

The Honourable Kevin Doherty
Minister of Finance



SASKATCHEWAN PROVINCIAL BUDGET

16-17

**KEEP
SASKATCHEWAN
STRONG**

MINISTER'S MESSAGE

I am pleased to table the 2016-17 Budget and supporting documents for public discussion and review.

KEEP SASKATCHEWAN STRONG

Saskatchewan's 2016-17 Budget will keep Saskatchewan strong by keeping taxes low, by controlling operational spending and by continuing to make key investments in infrastructure and government services for Saskatchewan people.

Budget 2016-17 forecasts total revenue of \$14.02 billion and total expense of \$14.46 billion for a projected deficit of about \$434 million.

In this budget our government opted for a manageable deficit. There are years when unforeseen events – drops in the price of oil or potash, or costly natural disasters – make it prudent to run a manageable deficit rather than implement severe cuts to programs and services or increase the tax burden on Saskatchewan people and businesses. This is one of those years. However, we are committed to returning the budget to balance by 2017-18.

INVESTING IN PEOPLE

Budget 2016-17 continues to invest in health care, education, and social services, which accounts for nearly three-quarters of budgeted expense.

This budget provides increased funding for health care, notably to reduce wait times for surgery and diagnostic services, and to shift resources from administration to front-line staff in long-term care facilities.

Budget 2016-17 continues to put students first by investing in pre-K to grade 12 schools and classrooms across the province, as well as investing in post-secondary education and skills training. This budget also continues the government's support of early education and child care across the province.

This budget continues government's unwavering commitment to helping the province's most vulnerable people. It provides considerable support in programs and services for people experiencing disability, and people who need income assistance and housing, overall supporting children, youth, seniors and families.

And in this budget the provincial government continues its significant commitment to the agriculture sector and to revenue sharing with municipalities.

INVESTING IN INFRASTRUCTURE

Budget 2016-17 provides more than \$3.5 billion for infrastructure, the largest single-year capital investment in the province's history. Nearly \$1.8 billion will be invested by Saskatchewan commercial Crown corporations and more than \$1.7 billion by executive government ministries and agencies this fiscal year.

This budget provides significant investment into highways and transportation infrastructure, the largest capital spend in the province's history for K to 12 schools and other education capital, and strong commitments to health care infrastructure. Continuing new capital investment coupled with maintaining existing infrastructure are key priorities for our government.

TRANSFORMATIONAL CHANGE

To ensure the sustainability of high quality public services delivered in the most efficient, effective way possible, this year marks the beginning of a government-wide process of transformational change. As part of this process everything government does will be studied and scrutinized. Transformational change can't be achieved overnight, and it can't be accomplished by government alone. We will look at both the spending and the revenue sides of the equation as we strive to find a proper, sustainable balance between the two.

Budget 2016-17 helps keep Saskatchewan strong, and together we will keep Saskatchewan strong.

A handwritten signature in black ink, appearing to be 'K. Doherty', with a stylized, cursive script.

Honourable Kevin Doherty
Minister of Finance

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SASKATCHEWAN PROVINCIAL BUDGET

16-17

GOVERNMENT DIRECTION FOR 2016-17

Government Direction for 2016-17: KEEP SASKATCHEWAN STRONG

Saskatchewan's vision is to be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life.

Four goals set the Government's direction for the province. They include: sustaining growth and opportunities for Saskatchewan people, meeting the challenges of growth, securing a better quality of life for all Saskatchewan people and delivering responsive and responsible government.

Budget 2016-17 will keep Saskatchewan strong by keeping taxes low, controlling operational spending and continuing to make important investments in infrastructure and in important government services for Saskatchewan people.

True strength emerges in challenging times.

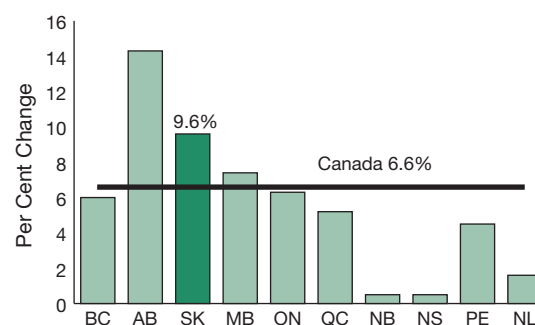
A fragile global economy coupled with sharp declines in oil and potash prices present considerable challenges to our province's economy, its finances and its people.

Budget 2016-17 commits to building on a solid foundation. Moving forward, government's plan takes steps to improve the province's fiscal picture and return the budget to balance amid these challenging times.

Just over 1.14 million people, more people than ever, call Saskatchewan home.

A record number were employed in the province in 2015 and while the unemployment rate is among the lowest in the country, there is no doubt persistently low natural resource prices are having an effect on jobs and the provincial economy.

POPULATION GROWTH BY PROVINCE (2005 TO 2016)



Source: Statistics Canada

Our province's strength is being tested.

Government's track record of sound fiscal management over the past nine years, prudent spending, paying down debt and keeping its debt-to-GDP ratio among the lowest in the country, provides capacity needed to manage through global economic uncertainty and low commodity prices.

Challenges present opportunities to make positive changes going forward to keep Saskatchewan strong.

ECONOMIC FOUNDATION

Saskatchewan has a strong foundation.

In 2015, even with lower oil exports to the United States, the province recorded its second highest international exports in history with \$32.6 billion in goods shipped to countries around the world.

Shipments to China and India were up 18 and 60 per cent, respectively, in 2015 and in total Saskatchewan exported goods to more than 150 countries.

A recent survey found that 74 per cent of Saskatchewan Trade and Export Partnership members were forecasting an increase in exports in 2016.

Leading the export charge was Saskatchewan's agriculture sector, with \$15.1 billion in agri-food exports in 2015. The province exceeded its ambitious target laid out in *The Saskatchewan Plan for Growth* to export \$15 billion of agricultural and agri-food products by 2020.

But while Saskatchewan may be faring better than jurisdictions with even higher dependence on natural resources and oil in particular, the impact of low prices is significant.

Sustained low prices led oil producers to cut back on production and investment. Recent estimates show the real GDP impact in Saskatchewan was a 1.4 per cent decline in 2015.

The province's GDP is forecast to decline by 0.6 per cent in 2016, with an expected return to growth of 2.5 per cent in 2017.

Keeping the foundation strong for a return to growth is important.

Saskatchewan remains a resource-driven economy with abundant oil, natural gas, uranium and potash.

The province is positioned well with fair corporate tax and royalty regimes, and clarity around regulatory procedures like permitting and land claims. As a result, Saskatchewan remains the most attractive jurisdiction for mining investment in Canada according to the annual global survey of mining executives, the *Fraser Institute Survey of Mining Companies, 2015*.

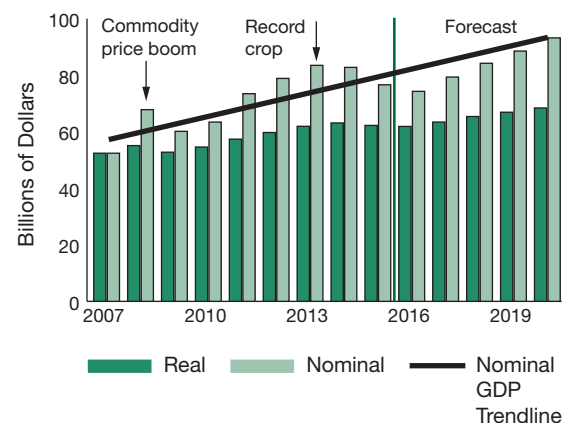
The survey also finds that Saskatchewan is the second most attractive jurisdiction in the world for mining investment, behind only Western Australia.

While declining oil and potash prices are having an effect, the province's economy is expected to rebound as it has in the past.

After the global financial crisis of 2008, in a five-year period beginning in 2009, Saskatchewan's real GDP growth averaged 3.9 per cent per year.

After a slight decline in 2016, GDP is forecast to rise by 2.5 per cent in 2017 and average that rate for the remaining forecast period, reflecting Saskatchewan's economic resilience and diversity.

SASKATCHEWAN REAL AND NOMINAL GDP LEVEL



Source: Ministry of Finance

Saskatchewan people and their government will work together to further diversify our economy, invest prudently in people and infrastructure, innovate and keep our economic underpinnings strong. (More detailed economic information is provided in *The Saskatchewan Economy*, beginning on page 31.)

FISCAL PICTURE

A deficit of \$434 million is projected for 2016-17.

Revenue is forecast at \$14.02 billion – \$264 million or 1.8 per cent lower than \$14.29 billion in Budget 2015-16.

This is largely due to a forecast decrease in non-renewable resource revenue of more than \$968 million compared to last year's budget, the result of lower oil and potash prices.

Decreases are offset somewhat by higher transfers from the federal government, including \$200 million related to the transfer of federal dams to the Government of Saskatchewan.

Other own-source revenue is budgeted to increase \$181 million, reflecting a net \$148 million from agricultural land sales in 2016-17, as the government reduces its ownership of farmland and puts it in the hands of producers.

Net income from Government Business Enterprises is up \$180 million, due largely to increased net income forecasts for nearly all commercial Crown entities.

Expense is forecast at \$14.46 billion in Budget 2016-17, up \$277 million or 2.0 per cent from Budget 2015-16. This modest level of expense growth is prudent and necessary given the revenue volatility the province is facing and demonstrates the

government's commitment to controlling operational spending.

Targeted investments are planned in health, education and social services and assistance in 2016-17, the areas that make up nearly three-quarters of total expense and that matter most to Saskatchewan residents. There are modest increases in other areas as well. (More information is available in the 2016-17 Financial Outlook, beginning on page 40.)

The 2016-17 Budget finds a balance between managing the fiscal environment and providing the programs and services that are important to Saskatchewan people.

Government's pursuit of balance is similar to its pursuit of growth.

The pursuit of growth is not for its own sake. As Premier Brad Wall has said, "The purpose of growth is to secure a better quality of life for all Saskatchewan people."

Similarly, a balanced budget for its own sake is not the goal.

Balance is sought to ensure the sustainability of the programs and services Saskatchewan people value and need, today and into the future.

There are circumstances when global events, large drops in revenue or increased expense due to natural disasters or large crop failures make it more prudent to run a manageable deficit, rather than implement severe cuts to programs and services or increase the cost burden on citizens.

This year is such a time. The government remains committed to returning the budget to balance by 2017-18.

CHALLENGE AND CHANGE

This year marks the beginning of a government-wide exercise of transformational change to ensure the sustainability of high quality public services delivered in the most effective, efficient way possible.

In order to ensure that services are viable for the long run, especially in light of much lower resource revenues, government will take a close look at everything that it does.

Transformational changes can be complex and require time to successfully implement. In the face of the current economic situation, government has made some difficult decisions this year and must continue to make difficult decisions moving forward.

Government will need all its partners across all sectors, as well as public sector employees and unions, to work constructively together as changes are made to meet the service needs of Saskatchewan people.

Important questions will be asked:

Is this something government should be doing?

Is this program or service the role of government?

If so, is it being delivered in the best possible manner and at the lowest possible cost to taxpayers?

Are there a number of similar programs with similar objectives and if so, can they be combined into one program that provides better results at less cost?

Could a different governance model provide administrative savings while still remaining responsive to the needs of Saskatchewan people?

By answering these questions and more, government programs and services will remain sustainable, delivering what's important and vital at the lowest possible cost to Saskatchewan taxpayers.

KEEPING TAXES LOW

In order to keep Saskatchewan's economy strong, the 2016-17 Budget includes no tax increases and no new taxes.

This budget includes a change to the Dividend Tax Credit that counteracts a federal change which left unaddressed would have increased provincial tax on dividend income for Saskatchewan people.

Instead, Saskatchewan's tax on this dividend income will remain unchanged from previous years. This change may affect relatively few, but it demonstrates government's desire to keep taxes low.

Tax reductions total \$5.9 billion since 2008, and Saskatchewan has among the lowest personal and business tax burdens in the country according to the Conference Board of Canada's report, *Benchmarking Provincial Tax Burdens*, released in April 2016.

A family of four with \$100,000 in combined income will see savings of \$2,519 in provincial tax in 2016, compared to 2007. In a comparison across Canada, Saskatchewan individuals and families with various ranges of income consistently pay the second lowest taxes and utilities in the country. (More information is available in 2016 Intercity Comparison of Taxes and Utilities on pages 57 to 61.)

But just as government will consider transformational change in how it delivers services and programs to ensure sustainability at the lowest cost, government also needs to consider its sources of revenue.

Are they sustainable? Are they adequate to fund the services Saskatchewan people value? Could they be simplified? Is dependence on volatile revenue from natural resources too high?

Questions government must ask emerge on both the spending and revenue side of the equation as part of a forward look at transformational change.

This is the balance Saskatchewan seeks.

Consideration was given to increasing Education Property Tax (EPT) in this budget.

Government's decision was to keep mill rates constant for now.

Since EPT reform in 2009, mill rates have only been lowered and have not been adjusted for inflation, while enrolments, teacher salaries and school operating costs have increased.

And the share of operating funding from EPT is currently 36 per cent, lower than the longstanding goal of 40 per cent.

Changes to EPT remain an area of consideration for government.

TAX EXPENDITURE CHANGES

Government is helping post-secondary graduates afford a home and stay in Saskatchewan by introducing the Graduate Retention Program (GRP) First Home Plan.

The GRP is the most aggressive youth retention program in Canada, providing personal income tax credits to rebate up to \$20,000 in tuition fees to post-secondary graduates.

Since its creation about 58,000 post-secondary grads have received nearly \$200 million in tuition rebates.

The new First Home Plan gives eligible graduates the ability to use up to \$10,000 of their future GRP tax credits as an interest-free loan to use toward the down payment on their first home in the province.

Government's investment in this program is \$8 million, further enhancing its commitment to retain graduates and make housing attainable for first-time buyers. Making Saskatchewan more affordable for our young people helps keep Saskatchewan strong.

The Active Families Benefit, a refundable personal income tax credit, is being eliminated, saving the government \$5.5 million per year.

The credit was initiated to assist families with the cost of registering children in cultural, recreational and sports activities. Better support for these families is available through programs at the community level.

A similar federal tax credit was eliminated in the recent federal budget.

INVESTING IN INFRASTRUCTURE

The 2016-17 Budget keeps Saskatchewan strong by investing over \$3.5 billion for infrastructure, the largest single-year capital investment in the province's history.

Nearly \$1.8 billion is being invested by the commercial Crown sector and over \$1.7 billion by executive government ministries and agencies in 2016-17.

Investing in infrastructure builds Saskatchewan's strength, and will show a return now and into the future. It establishes the structural framework to help the province's economy.

Capital investment supports construction jobs when other sectors are feeling the downturn. Needed investment improves safety on roads and expands and improves the transportation system, vitally important in an export-driven province.

It will create better learning places for children attending elementary and secondary schools and post-secondary institutions. Capital investment helps in the delivery of quality health care and long-term care by building hospitals and facilities suited for those vital needs.

2016-17 Saskatchewan Builds Capital Plan

This budget includes a four-year, \$5.5 billion infrastructure commitment by government ministries. The Saskatchewan Builds Capital Plan (outlined in more detail on pages 20 to 27) will maintain and build needed infrastructure like schools, health care facilities, municipal infrastructure, roads, bridges and highways.

Including investment outlined in the 2016-17 Budget, government's investment in core infrastructure is nearly \$9.6 billion since 2008-09, more than \$1.0 billion a year on average.

2016-17 Capital Highlights

The 2016-17 Budget commits \$875.7 million to **transportation infrastructure** to keep Saskatchewan's economy moving forward, an increase of \$294.7 million or 50.7 per cent from last year's budget.

The Saskatchewan Builds Capital Plan outlines over \$3.1 billion in capital through the Ministry of Highways and Infrastructure over the next four years.

The *Highways 2020 Plan* outlines a three-year, \$70 million surge to fix more highways. There is \$30 million being invested in preservation and rehabilitation to meet the first year of the commitment, a 20 per cent increase over 2015-16. There is also \$20 million committed for each of the next two years.

Work continues on the Regina Bypass. Once complete in October of 2019, it will greatly improve the efficient movement of people and goods in our province and will vastly improve traffic safety.

This budget provides funding for significant twinning and passing lane projects on Highways 5, 6, 7, 16 and 39, as well as significant investment in the interchanges for Warman and Martensville.

Over \$1.1 billion in total has been invested in **municipal infrastructure** since 2008-09, including municipal, provincial and federal dollars.

Funding of \$127.5 million is included in the budget for municipal infrastructure in 2016-17, with plans to invest an additional \$325 million through 2019-20.

Including all three levels of government, the New Building Canada Plan is expected to result in over \$1.0 billion in new investment for Saskatchewan infrastructure by 2023-24.

There is \$10 million in the 2016-17 Budget for the first year of the province's three-year, \$50 million commitment to the North Commuter Parkway Bridge project in Saskatoon that will help ease congestion on existing bridges.

As Saskatchewan's population continues to grow, so too does the demand for schools.

This budget provides \$391.4 million for **K-12 schools and other education capital**, up \$142.9 million over last year's budget and the largest ever budget for this sector. Over the next four years almost \$700 million in investment is targeted for K-12 schools and other education capital. Almost \$1.0 billion has been invested in 63 major school capital projects and over 900 other school capital projects since 2008-09.

Budget 2016-17 supports continuing construction of the joint-use schools in the high growth communities of Martensville, Warman, Saskatoon and Regina.

Those facilities are being built through a P-3 procurement process and plan to open for the 2017-18 school year, ready to welcome students and adding 810 new child care spaces.

There is also major capital funding of \$41.9 million in 2016-17 for the renovation or repair of schools in Langenburg, Martensville, Gravelbourg, St. Brieux and Regina's Scott Collegiate and Sacred Heart

Elementary. Construction continues this year on the replacement of Regina's Connaught School.

Maintenance and renewal is a key component which helps keep schools and education infrastructure strong. This budget provides \$38 million for preventative maintenance and renewal, up 20 per cent from last year's budget.

Investments in university facilities, regional colleges and training facilities will help keep Saskatchewan strong, today and into the future.

A key contributor to continued growth in the province is a high quality post-secondary education and training system. Since 2008-09 more than \$400 million has been provided through Advanced Education for post-secondary education and research sector capital.

In 2016-17, \$25.8 million is targeted for capital in the area of **advanced education and training**, with an estimated \$170 million provided to the sector over the next four years.

This budget provides \$2.2 million for the completion of a \$17.5 million renovation project at Southeast Regional College in Weyburn, which will include a fully renovated multipurpose shop, new classrooms, new labs and support space.

In 2016-17 maintenance capital and renewal funding is continuing at \$23.6 million.

Health care infrastructure is foundational to providing care to Saskatchewan people.

Government has invested over \$1.2 billion into hospitals and health care facilities over the past nine years. This budget commits \$239.9 million to health care capital in 2016-17, part of a \$700 million investment over the next four years.

Final year funding is included in this budget for the Kelvington Integrated Care facility and The Meadows

long-term care facility in Swift Current, each scheduled to open this summer.

Budget 2016-17 includes \$14.1 million for upgrades at Regina's General and Pasqua Hospitals and Saskatoon's Royal University Hospital. Construction will continue on major projects, including the new Children's Hospital in Saskatoon and the replacement of the Saskatchewan Hospital North Battleford – Integrated Correctional Facility.

The Capital Plan also includes funding for health facility maintenance and equipment, including \$50.4 million in 2016-17, up \$6.9 million from last year's budget. The four-year plan recognizes the importance of maintenance of health care facilities to keep Saskatchewan strong.

Investment in infrastructure that supports **government services** – buildings, correctional facilities, courts, parks, recreation facilities and information technology systems – is key to building on our province's strengths.

Investment in these assets will support high quality program and service delivery, and the 2016-17 Budget provides \$94.8 million for investment in new court and correctional facilities and fire-fighting capacity, among other needed projects.

2016-17 Crown Corporation Capital Highlights

Crown corporations expect to invest nearly \$1.8 billion in infrastructure in 2016-17 to keep Saskatchewan strong.

Between 2000 and 2007, the Crowns spent, on average, approximately \$568 million per year on capital to both maintain and invest in new infrastructure.

