

Revenue projection up by \$3B

Province plans to put \$2.2 billion toward debt; tax cuts may come later

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REGINA -- The Saskatchewan Party government might as well throw away the financial record book -- it can certainly afford a new one.

In its first-quarter financial statements released Thursday, the government is projecting it will take in \$3.1 billion more in revenue -- thanks mainly to soaring resource royalties -- than was estimated in the provincial budget passed this spring.

There has never been an in-year revenue increase of that magnitude, with the government's total revenue for 2008-09 now projected at a record-shattering \$12.5 billion.

"The numbers we see today . . . are simply unprecedented," said Finance Minister Rod Gantfoer at a news conference at the legislature.

Tax cuts may be in the offing next spring, suggested Gantfoer, but the focus Thursday was on the provincial debt.

Combined with surplus dollars from the end of the last fiscal year and debt relief earmarked in the budget, the flush coffers will allow the government to reduce total debt by \$2.2 billion to \$4.7 billion by the end of the budget year.

The Saskatchewan Party government's financial legislation requires surpluses to go half toward debt and half toward the Growth and Financial Security Fund, which now has \$3.1 billion sitting untouched.

Premier Brad Wall has asked government MLAs to canvass their constituents about how to make the best use of the windfall and the government is also soliciting input on its website.

Gantfoer said debt reduction has been the most-favoured option so far, followed by investing even more in infrastructure after a budget that made capital spending its centrepiece.

While he suggested that actual elimination of the debt could be in sight, Gantfoer said it's unlikely the government will implement a debt-relief plan with specific targets and will probably rely instead on money from future surpluses.

That could be augmented by money from the financial security fund, although Gantfoer said he was happy with a go-slow approach on using those dollars.

"This may well be a one-time opportunity for Saskatchewan. So we're comfortable being very prudent and very deliberate in our decision-making. We don't want to rush into decisions that are perhaps inappropriate."

The government has launched a review of Saskatchewan's high education property taxes with the hope that a permanent solution can begin to be implemented in next year's budget.

But in response to what it's hearing from the public, Gantefoer said the government is considering both income tax and property tax reductions in the 2009-10 budget.

But the Opposition said the government lowballed oil revenues in the budget and is now sitting on the resulting surplus.

NDP MLA Len Taylor said the revenue picture is so divergent from this spring that the government should in fact issue a new budget in the fall session of the legislature.

"Debt reduction is in the public's interest, but so is ensuring that the booming economy is not also costing Saskatchewan people additional money. Every community in this province has seen a property tax increase. We are seeing fuel costs, food prices, housing prices (and) rents increase for every community," he said.

"Now that we know exactly what the projections are for the coming year, it's time for the government to start addressing those and not ask Saskatchewan people to wait another six to nine months."

As staggering as the numbers were Thursday, they could get even better during the course of this year.

The budget's projected average price for oil has been revised from \$82.36 US a barrel to \$119.78 US, meaning an additional \$745 million.

But oil was still trading at \$124 US barrel after a surge that saw it reach as high as \$147 US a barrel.

As well, the province has not revised its income tax figures from the budget because it needs data from the federal government.

Gantefoer said it's reasonable to expect income tax projections to go up in the second- or third-quarter financial statements.

Oil prices are touchier and could go either way, said the finance minister.

But in a general sense, the rosy financial times are likely to stay, said Gantefoer.

"We have a pretty high level of confidence that we're not going to just fall off a cliff, that all of a sudden we're going to get into a situation where the revenue dries up in the short-term."

The biggest chunk of the province's extra revenue comes from potash royalties, with the government expecting an extra \$1 billion. Crown land sales are projected to be \$799 million higher.

The province expects an extra \$107 million from sales tax revenue, \$65 million from natural gas royalties, \$58 million in savings from interest payments and \$6.8 million in other net changes.

Saskatchewan is also taking in \$306 million more in federal funding, with the largest percentage being the \$240 million for SaskPower's carbon capture and storage demonstration project.

With the carbon capture money being transferred from executive government to Crown Investments Corp., it represents the largest portion of increased government spending of \$352 million. That figure also includes \$70 million for the nurses' contract.

Lee Harding of the Canadian Taxpayers Federation said it's "great news" that the government is contemplating multi-pronged tax cuts.

But he said it is disappointing there is no formal plan for debt reduction since increased spending will eat into future surpluses.

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