



Government of
Saskatchewan

**2006-07 Budget Address
April 6, 2006**

Honourable Andrew Thomson

Minister of Finance

CHECK AGAINST DELIVERY

**Notes for the Budget Address by
The Honourable Andrew Thomson, Minister of Finance**

INTRODUCTION

Mr. Speaker, it is a pleasure and an honour to deliver the budget in this historic assembly today. This is the first budget of Saskatchewan's second century.

As I begin today, I want to start by thanking my colleague the Minister of Government Relations, the Member for Regina Douglas Park for his work and leadership in the early days of developing this budget.

I am also pleased to be joined in the Assembly today by Ed Tchorzewski, whose work as the Minister of Finance in the early days of this government helped ensure that Saskatchewan's financial credibility was restored and that the tough decisions were taken in order to allow this province to prosper.

Mr. Speaker, this is a budget that will build on the strong foundations laid down by those who have come before me and those across our province who have contributed so much to building a better future for Saskatchewan people.

OBJECTIVES

This budget will:

- Secure the prosperity we enjoy today for a generation to come;
- Re-invest in our social programs to ensure that no one is left behind on the path to opportunity; and,
- Ensure that Saskatchewan remains the best place in Canada to live, work and raise a family.

STATE OF THE PROVINCE

A Strong Balance Sheet

The budget I am delivering today is the 13th consecutive balanced budget of this province.

It is a budget that will:

- Be our largest ever at \$7.7 billion;
- Provide an 8.4% increase in program spending and will commit more than \$7.1 billion to program support;
- Contribute more than half a billion dollars (\$550 million) to service the debt built up by the previous administration; and will
- Establish a \$102 million surplus that will be used for permanent debt reduction, allowing us to have paid off nearly \$450 million of debt in the past three years alone.

Mr. Speaker, Saskatchewan was the first Canadian province to balance its books in the 1990s and we are proud to have continued to do so in each subsequent year.

Government debt is now at its lowest point in 15 years. In fact, today, Saskatchewan has the third-lowest debt to GDP ratio in Canada.

Today's budget is not only balanced on the bottom line, but is balanced in its priorities that invest in tax cuts and economic growth, social program spending and debt reduction.

We have been able to do this through the continued dedication of Saskatchewan people who share our prairie values of common-sense financial management, balanced taxation, and the desire to have an unbreakable social fabric that wraps around those most in need.

A Strong Economy

Today's budget is being delivered as we enter our second century at a time of significant opportunity and prosperity.

Our economy is performing well. This year, we expect to see economic growth of approximately 2.5%.

This builds on the economic success of Saskatchewan businesses that last year recorded the second highest growth in Canada for retail sales (+7.6%) and manufacturing shipments (+8.2%). Last year we saw Saskatchewan businesses and consumers push wholesale trade (+14.3%), building permits (+17.8%), and exports (+13.8%) to double digit increases.

This growth reflects the fact that Saskatchewan businesses and consumers are confident that we are building a better future and that we are seeing the benefit of being Canada's third largest producer of natural gas, second largest producer of oil, and the single largest producer of potash and uranium in the world.

The resources of our oil and gas fields, family farms, forests and mines are key to our continued prosperity.

When our province first began, our economy was relatively labour intensive. A century later, we have an economy that is relatively capital intensive.

This change reflects a more mature economy, and in so doing, it changes the dynamic of our labour market. We believe, however that this capital can be employed not only to create growth, but to create jobs for young people and working families, right across the province.

It is worth noting that in the past five years, we have seen a 23% increase in employment in the oil and gas industry alone.

While the boom itself is not a secret, what is not well known in the province, is that Saskatchewan is emerging as a national economic leader and increasingly receiving recognition as such from outside the province.

Saskatoon is quickly gaining the much deserved reputation as Canada's science city. It is an important economic engine in our province. It is home to much of Canada's agricultural biotechnology research and home to the Synchrotron.

We have seen Saskatoon grow, with the advanced technology cluster at Innovation Place and significant new private sector investments in manufacturing and processing facilities in the Saskatoon region.

In Regina, we have seen our economy transform from its traditional role as the seat of government to its emergence as a national centre for culture, environmental research, information and petroleum technology, and film and video production.