Crown capital investment more than doubled to an average of \$1.4 billion annually between 2008 and

2014 and it is forecast that between 2015 and 2020, Crown corporations will invest an average of \$1.9 billion each year maintaining existing and building new infrastructure – more than triple the annual average investments between 2000 and 2007.

Major Crown capital projects budgeted for 2016-17 include \$1.1 billion at **SaskPower**, primarily to renew transmission and distribution systems which carry electricity to customers. SaskPower will also expand and renew electricity generation assets to meet growing power needs.

SaskTel projects investment of \$331 million to increase and upgrade its wireless and wireline networks across the province, improve customer service and continue the roll out of infiNet, its high bandwidth broadband service.

SaskEnergy is forecast to spend \$292 million, primarily for renewal and expansion of its natural gas transmission and distribution systems to ensure safe and reliable service which meets growing customer demand.

A STRONG BASE

This budget is built from a strong base.

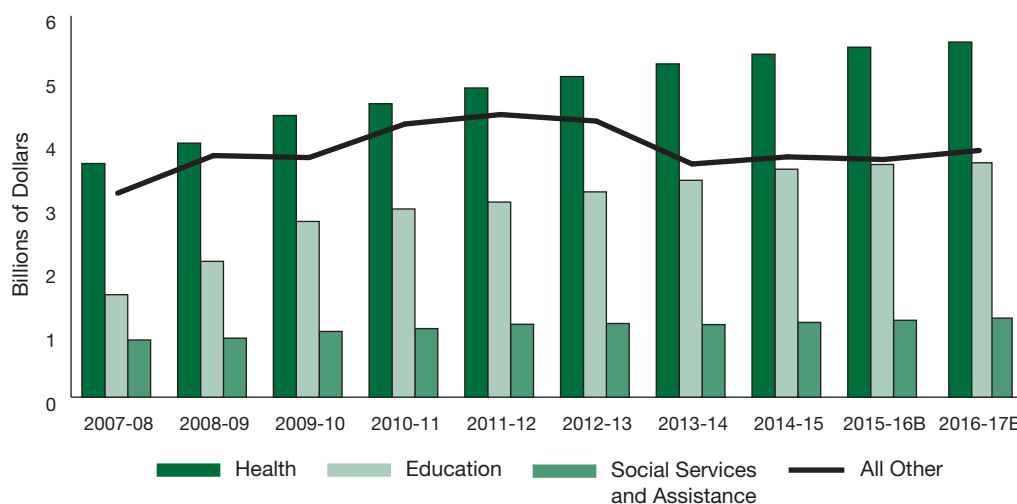
Health, education and social services and assistance spending makes up nearly three-quarters of all government expense in 2016-17. Since 2007-08, total spending in these three major areas is up 70.0 per cent or \$4.3 billion.

Budgeted total expense at two per cent growth or less has become the standard over the past three years, and further restraint is needed over the medium term.

Population growth, demographic pressures, increased utilization and covering Saskatchewan's vast distances, combined with the current economic situation, are some of the factors that put pressure on expense budgets.

Not every request can be met. However, health, education and social services and assistance expense is projected to be \$10.52 billion in 2016-17, up \$143 million or 1.4 per cent from the 2015-16 Budget.

SPENDING BY THEME



Source: Saskatchewan Budget, Public Accounts, Ministry of Finance

It means government has made tough choices and will face difficult decisions into the future as it meets the challenge of lower resource revenues while keeping its foundation strong.

INVESTING IN PEOPLE

Important investments continue to be made and government's commitments are being met.

The province's revenue sharing to municipalities is just under \$272 million.

It is an increase of \$6.4 million over last year's budget and up \$144 million, or 113 per cent, since 2007-08.

This substantial funding meets the government's commitment to provide the equivalent of one percentage point of Provincial Sales Tax, from two years prior.

Revenue sharing plays an important role helping municipalities meet the needs of people in cities, towns, villages and in rural Saskatchewan.

The 2016-17 Budget provides \$254.6 million to fully fund agricultural business risk management programs, including AgriStability, AgriInvest and Crop Insurance, a \$14.6 million increase from the previous year.

And funding of \$26.8 million continues for agricultural research to support improvements in productivity and enhanced exports.

Health expenses include the appropriation of the Ministry of Health, spending through the Regional Health Authorities, the Saskatchewan Cancer Agency, eHealth, the Health Quality Council, the Saskatchewan Health Research Foundation, North Saskatchewan Laundry and Support Services Limited and the Physician Recruitment Agency.

In 2016-17 total spending for health is projected to be nearly \$5.6 billion, an increase of \$81 million or 1.5 per cent over last year's budget.

Much of the increase will go to compensation for front-line health care workers who provide quality care to Saskatchewan people.

Regional Health Authorities are reducing administration expense by \$7.5 million a year and redirecting savings to improve seniors' care by hiring more registered nurses, licensed practical nurses and continuing care aides in long-term care facilities.

A \$20 million increase to the Saskatchewan Surgical Initiative in this budget is aimed at keeping wait times to no longer than three months for surgery following a physician's referral.

The 2016-17 Budget includes a \$9.8 million increase in funding to the Saskatchewan Cancer Agency to help compensate for the addition of 15 new drugs approved last year.

There is also close to \$15 million more for the Drug Plan and Extended Benefits, providing for increased use and the addition of a treatment for Hepatitis C, approved last year.

Education expense includes portions of the appropriations for the Ministries of Advanced Education, Education and Economy. It also includes spending through Boards of Education, Saskatchewan Polytechnic, Regional Colleges and the Saskatchewan Student Aid Fund.

Total education expense is budgeted at \$3.7 billion, up \$27 million or 0.7 per cent from last year.

The 2016-17 Budget includes 199 previously approved child care spaces coming online this year through \$1.6 million in the budget, bringing total funding to nearly \$53 million. The number of

licensed child care spaces has increased by close to 5,800 since 2008-09, bringing the total to more than 14,600.

It also includes \$4 million targeted for classroom supports to address enrolment growth in the Pre-K to Grade 12 schools.

The 2016-17 Budget includes an increase to the Canada-Saskatchewan Job Grant of \$2.4 million to \$6.4 million to provide training that aligns with employer needs. The budget also provides for the continuation of 9,000 Adult Basic Education training opportunities.

The Employability Assistance for People with Disabilities program will continue to support 2,545 opportunities.

Post-secondary operating funding of \$660 million is being provided in the 2016-17 Budget, similar to last year's level for universities, federated and affiliated colleges, technical institutes and regional colleges.

Social services and assistance includes the entire appropriation of the Ministry of Social Services, plus portions of the appropriation of the Ministry of Government Relations, plus spending through the Saskatchewan Housing Corporation and the Saskatchewan Legal Aid Commission.

At \$1.24 billion, social services and assistance is budgeted for an increase of \$34 million or 2.8 per cent this year.

Saskatchewan cares for those most vulnerable.

In this budget, \$210.1 million, an increase of \$9.7 million over last year, is committed to Saskatchewan Assured Income for Disabilities, responding to complex and increasing caseloads.

Fully employable clients are being directed to the Transitional Employment Allowance program, with

increasing caseloads resulting in a \$19.5 million increase in 2016-17 bringing the total to \$36.5 million.

This has resulted in a \$5.6 million reduction in the Saskatchewan Assistance Plan, to a total of \$153.6 million for 2016-17.

This budget provides about \$6.4 million more compared to last year to address foster care and extended family care caseload volumes and special needs cost pressures. Some of that funding will also be used to support a larger assisted adoption caseload.

This budget provides about \$4.2 million more than last year to address costs being experienced for youth treatment and emergency receiving at the Ranch Ehrlo and Eagles Nest private treatment centres.

This budget also includes a \$3.7 million increase to fund the full-time therapeutic supervision of medically fragile children in the Minister's care.

And it provides \$2.3 million more than last year's budget for specific services to families with an open child-protection file to prevent children from coming into the care of the Minister.

This budget also provides \$3.4 million more compared to last year to address emerging needs for those with intellectual disabilities and support the transition of individuals from Valley View Centre.

And there's \$1.9 million more in this budget for the Cognitive Disability Strategy, once again to respond to program demand.

The Seniors Income Plan continues unchanged, however, as a result of increased seniors' incomes, program costs are reduced by \$250,000.

Controlling spending while investing in priorities for people helps keep Saskatchewan strong.

SPENDING DECISIONS

Budget 2016-17 includes difficult but necessary decisions to ensure the sustainability of valuable services to citizens.

The Children's and Seniors' Drug Plans are rising by \$5 per prescription, resulting in a \$25 per prescription maximum.

Drug Plan costs have grown by an average of \$10 million annually since 2012-13. The cap was last increased that same year from \$15 to \$20 per prescription.

This change helps make the plans more sustainable, offsetting some of the annual increase by \$6.75 million in 2016-17, and \$9 million annually going forward. Increases are expected to cost 66,000 families approximately \$20 a year, on average, and 120,000 seniors approximately \$80 annually, on average.

Drug plans and prescription programs in other provinces differ, making direct comparisons difficult. However, it appears with this change the cost to users of Saskatchewan's Plans is in line with costs per prescription in other jurisdictions.

Buffalo Narrows Community Correctional Centre is being closed. At full capacity, the centre houses 18 inmates. Inmates from the centre will be transferred to other facilities in Saskatchewan. The closure is expected to save the province \$661,000 in 2016-17 and just over \$1.0 million annually.

The 2016-17 Budget includes \$4 million for a number of justice and corrections programs, including the Aboriginal Courtworker Program, funding to Aboriginal Police Consulting Groups, the special investigations unit grant and alternative

measures programming. Funding for these programs is reduced by just over \$1.8 million in total from last year, to maintain a level of service while ensuring sustainability.

Provincial funding totaling \$540,000 for five urban parks – Wakamow in Moose Jaw, Chinook Parkway in Swift Current, Pehonan in Prince Albert, River Valley in Battlefords and Tatagwa in Weyburn – has been eliminated.

Training program funding has been adjusted to appropriate utilization levels, notably the Saskatchewan Apprenticeship and Trade Certification Commission and Apprenticeship Training Allowance. The Commission's budget has been reduced by \$1.0 million to just over \$22 million and the Allowance has been reduced by \$500,000 to about \$2.7 million in 2016-17 to more accurately reflect the program's needs and align it with 6,700 training seats.

The province will defer funding for the Health Sciences facility project at the University of Saskatchewan, as well as funding for the Canada Excellence Research Chair in Water Security for 2016-17. Support for these initiatives will be considered in future years.

In 2015-16, the Saskatchewan Employment Supplement changed to target the supplement to applicants with children 13 years old and under. However, there was a grandfathering provision, leaving clients who already were in the program eligible to receive support for children over 13 years old.

The grandfathering provision is being removed and combined with projected lower utilization the province is forecast to save \$2.5 million in 2016-17, with the supplement projected to cost \$12.6 million.

DEBT MANAGEMENT

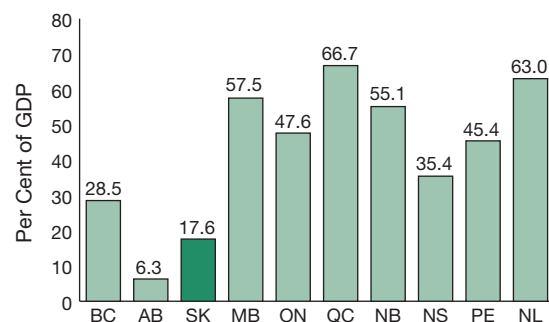
An important part of keeping Saskatchewan strong is responsible debt management.

Our province's credit ratings are among the highest in the country. Saskatchewan's percentage of total debt-to-GDP, 17.6 per cent as of March 31, 2016, is second lowest among the provinces.

Third lowest is British Columbia at 28.5 per cent, and Québec has the highest debt-to-GDP ratio at 66.7 per cent.

Overall, \$14.8 billion in public debt, which is all government debt including that of Crown corporations, remains manageable.

2015-16 TOTAL DEBT (PER CENT OF GDP)



Source: DBRS-Adjusted Total Debt as at March 31, 2016, Statistics Canada, Conference Board of Canada

Government's General Revenue Fund operating debt is nearly 40 per cent lower than it was in 2008, resulting in cumulative savings of over \$1.0 billion in interest payments.

Crown corporations will borrow just over \$745 million in 2016-17 to finance nearly \$1.8 billion in needed capital projects. Borrowing for infrastructure by commercial entities which generate revenue, like SaskPower, SaskTel and SaskEnergy, is carefully managed.

Each Crown corporation has an industry benchmarked financial target, such as the debt ratio,

to gauge debt sustainability. Commercial Crowns are in line with those targets.

Saskatchewan continues to grow and schools, hospitals, highways and other vital infrastructure are needed. Executive government will invest more than \$1.7 billion on infrastructure in 2016-17, over 34 per cent more than the previous year, through the Saskatchewan Builds Capital Plan.

The Plan will be funded through a combination of revenue sources including federal funding, public-private partnerships, investment by government entities and capital market borrowing.

Executive government will borrow an estimated \$1.0 billion specifically for investment in capital, outlined in the 2016-17 Plan.

Canada's provincial governments and the federal government borrow to build. Government borrowing to invest in capital is endorsed by a variety of fiscal and economic policy experts, including David Dodge, the former governor of the Bank of Canada, the Conference Board of Canada and the International Monetary Fund.

Funding infrastructure out of operating revenue alone would severely limit the ability to address other priorities and needs of Saskatchewan people. Deferring needed projects underway would only increase future costs.

Current low interest rates, combined with the province's solid credit ratings and low debt-to-GDP, make this a cost-effective time to finance capital. It's a disciplined approach to meet the needs of a growing province, matching the benefits of the assets with the term of payment for the assets.

The additions to tangible capital assets (net of amortization) for 2016-17 is almost \$2.1 billion, including \$1.18 billion in government service organizations and \$915 million in government business enterprises, largely the major Crown

corporations. The total budgeted net book value of tangible capital assets at March 31, 2017 is \$24.8 billion.

Repayment of capital debt upon maturity is a key principal of government's capital financing plan. At least two per cent of the value of these borrowings is set aside and invested each year to ensure sufficient cash is available to repay the debt as it comes due. This ensures debt pertaining to infrastructure assets will not be passed on to future generations. (More information on 2016-17 Borrowing and Debt begins on page 50.)

CONCLUSION

Saskatchewan people keep our province strong.

Saskatchewan's motto – *from many peoples strength* – reflects the confidence of its people to meet challenges and move forward.

The belief in a better future is no less ingrained in the people who come to our province today than it was for those who came more than a hundred years

ago or for those who have lived for centuries on our abundant land.

Budget 2016-17 keeps our foundation strong.

This budget ensures help is there for those most vulnerable by investing in people.

This budget keeps our province strong and moving forward by keeping taxes low and by investing in roads, hospitals and highways.

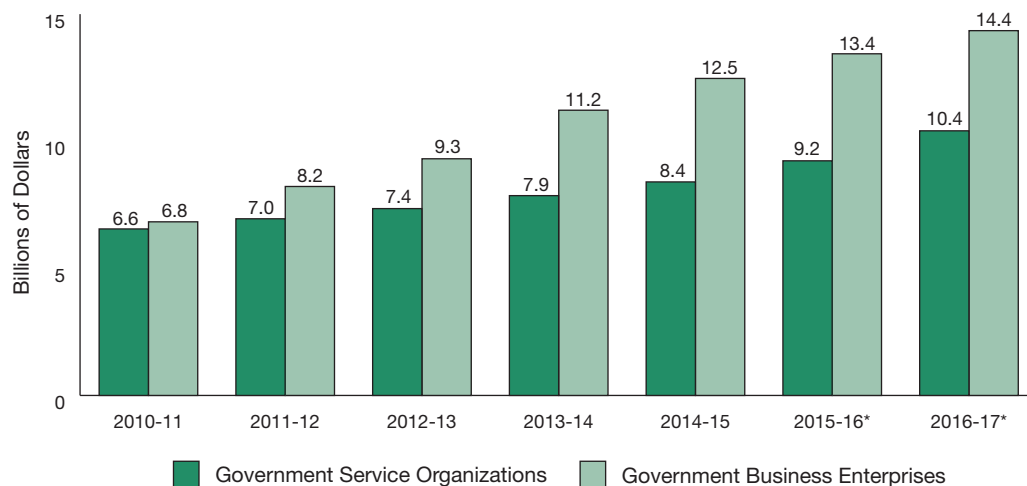
This budget keeps the province's fiscal position strong by managing spending.

Budget 2016-17 includes some difficult decisions.

There may be more difficult decisions ahead as government works to ensure the sustainability of high quality public services delivered in the most effective, efficient way possible.

The government will continue to provide the appropriate balance between fiscal responsibility and ensuring sustainable quality services in order to keep Saskatchewan strong.

GROWTH OF TANGIBLE CAPITAL ASSETS





SASKATCHEWAN PROVINCIAL BUDGET

16-17

SASKATCHEWAN BUILDS CAPITAL PLAN

SASKATCHEWAN BUILDS CAPITAL PLAN

(2016-17 to 2019-20)

CAPITAL PLAN HIGHLIGHTS

The 2016-17 Saskatchewan Builds Capital Plan includes the capital investment activities of executive government ministries and agencies. The purpose of the plan is to ensure that capital investments are strategically aligned to the province's growth and quality of life priorities; and serves to strengthen the reporting on Government's infrastructure investments. This plan follows up on 2015-16 achievements which included nearly \$1.2 billion dollars of infrastructure investments and the commencement of many important projects such as the Regina Bypass, Joint-Use Schools and the new Saskatchewan Hospital North Battleford – Integrated Correctional Facility (SHNB-ICF).

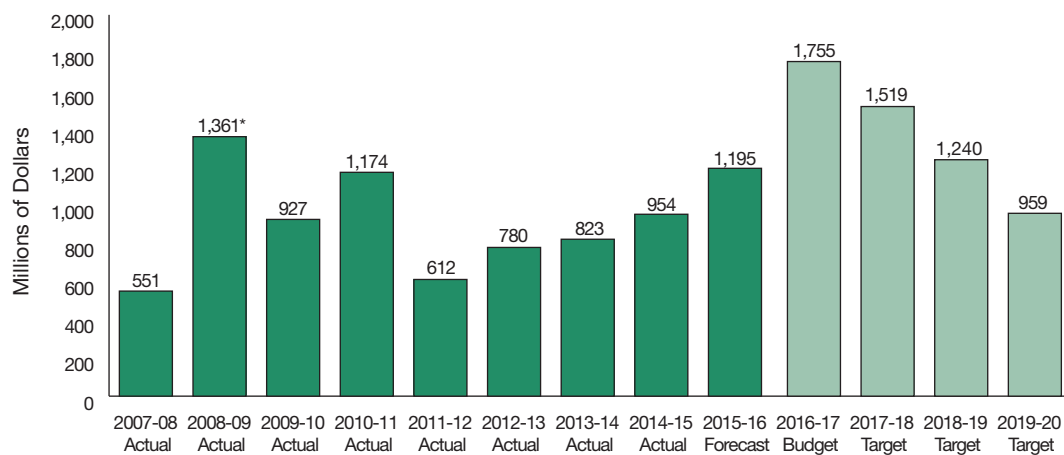
Investing in the infrastructure required to foster economic growth and address the challenges of growth is a core component of *The Saskatchewan Plan for Growth*. Further, it is an important step towards continuing to secure a better quality of life for all

Saskatchewan people. Since 2008-09, including the funding provided in the 2016-17 Budget, nearly \$9.6 billion has been provided for investment in the province's schools, health care facilities, roads, bridges, highways and municipal infrastructure such as water and wastewater treatment plants.

Building on these previous investments, the 2016-17 Budget provides over \$1.7 billion for capital infrastructure. This represents an increase of over \$400 million from the 2015-16 Budget and is the largest capital budget in Saskatchewan's history. Further, this four-year capital plan is forecasted to provide \$5.5 billion toward much needed infrastructure investments that will serve to *Keep Saskatchewan Strong*.

The 2016-17 Budget includes a total capital investment of over \$3.5 billion, including the \$1.7 billion outlined in this plan as well as the Crowns.

SASKATCHEWAN BUILDS CAPITAL PLAN



* The 2008-09 Budget provided \$829M for capital expenditures. Actual capital expenditures were \$1.361B in 2008-09.

