

# Failing to Save:

## The consequences of failing to create a Saskatchewan Heritage Fund

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# About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. Today, the CTF has hundreds of thousands of supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Updates. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2023-24 fiscal year, the CTF raised \$6.3 million on the strength of 74,858 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.

# A Saskatchewan savings plan

Twelve years ago, the provincial government was told to start a heritage fund. The government failed to act and now the province is missing out on millions in interest income.

In 2013, former premier Brad Wall commissioned a report on heritage funds by former University of Saskatchewan president Peter MacKinnon. The report recommended the government should create a heritage fund.

"A permanent savings account in the form of a [heritage fund] could turn our one-time revenue from these resources into a lasting source of wealth for Saskatchewan people," MacKinnon [said](#).

The Alberta government recently announced plans to deposit more into its own heritage fund. Alberta Premier Danielle Smith [announced](#) that she plans to grow the fund to at least \$250 billion by 2050. The fund is currently [worth](#) about \$25 billion.

"We owe it to future generations of Albertans," said Smith. "The new heritage fund will lessen our dependence on natural resource revenues, diversify our economy and create both wealth and prosperity for generations to come."

Alberta's announcement should be a wake-up call for Saskatchewan.

"We haven't officially set it up [a heritage fund], but the structure is in place should we find our way to that," said Premier Scott Moe, in reference to MacKinnon's report, during an interview with the Canadian Taxpayers Federation.

"I think one of the fundamentals of the future success of Saskatchewan, is realising that we do have natural resource wealth, whether it be ag and value-added ag, and in potash, and uranium, and lithium, and helium, and rare earths now, and so on, oil and gas."

If the government had implemented a fund based on the 2013 MacKinnon report's recommendations, the fund would contain about \$4.2 billion today and generate \$210 million in interest income annually. Instead, since 2013, the government kept spending and [increased](#) the provincial debt by 276 per cent.

The Saskatchewan government needs a plan to pay off the debt and save its non-renewable resource revenue.

When resource revenues are high, the provincial government spends. During tough times, the government continues to borrow. This drives up the debt and increases debt interest payments. This is not sustainable.

Resource revenues are notoriously volatile. The government of Saskatchewan needs a long-term plan to get off the resource revenue rollercoaster and save for the future.

Step one is a commitment to using resource revenues to pay down debt.

Step two is a non-renewable resource heritage fund. A heritage fund is an independent investment fund where the government deposits non-renewable resource revenues and invests them to earn interest income.

Saskatchewan had a heritage fund before. Former premier Allan Blakeney [set](#) it up in 1978 “to invest part of non-renewable resources revenues into income-producing assets to ensure that future generations can benefit from resource development in Saskatchewan.”

This fund lacked sufficient protections that allowed it to be raided by politicians who couldn’t control their spending habits. The government shut down the fund in 1992.

Every year the government fails to implement a concrete plan to pay down the debt and create a heritage fund with regular deposits, is another year of lost opportunity to save for the future.

**The Canadian Taxpayers Federation is calling on the government of Saskatchewan to commit to paying down the debt and creating a heritage fund.**

# The plans

Mackinnon recommended one plan in his report. But there are many other successful examples the Saskatchewan government should consider when creating its own heritage fund. Projections charting the detailed debt repayment and principal growth of each plan are included in a more detailed breakdown below.

## The MacKinnon plan

The 2013 MacKinnon report recommended the creation of a heritage fund where the principal can not be spent. MacKinnon also recommended capping resource revenues at the average amount of the budget the accounted for in the five previous years.

In the below scenario, deposits into the fund are based on capping resource revenues at 12.7 per cent of total revenues. This was the average amount that resource revenues made up of the total provincial budget during the last decade. A ten-year average of previous budgets was used in this report because it provides a less volatile resource revenue value for the government to work with.

Mackinnon also noted in the report that whatever plan the government decided on, starting the fund as early as possible is paramount to its success.

**If this modified MacKinnon plan had been implemented by the government in 2013, the fund would contain about \$4.2 billion today and generate \$210 million in interest annually.**

## The Alaska plan

Alaska struck oil in the late 1960s. In 1977, the state government established the Alaska Permanent Fund. The fund was [established](#) after a referendum was passed to amend the state constitution to deposit 25 per cent of its non-renewable resource revenues into a fund. These deposits are protected and can not be spent by politicians. The fund [currently](#) contains more than \$111 billion. Some of the investment returns from the fund are also used to provide dividends to Alaskans. In 2024, each [eligible](#) Alaskan received \$1,704 from the dividend.

**If the Saskatchewan government had implemented the Alaska plan in 2013, the heritage fund would contain about \$7.4 billion today and generate \$368 million in interest every year.**

## The Norway plan

The Norwegian government [created](#) its fund in 1990, two years before the Saskatchewan government shut down its first heritage fund. The Norwegian government deposited the first revenue into the fund in 1996. Norway deposits 100 per cent of its oil revenues into its heritage fund. The government of Norway only invests money outside of Norway. This practice ensures diversification and stops the fund from being used for corporate welfare or politicians' pet projects. Today, the fund [contains](#) more than \$2.5 trillion.

