

# Strong Fiscal Futures

## A Blueprint for Strengthening BC Local Governments' Finance System

### STRATEGIC OVERVIEW

#### The Challenge

With the current state of the economy all orders of government need to evaluate their systems of finance to ensure fairness, value and resiliency.

BC's local government finance system is sound, but has some weaknesses due to a dependence on property taxes, which are less responsive to economic change than is optimal and that distribute costs unfairly across income groups.

These weaknesses will become more apparent over the next 10-20 years, as servicing and infrastructure pressures continue to mount. Without change, the increases needed to property taxes over this period will simply be unaffordable for many British Columbians, particularly lower income earners.

Demands on the system in terms of required infrastructure and services have already been determined, largely through senior government regulatory and policy requirements. These demands will need to be paid for one way or the other. The question is whether we can improve the way they are financed through smarter expenditures and fairer, more economically responsive revenue tools.

#### Our Response

Our plan is straightforward. It includes taking action on both sides of the fiscal equation – revenues and expenditures. We believe that moving forward on both will enhance the effectiveness of each.

*Strong Fiscal Futures* sets out five key directions for change: **Resiliency**, **Value**, **Responsiveness**, **Fairness**, and **Excellence**.

It is not the time to implement improvements aimed at reducing property tax reliance under the **Fairness** key direction. We do expect though that the potential for economic growth over the next decade will provide that opportunity in a few years.

Consequently, our initial priorities over the short-term are to:

- Safeguard the effective elements of the current revenue system (**Resiliency**);
- Improve value to taxpayers by tightening the management of local-provincial mandates (**Value**) and supporting local spending and taxing decisions (**Excellence**); and
- Partner with the Province to improve the economy (**Responsiveness**), and begin the dialogue towards fairer, more responsive revenue tools (**Responsiveness**; **Fairness**).

These initial priorities respect the intention of the Province for a balanced budget in 2013 and they offer significant positive outcomes through instituting measures that can reduce local government costs, help to avoid further reliance on the property tax, and bring needed economic activity to the province and our communities.

Later, as the economy improves, we will be ready to implement system improvements aimed at ensuring fairer more responsive revenue tools, including a local government share of economic growth.

Working together, local government and the Province can deliver a system that is fairer and more responsive over the next decade – but the work needs to begin now.