

SASKATCHEWAN FINANCE BACKGROUNDER

2001-02 BUDGET IN BRIEF

Revenue Initiatives

Small Business Tax Measures

- Reduction in the small business corporation income tax rate from eight per cent to six per cent, effective July 1, 2001
- Increase in the annual amount of income to which the small business income tax rate can be applied to \$300,000 from \$200,000, effective January 1, 2002
- Extension of the right to incorporate to all regulated professionals in Saskatchewan

Non-renewable Resource Incentives

- A 10 per cent tax credit for individuals on their purchase of flow-through shares of eligible mineral exploration companies, retroactive to October 18, 2000
- Incentives for enhanced oil recovery projects using CO², effective midnight Budget night
- A new capital incentive to promote more efficient production technologies in the sodium sulphate industry, effective April 1, 2001

Update on Personal Tax Reform

- Increase in the education tax credit amount to \$400 per month of full-time study and \$120 per month of part-time study
- Increased disability and caregiver tax credit amounts
- Increase in the provincial senior supplement to the age amount to \$750 and the child tax credit amount to \$2,000 per child, effective January 1, 2002
- Effective January 1, 2002, reduction in provincial income tax rates to:
 - 11.25% on the first \$30,000 of taxable income
 - 13.25 % on the next \$30,000 of taxable income
 - 15.5% on taxable income over \$60,000

Other Initiatives

- Provincial tax credit for donors to qualifying political parties or election candidates, retroactive to January 1, 2001
- Elimination of the provincial sales tax on real estate commissions for new homes sold by licensed real estate agents, effective midnight Budget night

Department Highlights

Agriculture and Food

- Total funding: \$337,103,000
- \$6 million for new Adaptation Programming that will assist farm families who wish to establish alternative operations
- \$3.4 million to establish the Saskatchewan Conservation Cover Program
- \$2 million increase in funding for agricultural research and development
- \$95 million in additional funding for farm income support

Energy and Mines

- Total funding: \$30,301,000
- Enhanced geoscience funding for the mining and oil and gas sectors
- A new Orphan Oil Wells program to clean up abandoned oil and gas wells
- Initiatives to address climate change
- Wind energy initiative to establish alternate source of energy

Social Services

- Total funding: \$588,492,000
- \$2.9 million for Early Childhood Development initiatives
- \$3.4 million for improved child welfare case management
- \$5 million for Saskatchewan Employment Supplement enhancement
- \$1.6 million for increased access to group homes for the disabled
- \$5.2 million for a six per cent community-based organizations wage enhancement

Economic and Co-operative Development

- Total funding: \$67,896,000
- Funding for CommunityNet to provide high-speed internet access for the public sector in 366 communities
- E-Government initiative
- \$5 million increase for the CLS Synchrotron project

Finance

- Total funding: \$34,744,000
- Replacement of the Government's 15-year-old central financial system
- Restoration of audit coverage of companies doing business in Saskatchewan

Health

- Total funding: \$2,207,228,000
- 11.6 per cent base increase (budget over budget)
- Elimination of existing health district deficits
- 21.7 per cent increase for the Saskatchewan Cancer Agency
- Funding increases in other priority areas

Education

- Total funding: \$614,923,000
 - Early Childhood Development initiatives
 - 9.6 per cent increase in funding for school operating grants
 - Funding to double the number of community schools and extending the program to secondary and rural schools
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Department Highlights

Highways and Transportation

- Total funding: \$311,692,000
- 24.7 per cent increase in funding in 2001-02
- \$150 million increase in provincial funding over three years
- Acceleration of Highway No. 1 West twinning project

Culture, Youth and Recreation

- Total funding: \$29,709,000
- \$5 million for new Centennial Summer Student Employment Program

Intergovernmental and Aboriginal Affairs

- Total funding: \$46,422,000
- Increased funding for the Aboriginal Employment Development Program
- Increased funding for Government House

Environment and Resource Management

- Total funding: \$130,022,000
- \$9 million increase for forest fire suppression
- \$1.7 million increase for reforestation and forest development
- Funding to increase monitoring and compliance for drinking water standards

Justice

- Total funding: \$235,376,000
- Funding for 20 more police officers
- Enhancement of the Serious and Habitual Youth Offenders Comprehensive Action Program (SHOCAP)
- Enhancements to maintenance enforcement
- Online business registration
- Free online access to government legislation

