



SEIZE THE DAY

**The Canadian Taxpayers Federation 2008/09
Pre-budget Submission to the Province of Saskatchewan**

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan advocacy organization 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 taxpayers organization. Today, the CTF has over 64,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a working relationship with the Quebec Taxpayers League, based in Montreal. Provincial offices conduct research and advocacy activities specific to their provinces or issues 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 and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published six times a year. An issues and action update called *TaxAction* is produced each month. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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PART I: SUMMARY OF RECOMMENDATIONS

1. Pass legislation that would limit spending to inflation and population growth.
2. Reduce health care spending by outsourcing services such as cleaning, laundry, food preparation, maintenance, security, landscaping, information technology, property management and human resources services or through the use of P3s.
3. Foster a home-grown, private health care market in Saskatchewan.
4. Eliminate the \$15 prescription drug cap for seniors and do not extend it to children.
5. Privatize Saskatchewan Transportation Corporation or sell it to its employees.
6. Privatize government run liquor stores or at least allow for private liquor retail operations in order to save millions each year and help create hundreds of new businesses.
7. Immediately enact legislation that would prohibit financing of private business enterprise through grants, loans, loan guarantees or equity investments, or any other direct or indirect financing; or would require that such financing have legislative approval.
8. Over the next four fiscal years, increase the basic personal exemption to \$15,000 and implement an 11 per cent single rate tax.
9. Increase the provincial share of education funding to 75 per cent over four years.
10. Investigate options that would allow for school choice and flexible funding arrangements as an alternative to school closures.
11. Subject all public capital projects in Saskatchewan exceeding \$20-million to assessment as a public-private partnership (P3) in the planning stage to ensure that capital investments provide the best value-for-money for taxpayers.
12. Adopt fixed budget dates and do not use special warrants except in the event of a declared emergency.

13. Require, in law, approval from the electorate before raising taxes.
14. Broaden the scope of the provincial auditor to examine public funds flowing to the First Nations Trust and ensure all third party service agreements are being complied with.
15. Require cabinet ministers and their staff, as well as senior public servants, to post their office expenses: travel, hospitality, and supply and services online on a quarterly basis.
16. Limit transition payments for MLAs and civil servants to two weeks for every year served in office and abolish severance packages for MLAs who resign their seats for non-medical reasons.

PART II: INTRODUCTION

Saskatchewan is at the dawn of a new day. With oil prices at record levels, grain prices high, and an optimism not seen in decades, Saskatchewan is poised to prosper. Buoyed by the previous government's adoption of most recommendations forwarded by Jack Vicq's Business Tax Review Committee, residents began to pour back into Saskatchewan. Last quarter saw the greatest population growth in the province since such records began in 1971.

This time of opportunity must be seized. To fully do so, the government must lower income taxes and pay off the debt. It must also stand firm against direct investment of public money into the economy.

Though the new government has shown promise in its early days, much remains to be done. At the core of this submission are three recommendations – reducing income and education taxes; controlled spending; and encouraging a greater role for the private sector in health, education, and even social services.

The Canadian Taxpayers Federation believes that implementing these recommendations would put in place the remaining pieces of the puzzle for Saskatchewan to lead Canada in economic growth and prosperity. Imagine being able to tell the world Saskatchewan has a competitive business tax environment as well as a low and flat income tax rate. Those pondering a move to the province would find all they could ask for to make that decision the right one.

Saskatchewan, too long known as “next year country,” has come into the now. But how great and how lasting this time of prosperity will be depends on how the province acts today. We hope the government will continue its good first steps and lead us to a brighter future.

PART III: SPENDING AND HEALTH REFORM

Spending

Since 2001, total government spending has increased by 40 percent while the consumer price index has only increased by 15.1 per cent over the same period. Three of those years (2002, 2003, 2004) resulted in accumulated deficits amounting to \$1.23 billion. If our province had held spending increases to inflation plus population growth, our cumulative savings since 2001 would have been almost \$3 billion dollars.

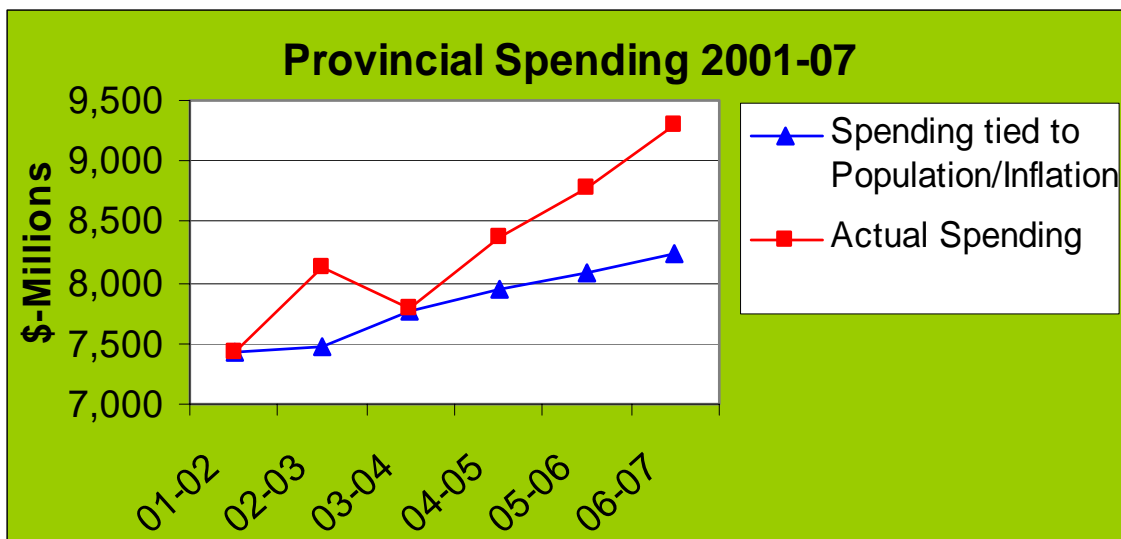
Table 1: Real provincial spending (in \$ millions) vs. spending indexed to population and inflation, 2001-07; projections 2007-2012

