



SASKATCHEWAN PROVINCIAL BUDGET

**10-11**

BALANCED. FORWARD-LOOKING. RESPONSIBLE.

**BUDGET ADDRESS**

**March 24, 2010**

**CHECK AGAINST DELIVERY**



## **2010-2011 Budget Speech**

### **INTRODUCTION:**

Today it is my honour as the Minister of Finance to present the 2010-11 Budget to the people of Saskatchewan.

I'd like to start by recognizing some important events that will take place this year.

2010 is the 125<sup>th</sup> Anniversary of the historic "Battle of Batoche." And in 2010 - we will honour the 100<sup>th</sup> Anniversary of our impressive Legislative Building!

And let us not forget that 2010 marks the 100<sup>th</sup> Anniversary of our province's team – the Saskatchewan Roughriders.

It is my pleasure to report to you, to the members of this House and to the people of Saskatchewan – that today's budget is a **BALANCED BUDGET**.

This budget was built on solid principles – caution on the revenue side, restraint on the spending side, and a firm commitment to government living within its means.

These are the principles Saskatchewan families follow to manage their own money.

These are the principles our government will follow to manage taxpayers' money.

Mr. Speaker, before I continue, I would like to welcome the many guests who have joined us today from throughout the province, including by wife Carole, and my three daughters, Laurie McKerracher from Calgary, Pattie and her husband Tim Draude from Melfort, and Bonnie Nayet from Regina.

It's a pleasure to have them here.

You know, Carole and I have been married for a lot longer than I have been the Finance Minister,...

And those principles I just outlined are the ones that we have followed together in managing our family's finances throughout our 40 years of marriage.

Caution. Keeping spending under control. Living within our means.

We know that it works for Saskatchewan families.

We know it will work for this budget.

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Mr. Speaker, when I delivered the provincial budget last year, I began my address by saying that we in Saskatchewan are not immune to the turmoil that had shaken the world economy at that time.

And it was true.

But while Saskatchewan certainly felt the effects of the global recession, our province fared much better than most,...

And our economy remained strong and steady.

Much has happened over the past year.

We now know how important it was that our government invested in projects specifically designed to keep our economy strong.

We now know how important it was that we paid down the province's debt by over \$2.6 billion dollars – saving Saskatchewan taxpayers \$650 million dollars in net interest costs over five years.

This year's budget builds on that foundation.

We want to build on the successes we have had in rebuilding the province's infrastructure and sustaining our economic momentum through historic tax reductions.

Those decisions have supported the economic strength we continue to enjoy in Saskatchewan today.

We see it everywhere in our daily lives.

The people of Saskatchewan are confident and optimistic about the future.

Surveys conducted by the Canadian Federation of Independent Business show that small business owners in Saskatchewan are among the most optimistic in the country,...

And that five of the top ten business-friendly cities in the country are right here in Saskatchewan.

RBC describes our province as being off to a “rip-roaring start” in 2010.

Recent headlines in our daily papers declared “Saskatchewan job numbers surge” and “Sask. economy expected to lead.”

There is tremendous optimism heading into 2010 – 2011 – and for good reason:

- CIBC recently announced that Saskatchewan will lead the country in economic growth in 2010;
- On average Canada’s nine leading economic forecasters are projecting an economic growth rate for Saskatchewan of 3.0 % - third highest in the country;
- In 2009, the number of people working in Saskatchewan increased by nearly 8,000 – the only province to post significant job growth last year;

- In February of this year the provincial unemployment rate dropped to 4.3 per cent – by far the lowest in Canada;
- Saskatchewan's population has hit an all-time high – breaking the record set back in 1987. Over the past two years, Saskatchewan has grown by nearly 30,000 people – the fastest pace of growth since the early 1950s.

So 2009 was a good year in terms of job creation and population growth and 2010 promises to be an even better year for our province, our economy, and our people.

But we are not taking anything for granted.

Our government believes that a strong and growing economy is built on a firm foundation of balanced budgets and fiscal discipline.

Our government will be guided by principles of fairness and fiscal responsibility to control government spending.

