

# A Plan for Growth and Opportunity



Budget Address  
March, 2000



SASKATCHEWAN  
The Hon. Eric Cline  
Minister of Finance

# *A Plan for Growth and Opportunity*

**Honourable Eric Cline**  
Minister of Finance



Mr. Speaker, it is my privilege to stand in this House today to present Saskatchewan's first Budget of the 21st century.

This shift to a new century provides a special energy for change. For not looking back to what was, but ahead to what can be.

I say to the people of Saskatchewan that it is time to move forward.

To address pressing challenges in innovative ways.

To shape our future with a solid plan for the growth of our economy and, more importantly, the growth of our society.

By taking bold, thoughtful, forward-looking action today, we will achieve our vision for the future. A vision of Saskatchewan:

- where people choose to live and work, based on strong bonds of family and community;
- where responsive, effective public services support and enhance each person's ability to live a meaningful, satisfying life;
- where our young people find real opportunities to develop their talents to contribute to and benefit from a dynamic, growing economy.



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*We enter this new century on the threshold of change and opportunity.*

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We enter this new century on the threshold of change and opportunity.

The question before us is this:

Do we, the people of Saskatchewan, have the vision and the courage to step over the threshold, through the door and into the future?

I say we do.

This Budget says, let us begin shaping that future today.

In my address today, I will describe a broad, four-point plan for growth and opportunity in Saskatchewan — a plan we intend to follow not just in the coming months, but over the coming years.

The key areas of this plan for growth and opportunity are:

- fiscal responsibility and good government;
- a sustainable, effective health system;
- economic growth and jobs; and,
- tax reform.

## **The Fundamentals: Fiscal Responsibility and Good Government**

First things first — fiscal responsibility and good government.

Mr. Speaker, sound financial management is a hallmark of this Government.

Our responsible, balanced approach has supported the longest period of sustained economic growth since the 1970s.

It has allowed us to invest in important public services and reduce taxes each and every year since we balanced the budget in 1994-95.

And, we have reduced Saskatchewan's debt from almost 70 per cent of gross domestic product to less than 38 per cent today, falling to 31 per cent by 2004.



Sound management has encouraged confidence in our economy and in our ability to manage through good times and bad.

But, that success remains vulnerable to forces beyond our control.

Over the past few years, we have seen clear evidence of the volatility of our economy. Our revenues can rise and fall dramatically from year to year depending on global forces, such as the price of oil.

We may have no control over these fluctuations. But, good planning demands that we prepare for them — despite the desires of those who would spend all our revenues, and more, as they are generated.

Simply put, our plan for the future starts with the fundamentals.

Today, I am announcing the creation of a new Fiscal Stabilization Fund to strengthen our capacity to respond to the needs of Saskatchewan residents.

Our target will be five per cent of annual revenue set aside to deal with unexpected circumstances and to ensure that, when they occur, we do not need to raise taxes, cut services or return to deficits and growing debt.

Our target level for the fund will be clear, and the use of the fund completely transparent.

Mr. Speaker, good government is something that every citizen in a democratic nation expects and deserves.

Fiscal integrity must remain our watchword.

Our Government is equally committed to accountability to the people it serves.

Over the past year, we have been developing a new accountability framework that will outline the goals, objectives and achievement targets of the Provincial Government, its departments and agencies.

This framework will be fully implemented over the next few years, giving Saskatchewan people solid reference points by which to judge the performance of their Government.

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Medicare. It is here, in  
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## **The Future of Medicare: A Sustainable, Effective, Public Health System**

Let me turn to an issue that is of significant concern to people throughout our province and, indeed, our nation.

That is the future of Medicare, a health system that is the envy of the world.

The recent federal budget was a huge disappointment to Saskatchewan, and to all provinces, in this regard. What was once a strong commitment by Ottawa to Medicare has become little more than lip service.

Let us not fool ourselves. With the federal government paying only 13 cents of every health dollar, the future of Saskatchewan's health system is in our hands alone.

Today, there are major challenges to achieving a sustainable health system.

New technologies; new drugs; new treatments; an aging population; increased utilization; better home care and more preventative services — these have had the two-fold impact of improving care and increasing costs.

Over the last two years, we have increased health spending by 17 per cent.

We have to protect our health care system while changing this trajectory of skyrocketing costs.

And to do that, changes must be made.

We recognize that change is never easy. And, we recognize that additional funding will be needed to ease the transition to the health system of tomorrow.

To back our commitment to renewing the health system, we will put in place the necessary measures to get it done.

This year, we will provide a \$63 million increase in base funding for our health system.

In addition, I am pleased to announce the establishment of a \$150 million Health Transition Fund to provide one-time support for change.



We are putting aside the resources needed to make these changes while ensuring people continue to have access to quality services.

We will be talking with health districts, health providers and the public to develop the vision and plan for a sustainable and effective health system for the 21st century.

Let me be clear: there *is* a future for Medicare. It is here, in Saskatchewan, the birthplace of Medicare.

## **Economic Growth: New Opportunities**

Now, let me turn to the third part of our plan, which is also our most important opportunity: creating an economy that realizes the vast potential of our great province.

Building an economy of growth and opportunity requires economic development and social development. Our plan includes both.

We seek to build an economy and a society that focuses on the tremendous energy of our people; provides opportunities for them to innovate and contribute; and rewards them for working hard, taking risks and giving back to society.

Our province's greatest successes have come from our strong belief in this fundamental principle of sharing the benefits of economic opportunity.

Our Building Independence strategy has helped reduce dependence on welfare and remove barriers to entering the workforce. In particular, the Saskatchewan Employment Supplement is tearing down the so-called "welfare wall."

In the past five years, the number of individuals and families receiving social assistance in Saskatchewan has dropped by over 6,000.

The number of children on welfare has dropped by 11,000.

And, Campaign 2000 reports that Saskatchewan is the *only* province to reduce the incidence of child poverty.

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The nationally acclaimed Saskatchewan Action Plan for Children has also played a key role in ensuring Saskatchewan children and families have the support they need to live with dignity and independence.

It has provided support to children and families most in need through services such as nutrition programs, school allowances, infant care for teen mothers, early childhood intervention and social housing.

Building Independence and the Action Plan for Children are models of success, attracting national, and even international, attention.

They clearly demonstrate this Government's commitment, and the commitment of all Saskatchewan people, to extending opportunity to all members of our society.

### ***Education and Training***

A plan for growth and opportunity must focus on our young people — on ensuring they have the skills they need to take our economy into the future.

It must include a plan for education and training, because the new economy is a knowledge-based economy.

That is why this Budget includes:

- increased funding for our K-12 school system to hold the quality of education to its highest standard, focusing on special education, community schools in the North, pre-kindergarten programs and new distance learning initiatives;
- capital funding to complete up to 115 school projects this year, providing modern, safe and healthy schools for all Saskatchewan children;
- increased operating funds for our universities, regional colleges and SIAST, to maintain the quality of our post-secondary systems;
- capital funding for important post-secondary projects, including the Thorvaldson and Kinesiology buildings at the University of Saskatchewan;
- increased capacity in the Registered Nurse and Licensed Practical Nurse programs;
- new funding for Technology Enhanced Learning; and,
- more support for people with disabilities to access education and training.

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This Government is committed to job and skills training that makes sense for Saskatchewan people. This Budget provides training opportunities for thousands of Saskatchewan residents through our apprenticeship, adult basic education and other employment programs.

Included in our Budget is increased funding for the Skills Training Benefit, and a new Forestry Training Strategy.

For post-secondary students, our student assistance programs are among the best in Canada.

But, there must also be opportunities for our students beyond graduation. The energy, creativity and drive of young people are critical to Saskatchewan's future.

We want our graduating students to stay in Saskatchewan and contribute to shaping our future.

We also want graduating students from across Canada to come to Saskatchewan.

I am very pleased to announce that, beginning in 2000, all post-secondary graduates who choose Saskatchewan will receive a one-time tax credit that can be used over a four-year period to help them establish careers in our province.

### ***Research and Development***

Our Province will also promote more growth and opportunity in a knowledge economy through a strong commitment to research and development.

I am pleased to announce that this Budget will keep building our province's research infrastructure with continued commitment to:

- the establishment of an international test centre to reduce carbon dioxide emissions and increase oil recovery;
- two new facilities at Regina Research Park, dedicated to petroleum technology research and information technology;
- expansion of Saskatoon's renowned Innovation Place with the addition of a new agricultural research centre; and,
- the Canadian Light Source Synchrotron, this nation's largest scientific project, scheduled for completion in 2003. The Synchrotron will attract researchers from around the world and is a strong symbol of our growing reputation for excellence in research.

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*The Innovation and Science Fund will enhance our ability to attract new federal investment.*

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*We will look beyond short-term solutions that do nothing to prepare us for the future.*

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To further strengthen research and development opportunities, I am pleased to announce the establishment of the new Innovation and Science Fund.

The Innovation and Science Fund will help increase the capacity of our research institutions, and encourage new partnerships. Furthermore, it will enhance our ability to attract new federal investment through the Canada Foundation for Innovation.

This Fund, worth \$10 million a year, will mean a total research and development pool of up to \$100 million over four years — major new investments that will build on our tradition of innovation.

### ***Agriculture***

Another crucial element of growth and opportunity is the development of our rural economy.

The recent downturn in agricultural markets puts a sharp focus on the changing face of agriculture and rural Saskatchewan.

American writer and educator John Gardner noted that:

*“We are all faced with a series of great opportunities, brilliantly disguised as insoluble problems.”*

This Government has the courage and vision to look past that disguise to find new opportunities. We will look beyond short-term solutions that do nothing to prepare us for the future.

In February, following months of intensive negotiation, our Government secured an agreement with Ottawa that will put needed cash in the pockets of Saskatchewan producers in time for spring seeding.

In Saskatchewan, we are also reducing the producer’s share of crop insurance premiums to make it more affordable.

And, we are doing more.

I am very pleased to announce that, effective immediately, and retroactive to January 1, 2000, the cap on the Farm Fuel Rebate Program will be eliminated.



Farmers will be fully reimbursed for provincial tax on all fuel used in farming operations — reducing input costs today, and in the future. There will be no provincial tax on farm fuel.

And, to further assist this important industry, I am pleased to announce that this Government will provide Saskatchewan farmers with a property tax rebate of \$25 million in the year 2000 — and another \$25 million in 2001.

This province has a strong future because Saskatchewan people are able to see beyond “what is” to “what can be.”

The success stories in Saskatchewan agriculture are many. Despite the current difficulties, Saskatchewan farm families forge ahead, with new ideas and new directions for the future.

New crops, such as pulse and organic crops, and new initiatives in livestock and agricultural processing are bolstering growth and opportunity in agriculture and agri-value.

We will continue to create new opportunities through investment in areas such as research and development and New Generation Co-operatives.

### ***Northern Development and First Nations Partnerships***

Our abundant natural resources, sensibly and sustainably developed, will also continue to create new opportunities for growth in Saskatchewan.

This Budget looks to the future of our northern communities with:

- a special forest fire contingency to manage the risk of extreme forest fire seasons and their threat to communities in the North; and,
- a new Forestry Industry Development Plan, including new industrial plants, new partnerships and new training initiatives.

These major forestry initiatives are an important step in developing our northern economy.

They are also key to building real partnerships with Saskatchewan’s First Nations people.

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*Success demands that First Nations people participate in, contribute to and share in the wealth of our province.*

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*This Budget makes the largest investment in our highways and transportation infrastructure in Saskatchewan's history.*

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In forestry, in the North and elsewhere, success demands that First Nations people participate in, contribute to and share in the wealth of our province.

The goal is simple. The goal is achievable: full First Nations' participation in our economy. Nothing less.

In pursuit of this important goal, this Budget will also continue to support opportunities for First Nations people through:

- the Multi-Party Training Plan;
- the Saskatchewan Indian Federated College, Gabriel Dumont Institute, the Northern Teacher Education Program and the Saskatchewan Urban Native Teacher Education Program;
- Indian and Metis Education Development services;
- the Aboriginal Employment Development Program; and,
- the new Forestry Training Strategy.

### ***Highways and Infrastructure***

Another element of growth and opportunity is the development of our physical assets — our roads, highways, schools, colleges, universities, social housing, municipal infrastructure, our environment, parks and heritage properties.

I am pleased to announce that this Budget makes the largest investment in our highways and transportation infrastructure in the history of Saskatchewan — \$250 million to prepare our transportation system to support new opportunities and the economy of the future.

This is in addition to over \$26 million provided for local roads through our provincial-municipal funding arrangements.

And, I am proud to make a further announcement on this topic.

This Budget establishes a \$120 million Centenary Capital Fund, \$30 million a year to help address specific infrastructure needs over the next four years.

This new fund will supplement the \$10 million Provincial-Municipal Infrastructure Program, established last year.



Through the Centenary Capital Fund, we will build a bridge to the new economy with:

- \$5 million a year more for municipal infrastructure;
- \$5 million a year more for transportation, highways, rural roads and environmental clean-up;
- \$5 million a year more for capital investment in universities, SIAST and regional colleges;
- \$5 million a year more for school capital projects;
- \$5 million a year more for social housing; and,
- \$5 million a year more for upgrading our parks and heritage properties.

Here, too, we will look to the North and what is needed to develop a stronger northern economy.

We will address northern water and sewer needs through a multi-year capital program.

And, the criteria used to allocate money from other categories within the Centenary Capital Fund will ensure that a minimum of \$5 million a year will go to the North.

We will also work with federal and municipal governments to upgrade and modernize Saskatchewan communities.

Overall, the funding we are providing for transportation and infrastructure is a substantial investment in Saskatchewan's future.

## **A New Tax System: Simple, Fair, Competitive**

This brings me to the final topic of my address today — the fourth and final part of our plan for growth and opportunity — tax reform.

In my last Budget Address, I promised that this Government would review our personal income tax system.

I want to publicly thank the members of the Personal Income Tax Review Committee — Jack Vicq, Shelley Brown and Charlie Baldock — for their hard work in this regard.

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*The \$120 million Centenary Capital Fund will help address specific infrastructure needs over the next four years.*

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*A tax reduction plan must be about good public policy. It must be about good economics. Above all else, it must be about the future.*

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As we know, Saskatchewan's economy is changing and there are real opportunities for new prosperity and growth.

But, if we are to capture those opportunities and keep our economy growing, we must have a competitive tax structure.

That is why our plan for growth and opportunity includes a strategy to reduce taxes, make our economy competitive with our neighbours and put money back into the pockets of every Saskatchewan resident.

Over the last several months, we have been advised by experts. We have heard from the people.

And we have listened.

Now is the time to take what we have heard and implement tax reform our way — the Saskatchewan way.

The Saskatchewan way means a progressive, fair tax system that gives Saskatchewan working people a real tax cut.

But, a tax reduction plan can't be about cynical politics — about buying the short-term goodwill of people with their own tax dollars.

It must be about good public policy. It must be about good economics. Above all else, it must be about the future.

Now, there are those who say, and I quote, "You can have your cake and eat it too."

They say you can slash hundreds of millions of dollars from tax revenues with no effect on the level of services you provide, without concern about deficits and debt, and in the naive belief that spending on services like health and education can be frozen.

That is not good public policy. That is not good economics.

That is not even good arithmetic.

It is just cynical politics.

Others believe change is not needed.

That, somehow, the creation of wealth is not a prerequisite to the fair distribution of wealth.



That economic development is, in some mysterious way, the enemy of social development.

That is not good public policy either. It is not good economics. It is simply rhetoric.

To resist change, and the opportunities change can bring, is to say the way into the future is by the pathways of the past.

Mr. Speaker, the people of this province are demanding something quite different.

If we are to capture the new economic opportunities being offered by a rapidly changing world economy, Saskatchewan will need vision, leadership and courage.

Saskatchewan people know that something must be done.

They know change must come.

I have been clear in stating that tax reform from this Government will be guided by three principles:

- tax reduction must be sustainable and funded from new revenue;
- it must be matched by investment in priority public services — that is, a balanced approach that recognizes both competitive tax rates and quality public services are important to society; and,
- most important of all, it must be fair and progressive, putting lower-income people in a better financial position.

Let me outline the key elements of our plan for reforming Saskatchewan's tax system.

First, we will establish a provincial income tax system that is simple, fair and competitive.

Effective January 1, 2001, Saskatchewan will move to a three-rate income tax structure, completely eliminating:

- the flat tax;
- the debt reduction surtax; and,
- the high income surtax.

This move alone will make our tax system simpler and easier to understand. It will provide us with the ability to use our income tax system in a way that fully benefits the people of Saskatchewan.

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*We will establish a provincial income tax system that is simple, fair and competitive.*

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*We will eliminate the flat tax, debt reduction surtax and high income surtax.*

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*55,000 low-income people — one out of every eight taxpayers in Saskatchewan — will no longer pay any provincial income tax.*

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Second, the new structure will levy tax directly on taxable income, at the following rates:

- 11 per cent on taxable income up to \$35,000;
- 13 per cent on taxable income over \$35,000, up to \$100,000; and,
- 15 per cent on taxable income over \$100,000.

