

## **BUDGET 2013 BACKGROUNDER – FACTS AND FIGURES**

### **Key Messages Box**

- Budget 2013 is a balanced budget
- To achieve this government has made a series of tough choices
- Tax increases are measured and manageable
- Tax increases were inevitable given the need to return to balance
- Now the provinces fiscal house is in order it is time to look at BC's long term competitiveness

### **A Return to Balance**

BC will be moving from a \$1.2 billion deficit in 2012/13 to a \$197 million surplus in 2013/14. This will be achieved through the following four measures;

Economic growth – even with growth of only 1.6% the fiscal plan anticipates that this will generate around \$390 million.

Expenditure growth management – by controlling government spending the fiscal plan anticipates savings of \$260 million

New tax measures – targeted tax increases will generate \$300 million

Property and asset sales - \$475 million from the sale of government assets

These measures combined represent \$1.4 billion dollars of new revenue for government in 2013/14.

### **Prudence measures**

In addition Budget 2013 contains significant prudence. These measures are intended to protect the revenue and expense projections from unanticipated events.

Lower GDP growth forecasts – as usual Budget 2013 anticipated rates of economic growth lower than the projections provided by the Economic Forecast Council.

	2013	2014	2015
Economic Forecast Council	2.1	2.5	2.6
Ministry forecasts	1.6	2.2	2.5

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Reduced natural gas forecasts – following the recommendations of Dr O’Neill Budget 2013 reduces gas revenue by 19% which represents \$64 million in 2013/14, \$70 million in 2014/15 and \$92 million by 2015/16.

Forecast allowance – Budget 2013 includes a forecast allowance of \$200 million in 2013/14, \$225 million in 2014/15 and \$325 million in 2015/16.

Contingencies – built into the expenses of the government the fiscal plan includes a contingency vote allocation of \$225 million in each of the three years of the fiscal plan. Budget 2013 outlines \$12 million a year to Community Living and \$33 million in 2013 for the provincial election, the remaining revenue is not allocated.

	2013	2014	2015
Revenue	44,387	44,986	46,377
Expense	(43,990)	(44,986)	(45,592)
Surplus (before forecast allowance)	397	436	785
Forecast allowance	(200)	(225)	(325)
Surplus	197	211	460

### **Revenue measures**

#### Tax Increases

To achieve balanced budgets the government has announced several targeted tax increases.

	Taxpayer impact	
	2013/4	2014/5
Corporate		
<ul style="list-style-type: none"> <li>The previously announced 1% increase to the corporate income tax scheduled to take effect in 2014 will be brought forward to April 1, 2013. This will take BC’s corporate tax rate from 10 to 11%</li> </ul>	\$205	\$197
Personal		
<ul style="list-style-type: none"> <li>A two year personal income tax increase for incomes over \$150,000. This will increase the rate from 14.7% to 16.8%, an increase of 2.1%. This increase will take effect January 1, 2014 and will expire December 31, 2015</li> </ul>	\$50	\$204

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### School property tax

- Phase out of the school property tax credits for light industry over two years for 2013 \$32            \$55

### Tobacco

- Increase tobacco tax of \$2 a carton, effective October 1, 2013 \$17            \$34

### MSP Premiums

- 4% increase to MSP premiums, effective January 1, 2014 \$23            \$95

These increases are anticipated to generate \$1.2 billion over the three year fiscal plan period.

### Property and asset sales

Budget 2013 outlines \$625 million in property and asset sales over the next two years. The sale of assets will generate \$350 million in 2013/14 and \$150 million in 2014/15 from the sale of over 100 surplus properties.

### **Expenditures**

Budget 2013 forecasts growth in expenditures to be contained to 1.5% over the next three years. This increase in spending includes the following new Spending Commitments targeted at the Families First agenda.

- BC Training and Education Savings Grant – a change to the current Children’s Education Fund this is a new program which will see every child will be eligible for a one-time grant of \$1,200 to be deposited into the child’s RESP.
- BC Early Childhood Tax Benefit – effective April 1, 2015 a new refundable tax credit will receive a maximum benefit of \$55 a month for each child under the age of 6. The full benefit can be accessed if family income is under \$100,000 and then phased out at \$150,000 in family income.
- School and Vegetable Nutritional Program - \$1 million to expand this program.
- BC Creative Futures - \$18 million to increase youth participation in the arts
- Early learning and child care service - \$76 million over the next 3 years. \$34 million to increase child care spaces; \$7 million for strengthening coordination of early childhood development programs and an additional \$37 million over three years in new funding specifically in support of improving the quality of child care and early year services
- Single Room Occupancy - \$13 million for the initiative
- Responsible Gaming Strategy – an additional \$5 million for the government’s strategy

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- RCMP – an additional \$52 million over the next three years for increased RCMP costs, including new officers to fight organized crime.
- Agricultural Land Commission - \$4 million for the ALC to support increased oversight of the ALR
- Carbon tax relief - \$20 million over 3 years to help offset carbon tax cost for commercial greenhouse vegetable and flower growers. Government also intends to provide a carbon tax exemption for farmers for the same coloured motor fuels.
- Medical expansion programs - \$12 million over three years to complete funding for the medical expansion program

### **Debt**

Debt levels will continue to increase. Total debt (including Crown self-supported debt will increase to \$69.4 billion by 2015/16. This increase is largely being driven by increased capital investment and the cost of reverting to the PST.

	2013	2014	2015
Taxpayer-supported debt	42,557	44,493	46,070
Total debt (incl forecast allowance)	62,689	66,548	69,428
Debt-to-GDP ratio			
Provincial Government direct operating	4.7%	4.4%	3.9%
Taxpayer-supported	18.2%	18.3%	18.1%

### **Risks**

The economic risks identified by the government are largely focused on the continued uncertainty surrounding global economic activity. These are;

- Renewed weakness or a return to recession in the US
- European sovereign debt crisis
- Slower than anticipated Asian demand, weaker demand for BC's exports
- Exchange rate volatility
- Further weakening of the US dollar creating disruptions in financial and commodity markets

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In addition the government has also identified several risks to the fiscal plan that are focused on changes in factors that government does not directly control. These are;

- Assumptions underlying Crown Corporation revenue forecasts
- Utilization rates for government services such as health care
- Potential changes to federal government transfers