

The Honourable Ken Krawetz  
Deputy Premier  
Minister of Finance



SASKATCHEWAN PROVINCIAL BUDGET

**15-16**

**KEEPING  
SASKATCHEWAN  
STRONG**



# MINISTER'S MESSAGE

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I am pleased to table the 2015-16 Budget and supporting documents for public discussion and review.

## **KEEPING SASKATCHEWAN STRONG**

The 2015-16 Budget is balanced, with a surplus of \$107 million. Total projected revenue for 2015-16 is \$14.28 billion, up 1.2 per cent from last year. Total budgeted expense has been held to \$14.17 billion, also up 1.2 per cent from last year.

The 2015-16 Budget has balanced sustaining growth and investing in people and infrastructure with fiscal responsibility and keeping Saskatchewan strong.

This budget is built on a strong base that has developed over the past seven years – providing a solid foundation upon which to make decisions. Given the current volatility in our revenue stemming from the significant drop in the price of oil, we had to make some difficult but necessary choices. However, our Government's preference will always be to balance the budget by controlling spending rather than by raising taxes.

This year's budget does not include a single tax increase for any individual or business in the province, and it includes two new growth tax incentives in support of the goals in the *Saskatchewan Plan for Growth*.

## **CONTROLLING SPENDING**

Overall budgeted expense has been held to \$14.17 billion, up just 1.2 per cent from last year. That means some areas funded by government will receive less than they might have been hoping for once again this year.

In addition, the Active Families Benefit, Graduate Retention Program, and Research and Development Tax Credit are being changed to ensure their ongoing sustainability. The income threshold related to the Seniors' Drug Plan is being lowered, ensuring the benefit is sustainable and continues to help those with less income. And the Saskatchewan Employment Supplement is changing to keep the benefit affordable and still help families with younger children, those who need it most.

## **INVESTING IN PEOPLE**

Health, education and social services account for nearly three-quarters of all Government expense. Spending in these areas is forecast at \$10.4 billion in 2015-16, up 1.9 per cent from last year's budget, and an increase of 67.7 per cent since 2007-08.

The 2015-16 Budget provides \$5.5 billion in total spending for health care, up 1.1 per cent from last year. This budget includes \$3.7 billion for education spending, up 2.8 per cent over last year, and investments in social services will reach \$1.2 billion in this budget, an increase of 3.2 per cent over last year. This budget also continues the investment in training opportunities to develop a skilled workforce as outlined in the *Saskatchewan Plan for Growth*.

The 2015-16 Budget includes \$265.3 million for revenue sharing, the largest revenue sharing grant ever from the province to municipalities, up \$8.3 million from last year.

## **INVESTING IN INFRASTRUCTURE**

As Saskatchewan's population continues to grow, so does its infrastructure and capital needs. This budget begins a four-year, \$5.8 billion commitment – the Saskatchewan Builds Capital Plan – to build and maintain needed core infrastructure such as schools, health care facilities, municipal infrastructure, roads, bridges and highways.

This budget provides more than \$1.3 billion for core infrastructure in 2015-16, the largest infrastructure allocation in our province's history and an increase of almost 50 per cent from last year. In addition, capital spending by the Crowns is projected to be \$2.0 billion.

The 2015-16 Saskatchewan Builds Capital Plan will see capital investments of \$581.0 million to build highways and transportation infrastructure, a \$175.8 million increase over last year's budget; \$248.5 million in K-12 schools, up \$150.6 million compared to last year; \$46.6 million continues the significant investment in our universities and regional colleges; and \$256.4 million for health capital, an increase of \$161.6 from last year.

Major Crown capital projects for 2015-16 include \$1.2 billion at SaskPower; SaskTel will invest \$313 million; and SaskEnergy will spend \$257 million.

There is no doubt this is a challenging budget, but the good news is Saskatchewan has never been in a better position to meet this challenge.



Honourable Ken Krawetz  
Minister of Finance

# TABLE OF CONTENTS

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## MINISTER'S MESSAGE

|   |   |
|---|---|
| <b>GOVERNMENT DIRECTION FOR 2015-16</b> ..... | 6 |
|---|---|

|   |    |
|---|----|
| <b>SASKATCHEWAN BUILDS CAPITAL PLAN</b> ..... | 22 |
|---|----|

## TECHNICAL PAPERS

|   |    |
|---|----|
| The Saskatchewan Economy .....                                  | 33 |
| 2015-16 Financial Outlook .....                                 | 43 |
| 2015-16 Revenue Initiatives .....                               | 52 |
| 2015-16 Borrowing and Debt .....                                | 57 |
| Saskatchewan's Tax Expenditures .....                           | 60 |
| 2015 Intercity Comparison of Taxes, Utilities and Housing ..... | 64 |
| 2014-15 Third Quarter Financial Update .....                    | 70 |

## BUDGET FINANCIAL TABLES

|   |    |
|---|----|
| Budget .....                              | 74 |
| Statement of Accumulated Surplus .....    | 75 |
| Statement of Change in Net Debt .....     | 75 |
| Schedule of Public Debt .....             | 76 |
| Schedule of Pension Liabilities .....     | 77 |
| Schedule of Tangible Capital Assets ..... | 77 |
| Schedule of Revenue .....                 | 78 |
| Glossary of Financial Terms .....         | 79 |





SASKATCHEWAN PROVINCIAL BUDGET

**15-16**

GOVERNMENT DIRECTION FOR 2015-16

# Government Direction for 2015-16: KEEPING SASKATCHEWAN STRONG

*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. They include: 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.*

Saskatchewan people are determined. They're strong.

They tackle adversity head on.

The recent and substantive drop in the price of oil has impacted provincial revenue. But it has not diminished the resolve within Saskatchewan. Sound fiscal management will continue to be the foundation of a resilient economy and a strong province.

Governments do not drive the economy.

However, by making sound decisions governments can create the right conditions for economic growth.

Budget 2015-16 invests in people and in the infrastructure necessary to keep Saskatchewan strong.

Growth is pursued so that investments made in people and in building the province make living in Saskatchewan steadily better, year after year.

It's a virtuous cycle: a growing province means a better quality of life and a better quality of life attracts more people to our growing province.

## A GROWING PROVINCE

The province's population continues to grow.

Close to 1.13 million people call this province home – the most ever.

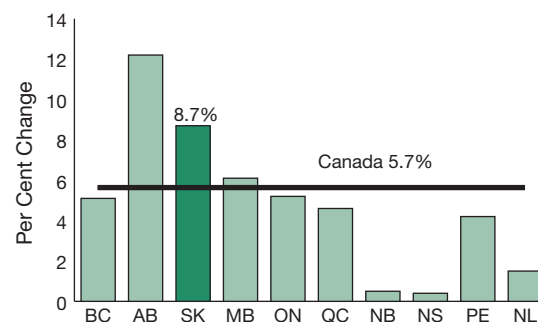
It is an increase of over 18,000 in one year and over 130,000 in the past eight years – a turnaround from the years when Saskatchewan's population declined.

The province is on track to reach the population target of 1.2 million people by 2020 as set out in 2012 in the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*.

Statistics Canada predicts the population of the province could exceed 1.5 million by 2038.

Saskatchewan's population has grown by 8.7 per cent over the 2009 to 2014 period, the second highest growth in the country, well above the 5.7 per cent national average.

## POPULATION GROWTH BY PROVINCE (2009 TO 2014)



Source: Statistics Canada



The Saskatchewan motto, “From Many Peoples Strength,” continues to ring true. The basic fact that more people are living in Saskatchewan than ever before is perhaps the best indicator of the province’s residual strength.

A growing population means that while Government spending must be carefully managed, there is a continuing need for investment into priorities like health care, education and for those most vulnerable.

Growth also drives the need to invest in infrastructure, in highways, schools and health care facilities, power lines, telecommunications networks and energy infrastructure; all part of meeting the challenges of growth and the investment needed to keep Saskatchewan strong.

## ECONOMIC RESILIENCE

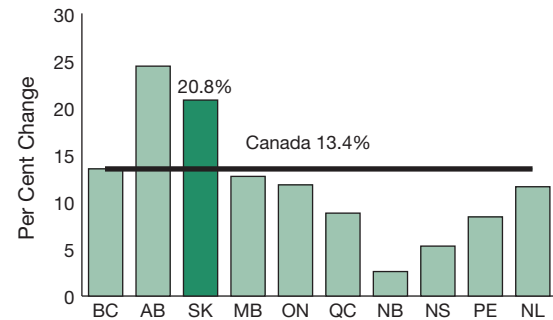
Saskatchewan’s real Gross Domestic Product (GDP) is expected to grow 1.4 per cent in 2014 – reflecting a return to a more normal crop year following the bumper crop of 2013.

GDP forecasts show modest growth of 0.8 per cent in 2015, largely because of the impact of the drop in the price of oil, followed by a return to a higher growth projection of 2.4 per cent in 2016.

While real GDP growth is projected to be lower in 2015, it follows several years of higher growth. It is growth on growth.

Saskatchewan’s real GDP has grown by 20.8 per cent from 2009 through 2014, the second highest rate of growth among all provinces.

## REAL GDP GROWTH BY PROVINCE (2009 TO 2014)



Sources: Statistics Canada, 2014 data based on private sector forecast average

Saskatchewan’s diversified economy ensures it is well positioned to weather an economic storm just as it did in 2009-10, when low global commodity prices also affected provincial revenue.

Saskatchewan has economic resilience and diversity, strength in many sectors, including; agriculture, manufacturing and resources like oil and gas, potash and uranium.

The recently released *Fraser Institute Annual Survey of Mining Companies: 2014* placed Saskatchewan as the most attractive jurisdiction for mining in Canada, and second in the world behind only Finland.

The annual survey rates 122 jurisdictions around the world based on geologic attractiveness and the extent to which government policies encourage exploration and investment.

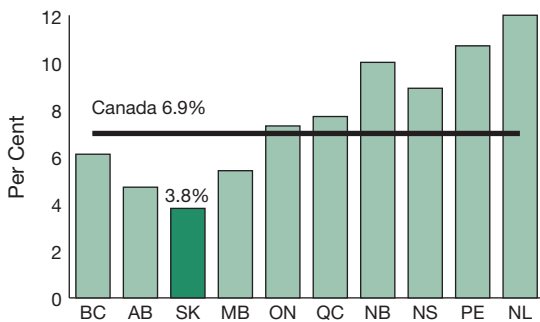
Saskatchewan again set a record for international exports in 2014 at \$35.1 billion, making Saskatchewan the largest per capita exporter in the country for the second straight year.

Saskatchewan also remained the top agriculture and agri-food exporter in Canada. Agriculture and agri-food exports to 153 countries around the world were \$13.9 billion in 2014, an increase of 19 per cent from the previous year.

Saskatchewan's manufacturing sales increased by 5.3 per cent in 2014 and over the 2009 to 2014 period, manufacturing sales in the province rose by 46.7 per cent, the strongest growth among provinces and well above the national average of 27.4 per cent.

Employment growth in Saskatchewan remained strong in 2014, as the province maintained the lowest average unemployment rate in Canada, at 3.8 per cent and 5,600 more jobs were created – positioning Saskatchewan to meet its employment growth target of 60,000 more people by 2020, set out in 2012 in the *Plan for Growth*.

**UNEMPLOYMENT RATE BY PROVINCE IN 2014**



Source: Statistics Canada

Average weekly earnings for Saskatchewan people increased by 3.2 per cent in 2014, to \$976.08, 4.4 per cent higher than the national average.

More detailed economic information is provided in the economic overview technical paper beginning on page 33.

**FISCAL RESPONSIBILITY**

The foundation of the *Plan for Growth* is fiscal responsibility.

Even with Saskatchewan's many strengths, balancing the 2015-16 Budget presented a challenge due to the substantive drop in the price of oil.

The lower oil price means projected revenue from oil is down \$661.0 million in the 2015-16 Budget compared to last year's budget.

Difficult but sound decisions have been made to carefully manage spending. Restraint is combined with the right choices to keep Saskatchewan strong. A growing province, prudent measures and diverse revenue sources have helped Saskatchewan's fiscal picture.

Saskatchewan's 2015-16 Budget has total revenue of \$14.28 billion, an increase of 1.2 per cent from last year's budget.

Overall budgeted expense is held to \$14.17 billion, a 1.2 per cent increase from the previous year's expense.

The pension accrual adjustment is displayed in a different manner this year, described in more detail in the financial outlook technical paper beginning on page 43.

Saskatchewan's 2015-16 Budget is balanced, with a surplus of \$107 million.

## INVESTING IN INFRASTRUCTURE

The 2015-16 Budget includes over \$3.3 billion in capital investment comprised of approximately \$2.0 billion in the commercial Crown sector and \$1.3 billion in core Government ministries and agencies.

### Saskatchewan Builds – Government’s Core Capital Plan

Investing in infrastructure will help keep Saskatchewan strong.

This budget includes a four-year, \$5.8 billion commitment – the Saskatchewan Builds Capital Plan – to build and maintain needed infrastructure like schools, health care facilities, municipal infrastructure, roads, bridges and highways.

This budget provides more than \$1.3 billion for infrastructure, the largest allocation for core Government capital in the province’s history, an increase of almost 50 per cent from last year’s budget.

This brings the Government’s investment in infrastructure to nearly \$8 billion over the past eight budgets – about \$1 billion a year on average.

#### 2015-16 Capital Highlights

Investments in **transportation infrastructure** outlined in the Saskatchewan Builds Capital Plan will keep our economy moving forward.

The 2015-16 Budget commits \$581.0 million for capital funding for highways and transportation infrastructure, a 43.4 per cent increase from last year, which includes \$211.0 million to begin construction on the next phase of the Regina bypass.

With a total cost projected at well over \$1.0 billion, the bypass is expected to be the largest infrastructure project in Saskatchewan’s history and is being evaluated as a *Public-Private-Partnership (P3)* project.

This budget provides funding for significant twinning projects, including; \$23 million for the twinning of Highway 16, east of Saskatoon to east of Clavet; \$11.4 million for twinning Highway 7 from Saskatoon to Delisle; \$7.6 million for twinning Highway 39 from Estevan to Bienfait; and \$1.2 million for initial work on twinning Highway 6 and 39 from Regina to Estevan.

Interchanges at Warman and Martensville receive funding in this budget, and capital investment includes passing lanes on Highway 7 from Delisle to Rosetown, among a number of other projects.

Including provincial, municipal and federal contributions, over \$1.0 billion has been invested in **municipal infrastructure** since 2008.

Funding of \$74.5 million is budgeted in 2015-16 for municipal infrastructure, with plans to invest over \$400 million over the next four years.

As the population increases and more families are making Saskatchewan their home, school enrolment in the province is increasing for the first time in over 40 years.

This budget provides \$248.5 million for **K-12 schools and education capital**, an increase of \$150.6 million over the 2014-15 Budget, which is the largest ever budget for this sector.

Beginning this year, school divisions will no longer be required to contribute the local share costs of major school capital projects. This policy change means the province will fund 100 per cent of the capital costs for all school projects including those that have been announced but have not begun construction.

In the long run, savings should be gained from a more efficient process.

The 2015-16 Budget includes \$157.4 million for the first year of construction of nine joint-use schools, potentially through a P3 procurement model, in the high growth communities of Martensville, Warman, Saskatoon and Regina.

There is also first year construction funding for new Connaught and Sacred Heart schools in Regina and the new St. Brieux School, and funding for a major renovation of Hague High School.

A key contributor to continued growth in the province is a high quality post-secondary education and training system.

In 2015-16, \$46.6 million is budgeted for capital in the area of **advanced education and training**, a \$14.0 million increase from the previous year.

Of that amount, \$23.6 million is targeted for maintenance capital, \$10.6 million is for the Southeast Regional College, \$4.5 million will complete the Trades and Technology Centre at Parkland Regional College, and \$7.9 million for the Academic Health Sciences facility at the University of Saskatchewan.

**Health care infrastructure** is a top priority for the people of Saskatchewan.

The 2015-16 Budget commits \$256.4 million to health care capital, an increase of \$161.6 million from last year.

The budget includes \$129.0 million for the Saskatchewan Hospital North Battleford–Integrated Correctional Facility, potentially using a P3 model, and \$64.9 million this year for the Swift Current Long-Term Care Centre, a project that is using a P3 procurement model.

Several other major projects are underway, including the new hospital in Moose Jaw, planning for rejuvenation of the Victoria Hospital in Prince Albert, planning for a new acute care centre in Weyburn and the replacement of several long-term care facilities.

The Capital Plan also includes funding for health system maintenance.

Many program areas in **government services** require infrastructure upgrades, including government buildings, correctional centres, courts, parks, recreation facilities and information technology management systems.

Investments in these assets will support high quality program and service delivery, and the 2015-16 Budget provides \$102.0 million in capital funding for this area.

For more detail, the Saskatchewan Builds Capital Plan begins on page 22.

## **Commercial Crown Corporation Capital**

In 2015-16, Crown corporations will continue to invest in infrastructure to help keep Saskatchewan strong.

Capital spending by the Crowns is projected to be \$2.0 billion in 2015-16.

Between 2000 and 2007, the Crowns spent, on average, approximately \$568 million per year on capital to both maintain and invest in new infrastructure.

Crown capital investment doubled to \$1.3 billion annually between 2008 and 2014 and it is forecast that between 2015 and 2020, Crown corporations will invest an average of \$1.7 billion each year maintaining existing and building new infrastructure – nearly triple the amount invested between 2000 and 2007.

The major capital projects the Crowns are moving forward on through 2015-16 include \$1.2 billion at **SaskPower**, primarily to renew transmission and distribution systems that carry electricity to customers. SaskPower will also expand and renew electricity generation assets to meet Saskatchewan's growing power needs.

**SaskTel** will invest \$313 million to increase the capacity of its wireless network across the province and continue to roll out infiNet, its high bandwidth broadband service to multi-dwelling homes and businesses. Continued investments by SaskTel help keep Saskatchewan people connected.

**SaskEnergy** is forecast to spend \$257 million, primarily to ensure a safe, reliable network through the renewal of its transmission and distribution infrastructure, plus expansion of its gas processing capacity.

In 2015-16, **SaskWater** is continuing its partnership approach, working with municipalities like White City, a growing community that needs water supply infrastructure.

It extends to the private sector as well, with SaskWater and BHP Billiton joining forces to construct a water supply system to help further potash development. SaskWater will also continue its renewal of the Saskatoon South East Water Supply system, important for the existing potash industry and rural communities.

## **NEW GROWTH TAX INCENTIVES**

To help keep Saskatchewan's economy strong, Budget 2015-16 introduces two significant new growth tax incentives for job creation and capital investment.

The Corporation Income Tax Rebate for Primary Steel Production is a new growth tax incentive that supports the *Plan for Growth* commitment to encourage new capital investment.

The rebate will provide a tax incentive for eligible primary steel producers that make a minimum capital investment of \$100 million in new or expanded productive capacity.

The Manufacturing and Processing (M&P) Exporter Tax Incentive supports the *Plan for Growth* goal of doubling Saskatchewan's exports by 2020, while also supporting the goal stated in 2012 to have 60,000 more people working in the province by 2020.

The M&P Exporter Tax Incentive will provide tax credits to eligible corporations that expand their number of full-time employees. The incentive will apply to the traditional manufacturing and processing sector and to corporations involved in the commercial development of new economy products for export, including interactive digital media and creative industry products.

The M&P Exporter Tax Incentive will also provide tax credits to eligible corporations that expand the number of their full-time employees who do work typically considered to be head office functions.

More details on these new growth tax incentives are described in the Revenue Initiatives technical paper beginning on page 52.

## KEEPING TAXES LOW

Budget 2015-16 contains no personal tax increases and no new taxes.

In total, since 2007, the Government has delivered over \$5 billion in tax relief.

This year, consideration was given to increasing Education Property Tax, but ultimately Government's decision was to keep the mill rates at their current level.

Since Education Property Tax reform in 2009, mill rates have only been lowered and have not been adjusted to keep up with inflation, increased enrolments and the increased cost of both teachers' salaries and school operating over the past several years.

In fact, the share of school operating funding from Education Property Tax is currently 35 per cent, surpassing the long-standing goal in Saskatchewan of 40 per cent from property tax.

So while there is no mill rate increase this year, it remains an area of future consideration for the Government in order to ensure a sustainable and equitable funding base for the critically important education sector.

A commitment of the *Plan for Growth* is to keep taxes competitive, for businesses, individuals and families. Budget 2015-16 meets that commitment.

A clear example is illustrated by the fact that in Saskatchewan, a family of four pays no Saskatchewan income tax on their first \$49,155 of income – the highest tax-free threshold for a family of four in Canada.

A family of four with \$50,000 income has seen its provincial income tax cut by more than 95 per cent since 2007 – from about \$2,300 in income tax to less than \$100 in 2015.

Lower taxes help keep families strong and help keep Saskatchewan strong.

## MANAGING TAX EXPENDITURES

Faced with the challenge of decreasing non-renewable resource revenue, the Government also took difficult but fiscally responsible steps that change tax expenditures.

This budget includes changes to the Active Families Benefit, Graduate Retention Program, Research and Development Tax Credit and the Potash Production Tax.

The Active Families Benefit will be income-tested – available to families with net incomes below \$60,000 – to ensure it continues to benefit those families who need it most.

The Graduate Retention Program will become a non-refundable tax credit while remaining the most aggressive youth retention program in Canada. Post-secondary graduates who stay in Saskatchewan will still be able to receive the full amount of their tuition back – up to \$20,000 – through a reduction in their provincial income tax. They now will have up to 10 years, instead of seven, to use this tax reduction.

The Research and Development Tax Credit will now be fully non-refundable and the rate is being reduced from 15 per cent to 10 per cent of qualifying research and development expenditures. These changes help maintain a sustainable level of support for innovation and research activities in the province.

Lastly, in this budget, changes are also being made to the Potash Production Tax to defer the timing of capital deductions in order to provide an immediate and temporary increase in revenue from potash companies. The total amount of deductions producers receive from their capital spending will now be utilized over a longer period of time.

This is an interim step that will be followed by a review of the entire potash royalty and taxation regime.

However, any further changes resulting from a review must balance the excellent investment and operational environment for this sector, which is so important to the provincial economy, with the need for a fair return for the owners of the resource, the people of Saskatchewan.

More information on revenue initiatives, as well as Saskatchewan's Tax Expenditures and a 2015 Intercity Comparison of Taxes, Utilities and Housing, is available in technical papers beginning on page 52.

## CONTROLLING OPERATING SPENDING

In order to balance the budget without raising taxes, the Government chose to control operating spending.

