

Reducing the school tax burden in Saskatchewan



Submission from the Canadian Taxpayer's Federation to the Commission
on Financing Kindergarten to Grade 12 Education

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit, non-partisan, education and advocacy organization. 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. In twelve years it has grown to become a organization with more than 60,000 supporters nation-wide.

The CTF's three-fold mission statement is:

1. To act as a watchdog on government spending and to inform taxpayers of governments' impact on their economic well-being;
2. To promote responsible fiscal and democratic reforms, and to advocate the common interest of taxpayers; and
3. To mobilize taxpayers to exercise their democratic responsibilities.

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 Centre for Aboriginal Policy Change dedicated to monitor, research and provide alternatives to current aboriginal policy and court decisions. Provincial offices and the Centre 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 official publication, *The Taxpayer* magazine, is published six times a year. 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 are not tax deductible.

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Introduction: The need for change

For decades the people of Saskatchewan have struggled with an onerous burden of school taxes. The interim report of the Commission on Financing Kindergarten to Grade 12 graphically illustrates the problem, making it redundant to say much more. The message is clear: school taxes on property are regressive, complicated, unfair, and are damaging to Saskatchewan's overall tax competitiveness.

CTF supporters have told us time and again that their tax burden is increasing. Seventy-five per cent of our supporters respond that taxation at the local level (including school taxes) have increased over the last two years. And they're right. Between 1997 and 2002, the total property tax take in Saskatchewan increased by 20 per cent province-wide. During that time, school taxes on agricultural land increased by 26 per cent. Further statistics documenting the upward trend in local taxation are available in the Commission's interim report.

When it comes to school taxes, our supporters have been consistent for years, and the CTF has spoken out on their behalf. We've made repeated submissions to the government, speeches to audiences across the province, and collected thousands of signed petitions advocating for lower school taxes. Our most recent petition and submission to the government called for a Review Commission on K-12 financing. We're pleased to see this come to fruition, and are encouraged by the Commission's interim report.

Eighty-nine per cent of surveyed CTF supporters in Saskatchewan agree that schools should be funded by taxes other than property taxes. If given a choice of tax relief in any form, 53 per cent indicate school taxes would be their first priority. Over the last few years, the CTF has delivered 31,352 signed petitions to the Legislative Assembly calling for school tax reform.

There is no doubt that school taxes must be dramatically reduced. The only way this tax reduction can occur is by shifting education funding from the property taxpayer to the province's General Revenue Fund (GRF). But this shift must take place while recognizing and enhancing local autonomy at the school board level.

In this submission, we will outline our recommendations for reducing school taxes in a fair, equitable and sustainable manner.

We thank the Commission for their work to date, and urge them to make strong recommendations to government aimed at reforming education funding in Saskatchewan.

The Goal: Increase the provincial share of education funding to 75 per cent over three years

We agree with other contributors to the *Interim Report* that schools should be funded entirely from existing provincial revenues, and not from property taxpayers. Any new policy implemented by the province should have as their ultimate goal the complete elimination of school taxes on property.

We also understand that current financial practices and economic circumstances limit the province's ability to achieve this goal in the short term. That being said, school tax relief has to be made the highest priority of the government of Saskatchewan.

We recommend that, over the next three years, 75 per cent of school funding should come from the province's General Revenue Fund (GRF). The remaining 25 per cent should be funded by property taxpayers.

At present, Saskatchewan has the highest school board reliance on property tax revenues of any province. School boards in Newfoundland, Nova Scotia, PEI, New Brunswick and British Columbia receive almost no funding from property taxpayers. Alberta and Ontario have shifted an increasing amount of school board funding off of their local property tax base.

