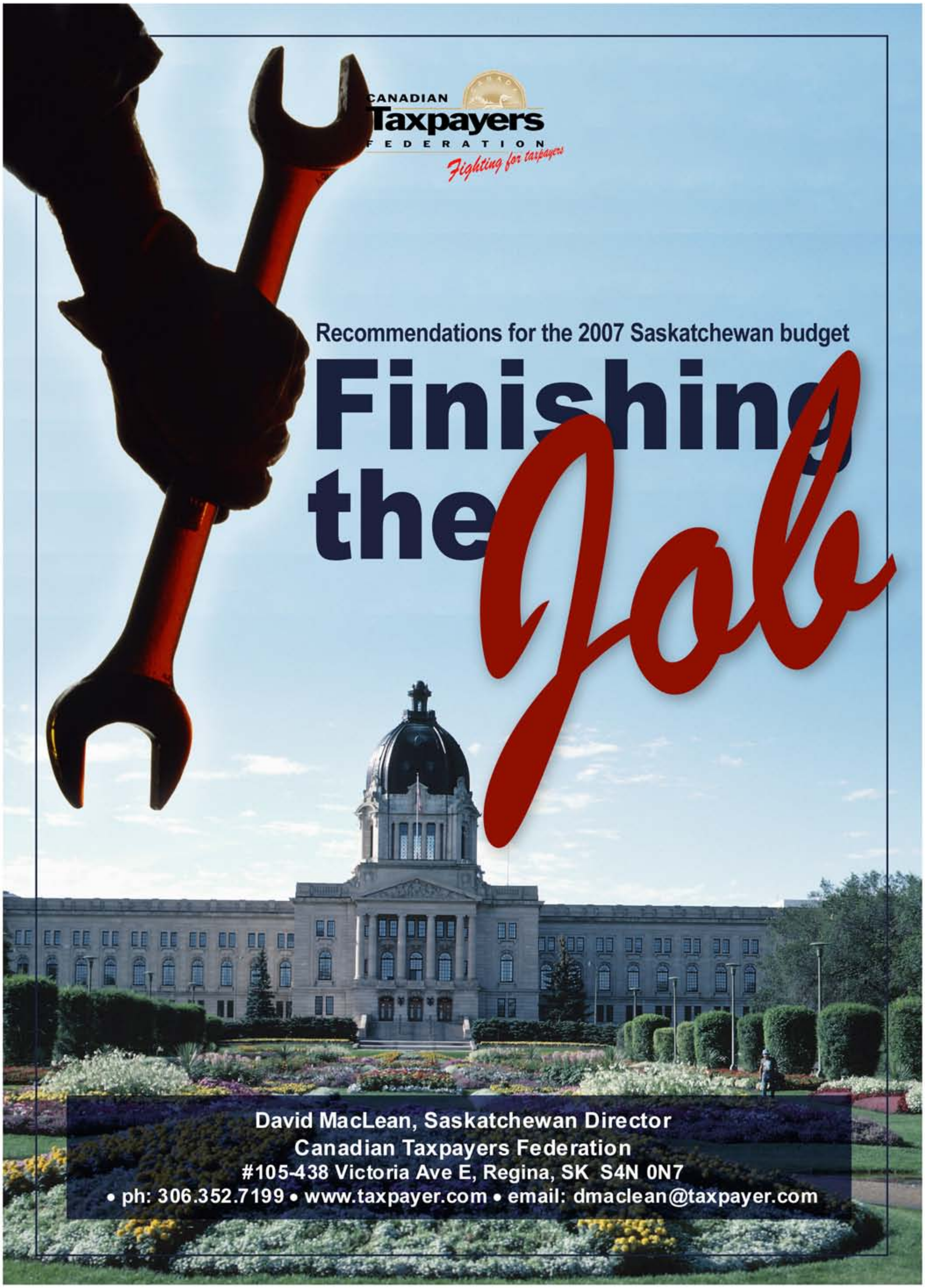

CANADIAN Taxpayers FEDERATION

Fighting for taxpayers

Recommendations for the 2007 Saskatchewan budget

Finishing the Job

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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 72,000 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 II: INTRODUCTION

In the past year, Saskatchewan has changed for the better. The highlight of this year of change was the government's adoption of most recommendations forwarded by the Business Tax Review Committee chaired by Jack Vicq.