Spending on the broad themes of health, education and social services and assistance accounts for

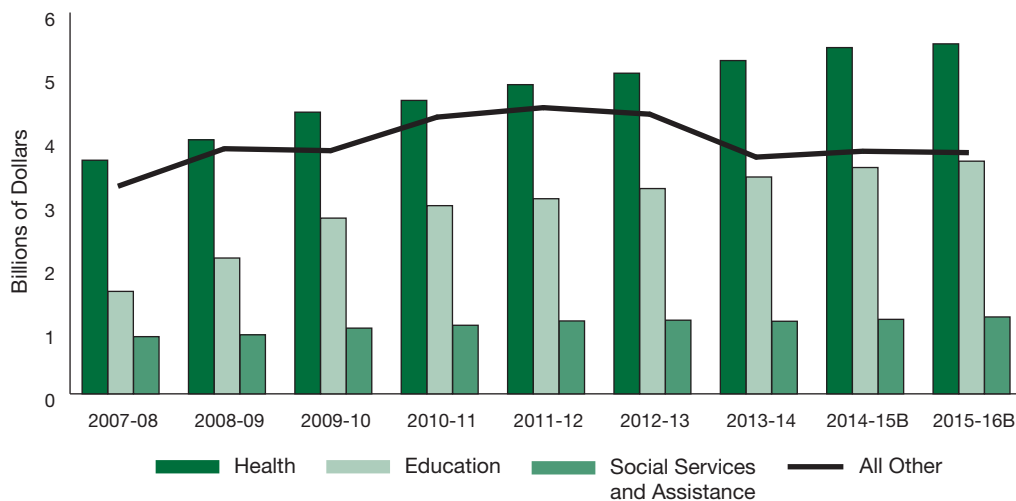
73.2 per cent of all government expense, or about \$10.4 billion, up 1.9 per cent from the 2014-15 Budget of \$10.2 billion.

All other areas of 2015-16 Budget expense are \$3.8 billion, actually down slightly by 0.6 per cent from spending in last year's budget. Eleven ministries and agencies, including Executive Council (the Premier's office), will see a decrease in their budgets in 2015-16. All out-of-scope employees, including MLAs and cabinet ministers, have had their salaries frozen in 2015-16.

Spending is down from years of six, seven, or eight per cent spending growth or greater – but substantial and sustainable spending levels continue to be supported. This budget is built from a strong base.

Since 2007-08, spending on health, education and social services and assistance is up 67.7 per cent, or \$4.3 billion. In addition, expense for all other areas is up 16.2 per cent, or \$500 million, from 2007-08 levels.

### SPENDING BY THEME



Source: Saskatchewan Budget, Public Accounts, Ministry of Finance

## INVESTING IN PEOPLE

### Investing in Training Opportunities

Providing incentives for job creation, a key part of the 2015-16 Budget, is one aspect of keeping Saskatchewan strong.

Providing training opportunities to develop a skilled work force is another.

It is a perennial quest, because when asked about the number one challenge to growing a strong business that provides necessary services in Saskatchewan, owners' and executives' nearly unanimous response is finding and keeping skilled workers.

And it all starts with training.

Government is continuing to invest in the training of nurses and doctors in Saskatchewan.

This year, \$26.9 million, an increase of 10.1 per cent over last year's budget, will fulfill three medical training commitments, including 100 medical training seats, 120 medical residency seats and 20 new nurse practitioner seats.

The 2015-16 Budget helps Saskatchewan people complete their Adult Basic Education (ABE), with a view to enhancing their employment prospects and quality of life.

This year, 200 additional ABE seats will be added, bringing the total to 8,780, through a total investment of \$25.6 million in 2015-16. It means that in 2016-17, Government expects to meet its *Plan for Growth* commitment to eliminate the 2012 ABE wait list.

A \$1.0 million increase in the Provincial Training Allowance budget brings the total to \$32.0 million, covering living costs associated with the additional 200 ABE seats while learners attend training.

Our diverse economy needs more workers skilled in trades.

Saskatchewan's Apprenticeship and Trade Certification Commission will have 7,000 apprenticeship training seats after 300 are added this year, through an additional \$1.0 million bringing the total budget to \$23.2 million.

The budget also includes a total of \$3.25 million for the Apprenticeship Training Allowance to support the increase in training seats.

And while there is no doubt the 2015-16 Budget challenges all, including third parties, to operate within the realm of restraint – the post-secondary sector has a substantial base from which to deliver programs and services.

This budget provides 1.0 per cent operating increases for universities, affiliated colleges and regional colleges and 2.0 per cent operating increases for technical institutes and federated colleges.

Overall, the 2015-16 Budget includes \$661.2 million in post-secondary operating and targeted funding, a reduction of \$8.17 million from last year's budget.

That decrease is mitigated by the University of Saskatchewan supporting the 2015-16 expense growth capacity by using \$20.0 million from its reserve funds.

Additional operational funding increases of 6.0 per cent to open the new Trades and Technology Centre at Parkland College and 22.4 per cent for the Saskatchewan Indian Institute of Technologies are provided in this budget.

Overall, this budget provides \$210.5 million for targeted program funding, primarily for First Nations and Métis organizations and individuals, including significant funding for training and employment initiatives.



This targeted support is in addition to Government's overall investments that benefit all Saskatchewan citizens.

### **Investing in a Better Quality of Life for People**

The *Plan for Growth* sets out that the purpose of growth is to build a better quality of life for all Saskatchewan people.

This budget provides the largest revenue sharing grant ever to municipalities, \$265.3 million, maintaining the Government's commitment to provide one percentage point of the previous year's Provincial Sales Tax.

It is an increase of \$8.3 million over last year's budget and \$138.0 million, or 108.4 per cent increase, since 2007-08. It not only helps municipalities to invest in necessary infrastructure but also to deliver programs and services in our cities, towns and rural Saskatchewan.

Through continued investment, the Government is improving health care and ensuring safe communities exist for children and families while also ensuring Pre-K to 12 and post-secondary education are top priorities.

Investment into programs and services for seniors, those with disabilities and those who are most vulnerable are also priorities in the 2015-16 Budget.

**Health** expenses include the entire appropriation of the Ministry of Health, spending through the Regional Health Authorities, the Saskatchewan Cancer Agency, eHealth, the Health Quality Council, the Saskatchewan Health Research Foundation, North Saskatchewan Laundry and Support Services Limited and the Physician Recruitment Agency.

This year, total spending for health is projected to increase by 1.1 per cent over last year's budget, to \$5.5 billion.

Much of the increase in operational spending in 2015-16 will go to increased compensation for health care workers – the people on the front lines who ensure the system is providing the best care possible to Saskatchewan people.

Regional Health Authorities will receive \$3.31 billion, up \$55.7 million from last year's budget, for operating funding and targeted initiatives.

Saskatchewan Cancer Agency will provide cancer care services with \$157.3 million from this budget, up \$1.6 million from last year's budget.

Seniors' care will be improved with \$10.0 million in targeted new funding in the 2015-16 Budget, bringing the total to \$14.5 million specifically for enhanced seniors' care initiatives. Funding includes a \$3.5 million increase dedicated to enhance the Home First program, bringing the total commitment to \$8.0 million, and a \$2.8 million increase for Dementia/Behaviour Units in Regina and Saskatoon.

In addition, \$2.0 million in this budget will provide increased choice and flexibility in care options for home care clients, \$1.0 million to improve quality and safety in long-term care, and \$0.7 million to develop a new geriatric program in Regina.

Under the Seniors' Drug Plan, eligible seniors 65 years and older pay a maximum of \$20 per prescription for drugs listed on the Saskatchewan Formulary.

The 2015-16 Budget lowers the seniors' income threshold to \$65,515, aligning with the provincial income tax credit, as opposed to the federal threshold of \$80,255. The change better targets the benefit to those with lower income, and will come into effect on July 1, 2015, saving the province approximately \$3.0 million.

**Education** expense includes portions of the appropriations for the ministries of Advanced Education, Education and the Economy.

It also includes spending through Boards of Education, the Saskatchewan Polytechnic, Regional Colleges, and the Saskatchewan Student Aid Fund.

Total spending for education grows 2.8 per cent in this year's budget over last year's, to \$3.7 billion.

Operational spending in education includes increases for teacher and non-teacher salaries.

Enrolment growth in the Pre-K to Grade 12 schools is 2,966 students, and the 2015-16 Budget provides \$47.69 million, an increase of \$8.29 million from last year, to recognize that substantial growth.

Child care operating costs receive an increase of \$2.2 million, bringing the total funding in this budget to \$52.7 million. The total number of provincially funded child care spaces is over 14,200.

The 2015-16 Budget will see a pause in the expansion of both child care spaces and Pre-K programs, due to the fiscal constraints of this budget.

Both programs have expanded capacity by over 16 per cent in the last three years, with 45 new Pre-K programs and 1,965 new provincially funded child care spaces, for a total operating and capital investment of over \$19.0 million.

As noted earlier, post-secondary operating funding of \$661.2 million is being provided in the 2015-16 Budget, which will provide operating increases for universities, affiliated colleges, federated colleges, and regional colleges.

**Social services and assistance** includes the entire appropriation of the Ministry of Social Services, plus portions of the appropriations for the ministries of Government Relations and Justice, plus spending through the Saskatchewan Housing Corporation and the Saskatchewan Legal Aid Commission.

Total spending for social services and assistance is projected to grow by 3.2 per cent this year over last year, to \$1.2 billion.

Overall, and across multiple ministries, the 2015-16 Budget includes \$485.7 million, up \$39.5 million from last year's budget, for new or enhanced programming and increased program utilization for Saskatchewan people with disabilities.

Saskatchewan Assured Income for Disability is increasing benefits and responding to strong program demand this year. In the 2015-16 Budget, \$200.4 million, an increase of \$26.8 million or 15.4 per cent over last year, is committed to provide people with disabilities an assured income.

Currently, families may receive Saskatchewan Employment Supplement benefits until children turn 18 to help with costs associated with raising a family and going to work.

A change in this budget means effective October 1, 2015, eligibility for the supplement for new applicants will be limited to families with children age 12 and under, to ensure the sustainability of the supplement and ensuring help goes to families with younger children who need it most.

The Saskatchewan Assistance Program, providing social assistance to those in need, is increasing by \$6.7 million in this budget, to \$159.2 million.

The 2015-16 Budget is providing \$160.6 million, an increase of \$1.8 million, to help people with complex and emerging needs.

An increase of 1.8 per cent, to \$26.45 million in this budget for the Seniors Income Plan (SIP), meets the Government's commitment to increase monthly benefits by \$10 per month each year for four years. With this increase effective July 1, 2015, SIP benefits have now been tripled from just \$90 a month in 2007 to \$270 a month this year.

Saskatchewan can only be strong if it helps its most vulnerable people. Controlling spending, while still making needed investments in priorities for people, keeps Saskatchewan strong.

## DEBT MANAGEMENT

Managing debt is a key component of fiscal responsibility.

In September of 2014, Moody's Investor Services upgraded Saskatchewan's credit rating to triple A, the agency's highest level. In its release, the agency said the upgrade "reflects the province's fiscal discipline and sustained low debt levels, which underscores prudent financial management practices."

Saskatchewan now enjoys the highest possible ratings from both Moody's and Standard & Poor's – and, overall, has among the highest credit ratings of any jurisdiction in Canada and North America.

## GOVERNMENT CREDIT RATINGS (FEBRUARY 2015)

| Jurisdiction | Moody's                 | Standard & Poor's      | DBRS                  |
|--------------|-------------------------|------------------------|-----------------------|
| BC           | Aaa**                   | AAA                    | AA(high)              |
| AB           | Aaa                     | AAA                    | AAA                   |
| <b>SK</b>    | <b>Aaa*<sup>1</sup></b> | <b>AAA<sup>2</sup></b> | <b>AA<sup>3</sup></b> |
| MB           | Aa1**                   | AA                     | A(high)               |
| ON           | Aa2**                   | AA-**                  | AA(low)               |
| QC           | Aa2                     | A+                     | A(high)               |
| NB           | Aa2                     | A+                     | A(high)               |
| NS           | Aa2                     | A+                     | A(high)               |
| PE           | Aa2                     | A                      | A(low)                |
| NL           | Aa2                     | A+                     | A                     |
| CA           | Aaa                     | AAA                    | AAA                   |

<sup>1</sup> Upgraded from Aa1 (positive outlook) on September 23, 2014.

<sup>2</sup> Upgraded from AA+ (positive outlook) on May 24, 2011.

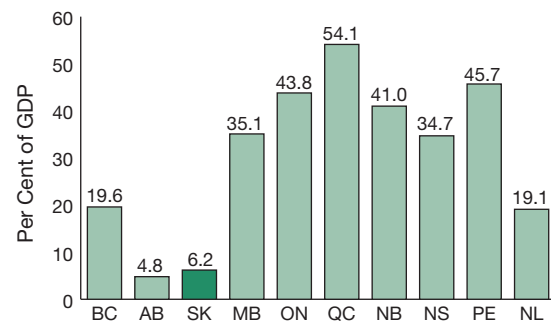
<sup>3</sup> Upgraded from AA(low) on October 15, 2009.

\* Positive outlook or trend

\*\* Negative outlook

Saskatchewan's tax supported debt-to-GDP ratio is estimated to be 6.2 per cent at March 31, 2015, the second lowest debt-to-GDP ratio among the provinces.

## 2014-15 TAX-SUPPORTED DEBT AS A PER CENT OF GDP



Source: DBRS-Adjusted Tax-Supported Debt as at March 31, 2015, Statistics Canada and Conference Board of Canada

Overall, \$13.3 billion in public debt, made up of both Government service organization debt and Government business enterprise debt including Crown corporations, remains manageable.

More than \$3 billion of Government's General Revenue Fund operating debt has been paid off over the last seven years – resulting in cumulative savings of over \$1 billion in interest payments.

Crown corporations continue to invest in infrastructure and the scale of those investments, about \$2.0 billion in total in 2015-16, means additional Crown borrowing of \$908.4 million in 2015-16 for needed capital projects.

Capital borrowing for infrastructure renewal by revenue generating business entities like SaskPower, SaskTel and SaskEnergy is carefully managed, and done on a financially sustainable basis.

Each Crown corporation has an industry benchmarked financial target, such as the debt ratio, to gauge debt sustainability. Each is in line with those targets.

### **Saskatchewan Builds Capital Plan Financing**

The province's resilient economy, high credit ratings, positive outlook and sound fiscal management provide a strong foundation from which to borrow in order to build.

The population continues to grow, as do capital needs.

Delaying needed projects would likely mean higher construction costs and the infrastructure gap would grow unabated.

As a result, Government will borrow an estimated \$700 million specifically for investment in core Government capital during 2015-16.

The Saskatchewan Builds Capital Plan will also be financed through a combination of revenue received for capital purposes, P3s, and available operational cash, including the proceeds from the 2013 sale of Information Services Corporation.

A key aspect of the borrowing plan is the debt repayment plan.

Borrowings are expected to have a term of up to 30 years and will take advantage of market opportunities to minimize borrowing costs. Amounts borrowed to finance infrastructure assets will be separately identified, and at least 2 per cent of the value of the borrowed amount will be set aside and invested each year to ensure sufficient cash will be available to repay the debt as it comes due.

This ensures that maturing debt pertaining to infrastructure assets will be funded.

Borrowing for long-term capital needs, for real, tangible assets like schools, hospitals and highways, Saskatchewan people will enjoy and use for decades, is much different than borrowing for annual operations that deliver services.

The Government remains committed to not borrowing for operations.

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## **CONCLUSION**

There is no doubt this year, indeed every year, Saskatchewan faces challenges.

This year, the low oil price has created a particular challenge. In any given year, a flood, a need in health care, obstacles facing those who are most vulnerable can all be seen as particular challenges.

Saskatchewan is strong and our people are resilient.

They meet challenges head on.

Saskatchewan has never been more prepared to meet challenges.

The province's population continues to rise. More people call Saskatchewan home than ever before. The economy is more diversified than ever and businesses continue to show confidence in the future through investment.

Saskatchewan is strong.

This budget will help keep Saskatchewan strong and will ensure that, as always, Saskatchewan's best days are still ahead.





SASKATCHEWAN PROVINCIAL BUDGET

**15-16**

**SASKATCHEWAN BUILDS CAPITAL PLAN**

# SASKATCHEWAN BUILDS CAPITAL PLAN (2015-16 to 2018-19)

## CAPITAL PLAN HIGHLIGHTS

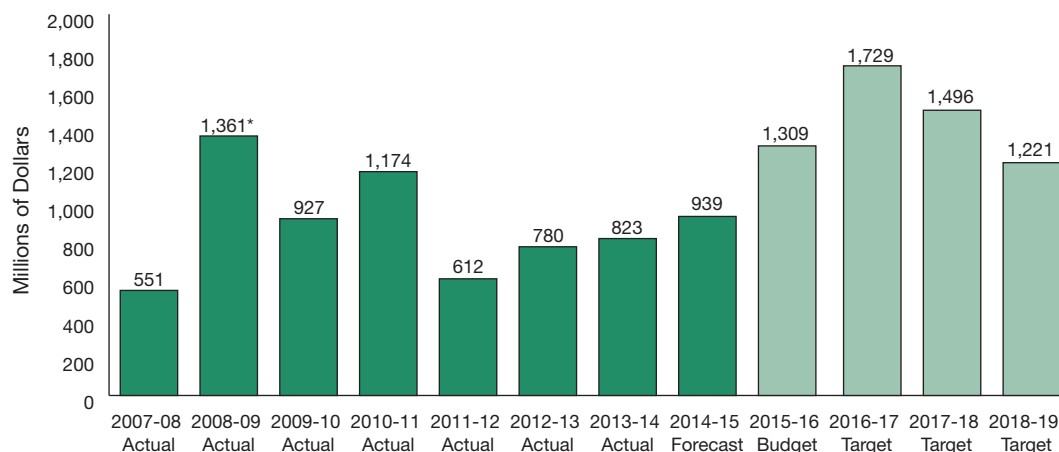
The Saskatchewan Builds Capital Plan includes the capital investment activities of Executive Government ministries and agencies, effectively the Core Capital Plan. The plan will help to ensure that capital investments are strategically aligned to the province's economic growth, population growth and quality of life priorities; and will begin to strengthen the reporting on Government's infrastructure investments.

Effective infrastructure is a foundation for economic growth and improved quality of life. Investing in the infrastructure required for growth is a key tenet of the *Plan for Growth*, to foster economic growth and address the challenges of growth. Further, it is an important step toward continuing to secure a better quality of life for all Saskatchewan people.

A component of the 2015-16 Budget is the investment of over \$1.3 billion in capital related to the Saskatchewan Builds Capital Plan. With this \$1.3 billion, Government has invested over \$3.0 billion in infrastructure since 2013-14, exceeding the *Plan for Growth* commitment of \$2.5 billion. In fact, the 2015-16 Saskatchewan Builds Capital Plan represents the largest Core capital budget in Saskatchewan's history. Further, this Capital Plan is forecast to provide \$5.8 billion of capital investment in much needed infrastructure to support the ongoing growth of the province over the next four years.

*The 2015-16 Budget includes a total capital investment of over \$3.3 billion, including Crowns and the \$1.3 billion outlined in the Saskatchewan Builds Capital Plan.*

## SASKATCHEWAN BUILDS CAPITAL PLAN



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



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In addition to the Saskatchewan Builds Capital Plan, capital spending by the Crowns is projected to be \$2.0 billion in 2015. Crown capital investment was \$1.3 billion annually between 2008 and 2014 and it is forecast that between 2016 and 2020, Crown corporations will invest an average of \$1.7 billion each year maintaining existing and building new infrastructure.

Since 2008-09, including the funding provided in the 2015-16 Budget, nearly \$7.9 billion has been invested in the province's schools, health care facilities, roads, bridges, highways, and municipal infrastructure such as water and wastewater treatment plants.

In October of 2012, Government established a new Treasury Board Crown corporation, *SaskBuilds*, to drive innovation in infrastructure financing, design

and delivery. Progress to date has been significant, including numerous *Public-Private-Partnership (P3)* projects. Construction began in the fall of 2014 on the replacement of multiple long-term care (LTC) facilities in Swift Current. Other P3 projects, including the Regina Bypass, the Saskatchewan Hospital North Battleford–Integrated Correctional Facility (SHNB/ICF) and two bundles of elementary school projects, including three joint-use schools in Regina and six joint-use schools in Saskatoon, Warman and Martensville, are in the evaluation phase of procurement. Subject to approval, these projects are expected to move to the construction stage in 2015-16.

The 2015-16 to 2018-19 Saskatchewan Builds Capital Plan outlines projects approved to date and provides an estimate of anticipated future capital investment. The four-year plan is detailed on page 24.

## SASKATCHEWAN BUILDS CAPITAL PLAN

| (Thousands of Dollars)   | 2014-15<br>Budget | 2014-15<br>Forecast | 2015-16<br>Budget | 2016-17<br>Target | 2017-18<br>Target | 2018-19<br>Target |
|--|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Capital Asset Acquisitions (government-owned Capital)                  | 555,555           | 560,441             | <b>796,609</b>    | 984,537           | 1,030,427         | 884,446           |
| Capital Transfers (third party Capital)                                | 331,380           | 378,592             | <b>512,391</b>    | 744,268           | 465,867           | 337,022           |
| <b>Saskatchewan Builds Capital Plan Total</b>                          | <b>886,935</b>    | <b>939,033</b>      | <b>1,309,000</b>  | <b>1,728,805</b>  | <b>1,496,294</b>  | <b>1,221,468</b>  |
| <b>Capital Plan by Sector</b>  |                   |                     |                   |                   |                   |                   |
| <b>Transportation Infrastructure – \$581.0 million in 2015-16</b>      |                   |                     |                   |                   |                   |                   |
| Highways Capital (including Regina Bypass)                             | 373,832           | 383,832             | <b>559,865</b>    | 793,282           | 838,732           | 825,982           |
| Highways Partnerships and Supporting Capital                           | 31,388            | 30,559              | <b>21,155</b>     | 51,388            | 51,388            | 51,388            |
| <b>Municipal Infrastructure – \$74.5 million in 2015-16</b>            |                   |                     |                   |                   |                   |                   |
| Municipal Programs   | 74,579            | 72,091              | <b>74,493</b>     | 115,529           | 114,830           | 89,830            |
| Regina Stadium   | 50,000            | 50,000              | –                 | 25,000            | –                 | –                 |
| <b>K-12 Schools and Education Capital – \$248.5 million in 2015-16</b> |                   |                     |                   |                   |                   |                   |
| Schools (including joint-use school projects)                          | 96,169            | 113,954             | <b>248,470</b>    | 374,104           | 167,880           | 63,530            |
| Child Care Spaces  | 1,700             | 2,200               | –                 | 1,700             | 1,700             | 1,700             |
| <b>Advanced Education and Training – \$46.6 million in 2015-16</b>     |                   |                     |                   |                   |                   |                   |
| Maintenance Capital  | 20,600            | 20,600              | <b>23,600</b>     | 30,900            | 38,300            | 45,600            |
| Post-Secondary Projects  | 12,000            | 9,698               | <b>23,030</b>     | 11,771            | 6,400             | 5,070             |
| <b>Health Care – \$256.4 million in 2015-16</b>                        |                   |                     |                   |                   |                   |                   |
| Maintenance and Facility Regeneration                                  | 23,300            | 23,300              | <b>27,800</b>     | 34,700            | 41,100            | 47,500            |
| Health Equipment   | 16,738            | 16,738              | <b>15,723</b>     | 15,763            | 15,786            | 13,407            |
| Long-term Care (including Swift Current LTC)                           | 36,788            | 69,302              | <b>69,419</b>     | 26,479            | 14,200            | –                 |
| Hospitals (including SHNB/ICF)   | 18,029            | 34,015              | <b>143,487</b>    | 152,281           | 114,687           | 13,813            |
| <b>Government Services – \$102.0 million in 2015-16</b>                |                   |                     |                   |                   |                   |                   |
| IT Capital   | 54,115            | 39,753              | <b>37,527</b>     | 14,533            | 12,625            | 4,175             |
| Courts and Corrections Capital   | 35,691            | 30,440              | <b>25,034</b>     | 11,743            | 11,856            | 9,356             |
| Parks Capital  | 13,299            | 13,074              | <b>12,999</b>     | 11,849            | 11,849            | 11,849            |
| Equipment Capital  | 10,276            | 10,096              | <b>13,276</b>     | 25,943            | 28,569            | 10,801            |
| Government Buildings   | 9,696             | 9,696               | <b>7,047</b>      | 8,817             | 6,397             | 9,837             |
| Other Capital to Support Government Programs                           | 8,735             | 9,685               | <b>6,075</b>      | 23,023            | 19,995            | 17,630            |
| <b>Saskatchewan Builds Capital Plan Total</b>                          | <b>886,935</b>    | <b>939,033</b>      | <b>1,309,000</b>  | <b>1,728,805</b>  | <b>1,496,294</b>  | <b>1,221,468</b>  |

The Capital Plan is designed to address infrastructure challenges facing Saskatchewan, including maintaining pace with the strong economic expansion and population increases; preparing for future growth; and, addressing the infrastructure deficit of the past.

