

Moving Forward Together

Honourable Eric Cline
Minister of Finance



Mr. Speaker, today, I present a Budget that charts our course into a new century.

Before I do that, I want to take a moment to thank my wife Pauline for her support and encouragement, my constituents, my personal staff and the public service, my colleagues, and the thousands of Saskatchewan women, men and young people who contributed their thoughts and ideas during our pre-budget consultations.

Mr. Speaker, Saskatchewan people are driven by a shared passion for moving forward together. This is one of our defining strengths.

Pulling together is the way we get things done.

It is the way we will pursue our dreams in the new century — our dreams for a Saskatchewan in which we all enjoy the benefits of community and the rewards of individual effort.

Government's role is to unite people in this pursuit. We can do more together than we can apart.

*Pulling together is the
way we get things done.*



The Foundation: Sound Financial Management

Sound financial management is where we start.

Saskatchewan people pay their bills. They expect government to do the same.

In Saskatchewan, balanced budgets are now the rule, not the exception.

In the 1980s, the government got it wrong. They mortgaged our future in favour of political self-interest. They drove Saskatchewan to the brink of financial and economic disaster and put the services people count on in serious jeopardy.

That is why Saskatchewan women and men chose our Premier and his team to work with them to get our Province back on track.

Working together, Saskatchewan people took this Province from the worst financial position in Canada to among the best.

Today, Saskatchewan's record of balanced budgets is second to none.

Today, it is with great pride I table Saskatchewan's sixth consecutive balanced budget.

This Budget includes a plan for three more balanced budgets. That is nine straight years of balanced budgets. And that is nearly a decade of paying down the 1980s' debt.

When former Finance Minister Ed Tchorzewski tabled our first Budget, he said:

“Let us look forward to the day when we can tell our children that, though we entered the 1990s plagued by financial crisis, we made the difficult decisions. We turned a new page in our history and put this Province firmly on the path to prosperity.”

Mr. Speaker, ladies and gentlemen, Saskatchewan people *have* made the difficult decisions. We *have* turned a new page.

We *are* on the path to prosperity — moving forward, working together to build the economy we want and the society we dream of.

Saskatchewan's record of balanced budgets is second to none.



Building Our Economy: A Plan for Prosperity

In the 1980s, we saw how deficits, debt and mismanagement led to higher taxes, less investment, fewer jobs and economic stagnation.

In the 1990s, we have seen how balanced budgets and responsible management translate into growing confidence, more jobs, lower taxes, more investment and more opportunities.

From 1992 to 1997, Saskatchewan led Canada in economic growth.

In 1998, employment reached its highest level in history.

As we move forward, we face some tough challenges like low commodity prices and unstable international markets.

But we are weathering this storm because our foundation is stronger than ever.

Building on this strong foundation, our economy will continue to grow and diversify, creating more jobs and opportunities for Saskatchewan people.

Our Government set a goal of creating 30,000 new jobs by the year 2000.

Some said it could not be done. But we are almost there.

This Budget sets out our plan to create even more jobs by:

- continuing to develop our key economic sectors;
- building our transportation network; and,
- investing in training and education for Saskatchewan people.

Developing our key economic sectors

Agriculture is one of our key sectors and our farmers are the best in the world.

They have helped build our province, diversify our economy, expand markets and develop new industries like food processing, biotechnology and implement manufacturing.

Balanced budgets and responsible management translate into growing confidence, more jobs, lower taxes, more investment and more opportunities.



We must stand with our farmers — and, we will.

As we enter the 21st century, Saskatchewan people are diversifying the economy and creating new opportunities.

Today, unfair subsidy wars by foreign governments have driven down commodity prices.

We must stand with our farmers — and, we will.

To help them get through the recent slump in prices, we are providing \$20 million in loan assistance to Saskatchewan hog farmers and \$140 million to grain farmers under the Agricultural Income Disaster Assistance program.

To better protect farmers against drought, hail and infestations, we expanded and enhanced our crop insurance program. We have reduced crop insurance premiums to farmers by 40 per cent since 1996. Recently, we announced an \$85 million top-up for producers on their NISA accounts. We are now working towards improving NISA to make the program better for new and expanding producers.

In addition to these initiatives, the 1999-2000 Budget continues to invest in research and development for new crops, new methods of farming, agricultural biotechnology and value-added manufacturing and food processing industries.

Last year, we invested nearly \$14 million in agricultural research and development through the Strategic Research Program and the Technology Adoption and Demonstration initiative.

Mr. Speaker, I am pleased to announce that we will increase our investment in these important initiatives by 26 per cent this year, for a total investment of over \$17 million.

The northern reaches of our province offer significant potential for development and growth.

Here, too, there are challenges we must meet — challenges we will meet.

This year's Budget invests more in northern economic development, supports northern industries like tourism, forestry and Aboriginal business, and introduces a new royalty structure to encourage exploration and development of gold and base metals.

Agriculture and natural resource industries will always be a crucial part of our economy.

As we enter the 21st century, Saskatchewan people are making remarkable inroads in diversifying the economy and creating new opportunities.



Our targeted tax strategy is key to continued diversification and we are working with business to provide the competitive tax structure needed for growth.

The success of this strategy is reflected by manufacturing and processing companies all across the province, which last year employed over 31,000 Saskatchewan people — 31 per cent higher than in 1992.

It is reflected by the film and video industry, which has doubled its production since the introduction of the Saskatchewan Film Employment Tax Credit in last year's Budget.

We are also encouraging investment in broad-ranging research and development in biotechnology, information technology and other highly competitive industries.

As part of our renewed emphasis on research and development, we are working with the University of Saskatchewan to bring the Canadian Light Source synchrotron to the U of S campus.

With this facility, Saskatoon will be one of only 10 synchrotron centres in North America — and the only one in Canada — bringing millions of dollars worth of new research to our province every year.

We are also investing in other types of research to keep our economy strong.

This year's Budget includes funding for the new Petroleum Technology Research Centre in Regina — a centre that will design new ways to extract and refine Saskatchewan's vast reserves of oil.

We will continue to work with Saskatchewan's entrepreneurs and small businesses to make it easier for them to build on their ideas and hard work.

Cutting red tape, reducing regulations and partnering with regional associations around the province are all part of our plan to encourage small businesses.

Mr. Speaker, I am pleased to announce that this Budget doubles the funding available through the Small Business Loans Association program to provide better access to start-up and operating capital.

Our targeted tax strategy is key to continued diversification.

We will work with entrepreneurs and small businesses to build on their ideas and hard work.



This Budget invests 40 per cent more in roads and highways than four years ago.

This Budget also increases municipal revenue sharing by 18 per cent over last year.

Agriculture, natural resources, northern development, value-added industries, research and development, local economic development and more support for small business are the keys to a prosperous, growing Saskatchewan.

Building our transportation system

The second part of our jobs and growth plan is about transportation.

Saskatchewan must move goods to markets despite the huge challenge posed by changes in road and rail transportation.

With the help of area transportation planning committees, communities, shippers and producers, we are building the transportation system of the future.

We are offering interest-free loans for local groups to purchase and operate short-line railways.

We are also investing more to modernize our road network.

Between 1995 and 1998, our budgeted investment in roads and highways grew by 30 per cent — from \$168 million to \$219 million.

I am pleased to announce that this Budget invests \$235 million to continue modernizing our transportation system.

Mr. Speaker, that is 40 per cent more than four years ago.

This Budget includes an innovative new rural roads fund of \$5 million. This fund will be used by the Department of Highways and Transportation to help municipalities meet our shared transportation challenges. This is in addition to the \$19 million in revenue sharing grants that municipalities use for roads.

I am also pleased to announce a new \$10 million provincial-municipal infrastructure program to help northern, rural and urban municipalities address priority needs. We will be working with municipalities and area transportation planning committees to identify those priorities.

This \$10 million provincial investment, to be matched by local funds, amounts to an 18 per cent increase in municipal revenue sharing, bringing total revenue sharing to \$66 million in 1999-2000.



In addition, we will provide Saskatchewan municipalities with nearly \$3 million in grants in lieu of property taxes — double last year's amount — as we committed to do in 1998.

Through all of these initiatives, we will work together to meet the challenge of addressing transportation and infrastructure needs in our province.

Investing in Saskatchewan people

The third part of our plan is making investments in the education and training of Saskatchewan's number one resource — its people.

Our province has a strong record of providing excellent education and training opportunities and we will make sure the focus stays where it belongs — on people.

Today, we have over 190,000 students enrolled in our Kindergarten to Grade 12 school system, over 30,000 students in universities and over 23,000 people in provincial training and employment programs.

The 1999-2000 Budget makes the largest investment ever in their future, which is our shared future.

First, for the Kindergarten to Grade 12 system, this Budget provides more than \$3 million this year to school boards through grants in lieu of property taxes — double last year's amount.

Operating grants to schools will increase by \$13.5 million this year to strengthen pre-kindergarten programs, school curricula, community schools, school-based services and access to computers and the Internet.

Just as last year's Budget provided \$24 million in capital funding for over 100 school improvement projects, this year's Budget invests another \$24 million in school capital.

Mr. Speaker, that is a two-year total of \$48 million to upgrade or build over 200 schools in Saskatchewan communities.

As we enter the new millennium, provincial funding for Saskatchewan's school system is more than \$550 million — a significant investment in the high quality education and safe, healthy schools we want for our children and our future.

This Budget invests in the high quality education and safe, healthy schools we want for our children and our future.



Second, in post-secondary education and training, we will ensure Saskatchewan women and men have access to the opportunities they need to succeed.

This Budget increases operating grants for SIAST and regional colleges by nine per cent.

It increases operating grants for Saskatchewan universities and federated colleges to \$184 million — an increase of seven per cent over two years.

Like last year, it provides \$3 million for the universities to revitalize and modernize scientific equipment and to make better use of shared resources.

It invests \$23 million — for a total of \$46 million over two years — to rebuild and upgrade university, SIAST and regional college facilities.

With this Budget, we are making a commitment to the University of Saskatchewan to rebuild the Thorvaldson and Kinesiology buildings. We are supporting the SIAST redevelopment project to integrate campus facilities and we are continuing to upgrade and renovate facilities at the University of Regina.

In addition, I am pleased to announce we will be targeting new funding of \$3 million to the College of Medicine at the University of Saskatchewan to increase the number of doctors and surgeons in our province.

Our investment in Saskatchewan's universities, colleges and technical institutes this year will reach nearly \$300 million.

Mr. Speaker, our universities — and the students who attend them — continue to benefit from the Province's efforts in research and development.

The new synchrotron, the petroleum research centre, investment in agricultural research and development and the 15 per cent research and development tax credit introduced in last year's Budget will mean millions more dollars in funding and support for universities, now and in the future.

In total, our investment in Saskatchewan's universities, colleges and technical institutes this year will reach nearly \$300 million.

That is in addition to improvements we have made in our student aid program.



With these improvements, about 3,500 students with children now have access to increased bursaries and study grants, directly reducing the amount they have to borrow.

Moreover, this year, thousands of Saskatchewan people with student loans will be able to deduct the interest payments to reduce their income taxes.

The third focus in education and training is our Saskatchewan Training Strategy.

As we move into a new century, we are making major changes to the way we deliver the training Saskatchewan people need to upgrade their skills.

I am pleased to announce that this Budget will invest \$206 million in adult basic education, JobStart/Future Skills, Quick Skills, apprenticeship, income support and other training and employment programs designed to provide people with the skills they need for available jobs.

In total, this Budget invests over \$1 billion — our largest investment ever — in education and training to prepare Saskatchewan people for success in a rapidly changing, highly competitive, high-technology economy.

Mr. Speaker, investing in education and training, building our transportation system and developing our key economic sectors — that is how we will create jobs and opportunities in the 21st century.

Building Our Society: Investing in Services That Matter

The strong foundation we have created together in the 1990s also allows us to build a progressive, inclusive society — one in which we care for one another and share responsibility for the well-being of all.

That is the Saskatchewan we grew up in. That is the Saskatchewan we want our children and grandchildren to grow up in.

This Budget makes our largest investment ever in education and training for a rapidly changing, highly competitive, high-technology economy.



Caring for one another means providing public services that matter to people.

Caring for one another means providing public services that matter to people:

- to help children and families in need;
- to provide for safety and security in our communities; and,
- to ensure our health system is there when we need it.

These are at the heart and soul of our quality of life.

Helping children and families in need

Saskatchewan has a proud tradition of caring for children in need and helping families stand on their own.

In the 1990s, we led the way in encouraging the creation of a National Child Benefit to improve the lives of Canadian children.

We are working with people in every Saskatchewan community to do even more for children and families.

The Saskatchewan Action Plan for Children — one of this Province's finest achievements — brings people in communities and governments together to provide, among other things:

- school lunches;
- immunization programs; and,
- expanded community education.

Today, I am pleased to announce a \$14 million increase for the Action Plan for Children, bringing our total investment in this ground-breaking program to \$67 million in 1999-2000.

Saskatchewan people believe no child should go hungry or go without the guidance and support of family and community.

Saskatchewan people also know the best way to prevent child hunger and need is by helping families become independent.

Common sense says this: the best way to promote independence is to ensure parents have the opportunity and dignity of a job.



Our Building Independence strategy put in place three additional key measures to ensure that parents can work:

- a child benefit program to provide financial support outside the welfare system;
- an employment supplement for low-income working families to help cover work-related costs; and,
- supplementary health coverage to make sure children in low-income families have medical and dental benefits when their parents return to the workforce.

This strategy has helped move more than 1,800 families off social assistance in the last year alone.

By building independence, we can reduce caseloads, widen the circle of opportunity and make Saskatchewan a better place.

Building stronger, safer Saskatchewan communities

We also make it a better place when we ensure the safety of every person and the strength of every community. That means doing everything we can to reduce crime and make communities safer.

I am pleased to announce that this Budget increases funding to the Department of Justice by \$17 million — eight per cent more than last year — so they can do the important job Saskatchewan people want them to do.

In 1999-2000, a total of \$218 million will be targeted to the many vital services that are necessary to keep our communities safe, including Serious Crime units and our plan to deal with violent and repeat offenders.

We will hold those few people who break the law accountable for their actions.

But, Mr. Speaker, as I have already outlined, Saskatchewan is doing even more to target the very roots of crime.

We are sharing the responsibility for — and the benefit of — a better society by lowering poverty, enhancing education, encouraging independence and creating opportunities.

The best way to promote independence is to ensure parents have the opportunity and dignity of a job.

Building independence widens the circle of opportunity and makes Saskatchewan a better place.



The number one priority of this Budget is health care.

Every penny of this Budget's record investment in health will go to improve health services.

Improving and enhancing our health system

Our belief in shared responsibility is a basic value which helps define us as a society.

This, along with our belief in equal access, without discrimination on the basis of wealth, is also a basic value of our health care system.

In an age of change and uncertainty, it is important to reaffirm our commitment to these values.

That is why the number one priority of this Budget is health care.

Mr. Speaker, I am pleased to announce that this year's Budget contains the largest new investment in health in the history of the Province.

In 1999-2000, Saskatchewan's health budget will increase by \$195 million — more than 11 per cent above last year's Budget.

Every penny of that new investment will go to improve health services for people.

First, we will shorten waiting times for surgeries.

Acting on the report of our Task Team on Surgical Waiting Lists, we will:

- expand day surgery programs;
- provide 24-hour access to follow-up care in home districts; and,
- invest in more operating room hours, more surgical equipment and better systems to prioritize the needs of patients.

Second, we will improve access to cancer treatment.

I am pleased to announce that, in addition to reducing waiting times for surgeries, this Budget invests an additional \$3 million to cover more cancer drugs and new programs for cancer treatment and prevention.

Third, we will put more resources towards meeting the special health needs of women.



This Budget invests in women's health with increased funding for detection, prevention and treatment of diseases of particular concern to women, such as breast cancer and osteoporosis.

Fourth, we will do everything we can to recruit and retain the health care providers we need and make health care a career of choice for more people in Saskatchewan.

As previously indicated, this Budget targets an additional \$3 million to the College of Medicine — a 15 per cent increase — to make sure Saskatchewan people have the doctors and surgeons needed in the system.

