

The Honourable Donna Harpauer
Minister of Finance



SASKATCHEWAN PROVINCIAL BUDGET

20-21

MINISTER'S MESSAGE

The world has changed. The global pandemic, the spread of COVID-19, has changed our lives. Through this unprecedented time, Saskatchewan's fiscal foundation remains solid. Our economy is resilient and our people are strong.

Saskatchewan is well positioned to recover from the effects of the pandemic because of the strength of our people and because we produce what the world needs – food, fuel and fertilizer.

Our Government is helping our most vulnerable, and investing to stimulate the economy. Every province, every jurisdiction in the world, has seen its economy and finances hit hard by the pandemic. Saskatchewan is not immune or alone.

Our forecast deficit in the 2020-21 Budget is \$2.4 billion. Revenue is projected to be \$13.6 billion, down 8.3 per cent from last year, a result of the needed shuttering of domestic and global economies to contain the spread of COVID-19 combined with the oil price collapse.

Our expense in this Budget is projected to be \$16.1 billion, up 7.2 per cent from last year's budget. We are investing in the well-being and safety of Saskatchewan people, our Government's highest priority. And we are funding many significant programs and services.

This Budget includes over \$1.0 billion in support related to our fight against the pandemic, for individuals, for businesses and for initiatives to help our economy recover.

Our Government will invest \$3.1 billion into infrastructure in 2020-21. It is the first year of an enhanced two-year \$7.5 billion capital plan which includes \$2.0 billion in stimulus funding provided in May, to further help our economy over the next two years.

The capital plan invests in schools, hospitals, highways, Crown utility projects, municipal infrastructure and other needed projects to stimulate our economy, create jobs and build a strong Saskatchewan.

Saskatchewan people have worked hard, sacrificed much and followed public health orders to keep themselves and others safe from the spread of COVID-19. As a result, Saskatchewan's per capita case counts are nearly 80 per cent below the national average and our fatality rate is over 90 per cent below the national average. This gives us confidence as we move forward with our Re-Open Saskatchewan Plan that businesses can reopen and more people can return to work, while at the same time we can control the spread of the virus.

We have reason for measured optimism. Saskatchewan has the second-lowest unemployment rate in Canada. We've seen fewer business closures than other provinces, and so far this year we have the third-highest urban housing starts in the country. Also in April our agriculture product exports were up more than 20 per cent, year-over-year, and while total goods exported were down, we had the lowest overall decline in Canada.

The Province entered this crisis in a strong financial position. Other provinces are expecting deficits that are comparably higher than ours. Saskatchewan was on track for a surplus in 2019-20 and 2020-21 prior to the COVID-19 pandemic and oil price collapse. The 2020-21 deficit is not a structural deficit. It is a pandemic deficit.

Our net debt-to-GDP is among the lowest in the country. We have the ability to invest in the priorities of Saskatchewan people. In the coming months we will develop an economic and fiscal plan to bring our budget back to balance over time, because we have the strength of Saskatchewan people and the solid foundation here, in our province, to do it.

We faced the pandemic, together. Now we are reopening our province, together. And we will rebuild and recover, together.

A handwritten signature in black ink, reading "Donna Harpauer". The signature is written in a cursive style with a long, sweeping underline.

Honourable Donna Harpauer
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TABLE OF CONTENTS

MINISTER'S MESSAGE

ECONOMIC AND FISCAL OUTLOOK

Overview	5
Economic Outlook	6
Revenue Outlook	9
Expense Outlook	10
Saskatchewan Capital Plan	11
Debt and Financing Charges	13
Revenue Initiatives	14
2019-20 Update	14
2020 Saskatchewan Tax Expenditure Accounts	15

BUDGET FINANCIAL TABLES

Budget	19
Statement of Accumulated Deficit	20
Statement of Change in Net Debt	20
Schedule of Pension Liabilities	21
Schedule of Capital Assets	21
Schedule of Public Debt	22
Schedule of Revenue	23



SASKATCHEWAN PROVINCIAL BUDGET

20-21

ECONOMIC AND FISCAL OUTLOOK

ECONOMIC AND FISCAL OUTLOOK

OVERVIEW

On March 18, 2020, a state of emergency was declared in Saskatchewan in response to the COVID-19 threat, and the Legislative Assembly adjourned prior to the tabling of the planned 2020-21 Budget. While Government released spending estimates for the General Revenue Fund, a full budget for the upcoming year was not released. At the time, the spread of the COVID-19 virus and an unprecedented shutdown of large parts of the global economy combined to put the global economy on pace for its largest contraction in nearly a century. Against this backdrop, existing revenue forecasts could no longer be relied upon.

On April 17, 2020, Government released three possible economic and revenue scenarios for the new year in an attempt to provide early guidance on the potential impact of the pandemic. In the two months since the release of those scenarios, preliminary data and the current pace of the Re-Open Saskatchewan Plan suggest that Scenario 2 is the most reasonable path for fiscal planning purposes. As such, the 2020-21 Budget incorporates the key assumptions and forecast projections from that scenario.

The global COVID-19 pandemic and oil price collapse have significantly impacted Saskatchewan's economic and fiscal outlook. Prior to the crisis, Saskatchewan

was on track to return to balance in 2019-20 and post a modest surplus in 2020-21. This is no longer the case. The economic contraction will result in a significant loss of revenue. As well, Government measures to support Saskatchewan residents and businesses will drive expense higher.

For 2020, real GDP is forecast to decrease 6.3 per cent and the decline in nominal GDP is forecast at 12.8 per cent. The unemployment rate is expected to average 8.6 per cent and average employment is forecast to fall by 15,800.

In response to the economic crisis, the Government has introduced several support programs and provided significant relief by way of the deferral of utility bill payments, certain taxes and other repayments for all Saskatchewan residents and businesses. An additional \$2.0 billion of capital investments are planned over the next two years to help stimulate the provincial economy. The financial impact of these measures is incorporated into the 2020-21 Budget.

For 2020-21, a deficit of \$2.4 billion is forecast.

Revenue is forecast to decrease \$1.2 billion (8.3 per cent) from preliminary 2019-20 results. Every own-source revenue category is projected to decline.

