



February 19, 2013

BACKGROUND

FISCAL PLAN 2013-14 – 2015-16

Economic Outlook

In 2012, key economic indications such as employment, retail sales and exports show that B.C.'s economy continues to slowly but steadily grow.

The government forecasts the economy to grow by 1.6 per cent in 2013, 2.2 per cent in 2014 and 2.5 per cent in 2015.

Major risks to the economic outlook include renewed weakness or a return to the recession in the U.S., the ongoing European sovereign debt crisis which threatens the stability of global financing markets, slower than anticipated Asian demand for B.C. exports, exchange rate volatility and further weakening of the U.S. dollar disrupting global financing and commodity markets.

Revenue Outlook

Total government revenue is forecast at \$44.4 billion in 2013-14, \$45 billion in 2014-15 and \$46.4 billion in 2015-16. Revenue is expected to average three per cent annual growth over the next three years.

Expense Outlook

Total expense over the three-year plan is forecast at \$44 billion in 2013-14, \$44.6 billion in 2014-15 and \$45.6 billion in 2015-16—an annual average increase of 1.5 per cent over the next three years. This rate of growth will allow government to increase program spending by \$2 billion over the three-year fiscal plan.

Healthcare

Budget 2013 confirms government's ongoing commitment to protect health care. Ministry of Health budget will increase \$2.4 billion over three years. Total health spending by function will reach \$17.4 billion, or more than 42 per cent of all government expenses by 2015-16.

K-12 Education

Block funding to School Districts is stable at \$4.7 billion annually through 2015-16.

A major component of *Budget 2013* is the significant change to the current Children's Education Fund. Government is building on the current fund by partnering with families and providing payments earlier through the new B.C. Training and Education Savings Grant. Under the new program, when a B.C. resident child turns six years old, he/she will be eligible for a one-time grant of \$1,200 to be deposited into the child's Registered Education Savings Plan.

Budget 2013 also provides \$1 million to expand the School Fruit and Vegetable Nutritional Program to include milk.

Arts and Sports

Budget 2013 continues funding for the Sport and Arts Legacy Fund with an allocation of \$60 million to continue the program first introduced in *Budget 2010*.

To ensure B.C.'s young people are better prepared for the creative economy, *Budget 2013* allocates \$18 million over three years under B.C. Creative Futures.

Supports for Individuals, Families and Community Safety

Budget 2013 provides an additional \$292 million over the next three years to support families and vulnerable individuals.

- \$76 million over the next three years to improve access to quality early learning and child care services and supports.
- \$13 million in support of the Single Room Occupancy hotel renewal initiative.
- An additional \$5 million for government's responsible gambling strategy to fund enhanced treatment, counselling and prevention services to address problem gambling.
- *Budget 2013* provides an additional \$52 million over the next three years for increased RCMP policing costs, including hiring officers to combat organized crime and gang activity.

Support for B.C.'s Agriculture Sector

Budget 2013 provides an additional \$4 million over three years to support the Agricultural Land Commission for increased oversight of the Agriculture Land Reserve.

Budget 2013 provides \$20 million over three years for a carbon tax relief grant to help offset carbon tax costs for commercial greenhouse vegetable and flower growers.

Tax Measures

Budget 2013 provides an additional \$327 million in tax measures for 2013-14 to help achieve the balanced budget and protect important services for taxpayers.

- \$50 million from the temporary, two-year increase in the personal income tax rate for income over \$150,000, effective January 1, 2014.
- \$205 million from increasing the general corporate income tax rate to 11 per cent from 10 per cent, effective April 1, 2013.
- \$17 million from increasing taxes on tobacco by \$2 a carton, effective October 1, 2013.
- \$32 million from phasing out the school property tax credits for light industry (class five) effective for the 2013 tax year.
- \$23 million from increasing medical services plan premiums by about four per cent (while protecting premium assistance recipients), effective January 1, 2014.

Capital Spending

Taxpayer-supported capital spending on schools, hospitals and other infrastructure across the province over the next three years is expected to total \$10.4 billion.

This includes \$1.5 billion to maintain, replace, renovate or expand K-12 facilities; \$1.9 billion for capital spending by post-secondary institutions across B.C.; \$2.3 billion on health-sector infrastructure; and \$3.6 billion for transportation investments.

Debt

The total provincial debt is forecast to be \$62.7 billion in 2013-14, \$66.5 billion in 2014-15 and \$69.4 billion in 2015-16.

Taxpayer-supported debt is forecast to be \$42.6 billion in 2013-14, \$44.5 billion in 2014-15 and \$46.1 billion in 2015-16.

By eliminating the deficit and starting to reduce the government's need to borrow, *Budget 2013* forecasts British Columbia's taxpayer-supported debt-to-GDP ratio will peak at 18.3 per cent in 2014-15, and decline to 18.1 per cent in 2015-16.

Taxpayer-supported interest costs continue to remain low, averaging 4.3 cents per dollar of revenue over the three-year fiscal plan.

Budget Outlook

Budget 2013 projects surpluses of \$197 million in 2013-14, \$211 million in 2014-15 and \$460 million in 2015-16.

The fiscal plan includes contingencies of \$225 million each year over the three year plan.

The fiscal plan includes forecast allowances of \$200 million in 2013-14, \$225 million in 2014-15, and \$325 million in 2015-16 to help guard against revenue volatility.

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For the Finance Minister's speech and more details on *Budget 2013*, visit www.bcbudget.ca.

Visit the Province's website at www.gov.bc.ca for online information and services.

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