



June 27, 2013

BACKGROUND 2

FISCAL PLAN 2013/14 – 2015/16

Economic Outlook

So far in 2013, key economic indicators such as employment, retail sales and housing starts are showing weakness, while exports are performing well.

The government forecasts the economy to grow by 1.4 per cent in 2013, 2.2 per cent in 2014 and 2.5 per cent in 2015.

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

Revenue Outlook

Total government revenue is forecast at \$44.2 billion in 2013-14, \$44.8 billion in 2014-15 and \$46.3 billion in 2015-16. Revenue is expected to average 3.1 per cent annual growth over the next three years.

Expense Outlook

Total expense over the three-year plan is forecast at \$43.9 billion in 2013-14, \$44.5 billion in 2014-15 and \$45.5 billion in 2015-16—an annual average increase of 1.6 per cent over the next three years. This rate of growth will allow government to increase spending by \$2.2 billion over the three-year fiscal plan.

Health Care

June Update 2013 confirms government's ongoing commitment to protect health care. Additional Ministry of Health spending will total \$2.4 billion over the three years to \$17.4 billion. Total health spending by function will reach \$19.3 billion, or more than 42 per cent of all government expenses by 2015-16.

B.C. continues to achieve key health outcomes that lead the country while maintaining the second-lowest rate of health spending per capita among provinces.

K-12 Education

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

Government is proceeding with the new B.C. Training and Education Savings Grant. Under the 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 (RESP).

June Update 2013 also confirms \$1 million to expand the School Fruit and Vegetable Nutritional Program to include locally produced milk.

Arts and Sports

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

To ensure B.C.'s young people are better prepared for the creative economy, *June Update 2013* also confirms \$18 million over three years under the new B.C. Creative Futures program.

Supports for Individuals, Families and Community Safety

June Update 2013 confirms 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 over three years in support of the Single Room Occupancy hotel renewal initiative.
- \$5 million over three years for government's responsible gambling strategy to fund enhanced treatment, counselling and prevention services to address problem gambling.
- \$12 million over three years to complete funding for the medical expansion program, fulfilling a commitment from 2001.
- \$52 million over the next three years for increased RCMP policing costs.

Support for B.C.'s Agriculture Sector

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

June Update 2013 confirms \$20 million over three years for an ongoing carbon tax relief grant for commercial greenhouse growers, including vegetable and floriculture growers, wholesale production and forest seedling nurseries.

June Update 2013 also confirms, effective January 1, 2014, a carbon tax exemption for coloured gasoline and coloured diesel fuel purchased by farmers for the same farm purposes that farmers are authorized to use coloured fuel under the *Motor Fuel Tax Act*, including on farm equipment and eligible farm trucks on the highway.

Tax Measures

June Update 2013 confirms \$332 million in tax measures for 2013-14 to help achieve the balanced budget and protect important services for British Columbians.

- \$56 million from the new temporary increase in the top personal income tax rate from 14.7 per cent to 16.8 per cent for taxable income over \$150,000, effective for the 2014 and 2015 tax years only, while maintaining the top charitable donations tax credit rate at 14.7 per cent.
- \$204 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 Oct. 1, 2013.
- \$32 million from phasing out the value of the school property tax credits for light industry (class five) over two years starting in 2013.
- \$23 million from increasing medical services plan premiums by about four per cent (while protecting premium assistance recipients), effective Jan. 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 \$10.6 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.; \$2.5 billion on health-sector infrastructure; and \$3.3 billion for transportation investments.

Debt

The total provincial debt is forecast to be \$62.6 billion in 2013-14, \$66.7 billion in 2014-15 and \$69.8 billion in 2015-16.

Taxpayer-supported debt is forecast to be \$42.6 billion in 2013-14, \$44.8 billion in 2014-15 and \$46.5 billion in 2015-16.

By eliminating the deficit and starting to reduce the government's need to borrow, *June Update 2013* forecasts British Columbia's taxpayer-supported debt-to-GDP ratio will peak at 18.5 per cent in 2014-15, and decline to 18.4 per cent in 2015-16.

Taxpayer-supported interest costs continue to remain low, averaging 4.2 cents per dollar of revenue over the three-year fiscal plan.

Budget Outlook

June Update 2013 projects surpluses of \$153 million in 2013-14, \$154 million in 2014-15 and \$446 million in 2015-16.

The fiscal plan includes contingencies of \$225 million each year over the three year plan. And forecast allowances of \$150 million in 2013-14, \$200 million in 2014-15, and \$300 million in 2015-16 to help guard against revenue volatility.

For more details on *June Update 2013*, visit: www.bcbudget.ca

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