Property Tax Revenues as a Percentage of School Board Spending

Year	NL	PEI	NS	NB	PQ	ON	MB	SK	AB	BC
1994-1995	0.00%	0.00%	0.00%	0.00%	9.67%	58.10%	29.01%	47.23%	10.42%	0.00%
1995-1996	0.00%	0.00%	0.00%	0.00%	9.92%	60.47%	29.43%	48.83%	5.08%	0.00%
1996-1997	0.00%	0.00%	0.00%	0.00%	10.51%	62.67%	30.87%	49.15%	5.29%	0.00%
1997-1998	0.00%	0.00%	0.00%	0.00%	12.31%	63.50%	31.31%	50.25%	4.95%	0.00%
1998-1999	0.00%	0.00%	0.00%	0.00%	13.71%	40.88%	31.85%	49.71%	4.91%	0.00%
1999-2000	0.00%	0.00%	0.00%	0.00%	13.84%	40.60%	33.12%	51.59%	4.48%	0.00%
2000-2001	0.00%	0.00%	0.00%	0.00%	13.81%	41.34%	32.98%	52.69%	4.52%	0.00%
2001-2002	0.00%	0.00%	0.00%	0.00%	13.72%	41.85%	32.89%	52.93%	4.54%	0.00%
2002-2003	0.00%	0.00%	0.00%	0.00%	13.73%	41.84%	32.73%	52.55%	4.56%	0.00%

Source: Calculations based on Statistics Canada, Public Sector Finance Data 2003

Since 1998-1999, reliance on school taxes in other provinces has remained stable. Saskatchewan's reliance on school taxes has skyrocketed.

Achieving the 75/25 GRF to property tax ratio would require a reallocation of \$350 million. This would mean the provincial budget for education spending would rise to \$1.6 billion. Overall school board spending would remain the same at \$1.2 billion. We recommend the shift take place over three years, moving from the current 53 per cent to a target of 75 per cent in three years. The annual cost would therefore require an additional \$117 million in provincial education spending each year.

The province should move to a provincial per pupil funding rate of about \$5,075. This would enrich the existing provincial funding, but would not change overall school board funding per pupil.

Snapshot of Education Funding in Saskatchewan: 1994-2002

	School Board Spending (\$ million)	School Board Property Tax Revenues (\$ million)	School Board Total Transfers (\$ million)	Total Local Property Taxes (\$ million)		Total Provincial Education Spending (\$ million)	Provincial K-12 Education Spending (\$ million)
1994-1995	1,016.1	479.9	526.8	936.3		1,197.0	542.0
1995-1996	1,026.3	501.1	525.6	957.2		1,239.0	520.0
1996-1997	1,043.7	512.9	533.4	987.4		1,237.0	527.0
1997-1998	1,083.2	544.3	546.7	1,053.1		1,251.0	533.0
1998-1999	1,113.3	553.5	544.9	1,084.2		1,322.0	551.0
1999-2000	1,139.3	587.7	534.9	1,127.5		1,403.0	563.0
2000-2001	1,147.3	604.6	526.6	1,164.6		1,495.0	586.0
2001-2002	1,187.8	628.7	546.1	1,197.6		1,485.0	604.0
2002-2003	1,213.0	637.4	567.7	1,229.0		1,452.0	594.0

Source: Statistics Canada, Public Sector Finance Data 2003

**Comparison of Actual Per Pupil Funding and
Per Pupil Funding in CTF's 75% Scenario
1994-1995 – 2001-2002**

Year	Total School Board Per Pupil Spending	Total School Board Per Pupil Spending (in 2002 dollars)	CTF's 75% Provincial Funding Per Pupil	CTF's 75% Provincial Funding Per Pupil (in 2002 dollars)
1994-1995	\$5,203.32	\$6,027.49	\$3,839.30	\$4,447.35
1995-1996	\$5,273.78	\$5,980.25	\$3,897.04	\$4,418.85
1996-1997	\$5,383.12	\$6,016.90	\$3,991.58	\$4,462.09
1997-1998	\$5,628.37	\$6,167.74	\$4,185.43	\$4,586.35
1998-1999	\$5,838.93	\$6,339.95	\$4,347.79	\$4,721.03
1999-2000	\$6,041.12	\$6,493.39	\$4,504.08	\$4,841.29
2000-2001	\$6,218.76	\$6,489.15	\$4,640.05	\$4,841.56
2001-2002	\$6,558.78	\$6,678.15	\$4,897.49	\$4,985.96
2002-2003	\$6,829.98	\$6,829.98	\$5,098.69	\$5,098.69

Source: Calculations based on Statistics Canada, Public Sector Finance & Saskatchewan Learning, Annual Report, Enrollment statistics.

