

The Honourable Kevin Doherty
Minister of Finance



SASKATCHEWAN BUDGET UPDATE

15-16

**KEEPING
SASKATCHEWAN
STRONG**

MID-YEAR REPORT

2015-16 Mid-Year Report
Government of Saskatchewan
November 30, 2015

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MID-YEAR REPORT

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INTRODUCTION

2015-16 Mid-Year Report

In 2015-16, Saskatchewan is facing a number of challenges, including a sustained reduction in the price of oil and an unusually high number of wild fires, as well as economic slowdowns in some major trading partners and a smaller-than-expected crop.

Meeting these challenges requires diligent and concerted effort.

At mid-year, the budget deficit is projected to be \$262.2 million, a \$29.8 million improvement from the first quarter.

Further declines in non-renewable resource revenue and consumption taxation revenue have been more than offset by prudent expense management efforts, increased federal transfer revenue, and an increase in the net income of Government Business Enterprises.

Overall, revenue is down \$31.9 million from first quarter – a reduction of \$269.7 million from budget.

Non-renewable resource revenue is down \$388.3 million from budget as commodity prices continue to fall.

Taxation revenue is down \$97.6 million from budget, largely reflecting sluggish performance in the oil sector.

Net income from Government Business Enterprises is up \$101.0 million from budget. As the next step in implementing Summary budgeting, forecasting and reporting, the Crown Investments Corporation entities' year-ends will be aligned with Core Government operations' fiscal year. As a result of this alignment, GBE net income will increase \$140.0 million.

The increase is partially offset by the previously announced \$62.1 million Workers' Compensation Board surplus employer premium distribution.

Overall, expense is up \$99.3 million from budget, but down \$61.7 million from first quarter.

The expense increases since budget largely reflect the \$100 million in costs associated with this summer's wildfires, combined with increased funding for claims related to flooding this spring and in prior years, child and family services, support for persons with disabilities and health care pressures.

Savings have been identified across all expense categories, including those categories with net increases from budget, to help offset the increased costs required to provide this necessary support to those in need of assistance.

Public debt is down \$75.7 million from budget.

The sustained reduction in oil prices, slowing growth in the economies of some of Saskatchewan's major trading partners and a smaller crop are also posing challenges for Saskatchewan's economic performance in 2015.

Sound economic fundamentals and diversity in the economy, however, have allowed the effects of weakness in oil, trade and the crop to be mitigated by resilience in other sectors.

Population and employment continue to grow, albeit at a slightly slower pace, while Saskatchewan's unemployment rate remains one of the lowest in the country.

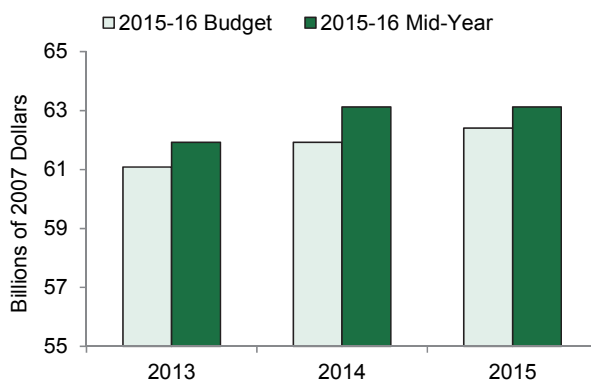
- Through the first 10 months of 2015, total employment has increased by roughly 2,700 and the unemployment rate has averaged 5.0 per cent, the lowest rate among provinces.
- Saskatchewan's population was estimated to be 1,133,637 as of July 1, 2015 and has grown in every quarter for the past nine years.

And, through the first nine months of 2015:

- wholesale trade grew 10.6 per cent, the highest increase among provinces; and,
- the value of building permits increased 6.9 per cent.

Overall, Saskatchewan's real GDP in 2015 is now forecast to remain at the 2014 level and is about \$721 million higher than it was forecast at the 2015-16 Budget.

SASKATCHEWAN REAL GDP FORECAST



Sources: Ministry of Finance, Statistics Canada

For 2016, the Saskatchewan economy is expected to accelerate 2.3 per cent as oil prices and global demand improve and crop production rebounds.

The private sector forecasters have revised their economic growth projections downward for all Canadian provinces and for Canada as a whole.

While they are slightly more pessimistic, on average, they also expect Saskatchewan's economy to pick up again in 2016, posting the fourth highest growth among provinces, in line with overall Canadian growth.

Diversity and resilience has helped Saskatchewan overcome previous challenges and it is expected this will continue in the future.

ECONOMIC UPDATE

INTRODUCTION

In 2015, the Saskatchewan economy has experienced challenges posed by a sustained reduction in the price of oil, weaker year-over-year exports due to economic slowdowns in some major trading partners and a smaller-than-expected crop.

Population and employment have continued to grow, however, demonstrating the economy's diversity and mitigating the negative effects from oil, trade and the crop.

Overall, Saskatchewan's real GDP in 2015 is now forecast to remain at the 2014 level and is about \$721 million higher than it was forecast at the 2015-16 Budget.

For 2016, the Saskatchewan economy is expected to pick up as oil prices and global demand improve.

GLOBAL ECONOMIC OUTLOOK

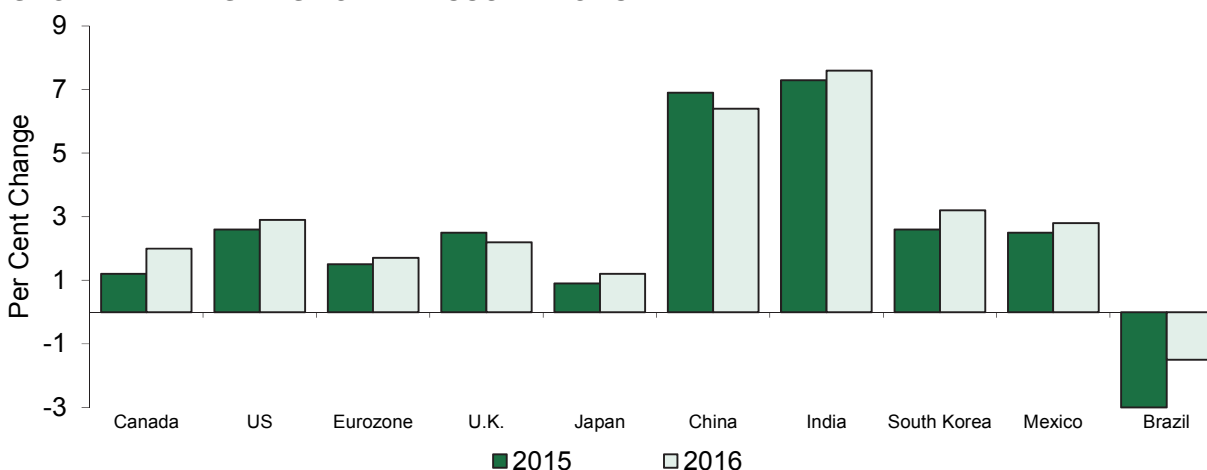
Global economic activity is weaker than expected thus far in 2015. In an environment of lower commodity prices and financial market uncertainty, growth is uneven across countries with some facing improved prospects and others slowing.