We remain vigilant in balancing the need for restraint with the need to protect important services.

Saskatchewan families work hard and live within their means.

They expect their government to do the same.

Consequently - this budget is about moving beyond the boom and bust cycle that has tended to define Saskatchewan budgeting.

Yes, our resource revenues will always fluctuate from one year to the next.

But the new, confident attitude of Saskatchewan people does not.

It is unwavering.

Everywhere I go, Saskatchewan people are positive about our province's future.

They want their government to reflect that confidence – that new, positive attitude.

This budget moves Saskatchewan away from that notion of “boom and bust,” making the decisions that need to be made regardless of the current price of oil or potash.

This budget prepares Saskatchewan for permanent, steady growth through innovation, through responsible spending,...

And through new ways of approaching important challenges like surgical wait times and improving efficiency in the health system.

This budget sets the stage for a new approach to delivering government services - an approach that is based on innovation, on measuring performance and on making government more efficient --- rather than simply measuring the amount of money being spent.

This budget is balanced – forward-looking – and responsible.

EFFICIENCIES:

With this budget, our government intends to reduce the overall government footprint and strive for a more efficient delivery of public services.

Over the past decade, the size of the public service in our province has grown much faster than the rate of growth of Saskatchewan's population.

This must change.

This is not something unique to Saskatchewan, of course.

If you look across the country and around the globe you will find other jurisdictions faced with the same challenge.

In Saskatchewan we are already ahead of the curve on this.

Early in the last fiscal year we began a process to begin finding efficiencies throughout government, including a delay in hiring or simply not staffing vacant positions.

We went on to examine government programs and services as we developed this budget.

The result was we were able to reduce the size of the public service by about 135 positions with limited job loss.

This year, we will begin a four-year plan to reduce the size of the public service, with a goal of reaching a 15 per cent reduction over four years.

The goal for the first year is four per cent.

Many of those who retire or move on to other opportunities will not be replaced.

We will control this by establishing a centralized review process to ensure that only critical positions will be staffed.

In the years ahead we will continue to improve the way we do business and deliver service.

We know that the public service must become smaller, more effective and more efficient – and it will.

This has already begun to happen through the budget process.

We asked all ministries to develop their budget submissions this year at 90 per cent of last year's budget and then rank the remaining ten per cent of their spending by priority.

The result is that 14 ministries came in with real reductions in their budgets, mainly by eliminating programs that were not being well utilized or by making changes to provide improved efficiency.

As an example - our government reviewed approximately 350 government agencies, boards and commissions and discovered that many had outlived their original purpose. This review process resulted in the elimination of 82 different government bodies – saving half a million dollars a year.

Our government has also cut the amount spent on government communications and advertising nearly in half, from almost \$17 million dollars in 2007-08 to about \$8.5 million dollars in 2009-10.

These were good first steps, but this budget needed to go further.

So far this year, we have seen other governments increase spending – resulting in multi-billion dollar deficits.

Our government has chosen a different path.

Our goal was not simply to SLOW the growth of government spending.

Our goal was to REDUCE government spending – ensuring a balanced budget TODAY, and a spending trajectory that is sustainable TOMORROW.

I am pleased to announce we have achieved this goal.

Today's budget REDUCES government spending this year by \$121.3 million dollars, or 1.2 per cent.

To get there – some difficult choices had to be made.

As the Premier has announced, we will not be able to move forward on the second phase of municipal revenue sharing this year.

Revenue sharing will be maintained at \$167.4 million dollars – the same record-setting level as last year and 43 per cent higher than when our government took office.

Education property tax rates will also remain at the same level as last year – when our government delivered the largest property tax reduction in Saskatchewan history.

As ministries worked to reduce their budgets, they asked many important questions – like – are programs delivering the desired results?

For example, we had a program in Advanced Education called Work Based Training for the Unemployed.

What we found was that it just wasn't working that well. Not enough people were getting jobs out of it.

So we're winding it up as part of an effort to better match these training programs to the needs of employers in the labour market. A skilled labour market is critical for a growing economy, so we're re-directing these dollars into other training programs.

