





## **Provincial Budget 2018-19: Impact on CUPE members**

The 2018-19 provincial budget was released on April 10 by Finance Minister Donna Harpauer. The government will post a deficit of \$365.3 million, down from the deficit of \$696 million last year.

CUPE members will see four takeaways from the budget:

### **1. No relief for CUPE members or working people**

For CUPE members, the budget provides no or little relief after the massive austerity cuts last year. While some people may feel relieved that there weren't drastic cuts like last year, funding for most sectors is at 2016-17 levels. The increase of \$30 million to K-12 education is welcomed but falls short of replacing the \$54 million cut last year. Public sector employers' costs have increased and there is no additional funding to recover from last year's disastrous budget.

The government still wants to "control compensation costs, the largest single component of Government's expense" to keep the province's "fiscal plan on track." The budget states "employers and unions understand the fiscal environment and continue to bargain in good faith. Through the bargaining process, fair and equitable agreements will be achieved."

The government's new target is to find \$70 million in savings from public sector wages in direct government Ministries and Crowns over this year and next (instead of \$250 million per year) by using "vacancy and overtime management" and attrition. The government will not "extend the request" to major third parties, so this may ease some of the pressure at our bargaining tables for major concessions but our sectors are not receiving real funding increases.

### **2. Budget reinforces unfair taxation**

The government is increasingly relying on regressive or unfair taxation instead of ensuring that corporations and the wealthy pay their fair share. Revenues from Corporation Income Tax, for example, decreased from \$1 billion in 2015-16 to \$621.1 million in this year's budget. Revenues from Provincial Sales Tax (PST), on the other hand, increased from \$1.29 billion in 2015-16 to \$2.16 billion this year. This shift towards consumption tax revenues hurts working people the most because they will spend a greater proportion of their income in PST.

### **3. Infrastructure takes precedence over public services**

The government has prioritized infrastructure spending over public services, boasting it will spend \$2.7 billion on infrastructure in this budget. For example, the government will spend more on the Regina P3 Bypass (\$330 million) this year than total municipal revenue sharing grants for 779 municipalities in the province (\$241.1 million). There is capital funding to complete the Jim Pattison Children's Hospital and the new Saskatchewan Hospital North Battleford but no funding for additional front-line staff in health care, who have struggled for years under heavy workloads and understaffing. Funding for maintenance and interest costs of P3 schools increased by 39%, but operating funding for schools is below 2015-16 levels.

### **4. Government is offloading its deficit onto others**

The Sask Party may pat itself on the back for bringing down the deficit without higher taxes but they are simply downloading the deficit onto other levels of government, public sector organizations and individuals.

Municipalities have dealt with the cuts in funding this and last year by increasing property taxes and various fees. Universities have increased tuition, making post-secondary education less affordable. Post-secondary students are paying more tuition and have lost several grant programs and the tax deduction for tuition.

## BUDGET BREAKDOWN BY SECTOR

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### Advanced Education

Post-secondary education has become more expensive for students after several years of budget cuts. The University of Saskatchewan already [increased tuition by 4.8%](#) in anticipation of more government austerity.

Operating grants to universities remain frozen at 2017-18 levels. This is the equivalent of a cut in real funding, however, considering the impact of inflation. The only funding increases are for specific programs such as restoration of \$5 million to the University of Saskatchewan and \$87.8 million to its College of Medicine.

University of Regina president Vianne Timmons said that the University may have to layoff workers and increase tuition. After last year's 5% cut, the University laid off 20 full time people, left 11 vacant positions unfilled and raised tuition by 2.5%.

The budget letter from Minister Beaudry-Mellor to the University of Regina calls on them to *"increase efficiency and reduce costs in your institution while maintaining high-quality programs and services for students,"* and *"improve the participation and success of Indigenous students."* They are expected to do this without any increase in funding over the last two years.

### Community Based Organizations (CBOs)

The budget announced an increase of \$10.4 million for CBOs and caregivers such as foster parents who provide daily care to the disabled. Of that amount, \$8.2 million is targeted to CBOs and approved Private Service Homes delivering day programs and residential services to adults with intellectual disabilities. We do not know at this time whether any of the increases will be allocated to wages in the CBO sector, which have been frozen for the last four years.