2020-21 FINANCIAL OVERVIEW

(Millions of Dollars)	2017-18 Actual	2018-19 Actual	2019-20 Budget	2019-20 Preliminary	2020-21 Budget
Revenue	14,019	14,449	15,025	14,887	13,649
Expense	14,322	14,717	14,991	15,206	16,075
Surplus (Deficit)	(303)	(268)	34	(319)	(2,426)

Expense is forecast to increase \$1.1 billion (7.2 per cent) from the 2019-20 Budget, of which \$702 million, or 65 per cent, is COVID-19 related.

In 2020-21, public debt will rise by \$3.0 billion. Of this amount, \$1.9 billion is attributable to COVID-19.

In addition, a deficit of \$319 million is now expected for 2019-20 as a result of economic deterioration over the final quarter of the year.

The economic and fiscal outlook in the 2020-21 Budget assumes that global measures to contain and limit the spread of COVID-19, and to minimize its economic impact, continue to be successful.

However, significant uncertainty exists with respect to the length of time it will take to return to pre-pandemic levels of economic activity. For this reason, the 2020-21 Budget includes only a one-year outlook. A multi-year fiscal forecast will be provided once economic projections become more certain.

ECONOMIC OUTLOOK

COVID-19 and the measures to contain its spread have had widespread impact on global, national, provincial, and local economies. Global output is forecast to contract by about 3.0 per cent this year,

which is the largest single contraction since the Great Depression. Economic output among G7 countries is anticipated to fall further. Canada's economy is estimated to contract by 6.4 per cent.

Like other jurisdictions, Saskatchewan has been affected by virus containment measures, but unlike many of its peers it has also been negatively affected by the fall in the price of oil. Oil investment and production in Saskatchewan are expected to decline by 37.1 per cent and 13.8 per cent in 2020, respectively.

Still, Saskatchewan is seemingly well positioned to face these challenges going forward as it produces many staple goods the world wants and needs. In April, for example, agriculture product exports were up 20.1 per cent year-over-year. Although total goods exported in April still fell by 8.2 per cent, other provinces experienced much larger declines. Canadian international exports overall declined by 35.3 per cent.

Overall, real GDP is projected to decline by 6.3 per cent this year while nominal GDP is anticipated to fall by 12.8 per cent. These forecasts were presented as Scenario 2 in the Government of Saskatchewan's range of preliminary economic impacts presented on April 17, 2020, and are consistent with current private sector forecasts. Scenario 2 also assumes a gradual recovery beginning in June.

SASKATCHEWAN ECONOMIC OUTLOOK

(Per Cent Change Unless Noted Otherwise)

	2019	2020	2021
Real GDP	0.4	(6.3)	4.6
Nominal GDP	3.3	(12.8)	7.2
Employment Growth, 000s	10.4 ¹	(15.8)	6.8
Unemployment Rate, %	5.4 ¹	8.6	7.6
Compensation of Employees	3.7	(0.9)	2.7
Retail Sales	(0.5) ¹	(18.8)	4.5

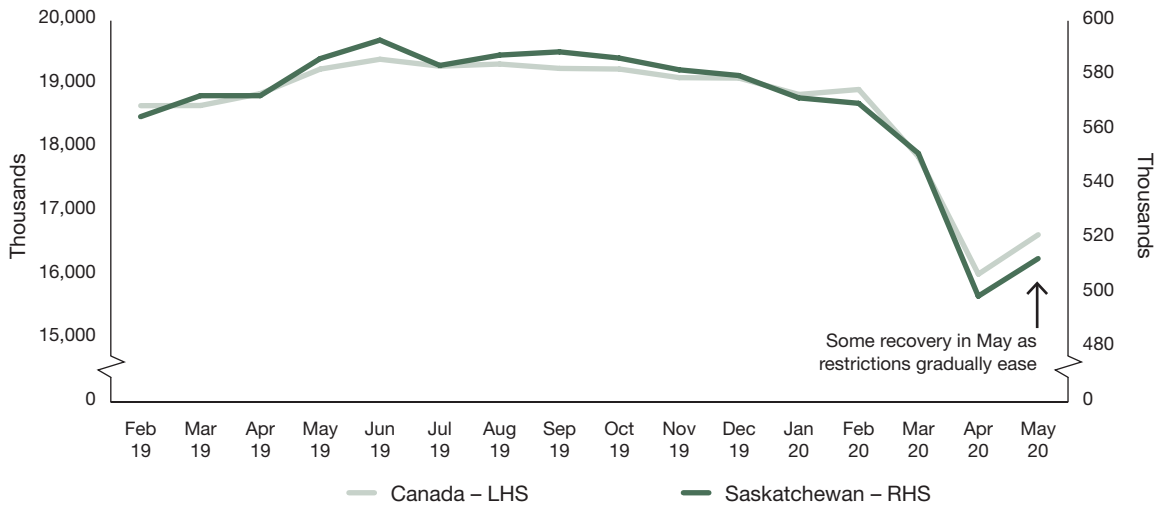
¹Actual

Sources: Saskatchewan Ministry of Finance, Statistics Canada Table 14-10-0017-01 & Table 20-10-0008-01

The magnitude of the decline in employment in Canada since February has been unprecedented. In Saskatchewan, total employment declined by

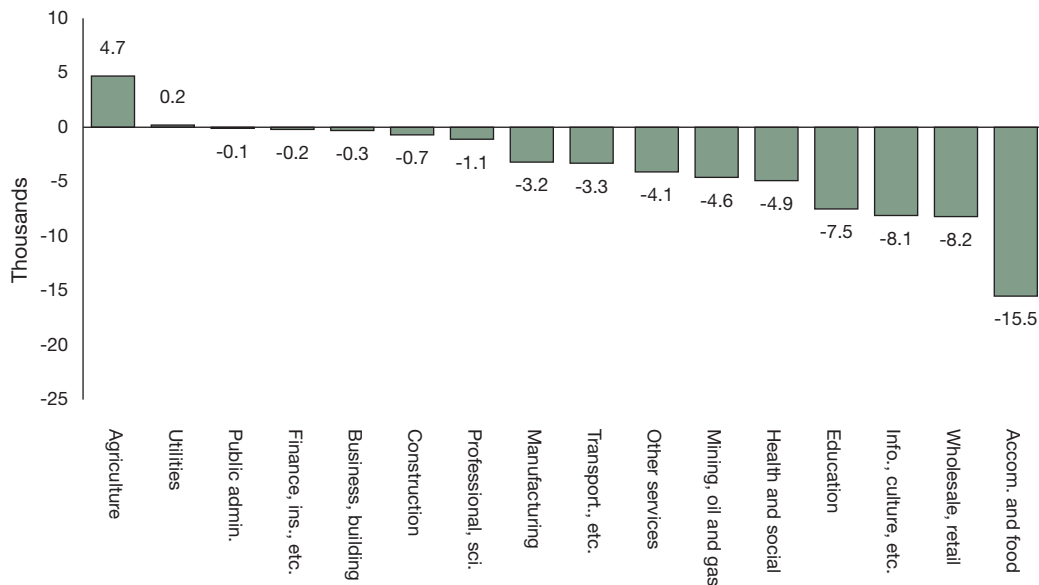
10.0 per cent between February and May. The number of jobs in accommodation and food services, the hardest-hit industry, fell by 15,500 or 41.2 per cent.

