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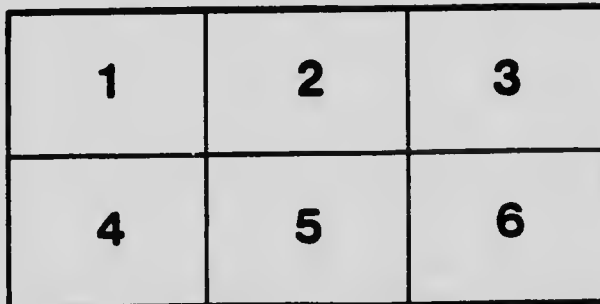
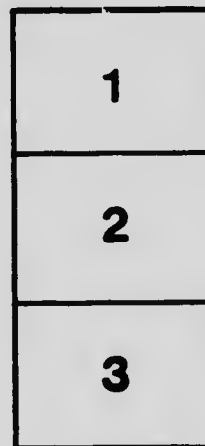
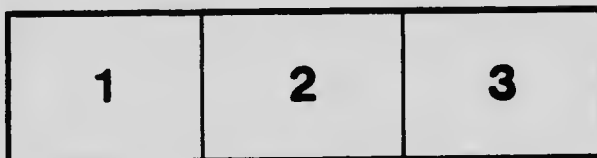
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THE PROVINCE
of
BRITISH COLUMBIA

How It Governs Itself



Citizens' Research Institute of Canada
Toronto Offices: 189½ Church Street





THE PROVINCE OF BRITISH COLUMBIA

How It Governs Itself

Report made by the
CITIZENS' RESEARCH INSTITUTE of CANADA
Toronto Offices: 189½ Church Street
MARCH 1920

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LETTER OF TRANSMITTAL

To the Citizens of the
Province of British Columbia:

We submit herewith a discussion of some important features of the governmental organization of your Province, together with a statement of its methods of financial control and analyses of its estimated revenue and expenditure for 1920. The latter are, as far as possible, on a comparative basis. No attempt has been made to make either the report, or the study on which it is based, exhaustive. The report illustrates, rather, the sort of information which the citizens of British Columbia should have at their disposal. Much of the material used was secured from official reports. This was supplemented by information obtained at first hand for the purpose of amplifying and clarifying documentary statements.

In one section of this report an attempt is made to compare the expenditures of British Columbia, Saskatchewan and Alberta. Using the present British Columbia classification as a basis, every possible precaution was taken in reducing the figures for the other Provinces to the common denominator, but it must not be assumed that the functions which seem to be comparable, actually coincide.

Inter-provincial standardization of procedure, accounting methods and departmental organization are desirable in so far as this can be attained without interfering with needs and conditions which are peculiar to the various provinces. Even after standardization has been carried as far as is desirable, there will remain local differences which will always make rigid comparison misleading. Bearing this in mind much can be gained by general comparisons of one province with others as to actual expenditures and revenues, but more particularly to increases in expenditures and revenues over a term of years.

It should be borne in mind that British Columbia differs from the other provinces with which it is compared, in that it directly administers all its natural resources. How far the province benefits financially by this fact would make an interesting subject of inquiry.

The Institute wishes to express its appreciation of the courtesy and fine spirit of co-operation with which its representatives were received by the various public officials interviewed. Without this co-operation the time required in making the study would have been increased.

In presenting this report to the citizens of British Columbia, we are desirous that it should be clear in the minds of all that the Citizens' Research Institute of Canada is an organization independent of government, party or special interest and is supported and financed entirely by private citizens. Its purpose is to ascertain the facts with regard to the public business, whether governmental or non-governmental, and to communicate such facts to the citizens in clear, concise form, in the belief that good government and effective public service of all sorts, in the last analysis, depend on informed citizenship. The Institute as a citizen organization, therefore, is not interested in the fortunes of persons or parties, but in the rights and responsibilities of citizens. It is hoped to prepare studies for other provinces along these lines in the near future.

Respectfully submitted,

CITIZENS' RESEARCH INSTITUTE OF CANADA

J. E. HOWES,

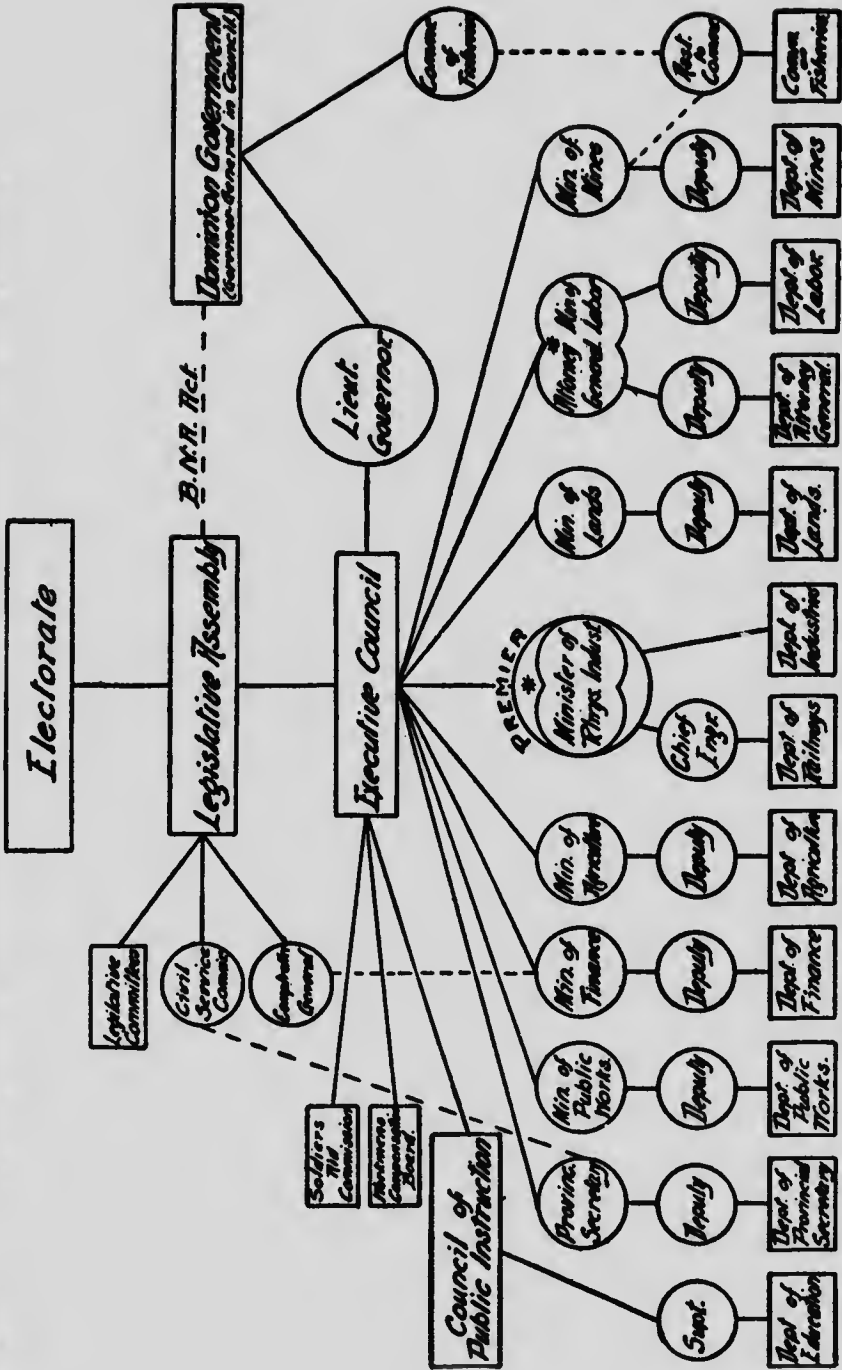
Chief of Survey.

HORACE L. BRITAIN,

Director.

Toronto, March 1920.

Chart I Organization of the Government of the Province of British Columbia*



*This is the present grouping, although it is not necessarily permanent.

Organization of the Government of British Columbia

General

The organization of the Government of the Province of British Columbia, as illustrated in Chart I, is similar in its main features to that of the other Provinces in Canada. The Legislative Assembly, which must meet at least once a year, consists of forty-seven members, elected by the people, with a maximum term of office of five years. The Executive Council is appointed from the party in power and has at its head a President, usually the Premier of the Province. This Council is limited by the "B. C. Constitution Act" to eleven members, of whom only eight receive salary as such. The members of the Council act as heads of the various departments of the Government and any member may act as head of more than one department.

The Comptroller-General

The Comptroller-General, while working in conjunction with the Minister of Finance and the Finance Department, is a permanently appointed official responsible to the Legislative Assembly. It is desirable that this should be so, as it makes the holder of the office, to as great an extent as is possible, independent of the heads of the various departments. This independence is necessary if the duties of such an office are to be carried out effectively. The advantages of the office of Comptroller-General over that of an Auditor, on account of the former's larger powers in connection with the exercise of control over Provincial finances, must be patent to all. The effectiveness of the office is shown conclusively by the great advances which have been made since 1917 in the clearness and arrangement of the official estimates.

The Civil Service Commissioner

The Civil Service Commissioner is also responsible to the Legislative Assembly. This position is an important one since it is only by the appointment of employees according to merit, with the proper grading and standardization of salaries, that conditions leading to satisfactory service can be obtained. One person with a comprehensive knowledge of the workings of every department, the number of employees with their positions, etc., should also be able, by assisting in a proper co-ordination of all branches, to eliminate any unnecessary duplication of duties.

In working towards this end, a chart of the organization of each Department, such as we have drawn for the Department of Agriculture—Chart II—would be of great assistance. We understand that the Civil Service Commissioner has this in mind, but owing to pressure of reorganization duties has been unable, as yet, to carry it out completely.

We would also suggest that, when all such organization charts are completed, the head of each department be supplied with a chart of his department. This graphic aid would be of assistance to him in exercising departmental control and management.

Department of Education

We understand that the Department of Education, with the Superintendent of Education as its executive head, is not represented directly in the Government by a Minister of Education, but that the Superintendent is responsible to the Council of Public Instruction, which consists of the members of the Executive Council.

