

The Honourable Kevin Doherty
Minister of Finance



SASKATCHEWAN PROVINCIAL BUDGET

17-18

MEETING THE
CHALLENGE

MINISTER'S MESSAGE

I am pleased to table the 2017-18 Budget and supporting documents for public discussion and review.

MEETING THE CHALLENGE

Saskatchewan's 2017-18 Budget is a plan that meets the challenge Saskatchewan is facing.

Our challenge is clear. Resource revenue has declined by more than \$1 billion over the past three years – mainly due to oil and potash prices that have stayed persistently low.

Our plan is also clear. Return the budget to balance in three years, while ensuring important government programs and services remain affordable and sustainable.

We are meeting the challenge by controlling and reducing spending, modernizing and expanding the tax base, and ensuring the economy remains strong.

At the same time, supported by a strong foundation of base funding that has grown over the past 10 years, this Budget continues to invest in the programs, services and infrastructure valued by Saskatchewan people.

Over the past nine months, our Government has consulted and listened to the people of Saskatchewan and stakeholders from a broad cross-section of the economy.

While there have been many different views expressed on how to meet the challenge, there has been a consistent message: take time to make the necessary changes, be sensitive to the needs of Saskatchewan people and the economy, and create a plan that returns the Province to a balanced budget.

We have listened and we have acted.

While many of the decisions in Budget 2017-18 are difficult, they do strike the balance expressed by many.

Meeting the challenge requires changes in the delivery of services – transformational changes that can be complex and require time to take hold. We are seeing some of these changes take shape in the key areas of health, education and social services.

As we move forward, change will continue in order to ensure our programs and services are more effective and sustainable in the long run.

In this Budget, we are also taking revenue measures to help meet the current financial challenge, provide greater revenue stability, and move our revenue base away from its reliance on resource revenues.

The PST base is being expanded, but at the same time, personal and corporate income tax rates are being lowered and new growth incentives are being introduced to keep our economy strong.

Meeting the challenge is vitally important now and for the future.

Our province has seen 160,000 more people call it home in the last decade, growing at the second fastest rate in the nation.

Government's budget and plan to balance meets the challenge, ensuring valued services are provided today and are sustainable for the long term, and ensuring our economy remains strong.

A handwritten signature in black ink, appearing to be 'K. Doherty', with a stylized, overlapping 'K' and 'D'.

Honourable Kevin Doherty
Minister of Finance

TABLE OF CONTENTS

MINISTER'S MESSAGE

GOVERNMENT DIRECTION FOR 2017-18

Meeting the Challenge	6
-----------------------------	---

SASKATCHEWAN BUILDS CAPITAL PLAN	18
---	-----------

TECHNICAL PAPERS

The Saskatchewan Economy	27
2017-18 Financial Outlook	36
2017-18 Borrowing and Debt	47
2017-18 Revenue Initiatives	50
Saskatchewan's Tax Expenditures	55
2017 Intercity Comparison of Taxes and Utilities	59
2016-17 Budget Update Third Quarter	64

BUDGET FINANCIAL TABLES

Budget	68
Statement of Accumulated Deficit	69
Statement of Change in Net Debt	69
Schedule of Pension Liabilities	70
Schedule of Capital Assets	70
Schedule of Public Debt	71
Schedule of Revenue	72
Glossary of Financial Terms	74



SASKATCHEWAN PROVINCIAL BUDGET

17-18

GOVERNMENT DIRECTION FOR 2017-18

Government Direction for 2017-18: MEETING THE CHALLENGE

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: 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 2017-18 meets the challenge the Government of Saskatchewan is facing by controlling and reducing spending, modernizing and expanding the tax base, ensuring the economy remains strong and returning to balance over three years.

The challenge is clear.

Oil and potash prices began dropping three years ago and have stayed stubbornly low. The Government of Saskatchewan's revenue from those key resources has declined significantly.

It's meant a shortfall of more than a billion dollars, as well as hundreds of millions less from tax revenue from the slowdown of those sectors. It's meant fewer people working in mines and the oil patch.

In down times, small and medium-size businesses that serve those important resource sectors are also impacted. The effect is felt by Saskatchewan communities and families.

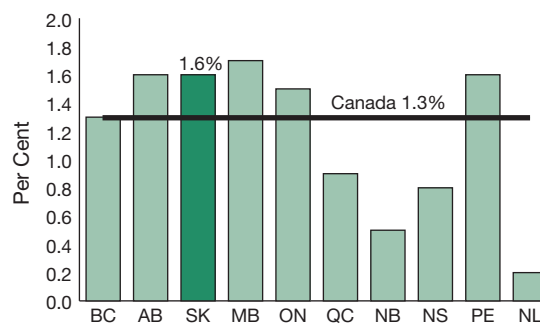
As always, Saskatchewan people are resilient – diverse, strong and ready to meet the challenge.

This year's Budget sets a course to respond to this current challenge and return to balance over three years. It controls spending and modernizes and expands the tax system by shifting toward consumption taxes and away from income tax in order to promote productivity and growth and help keep our economy strong.

Meeting the challenge is vitally important now and for the future.

Our province has seen 160,000 more people call it home in the last decade, growing at the second highest rate in the nation. Government's budget and plan to balance ensures valued services are provided today and are sustainable into the future.

POPULATION GROWTH BY PROVINCE IN 2016



Source: Statistics Canada

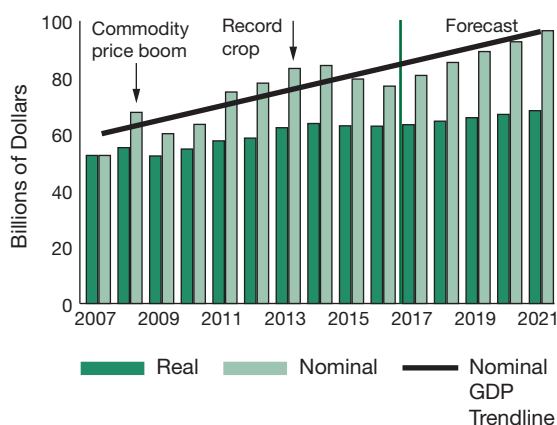
ECONOMIC FOUNDATION

Saskatchewan's economy is poised for growth in 2017.

Commodity prices including oil are forecast to rise slightly, and drilling activity is expected to strengthen. The global economy while far from robust is starting to gain momentum, which in turn is helpful to Saskatchewan's export-based economy.

And while there is no question the effects of low resource prices have and are being felt, parts of Saskatchewan's economy were strong last year. Farmers harvested the second largest crop in the province's history and although there were quality issues and unharvested crops in some areas, overall it exceeded expectations.

SASKATCHEWAN REAL AND NOMINAL GDP LEVEL



Source: Ministry of Finance

Saskatchewan's unemployment rate remains among the lowest in the country.

Economic resilience was seen in manufacturing sales that were \$1.3 billion in December, up 11.9 per cent year-over-year representing the second highest growth among provinces in 2016. Investment in non-residential building construction reached

\$1.9 billion, up by 9.6 per cent, again the second strongest growth in the country last year.

Saskatchewan was named the top jurisdiction in the world for mining investment. *The Fraser Institute Annual Survey of Mining Companies 2016* gave Saskatchewan top place, up from its second place ranking in 2015. Regulatory certainty, permitting efficiency and a competitive tax regime were among the reasons cited by the Institute.

Over the past decade Saskatchewan has created a business investment climate that is the envy of the country. Targeted incentives like the Saskatchewan Commercial Innovation Incentive, or patent box, and the Saskatchewan Research and Development Tax Credit continue to support diversification and growth.

Total capital investment has grown from \$8.3 billion in 2007 to a peak of \$20 billion in 2014, with a very strong forecast of \$14.5 billion for 2017. Part of meeting the challenge is to keep the economy moving in step with Government's *Plan for Growth*, so that all can benefit from its strength.

(More detailed economic information is provided in The Saskatchewan Economy technical paper beginning on page 27.)

FISCAL PICTURE

Just as Saskatchewan's economy continues to show resilience and signs of recovery, our fiscal plan improves the financial outlook over the next four years.

A deficit of \$685 million is projected for 2017-18.

A smaller shortfall of \$304 million is forecast for 2018-19 with a return to balance in three years – a modest surplus of \$15 million in 2019-20 and an increased surplus of \$183 million in 2020-21.

Revenue is forecast at \$14.17 billion in the 2017-18 Budget, up about \$141 million from last year's budget and \$471 million higher than the 2016-17 third quarter forecast.

The increase in revenue in the 2017-18 Budget is largely due to the impact of modernizing and expanding the tax system, including an increase to the Provincial Sales Tax (PST) rate, as well as higher projected net income from government business enterprises and a modest increase in non-renewable resource revenue. This is offset by significant reductions in one-time federal transfers and own-source revenue.

Expense is forecast at \$14.80 billion in 2017-18, up from the previous year's budget by \$342 million, but down \$183 million from the 2016-17 third quarter forecast. Higher crop insurance claims and pressures in health and social services due to higher utilization led to higher in-year expense projections in 2016-17.

The 2017-18 Budget includes a reduction of \$250 million from total public sector compensation costs, plus a \$300 million contingency to protect against unexpected in-year revenue declines and unforeseen expense pressures due to higher-than-projected utilization and natural disasters like forest fires and flooding.

While strategic investments continue in priority areas of health, education and social services and assistance – which make up nearly three-quarters of total expense – difficult decisions were required resulting in substantial reductions, deferrals and suspensions of funding in many areas to help meet the challenge of controlling and reducing expense in the 2017-18 Budget.

Decisions were made with a focus on the priorities of Saskatchewan people while recognizing the financial challenge, the importance of stabilizing revenue without shocking the economy and the importance of returning the budget to balance.

When taken as a whole, the impact on real GDP of the PST base expansions and rate increase, and other revenue measures are largely offset by the positive economic impact of the income tax reductions, the increase in operating spending and ongoing investment in infrastructure.

This result is entirely consistent with previous findings that span almost 20 years.

In its final report in November 1999, the Saskatchewan Personal Income Tax Review Committee noted “A recent study by Jon Kesselman concluded that income taxes have a higher negative

REAL GDP IMPACT OF 2017-18 BUDGET MEASURES

(Percentage Point Change)	2017	2018	2019	2020	2021
2017-18 Budget Measures:					
PST Measures	(0.11)	(0.23)	(0.20)	(0.15)	(0.14)
PIT/CIT Tax Cut	0.02	0.07	0.13	0.21	0.27
Other Revenue Measures	(0.02)	(0.04)	(0.04)	(0.03)	(0.03)
2017-18 Net Operating Spending	0.14	0.20	0.23	0.24	0.23
2017-18 Infrastructure Spending	(0.03)	(0.04)	(0.05)	(0.05)	(0.05)
Combined Impact of 2017-18 Budget	0.01	(0.05)	0.08	0.21	0.28

impact on economic efficiency and growth than consumption taxes. He concludes that reducing personal income tax rates, introducing incentives to encourage both savings and capital gains, and increasing consumption taxes would achieve economic efficiency and growth and reduce out migration of skilled workers and entrepreneurs.”

Recent research by Jeffrey M. Stupak and Donald J. Marples prepared for the United States Congressional Research Service in January 2016, which examines an option to fundamentally change an overly complicated, unfair tax system by replacing the income tax with a national retail sales tax, concludes such a reform would improve economic efficiency and increase economic output, noting “switching to a consumption tax would lead to an increase in the level of gross domestic product in the long run.”

While there are various studies and points of view related to the impact of taxes, the 2017-18 Budget seeks to meet Government’s fiscal challenge with a balanced approach that both expands its revenue base and provides reductions to income tax to help the economy grow.

(More information is available in the 2017-18 Financial Outlook, beginning on page 36.)

TRANSFORMATION

Meeting the challenge requires changes in the delivery of services to make it more streamlined, efficient, and customer-focused, while at the same time cost effective. Transformational changes can be complex, requiring time to successfully implement.

Government continues to work with all of its partners across all sectors as changes are made to meet the needs of Saskatchewan people.

Transformation is underway to move to a single health authority, consolidating 12 regional authorities. A thorough and thoughtful approach is being taken to achieve this change by the fall of 2017.

Potential savings of between \$10 million and \$20 million are estimated to begin in 2018, and while they will occur as a result of greater integration and coordination, the true value of the change is being driven by Government’s commitment to improve front-line patient care for Saskatchewan people.

Government’s investments into income assistance programs designed to meet the needs of our most vulnerable have improved dramatically over the past 10 years, but they have become unnecessarily complex.

A redesign of income assistance programs is underway, a transformational change that will make programs simpler for clients and workers, focusing on the basic needs of our most vulnerable citizens, and ensuring the programs are sustainable into the future.

In education, the K-12 education governance panel undertook extensive consultation in meetings across the province and online. Support for maintaining the current number of school divisions and elected boards was significant, so the focus of this change is on the appropriate ministerial oversight in ensuring educational and financial targets are met.

To help students and families plan for post-secondary education a new, more transparent student loan program has been developed. Starting in August, students applying for loans will access up-front provincial grants targeted to those who need them most. This new system will let students know how much they can expect to receive in grants and how much they may need to borrow for their education.

Combined with the Saskatchewan Advantage Scholarship and federal grants, the new system will cover most, in some cases all, of a lower income undergraduate student's tuition costs.

These are just a few examples of a number of transformational initiatives being undertaken across the public sector, aimed at delivering vital services to Saskatchewan people while exploring new ways to do things and addressing challenges.

MODERNIZING AND EXPANDING THE TAX SYSTEM

Building on a decade of the largest tax reductions in the province's history, personal and corporate income tax rates are being lowered in this Budget, helping keep life affordable in Saskatchewan and supporting growth.

In addition, the Saskatchewan Commercial Innovation Incentive (patent box) will further reduce the Corporation Income Tax rate for companies that use their intellectual property to create jobs and new investment. The Research and Development Tax Credit is being reformed to better target smaller and medium-sized Saskatchewan innovation companies. As well, the Oil Processing Investment Incentive encourages processing of our oil resources in the province, with royalty credits on new production.

Shifting tax away from income and productivity to consumption helps the economy and improves Government's revenue stability. Changes will generate consistent revenue to pay for valued services like health care, education and social services and needed capital – schools, hospitals and roads. A more stable revenue base keeps vital services sustainable in the long run. The changes also modernize and simplify the tax structure.

A number of PST exemptions are being eliminated. Some of these goods and services are commonly taxed in other jurisdictions and removing the exemptions also simplifies tax rules.

Changes which expand the base include applying PST to children's clothing, restaurant meals and snack foods, insurance premiums, construction services and permanently mounted equipment used in the resource sector. However, the 2017-18 Budget also maintains the current PST exemptions for basic necessities including groceries, heating fuels, residential electricity, prescription drugs and reading materials.

The PST is also being raised by one point, from five per cent to six per cent.

A number of tax expenditure programs are changing, including eliminating the exemption for bulk purchases of gasoline and reducing the exemption for bulk purchases of diesel fuel to 80 per cent of purchases, recognizing the changing nature of farming and primary production operations and the on-road and personal uses of some of this fuel.

In addition, the Personal Income Tax credits for education and tuition expenses and the Employee's Tools Tax Credit are being eliminated, and the Labour-sponsored Venture Capital Tax Credit rate is being reduced. The Corporate Capital Tax rate on large financial institutions is being increased. The provincial tax preference for credit unions is also being phased out and the indexation of the Personal Income Tax (PIT) system is being temporarily suspended.

Tobacco tax rates and liquor mark ups are increased effective budget night.

Education Property Tax (EPT) mill rate adjustments in conjunction with the 2016 reassessment will increase EPT and bring the contribution level to 40 per cent for K-12 school funding.

The Saskatchewan Low-Income Tax Credit will be enhanced to help mitigate the effect of the tax changes.

(More information is included on pages 50 to 54 in the 2017-18 Revenue Initiatives and pages 55 to 58 of Saskatchewan's Tax Expenditures.)

While the PST base expansions provide stability, the PST rate increase and suspension of PIT indexation provide additional revenue needed at this time and, as in the past, the rate can be lowered and indexation restored when the province's finances improve. At the same time Saskatchewan's corporate and personal taxes continue to be among the lowest in the country.

In fact, when fully implemented, Saskatchewan will have the lowest corporate tax rate and the lowest tax rate on manufacturing and processing in the country – a great Saskatchewan advantage for businesses to invest and expand in our province.

In total, measures being taken this year will add a projected \$900 million in incremental tax revenue.

(More information is available in 2017 Intercity Comparison of Taxes and Utilities on pages 59 to 63.)

CONTROLLING SPENDING

The cost of compensation across the public sector is approximately \$7.0 billion annually, representing the largest single component of Government's expense.

Given the fiscal challenge, there is a reduction in total public sector compensation funding of \$250 million, a savings of approximately 3.5 per cent. Employees across the public sector – in ministries, Crowns,

agencies, health regions, school divisions, and the post-secondary sector – are being asked to help meet the challenge.

Premier Brad Wall announced that effective April 1, 2017, Ministers and MLAs will take a 3.5 per cent wage rollback and staff in the Premier's office, caucus offices and Ministers' offices will take nine unpaid days off – equivalent to a reduction of about 3.5 per cent.

While Government has made the budgeted funding decision as is appropriate, it has not directed specifically how the savings should be achieved by the public sector employers. This will be determined through negotiation.

In 2017 the Government of Saskatchewan is winding down the Saskatchewan Transportation Company (STC).

Ridership continues to fall, and costs continue to rise. Since 2007 the subsidy to STC has been \$112 million. The per passenger subsidy has risen from \$25 for every STC bus rider in 2007 to \$94 today. If STC continued to operate, it would require another \$85 million in subsidies over the next five years.

Last year 77 per cent fewer riders used STC than in its busiest year. The company isn't sustainable, particularly when increasing subsidies are weighed against the spending priorities of the province, including health care and education.

Crown Investments Corporation will oversee the wind-down. There may be situations where private sector or not-for-profit operators will expand services for freight and possibly passenger service, depending on demand.

Use of Executive Air Service has similarly declined, by more than 73 per cent since 2008-09. The decision has been made to wind down the service given challenging financial times.

Expected to save \$700,000 to \$1 million annually, based on current levels, commercial or charter flight services will be used by government when air travel is required.

Details of other expense reductions, deferrals and suspensions in this year's budget are outlined in media releases and backgrounders from individual ministries, Crowns and agencies.

