

BALANCED BUDGET 2017

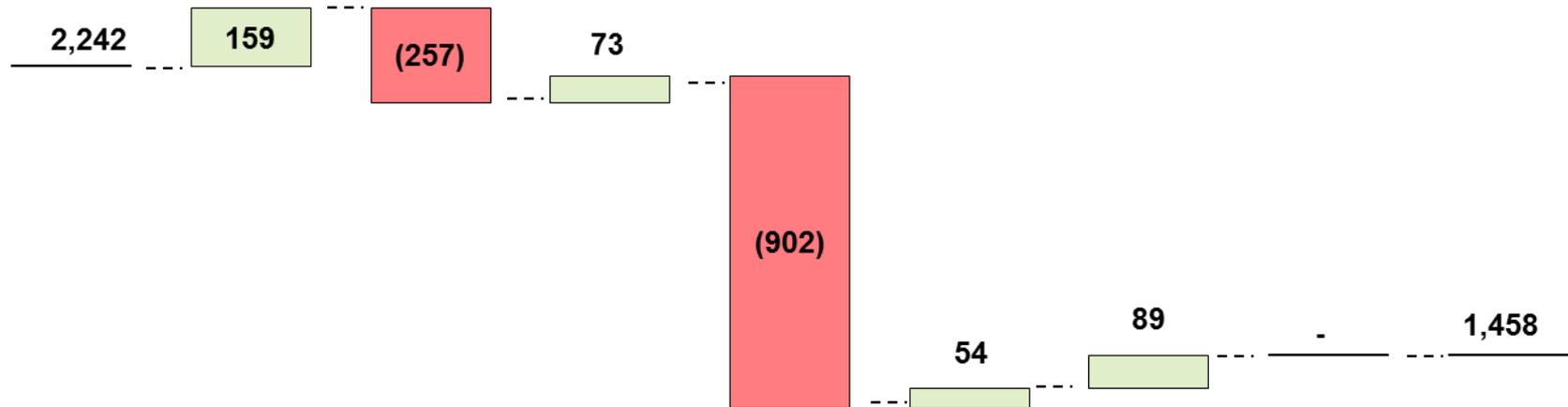


BRITISH
COLUMBIA

2016/17 updated forecast

\$ millions

Surplus decreased by \$784 million



Second
Quarterly
Report

Higher
taxation
revenue

Lower
commercial
Crown net
income

Other
revenue
changes

Higher
statutory
spending

Lower third
party
recoveries,
other
spending

Lower
agency net
spending
changes

Forecast
allowance
unchanged

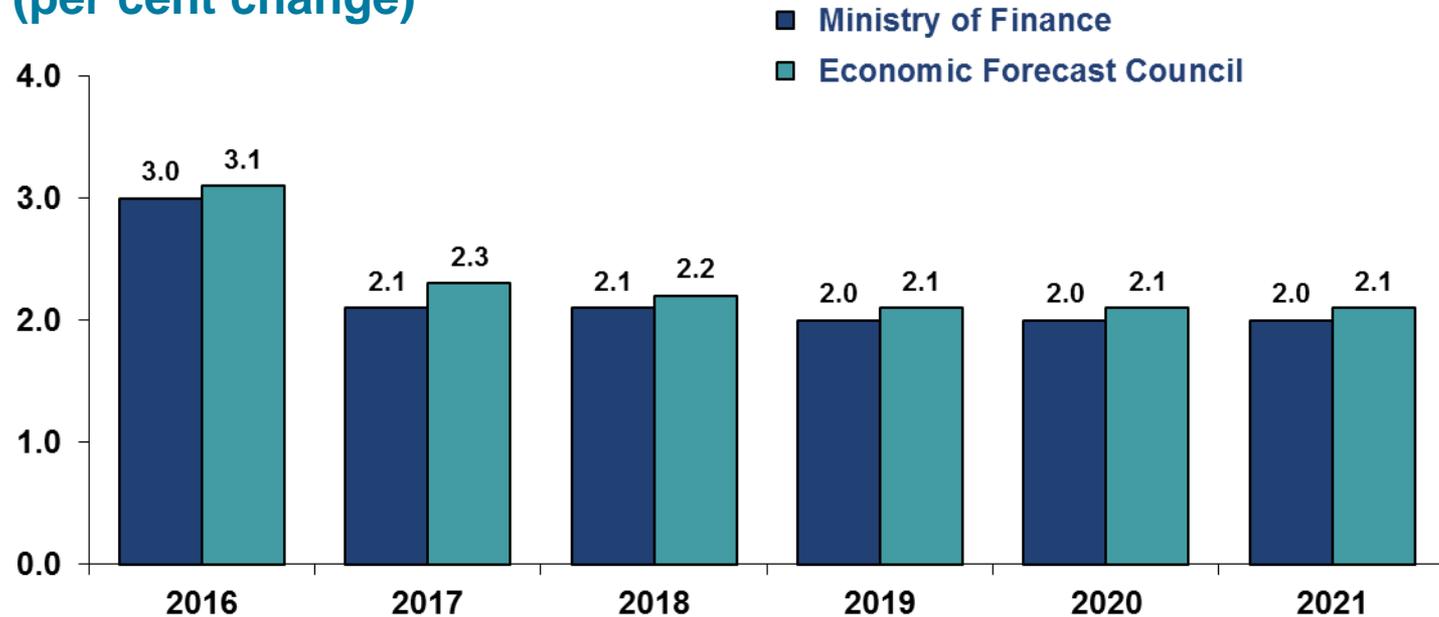
Third
Quarterly
Report

2016/17 strategic investments

- **Emergency management preparedness**
- **Additional forest rehabilitation work**
- **Housing and shelter activities**
- **Additional infrastructure investments**

BC economic outlook

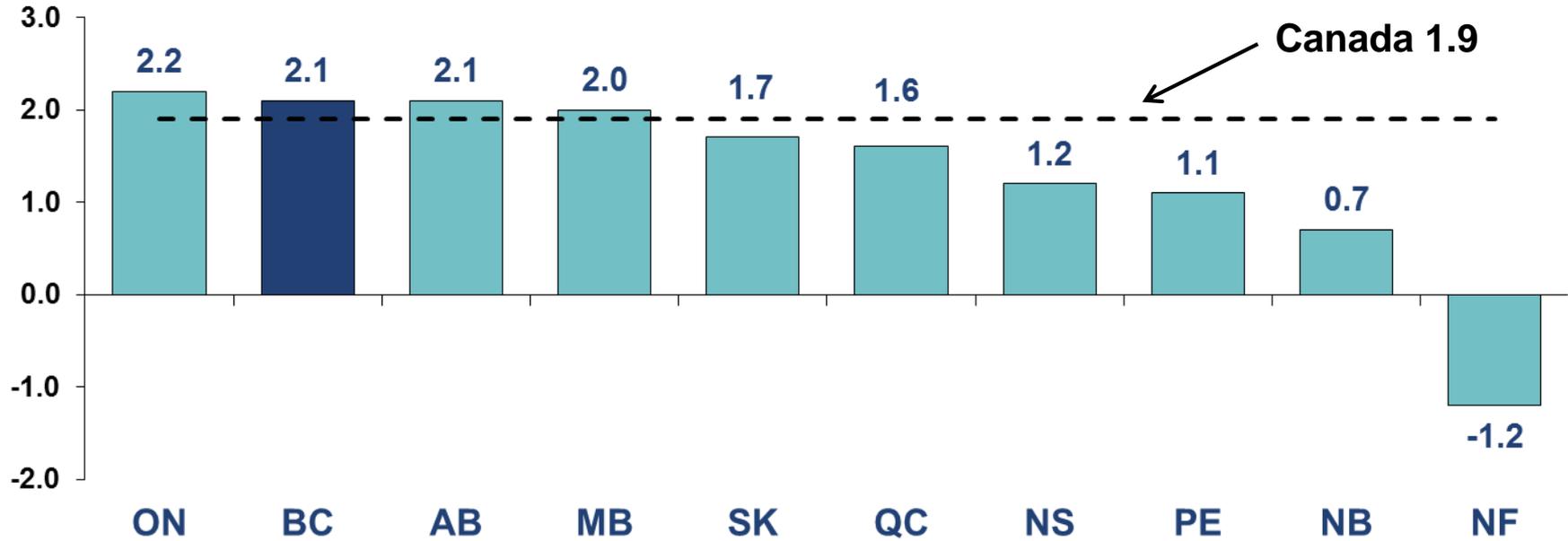
BC real GDP (per cent change)



