

Highlights of British Columbia Budget 2016-2017

Finance Minister Michael de Jong today announced the British Columbia Budget for the fiscal year 2016-17 in the province's Legislative Assembly.

The budgetary plan for 2016-17 anticipates total spending of \$47.5 billion with projected revenues of \$48.1 billion and an expected budget surplus of \$264 million and spending contingencies of \$450 million. The budget surplus for 2015-16 is now forecast at \$377 million.

Taxpayer supported debt is estimated at \$43.2 billion dollars, \$6.2 billion of which is direct operating debt and \$37 billion of which is infrastructure debt, reflecting an increase in provincial infrastructure investment. If the government maintains its current approach to budget management, direct operating debt is forecast to decline by \$6.6 billion over the course of the current fiscal plan from \$9.3 billion in 2014-15 to \$2.7 billion in 2018-19, a decrease of 71%, and is on track to be eliminated by 2020-21.

British Columbia's relatively low debt-to-GDP ratio of 17.4% has enabled the province to maintain its triple-A credit rating, making BC the only province in the country to maintain the highest credit standard.

The BC Government is projecting economic growth of 2.4% for 2016 below the Economic Forecast Council's projection of 2.7% growth.

Budget highlights include:

- ***Creation of the BC Prosperity Fund*** – the BC Government made a \$100 million inaugural commitment to the newly created (and long promised) BC Prosperity Fund. Originally proposed as a means of capturing revenue benefits from the hoped-for LNG industry, the BC Government has decided to move ahead with the creation of the fund. Priority uses for the funds include eliminating taxpayer-supported debt; investing in health care, education, transportation, family supports and other priorities, and; preserving a share of prosperity for future generations. A minimum of 50% of the fund will be used for debt and 25% of the fund will be saved for future generations.
- ***Changes to MSP Premiums*** - the BC Government announced changes to MSP premiums and enhanced premium assistance effective January 1, 2017 to help lower income families and seniors with the cost of living. All children will be exempt from MSP premiums and 335,000 people will pay reduced premiums. The changes will now mean that 2 million people in BC (40% of population) will not pay MSP Premiums (including children). Premiums for everyone else will be increased by 4%.
- ***Improving Housing Affordability*** – To address increasing consumer complaints about the rising cost of housing, particularly in the Lower mainland, the BC Government announced a new full exemption Property Transfer Tax for newly built homes valued up to \$750,000 with partial exemptions up to \$800,000. The tax exemption is to be offset by a Property Transfer Tax rate increase from 2% to 3% on homes valued over \$2 million. In addition, the BC Government is increasing the Homeowner Grant threshold from \$1.1 million to \$1.2 million for 2016 tax year, and will provide enhanced property tax relief for tourist accommodation providers in rural areas. The Home Renovation Tax Credit will be expanded for persons with disabilities up to \$1,000 annually.
- ***Affordable Housing Initiatives*** - the BC Government committed \$355 million to the BC Housing Management Commission over 5 years to support more than 2,000 new units of affordable housing for people with low to moderate incomes, and, will continue partnerships with municipalities and community groups to create more affordable rental housing including support for the Community Partnership Initiatives program to help non-profits develop affordable housing.