PRIORITY INVESTMENTS

While the 2017-18 Budget contains considerable cost reduction measures, the overall base of expenditure is significant and provides the programs and services valued by the people of Saskatchewan.

Since 2007-08, total investment into three priority areas – health, education and social services and assistance – has increased by nearly 72 per cent or \$4.4 billion.

These three areas make up nearly three-quarters of Government's total expense and are projected to be a combined \$10.6 billion in 2017-18, up \$107 million, or about 1 per cent over last year.

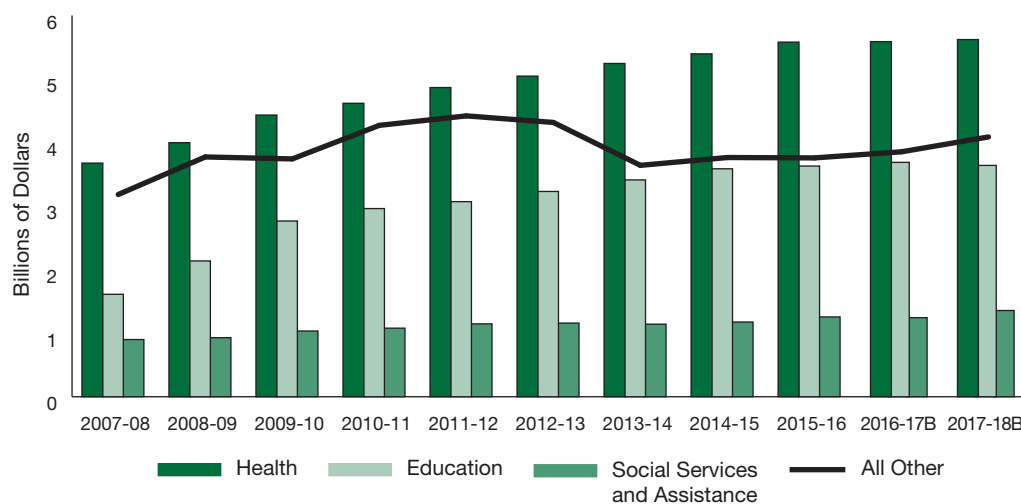
A growing population, demographic pressures, increased caseloads and costs related to covering Saskatchewan's vast distances to provide services, are factors that put pressure on these expenses.

In 2017-18 total spending for health is projected to be \$5.6 billion, an increase of \$39 million or 0.7 per cent over last year's budget. This includes spending through the Ministry of Health, the Regional Health Authorities, the Saskatchewan Cancer Agency, eHealth, the Health Quality Council, 3sHealth, and the Physician Recruitment Agency.

Overall expense for health has grown 55 per cent over the last decade, from \$3.6 billion in 2007-08 to \$5.6 billion forecast for this year.

In this Budget, \$12 million is targeted to help address overcapacity issues and emergency department wait times in Regina and Saskatoon, and \$24.4 million will address service pressures and operating costs. Cancer treatment will be provided to more patients through a \$3.3 million increase in budgeted spending in the Saskatchewan Cancer Agency, to \$170 million.

SPENDING BY THEME



Boards of Education did not become part of the Government Reporting Entity until 2009-10.
Source: Saskatchewan Budget, Public Accounts, Ministry of Finance

To help address the fiscal challenge facing the province, a number of programs are being phased out, including the hearing aid plan, podiatry services and chiropractic services.

Long-term care fees are increasing, effective July 1, 2017. About 50 per cent of residents will continue to pay the minimum monthly fee of \$1,086. For those residents who pay a portion of income to accompany the minimum monthly fee, the percentage of income is rising to 57 per cent from the current 50 per cent.

Total education expense is budgeted at \$3.6 billion, down \$45.1 million or 1.2 per cent from last year. This includes budgeted spending through the ministries of Advanced Education, Education, and Economy, the Boards of Education, Saskatchewan Polytechnic, Regional Colleges, the Saskatchewan Apprenticeship and Trade and Certification Commission, and the Saskatchewan Student Aid Fund.

Since 2007-08, expense budgeted for education, which includes both the PreKindergarten to Grade 12 and post-secondary sectors, has experienced a 100 per cent increase, from \$1.8 billion to its current \$3.6 billion. The 2007-08 base does not include Boards of Education because they were not included in the Government Reporting Entity until 2009-10. Since 2009-10 the increase is approximately 30 per cent.

Saskatchewan's 28 school divisions will receive \$1.9 billion in school operating funding. While this represents significant financial support for classrooms, it is down \$22 million from 2016-17, a 1.2 per cent reduction year-over-year. This reflects the financial challenge facing the province but also the opportunity to seek improvements through innovation and change.

Significant investment in post-secondary education continues in this Budget, including student supports and the continuation of the Graduate Retention Program, providing up to \$20,000 in income tax credits to graduates who live and work in Saskatchewan.

While strong support for Saskatchewan post-secondary institutions through \$649 million in operating and capital funding continues in this Budget, a five per cent reduction in base operating grants to universities, technical institutes and regional colleges is part of meeting the Province's fiscal challenges.

A number of job training programs have had funding reduced, suspended or eliminated, in response to a combination of utilization experience, program changes and duplication with other similar programs.

Social services and assistance includes the budgeted spending of the Ministry of Social Services, the Saskatchewan Housing Corporation, the Saskatchewan Legal Aid Commission, as well as portions of the Ministries of Government Relations and Justice. Social services and assistance expense is nearly \$1.4 billion in the 2017-18 Budget, an increase of \$113 million or 9.1 per cent, over last year, and a 51 per cent increase since 2007-08 when total expense was \$900 million.

Child and Family Programs, Disability Programs and Income Assistance are seeing increases through the budget this year, as will the Saskatchewan Employment Supplement, Personal Care Home Benefit and Seniors Income Plan.

Changes will be made to some benefits to help provide savings of \$10.6 million, and the First Home Plan for recent graduates has been suspended this year saving \$8 million, to help meet the province's fiscal challenge.

INVESTING IN INFRASTRUCTURE

The 2017-18 Budget includes \$3.7 billion for investment into Saskatchewan's infrastructure.

The commercial Crown sector is investing \$2.1 billion and \$1.6 billion is being invested by Executive Government ministries and agencies. Solid capital investment will help Saskatchewan meet the challenge of a growing province and strengthen the economy now and moving forward.

Capital projects lead to construction jobs at a time when sectors like mining or oil and gas are recovering from commodity price downturns.

Investing in roads and highways improves safety and helps Saskatchewan products move to market over an expanded and improved transportation system.

Investments into hospitals and long-term care facilities suited to the delivery of care that is essential to Saskatchewan people help us meet challenges. Investment into elementary and secondary schools, as well as post-secondary institutions, provide better classrooms and spaces for students.

(More in the Saskatchewan Builds Capital Plan on pages 18 to 24.)

In 2017-18 major Crown projects include \$1.3 billion at SaskPower, primarily to renew distribution and transmission systems, along with the expansion and renewal of electricity generation assets to meet customers' growing power needs.

Investment of \$302 million is projected at SaskTel to increase and upgrade its wireless and wireline networks, improve customer service through network growth and modernization, and continue the roll out of infiNet, its high bandwidth broadband service.

Focused on the growth and integrity of its natural gas transmission and distribution systems, SaskEnergy is forecast to spend \$292 million to ensure safe and reliable service that meets continually growing customer demand.

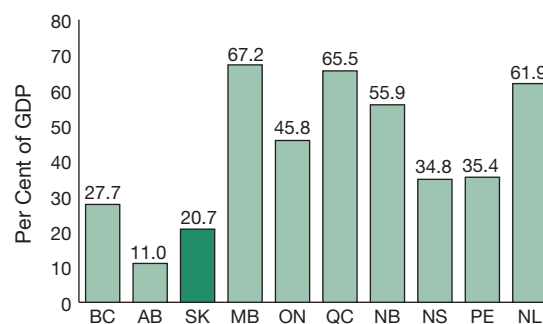
SaskWater plans to invest \$81 million in 2017-18 to address aging infrastructure and customer growth.

DEBT MANAGEMENT

Responsible debt management is an important aspect of meeting the fiscal challenge. Saskatchewan's forecasted 20.7 per cent of total debt-to-GDP as of March 31, 2017 is second lowest among the provinces, according to the Dominion Bond Rating Service's most recent analysis. BC is third lowest at 27.7 per cent, and Manitoba has the highest debt-to-GDP ratio at 67.2 per cent.

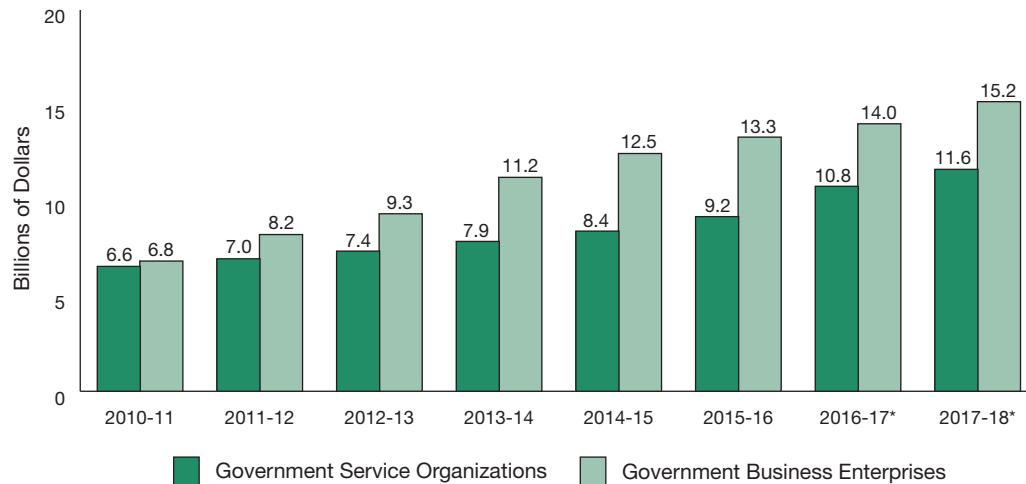
The 2017-18 Budget estimates all government debt, including that of Crown corporations, to remain manageable at \$18.2 billion as at March 31, 2018.

2016-17 TOTAL DEBT (PER CENT OF GDP)



Source: DBRS-Adjusted Total Debt as at March 31, 2017, Statistics Canada, Conference Board of Canada

GROWTH OF TANGIBLE CAPITAL ASSETS



* Forecast

Government's operating debt has decreased more than 15 per cent since 2008, resulting in cumulative savings of over \$1.1 billion in interest payments.

Strong credit ratings, low interest rates and our province's low debt-to-GDP, make this a cost-effective time to finance capital, using a disciplined approach that matches the benefits of the assets with the term of payments.

The additions to capital assets (net of amortization) for 2017-18 is almost \$2.1 billion, including \$905 million in government service organizations and \$1.16 billion in government business enterprises,

largely the major Crown corporations. The total budgeted book value of tangible capital assets at March 31, 2018 is \$26.8 billion.

A key principal of government's capital financing plan is the repayment of capital debt upon maturity. 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 capital debt as it comes due, ensuring it is not passed on to future generations.

(More information on 2017-18 Borrowing and Debt begins on page 47.)

CONCLUSION

Saskatchewan will meet the challenge it is facing.

Our economy is diverse and resilient.

More people than ever are calling Saskatchewan home.

Our people are up to the challenge.

The 2017-18 Budget controls and reduces spending while balancing the need to support the economy. A modernized and expanded tax system provides the stable revenue base needed to ensure programs and services are sustainable. Coupled with new tax incentives and income tax reductions, the 2017-18 Budget continues to support Government's key priority of growth.

This Budget invests in needed infrastructure, in schools, highways and hospitals.

This Budget invests in the priorities of health care, education and social services.

And while the 2017-18 Budget includes difficult decisions, it positions Saskatchewan to return to a balanced budget within three years, and ensures programs and services are sustainable in the long run.

The 2017-18 Budget takes action now.

Other governments have taken a different road, with no plan to balance.

Not here. Saskatchewan will meet the challenge.



SASKATCHEWAN PROVINCIAL BUDGET

17-18

SASKATCHEWAN BUILDS CAPITAL PLAN

SASKATCHEWAN BUILDS CAPITAL PLAN

(2017-18 to 2020-21)

CAPITAL PLAN HIGHLIGHTS

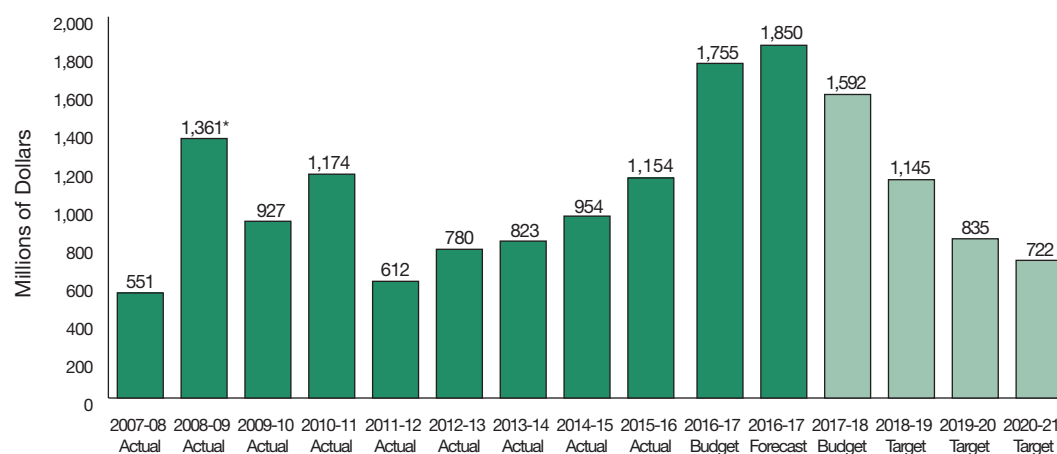
The 2017-18 Saskatchewan Builds Capital Plan includes the capital investment activities of Executive Government ministries and agencies. The plan ensures that capital investments are strategically aligned to the province's growth and quality of life priorities, and serves to strengthen the reporting on Government's infrastructure investments.

This plan follows up on the record investment of 2016-17, which provided many milestones. These include the opening of The Meadows long-term care facility in Swift Current, Kelvington and Area Hospital and the new Mosaic Stadium in Regina; the completion of major school capital projects in Saskatoon, Martensville, Gravelbourg, Langenburg and Weyburn; upgrades to the provincial highway network, including the commencement of interchanges for Warman and Martensville; and the continued advancement of the remaining P3 projects.

The 2017-18 Saskatchewan Builds Capital Plan leverages the \$9.6 billion in capital investments made over the last nine years to support future growth and expanded economic opportunities and balances the need for further capital funding with long-term sustainability. 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 toward continuing to secure a better quality of life for all Saskatchewan people. The importance of these investments is underscored in this current economic environment. Taking advantage of low interest rates to invest in much needed infrastructure investments creates economic activity and supports Saskatchewan in *Meeting the Challenge* presented by current fiscal conditions and preparing it for future growth.

The 2017-18 Budget includes a total capital investment of over \$3.7 billion, including Crowns and the \$1.6 billion outlined in this plan.

SASKATCHEWAN BUILDS CAPITAL PLAN



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

Including the funding provided in the 2017-18 Budget, \$11.2 billion has been provided for investment in the province's schools, health care facilities, roads, bridges, highways and municipal infrastructure since 2008-09. The 2017-18 Budget provides \$1.6 billion for capital infrastructure and this four-year capital plan forecasts over \$4.2 billion in capital expenditure.

In addition to the Saskatchewan Builds Capital Plan, capital spending by the Crowns is projected to be

\$2.1 billion in 2017-18. Between 2017-18 and 2020-21, Crown corporations forecast average annual expenditures of \$1.9 billion to maintain existing and build new infrastructure.

The 2017-18 to 2020-21 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 – 2017-18 TO 2020-21

(Thousands of Dollars)	2016-17 Budget	2016-17 Forecast	2017-18 Budget	2018-19 Target	2019-20 Target	2020-21 Target
Capital Asset Acquisitions (Government-Owned Capital)	1,094,282	1,133,224	1,065,379	747,402	464,387	378,744
Capital Transfers (Third-Party Capital)	660,773	717,077	526,316	397,177	370,427	343,119
Saskatchewan Builds Capital Plan Total	1,755,055	1,850,301	1,591,695	1,144,579	834,814	721,863
Capital Plan by Sector						
Transportation Infrastructure – \$860.8M in 2017-18						
Highways Capital (including Regina Bypass)	854,582	924,582	842,882	694,576	423,832	342,882
Highways Partnerships and Supporting Capital	21,155	20,321	17,955	18,155	18,155	18,155
Municipal Infrastructure – \$279.3M in 2017-18						
Municipal Programs	102,529	102,848	279,261	160,564	132,739	100,671
Regina Stadium	25,000	25,000	–	–	–	–
Education Capital – \$119.1M in 2017-18						
Schools (including Joint-Use school projects)	353,391	358,116	75,886	32,674	29,149	18,709
Preventative Maintenance and Renewal	38,000	37,500	43,200	49,600	55,900	62,300
Advanced Education – \$21.5M in 2017-18						
Maintenance Capital	23,600	20,040	21,500	23,400	25,300	27,200
Post-Secondary Projects	2,182	66,922	–	–	–	–
Health Care – \$231.2M in 2017-18						
Maintenance and Facility Regeneration	34,700	22,364	34,700	44,600	54,400	64,300
Health Equipment	15,723	14,700	15,723	20,823	23,323	23,923
Long-term Care (including Swift Current LTC)	7,332	9,082	6,730	–	–	–
Hospitals (including SHNB-ICF)	182,100	152,100	174,000	30,200	8,300	9,300
Government Services – \$79.9M in 2017-18						
IT Capital	15,403	23,787	24,395	13,764	10,765	6,165
Courts and Corrections Capital	14,959	12,379	17,534	8,836	7,586	7,586
Parks Capital	5,050	5,050	5,050	9,500	9,500	9,500
Equipment Capital	30,822	28,468	21,852	14,760	14,373	9,680
Government Buildings	6,362	6,362	9,152	12,652	11,017	11,017
Other Capital to Support Government Programs	22,165	20,680	1,875	10,475	10,475	10,475
Saskatchewan Builds Capital Plan Total	1,755,055	1,850,301	1,591,695	1,144,579	834,814	721,863

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

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 2017-18 Budget provides over \$99.4 million for maintenance investment in existing capital in Advanced Education, Health and Education. This amount represents an increase of \$3.1 million or 3.2 per cent. The four-year plan includes consistent increases for important capital maintenance activities to reinvest in and protect existing infrastructure.