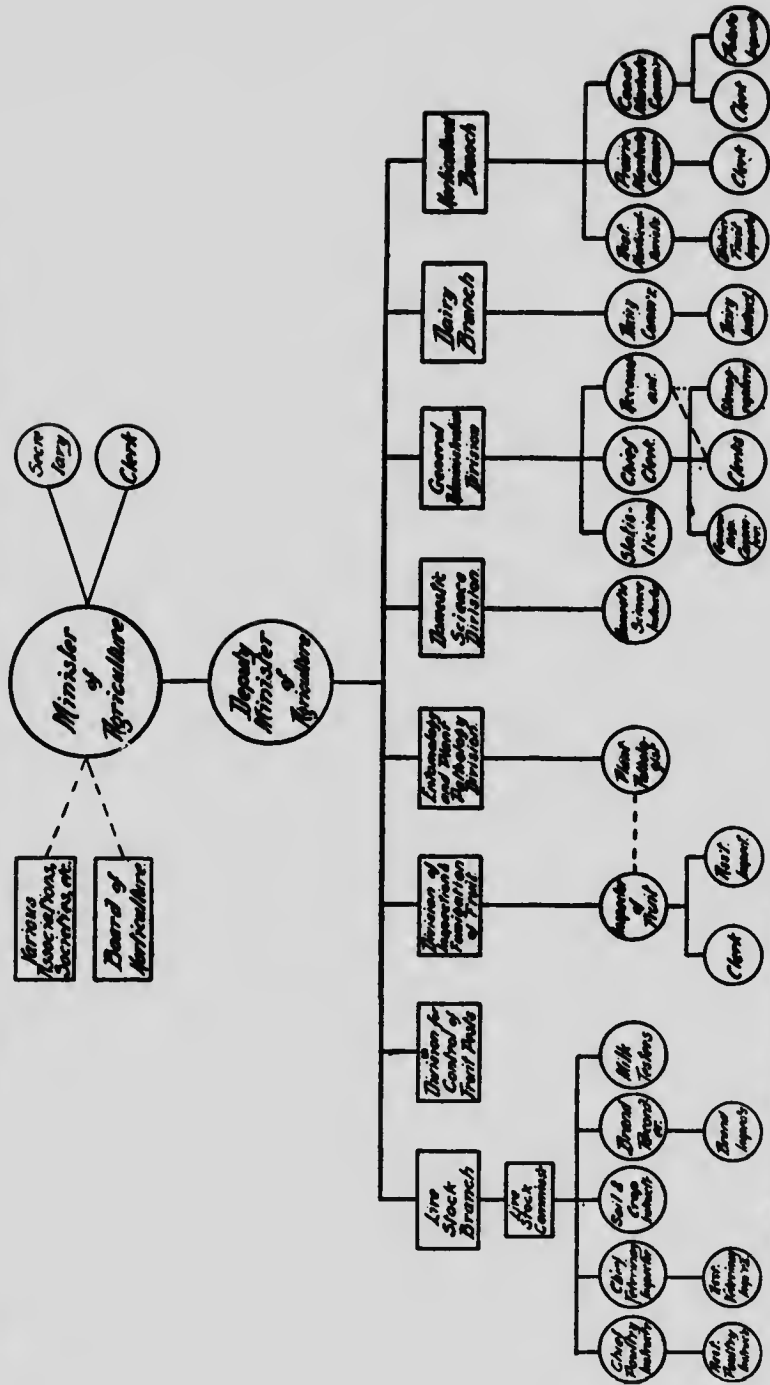
If the Superintendent is granted large powers of initiative and, in the eyes of the public, is looked upon as the actual head of the Department, while at the same time ministerial responsibility for the large expenditures of the Department is fully maintained, the British Columbia method of organization is in many respects an ideal one.

Purchasing Agent

Another position in the Provincial Government which, although not shown in Chart I, is an important one from the standpoint of economy in administration, is that of the Purchasing Agent. This officer is in the Comptrolling and Audit Branch. It is his duty to supervise and control the ordering and purchasing of supplies, materials, etc. required, not alone by the departments of the Government, but also by the various institutions under its administration. There is no doubt that the holder of such a position, if given scope and independence of action in the performance of his duties, can, by watching the market and by the purchase of supplies in large quantities, effect large savings for the Province. While in the limited time at our disposal we were unable to study the methods practised by this officer, we would assume, from the manner in which his duties are set forth, that he has been given sufficient authority to perform the same efficiently. In any event, the creation of the position is comparatively recent and time is required for the complete organization of the service.

Chart II

Organization of the Department of Agriculture



* Connected with the Dominion Government.

The Annual Budget

Preparation

The method of preparing the Annual Budget in British Columbia follows very closely the British procedure. The various departments of the Government prepare their Estimates of Expenditure for the coming year, on typewritten forms supplied for that purpose. (Formerly no uniform system of presenting estimates by the Departments was practised.) They are then presented to the Comptroller-General, who, after checking them as to their correctness, sends them on to the Executive Council. The Executive Council revise the Estimates in consultation with the Comptroller-General, the Minister of Finance and the various heads of departments concerned. After the final revision has been decided upon the Estimates are compiled in the Comptroller-General's office.

Similarly, the Estimates of the Revenue are prepared by the several department heads and presented to the Minister of Finance, who checks them in detail before submitting them to the Executive Council.

Any changes necessitated in the Tax Laws in order to make proposed Revenues and Expenditures coincide as nearly as possible are also considered at this time.

The Estimates of Revenues and Expenditures are then printed and presented by the Minister of Finance to the Legislative Assembly along with the Budget Speech, as soon after the opening of the Annual Session as possible.

The Budget Speech discusses the working out of the financial policy of the preceding year, and sets forth the financial conditions of the Province generally, with a short forecast of the future.

Passing of the Budget

The Estimates are considered item by item in the Legislature and these are much discussed, regardless of the fact that changes therein are seldom made. Intelligent criticism and discussion is possible in British Columbia on account of the form in which the Estimates are presented. The Estimates of the preceding year are placed in a column parallel to those for the coming year, so that any material changes can be seen immediately.

When all items have been voted upon, the Budget is incorporated in and passed as "An Act for granting certain sums of money for the Public Service of the Province of British Columbia."

Execution, Audit and Control.

After the Budget has been accepted by the Legislature, the next important factor in the control of the finances is the method by which the expenditures of the various departments are made and checked.

British Columbia, by replacing the office of Auditor with that of Comptroller-General, has taken a commendable step in this connection.

The expenditures of the various departments are checked and audited by the Comptroller-General's Office before payment is made and in this way a continuous internal audit takes place, in addition to the annual audit. The Comptroller-General also sees that the expenditures of the various departments do not exceed appropriations.

Any dispute between the Comptroller-General and the departments relating to expenditures is dealt with by the Treasury Board, upon appeal from the Comptroller-General's decision.

The method in vogue in British Columbia under which all disbursements of employees in connection with travelling expenses are supervised, acts as a check upon one large item of expenditure and is worthy of comment. A memorandum of these disbursements must be sent in, in detail, accompanied by a weekly report, to the Department concerned, which files the report and, after approval, passes on the expense voucher to the Comptrolling and Audit Branch for payment.

There is a Public Accounts Committee, composed of representatives of both sides of the House, which deals with such matters as it may see fit in connection with the finances of the Province.

Form of Budget

(a) The general form in which the Estimates of Revenue and Expenditure are now presented is, we think, an excellent one. The practice of setting up the Revenue and Expenditure under the various departments has many good features. It brings home to the general public the cost of operation of each one and places the responsibilities in connection therewith where they belong, i.e., on the department head. Formerly the classification used meant very little to the average citizen. Items were so divided that it was very difficult, even with a large expenditure of time on the part of any one interested, to glean the exact cost of operation of any one department. Under the present classification this can be ascertained at once.

Another innovation which is greatly to be commended is the placing of the estimated Revenues and Expenditures for each item, for the previous year, in a column parallel to the estimate for the current year. The advantages of this are so obvious as to scarcely require mention. It makes intelligent comparison and criticism possible and if there are any large increases in items they can be discerned at once. The ordinary citizen can also understand the statements. This cannot do otherwise than create interest, and it is only through the interest and co-operation of the citizens that democratic government can hope to operate successfully. These itemized and comparative estimates of expenditure should also act as a check on any tendency which may arise toward extravagance on the part of provincial departments.

(b) Placing of Actual Revenue and Expenditure for Previous Year in Parallel Column: If the actual revenue and expenditure for the preceding year were printed in columns parallel to the estimated revenue and expenditure for such year, a further improvement would be effected. We understand this is not practicable at the present time, but suggest that steps be taken to make it so as soon as possible. Statement I, relating to the Attorney-General's Department 1918-19, illustrates what the revenue form would look like with the proposed addition of Actual Revenue. The estimated expenditure form would be similarly arranged.

Statement I

**PROVINCE OF BRITISH COLUMBIA
Estimated Revenue 1918-19**

Attorney-General's Department

Estimated Revenue 1917-1918	Actual Revenue 1917-1918	Service	Estimated for Fiscal Year 1918-1919
\$	\$ 1,210.00	Dog Licenses	\$ 1,000
35,000	52,199.00	Fees for Incorporation of Joint Stock Companies	35,000
17,010	17,280.57	Fees from Moving Picture Act	17,360
120,000	193,256.50	Fees under Motor Traffic Regula- tion Act	150,000
20,000	28,065.52	Fines and Fees of Court	20,000
55,000	65,487.50	Game Licenses	60,000
180,000	166,644.48	Land Registry Fees	150,000
60,000	55,615.35	Law Stamps	50,000
10,000	9,983.69	Reimbursements for Keep of Prisoners	10,000
40,000	20,535.25	Trade Licenses	20,000
.	17,199.93	Prohibition Act . . . . .	. . . . .
. . . . .	. . . . .	Miscellaneous	1,000
\$537,010	\$627,477.79	TOTAL	\$514,360

This practice is recognized as a sound one by public financiers and has been in vogue in the presentation of estimates of revenue for some years in the Province of Quebec. Some of its advantages are as follows:

1. It supplies a real basis for making accurate estimates, by presenting the experience of the year just closed.

The making of a sound and accurate estimate is of great importance. Inaccuracies tend, on the one hand, to cause operation deficit, through over-estimating revenues, or under-estimating expenditures, or, on the other hand, to piling up a surplus, by reverse methods. Neither of these conditions is in the public interest. The former throws responsibilities on future years which should be borne by the current year, while the latter extracts from the taxpayer, and piles up in the Treasury, money which the taxpayers should be using in the development of their own businesses for the present and future benefit of the Province. A large surplus also creates a tendency towards over-expansion and extravagance.

2. It gives a better basis for comparison and discussion than the column which shows only the estimated expenditures for the preceding year.

Statement II., which follows, illustrates the degree of accuracy with which Estimates of Revenue and Expenditure have been made during a period of five years. This would lead one to conclude that the basis on which the estimates have been compiled has not been as good as it might be. It is interesting and encouraging to note that the actual expenditure was always less than the estimated.

