

TO: UBCM Members  
 FROM: UBCM Executive  
 DATE: September 22, 1993  
 RE: **LOCAL GOVERNMENT TRANSFER  
 SYSTEM – REVENUE SHARING REVIEW**

**ITEM #3(c)**

September 22, 1993

*B.C. COMMUNITIES AGENDA***1. BACKGROUND**

During the pre-budget consultations the provincial government stated that it was time to reform the current Revenue Sharing system and they would do that after hearing the views of local government officials. In July the Minister of Municipal Affairs, Recreation and Housing proposed a four-phase process:

- Phase one was the preparation of a technical paper setting out basic information and options – this was circulated on September 8.
- Phase two is consultation to obtain UBCM views – this is the focus of the Convention session.
- Phase three will be government consideration of options and views as part of the 1993-94 budget process.
- Phase four will be a review of the design of individual grant programs (a Thursday morning seminar has been set aside to solicit views on this subject).

The purpose of this report is to advance a UBCM Executive recommendation as the focus of discussion.

**2. THE ISSUE**

In our opinion the issue is quite simple: Under the current system local government is not guaranteed to receive what the Revenue Sharing formula generates. The present formula generates approximately \$400 million of which local government will receive in 1993 about \$315 million. The strength of the program has been that the statutory formula (1/1/6) generates an amount that is not subject to arbitrary adjustment. The weakness is that the system has allowed funds to build up in the system and not be paid out.

Any changes to the formula that might determine the amount of transfers available will be of questionable value if there is not increased predictability on the expenditure side.

### 3. THE REALITY

We feel local government should put forward a solution that is:

- defensible in terms of the present situation and local government needs to maintain services.
- reflects the reality of the provincial government's present fiscal situation.
- reflects the current level of actual transfers.

### 4. DISCUSSION

The two views – the need for increased predictability and current realities – are the basis for our recommendations.

In designing a transfer system we feel the following are important characteristics:

- *purpose* – transfers are needed both to support general local services and for specific projects. There is a need for both “unconditional” and “conditional” grant programs as we now know them.
- *structure* – continuing to fund both types of grants from one “pool” creates a tension between the two compelling demands that reduces the predictability of “unconditional” grants. Thus the programs should be separated.
- *size* – the size of unconditional grants be established using the 1993 transfers as the “base” amount. The size of project grants should be determined by the provincial government in light of aggregate local needs and provincial fiscal priorities.
- *source/change* – the “unconditional” base should be adjusted by an independently established index.
- *legal framework* – one of the strengths of the current revenue sharing system is its protection in statute. Legislation should set out the revenue transfer base and the index.

### RECOMMENDATION

The UBCM Executive recommended endorsing Option 7.1 in the “Local Government Transfer System” report.