Last year, we provided Rural Practice Establishment Grants to encourage Saskatchewan-trained physicians to practice medicine in rural Saskatchewan, and we will do the same this year.

We will also continue to encourage recruitment and retention of rural physicians through the Medical Resident Bursary program, to increase the percentage of medical graduates who stay and work in Saskatchewan.

Through initiatives like these, we saw 70 per cent of Saskatchewan's new medical graduates practicing in the province in 1998 — double the number who stayed in the 1980s.

A strong, effective health system means a commitment to the well-being of the people who care for us — our dedicated, professional health care providers.

Since last year, we also funded 200 additional nursing positions in communities across the province.

Our Government is determined to provide the best possible working conditions and compensation for nurses and other health professionals, to support the vital contributions they make to Saskatchewan people.

This Budget will allow us to move forward on this issue in a way that is fair to health care providers and fair to Saskatchewan taxpayers.

Shorter waiting times, improved access to cancer treatment, more women's health services and better working conditions for health professionals to ensure better care — those are the priorities.

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District Health Boards will receive \$139 million more this year — up 12 per cent.

Our \$1.9 billion investment — the largest investment ever — will move our health system forward into the 21st century.

This Budget also helps health districts prepare for a safe and smooth transition into the new century.

I am pleased to announce a \$50 million Millennium Fund for Medical Equipment and Technology to make sure vital components of medical technology, such as heart monitors, keep working when the year rolls over from 1999 to 2000.

In addition to the items I have outlined, I am pleased to announce that this Budget provides funding for:

- new hospitals in northern Saskatchewan — in Meadow Lake, Stony Rapids and La Loche;
- improved nursing home and health facilities in Balcarres, Big River and Unity;
- continued work on the Regional Care Centres in Battlefords, Melfort, Swift Current and Weyburn;
- expanded diagnostic capacity, including operating funding for the MRIs in Saskatoon and Regina;
- expanded CT capacity, including a portable scanner for southern Saskatchewan;
- new bone density equipment to aid in the early detection of osteoporosis;
- more services, such as cancer outreach treatments and kidney dialysis, in more communities;
- expanded home care and mental health services;
- enhanced pediatric transport for critically ill infants; and,
- progress on the Northern Telehealth Project, to link health care providers in the north to specialists in major urban centres.

Ultimately, we must all remain focused on the most important part of the health system — the people who use its services.

Our top-quality, front-line health services are delivered through District Health Boards.

To keep improving front-line services for people, I am very pleased to announce that District Health Boards will receive an increase in funding of \$139 million this year — 12 per cent more than in last year's Budget.

Health districts must direct every possible dollar into front-line services. That is why we will continue to work with district boards to lower administrative costs, freeing up even more dollars for front-line services.



Mr. Speaker, Saskatchewan people have been clear about what they want from their health system.

This Budget delivers shorter waiting times, better cancer care, improved health services for women and better working conditions for health care providers — all to ensure the best possible health care services for Saskatchewan people.

That is how our \$1.9 billion investment — the largest investment ever — will move our health system forward into the 21st century.

That is how we will continue to be true to the values which established the basis for Canadian Medicare in this legislative chamber 37 years ago.

Building Our Future: Maintaining a Balanced Approach

Mr. Speaker, sound financial management is the foundation on which we can build our economy and our society.

We promised to pay down debt to reduce the mortgage on our children's future — and, we have.

In 1994, Saskatchewan's debt stood at almost \$15 billion.

Today, it is about \$11.5 billion — 23 per cent lower than in 1994 — and this Budget sets out a plan to continue to pay down the Province's debt.

We promised to invest in people to improve quality of life — and, we have.

There are those who say we should slash taxes and slash spending. They are never very specific about the services they want to cut.

Do they want fewer nurses, fewer teachers or fewer miles of highway? We are never told.

Let us be clear. We want lower taxes, but we want to sustain public services and pay down the debt as well.

Others say we should have tax cuts even if it means deficits and debt — sending the bill to the next generation.

Sound financial management is the foundation on which we can build our economy and our society.

Let us be clear. We want lower taxes and we want to sustain public services and pay down the debt.



We have cut taxes for families every year since 1995 in a sustainable, affordable, responsible fashion.

The Education and Health Tax rate is cut from seven per cent to six per cent. That is three percentage points off the sales tax in three years.

We on this side of the House are not among them. We are not in the business of buying people's votes with their children's money.

We promised to cut taxes as soon as the Budget was balanced — and, we have.

We have cut taxes every year since 1995, and we have done so in a sustainable, affordable, responsible fashion.

Today, I am pleased to announce another sustainable tax cut — one that will further benefit Saskatchewan families, stimulate our economy and create jobs for a bright future.

As of midnight tonight, we are cutting the Education and Health Tax rate from seven per cent to six per cent.

Mr. Speaker, that is the lowest rate in 12 years.

That is three percentage points off the sales tax in three years.

That is \$300 million a year back into the hands of families, businesses, municipalities, educational institutions, school boards and health boards right across the province.

This is in addition to the \$30 million Saskatchewan people will save in provincial income taxes resulting from the tax changes announced in the recent federal Budget.

I want to restate our commitment to continue to cut taxes in a common-sense, balanced approach that also includes debt reduction and improved services.

Our record on tax reduction is clear, and there is a pattern for all to see:

- in 1995 and 1996, we reduced income tax and eliminated income taxes for 6,000 Saskatchewan people;
- in 1997, we cut the sales tax rate to seven per cent;
- in 1998, we reduced the Personal Income Tax rate from 50 per cent to 48 per cent; and,
- in 1999, we cut the sales tax rate to six per cent.

Mr. Speaker, since 1995, income taxes paid by the average Saskatchewan family have been reduced by over 10 per cent — and that is in addition to the 33 per cent reduction in sales tax.



We will do more.

During the pre-budget consultation, Saskatchewan people clearly stated that continued tax reduction is a priority.

They were equally adamant that tax reduction should not proceed unless and until it is affordable — and not at the expense of essential public services, balanced budgets or continued debt reduction.

Saskatchewan people want a balanced, responsible approach to lower taxes, as finances permit.

That is our record.

That is our plan.

In addition to lowering taxes, we will continue to make our tax system simpler, fairer and more responsive to the needs of Saskatchewan people and the Saskatchewan economy.

We have recently obtained the agreement of the federal government that the provinces can redesign their own income tax systems as early as the 2001 tax year.

I am announcing today that, over the next twelve months, we will consult with Saskatchewan people on the design of a new system of income tax for Saskatchewan.

We will continue our consultations on how to keep lowering taxes in balance with further debt reduction and enhancements to priority services like health and education.

Our Obligation to the Future

Mr. Speaker, as we cross into a new century, it is fitting that we look back with pride on what we have accomplished in the 1990s — and what we have accomplished in the 20th century.

Working together, Saskatchewan people have built a province of which we can all be very proud.

We have built a progressive, compassionate, prosperous and fair society — and a quality of life that is the envy of the world.

As we continue to lower taxes, we will make Saskatchewan's tax system simpler and fairer.



This Budget is about moving forward together, on our journey for human progress and prosperity.

In 1995, our Premier inspired us with these words:

“Once again, we have launched our great province on a journey for human progress. We’ve made a powerful beginning. But there is much more to be done.”

He was right.

It is the obligation of every generation to leave this world better off than they found it.

To do that, we must constantly build on our progress and pursue our dreams. In the Premier’s words:

“The dream of ending poverty and want. The dream of keeping our youth at home with the best possible training and education and jobs. The dream of better care for our parents and grandparents. The dream of a safer world.”

That is what Saskatchewan is about.

That is what this Budget is about — moving forward on our journey for human progress and prosperity.

Families, neighbours and communities — building our future together, the Saskatchewan way.

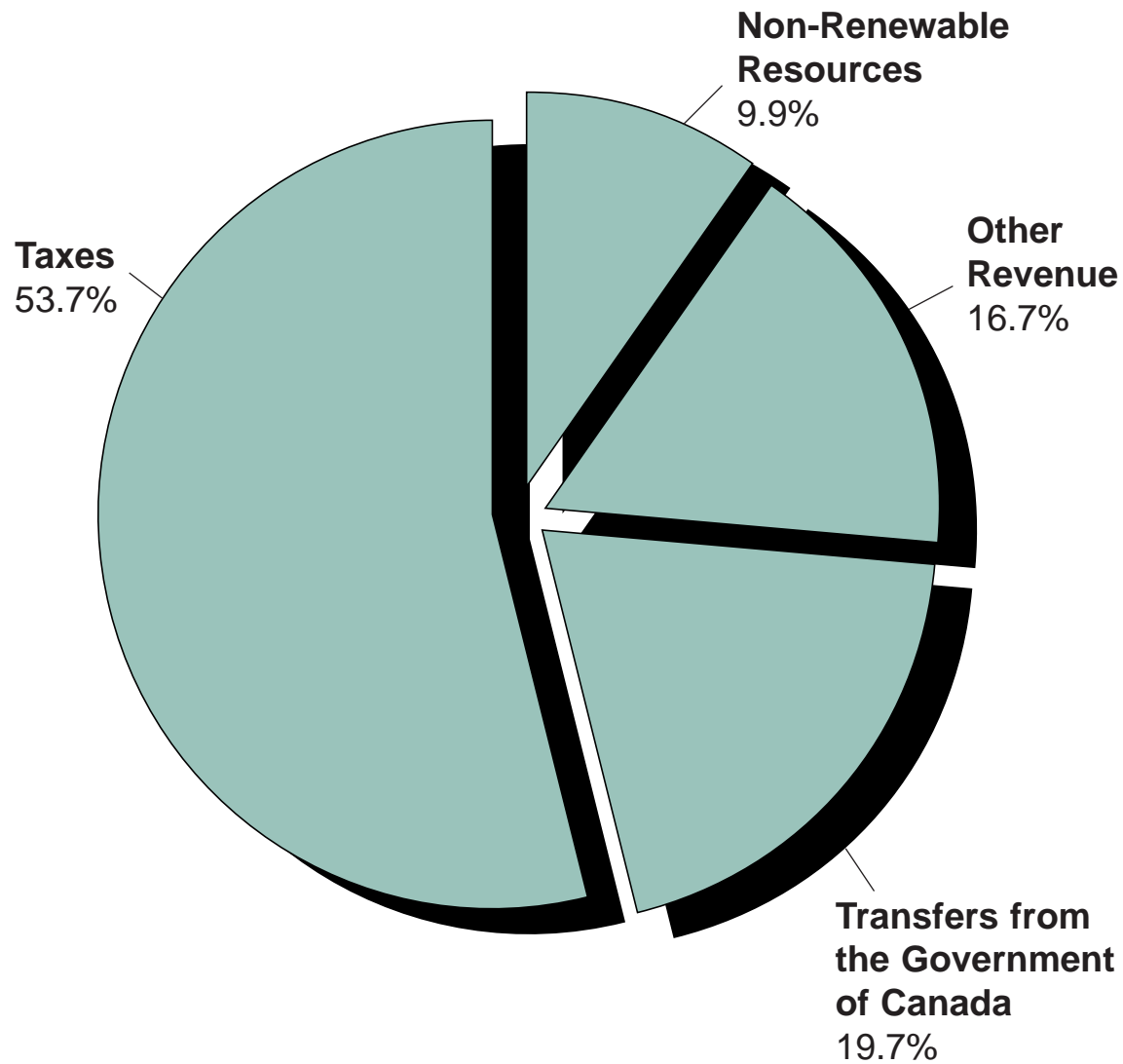
Moving forward together, to keep our province the best place in all the world to live, to work and to raise a family.

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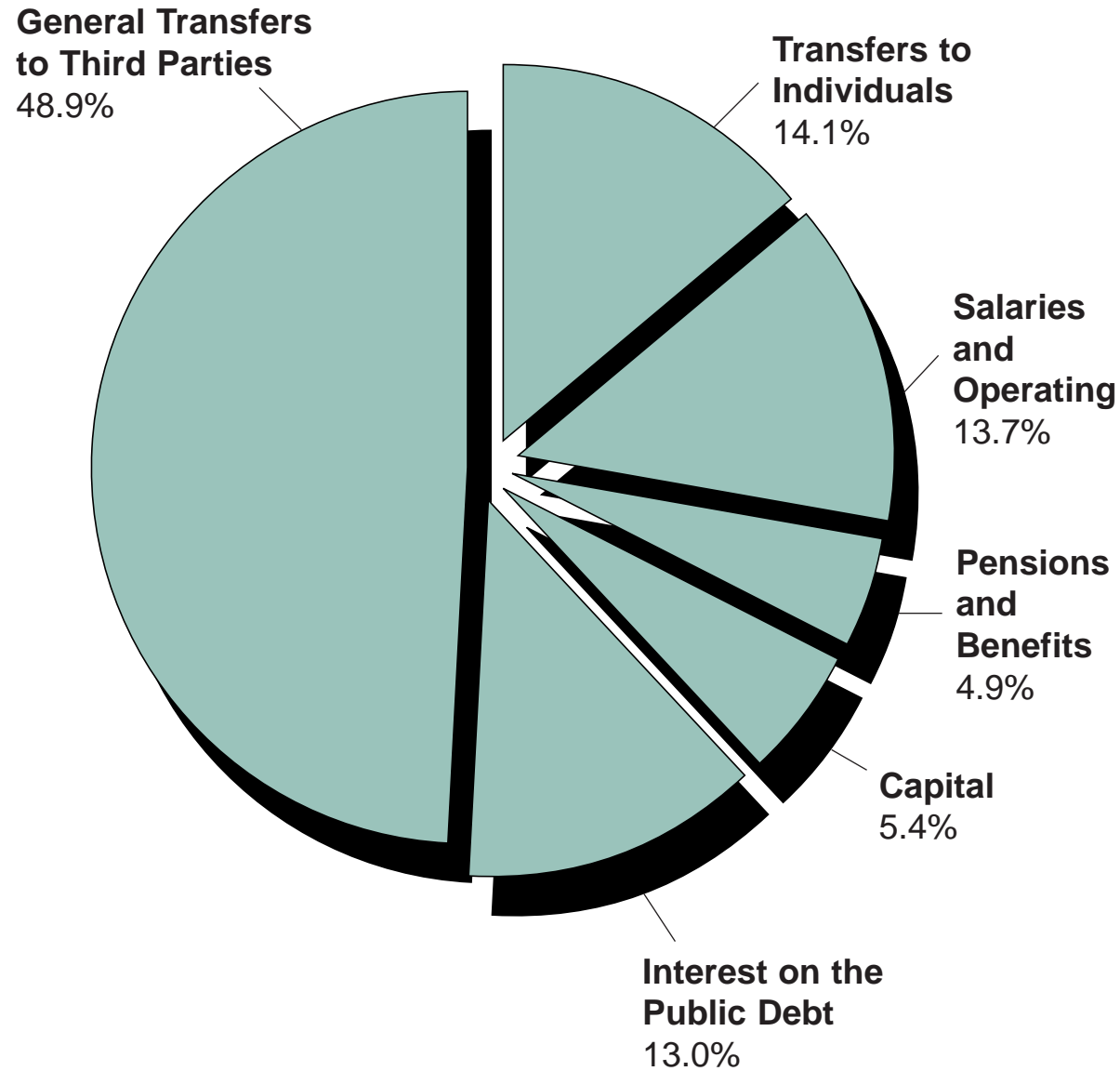


**Government of Saskatchewan
General Revenue Fund
Sources of Revenue, 1999-2000**



	Millions of Dollars	Per Cent of Total
Taxes		
Individual Income	\$ 1,361.0	24.4%
Sales	669.5	12.0
Corporations	420.2	7.5
Fuel	370.0	6.6
Tobacco.....	125.8	2.3
Other	50.6	0.9
	\$ 2,997.1	53.7%
Non-Renewable Resources		
Oil.....	\$ 244.0	4.4%
Potash.....	194.4	3.5
Natural Gas.....	59.9	1.1
Other Minerals	52.7	0.9
	\$ 551.0	9.9%
Other Revenue		
Dividends	\$ 637.7	11.4%
Motor Vehicles	104.8	1.9
Charges for Services	79.9	1.4
Licences and Permits	36.6	0.7
Other	71.1	1.3
	\$ 930.1	16.7%
Total Own-Source Revenue.....	\$ 4,478.2	80.3%
Transfers from the Government of Canada		
Canada Health and Social Transfer.....	\$ 510.7	9.1%
Equalization	479.7	8.6
Other Transfers	110.0	2.0
	\$ 1,100.4	19.7%
Total Revenue	\$ 5,578.6	100.0%