While investing in new infrastructure to support current and future growth is important, it is also important to ensure that the Province maintains its current array of provincial infrastructure. The 2015-16 Budget provides over \$216 million toward maintenance investment on existing capital in Advanced Education, Health, Education, and Highways and Infrastructure. This amount represents an increase of \$15.3 million or 7.6 per cent. In addition, the four-year plan includes consistent increases for important capital maintenance activities to reinvest in and protect the existing infrastructure.

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

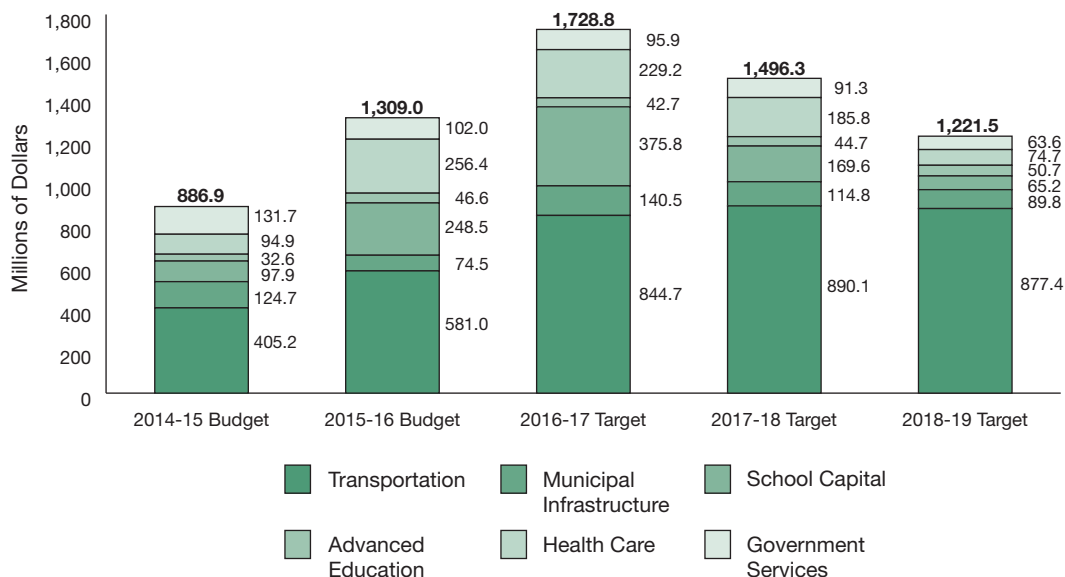
## CAPITAL PLAN DETAILS

The province has a population of close to 1.13 million people as of October 1, 2014, which puts the *Plan for Growth* target population of 1.2 million by 2020 clearly within reach. With a growing population and labour force, there are increasing demands to build new infrastructure as well as to rejuvenate existing structures.

### Transportation Infrastructure

The 2015-16 Budget provides \$581.0 million of capital funding for transportation infrastructure, an increase of \$175.8 million or 43.4 per cent from last year's budget. This is projected to increase a further \$264 million in 2016-17. Further, the Saskatchewan Builds Capital Plan is delivering on the need for continued investment in transportation infrastructure with a plan to invest \$3.2 billion in transportation capital over the next four years.

### SASKATCHEWAN BUILDS CAPITAL PLAN BY SECTOR



*Government has invested over \$2.7 billion in transportation over the past four years, surpassing the 2011 commitment by \$500 million or 22 per cent.*

Over \$4.4 billion has been spent on Saskatchewan's highway network in the last seven years, resulting in:

- 2,300 kilometres of repaved highways;
- 1,100 kilometres of improvements to rural highways;
- over 5,000 kilometres of highways preservation activities; and,
- 192 bridge and culvert repairs and replacements.

Construction of the Regina Bypass, the largest infrastructure project in the province's history, is expected to commence in 2015-16. In addition to this project, Government is investing in other important transportation infrastructure projects, including: interchanges for Warman and Martensville; twinning and passing projects on Highways 5, 6, 7, 16 and 39; as well as numerous other enhancement and rehabilitation activities throughout the province.

Funding of \$16.0 million is provided in the 2015-16 Budget for the continued support of the Municipal Roads for the Economy Program. This program provides funding through the Saskatchewan Association of Rural Municipalities toward projects aimed at developing a network of primary weight truck haul routes on municipal roads, improving municipal roads that experience high levels of heavy truck traffic, and improving bridges and culverts on municipal roads.

The 2015-16 Budget also provides \$15.0 million of capital funding toward the rehabilitation of highways impacted during 2014 flooding events.

\$9.0 million will be provided in 2015-16 for the repair and rehabilitation of the Stony Rapids Airport, the fifth busiest airport in the province. This much needed project will address congestion, condition, and safety concerns.

## **Municipal Infrastructure**

Including municipal and federal contributions, over \$1.0 billion has been invested in municipal infrastructure since 2008. Funding of \$74.5 million is budgeted in 2015-16 for municipal infrastructure, with plans to invest over \$400 million over the next four years. Funding is provided for the New Building Canada Fund and other existing federal-provincial-municipal infrastructure programs.

Since 2008, municipal infrastructure funding has been used to fund many major projects such the Saskatoon Circle Drive South Bridge and freeway project, Global Transportation Hub infrastructure, Regina Evraz Place upgrades, the Estevan Truck Bypass, Mosaic Place in Moose Jaw, the Regina Stadium project and the \$91.0 million Municipal Rural Infrastructure Fund.

The new federal infrastructure program – the New Building Canada Plan – should result in over \$1.0 billion in further investment for Saskatchewan infrastructure by 2022-23, including all federal, provincial and municipal contributions. These funds are incremental to Municipal Revenue Sharing funding which amounts to \$265.3 million in 2015-16, an increase of 102 per cent since 2007-08.

*The New Building Canada Plan should result in over \$1.0 billion in further investment for Saskatchewan infrastructure by 2022-23.*

The Saskatchewan Government has also committed to providing \$50 million in financial support to the new North Commuter Bridge project in Saskatoon and has committed to provide support for a second bridge in Prince Albert.

## **K-12 Schools and Education Capital**

As the population increases and more families are making Saskatchewan their home, school enrolment in the province is increasing for the first time in over 40 years.

Significant capital investments have been undertaken in the last number of years in the area of K-12 Schools and Education. Since 2008-09, the Government of Saskatchewan has spent almost \$700 million for 47 major school capital projects and over 900 additional school capital projects across the province. Over half of Saskatchewan's schools have been upgraded or renovated.

*Since 2008-09, almost \$700 million has been invested in 47 major school capital projects and over 900 other school capital projects across the province.*

This budget provides \$248.5 million in capital for K-12 Schools and Education, an increase of \$150.6 million over the 2014-15 Budget, which is the largest ever budget for this sector. Over the next four years, almost \$900 million is targeted for investment in this area.

The current Capital Plan continues to support ongoing major capital projects in addition to the joint-use bundle of nine schools in Regina, Saskatoon, Warman and Martensville potentially through a P3 procurement process.

Major capital funding of \$28.6 million will be provided in 2015-16 for the renovation or repair of schools in Langenburg, Hudson Bay, Martensville, Gravelbourg, Weyburn, and Saskatoon's Holy Cross, George Vanier and St. Matthew.

Construction will begin this year on the three new projects approved for planning last year, including Connaught and Sacred Heart in Regina, St. Brieux School, and one new major project is approved to start this year at Hague High School.

Evaluation of the procurement model for the new joint-use schools will be finalized in the summer of 2015, with an anticipated opening date of September 2017.

Budget 2015-16 provides \$31.6 million for preventative maintenance and renewal in the K-12 sector. This represents an increase of \$7.6 million, or 31.7 per cent from the previous year.

## **Advanced Education and Training**

A key component to continued growth in the province is a high quality post-secondary education and training system. Investments are being made in new university facilities, new regional colleges and training institutions.

In 2015-16, \$46.6 million is budgeted for capital in the area of Advanced Education and Training, with the four-year plan estimated to provide almost \$185 million to the sector.

Since 2008-09, over \$400 million has been provided through Advanced Education for capital in the post-secondary education and research sector. This includes the Academic Health Sciences Facility 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 Regional Colleges.

*Since 2008-09, over \$400 million has been provided through Advanced Education for capital in the post-secondary education and research sector.*

This budget provides \$10.6 million for the Southeast Regional College in Weyburn. This \$17.5 million project is expected to be complete by 2016-17 and will provide for the renovation of a multipurpose shop, as well as an addition for classrooms, labs and support space. Final year funding of \$4.5 million is provided to complete the new Trades and Technology Centre at Parkland Regional College and \$7.9 million to the University of Saskatchewan supports the ongoing Academic Health Sciences Facility project.

The 2015-16 Budget also provides \$23.6 million for maintenance capital and renewal funding in the Advanced Education and Training sector. This represents an increase of \$3.0 million or 14.6 per cent from the previous year.

## **Health Care**

Quality health care infrastructure is a top priority for the people of Saskatchewan. Government continues to make significant investments in health care with current plans to invest over \$700 million in health facilities over four years. The 2015-16 Budget provides \$256.4 million for health capital, an increase of \$161.6 million from last year.

Several major projects are currently underway, including the new Children's Hospital in Saskatoon, the new hospital in Moose Jaw, replacement of the Saskatchewan Hospital at North Battleford through a potential P3 procurement process, planning for rejuvenation of the Victoria Hospital in Prince Albert, and replacement of long-term care facilities in Regina and La Ronge. Construction has been completed or commenced on 13 new long-term care facilities, including the new Swift Current Long-Term Care

Centre, since 2008-09. This budget provides funding to start construction on the new integrated health/long-term care facility in Leader. The \$12.0 million project will receive \$9.6 million from the province and is expected to be ready for patients in March 2017.

*The health care capital budget is \$256.4 million in 2015-16 and over \$700 million is planned to be spent over four years.*

Budget 2015-16 provides \$27.8 million for health system facility regeneration and maintenance. This represents an increase of \$4.5 million, or 19.3 per cent from the previous year.

## **Government Services**

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

The 2015-16 Budget provides \$102.0 million in capital funding for this area, a decrease of \$29.8 million. Major projects include the Parks Capital program, funds to be allocated to new court and correctional facilities, and investments in the Province's fire-fighting capacity.

\$13.0 million in capital funding will be provided to Saskatchewan's parks in 2015-16 as part of Government's continued commitment to improve and upgrade our provincial parks. Government has committed significant resources toward the expansion of park facilities and visitor services, including adding electrical service to more than 1,550 campsites as well as upgraded electrical infrastructure to an additional 1,200 campsites.

The 2015-16 Budget includes \$5.7 million, the final year of funding, for the addition of 72 additional cells at the Prince Albert Provincial Correctional Centre. The budget provides \$1.4 million for the first year of a two-year project to purchase and upgrade the Saskatoon Women's Community Training Residence, and final year funding is provided for the Saskatoon Queen's Bench Courthouse renovation.

\$2.5 million will be provided in 2015-16 for the completion of the Process Renewal and Infrastructure Management Enhancements (PRIME) project in the Ministry of Economy. This project is renewing the business processes and applications that support the oil and gas activities in the province and will improve data accuracy and reporting.

\$11.0 million is provided in 2015-16 to renew Government's Revenue Management System. This project will improve services to taxpayers, including 56,000 businesses and 32,000 farmers.

\$27.5 million is planned to be invested over the next three years as part of a strategy to renew the Province's forest fire fighting fleet to ensure the province has the capacity necessary to protect communities and valuable resources.

## **CAPITAL PLAN FINANCING**

Saskatchewan's infrastructure needs are significant. The impact of a growing province coupled with the need to replace or repair aging infrastructure requires a diligent and strategic capital plan that allows for the required investments in a judicious and timely manner.

The *Plan for Growth* highlights the importance of *Building the Infrastructure for Growth* and notes the importance of innovative ways to be responsive to the province's needs. Sustaining the growing investment in infrastructure is a priority in the 2015-16 Budget – *Keeping Saskatchewan Strong*.

Government is budgeting to spend more than \$1.3 billion on core infrastructure in 2015-16, an all-time record and an increase of almost 50 per cent from last year's budget. Funding this long-term investment entirely out of current year revenue is not practical, as it would significantly limit opportunities to address other priorities; requiring either a substantial increase in taxes or a significant reduction in operating expenses, options which are not deemed appropriate in response to the current volatility in oil revenues. Thus, a disciplined capital financing strategy will be used to meet the infrastructure needs of our growing province and better match the benefits of the assets with the term of payment for these assets.

The Saskatchewan Builds Capital Plan will be financed through a combination of revenue received for capital purposes, P3s, capital market borrowing and available operational cash. Revenue received for capital purposes primarily relates to funding from the federal government for initiatives like the Gas Tax fund and Building Canada programs, as well as proceeds from the 2013 sale of Information Services Corporation.

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

When value-for-money can be demonstrated, P3s are an important part of the financing plan. Construction on the Province's first P3 project, the new Swift Current Long-Term Care Centre, is underway. By the summer of 2015, four other major projects worth up to \$2.0 billion will reach the stage where government will determine if the value for money supports proceeding with the projects using P3 procurement – the Regina Bypass, two school bundles of three and six joint-use schools, and the Saskatchewan Hospital North Battleford–Integrated Correctional Facility.

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To help finance the Saskatchewan Builds Capital Plan, an estimated \$700 million is forecast to be borrowed during 2015-16. The current low interest rate environment combined with the Province's high credit rating make this the most cost-effective time in the province's history in which to finance infrastructure investments.

Government remains committed not to borrow for operations.

Borrowings are expected to have a term of up to 30 years and will take advantage of market opportunities to minimize borrowing costs. Planning for and enabling the repayment of capital debt upon maturity is a key principal of undertaking this capital financing plan. As a result, Government has committed that at least 2 per cent of the value of these borrowings will be 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

**15-16**

TECHNICAL PAPERS



# THE SASKATCHEWAN ECONOMY

## INTRODUCTION

The Saskatchewan economy is expected to be impacted in 2015 by the recent fall in the price of oil and a global economic outlook that remains mixed, yet Saskatchewan real GDP growth is forecast to remain positive.

Real GDP is expected to rise by 0.8 per cent in 2015.

For 2016, real GDP growth is anticipated to improve to 2.4 per cent as the price of West Texas

Intermediate (WTI) oil is expected to increase to US\$67.00 per barrel, helping boost oil investment.

Between October 1, 2013 and October 1, 2014, Saskatchewan's population increased by 1.6 per cent, the second best percentage increase among provinces.

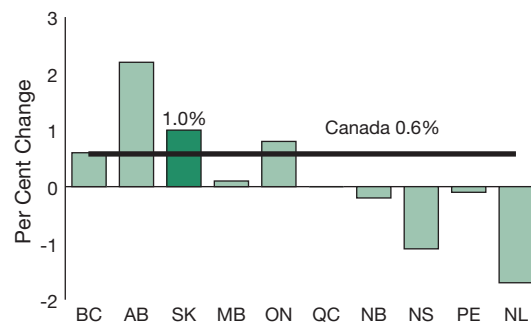
Over the 2009 to 2014 period, Saskatchewan's population increased by 8.7 per cent, well above Canada's growth rate of 5.7 per cent.

As well, average employment grew by 1.0 per cent in 2014, also the second best percentage increase among provinces.

## 2014 PERFORMANCE

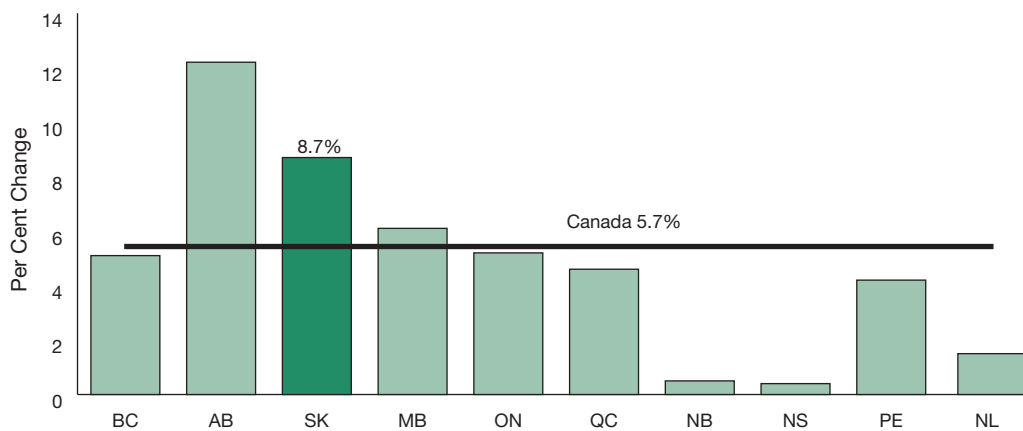
The Saskatchewan economy performed well again in 2014 in terms of both population and employment growth.

### EMPLOYMENT GROWTH BY PROVINCE IN 2014



Source: Statistics Canada

### POPULATION GROWTH BY PROVINCE (2009 TO 2014)



Source: Statistics Canada

## SASKATCHEWAN ECONOMIC INDICATORS

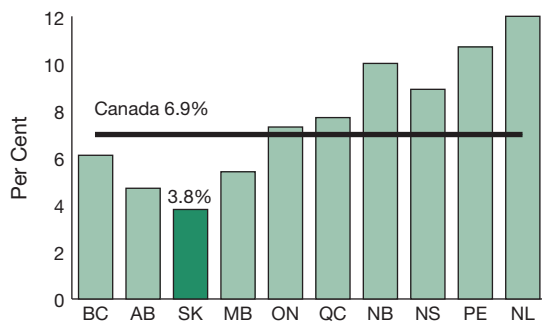
(Per Cent Change)

|   | 2014   | Saskatchewan Rank | 2009-14 | Saskatchewan Rank | Canada 2009-14 |
|---|--------|-------------------|---------|-------------------|----------------|
| Population (as of October 1)                        | 1.6    | 2                 | 8.7     | 2                 | 5.7            |
| Employment  | 1.0    | 2                 | 8.6     | 4                 | 6.4            |
| Average Weekly Earnings                             | 3.2    | 4                 | 26.4    | 3                 | 15.6           |
| Retail Sales  | 4.5    | 4                 | 31.0    | 2                 | 21.6           |
| Wholesale Trade                                     | 6.1    | 6                 | 58.6    | 2                 | 27.5           |
| Number of New Vehicles Sold                         | (1.2)  | 9                 | 30.1    | 5                 | 27.2           |
| Manufacturing Sales                                 | 5.3    | 6                 | 46.7    | 1                 | 27.4           |
| International Goods Exports                         | 8.9    | 6                 | 61.5    | 2                 | 47.0           |
| Value of Building Permits                           | (15.9) | 9                 | 41.2    | 4                 | 39.1           |
| Number of Housing Starts                            | (0.4)  | 4                 | 113.6   | 1                 | 27.0           |
| Investment in New Housing Construction              | (6.6)  | 6                 | 113.1   | 1                 | 40.5           |
| Investment in Non-residential Building Construction | 4.8    | 4                 | 21.9    | 4                 | 19.2           |

Source: Statistics Canada

Saskatchewan also had the lowest unemployment rate in Canada.

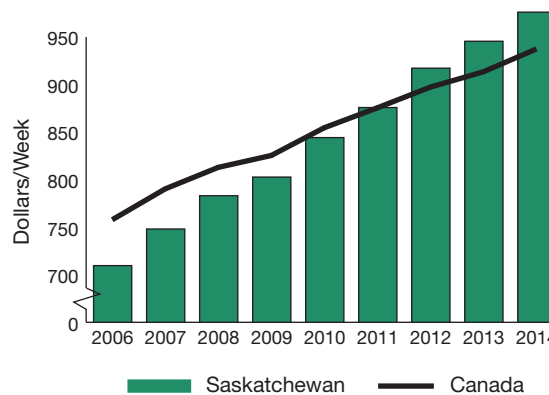
### UNEMPLOYMENT RATE BY PROVINCE IN 2014



Source: Statistics Canada

Average weekly earnings increased by 3.2 per cent to \$976.08, 4.4 per cent higher than the national average.

### SASKATCHEWAN AND CANADA AVERAGE WEEKLY EARNINGS

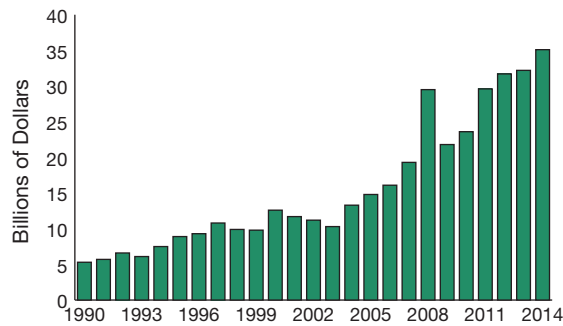


Source: Statistics Canada

Certain other indicators performed well also. Growth in retail sales was fourth best among provinces last year.

The value of Saskatchewan's international goods exports grew by 8.9 per cent, reaching an historic high of \$35.1 billion.

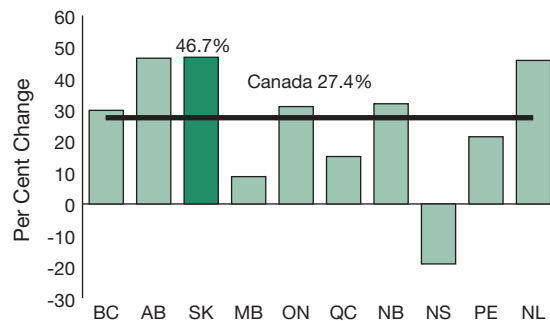
### **SASKATCHEWAN INTERNATIONAL GOODS EXPORTS**



Source: Statistics Canada

In addition, manufacturing sales also increased by 5.3 per cent in 2014. Over the 2009 to 2014 period, manufacturing sales in Saskatchewan rose by 46.7 per cent, the strongest growth among provinces and almost double the national average of 27.4 per cent.