SHARP DROP IN EMPLOYMENT FROM FEBRUARY 2020 TO APRIL 2020



Source: Statistics Canada Table 14-10-0017-01

CHANGES IN SASKATCHEWAN EMPLOYMENT BY INDUSTRY (February 2020 to May 2020)



Source: Statistics Canada Table 14-10-0022-01

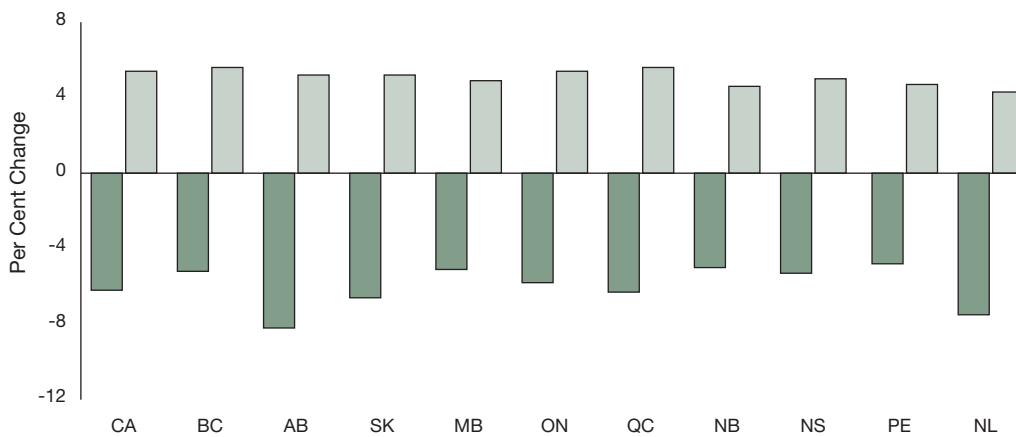
While job losses to date have been extreme, current income support programs have helped mitigate the decline in wages and salaries. Further, because most of the job losses since February have been temporary, a rebound in employment is expected to begin as COVID-19 related restrictions are lifted – indeed, May’s job numbers showed some recovery of the losses experienced in the previous two months. Still, average employment in Saskatchewan in 2020 is forecast to decline by 15,800.

Job losses, income uncertainty and the mandatory closure of non-essential retail stores, restaurants, etc. have all affected retail sales across Canada. While data for individual provinces are not yet available, household final consumption expenditure in Canada overall in the first quarter fell by 2.3 per cent, the worst quarterly drop ever recorded, according to Statistics Canada. The second quarter is likely to be a larger drop.

The economic growth outlook for 2021 is positive. This assumes that economies all over the world are fully open and continue to recover from the COVID-19 shock of 2020. Saskatchewan may also be better positioned to weather this event than others given the nature of its economy. Oil prices are expected to rebound as well next year as global growth picks up. Saskatchewan real GDP is forecast to grow by 4.6 per cent in 2021 while nominal GDP is forecast to rise by 7.2 per cent.

Our current growth outlook is similar to private sector forecasts. Saskatchewan real GDP is expected to decline by 6.6 per cent in 2020, according to the private sector. For 2021, growth of 5.2 per cent is projected.

PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE



■ 2020	-6.2	-5.2	-8.2	-6.6	-5.1	-5.8	-6.3	-5.0	-5.3	-4.8	-7.5
■ 2021	5.4	5.6	5.2	5.2	4.9	5.4	5.6	4.6	5.0	4.7	4.3

Private sector average as at June 5, 2020.
Sources: Major Canadian banks, IHS Market, Conference Board of Canada

REVENUE OUTLOOK

The impact of COVID-19 and lower oil prices have combined to reduce total revenue in the 2020-21 Budget to \$13.6 billion, a decrease of \$1.2 billion, or 8.3 per cent, from 2019-20 preliminary results.

This forecast is consistent with the Scenario 2 revenue outlook presented on April 17 and incorporates the same set of economic assumptions used to develop the provincial economic forecast, specifically the assumption of a gradual re-opening of the provincial economy beginning in May and a substantial economic recovery in place for the second half of the fiscal year. The outlook also includes the impact of all tax and other revenue measures announced ahead of this year's budget, including changes to fees and charges and other initiatives announced either prior to or on March 18, as well as new revenue initiatives included in the Budget.

Tax revenue in 2020-21 is forecast at \$7.2 billion, a decrease of \$350 million, or 4.6 per cent, from 2019-20. The largest declines will be in Provincial Sales Tax and Fuel Tax. Income taxes are budgeted to experience relatively smaller declines due to the receipt of positive prior-year adjustments for the 2019 tax year.

Non-renewable resource revenue is forecast at \$1.0 billion, a decline of \$753 million, or 43.0 per cent. The decline is largely due to lower oil royalties and Resource Surcharge revenue from

significantly lower oil prices and production levels. Potash royalties are also budgeted to decrease as a result of lower prices.

Government Business Enterprise (GBE) net income is forecast at \$729 million, a decrease of 14.8 per cent from 2019-20. The decline is largely due to the impact of casino and video lottery terminal closures and lower customer demand for major utility services.

Other own-source revenue is forecast at \$1.9 billion, a decrease of \$205 million, or 9.6 per cent. The budget forecast is largely based on historical relationships to nominal GDP, with the largest declines in fees and miscellaneous revenue.

