

Fostering a prosperous and sustainable second century

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2005 CTF Pre-Budget
Submission

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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 61,000 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 Centre for Aboriginal Policy Change in Calgary 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 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

Recommendation 1:

Reduce government spending and control the cost of the public sector to ensure balanced budgets and allow for targeted tax reductions.

Recommendation 2:

Privatize Saskatchewan Transportation and purchase the required services to meet social policy objectives.

Recommendation 3:

Begin a formal, long-term process aimed at exploring new models of healthcare delivery and allow the establishment of a parallel private health system.

Recommendation 4:

Establish a measurable plan to increase the provincial share of education funding to 75%.

Recommendation 5:

Increase the Basic Personal Exemption to 15,000 over five years.

Recommendations 6:

Privatize liquor retail operations in order to save taxpayers \$8 million annually and create hundreds of new businesses and jobs.

PART II: INTRODUCTION

In this report, the CTF asks that the government adopt new approaches and a new way of thinking. We ask that government refocus on core priorities, re-double their efforts to control spending and consider public-private partnerships in all areas of government service.

We recommend these changes because we recognize the inevitability of a budget crisis in Saskatchewan and understand the urgent need to make Saskatchewan a more competitive jurisdiction.

Government spending has increased at a pace that exceeds inflation and revenue growth. The accumulated deficit of the General Revenue Fund alone has increased by more than \$1 billion since 2001. Over that period, revenues increased by seven per cent while spending increased by nearly 17 per cent.

In defending this startling trend, Premier Calvert evokes the “feel good” touchstones of health, education and agriculture. While it is true that agriculture and health care (certainly not education, as education funding has remained relatively stagnant for the past decade) are major cost drivers for the government, this fact does not absolve the government of its responsibility to be prudent stewards of the public purse.

While agriculture and health costs soar, the province should be examining how to reduce costs in those areas. And all other programs must come under enhanced scrutiny as priorities warrant. This was not done. Millions have been frittered away on subsidies, failing business schemes and embarrassing court rulings against the government. In spite of the historic challenges facing the public treasury, it has been “business as usual” for the government.

Under Premier Calvert, the provincial public service has grown by 8.4 per cent, adding nearly 5,000 people to the government payroll to serve a shrinking population. If this is the government’s answer to calls for job growth, it isn’t working. Our average annual job growth over the past decade ranks dead last among the provinces.

Rising government spending inhibits the government from making necessary tax reductions to help stimulate the economy, and, ironically, grow government revenues. In fact, taxes increased in 2004, a year in which the government generated near-record high revenues.

In this report we make recommendations aimed at slowing the growth of the public sector in Saskatchewan, controlling spending, and reducing the tax burden on Saskatchewan residents.

While the government argues that modest personal income and school tax reductions demonstrate significant progress toward lower taxes, we disagree. Lifting the burden of taxation off the people and businesses of this province is precisely what is needed to cure our appalling lack of growth over the last 50 years.

We are encouraged by the premier’s recent hints at reducing the corporate capital tax (a recommendation we have made in past submissions). We encourage the government to act swiftly and decisively to begin the process of change.

PART III: SASKATCHEWAN'S ECONOMIC PROSPECTS

Saskatchewan's economy has performed reasonably well over the last few years. A strong oil and gas sector has boosted the overall value of the province's economy and that trend will likely continue in the next few years. Ten years ago, Gross Domestic Product (GDP) per capita was \$29,000 (adjusted for inflation) but it is expected to have risen by almost 28 per cent to \$37,000 today. Table 1 depicts key economic forecasts for the next three years.

