

CUPE ANALYSIS OF THE 2017-18 SASKATCHEWAN BUDGET

Making Life Challenging



1 PROVINCIAL BUDGET 2017-18 SNAP SHOT

- Cuts 574 public sector jobs, eliminates the Saskatchewan Transportation Company (STC) and provides \$107.5 million in tax breaks for corporations and individuals. More jobs will be cut as impact of budget hits all sectors.
- Public sector compensation cut by 3.5% this year or by \$250 million, followed by three years of zero wage increases, or a real wage cut of 9.5% over four years. This has to be negotiated with the unions.
- The PST increases from 5% to 6% and is expanded to children's clothing, restaurant meals, home renovations, insurance premiums, and trade-in vehicles.
- This year's deficit will be \$685 million, down from \$1.3 billion last year. The government plans to balance the budget by 2019-20. Net government debt increases from \$9.1 billion last year to \$12.2 billion in 2017-18.

Education (K-12)

- Budget cuts operating grants to school divisions cut by 1.2%. On a school year basis, this represents a 2.6% cut to school divisions.
- There will be no changes to school division boundaries but the government will impose shared services and amend the *Education Act*.

Libraries

- The \$1.3 million provincial grant to Regina and Saskatoon public libraries is eliminated. Funding to regional libraries is cut by 58%, or by \$3.5 million.

Municipal

- Municipal revenue sharing down by 5.1% or \$257.8 million. But the budget also eliminates \$36 million in grants in lieu of property taxes that were paid to cities by Sask Power and Sask Energy.

Post Secondary

- Base funding to universities cut by 5%. Funding cut by 5.6% to the University of Saskatchewan and by 5.5% to the University of Regina.
- The tax credits for tuition and education costs of post-secondary students will be eliminated July 1st. Scholarships and student aid funding has also been cut.

Health Care

- Funding to health regions up 1.2%. New line item for Provincial Health Authority for \$1.7 billion.
- Special care home maximum fees will increase July 1st from \$2,065/month to \$2,689/month. This will affect about 8,500 residents (not all will pay the maximum fee).
- 80 jobs will be cut and services no longer provided by health regions: hearing aid plan, podiatry services, pastoral care, orthotics and equipment for sleep apnea, parent mentoring, travel immunization clinics. The government expects the private sector to provide these services.

2 COMMUNITY BASED ORGANIZATIONS (CBOs)

This budget does not provide any increase for wages in the CBO sector. CUPE members who work in group homes and sheltered workshops for the disabled have had their wages frozen for the last two years, or a 2.6% reduction in real wages after taking inflation into account.

Table 1

	2015-16	2016-17	2017-18
Funding for wage increases	0%	0%	0%

3 EDUCATION (PREK-12)

No school division amalgamations

Government plans to restructure school divisions did not materialize in this year's budget. Despite a report by Dan Perrins recommending the amalgamation of 18 public school divisions into one, four or eight divisions, the government has decided not to chance school division boundaries or eliminate elected trustees.

The government is accepting the findings in the six-person Advisory Panel report, appointed after the Perrins report. The government will make amendments to *The Education Act* to "clarify roles within the sector and create efficiencies." The government also plans to impose shared services on divisions to save money by "bulk purchasing, transportation partnerships and a consistent compensation framework for school divisions." There are also plans to improve relationships with First Nations and Metis residents.

Operating funding to school divisions

Table 2

	2016-17	2017-18
Government Fiscal Year (April 1 - March 31)	0.9%	-1.2%
School Division Fiscal Year (September 1-August 31)	0.8%	-2.6%

Provincial operating funding for school divisions is cut by \$22 million or by 1.2% over last year. School divisions are expected to cut 3.5% in total compensation costs this year in addition to the reduced operating grants. Last year school divisions reduced their costs by \$15 million in response to the government request for efficiencies.

