



The Honourable Ken Krawetz
Deputy Premier and Minister of Finance

SASKATCHEWAN BUDGET UPDATE

11-12

THE SASKATCHEWAN ADVANTAGE

MID-YEAR REPORT BACKGROUND – REPORT SUMMARY

Revised Revenue Forecast - General Revenue Fund (GRF) revenue is projected to be \$10,951 million, an increase of \$156.8 million from the budget estimate.

- **Non-renewable resource revenue** is projected to be \$46.6 million higher than the budget estimate due to an increase of \$207.0 million in potash revenue reflecting higher prices and sales volumes, offset by a \$26.5 million decrease in oil revenue based on oil prices at \$95.28 U.S. per barrel, primarily due to lower production as a result of wet weather. Lower natural gas prices have resulted in a \$2.8 million decrease in revenue. Other non-renewable resources are projected to be down \$9.7 million, primarily due to lower uranium prices. Crown Land Sales are forecast to decrease \$151.4 million from budget.
- **Taxation Revenue** is forecast to decrease by \$79.7 million. Corporation Income Tax revenue is currently projected to be down by \$109.7 million due to lower-than-anticipated assessment data for the 2010 taxation year largely attributable to the resource sector.
- **PST revenue** is up \$30.0 million due to higher-than-budgeted revenue through the end of October and continued strength in the provincial economy. Individual Income Tax is expected to remain the same, along with tobacco tax and fuel tax revenues.
- **Transfers from Crown Entities** increased \$25.9 million from budget primarily due to an unbudgeted transfer of surplus funds from the Agricultural Credit Corporation of Saskatchewan.
- **Other own-source revenue** increased \$58.4 million from budget, largely due to \$49.6 million increase in higher interest earnings due to unbudgeted gains on sales of investments. In addition, sales, services and service fees revenue is forecast to increase \$6.4 million.
- **Federal Transfers** increased \$105.6 million from budget largely due to anticipated federal contributions to flood-related expenditures

Revised Revenue Forecast (thousands of dollars)					
	Budget Estimate	1st Quarter Forecast	Mid-Year Projection	Change From	
				Budget	1st Quarter
Taxes	5,267,800	5,267,800	5,188,000	(79,700)	(79,700)
Crown Land Sales	436,400	436,400	285,000	(151,400)	(151,400)
Natural Gas	22,500	21,000	19,700	(2,800)	(1,300)
Oil	1,410,100	1,388,900	1,383,600	(26,500)	(5,300)
Potash	381,300	381,600	588,300	207,000	206,700
Resource Surcharge	438,300	468,300	468,300	30,000	-
Other	140,300	133,100	130,600	(9,700)	(2,500)
Non-Renewable Resources	2,828,900	2,829,300	2,875,500	46,600	46,200
Transfers from Crown Entities	587,800	587,800	613,700	25,900	25,900
Other Revenue	541,000	562,700	599,400	58,400	36,700
Federal Transfers	1,568,800	1,610,800	1,674,400	105,600	63,600
Revenue	10,794,300	10,858,400	10,951,100	156,800	92,700

Revised Expense Forecast

The preliminary GRF expense is forecast to be \$10,926 million, an increase of \$246.8 million from budget. Of this, about \$244.4 million is in direct expenses related to 2011 flooding.

Increases from budget occurred in the following Ministries:

- **Environment** increased \$33.9 million from budget due to funding through Saskatchewan Watershed Authority related to flooding assistance measures. This is offset by \$17.0 million in anticipated federal cost-sharing.
- **Highways and Infrastructure** is up \$52.0 million from budget, due to emergency repairs related to flooding and extreme weather conditions. Unbudgeted spending on weather-related repairs is expected to be offset by \$17.0 million in anticipated federal cost-sharing.
- **Agriculture** increased \$27.6 million from budget, due to provincial contributions to the Canada-Saskatchewan Excess Moisture Program, AgriInvest, and the Saskatchewan Feed and Forage Program, partially offset by anticipated savings in AgriStability contributions resulting from higher expected crop prices and estimated improvements in farm incomes.

- **Corrections, Public Safety and Policing** is up \$60.0 million from budget due to higher than anticipated claims under PDAP related to spring flooding, offset by \$51.0 million in federal cost-sharing.
- **Advanced Education, Employment and Immigration** increased \$8.4 million from budget due to higher demand for student loans issued through Saskatchewan Student Aid Fund.
- **Justice** increased \$3.3 million from budget primarily due to salary and operating pressures from increased workloads.
- **Education** increased \$94.7 million from budget, mainly due to a net increase in salary expense related to the Teachers' Collective Bargaining Agreement, as well as an increase in school capital transfer funding.

Decreases from budget occurred in the following Ministries:

- **Social Services** is under budget by \$17.2 million, largely due to lower than expected Transitional Employment Allowance and Rental Housing Supplement caseloads, and some program delivery for disabilities taking longer to become operational.
- **Finance** Debt Servicing is down \$10.0 million from budget, due to lower-than-anticipated requirements for notes issued on behalf of Crown Corporations and lower short-term interest rates.
- **Municipal Affairs** is down \$9.1 million, primarily due to a decrease for the Building Canada Fund – Communities Component resulting from competitive pricing on tender bids, as well as project delays caused by weather and contractor availability.
- **Tourism, Parks, Culture and Sport** decreased \$4.1 million, largely due to savings related to the timing and revision of scope of Building Communities Program approved projects.

Other Financial Details

- **General Revenue Fund pre-transfer operating surplus** of \$25.0 million.
- **Summary Financial Statements deficit** of \$304.3 million is a reflection of weather-related flooding and the effects of global uncertainty caused by the European debt crisis.
- **Growth and Financial Security Fund** a \$325.0 million transfer from the fund to reduce government debt would result in the GFSF having a \$693.5 million balance remaining at the end of 2011-12.
- **2011 real and nominal GDP** is expected to increase by 3.1 per cent and 11.2 per cent respectively.

Debt

- **Government General Public Debt** at March 31, 2012 is projected to be \$3.8 billion, a decrease of \$325.0.