Statement II

PROVINCE OF BRITISH COLUMBIA Difference in Estimated and Actual Revenue and Expenditure For the Five-Year Period: 1913-14 to 1917-18 (Incl.)

Year	REVENUE*			Expenditure†		
	Estimated	Actual	Difference	Estimated	Actual	Difference
1913-14	\$10,246,085	\$10,398,381	\$ 152,296	\$17,641,570	\$15,762,912	\$1,878,658
1914-15	9,963,915	7,871,375	2,092,540	13,539,320	11,942,667	1,596,653
1915-16	6,994,615	6,193,560	751,055	10,802,802	9,880,662	922,140
1916-17	5,844,015	6,799,958	955,943	10,689,233	9,079,317	1,609,916
1917-18	9,778,325	8,755,885	1,022,440	8,768,579	8,073,565	695,014

*These figures do not include Interest on Investment of Sinking Funds.

†These figures do not include Sinking Funds chargeable to Investment Account.

Provincial Revenues

At the time of writing this report no Public Accounts giving the actual revenue and expenditure, under the new system, had been published. The 1920 Estimates were, therefore, selected as a basis for this study. When the Public Accounts for 1919 appear they will presumably follow the form of the Estimates.* The Estimates are, therefore, as valuable for illustrative purposes and have the advantage of being for a year later.

Grouping of Revenue According to Source

The Revenue is set up by departments and each item listed under its department. A grouping of the various revenues under each department according to their nature or source should prove of value. Statement III, subdividing the Estimated Revenue of the Department of Finance for the year 1919-20 in this manner, illustrates the point:

Statement III

DEPARTMENT OF FINANCE.

Subsidies, etc., from the Dominion—

Interest	\$ 29,151 06	
Subsidy to Government and Legislature	180,000 00	
Grant per Capita (392480)....	313,984 00	
For Lands Conveyed.....	100,000 00	
	\$ 623,135 06	

Public Domain—

Coal and Coke Tax.....	\$ 200,000 00	
Mineral Tax.....	150,000 00	
Rents	38,000 00	
	388,000 00	

Fees—

Probate Fees.....	\$ 75,000 00	
Tax Sale Deeds.....	500 00	
	75,500 00	

Taxes—

Amusement Tickets Tax.....	\$ 220,000 00	
Income Tax.....	1,600,000 00	
Personal Property Tax.....	750,000 00	
Poll Tax.....	250,000 00	
Real Property Tax.....	1,000,000 00	
Succession Duties.....	300,000 00	
Tax—Wild Lands, Coal and Timber Lands.....	750,000 00	
Taxes on Unworked Crown- Granted Mineral Claims..	60,000 00	
	4,930,000 00	

Miscellaneous—

Interest (Misc.).....	\$ 75,000 00	
Dykes Assessment Act.....	19,080 07	
Revenue Service Refunds.....	4,500 00	
Sale of Government Property.	3,000 00	
Miscellaneous	30,000 00	
	131,580 07	
	\$6,148,215 13	

Statement IV. gives a comparison of the Revenues of the Province under this classification for the period since 1909-10.

*The Public Accounts for 1918-19 have since come to hand and are in the form expected.

Statement IV

PROVINCE OF BRITISH COLUMBIA
Comparison of Receipts for Period 1909-10—1919-20.
Classified According to Source.

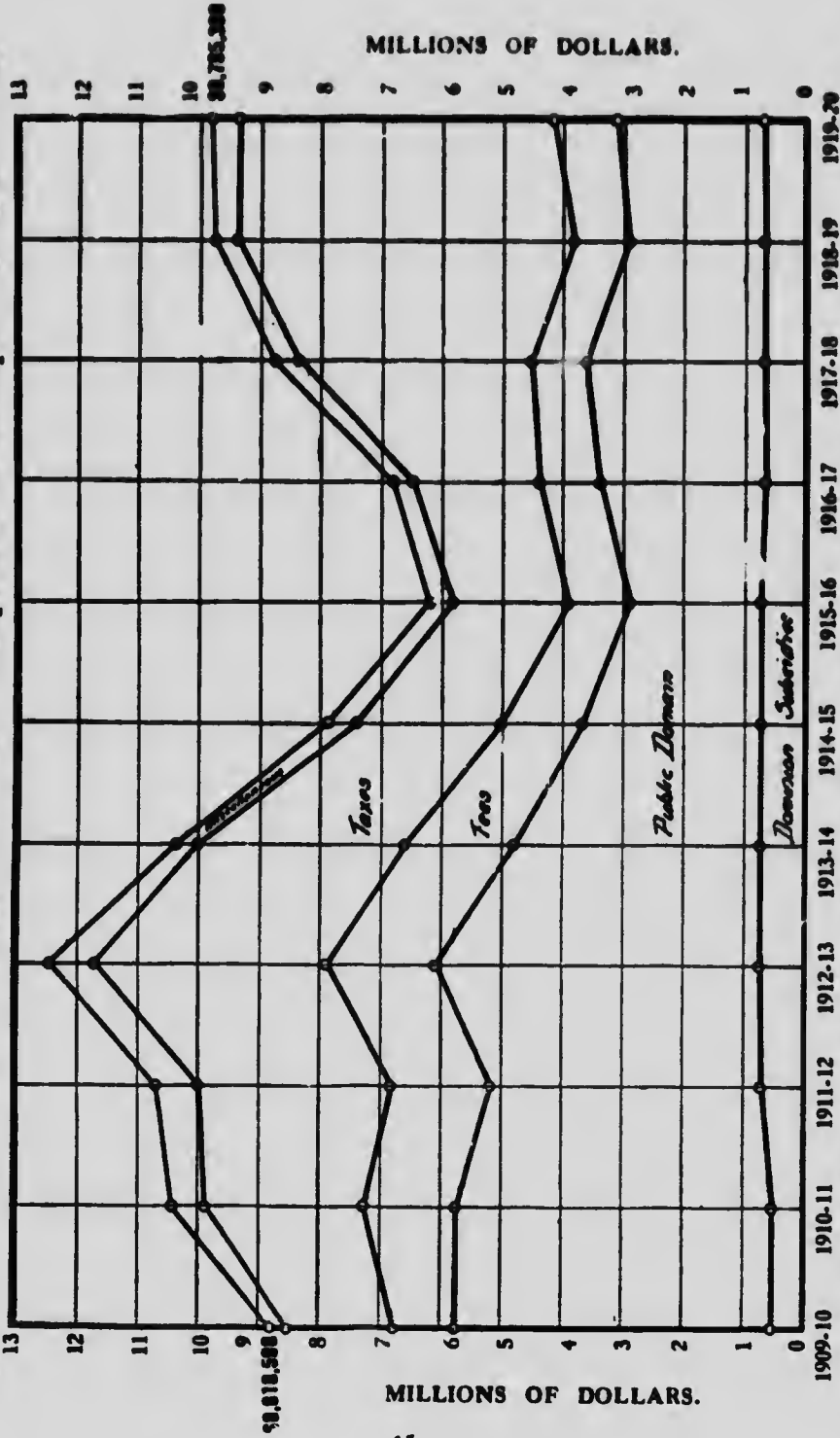
Year	Subsidies from Government	Income, Public Domain	Fees	Taxes	Miscellaneous	Totals
1909-10	\$522,076.66	\$5,263,604.19	\$1,007,696.80	\$1,704,573.05	\$320,645.58	\$ 8,818,596.28
1910-11	522,076.66	5,235,641.72	1,515,871.26	2,662,299.47	495,079.31	10,430,968.42
1911-12	713,780.66	4,530,556.34	1,598,961.75	3,234,122.86	600,341.10	10,677,762.71
1912-13	732,489.46	5,393,885.27	1,781,801.20	3,804,661.85	723,189.94	12,436,027.72
1913-14	723,135.06	4,140,264.57	1,746,127.42	3,397,465.51	391,388.54	10,398,381.10
1914-15	723,135.06	2,949,055.86	1,372,400.04	2,415,415.37	411,368.77	7,871,375.10
1915-16	723,135.06	2,192,076.05	1,016,799.89	1,905,599.97	355,949.63	6,193,560.60
1916-17	723,135.06	2,672,773.37	982,192.22	2,091,614.89	330,242.76	6,799,958.30
1917-18	648,135.06	2,949,826.84	928,272.82	3,822,594.36	407,055.92	8,755,885.00
1918-19 (Est.)	643,135.06*	2,339,100.00	874,750.00	5,525,000.00	348,070.07	9,730,055.13
1919-20 (Est.)	678,135.06*	2,440,600.00	1,051,075.00	5,180,000.00	445,580.07	9,795,390.13

*A grant deal of this was not properly revenue, but proceeds from the sale of assets.

x Does not include interest on investment of Sinking Funds.

*Includes \$20,000 Grant Dominion Government for Agricultural Education.

Chart III Province of British Columbia. Comparison of Receipts 1909-10 to 1919-20

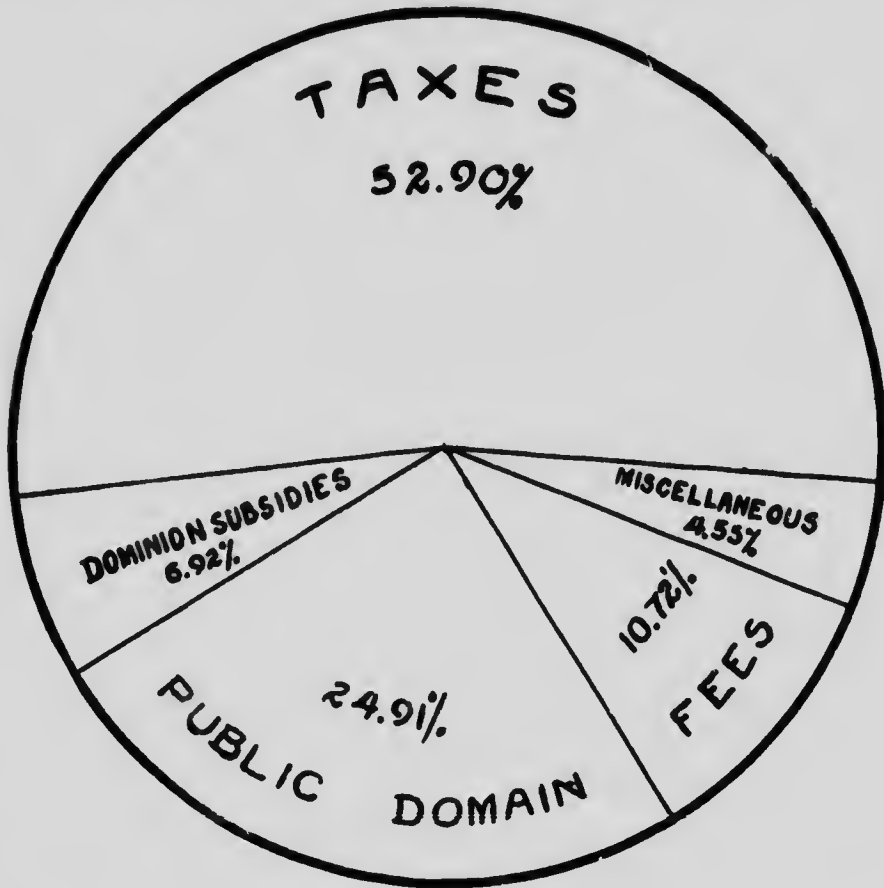


NOTE:—Only the bottom and top lines are measured from the base. The other three are so placed that the divisions of the vertical lines represent the proportions of the total receipts which come from the various sources.