On a [school division fiscal year](#) (September 1 to August 31), however, the cut to operating grants and preventative maintenance is more severe: \$54 million or a cut of 2.6% (see attachments). These are the numbers that matter the most because decisions about school operations are made within the school divisions' fiscal year and their budgets are being cut severely. Chinook SD has the highest reduction: 8.1%. Other school divisions with CUPE members that have higher than average reductions in operating grants and preventative maintenance are Ile a la Crosse (-5.3%), Living Sky (-4.6%), Prairie South (-4.2%), Sun West (-4.1%), Christ the Teacher RCSSD (-4.9%), Holy Trinity RCSSD (-3.9%) and Prairie Valley (-3.3%).

<http://publications.gov.sk.ca/documents/11/98099-2017-18%20Provincial%20component%20summary.pdf>

CUPE represents 7,000 support staff in 20 school divisions.

Private independent schools

A Ministry of Education budget backgrounder states that operating grants for independent schools and historical high schools will be \$9.3 million, reduced by \$209,000 (2.2% cut). There also appears to be a reduction in funding to associate schools from \$18.167 million in 2016-17 to \$17.515 million this year (a 3.6% cut). The one exception is for associate schools in Regina Public School Division area who had funding increased from \$8.6 million to \$9.1 million.

Capital funding

The budget provides \$119.1 million for capital expenses in education, including \$48.3 million to complete the 18 P3 schools this June, \$43.2 million for preventative maintenance and renewal, \$21.8 million for three new schools in Regina and an expansion of St. Brieux school plus \$2.8 million to pay for the design of schools in Rosthern and Weyburn.

Funding for child care spaces in P3 schools

810 child care spaces will be created at the nine P3 schools in Saskatoon, Regina, Warman and Martensville.

Education property tax changes

The mill rates for the education property tax will be reduced for each class of property but, because of higher property assessment, this will increase revenues by \$67 million. Last year education property taxes funded about 35% of K-12 education costs. The changes to the education property tax this year will increase the share of property taxes to 40% of all education costs while the remaining 60% of costs are paid from the General Revenue Fund (GRF).

4 CHILD CARE

The budget does not provide much information about funding for child care services. Of the 889 new child care spaces that will be created in the province, 810 will be in P3 schools. That leaves only 79 new child care spaces for the rest of the province.

Table 3

	2015-16	2016-17	2017-18
% increase over last budget	1.0%	-0.7%	0%

5 HEALTH CARE

Regional Health Authorities

Budget news releases report that Regional Health Authorities (RHAs) received \$3.4 billion, or a 1.2% increase in their operating funding and specific program and service funding. That increase, however, includes \$12 million to address emergency department pressures in Regina and Saskatoon, \$24.4 million for “operating funding and service pressures,” and \$4.4 million in operating funding for the Children’s Hospital still under construction.

Funding to RHAs is approximately 50% of what each RHA received last year (see table) and there is a new line item of \$1.7 billion for a Provincial Health Authority, expected to be in place by October 2017. The funding to RHAs represents six months of funding. There was no mention of transition funding to one provincial health authority.

Below is a table showing the funding to five RHAs where CUPE represents 13,600 workers.

Table 4

Regional Health Authority (\$000's)	2016-17	2017-18	% change
Prairie North	\$220,256	\$110,229	-50.0%
Prince Albert Parkland	\$218,558	\$109,279	-50.0%
Regina Qu'Appelle	\$936,165	\$476,282	-49.1%
Sun Country	\$141,147	\$70,680	-49.9%
Sunrise	\$199,087	\$99,589	-50.0%
Provincial Health Authority		\$1,701,725	100%

Certain services provided by RHAs will be eliminated, resulting in the loss of 80 full-time equivalent jobs. The government expects the private sector to provide these services, resulting in a shift of costs onto individuals. The services being eliminated and their “savings” are:

- Hearing aid plan (\$3 million)
- Podiatry services (\$1.2 million)
- Continuous positive airway pressure (CPAP) generators (\$800,000)
- Low cost orthotics (\$285,000)
- Parent mentoring (\$1.4 million) and pastoral care services (\$1.5 million)
- Chiropractic services for low-income safety net recipients (\$1.25 million)
- Travel vaccination clinics

Special Care Home fee increases

There is no mention of seniors’ care in the budget, other than an increase in the maximum fee for special care home residents. Effective July 1st of this year, the maximum monthly fee will rise from \$2,065 to \$2,689 (a 30% increase). The government claims that 50% of all residents in special care homes will continue to pay the minimum monthly fee of \$1,086. About 8,500 residents, however, will see an increase in their fee. Health Minister Jim Reiter told the Star Phoenix that the increased fees will raise between \$8 million and \$9 million annually.