Sources: BC Ministry of Finance, Economic Forecast Council

Private sector economic growth expectations

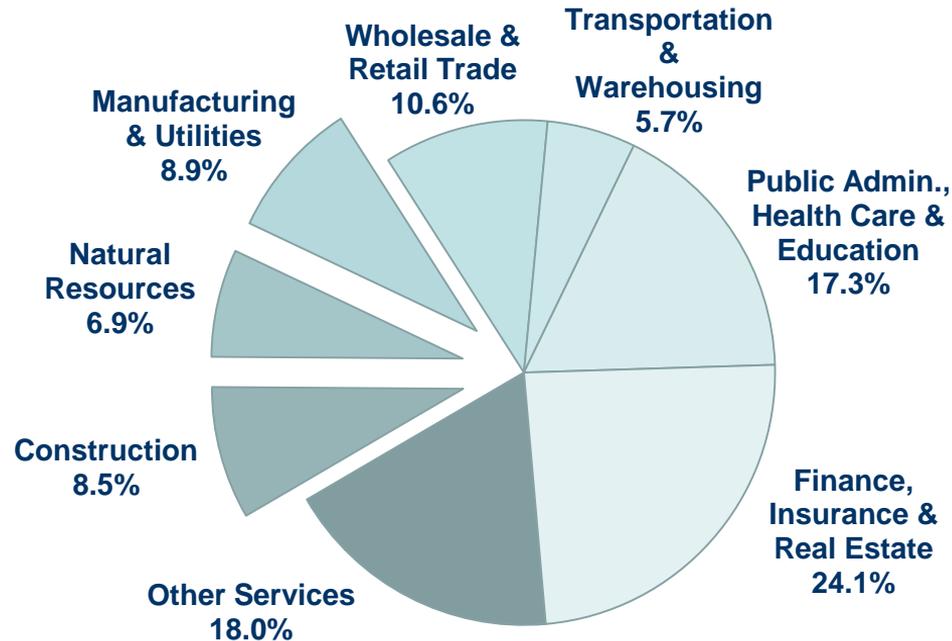
Forecast annual growth in 2017 real GDP (per cent)



Source: Private Sector Average (subset of the Economic Forecast Council: BMO, CIBC, TD, RBC, Scotiabank and IHS Markit) as of February 10, 2017.

BC's diversified economy

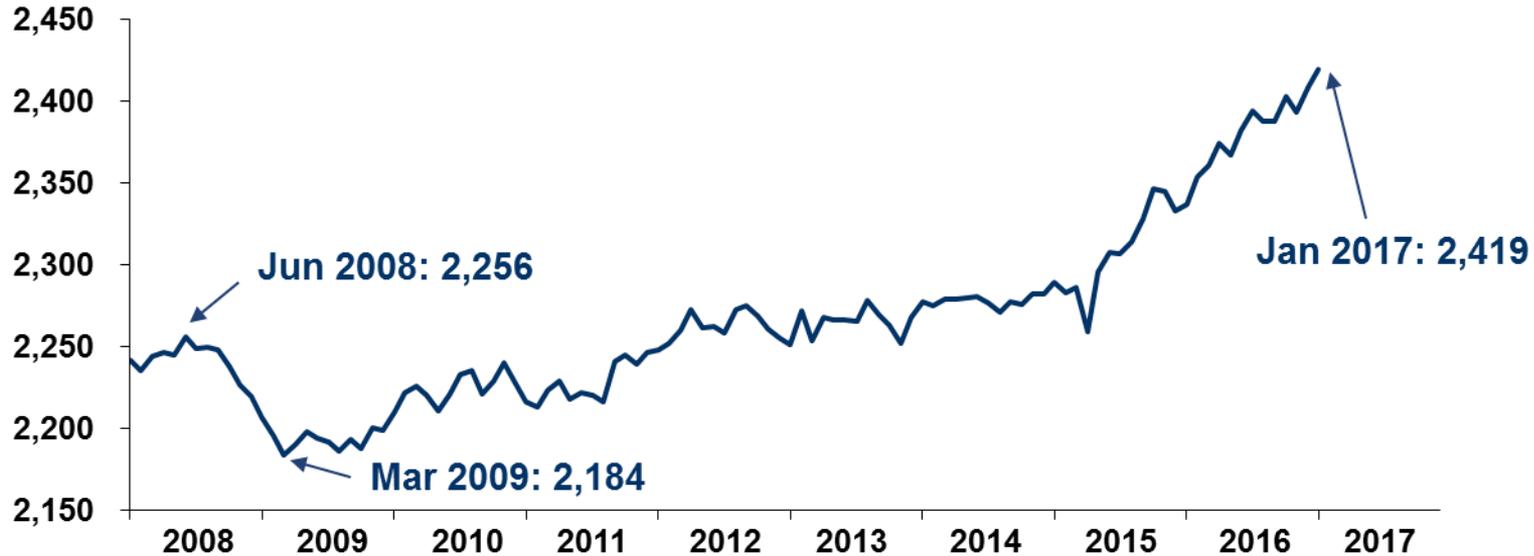
Share of BC GDP at basic prices (chained \$2007) by major industry, 2015



Source: Statistics Canada (may not add to 100 per cent due to rounding)

BC employment

BC employment (thousands, sa)