Fiscal Year	Pop.* (1000s)	Pop. Growth	Inflation Avg	Pop. & Inflation Growth	Spending tied to Pop. & Inflation	Actual** Spending	Diff-erence	Cumu-lative Diff.
01-02	1000.1	n/a	n/a	n/a	7,423	7,423	n/a	n/a
02-03	978.9	-2.12%	2.9%	0.72%	7,476	8,129	653	653
03-04	994.7	1.61%	2.3%	3.95%	7,772	7,785	13	666
04-05	994.9	0.02%	2.2%	2.22%	7,944	8,376	432	1,098
05-06	990.0	-0.49%	2.2%	1.70%	8,079	8,787	708	1,806
06-07	987.5	-0.25%	2.1%	1.84%	8,228	9,290	1,062	2,868
07-08	996.9	0.95%	2.7%	3.68%	8,531	8,581	50	2,918
08-09	1007.5	1.06%	2.7%	3.79%	8,854	9,016	162	3,081
09-10	1022.8	1.51%	2.7%	4.26%	9,231	9,338	107	3,188
10-11	1038.0	1.49%	2.7%	4.23%	9,622	9,777	155	3,343
11-12	1053.3	1.47%	2.7%	4.21%	10,027	10,121	94	3,437

*Population after 2006-07 assumes the same numerical growth as Oct '06-Oct '07 (15,263)

**Spending estimates after 2006-07 are based on provincial mid-term financial update

Sources: SK Finance Public Accounts, Statistics Canada population data, CTF calculations



The province's net debt of \$7.3 billion was largely accumulated during the 1980's and 90s when high inflation and interest rates, economic recessions, stagnant government revenue growth and high government spending levels were the norm. In recent years, conditions have been remarkably different. Interest rates are low, economic growth is robust and government revenues are soaring. Runaway government spending, however, remains a serious problem.

In order to reduce public debt and provide tax relief, spending must be controlled. Although the government made a welcome change by limiting the growth of the civil service to that of population growth, further fiscal restraint is still in order. Should resource revenues remain high, the temptation for government to overspend will also be high.

One proven technique is to enact legislation that limits spending growth. Idaho, Arizona, Michigan, Missouri and North Carolina limit theirs to a set percentage of the income earned by the state's taxpayers. A 2003 Fraser Institute study called "Tax and Expenditure Limitations – The Next Step in Fiscal Discipline" cites many studies revealing that American states that have adopted legislated spending limits have had better success in controlling spending than others.

Expenditure limitation laws have worked wonders for taxpayers in the state of Washington. From 1980 to 1995, its population grew an average of 1.2 per cent per year while inflation averaged 4.5 per cent per year; yet, government spending rose by 8 per cent per year. Since 1995, government spending has increased at a steady, reliable pace to keep pace with Washington's inflation and population growth, but taxes have come down – permanently.

A legislated limit on government spending will give the government leverage to say no to unaffordable public sector union demands or the unaffordable requests of special interest groups. It will also force departments to spend wisely.

A strong majority of Saskatchewan CTF supporters support enacting legislation that would limit government spending to inflation and population growth.

Would you support legislation that would limit government spending to inflation and population growth?

Yes: 78.6%

No: 4.8%

Undecided/DNA: 16.7%

2006 CTF Supporter Survey

Recommendation 1

Pass legislation that limits spending to inflation and population growth.

Health spending

The health care system is Saskatchewan's biggest challenge. Given recent comments by the government on issues such as private health alternatives, the CTF is not confident this government is prepared to meet this challenge. While the current government has policies prohibiting private health care alternatives, there is much that can be done "outside the margins" to control costs.

In the CTF's 2005 submission to the government, we noted that British Columbia is saving \$66 million in the health sector annually by outsourcing non-essential services such as food preparation, security and cleaning. Countries around the world (particularly in Europe) have universal health systems but have greater involvement of the private sector. Canada has one of the most costly health systems in the world yet patients must endure long wait times and poor service. The efficiencies that may come from competitive bidding ought to be considered as an alternative to throwing more money at the status quo.

CTF supporters across Canada support private-sector provision of services in health facilities.

Do you support increasing private-sector provision of services in public health care facilities (i.e.: laundry, food, security, etc)?

Yes: 73.8%

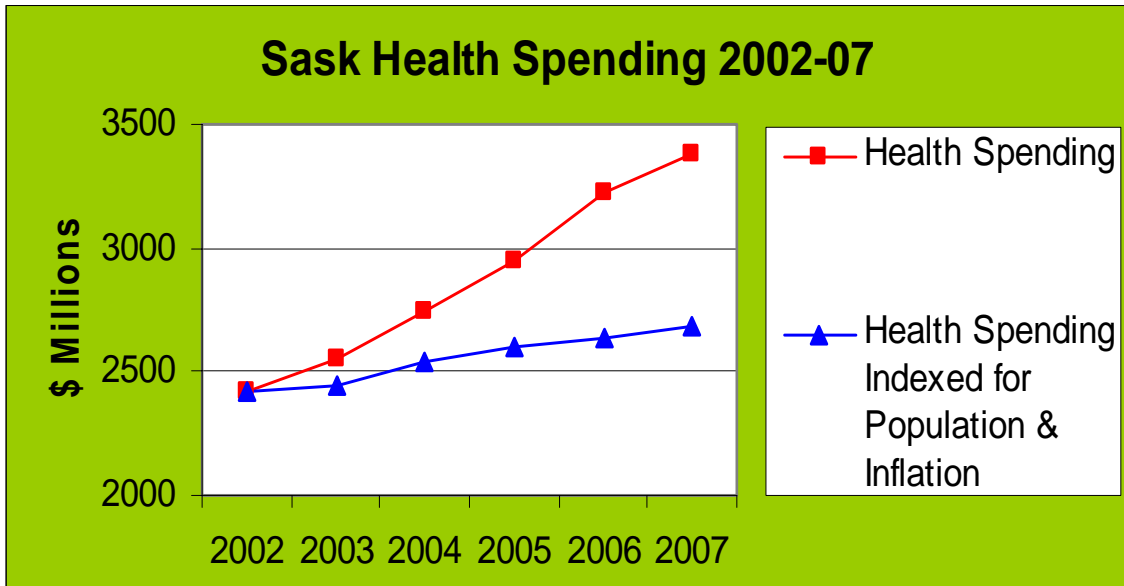
No: 9.5%

Undecided/DNA: 16.7%

2006 CTF Supporter Survey

In addition, the province should enter into public/private partnerships (P3s) for the ownership and operation of new hospitals and health-related facilities. P3s have been shown to reduce costs and improve accountability. No stone should be left unturned in the pursuit of more efficient health care delivery.

