

SUBJECT: Aboriginal Education Critical to Individual Communities and Provincial Economic Sustainability

SUBMITTED BY: Youth, Education, and Training Committee

BACKGROUND/ISSUE

The statistics are clear and unfortunately not changing very quickly. Aboriginal people graduate high school at approximately half the rate of non-Aboriginals. The number of Aboriginal students at main post-secondary institutions is growing, but the growth is quite slow, and this growth is not properly aligned with the overall population growth statistics.

| High School Graduation Rates in Saskatchewan* | |
|--|--|
| Aboriginal | 48.1% (Graduating within 5 years of entering Grade 10) |
| Non-Aboriginal | 81.1% |

* Source: Saskatchewan Plan for Growth

This issue results in a personal loss of income and the ability to care for oneself and family to a level enjoyed by most residents. It means businesses do not have access to work-ready people because they may lack the education and skills required for the jobs that are available. The provincial and federal governments pay the costs of health care, policing and incarceration and do not gain tax revenues from under-employed persons to the same extent as happens with fully employed people.

Since many Aboriginal students go to on-reserve schools which are funded by the federal government, they also face the challenge of school underfunding and the resulting underdeveloped teaching and support services.

There is a discrepancy between the levels of funding that non-reserve (provincially funded) schools receive versus on-reserve (federally funded) schools. This has been disputed by the federal government, but some reports state that it is as high as \$2,000 per student less, but this figure is hard to confirm because funding comes through numerous paths to each school system. However, with lower school populations, remote locations, and greater social issues affecting students, any shortage of financial resources will decrease student success.

Clearly the political rhetoric must stop so that definitive steps can be taken toward improving the situation. There are many training programs offered to Aboriginal people across the province. Many of these create the skills needed by businesses and the student becomes gainfully and sustainably employed. Too many students however, have simply been turned into excuses to run programs which do not lead to meaningful employment. Many of these programs are simply “hamster wheels” that waste money and time. The desire to provide training to Aboriginal people has generated a wide range of programs and while some of them clearly have merit, many do not. This means the dollars

that could otherwise be directed toward the successful programs are wasted on the ineffective ones. A comprehensive review of these programs is required at both levels of government and the program dollars should then be redirected toward those which provide real career success.

RECOMMENDED

1) That the Government of Saskatchewan fulfill its commitment in the Saskatchewan Plan for Growth to reduce the disparity between Aboriginal and non-Aboriginal graduation rates by 50% while ensuring that the quality of education remains high.

2) That the Government of Saskatchewan consider all opportunities to assist First Nations schools in terms of support services and consider creating a new arrangement between the First Nations and federal government to better align the collective resources with a shared focus on enhanced student outcomes.

3) That the Government of Saskatchewan and Government of Canada launch an immediate joint review of all post-secondary training programs to evaluate their effectiveness in creating job-ready workers, that their students are able to work and that the value for money meets a higher standard.

4) That the Government of Canada provide adequate and ongoing financial resources in future federal budgets to eliminate the funding gap between on-reserve and off-reserve schools.

SUBJECT: Criteria for Evaluating Foreign Investment

SUBMITTED BY: Investment and Growth Committee

BACKGROUND/ISSUE

Saskatchewan's growing economy has created a situation in which companies from outside the province are often seeking to make investments into Saskatchewan, or purchase Saskatchewan companies.

Likewise on a national scale, there have been a growing number of offers in recent years by companies outside of Canada to purchase Canadian-headquartered companies or make significant purchases of Canadian assets.

The Investment Canada Act requires the federal government to evaluate any foreign bids to purchase Canadian companies that are greater than \$1 billion and subsequently forbid purchases that do not result in a "net benefit" to Canada. While most purchases of Canadian companies are below that threshold, it is still important for the Saskatchewan Chamber of Commerce (SCC) to create a frame of reference through which all investments can be evaluated, regardless of their size.

There have been many occasions when the SCC has been asked to provide its view on foreign investments, takeover bids, and the involvement of foreign state-owned enterprises in Canada's economy. When forming its comments on those various situations, the SCC has relied upon its organizational principles and values to maintain consistency when evaluating each unique scenario.

