MINISTRY OF FINANCE
OFFICE OF THE SUPERINTENDENT OF REAL ESTATE
ORGANIZATION OVERVIEW

NAME: Office of the Superintendent of Real Estate Overview

BACKGROUND:

- The Office of the Superintendent of Real Estate (OSRE) was formed in October 2016 following legislative amendments to the *Real Estate Services Act*, which came into force in September 2016.
- The legislative amendments expanded the powers of the Superintendent of Real Estate to include new Rule making authority and more direct oversight of the Real Estate Council of British Columbia (Council).
- The Superintendent's function was formerly exercised within the Financial Institutions Commission; a new dedicated and independent Superintendent was appointed in the fall of 2016.
- In 2018/19, the office increased its complement of staff to 22 full time employees, an increase of three FTEs from the previous fiscal year. The additional staff will support the office in enforcing new developer reporting requirements related to the implementation of the Condo and Strata Assignment Integrity Register (CSAIR).

ORGANIZATION OVERVIEW:

- OSRE is responsible for administering two major consumer protection statutes regulating B.C.'s real estate industry: the *Real Estate Services Act* (co-regulated with the Real Estate Council), and the *Real Estate Development Marketing Act.*

Real Estate Services Act (RESA)

- RESA establishes a regulatory framework for regulating the conduct of real estate licensees, including real estate salespeople (commonly referred to as real estate agents or realtors), rental property managers, and strata managers.
- New Rules made by the Superintendent came into effect on June 15, 2018, to improve consumer protection by prohibiting dual agency and enhancing consumer disclosures. These rules respond to issues raised by the 2016 Independent Advisory Group on Real Estate Regulation in B.C. (IAG).
- The Superintendent is working in collaboration with the Council and the Ministry of Finance on two major policy projects to strengthen protections for real estate consumers. One of these projects is examining existing licensee ethical conduct

requirements under the current regulatory framework and the other is reviewing the role of managing brokers in the oversight of licensee conduct.

***Real Estate Development Marketing Act* (REDMA)**

- In 2018, REDMA was amended to create the Condo and Strata Assignment Integrity Register (CSAIR) to crack down on tax evasion and improve fairness and transparency in B.C.'s real estate market. The amendments require developers to collect and report information on all assignments of purchase agreements for condos or other strata lots entered into on or after January 1, 2019.
- REDMA also establishes specific requirements for real estate developers when marketing multi-unit development properties. Before a real estate developer can offer, sell or lease a development unit in B.C., they generally must:
    - Meet preliminary approval requirements;
    - Adequately assure title, utilities and services;
    - File and provide a disclosure statement; and,
    - Appropriately handle deposits, if any.
- OSRE has received and reviewed more than 1,500 disclosure statements and amendments filed by developers under REDMA in 2018/19. This is the highest number in more than five years. Disclosure statements enable consumers to make informed purchase decisions.
- OSRE can investigate complaints and take regulatory action (e.g. issue a cease marketing order or order the payment of an administrative penalty) against developers who provide inadequate disclosure statements, mishandle deposits or market developments without meeting legislated requirements.

BUDGET:

Budget ($000) [1]	2016/17 Actuals	2017/18 Actuals	2018/19 Budget	2019/20 Budget
Salaries and Benefits	1,022	1,849	2,203	3,097
Operating Costs	286	314	903	1,161
Other Expenses	14	205	7	551
External Recoveries	(1,322)	(2,367)	(3,112)	(4,808)
Total Operating Expenses	**0**	**1**	**1**	**1**

1. OSRE is designed to be fully industry funded.
2. 2015/16 budget actuals have not been included as OSRE was part of FICOM prior to 2016/17.

MINISTRY OF FINANCE
OFFICE OF THE SUPERINTENDENT OF REAL ESTATE
ISSUE NOTE

ISSUE: Prohibition on Dual Agency

ADVICE AND RECOMMENDED RESPONSE:

- The Superintendent of Real Estate (Superintendent) introduced new rules banning dual agency, effective June 15, 2018.
- The new rules include an exemption for remote and under-served properties where it is impracticable for a consumer to receive alternate representation.
- These new rules are designed to improve public confidence in real estate transactions and real estate professionals as the rules ensure that consumers can trust that any licensee they work with is solely acting in their best interests.
- I am supportive of all changes that help protect consumers and the integrity of our real estate market.

KEY FACTS:

- The Office of the Superintendent of Real Estate (OSRE) worked with counterparts at the Real Estate Council of British Columbia (Council) and the Ministry of Finance's Policy and Legislation Division to develop new rules governing the conduct of licensees providing real estate services in the province.
- The new rules address several of the recommendations of the Independent Advisory Group (IAG) on Real Estate Regulation in BC and aim to enhance consumer protection through a number of mandatory changes to licensee conduct and practices. Key rule changes include prohibiting the practice of dual agency, except in remote and under-served locations, and enhancing consumer education and awareness by increasing mandatory licensee disclosures regarding representation and remuneration.
- Since passing the new rules, the real estate regulator in Ontario (the Real Estate Council of Ontario) has also called for a prohibition on dual agency with limited exemptions. This call has been echoed by the Consumer Federation of America, an association of more than 250 non-profit consumer groups in the United States.
- The Council is in the process of finalizing an implementation report examining the extent to which the Council's mandatory forms, informational resources, educational offerings and engagement with real estate professionals and consumers were delivering the outcomes they were designed to achieve.

BACKGROUND:

Additional Details on New Rules

- The Superintendent rules introduced in June 2018 are intended to enhance consumer protections. The new rules:
    - Enhance disclosures concerning licensee remuneration to provide sellers with a better understanding of licensee financial motivations;
    - Ensure all mandated disclosures to consumers are done in writing;
    - Enhance disclosures to consumers concerning the various relationship options available when working with a licensee, as well as the duties and responsibilities of licensees to consumers;
    - Strengthen consumer protection by creating a new disclosure warning the public of the risks of using the services of a licensee when the licensee is already representing a client in the transaction;
    - Prohibit the practice of limited dual agency, with an exemption established for remote and under-served areas of the province; and,
    - Clarify how licensees must address conflicts of interest related to dual agency where a licensee finds themselves working with multiple parties.
- The rules were originally scheduled to come into effect March 15, 2018; however, the implementation date was pushed back to June 15, 2018 to allow for additional time for licensee and consumer education.
- In developing the new rules, OSRE consulted with all 11 real estate boards, the BC Real Estate Association, and commercial real estate brokers. Additionally, OSRE undertook two, 30-day public consultations prior to publishing new rules, which received almost 6,000 responses combined.

Dual Agency

- Dual agency, also known as limited dual agency, occurs when a licensee acts for both a buyer and a seller, or for more than one competing buyers, in a single transaction. The term “limited” is used because a licensee effectively contracts out of some of their obligations owing to one or both parties in the transaction.
- The IAG recommended that dual agency be prohibited because it presents a significant risk to consumers.
- A licensee acting as a dual agent cannot act solely in the best interests of their client, which is the primary fiduciary duty of an agent to their principle. Acting as a dual agent thus impedes the ability of licensees to fulfill the fundamental fiduciary

duties that agents owe to their principles and represents a critical conflict of interest – an individual cannot be an agent for two parties that have opposing interests.

- Since coming into effect, industry has lobbied for an exemption to the rules for commercial real estate transactions as well as clarifications related to the exemption respecting remote and under-served properties.
- OSRE and RECBC continue to monitor the impact of the new rules on consumer protection.

MINISTRY OF FINANCE
OFFICE OF THE SUPERINTENDENT OF REAL ESTATE
QUESTION AND ANSWERS

ISSUE: Prohibition on Dual Agency

Question: Why doesn't the ban on dual agency distinguish between residential and commercial?

Answer:

- The Superintendent introduced the prohibition on dual agency based on the fundamental principle that a licensee cannot fulfill their fiduciary duties while representing two or more clients with conflicting interests. The same inherent risks associated with dual agency are present both in commercial and residential real estate.
- Additionally, the overarching legislation governing the real estate industry does not differentiate between commercial and residential property.
- An exemption for commercial properties would require the delineation of commercial transactions in the regulatory scheme, which is a departure from the current model that provides equal protections for all consumers regardless of property type.
- OSRE met with commercial real estate industry stakeholders who indicated that dual agency is not commonly practiced in commercial real estate transactions and that the prohibition would generally have little effect on their current business practices.
- Regulatory tools are available to commercial real estate brokerages so that the brokerage can continue to represent multiple clients in the same transaction (designated agency).

Question: What considerations have been made to accommodate rural and small communities under the new rules?

Answer:

- Rural and small communities were considered by OSRE when making new rules on dual agency.

MINISTRY OF FINANCE
OFFICE OF THE SUPERINTENDENT OF REAL ESTATE
QUESTION AND ANSWERS

- The new rules allow for an exemption for properties that are located in under-served and remote communities where it is impracticable for a consumer to receive alternate representation.
- This exemption was included in direct response to feedback received from industry as part of OSRE's consultation process.
- OSRE and RECBC continue to monitor the implementation of the new rules and the impact on consumer protection.

MINISTRY OF FINANCE
REAL ESTATE COUNCIL OF BC
ORGANIZATION OVERVIEW

NAME: Real Estate Council of BC (RECBC)

BACKGROUND:

- RECBC was established by the provincial government in 1958 under the *Real Estate Act.*
- In 2005, that Act was repealed and replaced by the *Real Estate Services Act* (RESA), making RECBC a self-regulatory organization.
- The Government amended RESA in 2016, ending self-regulation of the real estate industry.
- In 2017/18 RECBC transitioned to a Crown Agency with quarterly financial reporting and an annual Service Plan.
- RECBC currently has approximately 70 full time employees in four departments: Legal Services and Compliance, Education and Licensing, Accounting and Audit, and Operations.
- RECBC is actively recruiting new staff to enhance its audit, enforcement and investigative capacity and meet growing operational demands.
- RECBC is fully funded from industry fees.

REAL ESTATE COUNCIL OF BC OVERVIEW

- RECBC is a Crown agency with a mandate to protect the public interest by regulating licensed real estate professionals and enforcing RESA.
- RECBC is accountable to the Minister of Finance, and overseen by the Superintendent of Real Estate, who in 2016 was granted rule-making authority under RESA.
- RECBC is responsible for ensuring that consumers who use the services of real estate licensees are adequately protected against wrongful actions by the licensees.
- RECBC determines and administers the education required to be licensed as a real estate practitioner, enforces entry qualifications, investigates complaints against licensees and imposes disciplinary sanctions under RESA.
- RECBC licenses individuals and brokerages in three areas: real estate trading, strata management, and rental property management.

- RECBC has transitioned its financial reporting to align with government. As a result of the transition in financial reporting, the fiscal year for 2017/18 was a nine month reporting period to account for the change in fiscal year from June 30 to March 31.
- RECBC has published its second annual Service Plan, for 2019/20.

Governance of RECBC

- The amendments to RESA changed the composition of RECBC's governing Council.
- Formerly, 13 Council members were elected by real estate licensees, and 3 members were public appointees.
- The Council now consists of up to 16 individuals appointed by the Lieutenant Governor in Council.
- Both the Chair and Vice-Chair of the Council are appointed to their positions by the Lieutenant Governor.
- The appointment of Council members by Government protects real estate consumers and safeguards the public interest, by ensuring that the Council benefits from a diversity of perspectives on regulatory and governance best practices, along with industry expertise.
- Eleven new Council member appointments were made by Government in 2018, and five Council members were re-appointed for terms of up to two years.
- The Council is chaired by Elain Duvall.

Role of Superintendent of Real Estate

- Amendments to RESA in 2016 expanded the powers of the Superintendent to include rule making authority and more direct oversight of RECBC.
- The Superintendent can:
    - appeal RECBC disciplinary decisions to the Financial Services Tribunal,
    - require RECBC to:
        - investigate a matter,
        - issue notices of hearing,
        - amend or repeal a bylaw or make a new bylaw,
        - provide information on discipline matters,
        - report on its activities and operations to the Superintendent, and

- engage independent third parties to assess RECBC's operations and activities.

Penalties

- As part of the amendments to RESA in 2016, discipline penalties increased to $250,000 for individuals (from $10,000) and to $500,000 for brokerages (from $20,000).
- These discipline penalties can only be applied to contraventions of RESA that take place after September 30, 2016.
- The amendments also give RECBC the ability to order licensees to disgorge to RECBC any profits from misconduct that takes place after September 30, 2016.

BUDGET:

($000)	2016/17 Actual	2017/18 Actual[1]	2018/19 Forecast	2019/20 Budget
Operational and Administration	3,704	3,247	8,372	9,843
Investigative	2,873	2,948	907	1,086
Other[2]	570	496	746	1,018
Total Operating Expenses	**$7,147**	**$6,691**	**$10,025**	**$11,947**

1. Fiscal year 2017/18 is a 9 month reporting period to account for change in fiscal year-end from June 30 to March 31 to align with government reporting.
2. "Other" expenses include electronic communication (IT), post-licencing education grants, dues and subscriptions and memberships, and other various items.

OPERATIONS:

	2015/16	2016/17	2017/18	2018/19[3]
Number of Licensees [1]	23,366	24,951	25,667	25,987
Number of Complaints	556	902	760	652
Frequency of complaints [2]	4%	4%	3%	2.5%
Brokerages Inspected	257	272	242	173
Hearings Annually	6	8	7	11

1. This includes sales, rental property management and strata management.
2. The number of complaints investigated divided by the number of licensees.
3. All figures for 2018/19 fiscal year are current to December 31, 2018.

MINISTRY OF FINANCE
REAL ESTATE COUNCIL OF BC
ORGANIZATION OVERVIEW

MINISTRY OF FINANCE
REAL ESTATE COUNCIL OF BC
ORGANIZATION OVERVIEW

LICENSING AND ASSESSMENT FEES:

Fee/Fine Name	First time applicant	Renewal applicant
Real Estate Compensation Fund assessment	$300	$0
Errors & Omissions Insurance assessment	$700	$700
Superintendent of Real Estate Licence fee	$150	$150
Real Estate Council of BC license and assessment	$550	$550
Real Estate Council of BC Application Fee	$100	$50
Total Licence & Assessment Fee for Individual [1]	**$1,800**	**$1,450**

1. Fees are for a two-year licensing period.

MINISTRY OF FINANCE
PARTNERSHIPS BC
ORGANIZATION OVERVIEW

NAME: Partnerships BC

ORGANIZATION OVERVIEW

Partnerships BC (PBC) advises public sector clients how best to plan, procure and deliver capital projects to foster innovation and quality, and to manage projects to be on time and on budget, using various procurement models.

PBC's services include:

- Project planning
- Concept plan and business case development
- Procurement advice and management
- Design and construction oversight
- Contract administration, and
- Project communications support

PBC recommends the best procurement model for each project. Procurement models include:

Partnership Models

- Public-Private Partnerships – long term (typically 30-years), fixed-price performance-based contracts, through which a private partner is responsible for the design, construction, partial financing and operation/maintenance of an asset. (Examples: North Island Hospitals, Abbotsford Law Courts, Royal Inland Hospital)

- Design-Build-Finance – short-term fixed-price contracts where the private partner is responsible for the design, construction and partial financing of an asset. The private partner is paid based on progress with a significant hold back (construction financing) which is paid once construction is complete and the asset is ready for service, with a proof of performance period and a warranty period of a minimum of two years post construction. (Examples: Evergreen Line, CRD's Water Treatment Facility)

- Design-Build – short-term fixed-price contracts where the private partner is responsible for the design and construction of an asset. The private partner is paid based on progress during construction, with warranty periods of a minimum of two years post construction. (Examples: Oak Bay Secondary School, Wood Innovation and Design Centre)

MINISTRY OF FINANCE
PARTNERSHIPS BC
ORGANIZATION OVERVIEW

Other Procurement Models

- Design-Bid-Build / Construction Management – traditional procurement methods. (Examples: BC Hydro's Smart Meter Project, Liquor Distribution Branch warehouse relocation)

Project Overview

In all procurement models used by PBC, the public sector owns the infrastructure and maintains full oversight of the project.

To date, PBC has participated in 55 projects with a combined capital value of almost $18 billion:

- **Healthcare**: 23 projects (hospitals, ambulatory care and long-term care facilities)
- **Accommodation**: 18 projects (K-12 education / advanced education, corrections)
- **Transportation**: 10 projects (roads, bridges and transit systems)
- **Energy and Utilities**: 4 projects (water treatment facilities, hydroelectric generating station, biofuels processing and smart meters)

Current Projects in Procurement:

- **Pattullo Bridge Replacement**
  - The RFP was released on Feb. 14, 2019.
  - Completion in 2023 is still expected.
  - The Community Benefits Agreement will apply.
  - Budget: $1.377 billion. (Design-Build-Finance)

- **Highway 91 to Highway 17 and Deltaport Way Corridor Improvements**
  - The RFP was issued on Feb.8, 2019.
  - Total project completion scheduled for 2023.
  - Budget: $245 million (Design-Build)

- **Broadway Subway**
  - The RFQ was issued on Feb. 15, 2019.
  - Construction is expected to begin in 2020 and finish in 2025.
  - The Community Benefits Agreement will apply.
  - Budget: $2.83 billion (Design-Build-Finance)

- **Royal Columbian Hospital**
  - Phase 1 - Construction underway with expected completion December 2019.

- Phase 2 and 3 – RFQ closing in March 2019.
- Budget, Phase 1: $259 million
- Budget, Phase 2 and 3: $1.1 billion (Design-Build-Finance)

- **Eric Hamber Secondary School Replacement**
  - The RFQ closed on March 5, 2019.
  - Construction is slated to begin in early 2020, and the school is expected to welcome students in fall 2022.
  - Budget: $79.3 million (Design-Build)

PBC Business Model

- Between 2002 and 2009, the B.C. government partially funded PBC operations through annual operating grants. Since 2010, PBC has funded its own operations entirely from fees charged to clients. Depending upon the specific services PBC provides and the size and complexity of a project, PBC's fees can range from less than 0.5% up to 2% of the capital cost of a project.

- PBC works primarily with ministries and agencies of the Government of B.C., but has worked for other Canadian jurisdictions including the Government of Canada, the governments of Saskatchewan, Newfoundland and Labrador, Nunavut, the Yukon, and municipal governments in B.C. The percentage of revenues earned from sources outside the B.C. Government Reporting Entity for the last four fiscal years are:

2013/14	38.5%
2014/15	43.5%
2015/16	37.0%
2016/17	23.5%
2017/18	39.8% (higher than the last year due to TransLink engagements)

- PBC is an organization of 34 people, with offices in Victoria and Vancouver PBC staff are engineers, architects and individuals with professional accounting and financial qualifications who have extensive expertise and experience in planning, procuring, financing and managing capital projects. PBC's acting President and CEO is Mark Liedemann (December 2018) and Dana Hayden (2014 appointment) is Chair of its eight-member Board.

MINISTRY OF FINANCE
PARTNERSHIPS BC
ORGANIZATION OVERVIEW

Budget

Partnerships British Columbia Inc. Fiscal 2017/18 Actual, 2018/19 to 2021/22 Budget (in millions of dollars except FTEs)	2017/18 Actual	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
REVENUE					
Fees for Service	$ 7.05	$ 7.74	$ 8.12	$ 9.04	$ 9.31
Other Revenues	0.20	0.14	0.39	0.40	0.41
Project Recoveries	2.08	1.85	2.65	2.68	2.70
TOTAL REVENUE	9.33	9.73	11.16	12.12	12.43
EXPENDITURES					
Human Resource Costs	5.34	5.74	6.45	7.04	7.25
Professional Services	0.14	0.28	0.27	0.28	0.29
Administration	1.29	1.22	1.30	1.34	1.38
Corporate Relations	0.01	0.04	0.06	0.06	0.06
Amortization	0.13	0.13	0.13	0.12	0.12
TOTAL EXPENDITURES	6.91	7.41	8.21	8.84	9.10
Project Recoverable Expenses	2.08	1.85	2.65	2.68	2.70
OPERATING SURPLUS	$ 0.34	$ 0.47	$ 0.30	$ 0.61	$ 0.63
Full Time Equivalents (FTEs)	32.0	35.0	37.0	37.0	37.0
Capital Expenditures	$ 0.51	$ 0.12	$ 0.07	$ 0.04	$ 0.05
Long-Term Debt	$ -	$ -	$ -	$ -	$ -
Accumulated Surplus	$ 17.48	$ 17.95	$ 18.25	$ 18.86	$ 19.49

Key Assumptions:
The budgeted financial information for fiscal years 2019/20 to 2021/22 was prepared based on the following assumptions and direction from the Shareholder:

1. Full Time Equivalents (FTEs) information is as at fiscal year-end, and is subject to change if there are revenue changes to current and likely engagements. This staffing complement will allow Partnerships BC to maintain its core competencies and will also provide the Government of B.C. with sufficient expertise to focus on its current and future capital projects.

2. There is no increase to Partnerships BC's charge-out rates to provincial clients in fiscal years 2019/20 to 2021/22.

3. Operating expenses for fiscal years 2019/20 to 2021/22 are developed on the basis of a zero-based budgeting exercise.

4. Capital expenditures for 2019/20 to 2021/22 are predominantly for network and employee computer hardware requirements. Computer software licenses are renewed annually and are disclosed under administration costs.

MINISTRY OF FINANCE
PARTNERSHIPS BC
FACT SHEET

NAME: Capital Projects over $50 million involving Partnerships BC (Budget 2019 – Budget and Fiscal Plan Document)

Partnerships BC (PBC) is providing / has provided support for the following capital projects over $50M:

School districts:

- **New Westminster Secondary**
  - PBC managed procurement. In June 2016, the new high school was announced to be ready for the September 2019 school year. Completion is now scheduled for May 2020 and ready for students in September 2020;
  - Project budget of $107M includes demolition of old school building.
  - PBC assistant vice-president is on the project board.
  - Budget: $107 million (Design-Build)

- **Kitsilano Secondary School**
  - PBC managed procurement. The majority of construction was complete by September 2017. Some items such as the gym were delivered later than planned. Project achieved full completion in 2018.
  - Budget: $65 million (Design-Build)

- **Surrey School District – Expansion to Accommodate Enrolment Growth**
  - In the Jan. 26, 2017 Ministry of Education news release, PBC was named as part of the executive project board being set up to bring 5,200 more student seats to Surrey.

- **Eric Hamber Secondary School Replacement**
  - Ministry of Education announced the replacement project in June 2018.
  - PBC is managing the procurement. The RFQ closed on March 5, 2019. A PBC project director will manage the project reporting directly to the steering committee.
  - Construction is slated to begin in early 2020, and the school is expected to welcome students in fall 2022.
  - Budget: $79.3 million (Design-Build)

MINISTRY OF FINANCE
PARTNERSHIPS BC
FACT SHEET

Health:

- **Penticton Regional Hospital – Patient Care Tower**
    - PBC worked on the business case and managed the procurement.
    - Construction on new Patient Care Tower substantially complete December 2018 and ready for patients spring 2019. Subsequent renovation phase expected to be completed by 2021.
    - Budget: $312 million (Design-Build-Finance-Maintain)

- **North Island Hospitals**
    - PBC worked on the business case and managed the procurement.
    - Service commencement reached on both hospitals in May 2017. Campbell River Hospital opened September 2017. Comox Valley opened October 1, 2017.
    - Budget: $606 million (Design-Build-Finance-Maintain)

- **Royal Inland Hospital Patient Care Tower**
    - PBC worked on the business case and managed the procurement.
    - Construction began in October 2018 and is expected to achieve full completion in 2024.
    - Budget: $417 million (Design-Build-Finance-Maintain)

- **Royal Columbian Hospital**
    - Phase 1 - Construction underway with expected completion December 2019.
    - Phase 2 and 3 – In procurement (being managed by PBC).
    - Budget, Phase 1: $259 million
    - Budget, Phase 2 and 3: $1.1 billion (Design-Build-Finance)

- **Centre for Mental Health and Addictions**
    - PBC is a member of the project board.

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    - Current budget: $101 million (Design-Build)

Other taxpayer-supported projects:

- **Abbotsford Law Courts**
    - PBC worked on the business case and managed the procurement.
    - In construction with completion expected in 2020.
    - PBC assistant vice-president is on the project board and serves as deputy project director supporting the ministry during design and construction.
    - Budget: $157 million (Design-Build-Finance-Maintain)

MINISTRY OF FINANCE
PARTNERSHIPS BC
FACT SHEET

- **Maples Adolescent Treatment Centre**
  - PBC managed the procurement.
  - The facility opened January 2019.
  - Budget: $75 million (Design-Build)

Transportation:

- **Pattullo Bridge Replacement**
  - PBC worked on the business case and is managing the procurement.
  - Announced February 16, 2018. The RFP was released February 14, 2019.
  - Completion is scheduled for 2023.
  - The Community Benefits Agreement will apply.
  - Budget: $1.377 billion. (Design-Build-Finance)

- **Highway 91 to Highway 17 and Deltaport Way Corridor Improvements**
  - PBC is managing the procurement.
  - The RFQ close date was 01-Nov-2018 with the RFP issued on Feb.8, 2019.
  - Total project completion scheduled for 2023.
  - Budget: $245 million (Design-Build)

- **Broadway Subway**
  - PBC worked on the business case and is managing the procurement.
  - The RFQ was issued on Feb. 15, 2019. PBC is managing the procurement.
  - Construction is expected to begin in 2020 and finish in 2025.
  - The Community Benefits Agreement will apply.
  - Budget: $2.83 billion (Design-Build-Finance)

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISON
ISSUE NOTE

ISSUE: BC Securities Commission Fine Collection

ADVICE AND RECOMMENDED RESPONSE:

s.13

KEY FACTS:

- The BC Securities Commission (BCSC) regularly uses its powers under the Securities Act, such as freeze orders, to preserve assets before an investigation begins and to collect on fines or return funds to victims. The BCSC also enforces their fines using the same collections tools as judgements of the BC Supreme Court.
- The BCSC advises that of the $478 million in outstanding sanctions, approximately 73% ($356 million) relate to 11 cases, almost all of which involved fraud. Among these 11 cases, proceedings against some of the individuals are underway but not yet completed, while several others are in prison in other countries.
- It is difficult to collect fines in cases involving fraud for a number of reasons – individuals in these cases often:
    - Have already spent investors' money (even before the investigation begins) and have few or no assets;
    - Cannot be located;
    - Have no legitimate business or income sources;
    - Transfer property for nominal or no value to spouses, family or others or offshore, to hide or shield assets; and/or
    - Declare bankruptcy

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISON
ISSUE NOTE

BACKGROUND:

- At the end of 2017 and the beginning of 2018, there were several media articles criticizing low collection rates on fines by securities commissions across Canada, including several local media articles about the BCSC.
- The BCSC's collection rates on its financial sanctions are low – at less than 5 per cent.
- Recent efforts have resulted in improvements, including administrative penalties against the "Bossteam" fraudsters that have resulted in an additional payment of $4.8 million to the BCSC in fiscal 2017-18.

CURRENT STATUS:

s.12; s.13

s.13

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISON
ISSUE NOTE

ISSUE: Beneficial Ownership – *Land Owner Transparency Act* & *Business Corporations Act*

ADVICE AND RECOMMENDED RESPONSE:

- As part of our 30-point plan we're working to address hidden ownership, tax fraud and to close loopholes in the real estate market.
- We've already updated the property transfer tax form, improved information sharing with the federal government and launched Canada's first pre-sale condo register.
- On April 2nd, 2019, we introduced legislation to:
  - Establish a public registry of beneficial owners of real estate.
  - Require private companies to maintain a register of beneficial owners in their records.
- We're working hard to return a fairness and transparency to B.C.'s real estate market.

KEY FACTS:

- On April 2, 2019, the B.C. government introduced the new *Land Owner Transparency Act*, based on feedback from public consultation as well as amendments to the *Business Corporations Act* to deliver on its federal-provincial-territorial commitment. Both actions address beneficial ownership.
- As the land owner transparency registry and the corporate beneficial owner registers are new requirements in Canada, there are a number of complexities that were addressed during the development of legislation including a number of important public policy issues.

s.13

Contact:	Joey Primeau, A/Executive Director	**Phone:**	778 698-5263
Division:	Policy and Legislation Division	**Page:**	1 of 2
File Name:	Beneficial Ownership - Land Owner Transparency Act		

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISON
ISSUE NOTE

s.13

BACKGROUND:

- The B.C. government's 30-Point Plan for Housing Affordability released as part of *Budget 2018* announced that the government is "establishing a registry that will contain information about beneficial ownership of land in B.C., administered by the Land Title and Survey Authority. This information will be publicly available and will be shared with federal and provincial tax and law enforcement authorities to assist them in their investigations."
- The 30-Point Plan also committed "to introduce legislative amendments to require corporations in B.C. hold accurate and up to date information on beneficial owners in their own records offices that will be available to law enforcement, tax and other authorities." This is also part of the Finance Ministers' agreement to strengthen access to beneficial ownership (December 2017).
- The proposed legislation was drafted to meet both commitments made in Point 9 of the Housing Affordability Plan: "Taking Action to End Hidden Ownership".
- A White Paper setting out key policy recommendations and including draft legislation was released in June 2018. The government received feedback from interested parties including the Canadian Bar Association, and the Urban Development Institute, Transparency International, and the Law Society of British Columbia.

CURRENT STATUS:

- Ministry staff have finalized the draft legislation to implement both the Land Owner Transparency Registry and the corporate beneficial owner register.
- Both pieces of legislation were introduced on April 2nd, 2019 and will be brought into force by regulation at a later date.

Contact:	Joey Primeau, A/Executive Director	**Phone:**	778 698-5263
Division:	Policy and Legislation Division	**Page:**	2 of 2
File Name:	Beneficial Ownership - Land Owner Transparency Act		

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Cannabis Taxation

ADVICE AND RECOMMENDED RESPONSE:

- The federal and provincial governments kept cannabis taxes low to support the objective of reducing illicit market activity.
- Early indications are that cannabis tax revenues are relatively modest.
- Cannabis tax revenues are expected to increase over the coming year as additional retail licences are issued.
- BC has received revenue-sharing requests from local governments and First Nations, but we need to understand costs and revenues for all levels of government before we reach any decisions.

KEY FACTS:

- The possession and use of non-medical cannabis became legal on October 17, 2018.
- BC imposes its 7 per cent PST on medical and non-medical cannabis.

s.16; s.17

  - As of May 1, 2019, there are 31 businesses registered to collect and remit PST on cannabis in BC. Before a business can be registered to collect and remit PST on cannabis, we require the retailer to be licenced to make retail cannabis sales (either federally, for medical cannabis, or provincially for non-medical cannabis). s.13

s.13

  - All cannabis retailers are required to collect and remit PST on cannabis they sell, even if they aren't registered and/or are operating illegally. This is consistent with the application of the PST for all BC businesses.

MINISTRY OF FINANCE
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- BC also receives a 75 per cent share of the federal excise duty on medical and non-medical cannabis. The federal excise duty paid by cannabis licensees (e.g. producers), is the higher of $1 per gram or 10 per cent of the wholesale price paid by LDB.
  - BC has received approximately $3.4M in transfers from the federal government under this arrangement, covering all cannabis transactions prior to January 1, 2019.
  - The first transfer from the federal government was approximately $1.3M and was likely larger than subsequent transfers as the first share included duty paid on large wholesale supplies made in anticipation of significant demand beginning October 17, 2018. Subsequent transfers of just over $1M per month are more reflective of current market conditions.
- The LDB applies a 15 per cent markup rate to cannabis it resells to licensed retailers.
- Three provinces have committed to two-year federal excise duty revenue sharing arrangements: Alberta ($11.5M over two years, or $2.60 per capita), Ontario ($40M over two years, or $2.82 per capita), and Quebec ($20M over two years, or $2.38 per capita).
- As of May 1, 2019, BC has issued 21 cannabis retail store licences.
- BC has faced costs to:
  - prepare the provincial regulatory framework for cannabis legalization;
  - hire staff to administer the new *Cannabis Control and Licensing Act* and *Cannabis Distribution Act* (e.g. licensing staff, investigations and enforcement staff);
  - establish LDB's capacity to serve as the sole wholesale distributor of cannabis;
  - open online and physical BC Cannabis Stores for retail sales; and
  - develop and deliver initiatives to maintain safe and secure communities.
- Local governments have faced costs to:
  - prepare local bylaw and policy frameworks;
  - monitor and enforce compliance with bylaws;
  - scrutinize applications for retail licences (after review and referral by provincial administrators);
  - train and equip police for legalization; and

- communicate with, and educate, citizens.

CURRENT STATUS:

- Early revenue statistics are challenging to interpret as the market is evolving.
- BC is reviewing cannabis-related costs and revenues for all levels of government.

ISSUE: Cannabis Taxation

Question: s.13

Answer: PST applies across the board to ensure all consumers of cannabis have a fair price. s.13

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This aligns with the federal government's application of GST as well as with other provinces' regulations.

Question: Will you share revenue?

Answer: It's important to recognize that the BC government does not expect to retain substantial revenues from legalization given the associated costs. We are working with local authorities to understand their up-front and longer-term costs, along with any cost savings. However, it's too early to comment on the specifics of how revenue will be spent. We will continue to listen to local governments, Indigenous governments, and stakeholder organizations as this emerging industry develops.

Question: Why did *Budget 2018* include a forecast for revenues from the federal cannabis duty while *Budget 2019* does not?

Answer: Last year's budget forecast federal cannabis duty revenue transfers of $50M for 2018/19 and $75M for subsequent fiscal years. This forecast was prepared before the full rollout of federal, provincial, and municipal procedures for non-medical cannabis sales. We've now seen a delay in legalization from July to October 2018 and a modest start to the licensed retail market. While *Budget 2019* merged the forecast for federal cannabis duty revenues with other transfers within the "other federal contributions" amount, the numbers are unchanged from what we reported in the *First Quarterly Report* for 2018/19: $10M in 2018/19, $38M in 2019/20, and $68M in 2020/21.

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QUESTION AND ANSWERS

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s.13; s.15

Contact: Christine Dawkins **Phone:** s.17
Division: Policy and Legislation Division **Page:** 5 of 5
File Name: Cannabis Taxation

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE & POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Catalyst Paper Corporation – Pension Agreement, Guarantee and Order-in-Council

ADVICE AND RECOMMENDED RESPONSE:

- Since October 2018, government, Paper Excellence and Catalyst have worked together to help support Catalyst's continued operations, which is the most effective way to protect the pensions of the Catalyst retirees.
- As part of this joint work, the government has:
  - Entered into a Pension Agreement with Paper Excellence, its subsidiary, CPE Investment, and Catalyst, which includes an unconditional Guarantee from Paper Excellence and CPE Investment of Catalyst's obligations to the defined benefit pension plan for its salaried employees, including in the event that Catalyst becomes insolvent; and
  - Enacted an OIC to prevent last July's changes to the Pension Benefits Standards Regulation from applying to the purchase of Catalyst shares by CPE Investment, or to two corporate restructuring actions Paper Excellence will take during the next two years to transform the company to more commercially sustainable operations.
- The Guarantee will allow the Catalyst pension plan to become a creditor and make a claim against assets of Paper Excellence and CPE Investment, as well as Catalyst's assets, if Catalyst were ever to become insolvent. This is an additional source of funding protection beyond what is provided by the *Pension Benefits Standards Act*.
- These actions recognize that Paper Excellence has a long-standing background in the pulp and paper industry in Canada, particularly in BC.

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DEPUTY MINISTER'S OFFICE & POLICY AND LEGISLATION DIVISION
ISSUE NOTE

- As a result, I am pleased to say that Paper Excellence's purchase of Catalyst shares successfully completed on March 15, 2019 and I look forward to a successful future for those companies.

KEY FACTS:

- Catalyst Paper Corporation ("Catalyst") operates three pulp or pulp and paper mills in BC, located in Crofton, Port Alberni and Powell River, and a headquarters and distribution centre in Metro Vancouver. Catalyst employs about 1,500 unionized and non-unionized employees.
- In October 2018, Paper Excellence Canada Holdings Corporation ("Paper Excellence") announced its intention to purchase Catalyst's shares through its subsidiary, CPE Investment Canada Inc. ("CPE Investment"), subject to completion of certain conditions.
- Paper Excellence is a BC-based company that manufactures and distributes pulp, paper and paper-based packaging materials at mills located near Gibsons, Mackenzie and Cranbrook and other locations. It is a privately held company (owned by an international conglomerate) which, directly and through affiliates, has close to two million tonnes of pulp production capacity through five operating mills in Canada and two mills in France, and employs approximately 1,800 employees in Canada. CPE Investment is based in Richmond.
- After purchasing Catalyst, Paper Excellence intends to restructure its holdings in a commercially reasonable manner including:
  1) dissolution of Catalyst Paper General Partnership (a BC general partnership made up of Catalyst and Catalyst Pulp Operations Limited);

s.12; s.13; s.21

Catalyst's Pension Plan

- Catalyst sponsors a defined benefit pension plan for salaried employees (the "Plan") that is registered under the *Pension Benefits Standards Act* (PBSA). The Plan has about 1,100 members, 1,000 of whom receive average pensions of less than $20,000 per year.

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- Schedule 6 was added to the Pension Benefits Standards Regulation in 2012 to improve the financial feasibility of the Plan and make its liabilities more acceptable to a new investor in Catalyst (and its pulp mills).
- The Schedule exempts Catalyst from its normal funding obligations on certain conditions and gives Catalyst flexibility to pay off the Plan's funding deficit through quarterly payments over 16 years, with a balloon payment due on June 30, 2028. Otherwise, the required payment period would have been five years.
- The Plan's 2012 solvency deficit was $116.2M (and about $42M as of the updated 2017 actuarial valuation report).
- In July 2018, Schedule 6 was further amended to take urgent action to prevent Catalyst's assets from being sold and used in a manner that would not fund the Plan, helping to ensure the pension entitlements of workers and retirees at Catalyst would be more secure should company owners decide to sell or close one or more of the three mills. At that time, government identified s.12; s.13; s.14

s.12; s.13; s.14

- The effect of the 2018 amendments is to make the balance of the 2012 pension deficit immediately payable if Catalyst takes actions that would, in effect, inhibit its ability to continue to operate as a going concern in its current form, or if Catalyst becomes insolvent.
- In the absence of further changes, Paper Excellence's purchase and post-restructuring measures would breach certain conditions in Schedule 6, triggering the requirement for Catalyst to immediately pay the balance of the 2012 pension deficit into the Plan.

Government Actions

- Since October 2018, government, Paper Excellence and Catalyst have worked together. Government supports the share purchase and post-purchase measures based on s.12; s.13; s.21

s.12; s.13; s.21

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s.12; s.13; s.21

- The government believes these measures support Catalyst's continued operation, which is the most effective way to protect the pensions of the Catalyst retirees.
- Consequently, the government has:
  - Entered into a Pension Agreement among Paper Excellence, CPE Investment, Catalyst and the Province which includes an unconditional Guarantee from Paper Excellence and CPE Investment of Catalyst's obligations to the Plan, including in the event that Catalyst becomes insolvent; and
  - Enacted an OIC that amends Schedule 6 so that the conditions in the Schedule do not apply to the purchase of Catalyst shares by a subsidiary of Paper Excellence before April 1, 2019, or to two post-purchase corporate restructuring actions by Paper Excellence before March 15, 2021.
- The effect of the Guarantee will give the Plan the ability to become a creditor and make a claim against assets of Paper Excellence and CPE Investment, as well as Catalyst's assets. This is an additional source of funding protection which is not available under the PBSA.
- On March 15, 2019, Paper Excellence completed the purchase of Catalyst shares.

Rationale

- The government's actions are consistent with past announcements that it would work with Catalyst to explore ways to continue its operations s.13

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s.13 Paper Excellence has a long-standing background in the pulp and paper industry in Canada, particularly in BC.

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- Before the sale of Catalyst shares to Paper Excellence, the Province was reliant solely on Catalyst to deal with the funding obligations for its defined benefit plan for salaried employees. After the share purchase, the Province will have both Catalyst and Paper Excellence to deal with the solvency deficit – which is a much stronger position than we have today.

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s.13; s.21

Stakeholder Interests

s.12; s.13

Contact:	Doug Foster/ Cynthia Callahan-Maureen	**Phone:**	250 387-9022/ 778 698-5264
Division:	Deputy Minister's Office/ Policy and Legislation Division	**Page:**	5 of 16
File Name:	Catalyst Paper Corp - Pension Agreement Guarantee and OIC		

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s.12; s.13

- However, the government believes these measures support Catalyst's continued operation, which is the most effective way to protect the pensions of the Catalyst retirees.
- As noted earlier, before the sale of Catalyst shares to Paper Excellence, the Province was reliant solely on Catalyst to deal with the funding obligations for its defined benefit plan for salaried employees. After the share purchase, the Province will have both Catalyst and Paper Excellence to deal with the solvency deficit – which is a much stronger position than we have today.

s.12; s.13

Recent media articles:

https://biv.com/article/2019/03/done-deal-paper-excellence-owns-catalyst

https://www.pulpandpapercanada.com/news/paper-excellence-completes-acquisition-of-catalyst-paper-1100001627

https://www.cowichanvalleycitizen.com/news/paper-excellence-finalizes-deal-to-acquire-croftons-catalyst-paper/

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE & POLICY AND LEGISLATION DIVISION
QUESTIONS AND ANSWERS

ISSUE: Catalyst Paper Corporation – Pension Agreement, Guarantee and Order-in-Council

1. What is the effect of this Order-in Council (OIC)?

This OIC amends Schedule 6 of the Pension Benefits Standards Regulation so that the conditions in the Schedule do not apply to the share purchase of Catalyst Paper Corporation (Catalyst) by CPE Investment Canada Inc., a subsidiary of Paper Excellence Canada Holdings Corporation (Paper Excellence) before April 1, 2019, or to two post-purchase corporate restructuring actions by Paper Excellence Canada Holdings Corporation before March 15, 2021. The share purchase was finalized on March 15, 2019.

Without the OIC, these events would have triggered the requirement under the Schedule for Catalyst to immediately pay the remaining 2012 solvency deficit in its Retirement Plan for Salaried Employees (approximately $42 million as of 2017, when the Plan's latest actuarial valuation report was prepared).

Schedule 6 was added to the Regulation in 2012 to make the Plan's liabilities more acceptable to a new investor in Catalyst and its mills and reduce cost pressures on the company after a 2012 proposed restructuring arrangement under the *Companies' Creditors Arrangement Act* was defeated and Catalyst Paper began soliciting offers for the sale of its assets.

Schedule 6 exempts Catalyst from its normal funding obligations, as participating employer, for the Plan's 2012 funding deficit of $116 million, on certain conditions. The Schedule gives Catalyst flexibility to pay off the deficit over 16 years, with a balloon payment due on June 30, 2028. Otherwise, the required payment period would have been five years.

If the Plan had been wound up in 2012 with a solvency ratio of 65.5 per cent, the funded status, members would have received, at most, 65.5

per cent of the value of their pensions. As of 2017, the Plan's solvency ratio had improved to 82.3 per cent. Members' pensions would still be reduced if Catalyst was unable to continue to operate and became insolvent and the Plan was wound up. The purchase by Paper Excellence improves the likelihood that members will continue to receive their full pension entitlements.

2. What is the purpose of the amendments?

The purpose of the amendments is to support the sustainability and solvency of the Catalyst Paper Corporation Retirement Plan for Salaried Employees and the benefits of Plan members. Based on the representations of the parties to the purchase by Paper Excellence (through its subsidiary), the purchase supports the continued operation of Catalyst's mills in Crofton, Port Alberni and Powell River. The continued operation of the participating employer is the most effective way to protect the pension entitlements of the Catalyst retirees.

3. Who asked for these amendments?

Catalyst and Paper Excellence asked for the amendments to Schedule 6 so that the share purchase of Catalyst by a subsidiary of Paper Excellence and two post-purchase corporate restructuring actions by Paper Excellence would not trigger the requirement for Catalyst to immediately pay the balance of the 2012 solvency deficit.

As publicly announced, the October 5, 2018 agreement among Paper Excellence, a subsidiary of Paper Excellence, and Catalyst provides that, subject to the completion of certain conditions, the subsidiary will acquire all the shares of Catalyst. The share purchase was finalized on March 15, 2019.

4. How will retirees and workers who participate in Catalyst's Retirement Plan for Salaried Employees be protected after these amendments?

Schedule 6 of the Pension Benefits Standards Regulation continues to protect Plan members by providing that, if Catalyst becomes insolvent, whether or not it files for creditor protection or bankruptcy, the funding relief provided is extinguished and the remaining amount of the 2012 solvency deficiency is due to the fund immediately.

This pension debt would also be the subject of a deemed trust under the *Pension Benefits Standards Act*. The deemed trust would assist the Plan in taking enforcement action.

In addition, Paper Excellence and its subsidiary, CPE Investment, which now owns Catalyst, signed a Pension Agreement and Guarantee with the BC government that provides the following additional protections to Plan members:

- The Pension Agreement and Guarantee will activate the guarantee payable by Paper Excellence and its subsidiary if the conditions in Schedule 6 are triggered, including if Catalyst becomes insolvent. The Guarantee is payable by Paper Excellence and its subsidiary despite any court order staying proceedings in an insolvency matter.
- In addition, if Catalyst becomes insolvent, the Guarantee would allow the Plan to execute its creditor claim against assets of Paper Excellence and its subsidiary, not only Catalyst's assets. This is an additional source of funding protection beyond what is available under the PBSA.
- Finally, the Pension Agreement will trigger the requirement for immediate payment into the Plan of the balance of the 2012 solvency deficit in certain circumstances, separate from those in Schedule 6.

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MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE & POLICY AND LEGISLATION DIVISION
QUESTIONS AND ANSWERS

5. Why did government enter into a Pension Agreement and Guarantee arrangement, instead of having Paper Excellence pay the remaining 2012 solvency deficit?

s.13

Paper Excellence has a long-standing background in the pulp and paper industry in Canada, particularly in BC.

In the July and October 2018 announcements, government made it clear that it would work with Catalyst to explore ways to continue its operations that lead to longer term operational and financial sustainability for Catalyst and the industry.

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- Before the sale of Catalyst to Paper Excellence, the Province was reliant solely on Catalyst to deal with the funding obligations for the Retirement Plan for Salaried Employees. Now, the Province has both Catalyst and Paper Excellence to deal with the solvency deficit –a much stronger position than we have today.

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6. How many members participate in the Retirement Plan for Salaried Employees?

Approximately 1,100 members participate in the Retirement Plan for Salaried Employees, of whom almost 1,000 are retirees who receive an average pension from the Plan of less than $20,000 per year.

7. What is the funded status of the Retirement Plan for Salaried Employees?

As of the most recently filed actuarial valuation report prepared as of December 31, 2017, the Plan is in surplus on a going concern basis (which assumes the Plan continues indefinitely), and the overall solvency deficit had been reduced to approximately $43 million (solvency ratio 82.3 per cent). The 2012 solvency deficit had been reduced to about $42 million as of that date.

Catalyst's recent estimate of the solvency deficit as of October 31, 2018 was $33 million (solvency ratio 85 per cent).

By comparison, the solvency deficit in the 2012 actuarial valuation report was about $116 million (solvency ratio 65.5 per cent).

The solvency status of the Plan is a hypothetical number that is based on the actuarial assumption that the Plan winds up on the valuation date.

8. **How would pension entitlements be affected if Catalyst Paper Corporation became insolvent?**

   If Catalyst is wound up in an insolvent position without funds available to the Retirement Plan for Salaried Employees and the assets in the pension fund are not sufficient to fully fund entitlements, the Plan is terminated, and funds are distributed to members in an amount that is proportionate to the solvency ratio of the plan on the date of plan termination. For example, if the termination report showed a solvency ratio of 82.3 per cent, the solvency status of the Plan in 2017, members would receive less than 82.3 per cent of the value of their pensions.

s.13; s.14

9. **Why were these changes needed at this time?**

   This OIC was needed before March 15, 2019, the closing date for the purchase of Catalyst by a subsidiary of Paper Excellence, so that the purchase would not trigger the regulatory requirement (created in July 2018) for Catalyst to immediately pay the remaining 2012 solvency deficit in its Retirement Plan for Salaried Employees (approximately

$42 million based on the Plan's most recently filed actuarial valuation report prepared as of the end of 2017). No authority exists under the *Pension Benefits Standards Act* to retroactively change payment requirements once they are due.

If the OIC had not been made, the immediate payment requirement would have created a high risk that the share purchase would not proceed, leaving Catalyst Paper owned by shareholders that are not in the pulp and paper business long-term s.13

s.13

The continued operation of the participating employer of the plan best supports members of the Plan in receiving the pensions to which they are entitled.

10. Who is responsible for funding the Retirement Plan for Salaried Employees?

Catalyst is responsible for funding the Retirement Plan for Salaried Employees because it is the employer that sponsors the plan. The Plan does not require employee contributions.

11. Will Catalyst still be the sponsor of the Retirement Plan for Salaried Employees after the sale?

Yes. The sale is a share sale (as opposed to a sale of assets), which means Catalyst will continue to exist as the participating employer of the Plan.

12. What is the scope of Catalyst's operations in BC?

Catalyst operates three mills in BC, directly and through subsidiaries: the Crofton pulp and paper mill; the Port Alberni paper mill; and the Powell River paper mill. It also has a headquarters and distribution centre in Metro Vancouver. In total, Catalyst employs about 1,500 unionized and non-unionized employees.

13. What do we know about Paper Excellence?

Paper Excellence is a BC-based company that directly and through subsidiaries, manufactures pulp, paper and paper-based packaging materials at mills located near Gibsons, Mackenzie, Cranbrook and other locations. It is a privately held company (owned by an international conglomerate) which, directly and through affiliates, has close to two million tonnes of pulp production capacity through five operating mills in Canada and two mills in France, and employs approximately 1,800 employees in Canada.

14. Who supports these amendments?

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15. Who opposes these amendments?

s.12; s.13

16. Why was the 2012 relief in Schedule 6 provided?

Schedule 6 was added to the Pension Benefits Standards Regulation in 2012 to make the liabilities of the Retirement Plan for Salaried

Employees more acceptable to a new investor in Catalyst and reduce cost pressures on the company, after a proposed restructuring under the *Companies' Creditors Arrangement Act* was defeated and Catalyst began soliciting offers for its assets.

The 2012 relief gave Catalyst flexibility to pay off its $116 million solvency deficit over 16 years, instead of the usual five-year period. This allowed Catalyst to focus on its operations while still securing pension benefits for its retirees and workers. The relief was requested by Catalyst s.12; s.13

s.12; s.13

If the Plan had been wound up in 2012 with a solvency ratio of 65.5%, members would have received, at most, 65.5% of the value of their pensions. As of 2017, the solvency ratio of the Plan had improved to 82.3%.

17. Why were the 2018 amendments made to Schedule 6?

In July 2018, Schedule 6 of the Pension Benefits Standards Regulation was amended based on government direction to take urgent action to prevent Catalyst's assets from being sold and used in a manner that would not fund the Plan, helping to make the pension entitlements of Plan members more secure should the company's owners decide to sell or close one or more of the three mills. At that time, government identified s.12; s.13; s.14

s.12; s.13; s.14

The effect of the amendments is to end the extended payment period for the 2012 solvency deficit and make the balance of that amount immediately payable if Catalyst takes actions that would, in effect, inhibit its ability to continue to operate as a going concern in its current form, or if Catalyst becomes insolvent.

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE & POLICY AND LEGISLATION DIVISION
QUESTIONS AND ANSWERS

s.12; s.13

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: B.C. Child Opportunity Benefit

ADVICE AND RECOMMENDED RESPONSE:

- To make sure every child has the opportunity to thrive *Budget 2019* introduced the new B.C. Child Opportunity Benefit.
- The B.C. Child Opportunity Benefit replaces the BC early childhood tax benefit.
- The B.C. Child Opportunity Benefit provides many families with significantly more support and is available three times as long. Instead of ending at 6 years old, the child opportunity benefit continues up to the age of 18.
- The maximum annual benefit, at $1,600 for a first child, is more than double the previous maximum benefit of $660.
- The benefit is designed to give more support to low- and middle-income families.
- In total, the B.C. Child Opportunity Benefit will put nearly $400 million a year into the pockets of hardworking families.

KEY FACTS:

- The B.C. Child Opportunity Benefit will replace the early childhood tax benefit (ECTB) in October 2020, subject to the approval of the Legislature.
- 290,000 families will receive the new benefit.
- The majority of families with children will be better off with this change.
- All families with children and family net income up to $80,000 will be better off with this change.
- The child opportunity benefit will cost $380 million per year once fully implemented.
  - This includes an incremental cost of $250 million in addition to the $130 million currently spent on the early childhood tax benefit.
- Because the benefit starts October 2020, only $125 million is recorded as a tax expenditure for the 2020/21 fiscal year.

- The maximum benefit for one child is $1,600, compared to $660 under the ECTB.
- The benefit is in respect of all children under 18, whereas the ECTB was only in respect of children under 6.

BACKGROUND:

- The ECTB provided an annual benefit of $660 per child to families with children under 6. The benefit phases out between $100,000 and $150,000 of family net income.
- There are currently an estimated 160,000 families receiving ECTB, with a total cost of $130 million per year. This benefit will end after September 2020, subject to the approval of the Legislature.
- The new B.C. Child Opportunity Benefit commences in October 2020. This benefit will be available to all families with children under 18.
- The benefit is $1,600 for the first child, $1,000 for the second child and $800 for each subsequent child. The benefit is reduced at a rate of 4 per cent of family net income in excess of $25,000 until it is equivalent to $700 for the first child, $680 for the second child and $660 for each subsequent child. The benefit is phased out at a rate of 4 per cent for family net income in excess of $80,000.
- The phase-out range depends on the number of children in the family. For example, a family with one child will have the benefit fully phased out at $97,500 and a family with two children will have the benefit phased out at $114,500.
- The thresholds will be increased each year based on inflation.
- 290,000 families will receive this benefit.
    - 260,000 of these families will be better off with the child opportunity benefit on an annual basis.
    - 280,000 of these families will be better off with the child opportunity benefit on a lifetime basis.
- 65,000 families will be worse off on an annual basis, and 45,000 families will be worse off on a lifetime basis.
- The total cost of the B.C. Child Opportunity Benefit is $380 million once fully implemented. The first fiscal year of full implementation is 2021/22.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

ISSUE: BC Child Opportunity Benefit

Question 1: What is happening to the early childhood tax benefit?

Answer:

- The early childhood tax benefit (ECTB) is being combined with the B.C. Child Opportunity Benefit to form a single credit.
- The last ECTB payment will be in September 2020. The first B.C. Child Opportunity Benefit payment will be in October 2020.

Question 2: When is this benefit starting?

Answer:

- Families will receive their first B.C. Child Opportunity Benefit payment in October 2020.

Question 3: Why is the benefit starting in October 2020?

Answer:

- The B.C. Child Opportunity Benefit is effective Oct. 1, 2020.
- We partner with CRA to implement many of our tax benefit programs and that after consultation with CRA, it was determined that October 2020 was the earliest mutually agreeable time that the program could be fully implemented.
- In the meantime, families will continue to receive the early childhood tax benefit and will benefit from the elimination of MSP premiums on Jan. 1, 2020.

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POLICY AND LEGISLATION DIVISION
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Answer:

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- For families with one child, the benefit is fully phased out at $97,500 of family net income. For families with two children, the benefit is fully phased out at $114,500. With more children, the phase out is even higher.

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Question 5: How much is this program going to cost the government?

Answer:

- The B.C. Child Opportunity Benefit will cost $255 million in 2020/21 and $380 million in 2021/22.
- When savings from the elimination of the early childhood tax benefit are factored in, the net costs to the fiscal plan are $125 million in 2020/21 and $250 million in 2021/22.

Contact: Richard Purnell **Phone:** 778-698-5864
Division: Policy and Legislation Division
File Name: Child Opportunity Benefit

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

Question 6: Why is the government making this change?

Answer:

- The B.C. Child Opportunity Benefit will put more dollars into the pockets of low- and middle-income families.
- The early childhood tax benefit provided a much smaller benefit than child benefits in Alberta, Ontario and Quebec, and was available for families with children under 6. To help support families with the cost of raising children, children up to 18 will be eligible for the B.C. Child Opportunity Benefit. This is in line with other provinces and the federal Canada Child Benefit.
- And we're ensuring that support is focused on those who need it most – from middle class British Columbians to those living in poverty.

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POLICY AND LEGISLATION DIVISION
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MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Climate Action Tax Credit Enhancement

ADVICE AND RECOMMENDED RESPONSE:

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KEY FACTS:

- The climate action tax credit is forecasted to cost:
    - $234 M in the 2018/19 fiscal year, including a prior-year adjustment of -$1 M
    - $267 M in the 2019/20 fiscal year
    - $309 M in the 2020/21 fiscal year
    - $352 M in the 2021/22 fiscal year
- Each incremental increase in the tax credit provides more than $40 M of support for individuals and families.

BACKGROUND:

- The climate action tax credit (formerly called the "low-income climate action tax credit") is a refundable personal income tax credit that was introduced in 2008 along with the carbon tax.
- The climate action tax credit is designed to offset the direct carbon tax paid by low- to modest- income families.

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- In *Budget 2017 Update*, the climate action tax credit was increased to compensate for the increase in carbon tax from $30/tonne to $35/tonne.
- *Budget 2019* increases the climate action tax credit again to compensate for the increases in carbon tax to $40/tonne, $45/tonne and $50/tonne in 2019, 2020 and 2021, respectively.

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QUESTION & ANSWERS

ISSUE: CLIMATE ACTION TAX CREDIT ENHANCEMENT

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Answer:

- Thanks to our increases, low and middle-income families of four will receive up to $400 this year.

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ISSUE NOTE

ISSUE: Commercial Lending Capital Requirements for Credit Unions

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KEY FACTS:

- B.C.'s current capital requirements are based on risk-weighted assets, and a lower risk-weighting means that a credit union can maintain a lower amount of capital in relation to a loan. BC credit unions continue to seek changes to the risk-weighting of commercial loans under the Capital Requirements Regulation. Of particular importance to credit unions is the "commercial cap", which they would like eliminated in advance of the completion of the FIA/CUIA review.
- What the credit union sector refers to as the commercial cap is the double risk-weighting applied to commercial lending above a certain threshold. Currently, BC-incorporated credit unions must hold as capital 8 per cent of their risk-weighted assets. Commercial loans up to a certain threshold (30 per cent of total assets) are risk-weighted at a factor of 1.0. Prior to the recent amendments any commercial loans passing the 30 per cent threshold were risk-weighted at a factor of 2.0.
- The 2017 amendment to the Capital Requirements Regulation reduced the risk-weighting factor to 1.5 for the proportion of a credit union's commercial loans that exceed 30 per cent but do not exceed 35 per cent of the value of its total assets. A risk-weighting factor of 2.0 remains in place for the proportion of commercial loans exceeding 35 per cent of the value of total assets.
- Changes to capital requirements are also planned as part of the overall FIA/CUIA review. The review will likely lead to the implementation of other, more comprehensive changes to the capital requirements which may ultimately see the commercial cap eliminated as a more sensitive, guidance-based approach to risk-

weighting is adopted. Those more comprehensive changes will be implemented via regulation and regulator-issued rules.

- The credit union sector has asked that if the cap cannot be eliminated entirely at this time, it be raised to 35 per cent (i.e. commercial loans up to 35 per cent of total assets would be risk-weighted at a factor of 1.0).
- The commercial cap has not been raised beyond its current level because commercial lending is riskier than consumer lending. This is due in part to the fact that commercial loans are generally larger than consumer loans, and as such, the risk of default is more significant, but also due to circumstances which make commercial loans at greater risk of default.
- While the credit union sector suggests that requirements for commercial lending in BC are higher than elsewhere, that is not true. Some provinces do have more relaxed requirements, however, some provinces, such as Alberta and Saskatchewan, have hard caps, whereby credit unions simply cannot lend above a certain threshold.
- Changes to B.C.'s capital requirements for credit unions must balance the need to ensure the stability and solvency of the system and maintain consumer confidence, while at the same time allowing for growth, competitiveness and innovation.

BACKGROUND:

- Current capital requirements under the Financial Institutions Act (FIA) restrict the amount of commercial lending that can be undertaken by B.C. credit unions.
- A number of changes to the regulatory framework for credit unions are being proposed as a result of the review of the FIA and *Credit Union Incorporation Act* (CUIA). Included in the proposed changes is an update to the capital requirements framework, which would largely be implemented through rules developed by the regulator (the Financial Institutions Commission [FICOM]).
- Many credit unions have a strong interest in making more commercial loans. The sector has therefore advocated for a more immediate change to allow for this; however, making changes to the commercial cap without setting corresponding higher overall capital requirements could significantly increase risk to the system.

CURRENT STATUS:

- The 2017 regulatory amendment making additional commercial lending more viable is in force. The change was announced publicly through a news release.
- In the long-term, as a result of the FIA/CUIA review, it is intended that a comprehensive new capital requirements framework will be introduced that uses a

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more modern model of risk-weighting, likely eliminating the use of a "commercial cap". This new model will be developed in close consultation with the sector.

- FICOM is already undertaking preliminary work so that they are prepared to make changes to modernize capital requirements relatively quickly once they have rule-making authority.

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QUESTION AND ANSWERS

ISSUE: Commercial Lending Capital Requirements for Credit Unions

Question: What changes have been made to the capital requirements for credit unions in advance of the completion of the FIA/CUIA review?

Answer:

- A 2017 amendment to the Capital Requirements Regulation adjusted the risk-weighting scheme used in the determination of capital requirements to make increased commercial lending more viable for credit unions.
- B.C.-incorporated credit unions must hold as capital 8 per cent of their risk-weighted assets.
- Commercial loans up to a certain threshold (30 per cent of total assets) are risk-weighted at a factor of 1.0.
- Prior to the amendment, after surpassing that threshold, any additional commercial loans were risk-weighted at a factor of 2.0.
- For example, if a credit union holds a $100 million commercial loan that is risk weighted at 100 percent (1.0), it must hold at least $8 million in capital against that loan to satisfy the 8 percent minimum capital requirement under the Capital Requirements Regulation.
- If the same $100 million loan were risk-weighted at 200 percent (2.0), the credit union would have to hold at least $16 million in capital against that loan.
- This amendment will reduce the risk-weighting factor to 1.5 for the proportion of a credit union's commercial loans that exceed 30 per cent but do not exceed 35 per cent of the value of its total assets.
- A risk-weighting factor of 2.0 remains in place for the proportion of commercial loans exceeding 35 per cent of the value of total assets.