**If the Saskatchewan government implemented the Norway plan in 2013, the heritage fund would contain about \$29.4 billion today and generate \$1.5 billion in interest every year.**

# Missing out on millions

If the government had created a heritage fund 12 years ago, the province would be in a much better place today. The figures and tables below highlight the amount of money that a Saskatchewan Heritage Fund would have today, and how much interest income it would have earned, under the three different plans.<sup>1</sup>

For the sake of comparison, debt repayment is set aside in this projection. However, step one in setting up the province for a prosperous future and creating a successful heritage fund is paying down the debt.

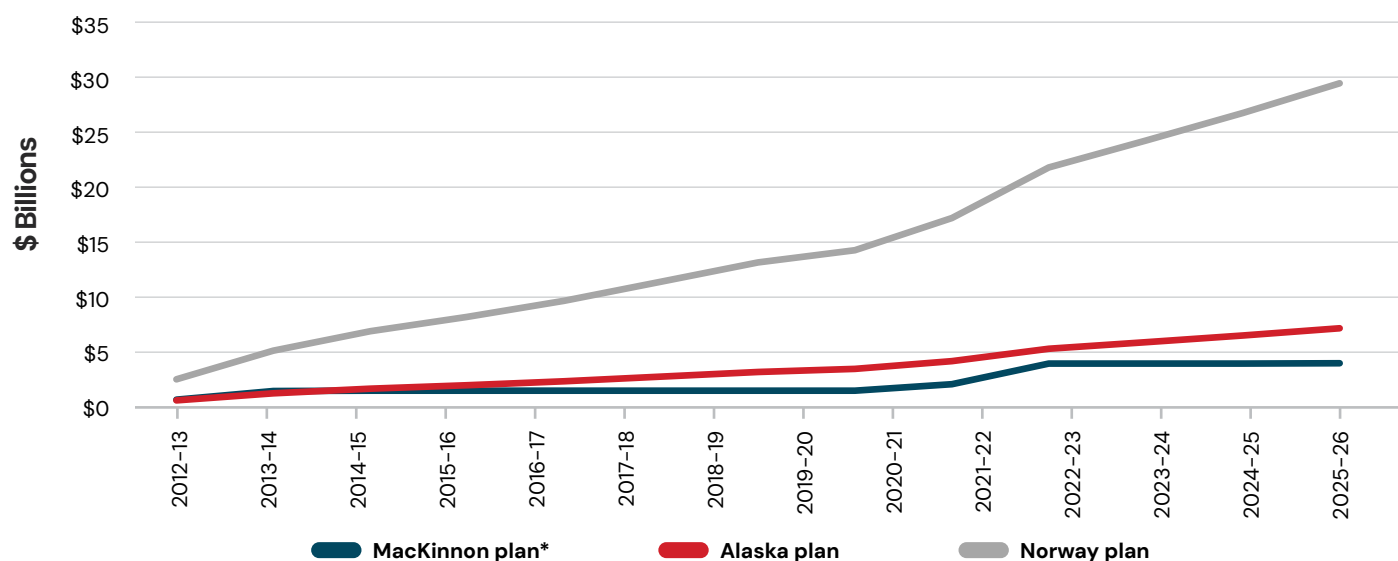
Each plan is calculated at a conservative five per cent return annually.<sup>2</sup> This forecast also assumes the interest income is completely spent each year without reinvestment. As highlighted by the MacKinnon report

and the success of the Alaska and Norway plans, politicians must not be allowed to spend the principal of a heritage fund.

By capping resource revenues and dedicating the excess revenue to savings, Saskatchewan would have seen millions of dollars in interest flow into provincial coffers every year. Instead, the government spent new revenues as fast as they came in and kept increasing the debt. Saving resource revenue instead of spending it forces the government to reduce its reliance on resource revenue and provide lasting value through the income generated by the fund.

FIGURE 1

## Value of a Saskatchewan heritage fund under different plans



1. All amounts for calculations are found in the provincial [public accounts](#).

2. Over the last decade the [Alaska Permanent Fund](#) saw an average annual return of 8.6 per cent.

Total Deposits by Year	Mackinnon plan*	Alaska plan	Norway plan
2013-14	\$694,321,180	\$630,000,000	\$2,520,000,000
2014-15	\$1,524,130,985	\$1,282,500,000	\$5,130,000,000
2015-16	\$1,557,760,092	\$1,722,500,000	\$6,890,000,000
2016-17	\$1,557,760,092	\$2,047,500,000	\$8,190,000,000
2017-18	\$1,557,760,092	\$2,412,500,000	\$9,650,000,000
2018-19	\$1,557,760,092	\$2,847,500,000	\$11,390,000,000
2019-20	\$1,557,760,092	\$3,285,000,000	\$13,140,000,000
2020-21	\$1,557,760,092	\$3,562,500,000	\$14,250,000,000
2021-22	\$2,181,261,769	\$4,292,500,000	\$17,170,000,000
2022-23	\$4,173,413,454	\$5,442,500,000	\$21,770,000,000
2023-24	\$4,173,413,454	\$6,054,787,750	\$24,219,151,000
2024-25	\$4,173,413,454	\$6,680,437,750	\$26,721,751,000
2025-26	\$4,206,578,208	\$7,355,287,750	\$29,421,151,000
<b>Total</b>	<b>\$4,206,578,208</b>	<b>\$7,355,287,750</b>	<b>\$29,421,151,000</b>
<b>Annual Interest 2025-26</b>	<b>\$210,328,910</b>	<b>\$367,764,388</b>	<b>\$1,471,057,550</b>