CAPITAL PLAN DETAILS

Transportation Infrastructure

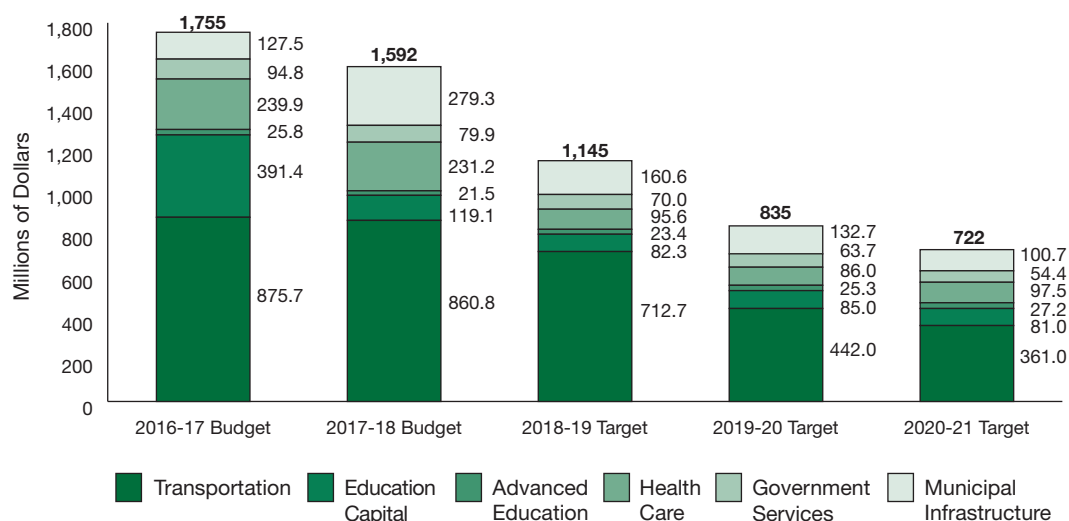
The 2017-18 Budget provides \$860.8 million in capital funding for transportation infrastructure, a decrease of \$14.9 million or 1.7 per cent from last year's budget. The 2017-18 Saskatchewan Builds Capital Plan delivers on the need for continued investment in transportation infrastructure, targeting

\$2.3 billion of capital investment through the Ministry of Highways and Infrastructure over the next four years.

Nearly 1,000 km of improvements will be made to provincial highways across Saskatchewan with 2017-18 investments.

Investments in transportation infrastructure 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 continues to invest in many important transportation infrastructure projects throughout the province, including: interchanges for Warman and Martensville; twinning projects on Highways 7 and 39, two sets of passing lanes on Highway 5 between Saskatoon and Humboldt; 150 km of rural highway upgrades, 300 km of repaving and 400 km of other maintenance in various locations throughout the province.

SASKATCHEWAN BUILDS CAPITAL PLAN BY SECTOR – 2017-18 TO 2020-21



Municipal Infrastructure

Funding of \$279.3 million is included in the Budget for municipal infrastructure in 2017-18, with plans to invest an additional \$394 million over the course of this four-year plan. Funding in this category is provided for the New Building Canada Fund, the Clean Water and Wastewater Fund, the Public Transit Infrastructure Fund and other existing municipal infrastructure support programs.

The federal cost-shared infrastructure programs should result in over \$1.3 billion in investment for Saskatchewan infrastructure by 2023-24, including all federal, provincial and municipal contributions. Projects already approved under these programs include Debden's new lagoon and lift station, Regina's upgrades to its wastewater and storm systems, Saskatoon's Boychuk Drive and Highway 16 interchange, Kipling's water treatment plant upgrades, Frenchman Butte's regional aerated lagoon project, and Creighton's raw water supply upgrades.

The federal cost-shared infrastructure programs should result in over \$1.3 billion in further investment for Saskatchewan infrastructure by 2023-24.

The 2017-18 Budget provides \$15 million toward the new North Commuter Parkway Bridge project in Saskatoon. Government has made a three-year, \$50 million commitment to this project that, once complete, will support transportation efficiencies in the City of Saskatoon and reduce traffic on existing bridges.

Since 2008, over \$1.3 billion in municipal infrastructure funding has been used to support major projects such as the Saskatoon Circle Drive South Bridge, Global Transportation Hub infrastructure, Regina Evraz Place upgrades, the

Estevan Truck Bypass, Mosaic Place in Moose Jaw, and the Regina Stadium project.

Education Capital

This Budget provides \$119.1 million for K-12 schools and other education capital, a decrease of \$272.3 million over the 2016-17 Budget due primarily to the upcoming completion of the joint-use school bundles. Over the next four years, over \$367 million is targeted for investment in this area.

The current capital plan provides \$2.1 million for the planning of two new major school capital projects in Weyburn and Rosthern and continues to support four ongoing major capital projects in addition to the joint-use bundles of nine schools in Regina, Saskatoon, Warman and Martensville. These joint-use schools will be ready for students for the 2017 school year and will add much needed capacity – up to 11,100 students and 810 child care spaces – to these communities.

Over \$1.0 billion has been invested in 65 major school capital projects and over 900 other school capital projects since 2008-09.

Major capital funding of \$21.8 million will be provided in 2017-18 for ongoing construction at Mâdawêyatitân Centre that replaces Scott Collegiate in Regina, to complete the renovation at St. Brieux School and the replacement schools for Sacred Heart Elementary and Connaught Elementary in Regina.

Budget 2017-18 provides \$43.2 million for preventative maintenance and renewal in the K-12 sector. This represents an increase of \$5.2 million or 13.7 per cent from the previous year and provides much needed support to the province's existing schools.

Significant investments have been undertaken since 2008-09 in the area of K-12 schools and other education capital, including \$1.0 billion for 65 major school capital projects and over 900 additional school capital projects across the province.

Advanced Education

The 2017-18 Budget continues Government's commitment to provide capital support to the post-secondary sector with \$21.5 million for maintenance capital and renewal. A high quality post-secondary education sector continues to be a key component of the continued growth in Saskatchewan. These investments are targeted to be \$97.4 million over the next four years and will help to ensure that Saskatchewan's post-secondary facilities will be equipped to meet student needs well into the future.

Since 2008-09, Government has invested over \$575 million through the Ministry of Advanced Education for infrastructure in the post-secondary education and research sector.

Since 2008-09, Government has invested over \$575 million through the Ministry of Advanced Education for infrastructure 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.

Health Care

The four-year plan targets more than \$510 million for investments in health facilities and equipment. The 2017-18 Budget provides \$231.2 million for health capital.

The 2017-18 Budget includes \$6.7 million to complete construction of the Leader Integrated Facility which will expand the existing Western Senior Citizens Home long-term care facility to include acute care, community health services, primary health care and ambulance services. The project is expected to be complete in early 2018.

Since November 2007, Government has invested over \$1.4 billion in health care major capital projects, facility maintenance and equipment. In this time period, construction has commenced or been completed on many projects, including the new Children's Hospital of Saskatchewan (Saskatoon), the new Saskatchewan Hospital North Battleford, The Meadows long-term care facility (Swift Current), replacement of numerous outdated long-term care facilities throughout the province, the Dr. F. H. Wigmore Hospital (Moose Jaw) and the Saskatchewan Disease Control Laboratory (Regina).

\$231.2 million is being invested in health care infrastructure in 2017-18 with over \$510 million targeted over four years.

The 2017-18 Budget provides ongoing funding of \$155.0 million to continue work on the Saskatchewan Hospital North Battleford – Integrated Correctional Facility; \$15.5 million to continue construction on the Children's Hospital of Saskatchewan; and \$3.5 million for important

infrastructure upgrades for Regina hospitals. These investments ensure that these important facilities will continue to meet the needs of a growing province for years to come.

Government is also making significant and important investments in health facility maintenance and equipment, maintaining prior year funding of \$50.0 million. 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

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

The 2017-18 Budget provides \$79.9 million in capital funding for this area, including investments in IT infrastructure, court and correctional facilities, and in the province's forest fire-fighting capacity.

\$1.3 million is provided for maintenance and upgrades to Community Living residential and day program facilities for adults with intellectual disabilities. These investments ensure individuals with intellectual disabilities are included and participate in their communities.

\$5.1 million in capital funding will be provided to Saskatchewan's provincial parks in 2017-18 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 \$95 million in capital expenditures in provincial

parks across the province. Since 2012-13, new campgrounds have been developed at Greenwater Lake and Blackstrap Provincial Parks, more than 850 campsites have been electrified, new recreational facilities have been added, and water and wastewater systems have been upgraded and expanded.

\$12.2 million is provided in 2017-18 to renew Government's Revenue Management System. This project will improve services to taxpayers, including 56,000 businesses and 32,000 farmers.

Saskatchewan Builds 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 future growth opportunities while *Meeting the Challenge* presented by current fiscal conditions.

Government will finance the \$1.6 billion of 2017-18 capital expenditure through a disciplined capital financing strategy in order to meet the infrastructure needs of our 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, public-private partnerships, and capital market borrowing. Revenue received for capital purposes primarily relates to funding from the federal government 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.

To help finance the Saskatchewan Builds Capital Plan, an estimated \$1.1 billion is forecast to be borrowed during 2017-18. 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

17-18

TECHNICAL PAPERS

THE SASKATCHEWAN ECONOMY

INTRODUCTION

The Saskatchewan economy has been affected by low commodity prices and modest global growth over the last two years. Following a decline of 1.3 per cent in 2015, Saskatchewan real GDP is expected to have declined by 0.2 per cent in 2016.

However, the outlook for 2017 remains positive.

Commodity prices are expected to improve. The price of West Texas Intermediate (WTI) oil, for example, is expected to average US\$55.00 per barrel this year, up from US\$43.40 per barrel in 2016. Drilling activity is expected to strengthen as a result.

In addition, global demand is also expected to improve.

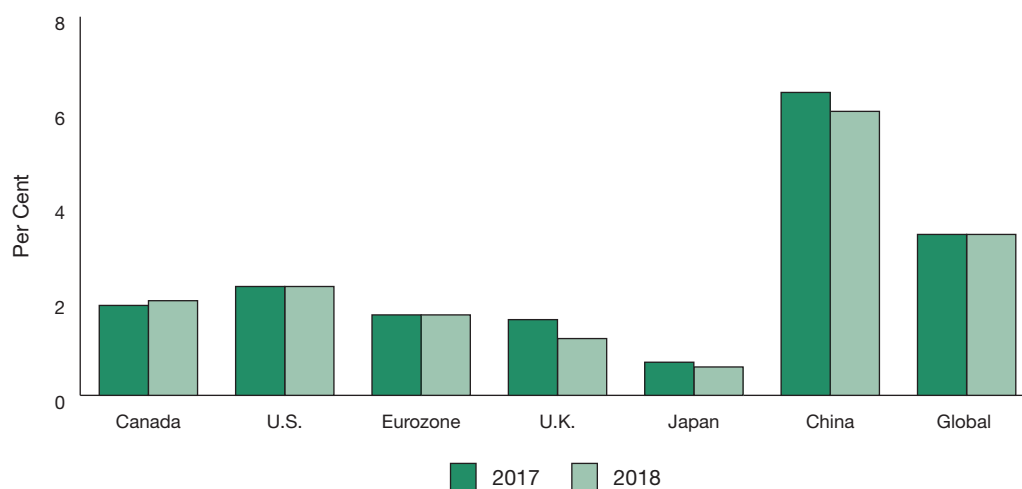
Overall, Saskatchewan real GDP is forecast to increase by 0.8 per cent and nominal GDP is forecast to rise by 4.9 per cent in 2017.

GLOBAL ECONOMIC OUTLOOK

The global economic outlook for 2017 real GDP growth is a continuation of the strengthening that began in the second half of 2016. Commodity prices, financial markets and measures of business and consumer confidence have generally risen in tandem with the expectation that 2016 was the trough of this economic cycle. This expectation, however, is accompanied by several risks – notably a possible shift by some countries toward protectionist trade policies – that could alter the current global outlook and policy responses across countries.

In the United States, economic activity is expected to increase in 2017, building on momentum from the second half of 2016. The U.S. labour market is showing signs of strength in terms of wage increases, rising employment and consequent increases in consumer confidence indicators. This is augmented by broadly-based increases in manufacturing activity.

GLOBAL REAL GDP GROWTH ASSUMPTIONS



Sources: Scotiabank, Conference Board of Canada

U.S. monetary policy reflects this increasing economic activity. Following federal funds rate hikes in 2015 and 2016, further increases are expected in 2017 as economic conditions improve. Some uncertainty remains, however, regarding U.S. federal fiscal and trade policies under the new administration.

Overall, U.S. real GDP growth is expected to increase from 1.6 per cent in 2016 to 2.3 per cent in both 2017 and 2018, providing a significant contribution to the global outlook.

In the Eurozone, economic activity is expected to increase, albeit at a moderate pace. On the upside, retail sales and consumer confidence indicators are positive and a recent decline in the euro may bolster exports. Offsets, however, are expected in the form of higher prices for imported oil and a lack of growth in manufacturing. Additionally, there remains uncertainty surrounding the effects of the United Kingdom leaving the European Union and some challenges in the Eurozone's financial sector.

Eurozone monetary policy remains accommodative in the face of subdued economic activity with the European Central Bank planning to continue its quantitative easing program to the end of 2017. In concert with monetary policy, Eurozone fiscal policy measures are stimulative to economic activity. Overall, real GDP growth in the Eurozone is expected

to increase from 1.6 per cent in 2016 to 1.7 per cent in both 2017 and 2018.

Economic activity in Japan is expected to increase, but at very low and declining rates. Factors contributing to low growth include a population that is both declining and aging, minimal wage growth, deflationary pressures and weak consumer confidence. A weaker Japanese yen and consequent increase in exports is expected to provide a limited positive offset.

Japanese monetary and fiscal policies are highly accommodative to the persistently weak economy, and are expected to remain so for the near future. Overall, real GDP growth in Japan is expected to moderate from 0.9 per cent in 2016 to 0.7 per cent in 2017 and to 0.6 per cent in 2018.

Economic activity in China has been shifting from industrial investment toward consumption and service-related output. This shift is expected to result in growth rates that are lower and more stable than in the past. Nonetheless, growth is expected to continue at a pace far in excess of those of most advanced economies.

While Chinese monetary policy is expected to remain stable, fiscal policy is expected to stimulate economic activity via spending on infrastructure projects. Despite ongoing financial outflows and uncertainty

CANADIAN AND U.S. GROWTH ASSUMPTIONS

	Actual 2016	2017	2018	2019	2020	2021
Can. Real GDP Growth (%)	1.4	1.9	2.0	1.8	1.7	1.8
U.S. Real GDP Growth (%)	1.6	2.3	2.3	2.3	2.2	2.1
Short-term Interest Rate (%)	0.49	0.51	0.72	1.19	1.69	2.19
10-year Government of Canada Bond	1.24	1.65	2.14	2.61	3.09	3.51
Canadian Dollar (US cents)	75.50	74.70	75.70	77.10	77.80	78.30

Sources: Statistics Canada, Conference Board of Canada, Ministry of Finance

around trade relations with the new U.S. administration, real GDP growth in China is expected to remain at or above 6.0 per cent for 2017 and 2018, providing a robust contribution to the global outlook.

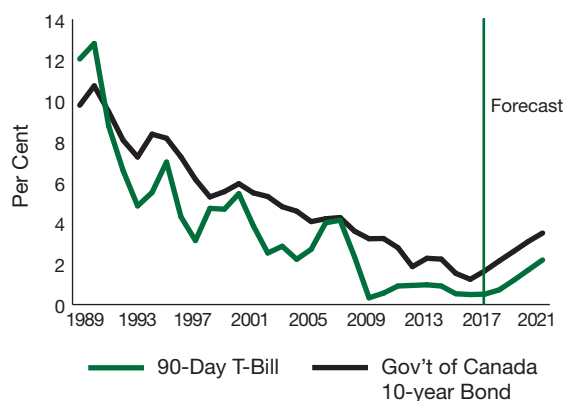
In total, the global economic outlook is improving. With economic activity in most major economies expected to increase, albeit at various rates, real global GDP growth is expected to increase from 3.0 per cent in 2016 to 3.4 per cent in both 2017 and 2018.

CANADIAN ECONOMIC OUTLOOK

Against this global backdrop, economic activity in Canada is expected to increase in a similar fashion. While some effects of the financial crisis still linger and adjustments to lower commodity prices are ongoing, monetary and fiscal policies remain accommodative.

To help cushion the economy from declining oil prices, the Bank of Canada cut its target for the overnight rate to 0.5 per cent in July 2015, where it has remained. The Bank's March 2017 policy announcement on the overnight interest rate maintained this target, noting this monetary policy stance remains appropriate for current economic conditions.

CANADIAN INTEREST RATES



Sources: Bank of Canada, Ministry of Finance

The Canadian dollar has risen with the price of oil, but remains below previous levels, providing some support for exports. Overall, global economic growth, particularly that of the U.S., supports an expectation that real GDP growth in Canada will increase from 1.4 per cent in 2016 to 1.9 per cent in 2017 and 2.0 per cent in 2018.

CANADIAN DOLLAR



Sources: Bank of Canada, Ministry of Finance

SASKATCHEWAN 2016 PERFORMANCE

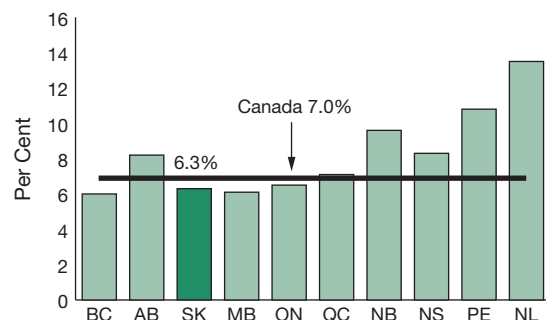
In 2016, the Saskatchewan economy continued to be affected by low commodity prices and subdued global growth.

Following a weak performance in 2015, many indicators were down again in 2016.

Building permits, international goods exports, investment in new housing construction, wholesale trade as well as the number of housing starts and new motor vehicles sales were all down in 2016.