**Government of Saskatchewan
General Revenue Fund
Distribution of Spending, 1999-2000**



	Millions of Dollars	Per Cent of Total
General Transfers to Third Parties		
District Health Services	\$ 1,167.0	21.0%
Medical and Health Services and Support.....	498.7	9.0
Schools.....	407.2	7.3
Post-Secondary Education and Skills Training	335.6	6.0
Municipalities	85.8	1.5
RCMP Services	69.0	1.2
Agricultural Support.....	55.2	1.0
Economic Development and Jobs.....	45.2	0.8
Family and Youth Services.....	24.9	0.4
Gaming Funds.....	16.9	0.3
Other	21.1	0.4
	\$ 2,726.6	48.9%
Transfers to Individuals		
Income Support, Housing and Other Assistance	\$ 388.4	7.0%
Agricultural Support.....	128.5	2.3
Prescription Drug Plan	77.8	1.4
Student Aid and Training	73.4	1.3
Family and Youth Services.....	45.4	0.8
Community Living.....	39.0	0.7
Treaty Land Entitlements	20.4	0.4
Other	13.4	0.2
	\$ 786.3	14.1%
Salaries and Operating		
Courts, Jails and the Justice System	\$ 133.2	2.4%
Income Support and Assistance.....	124.3	2.2
Highway Maintenance and Operations	122.6	2.2
Health and Education Administration	119.3	2.1
Parks, Forests and Natural Resources	103.9	1.9
Internal Government Departments.....	72.0	1.3
Agriculture and Economic Development	48.5	0.9
Other	39.4	0.7
	\$ 763.2	13.7%
Pensions and Benefits		
Public Service.....	\$ 163.9	3.0%
Teachers.....	106.9	1.9
	\$ 270.8	4.9%
Capital		
Construction of Transportation Systems	\$ 110.8	2.0%
Health	87.9	1.6
Post-Secondary and Schools.....	46.9	0.9
Asset Renewal	24.5	0.4
Municipalities	18.9	0.3
Other	10.4	0.2
	\$ 299.4	5.4%
Interest on the Public Debt	\$ 724.0	13.0%
Total Expense	\$ 5,570.3	100.0%

Saskatchewan's Economic Outlook

Introduction

Saskatchewan's economic performance in the 1990s has been strong. Assisted by a favourable international economic environment, real Gross Domestic Product (GDP), a measure of the volume of goods and services produced in the Province, expanded at an average annual rate of 4.3 per cent from 1992 to 1997, stronger than the national average growth of 2.7 per cent in the same period.

Consistent with economic growth, the Province's employment level has increased every year. By 1997, there were 23,700 more people working in the Province than in 1992. The unemployment rate, which was 8.2 per cent of the labour force in 1992, fell to 6.0 per cent by 1997.

Saskatchewan's rate of expansion in 1998 was restrained by global factors. Nevertheless, supported by a stimulative fiscal policy and private sector investment initiatives, the Province's economy grew at an estimated annual rate of 1.9 per cent in 1998.

Notably, 7,100 new full-time positions were added in 1998 on top of the 30,000 full-time jobs created in the previous five years. There were 4,400 net new jobs created last year. Saskatchewan's employment level averaged 478,600 in 1998, the highest on record. The unemployment rate improved further, declining from 6.0 per cent of the labour force in 1997 to 5.9 per cent in 1998, the lowest since 1982.

Even though economic problems remain in some countries, the Province's economy will continue to grow from 1999 to 2003 based on certain expectations and assumptions about future national and international economic conditions.

Forecast Assumptions

Expectations about United States and Canadian economic conditions form much of the context for developing Saskatchewan's forecast.

National and International Economic Conditions

	1998	1999	2000	2001	2002	2003
Trade Factors:						
Canadian Real Economic Growth (%)	3.0	2.0	2.5	2.7	3.0	2.9
U.S. Real Economic Growth (%)	3.9	1.5	2.4	2.2	2.6	2.6
Canadian Dollar (U.S. cents)	67.4	68.0	71.2	73.7	75.1	76.0
Canadian Interest Rates:						
Short-term Treasury Bills (%)	4.7	4.7	4.5	4.5	4.5	4.4
Long-term Corporate Bonds (%)	6.2	5.9	5.7	5.6	5.7	5.6
Prime Business Rate (%)	6.6	6.6	6.1	6.0	6.0	5.9
Other Factors:						
Canadian Unemployment Rate (%)	8.3	8.3	8.0	8.0	7.8	7.7
Canadian Inflation Rate (%)	1.0	1.9	1.8	1.4	1.5	1.7

The United States economy posted solid growth with low inflation in 1998 but is widely expected to slow in 1999. Canadian economic growth is likewise expected to moderate this year.

Slower growth will help keep interest rates relatively low in 1999. The expectation is for slightly lower interest rates in the remainder of the forecast period, consistent with the low inflation environment in Canada.

The value of the Canadian dollar is projected to average around 68 U.S. cents in 1999 and rise to around 71 U.S. cents in the year 2000 as national and international economic conditions improve.

Wheat prices are slightly higher than in the last crop year and there is upward potential. The international price of oil is expected to average \$13.96 in 1999 and \$16.50 next year. Potash prices are projected to remain high.

Commodity Prices

	1998	1999	2000	2001	2002	2003
WTI Oil (U.S.\$/barrel)	14.42	13.96	16.50	18.00	19.00	20.00
Potash (C\$/tonne)	200.20	202.80	194.80	190.90	190.50	192.20
Wheat (C\$/tonne)*	140.00	145.00	158.46	156.39	155.39	155.36

* Average price at the farmgate per crop year (August to July).

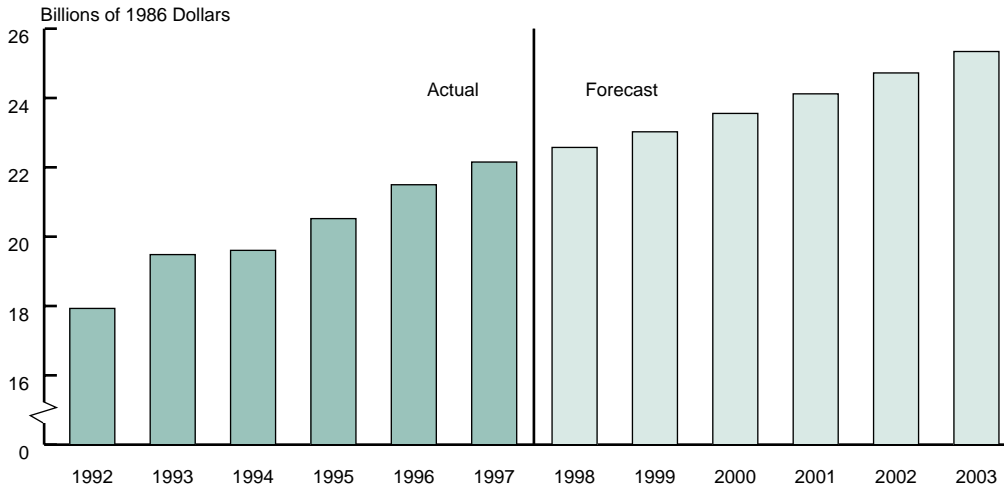
Crop conditions in any given year are important to the Province. An average crop, in terms of quantity and quality, is assumed for forecast purposes.

The economic forecast also includes the stimulative impact of fiscal measures in the 1999-2000 Saskatchewan Budget.

The Saskatchewan Economy in the Next Five Years

Saskatchewan's economy is projected to expand throughout the forecast period. The forecast anticipates growth of about 2.0 per cent for 1999 as the stimulative provincial Budget and private sector investment initiatives in 1999 more than offset the continuing weakness in exports. At this rate of growth, Saskatchewan's real GDP will reach \$23.0 billion in 1999 — 28.5 per cent more than the real GDP level in 1992.

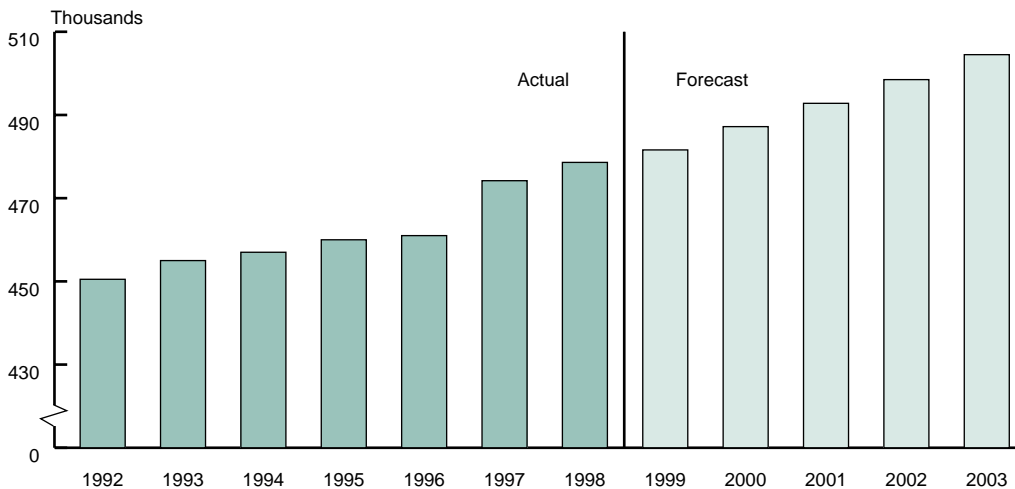
Saskatchewan Real Gross Domestic Product



Provincial economic growth is forecasted to be between 2.3 per cent and 2.5 per cent in the 2000 to 2003 period. Growth prospects for this period are bolstered by low and stable interest rates, improved commodity prices and increased capacity from projects in mining, transportation and manufacturing which are expected to be completed during the period. By 2003, Saskatchewan’s real GDP is forecasted to be \$25.3 billion — 41.3 per cent more than in 1992.

Saskatchewan’s employment level is expected to average 481,600 this year, 3,000 more than the average employment level in 1998 and more than 31,000 higher than the 1992 level of 450,500.

Saskatchewan Total Employment



Saskatchewan's Medium-term Economic Forecast

	1998	1999	2000	2001	2002	2003
Gross Domestic Product						
Billions of Dollars	28.6	29.4	30.5	31.8	33.1	34.4
% Change	0.8	2.8	3.6	4.3	3.9	4.1
Real Gross Domestic Product						
Billions of 1986 Dollars	22.6	23.0	23.6	24.1	24.7	25.3
% Change	1.9	2.0	2.3	2.4	2.5	2.5
Personal Income						
Billions of Dollars	21.1	21.5	22.2	23.0	23.9	24.7
Consumer Price Index						
% Change	1.4	1.2	1.6	1.7	1.8	2.0
Employment Level (Thousands)	478.6	481.6	487.2	492.8	498.5	504.5
Unemployment Rate (%)	5.9	5.9	5.7	5.4	5.4	5.3
Retail Sales (% Change)	0.2	2.2	2.9	3.4	3.3	3.5

Private Sector Forecasts

On average, forecasts supplied by the private sector show an annual growth of 1.6 per cent for Saskatchewan in 1999 compared with the 1999-2000 Budget forecast of 2.0 per cent. These private forecasters expect a 2.4 per cent growth for the Province in the year 2000 compared with the 1999-2000 Budget forecast of 2.3 per cent.

In terms of jobs, the consensus view from the private sector calls for a 3,500 increase in the average employment level of the Province in 1999 and 5,700 in 2000 compared to the 1999-2000 Budget forecast of 3,000 and 5,600, respectively.

Forecast Risks and Opportunities

The economic forecast is based on the best information currently available and makes certain assumptions about conditions in the future which may prove to be better or worse. Significant crop failure, for example, would cause the Saskatchewan economy to under-perform the forecast. Conversely, a bumper crop would cause the economy to outperform the forecast.

A deeper and prolonged crisis in Asia and other parts of the world could further unsettle the global financial markets, forestall the recovery in commodity prices, put more downward pressure on the Canadian dollar and send interest rates up. International instability, lower commodity prices and higher interest rates would cause the Saskatchewan economy to under-perform the forecast. Higher commodity prices and lower interest rates, on the other hand, would lead to stronger economic performance.

Conclusion

Saskatchewan's economy advanced in each of the last six years and is expected to continue growing in 1999 through the year 2003. Real economic growth is currently anticipated to be 2.0 per cent for 1999 and the prospects are good for a return to a sustainable growth path at higher rates in the remainder of the forecast period. Lasting 11 years, the economic expansion will be the longest ever in the history of the Province.

Saskatchewan's Financial Outlook

Introduction

The 1999-2000 Budget continues a balanced approach to managing the Province's finances. Taxes will be reduced. Investments in priority programs will be enhanced. The Province's debt will be reduced.

Even with reduced taxes and enhanced investments in priority programs, the Province's budget will remain balanced throughout the forecast. Projected surpluses range from \$8 million in 1999-2000 to \$111 million in 2002-03.

The surpluses will assist in reducing Saskatchewan's total debt from \$11.5 billion at the end of 1998-99 to \$10.6 billion at the end of 2002-03.

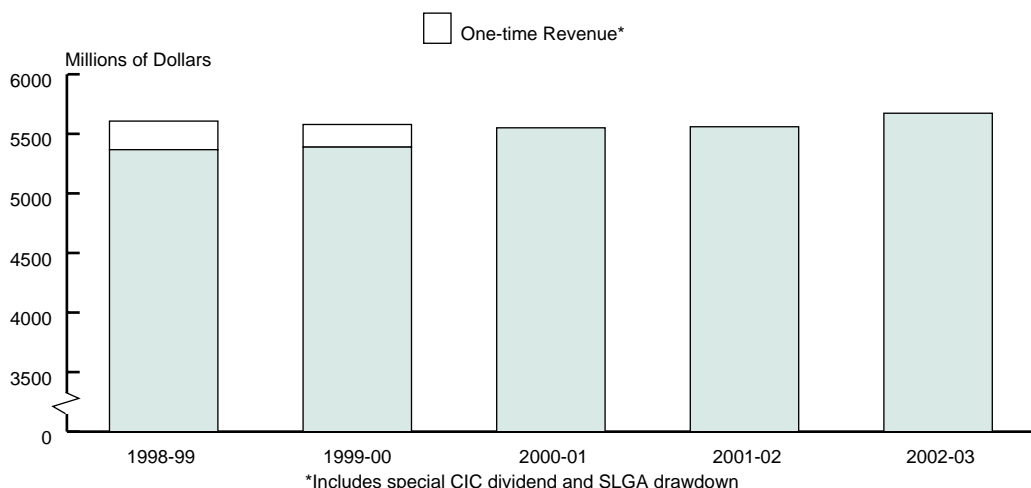
Revenue

The 1999-2000 Budget includes a number of tax changes. The most significant of these is a one percentage point reduction in the Education and Health (E&H) Tax rate. The tax changes are discussed in detail in the *1999-2000 Saskatchewan Revenue Initiatives* budget paper.

The tax changes, combined with revenue growth reflecting continued economic growth and a \$190 million drawdown of the Saskatchewan Liquor and Gaming Authority (SLGA) retained earnings, yield a 1999-2000 revenue projection of almost \$5.6 billion. Beyond 1999-2000, revenue is forecasted to grow modestly at an average annual rate of 0.6 per cent over the medium term, approaching \$5.7 billion in 2002-03.

In the absence of SLGA drawdowns, revenue is forecasted to grow at an average annual rate of 1.7 per cent throughout the medium term — roughly consistent with the projected rate of economic growth over the same period.

General Revenue Fund Revenue Projections



Taxes

Total tax revenue is projected to be almost \$3.0 billion in 1999-2000, about \$109 million below the 1998-99 forecast level, reflecting the 1999-2000 E&H Tax rate reduction which reduces taxes by \$106 million and the \$36 million in provincial personal income tax reductions announced in 1998 and 1999.