Source: Statistics Canada

BC retail sales

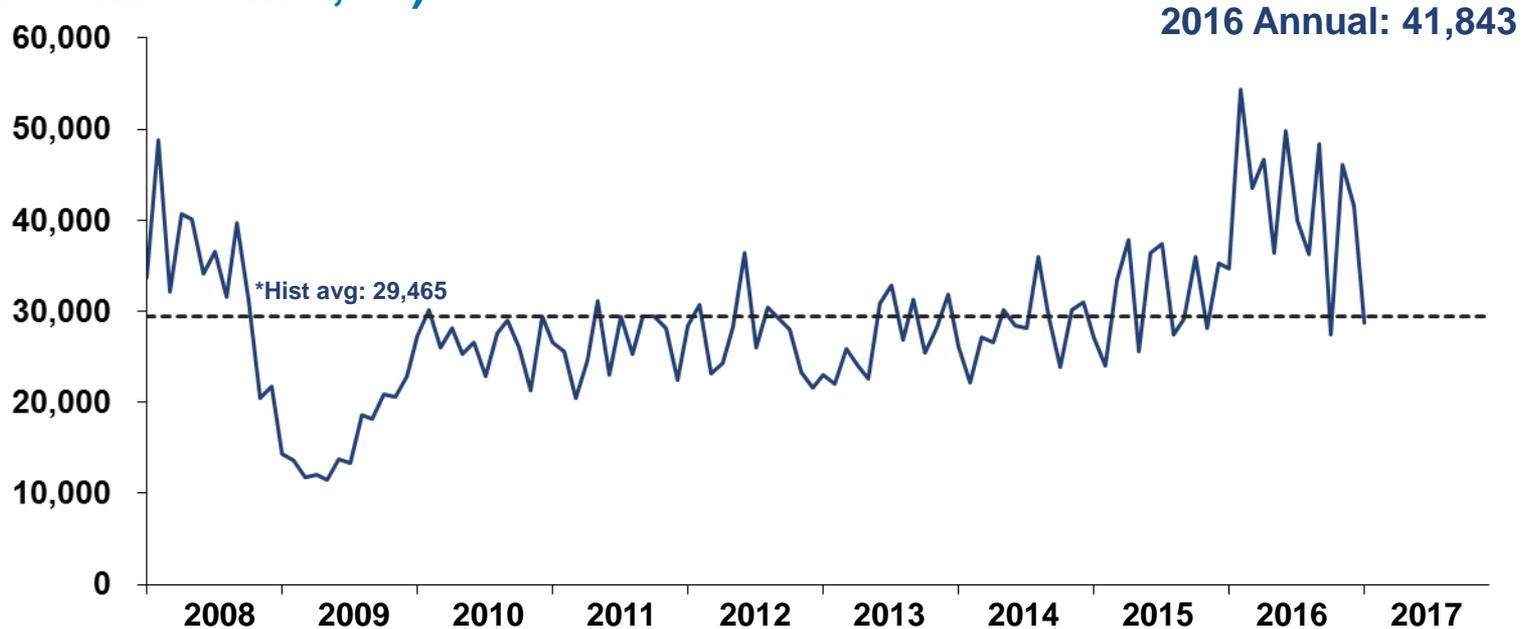
BC retail sales (\$ millions, sa)



Source: Statistics Canada

BC housing starts

BC housing starts (annualized units, sa)

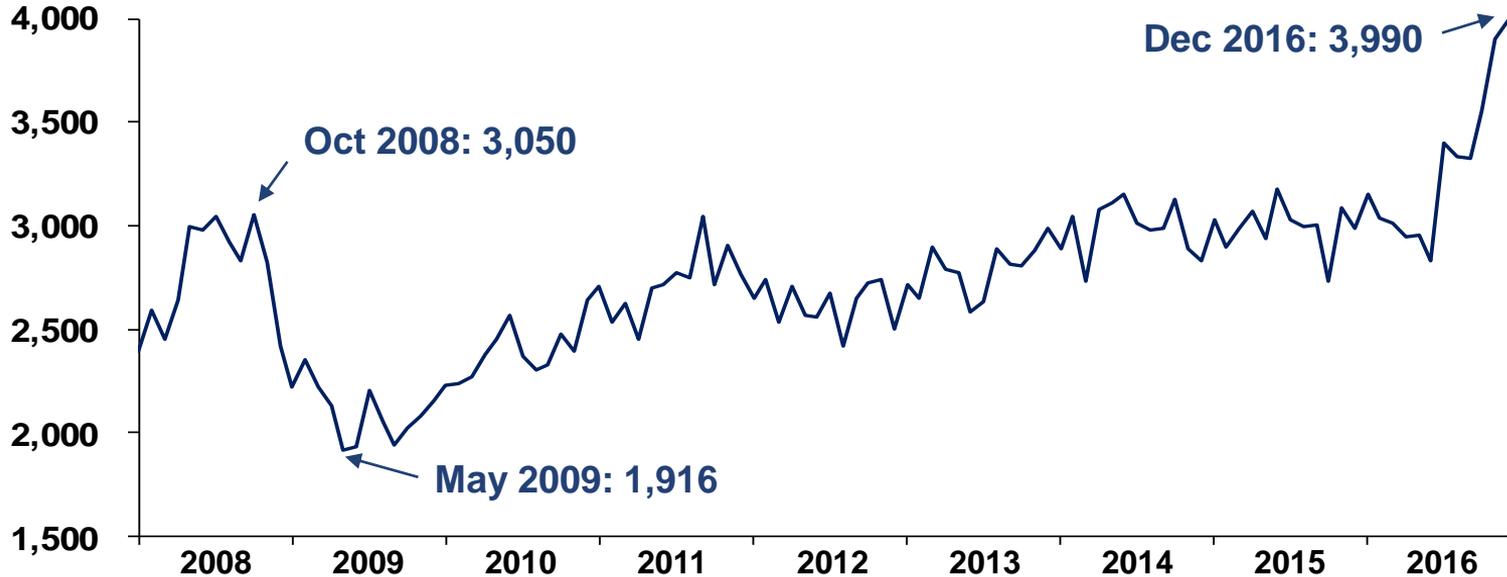


Source: Canada Mortgage and Housing Corporation

*Historical average from January 1990 to December 2016

BC exports

BC international merchandise exports (\$ millions, sa)