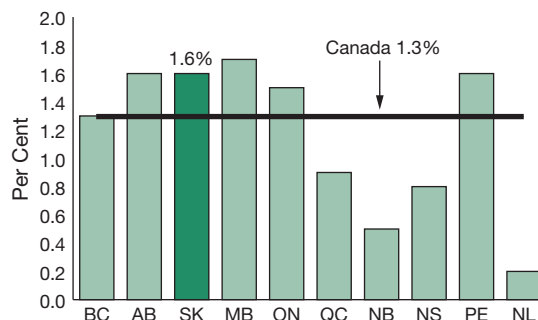
Other areas of the Saskatchewan economy, however, held up reasonably well. Saskatchewan's unemployment rate remained one of the lowest in the country.

UNEMPLOYMENT RATE BY PROVINCE IN 2016



Source: Statistics Canada

POPULATION GROWTH BY PROVINCE IN 2016



Source: Statistics Canada

In addition, between October 1, 2015 and October 1, 2016, Saskatchewan's population increased by 1.6 per cent, the third-highest percentage increase among provinces.

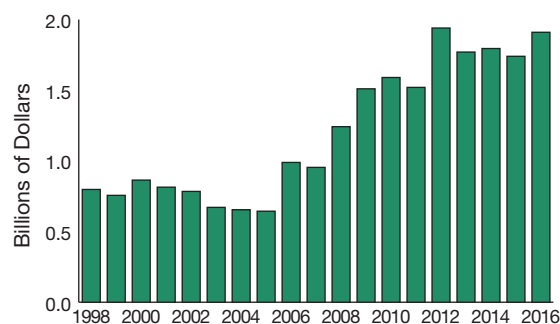
Investment in non-residential building construction in Saskatchewan reached \$1.9 billion in 2016, the second-highest level in history. It grew by 9.6 per cent in 2016, the second-strongest growth among provinces.

SASKATCHEWAN ECONOMIC INDICATORS

	Saskatchewan					Canada 2010-16
	2016 Actual	2016 % Change	Rank	2010-16 % Change	Rank	
Population at October 1 (000s)	1,155.4	1.6	3	9.4	2	6.8
Employment (000s)	568.5	(0.9)	7	7.1	2	6.6
Unemployment Rate (%)	6.3	6.3	3rd lowest	4.9	Lowest	7.3
Consumer Price Index (2002=100)	132.2	1.1	7	11.4	3	10.2
Average Weekly Earnings (\$)	987.85	0.6	7	17.2	2	12.2
Retail Sales (\$B)	18.7	1.1	8	23.7	2	21.3
Wholesale Trade (\$B)	23.7	(10.5)	10	35.4	3	27.6
New Motor Vehicle Sales (# of units)	52,099	(5.7)	9	9.5	8	25.2
Manufacturing Sales (\$B)	14.3	1.2	6	31.1	2	16.1
International Exports (\$B)	26.4	(18.9)	10	11.8	7	25.4
Building Permits (\$B)	2.0	(31.6)	10	(5.1)	6	18.6
Housing Starts (# of units)	4,775	(7.3)	7	(19.2)	6	4.2
Investment in New Housing Construction (\$B)	1.2	(13.6)	8	23.6	3	31.6
Investment in Non-residential Building Construction (\$B)	1.9	9.6	2	20.2	2	8.5

Source: Statistics Canada

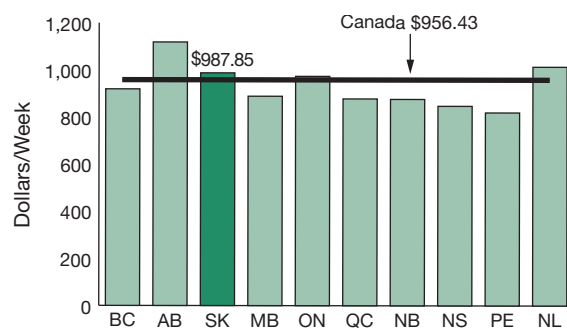
SASKATCHEWAN INVESTMENT IN NON-RESIDENTIAL BUILDING CONSTRUCTION



Source: Statistics Canada

Average weekly earnings in Saskatchewan grew by 0.6 per cent in 2016, higher than the national average, and reached an historic high of \$987.85.

AVERAGE WEEKLY EARNINGS BY PROVINCE IN 2016



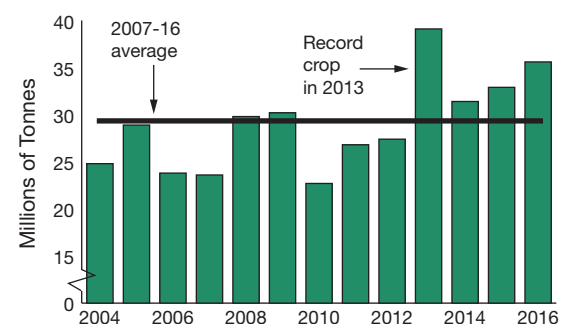
Source: Statistics Canada

In 2016, real GDP is forecast to decline by 0.2 per cent and nominal GDP is forecast to decline by 3.2 per cent.

This real GDP forecast for 2016 represents a slight improvement from the forecast in the

2016-17 Mid-Year Report. This is primarily due to a larger-than-expected crop. The mid-year economic forecast had assumed a crop size of 33.6 million tonnes. The latest figure, reported by Statistics Canada in December 2016, was 35.6 million tonnes, the second-highest level in history. There remains, however, concern about crop quality due to wet weather conditions.

SASKATCHEWAN CROP PRODUCTION



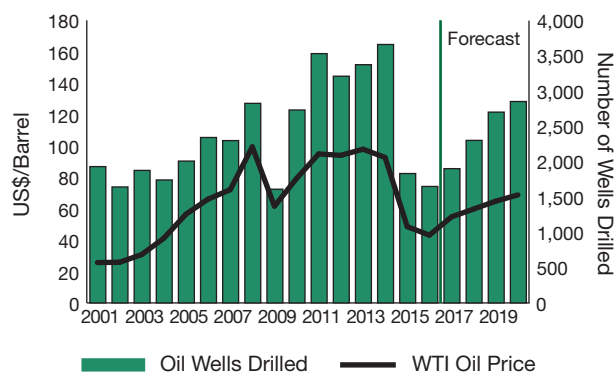
Source: Ministry of Agriculture

SASKATCHEWAN ECONOMIC OUTLOOK

The current outlook for 2017 incorporates the measures included in the 2017-18 Budget.

The price of WTI oil is expected to average US\$55.00 per barrel in 2017, up from US\$43.40 per barrel in 2016. Oil well drilling activity is expected to pick up as a result. In 2016, 1,648 new oil wells were drilled in the province. This is expected to rise to 1,900 this year.

WTI OIL PRICE AND OIL WELLS DRILLED



Source: Ministry of the Economy

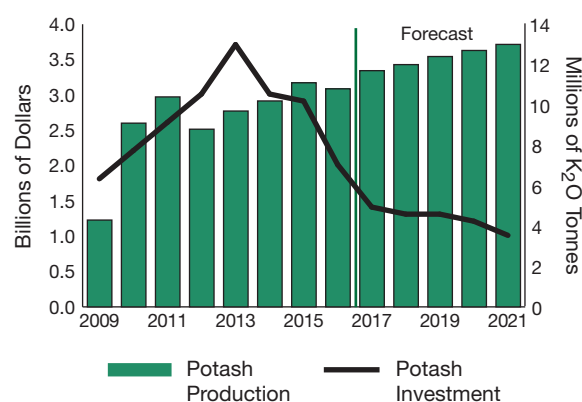
The price and production of potash are expected to increase in 2017 as global demand improves.

Saskatchewan real GDP is currently forecast to increase by 0.8 per cent and nominal GDP is anticipated to rise by 4.9 per cent in 2017.

Though growth is expected to resume in 2017, oil and gas investment as well as potash investment are still expected to remain below the levels realized a few years ago when prices were much higher and the potash industry was in the midst of significant expansion.

Expansions of productive capacity at nine mines have been completed in the past eight years, resulting in a gradual reduction in the amount of potash

SASKATCHEWAN POTASH INVESTMENT AND PRODUCTION



Source: Ministry of the Economy

investment over the last few years. As a result, overall business investment this year is anticipated to decline.

Total employment is expected to increase this year, after falling by roughly 5,200 in 2016. However, total employment growth is expected to be modest, with 1,200 net new jobs being forecast.

For 2018, as the global economy continues to pick up, commodity prices are projected to further improve, leading to increases in both oil production and investment. Real GDP is currently forecast to grow by 2.0 per cent while nominal GDP is expected to grow by 5.7 per cent.

COMMODITY PRICE ASSUMPTIONS – CALENDAR YEAR

	Actual 2016	2017	2018	2019	2020	2021
WTI Oil (US\$/barrel)	43.40	55.00	60.00	65.00	69.00	74.00
Natural Gas (C\$/GJ)	2.06	3.25	3.25	3.30	3.40	3.60
Potash (C\$/K ₂ O tonne) ¹	373.19	385.67	385.99	386.12	389.63	394.14
Potash (US\$/KCl tonne) ¹	171.87	175.74	178.24	181.60	184.91	188.25
Wheat (C\$/tonne)	273.42	209.61	232.19	227.78	236.70	234.42
Canola (C\$/tonne)	472.60	468.18	502.73	502.73	502.70	497.29

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

SASKATCHEWAN FORECAST AT A GLANCE

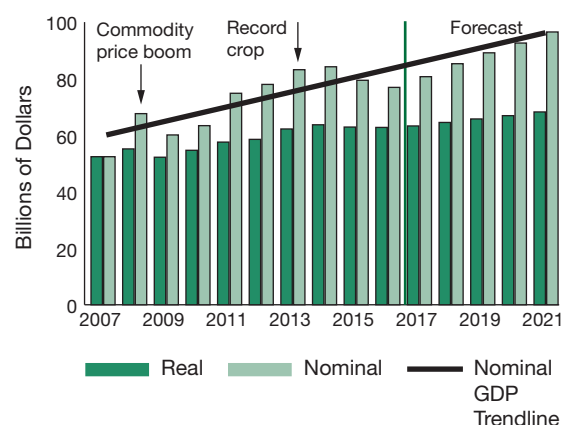
(Per Cent Change Unless Otherwise Noted)

	2016	2017	2018	2019	2020	2021
Real GDP	(0.2)	0.8	2.0	1.9	1.8	2.0
Nominal GDP	(3.2)	4.9	5.7	4.5	3.9	4.2
CPI*	1.1	1.6	1.8	1.4	1.7	1.6
Employment Growth (000s)*	(5.2)	1.2	4.9	5.5	5.3	5.3
Unemployment Rate (%)*	6.3	6.2	6.0	5.8	5.6	5.5
Retail Sales*	1.1	2.7	3.2	2.9	3.7	3.8

* 2016 actual

Sources: Statistics Canada, Ministry of Finance

SASKATCHEWAN REAL AND NOMINAL GDP LEVEL



Source: Ministry of Finance

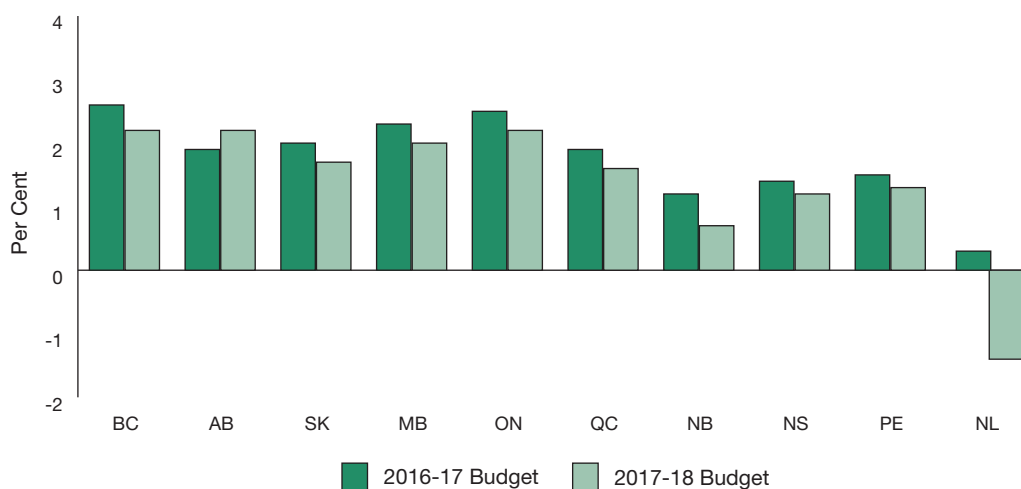
FORECAST COMPARISON

Private forecast agencies have revised down their economic outlook for 2017 for almost all provinces except Alberta.

Private forecasters, on average, estimate that Saskatchewan real GDP declined by 0.8 per cent in 2016.

These private forecasters, however, expect Saskatchewan's real GDP to grow by 1.7 per cent in 2017, the third-highest growth among provinces, and 2.0 per cent in 2018.

PRIVATE SECTOR FORECASTS OF 2017 REAL GDP GROWTH BY PROVINCE



Private sector forecast average as at March 10, 2017.

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

PRIVATE SECTOR REAL GDP GROWTH FORECASTS FOR SASKATCHEWAN

(Per Cent Change)

	2017	2018	Cumulative Growth	Release Date
IHS Global Insight	2.0	2.3	4.4	Jan./17
Conference Board of Canada	0.9	1.5	2.4	Feb./17
The Centre for Spatial Economics	1.8	1.7	3.5	Jan./17
TD Bank	1.5	2.0	3.5	Dec./16
RBC	1.8	2.3	4.1	Mar./17
BMO	1.6	1.9	3.5	Feb./17
CIBC	1.8	1.8	3.6	Feb./17
Scotiabank	1.7	2.0	3.7	Mar./17
Laurentian Bank	2.0	2.3	4.3	Feb./17
Average of Private Sector Forecasts	1.7	2.0	3.7	
2017-18 Budget	0.8	2.0	2.8	

PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE

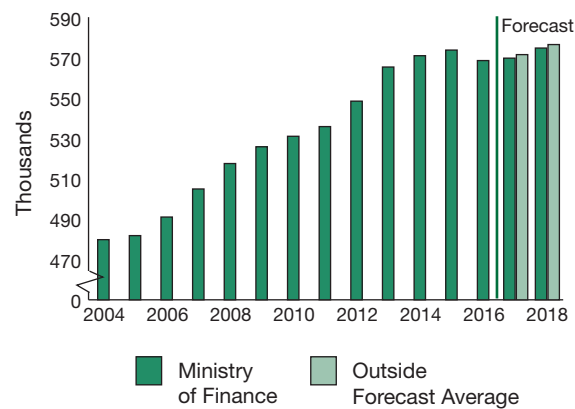
(Per Cent Change)

	2016	Rank	2017	Rank	2018	Rank
British Columbia	3.1	1	2.2	1	2.2	2
Alberta	(2.7)	9	2.2	1	2.4	1
Saskatchewan	(0.8)	8	1.7	3	2.0	4
Manitoba	2.1	3	2.0	2	2.0	4
Ontario	2.6	2	2.2	1	2.1	3
Québec	1.7	4	1.6	4	1.6	5
New Brunswick	0.5	6	0.7	7	0.9	7
Nova Scotia	1.3	5	1.2	6	1.3	6
Prince Edward Island	1.3	5	1.3	5	1.3	6
Newfoundland and Labrador	(0.1)	7	(1.4)	8	0.9	7
Canada	1.3		2.0		2.0	

In terms of employment growth, private forecasters, on average, expect the province to add about 2,900 and 5,000 new jobs in 2017 and 2018, respectively.

This is more robust than the current employment forecast of increases of 1,200 in 2017 and 4,900 in 2018.

EMPLOYMENT FORECAST



Sources: Statistics Canada, Ministry of Finance, private sector forecasts

CONCLUSION

Saskatchewan's economy, like other oil-producing provinces, has been affected by low oil prices and weak global economic growth over the past two years.

Strong economic fundamentals and diversity in Saskatchewan's economy have helped weather economic challenges.

Some economic indicators such as population, average weekly earnings, investment in non-residential building construction not only outperformed the national average, but some reached historically high levels in 2016.

With the background of strong U.S. economic growth together with gradually improving oil prices, Saskatchewan's economy is forecast to grow by 0.8 per cent in 2017 to an average of 1.9 per cent for the remaining forecast period.

2017-18 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 2017-18 Estimates reflects cash requirements for the current year and an adjustment is made and reported in the 2017-18 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 policies.

The 2017-18 financial outlook includes all revenue and expense measures announced in this year's budget, including a \$250 million reduction to human resources compensation funding across the public sector. In addition, a \$300 million contingency allowance is included to recognize the possibility of in-year revenue deterioration and expense pressures.

After accounting for these measures and contingencies, Saskatchewan's 2017-18 Budget estimates a deficit of \$685 million.

REVENUE

The 2017-18 revenue outlook includes a total of \$908 million of net new tax measures (details can be found in the 2017-18 Revenue Initiatives section). Including these new sources of revenue, provincial

TOTAL REVENUE – 2014-15 TO 2017-18

(Millions of Dollars)	2014-15 Actual	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Budget
Taxation	6,511.6	6,605.3	6,860.9	6,339.0	7,286.6
Non-Renewable Resources	2,614.5	1,761.3	1,484.9	1,279.0	1,406.4
Other Own-Source Revenue	1,994.2	2,003.0	2,088.9	2,117.2	1,964.9
Transfers from the Federal Government	2,200.0	2,155.5	2,504.8	3,190.9	2,453.5
Net Income from					
Government Business Enterprises	738.4	1,108.6	1,084.4	768.3	1,053.7
Total Revenue	14,058.7	13,633.7	14,023.9	13,694.4	14,165.1

2017-18 REVENUE RECONCILIATION

(Millions of Dollars)	2016-17 Forecast	2017-18 Budget	Change Dollars	Per Cent
Taxation	6,339.0	7,286.6	947.6	14.9
Non-Renewable Resources	1,279.0	1,406.4	127.4	10.0
Other Own-Source Revenue	2,117.2	1,964.9	(152.3)	(7.2)
Transfers from the Federal Government	3,190.9	2,453.5	(737.4)	(23.1)
Net Income from Government Business Enterprises	768.3	1,053.7	285.4	37.1
Total Revenue	13,694.4	14,165.1	470.7	3.4

revenue in 2017-18 is expected to be only marginally higher than it was three years ago (in 2014-15) as the recent downward trend in non-renewable resource revenue has yet to recover in any meaningful way.