In government we have a tendency to do things the same way we've always done them.

Our goal is to change that, and we're using the creativity and common sense of our employees to help us.

Nobody knows the frustrations and the inefficiencies of complicated processes better than the people who deal with them every day.

So it shouldn't be surprising that they can help find better ways to get the job done.

Our Health Ministry is producing some promising results using the LEAN method of process improvement.

Here's an example.

In order to process an out-of-country medical claim, it has traditionally required 13 different steps with an elapsed time of 67 days.

By revamping the process, the Medical Services Branch in Health has eliminated a backlog of 2200 claims and reduced the turnaround time on claims to between nine and 19 days.

That's the kind of creative problem solving and innovation we were looking for.

This is the kind of thing we want to see more of across government.

Part of saving money is innovation, and part of it is simply applying more rigour to the budgeting process.

We have worked diligently using this approach and we looked in places where government hasn't looked before.

For example, Regional Health Authorities appeared before Treasury Board this year - the first time this has ever happened.

This exercise helped the process and will produce savings and efficiencies in the delivery of health care in our province.

Health spending now makes up over 40 per cent of our provincial budget.

Since we were elected in 2007, we have increased spending on health care by more than eight per cent each year.

We have added new drugs to the formulary, made significant investments in capital projects and made great strides in recruiting and retaining health professionals.

But we know this rate of growth is not sustainable in the long run, and every effort must be made to make sure we are spending smarter, not just spending more.

That's why we are holding the growth in health spending this year to 3.1 per cent.

The Regional Health Authorities have embraced this challenge and support the effort of the government to contain cost increases and target new spending to areas that improve service and enhance the health care experience for Saskatchewan families.

That said, - the RHA's will still be getting \$123 million more than they got last year - a five per cent increase.

This budget also adds \$10 million to the Saskatchewan Cancer Agency and provides an extra \$30 million for utilization increases in medical services, drug plan and extended benefit programs.

We're proud to say that this budget also provides \$10.5 million to begin our commitment to reduce surgical wait times to three months within four years.

This budget also adds another 12 new post-graduate residency seats in the College of Medicine.

This brings the number of new seats since we were elected - to 60 and the total number of seats to 120.

We think this is a forward-looking move that will help ease future doctor shortages.

As well, funding of \$3.5 million will continue the implementation of the physician recruitment strategy and agency.

We are also moving to help those affected by the difficult condition of autism.

This budget devotes \$2.5 million to establish a pilot project aimed at finding more effective treatments for autism.

Mr. Speaker, it is not enough to only search for health cures.

We must also look for preventive measures.

We know that smoking remains one of the most costly and harmful health challenges.

The financial cost is great. The human cost is greater.

We also know there is a direct link between the cost of cigarettes and smoking rates, particularly among young people.

That is why effective midnight tonight, the tax on tobacco will go up by 2.7 cents per cigarette.

It's also why we have chosen to reduce the limit on tax-free cigarettes for First Nations purchases on reserve from three cartons a week to one. Put another way, this will reduce the number of tax exempt cigarettes First Nations can consume from 85 to 28 per day.

Smoking is the leading cause of preventable illness in Canada. These measures build on our tobacco reduction

strategy, with the goal of reducing smoking while respecting our First Nations community.

Developing this year's health budget meant balancing priorities.

The difficult decision of de-insuring universal chiropractic services was made in this budget, saving the province \$10.4 million annually.

Low income people will continue to receive coverage for up to 12 treatments per year.

This change is consistent with most other provinces which do not pay for chiropractic services or which limit the number of treatments covered.

Along with a concern for the future health of our people – we must also take steps to invest in post-secondary education and innovation to prepare our young people for the future.

To that end we are significantly increasing the operating grant to our post-secondary institutions, including an extra \$16.3 million to help them keep tuition increases to a minimum.

We are also enhancing the Student Support Programs by \$1.8 million - including the lowering of the interest rate paid by students.