There is also \$9.9 million allocated to assist with the move of residents from Valley View Centre to community-based homes.

## Education (PreK-12)

### Operating funding to school divisions

The government restored \$30 million of the \$54 million cut in last year's budget, which does not come close to reversing the cuts made over the last two years. School divisions are funded below 2015-16 levels, despite increased student enrolment, the opening of 18 new schools last year, and inflationary pressures on their budgets.

The school division operating funding shown in the budget estimates is not a true reflection of provincial funding because it now incorporates the revenues from education property taxes that now go into general revenues instead of directly to school divisions.

The detailed breakdown of operating funding to each school division provides a more accurate picture of provincial funding and it shows that operating funding to school divisions in this budget is still \$10.5 million below 2015-16 levels (\$1.88 billion in 2015-16 compared to \$1.87 billion in 2018-19).

### Operating funding to school divisions, School Division fiscal year (in \$000s)

	2015-16	2016-17	2017-18	2018-19
Operating grants	\$1,882,441	\$1,892,009	\$1,837,799	\$1,871,990
Preventive Maintenance and renewal	\$ 4,453	\$ 33,385	\$ 38,200	\$ 44,100
Total	\$1,886,894	\$1,925,394	\$1,875,999	\$1,916,090

Source: Ministry of Education school division funding allocation tables, 2015 to 2018

If we were to adjust the operating grants by inflation, this would show an even greater drop in real revenues to school divisions.

The government news release quotes Minister Wyant saying, *"The success of Saskatchewan students continues to be a top priority of our government. Education provides children with the foundation they need to pursue their dreams and achieve their full potential."* The fact is this government is seriously underfunding K-12 education, making it difficult for schools to provide higher numbers of students with the supports they need.

### Infrastructure funding

This budget increased the funding for preventive maintenance and renewal to schools (as seen in the table above), provides \$22.7 million for two school construction projects in Rosthern and Weyburn, and \$3.1 million for relocatable classrooms.

Budget estimates also show a 39% increase in P3 school maintenance and interest costs from \$9.7 million last year to \$13.5 million this year. This will be a line item in the budget for the

next 30 years until the private P3 school consortia are fully paid. We will have to monitor how P3 school costs increase in the future.

### **Childcare**

Early Learning and childcare and funded through the Ministry of Education. Funding for early learning childcare increased by \$21 million, but this is mostly because of \$20.8 million in new federal funding in the Canada-Saskatchewan Early Learning and Child Care Agreement. The federal funding will create 16,000 additional licensed child care spaces in the province.

### **Libraries**

The funding for public and regional libraries appears to increase from \$6.25 million to \$11.1 million in this year's budget but the document does not reflect that last year's budget cuts were fully restored after massive public rallies and sit-ins protesting the cuts. The \$11.1 million in this year's budget is the same amount the government provided in 2016-17 and in each budget back to 2014-15. Although the restoration of library cuts last year was a major victory, it is important to point out that provincial funding to libraries has been frozen for the past four years.

### **Health Care**

The health care budget increases this year by 2.9% to \$5.4 billion. Health spending comprises 39% of all provincial spending.

The budget of the amalgamated Saskatchewan Health Authority (SHA), however, only increases by \$31.5 million, or by 0.9%. The SHA delivers all hospital, long term care, home and community services that used to be delivered by 12 regional health authorities. The government claims in its budget that the amalgamation saved \$19 million, yet the overall budget of the SHA has increased by \$31.5 million.

The budget for physician services saw one of the highest increase in health care – an increase of 6.6% from \$566.7 million to \$604.3 million. The government says this money will be used for physician recruitment. An increase in physicians, however, could lead to additional testing and requests for other health services where staff shortages are critical. There was no announcement to increase front-line staff in health care.