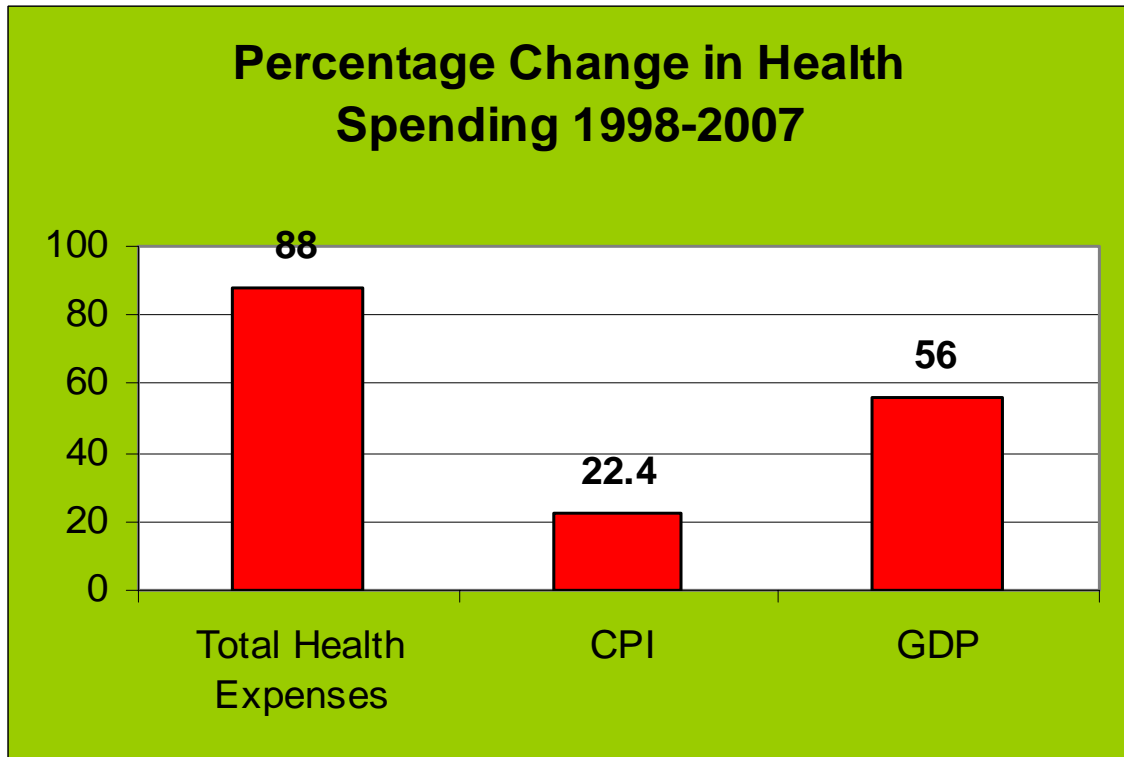
Table 2: Saskatchewan's health spending (\$millions)



Source: 2007 Reports from the Provincial Auditor, CTF calculations

This spending on health has far outpaced the consumer price index and economic growth reflected in the provincial GDP.

Table 3: Percentage Change in Health Spending, 1998-2007



Source: 2007 Report of the Provincial Auditor, Volume 3.

There are many “root causes” of rising health expenditures. Emerging technologies, rising drug costs, salaries and benefits and increased demand from an aging population have all played a role. The question now is what the government will do about it.

Delivering ancillary health care services through the private sector is only the beginning of possibilities. It is, however, a good start.

A recent incident highlighted how badly changes are needed. In the November 30 article, “Laundry woes eat up health-care cash,” Janet French of the Saskatoon Star-Phoenix reported,

A breakdown at the [Saskatoon Health] region’s laundry facility in August is also chewing into the region’s budget. Truckers have been driving linens from Saskatoon’s three hospitals, Parkridge Centre and some rural health centres to Regina and Prince Albert for washing and drying. That has cost the region \$860,000 up until the end of October, with more bills still rolling in.

The region is also shelling out at least \$400,000 for custom-made parts to repair the aging laundry facility while administrators begin planning for a replacement.

Although administrators had hoped the old laundry would be running by mid-November...workers are waiting for more parts to be shipped and a weigh-scale to be installed. It should be running again by Dec. 17.

How many hundreds of thousands of dollars could have been saved had the health region outsourced these services instead of trucking them for hours and making expensive replacements of equipment?

Recommendation 2

Reduce health care spending by outsourcing services such as cleaning, laundry, food preparation, maintenance, security, landscaping, information technology, property management and human resources services or through the use of P3s.

Health Reform

Not only is Canada's health system one of the most expensive in the world but, to add insult to injury, it often fails to meet basic expectations of patients. There is no question that wait lists for crucial treatments are too long, and Saskatchewan's are among the worst in Canada.

The June 2005 Supreme Court ruling in the *Chaoulli* case was a stinging indictment of the Canadian health care system. The *Chaoulli* decision struck down a Quebec law that prohibited the voluntary sale and purchase of private health care services.

While, to our knowledge, no law against private health care officially exists in Saskatchewan, governments in the past have done what they could to prevent the establishment of private hospitals in the province. A private MRI clinic proposal from the Muskeg Lake Cree Nation received a chilly response from government, as did a proposed family medical clinic. The Saskatchewan government is responsible for licensing private medical clinics.

Numerous contradictions exist in the Saskatchewan health system. While the government has railed against private "for profit" health care, the Workers Compensation Board routinely uses private medical clinics in other provinces, effectively "jumping the queue." MRI scans obtained from private clinics and paid for out of pocket by consumers are accepted and used at Saskatchewan hospitals. These are welcome developments that can help patients.

It is simply absurd that citizens can spend as much of their after-tax income as they choose on tobacco, alcohol and gambling, but are prohibited from the doing the same on health care.