### **MANUFACTURING SALES BY PROVINCE (2009 TO 2014)**

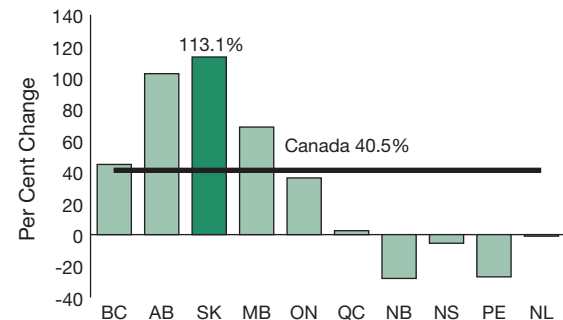


Source: Statistics Canada

Though Saskatchewan's economy remained strong in many areas in 2014, some indicators showed signs of easing. Many of the investment indicators, including the value of building permits, investment in new housing construction and the number of new housing starts, were down year-over-year, after experiencing several years of remarkable growth.

The number of new housing starts and investment in new housing construction during the period 2009 through 2014, for example, grew by 113.6 per cent and 113.1 per cent, respectively. No other province in Canada experienced this kind of growth.

### **INVESTMENT IN NEW HOUSING CONSTRUCTION (2009 TO 2014)**



Source: Statistics Canada

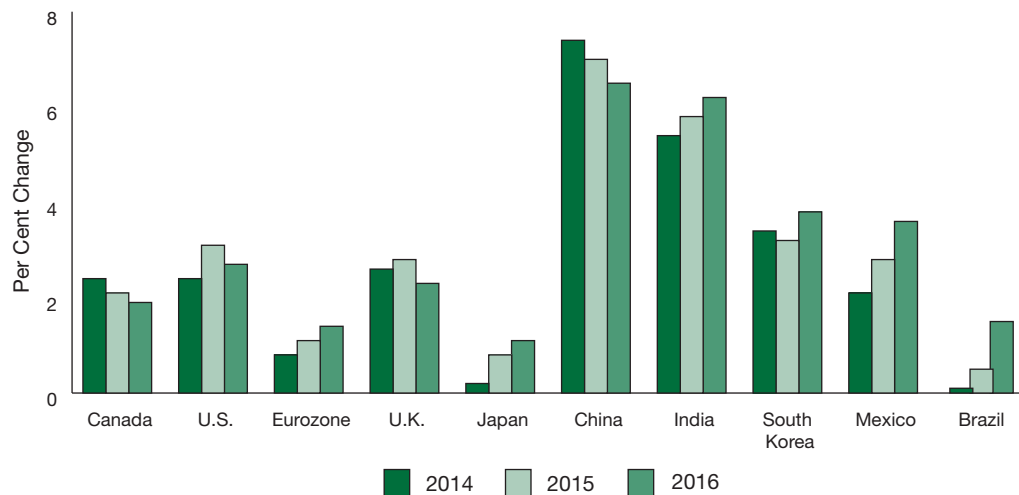
### **GLOBAL ECONOMIC OUTLOOK**

The global economic outlook remains mixed with economies around the world either gathering momentum or slowing.

Hit by poor exports and a real estate slump, China's growth is expected to slow from an estimated 7.4 per cent in 2014 to 7.0 per cent this year and 6.5 per cent in 2016.

India is expected to increase slightly from 5.4 per cent in 2014 to 5.8 per cent in 2015 and 6.2 per cent in 2016.

## GLOBAL REAL GDP GROWTH ASSUMPTIONS



Sources: Scotiabank and IHS Global Insight

Meanwhile, poor growth in 2014, rampant inflation and tighter fiscal and monetary policies going forward are dimming Brazil's growth prospects.

Among advanced economies, the U.S. and U.K. economies are set to expand 3.1 per cent and 2.8 per cent this year, rising from 2.4 per cent and 2.6 per cent, respectively, in 2014. U.S. and U.K. real GDP growth rates are projected at 2.7 per cent and 2.3 per cent for 2016.

With deflation a continuing concern, economic growth in the Eurozone and Japan is expected to be minimal. Stimulative policies, however, will keep the Eurozone and Japan afloat. From 0.8 per cent and 0.2 per cent posted in 2014, growth in the Eurozone and Japan is placed at 1.1 per cent and 0.8 per cent for 2015 and 1.4 per cent and 1.1 per cent for 2016.

On the other hand, Canada's growth is expected to ease from 2.5 per cent in 2014 to 2.1 per cent in 2015 and 1.9 per cent in 2016.

## CANADIAN MACROECONOMIC ASSUMPTIONS

|                              | 2014<br>Actual | 2015  | 2016  | 2017  | 2018  | 2019  |
|------------------------------|----------------|-------|-------|-------|-------|-------|
| Real GDP Growth (%)          | 2.5            | 2.1   | 1.9   | 2.6   | 2.6   | 2.5   |
| Inflation Rate (%)           | 2.0            | 0.7   | 2.1   | 2.0   | 2.0   | 2.0   |
| Unemployment Rate (%)        | 6.9            | 6.9   | 6.8   | 6.5   | 6.4   | 6.4   |
| Short-term Interest Rate (%) | 0.91           | 0.48  | 0.75  | 2.76  | 3.50  | 3.50  |
| Long-term Interest Rate (%)* | 2.19           | 1.82  | 3.00  | 3.51  | 3.56  | 3.56  |
| Canadian Dollar (US cents)   | 90.70          | 79.00 | 81.00 | 82.50 | 84.00 | 85.00 |

\* 10-year Government of Canada Bond

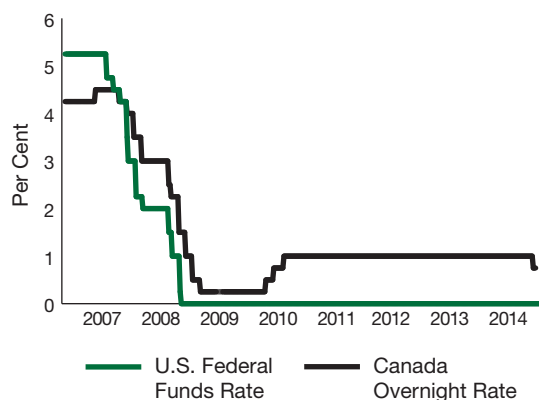
Sources: Statistics Canada, IHS Global Insight and Ministry of Finance

## INTEREST RATES AND THE CANADIAN DOLLAR

In an attempt to help cushion the Canadian economy from the decline in oil prices, the Bank of Canada cut its overnight rate to 0.75 per cent in January 2015. Further rate cuts are possible if oil prices stay low or decline further and Canadian economic conditions going forward warrant it.

On the other hand, the U.S. appears poised to begin its long-awaited tightening, widely believed to be in the second half of this year.

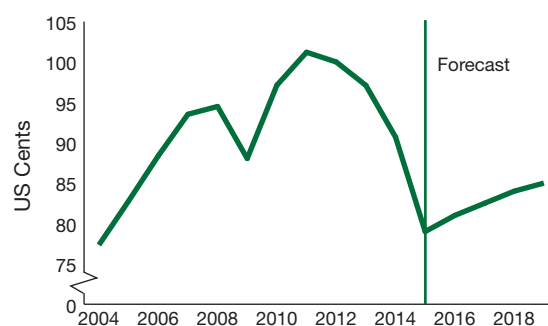
### U.S. AND CANADIAN INTEREST RATES



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

The Canadian dollar's depreciation relative to the U.S. dollar is tied to the decline in oil prices, but it also reflects stronger U.S. growth, divergent monetary policies and the U.S. "safe haven" status, which reflects the U.S. as a favourite for currency traders and foreign investors because of uncertainties in the Eurozone and the slowdown in emerging markets.

### CANADIAN DOLLAR



Sources: Bank of Canada and Ministry of Finance

### SURVEY OF CANADIAN DOLLAR FORECASTS (In US Cents)

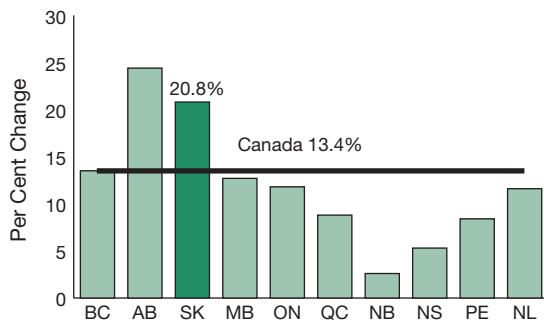
|                                  | 2015         | 2016         | Release Date |
|----------------------------------|--------------|--------------|--------------|
| IHS Global Insight               | 77.50        | 81.80        | Feb./15      |
| Conference Board of Canada       | 85.00        | 87.00        | Feb./15      |
| The Centre for Spatial Economics | 85.00        | 85.40        | Feb./15      |
| TD Bank                          | 79.05        | 80.00        | Jan./15      |
| RBC                              | 75.19        | 77.52        | Feb./15      |
| BMO                              | 79.40        | 81.80        | Feb./15      |
| CIBC                             | 77.82        | 80.97        | Jan./15      |
| Scotiabank                       | 76.30        | 76.00        | Mar./15      |
| Laurentian Bank                  | 79.25        | N.A.         | Feb./15      |
| <b>Private Sector Average</b>    | <b>79.39</b> | <b>81.31</b> |              |
| <b>2015-16 Budget Assumption</b> | <b>79.00</b> | <b>81.00</b> |              |

## SASKATCHEWAN ECONOMIC OUTLOOK

Sound economic fundamentals have helped the Saskatchewan economy weather challenges. Difficult conditions in one sector of the economy have been counterbalanced by resilience in other sectors.

From 2009 through 2014, in spite of the global financial crisis, excess moisture that affected crop production and plummeting commodity prices, Saskatchewan real GDP grew by 20.8 per cent, the second highest rate of growth among provinces.

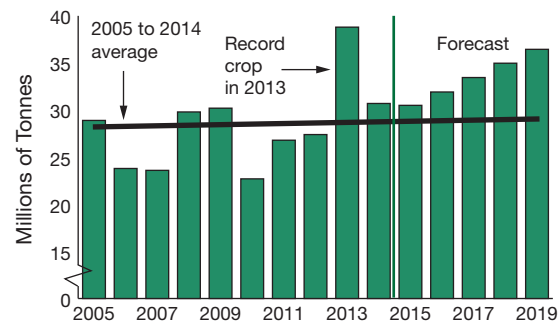
### REAL GDP GROWTH BY PROVINCE (2009 TO 2014)



Sources: Statistics Canada, 2014 data are based on private sector forecast average

In 2014, Saskatchewan real GDP is expected to have grown by 1.4 per cent as the impact of a return to “normal” crop production (following the largest crop in the province’s history in 2013) was more than offset by mining activity and strong consumer spending.

### SASKATCHEWAN CROP PRODUCTION



Source: Ministry of Agriculture

In nominal terms, GDP is expected to have declined by 0.6 per cent in 2014, reflecting lower prices for wheat, canola, oil and potash. The price of wheat declined 28.2 per cent in 2014 and the price of canola declined 26.6 per cent.

The price of WTI oil fell from a calendar year average of US\$98.05 per barrel in 2013 to US\$92.85 per barrel in 2014, while the price of potash fell from US\$345.27 per KCl tonne in 2013 to US\$280.65 per KCl tonne in 2014.

### SASKATCHEWAN OUTLOOK AT A GLANCE

|                          | 2014  | 2015  | 2016 | 2017 | 2018 | 2019 |
|--------------------------|-------|-------|------|------|------|------|
| Real GDP Growth (%)      | 1.4   | 0.8   | 2.4  | 2.2  | 2.1  | 1.7  |
| Nominal GDP Growth (%)   | (0.6) | (3.9) | 5.0  | 5.4  | 4.7  | 4.3  |
| CPI Growth (%)           | 2.4*  | 1.7   | 2.5  | 2.1  | 2.1  | 2.5  |
| Employment Growth (000s) | 5.6*  | 3.8   | 5.0  | 4.7  | 5.9  | 4.7  |
| Unemployment Rate (%)    | 3.8*  | 4.3   | 4.5  | 4.6  | 4.6  | 4.7  |
| Retail Sales Growth (%)  | 4.5*  | 4.4   | 5.2  | 4.8  | 4.9  | 5.0  |

\* Actual

Sources: Ministry of Finance and Statistics Canada



## COMMODITY PRICE ASSUMPTIONS – CALENDAR YEAR

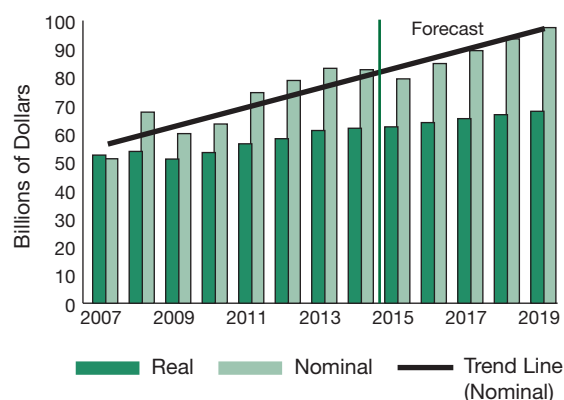
|  | 2014<br>Actual | 2015   | 2016   | 2017   | 2018   | 2019   |
|--|----------------|--------|--------|--------|--------|--------|
| WTI Oil (US\$/barrel)                            | 92.85          | 53.00  | 67.00  | 77.00  | 85.00  | 88.00  |
| Natural Gas (C\$/GJ)                             | 4.14           | 3.35   | 3.55   | 3.90   | 4.05   | 4.30   |
| Potash (C\$/K <sub>2</sub> O tonne) <sup>1</sup> | 508.38         | 613.41 | 609.58 | 604.45 | 598.92 | 599.11 |
| Potash (US\$/KCl tonne) <sup>1</sup>             | 280.65         | 295.60 | 301.19 | 304.19 | 306.89 | 310.64 |
| Wheat (C\$/tonne) <sup>2</sup>                   | 200.29         | 208.00 | 220.90 | 240.90 | 254.14 | 239.16 |
| Canola (C\$/tonne) <sup>2</sup>                  | 442.47         | 438.19 | 521.43 | 518.93 | 510.36 | 510.36 |

<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.

<sup>2</sup> Crop prices at farm gate.

Sources: Ministry of the Economy and Ministry of Agriculture

## SASKATCHEWAN REAL AND NOMINAL GDP



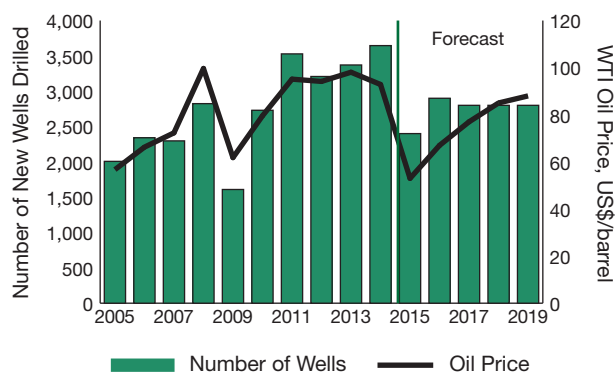
Source: Ministry of Finance

Oil prices have continued to decline as surging U.S. oil production led to a substantial rise in U.S. and world inventories. Through September 2014, WTI oil averaged US\$99.60 per barrel, including six consecutive monthly averages in excess of US\$100.00 per barrel. Monthly averages fell throughout the last quarter of 2014, dipping to US\$59.29 in December. The decline continued in January 2015, with WTI oil averaging US\$47.33 before stabilizing somewhat in February with a monthly average of US\$50.72.

The price of a barrel of WTI oil is now expected to average US\$53.00 in 2015. This lower price is anticipated to contribute to a roughly 4.0 per cent reduction in oil production this year, to 180.6 million barrels, as drilling activity declines.

The lower value of oil production, reflecting both lower oil prices and lower production, is the root cause of a projected 3.9 per cent decline in nominal GDP in 2015.

## SASKATCHEWAN OIL WELLS DRILLED AND WTI OIL PRICE



Source: Ministry of the Economy

## SURVEY OF WTI OIL PRICE FORECASTS – CALENDAR YEAR

As of February 25, 2015

| (US\$/barrel)                                  | 2015         | 2016         |
|--|--------------|--------------|
| BMO Financial Group                            | 52.00        | 65.00        |
| Energy Information Administration              | 55.02        | 71.00        |
| NYMEX Futures                                  | 57.06        | 63.68        |
| Scotiabank                                     | 54.00        | 65.00        |
| Sproule Associates Limited                     | 54.35        | 80.00        |
| TD Bank  | 47.00        | 65.00        |
| <b>Other Confidential Forecasts* (average)</b> | <b>53.21</b> | <b>63.65</b> |
| <b>Average</b>                                 | <b>53.23</b> | <b>67.12</b> |

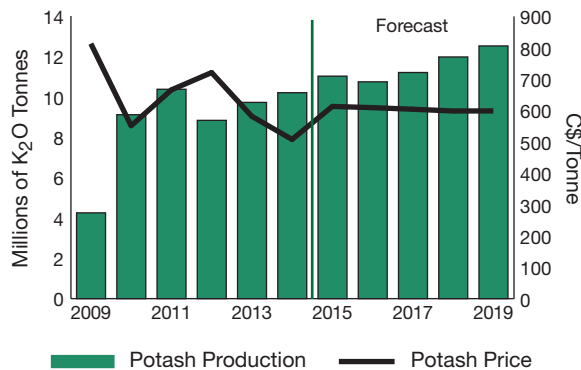
\* Ministry of the Economy receives, in confidence, other private sector forecasts.

However, 2015 real GDP growth is expected to remain positive due to higher potash production.

Potash production is expected to increase by 8.0 per cent in 2015. Potash prices are expected to rise 5.3 per cent in U.S. dollars and, aided by the lower exchange rate, increase 20.7 per cent in Canadian dollar terms.

Consequently, real GDP is forecast to increase by 0.8 per cent in 2015.

### SASKATCHEWAN POTASH PRICE AND PRODUCTION



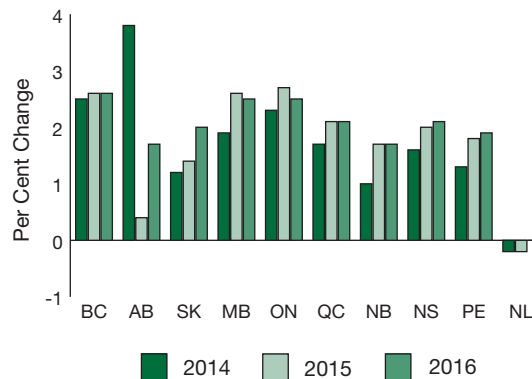
Source: Ministry of the Economy

### FORECAST COMPARISON

Private forecast agencies have revised down their economic outlook for oil-producing provinces like Saskatchewan.

Private forecasters, on average, estimate that Saskatchewan real GDP increased by 1.2 per cent in 2014.

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



Sources: Major Canadian banks, IHS Global Insight, CBOC and C<sub>4</sub>SE. Private sector forecast average as at March 2015

**PRIVATE SECTOR REAL GDP GROWTH FORECASTS FOR SASKATCHEWAN**  
(Per Cent Change)

|                                  | 2014       | 2015       | 2016       | Release Date |
|----------------------------------|------------|------------|------------|--------------|
| IHS Global Insight               | 1.5        | 1.8        | 1.7        | Jan./15      |
| Conference Board of Canada       | 1.3        | 0.8        | 1.7        | Feb./15      |
| The Centre for Spatial Economics | 1.1        | 1.4        | 2.7        | Feb./15      |
| TD Bank                          | 1.2        | 1.3        | 1.8        | Jan./15      |
| RBC                              | 1.1        | 2.2        | 2.1        | Feb./15      |
| BMO                              | 1.0        | 1.9        | 2.1        | Feb./15      |
| CIBC                             | 1.0        | 0.8        | 2.4        | Feb./15      |
| Scotiabank                       | 1.2        | 1.0        | 1.2        | Feb./15      |
| Laurentian Bank                  | 1.6        | 1.0        | 2.0        | Mar./15      |
| <b>Private Sector Average</b>    | <b>1.2</b> | <b>1.4</b> | <b>2.0</b> |              |
| <b>2015-16 Budget Forecast</b>   | <b>1.4</b> | <b>0.8</b> | <b>2.4</b> |              |

Even with lower oil prices, these private forecasters continue to expect Saskatchewan to have positive growth of 1.4 per cent in 2015 and 2.0 per cent in 2016.

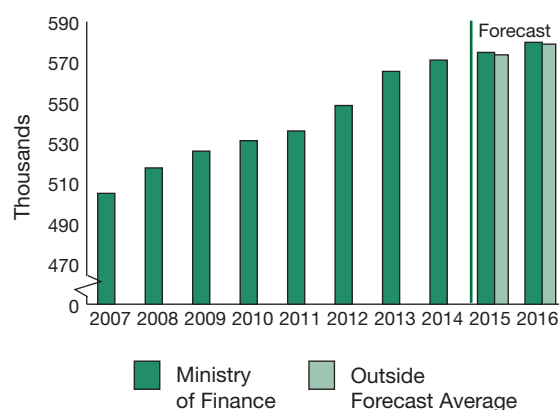
The private forecasts for Saskatchewan real GDP growth for 2015 range from 0.8 per cent to 2.2 per cent.

The private sector forecasts for 2016 Saskatchewan real economic growth range from 1.2 per cent to 2.7 per cent.

The Ministry of Finance is forecasting employment to increase by 3,800 in 2015 and 5,000 in 2016.

In comparison, the private sector, on average, is expecting an increase of 2,600 jobs in 2015 and 5,300 jobs in 2016.

**EMPLOYMENT GROWTH FORECAST**



Sources: Statistics Canada, Ministry of Finance and private sector forecasters

Private forecasts for Saskatchewan employment growth range from a decline of 4,000 to an increase of 5,100 for 2015 and from an increase of 1,000 to 9,200 for 2016.

## PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE

(Per Cent Change)

|                           | 2014       | Rank     | 2015       | Rank     | 2016       | Rank     |
|---------------------------|------------|----------|------------|----------|------------|----------|
| British Columbia          | 2.5        | 2        | 2.6        | 2        | 2.6        | 1        |
| Alberta                   | 3.8        | 1        | 0.4        | 8        | 1.7        | 6        |
| <b>Saskatchewan</b>       | <b>1.2</b> | <b>8</b> | <b>1.4</b> | <b>7</b> | <b>2.0</b> | <b>4</b> |
| Manitoba                  | 1.9        | 4        | 2.6        | 2        | 2.5        | 2        |
| Ontario                   | 2.3        | 3        | 2.7        | 1        | 2.5        | 2        |
| Québec                    | 1.7        | 5        | 2.1        | 3        | 2.1        | 3        |
| New Brunswick             | 1.0        | 9        | 1.7        | 6        | 1.7        | 6        |
| Nova Scotia               | 1.6        | 6        | 2.0        | 4        | 2.1        | 3        |
| Prince Edward Island      | 1.3        | 7        | 1.8        | 5        | 1.9        | 5        |
| Newfoundland and Labrador | (0.2)      | 10       | (0.2)      | 9        | 0.0        | 7        |
| <b>Canada</b>             | <b>2.4</b> |          | <b>2.0</b> |          | <b>2.2</b> |          |

## CONCLUSION

The Saskatchewan economy has been one of the top performing economies in all of Canada in recent years and is expected to remain strong over the forecast period.

The uncertain oil price outlook presents both a risk and an opportunity. If the oil supply overhang continues and/or global economic conditions deteriorate further, the price of oil could remain depressed for longer. However, if oil supply diminishes and/or global growth prospects improve, then the price of oil could ramp up much faster than anticipated.

This forecast assumes that the price of a barrel of WTI oil will average US\$53.00 in 2015 and US\$67.00 in 2016.