Funding for the Graduate Retention Program will increase by \$4.3 for total funding of \$23 million, as our government continues to encourage post-secondary graduates to start their careers and build their lives in Saskatchewan.

On the K-12 side, last week we were pleased to announce funding for six new schools and upgrades to seven existing schools.

This year, we are investing \$17.2 million in new capital funding.

This brings the total new school capital funding since 2007-08 to more than \$328 million over three years.

The overall operating funding for school divisions will increase by \$33 million this year, including property tax revenue.

One-time transitional funding of \$12 million is also available from Education Property Tax revenues due to the delay in reducing mill rates this year.

Our government sees innovation and trade as key elements of our growth agenda.

The innovation agenda cuts across a number of areas where we have high hopes for the future, including agriculture biotechnology, value-added development in the nuclear industry and carbon capture technology.

This budget commits \$11.8 million in new operating funding over four years to the Synchrotron on the U of S campus to support the facility's 13 beam lines in the operational and commissioning stage and nine beam lines in development.

The Petroleum Technology Research Centre, or PTRC, located on the U of R campus will receive \$2.5 million for its research projects, including CO<sub>2</sub> storage and enhanced oil recovery.

A further \$1.6 million in “Go Green” funding is also being provided to the PTRC for carbon capture research and developing solutions to reduce greenhouse gas emissions.

And this Budget establishes Innovation Saskatchewan with a base budget of \$1.3 million.

\$480,000 dollars of this funding will go to TR Labs in Saskatoon to support the work they do in telecommunications research.

International trade has also been a real success story in Saskatchewan, and a big part of the reason our economy remained strong throughout the global recession.

Saskatchewan companies are being introduced around the world.

Our Premier has made several trips to the United States where he has personally made the case for Saskatchewan on Capitol Hill and elsewhere.

Our Energy Minister has carried the same message to China on more than one occasion.

We are encouraged that the first sale of Crown petroleum and natural gas rights this year received bids from Chinese oil and gas companies.

We will build on this momentum later this year when our Premier joins his western counterparts on a trade mission to Asia in the spring.

We all know about the breakdown in potash sales to China in 2009.

What people may not know is that while we struggled to sell potash to China, the Chinese were actually buying a lot more of our other products.

In 2009, canola sales to China were up by 80 per cent to \$553 million.

Sales of peas were up by 51 per cent to \$105 million and linseed sales were up by a whopping 341 per cent to \$69.4 million.

Similar trends are evident in our trade with India.

Last year Saskatchewan sold \$975 million worth of goods to India which amounted to 45% of all Canadian trade with that country.

That's more than twice as much as Ontario.

It's this success that has convinced us we need to do more.

The Saskatchewan Trade and Export Partnership (STEP) and its 400 member businesses have done a tremendous job expanding trade and developing new markets for Saskatchewan products all over the world.

This budget increases funding to STEP by 325,000 dollars – about 10 per cent – to assist in increasing access to new markets for the province's exporters.

STEP's success in agricultural exports would not be possible without the hard work of Saskatchewan farm families.

Our government is proud to say we are fully funding farm income stabilization programs again this year and we will devote \$234 million to pay our share of these important programs.

We are also devoting \$16 million to agriculture research and development.

In recent weeks, our Agriculture Minister has announced important changes and improvements to the Crop Insurance program, including more diversified crop coverage and improvements to Wildlife Damage Compensation.

We will continue to protect the best interests of agriculture and Saskatchewan farm families by constantly striving to improve ag programs.

Our government is committed to reducing the burden of government regulation and red tape for businesses across the province.

In the Ministry of Finance we have introduced a 'Taxpayer Service Commitments and Standards Code' to improve public service to taxpayers and vendors.

Last week, we announced "one-stop shopping" for businesses – a single point of access for business services provided by government, rather than having to deal with several different government ministries and agencies.

At the Ministry of Advanced Education, Employment and Labour, we have established a Canada-Saskatchewan Rapid Response Team to help workers and businesses affected by layoffs to find the help they need more quickly.

This program has provided support to about 4,400 people, including 1,200 who have avoided layoffs by taking advantage of the federal government's work-sharing program.