Beyond 1999-2000, tax revenue is expected to grow at an average annual rate of 2.1 per cent.

The 1999-2000 reduction in the E&H Tax rate to six per cent results in the lowest tax rate since June 1987 when the rate was increased from five per cent to seven per cent.

In 1999-2000, tax revenue will be equal to 10.2 per cent of Saskatchewan's Gross Domestic Product (GDP), down from 11.1 per cent in 1995-96.

Non-Renewable Resources

Non-renewable resource revenue will decline in 1999-2000 as oil prices are expected to remain below historical levels. Potash revenue is expected to remain strong, partially offsetting some of the losses associated with oil.

In subsequent years, resource revenue is expected to grow at an average annual rate of 4.2 per cent as oil prices strengthen.

Transfers from Crown Entities

Transfers from Crown Entities are expected to fall slightly between 1998-99 and 1999-2000 reflecting a drop of \$75 million in Crown Investments Corporation of Saskatchewan (CIC) dividends, partially offset by an increase of \$54 million in SLGA dividends.

SLGA retained earnings, which were \$418 million at the end of 1997-98, are expected to be drawn down to \$278 million in 1998-99 and to \$88 million in 1999-2000.

Transfers from the Government of Canada

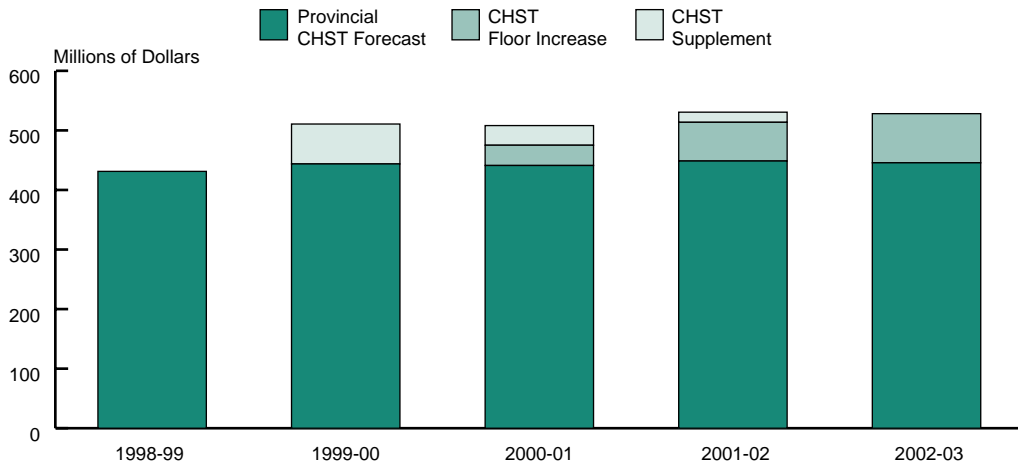
The recent federal budget provided \$379 million over five years in additional Canada Health and Social Transfers (CHST) to Saskatchewan — \$117 million as a one-time supplement available to provinces beginning in 1999-2000 and the remainder in CHST floor increases beginning in 2000-01, increasing annual payments by about \$80 million by 2002-03.

According to the 1999 federal budget, "allowing for a gradual and orderly drawdown in the supplement by the provinces ... over the next three years" means that the level of CHST transfers to Saskatchewan, relative to the previous formula, would increase by:

- \$67 million in 1999-2000;
- \$67 million in 2000-01;
- \$82 million in 2001-02;
- \$82 million in 2002-03; and,
- \$81 million in 2003-04.

Following the 1999-2000 increase in CHST, the transfers will increase at an average annual rate of about \$6 million per year.

Saskatchewan CHST Transfer Projections



The recent federal budget also identified small annual increases in Equalization payments to Saskatchewan from technical improvements to the formula. In addition, the federal budget measures are expected to reduce Saskatchewan's personal income tax revenue by \$20 million in 1999-2000 and \$30 million annually thereafter.

Overall, the federal budget is expected to increase annual provincial revenue by between \$43 million and \$64 million over the medium term.

Implications of the 1999 Federal Budget for Saskatchewan Revenue

(\$ Millions)	1999-00	2000-01	2001-02	2002-03
CHST Supplement	\$ 67.0	\$ 33.0	\$ 17.0	\$ -
CHST Floor Increase	-	34.0	65.0	82.5
Equalization	3.0	6.0	9.0	11.0
Personal Income Tax	(20.0)	(30.0)	(30.0)	(30.0)
Total Impact	\$ 50.0	\$ 43.0	\$ 61.0	\$ 63.5

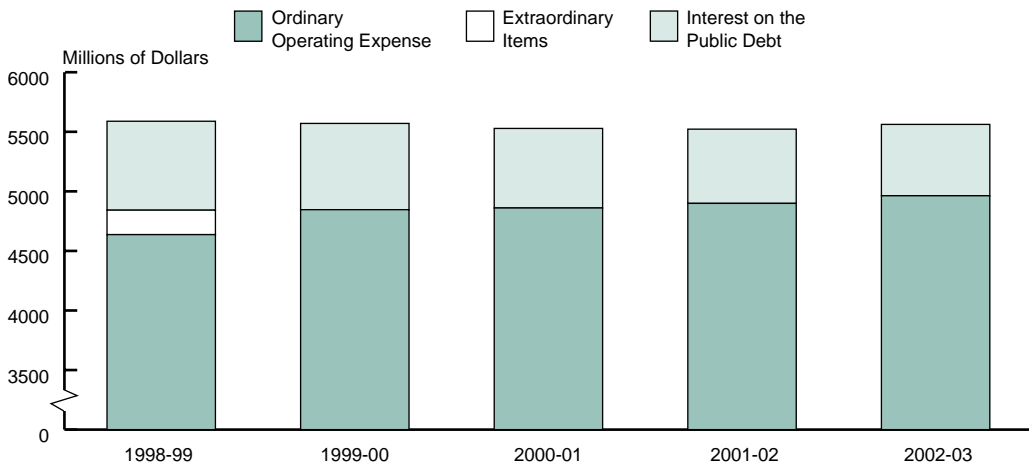
Total transfers from the federal government are projected to be \$1.1 billion in 1999-2000 and grow modestly over the forecast period.

Expense

General Revenue Fund total expense is forecasted to be almost \$5.6 billion in 1998-99 and to fall slightly (by \$18 million) in 1999-2000. Setting aside the 1998-99 extraordinary one-time costs of \$140 million associated with the Agricultural Income Disaster Assistance program and the one-time forest fire fighting costs of approximately \$65 million yields a budget-over-revised expense increase of \$187 million or 3.5 per cent. Three-quarters of this increase is allocated to health initiatives.

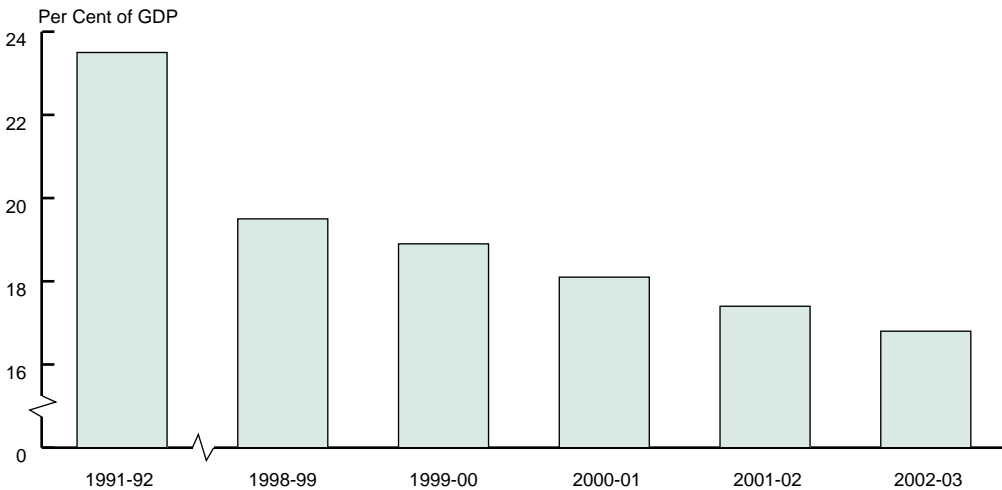
Beyond 1999-2000, total expense is forecasted to remain essentially flat. In effect, declining expense for interest on the public debt and the removal of the extraordinary 1998-99 costs of the Agricultural Income Disaster Assistance program and forest fire fighting offset operating spending growth over the forecast period.

General Revenue Fund Expense Projections



When compared to the size of the Province's economy, total spending will fall from 19.5 per cent of GDP in 1998-99 to 16.8 per cent of GDP in 2002-03 — well below the 1991-92 rate of 23.5 per cent.

General Revenue Fund Total Expense as a Per Cent of GDP



The spending planned in the 1999-2000 Budget will continue established priorities.

Health

Health spending in 1999-2000 represents 39.5 per cent of the Province's operating budget, the highest proportion ever, up from 34.9 per cent ten years earlier and 36.4 per cent five years earlier. Health funding has grown by \$381 million (24.8 per cent) in five years and by \$514 million (36.7 per cent) in ten years.

Education and Training

Education and training spending (including both Kindergarten to Grade 12 and post-secondary), which is over \$1.0 billion in 1999-2000, represents 21.2 per cent of the operating budget — up 13.7 per cent (\$123 million) from five years ago and up 20.9 per cent (\$178 million) from ten years ago.

Highways and Transportation

Highways spending, at \$235 million — up 42.2 per cent since 1992-93 — represents 4.8 per cent of the operating budget. With the 1999-2000 allocation, \$677 million (27.1 per cent) of the \$2.5 billion commitment will have been fulfilled.

Social Services

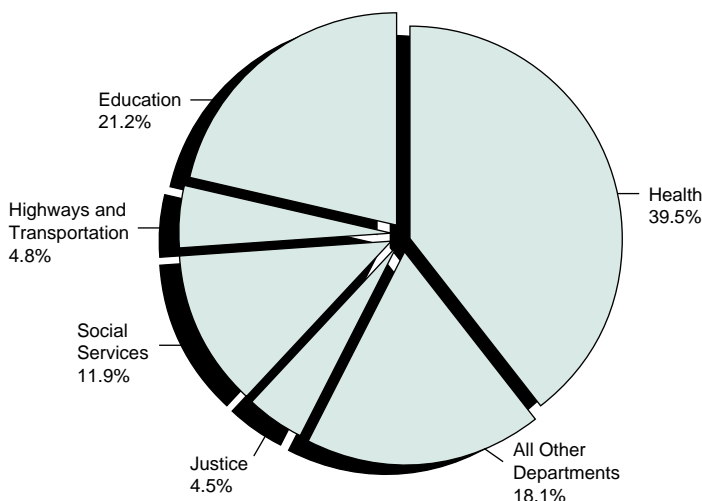
Social Services spending comprises 11.9 per cent of the operating budget, down from 12.5 per cent five years ago.

Justice

Justice spending comprises 4.5 per cent of the operating budget, up from 4.1 per cent five years ago.

All other government activity represents 18.1 per cent of the operating budget, down from 21.4 per cent five years ago and down from 25.0 per cent ten years ago.

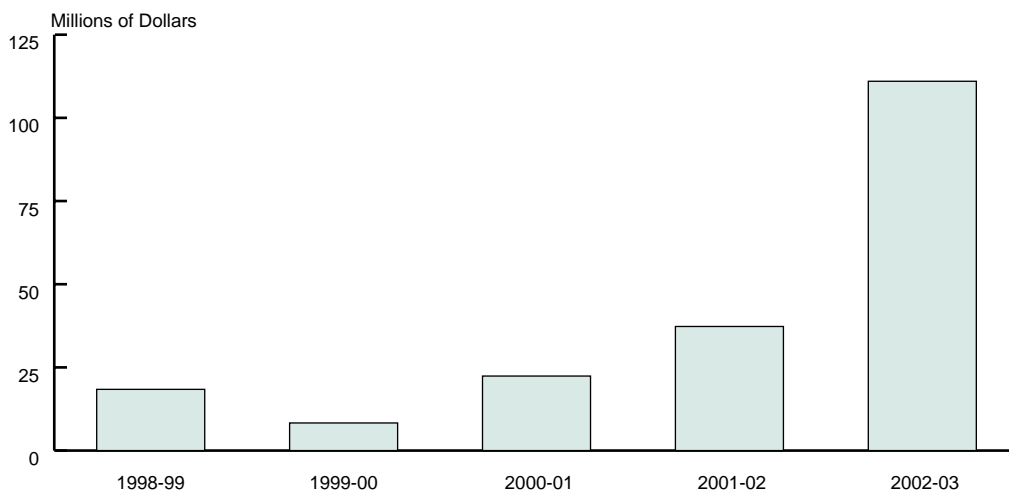
Composition of General Revenue Fund Operating Expense



Budget Balances

The budget is expected to be balanced throughout the medium term with surpluses ranging from \$8 million in 1999-2000 to \$111 million in 2002-03.

General Revenue Fund Surplus Projections



These surpluses will contribute \$196 million to debt reduction over the medium term, bringing the Debt Reduction Account to \$657 million by 2002-03.

General Revenue Fund Contributions to Debt Reduction

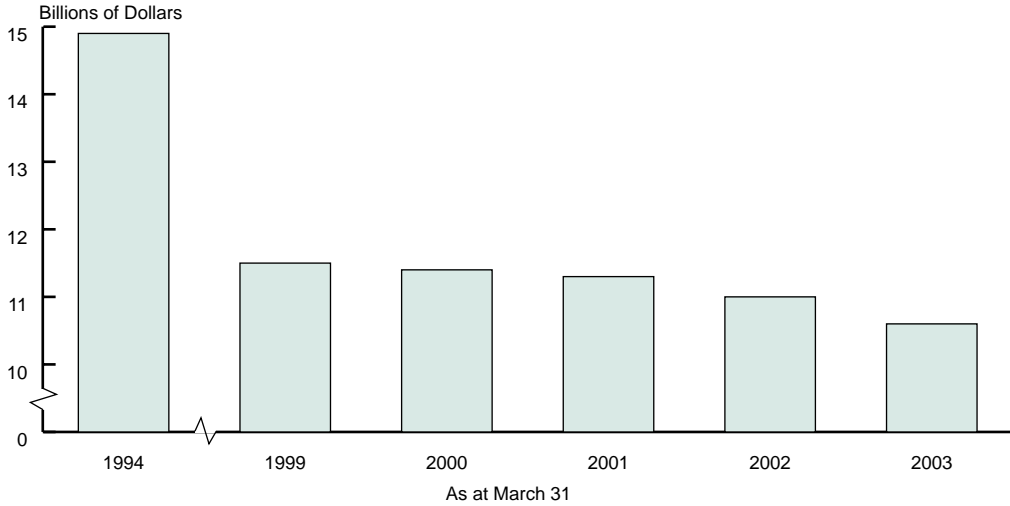
(Millions of Dollars)	1998-99	1999-00	2000-01	2001-02	2002-03
Revenue	\$ 5,607	\$ 5,578	\$ 5,551	\$ 5,559	\$ 5,673
Operating Expense	4,842	4,846	4,861	4,899	4,963
Operating Surplus	\$ 765	\$ 732	\$ 690	\$ 660	\$ 710
Interest on the Public Debt	747	724	668	623	599
Surplus	\$ 18	\$ 8	\$ 22	\$ 37	\$ 111
Cumulative Contribution to Debt Reduction*	\$ 479	\$ 487	\$ 509	\$ 546	\$ 657

* Since April 1, 1995 as recorded in the Debt Reduction Account

Debt

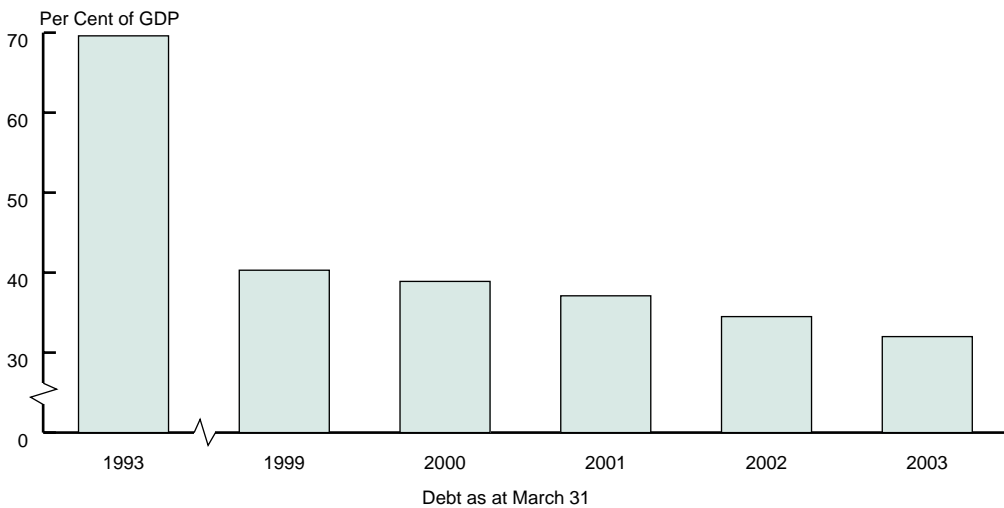
With the assistance of the surpluses, total provincial debt is projected to fall from \$11.5 billion at the end of 1998-99 to \$10.6 billion at the end of 2002-03 — a reduction of \$0.9 billion over the four-year period and a reduction of \$4.3 billion from 1993-94.