Reference to Chart III., which illustrates the variation in amounts raised under these headings in that period, shows that the so-called Revenue from the Public Domain has decreased to a large extent, due mainly to the decrease in receipts from Land Sales which are really not revenue, but proceeds from the sale of assets. The Revenue from Taxes, on the other hand, has largely increased, due to the increased revenue derived from the Income and Poll Tax. Chart IV, "Where It Comes From", illustrates the division of the Estimated Revenue for 1920, according to source.

Chart IV

The Revenue—Where It Comes From



Income and Poll Tax

Statement V. shows that while the revenue derived from the Income and Poll Tax in 1909-10 was but 2.2% of the total revenue, it had risen in 1917-18 to 11.4%, and in 1919-20 was estimated at 18.8%. See Chart V. The amount paid per capita, under this heading, has risen from 48 cents in 1909-10 to an estimated \$4.71 in 1919-20. British Columbia is, with one exception, the only Province in Canada obtaining revenue from this source.

Statement V

PROVINCE OF BRITISH COLUMBIA

Comparison of Receipts from Income and Poll Tax—With Total Receipts. Period 1909-10 to 1919-20.

(Based on Official Reports.)

Year	Total Receipts	Receipts from Income and Poll Tax		Percentage Income and Poll Tax of Total
		Amount	Per Capita	
1909-10	\$ 8,818,596.28	\$ 190,934.16	\$.48	2.2%
1910-11	10,430,968.72	192,924.78	.49	1.8
1911-12	10,677,762.71	240,731.63	.61	2.2
1912-13	12,436,027.72	280,302.88	.72	2.2
1913-14	10,398,381.10	348,452.03	.88	3.3
1914-15	7,871,375.10	428,708.25	1.09	5.4
1915-16	6,193,560.60	327,287.80	.84	5.3
1916-17	6,799,958.30	296,801.75	.75	4.3
1917-18	8,755,885.00	1,000,158.25	2.55	11.4
1918-19 Est.	9,730,055.13	2,515,000.00	6.41	25.9
1919-20 Est.	9,795,390.13*	1,850,000.00	4.71	18.8

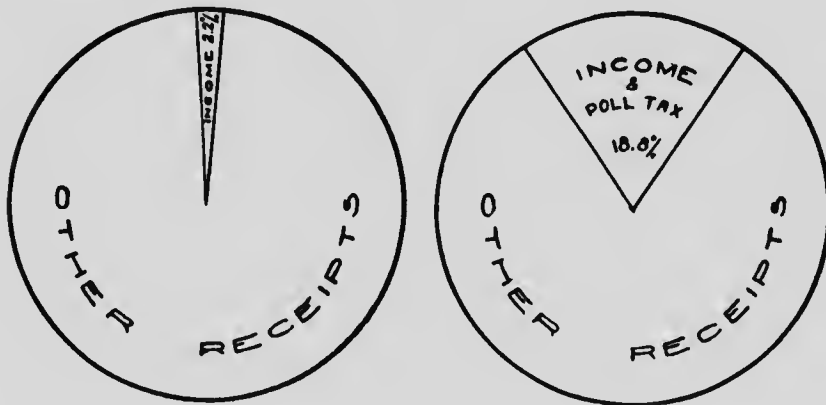
*Includes \$20,000 from Dominion Government for Agricultural Education.

NOTE.—No Return from Poll Tax until 1917-18.

An income tax is a fair method of taxation only when the machinery for levying such a tax is perfected, otherwise it is a burden placed on a limited class of citizens whose incomes are readily ascertainable. The City of Vancouver is now suggesting that it also be permitted to use this source of revenue. In order to prevent such a tax from becoming intolerable in British Columbia duplication of machinery must be avoided. An arrangement should be made with the Dominion Government for the establishment of joint machinery to collect income taxes, the proceeds of such taxation being divided between the different governmental units according to a prearranged plan.

Chart V

Income and Poll Tax Proportion of Total Receipts



Ear-marking Revenue Received from the Sale of Capital Assets.

While the Estimates now give a nominal separation of Current and Capital Revenue, this has not been followed to its logical conclusion. It is, we think, in the interests of all that any revenue derived from the sale of Capital Assets should be used only for Capital Expenditures.

The following are some of the items listed in the Current Revenues 1919-20 which may be considered in this light :

Coal and Coke Tax.....	\$ 200,000 00
Mineral Tax.....	150,000 00
Sale of Government Property.....	3,000 00
“ “ “ “	4,000 00
Land Sales.....	50,000 00
Timber Sales.....	150,000 00
Timber Licenses.....	1,150,000 00
Total	<u>\$1,707,000 00</u>

Inasmuch as it might be contended that timber sold either directly or indirectly through licences, leases, etc. is being replaced to a certain extent by natural growth, it is possible that a portion of the money derived therefrom should be credited to Current Revenue. The balance at least, however, should be ear-marked and placed in a fund to be used for Capital Expenditures only. The policy of defraying current expenses out of the revenue derived from the sale of the capital assets, if pursued to any great extent, can only lead to difficulties at a future date.

It may be contended that at the present time sufficient expenditures of a capital nature are made from current revenue to offset such sums as those mentioned above. If so, the clear separation of such items on both sides should cause no embarrassment and would serve to make the matter clear to the general public. A clear separation between capital receipts and payments and revenue receipts and payments is the only safe method, as well as the only method which makes an accurate and clear statement possible.

It might be noted that Manitoba has lately placed a law on the Statute Books making compulsory the separation of such receipts and their use for capital purposes only. A copy of this law is to be found in the Appendix.

Separation of Item "Interest on Investment of Sinking Funds"

The practice of listing the interest derived from the "Investment of Sinking Funds" under Current Revenue Account is one which should be discontinued. This is offset, in the Capital Expenditures, by an item of equal amount listed "Investment of Dividends on Loans," but we cannot see that this makes the transaction clear to the ordinary citizen. While we are informed that this money really remains in the Trustees' hands and that the above is simply the method of journalizing the same, we are of the opinion that "Interest on Investment of Sinking Funds" should not appear under Current Revenue, but should be shown in a separate statement showing the condition of the Sinking Funds.

Provincial Expenditures

Form of Presentation

The form in which the Estimated Current Expenditure of the Province is presented follows closely that of the form used in connection with the Revenue. The Expenditure is listed under the department of the Government to which it belongs. It is further subdivided, under the Department, into Salaries and Expenses. Expenses are, in turn, classified under supplies, maintenance and repair of buildings, fuel, light, water, travelling expenses, etc. This subdivision is a good one and, while it has not yet been followed out as closely as might be in all departments, it is well carried out considering the time in which the system has been in operation.

Division of Expenditures on Current Account According to Objects Purchased

It is possible, from the subdivision given, to make, with a fair degree of accuracy, an analysis of expenditures according to objects purchased. Statement VI presents the Estimated Expenditure on Current Account for the year 1919-20 on this basis, set out according to departments. See Chart VI—"How it Goes."

Over one-quarter of the total annual current expense of the Province is incurred on account of "PERSONAL SERVICES," i.e. for Salaries and Wages. This illustrates how largely the personal equation enters into the problems of Provincial Government. While the Civil Service Commissioner has by no means control over all employees of the Government, this portion of Statement VI indicates the tremendous importance of the Commissioner's work.

"OTHER SERVICES" amounts to 4.46% of the total. This includes all such items as telephones, telegrams and other communication services, advertising and publicity, and travelling expenses. This latter, according to the Estimates, will amount to about \$300,000 for the year 1919-20.

"SUPPLIES" includes heat, light and power, clothing, provisions and all other supplies, and amounts to 7.23% of the total expenditure. From this some idea can be gleaned as to the importance of the work of the Purchasing Agent.

"UPKEEP AND DEPRECIATION OF STRUCTURE AND EQUIPMENT" amounts to a little over 17%. An item of \$1,613,879.00 in the Estimates of the Department of Public Works for maintenance and repairs of roads, streets, bridges and wharves, accounts for the major portion of this item. Such items as rent, insurance, and taxes, are included under this heading, as well as ordinary repairs and renewals of equipment. While certain items may be regarded as in lieu of depreciation, apparently no amount covering depreciation is formally written off.

Statement VI.

PROVINCE OF BRITISH COLUMBIA
 What Is To Be Purchased 1919-1920
 An Analysis of the Expenditures on Current Account* by Objects Purchased.