The SCC has a number of principles that it adheres to when creating and advocating various policy positions.

- The free exchange of goods and opinions in open markets, and the right to associate and make contracts to advance this exchange.
- A democratic government and the right of each person and legal entity to liberty and equality before the law.
- Individual success as a foundation for community success.

There are also a set of values that the SCC relies upon when determining its views on various issues that impact Saskatchewan's business community.

- Fair, balanced, and competitive labour market regulation that encourages full participation, innovation, productivity, mobility, and investment in human capital.
- Economic development and the growth of the private sector in the province for increased wealth creation.
- Clear, concise and sensible regulations for business.
- Simplicity, clarity, and accountability in taxation, using a regime that encourages the efficient use of resources.

- A provincial policy framework that encourages entrepreneurs and attracts capital investment.
- Accountability, transparency, efficiency, prudence, and cost-effectiveness in government.
- The development of a diverse, stable, and skilled workforce for current and future needs.
- That business is a primary stakeholder in all forms of education, and that lifelong learning is the basis of a strong workforce and vibrant community.

Regardless of what part of the world foreign investment is coming from, who the entities involved in the investment activities are, or what the monetary values of the investment might be, the SCC must filter each unique situation through its principles and values to determine whether the deal should be viewed positively or not.

As investment amounts continue to get larger and as state-owned companies increase their foreign investment activities throughout the world, this process will make the evaluative process much more straightforward and allow the SCC to provide comments on new and unique situations as they arise.

RECOMMENDED

1) That the Saskatchewan Chamber of Commerce evaluate future foreign investments into Saskatchewan and Canada by examining how closely the details of each transaction align with the principles and values of the SCC.

2) That the Saskatchewan Chamber of Commerce encourage the Government of Canada and Government of Saskatchewan to use principles and values similar to the SCC's when assessing future foreign investments that exceed the current \$1 billion threshold.

SUBJECT: Enhancing Provincial Data Collection

SUBMITTED BY: Human Resources Committee

BACKGROUND/ISSUE

The various kinds of census data gathered by Statistics Canada is used by all levels of government in a variety of ways, including program development and delivery, the assessment of infrastructure needs, and the tracking of broader demographic and economic trends.

Good government planning should be based on accurate, up-to-date, and detailed information about relevant jurisdictions. Statistical information, which serves as the basis for creating planning forecasts, is also essential to the democratic process since it enables citizens to examine the decisions made by provincial and federal governments, as well as those made by local authorities, and then decide whether those entities are adequately serving the public.

Businesses and other organizations also use census data when developing expansion plans, training and hiring employees, and analyzing the various traits of customers and stakeholders.

Since Statistics Canada is a federal agency that is responsible for gathering data across all of Canada, it is often not able to collect data on every item of particular interest to specific provinces or regions. This is not necessarily a fault in Statistics Canada, but simply a side-effect of having to gather information on such a large scale.

While Saskatchewan's provincial government and businesses are significant users of federal census data, there is also information that should be collected within the province that is not falling within the scope of Statistics Canada's priorities. Data collection activities focused specifically on Aboriginal issues, labour market needs, and other business-related issues would be of particular interest to both the Government of Saskatchewan and the province's business community.

Regardless of how Statistics Canada's censuses are created and deployed in the future, there is an increasing need for the Government of Saskatchewan to improve its ability to gather provincial data for use in local government and business planning.

RECOMMENDED

1) That the Government of Saskatchewan identify specific areas of provincial data that do not currently fall within the mandate of Statistics Canada and then create a process to gather useable data in those areas once a cost-benefit analysis has been undertaken to confirm that the data collection will be worth the expense.

2) That the Saskatchewan Chamber of Commerce work with the Government of Saskatchewan to identify issues of particular importance to the province's business community so that the collection of useable data in those areas can be made a priority.

3) That the Government of Saskatchewan communicate directly with industry associations and businesses to ensure that the quality of data being collected on identified issues is of high quality and as useful as possible.

