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SASKATCHEWAN
Provincial Budget

BUILDING FOR THE FUTURE

Budget Address



SASKATCHEWAN
The Hon. Jim Melenchuk
Minister of Finance

Building for the Future

Introduction

Good morning – Mr. Speaker, my honourable colleagues. Before I begin, I'd like to take a moment to introduce some of the special guests who have joined us here today.

I'd like to welcome them and welcome everyone here today.

Mr. Speaker, in the Lieutenant Governor's Throne Speech, she outlined broad plans for the Government. She talked about Government's vision for a future that's wide open. I'm here today to tell you how we are going to implement those plans, how we are building for the future of this Province.

A Plan

Building for the future means having Healthy and Self-Reliant Families. It means having Opportunities for Youth. It means having a Prosperous and Competitive Economy. It means having Modern and Competitive Infrastructure . . . And it means having Strong and Vibrant Communities.

This is a Budget that makes a record \$2.5 billion investment in health and a record \$1.2 billion investment in education.

A Budget that increases revenue sharing to municipalities by over 15 per cent ... for northern, rural and urban municipalities.

A Budget that invests \$296 million in road and highway improvements.

A Budget that will invest almost \$145 million for Research and Development (R&D) expenditures and tax credits. A Budget that will see more than \$300 million in capital projects.

A Budget that will see our Crown corporations invest \$650 million to expand and upgrade their services. A Budget that will build our economy through tax reductions and incentives for business . . .

Before I get into further details, Mr. Speaker, I will point out that we are now forecasting a \$2.1 million surplus for last year, with no transfer from the Fiscal Stabilization Fund.

That's right, Mr. Speaker – the fiscal year that ends in just a few short days has had such a dramatic rebound in the fourth quarter, that the Fiscal Stabilization Fund balance is fully available to balance the 03-04 budget, with a further \$102 million available for the 04-05 budget year.

The Fund has served its purpose well, allowing us to make transfers as required, using discretion and financial prudence. And, of course, if the Fund is not needed in any given year, it is available in subsequent years to ensure that services can be maintained without wild shifts in taxation levels or expenditure plans.

As the former Minister of Finance said all the way along – and I will continue with the same message – we have a plan. It's balanced and responsible.

We take all the fluctuations in stride, and plan the best course of action accordingly.

We did it all of last year, it's what we've done with the Budget this year, and it's what we will continue to do.

Fulfilling Our Commitments

That said, Mr. Speaker, it's no secret that we in Saskatchewan have faced a tough couple of years. Two years of drought have taken a toll. But in spite of the challenges, our economy is back on the right track with positive growth. In fact, with a return to normal crop production, our economy is expected to grow by a whopping 6.8 per cent in 2003 ... exceeding \$32 billion overall in real GDP.

Mr. Speaker, I would also say that in spite of the challenges, we have still managed to fulfill key commitments to the people of this Province.

Our commitment to financial management has been recognized by independent sources and respected credit rating agencies – with the Province receiving 10 credit rating upgrades since 1995.

Mr. Speaker, our record on tax reform speaks for itself.

We have been lowering taxes over the last decade, and during the last three years we have made dramatic reductions. A family of four earning \$50,000 has had a 37 per cent reduction in personal income tax.

As well, we have eliminated the flat tax, the high-income surtax and the debt reduction surtax. We have reduced tax rates three times in the last three years.

Mr. Speaker, building for the future means having a plan and sticking to it.

Healthy and Self-Reliant Families

Mr. Speaker, I outlined some of our key priorities at the beginning of my address; now I'm going to go into more detail.

Mr. Speaker, our Government is undertaking many initiatives to support our goal of having healthy and self-reliant Saskatchewan families.

We are providing \$19 million in funding for medical equipment this year, such as new CT scanners in Yorkton and Moose Jaw and the permanent location of a CT scanner in Swift Current.

We are also providing \$27 million in health capital funding this year and an expanded capital program totaling \$34 million next year.

There is funding for construction on the Fort Qu'Appelle First Nations Hospital, the Weyburn Regional Care Centre, the Yorkton Long-Term Care Centre and the Melfort Regional Care Centre.

And the Minister of Health will be making many more announcements over the next few months in communities throughout Saskatchewan.

This year, we are using \$32 million from the Federal Health Reform Fund for primary home care, and catastrophic drug coverage.