Despite the lower price of oil in 2015, real GDP growth is anticipated to remain positive, in part due to higher potash production.

Oil investment is projected to pick up next year as the price of oil improves. Real GDP is forecast to rise by 2.4 per cent in 2016.

A strong economic foundation has helped Saskatchewan overcome economic challenges in the past and it is expected that this strong foundation will continue to support economic growth in the future.

# 2015-16 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 Public Accounts.

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

Pension expense in the budget is calculated using the same accounting and actuarial rules reported in the Public Accounts. The pension expense in the 2015-16 Estimates reflects cash requirements for the current year and an adjustment is made and reported in the 2015-16 Budget to account for government's pension expense on an accrual basis. Because of the

volatile, long-term and non-cash nature of the pension accrual adjustment, it is reported separately so as to not influence annual spending and taxation policy.

Saskatchewan's 2015-16 Budget estimates a surplus of \$107 million.

## REVENUE

Since the summer of 2014, provincial revenue has been affected by a significant drop in oil prices. The price of the North American benchmark West Texas Intermediate (WTI) oil has fallen from a monthly average of US\$105 per barrel in June 2014 to US\$51 in February 2015. Moreover, private sector price forecasts for this fiscal year are significantly lower than last year.

2015-16 oil revenue is forecast at \$903 million, a decrease of \$402 million from the 2014-15 third quarter forecast. After taking into account the in-year decline of \$259 million in 2014-15, the total fall in oil revenue since the 2014-15 Budget amounts to \$661 million.

Other revenue that is highly dependent on the price of oil is also significantly reduced. Resource Surcharge revenue and Crown land sales are forecast to decrease \$62 million and \$52 million, respectively, from revised 2014-15 forecasts.

## 2015-16 REVENUE RECONCILIATION

| (Millions of Dollars)                              | 2014-15<br>Forecast | 2015-16<br>Budget | Change<br>Dollars | Per Cent   |
|--|---------------------|-------------------|-------------------|------------|
| <b>Revenue</b>                                     |                     |                   |                   |            |
| Taxation   | 6,624.4             | 6,808.1           | 183.7             | 2.8        |
| Non-Renewable Resources                            | 2,634.2             | 2,453.2           | (181.0)           | (6.9)      |
| Other Own-Source Revenue <sup>1</sup>              | 1,910.3             | 1,890.8           | (19.5)            | (1.0)      |
| Transfers from the Federal Government <sup>1</sup> | 2,170.8             | 2,223.0           | 52.2              | 2.4        |
| Net Income from Government Business Enterprises    | 807.1               | 904.9             | 97.8              | 12.1       |
| <b>Total Revenue</b>                               | <b>14,146.8</b>     | <b>14,280.0</b>   | <b>133.2</b>      | <b>0.9</b> |

<sup>1</sup> AgriStability Program revenue is presented on a gross basis.

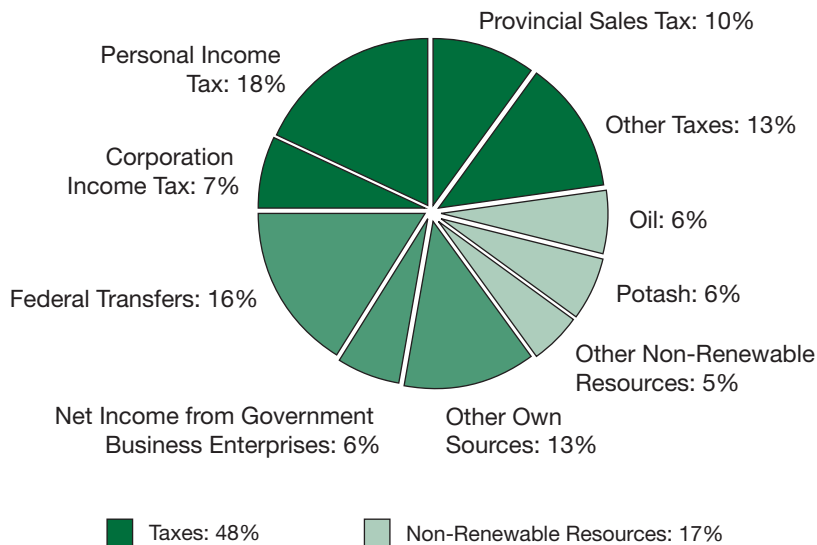
Despite the impact of falling oil prices, revenue is estimated to increase \$133 million (0.9 per cent) from the 2014-15 forecast, reaching \$14.3 billion. Increases in tax revenue, net income from GBEs and federal transfers will more than offset lower non-renewable resources revenue and a small decline in other own-source revenue.

### Tax Revenue

Tax revenue is forecast at \$6.8 billion in 2015-16 and accounts for 48 per cent of total revenue. This is an increase of \$184 million from the 2014-15 forecast, primarily due to higher income tax revenue.

Individual Income Tax revenue is forecast at \$2.6 billion in 2015-16, an increase of \$83 million from the 2014-15 forecast, primarily due to employment and wage growth in 2015 and 2016.

### COMPOSITION OF 2015-16 REVENUE



Corporation Income Tax revenue is estimated at \$918 million in 2015-16, an increase of \$60 million from the 2014-15 forecast. The estimate reflects broad-based strength across the corporate sector despite a reduced outlook for the oil sector resulting from the current low-price environment.

Property Tax revenue, which includes Education Property Tax collected by Boards of Education, as well as minor amounts collected by the Global Transportation Hub Authority and the Northern Municipal Trust Account, is forecast at \$664 million in 2015-16. This is an increase of \$10 million from the 2014-15 forecast due to growth in the property assessment base.

Provincial Sales Tax revenue is forecast at \$1.4 billion in 2015-16, an increase of \$15 million from 2014-15, while all other tax revenue, including consumption taxes tied to the volume of economic activity and insurance premium taxes related to the value of insured assets, is forecast to increase by a combined \$15 million.

## Non-Renewable Resources Revenue

Revenue from non-renewable resources accounts for 17 per cent of total revenue in 2015-16 and is forecast at nearly \$2.5 billion, a decrease of \$181 million from the 2014-15 forecast. Oil revenue is down, as are revenues derived from the Resource Surcharge and Crown land sales. These declines are partially offset by higher potash revenue and an increase in other non-renewable resources, primarily uranium.

Oil revenue is forecast at \$903 million in 2015-16 and accounts for 6 per cent of total revenue, down from 11 per cent in the 2014-15 Budget. In dollar terms, this is a decrease of \$402 million from the 2014-15 forecast and \$661 million since the 2014-15 Budget largely due to lower WTI prices, partially offset by a lower exchange rate.

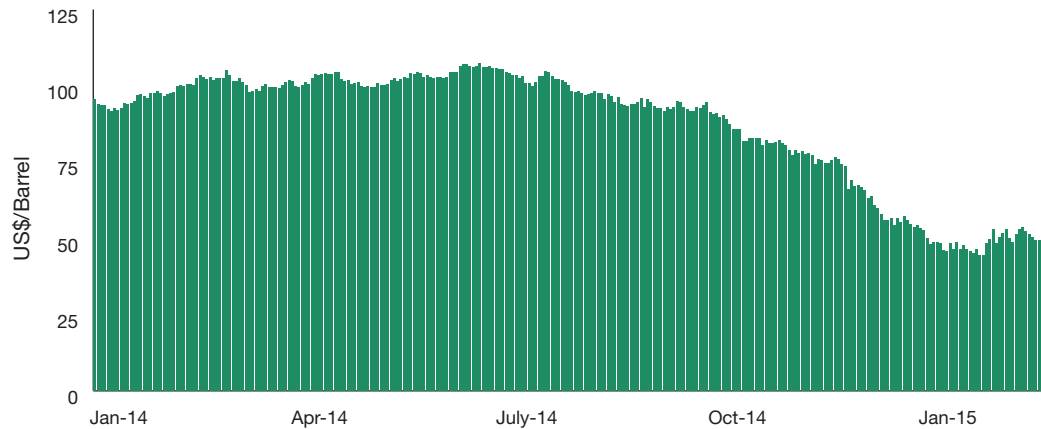
### NON-RENEWABLE RESOURCES FORECAST ASSUMPTIONS – FISCAL YEAR

|  | 2014-15<br>Budget | 2014-15<br>Forecast | 2015-16<br>Budget |
|--|-------------------|---------------------|-------------------|
| WTI Oil Price (US\$/barrel)  | 94.25             | 80.92               | 57.15             |
| Light-Heavy Differential (% of WTI)                                  | 19.5              | 17.3                | 19.1              |
| Well-head Oil Price (C\$/barrel) <sup>1</sup>                        | 80.84             | 70.84               | 53.01             |
| Oil Production (million barrels)                                     | 181.8             | 187.4               | 178.7             |
| Potash Price (mine netback, US\$/KCl tonne) <sup>2</sup>             | 274               | 284                 | 297               |
| Potash Price (mine netback, C\$/K <sub>2</sub> O tonne) <sup>2</sup> | 492               | 535                 | 612               |
| Potash Sales (million K <sub>2</sub> O tonnes) <sup>2</sup>          | 10.6              | 11.0                | 11.0              |
| Canadian Dollar (US cents)   | 91.50             | 87.98               | 79.16             |

<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



WTI oil prices are forecast to average US\$57.15 per barrel in 2015-16. This assumption is consistent with private-sector forecasts for the upcoming year and represents a decline of US\$23.77 per barrel from the current 2014-15 forecast and US\$37.10 since the 2014-15 Budget. Since reaching US\$107.26 in late June 2014, WTI oil prices have declined by more than 50 per cent.

While WTI oil prices are an important benchmark for the oil market and provincial revenue, 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. In recent years, increasing production in western Canada and North Dakota, as well as pipeline and transportation capacity limits, have also contributed to a general upward trend in the price discount for Saskatchewan oil.

In 2015-16, the light-heavy differential – a rough benchmark for the price discount for oil produced in Saskatchewan – is expected to average 19.1 per cent, up from 17.3 per cent in 2014-15.

A lower exchange rate will somewhat offset lower WTI oil prices and a wider differential in 2015-16. As the price of Saskatchewan oil at the well-head is generally determined based on prevailing prices in the United States, a lower exchange rate translates to higher prices in Canadian dollars, all else being equal. The value of the Canadian dollar is forecast to average 79.16 U.S. cents in 2015-16, down from 87.98 U.S. cents in 2014-15.

Resource Surcharge revenue is forecast at \$387 million in 2015-16, a decrease of \$62 million from 2014-15, and Crown land sales are forecast at \$113 million, a decrease of \$52 million from actual results last year. Both of these declines are strongly related to lower oil prices.

Potash revenue is forecast at \$796 million in 2015-16 and accounts for nearly 6 per cent of total revenue. This is an increase of \$233 million from the 2014-15 forecast. Combined with last year's increase from budget, potash revenue is up \$399 million from the 2014-15 Budget.

The budget forecast includes the impacts of technical changes to the Potash Production Tax introduced in the 2015-16 Budget and effective January 1, 2015. Higher international potash prices and a lower value



of the Canadian dollar also account for the increase from last year. Average realized prices in 2015-16 are forecast at US\$297 per KCl tonne (C\$612 per K<sub>2</sub>O tonne), up from US\$284 (C\$535) in 2014-15.

Revenue from other non-renewable resources, including uranium, coal and other minerals, is forecast to increase \$111 million in 2015-16 relative to 2014-15. Last year, revenue fell short of budget expectations largely due to delays in the start-up of uranium production at Cigar Lake and softness in uranium prices. Both of these influences are expected to reverse in 2015-16 and result in a significant increase in revenue.

The economic and fiscal forecasts in the 2015-16 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 the Government's control, yet they heavily influence Saskatchewan's fiscal performance, particularly non-renewable resources 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 resources revenue forecast will always be subject to risk. This risk is quantified throughout the year.

For 2015-16, it is estimated that:

- a US\$1 per barrel change in the fiscal-year average WTI oil price results in an estimated \$23 million change in oil royalties;
- a US\$10 per KCl tonne (C\$21 per K<sub>2</sub>O tonne) change in the average realized 2015 potash price results in an estimated \$47 million change in potash royalties; and,
- a 1 U.S. cent change in the fiscal-year average exchange rate results in an estimated \$38 million change in non-renewable resources 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 organizations within the Government Reporting Entity generate own-source revenue.

Other own-source revenue is forecast at \$1.9 billion in 2015-16 and accounts for 13 per cent of total revenue. This is a decline of \$20 million from 2014-15, reflecting higher-than-budgeted investment returns in 2014-15 that are not forecast to repeat in 2015-16.

## Transfers from the Federal Government

Federal transfers are estimated at \$2.2 billion in 2015-16, an increase of \$52 million from the 2014-15 forecast, accounting for 16 per cent of total revenue.

The Canada Health Transfer is forecast at \$1.1 billion, up \$94 million, and the Canada Social Transfer is forecast at \$413 million, up \$15 million, from 2014-15. These two items account for the majority of federal transfers.

Revenue from all other federal-provincial cost-sharing agreements across government entities is estimated at \$718 million in 2015-16, a decrease of \$57 million from the 2014-15 forecast. Revenue in this category varies considerably over time due to several factors, including program demand and utilization, the ebb and flow of federal infrastructure programs and non-recurring transfers such as disaster assistance. The budget outlook assumes no federal disaster assistance funding compared to \$89 million of federal revenue included in the 2014-15 third quarter financial update.

## Net Income from Government Business Enterprises

Government Business Enterprise net income is forecast at \$905 million in 2015-16 and accounts for 6 per cent of revenue. This is an increase of \$98 million over the forecast for 2014-15 and \$237 million since the 2014-15 Budget. This year's forecast reflects budget-over-budget increases in net income forecasts from all but one entity (the Municipal Financing Corporation), with the largest improvements occurring at the Workers' Compensation Board, SaskPower and the AutoFund.

## EXPENSE

Expense in the 2015-16 Budget is presented before the adjustment to account for pension costs on an accrual basis. The 2014-15 Budget has been restated to reflect this presentation.

Expense is estimated at \$14.2 billion in 2015-16, an increase of \$175 million (1.2 per cent) from the 2014-15 Budget and is allocated as follows:

- Health, \$5.5 billion, or 39 per cent;
- Education, \$3.7 billion, or 26 per cent;
- Social Services and Assistance, \$1.2 billion, or 9 per cent;
- Agriculture, \$722 million, or 5 per cent;
- Protection of Persons and Property, \$626 million, or 4 per cent;
- Debt Charges, \$305 million, or 2 per cent; and,
- all other sectors (Community Development, Economic Development, Environment and Natural Resources, Transportation, and other), \$2.1 billion, or 15 per cent.

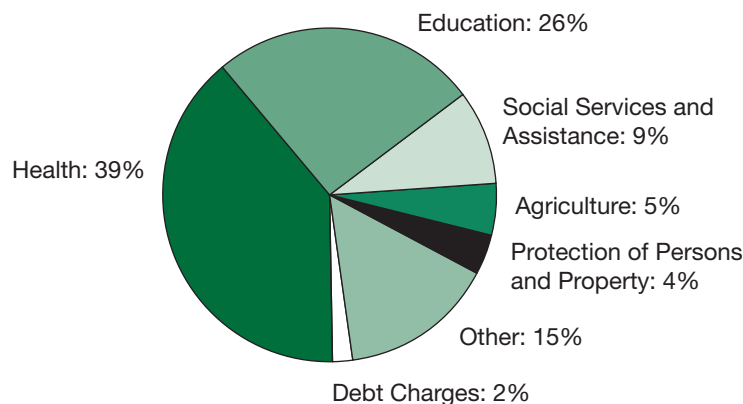
## 2015-16 EXPENSE RECONCILIATION

| (Millions of Dollars)              | 2014-15<br>Budget | 2015-16<br>Budget | Change       |            |
|------------------------------------|-------------------|-------------------|--------------|------------|
|                                    |                   |                   | Dollars      | Per Cent   |
| <b>Expense</b>                     |                   |                   |              |            |
| Agriculture <sup>1</sup>           | 717.1             | 721.6             | 4.5          | 0.6        |
| Community Development              | 589.0             | 531.9             | (57.1)       | (9.7)      |
| Debt Charges <sup>2</sup>          | 295.8             | 305.1             | 9.3          | 3.1        |
| Economic Development               | 288.6             | 256.6             | (32.0)       | (11.1)     |
| Education <sup>2</sup>             | 3,561.0           | 3,661.0           | 100.0        | 2.8        |
| Environment and Natural Resources  | 232.5             | 242.1             | 9.6          | 4.1        |
| Health <sup>2</sup>                | 5,448.4           | 5,507.0           | 58.6         | 1.1        |
| Protection of Persons and Property | 593.7             | 625.7             | 32.0         | 5.4        |
| Social Services and Assistance     | 1,172.4           | 1,209.9           | 37.5         | 3.2        |
| Transportation                     | 539.3             | 544.1             | 4.8          | 0.9        |
| Other <sup>2</sup>                 | 560.9             | 568.2             | 7.3          | 1.3        |
| <b>Total Expense</b>               | <b>13,998.7</b>   | <b>14,173.2</b>   | <b>174.5</b> | <b>1.2</b> |

<sup>1</sup> AgriStability Program expense is presented on a gross basis in 2015-16; the 2014-15 Budget has been restated to reflect this presentation.

<sup>2</sup> Before adjustment to account for pension costs on an accrual basis.

### COMPOSITION OF 2015-16 EXPENSE\*



\* Before adjustment to account for pension costs on an accrual basis.

Compared to the 2014-15 Budget, as a relative share of total expense, this year's allocation reflects a shift from Community Development (down 0.5 percentage points) and Economic Development (down 0.3 percentage points) to Education (up 0.4 percentage points), Protection of Persons and Property (up 0.2 percentage points) and Social Services and Assistance (up 0.2 percentage points).

Significant budget-over-budget expense changes include:

- a \$100 million, or 2.8 per cent, increase in Education, primarily for teachers' salaries, pensions and benefits, and higher enrolments;
- a \$59 million, or 1.1 per cent, increase in Health, primarily higher operating spending in Regional Health Authorities, including compensation increases for health care workers;
- a \$38 million, or 3.2 per cent, increase in Social Services and Assistance, largely for higher benefits and growing program demand;
- a \$32 million, or 5.4 per cent, increase in Protection of Persons and Property, primarily increases for new traffic safety, corrections and policing initiatives;

- a \$57 million, or 9.7 per cent, decrease in Community Development, largely due to a decrease in provincial funding for the Regina Stadium project and savings resulting from income-testing the Active Families Benefit; and,
- a \$32 million, or 11.1 per cent, decrease in Economic Development, largely due to technical changes to the Research and Development Tax Credit and Graduate Retention Program.

Pension expense is estimated at budget and updated throughout the year, reflecting amounts that are funded through the appropriations of core government, budgets of other Government Service Organizations and adjustments for actuarially determined changes in the value of the outstanding pension liabilities.

The budget presents expense and the surplus before the adjustment to account for pension costs on an accrual basis. Government's current cash pension payment requirements continue to be included in expense and surplus estimates.

In the 2014-15 Budget, the adjustment to account for pension costs on an accrual basis was estimated at \$39 million, reflecting an expected increase in government's pension liabilities. The updated forecast at third quarter estimated a \$15 million decrease in pension liabilities, rather than an increase, for a \$54 million decline in the pension accrual adjustment in 2014-15.

In 2015-16, the adjustment is estimated at \$821 million. This is a significant increase in the estimate of the value of outstanding pension liabilities, primarily due to historically low interest rates and increased life expectancy of members.

As the year-over-year change demonstrates, changes in assumptions can result in significantly higher or lower estimates of government's pension liabilities. In the case of interest rates, a small change in rates can cause significant changes in pension liabilities. Going forward, a 10 basis point change in the interest rate will change the pension liability by approximately \$100 million. A higher interest rate reduces government's pension liability; a lower rate increases the liability.

## MEDIUM-TERM OUTLOOK

The medium-term financial outlook incorporates the fiscal impact of all measures announced in the 2015-16 Budget.

Tax revenue is projected to grow at an average rate of 3.1 per cent over the medium term, reflecting the current provincial economic outlook that anticipates growth in the provincial economy, population, employment and wages.

Oil prices are projected to increase over the forecast horizon and boost oil revenue. However, the outlook does not anticipate WTI oil prices rising above US\$85 until 2018-19, while a strengthening Canadian dollar over the forecast period negatively impacts oil, potash and uranium revenue growth.

In addition, oil production is projected to decline over the forecast horizon, reflecting a reduced outlook for drilling and the potential for continuing market uncertainty over the medium term. In total, non-renewable resources revenue is projected to grow 3.3 per cent annually and account for 17 per cent of revenue over the four-year planning period.

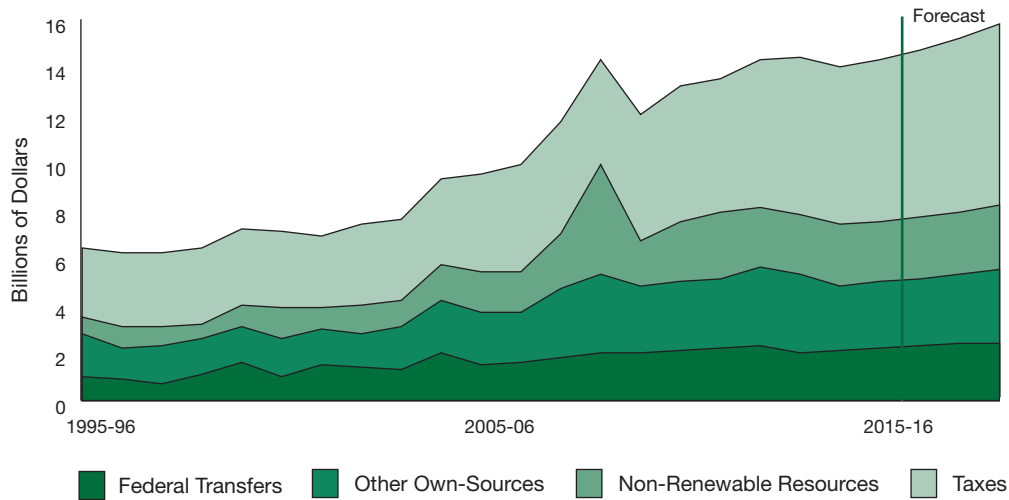
### KEY MEDIUM-TERM NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS

|  | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--|---------|---------|---------|---------|
| WTI Oil Price (US\$/barrel)  | 57.15   | 69.50   | 79.00   | 85.75   |
| Light-Heavy Differential (% of WTI)                                  | 19.1    | 17.0    | 16.7    | 16.0    |
| Well-head Oil Price (C\$/barrel) <sup>1</sup>                        | 53.01   | 65.70   | 74.57   | 80.72   |
| Oil Production (million barrels)                                     | 178.7   | 175.8   | 171.5   | 166.3   |
| Potash Price (mine netback, US\$/KCl tonne) <sup>2</sup>             | 297     | 302     | 305     | 308     |
| Potash Price (mine netback, C\$/K <sub>2</sub> O tonne) <sup>2</sup> | 612     | 608     | 603     | 599     |
| Potash Sales (million K <sub>2</sub> O tonnes) <sup>2</sup>          | 11.0    | 11.0    | 11.4    | 12.1    |
| Canadian Dollar (US cents)   | 79.16   | 81.38   | 82.88   | 84.25   |

<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.