DIVISION	AMOUNT	EXPENSES							CAPITAL OUTLAY	
		Personal Services	Other services mainly Transportation, Telephone and Telegraph	Supplies	Upkeep and Depreciation on Plant and Equipment	Interest	Sinking Fund	Grants		Unclassified
Legislation.....	\$ 100,000.00	\$ 7,000.00	250.00	5,450.00					\$ 500.00	
Premier's Office.....	13,430.00	1,500.00		1,550.00					18,220.00	
Public Debt.....	2,042,540.62						\$1,393,830.62	\$630,490.00		
Dept. of Agriculture.....	271,334.00	36,240.00		37,500.00	7,850.00			\$96,900.00		
Dept. of Atty. General.....	917,822.00	99,830.00		130,869.00	64,175.00			43,650.00		\$1,000.00
Dept. of Education.....	1,864,540.00	34,100.00		89,406.00	92,600.00			1,053,500.00		40,000.00
Dept. of Finance.....	727,277.50	54,789.00		96,409.00	46,700.00		24,125.00		66,265.00	
Dept. of Fisheries.....	16,955.00	3,000.00		3,600.00	650.00			151,500.00		15,000.00
Dept. of Lands.....	866,001.00	193,600.00		61,425.00	33,260.00			5,000.00		229,039.89
Dept. of Labour.....	103,880.00	9,400.00		27,900.00	5,700.00					10,400.00
Dept. of Mines.....	330,238.89	20,150.00		12,865.00	3,000.00			1,131,050.00		
Dept. of Prov. Secretary.....	2,331,880.00	757,582.00		336,465.00	75,283.00			8,000.00		
Dept. of Public Works.....	2,092,874.00	37,600.00		38,092.00	1,695,220.00					
Dept. of Railways.....	42,830.00	3,530.00		4,950.00	5,500.00					
TOTAL.....	\$11,721,603.01	\$521,839.00	\$2,030,188.00	\$846,481.00	\$2,030,188.00	\$1,417,955.62	\$630,490.00	\$2,489,600.00	\$84,985.00	\$295,439.89

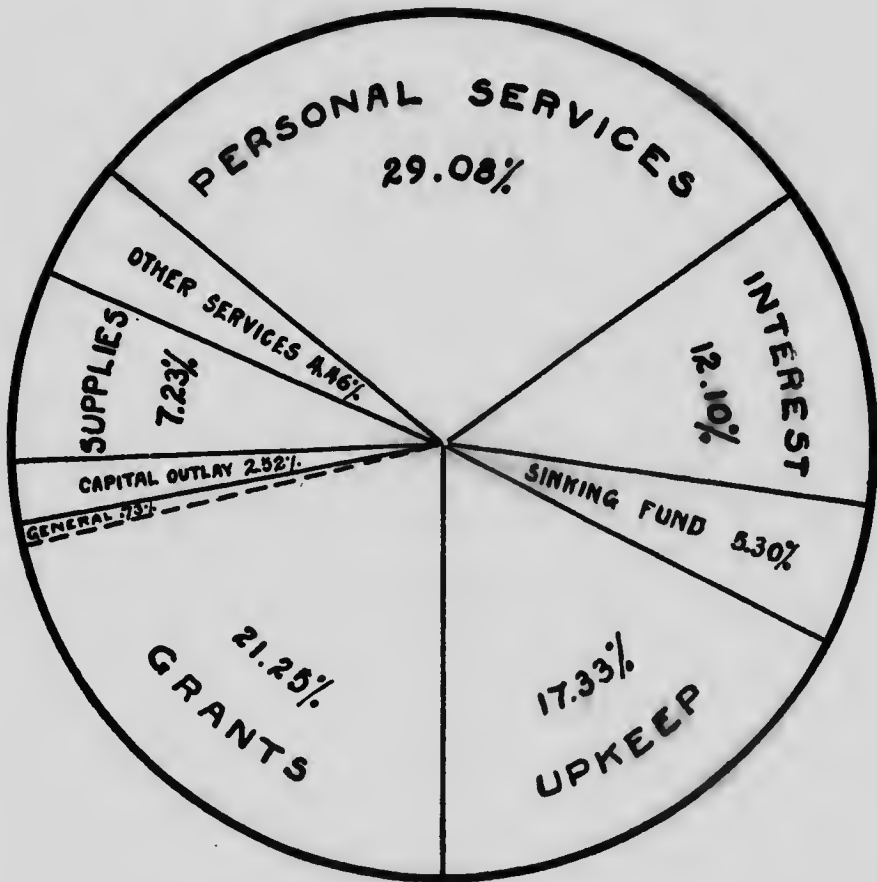
RECONCILIATION:

Expenditure—	Current Account as per Estimates	\$11,071,113.01
	Sinking Fund Charges	620,790.00
	Instalment, Mortgage, B. C. House	9,700.00
	Dominion Govt. Grant, Agricultural Education	20,000.00
	Total, as above	\$11,721,603.01

*The annual payments on account of Sinking Funds, and the instalment on mortgage of the B. C. House, London, are included here as being properly chargeable to Current Account.

Chart VI

The Revenue—How It Goes



"INTEREST ON BORROWED CAPITAL" is a large factor in the Annual Budget and is estimated in 1919-20 at about 12.10%. As most of the debt on which this interest is paid has still a considerable term of years to run before it is repaid, this item is likely in the future to increase rather than diminish.

The remarks made concerning "Interest on Borrowed Capital" apply with equal force to "SINKING FUND," which amounts to 5.30% of the Annual Budget in 1919-20. The annual instalment on the mortgage on the British Columbia House, London, amounting to \$9,700, has been included in this amount.

The Province expects to pay out in 1919-20 about \$2,500,000, or 21.25% of its total expenditure, in "GRANTS." Over \$1,000,000 of this amount is made up of Educational Grants. Hospitals and Charities, Grants to the Soldiers' Aid Commission and to the University of British Columbia, all listed under the Provincial Secretary's Department, account for over another \$1,000,000.

"MISCELLANEOUS" is made up from sundry items, such as Exchange, Bank Charges and other expenses which cannot be allocated under more specific headings.

We have estimated that about 2.52% of the total listed under Current Account can be classed as "CAPITAL OUTLAY" made from revenue funds. This is entirely outside of and should not be confused with the Capital Account as shown in the official estimates.

Listing of Grants to Civil Servants, Bonuses, etc. Under "Department of Provincial Secretary—Miscellaneous"

Under "Department of Provincial Secretary—Miscellaneous," we find the following items:

(1) Grants to Civil Servants and Employees on Military Duty..	\$ 50,000
(2) Salaries of Civil Servants and Employees Returning from Overseas Service.....	100,000
(3) Civil Servants' Bonuses.....	100,000
	\$250,000

We suggest that these items be allocated to the Departments to which such Civil Servants belong. It could be argued that this would not be a fair division as far as items (1) and (2) are concerned, inasmuch as it would be showing increased expenditures for any of the departments which had a large number of employees doing military duty. This argument cannot, however, apply to item (3) and we think that, in order to show correctly the exact expenditure of the various departments, this amount should be properly allocated under the subdivision of "Salaries" as a form of payment for personal services.

Transference of Annual Payments on Account of Sinking Fund from the Capital Account to the Current Account.

As yet the Province does not seem to have established depreciation accounts. At least no depreciation items appear in the statement of Expenditures of the Province. While it is theoretically correct to classify Sinking Fund Expenditures as Capital Expenditures (made out of income) as at present, it would seem desirable to consider

Sinking Fund Expenditures as in lieu of depreciation and to classify them, therefore, as current expenditures, at least until such time as complete depreciation accounts have been set up.

Comparison of Expenditures Over a Period of Years

As previously mentioned, in the year 1918-19 a change was made in the manner of setting up the Provincial Accounts. This renders a comparison of expenditures over a term of years extremely difficult. It was at first thought that it would be possible to allocate the expenditures of the last two years under the divisions previously used. It developed, however, that these divisions were extremely complicated and in reality meant very little. Many salaries which would ordinarily be looked for under the heading of "Civil Government (Salaries)" were given under "Public Institutions (Maintenance)" or under "Miscellaneous." On the other hand, divisions such as Education did not include all expenditures made under that department. Even an approximate comparison under the old division was, therefore, impossible.

The expenditures as listed in the Public Accounts for the years 1911 and 1915 were, however, transferred to correspond with the divisions or departments under which expenditures are now listed. This was done with a great deal of care and while, in all cases, it may not be exact to the dollar, it is as fairly divided as was possible under the circumstances. Each item was considered separately and allocated to the department and function under which it is at present. For the years 1919 and 1920 the Estimates of Expenditures were used, since at the time of compilation no Public Accounts had been issued under the new system.* These figures are set forth in Statement VII. and illustrated in Charts VII. and VIII. This statement follows in every detail the present method of presenting expenditures, so that "Public Debt", as set up, does not include the Annual Sinking Fund Payments. This, however, is not to be taken as a reversal of our position that such Sinking Fund Payments should be included.

It will be seen from Statement VII. and Chart VII. that during this period of 1911-1920 there has been very little change in the cost of "LEGISLATION," or expenditure in the "PREMIER'S OFFICE." Expenditures in the "DEPARTMENT OF FISHERIES" have also shown very little variation. There has been but little increase recently in the expenditures of the "DEPARTMENT OF AGRICULTURE" for, while this shows a percentage of increase of about 75 per cent. during the period, the expenditures for 1920 are less than those for the same Department in 1915. The newly-established "DEPARTMENT OF LABOR" has shown a large increase, due mainly to its expenditure in connection with the various employment bureaus.

The expenditure on "PUBLIC DEBT" shows an increase during the period of 313.47 per cent. While this increase was very rapid until 1919, there is little difference between that year and 1920. The causes

*Since this was written, Public Accounts for 1918-19 have been received. While there are some differences as to the amounts spent by each department from those given in the estimates, this in no way materially affects the percentage in our result.

Statement VII

PROVINCE OF BRITISH COLUMBIA

A Comparison of Expenditures for the Years Ending March 31st, 1911, 1915, 1919 (Est.), 1920 (Est.)

By Departments

Department	1911		1915		1919		1920		Percentage of increase 1920 over 1911
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	
Public Debt	\$341,522.39	4.17	\$787,696.83	6.76	\$1,409,678.08	13.63	\$1,412,050.62	12.75	313.47
Legislation	69,769.53	.86	87,998.02	.75	101,500.00	.95	100,000.00	.90	43.34
Premier's Office	9,534.10	.10	11,285.61	.09	12,750.00	.11	13,430.00	.10	40.87
Dept. of Agriculture	154,865.96	1.89	308,931.71	2.65	240,201.43	2.31	271,334.00	2.45	75.20
Dept. of Atty. General	895,580.74	10.92	1,565,460.65	13.52	941,300.16	9.08	917,822.00	8.30	2.48
Dept. of Education	985,647.61	12.04	1,955,028.95	16.80	1,780,990.00	17.22	1,844,540.00	16.67	87.14
Dept. of Finance	417,339.10	5.09	641,459.56	5.50	754,035.18	7.38	727,277.50	6.57	74.24
Dept. of Fisheries	17,908.86	.21	23,266.28	.19	17,175.00	.15	16,955.00	.15	5.27†
Dept. of Lands	998,035.23	12.19	1,473,197.81	12.64	745,218.08	7.20	866,001.00	7.82	13.23†
Dept. of Labour					29,000.00	.27	103,880.00	.95	
Dept. of Mines	53,436.03	.65	69,015.50	.59	335,504.00	3.23	330,238.89	2.99	518.00
Dept. of Prov. Secretary	955,998.84	11.67	1,545,639.38	13.26	1,931,821.83	18.77	2,331,880.00	21.07	143.92
Dept. of Public Works	3,295,164.56	40.21	3,102,486.89	26.64	1,996,840.00	19.31	2,092,874.00	18.90	36.54†
Dept. of Railways			71,199.81	.61	41,730.00	.39	42,830.00	.38	
TOTAL	\$8,194,802.95	100.00	\$11,642,567.00	100.00	\$10,337,343.76	100.00	\$11,071,113.01	100.00	

†Does not include \$300,000 Subsidy to Railways

†Denotes decrease.