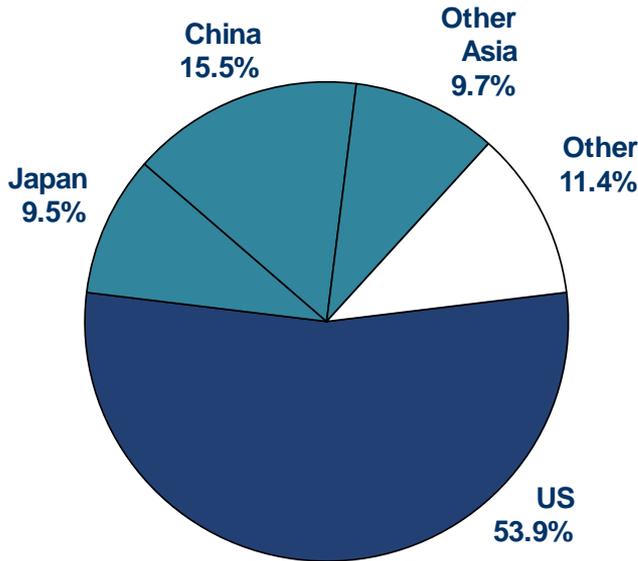


Source: BC Stats

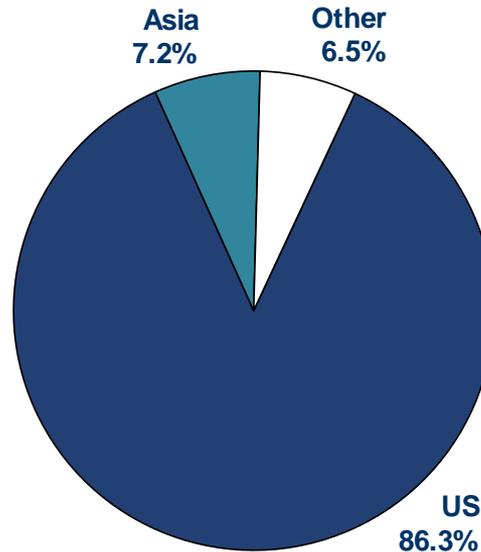
BC trade diversity

Annual share of international goods exports by province, 2016

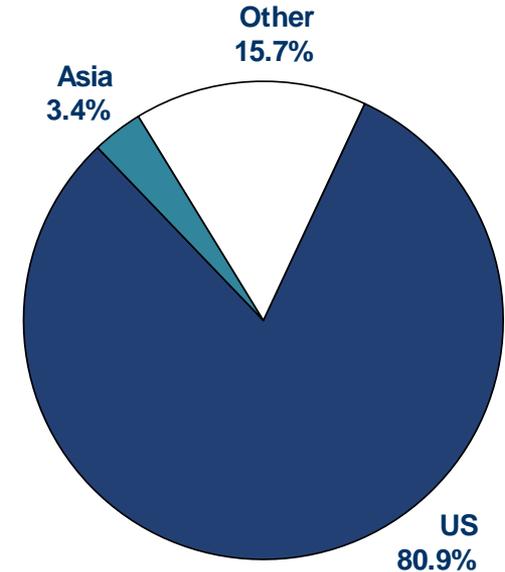
BC



Alberta



Ontario



Source: BC Stats (may not add to 100 per cent due to rounding)

External outlook

Consensus Economics Outlook Real GDP Growth (Per Cent Change)		2016	2017	2018	Trend
US	January 2016	2.4	2.5		↓↓
	August 2016	1.5	2.3		
	January 2017	1.6	2.3	2.3	
Canada	January 2016	1.7	2.2		↓↓
	August 2016	1.2	2.1		
	January 2017	1.3	2.0	2.0	
China	January 2016	6.5	6.3		↑↑
	August 2016	6.6	6.3		
	January 2017	6.7	6.4	6.1	
Japan	January 2016	1.2	0.6		↓↑
	August 2016	0.5	0.8		
	January 2017	0.9	1.1	0.9	
Euro zone	January 2016	1.7	1.7		↓↓
	August 2016	1.5	1.2		
	January 2017	1.6	1.4	1.5	

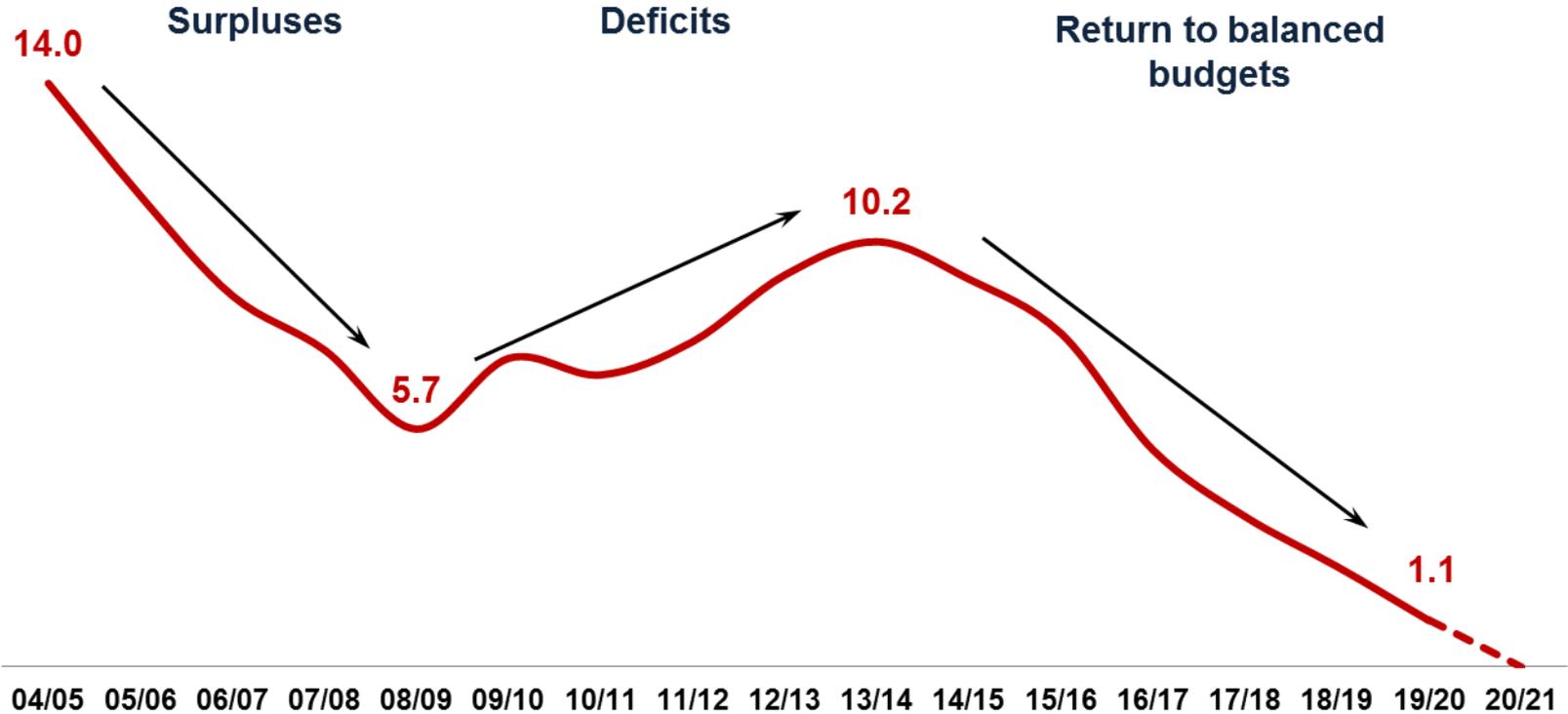
Source: Consensus Economics

Three year fiscal plan

	Updated Forecast 2016/17	Budget Estimate 2017/18	Plan 2018/19	Plan 2019/20
(\$ millions)				
Revenue	50,890	50,838	51,196	52,045
Expense	(49,082)	(50,193)	(50,702)	(51,572)
Forecast allowance	<u>(350)</u>	<u>(350)</u>	<u>(250)</u>	<u>(250)</u>
Surplus	<u>1,458</u>	<u>295</u>	<u>244</u>	<u>223</u>