The establishment of the committee itself was a dramatic first step for the province. It represented a government acknowledgment that Saskatchewan's uncompetitive business tax regime limited economic growth. With Jack Vicq at the helm – a man who earned CTF respect through his recommended income tax reforms – taxpayers had reason to believe the Saskatchewan business tax environment would change for the better.

The final result of the business tax review process exceeded our expectations. Gone is the investment-killing capital tax. The general business income tax rate was dropped from a dismally-high 17 per cent to 12 per cent. The small business tax threshold was increased to $500,000.

With last years' changes, including the 2 point reduction to the PST in the fall of 2006, Saskatchewan went from having one of the most punitive business tax systems in the country to having one of the best.

There remains substantial room for improvement. Personal income and tax reductions remain top priorities for CTF supporters in Saskatchewan. The government continues the practice of propping up money-losing crown corporations and direct investment of public money into the economy. The province's public accounting still lacks transparency and accountability.

Put simply, it's time to finish the job. It's time to throw open the door to private investment. It's time to tell the world that Saskatchewan is the place to build a business, work and raise a family.

At the core of this submission are three recommendations – implementing a single rate tax on income; reducing school taxes; and enhancing the transparency and accountability of provincial budgeting by reforming the Fiscal Stabilization Fund.

Public opinion polling consistently shows that Saskatchewan residents are concerned about the province's lack of population growth over the years. Indeed, the province has spent millions marketing the province through paid advertising to reverse the downward population trend.

We believe that implementing the recommendations described in this submission would do more to market this province than any advertising campaign. Imagine being able to tell the world Saskatchewan has a competitive business tax environment as well as a low and flat income tax rate.

Great changes are happening in Saskatchewan. Now it's time for government to finish the job.

PART III: SPENDING AND HEALTH REFORM

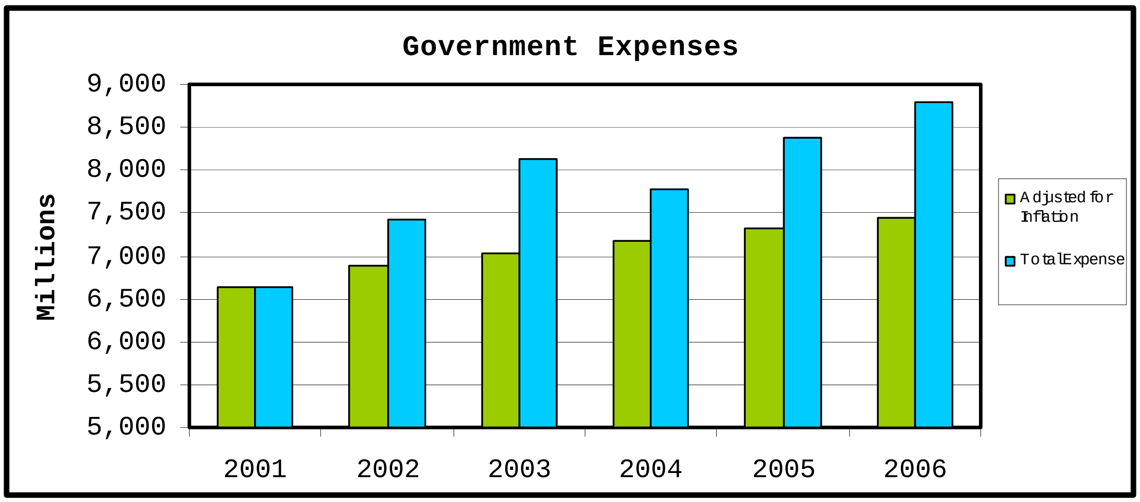
Spending

Since 2001, total government spending has increased by 33 per cent while the consumer price index has only increased by 12.3 per cent over the same period. Three of those years (2002, 2003, 2004) resulted in accumulated deficits amounting to $1.23 billion.

The stakes are high. If our province had held spending increases to inflation since 2001, it would have reported a $2 billion surplus in 2006 instead of $679 million.