Returns by Year	Mackinnon plan*	Alaska plan	Norway plan
2013-14	\$34,716,059	\$31,500,000	\$126,000,000
2014-15	\$76,206,549	\$64,125,000	\$256,500,000
2015-16	\$77,888,005	\$86,125,000	\$344,500,000
2016-17	\$77,888,005	\$102,375,000	\$409,500,000
2017-18	\$77,888,005	\$120,625,000	\$482,500,000
2018-19	\$77,888,005	\$142,375,000	\$569,500,000
2019-20	\$77,888,005	\$164,250,000	\$657,000,000
2020-21	\$77,888,005	\$178,125,000	\$712,500,000
2021-22	\$109,063,088	\$214,625,000	\$858,500,000
2022-23	\$208,670,673	\$272,125,000	\$1,088,500,000
2023-24	\$208,670,673	\$302,739,388	\$1,210,957,550
2024-25	\$208,670,673	\$334,021,888	\$1,336,087,550
2025-26	\$210,328,910	\$367,764,388	\$1,471,057,550
<b>Total Interest Generated</b>	<b>\$1,523,654,653</b>	<b>\$2,380,775,663</b>	<b>\$9,523,102,650</b>

# Dealing with the debt

Before investing in any new fund, the Saskatchewan government must deal with the province's debt problem. By the end of this year, the debt is projected to be \$23.5 billion. The government would be in a much better position today if it had been more fiscally prudent in the past.

In the past, the government has only made sporadic payments on the debt when revenues were especially high. Paying down the mortgage whenever you get a bonus is good, but it's not sustainable. There needs to be a plan to pay off debt and deposit savings regularly.

## The debt repayment plan

The chart below shows the rate of debt repayment using three of the potential plans highlighted earlier in this report. Provincial government debt was about \$5.7 billion in 2013-14, so that is the starting point for debt reduction in this analysis.

This debt reduction plan only assumes that deposits that would otherwise go into the heritage fund would be used for debt repayment as well as not accumulating additional debt. This process could be accelerated through using any other surplus for debt repayment as well.

The MacKinnon plan would see the lowest amount of debt repaid because it would have triggered the lowest number of deposits since the report was written. The Alaska plan would see the debt fully paid off with a \$900-million surplus. The Norway plan would have seen the debt be fully paid off by the end of 2015. This means that all numbers highlighted below that are negative would instead be deposited into a Saskatchewan Heritage Fund.

Despite not fully paying off the debt, if Saskatchewan were implementing a MacKinnon-type plan, the province would still be much better off. As the debt would soon be paid off, and the government could start to build the heritage fund for the future.

Debt Reduction by Each Plan	Actual Debt	Debt MacKinnon Plan	Debt Alaska Plan	Debt Norway Plan
2013-14	\$5,780,000,000	\$5,085,697,678	\$5,150,000,000	\$3,260,000,000
2014-15	\$5,420,000,000	\$4,255,936,522	\$4,497,500,000	\$650,000,000
2015-16	\$6,440,000,000	\$4,222,359,198	\$4,057,500,000	-\$1,110,000,000
2016-17	\$8,660,000,000	\$4,222,359,198	\$3,732,500,000	-\$2,410,000,000
2017-18	\$10,130,000,000	\$4,222,359,198	\$3,367,500,000	-\$3,870,000,000
2018-19	\$12,070,000,000	\$4,222,359,198	\$2,932,500,000	-\$5,610,000,000
2019-20	\$13,310,000,000	\$4,222,359,198	\$2,495,000,000	-\$7,360,000,000
2020-21	\$15,510,000,000	\$4,222,359,198	\$2,217,500,000	-\$8,470,000,000
2021-22	\$18,820,000,000	\$3,598,853,378	\$1,487,500,000	-\$11,390,000,000
2022-23	\$18,860,000,000	\$1,606,594,950	\$337,500,000	-\$15,990,000,000
2023-24	\$19,203,740,000	\$1,606,594,950	-\$274,787,750	-\$18,439,151,000
2024-25	\$21,711,800,000	\$1,606,594,950	-\$900,437,750	-\$20,941,751,000
<b>2025-26</b>	<b>\$21,711,800,000</b>	<b>\$1,606,594,950</b>	<b>-\$900,437,750</b>	<b>-\$20,941,751,000</b>