While the U.S. and some other advanced economies are experiencing better growth, a number of emerging economies, particularly China, are expected to grow more slowly.

China's economy currently faces challenges from weak manufacturing and exports, corrections in housing and stock markets as well as debt accumulation.

China's real GDP is expected to grow 6.9 per cent in 2015 and 6.4 per cent in 2016.

GLOBAL REAL GDP GROWTH ASSUMPTIONS



Sources: Scotiabank, Conference Board of Canada, Finance Canada

Japan's economy is expected to continue underperforming, growing by about 1.0 per cent in the near term despite the ongoing easing of monetary policy.

The U.S. and U.K. economies and the Eurozone have had better growth this year supported by strengthening domestic demand. Further expansion is expected in 2016 and 2017.

The U.S. economy is gradually moving to higher and more sustainable growth driven by consumer spending and housing activity. U.S. real GDP is projected to grow by 2.6 per cent in 2015 and 2.9 per cent in 2016.

CANADIAN ECONOMIC OUTLOOK

The economic slowdown in China and other emerging markets has contributed to strong downward pressure on prices for oil and other commodities. These factors are weighing on growth in Canada, especially in the oil-producing provinces.

Canada's real GDP declined at annualized rates of 0.8 per cent in the first quarter and 0.5 per cent in the second quarter of 2015.

CANADIAN AND U.S. GROWTH ASSUMPTIONS

	Actual	2015-16 Budget			2015-16 Mid-Year		
	2014	2015	2016	2017	2015	2016	2017
Can. real GDP growth (%)*	2.5	2.1	1.9	2.6	1.2	2.0	2.2
U.S. real GDP growth (%)	2.4	3.1	2.7	2.7	2.6	2.9	2.9
Short-term Interest Rate (%)	0.91	0.48	0.75	2.76	0.48	0.40	0.86
Long-term Interest Rate (%)**	2.23	1.82	3.00	3.51	1.44	1.71	3.21
Canadian Dollar (US cents)	90.70	79.00	81.00	82.50	77.80	77.40	78.90

* 2015-16 Mid-Year assumptions: Federal Government Economic and Fiscal Update, November 20, 2015.

** 10-year Government of Canada Bond

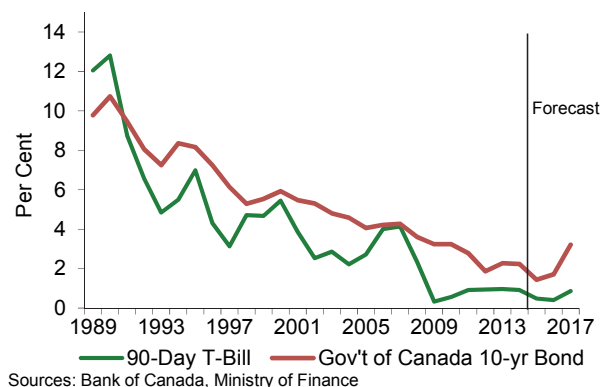
Canada's economy, however, has rebounded in the third quarter, growing by 2.5 per cent as non-resource sectors are benefiting from interest rates cuts and the depreciation of the Canadian dollar.

The recent federal update projected real Canadian GDP growth of 1.2 per cent in 2015 before firming at 2.0 per cent in 2016 and 2.2 per cent in 2017.

Canadian Interest Rates

Since the beginning of 2015, the Bank of Canada has cut its overnight rate twice by a total of 50 basis points from 1.0 per cent to 0.5 per cent in an attempt to stimulate the Canadian economy and absorb some of the impact of lower commodity prices.

CANADIAN INTEREST RATES

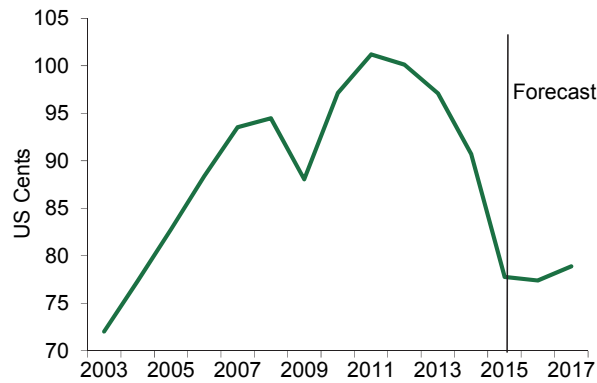


Canadian Dollar

The value of the Canadian dollar dropped from an average 82.5 US cents in January 2015 to 76.5 US cents in October, the lowest level since 2004.

The value of the Canadian dollar depreciated against the U.S. dollar mainly due to weak oil prices, the easing of monetary policy by the Bank of Canada and stronger U.S. growth.

CANADIAN DOLLAR



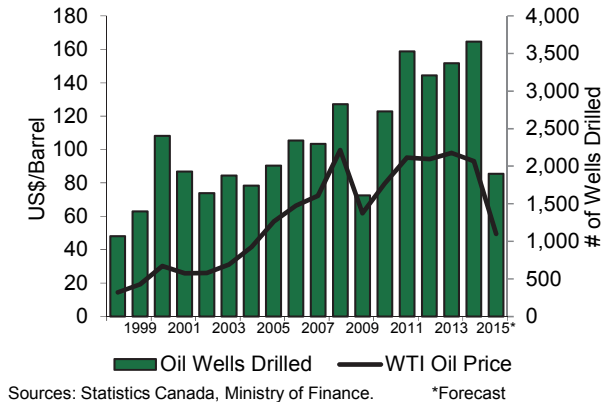
SASKATCHEWAN 2015 PERFORMANCE

Many indicators are down this year due to the fall in the price of oil and weaker global demand.