The CTF is convinced that public opinion on this issue has moved far beyond the fearful and ideological positions of our politicians. A 2006 survey of CTF supporters shows strong support for health care choice. Numerous other surveys have shown similar levels of support across the country.

Do you support allowing Canadians to pay for timely access to medically necessary procedures?
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Yes: 80.2%

No: 11.9%

Undecided/DNA: 7.9%

<i>2006 CTF Supporter Survey</i>

The government must take action to help foster the development of a private health industry. This isn't merely about health ethics – it's also about economics.

The strains on our health system aren't getting better; they are getting worse. While countless studies and reports collect dust, health care costs continue upward. New technologies are getting better and more expensive, drugs are more costly, and society is getting older. It's inevitable that more and more people will leave the province for timely health service, and spend their after-tax dollars as they choose, instead of waiting and hoping.

Saskatchewan should be a destination for health consumers.

A real vision for the future of health care isn't about reducing the number of health authorities or creating new communications networks – it's about fostering a place where health professionals will want to come and work and build businesses. An alternative vision should see Saskatchewan as a leader in health care provision.

Recommendation 3

Foster a home-grown, private health care market in Saskatchewan.

Eliminate the \$15 Drug Cap

In 2007, the former NDP government introduced a \$15 cap on the personal cost of prescriptions for seniors, regardless of their income. The Saskatchewan Party voted against this plan. But during the recent election, the Saskatchewan Party proposed this program be extended to those under 15 also. The only restriction it placed for seniors or children is that household income be less than \$64,000.

Neither program is necessary. When prescription drug costs or diabetic supplies exceed 3.4 per cent of household income, Saskatchewan residents are eligible for additional assistance through the Special Support Program that establishes a lower deductible and co-payment, based on income and drug costs.

Seniors always enjoyed good drug coverage under the Guaranteed Income Supplement (GIS) and Saskatchewan Income Plan (SIP). After paying a semi-annual deductible (\$200 for GIS of \$100 for SIP), seniors paid only 35% of the prescription cost. This continues today, only the \$15 cap applies where it makes drug costs cheaper.

Children in homes on social assistance already receive help through the Family Health Benefits Program. Drugs for children cost nothing under the plan. Adults and guardians of such children had a \$100 semi-annual family deductible, and paid 35% of the costs of drugs thereafter.

Other programs exist to help a wider swath. Community Resources could also deem some families eligible for the Supplementary Health Program which can also cover the cost of prescriptions. Palliative Care Drug Coverage is extended to those residents who are in the later stages of their terminal illness. Under this program, residents are entitled to full 100 % coverage. Finally, Saskatchewan AIDS to Independent Living offers prescription drug coverage for those with physical disabilities.

Both \$15 drug programs were estimated to cost \$50 million annually. When the NDP proposed that the program be extended to all Saskatchewan residents, former NDP finance minister Janice MacKinnon questioned the viability of the program. She also questioned the need for the Sask Party plan in light of the other programs already available.

It is not difficult to apply McKinnon's comments on the NDP universal health care plan to the one proposed by this government:

But if you look into the future, the population is aging and so the cost is going to accelerate because of that and every year new and expensive drugs come on the market. . . . As a former finance minister, my view is that if this were implemented, some government in the future during an economic downturn would either have to curtail this program, cut spending in some another area or raise taxes to finance it.

--Janice MacKinnon, Regina *Leader-Post*, October 16, 2007.

Excluding the recent \$15 cap, the cost of drugs for seniors has increased at the rate of about 13 per cent a year over the past five years (*Leader-Post*, October 20, 2007). As Saskatchewan's aged demographic gets even older, the new government's plan will prove increasingly costly. The province's plan to add more drugs to the provincial formulary will only increase costs that much more expensive.

For all these reasons, the \$15 cap should be scrapped. As noted, many of the other provincial programs take personal income into account and has people pay for a percentage of their drugs. This encourages personal responsibility to keep drug costs down. Such choices may include drugs sold at a pharmacy with better prices, using cheaper generic drugs, or using therapies that do not involve drugs at all. As it stands, the \$15 cap removes personal incentive to make fiscally responsible choices and replaces it with a blank cheque from government that increases public costs.

Recommendation 4

Eliminate the \$15 prescription drug cap for seniors and do not extend it to children.

PART IV: PRIVATIZATION

One of the major obstacles to economic growth is government investment in the economy. Government-run monopolies discourage entrepreneurship and innovation. In some cases, government businesses are a net drain on the provincial treasury, or represent needless government intrusion into the economy. Saskatchewan Transportation Corporation and government liquor stores are two examples.

Saskatchewan Transportation Corporation

In 2006, STC ran at a per-passenger subsidy of \$1.96 per kilometer and had an operating loss of almost \$6 million. Since 1999, STC has cost taxpayers more than \$35 million and they are expected to lose millions more in the coming years. In January, 2006, the province approved through Order-In-Council \$6 million for STC operating grants, \$1.9 million for capital and \$6.5 million for the construction of a \$25.5 million bus depot in Regina that was announced in 2005.

A large percentage of CTF supporters live in areas outside the main centers of Regina and Saskatoon and therefore are the most affected by changes to STC. Nonetheless, we surveyed our supporters in 2007 and found a vast majority (71 percent) would support privatizing STC.

Would you support the privatization of Saskatchewan Transportation Corporation?

Yes	71%	No	22%	Undecided	7%
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2007 CTF Supporter Survey

If an argument can be made for subsidizing rural routes (and it would indeed be dubious by our thinking), it would be far more sensible for the government to contract a private service provider than own and operate a bus company. Governments do not own and operate bus companies in this day and age.

Recommendation 5

Privatize Saskatchewan Transportation Corporation or sell it to its employees.

Liquor stores

In 2004, the CTF published a research paper showing how liquor privatization could lead to higher revenues for government, increased economic development and lower prices for consumers. Selling our government-owned liquor stores and allowing the free market to sell and market liquor would result in real economic growth.

In 2006, the CTF obtained documents through freedom of information legislation revealing that the cost of running public liquor stores has risen by 33 per cent since 2002/03.