In addition to the Saskatchewan Builds Capital Plan, capital spending by the Crowns is projected to be \$1.8 billion in 2016-17. Between 2016-17 and 2019-20, Crown corporations forecast average annual expenditures of \$1.9 billion to maintain existing and build new infrastructure.

Saskatchewan's public-private partnership (P3) projects are progressing as planned. The new Swift Current long-term care facility – The Meadows – begins operation this June. Other P3 projects,

including the Regina Bypass, the SHNB-ICF and two bundles of elementary school projects, including three joint-use schools in Regina and six joint-use schools in Saskatoon, Warman and Martensville, have all commenced construction.

The 2016-17 to 2019-20 Saskatchewan Builds Capital Plan outlines projects approved to date and provides an estimate of anticipated future capital investment. The plan is detailed as follows.

SASKATCHEWAN BUILDS CAPITAL PLAN – 2016-17 TO 2019-20

(Thousands of Dollars)	2015-16 Budget	2015-16 Forecast	2016-17 Budget	2017-18 Target	2018-19 Target	2019-20 Target
Capital Asset Acquisitions (Government-Owned Capital)	796,609	711,635	1,094,282	1,089,394	844,334	578,983
Capital Transfers (Third-Party Capital)	512,391	483,667	660,773	429,412	395,407	380,028
Saskatchewan Builds Capital Plan Total	1,309,000	1,195,302	1,755,055	1,518,806	1,239,741	959,011
Capital Plan by Sector						
Transportation Infrastructure – \$875.7 million in 2016-17						
Highways Capital (including Regina Bypass)	559,865	558,640	854,582	888,865	765,464	523,495
Highways Partnerships and Supporting Capital	21,155	18,030	21,155	21,700	21,700	21,700
Municipal Infrastructure – \$127.5 million in 2016-17						
Municipal Programs	74,493	68,449	102,529	111,640	116,348	97,219
Regina Stadium	–	–	25,000	–	–	–
Education Capital – \$391.4 million in 2016-17						
Schools (including Joint-Use Schools)	216,855	190,555	353,391	102,963	18,800	17,100
Preventative Maintenance and Renewal	31,615	31,615	38,000	49,200	55,800	62,600
Advanced Education and Training – \$25.8 million in 2016-17						
Maintenance Capital	23,600	22,247	23,600	32,200	40,700	49,300
Post-Secondary Projects	23,030	15,128	2,182	6,400	5,070	9,600
Health Care – \$239.9 million in 2016-17						
Maintenance and Facility Regeneration	27,800	27,800	34,700	42,900	51,100	59,400
Health Equipment	15,723	15,723	15,723	20,844	23,366	23,989
Long-term Care (including Swift Current LTC)	75,619	75,619	7,332	25,300	39,980	18,100
Hospitals (including SHNB/ICF)	137,287	61,744	182,100	131,962	31,000	15,300
Government Services – \$94.8 million in 2016-17						
IT Capital	37,527	30,679	15,403	14,734	6,884	1,334
Courts and Corrections Capital	25,034	20,779	17,786	22,240	10,709	15,423
Parks Capital	12,999	12,999	5,050	9,500	9,500	9,500
Equipment Capital	13,276	14,368	30,822	22,658	25,486	22,651
Government Buildings	7,047	8,852	3,535	6,000	8,134	2,600
Other Capital to Support Government Programs	6,075	22,075	22,165	9,700	9,700	9,700
Saskatchewan Builds Capital Plan Total	1,309,000	1,195,302	1,755,055	1,518,806	1,239,741	959,011

The chart below outlines the main categories of infrastructure expenditure by sector expected over the next four years.

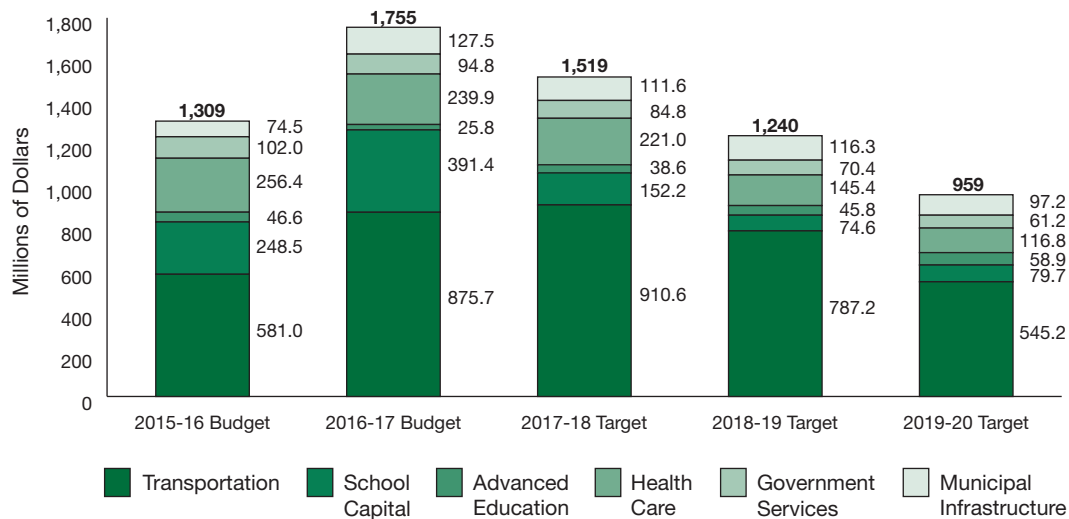
The 2016-17 Capital Budget builds on the strengths of Government's previous infrastructure investments. It provides for important investments in roads, municipalities, health and education, and will create significant economic activity and employment. It is designed to address the opportunities related to Saskatchewan's economic expansion, population increases, as well as the infrastructure deficit of the past.

While investing in new infrastructure to support current and future growth is important, it is also important to ensure that Saskatchewan maintains

its current array of provincial infrastructure. The 2016-17 Budget provides over \$96 million for maintenance investment in existing capital in Advanced Education, Health and Education. This amount represents an increase of \$13.3 million or 16.0 per cent. The four-year plan includes consistent increases for important capital maintenance activities to reinvest in and protect existing infrastructure.

The *Highways 2020 Plan* includes a commitment for a three-year, \$70 million surge in highway repair and maintenance, including \$30 million in 2016-17. Through Surface Preservation expense and Infrastructure Rehabilitation capital activities on highways, a total of \$244.6 million will be put into highways and infrastructure repair and maintenance in 2016-17 reflecting this \$30 million increase.

SASKATCHEWAN BUILDS CAPITAL PLAN BY SECTOR – 2016-17 TO 2019-20



CAPITAL PLAN DETAILS

Transportation Infrastructure

The 2016-17 Budget provides \$875.7 million in capital funding for transportation infrastructure, an increase of \$294.7 million or 50.7 per cent from last year's budget. This is projected to increase a further \$34.8 million in 2017-18. The 2016-17 Saskatchewan Builds Capital Plan delivers on the need for continued investment in transportation infrastructure, targeting over \$3.1 billion of capital investment through the Ministry of Highways and Infrastructure over the next four years.

The Highways 2020 Plan will provide a \$70 million surge in highway maintenance and repair activities over the next three years, including \$30 million in 2016-17.

The investment in Saskatchewan's highways has been significant – \$5.2 billion over the last eight years – and the four-year plan will further improve upon the progress that has been made. As part of the *Highways 2020 Plan*, a \$70 million surge in highway maintenance will be undertaken over the next three years, including an additional \$30 million to be directed toward highway repair and maintenance activities in 2016-17. This investment will serve to ensure that the quality of Saskatchewan's highways continue to improve and provide for the efficient and safe movement of people and goods.

Once complete in October 2019, the Regina Bypass project will significantly improve traffic safety and efficiency. In addition to this major project,

Government is investing in many important transportation infrastructure projects throughout the province, including: interchanges for Warman and Martensville; twinning and passing projects on Highways 5, 6, 7, 16 and 39; as well as numerous other enhancement and rehabilitation activities throughout the province.

The 2016-17 Budget also continues funding support of \$15.0 million for the rehabilitation of highways impacted during 2014 flooding events.

\$16.0 million is provided for the continued support of the Municipal Roads for the Economy Program. This program provides funding through the Saskatchewan Association of Rural Municipalities toward projects aimed at developing a network of primary weight truck haul routes on municipal roads, improving municipal roads that experience high levels of heavy truck traffic, and improving bridges and culverts on municipal roads.

Municipal Infrastructure

Since 2008, over \$1.1 billion in municipal infrastructure funding has been used to support major projects such as the Saskatoon Circle Drive South Bridge and freeway project, Global Transportation Hub infrastructure, Regina Evraz Place upgrades, the Estevan Truck Bypass, Mosaic Place in Moose Jaw, and the Regina Stadium project.

Funding of \$127.5 million is included in the budget for municipal infrastructure in 2016-17, with plans to invest an additional \$325 million through 2019-20. Funding in this category is provided for the New Building Canada Fund and other existing federal-provincial-municipal infrastructure programs.

The New Building Canada Plan should result in over \$1.0 billion in further investment for Saskatchewan infrastructure by 2023-24, including all federal, provincial and municipal contributions. The funding will be used to provide for various infrastructure improvements, such as roads, water and wastewater management. In addition to these funds, Municipal Revenue Sharing will provide \$271.6 million in 2016-17, an increase of \$144.0 million or 113 per cent since 2007-08.

The New Building Canada Plan should result in over \$1.0 billion in further investment for Saskatchewan infrastructure by 2023-24.

The 2016-17 Budget provides \$10.0 million toward the new North Commuter Bridge project in Saskatoon. Government has made a three-year, \$50.0 million commitment to this project that, once complete, will support transportation efficiencies in the City of Saskatoon and reduce traffic on existing bridges.

Education Capital

Significant capital investments have been undertaken in the last number of years in Education. Since 2008-09, the Government of Saskatchewan has spent almost \$1.0 billion for 63 major school capital projects and over 900 additional school capital projects across the province.

Almost \$1.0 billion has been invested in 63 major school capital projects and over 900 other school capital projects since 2008-09.

This budget provides \$391.4 million for K-12 Schools and other Education capital, an increase of \$142.9 million over the 2015-16 Budget, the largest ever budget for this sector. Over the next four years, almost \$700 million is targeted for investment in this area.

The current capital plan continues to support seven ongoing major capital projects in addition to the bundle of nine joint-use schools in Regina, Saskatoon, Warman and Martensville through a P3 procurement process. These schools will be ready for students for the 2017-18 school year and will add much needed capacity – up to 11,100 students and 810 child care spaces – to these communities.

Ongoing major capital funding of \$41.9 million will be provided in 2016-17 for the renovation or repair of schools in Langenburg, Martensville, Gravelbourg, St. Brieux, and Regina's Scott Collegiate and Sacred Heart Elementary. Additionally, construction continues this year on the replacement of Regina's Connaught School.

Budget 2016-17 provides \$38.0 million for preventative maintenance and renewal in the K-12 sector. This represents an increase of \$6.4 million or 20.0 per cent from the previous year.

Advanced Education and Training

A high quality post-secondary education and training system continues to be a key component of the ongoing growth in Saskatchewan. Investments are being made in new university facilities, new regional colleges and training institutions.

In 2016-17, \$25.8 million is budgeted for capital in the area of Advanced Education and Training, with the four-year plan estimated to provide almost \$170 million to the sector.

Since 2008-09, over \$400 million has been provided through the Ministry of Advanced Education for capital in the post-secondary education and research sector. This includes the Academic Health Sciences Facility and the International Vaccine Centre at the University of Saskatchewan; a new student residence at the University of Regina; and notable projects at Southeast, Parkland, Cumberland, and Carlton Trail Regional Colleges.

Since 2008-09, over \$400 million has been provided through Advanced Education for new builds in the post-secondary education and research sector.

This budget provides \$2.2 million for the completion of the Southeast Regional College in Weyburn. This \$17.5 million project will provide for the renovation of a multipurpose shop, as well as an addition for classrooms, labs and support space.

The 2016-17 Budget continues funding support of \$23.6 million for maintenance capital and renewal funding in the Advanced Education and Training sector.

As significant new projects are reaching completion, there are plans to increase the maintenance portion of Advanced Education's capital funding to ensure that facilities meet student needs well into the future.

Health Care

Government continues to make significant investments in health care capital. The four-year plan targets more than \$700 million for investments in health facilities and equipment. The 2016-17 Budget provides \$239.9 million for health capital.

Since November 2007, Government has invested over \$1.2 billion in health care infrastructure, including investments in major capital projects, facility maintenance, and equipment. In this time period, construction has commenced or been completed on many major health care projects, including the new Children's Hospital of Saskatchewan (Saskatoon), the new Saskatchewan Hospital North Battleford – Integrated Correctional Facility, The Meadows long-term care facility (Swift Current), replacement of 13 outdated long-term care facilities throughout the province, the Dr. F. H. Wigmore Hospital (Moose Jaw), and the Saskatchewan Disease Control Laboratory (Regina).

Final year funding is included in this budget for both the Kelvington Integrated Care facility and The Meadows long-term care facility in Swift Current. These facilities are both scheduled to commence

operations this summer. \$14.1 million is being provided for important infrastructure upgrades and replacements in Regina's General and Pasqua Hospitals and Saskatoon's Royal University Hospital. These investments ensure that these important facilities will continue to meet the needs of a growing province for years to come.

\$239.9 million is being invested in health care infrastructure in 2016-17 with over \$700 million targeted over four years.

Government is also making significant and important investments in health facility maintenance and equipment. This budget provides \$50.4 million dollars for maintenance and equipment, an increase of \$6.9 million from 2015-16. The four-year plan to increase maintenance and equipment funding recognizes the importance of ensuring that adequate support exists to ensure that Saskatchewan's health system continues to meet the needs of its people.

Government Services

Many program areas in government require infrastructure upgrades, including government buildings, correctional centres, courts, parks, recreation facilities and information technology (IT) management systems. Investments in these areas will support high quality program and service delivery.

The 2016-17 Budget provides \$94.8 million in capital funding for this area. Major projects include Growing Forward 2 investments, funds to be allocated to new court and correctional facilities, and investments in the province's fire-fighting capacity.

Through the Growing Forward 2 program, the 2016-17 Budget provides \$11 million for the new International Trade Centre in Regina and \$5 million for the Livestock and Forage Centre of Excellence. Once complete, both of the facilities will support trade and competitiveness in the agri-business sector.

\$1.3 million is provided for the continued development of a third assessment and stabilization home to support the transition of residents from Valley View Centre. Assessment and stabilization homes provide short-term and mid-term care for individuals with intellectual disabilities and are part of a crisis support program that provides outreach, education and prevention supports, as well as dedicated crisis support and respite services.

\$5.1 million in capital funding will be provided to Saskatchewan's parks in 2016-17 as part of Government's continued commitment to improve and upgrade our provincial parks. Since 2008-09, the Government of Saskatchewan has invested more than \$90 million in capital expenditures in provincial parks across the province. In the last four years alone, new campgrounds have been developed at Greenwater Lake and Blackstrap Provincial Parks, more than 800 campsites have been electrified, new recreational facilities have been added, and water and wastewater systems have been upgraded and expanded.

\$7.5 million is provided in 2016-17 to renew Government's Revenue Management System. This project will improve services to taxpayers, including 56,000 businesses and 32,000 farmers.

\$20.8 million is included in the 2016-17 Budget to renew Saskatchewan's forest fire-fighting fleet to ensure the province has the capacity necessary to protect communities and valuable resources.

CAPITAL PLAN FINANCING

Saskatchewan, as with other jurisdictions in Canada, has a significant amount of aging infrastructure. In addition to providing for infrastructure renewal, Saskatchewan must invest in the capital required to support and sustain our growth. As such, Government has embarked on a significant capital investment program that will provide the infrastructure required to support and enhance our quality of life in a judicious and timely manner.

The Saskatchewan Plan for Growth highlights the importance of *Building the Infrastructure for Growth* and notes the importance of innovative ways to be responsive to the province's needs. Sustaining the growing investment in infrastructure is a priority in the 2016-17 Budget – *Keep Saskatchewan Strong*.

Government is budgeting to spend more than \$1.7 billion on core infrastructure in 2016-17, an all-time record and an increase of 34.1 per cent from last year's budget. Funding long-term investments entirely out of current year revenue is not practical. Such an approach would significantly limit opportunities to address other priorities and require either a substantial increase in taxes or a significant reduction in operating expenses. These are options which are not deemed appropriate particularly given the current volatility in resource revenues. Thus, a disciplined capital financing strategy will continue to be used to meet the infrastructure needs of our growing province and better match the benefits of the assets with the term of payment for these assets.

The Saskatchewan Builds Capital Plan will be funded through a combination of revenue received for capital purposes, P3s, investment by internal government entities, and capital market borrowing. Revenue

received from the federal government for capital purposes primarily relates to funding for initiatives like the Gas Tax Fund and Building Canada programs.

Current low interest rates, combined with the province's excellent credit rating, continue to make this a cost-effective time to finance capital.

When value-for-money can be demonstrated, P3s are an important part of the financing plan. The province's first P3 project, the new Swift Current long-term care facility, will begin providing service in the Cypress Health Region this summer. Progress continues on Saskatchewan's three other P3 projects, including the Regina Bypass, nine joint-use schools, and the Saskatchewan Hospital North Battleford – Integrated Correctional Facility.

To help finance the Saskatchewan Builds Capital Plan, an estimated \$1 billion is forecast to be borrowed during 2016-17. The current low interest rate environment, combined with the province's high credit rating, makes this an extremely cost-effective time in which to finance infrastructure investments.

Planning for and enabling the repayment of capital debt upon maturity continues to be a key principal of undertaking this capital financing plan. As a result, Government remains committed to having at least two per cent of the value of these borrowings set aside and invested each year to ensure that sufficient cash will be available to repay the debt as it comes due. This ensures that any debt pertaining to infrastructure assets will not be passed on to future generations.



SASKATCHEWAN PROVINCIAL BUDGET

16-17

TECHNICAL PAPERS

THE SASKATCHEWAN ECONOMY

INTRODUCTION

The Saskatchewan economy continues to be affected by low commodity prices. As a result, both real and nominal GDP are expected to decline in 2016.

However, in the past when commodity prices have fallen or global growth has eased, the Saskatchewan economy has always rebounded with strength and is expected to do so again.

While the price of West Texas Intermediate (WTI) oil is expected to decline from US\$48.79 per barrel in 2015 to US\$40.50 per barrel in 2016, it is expected to average US\$51.00 per barrel in 2017, leading to a slight recovery in drilling activity.

In addition, potash production is expected to increase by 8.9 per cent in 2017 as global demand improves.

Overall, Saskatchewan real GDP is currently forecast to decline by 0.6 per cent in 2016 and rebound by 2.5 per cent in 2017.

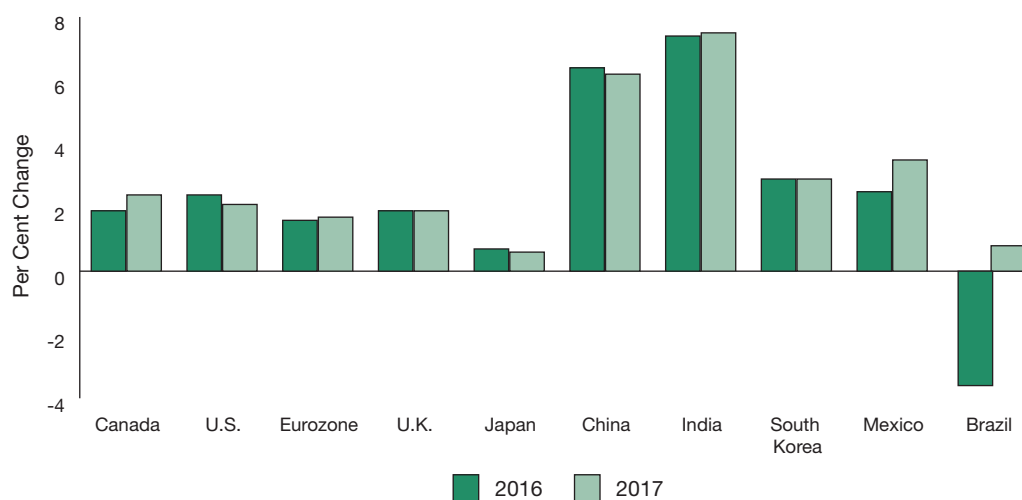
GLOBAL ECONOMIC OUTLOOK

The global economic outlook for real GDP growth is modestly positive, but effects of the sustained downturn in commodity prices and policy responses diverge across countries.