Total Provincial Debt Projections



This reduction in total provincial debt, combined with continuing economic growth (as demonstrated in the *Saskatchewan's Economic Outlook* budget paper), will result in improved provincial debt-to-GDP ratios. Saskatchewan's debt-to-GDP ratio is projected to fall from 40.3 per cent at the end of 1998-99 to 32.0 per cent at the end of 2002-03. By March 2003, the Province's debt load relative to the level of economic activity will be less than half of the March 1993 peak of 69.6 per cent.

Total Provincial Debt as a Per Cent of GDP



Conclusion

A balanced approach to managing the Province's finances is continued with the 1999-2000 Budget.

- E&H Tax will be reduced by \$106 million in 1999-2000, in addition to the \$20 million reduction in Saskatchewan's personal income tax revenue as a result of the federal budget.
- Provincial spending on health care will increase by \$195 million on a budget-over-budget basis — almost three times the rate of increase in federal CHST transfers for health.
- Even with tax reductions and new investments in priority programs, there will be balanced budgets throughout the forecast.
- General Revenue Fund surpluses will contribute \$196 million to debt reduction over the medium term, yielding a Debt Reduction Account of \$657 million by 2002-03.
- Annual interest costs will be reduced by \$148 million from 1998-99 to 2002-03. By 2002-03, interest costs will have been reduced by one-third from the peak of \$882 million in 1994-95.
- Total provincial debt will fall to \$10.6 billion by the end of 2002-03 — a reduction of \$4.3 billion from 1993-94.
- As a result, the Province's debt will fall to 32.0 per cent of GDP by the end of 2002-03.

Overall, Saskatchewan's financial outlook demonstrates a continuing commitment to sound, balanced financial management.

1999-2000 Saskatchewan Revenue Initiatives

Introduction

The 1999-2000 Saskatchewan Budget builds on the personal tax reduction strategy begun in 1995 and on the targeted business tax initiatives that have been introduced since 1992.

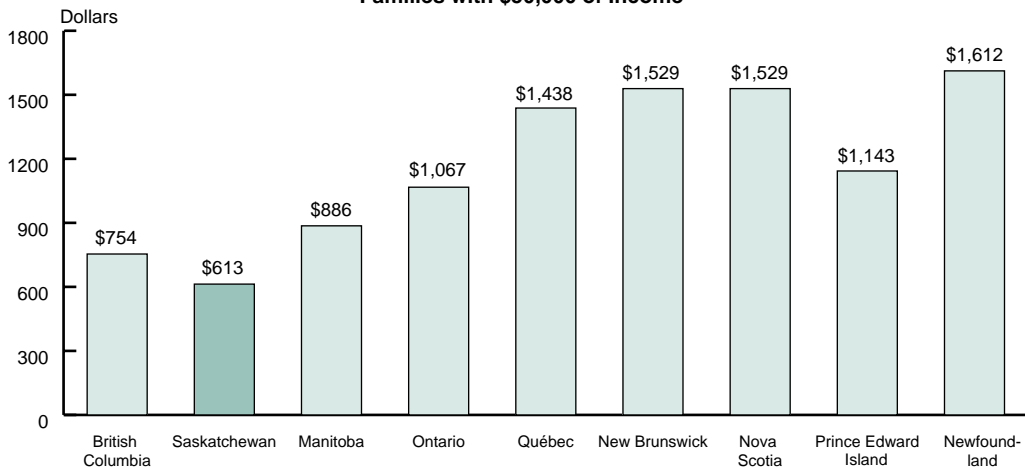
This paper describes in more detail the tax changes announced in the Budget. As this paper is only a summary of the tax initiatives, the reader is advised to contact the appropriate department or consult the amending legislation for more precise information.

Education and Health Tax Reduction

Effective midnight Budget night, the rate of the provincial sales tax, the Education and Health (E&H) Tax, is reduced from seven per cent to six per cent.

The reduction in the sales tax rate lowers the level of taxation for all Saskatchewan families and businesses, providing annual tax savings of over \$100 million, and improves the competitiveness of the provincial tax system. Saskatchewan now has the lowest sales tax rate in the country and Saskatchewan families pay a significantly lower amount of sales tax, on an annual basis, than families in any other province with a sales tax. While Alberta has no sales tax, it levies an annual \$816 health care premium on families.

1999 Interprovincial Comparison of Sales Taxes
Families with \$50,000 of Income



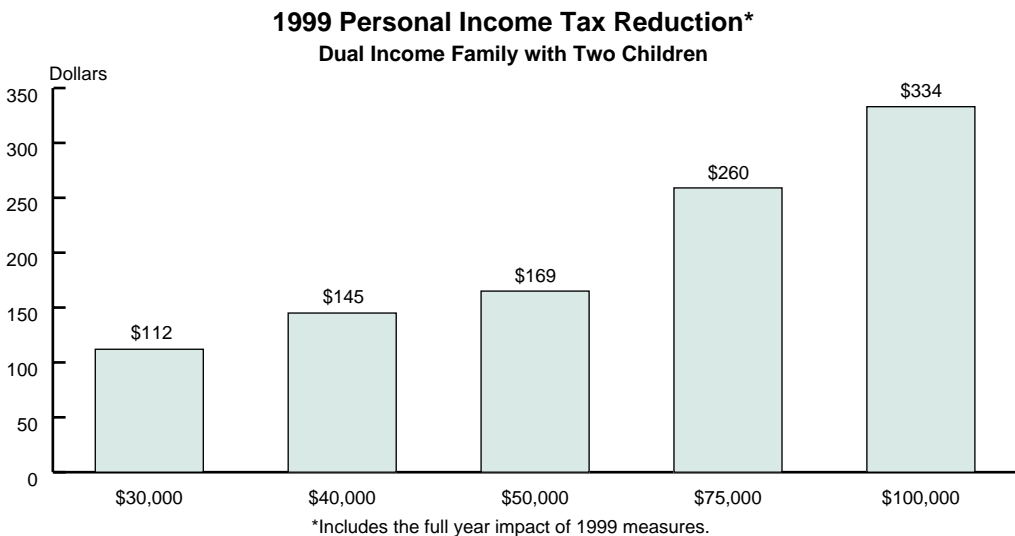
Since the E&H Tax applies to tobacco products, the reduction in the E&H Tax rate from seven per cent to six per cent would result in a decline in the price consumers pay for tobacco products if no other action was taken.

To ensure that the price of tobacco products remains the same, effective midnight Budget night the Tobacco Tax will increase on cigarettes from 8.4¢ to 8.6¢ per cigarette and on cut tobacco from 5.5¢ to 5.7¢ per gram. The tax rate on cigars will remain at 95 per cent of the retail selling price, to a maximum of \$2.50 per cigar.

Personal Income Tax Reduction

Saskatchewan's personal income taxes are affected by federal changes to the national income tax system. As part of the 1999 federal Budget, the federal government announced that the basic personal, spousal and equivalent-to-spouse tax credit amounts would be increased. Saskatchewan taxpayers will receive a provincial tax savings of \$30 million per year as a result of these measures.

When these changes are combined with Saskatchewan's reduction in its basic Personal Income Tax rate to 48 per cent in 1999, a significant tax saving results for all provincial taxpayers. A dual income family with two children earning \$50,000 will save \$169 in Saskatchewan Personal Income Tax annually.



Personal Tax Reductions Introduced Since 1995

This year's reduction in the E&H Tax rate and the Personal Income Tax measures being implemented in 1999 build on the personal tax reduction strategy begun in 1995.

Previous initiatives included:

- the \$150 reduction in the Debt Reduction Surtax implemented in 1995 and 1996;
- the E&H Tax rate reduction from nine per cent to seven per cent implemented in 1997; and,
- the reduction in the basic Personal Income Tax rate from 50 per cent to 48 per cent of Basic Federal Tax implemented in 1998 and 1999.

This strategy has created significant tax savings for all provincial residents. As illustrated in the following table, a dual income family of four earning \$50,000 will see a tax saving of over \$800 per year as a result of the measures introduced to date.

Family Tax Savings Since 1995
Dual Income Family with Two Children

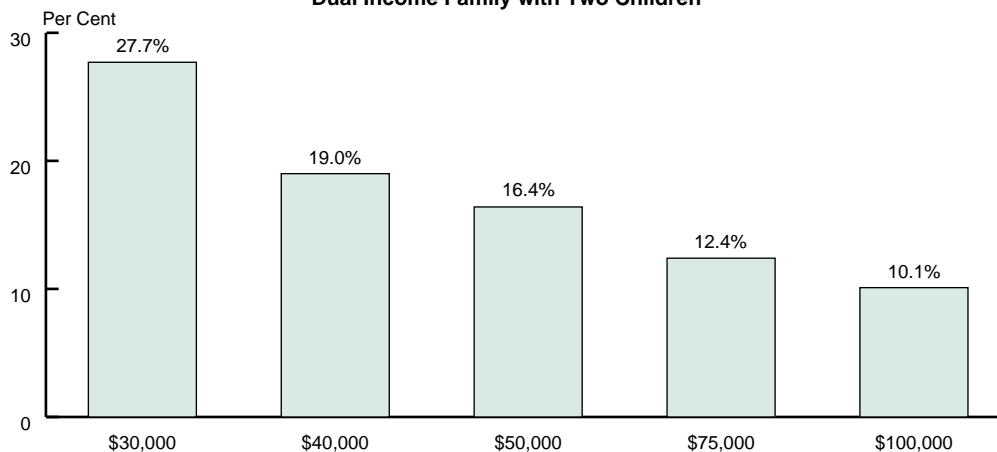
Family Income	1995/1996 Income Tax Savings	1997 Sales Tax Savings	1998 Income Tax Savings*	1999 Tax Savings ⁺	Total Tax Savings
\$ 20,000	\$ 41	\$ 100	\$ 1,392	\$ 50	\$ 1,583
\$ 30,000	\$ 161	\$ 142	\$ 41	\$ 183	\$ 527
\$ 40,000	\$ 225	\$ 174	\$ 51	\$ 232	\$ 682
\$ 50,000	\$ 265	\$ 205	\$ 62	\$ 271	\$ 803
\$ 75,000	\$ 300	\$ 272	\$ 130	\$ 396	\$ 1,098
\$ 100,000	\$ 300	\$ 358	\$ 204	\$ 513	\$ 1,375

* Includes impact of the 1998 Saskatchewan and federal Budget measures on provincial income taxes and benefits.

⁺ Includes the full year impact of the 1999 federal Budget measures on provincial income taxes and the Saskatchewan Budget measures.

Saskatchewan's tax reduction strategy has produced tax savings that enhance the fairness of the tax system. As illustrated below, while all taxpayers have seen a significant tax reduction as a result of this strategy, lower income families benefit from a larger share of their taxes being eliminated than other income groups.

Distribution of Tax Savings to Families Since 1995*
Dual Income Family with Two Children



*Impact of tax reductions introduced since 1995 as a percentage of total Personal Income Tax and E&H Tax paid in 1994.

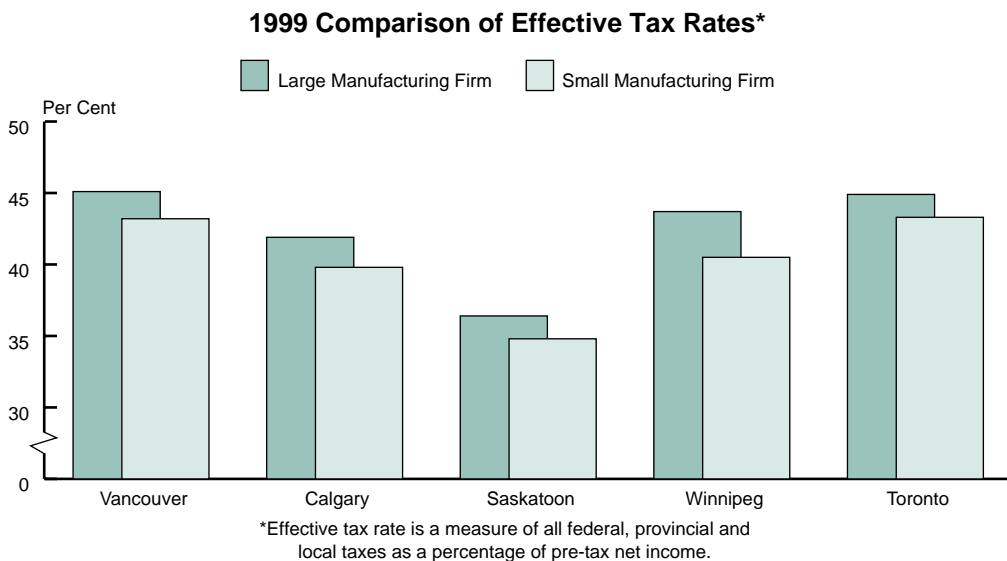
Targeted Measures to Encourage Investment and Employment

This Budget also builds on the strategy begun in 1992 to encourage growth and job creation in Saskatchewan industry by improving the competitiveness of the tax system through targeted tax reductions for key sectors of the economy.

Response from the business community to these initiatives, particularly the manufacturing and processing (M&P) related measures, has been favourable, with several companies announcing significant capital expansions in their Saskatchewan operations and citing the Investment Tax Credit (ITC) for M&P as a key element in the investment decision.

The ITC is intended to offset the E&H Tax payable on the acquisition of production assets in the M&P sector. As a result of the E&H Tax rate reduction, the rate of the ITC will be reduced from seven per cent to six per cent for eligible acquisitions made after Budget day.

Saskatchewan's investment climate for M&P continues to be highly competitive when compared to other Canadian jurisdictions. The following chart shows that Saskatchewan has the lowest effective tax rate on M&P profits for small and large firms.



The Government's targeted measures have also included major changes in the royalty and production tax structures affecting the potash and oil and gas industries. Last year the Government introduced a new Petroleum Research Incentive to encourage further research into ways of enhancing the extraction capability of Saskatchewan's oil and gas sector.

This year a substantial change is being introduced to the Crown royalty structure for gold and base metal production in Saskatchewan. Effective January 1, 1999:

- the capital recovery provisions will be modified to provide an initial return on capital equal to 1.5 times the capital investment before royalties become payable; and,
- the royalty rate will be changed from a single rate of 12.5 per cent to a two-step incremental rate based on cumulative metal production, with an initial royalty rate of five per cent of net profits and a maximum rate of ten per cent of net profits.

This measure builds on last year's E&H Tax exemption for mineral exploration equipment and is designed to enhance the competitive environment for gold and base metal exploration and development in Saskatchewan, furthering the Government's overall effort to provide economic development opportunities in northern Saskatchewan.