Shifting to the CTF's 75/25 funding formula would dramatically reduce property taxes. School board property taxes account for more than half of all local property tax revenues. Any move away from funding education on property taxes would provide substantial tax savings at the local level.

Any changes to the school funding formula must come from a reallocation of government spending. If this shift was placed entirely on Saskatchewan's already dwindling personal income tax base, income tax rates would increase by 10.2 per cent. Achieving the 75/25 ratio would require a total reallocation of approximately \$350 million, which is equivalent to five per cent of government program spending. Given the current challenges being faced by health, education, infrastructure and agriculture, we recommend a nine per cent reallocation from lower-priority program areas.

Recommendations for spending reallocations

3 - Year Phase in of \$350 million	Current	Year 1
Amount to be reallocated		\$ 117.0
Envelopes slated for reallocation:		
Social Services	\$ 606.0	\$ 551.0
Protection and Public Safety	\$ 309.5	\$ 281.4
Environment	\$ 161.5	\$ 146.9
Northern Affairs	\$ 5.5	\$ 5.0
Research & Management	\$ 25.3	\$ 23.0
Corporate Welfare	\$ 149.4	\$ 135.8
Legislature	\$ 28.4	\$ 25.9
Total:	\$ 1,285.7	\$ 1,169.0

Source: Calculations based on Saskatchewan Budget 2003

In opting for a three-year reallocation of spending, Saskatchewan's overall property taxes would decline by between 25 and 29 per cent. This would be a substantial tax reduction benefiting those with fixed incomes and agricultural producers struggling with adverse market conditions. At the end of each year, our suggested reforms would save each and every Saskatchewan resident \$345.

Benefits of property tax reductions

	Percentage Reduction	Per capita	Property Tax Savings: Residential Classification	Average Savings per home	Property Tax Savings: Agricultural Classification	Property Tax Savings: Business Classification
	Overall Property Taxes	Property Tax Reduction	(\$ million)		(\$ million)	(\$ million)
02-03	28.28%	\$343.56	149.5	\$295.46	86.9	102.9

Source: Calculations based on Statistics Canada, Public Sector Finance, Government of Saskatchewan, Municipal Tax Survey Data.

The funding formula

Implementing a per-pupil funding formula would allow for a more efficient allocation of resources to where they are most needed. Essentially, funding would follow the student. Areas with increases in student population would see a corresponding increase in school funding. The remaining 25 per cent of funds would continue to come from local property taxes, thereby maintaining local autonomy.

Conclusion

There is no doubt from the Commission's interim report that there is province-wide consensus on one thing: the burden school funding must shift away from the property taxpayer. The only question remaining is how to reduce them, and by how much.

The challenges facing the province are well documented. The province's economy has historically lagged behind most other provinces. Saskatchewan's population is in slow, but steady decline. The best thing this government can do is to lift the burden of taxation off the most fundamental component of the Saskatchewan economy – farmers. Of course,

across the board reduction in school taxes would benefit all Saskatchewan residents, but the impact would be most appreciated by our agricultural producers.

The question from critics will undoubtedly be “how can we afford these changes?” The simplest answer is that we can’t afford inaction. Another cliché is “where there’s a will, there’s a way.” The Government of Saskatchewan has to make property tax reduction their highest public policy objective in 2004 and make it a reality.

It’s important to note that since 1997, program spending has increased by \$2.5 billion or 43 per cent, while the population has declined. In contrast, provincial spending on education has increased by only 14 per cent. These figures poignantly illustrate that Saskatchewan has rapidly and irresponsibly increased government spending on the backs of the property taxpayer. This trend must be reversed.

From 1997 to 2003, revenues from natural resources and taxes have increased by \$579 million or 14 per cent. Total revenues over that time increased by more than \$1.2 billion. We estimate that with a 2.4 per cent annual growth in own-source revenue, the province can achieve the 75/25 funding ratio without having to make spending re-allocations in the second and third years of the plan.

We can afford to do this, now we need the political will to make the necessary changes.

Now is the time for our government to move toward making Saskatchewan a more competitive jurisdiction to live, work and do business. Reducing school taxes on property would be a great first step.