These rates will be phased in over three years. When fully implemented, about 70 per cent of all Saskatchewan taxpayers will pay income tax at a rate equal to residents of Alberta.

Third, we will provide significantly higher non-refundable tax credits to support Saskatchewan families.

On full implementation, Saskatchewan people will be able to claim:

- a basic tax credit of \$8,000;
- a spousal or equivalent-to-spouse credit of \$8,000;
- a child tax credit of \$2,500 per dependent child; and,
- a senior's supplemental credit of \$1,000.

With this new tax structure and these new personal tax credits, 55,000 low-income seniors, single parents, minimum wage earners and working families — one out of every eight taxpayers in Saskatchewan — will no longer pay any provincial income tax.

Fourth, when fully implemented, our tax system will be indexed to inflation, eliminating “bracket creep.”

These changes represent the largest reduction in income tax in the history of our Province.

Every Saskatchewan taxpayer will pay less.

But the tremendous savings to all residents, and the impact tax reform will have on our economy, has been ignored by many in the recent debate over sales tax.

Mr. Speaker, I say again: this is a plan for the future.

It is not about buying the short-term good will of people with their own tax dollars.

It is about growth and opportunity for Saskatchewan.

In order to make our economy competitive, good public policy requires us to adjust other aspects of our tax system.



Our provincial sales tax is currently levied at the lowest rate in Canada and on the narrowest consumer base. This under-utilization of our sales tax is a primary cause for high personal income tax rates.

Therefore, the sales tax rate will remain at six per cent, and the sales tax base will be broadened to include items taxed elsewhere.

However, this Government is not in the business of taxing family necessities.

Therefore, we will continue to exclude items such as:

- home heating and electricity;
- children's clothing;
- insurance premiums;
- reading materials;
- funeral services; and,
- personal services like haircuts.

In addition, there will be no provincial sales tax on restaurant meals.

I have already stated our commitment that, under our tax reforms, lower income people would be better off. This includes those on fixed incomes and those who do not pay any provincial income tax.

I am pleased to announce that, in order to improve tax fairness, our Government will introduce a new, fully refundable Saskatchewan Sales Tax Credit.

This credit will provide annual tax savings of \$32 million to lower income residents and ensure a fair distribution of the sales tax.

With this initiative, Saskatchewan people earning up to \$35,000 a year will be eligible for a sales tax credit administered in conjunction with the federal GST rebate.

Lower income families will receive a sales tax rebate of up to \$264 a year to off-set the additional sales tax they may pay.

Mr. Speaker, over the past months, Saskatchewan's long-standing arrangement with First Nations people regarding the issue of taxation has been called into question.

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*Through tax reform, the  
benefits to the average  
family will grow to about  
\$1,000 a year by 2003.*

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A time of widespread tax reform involves change. The introduction of a sales tax rebate to all low income people in Saskatchewan also makes it appropriate to examine past practices.

Recent court cases also demonstrate the need to reassess public policy in this regard.

These facts — tax reform, introduction of the sales tax rebate to all low income people and court challenges — have prompted a change in policy.

Therefore, effective midnight tonight, the provincial sales tax will be extended to off-reserve purchases by First Nations people.

With the obligation to pay the sales tax, comes the benefits of the new tax system, including the Saskatchewan Sales Tax Credit, available to low-income First Nations people across the province.

Mr. Speaker, this new tax system is simple. It is fair. It is competitive.

It will result in enhanced tax fairness and progressivity.

It will contribute to building our future of growth and opportunity, while ensuring that everyone is better off.

Our new tax system will begin in 2001. But our commitment is to lower personal taxes every year, as we have done since 1995.

I am pleased to announce that, effective July 1, 2000, Saskatchewan's flat tax will be cut in half, from two per cent to one per cent.

The combined impact of all tax measures in 2000 will be a reduction of \$200 in provincial taxes for the average Saskatchewan family, growing to about \$1,000 a year by 2003.



## A Future of Growth and Opportunity

Mr. Speaker, let me close by saying this:

Now is the time to reach beyond our limitations.

To build on a decade's work — a century's work — to use our strength as a people and our blessings as a Province to create a new generation of growth and opportunity.

For that is what a society is about.

That is what Saskatchewan is about.

Our journey into the future will not be free from challenges or from change.

But this Budget puts us on a firm course to achieve opportunity and growth for all.

Let us have the courage — the spirit — to lead change, not to follow.

To face challenge, not to back away.

To do what is fair and what makes sense for our Province and our people, building a stronger, more prosperous Saskatchewan for us and our children.

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*This Budget puts us on a firm course to achieve opportunity and growth for all.*

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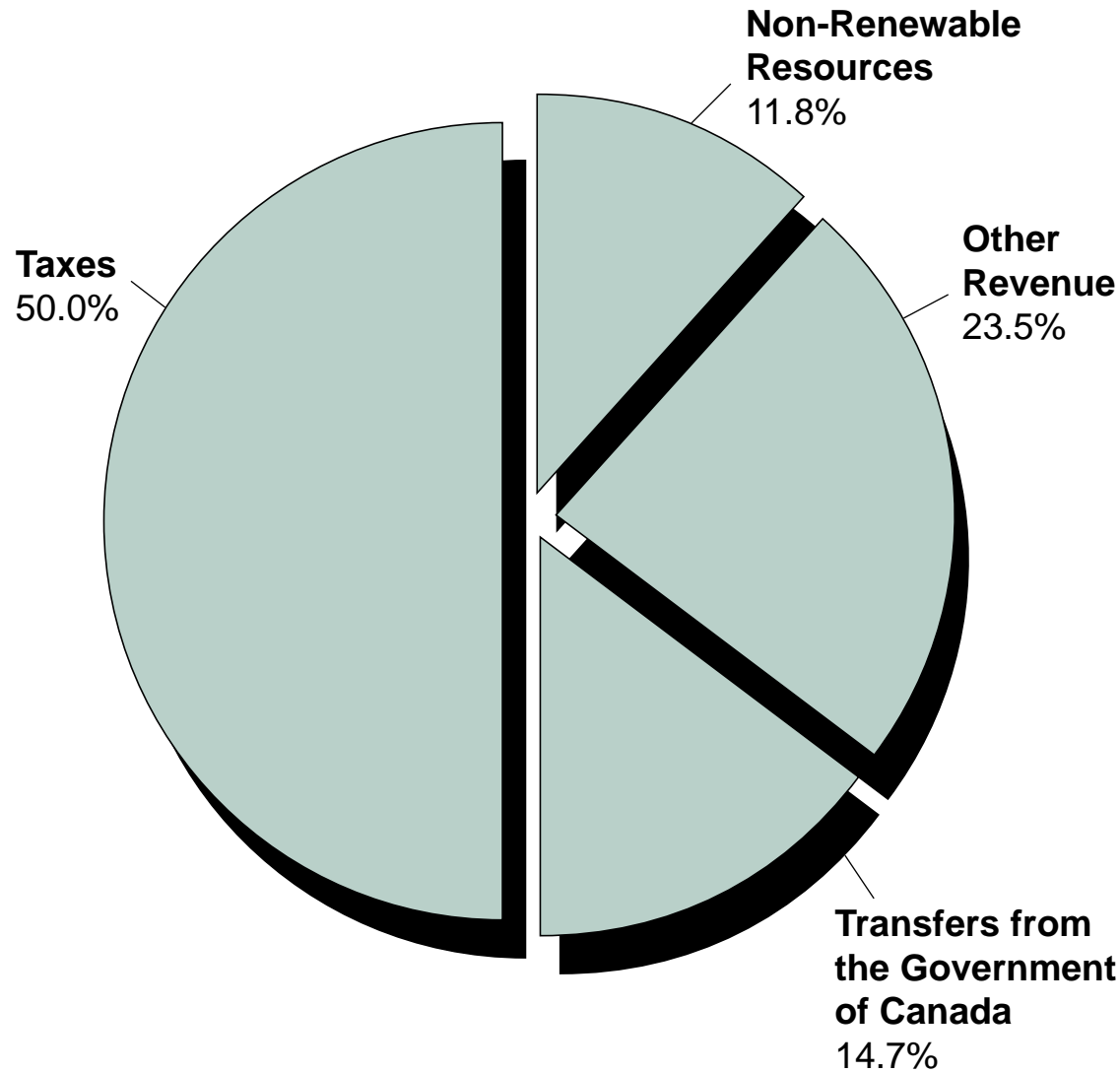
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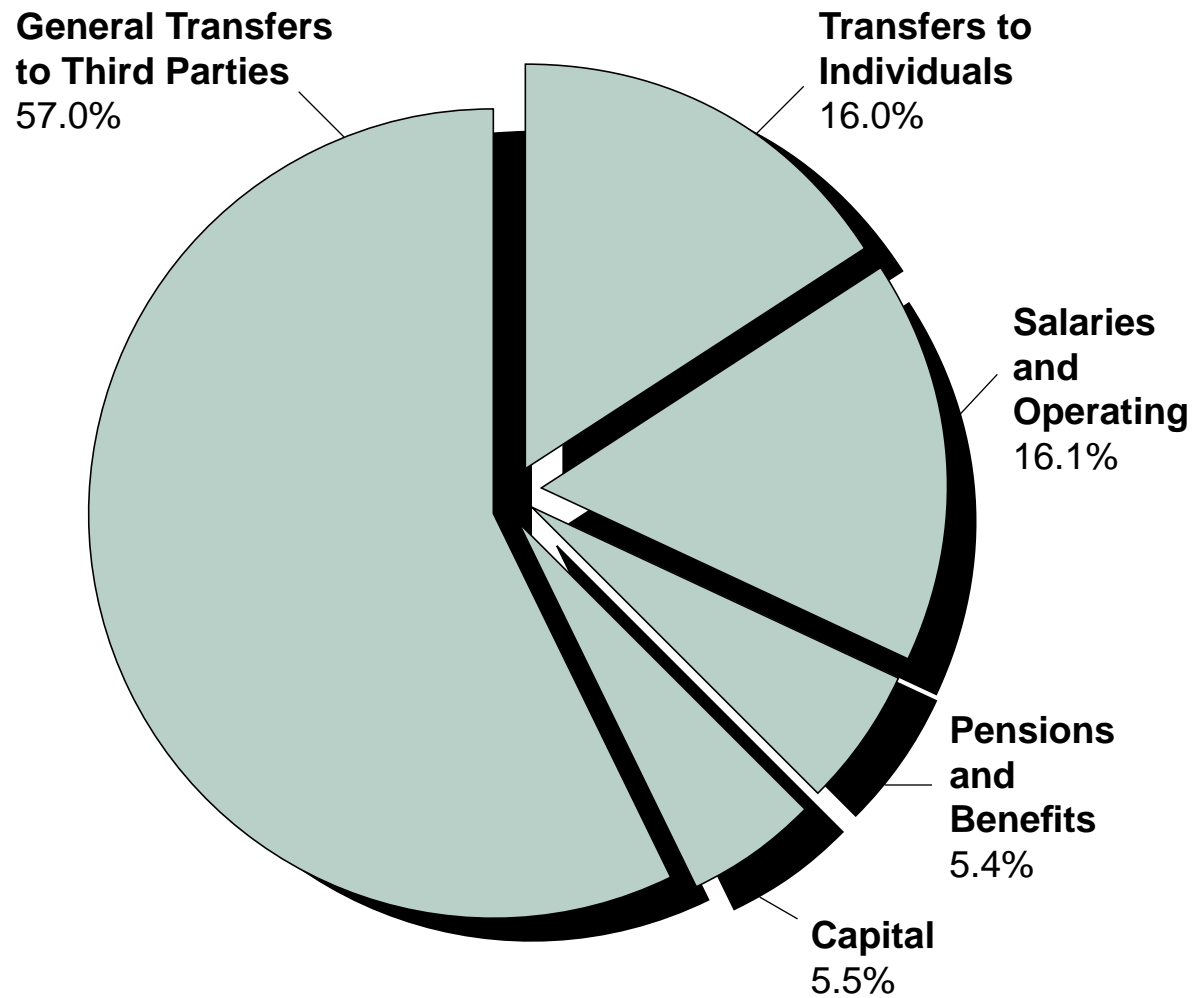


**Government of Saskatchewan  
General Revenue Fund  
Sources of Revenue, 2000-01**



	Millions of Dollars	Per Cent of Total
<b>Taxes</b>		
Individual Income .....	\$ 1,247.0	19.5%
Sales .....	815.2	12.8
Corporations .....	588.7	9.2
Fuel .....	347.6	5.5
Tobacco .....	124.6	2.0
Other .....	65.7	1.0
	<b>\$ 3,188.8</b>	<b>50.0%</b>
<b>Non-Renewable Resources</b>		
Oil .....	\$ 447.4	7.0%
Potash .....	195.2	3.1
Natural Gas .....	66.5	1.0
Other Minerals .....	41.5	0.7
	<b>\$ 750.6</b>	<b>11.8%</b>
<b>Other Revenue</b>		
Dividends .....	\$ 1,194.1	18.7%
Motor Vehicles .....	112.4	1.8
Charges for Services .....	71.4	1.1
Licences and Permits .....	41.7	0.6
Other .....	82.2	1.3
	<b>\$ 1,501.8</b>	<b>23.5%</b>
<b>Total Own-Source Revenue .....</b>	<b>\$ 5,441.2</b>	<b>85.3%</b>
<b>Transfers from the Government of Canada</b>		
Canada Health and Social Transfer .....	\$ 494.6	7.7%
Equalization .....	335.9	5.3
Other Transfers .....	110.7	1.7
	<b>\$ 941.2</b>	<b>14.7%</b>
<b>Total Revenue .....</b>	<b>\$ 6,382.4</b>	<b>100.0%</b>

**Government of Saskatchewan  
General Revenue Fund  
Distribution of Spending, 2000-01**



	Millions of Dollars	Per Cent of Total
<b>General Transfers to Third Parties</b>		
District Health Services .....	\$ 1,374.3	26.0%
Medical and Health Services and Support .....	526.9	9.9
Schools.....	435.1	8.2
Post-Secondary Education and Skills Training .....	349.6	6.6
Municipalities .....	85.8	1.6
RCMP Services .....	73.0	1.4
Economic Development and Jobs.....	57.1	1.1
Agricultural Support.....	50.1	0.9
Family and Youth Services.....	25.8	0.5
Gaming Funds.....	20.6	0.4
Other .....	20.0	0.4
	<b>\$ 3,018.3</b>	<b>57.0%</b>
<b>Transfers to Individuals</b>		
Income Support, Housing and Other Assistance .....	\$ 375.4	7.1%
Agricultural Support .....	166.3	3.1
Prescription Drug Plan .....	98.9	1.9
Student Aid and Training.....	77.2	1.4
Family and Youth Services.....	46.2	0.9
Community Living.....	41.9	0.8
Treaty Land Entitlements .....	25.5	0.5
Other .....	14.2	0.3
	<b>\$ 845.6</b>	<b>16.0%</b>
<b>Salaries and Operating</b>		
Parks, Forests and Natural Resources .....	\$ 168.9	3.2%
Income Support and Assistance.....	131.6	2.5
Courts, Jails and the Justice System .....	130.8	2.5
Highway Maintenance and Operations .....	127.5	2.4
Health and Education Administration .....	121.9	2.3
Internal Government Departments .....	75.5	1.4
Agriculture and Economic Development .....	51.0	1.0
Other .....	42.4	0.8
	<b>\$ 849.6</b>	<b>16.1%</b>
<b>Pensions and Benefits</b>		
Public Service.....	\$ 172.6	3.3%
Teachers .....	109.3	2.1
	<b>\$ 281.9</b>	<b>5.4%</b>
<b>Capital</b>		
Construction of Transportation Systems .....	\$ 121.6	2.3%
Post-Secondary and Schools .....	56.0	1.0
Health .....	41.1	0.8
Centenary Capital Fund .....	30.0	0.6
Municipalities .....	18.9	0.3
Asset Renewal .....	14.4	0.3
Other .....	13.2	0.2
	<b>\$ 295.2</b>	<b>5.5%</b>
<b>Total Operating Expenditure .....</b>	<b>\$ 5,290.6</b>	<b>100.0%</b>

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# Saskatchewan's Economic Outlook

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## Introduction

Saskatchewan's economy has performed well over the past seven years despite adverse external economic conditions in late 1998 and early 1999. Since 1992, real GDP has grown by an average annual rate of 3.5 per cent and employment has risen by 31,600.

Continued Canadian and U.S. economic growth, improved economic prospects overseas and higher commodity prices will support the Province's economic growth in the years ahead. Spurred on by a stimulative fiscal policy, the Saskatchewan economy is forecast to expand in each of the next five years.

## The External Economic Environment

Economic conditions in the United States and Canada are important to provincial economic performance.