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Question: What are the requirements for commercial lending in other provinces?

Answer:

- Some other provinces have lower capital requirements for commercial lending, although most provinces have other restrictions on commercial lending.
- For example, in Alberta, credit unions are limited in the amount that they may lend to a single borrower and need regulatory approval to lend above that amount.

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ISSUE: Cooperative Capital Markets Regulator

ADVICE AND RECOMMENDED RESPONSE:

- We believe there are opportunities for B.C. in Canada-wide approaches to capital market protections and regulations.
- We are working with our partners to develop a realistic timeline to ensure it is done right and that our objectives are met.
- In the meantime, our government is focused on white collar crime, by taking action to end hidden ownership and crack down on money laundering.

KEY FACTS:

- In Canada, securities are regulated provincially – each province and territory has its own regulatory authority for securities.
- B.C.'s decision to enter into the Memorandum of Agreement (MOA) relating to the Cooperative Capital Market Regulator (CCMR) project was guided by the principles that any cooperative regime must:
  - respect constitutional jurisdiction,
  - build on the strong foundation of the current system,
  - improve enforcement, and
  - be responsive to regional markets such as BC's venture capital markets.

The Proposed Legislative Framework:

- The CCMR framework includes federal legislation (the *Capital Markets Stability Act* (CMSA)), which addresses securities matters that the SCC indicated were federal, such as systemic risk and criminal law powers, as well as substantively uniform provincial and territorial legislation (the *Capital Markets Act* (CMA)), which addresses securities matters under provincial or territorial jurisdiction, such as the day-to-day regulation of securities.
- A jointly-created entity called the Capital Markets Regulatory Authority (CMRA) will be established to administer all of this legislation.

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The MOA and the Council of Ministers:

- The MOA created a Council of Ministers to oversee the regulator once operational and to oversee the transition.
- Certain CMRA decisions will be subject to a Council vote.
- The Ontario Minister Victor Fedeli is the current provincial co-chair. The federal Minister Bill Morneau is the other co-chair.

The Capital Markets Authority Implementation Organization:

- To facilitate the transition to and implementation of the CMRA, a not-for-profit corporation called the Capital Markets Authority Implementation Organization (CMAIO) was established in 2015.
- William (Bill) A. Black is the chair of the Board of Directors of CMAIO. Mr. Black has served on several boards including the board of governors of the Bank of Canada.
- In November 2016, the Board of Directors named Kevan Cowan as Chief Executive Officer of CMAIO and Chief Regulator of the future Authority. He will also be Chief Executive Officer of the Regulatory Division of the Authority.

Stakeholder concerns:

- Investor advocacy groups have expressed opposition to the CCMR initiative.
- Despite its long-time support of a single Canadian securities regulator, the Foundation for the Advancement of Investor Rights (FAIR) Canada, a non-profit investor advocacy organization, has expressed concerns that the CCMR is not in the interest of investors in its currently proposed form.
- The Canadian Association of Retired Persons has expressed the same concerns as FAIR.
- FAIR Canada is critical of the proposed system's lack of the following: an investor office or investor advisory panel, an investor representative on the board of directors, a statutory best interest duty, a prohibition on embedded commissions, and a regime with financial incentives for whistleblowers.

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BACKGROUND:

- During the past several decades, a number of advisory groups have discussed the potential creation of a single Canadian securities regulator.
- In 2010, the federal government prepared a draft *Canadian Securities Act*, which would have created a single federal regulator. The Supreme Court of Canada (SCC) ruled that the legislation as drafted was an unconstitutional infringement on provincial jurisdiction.
- However, the court left the door open for "a cooperative approach that permits a scheme that recognizes the essentially provincial nature of securities regulation while allowing Parliament to deal with genuinely national concerns."
- In response to this decision, the federal government, British Columbia and Ontario (later joined by Saskatchewan, New Brunswick, Prince Edward Island and the Yukon) agreed to pursue a common capital markets regulator on a cooperative basis and signed a Memorandum of Agreement (MOA) to this effect. This initiative is known as the Cooperative Capital Markets Regulator (CCMR).
- In 2015, the government of Quebec referred questions on the constitutionality of the CCMR initiative to the Quebec Court of Appeal, which ruled that a single regulator as set out in the MOA is unconstitutional. This decision was appealed to the SCC.
- On November 9, 2018, the SCC ruled that the MOA and the CCMR initiative are constitutional, but the Court also clearly said that each province and territory must decide for itself whether it is a good idea to join. s.13

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ISSUES NOTE

ISSUE: Employer Health Tax/MSP Elimination

ADVICE AND RECOMMENDED RESPONSE:

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- Small businesses with payroll less than $500,000 will not pay any payroll tax. Businesses with payroll between $500,000 and $1.5 million will see the tax gradually phased in, and businesses with payroll over $1.5 million will pay the full rate (1.95 per cent).
- B.C.'s EHT rate is the lowest among provinces with a payroll tax.

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KEY FACTS:

- The EHT takes effect for the 2019 calendar year.
- Businesses with payroll below $500,000 are exempt.
- Therefore:
  - The majority (more than 85 per cent) of the approximately 400,000 businesses in BC will be entirely exempt.
  - Less than 5 per cent of businesses will pay the full EHT rate.

- In 2019, MSP premiums are expected to generate $1.3 billion in revenue.

BACKGROUND:

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- Preferential tax treatment is provided to charities and not-for-profit organizations. Charities and not-for-profits with payroll under $1.5 million will not have to pay the tax. Those with payroll between $1.5 million and $4.5 million will pay reduced EHT. The full rate will only apply to those with payroll over $4.5 million. In addition, the tax will apply per location (rather than per business), providing charities further savings.

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CURRENT STATUS:

- On November 8, 2018, the *Employer Health Tax Act* received royal assent to establish the EHT.
- The Act includes clear rules regarding the frequency of installment payments and defining how payroll amounts are to be aggregated among associated businesses prior to applying deductions and tax rates.
- The EHT is effective January 1, 2019.

BUDGET:

($ millions)	2019/20	2020/21	2021/22
EHT	1.571	2.580	2.752

- The Revenue Division, Income Taxation Branch (ITB) will administer the EHT and incur the corresponding costs. This will include education and communication, registration of taxpayers, processing of returns, the administration of tax filings, compliance activities, the collection of outstanding amounts as well as the appeal process, and systems support. Going forward, ITB will require additional resources to administer the EHT, which includes a compliance component.
- Capital costs associated with the system development are estimated to be $3.859 M.
- For 2019/20, an estimated 12 FTEs are required, of which 3 are existing and 9 are new incremental. This would increase by an estimated additional 10 new incremental FTEs in 2020/21 and beyond (resulting in a total of 22 FTEs).

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MINISTRY OF FINANCE
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ISSUE NOTE

ISSUE: Financial Institutions Commission Restructuring

ADVICE AND RECOMMENDED RESPONSE:

- It's our job to make sure B.C.'s financial services regulator is modern, effective and efficient.
- A 2017 review of the Financial Institutions Commission (FICOM) recommended making FICOM a Crown to address a cascade of issues, many stemming from longstanding market compensation inadequacies.
- That's why last fall we announced our intention to establish FICOM as an independent Crown agency. The legislation to establish FICOM as a Crown (the *Financial Services Authority Act*) was tabled in the legislature on April 4, 2019.
- The Crown agency model will better align the structure of the organization with international standards and best practices.
- Modernizing this key provincial regulator is one way the B.C. government is ensuring a strong, sustainable economy.

KEY FACTS:

- The Financial Institutions Commission is a regulatory agency of the British Columbia Government. The Financial Institutions Commission is an appointed commission, responsible for the regulation of credit unions, insurance and trust companies under the *Financial Institutions Act* (FIA).
- Communications to FICOM staff about the proposed change to the structure of the regulator have been initiated and staff have been informed that the Ministry of Finance introduced legislation to establish FICOM as a Crown agency on April 4, 2019.
- A project team of cross-government and FICOM representatives has been established to oversee the transition of FICOM to a Crown agency. The project steering committee is comprised of executives within the Ministry of Finance, the Public Service Agency, FICOM, the Ministry of Attorney General Legal Services and the Public Sector Employers' Council Secretariat. As well, a number of working

committees have been established to take on specific tasks related to the transition (HR, IT, policy and legislation, finance, board governance, communications, etc.).

BACKGROUND:

- Currently, FICOM is responsible for the regulation of credit unions, insurance and trust companies under the FIA.
- Historically, the Superintendent of Financial Institutions is also, by way of separate appointments, the Superintendent of Pensions and the Registrar of Mortgage Brokers. The Commission itself has no authority in connection with the regulation of pensions or mortgage brokers and does not have any operational authority over any part of the organization.
- Over the years, the appointed commission and all of the other supervisory roles described above (as well as related staff) have come to be known as "FICOM".
- The current structure of FICOM was largely put in place in 1990 with the implementation of the FIA.
- While there have been numerous reviews of FICOM in the interceding years, no substantive changes to the structure of FICOM have been undertaken. However, the financial services sector has undergone significant change in the years since the creation of FICOM and its structure has not kept pace with those changes.

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- The proposed legislation will ensure that the B.C. financial sector regulator is able to effectively regulate the pension, mortgage broker and financial services sectors in B.C. to protect consumers from undue loss and unfair market conduct. The proposed changes to the governance and structure of FICOM are intended to ensure that its governance and organizational structure is clear, appropriate and contributes to the overall goals and objectives of government.
- The new regulatory authority, to be named the BC Financial Services Authority, will provide stability to and address high vacancy rates within the organization so that it can successfully deliver its mandate to protect consumers from undue loss and unfair market conduct.

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QUESTION AND ANSWERS

ISSUE: Financial Institutions Commission Restructuring

Question: What changes to FICOM's structure are being proposed?

Answer:

The proposed changes include:

- Establishing FICOM as a Crown agency;
- Including pensions and mortgage brokers in the Commission's mandate
- Providing that the Commission appoints the CEO of FICOM and the statutory decision makers (Superintendent of Financial Institutions, Superintendent of Pensions and Registrar of Mortgage Brokers).

Question: How does establishing FICOM as a Crown agency address the problems with FICOM that were raised in its most recent review?

Answer:

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s.13 Further, the proposal will modernize the governance framework established under legislation to meet current international standards that suggest the regulator should be operationally independent, accountable, transparent, and have adequate resources to carry out its work.

As a Crown agency, FICOM will be enabled to develop a market-specific compensation framework, in accordance with PSEC guidelines, which will help to address high vacancy rates and attrition pressures. The proposed changes to the structure of FICOM are intended to provide stability and address high vacancy rates within the organization and better align the structure of the organization with international standards and best practices.

Question: Have stakeholders been consulted with respect to this proposal?

Answer:

Stakeholders (the credit union, insurance, trust, pension and mortgage broker sectors) have been consulted with respect to the proposed changes. Stakeholders, particularly those in the credit union sector, have long expressed concerns about the structure of FICOM and its capacity to effectively regulate the sector and are generally supportive of the proposed changes.

Question: How will the new Crown agency be funded?

Answer:

Currently, FICOM is considered a $1,000 vote and is funded from the fees paid by industry as required under the *Financial Institutions Act*, *Credit Union Incorporation Act*, *Pension Benefits Standards Act* and *Mortgage Brokers Act*. Government also provides an annual appropriation of $1.6M to FICOM (this will end following FICOM's transition to a Crown agency). Any funds unspent at the end of the fiscal year become part of government's consolidated general revenue and are unavailable to the commission in future years.

As a Crown agency, the Authority will continue to be funded from fees paid by industry; fees and other recoveries received (except fines) would be paid to the Authority and used for the purposes of administering the legislation. Unspent revenue will no longer go to government's consolidated general revenue but can instead be used to invest in the organization. This will provide the Crown agency with an independent and stable source of funding and responds to industry concern that the fees it pays are not always used for the regulation of the industry.

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MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUES NOTE

ISSUE: *Financial Institutions Act* (FIA) Review

ADVICE AND RECOMMENDED RESPONSE:

- People need to have confidence that they are being protected when using financial services.
- That is why our government is completing an extensive legislative and regulatory review of the sector.
- The review is considering the regulatory tools B.C. has to oversee credit unions, insurers and intermediaries, and trust companies, and what changes to the legislative and regulatory framework are needed.
- I'm thankful to everyone who provided comments on the second round of consultation we completed last June.
- We are reviewing the feedback as we work on potential changes to the regulatory system.

BACKGROUND:

- The Ministry released the FIA/CUIA review initial public consultation paper in 2015. The initial consultation paper raised issues for discussion and consideration but did not contain any recommendations.
- The purpose of the paper was to seek input from stakeholders in the financial services sector, and other interested parties, for consideration as part of the review.
- More than 40 written submissions were received in response to the initial public consultation paper.
- Submissions were received from the credit union system and individual credit unions, insurance sector and intermediary organizations, trust companies, public sector organizations, businesses, banking and other organizations, and individuals.
- Ministry staff met with a number of these stakeholders to discuss their submissions.
- A public report on the input received was released in 2016. The report and stakeholder submissions are posted on the Ministry website.

CURRENT STATUS:

- The review of the FIA/CUIA is continuing but is entering its final stages. A consultation paper which identified the proposed policy and legislative changes to the FIA and CUIA was released in March of 2018 and was open for comment until June of 2018.

- The paper proposed a number of amendments to the FIA and CUIA, some of which would have a significant impact on institutions and/or consumers. The paper also included the proposed changes to the structure of the Financial Institutions Commission (FICOM).
- Overall, the changes proposed in the paper would modernize the FIA and CUIA, enhance consumer protections, and help maintain public confidence in BC financial institutions.
- Feedback on the changes proposed in the consultation paper was used by Ministry staff to prepare specific policy proposals for the consideration of government.
- A Request for Legislation for the changes to the FIA/CUIA was approved by the Sustainable Shared Prosperity Committee on November 19, 2018. Legislation is being targeted for Fall 2019.

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- The FIA is a significant piece of legislation and a thorough review takes time. The time that this review has taken is comparable to other significant legislative reviews (e.g., the reviews of the *Insurance Act* and the *Pension Benefits Standards Act*).
- The Ministry of Finance has undertaken significant consultation with the various sectors (credit unions, insurance and trust) to ensure that any recommendations for change would meet the Ministry's goal of maintaining stability and confidence in the financial services sector.

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QUESTION AND ANSWERS

ISSUE: *Financial Institutions Act* (FIA) Review

Question: What are the key issues for stakeholders in the credit union sector?

Answer:

- The key issues for the credit union sector include deposit insurance – almost all credit unions would like to see unlimited deposit insurance coverage retained – and what the sector refers to as the "commercial cap", which is the higher risk-weighting applied to commercial lending above a certain threshold (30 per cent of the credit union's total assets).
- The sector would like the commercial cap to be raised or eliminated prior to the completion of the review and implementation of new standards.
- Government increased the commercial cap in 2017 but the sector would like to see a further raising/elimination of the cap (if government moves forward with adopting updated capital requirements for credit unions the commercial cap will be eliminated, as a more sensitive, guidance based approach to risk-weighting is implemented).
- The sector also wanted the preferential income tax treatment for credit unions to continue/be made permanent; government restored the full provincial preferential income tax treatment as part of the budget update in September, 2017.
- Other issues of importance to the credit union sector include assurances that that there will be statutory limits on FICOM's powers, particularly as FICOM transitions to a Crown.
- The sector is disappointed that the restructuring of FICOM is going ahead of the proposed changes to the FIA/CUIA; however, the restructuring of the regulatory authority is going ahead of the proposed changes to the FIA/CUIA to allow time for the new regulator to stabilize and prepare for the potential legislative changes coming out of the FIA/CUIA review.

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Question: What are the key issues for stakeholders in the insurance sector?

Answer:

- The key issues for insurers/insurance companies (which generally operate across the country) are harmonization/consistency of regulation across jurisdictions in which they operate and insurer self-assessment privilege/protection of confidential information.
- Insurance intermediaries (agents/brokers) are interested in rebating, financial literacy/earthquake awareness and exemptions.
- Exemptions are a significant issue for the insurance sector.
- Those operating under exemptions from various regulatory requirements – generally because they are regulated elsewhere or selling insurance incidentally only – wish to keep their exemptions, while their competitors and insurance intermediaries generally want the exemptions (e.g., for travel insurance, motor vehicles, financial institutions) removed, with the Insurance Council given powers to licence and regulate these incidental sellers of insurance.

Question: What are the key issues for stakeholders in the trust sector?

Answer:

- The main issue raised by the trust sector was the provision of trust services by unregulated individuals.

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Question: Will this review result in a major overhaul to the FIA/CUIA?

Answer:

- Changes to important parts of the framework including capital and liquidity requirements are under consideration; staff are recommending that Basel III-like standards be adopted.
- The Basel III-like standards will be implemented through FICOM rules, which will be developed in close consultation with the sector but will take time to implement.

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- While the review will result in some significant changes, many sections of the FIA/CUIA are likely to remain as-is or will only see minor amendments.

Question: The second consultation paper proposed a number of amendments to the FIA and CUIA. What are some of the proposed changes?

Answer:

- Recommendations in the paper included changes that would modernize the framework and enhance consumer protection. Topics included:
    - Organization and structure of FICOM
    - Powers of FICOM
    - Capital and liquidity requirements for credit unions
    - Deposit insurance
    - Technological changes
    - Exempt sellers of insurance
    - Protection of confidential information
    - Long term disability plans

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Question: What changes to the powers of FICOM are being proposed and why?

Answer:

- The paper recommends that FICOM be provided with the authority to issue enforceable rules. The rules will require public consultation and Ministerial approval.
- Allowing FICOM to issue rules is consistent with international standards; rule-making is an important tool for regulators due to the flexibility of rules and their ability to be adopted and amended in a timely manner (in comparison with legislation and regulations).

Question: What changes are being proposed to capital and liquidity requirements for credit unions?

Answer:

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Question: Are changes to deposit insurance being contemplated?

Answer:

- Ministry staff are recommending that unlimited deposit insurance be maintained for now. A limit to deposit insurance should not be introduced at the same time that new capital and liquidity requirements are implemented because this would impose multiple pressures on credit unions and could precipitate a liquidity problem.
- The paper notes that any future reconsideration of deposit insurance coverage would require further review by the Ministry of Finance at that time and would also include consultation with affected stakeholders, FICOM and other interested members of the public.

Question: What technological changes are being recommended?

Answer:

- Changes are recommended to allow businesses to make better use of advancements in technology. For example, adopt reforms to credit union member communication and AGM notice requirements to allow notices to be sent electronically.
- With respect to insurance, the paper recommended that the legislation adopt a flexible legal framework that allows insurance to be sold online while protecting consumers.

Question: The paper proposed that all sellers of incidental insurance be brought under a restricted licensing regime. What does that mean and why is it being recommended?

Answer:

- Ministry staff are recommending that all sellers of incidental insurance (e.g., credit and travel insurance, vehicle and product warranties) be brought under a restricted licensing regime. This would require the business to have a license and would impose educational and possibly other requirements on the individuals selling the insurance.

- Concerns have been raised by consumers and the media about insurance products sold incidentally to other products. A restricted licensing regime, like that now in place in Alberta, Saskatchewan and Manitoba, would permit these products to continue to be sold but would enhance consumer protection.

Question: Why did the paper recommend that legislation provide privilege for the self-assessment programs of financial institutions (credit unions, insurance companies, trust companies)?

Answer:

To regulate effectively, regulators need adequate information from regulated entities. Under this proposal, the FIA will be amended to include a provision protecting self-assessment documents prepared by financial institutions (i.e., insurance companies, credit unions, trust companies) from disclosure. This would facilitate candid self-evaluations. These documents would also no longer be accessible under the Freedom of Information and Protection of Privacy Act. However, the legislation would make clear that credit union members and mutual insurer policyholders are still able to access information on their respective financial institutions so they are able to exercise their rights as owners

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

Question: Why did the paper recommend that the legislation be amended to require employee long-term disability (LTD) plans to be insured?

Answer:
This recommendation is consistent with the federal and Ontario approach and would ensure that all employees with LTD benefit plans have the same consumer protections as insurance consumers more generally. Those who qualify for coverage under an LTD benefit plan would continue to receive payments even if their employer becomes insolvent. Some employers offering uninsured LTD plans are unlikely to face financial difficulties, such as health authorities. These entities would continue to be allowed to offer uninsured LTD benefits.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: The Federal *Genetic Non-Discrimination Act.*

ADVICE AND RECOMMENDED RESPONSE:

- The federal *Genetic Non-Discrimination Act* (GNDA) imposes criminal sanctions for requiring a genetic test as a condition of entering into a contract, including an insurance contract.
- B.C., Manitoba and Quebec have expressed their opposition to the federal Justice Minister, on constitutional grounds. The Quebec Court of Appeal struck down the criminal provisions as outside the federal powers. The Canadian Coalition for Genetic Fairness has filed an appeal with the Supreme Court of Canada and B.C. has filed notice as an intervenor.
- Government staff are studying this issue so that there will be a protocol in place should the Supreme Court uphold the Quebec Court of Appeal decision and strike down the GNDA.

KEY FACTS:

- The B.C. *Human Rights Code* permits discrimination on the basis of gender, disability and age for the purposes of determining premiums and benefits under an insurance contract. Insurance companies routinely adjust premiums and benefits for health factors (other than the result of genetic tests).
- The Ministries of: Health, Finance, Labour, Municipal Affairs and Housing, Citizens' Services; and Attorney General created a Working Group to conduct a review of the use of, or requirement for, genetic testing information in insurance and extended health contracts in B.C., as well as related health privacy considerations.

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Contact: Joseph Primeau, A/Executive Director
Division: Policy and Legislation Division
File Name: Genetic Testing
Phone: 778 698-5265

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

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- The Canadian Life and Health Industry Association, which represents life insurance companies in Canada, has met with government officials in B.C. and other provinces to express opposition to the federal Act. The Association has proposed a cap of $1M for life insurance contracts, above which it would request predictive genetic tests if the applicant had already undertaken one. The Association believes that insurers should be able to access all diagnostic tests, i.e. those confirming a diagnosis.

BACKGROUND:

- The federal Act was a Senate private member's bill which passed over the objection of the Liberal government.
- In addition to amending the *Canadian Human Rights Code*, the federal Act also amends the *Canadian Labour Code* to prohibit employers from requiring genetic testing, using information from such tests, or discriminating against an employee for not undertaking a genetic test.
- In the UK, the Association of British Insurers and the Government have agreed on a voluntary moratorium on the use of predictive genetic test results for life insurance policies under £500,000 or critical illness policies under £300,000. Above these amounts, insurers can only use tests results if the test, the disease and the product have been approved (e.g. insurers may use test results for Huntington's disease when considering life insurance).
- In the US, federal legislation prohibits the use of genetic information only for health insurance (*Genetic Information Non-Discrimination Act*). No similar federal legislation exists for life insurance, disability insurance, or long-term care insurance.
- Provincial jurisdiction for the regulation of life insurance and other contracts falls under section 92 (13) of the *Constitution Act, 1867* (Property and Civil Rights).

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

CURRENT STATUS:

- B.C. filed its Notice of Appearance with the Supreme Court of Canada on February 12, 2019. The tentative hearing date is October 10, 2019.

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MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Progress on the 30-Point Affordable Housing Plan

ADVICE AND RECOMMENDED RESPONSE:

- The *Homes for BC* plan set a goal of building 114,00 affordable homes, for purchase or for rent. It also includes steps to moderate the housing market to make homes more affordable for British Columbians and to crack down on tax evasion, money laundering, and speculation.
- The Province has completed 15 of the Plan's 30 initiatives, eleven of which are Ministry of Finance policies to curb speculative demand, reduce tax evasion, address tax fairness and close real estate loopholes.
- Amendments to the *Business Corporations Act* will be introduced in Spring 2019, that will require private corporations to maintain an internal register of the beneficial owners.
- The *Land Owner Transparency Act* will be introduced in Spring 2019. This legislation will create a publicly accessible registry of beneficial ownership of land and will address the 30-Point Plan commitment to end hidden ownership of land.
- Starting this year, developers are now required to collect comprehensive information about each condo and strata assignment and will begin filing the information collected with the new Condo and Strata Assignment Integrity Register (CSAIR), bringing transparency to the condo pre-sale market.
- The foreign buyers tax rate was increased to 20 per cent and it was expanded to areas outside of Metro Vancouver.
- Government is bringing down housing costs by taxing those speculators and owners of empty homes who are driving up the cost of housing.
- The *Homes for BC* plan is also tackling the supply of housing.
    - 17,000 homes are already built or underway, including

Contact:	Richard Purnell	**Phone:**	778-698-5864
Division:	Policy and Legislation Division	**Page:**	1 of 2
File Name:	Housing Affordability 30-Point Plan Status Update		

- 4,900 new affordable mixed income rental homes.
- More than 2,000 new modular homes.
- $734 million in funding over ten years for transition homes for women and children leaving violence and abuse.
- 2,295 new homes for students on campuses.
- Partnerships with First Nations communities to build and operate 1,750 new units of social housing on and off reserve.

KEY FACTS:

- Businesses have had difficulty finding workers and mobility is constrained because vacancy rates are at historic lows and housing is too expensive. The 30-point plan is addressing these challenges.
- Since May, the benchmark price for single family homes in Greater Vancouver has decreased by 10.2 per cent, townhome prices are down 7.4 per cent and condo prices are down 6.5 per cent [data current as of Feb. 2019].
- A cross ministry Executive Director committee is tracking and monitoring the progress and outcomes of all the various measures in the Housing Plan.
- Variables being monitored include:
    - Progress of legislative amendments and new bills,
    - A detailed summary of approved housing projects (including scope, schedule, budget, etc.),
    - New partnerships created with local governments and housing providers,
    - Effect of new tax laws on tax evasion and fraud, and
    - Rental vacancy rates, home prices, foreign ownership and changes to the housing stock (are we building the right forms of housing).
- Additionally, projects that are being funded out of the *Housing Priority Initiatives* Special Account are subject to oversight of the Minister of Finance and Treasury Board.

APPENDIX I: 30-Point Plan Progress Summary (as of January 22, 2019)

30-POINT PLAN ACTION	MINISTRY	STATUS	SUMMARY
STABILIZING THE MARKET			
1. Taxing speculators who are driving up housing costs	FIN	**Complete**	Legislation passed November 2018. Effective: January 2019 for 2018 and future tax years.
2. Increasing foreign buyers tax rate to 20%	FIN	**Complete**	Completed in Budget 2018. Effective Feb 21, 2018.
3. Expanding the foreign buyers tax to areas outside Metro Vancouver	FIN	**Complete**	Completed in Budget 2018. Effective Feb 21, 2018.
4. Increasing the property transfer tax on value of homes over $3 million	FIN	**Complete**	Completed in Budget 2018. Effective Feb 21, 2018.
5. Increasing the school tax rate on the value of homes over $3 million	FIN	**Complete**	Completed in Budget 2018. Effective Feb 21, 2018 for January 2019 and future tax years.
6. Allowing online accommodation providers to apply provincial sales tax and municipal and regional district tax on short-term rentals	FIN	**Complete**	Effective October 1, 2018.
7. Reviewing the Homeowner Grant to provide fairness for renters	FIN	In progress	s.13
CRACKING DOWN ON TAX FRAUD AND CLOSING LOOPHOLES			
8. Moving to stop tax evasion in pre-sale condo reassignments	FIN	**Complete**	Regulations introduced November 2018. Effective January 1, 2019. Online register to launch February 2019 (TBC).
9. Taking action to end hidden ownership, including a new beneficial ownership registry	FIN	In progress	s.13
10. Strengthening provincial auditing and enforcement powers	FIN	**Complete**	Completed in Budget 2018. Amended HOGA, LTDA, and ITA for information sharing and amended PTTA to expand GAAR, extend the limitation period to 6 years, add administrative penalties.
11. Moving to close property tax loopholes on the Agricultural Land Reserve	FIN	In progress	s.13
12. Expanding information collection and information sharing with the federal government to prevent tax evasion	FIN	In progress	s.13
13. Seeking permanent provincial-federal action to combat money laundering, tax evasion, and avoidance	FIN	**Complete**	A federal-provincial working group has been established.

30-POINT PLAN ACTION	MINISTRY	STATUS	SUMMARY
BUILDING THE HOMES PEOPLE NEED			
14. Making a $6 billion-plus investment in affordable housing	MAH/BCH	In Progress	s.13
15. Building rental units for the missing middle – more than 14,000 units for individuals, working families, and seniors	MAH/BCH	In progress	
16. Housing for women and children affected by violence	MAH/BCH	In progress	
17. Working with universities, institutes, and colleges to build new student housing	MAH/AEST	In progress	
18. Fixing existing projects with an eye to ensuring affordability for British Columbians	MAH/BCH	In progress	
19. Partnering with Indigenous communities to invest $548 million over 10 years in social housing	MAH/BCH	In progress	
20. Building 2500 new supportive homes for people struggling with homelessness	MAH/BCH	In progress	

30-POINT PLAN ACTION	MINISTRY	STATUS	SUMMARY
SECURITY FOR RENTERS			
21. Expanding and increasing benefits to seniors living independently	MAH	**Complete**	Expanded benefits came into effect September 1, 2018 through the Shelter Aid for Elderly Renters (SAFER) program.
22. Expanding and increasing the Rental Assistance Program to help working parents	MAH	**Complete**	Expanded benefits came into effect September 1, 2018.
23. Strengthening protections for renters and manufactured home owners	MAH/BCH	In progress	Changes to the *Residential Tenancy Act* came into force May 17, 2018 to improve security for tenants facing eviction. Changes to the *Manufactured Home Park Tenancy Act* came into force June 6, 2018 to improve compensation for tenants when manufactured home parks close. The annual allowable rent increase that takes effect in 2019 was cut to 2 percent, limiting it to inflation. This change was an early recommendation from the Rental Housing Task Force. Rental Housing Task Force recommendations provided to government on December 12, 2018. The recommendations are now under consideration
24. Extending the life, quality and affordability of existing affordable housing	MAH/BCH	In progress	$1.1 billion dedicated for the Capital Renewal Funding (repairs and rehabilitation of existing housing stock). As of December 12, 2018, $134.46 million has been committed toward 205 projects.

30-POINT PLAN ACTION	MINISTRY	STATUS	SUMMARY
SUPPORTING PARTNERS TO BUILD AND PRESERVE AFFORDABLE HOUSING			
25. HousingHub: Building, Partnerships Building Homes	MAH/BCH	**Complete**	The HousingHub is a new unit at BC Housing that works with a range of potential proponents to establish partnerships and identify viable affordable housing projects to help reach the 114,000-unit target. It provides development expertise and low-cost construction financing to encourage more market rental and owner-occupied affordable housing for the missing middle. The HousingHub is currently finalizing three projects in three different communities.
26. Empowering Local Governments	MAH	In progress	Housing Needs Reports and Rental Zoning legislation received Royal Assent May 2018. Regulations by OIC Spring 2019. The intent of the residential rental tenure zoning amendments is to give local governments greater ability to preserve and increase the overall supply of rental housing in their communities and increase housing choice and affordability. The intent of the Housing Needs Reports is to strengthen the ability of local governments to understand what kinds of housing are most needed in their communities. They will help ensure that local policies, plans and development decisions that relate to housing are based on recent evidence and responsive to current and future needs.
27. Expanding use of municipal and regional district tax revenues for affordable housing	FIN	**Complete**	Completed in Budget 2018 by OIC. Effective October 1, 2018.
28. Encouraging more rentals via property tax exemptions	FIN	**Complete**	Completed in Budget 2018. Effective Feb 21, 2018.
29.Empowering homeowners in stratas to deal with short-term rentals	MAH	**Complete**	On July 18, 2018**,** the Strata Property Regulation was amended by OIC to allow strata corporations to impose a fine of up to $1,000 a day. The increased fine came into effect on November 20, 2018 and only applies to short-term rental bylaws. This new measure is expected to release more units into the longer-term rental market.

30-POINT PLAN ACTION	MINISTRY	STATUS	SUMMARY
30. Expanding transit and building communities	MAH	In progress	Funding for Broadway Line from VCC-Clark to Arbutus and for Surrey LRT approved by government in Spring 2018. Agreements to facilitate affordable housing and density have been developed to assist in reaching 114,000-unit target. The Surrey project is under review due to election of new municipal council.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Money Laundering

ADVICE AND RECOMMENDED RESPONSE:

- Increasingly, we are seeing concerns about money laundering in our province.
- The government understands the importance of this issue, and that is why we have launched a two-pronged review aimed at shutting down avenues for money laundering in real estate and other sectors.
- The reports from the Ms. Maloney's Expert Panel and from Dr. German's second review are both due at the end of this month.
- Although there have been several calls for a public inquiry into money laundering, I believe that it is important to first see the recommendations from these reports.

KEY FACTS:

- In *Budget 2018*, the government committed to taking action to combat money laundering and tax evasion and avoidance as part of the 30-Point Plan for Housing affordability. The government has already taken a number of steps to address tax fraud and close loopholes in the real estate market including introducing a registry of pre-sale condominium contract assignments, consulting on legislation to establish a new, publicly accessible registry of beneficial owners of real estate in B.C., and updating the property transfer tax return to uncover beneficial owners behind corporations and trusts.
- In June 2018, the Attorney General released the Peter German Report on anti-money laundering. The report found that large-scale, transnational money laundering has been occurring in B.C. casinos.
- In September 2018, the Ministry of Finance released the *Real Estate Regulatory Structure Review* by independent consultant Dan Perrin, which found that the current system put in place by the former government is 2016 is dysfunctional, inefficient and vulnerable to market manipulation and abuse, such as money laundering.

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Contact:	Christine Dawkins	**Phone:**	
Division:	Policy and Legislation Division	**Page:**	1 of 3
File Name:	Update on Money Laundering		

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

- In response to these two reports, the government announced a two-pronged review aimed at shutting down avenues for money laundering in real estate and other sectors.
- The Ministry of Finance commissioned an Expert Panel on Money Laundering in Real Estate.
- The Expert Panel is chaired by Ms. Maureen Maloney, a public policy and dispute resolution professor from Simon Fraser University and former B.C. deputy attorney general; Dr. Maloney is supported by Dr. Brigitte Unger, and Dr. Tsur Somerville.
- The Expert panel will look at gaps in compliance and enforcement of existing laws, consumer protection, financial services regulations, regulations of real estate professionals, and jurisdictional gaps between B.C. and the federal government.
- A final report is due to the minster of finance at the end of March 2019.
- In addition to the Expert Panel's review, the Attorney General has asked Peter German to conduct a second review focusing on criminal activity in the real estate market, luxury vehicle market, and horse racing industry. Mr. German's report is also due to the government at the end of March.
- In addition to these two reports, the Ministry of Finance is also co-chairing an Ad-Hoc Working Group with the Department of Finance, Canada, that is tasked with addressing issues related to fraud, money laundering and tax evasion through real estate in B.C.
- On March 19, 2019 the federal government announced $161 million over five years starting in 2019/20, plus legislative changes, to strengthen Canada's anti-money laundering and anti-terrorist financing regime.
- Recently, there have been increasing calls in the media for a public inquiry into money laundering. At this time, the government has said that it will consider the recommendations from the Expert Panel and Mr. German before considering the need for a public inquiry.

BACKGROUND:

- The Expert Panel is chaired by Maureen Maloney.
    - Maureen is a Professor of Public Policy at Simon Fraser University and previously had the role of Deputy Minister to the Attorney General of BC.
- Dr. Brigitte Unger

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

- Dr. Unger is an Anti-Money Laundering Expert and Professor of Economics at the University of Utrecht in the Netherlands.
- Dr. Unger conducted the first money laundering study for the Netherlands for two Dutch cities and subsequently trained public prosecutors on how to identify properties that may be being used for money laundering.
- She has published several books on money laundering, including a book about money laundering in the real estate sector.

- Tsur Somerville
  - Tsur is an Associate Professor at the UBC Sauder School of Business. His research focuses on housing markets, real estate development, real estate finance, affordable housing, and economics of cities.
- Dan Perrin
  - Dan Perrin is a consultant with Perrin, Thorau and Associates Ltd, and is providing support to the Expert Panel.
  - Dan wrote the Real Estate Regulatory Structure Review report

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

NAME: Status of the *Mortgage Brokers Act* Review

ADVICE AND RECOMMENDED RESPONSE:

- In March 2018, the Ministry of Finance issued a second *Financial Institutions Act* (FIA) public consultation paper with preliminary recommendations, including a recommendation to expand the governance and structure of FICOM to include responsibility for mortgage brokers.
- Public comments received on the FIA review will be considered as part of the *Mortgage Brokers Act* (MBA) review when it is reinitiated.

BACKGROUND:

- The MBA provides a framework for the regulation of mortgage brokers and is administered by the Registrar of Mortgage Brokers (Registrar). The MBA was first enacted in 1972.
- A broad review of the Act commenced with the publication of a consultation paper on November 29, 2012 seeking industry and consumer input on ways to strengthen consumer protection and ensure the MBA better reflects the current financial services market.
- Approximately 40 submissions were received in response. Submissions were received from various individuals, the Mortgage Broker Association of British Columbia, Mortgage Professionals Canada (formerly the Canadian Association of Accredited Mortgage Professionals or CAAMP), brokerage firms, as well as a number of other associations and organizations with an interest in the mortgage broker industry.
- Ministry staff have analyzed the comments received and drafted a paper outlining proposed changes to the MBA. The MBA review is on hold until the FIA review and restructuring of FICOM is complete and the Expert Panel on Money Laundering has provided its recommendations (as the recommendations could feed into the MBA review).

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

MBA review and the securities exemptions for Mortgage Investment Entities (MIEs)

- The British Columbia Securities Commission (BCSC) revoked the MIE exemption on February 15, 2019. The MIE exemption was a blanket order that allowed mortgage syndicators and mortgage investment corporations to deal in securities without registration.

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Regulation of Mortgage Brokers

- Media scrutiny and concerns over increased private lending amid a market softening has put brokers and regulators under greater scrutiny.
- The Registrar has increased enforcement capability by adding investigators and examiners.
- The Registrar is working on broker education.

Contact: Joseph Primeau, A/Executive Director
Division: Policy and Legislation Division
File Name: Mortgage Broker Act Review
Phone: 778 698-5265

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Solvency funding requirements for defined benefit pension plans under the *Pension Benefits Standards Act*

ADVICE AND RECOMMENDED RESPONSE:

- Defined benefit pension income is important to British Columbians as a stable source of retirement income.
- But the sustainability of defined benefit pension plans is being threatened by continued low, long-term interest rates.
- We recently completed a public consultation on solvency funding rules in the *Pension Benefits Standards Act* (PBSA). [Oct 2018-Jan, 31, 2019]
- The purpose of the review is to identify whether changes exist that would both protect members' benefits and provide employers with the payment predictability they need.
- Our goal is to support the long-term sustainability of these plans in B.C. to the benefit of both employees and employers.

KEY FACTS:

- Before 2016, solvency funding requirements had been consistent across Canada since their introduction in the 1980s.
- All defined benefit pension plans registered in B.C. are required under the *Pension Benefits Standards Act* to file a valuation report at least every three years. The valuation report is used to determine the adequacy of plan funding based on two measures: the "going concern" funded position of the plan and the "solvency" position of the plan.
- The going concern funded position of the plan assumes that the plan will continue to exist indefinitely. If a funding shortfall is identified, the employer or employers must make additional contributions so the shortfall will be fully funded over 15 years.
- The solvency position of the plan assumes that the plan must wind up and pay all benefits immediately, typically by purchasing an annuity for each member that is equivalent to their expected benefits. If a solvency shortfall is identified, the employer or employers must make additional contributions so the shortfall will be fully funded over 5 years.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

- A small change in long-term interest rates results in a large change in a plan's solvency position because it results in a large change in the cost of purchasing life annuities.
- The aggregate funding ratio for solvency valuations of B.C.-registered defined benefit plans has shown a decline from 99 per cent in 2013 to 92 per cent in 2017 (the most recent period for which data is available from the Office of the Superintendent of Pensions). The total amount of solvency deficit that must be funded has increased by $1.02 billion during that time.
- On a going-concern basis, the average funded ratio of these plans has increased from 104.6 per cent in 2013 to 114 per cent in 2017.
- In January 2016, Quebec replaced its solvency funding requirements with an enhanced going concern funding test which requires a buffer for adverse experience that reflects the proportion of the plan fund invested in equities.
- In May 2018, Ontario changed its solvency funding requirements so that they will only be required for defined benefit pension plans that are less than 85 per cent funded. All defined benefit pension plans are required to meet a new, enhanced going concern funding test which is similar to Quebec's test.
- In September 2017, Nova Scotia initiated a public review of its defined benefit funding framework. Consultation closed for comment on November 10, 2017 on a discussion paper that outlines three different options for a new framework.
- On January 10, 2018, Manitoba announced the release of the Pension Commission's recommendations, which include the introduction of a new defined benefit funding regime based on enhanced going concern funding and a lower solvency funding threshold of 85 per cent, similar to Ontario's proposed approach. An online public consultation on the recommendations closed for submission on February 21, 2018.
- In January 2019, the B.C. Government provided defined benefit pension plans the opportunity to elect a second round of temporary funding relief from the Pension Benefits Standards Regulation requirement that any solvency shortfall must be amortized over a five-year period. The first opportunity to elect relief expired on December 31, 2017.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

BACKGROUND:

- B.C.'s Acting Superintendent of Pensions chaired a committee of Canadian Association of Pension Supervisory Authorities (CAPSA) that prepared a paper on a common regulatory approach to the funding of defined benefit-type pension plans. The paper was published in February 2019. The committee's recommendations include options and approaches that are being explored in the review of the solvency funding requirements currently underway in B.C.
- An industry working group representing pensioners, plan sponsors, unions and actuaries reviewed and contributed to the paper.

MINISTRY OF FINANCE
QUESTION AND ANSWERS

ISSUE: Solvency funding requirements for defined benefit pension plans under the *Pension Benefits Standards Act*

Question: What is the B.C. government doing to address solvency funding concerns for defined benefit pension plans?

Answer:

- B.C. is reviewing the solvency funding requirements under the *Pension Benefits Standards Act*, taking into consideration the changes other provinces have made or are proposing to make to their solvency funding requirements.
- British Columbia provides ongoing funding relief to employers that sponsor defined benefit pension plans by:
    - Permitting the use of letters of credit to fund solvency shortfalls; and
    - Enabling applications to the Superintendent of Pensions for deadline extensions.
- In January 2019, the B.C. Government gave B.C.-registered defined benefit plans the opportunity to elect a second round of temporary solvency funding relief for valuation reports prepared as of December 31, 2018 to December 31, 2020. Plans may extend the amortization period for solvency payments from 5 years to 10 years. The first opportunity to elect relief expired on December 31, 2017.

Question: Is B.C. going to adopt the changes to solvency funding requirements that Quebec or Ontario has made?

Answer:

- B.C. is monitoring the changes other provinces have made or are proposing to make to their solvency funding requirements and is taking them into consideration during the review of solvency funding requirements under the *Pension Benefits Standards Act*.
- Some of the changes Quebec and Ontario have made have already been implemented by B.C:
    - Requiring an ongoing pension plan to be funded to a specific level before permitting benefit improvements, contribution holidays or withdrawals of surplus;
    - Requiring defined benefit plans to have a funding policy;
    - Clarifying that employers who arrange for an insurance company to provide life annuities that replicate pensions for deferred or retired members are no longer liable for those pensions.

Question: Who is responsible for making solvency payments to a defined benefit pension plan?

Answer:

- Employers that sponsor defined benefit pension plans are required to make solvency payments to the plan. These are special payments in addition to the regular monthly contributions paid by employers and plan members.
- Since the new *Pension Benefits Standards Act* became law in 2015, a very small number of private sector employers have established jointly

sponsored plans, which require members to contribute to any solvency payments that are required.

Question: If changes are made to the solvency funding rules, does a situation like Sears become more or less likely?

Answer:

- The continuation of the sponsoring employer is the best way to ensure the security of benefits for members of defined benefit pension plans.
- The reduction in members' pensions occurred because Sears Canada became insolvent. The failure of the company affected the pension plan sponsored by the company. Before entering insolvency proceedings, the company was making all required special payments to fund the plan's solvency shortfall under Ontario's *Pension Benefits Act*.

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MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Developers and Foreign Buyers Tax

ADVICE AND RECOMMENDED RESPONSE:

- The Additional Property Transfer Tax (ATT) is a 20 per cent tax payable by foreign entities (foreign individual, corporation or taxable trustee) on the transfers of residential property located within a specified area.
- If, after the registration of the taxable transaction, a foreign entity holds any beneficial interest in the residential property while another entity holds the title as a trustee, the trustee is considered taxable and ATT will apply.
- When developers choose to finance their projects with foreign equity, the foreign equity interest is subject to the ATT. Developers who use the foreign interest only for financing may wish to consider other business structures.
- Whether a limited partnership meets the definition of a foreign entity or a taxable trustee will depend on the facts of the particular case. The Ministry of Finance is currently reviewing such transactions on a case by case basis.
- Our government is committed to making life more affordable for people, and to addressing B.C.'s housing crisis.
- Government's 30-point housing plan is addressing this issue on both the demand and supply side.

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KEY FACTS:

- The ATT, commonly known as the "foreign buyers tax", was increased from 15 per cent to 20 per cent of the fair market value of the property effective February 2018.
- The area where the tax applies has been increased beyond Metro Vancouver to include the Capital, Fraser Valley, Central Okanagan and Nanaimo.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

- The Urban Development Institute and the Business Council of British Columbia have expressed concerns about the ATT's ambiguous application to taxable trustees and limited partnerships and have noted that it may increase the cost of new development.

Contact: Richard Purnell **Phone:** 778-698-5864
Division: Policy and Legislation Division
File Name: Property Transfer Tax – Developers and Foreign Buyer Tax

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Property Transfer Tax – Foreign Buyers Data

ADVICE AND RECOMMENDED RESPONSE:

- The foreign buyer's tax was introduced in 2016 and initially applied only in Metro Vancouver.
- The tax was expanded in *Budget 2018* to the Capital Regional District, Fraser Valley Regional District, Central Okanagan Regional District, and Nanaimo Regional District as part of government's 30-point housing plan.
- Foreign involvement across the province has decreased since the introduction of the foreign buyer's tax.
    - This is true both in Metro Vancouver and in the areas where the tax was expanded to in *Budget 2018.*
    - The rate of foreign involvement in areas outside of Metro Vancouver dropped after the *Budget 2018* expansion.
- The foreign buyer's tax is part of government's 30-point housing plan and helps generate revenue for housing affordability measures and moderates demand in the housing market.

KEY FACTS:

- The Additional Property Transfer Tax (ATT) is a 20 per cent tax payable by foreign entities (foreign individual, corporation or taxable trustee) for the purchase of residential property located in the Metro Vancouver Regional District, Capital Regional District, Fraser Valley Regional District, Central Okanagan Regional District, and Nanaimo Regional District.
- Property transfer tax applies at the time the property transfers, not when it sells, therefore, there is a time lag and the full effect of the budget changes may not be seen for a number of months.
- The ATT was introduced August 2, 2016 at a rate of 15 per cent. The rate increased to 20 per cent on February 21, 2018.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

- Budget 2019 forecasts additional revenue of $190 million in fiscal year 2019/20 and $190 million in fiscal year 2020/21.
- Total ATT Revenue for 2018/19 up to February 28, 2019 is $166 million.

Foreign Buyer's Tax (A-PTT net revenue):

s.13

Foreign Buyer Involved Transactions by year:

s.13

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MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Property Transfer Tax – Over $3 million

ADVICE AND RECOMMENDED RESPONSE:

- Those who have benefitted the most from the rising real estate market should contribute their fair share.
- *Budget 2018* introduced a new tier of property transfer tax for all transferees, which applies to the fair market value of the residential class portion of the property above $3 million.
- The new tier effectively raises the tax rate from 3 per cent to 5 per cent for any fair market value of residential property above $3 million.
- The new tax rate became effective February 21, 2018.
- "Residential property" includes any property classified in "class 1, residential" for property tax purposes, plus some farm land associated with a farm dwelling.
- This is part of our work to moderate the housing market so that people who live and work here can afford a home in B.C.

KEY FACTS:

- *Budget 2019* forecasts revenue of $1.9 billion for fiscal year 2019/20 and $1.9 billion for fiscal year 2020/21.

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Contact:	Christine Dawkins	**Phone:**	
Division:	Policy and Legislation Division	**Page:**	1 of 2
File Name:	Property Transfer Tax – For homes over $3 million		

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

- While 94 per cent of properties subject to PTT in 2018/19 up to February 28, 2019 were residential properties, most of these have values below $2 million.

	Residential	Non-residential	Total
0 - $2M	134,234	7,578	141,812
$2M - $3M	3,288	405	3,693
$3M - $5M	1,418	353	1,771
>$5 M	749	592	1,341
Total	**139,689**	**8,928**	**148,617**

- Using BC Assessment data, 1.9 per cent of residential folios in the province had an assessed value of more than $3 million in 2018. This is a slight reduction from 2.2 per cent in 2017.

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MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Municipal Requests on *Ports Property Tax Act*

ADVICE AND RECOMMENDED RESPONSE:

- Several municipalities have raised concerns about the effects on them of the Ports Competitiveness Initiative.
- I have requested Ministry of Finance staff explore these concerns keeping in mind the broader policy rationale for the program.
- This work will form part of the ongoing work that staff in the Ministry of Finance undertake to evaluate tax policy measures.

KEY FACTS:

- Several municipalities have raised concerns about the effects on them of the Ports Competitiveness Initiative.
- The Ports Competitiveness Initiative includes caps on municipal tax rates for designated ports and legislated compensation to municipalities since 2004, and legislated increases in land values since 2007.

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- The Province will pay $5.7 million compensation to seven municipalities in 2019 through the Ministry of Transportation and Infrastructure.
- Prescribed land values have increased only at the rate of BC-CPI inflation, but market values of industrial land have risen much more quickly.
- The port industry likely expects a review of the Ports Competitive Industry. It recently published a study showing strong investment in ports since the Ports Competitiveness Initiative began.
- The Province has hired a consultant to provide options for government, but has not yet reached out to the municipalities, shippers or port authorities.
- The review is not mentioned in the Ministry of Finance's mandate letter.

Contact: Richard Purnell **Phone:** 778-698-5864
Division: Policy and Legislation Division
File Name: Ports Property Transfer Tax Act – Municipal Requests

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

BACKGROUND:

- The Ports Competitiveness Initiative was introduced in 2004 as a temporary, five-year measure. In 2007, it was extended for another 10 years. After a *Budget 2012* announcement, the Ports Competitiveness Initiative was made permanent in 2014.

OPERATIONS:

Spending on legislated compensation for municipalities by Ministry of Transportation and Infrastructure

	2017/18	2018/19	2019/20
City of Vancouver	50,000	51,000	52,000
City of North Vancouver	1,506,000	1,537,000	1,579,000
City of Port Moody	593,000	605,000	622,000
City of Delta	350,000	357,000	366,000
District of North Vancouver	851,000	869,000	893,000
District of Squamish	414,000	423,000	434,000
City of Prince Rupert	1,660,000	1,695,000	1,741,000
Total	5,424,000	5,537,000	**5,687,000**

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISON
ISSUE NOTE

ISSUE: Real Estate Regulatory Review

ADVICE AND RECOMMENDED RESPONSE:

- We need strong regulators to protect people when buying and selling real estate.
- Right now, the Office of the Superintendent of Real Estate (OSRE) and Real Estate Council of B.C. (Council or RECBC) need clarity on their roles and responsibilities.
- We are considering all of Mr. Perrin's recommendations:
    - First, we've appointed an expert panel to look into systemic risks that leave the real estate and financial services sectors open to money laundering.
    - Second, we're actively considering the recommendation to move to a single regulator model, and my staff are developing a project plan to determine timing and what that model would look like.
    - Third, the Ministry of Finance is now responsible for developing policy on real estate.
- We will continue to work closely with OSRE, Council and the Financial Institutions Commission (FICOM) as we move forward.

KEY FACTS:

- Given the state of B.C.'s housing market it is critical that real estate regulation is efficient and that it protects consumers efficiently.

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- That is why government commissioned an independent review of the roles and responsibilities of both organizations.

Contact:	Chris Dawkins, A/Assistant Deputy Minister	**Phone:**	778 698-9401
Division:	Policy and Legislation Division	**Page:**	1 of 4
File Name:	Regulation of Real Estate		

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- The review was undertaken by Dan Perrin of Perrin, Thorau and Associates Ltd. from April 18-June 15, 2018. The final report was released publicly on September 27, 2018.
- The report made six main recommendations:
    1. OSRE and Council should be merged into the Financial Institutions Commission (FICOM) as the single regulator.
    2. The Ministry of Finance should control real estate public policy development, in collaboration with the regulator.
    3. Government should consider whether there should be oversight for regulators in B.C. and if so, what form that oversight should take.
    4. A policy review of regulatory requirements should be undertaken.
    5. Until a single regulator model is implemented, or if the recommendation that there be a single regulator is not accepted, the Ministry of Finance, OSRE and Council should work together with Finance assuming the role of public policy lead immediately.
    6. Government should consider changing the board appointment mechanism of the Real Estate Errors and Omissions Insurance Corporation (REEOIC) so that REEOIC is no longer a government body.

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- Amendments to the *Real Estate Services Act* are targeted for Spring 2020.

BACKGROUND:

The full recommendations set out in the Perrin report are:

1. OSRE and RECBC should be merged into FICOM as the single regulator, with FICOM having full responsibility for public education, education of licensees, complaints and enforcement related to licensee professional conduct, enforcement related to unlicensed activity and market conduct generally, and associated administrative policy, including rule-making.

2. The Ministry of Finance should control real estate public policy development, in collaboration with the regulator.

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POLICY AND LEGISLATION DIVISON
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3. Government consider whether there should be oversight for regulators in B.C. and if so, what form that oversight should take.
4. A policy review of real estate regulatory requirements be undertaken, including:
   a. A review of existing regulatory requirements in RESA, the regulations and the rules to ensure that the public policy requirements are contained in RESA and the regulations, and that the rules are limited to administrative policy provisions that need the force of law to be effective and are consistent with the public policy framework;
   b. A review of the best way to move beyond the regulation of those currently required to be licensed to more fully regulate market conduct in the public interest to prevent market manipulation and abuse, including but not limited to considering whether each of the different groups currently exempt from licensure should be regulated and if so, how; and
   c. A review of outstanding IAG recommendations that would require a public policy response to determine the best way to proceed. That would include a review of changes already that need to be revisited consequentially to any changes made to the regulatory structure and other regulatory requirements under a. or b.
5. Until a single regulator model is implemented, or if the recommendation that there be a single regulator is not accepted, the Ministry of Finance, OSRE and RECBC should work together using the following framework beginning immediately:
   a. The Ministry of Finance policy staff should immediately assume the role of public policy lead (Recommendation 2) on an informal basis, if necessary confirmed in writing by the minister for RECBC and the deputy minister for OSRE;
   b. The ministry should develop a recommendation for the minister, with the advice and collaboration of OSRE and RECBC, about which if any outstanding public and administrative policy issues need to be addressed immediately;
   c. Policy work approved by the minister should proceed based on the methodology and process described in Appendix D, with a committee comprised of representatives of the ministry, OSRE and RECBC meeting regularly to coordinate administrative input into public policy issues and the development of needed administrative policy changes;

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   d. All other policy work should be deferred to the real estate regulatory policy review (Recommendation 4), the timing of which need not be tied to structural changes;
   e. OSRE and RECBC should also continue to focus on their operational responsibilities, including establishing a committee co-chaired by the Superintendent and Executive Director of RECBC to work together on enforcement of licensee and unlicensed activity and the implementation of operational changes RECBC currently has underway;
   f. If possible, the ministry should facilitate the appointment of additional council members with hearing and real estate experience to accelerate enforcement activity, on the understanding that appointments may be temporary as a result of structural change.

6. Government consider changing the board appointment mechanism of REEOIC so that REEOIC is no longer a government body.

7. Rules needed to implement administrative policy should be subject to ministerial approval and the *Regulations Act*.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: School Property Tax – Over $3 Million

ADVICE AND RECOMMENDED RESPONSE:

- We believe in a tax system where everyone pays their fair share.
- That's why we introduced progressivity to the existing school tax so that the top 2 per cent most expensive homes pay a bit more.
- The tax begins in 2019 and will be included in the usual property tax bill.
- The additional school property tax is applied on the value of specified "dwelling property" on the value above $3 million.
- A tax rate of 0.2 per cent applies on any amount between $3 million and $4 million, and a tax rate of 0.4 per cent applies on any amount above $4 million.
- "Dwelling property" is property in class 1, residential class, that is:
    - Land with no present use, unless that land is within the agricultural land reserve,
    - A farm dwelling,
    - Improvements that are used or intended to be used as a residence for 3 or fewer families, or
    - A stratified residence such as a condo unit or a townhouse.

KEY FACTS:

- The additional tax does not apply to properties with four or more units, including purpose-built apartment buildings. In the case of a mixed-use property, only the residential portion is subject to the tax.

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- The tax will be administered through the existing school tax system, with municipalities and the Province's Surveyor of Taxes responsible for tax collection.
- The BC government estimates the additional school tax will raise up to $192 million in the 2019 taxation calendar year. Revenue may be reduced as appeals are heard and decided on by the Property Assessment Appeal Board. The initial estimate in Budget 2018 was $200 million annually.

Contact: Christine Dawkins **Phone:** s.17
Division: Policy and Legislation Division

File Name: School Property Tax - Homes over $3 million

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ISSUE NOTE

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Contact:	Christine Dawkins	**Phone:**	
Division:	Policy and Legislation Division	**Page:**	3 of 3
File Name:	School Property Tax - Homes over $3 million		

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Speculation Tax

ADVICE AND RECOMMENDED RESPONSE:

- We have a housing crisis on our hands. Decades of neglect by the former government have left our province with near-zero vacancy rates and the most unaffordable housing prices in Canada.
- They let foreign and domestic speculators fuel the housing market unchecked and the results have been devastating for British Columbians.
- Our government is tackling the housing crisis head on and poll after poll has shown that an overwhelming majority of British Columbians support our approach.
- The speculation tax is a key part of our 30-point plan to moderate the housing market and make sure people can afford to find a place to live.
- Our plan is starting to work, but some people would have us go back to out of control housing prices and huge profits for speculators.

KEY FACTS:

- Budget 2019 forecasts revenue of $87 million in fiscal year 2018/19 and $185 million in fiscal year 2019/20 and 2020/2021.
- The declaration and tax payment process is ongoing, the deadline to file a declaration was March 31st and the tax due date is July 2nd.
- Additional data, including updated revenue forecasts will be available once the tax due date has passed and audits have been completed.

BACKGROUND:

- On Oct. 16, 2018, the BC government introduced the speculation and vacancy tax act. The legislation helps tackle speculation in BC's housing market and helps turn empty properties into homes for people.
- Some opposition members have criticized the speculation and vacancy tax, citing three major concerns: that the tax unfairly targets British Columbians, that the tax arbitrarily targets some communities and not others, and that the tax is a vacancy tax, not a tax on speculation.

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POLICY AND LEGISLATION DIVISION
ISSUE NOTE

- Effective for the 2018 tax year, the speculation and vacancy tax will target foreign owners, satellite families and owners who leave second and third homes vacant. It will also ensure satellite families and people who use local services without paying BC income taxes contribute their fair share.
- Over 99 per cent of all British Columbians will be exempt from the speculation and vacancy tax. Exemptions for British Columbians include principal residence, rented properties and special circumstances, such home renovations and for significant hardship.
- The BC government is targeting the speculation and vacancy tax to major urban centres with the greatest affordability challenges. Ministry staff did modelling to determine the areas where housing affordability is the most acute, including metrics around average home prices to average family income and vacancy rates. Any British Columbians who do pay the speculation and vacancy tax will be people that own multiple homes in designated urban areas and leave them vacant.
- In 2018, the tax rate for all properties subject to the tax is 0.5 per cent of the property value. In 2019 and subsequent years, the tax rates are:
    - 2 per cent for foreign owners and satellite families, and
    - 0.5 per cent for Canadian citizens or permanent residents of Canada who are not members of a satellite family.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

ISSUE: Speculation Tax

Why do people have to declare?

- We're asking people to help make housing more affordable by helping the province identify vacant properties and ensuring foreign owners and satellite families are paying their fair share.
- Over 99 per cent of British Columbians won't pay the speculation tax. We're asking for just a few minutes of their time to help crack down on speculators.
- Homeowners in the regions covered will receive a letter with instructions on how to register and claim an exemption online or by phone.
- The Ministry has a number of safeguards in place to help ensure people who are eligible for exemptions will receive them.
- This is very similar to the annual homeowner grant process that British Columbians already know. It also mirrors the income tax process.
- Vancouver's Empty Homes tax process required registration and managed to achieve a 99 per cent registration rate. We've built on that learning.

Will the speculation and vacancy tax actually help lower housing prices?

- The speculation and vacancy tax is already moderating the housing market by curbing foreign investment and discouraging the incentive to hold homes as vacant investment properties in BC's major urban markets.
- According to experts including RBC, the Canadian Real Estate Association and Sotheby's, the speculation and vacancy tax and other measures introduced by the Province are responsible for helping cool the BC market.
- This legislation is the first of its kind in Canada, meaning British Columbians will have the strongest protections against speculation in their housing market.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

Have you done an economic impact analysis of the speculation tax? What is the economic impact on the housing market of this tax? Will it slow down the market?

Will it hurt the economy?

- As with any tax, the Province does extensive analysis to determine economic impacts.
- The intent of the tax is not to hurt the BC economy. In fact, it is the exact opposite. You need to look at the economic indicators:
  - We have near-zero vacancy rates throughout the province.
  - We have the lowest unemployment rate in Canada.
- Frankly, our concern is the impact to the economy if we *don't* address this housing crisis.
- Businesses have been saying that unaffordable housing is making it difficult to attract and retain workers.
  - With near-zero vacancy rates throughout the province, our government is focused on helping our teachers, firefighters and small business owners afford a home in their own province.