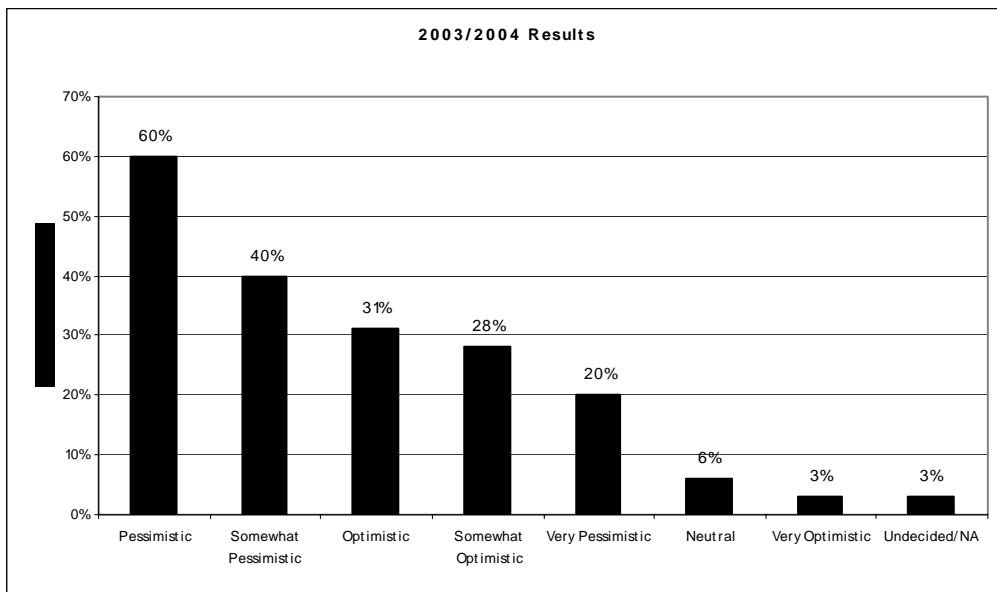
Table 1: Select Economic Indicators -- Projections for 2003 through 2006

Year	Real GDP	Nominal GDP	Consumer Price Index	Employment (increase)	Retail Sales
2003	4.5%	7.1%	2.3%	1.0%	3.8%
2004	3.1%	5.7%	1.9%	0.8%	2.5%
2005	3.0%	4.5%	1.9%	1.1%	3.5%
2006	2.8%	4.8%	1.7%	0.7%	4.5%

Source: TD Economics, Provincial Update December 2004 and BMO Economics, Provincial Forecast December 2004

In stark contrast to the figures outlined above, Saskatchewan residents are not seeing the benefits of this strong growth. The 2003/04 CTF Supporter Survey shows that the majority of Saskatchewan CTF supporters were pessimistic about the province's future.

Based on your own experiences of the past few years, how do you currently feel about Saskatchewan's future?



There are two explanations for the overwhelming pessimism in Saskatchewan. Particularly discouraging is the decline in population that has occurred since reaching a peak of 1,025,000 people in 1999 dropping to 995,000 in 2003.

Saskatchewan's employment growth record is abysmal. According to the December, 2004 edition of Douglas Elliott's *Sask Trends Monitor*, Saskatchewan's 0.7 per cent employment growth in 2004 was the lowest in Canada, and a full percentage point lower than the Canadian average. Over the past decade, our average employment growth is also dead last.

Demographic Challenges

Perhaps more disturbing is Saskatchewan's population decline within a national context. In total, Canada's population has increased – with only the Atlantic provinces and Saskatchewan experiencing actual population decline.

