potash sales in 2017 are estimated to have increased by 10.0 per cent to a record 12.0 million K<sub>2</sub>O tonnes.

Strong global demand is expected to continue into 2018. Total sales are anticipated to reach 12.5 million K<sub>2</sub>O tonnes.

The price of potash is expected to increase by 3.7 per cent in 2018 to \$398.19 per K<sub>2</sub>O tonne.

### SASKATCHEWAN POTASH PRICE AND SALES



Source: Ministry of Energy and Resources

The 10-month suspension of operations at the McArthur River mine beginning in January 2018 is expected to reduce uranium production significantly in 2018.

This reduction in uranium production has dampened the outlook for Saskatchewan GDP growth this year.

Nonetheless, Saskatchewan real GDP is currently expected to rise by 1.3 per cent in 2018. Nominal GDP is forecast to increase by 4.0 per cent.

Growth in 2019 is expected to improve. Real GDP is forecast to grow by 2.5 per cent while nominal GDP is forecast to increase by 4.3 per cent.

### COMMODITY PRICE ASSUMPTIONS – CALENDAR YEAR

|  | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   |
|--|--------|--------|--------|--------|--------|--------|
| WTI Oil (US\$/barrel)                            | 50.78  | 59.00  | 59.00  | 62.00  | 68.00  | 72.00  |
| Natural Gas (C\$/GJ)                             | 2.26   | 2.55   | 2.60   | 2.75   | 2.90   | 3.05   |
| Potash (C\$/K <sub>2</sub> O tonne) <sup>1</sup> | 383.96 | 398.19 | 400.03 | 395.96 | 397.83 | 398.72 |
| Potash (US\$/KCl tonne) <sup>1</sup>             | 180.58 | 190.43 | 193.02 | 196.37 | 199.72 | 202.84 |
| Wheat (C\$/tonne)                                | 230.23 | 237.75 | 231.50 | 235.49 | 237.26 | 237.10 |
| Canola (C\$/tonne)                               | 501.17 | 500.49 | 496.78 | 504.48 | 505.59 | 507.30 |

<sup>1</sup> The potash industry quotes prices in US dollars per KCl tonne. Provincial royalty calculations, however, are based on the Canadian dollar price per K<sub>2</sub>O tonne.

Sources: Ministry of Energy and Resources, Ministry of Agriculture

## SASKATCHEWAN FORECAST AT A GLANCE

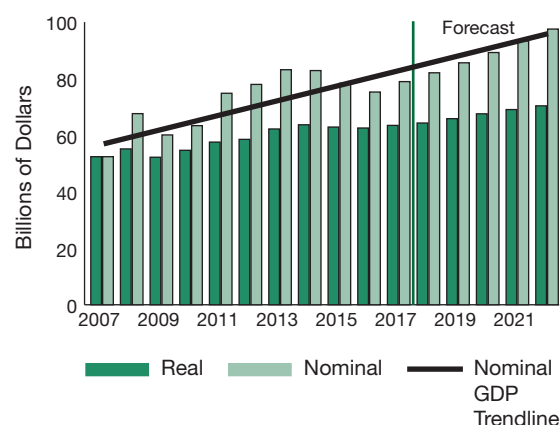
(Per Cent Change Unless Otherwise Noted)

|                           | 2017  | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------|-------|------|------|------|------|------|
| Real GDP                  | 1.5   | 1.3  | 2.5  | 2.6  | 2.2  | 1.9  |
| Nominal GDP               | 4.9   | 4.0  | 4.3  | 4.2  | 4.6  | 4.5  |
| CPI*                      | 1.7   | 2.3  | 1.8  | 1.8  | 1.9  | 1.9  |
| Employment Growth (000s)* | (0.9) | 2.5  | 4.6  | 5.4  | 5.3  | 5.1  |
| Unemployment Rate (%)*    | 6.3   | 6.1  | 5.9  | 5.7  | 5.5  | 5.6  |
| Retail Sales*             | 4.0   | 2.7  | 2.5  | 2.3  | 2.6  | 3.0  |

\* 2017 actual

Sources: Statistics Canada, Ministry of Finance

## SASKATCHEWAN REAL AND NOMINAL GDP LEVEL



Source: Ministry of Finance

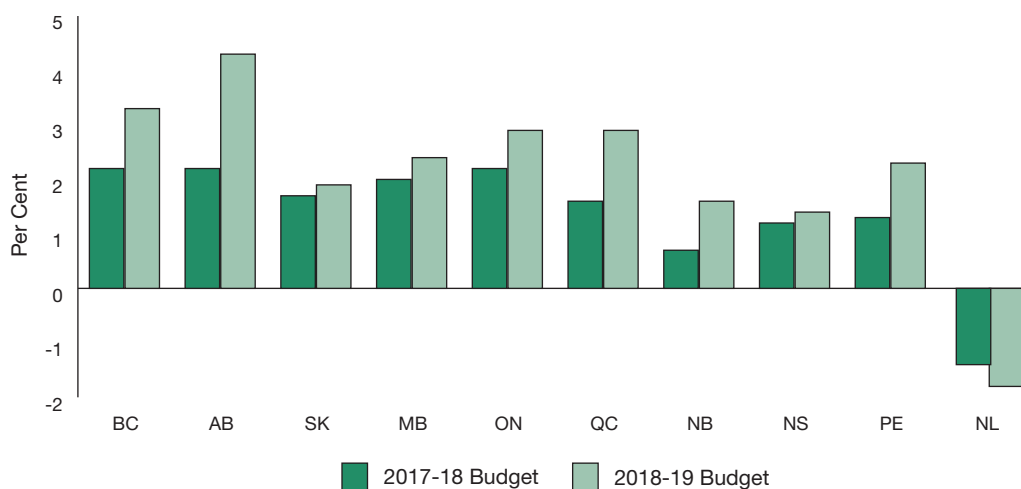
## FORECAST COMPARISON

Many private sector forecasters expect Saskatchewan's economy to be one of the top performing economies in all of Canada over the next two years.

On average, private sector forecasters expect Saskatchewan real GDP to grow by 2.0 per cent in 2018. The outside forecasts range from a low of 1.3 per cent to a high of 2.9 per cent.

In 2019, Saskatchewan's economy is expected to grow by 1.9 per cent. The outside forecasts range from a low of 1.6 per cent to a high of 2.5 per cent.

## PRIVATE SECTOR FORECASTS OF 2017 REAL GDP GROWTH BY PROVINCE



Private sector forecast average as at March 22, 2018.

Sources: Major Canadian banks, IHS Global Insight, CBOC, C4SE

### PRIVATE SECTOR REAL GDP GROWTH FORECASTS FOR SASKATCHEWAN\*

(Per Cent)

|  | 2018       | 2019       | Cumulative Growth | Release Date |
|--|------------|------------|-------------------|--------------|
| IHS Global Insight                         | 2.2        | 2.1        | 4.3               | Jan./18      |
| Conference Board of Canada                 | 1.3        | 1.6        | 2.9               | Feb./18      |
| The Centre for Spatial Economics           | 2.0        | 2.0        | 4.0               | Feb./18      |
| TD Bank                                    | 1.6        | 1.7        | 3.3               | Mar./18      |
| RBC  | 2.9        | 2.5        | 5.5               | Mar./18      |
| BMO  | 1.9        | 1.7        | 3.6               | Mar./18      |
| CIBC                                       | 2.1        | 1.8        | 3.9               | Mar./18      |
| Scotiabank                                 | 2.2        | 1.9        | 4.1               | Mar./18      |
| National Bank                              | 2.0        | 1.9        | 3.9               | Feb./18      |
| Laurentian Bank                            | 2.2        | 1.9        | 4.1               | Feb./18      |
| <b>Average of Private Sector Forecasts</b> | <b>2.0</b> | <b>1.9</b> | <b>3.9</b>        |              |
| <b>2018-19 Budget Forecast</b>             | <b>1.3</b> | <b>2.5</b> | <b>3.8</b>        |              |

\* As of March 22, 2018

### PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE\*

(Per Cent)

|                           | 2017       | Rank     | 2018       | Rank     | 2019       | Rank     |
|---------------------------|------------|----------|------------|----------|------------|----------|
| British Columbia          | 3.3        | 2        | 2.6        | 1        | 2.0        | 2        |
| Alberta                   | 4.3        | 1        | 2.4        | 2        | 2.1        | 1        |
| <b>Saskatchewan</b>       | <b>1.9</b> | <b>6</b> | <b>2.0</b> | <b>4</b> | <b>1.9</b> | <b>3</b> |
| Manitoba                  | 2.4        | 4        | 2.0        | 4        | 1.7        | 5        |
| Ontario                   | 2.9        | 3        | 2.2        | 3        | 1.8        | 4        |
| Québec                    | 2.9        | 3        | 2.2        | 3        | 1.6        | 6        |
| New Brunswick             | 1.6        | 7        | 1.1        | 7        | 1.0        | 9        |
| Nova Scotia               | 1.4        | 8        | 1.2        | 6        | 1.1        | 8        |
| Prince Edward Island      | 2.3        | 5        | 1.8        | 5        | 1.3        | 7        |
| Newfoundland and Labrador | (1.8)      | 9        | 0.7        | 8        | 2.0        | 2        |
| <b>Canada</b>             | <b>3.0</b> |          | <b>2.2</b> |          | <b>1.8</b> |          |

\* As of March 22, 2018

Private forecasters, on average, expect total employment in the province to increase by 2,400 and 4,600 in 2018 and 2019, respectively. These are in line with the current 2018-19 budget employment forecast of 2,500 in 2018 and 4,600 in 2019.

## CONCLUSION

Although the growth outlook for 2018 has been revised downward, the Saskatchewan economy remains on track to post positive growth in 2018.

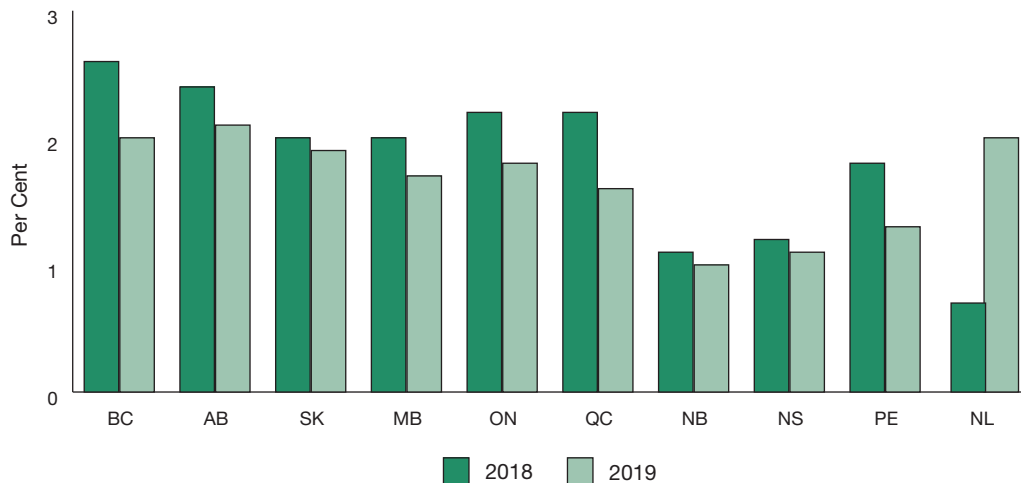
The downward revision to the growth forecast for 2018 since the 2017-18 Mid-Year Report is largely due to the shutdown of the McArthur River mine for much of this year, significantly reducing uranium production in 2018.

Still, oil and potash prices are expected to continue to improve this year. In addition, global growth remains strong. Further, Saskatchewan employment this year is forecast to rise by 2,500.

Overall, Saskatchewan real GDP is currently forecast to grow by 1.3 per cent in 2018 and 2.5 per cent in 2019.

Nominal GDP is forecast to increase by 4.0 per cent this year and 4.3 per cent next year.

### PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE



Private sector forecast average as at March 22, 2018.

Sources: Major Canadian banks, IHS Global Insight, CBOC, C4SE

# 2018-19 FINANCIAL OUTLOOK

## OVERVIEW

The Saskatchewan Provincial Budget includes the financial activity for all organizations within the control of the Government of Saskatchewan, based on standards established by the Public Sector Accounting Board (PSAB) for senior Canadian governments. The method of consolidation in the budget is consistent with the policies described in the Saskatchewan Public Accounts.

The revenue and expense budgets of Government Service Organizations (GSOs), including the General Revenue Fund (GRF), are consolidated after adjusting for differences in accounting policies and eliminating significant inter-organizational transactions. Adjustments are also made to account

for significant transactions in the period between an organization's fiscal year-end and the Government of Saskatchewan's year-end.

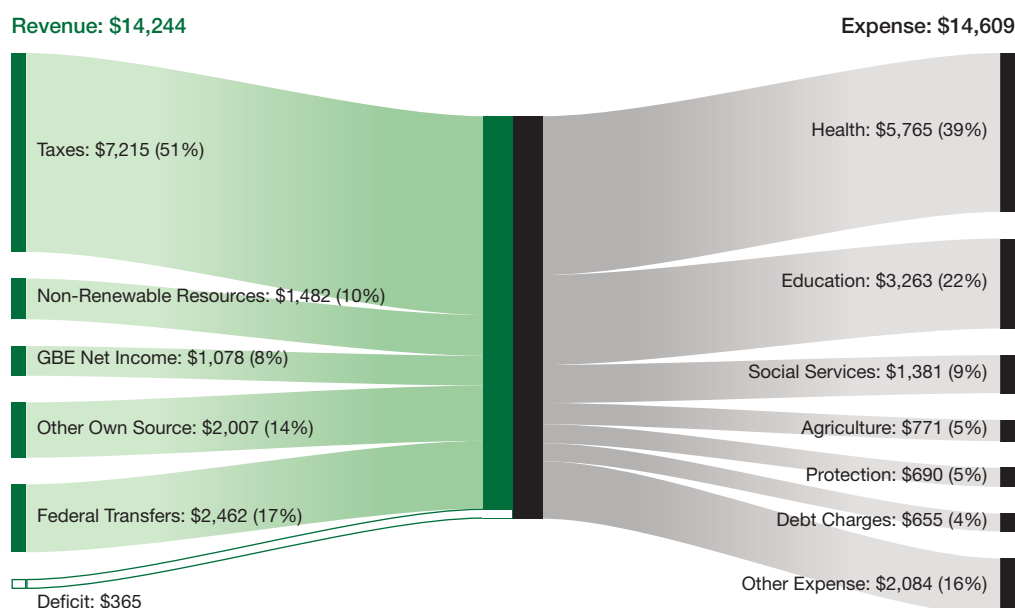
Budgets for Government Business Enterprises (GBEs) are incorporated as a single amount using the modified-equity method, which includes the Government of Saskatchewan's proportionate share of net earnings or losses.