Among emerging and developing economies, China's economy is still growing at a relatively high, but declining, rate. Faced with excess industrial capacity and a transition to service-related output, China's growth is expected to slow from 6.9 per cent in 2015 to 6.4 per cent this year and 6.2 per cent in 2017.

India's economy, which has benefited from lower energy prices and higher real incomes, is expected to grow 7.3 per cent in 2015, 7.4 per cent in 2016 and 7.5 per cent in 2017.

GLOBAL REAL GDP GROWTH ASSUMPTIONS



Sources: Scotiabank and IHS Global Insight

Brazil's economy, subdued by political uncertainty, fiscal deficits, high inflation and a weak currency, contracted by 4.0 per cent in 2015 and is expected to contract by a further 3.6 per cent in 2016 before beginning to expand in 2017 at a rate of 0.8 per cent.

Among advanced economies, the United Kingdom achieved growth of 2.2 per cent in 2015, and is expected to grow by 1.9 per cent in each of 2016 and 2017. The headwinds of political uncertainty and fiscal consolidation are weighing against the positive effects of accommodative monetary policy and lower energy prices.

While deflation remains a concern in the Eurozone and Japan, stimulative policies are expected to help keep growth positive in these areas.

The Eurozone grew at 1.5 per cent in 2015 and is expected to grow at rates of 1.6 per cent and 1.7 per cent in 2016 and 2017. Japan's growth was 0.5 per cent in 2015 and is expected to grow by 0.7 per cent and 0.6 per cent in 2016 and 2017.

Labour market conditions in the United States indicate the economy is gaining momentum, and monetary policy is slowly tightening. The U.S. economy grew by 2.4 per cent in 2015 and is expected to grow by 2.1 per cent in 2016 and 2.8 per cent in 2017.

The Canadian economy is adjusting to the decline in commodity prices and the dollar. Reflecting this, growth in 2015 was 1.2 per cent, and is expected to improve to 1.9 per cent in 2016 and 2.4 per cent in 2017.

INTEREST RATES AND THE CANADIAN DOLLAR

In an attempt to help cushion the Canadian economy from declining oil prices, the Bank of Canada cut its overnight rate to 0.75 per cent in January 2015 and then to 0.5 per cent in July 2015. Further policy actions are dependent on Canadian economic conditions, with the price of oil being a significant consideration.

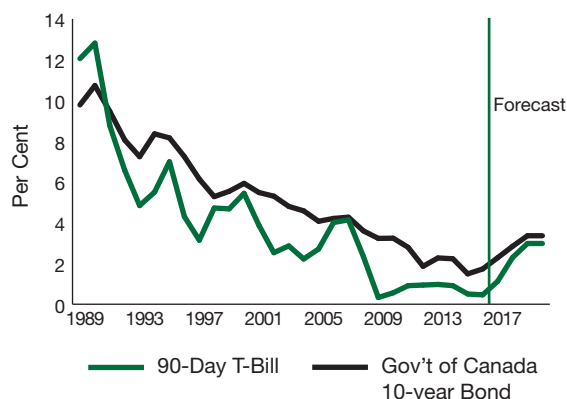
In contrast, the U.S. began the process of tightening monetary policy in December 2015 with a quarter-point increase in the federal funds target range. U.S. monetary policy, however, remains accommodative and the pace of tightening is proceeding at a measured pace.

CANADIAN AND U.S. GROWTH ASSUMPTIONS

	Actual 2015	2016	2017	2018	2019	2020
Canadian Real GDP						
Growth (%)	1.2	1.9	2.4	2.5	2.0	2.0
U.S. Real GDP Growth (%)	2.4	2.1	2.8	2.7	2.4	2.4
Short-term Interest Rate (%)	0.53	0.46	1.12	2.29	2.98	2.98
10-year Government of						
Canada Bond	1.53	1.73	2.28	2.84	3.36	3.36
Canadian Dollar (US cents)	78.30	74.00	77.00	80.00	82.00	83.00

Sources: Statistics Canada, IHS Global Insight and Ministry of Finance

CANADIAN INTEREST RATES



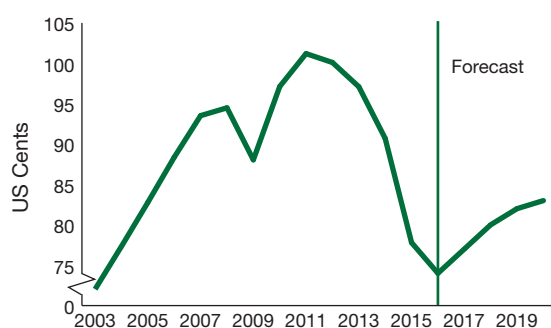
Sources: Bank of Canada, Ministry of Finance

The Canadian dollar's depreciation relative to the U.S. dollar is tied to the decline in oil prices, but it also reflects stronger U.S. growth, divergent monetary policies and the U.S. "safe haven" status, which reflects the U.S. as a favourite for currency traders and foreign investors because of uncertainties in the Eurozone and the slowdown in emerging markets.

As the price of oil increases over the forecast period, the Canadian dollar is expected to appreciate relative to the U.S. dollar.

The value of the Canadian dollar is expected to increase from an average of 74.0 US cents in 2016 to 77.0 US cents in 2017.

CANADIAN DOLLAR



Sources: Bank of Canada, Ministry of Finance

SASKATCHEWAN 2015 PERFORMANCE

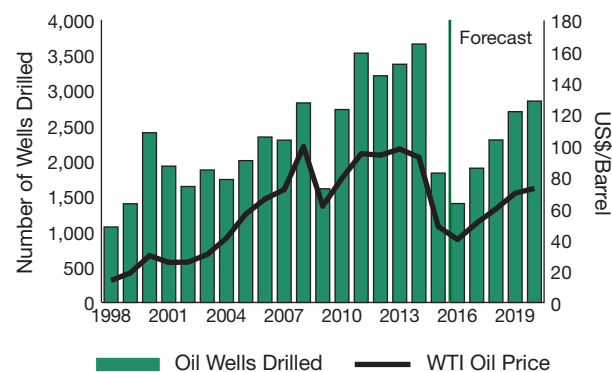
Saskatchewan's economy performed well in 2015 in a number of key areas despite the challenges facing the oil sector and weaker-than-expected growth in some of the province's major trading partners.

- Between January 1, 2015 and January 1, 2016, Saskatchewan's population increased by 1.2 per cent, the third-best percentage increase among provinces.
- Total employment increased by 2,800.
- Saskatchewan had the lowest unemployment rate in Canada.
- Saskatchewan had the strongest growth in wholesale trade in Canada.
- Saskatchewan had the second-strongest growth in building permits in Canada.
- Saskatchewan farmers harvested the second-largest crop in the province's history.

However, the challenges facing the oil sector have been significant. The price of WTI oil fell by close to 50 per cent in 2015, leading oil producers to cut back on both production and investment.

Oil production fell from 188.1 million barrels in 2014 to 177.6 million barrels in 2015, a decline of 5.6 per cent, while the number of new oil wells drilled fell by roughly 50 per cent.

WTI OIL PRICE AND OIL WELLS DRILLED

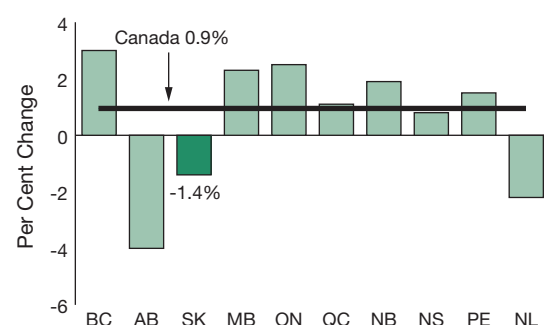


Source: Ministry of the Economy

The impact of these cutbacks on overall real GDP was slightly greater than expected.

Based on Statistics Canada's most recent estimate of 2015 real GDP by industry, Saskatchewan real GDP in 2015 is now estimated to have declined by 1.4 per cent.

2015 REAL GDP GROWTH BY PROVINCE



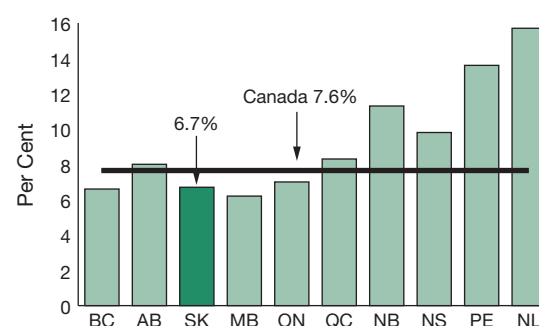
Source: Statistics Canada

SASKATCHEWAN ECONOMIC OUTLOOK

So far in 2016, certain areas of the economy remain positive.

Saskatchewan continues to have one of the lowest unemployment rates in the country.

UNEMPLOYMENT RATE BY PROVINCE (January - April 2016 Average)



Source: Statistics Canada

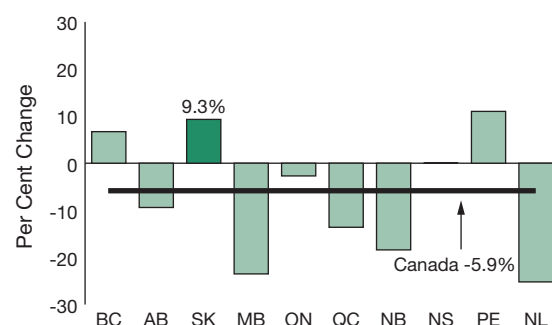
SASKATCHEWAN ECONOMIC INDICATORS

	2015 Actual	2016 Estimate*	2016 (YTD) % Change	2010 to 2016		
				Saskatchewan % Change	Rank	Canada % Change
Population at January 1 (000s)	1,129.1	1,142.6	1.2	9.6	2	6.6
Employment (000s)	573.7	570.5	(0.6)	7.4	2	6.6
Unemployment Rate (%)	5.0	6.7	6.7	4.9	Lowest	7.3
Consumer Price Index (2002=100)	130.8	132.8	1.6	11.9	1	10.4
Average Weekly Earnings (\$)	981.6	986.4	0.5	17.0	2	12.0
Retail Sales (\$B)	18.5	18.7	1.0	23.5	5	23.4
Wholesale Trade (\$B)	26.5	22.3	(16.0)	27.1	5	28.6
New Motor Vehicle Sales (# of units)	55,273	52,729	(4.6)	10.8	9	33.1
Manufacturing Sales (\$B)	14.1	13.3	(5.3)	22.6	4	16.9
International Exports (\$B)	32.6	25.1	(23.0)	6.4	7	26.2
Building Permits (\$B)	2.9	1.7	(41.7)	(19.1)	8	16.4
Housing Starts (# of units)	8,257	4,019	(22.0)	(32.0)	6	11.7
Investment in New Housing Construction (\$B)	1.4	1.0	(26.1)	5.7	4	32.0
Investment in Non-residential Building Construction (\$B)	1.8	1.9	9.3	21.9	2	5.4

* Estimates based on 2016 year-to-date growth and 2015 actual, except for the unemployment rate which is the year-to-date average.
Source: Statistics Canada

In addition, the value of retail sales through the first three months of 2016 was up by 1.0 per cent over the same period last year while investment in non-residential building construction was up by 9.3 per cent in the first quarter of 2016.

INVESTMENT IN NON-RESIDENTIAL BUILDING CONSTRUCTION BY PROVINCE (January - March 2016 Average)



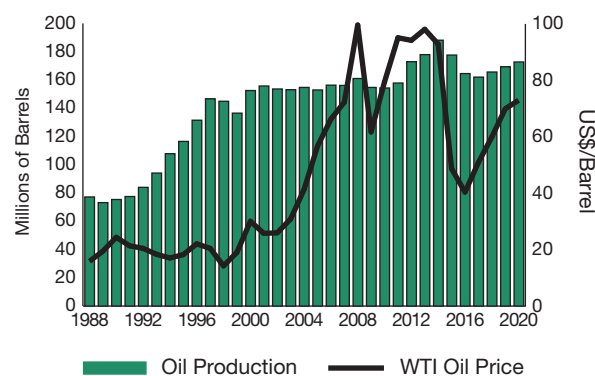
Source: Statistics Canada

However, while some areas of the economy remain positive, low commodity prices are expected to continue to weigh on the Saskatchewan economy in 2016.

Though the price of WTI oil has strengthened somewhat since February of this year when it averaged just US\$30.62 per barrel, the price remains well below historical averages.

For all of 2016, the price of WTI oil is expected to average US\$40.50 per barrel.

WTI OIL PRICE AND OIL PRODUCTION



Source: Ministry of the Economy

The weaker price of oil will again have an impact on both oil production and investment this year. Oil production is expected to fall by 7.4 per cent in 2016 to 164.5 million barrels while the number of new oil wells drilled is expected to fall by 23.5 per cent to roughly 1,400.

The price of potash has fallen in recent months and is now expected to average US\$205.10 per KCl tonne. Potash production, in turn, is expected to remain relatively flat in 2016.

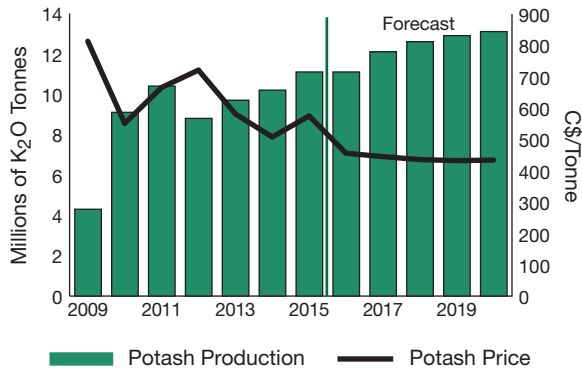
COMMODITY PRICE ASSUMPTIONS – CALENDAR YEAR

	Actual 2015	2016	2017	2018	2019	2020
WTI Oil (US\$/barrel)	48.79	40.50	51.00	60.00	70.00	73.00
Natural Gas (C\$/GJ)	2.55	2.70	3.00	3.30	3.50	3.70
Potash (C\$/K ₂ O tonne) ¹	575.44	456.59	445.89	436.43	433.05	434.72
Potash (US\$/KCl tonne) ¹	274.85	205.10	209.43	212.98	216.61	220.99
Wheat (C\$/tonne)	208.92	211.12	221.46	229.54	224.83	233.42
Canola (C\$/tonne)	461.03	475.96	520.52	511.95	511.95	513.07

¹ The potash industry quotes prices in US dollars per KCl tonne. Provincial royalty calculations, however, are based on the Canadian dollar price per K₂O tonne.

Sources: Ministry of the Economy, Ministry of Agriculture

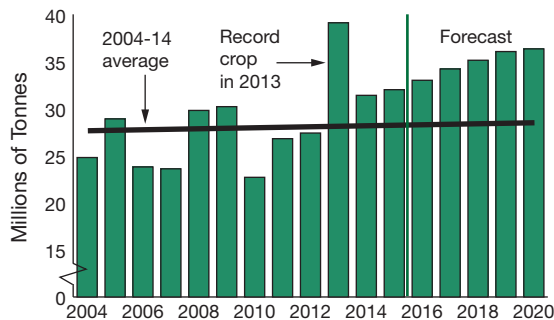
POTASH PRICE AND PRODUCTION



Source: Ministry of the Economy

Crop production is expected to improve slightly in 2016, though there is need for caution given that some parts of the province remain fairly dry. At present, crop production is anticipated to increase by 3.2 per cent this year to roughly 33.0 million tonnes.

SASKATCHEWAN CROP PRODUCTION



Source: Ministry of Agriculture

SASKATCHEWAN FORECAST AT A GLANCE

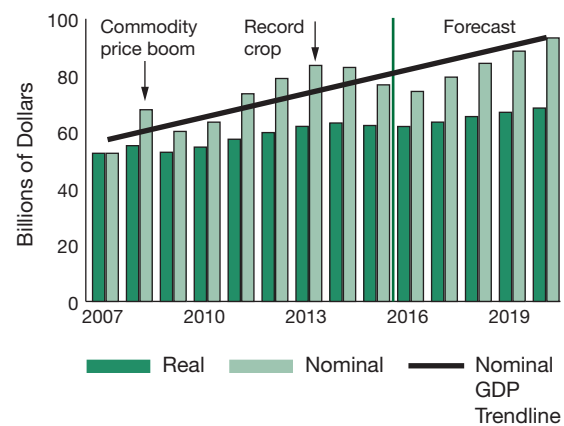
(Per Cent Change Unless Otherwise Noted)

	Actual 2015	2016	2017	2018	2019	2020
Real GDP	(1.4)	(0.6)	2.5	3.0	2.4	2.2
Nominal GDP	(7.4)	(3.0)	6.8	6.1	5.1	5.3
CPI	1.6	1.3	1.8	2.0	2.0	2.0
Employment Growth (000s)	2.8	(3.2)	5.2	4.8	5.2	5.0
Unemployment Rate (%)	5.0	6.7	6.4	6.4	6.2	6.1
Retail Sales	(3.5)	2.0	4.9	5.4	5.3	5.5

Overall, Saskatchewan real GDP is forecast to decrease by 0.6 per cent in 2016 and nominal GDP is forecast to fall by 3.0 per cent.

As a result, total employment is now expected to fall by 3,150 in 2016.

SASKATCHEWAN REAL AND NOMINAL GDP LEVEL



Source: Ministry of Finance

Despite a lower growth forecast for 2016, the outlook for 2017 remains positive. The price of WTI oil is expected to average US\$51.00 per barrel. As a result, drilling activity is anticipated to rebound.

Oil production is expected to be roughly 162 million barrels in 2017, about 1.5 per cent lower than in 2016. Drilling activity is expected to rebound in 2017 and then gradually increase over the remainder of the forecast period, resulting in an improvement in oil production. Potash production is also expected to pick up in 2017 along with improved global demand.

Overall, Saskatchewan real GDP is expected to grow by 2.5 per cent in 2017. Both real and nominal GDP growth are expected to average 2.5 per cent and 5.5 per cent, respectively, over the remaining forecast period, as the price of oil improves.

PRIVATE SECTOR FORECASTS

Private sector forecasters have revised down their real GDP growth forecasts for most provinces for this year.

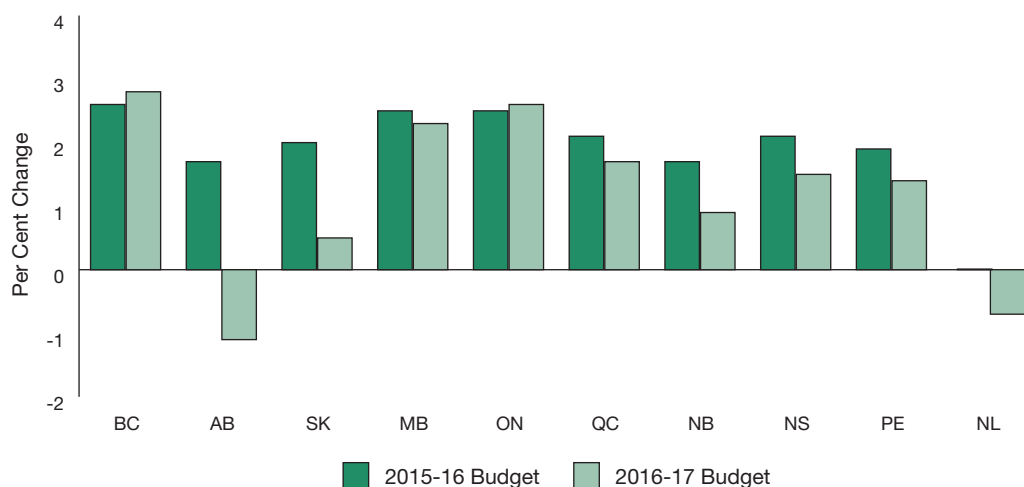
Oil-producing provinces like Alberta and Newfoundland and Labrador are now both expected to post negative growth in 2016.