Table 2: Net Provincial Migration by Province 1991- 2003

Year	NFLD	PEI	NS	NB	PQ	ON	MB	SK	AB	BC
1991-1992	-1,669	-237	306	-253	-12,552	-11,045	-7,641	-8,481	2,983	38,004
1992-1993	-3,078	654	96	-1,402	-8,420	-14,189	-5,544	-6,348	-1,181	40,099
1993-1994	-4,952	622	-1,887	-671	-8,758	-9,420	-4,614	-5,431	-1,630	37,871
1994-1995	-6,974	349	-2,741	-813	-8,947	-2,841	-3,220	-3,652	-556	29,291
1995-1996	-7,436	638	-1,245	-369	-12,626	-2,822	-2,566	-2,161	7,656	22,025
1996-1997	-8,134	136	-1,648	-1,263	-17,436	1,977	-5,873	-2,794	26,282	9,880
1997-1998	-9,490	-416	-2,569	-3,192	-16,958	9,231	-5,276	-1,940	43,089	-10,029
1998-1999	-5,695	193	201	-1,244	-13,065	16,706	-2,113	-4,333	25,191	-14,484
1999-2000	-2,510	979	665	524	-16,343	19,818	-1,290	-6,298	11,793	-7,153
2000-2001	-2,452	137	-851	-753	-15,414	18,069	-4,455	-3,424	7,652	2,088
2001-2002	-2,510	683	-1,266	-871	-8,432	7,266	-5,298	-8,635	26,740	-6,994
2002-2003	-14	571	777	-628	-1,722	-1,814	-1,189	-4,223	12,081	-4,591
2003-2004 ^P	-1,980	299	-842	-691	-1,474	-8,793	-2,095	-2,091	10,902	7,333

Source: Statistics Canada Demographic data 2004

In each year since 1991 Saskatchewan has experienced a net out-migration – the only other province where this has happened is Newfoundland and Labrador. That is a total of 59,811 residents who decided their future was better elsewhere. Saskatchewan is losing its tax base because the people who are leaving are productive citizens entering their prime earning years. Something must be done to reduce the rate of out migration. We cannot continue to lose 4.8 people for every 1,000 of us – the same rate Alberta is gaining.

PART IV: REDUCING GOVERNMENT SPENDING

While the 2004/05 budget year will likely result in a significant surplus, the consensus is this is a temporary phenomenon. Our good fortunes this year arise from one-time equalization money from the federal government and historically high resource prices.

Relying on the recurrence of good fortune for future surpluses is foolhardy. To ensure we do not continue to run deficits, and to usher in needed economic reforms, government must reduce spending. Simply put, government must look for ways to save money. For this province, the best way to ensure long term sustainability is to reduce the size of government.

Recommendation 1:

Reduce government spending and control the cost of public sector to ensure balanced budgets and allow for targeted tax reductions.

Table 3: Provincial Public Sector Employment in Saskatchewan 1989 to 2004

Year	Provincial Public Sector Employment	Total Cost (\$ million)	Average Wage	Total Provincial Employment (Thousands)	Public Sector as Percentage of Total	Public Sector Wages as Percentage Of Spending
1989	67,475	1,825	\$ 27,054	456.0	14.8%	42.8%
1990	71,283	1,879	\$ 26,365	454.3	15.7%	37.5%
1991	70,245	1,923	\$ 27,369	453.4	15.5%	40.1%
1992	68,858	1,897	\$ 27,544	448.5	15.4%	38.3%
1993	68,020	1,914	\$ 28,139	450.8	15.1%	38.8%
1994	65,586	1,907	\$ 29,073	455.7	14.4%	37.0%
1995	64,789	1,953	\$ 30,147	459.4	14.1%	38.0%
1996	66,882	1,990	\$ 29,749	457.5	14.6%	39.0%
1997	65,148	2,014	\$ 30,912	470.0	13.9%	39.3%
1998	67,103	2,099	\$ 31,279	476.3	14.1%	37.6%
1999	68,354	2,157	\$ 31,554	480.1	14.2%	37.4%
2000	69,262	2,346	\$ 33,872	485.0	14.3%	39.6%
2001	70,998	2,485	\$ 35,003	472.4	15.0%	39.2%
2002	72,273	2,504	\$ 34,651	481.4	15.0%	39.3%
2003 ^P	76,226	2,813	\$ 36,905	486.8	15.7%	42.1%
2004 ^Q	76,979	n/a	n/a	489.5	15.7%	n/a

Table 3 provides a snapshot of public sector employment trends. However, this chart does **not** include doctors or education employees, but **does** include the crown sector. Health and education will be discussed more thoroughly later in this report. Table 3 clearly shows that past governments have restrained public sector spending, both in terms of the size of the public sector and overall wages.