The U.S. economy expanded at an annual rate of 4.1 per cent in real terms in 1999 and is expected to perform relatively well over the medium term, averaging 3.2 per cent growth from 2000 to 2004.

The Canadian economy is also expected to perform well over the same period. Following 4.2 per cent growth in real GDP last year, Canada's economy is poised to grow by 3.4 per cent in 2000. Canadian economic growth is expected to average 3.1 per cent annually over the next five years.

### U.S. and Canadian Economic Outlook

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	1999	2000	2001	2002	2003	2004
U.S. Real GDP Growth (%)	4.1	3.6	3.1	2.8	3.0	3.3
Canadian Real GDP Growth (%)	4.2	3.4	2.8	2.8	3.2	3.2
Canadian Unemployment Rate (%)	7.6	6.7	7.1	7.2	6.7	6.6
Canadian Inflation Rate (%)	1.7	2.2	1.7	1.6	1.7	1.9

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U.S. and Canadian interest rates have risen in the past few months as a result of stronger-than-expected economic growth. Further modest interest rate increases are expected in coming months. Looking further ahead, interest rates are projected to trend down as economic growth in the U.S. and Canada moderates.

Improving economic prospects overseas bode well for commodity prices and the value of the Canadian dollar. Supported by sound economic fundamentals in Canada and relatively stable global financial markets, the value of the Canadian dollar is expected to rise over the forecast period.

## Outlook for Canadian Interest Rates and the Canadian Dollar

	1999	2000	2001	2002	2003	2004
Short-term Interest Rates (%)	4.7	5.7	5.6	5.0	5.0	5.1
Long-term Interest Rates (%)	6.6	7.1	6.8	6.3	6.4	6.4
Canadian Dollar (U.S. cents)	67.4	69.0	71.1	73.3	74.6	75.6

Saskatchewan's exports are dominated by crude oil, potash and grain products. Consequently, oil, potash and grain prices are important determinants of provincial economic performance.

The U.S. dollar price for a barrel of West Texas Intermediate oil is assumed to average \$21.40 this year and \$21.00 in 2001.

Potash prices are expected to average around \$195.00 per tonne over the period, well above the average price of about \$157.00 per tonne in the 1990s.

Wheat prices have been under pressure but are expected to improve over the forecast period.

## Price Forecasts for Selected Commodities

	1999	2000	2001	2002	2003	2004
WTI Oil (U.S.\$/barrel)	19.24	21.40	21.00	21.34	21.70	22.11
Potash (C\$/tonne)	205.85	197.43	196.46	193.75	193.86	195.08
Wheat (C\$/tonne at the farmgate)*	111.10	140.00	154.10	155.63	157.25	156.87

\* Crop year basis (August to July)

Crop conditions and provincial budget measures are also important to Saskatchewan's economic performance. An average crop, in terms of both quantity and quality, is assumed each year for forecast purposes. The economic forecast also includes the impact of new fiscal measures announced in the 2000-01 Saskatchewan Budget.

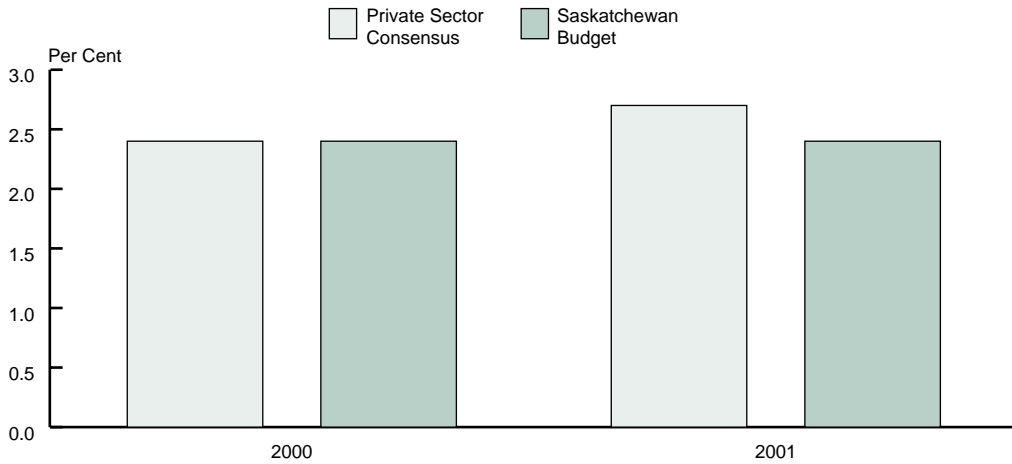
## Saskatchewan's Economic Outlook

Saskatchewan's economy performed largely as expected in 1999. Real GDP increased by 1.9 per cent and 3,800 new jobs were created compared to the 1999-2000 Saskatchewan Budget forecast of 2.0 per cent growth and 3,000 new jobs.



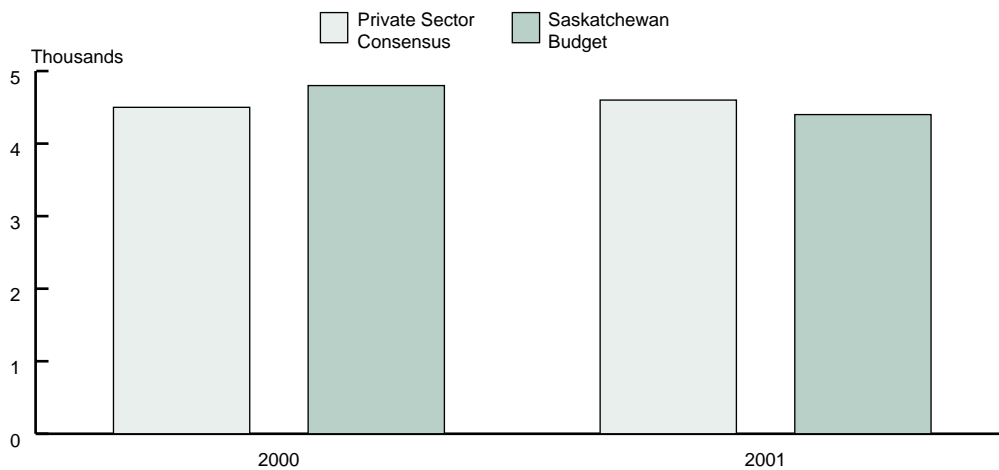
Saskatchewan's rate of real economic growth is projected to improve to 2.4 per cent in 2000 and 2001. On average, forecasts supplied by the private sector show an annual growth of 2.4 per cent and 2.7 per cent for 2000 and 2001, respectively. For the 2002 to 2004 period, Saskatchewan's real economic growth is projected to range between 2.5 per cent and 3.1 per cent.

### Real GDP Growth Forecast Comparison



Average annual employment is projected to rise by 4,800 this year and 4,400 in 2001. The private sector forecasts 4,500 and 4,600 new jobs, respectively.

### Employment Growth Forecast Comparison



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## Saskatchewan's Economic Outlook at a Glance

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	1999	2000	2001	2002	2003	2004
Real GDP (% Change)	1.9	2.4	2.4	2.5	2.9	3.1
Nominal GDP (% Change)	4.3	4.8	4.5	3.7	3.9	4.0
Consumer Price Index (% Change)	1.8	2.3	1.7	1.7	1.9	2.4
Employment Level (Thousands)	480.1	484.9	489.3	493.3	497.7	502.2
Unemployment Rate (%)	6.1	5.6	5.2	5.0	4.9	4.8
Personal Income (% Change)	2.1	3.8	2.6	4.1	4.9	4.1
Personal Disposable Income (% Change)	2.2	4.5	3.5	4.7	5.3	4.3
Retail Sales (% Change)	1.5	3.2	3.0	3.3	3.9	3.3

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### Risks and Opportunities

The economic forecast is based on reasonable assumptions about interest rates, the value of the Canadian dollar, commodity prices and other factors affecting the economic performance of the Province. In addition, the forecast assumes that normal growing conditions will prevail in agriculture in each of the forecast years. If these factors vary from the assumptions made, Saskatchewan's economic performance may vary from the forecast.

### Conclusion

Saskatchewan's economy continues to perform well and will grow for the eighth successive year in 2000. Steady U.S., Canadian and overseas economic growth and improved commodity prices, as well as a stimulative fiscal policy, will keep Saskatchewan on a positive growth track over the forecast period.

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# Saskatchewan's Financial Outlook

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## Introduction

The 2000-01 Budget delivers balanced budgets, strengthens and enhances services to the public and provides for personal tax reform.

Major fiscal initiatives include:

- a four-year plan to reduce personal taxation;
- funding to maintain core services; and,
- enhanced support for economic development, health, agriculture, education and highways.

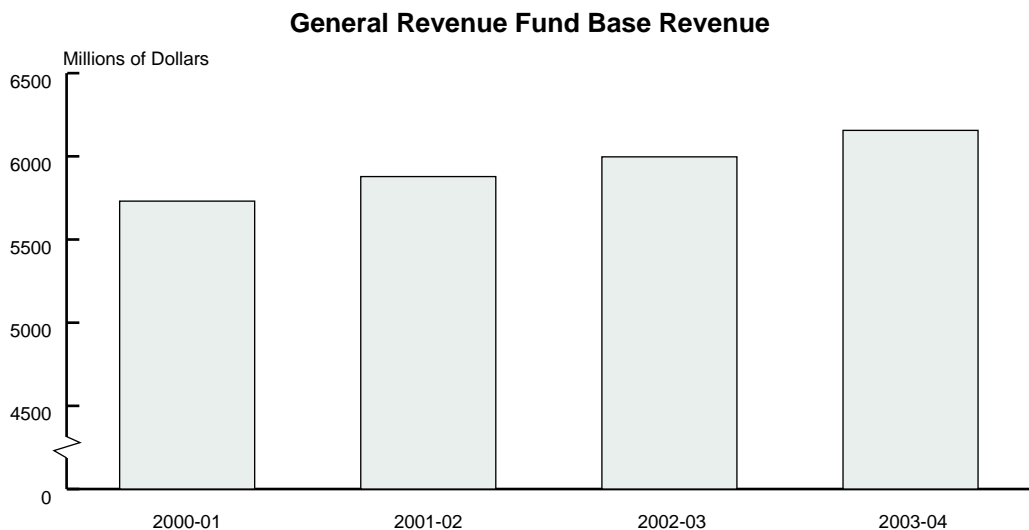
Budgets will be balanced throughout the forecast period.

The debt-to-GDP ratio will continue to decline over the forecast period, dropping from 35.7 per cent in 2000-01 to 31.2 per cent by the end of 2003-04.

## Revenue

### Base Revenue Outlook

The “base” revenue forecast (that is, before tax reform and the \$695 million final retained earnings dividend from the Saskatchewan Liquor and Gaming Authority) projects 2000-01 revenue at \$5.73 billion. Base revenue is projected to grow at an average annual pace of 2.4 per cent from 2000-01 to 2003-04 — a rate consistent with real economic growth over the same period.



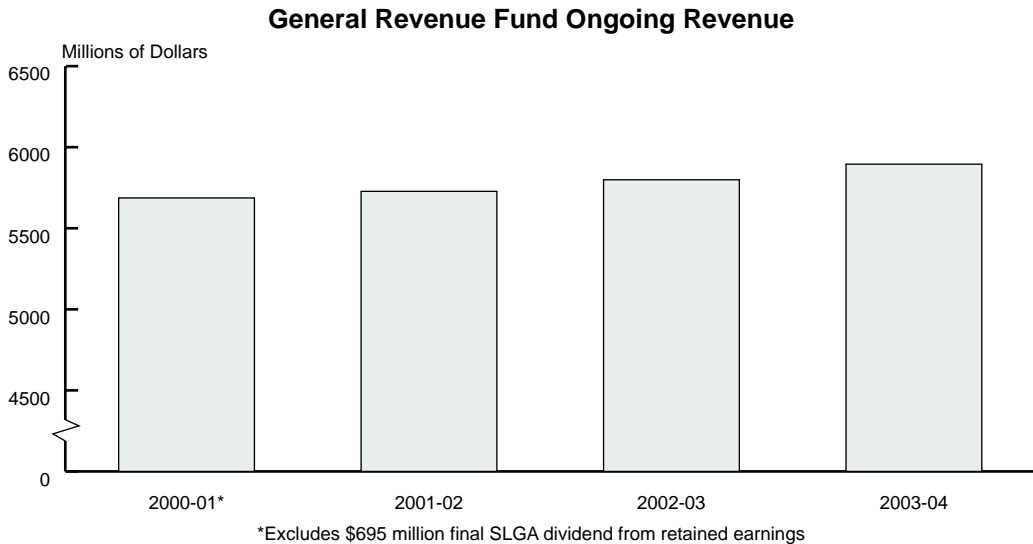
### Personal Tax Reform

The 2000-01 Budget contains a major reform of the personal tax system, phased in over four years. The changes to the personal tax system are discussed in greater detail in the *Saskatchewan's Personal Tax Reform* budget paper.

Personal tax reform will reduce base revenue by \$44 million in 2000-01, growing to \$261 million annually by 2003-04.

## Total GRF Revenue Outlook

Natural base revenue growth, the tax reform initiative and the final SLGA retained earnings dividend of \$695 million combine to yield a 2000-01 revenue projection of \$6.38 billion. Setting aside the one-time revenue from the SLGA retained earnings dividend, total GRF revenue is projected to grow at an average annual rate of 1.2 per cent from 2000-01 to 2003-04.



## Operating Expenditure

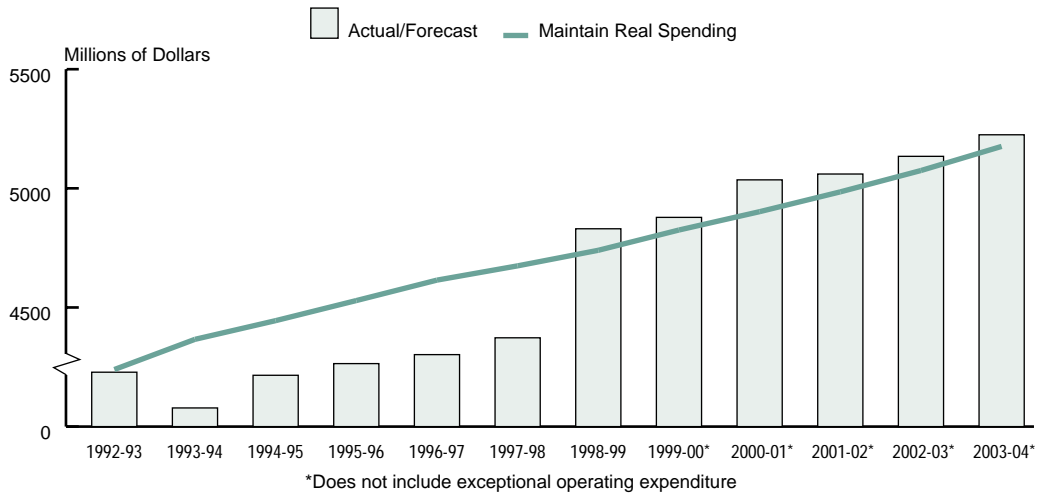
The 2000-01 Budget projects 2000-01 operating expenditure at \$5.29 billion, including a number of exceptional items:

- the Centenary Capital Fund (\$120 million — \$30 million a year for four years);
- the Health Transition Fund (one-time \$150 million);
- a forest fire contingency (one-time \$50 million); and,
- agricultural property tax relief (\$50 million — \$25 million a year for two years).

Excluding these exceptional items, 2000-01 ongoing operating expenditure is projected to be \$5.04 billion. Average annual growth of 1.2 per cent is provided from this level over the medium term. This compares favourably with average annual growth of 0.7 per cent from 1992-93 to 1997-98.

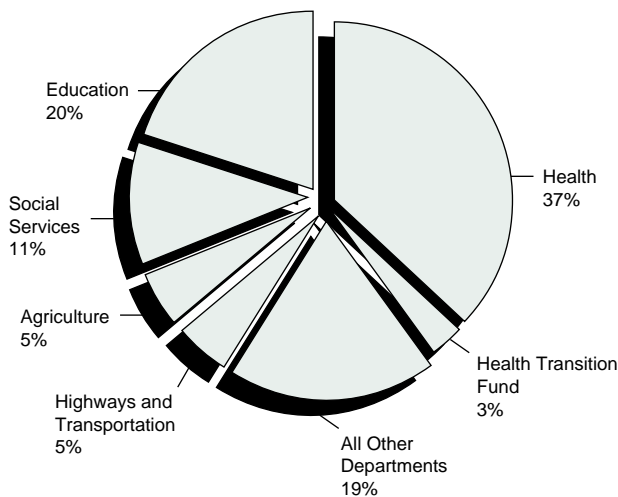
Until 1998-99, operating expenditure was below the 1992-93 inflation-adjusted (real) level. Enhanced programming in 1998-99 and 1999-2000 has allowed the ongoing operating expenditure base to “catch up” to the 1992-93 real level. Spending is projected to exceed the inflation-adjusted level throughout the medium term, albeit at a declining rate.