For Saskatchewan, the private sector is still forecasting positive growth this year. Saskatchewan real GDP is projected to grow by a modest 0.5 per cent.

For 2017, Canadian real GDP growth overall is expected to improve. British Columbia is expected to lead the way at 2.7 per cent, followed by Ontario at 2.5 per cent and Manitoba at 2.3 per cent.

Saskatchewan's economy is expected to grow by 2.0 per cent, the fourth-highest growth rate among provinces in 2017, according to the latest private sector forecast average.

PRIVATE SECTOR FORECASTS OF 2016 REAL GDP GROWTH BY PROVINCE



Private sector forecast average as at May 18, 2016.

Sources: Major Canadian banks, IHS Global Insight, CBOC, C4SE

PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE

(Per Cent Change)

	2015 Actual*	Rank	2016	Rank	2017	Rank
British Columbia	3.0	1	2.8	1	2.7	1
Alberta	(4.0)	10	(1.1)	10	1.9	5
Saskatchewan	(1.4)	8	0.5	8	2.0	4
Manitoba	2.3	3	2.3	3	2.3	3
Ontario	2.5	2	2.6	2	2.5	2
Québec	1.1	6	1.7	4	1.9	5
New Brunswick	1.9	4	0.9	7	1.2	8
Nova Scotia	0.8	7	1.5	5	1.4	7
Prince Edward Island	1.5	5	1.4	6	1.5	6
Newfoundland and Labrador	(2.2)	9	(0.7)	9	0.3	9
Canada	0.9		1.7		2.2	

* Statistics Canada's Provincial Economic Accounts, May 12, 2016

PRIVATE SECTOR REAL GDP GROWTH FORECASTS FOR SASKATCHEWAN

(Per Cent Change)

	2016	2017	Cumulative Growth	Release Date
IHS Global Insight	(0.1)	2.3	2.2	May/16
Conference Board of Canada	0.7	2.8	3.5	Mar./16
The Centre for Spatial Economics	1.0	0.9	1.9	Feb./16
TD Bank	0.4	1.5	1.9	Apr./16
RBC	1.2	2.4	3.6	Mar./16
BMO	0.5	1.8	2.3	Apr./16
CIBC	(0.5)	1.9	1.4	Apr./16
Scotiabank	0.4	2.0	2.4	May/16
Laurentian Bank	0.8	2.2	3.0	Feb./16
Average of Private Sector Forecasts	0.5	2.0	2.5	
2016-17 Budget	(0.6)	2.5	1.9	

CONCLUSION

Over the course of roughly the last 18 months, the outlook for most provincial economies for both the 2015 and 2016 calendar years has gradually worsened.

For some provincial economies, like those whose mining and oil and gas sectors comprise a greater share of the total economy, this has been primarily the result of the low price of oil.

Statistics Canada's latest estimates of 2015 real GDP by industry confirmed that the Alberta, Newfoundland and Labrador and Saskatchewan economies all declined in 2015. Saskatchewan's economy declined by 1.4 per cent.

However, in the past when commodity prices have fallen or global growth has eased, the Saskatchewan economy has always come back strong and is expected to do so again.

In the five-year period following 2009, a year where GDP declined due to the effects of the global financial crisis of 2008, Saskatchewan real GDP growth averaged 3.9 per cent per year. This was the second-best average rate of growth among provinces during this period.

While Saskatchewan real GDP is forecast to decline slightly in 2016 due to the effects of low commodity prices, growth is expected to pick up once again in 2017 by 2.5 per cent, as the price of oil recovers and global growth improves.

Once past the effects of declining oil prices, growth is expected to average 2.5 per cent for the remaining forecast period, reflecting the diversity and resilience of the Saskatchewan economy.

2016-17 FINANCIAL OUTLOOK

OVERVIEW

The Saskatchewan Provincial Budget includes the financial activity for all organizations within the control of the Government of Saskatchewan, based on standards established by the Public Sector Accounting Board (PSAB) for senior Canadian governments. The method of consolidation in the budget is consistent with the policies described in the Public Accounts.

The revenue and expense budgets of Government Service Organizations (GSOs), including the General Revenue Fund (GRF), are consolidated after adjusting for differences in accounting policies and eliminating significant inter-organizational transactions. Adjustments are also made to account for significant transactions in the period between an organization's fiscal year-end and the Government of Saskatchewan's year-end.

Budgets for Government Business Enterprises (GBEs) are incorporated as a single amount using the modified-equity method, which includes the Government of Saskatchewan's proportionate share of net earnings or losses.

Pension expense in the budget is calculated using the same accounting and actuarial rules reported in

the Public Accounts. The pension expense in the 2016-17 Estimates reflects cash requirements for the current year and an adjustment is made and reported in the 2016-17 Budget to account for government's pension expense on an accrual basis. Because of the volatile, long-term and non-cash nature of the pension accrual adjustment, it is reported separately so as to not influence annual spending and taxation policy.

For comparative purposes, the 2015-16 revenue and expense figures presented in the 2016-17 Financial Outlook are restated to conform to the 2016-17 Budget presentation. This restatement affects certain revenue and expense categories, but it does not change the previously published 2015-16 Budget surplus, nor the 2015-16 third quarter deficit forecast.

Saskatchewan's 2016-17 Budget estimates a deficit of \$434 million.

REVENUE

Total revenue is forecast to be \$14.0 billion in 2016-17, a modest \$156 million (1.1 per cent) increase from the 2015-16 third quarter forecast.

2016-17 REVENUE RECONCILIATION

(Millions of Dollars)	2015-16 Forecast	2016-17 Budget	Change	
			Dollars	Per Cent
Taxation	6,703.7	6,860.9	157.2	2.3
Non-Renewable Resources	1,836.4	1,484.9	(351.5)	(19.1)
Other Own-Source Revenue	1,959.9	2,088.9	129.0	6.6
Transfers from the Federal Government	2,228.6	2,504.8	276.2	12.4
Net Income from Government Business Enterprises	1,139.3	1,084.4	(54.9)	(4.8)
Total Revenue	13,867.9	14,023.9	156.0	1.1

TOTAL REVENUE – 2014-15 TO 2016-17

(Millions of Dollars)	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Budget
Taxation	6,511.7	6,791.4	6,703.7	6,860.9
Non-Renewable Resources	2,614.5	2,453.2	1,836.4	1,484.9
Other Own-Source Revenue	1,994.2	1,908.3	1,959.9	2,088.9
Transfers from the Federal Government	2,200.1	2,230.2	2,228.6	2,504.8
Net Income from Government Business Enterprises	738.4	904.9	1,139.3	1,084.4
Total Revenue	14,058.7	14,288.0	13,867.9	14,023.9

Totals may not add due to rounding.

While up from the 2015-16 third quarter forecast, revenue is down \$264 million from last year's budget due to the in-year revenue decrease of \$420 million in 2015-16. The 2016-17 revenue budget is also \$35 million less than actual 2014-15 revenue.

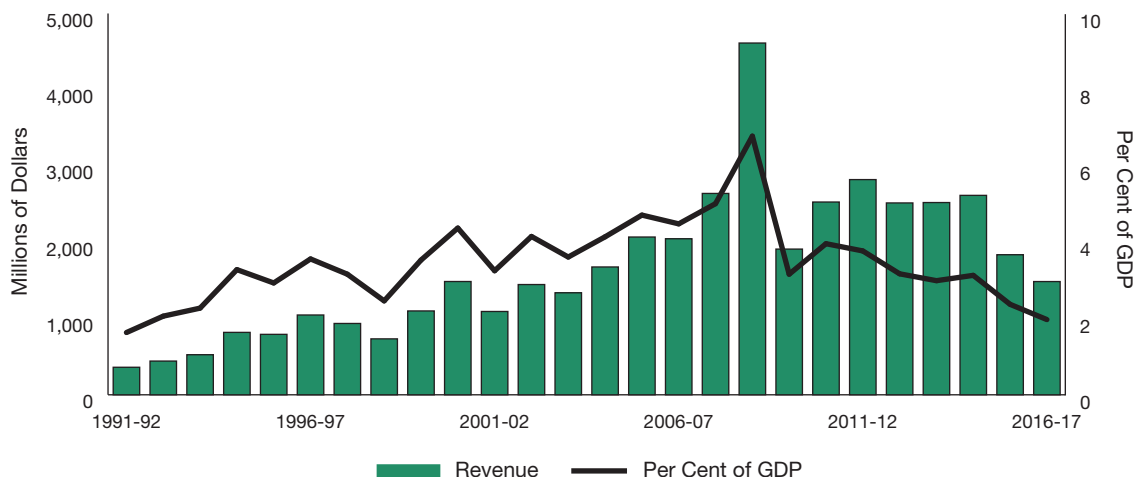
The decline in non-renewable resource prices that began in 2014 is expected to continue to constrain government revenue in 2016-17. Non-renewable resource revenue is budgeted at slightly less than \$1.5 billion, a decline of \$352 million (19.1 per cent) from the 2015-16 third quarter forecast and \$968 million (39.5 per cent) lower than the 2015-16 Budget. This is its lowest level in nominal terms since 2003-04 and the lowest share of GDP (2.0 per cent) since 1991-92.

Relative to 2015-16 third quarter forecast, net income from GBEs is budgeted to decline \$55 million (4.8 per cent), primarily as a result of last year's change to the year-ends of Crown Investments Corporation of Saskatchewan (CIC) entities that resulted in an extra quarter of net income.

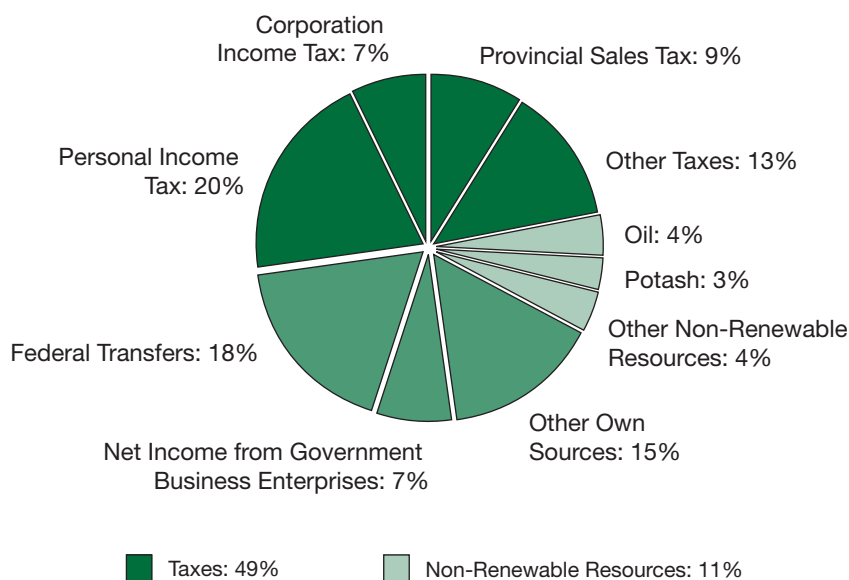
These decreases are budgeted to be more than offset by a \$276 million (12.4 per cent) increase in transfers from the federal government, a \$157 million (2.3 per cent) increase in tax revenue and a \$129 million (6.6 per cent) increase in other own-source revenue.

Significant changes from the 2015-16 third quarter forecast are described in the following sections.

NON-RENEWABLE RESOURCE REVENUE – 1991-92 TO 2016-17



COMPOSITION OF 2016-17 REVENUE



Tax Revenue

Tax revenue is budgeted at \$6.9 billion in 2016-17 and accounts for 49 per cent of total revenue. This is an increase of \$157 million (2.3 per cent) from the 2015-16 forecast.

Individual Income Tax revenue is forecast at \$2.8 billion in 2016-17, an increase of \$138 million from the 2015-16 forecast. The increase is due to a modest forecast for income growth in 2016 combined with an increase in the prior-year reconciliation adjustment.

Corporation Income Tax revenue is forecast at \$968 million in 2016-17. This is a decrease of \$34 million from 2015-16, largely reflecting flat economic growth combined with a decrease in the prior-year reconciliation adjustment.

Provincial Sales Tax and Fuel Tax revenue are forecast to increase \$13 million and \$9 million from 2015-16, respectively, on the basis of limited growth in their taxable bases. Property Tax revenue is budgeted to increase \$7 million, while all other tax revenue is forecast to increase by a combined \$25 million.

TAX REVENUE – 2014-15 TO 2016-17

(Millions of Dollars)	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Budget
Corporation Income Tax	848.5	917.9	1,001.8	967.7
Individual Income Tax	2,546.6	2,625.4	2,637.1	2,774.7
Provincial Sales Tax	1,358.2	1,420.8	1,299.4	1,312.1
Property Tax	624.7	647.3	659.9	666.9
Other Taxes	1,133.7	1,180.0	1,105.5	1,139.5
Total	6,511.7	6,791.4	6,703.7	6,860.9

NON-RENEWABLE RESOURCE REVENUE – 2014-15 TO 2016-17

(Millions of Dollars)	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Budget
Crown Land Sales	164.9	112.6	44.0	36.0
Natural Gas	18.8	11.3	10.5	9.5
Oil	1,279.1	902.7	554.8	509.7
Potash	546.3	796.0	651.8	420.4
Resource Surcharge	474.5	386.7	386.7	339.7
Other	130.9	243.9	188.6	169.6
Total	2,614.5	2,453.2	1,836.4	1,484.9

Non-Renewable Resource Revenue

Revenue from non-renewable resources accounts for slightly less than 11 per cent of total revenue in the 2016-17 Budget, down from 17 per cent and 19 per cent in the previous two budgets. At \$1.5 billion, 2016-17 non-renewable resource revenue is down 43 per cent from what it was in 2014-15.

Falling West Texas Intermediate (WTI) oil prices since the summer of 2014 have resulted in a 2016-17 oil revenue budget that is 60 per cent, or \$769 million, lower than actual 2014-15 results.

Oil revenue is forecast at \$510 million in 2016-17 and accounts for less than 4 per cent of total revenue. In dollar terms, this is a decrease of \$45 million from

the 2015-16 forecast, for a total decline of \$393 million since the 2015-16 Budget.

WTI oil prices are forecast to average US\$44.88 per barrel in 2016-17, consistent with private-sector forecasts for the upcoming year. This is a US\$12.27 per barrel decrease since the 2015-16 Budget and US\$35.60 less than 2014-15.

A lower exchange rate in 2016-17 will somewhat offset lower WTI prices. As the price of Saskatchewan oil at the well-head is generally determined based on prevailing prices in the United States, a lower exchange rate translates to higher prices in Canadian dollars, all else being equal. The value of the Canadian dollar is projected to average 75.04 U.S. cents in 2016-17, down from 75.97 U.S. cents in 2015-16.

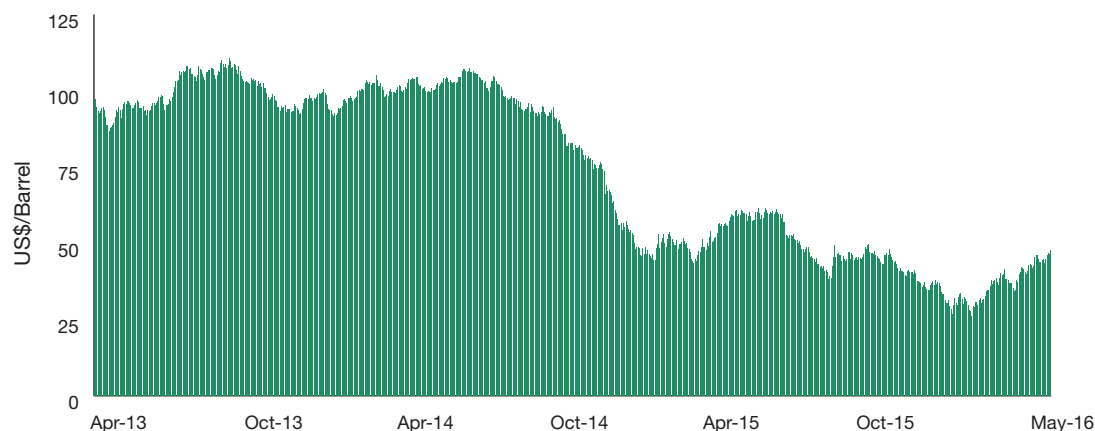
NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS – FISCAL YEAR

	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Budget
WTI Oil Price (US\$/barrel)	80.48	57.15	44.78	44.88
Light-Heavy Differential (% of WTI)	17.4	19.1	21.8	21.5
Well-head Oil Price (C\$/barrel) ¹	70.22	53.01	41.30	41.51
Oil Production (million barrels)	187.4	178.7	173.4	162.0
Potash Price (mine netback, US\$/KCl tonne) ²	281	297	267	207
Potash Price (mine netback, C\$/K ₂ O tonne) ²	529	612	570	454
Potash Sales (million K ₂ O tonnes) ²	11.2	11.0	10.8	11.3
Canadian Dollar (US cents)	88.05	79.16	75.97	75.04

¹ The average price per barrel of Saskatchewan light, medium and heavy oil.

² Ministry of Finance calculations derived from calendar-year forecasts.

WTI OIL PRICES



While WTI oil prices are an important benchmark for the oil market and provincial revenue, the majority of oil produced in Saskatchewan is heavier and more sour than WTI oil and requires further processing to be turned into refined products. As a result, Saskatchewan oil typically trades at a discount to WTI oil in the marketplace. In recent years, increasing production in Western Canada and North Dakota, as well as pipeline and transportation capacity limits, have also contributed to a general upward trend in the price discount for Saskatchewan oil.

In 2016-17, the light-heavy differential – a rough benchmark for the price discount for oil produced in Saskatchewan – is expected to average 21.5 per cent, a slight improvement from 21.8 per cent in 2015-16.

Finally, oil production is projected at 162.0 million barrels in 2016-17, down from the 2015-16 forecast of 173.4 million barrels due to a decrease in production from existing wells and a decrease in drilling activity.

Potash revenue is forecast at \$420 million in 2016-17 and accounts for 3 per cent of total revenue. This is a decrease of \$231 million from the 2015-16 forecast. Combined with last year's decrease from budget, potash revenue is down \$376 million from the 2015-16 Budget.

Average realized prices in 2016-17 are assumed at US\$207 per KCl tonne (C\$454 per K₂O tonne), down from US\$267 (C\$570) in 2015-16, but this decline is partially offset by a lower value of the Canadian dollar. Sales volume in 2016-17 is expected to increase from 10.8 million K₂O tonnes in 2015-16 to 11.3 million K₂O tonnes.

Resource Surcharge revenue is forecast at \$340 million in 2016-17, a decrease of \$47 million from 2015-16 due to lower oil and potash prices, while Crown land sales are budgeted at \$36 million, a decrease of \$8 million from actual results last year.

Revenue from natural gas and all other non-renewable resources (including uranium, coal and other minerals) is forecast to decrease by a combined \$20 million.

The economic and fiscal forecasts in the 2016-17 Budget rely on a set of assumptions regarding Canadian, U.S. and global economic growth, commodity prices and the value of the Canadian dollar. These factors are beyond government's control, yet they heavily influence Saskatchewan's fiscal performance, particularly non-renewable resource revenue.

OTHER OWN-SOURCE REVENUE – 2014-15 TO 2016-17

(Millions of Dollars)	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Budget
Fees	1,085.7	1,065.5	1,086.3	1,159.5
Insurance	256.4	241.6	247.8	264.5
Investment Income	137.4	122.4	120.1	123.1
Transfers from Other Governments	89.6	68.2	70.0	66.5
Other	425.1	410.6	435.7	475.3
Total	1,994.2	1,908.3	1,959.9	2,088.9

In an attempt to minimize risk to the fiscal plan, the assumptions used to develop the resource forecast are prudent and incorporate a number of private sector forecasts. But because of the volatile nature of these key external factors, the non-renewable resource revenue forecast will always be subject to risk. This risk is quantified throughout the year.

