

JOHNSON-SHOYAMA GRADUATE SCHOOL OF PUBLIC POLICY
University of Regina

GSPP 816 Fiscal and Federal-Provincial Fiscal Relations
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Term: Winter 2008
Class: Wednesday 9:00-4:20
Office Hours: By appointment

Calendar Description

Examination of objectives of tax policy and basic principles of taxation, with special reference to Canada. Various types of Canadian taxes - federal, provincial, municipal - will be analyzed and evaluated, including those on personal income, corporation income, manufacturers' sales, resource property and other taxes. Emphasis on evaluation of specific taxes and current issues in tax policies in Canada.

Students with Special Needs

Students in this course who, because of a disability, may have a need for accommodations, are encouraged to come and discuss accommodations with the instructor and to contact the Coordinator of Special Needs Services at 585-4631.

Academic Integrity and Conduct

Ensuring that you understand and follow the principles of academic integrity laid out in the Graduate Calendar is vital to your success in graduate school (attached; and available at http://www.uregina.ca/gradstudies/calendar/policy_univ.shtml). Ensuring that your work is your own and reflects both your own ideas and those of others incorporated in your work is important: ensuring that you acknowledge the ideas, words, and phrases of others that you use is a vital part of the scholarly endeavour. If you have any questions at all about academic integrity in general or about specific issues, contact me and we can discuss your questions.

Course Outline

Fiscal Policy and Federal-Provincial Fiscal Relations will cover Canadian fiscal policy and the main fiscal relationships between the federal and provincial governments. It will begin by establishing the foundations for current fiscal policies. When the federal government created an array of social programs during and after World War II, it established an important framework for future Canadian fiscal policy. The cost of the programs contributed to the fiscal crisis of the 1990s and the federal transfer payments to the provinces to fund the programs complicated the design, administration and fiscal accountability of the programs.

The course will consider important federal-provincial issues, such as the origins and nature of federal-provincial tensions and regionalism, the changes in federal transfers, the issue of fiscal imbalance, the recent debate about equalization, the changes made in federal-provincial fiscal relations in the 2007 federal budget and the proposal by the government of Prime Minister Stephen Harper to limit federal spending in areas of provincial jurisdiction.

A focal point for the class will be the budget. The course will consider the main elements of a budget, various mechanisms for assessing and comparing programs, and how budgeting has changed since the 1990s. Both the federal and provincial governments will be delivering budgets during the term and the highlights of these will be discussed. The major assignment for the class will involve students working together to compile a provincial budget.

One side of budgeting is the raising of revenue or taxation. The taxation issues to be discussed include: the principles underpinning current Canadian tax policy, the advantages and disadvantages of various forms of taxation, the use of royalties, co-payment plans and user fees, and the past and current debate about whether or not the provincial sales taxes of provinces like Saskatchewan should be harmonized with the federal Goods and Services Tax (GST).

The other side of budgeting involves expenditures. The course will consider various forms of spending and will focus specifically on the social programs created during and after World War II, such as (Un) Employment Insurance, the Canada Pension Plan, Medicare, Social Assistance and various programs to support families and universities. Discussion will focus on the affordability of such programs. Why did many of these programs become unaffordable? What policy changes were adopted to make the programs affordable? Is the current medicare system fiscally sustainable and why has it been so difficult to change health care programs?

Assignments:

The class will include both lecture and seminar formats. Students will be expected to read all material carefully and critically and will be graded on their contributions to class discussions. There will be a final exam which will require that students have a broad understanding of the general principles involved in Canadian fiscal policy and federal-provincial fiscal relations.

Students will also be required to prepare a briefing note on one of the topics described in the class outline. The briefing note should include: a precise definition of the issue, background information, an analysis of the various dimensions of the problem, and a recommended response. An overview of the briefing note will be presented orally during the class in which the issue is being covered. A final written copy of the note, which should be from 8 to 10 pages in length, will be due on March 26.

The other main assignment will involve working with other students to compile a provincial budget. Each student will be assigned a specific ministry, such as the ministry of finance, health etc. and will be responsible for compiling the appropriate budget material for that ministry. However, students will also act as Treasury Board Ministers and work as a group to make the decisions about the allocation of the available resources to the various ministries and the development of an overall theme for the budget. The fiscal framework to be used will be the one established by the Saskatchewan Finance Minister for the 2008 provincial budget. To prepare for the budget, students will have to consult relevant background material, such as what the Saskatchewan Party election platform said about their ministry area and the general issues involved in the area. Students will be expected to prepare a budget package which will include: an analysis and overview of the main issues and challenges involved in the area, the pre-budget messages that should be communicated to the public, the budget allocations in the area and the rationale for these allocations, the part of the budget speech that deals with the particular

ministry and the post-budget communication strategy. Each student will present the overview of the budget for their ministry on March 26 and these presentations will form the basis for class discussion. The final written version of the budget package, which should be approximately 15 to 20 pages in length, will be due on April 9.