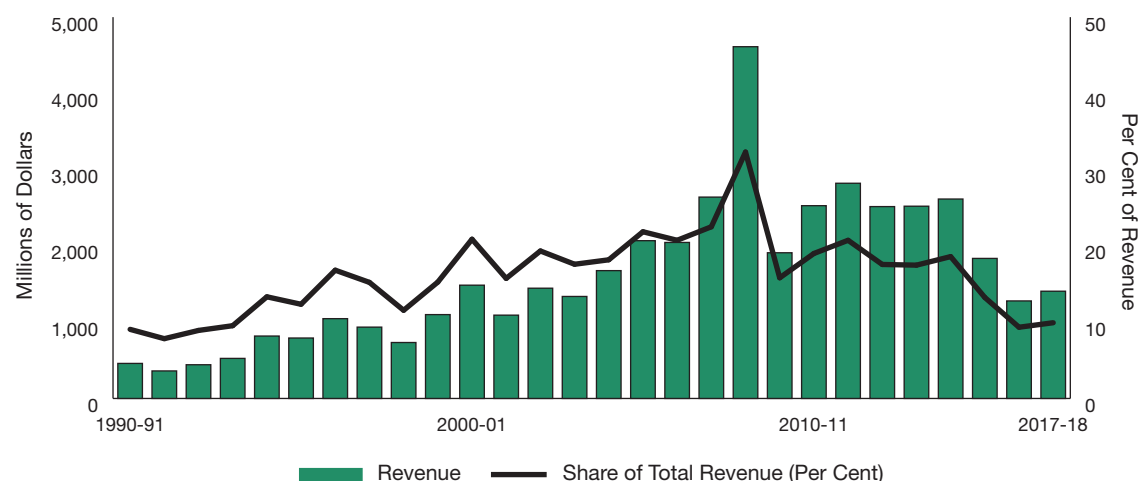
In total, revenue is forecast to be \$14.2 billion in 2017-18, an increase of \$471 million (3.4 per cent) from the 2016-17 third quarter forecast. Tax revenue, GBE net income and non-renewable resource revenue are expected to increase in 2017-18 relative to the current 2016-17 forecast. These increases will be partially offset by significant declines in federal transfers and other own-source revenue.

While non-renewable resource revenue is budgeted at \$1.4 billion in 2017-18, a small improvement over

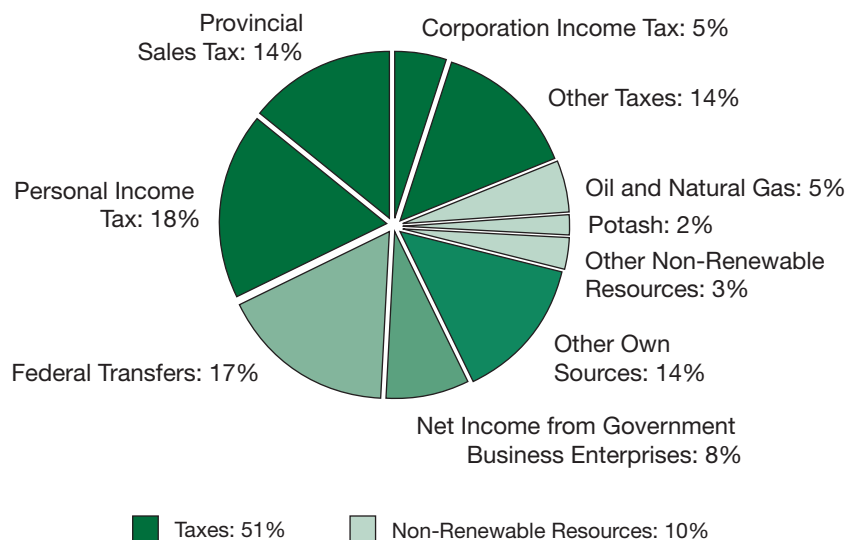
the current forecast for 2016-17, this is lower than last year's budget estimate of \$1.5 billion and significantly lower than the \$2.6 billion earned in 2014-15. At 10 per cent of total revenue in 2017-18, non-renewable resource revenue continues to account for a historically low share of total summary revenue. By comparison, over the three-year period 2006-07 to 2008-09, non-renewable resources averaged 25 per cent of revenue, including a record high of 32 per cent in 2008-09.

Significant revenue changes from the 2016-17 third quarter forecast are described in the following sections.

NON-RENEWABLE RESOURCE REVENUE – 1990-91 TO 2017-18



COMPOSITION OF 2017-18 REVENUE



Tax Revenue

Tax revenue is budgeted at \$7.3 billion in 2017-18. This is an increase of \$948 million from the current 2016-17 forecast, primarily as a result of new tax measures in this year's budget.

Provincial Sales Tax (PST) is budgeted at \$2.0 billion in 2017-18, an increase of \$865 million from the 2016-17 forecast. The increase is almost entirely due to base expansion measures and a one percentage point increase in the PST rate. These measures are

estimated to increase PST revenue by \$889 million in 2017-18. A \$24 million enhancement to the Saskatchewan Low-Income Tax Credit partially offsets this increase.

Property Tax revenue is budgeted to increase \$56 million in 2017-18 to \$754 million. The increase reflects growth in the property tax assessment base, as well as mill rate changes that increase the Education Property Tax contribution to education funding to 40 per cent.

TAX REVENUE – 2014-15 TO 2017-18

(Millions of Dollars)	2014-15 Actual	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Budget
Corporation Income Tax	848.5	1,002.5	967.7	736.9	729.4
Fuel Tax	515.4	479.3	487.2	466.8	515.4
Individual Income Tax	2,546.6	2,537.3	2,774.7	2,590.9	2,540.6
Property Tax	624.7	657.7	666.9	697.5	753.9
Provincial Sales Tax	1,358.2	1,288.9	1,312.1	1,184.3	2,049.5
Tobacco Tax	260.7	263.7	261.3	270.3	280.3
Other Taxes	357.6	375.9	391.0	392.3	417.5
Total	6,511.7	6,605.3	6,860.9	6,339.0	7,286.6

NON-RENEWABLE RESOURCE REVENUE – 2014-15 TO 2017-18

(Millions of Dollars)	2014-15 Actual	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Budget
Crown Land Sales	164.9	44.0	36.0	50.2	52.0
Oil and Natural Gas	1,297.9	564.8	519.2	557.7	670.4
Potash	546.3	552.1	420.4	239.4	260.6
Resource Surcharge	474.5	400.6	339.7	282.7	272.5
Other	130.9	199.8	169.6	149.0	150.9
Total	2,614.5	1,761.3	1,484.9	1,279.0	1,406.4

Fuel Tax revenue is budgeted to increase \$49 million, largely due to changes in the exemptions for bulk gasoline and diesel purchases by farmers and primary producers, while Tobacco Tax revenue is estimated to increase by \$10 million as a result of a tax rate increase.

Partially offsetting these increases are lower income tax revenue estimates for 2017-18, largely as a result of tax rate reductions announced in this year's budget. Individual Income Tax and Corporation Income Tax revenue are budgeted to decline by \$50 million and \$8 million, respectively, relative to their 2016-17 forecasts.

Non-Renewable Resource Revenue

Revenue from non-renewable resources is budgeted at \$1.4 billion in 2017-18, accounting for 10 per cent of total revenue. Relative to actual 2014-15 results, non-renewable resource revenue is down 46 per cent, from \$2.6 billion to \$1.4 billion.

Oil and natural gas revenue have been combined into a single category in the 2017-18 Budget.

Revenue from oil and gas production is budgeted at \$670 million in 2017-18, an increase of \$113 million from its 2016-17 forecast. Despite this increase, oil and gas revenue is down 48 per cent from 2014-15.

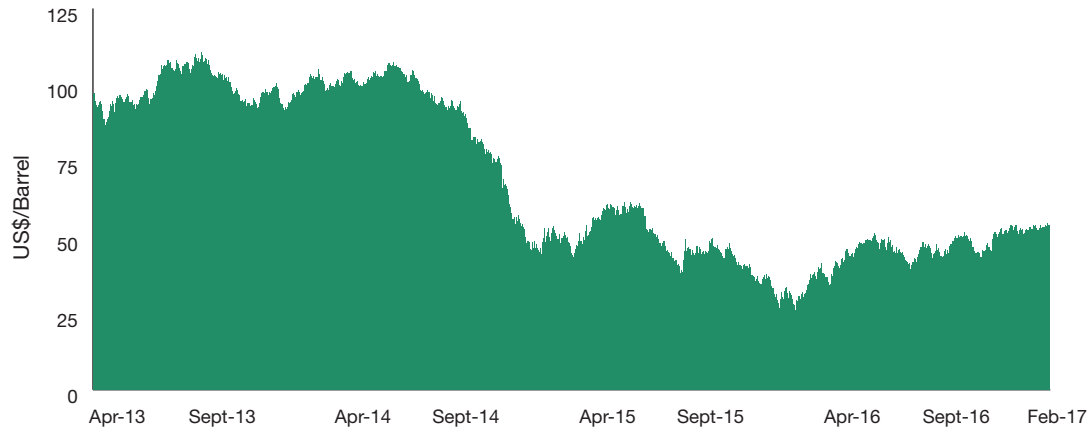
NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS – FISCAL YEAR

	2014-15 Actual	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Budget
WTI Oil Price (US\$/barrel)	80.48	45.15	44.88	48.71	56.25
Light-Heavy Differential (% of WTI)	17.4	22.4	21.5	21.0	19.5
Well-head Oil Price (C\$/barrel) ¹	70.22	41.16	41.51	46.21	55.30
Oil Production (million barrels)	187.4	174.0	162.0	164.9	163.8
Potash Price (mine netback, US\$/KCl tonne) ²	281	258	207	173	176
Potash Price (mine netback, C\$/K ₂ O tonne) ²	529	546	454	376	386
Potash Sales (million K ₂ O tonnes) ²	11.2	10.7	11.3	11.2	11.8
Canadian Dollar (US cents)	88.05	76.38	75.04	75.98	74.95

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



WTI oil prices are forecast to average US\$56.25 per barrel in 2017-18, consistent with private sector forecasts for the upcoming year. This is a US\$7.54 per barrel increase over the estimated 2016-17 average price of US\$48.71.

Other factors supporting a higher oil and gas forecast for 2017-18 are a lower exchange rate and a smaller light-heavy differential discount.

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 74.95 U.S. cents in 2017-18, down from an average of 75.98 U.S. cents in 2016-17.

And 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 widening of the price discount for Saskatchewan oil.

In 2017-18, the light-heavy differential – a rough benchmark for the price discount for oil produced in Saskatchewan – is expected to average 19.5 per cent, an improvement over the 21.0 per cent average forecast for 2016-17.

Potash revenue is forecast at \$261 million in 2017-18, a modest \$21 million improvement over its 2016-17 forecast. Relative to recent years, however, potash is budgeted at less than half of what was earned in 2014-15.

Average realized prices in 2017-18 are budgeted at US\$176 per KCl tonne (C\$386 per K₂O tonne), up slightly from US\$173 (C\$376) in 2016-17, but down 15 per cent from the 2016-17 budgeted price of US\$207 (C\$454). Against a backdrop of an improving outlook for global demand, sales volume in 2017-18 is expected to increase from 11.2 million K₂O tonnes in 2016-17 to 11.8 million K₂O tonnes.

Resource Surcharge revenue is forecast at \$273 million in 2017-18, a decrease of \$10 million from the current 2016-17 forecast. When this decline is combined with last year's in-year decline of \$57 million, the total change in Resource Surcharge revenue since the 2016-17 Budget is \$67 million. This decline reflects the downward trend that continued through 2016-17, particularly potash prices, as changes in this revenue category generally lag changes in oil and potash royalties by a year. The 2017-18 budget for Resource Surcharge revenue is 57 per cent of what was earned in 2014-15.

The economic and fiscal forecasts in the 2017-18 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.

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 2017-18 it is estimated that:

- a US\$1 per barrel change in the fiscal-year average WTI oil price results in an estimated \$16 million change in oil royalties;
- a US\$10 per KCl tonne (C\$22 per K₂O tonne) change in the average realized 2017 potash price results in an estimated \$37 million change in potash royalties; and,
- a 1 U.S. cent change in the fiscal-year average exchange rate results in an estimated \$22 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 budgeted at nearly \$2.0 billion in 2017-18, accounting for 14 per cent of total revenue. This is a decrease of \$152 million from the 2016-17 forecast, mainly reflecting a decrease in producer crop insurance premiums revenue at Saskatchewan Crop Insurance Corporation and lower land sales at the Ministry of Agriculture.

OTHER OWN-SOURCE REVENUE – 2014-15 TO 2017-18

(Millions of Dollars)	2014-15 Actual	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Budget
Fees	1,085.6	1,136.9	1,159.5	1,146.2	1,124.4
Insurance	256.4	242.5	264.5	313.5	282.3
Investment Income	137.4	101.1	123.1	82.5	80.7
Transfers from Other Governments	90.9	97.8	87.0	90.5	89.7
Miscellaneous	423.9	424.7	454.8	484.5	387.8
Total	1,994.2	2,003.0	2,088.9	2,117.2	1,964.9

FEDERAL TRANSFERS – 2014-15 TO 2017-18

(Millions of Dollars)	2014-15 Actual	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Budget
Canada Health Transfer	998.4	1,080.7	1,127.3	1,138.8	1,161.2
Canada Social Transfer	397.7	408.7	417.8	422.7	429.8
Other	804.0	666.1	959.7	1,629.4	862.5
Total	2,200.1	2,155.5	2,504.8	3,190.9	2,453.5

Transfers from the Federal Government

Federal transfers are budgeted at \$2.5 billion in 2017-18 – roughly the same amount as the 2016-17 Budget, but \$737 million lower than federal transfers forecast in the 2016-17 third quarter update.

Significant, one-time revenue included in the current 2016-17 forecast includes revenue related to the transfer of federal dams to the province (\$650 million), federal disaster assistance funding related to wildfires and flooding in recent years (\$85 million) and flow-through funding from the federal Post-Secondary Institutions Strategic Investment Fund (\$65 million).

These decreases are partially offset by significant increases from the Clean Water and Wastewater Fund and the Public Transit Infrastructure Fund, as well as first-year funding from the new health agreement

with the federal government to support home care and mental health services.

Net Income from Government Business Enterprises

Government Business Enterprise (GBE) net income is forecast at nearly \$1.1 billion in 2017-18 and accounts for nearly 8 per cent of budgeted revenue. This is a \$285 million improvement from the current 2016-17 forecast, largely reflecting the negative one-time impact that the Workers' Compensation Board's (WCB) return of surplus funds to employers had on its net income.

Compared to the 2016-17 Budget, GBE net income is \$31 million lower, largely reflecting lower budgeted earnings at SaskEnergy and WCB, partially offset by increases at SaskTel and Saskatchewan Liquor and Gaming Authority.

NET INCOME FROM GOVERNMENT BUSINESS ENTERPRISES – 2014-15 TO 2017-18

(Millions of Dollars)	2014-15 Actual	2015-16 Actual	2016-17 Budget	2016-17 Forecast	2017-18 Budget
Saskatchewan Auto Fund	53.8	159.1	61.7	92.1	65.3
Saskatchewan Government Insurance	41.1	84.5	39.6	62.1	37.2
Saskatchewan Liquor and Gaming Authority	494.7	503.8	511.0	491.0	523.3
Saskatchewan Power Corporation	57.7	18.4	181.3	89.3	179.5
Saskatchewan Telecommunications Holding Corporation	71.8	121.3	104.2	131.9	122.1
SaskEnergy Incorporated	(33.0)	110.9	117.6	122.5	90.6
Workers' Compensation Board	20.3	70.0	42.6	(246.4)	11.2
Other	32.0	40.6	26.4	25.8	24.5
Total	738.4	1,108.6	1,084.4	768.3	1,053.7

2017-18 EXPENSE RECONCILIATION

(Millions of Dollars)	2016-17 Budget	2017-18 Budget	Change Dollars	Change Per Cent
Agriculture	780.3	800.5	20.2	2.6
Community Development	580.6	700.6	120.0	20.7
Debt Charges ¹	297.2	380.9	83.7	28.2
Economic Development	250.2	246.0	(4.2)	(1.7)
Education ¹	3,688.4	3,643.3	(45.1)	(1.2)
Environment and Natural Resources	237.0	247.9	10.9	4.6
Health ¹	5,588.1	5,627.4	39.3	0.7
Protection of Persons and Property	640.3	643.7	3.4	0.5
Social Services and Assistance	1,243.9	1,356.7	112.8	9.1
Transportation	565.2	567.4	2.2	0.4
Other ¹	586.9	585.4	(1.5)	(0.3)
Total Expense^{1,2}	14,458.1	14,799.8	341.7	2.4

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

² Before human resources compensation measures.

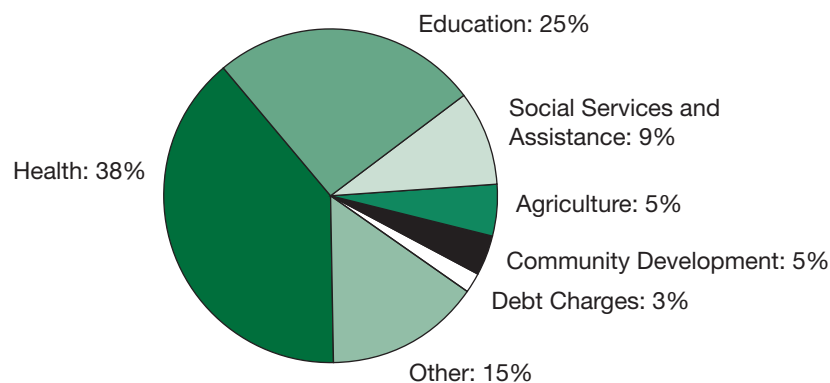
EXPENSE

Expense in the 2017-18 Budget is presented before a \$250 million compensation funding reduction and the adjustment to account for pension costs on an accrual basis. Expense is estimated at \$14.8 billion in 2017-18, an increase of \$342 million, or 2.4 per cent, from the 2016-17 Budget.

