



The Honourable Ken Krawetz
Deputy Premier and Minister of Finance

SASKATCHEWAN BUDGET UPDATE

10-11

BALANCED. FORWARD - LOOKING. RESPONSIBLE.

MID-YEAR REPORT BACKGROUND – REPORT SUMMARY

Revised Revenue Forecast - General Revenue Fund revenue is projected to be \$10,676.1 million, an increase of \$726.2 from the budget estimate.

- **Non-renewable resource revenue** is projected to be \$315.9 million higher than the budget estimate due to an increase of \$45.2 million in oil revenue from higher oil prices forecast to average US\$80.51 per barrel for the fiscal year, a \$36.6 million increase in potash from higher sales, offset by a decrease in natural gas revenue and a decrease in other non-renewable resources, such as lower prices for uranium. Crown Land Sales are forecast to increase \$252.7 million from budget.
- **Taxation Revenue** is projected to increase by \$169 million. Corporation Income Tax revenue will be up by \$340.4 million from budget because of stronger than anticipated assessments for 2009 and a higher federal forecast for the national corporate tax base for 2010. Individual Income Tax is expected to be down \$169 million from budget because of lower 2009 assessments caused by weaker than expected investment earnings. Tobacco tax revenue will increase by \$4.6 million primarily due to the settlement of a lawsuit related to past smuggling activities. Fuel tax revenue decreased \$7 million as a result of wet weather.
- **Transfers from Crown Entities** increased \$184.1 million from budget due to the \$195 million CIC Special Dividend to fund the Children's Hospital, partially offset by lower gaming revenues realized in the First Quarter.
- **Other own-source revenue** increased \$84.7 million from budget, primarily because of a \$50.3 million increase in interest, premium, discount and exchange earnings, largely as the result of gains on the redemption of sinking fund assets. In addition, sales, services and service fees revenue is forecast to increase \$24.0 million primarily due to an increase in compensation payments for foregone royalty revenue as a result of the sale of Crown mineral rights under the Treaty Land Entitlement Framework Agreement.
- **Federal Transfers** decreased \$27.5 million due to lower payments in the Canada Health Transfer as a result of the increase in value of Saskatchewan tax points and changes in a number of other cost-sharing agreements.

Revised Revenue Forecast (thousands of dollars)					
	Budget Estimate	1st Quarter Forecast	Mid-Year Projection	Change From	
				Budget	1st Quarter
Taxes	4,859,200	4,859,200	5,028,200	169,000	169,000
Crown Land Sales	202,800	455,500	455,500	252,700	-
Natural Gas	42,200	34,500	27,400	(14,800)	(7,100)
Oil	1,098,300	1,085,400	1,143,500	45,200	58,100
Potash	221,000	205,000	257,600	36,600	52,600
Resource Surcharge	398,700	398,700	398,700	-	-
Other	145,000	144,100	141,200	(3,800)	(2,900)
Non-Renewable Resources	2,108,000	2,323,200	2,423,900	315,900	100,700
Transfers from Crown Entities	768,500	756,900	952,600	184,100	195,700
Other Revenue	514,500	514,500	599,200	84,700	84,700
Federal Transfers	1,699,700	1,691,000	1,672,200	(27,500)	(18,800)
Revenue	9,949,900	10,144,800	10,676,100	726,200	531,300

Revised Expense Forecast

The preliminary GRF expense is forecast to be \$10,539.1 million, an increase of \$415.0 million from budget. Over 87 per cent of this increase is attributed to funding for the Children's Hospital and weather-related costs.

Changes from budget occurred in the following Ministries:

- **Health** increased \$202.6 million from budget, primarily due to funding for the Children's Hospital and for Multiple Sclerosis clinical trials.
- **Agriculture** increased \$144.0 million, primarily due to the provincial contribution to the Canada-Saskatchewan Excess Moisture Program as well as higher-than-expected costs for the Province's portion of the AgriStability Program.
- **Corrections, Public Safety and Policing** increased \$28.8 million from budget primarily due to increases in claims under the Provincial Disaster Assistance Program, and adult corrections inmate count management.
- **Enterprise and Innovation Programs** increased \$14.1 million from budget due to the reinstatement of the Ethanol Fuel Tax Rebate program.
- **Advanced Education, Employment and Immigration** increased \$11.3 million for the expansion of 170 Registered Nurses training seats.

- **Energy and Resources** increased \$600,000 to pay for consulting and legal services related to the proposed takeover of Potash Corporation by BHP Billiton.
- **Social Services** increased \$10.4 million, primarily due to higher-than-expected Saskatchewan Assistance Program caseloads.
- **Education** increased \$8.5 million from budget primarily due to an increase in the School Operating grant related to the 2009 property tax reconciliation.
- **Environment** is up \$8.0 million due to funding the Saskatchewan Watershed Authority in relation to flood assistance in the Fishing Lake area.
- **Justice and Attorney General** is up \$3.4 million from budget, primarily due to increased workloads in Court Services and the Public Guardian and Trustee.
- **First Nations and Métis Relations** is down \$10.7 million from budget, primarily due to reductions in payments under the gaming agreements, reflecting lower Saskatchewan Indian Gaming Authority earnings in 2009-10 and 2010-11 projections, and lower 2010 Saskatchewan Gaming Corporation net profits.
- **Debt Servicing** is down \$5.0 million from budget due to lower-than-expected rates on in-year financing.
- **Tourism, Parks, Culture and Sport** is down \$2.2 million from budget, primarily due to a reduction for the Building Community Program related to the timing of approved projects and a decrease in gaming payments to the Community Initiatives Fund resulting from lower Saskatchewan Gaming Corporation net profits.

Other Financial Details

- **General Revenue Fund pre-transfer surplus** of \$137 million.
- **Summary Financial Statements deficit** will fall to \$325.6 million, an improvement of \$297.1 million from the 2010-11 Budget summary-based deficit of \$622.7 million.
- **Growth and Financial Security Fund** Half of the pre-transfer surplus (\$68.5 million) will be transferred to the GFSF increasing the projected year-end GFSF balance at \$1,026.8 million.
- **2010 real and nominal GDP** is now forecast to grow 1.0 and 3.6 per cent respectively, which is down from the forecast at budget.

Debt

- **Government General Public Debt** will not rise and remains at \$4.14 billion, where it ended the previous fiscal year.