The province's net debt of $7.7 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.

Table 1:



Source: Saskatchewan Provincial Auditor, calculations by the CTF

In order to reduce public debt and provide tax relief, efforts must be made to control spending and the size of the civil service. One proven technique is to enact legislation that would limit 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 (www.fraserinstitute.ca) 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 those who haven't.

Expenditure limitation laws have worked wonders for taxpayers in the state of Washington. From 1980 to 1995, Washington's population grew an average of 1.2 per cent per year while inflation averaged 4.5 per cent per year, but 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 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 would limit 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)?

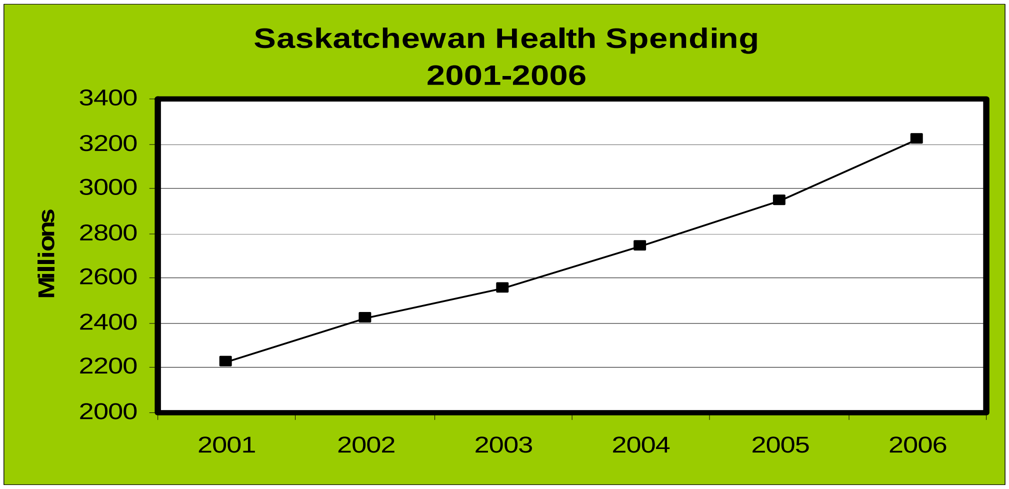
Yes: 73.8%	No: 9.5%	Undecided/DNA: 16.7%

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 approve accountability. No stone should be left unturned in the pursuit of lower health care costs.

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

2001	2002	2003	2004	2005	2006	Percent Increase
2223	2424	2558	2745	2944	3222	**45%**



Source: 2006 Report from the Provincial Auditor, Volume 2

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.

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 2004 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 it's clear the government will do what it can 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 medicine clinic. The Saskatchewan government is responsible for licensing private medical clinics.

There are, however, numerous contradictions in the Saskatchewan health system. While the rails 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 way 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?

Yes: 80.2%	No: 11.9%	Undecided/DNA: 7.9%

2006 CTF Supporter Survey

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 liberalization.

Recommendation 3
Foster a home-grown, private health care market in Saskatchewan.

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

Often times the front pages of our newspapers are the best places to find ways to reduce spending. Every year, news of the government's subsidy to Saskatchewan Transportation Corporation is greeted with surprise and dismay by concerned taxpayers. 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 2005 and found a solid majority (66 percent) would support privatizing STC.

Would you support the privatization of Saskatchewan Transportation Corporation?

Yes	66%	Undecided	17%
No	15%	No Answer	3%

2006 CTF Supporter Survey

<u>Recommendation 4</u>
Privatize Saskatchewan Transportation Corporation.

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 3: 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 thought the government should have no role whatsoever in the liquor business or that it should be limited to wholesaling.

Privatizing the sale of beverage alcohol could save taxpayers millions each year and benefit government coffers at the same time.

Recommendation 5

Privatize liquor retail operations in order to save millions each year and help create hundreds of new businesses.

PART V: FISCAL STABILIZATION FUND

The Fiscal Stabilization Fund (FSF) is intended to ensure that government revenues meet or exceed operating expenses each fiscal year. The FSF is intended to address the problem of fluctuating revenues – a situation inherent to all resource-based economies.