And indeed across Saskatchewan the strength of our manufacturing and processing facilities, mills, and factories, our forests and our farms continue to provide jobs and opportunities for thousands of Saskatchewan people.

A PLAN FOR JOBS AND OPPORTUNITY

Mr. Speaker, together, we have accomplished much as a people, and as a province.

In 2002, Saskatchewan became a "have-province". Today's budget will put Saskatchewan on the path of being a permanent "have-province."

To do this Mr. Speaker we will implement the most ambitious program of business tax cuts in Saskatchewan history.

These tax cuts will build on our previous measures to reduce oil and gas royalties, encourage new investment in the mining sector, and to cut personal income taxes.

These business tax cuts will help build a better future, by making our economy more competitive, and by encouraging business to invest more and create new jobs right here at home.

Business Tax Changes Implemented

To this end, I am pleased to announce that:

- The general Corporate Capital Tax will be phased out by July 2008;
- The general Corporate Income Tax will be cut by 3 points in this budget to 14% as of July 1 of this year; and it will be further reduced to 12% by July of 2008;
- As a result of consultation with the resource sector, the Resource Surcharge rates on oil, gas, potash, coal and uranium will be reduced in each of the next three years;

- I am pleased to announce that effective midnight tonight all new Investment Tax Credits for Manufacturing and Processing will be fully refundable; and furthermore
- I am also pleased to announce that all new capital investments will be completely exempt from the general Corporate Capital Tax as of July 1 of this year.

These changes represent an investment of over \$200 million in our economy during this term and go further than the recommendations made by the Business Tax Review Committee.

Small Business Tax Threshold Expanded

Mr. Speaker, we also recognize that small business owners create a large number of jobs here at home and that they too should enjoy the benefits of a prosperity they have helped to create.

As such, I am announcing that we will raise the ceiling for small businesses, by increasing the threshold to qualify for the small business tax rate, from \$300,000 to \$500,000 by July of 2008.

This will provide the highest threshold in Canada.

We believe that these measures will build a better future for Saskatchewan people by helping business invest and grow and to create new jobs for young people right here at home.

Support for Forestry

While this budget makes historic changes to our approach to dealing with business taxes and will encourage new industries, new growth, and new jobs, we will continue to work with and support our traditional industries, and those that continue to struggle.

As indicated earlier, we anticipate a 2.5% increase in GDP this year alone. While this is a solid rate of growth, it reflects the fact that our forestry sector is under pressure.

The resources, jobs and opportunities attached to our forests, rightfully belong to the people of Saskatchewan. We remain confident there is a better future for our forest sector that can be secured in areas like expanded OSB (Oriented Strand Board) production, engineered wood products, dimensional lumber production, and other value added industries in a reinvigorated pulp and paper sector.

To this end, the changes in capital taxes and the work of the new Forestry Secretariat will be key to building a better future for the forestry industry.

Support for Agriculture

This budget also recognizes the ongoing pressure that farmers and other agricultural producers feel as they continue to deal with the impact of low commodity prices.

As such, this budget provides over \$100 million in support for Crop Insurance and an additional \$98.8 million for the base payments under CAIS (the Canadian Agricultural Income Support program).

While we remain concerned about the structure of CAIS, as in previous years, we will look to providing additional top-up support in the third-quarter as the 2006 final numbers become available.

In fact, this budget provides funding to ensure that we exceed the \$1 billion payment over five years for the Business Risk Management Chapter committed under the APF (Agriculture Policy Framework).

This budget also provides very real and tangible support for farm families through a \$67 million reduction in property taxes on agricultural land as announced by the Premier earlier this year.

Mr. Speaker, we continue to be of the belief that agriculture is an important part of building the new economy through value added products and initiatives like:

- New approaches to organic agriculture;
- Expanded meat processing opportunities afforded by the expansion of Maple Leaf Foods in Saskatoon, and
- New opportunities in grain-based ethanol production at facilities like those in Weyburn and Lloydminster, that will benefit from the \$17.7 million in price support for ethanol contained in this budget.

BUILDING A STRONGER LABOUR FORCE

As these investments show, we recognize that cutting business taxes is only one part of what we need to do to help transform Saskatchewan's economy and secure our prosperity.

We know that we must also invest in people to ensure that working families and young people can participate fully in the economic benefits of the province.

To this end, I am announcing a series of initiatives today that will support Saskatchewan people in participating more fully in our growing economy.