Saskatchewan's 2018-19 Budget includes pension costs on an accrual basis in expense and deficit figures, and the 2017-18 Budget has been restated for comparative purposes.

The 2018-19 Budget estimates a deficit of \$365 million.

## 2018-19 GOVERNMENT OF SASKATCHEWAN BUDGET

(Millions of Dollars)



## 2018-19 REVENUE RECONCILIATION

| (Millions of Dollars)                 | 2017-18<br>Forecast | 2018-19<br>Budget | Change       |            |
|---------------------------------------|---------------------|-------------------|--------------|------------|
|                                       |                     |                   | Dollars      | Per Cent   |
| Taxation                              | 6,796.3             | <b>7,214.9</b>    | 418.6        | 6.2        |
| Non-Renewable Resources               | 1,419.7             | <b>1,482.1</b>    | 62.4         | 4.4        |
| Net Income from GBEs                  | 1,186.5             | <b>1,078.0</b>    | (108.5)      | (9.1)      |
| Other Own-Source Revenue              | 2,098.2             | <b>2,006.5</b>    | (91.7)       | (4.4)      |
| Transfers from the Federal Government | 2,442.3             | <b>2,462.0</b>    | 19.7         | 0.8        |
| <b>Total Revenue</b>                  | <b>13,943.0</b>     | <b>14,243.5</b>   | <b>300.5</b> | <b>2.2</b> |

## REVENUE

The 2018-19 revenue outlook includes all tax and other revenue measures announced in this year's budget, as well as changes to provincial fees and charges announced ahead of the budget. However, the budget does not incorporate either tax revenue or costs associated with cannabis legalization.

Total revenue is forecast to be \$14.2 billion in 2018-19, an increase of \$301 million (2.2 per cent) from the 2017-18 third quarter forecast. The increase is due to higher tax revenue, non-renewable resource revenue and federal transfers, partially offset by decreases in net income from GBEs and other own-source revenue.

## Tax Revenue

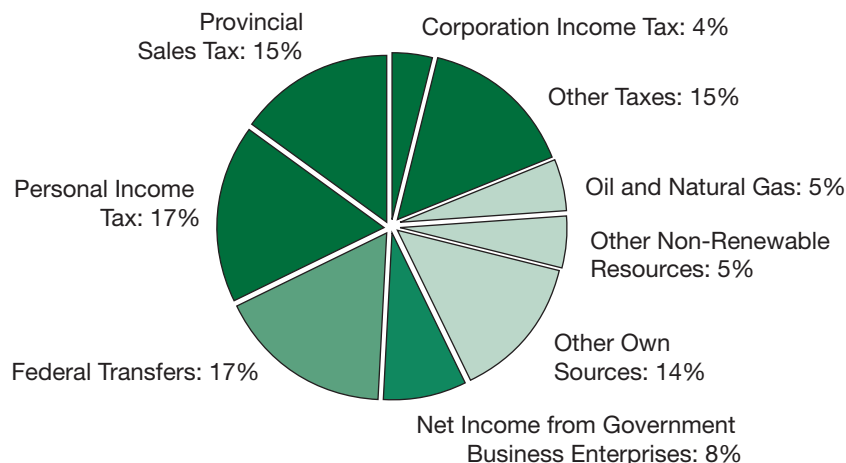
Tax revenue is budgeted at \$7.2 billion in 2018-19. This is an increase of \$419 million from the current 2017-18 forecast. As a share of total revenue, tax revenue accounts for 51 per cent in this year's budget, identical to last year's budget.

Provincial Sales Tax (PST) revenue is budgeted at nearly \$2.2 billion, an increase of \$226 million from the 2017-18 forecast. The increase is primarily due to the elimination of the PST exemption on used light vehicles, the full-year impact of last year's expansion of the PST to insurance premiums (excluding agriculture, life and health premiums), and growth in the taxable base as a result of increased economic activity.

## TOTAL REVENUE – 2014-15 TO 2018-19

| (Millions of Dollars)                 | 2014-15<br>Actual | 2015-16<br>Actual | 2016-17<br>Actual | 2017-18<br>Forecast | 2018-19<br>Budget |
|---------------------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| Taxation                              | 6,511.6           | 6,605.3           | 6,351.2           | 6,796.3             | <b>7,214.9</b>    |
| Non-Renewable Resources               | 2,614.5           | 1,761.3           | 1,300.0           | 1,419.7             | <b>1,482.1</b>    |
| Net Income from GBEs                  | 738.4             | 1,108.6           | 845.9             | 1,186.5             | <b>1,078.0</b>    |
| Other Own-Source Revenue              | 1,994.2           | 2,003.0           | 2,174.2           | 2,098.2             | <b>2,006.5</b>    |
| Transfers from the Federal Government | 2,200.0           | 2,155.5           | 2,954.8           | 2,442.3             | <b>2,462.0</b>    |
| <b>Total Revenue</b>                  | <b>14,058.7</b>   | <b>13,633.7</b>   | <b>13,626.1</b>   | <b>13,943.0</b>     | <b>14,243.5</b>   |

## COMPOSITION OF 2018-19 REVENUE



Individual and Corporation Income Tax revenue are budgeted to increase \$129 million and \$31 million, respectively, from the 2017-18 forecast. The increases are primarily due to significant negative prior-year adjustments experienced in 2017-18 that are not forecast to repeat in 2018-19.

All other taxes are budgeted to increase by a combined \$33 million, including an \$11 million increase in Fuel Tax revenue as a result of increased economic activity and continued population growth and a \$9 million increase in Property Tax as a result of expected growth in the value of assessments.

## Non-Renewable Resource Revenue

Non-renewable resource revenue is budgeted at nearly \$1.5 billion in 2018-19, a \$62 million improvement over the 2017-18 forecast. Similar to last year's budget, non-renewable resource revenue accounts for 10 per cent of total revenue.

Despite the increase this year, non-renewable resource revenue is well below levels experienced in recent years. The 2018-19 Budget forecast of \$1.5 billion is \$1.1 billion lower than actual revenue collected in 2014-15.

## TAX REVENUE – 2014-15 TO 2018-19

| (Millions of Dollars)  | 2014-15<br>Actual | 2015-16<br>Actual | 2016-17<br>Actual | 2017-18<br>Forecast | 2018-19<br>Budget |
|------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| Corporation Income Tax | 848.5             | 1,002.5           | 735.0             | 590.2               | 621.1             |
| Fuel Tax               | 515.4             | 479.3             | 488.6             | 535.4               | 546.1             |
| Individual Income Tax  | 2,546.6           | 2,537.3           | 2,592.2           | 2,311.8             | 2,441.2           |
| Property Tax           | 624.7             | 657.7             | 675.4             | 750.6               | 759.3             |
| Provincial Sales Tax   | 1,358.2           | 1,288.9           | 1,205.5           | 1,929.5             | 2,155.0           |
| Tobacco Tax            | 260.7             | 263.7             | 259.7             | 260.3               | 260.3             |
| Other Taxes            | 357.5             | 375.9             | 394.8             | 418.5               | 431.9             |
| <b>Total</b>           | <b>6,511.6</b>    | <b>6,605.3</b>    | <b>6,351.2</b>    | <b>6,796.3</b>      | <b>7,214.9</b>    |



## NON-RENEWABLE RESOURCE REVENUE – 2014-15 TO 2018-19

| (Millions of Dollars) | 2014-15<br>Actual | 2015-16<br>Actual | 2016-17<br>Actual | 2017-18<br>Forecast | 2018-19<br>Budget |
|-----------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| Crown Land Sales      | 164.9             | 44.0              | 50.1              | 64.5                | 63.9              |
| Oil and Natural Gas   | 1,297.9           | 564.8             | 571.4             | 661.2               | 700.1             |
| Potash                | 546.3             | 552.1             | 241.0             | 298.7               | 308.0             |
| Resource Surcharge    | 474.5             | 400.6             | 303.5             | 297.5               | 317.3             |
| Other                 | 130.9             | 199.8             | 134.0             | 97.8                | 92.8              |
| <b>Total</b>          | <b>2,614.5</b>    | <b>1,761.3</b>    | <b>1,300.0</b>    | <b>1,419.7</b>      | <b>1,482.1</b>    |

Oil and natural gas royalties are budgeted at \$700 million in 2018-19, an increase of \$39 million from the 2017-18 forecast. West Texas Intermediate (WTI) oil prices are forecast to average US\$58.18 per barrel in 2018-19, consistent with private-sector forecasts for the upcoming year. This is a US\$5.58 per barrel increase over the estimated 2017-18 average price of US\$52.60. This increase is partially offset by a wider light-heavy price differential and an increase in the value of the Canadian dollar.

WTI oil prices are an important benchmark for the oil market and provincial revenue; however, the majority of oil produced in Saskatchewan is heavier

and more sour than WTI oil and requires further processing to be turned into refined products. As a result, Saskatchewan oil typically trades at a discount to WTI oil in the marketplace. Increasing production in Western Canada and North Dakota, as well as pipeline and transportation capacity limits, have also contributed to a general widening of the price discount for Saskatchewan oil in recent years.

In 2018-19, the light-heavy price differential – a rough benchmark for the price discount for oil produced in Saskatchewan – is expected to widen further, from an average of 17.3 per cent in 2017-18 to 22.1 per cent.

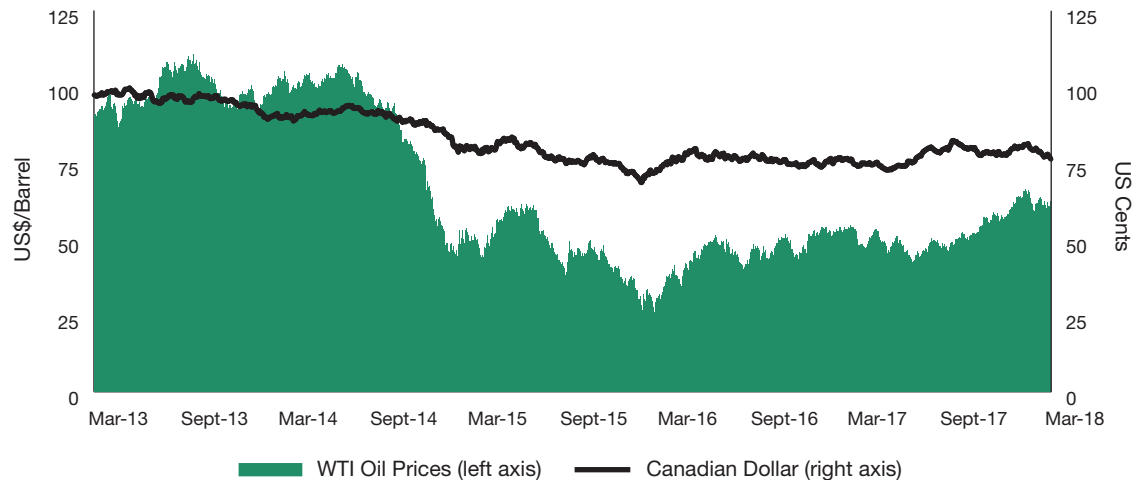
## NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS – FISCAL YEAR

|  | 2014-15<br>Actual | 2015-16<br>Actual | 2016-17<br>Actual | 2017-18<br>Forecast | 2018-19<br>Budget |
|--|-------------------|-------------------|-------------------|---------------------|-------------------|
| WTI Oil Price (US\$/barrel)  | 80.48             | 45.15             | 47.94             | 52.60               | 58.18             |
| Light-Heavy Differential (% of WTI)                                  | 17.4              | 22.4              | 21.3              | 17.3                | 22.1              |
| Well-head Oil Price (C\$/barrel) <sup>1</sup>                        | 70.22             | 41.16             | 45.09             | 51.62               | 54.36             |
| Oil Production (million barrels)                                     | 187.4             | 174.0             | 169.3             | 177.0               | 177.7             |
| Potash Price (mine netback, US\$/KCl tonne) <sup>2</sup>             | 281               | 258               | 173               | 183                 | 191               |
| Potash Price (mine netback, C\$/K <sub>2</sub> O tonne) <sup>2</sup> | 529               | 546               | 377               | 388                 | 399               |
| Potash Sales (million K <sub>2</sub> O tonnes) <sup>2</sup>          | 11.2              | 10.7              | 11.2              | 12.2                | 12.6              |
| Canadian Dollar (US cents)   | 88.05             | 76.38             | 76.20             | 77.82               | 78.34             |

<sup>1</sup> The average price per barrel of Saskatchewan light, medium and heavy oil.

<sup>2</sup> Ministry of Finance calculations derived from calendar-year forecasts.

## WTI OIL PRICES AND THE CANADIAN DOLLAR



The value of the Canadian dollar is projected to average 78.34 U.S. cents in 2018-19, up from an average of 77.82 U.S. cents in 2017-18. As the price of Saskatchewan oil at the well-head is generally determined based on prevailing prices in the United States, a higher exchange rate translates to lower prices in Canadian dollars, all else being equal.

Potash revenue is forecast at \$308 million in 2018-19, a \$9 million improvement over the 2017-18 forecast. Strength in global potash demand and market conditions continues to have a positive impact on average prices and sales volume. In 2018-19, average realized prices are budgeted at US\$191 per KCl tonne (C\$399 per K<sub>2</sub>O tonne), up from US\$183 (C\$388) in 2017-18. Sales are expected to increase from 12.2 million K<sub>2</sub>O tonnes in 2017-18 to 12.6 million K<sub>2</sub>O tonnes in 2018-19.

Resource Surcharge revenue is forecast at \$317 million in 2018-19, an increase of \$20 million from the current 2017-18 forecast. The increase is largely due to higher oil and potash prices.

The economic and fiscal forecasts in the 2018-19 Budget rely on a set of assumptions regarding Canadian, U.S. and global economic

growth, commodity prices and the value of the Canadian dollar. These factors are beyond government's control, yet they heavily influence Saskatchewan's fiscal performance, particularly non-renewable resource revenue.

In an attempt to minimize risk to the fiscal plan, the assumptions used to develop the resource forecast are prudent and incorporate a number of private sector forecasts. But because of the volatile nature of these key external factors, the non-renewable resource revenue forecast will always be subject to risk. This risk is quantified throughout the year.

For 2018-19 it is estimated that:

- a US\$1 per barrel change in the fiscal-year average WTI oil price results in an estimated \$16 million change in oil royalties;
- a US\$10 per KCl tonne (C\$21 per K<sub>2</sub>O tonne) change in the fiscal-year average realized potash price results in an estimated \$35 million change in potash royalties; and,
- a 1 U.S. cent change in the fiscal-year average exchange rate results in an estimated \$21 million change in non-renewable resource revenue.