In no uncertain terms, total provincial public sector employment has skyrocketed since hitting a low in 1995. Government employment grew by 7 per cent during the last half of Roy Romanow's tenure, which grew the civil service by almost 5,000. In the first four years of the Calvert government, the civil service grew by an additional 8.4 per cent.

As a percentage of overall General Revenue Fund spending, the most significant increase has occurred since Roy Romanow left office.

It's important to note that Saskatchewan's declining population means more civil servants have been hired to service fewer people. In addition, improvements in technology and business practices should lead to an overall reduction in the civil service, but that has not been the case.

If growing the civil service is part of a government strategy to increase employment in Saskatchewan, it isn't working. As mentioned earlier, Saskatchewan's average job growth over the past decade ranks last among all provinces. The growth of the civil service has significantly increased the percentage of tax dollars going toward salaries, and has done nothing to improve Saskatchewan's labour market.

As a percentage of total employment, Saskatchewan has the highest proportion of public sector workers in Canada.

Table 4: Three Scenarios for Saskatchewan's Public Sector Employment and Costs

Year	Provincial Public Sector Employment	Total Cost (\$ million)	Average Wage	Public Sector as % of Total	Savings (\$ million)	Public Sector Wages as % Of Spending
2004 ^{CTF}	73,131	2,699	\$ 36,905	14.9%	114	39.9%
2004 ^B	76,979	2,980	\$ 38,715	15.7%	-167	44.0%
2004 ^{HL}	65,148	2,363	\$ 36,273	13.3%	450	34.9%

Table 4 illustrates three scenarios for the size and cost of the public sector. The status quo (B) would result in an additional cost of \$167 million if projected numbers of provincial employees do not decline while wages increase with inflation. If wages and employment are both brought down to the historical low (HL) experienced over the last thirteen years (1997), then wage levels from 1990, adjusted for inflation, matched with 2003 projected public sector employment would result in \$450 million in savings. Finally, if the CTF's recommendations are adopted, wages would be frozen, while overall staffing levels would decline by a target of five per cent (which would role back government employment to 2002 levels).

It is critical to note that the provincial employment figures in Table 4 do not reflect the cost of doctors, teachers and other school board employees. Those figures are broken out in more detail later in this report.

The CTF also recommends spending reductions that would save taxpayers \$150 million annually. Some spending reductions could come in the form of eliminating direct subsidies to business. For example, the Film Employment Tax Credit should be immediately scrapped in order to save \$15-20 million annually.

The government must also look at streamlining the crowns in order to increase their contributions to the province's General Revenue Fund. Crown Corporations should abandon out-of-province investments and divest non-core assets. Sasktel's SecurTek would be a good candidate for divestiture.

Do you agree with direct government investment in the Saskatchewan economy and elsewhere?

7%	Yes
77%	No
16%	Undecided

2004/05 CTF Supporter Survey

Privatize Saskatchewan Transportation Corporation

Money-losing crowns such as Saskatchewan Transportation Corporation (STC) should be wound down and offered and privatized. In the five year period between 1999 and 2003, CIC provided STC with a total of \$9.7 million in operating grants and \$10.1million in capital grants. Over that same five year period, STC posted operating losses totaling \$17,999,000.

Table 5: STC Financial Performance 1999 – 2003

(Note: 2004 STC Annual Report will be released in April 2005)

	Operating Loss	Operating Grant	Capital Grant
2003	\$ 4,578,000	\$ 1,600,000	\$ 1,900,000
2002	\$ 4,039,000	\$ 2,400,000	\$ 2,400,000
2001	\$ 3,389,000	\$ 2,000,000	\$ 1,900,000
2000	\$ 2,918,000	\$ 1,750,000	\$ 1,900,000
1999	\$ 3,075,000	\$ 1,980,000	\$ 2,000,000
Total	\$ 17,999,000	\$ 9,730,000	\$ 10,100,000
Note: Operating deficit includes operating loss plus depreciation			

Source: STC Annual Reports, 1999 - 2003

Privatizing STC does not mean abandoning the social policy objective of ensuring services to remote, rural areas. The province should purchase these services through an open tender. This would provide government with something STC does not – cost certainty.