The budget provides a huge increase of \$38 million to E-Health, from \$64.6 million to \$102.6 million. The funding covers the transfer of approximately 170 Information Technology (IT) positions from the SHA to E-Health. The SHA made the announcement to unions just hours

before the budget was released, without any details of which classifications or sites will transfer.

## Justice

CUPE represents workers at the Human Rights and Legal Aid Commissions. The government cut funding to the Human Rights Commission in the provincial budget from \$2,406,000 to \$2,383,000, or by \$23,000.

There was an increase to the Legal Aid Commission of \$1.24 million (from \$24.27 million to \$25.51 million). The increased funding, however, comes from the federal government for specific programming.

## Labour Relations and Workplace Safety

Most branches within Labour relations and Workplace Safety received cuts in funding, except for the Occupational Health and Safety branch which saw its funding increase from \$8.56 million to \$8.74 million. Employment Standards, the Labour Relations board, and Labour Relations and Mediation were cut by small amounts.

## Labour Market Programs

The budget also cut funding to a number of Labour Market Programs. Skills Training was cut from \$18.53 million to \$17.85 million; Workforce Development was cut from \$20.44 million to \$19.19 million; and the Provincial Training Allowance was cut from \$28.92 million to \$27.92 million.

## Municipalities

### Revenue Sharing

The municipal revenue sharing grants are cut in this budget for a second year in a row.

	2016-17	2017-18	2018-19
Urban revenue sharing	\$174.6 million	\$165.7 million	\$155 million
Rural revenue sharing	\$76.7 million	\$ 72.8 million	\$ 68.1 million
Northern revenue sharing	\$20.3 million	\$ 19.2 million	\$ 18.0 million

Source: Estimates 2018-19, 2017-18

If you are wondering why revenue sharing is down even though revenues from the PST have increased substantially, it is because of the way the revenue sharing formula is structured.



The revenue sharing formula is based on an agreed basket of items to which the PST applies. The province reviews PST revenues in Public Accounts from two years past to determine the current year revenue sharing grants.

Although the budget last year expanded the items covered by the PST, this will not be part of future calculations. The government announced that this year's level of revenue sharing will be frozen next year while the government and municipalities discuss the future of the formula.

### **Grants-in-lieu**

The budget news release states that the government will be reinstating grants-in-lieu of property taxes only on Sask Energy and Sask Power buildings (not distribution lines, etc.). This will provide negligible revenue to urban municipalities, however, as budget estimates show grants-in-lieu will only increase from \$13.1 million last year to \$13.3 million this year (an increase of \$200,000).

The City of Yorkton issued a news release stating they have lost about \$1 million in annual funding because of the loss of the Payments in Lieu Program.

### **Sask Energy municipal surcharge**

The only positive news in this budget for municipalities is the announcement that the 5% municipal surcharge on Sask Energy bills will be returned to them. Last year's budget took this revenue from 109 municipalities and redirected it into the province's General Revenue Fund. The reinstatement of the surcharge could provide up to \$4 million for the City of Regina or \$800,000 for the City of Prince Albert (*estimate only, not actual*).

Municipalities who did not have the surcharge in the past have until June of this year to request access to the surcharge.

## **Revenue and Fiscal Overview**

- **Still a deficit, but a bit lower.** The government is expecting revenues of \$14.24 billion and expenses of \$14.61 billion this fiscal year. This leaves a budget deficit of \$365.5 million this year, down from \$696 million last year. This is the ninth deficit budget of the eleven budgets of the Sask Party government. The government says it is "on track" to have a balanced budget next year.
- **Tax revenues** make up the largest source of revenues for the government (51%). Taxation revenues, however, have shifted away from progressive corporate and individual income taxes toward regressive taxes like the PST and property tax.