## General Revenue Fund Ongoing Operating Expenditure



The spending planned in the 2000-01 Budget will be allocated as follows.

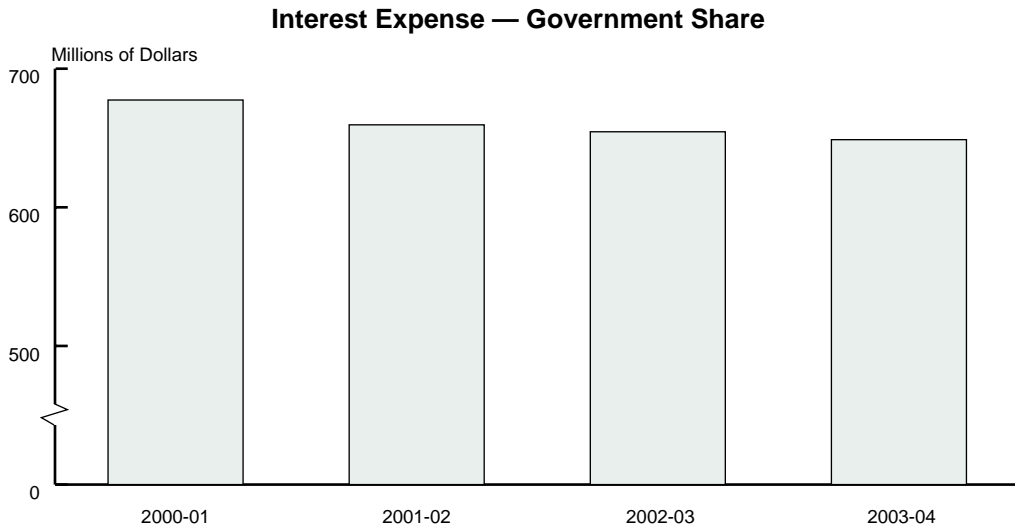
### Composition of Operating Expenditure, 2000-01



- Health will account for 37 per cent and the Health Transition Fund will account for an additional 3 per cent.
- Education and training (including both Kindergarten to Grade 12 and post-secondary education) will account for 20 per cent.
- Social Services will account for 11 per cent.
- Agriculture will account for 5 per cent.
- Highways and Transportation will account for 5 per cent.
- The remaining departments and agencies will account for 19 per cent of operating spending.

## Interest Expense

Interest expense is projected to decline marginally from 2000-01 to 2003-04.



## Fiscal Stabilization Fund

As part of the 2000-01 Budget, a fiscal stabilization fund will be created. This fund is described in greater detail in the *Fiscal Stabilization Fund* budget paper.

The 2000-01 Budget projects a transfer to the Fiscal Stabilization Fund of \$405 million, reflecting:

- \$290 million representing the target fund level of 5 per cent of the previous year's revenue;
- \$90 million representing the Centenary Capital Fund requirements for the three years commencing 2001-02; and,
- \$25 million representing the 2001-02 agricultural property tax relief.

By the end of 2003-04, the exceptional items will have been funded and the Fiscal Stabilization Fund is expected to be at its target level.

## Budget Balance

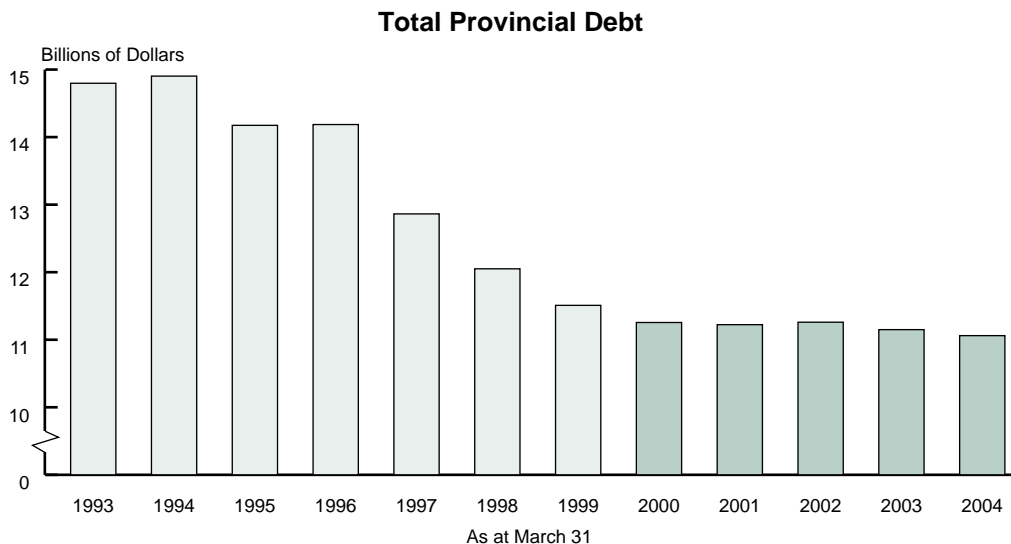
The budget is projected to be balanced throughout the medium term.

### General Revenue Fund Financial Outlook

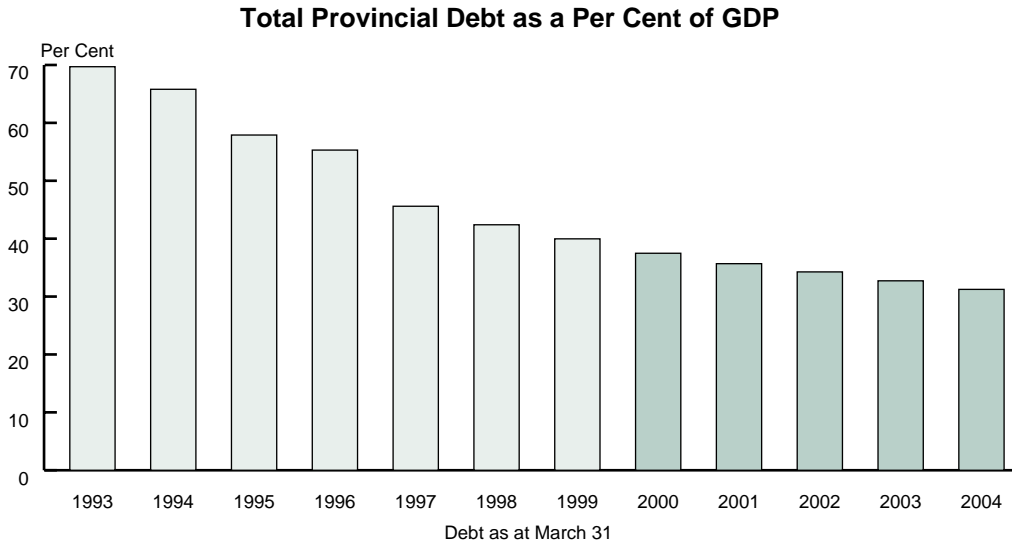
(Millions of Dollars)	2000-01	2001-02	2002-03	2003-04
Base Revenue	\$ 5,730.7	\$ 5,878.3	\$ 5,996.9	\$ 6,156.0
Personal Tax Reform	(43.7)	(150.6)	(197.8)	(260.5)
SLGA Dividend from Reserves	695.4	–	–	–
<b>Total Revenue</b>	<b>\$ 6,382.4</b>	<b>\$ 5,727.7</b>	<b>\$ 5,799.1</b>	<b>\$ 5,895.5</b>
Operating Expenditure				
– Ongoing	5,035.6	5,060.1	5,134.3	5,224.8
– Exceptional	255.0	55.0	30.0	30.0
Operating Surplus	\$ 1,091.8	\$ 612.6	\$ 634.8	\$ 640.7
Interest Costs	677.4	659.5	654.5	648.8
Fiscal Stabilization Fund Transfer	(405.0)	55.0	30.0	30.0
<b>Budget Balance</b>	<b>\$ 9.4</b>	<b>\$ 8.1</b>	<b>\$ 10.3</b>	<b>\$ 21.9</b>

## Debt

Total provincial debt is projected to be \$11.22 billion at the end of 2000-01 and decline to \$11.06 billion by the end of 2003-04.



Total provincial debt as a share of GDP is expected to fall from 35.7 per cent at the end of 2000-01 to 31.2 per cent by 2003-04.



## Conclusion

The 2000-01 Budget Plan projects four more balanced budgets while providing major personal tax reform and enhanced spending in priority areas.

A fiscal stabilization fund will be created. This fund will play an integral role in stabilizing the annual fiscal position of the Province and facilitating the accomplishment of long-term objectives.

From 2001-02 to 2003-04 total provincial debt will decline by approximately \$162 million. This debt reduction, combined with continuing economic growth, will result in the debt-to-GDP ratio falling from 35.7 per cent at the end of 2000-01 to 31.2 per cent by 2003-04.



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# Saskatchewan's Personal Tax Reform

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## Context for Reform

In the 1999-2000 Saskatchewan Budget, the Minister of Finance began a process to reform Saskatchewan's personal tax system to achieve a simpler, fairer and more competitive tax system that would be more responsive to the needs of Saskatchewan people and strengthen the Saskatchewan economy.

With these goals in mind, an independent committee\*, chaired by Professor Jack Vicq of the University of Saskatchewan, undertook a six-month study of the provincial tax system. The Committee's report to the Minister of Finance and the extensive public consultation process provided the Government with a basis to pursue its objectives of implementing meaningful tax relief for working families while improving tax fairness and competitiveness.

Public response to the Committee's report has been widespread. Thousands of responses were received in the form of letters and petitions and through the Internet. Views were also expressed on open-line shows and through other media.

Public opinion clearly supports a tax reform that achieves a simple, fair and competitive tax system. Reform of the tax system must be effective in creating growth and opportunity for Saskatchewan. It must also be sustainable in that tax reductions must not lead to a return to deficits or jeopardize valued public services such as health care and education.

These considerations provided the framework for the Government's personal tax reform initiative and its significant reduction in personal income taxes. This reform begins immediately and will be fully implemented by January 1, 2003.

Key components of the reform include a new way of determining personal income tax\*\* and a fairer means of applying the E&H Tax that introduces the Saskatchewan Sales Tax Credit. The new sales tax credit will protect low-income people and help guarantee fairness in the new system. Together, these initiatives create a simple, fair and competitive tax system that will lower taxes for Saskatchewan families, especially those with children, and enhance the opportunity for economic growth and development in the province.

## A New Personal Income Tax System

The new personal income tax system will have the following features upon full implementation.

- Simpler, lower provincial tax rates applied to taxable income will replace the current system's 48 per cent Basic Saskatchewan Tax, 2 per cent Flat Tax, 10 per cent Debt Reduction Surtax, 15 per cent High Income Surtax and the low income reduction.

### Tax Rates:

- 11% - on taxable income of \$35,000 or less
- 13% - on taxable income between \$35,000 and \$100,000
- 15% - on taxable income over \$100,000

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\* The Personal Income Tax Review Committee was appointed by the Government and consisted of Jack Vicq, FCA, Charlie Baldock, CA and Shelley Brown, CA.

\*\* The current provincial income tax system determines tax as a percentage of Basic Federal Tax. The new tax on income structure determines tax by applying provincial income tax rates directly to taxable income and then deducting provincial personal tax credits.

- Higher personal tax credit amounts will focus support on the family, including:
  - a basic personal tax credit of \$8,000;
  - a spousal (or equivalent) tax credit of \$8,000;
  - a new \$2,500 per child tax credit; and,
  - a \$1,000 seniors supplement to the age credit.
- An 11 per cent tax rate will be applied to taxable capital gains on qualified farm property and small business shares exceeding the lifetime \$500,000 capital gains deduction.
- Inflation protection will be introduced once the tax system is fully implemented through the indexation of the provincial income brackets and personal tax credits.

## A Fairer E&H Tax System

This Budget introduces the Saskatchewan Sales Tax Credit. Effective April 1, 2000, this Credit will offset the sales taxes of provincial residents earning less than \$35,000, resulting in a significant improvement in the fairness of the sales tax.

The Credit will consist of an adult component of \$77 and a child component of \$55 per child. For lower income families, tax credits can reach \$264 per year. The Credit will be fully refundable, meaning that a person does not have to pay income tax in order to receive benefits. A recipient must file an income tax return as a resident of Saskatchewan and meet income and family criteria to be eligible for a cheque.

This Budget also expands the E&H Tax, effective Budget night, to include repair services (excluding repairs to real property and exempt items), computer services, real estate fees, non-prescription drugs, maintenance contracts, bedding plants (including trees and shrubs), pet food, dry cleaning, veterinary fees (other than farm-related fees), security services, credit bureau/collection services and telephone answering services.

Commencing July 1, 2000, the E&H Tax base will be expanded to include professional services (including legal, accounting, architectural, consulting and engineering services), building services, advertising services and employment services.

A number of related adjustments will be made to provincial consumption taxes. Unless otherwise noted, these adjustments are effective Budget night.

- Used goods will be added to the E&H Tax base. However, personal acquisitions of used goods, other than vehicles, will be permitted a \$300 per item deduction applied against the sales price in determining the tax owing. This deduction means that most used goods for personal consumption will continue to be tax-free.
- Dealers of new and used vehicles will be permitted to deduct the value of vehicle trade-ins in determining the E&H Tax base on their vehicle sales. Private sales of used vehicles will be subject to the E&H Tax, with a \$3,000 deduction applied against the sales price in determining the tax owing.
- Status Indian purchases occurring off-reserve will be subject to the E&H Tax, unless the taxable items are delivered to a reserve. This change is being introduced as a consequence of recent legal challenges being brought against the Government's tobacco and fuel tax policies respecting on-reserve purchases by First Nations people. Beginning immediately, First Nations will be given the opportunity to enter into administrative arrangements with the Province respecting the effective removal of provincial tobacco and fuel taxes on on-reserve Status Indian purchases of these products.

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- The Insurance Premiums Tax rate will increase by one percentage point effective April 1, 2000, but insurance premiums will not be added to the E&H Tax base.
  - The Canada Customs and Revenue Agency will begin collecting the E&H Tax on taxable items purchased outside Canada as soon as administrative arrangements are completed with the federal government.

The E&H Tax rate will remain at 6 per cent, the lowest sales tax rate in Canada. Many family essentials such as heating fuels, residential electricity, reading materials and children's clothing will continue to be exempt from the E&H Tax, thereby providing significant tax savings for families.

## Impacts of the Reform

### Saskatchewan Residents Will Pay Lower Taxes

Under the reform, provincial residents will see their combined income and sales taxes reduced by about \$260 million per year once the reform is fully implemented.

- The replacement of the Basic Saskatchewan Tax, Flat Tax, Debt Reduction Surtax and High Income Surtax with a progressive three-rate tax structure ensures a simple and fair application of tax.
- The continued E&H Tax exemption of most family essentials and the introduction of the Saskatchewan Sales Tax Credit ensure that lower income earners will pay less tax after the reform. Saskatchewan's sales tax on families is still the lowest of all provinces which levy a sales tax, and is less than the health care premiums paid in Alberta and British Columbia by families earning \$50,000.
- Provincial indexation of the personal tax credits and income brackets ensures that tax increases will not automatically occur as a result of inflation.

### Saskatchewan's Tax System Will Be Simpler

Saskatchewan's current reliance on the federal tax system and the Province's efforts to achieve its social and economic goals through the provincial tax system have resulted in a complex tax structure where three surtaxes are added to the basic provincial income tax and an elaborate low income reduction is deducted. The result is a tax system that is complex to administer and comply with, and one which fosters confusion and suspicion about its fairness.

Tax reform promotes a simpler, more transparent tax system by replacing all of the surtaxes and the reduction with a simplified three-rate tax structure. For about 70 per cent of all taxpayers, the new system will amount to a single tax rate of 11 per cent on taxable income, the same rate as in Alberta following that province's reform.

### Saskatchewan's Tax System Will Be Fairer

The introduction of higher personal tax credit amounts will remove about 55,500 lower income earners from the income tax rolls. Families with children receive special consideration under the new tax system, with lower income families seeing dramatic tax reductions due to the combined impact of the \$2,500 per child income tax credit and the Saskatchewan Sales Tax Credit.