Capital spending

The budget increases capital spending by 17.2% or \$83.7 million, including:

- \$34.7 million for capital maintenance
- \$15.3 million for equipment replacement

- \$15.5 million for construction of the Children’s Hospital and \$8 million for information technology for the hospital
- \$3.5 million to electrical renewal projects at Regina hospitals
- \$6.7 million for Leader Integrated Facility

Reductions in other health categories

There were cuts to other programs covered by the Ministry of Health:

Table 5

	2017-18	2016-17	Change
Sask Prescription Drug Plan	\$309,900	\$311,800	-0.6%
Family Health Benefits	\$3,976	\$4,566	-12.9%
Benefits Plans Program Support	\$4,550	\$4,610	-1.3%
Medical Services, Non-Fee for Service	\$142,630	\$159,651	-12.0%

6 LABOUR RELATIONS AND WORKPLACE SAFETY

Employment Standards received an 8.2% increase in its budget and Occupational Health and Safety had a modest increase of \$77,000 over last year. Both the Labour Relations Board and the Labour Relations and Mediation Branch had cuts to their budgets of 5.2% and 4.7% respectively. The Workers’ Advocate office had its funding frozen at \$840,000.

Table 6

Budget funding (\$000s)	2016-17	2017-18	% change from last year
OHS	\$8,482	\$8,559	+0.9%
Labour Relations Board	\$1,076	\$1,021	-5.1%
Labour Relations & Mediation	\$742	\$707	-4.7%
Employment Standards	\$2,869	\$3,105	+8.2%
Workers Advocate	\$840	\$840	0

7 LEGAL AID AND HUMAN RIGHTS COMMISSION

The funding to the Human Rights Commission was frozen at the same level as last year: \$2.4 million.

The Legal Aid Commission received a 2.3% increase in its budget of \$23.4 million but this increase came from a federal government funding increase for Legal Aid from the Federal/Provincial Agreement Respecting Adult and Youth Criminal Legal Aid and a pilot project on Weekend Arrest/Early Case Resolution in Saskatoon, Regina and Prince Albert. The Commission has a structural deficit despite this federal funding and will be looking for savings.

Table 7

Budget funding (\$000s)	2016-17	2017-18	% change
Legal Aid Commission	\$23.72	\$24.3	+2.3%
Human Rights Commission	\$2.4	\$2.4	0%

8 REGIONAL LIBRARIES

In the last two years, provincial grants to regional libraries were frozen. This year's budget cuts their funding by 58%, or by \$3.5 million. The provincial government also cut the entire \$1.3 million grant to public libraries in Regina and Saskatoon. The only library that was not cut was the northern library system, Pahkisimon Nuye-ah.

CUPE represents over 722 library workers in three municipal public libraries (Regina, Saskatoon and John M Cuelenaere in Prince Albert and five regional libraries (Palliser, Lakeland, Parkland, Southeast and Wapiti). John M Cuelenaere does not receive any provincial funding but may be affected by provincial cuts to municipal revenue sharing. Palliser Regional Library recently announced that it will be laying off eight workers because of provincial budget cuts.

9 MUNICIPALITIES

Revenue sharing grants were cut by 5.1% overall but municipalities are also losing grants in lieu of property tax.

The provincial budget eliminated \$36 million in grants-in-lieu of property taxes paid by Crown corporation SaskPower and SaskEnergy. Both cities of Saskatoon and Regina will lose \$10.7 million. Mayor Charlie Clark said the amount is equal to what it costs to run all recreation centres in the city and it would take a 5.7% increase in the city's property tax to replace this funding. The elimination of grants in lieu takes effect April 1, 2017.

Below are tables showing the changes in the urban revenue sharing grants and grants in lieu in the community where CUPE represents 5000 municipal workers in 32 communities in the province.