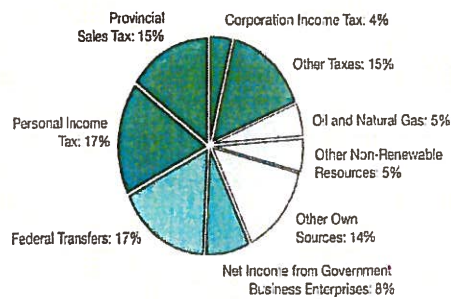
## Tax Revenue Saskatchewan budgets 2015-16 to 2018-19

	2015-16 actual	2018-19 budget	change
Corporate income tax	\$1.0 billion	\$ 621.7 million	-37.8%
Individual income tax	\$2.54 billion	\$ 2.44 billion	-3.9%
Fuel tax	\$ 479.3 million	\$546.1 million	13.9%
Property tax	\$ 657.7 million	\$759.3 million	15.4%
Provincial sales tax (PST)	\$1.29 billion	\$2.16 billion	67.4%
Tobacco tax	\$263.7 million	\$260.3 million	-1.3%
Other taxes	\$ 375.9 million	\$ 431.9 million	14.9%
Total tax revenues	\$6.605 billion	\$7.215 billion	9.2%

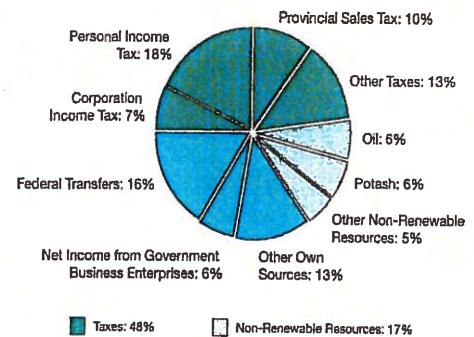
Source: Saskatchewan Provincial Budget 2018-19, p. 38

This year, corporate income tax is expected to make up 4% and PST will comprise 15% of all government revenues. Three years ago (2015-16 budget), corporate income tax was set to bring in 7% and the PST 10% of all government revenues (see charts below – taken from 2018-19 and 2015-16 provincial budget).