There is increased base operating funding of almost \$90 million for Regional Health Authorities.

And, to improve patient services, we are implementing the new surgical waitlist registry, introducing a new system to collect complete prescription drug information and piloting a clinical tool for assigning surgical priorities.

Mr. Speaker – we are building for the future, through our commitments to health care.

Opportunities for Youth

Mr. Speaker, to build for our future, we must build for our youth – because they are our future.

Over the next two years, we will invest \$110 million to help ensure high quality learning facilities are in place for our students, with \$76 million in capital improvements happening this year.

Our post-secondary facilities are undergoing significant development. We are supporting construction of the Sports Complex at the University of Regina. The U of R will also receive support for a feasibility and planning study for a new Laboratory Building.

At the University of Saskatchewan we are supporting restoration of the College Building and the Research Annex. We are also investing \$800,000 for feasibility and planning to look at options for developing an Academic Health Sciences Centre at the U of S.

Total funding to post-secondary institutions, including capital, operating grants and other program funding, will amount to \$407.9 million this year, an increase of \$15.4 million.

We're also providing more money for students to pursue their post-secondary goals.

For the 2003-04 academic year, we are tripling the scholarship exemption for Saskatchewan student loans, from \$600 to \$1,800, and increasing the earning exemption from \$600 to \$1,700.

And, \$66 million in Saskatchewan Student Loan assistance will be available to help almost 17,000 post-secondary students. And, Mr. Speaker, over one-half of this amount – \$34 million – will be provided as bursaries or grants or other debt reduction measures ... Mr. Speaker, one of the most generous student support programs in Canada.

And, Mr. Speaker, we are also funding the full cost of the teachers' contract for 2003-04, increasing the transfers to school boards by over \$32 million over last year's budget.

There is \$180 million in funding for more than 25,000 training spaces and over 9,000 training allowances between the departments of Learning and Community Resources and Employment.

These include 260 spaces in each year of the four-year Nursing Education Program of Saskatchewan, 144 spaces for training practical nurses, 40 additional training spaces through the Northern Health Access Program, more than 70 spaces at out-of-province institutions to provide training for health technicians, and training for 80 EMTs.

Recruitment and retention of our medical professions will remain a priority:

- We will continue with return-service bursary and professional development programs; and train 235 students in the College of Medicine.
- We're also implementing a pilot project for medical students, to cover the costs of an interest-free line of credit.
- Over \$3 million in bursaries will be targeted to nursing and medical students, and residents, and a portion will also go to incentive programs to attract medical staff to rural Saskatchewan.
- \$4.4 million will continue to fund a variety of programs designed to recruit and retain physicians and specialists in the province.
- And, funding of \$4 million will be maintained for the Physician Long-Term Service Fund retention initiative.

The Centennial Student Employment Program provides summer and part-time jobs throughout the year for high school and post-secondary students returning to school. 700 students this year will have jobs through this program.

Mr. Speaker, through these numerous commitments and opportunities for our youth, we are building for the future.

Modern and Competitive Infrastructure

Mr. Speaker, a modern and competitive infrastructure is also vital so we can build for the future.

Mr. Speaker, over the next five years we will finish twinning of the province's National Highway System, with Highway 1 west fully completed this year, and Highway 1 east completed in 2007.

As well, Highway 16 between North Battleford and Lloydminster will also be completed by 2007.

And, over the next three years, over \$90 million will be invested to upgrade 450 kilometres of rural highways to a paved standard through the Prairie Grain Roads Program.

This year, Mr. Speaker, we are spending more than \$296 million on our roads and highways – not only to accelerate twinning, but also to resurface more than 385 kilometres of the provincial highway system . . .

That, Mr. Speaker, is building for the future.

Mr. Speaker, our other multi-year commitments in support of infrastructure include \$170 million in funding to municipalities over five years through the Canada-Saskatchewan Infrastructure Program. This includes money for an ongoing commitment to the Northern Water and Sewer Program.

Mr. Speaker, clean, safe drinking water is vital for good health. In support of our Long-Term Safe Drinking Water Strategy, 19 multi-year water and sewer projects have already been approved for \$10 million under the Canada-Saskatchewan Infrastructure Program.

Also, under the Northern Water and Sewer Program, \$4.9 million will be spent on 24 projects in 18 communities.

We will also repair and upgrade 16 water control structures and increase the number of certified waterworks operators to 475. The Government now has 58 full-time-equivalent staff positions dedicated to drinking water issues – including water inspection and monitoring.