## Tax Reform Savings for Families with Two Children

Family Income	Income Tax Savings	Sales Tax Impact	Sales Tax Credit	Net Tax Savings	Savings as a % of Tax*
<b>One Income Families</b>					
\$10,000	\$ 0	\$ (31)	\$ 250	\$ 219	85.2%
\$20,000	\$ 391	\$ (68)	\$ 150	\$ 473	65.5%
\$30,000	\$ 1,127	\$ (100)	\$ 50	\$ 1,077	45.2%
\$40,000	\$ 1,546	\$ (119)	\$ 0	\$ 1,427	35.3%
\$50,000	\$ 1,953	\$ (139)	\$ 0	\$ 1,814	31.0%
<b>Two Income Families</b>					
\$25,000	\$ 448	\$ (82)	\$ 130	\$ 496	59.0%
\$35,000	\$ 672	\$ (110)	\$ 60	\$ 622	28.5%
\$50,000	\$ 986	\$ (139)	\$ 0	\$ 847	20.2%

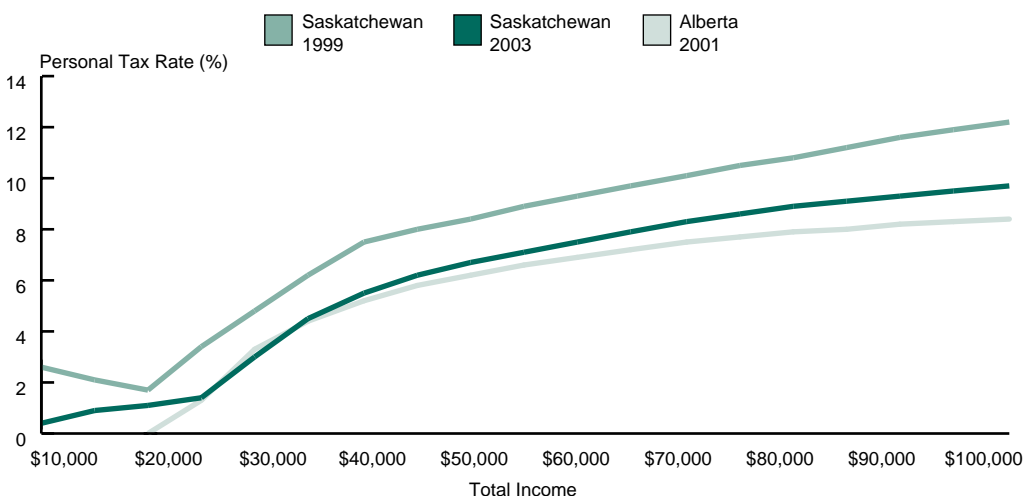
\* Equal to the Net Tax Savings divided by combined provincial income and sales taxes payable in 1999.

### Saskatchewan's Tax System Will Be More Competitive

The tax changes introduced in this Budget result in a major improvement in the competitiveness of Saskatchewan's tax system. Following tax reform, tax rate differentials with our competitors will decline and, when combined with Saskatchewan's locational advantages, will improve the province's ability to attract and retain skilled labour.

#### Comparison of Personal Tax Rates\*

##### Two Income Families with Two Children



\*Personal Tax Rates are determined by dividing combined provincial income and sales taxes and health care premiums payable by total income.

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## Transition to Tax Reform

The year 2000 will provide a transition to the new tax reform structure. To ensure that taxpayers will benefit from lower taxes in the current year, a series of tax measures are being introduced:

- the Flat Tax will be reduced from 2 per cent to 1 per cent effective July 1, 2000;
- the E&H Tax will be expanded in two stages — Budget night for most items and July 1, 2000 for professional, building, advertising and employment services; and,
- the Saskatchewan Sales Tax Credit will be paid in full during 2000-01, so that lower income earners will experience an offsetting tax reduction.

## Conclusion

Saskatchewan's personal tax reform achieves significant success in addressing the Government's objective of improving simplicity, fairness, competitiveness and support for the family.

The reform:

- provides greater disposable income for individuals and families, thereby creating greater spending power and choice for people in their daily activities;
- improves the ability of Saskatchewan-based businesses to attract and retain qualified labour, as taxes represent a significant element in a prospective employee's compensation decision; and,
- ensures a higher standard of living for Saskatchewan residents.

For more information on the personal tax reform initiatives, please refer to the document entitled *A Plan for Growth and Opportunity — Personal Tax Reform in Saskatchewan*, or contact:

Saskatchewan Finance  
Taxation and Intergovernmental Affairs Branch  
2350 Albert Street  
Regina, Saskatchewan S4P 4A6

Telephone: (306) 787-6722 (Regina)

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# Other Revenue Initiatives

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## General

This paper provides a summary of the revenue initiatives contained in the 2000-01 Budget that do not pertain directly to the personal tax reform. Unless otherwise directed, for more detailed information please contact Saskatchewan Finance at 1-800-667-6102 or (306) 787-6645 (Regina).

## Saskatchewan Post-Secondary Education Graduate Tax Credit

Commencing for 2000, the Government is introducing the Saskatchewan Post-Secondary Education Graduate Tax Credit. This initiative will provide a one-time provincial income tax credit of \$350 for qualifying graduates who obtain employment in Saskatchewan. Eligibility will depend on the successful completion of a recognized post-secondary education program. Further details will be available from Saskatchewan Post-Secondary Education and Skills Training.

## Fuel Tax

The current Fuel Tax Rebate for farm-use gasoline is limited to a maximum rebate of \$900 per year and requires an annual application by farmers including a declaration that the fuel reported for rebate purposes was consumed in the farming operation. Beginning in 2000, the rebate limit of \$900 is eliminated. When combined with the current tax exemption of farm-use diesel fuel, this measure effectively eliminates provincial taxation of farm-use fuel in Saskatchewan.

Two technical changes to the Fuel Tax are also being introduced. Effective January 1, 2001, a single Fuel Tax rate of 3.5 cents per litre will apply to all aviation fuel, resulting in the corresponding elimination of the current rebate program for aviation gasoline used for commercial and business purposes. This will reduce the compliance effort of about 160 businesses which now apply for the rebate.

In addition, effective January 1, 2001, the Government is extending the current Fuel Tax exemption for propane sold by weight in cylinders from 20 pounds or less to 100 pounds or less to ensure consistent tax treatment for propane sold in portable cylinders.

## Livestock and Horticultural Facilities Incentive Program

The Government is extending the Livestock and Horticultural Facilities Incentive Program for an additional 3 years to the end of 2003. This program provides an annual rebate of the E&H Tax paid on building materials and certain equipment purchased for use in the construction and renovation of livestock and horticultural facilities. Details are available from Saskatchewan Agriculture and Food.

## Ethanol Incentive

The Government is introducing a 5 year ethanol incentive that begins in 2000. It will rebate a portion of the Fuel Tax to the fuel wholesaler on eligible ethanol blended fuel produced and consumed in Saskatchewan.

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## Insurance Premiums Tax

The Insurance Premiums Tax is being increased by one percentage point effective April 1, 2000. For life, accident and sickness insurance, the tax rate will increase from 2 per cent to 3 per cent. All other insurance premiums, except hail insurance, will be subject to an Insurance Premiums Tax rate of 4 per cent. The tax rate applied to hail insurance will remain at 3 per cent.

The Government will not be proceeding with the Personal Income Tax Review Committee's recommendation to add insurance to the E&H Tax base.

## Tobacco Tax

Effective Budget night, the Government is introducing adjustments to the Tobacco Tax rates applied to cut tobacco and cigars in order to equalize the amount of tax among tobacco products. The tax rate on cut tobacco is being increased from 5.7 cents per gram to 7.7 cents per gram. The tax rate on cigars is also being adjusted so that greater consistency in the Tobacco Tax is achieved.

## Fiscal Impact

The following table presents the fiscal implications of these revenue measures.

**Fiscal Impact of Other Revenue Measures**  
(\$ Millions)

	2000-01	2001-02
Post-Secondary Education Graduate Tax Credit*	\$ -	\$ (3.0)
Fuel Tax Rebate for Farm-use Gasoline	(9.0)	(10.5)
Fuel Tax on Aviation Fuel	-	(0.1)
Fuel Tax on Propane	-	(0.2)
Livestock and Horticultural Facilities Incentive Program	-	(2.0)
Ethanol Incentive	(0.2)	(0.3)
Insurance Premiums Tax	13.7	14.1
Tobacco Tax Adjustments	6.3	6.3
<b>Total</b>	<b>\$ 10.8</b>	<b>\$ 4.3</b>

\* Tax credits are applicable beginning in the 2000 tax year, but will not affect provincial revenues until 2001-02.

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# Saskatchewan's Tax Expenditures

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## Introduction

Although the primary purpose of taxation is to raise revenue, governments also attain some of their social and economic goals by reducing the taxes paid by certain taxpayers. These reductions are commonly called "tax expenditures" and include such measures as exemptions, deductions, tax credits, preferential tax rates, deferrals or omissions. Each provides special or preferential treatment to certain groups or types of activity. Taken together, these measures provide assistance to a variety of individuals and businesses, including families, farmers, senior citizens and small businesses.

While tax expenditures are usually absorbed in the overall revenue estimates and are not presented in the same way as direct spending programs are, they reduce the amount of revenue generated by a government and they affect a government's fiscal position in the same way as direct expenditures.

## The Rationale for Tax Expenditures

Tax expenditures can achieve a number of objectives, such as enhancing the fairness of the tax system or promoting certain types of economic activity. In pursuing these objectives, some tax expenditures have become fundamental elements of the tax system.

Saskatchewan's Personal Income Tax is generally based on the federal Personal Income Tax system. As a result, deductions that contribute to the calculation of Taxable Income, such as the deduction for Registered Retirement Savings Plan contributions, and non-refundable tax credits, such as the tax credit for charitable donations, also affect Saskatchewan income tax collections. The impacts of several of these deductions and tax credits on Saskatchewan's revenue are estimated in this paper. In addition, the recent income tax reductions announced in the 2000 federal Budget, including increases in the personal tax credit amounts, will reduce Saskatchewan's Personal Income Tax revenue by about \$31.0 million in the 2000-01 fiscal year.

The Government of Saskatchewan has improved the progressiveness and fairness of the Personal Income Tax system through the Saskatchewan Tax Reduction, which has decreased the tax payable by lower income individuals, families and senior citizens. In 2000, the Saskatchewan Tax Reduction will reduce the income taxes paid by lower income taxpayers in the province by about \$47.0 million.

To improve the distribution of corporate taxes, Saskatchewan levies a lower income tax rate on small businesses and a capital tax on larger corporations. The small business Corporation Income Tax rate of 8 per cent is less than half the general Corporation Income Tax rate of 17 per cent. The \$10 million exemption from Saskatchewan's Corporation Capital Tax ensures that only the largest corporations in the province are subject to the tax. As a result, about 1,150 corporations file Saskatchewan Corporation Capital Tax returns annually.

To promote economic activity and create jobs, the Corporation Income Tax rate on manufacturing and processing (M&P) profits is reduced by up to 7 percentage points, depending upon the level of business activity in Saskatchewan. Saskatchewan also provides an Investment Tax Credit to assist M&P companies which invest in qualifying new or used M&P assets for use in Saskatchewan.

Saskatchewan's Fuel Tax provides tax-free treatment to farm-use diesel fuel, through a fuel-colouring program, in recognition of the importance of agriculture to Saskatchewan. In addition, Saskatchewan provides a gasoline tax rebate to farmers for agricultural use of gasoline. Starting in 2000, the rebate's limit of \$900 per year is eliminated.

Saskatchewan's sales tax, the Education and Health (E&H) Tax, does not apply to certain basic items such as food, home heating fuel, children's clothing and reading



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materials, thereby reducing the taxes paid by families consuming these basic items. This treatment is in contrast to the federal Goods and Services Tax (GST) and the sales taxes of provinces that have harmonized their sales taxes with the GST, since those taxes apply to a much broader range of goods and services purchased by families.

## Associated Costs

While tax expenditures serve important social and economic objectives, the introduction of any tax expenditure results in associated costs. These costs take several forms.

- First, there is the cost of forgone revenues. Tax expenditures result in the reduction of revenue collected and have a significant impact on a government's financial position.
- Second, tax expenditures may add to the complexity of the tax system, leading to increased administrative effort by both taxpayers and governments.
- Third, tax expenditures may create distortions in consumer and other economic behaviour. For example, the exemption for restaurant meals and snack foods provides preferential treatment for this category of consumer expenditure.
- Finally, tax expenditures may create increased compliance costs for both businesses and consumers.

## Government of Canada Tax Expenditures

Saskatchewan has presented tax expenditure estimates since 1981 and is the only Canadian jurisdiction to present a tax expenditure summary for each of the past 20 years. Recently, the federal government has been providing a detailed presentation on the tax expenditures that are part of the federal tax system. The 1999 estimates of federal tax expenditures include projections to the year 2001 as well as historical data.

As a result of the continuing interaction between Saskatchewan's personal and corporate income taxes and the federal government's income taxes, many of the federal tax expenditures have an impact on Saskatchewan's revenue, not all of which are shown in the following estimates. Readers interested in examining the federal government's presentation of tax expenditures are invited to contact the Finance Canada Distribution Centre in Ottawa.

## 2000 Saskatchewan Tax Expenditures

This Budget is introducing a major reform of personal taxes in Saskatchewan. Effective July 1, 2000, the Saskatchewan Flat Tax will be reduced from 2 per cent to 1 per cent and it will be fully eliminated in 2001 when Saskatchewan eliminates all surtaxes and the reduction in favour of a new simplified tax structure. In 2001, Saskatchewan's Personal Income Tax will be determined directly from Taxable Income rather than the current system's reliance on Basic Federal Tax.

As well, the Saskatchewan Sales Tax Credit is being introduced to improve the fairness of the E&H Tax, which is being expanded to apply to a broader range of goods and services. The Canada Customs and Revenue Agency will administer the Credit, which will be effective beginning with the 2000-01 fiscal period.

The following tables provide estimates of the major tax expenditures of the Government of Saskatchewan in 2000. The estimates were calculated using tax collection data and Statistics Canada data.

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## 2000 Government of Saskatchewan

### Tax Expenditure Accounts

(Value of Tax Expenditures in Millions of Dollars)

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#### Sales Tax

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##### Exemptions

1. Children's clothing and footwear .....	\$	7.1
2. Prescription drugs .....		15.8
3. Electricity .....		26.3
4. Farm machinery and repairs .....		57.0
5. Fertilizer, pesticide and seed .....		79.0
6. Food		
- Restaurant meals and snack foods .....		46.3
- Basic groceries .....		89.9
7. Natural gas .....		25.3
8. Reading materials .....		9.6
9. Services		
- Construction .....	130.1	
- Personal care .....	10.2	
10. Used goods - exemption amounts .....		5.2
11. Direct agents .....		8.1
12. Toll-free telephone services .....		0.3
13. Livestock and horticultural facilities .....		2.0
14. Municipal fire trucks .....		0.2
15. Mineral exploration equipment .....		0.1

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#### Fuel Tax

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1. Exemption for farm activity .....	\$	123.2
2. Exemption for heating fuels .....		17.1
3. Exemption for primary producers .....		1.8

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#### Personal Income Tax

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##### Deductions from Income

1. Registered Pension Plan contributions .....	\$	37.2
2. Registered Retirement Savings Plan contributions .....		112.6
3. Annual union, professional or like dues .....		8.2
4. Child care expenses .....		7.4
5. Moving expenses .....		1.0
6. Carrying charges .....		8.0
7. Allowable employment expenses .....		7.9
8. \$500,000 Capital gains deduction .....		23.0

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#### Personal Tax Credits

1. Basic personal tax credit .....	\$ 335.8
2. Spousal tax credit.....	24.0
3. Equivalent-to-spouse tax credit .....	13.8
4. Age tax credit .....	28.5

#### Other Tax Credits

1. Canada Pension Plan contributions tax credit .....	\$ 30.3
2. Employment Insurance premiums tax credit .....	17.9
3. Pension Income tax credit.....	8.1
4. Tuition and Education tax credits .....	15.3
5. Tax credit on student loan interest .....	2.0
6. Medical expenses tax credit.....	9.0
7. Charitable contributions tax credit.....	16.5
8. Caregiver tax credit .....	1.4

#### Provincial Tax Measures

1. Refundable Sales Tax Credit .....	\$ 24.0
2. Saskatchewan Tax Reduction	
- \$200 Sales Tax Reduction .....	29.8
- \$300 Spousal Tax Reduction .....	3.4
- \$250 per Dependent Child Tax Reduction .....	8.6
- \$200 per Senior Citizen Reduction .....	5.4
3. \$150 Debt Reduction Surtax Reduction .....	55.0
4. Saskatchewan Tax Incentives Program	
- Labour-sponsored Venture Capital Tax Credit.....	5.5

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#### Corporation Income Tax

1. Lower tax rate for small business.....	\$ 75.8
2. Royalty Tax Rebate.....	12.0
3. Manufacturing & Processing Profits Tax Reduction.....	24.0
4. Investment Tax Credit for Manufacturing and Processing .....	13.6
5. Research and Development Tax Credit .....	4.0
6. Film Employment Tax Credit.....	5.0

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#### Corporation Capital Tax

1. General exemption of \$10,000,000.....	\$ 23.0
2. Exemption for co-operatives, credit unions, family farm corporations and insurance companies .....	11.5

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## 2000 Intercity Comparison of Taxes and Household Charges

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A number of factors contribute to the quality of life enjoyed by individuals and families in Saskatchewan and across Canada. For example, access to excellent health care, education and social services is a key part of the overall quality of life.

