



FEDERAL BUDGET 2019

**Funding Priorities to Improve the Economic Growth and
Competitiveness of Rural Saskatchewan**

August 2018

Executive Summary

The Saskatchewan Association of Rural Municipalities (SARM) is the independent association that represents all 296 rural municipalities (RM) in Saskatchewan before senior levels of government. The Association takes direction from its members and forms its policy accordingly.

RMs are the level of government closest to ratepayers and businesses in rural Saskatchewan and the infrastructure and services that they provide have an immediate impact on the economic growth and competitiveness of both Canadians and businesses alike. The recommendations put forward by SARM are intended to improve the competitiveness of Canadians and businesses by empowering communities and supporting them with fair and accessible federal programming and investments.

A longstanding priority for SARM is rural broadband. Best practices research clearly demonstrates that broadband improvements offer a means of reversing social and economic trends that impact our rural communities. Broadband is an essential infrastructure for prompting robust rural development and for the attraction and retention of youth and skilled workers. It can lead to improved access to government and public services with enhanced program outcomes and with reduced delivery costs. Forging healthy and prosperous rural communities by eliminating or narrowing the so-called digital divide between rural and urban communities should be a priority for everyone as it benefits the economy holistically. SARM believes that broadband must be both accessible and reliable. Connectivity needs to be consistent to ensure business can be conducted without interruption. It is imperative that reliability is examined in conjunction with access to ensure rural communities can benefit from the service provided to them.

Municipalities provide fundamental services to communities that allow Canadian communities, residents, and business owners to flourish. Without these services, communities would not function at optimum levels. The services provided by municipalities require trained and educated employees. Hiring and retaining quality professionals can be a challenge for municipalities, especially in rural communities. The Canada-Saskatchewan Job Grant would provide rural municipalities access to funding to further train their employees and enhance their skills to increase their productivity.

Establishing an Emergency Response Fund for local fire departments in Saskatchewan would support the goal of increasing productivity for Canadians and businesses. Fire departments face rising costs but have limited funding available. Fire departments should



be eligible to apply for compensation for their services after responding to incidents involving Crown corporation infrastructure, Crown land, First Nations land, land adjacent to railways and assistance with air ambulance landings. Enhancing the sustainability of local fire departments ensures that communities remain vibrant, secure and safe for Canadians and businesses. Without sustainable, essential services the economic competitiveness and safety of all who reside in a community is adversely affected, including the capacity of local fire departments.

The federal proposed changes to tax planning using private corporations consultation that occurred in 2017 led SARM to examine taxation implications to the agriculture industry. The agriculture industry is an economic driver in Canada as is the fifth largest grower and exporter of agricultural goods. Farmers contribute \$108.8 billion to the national economy. It is imperative that we strive to support the industry.

SARM will continue to advocate for rural municipalities to ensure they are in the best position to capitalize on opportunities to Improve the Economic Growth and Competitiveness of Rural Saskatchewan.

Rural Broadband

Broadband has become part of the basket of public goods and services that municipalities need for residents and businesses to optimize experiences, pursue opportunities and offer an improved quality of life for all. Municipalities recognize broadband as a competitive advantage in both the local and global marketplace. Broadband is a critical utility for accessing education and training opportunities, engaging in financial services, medical services and for the knowledge workforce. Broadband can assist in boosting the economic and social wellbeing of rural communities and plays a key role in giving communities a sustainable future in our ever-more-connected world.

Budget 2018 announced an investment of \$100 million over five years for the Strategic Innovation Fund, with a focus on supporting projects related to low Earth orbit satellites and next generation rural broadband. This funding came with the recognition that access to the internet is an essential means by which citizens and businesses access information, offer services and create opportunities. SARM is appreciative of this funding as rural broadband access is critical for helping rural Canadians be more competitive. SARM believes further improvements are required to ensure that underserved areas receive funding and that existing service levels are improved.

Today, participation in the Canadian economy and society requires reliable internet access. More and more services rely on use of the internet. Examples include but are not limited to conducting financial transactions, data storage in the cloud, accessing markets, finding sellers and buyers (i.e. commerce), finding employment, accessing entertainment, accessing government services, health care, and educational institutions. Being unable to perform these tasks immediately puts one at a disadvantage. The continual trend of services and information being offered online means that it is imperative that rural areas are afforded the same opportunities and same services in order to participate in the Canadian economy.

In terms of download and upload speeds, SARM believes that the federal government should do all that it can to meet the CRTC's new targets of download speeds of 50 megabits per second (Mbps) and upload speeds of at least 10 Mbps. Many urban centres will already have achieved these goals or will over the next few years. The real challenge will be meeting these goals in the rural areas. This will take time as investments continue over the next several years and services are expanded.

With reliable broadband, RMs will be able to leverage other federal funding opportunities, such as the recent Smart Cities Challenge.

RECOMMENDATION 1:

To continue building on the investments in rural broadband, SARM recommends that the federal government:

- Collaborate with each province and territory on a plan for service that takes each province's population and geography into account. Each province has a different definition of "rural" that needs to be recognized. Collaboration will ensure that the benefits of investments in rural broadband are maximized.
- Use service reliability as a performance measurement in addition to using service availability as a measurement.

