

BC Budget 2005 - Too Little, Too Late

The 2005 budget threw a few crumbs back to the masses in an attempt to buy forgiveness and the election. Finance Minister Collin Hansen used the example of a senior couple to illustrate MSP premium subsidies. It will, however, take that couple 12 years to recover the increase in premiums they had to pay between 2002 and 2005. He also talked about tax breaks for those with low incomes. That translates into a benefit of \$34 a year compared to more than \$20,000 a year they gave to top income earners in 2001.

In May 2002 the Campbell government increased MSP premiums by 50% to \$54 per month for singles, \$96 for couples and \$108 for families of three or more. While it is called a "premium" it is really a tax; British Columbians have to pay it. The 2005 budget announced that the income threshold for premium assistance will rise by \$4,000. A senior couple whose annual income is \$30,000 will save over \$460 per year and a family of four earning \$35,000 will save over \$500 per year. Those "savings" are relative to the high MSP premiums following the May 2002 increase. The senior couple suffered a \$384 annual increase two years ago. The 2005 budget gave them \$76 a year in savings relative to 2002; it will take 12 years to recover the excess they paid between 2002 and 2005! The family of four suffered a \$432 annual increase two years ago. The 2005 budget gave that family \$68 in savings relative to 2002; it will take almost thirteen years to recover the excess they paid between 2002 and 2005. Unlike the senior couple, the family of four might at least live long enough to recover the money taken in the 2002 tax grab.

In June 2001 the Campbell government announced \$1.5 billion in personal income tax cuts. Just 11,000 tax filers who report incomes in excess of \$250,000 per year, received \$200 million in tax cuts. The 2005 budget presented many of its figures as three year totals covering 2005 through 2008. In those terms, the high income tax cut for just 11,000 people cost \$600 million. Compare that to the non-refundable tax credit announced for low income earners in the 2005 budget. The credit will eliminate provincial income taxes for most of the 750,000 people with incomes under \$16,000, and reduce taxes for another 400,000 individuals. That is about the number of tax filers with incomes between \$16,000 and \$25,000.

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What they didn't say is that the average provincial tax paid by people with income under \$16,000 is \$34, and for people with incomes between \$16,000 and \$25,000 the average provincial tax is \$386 (but all of that won't be eliminated). By comparison, the average tax cut three years ago for those in the \$250,000 and up group was over \$20,000. Think what they could have done if they had bottom loaded the 2001 tax cuts!

The spending side of the budget also looks like crumbs when the announcements are put in perspective relative to past cuts. The budget speech said: "We are also moving forward with the homelessness initiative the Premier announced in October. It is a comprehensive strategy - with other levels of government - to address persistent housing needs and find new solutions to long-standing issues around addiction and mental illness. Budget 2005 supports that strategy, dedicating \$48 million to emergency shelters and supportive housing for people who are homeless." The budget documents include a two page feature on homelessness; there it is revealed that the \$48 million is a three year figure. The increase in 2005 is \$5.1 million for emergency shelter beds, \$0.6 million for youth beds and \$10.1 million for transition housing projects. According to the budget document that will buy just 153 year-round emergency shelter beds, 198 cold-wet weather beds and 19 youth beds. According to the November 2004 City of Vancouver report on homelessness: "since 2001 the number of shelterless on any one night has increased from 300-600 people depending on the season, to 500-1,200 people. There were more than 7,000 turnaways from the Triage Shelter in 2003, an increase of over 300% from 2000." If all of the monies for the homeless that were announced in budget 2005 went just to the City of Vancouver, it wouldn't scratch the surface of the problem.

According to service plans for the Ministry of Children and Family Development, the budget for child protection and family development was cut from \$621.6 million in 2001-02 to \$573.4 million in 2004-05, a cut of \$48.2 million. Budget 2005 announced an increase of \$26 million over three years (\$8 million in 2005) "to support prevention and out-of-care options to keep children safe within their families and communities." In other words, the Campbell government's plan calls for taking three years to restore about 50% of what they cut!

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The budget for adult community living services was cut from \$554.6 million in 2001-02 to \$493.9 million in 2004-05, a cut of \$60.7 million. Budget 2005 announced an increase of \$91 million over three years (\$22 million in 2005). Under the Campbell government's plan it will take until 2008 to get back to the 2001 level of funding. During those 7 years the caseload has increased and will continue to increase.

There are dozens of other examples of funding announcements that amount to little more than restoring a small fraction of what was cut from essential services. The government's story is that it had to get BC's fiscal house in order before it could start to reverse the cuts. Public Accounts, the audited financial statements, show that claims about inheriting a structural deficit are not true. The fiscal problem faced by the government was created by Campbell with \$2.3 billion in reckless tax cuts in 2001. He clawed those cuts back from many low and moderate income earners with 50% increases to MSP premiums, and hikes to dozens of fees and licenses. Hansen didn't mention it in his speech, but the budget documents show that they expect revenue from gambling to increase to \$1.02 billion per year by 2008.

There's no question that budget 2005 is an election budget, and that it is a gamble to bet on it. Campbell has no credibility. The government has made it clear that rather than allowing the legislature to sit and debate budget estimates, they will adjourn and campaign rather than standing in the legislature to be held accountable. When Hansen was asked about allowing the legislature to debate the budget he said that it would meet for the usual six sitting days for budget debate. He counted on the interviewer's ignorance of legislative procedures to avoid talking about estimates debate. That is when each minister stands and answers questions on each line of each budget. The Campbell government won't let that happen. Don't expect to get straightforward answers about their plans during the election campaign.