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MINISTRY OF FINANCE
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QUESTION AND ANSWERS

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- As per the usual process, an updated revenue forecast is being prepared for inclusion in the Public Accounts, which will be released by the end of August, and the 1st Quarterly Report, which must be released by September 15. The new forecast will be informed by the information we've received from the declarations and the tax payments that are due July 2.

When will the government release summary statistics around the Speculation and Vacancy Tax?

- The Ministry has been providing public updates on the declaration rate since the declaration period opened in late January (including an information bulletin March 15th).
- The declaration process is only the first step.
- The due date for paying the tax is July 2, 2019. Summary statistics will be released once Ministry staff have made appropriate efforts to assess and verify the data.
- I have directed Ministry of Finance staff to work as quickly as possible after the July deadline to produce preliminary results and analysis on the speculation and vacancy tax in anticipation of public release later in the year.
- Over the coming months, staff will be following standard assessment and auditing practices to ensure the data is accurate, consistent with standard practices for other tax data analysis. For example, the CRA releases preliminary income tax data to provinces about 8 months following the income tax filing deadline of April 30, each year.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

The government has stated they estimate that 20,000 British Columbians will pay the Speculation and Vacancy tax. Can you confirm this number now that 97 per cent of declarations have been completed?

- We've said all along that more than 99% of British Columbians will not pay the speculation and vacancy tax.
- I can confirm that based on the declarations we've received, I fully expect this to be the case.
- In fact, based on the declarations, we anticipate that the vast majority of tax payers will be non-British Columbians (i.e., foreign owners, satellite families and other Canadians).
- The declaration process is only the first step and my staff will be undertaking a full analysis of the declarations and owners paying the speculation tax once they've had the opportunity to assess and verify the data after the due date for paying the tax on July 2nd.
- I have directed Ministry of Finance staff to work as quickly as possible after the July deadline to produce preliminary results and analysis on the speculation and vacancy tax in anticipation of public release later in the year.

In Budget 2019, the government forecasted revenues of $87 million in 2018/19 and $185 million 2019/20. Can you confirm this number now that 97 per cent of declarations have been completed?

- It is too early to give specific numbers. However, I can confirm that our initial revenue estimates are on track with what we are seeing from the declarations.
- As per the usual process, an updated revenue forecast is being prepared for inclusion in the Public Accounts, which will be released by the end of August, and the 1st Quarterly Report, which must be released by September 15. The new forecast will be informed by the information we've received from the declarations and the tax payments that are due July 2.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

What about the 50,000 who have not declared? They will all receive tax bills even though most are likely exempt but aren't aware of the requirement to declare.

- We've said all along that more than 99% of British Columbians will not pay the speculation and vacancy tax.
- I can confirm that based on the declarations we've received, I fully expect this to be the case.
- 97% of homeowners have declared – that's a great result for a new tax - so the word is certainly getting out in terms of the declaration requirement. In fact the vast majority of owners (over 90%) had declared by the March 31st deadline.
- All British Columbians exempt from the SVT will not have to pay the tax.
- Most people are quickly and securely declaring online in just a few minutes.
- We have sent out reminder letters encouraging people to complete their declarations and claim exemptions, so this process is ongoing. We are seeing people responding to those letters and completing their declarations.
- However, if you do get a notice of assessment or a tax bill and believe you are exempt, you can still go online, complete your declaration, and not owe any tax.

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MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

Will people from B.C. have to pay the speculation tax?

- 99 per cent of British Columbians are estimated to be exempt from this tax.
  - British Columbians have an exemption for their primary residence.
    - They will not pay.
  - British Columbians who rent out their home for at least six months of the year have an exemption.
    - They will not pay.
  - British Columbians with cabins and cottages in rural areas or second homes worth less than $400,000 in major urban centres will not be taxed.
    - They will not pay.
- As we've said all along, the tax targets foreign and non-residents speculators.
- The 1 per cent of British Columbians that do have to pay will be people that own multiple homes in designated urban areas and leave them vacant.

How many properties total will be taxed?

- We have based our analysis on Statistics Canada data.
- It was then further refined by including only designated areas that will be included in the tax.
- From that analysis we estimate over 99 per cent of British Columbians will be exempt.

Do you fear a constitutional challenge?

- All legislation is designed under the constitutional principles.
- If there is a challenge, I would welcome the rigour of our courts to assess the public value of this tax.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Speculation Tax – Collection of SIN

ADVICE AND RECOMMENDED RESPONSE:

- Protecting people's personal information and privacy is paramount for our government and that principle has guided the roll-out of the Speculation and Vacancy Tax (SVT).
- Collecting Social Insurance Numbers (SINs) as part of the SVT is critical to cracking down on speculation and making sure the 99 per cent of British Columbians exempt from the tax claim their principal residence (or other) exemption.
  - I am confident the tax is fully compliant with our privacy legislation and that taxpayers' data is being handled safely and securely.

KEY FACTS:

- The Speculation and Vacancy Tax Act (SVTA) requires the collection of SINs to administer the tax as part of the declaration process.
- Authority to collect information through the declaration process is found in section 62 of the Act and under section 26 (a) and (c) of the *Freedom of Information and Protection of Privacy Act.*
- SINs are used to verify:
  - tax residency,
  - to qualify for the principal residence exemption, and
  - to identify satellite families and foreign nationals.
- Without the collection of SINs, the speculation and vacancy tax would not be administrable.
  - It is the only way to link an individual property owner to their income tax records and the only identifier used by Canada Revenue Agency.

BACKGROUND:

- The collection of SINs as part of the SVTA was announced in Budget 2018. The OIPC was briefed by Ministry staff on the collection of SINs as part of the SVTA after Budget 2018 was released. s.12
  s.12
  The OIPC was also consulted during the drafting process and was provided a consultation draft of

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POLICY AND LEGISLATION DIVISION
ISSUE NOTE

the SVTA legislation for their review. The OIPC signed off on the LRC package and stated they had no concerns at that time.

MINISTRY OF FINANCE
POLICY & LEGISLATION / REVENUE DIVISION
ISSUE NOTE

ISSUE: Speculation Tax - Municipalities

ADVICE AND RECOMMENDED RESPONSE:

- Our government has committed to have an annual consultation with the mayors of municipalities covered by the speculation and vacancy tax.
- I look forward to the discussions we will have and the opportunity to review the tax with the mayors.
- We're here because of the crisis in housing in British Columbia. I've heard people talk about the challenges in their communities. I understand that, but I think all of us have to be recognizing the issue that we're facing in British Columbia.
- Decades of neglect by the former government have left our province with near-zero vacancy rates and the most unaffordable housing prices in Canada.
- They let foreign and domestic speculators fuel the housing market unchecked and the results have been devastating for British Columbians.
- Our government is tackling the housing crisis head on and poll after poll has shown that an overwhelming majority of British Columbians support our approach.
- The speculation and vacancy tax will provide funding for housing affordability measures in the regions where the tax applies.
- The speculation tax is a key part of our 30-point plan to moderate the housing market and make sure people can afford to find a place to live.
- Our plan is starting to work but some people would have us go back to out of control housing prices and huge profits for speculators.

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POLICY & LEGISLATION / REVENUE DIVISION
ISSUE NOTE

KEY FACTS:

- The Speculation and Vacancy Tax Act requires two review processes.
- The first review process is an annual consultation with mayors of municipalities in areas where the speculation tax applies.
    - The results of that consultation form a report that the Minister of Finance must present to the legislature.
    - The consultation with mayors is the result of amendments proposed by the Green Party.
- The second review process is a larger review into the effectiveness of the speculation and vacancy tax. The review must consider:
    - housing affordability, including vacancy rates,
    - sale prices of residential property,
    - rents for residential property and other relevant factors, and
    - recommended amendments.
- The first review must begin by December 31, 2021 and future reviews must occur ever five years thereafter.

Communities

- The following communities have voiced concerns in the media or opposed the tax: Belcarra, West Kelowna, Kelowna, Parksville and the Nanaimo Regional District, Sidney, District of North Saanich, Langford, Oak Bay and the Capital Regional District.
- Most recently, a group of Belcarra residents have indicated they will pursue a class action lawsuit (March 2019).
- There are also several communities that have indicated wanting to opt-in to the speculation and vacancy tax, including Squamish and Bowen Island.

MINISTRY OF FINANCE
POLICY & LEGISLATION / REVENUE DIVISION
QUESTION AND ANSWERS

ISSUE: Speculation Tax - Municipalities

Question: On what basis did you determine the areas subject to the speculation and vacancy tax?

Answer:

- We've targeted the speculation and vacancy tax to our major urban centres with the greatest affordability challenges.
- Ministry staff did modelling to determine the areas where housing affordability is the most acute.
- This includes core metrics, such as the ratio of average home prices to average family incomes and vacancy rates for different property types:
  - For example, the vacancy rate in 2017 in Kelowna was 0.2 per cent; in Victoria it was 0.7 per cent and in Nanaimo it was 1.6 per cent.
  - The speculation and vacancy tax is targeted to communities that have high house price-to-income ratios:
    - In Metro Vancouver average home prices are almost 16 times greater than average incomes.
    - In Kelowna and Nanaimo, prices are about nine times greater than incomes.

Question: Why or why not was a certain area (Whistler, Belcarra) included or excluded from the taxable area?

- We've targeted the speculation and vacancy tax to our major urban centres with the greatest affordability challenges.

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- As we have said, we are going to assess the impact of the speculation and vacancy tax on our real estate market in our urban areas.
- We are willing to discuss measures to tackle the crisis with any municipality in the province.
- 99 per cent of British Columbians will not pay the speculation and vacancy tax.
- There are exemptions in place to deal with special circumstances and a $400,000 exemption to help truly rural cabins and cottages.
- The reason the tax was needed was the decades of neglect by the former government that left our province with near-zero vacancy rates and the most unaffordable housing prices in Canada.
- They let foreign and domestic speculators fuel the housing market unchecked and the results have been devastating for British Columbians.
- The speculation and vacancy tax is a key part of our 30-point plan to moderate the housing market and make sure people can afford to find a place to live.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Speculation tax – OIPC Inquiry

ADVICE AND RECOMMENDED RESPONSE:

- Protecting people's personal information and privacy is paramount for our government and that principle has guided the roll-out of the Speculation and Vacancy Tax (SVT).
- Collecting Social Insurance Numbers (SINs) as part of the SVT is critical to cracking down on speculation and making sure the 99 per cent of British Columbians exempt from the tax claim their principal residence (or other) exemption.
- I am confident the tax is fully compliant with our privacy legislation and that taxpayers' data is being handled safely and securely.
- I understand the Commissioner must do his duty under the *Freedom of Information and Privacy Act* to investigate an individuals' concerns about the collection or disclosure of personal information and welcome their inquiry.

KEY FACTS:

- The Inquiry is a standard process in response to a complaint brought forward by a member of the public and it's the duty of the Privacy Commissioner to look at those complaints.
- The OIPC reviewed the draft SVTA legislation and Finance staff worked with their office to answer their questions throughout the declaration process.
- Authority to collect information through the declaration process is found in section 62 of the Act and under section 26 (a) and (c) of the *Freedom of Information and Protection of Privacy Act.*
- SINs are used to verify:
  - tax residency,
  - to qualify for the principal residence exemption, and
  - to identify satellite families and foreign nationals.
- Without the collection of SINs, the speculation and vacancy tax would not be administrable.
- It is the only way to link an individual property owner to their income tax records and the only identifier used by Canada Revenue Agency.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

BACKGROUND:

- On February 27, 2019, OIPC notified the Ministry of Finance (through the Ministry of Citizens Services' Privacy Compliance and Training Branch) that they will be conducting a formal inquiry into the collection of SINs for the SVT.
- The complaint is in regards to the collection of SIN, Date of Birth, email address on the SVTA declaration.
- The usual process for such complaints would be to have the member of the public engage with Ministry of Citizens Services PCTB branch for a formal response to the individual's concerns. However, the OIPC has chosen to move directly to an "expedited inquiry" that must be completed within 90 days.
- The inquiry is the result of a particular complaint made by a member of the public, however the decision to proceed directly to an expedited inquiry was influenced by the public interest in the issue.
- An expedited inquiry is likely to take several months. Once an adjudicator is assigned, the province will be given an opportunity to respond to the complaint (it will have two weeks to respond). The individual making the complaint will then have an opportunity to provide a response. The adjudication process is thoughtful and often takes a couple months or more. The decision will be publicly posted on the OIPC website here: https://www.oipc.bc.ca/rulings/orders/. Typically, the fact that an inquiry is underway is not publicly posted.
- The Privacy Commissioner may at the conclusion of the inquiry order a public body to stop collecting, using or disclosing personal information or confirm a public body's decision to collect, use or disclose personal information. Should the province disagree with the decision it would then be able to have the decision judicially reviewed.
- Previously, on Jan. 19, 2019, the Privacy Commissioner asked for more information about the BC government's collection of SINs as part of the SVT declaration.
- The Commissioner had additional questions after reviewing the operational privacy impact assessment (PIA) and receiving several media requests for comment on the tax. The OIPC, including the Commissioner, were satisfied with their discussions with Finance staff.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

CURRENT STATUS:

- Initial submissions from the Ministry of Finance are being completed and will be submitted to the OIPC no later than May 10th.
- The complainants will then have until June 3rd to reply to the Ministry's submission.
- The Ministry's final submission is due June 17th.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: Dedicated Regional Fuel Taxes

ADVICE AND RECOMMENDED RESPONSE:

- Unlike taxes that raise revenue for the province, dedicated regional fuel taxes raise revenue for the operators of regional transit systems in Metro Vancouver and the Victoria transit region.
- In response to a request from the (Metro Vancouver) Mayor's Council on Regional Transportation, *Budget 2019* authorized TransLink to increase its dedicated fuel tax by a maximum of 1.5 cents per litre.
- This increase allows the Metro Vancouver region to fulfil its funding obligations under an investment plan that provides vital improvements to a transit system that needs to keep pace with a rapidly expanding population.
- Local and Indigenous governments have been working to establish expanded intercommunity transit service in the Sea to Sky region.
- While local proponents of the proposed Sea to Sky system are interested in using a dedicated fuel tax to help cover regional funding obligations, this would require provincial authorization and no decisions have been made.

KEY FACTS:

- There are currently only two dedicated regional motor fuel taxes in BC: TransLink and Victoria Regional Transit Service Commission.
  - TransLink's rate history:
    - 18.5 cents per litre (beginning July 1, 2019)
    - 17 cents per litre (current, took April 1, 2012)
    - 15 cents per litre (took effect January 1, 2010)
    - 12 cents per litre (took effect April 1, 2005)
    - 11.5 cents per litre (took effect April 1, 2003)
    - 11 cents per litre (took effect April 1, 2002)
    - 9 cents per litre (took effect April 1, 2001)
    - 8 cents per litre (took effect April 1, 1999)
  - Victoria's rate history:
    - 5.5 cents per litre (current, took effect April 1, 2018)

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

    - 3.5 cents per litre (took effect April 1, 2008)
    - 2.5 cents per litre (took effect July 1, 1997)
    - 1.5 cents per litre (took effect May 1, 1993)
- In addition to the basic rate of provincial motor fuel tax that varies according to the type of fuel, the province collects a 6.75 cents per litre dedicated fuel tax on all gasoline and diesel sold across BC. Revenue from this tax is dedicated to funding the BC Transportation Financing Authority.
- In late April 2019, TransLink has informed the province that it will be implementing a 1.5 cent per litre tax increase on July 1, 2019, consistent with *Budget 2019*.
- TransLink's "Phase 2 Plan" is the second phase of a ten-year vision for transit improvements that respond to a projected population increase of more than 1 million residents over the coming 25 years.
- The Phase 2 Plan includes enhancements to LRT, SkyTrain, bus service, HandyDART, improvements to sidewalks, bikeways, and multi-use paths, and road network upgrades.
- In 2018, the province committed to fund 40 per cent of the capital costs of the Phase 2 Plan. The dedicated regional fuel tax increase helps the Metro Vancouver region meet its own funding commitment.
- The proposed Sea to Sky system would provide intercommunity commuter service (as opposed to local, intracommunity service) between Vancouver, Squamish, Whistler, and Pemberton/Mount Currie.

CURRENT STATUS:

- In late April 2019, TransLink informed the province that it will be implementing a 1.5 cent per litre tax increase on July 1, 2019. Ministry staff will work to notify industry and consumers of the change over the coming months.
- A Sea to Sky Regional Transit Commission was established through a BC Transit Board resolution on November 1, 2018, though no commissioners have been appointed.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

ISSUE: Dedicated Regional Fuel Taxes

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Question: How much extra tax will a Metro Vancouver driver pay?

Answer: The additional 1.5 cents per litre tax adds 75 cents to the price of a 50 litre fill.

Question: How much revenue does this raise for TransLink?

Answer: TransLink's Phase 2 Investment Plan forecasts that the 1.5 cent per litre increase will raise $30 million in revenue annually.

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MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
QUESTION AND ANSWERS

Question: Why is there little variability in the price of fuel between areas with dedicated regional fuel taxes and areas without?

Answer: Provincial fuel taxes, including dedicated regional fuel taxes and the carbon tax, are set per-litre rates and are just one component of the price at the pump. Industry sets the price of fuel, and fuel taxes don't rise or fall with that price.

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

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Definition of Highest-and-Best-Use Valuation

- Small businesses, particularly those with triple-net leases, can face sharp property tax increases when a property is valued based on its development potential.
- BC Assessment values properties based on their highest-and-best-use, which can be based on its current use or on its development potential.
- In general, when there is a 50% chance of re-development, BC Assessment values a property based on its development potential.
- The highest-and-best-use value is the current market value of the property, taking into consideration the potential to redevelop it.
- Highest-and-best-use valuation is the basis of sound appraisal policy, and is an important incentive to redevelop properties, to keep our neighbourhoods strong and to develop the housing units we need.

Contact: Christine Dawkins **Phone:** s.17
Division: Policy and Legislation Division
File Name: Small Business Property Taxation Highest and Best Use Valuation

MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Carbon Taxes and CleanBC

ADVICE AND RECOMMENDED RESPONSE:

- The carbon tax will continue to increase by $5 per year until rates reach $50 per tonne on April 1, 2021.
- As we committed in *Budget 2018*, incremental carbon tax revenue will support:
    - Carbon tax relief for low- and moderate-income British Columbians;
    - Support for emissions-intense industries to transition to a low carbon economy; and
    - New green initiatives to grow innovation and investment.
- As part of these commitments, *Budget 2019* provides $902 million over three years for achieving commitments under the CleanBC plan. This includes $679 million for CleanBC funding and $223 million for enhancements to the climate action tax credit.
- Carbon tax increases are intended to support the objective of provincial climate goals and CleanBC puts government on a pathway to meet our emission reduction targets.
- As part of CleanBC, Government has committed to public reporting that will be transparent, detailing both revenues generated and the three areas where the revenues will be focused.

KEY FACTS:

- *Budget 2018* committed that revenues generated from carbon tax increases will be focused on three board areas: carbon tax relief for low- and moderate-income British Columbians, support for emissions-intense industry, and new green initiatives.

- To support these commitments, *Budget 2019* provides $902 million over three years for CleanBC, which includes $679 million for CleanBC programs and $223 million for enhancements to the climate action tax credit.
- The $679 million for CleanBC programs includes $299 million in Contingencies funding. This will ensure programs currently being developed are fully funded.

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BACKGROUND:

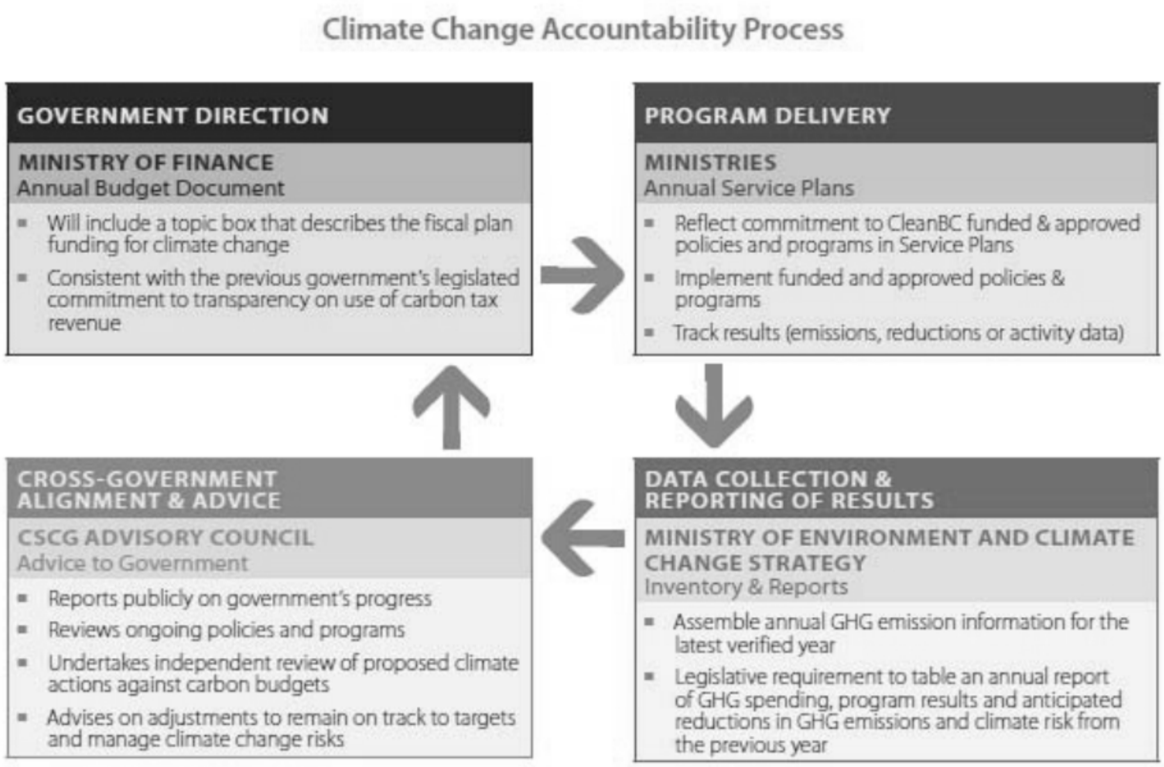
Opposition Criticism

- During Estimates for the Ministry of Environment and Climate Change Strategy (ENV), opposition members questioned why carbon tax revenues are forecasted to increase if CleanBC commitments are intended to reduce provincial emissions.
- Opposition members criticized that, despite carbon tax revenues increasing over the fiscal plan, only $56 million is available per year for the CleanBC Program for Industry, but the $56M is base funding and does not include contingencies.

Revenue Neutrality

- Prior to *Budget 2017 Update*, the Minister of Finance was required to prepare an annual Carbon Tax Plan and Report to demonstrate revenue neutrality. This was done by comparing the carbon tax revenues to measures that were designated as those that return carbon tax revenues to taxpayers (such as the climate action tax credit).

- The plan was required to forecast revenue neutrality over the next three fiscal years while the report was required to demonstrate revenue neutrality from the previous two fiscal years. *Budget 2017 Update* ended this requirement for future budgets.
- CleanBC commits government to “transparent, forward-looking and independent public reporting”. Under this reporting, Government will “table in the Legislature an annual report of spending, program results and anticipated reductions from the previous year”. (Below is the excerpt from CleanBC page 53 on reporting.)



MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
ISSUE NOTE

CURRENT STATUS:

- The Ministry of Finance (FIN) will continue to work with ENV to refine the estimate of carbon tax paid by industry. This will inform the future amounts available through the CleanBC Program for Industry.

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MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
QUESTION AND ANSWERS

ISSUE: Carbon Taxes and CleanBC

Question: What is the incremental revenue generated from increased carbon tax rates?

Answer:

	2017/18 (Actual)	2018/19	2019/20	2020/21	2021/22
Rate ($/tonne)	$30	$35	$40	$45	$50
Total Revenue ($millions)	$1,255	$1,460	**$1,713**	**$1,969**	**$2,200**

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[1] Growth assumptions for fuel types are on pg. 119, Table A5 of *Budget 2019*.

MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
QUESTION AND ANSWERS

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Contact:	Richard Purnell (Tax Policy Branch) Heather Wood (Treasury Board Staff)	**Phone:**	Richard: 778 698-5864 Heather: 778 698-1549
Division:	Policy and Legislation and Treasury Board Staff	**Page:**	6 of 12
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MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
QUESTION AND ANSWERS

s.13

Contact:	Richard Purnell (Tax Policy Branch) Heather Wood (Treasury Board Staff)	**Phone:**	Richard: 778 698-5864 Heather: 778 698-1549
Division:	Policy and Legislation and Treasury Board Staff	**Page:**	7 of 12
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MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
QUESTION AND ANSWERS

Question: How will the government report on how it spends the incremental carbon tax revenues?

Answer:

- As stated in *Budget 2018*, the government has been very clear that revenues generated from carbon tax increases will be focused on three main areas:
  - Carbon tax relief for low- and moderate-income British Columbians;
  - Support for emissions-intense industries to transition to a low carbon economy; and
  - New green initiatives to grow innovation and investment.
- CleanBC states government will "table in the Legislature an annual report of spending, program results and anticipated reductions from the previous year."
- The reporting will be very transparent, detailing both revenues generated and the three areas where the revenues will be focused.

Question: Will the government introduce legislation to require that carbon tax revenues be spent in the targeted areas?

Answer:

- As announced in CleanBC, "we're developing a new accountability framework to make sure people have access to the latest, most relevant information as soon as possible. We will continue to provide comprehensive reports on our progress under the *Climate Change Accountability Act.*"

MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
QUESTION AND ANSWERS

- CleanBC also states that government will "table in the Legislature an annual report of spending, program results and anticipated (emissions) reductions from the previous year."

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MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
QUESTION AND ANSWERS

Carbon Tax Plan from *Budget 2012*:

Business tax measures:			
• General corporate income tax rate reduced from 12% to 11% effective July 1, 2008, to 10.5% effective January 1, 2010, to 10% effective January 1, 2011 and increased to 11% effective January 1, 2014	(374)	(316)	(209)
• Small business corporate income tax rate reduced from 4.5% to 3.5% effective July 1, 2008 and to 2.5% effective December 1, 2008	(205)	(206)	(210)
• Corporate income tax small business threshold increased to $500,000 from $400,000	(20)	(20)	(21)
• Industrial Property Tax Credit of 60% of school property taxes payable by light and major industrial properties	(71)	(73)	(76)
• Provincial school property taxes reduced by 50% for land classified as "farm"	(2)	(3)	(3)
• Interactive digital media tax credit	(38)	(35)	(35)
• Training Tax Credit extended - Businesses	(11)	(11)	(11)
• Extend Scientific Research and Experimental Development Tax Credit beyond August 2014	-	-	(81)
• Film Incentive BC tax credit continued [3]	-	(5)	(30)
Total business tax measures	**(721)**	**(669)**	**(676)**
Total revenue measures	**(1,275)**	**(1,241)**	**(1,261)**

Carbon Tax Plan from *Budget 2016*:

Business tax measures:			
• General corporate income tax rate reduced from 12% to 11% effective July 1, 2008, to 10.5% effective January 1, 2010, to 10% effective January 1, 2011 and increased to 11% effective April 1, 2013	(236)	(250)	(253)
• Small business corporate income tax rate reduced from 4.5% to 3.5% effective July 1, 2008 and to 2.5% effective December 1, 2008	(244)	(256)	(260)
• Corporate income tax small business threshold increased from $400,000 to $500,000	(21)	(21)	(21)
• Industrial property tax credit of 60% of school property taxes payable by major industry	(24)	(25)	(25)
• School property taxes reduced by 50% for land classified as "farm"	(2)	(2)	(2)
• Interactive digital media tax credit	(45)	(45)	(45)
• Training tax credit extended – businesses [2]	(10)	(10)	(10)
• Scientific research and experimental development tax credit extended in 2014 [2]	(150)	(160)	(170)
• Film Incentive BC tax credit extended in 2009 and enhanced in 2010	(90)	(90)	(90)
• Production services tax credit extended in 2009 and enhanced in 2010	(310)	(310)	(310)
Total business tax measures	**(1,132)**	**(1,169)**	**(1,186)**
Total revenue measures	**(1,733)**	**(1,785)**	**(1,815)**

Contact: Richard Purnell (Tax Policy Branch)
Heather Wood (Treasury Board Staff)
Phone: Richard: 778 698-5864
Heather: 778 698-1549

MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
QUESTION AND ANSWERS

Question: What are the green initiatives on which we are spending?

Answer:

- CleanBC is a 10-year plan to achieve our emission reduction targets. We know the carbon tax is effective, and over 10 years, we will monitor the effectiveness of green initiatives on GHG targets.
- CleanBC funding amounts to $902 million over the three-year fiscal plan. This includes $679 million for CleanBC funding and $223 million for enhancements to the climate action tax credit.
- There are other green initiatives in several ministries that support the Province's climate change strategy that are currently underway. *Budget 2019* details investments government has made that will contribute to GHG reduction:
    - An example is the Broadway Subway Expansion capital project, amounting to $1.12 billion over the next three years. Other spending includes exempting PST on electricity, the Clean Energy Vehicle program, and other public transit initiatives.
- Government is also providing relief for British Columbians. *Budget 2019* enhanced the climate action tax credit amounts to 2021. As a result, the climate action tax credit amounts in 2021 will be almost 70 per cent higher than in 2017.

Question: What is the detail behind the Contingencies for CleanBC?

Answer:

- Table 1.8 of *Budget 2019* explicitly showed $299 million over three years for CleanBC Contingencies. For 2019/20, there is $37 million available for CleanBC from Contingencies from a total of $750 million in 2019/20 Contingencies (not including the $553M for sustainable services negotiating mandate).

MINISTRY OF FINANCE
POLICY AND LEGISLATION & TREASURY BOARD STAFF
QUESTION AND ANSWERS

Table 1.8 CleanBC - Operating, Capital and Contingencies Allocations

($ millions)	2019/20	2020/21	2021/22	Total
CleanBC Operating Funding				
Cleaner Transportation	96	6	5	107
Energy Efficient Buildings	10	19	29	58
Indigenous and Remote Communities	18	-	-	18
Climate Strategy Resourcing	1	1	1	3
CleanBC Program for Industry	56	56	56	168
Total Operating Funding	**181**	**82**	**91**	**354**
CleanBC Capital Funding				
Energy Efficient Buildings	8	9	9	26
Total Capital Funding	**8**	**9**	**9**	**26**
CleanBC Contingencies Funding				
CleanBC Programming Under Development	37	87	175	299
Total	**37**	**87**	**175**	**299**
Total Operating, Capital and Contingencies Allocated to CleanBC				**679**

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Contact: Richard Purnell (Tax Policy Branch)
Heather Wood (Treasury Board Staff)
Phone: Richard: 778 698-5864
Heather: 778 698-1549
Division: Policy and Legislation and Treasury Board Staff

File Name: Carbon Tax and CleanBC.docx

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
ISSUE NOTE

ISSUE: 2017/18 Executive Compensation Disclosure

ADVICE AND RECOMMENDED RESPONSE:

- The government is committed to ensuring that total compensation paid to senior executives is fair, that there is accountability, and that there is transparency for the public.
- B.C. is a national leader in reporting standards of executive compensation disclosure, which includes base pay, pensions, holdbacks, bonuses, and an explanation of the compensation paid.
- Controlled compensation is essential to managing our prudent fiscal plan and balancing our budget in the years ahead.

KEY FACTS:

- The Province has continued to make significant improvements to the transparency and disclosure of financial and performance information.
- The reporting requirements are modeled on those of the Canadian Securities Administrators' requirements of publicly-traded companies.
- In 2007/08, legislation was passed requiring the disclosure of compensation of public sector CEOs and the next four highest-ranking executives.
- B.C. is a national leader in best practices for standards of reporting that require annual public disclosures of total compensation for executives.
- The disclosure includes base pay, details about pensions and other benefits, and any holdbacks or bonuses, and – importantly – it also includes an explanation of the compensation paid to executives so the average person can understand what these employees are paid.
- Compensation continues to focus on performance, cost-consciousness, accountability, appropriate compensation, service, respect and integrity across public sector organizations.
- The disclosure is designed to provide accessible, understandable information to British Columbians on compensation paid by public sector employers.

Contact:	Chris Rathbone, ADM	**Phone:**	250 812-3246
Division:	Public Sector Employers' Council Secretariat	**Page:**	1 of 5
File Name:	2017-18 Executive Compensation Disclosure		

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
ISSUE NOTE

BACKGROUND:

- On August 28, 2018 as per the requirement under the *Public Sector Employers Act* (the Act), government disclosed the 2017/18 executive compensation for 60 of the provincial public sector's 120 employers including the public service, Crown corporations, post-secondary institutions, research universities, and health authorities. The 60 K-12 school districts disclosed on December 12, 2018 in keeping with the June 30 fiscal year end in that sector.
- The Act requires that the boards must disclose and attest to the accuracy of the total compensation paid to the CEO and the next four highest ranking/paid executives earning $125,000 or more in base salary. Government has a framework to provide parameters on CEO compensation and all compensation plans must be approved by the Minister responsible.
- Each disclosure statemen includes the compensation, the organization's compensation philosophy, and signed letter or attestation from the board chair verifying the accuracy of the disclosure. Disclosure statements are posted on employer websites and Public Sector Employers' Council Secretariat's.
- The PSEC Secretariat provides an analysis of the data and coordinates the broad disclosure each year. Disclosure is timed to coincide with the Public Accounts which is required under the *Financial Information Act* (the FIA). Executive compensation disclosure under the Act and the FIA call for different information which is summarized below:

Financial Information Act

- All employees, not just executives, earning over $75,000 in cash compensation
- Based on T4 slip information - no details on holdback/bonuses, vacation payouts, retirement allowances, extended benefits or pension arrangements, includes local government

Public Sector Employers Act

- CEO/President and top four executives (decision-makers) earning $125,000 or more in base salary
- Total compensation - bonuses/holdback, benefits, perquisites, allowances, pension, severances, salary continuance and any other payments

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTIONS AND ANSWERS

ISSUE: 2017/18 Executive Compensation Disclosure

Question: Which employer was number one in the top 10 for 2018/19 and how much was the compensation paid to that executive?

Answer:

- Powerex - a subsidiary of BC Hydro - had the highest total compensation in the B.C. public sector at $898K. Base salary is $358,800.
- This compensation was paid to the president and CEO of Powerex, Thomas Bechard.
- Typically, Mr. Bechard's position as the managing director of trading (Head Trader) has held the top spot.
- In 2017/18, Mr. Bechard was acting in the former president and CEO's position, Teresa Conway, who retired from Powerex effective August 1, 2018.
- To facilitate transition Mr. Bechard was promoted from to President and CEO, Powerex effective 2017-12-11.

Question: Were any organizations not in compliance with the disclosure guidelines or other practices in 2017/18?

Answer:

- No - to our knowledge, all public sector organizations are in compliance with the disclosure guidelines.
- Board chairs have signed attestations and we trust they are doing so with knowledge and diligence.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTIONS AND ANSWERS

Question: Are there any organizations that provide public services that are out of scope under the *Public Sector Employers Act* to disclose annually?

Answer:

- Yes. Organizations that do not meet the definition of a public sector employer under the Act include: BC Investment Management Corporation, BC Pension Corporation, Translink, and the BC Ferry Corporation.
- The BC Ferry Corporation which ensures that its executive remuneration is made public as required under the *Coastal Ferry Act*, and BC Investment Management Corporation which includes its disclosure as part of its Corporate Annual Report
- BC Pension Corporation and Translink are required by the *Financial Information Act* to disclose their remuneration annually.

Question: Do you anticipate increasing compensation for executives?

Answer:

- The process for public sector employers to propose modest adjustments for both excluded and executive compensation was updated effective September 1, 2018.
- This direction provides for some modest, performance-based increases for executives – many of which require approval before they can be implemented.

Question: Did ICBC's executives receive their holdbacks and will they get them in 2018/19 in light of the $1.18 billion loss in the current financial year?

Answer:

- Executives in ICBC, with the exception of the outgoing CEO, received 83% of their potential holdbacks in 2017/18.

- I understand that ICBC has been very upfront with employees about the current financial condition of the organization and that they are taking a very measured approach to any potential increases to their excluded compensation and executives.
- As previously stated, the Attorney (Minister Eby) has a number of changes that will take place over the next few months to help adjust ICBC's finances in the right direction.
- However, government had set aside a $750 million contingency fund in case things don't proceed as planned.

Question: Does government set CEO salaries?

Answer:

- No, it only sets a maximum limit for total compensation.
- Within the framework, boards of directors negotiate compensation plans to support service delivery balanced with the need to allocate resources in the most efficient and effective way – subject to the most recent policies outlined in the Employers' Guide to Accountable Compensation.
- The Minister of Finance approves those arrangements under the provisions of the *Public Sector Employers Act*.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
ISSUE NOTE

ISSUE: Provincial Public Sector Excluded Compensation

ADVICE AND RECOMMENDED RESPONSE:

- We believe that public sector employers should be able to reward strong performance within their existing budgets.
- Controlled compensation is essential to maintaining our province's prudent fiscal plan and balancing our budget in the years to come.
- Our approach means that costs will remain low for the public while the Province can remain an attractive employer, competitive labour market.
- We have been clear with public sector employers that no additional funds will be provided by the province. Any increases must be funded within existing budgets.

KEY FACTS:

- Effective September 1, 2018, public sector employers have the authority to utilize a more flexible approach to making decisions within the bounds of their approved compensation or implementation plans.
- This means that performance-based increases within salary ranges are no longer limited to 2% per calendar year, and additional flexibility within the following parameters can be applied, based on the common set of principles and within the parameters of an employer association's implementation plan, where applicable:
    - Cumulative increases of 5% or less per calendar year: no pre-approval required
    - Cumulative increases >5% and up to 10% per calendar year: reported to PSEC Secretariat
    - Cumulative increases >10% per calendar year: must be approved by PSEC Secretariat

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTION AND ANSWERS

ISSUE: Public Sector Excluded Compensation

Question: Will non-unionized/excluded employees get the same increases as those covered by settled agreements?

Answer:

- No, management salaries are not – nor should they be – directly tied to the increases for unionized workers.
- There are no automatic or across-the-board general wage increases for excluded management employees.
- Any salary adjustments need to reflect performance and conform with the organization's formal compensation plan.
- There is no specific or incremental funding for management salary increases – these costs much be managed within existing budgets.
- We're taking a consistent approach across the provincial public sector. Within our common approach, organizations have the flexibility to make prudent adjustments consistent their compensation plans and budget capacity.
- The same holds true for Community Social Services employers. Funding to the sector has increased, but employers will need to decide how to best use their available funding to address any salary compression or inversion compared to the unionized positions.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
ISSUE NOTE

ISSUE: 2019 Sustainable Services Negotiating Mandate

ADVICE AND RECOMMENDED RESPONSE:

- We're taking practical steps to deliver better services.
- We look forward to reaching freely negotiated agreements.
- Government, employers and union members are dedicated to making lives better for all British Columbians.
- 'Give & take' at the bargaining table will be shaped by these shared commitments.
- Currently, over 217,000 public sector employees are now covered by tentative or ratified agreements reached under B.C.'s Sustainable Services Negotiating Mandate – that's about 66% of all unionized employees working in the province's public sector.

KEY FACTS:

- There are about 430,000 people in British Columbia working in the provincial public sector in the at Crown corporations and agencies, the public service, in K-12 education, post-secondary, research universities, health and community social services— of those people, roughly 330,000 are unionized employees.
- Currently, government and public sector employers spend about $30.4 billion on compensation, which is equivalent to more than half of the Province's budget.
- An increase of 1% in total compensation for all unionized public sector employees costs over $245 million. If this is applied to non-union and management groups, the total compensation increases to about $304 million.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTIONS AND ANSWERS

ISSUE: 2019 Sustainable Services Negotiating Mandate

Question: What are the elements of the 2019 Mandate?

Answer:

- The Sustainable Services Negotiating Mandate applies to all public sector employers with unionized employees whose collective agreements expire on or after December 31, 2018.
- The mandate applies to a three-year term with general wage increases of 2% in each year.
- It includes a conditional 0.25% that is in each year that is a negotiable Service Improvement Allocation to drive tangible service enhancements for British Columbians.
- An example would be targeted funds to address existing, chronic labour market challenges where employers need to meet service delivery commitments or changes that achieve service improvements through innovations, modernization or efficiencies and that also benefit employees.

Question: What is the status of negotiations?

Answer:

- About 66% of unionized employees working in the B.C. public sector are now covered by a tentative or ratified agreement reached under the Sustainable Services Negotiating Mandate.
- Out of a total of 183 agreements to be renewed under the mandate - 15 ratified and two tentative – as well as two Frameworks which all together represent more than 217,000 people. (as of May 2 2019)

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTIONS AND ANSWERS

Question: How many renewed agreements under the Sustainable Services Negotiating Mandate include a "me-too" clause? Which ones have it?

Answer:

Name
K-12 - Presidents Council Support Staff 2019 Provincial Framework Agreement
2019 HEABC - Health Sciences Professionals Bargaining Association (HSPBA) Agreement
2019 Public Service PEA Master Agreement
2019 BCGEU Main Agreement
2019 BCGEU Vocational Faculty Common Agreement
2019 Facilities (FBA) Agreement

- We believe the choices made in negotiations can ensure fair outcomes for employees, improve services for British Columbians, and allow the province to continue on a sound fiscal track.
- The Sustainable Services Negotiating Mandate is about improving the delivery of services for people in B.C. while balancing the need for fair and reasonable wage increases with outcomes that are affordable and managed within the fiscal plan.
- The 'give and take' at the bargaining table will be shaped by these shared commitments.
- Me-too clauses are common as a kind of comfort for members, particularly when unions agree to early negotiations.
- Six agreements have included this provision.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTIONS AND ANSWERS

Question: What about non-union community social services employees? Will they get wage increases?

Answer:

- People who work in the community social services sector provide important services for thousands of British Columbians, including care aides and addictions counsellors, for example.
- As part of government's commitment to improve the services and supports that people throughout B.C. depend on every day, we are looking at ways to ensure that people in this priority sector are paid fairly.
- That's why Budget 2019 provides funding to support wage increases for agencies with non-unionized employees that are in line with general wage increases across the broader public sector.
- Unionized community social services employees will also benefit from low wage redress funding—this is targeted funding to equalize wages with similar unionized positions in the health sector.
- The low wage redress funding is essential for staff retention in the social services sector and to ensure access to quality services when they are most needed.
- At this time, the low wage redress funding is only available to agencies covered by collective agreements.
- Government will continue to monitor and evaluate the impact of the low wage redress funding on the non-union sector to help inform future funding decisions.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTIONS AND ANSWERS

Question: How much is the 2% raise for the public sector costing tax-payers?

Answer:

- An increase of 1% in total compensation for all employees, including unionized, non-union, and management employees costs approximately $291 million.
- By compensating public sector employees fairly, we believe we are taking practical steps to delivery better services for all British Columbians.
- We also believe the choices made in negotiations can ensure fair outcomes for union members, improve services for people, and support a strong, sustainable economy in our province.
- In total, $3.7 billion is provided to support new collective agreements consistent with the Sustainable Services Negotiating Mandate for unionized public sector employees.
- By investing in people — those who deliver the services that British Columbians depend on every day — we are investing in a strong, sustainable economy.

Question: What will the total cost of the agreements negotiated under the Sustainable Services Negotiating Mandate be?

Answer:

- The anticipated costs for the Sustainable Services Negotiating Mandate are funded within the priority initiatives and caseload line in Budget 2019.

- Budget 2019 allocates $180M to line ministries over the three-year fiscal plan to fund all ratified collective agreements reached by December 31, 2018.
- Budget 2019 also includes centralized funding to assist with the anticipated costs of concluding the remaining agreements.
- An increase of 1% in total compensation for all employees in B.C.'s public sector, including unionized, non-union, and management employees costs approximately $304 million.
- Out of 330,000 unionized employees working in B.C.'s public sector, there are currently over 217,000 now covered by tentative and ratified agreements reached under this mandate.

Question: What is the status of the negotiations with the teachers' union?

Answer:

- Formal negotiations have been underway since February 19.
- Bargaining belongs at the bargaining table.
- We look forward to a respectful, productive and successful round of bargaining and want to be proud of a renewed collective agreement that is good for teachers, good for students and good for the education system.
- We respect teachers and what they do for our kids.
- We respect the SCC decision that confirmed the right for unions to engage in free collective bargaining.
- I know that BCPSEA, which represents the 60 public boards of education employers across the province, is not looking for concessions but will be looking for change — change that is good for teachers, good for students, and good for the education system.

- At the same time, our government is committed to a relationship with employers and all employee groups in the sector that is built on respect and trust, where all parties working collaboratively together in the best interests of students.
- I am confident that the parties can conclude a negotiated collective agreement before the expiry of the current agreement on June 30, 2019.

Question: Did the agreement ratified by the Nurses' Bargaining Association exceed the province's negotiating mandate?

Answer:

- No. We are pleased that B.C. nurses have ratified an agreement in which elements have been fully costed and are consistent with the mandate.
- This includes the "working short" premium, which is consistent with the Sustainable Services Negotiating Mandate.
- There has been good give and take between the parties at a number of tables which in some cases results the ability to fund solutions from savings, which is in addition to the negotiable funding available under the mandate to improve service delivery.
- Employers and unions are working together to negotiate fair, affordable agreements that support the services people count on.

Question: Will non-unionized employees get the same increases as those covered by settled agreements?

Answer:

- No, management salaries are not – nor should they be – directly tied to the increases for unionized workers.

- There are no automatic or across-the-board general wage increases for excluded managers.
- Any salary adjustments need to reflect performance and conform with the organization's formal compensation plan.
- There is no specific or incremental funding for management salary increases – these costs much be managed within existing budgets.
- We're taking a consistent approach across the provincial public sector. Within our common approach, organizations have the flexibility to make prudent adjustments consistent their compensation plans and budget capacity.
- The same holds true for community social services employers. Funding to the sector has increased, but employers will need to decide how to best use their available funding to address any salary compression or inversion compared to
- the unionized positions.

Question: Why didn't government provide Low Wage Redress to non-unionized community social services workers as was done in the last round of bargaining?

Answer:

- People who work in the community social services sector provide important services for thousands of British Columbians, including care aides and addictions counsellors, for example.
- As part of government's commitment to improve the services and supports that people throughout B.C. depend on every day, we are looking at ways to ensure that people in this priority sector are paid fairly.

- That's why we are providing funding to support fair and affordable wage increases for agencies with non-unionized employees that are in line with general wage increases across the broader public sector.
- Unionized community social services employees will also benefit from low wage redress funding—this is targeted funding to equalize wages with similar unionized positions in the health sector.
- The low wage redress funding is essential for staff retention in the social services sector and to ensure access to quality services when they are most needed.
- At this time, the low wage redress funding is only available to agencies covered by collective agreements.
- We appreciate and understand that over the medium or longer term, growing variance in wages and benefits could lead to service delivery challenges.
- We will continue to monitor and evaluate the impact of the low wage redress funding to help inform future funding decisions.

Question: How many Economic Stability Dividends have been paid out to public sector employees? What were the amounts – and how much will it cost to pay for it?

Answer:

- *Budget 2019* provides all ministries with budget increases totalling approximately $487 million over the three-year fiscal plan period to fund the fourth and final ESD.
- There have been four dividends paid under the Economic Stability Mandate.

- All four dividends total 1.95% and over the five-year term, employees will have received 7.45% in cumulative wage increases, including the 5.5% negotiated under the Economic Stability Mandate.
- The first ESD was a 0.45% increase, followed by 0.35%, then it was 0.40%, and the final ESD was a 0.75% additional wage increase that employees started seeing on their paycheques this past February.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
ISSUE NOTE

ISSUE: Pension Plan Changes

ADVICE AND RECOMMENDED RESPONSE:

- British Columbia's four public sector pension plans represent about 580,000 members and invest more than $113 billion in assets on behalf of their beneficiaries.
- The B.C. public sector pension plans are well funded, between 102.5% and 108% at their most recent valuations.
- The plans are jointly trusteed and jointly funded, they are also fully pre-funded — employers and employees pay for the pension the employee will receive in retirement.
- Employers and employees share liabilities and surpluses equally.
- The B.C. plans are not a drain on taxpayers — between 70-80% of pensions are funded through investment returns, the remainder is shared between employers and employees.
- Public Sector pension plans are not 'gold-plated' — the average pension in 2017 was between $17.5K/year for municipal employees to $30.5K/year for teachers.
- B.C. public sector pensioners receive over $3B annually from their pensions, and B.C. citizens get another $7B each year from the Canada Pension Plan. These funds are largely spent in the B.C. economy contributing to GDP, jobs and provincial taxes.
- Changes to modernize the plans are being made to better reflect the needs of members today, and tomorrow — design changes that make the benefits more equitable to all members have been made in the Public Service, Teachers', College, and the Canada Pension Plan.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
ISSUE NOTE

KEY FACTS:

- B.C. made significant public sector pension reforms in the early 2000s to move them into joint trusteeship between the employers and the unions, appointing Boards of Trustees to manage the pension benefits and funds and make decisions, and establishing BCi (formerly bcIMC) and Pension Corporation to support the Boards.
- Many of the changes other jurisdictions are now making are similar to how B.C. already manages its public sector pensions.
- B.C. has also led the way in providing new options for private sector pensions, like the introduction of Pooled Registered Pension Plans and regulatory reform for pension plans to provide solvency funding relief and introduce target benefit plans.
- The B.C. Minister of Finance, as the B.C. Canada Pension Plan (CPP) Steward, contributes to the governance of the CPP to ensure that sufficient assets are accumulated to meet the cost of CPP benefits, that contribution rates remain stable, and that Canadians can expect predictable benefits from the CPP.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTION AND ANSWERS

ISSUE: Pension Plan Changes

Question: What are the changes that were made to the Public Service Pension Plan?

Answer:

- The plan design changes modernize the Plan such that the Plan better reflects the reality of plan member demographics and needs. The plan design changes also improve equity in the provision of benefits to all members.
- Amendments to the Public Service Pension Plan were implemented on April 1, 2018.
- Plan design changes are all on future service, this means all accrued service and benefits remain unchanged.
- People retiring with service both before April 1, 2018 and after will receive a pension calculated on a prorated basis for the different benefits applicable over the time frame. So, a prorated bridge benefit will still be provided and the Rule of 85 early retirement factor will remain for pre-2018 service.
- The changes for pensionable service from April 1, 2018 are:
    - The accrual rate[1] changed from 1.35% on salary up to the YMPE[2] and 2% on salary above the YMPE, to a flat 1.85% on all salary;
    - The early retirement pension reduction factor of 3% (applied to pensions taken before age 60 or before the Rule of 85) increased to 6.2%;
    - The bridge benefit and the early retirement factor Rule of 85 was eliminated on all post April 1, 2018 service; and,

[1] The accrual rate is 1 of 3 components in the calculation of pensions, accrual rate * years of pensionable service * highest 5 year average salary.

[2] YMPE is the year's maximum pensionable earnings, it is set by the federal government based on the Canadian average industrial wage and it changes annually – it is $55,900 in 2018.

    - An unreduced pension with 35 years of contributory service was introduced.
- In addition, a past service adjustment to the accrual rate for all service between April 1, 2006 and March 31, 2018 will be implemented, lifting the accrual rate on salary below the YMPE from 1.35% to 1.65%, with a corresponding reduction in the bridge benefit calculation from 0.65% to 0.35%.

Question: What were the recent changes made to the Teachers' Pension Plan?

Answer:

- The December 31, 2017 valuation results allowed for the benefit improvements in the Joint Trust Agreement (JTA) Transition Provisions to be implemented.
- These benefit improvements were to increase the accrual rate from 1.85% of salary to 1.9%, on service from January 1, 2018, and to change the normal form of pension from a single life no guarantee to a single life 10-year guarantee on all service.
- Alongside the benefit improvements were contribution rate reductions for employers and members totalling 3.68% and $644 million residual surplus staying in the plan.

Question: What are the changes that were made to the Canada Pension Plan (CPP)?

Answer:

- There was an expansion to the Base CPP to improve retirement savings. The Additional CPP benefit was implemented on January 1, 2019.

- Canadians began accruing higher benefits on salaries earned up to the YMPE (33% of career average earnings up to the YMPE, up from 25%, on future service). The upper earnings limit will also be increased from the YMPE by 7% in 2024 and another 7% in 2025 so that CPP benefits will accrue on a higher range of salaries.
- Contributions will increase by 1% each for employees and employers, phased-in incrementally over 5 years beginning January 1, 2019. They will further increase in 2024 by 4% each for employees and employers on earnings up to 7% above the YMPE and again in 2025 on earnings up to 14% above the YMPE.

Question: There was a certain amount of frustration and concern voiced by public service employees and pension members reacting to the PSPP changes, is this still an issue?

Answer:

- Plan members were frustrated in the Spring of 2018 over the short time-lines and lack of information available to them regarding these changes.
- In the weeks following the announcement of the plan design change on March 16, 2018, both the Plan Partners (Government and the BCGEU) and the Board of Trustees acknowledged the anxiety that it caused the membership and took additional steps to provide more tools and information to members, as quickly as possible.
- The Board worked to be responsive to member requests and improved the information available on its website, provided an interim illustrator as an early assessment tool to see the impact of the changes as the official estimator was not available until May 1st.
- There were more detailed member scenarios added to the website and many new pension seminars added to the education calendar.
- There are no longer any outstanding concerns to be addressed.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTION AND ANSWERS

Question: Are the changes completed now in the PSPP?

Answer:

- No, the past service benefit improvement will be implemented in October of this year.
- Additionally, there are two groups of members that had special pension benefits, these groups require other amendments to their provisions before the plan design changes can be applied to them. This work is currently underway.

Question: Why were benefit improvements built in to the JTA for the Teachers' Pension Plan?

Answer:

- When the public sector pension plans moved into joint trusteeship, the Teachers' Pension Plan had an unfunded liability.
- It was agreed at the time that once there was surplus in the Plan, there would be some specific benefit improvements and the employer's contribution rate would be reduced.
- The results of the December 31, 2017 valuation allowed for the elimination of all past unfunded liabilities, the planned benefit improvements to be implemented, and the rate reductions to occur, while also retaining a $644 million surplus in the plan.

MINISTER OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
QUESTION AND ANSWERS

Question: Are the increases in contributions to the CPP really about improving its funded status? Is the CPP going to be there for people when they retire?

Answer:

- Yes. Canadians can rely on the significant rigour in funding, governance and investment management for Base and Additional CPP benefits, which are very secure.
- The additional contributions to the CPP are for the benefit enhancement agreed to in 2016 by the provincial and federal governments.
- The purpose of this benefit improvement is to ensure Canadians are better prepared for retirement as there had been a growing savings gap.
- The Chief Actuary for the CPP evaluates the assets and liabilities associated with the CPP, and now ACPP as well, to determine the health of the plan as it relates to the level of contributions to fund the benefit. The Chief Actuary has determined that the CPP is sustainable at the current contribution rates out 75 years. The Chief Actuary incorporates significant stress testing in the valuation projections that are conducted as part of the triennial valuation.

Contact: Chris Rathbone, ADM
Phone: 250 812-3246
Division: Public Sector Employers' Council Secretariat

File Name: Public Sector Pension Plan Changes

MINISTRY OF FINANCE
PROVINCIAL TREASURY
QUESTION AND ANSWERS

ISSUE: 2019 PUBLIC DEBT Q&A

1. Budget 2018 forecast total provincial debt at $69,372 million for 2018/19. The updated forecast is $67,916, which is $1,456 million lower than planned. Why the variance?

- Lower than forecasted borrowing requirements of $345 million for opening balance assumption used in the 2018/19 Budget. The updated forecast uses the actual results for 2017/18.
- Lower than forecasted borrowing requirements of $1,081 million (mainly due to higher operating surplus of $155 million, lower capital requirements of $272 million, lower refinancing requirements of $529 million and higher other financing sources of $125 million)
- Higher than forecast change in sinking funds of $41 million
- Offset by changes to SUCH sector debt of $11 million.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
QUESTION AND ANSWERS

	Budget 2018	2018/19 Updated Forecast	Variance
Total Provincial Debt	**69,372**	**67,916**	**(1,456)**
Borrowing Requirements			
Operating (surplus)	(219)	(374)	(155)
Capital requirements:			
Taxpayer-supported	5,174	4,771	(403)
Self-supported	4,061	4,192	131
Refinancing Requirements	3,239	2,710	(529)
Other Financing Sources	(4,337)	(4,461)	(124)
Total Borrowing Requirements	7,918	6,837	(1,081)
Debt guarantees, non-guaranteed debt, and SUCH sector debt	64	75	11
Gross increase in debt	7,982	6,912	(1,070)
Debt maturities and changes in sinking fund balances	(3,874)	(3,915)	(41)
Net change in Provincial Debt	**4,108**	**2,997**	**(1,111)**
Opening balance assumption used in Forecast 2018/19			**(345)**
Total Variance			**(1,456)**

Contact: Jim Hopkins, ADM
Phone: 250 387-9295
Division: Provincial Treasury

File Name: 2019-20 Public Debt Q+A.docx

MINISTRY OF FINANCE
PROVINCIAL TREASURY
QUESTION AND ANSWERS

2. **How has the 2018/19 taxpayer-supported debt to gross domestic product (GDP) ratio changed from that budgeted? How does the province's debt load compare to other provinces?**
   - Taxpayer-supported debt-to-GDP ratio was estimated to be 15.5% in the Budget 2018 and the year-end estimate at March 31, 2019 is 14.9%.
   - Moody's rating agency shows the Province of BC having one of the lowest taxpayer-supported debt-to-GDP in Canada at 15.3% (2016/17) after:
     - Alberta 14.3%; and
     - Saskatchewan 11.9%.
   - The province's taxpayer-supported debt service costs as a percentage of revenue (interest bite) is very low at 3.3% and is the third lowest in Canada after:
     - Alberta (3.0%); and
     - Saskatchewan (2.7%).

3. **Budget 2018 forecast management of public debt expenses on government operating and capital debt at $1,276 million. The preliminary March 31, 2019 expense is $1,260 million. Why the $16 million decrease.**

   This is primarily due to:

   Savings from:
   - Lower borrowing rates, reduced borrowing requirements and timing changes of $15 million;
   - Lower commercial paper interest of $7 million;
   - Debt transfer out to clients of $10 million;

Partially offset by increased costs:

- Higher swap interest (higher floating rate) plus higher swap buyout and discount amortization of $4 million; and
- Changing interest rates (higher floating rates) and foreign exchange rates (lower CAD fx) offset by lower Commercial Paper interest costs of $11 million.
- Credit Support Annex (CSA) cash collateral interest costs of $1 million

4. What is the debt servicing cost impact in 2018/19 of an interest rate increase/decrease of 1%?

- The impact of a one percent change in interest rates to taxpayer-supported debt would be $93 million increase in debt servicing costs (government direct capital $46 million, other taxpayer-supported Crown corporations $47 million).
- The impact of a one percent change in interest rates to self-supported debt would be $49 million increase in debt servicing costs.

NOTE TO MINISTER: The calculated impact of a one percent change is based on the assumption that the change would occur at the beginning of the fiscal year.

5. Does the province have any unhedged foreign exchange exposure? If yes, which currencies and how much? How will an increase in the Canadian dollar affect this exposure?

- The province currently has debt issued in US dollars, German marks (since converted into Euros), Swiss francs, Australian dollars, Chinese renminbi and Indian Rupee. However, it only has foreign currency liability exposure in US dollars as the other foreign currency debt has been hedged to Canadian dollars.

- Total US dollar denominated debt of the government and its Crown corporations is US $3.8 billion. Of this amount, US $3.6 billion is hedged through US dollar sinking funds or through currency forwards and swap contracts which have converted the liabilities into Canadian dollar obligations. The remaining unhedged US dollar exposure of $227 million (C $299 million equivalent) is held by BC Hydro, which is hedged naturally by Hydro's US dollar export sales.
- An increase in the Canadian dollar will reduce the cost of obtaining US dollars to meet BC Hydro's unhedged interest and maturity obligations.
- The province also has Chinese Renminbi and Indian Rupee bonds in the amount of $197 million CAD and $93 million CAD respectively that are not hedged with a derivative financial instrument, however, the currency exposure is in effect hedged through matching Chinese Renminbi and Rupee-denominated investments (natural hedge).

6. How does government expect taxpayer-supported debt-to-GDP to trend over the duration of the fiscal plan?

- Fiscal plan targets are updated on a quarterly basis.

($ millions)	2017/18 Actual	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Taxpayer supported debt	$43,607	$43,957	$46,384	$50,454	$53,986
Taxpayer supported debt to GDP	15.5%	14.9%	15.0%	15.7%	16.1%

MINISTRY OF FINANCE
PROVINCIAL TREASURY
QUESTION AND ANSWERS

7. What is the per capita debt in British Columbia?

($)	2017/18 Actual	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Taxpayer supported debt-per-capita	8,859	8,806	9,172	9,850	10,401
Total provincial debt-per-capita	13,189	13,606	14,346	15,161	15,871

Note: Economists no longer support use of per capita ratios as a valid economic indicator.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

ISSUE: BORROWING STRATEGY FOR FISCAL YEAR 2019/2020

ADVICE AND RECOMMENDED RESPONSE:

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KEY FACTS:

Prior to each fiscal year, the Debt Management Branch, Provincial Treasury outlines a strategy for meeting the projected financing requirements of the province and its clients. The strategy, once approved, is monitored regularly and an update provided to the Risk Committee quarterly over the fiscal year (The Risk Committee is chaired by the Deputy Minister and includes external subject matter experts).

BACKGROUND:

Market Outlook

2018 saw just about every major stock market down on the year, many in the 10-20% range. Alongside this, economic reports indicated growth slowed globally; while markets showed drops in bond yields, widening of credit spreads and falling commodity prices. The most relevant question forecasters have raised is whether the weakness was simply a normal repricing or the start of a long-overdue bear market.

At this early stage of the New Year, most markets have shown rebounding prices from the late-December lows. The rebound not only shows how precarious economic and market forecasting can be, but in this current environment how uncertain is the path ahead.

In one camp, there is a view that a recession is due: It has been an inordinate amount of time (over 10 years) since the last protracted downturn; economic drivers like business and consumer spending may be tapped out; emerging markets are weighed down heavily by unsupportive global trade tensions; and some central banks have begun to indicate that an easing in monetary conditions is possible.