Federal transfers are forecast at \$2.8 billion, an increase of \$197 million, or 7.6 per cent. The increase reflects growth in the Canada Health Transfer and Canada Social Transfer, and \$212 million of new COVID-related federal support.

Despite the ongoing success of the Re-Open Saskatchewan Plan, considerable uncertainty with respect to the pace and strength of economic recovery exists, both in Saskatchewan and around the world. The fiscal outlook assumes that global measures to limit the spread of COVID-19 will be successful and that the economic impact of the recent pandemic will be relatively short. Any deviation from this assumed path of economic recovery has the potential to alter the 2020-21 revenue outlook.

NON-RENEWABLE RESOURCE ASSUMPTIONS

	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Budget
WTI Oil Price (US\$/barrel)	53.53	62.87	54.80	30.00
Light-Heavy Differential (% of WTI)	20.0	31.8	20.9	40.0
Exchange Rate (US cents)	77.99	76.23	75.19	71.00
Well-head Oil Price (C\$/barrel)	50.87	54.58	52.54	21.00
Oil Production (million barrels)	176.8	178.6	178.9	146.0
Potash Average Price (US\$/KCl tonne)	187	215	223	188
Potash Price (C\$/K ₂ O tonne)	396	457	490	434
Potash Sales (million K ₂ O tonnes)	12.3	13.4	12.7	13.9

EXPENSE OUTLOOK

Expense in the 2020-21 Budget is projected at \$16.1 billion, an increase of \$1.1 billion, or 7.2 per cent, from the 2019-20 Budget.

This outlook incorporates the full summary budget impact of the GRF Estimates released on March 18, 2020. This pre-crisis level of funding amounted to a \$463 million (3.1 per cent) increase from last year's budget and included a \$288 million (4.9 per cent) increase for the health sector, a \$74 million (2.2 per cent) increase for education, a \$58 million (4.0 per cent) increase for social services and assistance and a \$27 million (10.5 per cent) increase for municipal revenue sharing.

The 2020-21 Budget also includes an additional \$502 million of COVID-related expense resulting from Government measures introduced since March 18, 2020. The new expense includes:

- \$171.4 million of new capital stimulus funding for third parties, including \$150.0 million for the Municipal Economic Enhancement Program for shovel-ready infrastructure projects and initiatives, \$13.7 million for municipal transportation infrastructure and \$5.6 million for the province's universities;
- \$150.0 million for the Accelerated Site Closure Program for the reclamation of inactive oil and gas wells and facilities;
- \$56.0 million for the Temporary Wage Supplement helping lower income essential workers;
- \$50.0 million for the Saskatchewan Small Business Emergency Payment providing financial support to small and medium-sized businesses that have had to temporarily close or significantly curtail operations as a result of the COVID-19 pandemic;
- \$50.0 million in emergency pandemic support for First Nations and Métis organizations and community-based organizations to help offset an \$80.7 million reduction in casino profit revenue-sharing grants resulting from the closure of casinos;
- \$12.6 million for Canada Emergency Commercial Rent Assistance providing forgivable loans to commercial property owners to assist with rent owing by small businesses experiencing hardship as a result of COVID-19; and,
- \$11.7 million of other measures, including support for livestock producers, enhancements to the corrections and justice systems and the Self-Isolation Support Program.

Another \$205 million will be directed to government-owned capital assets such as schools, hospitals and highways in 2020-21 relative to the original capital plan. When combined with the \$171 million increase in third-party capital outlined above, a total of \$376 million of capital stimulus funding is provided in the 2020-21 Budget as the first step in Government's \$2 billion capital stimulus package.

Finally, a \$200 million health and public safety contingency is included in the 2020-21 Budget. While the health and public safety sectors have incurred COVID-related costs this year, thus far these pressures have been managed within existing budgets. The contingency is included as a measure of prudence in the event of a possible resurgence of the virus later this year.

SASKATCHEWAN CAPITAL PLAN

The 2020-21 Saskatchewan Capital Plan provides \$7.5 billion over the next two years, which includes \$3.1 billion to be provided in 2020-21 through Executive Government and Saskatchewan's Commercial Crowns.

The Plan includes a fiscal stimulus package of \$2 billion in infrastructure investments to stimulate economic recovery and encourage local job creation. Initial work on all the projects will begin immediately and is part of supporting the province's Growth Plan commitment to build strong communities by investing \$30 billion in infrastructure over the next decade.

This Plan provides funding for new and ongoing projects to address important infrastructure needs throughout the province and serves to ensure Saskatchewan's continued prosperity. Since 2008-09, including the amounts provided in this Budget, Saskatchewan has committed close to \$34 billion towards investments in provincial infrastructure. This includes construction and major upgrades of health facilities, K-12 schools, post-secondary institutions, highways, bridges, as well as public utility enhancements.

The Capital Plan outlines projects approved to date and provides an estimate of anticipated future capital investments. The Plan is detailed as follows.

CAPITAL PLAN: 2020-21 TO 2021-22

(Millions of Dollars)	2020-21		2021-22		Two-Year Plan
	Budget	Stimulus	Projected	Stimulus	
Executive Government Ministries and Agencies					
Transportation Infrastructure					
Highways Capital	357.6	53.5	357.6	201.0	969.7
Highways Partnerships and Supporting Capital	19.9	13.7	19.9	32.4	85.8
Municipal Infrastructure					
Municipal Programs	165.7	150.0	204.7	–	520.4
Investing in Canada Infrastructure Program	–	–	74.1	–	74.1
Education Capital					
School Capital	67.5	20.4	110.7	–	198.6
Maintenance Capital	62.9	16.9	85.5	8.9	174.3
Advanced Education					
Maintenance Capital	23.4	9.6	23.3	6.0	62.4
Health Care					
Maintenance Capital	68.9	25.0	55.0	75.0	223.9
Health Equipment	28.5	–	26.5	–	55.0
Health Facilities	30.7	18.7	21.7	–	71.1
Government Services					
IT Capital	40.3	–	11.8	–	52.1
Dams and Water Supply Channels	50.4	27.7	72.4	1.8	152.3
Courts and Corrections Capital	17.4	10.1	7.4	3.4	38.4
Parks Capital	10.0	3.0	9.5	7.3	29.8
Equipment Capital	23.5	–	23.5	–	47.0
Government Buildings	10.7	2.1	10.2	0.3	23.2
Other Capital and Stimulus	8.1	25.0	6.8	12.0	51.9
Total Executive Government Ministries and Agencies	985.5	375.7	1,120.5	348.1	2,829.8
Crowns					
SaskPower	845.7	–	922.4	–	1,768.1
SaskEnergy	406.7	–	399.8	–	806.5
Others	495.5	–	363.9	–	859.4
Total Crowns	1,747.9	–	1,686.1	–	3,434.0
Major Infrastructure Stimulus					1,276.3
Total Capital Plan					7,540.0

Executive Government – \$1.36 billion in 2020-21

Transportation Infrastructure – \$445 million

- \$411 million for over 1,000 kilometres of improvements to the highway system, including multiple sets of passing lanes and various safety improvements throughout the province.
- \$34 million for strategic municipal infrastructure such as the Rural Integrated Roads for Growth, urban connectors, and community airports.