**REVENUE**  
1995-96 to 2018-19



Other own sources of revenue and federal transfers are anticipated to grow at average rates of 3.5 per cent and 2.6 per cent, respectively, over the medium term.

In total, revenue is projected to grow at an average rate of 3.1 per cent over the medium term.

Fiscal restraint is expected to continue over the near term. Expense growth is expected to average 2.3 per cent over the forecast period, less than the annual 2.7 per cent growth experienced since 2009-10.

The medium-term fiscal plan also incorporates a contingency allocation beginning in 2016-17, a prudent approach to planning for Government’s commitments to the security fund, capital plan and debt retirement.

Surpluses are forecast for each year of the forecast period, even after accounting for a contingency allocation, reflecting Government’s commitment to prudent and sustainable fiscal management.

**MEDIUM-TERM FINANCIAL OUTLOOK**

| (Millions of Dollars)                            | 2015-16    | 2016-17    | 2017-18    | 2018-19    |
|--|------------|------------|------------|------------|
| Revenue  | 14,280     | 14,692     | 15,154     | 15,658     |
| Expense  | 14,173     | 14,471     | 14,806     | 15,176     |
| Contingency (Security, Capital, Debt Retirement) | –          | 100        | 200        | 300        |
| <b>Surplus*</b>                                  | <b>107</b> | <b>121</b> | <b>148</b> | <b>182</b> |

\* Before adjustment to account for pension costs on an accrual basis.

# 2015-16 REVENUE INITIATIVES

The revenue initiatives announced in the 2015-16 Budget respond to objectives set out in the Government's *Plan for Growth* – specifically, the introduction of new growth tax incentives in support of further investment and growth in the manufacturing and processing sector.

To help address the impact of significantly reduced global oil prices on the Province's revenue base, this budget carefully manages expenditures, including tax expenditures which result from tax credit programs.

This paper describes those revenue initiatives that require legislative or regulatory approval, with the exception of initiatives that may have been announced prior to the budget. The reader is advised to contact the responsible ministries and consult the enacting legislation/regulation for specific details.

## NEW GROWTH TAX INCENTIVES

### Manufacturing and Processing Exporter Tax Incentive

The October 2014 Speech from the Throne announced the Government's commitment to introduce a new growth tax incentive targeted to the creation of new jobs by manufacturers and processors in support of the goal to double Saskatchewan's exports by 2020 as stated in the *Plan for Growth*. The 2015-16 Budget introduces the Manufacturing and Processing (M&P) Exporter Tax Incentive.

The M&P Exporter Tax Incentive will provide non-refundable tax credits to eligible corporations that expand the number of their M&P-related full-time employees above the number that were employed in 2014. Eligible businesses are those that export to the rest of Canada or internationally at least 25 per cent of their manufactured goods each year and that:

- “manufacture or process” goods for sale as defined in the federal *Income Tax Act*; or,
- are principally involved in the commercial development of “new economy” products for export, including interactive digital media products and creative industry products.

The incentive will offer an eligible business non-refundable tax credits equal to \$3,000 in respect of each incremental full-time employee for each of the 2015 through 2019 taxation years.

The M&P Exporter Tax Incentive will also provide non-refundable tax credits to eligible corporations that expand the number of their full-time employees who primarily conduct activities that are typically considered to be “head office” functions. This portion of the incentive will offer an eligible business non-refundable tax credits equal to \$10,000 in respect of each incremental full-time “head office” employee for each of the 2015 through 2019 taxation years.

In order to qualify for this portion of the incentive, the business must have an existing office located in Saskatchewan where at least 10 employees with current payroll of at least \$1,000,000 are performing at least five of the following functions on behalf of the business:

- strategic planning
- corporate communications
- taxation
- legal
- marketing
- finance
- human resources
- information technology
- procurement

An expansion will only qualify for the incentive if incremental staffing equals the greater of 10 new employees or a 20 per cent increase over the 2014 base level of employment. A new “head office”

will only qualify if it consists of a minimum of 10 employees performing the designated functions with a payroll exceeding \$1,000,000.

For businesses in the creative industries and for businesses wanting to claim the “head office” tax credit, the Ministry of the Economy will confirm eligibility and issue a certificate that verifies both the eligibility and the number of incremental “head office” jobs each year.

The following table provides an illustration of how tax credits could be earned.

Tax credits will be applied against Saskatchewan Corporation Income Tax otherwise payable and unutilized amounts will be carried forward for up to five taxation years.

The Government will seek federal administration of the M&P Exporter Tax Incentive as part of the corporate income tax filing process.

For further information on the Manufacturing and Processing Exporter Tax Incentive, contact the Ministry of Finance at 306-787-6722.

#### **M&P EXPORTER TAX INCENTIVE – ILLUSTRATION**

| Tax Year       | Manufacturing    |                        |                            | Head Office      |                        |                            | Cumulative Tax Credits Available if Unutilized (\$) |
|----------------|------------------|------------------------|----------------------------|------------------|------------------------|----------------------------|---|
|                | Employment Level | Incremental Employment | Tax Credits Generated (\$) | Employment Level | Incremental Employment | Tax Credits Generated (\$) |   |
| 2014 Base Year | 100              | –                      | –                          | 50               | –                      | –                          | –   |
| 2015           | 110              | 10                     | 30,000                     | 65               | 15                     | 150,000                    | 180,000   |
| 2016           | 105              | 5                      | 15,000                     | 50               | 0                      | 0                          | 195,000   |
| 2017           | 95               | 0                      | 0                          | 55               | 5                      | 0                          | 195,000   |
| 2018           | 115              | 15                     | 45,000                     | 65               | 15                     | 150,000                    | 390,000   |
| 2019           | 110              | 10                     | 30,000                     | 60               | 10                     | 100,000                    | 520,000   |

*Note: Each year's employment level is compared to the base year to determine incremental employment.*

## **Corporation Income Tax Rebate for Capital Investment in Primary Steel Production**

In support of the Government's *Plan for Growth* and the commitment to encourage new capital investment in the manufacturing and processing sector, the 2015-16 Budget announces the creation of a new growth tax incentive to encourage new investment in primary steel production.

The Corporation Income Tax Rebate for Primary Steel Production will provide a tax incentive for eligible primary steel producers that make a minimum capital investment of \$100 million in new or expanded productive capacity. An eligible primary steel producer is a company that smelts and refines metals to produce steel in ingot or molten form, and then rolls, draws or casts that steel into sheet, strip or other form at a production facility in Saskatchewan.

The tax incentive for each year of a five-year rebate period will be based on the incremental Saskatchewan Corporation Income Tax payable by the corporation as a result of the new investment. Incremental tax will be determined based on the proportionate increase in the facility's productive capacity resulting from the capital investment.

The tax incentive will rebate the full amount of incremental tax for each of the first two years of the rebate period, 75 per cent of the incremental tax for the third year of the rebate period, 50 per cent of the incremental tax for the fourth year of the rebate period and 25 per cent of the incremental tax for the fifth year of the rebate period.

This incentive will be administered by the Saskatchewan Ministry of Finance. An eligible corporation will file its corporate income tax return

and pay its normal tax liability to the Canada Revenue Agency and then claim the tax rebate by applying to the Saskatchewan Ministry of Finance. After making a qualifying capital investment, an eligible corporation has 10 years to utilize the incentive.

For further information on the Corporation Income Tax Rebate for Primary Steel Production, contact the Ministry of Finance at 306-787-6722.

## **TAX EXPENDITURE CHANGES**

### **Research and Development Tax Credit**

Saskatchewan currently offers a Corporation Income Tax credit equal to 15 per cent of qualifying research and development (R&D) expenditures incurred in Saskatchewan. This tax credit is available to all corporations having a permanent establishment in Saskatchewan and investing in qualifying R&D activities in Saskatchewan. Qualifying R&D expenditures are determined by reference to the federal *Income Tax Act* and include activities such as operations research, engineering or design and computer programming.

The R&D Tax Credit is currently refundable for Canadian-controlled private corporations, subject to a maximum annual limit of \$3 million in qualifying expenditures, and non-refundable for qualifying expenditures in excess of this annual limit, as well as all qualifying expenditures by other corporations.

Effective April 1, 2015, all qualifying R&D expenditures incurred in Saskatchewan will be eligible for a 10 per cent non-refundable R&D Tax Credit. Non-refundable tax credits earned in a year



can be applied against Saskatchewan Corporation Income Tax otherwise payable for that year or in any of the subsequent 10 taxation years (or the previous three taxation years). This change will maintain a sustainable level of support for innovation and research activities in the province.

For further information on the changes to the Research and Development Tax Credit, contact the Ministry of Finance at 306-787-6722.

### **Active Families Benefit**

The Active Families Benefit (AFB) provides a refundable Personal Income Tax credit to assist families with the cost of registering children in cultural, recreational and sports activities. The tax credit rebates up to \$150 per child per year in eligible registration fees for children under the age of 18. The AFB makes cultural, recreational and sports activities more accessible and improves the quality of life for Saskatchewan families.

Eligible programs are those that are suitable for children and require children to actively participate; are offered by a service provider located in Saskatchewan; involve instruction and supervision by the service provider; and require registration with and payment of a fee to the service provider.

Starting with the 2015 taxation year, the AFB program will become subject to income testing and AFB benefits will only be available to families with combined net incomes up to \$60,000. All other program criteria will remain unchanged. This change will better target the program to those families most in need of support.

For further information on the Active Families Benefit, contact the Ministry of Parks, Culture and Sport at 1-866-951-8828.

### **Graduate Retention Program**

The Graduate Retention Program (GRP) provides a Personal Income Tax credit to rebate up to \$20,000 in tuition fees to post-secondary graduates. The tuition rebate is based on actual tuition fees paid, subject to a maximum for each type of program of study (\$3,000 for certificates, \$6,400 for diplomas, \$15,000 for three-year degrees and \$20,000 for four-year degrees). The tuition rebate is paid out over a seven-year instalment period, with 10 per cent paid in each of the first four instalment years and 20 per cent paid in each of the remaining three instalment years.

Since the program's creation in 2008, approximately 58,000 post-secondary graduates have taken advantage of this program, receiving nearly \$200 million in tuition rebates by filing a Saskatchewan income tax return along with a tuition rebate eligibility certificate issued by the Ministry of Advanced Education.

Graduates currently receive the tuition rebate as a reduction in their income taxes otherwise payable. Where the rebate amount is greater than the amount of income taxes payable, the excess is paid to the graduate as an income tax refund.

Starting with the 2015 taxation year, tuition rebates must be applied against Saskatchewan income taxes otherwise payable. Any rebate amount that cannot be applied against taxes payable will be carried forward and added to the next year's instalment amount. Graduates will be allowed 10 years to fully claim their tuition rebate entitlement against taxes otherwise payable, which is an increase of three years to utilize GRP benefits. These changes will better align GRP benefits with the recruitment and retention of graduates in support of the *Plan for Growth* goal of expanding Saskatchewan's labour force by 60,000 new workers by 2020.

It is expected that approximately \$88.1 million in GRP benefits will accrue to graduates in the 2015 taxation year, with \$54.6 million being claimed immediately against taxes payable and \$33.5 million being carried forward to a subsequent year.

For further information on the Graduate Retention Program, contact the Ministry of Advanced Education at 1-800-597-8278.

### **Potash Production Tax**

The Province currently levies a Crown Royalty on potash produced from Crown lands and a Potash Production Tax (PPT) on potash produced from both Crown and freehold lands in Saskatchewan. The Crown Royalty structure has been in place since 1960 while the modern PPT structure was introduced in 1990 and consists of a base payment component and a profit tax component. The profit tax is based on operating profits, determined by allowing a variety of deductions from gross sales revenues.

In order to incent the substantial capital investments that are required to expand productive capacity in the potash industry, including the development of new mines, capital expenditures are allowable deductions in determining operating profits for purposes of the profit tax. Capital expenditures are classified into two types, deductible at two different rates:

- normal capital expenditures (i.e., those up to an historical level of capital spending sufficient to keep existing mines in operation) are deductible at a 35 per cent declining balance rate; and,
- capital expenditures in excess of the normal level are deductible at a 120 per cent super-deduction rate.

Effective January 1, 2015, all capital expenditures will be allowed to accrue at the 120 per cent rate, but will now be deductible from annual gross sales revenues at a 20 per cent declining balance rate for mine operation and maintenance expenditures and at a 60 per cent declining balance rate for mine expansion or new mine development expenditures. This change will provide the Province with an immediate temporary increase in revenue from the potash industry by deferring deductions for current capital spending to future years. The total amount of deductions that producers will receive from their capital spending will be utilized over a longer period of time.

This measure is an interim step that will be followed by a broader review of the entire potash taxation regime. The review process will continue to garner input from stakeholders and seek opportunities to simplify the taxation and royalty system. Government strongly believes that any further changes must balance the excellent investment and operational environment for this industry, which is so important to the provincial economy, with the need for a fair return for the owners of the resource, the people of Saskatchewan.

For further information on the Potash Production Tax, contact the Ministry of the Economy at 306-787-4765.

# 2015-16 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:

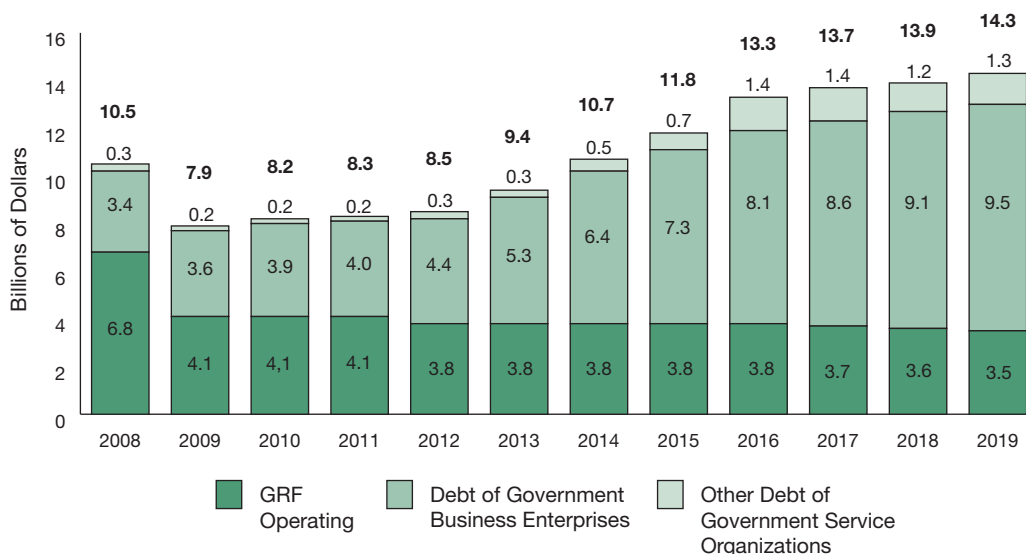
- Gross Debt – the amount of money owed to lenders; less
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

Public debt at March 31, 2015 is forecast to be \$115.6 million higher than estimated, due to increased debt for government business enterprises.

For 2015-16, public debt is expected to increase by nearly \$1.5 billion from the March 31, 2015 forecast. This is primarily due to increased debt for the utility Crown corporations and \$700.0 million to support the Saskatchewan Builds Capital Plan.

## PUBLIC DEBT

As at March 31



## DEBT

As at March 31

| (Millions of Dollars)                               | General Debt 2016 | GBE Specific Debt 2016 | Budget 2016                | Forecast 2015   | Budget 2015 <sup>1</sup> |
|---|-------------------|------------------------|----------------------------|-----------------|--------------------------|
| <b>Government Service Organizations<sup>2</sup></b> |                   |                        |                            |                 |                          |
| Gross Debt  | 6,052.1           | –                      | <b>6,052.1</b>             | 5,333.5         | 5,304.8                  |
| Sinking Funds                                       | 898.1             | –                      | <b>898.1</b>               | 892.1           | 827.1                    |
| <b>Government Service Organization Debt</b>         | <b>5,154.0</b>    | <b>–</b>               | <b>5,154.0<sup>3</sup></b> | <b>4,441.4</b>  | <b>4,477.7</b>           |
| <b>Government Business Enterprises</b>              |                   |                        |                            |                 |                          |
| Gross Debt  | 395.9             | 8,503.0                | <b>8,898.9</b>             | 8,038.7         | 7,865.4                  |
| Sinking Funds                                       | 21.0              | 767.0                  | <b>788.0</b>               | 712.5           | 691.1                    |
| <b>Government Business Enterprise Debt</b>          | <b>374.9</b>      | <b>7,736.0</b>         | <b>8,110.9</b>             | <b>7,326.2</b>  | <b>7,174.3</b>           |
| <b>Public Debt</b>                                  | <b>5,528.9</b>    | <b>7,736.0</b>         | <b>13,264.9</b>            | <b>11,767.6</b> | <b>11,652.0</b>          |
| <b>Guaranteed Debt</b>                              | <b>27.0</b>       | <b>–</b>               | <b>27.0</b>                | <b>20.5</b>     | <b>18.6</b>              |

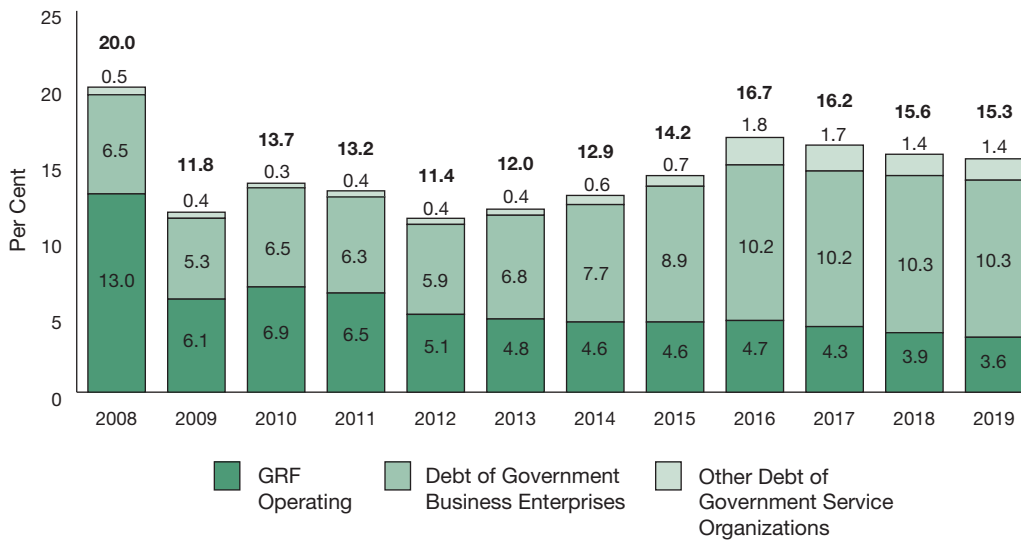
<sup>1</sup> The 2015 Budget information reflects balances at March 31, 2014, as reported in the 2013-14 Public Accounts, adjusted by budgeted changes shown in the 2014-15 Budget.

<sup>2</sup> Government service organizations are entities that are controlled by the Government, except those designated as government business enterprises.

<sup>3</sup> Includes \$3,803.0M of GRF operating debt and \$1,351.0M of other Government Service Organization debt.

## DEBT AS A % OF GDP

As at March 31



## BORROWING

Most borrowing is done by the General Revenue Fund (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 2015-16 borrowing requirements are estimated to be \$2,073.4 million (2014-15 forecast: \$1,739.8 million). Of this amount, \$508.9 million is for the purpose of refinancing maturing debt; \$700.0 million is to finance the Saskatchewan Builds Capital Plan and the remainder is for the purpose of Crown corporations, primarily to support their capital expenditures.

A small amount of borrowing is done by entities such as Regional Health Authorities, 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 increase by \$14.6 million in 2015-16 (2014-15 forecast: \$95.5 million).

## DEBT CHARGES

In addition to interest payments, debt charges include all costs related to general gross debt, such as: the amortization of premiums, discounts, and commissions; and, gains or losses on foreign currency debt that result from a change in the value of the Canadian dollar.

The 2015-16 debt charges are based on 1.5 per cent short-term and 3.5 per cent long-term interest rates. A one percentage point increase in interest rates for a full year from levels assumed in the budget would increase debt charges in 2015-16 by approximately \$22.1 million.

### DEBT CHARGES – GENERAL DEBT

| (Millions of Dollars)                          | Estimated<br>2015-16 | Forecast<br>2014-15 |
|--|----------------------|---------------------|
| General Revenue Fund                           | 285.0                | 265.0               |
| Other General Debt                             | 20.1                 | 17.4                |
| <b>Debt Charges – General Debt<sup>1</sup></b> | <b>305.1</b>         | <b>282.4</b>        |

<sup>1</sup> Debt charges on Government Business Enterprise Specific Debt are included in Net Income from Government Business Enterprises, so they are not reflected in Debt Charges in the Summary Financial Statements.

# 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. Each provides special or preferential treatment to certain taxpayers or to certain types of activity. 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 sales tax does not apply to certain basic items such as food, residential natural gas, residential electricity, children's clothing and reading materials, thereby reducing the taxes paid by families consuming these basic items. This treatment is 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.

The Province's Fuel Tax exemption provides tax-free treatment to farm-use diesel fuel, through a fuel-colouring program, and a partial tax exemption for farm-use gasoline when purchased in bulk.

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, disability-related credits and educational credits. This paper also provides estimates of the revenue impacts of several of these provincial non-refundable tax credits.

Saskatchewan also delivers the Graduate Retention Program, which rebates up to \$20,000 in tuition fees to post-secondary graduates through the income tax system. Tuition fee rebates are allocated over a seven-year instalment period and are based on an individual's actual tuition fees, subject to certain maximums for different programs of study. Tuition

fee rebates have been paid out in the form of reduced and refunded Saskatchewan income taxes. Beginning with the 2015 taxation year, tuition fee rebates must be claimed against Saskatchewan income taxes otherwise payable. The program is expected to provide \$88.1 million in benefits this year, of which an estimated \$54.6 million will be claimed against 2015 taxes payable.

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 Saskatchewan. Saskatchewan also provides a Research and Development (R&D) Tax Credit in support of qualifying R&D activities. Effective April 1, 2015, the R&D Tax Credit rate is reduced from 15 per cent to 10 per cent and the tax credit must be claimed against Saskatchewan income taxes otherwise payable.

## **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. For example, the exemption for restaurant meals and snack foods provides preferential treatment for this category 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 & Reports").

## **2015 SASKATCHEWAN TAX EXPENDITURES**

The following tables provide estimates of the major tax expenditures of the Government of Saskatchewan in 2015, calculated using tax collection data and Statistics Canada data. Included in these estimates is the impact of indexing the personal income tax system by 1.7 per cent for 2015, as well as the changes to the Graduate Retention Program and the R&D Tax Credit.