For 2016-17 it is estimated that:

- a US\$1 per barrel change in the fiscal-year average WTI oil price results in an estimated \$18 million change in oil royalties;
- a US\$10 per KCl tonne (C\$22 per K₂O tonne) change in the average realized 2016 potash price results in an estimated \$61 million change in potash royalties; and,
- a 1 U.S. cent change in the fiscal-year average exchange rate results in an estimated \$30 million change in non-renewable resource revenue.

Other Own-Source Revenue

Other own-source revenue includes fees for services and licenses, proceeds from the sale of goods and services, investment income, fees collected by insurance entities and other miscellaneous sources of revenue. Most organizations within the Government Reporting Entity generate own-source revenue.

Other own-source revenue is forecast at \$2.1 billion in 2016-17 and accounts for 15 per cent of total revenue. This is an increase of \$129 million from 2015-16, mainly reflecting increased gains realized on the sale of agricultural land. The gain on these land sales are budgeted at \$165 million in 2016-17, up from \$40 million at the third quarter of 2015-16.

Transfers from the Federal Government

Federal transfers are budgeted at \$2.5 billion in 2016-17 and account for 18 per cent of total revenue. This is an increase of \$276 million from the 2015-16 forecast.

FEDERAL TRANSFERS – 2014-15 TO 2016-17

(Millions of Dollars)	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Budget
Canada Health Transfer	998.4	1,092.8	1,080.7	1,127.3
Canada Social Transfer	397.7	412.6	408.7	417.8
Other	804.0	724.8	739.2	959.7
Total	2,200.1	2,230.2	2,228.6	2,504.8

NET INCOME FROM GOVERNMENT BUSINESS ENTERPRISES – 2014-15 TO 2016-17

(Millions of Dollars)	2014-15 Actual	2015-16 Budget	2015-16 Forecast	2016-17 Budget
Saskatchewan Auto Fund	53.8	33.1	153.6	61.7
Saskatchewan Government Insurance	41.1	36.6	87.4	39.6
Saskatchewan Liquor and Gaming Authority	494.7	499.8	500.0	511.0
Saskatchewan Power Corporation	59.6	82.1	79.6	181.3
Saskatchewan Telecommunications Holding Corporation	76.4	76.8	121.1	104.2
SaskEnergy Incorporated	(33.0)	77.5	114.0	117.6
Other	45.8	99.0	83.6	69.0
Total	738.4	904.9	1,139.3	1,084.4

The 2016-17 Budget includes \$200 million in estimated federal compensation related to the transfer of federal dams to the province, a \$180 million increase over the \$20 million included in the 2015-16 third quarter forecast.

Other significant changes in 2016-17 relative to the 2015-16 forecast include a \$60 million increase in federal P3 funding for work on the Regina Bypass Project (from \$20 million in 2015-16 to \$80 million in 2016-17), as well as increases in the Canada Health Transfer and Canada Social Transfer of \$47 million and \$9 million, respectively.

Net Income from Government Business Enterprises

Government Business Enterprise net income is forecast at nearly \$1.1 billion in 2016-17 and accounts for 7 per cent of revenue. This is a decrease of \$55 million from the 2015-16 forecast mainly due to the change in the year-ends of CIC entities that resulted in an extra quarter of net income being realized in 2015-16. This year's forecast reflects budget-over-budget increases in net income forecasts for several entities, with the largest improvements occurring at SaskPower, SaskEnergy, SaskTel and the Auto Fund.

EXPENSE

Expense in the 2016-17 Budget is presented before the adjustment to account for pension costs on an accrual basis and is estimated at \$14.5 billion in 2016-17, an increase of \$277 million (2.0 per cent) from the 2015-16 Budget.

The composition of expense by theme is relatively unchanged from the 2015-16 Budget and is allocated as follows in 2016-17:

- Health, \$5.6 billion, or 39 per cent;
- Education, \$3.7 billion, or 26 per cent;
- Social Services and Assistance, \$1.2 billion, or 9 per cent;
- Agriculture, \$780 million, or 5 per cent;
- Protection of Persons and Property, \$640 million, or 4 per cent;
- Debt Charges, \$297 million, or 2 per cent; and,
- all others, \$2.2 billion, or 15 per cent.

Significant budget-over-budget expense changes include:

- an \$81 million, or 1.5 per cent, increase in Health, primarily higher operating spending in Regional Health Authorities, including compensation increases for health care providers and higher costs for medical and surgical supplies;

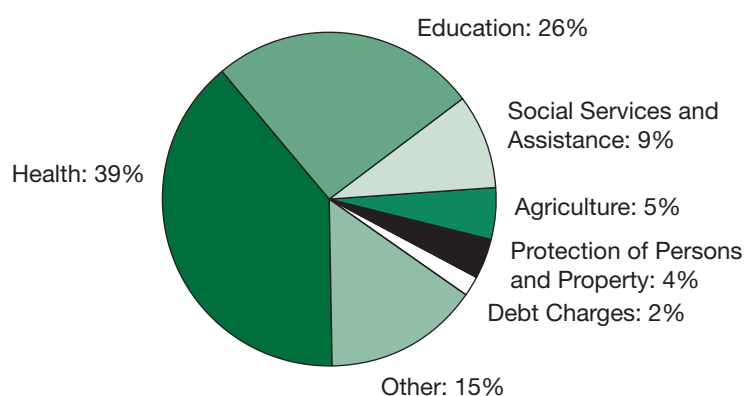
2016-17 EXPENSE RECONCILIATION

(Millions of Dollars)	2015-16 Budget	2016-17 Budget	Change Dollars	Change Per Cent
Agriculture	721.6	780.3	58.7	8.1
Community Development	523.9	580.6	56.7	10.8
Debt Charges ¹	305.1	297.2	(7.9)	(2.6)
Economic Development	256.6	250.2	(6.4)	(2.5)
Education ¹	3,661.0	3,688.4	27.4	0.7
Environment and Natural Resources	242.1	237.0	(5.1)	(2.1)
Health ¹	5,507.0	5,588.1	81.1	1.5
Protection of Persons and Property	625.7	640.3	14.6	2.3
Social Services and Assistance	1,209.9	1,243.9	34.0	2.8
Transportation	544.1	565.2	21.1	3.9
Other ¹	584.2	586.9	2.7	0.5
Total Expense	14,181.2	14,458.1	276.9	2.0

¹ Before adjustment to account for pension costs on an accrual basis.

- a \$59 million, or 8.1 per cent, increase in Agriculture, primarily reflecting increased crop insurance liabilities as a result of higher insured prices as well as higher Agricultural Crown Land Sale Program purchase incentives;
- a \$57 million, or 10.8 per cent, increase in Community Development, largely due to a \$25 million provincial contribution for the Regina Stadium Project, as well as increases for revenue sharing and municipal infrastructure;
- a \$34 million, or 2.8 per cent, increase in Social Services and Assistance, largely for higher benefits and growing program demand;
- a \$27 million, or 0.7 per cent, increase in Education, primarily for collective bargaining, classroom supports; and,
- a \$21 million, or 3.9 per cent, increase in Transportation, reflecting an increase for the Ministry of Highways and Infrastructure.

COMPOSITION OF 2016-17 EXPENSE*



* Before adjustment to account for pension costs on an accrual basis.

Pension expense is estimated at budget and updated throughout the year, reflecting amounts that are funded through the appropriations of core government, budgets of other Government Service Organizations and adjustments for actuarially determined changes in the value of the outstanding pension liabilities.

The budget presents expense and the surplus/deficit before the adjustment to account for pension costs on an accrual basis. Government's current cash pension payment requirements continue to be included in expense and surplus/deficit estimates.

In the 2015-16 Budget, the adjustment to account for pension costs on an accrual basis was estimated at \$821 million, primarily due to historically low interest rates and increased life expectancy of members. In 2016-17, government's unfunded pension liability is estimated to decrease by \$130 million, resulting in a \$951 million improvement compared to the 2015-16 Budget mainly due to higher interest rate assumptions.

As the year-over-year change demonstrates, changes in assumptions can result in significantly higher or lower estimates of government's pension liabilities. In the case of interest rates, a small change in rates can cause significant changes in pension liabilities. Going forward, a 10 basis point change in the interest rate will change the pension liability by approximately

\$100 million. A higher interest rate reduces government's pension liability; a lower rate increases the liability.

MEDIUM-TERM OUTLOOK

The medium-term financial outlook incorporates the impact of all measures announced in this year's budget and is consistent with the current medium-term economic outlook and its underlying assumptions.

Revenue growth is forecast to average 2.6 per cent per year between 2016-17 and 2019-20.

Tax revenue is assumed to grow at an average rate of 4.0 per cent over the medium term, largely on the basis of expected growth in population, employment, wages and business investment in 2017 and beyond.

Non-renewable resource prices are projected to increase over the forecast horizon. WTI oil prices improve over the period and are projected to average US\$70.25 in 2019-20. However, this is approximately US\$10.00 below 2014-15 levels. Furthermore, a strengthening Canadian dollar over the planning period will offset some of the price increases expected for oil, potash and uranium. These factors result in a projected annual growth rate of 7.0 per cent over the medium term.

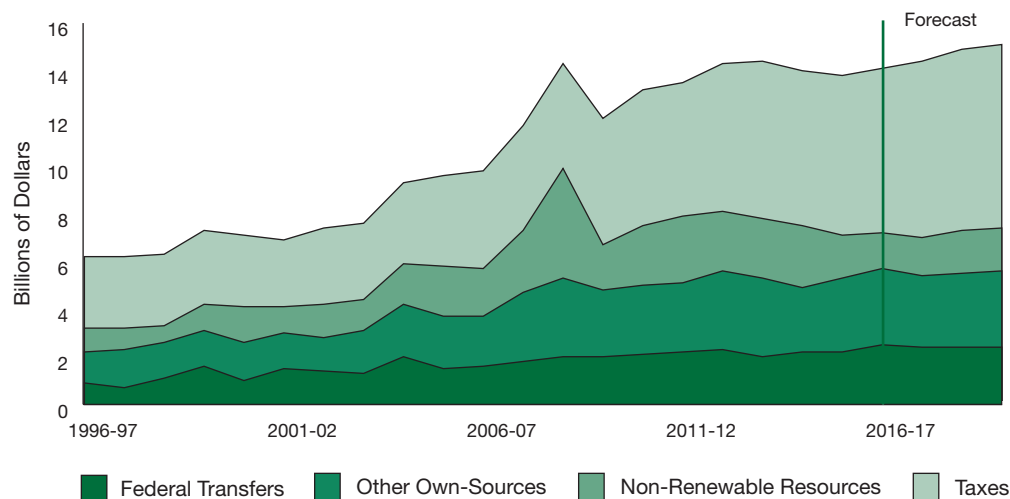
KEY MEDIUM-TERM NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS

	2016-17	2017-18	2018-19	2019-20
WTI Oil Price (US\$/barrel)	44.88	53.25	62.50	70.25
Light-Heavy Differential (% of WTI)	21.5	19.1	17.4	16.0
Well-head Oil Price (C\$/barrel) ¹	41.51	49.57	58.38	66.65
Oil Production (million barrels)	162.0	163.2	166.4	170.5
Potash Price (mine netback, US\$/KCl tonne) ²	207	210	214	218
Potash Price (mine netback, C\$/K ₂ O tonne) ²	454	444	436	433
Potash Sales (million K ₂ O tonnes) ²	11.3	12.2	12.7	12.9
Canadian Dollar (US cents)	75.04	77.75	80.50	82.25

¹ The average price per barrel of Saskatchewan light, medium and heavy oil.

² Ministry of Finance calculations derived from calendar-year forecasts.

REVENUE – 1996-97 TO 2019-20



As a share of total revenue, non-renewable resources are projected to grow from 11 per cent of total revenue in 2016-17 to 12 per cent in 2019-20. This is well below the 17 per cent share in the 2015-16 Budget.

Other own sources of revenue and federal transfers are anticipated to fall over the forecast period. This outlook is largely due to one-time items included in the 2016-17 Budget, including agricultural land sales under the current incentive program and non-recurring federal contributions related to the transfer of federal dams to the province and the cost of responding to the 2015 northern wildfires.

Finally, net income from GBEs is projected to increase at an annual average rate of 1.1 per cent over the forecast period.

The medium-term financial outlook also reflects the Government's commitment to transformational change to improve the province's underlying fiscal foundation.

After expense growth of 2.0 per cent in 2016-17, total expense will be held flat in 2017-18. Increases of 1.5 per cent and 2.0 per cent are planned for 2018-19 and 2019-20, respectively.

For 2017-18, a small surplus of \$6 million is planned.

After setting aside a small contingency allowance for planning purposes, surpluses of \$55 million and \$97 million are projected over the subsequent two years.

MEDIUM-TERM FINANCIAL OUTLOOK

(Millions of Dollars)	2016-17	2017-18	2018-19	2019-20
Revenue	14,024	14,464	14,780	15,141
Expense	14,458	14,458	14,675	14,968
Contingency	—	—	50	75
Surplus (Deficit)*	(434)	6	55	97

* Before adjustment to account for pension costs on an accrual basis.

2016-17 BORROWING AND DEBT

The Province's debt consists of:

- General Debt – all debt of government entities other than Government Business Enterprise (GBE) Specific Debt; and,
- Government Business Enterprise Specific Debt – amounts borrowed by, or specifically on behalf of self-sufficient government organizations.

Government business enterprises have the financial and operating authority to sell goods and services to individuals and organizations outside government as their principal activity. Amounts borrowed by, or specifically for these entities are classified separately because they are expected to be repaid from cash flows generated by these business enterprises. In other words, this debt has been incurred to finance the business activities of Crown corporations, and it is supported by revenue from those Crown business activities.

Public debt as reported in this budget paper is comprised of:

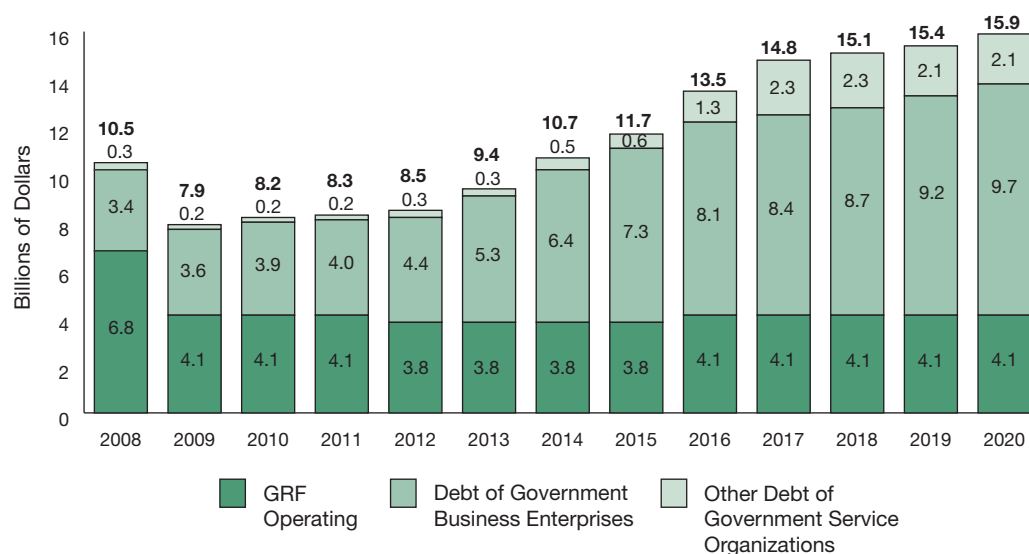
- Gross Debt – the amount of money owed to lenders; less
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

Public debt at March 31, 2016 is forecast to be \$365.5 million higher than estimated, due primarily to \$300.0 million borrowed for General Revenue Fund (GRF) operations.

For 2016-17, public debt is expected to increase by \$1,224.8 million from the March 31, 2016 forecast. This is primarily due to \$1.0 billion of new borrowings to enable the GRF to finance infrastructure assets as outlined in the Saskatchewan Builds Capital Plan, as well as increased debt for the utility Crown corporations.

PUBLIC DEBT

As at March 31



DEBT

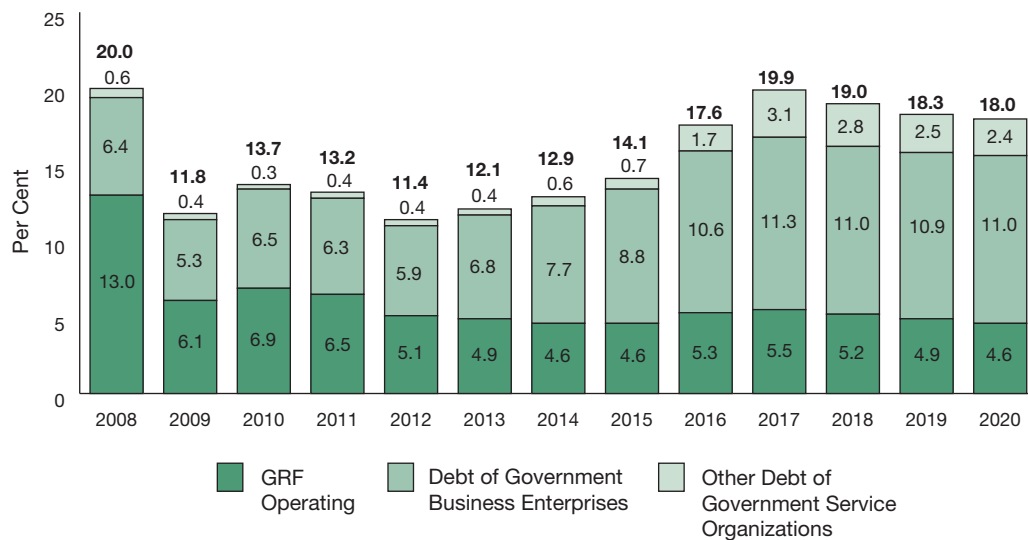
As at March 31

(Millions of Dollars)	General Debt 2017	GBE Specific Debt 2017	Budget 2017	Forecast 2016	Budget 2016 ¹
Government Service Organizations					
Gross Debt	7,332.6	–	7,332.6	6,361.2	6,002.0
Sinking Funds	942.9	–	942.9	927.3	900.6
Government Service Organization Debt	6,389.7	–	6,389.7	5,433.9	5,101.4
Government Business Enterprises					
Gross Debt	275.0	8,988.3	9,263.3	8,909.6	8,876.2
Sinking Funds	21.0	859.1	880.1	795.4	795.0
Government Business Enterprise Debt	254.0	8,129.2	8,383.2	8,114.2	8,081.2
Public Debt	6,643.7	8,129.2	14,772.9	13,548.1	13,182.6
Guaranteed Debt	27.0	–	27.0	19.5	24.5

¹ The 2016 Budget information reflects balances at March 31, 2015, as reported in the 2014-15 Public Accounts, adjusted by budgeted changes shown in the 2015-16 Budget.

DEBT AS A % OF GDP

As at March 31



BORROWING

Most borrowing is done by the GRF. Where the GRF borrows on behalf of a government entity, the entity is responsible for the principal and interest payments on this debt.

The GRF's 2016-17 borrowing requirements are estimated to be \$2,045.1 million (2015-16 forecast: \$2,285.2 million). Of this amount, \$490.6 million is for the purpose of refinancing maturing debt; the majority of the remaining amount is to assist with the financing of capital expenditures.

A small amount of borrowing is done by entities such as Regional Health Authorities, Boards of Education, the Water Security Agency and the Global Transportation Hub Authority. Collectively, the debt of entities that conduct their own borrowing is

estimated to decline by \$51.1 million in 2016-17 (2015-16 forecast: increase of \$40.7 million).

DEBT CHARGES

In addition to interest payments, debt charges include all costs related to general gross debt, such as: the amortization of premiums, discounts, and commissions; and, gains or losses on foreign currency debt that result from a change in the value of the Canadian dollar.

The 2016-17 debt charges are based on 1.0 per cent short-term and 3.5 per cent long-term interest rates. A one percentage point increase in interest rates for a full year from levels assumed in the budget would increase debt charges in 2016-17 by approximately \$10.6 million.

DEBT CHARGES – GENERAL DEBT

(Millions of Dollars)	Estimated 2016-17	Forecast 2015-16
General Revenue Fund	290.0	270.0
Other General Debt	7.2	20.9
Debt Charges – General Debt¹	297.2	290.9

¹ Debt charges on Government Business Enterprise Specific Debt are included in Net Income from Government Business Enterprises, so they are not reflected in Debt Charges in the Summary Financial Statements.