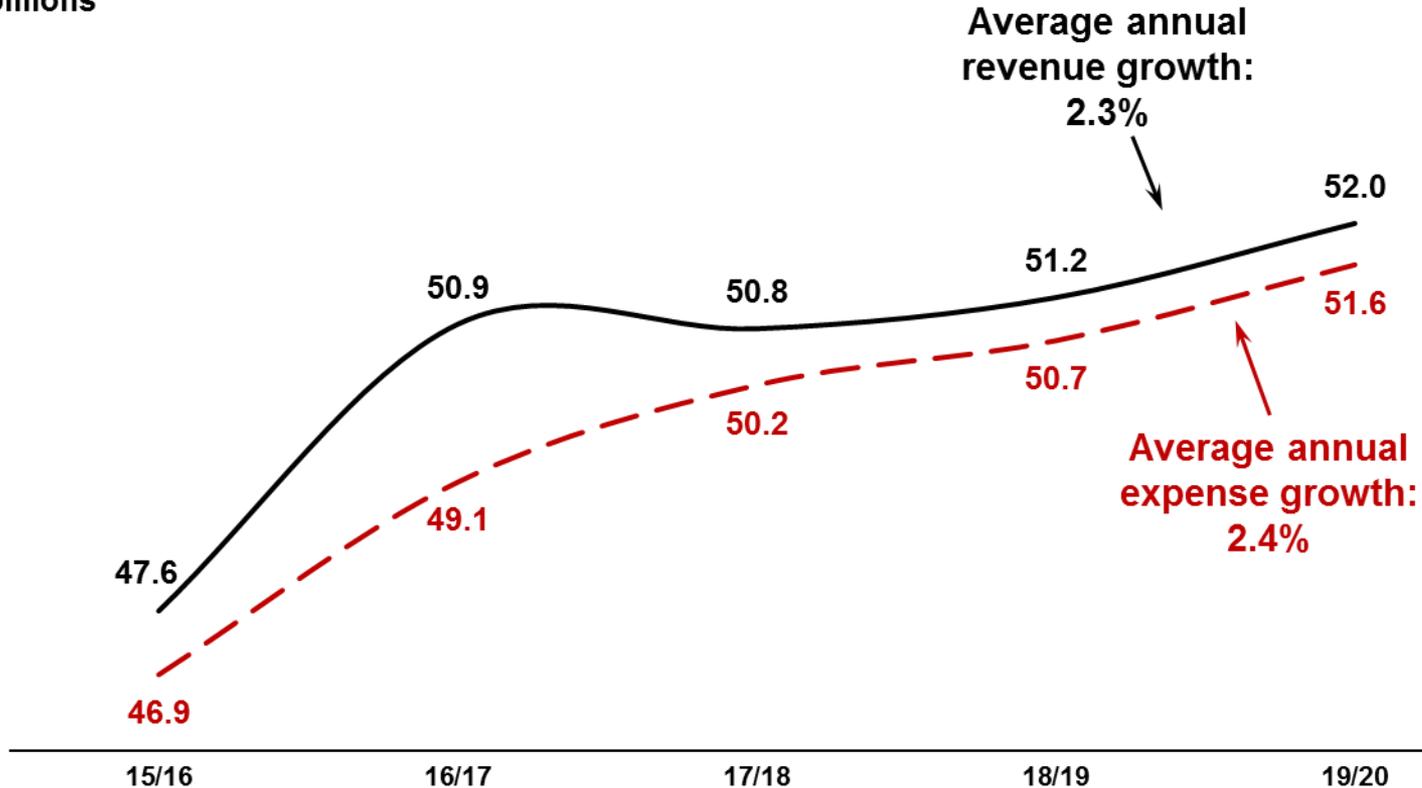
Operating debt declining

\$ billions



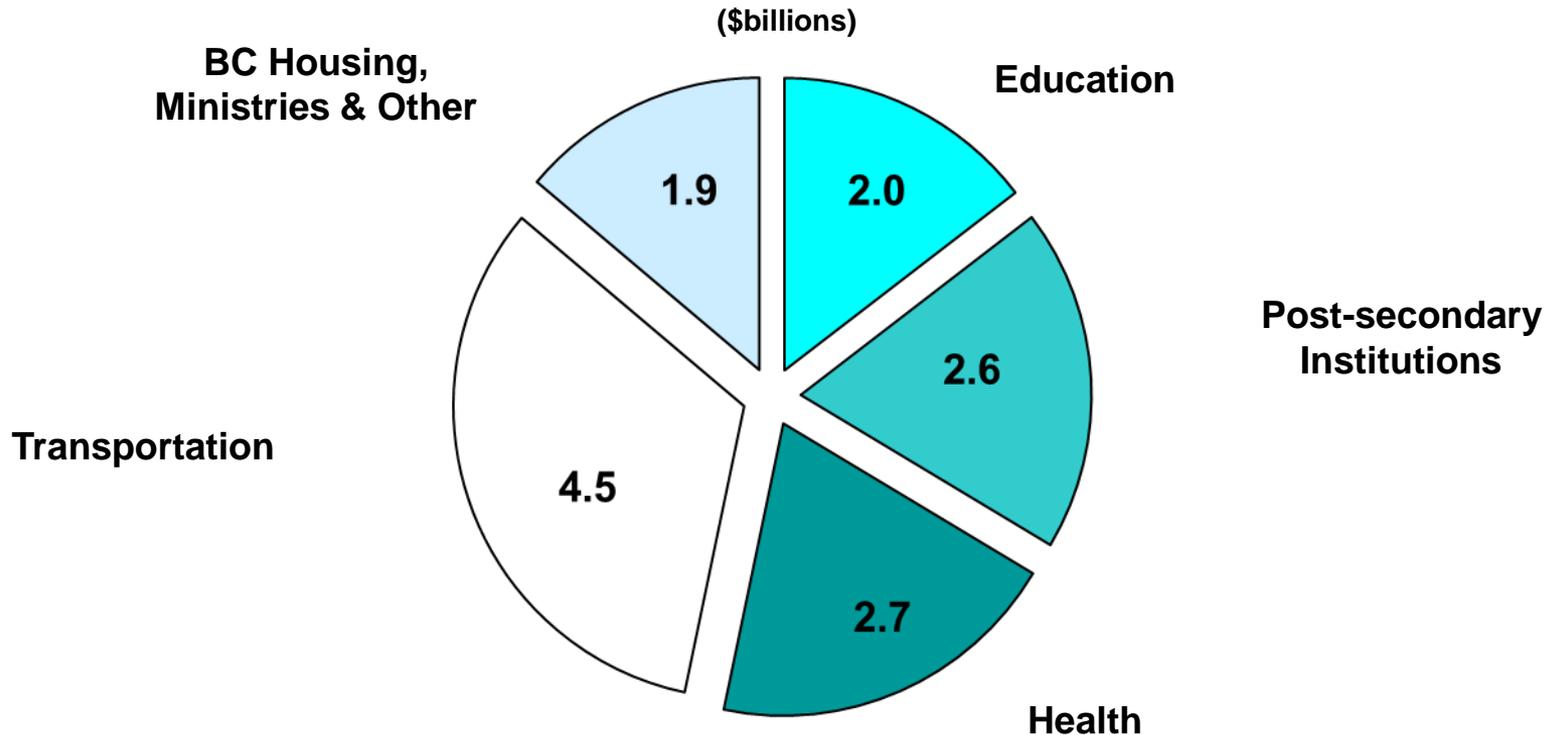
Continued surpluses

\$ billions



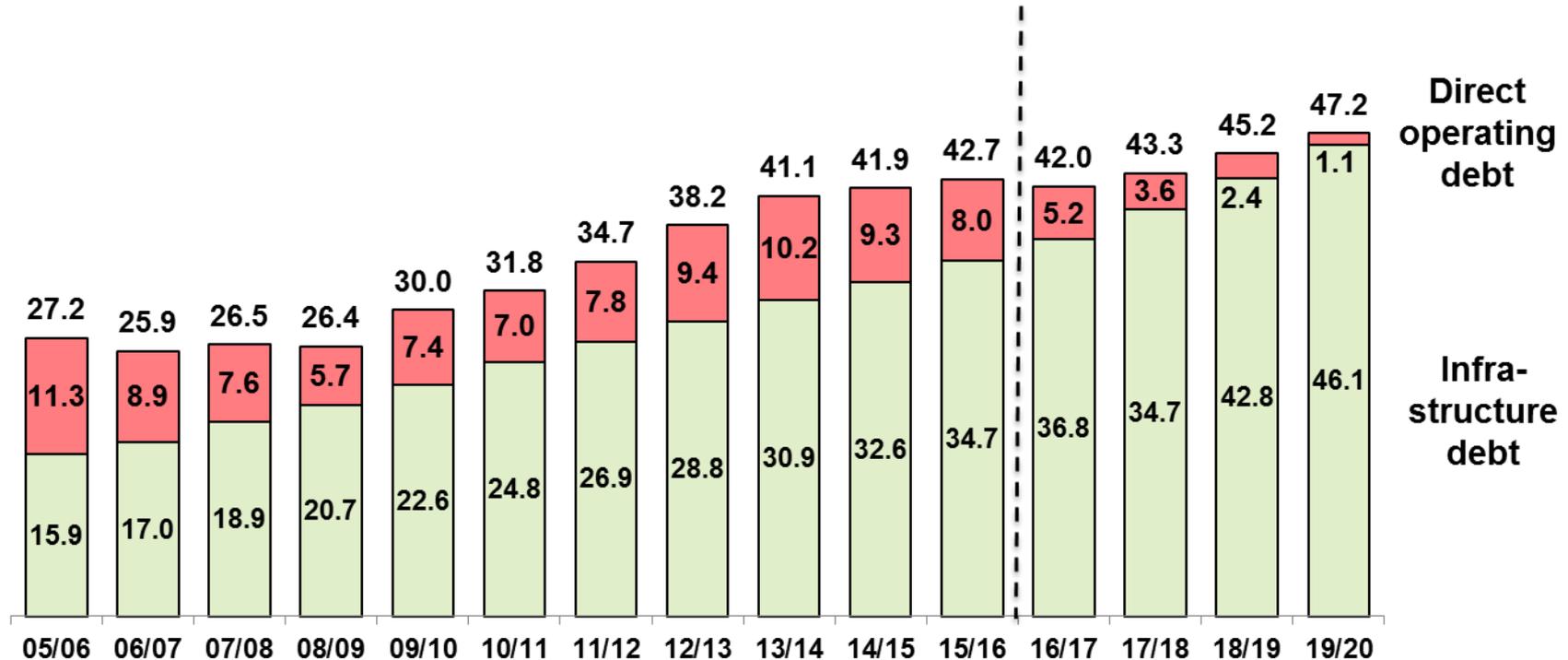
Infrastructure spending allocations