In the other camp, the view is that economic soft patches are inevitable and recent market declines are overdone: Recent adjustments to higher interest rates should be expected to cause some short-term discomforts; while there may be worries, there has not been any particular exogeneous shock to cause economic momentum to end abruptly; and while there are similarities to the 1998 slowdown in emerging economies, even then there materialized a stronger recognition of the fundamental resiliency of the US economy.

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To achieve this year's funding program, the Capital Markets team anticipates navigating several events and factors (scheduled and otherwise) which could bring inclement volatility to the markets. These include but are not limited to: economic data releases; progress on global trade negotiations; US Federal Reserve and Bank of Canada monetary policy decisions; broader global geopolitical issues like Brexit, influence over

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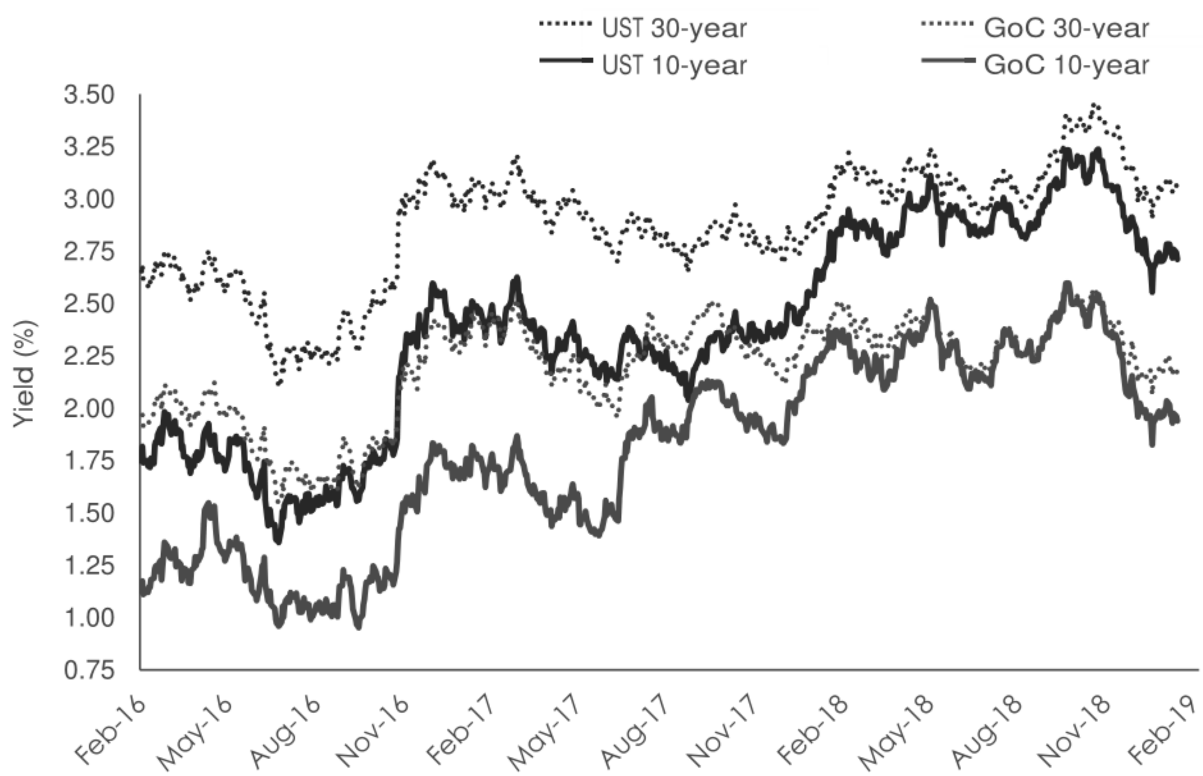
ISSUE NOTE

Crimea, North Korea belligerence, etc.; the stability of the current White House administration; and closer to home the price of oil, gas and other commodities.

Taking a closer look at government bond yields, which reflect the perceived risk-free rate of return at various terms to maturity, we can see that optimism fluctuated dramatically through 2018. For example, the US Treasury 10-year note rose from around 2.40% in January to reach an in-year high of almost 3.24% in October. It revisited that high again in November before dropping precipitously to 2.57% at year end. The US Federal Reserve hiked 4 times in 2018 and was indicating a solid path to further hikes in 2019 before market turbulence seemed to have forced the Fed to rethink these plans and to pause for the time being. That is where we are now, and the Bank of Canada has also been positioning its own monetary tightening plans far less aggressively of late.



Given the uncertainty over the broader global market outlooks and the potential for continued volatility in future interest rates and credit spreads, it is likely that British Columbia's target cadre of institutional investors will show an increased demand for assets that offer security of returns and liquidity. Provincial credits generally fit these criteria, and particularly credits from names that have a reputation for promoting strong market-making in their bonds and aligning funding program needs with these investor demands.

This environment will also require bond issuers to be nimble in accessing funding opportunities. Challenging liquidity in both primary and secondary markets have created periods when sellers and buyers have found it extremely difficult to execute their trades at amenable prices and new issuance has been unadvisable. These challenging conditions are expected to reemerge in the coming year. Windows of opportunity for cleanly executed funding may be fleeting.

With the expertise of staff, and the ongoing professional engagement that the Capital Markets team has established with market participants, we are confident that funding the borrowing needs for fiscal 2019/20 will be successful and completed on time.

Interest Rate Outlook

Canadian money-market rates (terms of less than 18-months) climbed again last year, continuing their steady increase to reach new highs since 2008. Like rates globally, the last couple months of 2018 saw some retracement lower, but essentially this is materializing into a levelling-off for the time being. Domestic bond yields began last year moving higher but have returned to levels nearer and lower than those seen at the beginning of 2018. Curve flattening that was materializing through last year is reversing (now modest steepening underway) as a result of these movements in rates at various tenors. Expectations of further Bank of Canada monetary tightening have been postponed.

- Three-month Canada Treasury Bills yield 1.667% currently, up from 1.145% a year ago.
- Two-year Canada bond yields climbed from 1.830% a year ago to reach as high as 2.357% before falling lower to 1.768% currently.
- Five-year Canada bond yields climbed from 2.111% a year ago to reach as high as 2.485%, before falling lower to 1.790% currently.

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PROVINCIAL TREASURY
ISSUE NOTE

- Ten-year Canada bond yields climbed from 2.323% a year ago to reach as high as 2.600%, before falling lower to 1.881% currently.
- The thirty-year Canada bond yield climbed from 2.460% a year ago to reach as high as 2.585%, before falling lower to 2.143% currently.

For Ministry of Finance approved budget forecast rates See Appendix A

Based on our interest-rate outlook, and with support from the Risk Committee s.13

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Borrowing Requirements

Based on the Budget estimate, the Province is forecast to borrow approximately C$7.454 billion in 2019/20 (*see Appendix B - Borrowing Program Summary*).

BC Hydro's total funding requirements are forecast to net out to $1.388 billion. Instructions received indicate long term debt issuance of $1.475 billion is required over the fiscal year to accommodate funding needs along with the net paydown of ~$90 million of short term debt.

Transportation Financing Authority (TFA) total funding needs are forecast to be approximately $2.282 billion, of which almost all is projected to be in long-term debt.

Financing Columbia Basin Trust's and Columbia Power Corporation's purchase of Fortis' interest in the Waneta Expansion project will require total funding requirement of $991 million for an April transaction closing date.

The CRF for Direct Operating debt was paid down entirely last year. Any short-term interim financing will be addressed through the commercial paper program.

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PROVINCIAL TREASURY
ISSUE NOTE

Direct Capital's refinancing and new cash requirements of $2.1 billion for the such sector are currently forecast to be funded directly from cash. This is a major assumption which will be closely monitored through the fiscal year.

Markets and Access

The domestic market is our base market for establishing liquid benchmark bond issues. These bonds are the primary points of reference for establishing the yield curve for British Columbia's indicative cost of funding across terms and primarily the 10-year and 30 -year terms.

Foreign currency markets can offer effective diversification of our borrowing sources and provide funds which are cheap relative to the domestic Canadian dollar markets. We will continue to seek out competitively-priced alternatives to the domestic market. Foreign markets (specifically, the US dollar global and Euro markets) also present opportunities to borrow in larger amounts (upwards of C$ 1 billion or more at a time) than could typically be sourced singularly in the domestic bond market.

Canada Pension Plan (CPP) borrowing allows us to roll maturing debt (for now) at market rates without paying any underwriting commissions. This upcoming fiscal year we have eleven small CPP maturities totaling $280 million which we will aim to roll.

Floating Rate Notes (FRN's) and private deals in the domestic market will be considered on a low-priority basis as their issuance could dilute our efforts to support liquidity in targeted benchmark public issues.

Inclement markets for issuance (i.e. due to volatility, political uncertainty, lack of meaningful buyers, etc.) do occur periodically and can limit our ability to address our funding needs as laid out above. Contingencies that we can entertain include issuing in offshore markets even if slightly more expensive than C$ funding, issuing private placements, or increasing commercial paper balances. There is ample authorized commercial paper balance capacity ($15 billion) to accommodate current plan estimates for commercial paper debt to peak near $8 billion before July 2019 revenues and term re-financing pays down maturities.

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The Capital Markets Team will be monitoring opportunities for strategic onshore Renminbi (Panda) market issuance once Chinese regulatory authorities have approved the renewal of our Panda Bond program. To date, the Province's Panda and Masala bond issuances have been transacted as matched book trades and therefore have not reduced financing requirements.

The Capital Markets Team will also monitor market conditions and standards for Green bond and other Social Responsible Investment (SRI) topics that may be relevant to the Province. We will revisit opportunities for issuance of Green Bonds with the Minister early in the fiscal year for a possible offering in Fall 2019.

Hedging Strategy

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The Province has undertaken successful negotiations with most of its existing derivatives counterparties to put in place a new collateralization framework (Credit Support Annex, or 'CSA') to alleviate counterparty eligibility pressures from exposure risk limit breaches and to modernize our risk monitoring platform. At writing, five of the Province's six domestic syndicate Managers have CSAs in place, and four have identical, 2-way, bilateral arrangements. Further conversations are underway to expand this group with more dealers.

Foreign Currency Exposure

The Capital Markets Team does not see any compelling opportunities at this time for unhedged foreign exposure. Further analysis will be undertaken prior to any shift in this position.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

Appendix A - Preliminary Interest Rate Assumptions

Interest and Exchange Rate Forecasts - January 4, 2019						
Confidential						
Fiscal Year Ending March 31		F 2018/19	F 2019/20	F 2020/21	F 2021/22	F 2022/23
Short-term Interest Rates						
Canada	3 month T-Bill (1)	1.55%	2.20%	2.54%	2.81%	3.38%
	Credit Spread (2)	0.15%	0.15%	0.15%	0.15%	0.15%
	All-in Rates	**1.70%**	**2.35%**	**2.69%**	**2.96%**	**3.53%**
US	3 month T-Bill (1)	2.20%	2.91%	3.09%	3.20%	3.20%
	Credit Spread (2)	0.25%	0.25%	0.25%	0.25%	0.25%
	All-in Rates	**2.45%**	**3.16%**	**3.34%**	**3.45%**	**3.45%**
Long-term Interest Rates						
Canada	Gov't Treasury Bond (10yr) (1)	2.25%	2.64%	2.94%	3.50%	4.13%
	Credit Spread (2)	0.75%	0.75%	0.75%	0.75%	0.75%
	Issuance Costs and Fiscal Fees (2)	0.07%	0.07%	0.07%	0.07%	0.07%
	All-in Rates	**3.07%**	**3.46%**	**3.76%**	**4.32%**	**4.95%**
	Gov't 30 year Bond (1)	2.34%	2.74%	3.13%	3.81%	4.48%
	Credit Spread (2)	0.85%	0.85%	0.85%	0.85%	0.85%
	Issuance Costs and Fiscal Fees (2)	0.04%	0.04%	0.04%	0.04%	0.04%
	All-in Rates	**3.23%**	**3.63%**	**4.02%**	**4.70%**	**5.37%**
US	Long Term Bond (10yr) (1)	2.95%	3.33%	3.42%	3.75%	4.13%
	Credit Spread (2)	0.50%	0.50%	0.50%	0.50%	0.50%
	Issuance Costs and Fiscal Fees (2)	0.02%	0.02%	0.02%	0.02%	0.02%
	All-in Rates	**3.47%**	**3.85%**	**3.94%**	**4.27%**	**4.65%**
US$ Exchange Rates						
CAD/USD (1)		1.3149	1.3064	1.2864	1.2710	1.2606
USD/CAD (1)		0.7605	0.7655	0.7774	0.7868	0.7933
Notes:						
(1) FX Rate, 3 month T-Bill and Long Term Bond as per BC Treasury Board Staff January 4, 2019 assumptions.						
(2) Credit spreads, issuance costs and fiscal fees confirmed by Provincial Treasury on December 12, 2018.						

Contact: Jim Hopkins
Phone: 250-387-9295
Division: Provincial Treasury

File Name: 2019-20 Borrowing Plan

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

Appendix B – Borrowing Program Summary (Fiscal Year 2019-2020)

FY 2019/20		Pre-Funded	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	Budget Forecast
Direct Operating, Direct Capital & General Capital	Fixed	0													0.000
	Floating		*107*	*107*	*106*	*107*	*106*	*106*	*107*	*106*	*106*	*107*	*106*	*106*	*1,277.000*
	TOTAL	*0*	*107*	*107*	*106*	*107*	*106*	*106*	*107*	*106*	*106*	*107*	*106*	*106*	*1,277.000*
Ministry Capital (COA)	Fixed	0													0.000
	Floating		*36*	*36*	*35*	*36*	*36*	*35*	*36*	*36*	*35*	*36*	*35*	*35*	*426.700*
	TOTAL	*0*	*36*	*36*	*35*	*36*	*36*	*35*	*36*	*36*	*35*	*36*	*35*	*35*	*426.700*
Public Transit	Fixed	0													0.000
	Floating		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*200*	*4*	*0*	*2*	*205.500*
	TOTAL	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*200*	*4*	*0*	*2*	*205.500*
Sky Train	Fixed	0													0.000
	Floating		*22*	*0*	*0*	*0*	*0*	*0*	*22*	*0*	*280*	*104*	*0*	*0*	*426.800*
	TOTAL	*0*	*22*	*0*	*0*	*0*	*0*	*0*	*22*	*0*	*280*	*104*	*0*	*0*	*426.800*
Social Housing	Fixed	0													0.000
	Floating		*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*360.000*
	TOTAL	*0*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*30*	*360.000*
Pavco	Fixed	0													0.000
	Floating		*0*	*0*	*2*	*0*	*0*	*2*	*0*	*0*	*2*	*0*	*0*	*2*	*7.200*
	TOTAL	*0*	*0*	*0*	*2*	*0*	*0*	*2*	*0*	*0*	*2*	*0*	*0*	*2*	*7.200*
BC Lottery Corp	Fixed	0													0.000
	Floating		*3*	*2*	*2*	*3*	*2*	*2*	*3*	*2*	*2*	*3*	*2*	*2*	*28.000*
	TOTAL	*0*	*3*	*2*	*2*	*3*	*2*	*2*	*3*	*2*	*2*	*3*	*2*	*2*	*28.000*
BC Immigrant Inv F	Fixed	0													0.000
	Floating		*11*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*10.800*
	TOTAL	*0*	*11*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*10.800*
BC Transit	Fixed	0													0.000
	Floating		*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*6*	*50.000*
	TOTAL	*0*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*6*	*50.000*
BC Infra. Benefits	Fixed	0													0.000
	Floating		*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0.800*
	TOTAL	*0*	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0.800*
BC Hydro	Fixed	0			725			750							1,475.000
	Floating		*13*	*100*	*0*	*100*	*0*	*-500*	*0*	*0*	*300*	*-100*	*-100*	*100*	*-87.000*
	TOTAL	*0*	*13*	*100*	*725*	*100*	*0*	*250*	*0*	*0*	*300*	*-100*	*-100*	*100*	*1,388.000*
TFA	Fixed	0		300		200		200		300	400	200	200	300	2,100.000
	Floating		*16*	*16*	*15*	*15*	*15*	*15*	*15*	*15*	*15*	*15*	*15*	*15*	*182.400*
	TOTAL	*0*	*16*	*316*	*15*	*215*	*15*	*215*	*15*	*315*	*415*	*215*	*215*	*315*	*2,282.400*
Columbia River Power Projects	Fixed	0		500											500.000
	Floating		*991*	*-500*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*491.000*
	TOTAL	*0*	*991*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*991.000*
Other (Warehouse	*TOTAL*	0													0.000
Forecast Allowanc	*TOTAL*	0													500.000
Total	s.13														

Pace	Pre-Funded	Q1		Q2		Q3		Q4	
Fixed Rate Funding:	0	1,525	37%	1,150	28%	700	17%	700	17%
Total Funding:	0	2,747	37%	1,332	18%	2,083	28%	1,292	17%

Notes:

- ***Direct Capital incorporates the needs of: School Districts, Health Authorities, Post-Secondary Education (Public Transit and Skytrain are CRF draws on separate lines above)***
- ***Direct Capital, General Capital, Ministry Capital, and other entities with direct draw from the CRF are all anticipated to fund short-term via instructions through Cash Management Branch***

Contact: Jim Hopkins **Phone:** 250-387-9295
Division: Provincial Treasury

File Name: 2019-20 Borrowing Plan

MINISTRY OF FINANCE
PROVINCIAL TREASURY
FACT SHEET

NAME: Central Deposit Program

DESCRIPTION: Investment Options for SUCH Sector

- Provincial Treasury's Central Deposit Program (CDP) receives deposits of excess cash from the Schools, Universities, Colleges and Hospitals (SUCH) sector and other government organizations, pays a competitive deposit return to these entities, and redeploys this cash to offset government cash requirements, thereby reducing debt and the related debt service costs.
- The CDP reduces the province's levels of borrowing – using idle cash from the SUCH sector and other public sector bodies, ensuring the province does not incur unnecessary debt. CDP deposits are used to offset government cash requirements and are treated similar to deposits with a financial institution – held on account and available for draw down as and when required.
- The CDP earns competitive returns for school districts, health authorities, post-secondary institutions and crown corporations while providing superior liquidity and lowering investment risk of those funds.
- The CDP was established to address recommendations from the 2010 Office of the Auditor General of BC (OAG) report on *Management of Working Capital by Colleges and School Districts*. The CDP remains as one of the key initiatives which address excess liquidity and idle working capital balances in the SUCH sector, as identified by the OAG in its follow-up report.
- The OAG recommended that SUCH sector entities deposit excess cash with the central government in order to improve investment returns and/or reduce debt that would otherwise be incurred as government borrows for purposes such as large capital projects.
- The value proposition of the program is that CDP participants are kept whole in regards to their interest earnings, the government saves on interest costs, overall government debt levels decrease, debt affordability improves and credit rating is protected, more expenditure room can be made available to fund programs and the taxpayer saves.

MINISTRY OF FINANCE
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FACT SHEET

DATA TABLE: Funds on Deposit

($ millions)	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
School Districts	714.6	740.6	839.0	837.5	973.2
Health Authorities	714.4	1,091.5	1,093.2	982.8	944.9
Universities & Colleges	109.3	152.0	164.8	280.3	296.2
Crown Corporations	133.7	69.8	601.9	616.5	340.4
Total Funds On Deposit	**1,672.0**	**2,053.9**	**2,698.9**	**2,717.0**	**2,555.4**

BACKGROUND

- The CDP pays a floating deposit rate of Prime minus s.17 (School districts, as first adopters, enjoy a superior rate of Prime minus s.17
- CDP's expense is revenue to the receiving entity and is therefore fully offset on consolidation.
- At current forecasted rates, each additional dollar deposited saves about 1.04% of debt costs.
- Each dollar deposited will also lower the debt-to-GDP ratio (+/- $300 million of debt equals about 0.1% change in debt to GDP ratio).
- Cumulative savings from the start of the program are estimated at approximately $208 million.
- The CDP has exceeded its original goal of $1.7 billion in deposits.
- The balance peaked at $2.7 billion and is expected to gradually decline.

Contact: Jim Hopkins, ADM
Division: Provincial Treasury
File Name: Central Deposit Program
Phone: 250 387-9295
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MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

ISSUE: Status of Credit Ratings and Debt Service Cost Savings

ADVICE AND RECOMMENDED RESPONSE:

- B.C. is the only province with a triple-A credit rating from all three international credit rating agencies.
- Our strong credit rating means lower debt servicing costs which allow us to invest more in programs and services that British Columbians count on.
- Standard and Poor's, Moody's, and Fitch have given the province a triple-A credit rating. DBRS rates the province at AA(high), their second highest rating. We expect each of the agencies to affirm the province's ratings following their review of Budget 2019.

KEY FACTS:

British Columbia has credit ratings from four agencies:

- Moody's Aaa with a stable outlook – Affirmed in May 2018.
- S&P AAA with a stable outlook – Affirmed in April 2018.
- Fitch AAA with a stable outlook – Affirmed in June 2018.
- DBRS AA (high) with a stable outlook – Affirmed in April 2018; this is the agency's second-highest possible rating.

- The province stands out as the highest-rated province in Canada due to its strong balance sheet and the depth and diversity of its economy
- Since November 2004, the province received a combined total of seven credit rating upgrades from the rating agencies. s.13

s.13

Contact: Jim Hopkins **Phone:** 250-387-9295
Division: Provincial Treasury **Page:** 1 of 4
File Name: Status of Credit Rating and Debt Service Cost Savings

- Currently, B.C. is the only province rated Triple-A with all three international credit rating agencies (Moody's, S&P and Fitch). Maintaining affordable debt-to-GDP and debt-to-revenue ratios are key to B.C.'s strong credit rating.

Moody's:

- On May 9, 2018, Moody's identified as credit challenges: "high debt burden with continued financing pressures from capital expenditures", and "growing contingent liability of BC Hydro given its constrained financial strength." The agency further noted that "the province's credit rating could be downgraded if net direct or indirect debt were to be sustained above 95% of revenue across multiple years, impairing the fiscal flexibility of the province."
- On February 20, 2019, Moody's published commentary on the 2019 Budget. "…despite some improvement in 2018/19, the province's net debt – which is already high relative to peers – will rise to approximately 85% of revenue over the next three years. Nevertheless, the province will maintain strong debt affordability, with interest expenses at around 5% of revenue over the next three years."

DBRS:

- On April 2, 2018, DBRS released its report on Budget 2018 with an affirmation. The agency noted: "some policy uncertainty", "high level of household indebtedness", and "affordability" as general challenges. While no rating action was anticipated in the near term, a positive rating action would require maintaining "a sustainable budgetary position and have its DBRS-adjusted debt-to-GDP ratio fall to, and remain below, 15%. A negative rating action could arise from sustained deterioration in operating results and marked increased in the debt-to-GDP ratio."
- On February 20, 2019, DBRS published commentary on the 2019 Budget. "The government continues to maintain prudent budgetary practices and remains focused on delivering modest surpluses and maintaining a low debt burden." and, "British Columbia's debt-to-GDP ratio has fallen steadily, and economic fundamentals have strengthened. If these trends continue, and further improvement in the credit profile occurs, upward rating movement is possible over the medium term."

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

S&P:

- On April 25, 2018, S&P released their review of Budget 2018 and affirmed the province as triple-A with a stable outlook. They stated: “The stable outlook reflects our expectations that B.C.’s economy will continue expanding modestly through the next two years and that the government will maintain its fiscal prudence, contributing favorably to the province’s budgetary performance and helping to contain its high debt burden. S&P went on to say: “In our opinion, B.C.'s financial management practices remain very strong. The minority New Democratic Party government, with the support of the Green Party, passed its first full year budget. The government has maintained its stance of using prudence in its fiscal plan, maintaining a balanced budget and debt affordability within a sustainable fiscal framework.”

Fitch:

- On February 27, 2018, Fitch released its commentary on the province’s 2018 budget. Fitch not only recognized the province’s trend of modest surpluses and key investment plans - healthcare, housing, and childcare, but also some challenges/concerns. “Levying new taxes and expanding existing ones have unpredictable effects on housing markets like Vancouver which Fitch considers increasingly vulnerable for a steep price correction.” In addition, “ICBC recently has become a drag on the province’s fiscal results and Budget 2018 incorporates policy changes intended to narrow projected losses considerably.” Further on ICBC, “failure to achieve projected savings would exert pressure on the province’s fiscal results.”
- On June 28, 2018, Fitch stated, “British Columbia benefits from a broad and steadily growing economy, and conservative and prudent fiscal management with moderate debt levels.” However, they also classify potential slowdowns in the U.S. and Canadian economies, and the Vancouver housing market as risks.

BACKGROUND:

- A credit rating is an evaluation of a borrower’s ability to pay interest and to repay principal. A credit rating affects the borrower’s debt servicing costs and the investor’s rate of return since an investor will demand a higher interest rate on a riskier, lower-rated security.
- The provincial credit rating is determined by independent credit rating agencies.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

Taxpayer-supported debt:

- Taxpayer-supported debt is an indicator often used by investors and credit rating agencies when analysing a province's investment quality. The ratio of a province's taxpayer-supported debt relative to its gross domestic product highlights the ability of a province to manage its debt load. British Columbia's taxpayer-supported debt burden is one of the lowest in Canada, and this translates into a strong credit rating and lower debt service costs.

Interest rates and debt charges:

- Organizations with a triple-A credit rating are generally offered the lowest interest rates when borrowing in domestic and international capital markets. This is illustrated by comparing British Columbia to similar jurisdictions in Canada who have lower credit ratings and as such higher borrowing cost.
- As indicated in the analysis below that shows B.C.'s ratio of public debt charges to taxpayer supported revenue in comparison to similar provincial jurisdictions (based on size and market funding costs), B.C.'s positive credit rating saves the province from paying higher annual debt service costs.

s.13; s.16; s.17

Contact: Jim Hopkins **Phone:** 250-387-9295
Division: Provincial Treasury
File Name: Status of Credit Rating and Debt Service Cost Savings

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

ISSUE: Financial Securities

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KEY FACTS:

- The subject of financial securities is complex and far reaching.
- Fully securing all liabilities would be very costly for companies and could suppress economic activity in the province.

Contact: Jim Hopkins, ADM
Division: Provincial Treasury
File Name: Financial Securities
Phone: 250 387-9295

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

- Reclamation costs are a function of the current regulatory environment, which may have changed since the security was posted.
- Booked liabilities do not directly reflect the risk to the province as there are steps taken to control risks before, during and after activities are conducted.
- More work is being done to understand the exposure to the province and taxpayers.

BACKGROUND:

- Provincial Treasury has responsibility for the *Bonding Act* and supports ministries on an ad hoc basis for their financial security needs and financial security risks to the province are being addressed on a daily basis.
- In May 2016, the BC Auditor General's audit of compliance and enforcement in the mining sector identified a shortfall in the amount of financial security held by the province to address environmental remediation and reclamation in the event of operator default.
- Subsequent media attention to the shortfall compounded earlier challenges brought to light by the failure of the Mt. Polley storage facility. It has significantly increased the spotlight on the subject for all ministries.
- In fall 2016, the Ministry of Energy and Mines (MEM) responded to the BC Auditor General report by contracting Ernst & Young (EY) to provide a report and recommendations for BC's mine reclamation financial security policy. The main conclusions of the EY report were that the MEM had a solid financial security program that was geared toward reducing risk to the taxpayers in case of a mine default. EMRP (MEM) is currently performing security review, as a follow-up on the 2016/17 work.
- It is important to note the Mt. Polley incident was sudden, accidental loss and the type of loss for which insurance coverage is available. It is a different risk exposure than the costs of reclamation for which financial securities are taken.

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ISSUE NOTE

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- Risk Management Branch requested a performance review by the Office of the Comptroller General (OCG) be conducted by files review and interviewing those individuals within the Ministry of Forests, Lands, Natural Resource Operations & Rural Development (FLNRORD) dealing with the issuance of authorisations for the use of Crown Land.

s.13

s.13 Following the well received educational session on financial securities provided by RMB government-wide, FLNRORD (Audit Support in the Central Services for Natural Resources) requested RMB to help them design training to their regional offices.

MINISTRY OF FINANCE
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FACT SHEET

NAME: Green Bond Program Plan

DESCRIPTION:

- Green bonds are financial debt securities in which the proceeds are used to finance mandates that have environmental and climate benefits.
- The B.C. Government is actively considering practical matters related to launching a B.C. Green Bond Program (Program) in the domestic capital market as soon as fall 2019.

s.13

- This Program would highlight the province's climate action leadership.
- Through the province's leadership, the B.C. Green Bond Program may contribute to the further development of a green bond market in Canada.
- The draft Program Framework which has been developed by the Provincial Treasury and Climate Action Secretariat is aligned with the province's environmental and climate action goals and based on the internationally recognized Green Bond Principles issued by the International Capital Market Association.
- The leading provider of independent opinions on green bond programs, the Centre for International Climate and Environmental Research in Oslo (CICERO), was contracted to review the Framework. CICERO awarded the B.C. Green Bond Program the highest rating: "Dark Green".
- B.C. Green Bonds would be used to finance new and existing eligible government entities and projects with environmental benefits; and grow a low carbon economy through the development of financial instruments linked to environmental benefits.
- This Program would showcase the environmental benefits of government funded public transit investments and Leeds Gold property development in the SUCH sector.
- B.C. Green Bonds will aim to attract strong demand, including a broader investor base, and finance costs will be, at least, economically neutral to the province.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
FACT SHEET

- Government would initially consider one domestic green bond issue each year and re-assess based on success of the Program and investor interest. Government is assessing projects for eligibility for the Program and will consider launching the Program after a sufficient bond size has been identified.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
FACT SHEET

NAME: Review of the Insurance and Risk Management Account

DESCRIPTION:

- The Insurance and Risk Management Account was created as a special account to provide risk management and insurance services to central government and certain broader participating public sector agencies (e.g. schools, colleges, universities, social service agencies, and the health sector).
- Compared to the cost of private commercial insurance coverage, the Insurance and Risk Management Account has saved the province over $1.5 billion cumulatively since 1986.
- The self insurance model helps to centralize the exposure and the volatility faced by government and provides cost certainty to the Insurance and Risk Management Account's clients based on an insurance model.
- Actuarially determined future claims estimated for the current year are expensed and recovered from clients through premiums.
- Due to the timing difference between initial premium and subsequent claims, adjustments can result in the Insurance and Risk Management Account's spending limit being exceeded in a given year.
- The Insurance and Risk Management Account exceeded its approved 2016/17 limit by $22.3 million. IRMA did not exceed its limit in 2017/18 and is not projected to do so in 2018/19.
- The 2016/17 overage pertained to actuarial adjustments to liabilities of prior years due to adverse developments in those years, primarily related to health care claims.

s.12; s.13

s.12; s.13

- Internal Audit and Advisory Services undertook a review of the Insurance and Risk Management Account in consultation with Treasury Board Staff and Provincial Treasury.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
FACT SHEET

- The review concluded the Government of BC assumes a considerable degree of risk through self-funding and insurance program, as there is potential for large periodic losses. However, there is also considerable cost savings.
- The Risk Management Branch can exceed its overall budget in any given year, even if its operating expenditures are within its annual budget, due to the nature of long tail insurance operations. Over the last ten years, the Insurance and Risk Management Account has had an overall favourable adjustment of $109 million.
- Since the Insurance and Risk Management Account's inception it has received a surplus of premiums, resulting in an account balance of approximately $535 million held in the CRF. For most years, the Insurance and Risk Management Account has been below its approved limit.
- Unfortunately, accumulated surplus from prior years cannot be used to offset a budget pressure in the current year because the current accounting process does not recognize matching of premium revenues from past years to the claims for those years.
- The Risk Management Branch responded favourable to the recommendations made by Internal Audit and is taking positive steps where indicated. For example, an IRMA Oversight Committee composed of government and stakeholder representatives is being established for 19/20.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

ISSUE: Renewal of Province's Panda Bond Program

ADVICE AND RECOMMENDED RESPONSE:

- The province's inaugural 2-year, Chinese Renminbi onshore (Panda) Bond Program expired in December 2017. In fall 2018, the province applied to seek approvals from the Chinese regulators for a renewed and/or renegotiated Province of British Columbia Panda Bond Program.

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s.13 s.13; s.14

s.13; s.14 s.13

s.13

KEY FACTS:

- The Debt Management Branch (DMB) fulfills the province's annual borrowing requirements by accessing the domestic and international capital markets.
- DMB has, in the past, launched bonds in various foreign currencies including: US dollars, Swiss francs, Euros, Australian dollars, Hong Kong dollars, Japanese yen, Sterling, Indian rupees and Chinese renminbi.
- In most cases, foreign currency obligations are hedged back to Canadian dollars to allow the province to fund its requirements and eliminate any foreign-currency exposure associated with foreign bond issues.
- Currently, about 12.5 percent of the province's outstanding market debt has been sourced from offshore capital markets.
- Accessing foreign markets diversifies investor interest in B.C. bonds and adds new sources of global liquidity to assist the province in financing its essential requirements cost effectively.

Contact:	Jim Hopkins	**Phone:**	250-387-9295
Division:	Provincial Treasury	**Page:**	1 of 3
File Name:	Renewal of Province's Panda Bond Program		

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- To date, the province has issued four Chinese renminbi-denominated bonds; the first two bonds were issued in the offshore (Dim Sum) market, while the most recent two bonds were issued in the onshore (Panda) market.
- With these issues, British Columbia became the first foreign government issuer to issue or be approved to issue in the offshore and onshore Chinese bond markets. Each issue was very well received and was also very successful in terms of the global publicity it received. The renminbi proceeds from each bond issue were deposited in either a matching renminbi-denominated bank account or bond to earn a small positive carry, as it was not cost effective to swap the proceeds into Canadian dollars at the time of issue.
- On November 27, 2015, the province received approval from the People's Bank of China (PBOC) and National Association of Financial Market Institutional Investors (NAFMII) to become the first sovereign government to establish a Panda bond program in the onshore Chinese interbank bond market. The RMB 6 billion Program gave the province approval to issue bonds up to RMB 3 billion in size and for terms up to ten years; the Program's approval expired December 3, 2017.
- On January 21, 2016, the province issued its first bond under this Program; the issue was a three-year RMB 3 billion (C$647.4 million) bond with a coupon and yield of 2.95 percent. The Bank of China and HSBC were lead managers for this deal and a number of other banks participated as junior members of the syndicate. The proceeds of this issue were deposited with United Overseas Bank in Singapore in a renminbi-denominated account to earn a positive carry without incurring foreign exchange risk related to the Panda bond issue.
- Returning to the onshore China bond market was s.16 s.16 as well as capitalizing on the value of investor diversification for the province in the global capital market.
- On June 20, 2017, the former minister gave the Governor of the PBOC notice of the province's intentions to return to the market, based on advice of the province's lead underwriter in the Panda Bond market, Bank of China, and Chinese counsel. Later, Minister James approved a second issuance of a Panda Bond under the province's approved Program before it expired on December 3, 2017, subject to markets permitting favourable economics for the province.
- In Fall 2017, the province received approval from NAFMII and PBOC to return to the

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CIBM. Representatives for the province travelled to China in November 2017 to conduct investor relations meetings and follow with the issuance of the province's second Panda bond. On November 23 the province issued its RMB 1 billion (C$193.2 million equivalent), 3-year bond at a yield of 4.80%. Investor interest and price tension on this issue was supported by the recently implemented China-Hong Kong Bond Connect platform, which for the first-time ever permitted international investors to participate in the CIBM without quota restrictions. Approximately 30% of the bond issue was placed with investors through Bond Connect.

- Bank of China and HSBC were instrumental in the province's successful return to the Panda bond market. They not only assisted the province in achieving an attractive yield on its bond, but also played key roles in obtaining approval for the province from the PBOC and NAFMII for a Panda Program in the onshore Chinese market, and in facilitating a successful inaugural Panda issue for the province.
- Returning to the Panda Bond market before the Program expired enabled the province to benefit from the important terms which it had negotiated and had approved by PBOC and the regulator, s.17

s.17

- With the province's inaugural Panda Bond Program having now expired, the province, in Fall 2018, applied to seek approvals from the PBOC and NAFMII for a renewed and/or renegotiated Province of British Columbia Panda Bond Program.

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MINISTRY OF FINANCE
PROVINCIAL TREASURY
ORGANIZATION OVERVIEW

NAME: Provincial Treasury

ORGANIZATION OVERVIEW:

- Provincial Treasury is comprised of Provincial Treasury Operations and the Risk Management Branch and Government Security Office.
- PT Operations is a $1K Sub vote and is comprised of Debt Management Branch, Banking and Cash Management Branch, and Corporate and Project Finance Group with recoveries received from government ministries and government corporations.
- Risk Management Branch and Government Security Office operates from the Insurance and Risk Management Special Account with a $4,493K Vote and receives revenue and recoveries from program participants.

BACKGROUND:

- Provincial Treasury has a mandate to provide treasury, insurance, and risk management services to ministries, Crown corporations and public-sector agencies.

Banking and Cash Management Branch

- Manages the province's $100 billion-dollar operational cash flow and would rank as one of the larger financial institutions in Western Canada.
- Negotiates agreements for banking services.
- Provides management services to support revenue collection and government payments including debt servicing and develops electronic banking and payment services.
- Manages the Central Deposit Program for SUCH sector entities and Crown corporations to invest surplus cash and permit government to use the balances to reduce taxpayer supported debt (balance at March 31, 2017: $2.7 billion).

Debt Management Branch

- Provides a centralized debt management service to the government and its Crown corporations and agencies. Advice on portfolio management is supported by the Risk Committee which includes external experts.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ORGANIZATION OVERVIEW

- In addition to borrowing funds to meet client requirements, the branch manages all principal and interest payments and enters into derivative transactions to manage interest rate and foreign exchange risks.
- The branch is also the lead entity for managing the province's relationship with the credit rating agencies and its fixed income investor relations program.
- Province’s net debt was $64.9 billion at March 31, 2018, and the Branch’s gross borrowing requirement was $6.8 billion in 2018/19, with $7.5 billion expected to be borrowed from the domestic and international capital markets in 2019/20.

Corporate and Project Finance Section

- Provides financial advisory services to ministries, and Crown and public-sector agencies to support procurement of capital assets, public-private partnerships and divestiture initiatives.
- Arranges project financing for clients which are typically limited recourse to the project or the borrowing entity.
- Also leading government’s assessment of provincial issuance of Green Bonds.

Risk Management Branch and Government Security Office (RMB)

- Provides a collection of risk management programs for the provincial public sector to manage the risk to which it is exposed by virtue of its policies, assets, programs and operations. These programs include serving as risk management advisor and consultant which entails exercising the statutory authority to approve indemnities, risk management program development and delivery (e.g. outdoor school trips), delivery of risk financing programs including traditional insurance and self-insurance and claims and litigation management.
- With support from the Premier’s Office, the position of Chief Security Officer was established in RMB in January 2011. The Officer provides overall coordination of government security policy among responsible agencies including security strategies, information sharing, security awareness, asset protection and technical assistance with investigations.

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PROVINCIAL TREASURY
ORGANIZATION OVERVIEW

BUDGET: PT OPERATIONS

Budget ($000)	2016/17 Actuals	2017/18 Actuals	2018/19 Budget	2019/20 Budget
Salaries and Benefits	6,028	6,392	8,005	8,392
Operating Costs	3,256	3,185	5,788	5,538
Other Expenses	35,032	35,608	34,806	34,806
Internal Recoveries	(12,783)	(12,564)	(13,243)	(13,243)
External Recoveries	(31,534)	(32,621)	(35,355)	(35,492)
Total Operating Expenses	**0**	**0**	**1**	**1**

BUDGET: RMB

Budget ($000)	2016/17 Actuals	2017/18 Actuals	2018/19 Budget	2019/20 Budget
Salaries and Benefits	4,208	4,287	4,955	5,271
Operating Costs	5,673	5,724	7,646	7,399
Other Expenses	65,717	50,977	42,379	42,379
Internal Recoveries	(45,825)	(52,772)	(48,066)	(48,066)
External Recoveries	(3,558)	(4,547)	(2,421)	(2,421)
Total Operating Expenses	**26,215**	**3,669**	**4,493**	**4,562**

TAB PT-10

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

ISSUE: Employee Indemnities for Criminal Matters

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KEY FACTS:

- Special Indemnities for legal representation costs to bargaining unit employees are being paid by way of special indemnities under s. 72 of the *Financial Administration Act.*
- Examples where Special Indemnities have been issued include Sheriffs that have been accused of criminal activities related to the handling of prisoners (e.g.: assault, unlawful confinement, etc.).

Contact:	Jim Hopkins, ADM	Phone:	250 387-9295
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File Name:	Special Employee Indemnities for Criminal Matters		

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MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

ISSUE: British Columbia Capital Market Performance

ADVICE AND RECOMMENDED RESPONSE:

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- Further, the province's record of maintaining a strong credit position continues to be well regarded uniquely showcasing a triple–A credit from three international credit rating agencies and the highest rating among provinces from the Canadian Dominion Bond Rating Service (at 'AA High').
- The province's outstanding credit ratings support the province's ability to initiate dialogue with new investors and markets, while supporting the message of stability with others.
    - Expertise in Debt Management Branch staff is well regarded among market participants and supports smooth execution of the borrowing program and identification of effective cost-saving opportunities.

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MINISTRY OF FINANCE
PROVINCIAL TREASURY
FACT SHEET

NAME: **Banking Liquor Distribution Branch's Cannabis Retail Operation**

DESCRIPTION: **Measures and Precautions Taken to Implement the Banking of Liquor Distribution Branch's Cannabis Retail Operation**

s.13; s.17

s.13; s.14; s.17

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Contact:	Jim Hopkins	**Phone:**	250-387-9295
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File Name:	Banking LDB's Cannabis Retail Operation.docx		

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

ISSUE: Redwater Case – Supreme Court of Canada Decision

ADVICE AND RECOMMENDED RESPONSE:

- This note is intended to provide an update on the Redwater decision. On January 31, 2019, the Supreme Court of Canada (SCC) overturned two earlier lower court decisions, saying that bankruptcy is not a license to ignore environmental rules, and there is no conflict between federal bankruptcy laws (the Bankruptcy and Insolvency Act – the "BIA") and the provisions of the Alberta oil and gas regulatory framework at issue.
- The Province of British Columbia, as one of several intervenors to the appeal, welcomed the decision as the Redwater case was perceived as a potential precedent that could be undermining the "Polluter pays" principle, with implications not only to the oil & gas sector in Alberta but to any industrial activity that has Crown land tenure, potentially leaving the Province (and its taxpayers) with huge financial burden of such environmental liabilities.

s.13; s.14; s.16

- The BC Oil and Gas Commission (OGC), as a regulator of the oil & gas industry in B.C., has already been updating their Liability Management

Rating (LMR) system and changing how funds are collected for the Orphan Site Reclamation Fund. In the spring of 2019, the existing orphan tax will be eliminated and replaced by a new liability levy to ensure sufficient funds.

KEY FACTS:

- If the two lower court decisions had been upheld, it would have meant that the proceeds of sale from the assets of bankrupt energy companies would have to be used to first pay back secured creditors before being used to pay the costs of cleaning up old wells. Because there is often nothing left after paying secured creditors, this would have essentially left taxpayers on the hook for the costs of cleaning up old wells.
- The Supreme Court said that the trustee (Grant Thornton Ltd.), although not personally liable, couldn't walk away from the environmental liabilities of Redwater's bankrupt estate. The court found that the abandonment obligations to clean up the wells were not provable claims in Redwater's bankruptcy but were instead public duties (to the public and landowners), which put them outside the BIA's payment scheme.
- The decision of SCC to put abandonment obligations to clean up the wells outside the BIA's payment scheme was welcomed by the provinces.
- OGC, as a regulatory body overseeing oil and gas operations, raised the need to coordinate with government re the SCC's invitations (majority and dissent) to Parliament to reconsider the language of s.14.06 (of BIA) to avoid a redrafting that harm regulators' interests.
- As of January 2019, there were 326 orphan oil wells in B.C.
- OGC manages the Orphan Site Reclamation Fund (OSRF), which is industry funded and used to pay the cost of decommissioning and restoration of orphan sites. OGC is currently updating their LMR system and changing how funds are collected for the OSRF. In the spring of 2019, the existing orphan tax will be eliminated and replaced by a new liability levy. The current funding from the orphan tax is ~$1.5M/year. The liability levy will be phased in over three years. The 2019/20 fiscal year will see 50% from the new liability levy, increasing the liability levy by 25% in each subsequent year. Funding levels are currently established around a 10-year reclamation timeline for orphans. By 2021/22, the liability levy will provide the entire estimated $15 million

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per year required to sustain the OSRF. s.13
s.13

BACKGROUND:

- **Spring 2015:** Redwater became insolvent as it owed its bank, ATP Financial, about $5 million. Grant Thornton Ltd., the receiver and trustee in the Redwater receivership and bankruptcy proceedings, entered into transactions that had the result of addressing the company's assets and liabilities in a manner that would allow it to sell its producing wells and renounce the non-operational wells. The Alberta Energy Regulator (AER) took steps that impeded the transactions, by issuing orders requiring the receiver to decommission and restore Redwater's inactive sites and by requiring Redwater to pay security to the AER to facilitate the transfer of the company's valuable assets. The receiver refused to comply with the orders. It brought an application to the Alberta Court of Queens' Bench (Court) to approve the sales, to require the AER to facilitate the transfer of the valuable assets without payment of security, and to absolve the receiver from any obligation to comply with the AER's orders to decommission and restore. The receiver's proposed course of action was supported by Redwater's creditors and commercial lenders. Redwater took the position that once it became insolvent, its assets should be treated the same way as those of any other insolvent company, and that the regulator is in the same position as other creditors. The AER also initiated a court application to oppose the receiver manager's proposed course of action.
- **December 16-17, 2015:** The Alberta Court of Appeal heard the applications of the receiver, the AER and the Orphan Well Association (OWA), a non-profit organization funded by industry that manages the abandonment of upstream oil and gas orphan wells, pipelines, facilities and the remediation and reclamation of their associated sites in Alberta.
- **May 19, 2016:** The Alberta Court of Appeal issued Reasons for Decision in the Redwater proceeding dismissing the AER's claims. The decision raised several issues of importance to the public's interest in ensuring that obligations relating to abandonment and environmental clean-up are met where an operator becomes insolvent. In the May 2016 decision, the Court granted the receiver manager's application to proceed with a plan to address Redwater's assets and liabilities by renouncing non-operational wells and selling the producing wells. In doing so, the Court determined that federal bankruptcy legislation was paramount. As such, the provisions of Alberta legislation (requiring a Trustee to comply with or provide

security in respect of abandonment orders regarding renounced licensed assets) are inoperative to the extent such provisions conflict with federal legislation. As a result of the Redwater decision, a Trustee in Alberta is permitted to renounce assets pursuant to the terms of the BIA, is not considered a licensee under the provincial regulatory regime in relation to renounced assets, is not required to assume any liabilities, and is not bound by any abandonment orders issued by AER relating to renounced assets in seeking approval of the sales process to market and sell assets remaining under its possession and control. In addition, the AER is not permitted to require security to be paid for a company in relation to the renounced assets when approving or refusing to approve a transfer of licences to a purchaser within a bankruptcy or receivership.

- **August - October 2016:** the Alberta Court of Appeal allowed that the OGC, the BC Ministry of Natural Gas Development (NGD), the Province of Alberta and the Province of Saskatchewan and others can be added as interveners in this proceeding. OGC and NGD filed written submissions with the Court in August 2016 and made oral submissions at a hearing of the appeal on October 10, 2016.
- **April 24, 2017:** In an appeal decision the majority of the Alberta Court of Appeal dismissed an appeal by AER and OWA of the decision of the Court of Queen's Bench of Alberta in the Redwater Energy Corporation receivership and bankruptcy proceedings.
- **February 15, 2018:** The appeal hearing to the Supreme Court of Canada.
- **January 31, 2019:** The Supreme Court of Canada decision overturned two earlier lower court decisions.

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PROVINCIAL TREASURY
ISSUE NOTE

APPENDIX: Briefing Note Summary and Minister's Letter

Briefing Note for Minister of Finance

TITLE: Redwater Case – Protecting favourable Supreme Court of Canada Decision

BACKGROUND:

- Redwater was an Alberta energy company which declared bankruptcy in 2015. The receiver and trustee sought to sell Redwater's producing wells and abandon the non-operational wells. The Alberta Energy Regulator (AER) impeded the sale and ordered the receiver to decommission and restore the inactive wells. The receiver successfully challenged the AER in two provincial courts on the basis that Alberta legislation respecting abandoned wells conflicted with the Federal Bankruptcy and Insolvency Act (BIA) which was deemed to be paramount.
- On January 31, 2019, the Supreme Court of Canada overturned two earlier lower court decisions from Alberta, ruling that bankruptcy is not a license to ignore provincial environmental rules, and there is no conflict between the BIA and the provisions of the Alberta oil and gas regulatory framework at issue. See Appendix A for timeline.
- The Province of British Columbia, as one of several provincial government intervenors to the appeal (including Alberta), welcomed the decision as the lower court decisions in the Redwater case were viewed as a potential precedent that could undermine the "Polluter pays" principle, with implications not only to the oil & gas sector in Alberta but to any industrial activity that has Crown land tenure in Canada, potentially leaving the Province (and its taxpayers) with a huge financial burden for environmental liabilities.

DISCUSSION:

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REVENUE DIVISION
ISSUE NOTE

ISSUE: Condo and Strata Assignment Integrity Register

ADVICE AND RECOMMENDED RESPONSE:

- Before, condo or strata pre-sale contracts could be assigned without any tracking to verify the income tax on the capital gains or the property transfer tax.
- Effective January 1, 2019, developers are required to collect comprehensive information about each party to a condo and strata assignment, including personal information such as an individual's Social Insurance Number (SIN) and date of birth.
- The collection and reporting of comprehensive information is required under the *Real Estate Marketing Development Act* and related regulation.
- In February we launched a register to collect comprehensive information on condo and strata contract assignment activity.
- The Condo and Strata Assignment Integrity Register (CSAIR) is a new and easy-to-use online register - the first of its kind in Canada.
- Developers must file the information collected through the CSAIR within 30 days after the end of each quarter.
- This register will give tax authorities the information they need to prevent tax evasion and enforce compliance for people who aren't reporting the appropriate taxes.

KEY FACTS:

Background - Presold condos and tax concerns

- Developers can sell condos on the market before they are built, a process known as a presale.
- The buyer of a presale enters into an Agreement of Purchase and Sale (agreement) with a developer. The buyer may subsequently assign the agreement to another buyer before the condo is built and title to the condo can be transfered – a process referred to as an "assignment".

- There can be multiple assignments before the title is registered, which pushes the price for the end buyer up.
- Once the condo is complete, the buyer will be registered on title with the Land Title Office and property transfer tax is payable on the fair market value of the property.
- If the agreement was assigned, the fair market value on transfer may have increased from the presale price by the amount of the assignment and related costs. Also, the original buyer may need to pay income tax on their capital gains. However, without the CSAIR tax authorities may have difficulty determining whether the full amount of property purchase tax and income tax was reported.

New reporting requirements

- Effective January 1, 2019, developers of real estate development units (five or more strata lots) are required to collect comprehensive information on the assignment of pre-sales and report the information quarterly to the administrator under the *Property Transfer Tax Act* (the PTT Administrator).
- The information is reported by means of the CSAIR. CSAIR was announced by government in the Budget 2018, and it is part of the government's housing plan, *Home for B.C. - A 30 Point Plan for Housing Affordability in British Columbia.*
- The reporting requirements are set out in Part 2.1 of the *Real Estate Marketing Development Act* (REDMA) and Part 3.1 of the related regulation.
- The Ministry of Finance consulted with the Office of the Information and Privacy Commissioner while developing the legislation that enables the collection of this information.
- The developer will collect and report the comprehensive information including:
    - identity of all parties to the assignment agreement (i.e. full name, date of birth, citizenship and social insurance number or other taxpayer identifying numbers);
    - contact information of all parties to the assignment agreement;
    - strata lot number; and,
    - purchase price of the condo unit and the amount paid for the assignment.
- CSAIR is an online register.
- There is a filing fee of $195 per assignment reported.
- In addition, developers must include the following in their agreements:

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  - a term prohibiting any assignment of the purchase agreement without the developers' prior consent,
  - a term requiring the parties to provide the prescribed information, and
  - a notice to the parties that the developer must collect the information.
- The registry went live on February 20, 2019.
- The first reporting period ends March 31, 2019 and the report must be filed by April 30th, 2019.

Stakeholders

- The Property Transfer Tax administrator is the administrator of CSAIR.
- Land Titles and Survey Authority provides the system to report the information.
- The Office of the Superintendent of Real Estate will enforce the collection and reporting of information.
- The information collected will be shared with Canada Revenue Agency under a Service Agreement.

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REVENUE DIVISION
ISSUE NOTE

ISSUE: Implementation of PST and Municipal and Regional District Tax on Online Accommodation platform sales

ADVICE AND RECOMMENDED RESPONSE:

- The tourism sector has changed with the growth in online accommodation platforms, like Airbnb.
- To respond to changes in the marketplace, we updated our legislation and regulations so online accommodation platforms can collect and remit Provincial Sales Tax (PST) and Municipal and Regional District Tax (MRDT).
- This helps level the playing field between online and traditional accommodation providers.
- This also makes the application of tax fairer by being charged consistently on all accommodation sales in B.C.
- Government implemented an exemption for accommodation providers who earn less than $2,500 per year and do not list on an online accommodation platform.
- This ensures that small, occasional accommodation providers are not required to collect and remit the tax.

KEY FACTS:

- *Budget 2018* amended the *Provincial Sales Tax Act* (PSTA) to enable online accommodation platforms (OAPs) based outside B.C. (such as Airbnb) to voluntarily register to collect and remit PST and MRDT. An OAP that registers will relieve hosts who list on it from having to register.
- Regulatory amendments include eliminating the exemption for those who offer fewer than four units of accommodation and replacing it with an exemption for accommodation providers who earn less than $2,500 in annual revenues and do not list on an OAP. The regulatory amendments were needed in order to subject accommodation sold through OAPs to tax as those who list on OAPs typically have fewer than four units.

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- In *Budget 2018*, the government announced that the eligible uses of MRDT revenues would be expanded to include affordable housing initiatives.
- The ministry identifies the amount of MRDT remitted by online accommodation platforms in respect of a specific MRDT region on its monthly MRDT disbursement to each specific MRDT region.

CURRENT STATUS:

- Legislative and regulatory amendments took effect October 1, 2018.
- Through negotiations and as a result of the amendments, the B.C. government was able to successfully register s.21 as a tax collector in October 2018.

s.21

- Accommodation providers that earn $2500 or more from the provision of accommodation and list their accommodation, other than on a registered online accommodation platform, must register to collect and remit PST and MRDT directly with the ministry. A number of these providers have done so.

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REVENUE DIVISION
QUESTIONS & ANSWERS

ISSUE: Implementation of PST and MRDT on Online Accommodation Platform Sales

Question: How does this affect small businesses that used to be exempt from collecting the PST and MRDT?

Answer:

- To respond to changes in the marketplace we removed the exemption for those offering fewer than units of accommodation.
- Many people using online accommodation platforms have fewer than four units of accommodation. Removing the exemption levels the playing field so online accommodation platforms also collect PST and MRDT.
- Eliminating the 4-unit exemption does mean some businesses which were not previously collecting tax are now required to do so. However, businesses with lower sales can file returns less frequently.
- Small accommodation providers who do not use an online accommodation platform and whose annual revenues remain under $2,500 are not required to collect and remit that tax. This ensures that occasional accommodation providers are not required to collect and remit the tax.

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REVENUE DIVISION
ISSUE NOTE

ISSUE: Information Sharing with the Canada Revenue Agency

- Revenue Division exchanges information with the Canada Revenue Agency (CRA) on a regular basis, in the form of ad hoc audit leads and bulk reports.

ADVICE AND RECOMMENDED RESPONSE:

- Information sharing among tax administrators is essential to ensuring individuals and businesses pay their fair share of taxes.
- Revenue Division works closely with the CRA, by sharing information, to detect non-compliant taxpayers.
- For example, our new Condo and Strata Assignment Integrity Register (CSAIR) will make it easier for CRA to get identification information about buyers of assignments.
- Instead of CRA having to go through the courts, the B.C. government will share information collected through this register directly with CRA.
- All information sharing with the CRA is done so in accordance with applicable legislation and an approved information sharing agreement.
- The B.C. government protects confidential taxpayer information.

KEY FACTS:

- Leveraging third party data and information is an area of focus in the federal Underground Economy Strategy 2018-2021.
- A priority identified in the division's Underground Economy Strategy is to broaden and facilitate the exchange of information with areas with valuable sources of information, such as the CRA.
- Where authorized, exchanging information between tax administrators is an effective way to detect non-compliance, such as under reporting and non-filers.

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- Revenue Division and the CRA collaborate in multilateral and bilateral forums to identify opportunities to partner on initiatives aimed at increasing tax compliance.
- Revenue Division and the CRA have developed a two-way audit referral lead process.
- In the first three quarters of this fiscal, information sharing with the CRA, in the form of audit leads, has resulted in approximately $41 million in recoveries for the province.
- British Columbia is a national leader with its partnership with the CRA, resulting in large revenue recoveries for the province.

BACKGROUND:

- The CRA administers and enforces the provincial Income Tax Act on behalf of the Province of British Columbia, under the terms and conditions of a Tax Collection Agreement.
- Maintaining the strategic partnership with the CRA is the responsibility of the Income Taxation Branch of the Revenue Division.
- The Ministry of Finance protects sensitive taxpayer information in a manner consistent with the B.C. government's Information Security Policy, Federal Security Standards and the *Freedom of Information and Protection of Privacy Act*.

CURRENT STATUS:

- Future opportunities to share information under new programs such as the Speculation and Vacancy Tax, Employer Health Tax and the Condo and Strata Assignment Integrity Register have been identified.
- The information sharing agreement with the CRA was updated in December 2018 to add these new programs.

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

ISSUE: Oil and Gas Royalty Credits

Royalty administration and regulation for the 14,000+ wells in B.C. is complex and there are royalty credit programs in place to foster investment in the energy industry, maximize the use of natural resources, and offset unique development and production costs associated with the development of oil and natural gas resources.

ADVICE AND RECOMMENDED RESPONSE:

- The Ministry administers legislation intended to capture a fair financial return for British Columbians from the exploitation of subsurface resources by the oil and natural gas industry.
- The Ministry of Finance collaborates with the Ministry of Energy, Mines, and Petroleum Resources (EMPR) and the Oil and Gas Commission (OGC), in order to meet its administrative duties as the Royalty Collector, who is responsible for the assessment and collection of petroleum and natural gas royalties under the *Petroleum and Natural Gas Act (PNGA)*.
- EMPR and the Ministry of Finance share joint responsibility over the *PNGA*. As the Royalty Administrator, EMPR is responsible for determining and updating royalty tenure, natural gas pricing, and royalty policies that guide the sustainable development of the province’s petroleum and natural gas resources.
- The OGC is a Crown corporation which acts as the Regulator of safe and responsible petroleum and natural gas resource development in British Columbia. The OGC is responsible for assessing and monitoring field activities and ensuring industry complies with the *Oil and Gas Activities Act*.

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REVENUE DIVISION
ISSUE NOTE

KEY FACTS:

- Economic resource rent is the value of an undeveloped resource in the ground which reflects the price a product is sold, including the costs incurred in finding and extracting the product.
- B.C.'s royalty regime is structured to maximize the amount of economic resource rent collected from produced oil and natural gas.
- The majority of subsurface oil and natural gas resources in B.C. are owned by the Crown. Royalties are charged on oil and natural gas produced on Crown land. Freehold lands are charged a freehold production tax on resources produced and brought to market.
- The basis for revenue derived from oil and natural gas produced in B.C. is the concept of a royalty share. A royalty share is the produced amount of oil or natural gas product multiplied by a royalty percentage.
- The Province offers various royalty allowances and deduction credits to support deep gas exploration and infrastructure development, as well as to recognize the unique development and production costs of this resource.

FIN's administration of the *PNGA* as the Royalty Collector includes:

- Informing industry of their reporting and payment responsibilities
- Collecting and processing production and disposition data reported through Canada's Petroleum Information Network, Petrinex
- Calculating royalties and program incentives within the Taxpayer, Administration and Compliance Services (TACS) system
- Issuing invoices and statements of account through the TACS, Petrinex, and eTaxBC systems in order to collect payments
- Performing financial reporting and reconciliation
- Validating and auditing royalty reporting to ensure appropriate revenue collection.
- Delivering policy rulings concerning revenue collection and management to members of the public, other Ministries, and government staff
- Supporting the Ministry of Indigenous Relations and Reconciliation for First Nation revenue sharing payments

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ISSUE NOTE

Stakeholders

- EMPR's administration of the PNGA as the Royalty Administrator includes:
    - Updating and introducing new royalty policies
    - Determining the natural gas prices used in FIN's royalty calculations
    - Providing lease title dates used in FIN's determination of royalty rates
    - Conducting land lease sales
    - Managing tenures
    - Negotiating royalty agreements with industry stakeholders
    - Analyzing trends and forecasting revenues
- The OGC regulates the following items within the scope of petroleum and natural gas activities:
    - Public safety
    - Environmental protection
    - Conservation of petroleum resources
    - Field Activities
    - Licenses and Permits
    - Infrastructure reporting and measurements
- The OGC provides FIN with infrastructure data, which FIN uses to calculate royalties and determine incentive eligibility.
- Petroleum and natural gas producers pay an OGC Levy, which funds the operation of the OGC. FIN administers invoices and statements of account for the collection of the OGC Levy on behalf of the OGC.

OPERATIONS:

	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Working Budget
Natural Gas Royalties[1]	$138,824,240	$150,734,813	$160,401,158	$226,000,000
Oil Royalties[2]	$53,502,785	$69,308,715	$62,283,507	$66,000,000
Totals	**$192,327,025**	**$220,043,528**	**$222,684,665**	**$292,000,000**

1. Natural gas royalty revenues are reported after adjustments for various royalty reduction programs such as producer cost of service allowances, deep well, marginal, ultramarginal, low production, net profit, and infrastructure.
2. Oil royalty revenues are reported after adjustments for various royalty reduction programs such as net profit and infrastructure.