The composition of expense by theme in the 2017-18 Budget is as follows:

- Health, \$5.6 billion, or 38 per cent;
- Education, \$3.6 billion, or 25 per cent;
- Social Services and Assistance, \$1.4 billion, or 9 per cent;
- Agriculture, \$801 million, or 5 per cent;
- Community Development, \$701 million, or 5 per cent;
- Debt Charges, \$381 million, or 3 per cent; and,
- all others, \$2.3 billion, or 15 per cent.

COMPOSITION OF 2017-18 EXPENSE*



* Before the adjustment to account for pension costs on an accrual basis and human resources compensation measures.

Significant budget-over-budget expense changes include:

- a \$120 million, or 20.7 per cent, increase in Community Development, largely for increased investments in municipal infrastructure under the Clean Water and Wastewater Fund and New Building Canada Fund, of which approximately one-half is directly offset by federal cost-sharing contributions to the General Revenue Fund, thereby reducing the impact on the province's budget;
- a \$113 million, or 9.1 per cent, increase in Social Services and Assistance for higher income assistance caseloads and to address pressures in child and family services, including emergency situations for children in need of protection at the Ministry of Social Services;
- an \$84 million, or 28.2 per cent, increase in Debt Charges, largely due to increases in both GRF operating and capital debt;
- a \$39 million, or 0.7 per cent, increase in Health, primarily increased expenses in the Regional Health Authorities;
- a \$20 million, or 2.6 per cent, increase in Agriculture for the Saskatchewan Crop Insurance Corporation due to higher budgeted crop insurance claims and increased AgriStability program demand; and,
- a \$45 million, or 1.2 per cent, decrease in Education, primarily due to expected savings in school boards, savings in the Saskatchewan Student Aid Fund resulting from program redesign, lower expenses at Saskatchewan Polytechnic and the Regional Colleges, and reduced grants to universities.

Government has announced a reduction in total compensation funding of \$250 million, or approximately 3.5 per cent. As negotiations and implementation are in the early phases, it is not possible to allocate the expected savings across government organizations at this point in time. However, a \$250 million global adjustment has been incorporated into the budget deficit of \$685 million.

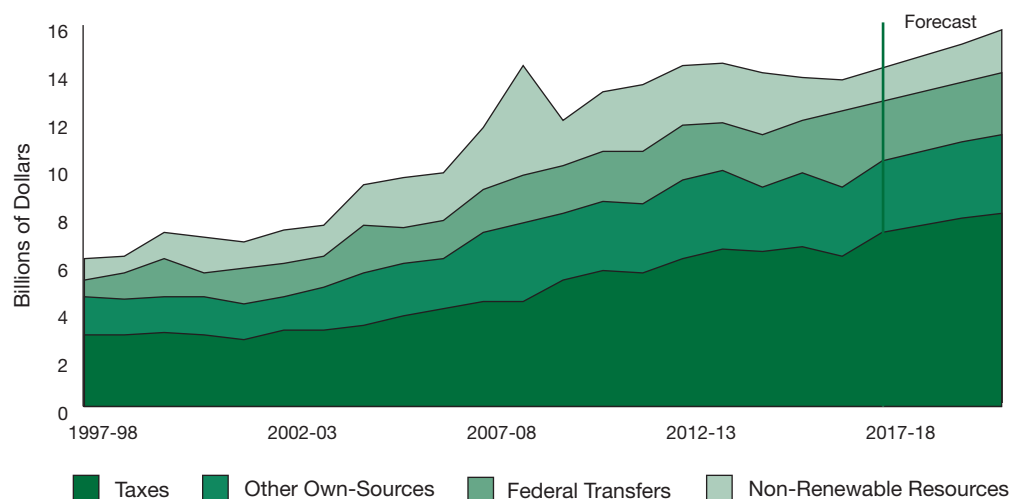
Finally, the 2017-18 Budget presents expense and the deficit before the adjustment to account for pension costs on an accrual basis because of its volatile and long-term nature. Government's current cash pension payment requirements continue to be included in expense and surplus/deficit estimates. In the 2017-18 Budget, the adjustment to account for pension costs on an accrual basis is estimated at \$11 million.

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. Similar to the 2017-18 Budget, the outlook includes a \$300 million contingency allowance and human resources compensation measures of \$250 million across the medium term.

Revenue growth is forecast to average 3.5 per cent per year between 2017-18 and 2020-21, consistent with the current economic forecast over the forecast period.

REVENUE – 1997-98 TO 2020-21



Non-renewable resource revenue is forecast to lead the growth at 8.4 per cent per year, on average. This relatively high rate of annual growth is largely due to its relatively low starting base of \$1.4 billion in 2017-18. WTI oil prices are assumed to increase over the forecast period, averaging US\$70.25 in 2020-21. As a share of total revenue, non-renewable resources are projected to grow from 10 per cent in 2017-18 to 11 per cent in 2020-21.

Tax revenue is projected to grow at an average rate of 3.5 per cent over the medium term, benefitting

from a recovery in the resource sector and continued growth in the provincial economy and population.

Other own-source revenue and net income from GBEs are projected to increase at annual rates of 1.8 per cent and 4.5 per cent, respectively. Finally, the outlook for federal transfers over the forecast period is relatively stable, increasing at an annual rate of 1.5 per cent. The increase largely reflects growth in the Canada Health Transfer and Canada Social Transfer, partially offset by the winding down of federal infrastructure funding by the end of the forecast period.

KEY MEDIUM-TERM NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS

	2017-18	2018-19	2019-20	2020-21
WTI Oil Price (US\$/barrel)	56.25	61.25	66.00	70.25
Light-Heavy Differential (% of WTI)	19.5	17.7	16.7	16.0
Well-head Oil Price (C\$/barrel) ¹	55.30	61.02	66.01	70.77
Oil Production (million barrels)	163.8	166.6	170.4	172.6
Potash Price (mine netback, US\$/KCl tonne) ²	176	179	182	186
Potash Price (mine netback, C\$/K ₂ O tonne) ²	386	386	387	391
Potash Sales (million K ₂ O tonnes) ²	11.8	12.1	12.5	12.8
Canadian Dollar (US cents)	74.95	76.05	77.28	77.93

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

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

The 2017-18 human resource compensation measures are assumed to hold over the forecast period in order to contribute to Government's commitment to return to balance by 2019-20. In addition, all other expense growth is targeted at 1.0 per cent in 2018-19, 1.5 per cent in 2019-20 and 2.0 per cent in 2020-21. These are ambitious targets, but are determined to

be achievable given the commitment to transformational change.

After a \$685 million deficit in 2017-18, Government plans to return to balance over three years with a deficit of \$304 million projected for 2018-19, and a small surplus of \$15 million in 2019-20.

MEDIUM-TERM FINANCIAL OUTLOOK

(Millions of Dollars)	2017-18	2018-19	2019-20	2020-21
Revenue	14,165	14,694	15,237	15,708
Expense	14,800	14,948	15,172	15,475
Human Resources Compensation Measures	(250)	(250)	(250)	(250)
Contingency	300	300	300	300
Surplus (Deficit)*	(685)	(304)	15	183

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

2017-18 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:

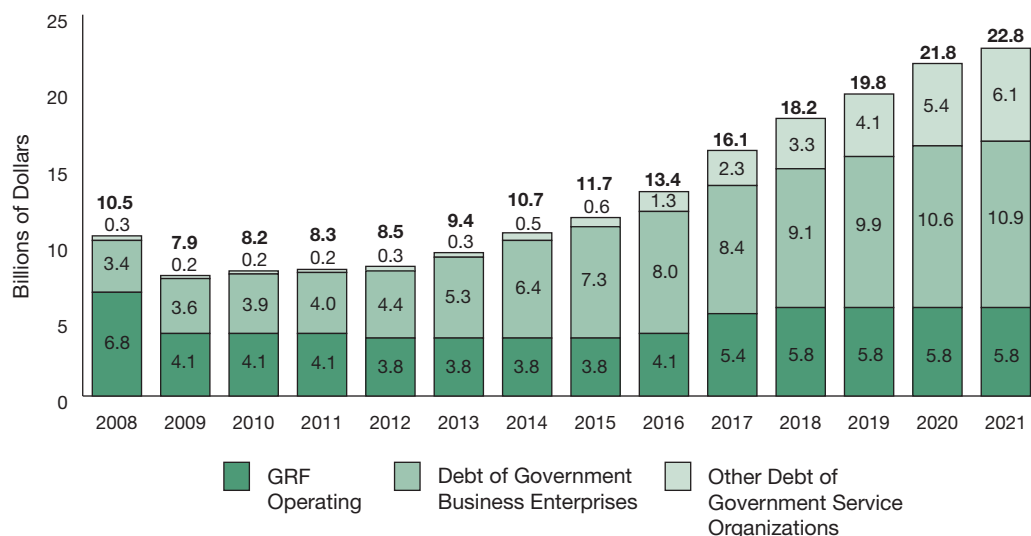
- Gross Debt – the amount of money owed to lenders; less
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

Public debt at March 31, 2017 is forecast to be \$1.3 billion higher than estimated, due mostly to borrowings for General Revenue Fund (GRF) operations.

For 2017-18, public debt is expected to increase by \$2.1 billion from the March 31, 2017 forecast. This is primarily due to \$1.1 billion of GRF borrowing to finance infrastructure assets as outlined in the Saskatchewan Builds Capital Plan, \$0.7 billion of increased debt for the utility Crown corporations and \$0.35 billion for GRF operations. These increases are partially offset by a decline of \$0.1 billion in other government service organization debt.

PUBLIC DEBT

As at March 31



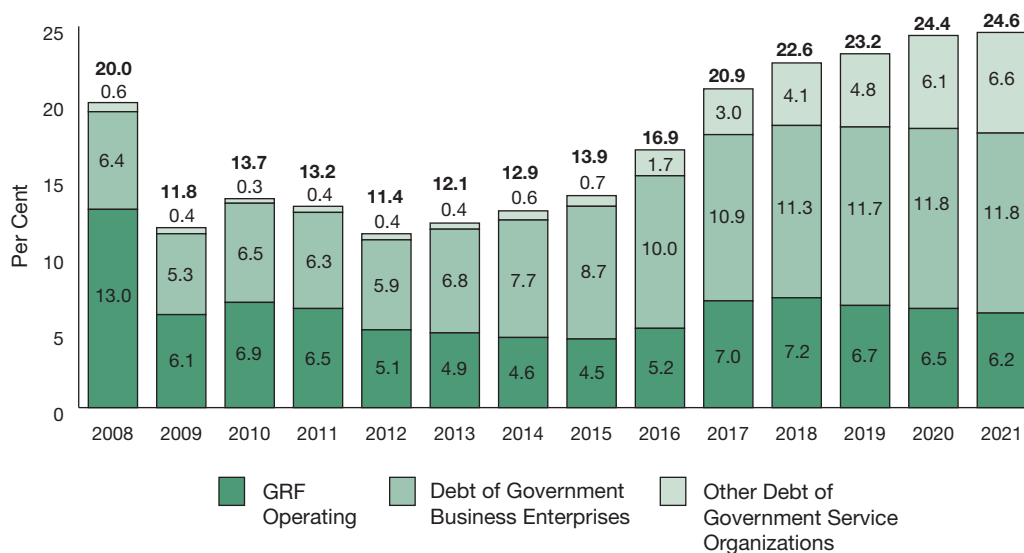
DEBT

As at March 31

(Millions of Dollars)	General Debt 2018	GBE Specific Debt 2018	Budget 2018	Forecast 2017	Budget 2017
Government Service Organizations					
Gross Debt	10,091.5	–	10,091.5	8,632.3	7,332.6
Sinking Funds	1,029.0	–	1,029.0	951.7	942.9
Government Service Organization Debt	9,062.5	–	9,062.5	7,680.6	6,389.7
Government Business Enterprises					
Gross Debt	275.0	9,822.1	10,097.1	9,272.6	9,263.3
Sinking Funds	23.8	935.8	959.6	874.0	880.1
Government Business Enterprise Debt	251.2	8,886.3	9,137.5	8,398.6	8,383.2
Public Debt	9,313.7	8,886.3	18,200.0	16,079.2	14,772.9
Guaranteed Debt	27.0	–	27.0	21.3	27.0

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 2017-18 borrowing requirements are estimated to be \$2,717.0 million (2016-17 forecast: \$3,419.6 million). Of this amount, \$376.5 million is for the purpose of refinancing maturing debt, \$350.0 million is for GRF operations and 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 \$56.9 million in 2017-18 (2016-17 forecast: decline of \$25.0 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 2017-18 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 2017-18 by approximately \$11.2 million.

DEBT CHARGES – GENERAL DEBT

(Millions of Dollars)	Estimated 2017-18	Forecast 2016-17
General Revenue Fund	366.4	285.0
Other General Debt	14.5	10.8
Debt Charges – General Debt¹	380.9	295.8

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.

2017-18 REVENUE INITIATIVES

The 2017-18 Budget introduces a number of revenue initiatives to address the current fiscal challenge facing the Government of Saskatchewan by shifting the Province's revenue base away from its reliance on non-renewable resource revenues, while at the same time supporting Saskatchewan's Growth Agenda by reducing provincial income tax rates.

These revenue initiatives modernize and simplify many aspects of the provincial tax system, while ensuring that Saskatchewan's taxes remain fair to all residents and businesses and competitive with neighbouring jurisdictions.

This paper describes in more detail the tax changes announced in the Budget. However, it is only a summary and the reader is advised to contact the responsible ministries and consult the enacting legislation or regulation for specific details.

SASKATCHEWAN'S GROWTH AGENDA

Reducing Personal Income Tax Rates

Personal Income Tax (PIT) exemption increases introduced in 2008 and 2011 have removed almost 112,000 Saskatchewan residents from the provincial income tax roll. In total, PIT reductions introduced since 2007 are providing almost \$500 million in annual income tax savings to Saskatchewan residents.

The 2017-18 Budget reduces taxes for every Saskatchewan income tax payer at every level of income by reducing Saskatchewan's three PIT rates by a half-point effective July 1, 2017 and another half-point effective July 1, 2019. These reductions will help to foster greater productivity and investment within the provincial economy.

PERSONAL INCOME TAX RATES

	Current PIT Rates	Fully Implemented PIT Rates
First Bracket	11%	10%
Second Bracket	13%	12%
Third Bracket	15%	14%

Reducing Corporation Income Tax Rates

The 2017-18 Budget also makes Saskatchewan's business taxes more competitive with our neighbouring provinces by reducing the Saskatchewan general Corporation Income Tax (CIT) rate by a half-point effective July 1, 2017 and another half-point effective July 1, 2019. When fully implemented, the general tax rate will have declined from 12 per cent to 11 per cent, the lowest rate in Canada. The tax rate reduction will be pro-rated for corporate taxation years that straddle the effective dates.

In conjunction with this change, the Manufacturing and Processing (M&P) Profits Tax Reduction, which lowers the general CIT rate by up to two percentage points for eligible M&P income, is being maintained. This means Saskatchewan's effective CIT rate on eligible M&P income can be as low as 9 per cent – the lowest tax rate on manufacturing and processing in the country.

In addition, the dividend tax credit rate for eligible dividends will be reduced in quarter-point increments for each of the 2017 through 2020 taxation years, to reflect the reduction in the general CIT rate. This change will reduce the dividend tax credit rate for eligible dividends from the current 11 per cent to 10 per cent by 2020 and maintain the current degree

of integration between the provincial corporate and personal income tax systems for eligible dividend income.

Introducing the Saskatchewan Commercial Innovation Incentive

Saskatchewan is committed to fostering a competitive business environment including low taxation rates, a high quality labour market, affordable utility rates, world-class infrastructure, stable and predictable regulations, and minimal red tape. However, this is not always enough to achieve significant intellectual property (IP) commercialization outcomes in the province.

Around the world and across every sector, technology innovation and commercialization have become core drivers of increased productivity and economic growth. Accordingly, Saskatchewan must seek new and efficient means to facilitate the commercialization of IP to help create an improved investment climate that strengthens the province's core sectors while also promoting economic diversification.

The 2017-18 Budget introduces the Saskatchewan Commercial Innovation Incentive (SCII), the first of its kind "patent box" tax incentive in North America, which will be open to a broad range of IP including patents, plant breeder rights, trade secrets and copyrights (e.g., computer programs and algorithms).

The SCII will reduce the Saskatchewan CIT rate to 6 per cent on taxable income earned from the commercialization of qualifying IP in the province for a period of 10 years. Companies will be able to extend the benefit period to 15 years if the qualifying IP is substantially developed in Saskatchewan.

The SCII program will be open to any corporation operating in any sector provided it is solely engaged in the commercialization of qualifying IP and it meets

the eligibility requirements. Applicants will be required to successfully complete both a scientific eligibility test and an economic eligibility test to qualify for the tax incentive. The incentive is not available in respect of incremental innovations to existing products.

- The scientific eligibility test will require that the commercialization of IP results in a good, service or process that is considered to be exceptional innovation. Scientific eligibility applications will be evaluated by the sector-specific technology experts at the National Research Council – Industrial Research Assistance Program.
- The economic eligibility test will require that the applicant meet certain benchmarks related to incremental research and development expenditures, capital investment, employment or taxes paid.

The SCII program is designed to complement Saskatchewan's existing competitive advantages and encourage firms to establish new operations in the province.

For further information on the SCII program, contact the Ministry of the Economy at 306-787-2561.

Reforming the Research and Development Tax Credit

Saskatchewan currently offers a non-refundable CIT credit equal to 10 per cent of qualifying research and development (R&D) expenditures incurred in Saskatchewan. This tax credit is available to all corporations having a permanent establishment in Saskatchewan and investing in qualifying R&D activities in the province. Qualifying expenditures are determined by reference to the federal *Income Tax Act* and include activities such as operations research, engineering or design and computer programming.

The 2017-18 Budget reforms the R&D Tax Credit to better target smaller and medium-sized Saskatchewan innovation companies. Effective April 1, 2017, a new refundable 10 per cent R&D Tax Credit is introduced for the first \$1 million in annual qualifying expenditures incurred in Saskatchewan by Canadian-controlled private corporations.

Qualifying expenditures in excess of this annual limit, as well as qualifying expenditures incurred by other corporations, will remain eligible for the existing 10 per cent non-refundable R&D Tax Credit. The total of the refundable and non-refundable R&D Tax Credits that may be claimed by a corporation will be capped at \$1 million per year.