COMPOSITION OF 2018-19 REVENUE



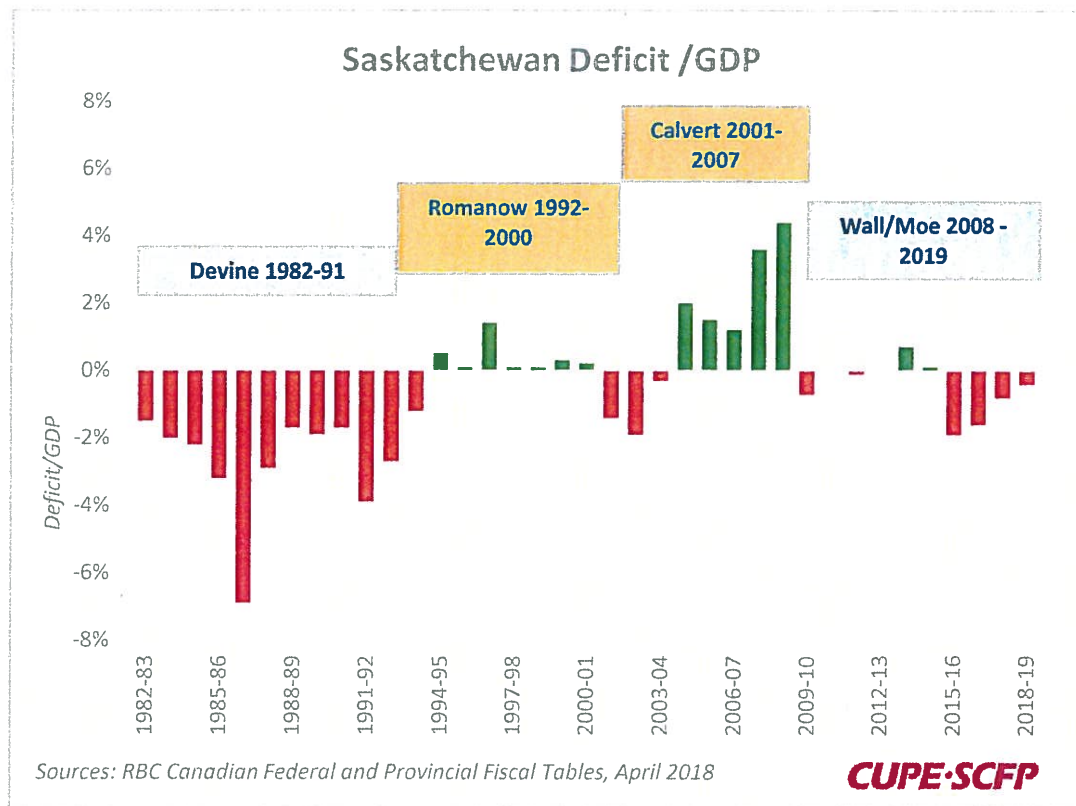
COMPOSITION OF 2015-16 REVENUE



- **Borrowing:** The government has increased its borrowing this year to pay for operating and capital expenses. They will borrow \$3.2 billion, up from \$2.4 billion last year.

Public debt has steadily increased under the Sask Party government from \$10.5 billion in 2008 to \$20 billion in 2018-19.

Although it is true when the budget document states “current low interest rates, combined with the Province’s excellent credit rating, continue to make this a cost-effective time to finance capital,” CUPE’s concern is this government’s decision to use more expensive public private partnerships (P3s) which unnecessary increases our public debt.



As the above chart from CUPE’s economist Toby Sanger shows, Sask Party has not done a good job of balancing budgets despite record resource revenues in the early part of its term.

- **Taking from the Crowns.** Government has significantly increased the amount of money it transfers from the Crowns into its general revenue fund. Income from Sask Power was \$57.7 million in 2014-15 and will increase to \$176.7 million this year. Income from Sask Tel was \$71.8 million in 2014-15 and will increase to \$133.0 million this year. This year, the government hopes the crowns will provide 8% of all revenues, a much higher proportion than in the 2015-16 budget, when they were set to provide 6% of government revenues.
- **Not counting on weed revenues.** The budget does not take into consideration any sales tax or other revenues from the sale of cannabis starting this July. Cannabis sales revenues could provide significant revenues this fiscal year.



*"Budget 2018-19 controls spending, decreases reliance on volatile resource revenue and ensures the economy remains strong while following a plan to return to balance in 2019-20."*

**Honourable Donna Harpauer, Minister of Finance**

## GOVERNMENT OF SASKATCHEWAN

### Budget

For the Year Ended March 31

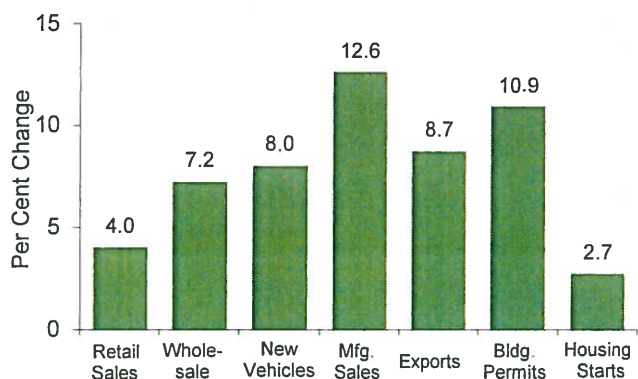
	Budget 2018-19	Forecast 2017-18	Budget 2017-18
<i>(millions of dollars)</i>			
<b>Revenue</b>			
Taxation	7,214.9	6,796.3	7,286.6
Non-renewable resources	1,482.1	1,419.7	1,406.4
Net income from government business enterprises	1,078.0	1,186.5	1,053.7
Other own-source revenue	2,006.5	2,098.2	1,964.9
Transfers from the federal government	2,462.0	2,442.3	2,453.5
<b>Total Revenue</b>	<b>14,243.5</b>	<b>13,943.0</b>	<b>14,165.1</b>
<b>Expense</b>			
Agriculture	770.9	545.4	800.5
Community development	642.6	663.6	700.6
Debt charges <sup>1</sup>	654.6	603.3	605.7
Economic development	230.2	236.7	246.0
Education <sup>1</sup>	3,263.3	3,449.4	3,531.0
Environment and natural resources	261.7	259.6	247.9
Health	5,765.3	5,730.0	5,627.4
Other <sup>1</sup>	439.7	443.5	484.2
Protection of persons and property	689.9	680.6	643.7
Social services and assistance	1,381.3	1,381.0	1,356.7
Transportation	619.3	544.9	567.4
<b>Total Expense</b>	<b>14,608.8</b>	<b>14,538.0</b>	<b>14,811.1</b>
<b>Adjustments</b>			
Human resources compensation measures	-	-	250.0
Contingency	-	-	(300.0)
<b>Deficit</b>	<b>(365.3)</b>	<b>(595.0)</b>	<b>(646.0)</b>