Specifically, this budget will provide a record \$1.5 billion in support for education and skills training.

This represents significant new funds to ensure that teachers' salary costs are fully funded, that literacy skills are enhanced in our population, and that the differential in funding for the basic per pupil rates in our schools is fully eliminated in this budget.

Post Secondary Education and Training Expanded

This year, more than 65,000 students will access Saskatchewan's post-secondary education and skills training programs.

During this term of office we will have increased the number of training opportunities by nearly 20%, well exceeding our commitment to fund 5,400 new training spaces. In doing so, this budget provides \$196 million for the training system and almost \$300 million for our universities.

Improved Access for Rural and Aboriginal Students

We believe in the value of higher education and are committed to expanding access and ensuring that cost is not a significant deterrent to furthering one's education and then joining the workforce.

It is particularly important to permit youth and students from farms and rural communities, northern communities, and students outside the major centres to attend our universities, colleges, and technical institutes.

That is why our government will commit almost \$100 million to student financial assistance this year, of which nearly \$70 million will be in the form of non-repayable income support, grants, scholarships, and bursaries. Approximately \$22 million of which will be targeted to First Nations and Métis students.

Graduate Tax Credit Increased

This budget also increases the Graduate Tax Credit to \$850 this year, thereby helping students get their career started here at home, by sheltering more than \$7,700 in income from taxation in the first year after graduation.

Tuition Freeze Extended

I am also very pleased to announce today that we will extend the tuition freeze on all undergraduate programs at our universities until the year 2008.

A More Inclusive Saskatchewan

As we work to support students from across Saskatchewan get a high quality education in order to start their careers, we recognize that for too many years, First Nations and Métis youth have been left out of the halls of higher education.

As a result they have been denied the ability to take their rightful places in our communities and in our labour force. This must change.

As such, we have introduced new measures to encourage the participation of these young Aboriginal people in higher education through programs like the 5-year \$20 million GradWorks program, Aboriginal bursary programs, mathematics and science enrichment programs, and student achievement programs.

We will also provide funding for the first time in this budget for First Nations students to attend the Saskatchewan Indian Institute of Technologies.

In so doing, we can recognize the important role that young Aboriginal people will play in helping secure the prosperity of this province in the generation to come.

Immigration

Mr. Speaker, this is a province founded by Aboriginal and immigrant people. As we start our second century, it is fitting that this budget provides more than \$6 million to establish an ambitious new program to help open up Saskatchewan again by attracting 5,000 new immigrants a year to live, work, and raise their families here.

New Trades Tax Credit Announced

Labour force and economic development require other investments as well.

We recognize that today, many employees make costly investments on their own to participate in the labour force.

That is why I am pleased to announce, that as a result of the work of the Member for Regina Northeast, we are introducing a new tax credit for tradespeople who as employees are required to provide their own tools in order to work in our growing industries.

This new tax credit will have two components:

- An entry credit for tradespeople who are just starting out as employees, and
- An annual maintenance credit that recognizes the on-going costs of supplying and replacing tools.

While provisions currently exist to allow self-employed tradespeople to write off the cost of tools, this measure is the first time that people employed in the trades will be recognized and provided a comparable benefit.

NO ONE LEFT BEHIND ON THE PATH TO OPPORTUNITY: AN INVESTMENT IN SOCIAL PROGRAMS

Mr. Speaker, the prosperity we enjoy today allows us to build a better future by creating a better climate for investment and job growth.

It allows us to build a better future by investing in our labour force.

It allows us to build a better future by investing in the social programs that have been established and supported by our government for generations.

Today across Canada, there is a grassroots campaign to make poverty history. This government will do its part to assist in this bold goal, to ensure that no one is left behind on the path to opportunity.

We know that this will require new ideas, new thinking, and new investments.

That is why I am announcing today that this budget will make the largest increases to social assistance payments in a generation. We will:

- Increase payments to Saskatchewan Assistance Plan recipients living in long term care facilities by \$240 per year;
- Social Assistance Plan recipients living independently will see an increase of \$480 a year;
- Transition Employment Allowance recipients living independently will receive a \$600 a year increase in support, and will share in an additional \$1.5 million of support for increased utility allowances; and,
- Individuals receiving the Provincial Training Allowance will see their benefits increase by \$720 a year for 12 month programs or \$60 a month for each month of participation.

