

Opinion: Oops — Ottawa and Victoria overspend by \$41 billion

BY DON CAYO, VANCOUVER SUN COLUMNIST SEPTEMBER 15, 2011



Government debt has been racked up in Victoria as well as in Ottawa.

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If you ever racked up more credit card charges than you intended, then you must surely understand how legislators in Ottawa and Victoria happened to spend a bit more than they budgeted over the last decade. Well, \$41 billion more.

And if you ever felt like kicking yourself for being so careless when it came time to pay off this inadvertent debt, then you might feel irked at your inattentive politicians, too. Because it's the same folks — you and me — who'll have to pay for their excesses, along with any of our own.

The 14 senior governments in Canada spent a total of a little over \$82 billion more than they budgeted over the past decade, according to a just-published study from the C.D. Howe Institute.

This represents “a large amount of debt not paid down and taxes that are higher than elected representatives presumably intended,” say authors William Robson, the president and CEO of the institute, and policy analyst Colin Busby. The pockets and purses of British Columbians are directly affected by about half this overspending — \$6 billion by the province and \$35 billion by the feds.

The authors note that it's not always easy to compare forward-looking budgets and backward-looking public accounts records of expenditures because the figures often aren't expressed in the same way. B.C. and the federal government alike at least get fairly good marks in this regard — they've cleaned up such inconsistencies better and earlier than several other provinces and territories.

And both these governments are in the middle of the pack when it comes to the accuracy of their estimates. That is, perhaps, not a terrible place to be — though it's worth noting that the whole pack performs pretty badly.

When it comes to expenditures, the feds spent more than they said they would in eight of the last 10 years, with shortfalls between budgeted and actual spending ranging from 0.1 per cent in 2007/08 to six per cent in 2009/10. The B.C. government also overspent its own estimates in eight of 10 years. Its budget shortfalls ranged from 1.1 per cent over in 2006/07 to four per cent in 2004/05.

These performances gave both B.C. and the federal government middling scores for coming close to their targets, while Newfoundland ranked first. Yukon and Nunavut badly trailed all others.

On revenue, federal budget projections ranged from a 2.7 per cent overestimate in 2008/09 — no surprise given the recession that hit that year — to an underestimate of 3.9 per cent in 2004/05.

B.C.'s revenue discrepancies were bigger, at least partly due to wild swings in revenue from natural resources. The budget forecasts ranged from an overestimate of 7.8 per cent in 2001/02 to an underestimate of 11 per cent in 2004/05.

The upshot is that the feds were second in accurately forecasting revenue, while B.C. was ninth.

It occurred to me as I pored over the detailed analysis that if these governments — and I mean all 14, not just those in Ottawa and Victoria — were merely incompetent, then their bad guesses would underestimate spending as often as they'd overestimate it and the errors would tend to cancel each other out. Yet the numbers show they all underestimate almost all the time, so I began to wonder if something sly is going on.

The authors wonder, too. They conclude spending overshoots are “too common to be accidental.”

They suggest such remedies as bigger roles for public accounts committees and item-by-item comparisons to budget items in any supplementary estimates.

But I don't expect we'll see much change until the politicians start to see that being disingenuous in forecasts carries a consequence — something that hasn't really happened in B.C. since the fudge-it budget flap that helped bring down the NDP more than a decade ago.

In other words, when governments spend more than they say they will, the public must notice. And care. And say so out loud.

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