

Spending cuts ordered to save surplus

By DAVID JACKSON Provincial Reporter



Finance Minister Michael Baker has ordered government departments to cut spending to protect a "razor-thin" surplus with potentially bad fiscal news looming in January.

Mr. Baker said Wednesday that he hopes departments can find \$10 million to \$20 million through deferring or eliminating non-essential spending in areas like hiring and buying equipment.

"We must keep our expenses in line," Mr. Baker said during a budget update at Province House. "We believe everything we are doing in this year's budget is useful and valuable. However, we are serious about maintaining a surplus."

The minister said government isn't planning "across-the-board cuts" or layoffs.

The current projected surplus is \$64.7 million, but the province is required by legislation to use \$57.4 million of that for debt reduction, and another \$4 million will go to the government's debt retirement contingency.

That leaves a scant \$3.3 million – just 0.05 per cent of total spending – to cover any potential budget problems.

Those include something in the range of \$36 million in extra costs to provincial pension plans, and possibly millions less in personal and corporate income tax revenue. An actuarial report on the pensions and tax information from Ottawa are both due in January.

And Mr. Baker said he's concerned about Ottawa making more income tax changes in its next budget without consulting the provinces. For example, the federal government has already decided to allow pension income splitting, which means the province will forgo about \$3 million this year, and \$15 million over the next full fiscal year.

Mr. Baker also warned of challenges ahead with the 2007-08 budget, as he did in September. Back then, Premier Rodney MacDonald said his government would keep its election promises.

On Wednesday, Mr. Baker said that every budget process is about picking priorities.

"One of the things government looks at is whether existing programs are a top priority when measured against opportunities for new programs. And that process has happened every year since I've been in government. I anticipate it will happen this year," he said.

The projected surplus is down from the \$73.5 million forecast in the July budget. That included an unallocated \$12.1 million.

Program spending is up \$21.3 million from the budget.

The biggest item is the labour settlement with health care workers in the Canadian Union of Public Employee and Canadian Auto Workers. That cost \$23.7 million more than budgeted.

Some of the other spending increases include \$5 million for hospital equipment, an extra \$1.5 million for the province's portion of the Commonwealth Games bid and \$2 million for farmers.

On the revenue side, Nova Scotia's declining population – both in the actual number and in relation to some other provinces — meant \$14 million less in federal transfers, which Ottawa delivers on a per capita basis.

Liberal finance critic Diana Whalen said the province should have known about the drop in population and factored that into its estimates. And she said government should have planned better for the labour settlement.

"Also it was settled in haste, let's face it. So that also is going to cost you as a government," Ms. Whalen said.

Health Minister Chris d'Entremont said settling pension issues with five health care unions, plus wages and benefits with two of them — CUPE and CAW — would cost \$100 million over two years. The deal avoided a strike or lockout that could have happened the first week of the fall legislature session in November.

Mr. Baker said the deal with CUPE and CAW cost more than he would have liked, but he stood by the decision, saying it makes Nova Scotia competitive in the market for health care workers.

"That's an investment that we made in Nova Scotia and in Nova Scotians' health care. Would I do it over again? Absolutely," he said.

Ms. Whalen said it's alarming that Mr. Baker is calling for cuts in non-essential spending, but said a good place to start is bonuses for senior bureaucrats.

NDP finance critic Graham Steele said the Tories should deal with budget issues in the legislature when it reconvenes Jan. 8 rather than a bill on political party financing. He said government has misplaced its priorities.

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