As commodity prices fluctuate, so too does government revenue. These fluctuations may create significant surpluses in some years and deficits (with corresponding borrowing) in others. As a general rule, it's preferable for governments and businesses alike to have steady and predictable revenues rather than dramatic fluctuations in order to reduce the cost of long term borrowing.

In theory, there is nothing objectionable about the use of stabilization funds or reserves in government. However, the FSF as it originated in Saskatchewan, was not a sound public policy.

First and foremost, there was no actual fund with tangible assets from which to draw. Instead, the government acquired more permanent debt when "withdrawals" were made. If the government spent more than it took in a given year, it would increase debt and transfer borrowed funds into the General Revenue Fund (GRF).

Therefore, the government could state publicly that the budget was "balanced." In strict accounting terms, this was true. The GRF was indeed balanced but it is just one government account of many, as taxpayers have been reminded by the Provincial Auditor for many years. In order to balance that account, the government had to increase debt in other accounts.

Most taxpayers would agree that a budget is not "balanced" if money has to be borrowed from outside sources. Yet the government continued to proclaim balanced budgets even as the government borrowed $1.2 billion from 2002 to 2004.

The issue with the fiscal stabilization fund was one of transparency. Telling the public the budget is balanced when, in reality, it was not, is dishonest. The public must be able to clearly understand the finances of government in order to make sound judgments about its performance.

Changes to the Fiscal Stabilization Fund

In 2006, the government announced changes to the Fiscal Stabilization Fund. Using cash set aside from surpluses in previous budget years, the government offset the borrowing it did through the FSF in previous years and established a cash fund of $877 million.

In contrast to the previous arrangement, the change means there is cash invested in short term investments at the government's disposal. While a cash-funded account for the purpose of fiscal stabilization seems preferable to the more symbolic previous arrangement, many problems remain.

A question that hasn't been answered by government pertains to the origin of the $877 million.

The government can still spend more than it takes in and call the budget "balanced" even though the net debt of the province may increase as a result of an FSF withdrawal. This erodes public understanding of the finances of government and potentially obscures unsustainable government spending trends.

Also problematic is the lack of rules or guidelines surrounding the FSF. There are no rules or guidelines dictating when it is appropriate to make withdrawals from the fund, and how and when the fund should be paid back.

It's worth noting that the government withdrew $1.2 billion from the fiscal stabilization fund between 2001 and 2004 while government revenues rose by a healthy margin of 8.4 per cent. This is a clear indication that withdrawals from the FSF are dictated more by government's spending appetite than unanticipated revenue declines.

Proposed guidelines for withdrawals and repayments to FSF

The CTF acknowledges that sudden changes in commodity prices can have a substantial impact on government revenues. Therefore, a stabilization fund that functions responsibly and transparently can be a sensible mechanism to ensure budget stability.

In order to make a withdrawal from the FSF, the government should be required to illustrate to taxpayers why a withdrawal is necessary in order to ensure the fund is not improperly used.

The five per cent rule

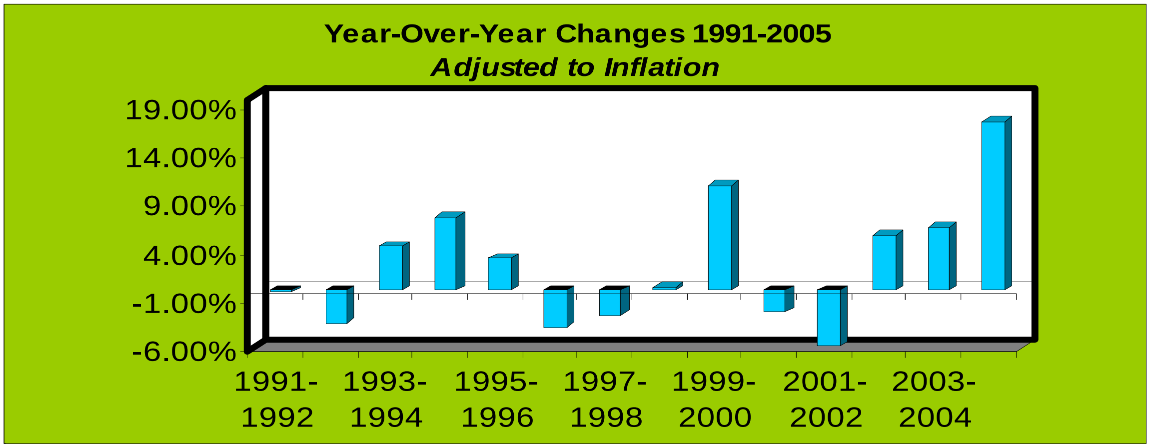
If overall revenues are expected by the Finance Minister to decline substantially on an inflation-adjusted, year-over-year basis, it must be communicated in the budget how much of a decline is forecast, thus requiring a transfer from the FSF to balance revenues and expenses. However, the use of the FSF should always be a last resort. Efforts to reduce government spending should always be attempted before a withdrawal from the FSF is made. Therefore, the government must establish a threshold that will give the Finance Minister a legal mandate to make a withdrawal.