Furthermore, in the next year this government will undertake a comprehensive review of the static case load on our social assistance rolls. This will help us determine if these programs are in fact the best way to meet the needs of those who are dependent upon assistance because of disability, and if these programs best meet and respect the needs of these citizens.

This government has done much to advance and support the needs of the most vulnerable in our communities.

It was this government that pioneered the National Child Benefit and helped forge new childcare agreements with the national government. It was this government that created JobStart / FutureSkills, KidsFirst, and the Building Independence initiative to help people break the cycle of poverty.

Through the Building Independence program alone we have helped 12,000 households including 17,000 children move from being in poverty to being full participants in our communities.

Today, we can and will do more.

To this end, our government -- on behalf of the citizens of Saskatchewan -- will undertake the following initiatives in this budget:

New Childcare Spaces and Subsidies

We will commit \$4.9 million for new child care and pre-kindergarten support that will continue, despite the decision of the federal government to break faith with us on these agreements.

This new funding will be used specifically to deepen the subsidies available to low-income families, to move forward our plan to create 1600 new childcare spaces during this term of office and to expand pre-kindergarten programming for children in our most vulnerable neighbourhoods and communities.

Investments in Literacy

Nearly \$2 million is committed in this budget to support literacy initiatives that will help people of all ages gain the skills they need to participate more fully in our communities and our labour force.

Support for Community Based Organizations

\$17.1 million is committed to enhance wages for those who work in our community based organizations, so that those who assist in helping the most vulnerable in our communities are not forced into poverty themselves. This money is targeted specifically to front-line workers and will also cover increased operating costs.

Better Access to Community Supports

As a result of this budget, 670 new families will gain access to the KidsFirst program this year, to help ensure that parents have the supports that they need see their children get a healthy start in life.

This budget supports the HomeFirst program that will provide \$200 million over five-years to ensure that 17,000 individuals and families benefit from better rental housing, home ownership, home maintenance and home repair.

For many families, this support will give them the ability for the first time to enjoy the stability and security that comes from home ownership.

A Higher Minimum Wage

This government has pioneered many programs to help people move from welfare to work and we remain committed to building a better future for those who work for minimum wage.

Our government will continue to support a minimum wage that reflects the strength of a growing economy that can afford to ensure that no-one is left behind. During this term of office, the minimum wage will have increased by \$1.30 an hour or 20%.

Together with our social supports in healthcare, these measures are among the most comprehensive in Canada today in ensuring that no one is left behind on the path to opportunity.

THE BEST HEALTH CARE IN CANADA

Social programs and the benefits of government spending are enjoyed today by all Saskatchewan people through universally accessible initiatives like Medicare.

As we begin Saskatchewan's second century, it is fitting that the single biggest investments in this budget will go to support the single most important contribution Saskatchewan has made to Canada in its history.

Record Support for Medicare

Today, I am pleased to announce that Medicare and its related programs will receive nearly \$300 million more. This represents a nearly 10% increase in provincial funding.

As such, the budget will provide a record \$3.2 billion in support of health care this year alone.

This funding will provide comprehensive, universal, publicly accessible, publicly funded access for more than 5.5 million visits to doctors and specialists, nearly 94,000 surgeries (93,745), and more than 106,000 advanced diagnostic procedures.

Furthermore, it will allow us to employ the services of over 37,000 doctors, specialists, nurses, health care professionals and support workers, and for the first time, funding is provided to cover midwifery.

In the coming weeks, my colleague the Minister of Health will make a number of announcements on how this new investment in Medicare will help further our plan to ensure Saskatchewan has the best health care system in Canada.

Expanded Services

Today I am pleased to announce that this record health care budget includes:

- \$171 million or nearly 10% increase in funding to Regional Health Authorities
- Half a million dollars (\$500,000) for a new renal dialysis site in southeastern Saskatchewan; and,
- A quarter million dollars (\$250,000) to begin planning for a Diabetes Centre on the Muskeg Lake Cree Nation

It also provides:

- 17% increase to the Cancer Agency;
- \$1 million in new money to improve mental health services for children; and
- \$18.2 million to support the work of my colleague the Minister of Healthy Living Services in the provision of the Premier's Project Hope, by funding treatment, detox beds, outreach services, drug programs, and secure care.