Municipal Infrastructure – \$316 million

- \$166 million in transfers to municipalities, including funding made available through the Gas Tax Fund, Investing in Canada Infrastructure Program, New Building Canada Fund and other programs.
- \$150 million for the new Municipal Economic Enhancement Program.

Education (K-12 Schools) – \$168 million

- \$88 million for ongoing and new school projects in various locations including projects in Regina, Saskatoon and a new consolidated elementary and high school in Carrot River.
- \$80 million for maintenance and renewal projects in schools throughout the province.

Advanced Education – \$33 million

- \$33 million to support major renovation and repair works in the post-secondary sector.

Health – \$172 million

- \$94 million for the rehabilitation of health facilities, including electrical renewal at Regina hospitals.
- \$49 million for major projects such as the Prince Albert Victoria Hospital and a new, 72-bed, long-term seniors care facility in Meadow Lake.

- \$29 million for equipment, including a new CT scanner in Melfort.

Government Services – \$229 million

- Government services capital includes the rehabilitation of provincial dams and water supply channels, upgrades to courts and correctional facilities, IT projects, parks and recreation facilities, environmental protection, and support for other government programs.

Crown Corporations – \$1.75 billion in 2020-21

- **SaskPower** will invest \$846 million in improvements to the province's electricity system.
- **SaskEnergy's** planned capital investment of \$407 million in the province's natural gas distribution system includes expansion of transmission system capacity.
- **SaskTel** will continue improvements to networks, information, and communications technology through \$325 million in capital investments.

Stimulus – \$2.0 billion over two years

- \$1.37 billion for **large infrastructure projects**, including \$103 million for health and \$110 million for education, with additional allocations to be announced at a later date.
- \$300 million for **highway projects** for thin membrane surface upgrades and passing lanes, including \$46 million dedicated for upgrades to municipal roads and airports.
- \$181 million for **renewal projects** to reduce deferred maintenance on provincial assets and to reduce operating costs through energy efficiency.
- \$150 million in a per capita payment through a new **Municipal Economic Enhancement Program** to support infrastructure projects in communities across the province.

DEBT AND FINANCING CHARGES

The Province's debt consists of:

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

Public debt 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, 2020 is expected to be \$360.4 million lower than estimated, due to decreased GBE debt.

For 2020-21, public debt is expected to increase by \$3.0 billion from March 31, 2020. Of this amount, \$1.9 billion is attributable to COVID-19, while the remaining \$1.1 billion finances infrastructure assets that were incorporated into the capital plan that was developed prior to the pandemic.

In addition to interest payments, financing charges include other costs related to general gross debt, such as the amortization of premiums, discounts, and commissions. Financing charges also include interest that is accrued on pension liabilities.

The 2020-21 financing charges assume interest rates of 1.0 per cent for short-term borrowing transactions and 2.5 per cent for long-term borrowings. An interest rate of 3.1 per cent is assumed for pension liabilities. A one percentage point increase in interest rates for a full year from levels assumed in the Budget would increase financing charges in 2020-21 by approximately \$67.7 million.

DEBT

As at March 31

(Millions of Dollars)	General Debt 2021	GBE Specific Debt 2021	Budget 2021	Preliminary 2020	Budget 2020
Government Service Organizations					
Gross Debt	15,497.2	–	15,497.2	13,227.5	13,199.7
Sinking Funds	1,160.6	–	1,160.6	1,272.6	1,265.6
Government Service Organization Debt	14,336.6	–	14,336.6	11,954.9	11,934.1
Government Business Enterprises					
Gross Debt	275.0	10,875.8	11,150.8	10,548.7	10,923.7
Sinking Funds	34.0	1,084.2	1,118.2	1,172.1	1,165.9
Government Business Enterprise Debt	241.0	9,791.6	10,032.6	9,376.6	9,757.8
Public Debt	14,577.6	9,791.6	24,369.2	21,331.5	21,691.9
Guaranteed Debt	0.8	–	0.8	1.4	19.7

REVENUE INITIATIVES

The Government will continue to implement measures aimed at improved competitiveness and continued investment into the diversification of the province's economy, while keeping taxes low and improving affordability for Saskatchewan people.

The initiatives being introduced in the 2020-21 Budget include the re-introduction of automatic annual indexation of the personal income tax system; the introduction of a new investment incentive for the chemical fertilizer sector; an extension of the existing Manufacturing and Processing Exporter Tax Incentive; and measures to ensure non-resident businesses fairly collect Provincial Sales Tax on their Saskatchewan sales.

Legislation will be introduced with the 2020-21 Budget to enact these initiatives. Readers are encouraged to consult the enacting legislation and contact the responsible ministry for further details.

2019-20 UPDATE

The *2019-20 Mid-Year Report* released on November 28, 2019 included a \$37 million surplus forecast, a small increase from the budgeted \$34 million surplus. The third quarter forecast that would have appeared in a March 18 budget would have included a surplus forecast of \$39 million for 2019-20, virtually unchanged from mid-year. This outlook was based on forecasts prepared at the end of December, as well as updated projections for several key revenue components at the end of February to incorporate the most current data possible given the rapidly changing economic environment.

However, a deficit of \$319 million is now anticipated for the 2019-20 fiscal year. The revenue outlook is estimated to have declined by \$490 million relative to its third quarter forecast, largely due to a \$431 million decline in GBE net income from investment losses.

