



June 14, 2021

Premier Scott Moe | Honourable Don McMorris | Honourable Bronwyn Eyre
Honourable Donna Harpauer | Honourable Jeremy Harrison

Dear Premier and Ministers:

Re: Saskatchewan Growth Coalition: Recommendations for Saskatchewan's Economic Recovery and Plan for Growth

Introduction & Summary of Recommendations

This letter is written on behalf of Saskatchewan's business community, which is represented by the key sectors critically important to Saskatchewan's economic recovery and to future economic growth in the province. The views and recommendations expressed in this letter are that of the coalition partners including rail, pipeline, mining, construction, oil and natural gas, agribusiness, and chambers of commerce.

The *Saskatchewan Growth Coalition* supports the province's 2020 – 2030 Growth Plan which establishes goals of increased investment, growth in jobs and growth in exports to enable a healthy economy and strong communities. It is this vision that makes Saskatchewan a desirable place to do business.

We commend the efforts and initiatives by the Government of Saskatchewan (GoS) that are supportive of the business community. The pandemic and economic circumstances have created several challenges for businesses, but there are also many opportunities. Industries based in Saskatchewan have great potential for growth, creating jobs for the people in Saskatchewan and growing revenue for the province. Recognizing the strengths and addressing the weaknesses helps to position the province for recovery and growth.

As jurisdictions move towards economic recovery, the competition for capital will be intense. Saskatchewan's business community believes that a continued focus on improving competitiveness and a collaborative spirit will position the province for success. The sectors represented by the Saskatchewan Growth Coalition are the economic engines for recovery and growth; leveraging these opportunities means the "Main Street" business community will also grow.

One of the most challenging competitiveness issues in Saskatchewan today is rural municipality property tax policy decisions and the resulting effective mill rates on the commercial/industrial property class. While the issue presents significant challenges, we believe that there are opportunities for the province to address the structural weaknesses and ultimately build resilient communities that will benefit from a successful Saskatchewan.

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Property Tax Systems that are Predictable, Transparent, Equitable, Competitive and Accountable will improve Investor Confidence which will lead to Increased Investment.

- Wade Sobkowich, Executive Director, Western Grain Elevator Association

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Economic recovery and making Saskatchewan one of the most desirable jurisdictions to invest requires policy changes. With over 750 municipalities in Saskatchewan, there are different expressions of economic competitiveness and therefore, it is the role of the provincial government to establish a principle-based foundation that ensures a level playing field in which ratepayers and local governments interact. As such, the *Saskatchewan Growth Coalition* proposes the following policies which will achieve a more transparent, fair and predictable tax system.

Recommendation #1: Limit the range of the effective mill rate (EMR) ratio on all property classes to 0.75 to 2.0 in order to produce a more equitable distribution of the property tax burden among the various classes.

Recommendation #2: Prioritize the enhancement of municipalities' financial transparency by bringing into force Section 185.1 under The Municipalities Act and expeditiously creating regulations that require the reporting of key financial data. Furthermore, financial data should be easily accessible and readily available; this can be achieved by requiring all municipalities to post public accounts online beginning this fiscal year.



\$6.95 billion

Investment in Saskatchewan's mining, oil & gas, manufacturing, and construction sectors in 2019

Source: Statistics Canada, 2019 data

Opportunities for Economic Growth

Municipal taxes in Saskatchewan have been a concern to the broader business community for several years and continue to be a top priority. Government has acknowledged the challenges and in 2015, initiated a review of industry financial contributions to rural municipalities. The sectors represented here, participated in that review. It was a comprehensive study with broad stakeholder participation and led to the Ministry of Government Relations proposing seven options that place limits on municipal tax policy. These options were represented by evidence-based, data driven decision-making and looked to ensure a more equitable property tax system in Saskatchewan while ensuring consistency and predictability for the business community and for municipalities.