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## 2015 Government of Saskatchewan

### Tax Expenditure Accounts

(Value of Tax Expenditures in Millions of Dollars)

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#### Sales Tax

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##### Exemptions

|   |       |
|---|-------|
| 1. Children's clothing and footwear .....                           | 12.8  |
| 2. Prescription drugs.....  | 34.6  |
| 3. Electricity.....   | 48.1  |
| 4. Farm machinery and repair parts .....                            | 90.3  |
| 5. Fertilizer, pesticide and seed .....                             | 159.3 |
| 6. Food   |       |
| – Restaurant meals and snack foods.....                             | 73.9  |
| – Basic groceries .....   | 131.2 |
| 7. Natural gas .....  | 26.4  |
| 8. Reading materials.....   | 7.2   |
| 9. Services   |       |
| – Construction .....  | 432.2 |
| – Other.....  | 36.6  |
| 10. Used goods – exemption amounts .....                            | 0.2   |
| 11. Light used vehicles .....                                       | 83.8  |
| 12. Direct agents.....  | 24.1  |
| 13. Eligible energy efficient appliances, furnaces and boilers..... | 3.2   |
| 14. Toll-free telephone services.....                               | 0.2   |
| 15. Municipal fire trucks.....                                      | 0.1   |
| 16. Mineral exploration equipment .....                             | 0.1   |

##### Other

|   |      |
|---|------|
| 1. Saskatchewan Low-Income Tax Credit ..... | 88.5 |
|---|------|

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#### Fuel Tax

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|  |       |
|--|-------|
| 1. Exemption for farm activity .....     | 121.0 |
| 2. Exemption for heating fuels.....      | 33.1  |
| 3. Exemption for primary producers ..... | 1.7   |

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#### Personal Income Tax

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##### Deductions from Income

|   |       |
|---|-------|
| 1. Registered Pension Plan contributions.....             | 99.5  |
| 2. Registered Retirement Savings Plan contributions ..... | 168.3 |
| 3. Annual union, professional or like dues.....           | 18.2  |
| 4. Child care expenses .....                              | 12.9  |
| 5. Moving expenses.....                                   | 2.1   |
| 6. Carrying charges .....                                 | 15.0  |
| 7. Allowable employment expenses .....                    | 16.4  |
| 8. Capital gains deduction .....                          | 76.8  |



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Saskatchewan Non-Refundable Tax Credits

|  |         |
|--|---------|
| 1. Basic personal tax credit .....                   | 1,002.7 |
| 2. Spousal tax credit .....                          | 51.6    |
| 3. Equivalent-to-spouse tax credit .....             | 19.0    |
| 4. Age tax credit .....                              | 44.2    |
| 5. Supplement to the age tax credit.....             | 13.2    |
| 6. Dependent child tax credit .....                  | 86.1    |
| 7. Canada Pension Plan contributions tax credit..... | 84.6    |
| 8. Employment Insurance premiums tax credit .....    | 30.1    |
| 9. Pension income tax credit .....                   | 14.0    |
| 10. Tuition and education tax credit.....            | 41.0    |
| 11. Student loan interest tax credit.....            | 1.2     |
| 12. Disability tax credit.....                       | 17.5    |
| 13. Caregiver tax credit.....                        | 2.6     |
| 14. Medical expenses tax credit .....                | 23.2    |
| 15. Charitable contributions tax credit .....        | 44.1    |
| 16. First-time homebuyers tax credit .....           | 6.5     |

Other Saskatchewan Tax Measures

|   |      |
|---|------|
| 1. Labour-sponsored Venture Capital Tax Credit..... | 16.0 |
| 2. Mineral Exploration Tax Credit.....              | 0.5  |
| 3. Employees' Tool Tax Credit .....                 | 1.0  |
| 4. Political Contributions Tax Credit.....          | 1.9  |
| 5. Graduate Retention Program Tax Credit .....      | 54.6 |

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**Corporation Income Tax**

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|  |       |
|--|-------|
| 1. Lower tax rate for small business.....                      | 414.3 |
| 2. Manufacturing and Processing Profits Tax Reduction.....     | 15.0  |
| 3. Investment Tax Credit for Manufacturing and Processing..... | 40.0  |
| 4. Research and Development Tax Credit.....                    | 17.0  |

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# 2015 INTERCITY COMPARISON OF TAXES, UTILITIES AND HOUSING

## 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, the cost of utilities and auto insurance and household costs for rent and mortgages.

Calculating the combined cost of provincial taxes, utilities and housing 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, utilities and housing 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, utilities and housing 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 \$25,000;
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$50,000; and,
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$75,000.

## SASKATCHEWAN'S RANKING FOR 2015

In 2015, Saskatchewan individuals and families pay total provincial taxes that are very competitive with those paid in other Canadian cities, with a consistent ranking of second lowest in Canada for all three representative family situations.

- A single person earning \$25,000 will pay \$1,037 in total provincial taxes;
- A two-income family earning \$50,000 will pay \$489 in total provincial taxes; and,
- A two-income family earning \$75,000 will pay \$4,080 in total provincial taxes.

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

When the combined taxes, utilities and housing costs of the representative families are considered, Regina also compares very favourably with other Canadian cities.

## 2015 Intercity Comparison of Taxes, Utilities and Housing Single Person at \$25,000 Total Income

(Values in Dollars)

|   | Vancouver     | Calgary       | Regina        | Winnipeg      | Toronto       | Montréal      | Saint<br>John | Halifax       | Charlotte-<br>town | St. John's    |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|---------------|
| <i>Provincial Taxes and Health Premiums</i>               |               |               |               |               |               |               |               |               |                    |               |
| <i>Provincial</i>   |               |               |               |               |               |               |               |               |                    |               |
| Income Tax  | 494           | 525           | <b>861</b>    | 1,548         | 687           | 1,067         | 1,001         | 1,317         | 1,544              | 1,132         |
| Tax Credits and<br>Rebates                                | (116)         | 0             | <b>(241)</b>  | (700)         | (605)         | (950)         | 0             | (255)         | (100)              | 0             |
| Health Premiums   | 307           | 0             | <b>0</b>      | 0             | 300           | 607           | 0             | 0             | 0                  | 0             |
| Sales Tax   | 408           | 0             | <b>267</b>    | 472           | 664           | 838           | 675           | 844           | 760                | 687           |
| Gasoline Tax  | 322           | 90            | <b>150</b>    | 140           | 147           | 167           | 107           | 155           | 158                | 165           |
| <b>Total Provincial<br/>Taxes and Health<br/>Premiums</b> | <b>1,415</b>  | <b>615</b>    | <b>1,037</b>  | <b>1,460</b>  | <b>1,193</b>  | <b>1,729</b>  | <b>1,783</b>  | <b>2,061</b>  | <b>2,362</b>       | <b>1,984</b>  |
| <i>Household Utility Costs</i>                            |               |               |               |               |               |               |               |               |                    |               |
| Electricity   | 397           | 720           | <b>790</b>    | 422           | 963           | 402           | 612           | 826           | 954                | 695           |
| Telephone   | 362           | 361           | <b>258</b>    | 314           | 361           | 361           | 348           | 355           | 354                | 348           |
| Auto Insurance  | 1,732         | 2,245         | <b>1,116</b>  | 1,044         | 4,613         | 1,627         | 1,694         | 1,824         | 1,724              | 2,942         |
| <b>Total Household<br/>Utility Costs</b>                  | <b>2,491</b>  | <b>3,326</b>  | <b>2,164</b>  | <b>1,780</b>  | <b>5,937</b>  | <b>2,390</b>  | <b>2,654</b>  | <b>3,005</b>  | <b>3,032</b>       | <b>3,985</b>  |
| <b>Total Taxes<br/>and Utilities</b>                      | <b>3,906</b>  | <b>3,941</b>  | <b>3,201</b>  | <b>3,240</b>  | <b>7,130</b>  | <b>4,119</b>  | <b>4,437</b>  | <b>5,066</b>  | <b>5,394</b>       | <b>5,969</b>  |
| <i>Housing Costs</i>                                      |               |               |               |               |               |               |               |               |                    |               |
| Rent  | 12,456        | 13,608        | <b>10,848</b> | 9,384         | 12,804        | 7,860         | 7,188         | 9,600         | 8,052              | 9,240         |
| <b>Total of Taxes,<br/>Utilities and<br/>Housing</b>      | <b>16,362</b> | <b>17,549</b> | <b>14,049</b> | <b>12,624</b> | <b>19,934</b> | <b>11,979</b> | <b>11,625</b> | <b>14,666</b> | <b>13,446</b>      | <b>15,209</b> |

## 2015 Intercity Comparison of Taxes, Utilities and Housing Family at \$50,000 Total Income

(Values in Dollars)

|  | Vancouver | Calgary | Regina | Winnipeg | Toronto | Montréal | Saint<br>John | Halifax | Charlotte-<br>town | St. John's |
|--|-----------|---------|--------|----------|---------|----------|---------------|---------|--------------------|------------|
| <i>Provincial Taxes and Health Premiums</i>          |           |         |        |          |         |          |               |         |                    |            |
| Provincial   |           |         |        |          |         |          |               |         |                    |            |
| Income Tax   | 889       | 870     | 64     | 2,192    | 154     | 1,142    | 2,095         | 2,396   | 2,795              | 2,033      |
| Tax Credits and<br>Rebates                           | (112)     | (962)   | (362)  | (700)    | (505)   | (4,007)  | 0             | 0       | (200)              | 0          |
| Active Families<br>Benefit/Fitness<br>Credit         | (51)      | 0       | (300)  | (109)    | (110)   | 0        | 0             | (88)    | 0                  | 0          |
| Health Premiums                                      | 1,728     | 0       | 0      | 0        | 300     | 1,214    | 0             | 0       | 0                  | 0          |
| Sales Tax  | 1,195     | 0       | 787    | 1,369    | 1,922   | 2,420    | 1,950         | 2,437   | 2,193              | 1,950      |
| Gasoline Tax   | 644       | 180     | 300    | 280      | 294     | 334      | 214           | 310     | 316                | 330        |
| Total Provincial<br>Taxes and Health<br>Premiums     | 4,293     | 88      | 489    | 3,032    | 2,055   | 1,103    | 4,259         | 5,055   | 5,104              | 4,313      |
| <i>Household Utility Costs</i>                       |           |         |        |          |         |          |               |         |                    |            |
| Home Heating   | 1,065     | 1,007   | 900    | 966      | 988     | 1,589    | 2,690         | 2,472   | 2,972              | 2,790      |
| Electricity  | 689       | 1,124   | 1,209  | 679      | 1,222   | 596      | 938           | 1,360   | 1,328              | 1,084      |
| Telephone  | 362       | 361     | 258    | 314      | 361     | 361      | 348           | 355     | 354                | 348        |
| Auto Insurance                                       | 1,732     | 2,245   | 1,116  | 1,044    | 4,613   | 1,627    | 1,694         | 1,824   | 1,724              | 2,942      |
| Total Household<br>Utility Costs                     | 3,848     | 4,737   | 3,483  | 3,003    | 7,184   | 4,173    | 5,670         | 6,011   | 6,378              | 7,164      |
| <b>Total Taxes<br/>and Utilities</b>                 | 8,141     | 4,825   | 3,972  | 6,035    | 9,239   | 5,276    | 9,929         | 11,066  | 11,482             | 11,477     |
| <i>Housing Costs</i>                                 |           |         |        |          |         |          |               |         |                    |            |
| Mortgage Costs                                       | 26,180    | 15,057  | 8,962  | 9,274    | 17,909  | 8,659    | 5,206         | 8,586   | 5,046              | 9,145      |
| Net Property Taxes                                   | 3,118     | 2,643   | 2,361  | 3,296    | 3,090   | 3,083    | 2,701         | 2,435   | 2,600              | 2,640      |
| Total Housing<br>Costs                               | 29,298    | 17,700  | 11,323 | 12,570   | 20,999  | 11,742   | 7,907         | 11,021  | 7,646              | 11,785     |
| <b>Total of Taxes,<br/>Utilities and<br/>Housing</b> | 37,439    | 22,525  | 15,295 | 18,605   | 30,238  | 17,018   | 17,836        | 22,087  | 19,128             | 23,262     |

## 2015 Intercity Comparison of Taxes, Utilities and Housing Family at \$75,000 Total Income

(Values in Dollars)

|  | Vancouver | Calgary | Regina        | Winnipeg | Toronto | Montréal | Saint<br>John | Halifax | Charlotte-<br>town | St. John's |
|--|-----------|---------|---------------|----------|---------|----------|---------------|---------|--------------------|------------|
| <i>Provincial Taxes and Health Premiums</i>          |           |         |               |          |         |          |               |         |                    |            |
| Provincial   |           |         |               |          |         |          |               |         |                    |            |
| Income Tax   | 2,457     | 3,080   | <b>2,668</b>  | 5,185    | 2,263   | 5,412    | 4,901         | 5,367   | 5,598              | 4,306      |
| Tax Credits and<br>Rebates                           | 0         | 0       | <b>0</b>      | (700)    | 0       | (2,556)  | 0             | 0       | 0                  | 0          |
| Active Families<br>Benefit/Fitness<br>Credit         | (51)      | 0       | <b>0</b>      | (109)    | (110)   | 0        | 0             | (88)    | 0                  | 0          |
| Health Premiums                                      | 1,728     | 0       | <b>0</b>      | 0        | 750     | 1,214    | 0             | 0       | 0                  | 0          |
| Sales Tax  | 1,700     | 0       | <b>1,112</b>  | 1,917    | 2,679   | 3,370    | 2,713         | 3,392   | 3,052              | 2,713      |
| Gasoline Tax   | 644       | 180     | <b>300</b>    | 280      | 294     | 334      | 214           | 310     | 316                | 330        |
| Total Provincial<br>Taxes and Health<br>Premiums     | 6,478     | 3,260   | <b>4,080</b>  | 6,573    | 5,876   | 7,774    | 7,828         | 8,981   | 8,966              | 7,349      |
| <i>Household Utility Costs</i>                       |           |         |               |          |         |          |               |         |                    |            |
| Home Heating   | 1,065     | 1,007   | <b>900</b>    | 966      | 988     | 1,589    | 2,690         | 2,472   | 2,972              | 2,790      |
| Electricity  | 689       | 1,124   | <b>1,209</b>  | 679      | 1,222   | 596      | 938           | 1,360   | 1,328              | 1,084      |
| Telephone  | 362       | 361     | <b>258</b>    | 314      | 361     | 361      | 348           | 355     | 354                | 348        |
| Auto Insurance                                       | 1,732     | 2,245   | <b>1,116</b>  | 1,044    | 4,613   | 1,627    | 1,694         | 1,824   | 1,724              | 2,942      |
| Total Household<br>Utility Costs                     | 3,848     | 4,737   | <b>3,483</b>  | 3,003    | 7,184   | 4,173    | 5,670         | 6,011   | 6,378              | 7,164      |
| <b>Total Taxes<br/>and Utilities</b>                 | 10,326    | 7,997   | <b>7,563</b>  | 9,576    | 13,060  | 11,947   | 13,498        | 14,992  | 15,344             | 14,513     |
| <i>Housing Costs</i>                                 |           |         |               |          |         |          |               |         |                    |            |
| Mortgage Costs                                       | 26,180    | 15,057  | <b>8,962</b>  | 9,274    | 17,909  | 8,659    | 5,206         | 8,586   | 5,046              | 9,145      |
| Net Property Taxes                                   | 3,118     | 2,643   | <b>2,361</b>  | 3,296    | 3,090   | 3,083    | 2,701         | 2,435   | 2,600              | 2,640      |
| Total Housing<br>Costs                               | 29,298    | 17,700  | <b>11,323</b> | 12,570   | 20,999  | 11,742   | 7,907         | 11,021  | 7,646              | 11,785     |
| <b>Total of Taxes,<br/>Utilities and<br/>Housing</b> | 39,624    | 25,697  | <b>18,886</b> | 22,146   | 34,059  | 23,689   | 21,405        | 26,013  | 22,990             | 26,298     |

## **TAXES, UTILITIES AND HOUSING – NOTES**

Tax estimates are calculated for the 2015 calendar year using known changes as of March 6, 2015. 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 2014 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 \$25,000 and two families with \$50,000 and \$75,000 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, rental payments and property taxes (those property tax rebate plans administered through provincial income tax systems).

**Active Families Benefit/Fitness Credit** refers to income tax credits in support of cultural, recreational and sports activity fees for children. Saskatchewan provides a refundable income tax credit that rebates

up to \$150 per child annually for children less than 18 years of age. Beginning in 2015, this amount is income-tested and is not available to families with incomes in excess of \$60,000. Ontario provides a refundable income tax credit for children less than 16 years of age. British Columbia, Manitoba and Nova Scotia provide non-refundable children's fitness tax credits.

**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 *Survey of Family Expenditures in 2010* (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 each of the 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 homeowner.

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

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**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 the driver 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 impact of "Good Driver" discounts/rebates has been factored in for all applicable jurisdictions.

**Rent** is based on average one-bedroom apartment rents for each metropolitan area, from the Canada Mortgage and Housing Corporation's *Rental Market Report*, October 2014.

**Mortgage Costs** are based on average home prices for a detached bungalow, from the Royal LePage Third Quarter 2014 *Survey of Canadian House Prices*, with one-half of the home price being financed over 25 years at a one-year closed mortgage rate of 3.25 per cent.

**Net Property Taxes** for most cities are based on the estimated taxes for a sample detached bungalow from the City of Calgary *2013 Residential Property Taxes and Utility Charges Survey*, with the exceptions of those cities not captured by the Calgary survey:

- Charlottetown's property tax estimate is based on the average of detached bungalows in that city as determined from the Royal LePage *Survey of Canadian House Prices*; and,
- Property tax estimates for Montréal and Saint John are based on the City of Edmonton *2010 Residential Property Taxes and Utility Charges Survey*.

All provincial, municipal, education and library property taxes are included in the property tax figures. Property tax credit programs administered by municipalities on property tax notices have been deducted from the property tax figures to arrive at the net property tax amounts.

# 2014-15 THIRD QUARTER FINANCIAL UPDATE

## OVERVIEW

The 2014-15 financial update, which is consistent with the 2015-16 Budget presentation, projects a surplus of \$40 million.

This \$70 million decline from budget is due to:

- a \$108 million (0.8 per cent) increase in expense, primarily for disaster assistance, flood repairs and education pressures; partially offset by,
- a \$38 million (0.3 per cent) increase in revenue despite lower oil and income tax revenue.

## 2014-15 FINANCIAL FORECASTS

| (Millions of Dollars)                              | Budget          | Mid-Year<br>Projection | Third<br>Quarter<br>Forecast | Change from   |               |
|--|-----------------|------------------------|------------------------------|---------------|---------------|
|  |                 |                        |                              | Budget        | Mid-Year      |
| <b>Revenue</b>                                     |                 |                        |                              |               |               |
| Taxation   | 6,820.3         | 6,675.0                | 6,624.4                      | (195.9)       | (50.6)        |
| Non-Renewable Resources                            | 2,694.4         | 2,753.9                | 2,634.2                      | (60.2)        | (119.7)       |
| Other Own-Source Revenue <sup>1</sup>              | 1,874.3         | 1,879.7                | 1,910.3                      | 36.0          | 30.6          |
| Transfers from the Federal Government <sup>1</sup> | 2,051.8         | 2,074.8                | 2,170.8                      | 119.0         | 96.0          |
| Net Income from Government Business Enterprises    | 668.2           | 852.0                  | 807.1                        | 138.9         | (44.9)        |
| <b>Total Revenue</b>                               | <b>14,109.0</b> | <b>14,235.4</b>        | <b>14,146.8</b>              | <b>37.8</b>   | <b>(88.6)</b> |
| <b>Expense</b>                                     |                 |                        |                              |               |               |
| Agriculture <sup>1</sup>                           | 717.1           | 716.5                  | 673.1                        | (44.0)        | (43.4)        |
| Community Development                              | 589.0           | 589.6                  | 582.6                        | (6.4)         | (7.0)         |
| Debt Charges <sup>2</sup>                          | 295.8           | 287.1                  | 282.4                        | (13.4)        | (4.7)         |
| Economic Development                               | 288.6           | 298.5                  | 303.5                        | 14.9          | 5.0           |
| Education <sup>2</sup>                             | 3,561.0         | 3,592.5                | 3,581.7                      | 20.7          | (10.8)        |
| Environment and Natural Resources                  | 232.5           | 247.5                  | 226.0                        | (6.5)         | (21.5)        |
| Health <sup>2</sup>                                | 5,448.4         | 5,454.1                | 5,434.5                      | (13.9)        | (19.6)        |
| Protection of Persons and Property                 | 593.7           | 687.3                  | 723.1                        | 129.4         | 35.8          |
| Social Services and Assistance                     | 1,172.4         | 1,190.7                | 1,183.1                      | 10.7          | (7.6)         |
| Transportation                                     | 539.3           | 539.2                  | 565.8                        | 26.5          | 26.6          |
| Other <sup>2</sup>                                 | 560.9           | 560.9                  | 550.5                        | (10.4)        | (10.4)        |
| <b>Total Expense</b>                               | <b>13,998.7</b> | <b>14,163.9</b>        | <b>14,106.3</b>              | <b>107.6</b>  | <b>(57.6)</b> |
| <b>Surplus<sup>2</sup></b>                         | <b>110.3</b>    | <b>71.5</b>            | <b>40.5</b>                  | <b>(69.8)</b> | <b>(31.0)</b> |

<sup>1</sup> Budget and mid-year projection have been restated to account for AgriStability Program revenue and expense on a gross basis.

<sup>2</sup> Before adjustment to account for pension costs on an accrual basis.



## REVENUE UPDATE

At third quarter, revenue is forecast to be \$38 million higher than budget. Lower-than-budgeted taxation and non-renewable resources revenue – primarily oil – is forecast to be more than offset by increases in net income from Government Business Enterprises, federal transfers and other own-source revenue.

Tax revenue is forecast to decline \$196 million from budget. The forecast reflects lower Individual Income Tax (\$91 million) and Corporation Income Tax (\$92 million) as a result of lower-than-expected 2013 assessments that result in negative prior-year adjustments in 2014-15 revenue. Tobacco Tax is expected to be \$15 million below budget due to lower-than-budgeted consumption.

Non-renewable resources revenue is forecast to decline \$60 million from budget. Increases in potash, Crown land sales and natural gas are more than offset by lower oil royalties and revenue from other non-renewable resources. Major changes include:

- a \$166 million increase in potash, primarily due to higher-than-budgeted prices, a lower exchange rate and the impact of technical changes to the Potash Production Tax announced in the 2015-16 Budget and effective January 1, 2015;
- a \$66 million increase in Crown land sales, reflecting continued industry confidence in Saskatchewan's oil and gas sector;
- a \$259 million decrease in oil revenue, largely due to falling West Texas Intermediate (WTI) oil prices in the second half of the fiscal year, partially offset by the impact of a lower value of the Canadian dollar; and,
- a \$36 million decline in other non-renewable resources (uranium, coal and other minerals), primarily due to lower uranium prices and delays in Cigar Lake production.

## 2014-15 NON-RENEWABLE RESOURCES FORECAST ASSUMPTIONS

|  | Budget Estimate | Mid-Year Projection | Third Quarter Forecast | Change from |          |
|--|-----------------|---------------------|------------------------|-------------|----------|
|  |                 |                     |                        | Budget      | Mid-Year |
| WTI Oil Price (US\$/barrel)  | 94.25           | 91.08               | 80.92                  | (13.33)     | (10.16)  |
| Light-Heavy Differential (% of WTI)                                  | 19.5            | 16.2                | 17.3                   | (2.2)       | 1.1      |
| Well-head Oil Price (C\$/barrel) <sup>1</sup>                        | 80.84           | 81.19               | 70.84                  | (10.00)     | (10.35)  |
| Oil Production (million barrels)                                     | 181.8           | 183.3               | 187.4                  | 5.6         | 4.1      |
| Potash Price (mine netback, US\$/KCl tonne) <sup>2</sup>             | 274             | 280                 | 284                    | 10          | 4        |
| Potash Price (mine netback, C\$/K <sub>2</sub> O tonne) <sup>2</sup> | 492             | 512                 | 535                    | 43          | 23       |
| Potash Sales (million K <sub>2</sub> O tonnes) <sup>2</sup>          | 10.6            | 11.0                | 11.0                   | 0.4         | –        |
| Canadian Dollar (US cents)   | 91.5            | 89.7                | 88.0                   | (3.5)       | (1.7)    |

<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.