Several municipalities will also see funding for 17 new transit vehicles for people with disabilities, bringing the total to 126 vehicles in the provincial fleet under the Transit for the Disabled Program.

And, Mr. Speaker, we are increasing the supplementary funding to the four urban parks, this year, by 10 per cent.

Mr. Speaker, I am also very pleased to announce we are increasing municipal revenue sharing grants by \$10 million for the second year in a row.

Not only that, Mr. Speaker, we will also increase revenue sharing to support our municipalities by a further \$10 million next year.

That's a total of \$60 million additional dollars available to municipalities over three budget years to assist in meeting their infrastructure and service needs.

Mr. Speaker, we are helping our communities build for the future!

A Prosperous and Competitive Economy

Mr. Speaker, a prosperous and competitive economy is critical for us to build for the future.

Mr. Speaker, things are looking very positive for Saskatchewan:

- World prices for Saskatchewan's primary commodities all exceeded expectations in 2002 and are generally expected to remain strong.
- Oil and gas prices are up.
- Employment is forecast to grow each year over the next three years.
- Oil drilling is expected to climb by 22 per cent – or 2,000 wells this year.
- Also, it's worth noting that Saskatoon has the lowest overall combined taxes and charges of 10 cities across Canada that have been surveyed for comparison – this applies for a single male adult at \$25,000 income . . . this applies for a family at \$50,000 income . . . and it applies to a family at \$75,000 income . . . Saskatoon has the lowest overall combined taxes and charges for all 10 cities and all three income categories.

Mr. Speaker, I think it is also important to give some context, so I will point out that Canada is the only one of the G-7 countries in a surplus position. I will point out that most US states are in a deficit position.

I will point out that British Columbia, Prince Edward Island, Newfoundland and the Territories are all forecasting deficit budgets 2002-03.

And I will point out that in Saskatchewan – as we have done for the preceding nine years – we are again tabling a balanced budget. Our 10th Consecutive Balanced Budget.

Mr. Speaker, we can't talk about a competitive economy without talking about taxes.

The final stage of Personal Income Tax reform was introduced January 1st with lower tax rates and higher family tax credits, and will result in a further tax reduction of \$78 million per year. This means more money in consumers' pockets, to spend as they want.

Saskatchewan's top marginal tax rate is now third lowest in Canada. And, beginning January 1, 2004, the income tax system will be fully indexed to inflation, eliminating bracket creep.

Mr. Speaker, this budget does not have any tax increases but it does have some additional tax decreases.

The Small Business Corporate Income Tax rate will be reduced from six per cent to 5.5 per cent on January 1, 2004 and to five per cent on January 1, 2005. Mr. Speaker, that will be half of what it was in 1991.

And, we are also expanding the incremental Corporation Capital Tax exemption for Saskatchewan-based companies from \$5 million to \$7.5 million January 1, 2004, and to \$10 million as of January 1, 2005.

This brings the maximum Corporate Capital Tax exemption to \$20 million for Saskatchewan-based companies ... the highest tax exemption threshold of all Canadian provinces!

Mr. Speaker, Research and Development (R&D) plays a key role in ensuring that Saskatchewan stays competitive, and to help us draw professionals to our province.

Our Budget this year provides \$145 million for Research and Development expenditures and tax credits, an increase of \$9.1 million – or 6.7 per cent – from 2002-03.

Mr. Speaker, our economy is growing and our future is indeed wide open!

Strong and Vibrant Communities

Mr. Speaker, in Saskatchewan, we want strong and vibrant communities. So people can flourish. So they can feel safe. So they can find the supports they need, when they need them.

Mr. Speaker, we are building for the future, by strengthening our social programs.

Through the Community Initiatives Fund, \$19 million in Centennial Funding will be directed over three years to Saskatchewan communities for programs that encourage physical fitness, for infrastructure and capital projects, and for initiatives that encourage Aboriginal access to culture and recreation.

Another multi-year initiative we are funding includes a \$45.9 million, four-year federal-provincial program to build 1,400 housing units.

Mr. Speaker, over the next five years we will also partner with the federal government to enhance licensed child care.

In this, the initial year of the Child Care Saskatchewan program, we will more than double the federal contribution to provide \$1.8 million to develop 500 new child care spaces, Early Childhood Services grant funding for 250 existing spaces, and capital funding for building development. We're also providing \$1 million to increase child care subsidies an average of \$20 per child.

