
NEWS RELEASE

For Immediate Release
2013FIN0018-000293
Feb. 19, 2013

Ministry of Finance

Balanced Budget 2013 invests in families

VICTORIA — Balanced Budget 2013 delivers on government's commitment to balance the budget while investing in early childhood development and helping B.C. families save for their children's future training and education, Finance Minister Michael de Jong announced today.

Savings from spending controls have achieved an improved deficit forecast of \$1.2 billion in 2012 -13. Beginning in 2013-14, continued spending discipline, targeted tax increases, net economic growth, and the successful sale of surplus government properties and assets combine to eliminate the deficit and deliver progressively larger forecast surpluses all three years of the fiscal plan:

- \$197 million in 2013-14.
- \$211 million in 2014-15.
- \$460 million in 2015-16.

Within the balanced budget, government is introducing new measures to benefit B.C. families and help make family life more affordable, including:

- The B.C. Training and Education Savings Grant, a one-time \$1,200 grant toward a B.C. resident child's Registered Education Savings Plan after the child turns six years old. Payments are made from the Children's Education Fund, established in 2007.
- A new B.C. Early Childhood Tax Benefit will provide \$146 million to approximately 180,000 families with children under six years old, effective April 1, 2015. Families with young children can receive up to \$55 per child, per month. Most will receive the full amount, while those with family incomes between \$100,000 and \$150,000 a year will receive a partial benefit. About 90 per cent of B.C. families with young children are expected to be eligible.
- B.C.'s new Early Years Strategy will invest \$76 million over three years to support the creation of new child-care spaces and improve the quality of child care and early years services. Included within this, \$32 million will support the creation of new child-care spaces and \$37 million will improve the quality of services available.

Savings of close to \$1.1 billion have been identified in ministries and Crown agencies over the three years of the fiscal plan. Budget 2013 puts about half of these savings toward achieving the balanced budget, and about half (\$497 million) to investments in families, jobs and economic growth. These measures include:

- \$60 million in new and reallocated funding to continue the Sports and Arts Legacy Fund first introduced in Budget 2010.
- An additional \$52 million over three years for increased RCMP policing costs to maintain existing front-line services, including officers hired to combat organized crime and gang activity.
- An additional \$18 million for the recently announced B.C. Creative Futures, to fund programming aimed at increasing youth participation in the arts.
- An additional \$13 million over three years to support the renewal and renovation of 13 provincially owned Single Room Occupancy (SRO) hotels in Vancouver's Downtown Eastside to assist with temporary relocation of residents as well as fund the annual service payments.
- An additional \$5 million to fund enhanced treatment, counselling and prevention services to address problem gambling.
- An additional \$12 million over three years to complete funding for the medical expansion program, fulfilling a commitment from 2001.
- \$20 million to provide carbon tax relief for commercial greenhouse vegetable and flower growers. In addition, government intends to provide a carbon tax exemption for farmers for the same coloured motor fuels, and uses, they are currently able to purchase exempt from motor fuel tax.

The B.C. government's balanced budget plan constrains spending growth to an annual average of 1.5 per cent over the next three years, while continuing to protect health and education services.

Savings and efficiencies in health spending will keep the growth of the Ministry of Health budget to an annual average of 2.6 per cent — adding about \$2.4 billion over the fiscal plan to reach \$17.4 billion in 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.

The Education budget will continue to rise over the three-year fiscal plan to nearly \$5.4 billion. To support the continued transformation of education, the B.C. government will invest \$210 million in the Learning Improvement Fund over three years. A new \$1 million investment in the school fruit and vegetable nutritional program will further support student health and nutrition by adding local milk to the program.

To help achieve the balanced budget, government is making some targeted tax changes, including:

- Increasing the general corporate income tax rate to 11 per cent from the current 10 per cent, effective April 1, 2013. Despite the increase, the general corporate income tax rate will still be 33 per cent lower than in 2001, and B.C. will continue to have among the lowest corporate income tax rates in Canada.
- A two-year increase in the personal income tax rate for individuals earning more than \$150,000. Rates will increase by 2.1 percentage points to 16.8 per cent, starting Jan. 1, 2014. B.C. continues to have the lowest provincial personal income taxes in Canada up to \$122,000 a year.
- Increasing taxes on tobacco by \$2 a carton, effective Oct. 1, 2013.
- Phasing out school property tax credits for light industry (class five) for the 2013 tax year.