This Budget introduces three targeted changes to the Saskatchewan Corporation Capital Tax (CCT).

- Effective for fiscal years commencing after June 30, 1999, a 0.7 per cent CCT rate will be introduced for smaller financial institutions with taxable capital (including all associated companies) equal to \$400 million or less. This reduced tax rate will allow smaller financial institutions in the province to continue to play an important role in providing much-needed capital to small and medium sized Saskatchewan businesses.
- Effective for fiscal years ending after March 31, 1999, the CCT rules will be changed to allow corporations to deduct their unused Scientific Research and Experimental Development (R&D) expense pools in determining their taxable capital for CCT purposes. This change will allow companies to reduce their taxable capital in the year in which eligible R&D capital expenditures become deductible for income tax purposes, rather than in the year in which they are actually deducted. This change is in keeping with the Government's targeted support for R&D in the province, and enhances the attractiveness of the R&D Tax Credit which was introduced in last year's Budget.
- Effective for fiscal years ending after March 31, 1999, the CCT rules will be changed to allow resource corporations the option of deducting their unused Exploration and Development (E&D) expense pools in determining their taxable capital for CCT purposes. Previously, corporations were required to deduct these E&D pools. This change will allow resource corporations greater financial flexibility and will enhance the attractiveness of E&D investment in Saskatchewan.

Targeted Tax Incentives:

- Corporation Income Tax rate reduction for small businesses from 10% to 8%;
- Corporation Income Tax rate reduction for M&P profits from 17% to as low as 10%;
- tax rate reduction for aviation fuel from 7¢ to 3.5¢ per litre;
- E&H Tax exemption for "direct agents" used in M&P, for toll-free telephone services and for equipment used in mineral exploration;
- ITC to encourage plant and equipment acquisitions for M&P activities in Saskatchewan;
- 15% tax credit to attract research and development activity to the province; and,
- 35% film employment tax credit to create opportunities for Saskatchewan's film industry.

Tax Administration

The Government is undertaking an ongoing review of provincial regulations, fees and charges. With the assistance of business groups like the Canadian Federation of Independent Business, this review has led to initiatives such as the establishment of one-stop business registration centres and a reduction in the filing frequency of sales tax remittances for small businesses. Saskatchewan is committed to continuing this review and, with continued input from the public and business organizations, further improvements will be made to the regulatory environment in which businesses must operate.

Recent changes to Revenue Canada's administrative practices have created opportunities for Saskatchewan to improve the effectiveness of its tax administration.

For example, Saskatchewan's Manufacturing and Processing Profits Tax Reduction permits a reduction in the Corporation Income Tax rate by up to seven percentage points on M&P profits earned in Saskatchewan. This measure creates a very competitive tax environment for Saskatchewan M&P companies. However, it also requires an administrative procedure involving both federal and provincial participation.

Saskatchewan and Revenue Canada are working on streamlining this procedure by consolidating administration with the federal government in time for tax years ending on or after January 1, 2000.

For further information on the changes to the E&H Tax, the Tobacco Tax, the Corporation Capital Tax and the Manufacturing and Processing Profits Tax Reduction, please contact:

Saskatchewan Finance
Revenue Division
2350 Albert Street
Regina, Saskatchewan S4P 4A6

Telephone: 1-800-667-6102 or (306) 787-6645 (Regina)

For further information on the changes to the Personal Income Tax and the Investment Tax Credit for Manufacturing and Processing, please contact:

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

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Saskatchewan's Tax Expenditures

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 taxpayers or to certain types of activity. Taken together, they 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 shown as "line items" in the budget, 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 based on the federal Personal Income Tax system. As a result, the deductions and tax credits that are provided by the federal government in computing Basic Federal Tax, such as the Basic Personal Tax Credit and the deduction for Registered Retirement Savings Plan contributions, also affect Saskatchewan income tax collections. For example, Saskatchewan's Personal Income Tax revenue will be reduced by an estimated \$16.5 million in support of charitable donations made in 1999. Furthermore, the recent enhancement in the 1999 federal Budget to the basic personal, spousal and equivalent-to-spouse tax credit amounts will reduce Saskatchewan's Personal Income Tax revenue by about \$30 million annually.

The Government of Saskatchewan improves the progressiveness and fairness of the Personal Income Tax system through the Saskatchewan Tax Reduction, which decreases the tax payable by lower-income individuals, families and senior citizens. In 1999, the Saskatchewan Tax Reduction will reduce the income taxes paid by lower-income taxpayers in the province by about \$49 million.

To improve the distribution of corporate taxes, Saskatchewan levies a lower income tax rate on small businesses and a Corporation Capital Tax on larger corporations. The small business Corporation Income Tax rate of eight 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 1,000 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 seven 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, a gasoline tax rebate is provided for agricultural use of gasoline.

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 materials. In addition, the E&H Tax does not apply to most services. In this way, the tax gives preferential treatment to families that consume these 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 revenue. Tax expenditures result in the reduction of revenue collected and have a significant effect 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.
- 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 last 19 years. Recently the federal government has been preparing a detailed presentation on the tax expenditures that are part of the federal tax system. The 1998 estimates of federal tax expenditures include projections to the year 2000 as well as historical data.

As a result of the interaction between Saskatchewan's personal and corporate income taxes and the federal government's income taxes, many of the federal tax expenditures have impacts 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 federal Department of Finance.

1999 Saskatchewan Tax Expenditures

Saskatchewan's Tax Expenditures in 1999 reflect a lowering of the tax expenditures associated with the E&H Tax as a result of the reduction in the E&H Tax rate to six per cent, effective March 27, 1999. The 1999 tax expenditures also reflect the full impact of the two percentage point reduction in the Province's basic Personal Income Tax rate, announced in the 1998 Budget, combined with the provincial impact of the enhancement to the basic personal, spousal and equivalent-to-spouse tax credit amounts announced in the 1999 federal Budget.

See the *1999-2000 Saskatchewan Revenue Initiatives* paper for more details on the tax changes in this Budget.

The following tables provide estimates of the major tax expenditures of the Government of Saskatchewan in 1999. The estimates were calculated using tax collection data and Statistics Canada data.

1999 Government of Saskatchewan

Tax Expenditure Accounts

(Value of Tax Expenditures in Millions of Dollars)

Sales Tax

Exemptions

1. Children's clothing and footwear	\$	6.7
2. Drugs and medicines		18.1
3. Electricity		27.9
4. Farm machinery and repair parts		50.9
5. Fertilizer, pesticide and seed		92.5
6. Food		
- Restaurant meals and snack foods		49.6
- Basic groceries		84.3
7. Natural gas		25.3
8. Reading materials		9.8
9. Services		
- Construction		131.1
- Repair		68.6
- Other		39.7
10. Used goods		43.7
11. Direct agents		8.3
12. 1-800 and other 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

Fuel Tax

1. Exemption for farm activity	\$	115.3
2. Exemption for heating fuels		16.9
3. Exemption for primary producers		1.7

Personal Income Tax

Deductions from Income

1. Registered Pension Plan contributions	\$	40.6
2. Registered Retirement Savings Plan contributions		121.8
3. Annual union, professional or like dues		8.8
4. Child care expenses		7.9
5. Moving expenses		1.1
6. Carrying charges		8.0
7. Allowable employment expenses		8.6
8. \$500,000 Capital gains deduction		24.5

Personal Tax Credits

1. Basic personal tax credit	\$ 328.9
2. Spousal tax credit.....	25.0
3. Equivalent-to-spouse tax credit	12.6
4. Age tax credit	27.6

Other Tax Credits

1. Canada Pension Plan contributions tax credit	\$ 27.1
2. Employment Insurance premiums tax credit	19.0
3. Pension Income tax credit.....	7.8
4. Tuition and Education tax credits	13.0
5. Tax credit on student loan interest	1.8
6. Medical expenses tax credit.....	7.2
7. Charitable contributions tax credit.....	16.5
8. Caregiver tax credit	1.4

Provincial Tax Measures

1. Saskatchewan Tax Reduction	
- \$200 Sales Tax Reduction	\$ 30.0
- \$300 Spousal Tax Reduction	5.8
- \$250 per Dependent Child Tax Reduction	9.7
- \$200 per Senior Citizen Reduction	5.3
2. \$150 Debt Reduction Surtax Reduction	55.0
3. Saskatchewan Tax Incentives Program	
- Labour-sponsored Venture Capital Tax Credit.....	5.5

Corporation Income Tax

1. Lower tax rate for small business.....	\$ 55.6
2. Royalty Tax Rebate.....	6.5
3. Manufacturing & Processing Profits Tax Reduction.....	14.8
4. Investment Tax Credit for Manufacturing and Processing	14.2
5. Research and Development Tax Credit	4.0
6. Film Employment Tax Credit.....	4.1

Corporation Capital Tax

1. General exemption of \$10,000,000	\$ 23.2
2. Exemption for co-operatives, credit unions, family farm corporations and insurance companies	11.5

1999 Intercity Comparison of Taxes and Household Charges

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 including 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 each of these 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 1999. Also, housing costs in Saskatoon associated with mortgage payments and property taxes are among the lowest in Canada.

The 1997-98 Budget reduction in the Education and Health (E&H) Tax rate from nine per cent to seven per cent made Saskatchewan's sales tax rate one of the lowest in Canada. This year's Budget reduction in the E&H Tax rate from seven per cent to six per cent makes Saskatchewan's sales tax rate 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. Unlike in many other jurisdictions, the E&H Tax does not apply to most services, including personal, professional and repair services.

The combined effect of a six 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.

The Personal Income Tax measures implemented in 1999 will also lower taxation levels for the representative families in Saskatchewan.

All of these factors combine to make Saskatoon compare very favourably with other Canadian cities when looking at the items that individuals and families generally consider when comparing living costs.

1999 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	\$ 1,415	\$ 1,383	\$ 1,909	\$ 1,929	\$ 1,158	\$ 2,584	\$ 1,715	\$ 1,644	\$ 1,701	\$ 1,973
Tax Credits and Rebates	0	0	0	(275)	(105)	(248)	0	0	0	0
Health Premiums	432	408	0	0	0	0	0	0	0	0
Retail Sales Tax	364	0	302	437	524	713	784	784	565	823
Gasoline Tax	150	90	150	115	147	167	107	135	120	165
Total Provincial Taxes	\$ 2,361	\$ 1,881	\$ 2,361	\$ 2,206	\$ 1,724	\$ 3,216	\$ 2,606	\$ 2,563	\$ 2,386	\$ 2,961
Rent	\$ 8,100	\$ 6,888	\$ 5,112	\$ 5,424	\$ 8,748	\$ 5,244	\$ 4,632	\$ 6,132	\$ 5,160	\$ 5,616
Electricity	352	414	543	353	536	385	492	544	612	534
Telephone	317	289	248	234	277	277	257	321	286	256
Auto Insurance	1,604	1,748	811	897	2,233	1,460	1,508	1,690	1,189	1,888
Total Household Charges	\$10,373	\$ 9,339	\$ 6,714	\$ 6,908	\$11,794	\$ 7,366	\$ 6,889	\$ 8,687	\$ 7,247	\$ 8,294
Total	\$12,734	\$11,220	\$ 9,075	\$ 9,114	\$13,518	\$10,582	\$ 9,495	\$11,250	\$ 9,633	\$11,255

1999 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	\$ 2,592	\$ 2,490	\$ 3,540	\$ 3,138	\$ 1,996	\$ 3,470	\$ 3,141	\$ 2,811	\$ 3,115	\$ 3,613
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	754	0	613	886	1,067	1,438	1,529	1,529	1,143	1,612
Gasoline Tax	300	180	300	230	294	334	214	270	240	330
Total Provincial Taxes	\$ 4,510	\$ 3,486	\$ 4,453	\$ 4,004	\$ 3,357	\$ 5,242	\$ 4,884	\$ 4,610	\$ 4,498	\$ 5,555
Mortgage Costs	\$10,248	\$ 6,579	\$ 4,461	\$ 4,260	\$ 9,043	\$ 4,421	\$ 3,862	\$ 4,742	\$ 4,421	\$ 3,697
Property Taxes	2,269	1,669	1,850	2,908	2,700	2,300	1,400	1,750	1,300	900
Home Heating	865	700	748	1,028	1,000	1,662	1,474	1,319	1,164	1,230
Electricity	569	645	833	555	844	561	763	858	916	784
Telephone	317	289	248	234	277	277	257	321	286	256
Auto Insurance	1,604	1,748	811	897	2,233	1,460	1,508	1,690	1,189	1,888
Total Household Charges	\$15,872	\$11,630	\$ 8,951	\$ 9,882	\$16,097	\$10,681	\$ 9,264	\$10,680	\$ 9,276	\$ 8,755
Total	\$20,382	\$15,116	\$13,404	\$13,886	\$19,454	\$15,923	\$14,148	\$15,290	\$13,774	\$14,310

1999 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	\$ 5,276	\$ 5,050	\$ 6,987	\$ 6,989	\$ 4,317	\$ 8,672	\$ 6,395	\$ 6,128	\$ 6,342	\$ 7,354
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	994	0	815	1,161	1,397	1,865	1,973	1,973	1,496	2,075
Gasoline Tax	300	180	300	230	294	334	214	270	240	330
Total Provincial Taxes	\$ 7,434	\$ 6,046	\$ 8,102	\$ 8,130	\$ 6,008	\$10,871	\$ 8,582	\$ 8,371	\$ 8,078	\$ 9,759
Mortgage Costs	\$10,248	\$ 6,579	\$ 4,461	\$ 4,260	\$ 9,043	\$ 4,421	\$ 3,862	\$ 4,742	\$ 4,421	\$ 3,697
Property Taxes	2,269	1,669	1,850	2,908	2,700	2,300	1,400	1,750	1,300	900
Home Heating	865	700	748	1,028	1,000	1,662	1,474	1,319	1,164	1,230
Electricity	569	645	833	555	844	561	763	858	916	784
Telephone	317	289	248	234	277	277	257	321	286	256
Auto Insurance	1,604	1,748	811	897	2,233	1,460	1,508	1,690	1,189	1,888
Total Household Charges	\$15,872	\$11,630	\$ 8,951	\$ 9,882	\$16,097	\$10,681	\$ 9,264	\$10,680	\$ 9,276	\$ 8,755
Total	\$23,306	\$17,676	\$17,053	\$18,012	\$22,105	\$21,552	\$17,846	\$19,051	\$17,354	\$18,514

Taxes and Household Charges – Notes

Tax estimates are calculated using known changes as of March 15, 1999. All household charges are based on information available to Saskatchewan Finance as of January 1, 1999.

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 refer 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 1992* (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. Figures for Saskatchewan include the full year impact of the reduction in the E&H Tax rate from seven per cent to six per cent.

Gasoline Tax is based on annual consumption of 1,000 litres for the single taxfiler 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 1998 *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 6.5 per cent.

Property Taxes are based on the average estimated taxes for a detached bungalow, from the Royal LePage Fall 1998 *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, 1998.

Home Heating charges are based on an annual consumption level of 141 mcf (3,800 m³) 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 1994 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.

Redesign of Provincial Income Taxation

Introduction

Income taxation in Canada is a shared taxation field between the federal and provincial governments under the Constitution of Canada. Since being introduced, income taxes have become an important aspect of federal-provincial finances.

The income tax relationship between the federal government and the provinces has undergone significant change. Initially, both orders of government levied unique income tax systems having different tax bases, rate structures and residency rules, resulting in both complexity and inconsistent treatment for taxpayers.

During the Second World War, provinces agreed to relinquish their income tax systems to the federal government on a temporary basis in exchange for “tax rental” payments. This arrangement resulted in much greater tax harmony in Canada. Following the War, these tax rental agreements were renewed for consecutive five year periods, although Ontario and Québec initially opted out of this arrangement. In 1952, Ontario opted back in for personal income tax, leaving Québec as the only province outside some formal income tax collection arrangement with the federal government.

The next major step in the evolution of federal-provincial tax collection occurred in 1962 with the introduction of Tax Collection Agreements, a series of bilateral arrangements involving each participating province and the federal government. These Agreements required provinces to accept strict guidelines in the determination of provincial income taxes payable, including the use of a federal definition of taxable income, a national marginal tax rate structure and a common formula for allocating income to provinces, territories and foreign jurisdictions.