In total, expense is expected to finish \$215 million higher than budget in 2019-20, largely reflecting a \$279 million increase in non-cash pension expense. Significant changes from budget also include a \$163 million increase in health and a decrease of \$209 million in agriculture. Revenue is expected to finish \$138 million below the 2019-20 Budget forecast as previously anticipated increases in non-renewable resources and GBE net income evaporated over the fourth quarter.

2019-20 BUDGET UPDATE

(Millions of Dollars)	Budget	Mid-Year Projection	Third Quarter Forecast	Fourth Quarter Changes	Preliminary Results
Revenue	15,025	15,354	15,377	(490)	14,887
Expense	14,991	15,317	15,338	(132)	15,206
Surplus (Deficit)	34	37	39	(358)	(319)

2020 SASKATCHEWAN TAX EXPENDITURE ACCOUNTS

The following tables provide estimates of the major tax expenditures of the Government of Saskatchewan. This year's tables also provide updates to the 2017, 2018 and 2019 tax expenditure estimates that were reported last year.

The 2020 Saskatchewan Tax Expenditure Accounts incorporate the Provincial Sales Tax (PST) Rebate for New Residential Construction, which was introduced as of April 1, 2020. Re-indexation of the personal income tax system is effective beginning in the 2021 taxation year and is therefore not included in this year's tax expenditure accounts.

2020 GOVERNMENT OF SASKATCHEWAN TAX EXPENDITURE ACCOUNTS (Value of Tax Expenditures in Millions of Dollars)

Provincial Sales Tax	2017 Revised	2018 Revised	2019 Revised	2020 Estimate	Notes
Exemptions					
1. Basic groceries	148.4	160.0	164.2	168.5	1
2. Prescription drugs	45.0	46.7	48.7	51.4	1
3. Reading materials	10.9	12.5	13.4	14.3	1
4. Personal services	43.2	45.9	47.0	47.9	1
5. Feminine hygiene products	2.0	2.1	2.2	2.3	1
6. Used goods and vehicles – exempt amounts	135.8	37.6	11.3	10.2	1
7. Electricity	66.7	66.5	68.9	69.8	1
8. Natural Gas	28.8	35.4	35.7	31.5	1
9. Farm machinery and repair parts	92.5	102.8	102.7	103.0	2
10. Fertilizer, pesticide and seed	217.3	227.8	242.2	244.9	2
11. Direct agents	23.5	28.1	28.2	24.6	2
12. Agriculture, life and health insurance	86.2	136.7	137.4	138.0	1
Other					
1. Saskatchewan Low-Income Tax Credit	109.0	133.3	135.5	137.1	3
2. Rebate for New Residential Construction	–	–	–	9.0	1,2
Personal Income Tax	2017 Actual	2018 Revised	2019 Revised	2020 Estimate	Notes
Deductions from Income					
1. Registered Pension Plan contributions	102.9	107.5	113.0	116.3	4
2. Registered Retirement Savings Plan contributions	151.0	153.7	158.5	160.0	4
3. Annual union, professional or like dues	16.8	17.6	18.5	19.0	4
4. Child care expenses	13.9	14.3	15.0	10.5	4
5. Moving expenses	1.4	1.5	1.5	1.3	4
6. Carrying charges	20.6	21.0	21.6	22.6	4
7. Allowable employment expenses	13.0	13.2	13.7	9.5	4
8. Capital gains deduction	88.4	90.0	92.6	80.7	4

Personal Income Tax	2017 Actual	2018 Revised	2019 Revised	2020 Estimate	Notes
Saskatchewan Non-Refundable Tax Credits					
1. Basic personal tax credit	1,053.2	1,050.7	1,063.3	1,056.2	4
2. Spousal tax credit	54.5	54.7	55.9	55.8	4
3. Equivalent-to-spouse tax credit	23.7	23.8	24.3	24.4	4
4. Age tax credit	34.6	34.6	35.1	36.7	4
5. Supplement to the age tax credit	14.4	14.3	14.6	15.2	5
6. Dependent child tax credit	106.5	107.2	109.0	109.2	5
7. Canada Pension Plan contributions tax credit	87.2	89.0	91.9	92.9	4
8. Employment Insurance premiums tax credit	26.8	27.3	28.2	28.4	4
9. Pension income tax credit	12.9	12.9	13.2	13.7	4
10. Tuition and education tax credit	23.9	–	–	–	4
11. Student loan interest tax credit	0.8	0.7	1.0	1.0	4
12. Disability tax credit	22.2	22.6	23.2	24.6	4
13. Caregiver tax credit	3.2	3.2	3.2	3.3	4
14. Medical expenses tax credit	28.2	28.6	29.2	30.3	4
15. Charitable contributions tax credit	46.8	47.8	48.3	49.6	4
16. First-time homebuyers tax credit	5.0	4.9	5.0	4.3	4
17. Volunteer tax credits	–	–	–	2.5	4
Other Saskatchewan Tax Measures					
1. Labour-Sponsored Venture Capital Tax Credit	12.1	10.8	12.0	12.0	4
2. Mineral Exploration Tax Credit	0.2	0.1	0.5	0.5	4
3. Political Contributions Tax Credit	1.2	1.3	1.6	2.0	4
4. Graduate Retention Program Tax Credit	64.3	64.9	78.0	78.7	6
Fuel Tax					
1. Exemption for farm activity	89.8	79.7	83.7	88.0	2
2. Exemption for heating fuels	33.6	35.8	37.9	40.1	1
3. Exemption for primary producers	1.3	1.2	1.3	1.4	2
Corporation Income Tax					
1. Lower tax rate for small business	377.9	380.0	425.0	420.1	2,7
2. Manufacturing and Processing Profits Tax Reduction	11.9	12.7	15.0	15.0	2,7
3. Investment Tax Credit for Manufacturing and Processing	27.0	38.6	40.0	40.0	2
4. Research and Development Tax Credit	17.8	7.9	15.0	15.0	2,4