MODERNIZING AND EXPANDING SASKATCHEWAN'S TAXES

To help address the current fiscal challenge, the 2017-18 Budget modernizes and expands the provincial tax bases by eliminating some long-standing tax exemptions. Other jurisdictions commonly tax many of these goods and services. In some cases, eliminating these tax exemptions will simplify tax rules for consumers and businesses.

Provincial Sales Tax Base

The Provincial Sales Tax (PST) base is being expanded in the 2017-18 Budget. However, the Budget also maintains many of the current PST exemptions for basic necessities, including groceries, heating fuels, residential electricity, prescription drugs and reading materials.

The 2017-18 Budget eliminates the PST exemptions for children's clothing and for restaurant meals and snack foods. The PST exemption for used cars is

maintained, but the value of a trade-in will no longer be deductible in determining the PST on the purchase of vehicles that are new or have not been previously taxed in Saskatchewan. These measures are effective April 1, 2017.

In addition, the PST remission in respect of permanently mounted equipment used in the oil and gas and potash industries is being repealed as it no longer serves its original purpose of incenting exploration.

The 2017-18 Budget reforms the taxation of contracts for the repair, renovation or improvement of real property. New contracts entered into on or after April 1, 2017 will be subject to PST on the total contract price to the purchaser. However, contractors will now be eligible to acquire tax-free building materials for use in fulfilling a contract. This change removes the distinction for PST purposes that has existed between contracts relating to real property and those relating to tangible personal property, simplifying the PST rules for contractors and their customers. This change will also benefit contractors by improving their cash flow and improving their competitiveness in bidding for jobs both inside and outside Saskatchewan.

The PST base is expanded to insurance premiums effective for premium payment due dates on or after July 1, 2017. This includes all life, accident and health insurance; all property, vehicle, liability and casualty insurance; as well as all agricultural insurance. The tax will apply where the insured is resident in Saskatchewan or the premiums are paid in respect of property located in Saskatchewan. Expanding the PST to all types of insurance from all insurance providers will ensure fairness in its application to all consumers and businesses.

Fuel Tax Base

The 2017-18 Budget eliminates the current partial Fuel Tax exemption for bulk purchases of gasoline and reduces the exemption for bulk purchases of diesel fuel to 80 per cent of purchases, effective April 1, 2017. These adjustments recognize the changing nature of fuels used in farming and primary production activities. They also recognize both the on-road and personal uses of some of this fuel.

The Fuel Tax rebate in respect of aviation fuel for international flights is eliminated effective April 1, 2017 in response to its very low take-up and lack of impact on the availability of international flights. The Fuel Tax rate on aviation fuel will remain at 1.5¢ per litre.

Personal Income Tax

In addition to the PIT rate reductions already described as part of the Government's Growth Agenda, the 2017-18 Budget includes several other PIT adjustments.

The Labour-sponsored Venture Capital Tax Credit rate is reduced from 20 per cent to 15 per cent, effective for the 2018 taxation year. The maximum individual annual tax credit that can be earned will decline from \$1,000 to \$750.

The Employee's Tools Tax Credit is eliminated effective for the 2017 taxation year.

Saskatchewan is maintaining the Graduate Retention Program. This program provides PIT credits to rebate up to \$20,000 in tuition fees to post-secondary graduates. The Graduate Retention Program is the most aggressive youth retention and attraction

program in Canada and has provided over \$345 million to over 70,000 young people to stay or move to Saskatchewan after they graduate.

The 2017-18 Budget eliminates the education and tuition tax credits, effective July 1, 2017. Unused amounts carried forward from previous taxation years will remain available to be claimed, but new credits cannot be earned after June 30, 2017.

The Budget also temporarily suspends the annual indexation of the PIT system starting with the 2018 taxation year.

Corporation Income Tax

In conjunction with the previously described reduction to the general CIT rate, the 2017-18 Budget will phase out, over four years beginning in 2017, the special tax reduction which currently allows credit unions to pay a lower rate of tax on a portion of their income. Credit unions will continue to be exempt from the provincial capital tax.

OTHER REVENUE MEASURES

Effective March 23, 2017, the PST rate is increased from 5 per cent to 6 per cent and Tobacco Tax rates are increased from 25¢ to 27¢ per cigarette, tobacco stick or gram of cut tobacco.

Effective April 1, 2017, the Corporation Capital Tax rate on large financial institutions is increased from 3.25 per cent to 4.0 per cent.

Effective April 1, 2017, the commissions paid to businesses for the collection and remittance of taxes are discontinued. This aligns Saskatchewan with most other jurisdictions in Canada.

Mitigation Measures

To ensure that the impact of the PST changes is mitigated for lower-income residents, the Saskatchewan Low-Income Tax Credit (SLITC) is enhanced effective July 1, 2017. The enhancement will:

- increase the maximum basic adult component and the spousal/equivalent component by \$100, from \$246 to \$346;
- increase the child component by \$40 per child, from \$96 to \$136, to a maximum of \$272 per family; and,
- increase the benefit clawback rate from 2.0 per cent to 2.75 per cent.

Individuals with annual income up to \$32,643 will receive the maximum benefit of \$346 while those with incomes between \$32,643 and \$45,225 will receive a partial benefit, based on their level of income.

A family of four with annual family income of up to \$32,643 will receive the maximum benefit of \$964 while those with incomes between \$32,643 and \$67,697 will receive a partial benefit, based on their level of family income.

In conjunction with the increase in the PST rate, the rate of the M&P Investment Tax Credit increases to 6 per cent for eligible capital acquisitions made on or after March 23, 2017.

For further information on the initiatives described in this paper (other than the SCII program), refer to the Ministry of Finance website at www.saskatchewan.ca/budget or call 1-800-667-6102.

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 and reading materials, thereby reducing the taxes paid by families consuming these items.

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.

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 and disability-related 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 by providing preferential treatment for certain categories 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 and Reports").

2017 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. This year's tables also provide updates to the 2014, 2015 and 2016 tax expenditure estimates that were reported in the previous three years.

The 2017-18 Budget introduces a number of initiatives to modernize and simplify many aspects of the provincial tax system, while ensuring that taxes remain fair and competitive. These initiatives, which are described in greater detail in the technical paper entitled 2017-18 Revenue Initiatives, result in a number of changes to the tax expenditures displayed in this paper. For example:

- The PST estimates reflect the impact of the tax rate change and the list of PST exemptions no longer includes children's clothing, restaurant meals and snack foods, or construction services. The 2017 estimate for the Saskatchewan Low-Income Tax Credit includes the impact of the enhancement to this measure.
- The list of Fuel Tax exemptions includes the 2017 impact of the changes to the exemptions for bulk purchases of gasoline and diesel fuel.
- The Personal Income Tax estimates include the impact of the tax rate reductions and indexation of the tax system. The elimination of the education and tuition tax credits and the Employee's Tools Tax Credit are also reflected.
- The Corporation Income Tax estimates reflect the impact of the tax rate reduction and the change to the tax rules for credit unions, as well as the changes to the M&P Investment Tax Credit and the R&D Tax Credit.

2017 Government of Saskatchewan

Tax Expenditure Accounts

(Value of Tax Expenditures in Millions of Dollars)

	2014 Revised	2015 Revised	2016 Revised	2017 Estimate
Provincial Sales Tax				
Exemptions				
1. Basic groceries.....	122.0	123.3	127.8	159.0
2. Prescription drugs	33.3	34.9	35.6	43.6
3. Reading materials	7.6	8.8	9.3	11.8
4. Personal services	35.3	35.6	36.1	43.8
5. Feminine hygiene products	—	—	1.7	2.2
6. Eligible energy efficient appliances, furnaces and boilers ..	3.1	2.6	2.7	3.4
7. Used goods – exemption amounts	0.2	0.2	0.2	0.2
8. Light used vehicles.....	74.7	89.2	106.7	130.9
9. Electricity	46.0	47.4	49.9	65.3
10. Natural gas	26.2	24.1	22.5	29.2
11. Farm machinery and repair parts	83.9	85.8	83.2	100.1
12. Fertilizer, pesticide and seed.....	165.0	168.9	158.9	192.7
13. Direct agents	22.6	18.4	19.0	23.6
14. Toll-free telephone services	0.2	0.2	0.2	0.2
Other				
1. Saskatchewan Low-Income Tax Credit	87.4	88.2	90.0	107.7
Fuel Tax				
1. Exemption for farm activity.....	117.4	118.7	116.3	79.3
2. Exemption for heating fuels.....	31.7	28.2	26.2	26.7
3. Exemption for primary producers	1.7	1.8	1.6	1.2

Personal Income Tax	2014 Actual	2015 Revised	2016 Revised	2017 Estimate
Deductions from Income				
1. Registered Pension Plan contributions	89.8	93.6	97.1	98.6
2. Registered Retirement Savings Plan contributions.....	155.8	162.3	168.3	170.8
3. Annual union, professional or like dues	16.3	17.0	17.6	17.9
4. Child care expenses.....	12.8	13.2	13.5	13.6
5. Moving expenses	2.0	2.1	2.1	2.1
6. Carrying charges	16.2	16.6	17.0	17.2
7. Allowable employment expenses.....	15.6	16.1	16.5	16.6
8. Capital gains deduction.....	86.9	90.3	93.5	95.8
Saskatchewan Non-Refundable Tax Credits				
1. Basic personal tax credit	1,031.8	1,059.0	1,088.7	1,090.0
2. Spousal tax credit.....	50.5	52.2	54.0	54.5
3. Equivalent-to-spouse tax credit.....	18.5	19.0	19.5	19.6
4. Age tax credit	33.5	34.4	35.5	36.0
5. Supplement to the age tax credit	13.4	13.7	14.0	14.2
6. Dependent child tax credit.....	104.4	107.1	110.0	110.3
7. Canada Pension Plan contributions tax credit	85.4	87.7	90.0	90.7
8. Employment Insurance premiums tax credit.....	29.9	30.7	31.4	31.7
9. Pension income tax credit	12.4	12.5	12.6	12.5
10. Tuition and education tax credit	37.9	38.9	39.9	20.1
11. Student loan interest tax credit	0.7	0.7	0.7	0.7
12. Disability tax credit	18.6	19.1	19.5	19.6
13. Caregiver tax credit.....	2.6	2.7	2.8	2.8
14. Medical expenses tax credit.....	25.7	26.4	27.0	27.1
15. Charitable contributions tax credit.....	44.5	45.6	46.9	47.5
16. First-time homebuyers tax credit.....	6.3	6.4	6.5	6.4
Other Saskatchewan Tax Measures				
1. Labour-sponsored Venture Capital Tax Credit	14.4	12.9	16.0	16.0
2. Mineral Exploration Tax Credit	0.3	0.2	0.5	0.5
3. Political Contributions Tax Credit	1.3	1.6	0.7	0.8
4. Graduate Retention Program Tax Credit.....	55.0	52.9	79.5	90.5
Corporation Income Tax	2014 Actual	2015 Revised	2016 Revised	2017 Estimate
1. Lower tax rate for small business	432.1	438.2	387.2	412.2
2. Manufacturing and Processing Profits Tax Reduction	14.2	11.9	15.0	15.0
3. Investment Tax Credit for Manufacturing and Processing ..	20.2	40.7	30.0	36.0
4. Research and Development Tax Credit	33.7	25.1	18.0	10.0

2017 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 2017

In 2017, Saskatchewan individuals and families will pay total provincial taxes that are very competitive with those paid in other Canadian cities, with a ranking of second or third lowest in Canada for all six representative family situations.

- A single person earning \$25,000 will pay \$1,074 in total provincial taxes;
- A single person earning \$40,000 will pay \$3,089 in total provincial taxes;
- A two-income family earning \$50,000 will pay \$1,016 in total provincial taxes;
- A two-income family earning \$75,000 will pay \$4,510 in total provincial taxes;
- A two-income family earning \$100,000 will pay \$7,548 in total provincial taxes; and,
- A two-income family earning \$125,000 will pay \$10,715 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.

2017 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	483	484	802	1,540	675	869	949	1,323	1,522	1,266
Tax Credits and Rebates	(116)	(200)	(296)	0	(685)	(970)	(300)	(255)	(110)	(450)
Health Premiums	132	0	0	0	300	660	0	0	0	0
Sales Tax	425	0	418	482	694	875	881	881	881	881
Gasoline Tax	322	175	150	140	147	167	107	155	158	261
Total Provincial Taxes	1,246	459	1,074	2,162	1,131	1,601	1,637	2,104	2,451	1,958
<i>Household Utility Costs</i>										
Electricity	443	557	842	449	1,480	410	636	815	1,274	655
Telephone	362	361	258	314	370	370	371	372	372	371
Auto Insurance	1,842	2,392	1,181	1,146	4,699	1,866	1,621	1,992	1,754	2,991
Total Household Utility Costs	2,647	3,310	2,281	1,909	6,549	2,646	2,628	3,179	3,400	4,017
Total Taxes and Utilities	3,893	3,769	3,355	4,071	7,680	4,247	4,265	5,283	5,851	5,975

2017 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	1,412	1,885	2,309	3,220	1,382	3,318	2,676	3,196	3,216	2,726
Tax Credits and Rebates	0	(200)	(118)	0	(179)	(598)	(200)	0	(165)	(450)
Health Premiums	780	0	0	0	450	660	0	0	0	0
Sales Tax	740	0	748	846	1,192	1,502	1,513	1,513	1,513	1,513
Gasoline Tax	322	175	150	140	147	167	107	155	158	261
Total Provincial Taxes	3,254	1,860	3,089	4,206	2,992	5,049	4,096	4,864	4,722	4,050
<i>Household Utility Costs</i>										
Electricity	443	557	842	449	1,480	410	636	815	1,274	655
Telephone	362	361	258	314	370	370	371	372	372	371
Auto Insurance	1,842	2,392	1,181	1,146	4,699	1,866	1,621	1,992	1,754	2,991
Total Household Utility Costs	2,647	3,310	2,281	1,909	6,549	2,646	2,628	3,179	3,400	4,017
Total Taxes and Utilities	5,901	5,170	5,370	6,115	9,541	7,695	6,724	8,043	8,122	8,067

2017 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	855	782	0	2,176	112	1,147	2,006	2,407	2,750	2,271
Tax Credits and Rebates	(131)	(1,587)	(480)	0	(1,283)	(4,194)	(560)	0	(220)	(280)
Health Premiums	1,344	0	0	0	300	1,320	0	0	0	0
Sales Tax	1,219	0	1,196	1,419	1,979	2,500	2,521	2,521	2,521	2,521
Gasoline Tax	644	350	300	280	294	334	214	310	316	522
Total Provincial Taxes	3,931	(455)	1,016	3,875	1,402	1,107	4,181	5,238	5,367	5,034
<i>Household Utility Costs</i>										
Home Heating	842	822	914	915	943	1,409	1,832	2,463	1,990	1,792
Electricity	768	853	1,297	722	1,479	611	975	1,341	1,393	1,012
Telephone	362	361	258	314	370	370	371	372	372	371
Auto Insurance	1,842	2,392	1,181	1,146	4,699	1,866	1,621	1,992	1,754	2,991
Total Household Utility Costs	3,814	4,428	3,650	3,097	7,491	4,256	4,799	6,168	5,509	6,166
Total Taxes and Utilities	7,745	3,973	4,666	6,972	8,893	5,363	8,980	11,406	10,876	11,200

2017 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	2,387	3,003	2,483	5,167	2,055	5,419	4,812	5,384	5,559	4,833
Tax Credits and Rebates	0	(587)	0	0	0	(2,532)	(60)	0	0	0
Health Premiums	1,800	0	0	0	750	1,320	0	0	0	0
Sales Tax	1,811	0	1,727	2,027	2,865	3,604	3,627	3,627	3,627	3,627
Gasoline Tax	644	350	300	280	294	334	214	310	316	522
Total Provincial Taxes	6,642	2,766	4,510	7,474	5,964	8,145	8,593	9,321	9,502	8,982
<i>Household Utility Costs</i>										
Home Heating	842	822	914	915	943	1,409	1,832	2,463	1,990	1,792
Electricity	768	853	1,297	722	1,479	611	975	1,341	1,393	1,012
Telephone	362	361	258	314	370	370	371	372	372	371
Auto Insurance	1,842	2,392	1,181	1,146	4,699	1,866	1,621	1,992	1,754	2,991
Total Household Utility Costs	3,814	4,428	3,650	3,097	7,491	4,256	4,799	6,168	5,509	6,166
Total Taxes and Utilities	10,456	7,194	8,160	10,571	13,455	12,401	13,392	15,489	15,011	15,148

2017 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	5,376	5,329	8,280	4,305	9,358	7,880	8,864	8,685	8,034
Tax Credits and Rebates	0	(280)	0	0	0	(1,524)	0	0	0	0
Health Premiums	1,800	0	0	0	960	1,320	0	0	0	0
Sales Tax	1,968	0	1,919	2,269	3,173	3,995	4,021	4,021	4,021	4,021
Gasoline Tax	644	350	300	280	294	334	214	310	316	522
Total Provincial Taxes	8,523	5,446	7,548	10,829	8,732	13,483	12,115	13,195	13,022	12,577
<i>Household Utility Costs</i>										
Home Heating	842	822	914	915	943	1,409	1,832	2,463	1,990	1,792
Electricity	768	853	1,297	722	1,479	611	975	1,341	1,393	1,012
Telephone	362	361	258	314	370	370	371	372	372	371
Auto Insurance	1,842	2,392	1,181	1,146	4,699	1,866	1,621	1,992	1,754	2,991
Total Household Utility Costs	3,814	4,428	3,650	3,097	7,491	4,256	4,799	6,168	5,509	6,166
Total Taxes and Utilities	12,337	9,874	11,198	13,926	16,223	17,739	16,914	19,363	18,531	18,743

2017 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	5,952	7,810	8,281	11,872	6,346	13,504	11,313	12,802	12,391	11,945
Tax Credits and Rebates	0	0	0	0	0	(1,296)	0	0	0	0
Health Premiums	1,800	0	0	0	1,200	1,320	0	0	0	0
Sales Tax	2,165	0	2,134	2,496	3,490	4,395	4,423	4,423	4,423	4,423
Gasoline Tax	644	350	300	280	294	334	214	310	316	522
Total Provincial Taxes	10,561	8,160	10,715	14,648	11,330	18,257	15,950	17,535	17,130	16,890
<i>Household Utility Costs</i>										
Home Heating	842	822	914	915	943	1,409	1,832	2,463	1,990	1,792
Electricity	768	853	1,297	722	1,479	611	975	1,341	1,393	1,012
Telephone	362	361	258	314	370	370	371	372	372	371
Auto Insurance	1,842	2,392	1,181	1,146	4,699	1,866	1,621	1,992	1,754	2,991
Total Household Utility Costs	3,814	4,428	3,650	3,097	7,491	4,256	4,799	6,168	5,509	6,166
Total Taxes and Utilities	14,375	12,588	14,365	17,745	18,821	22,513	20,749	23,703	22,639	23,056

TAXES AND UTILITIES – NOTES

Tax estimates are calculated for the 2017 calendar year using known changes as of March 3, 2017. 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 2016 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. 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.