Recommendation 2:

Privatize Saskatchewan Transportation and purchase the required services for social policy objectives.

Unsustainable Health Care Spending

There is no larger provincial budget item than health care. Spending in this area has steadily increased over the last five years and now is poised to account for 40 per cent of all spending. Certainly Saskatchewan taxpayers have expressed a preference for more health care spending, and our government has obliged increasing spending every year.

Table 6: Saskatchewan Health Spending 1989 – 2004
(\$ million)

Year	Total Spending	Health Spending	Health as % of Total
1989-1990	\$4,266	\$1,372	32.1%
1990-1991	5,009	1,533	30.6%
1991-1992	4,800	1,598	33.3%
1992-1993	4,958	1,553	31.3%
1993-1994	4,928	1,496	30.4%
1994-1995	5,148	1,539	29.9%
1995-1996	5,141	1,561	30.4%
1996-1997	5,096	1,608	31.6%
1997-1998	5,127	1,677	32.7%
1998-1999	5,575	1,775	31.8%
1999-2000	5,773	1,956	33.9%
2000-2001	5,921	2,026	34.2%
2001-2002	6,338	2,200	34.7%
2002-2003	6,374	2,343	36.8%
2003-2004	6,688	2,522	37.7%
2004-2005 ^P	6,770	2,701	39.9%

Beginning with the 2005 budget, Saskatchewan must begin a long-term program of finding new efficiencies in the health care system. The first step should be to introduce competitive tendering for services within the health system. The government should further consider public-private partnerships for all health services – including the ownership and operation of hospitals.

It is interesting to note that the British Columbia government is now saving \$66 million a year in the health care sector by outsourcing services such as food preparation, security and cleaning.

In both the health care and education sectors, spending is largely dictated by salaries to public sector employees. In health care alone, 58 per cent of spending goes to salaries and benefits. Every time wages increase, taxpayers are paying more without receiving more services in return.

The largest single expense in the health system is the health care worker pay roll. At nearly a billion dollars annually, we can not address rising health costs without paying close attention to the payroll. However, we do not recommend reductions in salary or staffing levels for doctors, nurses, or technologists as this would only worsen the current shortage. All other expenditures ought to be intensely scrutinized.

Table 7: Labour Costs as a Percentage of Health Spending

	Average Payment (Dollars)	Average Number	Total Cost (\$ Million)
Family Medicine	197,037	807	159.0
Medical Specialists	238,180	296	70.4
Surgical Specialists	328,800	222	73.0
Total	n/a	1,325	302.4
Health Care Workers	26,983	35,881	968.2
Total Payroll as Percentage of Health Care Budget:			57.8%

Based on 2001-2002 CIHI National Physician Database & Statistics Canada Public Sector Database

If current spending and revenue patterns continue, as early as 2014 provincial spending on health will account for more than one half of all spending. The provincial government is constrained by the 1984 Canada Health Act, but should look for ways to reduce spending. The province's Fyke commission on health care made a good start in proposing avenues for finding more efficiency in the health system. To date many of the commissions recommendations have been implemented, but spending continues to increase.

At some point in the near future, the province's failure to provide timely health services will cease being an economic issue and become a civil liberties issue. The province must not restrict an individual's ability to obtain medically necessary health services. The government must not stand in the way of the development of a parallel private health care system given that the province is unable provide timely services under the rationed government monopoly model.

Ignoring skyrocketing health costs is irresponsible. The consequence of inaction on health spending is obvious. Within the next decade our health system will deteriorate further. Economic situations beyond our control (such as drought, trade disputes, and the cyclical nature of oil and gas prices) will negatively impact Saskatchewan's ability to finance the health system. Public confidence in the system will wane as a result of declining services and dangerous waiting times. Overworked and over-regulated health professionals will seek better career opportunities in other provinces or foreign countries.