Table 4: Cost of government liquor stores – 2002-2006

	2002/03	2003/04	2004/05	2005/06	% Increase
Stores					
Salaries & Benefits	\$19,631,511	\$20,970,771	\$21,360,600	\$24,172,316	23%
Expenses	\$8,096,914	\$9,167,200	\$9,373,490	\$10,401,137	28%
Warehouse					
Salaries & Benefits	\$1,139,532	\$1,148,416	\$1,186,836	\$1,278,759	12%
Expenses	\$66,136	\$216,286	\$201,136	\$61,592	
Head Office					
Salaries & Benefits	\$1,700,723	\$1,772,489	\$1,829,700	\$1,923,654	13%
Expenses	\$615,977	\$730,405	\$629,058	\$621,849	1%
Major Construction (\$20,000 and over)					
SLGA Owned Buildings	\$215,797	\$3,212,405	\$634,187	\$3,421,406	
Leasehold Improvements	\$31,392	\$0	\$0	\$54,496	
Minor Construction/Maintenance Repairs (Under \$20,000)					
Minor Reno. for all properties		\$85,175	\$124,950	\$113,847	
Grand total	\$31,497,982	\$37,303,147	\$35,339,957	\$42,049,056	33%

Source: Information obtained by the CTF through freedom of information

In an effort to measure public opinion on liquor store privatization the CTF commissioned Sigma Analytics to conduct a poll. The 2004 survey showed that 72 percent of Saskatchewan residents thought the government should have no role whatsoever in the liquor business or that it should be limited to wholesaling. Our 2007 supporter survey also showed overwhelming support for privatization of liquor sales.

Do you support privatization of liquor retail in Saskatchewan?

Yes: 83%

No: 11%

Undecided: 6%

2007 CTF Supporter Survey

Government should enter into a public/private partnership to operate a central provincial warehouse that would oversee the distribution of product. This would enable the province to continue acting as a regulator of alcohol distribution.

Shifting towards a private sector distribution system would mean that private operators bear all of the costs of retailing beverage alcohol. A privatized model would have to provide mark-up room for the private operator to cover costs and earn profit. Government would remain in control of all regulation, monitoring, and enforcement.

The CTF proposes the SLGA shift to a base tax model and reduce the government mark-up by 15 per cent. This would allow retailers room to recoup their costs and make a profit without forcing consumers to pay more for beverage alcohol. Details of the base tax system will have to be determined after a consultation period, but the end result would be that government revenues would remain constant, or even grow once liquor store overhead is eliminated. Moreover, the economic spin-offs of more businesses and employees all paying tax favourably contributes to the government's revenue base.

A complete privatization of liquor sales would be welcome. The government may not be willing to go this far due to its commitment to keep the crowns. However, this commitment did not preclude allowing competition. At minimum, the government should issue licenses that allow private vendors to compete against SLGA stores, such as happens in British Columbia. Enacting the changes above could still allow private liquor operations to compete with the SLGA stores and establish businesses in other areas.

Recommendation 6

Privatize government run liquor stores or at least allow for private liquor retail operations in order to save millions each year and help create hundreds of new businesses.

Government involvement in for-profit ventures

Dealing with STC and liquor is not the only aspect of government involvement that needs change. We must also stop direct government investment in the economy. The Meadow Lake Pulp Mill took more than \$800 million from taxpayers. Spudco was also a royal flop, despite getting \$35 million from the government. Mind's Eye Entertainment filed for bankruptcy despite receiving \$7.6 million from the province. Even the businesses that prove viable through taxpayer dollars do so to the cost of private companies whose taxes funded their competition.

Taxpayers have had enough. In December 2007, the CTF presented 5,679 petitions to the government calling on the province to “enact legislation that outlaws direct government investment in the economy and government competition with the private sector.”

To this end, the government could prohibit, by statute, the financing of private business enterprise through grants, loans, loan guarantees or equity investments, or any other direct or indirect financing.

Other options exist. In 1996, Alberta passed the Business Financial Assistance Limitation Act that ensured no business could get government help without legislative approval and all the public scrutiny that involves. Mandating that support for a private company to be debated in the floor of the legislature ensures proper debate, transparency, and public scrutiny.

This model would make past boondoggles less frequent and assure private business that only in rare instances would their tax dollars subsidize the competition.

Recommendation 7

Immediately enact legislation that would prohibit financing of private business enterprise through grants, loans, loan guarantees or equity investments, or any other direct or indirect financing; or would require that such financing have legislative approval.

PART V: CUTTING INCOME AND PROPERTY TAXES

The single-rate income tax

Saskatchewan has made significant progress toward creating a competitive economy. The 2006 business tax reforms have, according to the Fraser Institute, created the country's third best investment climate.

With much of the heavy lifting on business taxes done, it's time to focus on Saskatchewan's remaining weakness: personal income taxes. A simple reduction is not enough. We need tax reform to market the province in other jurisdictions and attract the professionals and trades people to staff our economy. Such changes would send the clear message, "Saskatchewan wants your business."

For this purpose the CTF recommends the speedy implementation of a single rate tax. A single rate tax means there would be only one rate of taxation on employment income. Currently, Saskatchewan has three rates on income:

- 11.0% on first \$39,135
- 13.0% on next \$72,679
- 15.0% on any remainder

The current tax system also includes a basic personal exemption of \$8,971.

According to a 2001 Fraser Institute study, (*Flat Tax: Principles and Issues, May 2001* – www.fraserinstitute.ca) "research from around the world concludes that high and increasing marginal tax rates contribute to lower rates of economic growth, reduced rates of personal income growth, lower rates of capital formation, aggregate labour supply that is lower than expected, and reduced social welfare. In short, high and increasing marginal tax rates reduce economic growth by creating strong disincentives to hard work, savings, and investment."

Indeed, governments around the world are embracing single rate taxes for their economic value. Estonia implemented a 26 percent single rate tax in 1994, causing many of its Baltic neighbours to follow suit. Currently, twenty nations have a single rate tax system in place. As of 2007, eight American states which levy state income tax applied only a single rate of tax on personal income (Hall and Rabushka, 2007).

Closer to home, our western neighbour Alberta added itself to this list when it switched to a single rate of provincial income tax in 2001. The single rate of ten percent, plus a high personal exemption (\$16,161 in 2008) have been a key stimulus for the nation's strongest provincial economy.