The business community and municipalities have a mutually dependent relationship. Municipalities need healthy businesses to create jobs and industries need municipalities to create communities in which to live as well as to provide reliable and safe infrastructure. To achieve these mutual benefits, the province needs to ensure that local use of municipal property tax tools balances tax fairness, supports growth, enables appropriate municipal services and infrastructure, and provides consistency across the province. This is vital to attract investment in the province and to achieving Saskatchewan's Growth Plan targets.

Saskatchewan municipalities have access to a broad range of property tax tools to satisfy their revenue requirements. These tools were designed to provide municipalities with flexibility to raise revenue while meeting various tax policy objectives, as mentioned above. However, this level of flexibility for municipalities has and continues to create uncertainty for the business community. With over 750 municipalities in the province, Saskatchewan's municipal property tax system continues to create significant challenges for businesses. The current system has led to tax inequities for industries operating in Saskatchewan, particularly in rural areas.



Saskatchewan's resource sectors, manufacturing, and construction, represent

39% of the province's economy

Resource sectors alone make up 27% of Saskatchewan's economy

Source: Statistics Canada, 2019 data

Municipal tax policy design that looks to create tax fairness, stability, accountability and transparency both enhances a jurisdiction's competitiveness and also justly serves its ratepayer base. It should be the priority of all municipal governments to review their budget practices and asset management in the context of economic circumstances and adjust policies accordingly. Furthermore, this approach to fiscal responsibility should become a long-standing standard practice.

Using publicly available data, several organizations have performed analyses on Saskatchewan rural municipalities (RMs) tax competitiveness. The most recent analysis (2014 – 2020) reveals the following trends:

- The municipal tax burden on the Resource sectors has been increasing, year over year, while these sectors face significant economic challenges.
- The growth in municipal tax revenues in RMs with Resources has occurred with industry bearing a disproportionate share of these municipal tax revenues.
- Municipalities with Resources have levied base taxes to increase the tax burden on the sector.
- The commercial / industrial (C/I) property class continues to face excessive Effective Mill Rates.
- Effective Mill Rate Ratios in RMs with resources exhibit a much wider range than those RMs without resources.
- RMs are imposing excessive mill rates while accumulating substantial financial surpluses.
- The Resource sector bears a disproportionate share of Education Property Tax in that it is sub-classed and taxed the highest mill rate.



Grain Elevators are also a vital part of Saskatchewan's economy - **facilitating over**

\$13 billion

in grain sales for Saskatchewan farmers

Source: Statistics Canada, 2019 data

The analysis suggests that RMs with resource assessment and the other business sectors represented here, place a greater tax burden on the C/I sector that exceeds any additional costs imposed by industries. In 2020, the C/I class accounted for 40% of assessments in RMs with resources, yet contributed 65% of total taxes. In sharp contrast, the agriculture class in these RMs account for 45% of property assessments and only 27% of total property taxes. In addition, the municipal tax burden on the C&I class in these RMs has increased 16% since 2014. Over this same time period resource sector investment and employment have declined by 59% and 29% respectively in the province as the sector continues to struggle in an increasingly competitive and lower commodity price environment.

This presents a deviation from the user pay principle, as industries are required to cover more than its probable share of costs. This also has implications for economic competitiveness, as it encourages business to make location decisions on the basis of tax considerations and not economic considerations. GoS should consider these implications especially at this time when competition for capital is intense; investment will flow to the jurisdictions with the lowest, predictable and transparent cost model.

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Investment will flow to Saskatchewan if changes to policies achieve property tax fairness and enhanced transparency. -Tim McMillan, President and CEO, Canadian Association of Petroleum Producers

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The Saskatchewan Growth Coalition proposes the following policies which will achieve the principles mentioned above, benefit the broader business community, and help achieve the province's Growth Plan goals which ultimately, benefits the citizens of Saskatchewan.

Policy Recommendation – Property Tax Tools

Recommendation: Limit the range of the effective mill rate (EMR) ratio on all property classes to 0.75 to 2.0 in order to produce a more equitable distribution of the property tax burden among the various classes.

While a policy is in place to limit the mill rate factor (MRF) ratio (9:1), some municipalities circumvent the intent of the limit and use minimum or base taxes which results in an EMR ratio greater than 9:1.