## NET INCOME FROM GOVERNMENT BUSINESS ENTERPRISES – 2014-15 TO 2018-19

| (Millions of Dollars)                    | 2014-15<br>Actual | 2015-16<br>Actual | 2016-17<br>Actual | 2017-18<br>Forecast | 2018-19<br>Budget |
|--|-------------------|-------------------|-------------------|---------------------|-------------------|
| Saskatchewan Auto Fund                   | 53.8              | 159.1             | 188.7             | 142.6               | 118.0             |
| Saskatchewan Government Insurance        | 41.1              | 84.5              | 65.2              | 58.8                | 60.7              |
| Saskatchewan Liquor and Gaming Authority | 494.7             | 503.8             | 478.1             | 479.6               | 481.4             |
| SaskPower                                | 57.7              | 18.4              | 53.1              | 138.1               | 176.7             |
| SaskTel                                  | 71.8              | 121.3             | 130.1             | 122.1               | 133.0             |
| SaskEnergy                               | (33.0)            | 110.9             | 145.6             | 104.6               | 68.4              |
| Workers' Compensation Board              | 20.3              | 70.0              | (246.4)           | 116.1               | 15.3              |
| Other                                    | 32.0              | 40.6              | 31.5              | 24.6                | 24.5              |
| <b>Total</b>                             | <b>738.4</b>      | <b>1,108.6</b>    | <b>845.9</b>      | <b>1,186.5</b>      | <b>1,078.0</b>    |

### Net Income from Government Business Enterprises

Government Business Enterprise (GBE) net income is forecast at nearly \$1.1 billion in 2018-19 and accounts for 8 per cent of budgeted revenue. This is a \$109 million decrease from the current 2017-18 forecast, largely reflecting declines of \$101 million and \$25 million at the Workers' Compensation Board and the Auto Fund, respectively, primarily due to one-time investment gains in 2017-18 that are not budgeted to repeat. In addition, SaskEnergy is budgeted to decline \$36 million relative to the 2017-18 forecast, primarily due to an expected return to normal weather conditions and more typical gas marketing volumes.

These declines are partially offset by a \$39 million increase at SaskPower mainly due to the 3.5 per cent rate increase that became effective on March 1, 2018 and an \$11 million increase at SaskTel due to expected growth in business and consumer revenue.

### Other Own-Source Revenue

Other own-source revenue includes fees for services and licenses, proceeds from the sale of goods and services, investment income, fees collected by insurance entities and other miscellaneous sources of revenue. Most government organizations generate own-source revenue.

## OTHER OWN-SOURCE REVENUE – 2014-15 TO 2018-19

| (Millions of Dollars)            | 2014-15<br>Actual | 2015-16<br>Actual | 2016-17<br>Actual | 2017-18<br>Forecast | 2018-19<br>Budget |
|----------------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| Fees                             | 1,085.6           | 1,139.6           | 1,213.0           | 1,153.4             | 1,157.3           |
| Insurance                        | 256.4             | 242.5             | 303.6             | 297.8               | 288.2             |
| Investment Income                | 137.4             | 101.1             | 91.8              | 105.5               | 95.6              |
| Transfers from Other Governments | 90.9              | 97.8              | 96.8              | 96.8                | 88.8              |
| Miscellaneous                    | 423.9             | 422.0             | 469.0             | 444.7               | 376.6             |
| <b>Total</b>                     | <b>1,994.2</b>    | <b>2,003.0</b>    | <b>2,174.2</b>    | <b>2,098.2</b>      | <b>2,006.5</b>    |

## FEDERAL TRANSFERS – 2014-15 TO 2018-19

| (Millions of Dollars)  | 2014-15<br>Actual | 2015-16<br>Actual | 2016-17<br>Actual | 2017-18<br>Forecast | 2018-19<br>Budget |
|------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| Canada Health Transfer | 998.4             | 1,080.7           | 1,138.8           | 1,176.1             | 1,202.4           |
| Canada Social Transfer | 397.7             | 408.7             | 422.7             | 435.3               | 441.3             |
| Other                  | 803.9             | 666.1             | 1,393.3           | 830.9               | 818.3             |
| <b>Total</b>           | <b>2,200.0</b>    | <b>2,155.5</b>    | <b>2,954.8</b>    | <b>2,442.3</b>      | <b>2,462.0</b>    |

Other own-source revenue is budgeted at \$2.0 billion in 2018-19, accounting for 14 per cent of total revenue. Relative to the 2017-18 forecast, this is a \$92 million decrease, largely due to non-recurring GRF revenues in 2017-18 that are not budgeted to repeat, including investment earnings, agricultural land sales, gains on the sale of assets, out-of-province fire-fighting recoveries and miscellaneous refunds.

### Transfers from the Federal Government

Federal transfers are budgeted at nearly \$2.5 billion in 2018-19, a \$20 million increase over the current 2017-18 forecast. Contributions from the federal government account for 17 per cent of total revenue in the 2018-19 Budget.

The Canada Health Transfer and Canada Social Transfer will increase by \$26 million and \$6 million, respectively. All other federal cost-sharing agreements are budgeted to decrease \$12 million, largely due to lower infrastructure contributions related to agreements and projects that are winding down, including the Regina Bypass project.

### EXPENSE

Expense in the 2018-19 Budget includes pension expense on an accrual basis, consistent with the audited financial statements that appear in the Public Accounts. The 2017-18 Budget has been restated to reflect this change.

Total expense is budgeted at \$14.6 billion in 2018-19, a decrease of \$202 million, or 1.4 per cent, from the restated 2017-18 Budget. The change from last year's budget includes a \$404 million decrease in Government's pension liability (the pension accrual adjustment), reflecting prior-year actuarial losses that are finished being recognized in 2017-18 and new actuarial gains as a result of higher interest rates and other changes in actuarial assumptions. This decline is partially offset by increases for Health, Protection of Persons and Property, Social Services and Assistance, as well as Education (excluding teachers' pensions and benefits) and Debt Charges.

The composition of expense in the 2018-19 Budget is as follows:

- Health, \$5.8 billion, or 39 per cent;
- Education, \$3.3 billion, or 22 per cent;
- Social Services and Assistance, \$1.4 billion, or 9 per cent;
- Agriculture, \$771 million, or 5 per cent;
- Protection of Persons and Property, \$690 million, or 5 per cent;
- Debt Charges, \$655 million, or 4 per cent;
- all others, nearly \$2.1 billion, or 16 per cent;

## 2018-19 EXPENSE RECONCILIATION

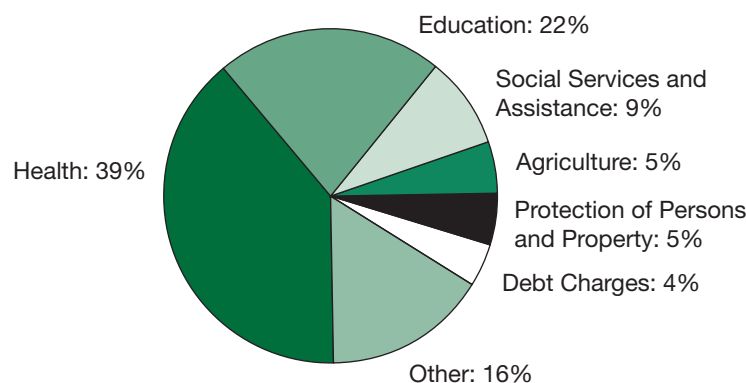
| (Millions of Dollars)              | 2017-18<br>Budget <sup>1</sup> | 2018-19<br>Budget | Change<br>Dollars | Change<br>Per Cent |
|------------------------------------|--------------------------------|-------------------|-------------------|--------------------|
| Agriculture                        | 800.5                          | 770.9             | (29.6)            | (3.7)              |
| Community Development              | 700.6                          | 642.6             | (58.0)            | (8.3)              |
| Debt Charges                       | 605.7                          | 654.6             | 48.9              | 8.1                |
| Economic Development               | 246.0                          | 230.2             | (15.8)            | (6.4)              |
| Education                          | 3,531.0                        | 3,263.3           | (267.7)           | (7.6)              |
| Environment and Natural Resources  | 247.9                          | 251.7             | 3.8               | 1.5                |
| Health                             | 5,627.4                        | 5,765.3           | 137.9             | 2.5                |
| Other                              | 484.2                          | 439.7             | (44.5)            | (9.2)              |
| Protection of Persons and Property | 643.7                          | 689.9             | 46.2              | 7.2                |
| Social Services and Assistance     | 1,356.7                        | 1,381.3           | 24.6              | 1.8                |
| Transportation                     | 567.4                          | 519.3             | (48.1)            | (8.5)              |
| <b>Total Expense</b>               | <b>14,811.1</b>                | <b>14,608.8</b>   | <b>(202.3)</b>    | <b>(1.4)</b>       |

<sup>1</sup> The 2017-18 Budget is restated to include pension expense on an accrual basis.

Significant budget-over-budget expense changes include:

- a \$137.9 million, or 2.5 per cent, increase in **Health**, primarily reflecting increases for utilization of physician services, utilization and inflation pressures at the Saskatchewan Health Authority, investments in mental health and home care, and increases for the Jim Pattison Children's Hospital of Saskatchewan and the Saskatchewan Hospital North Battleford facility;
- a \$46.2 million, or 7.2 per cent, increase in **Protection of Persons and Property**, largely for increased operating and compensation costs for provincial police services, including enhancements to the Rural Crime Strategy, and higher utilization of the correctional system and courts services;
- a \$24.6 million, or 1.8 per cent, increase in **Social Services and Assistance**, primarily due to higher utilization of income assistance and child welfare programs, as well as an increase for community-based services;

## COMPOSITION OF 2018-19 EXPENSE



- a \$267.7 million, or 7.6 per cent, decrease in **Education**, primarily due to lower teachers' pension expense, partially offset by investments in the K-12 education system, an increase for child care programs under the Canada-Saskatchewan Early Learning and Child Care Agreement, and an increase for the College of Medicine;
- a \$58.0 million, or 8.3 per cent, decrease in **Community Development**, largely due to a decrease in the Clean Water and Wastewater Fund as the program winds down and lower municipal revenue sharing grants, reflecting a decrease in PST revenue in 2016-17;
- a \$48.1 million, or 8.5 per cent, decrease in **Transportation**, primarily due to the full-year impact of the wind-down of operations at the Saskatchewan Transportation Company and a decrease for the Public Transit Infrastructure Fund as the federal program comes to an end;
- a \$29.6 million, or 3.7 per cent, decrease in **Agriculture**, primarily due to lower budgeted crop insurance indemnities and decreased AgriStability program demand, as well as lower requirements for the Farm and Ranch Water Infrastructure Program due to programming changes;
- a \$44.5 million, or 9.2 per cent, decrease in **Other**, primarily reflecting a decrease in pension expense; and,
- a \$48.9 million, or 8.1 per cent, increase in **Debt Charges** associated with higher Saskatchewan Builds Capital Plan debt and GRF operating debt.

## MEDIUM-TERM OUTLOOK

The medium-term financial outlook incorporates the impact of all measures announced in this year's budget and is consistent with the current medium-term economic outlook and its underlying assumptions. Similar to the budget, medium-term expense projections include the full accrual cost of pensions.

Total revenue is forecast to grow, on average, by 3.0 per cent per year over the forecast period, slightly less than expected average nominal GDP growth of 4.0 per cent.

Non-renewable resource revenue is estimated to grow at 4.9 per cent per year. WTI oil prices are assumed to increase over the forecast period, reaching US\$69.00 in 2021-22. Potash prices are also forecast to increase over the four-year period. However, some of these price gains are offset by an expected increase in the value of the Canadian dollar.

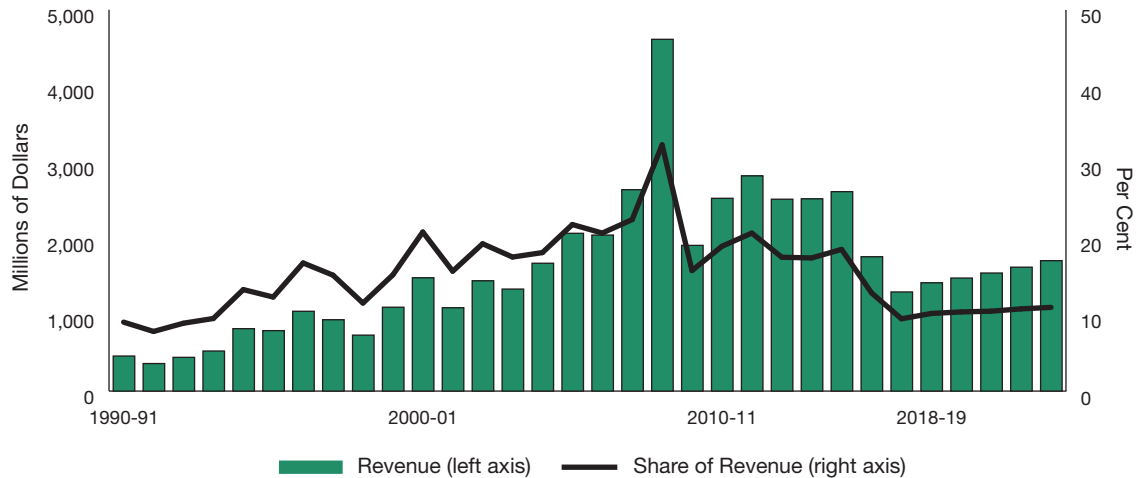
## KEY MEDIUM-TERM NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS

|  | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|--|---------|---------|---------|---------|
| WTI Oil Price (US\$/barrel)  | 58.18   | 59.75   | 63.50   | 69.00   |
| Light-Heavy Differential (% of WTI)                                  | 22.1    | 19.8    | 17.7    | 16.7    |
| Well-head Oil Price (C\$/barrel) <sup>1</sup>                        | 54.36   | 55.98   | 59.38   | 64.82   |
| Oil Production (million barrels)                                     | 177.7   | 181.0   | 183.4   | 185.5   |
| Potash Price (mine netback, US\$/KCl tonne) <sup>2</sup>             | 191     | 194     | 197     | 201     |
| Potash Price (mine netback, C\$/K <sub>2</sub> O tonne) <sup>2</sup> | 399     | 399     | 396     | 398     |
| Potash Sales (million K <sub>2</sub> O tonnes) <sup>2</sup>          | 12.6    | 13.2    | 13.6    | 14.0    |
| Canadian Dollar (US cents)   | 78.34   | 79.65   | 81.55   | 82.58   |

<sup>1</sup> The average price per barrel of Saskatchewan light, medium and heavy oil.

<sup>2</sup> Ministry of Finance calculations derived from calendar-year forecasts.