Tax relief for everyone

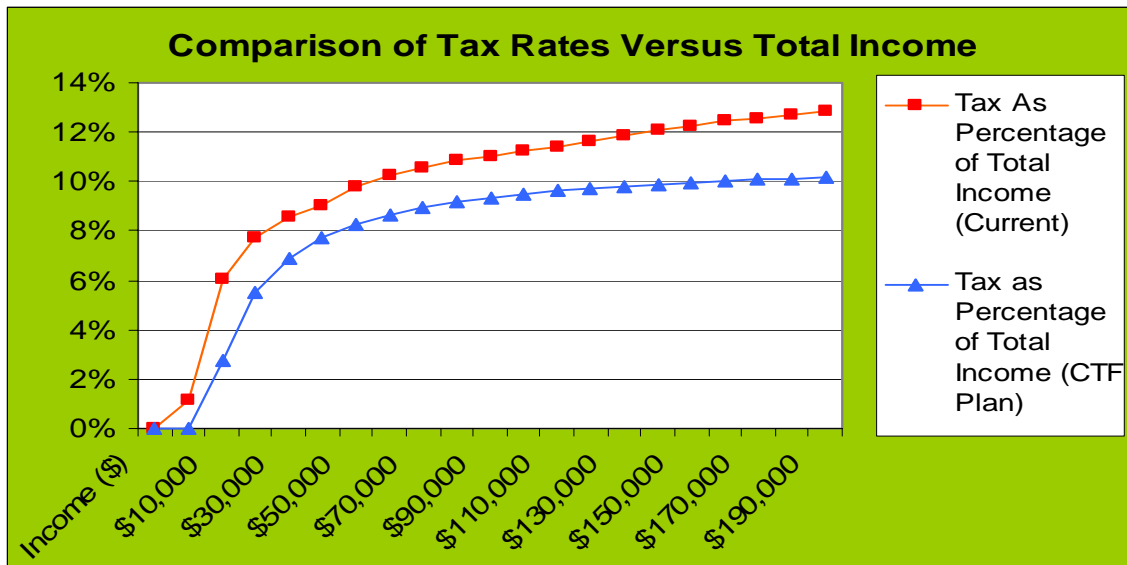
Not only would a single rate tax with an increased basic exemption be great for the economy, but would also represent significant savings for every Saskatchewan taxpayer – including the removal of thousands of taxpayers from the tax rolls all together.

Implementing the single rate tax

The CTF recommends that the government collapse the 15 and 13 per cent rates into a lower single rate of 11 per cent. Additionally, the basic personal exemption should be increased to \$15,000 and permanently indexed to inflation.

Table 5: Single rate tax versus status quo for 2008 tax rates

Income (\$)	Current Provincial Income Tax Burden	Percentage of taxes vs. total income	Tax Burden at Single Rate of 11%, BPE of \$15,000	Percentage of taxes vs. total income	Savings under CTF Plan
\$15,000	\$548.85	3.66%	\$0.00	0.00%	\$548.85
\$17,888	\$983.73	5.50%	\$317.68	1.78%	\$666.05
\$25,000	\$1,766.05	7.06%	\$1,100.00	4.40%	\$666.05
\$35,000	\$2,866.05	8.19%	\$2,200.00	6.29%	\$666.05
\$45,000	\$3,966.05	8.81%	\$3,300.00	7.33%	\$666.05
\$60,000	\$5,854.45	9.76%	\$4,950.00	8.25%	\$904.45
\$70,000	\$7,154.45	10.22%	\$6,050.00	8.64%	\$1,104.45
\$80,000	\$8,454.45	10.57%	\$7,150.00	8.94%	\$1,304.45
\$90,000	\$9,754.45	10.84%	\$8,250.00	9.17%	\$1,504.45
\$100,000	\$11,054.45	11.05%	\$9,350.00	9.35%	\$1,704.45
\$120,000	\$13,654.45	11.38%	\$11,550.00	9.63%	\$2,104.45
\$150,000	\$18,139.27	12.09%	\$14,850.00	9.90%	\$3,289.27
\$200,000	\$25,639.27	12.82%	\$20,350.00	10.18%	\$5,289.27



Source: Saskatchewan Finance website, calculations by CTF

Two-Year Plan

The government could reach the goal in two years or four. In 2008, the basic exemption should be increased to \$12,000 and the top rate of 15 per cent should be eliminated. In 2009 the BPE could be raised to \$15,000 and the 13 per cent rate eliminated. In our submission last year, we calculated the following costs for these changes, amounts that would not have changed substantially since then.

Year one: Total Cost \$206.6 million

- Reducing the 15 per cent rate to 13 per cent: \$18.6 million
- Increasing the basic exemption to \$12,000: \$188 million

Year two: Total Cost: \$264 million

- Reducing the combined 13 per cent rate to 11 per cent: \$99 million
- Increasing the basic exemption from \$12,000 to \$15,000: \$165 million

Since recent estimates place this year's surplus at almost \$1 billion, these amounts remain quite feasible. In fact, the entire change could have been enacted by the province in a single year, let alone two.

A Four-Year Plan

A more cautious option would enact the change over four years. In 2008, the basic personal exemption (BPE) would rise to \$10,000, while the second income tax rate would fall by half a percent, and the highest rate would fall by a whole percentage point. In successive years, the BPE would continue rising, and the second and third rates would continue falling by the same rate. (Tax brackets would continue to be indexed to inflation). By 2011 all Saskatchewan taxpayers would enjoy an 11% single rate tax and a \$15,000 BPE.

Table 6: Four-year schedule for implementation of a single-rate tax

Year	BPE	1 st tax rate	2 nd tax rate	Begins	3 rd tax rate	Begins
2007	8778	11%	13%	\$38,405	15%	\$109,729
2008	10000	11%	12.5%	\$39,135	14%	\$111,814
2009	12000	11%	12%	Index	13%	Index
2010	13500	11%	11.5%	Index	12%	Index
2011	15000	11%				

It should be noted that most jurisdictions who have implemented single rate income taxes have seen net revenue growth over the medium to long term. Increased revenues have allowed Estonia to drop its flat tax to 21% in 2008, five percent less than its rate in 1994. This proposal is responsible and sustainable.