Most notable is drilling activity. The number of new oil wells drilled is anticipated to fall by 48.0 per cent this year to 1,900.

The number of housing starts and investment in new residential construction are also down.

WTI OIL PRICE AND OIL WELLS DRILLED

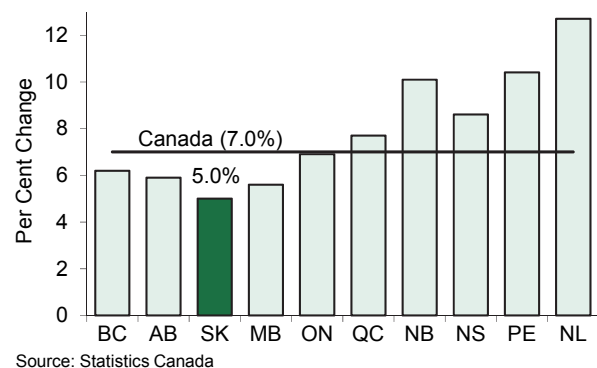


In addition, manufacturing sales were down by 11.2 per cent through the first nine months of this year while international goods exports were down by 7.2 per cent.

Despite these challenges, however, certain other indicators have remained strong. Through the first 10 months of 2015:

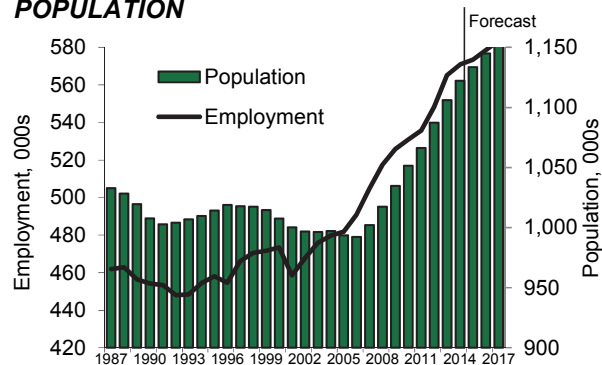
- total employment increased by roughly 2,700; and,
- Saskatchewan had the lowest unemployment rate among provinces at 5.0 per cent.

UNEMPLOYMENT RATE BY PROVINCE (Jan. - Oct. 2015 Average)



In addition, Saskatchewan's population continues to grow and was estimated to be 1,133,637 as of July 1, 2015, according to Statistics Canada's most recent release. Saskatchewan's population has now grown in every quarter for the past nine years.

SASKATCHEWAN EMPLOYMENT AND POPULATION



Sources: Statistics Canada, Ministry of Finance

Further, through the first nine months of 2015, wholesale trade was up 10.6 per cent, the highest increase among provinces, while the value of building permits was up 6.9 per cent.

SASKATCHEWAN ECONOMIC INDICATORS

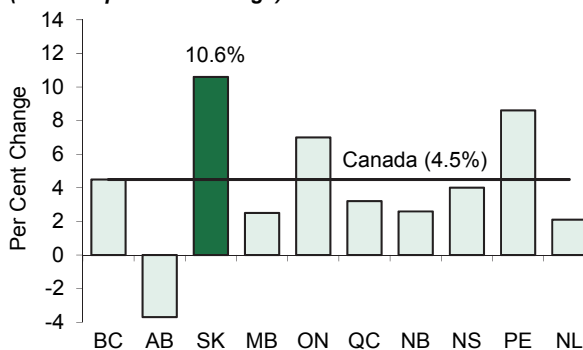
	2014 Actual	2015 Estimate*	2015 (YTD) % Change	2009 to 2015		
				Saskatchewan % Change	Rank	Canada % Change
Population at July 1 (000s)	1,122.3	1,133.6	1.0	9.6	2	6.6
Employment (000s)	570.9	573.6	0.5	9.1	3	7.3
Unemployment Rate (%)	3.8	5.0	5.0	4.7	Lowest	7.5
Consumer Price Index (2002=100)	128.7	130.7	1.5	11.6	4	10.5
Average Weekly Earnings (\$)	975.2	984.3	0.9	22.8	2	16.0
Retail Sales (\$B)	19.1	18.5	(3.4)	26.6	3	24.0
Wholesale Trade (\$B)	26.1	28.9	10.6	79.9	1	33.7
New Motor Vehicle Sales (# of Units)	58,434	55,320	(5.3)	23.2	7	30.7
Manufacturing Sales (\$B)	15.9	14.1	(11.2)	25.9	5	24.9
International Exports (\$B)	35.3	32.7	(7.2)	50.5	3	43.9
Building Permits (\$B)	2.7	2.9	6.9	50.9	3	39.1
Housing Starts (# of Units)	8,257	4,885	(40.8)	26.4	6	30.3
Investment in New Housing Construction (\$B)	1.9	1.5	(21.4)	67.8	2	45.6
Investment in Non-residential Building Construction (\$B)	1.8	1.7	(8.0)	12.2	5	19.3

Source: Statistics Canada

* Estimates based on 2015 year-to-date growth and 2014 actual, except for the unemployment rate which is the year-to-date average.

WHOLESALE TRADE BY PROVINCE

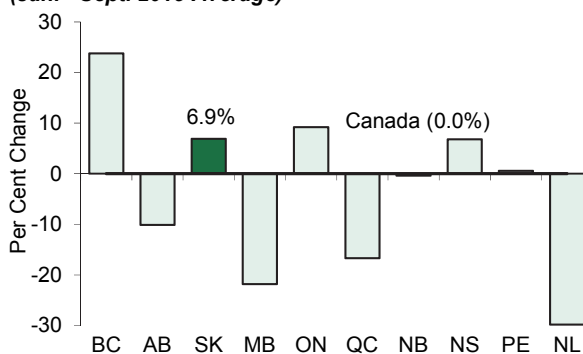
(Jan. - Sept. 2015 Average)



Source: Statistics Canada

BUILDING PERMITS BY PROVINCE

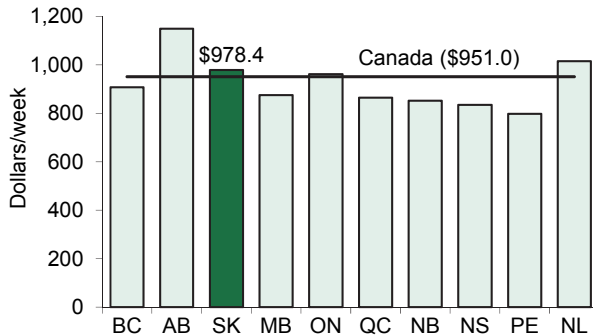
(Jan. - Sept. 2015 Average)



Source: Statistics Canada

Average weekly earnings were also up through the first eight months of the year.