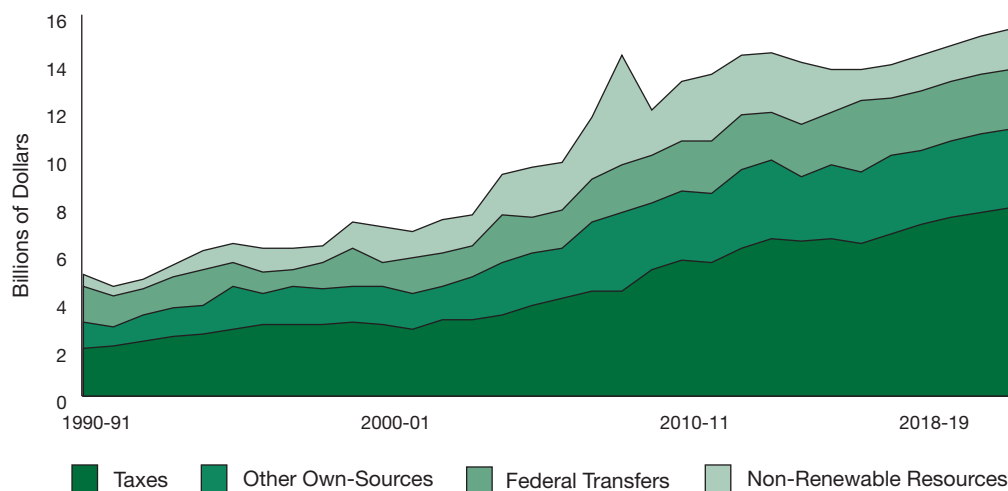
## NON-RENEWABLE RESOURCE REVENUE – 1990-91 TO 2021-22



As a share of total revenue, non-renewable resources are projected to grow from 10 per cent in 2018-19 to 11 per cent in 2021-22, the same path as outlined in last year's budget. While the share of revenue from non-renewable resources is projected to increase slightly over the forecast period, it is far lower than levels relied upon over the past two decades. For example, over the three-year period 2006-07 to 2008-09, non-renewable resources averaged 25 per cent of total revenue, including 32 per cent in 2008-09.

Tax revenue is projected to grow at an average rate of 3.3 per cent over the medium term due to continued growth in the provincial economy and population. Similarly, other own-source revenue and net income from GBEs are projected to increase at annual rates of 1.9 per cent and 1.1 per cent, respectively. Federal transfers are projected to increase at an annual rate of 3.3 per cent over the forecast period, largely reflecting legislated growth in the Canada Health Transfer and Canada Social Transfer.

## COMPOSITION OF REVENUE – 1990-91 TO 2021-22



Expense growth over the medium term is targeted at 1.0 per cent in 2019-20, followed by growth of 1.7 per cent in 2020-21 and 2.0 per cent in 2021-22.

After a \$365 million deficit in 2018-19, a small surplus of \$6 million is forecast for 2019-20. Surpluses of \$108 million and \$212 million are projected over the final two years of the four-year forecast horizon.

### ***MEDIUM-TERM FINANCIAL OUTLOOK***

| (Millions of Dollars)    | 2018-19      | 2019-20  | 2020-21    | 2021-22    |
|--------------------------|--------------|----------|------------|------------|
| Revenue                  | 14,244       | 14,761   | 15,114     | 15,518     |
| Expense                  | 14,609       | 14,755   | 15,006     | 15,306     |
| <b>Surplus (Deficit)</b> | <b>(365)</b> | <b>6</b> | <b>108</b> | <b>212</b> |



# 2018-19 BORROWING AND DEBT

The Province's debt consists of:

- General Debt – all debt of government entities other than Government Business Enterprise (GBE) Specific Debt; and,
- Government Business Enterprise Specific Debt – amounts borrowed by, or specifically on behalf of self-sufficient government organizations.

Government business enterprises have the financial and operating authority to sell goods and services to individuals and organizations outside government as their principal activity. Amounts borrowed by, or specifically for these entities are classified separately because they are expected to be repaid from cash flows generated by these business enterprises. In other words, this debt has been incurred to finance the business activities of Crown corporations, and it is supported by revenue from those Crown business activities.

Public debt as reported in this budget paper is comprised of:

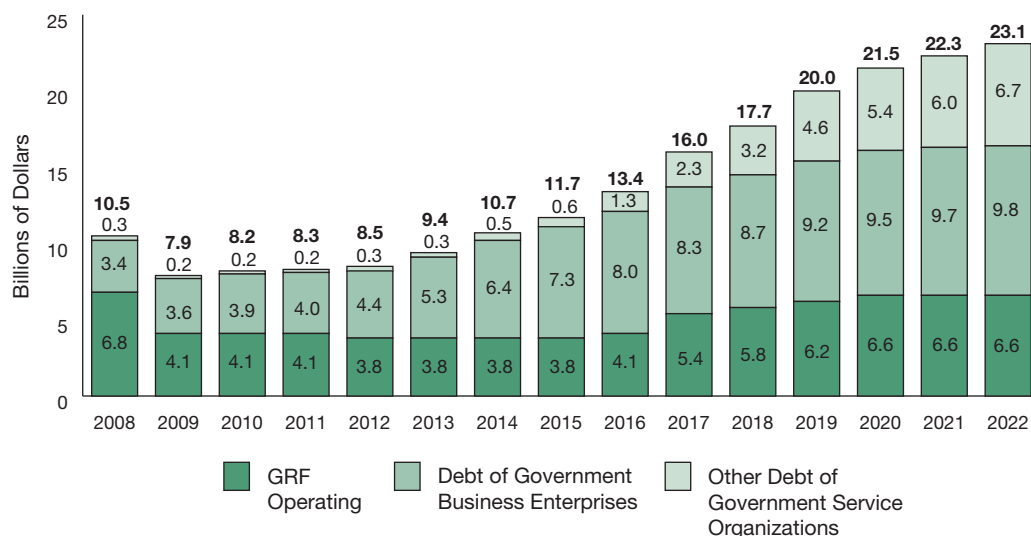
- Gross Debt – the amount of money owed to lenders; less
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

Public debt at March 31, 2018 is forecast to be \$448.2 million lower than estimated, due primarily to decreased debt for government business enterprises.

For 2018-19, public debt is expected to increase by \$2.3 billion from the March 31, 2018 forecast. This is primarily due to \$1.5 billion of new borrowings to enable the General Revenue Fund (GRF) to finance infrastructure assets for the Saskatchewan Builds Capital Plan, \$0.5 billion of increased debt for the utility Crown corporations and \$0.4 billion for GRF operations. These increases are slightly offset by reductions in the debt of other government service organizations.

## PUBLIC DEBT

As at March 31



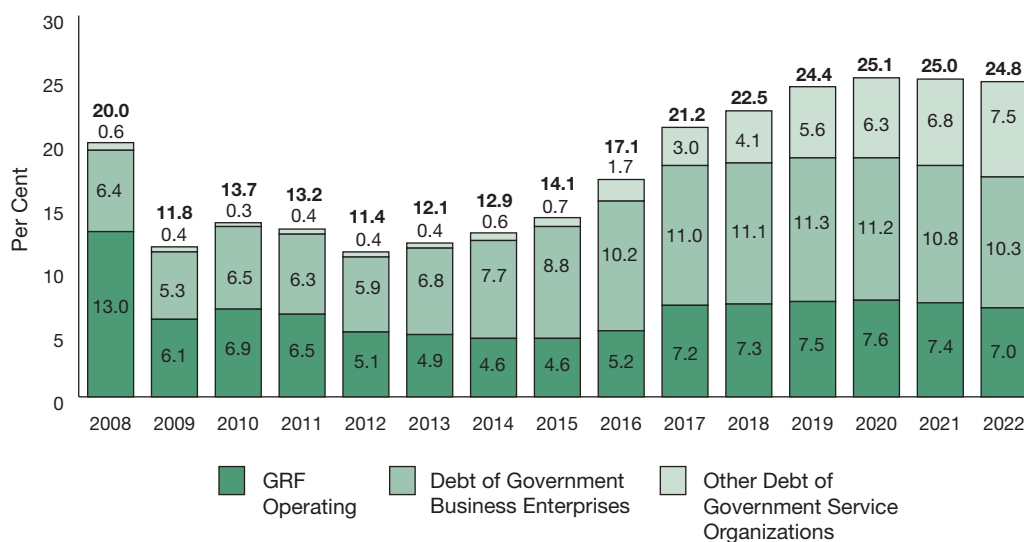
## DEBT

As at March 31

| (Millions of Dollars)                       | General Debt 2019 | GBE Specific Debt 2019 | Budget 2019     | Forecast 2018   | Budget 2018     |
|---|-------------------|------------------------|-----------------|-----------------|-----------------|
| <b>Government Service Organizations</b>     |                   |                        |                 |                 |                 |
| Gross Debt                                  | 11,937.0          | –                      | 11,937.0        | 10,056.9        | 10,091.5        |
| Sinking Funds                               | 1,161.9           | –                      | 1,161.9         | 1,029.1         | 1,029.0         |
| <b>Government Service Organization Debt</b> | <b>10,775.1</b>   | <b>–</b>               | <b>10,775.1</b> | <b>9,027.8</b>  | <b>9,062.5</b>  |
| <b>Government Business Enterprises</b>      |                   |                        |                 |                 |                 |
| Gross Debt                                  | 275.0             | 10,046.6               | 10,321.6        | 9,679.3         | 10,097.1        |
| Sinking Funds                               | 27.0              | 1,034.8                | 1,061.8         | 955.3           | 959.6           |
| <b>Government Business Enterprise Debt</b>  | <b>248.0</b>      | <b>9,011.8</b>         | <b>9,259.8</b>  | <b>8,724.0</b>  | <b>9,137.5</b>  |
| <b>Public Debt</b>                          | <b>11,023.1</b>   | <b>9,011.8</b>         | <b>20,034.9</b> | <b>17,751.8</b> | <b>18,200.0</b> |
| <b>Guaranteed Debt</b>                      | <b>24.5</b>       | <b>–</b>               | <b>24.5</b>     | <b>22.5</b>     | <b>27.0</b>     |

## PUBLIC DEBT AS A % OF GDP

As at March 31



## BORROWING

Most borrowing is done by the GRF. Where the GRF borrows on behalf of a government entity, the entity is responsible for the principal and interest payments on this debt.

The GRF's 2018-19 borrowing requirements are estimated to be \$3,206.1 million. Of this amount, \$586.0 million is for the purpose of refinancing maturing debt, \$400.0 million is increased debt for GRF operations, and the majority of the remaining amount is to assist with the financing of capital expenditures. The 2018-19 borrowing requirements include \$600.0 million of borrowing that pertains to capital expenditures of 2019-20. Borrowing these funds in advance ensures that they are available when needed and capitalizes on the current environment of historically low interest rates.

A small amount of borrowing is done by entities such as the Saskatchewan Health Authority, Boards of Education, the Water Security Agency and the Global Transportation Hub Authority. Collectively, the debt of entities that conduct their own borrowing is estimated to decline by \$97.6 million in 2018-19.

## SINKING FUNDS

Sinking funds are monies set aside for the orderly retirement of a portion of the government's debt. Sinking funds at March 31, 2018 are forecasted to be \$1,984.4 million, which is \$4.2 million lower than estimated. The variance is primarily due to lower-than-expected earnings during 2017-18.

For 2018-19, sinking funds are expected to increase by \$239.3 million to \$2,223.7 million. This is primarily due to the estimated level of sinking fund contributions and forecasted earnings for the year.

## SINKING FUNDS

| (Millions of Dollars)      | Forecast<br>2018 | Contributions<br>2019 | Earnings<br>2019 | Redemptions<br>2019 | Budget<br>2019 |
|----------------------------|------------------|-----------------------|------------------|---------------------|----------------|
| General Debt               | 1,029.1          | 108.0                 | 24.8             | 0.0                 | 1,161.9        |
| GBE Specific Debt          | 955.3            | 82.1                  | 25.2             | (0.8)               | 1,061.8        |
| <b>Total Sinking Funds</b> | <b>1,984.4</b>   | <b>190.1</b>          | <b>50.0</b>      | <b>(0.8)</b>        | <b>2,223.7</b> |

## DEBT CHARGES

In addition to interest payments, debt charges include other costs related to general gross debt, such as the amortization of premiums, discounts, and commissions. Debt charges also include interest that is accrued on pension liabilities.

The 2018-19 debt charges assume interest rates of 1.5 per cent for short-term borrowing transactions and 3.5 per cent for long-term borrowings. An interest rate of 3.1 per cent is assumed for pension liabilities. A one percentage point increase in interest rates for a full year from levels assumed in the Budget would increase debt charges in 2018-19 by approximately \$55.7 million.

## NET DEBT

Another measure of a province's financial position is "net debt." Net debt aggregates all of a province's liabilities, and subtracts the financial assets that it has at its disposal to repay these obligations.

Credit rating agencies and other users of public sector financial information typically consider both debt and net debt in their assessment of a province's financial condition.

The table below shows that the Province of Saskatchewan's net debt at March 31, 2018 is forecasted to be \$11.8 billion, which is third among provinces on a per capita basis and second among provinces as a percentage of GDP.

## DEBT CHARGES

| (Millions of Dollars)           | Estimated<br>2018-19 | Forecast<br>2017-18 |
|---------------------------------|----------------------|---------------------|
| General Revenue Fund            | 425.6                | 356.4               |
| Pension Liabilities             | 220.9                | 232.2               |
| Other General Debt              | 8.1                  | 14.7                |
| <b>Debt Charges<sup>1</sup></b> | <b>654.6</b>         | <b>603.3</b>        |

<sup>1</sup> Debt charges do not include amounts pertaining to Government Business Enterprise Specific Debt. These amounts are reflected in Net Income from Government Business Enterprises.

## NET DEBT COMPARISON

As at March 31

|                           | 2015-16<br>Billions of Dollars | 2016-17     | 2017-18     | 2017-18                 |                   |                              |                   |
|---------------------------|--------------------------------|-------------|-------------|-------------------------|-------------------|------------------------------|-------------------|
|                           |                                |             |             | Per Capita <sup>2</sup> |                   | Per Cent of GDP <sup>3</sup> |                   |
|                           |                                |             |             | Dollars                 | Rank <sup>1</sup> | %                            | Rank <sup>1</sup> |
| British Columbia          | 39.6                           | 37.8        | 42.3        | 8,786                   | 2                 | 15.2                         | 3                 |
| Alberta                   | (3.9)                          | 8.9         | 20.3        | 4,729                   | 1                 | 5.9                          | 1                 |
| <b>Saskatchewan</b>       | <b>7.9</b>                     | <b>10.2</b> | <b>11.8</b> | <b>10,116</b>           | <b>3</b>          | <b>15.0</b>                  | <b>2</b>          |
| Manitoba                  | 21.4                           | 22.7        | 24.0        | 17,900                  | 6                 | 33.9                         | 5                 |
| Ontario                   | 295.4                          | 301.6       | 308.2       | 21,715                  | 9                 | 37.1                         | 7                 |
| Québec                    | 185.0                          | 181.8       | 181.1       | 21,580                  | 8                 | 43.9                         | 9                 |
| New Brunswick             | 13.7                           | 13.8        | 14.1        | 18,561                  | 7                 | 39.7                         | 8                 |
| Nova Scotia               | 15.1                           | 15.0        | 15.1        | 15,779                  | 5                 | 35.3                         | 6                 |
| Prince Edward Island      | 2.2                            | 2.2         | 2.2         | 14,606                  | 4                 | 33.7                         | 4                 |
| Newfoundland and Labrador | 12.5                           | 13.6        | 14.6        | 27,680                  | 10                | 47.2                         | 10                |

<sup>1</sup> Rank ordered with 1 = lowest.