The marks will be allocated as follows:

Class Participation.....	25%
Final Exam.....	20%
Briefing Note oral presentation and written assignment.....	25%
Budget oral presentation and written assignment.....	30%

Course Outline:

January 9: Introduction

Explanation of Assignments and general discussion of public policy and the various approaches to public policy

January 23: Approaches to Public Policy and the Foundations for Canadian Fiscal Policy

Required Readings:

David Osborne, Ted Gaebler, Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector, pp. 25-48.

Donald J. Savoie, Breaking the Bargain: Public Servants, Ministers and Parliament, pp. 142-152.

Janice MacKinnon, Minding the Public Purse: The Fiscal Crisis, Political Trade-Offs and Canada's Future, pp. 12-130.

Minding the Public Purse, pp. 1-11, 205-228.

Jack Mintz, "The 2006 Budget: The Economic Context," The 2006 Federal Budget: Rethinking Fiscal Priorities, pp. 27-36.

Feb 6: Federal-Provincial Fiscal Relations:

Required Readings:

Minding the Public Purse, pp. 155-205.

Paul Boothe, "Turning a New Leaf: The Federal Strategy for Fiscal Arrangements Reform," The 2006 Federal Budget: Rethinking Fiscal Priorities, pp. 103-116.

Fred Gorbet, "Fiscal Imbalance and Equalization: Possible End Games," The 2006 Federal Budget: Rethinking Fiscal Priorities, pp. 117-126.

Alain Noel, "When Fiscal Imbalance Becomes a Federal Problem," The 2006 Budget: Rethinking Fiscal Priorities, 127-146.

Achieving a National Purpose: Putting Equalization Back on Track, Expert Panel on Equalization and Territorial Formula Financing Executive Summary.

"Restoring Fiscal Balance for a Stronger Federation," Aspire: Budget 2007, Executive Summary.

Briefing Note Presentations:

Prepare a Briefing Note for the Federal Government assessing the position taken by the Saskatchewan Government of Premier Lorne Calvert with respect to the exclusion of natural resource revenues from the equalization formula.

Prepare a Briefing Note for the Saskatchewan Government of Premier Brad Wall assessing the merits and potential implications of the proposal by the Federal Government of Prime Minister Stephen Harper to limit federal spending in areas of provincial jurisdiction.

March 5: Taxation and other forms of Revenue Sharing:

Required Reading:

Michael Smart and Richard Bird, "The GST Cut and Fiscal Imbalance," The 2006 Federal Budget: Rethinking Fiscal Priorities, pp. 73-102.

Minding the Public Purse, pp. 176-190.

Review of articles in the Regina Leader-Post and Globe and Mail regarding the federal proposal that provinces like Saskatchewan harmonize their sales taxes with the GST.

The class discussion will focus on the pros and cons and the policy versus politics considerations in the proposal to harmonize provincial sales taxes with the GST. The readings provide the background and students should do a search of the current media, especially the Globe and Mail and Leader Post for the latest round in this ongoing controversy.

Students should also track media coverage in the Globe and Mail and Leader Post about the upcoming federal and Saskatchewan budgets.

Briefing Note Presentations:

Write a briefing note for the federal department of finance discussing the advantages and disadvantages of income splitting.

Write a briefing note for the federal department of finance discussing the advantages and disadvantages of a carbon tax.

March 12: Expenditures, Social Programs and the Special Problem of Health Care

Kevin Milligan, "Of Beer and Popcorn: Federal Policy on Child Care and Child Benefits," The 2006 Federal Budget: Rethinking Fiscal Priorities, pp. 147-162.

Rose Ann Devlin, "Comments", The 2006 Budget: Rethinking Fiscal Priorities, pp. 163-168.

Minding the Public Purse, pp. 228-256.

Paul Boothe, Mary Carson, "What Happened to Health-Care Reform," C.D. Howe Commentary, Dec. 2003 (www.cdhowe.org).

Michael J.L. Kirby and Wilbert Keon, "Why Competition is Essential in the Delivery of Publicly Funded Health Care Services," Policy Matters, IRPP, Sept. 2004 (www.irpp.org).

Briefing Note Presentations:

Write a briefing note for the government of Saskatchewan on the issue of addressing the fiscal problems of health care by instituting either user fees for some services or by making some health care services a taxable benefit.

Write a briefing note for the federal government discussing the fiscal problems associated with implementing a universal child care program.

March 26: Budget Presentations

The focus of this class will be the budget presentations by students and the discussion of the presentations.

The class will also discuss the provincial and federal budgets which should be released by this date.

April 9: Final Exam