



The Honourable Rod Gantefer
Minister of Finance

SASKATCHEWAN BUDGET UPDATE

08-09

READY FOR GROWTH

MID-YEAR REPORT

BACKGROUNDER – REPORT SUMMARY

Improved Bottom Line

- **Total revenue forecast for the year of \$12.26 billion**, a decrease of \$203.2 million from the First Quarter forecast (largely due to the tax reduction measures announced earlier this fall, as well as a drop in oil and other non-renewable resource revenue, offset by other forecast increases), but an increase of \$2.9 billion over Budget.
- **\$2.3 billion General Revenue Fund surplus** forecast.
- **\$3.1 billion Summary Financial Statements surplus** forecast.
- **Positive position supports the Premier's Oct. 21 announcement providing tax relief, debt paydown and boost in infrastructure:**
 - the largest single-year income tax reduction in Saskatchewan history (\$334 million in tax savings for Saskatchewan people in 2008-09 and \$300 million in tax savings annually);
 - the largest amount of debt reduction in Saskatchewan history — a reduction of almost 40 per cent to \$4.2 billion;
 - the largest investment in infrastructure in Saskatchewan history (\$1.5 billion for 2009-10);
 - while still maintaining an almost \$2 billion cash balance in the Growth and Financial Security Fund (GFSF), as a fiscal insurance policy.

Revised Revenue Forecast (see page 22 of Mid-Year Report for further details)

<i>(thousands of dollars)</i>					
	Budget Estimate	1 st Quarter Forecast	Mid-Year Projection	Change From	
				Budget	1 st Quarter
Taxes Before Tax Cut	4,679,000	4,815,000	5,018,100	339,100	203,100
Tax Cut	-	-	(334,000)	(334,000)	(334,000)
Taxes	4,679,000	4,815,000	4,684,100	5,100	(130,900)
Crown Land Sales	192,500	992,200	1,076,000	883,500	83,800
Natural Gas	118,000	183,600	144,400	26,400	(39,200)
Oil	1,054,600	1,799,800	1,608,500	553,900	(191,300)
Potash	352,600	1,359,800	1,427,000	1,074,400	67,200
Other	189,200	147,000	138,900	(50,300)	(8,100)
Non-Renewable Resources	1,906,900	4,482,400	4,394,800	2,487,900	(87,600)
Transfers from Crown Entities	968,400	986,500	1,005,800	37,400	19,300
Other Revenue	426,700	488,000	479,600	52,900	(8,400)
Federal Transfers	1,385,500	1,691,500	1,695,900	310,400	4,400
Revenue	9,366,500	12,463,400	12,260,200	2,893,700	(203,200)

Revised Expense Forecast

Total expense, which is offset by debt servicing costs, is forecast at \$9.6 billion, an increase of \$506.9 million over Budget. Operating expense is forecast to be \$9.1 billion, an increase of \$531.9 million over Budget. The increase mainly reflects changes as follows:

- A transfer to **Crown Investments Corporation of Saskatchewan (CIC)** of \$240.0 million for federal carbon capture funding.
- **Advanced Education, Employment and Labour** is up \$106.1 million from budget, primarily related to a capital transfer increase for the Academic Health Sciences Centre.
- **Health** is up \$80.0 million from budget, primarily due to increased funding for regional health authorities for costs related to the settlement with nurses and new Saskatchewan Cancer Agency diagnostic imaging equipment.
- **Agriculture** is up \$29.4 million from budget, primarily related to an increase in projected Crop Insurance premiums, funding for the Agri-Stability administration, and the funding of a gopher control rebate program.
- **First Nations and Métis Relations** is up \$19.6 million from budget, primarily related to higher transfers to gaming trusts due to increased gaming revenue.
- **Corrections, Public Safety and Policing** is up \$18.2 million from budget, primarily due to increases for claims under the Provincial Disaster Assistance Program, adult corrections inmate count management and higher Information Technology Office (ITO) costs.
- **Social Services** is up \$14.4 million from budget, primarily due to increases for community-based organizations and Seniors Income Plan enhancements.
- **Education** is up \$9.5 million from budget, primarily due to increases for community-based organizations, the Single Integrated Library Information System and the enhancement of CommunityNet and the E-Learning Satellite Network.
- **Enterprise Saskatchewan** is up \$6.1 million from budget, primarily due to flow-through funding from the federal government related to the Community Development Trust, Enterprise Saskatchewan start-up and operating costs and Hydrogen Technologies Corp project funding.
- **Justice and Attorney General** is up \$3.5 million from budget, primarily due to increased workloads.
- **Energy and Resources** is up \$2.1 million from budget, primarily due to flow-through funding from the federal government related to the Community Development Trust, for research and market analysis on value-added forestry products.
- **Environment** is up \$1.5 million from budget, primarily due to an increase related to the Traffic Alert and Collision Avoidance Systems.
- **Education – Teachers’ Pensions and Benefits** is up \$0.9 million from budget, primarily due to an increase in the statutory requirements of the Saskatchewan Teachers’ Retirement Plan.
- **Offset by \$25 million in interest savings** for debt servicing.

Growth and Financial Security Fund

- Forecasted Growth and Financial Security Fund balance of almost \$2 billion at the end of 2008-09.

Debt

- **Government Debt forecast at \$4.2 billion, a decrease of \$2.66 billion (almost 40 per cent)** from the \$6.8 billion estimated at March 2008
- **General Revenue Fund Total Debt** (which includes Crown Debt) forecast at \$8.1 billion, a decrease of \$2.2 billion from the \$10.2 billion balance at March 2008