<sup>2</sup> Population data from Statistics Canada for populations as of January 1, 2018.

<sup>3</sup> Based on Statistics Canada estimates of GDP and Conference Board forecasts.

Source: Jurisdictions' most recent publicly available data.

# 2018-19 REVENUE INITIATIVES

The 2018-19 Budget introduces a number of revenue initiatives to support Saskatchewan's Growth Agenda and to remain on track to address continuing fiscal challenges facing the Government of Saskatchewan.

This paper describes in more detail the tax measures announced in the Budget. However, it is only a summary and the reader is advised to contact the responsible ministries and consult the enacting legislation or regulation for specific details.

## SASKATCHEWAN'S GROWTH AGENDA

### Saskatchewan Value-added Agriculture Incentive

For Saskatchewan to continue to successfully promote robust economic growth and secure new investment in key sectors, the Province must find new ways to foster a competitive business environment. As part of this effort, Saskatchewan has introduced a number of new growth tax incentives. Saskatchewan also recently increased the income threshold to which the two per cent small business tax rate applies – from \$500,000 to \$600,000 effective January 1, 2018.

To further encourage business investments that will support the continued diversification of the provincial economy, this Budget introduces a new growth incentive designed to improve investment in Saskatchewan's value-added agriculture sector. The Saskatchewan Value-added Agriculture Incentive (SVAI) will provide a non-refundable Corporation Income Tax credit equal to 15 per cent of qualifying new capital expenditures.

Eligible value-added agriculture activities are defined as the physical transformation or upgrading of any raw/primary agricultural product or any agricultural by-product or waste into a new or upgraded product. Potential examples include pea protein processing, canola seed crushing, oat milling, malt production and cannabis oil processing. Cleaning, bagging, handling, and/or storing of primary products will not qualify.

Qualifying projects include new or existing value-added agriculture facilities making capital expenditures of at least \$10 million related to new or expanded productive capacity.

Potential applicants can apply to the Saskatchewan Ministry of Trade and Export Development, demonstrating how the proposed project will meet the qualifying criteria. The Ministry will issue a letter of conditional SVAI approval to eligible applicants.

Conditionally approved applicants will need to complete construction, initiate operations and provide evidence of the new or expanded value-added production that resulted from the capital investment. The Ministry will then issue a certificate of SVAI eligibility to the company. This certificate will indicate the amount of the company's qualifying capital expenditures.

Eligible companies can claim the 15 per cent SVAI tax credit by submitting the certificate of SVAI eligibility to the Saskatchewan Ministry of Finance, along with the company's Notice of Assessment from the Canada Revenue Agency. The Ministry will

redeem the tax credit as a rebate up to the amount of Saskatchewan Corporation Income Tax paid by the company. Redemption of the tax credit will be limited to 20 per cent in year one after the facility begins operations, 30 per cent in year two, and 50 per cent in year three. Unused tax credit amounts can be carried forward to subsequent taxation years, up to the tenth year after the facility begins operations.

The SVAI program will sunset after December 31, 2022.

For further information on the SVAI program, contact the Ministry of Trade and Export Development at 306-787-5858.

### **Saskatchewan Technology Start-up Incentive**

The pace and scope of technological change continues to accelerate through every sector of the global economy. As such, Saskatchewan's prosperity is increasingly tied to its ability to foster strong innovation outcomes. Of critical importance to achieving strong innovation outcomes is a robust innovation ecosystem that supports and develops technology start-up companies in the preliminary stages of commercialization and scale-up.

To further encourage business investment in early stage technology start-ups, Saskatchewan is introducing an incentive to increase the availability of patient and risk tolerant seed capital. The Saskatchewan Technology Start-up Incentive (STSI) builds on the best practices in other Western Canadian jurisdictions to address the capitalization challenges faced by Saskatchewan technology start-ups. The STSI will provide a non-refundable tax credit equal to 45 per cent of qualifying new investments made in eligible small businesses.

Eligible small businesses (ESBs) are early stage technology start-ups that:

- are developing new technologies or applying existing technologies in a new way, to create proprietary new products, services, or processes that are repeatable and scalable;
- have less than 50 employees;
- are incorporated and headquartered in Saskatchewan; and,
- have the majority of staff and operations located in Saskatchewan.

Investors can be either accredited or non-accredited. Accredited investors include local investment fund managers and financial institutions. Non-accredited investors will be permitted to invest within the confines of Saskatchewan securities legislation. Venture capital corporations may also raise capital and make investments under the terms of the STSI program.

Upon making an approved ESB investment, eligible investors will receive an eligibility certificate from Innovation Saskatchewan which may then be used to claim the 45 per cent STSI tax credit from the Saskatchewan Ministry of Finance. For example, a \$500,000 investment can earn a maximum tax credit of \$225,000 per investment in an ESB. An investor may claim up to \$140,000 in tax benefits per year. Unused tax credit amounts may be carried forward for up to four years after the ESB investment is made. The minimum hold period for ESB investments is two years and the ESB may not be acquired, go public or leave Saskatchewan within that two-year period.

The STSI is being launched as a 2½ year pilot program. At the end of the pilot, the STSI's effectiveness will be evaluated against a series of pre-determined metrics.

For further information on the STSI program, contact Innovation Saskatchewan at 306-933-7389.

## TAXATION MEASURES

### Personal Income Tax Rates

Enhancements to Saskatchewan's Personal Income Tax (PIT) exemptions introduced in 2008 and 2011 have removed almost 112,000 Saskatchewan residents from the Province's income tax roll. In total, PIT reductions introduced since 2007 are providing about \$500 million in annual income tax savings to Saskatchewan residents.

The 2017-18 Budget announced that PIT rates would be reduced in two stages – an initial half-point reduction on July 1, 2017 and a second half-point reduction on July 1, 2019. The first stage of this reduction is providing a further \$121 million in income tax savings to Saskatchewan residents in 2018.

The 2018-19 Budget announces a temporary freeze to the tax rate reduction plan. Tax rates have now been reduced by a half-point and will remain at these levels for the time being.

### SASKATCHEWAN'S PERSONAL INCOME TAX RATES

|                | 2016<br>Rates | 2017<br>Rates | 2018<br>Rates |
|----------------|---------------|---------------|---------------|
| First Bracket  | 11%           | 10.75%        | 10.5%         |
| Second Bracket | 13%           | 12.75%        | 12.5%         |
| Third Bracket  | 15%           | 14.75%        | 14.5%         |

*Note: The 2017 tax rates reflect the impact of the half-point reduction midway through the 2017 taxation year.*

### Dividend Tax Credit

In October 2017, the federal government announced an adjustment to the taxation of non-eligible dividends (generally those received from small business corporations) beginning in 2018. These dividends are referred to as “non-eligible” because they are distributed to individuals from corporate income that was taxed at the small business tax rates rather than at the standard corporate tax rates.

As a result of the linkage between the federal and provincial personal income tax systems, the federal change would automatically increase provincial income taxes on this type of dividend income.

To offset this potential increase to provincial income taxes and to maintain the current level of provincial tax on non-eligible dividends, Saskatchewan will amend provincial legislation. For the 2018 taxation year, the effective Saskatchewan dividend tax credit rate will be 3.333 per cent of taxable non-eligible dividend income. For the 2019 and subsequent taxation years, this rate will be 3.362 per cent.

### Caregiver Tax Credits

In its 2017-18 Budget, the federal government announced the consolidation of federal caregiver-related income tax credits into a single Canada Caregiver Credit. Saskatchewan will not mirror the federal change and will instead maintain the existing provincial Infirm Dependant Tax Credit and Caregiver Tax Credit, in order to ensure that dependants who are currently eligible to be claimed under these tax credits remain eligible.

Saskatchewan's \$9,464 tax credit amounts also remain significantly higher than the \$6,883 federal amount.



## **Taxation of Vehicles**

The 2017-18 Budget announced a number of expansions to the Provincial Sales Tax (PST) base. One of the changes was to maintain the PST exemption for used light vehicles, but to no longer allow a deduction for the value of a trade-in when determining the PST on the purchase of a taxable light vehicle.

Following substantial consultations with Saskatchewan's vehicle dealers, this Budget announces the elimination of the PST exemption for used light vehicles, effective April 11, 2018. This measure removes the difference in the tax treatment between used light vehicles and all other types of used vehicles, for which PST has always applied. Purchasers of used vehicles will now face the same tax rules, regardless of the type of vehicle they are purchasing.

In addition, the Budget announces the restoration of the trade-in allowance when determining the PST, also effective April 11, 2018. In other words, when trading in a vehicle, PST is paid only on the difference in price between the value of the trade-in and the total selling price of the vehicle being purchased.

Individuals purchasing a used vehicle through a private sale and registering the vehicle for personal or farm use have previously been permitted to deduct \$3,000 from the purchase price in computing the PST. This deduction is now converted to a \$5,000 exemption. The PST will not apply to the private sale of these used vehicles with a purchase price up to \$5,000. The PST will apply in full for vehicles with a

purchase price above \$5,000. As with the former \$3,000 deduction, private sales of used vehicles registered for commercial use, as well as dealer sales of used vehicles, are not eligible for the \$5,000 exemption.

The PST also does not apply for used vehicles gifted between qualifying family members. A qualifying family member includes a spouse, parent or legal guardian, child, grandparent, grandchild or sibling. Rules are in place to prevent the unfair avoidance of tax.

## **ENERGY STAR® Appliances**

Since 2003, an exemption from the PST has existed for ENERGY STAR® certified refrigerators, freezers, dishwashers and clothes washers to encourage consumers to purchase energy-efficient household appliances. This exemption was subsequently expanded to include ENERGY STAR® qualifying residential furnaces and boilers, as well as ground and air source heat pumps.

ENERGY STAR® certified appliances now dominate the household appliance market and constitute the majority of consumer sales in Canada, with the benefit of permanent energy cost savings providing a strong incentive for consumers to choose these appliances. The PST exemption is no longer needed to encourage this consumer behaviour and the Budget therefore eliminates the PST exemption for these appliances, effective April 11, 2018.

## Cannabis Taxation

In December 2017, Canadian Finance Ministers agreed in principle to a cannabis taxation approach. Saskatchewan believes this approach best meets the objectives to restrict cannabis use by youth and, as much as possible, eliminate the illegal market. Saskatchewan therefore intends to formalize its participation in this taxation approach by entering into an initial two-year agreement under which the Province will receive 75 per cent of the federal cannabis excise duty revenue generated in the province. Saskatchewan will also receive a proportionate share of any revenue generated in Canada above the \$100 million cap on federal revenues from the federal cannabis excise duty.

The PST will also apply to all retail sales of cannabis products in Saskatchewan. In addition, for sales in the province, the federal cannabis excise duty rate will be increased to account for interprovincial sales tax rate differentials, and Saskatchewan will receive this revenue from the federal government.

The 2018-19 Budget does not incorporate any revenue from the sale of cannabis in this initial year, in part because it remains unclear exactly when legalization will occur, and because the size of the cannabis market and the anticipated retail price are difficult to predict, making it challenging to accurately forecast potential revenue.

For further information on the initiatives described in this paper (other than the SVAI program or the STSI program), refer to the Ministry of Finance website at [www.saskatchewan.ca/budget](http://www.saskatchewan.ca/budget) or call 1-800-667-6102.

# SASKATCHEWAN'S TAX EXPENDITURES

## INTRODUCTION

Although the primary purpose of taxation is to raise revenue, governments also attain some of their social and economic goals by reducing the taxes paid by certain taxpayers. These reductions are commonly called “tax expenditures” and include such measures as exemptions, deductions, tax credits, preferential tax rates or deferrals. Taken together, they provide assistance to a variety of individuals and businesses, including families, farmers, senior citizens and small businesses.

While tax expenditures are usually absorbed in the overall revenue estimates and are not presented in the same way as direct spending programs, they reduce the amount of revenue generated by a government and they affect a government's fiscal position in the same way as direct expenditures.

## RATIONALE FOR TAX EXPENDITURES

Tax expenditures can achieve a number of objectives, such as enhancing the fairness of the tax system or promoting certain types of economic activity. In pursuing these objectives, some tax expenditures have become fundamental elements of the tax system.

Saskatchewan's Provincial Sales Tax (PST) does not apply to certain essential items such as basic groceries, residential natural gas, residential electricity and reading materials, thereby reducing the taxes paid by families consuming these items.

Some of Saskatchewan's PST exemptions are in contrast to the federal Goods and Services Tax (GST) and the sales taxes of provinces that have harmonized their sales taxes with the GST, since those taxes apply to a much broader range of goods and services purchased by families.

Other exemptions from the PST are intended to support particular key sectors of the provincial economy, including manufacturing and farming.

Saskatchewan's personal income tax system applies provincial marginal tax rates directly to taxable income as defined for federal income tax purposes. As a result, deductions that contribute to the federal determination of taxable income, such as the deduction for Registered Retirement Savings Plan contributions, also affect Saskatchewan income tax revenue. The impacts of several of these deductions are estimated in this paper.

In addition, Saskatchewan's personal income tax system has distinct provincial non-refundable income tax credits that recognize the personal circumstances of the taxpayer, including family-based credits and disability-related credits. This paper also provides estimates of the revenue impacts of several of these provincial non-refundable tax credits.

Saskatchewan's income tax system also delivers several programs designed to encourage particular taxpayer behaviours, including investment incentives and retention incentives.

To improve tax competitiveness, Saskatchewan levies a lower income tax rate on small businesses and a special income tax rate on manufacturing and processing (M&P) profits. In addition, Saskatchewan provides a refundable Investment Tax Credit to assist M&P companies that invest in qualifying new or used M&P assets for use in the province. Saskatchewan also provides a Research and Development (R&D) Tax Credit in support of qualifying R&D activities.

## **ASSOCIATED COSTS**

While tax expenditures serve important social and economic objectives, the introduction of any tax expenditure results in associated costs. These costs take several forms.