Chart VII

PROVINCE OF BRITISH COLUMBIA
 Comparison of Expenditures by Departments
 1911—1915—1919 (Est.)—1920 (Est.)

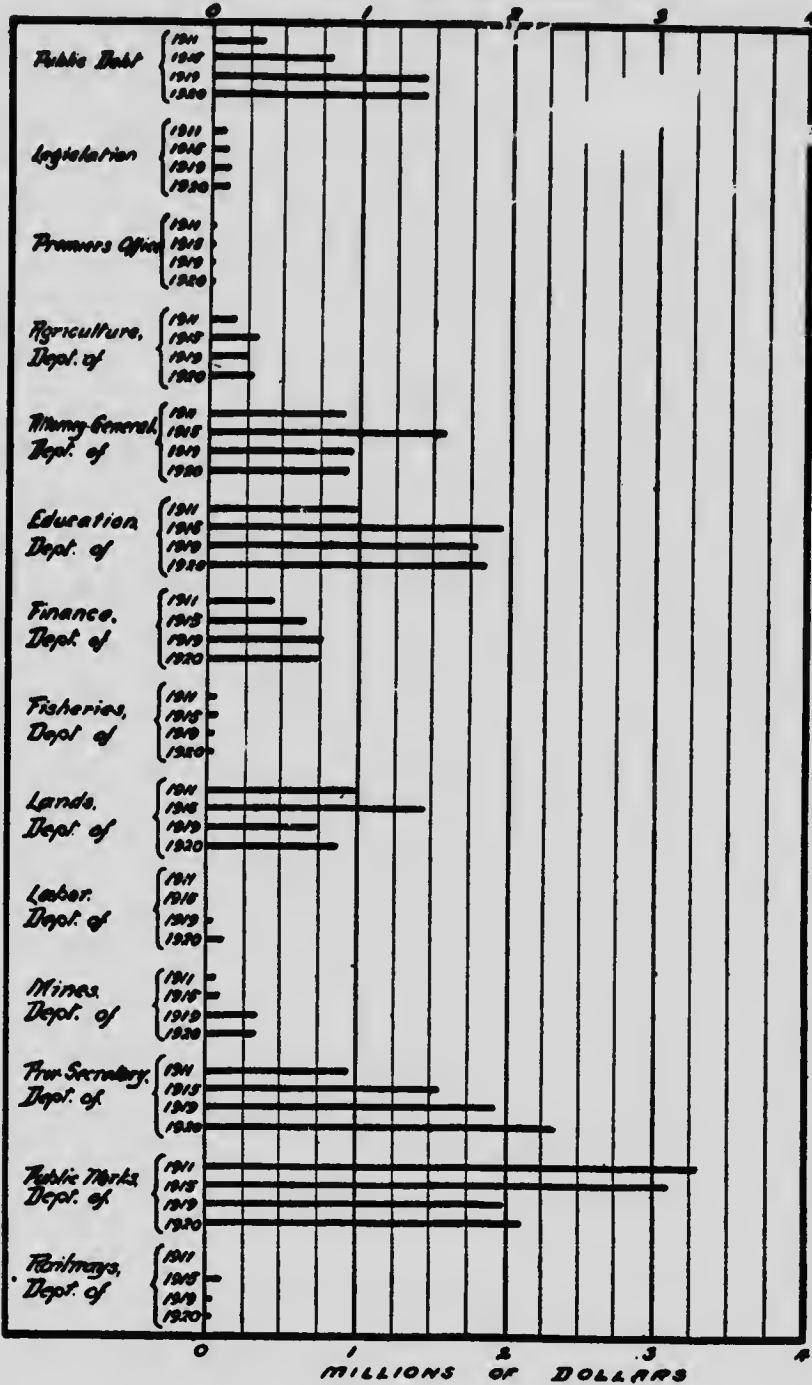
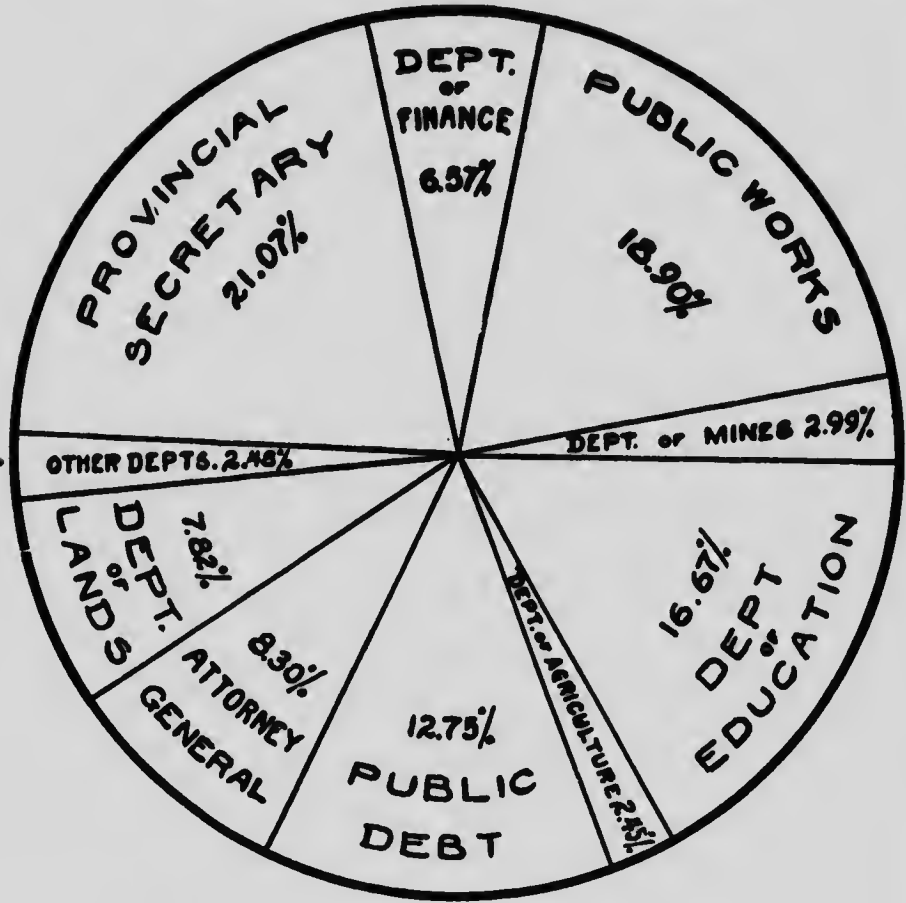


Chart VIII

The Revenue—Where It Goes



*OTHER DEPARTMENTS:

Legislation	. . . . .	.90%
Premier's Office	. . . . .	.10%
Dept. of Fisheries	. . . . .	.15%
Dept. of Labour	. . . . .	.95%
Dept. of Railways	. . . . .	.38%
		<hr/>
		2.48%

for this expansion will be discussed more fully under "The Provincial Debt." "THE DEPARTMENT OF EDUCATION" also shows an increase of 87.14 per cent. for the period. The main reason for the rise is the increase in grants and aids given to schools and school districts by the Province. It should be borne in mind that this does not include the annual grant to the University of British Columbia which, in 1919-20, was estimated at \$285,000. We suggest that this amount should in future be included in educational costs. This expenditure on education is in addition to that made by the various municipalities.

The large increase apparent in the "DEPARTMENT OF MINES" arises mainly through the money which is spent under the "Mineral Development Act" and the "Mineral Survey and Development Act."

"THE PROVINCIAL SECRETARY'S DEPARTMENT" has shown a large and steady increase in its expenditures. These have increased a total of 143.92 per cent. during the period 1911 to 1920. This can be accounted for, to some extent, by the necessary increases in salary to the employees of the various institutions under its supervision. "Grants to Hospitals" have almost doubled in amount during that time. Another factor which must be taken into account is the Annual Grant to the University of British Columbia, which is now allocated to this Department. It also includes various other grants such as salaries to enlisted employees, etc., which were discussed previously.

The great decrease which has occurred in the "DEPARTMENT OF PUBLIC WORKS" current expenditures can be explained, in part, by the fact that until 1917-18 no distinction was made in Public Accounts between Capital and Current Expenditures on Public Works. Capital Expenditures are now separated and not included in the Current Account Statement for the years 1919 and 1920.

Statement VIII. gives the per capita expenditures for the various departments over the same period.

Statement VIII

PROVINCE OF BRITISH COLUMBIA
Comparison of Per Capita Expenditures by Departments
1911, 1915, 1919 (Est.), 1920 (Est.)

DEPARTMENT	PER CAPITA			
	1911	1915	1919 (Est.)	1920 (Est.)
Public Debt	\$.88	\$2.01	\$3.59	\$3.52
Legislation . . . . .	.17	.23	.25	.26
Premier's Office . . . . .	.02	.03	.03	.05
Dept. of Agriculture . . . . .	.39	.79	.61	.70
Dept. of Attorney General	2.29	3.98	2.40	2.35
Dept. of Education	2.51	4.98	4.54	4.71
Dept. of Finance	1.07	1.63	1.92	1.87
Dept. of Fisheries . . . . .	.04	.06	.04	.06
Dept. of Lands	2.55	3.75	1.93	2.23
Dept. of Labour . . . . .	.....	.....	.08	.27
Dept. of Mines . . . . .	.13	.18	.85	.85
Dept. of Provincial Secretary	2.44	3.94	4.93	5.91
Dept. of Public Works	8.40	7.90	5.06	5.31
Dept. of Railways . . . . .	.....	.17	.11	.11
TOTALS	\$20.89	\$29.65	\$26.34	\$28.20

Comparison of Expenditures of British Columbia with Alberta and Saskatchewan.

In Statement IX. the Estimated Expenditures of British Columbia on Current Account for 1918-19 are compared with the Actual Expenditures of Alberta and Saskatchewan on Current Account for a corresponding year, both as to total amount and on a per capita basis. In order to make a comparison possible, the expenditures of Alberta and Saskatchewan have been reduced, in this table, to the division now used in British Columbia. The expenditures of the departments in Alberta and Saskatchewan will not, therefore, be the expenditures of such departments as at present constituted, but appear as if these were fashioned after those of British Columbia. The annual levy for Sinking Funds has been excluded in all, since this is not included at present in British Columbia under Current Account. (In practice, the other Provinces include this in Current Account.)