Three-year taxpayer-supported infrastructure spending totals \$13.7 billion

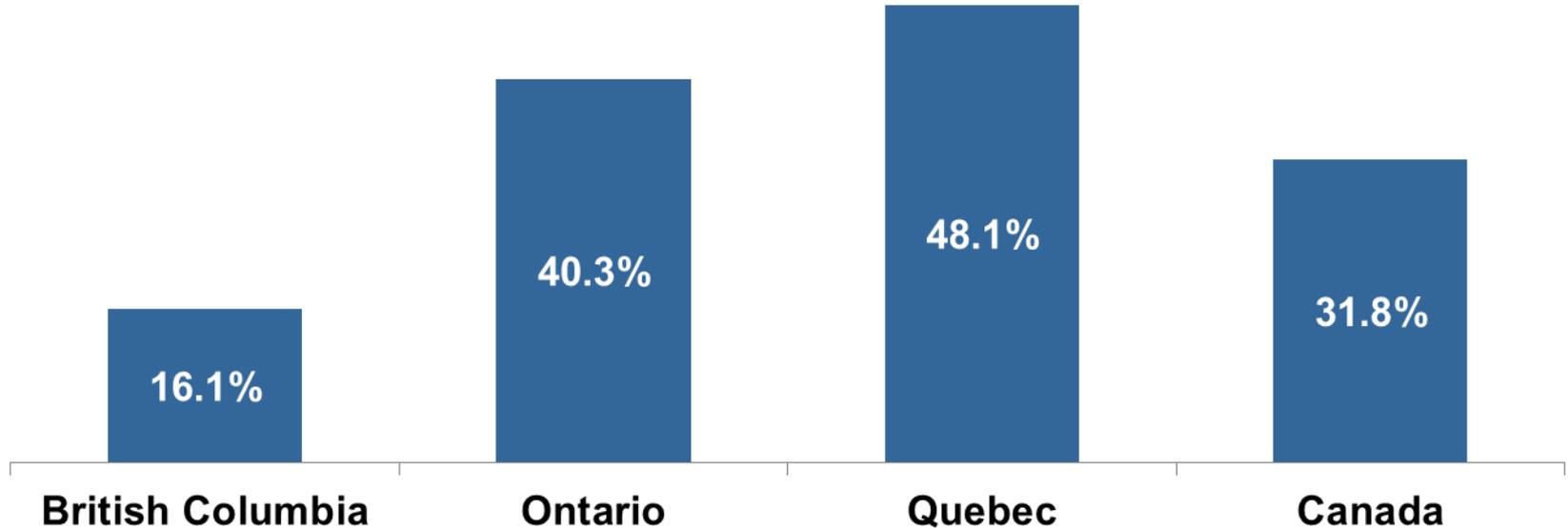


Debt mainly for infrastructure

\$ billions



Debt to GDP comparisons



Source: most recent quarterly report for each jurisdiction.