- First, there is the cost of forgone revenue. Tax expenditures result in the reduction of revenue collected and have a significant impact on a government's financial position.
- Second, tax expenditures may add to the complexity of the tax system, leading to increased administrative effort by both taxpayers and governments.
- Third, tax expenditures may create distortions in consumer and other economic behaviour by providing preferential treatment for certain categories of consumer expenditure.
- Finally, tax expenditures may create increased compliance costs for both businesses and consumers.

## **GOVERNMENT OF CANADA TAX EXPENDITURES**

The federal government produces a detailed presentation on tax expenditures that are part of the federal tax system. Since Saskatchewan's personal and corporate income taxes are based upon the federal definition of taxable income, many of the federal tax expenditures have an impact on Saskatchewan's revenue. Readers interested in examining the federal government's presentation of tax expenditures are invited to visit the Finance Canada website at [www.fin.gc.ca](http://www.fin.gc.ca) (and click on "Publications and Reports").

## **2018 SASKATCHEWAN TAX EXPENDITURE ACCOUNTS**

The following tables provide estimates of the major tax expenditures of the Government of Saskatchewan, calculated using tax collection data, Statistics Canada data and income tax assessment data. Estimates are derived from these data sources by applying assumptions regarding the expected changes in population, employment and income, retail sales and investment intentions. This year's tables also provide updates to the 2015, 2016 and 2017 tax expenditure estimates that were reported last year.

The 2018-19 Saskatchewan Tax Expenditure Accounts incorporate the PST change that was announced earlier this year to exempt certain insurance products, as well as the PST changes announced in this Budget. These latter initiatives are described in greater detail in the technical paper entitled 2018-19 Revenue Initiatives.

## 2018 Government of Saskatchewan

### Tax Expenditure Accounts

(Value of Tax Expenditures in Millions of Dollars)

|  | 2015<br>Revised | 2016<br>Revised | 2017<br>Revised | 2018<br>Estimate |
|--|-----------------|-----------------|-----------------|------------------|
| <b>Provincial Sales Tax</b>                      |                 |                 |                 |                  |
| Exemptions                                       |                 |                 |                 |                  |
| 1. Basic groceries.....                          | 127.6           | 129.6           | 153.3           | 164.5            |
| 2. Prescription drugs .....                      | 34.9            | 35.7            | 45.0            | 45.4             |
| 3. Reading materials .....                       | 8.8             | 9.4             | 11.4            | 12.8             |
| 4. Personal services .....                       | 35.8            | 37.0            | 43.3            | 46.0             |
| 5. Feminine hygiene products .....               | —               | 1.7             | 2.1             | 2.2              |
| 6. Used goods – exemption amounts .....          | 0.2             | 0.2             | 0.2             | 0.3              |
| 7. Electricity .....                             | 47.4            | 49.9            | 64.4            | 71.2             |
| 8. Natural gas .....                             | 24.1            | 23.2            | 28.0            | 28.4             |
| 9. Farm machinery and repair parts .....         | 85.6            | 87.3            | 82.9            | 85.9             |
| 10. Fertilizer, pesticide and seed .....         | 177.9           | 182.7           | 201.2           | 210.9            |
| 11. Direct agents .....                          | 19.1            | 18.6            | 21.6            | 22.8             |
| 12. Toll-free telephone services .....           | 0.2             | 0.2             | 0.2             | 0.2              |
| 13. Agriculture, life and health insurance ..... | —               | —               | 65.0            | 120.0            |
| Other  |                 |                 |                 |                  |
| 1. Saskatchewan Low-Income Tax Credit .....      | 88.2            | 92.0            | 109.0           | 126.0            |
| <b>Fuel Tax</b>                                  |                 |                 |                 |                  |
| 1. Exemption for farm activity .....             | 118.7           | 116.3           | 87.7            | 78.3             |
| 2. Exemption for heating fuels .....             | 28.2            | 26.2            | 26.7            | 27.3             |
| 3. Exemption for primary producers .....         | 1.8             | 1.6             | 1.3             | 1.2              |

| <b>Personal Income Tax</b>                                   | <b>2015<br/>Actual</b> | <b>2016<br/>Revised</b> | <b>2017<br/>Revised</b> | <b>2018<br/>Estimate</b> |
|--|------------------------|-------------------------|-------------------------|--------------------------|
| <b>Deductions from Income</b>                                |                        |                         |                         |                          |
| 1. Registered Pension Plan contributions .....               | 95.6                   | 90.9                    | 96.3                    | 98.0                     |
| 2. Registered Retirement Savings Plan contributions.....     | 147.7                  | 137.1                   | 141.4                   | 146.6                    |
| 3. Annual union, professional or like dues .....             | 17.0                   | 16.0                    | 17.2                    | 17.5                     |
| 4. Child care expenses.....                                  | 13.5                   | 12.7                    | 13.2                    | 13.4                     |
| 5. Moving expenses .....                                     | 1.7                    | 1.6                     | 1.6                     | 1.6                      |
| 6. Carrying charges .....                                    | 17.2                   | 15.7                    | 15.2                    | 16.1                     |
| 7. Allowable employment expenses.....                        | 14.3                   | 13.3                    | 13.5                    | 13.9                     |
| 8. Capital gains deduction.....                              | 79.8                   | 73.7                    | 74.8                    | 75.1                     |
| <b>Saskatchewan Non-Refundable Tax Credits</b>               |                        |                         |                         |                          |
| 1. Basic personal tax credit .....                           | 1,047.0                | 1,069.0                 | 1,061.0                 | 1,050.6                  |
| 2. Spousal tax credit.....                                   | 52.3                   | 53.2                    | 53.8                    | 53.3                     |
| 3. Equivalent-to-spouse tax credit.....                      | 23.5                   | 23.6                    | 23.8                    | 23.6                     |
| 4. Age tax credit .....                                      | 34.5                   | 34.6                    | 36.8                    | 36.9                     |
| 5. Supplement to the age tax credit .....                    | 14.3                   | 14.6                    | 14.4                    | 14.3                     |
| 6. Dependent child tax credit.....                           | 106.7                  | 108.4                   | 107.0                   | 105.5                    |
| 7. Canada Pension Plan contributions tax credit .....        | 87.1                   | 86.3                    | 88.1                    | 86.9                     |
| 8. Employment Insurance premiums tax credit.....             | 30.5                   | 30.0                    | 30.9                    | 30.4                     |
| 9. Pension income tax credit .....                           | 13.2                   | 13.0                    | 12.9                    | 12.8                     |
| 10. Tuition and education tax credit .....                   | 42.6                   | 39.7                    | 21.8                    | 0.0                      |
| 11. Student loan interest tax credit .....                   | 0.7                    | 0.7                     | 0.8                     | 0.8                      |
| 12. Disability tax credit .....                              | 20.7                   | 20.2                    | 20.8                    | 20.7                     |
| 13. Caregiver tax credit.....                                | 2.9                    | 2.9                     | 2.9                     | 2.8                      |
| 14. Medical expenses tax credit.....                         | 26.5                   | 25.6                    | 26.6                    | 26.6                     |
| 15. Charitable contributions tax credit.....                 | 46.2                   | 45.2                    | 46.9                    | 47.7                     |
| 16. First-time homebuyers tax credit.....                    | 6.0                    | 6.0                     | 5.9                     | 5.9                      |
| <b>Other Saskatchewan Tax Measures</b>                       |                        |                         |                         |                          |
| 1. Labour-sponsored Venture Capital Tax Credit .....         | 12.9                   | 12.1                    | 16.0                    | 12.0                     |
| 2. Mineral Exploration Tax Credit .....                      | 0.2                    | 0.1                     | 0.5                     | 0.5                      |
| 3. Political Contributions Tax Credit .....                  | 1.6                    | 2.0                     | 0.8                     | 1.3                      |
| 4. Graduate Retention Program Tax Credit.....                | 52.9                   | 58.0                    | 68.1                    | 72.3                     |
| <b>Corporation Income Tax</b>                                | <b>2015<br/>Actual</b> | <b>2016<br/>Revised</b> | <b>2017<br/>Revised</b> | <b>2018<br/>Estimate</b> |
| 1. Lower tax rate for small business .....                   | 438.2                  | 418.0                   | 441.4                   | 422.5                    |
| 2. Manufacturing and Processing Profits Tax Reduction .....  | 11.9                   | 10.9                    | 15.0                    | 15.0                     |
| 3. Investment Tax Credit for Manufacturing and Processing .. | 40.7                   | 32.7                    | 36.0                    | 36.0                     |
| 4. Research and Development Tax Credit .....                 | 25.1                   | 10.1                    | 10.0                    | 11.5                     |

# 2018 INTERCITY COMPARISON OF TAXES AND UTILITIES

## INTRODUCTION

A number of factors contribute to the quality of life enjoyed by individuals and families in Saskatchewan and across Canada. For example, access to excellent health care, education and social services is a key part of the overall quality of life.

Other important factors that affect quality of life are the level of taxation and the cost of utilities and auto insurance. Calculating the combined cost of provincial taxes and utilities is a reliable way to compare the attractiveness of living in different parts of Canada.

For the purposes of such a comparison, the total cost of such taxes and utilities for representative families living in Regina has been compared with the costs those families would face in other major cities across the country.

The provincial taxes and utilities costs associated with the following family characteristics and income levels have been calculated to provide a representative comparison:

- a single person, living in rental accommodation, with an annual income of \$40,000;
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$75,000;

- a family of two adults and two dependent children, owning its own home, with an annual family income of \$100,000; and,
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$125,000.

## SASKATCHEWAN'S RANKING FOR 2018

In 2018, Saskatchewan individuals and families will pay total provincial taxes that are very competitive with those paid in other Canadian cities, with a ranking among the lowest in Canada for all four representative family situations.

- A single person earning \$40,000 will pay \$3,059 in total provincial taxes.
- A two-income family earning \$75,000 will pay \$4,572 in total provincial taxes.
- A two-income family earning \$100,000 will pay \$7,554 in total provincial taxes.
- A two-income family earning \$125,000 will pay \$10,668 in total provincial taxes.

Regina also ranks favourably with other cities in Canada when comparing provincial taxes and utilities. For the representative family situations, Regina again ranks among the lowest overall combined taxes and utilities of the 10 cities surveyed.

## 2018 Intercity Comparison of Taxes and Utilities

### Single Person at \$40,000 Total Income

(Values in Dollars)

|                                  | Vancouver    | Calgary      | Regina       | Winnipeg     | Toronto      | Montréal     | Saint John   | Halifax      | Charlotte-town | St. John's   |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| <i>Provincial Taxes</i>          |              |              |              |              |              |              |              |              |                |              |
| Provincial                       |              |              |              |              |              |              |              |              |                |              |
| Income Tax                       | 1,381        | 1,861        | <b>2,254</b> | 3,199        | 1,372        | 2,827        | 2,661        | 3,195        | 3,215          | 2,725        |
| Tax Credits and Rebates          | (15)         | (300)        | <b>(144)</b> | 0            | (193)        | (622)        | (200)        | 0            | (160)          | (450)        |
| Health Premiums                  | 390          | 0            | <b>0</b>     | 0            | 450          | 667          | 0            | 0            | 0              | 0            |
| Sales Tax                        | 740          | 0            | <b>799</b>   | 932          | 1,192        | 1,502        | 1,513        | 1,513        | 1,513          | 1,513        |
| Gasoline Tax                     | 322          | 197          | <b>150</b>   | 158          | 147          | 167          | 155          | 155          | 158            | 205          |
| Total Provincial Taxes           | 2,818        | 1,758        | <b>3,059</b> | 4,289        | 2,968        | 4,541        | 4,129        | 4,863        | 4,726          | 3,993        |
| <i>Household Utility Costs</i>   |              |              |              |              |              |              |              |              |                |              |
| Electricity                      | 459          | 564          | <b>894</b>   | 464          | 1,351        | 414          | 651          | 824          | 1,297          | 658          |
| Telephone                        | 362          | 361          | <b>258</b>   | 314          | 370          | 370          | 371          | 372          | 372            | 371          |
| Auto Insurance                   | 1,966        | 2,588        | <b>1,199</b> | 1,192        | 4,669        | 1,884        | 1,621        | 1,992        | 1,754          | 2,991        |
| Total Household Utility Costs    | 2,787        | 3,513        | <b>2,351</b> | 1,970        | 6,390        | 2,668        | 2,643        | 3,188        | 3,423          | 4,020        |
| <b>Total Taxes and Utilities</b> | <b>5,605</b> | <b>5,271</b> | <b>5,410</b> | <b>6,259</b> | <b>9,358</b> | <b>7,209</b> | <b>6,772</b> | <b>8,051</b> | <b>8,149</b>   | <b>8,013</b> |

## 2018 Intercity Comparison of Taxes and Utilities

### Family at \$75,000 Total Income

(Values in Dollars)

|                                  | Vancouver    | Calgary      | Regina       | Winnipeg      | Toronto       | Montréal      | Saint John    | Halifax       | Charlotte-town | St. John's    |
|----------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| <i>Provincial Taxes</i>          |              |              |              |               |               |               |               |               |                |               |
| Provincial                       |              |              |              |               |               |               |               |               |                |               |
| Income Tax                       | 2,288        | 2,956        | <b>2,422</b> | 5,128         | 1,887         | 4,513         | 4,750         | 5,382         | 5,557          | 4,831         |
| Tax Credits and Rebates          | 0            | (807)        | <b>0</b>     | 0             | 0             | (2,694)       | (60)          | 0             | 0              | 0             |
| Health Premiums                  | 900          | 0            | <b>0</b>     | 0             | 750           | 1,334         | 0             | 0             | 0              | 0             |
| Sales Tax                        | 1,811        | 0            | <b>1,850</b> | 2,248         | 2,865         | 3,604         | 3,627         | 3,627         | 3,627          | 3,627         |
| Gasoline Tax                     | 644          | 394          | <b>300</b>   | 316           | 294           | 334           | 310           | 310           | 316            | 410           |
| Total Provincial Taxes           | 5,643        | 2,543        | <b>4,572</b> | 7,692         | 5,796         | 7,091         | 8,627         | 9,319         | 9,500          | 8,868         |
| <i>Household Utility Costs</i>   |              |              |              |               |               |               |               |               |                |               |
| Home Heating                     | 914          | 850          | <b>910</b>   | 849           | 926           | 1,603         | 2,181         | 2,193         | 2,254          | 2,204         |
| Electricity                      | 796          | 908          | <b>1,377</b> | 746           | 1,298         | 618           | 999           | 1,356         | 1,420          | 1,015         |
| Telephone                        | 362          | 361          | <b>258</b>   | 314           | 370           | 370           | 371           | 372           | 372            | 371           |
| Auto Insurance                   | 1,966        | 2,588        | <b>1,199</b> | 1,192         | 4,669         | 1,884         | 1,621         | 1,992         | 1,754          | 2,991         |
| Total Household Utility Costs    | 4,038        | 4,707        | <b>3,744</b> | 3,101         | 7,263         | 4,475         | 5,172         | 5,913         | 5,800          | 6,581         |
| <b>Total Taxes and Utilities</b> | <b>9,681</b> | <b>7,250</b> | <b>8,316</b> | <b>10,793</b> | <b>13,059</b> | <b>11,546</b> | <b>13,799</b> | <b>15,232</b> | <b>15,300</b>  | <b>15,449</b> |