Contact: Jordan Goss, Assistant Deputy Minister
Phone: 250 387-0665
Division: Revenue

File Name: Oil and Gas Royalty Credits

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION AND ANSWERS

ISSUE: Oil and Gas Royalty Credits

Royalty administration and regulation for the 14,000+ wells in B.C. is complex and there are royalty credit programs in place to foster investment in the energy industry, maximize the use of natural resources, and offset unique development and production costs associated with the development of oil and natural gas resources.

Question: Is the Ministry of Finance responsible for reviewing or updating any royalty policies or programs?

Answer:
The Ministry of Energy, Mines and Petroleum Resources sets the royalty policies that guide the responsible development of the provinces petroleum and natural gas resources, such as the deep well royalty credit program. The Ministry of Finance implements changes set by EMPR in terms of royalty revenue collection. I refer you to EMPR for any questions regarding royalty policy development.

Question: What royalty incentive programs are administered by the Ministry of Finance?

Answer:
There are several royalty incentive programs administered by the Ministry of Finance:

- Natural Gas Deep Well Credit Program
- Natural Gas Deep Re-entry Well Credit Program
- Producer Cost of Service Allowance (PCOS)
- Gas Cost Allowance (GCA)
- Low Productivity Well Royalty Reduction Program

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION AND ANSWERS

- Marginal Well Royalty Reduction program
- Ultramarginal Well Royalty Reduction Program
- Net Profit Royalty Program

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

ISSUE: Out-of-Province Audit Fee

- Government proposes to implement an out-of-province audit travel cost-recovery fee. Legislation to enable this fee for audits under the *Carbon Tax Act*, the *Motor Fuel Tax Act* and the *Provincial Sales Tax Act*, was tabled as part of Budget 2018.
- The Ministry of Finance is spending approximately $350,000 to $400,000 on out-of-province audits each year.

ADVICE AND RECOMMENDED RESPONSE:

- Our government is committed to ensuring tax fairness for taxpayers.
- Companies that do business in B.C. and are subject to provincial sales tax, carbon tax or motor fuel tax, but do not provide their records for review in B.C., will be required to pay an audit travel cost recovery fee.
- Businesses will have the option of not incurring the fee if they choose to provide all necessary records to provincial auditors located in B.C.
- This will shift the audit costs from British Columbians to the out-of-province businesses that are benefitting from our strong and sustainable economy.

KEY FACTS:

- The fee will only be applied for carbon tax, motor fuel tax and provincial sales tax audits conducted at out of province locations.
- The Canada Revenue Agency and the Province of Manitoba charge for audit travel costs.

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  - *Tobacco Tax Act*

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MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

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BACKGROUND:

- As part of Budget 2018, the B.C. government tabled legislation to implement an audit cost recovery fee. The fee will come into force on a day specified by regulation.
- Currently, the costs associated with conducting out-of-province audits are covered through the Ministry of Finance's budget. The ministry spends approximately $350,000 - $400,000 annually on travel costs to conduct those audits. The ministry also funds the costs of maintaining an office in Mississauga, Ontario. Annual cost to maintain the Mississauga office, including travel and fixed costs, is $80,000. The fee is intended to recover those costs as well.
- The fee will only apply in respect of audits under the *Provincial Sales Tax Act*, the *Motor Fuel Tax Act* or the *Carbon Tax Act* that are conducted at out of province locations. The fee will not apply if businesses provide all necessary records to provincial auditors in B.C.

CURRENT STATUS:

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OPERATIONS:

- It is proposed that the fee will be determined by factors such as: the number of auditors required to work on the file out-of-province, and the number of days required to conduct the audit. The amount of the fee will be based on a total cost recovery model. Amounts recovered under the fee will be reviewed on an annual basis.

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION AND ANSWERS

ISSUE: Out-of-Province Audit Fee

Question: Will B.C. businesses have to pay the fee?

Answer:
The fee will apply to companies that do business in B.C. under the three consumption tax acts but do not provide their records for review in B.C. when subject to audit. Businesses will have the option of not incurring the fee if they choose to provide all necessary records to provincial auditors located in B.C.

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

ISSUE: s.21(2), s.79 and ITA s.64(5) **International Business Activity Program**

ADVICE AND RECOMMENDED RESPONSE:

- Budget 2017 update eliminated the International Business Activity (IBA) Program effective September 12, 2017.
- Government takes its duty to protect the privacy of all taxpayers very seriously. We cannot publicly discuss details about any taxpayer.
- s.21(2), s.79 and ITA s.64(5)

KEY FACTS:

- The International Business Activity (IBA) Program is administered by the Income Taxation Branch (ITB), Revenue Division, Ministry of Finance; the Executive Director of ITB is also the Commissioner of Income Tax.
- The legislation prevents us from acknowledging if any companies s 21(2), s 79 and ITA s 64(5) are, or ever have been, registrants under the International Business Activity Act.

Contact:	Jordan Goss, Assistant Deputy Minister	**Phone:**	250 387-0665
Division:	Revenue	**Page:**	1 of 3
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MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

- The International Business Activity Act provides that the Commissioner may suspend or cancel the registration of a corporation if the corporation or an Officer or Director of the corporation engages or has engaged in a pattern of conduct that shows, in the commissioner's opinion, that the corporation is unfit to be registered.
- Prior to the elimination of the Act, registrants were required to remain members of the Society (AdvantageBC). Upon elimination of the Act this requirement was removed.
- Registrants under the Act may apply for a refund of BC income taxes paid on the income earned from a qualifying international financial activity, within 18 months after the end of the taxation year.
- To apply for a refund under the Act, registrants must file a return with the Commissioner, eligible refunds are issued by the Government of British Columbia (BC) not by AdvantageBC.

s.21(2), s.79 and ITA s.64(5)

- The information sharing legislation under the IBA Program does not permit the BC Government to share specific IBA claimant information, including IBA refund amounts paid to specific IBA claimants.
- s.21(2), s.79 and ITA s.64(5)

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

- s.21(2), s.79 and ITA s.64(5)

Contact: Jordan Goss, Assistant Deputy Minister **Phone:** 250 387-0665
Division: Revenue **Page:** 3 of 3
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MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

- s.21(2), s.79 and ITA s.64(5)

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

ISSUE: Petroleum Information Network (Petrinex) implementation

ADVICE AND RECOMMENDED RESPONSE:

- As part of the Revenue Transformation Initiative (RTI), the 30 year old oil and natural gas royalty billing system was replaced with the Taxpayer Administration Compliance and Services (TACS) system, a tax and revenue management system, and Petrinex.
- Petrinex is a joint strategic system between B.C., Alberta, and Saskatchewan that facilitates the exchange of volumetric and royalty information related to the petroleum industry's upstream, midstream and downstream regulatory, fiscal and operational activities.
- As a front end web reporting tool, Petrinex offers improved access to industry data used to calculate and bill royalties.
- The Petrinex system for B.C. was implemented through a project led by the Ministry of Finance, with the Oil and Gas Commission and the Ministry of Energy, Mines and Petroleum Resources as key stakeholders in the project and involved significant collaboration with industry.
- The Petrinex system for B.C. was implemented on schedule and within budget.

KEY FACTS:

- FIN is carrying out a multi-year, phased Revenue Transformation Initiative (RTI), modernizing its information technology systems and providing e-services to improve revenue administration and service to taxpayers. As part of this initiative, the province's 30 year old custom-built oil and natural gas royalty billing system was replaced with the TACS system, a proven tax and revenue administration system.
- Royalty administration and regulation for the 14,000+ wells in BC is complex and requires very detailed information from producers and facility operators on the flow of products from well head to sales line. The old reporting method was labour-

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

intensive for both industry and government, is subject to error and delay, is not fully electronic, and requires subsequent reviews and audits.

- As part of RTI planning, Petrinex was identified as an efficient and effective front end reporting tool for industry that would supply the oil and natural gas production information into the TACS system.
- Petrinex is a petroleum (oil and natural gas) information network system used by industry, the Governments of Alberta, Saskatchewan, and now B.C to manage volumetric and ownership data to support royalty billing, operational and regulatory activities.
- Petrinex is owned by and located within the Government of Alberta and collaboratively governed, managed, operated and funded by above governments and industry.

s.12; s.13

- These costs are absorbed within the Ministry's existing appropriation.

Stakeholders

Government Stakeholders

- Ministry of Finance **(lead)**
  - Mineral, Oil & Gas Revenue Branch (MOGR)
  - Information Management Branch
- Ministry of Energy Mines and Petroleum Resources
- BC Oil and Gas Commission
- Government of Alberta and Petrinex

Industry Stakeholders

- Canadian Association of Petroleum Production Accounting (CAPPA)
- Canadian Association of Petroleum Producers (CAPP)
- ARC Resources, Conoco Phillips CNRL, EnCana, Shell and Enbridge Ltd.
- Fujitsu Consulting Ltd.

MINISTRY OF FINANCE
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BACKGROUND:

- In addition to the systems work, legislative changes were made to allow B.C. to use the advanced functionality available with Petrinex and improve aspects of the royalty and regulatory regime in B.C.
- Key new powers including deemed royalty, enhanced information sharing, and penalizing non-royalty payers are now provided under the Petroleum and Natural Gas Act (the Act) and were introduced as part of Budget 2018.
- The remaining required changes to: reporting requirements, royalty triggers, invoicing, payment, and interest to support revenue modernization were implemented through regulation amendments under the Act.

CURRENT STATUS:

- The project kicked off on Sept 15th, 2016 and completed on time November 5th, 2018 and within budget with overall project scope remaining in line with Treasury Board approval.

BUDGET:

Budget ($000)	**Budget**	**Actual/Forecast**
Petrinex Development	$3,700,000	$3,654,883
Petrinex Maintenance & Support (20yrs)	$11,000,000	$10,783,305[1]
Petrinex Resource Costs	$2,400,000	$1,188,360[1]
Total Expenses	**$17,100,000**	**$15,626,548**

1. Forecasted amount.

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION AND ANSWERS

ISSUE: Petroleum Information Network (Petrinex) implementation

Question: What were the costs associated with updating the royalty billing system to the Petrinex system?

Answer:
The cumulative amount for development and resource costs is roughly $4.8M, which came in under the budgeted amount of $6.1M. The forecasted maintenance and support costs for the next 20 years are estimated at $10.8M, just shy of the budgeted amount of $11M. The actual and forecasted costs combined equal approximately $15.6M, with the initial total budget provided being $17.1M.

Question: $15.6M is a significant investment; describe the problem that existed?

Answer:
The legacy system was 30 years old, the technology was becoming unreliable and was putting government revenue at risk. The legacy reporting method was labour-intensive for both industry and government, was subject to error and delay, was not fully electronic, and required subsequent reviews and audits. Petrinex was the lowest risk and lowest cost option, and is a proven efficient and effective reporting tool through its use by Alberta and Saskatchewan for many years. Adopting the Petrinex system, is allowing B.C. to track industry production in a timely and accurate manner, ensuring the correct provincial royalties are collected.

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION AND ANSWERS

Question: What information sharing abilities or restrictions exist with the implementation of these new systems?

Answer:
No personal information is collected under the Petrinex system. The business confidential industry information that is collected and stored on Petrinex servers is kept segregated from other jurisdictions. The maintenance and support agreement between B.C. and Alberta outlines the confidentiality and security requirements for the information collected and stored in Petrinex. The parties agree that the confidentiality of the information will be maintained and will not be disclosed unless already publicly available or if required by law and sufficient prior notice will be given for any disclosure exceptions.

Question: What benefits have been realized from the implementation of the Petrinex system?

Answer:
Realized benefits from Petrinex include modernised royalty administration and continuous improvement offering 24/7 digital e-services to clients and protection of annual royalty revenue ($260M/year) due to the improved reliability of the new systems. Sixteen different forms were replaced with an electronic single window system. Also, the business cycle for natural gas royalties was shortened by one month allowing all oil and natural gas products produced in B.C. to be invoiced together on the 23rd of each month; historically, bills were issued twice per month and on different business cycles.

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION AND ANSWERS

The streamlining has achieved time savings for both industry and government because less time is spent on manual audit work going forward as industry information is now validated upfront during submission, and is transparent to stakeholders in the production chain, thus improving the accuracy of reporting and royalty charges.

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

ISSUE: Revenue Service Transition Project

ADVICE AND RECOMMENDED RESPONSE:

- The Ministry's Strategic Contract (Contract) with ESIT Advanced Solutions Inc. (ESIT-AS) expires on March 31, 2020, with no option for renewal.
- There is a contingency for a one-year extension to March 31, 2021.
- The Ministry has been undertaking a Revenue Services Transition Project to develop and implement a business strategy to ensure the continuity of crucial billing, payment processing, revenue collection, and IM/IT services.
- The elimination of MSP premiums effective January 2020 is a key factor in developing the strategy for end of term options as ESIT-AS is responsible for the MSP billing, payment processing and revenue collections.
- MSP is a regressive tax that disproportionately targets low- and middle-income earners and is difficult to administer.
- That is why we are eliminating MSP premiums and ensuring we have a fair tax system for all.
- We knew that the elimination of MSP premiums would require significant changes for the public service and government ministries.
- The Ministry is examining options to ensure a smooth transition of services currently undertaken by the Ministry's vendor when the contract ends.
- We are working to ensure the best possible outcomes for everyone – including ministry staff and the people we all serve, British Columbians.

Contact: Jordan Goss, Assistant Deputy Minister
Division: Revenue
File Name: Revenue Services Transition Project
Phone: 250 387-0665

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

KEY FACTS:

- The delivery of Medical Services Plan premiums is the primary component of the Contract.
- *Budget 2018* announcement of the elimination of MSP premiums, effective January 2020, will impact the services required when the Contract expires.
- The Contract was signed in November 2004, and provides for:
  - Billing, payment processing, and collection of MSP premiums
  - Remittance, payment, and forms processing for all revenue programs in the Ministry and multiple external stakeholders
  - Default collection services on student loans, ambulance, court fines, employment assistance, and several other smaller portfolios
  - Application management services for several revenue program systems, including maintenance and development services
  - Hosting, maintenance, and development of the Revenue Management System that supports billing and collections.
- The value of the Contract in the remaining fiscal year (2019/20) is estimated at $60 million.
- The project team is working with key stakeholders, including the Ministry of Citizens' Services' Strategic Partnerships Office, to ensure the business strategy aligns with developing government strategy for procurement and strategic contracts.

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

ISSUE: Speculation and Vacancy Tax Administration

ADVICE AND RECOMMENDED RESPONSE:

- We have a housing crisis on our hands. Decades of neglect by the former government have left our province with near-zero vacancy rates and the most unaffordable housing prices in Canada.
- Earlier this year homeowners received a letter that explained how to complete the declaration.
- By declaring, people are helping to make housing more affordable by helping the Province identify vacant properties and ensuring that foreign owners and satellite families are paying their fair share.
- More than 99% of British Columbians are exempt from the tax and will not have to pay anything.
- People can declare online at gov.bc.ca/spectax. It's fast, easy and secure.
- More than 97% of owners have completed their declaration.
- Poll after poll has shown that an overwhelming majority of British Columbians support our government's approach to tackling the housing crisis.

KEY FACTS:

- Approximately 1,628,000 residential property owners are required to declare for the SVT.
- 1,582,203 residential property owners have declared as of May 2nd, 2019, or more than 97%.
- Approximately 92% of residential property owners who declared did so online.
- The Contact Centre for the purposes of the SVT is comprised of Service BC Contact Centre (managed by Maximus); Ministry of Finance Revenue Division; and ESIT Advanced Solutions (sub-contracted with CBV Collection Services Ltd.).

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MINISTRY OF FINANCE
REVENUE DIVISION
QUESTIONS AND ANSWERS

ISSUE: Speculation and Vacancy Tax Administration

Question: What will it cost government to administer this tax? How many new staff or services were hired to administer it?

Answer:

- In 2019/20, the speculation and vacancy tax will provide an estimated $185 million. All revenue raised from the tax will be spent on local housing affordability initiatives in the areas the tax applies.

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- Staff have already started reviewing the declarations as part of the compliance process.

Question: How many people have completed their declaration?

Answer:

- More than 94% of 1.6 million residential property owners completed their declaration by the March 31 deadline.
- As of May 2nd 2019, more than 97% of owners have completed their declaration.
- People can complete their online declaration at gov.bc.ca/spectax. It's fast, easy and secure.

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTIONS AND ANSWERS

Question: Why did you choose this declaration format?

Answer:

- The speculation and vacancy tax looks at how residential property is being used - whether it is being used as a principal residence, if it's being rented, or if it's underused or vacant.
- This process is essential to ensuring that foreign owners and satellite families start paying their fair share.
- The administration of the SVT closely follows that of the City of Vancouver's Empty Homes Tax, where nearly all homeowners completed their declarations by the due date.

Question: How is government protecting my SIN?

Answer:

- The Ministry takes the collection of personal tax information very seriously, including the collection of SIN through the speculation and vacancy tax declaration.
- All personal information is collected through the eTaxBC system.
- eTaxBC is already used by individuals and businesses to pay taxes such as PST, Mineral Tax and rural property taxes.
- The system is safe. All information is encrypted at the time of entry.
- The protection and confidentiality of taxpayer information are established through tax law.
- Any individual who violates the confidentiality under the law can face penalties such as fines and imprisonment.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL & REVENUE DIVISION
ISSUE NOTE

ISSUE: Student Loan Interest Elimination

ADVICE AND RECOMMENDED RESPONSE:

- Higher education should open doors for people, not make it harder to get ahead; however, students graduating from post-secondary institutions have been saddled with high levels of debt for too long.
- That's why Budget 2019 eliminates interest on all B.C. student loans going forward.
- This means everyone who is working to pay off their B.C. student loan will get immediate relief.
- Our government is proud to invest $318 million over the next four years to eliminate interest on B.C. student loans going forward.
- The typical undergraduate student finishes university with $11,200 in British Columbia student loan debt — and $28,000 when combined with federal student loan debt.
- Someone with a $28,000 combined federal and provincial loan debt will save approximately $2,300 in interest charges over a 10-year repayment period.
- By eliminating interest on B.C. student loans, we're moving in the right direction, making life better, and removing barriers to help people reach their full potential.

KEY FACTS:

- The elimination of the interest applies to both outstanding and new government-issued loans under the BC Student Loan program.
- The benefit to the students is recognized as a concessionary adjustment under generally accepted accounting principles.

Contact:	Jordan Goss, Assistant Deputy Minister	**Phone:**	250 387-0665
Division:	Revenue	**Page:**	1 of 20
File Name:	Student Loan Interest Rate Elimination		

- Concessionary adjustments are recorded as an expense at the time the rate becomes effective and as each new loan is issued at this reduced rate.
- An estimated $217 million concessionary expense in 2018/19 will recognize the benefit impact on student loans that are currently outstanding. The estimate may be updated after receipt and review of final reporting from the Office of the Chief Actuary of Canada; material changes are not expected.
- An estimated $50 million ($49.2 million, $49.9 million, and 50.5 million respectively) will be recognized as a concessionary expense in each of the next 3 years as new student loans are issued.
- As loans are repaid in the future, a portion of the repayment will be recovered to revenue at that time, estimated at $46 million in each of the next 3 years ($45.6 million, 45.8 million, and 46.1 million, respectively). The net impact to the surplus over the term of the loan is zero.
- This decision impacts the Province’s revenue and expenditures.
    - Interest revenue is estimated to be reduced by $22M. Actual decreases will vary subject to fluctuations in the Prime Rate and loan balances.
        - Program Administration Expenditures were previously funded through interest collected on student loans. A funding increase of $27 million in each of the next 3 years is required to fund administration of the loan program as the interest revenue is no longer available to offset program costs.
        - The Ministry of Finance is responsible for the administration and collection of BC Student Loans. Eliminating the interest charged has no impact on the workload required to administer the loans. Program expenditures are based on the number of accounts, not the amount of debt owing.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL & REVENUE DIVISION
ISSUE NOTE

Summary:

- An estimated 93.1 million in net funding is required over the three-year fiscal plan period starting in 2019/20 (or $31 million in each fiscal) for the required accounting adjustments and program administration expenditures.

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Contact:	Jordan Goss, Assistant Deputy Minister	**Phone:**	250 387-0665
Division:	Revenue	**Page:**	3 of 20
File Name:	Student Loan Interest Rate Elimination		

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL & REVENUE DIVISION
QUESTION AND ANSWERS

ISSUE: Student Loan Interest Elimination

Questions 1-8 were prepared for the Minister of Advanced Education, Skills and Training and are repeated here for reference as the Student Loan Program is managed from FIN as well. *(AEST is responsible for administering student financial assistance in B.C., determining eligibility to receive a BC Student loan and communicates policy and processes regarding loans and grants to students.)*

Questions 9-36 deal with the accounting treatment required for the B.C. student loan interest rate elimination and related issues which will be deferred to the Minister of Finance for response by our colleague the Minister of Advanced Education Skills and Training. (*FIN is responsible for the disbursement, administration and collection of B.C. Student Loans.)*

1. **Budget 2019 eliminates the interest charged on B.C. student loans. What is the cost to the taxpayer?**
   - Our government is investing $318 million over four years beginning in 2018/19 to eliminate interest on B.C. government-issued student loans and help make post-secondary education more affordable.
   - This means everyone who is working to pay off their student loan will get immediate relief – making life more affordable for families and young people transitioning to the workforce.
   - This decision reduces monthly payments for approximately 200,000 borrowers and provides approximately $22 million in interest relief in 2019/20.
   - For example, a typical student who graduates with about $28,000 in combined B.C. and federal student loans will save

approximately $2,300 in interest charges over a 10-year repayment period.

- It also levels the cost of post-secondary education for everyone – students who can't afford to pay up-front and who rely on student loans will no longer pay more for their education than those who don't need the assistance.

2. Will all interest charged on student loans be forgiven? Does this include existing loans or just new ones? When does this change come into effect?

- Budget 2019 eliminates interest on all B.C. government-issued student loans going forward.
- As of February 19, 2019, interest will no longer accumulate on all new and existing B.C. government-issued student loans.
- Graduates will remain responsible for any interest that has accumulated on their B.C. government-issued student loan prior February 19, 2019.
- This announcement makes life better for people and opens the door to opportunity, so everyone can reach their full potential.
- Everyone working to pay off their student loan debt will get immediate relief.

3. Why do people still have to pay off the interest accumulated prior to February 19, 2019? Can't you forgive retroactively?

- Our government is proud to invest $318 million over the next four years to eliminate interest on B.C. government-issued student loans going forward.
- We're working hard to make life more affordable.

- As of February 19th, people with B.C. government-issued student loans will get immediate relief.
- We're moving forward in the right direction.
- With this decision, we're helping young people and new families get off to a good start in their lives and careers.
- We're working to make higher education more accessible.

4. Will interest stop accumulating for people in default? Or does it just apply to loans in good standing?

- Budget 2019 eliminates interest on **all** B.C. government-issued student loans going forward.
- As of February 19, 2019, interest will no longer accumulate on **all** new and existing B.C. government-issued student loans.
- This decision is about making life more affordable for all British Columbians.
- And helping young people and new families get off to a good start in their lives and careers.

5. Does this reduce the incentive for students to repay their loans in a timely manner? What is the incentive to repay?

- No. In fact, eliminating the interest charged reduces the amount of debt that the individual must repay and positively impacts their overall debt load.
- Students have shown us that they are repaying their loans.
- And I expect this will continue.
- We have one of the lowest student loan default rates in Canada – at approximately 8% whereas the default rates for most other provinces ranges between 9%-11%.

- And more than 90% of graduates from the public post-secondary system repay their loans in full and on time.
- British Columbia now joins five other provinces leading the country in charging zero interest on their student loans and providing relief to young people and new families beginning their lives and entering the workforce.
- We also continue to have extra supports in place to help those who may have trouble repaying their student loans due to financial hardship.
- Through our repayment assistance plan, eligible borrowers only repay what they can afford based on their family income.
- We are opening doors for people, making life more affordable, and removing barriers to help people reach their full potential.

6. Will the elimination of the interest charged on student loans cause students to borrow more and go into significant debt?

- No. The amount a student can borrow continues to be assessed according to their financial needs and available resources, including individual and family savings and income.
- Those students with higher available resources receive less financial assistance and, in some cases, may not be eligible for B.C. student loans.
- Also, we have in place weekly and lifetime borrowing maximums to ensure that debt does not spiral out of control. In B.C. the maximum lifetime funding available is $50,000.
- And loans continue to be offset by federal and provincial up-front grants and debt reduction measures.

- In 2017/18, our Government provided $56 million in provincial up-front non-repayable assistance and supports that reduce the amount of debt a student must pay back.
- We're working to make post-secondary education more accessible.
- Eliminating the interest charged levels the cost of post-secondary education for everyone.
- Those students who can't afford to pay up-front and who rely on student loans will no longer pay more for their education than those who don't need the assistance. As a result, we may see more students access provincial loans than before.

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9. Some students are reporting that that the National Student Loans Service Centre told them the removal of interest won't change without legislation. Is this true?

- No. My ministry continues to work with the Gov't of Canada and the service provider to make sure people get accurate information from them.
- We eliminated interest on B.C. student loans effective Feb. 19, 2019 to make life more affordable for students and graduates.
- People who access their online loan account should now see loan balances that reflect zero interest.

10. Why are borrowers are not seeing any changes to their student loan statement?

- It could take several months for your statements to reflect the elimination. The same thing happened when we reduced interest by 2.5% in August 2017.
- If that happens, the money will be credited back to you.
- The bottom line is we eliminated interest on B.C. student loans effective February 19, 2019. That's good news for students and graduates who have struggled for too long under the old government.

11. What were the previous changes to interest on student loans?

- The student loan interest rate had been Prime + 2.5% since 1996-97.
- Effective August 1st, 2017, we reduced provincial student loan interest rates by 2.5% to Prime. This provided about $11 million in interest relief in 2018-19 for about 200,000 people.

- The elimination of interest on B.C. gov't student loans effective Feb. 19, 2019 reduces monthly payments for approximately 200,000 borrowers and provides approximately $22 million in interest relief in 2019/20.

12. What is a concessionary expense? Isn't this just another way to say the government is writing off a portion of it's government-issued student loans?

- When a loan is extended with concessionary terms, like no interest, accounting standards consider a portion of it as having the nature of a grant.
- Accounting standards require entities to record the part of the loan that has a nature of a grant as an expense when the loan is made.

13. Will you forgive the interest on existing B.C. student loans?

- As of today – February 19, 2019 – all B.C. student loans will stop accumulating interest.
- This means everyone who is working to pay off their student loan will get immediate relief.
- For example, someone with $28,000 combined federal and provincial loan debt will save approximately $2,300 in interest charges over a 10-year repayment period.
- We're working to help young people and new families get off to a good start in their lives and careers.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL & REVENUE DIVISION
QUESTION AND ANSWERS

14. How much revenue will the B.C. government lose through student loan interest elimination?

- The estimated interest revenue lost for fiscal 2019/20 is $22 million based on the current Prime rate and the current outstanding loan balance.

s.13

Contact: Jordan Goss, Assistant Deputy Minister **Phone:** 250 387-0665
Division: Revenue

File Name: Student Loan Interest Rate Elimination

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL & REVENUE DIVISION
QUESTION AND ANSWERS

s.13

17. Is there credit counselling for students who get a B.C. government loan?

- We acted quickly to make education more affordable as too many students were left behind for too long by the old gov't.
- StudentAid BC helps British Columbians pay for college and university.
- It supports over 60,000 students each year with grants, loans and other financial aid programs.
- Loan amounts are based on program cost, number of dependents and financial resources.
- Experienced, professional financial aid officers at Post Secondary Institutions can assist students.
- Students also access information online or through the call centre about their loans and payment process. Call centre agents are equipped to assist borrowers in developing affordable payments and payment plans.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL & REVENUE DIVISION
QUESTION AND ANSWERS

18. Who advised and approved that the concessionary treatment of the loans is the correct treatment?

- We engaged the Office of Comptroller General who responded that any level of interest rate reduction below government's average rate of borrowing would be considered concessionary.
- This is in alignment with Public Sector Accounting Standards.

s.13

20. Has the government of B.C. ever issued concessionar-type loans before and where?

- Yes, an example would be the Home Reconstruction Loans extended from the unfortunate 'leaky condo' issues were also treated as concessionary.

21. Who determines how much the concessionary expense is?

- Public Sector Accounting Standards lay out how to calculate this expense.

22. The Budget materials on Page 8, Table 1.2 uses the term "write-down" to describe the expense. Is the government forgiving all outstanding interest?

- The Province is neither writing down nor retroactively removing interest from all provincial student loans.
- The Province is restating the loan receivable in accordance with Public Sector Accounting Standards.
- All interest owing at Feb. 18, 2019 is due and payable.

23. Who is the Office of Chief Actuary Canada? What do they do for us or why are they connected to this?

- The Office of the Chief Actuary is an independent office that provides a range of actuarial valuation and advisory services.
- The Ministry of Finance engages the Office of Chief Actuary to produce an estimate of the expense resulting from the concessionary term.

24. Why is the interest relief for borrower's only $22M but government's total cost for interest elimination is $318M?

- The $22M is the estimated annual interest relief for borrowers, whereas the $318M is the estimated cost of the accounting treatment change plus annual operating costs to run the program over the fiscal year 18/19 and the fiscal plan period.

25. What does the $318M interest elimination cost represent?

- $318M represents the estimated cost of the accounting treatment change plus annual operating costs to run the program over the fiscal year 18/19 and the fiscal plan period.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL & REVENUE DIVISION
QUESTION AND ANSWERS

26. Why are there costs for 4 years?

- *Budget 2019* represented a 3-year fiscal plan.
- The interest rate change was effective February 19, 2019 and therefore most of the associated costs must be accounted in fiscal 18/19.

27. Where or how does the government report the $22M interest loss to government? Is it a part of the $318M?

- Government does not record foregone revenues.
- The $22M represents the estimated annual interest saved by student loan borrowers because of this decision.
- This is not a part of the $318M.

28. What is included in the operating cost for each year of the student loan program?

- The operating costs include loan disbursement, collections and related administration program costs.

29. How much did this decision just cost B.C. taxpayers?

- This is a policy change that required an accounting treatment change.
- The full amount of the loans is still repayable.
- The Ministry of Finance is responsible for the administration and collection of BC student loans. The elimination of interest has no impact on the workload required to administer the loans. Administration costs are based on the number of accounts, not the amount of debt owing.

- Administration costs were previously funded through interest payments collected on student loans. A net funding increase of $93M over three years is required to fund administration of the loan program as this revenue is no longer available to offset program costs.

s.13

s.13

32. What is this government going to do if borrowers stop repaying their loans because they're not interest bearing?

- Pan-Canadian collection data about the portfolio of student loan programs in Canada indicates that borrowers do not stop paying their loans because of no interest.
- There are 4 other provinces in Canada that do not charge interest on their provincial student loans: PEI, NFL, Manitoba and Nova Scotia.
- Data represents that the cohort of borrowers being in repayment for 3 full years in those jurisdictions have default rates of only, 7, 9, 10 and 11% respectively.

s.13

34. Is there additional cost for B.C. taxpayers if borrowers stop or slow down repaying their loans?

- The Ministry of Finance for the Government of BC engages the Office of Chief Actuary to produce an estimate of the allowance for doubtful accounts every year.
- They evaluate the collectability risk for the BC student loan based on several assumptions, including borrowers who may not be able to repay their loans or are experiencing temporary financial

hardship, and the province accounts for the estimate provided annually.

s.13

36. What is the typical or average repayment period for BC student loans?

- BC student loans must be paid back within 10 years of completion of studies.

37. The budget material says the typical BC loan amount is $11,200. Do we have a sense of the range in outstanding loan amounts?

- 80% of loans fall within the range of $2,000 to $15,000.

38. What is the maximum outstanding loan amount in BC?

- $50,000.00 provincial lifetime maximum.

39. With the decision to eliminate interest on student loans and therefore the reduction of interest revenue to government what is the impact to government's long-term spending plan?

- Administration costs were previously funded through interest payments collected on student loans. A net funding increase of $93M over three years is required to fund administration of the loan program as this revenue is no longer available offset program costs.

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

ISSUE: Tobacco Enforcement

ADVICE AND RECOMMENDED RESPONSE:

- Illicit tobacco is a problem across Canada.
- The Ministry has a number of programs supporting sale of legal tobacco and aimed at combatting illicit tobacco sales.
- Retail dealers are routinely inspected to ensure they only sell marked legal tobacco at their locations. Where necessary, audits are undertaken to ensure compliance with the legislation.
- The sale of illegal or contraband tobacco is a crime. The ministry takes enforcement actions to combat the underground economy, including contraband tobacco.
- Participating in activities associated with illegal or contraband tobacco:
    - Threatens tax revenue, reducing support for important government programs such as healthcare, infrastructure and education
    - Undermines government efforts to reduce smoking rates and protect minors from the dangers of smoking
    - Contributes to health and safety risks due to the lack of oversight of unregulated products
    - Compromises public safety by providing funds used to finance organized crime and other criminal activities such as drug and gun trafficking

KEY FACTS:

- Contraband tobacco includes:
    - Tobacco products that are not properly stamped or marked
    - Legal tobacco products that are purchased and sold illegally.
- Illegal activities involving tobacco include:
    - Selling tobacco to persons under the age of 19

    - Selling any tobacco product without an authorized permit
    - Reselling duty-free purchased tobacco
    - Selling taxable tobacco products without charging or collecting tobacco tax
    - Selling tax-exempt tobacco to customers who are not eligible
    - Possessing more than 1,000 grams (equivalent of 5 cartons) of tobacco if you are a consumer
    - Importing tobacco without paying tobacco tax
    - Selling imported tobacco declared for personal use
- Enforcement action consists of:
    - working with partners including CRA, Canada Border Services Agency, RCMP and **members of the Interprovincial and Territorial Investigations Council** (federal and provincial law enforcement agencies) for information and intelligence sharing
    - conducting investigations into willful non-compliance and fraud against tax revenues
    - providing training and education to bylaw agencies, police units, health enforcement offices and industry stakeholders on how to prevent occurrences of contraband tobacco
    - partnership with Crimestoppers, colleges/universities for advertisement posters on the effects of illegal tobacco
- Enforcement actions are undertaken by a team of investigators in the Ministry's Investigations Unit.
- The team is responsible for the administration and criminal enforcement of numerous provincial taxation statutes and regulations including the *Tobacco Tax Act*.
- Investigations relate to offences throughout B.C. relating to tax evasion and fraud, recovery of revenue owed to the provincial government, enforcement action, recovery of revenue obtained as proceeds of crime and voluntary compliance by promoting education and general deterrence

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

BACKGROUND:

- Valid tobacco permits must be held to sell tobacco products at retail: Tobacco Retail Authorizations for those selling taxable tobacco at retail locations; or Exempt Sale Retail Dealer permits for those retail locations that are duty-free shops or located on reserve or designated lands selling exempt tobacco products to eligible persons.
- All registered dealers must purchase tobacco from registered wholesale dealers. Registered wholesalers charge the retailer a security equal to the amount of tax the end customer will pay. The wholesaler remits this security to the government. When retailers charge the customer the tax, they retain this tax as reimbursement of the security they paid to the wholesaler. If retailers purchase tobacco from a supplier who is not a registered wholesale dealer, they must report and pay the tax collected from the customer.
- Illicit tobacco are products that do not comply with the federal and provincial tobacco regulations on manufacturing, distribution, sale, taxation, packaging and stamping.
- The illicit tobacco found in B.C. includes tobacco brought in from other countries, both legitimately manufactured product that is brought in illegally as well as counterfeit product manufactured to appear legitimate, tobacco manufactured on First Nations Land in other provinces (primarily Ontario and Quebec) and blackstock tobacco meant for tax-exempt sales in B.C. to eligible First Nations purchasers.
- Studies undertaken by the Western Convenience Store Association[1] indicate that approximately 15% of cigarettes in British Columbia are illicit.

OPERATIONS:

	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Actuals
Investigations Unit (cigarettes seized)	1.4 million	3.1 million	2.8 million	5.8 million
Regulatory Inspections conducted[2]	2,669	2,529	414	512
Regulatory Audits undertaken	94	43	2	9
Regulatory Audits (recovery $)	$119,000	$299,000	$697,000	$5,774,800

[1] The Western Convenience Stores Association (WCSA) represents the interests of over 7,000 gas and convenience retailers throughout the four western provinces and three northern territories, including their suppliers, distributors and stakeholders.
[2] Tobacco Retail Inspection Program was re-evaluated to more efficiently and effectively undertake this regulatory activity in the Consumer Taxation Audit Branch.

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

- **In 2018/19, one significant seizure of 4 million cigarettes resulted from collaboration and intelligence information sharing from enforcement counterparts all over Canada. The investigation involved extensive surveillance and efficient use of technology and tools. For investigations, search warrants are executed on storage facilities. Generally, individuals distributing illicit tobacco are arrested with assistance of local police. Reports to Crown Counsel are submitted to federal and provincial Crown for consideration of laying charges under the *Tobacco Tax Act, Excise Tax Act* (on behalf of CRA) and *Criminal Code of Canada.***
- **The Tobacco Tax Section oversees tobacco dealer permitting to ensure all businesses selling tobacco have valid permits and administers the tax return reporting process for dealers to remit tobacco tax including ensuring dealers comply with requirements to file inventory returns and pay additional tax due to tobacco tax increases.**

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION & ANSWERS

ISSUE: Tobacco Enforcement

Question: Which law enforcement unit / team would be responsible in investigating the black market for illegal cigarettes?

Answer:

- B.C. Ministry of Finance – Investigations Unit:
- The Ministry of Finance Investigations Unit conducts investigations into willful non-compliance and fraud against tax violations.
- Report tax fraud via a toll-free TIPS line 1-877-977-0858 or 604-660-0858 in Vancouver; or email at IUnit@gov.bc.ca

Question: What is the size of the illicit tobacco problem in BC?

Answer:

- In B.C., the province collects $700 million in tobacco tax revenues annually, but it is estimated that several million dollars are lost each year due to the smuggling of illicit tobacco.
- When the federal and provincial governments lose revenue because of illegal tobacco, it increases the tax burden for all of us.

Question: What is illegal or contraband tobacco?

Answer:

- Illegal or contraband tobacco includes:
    - Tobacco products that are not properly stamped or marked
    - Legal tobacco products that are purchased and sold illegally.

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION & ANSWERS

Question: What are considered illegal activities involving tobacco?

Answer:

- Illegal activities include:
    - Selling tobacco to persons under the age of 19
    - Selling any tobacco product without an authorized permit
    - Reselling duty-free purchased tobacco
    - Selling taxable tobacco products without charging or collecting tobacco tax
    - Selling tax-exempt tobacco to customers who are not eligible
    - Possessing more than 1,000 grams (equivalent of 5 cartons) of tobacco if you are a consumer
    - Importing tobacco without paying tobacco tax
    - Selling imported tobacco declared for personal use

Question: Is a person allowed to re-sell tobacco brought into the country for personal consumption?

Answer:

- No, as it is authorized for personal consumption only, resale not permitted.

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION & ANSWERS

Question: What is a consumer's obligation regarding tobacco and what penalties could they face if not in compliance?

Answer:

- Consumers are required to pay tax on tobacco purchases.
- Assessment for tax payable and interest will be levied for non-payment of tax; fraud an additional 25% penalty; or charged with an offence and liable between $200 - $25,000 in fines, up to 2 years imprisonment and forfeiture of tobacco.

Question: Who can sell duty free cigarettes?

Answer:

- Only duty-free shops can sell duty free items to travellers who will be taking these goods out of Canada.

Question: Can imported tobacco be sold duty free by online sellers, for instance on Craigslist?

Answer:

- Imported tobacco can only be sold duty free by licensed duty-free shops at a physical store: they cannot be sold online.
- Advertisements for sales of duty free tobacco online represent illegal activity.

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

ISSUE: Contract with FAST Canadian Enterprises Ltd.

ADVICE AND RECOMMENDED RESPONSE:

- Protecting people's personal information and privacy is paramount for our government and that principle has guided the roll-out of the speculation and vacancy tax (SVT) including the development of the administrative system.
- I am confident the tax is fully compliant with our privacy legislation and that taxpayers' data is being handled safely and securely.
- The custody and control of all data collected is held by the Province not by the software vendor and the data is stored securely within Canada.
- The Province has successfully used Gentax software for tax administration purposes since 1999.
- This software and its implementation complies with government's Core Policy and Information Security Policy requirements.

KEY FACTS:

- The Province first began using Gentax software to administer sales taxes in 1999.
- In 2011, in order to re-implement the PST in B.C., the Province approved a capital investment in the updated version of Gentax which included online services for taxpayers.
- Subsequent to the re-implementation of PST, almost all other tax and royalty programs have been on-boarded onto Gentax.
- In 2018, the Ministry amended the contract with Fast Canadian Enterprises Ltd. for the purposes of developing the administration system for both speculation and vacancy tax and the employer health tax.
- The servers on which the speculation and vacancy tax data is stored and the security measures to protect the data, are the same as for other tax data, including the T1 income tax data provided by the Canada Revenue Agency.

MINISTRY OF FINANCE
REVENUE DIVISION
QUESTION AND ANSWERS

ISSUE: Contract with FAST Canadian Enterprises Ltd.

Question: At the time the Ministry entered into the contract amendment for the SVT and EHT, were they aware that there was a potential data breach in Michigan by Fast Enterprises?

Answer:

- The potential data exposure that occurred in Michigan was not a result of an issue with the software use in B.C.
- Gentax software and the specific ministry implementation has been assessed and complies with government's Core Policy, and Information Security Policy requirements.

Contact: Jordan Goss, ADM
Phone: 778 698-4093
Division: Revenue Division

File Name: FAST Contract

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Assumptions in Economic Forecast and Forecast Process

ADVICE AND RECOMMENDED RESPONSE:

Economic Forecast Process

- The process for preparing the economic outlook presented in *Budget 2019* is unchanged from previous budgets.
- The economic forecast is produced using the B.C. Macroeconomic Model, which contains over 300 equations.
    - The Ministry of Finance regularly reviews and updates the B.C. Macroeconomic Model to ensure that the model remains up to date relative to current economic thinking and research.
    - For further details of the economic forecast process and the B.C. Macroeconomic Model, documentation is available on the Ministry of Finance website.
- In accordance with the *Budget Transparency and Accountability Act* (BTAA), the Minister of Finance also consults with the independent Economic Forecast Council prior to budget. This process has not changed.
- Furthermore, the practice of incorporating a degree of prudence in the economic forecast, in recognition of downside risks to the outlook, remains unchanged.
    - The degree of prudence in the *Budget 2019* economic forecast is consistent with the amount of prudence that has been included in the forecast in previous years.

Contact: Sadaf Mirza, Executive Director **Phone:** 778-698-1534
Division: Treasury Board Staff

File Name: Assumptions in Economic Forecast and Forecast Process.docx

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

Assumptions in Economic Forecast

- There are various assumptions that go into the model, including the following:
  - Economic indicators for Canada, US, Japan, China and Europe.
  - Interest rates and the Can/US exchange rate.
  - Commodity prices.
  - Population and net migration levels.
  - Government fiscal policy.
- These assumptions are developed based on private sector forecasts and information from various Ministries, including other branches of the Ministry of Finance. A degree of prudence is incorporated in some of the external assumptions, in particular for the external economies.
- All assumptions have been updated in *Budget 2019*, apart from recent provincial government fiscal policy (i.e. spending and tax) which are incorporated into the updated economic forecast produced for the first quarterly report.
  - This is consistent with past practice, as the economic forecast is completed at the front end of the budget building process.
  - The process for developing the assumptions is well established and has been in place for at least two decades.
  - For transparency, the *Budget 2019* Attestation by the Secretary to Treasury Board states:
    - ***"Consistent with past practice, the economic forecast does not incorporate fiscal policy measures announced in the current budget (Budget 2019), due to the timing of decisions. These budget policy measures will be incorporated into the economic outlook in the updated forecast included in the First Quarterly Report."***

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

BACKGROUND:

Below are details of how the assumptions are developed and page references in the *Budget 2019* document.

Economic indicators for Canada, US, Japan, China and Europe:

- Include GDP, industrial production and housing starts.
- Are generally prudent versus the private sector Consensus forecast.
- Assumptions disclosed in Table 3.6.4 (pg 86).

Interest rates and the exchange rate:

- Interest rates:
  - 2019 and 2020 based on an average of 6 private sector forecasters (BMO, CIBC, National Bank, RBC, Scotiabank and TD).
  - 2021-2023 based on Ministry of Finance expectations of central bank rate changes, historical spreads and literature review.
- Exchange rate based on an average of 6 private sector forecasters (BMO, CIBC, National Bank, RBC, Scotiabank and TD) for 2019-2023.
- Assumptions disclosed in Table 3.4 (pg 82), Table 3.5 (pg 83) and Table 3.6.4 (pg 86).

Commodity prices:

- Include lumber, natural gas, copper and coal.
- Developed by the Ministry of Forests, Lands, Natural Resource Operations and Rural Development, and the Ministry of Energy, Mines and Petroleum Resources.
- Assumptions disclosed in Table 1.16 (pg 31), Table A5 (pg 118-122) and Table A6 (pg 123).

Population and migration:

- Developed by BC Stats based on inputs provided by the Ministry of Finance regarding GDP and unemployment rate assumptions for BC, Canada and Alberta.
- Population and net migration assumptions disclosed in Table 3.6.3 (pg 85).

Government fiscal policy:

- Provincial government spending and tax policy information is obtained from the Fiscal Planning and Estimates Branch and Tax Policy Branch.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

- **The economic forecast incorporates major spending and tax decisions from the prior fiscal plan. Any new decisions in Budget 2019 are incorporated in the economic forecast update with Q1, as per standard practice.**

Contact: Sadaf Mirza, Executive Director **Phone:** 778-698-1534
Division: Treasury Board Staff

File Name: Assumptions in Economic Forecast and Forecast Process.docx

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Budget 2019 – Capital Plan

ADVICE AND RECOMMENDED RESPONSE:

- Budget 2019 includes capital spending totaling $31.1 billion over the three years of the plan (2019/20 to 2021/22), of which $20.1 billion is for taxpayer-supported capital investments.
- Priority areas of taxpayer-supported investment include post-secondary facilities, public schools, health-care facilities, bridges, roads and transit.
- B.C.'s taxpayer-supported debt to GDP ratio is forecast to be 16.1 per cent by 2021/22. The taxpayer-supported debt to revenue ratio over the *Budget 2019* plan period is below 90 per cent.

KEY FACTS:

- Government reviews its 10-year capital plan on an annual basis as part of the budget development process.
- Taxpayer-supported debt-to-GDP and debt-to-revenue ratios are key measures of affordability.
- New priority projects with a capital cost of over $50 million are publicly reported and disclosed, as required in the *Budget Transparency and Accountability Act*, once Government has approved the project's business case. A business case confirms the specific project scope, budget and timing.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

TAXPAYER-SUPPORTED CAPITAL SPENDING FORECAST:

($ millions)	Budget Estimate 2019/20	Plan 2020/21	Plan 2021/22	Totals
K-12 Schools	843	971	862	**2,676**
Post-Secondary Institutions	1,034	1,096	1,187	**3,317**
Health	1,255	1,406	1,692	**4,353**
BC Transportation Financing Authority[1]	1,881	2,097	2,060	**6,038**
BC Transit	194	181	175	**550**
Government Ministries	672	497	447	**1,616**
Housing[2]	393	534	378	**1,305**
Other[3]	68	55	110	**233**
Total Capital Spending:	**6,340**	**6,837**	**6,911**	**20,088**

1. Includes Transportation Investment Plan and Transportation Investment Corporation, which is a subsidiary of BCTFA effective April 1, 2018.
2. Includes BC Housing Management Commission and Provincial Rental Housing Corporation.
3. Includes BC Pavilion Corporation, Royal BC Museum and other service delivery agencies.

BACKGROUND:

Examples of Taxpayer-Supported Capital Investments over the Next Three Years

- $4.4 billion in health care infrastructure, which includes:
  - A new St. Paul's Hospital at the Station Street site in Vancouver;
  - redevelopment of Royal Columbian Hospital (phases 1 and 2);
  - a new patient care tower at the Penticton Regional Hospital;
  - a new patient care tower at the Royal Inland Hospital in Kamloops, and
  - replacement of the Burnaby Centre for Mental Health and Addictions with a new purpose-built 105-bed facility that will be built on the Riverview Lands in Coquitlam.
- $2.7 billion in K-12 education infrastructure, including:
  - a seismic replacement of Burnaby North Secondary;
  - a replacement of Walnut Part Elementary in Smithers;
  - a new Northeast Elementary school in Fort St. John;
  - an expansion at Royal Bay Secondary;
  - a new South Side Area Elementary-Middle school in Chilliwack; and
  - an expansion at Sullivan Heights Secondary in Surrey.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

- $3.3 billion in post-secondary infrastructure, including:
  - two new student housing buildings at the University of Victoria and a renovation to increase student housing beds at Thompson Rivers University as part of the student housing loan program;
  - a new health sciences building at Okanagan College in Kelowna;
  - a new Sustainable Energy and Environmental Engineering Building at the Surrey campus of Simon Fraser University;
  - a new health science building at British Columbia Institute of Technology's Burnaby campus;
  - renewal and expansion of the trades facilities at Selkirk College in Nelson; and
  - support for research infrastructure through the British Columbia Knowledge Development Fund, with external funding leveraged from the federal Canada Foundation for Innovation and non-provincial government partners.
- $6.6 billion of investment in transportation infrastructure, including:
  - replacing the Pattullo bridge;
  - constructing the Broadway Subway to reduce traffic congestion and air pollution on one of the most congested transit corridors in Metro Vancouver;
  - replacing the RW Bruhn Bridge on Highway 1 in Sicamous;
  - reduce delays, improve safety and the flow of goods to and from the Port of Prince Rupert by realigning 2 km of Highway 16 and grade separating the CN 28 Mile level rail crossing;
  - replace the Parsnip River Bridge on Highway 97 near Mackenzie;
  - four-laning of Highway 1 through the Kicking Horse Canyon between Highway 95 and the western boundary of Yoho National Park; and
  - construction of a new transit facility in Abbotsford.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
QUESTIONS AND ANSWERS

ISSUE: Budget 2019 – Capital Plan

Question: What changed from Budget 2018?

Answer:

- *Budget 2019* includes capital spending totaling $31.1 billion over the three years of the plan (2019/20 to 2021/22), of which $20.1 billion is for taxpayer-supported capital investments.
- Three year taxpayer-supported capital spending in *Budget 2019* is $4.3 billion higher than *Budget 2018*, mainly due to the following:

Schools (K-12) (~$680M increase)

s.12; s.13

Post Secondary Institutions (~$700M increase)

s.12; s.13

MINISTRY OF FINANCE
TREASURY BOARD STAFF
QUESTIONS AND ANSWERS

Health (~$1.3B increase)

s.12; s.13

Transportation (~$1.4B increase)

s.12; s.13

Contact:	Heather Hill, Executive Director, Capital	**Phone:**	778 698-1548
Division:	Treasury Board Staff	**Page:**	5 of 6
File Name:	Capital Plan.docx		

MINISTRY OF FINANCE
TREASURY BOARD STAFF
QUESTIONS AND ANSWERS

Table: Three Year Capital Spending - Changes from *Budget 2018*

	($ millions)	
2018/19 to 2020/21 capital spending – *Budget 2018* (February, 20 2018)		26,201
Taxpayer-supported changes:		
New seismic mitigation program funding	244	

s.12; s.13

Transportation sector	1,376	
Health sector	1,277	
Other net changes	456	
Total taxpayer-supported		4,313
Self-supported changes:		
Columbia Basin Trust and Columbia Power Corporation purchase of the Waneta Expans	991	
Other net changes	(450)	
Total self-supported		541
Total changes		4,854
2019/20 - 2021/22 capital spending – *Budget 2019*		31,055

MINISTRY OF FINANCE
TREASURY BOARD STAFF
FACT SHEET

NAME: Changes in Debt Affordability Metrics in *Budget 2019*

DESCRIPTION:

- Taxpayer-supported debt is projected to increase by $10.0B, ending the fiscal plan period at $54.0B, mainly due to record levels of planned capital spending.
- Debt affordability metrics have improved since *Budget 2018* due to better operating results in 2017/18 and 2018/19. (Figure 1 and Table 1)
- Debt-to-GDP is affordable and is forecast to remain near 16 per cent over the fiscal plan period. Actual results for Debt-to-GDP in recent past have ended up being lower than forecast – see Table 2.
- Debt to revenue remains within a reasonable range at below 90% over the *Budget 2019* plan period, which is lower than the *Budget 2017 Update* and *Budget 2018* tracks. (Figure 2)
- BC's debt-to-GDP metric compares favorably against other jurisdictions (2017/18 comparison shown in Figure 3, based on most current information available from Moody's. Note: debt-to-revenue comparison is not published)

FIGURE 1:

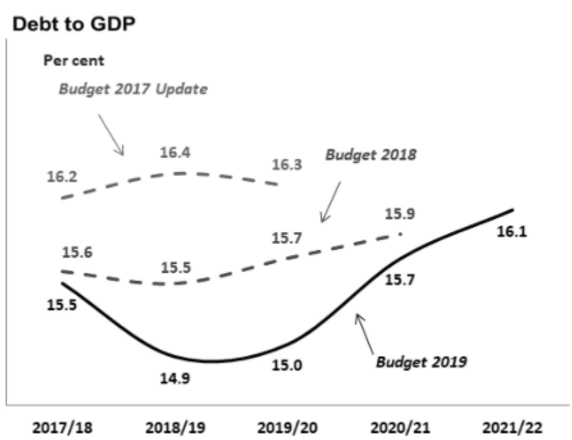
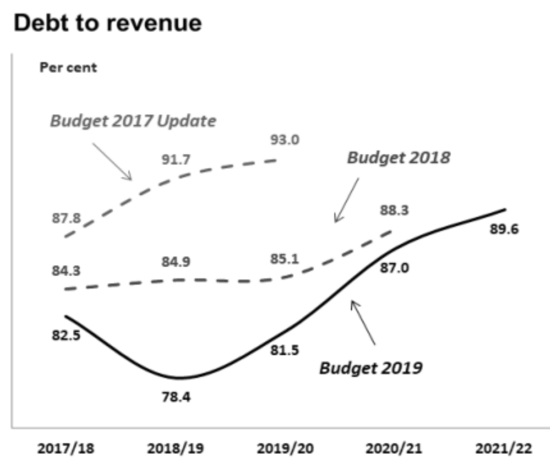


FIGURE 2:



Contact:	Fisnik Preniqi, Executive Director	**Phone:**	778-698-1533
Division:	Treasury Board Staff	**Page:**	1 of 2
File Name:	Debt Metrics.docx		

MINISTRY OF FINANCE
TREASURY BOARD STAFF
FACT SHEET

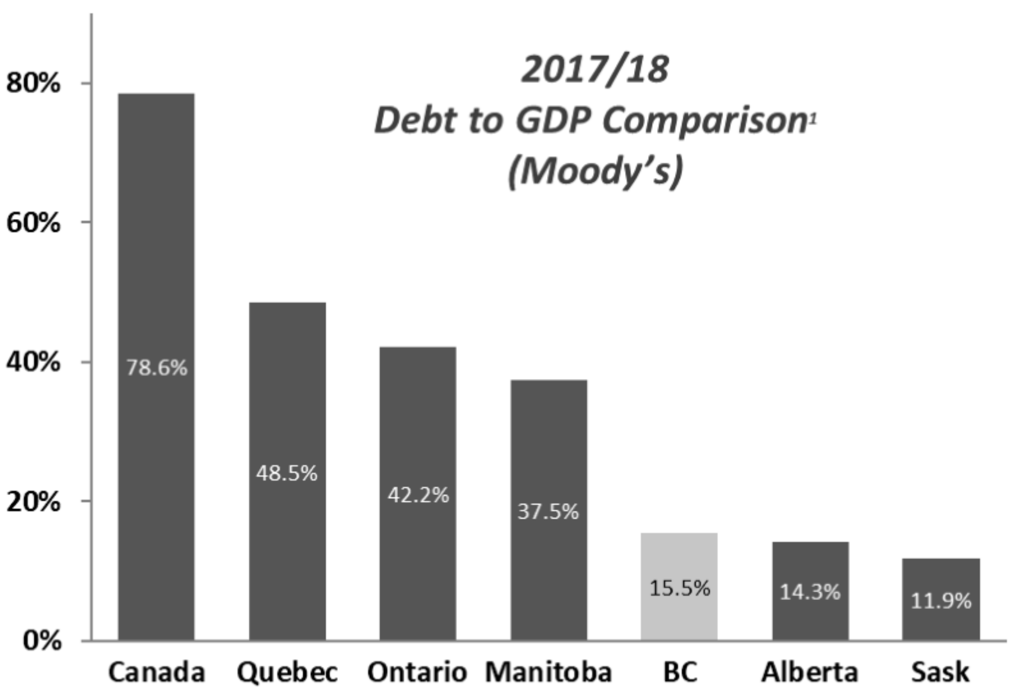
Table 1: Taxpayer-supported Debt Metrics

Debt Metric (per cent)	**2015/16 Actaul**	**2016/17 Actual**	**2017/18 Actual**	**2018/19 Forecast**	**2019/20 Estimate**	**2020/21 Plan**	**2021/22 Plan**
Debt to GDP	17.2	15.7	15.5	14.9	15.0	15.7	16.1
Debt to Revenue	91.3	81.8	82.5	78.4	81.5	87.0	89.6

Table 2: Taxpayer-supported Debt to GDP

Debt to GDP (per cent)	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
June Budget Update 2013.............	18.4						
Budget 2014	18.2	17.8					
Budget 2015	17.4	17.1	16.6				
Budget 2016	17.4	17.0	16.7	16.3			
Budget 2017 Update			16.2	16.4	16.3		
Budget 2018			15.6	15.5	15.7	15.9	
Budget 2019				14.9	15.0	15.7	16.1
Actuals (Public Accounts)	17.2	15.7	15.5				

FIGURE 3:



[1] Provincial debt to GDP levels are based on 2017/18 actual ; the Government of Canada is the level as of December 2017
Source: Moody's Investor Services

Contact: Fisnik Preniqi, Executive Director
Division: Treasury Board Staff
File Name: Debt Metrics.docx
Phone: 778-698-1533

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: BC Economic Outlook and Changes to the Outlook

ADVICE AND RECOMMENDED RESPONSE:

- The Ministry of Finance forecasts B.C. real GDP to grow by 2.4 per cent in 2019, 2.3 per cent in 2020, 2.1 per cent in 2021, and 2.0 per cent in 2022 and 2023.
    - The changes to the forecast in part reflect recent developments regarding the *Canada-United States-Mexico Agreement* and the final investment decision on the LNG Canada project.

(Per cent growth)	2018[e]	2019	2020	2021	2022	2023
B.C. Real GDP						
First Quarterly Report 2018	2.2	1.8	2.0	2.0	2.0	-
Budget 2019	2.2	2.4	2.3	2.1	2.0	2.0
B.C. Nominal GDP						
First Quarterly Report 2018	4.5	3.9	3.9	3.9	3.9	-
Budget 2019	4.6	4.4	4.3	4.0	3.9	3.9

[e] Estimate

- In preparing *Budget 2019*, the Ministry of Finance surveyed the Economic Forecast Council (EFC). On average, EFC members forecast B.C.'s economy to grow by 2.5 per cent in 2019, 2.6 per cent in 2020 and 2.2 per cent annually from 2021 to 2023.
- The Ministry's forecast for B.C. real GDP growth is below the outlook provided by the EFC with 0.1 percentage point of prudence in 2019, 0.3 percentage points in 2020, 0.1 percentage point in 2021 and 0.2 percentage points in 2022 and 2023.
- More recently, the private sector has lowered its forecasts of economic growth for 2019 and we will monitor this shift closely over the coming months. The Ministry will provide updated economic growth forecasts when the *First Quarterly Report 2019/20* is published in September.

Contact: Sadaf Mirza, Executive Director **Phone:** 778-698-1534
Division: Treasury Board Staff

File Name: Economic Outlook and Changes to the Outlook.docx

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

CURRENT STATUS:

- Since *Budget 2019*, the private sector has lowered its forecasts of Canadian and provincial economic growth for 2019 and 2020.
- In addition, the Bank of Canada has lowered its forecast of Canadian economic growth for 2019, reflecting mainly that the economy in the fourth quarter of 2018 and first quarter of 2019 were weaker than it had anticipated. Nevertheless, the Bank of Canada expects economic growth to pick up starting in the second quarter of this year, with economic growth still expected to average 2.1 per cent in 2020.
- The private sector has lowered its forecasts of economic growth for most provinces. These changes were driven by weaker-than-expected Q4-2018 Canadian GDP data released last month and its common top-down approach to provincial forecasting.
- The downgraded forecasts of Canadian and B.C. real GDP growth are summarized in the table below, alongside the EFC average and Ministry forecasts from *Budget 2019*:

Economic Outlook (Per cent growth)

Real GDP	2018	2019	2020
EFC Average (Budget 2019)			
British Columbia	2.3	2.5	2.6
Canada	2.1	1.9	1.8
Ministry of Finance (Budget 2019)			
British Columbia	2.2	2.4	2.3
Canada	2.0	1.6	1.6
Private Sector Average (as of April 26, 2019)[1]			
British Columbia	1.9	2.0	2.5
Canada	1.8	1.5	1.8
Bank of Canada (April 24, 2019)[2]			
Canada	1.8	1.2	2.1

[1] Average of BMO, CIBC, National Bank, RBC, Scotiabank, and TD.

[2] Provincial outlooks not available.