Table 8
Loss of revenue sharing and grants in lieu of property taxes (GILT)
for Saskatchewan cities

City	Revenue Sharing 2016-17	Revenue Sharing 2017-18	Loss of GILT	\$ change from 2016-17	% change from 2016-17
Estevan	\$2,414,046	\$2,163,889	\$896,328	-\$1,146,485	-47.49%
Humboldt	\$1,239,999	\$1,105,971	\$477,319	-\$611,347	-49.30%
Martensville	\$1,685,071	\$1,817,531	\$96,441	\$36,019	2.14%
Meadow Lake	\$1,101,761	\$1,007,039	\$68,296	-\$163,018	-14.80%
Melfort	\$1,217,724	\$1,129,150	\$420,390	-\$508,964	-41.80%
Melville	\$992,786	\$859,676	\$334,267	-\$467,377	-47.08%
Moose Jaw	\$7,266,597	\$6,386,328	\$2,712,444	-\$3,592,713	-49.44%
North Battleford	\$3,032,953	\$2,697,559	\$1,132,155	-\$1,467,549	-48.39%
Prince Albert	\$7,671,704	\$6,769,998	\$2,433,854	-\$3,335,560	-43.48%
Regina	\$42,170,458	\$40,535,189	\$10,661,722	-\$12,296,991	-29.16%
Saskatoon	\$48,523,106	\$46,427,797	\$10,661,722	-\$12,757,031	-26.29%
Swift Current	\$3,385,648	\$3,128,905	\$523,490	-\$780,233	-23.05%
Weyburn	\$2,289,565	\$2,048,374	\$765,715	-\$1,006,906	-43.98%

City	Revenue Sharing 2016-17	Revenue Sharing 2017-18	Loss of GILT	\$ change from 2016-17	% change from 2016-17
Yorkton	\$3,421,900	\$3,079,722	\$1,657,902	-\$2,000,000	-58.45%

Source: Saskatchewan Urban Municipalities Association calculations.

Table 9
Cuts to revenue sharing and grants in lieu to Saskatchewan Towns with CUPE members

City	Revenue Sharing 2016-17	Revenue Sharing 2017-18	Loss of GILT	\$ change from 2016-17	% change from 2016-17
Battleford	\$934,742	\$944,233	\$84,228	-\$74,747	-8.0%
Biggar	\$497,868	\$475,570	\$59,985	-\$82,283	-16.53%
Canora	\$511,176	\$432,598	\$60,314	-\$138,892	-27.17%
Cudworth	\$178,702	\$175,190	\$19,929	-\$23,441	-13.12%
Gravelbourg	\$258,092	\$232,416	\$33,118	-\$58,794	-22.78%
Kamsack	\$420,772	\$405,794	\$51,618	-\$66,596	-15.83%
Kindersley	\$1,075,395	\$974,431	\$124,641	-\$225,605	-20.98%
Maple Creek	\$501,310	\$445,362	\$61,005	-\$116,953	-23.33%
Nipawin	\$980,632	\$938,266	\$102,504	-\$144,870	-14.77%
Tisdale	\$731,678	\$690,219	\$75,703	-\$117,162	-16.01%
Unity	\$550,183	\$549,389	\$62,279	-\$63,073	-11.46%
Wadena	\$301,688	\$276,026	\$37,779	-\$63,441	-21.03%
Wakaw	\$228,034	\$198,166	\$24,772	-\$64,640	-23.96%
Watrous	\$428,115	\$406,219	\$28,333	\$50,229	-11.73%
Wilkie	\$300,540	\$261,348	\$34,279	-\$73,471	-24.45%

Source: Saskatchewan Urban Municipalities Association calculations.

Infrastructure funding

The budget provides \$134.2 million in funding for municipal infrastructure projects, an increase of 7.2% over last year. Over two-thirds of the provincial money is to match funding coming from federal government for municipal infrastructure; for example, \$60.8 million is

for the provincial share under the New Building Canada Fund and \$36.4 million is for the federal-provincial Clean Water and Wastewater Fund.

The province is also providing \$15 million for the Saskatoon North Commuter P3 Bridge this year and \$22.1 million for municipal roads and highways.