Credit rating comparisons

Province	AAA	AA+	AA	AA-	A+	A
British Columbia	●					
Alberta		→	●			
Saskatchewan		●				
Manitoba				●		
Ontario					→	●
Quebec					●	
New Brunswick					●	
Nova Scotia					●	
Prince Edward Island						●
Newfoundland and Labrador						→
Canada	●					

Source: Standard and Poor's

***Budget 2017* key investments**

- **In addition to health care lifts, ministry increases total almost \$3 billion over three years, including:**
 - **\$796 million for children, families, and those in need**
 - **\$740 million for the K-12 sector, including \$320 million to address recent BCTF Memorandum of Agreement**
 - **Over \$700 million for first time homebuyers, building on \$920 million for housing affordability and assistance**
 - **\$249 million for communities and economic development, including \$87 million for the BCTECH Strategy**
 - **\$149 million for parks and environmental protection**

Support for families and those in need

- **\$267 million to support services for vulnerable youth and those with special needs, and to help keep families together**
- **\$199 million to increase monthly assistance by \$50 for over 100,000 persons with disabilities**
- **\$175 million for caseload growth in income assistance**
- **\$135 million for Community Living British Columbia**
- **\$20 million for child care including up to 2,000 new child care spaces**

K-12 education

\$740 million over three years, including:

- **\$320 million to fund January 2017 *Memorandum of Agreement* with BCTF on an ongoing basis**
- **\$228 million to fund enrolment growth across the fiscal plan period**
- **\$54 million to eliminate school bus fees for all regular students and mitigate school closures in rural areas**
- **Plus \$29 million for school supplies and resources**

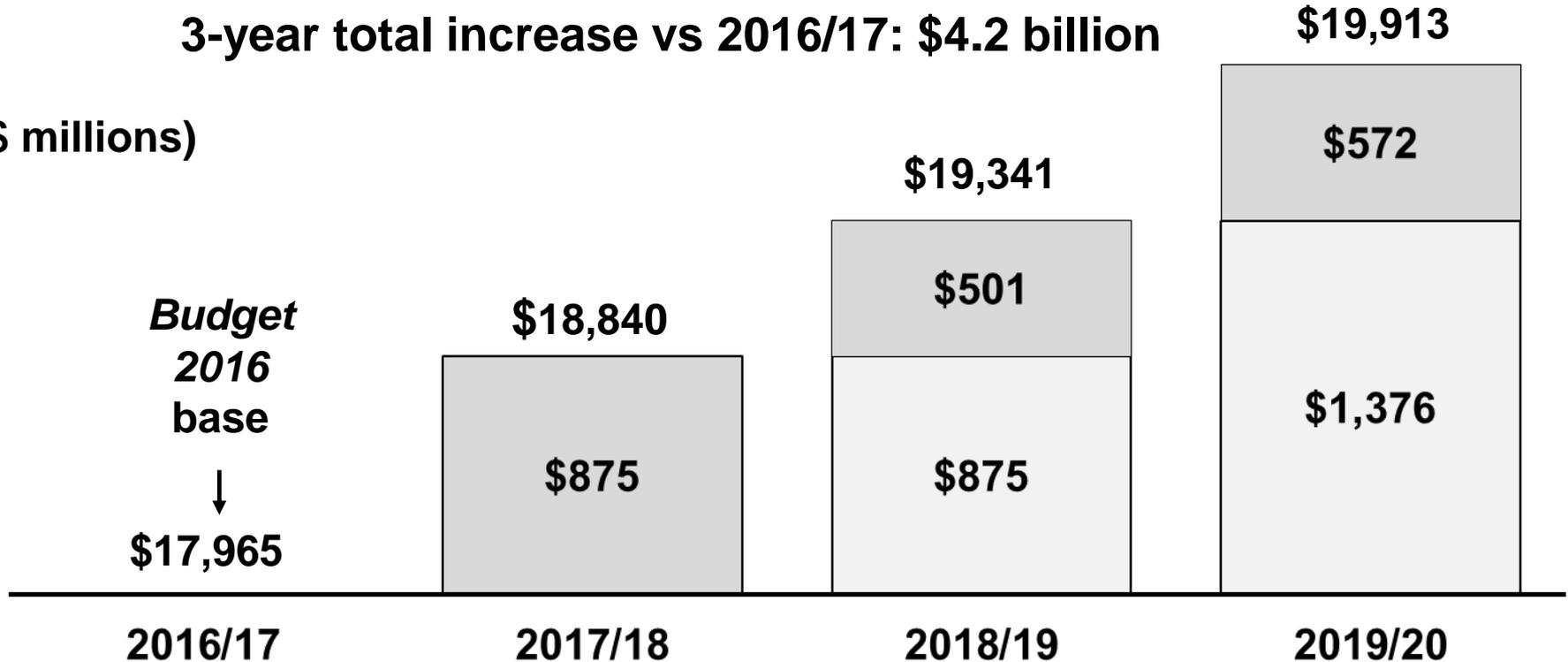
Housing affordability and assistance

- **Government is supporting the creation of over 5,200 units of affordable and supportive housing**
- **BC HOME Partnership program will provide over \$700 million in mortgage assistance loans and support an estimated 42,000 first-time home buyers over three years**
- **Rental assistance programs for low-income families and seniors support over 33,000 households each year**
- **Increasing the threshold for the first time homebuyers' exemption to \$500,000**

Ministry of Health budget

3-year total increase vs 2016/17: \$4.2 billion

(\$ millions)



Mental health

New mental health funding with a focus on youth:

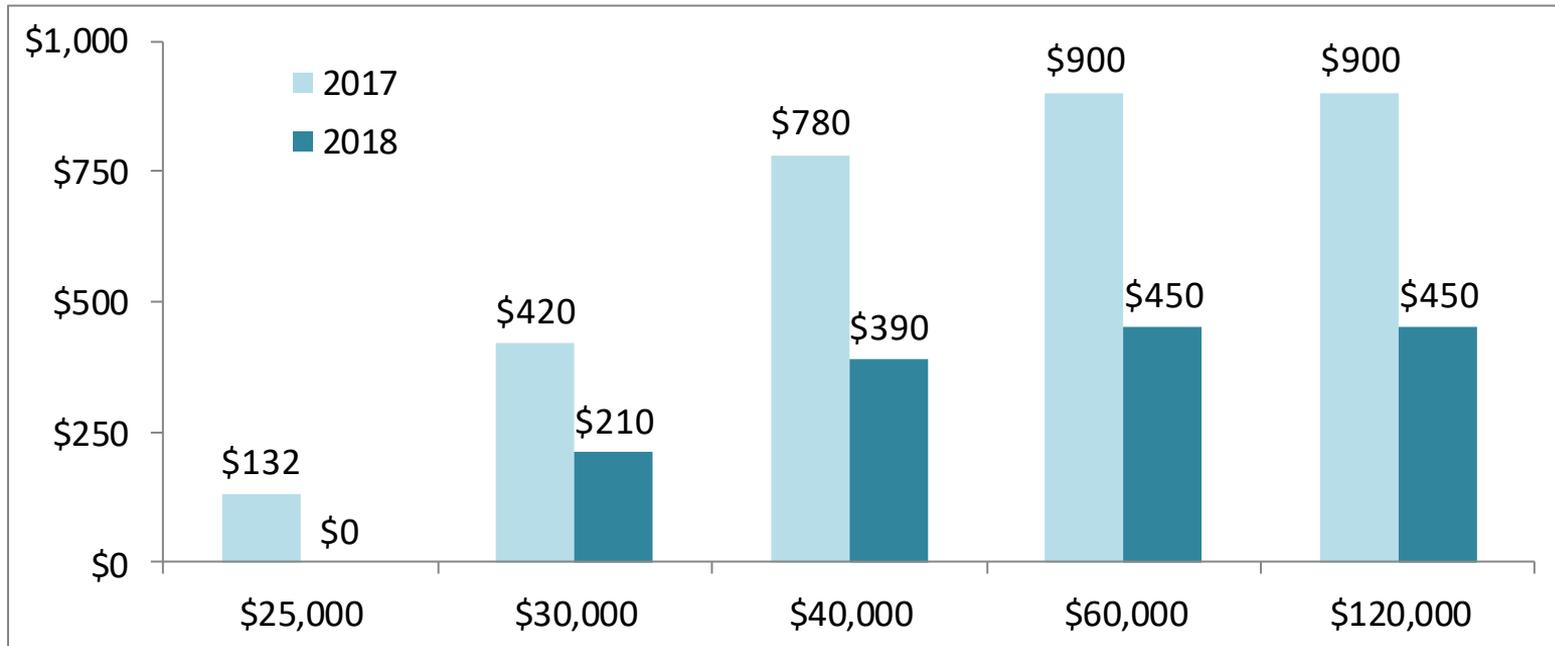
- **\$45 million to Ministry of Children and Family Development over 3 years for more mental health counselling and treatment**
- **\$12 million for up to 28 additional youth addictions treatment beds**
- **\$9 million for the expansion of youth service centres at up to five sites with each to reach 1,200-2,500 more clients annually**
- **Up to \$5 million for mental health initiatives for post secondary students**
- **\$11 million over 3 years for the BC Centre for Substance Use**
- **\$65 million for additional housing for people with mental health or substance use challenges**

