



SASKATCHEWAN PROVINCIAL BUDGET

16-17

GOVERNMENT DIRECTION FOR 2016-17

Government Direction for 2016-17: KEEP SASKATCHEWAN STRONG

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

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

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

True strength emerges in challenging times.

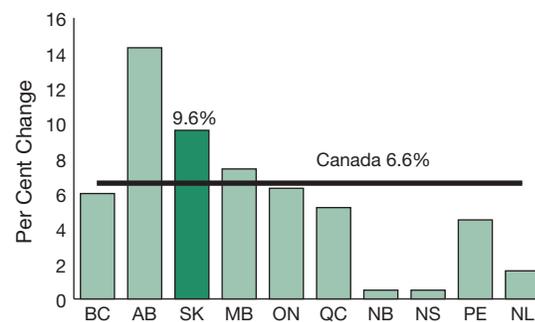
A fragile global economy coupled with sharp declines in oil and potash prices present considerable challenges to our province's economy, its finances and its people.

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

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

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

POPULATION GROWTH BY PROVINCE (2005 TO 2016)



Source: Statistics Canada

Our province's strength is being tested.

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

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

ECONOMIC FOUNDATION

Saskatchewan has a strong foundation.

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

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

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

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

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

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

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

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

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

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

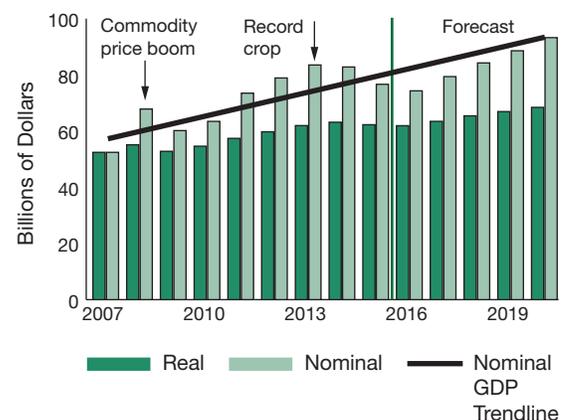
The survey also finds that Saskatchewan is the second most attractive jurisdiction in the world for mining investment, behind only Western Australia.

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

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

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

SASKATCHEWAN REAL AND NOMINAL GDP LEVEL



Source: Ministry of Finance

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

FISCAL PICTURE

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

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

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

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

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

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

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

government's commitment to controlling operational spending.

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

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

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

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

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

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

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

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

CHALLENGE AND CHANGE

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

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

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

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

Important questions will be asked:

Is this something government should be doing?

Is this program or service the role of government?

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

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

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

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

KEEPING TAXES LOW

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

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

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

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

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

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

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

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

This is the balance Saskatchewan seeks.

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

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

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

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

Changes to EPT remain an area of consideration for government.

TAX EXPENDITURE CHANGES

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

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

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

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

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

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

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

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

INVESTING IN INFRASTRUCTURE

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

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

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

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

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

2016-17 Saskatchewan Builds Capital Plan

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

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

2016-17 Capital Highlights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2016-17 Crown Corporation Capital Highlights

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

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

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

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

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

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

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

A STRONG BASE

This budget is built from a strong base.