Since 1962, there have been relatively minor adjustments to the Tax Collection Agreements. Provinces have been given increased flexibility to introduce tax reductions and surtaxes in order to adjust the progressiveness of the provincial tax systems and to increase provincial support for the family. However, three basic criteria have limited provincial flexibility under the national income tax system. Provincial measures:

- are not permitted to alter the federal government’s definition of taxable income;
- must not impede interprovincial trade; and,
- must not overly complicate the national tax system.

The result has been a national tax system that has maintained a high degree of harmony and co-ordination in the taxation of income in Canada.

Rationale for Change

A strong national income tax system provides taxpayers with a number of benefits:

- a common definition of what constitutes income for tax purposes;
- a common set of deductions that recognizes the importance of certain expenditures such as child care expenses, medical expenses, education costs and retirement planning;
- a common definition of residency, ensuring that taxpayers will be taxed fairly; and,
- a common tax administration, allowing provincial residents to file only one tax return and follow a common set of tax rules.

Saskatchewan supports the continuation of a strong national tax system that protects these common elements. However, provinces also expect to be considered equal partners in the income tax field and, as such, be given the opportunity to address provincial tax issues within a unified national tax system.

These issues relate to the unique social and economic circumstances which exist in each province. While national tax policies may serve Canada as a whole very well, significant variations exist between each province's taxpayer profile, in terms of income source, income distribution, family circumstance and other demographic factors. Each government also has its own perception of tax fairness and should have the opportunity to utilize the tax system to support particular social and economic priorities.

The current Tax Collection Agreements require provinces to introduce complex, often cumbersome measures to achieve their policy objectives. This leaves the taxpayer having to work through a myriad of provincial tax reductions and surtaxes, resulting in confusion and frustration.

Tax on Income Concept

Tax on income is not a new concept in Canada. Since the early 1980s, Saskatchewan has been working with other provinces and the federal government to investigate the replacement of the current provincial income tax system, which levies provincial tax as a percentage of federal tax, with a new tax system which permits provincial tax to be applied directly on taxable income.

The tax on income concept would permit a province to set its own marginal tax rates and income brackets that would be applied to a federally defined taxable income base. It would also permit the creation of provincial personal tax credits in support of the family that would reduce provincial taxes payable.

Saskatchewan has continued to push for federal acceptance of the tax on income concept, in co-operation with other western provinces and territories, through policy statements of support for the concept contained in the annual Western Finance Ministers' Reports.

The introduction of a tax on income structure in Saskatchewan could provide the means to combine the current tax system's basic Personal Income Tax, Flat Tax, Debt Reduction Surtax and High Income Surtax into one Saskatchewan income tax structure.

In particular, this concept could:

- permit the abolishment of the Saskatchewan Flat Tax, the Debt Reduction Surtax and the High Income Surtax;
- allow for unique Saskatchewan tax brackets that more fairly match the income distribution of taxpayers in Saskatchewan;
- simplify the calculation of Saskatchewan income taxes;
- improve the transparency in the tax system as taxpayers could identify what taxes are imposed, and what personal tax credits are provided, by the federal and Saskatchewan governments;
- reduce the impact of unilateral federal tax policy changes that have traditionally impacted the fiscal position of Saskatchewan; and,
- ease the pressure which currently exists on the long-term sustainability of the Tax Collection Agreements.

However, a tax on income structure contains its own set of challenges. In particular, removing the provincial reliance on the federal marginal tax rate structure places full responsibility for fairness in levying provincial income tax in the hands of participating provinces. One of the implications is that tax fairness could be diminished if there is a shift in tax liability from upper income earners to middle or lower income earners as a result of the new provincial tax structure.

Next Steps

The federal government is prepared to allow provinces to introduce the tax on income structure as early as January 1, 2001.

Saskatchewan is currently undertaking a technical review of the tax on income concept to ensure that the principles of a sound tax system can be achieved under the new tax structure. Saskatchewan will only proceed with tax on income if it improves:

- fairness in the tax system;
- support for the family;
- simplicity for both the taxfiler and the Government; and,
- competitiveness in attracting jobs and investment to Saskatchewan.

During the coming months, the Government will complete its technical review of this concept and will consult with Saskatchewan people on the design of a new system of income taxation for the Province.

Conclusion

Saskatchewan recognizes the importance of maintaining a fair, effective and competitive tax structure. The Government's balanced approach to reducing key taxes over the past five years has allowed Saskatchewan to make significant progress in achieving tax competitiveness with neighbouring jurisdictions. Saskatchewan's sales tax rate is now the lowest in Canada. Our basic Personal Income Tax rate is the third lowest. The Province also does not levy health care premiums and payroll taxes which are imposed by other jurisdictions.

The introduction of a new provincial income tax structure would create an opportunity for the Province to respond to public expectations for a tax system that will serve Saskatchewan well as it enters the new millennium.

1999-2000 Borrowing and Debt

Introduction

The 1999-2000 Budget projects continued reduction in the total debt of the General Revenue Fund and in debt servicing costs. This paper details 1999-2000 estimated borrowing, debt, and debt servicing costs, compared to the forecast for 1998-99.

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 1999-2000 Budget indicates that, following a \$522.8 million forecast decrease in 1998-99, the total debt of the General Revenue Fund is estimated to decline by a further \$100.8 million in 1999-2000.

Between March 31, 1998 and March 31, 2000, total debt of the General Revenue Fund is estimated to decline by \$623.6 million or 5.2 per cent.

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

	Estimated 2000	Forecast 1999	Actual 1998
Gross Debt			
Crown Corporation Debt	\$ 3,977.9	\$ 4,134.4	\$ 4,494.5
General Government Debt	7,964.2	7,977.4	8,134.5
Gross Debt	\$ 11,942.1	\$ 12,111.8	\$ 12,629.0
Plus: Guaranteed Debt	370.3	432.7	496.1
Gross Debt Plus Guaranteed Debt	\$ 12,312.4	\$ 12,544.5	\$ 13,125.1
Less: Sinking Funds	886.2	1,017.5	1,075.3
Total Debt	\$ 11,426.2	\$ 11,527.0	\$ 12,049.8

General government gross debt is forecast to decrease by \$157.1 million in 1998-99, reflecting the \$18.4 million budget balance and increased cash flow. General government gross debt is estimated to decline by a further \$13.2 million in 1999-2000.

As indicated in the table below, Crown corporation gross debt is forecast to decrease by \$360.1 million in 1998-99 and estimated to decrease by a further \$156.5 million in 1999-2000.

Change in Crown Corporation Gross Debt
(\$ Millions)

	Estimated 1999-00	Forecast 1998-99
Agricultural Credit Corporation of Saskatchewan	\$ —	\$ (34.6)
Crown Investments Corporation of Saskatchewan	(115.5)	(368.4)
Saskatchewan Housing Corporation	—	(24.0)
Saskatchewan Land Information Services Corporation	11.2	—
Saskatchewan Opportunities Corporation	36.0	27.7
Saskatchewan Power Corporation	(110.0)	(39.0)
Saskatchewan Telecommunications Holding Corporation	33.3	52.3
Saskatchewan Water Corporation	(5.4)	10.3
SaskEnergy Incorporated	(6.1)	15.6
Total Change	\$ (156.5)	\$ (360.1)

Guaranteed debt is forecast to decrease by \$63.4 million during 1998-99 and by a further \$62.4 million during 1999-2000 primarily due to reductions for NewGrade Energy Inc. and Saskferco Products Inc. Over the two years, guaranteed debt is estimated to decline by \$125.8 million or 25.4 per cent.

Sinking funds are forecast to decline by \$57.8 million during 1998-99, and to decline by a further \$131.3 million in 1999-2000 primarily due to withdrawal of sinking fund assets for debt retirement.

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 1999-2000 borrowing requirements are estimated to be \$1,362.7 million, compared to forecast requirements of \$717.8 million in 1998-99.

Borrowing requirements for general government in 1999-2000, estimated to be \$1,137.2 million (1998-99 forecast — \$496.2 million), are to refinance a portion of maturing debt.

Borrowing requirements for Crown corporations in 1999-2000, estimated to be \$225.5 million (1998-99 forecast — \$221.6 million), are to assist in the financing of their activities as well as to refinance debt borrowed on their behalf.

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

The amount by which general government total debt can be reduced 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 can be reduced is reconciled by:

1. **Adjusting the budget balance to a cash basis** to recognize the amount and timing of non-cash revenues and expenses 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 increases in sinking funds** which will be used to repay general government purpose debt; and,
5. **Adding the drop in general government guaranteed debt.**

	Estimated 1999-00	Forecast 1998-99
	(\$ Millions)	
Budget Balance (on Accrual Accounting Basis)	\$ 8.3	\$ 18.4
1. Adjustment to Cash Basis	162.9	45.3
Cash Provided from Operations	171.2	63.7
2. Other Cash Sources (Requirements)	(158.0)	186.5
Cash Available to Reduce Debt	13.2	250.2
3. Foreign Exchange Adjustment ¹	-	(93.1)
4. Change in Sinking Funds	74.8	69.6
5. Change in Guaranteed Debt	57.6	26.3
Reduction in General Government Purpose Total Debt	\$ 145.6	\$ 253.0

¹ An exchange rate of \$0.6634 U.S. per \$1.00 Canadian has been used to convert U.S. dollar denominated debt at March 31, 1999 and March 31, 2000, compared to \$0.7059 U.S. at March 31, 1998.

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 1999-2000 compared to \$1.2 billion forecast for 1998-99.

Cost of Servicing Gross Debt (\$ Millions)

	Estimated 1999-00	Forecast 1998-99
Crown Corporation Debt	\$ 394.7	\$ 416.7
General Government Debt	724.0	746.6
Total Cost of Servicing Gross Debt	\$ 1,118.7	\$ 1,163.3

The cost of servicing general government debt is estimated to be \$22.6 million lower in 1999-2000 than forecast for 1998-99. This decline is primarily attributable to improvement in the Province's overall cash position.

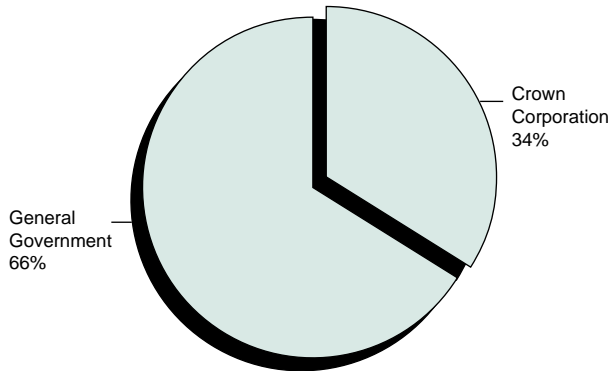
The 1999-2000 debt servicing cost estimates are based on 5.0 per cent short term and 7.0 per cent long term interest rates. An exchange rate of \$0.6634 United States per \$1.00 Canadian has been used to convert United States dollar denominated debt as at March 31, 1999 and at March 31, 2000.

A one cent change in the United States dollar exchange value of the Canadian dollar from the level assumed in the 1999-2000 Budget would change the estimated cost in 1999-2000 of servicing general government debt by approximately \$3.5 million. Similarly, a one percentage point increase in interest rates for a full year from levels assumed in the 1999-2000 Budget would increase the estimated cost of servicing general government debt in 1999-2000 by approximately \$17.5 million.

Gross Debt Characteristics

The following charts illustrate the composition of gross debt forecast as at March 31, 1999, by purpose, currency and financial instrument.

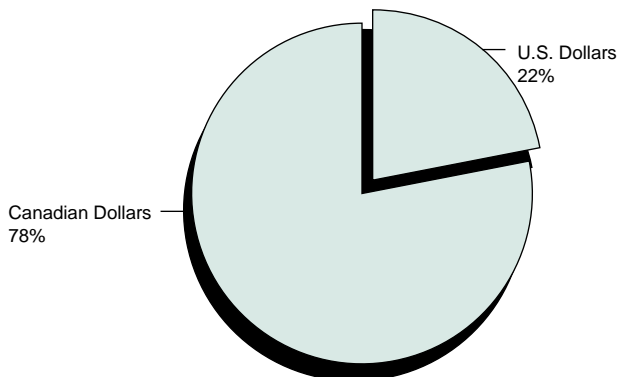
Gross Debt by Purpose
As at March 31, 1999



Gross Debt: \$12.1 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.

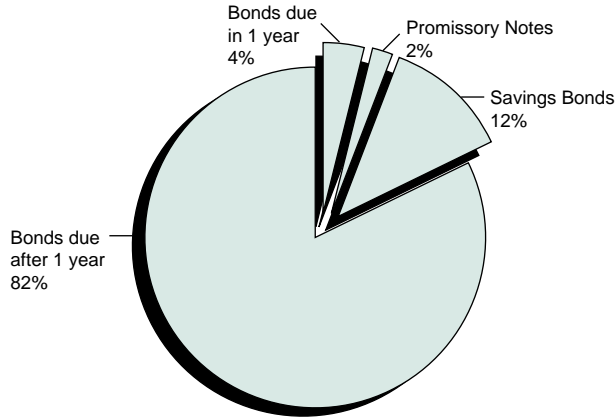
Gross Debt by Currency
As at March 31, 1999



Gross Debt: \$12.1 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.

Gross Debt by Financial Instrument As at March 31, 1999



Gross Debt: \$12.1 billion

- Gross debt at March 31, 1999 is forecast to have an average term to maturity of 8.9 years.
- Saskatchewan Savings Bonds held by residents of the Province total \$1.5 billion.
- Bonds due after one year plus savings bonds total 94 per cent of gross debt.

Conclusion

The 1999-2000 Budget forecasts a sharp decrease in the total debt of the Province in 1998-99 and estimates a significant further decline in 1999-2000. As well, the cost of servicing the debt continues to decline. This represents continued improvement in Saskatchewan's financial position.

Report on the 1999-2000 Pre-Budget Consultation

Introduction

The Government of Saskatchewan has followed a balanced approach to financial management focusing on a combination of debt reduction, tax cuts and service enhancements. In order to find out whether Saskatchewan people continue to support this approach or would prefer an alternative method of financial management, the Government undertook an extensive public consultation prior to the 1999-2000 Budget.

To stimulate discussion and ideas, the Government prepared and distributed an information package, including a survey, to every Saskatchewan household. More than 4,000 residents returned the completed surveys. An additional 1,200 visited the pre-budget consultation web site, and approximately 600 people attended public meetings organized by Government Members of the Legislative Assembly (MLAs). In total, nearly 6,000 Saskatchewan people participated in the pre-budget consultation exercise.

In addition to the local meetings and the province-wide survey, a conference in Saskatoon called *Building Saskatchewan's Future* brought together approximately 100 representatives of Saskatchewan business groups, educators, rural and urban communities, health providers, other working people and other stakeholders to discuss priorities for this year and for the long term. A separate report on the *Building Saskatchewan's Future* conference is available through the Saskatchewan Institute on Public Policy, (306) 585-5777.

Provincial Cabinet Ministers reviewed information gathered through the conference, survey results and reports of MLAs on their public meetings as part of the 1999-2000 Budget development process. This Report focuses primarily on the results of the mail-in survey.

Survey Results

The survey questions were open-ended, providing for a wide range of responses. Survey results were tabulated by an independent research organization.

The following section highlights the most frequent responses to each of the survey questions. Illegible responses, surveys containing no response and issues identified by less than three per cent of respondents have been excluded to provide a more focused report.