Two other important factors that affect quality of life are:

- the level of taxation; and,
- household costs for rent and mortgages, utilities and auto insurance.

Calculating the combined cost of provincial taxes and typical household charges is a reliable way to compare the attractiveness of living in different parts of Canada.

For the purposes of such a comparison, the total cost of such taxes and household charges for representative families living in Saskatoon, Saskatchewan's largest city, has been compared with the costs those families would face in other major cities across the country.

The provincial taxes and household charges associated with the following family characteristics and income levels have been calculated to provide a representative comparison:

- a single individual, living in rental accommodation, with an annual income of \$25,000;
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$50,000; and,
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$75,000.

The income of the two families is assumed to be earned by both spouses, with one earning 60 per cent and the other earning 40 per cent of total family income. With the exception of the GST on utilities, federal taxes are not included in this comparison.

The results of this survey show that Saskatoon compares favourably with other cities in Canada, having the **lowest overall** combined taxes and charges of the ten cities surveyed for a single person with an income of \$25,000 and the **second lowest overall** combined taxes and charges for the \$50,000 and \$75,000 representative families.

There are a number of reasons for Saskatoon's favourable standing in this comparison with other Canadian cities.

Saskatoon has the lowest combined charges for auto insurance, telephone, home heating and electricity in 2000. Also, housing costs in Saskatoon associated with mortgage payments and property taxes are among the lowest in Canada.

The 1997-98 Budget reduced the Education and Health (E&H) Tax rate from 9 per cent to 7 per cent. The 1999-2000 Budget reduction in the E&H Tax rate from 7 per cent to 6 per cent made Saskatchewan's sales tax rate the lowest in Canada.

This year's Budget includes adjustments to the sales tax base, however, it maintains the E&H Tax rate as **the lowest** in Canada of those provinces with a sales tax. In addition, many family essentials such as heating fuel, residential electricity, reading materials and children's clothing continue to be exempt from the E&H Tax, thereby providing significant tax savings for families.

The combined effect of a 6 per cent tax rate and the broad list of personal exemptions means that Saskatchewan families pay the lowest provincial sales tax in Canada. Alberta, which has no sales tax, levies health care premiums that exceed the sales tax paid in Saskatchewan by average families.

This Budget lowers taxation levels for the representative families in Saskatchewan by reducing the Flat Tax rate from 2 per cent to 1 per cent and by introducing the Saskatchewan Sales Tax Credit.

All of these factors combine to make Saskatoon compare very favourably with other Canadian cities when considering the living costs facing individuals and families.

## 2000 Intercity Comparison of Taxes and Household Charges: Single Person at \$25,000 Total Income

	Vancouver	Calgary	Saskatoon	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte- town	St. John's
Provincial										
Income Tax	\$ 1,374	\$ 1,347	<b>\$ 1,728</b>	\$ 1,805	\$ 1,069	\$ 2,598	\$ 1,666	\$ 1,596	\$ 1,624	\$ 1,810
Tax Credits and										
Rebates	0	0	<b>(58)</b>	(275)	(115)	(76)	0	0	0	0
Health Premiums	432	408	<b>0</b>	0	0	0	0	0	0	0
Retail Sales Tax	392	0	<b>388</b>	469	569	774	864	864	641	910
Gasoline Tax	150	90	<b>150</b>	115	147	167	107	135	120	165
Total Provincial										
Taxes	\$ 2,348	\$ 1,845	<b>\$ 2,208</b>	\$ 2,114	\$ 1,670	\$ 3,463	\$ 2,637	\$ 2,595	\$ 2,385	\$ 2,885
Rent	\$ 8,196	\$ 7,200	<b>\$ 5,220</b>	\$ 5,472	\$ 9,240	\$ 5,424	\$ 4,752	\$ 6,276	\$ 5,160	\$ 5,556
Electricity	352	414	<b>543</b>	378	476	413	529	585	612	587
Telephone	317	289	<b>248</b>	238	277	277	257	321	286	256
Auto Insurance	1,582	1,754	<b>916</b>	993	2,233	1,460	1,508	1,690	1,189	1,888
Total Household										
Charges	\$10,447	\$ 9,657	<b>\$ 6,927</b>	\$ 7,081	\$12,226	\$ 7,574	\$ 7,046	\$ 8,872	\$ 7,247	\$ 8,287
<b>Total</b>	<b>\$12,795</b>	<b>\$11,502</b>	<b>\$ 9,135</b>	<b>\$ 9,195</b>	<b>\$13,896</b>	<b>\$11,037</b>	<b>\$ 9,683</b>	<b>\$11,467</b>	<b>\$ 9,632</b>	<b>\$11,172</b>

## 2000 Intercity Comparison of Taxes and Household Charges: Family of Four at \$50,000 Total Income

	Vancouver	Calgary	Saskatoon	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte- town	St. John's
Provincial Income Tax	\$ 2,496	\$ 2,389	\$ 3,192	\$ 2,890	\$ 1,697	\$ 3,502	\$ 3,025	\$ 2,699	\$ 2,950	\$ 3,284
Tax Credits and Rebates	0	0	0	(250)	0	0	0	0	0	0
Health Premiums	864	816	0	0	0	0	0	0	0	0
Retail Sales Tax	801	0	794	947	1,153	1,557	1,690	1,690	1,289	1,781
Gasoline Tax	300	180	300	230	294	334	214	270	240	330
Total Provincial Taxes	\$ 4,461	\$ 3,385	\$ 4,286	\$ 3,817	\$ 3,144	\$ 5,393	\$ 4,929	\$ 4,659	\$ 4,479	\$ 5,395
Mortgage Costs	\$12,205	\$ 8,123	\$ 5,311	\$ 4,876	\$11,183	\$ 5,304	\$ 4,345	\$ 5,673	\$ 4,828	\$ 4,119
Property Taxes	2,315	1,829	1,875	2,982	2,708	2,337	1,670	1,856	1,300	792
Home Heating	919	815	788	1,025	993	1,639	1,587	1,350	1,141	1,497
Electricity	569	643	833	589	757	603	820	923	916	865
Telephone	317	289	248	238	277	277	257	321	286	256
Auto Insurance	1,582	1,754	916	993	2,233	1,460	1,508	1,690	1,189	1,888
Total Household Charges	\$17,907	\$13,453	\$ 9,971	\$10,703	\$18,151	\$11,620	\$10,187	\$11,813	\$ 9,660	\$ 9,417
<b>Total</b>	<b>\$22,368</b>	<b>\$16,838</b>	<b>\$14,257</b>	<b>\$14,520</b>	<b>\$21,295</b>	<b>\$17,013</b>	<b>\$15,116</b>	<b>\$16,472</b>	<b>\$14,139</b>	<b>\$14,812</b>

## 2000 Intercity Comparison of Taxes and Household Charges: Family of Four at \$75,000 Total Income

	Vancouver	Calgary	Saskatoon	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte- town	St. John's
Provincial Income Tax	\$ 5,097	\$ 4,891	\$ 6,347	\$ 6,500	\$ 3,965	\$ 8,731	\$ 6,179	\$ 5,921	\$ 6,024	\$ 6,738
Tax Credits and Rebates	0	0	0	(250)	0	0	0	0	0	0
Health Premiums	864	816	0	0	0	0	0	0	0	0
Retail Sales Tax	1,086	0	1,070	1,265	1,543	2,073	2,231	2,231	1,723	2,353
Gasoline Tax	300	180	300	230	294	334	214	270	240	330
Total Provincial Taxes	\$ 7,347	\$ 5,887	\$ 7,717	\$ 7,745	\$ 5,802	\$11,138	\$ 8,624	\$ 8,422	\$ 7,987	\$ 9,421
Mortgage Costs	\$12,205	\$ 8,123	\$ 5,311	\$ 4,876	\$11,183	\$ 5,304	\$ 4,345	\$ 5,673	\$ 4,828	\$ 4,119
Property Taxes	2,315	1,829	1,875	2,982	2,708	2,337	1,670	1,856	1,300	792
Home Heating	919	815	788	1,025	993	1,639	1,587	1,350	1,141	1,497
Electricity	569	643	833	589	757	603	820	923	916	865
Telephone	317	289	248	238	277	277	257	321	286	256
Auto Insurance	1,582	1,754	916	993	2,233	1,460	1,508	1,690	1,189	1,888
Total Household Charges	\$17,907	\$13,453	\$ 9,971	\$10,703	\$18,151	\$11,620	\$10,187	\$11,813	\$ 9,660	\$ 9,417
<b>Total</b>	<b>\$25,254</b>	<b>\$19,340</b>	<b>\$17,688</b>	<b>\$18,448</b>	<b>\$23,953</b>	<b>\$22,758</b>	<b>\$18,811</b>	<b>\$20,235</b>	<b>\$17,647</b>	<b>\$18,838</b>

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## Taxes and Household Charges – Notes

Tax estimates are calculated using known changes as of March 1, 2000. All household charges are based on information available to Saskatchewan Finance as of January 1, 2000.

**Provincial Income Tax** is calculated for an individual with \$25,000 and two families with \$50,000 and \$75,000 of income, respectively. It is assumed that family income is earned by both spouses at a 60 per cent to 40 per cent ratio and that the families each claim \$3,000 in child care expenses for two dependent children (ages 6 and 12). Personal non-refundable credits used include the CPP/QPP and EI contribution credits. Gross Québec Personal Income Tax has been reduced by the Québec Child Care Expense Tax Credit and by the 16.5 per cent abatement from federal income tax.

**Tax Credits and Rebates** refers to refundable provincial income tax credits and rebates designed to reduce the impact of retail sales tax, rental payments and property taxes.

**Health Premiums** are annual premiums for hospital insurance and medical services.

**Retail Sales Tax** is based upon average single and family expenditure baskets at the total income levels from the *Survey of Family Expenditures in 1996* (Statistics Canada). The sales tax base in each province was identified from the enacting legislation, with total expenditures adjusted to reflect Saskatchewan consumption patterns. Provincial retail sales taxes were then estimated based on taxable expenditures in each province.

**Gasoline Tax** is based on annual consumption of 1,000 litres for the single tax filer and 2,000 litres for the families. The amount for Vancouver includes the 4.0¢/litre transit levy; the amount for Montréal includes the 1.5¢/litre transit levy.

**Mortgage Costs** are based on average home prices for a detached bungalow, from the Royal LePage Fall 1999 *Survey of Canadian House Prices*, with one-half of the home price being financed over 25 years at a one-year closed mortgage rate of 7.5 per cent.

**Property Taxes** are based on the average estimated taxes for a detached bungalow, from the Royal LePage Fall 1999 *Survey of Canadian House Prices*.

**Rent** is based on average one-bedroom apartment rents for each metropolitan area, from the Canada Mortgage and Housing Corporation's *Rental Market Report*, October 31, 1999.

**Home Heating** charges are based on an annual consumption level of 141 mcf (3,800 m<sup>3</sup>) of natural gas. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil. Rates include applicable municipal taxes and surcharges.

**Electricity** charges are based on an annual consumption level of 4,584 kWh for the renter and 8,100 kWh for the homeowners. Rates include applicable municipal taxes and surcharges.

**Telephone** charges are the basic service rates for individual residences. Rates include applicable municipal taxes and surcharges.

**Auto Insurance** is based on the premium rate for a male over 30 years of age, driving a 1996 Ford Taurus. Coverage includes \$1,000,000 third party liability, \$200 deductible collision (\$250 in Calgary, Saint John, Charlottetown and Halifax; \$300 in Toronto and St. John's) and \$100 deductible comprehensive in each city surveyed. Insurance providers representing the jurisdictions of Toronto, Montréal, Saint John, Halifax and St. John's have not provided current auto insurance premium figures to Saskatchewan Government Insurance as of the publication date of this document. Premium rates for 1999 were used for these cities.

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# Fiscal Stabilization Fund

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## Introduction

Long-term planning is a critical element of responsible fiscal management.

The 1995 introduction of *The Balanced Budget Act*, which requires that the Government prepare a four-year financial plan and a debt management plan following each election, demonstrates the commitment in this province to responsible long-term fiscal management. The 2000-01 Budget, the Province's seventh balanced budget, illustrates the benefits of this long-term focus.

## The Need for Fiscal Stabilization

Although long-term fiscal plans are essential to the well-being of the Province, the Government's ability to achieve these plans can be affected by year-to-year volatility in revenues and expenditures. Revenue volatility arises from many sources including fluctuations in commodity prices, changes in federal transfers, and economic booms and slumps. On the expenditure side, Government responses to unanticipated events, such as forest fires or droughts, create exceptional expenditures.

Short-term increases in revenue give rise to pressure for tax cuts and program spending, which may not be sustainable over the long-term. On the other hand, short-term drops in revenue and exceptional expenditure requirements lead to pressures for tax increases and program reductions, which may be inappropriate over the long-term. Without a fiscal stabilization mechanism, the Province's direction can be shifted from its long-term objectives by the need to cope with short-term revenue volatility and exceptional expenditures.

In 2000-01, the Government will introduce legislation to create a Fiscal Stabilization Fund. The Fiscal Stabilization Fund will play an integral role in:

- stabilizing the fiscal position of the Province from year-to-year; and,
- facilitating the accomplishment of long-term objectives.

The Fiscal Stabilization Fund and *The Balanced Budget Act* will work together to create a framework that ensures Saskatchewan's long-term fiscal health.

In addition, government accountability will be enhanced by the introduction of the Fiscal Stabilization Fund.

- The Government will be open and accountable to the public in its use of the Fiscal Stabilization Fund. The Estimates and the four-year financial plan will show the expected net transfers to or from the Fiscal Stabilization Fund and the Public Accounts will clearly report the net transfers to or from the Fund during the year.
- Commencing in 2000-01, the General Revenue Fund budget will include all of the annual SLGA profits.

## Creation of the Fiscal Stabilization Fund

Saving for the Province's future has been a tradition in Saskatchewan. Since 1925, the Province has used transfers from the Saskatchewan Liquor and Gaming Authority (SLGA) and its predecessor, the Saskatchewan Liquor Board, to provide a degree of fiscal stabilization. The movement to establish a formal Fiscal Stabilization Fund in 2000-01 builds on this tradition of saving for the future.



With the creation of the Fiscal Stabilization Fund, all profits generated by the SLGA will be paid to the General Revenue Fund on an annual basis. These profits will be available to help the Province meet its annual expenditure commitments. The Province's ability to stabilize its financial position will no longer be tied to profit generated by the SLGA.

Late in the 1999-2000 fiscal year, the federal government advised the Province of a one-time equalization adjustment, that permitted the Province to forgo its 1999-2000 budgeted SLGA dividend. As a result, the Province estimates that the SLGA will have retained earnings at March 31, 2000 of \$695 million. These retained earnings will be transferred to the General Revenue Fund in 2000-01.

## How the Fiscal Stabilization Fund Works

In times of fiscal strength, prudent fiscal managers set aside funds as a safety net for the future. The Fiscal Stabilization Fund provides a mechanism whereby the Province can set aside General Revenue Fund operating surpluses in years when the Province's economy and finances are strong. With the creation of the Fund, the amount set aside will be linked to the fiscal strength of the Province, not the profits generated by the SLGA.

The Fiscal Stabilization Fund will be available to the General Revenue Fund as a fiscal shock absorber to offset temporary revenue declines and meet exceptional expenditure requirements. In years when fiscal challenges are great, the Government will use Fund withdrawals to stay focused on its long-term plans while continuing to balance its annual budgets.

### Projected GRF Surplus After Net Fiscal Stabilization Fund Transfers

(Millions of Dollars)	2000-01 Forecast	2001-02 Forecast	2002-03 Forecast	2003-04 Forecast
Revenue	6,382.4	5,727.7	5,799.1	5,895.5
Expenditure	5,290.6	5,115.1	5,164.3	5,254.8
<b>Operating Surplus</b>	<b>1,091.8</b>	<b>612.6</b>	<b>634.8</b>	<b>640.7</b>
Servicing the Public Debt	(677.4)	(659.5)	(654.5)	(648.8)
Net Transfers (to) from the Fiscal Stabilization Fund	(405.0)	55.0	30.0	30.0
<b>Surplus for the Year</b>	<b>9.4</b>	<b>8.1</b>	<b>10.3</b>	<b>21.9</b>

Over the long-term, the Fiscal Stabilization Fund balance will be targeted at five per cent of the General Revenue Fund's prior year revenues. Although the initial balance will exceed the five per cent target, the four-year financial plan adjusts the balance toward the targeted level. Over the four-year period, the Fund will serve the dual purpose of stabilizing the budget and helping the Government achieve long-term objectives.