We know too, that the strong performance of our economy and our booming population growth in the last couple of years has put pressure on the housing market.

The gap between the cost of renting and owning has grown, making it tougher for renters to move up to their own home.

So in this budget we are establishing a new "Headstart On A Home" program to allow more people to own their own homes.

It will provide low-cost fixed-rate mortgages to qualifying families so that they can purchase a new home.

In the weeks to come, the Minister of Social Services will provide more details of this exciting new program that will provide the opportunity of home ownership to 1,000 Saskatchewan families.

Innovation, opportunity and access to home ownership to give people a head start on a home. This program is just another example of the forward looking plans of this Government.

We are also moving to improve the Saskatchewan Pension Plan.

We are asking the federal government to increase the annual contribution limit from \$600 to \$2500 a year which

will help those with no company pension plan, including the self-employed and those working for small businesses.

This budget also provides needed support for those who need a hand up from government.

This year, we will provide a 4.8 per cent increase for Social Services.

This not only maintains benefits for those who need the help, it provides new funding for a number of important initiatives.

For example, there is \$5.4 million more to help operate 144 new child welfare spaces built in 2009-10.

There is a \$4.4 million increase for expanded foster care, more spaces for the intellectually disabled, and a \$9 million increase to provide more support and services for foster families.

This year, we will also provide Community Based Organizations with a one per cent increase in their budgets. This brings their overall base operating increase to 13.3 per cent since our government was elected.

We think that's progress and we trying to be mindful of the promises we have made to Saskatchewan people.

One of those promises was to hire 120 police officers over our four-year mandate. We intend to meet that promise and we will be hiring another 30 officers later this year.

Over the past two years, our government has made an unprecedented commitment to addressing the infrastructure deficit in our province – investing \$2.3 billion in hospitals,

schools, highways, municipal projects and other much-needed initiatives.

This year, the government will make a further \$632 million investment in infrastructure, bringing our total capital investment to nearly \$3 billion over three years.

As part of our capital investment, we will spend \$302 million on highway projects this year, the second largest highway capital program in the province's history.

This will allow us to continue to work on important multi-year projects like the twinning of Highway 11, continue working on the Lewvan Drive interchange, building the Yorkton Truck Bypass and moving ahead with 470 kilometres of highway construction under the Rural Highway Strategy.

We are also continuing with a number of infrastructure projects through the Ministry of Municipal Affairs. We are devoting \$61 million to federal provincial projects that have to be completed by March of 2011 and another \$52 million for projects that will stretch out over the next few years.

Overall, total funding for federal-provincial-municipal infrastructure programs increases by \$48 million or 72 per cent from 2009-10.

These are all important priorities for Saskatchewan that require additional revenue. That is why we are introducing a series of modest changes to liquor mark-ups while still maintaining competitive liquor prices in Saskatchewan.

I would note that, thanks to historic income tax reductions introduced in 2008, Saskatchewan individuals and families still pay among the lowest provincial taxes in Canada.

In fact, a two-income family with \$50,000 family income will pay just \$1,270 in 2010 – less than half of what that same family would pay in B.C., Manitoba or Quebec.

### CONCLUSION:

In recent years governments of all stripes have followed the well-worn path of bigger government and increased spending.

That path is not sustainable in the long run.

That's why we have chosen a different path.

We have chosen to make the right decisions today because we know what it means for our children tomorrow.

The budget delivers a forecasted \$20 million surplus in the General Revenue Fund and keeps debt flat again this year.

This budget also leaves \$511 million in the GFSF to provide for any further flexibility that we might need along the way.

This budget is **BALANCED ... FORWARD-LOOKING ... and RESPONSIBLE.**

Mr. Speaker, this path we have chosen is not the easy path,...

But it is the **RIGHT** path to ensure Saskatchewan's economic momentum continues.

It is the right path for the **NEW** Saskatchewan,...

The growing, optimistic, self-assured Saskatchewan,...

Where we are looking to the future with confidence and with hope,...

Where we know – without a doubt - that our best days are still ahead.

Thank you.