AVERAGE WEEKLY EARNINGS BY PROVINCE
(Jan. - Aug. 2015 Average)



Source: Statistics Canada

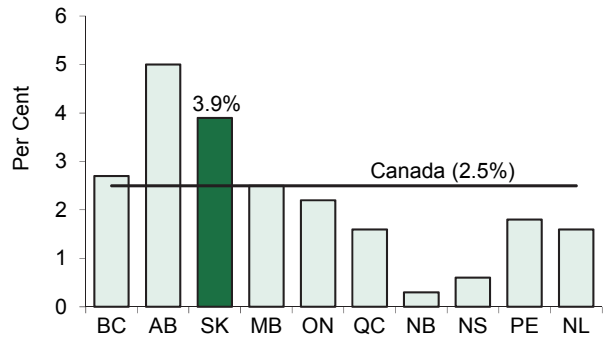
Though 2015 has seen weakness in some indicators, Saskatchewan's economy has been one of the strongest economies in all of Canada over the last several years.

From 2009 to 2015, Saskatchewan ranks;

- first in terms of growth in wholesale trade;
- second in terms of growth in population and average weekly earnings; and,
- third in terms of growth in employment, retail sales, international merchandise exports and value of building permits.

From 2010 to 2014, Saskatchewan real GDP growth has averaged 3.9 per cent, the second-highest average rate of growth among provinces.

AVERAGE REAL GDP GROWTH BY PROVINCE
(2010 - 2014)



Source: Statistics Canada

SASKATCHEWAN ECONOMIC FORECAST

With oil prices lower than previously expected, weaker global demand and a smaller-than-expected crop, the growth forecast for 2015 has been reduced. Real GDP is now forecast to remain at the 2014 level and nominal GDP is forecast to decline by 5.8 per cent.

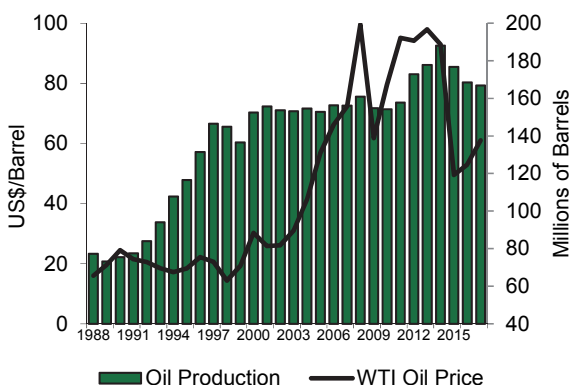
The price of a barrel of West Texas Intermediate (WTI) oil in 2015 is currently expected to average US\$49.50, whereas in 2014 the price averaged US\$93.00. In the 2015-16 Budget, the price was expected to average US\$53.00 in 2015.

As a result, a decline in both oil production and oil investment is expected this year. While a decline in both of these indicators this year was previously expected, the expectation now is that the decline will be slightly greater.

Oil production is now expected to fall by roughly 6 per cent in 2015 to 176.8 million barrels, a slightly larger decline than the 4

per cent reduction forecast in the 2015-16 Budget.

WTI OIL PRICE AND OIL PRODUCTION



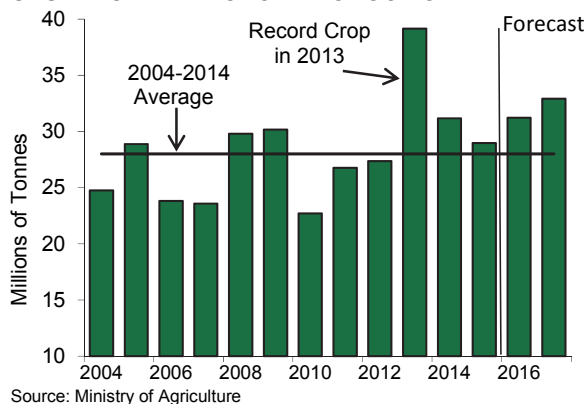
Higher potash production is still anticipated to provide some offset to lower oil production and investment this year, though not to the extent that was previously assumed.

About 10.6 million K₂O tonnes of potash are expected to be produced in 2015, up 3.2 per cent from the 2014 level, but slightly less than the 11 million tonnes forecast in the 2015-16 Budget.

This year, crop producers were affected by extremely dry conditions in parts of the province. Based on Statistics Canada's latest survey, Saskatchewan farmers expect wheat production to fall by 15.3 per cent to 12.0 million tonnes.

Canola production is anticipated to fall by 8.7 per cent to 7.3 million tonnes. Crop production overall is estimated to be 29.0 million tonnes, down slightly from the estimate assumed in the 2015-16 Budget forecast and down 7.6 per cent from the 2014 level of 31.4 million tonnes.

SASKATCHEWAN CROP PRODUCTION



COMMODITY PRICE ASSUMPTIONS - CALENDAR YEAR

	Actual 2014	2015-16 Budget			2015-16 Mid-Year		
		2015	2016	2017	2015	2016	2017
WTI Oil (US\$ per barrel)	93.00	53.00	67.00	77.00	49.50	53.00	61.00
Natural Gas (C\$ per GJ)	4.12	3.35	3.55	3.90	2.85	3.15	3.45
Potash (C\$ per K ₂ O tonne) ¹	509.02	613.41	609.58	604.45	591.14	606.90	604.61
Potash (US\$ per KCl tonne) ¹	281.00	295.60	301.19	304.19	280.55	286.54	290.99
Wheat (C\$ per tonne)	213.00	208.00	220.90	240.90	212.21	222.78	242.99
Canola (C\$ per tonne)	474.73	438.19	521.43	518.93	450.01	530.25	527.75

¹ The potash industry quotes prices in US dollars per KCl tonne. Provincial royalty calculations, however, are based on the Canadian dollar price per K₂O tonne.