### Fiscal Stabilization Fund Forecast

(Millions of Dollars)	<b>2000-01 Forecast</b>	<b>2001-02 Forecast</b>	<b>2002-03 Forecast</b>	<b>2003-04 Forecast</b>
Fiscal Stabilization Fund, Beginning of Year	–	405	350	320
Transfer from the General Revenue Fund	405	–	–	–
Transfers to the General Revenue Fund:				
Centenary Capital Fund	–	(30)	(30)	(30)
Agricultural Initiatives	–	(25)	–	–
<b>Fiscal Stabilization Fund, End of Year</b>	<b>405</b>	<b>350</b>	<b>320</b>	<b>290</b>
<b>Share of Prior Year's Forecast Revenue</b>	<b>7.0%</b>	<b>5.5%</b>	<b>5.5%</b>	<b>5.0%</b>

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# Government Accountability Project

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## Introduction

In the December 1999 Speech from the Throne, the Government announced the introduction of a comprehensive government accountability project:

*Government departments will clearly spell out their goals and achievements in annual reports to the people of this province. They will be accountable for their performance, and their achievements will be measured against key benchmarks.*

Accountability is fundamental to our democratic system of government — citizens have the right to know what their government is trying to accomplish and the extent to which it is making progress in achieving its stated objectives. The Government is accountable to the public through the Legislative Assembly. As well, a number of other accountability relationships exist with government departments and with many third party agencies that deliver public services.

Traditionally, governments have focussed on financial accountability. For example, the Government of Saskatchewan announces its budget plans in the Legislature each year and reports to the public on progress in the Mid-Year Financial Report and on actual results in the Public Accounts. Other publications such as the Economic Review and departmental annual reports provide additional financial and program information. Accurate, reliable and timely financial information is essential to accountability.

In recent years, there has been an increasing trend in public sector management to supplement financial reporting with enhanced program and policy reporting. A number of jurisdictions in Canada and internationally are developing measures to evaluate the progress governments are making in achieving their public policy objectives.

The Government of Saskatchewan has developed, and is now beginning to implement, its own approach to strengthening accountability for results.

## The Accountability Framework

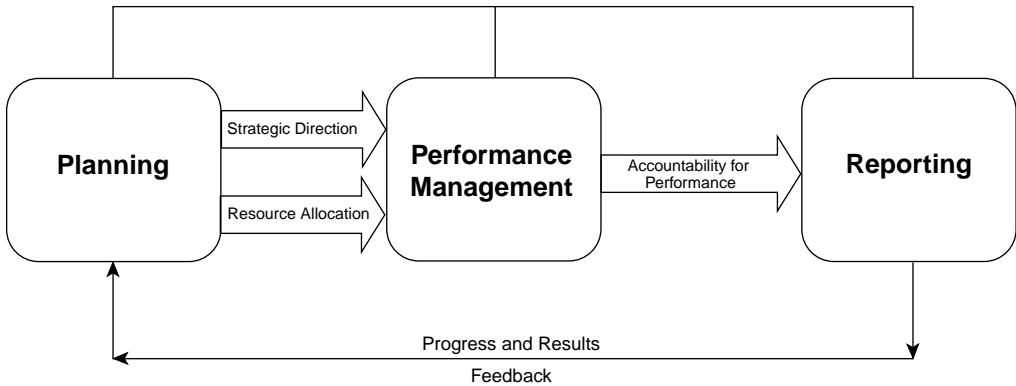
Saskatchewan's Accountability Framework has three components:

- **Strategic planning** helps organizations to define what they want to achieve and how they are going to achieve it. This involves articulating a vision for the future, setting goals for the medium to long-term, and outlining a series of more specific, measurable objectives that will move the organization in the right direction.
- **Performance management** compares actual results with the expectations articulated in the strategic plan. The development of relevant, reliable, understandable, and comparable performance measures is a key challenge. In addition to setting targets for desired outcomes and measuring actual outcomes, performance management also includes an assessment of risks that might impact the organization's ability to achieve its stated goals and objectives, and more in-depth evaluations of program effectiveness.
- **Reporting** on both plans and results on a regular, timely basis ensures that decision-makers and the public are aware of both expectations and outcomes.

Once fully implemented, these three components will work together as part of an ongoing planning and reporting cycle. Goals and objectives will be formulated and the results will be measured, analysed and reported. Results will, in turn, inform the development of goals and objectives in the future. The Accountability Framework is illustrated below.

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## Accountability Framework



This approach will provide the people of Saskatchewan with:

- more information about government’s goals and objectives;
- the assumptions used in developing plans and the potential risks that could affect our progress;
- annual performance information that can be used to judge progress in achieving our goals and objectives; and,
- continued strong financial management.

### Implementation

The research and development phase of the project is complete, resulting in the new Accountability Framework described above. Implementation of the strategic planning component has started, on a pilot basis, in seven departments. Over the next year, all government departments will develop strategic plans and begin to implement the performance management component, including performance measures. The third and final component of the project is improved public reporting of strategic plans and results.

### Conclusion

The Government of Saskatchewan is committed to public accountability. The significant improvements made over the past number of years to our financial reporting provide a solid foundation upon which to build a results-based approach to delivering effective, high quality public services.

# 2000-01 Borrowing and Debt

## Introduction

The 2000-01 Budget projects continued reduction in the total debt of the General Revenue Fund and in debt servicing costs. This paper discusses 2000-01 estimated borrowing, debt, and debt servicing costs, compared to the forecast for 1999-2000.

## Debt

The **Total Debt** of the General Revenue Fund consists of:

- **Gross Debt** — the amount of money owed to lenders; *plus*
- **Guaranteed Debt** — the debt of Crown corporations and others that the Province has promised to repay if they are unable to do so; *less*
- **Sinking Funds** — the amount of money which has been set aside for the repayment of debt.

The 2000-01 Budget indicates that, following a \$253.8 million forecast decrease in 1999-2000, the total debt of the General Revenue Fund is estimated to decline by a further \$32.3 million in 2000-01.

Between March 31, 1999 and March 31, 2001, total debt of the General Revenue Fund is estimated to decline by \$286.1 million or 2.5 per cent.

### Summary of Debt As at March 31 (\$ Millions)

	Estimated 2001	Forecast 2000	Actual 1999
<b>Gross Debt</b>			
Crown Corporation Debt	\$ 3,659.0	\$ 3,988.6	\$ 4,114.3
General Government Debt	8,116.6	7,911.2	7,994.0
Gross Debt	\$ 11,775.6	\$ 11,899.8	\$ 12,108.3
<b>Plus: Guaranteed Debt</b>	290.3	354.8	426.8
Gross Debt Plus Guaranteed Debt	\$ 12,065.9	\$ 12,254.6	\$ 12,535.1
<b>Less: Sinking Funds</b>	842.9	999.3	1,026.0
<b>Total Debt</b>	\$ 11,223.0	\$ 11,255.3	\$ 11,509.1

Gross debt is forecast to decrease by \$208.5 million in 1999-2000 and is estimated to decline by a further \$124.2 million in 2000-01. Between March 31, 1999 and March 31, 2001, gross debt of the General Revenue Fund is estimated to decline by \$332.7 million or 2.7 per cent.

Guaranteed debt is forecast to decrease by \$72.0 million during 1999-2000 and by a further \$64.5 million during 2000-01. Over the two years, guaranteed debt is estimated to decline by \$136.5 million or 32.0 per cent.

Sinking funds are forecast to decline by \$26.7 million during 1999-2000, and to decline by a further \$156.4 million in 2000-01 due to withdrawal of sinking fund assets for debt retirement.

The following table shows total debt by purpose as at March 31, 1999, 2000 (forecast) and 2001 (estimated).

**Total Debt by Purpose  
As at March 31  
(\$ Millions)**

	Estimated 2001	Forecast 2000	Actual 1999
<b>Crown Corporation Debt</b>			
Agricultural Credit Corporation of Saskatchewan	\$ 64.6	\$ 78.4	\$ 94.2
Crown Investments Corporation of Saskatchewan	133.8	61.6	67.3
Municipal Financing Corporation of Saskatchewan	62.1	91.0	84.2
Saskatchewan Development Fund Corporation	1.4	1.6	1.8
Saskatchewan Housing Corporation	180.9	174.1	178.8
Saskatchewan Land Information Services Corporation	27.4	7.0	—
Saskatchewan Opportunities Corporation	146.6	126.1	103.3
Saskatchewan Power Corporation	1,579.3	1,701.8	1,796.6
Saskatchewan Telecommunications Holding Corporation	401.7	444.8	406.3
Saskatchewan Water Corporation	46.6	57.7	49.7
SaskEnergy Incorporated	699.7	700.3	697.0
<b>Total Crown Corporation Purposes</b>	<b>\$ 3,344.1</b>	<b>\$ 3,444.4</b>	<b>\$ 3,479.2</b>
<b>General Government Debt</b>	<b>7,878.9</b>	<b>7,810.9</b>	<b>8,029.9</b>
<b>Total Debt</b>	<b>\$ 11,223.0</b>	<b>\$ 11,255.3</b>	<b>\$ 11,509.1</b>

## Borrowing

The Province borrows through the sale of securities in capital markets and through the sale of savings bonds to Saskatchewan residents.

General Revenue Fund 2000-01 borrowing requirements are estimated to be \$1,650.8 million, compared to forecast requirements of \$1,464.7 million in 1999-2000.

Borrowing requirements for general government in 2000-01, estimated to be \$1,222.8 million (1999-2000 forecast — \$1,309.9 million), are to finance maturing debt (\$1,017.4 million) and other cash requirements.

Borrowing requirements for Crown corporations in 2000-01, estimated to be \$428.0 million (1999-2000 forecast — \$154.8 million), are primarily to refinance debt borrowed on their behalf as well as to assist in the financing of their activities.

**Reconciliation of Budget Balance and Change  
in General Government Total Debt**

The amount by which general government total debt will change may be higher or lower than the budget balance reported under the accrual basis of accounting.

The difference between the budget balance and the amount by which general government total debt will change is reconciled by:

1. **Adjusting the budget balance to a cash basis** to recognize the amount and timing of non-cash revenues and expenditures to determine the cash provided from operations;
2. **Adding other cash sources or subtracting other cash requirements** to recognize the amount of cash inflows and outflows from loan, investment and other activities to determine the **cash available to reduce debt**;
3. **Adjusting for foreign exchange rate changes** to restate the value of foreign currency denominated debt due to changes in the exchange value of the Canadian dollar;
4. **Adding changes in sinking funds** which will be used to repay general government purpose debt; and,
5. **Adding the change in general government guaranteed debt.**

	<b>Estimated 2000-01</b>	<b>Forecast 1999-00</b>
	(\$ Millions)	
<b>Budget Balance (on Accrual Accounting Basis)</b>	<b>\$ 9.4</b>	<b>\$ 53.1</b>
1. Adjustment to Cash Basis	(65.3)	(334.1)
<b>Cash Provided from Operations</b>	<b>(55.9)</b>	<b>(281.0)</b>
2. Other Cash (Requirements) Sources	(149.5)	323.7
<b>Cash Available to Reduce Debt</b>	<b>(205.4)</b>	<b>42.7</b>
3. Foreign Exchange Adjustment <sup>1</sup>	0.0	40.2
4. Change in Sinking Funds	77.9	69.3
5. Change in Guaranteed Debt	59.5	66.8
<b>(Increase) Decrease in General Government Total Debt</b>	<b>\$ (68.0)</b>	<b>\$ 219.0</b>

<sup>1</sup> An exchange rate of \$0.6803 U.S. per \$1.00 Canadian has been used to convert U.S. dollar denominated debt at March 31, 2000 and March 31, 2001, compared to \$0.6626 U.S. at March 31, 1999.

## Cost of Servicing Gross Debt

In addition to interest payments, debt servicing costs include the amortization of gains or losses on debt that is denominated in foreign currencies resulting from a change in the value of the Canadian dollar, premiums, discounts, commissions and other costs related to the Province's debt.

The servicing costs for general government debt are paid by the General Revenue Fund and are shown in the Estimates as Vote 12. Servicing costs of debt borrowed on behalf of Crown corporations are also paid by the General Revenue Fund and are reimbursed by the respective Crown corporations. These costs are shown in the Estimates as Vote 177.

Debt servicing costs, primarily interest payments, associated with the Province's gross debt are estimated to total \$1.1 billion in 2000-01, \$27.1 million lower than the 1999-2000 forecast.

### Cost of Servicing Gross Debt (\$ Millions)

	Estimated 2000-01	Forecast 1999-00
Crown Corporation Debt	\$ 375.8	\$ 383.6
General Government Debt	677.4	696.7
<b>Total Cost of Servicing Gross Debt</b>	<b>\$ 1,053.2</b>	<b>\$ 1,080.3</b>

The cost of servicing general government debt is estimated to be \$19.3 million lower in 2000-01 than forecast for 1999-2000. This decline is primarily attributable to an improvement in the Province's debt position and lower interest rates on refinanced debt.

The 2000-01 debt servicing cost estimates are based on 5.5 per cent short term and 7.0 per cent long term interest rates. An exchange rate of \$0.6803 United States per \$1.00 Canadian has been used to convert United States dollar denominated debt as at March 31, 2000 and March 31, 2001.

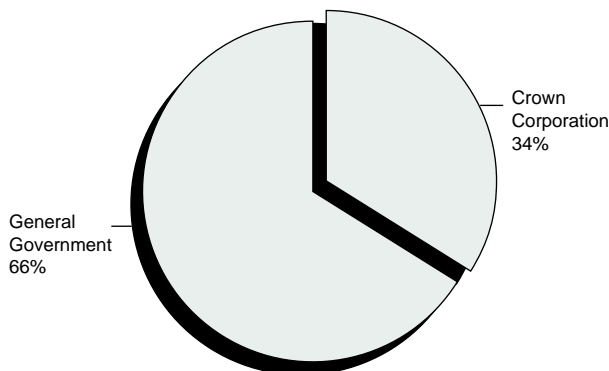
A one cent change in the United States dollar exchange value of the Canadian dollar from the level assumed in the 2000-01 Budget would change the estimated cost in 2000-01 of servicing general government debt by approximately \$3.2 million. Similarly, a one percentage point increase in interest rates for a full year from levels assumed in the 2000-01 Budget would increase the estimated cost of servicing general government debt in 2000-01 by approximately \$20.0 million.



## Gross Debt Characteristics

The following charts illustrate the composition of gross debt forecast as at March 31, 2000, by purpose, currency and financial instrument.

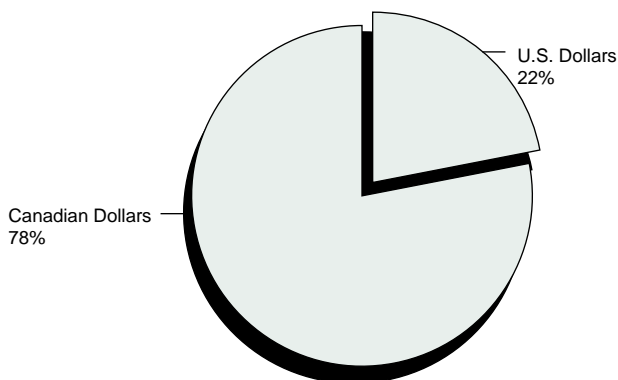
**Gross Debt by Purpose**  
As at March 31, 2000



**Gross Debt: \$11.9 billion**

- General government gross debt was accumulated primarily to finance past deficits.
- About three-quarters of Crown corporation gross debt was borrowed for the Province's utilities: Saskatchewan Power Corporation; Saskatchewan Telecommunications Holding Corporation; and, SaskEnergy Incorporated.

**Gross Debt by Currency**  
As at March 31, 2000

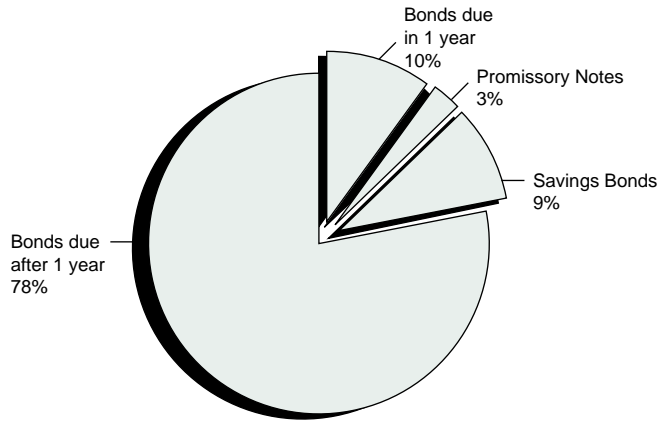


**Gross Debt: \$11.9 billion**

- Canadian dollar gross debt includes debt issued in foreign currencies (i.e., United States dollars, Japanese yen, Swiss francs and German deutschemarks) that is hedged into Canadian dollars.
- Three-fifths of United States dollar denominated gross debt is for general government and two-fifths is for Crown corporations.