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TREASURY BOARD STAFF
ISSUE NOTE

BUDGET 2019 KEY FACTS:

(Per cent growth)	2018	2019	2020	2021	2022	2023
Canada Real GDP						
First Quarterly Report 2018	1.8[e]	1.6	1.7	1.7	1.7	-
Budget 2019	2.0[e]	1.6	1.6	1.6	1.6	1.6
U.S. Real GDP						
First Quarterly Report 2018	2.7[e]	2.2	1.9	1.9	1.9	-
Budget 2019	2.8[e]	2.2	1.7	1.7	1.7	1.7
Europe Real GDP						
First Quarterly Report 2018	1.9[e]	1.4	1.3	1.3	1.3	-
Budget 2019	1.8[a]	1.3	1.3	1.3	1.3	1.3
China Real GDP						
First Quarterly Report 2018	6.5[e]	6.0	5.8	5.8	5.8	-
Budget 2019	6.6[a]	6.0	5.8	5.8	5.8	5.8
Japan Real GDP						
First Quarterly Report 2018	0.9[e]	0.8	0.8	0.8	0.8	-
Budget 2019	0.7[e]	0.8	0.3	0.7	0.7	0.7

[e] Estimate, [a] Actual

(Per cent growth, unless stated otherwise)	2018	2019	2020	2021	2022	2023
Net migration (thousands)						
First Quarterly Report 2018	43.9[e]	48.4	51.0	52.0	53.4	-
Budget 2019	56.0[e]	53.5	56.3	58.9	60.3	57.2
Employment						
First Quarterly Report 2018	0.5[e]	0.9	0.9	1.0	1.0	-
Budget 2019	1.1[a]	1.1	1.0	1.0	1.0	1.0
CPI						
First Quarterly Report 2018	2.7[e]	2.2	2.0	2.0	2.0	-
Budget 2019	2.7[a]	2.2	2.1	2.0	2.0	2.0
Household Income						
First Quarterly Report 2018	4.6[e]	3.9	3.8	3.8	3.8	-
Budget 2019	4.8[e]	4.0	3.9	3.9	3.8	3.8
Retail Sales						
First Quarterly Report 2018	4.0[e]	3.8	3.8	3.7	3.7	-
Budget 2019	2.4[e]	3.9	4.0	3.9	3.8	3.8
Housing Starts (thousands of units)						
First Quarterly Report 2018	39.5[e]	32.0	30.3	30.3	30.3	-
Budget 2019	40.9[a]	34.0	31.8	30.5	30.5	30.5
Exchange rate (cents)						
First Quarterly Report 2018	77.5[e]	78.9	79.6	80.1	80.2	-
Budget 2019	77.2[a]	76.0	77.3	78.5	79.3	79.5

[e] Estimate, [a] Actual

Contact: Sadaf Mirza, Executive Director **Phone:** 778-698-1534
Division: Treasury Board Staff
File Name: Economic Outlook and Changes to the Outlook.docx

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Employer Health Tax in the Public Sector

ADVICE AND RECOMMENDED RESPONSE:

- Our government is working to make life more affordable for people in our province.
- Replacing MSP premiums with the EHT follows the lead of other provinces and is a much fairer and progressive approach.
- *Budget 2019* provides just over $100 million annually to provincial public-sector agencies to support the transition to the EHT.
- This funding is provided to ensure provincial public services will not be impacted.

s.13

- Less than 5% of B.C. businesses will pay the full EHT rate of 1.95%, and the majority of small businesses are protected with a $500,000 exemption amount that phases-out gradually.
- Transition funding is provided to provincial public sector agencies to cover the difference between an agency's EHT and MSP costs, on average.
- Agencies may see benefits depending on specific circumstances such as whether MSP was previously provided for their employees or the size of the agency.

KEY FACTS:

- Schools, Universities, Colleges and Hospitals sector agencies will receive approximately $85 million, while the remainder is allocated for existing provincial community social service providers and the BC Public Service.
- Ministries responsible for provincially funded public-sector agencies received funding as part of Budget 2019. Agencies and service providers are expected to work with

Contact: Dave Riley, Executive Director **Phone:** 778-698-1520
Division: Treasury Board Staff
File Name: Employer Health Tax - Public Sector

their ministries through the transition to EHT. SUCH sector agencies will receive increased funding, where applicable.

BACKGROUND:

- On January 1, 2018, Medical Services Plan (MSP) premiums were reduced by 50% and will be fully eliminated in January 2020. Beginning in January 2019, employers were required to register for the EHT with first payments due by June 30, 2019.
- Government made a commitment that provincial agencies in the SUCH and community social services sector would not be impacted in the transition to the EHT. At the time of this commitment, the net funding required was estimated to be approximately $90M annually.
- The Ministry of Finance worked with ministries responsible for these agencies to determine the impact of the EHT. s.13

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TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: *Budget 2019* Expense by Function Restatement

ADVICE AND RECOMMENDED RESPONSE:

- Due to an error, *Budget 2019* Table A11 Expense by Function was restated.
- Amounts from "natural resources & economic development", "other", and "general government" were restated.
- The restatement was due to a misallocation of the contingencies vote amounts for these three functions.
- There are no net impacts of for this reclassification on government expense forecasts.

Budget 2019 Expense by Function Restatement

Function:	Budget Estimate 2019/20	Plan 2021/22	Plan 2022/23	Average annual change (per cent)
Restated (online version)				
Natural resources & economic development	3,233	2,955	3,134	4.6
Other	2,076	2,050	2,176	5.5
General Government	1,506	1,439	1,438	1.5
Feb 19th, 2019 (print version)				
Natural resources & economic development	3,270	3,042	3,309	5.2
Other	1,486	780	114	-24.0
General Government	2,059	2,622	3,325	11.4

Contact: Fisnik Preniqi, Executive Director
Phone: 778-698-1533
Division: Treasury Board Staff

File Name: Expense by Function.docx

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Film, Television and Production Services Tax Credits

ADVICE AND RECOMMENDED RESPONSE:

- Foreign and domestic film tax credits are forecast to rise from $770 million in 2019/20 to $894 million by 2021/22.
- In 2018/19, the forecast in the *Third Quarterly Report* for total film tax credits (foreign and domestic) is $888 million, up $314 million from the *Budget 2018* estimate.
- Increasing film production activity in B.C. is due to a number of factors including:
    - a low Canadian dollar;
    - a highly professional, skilled and experienced workforce throughout B.C.;
    - the same time zone and proximity to California;
    - desirable locales and scenery; and
    - the combined federal and provincial governments' tax credits.
- The film industry in B.C. is also experiencing an increasing number of full feature films and television productions as well as more digital animation activity, which contributes to additional costs.
- The film and television tax credits are included as expenses under Vote 49 – Tax Transfers (page 188 of the 2019/20 *Estimates*) and details of the Tax Transfer Vote including film and television (domestic) and production services (foreign) are also disclosed in Table A7 on page 126 of the *Budget 2019* document.

BACKGROUND:

- In 2018/19, the forecast in the *Third Quarterly Report* for total film tax credits (foreign and domestic) is $888 million, up $314 million from the *Budget 2018* estimate. The change:
    - reflects the very strong assessments of the corporate income tax returns for the 2017 calendar year; and

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ISSUE NOTE

- includes a $174 million prior-year adjustment related to the amounts recorded in the 2017/18 *Public Accounts* and a $140 million base adjustment that carries forward.

2018/19 Production Services and Film and Television Tax Credits ($M)

	2018/19 Forecast		
	Budget 2018	Third Quarterly Report	Change
Production Services (foreign)	488	759	271
Film and Television (domestic)	86	129	43
Total foreign and domestic tax credits	**574**	**888**	**314**

Budget 2019 **- Production Services and Film and Television Tax Credits ($M)**

	2018/19	2019/20	2020/21	2021/22
Production Services (foreign)				
Base	609	665	725	789
Prior-year adjustment	150	-	-	-
Total foreign	759	665	725	789
Film and Television (domestic)				
Base	105	105	105	105
Prior-year adjustment	24	-	-	-
Total domestic	129	105	105	105
Total foreign and domestic tax credits	**888**	**770**	**830**	**894**

- Growth in the cost of film tax credits is largely due to foreign productions.
- After adjusting for the one-time $150 million prior-year adjustment in 2018/19, the growth in foreign film production tax credits is expected to average 9 per cent annual growth over the next three years.
- This is based on the *Budget 2019* outlook for the annual growth in wages and salaries plus 5 percentage points for additional volume of activity.
- Film and television (domestic productions) tax credits are expected to remain constant over the fiscal plan at $105M.

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- The Canada Revenue Agency administers and assesses B.C.'s corporate income tax returns. Hence, the actual costs of film tax credits lag by more than a year after the books are closed. This means that the cost of film tax credits recorded in the *Public Accounts* may include prior year adjustments (similar to income tax revenues).

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TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Housing Market Indicators (data as of April 25, 2019)

ADVICE AND RECOMMENDED RESPONSE:

- Following years of worsening affordability, B.C.'s housing market is shifting to more moderate conditions.

Housing Starts

- Although housing starts in B.C. declined from 43,664 units in 2017 to 40,857 units in 2018, the level remained above the historical average and new household formation. And the level of housing starts is forecast to exceed the historical average and future household formation over the projection horizon. This means that developers are expected to build sufficient new housing to accommodate B.C.'s growing population.
- The Ministry's housing starts forecast of around 34,000 units in 2019 is prudent compared to the private sector.
  - In the January to March period of 2019, housing starts in B.C. averaged an annualised 39,159 units.

MLS Home Sales

- Annual MLS home sales in B.C. decreased by 24.5 per cent in 2018 compared to 2017.
  - In the January to March period of 2019, MLS home sales in B.C. were down 27.8 per cent compared to the same period of 2018.

MLS Average Sale Price

- The MLS average sale price in B.C. increased by 0.4 per cent in 2018, the lowest annual increase since 2012. Many regional markets have seen a moderation in house price growth in recent months, including some price declines.
  - In Greater Vancouver, the MLS benchmark price for single family homes, townhouses and apartments were down 10.4 per cent,

8.1 per cent, and 7.0 per cent, respectively, in March 2019 compared to the peak observed in May 2018.

- Several factors have contributed to this transition, including the implementation of provincial and federal policy measures alongside past interest rate increases.
- Looking ahead, the Ministry anticipates B.C.'s housing market to continue the transition toward more sustainable levels and more balanced conditions as housing markets across the province adjust to various policy measures.

HOUSING STARTS FORECAST:

- Although housing starts declined from 43,664 units in 2017 to 40,857 in 2018, they remained well above the historical average of close to 30,000 units.
- *Budget 2019* forecasts this year's housing starts to be around 34,000 units, trending to the historical long-run average.
- These are the province-wide totals and include both private and public-sector developments.
- While this translates into declines in annual growth, the overall level of construction is projected to be higher than previously forecast in the *2018/19 First Quarterly Report*.
- As in previous budgets, the Ministry expects housing starts to trend towards B.C.'s historical long-run average over the forecast horizon (see chart).
    - The chart demonstrates that the forecast has always trended to the historical average (and that average has changed over time), and that the Ministry forecast for the level of housing starts in *Budget 2019* is higher than before.
- The Economic Forecast Council is also projecting housing starts to trend towards the historical average over the forecast horizon.
- The Ministry's housing starts forecast is prudent compared to the private sector.
- The Ministry's forecast for the level of BC housing starts is higher than the BC Stats estimate of household formation over the projection horizon.

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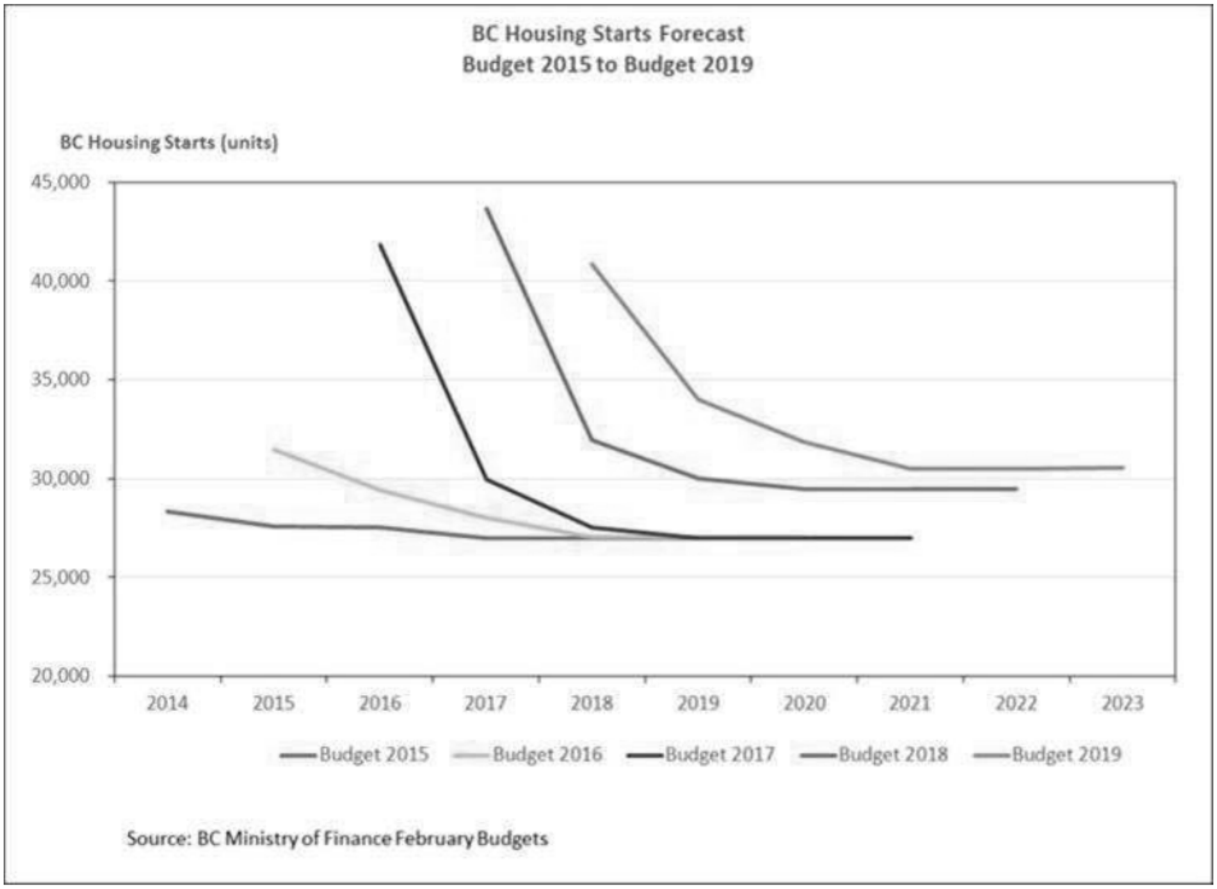
ISSUE NOTE

- This higher forecast accounts for new household formation in the province as well as other construction activity, such as replacement of old structures (i.e. demolitions).
- This means that developers are expected to build more than enough new housing units to meet the needs of BC's steadily growing population.



MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Housing Priority Initiatives Special Account

ADVICE AND RECOMMENDED RESPONSE:

- Government is taking a comprehensive approach to address housing affordability as set out in our 30-point plan.
- The *Housing Priority Initiatives* Special Account was created to fund eligible priority housing/rental/shelter programs and initiatives and is funded primarily through transfers of property transfer tax revenue. This Special Account is under the oversight of the Minister of Finance and Treasury Board.
- This Special Account provides government with a strategic and flexible funding mechanism to help support housing initiatives and programs within the Fiscal Plan and in recognition of current limitations within other existing authorities (e.g. voted appropriations).
- The *Budget 2019* estimate for the Special Account is more than $1.5B over the next three years to: (1) preserve existing units of social housing owned by non-profit housing providers; (2) begin to fund government's ten-year commitment to support over 14,000 affordable rental housing units; and (3) begin to fund the construction of 1,750 units of supportive housing for Indigenous peoples.
- Funding of nearly $18M over three years will support the HousingHub within BC Housing. The HousingHub will work together with prospective housing developers and all levels of government to facilitate the creation of affordable homes in the province.
- Additional housing investments are funded through the Ministry of Municipal Affairs and Housing's operating budget, and the Capital Funding Vote (currently Vote 46).

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TREASURY BOARD STAFF
ISSUE NOTE

KEY FACTS:

- Table 1 provides a summary of the estimated spending for this Special Account from *Budget 2019*.

s.12; s.17

Total HPI Special Account	**488.771**	**531.289**	**505.829**	**1,525.889**

Prior Budget Decisions:

- Funding of nearly $18M over three years to create the HousingHub within BC Housing. The HousingHub will work together with prospective housing developers and all levels of government to facilitate the creation of affordable homes in the province. This funding for this program was reallocated from the wind down of the BC HOME Partnership program.

s.13

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TREASURY BOARD STAFF
ISSUE NOTE

***Budget 2018*:**

s.13

- Additional operating costs related to the above three items and other operating housing affordability investments are funded through the Ministry of Municipal Affairs and Housing's operating budget.

***Budget 2019*:**

- No new housing initiatives were funded through the HPI.

Other Sources of Funding for Housing:

- Capital funding investments in the Capital Funding Vote (currently Vote 46) include:
  - $61M over the next three years as part of the Homelessness Action Plan to help build an additional 200 modular units to create interim and permanent housing options to house people who are homeless or at risk of homelessness (*Budget 2019*).
  - $533M over three years towards the construction of 2,500 new units of supportive housing for individuals experiencing or at risk of homelessness and 1,500 new units for women and children fleeing abusive relationships (*Budget 2018*).;
  - $73M over three years to support essential building maintenance, critical life-safety, and energy performance upgrades for existing social housing owned by the Province (*Budget 2018*); and
  - $338M over the next three years as part of a new $450M student housing program that will now allow public post-secondary institutions to borrow

directly from the Province in order to help finance an estimated 5,000 new student housing beds (*Budget 2018*).

- The impact of *Budget 2018* in *Budget 2019* also included operating funding of:
  - $74M over three years will support the initial ongoing operating costs for affordable rental housing, housing for Indigenous peoples and the additional 4,000 new capital-funded supportive housing units;
  - $7M over three years will help enhance local government capacity to assess and respond to community housing needs; and
  - $139M over three years to expand eligibility and increase benefits of rental assistance programs for low-income seniors and working families. These enhancements to the Shelter Aid for Elderly Renters Program (SAFER) and Rental Assistance Program (RAP) will benefit over 35,000 households, including 3,200 newly eligible seniors and families.
- Queries regarding this other funding should be directed to the Ministers of Municipal Affairs and Housing and Advanced Education, Skills and Training.

BACKGROUND:

- The Housing Priority Initiatives Special Account was established by legislation in July 2016 with an initial balance of $75M funded with Property Transfer Tax revenue. Section 9.7 of the *Special Accounts Appropriation and Control Act* sets out the operating rules and oversight for this Special Account.
- Inflows to the Special Account are expected to be primarily transfers of Property Transfer Tax authorized by Treasury Board, but can also include the repayment of loans made through the Special Account, or sales/leases/rentals of properties invested in by the Special Account or other amounts received (e.g. donations).
- It is important to note that Treasury Board can authorize the transfer of any amounts received under the *Property Transfer Tax Act* and this is not limited to the Additional Property Transfer Tax (known as the Foreign Buyers Tax) of 20%.
- The governing legislation provides for a wide range of spending activities ranging from operating and grant expenditures; funding capital investments in land and housing/rental infrastructure; to funding loans and guarantees that support new or ongoing priority initiatives in respect of provincial housing and rental/shelter supply and access and support programs.

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TREASURY BOARD STAFF
ISSUE NOTE

- This Special Account is under the strict oversight of the Minister of Finance and Treasury Board. Not only must Treasury Board approve the amounts of Property Transfer Tax to be transferred into the Special Account, but prior Treasury Board approval is required before any payments can be made out of the Special Account and before loan guarantees are provided.
- Individual priority proposals that support Cabinet's direction on housing will be brought forward by ministries for Treasury Board consideration. This Special Account can assist Treasury Board in addressing those priority proposals in a flexible way within the Fiscal Plan and in recognition of current limitations within other existing authorities.
- As part of the government's Consolidated Revenue Fund, this Special Account is reported on through annual *Budgets* and *Estimates*, quarterly reports, service plans, and the annual *Public Accounts* as part of the Ministry of Finance.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
QUESTION AND ANSWERS

ISSUE: Housing Priority Initiatives Special Account

Question: What changed from the *Budget 2018*?

Answer:

- The $63M overall net decrease in funding requirements from the Special Account is mainly due to the timing of spending approved for *Budget 2018* investments in housing supply and affordability. Overall the investment is increasing when other sources of funding are factored in.

s.12

- A $2M increase is incremental funding towards construction of 1,750 new units of housing for Indigenous peoples.
- Table 2 below provides a summary of changes in the budget estimates.

s.12

Budget 2019	**488.771**	**531.289**	**505.829**	**1,525.889**

MINISTRY OF FINANCE
TREASURY BOARD STAFF
FACT SHEET

NAME: Increase in Debt over the Fiscal Plan period

DESCRIPTION:

- Taxpayer supported debt is projected to increase by $10.0B over the fiscal plan, from $44.0B to $54.0B.
- Total provincial debt, including self-supported debt, is projected to increase by $14.5B to reach $82.4B by 2021/22.
- Total provincial debt increase is due to borrowing requirements for capital infrastructure requirements, with total capital spending over the three year fiscal plan period projected at $31.1B.
- The government's operating debt has been paid off as of Q2 of 2018/19.

Provincial Debt Summary (Table 1.24 in Budget and Fiscal Plan)

($ millions unless otherwise indicated)	Updated Forecast 2018/19	Budget Estimate 2019/20	Plan 2020/21	Plan 2021/22	3 yr change	aver ann growth
Taxpayer-supported debt	43,957	46,384	50,454	53,986	10,029	7.1
Self-supported debt	23,459	25,664	26,905	28,090	4,631	6.2
Total debt before forecast allowance	67,416	72,048	77,359	82,076	14,660	6.8
Forecast allowance	500	500	300	300	(200)	
Total provincial debt	67,916	72,548	77,659	82,376	14,460	6.6

Capital Spending (from Table 1.21 of Budget and Fiscal Plan)

($ millions)	Budget Estimate 2019/20	Plan 2020/21	Plan 2021/22	Total Fiscal Plan
Total taxpayer-supported	6,340	6,837	6,911	20,088
Total self-supported commercial	4,274	3,333	3,361	10,968
Total capital spending	10,614	10,170	10,272	31,056

Contact: Fisnik Preniqi, Executive Director
Phone: 778-698-1533
Division: Treasury Board Staff

File Name: Increase in Debt

MINISTRY OF FINANCE
TREASURY BOARD STAFF
FACT SHEET

Impact of Interest Rates

- The Province's short-term and long-term borrowing rates are determined by using forecasts for interest rates from six private sector economists.
- Both short-term and long-term interest rates are forecast to increase over the three-year fiscal plan period.
- A change of interest rates by 1% will result in taxpayer-supported interest expense changing by $93M annually.
- A change in debt levels by $100M will result in interest expense changes of $3.2M annually.

INTEREST RATES FORECASTS:

	Budget estimate 2019/20	Plan 2020/21	Plan 2021/22
Short-term	2.35%	2.69%	2.96%
Long-term	3.46%	3.76%	4.32%

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Lumber Prices and Forests Revenue

ADVICE AND RECOMMENDED RESPONSE:

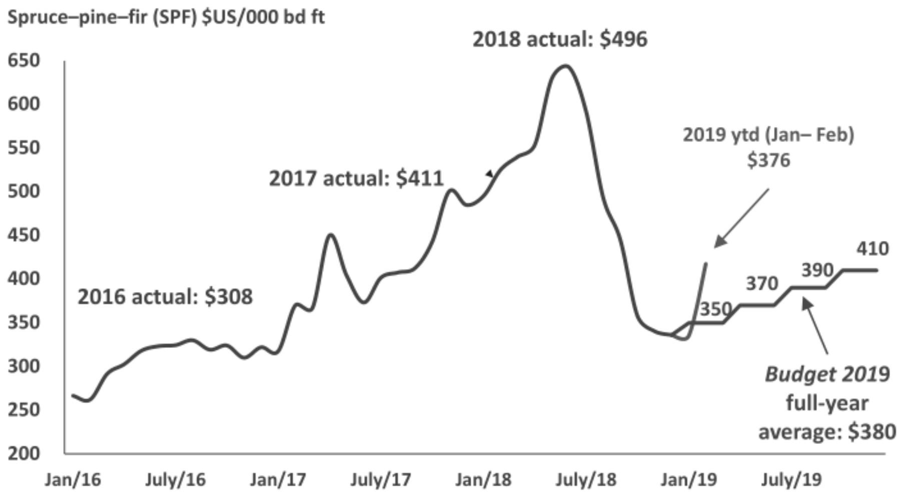
- Lumber prices (spruce-pine-fir 2X4) are forecast to steadily decline over the next 3 years from $496 ($US/thousand board feet) in 2018 (calendar year) to $350 by 2021.
- In *Budget 2019*, the SPF lumber price for 2019 is forecast to be $380, as prices are not expected to be as volatile as observed in 2018.
- Record high prices in the summer of 2018 resulted from strong demand for lumber (especially in the US) and a shortage of transportation options for producers (trucks and rail cars).
- At current prices, Canadian producers will not be able to pass on all of the effects of softwood lumber duties to US consumers, which may result in curtailments as profitability is squeezed.
- Over the next two years, prices are projected to continue to moderate, averaging $375 in 2020 and $350 in 2021.

Contact: Dave Riley, Executive Director **Phone:** 778-698-1520
Division: Treasury Board Staff

File Name: Lumber Prices and Forest Revenues.docx

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

SPF 2x4 Lumber Prices



2020/21	3-year avg annual growth
350	-11.0%
17.14	-6.3%
56	-1.2%
653	-8.1%
327	-5.5%
980	-7.3%
83	-19.5%
1,063	-8.5%

BACKGROUND:

- Budget 2019 incorporates the impacts of the expected moderation in lumber prices, rising interest rates and some strengthening of the Canadian dollar. This results in a projection of declining stumpage rates over the next three years.
- Falling stumpage rates and declines in harvest volumes results in declining forest revenues over the fiscal plan period.
- Consolidation of mills will likely continue as industry adapts to fibre constraints from wildfires and beetle infestation. In addition, lumber prices fell below $330 in the fourth quarter of 2018 (Oct – Dec), which combined with US export tariffs, high log costs and log supply constraints, prompted industry to curtail production at a number of mills.
- Prices have rebounded to over $400 recently, allowing most mills to be profitable.
- The forecast incorporates revenue sharing benefits with Indigenous Peoples of $32M in 2018/19 and $99M over the next 3 years of the plan.

Softwood Lumber Dispute

- The ongoing US-Canada softwood lumber dispute and the imposition of countervailing (CVD) and antidumping (AD) duties by the US on Canadian softwood

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lumber exports have the effects of increasing uncertainty, volatility and costs for Canadian producers.

- On January 3, 2018, the US Department of Commerce published the CVD and AD duty orders in the Federal Register.
- In its determination, the US Department of Commerce used a company-specific approach and identified 4 companies as mandatory respondents in its investigations.
- Three of the companies are B.C. based (West Fraser, Tolko and Canfor).
- B.C. disagrees with the views that the lumber industry is subsidized or that it sells lumber into the US at below costs or sales value in Canada.
- B.C. is supporting the federal government in its appeals of the application of duties to the World Trade Organization and under Chapter 19 of the North American Free Trade Agreement.
- In response to U.S. duties, the Government of Canada convened the Softwood Lumber Task Force in early 2017, and launched the $867 million Softwood Lumber Action Plan on June 1, 2017.

<u>CVD and AD Duty Rates</u>

Company	CVD	AD
West Fraser	17.99%	5.57%
Tolko	14.85%	7.22%
Canfor	13.24%	7.28%
Resolute	14.70%	3.20%
J.D. Irving	3.34%	6.04%
All Others	14.19%	6.04%

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ISSUE NOTE

ISSUE: Major Federal Government Transfers

ADVICE AND RECOMMENDED RESPONSE:

- Contributions from the federal government are expected to rise to $10.1B in 2021/22 from $9.1B in 2018/19 – an increase of $1B, representing a 3.7% average annual growth rate over the 3 years.
- Contributions for the two major federal government programs (Canada Health Transfer and Canada Social Transfer) represent about 79% of total federal government contributions over the fiscal plan.
- The plan also incorporates the B.C. share of federal tax on cannabis and revenue under the Low Carbon Economy Leadership Fund.

BACKGROUND:

- The federal government determines the national level of funding under the Canada Health Transfer (CHT) and the Canada Social Transfer (CST).
- B.C.'s entitlement of CHT and CST is based on B.C.'s share of the national population applied to the national funding levels.
- National CHT allocations are forecast to rise with growth in national nominal GDP.
- For example, the 2019/20 national level ($40.737B, now fixed) is determined from the 2018/19 level growing by the average national nominal GDP growth in the 3 years, 2017, 2018 and 2019.
- The forecast of national nominal GDP is provided by the private sector forecasters that provide advice to the federal Finance Minister.
- National CST levels are forecast to rise at a 3% annual rate.
- Over the fiscal plan period, direct federal transfers to BCHMC in support of housing is expected to increase from $93M in 2018/19 to $161M in 2019/20 falling to $123M by 2021/22.
- The growth in ministry vote recoveries mainly reflects increased funding in support of labour market development, homecare, mental health, children services and

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reducing carbon emissions. Higher ministry vote recoveries have an equal and offsetting expense, resulting in no impact to the operating surplus.

***Budget 2019* - Federal government contributions ($M)**

	2018/19	2019/20	2020/21	2021/22	3-year avg annual growth
Canada Health Transfer	5,198	5,439	5,659	5,879	4.2%
Canada Social Transfer	1,908	1,965	2,027	2,092	3.1%
Total health and social transfers	**7,106**	**7,404**	**7,686**	**7,971**	3.9%
Low Carbon Economy Leadership Fund	11	20	16	21	24.1%
BC Housing Management Commission	93	161	127	123	9.8%
Ministry vote recoveries	1,036	974	1,028	1,098	2.0%
Other transfers to ministries and agencies	816	864	908	905	3.5%
Total other contributions	**1,956**	**2,019**	**2,079**	**2,147**	3.2%
Total Federal Government Contributions	**9,062**	**9,423**	**9,765**	**10,118**	3.7%

Contact: Dave Riley, Executive Director
Phone: 778-698-1520
Division: Treasury Board Staff

File Name: Major Federal Transfers

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ISSUE NOTE

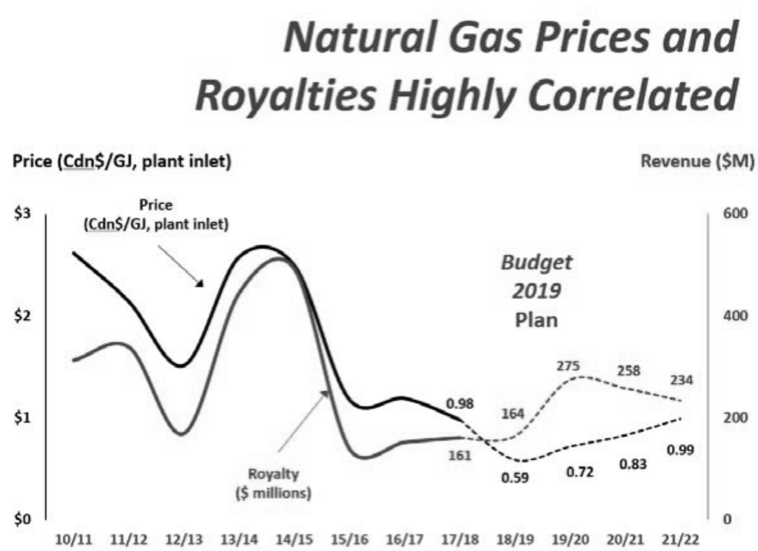
ISSUE: Natural Gas Prices and Royalties

ADVICE AND RECOMMENDED RESPONSE:

- The natural gas price assumption is one of the main determinants of the natural gas royalty forecast.
- The outlook for natural gas prices is prudent relative to the private sector.
- The 2019/20 price forecast in *Budget 2019* is $0.72 ($ Cdn/ gigajoule at plant inlet). This is the 20th percentile of the private sector forecasts – this means that 80 per cent of the private sector forecasters are higher than our estimate.
- Over the next two years, prices are projected to increase in line with the growth of the private sector average.
- More details of the natural gas price forecast are disclosed in Table A6 (page 123) of the budget document.

BACKGROUND:

- Although natural gas prices and royalties (revenue) are highly correlated, revenue is projected to increase 68 per cent in 2019/20 compared to an assumed 22 per cent increase in the average price, mainly due to assumed lower utilization of deep well credits.
- In 2019/20, the forecast assumes a decline in new wells drilled. Since new wells use most of their associated deep well credits



Contact:	Dave Riley, Executive Director	**Phone:**	778-698-1520
Division:	Treasury Board Staff	**Page:**	1 of 2
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within the first year of production, the value of deep well credits is expected to decline.

- Over the next two years, revenue is projected to average a 7.8 per cent annual decline even though natural gas prices are forecast to rise. This mainly reflects higher utilization of infrastructure and deep well credits over the next two years.
- Details of the revenue, price, production volume and royalty program credit assumptions are disclosed on page 120 of the budget document (Table A5 – Material Assumptions).
- Details of the natural gas price forecast are disclosed on page 123 (Table A6 – Natural Gas Price Forecasts).

Budget 2019 Natural Gas Royalties and Assumptions

	2018/19	2019/20	2020/21	2021/22	
Price[1]	0.59	0.72	0.83	0.99	18.8%
Volume[2]	2,208	2,182	2,338	2,551	4.9%
Revenue ($M)					
Gross[3]	595	592	631	713	6.2%
Deep well credits	(383)	(273)	(275)	(327)	-5.1%
Infrastructure credits	(48)	(44)	(98)	(152)	46.8%
Total credits	(431)	(317)	(373)	(479)	3.6%
Natural gas royalty	**164**	**275**	**258**	**234**	12.6%

[1] Canadian dollars/gigajoule at plant inlet

[2] Petajoules

[3] Net of Producer Cost Allowance

Contact: Dave Riley, Executive Director
Phone: 778-698-1520
Division: Treasury Board Staff

File Name: Natural Gas Prices and Royalties.docx

MINISTRY OF FINANCE
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ISSUE NOTE

ISSUE: Partnerships BC Mandate

ADVICE AND RECOMMENDED RESPONSE:

- The Ministry of Finance (FIN), in conjunction with PBC, is reviewing PBC's mandate to ensure the agency continues to provide support with the planning, procurement and delivery of major capital projects.
- Mandate revisions being considered include:
    - Identifying emerging Government priorities for PBC to support (e.g., including child care spaces in new or replacement facilities and compliance with the *Wood First Act*); and
    - PBC working with ministries to ensure that all viable service delivery options (e.g. to replace or renovate a building) are fully assessed during the planning phase of these projects.

BACKGROUND:

- MFIN staff are working with PBC to ensure the agency's methodology for assessing service delivery options support the optimizing of value for money during project procurement.
- Since the suspension of the capital standard policy in 2018, Public-Private-Partnerships (P3s) are no longer the base case for procurement of capital projects with a provincial contribution over $100 million.
- Provincial ministries and agencies are directed to consider a full range of viable procurement options during the procurement options analysis process for capital projects.

Contact:	Heather Hill, Executive Director, Capital	**Phone:**	778 698-1548
Division:	Treasury Board Staff	**Page:**	1 of 1
File Name:	Partnerships BC Mandate		

MINISTRY OF FINANCE
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ISSUE NOTE

ISSUE: Property Transfer Tax Revenue

ADVICE AND RECOMMENDED RESPONSE:

- Property transfer tax (PTT) revenue is projected to be flat at $1.9 billion over the fiscal plan period.
- Normally, the PTT revenue forecast would grow in line with the expected annual changes in residential sales values (the combined volume and price of residential sales).
- Residential sales values are forecast to average 4 per cent annual growth over the next 3 years (Table 3.6.2, page 85 of the *Budget 2019* document).
- Rather than assume rising PTT revenues over the fiscal plan, the Ministry of Finance built prudence into the forecast by flatlining PTT revenue at $1.9 billion. This prudence reflects:
    - uncertainty in the housing market as buyers and sellers adapt to the prospect of rising interest rates and the effects of provincial and federal policy measures; and
    - the potential impacts of these factors on sales of higher-valued homes.
- The outlook for residential sales values in *Budget 2019* is prudent relative to the average of the Economic Forecast Council.

BACKGROUND:

- There may be a negative impact on PTT revenue if the trend growth in the sales of higher-valued homes is significantly slower than the overall average of residential sales.
- This reflects the increasing tax rates that are applied to higher-valued homes.
    - 1% on the first $200,000;

- 2% on the portion of the fair market value (FMV) greater than $200,000 and up to and including $2,000,000;
- 3% on the portion of the FMV greater than $2,000,000; and
- an additional 2% on the portion of the FMV greater than $3,000,000 on residential property.

Budget 2019 **Property Transfer Tax Revenue**

	2018/19	2019/20	2020/21	2021/22	3-year avg annual growth
Property transfer tax revenue ($M)	1,910	1,910	1,910	1,910	0.0%
Annual growth	-10.8%	0.0%	0.0%	0.0%	
	2018	2019	2020	2021	
Residential sales value ($M)	55,822	57,494	60,008	62,744	4.0%
Annual growth	-24.2%	3.0%	4.4%	4.6%	

Trends since Budget 2019

- Residential sales values have declined 34 per cent in the January to March 2019 period compared to the 3 months, January to March 2018.
- Although it is still relatively early in the year, if this trend continues, there is downside risk to property transfer tax revenues over the 4 years, 2018/19 to 2020/21.

Historical property transfer tax revenues

- In 2017/18, PTT revenue rose 5.7 per cent annualy – a significant moderation from previous years – indicating that our housing plan is helping to moderate the housing market.
- In 2018/19, revenue is projected at $1,910 million, a decline 10.8 per cent from 2017/18.
- Revenue is forecast to be flat at $1.91 billion over the forecast horizon.

Property transfer tax revenue ($M)

		Annual change	
2013/14	937	179	23.6%
2014/15	1,065	128	13.7%
2015/16	1,533	468	43.9%
2016/17	2,026	493	32.2%
2017/18	2,141	115	5.7%
2018/19	1,910	(231)	-10.8%
2019/20	1,910	-	0.0%

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ISSUE NOTE

ISSUE: Recent Economic Activity in B.C. (data as of April 29, 2019)

ADVICE AND RECOMMENDED RESPONSE:

- There is currently only a few months of activity-related data available for 2019. As such, it is too early to make a reasonable comparison to the forecast in Budget 2019.
- Some B.C. economic indicators show modest gains so far this year, highlighted by growth in employment.
- Other B.C. economic indicators show signs of moderation, including exports, home sales and house prices.
- The Ministry of Finance's economic forecast in *Budget 2019* is prudent compared to the outlook of the Economic Forecast Council in recognition of downside risks to the outlook.

KEY FACTS:

- **Employment** increased (m/m) for a fifth consecutive month in March 2019.
  - B.C. employment grew by 3.2 per cent in March 2019, compared to the same month of 2018. Year-to-date growth of 2.8 per cent (albeit just three months of data) is higher than the *Budget 2019* forecast of 1.1 per cent growth in 2019.
- The **unemployment rate** increased to 4.7 per cent in March 2019, from 4.5 per cent in the month before, and remained the lowest provincial unemployment rate in Canada.
  - Compared to a year ago, the B.C. unemployment rate is 0.1 percentage point below where it was in March 2018. *Budget 2019* forecasts an unemployment rate of 4.9 per cent in 2019.
- Average weekly **wages** rose by 0.3 per cent (m/m) in March.
  - B.C. average weekly wages are up 0.1 per cent year-to-date to March compared to the same period last year. This follows annual growth of 4.1 per cent in 2018, the strongest rate in a decade.
- **Retail sales** declined by 1.9 per cent (m/m) in February.

Contact:	Sadaf Mirza, Executive Director	**Phone:**	778-698-1534
Division:	Treasury Board Staff	**Page:**	1 of 2
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  - Year-to-date to February 2019, retail sales increased by 1.9 per cent. The *Budget 2019* forecasts retail sales growth of 3.9 per cent in 2019.
- **Housing starts** declined for a third consecutive month, down 8.8 per cent (m/m) in March to 35,380 annualized units.
  - On a year-to-date basis, B.C. housing starts declined by 7.9 per cent compared to the first three months of 2018. B.C. housing starts remain above the historical average of around 30,000 units. The *Budget 2019* forecast calls for approximately 34,000 units in 2019.
- B.C. **MLS homes sales** declined (m/m) for a fifth consecutive month in March and were down 27.8 per cent year-to-date to March compared to the same period of last year. The B.C. **MLS average sale price** increased by 2.6 per cent (m/m) in March, following three consecutive months of declines. On a year-to-date basis, the B.C. MLS average sale price decreased by 7.3 per cent compared to the first three months of last year.
- The value of B.C. international merchandise **exports** declined for the third consecutive month in February. However, year-to-date to February 2019, exports were up 1.3 per cent in compared to the first two months of 2018.
- The Conference Board of Canada reported that **consumer confidence** in B.C. declined in three of the last four months, though remains above the Canadian average.
  - Year-to-date to April 2019, B.C. consumer confidence declined by 5.3 points compared to the same period in 2018.
- The Canadian Federation of Independent Business reported that small to medium **business confidence** in B.C. declined in four of the last five months and was down 9.9 points year-to-date to April 2019 compared to the same period of 2018.
  - In 2018, small business confidence in B.C. was above the national average and ranked fourth highest among provinces.

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TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Status of Fiscal Plan

ADVICE AND RECOMMENDED RESPONSE:

- Surpluses are projected in all 3 years of the plan, with $274M in 2019/20, rising to $287M in 2020/21 and to $585M by 2021/22.
- Revenue is forecast to average 3.3 per cent annual growth over the next 3 years and expense is expected to grow 3.4 per cent on average over the 3 years.
- Over the 3 years, *Budget 2019* includes $2.65B in prudence through the annual allocations of the forecast allowances and Contingencies Vote to help manage fiscal risks. These layers of prudence are in addition to those resulting from a lower outlook for BC real GDP growth compared to the average forecast of the independent Economic Forecast Council, and the caution built into the natural gas price forecast.
- *Budget 2019* fully funds the 2 per cent general wage increase in each of the next three years, consistent under the new *Sustainable Services Negotiating Mandate* (SSNM). Centralized funding totaling $3.6B as part of the Contingencies Vote is expected to cover costs associated with finalizing agreements under the SSNM.
- Taxpayer-supported capital spending is forecast to total $20.1B – the highest level ever – with about one-third comprised of transportation projects to improve and enhance the movement of goods and people around the province.
- Debt remains affordable over the fiscal plan period. The taxpayer-supported debt to GDP ratio is projected to remain at relatively low levels over the fiscal plan period, ending at 16.1 per cent by 2021/22. Rising debt levels and metrics reflect the record level capital spending program.

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ISSUE NOTE

BACKGROUND:

Taxation Revenue and Medical Services Plan (MSP) premiums

- **Over the next 3 years, annual growth in the combined tax revenues and MSP premiums is expected to average just 2.9 per cent.**
- Taxation revenue is forecast to average 4.3 per cent annual growth over the next 3 years – in line with BC nominal GDP growth.
- However, taxation revenue includes the Employer Health Tax (EHT) but MSP premiums are recorded as fees.
- Combining the taxation revenue sources and MSP premiums makes sense as EHT is introduced and MSP premiums are eliminated.

Prudence in the Fiscal Plan

- The prudence incorporated in Budget 2019 will help mitigate risks to the economic and fiscal plans.
  - lower economic growth compared to the Economic Forecast Council;
  - Contingencies and forecast allowance allocations totaling $2.65B over 3 years;
  - a lower natural gas price outlook compared to the private sector.
- In addition, the *Budget 2019* plan fully funds the anticipated costs associated with the *Sustainable Services Negotiating Mandate* (SSNM), totaling $3.6B over 3 years. The funding for the 2 per cent general wage increase in each of the 3 years is included in Contingencies until final agreements have been ratified.

Budget 2019 **- Prudence**	2019/20	2020/21	2021/22	3-year total
Contingencies Vote allocations ($ million)	750	400	400	1,550
Forecast Allowance allocations ($ million)	500	300	300	1,100
Total	**1,250**	**700**	**700**	**2,650**
				3-year average
Lower natural gas price forecast compared to the private sector ($C/gigajoule, plant inlet)	$ 0.59	$ 0.70	$ 0.82	$ 0.70
	2019	2020	2021	
Lower real GDP growth forecast compared to the Economic Forecast Council (percentage points)	0.1	0.3	0.1	

	2019/20	**2020/21**	**2021/22**	**3-year total**
Sustainable Services Negotiating Mandate	**553**	**1,183**	**1,827**	**3,563**

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CleanBC funding included in Contingencies

- Over the next 3 years, there is $299M of dedicated Contingencies funding for CleanBC programs under development.
- Annual amounts are $37M in 2019/20, rising to $87M in 2020/21 and to $175M in 2021/22 (see Table 1.8, page 17 of the *Budget 2019* document).

Fiscal Risks

- The most volatile components of government's revenues are ICBC's financial results, natural resource revenues, and income tax revenues resulting from information lags of the Canada Revenue Agency's assessments of personal and corporate income tax returns.
- Other key risks to the operating budget include:
  - natural disasters (e.g. wildfires and floods); and
  - caseload expenditure pressures in the health and social service sectors.

Economic Risks

- As a small open, trading economy, B.C. is subject to a variety of risks that impact economic growth and government revenues.
- Upside risks include less domestic monetary policy tightening, a weaker Canadian dollar and a more resilient US economy.
- The main downside risk is largely due to the continued uncertainty surrounding global trade policies.
- Other downside risks to the economic outlook include:
  - slower economic activity in Asia and the euro zone;
  - exchange rate and commodity price volatility; and
  - timing of investment and economic activity associated with LNG Canada's construction of the LNG facility in Kitimat.

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TREASURY BOARD STAFF
ISSUE NOTE

Historical Budget Allocations of Forecast Allowances and Contingencies Vote

- Each budget and fiscal plan includes allocations to the Forecast Allowance and the Contingecy Vote for the budget year and the 2 subsequent years.
- In Budget 2019:
  - The 2019/20 (budget year) Contingencies Vote allocation ($750M) is the highest in history.
  - The 2019/20 (budget year) Forecast Allowance allocation ($500M) is the highest in over 10 years.
  - The 2019/20 (budget year) total of the Forecast Allowance and the Contingencies Vote is the higherest in history..
  - In *Budget 2019*, the 3-year total of the Contingencies Vote allocations is the second highest in history.
  - In *Budget 2019*, the 3-year total of the Forecast Allowance allocations is the second highest in over 10 years.
  - In *Budget 2019*, the 3-year total of the Forecast Allowance and Contingencies Vote allocations is the second highest in history.

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ISSUE NOTE

Budget Forecast Prudence (Forecast Allowance and Contingencies vote) - $M

	Budget-year only			3-year totals		
	F/A	Conting	Total	F/A	Conting	Total
02/03	750	210	960	750	630	1,380
03/04	500	170	670	500	570	1,070
04/05	100	240	340	100	720	820
05/06 (Feb)	400	270	670	1,400	850	2,250
05/06 (*Sept Update*)	300	320	620	1,800	1,000	2,800
06/07	850	320	1,170	1,800	1,040	2,840
07/08	750	360	1,110	2,800	1,100	3,900
08/09	750	375	1,125	2,100	1,165	3,265
09/10 (Feb)	-	385	385	-	935	935
09/10 (*Sept Update*)	250	500	750	750	1,100	1,850
10/11	300	450	750	1,000	1,350	2,350
11/12	350	603	953	1,050	1,509	2,559
12/13	200	300	500	800	800	1,600
13/14 (Feb)	200	225	425	750	675	1,425
13/14 (*June Update*)	150	225	375	650	675	1,325
14/15	200	-	200	750	-	750
15/16	250	350	600	950	1,150	2,100
16/17	350	450	800	1,050	1,250	2,300
17/18 (Feb)	350	400	750	850	1,000	1,850
17/18 (*Sept Update*)	300	600	900	950	1,250	2,200
18/19	350	550	900	1,450	2,050	3,500
19/20	500	750	1,250	1,100	1,550	2,650

Highest	#1
2nd highest	#2
3rd highest	#3

MINISTRY OF FINANCE
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ISSUE NOTE

ISSUE: *Budget 2019* Student Loans Interest Elimination Cost

ADVICE AND RECOMMENDED RESPONSE:

- The *Budget 2019* fiscal plan introduced the elimination of interest on student loans.
- Total cost is $318 million over the four years beginning in 2018/19.
- $8 million for 2018/19 is funded by the Ministry of Finance base budget.
- $217 million for 2018/19 is funded by statutory appropriation.
- $93 million for 2019/20 to 2022/23.

***Budget 2019* Student Loans**

Source	**2018/19**	**2019/20**	**2021/22**	**2022/23**	**Total**
Ministry of Finance base budget	8				**8**
2018/19 Statutory Authority	217				**217**
Budget 2019		31	31	31	**93**
Total	**225**	**31**	**31**	**31**	**318**

Contact: Fisnik Preniqi, Executive Director
Phone: 778-698-1533
Division: Treasury Board Staff

File Name: Student Loans.docx

MINISTRY OF FINANCE
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ISSUE NOTE

ISSUE: Supplementary Estimates for 2018/19

ADVICE AND RECOMMENDED RESPONSE:

- Supplementary estimates were common in B.C. until a legislative change a decade ago ended their use while B.C. maintained an operating debt.
- Government eliminated that operating debt for the first time in 40 years, as announced in the Second Quarterly Report last November.
- 2018/19 surplus is forecast to be $374M, which includes $375M in supplementary estimates and $500M in the forecast allowance.

2018/19 Supplementary Estimates

($ millions)	**2018/19**
Connecting BC	50.0
Health and life sciences research grants	89.0
Northern Capital and Planning Grant	100.0
Child care initiatives	19.9
Local government infrastructure programs	35.4
Contaminated sites	30.0
Clean Energy Vehicle Program	30.0
Resort Municipality Initiative	5.0
Adult Basic Education and English Language Learning Programs	5.5
Civil Resolution Tribunal	7.9
Mining Jobs Task Force	2.4
Total	**375.1**

Contact: Fisnik Preniqi, Executive Director
Phone: 778-698-1533
Division: Treasury Board Staff

File Name: Supplementary Estimates.docx

MINISTRY OF FINANCE
TREASURY BOARD STAFF
QUESTIONS AND ANSWERS

ISSUE: Supplementary Estimates for 2018/19

Question: Why was it necessary to provide this additional funding to ministries through supplementary estimates? Why were these expenses not provided for through the budgeting process?

Answers:

- Supplementary estimates for the Northern Capital and Planning Grant as well as grants for health and life sciences research organizations and Connecting BC enabled government to use the improved forecasted 2018/19 surplus to fund these government priorities now. These items would have otherwise been provided for in *Budget 2019* or future budgets.
- In addition to funding these new priorities supplementary estimates provide an opportunity for Government to fund existing programs or parts of programs through ministry appropriations, rather than through the Contingencies vote.
- The Contingencies vote is often used to cover a portion program costs where the actual amount is variable - this includes new programs that have yet to establish a track record of expenditures. All ministries expenses were fully budgeted for in *Budget 2018* (voted appropriations and contingencies taken together covered all expenditures on existing programs).
- Given we were close to the end of the fiscal year and had a high degree of certainty about program costs, we were able to bring forward supplementary estimates for these existing programs. This then freed up room in the Contingencies vote for other year-end priorities.

Contact: Fisnik Preniqi, Executive Director
Phone: 778-698-1533
Division: Treasury Board Staff

File Name: Supplementary Estimates.docx

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Potential for Recognizing Age of Population When Allocating Shares of Federal Health Funding

ADVICE AND RECOMMENDED RESPONSE:

- The equal per capita allocation of the Canada Health Transfer ignores the highly age-dependent nature of health care costs and the demographic differences across the country.
- Based on our estimates, if the Canada Health Transfer were allocated in a way that recognized the impact of age on average health care costs, B.C.'s share would be about $150 million higher each year.

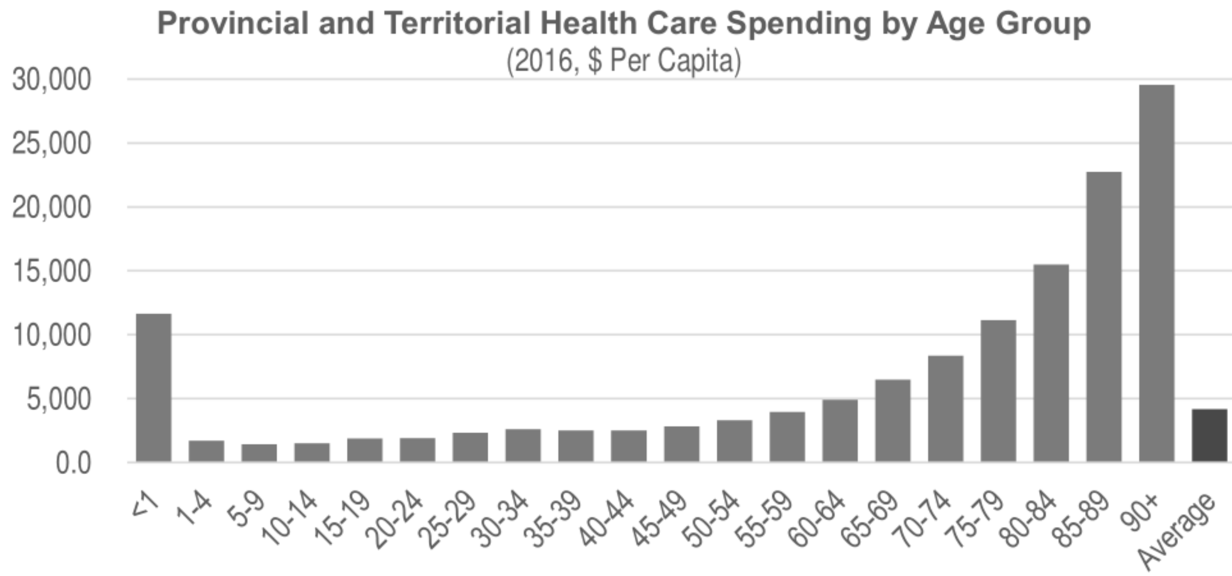
s.13 [redacted]

- B.C. will continue to raise this issue with federal and provincial governments.

KEY FACTS:

- The national total value of the Canada Health Transfer (CHT) is $40.4 billion in 2019/20. Its annual growth was 6 per cent until 2016/17; since 2017/18, growth has been linked to economic growth (the formula uses a simple, three-year average of the nominal Gross Domestic Product growth rates, using the calendar year when the transfer starts and the two prior calendar years).
- The CHT is allocated on a per capita basis. B.C.'s share of the CHT is budgeted to be $5,439 billion, based on a 13.52 per cent population share.
- The CHT and other health transfers that preceded it have never been allocated based on an explicit measure of need, although early transfers were based on provinces' actual levels of spending.
- Age is a key factor in estimating the need for health care funding. As demonstrated by data from the Canadian institute of Health Information, the range in how much was spent by provinces and territories in 2016 on health care was from $1,427 per child aged 5 to 9 years old to $29,550 per senior aged 90 or older.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE



Source: Canadian Institute for Health Information

- The Canada Health Transfer provided $996 per capita in 2016/17, regardless of age; this means that federal support for provincial/territorial health care ranged from 70 per cent of the costs of those aged 5 to 9 years old to just 3 per cent of the costs of those 90 years of age or older.

s.16

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Canadian Medical Association Proposal

- The Canadian Medical Association (CMA) has recognized that health care costs are increasing in part due to the overall ageing of Canada's population, and the current CHT growth rate does not take that into account. In July 2018, the Conference Board of Canada released a report (*Meeting the Care Needs of Canada's Aging Population*) commissioned by the CMA that proposed a funding top-up to the CHT that would grow slowly over time and be allocated based on relative age-related cost pressures each individual province faces. Such a top-up:
  - Would help address the slow rate of growth in the CHT (currently tied to a rolling three-year average of nominal GDP growth) and would benefit all provinces and territories; but
  - Would not materially address the current inequities in federal health care funding and would provide funding to all provinces – even those that have younger-than-average populations.

s.16

MINISTRY OF FINANCE
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ISSUE NOTE

s.16

BACKGROUND:

- Initially, health care was subject to 50-50 funding arrangements between the federal and provincial basis. Since 1977, provinces and territories have been directly collecting about half of the notional federal share themselves through higher tax rates (offset by an equal lowering of federal tax rates). That is why provinces and territories have had the expectation that federal transfers should total 25 per cent of all provincial/territorial health care spending.
- Until 2013/14, the allocation of health transfers recognized differences in value across the country of the tax rate changes adopted in 1977. The allocation also reduced federal health funding for those provinces that were also receiving support through the Equalization Program. The net result of this was that B.C. tended to be one of the largest beneficiaries of CHT on a per capita basis.
- Since 2014/15, the CHT has been allocated on an equal per capita basis, which reduced B.C.'s share by about $250 million per year.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
QUESTION AND ANSWERS

ISSUE: Potential for Recognizing Age of Population When Allocating Shares of Federal Health Funding

s.13

Answer: Based on our estimates, if the Canada Health Transfer were allocated in a way that recognized the impact of age on average health care costs, BC's share would be about $150 million higher each year.

s.13; s.16

Question: The Canadian Medical Association (CMA) has proposed a demographic top-up to the CHT to address the impact of ageing and differences in the rates of ageing across the country. Does B.C. support this concept?

s.13; s.16

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Medical Services Plan (MSP) Premium Supplementary Information

ADVICE AND RECOMMENDED RESPONSE:

- The employer health tax (EHT) is included in the tax revenues but MSP premiums are recorded as a fee revenue.
- With the elimination of MSP premiums and the introduction of EHT, s.13

s.13

- In addition to total tax revenues and total other revenues (which includes MSP fee premiums), the combined total of tax revenues and MSP premiums are disclosed in Table A10 Supplementary Information (page 129) of the *Budget 2019* document.

s.13

- There were no new taxes announced in *Budget 2019* – although carbon tax rates are set to rise as introduced in the *Budget 2017 Update*.

Contact:	Dave Riley, Executive Director	**Phone:**	778-698-1520
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ISSUE NOTE

3-Year Average Annual Growth Rates

Taxation	4.3%
Taxation & MSP	2.9%
Natural Resources	-7.1%
Other	-2.5%
Other excl MSP	2.3%
Federal Transfers	3.2%
Net inciome of	
Crown Corporations	22.5%
- excl ICBC	3.3%
Total Revenue	3.3%
Real GDP	2.2%
Nominal GDP	4.3%
Expense by Function	
Health	3.3%
Education	1.5%
Social Services	5.8%
Other (incl housing)	4.0%
Contingencies	-10.1%
Negotiating Mandate	na
Debt Servicing	6.0%
All Other	-1.9%
Total Expense	3.4%

Budget 2019 Tax Measures ($ millions)	2019/20	2020/21	2021/22	3-year total
Introduce Child Opportunity Benefit	-	(125)	(250)	(375)
Enhance Climate Action Tax Credit	(32)	(74)	(117)	(223)
Extend Training Tax Credits	(22)	(22)	(22)	(66)
Mining Tax Credits made permanent	(9)	(26)	(30)	(65)
Subtotal	(63)	(247)	(419)	(729)
Business Competitiveness – corporate income tax revenue	(443)	(150)	(83)	(676)
Total Plan Impact	(506)	(397)	(502)	(1,405)

Contact: Dave Riley, Executive Director
Phone: 778-698-1520
Division: Treasury Board Staff
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MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: Effects of Higher Prices on Fuel and Carbon Taxes

ADVICE AND RECOMMENDED RESPONSE:

- Fuel and carbon tax revenues are not directly affected by changes in gas prices at the pump.
- Unlike PST, these tax revenues are not ad valorem.
- Fuel and carbon taxes are determined by rates applied to purchased volumes of taxable fuels.
- If higher gasoline prices persist, this may affect behaviour and reduce demand and indirectly result in lower revenues.
- Motor fuel tax on clear gasoline and clear diesel fuel is made up of provincial and dedicated taxes.
- The provincial tax rate varies by region and the proceeds from this tax go to general revenue.
- Dedicated taxes apply in certain regions in the province and go to three organizations:
  - the South Coast British Columbia Transportation Authority (TransLink);
  - the British Columbia Transit Authority and;
  - the British Columbia Transportation Financing Authority (BCTFA).
- The following page shows the price per litre from of gasoline and diesel in the 3 main areas of the province.

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TREASURY BOARD STAFF
ISSUE NOTE

Gasoline Tax Rates

South Coast BC Transportation Financing Authority (Vancouver Area)

	CRF	BCTFA	Subtotal	SCBCTFA	Total	Carbon	Total
April 2018	1.75	6.75	8.50	17.00	25.50	7.78	33.28
April 2019	1.75	6.75	8.50	17.00	25.50	8.89	34.39
July 2019	1.75	6.75	8.50	18.50	27.00	8.89	35.89
April 2020	1.75	6.75	8.50	18.50	27.00	10.01	37.01
April 2021	1.75	6.75	8.50	18.50	27.00	11.12	38.12

Victoria Regional Transit Service (Victoria Area)

	CRF	BCTFA	Subtotal	BC Transit	Total	Carbon	Total
April 2018	7.75	6.75	14.50	5.50	20.00	7.78	27.78
April 2019	7.75	6.75	14.50	5.50	20.00	8.89	28.89
April 2020	7.75	6.75	14.50	5.50	20.00	10.01	30.01
April 2021	7.75	6.75	14.50	5.50	20.00	11.12	31.12

Rest of the Province

	CRF	BCTFA	Subtotal	Total	Carbon	Total
April 2018	7.75	6.75	14.50	14.50	7.78	22.28
April 2019	7.75	6.75	14.50	14.50	8.89	23.39
April 2020	7.75	6.75	14.50	14.50	10.01	24.51
April 2021	7.75	6.75	14.50	14.50	11.12	25.62

Diesel Tax Rates

South Coast BC Transportation Financing Authority (Vancouver Area)

	CRF	BCTFA	Subtotal	SCBCTFA	Total	Carbon	Total
April 2018	2.25	6.75	9.00	17.00	26.00	8.95	34.95
April 2019	2.25	6.75	9.00	17.00	26.00	10.23	36.23
July 2019	2.25	6.75	9.00	18.50	27.50	10.23	37.73
April 2020	2.25	6.75	9.00	18.50	27.50	11.51	39.01
April 2021	2.25	6.75	9.00	18.50	27.50	12.78	40.28

Victoria Regional Transit Service (Victoria Area)

	CRF	BCTFA	Subtotal	BC Transit	Total	Carbon	Total
April 2018	8.25	6.75	15.00	5.50	20.50	8.95	29.45
April 2019	8.25	6.75	15.00	5.50	20.50	10.23	30.73
April 2020	8.25	6.75	15.00	5.50	20.50	11.51	32.01
April 2021	8.25	6.75	15.00	5.50	20.50	12.78	33.28

Rest of the Province

	CRF	BCTFA	Subtotal	Total	Carbon	Total
April 2018	8.25	6.75	15.00	15.00	8.95	23.95
April 2019	8.25	6.75	15.00	15.00	10.23	25.23
April 2020	8.25	6.75	15.00	15.00	11.51	26.51
April 2021	8.25	6.75	15.00	15.00	12.78	27.78

Contact: Dave Riley, Executive Director
Phone: 778-698-1520
Division: Treasury Board Staff

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

ISSUE: BC Infrastructure Benefits Inc. Financials

ADVICE AND RECOMMENDED RESPONSE:

- BCIB and the Allied Infrastructure and Related Construction Council (AIRCC) signed the Community Benefits Agreement (CBA) which sets out key goals to ensure individuals, communities and businesses have full and fair opportunity to participate in the benefits of a project.
- BCIB will manage the CBA and, for select projects, be the employer of the workforce for the construction of infrastructure projects in accordance with the terms and conditions of the CBA.
- BCIB will prioritize hiring of British Columbians, apprentices and workers traditionally under-represented in the construction trades – Indigenous peoples, women and youth. The focus of BCIB through the CBA is to provide good-paying jobs to workers on key public sector infrastructure projects, optimizing opportunities to grow BC's skilled labour workforce and making sure these projects are built safely, efficiently, economically and without interruption (no strikes/lockouts). BCIB will prioritize safety and a respectful, harassment-free workplace and all workers will take cultural competency training.