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. By eliminating the deficit, controlling capital spending and starting to reduce the province'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. The taxpayer-supported debt-to-GDP ratio is a key measure of affordability, and effectively managing this ratio helps maintain B.C.'s triple-A credit rating.

The economic and revenue projections for Budget 2013 were reviewed and assessed by nationally respected economist Dr. Tim O'Neill. O'Neill concluded that the Province's revenue projections, processes, methodologies and assumptions are generally well-founded, with the exception of the natural gas forecast. In response to O'Neill's recommendations, government added additional prudence to the Budget 2013 forecast for natural gas prices.

The government forecasts British Columbia's economy will grow by 1.6 per cent in 2013, 2.2 per cent in 2014 and 2.5 per cent in 2015 — a forecast that is prudent relative to the independent British Columbia Economic Forecast Council.

Quotes:

Minister of Finance Michael de Jong –

“More than a decade of prudent fiscal management has paid off for B.C. While other jurisdictions are postponing balanced budgets to later years, we are in the enviable position of having a balanced budget and are in a much better place than most to manage the ongoing global volatility and uncertainty.”

“Over the next three years, total revenue is expected grow by an average of three per cent annually. But we will continue to hold the line on spending, by increasing expenditures an average of just 1.5 per cent a year over the three-year fiscal plan.”

“Making difficult choices to achieve savings gives us the means to invest in the priorities of British Columbians — families, children, and helping those children find meaningful jobs. We are also creating a great incentive to encourage families to start saving for their children’s higher education sooner with the new B.C. Training and Education Savings Grant.”

Learn More:

For the Finance Minister Michael de Jong’s speech and more details on Budget 2013, visit: www.bcbudget.ca

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

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BACKGROUND 1

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Ministry of Finance

Promise made, Promise kept:

Balanced Budget 2013

How is the B.C. government taking the budget from a projected 2012-13 deficit of \$1.2 billion, to a projected surplus of \$197 million in 2013-14 and growing the surplus over the following years? There are four key steps:

Control spending

Expenditure growth management will reduce average annual spending growth to 1.5 per cent over the fiscal plan period, about half the rate of spending growth before the economic downturn.

Spending reviews have found ministry and service delivery agency savings, resulting in savings of almost \$1.1 billion over the fiscal plan period. About half of these savings are helping achieve the balanced budget, while the remaining half is being invested to improve family affordability, and support jobs and economic growth.

Targeted revenue measures

Surplus property and asset sales: Government has identified surplus properties that are not used by government, cost taxpayers money to maintain, and would be better used in other hands.

Planned property and asset sales will provide a return to government of \$625 million over the next two years, helping to balance the budget while releasing under-used assets for economic development and community services. The assets identified represent less than two per cent of the government's \$70 billion property holdings. Today there are sales agreements in place for five properties, negotiations underway for eight properties and four more in the market. Another 65 properties are being prepared for market this year.

Targeted tax measures are projected to generate \$1.2 billion over the fiscal plan period.

Stable economic growth

Government forecasts economic growth of 1.6 per cent in 2013, 2.2 per cent in 2014, and 2.5 per cent in 2015. Net economic growth is expected to generate \$1.7 billion in base revenue increase in excess of expense increases over the fiscal plan period.

Revenue is expected to grow by an annual average of three per cent over the three-year fiscal plan, double the rate of B.C.'s spending growth.

Mitigate the risks

Government incorporates three main levels of prudence in its projections to mitigate the risks to the fiscal plan:

- The government's outlook for B.C.'s real GDP growth is lower than the outlook provided by the Economic Forecast Council (0.5 percentage points lower in 2013 and 0.3 percentage points lower in 2014).
- Government has included a forecast allowance of \$200 million in 2013-14, \$225 million in 2014-15, and \$325 million in 2015-16 to guard against revenue volatility.
- The fiscal plan includes contingencies of \$225 million in each year of the fiscal plan to help manage unexpected pressures and fund priority initiatives.

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BACKGROUND 2

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Ministry of Finance

B.C. Training and Education Savings Grant

With nearly a million job openings expected over the next decade, B.C. children face a future of exciting career possibilities. Whether it's in skilled trades or professional services, the vast majority of new job openings will require some form of post-secondary education or training.

Government first started investing in the Children's Education Fund in 2007. The first payments from that fund would have started in 2024. Today government is partnering with families to help realize the power of savings with the \$1,200 B.C. Training and Education Savings Grant.

When a B.C. resident child turns six years old, they will be eligible for a one-time grant of \$1,200 to be deposited into their Registered Education Savings Plan (RESP). No matching or additional contributions are required in order to receive the grant. All a family needs to do is to open an RESP account and apply for the grant before the child turns seven years old.