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### Gross Debt by Financial Instrument As at March 31, 2000



**Gross Debt: \$11.9 billion**

- Gross debt at March 31, 2000 is forecast to have an average term to maturity of 8.8 years.
- Saskatchewan Savings Bonds held by residents of the Province total \$1.1 billion.
- Bonds due after one year plus Saskatchewan Savings Bonds total 87 per cent of gross debt.

### Conclusion

The 2000-01 Budget forecasts a substantial decrease in the total debt of the Province in 1999-2000 and estimates a further decline in 2000-01. As well, the cost of servicing the debt continues to decline. This represents continued improvement in Saskatchewan's financial position.



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# 2000-01 Budget Detail

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## General Revenue Fund Financial Statements

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## General Revenue Fund Statement of Revenue, Expenditure and Accumulated Deficit

	(thousands of dollars)		
	Estimated 2000-01	Forecast 1999-00	Estimated 1999-00
Revenue.....	\$ 6,382,400 <sup>1</sup>	\$ 5,811,900	\$ 5,578,600
Operating Expenditure .....	5,290,586	5,062,099	4,846,254
Operating Surplus	\$ 1,091,814	\$ 749,801	\$ 732,346
Servicing the Public Debt.....	677,400	696,700	724,000
Transfer to Fiscal Stabilization Fund.....	405,000 <sup>2</sup>	-	-
Surplus for the Year	\$ 9,414	\$ 53,101	\$ 8,346
Accumulated Deficit, Beginning of Year.....	7,098,928	7,152,029	7,152,029
<b>Accumulated Deficit <sup>3</sup>, End of Year</b>	<b>\$ 7,089,514</b>	<b>\$ 7,098,928</b>	<b>\$ 7,143,683</b>

## General Revenue Fund Fiscal Stabilization Fund

As at March 31

	Estimated 2001
Fiscal Stabilization Fund, Beginning of Year.....	\$ -
Transfers from General Revenue Fund .....	405,000 <sup>2</sup>
<b>Fiscal Stabilization Fund, End of Year</b>	<b>\$ 405,000</b>

## General Revenue Fund Accumulated Surplus Since April 1, 1995

As at March 31

	(thousands of dollars)		
	Estimated 2001	Forecast 2000	Estimated 2000
Accumulated Surplus, Beginning of Year.....	\$ 541,573	\$ 488,472	\$ 488,472
Surplus for the Year .....	9,414	53,101	8,346
<b>Accumulated Surplus, End of Year</b>	<b>\$ 550,987</b>	<b>\$ 541,573</b>	<b>\$ 496,818</b>

This accounting is referred to as the Debt Reduction Account in *The Balanced Budget Act*.

<sup>1</sup> This amount includes the final transfer of the Saskatchewan Liquor and Gaming Authority retained earnings of \$695.4 million into the General Revenue Fund.

<sup>2</sup> Provides for a Fiscal Stabilization Fund targeted at five per cent of revenues, plus future funding for the Centenary Capital Fund and for agricultural property tax relief.

<sup>3</sup> The "Accumulated Deficit" is the amount by which expenditure has exceeded revenue since incorporation (in Saskatchewan's case, 1905) to the end of the fiscal year. In general, it is the sum of all the annual surpluses and deficits.

**General Revenue Fund**  
**Statement of Operating, Lending, Investing and Financing Activities**

	(thousands of dollars)		
	Estimated 2000-01	Forecast 1999-00	Estimated 1999-00
<b>Cash from Operating Activities</b>			
Surplus for the Year .....	\$ 9,414	\$ 53,101	\$ 8,346
Add Non-cash Items:			
Amortization of Foreign Exchange Gains and Losses .....	8,967	7,070	9,527
Loss on Loans and Investments .....	3,965	2,635	4,560
Net Change in Non-cash Operating Activities .....	<b>(50,000)</b>	(320,000)	177,298
Earnings Retained in Sinking Funds .....	<b>(28,224)</b>	(23,843)	(28,554)
Cash from (for) Operating Activities	<b>\$ (55,878)</b>	\$ (281,037)	\$ 171,177
<b>Cash from Lending and Investing Activities</b>			
Receipts.....	\$ 789,293	\$ 295,171	\$ 412,395
Disbursements.....	518,885	244,689	318,929
Cash from Lending and Investing Activities	<b>\$ 270,408</b>	\$ 50,482	\$ 93,466
<b>Total Cash Provided (Required)</b>	<b>\$ 214,530</b>	\$ (230,555)	\$ 264,643
<b>Financing Activities</b>			
Borrowing .....	\$ 1,650,815	\$ 1,464,688	\$ 1,362,694
Debt Repayment.....	1,774,945	1,604,847	1,532,337
Increase (Decrease) in Debt	<b>\$ (124,130)</b>	\$ (140,159)	\$ (169,643)
Increase (Decrease) in Deposits Held.....	<b>(465,400)</b>	422,606	(190,000)
Decrease (Increase) in Cash and Temporary Investments.....	<b>375,000</b>	(51,892)	95,000
<b>Total Cash Provided (Required) by     Financing Activities</b>	<b>\$ (214,530)</b>	\$ 230,555	\$ (264,643)

## General Revenue Fund Statement of Revenue

	(thousands of dollars)		
	Estimated 2000-01	Forecast 1999-00	Estimated 1999-00
<b>Taxes</b>			
Corporation Capital .....	\$ 291,100	\$ 270,000	\$ 227,000
Corporation Income .....	297,600	276,800	193,200
Fuel .....	347,600	360,000	370,000
Individual Income .....	1,247,000	1,446,200	1,361,000
Sales .....	815,200	659,500	669,500
Tobacco .....	124,600	125,800	125,800
Other .....	65,700	50,600	50,600
<b>Taxes</b>	<b>\$ 3,188,800</b>	<b>\$ 3,188,900</b>	<b>\$ 2,997,100</b>
<b>Non-Renewable Resources</b>			
Natural Gas .....	\$ 66,500	\$ 83,700	\$ 59,900
Oil .....	447,400	610,500	244,000
Potash .....	195,200	193,700	194,400
Other .....	41,500	43,600	52,700
<b>Non-Renewable Resources</b>	<b>\$ 750,600</b>	<b>\$ 931,500</b>	<b>\$ 551,000</b>
<b>Transfers from Crown Entities</b>			
Crown Investments Corporation of Saskatchewan .....	\$ 150,000	\$ 125,000	\$ 125,000
Saskatchewan Liquor and Gaming Authority			
– Net Income .....	310,400	–	295,700
Saskatchewan Liquor and Gaming Authority			
– Retained Earnings .....	695,400	–	190,000
Other Enterprises and Funds .....	38,300	28,200	27,000
<b>Transfers from Crown Entities</b>	<b>\$ 1,194,100</b>	<b>\$ 153,200</b>	<b>\$ 637,700</b>
<b>Other Revenue</b>			
Fines, Forfeits and Penalties .....	\$ 14,200	\$ 12,800	\$ 12,200
Interest, Premium, Discount and Exchange .....	36,200	36,300	32,900
Motor Vehicle Fees .....	112,400	110,000	104,800
Other Licences and Permits .....	41,700	43,000	36,600
Sales, Services and Service Fees .....	71,400	95,500	79,900
Transfers from Other Governments .....	19,400	12,200	12,300
Other .....	12,400	13,800	13,700
<b>Other Revenue</b>	<b>\$ 307,700</b>	<b>\$ 323,600</b>	<b>\$ 292,400</b>
<b>Total Own-Source Revenue</b>	<b>\$ 5,441,200</b>	<b>\$ 4,597,200</b>	<b>\$ 4,478,200</b>
<b>Transfers from the Government of Canada</b>			
Canada Health and Social Transfer .....	\$ 494,600	\$ 556,300	\$ 510,700
Equalization Payments .....	335,900	545,200	479,700
Other .....	110,700	113,200	110,000
<b>Transfers from the Government of Canada</b>	<b>\$ 941,200</b>	<b>\$ 1,214,700</b>	<b>\$ 1,100,400</b>
<b>Total Revenue</b>	<b>\$ 6,382,400<sup>1</sup></b>	<b>\$ 5,811,900</b>	<b>\$ 5,578,600</b>

<sup>1</sup> This amount includes the final transfer of the Saskatchewan Liquor and Gaming Authority retained earnings of \$695.4 million into the General Revenue Fund.

## General Revenue Fund Statement of Operating Expenditure

	(thousands of dollars)		
	Estimated 2000-01	Forecast 1999-00	Estimated 1999-00
<b>Executive Branch of Government</b>			
Agriculture and Food .....	\$ 248,748	\$ 303,052	\$ 213,052
Centenary Capital Fund .....	30,000	–	–
Economic and Co-operative Development .....	59,939	48,414	49,409
Education .....	478,017	450,153	450,153
– Teachers' Pensions and Benefits .....	110,444	118,725	108,060
Energy and Mines .....	17,024	17,360	17,410
Environment and Resource Management .....	116,924	146,993	101,350
– Forest Fire Contingency .....	50,000	–	–
Executive Council .....	7,349	7,256	7,256
Finance .....	27,295	25,691	25,691
– Public Service Pensions and Benefits <sup>1</sup> .....	174,057	164,772	164,772
Health .....	1,977,697	1,961,541	1,915,059
– Transition Fund .....	150,000	–	–
Highways and Transportation .....	250,044	236,780	234,594
Intergovernmental and Aboriginal Affairs .....	34,754	29,770	29,717
Justice <sup>2</sup> .....	220,416	229,844	217,944
Labour .....	12,658	11,184	11,184
Municipal Affairs, Culture and Housing .....	180,928	178,360	174,497
Post-Secondary Education and Skills Training .....	494,066	464,759	467,360
Public Service Commission .....	8,211	8,302	8,321
Saskatchewan Municipal Board .....	975	1,090	1,090
Saskatchewan Property Management Corporation .....	7,667	10,356	9,730
– Asset Renewal .....	14,350	24,495	24,495
Saskatchewan Research Council .....	8,677	8,012	8,012
Saskatchewan Water Corporation .....	9,444	4,893	4,893
Social Services .....	575,258	579,702	578,102
Women's Secretariat .....	1,169	1,193	1,193
<b>Legislative Branch of Government</b>			
Chief Electoral Officer .....	893	7,000	580
Conflict of Interest Commissioner .....	122	86	91
Information and Privacy Commissioner .....	105	60	63
Legislative Assembly .....	16,098	15,535	15,455
Ombudsman and Children's Advocate .....	2,559	2,279	2,279
Provincial Auditor .....	4,698	4,442	4,442
<b>Total Operating Expenditure</b>	<b>\$ 5,290,586</b>	<b>\$ 5,062,099</b>	<b>\$ 4,846,254</b>

<sup>1</sup> Includes public service pension expenditures related to all branches of government (executive, legislative and judicial).

<sup>2</sup> Includes expenditures for the judicial branch of government.



## General Revenue Fund Schedule of Borrowing Requirements

	(thousands of dollars)		
	Estimated 2000-01	Forecast 1999-00	Estimated 1999-00
<b>Borrowing for Crown Corporations</b>			
Crown Investments Corporation of Saskatchewan .....	\$ 86,200	\$ –	\$ 63,600
Saskatchewan Housing Corporation .....	35,000	41,668	46,140
Saskatchewan Land Information Services Corporation ..	20,400	7,000	11,200
Saskatchewan Opportunities Corporation .....	21,400	50,000	36,000
Saskatchewan Telecommunications Holding Corporation..	32,100	33,600	66,500
Saskatchewan Water Corporation .....	2,300	7,000	2,100
SaskEnergy Incorporated .....	230,600	15,500	–
<b>Borrowing for Crown Corporations</b>	<b>\$ 428,000</b>	<b>\$ 154,768</b>	<b>\$ 225,540</b>
<b>Borrowing for General Government .....</b>	<b>1,222,815</b>	<b>1,309,920</b>	<b>1,137,154</b>
<b>Total Borrowing Requirements</b>	<b>\$ 1,650,815</b>	<b>\$ 1,464,688</b>	<b>\$ 1,362,694</b>

## General Revenue Fund Schedule of Debt

As at March 31

	(thousands of dollars)		
	Estimated 2001	Forecast 2000	Estimated 2000
<b>Gross Debt</b>			
<b>Crown Corporation Debt</b>			
Agricultural Credit Corporation of Saskatchewan .....	\$ 66,951	\$ 235,551	\$ 235,551
Crown Investments Corporation of Saskatchewan .....	362,395	276,195	185,687
Municipal Financing Corporation of Saskatchewan .....	59,575	87,491	79,667
Saskatchewan Housing Corporation .....	181,770	174,373	178,845
Saskatchewan Land Information Services Corporation ..	27,400	7,000	11,200
Saskatchewan Opportunities Corporation .....	148,395	126,995	139,495
Saskatchewan Power Corporation .....	1,627,520	1,785,920	1,828,900
Saskatchewan Telecommunications Holding Corporation..	426,812	483,405	520,225
Saskatchewan Water Corporation .....	46,992	58,084	46,284
SaskEnergy Incorporated .....	711,216	753,550	731,950
<b>Crown Corporation Debt</b>	<b>\$ 3,659,026</b>	<b>\$ 3,988,564</b>	<b>\$ 3,957,804</b>
<b>General Government Debt</b> .....	<b>8,116,632<sup>1</sup></b>	<b>7,911,224</b>	<b>7,980,865</b>
<b>Gross Debt</b>	<b>\$ 11,775,658</b>	<b>\$ 11,899,788</b>	<b>\$ 11,938,669</b>
<b>Guaranteed Debt</b>			
Crown Corporations .....	\$ 40,965	\$ 46,019	\$ 46,320
Other .....	249,324	308,808	318,084
<b>Guaranteed Debt</b>	<b>\$ 290,289</b>	<b>\$ 354,827</b>	<b>\$ 364,404</b>
<b>Equity in Sinking Funds</b>			
Crown Corporations .....	\$ 355,921	\$ 590,197	\$ 480,115
General Government .....	487,036	409,131	414,606
<b>Equity in Sinking Funds</b>	<b>\$ 842,957</b>	<b>\$ 999,328</b>	<b>\$ 894,721</b>
<b>Total Debt<sup>2</sup></b>	<b>\$ 11,222,990</b>	<b>\$ 11,255,287</b>	<b>\$ 11,408,352</b>
<b>Crown Corporation Total Debt</b>	<b>\$ 3,344,070</b>	<b>\$ 3,444,386</b>	<b>\$ 3,524,009</b>
<b>General Government Total Debt</b>	<b>7,878,920</b>	<b>7,810,901</b>	<b>7,884,343</b>
<b>Total Debt</b>	<b>\$ 11,222,990</b>	<b>\$ 11,255,287</b>	<b>\$ 11,408,352</b>

<sup>1</sup> This amount is higher than last year, primarily due to reducing deposits held by the General Revenue Fund on behalf of Crown entities.

<sup>2</sup> Total Debt is Gross Debt plus Guaranteed Debt less Equity in Sinking Funds.

## General Revenue Fund Schedule of Guaranteed Debt

As at March 31

	(thousands of dollars)		
	Estimated 2001	Forecast 2000	Estimated 2000
<b>Guaranteed Debt for Crown Corporations</b>			
The Municipal Financing Corporation Act			
Guaranteed Debentures.....	\$ 2,500	\$ 3,500	\$ 3,500
The Power Corporation Act			
National Trust Company .....	12,007	13,860	13,860
Luscar Ltd. ....	24,898	26,883	27,119
Saskatchewan Power Savings Bonds			
Series I to Series VII (matured).....	160	176	158
The Saskatchewan Development Fund Act			
Guaranteed Investments.....	1,400	1,600	1,587
The Saskatchewan Telecommunications Act			
TeleBonds (matured) .....	-	-	96
<b>Guaranteed Debt for Crown Corporations</b>	<b>\$ 40,965</b>	<b>\$ 46,019</b>	<b>\$ 46,320</b>
<b>Other Guaranteed Debt</b>			
The Agricultural Societies Act			
Loans to Exhibition Associations.....	\$ 79	\$ 79	\$ 67
The Community Bonds Act .....	1,715	1,715	1,415
The Farm Financial Stability Act			
Breeder Associations Loan Guarantees .....	21,650	21,600	18,567
Feeder Associations Loan Guarantees.....	12,200	11,710	11,700
The Government Organization Act			
The Saskatchewan Roughriders Football Club.....	2,100	2,100	640
The Housing and Special Care Homes Act			
Senior Citizens' Housing .....	127	178	178
The Industry and Commerce Development Act			
Saskferco Products Inc. ....	126,167	153,588	165,361
The NewGrade Energy Inc. Act			
NewGrade Energy Inc. ....	85,286	117,838	120,156
<b>Other Guaranteed Debt</b>	<b>\$ 249,324</b>	<b>\$ 308,808</b>	<b>\$ 318,084</b>
<b>Total Guaranteed Debt</b>	<b>\$ 290,289</b>	<b>\$ 354,827</b>	<b>\$ 364,404</b>

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