SUBJECT: Issues Impacting Rental Accommodation Construction

SUBMITTED BY: Investment and Growth Committee

BACKGROUND/ISSUE

The level of rental housing construction in Saskatchewan has been low for many decades, resulting in a shortage of rental housing that is getting worse as more people move to the province as a result of Saskatchewan's growing economy.

Through unattractive taxation, the federal government is discouraging the construction of new rental properties in Saskatchewan and indirectly causing higher rents due to a lack of supply. Many individuals throughout the province have looked at building rental properties, but have decided not to as soon as they find out about the federal tax policies that are applied to the construction of rental accommodations.

The first problem is that Revenue Canada classifies rental income as "inactive" income for a business that has less than five employees. This inactive income is taxed at 46.7%, which is quite high when compared to the federal small business tax rate of 10.5% and corporate tax rate of 15%.

Second, if the owner of the building borrows money to construct the building, the cost to borrow this money doubles because of federal and provincial taxes. Consider an owner who must borrow \$100,000 per rental unit for construction costs: this owner must first pay back the \$100,000 principal amount to the bank. They will then also pay the bank \$62,000 in interest (7% over 15 years) and also pay the federal government 46.7% tax on any income generated from the property (assuming the owner employs less than five people to service the building), plus 12% in provincial corporate tax.

This high cost to the owner is important because of its impact on the high rental rate per unit that must be charged just to cover the cost of borrowing the money to build the unit.

Rental units in Saskatchewan cost between \$60,000 and \$150,000 per apartment to build. This means that the owner needs to charge between \$750 and \$2,070 per month just to cover the cost of capital to build the rental units. This does not include the cost of running the units – janitorial, repair and maintenance, insurance, vacant months, property taxes, regulatory compliance – which must all be paid before there is any return on the investment.

Those who blame the owners, as opposed to the government, for the low number of rental units being built will argue that owners can depreciate buildings. This is true, but they will still pay the 46.7% tax on any funds they recapture by depreciating the building. Plus, if they sell the building and have a capital gain, they pay the capital gains tax on any profit they make.

In addition, municipal governments levy higher property taxes on rental units than on other residential properties. In Saskatchewan the property tax rate on rental properties is 10% to 15% higher than on other residential properties. The result of this discrimination in property taxes is higher costs, resulting in even higher rents and the decision by many investors not to build rental units, but to instead invest in other types of property.

Finally, *The Residential Tenancies Act* in Saskatchewan is biased in favour of the tenant. Landlords have few rights to protect themselves against those tenants who do not pay their rents, are disruptive to other tenants, or damage the rental property. This bias in the Act is made worse by the Office of Residential Tenancies often acting as an advocate for the tenant and not acknowledging the reality that tenants are not always innocent and that owners are not always behaving badly.

RECOMMENDED

- 1) That the Government of Canada eliminate the inactive tax rate on rental accommodations and instead use the rates and rules that are applicable to regular small, medium, and large businesses. A federal tax rebate program on new rental unit construction could also be considered.
- 2) That Saskatchewan's municipal governments end the discrimination against rental properties and levy the same property tax on them as they do upon other residential property.
- 3) That *The Residential Tenancies Act* be amended to better protect the rights of both the tenant and the owner. Also, the Office of Residential Tenancies should be made responsible for regulatory enforcement that will be unbiased toward either the renter or the landlord. The public already perceives the Office as representing the renter, so the Office's current quasi-judicial role can easily be expanded to enforce the rights of the owner as well as the tenant.
- 4) That the Government of Canada allow owners of rental properties to roll over capital gains if the capital gain is immediately reinvested into new rental accommodation construction.
- 5) That the Government of Saskatchewan continue to reject the implementation of rent control in the province because such programs make it even less financially attractive for people to invest into building or renovating rental housing.