In Alberta and Saskatchewan the expenditures for the Attorney-General's Department appear high, since the expenditures under the Department of Municipal Affairs are included to correspond with the practice in British Columbia. In reality, in the two former Provinces this is a separate important Department. It will also be noticed that in neither Alberta nor Saskatchewan is there a department corresponding to that of the British Columbia Department of Lands. The former Provinces do not administer all their natural resources as British Columbia does.

This statement shows that on this basis the Estimated Expenditures of British Columbia on Current Account for the year 1918-19 were \$26.34 per capita.* The Actual Expenditures of Alberta were \$13.35 per capita, and of Saskatchewan, \$9.92 per capita. If we exclude the expenditure under the Department of Lands in British Columbia (as being attributable to administration of natural resources), amounting to \$1.93 per capita, the per capita expenditure would have been:

British Columbia.....	\$24 41
Alberta	13 35
Saskatchewan	9 92

The expenditures caused by the differences in physical features of the Provinces is illustrated by the expenditure under Public Works. This consists to a large extent of expenditure for maintenance and repair of roads, bridges, etc. The per capita for Public Works in British Columbia was \$5.06, compared with \$1.33 in Alberta and \$1.13 in Saskatchewan.

*The Actual Expenditures, since published, give a per capita expenditure on Current Account of \$25.19.

Statement IX

Comparison of Expenditures on Current Account—British Columbia, Alberta and Saskatchewan.
Prepared on the basis of the Functions Performed by the Departments of the British Columbia Government.

Division	British Columbia (March 31, 1919)		Alberta (Dec. 31, 1918)		Saskatchewan (April 30, 1919)	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
Public Debt	\$1,409,678.08	\$3.59	\$1,060,498.25	\$2.13	\$1,319,209.93	\$1.91
Legislation	101,500.00	.25	117,769.32	.24	141,325.85	.22
Premier's Office	12,750.00	.03	10,547.75	.02	11,668.95	.02
Dept. of Agriculture	240,201.43	.61	474,615.07	.96	197,004.07	.28
Dept. of Attorney General	941,300.16	2.40	1,333,052.04	2.68	1,375,701.70	1.99
Dept. of Education	1,780,990.00	4.54	1,073,037.56	2.16	1,173,290.94	1.70
Dept. of Finance	754,035.18	1.92	186,302.90	.38	224,942.47	.33
Dept. of Fisheries	17,175.00	.04	.....	.....	.....	.....
Dept. of Lands	745,218.08	1.93	.....	.....	.....	.....
Dept. of Labour	29,000.00	.08	25,170.31	.05	14,723.13	.02
Dept. of Mines	335,504.00	.85	51,029.34	.10	.....	.....
Dept. of Provincial Secretary	1,911,421.83	4.93	1,613,672.58	3.25	1,596,581.67	2.31
Dept. of Public Works	1,990,840.00	5.06	662,111.96	1.33	777,459.95	1.13
Dept. of Railways	41,730.00	.11	24,416.52	.05	25,822.61	.03
Total	\$10,337,343.76	\$26.34	\$6,632,223.60	\$13.35	\$6,857,731.27	\$9.92
Population	392,480		496,825		691,000	

In order to illustrate clearly how the transferences of expenditures were made in Alberta and Saskatchewan, we have selected the Departments of Agriculture and Education and given the expenditures in detail, according to the functions performed by such departments. These are set out in Statements X. and XI. No special significance attaches to the selection of these departments.

Statement X

**Comparison of Expenditures for Agriculture,
British Columbia, Alberta and Saskatchewan, 1918-19**

Prepared on the basis of the Functions Performed by the
British Columbia Department.

Function	British Columbia (Estimated)	Alberta	Saskatchewan
Minister's Office.....	\$ 11,095.00	\$ 10,916.85	\$ 9,335.87
General Office.....	46,754.00	37,935.62	40,665.85
Horticultural Branch.....	49,763.33		
Live Stock Branch.....	35,680.00	99,842.91	37,548.46
Destruction Noxious Weeds....		20,583.79	16,660.64
Agricultural Statistics.....	3,120.00	4,276.08	15,083.09
Women's Institutes.....	6,480.00	7,456.71	
Grants, Agricultural Ass'ns, etc.	39,000.00	143,477.69	73,255.28
Compensation Tubercular Cattle	21,500.00		
Demonstration Farms.....	25,000.00	76,645.66	
Greater Production Campaign		43,766.68	
Dominion Seed Grain Act.....		28,680.85	
Miscellaneous.....	1,809.10	1,032.23	4,454.88
	\$240,201.43	\$474,615.07	\$197,004.07

Statement XI

**Comparison of Expenditures for Education
British Columbia, Alberta and Saskatchewan, 1918-19.**

Prepared on the basis of the Functions Performed by the
British Columbia Department.

Function	British Columbia (Estimated)	Alberta	Saskatchewan
General Office	\$ 27,534.00	\$ 87,998.46*	\$ 82,087.42*
Free Text Books	68,556.00	14,964.73	38,171.91
Agricultural Education	9,250.00†	36,585.52	28,798.39
Industrial Education	19,835.00	19,057.62	.....
Inspection of Schools	44,740.00	80,608.07	130,504.29
Normal Schools	56,875.00	76,833.41	49,395.62
Education, Deaf, Dumb and Blind	11,500.00	16,988.91	27,623.76
Grants to Schools	1,395,000.00	667,591.99	736,099.00
Grants to Libraries	500.00	.....	1,470.95
Examinations	13,500.00	39,969.71	35,508.92
School Attendance Act . . . . .	.....	1,961.99	15,839.37
Grants, Research . . . . .	.....	.....	13,586.82
Educational Survey . . . . .	.....	.....	4,606.52
Summer Schools . . . . .	.....	9,459.07	.....
Maintenance and Repairs of Buildings	125,000.00	.....	.....
Miscellaneous	8,700.00	21,018.08	9,597.97
	\$1,780,990.00	\$1,073,037.56	\$1,173,290.94

*These amounts contain items for salaries which, in British Columbia, are allocated under the various functions. It was impossible to do this for Alberta and Saskatchewan from the information at hand, so that the amounts are not strictly comparable.

†Net expenditure, the grant of \$20,000 from the Dominion Government having been subtracted.

General.

While the Budget Speech of the Minister of Finance discusses at some length the financial policy of the Province, with its past experiences and its future hopes and aims, we would suggest that, as an introduction or appendix to the Public Accounts, explanations of the various aspects of the situation and any changes in methods, etc. during the year, might be set forth by the Comptroller-General or Minister of Finance. Tables on a percentage and per capita basis, along the lines of this report, would, we think, if included in such an introduction or appendix, prove of interest.

The Provincial Debt

The information given in the Public Accounts in connection with the Provincial Debt is not as full or complete as could be wished for. For instance, an item such as "Loan Act 1917, 5 per cent., due 1st April, 1938 . . . \$200,000," does not convey a great deal to the ordinary citizen. We would suggest that a statement be prepared showing what this money was borrowed for and the use to which it was put. Something after the nature of Statement XII., which is an attempt to subdivide the Loan Act of 1919 in this manner, might be followed. If this were done for all Loans it would then be possible to allocate the Sinking Fund and Interest Charges according to the use to which the money was put. One would then be able to learn the Gross Debt, Sinking Fund and Net Debt incurred on account of building roads, bridges, etc. This is impossible from the information at present given.

So far as we can learn, no separate statement is published showing in a clear and concise form the Gross Bonded Debt of the Province, the Sinking Funds on hand in connection therewith, and the Net Debt.

Statement XIII. shows the growth of the Bonded Debt of British Columbia from 1912-13 until the present time. This is based on Public Accounts. The amounts given for 1919 and 1920 were taken from the Estimates. The Per Capita Bonded Debt has risen from \$27.40 in 1912-13 to \$70.88 in 1919-20. The greatest annual percentage of increase occurred in 1914-15, although there were large increases in 1915-16, 1916-17 and 1919-20.

The Annual Debt Charges (interest and sinking fund payments) have also increased from \$1.12 per capita to \$4.51 during that time. This is illustrated in Chart IX.

While there is no doubt that a Province with the great and largely undeveloped territory of British Columbia requires large borrowings to assist development, the fact that such amounts must be repaid should also be kept in mind. Posterity should pay its share, but, in effect, posterity to a great extent includes many of us who are here at present. The future always brings its own burdens. British Columbia should, therefore, while having regard for proper expansion, beware of over-expansion. Its ideal should be to pay at least all current expenses out of current funds and, if possible, to keep its Per Capita Net Debt from increasing for a period of years at least.

Added to the Bonded Debt, another feature which costs the British Columbia citizen a substantial amount annually is the "Interest, etc., on Debts on which the Province has Guaranteed Interest or Principal, or Both." This is shown in Statement XIV. The guaranteed debt per capita has risen from \$151.76 in 1912-13 to \$184.10 in 1917-18.

Statement XII

EXAMPLE OF REPORT ON PUBLIC DEBT

Authority for Loan	Purpose of Issue	Amount of Debt	Date of Issue	Date of Maturity	Annual Payment			
					Interest	Sinking Fund	Instalment	Total
B.C. Loan Act, 1919	Trunk Roads, Bridges, Clearing and Improvement of Lands, Better Housing Act	\$1,500,000						
	Land Settlement & Development	1,000,000						
	Soldiers' Land Act	500,000						
	Water Act	500,000						
	Total	\$3,500,000						

Statement XIII

PROVINCE OF BRITISH COLUMBIA

Growth of Bonded Debt.†

Based on Public Accounts.