Sources: Ministry of the Economy, Ministry of Agriculture

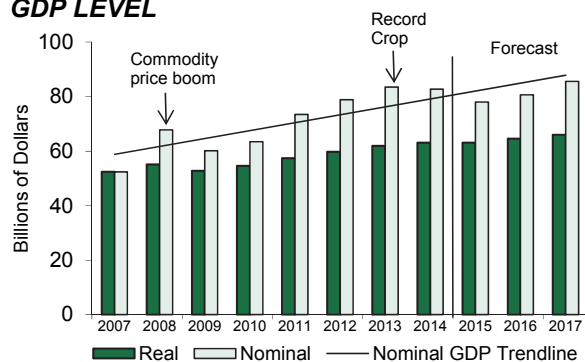
FORECAST AT A GLANCE

(Per cent Change Unless Otherwise Noted)

	Actual	2015-16 Budget			2015-16 Mid-Year		
	2014	2015	2016	2017	2015	2016	2017
Real GDP	1.9	0.8	2.4	2.2	0.0	2.3	2.2
Nominal GDP	(0.9)	(3.9)	5.0	5.4	(5.8)	3.4	6.1
CPI	2.4	1.7	2.5	2.1	1.4	2.3	2.2
Employment growth (000s)	5.6	3.8	5.0	4.7	2.6	5.0	5.1
Unemployment rate (%)	3.8	4.3	4.5	4.6	5.0	4.9	4.8
Retail sales	4.6	4.4	5.2	4.8	(2.5)	4.4	5.4

For 2016, the Saskatchewan economy is expected to pick up as oil prices rise and global demand improves. Currently, Saskatchewan real GDP is forecast to grow by 2.3 per cent. Nominal GDP is forecast to rise by 3.4 per cent.

SASKATCHEWAN REAL AND NOMINAL GDP LEVEL



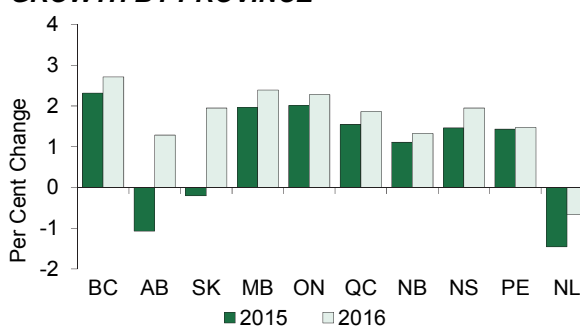
Source: Ministry of Finance

PRIVATE SECTOR FORECASTS

The economic growth outlook for all Canadian provinces and for Canada as a whole has been revised down by outside forecasters.

Since the 2015-16 budget, Canada's real GDP growth forecast was revised down from 2.0 per cent to 1.2 per cent for 2015.

PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE



Sources: Major Canadian banks, IHS Global Insight, CBOC, C4SE. Private sector forecast average as at November 20, 2015.

On average, these forecasters reduced Saskatchewan's 2015 real GDP forecast from growth of 1.4 per cent to minus 0.2 per cent.

Private forecasters, on average, expect Saskatchewan's economy to pick up again in 2016, growing by 2.0 per cent, the fourth-highest growth among provinces and in line with Canadian growth overall.

PRIVATE SECTOR REAL GDP GROWTH FORECASTS FOR SASKATCHEWAN
(Per Cent Change)

	2015	2016	Cumulative Growth	Release Date
IHS Global Insight	(0.8)	1.2	0.3	Nov-15
Conference Board of Canada	(0.2)	2.6	2.4	Aug-15
The Centre for Spatial Economics	0.1	2.6	2.7	Aug-15
TD Bank	(0.8)	1.7	0.9	Oct-15
RBC	(0.6)	2.5	1.9	Sep-15
BMO	(0.1)	2.0	1.9	Sep-15
CIBC	0.1	2.2	2.3	Aug-15
Scotiabank	0.1	1.2	1.3	Nov-15
Laurentian Bank	0.4	1.6	2.0	Sep-15
Average of Private Sector Forecasts	(0.2)	2.0	1.7	
2015-16 Budget	0.8	2.4	3.2	
2015-16 Mid-year	0.0	2.3	2.3	

PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE
(Per Cent Change)

	2014					
	Actual*	Rank	2015	Rank	2016	Rank
British Columbia	3.2	2	2.3	1	2.7	1
Alberta	4.8	1	(1.1)	7	1.3	7
Saskatchewan	1.9	5	(0.2)	6	2.0	4
Manitoba	2.3	4	2.0	2	2.4	2
Ontario	2.7	3	2.0	2	2.3	3
Quebec	1.5	6	1.5	3	1.9	5
New Brunswick	(0.3)	8	1.1	5	1.3	7
Nova Scotia	0.6	7	1.5	3	2.0	4
Prince Edward Island	1.5	6	1.4	4	1.5	6
Newfoundland and Labrador	(2.0)	9	(1.5)	8	(0.7)	8
Canada	2.5		1.2		2.0	

* Statistics Canada's Provincial Economic Accounts, November 10, 2015

CONCLUSION

Even with the challenges the Saskatchewan economy is facing this year, sound economic fundamentals are helping weather them.

Diversity in the economy has allowed the effects of weakness in oil, trade and the crop to be mitigated by resilience in other sectors. Population and employment continued to grow, albeit at a slightly slower pace, while Saskatchewan's unemployment rate remains one of the lowest in the country.

Growth in 2016 is expected to improve with higher oil prices, strengthening global demand and a rebound in crop production.

These opportunities for improvement, however, are also sources of risk to the forecast. Continued weakness in global economic activity would maintain downward pressure on commodity prices and worldwide trade.

Diversity in the Saskatchewan economy has helped overcome previous challenges and it is anticipated that this will continue in the future.

2015-16 BUDGET UPDATE

Mid-Year

OVERVIEW

At mid-year, a deficit of \$262.2 million is projected. This is a \$369.0 million deterioration from budget, but a \$29.8 million improvement from the first quarter update.

The mid-year update includes further

declines in non-renewable resources and taxation revenue since first quarter.

