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Reprint from Volume 21 Number 18

Sep 10, 2009

Running on empty—the provincial budget

Patrick Brown

British Columbia has become a kind of (failed) petrostate. Without natural gas royalties, there simply isn't enough money to run the province. That's why the provincial government is projecting a \$2.8 billion deficit for the current (2009-10) fiscal year, over five times what was projected in February. And this is after counting in \$750 million of the 'HST transition payment' from the federal government.

The February 2009 budget anticipated about a billion dollars from natural gas royalties; the September, 2009 budget reduces that expectation by half. The cause is the drop in selling price of gas to under \$3/Mcf; this not only reduced royalty revenue but discouraged new production, even from wells that were already producing.

Other resource revenues (forests, mines, etc.) are expected to be down by another half billion; so that's a billion short from resource revenues this year. And all other taxes are expected to be down another billion, due to the general slowdown in the economy.

To complete this calculation, include the \$495 million deficit already anticipated in February, and a \$250 million

'forecast allowance' or cushion which wasn't included in February but is included in September.

The total revenue expected in February was \$38,812,000; in September, \$37,608,000 (including the \$750 million 'transition payment'). The total expenses expected in February were \$39,307,000; in September, \$40,133,000; add in the 'forecast allowance' and you have a \$2.8 billion deficit.

So really, aside from a precipitous drop in resource revenues, not much else has changed. It's just that BC, like Alberta, has become reliant on revenues from fossil fuel extraction to support the provincial government. (Alberta will have a \$6.9 billion deficit this year, so they are worse off than we are.)

But these deficits are a source of considerable embarrassment to a provincial government that took pride in its balanced budgets. They didn't see it coming: either the worldwide economic slump or the drastic drop in the price of natural gas. Or, if they did see it coming, there was an election on and they didn't want to talk about it. ✍

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This article was published (Sep 10, 2009) in 'Island Tides'. 'Island Tides' is an independent, regional newspaper distributing 17,500 print copies throughout the Gulf Islands and the Canadian Strait of Georgia from Victoria to Campbell River to Howe Sound.

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