Funding cut to Meewasin Valley Authority

The City of Saskatoon is also hit hard by the provincial cut to the Meewasin Valley Authority by almost one-half. The province is providing \$500,000 to Meewasin this year, down from \$909,168 last year.

10 POST-SECONDARY EDUCATION

The 2017-18 budget cut funding to universities by \$25 million, or by 5.2%. Technical institutes also had their funding decreased from \$156 million to \$150 million, or by 3.8%.

Universities were expecting a cut in funding but not as severe as 5.2%. In the last three years, provincial funding to universities and their affiliated colleges has been slashed from \$489 million to \$450 million, or by 8%. These cuts have occurred even though enrolment has been increasing.

Table 10

Budget funding (\$ millions)	2016-17	2017-18	% change
University of Saskatchewan	\$342.8	\$323.77	-5.6%
University of Regina	\$117.7	\$112.8	-5.5%
First Nations University	\$3.83*	\$3.64	-5.0%

*funding from 2015-16. 2016-17 information not available.

University of Regina

The University of Regina, where CUPE represents support staff and food services workers, teaching and research assistants and staff of the students' union and women's centre, will receive a cut of \$6.2 million to its provincial funding, a loss of 5.5%. The government cut the university's operating grant, as well as targeted reductions of \$813,000 for student assistance and other areas.

The government also eliminated all of its targeted funding to the Johnson Shoyama Graduate School of Public Policy (\$236,700) and cut the MacKenzie Art Gallery by \$100,000 or 25%. The government plans to eliminate all funding to the Art Gallery by cutting \$100,000 in each of the next three years. CUPE represents staff at the MacKenzie Art Gallery.

University of Saskatchewan

The University of Saskatchewan's operating grant is cut from \$312.9 million to \$294.8 million, or by 5.8%. The Saskatchewan Innovation and Opportunity Scholarship was cut by 38.2%; from 2.1 million to \$1.3 million. Total provincial funding (operating, scholarships, maintenance) to the University of Saskatchewan is cut by \$19 million, or by 5.6%.

The government is also requiring the University of Saskatchewan to provide \$20 million from its base budget to support the College of Medicine.

CUPE represents support staff, sessional lecturers, and faculty club staff at the University of Saskatchewan.

The province is also eliminating the personal income tax credit for tuition and education costs effective July 1st, which will increase the costs to students for post-secondary education.

First Nations University of Canada

The provincial government is providing \$3,638,000 to First Nations University in 2017-18. The budget letter from the province does not indicate how much funding was provided last year, but our previous CUPE analysis from 2015-16 shows that the University received \$3,829,500 that year. This year's funding is a 5% cut from 2015-16 fiscal year.

11 CUTS TO WAGES AND EMPLOYMENT

2017-18 budget guts public sector jobs

This budget eliminates 574 public sector jobs in the provincial civil service, STC and healthcare. This is not the final tally, however, as third party institutions (health care, schools, universities, municipalities, libraries, etc) may have to cut jobs to deal with losses in provincial funding.

In 2008-09 there were 12,755.1 FTEs in government; this budget brings the number of FTEs down to 10,925, a loss of 1,830.1 FTEs or a 14.3% cut to the civil service over ten years.

Other job losses include:

- 111.7 FTE employees of the provincial government eliminated
- 224 jobs at the Saskatchewan Transportation Company (STC) that is being shut down
- 80 jobs in regional health authorities who work in services being eliminated

Real public sector compensation could decline by 9.5% over four years

The government has demanded that public sector workers' compensation be reduced by 3.5% to save \$250 million per year. The budget also expects a wage freeze for the next three years so it can eliminate the deficit and be in surplus by 2020-21.

If we consider the budget forecast for increases to the consumer price index (CPI) for Saskatchewan over the next four years, the reduction in real wages for public sector workers could be 9.5% by 2020.