Saskatchewan is proud of being the "birth place of medicare." Now we need to change our approach so that one day we will be known as the "birth place of *sustainable* medicare."

Recommendation 3:

Begin a formal, long-term process aimed at exploring new models of healthcare delivery and allow the establishment of a parallel private health system.

PART V: CUTTING TAXES

In recent years, concerns about high property taxes have eclipsed calls for income tax reductions. Although still of concern to CTF supporters, calls for personal income tax reductions represent nowhere near the volume of calls for reductions in school and property taxes by more than two to one. Below are the results from the *2004/05 CTF Supporter Survey*:

If provincial taxes were to be cut, which ONE tax would you give the highest priority to reducing or eliminating?

39%	School Taxes
17%	Personal Income Tax
16%	Municipal property taxes
10%	Gasoline or fuel taxes
8%	Provincial sales tax
2%	Business tax
1%	Liquor/Tobacco Taxes
7%	Undecided

2004/05 CTF Supporter Survey

It is well documented 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.

Table 8: 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%
2000-2001	0.00%	0.00%	0.00%	0.00%	12.68%	39.48%	33.50%	51.12%	4.56%	0.00%
2001-2002	0.00%	0.00%	0.00%	0.00%	12.64%	39.54%	33.40%	50.99%	4.58%	0.00%
2002-2003	0.00%	0.00%	0.00%	0.00%	12.67%	39.49%	33.40%	50.98%	4.60%	0.00%
2003-2004	0.00%	0.00%	0.00%	0.00%	12.66%	39.49%	33.41%	50.97%	4.61%	0.00%

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

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

To alleviate this strain on property taxpayers, the CTF recommended to the Boughen Commission that a 75/25 General Revenue Fund (GRF) to property tax ratio be adopted. 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 cost this year would therefore require an additional \$117 million in provincial education spending. However, this could be mitigated by declining enrollment as the CTF's recommendation is based on a provincial per pupil funding rate of about \$5,075. Any change in the number of pupils would therefore either increase or decrease the province's education budget.

The establishment of the Boughen Commission was a positive first step toward reducing school taxes. In past submissions we called for such a commission, and over the years we submitted in excess of 35,000 signatures supporting our policy. We're proud that the province adopted our proposal, but disappointed in how the commission's recommendations have been adopted.

Recommendation 4:

Establish a measurable plan to increase the provincial share of education funding to 75%.

The decision to amalgamate school boards is questionable. While we recognize that having fewer school boards may even out inequities across the province, we have been given no reason to believe any cost savings for taxpayers will be realized. In addition, increasing the PST was a poor decision in light of the fact that government revenues are higher now than they ever have been, and that Saskatchewan is not a competitive jurisdiction in terms of taxation.

Half of Saskatchewan CTF supporters do not support the current plan to amalgamate school boards.

Do you agree with the government plan to amalgamate school boards?

29%	Yes
50%	No
21%	Undecided

2004/05 CTF Supporter Survey

This year's announced school tax rebate was also a positive development. The \$55 million this year and next inch us closer to the CTF goal of a 75/25 ratio, but the province needs a long term plan for reductions.

Table 9: Wages as a Percentage of Education Spending

Year	Employees	Total Wages (Millions)	Average Wages	Total Education Spending (Millions)	Wages as a % of Spending
1995	20,825	645	30,965	1,026	62.83%
1996	21,306	651	30,566	1,044	62.40%
1997	21,353	668	31,267	1,083	61.64%
1998	21,199	700	33,038	1,113	62.91%
1999	21,140	726	34,358	1,139	63.75%
2000	21,334	763	35,780	1,180	64.68%
2001	19,931	774	38,832	1,200	64.52%
2002	19,884	817	41,078	1,217	67.13%
2003	19,871	n/a	n/a	1,241	n/a
2004	21,610	n/a	n/a	n/a	n/a

Based on Statistics Canada Public Sector Database

As with health care, the majority of education dollars are spent on salaries. If we are to ensure that as many tax dollars as possible go toward teaching and help address rising school taxes on property, we must look closely at salaries. Between 1995 and 2002, the average salary rose by 33 per cent, resulting in an increase in the percentage of education spending earmarked for salaries. Our concern is that, as it stands, taxpayers are paying more each year for the exact same service as they had in previous years. The only difference is that school board staff are getting paid more.

