



Keep Trimming the Fat

2014-15 Saskatchewan Pre-budget Submission
Canadian Taxpayers Federation

Taxpayer.com

Canadian **Tax** payers FEDERATION

We are:

Non-profit

Non-partisan

We Stand For:

Lower Taxes

Less Waste

More Accountability



Introduction

The Canadian Taxpayers Federation (CTF) commends the provincial government for:

- *Continuing to look for savings*
- *Past tax reductions*
- *Past debt reduction*

But clearly, there's more work to do...



Introduction

We still encourage the government to review last year's recommendations (see appendix), but this document focuses specifically on finding further savings opportunities.



Recommendations on Trimming the Fat



1

Partnerships With Other Provinces

Does every province in Canada really need a curriculum department churning out similar documents?

Partnerships between provinces could potentially save tax dollars.



②

Stick to Core Services

Phase out grants to business groups, arts groups, special interest groups

Get out of services that compete with the private sector

Sell off surplus land/assets



2

Stick to Core Services

The CTF supports the government's decision to end the film tax subsidy. Other grants and loans to businesses and special interest groups should be cancelled. *For example:*

- Potash head office jobs subsidy
- Agri-value Initiative
- Labour Sponsored Venture Capital
- Etc...



3

Competition for Services

While governments organize the delivery of public services, they don't have to be the providers.

By conducting “managed competition,” existing city employees and private sector firms compete to provide services, keeping costs down and improve results in the process.



3

Indianapolis Managed Competition Example

Prior to Competition

- \$425/ton
- 3.1 lane miles/day
- 2 trucks, 8 men

After Competition

- \$307/ton
- 5.2 lane miles per day
- 1 truck, 5 men



3

Competition for Services

The 3S Shared Services linen cleaning contract and the \$93 million in savings it is expected to provide is a great example of how partnerships can benefit taxpayers.



4

Gainsharing

Assuming performance targets are still met, employees should share in any savings from ideas they put forward that reduce costs.



4

Gainsharing

Eg. Montgomery County's Department of Transportation

Before	After
Paid a company \$430 to haul away scrap signage	Employees suggested selling the metal to a scrap metal dealer. Savings realized of \$15,000; \$7,500 divided among employees



5

Competition Within

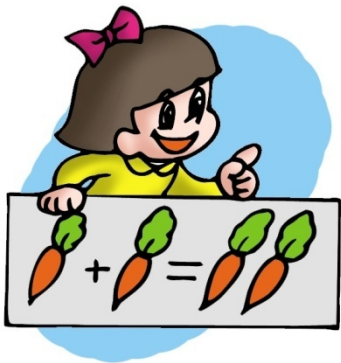
For services that cannot be contracted out, governments could look at better ways of paying staff.

Consider how civil servants are paid



Winnipeg School Division – Teacher Pay

	2010	2011	2012	2013
<u>Years of Teaching Experience</u>	<u>Class 5</u>	<u>Class 5</u>	<u>Class 5</u>	<u>Class 5</u>
0	\$51,012	\$52,814	\$53,871	\$54,948
1	53,294	55,174	56,277	57,403
2	56,019	57,997	59,157	60,340
3	58,744	60,818	62,035	63,275
4	61,558	63,732	65,006	66,307
5	64,431	66,706	68,040	69,401
6	67,312	69,688	71,082	72,504
7	70,200	72,678	74,131	75,614
8	73,161	75,743	77,258	78,803
9	77,571	80,309	81,915	83,553



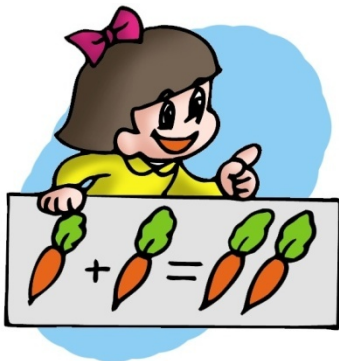
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**24%
increase
over 3
years**



5

Competition Within

- This type of “stairway” to heaven system exists in many public sector contracts and does not take into account performance.
- The Sask government should pursue reform to incent better performance in the public sector.