Mr. Speaker, provincial programs will support more than 7,800 spaces in 450 licensed child care facilities. And, Mr. Speaker, our child care supports will grow next year and every year for four more years.

Our "KidsFirst" program will create 80 new child care spots for children in vulnerable situations.

And we are providing an additional \$1 million in Social Assistance Program funding for people with disabilities, together with \$2 million to create over 950 additional employment support spaces to assist disabled Social Assistance clients develop and sustain labour force attachment.

Mr. Speaker, this is a government that dares to care!

Our Community Based Organizations are our partners in ensuring strong and vibrant Saskatchewan communities. The Government is also continuing its commitment to CBOs with a three per cent salary increase this year.

The Department of Justice will see a \$6.7 million or 3.6 per cent funding increase this year.

A portion of this money will go towards hiring 10 new police officers to support integrated, targeted, community-based approaches to reduce crime.

Mr. Speaker, the Province overall – and rural Saskatchewan communities in particular – depends on a strong agricultural economy. There have been hardships, to be sure.

Saskatchewan has signed on to the federal government's Agricultural Policy Framework. Through the APF program framework, Saskatchewan will commit \$1 billion over five years.

This year, the Province will continue with its Farm Families Opportunity Initiative.

We are also continuing with the Conservation Cover Program, allowing farmers to convert marginal lands to perennial cover. Last year, 300,000 acres were converted. \$3.9 million in funding will go to this effort this year.

As well, our Government provides about \$240 million per year in tax exemptions and rebates for farm input costs, including the Provincial Sales Tax (PST) exemption for major farm inputs, the PST rebate for livestock and horticultural facilities and the fuel tax exemption for farm activities.

Mr. Speaker, we are aware that the means by which property taxes are applied in Saskatchewan – particularly for funding K-12 education – is a long-standing issue.

An independent commission on how K-12 education is funded in Saskatchewan – and options for change – will be formed. Further details on the commission will be announced in the coming weeks.

Mr. Speaker, Saskatchewan's northern reaches and communities will benefit from this budget. Our Budget this year includes \$27.1 million in new initiatives and capital for the North. Here are a few highlights:

- We're providing a \$797,000 increase in Northern Revenue Sharing, increasing grant funding from \$5.2 million to almost \$6 million.
- We're committing funding for a new school in Ile-à-la-Crosse.
- Mr. Speaker, the FYKE Commission on Health Care recommended that, in the North, we adopt a three Health District, four-hospital approach.
- Mr. Speaker, we have three Health Districts established. We have built a new hospital in La Ronge. We have built a new hospital in La Loche. We have built a new hospital in Black Lake. And, Mr. Speaker, we will be starting construction on a new multi-million dollar hospital in Ile-à-la-Crosse.
- We're providing \$500,000 to northern health authorities for implementation of a northern health strategy, primary health care and prevention initiatives, and improved water quality monitoring in public water supplies.
- We're providing \$2.1 million for 600 training spaces provided under the Northern Skills Training Program.
- We're providing a \$466,000 increase for 40 additional training spaces provided under the Northern Health Access Program.

Building for the Future

Mr. Speaker, the initiatives and programs outlined in this Budget will help us to build for the future, to build a strong and thriving province.

Our Government has a proven track record of funding and maintaining key priorities.

Laurentian Bank Securities recently gauged our economic progress and prospects at the outset of 2003. They said we are tied with Alberta for second place in terms of “greatest economic momentum” at the outset of 2003.

And, Mr. Speaker, the Conference Board of Canada is forecasting that Saskatchewan, along with Alberta, will outpace all other Canadian provinces for economic growth in 2004.

Mr. Speaker, we will continue on this track of strategically investing in Saskatchewan’s future while at the same time managing the Province’s finances, being mindful that we are accountable to the people.

As further proof of our commitment, we are announcing two enhancements to our accountability framework. First, we have produced a Budget document entitled *Our Plan for 2003-04* which sets out concrete objectives for Government for the year ahead. Second, the Government will provide a Summary Financial plan as part of next year’s budget.

Saskatchewan’s future is bright. We are providing record levels of funding for health care and education. We are encouraging investment and growth.

We have dared to care.

Mr. Speaker, our future is indeed “wide open.”

Thank you.