**Government Business Enterprise net income** is \$139 million higher than budget. The improvement is primarily a result of increases in the net income forecasts from the Workers' Compensation Board, the Auto Fund, SaskPower and SaskTel, partially offset by a decrease in the net income forecast from SaskEnergy.

**Transfers from the Federal Government** are forecast to be \$119 million higher than budget, largely due to federal disaster assistance related to natural disasters in recent years, including the 2014 floods.

**Other own-source revenue** is forecast to be \$36 million higher than budget. The increase is primarily due to higher-than-budgeted investment income across government.

## EXPENSE UPDATE

At third quarter, expense is forecast to be \$108 million higher than budget.

In response to declining oil revenue, executive government, Crown corporations and major third parties were directed to manage discretionary spending. Expense increases in 2014-15 have largely been limited to flood assistance, repairs to provincial transportation infrastructure and investments to support education and innovation.

Major increases since budget include:

- a \$129 million increase in **Protection of Persons and Property**, primarily for claims under the Provincial Disaster Assistance Program;
- a \$27 million increase in **Transportation**, primarily for emergency flood repairs and winter road maintenance;

- a \$21 million increase in **Education**, primarily for costs related to the new teachers' collective agreement and higher-than-anticipated enrollment growth, as well as funding to secure and develop land for nine new school sites; and,
- a \$15 million increase in **Economic Development**, reflecting an increase for the Graduate Retention Program due to higher program uptake and increased nuclear research and innovation activity.

These increases have been partially offset by:

- a \$44 million decrease in **Agriculture**, almost entirely due to lower-than-budgeted crop insurance claims;
- a \$13 million decrease in **Debt Charges**, primarily due to lower interest rates on debt refinancing; and,
- other net savings of \$27 million across government.

## PENSION EXPENSE ADJUSTMENT

Pension expense is estimated at budget and updated throughout the year, reflecting amounts that are funded through the appropriations of core government, budgets of other Government Service Organizations and adjustments for actuarially determined changes in the value of the outstanding pension liabilities.

At budget, the adjustment to account for pension costs on an accrual basis was estimated at \$39 million, reflecting an expected increase in government's pension liabilities in 2014-15.

At third quarter, government's pension liabilities are expected to decline by \$15 million in 2014-15. This is a \$54 million decline in pension expense since budget.



SASKATCHEWAN PROVINCIAL BUDGET

**15-16**

**BUDGET FINANCIAL TABLES**

# GOVERNMENT OF SASKATCHEWAN

## Budget For the Year Ended March 31

| (millions of dollars)                                    |                 |                  |                 |
|--|-----------------|------------------|-----------------|
|  | Budget<br>2016  | Forecast<br>2015 | Budget<br>2015  |
| <b>Revenue</b>   |                 |                  |                 |
| Taxation .....   | 6,808.1         | 6,624.4          | 6,820.3         |
| Non-Renewable Resources .....                            | 2,453.2         | 2,634.2          | 2,694.4         |
| Other Own-Source Revenue <sup>1</sup> .....              | 1,890.8         | 1,910.3          | 1,874.3         |
| Transfers from the Federal Government <sup>1</sup> ..... | 2,223.0         | 2,170.8          | 2,051.8         |
| Net Income from Government Business Enterprises .....    | 904.9           | 807.1            | 668.2           |
| <b>Total Revenue</b>                                     | <b>14,280.0</b> | <b>14,146.8</b>  | <b>14,109.0</b> |
| <b>Expense</b>   |                 |                  |                 |
| Agriculture <sup>1</sup> .....                           | 721.6           | 673.1            | 717.1           |
| Community Development .....                              | 531.9           | 582.6            | 589.0           |
| Debt Charges <sup>2</sup> .....                          | 305.1           | 282.4            | 295.8           |
| Economic Development .....                               | 256.6           | 303.5            | 288.6           |
| Education <sup>2</sup> .....                             | 3,661.0         | 3,581.7          | 3,561.0         |
| Environment and Natural Resources .....                  | 242.1           | 226.0            | 232.5           |
| Health <sup>2</sup> .....                                | 5,507.0         | 5,434.5          | 5,448.4         |
| Protection of Persons and Property .....                 | 625.7           | 723.1            | 593.7           |
| Social Services and Assistance .....                     | 1,209.9         | 1,183.1          | 1,172.4         |
| Transportation .....                                     | 544.1           | 565.8            | 539.3           |
| Other <sup>2</sup> .....                                 | 568.2           | 550.5            | 560.9           |
| <b>Total Expense</b>                                     | <b>14,173.2</b> | <b>14,106.3</b>  | <b>13,998.7</b> |
| <b>Surplus<sup>2</sup></b>                               | <b>106.8</b>    | <b>40.5</b>      | <b>110.3</b>    |

Totals may not add due to rounding.

<sup>1</sup> Budget 2016 presents AgriStability Program revenue and expense on a gross basis. Budget 2015 numbers include an additional \$35.9M of offsetting AgriStability revenue and expense to conform with Budget 2016 presentation.

<sup>2</sup> Before adjustment to account for pension costs on an accrual basis. Budget 2015 numbers are presented to conform with Budget 2016 presentation.

# GOVERNMENT OF SASKATCHEWAN

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

| (millions of dollars)  |                |                      |                      |
|--|----------------|----------------------|----------------------|
|  | Budget<br>2016 | Forecast<br>2015     | Budget<br>2015       |
| Accumulated Surplus, Beginning of Year.....                    | 3,523.6        | 3,469.3 <sup>2</sup> | 3,469.3 <sup>2</sup> |
| Surplus <sup>1</sup> .....                                     | 106.8          | 40.5                 | 110.3                |
| Adjustment to Account for Pension Costs on an Accrual Basis .. | (820.8)        | 15.3                 | (38.9)               |
| Other Comprehensive Loss .....                                 | -              | (1.5) <sup>3</sup>   | -                    |
| <b>Accumulated Surplus, End of Year</b>                        | <b>2,809.6</b> | <b>3,523.6</b>       | <b>3,540.7</b>       |

Totals may not add due to rounding.

<sup>1</sup> Surplus before adjustment to account for pension costs on an accrual basis.

<sup>2</sup> Accumulated surplus as at March 31, 2014, as reported in the 2013-14 Public Accounts. The 2014-15 Public Accounts will adjust this balance to reflect adoption of *PS3260 Liability for Contaminated Sites*, a standard issued by the Public Sector Accounting Board and effective for fiscal years beginning on or after April 1, 2014.

<sup>3</sup> Actuarial net losses on defined benefit pension plans in government business enterprises.

# GOVERNMENT OF SASKATCHEWAN

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

| (millions of dollars)  |                  |                        |                        |
|--|------------------|------------------------|------------------------|
|  | Budget<br>2016   | Forecast<br>2015       | Budget<br>2015         |
| <b>Surplus<sup>1</sup></b>                                       | <b>106.8</b>     | 40.5                   | 110.3                  |
| Adjustment to Account for Pension Costs on an Accrual Basis ..   | (820.8)          | 15.3                   | (38.9)                 |
| Acquisition of Government Service Organization Capital Assets... | (1,449.2)        | (1,071.8)              | (1,054.3)              |
| Amortization, Disposals and Adjustments.....                     | 550.7            | 527.6                  | 503.5                  |
| <b>Increase in Net Debt</b>                                      | <b>(1,612.5)</b> | (488.4)                | (479.4)                |
| Net Debt, Beginning of Year .....                                | <b>(5,105.3)</b> | (4,615.4) <sup>2</sup> | (4,615.4) <sup>2</sup> |
| Other Comprehensive Loss .....                                   | -                | (1.5) <sup>3</sup>     | -                      |
| <b>Net Debt, End of Year</b>                                     | <b>(6,717.8)</b> | <b>(5,105.3)</b>       | <b>(5,094.8)</b>       |

Totals may not add due to rounding.

<sup>1</sup> Surplus before adjustment to account for pension costs on an accrual basis.

<sup>2</sup> Net debt as at March 31, 2014, as reported in the 2013-14 Public Accounts. The 2014-15 Public Accounts will adjust this balance to reflect adoption of *PS3260 Liability for Contaminated Sites*, a standard issued by the Public Sector Accounting Board and effective for fiscal years beginning on or after April 1, 2014.

<sup>3</sup> Actuarial net losses on defined benefit pension plans in government business enterprises.

# GOVERNMENT OF SASKATCHEWAN

## Schedule of Public Debt As at March 31

(millions of dollars)

|  | Budget<br>General<br>Debt<br>2016 <sup>1</sup> | GBE<br>Specific<br>Debt<br>2016 | Budget<br>Public<br>Debt<br>2016 | Forecast<br>Public<br>Debt<br>2015 | Budget<br>Public<br>Debt<br>2015 <sup>2</sup> |
|--|--|---------------------------------|----------------------------------|------------------------------------|---|
| <b>Government Service Organization Debt</b>                  |  |                                 |                                  |                                    |   |
| General Revenue Fund   |  |                                 |                                  |                                    |   |
| – Operating.....   | 3,803.0  | –                               | <b>3,803.0</b>                   | 3,803.0                            | 3,803.0                                       |
| – Saskatchewan Builds Capital Plan <sup>3</sup> .....        | 700.0  | –                               | <b>700.0</b>                     | –                                  | –   |
| Boards of Education .....                                    | 223.0  | –                               | <b>223.0</b>                     | 214.0                              | 190.8   |
| Global Transportation Hub Authority.....                     | 34.0   | –                               | <b>34.0</b>                      | 26.0                               | 70.0  |
| Regional Health Authorities .....                            | 107.4  | –                               | <b>107.4</b>                     | 108.8                              | 117.5   |
| Saskatchewan Housing Corporation .....                       | 22.0   | –                               | <b>22.0</b>                      | 24.9                               | 25.8  |
| Saskatchewan Immigrant Investor Fund Inc. ....               | 181.6  | –                               | <b>181.6</b>                     | 194.6                              | 216.4   |
| Saskatchewan Opportunities Corporation .....                 | 33.9   | –                               | <b>33.9</b>                      | 34.3                               | 34.4  |
| Water Security Agency .....                                  | 46.6   | –                               | <b>46.6</b>                      | 33.3                               | 31.8  |
| Other .....  | 2.5  | –                               | <b>2.5</b>                       | 2.5                                | 2.3   |
| Amounts Held by Government Organizations <sup>4</sup> .....  | –  | –                               | –                                | –                                  | (14.3)  |
| <b>Government Service Organization Debt</b>                  | <b>5,154.0</b>                                 | <b>–</b>                        | <b>5,154.0</b>                   | <b>4,441.4</b>                     | <b>4,477.7</b>                                |
| <b>Government Business Enterprise (GBE) Debt</b>             |  |                                 |                                  |                                    |   |
| Municipal Financing Corporation of Saskatchewan .....        | 97.9   | 151.5                           | <b>249.4</b>                     | 230.7                              | 258.8   |
| Saskatchewan Liquor and Gaming Authority .....               | –  | 124.6                           | <b>124.6</b>                     | 124.6                              | 124.6   |
| Saskatchewan Power Corporation .....                         | 91.4   | 5,440.6                         | <b>5,532.0</b>                   | 4,935.8                            | 4,749.0                                       |
| Saskatchewan Telecommunications<br>Holding Corporation ..... | 25.1   | 878.1                           | <b>903.2</b>                     | 833.8                              | 913.9   |
| Saskatchewan Water Corporation .....                         | 13.1   | 34.8                            | <b>47.9</b>                      | 41.3                               | 51.1  |
| SaskEnergy Incorporated .....                                | 147.4  | 1,105.1                         | <b>1,252.5</b>                   | 1,157.1                            | 1,074.0                                       |
| Other .....  | –  | 1.3                             | <b>1.3</b>                       | 2.9                                | 2.9   |
| <b>Government Business Enterprise Debt<sup>5</sup></b>       | <b>374.9</b>                                   | <b>7,736.0</b>                  | <b>8,110.9</b>                   | <b>7,326.2</b>                     | <b>7,174.3</b>                                |
| <b>Public Debt<sup>6</sup></b>                               | <b>5,528.9</b>                                 | <b>7,736.0</b>                  | <b>13,264.9</b>                  | <b>11,767.6</b>                    | <b>11,652.0</b>                               |
| <b>Guaranteed Debt</b>                                       | <b>27.0</b>                                    | <b>–</b>                        | <b>27.0</b>                      | <b>20.5</b>                        | <b>18.6</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> Budget 2015 information reflects balances as at March 31, 2014, as reported in the 2013-14 Public Accounts, adjusted by budgeted changes shown in Budget 2015.

<sup>3</sup> General Revenue Fund – Saskatchewan Builds Capital Plan consists of amounts borrowed by the General Revenue Fund to finance investment in infrastructure assets.

<sup>4</sup> Amounts held by government organizations consists of Saskatchewan debentures owned by GSOs.

<sup>5</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 reported in investment in GBEs in the Summary Financial Statements.

<sup>6</sup> Public debt is shown net of sinking funds. Debt repayable in foreign currency is restated in equivalent Canadian dollars.

# GOVERNMENT OF SASKATCHEWAN

## Schedule of Pension Liabilities As at March 31

| (millions of dollars)  |                |                      |                      |
|--|----------------|----------------------|----------------------|
|  | Budget<br>2016 | Forecast<br>2015     | Budget<br>2015       |
| Pension Liabilities, Beginning of Year .....                   | 7,069.3        | 7,084.6 <sup>1</sup> | 7,084.6 <sup>1</sup> |
| Adjustment to Account for Pension Costs on an Accrual Basis .. | 820.8          | (15.3)               | 38.9                 |
| <b>Pension Liabilities, End of Year</b>                        | <b>7,890.1</b> | <b>7,069.3</b>       | <b>7,123.5</b>       |

Totals may not add due to rounding.

<sup>1</sup> Pension liability as at March 31, 2014, as reported in the 2013-14 Public Accounts.

# GOVERNMENT OF SASKATCHEWAN

## Schedule of Tangible Capital Assets As at March 31

| (millions of dollars)                    |  |                                     |   |                                       |                                     |                                       |                                     |
|--|--|-------------------------------------|---|---------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
|  | Net Book<br>Value<br>2014 <sup>1</sup> | - 2014-15<br>Additions <sup>2</sup> | - Forecast<br>Amortization <sup>3</sup> | Forecast<br>Net Book<br>Value<br>2015 | - 2015-16<br>Additions <sup>2</sup> | - Budget<br>Amortization <sup>3</sup> | Budget<br>Net Book<br>Value<br>2016 |
| Government Service                       |  |                                     |   |                                       |                                     |                                       |                                     |
| Organizations.....                       | 7,862.7                                | 1,071.8                             | (527.6)                                 | 8,406.9                               | 1,449.2                             | (550.7)                               | 9,305.4                             |
| Government Business                      |  |                                     |   |                                       |                                     |                                       |                                     |
| Enterprises.....                         | 11,220.5                               | 1,914.1                             | (641.9)                                 | 12,492.7                              | 1,837.9                             | (748.7)                               | 13,581.9                            |
| <b>Total Tangible<br/>Capital Assets</b> | <b>19,083.2</b>                        | <b>2,985.9</b>                      | <b>(1,169.5)</b>                        | <b>20,899.6</b>                       | <b>3,287.1</b>                      | <b>(1,299.4)</b>                      | <b>22,887.3</b>                     |

Totals may not add due to rounding.

<sup>1</sup> Net book value at March 31, 2014, as reported in the 2013-14 Public Accounts.

<sup>2</sup> Includes only capital asset acquisitions made by government organizations. Government capital transfers to entities outside the reporting entity are excluded.

<sup>3</sup> Amortization includes disposals and adjustments.

# GOVERNMENT OF SASKATCHEWAN

## Schedule of Revenue For the Year Ended March 31

|  | (millions of dollars) |                  |                 |
|--|-----------------------|------------------|-----------------|
|  | Budget<br>2016        | Forecast<br>2015 | Budget<br>2015  |
| <b>Taxation</b>  |                       |                  |                 |
| Corporation Income.....                                      | 917.9                 | 858.1            | 949.9           |
| Fuel .....   | 544.1                 | 532.4            | 532.4           |
| Individual Income .....                                      | 2,625.4               | 2,542.2          | 2,633.4         |
| Property.....  | 664.0                 | 653.7            | 651.6           |
| Provincial Sales.....  | 1,420.8               | 1,405.8          | 1,405.8         |
| Tobacco.....   | 270.3                 | 270.3            | 285.3           |
| Other .....  | 365.6                 | 361.9            | 361.9           |
| <b>Total Taxation</b>  | <b>6,808.1</b>        | <b>6,624.4</b>   | <b>6,820.3</b>  |
| <b>Non-Renewable Resources</b>                               |                       |                  |                 |
| Crown Land Sales.....  | 112.6                 | 164.7            | 99.2            |
| Natural Gas .....  | 11.3                  | 19.1             | 16.5            |
| Oil.....   | 902.7                 | 1,304.9          | 1,564.1         |
| Potash .....   | 796.0                 | 563.4            | 397.0           |
| Resource Surcharge .....                                     | 386.7                 | 449.1            | 449.1           |
| Other .....  | 243.9                 | 133.0            | 168.5           |
| <b>Total Non-Renewable Resources</b>                         | <b>2,453.2</b>        | <b>2,634.2</b>   | <b>2,694.4</b>  |
| <b>Other Own-Source Revenue</b>                              |                       |                  |                 |
| Fees .....   | 1,049.5               | 1,038.1          | 1,053.7         |
| Insurance .....  | 241.6                 | 260.4            | 254.1           |
| Investment Income.....                                       | 131.4                 | 152.1            | 117.8           |
| Transfers from Other Governments .....                       | 68.2                  | 67.5             | 68.5            |
| Other .....  | 400.1                 | 392.2            | 380.2           |
| <b>Total Other Own-Source Revenue</b>                        | <b>1,890.8</b>        | <b>1,910.3</b>   | <b>1,874.3</b>  |
| <b>Transfers from the Federal Government</b>                 |                       |                  |                 |
| Canada Health Transfer .....                                 | 1,092.8               | 998.4            | 1,011.6         |
| Canada Social Transfer .....                                 | 412.6                 | 397.7            | 398.2           |
| Other .....  | 717.6                 | 774.7            | 642.0           |
| <b>Total Transfers from the Federal Government</b>           | <b>2,223.0</b>        | <b>2,170.8</b>   | <b>2,051.8</b>  |
| <b>Net Income from Government Business Enterprises</b>       |                       |                  |                 |
| Municipal Financing Corporation .....                        | 1.0                   | 1.7              | 1.1             |
| Saskatchewan Auto Fund .....                                 | 33.1                  | 53.8             | (12.6)          |
| Saskatchewan Gaming Corporation .....                        | 25.9                  | 24.9             | 25.2            |
| Saskatchewan Government Insurance .....                      | 36.6                  | 40.7             | 29.7            |
| Saskatchewan Liquor and Gaming Authority.....                | 499.8                 | 482.3            | 491.8           |
| Saskatchewan Power Corporation.....                          | 82.1                  | 59.6             | 26.9            |
| Saskatchewan Telecommunications Holding Corporation.....     | 76.8                  | 76.4             | 59.2            |
| Saskatchewan Water Corporation .....                         | 4.7                   | 5.5              | 3.7             |
| SaskEnergy Incorporated.....                                 | 77.5                  | (33.0)           | 62.2            |
| Saskatchewan Workers' Compensation Board.....                | 72.8                  | 99.2             | 6.5             |
| Consolidation Adjustments.....                               | (5.4)                 | (4.0)            | (25.5)          |
| <b>Total Net Income from Government Business Enterprises</b> | <b>904.9</b>          | <b>807.1</b>     | <b>668.2</b>    |
| <b>Total Revenue</b>   | <b>14,280.0</b>       | <b>14,146.8</b>  | <b>14,109.0</b> |

Totals may not add due to rounding.



# GOVERNMENT OF SASKATCHEWAN

## *Glossary of Financial Terms*

### **Accumulated Surplus (Deficit)**

One of two measures of a government's financial position (see Net Debt). The accumulated surplus (deficit) is the amount by which revenue has exceeded expense/expense has exceeded revenue from the beginning of incorporation (1905) plus any adjustments that were charged directly to the accumulated surplus (deficit). It is calculated as the difference between assets and liabilities.

### **Amortization**

A rational and systematic manner of allocating the cost of a capital asset over its estimated useful life. Each year, the portion of the capital asset consumed in providing service is charged to expense and reduces the recorded value of the asset.

### **Debt**

Obligations incurred through the issuance of debt instruments such as promissory notes or debentures. Debt does not include other liabilities such as accounts payable or pension obligations.

- **Gross Debt** – debt before subtracting sinking funds.
- **Public Debt** – debt after subtracting sinking funds.
- **General Debt** – public debt minus government business enterprise specific debt.

- **Government Business Enterprise (GBE) Specific Debt** –
  - debt issued by a GBE; or,
  - debt issued by the General Revenue Fund specifically on behalf of a GBE, where the GBE is obligated to repay the debt under identical terms and conditions as those applicable to the GRF.
- **Guaranteed Debt** – debt of others that the government has agreed to repay if the others default.

### **Debt Charges**

Costs associated with debt including interest, foreign exchange gains and losses, discounts, fees and commissions. The costs incurred for Crown corporation general debt are reimbursed by the Crown corporation and recorded as interest revenue.

### **Expenses**

An accounting measure of the cost of economic resources consumed during the fiscal period, including the amortization of capital assets and the cost to recognize and measure the liability to remediate contaminated sites. Expenses include all operating expense and capital transfers.

### **Forecast**

The amounts of revenue, expense or debt the government expects to record during the period.

### **Government Business Enterprise (GBE)**

GBEs are self-sufficient organizations controlled by government that have the financial and operating authority to sell goods and services to individuals and organizations outside the government as their principal activity. All other government organizations are considered government service organizations. A listing of GBEs can be found in the *Public Accounts*.

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

An organization that is controlled by the government, except those designated as GBEs.

### **Net Debt**

One of two measures of a government's financial position (see Accumulated Surplus (Deficit)). Net debt is calculated as the difference between financial assets and liabilities.

### **Other Comprehensive Income (Loss)**

Other comprehensive income or loss includes certain government business enterprise unrealized gains and losses that are excluded from net income, but recognized as a change in net debt and accumulated surplus (deficit) during the fiscal period.

### **Pension Liability**

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

### **Sinking Funds**

Funds set aside for the repayment of debt.

### **Surplus (Deficit)**

The difference between revenue and expense for a fiscal period. The budget presents the surplus or deficit before the adjustment to account for accrual pension costs.

### **Tangible Capital Assets**

Property, infrastructure, equipment, vehicles, computer systems or other assets that provide a long-term benefit to the public or the government. Only assets which exceed a certain dollar value (threshold) are recorded as capital assets. Assets below the threshold are expensed in the year of acquisition.

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