



The Honourable Rod Gantfoer
Minister of Finance

SASKATCHEWAN BUDGET UPDATE

09-10

STRONG AND STEADY

MID-YEAR REPORT

BACKGROUND – REPORT SUMMARY

Revised Revenue Forecast

- **Non-renewable resource revenue** is projected to be \$1.6 billion lower than budget estimates mainly due to lower-than-budgeted potash sales and prices.
- **Potash revenue** forecast now revised to \$109 million, down \$1.8 billion from budget, **partially offset** by oil revenue (\$379.7 million), taxation revenues (\$192.8 million) and federal transfers (\$169.8 million).
- **Total revenue forecast** for the year of \$9.87 billion, a decrease of \$229.5 million from the first quarter forecast and a decrease of \$787.9 million from budget.
- To address this year's revenue shortfall and **maintain a balanced budget**, Government has taken the following measures:
 - Defer \$122 million in capital funding for new long-term care facilities still in the planning stages (Health). Government retains its commitment to provide funding in future years as construction occurs;
 - Continue spending restraint measures and vacancy management initiatives;
 - Transfer a further \$190 million from the Growth and Financial Security Fund (GFSF) for a total transfer of \$564.3 million in 2009-10; and
 - Transfer an additional \$275 million dividend from Crown Investments Corporation of Saskatchewan (CIC), from proceeds of the Saskferco sale.

Revised Revenue Forecast (*thousands of dollars*)

	Budget Estimate	1 st Quarter Forecast	Mid-Year Projection	Change From	
				Budget	1 st Quarter
Taxes	4,458,900	4,603,000	4,651,700	192,800	48,700
Crown Land Sales	127,800	127,800	127,800	0	0
Natural Gas	102,200	54,700	33,300	(68,900)	(21,400)
Oil	573,100	982,500	952,800	379,700	(29,700)
Potash	1,926,800	637,600	109,000	(1,817,800)	(528,600)
Resource Surcharge	461,800	461,800	400,800	(61,000)	(61,000)
Other	177,200	174,400	157,100	(20,100)	(17,300)
Non-Renewable Resources	3,368,900	2,438,800	1,780,800	(1,588,100)	(658,000)
Transfers from Crown Entities	776,900	961,900	1,241,400	464,500	279,500
Other Revenue	598,400	548,400	571,500	(26,900)	23,100
Federal Transfers	1,457,700	1,550,300	1,627,500	169,800	77,200
Revenue	10,660,800	10,102,400	9,872,900	(787,900)	(229,500)

Revised Expense Forecast

Total expense, including debt-servicing costs, is forecast at \$10.0 billion, a decrease of \$233 million from budget. The decrease mainly reflects changes as follows:

- **Health** is down \$192.1 million from budget primarily due to deferrals of capital projects (\$122 million for long-term care facilities, \$95 million for Children's Hospital, and \$3 million for ambulatory surgical care centre in Regina, offset by operating pressures including H1N1 preparedness).
- **Agriculture** is down \$40.1 million from budget, primarily due to lower-than-expected costs for the Crown Land Incentive Program, the Crop Insurance Program, and the AgriInvest Program.
- **Education** is down \$31.2 million from budget, primarily due to a deferral of capital transfers not yet committed to specific projects.
- **Debt servicing** is down \$15.0 million from budget.
- **Tourism, Parks, Culture and Sport** is down \$10.7 million from budget, primarily due to a deferral of capital funding related to the Building Communities Program and savings from the Active Families Benefit.
- **Environment** is down \$9.6 million from budget, primarily due to savings resulting from a lower-than-average fire season.
- **Government Services** is down \$2.6 million from budget, primarily due to savings from vacancy management and travel restraint.
- **Enterprise Saskatchewan** is down \$2.4 million from budget, primarily due to reduced project costs and savings in administrative funding.

Expense increases were primarily a result of expenditures required to qualify for federal stimulus funding announced after budget. Increases were seen in the following ministries:

- **Advanced Education, Employment and Labour** is up \$28.3 million from budget, primarily due to increases for the federal government's Knowledge Infrastructure Program and labour market agreements.
- **Municipal Affairs** is up \$20.8 million from budget, primarily due to increases resulting from infrastructure projects proceeding faster than anticipated.

Other increases:

- **Social Services** is up \$13.4 million from budget, primarily due to higher-than-expected Saskatchewan Assistance Plan caseloads.
- **Corrections, Public Safety and Policing** is up \$9.8 million from budget, primarily due to increases for claims under the Provincial Disaster Assistance Program, RCMP compensation increases and adult corrections inmate count management.
- **Justice and Attorney General** is up \$2.9 million from budget, primarily due to increased workloads in Court Services.

Other Financial Details

- **General Revenue Fund surplus** forecast to be \$424.5 million.
- **Summary Financial Statements deficit** forecast to be \$1.05 billion.
- Forecasted **Growth and Financial Security Fund** balance of \$650.8 million at the end of 2009-10.
- Saskatchewan's total **investment in infrastructure** has been revised to \$2.3 billion over two years. CIC holds \$195 million in capital funding for the **Children's Hospital**.
- **2009 real and nominal GDP** now forecast to decline at rates of 2.9 per cent and 11.9 per cent respectively.
- Saskatchewan **2010 real and nominal GDP** forecast to grow by 2.4 per cent and 3.1 per cent, respectively.
- Saskatchewan's 2010 private sector forecast, on average, is expected to have the **highest rate of economic growth in Canada** of 2.8 per cent.

Debt

- **Government Debt** will not rise and is forecast to remain unchanged at \$4.2 billion.
- **General Revenue Fund Total Debt** (which includes Crown Debt) forecast to be \$8.6 billion, an increase of \$839.1 million from the \$7.7 billion balance at March 2009.