Recommendation 8

Phase in an 11 per cent single rate income tax and increase the basic exemption to \$15,000 over the next four years.

School Taxes

Over the years, the CTF has delivered more than 55,000 signatures calling for school tax relief. In recent times, concerns about high property taxes have eclipsed calls for income tax reductions. In fact, school taxes are overwhelmingly the highest priority for Saskatchewan CTF supporters.

Which Saskatchewan tax do you consider the most unfair and requires immediate reform?

School taxes	61%	Municipal	12%
Personal Income Tax	10%	Business Tax	2%
Gasoline or Fuel Taxes	10%	Provincial Sales Tax	5%

2007 CTF Supporter Survey

The Boughen Commission found that Saskatchewan has the highest reliance on property tax revenues to fund schools of any province. It also concluded that “Education property taxes are not as fair as other forms of taxation, particularly income and sales taxes” (Boughen Report, p. 5). It proposed that just 30 percent of education funding come from property taxes, instead of one half.

School boards in the Maritimes and British Columbia receive no funding from property taxpayers. Many of our supporters would welcome just such a move.

Should school taxes be taken completely off property assessment?

Yes	74%	No	11%	Undecided	15%
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2007 CTF Supporter Survey

Ontario and Alberta have shifted an increasing amount of school board funding off their local property tax base. In fact, the CTF advised the Boughen Commission that just 25 per cent of education funding should come from property taxes, and 75 per cent from general revenues. We maintain this position today.

The Saskatchewan Party’s proposal to increase property tax rebates would help us closer to balance. However, the province needs a structured and permanent plan for school property tax reductions that avoids a rebate system.

Table 7: Property Tax Revenues as a Percentage of School Board Spending

Year	PQ	ON	MB	SK	AB
1994-1995	9.67%	58.10%	29.01%	47.23%	10.42%
2000-2001	12.68%	39.48%	33.50%	51.12%	4.56%
2001-2002	12.64%	39.54%	33.40%	50.99%	4.58%
2002-2003	12.67%	39.49%	33.40%	50.98%	4.60%
2003-2004	12.66%	39.49%	33.41%	50.97%	4.61%

Source: Calculations based on Statistics Canada, Public Sector Finance Data 2004

Recommendation 9

Increase the provincial share of education funding to 75 per cent over four years.

PART VI: INNOVATION

School Funding

Saskatchewan school closures have been a hot topic in recent years. Declining enrollment led to the closing of many rural schools, despite the high school taxes paid by farmers in these areas. Parents also question the wisdom of some school closures in urban areas as well, believing their institutions either viable or could be made so.

The resentment and controversy over school boards could be mitigated by changing how schools are funded and allowing a greater role for independent charter schools.

One option is allowing taxpayers to direct education taxes not only towards the public system or separate Catholic system, but also towards private charter schools.

Another option would be to enact school voucher programs. In such a program, the government would give a voucher to parents equivalent to the amount it would cost to educate that child. If the parent decided a private school was better, they could put their money towards it. This resultant competition between public and private schools would make both better.

As the Fraser Institute's 1999 Report, "The Case for School Choice," noted in its executive summary,

Voucher programs, growing in number and popularity across the United States, are demonstrating three facts about education. First, many lower-income families rejoice at the opportunity vouchers give them to move their children into better schools. Second, students who use vouchers learn more than they would have if they had stayed in government schools. Third, government schools respond to vouchers by improving the quality and variety of programs they offer to the majority of children who remain.

This option would help education in both the public and private systems and provide an alternative to school closures. If a rural school cost \$8000 per student and faced closure, a private school could take its place. If the government decided the average cost to educate a student were \$5500 a semester, and parents were willing to pay the remaining \$2500, they could do so.

New Zealand has had a voucher system for more than 15 years. There, 97 percent report they are satisfied or very satisfied with the education received at their school. Denmark has also enjoyed similar success. Alberta presently gives

private schools sixty percent of the per-student funding it gives public schools. Test scores have placed Alberta students near the top internationally, giving even more credence to the value of student choice.

In November 2006, The Fraser Institute released its report “School Choice in Sweden: Lessons for Canada.” The report found that not only did education improve in independent schools, but the public system also got better. Less than 7 per cent of students went to independent schools, but the education for everyone improved.

The change devolved power from central government to parents by giving independent schools public funding for the first time. Today, 15 years later, Swedish private (or independent) schools receive funding that is roughly equal to public schools on a per-student basis. The Swedish experience with publicly funded, private, school choice offers many lessons for Canadian policy makers, particularly those in Ontario, Saskatchewan, and Atlantic Canada, areas that do not yet extend any financial support to children who attend private schools.

--“School Choice in Sweden: Lessons for Canada,” executive summary

Recommendation 10

Investigate options that would allow for school choice and flexible funding arrangements as an alternative to school closures.

Public/Private Partnerships

Renewing and expanding public infrastructure has become an increasingly important (and costly) emphasis. Whether done directly by the province, or through provincial funding of municipal projects, getting value for capital expenditures has never been more important.

To ensure that dollars are spent wisely, the government should make consideration of public-private partnerships (P3s) mandatory for large capital projects. P3s encourage innovation, collaboration, and appropriate risk sharing with the private sector, drawing on the expertise and strengths of the public and private sectors. They help maximize value for money by considering life-cycle costs, opportunities for third party provision of ancillary services (such as caretaking, food service, etc.) and third party revenue opportunities.

P3s also help ensure that infrastructure is delivered with cost certainty and within a set period of time. When properly structured, P3s place much of the risk of construction and operation costs onto the private sector. This ensures that the corporations involved build with high construction quality and operating efficiency. These agreements also ensure taxpayers will get a good return on public dollars invested.

Recommendation 11

Subject all public capital projects in Saskatchewan exceeding \$20-million to assessment as a public-private partnership (P3) in the planning stage to ensure that capital investments provide the best value-for-money for taxpayers.

PART VII: ACCOUNTABILITY REFORM

Fixed Budget Dates

By setting election dates for the first Monday of November, four years after the previous election, the government fulfilled the highest desire of our supporters for governmental reform. Budget dates should also be fixed in order to ensure “special warrants” are not used to fund government programs and to provide certainty to both taxpayers and organizations that depend on government to determine their own budgets. Special warrants are used to approve the spending of tax dollars without debate in the legislature. Political oversight should be a pre-requisite for spending public funds.