Question 1. *In the past few years, the government has followed a "balanced approach": investing some funds in tax cuts, some for better services and some for debt reduction. Is this the right approach or should the government concentrate on only one or two priorities? Which ones?*

No change necessary	34.9%
More to debt reduction	14.1%
More to tax relief	13.9%
More to health	9.6%
More to other services*	5.3%
More to highways	4.5%
More to services (not specified)	3.2%

*includes education, social services, justice and agriculture

Question 2. *Should paying down the debt be a priority?*

Yes	53.4%
Yes, greater	4.7%
Yes, lesser	13.1%
No	12.3%

Question 3. *Should taxes be changed? Which ones and how?*

Reduce personal income taxes	30.1%
Reduce sales tax	20.1%
Reduce other taxes*	13.3%
No change	10.5%
Increase "sin" taxes	6.2%
Increase general/other	3.8%

* includes property, corporate, targeted and general taxes

Question 4. *Are there services we should change or be providing more of?*

Health care	29.4%
Highways	12.2%
Education	8.4%
Social services	6.3%
No change	5.9%
Agriculture	4.3%
Justice	3.6%

Question 5. *Other comments?*

A wide variety of responses were given to this question. The most frequent, specific responses were:

Improve health care	10.1%
Reduce taxes	9.4%
Reduce administration	9.1%
Address farm crisis	7.2%
Improve highways	5.8%

Conclusion

Through the various avenues of input, Saskatchewan people expressed a wide variety of views regarding the 1999-2000 Budget and the future of the province. However, there was also a significant degree of common ground regarding key priorities and the management of the Province's finances. The following compares general public responses to Budget outcomes.

Saskatchewan people tend to support a balanced approach to financial management which includes a combination of debt reduction, tax cuts and service enhancements.

- Between 1995-96 and 1999-2000, the Government has reduced the total debt by \$2.7 billion, \$1.3 billion from asset sales and \$1.4 billion net of asset sales, cut taxes by \$1.2 billion and invested an additional \$1.3 billion in priority public services.

The majority of Saskatchewan people believe paying down the Province's debt should continue to be a priority.

- Asset sales provide an additional means of reducing the Province's debt. When asset sales of \$1.3 billion are included, total debt has been reduced by \$2.7 billion since 1995-96. The 1999-2000 Budget includes a plan to reduce the debt by a further \$900 million by 2002-03, bringing total debt down to \$10.6 billion.

The majority of Saskatchewan people support continued reduction of their personal income taxes and the Education and Health (E&H) Tax rate.

- The 1999-2000 Budget cuts Saskatchewan's E&H Tax rate from seven per cent to six per cent. This follows a two-point reduction in the sales tax in the 1997-98 Budget. In total, the sales tax rate has been cut by 33 per cent in three years, putting over \$300 million a year back into the hands of Saskatchewan families and businesses.
- Income taxes paid by the average Saskatchewan family have been reduced more than 10 per cent since 1995. This includes reductions in 1995-96 and in 1996-97 which eliminated provincial income tax for 6,000 individuals and families; a two point cut to Saskatchewan's Personal Income Tax announced in the 1998-99 Budget and a reduction in provincial income tax resulting from the recent federal Budget.

Saskatchewan people tend to view health care as the most important public service and tend to support enhancements to the health system.

- The 1999-2000 Budget invests \$1.9 billion in Saskatchewan's health system. This is \$195 million more than last year's Budget with additional funding targeted to reducing waiting times, improving access to cancer treatments, increasing health services for women and enhancing working conditions for health care providers.

Saskatchewan people tend to rate highways and education as next to health in importance.

- The Government has steadily increased investment in highways since 1995-96. The 1999-2000 Budget targets \$235 million to highways, including a new rural roads fund. In addition, the Government will establish a new \$10 million provincial-municipal infrastructure fund to be matched by municipal governments for rebuilding local roads and infrastructure.
- The 1999-2000 Budget for education and training exceeds \$1 billion. This is the largest investment in education in the province's history, geared towards improving the quality of education; upgrading schools, colleges, universities and technical institutions; and enhancing access to post-secondary education, skills training and employment programs.

Saskatchewan people tend to view job creation as another important priority.

- The Government will meet its target of 30,000 new jobs in 1999, one year ahead of schedule.
- In addition to initiatives in education and highways, the 1999-2000 Budget promotes job creation through measures such as the reduction of the E&H Tax to six per cent, investments in research and development, enhancement of the Small Business Loans Association program, more support for local economic development, and a commitment to examine our tax system with a view to promoting simplicity and fairness.

1999-2000 Budget Detail

General Revenue Fund Financial Statements

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General Revenue Fund Statement of Revenue, Expense and Accumulated Deficit

	(thousands of dollars)		
	Estimated 1999-00	Forecast 1998-99	Estimated 1998-99
Revenue	\$ 5,578,600	\$ 5,607,000	\$ 5,339,100
Operating Expense	4,846,254	4,841,991	4,508,413
Operating Surplus	\$ 732,346	\$ 765,009	\$ 830,687
Servicing the Public Debt.....	724,000	746,600	725,000
Surplus for the Year	\$ 8,346	\$ 18,409	\$ 105,687
Accumulated Deficit, Beginning of Year	7,161,482	7,179,891	7,179,891
Accumulated Deficit, End of Year	\$ 7,153,136	\$ 7,161,482	\$ 7,074,204

The "Accumulated Deficit" is the amount by which expense 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 Debt Reduction Account

As at March 31

	(thousands of dollars)		
	Estimated 2000	Forecast 1999	Estimated 1999
Debt Reduction Account, Beginning of Year	\$ 479,019	\$ 460,610	\$ 460,610
Surplus for the Year	8,346	18,409	105,687
Debt Reduction Account, End of Year	\$ 487,365	\$ 479,019	\$ 566,297

This account is established pursuant to *The Balanced Budget Act*. The Debt Reduction Account is an accounting of the accumulated surpluses of the General Revenue Fund commencing April 1, 1995.

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

	(thousands of dollars)		
	Estimated 1999-00	Forecast 1998-99	Estimated 1998-99
Cash from Operating Activities			
Surplus for the Year	\$ 8,346	\$ 18,409	\$ 105,687
Add Non-cash Items:			
Amortization of Foreign Exchange Gains and Losses	9,527	9,527	3,483
Loss on Loans and Investments	4,560	7,925	3,550
Net Change in Non-cash Operating Activities	177,298	54,800	36,958
Earnings Retained in Sinking Funds	(28,554)	(26,968)	(21,971)
Cash from Operating Activities	\$ 171,177	\$ 63,693	\$ 127,707
Cash from Lending and Investing Activities			
Receipts.....	\$ 412,395	\$ 996,249	\$ 766,842
Disbursements.....	318,929	516,891	270,434
Cash from Lending and Investing Activities	\$ 93,466	\$ 479,358	\$ 496,408
Total Cash Provided	\$ 264,643	\$ 543,051	\$ 624,115
Financing Activities			
Borrowing	\$ 1,362,694	\$ 717,847	\$ 644,144
Debt Repayment.....	1,532,337	1,393,434	1,268,259
Increase (Decrease) in Debt	\$ (169,643)	\$ (675,587)	\$ (624,115)
Increase (Decrease) in Deposits Held.....	(190,000)	(16,784)	(100,000)
Decrease in Cash and Temporary Investments	95,000	149,320	100,000
Total Cash Provided (Required) by Financing Activities	\$ (264,643)	\$ (543,051)	\$ (624,115)

General Revenue Fund Statement of Revenue

	(thousands of dollars)		
	Estimated 1999-00	Forecast 1998-99	Estimated 1998-99
Taxes			
Corporation Capital	\$ 227,000	\$ 220,000	\$ 260,800
Corporation Income	193,200	188,400	178,400
Fuel	370,000	368,200	375,100
Individual Income	1,361,000	1,398,100	1,262,700
Sales	669,500	758,600	768,600
Tobacco	125,800	123,300	123,300
Other	50,600	49,800	49,800
Taxes	\$ 2,997,100	\$ 3,106,400	\$ 3,018,700
Non-Renewable Resources			
Natural Gas	\$ 59,900	\$ 62,100	\$ 41,500
Oil	244,000	290,600	367,500
Potash	194,400	195,500	143,100
Other	52,700	50,100	59,400
Non-Renewable Resources	\$ 551,000	\$ 598,300	\$ 611,500
Transfers from Crown Entities			
Crown Investments Corporation of Saskatchewan	\$ 125,000	\$ 100,000	\$ 100,000
– Special Dividend	–	100,000	100,000
Saskatchewan Liquor and Gaming Authority	485,700	432,100	374,000
Other Enterprises and Funds	27,000	21,000	17,400
Transfers from Crown Entities	\$ 637,700	\$ 653,100	\$ 591,400
Other Revenue			
Fines, Forfeits and Penalties	\$ 12,200	\$ 12,200	\$ 11,700
Interest, Premium, Discount and Exchange	32,900	32,900	28,100
Motor Vehicle Fees	104,800	104,100	98,500
Other Licences and Permits	36,600	37,200	38,300
Sales, Services and Service Fees	79,900	93,300	82,100
Transfers from Other Governments	12,300	9,400	7,700
Other	13,700	13,700	16,200
Other Revenue	\$ 292,400	\$ 302,800	\$ 282,600
Total Own-Source Revenue	\$ 4,478,200	\$ 4,660,600	\$ 4,504,200
Transfers from the Government of Canada			
Canada Health and Social Transfer	\$ 510,700	\$ 431,200	\$ 421,500
Equalization Payments	479,700	423,900	309,900
Other	110,000	91,300	103,500
Transfers from the Government of Canada	\$ 1,100,400	\$ 946,400	\$ 834,900
Total Revenue	\$ 5,578,600	\$ 5,607,000	\$ 5,339,100

General Revenue Fund Statement of Expense

	(thousands of dollars)		
	Estimated 1999-00	Forecast 1998-99	Estimated 1998-99
Executive Branch of Government			
Agriculture and Food	\$ 213,052	\$ 204,021	\$ 212,021
– Agricultural Income Disaster Assistance	–	140,000	–
Economic and Co-operative Development	49,267	46,187	47,945
Education	450,153	439,909	438,080
– Teachers' Pensions and Benefits	108,060	119,632	128,972
Energy and Mines	17,410	17,672	16,087
Environment and Resource Management	101,350	166,770	95,366
Executive Council	7,256	7,301	7,301
Finance	26,341	25,248	24,427
– Public Service Pensions and Benefits ¹	163,848	153,478	150,350
Health	1,915,059	1,775,470	1,720,242
Highways and Transportation	234,594	229,730	218,811
Intergovernmental and Aboriginal Affairs	29,859	33,686	32,508
Justice ²	217,944	216,802	201,357
Labour	11,184	10,812	10,579
Municipal Affairs, Culture and Housing	174,497	169,282	164,694
Post-Secondary Education and Skills Training	467,360	441,464	434,140
Public Service Commission	8,595	8,970	8,020
Saskatchewan Municipal Board	1,090	1,081	1,203
Saskatchewan Property Management Corporation	9,730	11,104	11,104
– Asset Renewal	24,495	17,000	8,000
Saskatchewan Research Council	8,012	7,956	7,956
Saskatchewan Water Corporation	4,893	4,896	4,896
Social Services	578,102	568,922	540,822
Women's Secretariat	1,193	1,535	1,535
Legislative Branch of Government			
Chief Electoral Officer	580	915	559
Conflict of Interest Commissioner	91	84	91
Information and Privacy Commissioner	63	54	63
Legislative Assembly	15,455	15,614	14,925
Ombudsman and Children's Advocate	2,279	2,082	2,045
Provincial Auditor	4,442	4,314	4,314
Operating Expense	\$ 4,846,254	\$ 4,841,991	\$ 4,508,413
Servicing the Public Debt	724,000	746,600	725,000
Total Expense	\$ 5,570,254	\$ 5,588,591	\$ 5,233,413

¹Includes public service pension expenses related to all branches of Government (executive, legislative and judicial).

²Includes expenses for the judicial branch of Government.

General Revenue Fund Schedule of Borrowing Requirements

	(thousands of dollars)		
	Estimated 1999-00	Forecast 1998-99	Estimated 1998-99
Borrowing for Crown Corporations			
Crown Investments Corporation of Saskatchewan	\$ 63,600	\$ -	\$ -
Saskatchewan Housing Corporation	46,140	6,500	12,962
Saskatchewan Land Information Services Corporation ..	11,200	-	-
Saskatchewan Opportunities Corporation	36,000	63,700	39,831
Saskatchewan Telecommunications Holding Corporation..	66,500	75,000	99,800
Saskatchewan Water Corporation	2,100	10,800	9,300
SaskEnergy Incorporated	-	65,600	33,898
Borrowing for Crown Corporations	\$ 225,540	\$ 221,600	\$ 195,791
Borrowing for General Government	1,137,154	496,247	448,353
Total Borrowing Requirements	\$ 1,362,694	\$ 717,847	\$ 644,144

General Revenue Fund Schedule of Debt

As at March 31

	(thousands of dollars)		
	Estimated 2000	Forecast 1999	Estimated 1999
Gross Debt			
Crown Corporation Debt			
Agricultural Credit Corporation of Saskatchewan	\$ 235,551	\$ 235,551	\$ 235,551
Crown Investments Corporation of Saskatchewan	185,687	301,195	279,195
Municipal Financing Corporation of Saskatchewan	79,667	79,667	79,667
Saskatchewan Housing Corporation	178,845	178,845	202,818
Saskatchewan Land Information Services Corporation ..	11,200	-	-
Saskatchewan Opportunities Corporation	152,384	116,384	124,165
Saskatchewan Power Corporation	1,827,786	1,937,786	1,870,737
Saskatchewan Telecommunications Holding Corporation..	517,945	484,641	502,161
Saskatchewan Water Corporation	46,204	51,563	50,063
SaskEnergy Incorporated	742,650	748,750	717,048
Crown Corporation Debt	\$ 3,977,919	\$ 4,134,382	\$ 4,061,405
General Government Debt	7,964,201	7,977,381	7,943,475
Gross Debt	\$ 11,942,120	\$ 12,111,763	\$ 12,004,880
Guaranteed Debt			
Crown Corporations	\$ 46,710	\$ 51,554	\$ 51,354
Other	323,591	381,161	359,523
Guaranteed Debt	\$ 370,301	\$ 432,715	\$ 410,877
Equity in Sinking Funds			
Crown Corporations	\$ 479,263	\$ 685,399	\$ 519,349
General Government	406,912	332,060	325,526
Equity in Sinking Funds	\$ 886,175	\$ 1,017,459	\$ 844,875
Total Debt¹	\$ 11,426,246	\$ 11,527,019	\$ 11,570,882
Crown Corporation Total Debt	\$ 3,545,366	\$ 3,500,537	\$ 3,593,410
General Government Total Debt	7,880,880	8,026,482	7,977,472
Total Debt¹	\$ 11,426,246	\$ 11,527,019	\$ 11,570,882

¹Total 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 2000	Forecast 1999	Estimated 1999
Guaranteed Debt for Crown Corporations			
The Municipal Financing Corporation Act			
Guaranteed Debentures.....	\$ 3,500	\$ 4,500	\$ 4,500
The Power Corporation Act			
National Trust Company	13,860	15,574	15,574
Luscar Ltd.	27,200	29,000	29,168
Saskatchewan Power Savings Bonds			
Series I to Series VII (matured).....	150	180	96
The Saskatchewan Development Fund Act			
Guaranteed Investments.....	1,600	1,800	1,941
The Saskatchewan Telecommunications Act			
TeleBonds (matured)	400	500	75
Guaranteed Debt for Crown Corporations	\$ 46,710	\$ 51,554	\$ 51,354
Other Guaranteed Debt			
The Agricultural Societies Act			
Loans to Exhibition Associations.....	\$ 56	\$ 68	\$ 74
The Community Bonds Act	1,680	2,146	3,287
The Farm Financial Stability Act			
Breeder Associations Loan Guarantees	22,000	23,000	23,629
Feeder Associations Loan Guarantees.....	11,000	10,900	11,297
The Government Organization Act			
The Saskatchewan Roughriders Football Club.....	1,800	1,800	720
The Housing and Special Care Homes Act			
Senior Citizens' Housing	178	235	235
The Industry and Commerce Development Act			
Saskferco Products Inc.	166,485	192,691	176,817
The NewGrade Energy Inc. Act			
NewGrade Energy Inc.	120,392	150,321	143,464
Other Guaranteed Debt	\$ 323,591	\$ 381,161	\$ 359,523
Total Guaranteed Debt	\$ 370,301	\$ 432,715	\$ 410,877

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Together*

Budget Address

March, 1999



SASKATCHEWAN

The Hon. Eric Cline
Minister of Finance