To this end, we believe a limitation on the EMR ratio can meet the above-mentioned principles, while providing municipalities with the ability to respond to unique circumstances within their jurisdictions.

Policy Recommendation - Transparency

Improving Saskatchewan's local government financial transparency is an important step to enhancing Saskatchewan's overall competitiveness. The recommendations contained herein will help provide the necessary clarity to the investment community.

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Taxpayers always have the right to know how their leaders are spending their communities' money and that information should be absolutely accessible online,” said Todd MacKay, Prairie Director for the Canadian Tax Federation. “Many municipalities are proactively posting basic financial documents, but others, for a variety of reasons, are struggling.

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“Saskatchewan Needs Strengthened Municipal Transparency”

<https://www.taxpayer.com/newsroom/saskatchewan-needs-strengthened-municipal-transparency>

Recommendation: *The Saskatchewan Growth Coalition urges government to prioritize the enhancement of municipalities' financial transparency by bringing into force Section 185.1 under The Municipalities Act and expeditiously creating regulations that require the reporting of key financial data. Furthermore, financial data should be easily accessible and readily available; this can be achieved by requiring all municipalities to post public accounts online beginning this fiscal year.*

Each rural municipality has tremendous discretion in how to establish its budget to provide services and to decide what level of tax rates to levy on the various classes of ratepayers. As such, some RMs may be more efficient than others in discharging their fiscal responsibilities. It is important, therefore, for ratepayers to know that budgets are being set appropriately and that tax revenues being raised and spent in accordance with these budgets. Financial transparency is essential for ratepayers in this regard.



\$6.15 billion

Investment in Saskatchewan's resource sectors in 2019

Source: Statistics Canada, 2019 data

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The Canadian Taxpayers Federation recently analyzed Saskatchewan municipalities' financial data. The report identifies opportunities to strengthen transparency and accountability. View the report [Municipal Spending in Saskatchewan report](http://www.taxpayer.com/media/Municipal-Spending-Saskatchewan.pdf) at <http://www.taxpayer.com/media/Municipal-Spending-Saskatchewan.pdf>

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Maintain Government Policy Outcomes

The economic crisis brought on by the pandemic has created hardship for many Canadians including those employed in Saskatchewan's resource sectors. GoS recognized the challenges and amended the percentages of value (PoV) applied to commercial, industrial, elevator, railway, resource and pipeline properties. This policy change improves competitiveness in that it considers improving tax fairness by narrowing the range of PoV applied to property classes.

While this is a welcomed policy change, municipalities have a broad range of tax tools and in the absence of limitations, can easily overturn the policy direction by increasing mill rates, base and/or minimum taxes. As discussed above, in 2013, GoS took steps to improve the municipal property tax system by placing a limit on the MRF ratio (9:1); unfortunately, some Saskatchewan RMs used other tax tools to replace the revenue gap which effectively diminished the GoS' desired policy outcomes.

The *Saskatchewan Growth Coalition* strongly recommends that government make the necessary policy changes mentioned above because delivery on GoS' desired public policy outcomes should be a priority and because the investment community requires predictability when determining where to allocate capital spend.



Growth in the resource sectors will have significant impact on GDP.

For example, Statistics Canada data shows that one hour of employment in the mining and oil and natural gas sectors contributes

\$447 to GDP - more than 5 times

the business sector average.

Source: Statistics Canada, 2019 data

Saskatchewan's Recovery & Growth

Competition for investment will be fierce and jurisdictions, both nationally and globally, are finding opportunities to attract investment. The time is now for government to create a competitive property tax system by addressing issues of transparency, accountability, and tax equity. This is a chance to grow industries, grow job opportunities, build resilient communities, and create opportunities for Saskatchewanians to build a life in the province.

The *Saskatchewan Growth Coalition* looks forward to engaging with government on this important matter. We would like to arrange a roundtable discussion in the near-term and members of the Coalition will be in touch to arrange a meeting.

Sincerely,