Table 11
Decline in real wages in provincial budget

	2016-17	2017-18	2018-19	2019-20	2020-21
Public Sector Compensation Reduction		-3.5%	0%	0%	0%
Index	100	96.5	96.5	96.5	96.5
CPI Forecast		1.6%	1.8%	1.4%	1.7%
Index	100	101.6	103.4	104.87	106.66
Decline in real wages					-9.5%

Sources: 2017-18 Saskatchewan provincial budget, pages 33 and 46

12 CHANGES TO TAXES

Changes to Tax Rates

The 2017-18 budget makes significant increases on consumption taxes and cuts personal income and corporation taxes, which will have a greater financial impact on lower income people. This is the exact opposite recommendation made by CUPE's economist Toby Sanger in his report *Debunking the Deficit: How Saskatchewan can get back on fiscal track without cuts or austerity*.

Sanger recommended that Saskatchewan increase its top income tax rate from 15% to 17.4% (the same as Manitoba's top rate) to generate revenues of \$60 million annually. Instead the Sask Party government decided to lower personal income tax and the Corporation Income Tax rates, which will proportionately benefit wealthier people in the province.

Finance Minister Kevin Doherty said that “all things were on the table” and that everyone had to share in the cost of reducing the deficit; wealthy people, however, will gain from this budget. The government claims that corporate and income tax cuts will create jobs and stimulate the economy, a discredited “trickle down” economic theory from the 1980s.

Corporation Income Tax

The Corporation Income Tax (CIT) will be reduced by a half-point July 1, 2017 and by another half-point July 1, 2019. When fully implemented, the CIT will decline from 12% to 11% and be the lowest corporation income tax rate in Canada.

The reduction of the CIT by a half-point this year will cost the Provincial Treasury \$25.3 million (for nine months of the fiscal year). Once fully implemented at 11%, the government could lose \$67.5 million annually.

In addition, the government is reducing the dividend tax credit rate from 11% to 10% by 2020, has introduced the Saskatchewan Commercial Innovation Incentive that reduces the corporate tax rate to 6% on income earned from commercializing intellectual property, such as patents, plant breeder rights, trade secrets and copyrights, and is implementing a refundable 10% R & D Tax Credit.

Personal Income Tax

Personal income tax rates will be lowered by a half-point this July 1st and by another half-point on July 1, 2019. This tax reduction will reduce government revenues by \$82.2 million dollars this fiscal year (9 months). The cost over a full fiscal year will be \$109.6 million and, once fully implemented in 2019, the Treasury will lose \$219.2 million dollars.

Table 12
Personal Income Tax Rates

	Current Rate (2016)	Rate fully implemented (July 1 st 2019)
First Bracket	11%	10%
Second Bracket	13%	12%
Third Bracket	15%	14%

Source: *Saskatchewan Provincial Budget 2017-18, p. 50*

Tax Revenues

The government has increased and expanded the Provincial Sales Tax (PST), raised education property, raised tobacco and liquor taxes and eliminated a number of tax credits to save money. Interestingly, the expansion of the PST raises 2.6 times the revenues than the one percent rate increase.

Here are some of the changes:

- PST increased from 5% to 6%: raises \$242.1 million
- Expanding PST to children's clothing, restaurant meals, home renovations, value of trade on vehicles, insurance premiums: raises \$631.5 million
- Education property tax is increased to raise \$54 million
- Corporation capital tax on large financial institutions: \$13 million
- Tax increases on tobacco (\$10 million) and liquor (\$5 million)
- Elimination of fuel tax exemption on bulk fuel purchases: raises \$40.2 million
- Elimination of tax credits for post-secondary tuition and education expenses: saves \$28.2 million
- Elimination of employee's tool tax credit: saves \$1 million

A table on page 38 of the budget shows how the government is shifting its source of revenues from progressive corporate and income tax toward regressive consumption taxes (sales tax, fuel tax, tobacco tax, etc). While almost every government ministry and public sector body that receives provincial funding has seen major cuts, government funding for infrastructure, such as P3 projects and the new children's hospital, is increased in this budget.

More information about the impact of budget cuts on CUPE members will be released on a regular basis. Please go to the CUPE SK website:

<https://sk.cupe.ca/2017/03/22/sask-party-budget-punishes-working-families-for-governments-mismanagement-while-rewarding-corporations-says-cupe/>

For more information on the government budget documents go to:

<http://www.finance.gov.sk.ca/budget2017-18>

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