SUBJECT: Property Assessment Reform

SUBMITTED BY: Association of Saskatchewan REALTORS®

BACKGROUND/ISSUE

Saskatchewan's property tax assessment system is costly, slow and inconsistent. It distorts investment choices, misallocates costs, and penalizes the development of real property, the most widely-held asset. The present system reveals many flaws:

- Inconsistency: Homes, farms, and businesses are all assessed differently, making the system inconsistent.
 - a. Business taxation: Businesses pay more per dollar of assessed value than homes or farms. Over-taxation deters investment and conveys a negative message that business assets in Saskatchewan are a captive reserve to be tapped into, rather than a key engine for growth.
 - b. Farm property: Farmland assessment is out of step with all other property since it is based on productive value, not market value. Changes in farming practices, developments in how farmland is owned and used, and the growth of farms as businesses highlight the dated nature of this model.
- Expense: Assessment is expensive. Its high cost does not yield higher quality as the product is outdated as soon as it is produced. Much of the expense arises from arbitrary adjustments such as tax factors and rate adjustments that incur further cost.
- Slow: The four-year cycle means assessments lag growth, which can change real values in months. Much of the delay is due to administrative and political interference occurring post-assessment. A process that can be completed in weeks using mass assessment tools for residential property expands to take years because of the practice of intervention at multiple levels.
- Counter-productive: A tax on value is a tax on assets rather than on the value of what the assets produce. It is one of the least desirable ways to raise public funds.
- Irrelevant: The factors that drive value assessment (location, improvements, productivity, revenue) have little or no bearing on the services a property uses. Further, property value has little if any relationship to the owner's ability to pay, or their consumption of services.
- Lacks Transparency: A fundamental principle of taxation in democracies is that methods of taxation should be easily understood by those who must pay. The current system is very complicated and subject to arbitrary adjustments that make it nearly incomprehensible in any practical sense.
- Disincentive to maintain and upgrade: Taxing property almost entirely on its assessed value penalizes improvements. This fact works against affordable rental assets and tends to degrade existing stock.

RECOMMENDED

1) That the Government of Saskatchewan immediately commission an independent review of how property tax is assessed, and how property contributes to public

revenues. The review should be comprehensive – from the nature of the tax base (value-based or other options), to identifying options that could reduce cost, disincentives, delays, and discontinuity, and keep the tax base more in step with the market, The objective should be property taxation that is economical, comprehensible, competitive, and capable of staying in line with growth.

SUBJECT: Youth Financial Literacy

SUBMITTED BY: Youth, Education, and Training Committee

BACKGROUND

As the Saskatchewan economy continues to grow and more people feel that they are financially able to purchase new cars and houses, as well as make investments into the stock market or conduct other transactions, some people are better equipped to deal with this changing financial landscape than others.

In Saskatchewan and all other jurisdictions throughout the country, an increasing number of Canadians are facing rising levels of mortgage debt, credit card debt, student loans, and are faced with a variety of other financial hurdles such as saving for retirement and personal budgeting. These are challenges which Canadians have not been adequately educated to deal with.

ISSUE

There has never been a provincial consensus on financial literacy education that was lead by Saskatchewan's provincial government. Young people need to be educated about the basics of debt, investing, credit, budgeting and other matters of personal finance.

Financial literacy is having the knowledge to understand personal and broader financial matters, skills to apply that knowledge and understanding to everyday life, and the confidence to use the skills and knowledge to make responsible financial decisions that are appropriate to the individual's situation.

RECOMMENDED

- 1) That Saskatchewan's Ministry of Education create and introduce a required course or course content into the secondary school curriculum that focuses on educating young people about the basics of personal finance, such as debt, credit, cash management, loans, and investing.
- 2) That Saskatchewan's Ministry of Education ensure that the teacher(s) responsible for presenting this course are adequately trained to present the new course material. A distance education course should also be created to provide the content in a quality manner to students in communities where teacher staffing levels may not allow for a teacher to focus the necessary amount of time towards becoming familiar with the course material.
- 3) That Saskatchewan's Ministry of Education, after an initial 2 year phasing-in period, make it a mandatory condition of graduating high school that a student must complete this personal finance course in the 3 years prior to graduation. The course could either be completed through distance education or in a classroom setting.

4) That the Saskatchewan Chamber continue to work with the Saskatchewan Financial Literacy Network to ensure they maintain their focus on bringing together financial literacy experts and champions so that they are able to use their shared resources and knowledge to further promote the importance of financial literacy to their membership as well as to the broader public.