<sup>1</sup> This schedule is presented on a basis consistent with the Summary Financial Statements, including presentation of pension costs on an accrual basis. For consistency with this presentation, the 2017-18 Budget is restated. The adjustment to restate previously published budget amounts is detailed in the Government of Saskatchewan 2017-18 Third Quarter Financial Report.

## Medium-Term Financial Outlook

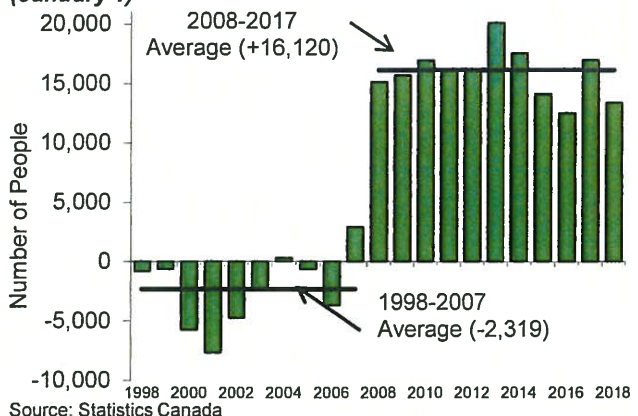
(millions of dollars)	2018-19	2019-20	2020-21	2021-22
Revenue	14,244	14,761	15,114	15,518
Expense	14,609	14,755	15,006	15,306
<b>Surplus (Deficit)</b>	<b>(365)</b>	<b>6</b>	<b>108</b>	<b>212</b>

## SASKATCHEWAN KEY ECONOMIC INDICATORS (2017 over 2016)



Source: Statistics Canada

## SASKATCHEWAN POPULATION GROWTH (January 1)



Source: Statistics Canada

**Saskatchewan's real GDP is forecast to grow by 1.3 per cent in 2018 and 2.5 per cent in 2019**

	2018	2019
Real GDP Growth (%)	1.3	2.5
Nominal GDP Growth (%)	4.0	4.3
CPI Growth (%)	2.3	1.8
Employment Growth (000s)	2.5	4.6
Unemployment Rate (%)	6.1	5.9
Retail Sales Growth (%)	2.7	2.5

Source: Ministry of Finance

**Many economic indicators suggest that Saskatchewan's economy is strengthening:**

- Population reached 1,169,752 as of January 1, 2018, an increase of 13,410 from January 1, 2017.
- Manufacturing sales grew by 12.6 per cent and new motor vehicles sales were up by 8.0 per cent in 2017, the fourth-highest percentage increases among provinces.
- Oil production and value of sales were up by 5.4 per cent and 33.9 per cent in 2017, respectively.
- Potash production and value of sales were up by 13.1 per cent and 13.9 per cent in 2017, respectively.

## 2018-19 Budget assumes moderate increases in resource prices and production

	2018-19 Budget	2017-18 Forecast	2017-18 Budget
WTI Oil Price (US\$/barrel)	58.18	52.60	56.25
Light-Heavy Differential (% of WTI)	22.1	17.3	19.5
Well-head Oil Price (C\$/barrel) <sup>1</sup>	54.36	51.62	55.30
Oil Production (million barrels)	177.7	177.0	163.8
Potash Price (mine netback, US\$/KCl tonne) <sup>2</sup>	191	183	176
Potash Price (mine netback, C\$/K <sub>2</sub> O tonne) <sup>2</sup>	399	388	386
Potash Sales (million K <sub>2</sub> O tonnes) <sup>2</sup>	12.6	12.2	11.8
Canadian Dollar (US cents)	78.34	77.82	74.95

<sup>1</sup> The average price per barrel of Saskatchewan light, medium and heavy oil.