Where should the FSF withdrawal threshold be? In order to determine what can be considered an "extraordinary" revenue decline, consider the fluctuations the province has experienced in the past as the most reasonable predictor of fluctuations in the future. As a general rule, its best for both governments and businesses to conservatively estimate revenues to ensure government spending levels are appropriate.

While oil and gas prices have generally climbed over the past decade, for the purposes of identifying a withdrawal threshold, we'll assume declines in revenues are just as likely as increases going forward.

Table 4 shows total government revenues (in 2005 numbers) since 1991. Over the past 15 years, the average inflation-adjusted increase/decrease in revenues 2.9 per cent. Again, we treat positive changes the same as negative ones, for reasons mentioned earlier. The largest year-over-year revenue decline occurred between 2001 and 2002 when revenues dropped by 5.8 per cent.

Table 4: Saskatchewan revenues 1991-2005



With the average fluctuation since 1991 being 2.29 per cent, a five per cent reduction from the previous four-year inflation-adjusted average would be an appropriate threshold for a FSF withdrawal. As Table 5 illustrates, implementing a 5 per cent minimum threshold would mean revenues would have to drop to $8.2 billion in order to trigger an FSF withdrawal.

Table 5 – Government of Saskatchewan inflation-adjusted revenues – 2003-2006 ($millions)

2003	2004	2005	2006	Average 2003-06	Revenue threshold for FSF withdrawal
7,926.00	7,979.00	9,371.00	9,466.00	8,686.00	8,251.00

Source: Report of the Provincial Auditor, 2006 Volume 2
Inflation rates from Bank of Canada

The finance minister, in the provincial budget, should conservatively estimate revenues. If, at that time, inflation-adjusted revenues are expected to decline by more than 5 per cent of the previous four-year average, the Minister is legally permitted to make a withdrawal from the FSF to stabilize revenues.

The benefits of such a guideline are many. First off, it imposes increased discipline on the government to ensure accuracy in economic forecasting. The five per cent rule also ensures the public can easily understand and assess the government's decision to make a FSF withdrawal. Fundamentally, the five per cent rule ensures withdrawals from the so-called "rainy day fund" are made when it's metaphorically raining, and not when an election is approaching.

If unforeseen circumstances, such as a natural disaster, require extraordinary expenditures the government should seek consent from the Legislative Assembly to withdraw from the fund, as is currently allowed for in the *Balanced Budget Act*.

Recommendation 6

Withdrawals from the FSF should only be made if revenues are forecast to decline at least 5 per cent from the previous four-year, inflation-adjusted average.

Repaying the Fiscal Stabilization Fund

Rules are required to enable orderly repayment of the FSF. The fund is, after all, primarily derived from the sale of an asset – non-renewable resources. Once oil, gas, potash and uranium are extracted and sold, they are gone forever. Therefore, the non-renewable resources belong not only to the current generation of Saskatchewanians, but to future ones too.

As it stands, there are no rules for repayment of the fiscal stabilization fund. The only rules governing government debt and expenditures are contained in the *Balanced Budget Act*. Passed in 1995, the act requires provincial budgets to be balanced over a period of four years. There is no reference made to the use of the FSF as it didn't exist at the time the legislation was passed.