**2018 Intercity Comparison of Taxes and Utilities**  
**Family at \$100,000 Total Income**  
(Values in Dollars)

|                                  | Vancouver     | Calgary      | Regina        | Winnipeg      | Toronto       | Montréal      | Saint John    | Halifax       | Charlotte-town | St. John's    |
|----------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| <i>Provincial Taxes</i>          |               |              |               |               |               |               |               |               |                |               |
| Provincial                       |               |              |               |               |               |               |               |               |                |               |
| Income Tax                       | 4,091         | 5,325        | <b>5,205</b>  | 8,226         | 4,252         | 8,365         | 7,814         | 8,859         | 8,679          | 7,829         |
| Tax Credits and Rebates          | 0             | (460)        | <b>0</b>      | 0             | 0             | (1,694)       | 0             | 0             | 0              | 0             |
| Health Premiums                  | 900           | 0            | <b>0</b>      | 0             | 960           | 1,334         | 0             | 0             | 0              | 0             |
| Sales Tax                        | 1,968         | 0            | <b>2,049</b>  | 2,493         | 3,173         | 3,995         | 4,021         | 4,021         | 4,021          | 4,021         |
| Gasoline Tax                     | 644           | 394          | <b>300</b>    | 316           | 294           | 334           | 310           | 310           | 316            | 410           |
| Total Provincial Taxes           | 7,603         | 5,259        | <b>7,554</b>  | 11,035        | 8,679         | 12,334        | 12,145        | 13,190        | 13,016         | 12,260        |
| <i>Household Utility Costs</i>   |               |              |               |               |               |               |               |               |                |               |
| Home Heating                     | 914           | 850          | <b>910</b>    | 849           | 926           | 1,603         | 2,181         | 2,193         | 2,254          | 2,204         |
| Electricity                      | 796           | 908          | <b>1,377</b>  | 746           | 1,298         | 618           | 999           | 1,356         | 1,420          | 1,015         |
| Telephone                        | 362           | 361          | <b>258</b>    | 314           | 370           | 370           | 371           | 372           | 372            | 371           |
| Auto Insurance                   | 1,966         | 2,588        | <b>1,199</b>  | 1,192         | 4,669         | 1,884         | 1,621         | 1,992         | 1,754          | 2,991         |
| Total Household Utility Costs    | 4,038         | 4,707        | <b>3,744</b>  | 3,101         | 7,263         | 4,475         | 5,172         | 5,913         | 5,800          | 6,581         |
| <b>Total Taxes and Utilities</b> | <b>11,641</b> | <b>9,966</b> | <b>11,298</b> | <b>14,136</b> | <b>15,942</b> | <b>16,809</b> | <b>17,317</b> | <b>19,103</b> | <b>18,816</b>  | <b>18,841</b> |

**2018 Intercity Comparison of Taxes and Utilities**  
**Family at \$125,000 Total Income**  
(Values in Dollars)

|                                  | Vancouver     | Calgary       | Regina        | Winnipeg      | Toronto       | Montréal      | Saint John    | Halifax       | Charlotte-town | St. John's    |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| <i>Provincial Taxes</i>          |               |               |               |               |               |               |               |               |                |               |
| Provincial                       |               |               |               |               |               |               |               |               |                |               |
| Income Tax                       | 5,912         | 7,759         | <b>8,096</b>  | 11,775        | 6,262         | 12,420        | 11,215        | 12,796        | 12,384         | 11,439        |
| Tax Credits and Rebates          | 0             | 0             | <b>0</b>      | 0             | 0             | (1,312)       | 0             | 0             | 0              | 0             |
| Health Premiums                  | 900           | 0             | <b>0</b>      | 0             | 1,200         | 1,334         | 0             | 0             | 0              | 0             |
| Sales Tax                        | 2,165         | 0             | <b>2,272</b>  | 2,742         | 3,490         | 4,395         | 4,423         | 4,423         | 4,423          | 4,423         |
| Gasoline Tax                     | 644           | 394           | <b>300</b>    | 316           | 294           | 334           | 310           | 310           | 316            | 410           |
| Total Provincial Taxes           | 9,621         | 8,153         | <b>10,668</b> | 14,833        | 11,246        | 17,171        | 15,948        | 17,529        | 17,123         | 16,272        |
| <i>Household Utility Costs</i>   |               |               |               |               |               |               |               |               |                |               |
| Home Heating                     | 914           | 850           | <b>910</b>    | 849           | 926           | 1,603         | 2,181         | 2,193         | 2,254          | 2,204         |
| Electricity                      | 796           | 908           | <b>1,377</b>  | 746           | 1,298         | 618           | 999           | 1,356         | 1,420          | 1,015         |
| Telephone                        | 362           | 361           | <b>258</b>    | 314           | 370           | 370           | 371           | 372           | 372            | 371           |
| Auto Insurance                   | 1,966         | 2,588         | <b>1,199</b>  | 1,192         | 4,669         | 1,884         | 1,621         | 1,992         | 1,754          | 2,991         |
| Total Household Utility Costs    | 4,038         | 4,707         | <b>3,744</b>  | 3,101         | 7,263         | 4,475         | 5,172         | 5,913         | 5,800          | 6,581         |
| <b>Total Taxes and Utilities</b> | <b>13,659</b> | <b>12,860</b> | <b>14,412</b> | <b>17,934</b> | <b>18,509</b> | <b>21,646</b> | <b>21,120</b> | <b>23,442</b> | <b>22,923</b>  | <b>22,853</b> |

## **TAXES AND UTILITIES – NOTES**

Tax estimates are calculated for the 2018 calendar year using known changes as of March 15, 2018. Household charges for the basic utility services (electricity, home heating, telephone and auto insurance) represent a cost comparison of the actual utility rates for the 2017 calendar year. This methodology has been chosen due to the uncertainty of attempting to forecast utility rates for the coming year. The utility figures exclude federal Goods and Services Tax, provincial sales tax and municipal taxes and surcharges.

**Provincial Income Tax** is calculated for an individual with \$40,000, and three families with \$75,000, \$100,000 and \$125,000 income respectively. It is assumed that family income is earned by both spouses at a 60 per cent to 40 per cent ratio and that the families each claim \$3,000 in child care expenses for two dependent children (ages 6 and 12). Personal non-refundable credits used include the Canada Pension Plan/Québec Pension Plan and Employment Insurance contribution credits. Gross Québec personal income tax has been reduced by the Québec Child Care Expense Tax Credit and by the 16.5 per cent abatement from federal income tax.

**Tax Credits and Rebates** refer to refundable provincial income tax credits and rebates designed to reduce the impact of sales taxes.

**Health Premiums** are annual premiums for hospital insurance and medical services.

**Sales Tax** is based upon average family expenditure baskets at the total income levels from the *CANSIM Survey of Household Spending 2014* (Statistics Canada). The sales tax base in each province was

identified from the enacting legislation, with total expenditures adjusted to reflect Saskatchewan consumption patterns. The sales tax in each province was then estimated based on taxable expenditures.

**Gasoline Tax** is based on annual consumption of 1,000 litres by a single person, and 2,000 litres for families. Figures include charges levied by transit commissions as well as carbon taxes applied to the purchase of gasoline.

**Home Heating** charges are based on an annual consumption level of 2,800 m<sup>3</sup> of natural gas. For Charlottetown and St. John's, the figures represent the BTU equivalent consumption of fuel oil.

**Electricity** charges are based on an annual consumption level of 4,584 kWh for the renter and 8,100 kWh for the homeowners.

**Telephone** charges are the basic service rates for individual residences.

**Auto Insurance** is based on a composite index developed by SGI modelled after the index developed by the Consumers' Association of Canada. The index is based on the actual insurance rates quoted for what drivers would pay in each jurisdiction if they had the same car, same coverage, same claims history and driving record at a consistent point in time. The Consumers' Association of Canada developed 34 profiles to create this index. The impacts of "Good Driver" discounts/rebates have been factored in for all applicable jurisdictions. Auto insurance rates for Saint John, Halifax, Charlottetown and St. John's are unchanged from last year's comparison as SGI no longer has access to rate information in these jurisdictions.



SASKATCHEWAN PROVINCIAL BUDGET

18-19

BUDGET FINANCIAL TABLES

# GOVERNMENT OF SASKATCHEWAN

## *Budget For the Year Ended March 31*

|   | (Millions of Dollars) |                     |                   |
|---|-----------------------|---------------------|-------------------|
|   | Budget<br>2018-19     | Forecast<br>2017-18 | Budget<br>2017-18 |
| <b>Revenue</b>  |                       |                     |                   |
| Taxation .....  | 7,214.9               | 6,796.3             | 7,286.6           |
| Non-renewable resources .....                         | 1,482.1               | 1,419.7             | 1,406.4           |
| Net income from government business enterprises ..... | 1,078.0               | 1,186.5             | 1,053.7           |
| Other own-source revenue .....                        | 2,006.5               | 2,098.2             | 1,964.9           |
| Transfers from the federal government.....            | 2,462.0               | 2,442.3             | 2,453.5           |
| <b>Total Revenue</b>                                  | <b>14,243.5</b>       | <b>13,943.0</b>     | <b>14,165.1</b>   |
| <b>Expense</b>  |                       |                     |                   |
| Agriculture .....                                     | 770.9                 | 545.4               | 800.5             |
| Community development .....                           | 642.6                 | 663.6               | 700.6             |
| Debt charges <sup>1</sup> .....                       | 654.6                 | 603.3               | 605.7             |
| Economic development.....                             | 230.2                 | 236.7               | 246.0             |
| Education <sup>1</sup> .....                          | 3,263.3               | 3,449.4             | 3,531.0           |
| Environment and natural resources .....               | 251.7                 | 259.6               | 247.9             |
| Health .....  | 5,765.3               | 5,730.0             | 5,627.4           |
| Other <sup>1</sup> .....                              | 439.7                 | 443.5               | 484.2             |
| Protection of persons and property.....               | 689.9                 | 680.6               | 643.7             |
| Social services and assistance .....                  | 1,381.3               | 1,381.0             | 1,356.7           |
| Transportation .....                                  | 519.3                 | 544.9               | 567.4             |
| <b>Total Expense</b>                                  | <b>14,608.8</b>       | <b>14,538.0</b>     | <b>14,811.1</b>   |
| <b>Adjustments</b>                                    |                       |                     |                   |
| Human resources compensation measures .....           | —                     | —                   | 250.0             |
| Contingency .....                                     | —                     | —                   | (300.0)           |
| <b>Deficit</b>  | <b>(365.3)</b>        | <b>(595.0)</b>      | <b>(696.0)</b>    |

*Totals may not add due to rounding.*

<sup>1</sup> This schedule is presented on a basis consistent with the Summary Financial Statements, including presentation of pension costs on an accrual basis. For consistency with this presentation, the 2017-18 Budget is restated. The adjustment to restate previously published budget amounts is detailed in the *Government of Saskatchewan 2017-18 Third Quarter Financial Report*.

# GOVERNMENT OF SASKATCHEWAN

## Statement of Accumulated Deficit For the Year Ended March 31

|  | (Millions of Dollars) |                     |                   |
|--|-----------------------|---------------------|-------------------|
|  | Budget<br>2018-19     | Forecast<br>2017-18 | Budget<br>2017-18 |
| Accumulated (deficit)/surplus, beginning of year ..... | (223.1)               | 371.9 <sup>1</sup>  | 343.9             |
| Deficit.....   | (365.3)               | (595.0)             | (696.0)           |
| <b>Accumulated Deficit, End of Year</b>                | <b>(588.4)</b>        | <b>(223.1)</b>      | <b>(352.1)</b>    |

Totals may not add due to rounding.

<sup>1</sup> Accumulated surplus as at March 31, 2017, as reported in the 2016-17 Summary Financial Statements.

# GOVERNMENT OF SASKATCHEWAN

## Statement of Change in Net Debt For the Year Ended March 31

|  | (Millions of Dollars) |                         |                   |
|--|-----------------------|-------------------------|-------------------|
|  | Budget<br>2018-19     | Forecast<br>2017-18     | Budget<br>2017-18 |
| Deficit .....  | (365.3)               | (595.0)                 | (696.0)           |
| Acquisition of government service organization capital assets .....            | (1,118.0)             | (1,558.9)               | (1,487.5)         |
| Amortization of government service organization capital assets <sup>1</sup> .. | 610.1                 | 571.2                   | 582.9             |
| <b>Increase in Net Debt</b>  | <b>(873.2)</b>        | <b>(1,582.7)</b>        | <b>(1,600.6)</b>  |
| Net debt, beginning of year.....   | (11,774.6)            | (10,191.9) <sup>2</sup> | (10,643.1)        |
| <b>Net Debt, End of Year</b>   | <b>(12,647.8)</b>     | <b>(11,774.6)</b>       | <b>(12,243.7)</b> |

Totals may not add due to rounding.

<sup>1</sup> Includes disposals and adjustments.

<sup>2</sup> Net debt as at March 31, 2017, as reported in the 2016-17 Summary Financial Statements.

# GOVERNMENT OF SASKATCHEWAN

## Schedule of Pension Liabilities As at March 31

| (Millions of Dollars)   |                   |                      |                   |
|---|-------------------|----------------------|-------------------|
|   | Budget<br>2018-19 | Forecast<br>2017-18  | Budget<br>2017-18 |
| Pension liabilities, beginning of year.....                     | 7,695.5           | 7,786.1 <sup>1</sup> | 7,784.4           |
| Adjustment to account for pension costs on an accrual basis.... | (393.2)           | (90.6)               | 11.3              |
| <b>Pension Liabilities, End of Year</b>                         | <b>7,302.3</b>    | <b>7,695.5</b>       | <b>7,795.7</b>    |

Totals may not add due to rounding.

<sup>1</sup> Pension liabilities as at March 31, 2017, as reported in the 2016-17 Summary Financial Statements.