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MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

KEY FACTS:

- As the number of projects needing labour workforce through BCIB is lower in 2019/20 than expected (due to timing of construction starts), BCIB will require interim funding to cover its corporate costs (i.e. BCTFA grants).

s.13; s.17

- BCIB will recover its costs by billing contractors for direct labour costs and project owners for overhead costs. BCIB will operate on a break-even basis.

s.13; s.17

- There are currently approximately 20 staff in BCIB and it is expected that there will be a phased increase in staff as needed to meet operational requirements.

s.13; s.17

MINISTRY OF FINANCE
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s.13

- The projects currently approved to utilize the CBA are the Pattullo Bridge Replacement Project, the Broadway Subway Project, and certain components of the Highway 1 Kamloops to Alberta Four-Laning program.

s.17

Contact: Sarah Zaharia
Phone:
Division: Community Benefits

File Name: BCIB - Financials

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

ISSUE: Community Benefits Agreement – Transportation Projects

ADVICE AND RECOMMENDED RESPONSE:

- These projects are under the responsibility of the Ministry of Transportation and Infrastructure, and questions related to these projects and their budgets should be directed there.

If needed:

- British Columbians and the communities in which they live should receive more value from public infrastructure investments.
- The Community Benefits Agreement (CBA) focuses on benefits to local communities by providing opportunities for British Columbians, Indigenous people, and other underrepresented groups, including women, people with disabilities and youth.
- The CBA will enhance opportunities for apprentices and help them complete their training and gain certification, building a qualified BC skilled workforce for today and tomorrow.

KEY FACTS:

- The Community Benefits Agreement (CBA) is an agreement that sets out key goals to ensure British Columbians, local communities and businesses have equal opportunity to participate in the benefits of a project. The CBA includes a project labour agreement, which was signed between the Allied Infrastructure and Related Construction Council (AIRCC) and BC Infrastructure Benefits Inc. (BCIB), which will be applied to select infrastructure projects. The CBA includes measurable strategies to support access to training and employment opportunities for Indigenous peoples and other underrepresented groups on select projects.
- The first projects to be built using a Community Benefits Agreement are three Transportation projects:

  - Highway 1 Four-Laning Projects between Kamloops and the Alberta border;
  - The Pattullo Bridge Replacement Project and;
  - The Broadway Subway Project
- The Minister of Transportation and Infrastructure was asked about the Community Benefits Agreement during estimates in relation to the Trans-Canada Four-Laning project.

BACKGROUND:

- The Community Benefit Agreement (CBA) is an agreement to ensure individuals, communities and businesses have equal opportunity to participate in the benefits of a project. The agreement includes a project labour agreement reached with an affiliation of Building Trades known as the Allied Infrastructure and Related Construction Council (AIRCC) and the provincial Crown corporation, BC Infrastructure Benefits Inc. (BCIB) in the summer of 2018.
- CBAs already exist in British Columbia: BC Hydro has a similar agreement through the Columbia Hydro Constructors Ltd. (CHC) for work on Hydro projects.
- The CBA sets out terms and conditions of employment for workers on projects where it is applied. The terms are designed to ensure labour certainty and predictability (no strike/no lockout), to create good paying jobs (above minimum wage) through aligned wages (with trade agreements), to provide opportunities for local residents, Indigenous people and other underrepresented groups (such as women, people with disabilities, and youth) and enhance access to apprenticeship and training programs.
- A key objective of the CBA is to develop a skilled workforce in British Columbia by implementing a measurable apprenticeship plan that will help meet the Province's future labour needs.
- For those select projects utilizing a CBA, the new Crown Corporation, BC Infrastructure Benefits Inc. (BCIB), was established to be the employer of all workers on the projects. Initially under the responsibility of the Minister of Transportation and Infrastructure. In March 2019, the Ministry of Finance assumed responsibility for BCIB as Government moves forward with the next steps for cross government application.

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
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- As BCIB is tasked with providing the workforce for projects in all sectors, it will reside under the Ministry of Finance given their role as central agency for cross-ministry core and capital policy.
- BCIB will develop clear and measurable strategies to support Indigenous and other underrepresented groups by facilitating training and employment opportunities on select major infrastructure projects.
- The CBA approach will typically be considered for application on large infrastructure projects, or an envelope of similar type projects over the $500M. However, each project will be considered on a case-by-case basis as part of the business case development and approval process.
- Cabinet initially approved the application of the CBA on two projects, the Pattullo Bridge Replacement (RFP released February 14, 2019) and certain Highway 1 Four-Laning projects between Kamloops and the Alberta border.
- Cabinet recently approved application of CBA on Broadway Subway Project. RFQ released February 15, 2019.
- The application of a Community Benefit Agreement is a key approach to achieving measurable benefit objectives on select major infrastructure projects.

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

ISSUE: Community Benefits Agreement - Cost

ADVICE AND RECOMMENDED RESPONSE:

- British Columbians should receive more value from public infrastructure investments.
- The Community Benefits Agreement will ensure British Columbians and local communities receive the most benefit from public infrastructure projects.
- Agreements like this are not new and have been employed in several examples on successful projects in British Columbia and other jurisdictions.
- The Community Benefits Agreement (CBA) focuses on benefits to local communities by providing opportunities for local residents, Indigenous people and other underrepresented groups; including women, people with disabilities, and youth.
- The CBA will enhance training opportunities for apprentices and help them complete their training and gain certification, building a qualified BC skilled workforce for today and tomorrow.

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- Early estimates are a 4-7% cost increase to the construction cost for CBA projects and have been factored into the budget.

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Contact: Sarah Zaharia **Phone:** s.17
Division: Community Benefits
File Name: Community Benefits Agreement - Cost

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
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- For example, in the case of the Broadway Subway Project a significant proportion of the total costs are non-construction costs, related to property acquisition, project management (including engineering, legal, environmental), and interest during construction and owner delivered works (such as trolley overhead relocation and utility relocation).
- It's important to note that a significant part of the CBA cost is due to the number of apprentices, as more full-time staff are needed onsite to reach full productivity.
- There is a skilled trades shortage that is impacting our economy and ability to build, and we are working to address it, in part through the CBA.
- While this means an investment upfront, the long-term economic benefits of training the next generation of skilled workers and expanding the construction workforce far outweigh the costs.

KEY FACTS:

- The Community Benefits Agreement (CBA) is an agreement that sets out key goals to ensure individuals, communities and businesses have full and fair opportunity to participate in the benefits of a project. The CBA includes a project labour agreement between Allied Infrastructure and Related Construction Council (AIRCC) and BC Infrastructure Benefits Inc. (BCIB) which will be applied to select infrastructure projects. It also includes measurable strategies to support access to training and employment on select projects for Indigenous peoples and other Equity Groups.
- Media stories and the opposition have commented on the potential cost of applying a Community Benefits Agreement to major projects, for example the Vancouver Sun estimated a $100 million increase to the Pattullo Bridge replacement cost.
- The Ministry of Transportation and Infrastructure released a 4-7% cost increase estimate in the technical briefing for the Community Benefits Agreement in July 2018. s.13

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MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
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BACKGROUND:

- The Community Benefit Agreement (CBA) is an agreement to ensure individuals, communities and businesses have equal opportunity to participate in the benefits of a project. The agreement includes a project labour agreement reached with an affiliation of Building Trades, the Allied Infrastructure and Related Construction Council (AIRCC), and the provincial Crown corporation, BC Infrastructure Benefits Inc. (BCIB) in the summer of 2018.
- CBAs already exist in British Columbia: BC Hydro has a similar agreement through the Columbia Hydro Constructors Ltd. (CHC) for work on Hydro projects.
- The CBA sets out terms and conditions of employment for workers on projects where it is applied. The terms are designed to ensure labour certainty and predictability (no strike/no lockout), to create good paying jobs (above minimum wage) through aligned wages (with trade agreements), to provide opportunities for local residents, Indigenous people and other underrepresented groups (such as women, people with disabilities, and youth) and enhance access to apprenticeship and training programs.
- A key objective of the CBA is to develop a skilled workforce in British Columbia by implementing a measurable apprenticeship plan that will help meet the Province's future labour needs.
- For those select projects utilizing a CBA, the new Crown Corporation, BC Infrastructure Benefits Inc. (BCIB), was established to be the employer of all workers on the projects. Initially under the responsibility of the Minister of Transportation and Infrastructure. In March 2019, the Ministry of Finance assumed responsibility for BCIB as Government moves forward with the next steps for cross government application.
- As BCIB is tasked with providing the workforce for projects in all sectors, it will reside under the Ministry of Finance given their role as central agency for cross-ministry core and capital policy.
- BCIB will develop clear and measurable strategies to support Indigenous and other underrepresented groups by facilitating training and employment opportunities on select major infrastructure projects.

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
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- The CBA approach will typically be considered for application on large infrastructure projects, or an envelope of similar type projects over the $500M. However, each project will be considered on a case-by-case basis as part of the business case development and approval process.
- Cabinet initially approved the application of the CBA on two projects, the Pattullo Bridge Replacement (RFP released February 14, 2019) and certain Highway 1 Four-Laning projects between Kamloops and the Alberta border.
- Cabinet also approved application of CBA on Broadway Subway Project. RFQ released February 15, 2019.
- The application of a Community Benefit Agreement is a key approach to achieving measurable benefit objectives on select major infrastructure projects.

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

ISSUE: Community Benefits – Future Projects

ADVICE AND RECOMMENDED RESPONSE:

- British Columbians and their communities should receive more value from public infrastructure investments.
- The first projects under the Community Benefits Agreement (CBA) is the Pattullo Bridge Replacement Project, Highway 1 Four-Laning projects between Kamloops and the Alberta Border, and the Broadway Subway Project.
- Government will now consider extending its application to infrastructure projects in other sectors outside of the Ministry of Transportation.
- Projects to be delivered under Community Benefits will be considered on a case-by-case basis.

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s.13 the Ministry of Finance will assume the lead on this initiative given their role as the central agency responsible for cross-government core and capital policy.

- The Ministry of Transportation and Infrastructure will remain responsible for all current and future projects within its scope, as will other Ministries be responsible for projects under their scope.

KEY FACTS:

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Contact: Sarah Zaharia **Phone:**
Division: Community Benefits
File Name: Community Benefits Agreement Future Projects

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
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- Government has emphasized the need to ensure spending on public projects results in public benefits through local hiring provisions, small business access to procurements, hiring more indigenous people and other workers traditionally underrepresented in the skilled trades, and that there are apprenticeship ratios that help create the next generation of BC workers.

s.12; s.13

s.12; s.13 working closely with MoF and other colleague ministries, to guide the incorporation of community benefits objectives (inclusive of labour considerations) into delivery of provincial infrastructure projects.

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- A CBA was negotiated with the BC Building Trades in the spring of 2018. The CBA will be administered by a Crown corporation, BC Infrastructure Benefits Inc. (BCIB), who will be the employer of the workforce for the construction of infrastructure projects where the CBA is applied.
- Cabinet initially approved the application of the CBA on two initial projects, the Pattullo Bridge Replacement and certain Highway 1 Four-Laning projects between Kamloops and the Alberta Border. Cabinet has also approved application of CBA on the Broadway Subway Project. Further cross sector projects may be added under the CBA subject to Cabinet and Treasury Board approval.

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MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

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Key Community Benefit Objectives:

- Increase Apprenticeship and Training Opportunities
- Increase Opportunities for Equity Seeking Groups
- Access and Opportunity for local workers and business
- Increase Indigenous Participation
- Aligned and predictable wages
- Clean BC principles (including Wood First)

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

ISSUE: Community Benefits Agreement

ADVICE AND RECOMMENDED RESPONSE:

- British Columbians should receive more value from public infrastructure investments.
- The Community Benefits Agreement will ensure British Columbians and local communities receive the most benefit from public infrastructure projects.
- Agreements like this are not new and have been employed in several examples on successful projects in British Columbia and other jurisdictions.
- The Community Benefits Agreement (CBA) focuses on benefits to local communities by providing opportunities for local residents, Indigenous people and other underrepresented groups; including women, people with disabilities, and youth.
- The CBA will enhance training opportunities for apprentices and help them complete their training and gain certification, building a qualified BC skilled workforce for today and tomorrow.
- Benefits for workers include surety against work disruptions due to strike or lockout, along with predictable and aligned wages based on existing trade union agreements.
- Any contractor can bid on projects and any worker can apply to work on CBA projects.

KEY FACTS:

- The Community Benefits Agreement (CBA) is an agreement that sets out key goals to ensure individuals, communities and businesses have full and fair opportunity to participate in the benefits of a project. The CBA includes a project labour agreement between Allied Infrastructure and Related Construction Council (AIRCC) and BC Infrastructure Benefits Inc. (BCIB) which will be applied to select infrastructure projects. It also includes measurable strategies to support access to training and employment on select projects for Indigenous peoples and other Equity Groups.

BACKGROUND:

- The Community Benefit Agreement (CBA) is an agreement to ensure individuals, communities and businesses have equal opportunity to participate in the benefits of a project. The agreement includes a project labour agreement reached with an affiliation of Building Trades, the Allied Infrastructure and Related Construction Council (AIRCC), and the provincial Crown corporation, BC Infrastructure Benefits Inc. (BCIB) in the summer of 2018.
- CBAs already exist in British Columbia: BC Hydro has a similar agreement through the Columbia Hydro Constructors Ltd. (CHC) for work on Hydro projects.
- The CBA sets out terms and conditions of employment for workers on projects where it is applied. The terms are designed to ensure labour certainty and predictability (no strike/no lockout), to create good paying jobs (above minimum wage) through aligned wages (with trade agreements), to provide opportunities for local residents, Indigenous people and other underrepresented groups (such as women, people with disabilities, and youth) and enhance access to apprenticeship and training programs.
- A key objective of the CBA is to develop a skilled workforce in British Columbia by implementing a measurable apprenticeship plan that will help meet the Province's future labour needs.
- For those select projects utilizing a CBA, the new Crown Corporation, BC Infrastructure Benefits Inc. (BCIB), was established to be the employer of all workers on the projects. Initially under the responsibility of the Minister of Transportation and Infrastructure. In March 2019, the Ministry of Finance assumed responsibility for BCIB as Government moves forward with the next steps for cross government application.
- As BCIB is tasked with providing the workforce for projects in all sectors, it will reside under the Ministry of Finance given their role as central agency for cross-ministry core and capital policy.

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
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- BCIB will develop clear and measurable strategies to support Indigenous and other underrepresented groups by facilitating training and employment opportunities on select major infrastructure projects.
- The CBA approach will typically be considered for application on large infrastructure projects, or an envelope of similar type projects over the $500M. However, each project will be considered on a case-by-case basis as part of the business case development and approval process.
- Cabinet initially approved the application of the CBA on two projects, the Pattullo Bridge Replacement (RFP released February 14, 2019) and certain Highway 1 Four-Laning projects between Kamloops and the Alberta border.
- Cabinet also approved application of CBA on Broadway Subway Project. RFQ released February 15, 2019.
- The application of a Community Benefit Agreement is a key approach to achieving measurable benefit objectives on select major infrastructure projects.

TAB BCIB-06

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

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ISSUE:

ADVICE AND RECOMMENDED RESPONSE:

- British Columbians and their communities should receive more value for public infrastructure investments.

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the Community Benefits Agreement (CBA) aim to deliver good-paying jobs for people close to home, and more opportunities for women and Indigenous people.

- Community Benefits will also enhance training opportunities for apprentices and help them complete their training and gain certification, building a qualified BC skilled workforce for today and tomorrow.

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- The Community Benefits Agreement (CBA) is currently being applied to three major Transportation projects, including: the Pattullo Bridge Replacement Project, Highway 1 Four-Laning projects between Kamloops and the Alberta Border, and the Broadway Subway Project.
- The new Crown Corporation, BC Infrastructure Benefits Inc. (BCIB) be the employer for all workers on projects under the CBA in accordance with the terms and conditions of the CBA.

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Contact:	Sarah Zaharia	**Phone**	
Division:	Community Benefits	**Page:**	1 of 4
File Name:	Community Benefits Framework		

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

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- s.13
- s.13 the Ministry of Finance has assumed the lead on this initiative given its role as the central agency responsible for cross-government core and capital policy.
- This will include the responsibility of both the BCIB and the Community Benefits Team to lead this work going forward.
- The Ministry of Transportation and Infrastructure will remain responsible for all current and future projects within its scope, where Community Benefits are applied.

KEY FACTS:

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- The Premier has highlighted the need to ensure spending on public projects results in public benefits through local hiring provisions, small business access to procurements, hiring more women and indigenous people, and apprenticeship ratios to help create the next generation of BC workers.

s.12; s.13

s.12; s.13 , working closely with MoF and other colleague ministries, to guide the incorporation of community benefits objectives (inclusive of labour considerations) into delivery of provincial infrastructure projects.

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MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

s.13

- A CBA was negotiated with the BC Building Trades in the spring of 2018. The CBA will be administered by a Crown corporation, BC Infrastructure Benefits Inc. (BCIB), who will be the employer for all workers on projects where the CBA is applied.
- Cabinet initially approved the application of the CBA on two initial projects, the Pattullo Bridge Replacement and certain Highway 1 Four-Laning projects between Kamloops and the Alberta Border. Cabinet has also approved application of CBA on the Broadway Subway Project. s.13

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Key Community Benefit Objectives:

- Increase Apprenticeship and Training Opportunities
- Increase Opportunities for Equity Seeking Groups
- Access and Opportunity for local workers and business

Contact:	Sarah Zaharia	**Phone:**	s.17
Division:	Community Benefits	**Page:**	3 of 4
File Name:	Community Benefits Framework		

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

- Increase Indigenous Participation
- Aligned and predictable wages
- Clean BC principles (including Wood First)

s.17

Contact: Sarah Zaharia **Phone**:
Division: Community Benefits

File Name: Community Benefits Framework

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

ISSUE: Community Benefits Office

ADVICE AND RECOMMENDED RESPONSE:

- British Columbians and their communities should receive more value from public infrastructure investments, and this is what the Community Benefits Framework (CBF) is intended to achieve.
- The initial phase of the Community Benefits Framework has been implemented successfully with the Community Benefits Agreement application to a number of major transportation capital projects.

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s.13 the Ministry of Finance has assumed assume the lead on this initiative given its role as the central agency responsible for cross-government capital policy.

- This work will take place through the Community Benefits Office (CBO) under the Ministry of Finance.

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s.13

Contact:	Sarah Zaharia	**Phone:**	s.17
Division:	Community Benefits	**Page:**	1 of 4
File Name:	Community Benefits Office		

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

s.13

- Long-term needs and funding for the Community Benefits Office will be considered at a future date.

Why are GCPE Communications staff needed?

- There are important government objectives which will be achieved through Community Benefits:
  - Increased Apprenticeship and Training Opportunities
  - Increased Opportunities for Equity Seeking Groups
  - Access and Opportunity for local workers and business
  - Increased Indigenous Participation
  - Aligned and predictable wages
  - Clean BC principles (including Wood First)
- Successful communication with the public and stakeholder engagement is key to this work to ensure people are fully aware of the opportunities available to them and can receive the benefits of these initiatives.

KEY FACTS:

- The Community Benefits Office (CBO) is the office under the purview of Finance which is responsible for coordinating the Community Benefits Framework:
  - communicating policy directions and decisions,
  - liaising with policy and capital ministries,
  - setting key messages and communications strategy,

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

- and coordinating approvals from GCPE HQ and Premier's office.

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- Long-term needs and funding for the Community Benefits Office will be considered at a future date.

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- The Community Benefits Framework (CBF) will support BC provincial public-sector agencies in optimizing benefits to British Columbians and their communities when investing provincial funds in major infrastructure projects to build roads, bridges, hospitals and schools.
- The government has emphasized the need to ensure spending on public projects results in public benefits through more opportunities for local businesses, hiring more women and Indigenous people, and more apprenticeships that help train the next generation of BC workers.

s.12; s.13

s.12; s.13 vorking closely with MoF and other colleague ministries, that will guide the incorporation of community benefits objectives (inclusive of labour considerations) into delivery of provincial infrastructure projects.

s.13

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- Cabinet initially approved the application of the CBA on two initial projects, the Pattullo Bridge Replacement and certain Highway 1 Four-Laning projects between Kamloops and the Alberta Border. Cabinet has also approved application of CBA on

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS
ISSUE NOTE

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the Broadway Subway Project.

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Key Community Benefit Objectives:

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- Increase Indigenous Participation
- Aligned and predictable wages
- Clean BC principles (including Wood First)

s.17

Contact: Sarah Zaharia **Phone:**
Division: Community Benefits **Page:** 4 of 4
File Name: Community Benefits Office

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

ISSUE: Audit Plan - IAAS 2018/19

ADVICE AND RECOMMENDED RESPONSE:

- Internal Audit & Advisory Services (IAAS) mandate is to provide internal audit and consulting services to management at B.C.'s ministries and Crown corporations in order to promote sound governance, economy, efficiency and effectiveness of public sector operations, and to provide assurance that programs and systems are operating in compliance with mandates, policies and regulations.

KEY FACTS:

- IAAS annually prepares a Three-Year Audit Plan that identifies projects for the upcoming fiscal and future years.
- The process to identify projects includes among other processes:
    - interviewing Ministry Executive, members of the Deputy Minister’s Audit Committee (DMAC), Treasury Board Staff, Risk Management Branch and other key central agencies such as PSA;
    - reviewing Ministry Service Plans, Annual Reports and risk registers;
    - reviewing Minister Mandate Letters;
    - reviewing OAG and other professional reports; and
    - researching news and background information on Crown corporations, Ministries and the SUCH sector to identify changes, new priorities and potential issues.
- The nature and timing of future projects can be amended to reflect emerging issues or changing priorities that need to be reviewed in a timely manner of.
- The Three-Year Audit Plan is presented to the Deputy Minister’s Audit Committee (DMAC) for their consideration and approval. The 2019/20 to 2021/22 Audit Plan is to be presented to the DMAC at the next committee meeting.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

- Attached is a list of current projects that IAAS worked on in the 2018/19 Fiscal year.

Current Projects in Progress

#	Ministry Agency	Project Name Project Description	Expected Completion Dates
1	HLTH	**Pharmacare Special Authority** Review process and policy of requests for coverage of "unapproved drugs" looking for efficiencies and cost benefit improvements. **Status:** Complete	**Complete** Final Report Issued
2	CITZ	**Data Centre Security** Review physical and data security procedures and incident response at the data centers to ensure they appropriately protect against, reduce the impact of, and recover from negative physical, cyber and environmental threats. **Status:** Complete	**Complete** Final Report Issued
3	FLNRO	**Rural Dividend Program** Review the program's risk assessment and compliance audit methodology in the branch's Monitoring, Measurement and Reporting Framework and perform the year one grant compliance audits. **Status:** Complete	**Complete** Final Report Issued
4	FIN & FLNRO	**Financial Security over Environmental Reclamation** Pilot project to determine best project strategy and next steps based on pilot results, including available information such as risk assessment procedures, forms of security obtained, ongoing monitoring activities and assessment of remaining liability. **Status:** Pilot Complete	**Complete**
5	All	**Ministry Enterprise Risk Management (ERM) Assessment** Assess ministries risk management process to developing the risk registers to identify gaps or best practices. **Status:** Complete	**Complete**
6	MAH	**Clean Water and Wastewater Fund** To provide reasonable assurance that project costs financed under the Fund comply with shared cost agreements and the Provincial/Federal Agreements. **Status:** Complete	**Complete** Final Report Issued

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

#	Ministry Agency	Project Name Project Description	Expected Completion Dates
7	**MOTI**	**Building Canada – Small Communities Fund** To provide reasonable assurance that project costs financed under the Fund comply with shared cost agreements and the Provincial/Federal Agreements. **Status:** Complete	**Complete** Final Report Issued
8	**CITZ**	**Critical Systems Standard** Assessment of the government ‘s practices to ensure that critical systems are appropriately identified and managed to minimize failures and disruptions. **Status:** Reporting	**April 2019**
9	**EMBC**	**Disaster Financial Assistance Arrangements (DFAA)** Review and assess EMBC procedures and timeliness for disaster assistance eligibility request, expense processing, identification of eligible expenses, and DFAA claims submissions. **Status:** Fieldwork	**April 2019**
10	**FLNRO**	**Forest Revenue Management** Review and assess ministry revenue management processes including management oversight over key forest and non-forest revenue streams. **Status:** Fieldwork	**April 2019**
11	**HLTH**	**Public and Population Health - Grant Approval Process** Review the grant approval process to determine whether approvals are based on appropriate information and criteria and that an accountability framework is developed. **Status:** Fieldwork	**May 2019**
12	**Multiple**	**IT Change Management** Review IT Change Management policies and procedures in key ministries to ensure that changes to the IT infrastructure, applications and technical solutions follow government standards and best practices for documentation, impact assessment, authorization, testing and implementation. **Status:** Planning	**TBD**

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

ISSUE: Capital City Living Allowance Changes

ADVICE AND RECOMMENDED RESPONSE:

- Changes to accommodation options and rates for government officials. These changes are made to align with the option and rate changes for MLAs (members) that were approved by the Legislative Assembly Management Committee.
- Accommodation policy for government officials in the Capital Regional District includes allowance payment, and receipt reimbursement options that mirror member policy.
- The allowance option for members, of $1,000 per month, was eliminated as of January 1, 2019 but was grandfathered for members receiving the option at that time.
- The change enhances the transparency and accountability of accommodation cost claims.
- The maximum annual reimbursable accommodation claim amounts will be increased in line with inflation as of April 1, 2019 to match member policy. The amount will increase from $19,000 to $21,500 for the rent and own options, and from $17,000 to $18,925 for the hotel option.

KEY FACTS:

- Members receiving the allowance option at January 1, 2019, may keep the option in effect until their service as a member is interrupted.
- The three reimbursable accommodation options include rent with receipts, own with receipts, or hotel with receipts.
- The maximum reimbursable accommodation amounts were last reviewed in 2007 by the Independent Commission to Review MLA Compensation.

CURRENT STATUS:

- A Treasury Board submission will be submitted in Spring 2019.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
QUESITONS & ANSWERS

ISSUE: Capital City Living Allowance Changes

Question: Why were maximum annual reimbursement amounts increased?

Answer: Reimbursement with receipts amounts were last reviewed in 2007 by the Independent Commission to Review MLA Compensation. Amounts required adjustment to align with inflation.

Question: Why is the allowance option being eliminated?

Answer: Once the allowance option is eliminated, all government officials will require receipts for reimbursement, which will enhance the transparency and accountability of accommodation cost claims.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

ISSUE: Accounting for Collectability- Elimination of MSP

ADVICE AND RECOMMENDED RESPONSE:

- Budget 2019 announced the fulfillment of government's commitment to eliminate Medical Services Plan (MSP) premiums.
- The premiums will be eliminated as of January 1, 2020 with the last invoice issued for the period of December 2019.
- This is expected to result in $2.7 billion in annual savings for taxpayers.

KEY FACTS:

- The total outstanding accounts receivable for MSP as of December 31, 2018 was $462 million with a provision for doubtful accounts of $360 million.
- The adjustment for the provision for doubtful accounts is expensed on a percentage of receivables.
- The collectability of outstanding MSP receivables will be assessed regularly by the Ministry of Finance and the provision for doubtful accounts will be adjusted accordingly.

MSP Receivables by category

As at Dec 31,2018	**Accounts Receivable**	**Provision for Doubtful Accounts**	**Net**
Pay Direct	$444 million	$(356) million	$ 88 million
Group	$ 18 million	$ (4) million	$ 14 million
Total	**$462 million**	**$(360) million**	**$102 million**

Contact: Carl Fischer, Comptroller General
Phone: 250 387-6692
Division: Office of the Comptroller General

File Name: MSP Elimination Collection Write-Offs

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

ISSUE: Auditor General Audit of Supplier Information

ADVICE AND RECOMMENDED RESPONSE:

- The Office of the Auditor General (OAG) conducted a performance audit to determine whether the Ministry of Finance maintains secure, valid, complete, and accurate supplier information in the Corporate Financial System (CFS).
- OCG is developing an action plan to address the recommendations in the OAG report.

KEY FACTS:

The report recommendations to the Ministry of Finance:

- **RECOMMENDATION 1:** Update the Core Policy and Procedures Manual to include a clear definition of a supplier, roles and responsibilities for maintenance of the data, and minimum information standards to confirm the unique identity of each supplier.
- **RECOMMENDATION 2:** Conduct periodic audits of user access to the master supplier file to ensure security of supplier records.
- **RECOMMENDATION 3:** Update procedures so that a unique and personal or business identifier is part of all supplier records and ensure all changes to the master supplier file are confirmed as accurate before they are finalized.
- **RECOMMENDATION 4:** Establish a regular file maintenance schedule.
- **RECOMMENDATION 5:** Comply with records management policies for Office of the Comptroller General supplier records.

Ministry of Finance Response to OAG recommendations

- **MINISTRY RESPONSE to RECOMMENDATION 1:** We will revise policy direction in this area to provide clear and unambiguous direction to ministry officials responsible for adding and validating supplier information.
- **MINISTRY RESPONSE to RECOMMENDATION 2:** We will institute a review process to monitor user access to the master supplier file.

- **MINISTRY RESPONSE to RECOMMENDATION 3:** We will ensure that the guidance we provide to ministries emphasizes the importance of including unique identifiers where possible and provides additional support to help ministries confirm and document the accuracy of changes to the master supplier file.
- **MINISTRY RESPONSE to RECOMMENDATION 4:** We will enhance our regular system maintenance processes to better support ongoing integrity of the master supplier file.
- **MINISTRY RESPONSE to RECOMMENDATION 5:** We will engage government Records Management Office to reassess the retention requirement for the OCG supplier records and make recommendations for changes where necessary to support government business requirements.

BACKGROUND:

- The CAS CFS Supplier file is a central list of all individuals (including employees) and organization used by government Ministries to record payments and issue T4A's. It holds key information including name, address and banking information. The file may also include unique identifiers, like a business registration number or a social insurance number.
- Ministries have the direct relationship with the Suppliers they are interacting with. Ministry supplier maintenance staff are responsible for inputting, and submitting changes, to Suppliers based on information received from Suppliers. They are expected to ensure the Supplier information they request to be entered or changed in the CAS CFS is valid, complete and accurate.
- Corporate Accounting Services is responsible for ensuring adequate systems security for the CFS (including the Supplier information) as well as validating and updating the changes input by ministries.
- Provincial Treasury of the Ministry of Finance, the Banking and Cash Management Branch (BCM) is responsible for reviewing, approving and linking individual supplier banking information to the supplier records in the CFS.
- Potential duplicate Suppliers in the CFS are rare. As of December 2017, only 65 of over 881,000 Suppliers (0.007%) are potential duplicates.

CURRENT STATUS:

- OCG is implementing an action plan to address the OAG's recommendations.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
QUESTION AND ANSWERS

ISSUE: Auditor General Audit of Supplier Information

Question: Were there any Fraudulent payments resulting from problems with the Supplier file?

Answer: The Office of the Comptroller General found no fraudulent payments as a result of the data in the Supplier file. Duplicate payments identified in the Office of the Auditor General's report were a result of human error, not fraud. Action has been taken to recover any overpayments that a result of these errors.

Question: Why doesn't the government simply require a unique identifier to be included with all suppliers?

Answer: We will look to implement identity solutions as become available. We must ensure any changes in this space do not negatively impact people privacy or Government ability to provide services to the public.

Question: Why is the Office of the Comptroller General not complying with the records management policies for supplier records?

Answer: The current records retention schedule does not support the operational requirements necessary for the Office of the Comptroller General and is being reassessed.

Question: Why doesn't the government delete supplier records?

Answer: Deleting supplier records can cause data integrity problems in the Corporate Financial System. Rather than deleting, we could possibly deactivate suppliers if needed.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

ISSUE: Public Accounts Audit Opinion

ADVICE AND RECOMMENDED RESPONSE:

- The 2017/18 Public Accounts were released on August 28, 2018 and included the Auditor General's opinion on the financial statements.
- The Auditor General's opinion included two points of reservation: The Deferral of Revenues and the Use of Rate Regulated Accounting.
- The deferral of restricted revenues has been a longstanding qualification. We continue to engage with other jurisdictions and accounting standard setters to ensure the public interest is considered during the development and implementation of new standards.
- Government has taken action on the concerns raised by the Auditor General regarding the use of rate regulated accounting by requiring BC Hydro to adopt International Financial Reporting Standards for March 31, 2019 and by reinstating the BC Utilities Commission regulatory powers.
- The 2018/19 Public Accounts will be prepared and audited over the next few months and the audit opinion on the 2018/19 financial statements will be provided by the Auditor General at the end of the audit process.

KEY FACTS:

- The Auditor General provided a qualified opinion for Public Accounts 2017/18 with two points of reservation.
- The Office of the Comptroller General believes the position of the Auditor General represents a very different view of B.C.'s long-standing accounting policies and is also different from the generally accepted practices followed by other jurisdictions in Canada.
- The application of GAAP (Generally Accepted Accounting Principles) can be challenging and requires the use of professional judgment. This judgment is based on full analysis of the transactions and programs, application of Canadian guidance,

and may involve broad consultation with other jurisdictions, and professional accountants, depending on the complexity of the issue.

Reservation 1: Deferral of revenues

- The Auditor General recommended recognizing revenue for restricted grants in the year the funds are received.
- Government recognizes grant revenue only when the restricted purpose has been met so that the obligation for service delivery is disclosed, and the actual results align with budget.
- The impact of the recommendation in 2017/18 was to increase revenue, and surplus by $5,326 million, decrease liabilities by $5,326 million and increase accumulated surplus by $5,326 million.

Reservation 2: Use of rate regulated accounting

- The Auditor General concluded that BC Hydro did not meet the requirements of a rate-regulated entity under GAAP because rates have been largely determined by government and government direction led to rates that were not designed to recover the costs of services.
- Government appropriately follows the accounting standard ASC 980 for rate regulated accounting and that standard does not require the regulator to be independent of the utility.
- Government made an adjustment of $950 million in the 2017/18 Public Accounts to reflect the estimated impact of government direction on the rate regulated accounts.
- The Auditor General was unable to quantify the magnitude of the impact on rate regulated accounts and therefore noted the remaining balance of rate regulated accounts at BC Hydro of $4,505 million in the opinion.

CURRENT STATUS:

- The Office of the Comptroller General engages with the Office of the Auditor General over the course of the audit; however, the content of the audit opinion will not be known until the Auditor General provides their opinion at the conclusion of the audit.
- As a longstanding qualification, the reservation for deferral of revenue is expected to remain for 2018/19.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

- TB Regulation 257/2010 has been repealed and BC Hydro will be preparing their 2018/19 financial statements in accordance with International Financial Reporting Standards, including ASC 980 for rate regulated accounting.
- In February 2019, a report on Phase 1 of the comprehensive review of BC Hydro was released and the regulating powers of the British Columbia Utilities Commission will be reinstated over the next two years. As such, the reservation on the use of rate regulated accounting will most likely remain for 2018/19.

TAB OCG-06

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

ISSUE: s.12

ADVICE AND RECOMMENDED RESPONSE:

- Government's current procurement policy is a mix of principled based policy, prescriptive content and detailed procedures.

s.12

KEY FACTS:

- The Core Policy and Procedures Manual (CPPM) outlines the objectives, standards and directives for sound financial management and promotes consistent, prudent financial practices.
- Core government entities (i.e. ministries) are bound by the Core Policy and Procedures Manual with the Boarder Public Sector and Crown corporations required to follow its spirit and intent.
- The procurement policy in CPPM covers the purchase of goods, services and construction.
- Procurement policy within CPPM is informed by legislation, Treasury Board directives, corporate policy, accounting practices, competitive bidding law and various trade agreements.
- s.12

CURRENT STATUS:

s.12

Contact: Carl Fisher, Comptroller General
Division: Office of the Comptroller General
File Name: s.12
Phone: 250 387-6692

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
QUESTION AND ANSWERS

s.12

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

ISSUE: Accounting for Collectability- Student Loan Interest

ADVICE AND RECOMMENDED RESPONSE:

- Budget 2019 announced that the interest rate on new and existing Student Loans has been reduced to 0% effective February 19, 2019.
- The terms and conditions of the Student Loans prior to February 19th continue to apply.

KEY FACTS:

- The reduced interest rate applies to both existing and new loans under the BC Student Loan program.
- The interest rate reduction is effective February 19, 2019 and interest will no longer accrue after that date.
- Interest owed up to February 19, 2019 continues to be payable by the student.
- The collectability of the outstanding interest receivable will be assessed by the Ministry of Finance on a regular basis and a provision for doubtful accounts adjusted accordingly.

Contact:	Carl Fischer, Comptroller General	**Phone:**	250 387-6692
Division:	Office of the Comptroller General	**Page:**	1 of 1
File Name:	Accounting for Collectability- Student Loan Interest		

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

ISSUE: Use of Supplementary Estimates in 2018/19

ADVICE AND RECOMMENDED RESPONSE:

- Supplementary Estimates of $375.1 million were announced on Budget Day and are proceeding through the legislative process.
- Supplementary Estimates were tabled to obtain the necessary appropriation to fund additional 2018/19 initiatives.

KEY FACTS:

- Supplementary Estimates have not been used since 2008/09.
- Section 8.1 (2) of the *Budget Transparency and Accountability Act* prohibits the introduction of Supplementary Estimates while the government has forecasted outstanding direct operating debt.
- During 2018/19, the balance of direct operating debt was eliminated which has allowed Supplementary Estimates to be introduced.
- Supplementary Estimates are a necessary appropriation authority to spend above what was included in the initial Estimates. Actual spending under the authority of Supplementary Estimates will increase expenses in the Summary Financial Statements.
- Supplementary Estimates do not reduce the annual budgeted surplus of $219 million or the collective target for Ministerial Accountability.
- The individual ministerial targets for Ministerial Accountability have been adjusted to include the additional spending through Supplementary Estimates.

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

Allocation of Supplementary Estimates

Table 4.3 2018/19 Supplementary Estimates

($ millions)	2018/19
Connecting BC	50.0
Health and life sciences research grants	89.0
Northern Capital and Planning Grant	100.0
Child care initiatives	19.9
Local government infrastructure programs	35.4
Contaminated sites	30.0
Clean Energy Vehicle Program	30.0
Resort Municipality Initiative	5.0
Adult Basic Education and English Language Learning Programs	5.5
Civil Resolution Tribunal	7.9
Mining Jobs Task Force	2.4
Total	**375.1**

Page 94 2018/19 Budget and Fiscal Plan

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
ISSUE NOTE

ISSUE: Unsolicited Proposals Policy Amendment

ADVICE AND RECOMMENDED RESPONSE:

- Amending government's unsolicited proposals policy will enable government to receive unsolicited proposals for any good or service from any sector, industry, vendor or government organization.

KEY FACTS:

- The Core Policy and Procedures Manual (CPPM) outlines the objectives, standards and directives for sound financial management and promotes consistent, prudent financial practices.
- An unsolicited proposal is a vendor-initiated offering of goods and/or services to government rather than in response to a solicitation (e.g. Request for Proposal).
- The unsolicited proposals policy is part of Chapter 6 of the Core Policy and Procedures Manual which details governments procurement policy.
- The current policy restricts unsolicited proposals to IM/IT goods, services or solutions from private sector vendors. Each ministry is responsible for managing unsolicited proposals received.
- The current policy requires an Unsolicited Proposals Review Panel (consisting of ministry and central agency staff) to be formed to review any unsolicited proposals that a ministry wants to consider. Forming a panel to review an unsolicited proposal is administratively burdensome and no panels have ever been formed.
- Government's financial management framework will be strengthened by centralizing the management of all unsolicited proposals received by government
- The proposed policy will support the Ministry of Citizens' Services Procurement Concierge Program, which will match buyers with vendors using a streamlined procurement process. The Procurement Concierge Program is a component of the BC Procurement Strategy 2018 that was released in June 2018.

CURRENT STATUS:

- A Treasury Board submission will be submitted to Treasury Board in Spring 2019.

Contact:	Carl Fisher, Comptroller General	**Phone:**	250 387-6692
Division:	Office of the Comptroller General	**Page:**	1 of 2
File Name:	Unsolicited Proposals Policy Amendment		

MINISTRY OF FINANCE
OFFICE OF THE COMPTROLLER GENERAL
QUESTION AND ANSWERS

ISSUE: Unsolicited Proposals Policy Amendment

Question: What is an unsolicited proposal?

Answer: An unsolicited proposal is a vendor-initiated offering of goods and/or services to government rather than a submission in response to a solicitation (e.g. Request for Proposal).

Question: Why is the the unsolicited proposals policy moving forward separately and as not part of the update to government's procurement policy (Chapter 6).

Answer: Approval of the amendment to the unsolicited proposals policy will support the Ministry of Citizens' Services Procurement Concierge Program, which will match buyers with vendors using a streamlined procurement process.

MINISTRY OF FINANCE
CROWN AGENCIES AND BOARD RESOURCING OFFICE
FACT SHEET

NAME: Crown Agencies and Board Resourcing Office Overview

DESCRIPTION:

- The Crown Agencies and Board Resourcing Office (CABRO) is responsible for Public Sector Organization governance support.
- CABRO co-ordinates the legislated performance, planning and reporting annual cycle for Crown Corporations under the *Budget Transparency and Accountability Act*, oversees the recruitment and recommendation of candidates for appointments to Crown corporations, agencies, boards and commissions, provides public sector governance advice and training for appointees.

  Governance support includes:
  - overseeing the delivery of mandate letters, service plans and annual service plan reports for PSOs;
  - overseeing appointments to 264 public sector organizations – which encompasses nearly 2000 appointees, with a firm commitment to reflecting the Province's diversity in Provincial appointments (see diversity statement below)
  - provision of guidance on the creation and dissolution of public sector organizations;
  - conducting analysis, establishing best practices, providing advice and recommendations on governance issues; and
  - providing training on governance, public sector transparency, strategic Government priorities, performance planning and reporting.
- CABRO's website includes the following statement on government's commitment to diversity in board appointments:
  - *To support strong boards that reflect the diversity of our province, women, visible minorities, Indigenous Peoples, persons with disabilities, persons of diverse sexual orientation, gender identity or expression (LGBTQ2S+), and others who may contribute to diversity in public sector board appointments are encouraged to put their names forward for appointments.*
  - *Consideration will be given to individuals with a broad range of backgrounds in community, labour and business environments. The selection process will recognize lived experience and volunteer roles as well as paid employment and academic achievements.*

MINISTRY OF FINANCE
CROWN AGENCIES AND BOARD RESOURCING OFFICE
FACT SHEET

- Female ABC board appointments as of Jan – July 14, 2017 was 41.5%
- Female ABC board appointments as of Dec 31, 2018 was 48.6%
- Female ABC Chairs appointed as of Jan - July 14, 2017 was 35.62%
- Female ABC Chairs appointed as of Dec 31, 2018 was 45.5%
- CABRO's budget has increased from $0.855M in 2018/19 to $1.556M in 2019/20. The $0.7M increase is to support the program's current staffing level ($0.5M) and CABRO training and education for newly appointed members of public sector agency boards, commissions and tribunals ($0.2M).
- For the 2017/18 and 2018/19 fiscal years, CABRO projects were partially funded by the ministry, as the previous CABRO base budget did not reflect the actual resourcing needed to deliver on CABRO's mandate.
- CABRO is headed by a Senior Executive Lead, who reports to the Deputy Minister, Ministry of Finance.

DATA TABLE:

Budget	2017/18 Actuals	2018/19 Budget	2019/20 Budget
Salaries and Benefits	1,193,650	804,000	1,312,000
Operating Costs	95,007	75,000	268,000
Other Expenses	3,839	9,000	9,000
Internal Recoveries	(24,550)	(31,000)	(31,000)
External Recoveries		(2,000)	(2,000)
Total Operating Expenses	1,267,946	855,000	1,556,000

MINISTRY OF FINANCE
CROWN AGENCIES AND BOARD RESOURCING OFFICE
FACT SHEET

NAME: Summary of Applicable Legislation

DESCRIPTION:

- Key statutes that define the board structure, appointment process, accountability, financial and reporting requirements of public service organizations (PSOs) to support and ensure accountability and transparency include:
- Board structure and appointment processes for PSOs are defined in either the enabling legislation for the organization (e.g. *Hydro and Power Authority Act* for BC Hydro, *Insurance Corporation Act* for ICBC), or in the constitution or by-laws of PSOs without stand-alone enabling legislation.
- The *Budget Transparency and Accountability Act* (BTAA) stipulates that all government organizations, except education and health sector organizations and other PSOs exempted by regulation, must prepare three-year service plans and annual service plan reports that are consistent with the government's strategic plan and includes a statement of goals, specific objectives and performance measures. The BTAA also requires these entities to provide financial reports to the Minister of Finance for inclusion in government's fiscal plan, quarterly financial reports and public accounts.
- The *Financial Information Act* requires Crown agencies and other public bodies (those that are controlled by the government or that may receive grants or advances or have their borrowings guaranteed by the government) to publish annual financial statements and other financial information: a statement of assets and liabilities; an operational statement; a schedule of debts; a schedule of guarantee and indemnity agreements; a schedule showing in respect of each employee earning more than a prescribed amount, the total remuneration paid to the employee and total amount paid for the employee's expenses, a consolidated total of all remuneration paid to all other employees and a schedule of payments to suppliers and contributors.
- The *Financial Administration Act* provides the necessary authority, and places responsibility on Treasury Board and the Minister of Finance (the province's fiscal agent) to provide direction on the government's financial management policies. In this way, Treasury Board and the Minister of Finance, through their directives and through the responsibilities they delegate to Treasury Board Staff, the Office of the

MINISTRY OF FINANCE
CROWN AGENCIES AND BOARD RESOURCING OFFICE
FACT SHEET

Comptroller General and other central agencies, direct and control the financial administration functions of the government.

- The *Freedom of Information and Protection of Privacy Act* (FOIPPA) sets out the access and privacy rights of individuals as they relate to the public sector, including all PSOs. It establishes an individual's right to access records and sets out the terms under which a public body can collect, use and disclose the "personal information" of individuals.
- The *Information Management Act* (IMA) is the government's primary information management law. It applies to designated public sector organizations with approved records schedules under the *Document Disposal Act* and provides a legislative framework for modern, digital information practices, which, over time, will improve access to information, reduce costs for taxpayers and enable timelier services to citizens.
- The *Public Service Employers' Act* (PSEA) ensures human resource and labour relations policies and practices are coordinated among public sector employers and supports communication and coordination between public sector employers and representatives of public sector employees.

BRITISH
COLUMBIA

July 18, 2017

Honourable Carole James
Minister of Finance and Deputy Premier
Parliament Buildings
Victoria, British Columbia V8V 1X4

Dear Minister James:

Congratulations on your new appointment as Minister of Finance and Deputy Premier.

It has never been more important for new leadership that works for ordinary people, not just those at the top.

It is your job to deliver that leadership in your ministry.

Our government made three key commitments to British Columbians.

Our first commitment is to make life more affordable. Too many families were left behind for too long by the previous government. They are counting on you to do your part to make their lives easier.

Our second commitment is to deliver the services that people count on. Together, we can ensure that children get access to the quality public education they need to succeed, that families can get timely medical attention, and that our senior citizens are able to live their final years with dignity.

These and other government services touch the lives of British Columbians every day. It is your job as minister to work within your budget to deliver quality services that are available and effective.

Our third key commitment is to build a strong, sustainable, innovative economy that works for everyone, not just the wealthy and the well-connected. Together, we are going to tackle poverty and inequality, create good-paying jobs in every corner of the province, and ensure people from every background have the opportunity to reach their full potential.

These three commitments along with your specific ministerial objectives should guide your work and shape your priorities from day to day. I expect you to work with the skilled professionals in the public service to deliver on this mandate.

…/2

As you are aware, we have set up a *Confidence and Supply Agreement* with the B.C. Green caucus. This agreement is critical to the success of our government. Accordingly, the principles of "good faith and no surprises" set out in that document should also guide your work going forward.

As minister, you are responsible for ensuring members of the B.C. Green caucus are appropriately consulted on major policy issues, budgets, legislation and other matters as outlined in our agreement. This consultation should be coordinated through the Confidence and Supply Agreement Secretariat in the Premier's Office. The secretariat is charged with ensuring that members of the B.C. Green caucus are provided access to key documents and officials as set out in the agreement. This consultation and information sharing will occur in accordance with protocols established jointly by government and the B.C. Green caucus, and in accordance with relevant legislation.

British Columbians expect our government to work together to advance the public good. That means seeking out, fostering, and advancing good ideas regardless of which side of the house they come from.

Our government put forward a progressive vision for a Better B.C. that has won broad support with all members of the legislature. There is consensus on the need to address many pressing issues such as reducing health-care wait times, addressing overcrowded and under-supported classrooms, taking action on climate change, tackling the opioid crisis, and delivering safe, quality, affordable child care for all. As one of my ministers, I expect you to build on and expand that consensus to help us better deliver new leadership for British Columbians.

As part of our commitment to true, lasting reconciliation with First Nations in British Columbia our government will be fully adopting and implementing the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and the Calls to Action of the Truth and Reconciliation Commission. As minister, you are responsible for moving forward on the calls to action and reviewing policies, programs, and legislation to determine how to bring the principles of the declaration into action in British Columbia.

In your role as Minister of Finance and Deputy Premier I expect that you will make substantive progress on the following priorities:

- Ensure Budget 2017/18 reports as balanced as per public accounts released in summer 2018.
- Take measures to improve tax fairness and ensure the tax system reflects our commitment to work for all British Columbians, not just those at the top.
- Create a Medical Service Plan task force and eliminate Medical Service Plan fees within four years, starting with a 50% reduction on January 1, 2018.
- Eliminate tolls on the Port Mann and Golden Ears bridges.
- Take measures to improve housing affordability, close real estate speculation loopholes, and reduce tax fraud and money laundering in the B.C. real estate marketplace.

…/3

- Develop funding partnerships with the federal government, First Nations, municipalities, pension funds, financial institutions and businesses to invest in new capital infrastructure across the province over the next five years.

- Increase the carbon tax by $5 per tonne per year beginning April 1, 2018, take measures to expand the tax to fugitive emissions and slash-pile burning, and dedicate additional revenue to rebate cheques for families and investments in climate change solutions.

- Enhance the lending capacity of B.C. credit unions by making their tax status permanent and lifting the cap on lending.

All members of Cabinet are expected to review, understand and act according to the *Members Conflict of Interest Act* and to conduct themselves with the highest level of integrity. Remember, as a minister of the Crown, the way you conduct yourself will reflect not only on yourself, but on your Cabinet colleagues and our government as a whole.

I look forward to working with you in the coming weeks and months ahead.

It will take dedication, hard work, and a real commitment to working for people to make it happen, but I know you're up to the challenge.

Sincerely,

John Horgan

John Horgan
Premier

BRITISH
COLUMBIA

February 7, 2018

Honourable Mitzi Dean
MLA for Esquimalt Metchosin
Parliament Buildings
Victoria, British Columbia V8V 1X4

Dear MLA Dean:

Congratulations on your appointment as Parliamentary Secretary for Gender Equity.

It has never been more important for new leadership that works for ordinary people, not just those at the top.

It is your job to deliver that leadership in our government.

Our government made three key commitments to British Columbians.

Our first commitment is to make life more affordable. Too many families were left behind for too long by the previous government. They are counting on you to do your part to make their lives easier.

Our second commitment is to deliver the services that people count on. Together, we can ensure that children get access to the quality public education they need to succeed, that families can get timely medical attention, and that our senior citizens are able to live their final years with dignity.

These and other government services touch the lives of British Columbians every day. It is your job as Parliamentary Secretary to work within your budget to deliver quality services that are available and effective.

Our third key commitment is to build a strong, sustainable, innovative economy that works for everyone, not just the wealthy and the well-connected. Together, we are going to tackle poverty and inequality, create good-paying jobs in every corner of the province, and ensure people from every background have the opportunity to reach their full potential.

These three commitments should guide your work and shape your priorities from day to day. I expect you to work with the skilled professionals in the public service to deliver on this mandate.

Office of the Premier

Web Site: www.gov.bc.ca

Mailing Address: PO Box 9041 Stn Prov Govt, Victoria BC V8W 9E1

Location: Parliament Buildings, Victoria

As you are aware, we have set up a *Confidence and Supply Agreement* with the B.C. Green caucus. This agreement is critical to the success of our government. Accordingly, the principles of "good faith and no surprises" set out in that document should also guide your work going forward.

As Parliamentary Secretary, you are responsible for ensuring members of the B.C. Green caucus are appropriately consulted on major policy issues, budgets, legislation and other matters as outlined in our agreement. This consultation should be coordinated through the Confidence and Supply Agreement Secretariat. The secretariat is charged with ensuring that members of the B.C. Green caucus are provided access to key documents and officials as set out in the agreement. This consultation and information sharing will occur in accordance with protocols established jointly by government and the B.C. Green caucus, and in accordance with relevant legislation.

British Columbians expect our government to work together to advance the public good. That means seeking out, fostering, and advancing good ideas regardless of which side of the house they come from. Our government put forward a progressive vision for a Better B.C. that has won broad support with all members of the legislature. There is consensus on the need to address many pressing issues such as reducing health-care wait times, addressing overcrowded and under-supported classrooms, taking action on climate change, tackling the opioid crisis, and delivering safe, quality, affordable child care for all. As one of my Parliamentary Secretaries, I expect you to build on and expand that consensus to help us better deliver new leadership for British Columbians.

As part of our commitment to true, lasting reconciliation with First Nations in British Columbia our government will be fully adopting and implementing the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and the Calls to Action of the Truth and Reconciliation Commission. As Parliamentary Secretary, you are responsible for moving forward on the calls to action and reviewing policies, programs, and legislation to determine how to bring the principles of the declaration into action in British Columbia.

In your role as Parliamentary Secretary for Gender Equity, and under the direction of the Minister of Finance, I expect that you will make substantive progress on the following priorities:

- Ensure our government's commitment to gender equality is reflected in our budgets, policies and programs.
- Act as the Government's liaison with feminist and women's organizations, and other organizations concerned with gender equality and the advancement of women.
- Coordinate cross-ministerial action on gender issues, including but not limited to gendered violence, advancing gender equality and women's economic empowerment.
- Tracking progress on the National Inquiry into Missing and Murdered Indigenous Women.
- Promote gender equity and leadership at senior levels in both the private and public sector.

All members are expected to review, understand and act according to the *Members Conflict of Interest Act* and to conduct themselves with the highest level of integrity. Remember the way you conduct yourself will reflect not only on yourself, but on your colleagues and our government as a whole.

I look forward to working with you in the coming weeks and months ahead.

It will take dedication, hard work, and a real commitment to working for people to make it happen, but I know you're up to the challenge.

Sincerely,

John Horgan
Premier

CC: Minister of Finance, Carole James

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUES NOTE

ISSUE: Status of Mandate Letter Deliverables

Mandate Letter Commitment	Status
Policy and Legislation	
Take measures to improve tax fairness and ensure the tax system reflects our commitment to work for all British Columbians, not just those at the top.	s.13
Create a Medical Service Plan task force and eliminate Medical Service Plan fees within four years, starting with a 50% reduction on January 1, 2018.	
Take measures to improve housing affordability, close real estate speculation loopholes, and reduce tax fraud and money laundering in the B.C. real estate marketplace.	

Contact: Teri Spaven, ADM & EFO
Phone: 250 952-2270
Division: Corporate Services Division

File Name: Status of Mandate Letter Deliverables.docx

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUES NOTE

Mandate Letter Commitment	Status
Increase the carbon tax by $5 per tonne per year beginning April 1, 2018, take measures to expand the tax to fugitive emissions and slash-pile burning, and dedicate additional revenue to rebate cheques for families and investments in climate change solutions.	s.13
Enhance the lending capacity of B.C. credit unions by making their tax status permanent and lifting the cap on lending.	
Tre	
Ensure Budget 2018/19 reports as balanced as per public accounts released in summer 2019.	
Eliminate tolls on the Port Mann and Golden Ears bridges.	

Contact: Teri Spaven, ADM & EFO
Phone: 250 952-2270
Division: Corporate Services Division

File Name: Status of Mandate Letter Deliverables.docx

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUES NOTE

Mandate Letter Commitment	Status
Develop funding partnerships with the federal government, First Nations, municipalities, pension funds, financial institutions and businesses to invest in new capital infrastructure across the province over the next five years.	s.13

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUES NOTE

ISSUE: Changes to Service Plan from Budget 2018

ADVICE AND RECOMMENDED RESPONSE:

- The templates and guidelines for service plans changed significantly from previous years.
- This new approach highlights how ministries will accomplish government's high-level priorities and ensures Service Plans are concise and transparent.
- The 2019/20 Ministry of Finance Service Plan focuses on three mandate letter priorities: balancing the budget, housing affordability and eliminating the Medical Services Plan (MSP) premiums.
- Compared to the 2018/19 Service Plan five measures have been brought over, three measures have been removed and four measures have been added to the 2019/20 Service Plan.
- The three dropped measures will continue to be monitored.
- Three new measures have been developed over the past two years to report on the efficacy of the Ministry's revenue collection programs:
    1. percentage of on-time payments,
    2. cost to collect one dollar of tax revenue, and
    3. accounts receivable as a percentage of total tax revenue.
- The last new measure reflects government's intent to increase fairness and transparency in B.C.'s housing market.

Contact:	Teri Spaven, ADM & EFO	**Phone:**	778 698-2446
Division:	Corporate Services Division	**Page:**	1 of 2
File Name:	Service Plan Changes.docx		

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUES NOTE

DATA TABLE – PERFORMANCE MEASURES COMPARED:

Measure	2018/19	2019/20	Notes
Balanced budget	✓	✓	s.13
Audit opinion provided by the Office of the Auditor General	✓	✓	
Provincial ranking of corporate income tax rates	✓	✓	
Provincial ranking of personal income tax rates for bottom bracket	✓	✓	
Provincial ranking of personal income tax rates for second lowest bracket	✓	✓	
Provincial Credit Rating	✓		
Real estate development disclosures and strata rental disclosures are reviewed within 20 business days of receipt	✓		
Women make up a minimum of 45% of government-appointed members on public sector organization boards by 2021	✓		
Percentage of on-time payments		✓	
Cost to collect one dollar of tax revenue		✓	
Accounts receivable as a percentage of total tax revenue		✓	
Residential sales-to-new listing ratio		✓	

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUE NOTE

ISSUE: Changes to the Ministry's 2019/20 budget relative to 2018/19

ADVICE AND RECOMMENDED RESPONSE:

- The Ministry of Finance 2019/20 budget had an overall net increase of $298.7M compared to the restated 2018/19 budget.
- The Ministry Operations Vote increased by $92.7M which includes increases of:
    - $76.2M for Student Loan Interest Elimination,
    - $10.0M for Revenue Division tax enforcement,
    - $1.2M for Policy & Legislation Division service enhancement,
    - $0.5M for the Gender Equity Office,
    - $0.7M for the Crown Agencies and Board Resourcing Office (CABRO),
    - $0.6M for the benefits chargeback rate,
    - $0.8M for the final Economic Stability Dividend (ESD) payment,
    - $2.2M for the Sustainable Services Negotiating Mandate (SSM), and
    - $0.6M from previous service plan budget changes.
- The Government Communications and Public Engagement (GCPE) Vote increased by $2.4M comprised of
    - $2.0M increase for Issues Management and Communications resourcing; and
    - $0.4M increase for the benefits chargeback rate, Economic Stability Dividend payment and the Sustainable Services Negotiating Mandate.

Contact: Teri Spaven, ADM & EFO
Phone: s.17
Division: Corporate Services Division

File Name: Changes to Budget from Budget 2018.docx

- The BC Public Service Agency Vote increased by $0.3M
  - $0.2M for the benefits chargeback rate, Economic Stability Dividend payment and the Sustainable Services Negotiating Mandate; and
  - $0.1M from previous service plan changes.
- Compared to the 2018/19 restated budget, the Housing Priority Initiatives (HPI) Special Account increased by $205.5M in 2019/20 due to**:**
  - $52.3M increase funded in *Budget 2017 Update* to offset projected reductions in federal revenue to BC Housing and fund a range of programs that support British Columbians with access to housing,
  - $190.7M increase from *Budget 2018* decisions to: (1) preserve existing units of social housing owned by non-profit housing providers; (2) begin to fund government's ten-year commitment to support over 14,000 affordable rental housing units; and (3) begin to fund the construction of 1,750 units of supportive housing for Indigenous peoples, and
  - ($37.5M) decrease in *Budget 2019* due to 2019/20 funding for the Deepening Affordability initiative being accelerated to 2018/19.
- With the accelerated $37.5M payment of grants to housing providers in 2018/19, the overall increase to the HPI account in 2019/20 is effectively $168.046M.
- The Insurance and Risk Management Account Special Account saw an increase of $0.1M related to the benefits chargeback rate, Economic Stability Dividend payment and Sustainable Services Negotiating Mandate.
- The Long Term Disability Fund Special Account had a net decrease of ($2.3M), which is based on an actuarial valuation.