The *Balanced Budget Act* must be reviewed and amended as soon as is reasonably possible.

Withdrawals from the FSF should be repaid to the fund within four years from the day of withdrawal. In the event of surpluses, repayments to the FSF would take precedent over the province's permanent debt. Each year of payments should be built into the budget as expenses due to the fund. The fund should also be inflation-proofed, meaning the province should contribute to the fund, when necessary, to ensure it grows over time.

If managed effectively, the FSF could evolve into a permanent fund with dividends helping to pay for government services on an ongoing basis.

Recommendation 7

Review and amend the *Balanced Budget Act* to require repayment of FSF withdrawals within four years from the time of withdrawal.

PART VI: CUTTING INCOME AND PROPERTY TAXES

The single-rate income tax

As mentioned previously, Saskatchewan has made significant progress toward creating a competitive economy. The 2006 business tax reforms have, according to the Fraser Institute, created the second best investment climate in the country.

With much of the heavy lifting on business taxes done, it's an opportune time to focus on Saskatchewan's remaining weakness: income taxes. It's not enough to simply reduce income taxes. In order to market the province in other jurisdictions and attract the professionals and trades people to staff our economy we need a reform to send the 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 $38,405
- 13.0% on next $71,324
- 15.0% on any remainder

The current tax system also includes a basic personal exemption of $8,778.

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.

By all accounts, Alberta's 10 per cent single rate has been a roaring success. But Alberta isn't the first jurisdiction to reap the benefits of being simple. A flat tax revolution is unfolding in Eastern Europe and around the globe.

It started in Estonia in 1994 with a flat tax for business and personal income of 26 per cent with no deductions. Estonia's record economic growth and surging government revenues led their Baltic neighbours to follow suit, with Latvia, Lithuania, Russia, Slovakia, Poland, Hungary, Georgia and the Ukraine adopting their own version of a flat tax system. The idea is gaining credence around the world and Estonia's growing coffers expect to continue with a further tax reduction to 20 per cent in 2007.

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 tax payer – including the removal of thousands of taxpayers from the tax rolls all together.

The CTF recommends a two year plan to 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.

Significant savings: Three scenarios for the single-rate income tax

Scenario #1: Single minimum-wage earner ($15,704 per year. Estimate based on 40 hour work week at $7.55 per hour)

Amount Taxable after $8,778 basic exemption: $6,926
Total provincial tax paid: $762

CTF Single rate proposal:

Amount taxable after $15,000 exemption: $704
Total provincial tax paid $77.44
Total savings under CTF plan: $685

Scenario #2: Single earning $45,000, no dependants

Amount taxable after $8,778 basic exemption: $36,222
Provincial tax paid in lowest bracket: $3,984
Total provincial tax paid: $3,984

CTF single-rate tax proposal:

Amount taxable after $15,000 exemption: $30,000
Total provincial tax paid: $3,300
Total Savings: $684

Scenario #3: Single earning $75,000 per year
Amount taxable after $8,778 basic exemption: $66,222
Provincial tax on first $38,405: $4,225
Provincial tax on income beyond $38,817: $3,616
Total provincial tax paid: $7,838

CTF single-rate proposal:

Amount taxable after $15,000 exemption: $60,000
Total provincial tax paid: $6,630
Total savings: $1,208

Implementing the single-rate tax

The CTF recommends implementing a single rate tax in two phases beginning with the 2007 budget.

In the first year of the plan, the basic exemption should be increased to $12,000 and the top rate of 15 per cent should be eliminated. The dependant child credit and senior supplement credit should be eliminated.

In the 2008 budget, the 13 per cent rate should be eliminated and the basic exemption increased to $15,000.

According to estimates calculated by Saskatchewan Finance based on 2006-07 budget estimates, implementing the single rate tax should have budget implications as follows:

Year one:

- Reducing the 15 per cent rate to 13 per cent: $18.6 million
- Increasing the basic exemption from $8589 to $12,000: $188 million

Total: $206.6 million

Eliminating the dependant child credit and senior supplement would return $50.7 million to the provincial treasury.