MSP premiums cut in half

- **Two million British Columbians do not pay premiums**
- **Premiums cut by 50 per cent for households with annual family net income up to \$120,000**
- **Income threshold below which no premium payable increased**
- **Benefits up to 2 million British Columbians**
- **For these households, premiums will be lower than the rate applicable in 2002 and in most cases comparable to where rates were set in 1993**

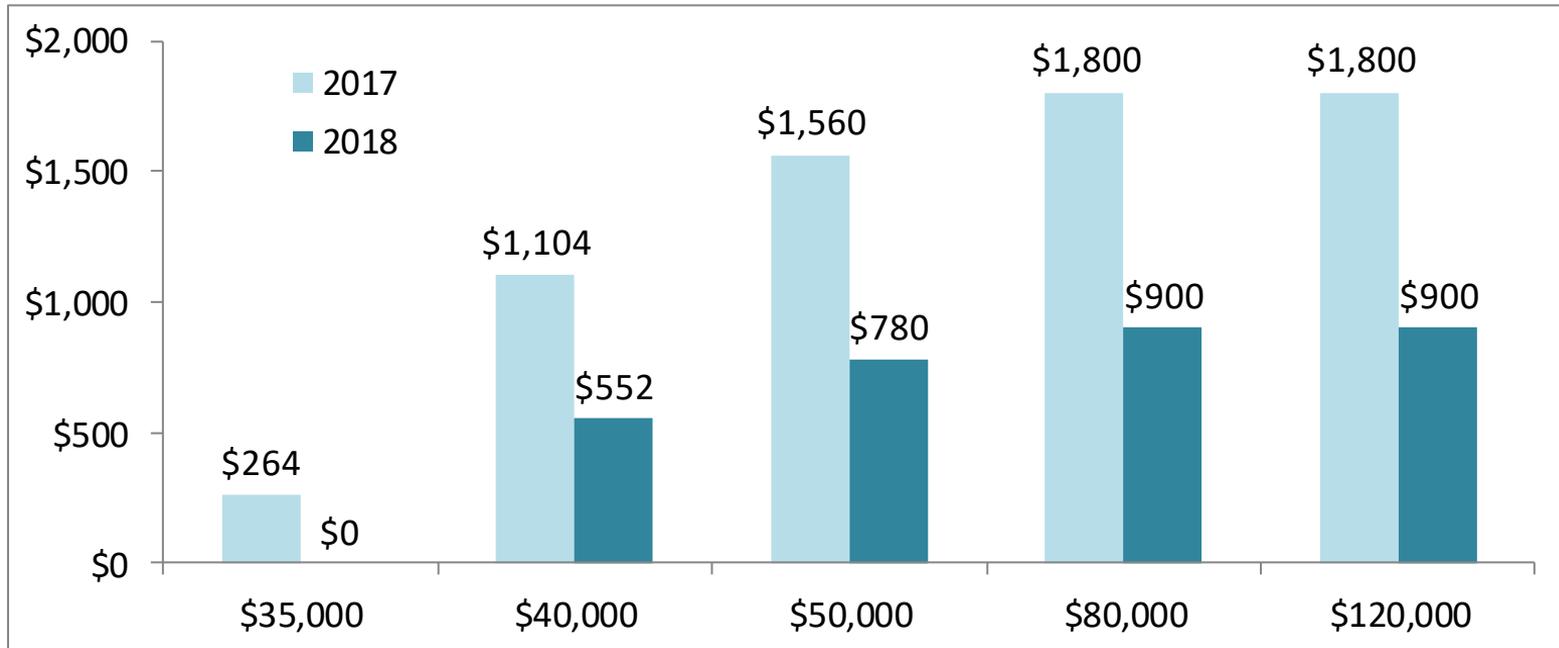
MSP Premiums - 2018

Maximum Annual MSP Premium Rates 2017 and 2018 – Single Individual
(Net Income)



MSP Premiums - 2018

Maximum Annual MSP Premium Rates 2017 and 2018 – Couple with Two Children
(Family Net Income)



Improving competitiveness

- **PST on electricity phased out beginning with a 50% cut effective October 1, 2017 and eliminated April 2019**
- **Small Business corporate income tax rate reduced to 2% from 2.5% effective April 1, 2017**
- **Extending and enhancing sector tax credits for tech, R&D, venture capital to support innovation, commercialization, and the tech sector**

Supporting economic development

- **\$40 million to connect rural and remote communities to high-speed Internet**
- **\$10 million for economic development on Vancouver Island and the South Coast**
- **\$6 million investment in the Buy Local program**
- **\$6 million for trade and investment offices**
- **\$25 million to continue the Rural Dividend program into 2019/20**
- **Ongoing assistance for aerospace development and to attract international shipping companies**

Protecting the environment

- **\$36 million for the Parks Future Strategy**
- **\$18 million for mines permitting and oversight**
- **\$9 million for *Environmental Management Act* compliance and enforcement**
- **\$27 million for the Caribou recovery program**
- **\$10 million for invasive plant management**
- **\$5 million for the SPCA**
- **Climate Leadership Plan investments including:**
 - **\$150 million for reforestation initiatives**
 - **\$40 million for the Clean Energy Vehicle program**
 - **\$9 million for the Forest Carbon Initiative**

Summary

- **Within the fifth consecutive balanced budget:**
 - Almost \$3 billion over 3 years in enhanced programs and services in addition to health care increases
 - Reducing the tax burden for BC families and supporting job growth by about \$3 billion over 3 years
 - Record levels of infrastructure investment
- **While maintaining debt affordability metrics and on track to eliminate operating debt**

BALANCED BUDGET 2017



BRITISH
COLUMBIA

Ministry of
Finance