Canada-Saskatchewan Job Grant

Municipalities are the providers of important services to their communities. Services include maintaining infrastructure such as roads, bridges, water and waste water treatment centres. Provision of these services requires a trained and qualified workforce. The Canada-Saskatchewan Job Grant provides employers with funding assistance to train and educate their employees to improve their productivity.

Expanding eligibility to municipalities would be an immediate improvement for enhancing Canadians economic growth and productivity as municipalities are important employers in communities across the province. Allowing municipalities to participate in this program will increase the number of Canadians who receive training and education. One of the most fundamentally sound ways to improve one's economic wellbeing and productivity is by receiving training and education opportunities.

Over the five years, it is estimated that 120 to 150 administrators are expected to leave the profession. This means that up to 61 per cent of rural municipalities may be in need of a new administrator in the next five years. The Rural Municipal Administrators' Association states that many people entering the profession are young women. Allowing municipalities to access the Job Grant will support women entering a new profession or the workforce, which contributes to economic growth in Canada.

Finally, opening the Job Grant to rural municipalities will increase educational attainment in rural communities, which tend to have lower educational attainment than larger urban centres. Research has found that education is the main driver for labour productivity. Access to the Job Grant will help support a more educated workforce in rural Saskatchewan. This program change would also increase the capacity of rural

municipalities, which in turn assists rural municipalities in their role to support economic growth.

To ensure this program change has the most impact, we recommend that only municipalities with a population of 5,000 or less be eligible. Small, rural municipalities have less capacity than their larger, urban counterparts. Due to small, sparse populations RMs also have a small talent pool to pull from. Granting small municipalities access and eligibility under the Job Grant will increase their ability to retain and attract a qualified talent pool which will have a significant impact on economic growth.

RECOMMENDATION 2:

- SARM recommends that the Canada-Saskatchewan Job Grant be extended to municipalities with populations under 5,000.

Emergency Response Fund

The costs of providing fire suppression services and for responding to motor vehicle collisions continue to increase for Saskatchewan fire departments. This is an issue as the compensation received by fire departments does not always cover the costs for services rendered. This results in financial strain and sustainability issues for services that are essential to public safety. Without financial predictability or security, fire department productivity is negatively affected.

To address these financial concerns, SARM proposes the creation of an Emergency Response Fund (ERF). The ERF would be accessible to fire departments that provide services to incidents that involve Crown corporation infrastructure, Crown land, First Nations land, land adjacent to railways, and for assisting with air ambulance landings. Municipal fire departments require assurances that they will be compensated for providing what may be life-saving emergency services.

SARM proposes that the ERF be a joint initiative between the Government of Saskatchewan, including provincial Crown corporations, and Indigenous Services Canada (ISC). The main benefits of the ERF would be the improved sustainability of fire departments across Saskatchewan. This has the immediate effect of supporting and improving the public safety of all that reside in Saskatchewan. Municipal fire departments that provide services to First Nations would then have the ability to confidently provide fire suppression and emergency services knowing that they would have the ability to access compensation from the ERF. Surplus funds in the ERF could be used to assist with building local capacities, including First Nations, to respond to emergency situations.

Supporting economic growth requires financially stable local fire department. In situations where services that support quality of life are not sustainable, the productivity of those residing in the community is affected. By helping to improve the sustainability of an essential service through the creation of an ERF, the competitiveness of communities across Saskatchewan would be supported.

RECOMMENDATION 3:

- SARM recommends that the federal government, Indigenous Services Canada, work with the Government of Saskatchewan to establish an emergency response fund to be accessible by local fire departments to re-coup costs from providing fire services, allowing them to operate efficiently and effectively.
- SARM recommends that a mechanism be put in place-an emergency response fund- whereby an RM can be assured of payment under Mutual Aid Agreements.

CAPITAL GAINS EXEMPTION

Farm land accounts for 61.6 million acres in Saskatchewan and the province is home to 34,523 farms. Saskatchewan has the highest proportion of incorporated farms on the prairies. In June 2018, Information Services Corporation (ISC) honoured over 190 Saskatchewan families with the ISC Century Family Farm Award, which recognizes families who have maintained the same operation for 100 years or more. Saskatchewan's history has been shaped by the farming industry and it is important that this tradition and industry be maintained.

The exponential increases in the cost of capital of a farm have made the current capital gains exemption wholly inadequate - \$1,000,000 cannot credibly cover the accumulated value of a family farm. SARM recommends the federal government examine the following options related to capital gains:

RECOMMENDATION 4:

- Increase the lifetime capital gains exemption on qualified farm property to \$1,500,000.
- Allow a farmer to allocate a portion of the capital gains on qualified farm property to their spouse in the event their spouse does not already hold beneficial ownership on the qualified farm property (alternatively, allow a spouse to transfer their capital gains exemption to the farmer).
- Amend the calculation of alternative minimum tax to reduce the tax burden when a farmer sells qualified farm property.