The amalgamation of school districts holds some promise for cutting administration costs in that larger divisions have significant buying power. However, reductions in administration costs are insignificant when compared to payroll costs. There have been no indications from government that amalgamation will reduce any costs, let alone payroll.

Table 10: Personal Income Tax Paid

\$15,000 of Income – No Dependants

Year	Fed	BC	AB	ON	PQ	NS	NB	SK	PEI	MB	NL
2004	1,991	2,323	2,336	2,356	3,054	2,512	2,592	2,631	2,633	2,681	2,684
2005	1,966	2,285	2,292	2,314	2,315	2,486	2,554	2,577	2,607	2,655	2,658
Rank:		1	2	3	4	5	6	7	8	9	10

\$35,000 of Income – No Dependants

Year	Fed	ON	BC	AB	NS	NB	PEI	SK	MB	NL	PQ
2004	6,356	7,914	8,546	8,707	8,784	8,903	8,991	9,043	9,212	9,318	10,198
2005	6,325	8,130	8,479	8,658	8,815	8,831	8,961	8,984	9,182	9,287	9,662
Rank:		1	2	3	4	5	6	7	8	10	10

\$45,000 of Income – No Dependants

Year	Fed	ON	BC	AB	SK	PEI	NS	NB	MB	NL	PQ
2004	8,705	11,168	11,800	12,039	12,660	12,703	12,464	12,717	12,942	13,265	14,161
2005	8,663	11,521	11,719	11,975	12,563	12,658	12,630	12,631	12,897	13,219	13,648
Rank:		1	2	3	4	5	6	7	8	9	10

\$60,000 of Income – No Dependants

Year	Fed	ON	BC	AB	SK	PEI	NS	NB	MB	NL	PQ
2004	12,005	15,842	16,472	16,839	17,910	18,160	17,789	18,240	18,342	19,004	20,103
2005	11,963	16,343	16,392	16,775	17,813	18,115	18,186	18,154	18,297	18,958	19,561
Rank:		1	2	3	4	5	6	7	8	9	10

\$80,000 of Income – Family of Four One Income

Year	Fed	AB	BC	ON	SK	NB	PQ	NS	MB	PEI	NL
2004	14,656	19,521	20,609	20,468	21,202	22,404	24,684	21,837	22,533	22,756	23,877
2005	14,438	19,502	19,504	19,648	20,612	21,564	21,649	21,719	21,805	21,939	23,082
Rank:		1	2	3	4	5	6	7	8	9	10

\$80,000 of Income – Family of Four Two Incomes

Year	Fed	ON	BC	AB	NS	NB	SK	PEI	MB	PQ	NL
2004	13,997	16,955	18,218	18,619	19,121	19,493	19,576	19,567	20,027	22,232	20,455
2005	13,851	17,378	17,925	18,360	19,171	19,189	19,274	19,346	19,805	19,973	20,233
Rank:		1	2	3	4	5	6	7	8	9	10

When compared to other provinces, Saskatchewan's Personal Income tax regime is in the middle of the pack. However, lower and mid income earners suffer under a heavier burden than is the case in most other provinces. This is particularly evident in the case of wage earners below \$35,000 and for families with two earners with combined incomes below \$80,000.

The CTF calls on the government to implement a five-year tax cut in the form of raising the basic personal and spousal exemption to \$15,000. This would take 40,000 people off the tax rolls while encouraging many marginal wage earners to earn more as low marginal tax rates would take effect at a higher level of income. It's likely that this modest tax reform might result in fewer claims for social services. Additionally, this would help negate the necessity for the government's controversial "available hours" regulations. It would allow low income Saskatchewan residents to keep more of their money. As it stands, part-time workers who move into full time positions are penalized with provincial and federal income taxes. We believe government should no longer tax the working poor.