Notes to the Tax Expenditures

1. *This measure helps to provide tax relief for individuals and families (and in some cases, businesses) who purchase these particular essential items, thereby reducing the overall cost and contributing to its affordability.*
2. *This measure provides tax relief to key sectors of the provincial economy and helps to ensure tax competitiveness with similar businesses in other jurisdictions.*
3. *This measure benefits Saskatchewan residents with low and modest incomes, and helps to mitigate the impact of the PST changes announced in the 2017-18 Budget on low-income residents.*
4. *Most of Saskatchewan's tax expenditures related to personal and corporate income taxes are provided because they form part of the federal definition of taxable income; others parallel similar federal tax expenditures. Descriptions of these measures and their objectives can be found in the federal government's report on tax expenditures.*
5. *Saskatchewan's dependent child tax credit and supplement to the age tax credit provide tax relief to families with children and to seniors. The dependent child tax credit recognizes the non-discretionary expenses of families with children. The supplement to the age tax credit provides broad tax relief to all seniors, recognizing that the age tax credit is income-tested.*
6. *The Graduate Retention Program encourages students who have graduated from a post-secondary institution to live and work in Saskatchewan by providing a tax credit of up to \$20,000 on their income tax.*
7. *While there is only one statutory tax rate for corporations, these preferential tax rates for small businesses and manufacturing and processing businesses create a de facto progressive tax rate structure for some corporations. These measures are designed to encourage or attract investment, support business activity in key economic sectors, and allow these businesses to retain more of their earnings to reinvest and create jobs.*



SASKATCHEWAN PROVINCIAL BUDGET

20-21

BUDGET FINANCIAL TABLES

GOVERNMENT OF SASKATCHEWAN

*Budget
For the Year Ended March 31*

(Millions of Dollars)

	Budget 2020-21	Preliminary 2019-20	Budget 2019-20
Revenue			
Taxation	7,202.8	7,553.3	7,588.5
Non-renewable resources	997.4	1,750.3	1,826.8
Net income from government business enterprises	728.8	855.3	1,080.5
Other own-source revenue	1,933.1	2,138.4	2,062.1
Transfers from the federal government	2,786.6	2,589.8	2,467.2
Total Revenue	13,648.7	14,887.1	15,025.1
Expense			
Agriculture	798.8	633.0	841.5
Community development	762.8	641.4	681.2
Economic development	389.8	232.6	227.3
Education	3,361.9	3,501.6	3,282.5
Environment and natural resources	362.4	196.7	197.1 ¹
Financing charges	718.2	675.0	694.4
Health	6,176.3	6,051.4	5,888.2
Other	421.9	505.8	439.3 ¹
Protection of persons and property	806.5	787.1	774.4 ¹
Social services and assistance	1,490.3	1,436.3	1,432.7
Transportation	585.8	545.5	532.1
Health and public safety contingency	200.0	–	–
Total Expense	16,074.7	15,206.4	14,990.7
Surplus (Deficit)	(2,426.0)	(319.3)	34.4

Totals may not add due to rounding.

¹ The presentation of expense in Budget 2019-20 has been reclassified to conform with the presentation in Budget 2020-21 and Preliminary 2019-20. Wildfire management programming is now presented as Protection of persons and property expense. As a result, the revised presentation of Budget 2019-20 shows an increase of \$73.3 million for Protection of persons and property expense, and decreases of \$66.8 million for Environment and natural resources expense and \$6.5 million for Other expense. The presentation changes do not revise the previously published Budget 2019-20 total expense.

GOVERNMENT OF SASKATCHEWAN

Statement of Accumulated Deficit For the Year Ended March 31

(Millions of Dollars)

	Budget 2020-21	Preliminary 2019-20	Budget 2019-20
Accumulated surplus (deficit), beginning of year	(191.3)	60.5 ¹	(155.5)
Surplus (Deficit).	(2,426.0)	(319.3)	34.4
Other comprehensive income	–	67.5	–
Accumulated Deficit, End of Year	(2,617.3)	(191.3)	(121.1)

Totals may not add due to rounding.

¹ Accumulated surplus as at March 31, 2019, as reported in the 2018-19 Summary Financial Statements, increased by an expected accounting adjustment of \$41.1 million comprised of a \$135.4 million increase related to the first-time inclusion of health sector affiliates, offset by decreases of \$94.3 million, comprised of \$75.0 million to remove certain inter-entity costs from tangible capital assets and \$19.3 million for a change in accounting policy for certain losses on the disposal of government business enterprise capital assets.

GOVERNMENT OF SASKATCHEWAN

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

(Millions of Dollars)

	Budget 2020-21	Preliminary 2019-20	Budget 2019-20
Surplus (Deficit).	(2,426.0)	(319.3)	34.4
Acquisition of government service organization capital assets	(1,044.2)	(843.0)	(920.3)
Amortization of government service organization capital assets ¹	637.3	740.4	655.3
Increase in Net Debt	(2,832.9)	(422.0)	(230.6)
Net debt, beginning of year	(12,288.9)	(11,923.2) ²	(12,131.5)
Other adjustments	–	56.3 ³	–
Net Debt, End of Year	(15,121.8)	(12,288.9)	(12,362.1)

Totals may not add due to rounding.

¹ Includes disposals and adjustments. Preliminary 2019-20 further includes a \$75.0 million adjustment to remove certain inter-entity costs from tangible capital assets.

² Net debt as at March 31, 2019, as reported in the 2018-19 Summary Financial Statements, increased by an expected accounting adjustment of \$89.3 million comprised of \$75.0 million to remove inter-entity revenue recorded in prior years and \$19.3 million for a change in accounting policy for certain losses on the disposal of government business enterprise capital assets, offset by a \$5.0 million decrease related to the first-time inclusion of health sector affiliates.

³ Includes other comprehensive income and adjustments for net acquisition of other non-financial assets.

GOVERNMENT OF SASKATCHEWAN

Schedule of Pension Liabilities As at March 31

(Millions of Dollars)			
	Budget 2020-21	Preliminary 2019-20	Budget 2019-20
Pension liabilities, beginning of year	7,152.3	7,322.5 ¹	7,318.2
Adjustment to account for pension costs on an accrual basis	(514.5)	(170.2)	(448.7)
Pension Liabilities, End of Year	6,637.8	7,152.3	6,869.5

Totals may not add due to rounding.

¹ Pension liabilities as at March 31, 2019, as reported in the 2018-19 Summary Financial Statements.