6

Pension Reform

75% - The number of private sector workers in Sask who do not have a workplace pension.

Clearly, it's just not fair to keep asking them to bail out government employee plans.

But that's what's happening!



6

Pension Reform

EXAMPLE: University of Regina (Non-Academic)

Employee/Employer Contribution Rate:

2006: **5.15%**

2008: **6.50%**

2010: **7.75%**

2014: **8.75%**



6

Pension Reform

EXAMPLE: Provincial Judges Pension Plan

Unfunded Liability up 52%!

2010: **\$89 million**

2013: **\$135 million**



6

Pension Reform

While Allan Blakeney's NDP were successful at putting most employee groups in new, less costly pension plans, there are still several holdouts:

- *SHEPP – Sask Healthcare Employees Pension Plan*
- *Provincial judges plan*
- *Regina Civic Employees Plan (includes health care workers)*
- *Some post-secondary plans*
- *Numerous municipal plans*



7

Pay Reform

Discuss pay gap between government employees and private sector at next provincial finance ministers meeting. Provinces should work together, just as unions do:

City of Winnipeg Firefighters Union President:



Alex Forrest

Is traveling to Regina for their contract Arbitration involving wages and benefits. We all need to work together in western Canada. Good luck Regina!

Like · Comment · 51 minutes ago near Transcona · 

 3 people like this.



Write a comment...

8

Leaner Public Sector

The provincial government has made **positive progress** in terms of downsizing and eliminating waste. Arms length recipients such as health regions, school boards and other agencies should be expected to do the same.

For example:

- Hospital cafeterias losing money, areas to contract out
- Golden pensions at the municipal level, at health regions
- School capital projects, school divisions buying \$1,200 chairs



9

Sick Leave

Sick leave remains higher in government than in the private sector. Closing the gap could provide savings for the taxpayer:

Sask Government: 9.7 days/yr

Sask Provincial Avg: 6.9 days/yr

Note: Provincial average inflated by inclusion of public sector numbers



Other Recommendations



1

No Fat Taxes

The CTF recommends abstaining from tax increases and avoiding the calls by some for a new ‘fat tax.’

The GST has been applied to “treats” for years and has apparently not worked as a deterrent. Other alternatives should be considered over new taxes.



②

Futures Fund

The CTF supports legislated requirements for using resource revenues towards debt repayment and a Futures Fund. Returns from the fund could be used to support GRF expenses.



Appendix:



Summary of Recommendations for Budget 2013-14

Taxation

- 1) Reduce PIT rates to 10%, 12% & 14% in the short term. Aim for a long-term goal of a flat 10% tax.
- 2) Eliminate the small business tax
- 3) Close the school tax gap with Alberta and work to phase out school taxes.

Spending

- 1) Balance the budget.
- 2) Adopt GAAP accounting for GRF and Summary statements.
- 3) Discontinue dependence on CIC for balancing the budget.
- 4) Review crown corporations and examine which could be sold to Sask taxpayers or reformed.
- 5) Cap future spending for the combined rate of population & inflation growth

Savings Opportunities

- 1) Public Sector Pay Reform:
 - Limit overall public sector pay increases to no higher than average private sector pay increases.
 - Review labour legislation & move to a system of hiring and remuneration based on performance.
 - Advocate for a discussion of out-of-line public sector pay at the next provincial finance ministers meeting.
- 2) Pension reform – put new hires in defined contribution plans & scale back existing benefits for defined-benefit plans.
- 3) Reduce the size of the bureaucracy, encourage municipalities to do the same.
- 4) Push funding recipients (eg. health regions, school boards, etc.) to better control spending, engage in lean activities, etc.
- 5) Cut out corporate welfare, funding to special interest groups – leave those decisions up to taxpayers.

Debt

- 1) Establish a more aggressive debt repayment goal – pay off the debt by 2020.