<sup>2</sup> Ministry of Finance calculations derived from calendar-year forecasts.

## Sensitivities to Budget Assumptions

	Change	Net Impact (\$M)
Oil Price (WTI US\$/barrel)	\$1	16
Exchange Rate (USD/CAD)	1 cent	21
Potash Prices (US\$/KCl tonne)	\$10	35

## Schedule of Public Debt

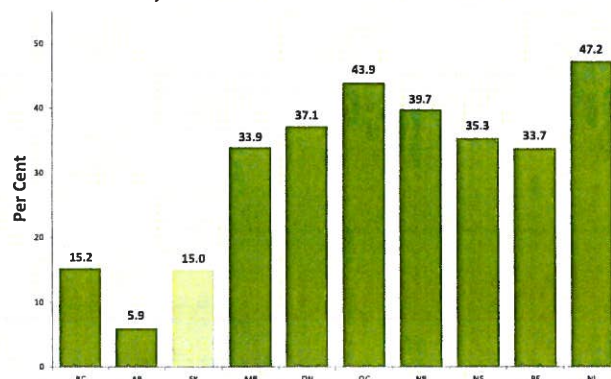
(millions of dollars)	Budget 2018-19	Forecast 2017-18	Budget 2017-18
General Revenue Fund (GRF)			
- Operating	6,150.0	5,750.0	5,750.0
- Saskatchewan Builds Capital Plan	4,193.8	2,751.7	2,755.6
Other Government Service Organizations	431.3	526.1	556.9
Government Service Organization Debt	10,775.1	9,027.8	9,062.5
Government Business Enterprise Debt	9,259.8	8,724.0	9,137.5
Public Debt	20,034.9	17,751.8	18,200.0

## Saskatchewan Credit Ratings

Moody's Investors Service	Aaa
Standard & Poor's	AA
Dominion Bond Rating Service	AA

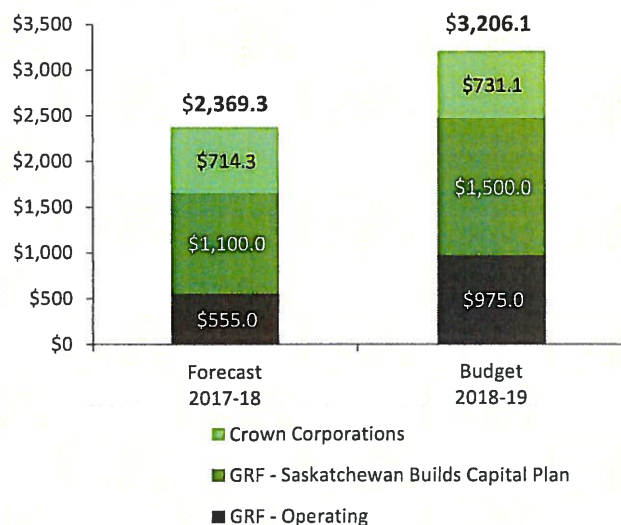
## Net debt to GDP compares favorably to other provinces

### NET DEBT AS A % OF GDP As at March 31, 2018



## 2018-19 borrowing program is driven by infrastructure investments and refinancing

### BORROWING REQUIREMENTS (Millions)



### Borrowing Sources

(millions of dollars)	Forecast 2017-18	Budget 2018-19
Canadian Debentures	1,950.0	2,750.0
Promissory Notes	385.3	438.1
Canada Pension Plan	34.0	18.0
<b>Total</b>	<b>2,369.3</b>	<b>3,206.1</b>

For additional copies or information please contact:

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Additional budget information can be found at: [www.saskatchewan.sk.ca/budget](http://www.saskatchewan.sk.ca/budget)

Investor Relations Website: <http://www.saskatchewan.ca/government/budget-planning-and-reporting/investor-relations>