# GOVERNMENT OF SASKATCHEWAN

## Schedule of Capital Assets As at March 31

| (Millions of Dollars)                  |  |  |                  |   |  |                  |   |
|--|--|--|------------------|---|--|------------------|---|
|  | Net Book<br>Value<br>March 31<br>2017 <sup>1</sup> | – 2017-18 Forecast –<br>Additions <sup>2</sup> Amortization <sup>3</sup> |                  | Forecast<br>Net Book<br>Value<br>March 31<br>2018 | – 2018-19 Budget –<br>Additions <sup>2</sup> Amortization <sup>3</sup> |                  | Budget<br>Net Book<br>Value<br>March 31<br>2019 |
| Government service organizations ..... | 10,331.2   | 1,558.9  | (571.2)          | 11,318.9  | 1,118.0  | (610.1)          | 11,826.8  |
| Government business enterprises .....  | 13,859.5   | 1,575.7  | (835.9)          | 14,599.3  | 1,566.0  | (881.8)          | 15,283.5  |
| <b>Total Capital Assets</b>            | <b>24,190.7</b>                                    | <b>3,134.6</b>   | <b>(1,407.1)</b> | <b>25,918.2</b>                                   | <b>2,684.0</b>   | <b>(1,491.9)</b> | <b>27,110.3</b>                                 |

Totals may not add due to rounding.

<sup>1</sup> Net book value as at March 31, 2017, as reported in the 2016-17 Summary Financial Statements.

<sup>2</sup> Includes only capital assets acquired by government entities. Capital transfers provided to entities outside the reporting entity are expensed.

<sup>3</sup> Includes disposals and adjustments.

# GOVERNMENT OF SASKATCHEWAN

## Schedule of Public Debt As at March 31

| (Millions of Dollars)  |   |  |                                     |                                       |                                     |
|--|---|--|-------------------------------------|---------------------------------------|-------------------------------------|
|  | Budget<br>General<br>Debt <sup>1</sup><br>2018-19 | Budget<br>GBE<br>Specific<br>Debt<br>2018-19 | Budget<br>Public<br>Debt<br>2018-19 | Forecast<br>Public<br>Debt<br>2017-18 | Budget<br>Public<br>Debt<br>2017-18 |
| <b>Government Service Organization (GSO) Debt</b>            |   |  |                                     |                                       |                                     |
| General Revenue Fund   |   |  |                                     |                                       |                                     |
| – Operating.....   | 6,150.0   | –  | <b>6,150.0</b>                      | 5,750.0                               | 5,750.0                             |
| – Saskatchewan Builds Capital Plan <sup>2</sup> .....        | 4,193.8   | –  | <b>4,193.8</b>                      | 2,751.7                               | 2,755.6                             |
| Boards of Education .....                                    | 166.8   | –  | <b>166.8</b>                        | 175.2                                 | 174.8                               |
| Global Transportation Hub Authority.....                     | 35.0  | –  | <b>35.0</b>                         | 37.3                                  | 26.0                                |
| Saskatchewan Health Authority <sup>3</sup> .....             | 98.3  | –  | <b>98.3</b>                         | 107.0                                 | 154.0                               |
| Saskatchewan Housing Corporation .....                       | 15.7  | –  | <b>15.7</b>                         | 17.6                                  | 17.4                                |
| Saskatchewan Immigrant Investor Fund Inc. ....               | 22.9  | –  | <b>22.9</b>                         | 90.1                                  | 89.6                                |
| Saskatchewan Opportunities Corporation .....                 | 55.2  | –  | <b>55.2</b>                         | 56.0                                  | 56.0                                |
| Water Security Agency .....                                  | 31.6  | –  | <b>31.6</b>                         | 37.1                                  | 37.1                                |
| Other .....  | 5.8   | –  | <b>5.8</b>                          | 5.8                                   | 2.0                                 |
| <b>Government Service Organization Debt</b>                  | <b>10,775.1</b>                                   | <b>–</b>                                     | <b>10,775.1</b>                     | <b>9,027.8</b>                        | <b>9,062.5</b>                      |
| <b>Government Business Enterprise (GBE) Debt</b>             |   |  |                                     |                                       |                                     |
| Municipal Financing Corporation of Saskatchewan....          | 94.7  | 113.0  | <b>207.7</b>                        | 209.1                                 | 208.9                               |
| Saskatchewan Liquor and Gaming Authority.....                | –   | 100.0  | <b>100.0</b>                        | 104.7                                 | 104.7                               |
| Saskatchewan Power Corporation .....                         | 87.6  | 6,336.9                                      | <b>6,424.5</b>                      | 6,132.5                               | 6,422.4                             |
| Saskatchewan Telecommunications<br>Holding Corporation ..... | –   | 1,046.2                                      | <b>1,046.2</b>                      | 945.2                                 | 967.4                               |
| Saskatchewan Water Corporation .....                         | –   | 87.6   | <b>87.6</b>                         | 64.6                                  | 78.3                                |
| SaskEnergy Incorporated .....                                | 65.7  | 1,328.1                                      | <b>1,393.8</b>                      | 1,267.9                               | 1,355.8                             |
| <b>Government Business Enterprise Debt<sup>4</sup></b>       | <b>248.0</b>                                      | <b>9,011.8</b>                               | <b>9,259.8</b>                      | <b>8,724.0</b>                        | <b>9,137.5</b>                      |
| <b>Public Debt<sup>5</sup></b>                               | <b>11,023.1</b>                                   | <b>9,011.8</b>                               | <b>20,034.9</b>                     | <b>17,751.8</b>                       | <b>18,200.0</b>                     |
| <b>Guaranteed Debt</b>                                       | <b>24.5</b>                                       | <b>–</b>                                     | <b>24.5</b>                         | <b>22.5</b>                           | <b>27.0</b>                         |

Totals may not add due to rounding.

<sup>1</sup> General debt is issued by government service organizations (GSOs) and includes issued amounts subsequently transferred to government business enterprises (GBEs).

<sup>2</sup> General Revenue Fund – Saskatchewan Builds Capital Plan consists of amounts borrowed by the General Revenue Fund to finance investment in infrastructure assets.

<sup>3</sup> 2017-18 Budget represents public debt of 12 Regional Health Authorities that were amalgamated into the Saskatchewan Health Authority on December 4, 2017.

<sup>4</sup> GBE debt includes both general debt and GBE-specific debt. General debt of GBEs is the amount transferred from the General Revenue Fund to a GBE and recorded as a loan receivable in the Summary Financial Statements. GBE-specific debt is debt issued by, or specifically on behalf of, GBEs. GBE-specific debt is included in "Investment in government business enterprises" in the Summary Financial Statements.

<sup>5</sup> Public debt is shown net of sinking funds.

# GOVERNMENT OF SASKATCHEWAN

## Schedule of Revenue For the Year Ended March 31

|  | (Millions of Dollars) |                     |                   |
|--|-----------------------|---------------------|-------------------|
|  | Budget<br>2018-19     | Forecast<br>2017-18 | Budget<br>2017-18 |
| <b>Taxation</b>  |                       |                     |                   |
| Corporation income .....                                     | 621.1                 | 590.2               | 729.4             |
| Fuel .....   | 546.1                 | 535.4               | 515.4             |
| Individual income .....                                      | 2,441.2               | 2,311.8             | 2,540.6           |
| Property .....   | 759.3                 | 750.6               | 753.9             |
| Provincial sales .....                                       | 2,155.0               | 1,929.5             | 2,049.5           |
| Tobacco .....  | 260.3                 | 260.3               | 280.3             |
| Other .....  | 431.9                 | 418.5               | 417.5             |
| <b>Total Taxation</b>  | <b>7,214.9</b>        | <b>6,796.3</b>      | <b>7,286.6</b>    |
| <b>Non-Renewable Resources</b>                               |                       |                     |                   |
| Crown land sales .....                                       | 63.9                  | 64.5                | 52.0              |
| Oil and natural gas .....                                    | 700.1                 | 661.2               | 670.4             |
| Potash .....   | 308.0                 | 298.7               | 260.6             |
| Resource surcharge .....                                     | 317.3                 | 297.5               | 272.5             |
| Other .....  | 92.8                  | 97.8                | 150.9             |
| <b>Total Non-Renewable Resources</b>                         | <b>1,482.1</b>        | <b>1,419.7</b>      | <b>1,406.4</b>    |
| <b>Net Income from Government Business Enterprises</b>       |                       |                     |                   |
| Municipal Financing Corporation of Saskatchewan .....        | 0.8                   | 0.7                 | 0.8               |
| Saskatchewan Auto Fund .....                                 | 118.0                 | 142.6               | 65.3              |
| Saskatchewan Gaming Corporation .....                        | 23.0                  | 22.4                | 23.5              |
| Saskatchewan Government Insurance .....                      | 60.7                  | 58.8                | 37.2              |
| Saskatchewan Liquor and Gaming Authority .....               | 481.4                 | 479.6               | 523.3             |
| Saskatchewan Power Corporation .....                         | 176.7                 | 138.1               | 179.5             |
| Saskatchewan Telecommunications Holding Corporation .....    | 133.0                 | 122.1               | 122.1             |
| Saskatchewan Water Corporation .....                         | 6.2                   | 7.2                 | 5.8               |
| SaskEnergy Incorporated .....                                | 68.4                  | 104.6               | 90.6              |
| Saskatchewan Workers' Compensation Board .....               | 15.3                  | 116.1               | 11.2              |
| Consolidation adjustments .....                              | (5.5)                 | (5.7)               | (5.6)             |
| <b>Total Net Income from Government Business Enterprises</b> | <b>1,078.0</b>        | <b>1,186.5</b>      | <b>1,053.7</b>    |
| <b>Other Own-Source Revenue</b>                              |                       |                     |                   |
| Fees .....   | 1,157.3               | 1,153.4             | 1,124.4           |
| Insurance .....  | 288.2                 | 297.8               | 282.3             |
| Investment income .....                                      | 95.6                  | 105.5               | 80.7              |
| Transfers from other governments .....                       | 88.8                  | 96.8                | 89.7              |
| Miscellaneous .....  | 376.6                 | 444.7               | 387.8             |
| <b>Total Other Own-Source Revenue</b>                        | <b>2,006.5</b>        | <b>2,098.2</b>      | <b>1,964.9</b>    |
| <b>Transfers from the Federal Government</b>                 |                       |                     |                   |
| Canada Health Transfer .....                                 | 1,202.4               | 1,176.1             | 1,161.2           |
| Canada Social Transfer .....                                 | 441.3                 | 435.3               | 429.8             |
| Other .....  | 818.3                 | 830.9               | 862.5             |
| <b>Total Transfers from the Federal Government</b>           | <b>2,462.0</b>        | <b>2,442.3</b>      | <b>2,453.5</b>    |
| <b>Total Revenue</b>   | <b>14,243.5</b>       | <b>13,943.0</b>     | <b>14,165.1</b>   |

Totals may not add due to rounding.



# GOVERNMENT OF SASKATCHEWAN

## *Glossary of Financial Terms*

### **Accumulated (Deficit)**

The amount by which expense has exceeded revenue from the beginning of provincial incorporation (1905), plus any adjustments that were charged directly to the accumulated deficit. It is calculated as the difference between total assets and liabilities.

### **Accumulated Surplus**

The amount by which revenue has exceeded expense from the beginning of provincial incorporation (1905), plus any adjustments that were charged directly to the accumulated surplus. It is calculated as the difference between total assets and liabilities.

### **Amortization**

The systematic process of allocating an amount to revenue or expense over a period. Capital assets are amortized to expense over their expected remaining economic lives. Actuarial gains and losses, such as those experienced by pension plans, and certain amounts relating to financial instruments are also amortized.

### **Capital Asset**

An asset with physical substance that has an economic life extending beyond one year, to be used on a continuing basis and not for sale in the ordinary course of operations.

### **Consolidation**

The method used to account for government service organizations (GSOs) in the Summary Budget. Financial accounts of the GSOs are adjusted to the basis of accounting described in note 1 of the Summary Financial Statements and the adjusted amounts are combined with amounts for other GSOs and government partnerships. Inter-organization balances and transactions are eliminated.

### **Debt**

Obligations incurred through the issuance of debt instruments. Debt does not include other liabilities such as accounts payable or pension obligations. Terms used to describe debt include:

- **Gross Debt:** borrowings through the issuance of debt instruments such as promissory notes and debentures.
- **Sinking Funds:** funds set aside for the repayment of debt.
- **Public Debt:** gross debt net of sinking funds.
- **General Debt:** public debt net of loans to Crown corporations for Government Business Enterprise (GBE) specific debt.
- **GBE Specific Debt:**
  - debt issued by GBEs; or,
  - debt issued by the General Revenue Fund (GRF) specifically on behalf of a GBE where the government expects to realize the receivable from the GBE and settle the external debt simultaneously.
- **Guaranteed Debt:** debt of others that the government has agreed to repay if the others default.

## **Debt Charges**

Costs associated with debt, pension liabilities, obligations under long-term financing arrangements such as private-public partnerships (P3s) and capital lease obligations. Debt charges include interest, foreign exchange gains and losses, discounts, fees and commissions.

## **Deficit**

The amount by which expense exceeds revenue for a fiscal period.

## **General Revenue Fund (GRF)**

The primary operational account for the government through which all provincial monies under the direct authority of the Legislative Assembly are collected and disbursed. The GRF is a GSO and is included in the government reporting entity.

## **Government Business Enterprises (GBEs)**

An organization that is controlled by the government, is self-sufficient and has the financial and operating authority to sell goods and services to individuals and organizations outside the government reporting entity as its principal activity. GBEs are recorded in the Summary Budget using the modified equity method.

## **Government Partnership**

A contractual arrangement between the government and one or more partners outside the government reporting entity where the partners share, on an equitable basis, the risks and benefits of the partnership. Government partnerships are proportionately consolidated in the Summary Budget.

## **Government Reporting Entity**

The set of organizations that are either controlled by government (GSOs and GBEs) or subject to shared control (government partnerships).

## **Government Service Organization (GSO)**

An organization that is controlled by government, except those designated as GBEs or government partnerships. GSOs are consolidated in the Summary Budget.

## **Modified Equity**

The method used to account for GBEs in the Summary Budget. Government's share of GBE net earnings or losses is included in budgeted revenue. Government's investment, which is originally recorded at cost, is adjusted annually to include the net earnings or losses and other net equity changes of the GBE.

## **Net Debt**

The difference between liabilities and financial assets. Net debt represents the future revenue required to pay for past transactions or events.

## **Pension Liability**

An actuarial estimate of discounted future payments to be made to retirees under government pension plans, net of plan assets.

---

### **Proportionate Consolidation**

The method used to account for government partnerships in the Summary Budget. Financial accounts of the government partnership are adjusted to the basis of accounting described in note 1 of the Summary Financial Statements and the government's proportionate share of the balances is combined with balances for GSOs and other partnerships. Inter-organization balances and transactions are eliminated.

### **Public Private Partnership (P3)**

A partnership arrangement in the form of a long-term performance-based agreement between the public sector and the private sector to deliver public infrastructure for citizens.

### **Summary Budget**

Government's main financial plan that accounts for the full nature and extent of the planned financial activities of all organizations in the government reporting entity.

### **Surplus**

The amount by which revenue exceeds expense for a fiscal period.

For more information on Budget Basics, visit [www.saskatchewan.ca/budget](http://www.saskatchewan.ca/budget).