Year two:

- 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

Total: $264 million

It should be noted that most jurisdictions who have implemented single rate income taxes have seen net revenue growth, as the stimulative effects of such a tax reform quickly take effect. Government tax revenues have grown faster than inflation for a number of years, and there's no reason for that to change in the near term.

Packaged with appropriate spending restraint, this tax proposal is responsible and sustainable.

Recommendation 8

Over the next two fiscal years, increase the basic personal exemption to $15,000 and implement an 11 per cent single rate tax

School taxes

In recent years, concerns about high property taxes have eclipsed calls for income tax reductions. In fact, lower school taxes are the top priority for Saskatchewan CTF supporters.

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

School taxes	37%	Municipal	9%
Personal Income Tax	18%	Business Tax	2%
Gasoline or Fuel Taxes	14%	Undecided	9%
Provincial Sales Tax	10%	Do not support cutting taxes at this time	1%

2006 CTF Supporter Survey

It is well-documented that Saskatchewan has the highest reliance on property tax revenues to fund schools 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 their local property tax base.

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.

The $55 million school tax rebate for this year and last inch us closer to the CTF goal of a 75/25 ratio, but the province needs a long term plan for reductions. The government must make good on its repeated promises to reduce school taxes.

Over the years, the CTF has delivered more than 55,000 signatures calling for school tax relief.

Recommendation 9

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

PART VII: ACCOUNTABILITY REFORM

Fixed election and budget dates

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

Establishing fixed election and budget dates would begin to establish a basic contract with the electorate. For far too long governments have had the ability to manipulate election and budget dates for political advantage. The mandate given to politicians to govern deserves more respect from those elected. Politicians should be given a four year period to accomplish their goals and then go back to the electorate for a new mandate, as is now the case in British Columbia and Ontario.

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 there own budgets, such as municipalities. 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.

The next general election should be held on November 5, 2007. Budgets should be tabled before the end of February each year.

Recommendation 10

Adopt fixed election and budget dates.

Taxpayer protection legislation

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

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.

Voter approval legislation exists in Alberta, but only applies to school boards. 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.

Recommendation 11

Require, in law, approval from the electorate before raising taxes

Financial penalties for cabinet ministers

It has become a matter of course that government departments exceed their budgeted allotments. The 2005 Third Quarter Financial Update prepared by Saskatchewan Finance reported that 20 of 24 government departments had exceeded their budgets. As mentioned earlier, the government as a whole was at least $562 million over budget for the 2005-06 budget year.

A similar pattern is forming in the 2006-07 year.

Budgets are important documents that explain to taxpayers what the plan is for the coming year. With this government’s penchant for ignoring their own budgets or using them as “guidelines,” the value of the provincial budgets as tools to understand and predict the behaviour of government has been dramatically reduced.

British Columbia's *Balanced Budget and Ministerial Accountability Act* promotes accountability by penalizing cabinet ministers if their ministry – or the government as a whole – fails to adhere to budgetary targets. This *Act* withholds 20 percent of the ministerial salary while exempting the MLA portion. If the minister meets budget targets half of the amount will be returned. The remainder is returned if the government as a whole remains within budget targets.

Do you believe there should be financial penalties for cabinet ministers who exceed their budgets?

Yes	91%	Undecided	4%
No	2%	No Answer	3%

2006 CTF Supporter Survey

Recommendation 12

Legislate financial penalties for cabinet ministers who exceed approved budgets.

Approving crown heads and Officers of the Legislature

Crown corporations are an integral part of the Saskatchewan economy and as such deserve the very best executives available. As it stands, the heads of crown corporations are appointed by the premier and are often based on partisan loyalty. The heads of our crown corporations and legislative officers such as the Provincial Auditor and the Information and Privacy Commissioner should be chosen based on their relative merits, and not who they know in government. Candidates for executive positions at all crown corporations must be interviewed and approved publicly by an all-party committee of the legislature.

During the 2005 federal election the Conservative Party campaigned on a pledge to appoint a commission to ensure that competitions for government posts are widely publicized and fairly conducted. The CTF supports this proposal and we support similar provisions for all provinces. An all-party legislative committee would serve a similar function, albeit less formally.

Recommendation 13

Legislate an all-party committee to review and approve crown and agency heads