

# SASKATCHEWAN BUDGET

March 22, 2007

## A FAMILY BUDGET

- Saskatchewan has brought down a 14th straight budget showing a surplus in the General Revenue Fund.
- A surplus is budgeted for 2007-08, achieved by a draw from the Fiscal Stabilization Fund.
- Revenues in 2006-07 were \$662 million over budget and operating expenses were \$531 million over budget.
- The budget for 2007-08 projects a decline of 7.3% or \$128 million in nonrenewable resource revenue from the current forecast for 2006-07.
- Total operating expenses are budgeted at \$7.79 billion in 2007-08, an increase of 1.4% from the current 2006-07 estimate.
- Health care spending will increase 6.8% to \$3.4 billion or 44% of operating expenses.
- Spending for learning and advanced education and employment is reduced 2.8% to \$1.6 billion or 20.7% of operating expenses.
- A plan to make drugs more affordable for senior citizens will cap the cost of a prescription at \$15.
- University tuition remains frozen and a new Graduate Tax Exemption will be worth up to \$1,100 per year per graduate.

## Opinion

Finance Minister Andrew Thomson's budget is aimed at supporting Saskatchewan families. It directs more money to health care, communities and infrastructure and introduces a plan to make drugs more affordable for all senior citizens. Personal income tax and family tax-credit brackets are indexed. Students have not been forgotten: university tuition remains frozen for the third consecutive year and a Graduate Tax Exemption is introduced under which an additional \$10,000 in annual income will be exempt from tax during the first five years after graduation. This will lower the tax bill of qualifying graduates by up to \$1,100 per year or \$5,500 over the five years.

## Revenue and expenditure

Total revenue is budgeted at \$7.87 billion for 2007-08, a reduction of \$520 million from the \$8.39 billion current forecast for 2006-07. The major factors in the decline are a \$128.3-million reduction in budgeted non-renewable resource revenue due to lower expected oil revenue, a \$153.5-million reduction in sales tax revenue due to a full year of the 2% sales tax reduction and a \$121.6-million reduction in transfers from Ottawa. However, the budget excludes a one-time increase of \$226 million in federal transfers that Saskatchewan will receive if Monday's federal budget is adopted. The minister has said he will earmark \$158 million of that transfer for debt reduction and the rest for school property tax relief. Total expenditure is budgeted at \$8.35 billion in 2007-08, up \$128.4 million or 1.6% from the 2006-07 estimate.

Operating expenses are budgeted to increase 1.4% to \$7.79 billion. Health care, whose budget increases 6.8%, will account for 44.2% of all operating expenses. Spending on learning and advanced education and on employment will account for 20.7% of operating spending. Other operating expenses are cut 2.3%. The government maintains its commitment to infrastructure programs, budgeting \$334 million for highways and transportation.

Debt service is budgeted at \$560 million or 7.1% of total revenue in 2007-08, down from a peak of 18.7% in fiscal 1993-94. An amount of \$509.9 million will be drawn from the Fiscal Stabilization Fund, created in 2000-01, to achieve a \$75-

million surplus under the Balanced Budget Act. This transfer and \$40 million to the Building Communities program will leave \$337.6 million in the stabilization fund at the end of 2007-08.

### **Debt and borrowing requirements**

In recent years the province's debt-to-GDP ratio has declined significantly, from 31.9% in 2004 to a projected 23.8% in 2008. Government total debt in absolute terms is budgeted to increase \$30.2 million in 2007-08 and crown corporation debt \$262.1 million to a total of \$11.168 billion. The Saskatchewan economy is projected to grow 2.9% in real terms in 2007 and 2.6% in 2008.

The government borrowing requirement for 2007-08 is estimated at \$563.3 million, including \$419 million for refinancing of maturing debt. Crown corporation requirements are estimated at \$723.2 million, for a total financing program of \$1,286.5 million compared to \$1,495.1 million in 2006-07. Favourable economic conditions and the allocation of a portion of surpluses to debt reduction in recent years have improved Saskatchewan's fiscal position, reflected in its AA credit rating.

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