



SUMA Position Statement

Urban municipalities must have a long-term, sustainable and predictable, policy-based provincial revenue sharing formula. SUMA supports the funding formula whereby municipalities receive one point of the provincial sales tax (PST), and a needs-based split of the funding pool between cities, towns and villages, northern municipalities, and rural municipalities. SUMA supports a review of the fund distribution after each federal census' numbers become available.

Key Messages

- The formula is predictable, sustainable, and tied to the provincial economy.
- The funding is intended to reflect the value of the provincial interest in municipal services.
- The revenue sharing program is the foundation of the provincial/municipal partnership in Saskatchewan — our pact to encourage and foster growth together.
- Saskatchewan's program is a model for the nation.
- Though the program was intended to cover provincial interests in municipal operating costs, the funding is unconditional.
- Revenue sharing should be made permanent in legislation.

Current Status

During the 2016 provincial election and in its 2016 Budget submission, SUMA called for the Province to make revenue sharing permanent. No moves have been made to do so. In fact, despite the reiteration of their promise not to reduce revenue sharing "for as long as they form government," the Province has once again said "everything is on the table" as they head into the 2017-18 budget, leaving municipalities wondering if the program will be reduced or eliminated.

Background

The success of Saskatchewan is inextricably linked to the success of our municipalities. More than 77 per cent of our population lives in the province's cities, towns, villages, resort villages, and northern municipalities. When those communities do well, so does the province. The province has a vested interest in urban municipalities that are a great place to work, play, and live.

The majority of Saskatchewan's growth can be attributed to the population and economic growth that occurs in our urban municipalities. Between 2008 and 2016, Saskatchewan has incorporated three new cities, each with at least 5,000 residents: Martensville, Meadow Lake, and Warman. In that time, we also welcomed 135,935 people — enough people to fill the equivalent of more than 27 new cities. With this growth comes increasing demand on services and infrastructure. Our hometowns cannot support growth — or weather economic uncertainty — alone

Urban municipalities only collect eight cents of every tax dollar and have a limited ability to bring in revenue beyond property taxes and own-source revenues. Municipalities are also bound by legislation to run a balanced operating budget. Any capital borrowing beyond their established debt limit requires approval from the Saskatchewan Municipal Board. As a result, municipalities alone cannot support the incredible growth in their communities and rely on the province to broaden their revenue base.

The first revenue sharing program was introduced in 1978 to support municipal governments and service delivery across Saskatchewan. It had been recognized in the mid-1970s (and confirmed again by the Local Government Finance Commission in the mid-1980s) that the growing list of municipal service responsibilities could not be provided on the back of property taxes alone. This led to the historic Revenue Sharing program established in 1978, which eventually peaked in the mid-1980s at a level that has never been matched since.



It provided municipalities with annual unconditional operating grants for nearly 30 years. The program was not always consistent, however, with the amount of funding flattening out in the late 1980s, dropping significantly in the early 1990s, then being capped for a number of years in the late 1990s, before being built up again in the early 2000s.

During the mid-2000s, SUMA's members shared the opinion that the program needed to be strengthened if it was to continue to meet its original goals and objectives — especially since the funding didn't account for growth in provincial revenues or the impact of inflation and other economic factors on municipal expenditures. SUMA members wanted a larger program that was long-term, predictable, and sustainable. To get their message across to the province as effectively as possible, SUMA prepared to launch a public campaign in 2006. The province learned of the campaign before it launched, and committed to meeting with SUMA's Executive Committee to discuss the principles of a new revenue sharing program.

Working groups from all sectors worked diligently to develop the key components and shared interests that would ultimately form the basis of a new relationship between the province and municipal governments. Cities identified the main areas of municipal service delivery that fit with provincial interests (i.e., policing; highways; recreation, arts, and culture; community and economic development; and transit). Work then moved to quantifying the costs of the services that were considered to be of shared interest. At the end of the day, research demonstrated that these costs were much more significant than anticipated and the total amount was close to one point of the PST.

At the SUMA Convention in 2009, the provincial government announced the Municipal Operating Grant (MOG), a brand-new municipal revenue sharing formula wherein Saskatchewan's municipalities would receive revenue sharing equivalent to one point of the PST (phased in with 90 per cent of one point in the 2009-10 fiscal year and one full point in the 2010-11 fiscal year). It was agreed that PST captures many elements of our economy, including the sale of construction material, disposable income, and inflation. This marked a major milestone in the relationship between municipalities and the provincial government. It was an acknowledgement that many municipal services help fulfill provincial goals and initiatives, and as a result, should receive provincial funding.

Urban municipalities rely on revenue sharing to support shared-interest services, and the predictability of the program saves time for both orders of government by eliminating the pre-budget lobbying for that shared revenue. It also makes annual budget forecasting much simpler for municipalities, as their fiscal year begins in January but the provincial budget does not come down until March.

Local governments were fully aware of the risks and benefits of this arrangement — specifically that there might be times when a downward adjustment would occur because of a slow economy. Urban municipalities accepted this scenario in part because as partners in growing the province, we agreed that municipalities should also absorb some of the effects of a weak economy.

Strategic Context

Since its introduction as the Municipal Operating Grant (MOG) at SUMA Convention 2009, the revenue sharing program has found itself under threat several times. In the 2010-11 fiscal year, revenue sharing was frozen at 2009-10 levels, even though it was expected to grow that year from \$167 million to \$221 million. In late 2014, the Province suggested it would be frozen again in the 2015-16 fiscal year. With "everything on the table" again for the 2017-18 fiscal year, the need to make revenue sharing permanent is more urgent than ever.

Contacts

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