Budgets should be tabled before the end of February each year.

Which is the ONE most important democratic reform that needs to be implemented in Saskatchewan?

Fixed election dates	35%
Citizen-initiated referendums	17%
Recall legislation	12%
Voting reform	10%
Fixed budget dates	5%
Undecided/no answer	21%

2006 CTF Supporter Survey

Recommendation 12

Adopt fixed budget dates and do not use special warrants except in the event of a declared emergency.

Taxpayer Protection Legislation

The New Democratic Party promised in their 2003 election platform to “continue lowering taxes.” More specifically, they committed to lowering school taxes by “receiving the recommendations of the Boughen Commission on Funding K-12 Education.”

In the 2004 budget, the first after being re-elected, both of these commitments were ignored. The PST was increased while nothing was done to reduce school taxes. Since that time, school taxes have steadily increased.

The provincial government must be honest and accountable to the electorate. If taxes are to be increased, the government should seek consent from the electorate in the form of a formal policy announcement before a general election or a stand-alone referendum.

The onus should not be on taxpayers to justify why they should keep their own money. Instead, the onus should be on MLAs to justify why they need to take more money from taxpayers and get consent from them. Getting this consent ensures that the government has a true mandate for such increases.

Voter approval legislation exists in Alberta, but only applies to school boards and for implementing a sales tax. Prior to 2004, a referendum for tax increases was required in Ontario but was scrapped by Premier Dalton McGuinty when he broke his vow to not raise taxes by introducing a health care tax. Manitoba law requires a formal referendum before raising major taxes and that law has been honoured by the NDP government in that province.

Would you agree with legislation requiring a province-wide referendum in advance of raising taxes?

Yes	73%	Undecided	10%
No	10%	No Answer	6%

2006 CTF Supporter Survey

Recommendation 13

Require, in law, approval from the electorate before raising taxes, expanding taxes, or introducing new taxes.

Expand the Scope of the Provincial Auditor

During the recent election campaign, the Saskatchewan Party made a commitment to expand the powers of the provincial auditor to allow him to monitor third party service agreements. The CTF supports this move. A CBC report on Oyate House in 2006 sparked an investigation by the auditor. The 27 page report showed that the staff of the “safe house” did not have the expertise to help youth adequately and violated policy in their hiring practices. It also showed that some of the \$1 million the province had provided the house was misspent paying unauthorized honorariums to the board of directors. It should not take a televised report to force third party agreements to fall under provincial scrutiny. This practice should be done annually.

Under the 2002 Gaming Framework Agreement, The First Nations Trust receives money from gambling to fulfill social and economic objectives for Aboriginal people. It is required to annually submit an independent audit, but has never done so. Although the Trust received more than \$50 million over the past two years alone, the province does not know if the money is being properly spent.

In Volume 3 of his 2007 report, the provincial auditor writes, “Although the Department [of First Nations and Metis Relations] is entitled to and requests each year, it has not received from the Trust the necessary independent audit report on whether the money the trust receives is properly safeguarded and spent for the proper purposes. Without this report, the Department does not know if the Trust is spending money as required” (p. 16).

With the tools already at his disposal, the provincial auditor has already found reason for concern (pp. 160-161). Fifteen of the 75 agencies that received money from the Trust would not give the Trust required audit reports. The auditor also tells us that in 2005 one First Nation issued a Statement of Claim against the Trust alleging it made payments to someone for inappropriate purposes. To our knowledge, this issue before the courts has yet to be resolved.

Because repeated calls for an independent audit have gone unheeded year after year, the CTF further recommends that the provincial auditor be allowed to examine the books of the First Nations Trust.

Recommendation 14

Broaden the scope of the provincial auditor to examine public funds flowing to the First Nations Trust and ensure all third party service agreements are being complied with.

Office Expenses

After the federal sponsorship scandal came to light, the federal government required cabinet ministers, their staff, and senior public servants to post their office expenses online each quarter. The change in dining habits of many in Ottawa changed dramatically, forcing some upscale Ottawa establishments to go out of business.

In 2006-07, annual office expenses for Saskatchewan cabinet ministers ranged from \$79,292 to \$126,939, not counting the office equipment and furniture supplement. With such a disparity, taxpayers deserve to know more specifically how their money is being spent. This exposure would also bring about self-discipline to restrain extravagant spending.

Recommendation 15

Require cabinet ministers and their staff, as well as senior public servants, to post their office expenses: travel, hospitality, and supply and services online on a quarterly basis.

Severance Payments

The recent conclusion of the 16-year NDP era in Saskatchewan highlighted the need for a change in how severance payments are conducted. Seventeen MLAs who chose not to run again or lost their seats during the last election received more than \$900,000 in severance pay. Top civil servants fired by the NDP as it handed over the reigns of power were slated to receive \$4.6 million in severance. Estimates of severance for those fired by the Saskatchewan Party government are about \$4 million. The total for this severance pay is \$9.5 million, even though MLAs and top civil servants are among the highest wage earners in the province.

A pairing down is in order. Many Saskatchewan taxpayers could not hope to make the wages these MLAs receive, let alone such lucrative severance packages (if any at all). MLAs receive one month's pay for every year they have worked, with any portion of a year worked counting as a full year.

Currently, an MLA who served four years would receive \$27370 in transition pay. Under the CTF plan, an MLA who worked for four years would receive \$12,672.

Voters are especially disgruntled to see their MLA quit his or her seat to pursue business interests, federal politics, or other inadequate reasons. The recent resignation of Joan Beatty less than two months after her election is a prime example. Beatty, who spent four years and two months as the Cumberland MLA will receive a "transition allowance" of \$34,212.50.

The CTF believes that any MLA who resigns their seat for anything but a medical reason should forfeit their severance pay. It's the least they owe for undermining the confidence of voters in the democratic system. Not only would this change serve as a disincentive for MLAs to quit mid-term, it would also help offset the cost of unnecessary by-elections.

Recommendation 16

Limit transition payments for MLAs and civil servants to two weeks for every year served in office and abolish severance packages for MLAs who resign their seats for non-medical reasons.