2016-17 BUDGET UPDATE

THIRD QUARTER

OVERVIEW

At third quarter, a deficit of \$1,288.5 million is forecast, prior to the adjustment to account for pension costs on an accrual basis. This is a \$247.4 million decline from mid-year, and an \$854.3 million decline from budget.

Further revenue declines since mid-year in Corporation Income Tax, potash revenue, other own-source revenue and net income from Government Business Enterprises are mostly offset by higher transfers from the federal government. However, significantly higher crop insurance claims since mid-year have increased expense.

2016-17 BUDGET UPDATE – THIRD QUARTER

(Millions of Dollars)	Budget	Mid-Year Projection	Third Quarter Forecast	Third Quarter Change from Budget Mid-Year	
Revenue					
Taxation	6,860.9	6,460.9	6,339.0	(521.9)	(121.9)
Non-Renewable Resources	1,484.9	1,305.3	1,279.0	(205.9)	(26.3)
Other Own-Source Revenue ¹	2,088.9	2,246.9	2,117.2	28.3	(129.7)
Transfers from the Federal Government	2,504.8	2,826.3	3,190.9	686.1	364.6
Net Income from Government Business Enterprises ¹	1,084.4	862.9	768.3	(316.1)	(94.6)
Total Revenue¹	14,023.9	13,702.3	13,694.4	(329.5)	(7.9)
Expense					
Agriculture	780.3	873.4	1,105.3	325.0	231.9
Community Development	580.6	575.0	577.2	(3.4)	2.2
Debt Charges ²	297.2	292.4	295.8	(1.4)	3.4
Economic Development	250.2	243.9	239.1	(11.1)	(4.8)
Education ²	3,688.4	3,728.9	3,729.0	40.6	0.1
Environment and Natural Resources	237.0	237.7	240.6	3.6	2.9
Health ²	5,588.1	5,676.2	5,668.9	80.8	(7.3)
Protection of Persons and Property	640.3	679.7	678.2	37.9	(1.5)
Social Services and Assistance	1,243.9	1,305.2	1,297.9	54.0	(7.3)
Transportation	565.2	553.9	565.7	0.5	11.8
Other ²	586.9	577.1	585.2	(1.7)	8.1
Total Expense²	14,458.1	14,743.4	14,982.9	524.8	239.5
(Deficit)/Surplus²	(434.2)	(1,041.1)	(1,288.5)	(854.3)	(247.4)

¹ Including the net impact of the Workers' Compensation Board earnings distribution to employers announced on June 29, 2016.

² Before adjustment to account for pensions on an accrual basis.

REVENUE UPDATE

At third quarter, revenue is forecast to be \$13.7 billion, down \$7.9 million from mid-year (down \$329.5 million from budget).

2016-17 REVENUE RECONCILIATION

(Millions of Dollars)

2016-17 Mid-Year Projection	13,702.3
Forecast Changes from Mid-Year	
Taxation	(121.9)
Non-Renewable Resources	(26.3)
Other	(129.7)
Federal Transfers	364.6
GBE Net Income	(94.6)
Total Change from Mid-Year	(7.9)
2016-17 Third Quarter Forecast	13,694.4

Taxation revenue is forecast to decrease by \$121.9 million from mid-year, primarily due to lower Corporation Income Tax revenue mainly as a result of downward revisions to the federal corporate taxable income base forecast and weaker-than-anticipated 2015 assessments.

Non-renewable resources revenue is forecast to decrease by \$26.3 million from mid-year, primarily due to lower potash revenue mainly as a result of lower average prices, lower sales volumes and higher operating costs. This is partially offset by modestly higher oil and natural gas revenue.

Other own-source revenue is forecast to decrease \$129.7 million from mid-year, mainly due to lower investment income and lower-than-anticipated land sales.

Transfers from the federal government are forecast to increase \$364.6 million from mid-year, primarily due to recognition of the fair value of the federal dams transferred to the Province. In addition, higher federal crop insurance contributions (resulting from higher premiums) are forecast.

Government Business Enterprise (GBE) net income is forecast to fall \$94.6 million from mid-year, mainly due to lower net income at SaskPower, SaskTel, Saskatchewan Liquor and Gaming Authority and Workers' Compensation Board.

2016-17 NON-RENEWABLE RESOURCES FORECAST ASSUMPTIONS

	Budget	Mid-Year Projection	Third Quarter Forecast	Budget	Third Quarter Change from Mid-Year
WTI Oil Price (US\$/barrel)	44.88	48.63	48.71	3.83	0.08
Light-Heavy Differential (% of WTI)	21.5	20.6	21.0	(0.5)	0.4
Well-head Oil Price (C\$/barrel) ¹	41.51	45.23	46.21	4.70	0.98
Oil Production (million barrels)	162.0	163.2	164.9	2.9	1.7
Potash Price (mine netback, US\$/KCl tonne) ²	207	178	173	(34)	(5)
Potash Price (mine netback, C\$/K ₂ O tonne) ²	454	383	376	(78)	(7)
Potash Sales (million K ₂ O tonnes) ²	11.3	11.4	11.2	(0.1)	(0.2)
Uranium Price (C\$/Kg) ²	131	120	117	(14)	(3)
Canadian Dollar (US cents)	75.0	77.2	76.0	1.0	(1.2)

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

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

EXPENSE UPDATE

At third quarter, expense is forecast to be \$15.0 billion, up \$239.5 million from mid-year (up \$524.8 million from budget).

2016-17 EXPENSE RECONCILIATION

(Millions of Dollars)

2016-17 Mid-Year Projection	14,743.4
Forecast Changes from Mid-Year	
Agriculture	231.9
Other Net Changes	7.6
Total Change from Mid-Year	239.5
2016-17 Third Quarter Forecast	14,982.9

Almost all of the increase in expense since mid-year is due to higher crop insurance claims mostly related to poor harvest conditions.

All other expense themes are forecasting little change since mid-year.

The adjustment to account for pension costs on an accrual basis is estimated at \$137.7 million, an increase of \$12.9 million from mid-year (up \$7.6 million from budget).

Consistent with the 2016-17 Budget presentation, the pension adjustment is not included in expense. Government's current cash pension payment requirements are included in the expense budget and forecasts.

DEBT UPDATE

At third quarter, debt is forecast to be \$16.1 billion, up \$858.6 million from mid-year (up \$1,306.3 million from budget).

The increase is almost entirely attributable to GRF borrowing for operations, which is up \$800.0 million from mid-year.

2016-17 PUBLIC DEBT UPDATE – THIRD QUARTER

As at March 31

(Millions of Dollars)	Budget	Mid-Year Projection	Third Quarter Forecast	Budget	Third Quarter Change from Mid-Year
General Revenue Fund					
– Operating	4,100.0	4,600.0	5,400.0	1,300.0	800.0
– Saskatchewan Builds Capital Plan	1,685.8	1,685.8	1,685.8	–	–
Other Government Service Organizations	603.9	592.9	594.8	(9.1)	1.9
Government Service Organization Debt	6,389.7	6,878.7	7,680.6	1,290.9	801.9
Government Business Enterprise Debt	8,383.2	8,341.9	8,398.6	15.4	56.7
Public Debt	14,772.9	15,220.6	16,079.2	1,306.3	858.6
Guaranteed Debt	27.0	21.3	21.3	(5.7)	–



SASKATCHEWAN PROVINCIAL BUDGET

17-18

BUDGET FINANCIAL TABLES

GOVERNMENT OF SASKATCHEWAN

Budget For the Year Ended March 31

(Millions of Dollars)

	Budget 2017-18	Forecast 2016-17	Budget 2016-17
Revenue			
Taxation	7,286.6	6,339.0	6,860.9
Non-renewable resources	1,406.4	1,279.0	1,484.9
Other own-source revenue	1,964.9	2,117.2	2,088.9
Transfers from the federal government.....	2,453.5	3,190.9	2,504.8
Net income from government business enterprises	1,053.7	768.3	1,084.4
Total Revenue	14,165.1	13,694.4	14,023.9
Expense			
Agriculture	800.5	1,105.3	780.3
Community development	700.6	577.2	580.6
Debt charges ¹	380.9	295.8	297.2
Economic development.....	246.0	239.1	250.2
Education ¹	3,643.3	3,729.0	3,688.4
Environment and natural resources	247.9	240.6	237.0
Health ¹	5,627.4	5,668.9	5,588.1
Protection of persons and property.....	643.7	678.2	640.3
Social services and assistance	1,356.7	1,297.9	1,243.9
Transportation	567.4	565.7	565.2
Other ¹	585.4	585.2	586.9
Total Expense before Adjustments	14,799.8	14,982.9	14,458.1
Adjustments			
Human resources compensation measures	250.0	—	—
Contingency	(300.0)	—	—
Deficit¹	(684.7)	(1,288.5)	(434.2)

Totals may not add due to rounding.

¹ Before adjustment to account for pensions on an accrual basis.

GOVERNMENT OF SASKATCHEWAN

Statement of Accumulated Deficit For the Year Ended March 31

	(Millions of Dollars)		
	Budget 2017-18	Forecast 2016-17	Budget 2016-17
Accumulated surplus, beginning of year	343.9	1,494.7 ¹	1,813.1
Deficit ²	(684.7)	(1,288.5)	(434.2)
Adjustment to account for pension costs on an accrual basis	(11.3)	137.7	130.1
Accumulated (Deficit)/Surplus, End of Year	(352.1)	343.9	1,509.0

Totals may not add due to rounding.

¹ Accumulated surplus as at March 31, 2016, as reported in the 2015-16 Summary Financial Statements.

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

GOVERNMENT OF SASKATCHEWAN

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

	(Millions of Dollars)		
	Budget 2017-18	Forecast 2016-17	Budget 2016-17
Deficit ¹	(684.7)	(1,288.5)	(434.2)
Adjustment to account for pension costs on an accrual basis	(11.3)	137.7	130.1
Acquisition of government service organization capital assets	(1,487.5)	(2,165.1)	(1,789.0)
Amortization of government service organization capital assets ² ..	582.9	572.1	609.4
Increase in Net Debt	(1,600.6)	(2,743.8)	(1,483.7)
Net debt, beginning of year	(10,643.1)	(7,899.3) ³	(7,649.7)
Net Debt, End of Year	(12,243.7)	(10,643.1)	(9,133.4)

Totals may not add due to rounding.

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

² Includes disposals and adjustments.

³ Net debt as at March 31, 2016, as reported in the 2015-16 Summary Financial Statements.

GOVERNMENT OF SASKATCHEWAN

Schedule of Pension Liabilities As at March 31

(Millions of Dollars)			
	Budget 2017-18	Forecast 2016-17	Budget 2016-17
Pension liabilities, beginning of year.....	7,784.4	7,922.1 ¹	7,911.2
Adjustment to account for pension costs on an accrual basis....	11.3	(137.7)	(130.1)
Pension Liabilities, End of Year	7,795.7	7,784.4	7,781.1

Totals may not add due to rounding.

¹ Pension liabilities as at March 31, 2016, as reported in the 2015-16 Summary Financial Statements.

GOVERNMENT OF SASKATCHEWAN

Schedule of Capital Assets As at March 31

(Millions of Dollars)							
	Net Book Value March 31 2016 ¹	– 2016-17 Forecast – Additions ² Amortization ³		Forecast Net Book Value March 31 2017	– 2017-18 Budget – Additions ² Amortization ³		Budget Net Book Value March 31 2018
Government service organizations	9,156.5	2,165.1	(572.1)	10,749.5	1,487.5	(582.9)	11,654.1
Government business enterprises	13,331.7	1,489.3	(787.3)	14,033.7	2,007.2	(846.7)	15,194.2
Total Capital Assets	22,488.2	3,654.4	(1,359.4)	24,783.2	3,494.7	(1,429.6)	26,848.3

Totals may not add due to rounding.

¹ Net book value as at March 31, 2016, as reported in the 2015-16 Summary Financial Statements.

² Includes only capital assets acquired by government entities. Capital transfers provided to entities outside the reporting entity are expensed.

³ Includes disposals and adjustments.

GOVERNMENT OF SASKATCHEWAN

Schedule of Public Debt As at March 31

	(Millions of Dollars)				
	Budget General Debt ¹ 2017-18	GBE Specific Debt 2017-18	Budget Public Debt 2017-18	Forecast Public Debt 2016-17	Budget Public Debt 2016-17
Government Service Organization (GSO) Debt					
General Revenue Fund					
– Operating.....	5,750.0	–	5,750.0	5,400.0	4,100.0
– Saskatchewan Builds Capital Plan ²	2,755.6	–	2,755.6	1,685.8	1,685.8
Boards of Education	174.8	–	174.8	184.8	182.7
Global Transportation Hub Authority.....	26.0	–	26.0	26.0	25.2
Regional Health Authorities	154.0	–	154.0	156.0	156.0
Saskatchewan Housing Corporation	17.4	–	17.4	19.6	19.3
Saskatchewan Immigrant Investor Fund Inc.	89.6	–	89.6	123.5	123.5
Saskatchewan Opportunities Corporation	56.0	–	56.0	40.4	52.4
Water Security Agency	37.1	–	37.1	42.5	42.3
Other	2.0	–	2.0	2.0	2.5
Government Service Organization Debt	9,062.5	–	9,062.5	7,680.6	6,389.7
Government Business Enterprise (GBE) Debt					
Municipal Financing Corporation of Saskatchewan....	95.8	113.1	208.9	218.3	218.2
Saskatchewan Liquor and Gaming Authority.....	–	104.7	104.7	104.7	100.0
Saskatchewan Power Corporation	88.8	6,333.6	6,422.4	5,868.1	5,822.5
Saskatchewan Telecommunications Holding Corporation	–	967.4	967.4	924.1	936.2
Saskatchewan Water Corporation	–	78.3	78.3	50.5	52.3
SaskEnergy Incorporated	66.6	1,289.2	1,355.8	1,232.9	1,254.0
Government Business Enterprise Debt³	251.2	8,886.3	9,137.5	8,398.6	8,383.2
Public Debt⁴	9,313.7	8,886.3	18,200.0	16,079.2	14,772.9
Guaranteed Debt	27.0	–	27.0	21.3	27.0

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

³ 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 Summary Financial Statements. GBE specific debt is debt issued by, or specifically on behalf of, GBEs. GBE specific debt is included in "Investment in government business enterprises" in the Summary Financial Statements.

⁴ 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 2017-18	Forecast 2016-17	Budget 2016-17
Taxation			
Corporation income	729.4	736.9	967.7
Fuel	515.4	466.8	487.2
Individual income	2,540.6	2,590.9	2,774.7
Property	753.9	697.5	666.9
Provincial sales	2,049.5	1,184.3	1,312.1
Tobacco	280.3	270.3	261.3
Other	417.5	392.3	391.0
Total Taxation	7,286.6	6,339.0	6,860.9
Non-Renewable Resources			
Crown land sales	52.0	50.2	36.0
Oil and natural gas	670.4	557.7	519.2
Potash	260.6	239.4	420.4
Resource surcharge	272.5	282.7	339.7
Other	150.9	149.0	169.6
Total Non-Renewable Resources	1,406.4	1,279.0	1,484.9
Other Own-Source Revenue			
Fees	1,124.4	1,146.2	1,159.5
Insurance	282.3	313.5	264.5
Investment income	80.7	82.5	123.1
Transfers from other governments ¹	89.7	90.5	87.0
Miscellaneous ¹	387.8	484.5	454.8
Total Other Own-Source Revenue	1,964.9	2,117.2	2,088.9
Transfers from the Federal Government			
Canada Health Transfer	1,161.2	1,138.8	1,127.3
Canada Social Transfer	429.8	422.7	417.8
Other	862.5	1,629.4	959.7
Total Transfers from the Federal Government	2,453.5	3,190.9	2,504.8
Net Income from Government Business Enterprises			
Municipal Financing Corporation of Saskatchewan	0.8	0.7	1.0
Saskatchewan Auto Fund	65.3	92.1	61.7
Saskatchewan Gaming Corporation	23.5	24.5	24.9
Saskatchewan Government Insurance	37.2	62.1	39.6
Saskatchewan Liquor and Gaming Authority	523.3	491.0	511.0
Saskatchewan Power Corporation	179.5	89.3	181.3
Saskatchewan Telecommunications Holding Corporation	122.1	131.9	104.2
Saskatchewan Water Corporation	5.8	6.3	6.1
SaskEnergy Incorporated	90.6	122.5	117.6
Saskatchewan Workers' Compensation Board	11.2	(246.4)	42.6
Consolidation adjustments	(5.6)	(5.7)	(5.6)
Total Net Income from Government Business Enterprises	1,053.7	768.3	1,084.4
Total Revenue	14,165.1	13,694.4	14,023.9

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 the presentation in the Summary Financial Statements, the presentation of certain Budget 2016-17 revenue numbers is revised from the presentation last published. Revenue of \$20.5M is reclassified from Miscellaneous own-source revenue to Transfers from other governments. Total Budget 2016-17 revenue is unchanged.

GOVERNMENT OF SASKATCHEWAN

Glossary of Financial Terms

Accumulated (Deficit) Surplus

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

Amortization

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

Capital Asset

An asset with physical substance that has an economic life extending beyond one year, to be used on a continuing basis and not for sale in the ordinary course of operations.

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

Interest expense arising from debt, pension liabilities, obligations under long-term financing arrangements such as public-private partnerships and capital lease obligations as well as other costs such as foreign exchange gains and losses, discounts, fees and commissions.

(Deficit) Surplus

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

Government Business Enterprises (GBEs)

A self-sufficient government organization that 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 consists of government service organizations, GBEs and government partnerships.

Government Service Organization (GSO)

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

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.

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