

What can we expect in today's budget?

Dr. David McGrane for Global Saskatoon Website: Wednesday, March 23, 2011.

The first thing to understand about today's budget is that it is the unofficial kick-off to the 2011 provincial election campaign. As such, both of the major parties are going to try to use this occasion to begin to define their election narratives.

Obviously, the Saskatchewan Party will be tabling a 'good news' budget. Recent reports have the economy looking up and revenues from taxes and natural resources coming in higher than expected. Look for robust revenue projections based on very optimistic economic forecasts. In particular, potash revenues could be projected to be high to counter criticism that the province is not getting enough revenue from the current royalty structure.

However, other tax revenues will be down if the government goes ahead with a big tax cut (maybe a move to a 0% small business tax rate, reduction of the PST, or a large cut in personal income taxes). It will be interesting to see what the government does on taxes as it may decide to wait and introduce its tax cuts in an election platform. If they decide to pull the trigger on tax cuts today, the cuts will be phased in over several years so the revenue hit will be minimal in this particular budget.

On the spending side, the motto will be 'go big or go home.' There will be spending increases in all areas and a number of small, targeted initiatives in an attempt to make everyone happy going into an election. Universally popular areas like health, education, and seniors will get the largest increases. The economy is going good, an election is coming, and there is a little nest egg in the fiscal stabilization fund so there is no reason to hold back. Look for a big multi-year spending initiative framed as a signature project for what the Saskatchewan Party hopes will be its second term in office.

Evidently, the government will claim that all these spending increase and tax cuts can take place within the context of a balanced budget and declining debt.

The narrative that the budget will set up for the Saskatchewan Party is that the provincial economy is going strong, taxes are being reduced, the deficit is under control, and everyone is benefitting through higher government spending. Under Brad Wall's leadership, a 'new Saskatchewan' is emerging as a confident 'have' province with a growing population and increasing national and international clout. Under the NDP, the province was stuck in neutral but now it is roaring ahead.

For its part, the NDP will try to use the budget to highlight its priority issues going into the election campaign. It will focus on all of the people left behind in the budget and in Brad Wall's new Saskatchewan: renters, families with no access to childcare, low-income seniors, First Nations people, and new immigrants. They will talk about the spectre of privatized health care and the government's poor record on reducing greenhouse gas emissions. They will claim the government is in deep deficit and debt thanks to Brad Wall giving our resources away for nothing to his big business buddies.

In short, today's budget will be used for the political parties to position themselves for the upcoming provincial election. The election battle starts today.