Post-Secondary Education and Skills Training

- Total funding: \$511,486,000
- Operating increase of 3.5 per cent in funding to post-secondary institutions
- Increased Aboriginal training and apprenticeship
- Enhanced student aid
- \$2.5 million for a virtual Saskatchewan Campus
- \$1.5 million for expanded computer science programs at SIAST and universities
- New Centennial Scholarship Program

Municipal Affairs and Housing

- Total funding: \$170,778,000
 - \$12 million for the Canada-Saskatchewan Infrastructure Program
 - \$3.7 million in funding for the fourth year of the grants-in-lieu phase-in
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Capital Funding

Department/Agency	2001-02 Budget (\$000s)
Centenary Fund	30,000
Education	24,167
Environment and Resource Management Parks Facilities Forest Fire Infrastructure and Equipment	2,228 1,500
Health Health Facilities Medical Equipment	25,085 23,265
Highways and Transportation	170,646
Justice	936
Municipal Affairs, Culture and Housing	30,492
Post-Secondary Education and Skills Training	29,830
Social Services	900
SPMC	14,652
Sask Water	5,700
TOTAL	359,401

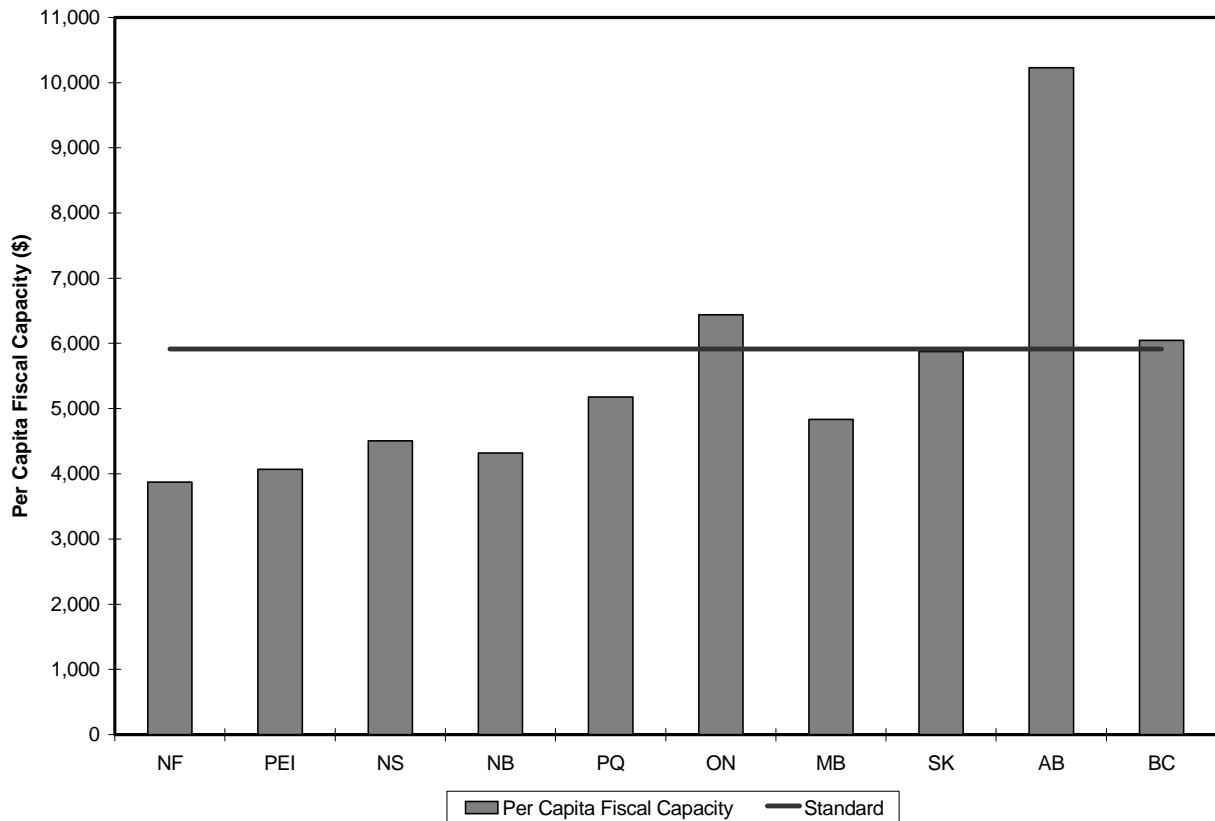
SASKATCHEWAN FINANCE BACKGROUNDER

2001-02 EQUALIZATION

While the concept of equalization has been part of Canada's fiscal system since Confederation, the program was formally introduced in 1957 and the principle of equalization was enshrined in the *Constitution Act, 1982* as a federal responsibility.

The Equalization program measures how well provinces can raise revenue relative to one another. This is accomplished through a complex formula that measures each province's per capita fiscal capacity based on 33 separate revenue sources. Provinces with an above average revenue raising capacity (i.e., those above the "standard") are designated "have" provinces (currently British Columbia, Alberta and Ontario) while those with a lower than average revenue raising capacity are designated "have not" provinces (currently the seven remaining provinces, including Saskatchewan). The "have not" provinces are entitled to receive equalization payments from the federal government.

2000-01 Per Capita Fiscal Capacities

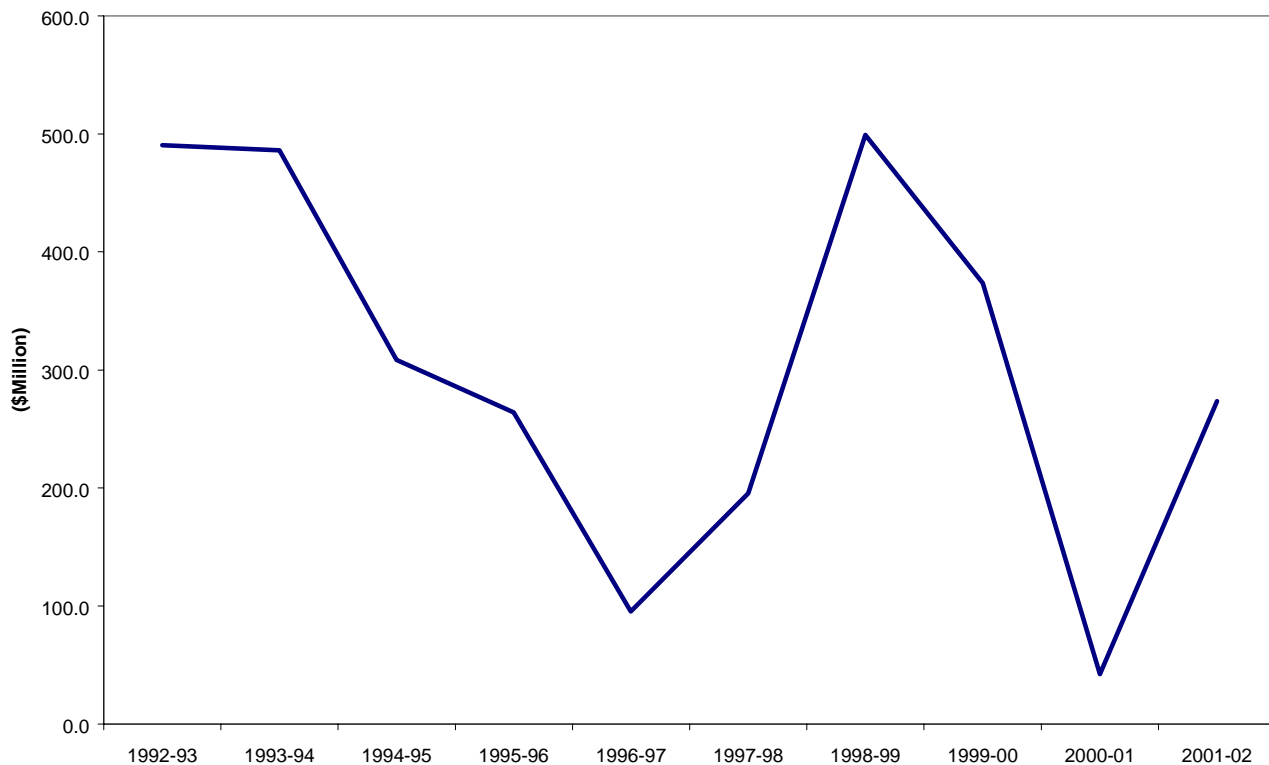


Note: based on latest federal estimates for 2000-01.

