

2007-08 Saskatchewan Provincial Budget

Key Facts & Figures

Sound financial management:

- **14th consecutive balanced budget**
- **16 credit rating upgrades since 1995** (most recent in November 2006 from Moody's)
- **Surplus on a General Revenue Fund basis**

Surplus/Deficit:

- **\$75 million General Revenue Fund surplus**
- **\$701.3 million Summary Financial Statement deficit** (due to transfers from the Fiscal Stabilization Fund and Saskatchewan Infrastructure Fund, as well as pension adjustments)

Economic Growth:

- **Saskatchewan Forecast: 2.9%** real GDP growth in 2007 and **2.6%** in 2008
- **Average of Private Forecasters: 2.8%** real GDP growth in 2007 and **2.7%** in 2008

Oil Forecast for fiscal year 2007-08, WTI: **\$58.75 US\$/barrel**

Revenue:

\$7.87 billion (1.8% growth over Budget 2006-07), comprised of:

- **\$6.59 billion (84%) in own-source revenue** such as taxes, non-renewable resources, transfers from Crown Entities and other revenue
- **\$1.28 billion (16%) in transfers from the Government of Canada**, such as health and social transfers and other federal-provincial cost-sharing agreements
- **\$0 in equalization entitlements***

Spending Highlights:

- **\$7.79 billion in operating spending** (up \$640 million or 9.0% from Budget 2006-07).
- **Primarily spending in the areas of health** (\$3.45 billion, or 44.2% of operating spending) **and education** (\$1.16 billion, including teachers' pensions and benefits, or 20.7% of operating spending). Funding for health increased \$267.5 million or 8.4% over Budget 2006-07, while funding for education increased \$101.8 million or 6.7% over Budget 2006-07
- **\$35.7 million for the Seniors' Drug Plan** – effective July 1; a maximum \$15/prescription for all drugs under the Drug Plan for people 65 and older (benefiting 115,000 seniors; average savings of \$400 annually/senior). Lower-income seniors who don't pay for drugs will continue to not pay
- **\$10,000 Graduate Tax Exemption** – providing a \$10,000 tax exemption per year for five years. Combined with existing exemptions, this means recent graduates' first \$20,000 of income is tax-free in each of the five years following graduation
- **\$21.6 million to continue the university tuition freeze** – third year in a row; freezing university tuition at 2004 levels until 2008
- **\$23.7 million in funding for more than 2,100 new training spaces (\$494.5 million in total for almost 31,400 training spaces and 32,000 university seats)**
- **\$107.8 million in education property tax relief**
- **\$127.3 million for revenue sharing for urban, rural, and northern municipalities**, an increase of \$30.0 million (or 30.8%) from 2006-07
- **\$118.3 million to fully fund CAIS and another \$104.1 million for the Crop Insurance program**
- **\$2.1 million for 500 additional childcare spaces (9,300 spaces in total) and 15 pre-K programs**
- **\$534.8 million capital budget** – which includes funds for schools, hospitals and other health facilities, medical equipment, highways and parks
- **\$6.8 million in Community Based Organization (CBO) wage increases**, meeting the three-year commitment

* The Equalization payment to Saskatchewan announced in the March 19 Federal Budget has not been counted in the Saskatchewan Provincial Budget calculations. Saskatchewan cannot bank on that funding until the Federal Budget is passed in the House of Commons.

Fiscal Stabilization Fund (FSF):

- **\$510 million draw from FSF to help balance the budget**
- **\$378 million balance at the end of 2007-08** – cushion against unforeseen pressures

Saskatchewan Infrastructure Fund (SIF):

- **\$45 million draw from SIF to fund the second year of the Building Communities program and municipal infrastructure projects**
- **\$52 million balance at the end of 2007-08**

Debt:

- **Government debt at March 31, 2008 forecast to be \$7.3 billion**
- **\$11.2 billion total debt projection at March 31, 2008** (includes government and Crown debt)
- **Projected total debt to GDP** at March 2008 is 23.8% compared to 69.8% in 1993
- **Projected Government debt to GDP** (which excludes Crown debt) at March 2007 is 16.0%, compared to 41.6% in 1993. For March 2008 it's forecast even lower at **15.6%**
- **Government has received 16 credit rating upgrades since 1995.** The most recent upgrades include: November 17, 2006, when Dominion Bond Rating Service (DBRS) boosted its long-term rating for the province from A (high) to AA (low); November 14, 2006, when Moody's Investors Service boosted Saskatchewan's long-term debt ranking from Aa2 to Aa1; and, August 4, 2006 when Standard & Poor's boosted the province's rating from AA- to AA

Tax Facts:

Business Taxes

- **\$155 million in business tax cuts this year to encourage jobs and growth** – more opportunities for businesses to expand and grow, and employ young people in meaningful careers. Details:
 - **Converted the non-refundable Investment Tax Credit (ITC) for Manufacturing and Processing into a refundable tax credit** and extended the carry-forward for unused ITCs previously earned to 10 years, on April 7, 2006
 - **Eliminated the general Corporate Capital Tax (CCT) on new capital investments** in Saskatchewan on July 1, 2006
 - **Eliminating the general (CCT) on existing capital** by July 1, 2008
 - **Reducing CCT Resource Surcharge** rates beginning July 1, 2006
 - **Reducing the general Corporate Income Tax rate from 17% to 12%** by July 1, 2008
 - **Increasing the small business threshold from \$300,000 to \$500,000** by July 1, 2008

PST

- **\$340 million in tax savings this year** – to maintain the Oct. 28, 2006, 5% PST rate (this is the lowest PST rate in Saskatchewan since 1987, and is also the lowest PST in Canada of jurisdictions that have a sales tax)

Indexation

- **\$85 million in tax savings this year** – from fully indexing the personal income tax system to inflation since 2004 (indexation avoids automatic tax increases caused by inflation, i.e., bracket creep)

Personal Income Tax (PIT)

- **\$260 million in annual tax savings** – as a result of PIT reforms that began in 2000-01