GOVERNMENT OF SASKATCHEWAN

Schedule of Capital Assets As at March 31

(Millions of Dollars)							
	Net Book Value March 31 2019	– 2019-20 Additions ¹	Preliminary – Amortization ²	Preliminary Net Book Value March 31 2020	– 2020-21 Additions ¹	Budget – Amortization ²	Budget Net Book Value March 31 2021
Government service organizations . . .	11,756.1 ³	843.0	(740.4)	11,858.8	1,044.2	(637.3)	12,265.7
Government business enterprises . . .	15,128.2 ⁴	1,423.3	(827.6)	15,723.9	1,720.0	(929.1)	16,514.8
Total Capital Assets	26,884.3	2,266.3	(1,568.0)	27,582.7	2,764.2	(1,566.4)	28,780.5

Totals may not add due to rounding.

¹ Includes only capital assets acquired by government entities. Capital transfers provided to entities outside the government reporting entity are expensed.

² Includes disposals and adjustments. 2019-20 Preliminary further includes a \$75.0 million adjustment to remove certain inter-entity costs from tangible capital assets.

³ Net book value as at March 31, 2019, as reported in the 2018-19 Summary Financial Statements, increased by an expected accounting adjustment of \$128.2 million related to the first-time inclusion of health sector affiliates.

⁴ Net book value as at March 31, 2019, as reported in the 2018-19 Summary Financial Statements.

GOVERNMENT OF SASKATCHEWAN

Schedule of Public Debt As at March 31

(Millions of Dollars)

	Budget General Debt ¹ 2020-21	Budget GBE Specific Debt 2020-21	Budget Public Debt ⁴ 2020-21	Preliminary Public Debt ⁴ 2019-20	Budget Public Debt ⁴ 2019-20
Government Service Organization (GSO) Debt					
General Revenue Fund					
– Operating	7,300.0	–	7,300.0	6,150.0	6,150.0
– Saskatchewan Capital Plan ²	6,691.4	–	6,691.4	5,402.9	5,404.0
Boards of Education	144.1	–	144.1	159.0	151.2
Global Transportation Hub Authority	39.8	–	39.8	43.4	40.2
Health Sector Affiliates	9.6	–	9.6	9.6	–
Saskatchewan Health Authority	75.5	–	75.5	101.4	99.3
Saskatchewan Housing Corporation	–	–	–	5.1	4.8
Saskatchewan Immigrant Investor Fund Inc.	1.0	–	1.0	3.0	2.6
Saskatchewan Opportunities Corporation	52.3	–	52.3	51.7	51.6
Water Security Agency	20.0	–	20.0	25.9	25.9
Other	2.9	–	2.9	2.9	4.5
Government Service Organization Debt	14,336.6	–	14,336.6	11,954.9	11,934.1
Government Business Enterprise (GBE) Debt					
Municipal Financing Corporation of Saskatchewan	92.4	109.0	201.4	203.5	205.6
Saskatchewan Gaming Corporation	–	15.0	15.0	–	5.0
Saskatchewan Liquor and Gaming Authority	–	94.2	94.2	99.2	95.0
Saskatchewan Power Corporation	84.9	6,567.9	6,652.8	6,398.1	6,695.5
Saskatchewan Telecommunications Holding Corporation	–	1,275.1	1,275.1	1,107.3	1,138.0
Saskatchewan Water Corporation	–	79.4	79.4	76.3	86.0
SaskEnergy Incorporated	63.7	1,651.0	1,714.7	1,492.2	1,532.7
Government Business Enterprise Debt³	241.0	9,791.6	10,032.6	9,376.6	9,757.8
Total	14,577.6	9,791.6	24,369.2	21,331.5	21,691.9
Guaranteed Debt	0.8	–	0.8	1.4	19.7

¹ General debt is issued by GSOs and includes issued amounts subsequently transferred to GBEs.

² General Revenue Fund - Saskatchewan Capital Plan consists of amounts borrowed by the General Revenue Fund to finance investment in infrastructure assets.

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.

GOVERNMENT OF SASKATCHEWAN

Schedule of Revenue For the Year Ended March 31

(Millions of Dollars)

	Budget 2020-21	Preliminary 2019-20	Budget 2019-20
Own-Source			
Taxation			
Corporation income	780.9	787.4	729.2
Fuel	444.0	507.9	568.7
Individual income	2,605.4	2,629.1	2,555.7
Property	767.1	774.0	768.0
Provincial sales	1,996.0	2,205.8	2,304.7
Tobacco	187.7	206.8	234.5
Other	421.7	442.3	427.7
Total Taxation	7,202.8	7,553.3	7,588.5
Non-Renewable Resources			
Crown land sales	12.5	17.1	46.6
Oil and natural gas	175.1	667.8	691.1
Potash	469.4	554.4	618.6
Resource surcharge	252.4	413.3	385.0
Other	88.0	97.7	85.5
Total Non-Renewable Resources	997.4	1,750.3	1,826.8
Net Income from Government Business Enterprises			
Municipal Financing Corporation of Saskatchewan	1.0	0.9	1.0
Saskatchewan Auto Fund	121.2	(46.7)	66.9
Saskatchewan Gaming Corporation	(22.4)	20.1	21.8
Saskatchewan Government Insurance	81.2	49.9	59.1
Saskatchewan Liquor and Gaming Authority	263.6	470.3	477.9
Saskatchewan Power Corporation	72.3	205.8	255.2
Saskatchewan Telecommunications Holding Corporation	81.8	119.8	129.5
Saskatchewan Water Corporation	6.2	8.4	6.7
SaskEnergy Incorporated	20.0	43.5	63.8
Saskatchewan Workers' Compensation Board	102.4	(12.3)	(10.7)
Consolidation adjustments	1.5	(4.4)	9.3
Total Net Income from Government Business Enterprises	728.8	855.3	1,080.5
Other Own-Source Revenue			
Fees	1,043.0	1,200.2	1,132.2
Insurance	277.6	279.3	302.6
Investment income	105.7	118.6	102.9
Transfers from other governments	72.2	77.5	92.3
Miscellaneous	434.6	462.8	432.1
Total Other Own-Source Revenue	1,933.1	2,138.4	2,062.1
Total Own-Source	10,862.1	12,297.3	12,557.9
Transfers from the Federal Government			
Canada Health Transfer	1,301.9	1,262.7	1,263.8
Canada Social Transfer	467.1	456.2	456.6
Other	1,017.6	870.9	746.8
Total Transfers from the Federal Government	2,786.6	2,589.8	2,467.2
Total Revenue	13,648.7	14,887.1	15,025.1

Totals may not add due to rounding.