The “have not” provinces receive differing equalization payments depending on the strength of their economy and their revenue raising capacity relative to that of the five provinces in the standard. Historically, Saskatchewan receives the lowest per capita equalization of the receiving provinces.

Saskatchewan’s equalization entitlements have varied significantly over the years. The following table provides an illustration of the volatility of Saskatchewan’s equalization entitlements over a ten-year period. These entitlements differ from annual equalization receipts due to the impact of prior year adjustments and the impact of the floor and ceiling provisions.

Saskatchewan’s Equalization Entitlements



2001-02 Budget Estimate

Equalization Receipts (\$Million)			
2000-01 Budget Estimate	2000-01 Mid-Year Report	2000-01 Forecast	2001-02 Budget Estimate
335.9	286.1	215.4	377.0

Saskatchewan’s 2001-02 Budget Estimate of equalization is \$377.0 million, \$161.6 million higher than the 2000-01 Forecast. This increase is largely due to the forecasted decline in non-renewable resource revenues for 2001-02.

SASKATCHEWAN FINANCE BACKGROUNDER 2001-02 CHST

The Canada Health and Social Transfer (CHST) was introduced in 1996-97 as a replacement for the Established Programs Financing (EPF) and the Canada Assistance Plan (CAP) programs, which transferred money from the federal government to the provinces for health care, post-secondary education and social services.

The introduction of the CHST coincided with a dramatic reduction in federal support for social programs. The federal government reduced its annual cash transfers to the provinces by \$6.2 billion nationally, from a high of \$18.7 billion in 1994-95 to \$12.5 billion in 1997-98. For Saskatchewan, the federal reduction in cash transfers was over \$200 million per year.

In its 1999 Budget, the federal government announced a five-year funding commitment to the CHST that is to be focused on the health care system in Canada. The additional funding came in two separate forms - a \$3.5 billion trust fund from which provinces could draw over three years, and a gradual increase in the cash portion of CHST entitlements from \$12.5 billion to \$15.0 billion.

In its 2000 Budget, the federal government announced the creation of a second trust fund called the CHST Supplement. The Supplement was valued at \$2.5 billion, could be drawn down over a four-year period beginning in 2000-01 and is intended to provide provinces with additional funding for health care and post-secondary education.

For 2000-01, CHST cash transfers, including base funding and the 1999 and 2000 announced supplements, is \$15.5 billion according to the federal government's notional allocation of the trusts over the specified number of years. This level of support is still \$3.2 billion below its 1994-95 level of \$18.7 billion.

First Ministers' Funding Commitment

At the First Ministers' Meeting in September 2000, Premiers were able to obtain a federal government commitment to additional funding for the financing of provincial social programs.

The following table identifies this additional CHST funding and its estimated impact for Saskatchewan.

First Minister's Funding Commitment – CHST						
	2001-02	2002-03	2003-04	2004-05	2005-06	Total New Cash
Additional CHST Funding	\$2.5B	\$3.2B	\$3.8B	\$4.4B	\$5.0B	\$18.9B
Early Childhood Development	<u>\$0.3B</u>	<u>\$0.4B</u>	<u>\$0.5B</u>	<u>\$0.5B</u>	<u>\$0.5B</u>	<u>\$2.2B</u>
Total New CHST	<u>\$2.8B</u>	<u>\$3.6B</u>	<u>\$4.3B</u>	<u>\$4.9B</u>	<u>\$5.5B</u>	<u>\$21.1B</u>
Saskatchewan's Share	\$93M	\$118M	\$140M	\$159M	\$178M	\$689M

2001-02 Budget Estimate

CHST Payments (\$Million)			
2000-01 Budget Estimate	2000-01 Mid-Year Report	2000-01 Forecast	2001-02 Budget Estimate
494.6	557.6	552.4	594.0

Saskatchewan's 2001-02 Budget Estimate is \$41.6 million higher than the 2000-01 Forecast. The increase reflects the additional federal commitment to the CHST for both 2000-01 and 2001-02.