

School-tax rebate is classic bait and switch

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EVERY Manitoba homeowner recently received a nicely packaged gift: a school tax rebate averaging more than \$400, just before summer holidays.

We all know about the perils of looking gift horses in the mouth, and this one is no exception. First, there is the most obvious con — it's not a gift at all, but a loan. Why a loan? Because to make the "gift," Premier Brian Pallister had to borrow the money, all \$240 million of it, this year, and will need to borrow twice that amount next year.

Who pays? We all do, as the victims of the bait and switch, because we will all face the tax bill down the road. This is voodoo math, much like a Ponzi scheme, where you borrow from the future to pay unaffordable benefits in the present.

That's the most obvious con. But beneath the bait and the switch, there is a deeper fraud going on. Pallister is peddling the notion that somehow next year, we can have twice as big a rebate — at the cost of \$580 million more borrowing by government. Then, magically, in another year or two, no property taxes for education at all. Look at this wonderful future — cutting many homeowners' property tax bills in half. Too bad about renters, however — they get nothing.

The math is simple. Right now, Pallister is promising to give homeowners (not renters) a big tax break. The bigger your house, the bigger

your break. Pallister's mega house gets a \$16,000 break; a small house in St. Boniface gets only a \$500 break (after losing the \$700 property tax credit).

Here's why there's a switch coming: education spending is made up of two main pots of money — a little more than \$1 billion comes from the special levy everyone hates to see on their tax bill, and a slightly more than \$1.4 billion comes from provincial general revenues. In other words, 59 per cent of total education costs at the school level come from the province, and 41 per cent from the special levy.

A further \$660 million comes from the province to give tax rebates to various groups, and to contribute to the Teachers' Retirement Allowances Fund. That leaves a big gap — a billion-dollar gap. How will that gap be filled?

We've seen the bait, so where's the switch? That's the question Pallister and Education Minister Cliff Cullen won't answer... yet. They won't answer because they know that 41 per cent of education costs won't disappear, no matter how hard they squeeze the education budget. This budget has been squeezed already for years. There is no fat left.

Even this year, when school divisions still have the special levy, there are teacher layoffs and program reductions being required to meet Pallister's austerity budget demands. Total administrative costs are three per cent — so, no savings there. If \$1 billion is removed from provincial

revenues, one of two things must happen: important services will be cut, or taxes will go up. Or, perhaps, some combination of the two.

So where will the \$1 billion come from to replace the 41 per cent share now covered by school taxes? The low-hanging fruit are the property tax credits now used to offset the impact of school taxes on low-income people. These credits are mostly progressive, because all homeowners get them equally, offsetting a much higher proportion of school taxes on lower-cost homes.

They are especially helpful to fixed-income seniors. Eliminating those tax credits would save government \$350 million, which still leaves a \$650 million hole to fill. Pallister says he will save \$40 million through "efficiencies" — maybe he can, but that's still not nearly enough to fill the gap. Will more teachers be laid off? More programs cut?

The real question is, which taxes will be raised? Already, Pallister's promised elimination of school taxes and the associated credits unfairly benefit owners of higher-value property. If the past is any guide, it's a sure bet the government's still-secret new financing plan and the taxes to support it will hurt, but won't hurt the wealthy nearly as much as the poor.

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