By opening an RESP account, not only is the child entitled to the B.C. Training and Education Savings Grant, they may also benefit from the Canada Learning Bond and Canada Education Savings Grants offered by the Government of Canada.

Starting this year, families with eligible children who open or already have an RESP will receive a confirmation letter stating the B.C. government will deposit \$1,200 into their RESP as soon as the administrative process for this new program is in place.

The B.C. government is partnering with the federal government to put the necessary banking and information system changes in place to make deposits into eligible RESPs and ensure government contributions can only be used for post-secondary education. Full implementation is expected to take 18 months.

The basic criteria to apply for the B.C. Training and Education Savings Grant will be:

- The child must be born on or after Jan. 1, 2007.
- The child must have an RESP in place.
- The child must be a resident of B.C. when the grant application is made.
- The child must be enrolled in an education program.
- Parents/contributors will have a full year, between the child's sixth and seventh birthdays, to apply for the grant (families of B.C. resident children born in 2007 will have until Feb. 28, 2014, to establish an RESP). Parents are encouraged to set up an RESP as soon as possible — they do not need to wait until the child is six.

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BACKGROUND 3

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B.C. Early Years Strategy

The B.C. Early Years Strategy demonstrates government's commitment to improving the integration, affordability, accessibility and quality of learning and child-care services and supports. In the first three years of the strategy government will invest \$6 million in 2013-14, \$18 million in 2014-15 and \$198 million in 2015-16.

Budget 2013 provides:

- \$32 million over three years to support the creation of new child-care spaces.
- An additional \$7 million over three years for strengthening the co-ordination of early childhood development programs and child-care services.
- An additional \$37 million over three years in new funding to improve the quality of child care and early years services in B.C.

The B.C. government is steadfast in its commitment to the early years, currently investing more than \$1 billion annually on early learning and childhood development initiatives and child-care services. An additional \$129 million is invested annually in full-day kindergarten.

New B.C. Early Childhood Tax Benefit

Budget 2013 introduces the new B.C. Early Childhood Tax Benefit to improve the affordability of child care and assist families with the cost of raising young children. The refundable tax credit will provide \$146 million to approximately 180,000 families with young children.

Effective April 1, 2015, eligible families will receive up to \$55 per month, or \$660 annually, for each child under the age of six. The benefit will be administered through the Canada Child Tax Benefit system. Families can apply for the monthly benefit by applying for the Canada Child Tax Benefit. To be eligible, individuals must file their annual personal income tax returns.

The maximum benefit will be available to all eligible families with family net incomes under \$100,000. The benefit will start to phase out at \$100,000 and will be fully phased out at \$150,000 of family net income. About 140,000 families will be eligible to receive the full benefit, while an additional 40,000 families with family net incomes over \$100,000 will receive a partial benefit (see chart below).

This new provincial benefit will supplement existing federal benefits including the Canada Child Tax Benefit, the National Child Benefit Supplement and the Universal Child Care Benefit.

Single Parent with One Child Under the Age of Six Years

Family Net Income	\$25,000	\$50,000	\$80,000	\$125,000	\$150,000
B.C. Early Childhood Tax Benefit	660	660	660	330	0
Canada Child Tax Benefit	1,433	1,304	704	0	0
Federal Universal Child Care Benefit	1,200	1,200	1,200	1,200	1,200
Federal National Child Benefit Supplement	2,221	0	0	0	0
Total Annual Benefit	5,514	3,164	2,564	1,530	1,200

Couple with Two Children Under the Age of Six Years

Family Net Income	\$30,000	\$60,000	\$90,000	\$125,000	\$150,000
B.C. Early Childhood Tax Benefit	1,320	1,320	1,320	660	0
Canada Child Tax Benefit	2,866	2,208	1,008	0	0
Federal Universal Child Care Benefit	2,400	2,400	2,400	2,400	2,400
Federal National Child Benefit Supplement	3,117	0	0	0	0
Total Annual Benefit	9,703	5,928	4,728	3,060	2,400

* These amounts are effective July 1, 2013. The benefits will rise slightly by 2015 due to inflation indexing.

** The federal Universal Child Care Benefit is a taxable benefit but is excluded from family net income in determining the child tax benefits listed here. The benefit amount is not indexed to inflation.

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BACKGROUND 4

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Ministry of Finance

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.

Health care

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 Jan. 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 Oct. 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 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 \$10.4 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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