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 or deferrals. 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 presented in the same way as direct spending programs, 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.

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 Provincial Sales Tax (PST) does not apply to certain essential items such as basic groceries, residential natural gas, residential electricity, children's clothing and reading materials, thereby reducing the taxes paid by families consuming these items. In July 2015, feminine hygiene products were added to the list of exemptions.

Some of Saskatchewan's PST exemptions are 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.

Other exemptions from the PST are intended to support particular key sectors of the provincial economy, including manufacturing and farming.

Similarly, the Province exempts farm-use diesel fuel from Fuel Tax through a fuel-colouring program, and provides a partial exemption for farm-use gasoline when purchased in bulk. Fuel Tax exemptions are also provided in respect of fuels used for heating purposes (to correspond with the PST exemption for natural gas).

Saskatchewan's personal income tax system applies provincial marginal tax rates directly to taxable income as defined for federal income tax purposes. As a result, deductions that contribute to the federal determination of taxable income, such as the deduction for Registered Retirement Savings Plan contributions, also affect Saskatchewan income tax revenue. The impacts of several of these deductions are estimated in this paper.

In addition, Saskatchewan's personal income tax system has distinct provincial non-refundable income tax credits that recognize the personal circumstances of the taxpayer, including family-based credits, disability-related credits and educational credits. This paper also provides estimates of the revenue impacts of several of these provincial non-refundable tax credits.

Saskatchewan's income tax system also delivers several programs designed to encourage particular taxpayer behaviours, including investment incentives and retention incentives.

To improve tax competitiveness, Saskatchewan levies a lower income tax rate on small businesses and a special income tax rate on manufacturing and processing (M&P) profits. In addition, Saskatchewan provides a refundable Investment Tax Credit to assist M&P companies that invest in qualifying new or used M&P assets for use in the province. Saskatchewan also provides a Research and Development (R&D) Tax Credit in support of qualifying R&D activities.

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

GOVERNMENT OF CANADA TAX EXPENDITURES

The federal government produces a detailed presentation on tax expenditures that are part of the federal tax system. Since Saskatchewan's personal and corporate income taxes are based upon the federal definition of taxable income, many of the federal tax expenditures have an impact on Saskatchewan's revenue. Readers interested in examining the federal government's presentation of tax expenditures are invited to visit the Finance Canada website at www.fin.gc.ca (and click on "Publications & Reports").

SASKATCHEWAN TAX EXPENDITURE ESTIMATES

The following tables provide estimates of the major tax expenditures of the Government of Saskatchewan, calculated using tax collection data, Statistics Canada data and income tax assessment data. Estimates are derived from these data sources by applying assumptions regarding the expected changes in population, employment and income, retail sales and investment intentions. Included in these estimates is the impact of indexing the personal income tax system by 1.3 per cent for 2016. This year's tables also provide updates to the 2015 tax expenditure estimates that were reported last year.

Government of Saskatchewan Tax Expenditure Accounts

(Value of Tax Expenditures in Millions of Dollars)

Provincial Sales Tax	2015 Estimate	2015 Revised	2016 Estimate
Exemptions			
1. Children's clothing and footwear	12.8	12.7	13.4
2. Prescription drugs	34.6	34.9	36.2
3. Electricity	48.1	47.4	49.4
4. Farm machinery and repair parts	90.3	81.2	83.8
5. Fertilizer, pesticide and seed	159.3	160.7	163.4
6. Food			
– Restaurant meals and snack foods	73.9	81.3	84.2
– Basic groceries	131.2	124.8	129.3
7. Natural gas	26.4	24.1	24.8
8. Reading materials	7.2	7.8	8.1
9. Services			
– Construction	432.2	478.2	486.6
– Other	36.6	35.9	36.5
10. Used goods – exemption amounts	0.2	0.2	0.3
11. Light used vehicles	83.8	95.8	98.8
12. Direct agents	24.1	31.7	33.9
13. Eligible energy efficient appliances, furnaces and boilers ...	3.2	2.6	2.5
14. Toll-free telephone services	0.2	0.2	0.2
15. Feminine hygiene products	–	0.9	1.7
Other			
1. Saskatchewan Low-Income Tax Credit	88.5	88.5	90.0

Fuel Tax	2015 Estimate	2015 Revised	2016 Estimate
1. Exemption for farm activity	121.0	118.6	120.1
2. Exemption for heating fuels	33.1	28.2	28.7
3. Exemption for primary producers	1.7	1.8	1.8

Personal Income Tax	2015 Estimate	2015 Revised	2016 Estimate
Deductions from Income			
1. Registered Pension Plan contributions	99.5	98.7	101.2
2. Registered Retirement Savings Plan contributions.....	168.3	172.3	188.1
3. Annual union, professional or like dues	18.2	20.0	20.5
4. Child care expenses.....	12.9	13.2	14.3
5. Moving expenses	2.1	2.2	2.4
6. Carrying charges	15.0	15.8	16.9
7. Allowable employment expenses.....	16.4	17.0	18.1
8. Capital gains deduction.....	76.8	79.7	84.5
Saskatchewan Non-Refundable Tax Credits			
1. Basic personal tax credit	1,002.7	1,049.2	1,077.2
2. Spousal tax credit.....	51.6	52.7	55.4
3. Equivalent-to-spouse tax credit.....	19.0	19.6	20.9
4. Age tax credit	44.2	36.1	38.9
5. Supplement to the age tax credit	13.2	13.5	14.2
6. Dependent child tax credit.....	86.1	105.8	109.6
7. Canada Pension Plan contributions tax credit	84.6	88.0	91.7
8. Employment Insurance premiums tax credit.....	30.1	30.5	31.6
9. Pension income tax credit	14.0	12.3	12.8
10. Tuition and education tax credit	41.0	40.0	41.4
11. Student loan interest tax credit	1.2	1.0	1.0
12. Disability tax credit	17.5	17.9	19.0
13. Caregiver tax credit.....	2.6	2.7	2.8
14. Medical expenses tax credit.....	23.2	26.5	28.9
15. Charitable contributions tax credit.....	44.1	46.1	49.0
16. First-time homebuyers tax credit.....	6.5	6.1	6.3
Other Saskatchewan Tax Measures			
1. Labour-sponsored Venture Capital Tax Credit	16.0	16.0	16.0
2. Mineral Exploration Tax Credit	0.5	0.5	0.5
3. Employees' Tool Tax Credit	1.0	1.0	1.0
4. Political Contributions Tax Credit	1.9	1.9	0.7
5. Graduate Retention Program Tax Credit.....	54.6	54.6	79.5

Corporation Income Tax	2015 Estimate	2015 Revised	2016 Estimate
1. Lower tax rate for small business	414.3	434.8	456.5
2. Manufacturing and Processing Profits Tax Reduction	15.0	15.0	15.0
3. Investment Tax Credit for Manufacturing and Processing ...	40.0	40.0	30.0
4. Research and Development Tax Credit	17.0	17.0	18.0

2016 INTERCITY COMPARISON OF TAXES AND UTILITIES

INTRODUCTION

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.

Other important factors that affect quality of life are the level of taxation and the cost of utilities and auto insurance. Calculating the combined cost of provincial taxes and utilities 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 utilities for representative families living in Regina has been compared with the costs those families would face in other major cities across the country.

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

- a single person, living in rental accommodation, with an annual income of \$25,000;
- a single person, living in rental accommodation, with an annual income of \$40,000;
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$50,000;
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$75,000;

- a family of two adults and two dependent children, owning its own home, with an annual family income of \$100,000; and,
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$125,000.

SASKATCHEWAN'S RANKING FOR 2016

In 2016, Saskatchewan individuals and families will pay total provincial taxes that are very competitive with those paid in other Canadian cities, with a consistent ranking of second lowest in Canada for all six representative family situations.

- A single person earning \$25,000 will pay \$1,018 in total provincial taxes;
- A single person earning \$40,000 will pay \$2,943 in total provincial taxes;
- A two-income family earning \$50,000 will pay \$721 in total provincial taxes;
- A two-income family earning \$75,000 will pay \$4,068 in total provincial taxes;
- A two-income family earning \$100,000 will pay \$7,115 in total provincial taxes; and,
- A two-income family earning \$125,000 will pay \$10,269 in total provincial taxes.

Regina also ranks favourably with other cities in Canada when comparing provincial taxes and utilities. For the representative family situations, Regina ranks as having the lowest or second lowest overall combined taxes and utilities of the 10 cities surveyed.

2016 Intercity Comparison of Taxes and Utilities

Single Person at \$25,000 Total Income

(Values in Dollars)

	Vancouver	Calgary	Regina	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
<i>Provincial Taxes</i>										
Provincial										
Income Tax	489	501	839	1,548	679	991	956	1,317	1,516	1,282
Tax Credits and Rebates	(116)	0	(245)	0	(679)	(950)	0	(255)	(100)	0
Health Premiums	307	0	0	0	300	640	0	0	0	0
Sales Tax	425	0	274	482	694	875	793	881	815	805
Gasoline Tax	322	130	150	140	147	167	107	155	158	261
Total Provincial Taxes	1,427	631	1,018	2,170	1,141	1,723	1,856	2,098	2,389	2,348
<i>Household Utility Costs</i>										
Electricity	424	633	810	433	1,000	407	623	849	1,240	687
Telephone	362	361	258	314	367	367	369	370	370	369
Auto Insurance	1,730	2,341	1,159	1,108	4,410	1,710	1,621	1,992	1,754	2,991
Total Household Utility Costs	2,516	3,335	2,227	1,855	5,777	2,484	2,613	3,211	3,364	4,047
Total Taxes and Utilities	3,943	3,966	3,245	4,025	6,918	4,207	4,469	5,309	5,753	6,395

2016 Intercity Comparison of Taxes and Utilities

Single Person at \$40,000 Total Income

(Values in Dollars)

	Vancouver	Calgary	Regina	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
<i>Provincial Taxes</i>										
Provincial										
Income Tax	1,434	1,899	2,376	3,233	1,385	3,210	2,680	3,187	3,206	2,673
Tax Credits and Rebates	0	0	(87)	0	(192)	(539)	0	0	(150)	0
Health Premiums	900	0	0	0	450	640	0	0	0	0
Sales Tax	740	0	504	846	1,192	1,502	1,362	1,513	1,399	1,378
Gasoline Tax	322	130	150	140	147	167	107	155	158	261
Total Provincial Taxes	3,396	2,029	2,943	4,219	2,982	4,980	4,149	4,855	4,613	4,312
<i>Household Utility Costs</i>										
Electricity	424	633	810	433	1,000	407	623	849	1,240	687
Telephone	362	361	258	314	367	367	369	370	370	369
Auto Insurance	1,730	2,341	1,159	1,108	4,410	1,710	1,621	1,992	1,754	2,991
Total Household Utility Costs	2,516	3,335	2,227	1,855	5,777	2,484	2,613	3,211	3,364	4,047
Total Taxes and Utilities	5,912	5,364	5,170	6,074	8,759	7,464	6,762	8,066	7,977	8,359

2016 Intercity Comparison of Taxes and Utilities
Family at \$50,000 Total Income
(Values in Dollars)

	Vancouver	Calgary	Regina	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
<i>Provincial Taxes</i>										
Provincial										
Income Tax	834	822	0	2,083	13	1,008	2,021	2,396	2,737	2,183
Tax Credits and Rebates	(117)	(1,129)	(382)	0	(619)	(4,196)	0	0	(200)	0
Health Premiums	1,800	0	0	0	300	1,280	0	0	0	0
Sales Tax	1,219	0	803	1,419	1,979	2,500	2,269	2,521	2,332	2,269
Gasoline Tax	644	260	300	280	294	334	214	310	316	522
Total Provincial Taxes	4,380	(47)	721	3,782	1,967	926	4,504	5,227	5,185	4,974
<i>Household Utility Costs</i>										
Home Heating	989	827	975	977	1,084	1,484	2,046	2,489	2,244	2,004
Electricity	735	943	1,245	696	1,281	606	955	1,401	1,356	1,069
Telephone	362	361	258	314	367	367	369	370	370	369
Auto Insurance	1,730	2,341	1,159	1,108	4,410	1,710	1,621	1,992	1,754	2,991
Total Household Utility Costs	3,816	4,472	3,637	3,095	7,142	4,167	4,991	6,252	5,724	6,433
Total Taxes and Utilities	8,196	4,425	4,358	6,877	9,109	5,093	9,495	11,479	10,909	11,407

2016 Intercity Comparison of Taxes and Utilities
Family at \$75,000 Total Income
(Values in Dollars)

	Vancouver	Calgary	Regina	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
<i>Provincial Taxes</i>										
Provincial										
Income Tax	2,388	3,032	2,595	5,076	2,008	5,246	4,850	5,367	5,541	4,681
Tax Credits and Rebates	0	(129)	0	0	0	(2,616)	0	0	0	0
Health Premiums	1,800	0	0	0	750	1,280	0	0	0	0
Sales Tax	1,811	0	1,173	2,027	2,865	3,604	3,264	3,627	3,355	3,264
Gasoline Tax	644	260	300	280	294	334	214	310	316	522
Total Provincial Taxes	6,643	3,163	4,068	7,383	5,917	7,848	8,328	9,304	9,212	8,467
<i>Household Utility Costs</i>										
Home Heating	989	827	975	977	1,084	1,484	2,046	2,489	2,244	2,004
Electricity	735	943	1,245	696	1,281	606	955	1,401	1,356	1,069
Telephone	362	361	258	314	367	367	369	370	370	369
Auto Insurance	1,730	2,341	1,159	1,108	4,410	1,710	1,621	1,992	1,754	2,991
Total Household Utility Costs	3,816	4,472	3,637	3,095	7,142	4,167	4,991	6,252	5,724	6,433
Total Taxes and Utilities	10,459	7,635	7,705	10,478	13,059	12,015	13,319	15,556	14,936	14,900

2016 Intercity Comparison of Taxes and Utilities Family at \$100,000 Total Income

(Values in Dollars)

	Vancouver	Calgary	Regina	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
<i>Provincial Taxes</i>										
Provincial										
Income Tax	4,111	5,404	5,504	8,197	4,228	9,185	7,917	8,847	8,666	7,428
Tax Credits and Rebates	0	0	0	0	0	(1,608)	0	0	0	0
Health Premiums	1,800	0	0	0	960	1,280	0	0	0	0
Sales Tax	1,968	0	1,311	2,269	3,173	3,995	3,619	4,021	3,720	3,619
Gasoline Tax	644	260	300	280	294	334	214	310	316	522
Total Provincial Taxes	8,523	5,664	7,115	10,746	8,655	13,186	11,750	13,178	12,702	11,569
<i>Household Utility Costs</i>										
Home Heating	989	827	975	977	1,084	1,484	2,046	2,489	2,244	2,004
Electricity	735	943	1,245	696	1,281	606	955	1,401	1,356	1,069
Telephone	362	361	258	314	367	367	369	370	370	369
Auto Insurance	1,730	2,341	1,159	1,108	4,410	1,710	1,621	1,992	1,754	2,991
Total Household Utility Costs	3,816	4,472	3,637	3,095	7,142	4,167	4,991	6,252	5,724	6,433
Total Taxes and Utilities	12,339	10,136	10,752	13,841	15,797	17,353	16,741	19,430	18,426	18,002

2016 Intercity Comparison of Taxes and Utilities Family at \$125,000 Total Income

(Values in Dollars)

	Vancouver	Calgary	Regina	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
<i>Provincial Taxes</i>										
Provincial										
Income Tax	5,970	7,836	8,527	11,833	6,296	13,296	11,376	12,782	12,369	10,660
Tax Credits and Rebates	0	0	0	0	0	(1,291)	0	0	0	0
Health Premiums	1,800	0	0	0	1,200	1,280	0	0	0	0
Sales Tax	2,165	0	1,442	2,496	3,490	4,395	3,981	4,423	4,092	3,981
Gasoline Tax	644	260	300	280	294	334	214	310	316	522
Total Provincial Taxes	10,579	8,096	10,269	14,609	11,280	18,014	15,571	17,515	16,777	15,163
<i>Household Utility Costs</i>										
Home Heating	989	827	975	977	1,084	1,484	2,046	2,489	2,244	2,004
Electricity	735	943	1,245	696	1,281	606	955	1,401	1,356	1,069
Telephone	362	361	258	314	367	367	369	370	370	369
Auto Insurance	1,730	2,341	1,159	1,108	4,410	1,710	1,621	1,992	1,754	2,991
Total Household Utility Costs	3,816	4,472	3,637	3,095	7,142	4,167	4,991	6,252	5,724	6,433
Total Taxes and Utilities	14,395	12,568	13,906	17,704	18,422	22,181	20,562	23,767	22,501	21,596

TAXES AND UTILITIES – NOTES

Tax estimates are calculated for the 2016 calendar year using known changes as of May 6, 2016. Household charges for the basic utility services (electricity, home heating, telephone and auto insurance) represent a cost comparison of the actual utility rates for the 2015 calendar year. This methodology has been chosen due to the uncertainty of attempting to forecast utility rates for the coming year. The utility figures exclude federal Goods and Services Tax, provincial sales tax and municipal taxes and surcharges.

Provincial Income Tax is calculated for an individual with \$25,000, an individual with \$40,000, and four families with \$50,000, \$75,000, \$100,000 and \$125,000 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 Canada Pension Plan/Québec Pension Plan and Employment Insurance contribution credits. Income tax credits in support of cultural, recreational and sports activity fees for children are also incorporated – Ontario provides a refundable income tax credit for children less than 16 years of age; British Columbia and Manitoba provide non-refundable children's fitness tax 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 sales taxes.

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

Sales Tax is based upon average family expenditure baskets at the total income levels from the *CANSIM Survey of Household Spending 2014* (Statistics Canada). The sales tax base in each province was identified from the enacting legislation, with total expenditures adjusted to reflect Saskatchewan consumption patterns. The sales tax in each province was then estimated based on taxable expenditures.

Gasoline Tax is based on annual consumption of 1,000 litres by a single person, and 2,000 litres for families. Figures include charges levied by transit commissions as well as carbon taxes applied to the purchase of gasoline.

Home Heating charges are based on an annual consumption level of 2,800 m³ of natural gas. For Charlottetown and St. John's, the figures represent the BTU equivalent consumption of fuel oil.

Electricity charges are based on an annual consumption level of 4,584 kWh for the renters and 8,100 kWh for the homeowners.

Telephone charges are the basic service rates for individual residences.

Auto Insurance is based on a composite index developed by SGI modelled after the index developed by the Consumers' Association of Canada. The index is based on the actual insurance rates quoted for what drivers would pay in each jurisdiction if they had the same car, same coverage, same claims history and driving record at a consistent point in time. The Consumers' Association of Canada developed 34 profiles to create this index. The impacts of "Good Driver" discounts/rebates have been factored in for all applicable jurisdictions.

2015-16 THIRD QUARTER FINANCIAL REPORT

OVERVIEW

As detailed in the 2015-16 Budget Update released on February 29, 2016, a deficit of \$427 million is forecast for 2015-16, a \$534 million change from the budgeted surplus of \$107 million.

The decrease is due to:

- a \$428 million (3.0 per cent) decrease in revenue; and,
- a \$106 million (0.7 per cent) increase in expense.

2015-16 FINANCIAL FORECAST¹

(Millions of Dollars)	Budget	Mid-Year Projection	Third Quarter Forecast	Change from Budget Mid-Year	
Revenue					
Taxation	6,808.1	6,710.5	6,703.7	(104.4)	(6.8)
Non-Renewable Resources	2,453.2	2,064.9	1,836.4	(616.8)	(228.5)
Other Own-Source Revenue	1,890.8	1,914.1	1,943.9	53.1	29.8
Transfers from the Federal Government	2,223.0	2,314.9	2,228.6	5.6	(86.3)
Net Income from Government Business Enterprises	904.9	1,005.9	1,139.3	234.4	133.4
Total Revenue	14,280.0	14,010.3	13,851.9	(428.1)	(158.4)
Expense					
Agriculture	721.6	683.2	638.1	(83.5)	(45.1)
Community Development	531.9	531.9	531.9	–	–
Debt Charges	305.1	295.9	290.9	(14.2)	(5.0)
Economic Development	256.6	261.8	261.8	5.2	–
Education	3,661.0	3,626.1	3,609.7	(51.3)	(16.4)
Environment and Natural Resources	242.1	318.6	318.6	76.5	–
Health	5,507.0	5,527.0	5,587.0	80.0	60.0
Protection of Persons and Property	625.7	673.7	686.8	61.1	13.1
Social Services and Assistance	1,209.9	1,256.5	1,256.5	46.6	–
Transportation	544.1	535.9	535.9	(8.2)	–
Other	568.2	561.9	561.9	(6.3)	–
Total Expense²	14,173.2	14,272.5	14,279.1	105.9	6.6
Surplus (Deficit)²	106.8	(262.2)	(427.2)	(534.0)	(165.0)

¹ As published in the 2015-16 Budget Update and Four Year Forecast.