However, these declines have been more than offset by prudent expense management initiatives, increased federal transfer revenue and increased net income from the Government Business Enterprises.

2015-16 BUDGET UPDATE - MID-YEAR

(Millions of Dollars)

	Budget	First Quarter Forecast	Mid-Year Projection	Mid-Year Change from	
				Budget	First Quarter
Revenue					
Taxation	6,808.1	6,754.9	6,710.5	(97.6)	(44.4)
Non-Renewable Resources	2,453.2	2,212.6	2,064.9	(388.3)	(147.7)
Other Own-Source Revenue	1,890.8	1,872.4	1,914.1	23.3	41.7
Transfers from the Federal Government	2,223.0	2,231.9	2,314.9	91.9	83.0
Net Income from Government Business Enterprises	904.9	970.4	1,005.9	101.0	35.5
Total Revenue	14,280.0	14,042.2	14,010.3	(269.7)	(31.9)
Expense					
Agriculture	721.6	721.6	683.2	(38.4)	(38.4)
Community Development	531.9	531.9	531.9	-	-
Debt Charges	305.1	305.1	295.9	(9.2)	(9.2)
Economic Development	256.6	256.6	261.8	5.2	5.2
Education	3,661.0	3,661.0	3,626.1	(34.9)	(34.9)
Environment and Natural Resources	242.1	292.1	318.6	76.5	26.5
Health	5,507.0	5,507.0	5,527.0	20.0	20.0
Protection of Persons and Property	625.7	655.1	673.7	48.0	18.6
Social Services and Assistance	1,209.9	1,241.5	1,256.5	46.6	15.0
Transportation	544.1	544.1	535.9	(8.2)	(8.2)
Other	568.2	568.2	561.9	(6.3)	(6.3)
Further Allowance for Fire Costs	-	50.0	-	-	(50.0)
Total Expense*	14,173.2	14,334.2	14,272.5	99.3	(61.7)
Surplus*	106.8	(292.0)	(262.2)	(369.0)	29.8

* Before adjustment to account for pension costs on an accrual basis.

Relative to first quarter:

- revenue is down \$31.9 million; and,
- expense is down \$61.7 million.

In total, changes from budget include:

- a \$269.7 million, or 1.9 per cent, decrease in revenue; and,
- a \$99.3 million, or 0.7 per cent, increase in expense.

REVENUE UPDATE

Mid-year revenue is forecast to be \$14.0 billion, down \$269.7 million from budget.

2015-16 REVENUE RECONCILIATION	
(Millions of Dollars)	
2015-16 Budget	14,280.0
Forecast Changes from Budget:	
Non-Renewable Resources	(388.3)
Taxation	(97.6)
GBE Net Income	101.0
Federal Transfers	91.9
Other	23.3
Total Change from Budget	(269.7)
2015-16 Mid-Year Projection	14,010.3

Non-renewable resources revenue is projected to decrease by \$388.3 million from budget as lower-than-expected commodity prices continue to negatively affect provincial revenue.

West Texas Intermediate (WTI) oil prices are forecast to average US\$49.50 per barrel in 2015-16, unchanged from first quarter and down from the budget assumption of US\$57.15.

The fiscal impact of this decrease is partially offset by a lower exchange rate. The Canadian dollar is now projected to average 77.0 U.S. cents, down from the budget assumption of 79.2 U.S. cents.

In total, oil revenue and Crown land sales are projected to decrease \$204.4 million and \$72.5 million from budget, respectively.

Potash revenue is now projected to decrease by \$62.5 million from budget due to lower price and sales forecasts. Average prices in 2015-16 are projected at US\$282 per KCl tonne (C\$595 per K₂O tonne), down from the budget assumption of US\$297 (C\$612). Sales

2015-16 NON-RENEWABLE RESOURCES FORECAST ASSUMPTIONS

	Budget	First Quarter Forecast	Mid-Year Projection	Mid-Year Change from	
				Budget	First Quarter
WTI Oil Price (US\$/barrel)	57.15	49.50	49.50	(7.65)	-
Light-Heavy Differential (% of WTI)	19.1	15.5	18.6	(0.5)	3.1
Oil Production (million barrels)	178.7	168.4	173.4	(5.3)	5.0
Potash Price (mine netback, US\$/KCl tonne) ¹	297	294	282	(15)	(12)
Potash Price (mine netback, C\$/K ₂ O tonne) ¹	612	620	595	(17)	(25)
Potash Sales (million K ₂ O tonnes) ¹	11.0	11.0	10.7	(0.3)	(0.3)
Uranium Price (C\$/Kg)	141	125	126	(15)	1
Canadian Dollar (US cents)	79.2	77.0	77.0	(2.2)	-

¹ Ministry of Finance calculations derived from calendar-year forecasts.

volumes are projected at 10.7 million K₂O tonnes, down from 11.0 million K₂O tonnes at budget.

Finally, other non-renewable resources revenue, including uranium, coal and other minerals, is projected to decrease by \$50.9 million from budget. The decrease is largely due to lower uranium average prices and sales volumes.

Taxation revenue is projected to decrease by \$97.6 million from budget.

At mid-year, Provincial Sales Tax and Fuel Tax revenue are projected to decrease by \$71.4 million and \$45.5 million, respectively. The revised projections reflect weaker-than-expected receipts through the end of September and a downward revision in the provincial economic growth forecast.

These decreases are partially offset by a \$19.3 million increase in Individual Income Tax as a result of higher-than-expected assessments for the 2014 taxation year.

Other own-source revenue is forecast to increase \$23.3 million from budget, largely reflecting unbudgeted land sales revenue resulting from the recently announced Agricultural Crown Land Sale Program that encourages the sale of land to existing lessees.

Transfers from the federal government are forecast to increase \$91.9 million from budget.

The mid-year update incorporates higher federal funding for the Regina Bypass Project, disaster assistance related to prior-year flood costs, crop insurance premiums and anticipated federal assistance toward the cost of responding to this year's northern wildfires.

These increases are partially offset by lower Canada Health Transfer and Canada Social Transfer revenues as a result of revised population statistics.

Government Business Enterprise (GBE) net income is forecast to increase \$101.0 million from budget.