Recommendation 5:

Increase the Basic Personal Exemption to \$15,000 over five years.

A secondary problem facing the government of Saskatchewan is the apparent decline in the number of taxpayers in the province. As of 2001, the number of taxpayers had declined to 1998 levels. It remains to be seen if this is a long-term trend, but given overall population and migration trends, it seems likely that Saskatchewan's personal income tax base will continue to erode.

Table 11: Personal Income Taxpayers 1989 - 2001

Year	Taxpayers (thousands)	Taxpayers % of Population
1995	460.8	45.43%
1996	470.0	46.10%
1997	468.6	45.86%
1998	474.6	46.30%
1999	481.3	46.93%
2000	487.0	47.65%
2001	475.5	46.81%
2002	463.1	46.52%

Table 11 shows the total and relative decline in Saskatchewan's income tax base in recent years. In order to reverse this trend, we must make Saskatchewan a more attractive place to work and

live. Competitive income tax regimes are part of the mix required to attract people and investment back to the province. Other provinces have grown their tax base but Saskatchewan has not.

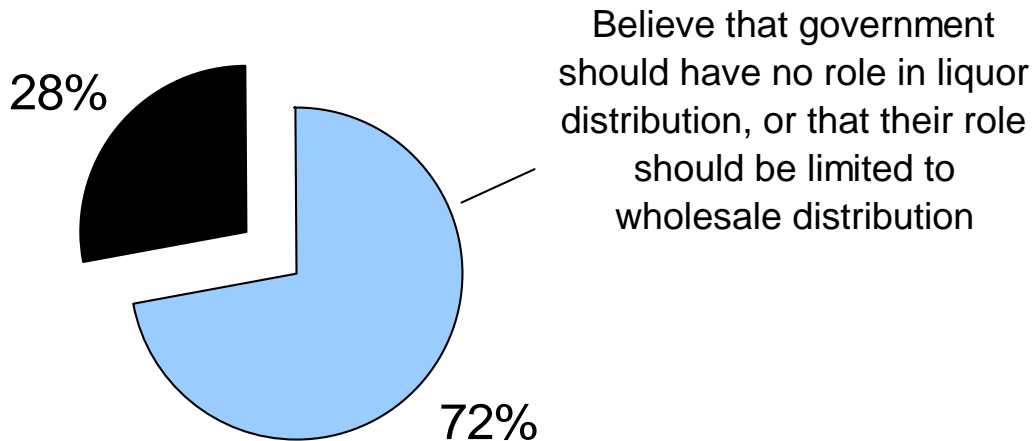
PART VI: LIQUOR PRIVATIZATION

In the fall of 2004, the CTF publicly released a report on privatizing liquor (*Embracing Competition: Recommendations for reforming liquor retailing in Saskatchewan*). In that report we outlined a number of benefits inherent in the privatization of government-owned liquor stores.

Selling our publicly-owned liquor stores and allowing the free market to sell liquor in Saskatchewan would result in real economic growth in Saskatchewan. Hundreds of new private businesses and jobs would be created. The provincial treasury would see net savings of nearly \$8 million annually. Consumers would have more choice, convenience and better prices than ever before.

Perhaps most importantly, more people would experience the satisfaction and freedom that comes with business ownership. It also signals a new way of thinking – something the province desperately needs.

Our report shows that 72 per cent of Saskatchewan residents believe the government should have no role whatsoever in liquor retailing, or that that role should be limited to wholesaling.



We ask that Saskatchewan residents and politicians weigh the facts on liquor privatization, ignore the baseless fear-mongering, and consider it as a policy option aimed at creating new economic growth. We're confident that after careful consideration, most will agree that liquor privatization would be a net benefit for the province.

Recommendations 6:

Privatize liquor retail operations in order to save taxpayers \$8 million annually and create hundreds of new businesses and jobs.