² Before adjustment to account for pension costs on an accrual basis.

REVENUE

Revenue is forecast to be \$428 million lower than budget in 2015-16, reflecting declines in non-renewable resource and taxation revenue resulting from lower commodity prices and weaker-than-expected economic growth.

Tax revenue is forecast to decline \$104 million from budget. Significant changes since budget are reductions in Provincial Sales Tax (\$121 million) and Fuel Tax (\$66 million) forecasts, partly offset by an increase in Corporation Income Tax (\$84 million) as a result of higher-than-expected prior-year reconciliations.

Non-renewable resource revenue is forecast to decline \$617 million from budget. Major revisions include:

- a \$348 million decrease in oil revenue, largely due to falling West Texas Intermediate (WTI) oil prices, partially offset by a lower-than-budgeted exchange rate;
- a \$144 million decrease in potash, primarily due to lower prices;

- a \$69 million decrease in Crown land sales against a backdrop of falling oil prices and an uncertain short-term price outlook; and,
- a \$55 million decrease in other non-renewable resources, primarily due to lower uranium prices.

Other own-source revenue is forecast to be \$53 million higher than budget as a result of unbudgeted land sales associated with the new Agricultural Crown Land Sale Program and modest own-source increases in Regional Health Authorities and Boards of Education.

Government Business Enterprise net income is forecast to be \$234 million higher than budget, mainly due to higher earnings at Saskatchewan Auto Fund, SGI, SaskTel and SaskEnergy. The increase partially reflects an additional three months of income generated as a result of the change in fiscal year-end from December 31, 2015 to March 31, 2016 for Crown Investments Corporation of Saskatchewan entities.

Transfers from the federal government are forecast to be \$6 million higher than budget.

2015-16 NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS

	Budget Estimate	Mid-Year Projection	Third Quarter Forecast	Change from Budget Mid-Year	
WTI Oil Price (US\$/barrel)	57.15	49.50	44.78	(12.37)	(4.72)
Light-Heavy Differential (% of WTI)	19.1	18.6	21.8	2.7	3.2
Oil Production (million barrels)	178.7	173.4	173.4	(5.3)	–
Potash Price (mine netback, US\$/KCl tonne) ¹	297	282	267	(30)	(15)
Potash Price (mine netback, C\$/K ₂ O tonne) ¹	612	595	570	(42)	(25)
Potash Sales (million K ₂ O tonnes) ¹	11.0	10.7	10.8	(0.2)	0.1
Uranium Price (C\$/Kg) ¹	141	126	127	(14)	1
Canadian Dollar (US cents)	79.2	77.0	76.0	(3.2)	(1.0)

¹ Ministry of Finance calculations derived from calendar-year forecasts.

EXPENSE

Expense is forecast to be \$106 million higher than budget in 2015-16.

Significant increases since budget include:

- an \$80 million increase in **Health** to address cost pressures in the Regional Health Authorities;
- a \$77 million increase in **Environment**, primarily due to an \$80 million increase to fight 2015 wildfires;
- a \$61 million increase in **Protection of Persons and Property**, primarily for claims under the Provincial Disaster Assistance Program; and,
- a \$47 million increase in **Social Services and Assistance**, primarily to address higher caseloads, increases for child and family services programs and fire evacuation costs.

These increases have been partially offset by:

- an \$84 million decrease in **Agriculture**, almost entirely due to lower-than-budgeted crop insurance claims;
- a \$51 million decrease in **Education**, primarily operational savings at the Ministries of Education, Advanced Education and Economy, lower-than-budgeted utilization of some labour market support programs and lower capital transfers;
- a \$14 million decrease in **Debt Charges**, primarily due to lower borrowing rates on public debt; and,
- other net savings of \$10 million across the Government Reporting Entity.

PENSION EXPENSE ADJUSTMENT

Pension expense is estimated at budget and updated throughout the year, reflecting amounts that are funded through the appropriations of core government, budgets of other Government Service Organizations and adjustments for actuarially determined changes in the value of the outstanding pension liabilities.

At budget, the adjustment to account for pension costs on an accrual basis was estimated at \$821 million, reflecting an expected increase in government's pension liabilities in 2015-16.

At third quarter, government's pension liabilities are forecast to increase \$834 million in 2015-16, an increase of \$13 million from the budget estimate.



SASKATCHEWAN PROVINCIAL BUDGET

16-17

BUDGET FINANCIAL TABLES

GOVERNMENT OF SASKATCHEWAN

Budget For the Year Ended March 31

	(Millions of Dollars)		
	Budget 2017	Forecast 2016	Budget 2016
Revenue			
Taxation ¹	6,860.9	6,703.7	6,791.4
Non-renewable resources	1,484.9	1,836.4	2,453.2
Other own-source revenue ^{1,2}	2,088.9	1,959.9	1,908.3
Transfers from the federal government ¹	2,504.8	2,228.6	2,230.2
Net income from government business enterprises ²	1,084.4	1,139.3	904.9
Total Revenue	14,023.9	13,867.9	14,288.0
Expense			
Agriculture	780.3	638.1	721.6
Community development ¹	580.6	522.3	523.9
Debt charges ^{2,3}	297.2	290.9	305.1
Economic development ²	250.2	261.8	256.6
Education ^{1,3}	3,688.4	3,619.3	3,661.0
Environment and natural resources	237.0	318.6	242.1
Health ³	5,588.1	5,587.0	5,507.0
Protection of persons and property	640.3	686.8	625.7
Social services and assistance	1,243.9	1,256.5	1,209.9
Transportation ²	565.2	535.9	544.1
Other ^{1,2,3}	586.9	577.9	584.2
Total Expense	14,458.1	14,295.1	14,181.2
(Deficit)/Surplus³	(434.2)	(427.2)	106.8

Totals may not add due to rounding.

¹ To increase conformity with Public Accounts presentation, the presentation of Budget 2016 and Forecast 2016 is revised from the presentation last published. Commercial revenue and expense is now presented on a gross basis, increasing previously published Other own-source revenue and Other expense each by \$16.0M in both Budget 2016 and Forecast 2016. Grants in lieu received by boards of education are no longer included in Taxation revenue, decreasing previously presented Budget 2016 Taxation by \$16.7M, increasing Other own-source revenue by \$1.5M and Transfers from the federal government by \$7.2M, and decreasing Community development expense by \$8.0M. In Forecast 2016, \$9.6M of expense related to grants in lieu is reclassified, increasing Education expense and decreasing Community development expense. The presentation changes do not revise the previously published Forecast 2016 deficit or Budget 2016 surplus.

² Forecast 2016 includes 15 months of operations for certain organizations whose year-ends changed from December 31 to March 31 during the year. The forecasted operations between January 2016 and March 2016 inclusive increase forecasted revenue by \$157.5M and forecasted expense by \$22.5M.

³ Before adjustment to account for pensions on an accrual basis.

GOVERNMENT OF SASKATCHEWAN

Statement of Accumulated Surplus For the Year Ended March 31

	(Millions of Dollars)		
	Budget 2017	Forecast 2016	Budget 2016
Accumulated surplus, beginning of year	1,813.1	3,074.4 ²	3,074.4 ²
(Deficit)/Surplus ¹	(434.2)	(427.2)	106.8
Adjustment to account for pension costs on an accrual basis	130.1	(834.1)	(820.8)
Accumulated Surplus, End of Year	1,509.0	1,813.1	2,360.4

Totals may not add due to rounding.

¹ Before adjustment to account for pension costs on an accrual basis.

² Accumulated surplus as at March 31, 2015, as reported in the 2014-15 Public Accounts.

GOVERNMENT OF SASKATCHEWAN

Statement of Change in Net Debt For the Year Ended March 31

	(Millions of Dollars)		
	Budget 2017	Forecast 2016	Budget 2016
(Deficit)/Surplus¹	(434.2)	(427.2)	106.8
Adjustment to account for pension costs on an accrual basis	130.1	(834.1)	(820.8)
Acquisition of government service organization capital assets	(1,789.0)	(1,390.0)	(1,449.2)
Amortization of government service organization capital assets ² ..	609.4	553.5	550.7
Increase in Net Debt	(1,483.7)	(2,097.8)	(1,612.5)
Net debt, beginning of year	(7,649.7)	(5,551.9) ³	(5,551.9) ³
Net Debt, End of Year	(9,133.4)	(7,649.7)	(7,164.4)

Totals may not add due to rounding.

¹ Before adjustment to account for pension costs on an accrual basis.

² Amortization includes disposals and adjustments.

³ Net debt as at March 31, 2015, as reported in the 2014-15 Public Accounts.

GOVERNMENT OF SASKATCHEWAN

Schedule of Pension Liabilities As at March 31

(Millions of Dollars)			
	Budget 2017	Forecast 2016	Budget 2016
Pension liabilities, beginning of year.....	7,911.2	7,077.1 ¹	7,077.1 ¹
Adjustment to account for pension costs on an accrual basis....	(130.1)	834.1	820.8
Pension Liabilities, End of Year	7,781.1	7,911.2	7,897.9

Totals may not add due to rounding.

¹ Pension liability as at March 31, 2015, as reported in the 2014-15 Public Accounts.

GOVERNMENT OF SASKATCHEWAN

Schedule of Tangible Capital Assets As at March 31

(Millions of Dollars)							
	Net Book Value 2015 ¹	– 2015-16 Forecast – Additions ²	Forecast – Amortization ³	Forecast Net Book Value 2016	– 2016-17 Budget – Additions ²	Budget – Amortization ³	Budget Net Book Value 2017
Government service organizations	8,397.2	1,390.0	(553.5)	9,233.7	1,789.0	(609.4)	10,413.3
Government business enterprises	12,474.0	1,881.5	(916.7)	13,438.8	1,697.3	(782.4)	14,353.7
Total Tangible Capital Assets	20,871.2	3,271.5	(1,470.2)	22,672.5	3,486.3	(1,391.8)	24,767.0

Totals may not add due to rounding.

¹ Net book value as at March 31, 2015, as reported in the 2014-15 Public Accounts.

² Includes only capital assets acquired by government organizations. Government capital transfers to entities outside the reporting entity are excluded.

³ Includes disposals and adjustments.

GOVERNMENT OF SASKATCHEWAN

Schedule of Public Debt As at March 31

	(Millions of Dollars)				
	Budget General Debt 2017 ¹	GBE Specific Debt 2017	Budget Public Debt 2017	Forecast Public Debt 2016	Budget Public Debt 2016 ²
Government Service Organization (GSO) Debt					
General Revenue Fund					
– Operating	4,100.0	–	4,100.0	4,100.0	3,800.0
– Saskatchewan Builds Capital Plan ³	1,685.8	–	1,685.8	700.0	700.0
Boards of Education	182.7	–	182.7	195.3	188.4
Global Transportation Hub Authority	25.2	–	25.2	26.9	25.0
Regional Health Authorities	156.0	–	156.0	126.7	98.2
Saskatchewan Housing Corporation	19.3	–	19.3	21.9	21.9
Saskatchewan Immigrant Investor Fund Inc.	123.5	–	123.5	177.2	185.2
Saskatchewan Opportunities Corporation	52.4	–	52.4	35.9	33.9
Water Security Agency	42.3	–	42.3	47.6	46.6
Other	2.5	–	2.5	2.4	2.2
Government Service Organization Debt	6,389.7	–	6,389.7	5,433.9	5,101.4
Government Business Enterprise (GBE) Debt					
Municipal Financing Corporation of Saskatchewan	96.9	121.3	218.2	230.4	255.4
Saskatchewan Liquor and Gaming Authority	–	100.0	100.0	119.5	119.5
Saskatchewan Power Corporation	90.1	5,732.4	5,822.5	5,599.4	5,537.6
Saskatchewan Telecommunications Holding Corporation	–	936.2	936.2	926.7	902.4
Saskatchewan Water Corporation	–	52.3	52.3	51.9	51.2
SaskEnergy Incorporated	67.0	1,187.0	1,254.0	1,185.0	1,213.8
Other	–	–	–	1.3	1.3
Government Business Enterprise Debt⁴	254.0	8,129.2	8,383.2	8,114.2	8,081.2
Public Debt⁵	6,643.7	8,129.2	14,772.9	13,548.1	13,182.6
Guaranteed Debt	27.0	–	27.0	19.5	24.5

Totals may not add due to rounding.

¹ General debt is issued by government service organizations (GSOs) and includes issued amounts subsequently transferred to government business enterprises (GBEs).

² Budget 2016 information reflects balances as at March 31, 2015, as reported in the 2014-15 Public Accounts, adjusted by budgeted changes shown in Budget 2016.

³ General Revenue Fund – Saskatchewan Builds Capital Plan consists of amounts borrowed by the General Revenue Fund to finance investment in infrastructure assets.

⁴ GBE debt includes both general debt and GBE specific debt. General debt of GBEs is the amount transferred from the General Revenue Fund to a GBE and recorded as a loan receivable in the Public Accounts. GBE specific debt is debt issued by, or specifically on behalf of, GBEs. GBE debt is included in "Investment in Government Business Enterprises" in the Public Accounts.

⁵ Public debt is shown net of sinking funds. Debt repayable in foreign currency is restated in equivalent Canadian dollars.

GOVERNMENT OF SASKATCHEWAN

Schedule of Revenue For the Year Ended March 31

	(Millions of Dollars)		
	Budget 2017	Forecast 2016	Budget 2016
Taxation			
Corporation income	967.7	1,001.8	917.9
Fuel	487.2	478.6	544.1
Individual income	2,774.7	2,637.1	2,625.4
Property ¹	666.9	659.9	647.3
Provincial sales	1,312.1	1,299.4	1,420.8
Tobacco	261.3	261.3	270.3
Other	391.0	365.6	365.6
Total Taxation	6,860.9	6,703.7	6,791.4
Non-Renewable Resources			
Crown land sales	36.0	44.0	112.6
Natural gas	9.5	10.5	11.3
Oil	509.7	554.8	902.7
Potash	420.4	651.8	796.0
Resource surcharge	339.7	386.7	386.7
Other	169.6	188.6	243.9
Total Non-Renewable Resources	1,484.9	1,836.4	2,453.2
Other Own-Source Revenue			
Fees ^{1,2}	1,159.5	1,086.3	1,065.5
Insurance	264.5	247.8	241.6
Investment income ^{1,2}	123.1	120.1	122.4
Transfers from other governments	66.5	70.0	68.2
Other ¹	475.3	435.7	410.6
Total Other Own-Source Revenue	2,088.9	1,959.9	1,908.3
Transfers from the Federal Government			
Canada Health Transfer	1,127.3	1,080.7	1,092.8
Canada Social Transfer	417.8	408.7	412.6
Other ¹	959.7	739.2	724.8
Total Transfers from the Federal Government	2,504.8	2,228.6	2,230.2
Net Income from Government Business Enterprises			
Municipal Financing Corporation	1.0	0.7	1.0
Saskatchewan Auto Fund	61.7	153.6	33.1
Saskatchewan Gaming Corporation	24.9	31.2	25.9
Saskatchewan Government Insurance	39.6	87.4	36.6
Saskatchewan Liquor and Gaming Authority	511.0	500.0	499.8
Saskatchewan Power Corporation	181.3	79.6	82.1
Saskatchewan Telecommunications Holding Corporation	104.2	121.1	76.8
Saskatchewan Water Corporation	6.1	6.2	4.7
SaskEnergy Incorporated	117.6	114.0	77.5
Saskatchewan Workers' Compensation Board ¹	42.6	(26.4)	72.8
Consolidation adjustments ¹	(5.6)	71.9	(5.4)
Total Net Income from Government Business Enterprises²	1,084.4	1,139.3	904.9
Total Revenue¹	14,023.9	13,867.9	14,288.0

Totals may not add due to rounding

Continued

GOVERNMENT OF SASKATCHEWAN

Schedule of Revenue For the Year Ended March 31 Continued



- ¹ To increase conformity with Public Accounts presentation, the presentation of Budget 2016 and Forecast 2016 is revised from the presentation last published. Commercial revenue and expense is now presented on a gross basis, increasing Other own-source-Fees by \$16.0M in both Budget 2016 and Forecast 2016. Grants in lieu received by boards of education are no longer classified as Taxation revenue, decreasing Budget 2016 Taxation-Property by \$16.7M, increasing Other own-source-Other by \$1.5M, and increasing Transfers from the federal government-Other by \$7.2M. Budget 2016 Total Revenue increases by \$8.0M. Within Other own-source revenue, \$1.9M of forecasted Fees revenue and \$9.1M of forecasted Investment income are reclassified as Other, and \$9.0M Budget 2016 Investment income is reclassified as Other. Within Net Income from Government Business Enterprises, \$78.9M of forecasted adjustments are reclassified from Saskatchewan Workers' Compensation Board to Consolidation adjustments.
- ² Forecast 2016 includes 15 months of operations for certain organizations whose year-ends changed from December 31 to March 31 during the year. The forecasted operations between January 2016 and March 2016 inclusive increase forecasted Fees by \$9.0M, Investment income by \$3.4M and Total Net Income from Government Business Enterprises by \$145.1M.

GOVERNMENT OF SASKATCHEWAN

Glossary of Financial Terms

Accumulated Surplus (Deficit)

The amount by which revenue has exceeded expense (expense has exceeded revenue) from the beginning of provincial incorporation (1905), plus any adjustments that were charged directly to the accumulated surplus (deficit). It is calculated as the difference between assets and liabilities.

Amortization

The systematic allocation of the cost of an asset over the expected remaining life of the asset.

Debt

Obligations incurred through the issuance of debt instruments such as promissory notes or debentures. Debt does not include other liabilities such as accounts payable or pension obligations.

- **Gross Debt:** borrowings through the issuance of debt instruments such as promissory notes and debentures.
- **Sinking Funds:** funds set aside for the repayment of debt.
- **Public Debt:** gross debt net of sinking funds.
- **General Debt:** public debt net of loans to Crown corporations for Government Business Enterprise (GBE) specific debt.

- **GBE Specific Debt:**

- debt issued by Government Business Enterprises; or,
- debt issued by the General Revenue Fund specifically on behalf of a GBE where the government expects to realize the receivable from the GBE and settle the external debt simultaneously.

- **Guaranteed Debt:** debt of others that the government has agreed to repay if the others default.

Debt Charges

Costs associated with holding debt including interest, foreign exchange gains and losses, discounts, fees and commissions.

Expenses

An accounting measure of the cost of economic resources consumed during the fiscal period.

Government Business Enterprise (GBE)

An organization that is controlled by government, is self-sufficient and has the financial and operating authority to sell goods and services to individuals and organizations outside the government reporting entity as its principal activity.

Government Reporting Entity

The set of organizations whose planned and actual financial affairs and resources are included in government's budget and financial statements. The reporting entity comprises all organizations that are controlled by government.

Government Service Organization (GSO)

An organization that is controlled by government, except those designated as GBEs.

Net Debt

The difference between liabilities and financial assets. Net debt represents the future revenue required to pay for past transactions or events.

Pension Liability

An actuarial estimate of discounted future payments to be made to retirees under government pension plans, net of plan assets.

Surplus (Deficit)

The amount by which revenue exceeds expense (expense exceeds revenue) for a fiscal period.

Tangible Capital Asset

An asset with physical substance with an economic life extending beyond one year, held for use and not for sale in the ordinary course of operations.

For more information on Summary Basics, visit www.saskatchewan.ca/budget.