As the next step in implementing Summary budgeting, forecasting and reporting, the Crown Investments Corporation entities' year-ends will be moved from December 31, 2015 to March 31, 2016 – aligning the operating years of the two major components of the Summary entity. As a result of this alignment, GBE net income will increase \$140.0 million.

This increase is partially offset by the \$62.1 million surplus employer premium distribution approved by the Workers' Compensation Board in June 2015.

SaskPower's net income will be lower than expected due to non-cash market value adjustments caused by natural gas market prices. This is more than offset by higher net income forecasts at SaskTel, Saskatchewan Auto Fund, SaskEnergy and Saskatchewan Government Insurance.

EXPENSE UPDATE

Expense in the mid-year update is consistent with the 2015-16 Budget presentation and is presented before the adjustment to account for pension costs on an accrual basis. Government's current cash pension payment requirements are included in the expense budget and forecasts.

At mid-year, expense is projected to be \$14.3 billion, an increase of \$99.3 million from budget. However, this is down \$61.7 million from the first quarter forecast as a result of expense management initiatives across the Government Reporting Entity. Savings have been identified across all expense categories, including those categories that show net increases from budget.

2015-16 EXPENSE RECONCILIATION

(Millions of Dollars)

2015-16 Budget	14,173.2
Forecast Changes from Budget:	
Environment and Natural Resources	76.5
Protection of Persons and Property	48.0
Social Services and Assistance	46.6
Health	20.0
Economic Development	5.2
Agriculture	(38.4)
Education	(34.9)
Debt Charges	(9.2)
Transportation	(8.2)
Other	(6.3)
Total Change from Budget	99.3
2015-16 Mid-Year Projection	14,272.5

The expense increase since budget largely reflects unbudgeted wildfire costs of \$100.0 million incurred in the ministries of Environment (\$80.0 million), Social Services (\$15.0 million) and Government Relations (\$5.0 million).

Additional funding has been provided for flood costs related to events of this spring and in prior years, child and family services, support for persons with disabilities, health care pressures and research, innovation and remediation initiatives. Savings are expected to be realized in agriculture, education, and transportation, largely as a result of core government operational savings and lower-than-expected program demand and utilization.

Significant changes from budget are detailed below.

Environment and Natural Resources expense is up \$76.5 million from budget, largely reflecting an \$80.0 million increase at the Ministry of Environment to fight this year's wildfires, partially offset by operational savings in the ministry.

Protection of Persons and Property expense is forecast to be up \$48.0 million from budget. The increase largely reflects increases at the Ministry of Government Relations for the Provincial Disaster Assistance Program (\$40.7 million) for additional flood claims and administration costs, as well as funding for emergency response costs associated with this year's wildfires (\$5.0 million).

Social Services and Assistance expense is forecast to be up \$46.6 million from budget. This includes the \$31.6 million increase reported at first quarter to address increased caseloads and additional supports for child and family services programs, plus \$15.0 million allocated from the fire cost allowance at first quarter to cover fire evacuation costs.

Health expense is up \$20.0 million from budget for cost pressures in the Regional Health Authorities.

Economic Development expense is projected to be up \$5.2 million from budget. The increase is largely resulting from drawing on research and innovation funding carryovers in line with contract requirements at Innovation Saskatchewan and from remediation costs for old mine sites at the Saskatchewan Research Council.

Agriculture expense is forecast to be down \$38.4 million from budget mainly as a result of lower Saskatchewan Crop Insurance Corporation claims.

Education expense is projected to be down \$34.9 million from budget. The decrease largely reflects operational savings at the ministries of Education, Advanced Education and Economy, as well as reduced transfers to post-secondary institutions.

Debt Charges expense is projected to be down \$9.2 million from budget mainly reflecting lower interest on Government debt.

Transportation expense is down \$8.2 million from budget. The decrease is primarily due to lower capital grants at the Ministry of Highways and Infrastructure as a result of project deferrals in the Municipal Roads for the Economy Program and Urban Highway Connector Program, as well as expense savings due to a change in the accounting treatment of medium-surface preservation work.

Other expense is forecast to be down \$6.3 million from budget as a result of various operational savings and discretionary spending reductions in core government.

The adjustment to account for pension costs on an accrual basis is estimated at \$826.5 million, an increase of \$5.7 million from budget.

DEBT UPDATE

The Province's debt consists of:

- Government Service Organization Debt – all debt of government entities other than government business enterprises; and,
- Government Business Enterprise Debt – amounts borrowed by self-sufficient government organizations.

Government business enterprises have the financial and operating authority to sell goods and services to individuals and organizations outside government as their principal activity. Amounts borrowed by these entities are classified separately because they are expected to be repaid from cash flows generated by these business enterprises. In other words, this debt has been incurred to finance the business activities of Crown corporations, and it is supported by revenue from those Crown business activities.

Public debt is comprised of:

- Gross Debt – the amount of money owed to lenders; less,
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

For 2015-16, public debt is expected to increase by \$1,421.7 million from the March 31, 2015 balance. This is primarily due to increased debt for the utility Crown corporations and \$700.0 million to enable the General Revenue Fund (GRF) to finance the Saskatchewan Builds Capital Plan.

Public debt at March 31, 2016 is forecast to be \$75.7 million lower than budgeted, due to decreased debt for government business enterprises.

2015-16 PUBLIC DEBT UPDATE - MID-YEAR

As at March 31

(Millions of Dollars)

	2014-15 Actual	2015-16		2015-16 Mid-Year Change from	
		Budget ¹	Mid-Year Projection	2015-16 Budget ¹	2014-15 Actual
General Revenue Fund					
- Operating	3,800.0	3,800.0	3,800.0	-	-
- Saskatchewan Builds Capital Plan	-	700.0	700.0	-	700.0
Other Government Service Organizations	588.8	601.4	615.0	13.6	26.2
Government Service Organization Debt	4,388.8	5,101.4	5,115.0	13.6	726.2
Government Business Enterprise Debt	7,296.4	8,081.2	7,991.9	(89.3)	695.5
Public Debt	11,685.2	13,182.6	13,106.9	(75.7)	1,421.7
Guaranteed Debt	18.0	24.5	21.5	(3.0)	3.5

¹ The 2015-16 Budget information reflects balances as at March 31, 2015 as reported in the 2014-15 Public Accounts, adjusted by budgeted changes shown in the 2015-16 Budget.