Year	Amount	Per-centage Annual Increase	Per Capita	ANNUAL DEBT CHARGES				Per Capita	
				Interest	Sinking Fund	Total	Annual Increase		Percentage Annual Increase
1912-13	\$10,752,146	.....	\$27.40	\$ 331,335	\$107,796	\$ 439,131	\$ 748*	.....	\$1.12
1913-14	10,748,146	.04%	27.39	330,587	107,796	438,383	163,488	17%*	1.12
1914-15	18,023,146	67.69	45.92	494,075	107,796	601,871	163,687	37.32	1.54
1915-16	21,153,146	17.37	53.90	657,762	107,796	765,558	573,274	27.18	1.95
1916-17	23,427,171	10.75	59.69	830,821	508,011	1,338,832	249,934	74.93	3.41
1917-18	23,336,261	.39*	59.46	880,294	708,472	1,588,766	141,543*	18.67	4.05
1918-19 (Est.)	23,526,511	.82	59.95	908,533x	538,690	1,447,223	321,822	8.91*	3.69
1919-20 (Est.)	27,816,811	18.24	70.88	1,138,555x	630,490	1,769,045		22.24	4.51

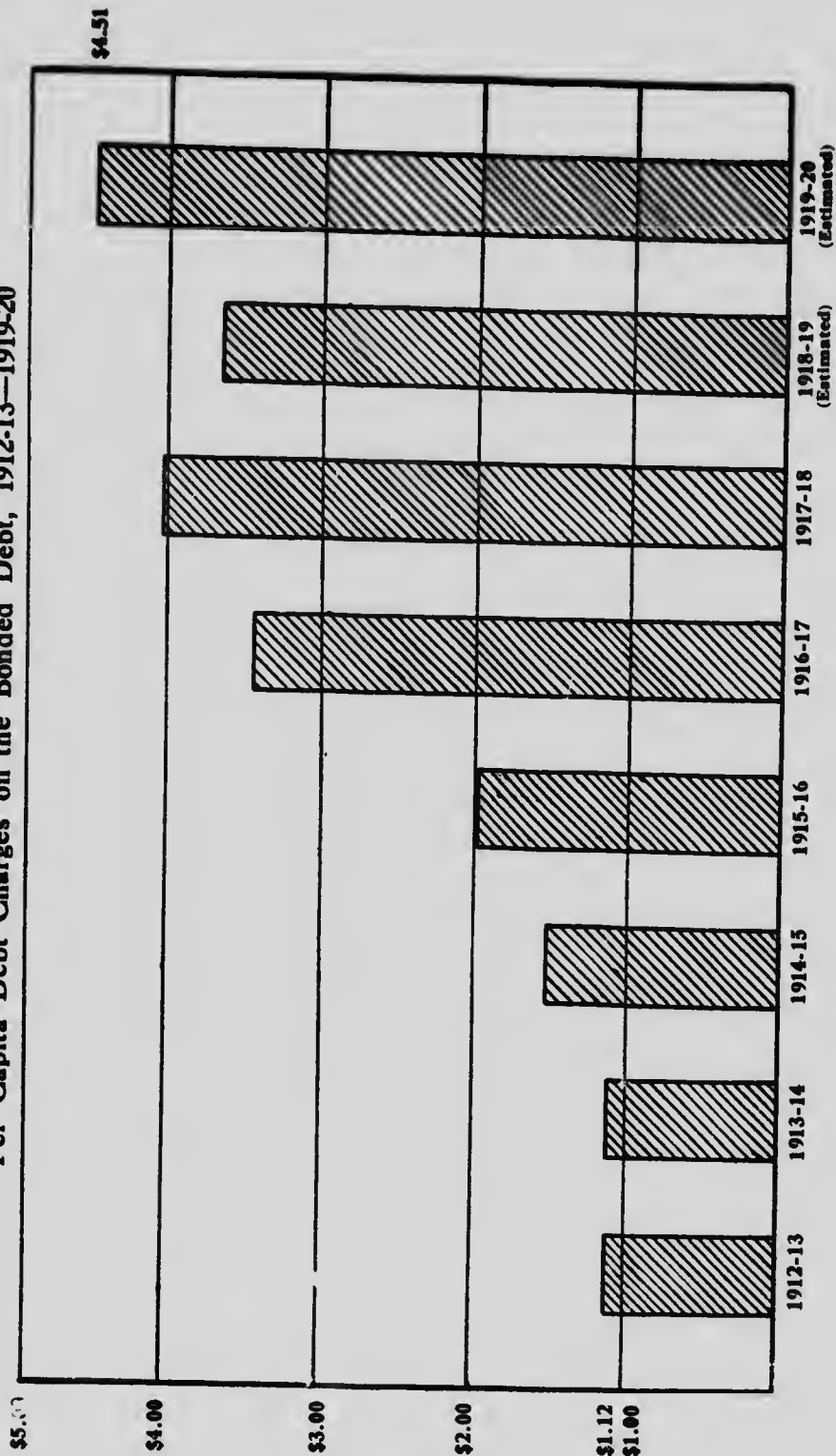
†Includes Mortgage on B. C. House, London, England, and Dyking Debentures.

*Denotes Decrease.

xIncludes payment a/c of Mortgage, B. C. House.

Chart IX

PROVINCE OF BRITISH COLUMBIA
Per Capita Debt Charges on the Bonded Debt, 1912-13—1919-20



Statement XIV

PROVINCE OF BRITISH COLUMBIA

**Showing Debts On Which Interest or Principal, or Both,
Have Been Guaranteed, 1913—1918**

Year	Amount	Per Capita	Annual Payments under Agreement	
			Amount	Per Capita
1912-13	\$59,562,072	\$151.76	\$ 57,321*	\$.15
1913-14	81,882,072	208.63	26,137	.07
1914-15	81,882,072	208.63	26,050	.07
1915-16	75,207,772	191.62	26,047	.07
1916-17	74,822,072	190.64	763,665†	1.95
1917-18	72,255,405	184.10	907,973‡	2.32

*Includes Shuswap and Okanagan.

†In addition to this amount a Loan was made to the P.G.F. for \$1,319,366.

‡In addition to this amount a Loan was made to the P.G.F. for \$21,222.

Another factor which should be taken into account in connection with the Public Debt is the amount paid annually in "Interest on Account of Temporary Loans." An attempt was made to prepare a table of such sums, but, owing to insufficient information being at hand, it was given up. Such a table, however, if prepared, should prove of interest, since it would illustrate just how much temporary borrowings cost the citizens each year.

In Statement XV. a Comparison of the Gross Bonded Debt of British Columbia, Alberta, Saskatchewan and Quebec, with the Annual Debt Charges of each, is set out. The figure for the Gross Debt of Alberta is not exactly comparable since this includes debentures for Telephones, which are self-supporting. Debt Charges on these are eliminated in that column, however, as is the case with Saskatchewan. This Statement shows British Columbia with Annual Debt Charges of \$3.92 per capita in 1917-18, compared with \$2.19 in Alberta, \$1.61 in Saskatchewan and 94c. in Quebec.

Statement XV

COMPARISON OF BONDED INDEBTEDNESS
 British Columbia, Alberta, Saskatchewan, Quebec, 1917-1918

Province	Population	GROSS BONDED DEBT		AMOUNT DEBT CHARGES			Per Capita
		Amount	Per Capita	Interest	Sinking Fund	Total	
British Columbia...	392,480	\$23,336,261.00	\$59.46	\$ 880,294.00	\$ 708,472.00	\$1,588,766.00	\$4.05
Alberta.....	496,825	31,500,200.00	63.47	.....	.....	1,087,012.97*	2.19
Saskatchewan.....	691,000	26,819,186.56	38.81	.....	.....	1,171,544.84†	1.69
Quebec.....	2,003,232	47,383,366.87	23.65	1,573,866.62	319,383.71	1,893,250.33	.94

*If the debt charges borne by the Telephone Account \$448,484.41 were added, the total would be \$1,635,497.38 or \$8.09 per capita.

†If the debt charges borne by the Telephone Department \$310,425.46 were added, the total would be \$1,481,970.30 or \$2.14 per capita.

Separation of Funds

The results of the survey lead us to suggest that in place of the present Consolidated Revenue Fund and the Sinking Fund, four separate and distinct funds should be established with separate bank accounts for each fund so as to prevent the possibility of mixing funds intended for one purpose with those intended for other purposes which may conceivably be of an entirely different nature.

These Funds would be as follows:

1. A Revenue Fund into which should be received all revenues available for current expenses and out of which should be paid all such expenses together with any capital outlay authorized to be made out of such fund.
2. A Capital Fund into which should be received all funds borrowed for capital purposes whether by the issue of debentures or otherwise, together with monies realized from the sale of capital assets and out of which should be made any capital outlay not provided for out of the Revenue Fund.
3. A Sinking Fund into which should be received all amounts necessary for the retirement of the debenture debt, such amounts to be invested and eventually used for the retirement of the various issues of debentures.
4. A Trust Fund into which should be received any trust monies administered by the Province and out of which payments of such trust monies should be made in accordance with the trust.

The above separation of Funds should be carried into the accounts so that an Annual Balance Sheet may be prepared for each Fund, together with an Income and Expenditure Account and Cash Account for such Funds as may require same. A Consolidated Balance Sheet and Income and Expenditure Account should also be prepared annually, together with other necessary supporting statements.

Conclusion

If, as pointed out previously, British Columbia makes a point of not spending more on current expenses than can be raised by current revenue, and also sees to it that its Per Capita Net Bonded Debt is not materially increased, there appears to be no real reason, as far as the Institute could discover from this very limited study, why taxation, at least per capita, should be increased. There is no doubt that the real requirement of British Columbia is capital to develop its great natural resources and, of course, the necessary population to work hand-in-hand in such development. Neither of these, however, is likely to be attracted if taxation is extremely high. The importance of this item cannot, therefore, be overlooked.

APPENDIX.

CHAPTER 9

An Act Respecting the Capital Funds of the Province.

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Manitoba, enacts as follows:

1. Whenever, in the future, moneys shall be received by the provincial treasurer from the sale or other disposition of provincial lands, mines, timber or other assets or resources of the province, they shall, except as hereinafter provided, be treated as capital funds of the province, to be invested at interest, or used for strictly capital expenditures, or applied in reduction of the capital debts of the province in such way as may be deemed most advisable by the Lieutenant-Governor-in-Council, and no part of such moneys shall be used for ordinary expenditures of the province, or to supplement its ordinary revenue, but all interest upon such capital funds, whether accruing upon deferred payments thereof, or arising from investments thereof, shall, when received, be treated as ordinary revenue, and may be applied in payment of ordinary expenditures.

2. Moneys received for rents of land, grazing leases and timber cutting rights, for grants of fishing and game licenses, and for all rights of which the exercise by the grantees shall not substantially impair the permanent value of the properties over which they are exercised, shall be dealt with and treated as ordinary revenue of the province.

3. Royalties derived from mineral, gas or oil deposits in the province, when collected from persons or companies extracting the same, under license or permission from the government of the province, shall be deemed to be receipts on capital account within the meaning of this Act.

4. Every person who shall be a party or privy to the wilful application of any of the capital funds of the province, in contravention of the provisions of section 1 of this Act, shall be guilty of an offence against this Act, and liable to the punishment provided for in section 164 of The Criminal Code.

5. This Act shall come into force on the first day of December, 1918.

STATUTES OF MANITOBA, 1918.



