



February 18, 2014

BACKGROUNDER 1

FISCAL PLAN 2014-15 – 2016-17

Economic Outlook

In 2013, key economic indicators such as exports performed well and housing starts outperformed expectations, while retail sales and employment grew at less than forecast levels.

The government forecasts the economy to grow by 2.0 per cent in 2014, 2.3 per cent in 2015 and 2.5 per cent in 2016.

Major risks to the economic outlook include the potential for weakness in the U.S. economic recovery and slowing Asian demand. Additional risks include the ongoing sovereign debt situation in Europe and a fluctuating Canadian dollar.

Revenue Outlook

Total government revenue is forecast at \$44.8 billion in 2014-15, \$46 billion in 2015-16 and \$47.5 billion in 2016-17. Revenue is expected to average 2.6 per cent annual growth over the next three years.

Expense Outlook

Total expense over the three-year plan is forecast at \$44.4 billion in 2014-15, \$45.6 billion in 2015-16 and \$46.7 billion in 2016-17—an annual average increase of 2.2 per cent over the next three years.

Government is increasing program spending by \$3 billion over the three-year fiscal plan (from \$43.7 billion in 2013-14 to \$46.7 billion by 2016-17).

Supports for individuals, families and community safety

Budget 2014 confirms an additional \$350 million over the next three years to support families, individuals and community safety, including:

- An additional \$243 million over three years for Community Living B.C. as government remains committed to maintaining existing services for adults with developmental disabilities and their families.
- An additional \$15 million over three years for Ministry of Children and Family Development for children and youth with special needs.
- An additional \$15 million over three years for increased RCMP policing costs
- \$6 million for legal aid-related services.

Health care

Budget 2014 confirms government's ongoing commitment to protect health care. The Ministry of Health budget will increase \$2.5 billion over three years. Total health spending by function will reach \$19.6 billion, or more than 42 per cent of all government expenses by 2016-17.

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 and Post-Secondary Education

Provincial funding for the K-12 and post-secondary systems continues at *Budget 2013* levels.

As many as 40,000 children are eligible every year for the B.C. Training and Education Savings Grant program, announced in *Budget 2013*. Children born on or after January 1, 2007, are eligible for more than \$1,200 for their RESP.

Economic development

Budget 2014 provides \$29 million over three years to ensure the appropriate management of the province's LNG strategy to foster the successful development and growth of the industry.

Budget 2014 also provides \$9 million over three years to support environmental assessments of resource development impacts of proposed LNG facilities and pipelines, and mining and other major projects.

Budget 2014 amends the Film and Television Production Regulation to include the Capital Regional District in the Distant Location Tax Credit. This applies to productions with principal photography beginning on or after February 19, 2014.

Budget 2014 confirms \$5 million over five years to help the Aerospace Association of Canada Pacific Division to grow the province's world-leading aerospace sector and help attract additional global aerospace and defence contractors to B.C.

Natural resources and the environment

Budget 2014 also provides \$12 million in 2016-17 for silviculture, inventory, and forest and ecosystem health/restoration activities. This funding will increase silviculture activities in regions hit hard by the pine beetle epidemic.

Tax Measures

In order to achieve social policy and economic development objectives, government will initiate a number of tax policy measures in *Budget 2014*. By 2015-16, these and other tax measures introduced in *Budget 2014*, will provide up to \$181 million in net benefits to taxpayers.

- B.C. Early Childhood Tax Benefit, effective April 1, 2015, as announced in the *June Budget Update 2013*.
- Extension of the Scientific Research and Experimental Development Tax Credit for an additional three years to September 1, 2017.
- Increase to the threshold for exemption from property transfer tax under the First Time Home Buyers' Program for registrations on or after February 19, 2014.

Capital spending

Taxpayer-supported capital spending on schools, hospitals, roads and other infrastructure over the next three years is expected to total \$11 billion.

This includes \$1.5 billion to maintain, replace, renovate or expand K-12 facilities; \$2.3 billion for capital spending by post-secondary institutions across B.C.; \$2.6 billion on health-sector infrastructure; and \$3.4 billion for transportation investments.

Government is working with employers, educators and communities to make sure British Columbians are first in line for the jobs of the future:

- The new NorKam Trades Centre of Excellence in Kamloops, scheduled for completion this fall, will offer courses in areas such as mining exploration, industrial skills and construction trades training.
- New trades training facilities at Camosun College in Victoria will support an additional 370 students in the marine, metal and mechanical trades by 2016.
- New facilities at Okanagan College in Kelowna will more than double the size of the current trades training complex by 2016
- A new campus for the Emily Carr University at Great Northern Way in Vancouver will include a state-of-the-art visual, media and design art facility, with the capacity for 1,800 students.

Debt

The total provincial debt is forecast to be \$ 64.7 billion in 2014-15, \$66.9 billion in 2015-16 and \$68.9 billion in 2016-17.

Taxpayer-supported debt is forecast to be \$43.1 billion in 2014-15, \$44.5 billion in 2015-16 and \$45.5 billion in 2016-17.

By eliminating the deficit and reducing the government's need to borrow, *Budget 2014* forecasts British Columbia's taxpayer-supported debt-to-GDP ratio will peak at 18.5 per cent in 2013-14 and decline to 17.8 per cent in 2016-17.

Taxpayer-supported interest costs continue to remain low, averaging 4.1 cents per dollar of revenue over the three-year fiscal plan.

Budget Outlook

Budget 2014 projects surpluses of \$184 million in 2014-15, \$206 million in 2015-16 and \$451 million in 2016-17.

The fiscal plan includes contingencies of \$300 million in 2014-15, \$400 million in 2015-16 and \$575 million in 2016-17 to help manage unexpected costs and priority initiatives, including the 2014 public sector compensation mandate and LNG development.

Learn More:

For more details on Balanced *Budget 2014*, visit: www.bcbudget.ca

For online information and services, visit the Province's website: www.gov.bc.ca

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