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POSTED ON 22/02/06

No bells or whistles in B.C. budget

Finance Minister offers most tax relief and more money for public servants

 **MARK HUME**
WITH A REPORT FROM PETTI FONG

VICTORIA -- Fuelled by a strong economy and with the 2010 Olympic Games in mind, the British Columbia government yesterday brought in a "quiet," balanced budget that offered modest tax relief and sought contract peace with public-sector workers.

With revenues of \$35.4-billion and expenditures of \$33.9-billion projected for 2006-07, Finance Minister Carole Taylor said British Columbia had enough of a surplus to allow some modest spending initiatives.

But she acted with caution, despite an unexpected \$1-billion windfall last fall when natural gas prices spiked.

That money was not earmarked for a broad sales tax cut, however, or to pay down the growing debt, but set aside for coming contracts with unionized government workers.

Asked why, with such a strong economy, the B.C. government had not brought in its budget with a bang, Ms. Taylor smiled and said: "I'm a quiet kind of person."

With its focus on increases in services for children, the overall theme of the budget is "our little ones," Ms. Taylor said.

With revenues up, a real GDP growth forecast at 3.3 per cent this year, and unemployment at a 30-year low (of 5.9 per cent), Ms. Taylor might have been expected to take chances.

Instead she opted for what she described as "a strong budget for sure, but [with] far fewer surprises, jumps or failures."

And she built in a cushion, a reserve fund of \$850-million.

Ms. Taylor said the substantial forecast allowance -- it is \$200-million higher than projected last year -- was implemented to guard against sudden drops in natural gas or other commodity prices and unexpected events such as natural disasters.

The budget drew a mixed reaction, with some criticizing the government for not spending enough and others calling the lack of debt reduction troubling.

Ms. Taylor called that a sign that the budget has come down the middle of the road.

"Probably we've got it about right," she said.

The budget provides \$309-million to raise the basic homeowner grant by 22 per cent, to \$570, and increasing the grant for seniors, disabled people and veterans to \$845 from \$745. The threshold at which homeowners qualify for a full grant was also increased to an assessed value of \$780,000.

The change means that despite soaring real estate prices, 95 per cent of homeowners remain eligible for the full grant.

There were other modest tax breaks worth about \$733-million, with the Provincial Sales Tax eliminated on labour charges for maintaining or modifying computer software, increased PST exemptions on machinery and an increase on the vehicle PST surtax threshold for passenger vehicles, to \$55,000 from \$49,000.

More money -- \$421-million over four years -- was set aside for expanding children's services, an area that has been controversial since the death of an aboriginal child in government care.

The increases include \$72-million for more social workers, \$100-million to enhance the child-protection system, \$31-million to start five regional aboriginal child and family development centres and \$2-million for a Crystal Meth Secretariat to tackle youth drug use.

The government will also spend an additional \$112-million for K-12 education.

Joey Shepherd, a single mother of three in Vancouver, rapped the budget, saying it should have had a bit more help for things such as sending children to after-school and weekend sports and arts programs.

"For me, it's not about cutting taxes. It wouldn't make much difference to me if they reduce taxes," she said. "We would be further ahead if the government put money into things like increasing spending for cultural programs or sports."

However, Jess Howard of Cobble Hill, outside Victoria, said it is time for the government to focus on children.

"I'm a mother, so education is important to me and so are health services," said Ms. Howard, who has four children including one who requires a speech therapist. "Because my son is in speech therapy, those kind of services have been so drastically cut over the years that any help in those areas would be a huge help."

But the most significant new initiative was nearly \$6-billion for unionized government workers, 90 per cent of whom have contracts that come to an end next month. Ms. Taylor said the negotiating framework for government employees includes \$4.7-billion for wages and a \$1-billion bonus to unions that sign before their contracts expire, the equivalent of \$3,300 to each worker.

"Without question this dominates the budget," Ms. Taylor said of the package, which her government hopes will buy labour peace in the four years leading to the Winter Games.

"When we saw that extra billion dollars of revenue in the fall, we could have done all kinds of things with that money," she said. ". . . But as a very important gesture to our public-sector unions, we designated that \$1-billion as a signing bonus."

She said that if unions don't take advantage of the signing bonus, the money will go toward the debt.

"This is a negotiating framework that I think is generous, it is flexible, it is responsive, it encourages our unions to come to the table," Ms. Taylor said.

Jim Sinclair, president of the B.C. Federation of Labour, dismissed her comments as public posturing meant to influence bargaining.

"At the podium over there, we don't negotiate contracts, nor in the media," he said . . . I think that public-sector workers, many of them expect that the money they got taken out of their paycheques, over the last four years, should come back with this prosperity. I don't see that in the budget, frankly."

Mr. Sinclair said union members are interested in job security beyond the Olympics.

New Democratic Party finance critic Jenny Kwan said the budget failed to address the needs of small communities, lacked a response to a continuing health-care-bed shortage, did nothing for the homeless, had no child-care plan or funds for women's centres.

Ms. Kwan also said that while the homeowner grants would help some, she predicted "the government will find other ways to take that money back."

Jock Finlayson, vice-president of the Business Council of B.C., said the budget is solid, but he was worried about the contract talks.

"Six billion is a lot of money . . . it's important that the government not overshoot that," he said.

Mr. Finlayson said he was not concerned about the increase in total provincial debt, which is forecast at \$36.6-billion in 2006/07, \$38.2-billion in 2007/08 and \$39.8-billion in 2008/09, for a jump of \$4.9-billion over three years.

Ms. Taylor said that if B.C.'s economy remains strong, the new debt "remains affordable." And she noted the taxpayer-supported debt-to-GDP ratio is forecast to decline to 15.7 per cent in 2007/08 and 15.4 per cent in 2008/09, from 15.8 per cent this year.

British Columbia revenue forecasts

Following a growth of 14.4 per cent in 2004-05, revenue is forecast to total \$35.48-billion in 2005-06, up 6.8 per cent over 2004-05.

In billions of dollars

Annual percentage change	3.7%	6.8%	-0.3%	2.1%	1.4%
Total revenue	\$34.5B	\$35.5B	\$35.4B	\$36.1B	\$36.6B
Commercial crown income	2.3	2.1	2.0	2.1	2.0
Federal contributions	5.6	5.7	5.7	5.8	5.9
Other revenue	6.7	6.7	6.6	6.8	6.9
Natural resources	4.4	4.9	4.9	4.6	4.2
Taxation revenue	15.5	16.1	16.2	16.8	17.6
	'05/'06 Sept. update	'05/'06 update	'06/'07	'07/'08	'08/'09

SOURCE: BC MINISTRY OF FINANCE

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