This budget also provides \$22 million to ensure that our hospitals have state-of-the-art technology and equipment available to them.

RECORD INVESTMENT IN INFRASTRUCTURE

Mr. Speaker, this budget provides the single largest contribution to capital in the province's history.

This year, we will spend well over \$1 billion through this budget and our Crown Corporations to maintain, renew and build our provincial infrastructure.

This will include new investments to support health care facilities, schools, laboratories, universities, highways and transportation corridors, telecommunications services and other economic infrastructure.

Highways & Transportation

This year alone, we will spend more than \$340 million to build, maintain, and upgrade our highways and transportation networks.

Funding in this budget will ensure twinning of the TransCanada East and Yellowhead West will be complete by 2007, and the Highway #11 twinning program will be expanded.

This budget also breaks new ground with an \$8.6 million investment in our northern roads strategy that will include funding, for the first time, to ensure that paving projects and all weather roads do not end at the edge of the reserve. We have decided that we can no longer wait for Ottawa to meet the needs of First Nations communities in this regard.

Municipal Support

This budget contains a significant increase in funding for communities across Saskatchewan. It includes more than \$111 million this year for unconditional revenue sharing (\$97 million) and other grants (\$14.8 million), as well as almost \$70 million in capital funding for projects in our urban, rural, and northern municipalities.

INVESTING IN A GREEN AND PROSPEROUS ECONOMY

The continued economic growth and prosperity of our province depends on strategic investments in capital and infrastructure. That prosperity depends in large part on ensuring access to an affordable, secure, and stable supply of electricity.

We believe that now is the time to begin to renew and rebalance our energy production profile through the use of renewable energy sources and green power.

Wind Power

That is why the infrastructure program of this government commits \$17.6 million to help build the largest wind-generation project in Canada at the Centennial Wind Power Facility southeast of Swift Current.

This is part of a quarter billion dollar (\$272.4 million) investment that will see us generating 5% of our electrical needs from this zero-emission source, and will make Saskatchewan the largest wind-power producer in Canada.

Clean Coal

Our infrastructure program also recognizes that we have a 300 year supply of coal that provides one of the most stable and affordable means of power production in the world today.

In order to help reduce the environmental footprint of this power source and thereby improve its sustainability, our infrastructure program will provide up to \$10 million this year, to be matched by the federal government, to begin planning for a new clean coal plant that will seek to achieve near-zero emissions.

Private Sector Support

The development of our economic infrastructure is not dependant upon government investment alone.

That is why I am pleased to note the announcement by Husky Energy that they will undertake the engineering work for a \$2.3 billion expansion of the up-grader at Lloydminster, Saskatchewan.

I am also pleased to note that the private sector is prepared to co-fund a \$10 million study into the development of a new poly-generation plant at Belle Plaine.

This \$3 billion plant would be one of the first of its kind in the world and would use the waste product from the tar sands as a feedstock for generating electricity, hydrogen, carbon dioxide and steam in support of expanded oil recovery, potash mining and fertilizer production.

If proven viable, these industry driven projects have the potential to not only be the largest mega-projects in Saskatchewan history – creating thousands of new jobs – but they have the opportunity to further transform our economy by firmly establishing Saskatchewan as a world leader in new-generation energy production and expertise.

CONCLUSION

In conclusion Mr. Speaker, let me say that today I have presented to this Assembly a budgetary policy that is balanced in its priorities and its bottom line.

It is a budget that pays our bills and reduces our debt. It invests record amounts in infrastructure, and secures our economic prosperity while protecting our social programs.

This budget builds a better future, right here.

It builds a better future by investing a record amount in the education and training of our youth, a record amount in our Medicare programs, and unprecedented new investments in those social programs that help ensure no one is left behind on the path to opportunity.

This budget builds a better future by providing new tax cuts to support farmers, businesses and tradespeople, and creates a new investment climate to create jobs, right here.

This budget builds a better future for our youth, for students, for seniors, for businesspeople, for farmers, for our communities, and for our families, right here.

This budget builds a better future, right here – a future that ensures Saskatchewan is, and will be, the best place in Canada to live, work, and raise a family for generations to come.

That, Mr. Speaker, is why, I move, seconded by the Minister of Advanced Education and Employment: “That the Assembly approves in general the budgetary policy of the Government.”