SCHEDULE OF PUBLIC DEBT

As at March 31

(Millions of Dollars)

	2014-15 Actual	2015-16		Change from Budget ¹
		Budget ¹	Mid-Year Projection	
Government Service Organization Debt				
General Revenue Fund				
- Operating	3,800.0	3,800.0	3,800.0	-
- Saskatchewan Builds Capital Plan ²	-	700.0	700.0	-
Boards of Education	179.4	188.4	191.8	3.4
Global Transportation Hub Authority	17.0	25.0	23.2	(1.8)
Regional Health Authorities	99.6	98.2	109.6	11.4
Saskatchewan Housing Corporation	24.7	21.9	21.9	-
Saskatchewan Immigrant Investor Fund Inc.	198.3	185.2	178.5	(6.7)
Saskatchewan Opportunities Corporation	34.3	33.9	39.9	6.0
Water Security Agency	33.2	46.6	47.6	1.0
Other	2.3	2.2	2.5	0.3
Government Service Organization Debt	4,388.8	5,101.4	5,115.0	13.6
Government Business Enterprise Debt				
Municipal Financing Corporation of Saskatchewan	236.7	255.4	230.4	(25.0)
Saskatchewan Liquor and Gaming Authority	119.5	119.5	119.5	-
Saskatchewan Power Corporation	4,941.3	5,537.6	5,491.7	(45.9)
Saskatchewan Telecommunications Holding Corporation	833.0	902.4	899.0	(3.4)
Saskatchewan Water Corporation	44.6	51.2	45.1	(6.1)
SaskEnergy Incorporated	1,118.4	1,213.8	1,204.9	(8.9)
Other	2.9	1.3	1.3	-
Government Business Enterprise Debt³	7,296.4	8,081.2	7,991.9	(89.3)
Public Debt⁴	11,685.2	13,182.6	13,106.9	(75.7)
Guaranteed Debt	18.0	24.5	21.5	(3.0)

¹ The 2016 Budget information reflects balances as at March 31, 2015, as reported in the 2014-15 Public Accounts, adjusted by budgeted changes shown in the 2015-16 Budget.

² General Revenue Fund - Saskatchewan Builds Capital Plan consists of amounts borrowed by the General Revenue Fund to finance investment in infrastructure assets.

³ GBE debt includes both general debt and GBE-specific debt. General debt of GBEs is the amount transferred from the General Revenue Fund to a GBE and recorded as a loan receivable in the Summary Financial Statements. GBE-specific debt is debt issued by, or specifically on behalf of, GBEs. GBE-specific debt is included in "Investment in government business enterprises" in the Summary Financial Statements.

⁴ Public debt is shown net of sinking funds. Debt repayable in foreign currency is restated in equivalent Canadian dollars.

2015-16 SCHEDULE OF REVENUE
(Millions of Dollars)

	Budget	First Quarter Forecast	Mid-Year Projection	Mid-Year Change from	
				Budget	First Quarter
Taxation					
Corporation Income	917.9	917.9	917.9	-	-
Fuel	544.1	522.3	498.6	(45.5)	(23.7)
Individual Income	2,625.4	2,625.4	2,644.7	19.3	19.3
Property	664.0	664.0	664.0	-	-
Provincial Sales	1,420.8	1,389.4	1,349.4	(71.4)	(40.0)
Tobacco	270.3	270.3	270.3	-	-
Other	365.6	365.6	365.6	-	-
Total Taxation	6,808.1	6,754.9	6,710.5	(97.6)	(44.4)
Non-Renewable Resources					
Crown Land Sales	112.6	57.6	40.1	(72.5)	(17.5)
Natural Gas	11.3	8.7	13.3	2.0	4.6
Oil	902.7	734.8	698.3	(204.4)	(36.5)
Potash	796.0	831.8	733.5	(62.5)	(98.3)
Resource Surcharge	386.7	386.7	386.7	-	-
Other	243.9	193.0	193.0	(50.9)	-
Total Non-Renewable Resources	2,453.2	2,212.6	2,064.9	(388.3)	(147.7)
Other Own-Source Revenue					
Fees	1,049.5	1,033.8	1,053.5	4.0	19.7
Insurance	241.6	241.6	243.9	2.3	2.3
Investment Income	131.4	131.4	129.2	(2.2)	(2.2)
Transfers from Other Governments	68.2	68.2	68.2	-	-
Other	400.1	397.4	419.3	19.2	21.9
Total Other Own-Source Revenue	1,890.8	1,872.4	1,914.1	23.3	41.7
Transfers from the Federal Government					
Canada Health Transfer	1,092.8	1,092.8	1,080.7	(12.1)	(12.1)
Canada Social Transfer	412.6	412.6	408.7	(3.9)	(3.9)
Other	717.6	726.5	825.5	107.9	99.0
Total Transfers from the Federal Government	2,223.0	2,231.9	2,314.9	91.9	83.0
Net Income from Government Business Enterprises					
Municipal Financing Corporation	1.0	1.0	0.7	(0.3)	(0.3)
Saskatchewan Auto Fund	33.1	91.0	45.6	12.5	(45.4)
Saskatchewan Gaming Corporation	25.9	25.9	25.4	(0.5)	(0.5)
Saskatchewan Government Insurance	36.6	28.3	39.0	2.4	10.7
Saskatchewan Liquor and Gaming Authority	499.8	499.8	500.0	0.2	0.2
Saskatchewan Power Corporation	82.1	98.9	64.2	(17.9)	(34.7)
Saskatchewan Telecommunications Holding Corporation	76.8	76.0	97.0	20.2	21.0
Saskatchewan Water Corporation	4.7	4.6	5.4	0.7	0.8
SaskEnergy Incorporated	77.5	77.5	87.1	9.6	9.6
Saskatchewan Workers' Compensation Board	72.8	72.8	7.1	(65.7)	(65.7)
Consolidation Adjustments	(5.4)	(5.4)	134.4	139.8	139.8
Total Net Income from Government Business Enterprises	904.9	970.4	1,005.9	101.0	35.5
Total Revenue	14,280.0	14,042.2	14,010.3	(269.7)	(31.9)

The Honourable Kevin Doherty
Minister of Finance



SASKATCHEWAN BUDGET UPDATE

15-16

**KEEPING
SASKATCHEWAN
STRONG**

MID-YEAR REPORT