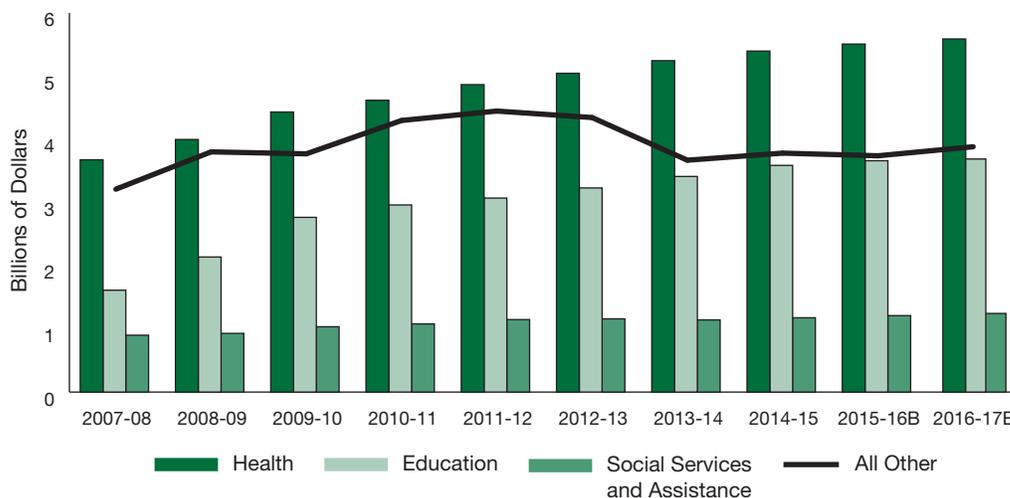
Health, education and social services and assistance spending makes up nearly three-quarters of all government expense in 2016-17. Since 2007-08, total spending in these three major areas is up 70.0 per cent or \$4.3 billion.

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

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

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

SPENDING BY THEME



Source: Saskatchewan Budget, Public Accounts, Ministry of Finance

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

INVESTING IN PEOPLE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Saskatchewan cares for those most vulnerable.

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

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

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

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

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

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

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

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

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

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

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

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

SPENDING DECISIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBT MANAGEMENT

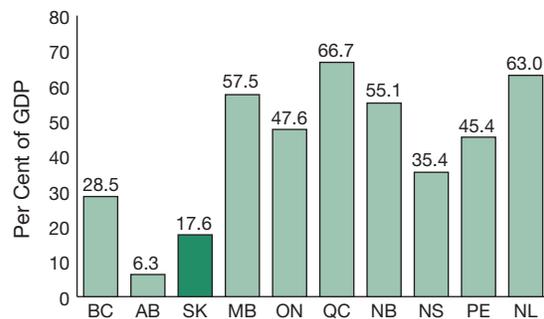
An important part of keeping Saskatchewan strong is responsible debt management.

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

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

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

2015-16 TOTAL DEBT (PER CENT OF GDP)



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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONCLUSION

Saskatchewan people keep our province strong.

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

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

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

Budget 2016-17 keeps our foundation strong.

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

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

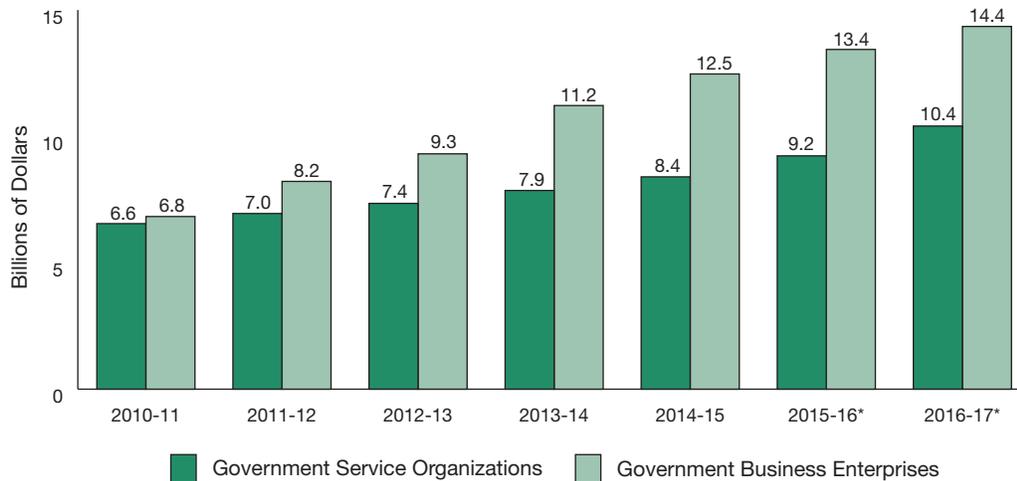
This budget keeps the province's fiscal position strong by managing spending.

Budget 2016-17 includes some difficult decisions.

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

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

GROWTH OF TANGIBLE CAPITAL ASSETS



* Forecast