- **Home Ownership Data Collection** - The government is reintroducing data collection on the citizenship of those who registered property in BC. Corporations will be required to disclose director's citizenship. Bare trustees will be required to provide information on settlors and beneficiaries of bare trusts.
- **Investing in BC's Future Workforce** - Budget 2016 provides an additional \$48 million over 3 years for youth trades training programs as part of the Skills for Jobs Blueprint. The BC Training and Education Savings Grant program which provides a one-time \$1,200 grant for B.C. children born on January 1, 2007, will be increased by \$39 million to extend the program to children born on or after January 1, 2006.
- **Infrastructure Spending** - The BC Government is budgeting \$12 billion for infrastructure spending including \$2.9 billion for health infrastructure, \$1.7 billion for K-12 education infrastructure, \$2.5 billion for post-secondary education, skills and trades training projects, and, \$3.1 billion in transportation investments.
- **BC Economy Initiatives** – The BC Government announced a number of initiatives to support the BC economy including:
 1. **International Maritime Centre** – additional \$1 million to attract international shipping companies (and businesses and jobs that support them) to BC.
 2. **Strengthening Ties with India** - \$5 million to promote stronger BC wood brand to India to establish BC companies as leading suppliers of sustainably harvested wood products.
 3. **Aerospace Investment** – In the third year of funding, Budget 2016 provides another \$1 million to support BC's aerospace industry and attract more global business and investment in the province.
 4. **Investment in Small Business** – increasing the Small Business Venture Capital Tax Credit budget by \$5 million to encourage more investment in BC's small businesses.
 5. **Rural Dividend Program** - will be increased by \$75 million over 3 years to reinvigorate and diversify communities with under 25,000 people.
 6. **Mining Exploration Tax Credit** - will be extended for 3 years and the BC Mining Flow-Through Share Tax Credit will be extended by 1 year to encourage mining exploration.
 7. **BC Labour-Based Film Tax Credits** - will be continued and are now estimated at about half-a-billion dollars in 2015-16.
- **Taxation Policy** - BC maintained its commitment to relatively low personal income taxes and will boast the lowest personal income taxes in Canada up to \$122,000 for 2016 Tax Year. A **Commission on Tax Competitiveness** will be created by the government to consider taxation policies that may better stimulate economic competitiveness. The terms of reference will be announced after Budget 2016 and the scope of work will specifically exclude consideration of a harmonized sales tax. A new non-refundable **Farmer's Food Donation Tax Credit** is being introduced to acknowledge generosity of the agri-food sector.

Budget 2016-17 Spending Highlights

Health Care

The health care budget is projected to rise by about \$523 million representing a 3% increase to \$17.9 billion. The Health Budget breakdown is as follows:

- \$12.2 billion for Regional Services
- \$4.2 billion for MSP
- \$1.1 billion for PharmaCare (\$1,174,414,000)
- \$44.3 million for Health Benefits Operations
- \$6.4 million for Vital Statistics
- \$228.7 million for Stewardship and Corporate Services

Health infrastructure projects in the amount of \$2.9 billion are planned including the Royal Inland Hospital, B.C. Children's & B.C. Women's Hospital Redevelopment, Penticton Regional Hospital and the North Island Hospitals of Comox Valley and Campbell River.

Education K-12

Ministry of Education spending for 2016-17 is forecast at \$5.6 billion. Infrastructure spending for Education K-12 projects is forecast at \$1.7 billion and will include such projects as Clayton North Secondary in Surrey, Smiling Creek Elementary in Coquitlam, North West Elementary in Fort St. John, Alpha Secondary in Burnaby, Sir Charles Kinsford-Smith, in Vancouver, and Georges P. Vanier in Courtenay.

Advanced Education

Ministry of Advanced Education spending is forecast at \$1.9 billion. Post-secondary education, skills and trades training infrastructure spending is projected at \$2.5 billion and will include such projects as Emily Carr University of Art & Design in Vancouver, University of British Columbia Life Sciences Teaching Laboratories Redevelopment in Vancouver, Selkirk College Trades Facility Renovation in Nelson.

Transportation

The BC Government has committed \$3.1 billion to transportation infrastructure spending for 2016-17 including such projects as Highway 1 Admirals Road/McKenzie Interchange, in Saanich, Highway 1 widening and 216th Street Interchange in Langley, Reconstruction of Fort Nelson River Bridge (Hwy 77) and many others.

Supporting BC's Vulnerable Citizens

- \$217 million to support vulnerable children and families and implement recommendations in the Plecas report
- \$286 million to address caseload pressures in temporary income assistance, disability assistance and related supplementary benefits including \$36 million for Community Living BC
- \$170 million to increase income assistance rates for Persons with Disabilities

Safe Communities

- \$95 million for wildfire prevention and mitigation \$55 million in emergency preparedness and prevention initiatives such as upgrades to dikes and flood protection
- \$65 flood mitigation and emergency response
- \$10 million to enhance training, administrative support and equipment renewals for volunteer ground search and rescue organizations
- \$5million for Guns and Gangs strategy