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUE NOTE

KEY FACTS:

Ministry Operations Vote: Budget Change Details

- The Student Loan Interest Elimination budget of $76.2M includes an annual accounting adjustment (gross concessionary grant expense based on an actuarial valuation) and funding for student loan administration.
- $10.0M increase for Revenue Division tax enforcement activities supports auditing, compliance, and collection services for taxes payable.
- $1.2M increase for Policy & Legislation Division Service Enhancement, to support increased demand for data, analysis and public inquiry responses.
- $0.5M for the Gender Equity Office established in February 2018 following the appointment of the Parliamentary Secretary for Gender Equity.
- CABRO increase totalling $0.7M includes:
  - $0.5M for salary and benefits funding to support current staffing level
  - $0.2M increase to support CABRO training and education for newly appointed members of public sector agency boards, commissions and tribunals.
- $0.8M of funding provided for the fourth and final Economic Stability Dividend payable under the Economic Stability Mandate (2013-2018).
- $2.2M of funding provided to reflect ministry allocation for ratified collective agreements, as of December 31, 2018, under the Sustainable Services Negotiating Mandate (2019-2022).

GCPE Vote: Budget Change Details

- $2.0M to provide for increased resources required to support Cabinet priorities (i.e. CleanBC, Childcare), strategic issues coordination and issues management, and communications shops across government.
- $0.4M increase for the benefits chargeback rate, Economic Stability Dividend payment and the Sustainable Services Negotiating Mandate.

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUE NOTE

BACKGROUND:

TABLE 1. RESTATED 2018/19 TO 2019/20 BUDGET CHANGES

($ millions)	2018/19 *(Restated)*	2019/20	Changes 2018/19 to 2019/20
Ministry Operations Restated Budget 2018	**172.6**	**173.2**	**0.6**
MIN OPS – Student Loan Elimination		76.2	76.2
MIN OPS – Tax Enforcement		10.0	10.0
MIN OPS – P&L Address Structural Deficit		1.2	1.2
MIN OPS – Gender Equity Office		0.5	0.5
MIN OPS – CABRO Structural Deficit		0.5	0.5
MIN OPS – CABRO Training		0.2	0.2
Benefits Chargeback Rate		0.6	0.6
Economic Stability Dividend (ESD)		0.8	0.8
Sustainable Services Mandate (SSM)		2.2	2.2
Budget 2019 Ministry Operations	**172.6**	**265.3**	**92.7**
GCPE Restated Budget 2018	**35.4**	**35.4**	**0.0**
GCPE - Issues Management and Communications		2.0	2.0
GCPE - Benefits, ESD, SSM		0.4	0.4
Budget 2019 GCPE	**35.4**	**37.8**	**2.4**
PSA Restated Budget 2018	**56.3**	**56.3**	**0.1**
PSA - Benefits, ESD, SSM		0.2	0.2
Budget 2019 PSA	**56.3**	**56.5**	**0.3**
Housing Priority Initiatives Special Account Budget 2018	**283.2**	**526.3**	**243.0**
HPI - Deepening Affordability Initiative (Accelerated Payments)		(37.5)	(37.5)
Budget 2019 HPI Special Account	**283.2**	**488.8**	**205.5**
Insurance and Risk Management Speical Account Restated Budget 2018	**4.5**	**4.5**	**0.0**
IRMA - Benefits, ESD, SSM		0.1	0.1
Budget 2019 IRMA Special Account	**4.5**	**4.6**	**0.1**
Long Term Disability Fund Special Account Budget 2018	**27.1**	**27.1**	**0.0**
LTD- changes		(2.3)	(2.3)
Budget 2019 LTD Fund Special Account	**27.1**	**24.8**	**(2.3)**
Provincial Home Acquisition Wind Up Special Account	**0.01**	**0.01**	**0.0**
No changes		0.0	0.0
Budget 2019 PHA Special Account	**0.01**	**0.01**	**0.0**
Total Budget 2019	**579.1**	**877.8**	**298.7**

Contact: Teri Spaven, ADM & EFO **Phone:** s.17
Division: Corporate Services Division
File Name: Changes to Budget from Budget 2018.docx

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Withheld pursuant to/removed as

s.13 ; s.17

MINISTRY OF FINANCE
SUB VOTE BUDGET DETAILS
Fiscal 2018-19

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MINISTRY OF FINANCE
2018/19 vs 2019/20 Budgets by Sub-Vote
($000's)

	2018/19 Restated	2019/20	Increase / (Decrease) $	Increase / (Decrease) %
Ministry Operations				
Treasury Board Staff	7,026	7,073	47	0.7%
Office of the Comptroller General	21,266	21,702	436	2.1%
Provincial Treasury	1	1	0	0.0%
Revenue Division	90,545	179,108	88,563	97.8%
Policy and Legislation	4,874	6,093	1,219	25.0%
Financial Institutions Commission	1,408	1,600	192	13.6%
Office of the Superintendent of Real Estate	1	1	0	0.0%
Public Sector Employers' Council Secretariat	16,839	16,852	13	0.1%
Crown Agency and Board Resourcing Office	855	1,556	701	82.0%
Minister's Office	730	735	5	0.7%
Corporate Services	29,036	30,606	1,570	5.4%
Subtotal Ministry Operations	**172,581**	**265,327**	**92,746**	**53.7%**
Statutory Appropriations and Special Accounts				
Housing Priority Initiatives Special Account	283,225	488,771	205,546	72.6%
Insurance and Risk Management Special Account	4,493	4,562	69	1.5%
Provincial Home Acquisition Wind Up Special Acct	10	10	0	0.0%
Subtotal Stat Appropriations and Special Accts	**287,728**	**493,343**	**205,615**	**71.5%**
Government Communications and Public Engagement				
Government Communications	27,030	29,150	2,120	7.8%
Government Digital Experience	8,354	8,655	301	3.6%
Subtotal Government Communications and Public Engagement	**35,384**	**37,805**	**2,421**	**6.8%**
Public Service Agency				
Public Service Agency	**56,268**	**56,545**	277	0.5%
Benefits	1	1	0	0.0%
Long Term Disability Fund Special Account	27,131	24,784	(2,347)	-8.7%
Subtotal Public Service Agency	**83,400**	**81,330**	**(2,070)**	**-2.5%**
Total Ministry of Finance	**579,093**	**877,805**	**298,712**	**51.6%**

MINISTRY OF FINANCE - TREASURY BOARD STAFF
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $7.026M, the core business' net budget increased by $0.047M to $7.073M.

Treasury Board Staff ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$7.026	$7.026
Increases/(Decreases):		
Benefits Chargeback Rate		0.032
Sustainable Services Mandate (SSM)		0.009
Economic Stability Dividend (ESD)		0.003
Prior Service Plan changes		
Economic Stability Mandate (ESM)		0.003
Budget 2019/20:	**$7.026**	**$7.073**
Changes from prior year plan increase/(decrease):		$0.047
Percentage changes from prior year plan:		0.7%

MINISTRY OF FINANCE - TREASURY BOARD STAFF
2018/19 vs 2019/20 Budgets

TBS Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	5,159,000	5,272,000	113,000
51EA - Supplementary Salary Costs	57,000	50,000	(7,000)
5298 - Employee Benefits Chargeback	1,280,000	1,339,000	59,000
57EA - Public Servant Travel	35,000	30,000	(5,000)
5901 - Legal Services	72,000	72,000	0
60EA - Professional Services - Operational & Regulatory	100,000	10,000	(90,000)
61EA - Professional Services - Advisory	52,000	142,000	90,000
63EA - Information Systems - Operating	118,000	134,000	16,000
65EA - Office and Business Expenses	87,000	70,000	(17,000)
68EA - Statutory Advertising and Publications	136,000	136,000	0
69EA - Utilities, Materials & Supplies		1,000	1,000
70EA - Operating Equipment & Vehicles		12,000	12,000
73EA - Amortization Expenses	43,000	43,000	0
75EA - Building Occupancy Charges		2,000	2,000
85EA - Other Expenses	19,000	12,000	(7,000)
8809 - Operating Costs Recovered	(125,000)	(250,000)	(125,000)
89EA - Recoveries-Within Gov. Reporting Entity	(1,000)	(1,000)	0
9003 - Recoveries-External - Other Misc. Revenues	(6,000)	(1,000)	5,000
Total TBS	**7,026,000**	**7,073,000**	**47,000**

Net neutral STOB realignment included:

- Increase of $0.165M in salaries and benefits
- Increased operating cost recoveries of ($0.125M)
- Other minor adjustments to operating costs, external recoveries, and other expenses

MINISTRY OF FINANCE – OFFICE OF THE COMPTROLLER GENERAL
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $21.266M, the core business' net budget increased by $0.436M to $21.702M.

Office of the Comptroller General ($ millions)	2018/19 Restated	2019/20
2018/19 Budget (Restated)	$21.266	$21.266
Increases/(Decreases):		
Sustainable Services Mandate (SSM)		0.223
Benefits Chargeback Rate		0.074
Economic Stability Dividend (ESD)		0.074
Prior Service Plan changes:		
Economic Stability Mandate (ESM)		0.065
Budget 2019/20	**$21.266**	**$21.702**
Changes from prior year plan increase/(decrease):		$0.436
Percentage changes from prior year plan:		2.1%

MINISTRY OF FINANCE – OFFICE OF THE COMPTROLLER GENERAL
2018/19 vs 2019/20 Budgets

OCG Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	11,982,000	12,273,000	291,000
51EA - Supplementary Salary Costs	114,000	114,000	0
5298 - Employee Benefits Chargeback	2,972,000	3,117,000	145,000
55EA - Boards/Commissions/Courts	5,000	5,000	0
57EA - Public Servant Travel	87,000	87,000	0
5901 - Legal Services	118,000	118,000	0
60EA - Professional Services - Operational & Regulatory	15,000	15,000	0
63EA - Information Systems - Operating	7,739,000	7,739,000	0
65EA - Office and Business Expenses	352,000	352,000	0
68EA - Statutory Advertising and Publications	12,000	12,000	0
73EA - Amortization Expenses	270,000	270,000	0
85EA - Other Expenses	18,000	18,000	0
8805 - Employee Benefits Recovered	(32,000)	(32,000)	0
8807 - Salary Costs Recovered	(140,000)	(140,000)	0
8809 - Operating Costs Recovered	(981,000)	(981,000)	0
8885 - Other Costs Recovered	(1,056,000)	(1,056,000)	0
89EA - Recoveries-Within Gov. Reporting Entity	(207,000)	(207,000)	0
9003 - Recoveries-External - Other Misc. Revenues	(2,000)	(2,000)	0
Total OCG	**21,266,000**	**21,702,000**	**436,000**

MINISTRY OF FINANCE – PROVINCIAL TREASURY
2018/19 vs 2019/20 Budgets

Provincial Treasury is a fully cost recovered sub vote ($1K Vote). There is no change to the core business' net budget. Compared to the restated 2018/19 budget of $48.559M the core business' gross expenditures budget increased by $0.137M to $48.736M in 2019/20 with offsetting recoveries also increasing by $0.137M.

Provincial Treasury ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$0.001	$0.001
Increases/(Decreases):		
Sustainable Services Mandate (SSM)		0.065
Benefits Chargeback Rate		0.039
Economic Stability Dividend (ESD)		0.018
Economic Stability Mandate (ESM)		0.015
Offsetting Recovery for above		(0.137)
Prior Service Plan changes:		
n/a		0.000
Budget 2019/20	**$0.001**	**$0.001**
Changes from prior year plan increase/(decrease):		$0.000
Percentage changes from prior year plan:		0.0%

MINISTRY OF FINANCE – PROVINCIAL TREASURY
2018/19 vs 2019/20 Budgets

PT Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	6,337,000	6,616,000	279,000
51EA - Supplementary Salary Costs	46,000	46,000	0
5298 - Employee Benefits Chargeback	1,572,000	1,680,000	108,000
52EA - Employee Benefits	50,000	50,000	0
57EA - Public Servant Travel	49,000	49,000	0
5901 - Legal Services	180,000	180,000	0
60EA - Professional Services - Operational & Regulatory	1,215,000	1,215,000	0
63EA - Information Systems - Operating	3,519,000	3,269,000	(250,000)
65EA - Office and Business Expenses	815,000	815,000	0
73EA - Amortization Expenses	9,000	9,000	0
75EA - Building Occupancy Charges	1,000	1,000	0
85EA - Other Expenses	34,806,000	34,806,000	0
8885 - Other Costs Recovered	(13,243,000)	(13,243,000)	0
89EA - Recoveries-Within Gov. Reporting Entity	(1,135,000)	(1,135,000)	0
9002 - Recoveries-External - Fees & Licenses	(1,514,000)	(1,514,000)	0
9003 - Recoveries-External - Other Misc. Revenues	(32,706,000)	(32,843,000)	(137,000)
Total PT	**1,000**	**1,000**	**0**

Net neutral STOB realignment included:

- Increase of $0.387M in salaries and benefits, offset by a decrease in information systems and increased external recoveries to resource a project to move PT's mission critical IT systems off mainframes. Staffing levels are anticipated to return to previous levels after project completion.

MINISTRY OF FINANCE – REVENUE
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $90.545M, the core business' net budget increased by $88.563M to $179.108M.

Revenue ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$90.545	$90.545
Increases/(Decreases):		
Student Loan Interest Elimination		76.151
Tax Enforcement		9.418
Sustainable Services Mandate (SSM)		1.616
Economic Stability Dividend (ESD)		0.584
Benefits Chargeback Rate		0.306
Prior Service Plan changes:		
Economic Stability Mandate (ESM)		0.460
PST Pilot Project		0.028
Budget 2019/20	**$90.545**	**$179.108**
Changes from prior year plan increase/(decrease):		$88.563
Percentage changes from prior year plan:		97.8%

Budget lift includes:

- $76.151M for the reduction of the Student Loan interest rate to 0%. Gross concessionary grant expense (actuarial), and funding for student loan administration which was previously funded by recoveries from Student Loan interest revenue.
- $9.418M for increasing tax enforcement. Auditing, compliance, and collection services for taxes payable.
- From *Budget 2017*: $0.028M for PST Pilot Project to increase PST audit efficiency.

MINISTRY OF FINANCE – REVENUE
2018/19 vs 2019/20 Budgets

Revenue Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	47,432,000	51,564,000	4,132,000
51EA - Supplementary Salary Costs	778,000	708,000	(70,000)
5298 - Employee Benefits Chargeback	11,765,000	13,098,000	1,333,000
57EA - Public Servant Travel	1,068,000	1,150,000	82,000
5901 - Legal Services	3,119,000	3,400,000	281,000
60EA - Professional Services - Operational & Regulatory	50,198,000	52,540,000	2,342,000
61EA - Professional Services - Advisory	10,000	10,000	0
63EA - Information Systems - Operating	8,738,000	8,675,000	(63,000)
65EA - Office and Business Expenses	10,628,000	13,011,000	2,383,000
67EA - Informational Advertising & Publications	4,000	504,000	500,000
68EA - Statutory Advertising and Publications	5,000	5,000	0
69EA - Utilities, Materials & Supplies	17,000	17,000	0
70EA - Operating Equipment & Vehicles	111,000	91,000	(20,000)
73EA - Amortization Expenses	6,912,000	9,806,000	2,894,000
75EA - Building Occupancy Charges	55,000	55,000	0
77EA - Grants	0	49,151,000	49,151,000
79EA - Entitlements	600,000	600,000	0
80EA - Transfers Under Agreement	4,627,000	4,674,000	47,000
84EA - Interest Costs - Non Public Debt	3,500,000	3,500,000	0
85EA - Other Expenses	31,628,000	34,938,000	3,310,000
8805 - Employee Benefits Recovered	(20,000)	(20,000)	0
8807 - Salary Costs Recovered	(79,000)	(79,000)	0
8809 - Operating Costs Recovered	(1,466,000)	(1,466,000)	0
8885 - Other Costs Recovered	(1,000)	(1,000)	0
89EA - Recoveries-Within Gov. Reporting Entity	(1,000)	(1,000)	0
9001 - Recoveries-Social Services Tax	(300,000)	(300,000)	0
9002 - Recoveries-External - Fees & Licenses	(2,082,000)	(1,085,000)	997,000
9003 - Recoveries-External - Other Misc. Revenues	(1,524,000)	(1,524,000)	0
9007 - Recoveries-External - Fiscal Agency Loans	(21,264,000)	0	21,264,000
9008 - Recoveries-External - Medical Services Plan Fees	(63,913,000)	(63,913,000)	0
Total REV	**90,545,000**	**179,108,000**	**88,563,000**

Net neutral STOB realignment included:

- Decrease of ($1.0M) in transfers under agreements with correspond decrease of $1.0M in external recoveries for lower interest payments to financial institutions due to declining Reconstruction Loan balances.
- Other minor adjustments to supplementary salaries, operating costs, and transfers under agreements.

MINISTRY OF FINANCE – POLICY AND LEGISLATION
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $4.874M, the core business' net budget increased by $1.219M to $6.093M.

Policy and Legislation ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$4.874	$4.874
Increases/(Decreases):		
P&L Budget Lift		1.170
Sustainable Services Mandate (SSM)		0.017
Benefits Chargeback Rate		0.024
Economic Stability Dividend (ESD)		0.006
Prior Service Plan changes:		
Economic Stability Mandate (ESM)		0.002
Budget 2019/20	**$4.874**	**$6.093**
Changes from prior year plan increase/(decrease):		$1.219
Percentage changes from prior year plan:		25.0%

Budget lift includes:

- Increase total budget by $1.170M for addressing structural deficit and hiring of additional staff to support increased demand for data, analysis and public inquiry responses.

MINISTRY OF FINANCE – POLICY AND LEGISLATION
2018/19 vs 2019/20 Budgets

P&L Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	3,514,000	4,114,000	600,000
51EA - Supplementary Salary Costs	12,000	12,000	0
5298 - Employee Benefits Chargeback	872,000	1,045,000	173,000
57EA - Public Servant Travel	125,000	85,000	(40,000)
5901 - Legal Services	741,000	612,000	(129,000)
61EA - Professional Services - Advisory	128,000	140,000	12,000
63EA - Information Systems - Operating	19,000	34,000	15,000
65EA - Office and Business Expenses	447,000	52,000	(395,000)
68EA - Statutory Advertising and Publications	1,000	1,000	0
70EA - Operating Equipment & Vehicles	30,000	0	(30,000)
85EA - Other Expenses	301,000	1,000	(300,000)
8885 - Other Costs Recovered	(1,165,000)	(1,000)	1,164,000
89EA - Recoveries-Within Gov. Reporting Entity	(1,000)	(1,000)	0
9003 - Recoveries-External - Other Misc. Revenues	(150,000)	(1,000)	149,000
Total P&L	**4,874,000**	**6,093,000**	**1,219,000**

Net neutral STOB realignment included:

- Increases of $0.562M in salaries and benefits and $0.100M in advisory contract costs fully offset by decreases to office expenses and other expenses to better align budgets with historical spending patterns and anticipated needs.

MINISTRY OF FINANCE – FINANCIAL INSTITUTIONS COMMISSION
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $1.408M, the core business' net budget increased by $0.192M to $1.600M.

FICOM ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$1.408	$1.408
Increases/(Decreases):		
Sustainable Services Mandate (SSM)		0.060
Benefits Chargeback Rate		0.091
Economic Stability Dividend (ESD)		0.024
Prior Service Plan changes:		
Economic Stability Mandate (ESM)		0.017
Budget 2019/20	**$1.408**	**$1.600**
Changes from prior year plan increase/(decrease):		$0.192
Percentage changes from prior year plan:		13.6%

MINISTRY OF FINANCE – FINANCIAL INSTITUTIONS COMMISSION
2018/19 vs 2019/20 Budgets

FICOM Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	14,214,000	15,073,000	859,000
51EA - Supplementary Salary Costs	236,000	102,000	(134,000)
5298 - Employee Benefits Chargeback	3,525,000	3,829,000	304,000
55EA - Boards/Commissions/Courts	101,000	130,000	29,000
57EA - Public Servant Travel	325,000	334,000	9,000
5901 - Legal Services	559,000	559,000	0
60EA - Professional Services - Operational & Regulatory	1,662,000	1,047,000	(615,000)
61EA - Professional Services - Advisory	285,000	292,000	7,000
63EA - Information Systems - Operating	718,000	975,000	257,000
65EA - Office and Business Expenses	912,000	798,000	(114,000)
68EA - Statutory Advertising and Publications	1,000	1,000	0
70EA - Operating Equipment & Vehicles	14,000	0	(14,000)
73EA - Amortization Expenses	0	300,000	300,000
75EA - Building Occupancy Charges	1,413,000	1,373,000	(40,000)
80EA - Transfers Under Agreement	0	1,000	1,000
85EA - Other Expenses	310,000	251,000	(59,000)
8807 - Salary Costs Recovered	0	(83,000)	(83,000)
8809 - Operating Costs Recovered	0	(146,000)	(146,000)
89EA - Recoveries-Within Gov. Reporting Entity	0	(1,000)	(1,000)
9002 - Recoveries-External - Fees & Licenses	(22,750,000)	(23,118,000)	(368,000)
9003 - Recoveries-External - Other Misc. Revenues	(117,000)	(117,000)	0
Total FICOM	**1,408,000**	**1,600,000**	**192,000**

Net neutral STOB realignment included:

- Increase of $0.655M in salaries and benefits
- $0.257M in information systems
- $0.300M in amortization for a facilities project to commence in 2019/20

fully offset by decreases of:

- ($0.615M) in operational contracts
- ($0.114M) in office expenses
- ($0.416M) in increased recoveries for increased cost recoveries from OSRE

and other minor operating costs and other expenses.

MINISTRY OF FINANCE – OFFICE OF THE SUPERINTENDENT OF REAL ESTATE
2018/19 vs 2019/20 Budgets

OSRE is a fully cost recovered sub vote ($1K Vote). There is no change to the core business' net budget. Compared to the restated 2018/19 budget of $3.113M, the core business' gross expenditures budget increased by $1.696M to $4.809M in 2019/20; with offsetting recoveries also increasing by $1.696M.

OSRE ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$0.001	$0.001
Increases/(Decreases):		
Sustainable Services Mandate (SSM)		0.008
Benefits Chargeback Rate		0.015
Economic Stability Dividend (ESD)		0.003
Economic Stability Mandate (ESM)		0.003
Offsetting Recovery for above		(0.029)
Prior Service Plan changes:		
n/a		0.000
Budget 2019/20	**$0.001**	**$0.001**
Changes from prior year plan increase/(decrease):		($0.000)
Percentage changes from prior year plan:		0.0%

MINISTRY OF FINANCE – OFFICE OF THE SUPERINTENDENT OF REAL ESTATE
2018/19 vs 2019/20 Budgets

OSRE Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	1,760,000	2,463,000	703,000
51EA - Supplementary Salary Costs	7,000	8,000	1,000
5298 - Employee Benefits Chargeback	436,000	626,000	190,000
57EA - Public Servant Travel	130,000	176,000	46,000
5901 - Legal Services	160,000	252,000	92,000
60EA - Professional Services - Operational & Regulatory	130,000	227,000	97,000
61EA - Professional Services - Advisory	80,000	19,000	(61,000)
63EA - Information Systems - Operating	113,000	152,000	39,000
65EA - Office and Business Expenses	108,000	182,000	74,000
70EA - Operating Equipment & Vehicles	1,000	0	(1,000)
75EA - Building Occupancy Charges	181,000	153,000	(28,000)
85EA - Other Expenses	7,000	551,000	544,000
9002 - Recoveries-External - Fees & Licenses	(3,112,000)	(4,797,000)	(1,685,000)
9003 - Recoveries-External - Other Misc. Revenues	0	(11,000)	(11,000)
Total OSRE	**1,000**	**1,000**	**0**

Net neutral STOB realignment included:

- Increase of $0.865M in salaries and benefits, $0.258M in operating costs, and $0.544M in other expenses fully offset by ($1.667M) in increased recoveries.

MINISTRY OF FINANCE – PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $16.839M, the core business' net budget increased by $0.013M to $16.852M.

PSEC ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$16.839	$16.839
Increases/(Decreases):		
Sustainable Services Mandate (SSM)		0.001
Benefits Chargeback Rate		0.011
Prior Service Plan changes:		
Economic Stability Mandate (ESM)		0.001
Budget 2019/20	**$16.839**	**$16.852**
Changes from prior year plan increase/(decrease):		$0.013
Percentage changes from prior year plan:		0.1%

MINISTRY OF FINANCE – PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
2018/19 vs 2019/20 Budgets

PSEC Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	1,841,000	1,842,000	1,000
51EA - Supplementary Salary Costs	6,000	6,000	0
5298 - Employee Benefits Chargeback	456,000	468,000	12,000
57EA - Public Servant Travel	100,000	100,000	0
5901 - Legal Services	100,000	100,000	0
60EA - Professional Services - Operational & Regulatory	25,000	25,000	0
63EA - Information Systems - Operating	78,000	68,000	(10,000)
65EA - Office and Business Expenses	51,000	51,000	0
70EA - Operating Equipment & Vehicles	0	10,000	10,000
77EA - Grants	15,788,000	15,788,000	0
85EA - Other Expenses	15,000	15,000	0
8813 - Government Transfers Recovered	(1,600,000)	(1,600,000)	0
89EA - Recoveries-Within Gov. Reporting Entity	(1,000)	(1,000)	0
9003 - Recoveries-External - Other Misc. Revenues	(20,000)	(20,000)	0
Total PSEC	**16,839,000**	**16,852,000**	**13,000**

Net neutral STOB realignment included:

- Minor adjustments to operating costs to reflect actual spending pattern.

MINISTRY OF FINANCE – CROWN AGENCIES AND BOARD RESOURCING OFFICE
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $0.855M, the core business' net budget increased by $0.701M to $1.556M.

CABRO ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$0.855	$0.855
Increases/(Decreases):		
CABRO increase in staffing		0.500
CABRO increase for training		0.193
Sustainable Services Mandate (SSM)		0.001
Benefits Chargeback Rate		0.006
Prior Service Plan changes:		
Economic Stability Mandate (ESM)		0.001
Budget 2019/20	**$0.855**	**$1.556**
Changes from prior year plan increase/(decrease):		$0.701
Percentage changes from prior year plan:		82.0%

Budget lift includes:

- Increase of $0.500 M in salary and benefits costs to support current staffing level.
- Increase of $0.193 M for training and education for newly appointed members of public sector agency boards, commissions, and tribunals. Initial development of training modules and initial face-to-face training will require additional funding in 2019/20; subsequent ongoing training delivery will then become a core program function of CABRO.

MINISTRY OF FINANCE – CROWN AGENCIES AND BOARD RESOURCING OFFICE
2018/19 vs 2019/20 Budgets

CABRO Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	637,000	1,039,000	402,000
51EA - Supplementary Salary Costs	1,000	1,000	0
5298 - Employee Benefits Chargeback	158,000	264,000	106,000
52EA - Employee Benefits	8,000	8,000	0
57EA - Public Servant Travel	9,000	9,000	0
61EA - Professional Services - Advisory	0	85,000	85,000
63EA - Information Systems - Operating	16,000	31,000	15,000
65EA - Office and Business Expenses	50,000	143,000	93,000
85EA - Other Expenses	9,000	9,000	0
8885 - Other Costs Recovered	(31,000)	(31,000)	0
89EA - Recoveries-Within Gov. Reporting Entity	(1,000)	(1,000)	0
9003 - Recoveries-External - Other Misc. Revenues	(1,000)	(1,000)	0
Total CABRO	**855,000**	**1,556,000**	**701,000**

MINISTRY OF FINANCE – MINISTER'S OFFICE
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $0.730M, the core business' net budget increased by $0.005M to $0.735M.

Minister's Office ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$0.730	$0.730
Increases/(Decreases):		
Sustainable Services Mandate (SSM)		0.001
Benefits Chargeback Rate		0.003
Prior Service Plan changes:		
Economic Stability Mandate (ESM)		0.001
Budget 2019/20	**$0.730**	**$0.735**
Changes from prior year plan increase/(decrease):		$0.005
Percentage changes from prior year plan:		0.7%

MINISTRY OF FINANCE – MINISTER'S OFFICE
2018/19 vs 2019/20 Budgets

MO Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	435,000	437,000	2,000
51EA - Supplementary Salary Costs	3,000	3,000	0
5298 - Employee Benefits Chargeback	108,000	111,000	3,000
52EA - Employee Benefits	20,000	20,000	0
54EA - Legislative Salaries & Indemnities	54,000	54,000	0
57EA - Public Servant Travel	28,000	35,000	7,000
63EA - Information Systems - Operating	9,000	9,000	0
65EA - Office and Business Expenses	20,000	20,000	0
82EA - Legislative Assembly		3,000	3,000
85EA - Other Expenses	53,000	43,000	(10,000)
Total MO	**730,000**	**735,000**	**5,000**

Net neutral STOB realignment included:

- Minor adjustments to operating costs and other expenses to reflect actual spending pattern.

MINISTRY OF FINANCE – CORPORATE SERVICES
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $29.036M, the core business' net budget increased by $1.570M to $30.606M.

Corporate Services ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$29.036	$29.036
Increases/(Decreases):		
Tax Enforcement		0.587
Establish Gender Equity Office		0.500
Sustainable Services Mandate (SSM)		0.256
Benefits Chargeback Rate		0.069
Economic Stability Dividend (ESD)		0.089
Prior Service Plan changes:		
Economic Stability Mandate (ESM)		0.069
Budget 2019/20	**$29.036**	**$30.606**
Changes from prior year plan increase/(decrease):		$1.570
Percentage changes from prior year plan:		5.4%

Budget lift includes:

- Increase of $0.587M for increasing tax enforcement. Corporate services support for auditing, compliance, and collection services for taxes payable.
- Increase of $0.500M in funding for establishing the Gender Equity Office.

MINISTRY OF FINANCE – CORPORATE SERVICES
2018/19 vs 2019/20 Budgets

Corporate Services Budget - 2018/19 to 2019/20 Variance by STOB			
STOB and Description	**Estimates 2018/19 (Restated)**	**Estimates 2019/20**	**Variance $**
50EA - Base Salaries and Overtime	9,406,000	11,637,000	2,231,000
51EA - Supplementary Salary Costs	25,000	25,000	0
5298 - Employee Benefits Chargeback	2,332,000	2,955,000	623,000
52EA - Employee Benefits	21,000	21,000	0
57EA - Public Servant Travel	751,000	829,000	78,000
5901 - Legal Services	40,000	65,000	25,000
5935 - Centralized Mgmt Support Services - Corporate Services Secretariat	13,000	0	(13,000)
60EA - Professional Services - Operational & Regulatory	15,362,000	13,368,000	(1,994,000)
61EA - Professional Services - Advisory	0	66,000	66,000
63EA - Information Systems - Operating	656,000	664,000	8,000
65EA - Office and Business Expenses	167,000	180,000	13,000
67EA - Informational Advertising & Publications	773,000	773,000	0
69EA - Utilities, Materials & Supplies	11,000	11,000	0
70EA - Operating Equipment & Vehicles	12,000	12,000	0
73EA - Amortization Expenses	5,000	5,000	0
75EA - Building Occupancy Charges	1,000	1,000	0
77EA - Grants	170,000	170,000	0
85EA - Other Expenses	81,000	614,000	533,000
8805 - Employee Benefits Recovered	(136,000)	(136,000)	0
8807 - Salary Costs Recovered	(557,000)	(557,000)	0
8809 - Operating Costs Recovered	(93,000)	(93,000)	0
8885 - Other Costs Recovered	(2,000)	(2,000)	0
89EA - Recoveries-Within Gov. Reporting Entity	(1,000)	(1,000)	0
9003 - Recoveries-External - Other Misc. Revenues	(1,000)	(1,000)	0
Total Corporate Services	**29,036,000**	**30,606,000**	**1,570,000**

Net neutral STOB realignment included:

- Increase of $1.403M in salaries and benefits and $0.064M in operating costs offset by a decrease of ($2.0M) in contracts to reflect services repatriated from the ESIT (HPAS) contract. Higher than anticipated salaries and benefits offset by savings in contracts.

MINISTRY OF FINANCE
INSURANCE AND RISK MANAGEMENT SPECIAL ACCOUNT
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $4.493M, the core business' net budget increased by $0.069M to $4.562M.

IRMA ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$4.493	$4.493
Increases/(Decreases):		
Sustainable Services Mandate (SSM)		0.019
Benefits Chargeback Rate		0.025
Economic Stability Dividend (ESD)		0.006
Prior Service Plan changes:		
Economic Stability Mandate (ESM)		0.005
Legal Counsel Compensation Increase		0.014
Budget 2019/20	**$4.493**	**$4.562**
Changes from prior year plan increase/(decrease):		$0.069
Percentage changes from prior year plan:		1.5%

Budget lift includes:

- From *Budget 2018*: $0.014M increase for compensation increase for legal and crown counsel.

MINISTRY OF FINANCE
INSURANCE AND RISK MANAGEMENT SPECIAL ACCOUNT
2018/19 vs 2019/20 Budgets

IRMA Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	Estimates 2018/19 (Restated)	Estimates 2019/20	Variance $
50EA - Base Salaries and Overtime	3,966,000	4,199,000	233,000
51EA - Supplementary Salary Costs	5,000	5,000	0
5298 - Employee Benefits Chargeback	984,000	1,067,000	83,000
57EA - Public Servant Travel	100,000	100,000	0
5901 - Legal Services	1,070,000	1,070,000	0
60EA - Professional Services - Operational & Regulatory	1,069,000	1,069,000	0
63EA - Information Systems - Operating	518,000	518,000	0
65EA - Office and Business Expenses	162,000	162,000	0
70EA - Operating Equipment & Vehicles	4,480,000	4,480,000	0
73EA - Amortization Expenses	247,000	0	(247,000)
85EA - Other Expenses	42,379,000	42,379,000	0
8822 - Claims Expense Recovered	(2,864,000)	(2,864,000)	0
8824 - Program Administration Recovered	(4,884,000)	(4,884,000)	0
8885 - Other Costs Recovered	(40,318,000)	(40,318,000)	0
89EA - Recoveries-Within Gov. Reporting Entity	(2,270,000)	(2,270,000)	0
9002 - Recoveries-External - Fees & Licenses	(151,000)	(151,000)	0
Total IRMA	**4,493,000**	**4,562,000**	**69,000**

Net neutral STOB realignment included:

- Decrease of ($0.247M) in amortization costs due to fully amortized asset, with offsetting increases to salaries and benefits to cover compensation increases and anticipated new positions.

MINISTRY OF FINANCE
PROVINCIAL HOME ACQUISITION WIND UP SPECIAL ACCOUNT
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $0.010M, the Provincial Home Acquisition Wind Up budget has remained the same for 2019/20.

PROVINCIAL HOME ACQUISITION ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$0.010	$0.010
Increases/(Decreases):		
n/a		0.000
Prior Service Plan changes:		
n/a		0.000
Budget 2019/20	**$0.010**	**$0.010**
Changes from prior year plan increase/(decrease):		$0.000
Percentage changes from prior year plan:		0.0%

PHA Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	**Estimates 2018/19 (Restated)**	**Estimates 2019/20**	**Variance $**
85EA - Other Expenses	10,000	10,000	0
Total PHA	**10,000**	**10,000**	**0**

MINISTRY OF FINANCE
HOUSING PRIORITY INITIATIVES SPECIAL ACCOUNT
2018/19 vs 2019/20 Budgets

Compared to its restated 2018/19 budget of $283.225M, the Housing Priority Initiatives special account (HPI) net budget increased by $205.546M to $488.771M.

HOUSING PRIORITY INITIATIVE ($ millions)	**2018/19 Restated**	**2019/20**
2018/19 Budget (Restated)	$283.225	$283.225
Increases/(Decreases):		
HPI - Budget 2019 decision adjustment		(37.500)
Prior Service Plan changes:		
HPI - Special Account adjustment		243.046
Budget 2019/20	**$283.225**	**$488.771**
Changes from prior year plan increase/(decrease):		$205.546
Percentage changes from prior year plan:		72.6%

HPI Budget - 2018/19 to 2019/20 Variance by STOB

STOB and Description	**Estimates 2018/19 (Restated)**	**Estimates 2019/20**	**Variance $**
77EA - Grants	283,225,000	488,771,000	205,546,000
Total HPI	**283,225,000**	**488,771,000**	**205,546,000**

Budget changes include:

- Reprofiling ($37.500M) from 2019/20 to 2018/19 to accelerate initiatives that implement improved rent affordability in existing housing projects, and to accelerate the payment of grants to non-profits that support the creation of affordable housing units.
- *Budget 2018* included a $243.046M increase for increased demand for new affordable rental housing units (deepening affordability, missing middle, and Indigenous housing); and to preserve existing affordable housing owned by non-profit housing providers, including essential building repairs and maintenance, critical life safety, and energy performance upgrades.

MINISTRY OF FINANCE
2018/19 vs 2019/20 Budgets by Issue
($000's)

	Note	Budget Change
Ministry Operations		
Budget 2019 Changes		
Student Loan Elimination	1	76,151
Tax Enforcement	2	10,005
P&L Lift	3	1,170
Gender Equity Office	4	500
CABRO Structural Deficit	5	500
CABRO Training	6	193
Sustainable Services Mandate	7	2,184
Benefits Chargeback Rate Increase	8	616
Economic Stability Dividend	9	780
Prior Service Plan changes		
Economic Stability Mandate	10	618
PST Project Lift	11	29
Subtotal Ministry Operations		**92,746**
Statutory Appropriations and Special Accounts		
Budget 2019 Changes		
Housing Priority Initiatives Special Account	12	(37,500)
IRMA Sustainable Services Mandate	7	19
IRMA Benefits Chargeback Rate Increase	8	25
IRMA Economic Stability Dividend	9	6
Prior Service Plan changes		
Housing Priority Initiatives Special Account	12	243,046
IRMA Legal Counsel Compensation Increase	13	14
IRMA Economic Stability Mandate	10	5
Subtotal Statutory Appropriations and Special Accounts		**205,615**
Government Communications and Public Engagement		
Budget 2019 Changes		
GCPE Lift	14	2,000
GCPE Sustainable Services Mandate	7	172
GCPE Benefits Chargeback Rate Increase	8	142
GCPE Economic Stability Dividend	9	59
Prior Service Plan changes		
GCPE Economic Stability Mandate	10	48
Subtotal Government Communications and Public Engagement		**2,421**
Public Service Agency		
Public Service Agency	15	**277**
Long Term Disability Fund Special Account	16	(2,347)
Subtotal Public Service Agency		(2,070)
Total Ministry of Finance		**298,712**

MINISTRY OF FINANCE
2018/19 vs 2019/20 Budgets by Issue

Notes

1. Gross concessionary grant expense (actuarial), and funding for student loan administration which was previously funded by recoveries from Student Loan interest revenue.
2. Auditing, compliance, and collection services for taxes payable.
3. Funding to support increased demand for data, analysis and public inquiry responses.
4. Funding for the Gender Equity Office established in February 2018 following the appointment of the Parliamentary Secretary for Gender Equity. 2018/19 expenditures were unfunded, but Finance has received formal approval from Treasury Board to access up to $0.5 M of contingencies for these costs.
5. Salary and benefits costs to support current staffing level.
6. For training and education for newly appointed members of public sector agency boards, commissions, and tribunals. Initial development of training modules and initial face-to-face training with require additional funding in 2019/20. Subsequent ongoing training delivery will then become a core program function of CABRO.
7. Funding provided to reflect ministry allocation for ratified collective agreements, as of December 31, 2018, under the Sustainable Services Negotiating Mandate (2019-2022).
8. Funding provided to reflect the benefits rate for 2019/20, which includes an allocation for the cost of the Employer Health Tax.
9. Funding provided for the fourth and final Economic Stability Dividend payable under the Economic Stability Mandate (2013-2018).
10. Remaining 2014 Economic Stability Mandate general wage increase funding (for 2019/20 and beyond) for direct eligible (mainly unionized) employees.
11. PST project lift to fund additional full-time additional PST audit staff.
12. Funding increased demand for new affordable rental housing units (deepening affordability, missing middle, and Indigenous housing); and to preserve existing affordable housing owned by non-profit housing providers, including essential building repairs and maintenance, critical life safety, and energy performance upgrades.
13. Negotiated wage increases for legal counsel.
14. Budget lift provided for increased resources required to support Cabinet priorities (i.e. CleanBC, Childcare), Issues Management, and communications shops across government.
15. Public Service Agency includes:
    - $0.165 M for the benefits chargeback rate increase
    - $0.055 M for the Economic Stability Mandate
    - $0.054 M for the Economic Stability Dividend
    - $0.003 M for the Sustainable Services Mandate
16. Actuarial reduction in net estimated costs.

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUES NOTE

ISSUE: Three-year Budget Plan Changes from *Budget 2018*

ADVICE AND RECOMMENDED RESPONSE:

- In Budget 2019, the following adjustments to the Ministry of Finance three year budget resulted in an overall net increase of $216.1M from Budget 2018.
- The Ministry Operations Vote increased by $278.8M over the three year budget plan which includes increases of:
  - $230.6M for Student Loan Interest Elimination,
  - $31.8M for Revenue Division tax enforcement,
  - $3.5M for Policy &Legislation Division service enhancement,
  - $1.5M for the Gender Equity Office,
  - $1.9M for the Crown Agencies and Board Resourcing Office (CABRO); and
  - $0.6M for the benefits chargeback rate,
  - $2.3M for the final Economic Stability Dividend (ESD) payment, and
  - $6.6M for the Sustainable Services Negotiating Mandate (SSM).
- The Government Communications and Public Engagement (GCPE) Vote increased by $6.8M over the three year budget plan due to:
  - increases of $6.0M for Issues Management and Communications resourcing; and
  - $0.8M for the benefits chargeback rate, Economic Stability Dividend payment and the Sustainable Services Negotiating Mandate.
- The BC Public Service Agency Vote increased by $0.3M over the three year budget plan for the benefits chargeback rate, Economic Stability Dividend payment and the Sustainable Services Negotiating Mandate.

- The Housing Priority Initiatives (HPI) Special Account saw a net decrease of ($62.96M) over the three year budget plan, primarily due to:
    - $37.5M of 2019/20 funding for the Deepening Affordability initiative being accelerated to 2018/19 and
    - two funding changes in 2021/22: $1.592M increase for Housing for indigenous people initiative and ($27.052M) reduction for the Community Housing Fund. Overall, the investments in housing are increasing in 2021/22 when the changes to voted appropriations (Ministry of Municipal Affairs and Housing) and the HPI Special Account are combined.
- The Insurance and Risk Management Special Account saw an increase of $0.1M related to the benefits chargeback rate, Economic Stability Dividend payment and Sustainable Services Negotiating Mandate.
- The ($7.0M) net decrease in the Long Term Disability Fund Special Account over the three- year budget plan, is based on an actuarial valuation.

KEY FACTS:

Ministry Operations Vote: Budget Change Details

- $230.6M increase over the three- year budget plan for the Student Loan Interest Elimination ($76.2M in 2019/20, $76.9M in 2020/21 and $77.5M in 2021/22). This includes the accounting adjustment (for the gross concessionary grant expense based on an actuarial valuation) and funding for student loan administration.
- $31.8M increase over the three- year budget plan for Revenue Division tax enforcement activities including auditing, compliance, and collection services for taxes payable ($10.0M in 2019/20, $10.8M in 2020/21 and $11M in 2021/22).
- $3.5M increase over the three- year budget plan ($1.2M in each fiscal) for Policy & Legislation Division Service Enhancement, to support increased demand for data, analysis and public inquiry responses.

- $1.5M increase over the three year budget plan ($0.5M in each fiscal) for the Gender Equity Office established in February 2018 following the appointment of the Parliamentary Secretary for Gender Equity.
- CABRO increase includes:
  - $1.5M increase over the three- year budget plan ($0.5M in each fiscal) for salary and benefits funding to support current staffing level.
  - $0.4M increase over the three -year budget plan to support CABRO training and education for newly appointed members of public sector agency boards, commissions and tribunals ($0.2M in 2019/20, $0.1M in 2020/21 and $0.1M in 2021/22). Initial development of training modules and initial face-to-face training with require additional funding in 2019/20. Subsequent ongoing training delivery will then become a core program function of CABRO.

- Budget 2019 increase of $0.6M to reflect the benefits chargeback rate for 2019/20, which includes an allocation for the costs of the Employer Health Tax.
- $2.3M increase over the three year budget plan ($0.8M in each fiscal) to provide funding for the final Economic Stability Dividend payment.
- $6.6M increase over the three year budget plan ($2.2M in each fiscal) of funding to reflect ministry allocation for ratified collective agreements, as of December 31, 2018, under the Sustainable Services Negotiating Mandate(2019-2022).

GCPE Vote: Budget Change Details

- $6.0M increase over three year budget plan ($2.0M in each fiscal year) to provide for increased resources required to support Cabinet priorities (i.e. CleanBC, Childcare), strategic issues coordination and issues management, and communications shops across government.
- $0.8M increase over the three year budget plan ($0.4M in 2019/20, $0.2M in 2020/21 and $0.2M in 2021/22) related to the benefits chargeback rate, Economic Stability Dividend payment and Sustainable Services Negotiating Mandate.

PSA Vote: Budget Change Details

- $0.3M increase over the three year budget plan ($0.2M in 2019/20, $0.1M in 2020/21 and $0.1M in 2021/22) related to the benefits chargeback rate, Economic Stability Dividend payment and Sustainable Services Negotiating Mandate.

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUES NOTE

Long Term Disability Fund Special Account: Budget Change Details

- ($7.0M) net decrease in the account over the three year budget plan, ($2.3M) decrease in each fiscal year, is based on an actuarial valuation.

BACKGROUND:

TABLE 1. BUDGET 2019 SUMMARY OF CHANGES

($ millions)	2018/19 *(Restated)*	2019/20	2020/21	2021/22	Changes 2019/20 to 2021/22
Ministry Operations Restated Budget 2018	**172.6**	**173.2**	**173.2**	**173.2**	
MIN OPS – Student Loan Elimination		76.2	76.9	77.5	230.6
MIN OPS – Tax Enforcement		10.0	10.8	11.0	31.8
MIN OPS – P&L Address Structural Deficit		1.2	1.2	1.2	3.5
MIN OPS – Gender Equity Office		0.5	0.5	0.5	1.5
MIN OPS – CABRO Structural Defict		0.5	0.5	0.5	1.5
MIN OPS – CABRO Training		0.2	0.1	0.1	0.4
Benefits Chargeback Rate		0.6	0.0	0.0	0.6
Economic Stability Dividend (ESD)		0.8	0.8	0.8	2.3
Sustainable Services Mandate (SSM)		2.2	2.2	2.2	6.6
Budget 2019 Ministry Operations	**172.6**	**265.3**	**266.2**	**267.0**	**278.8**
GCPE Restated Budget 2018	**35.4**	**35.4**	**35.4**	**35.4**	
GCPE - Issues Management and Communications		2.0	2.0	2.0	6.0
GCPE - Benefits, ESD, SSM		0.4	0.2	0.2	0.8
Budget 2019 GCPE	**35.4**	**37.8**	**37.7**	**37.7**	**6.8**
Special Accounts Restated Budget 2018	**314.9**	**557.9**	**562.9**	**562.9**	
IRMA - Benefits, ESD, SSM		0.1	0.0	0.0	0.1
HPI – Housing Priority Initiatives Special Account		(37.5)	0.0	(25.5)	(63.0)
LTD – Long Term Disability Fund Special Account		(2.3)	(2.3)	(2.3)	(7.0)
Budget 2019 Special Accounts	**314.9**	**518.1**	**560.6**	**535.2**	**(69.9)**
PSA Restated Budget 2018	**56.3**	**56.3**	**56.3**	**56.3**	
PSA - Benefits, ESD, SSM		0.2	0.1	0.1	0.3
Budget 2019 PSA	**56.3**	**56.5**	**56.4**	**56.4**	**0.3**
Total Budget 2019	**579.1**	**877.8**	**920.9**	**896.2**	**216.1**

Contact: Teri Spaven, ADM & EFO **Phone:** 778 698-2446
Division: Corporate Services Division

File Name: 3 Year Changes to Budget from Budget 2018.docx

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
ISSUES NOTE

ISSUE: Workforce – Headcount and FTE Information

ADVICE AND RECOMMENDED RESPONSE:

- Currently 1,495 employees in the Ministry, a 2.8% (41 employees) increase since April 1, 2018.
- This represents an FTE burn of 1,421 FTEs for the current fiscal year. Average burn for fiscal 2017/18 was 1,378 FTEs.

KEY FACTS:

- At April 1, 2019 there were 1,455 regular employees and 40 auxiliary employees.
- Overall, there are no significant changes to staffing levels this fiscal.

Division	***Headcount***	***FTEs***
Community Benefits Office	1	0
Corporate Services	125	119
Crown Agencies & Board Resourcing Office	14	13
Deputy Minister's Office	11	10
Financial Institutions Commission	150	146
Gender Equity	4	3
Government House	19	16
Minister's Office	7	6
Office of the Comptroller General	133	126
Office of the Superintendent of Real Estate	22	19
Policy and Legislation	48	43
Provincial Treasury (including IRMA)	116	108
Public Sector Employers Council	16	16
Revenue	775	735
Treasury Board Staff	54	54
Total	**1,495**	**1,421**

Contact: Teri Spaven, ADM & EFO **Phone:** 778 698-2446
Division: Corporate Services Division
File Name: Workforce - Headcount and FTE Information.docx

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
FACT SHEET

TOPIC: Questions from Budget 2018 – Debate

BACKGROUND:

- Committee of Supply debated the budget for the Ministry of Finance in Section A (Douglas Fir Room) on the afternoons of May 15, 2018 and May 16, 2018; the morning and afternoon of May 17, 2018; and on the afternoon of May 28, 2018.
- Where appropriate the questions have been paraphrased for the sake of brevity.

QUESTIONS:

Revenue Growth

- Could the minister look at the three-year projections? The numbers that we are looking at are $7.1 billion of new revenue growth and $6 billion in taxation measures.
- What other measures, besides taxation, has the minister considered to generate revenue in British Columbia?
- What specific incentives has the minister put in place to incent a thriving private sector economy?
- Does the minister really believe that increasing taxation by 6.7 percent a year is sustainable?
- Taxation per capita is increasing by about 24 or 25 percent in this period. How does that improve affordability for British Columbians?
- If the MSP was accounted for, and it was going to reduce per-capita income, why are there no brackets around it?
- The government believes that certain people should be paying more tax, but does the minister really believe that taxing families or income earners an additional $10,800 is reasonable?
- In raising taxes by almost 25 percent, what modelling, or analysis was done to consider the competitiveness factor of British Columbia's economy?
- The marginal effective tax rate is a leading economic indicator. When the scorecard came out, British Columbia dropped to dead last. Perhaps the minister could give us her reaction to the scorecard and, specifically, that leading economic indicator and clarify her comments about the PST and the HST.
- What the government has done is transferred the costs of the MSP onto businesses, many of which never paid MSP. That impacts their competitiveness, right?

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
FACT SHEET

Speculation Tax

- Can the minister provide us with the definition of a speculator?
- In terms of how the tax was designed, what analysis was done before the speculation tax was announced? If the minister could walk through the steps in terms of how it was determined who would be captured, what the revenue numbers would be, what process was involved and what modelling was done before the speculation tax was announced.
- In terms of who was going to be impacted, are British Columbians who pay taxes going to be considered speculators?
- How many homes are now affected by the speculation tax? What percentage of those homes are owned by British Columbians?
- Was it understood by the minister and the ministry that so many British Columbians would be caught by this speculation tax?
- Is the minister saying that people are not allowed to have vacation rentals? Is the government now going to tell them, if they've invested money in real estate for their families and future generations, how to use that property?
- Why did the Premier and the minister say to British Columbians, "If you pay taxes here, you will not be captured by this tax," but lo and behold, those people are captured. What happened?
- Could the minister confirm that owners can't just rent out their house for six months because government eliminated fixed-term tenancies from the RTA? Could the minister clarify that for us? It's one thing to suggest they rent for a period. Could the minister confirm that they can't because of fixed-term leases?
- Could you the minister break down how many of those 12,000 are people from outside of Canada and how many are Canadians that live outside of B.C.? And could you also provide the revenue that is attached to both of those groups?
- Is the minister confident that these numbers are correct and that her revenue projections will be correct?
- Did the minister and her staff not understand that the way they have set this up, it's regressive to people who are on lower incomes, and fixed incomes especially?
- Why does the government think it's fair to tax people for saving, investing and good judgment? Is this not just a tax on effort? What message does this say to the strivers and achievers in our province about how this government values achievement?
- Is the intention of the speculation tax to reduce the number of homes being left empty by encouraging people to sell or rent, or is it to generate revenue?

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
FACT SHEET

- With respect to the budget, why is the government anticipating flat revenues from the speculation tax? Shouldn't they be expecting a diminishing amount over time if the speculation tax were to take the effects that the government is hoping it would take?
- Will the speculation tax be dealt with like the way Vancouver has addressed the vacancy tax, by ensuring that developers aren't liable to pay the tax in specific cases where land is being collected and put in a process for development?
- When can developers expect certainty on whether they will be subject to this tax?
- If the intention of the speculation tax is to reduce the number of homes being left empty, are these situations included now, or is there a way of exempting them from the speculation tax?
- Would a person who is subject to the speculation tax be exempt from the speculation tax if they were to create a secondary suite in their house that would not otherwise have existed were there not the speculation tax in place?
- Can the minister tell us what modelling was done, and did she and the ministry look at the potentially unintended consequences of this tax?
- Has the minister reconsidered the unintended consequences that her asset tax is creating?
- How is the minister changing property tax treatment in the ALR to close property tax loopholes, and when can we expect to see this done?
- Why are we not taking immediate steps now to impose the foreign buyers tax and the speculation tax on the ALR land? What is stopping the minister from doing that?
- What information are we currently collecting about beneficial ownership on property transfer tax forms — and what additional information will we be collecting? When do these changes come into effect, and what is the purpose of collecting this additional information? What are the expected impacts from gathering this information?
- Why is the minister not standing up and closing the bare trust loophole that is being exploited in British Columbia and is leading to speculation — instead of introducing a tax that doesn't deal with speculation but instead conflates two issues? One is the issue of satellite families; the other, the issue of vacancy.

Housing Market

- What analysis has the Ministry of Finance done on the impact of these interventions on the housing market? What are the predictions in terms of housing prices?

- If property sales and prices fall, does that not impact government property tax and transfer tax revenue? And if so, by how much? If property prices fall 25 percent, how does that impact government revenue?
- Minister, was your government's intention to bring about a price drop in the markets?
- When the minister says "moderate" does that mean she does not want to see higher price increases, or that she wants the housing market prices to come down?
- Does it concern the minister that one in eight and one in four British Columbians could be underwater on their mortgage if prices fall by 15 to 25 percent?
- Pre-sales fell to 43 per cent in April. This slowing in the presale market is problematic because bankers typically require 60 to 70 per cent presales for developers to get financing. Minister, with this type of drop, are you not concerned about the impact on the supply of housing in British Columbia when developers are getting to the point now where they may not even be able to get financing for projects?
- How much of the government's budget is attributed to the real estate and the construction market in B.C.?

MLA Questions

- My constituents understand the hotel tax is voluntary, but they've asked me to clarify whether the hotel tax will continue be used to promote tourism, because Skeena is going to badly need it this year.
- One of the interesting footnotes in the budget is something that's caused the tourism industry some concern. That would be the minister's surprise decision to expand the mandate of the MRDT. I would like to ask the minister who she has met with in the tourism sector and what concerns they expressed to her about this tax.
- Is the minister suggesting there is a way now for the tax to be collected without the approval of hoteliers?
- If the minister has a list of communities that think that the tourism marketing dollars should go to build affordable housing, we would ask that she share those names so that the industry has a sense of where this decision came from.
- I got referred to these estimates for the questions I had regarding the revenue benefit alliance (RBA) proposal put together by mayors. I was curious about the $300,000 that was given to the revenue benefit alliance to reach out to stakeholders ahead of negotiations. I'm just trying to understand the relevance of $300,000 for the mayors to go out and to talk to stakeholders, including businesses and First Nations. Is there a relevant point to be had when talking about this $300,000 in relation to

revenue-sharing with the Crown? How did you ensure that the RBA got buy-in from the stakeholders?

- Has the Crown considered any types of plans or models that the RBA could consider, as well, going forward in negotiations?
- On the 3rd of April, the PST department sent out a notice to the gravel and other trucking industries regarding PST on trucking. It was retroactive to April 1st, so the companies had not opportunity to prepare for this. Now they've suddenly got an extra 7 percent that they've got to add to the trucking fee, whereas the independent truckers don't. They're not on a level playing field. I brought this to your attention some time ago, and we're not seeing any change in this. I want to get it on the record, and I want to know where we are with that. What kind of progress have we made in it?
- When I get back to my constituents that are in the (trucking) business, what kind of timeline can I give them on this?
- In the case of biodiesel, the cooperative up in Cowichan does one 100 percent biodiesel option. It's not mixed with any diesel. It's completely created from waste vegetable oil. I was wondering if the minister would be able to give some input on this and whether we could see the carbon tax removed from biodiesels.
- I received an email from a daycare provider who is the operator-owner of five different daycare facilities. She had a telephone interview a few weeks ago regarding her submission to opt in and was told that she would know by the end of the week. The following weekend she received three payments of approximately $13,000 each into her bank account. She called the ministry's office and was told that her submission had not been approved, that there was a glitch in the system and to hold off spending the money because it may not be her money. I'm wondering if the minister can advise how many daycare operators may have been paid in error and what steps the ministry is doing to assure that the funding to daycare operators is being allocated properly. And how will the ministry recoup the money that's been overpaid, especially to operators who may not actually get approval for the fee reduction?

Property Tax

- Could the minister provide us with the breakdown of how much property tax revenue is going to be raised because of the new over $3 million property school tax?
- Isn't it a bit interesting that the enhanced school tax and the speculation tax are both expected to bring in $200 million? Is that just a remarkable coincidence?

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
FACT SHEET

- Minister, 24 percent of homes in Vancouver are assessed at over $3 million. Does the minister know how many of those homeowners are on fixed incomes? What are you going to do for people who are adversely affected just because they've lived in the same house for 30 or 40 years?
- What is going to happen to the people who are teachers, just average British Columbians who live on the west side in a lot of those older homes and that are now suddenly paying a lot more money in tax?
- What I do want to ask the minister next is on the speculation tax and the new school tax. Is that money going to be dedicated directly to affordable housing, or is it just going into general revenue?
- We have a school tax that is not going towards schools. It's going towards general revenue. Is that correct?
- Your budget in February indicated that you're now expecting a 26.8 percent fall in housing starts in 2018. But your September budget suggested it was going to be a 20.8 percent fall in housing starts. What happened? Is this because of all these new taxes that you're predicting that housing starts are going to fall — because of the actions that you're taking?
- Can the minister confirm what modelling was done when it comes to the cost of the 30-point plan? How much of the two taxes that we've discussed today is being directly attached to an affordable housing strategy?

Office of the Superintendent of Real Estate, Real Estate Council of BC

- Can the minister confirm her understanding of the role of the office of the superintendent of real estate?
- How does the minister simultaneously claim to hold the office of the superintendent of real estate at arm's length, to protect its independence as a regulator, while also holding the full power to set the terms of reference for a review, hire the lawyer conducting the review and hold the power to make legislative changes governing the superintendent of real estate's regulatory powers?
- My question is: why are new regulations going to be put in place, new processes put in place, before the review is even completed and put back out there for public comment?
- Would the minister commit here today to have the dual-agency ban on June 1 put on hold until this review is completed, and the minister has had an opportunity to review the review before any other decisions are made for this industry?

- If it’s the minister’s goal to protect the consumer, what has the minister done to ensure the limited dual agency ban on June 1 does not negatively impact both consumers and the industry in rural B.C.?
- Is the minister willing to step in and use her regulatory powers or to insist that the independent office delay the implementation of its regulations — in particular, a limitation on dual agencies — now as opposed to waiting until disaster ensues on June 15?
- The minister has referred to “underserved remote locations”, so can she name the communities in British Columbia that would be considered underserved or remote.
- Given that the current (RECBC) council’s term is ending on October 31, would the minister commit to ensuring that this important board is able to interpret the regulatory decisions of the office of the superintendent with a keen eye on the impacts of regulatory decisions impacting rural British Columbians?
- Would the minister commit to ensuring that the council has more representation from licensed real estate operators and more representation from all over British Columbia, not just urban British Columbia?
- Will the minister exercise her right under section 89.2 of the Real Estate Services Act to step in and ensure that the implementation date is deferred so that a proper consultation and due diligence can be done to ensure that licensees are educated across British Columbia?
- I can’t see any impediment or rationale why, with all these issues, the superintendent and the Minister of Finance could not delay implementation until some of these things are properly resolved.

MSP Task Force

- I’m wondering if the minister could provide us with the mandate for the MSP Task Force.
- The first recommendation the task force made prior to the budget being tabled, was to suggest that MSP be eliminated at a specific date and that the new revenue measures take effect fully at the same time. Why did the minister choose to ignore that advice?
- Why did the minister choose to implement a payroll tax, rather than go the route recommended by the MSP Task Force, which would have spread the burden of the tax across a variety of areas?

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
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- The MSP Task Force was due to give its final report to the minister just a few weeks after the budget. My question is: why did the minister make the significant decision that she did with respect to the payroll tax prior to the task force reporting in?
- My question, then, is…. If, as alluded to there, there was a budgetary shortfall because of ICBC, surely that would have been realized early in the term of the government.
- Why did the government not ask the task force to expedite their review so that they could provide the minister with recommendations she needed prior to making a decision, in light of the fact that…? I understand that no such request was given.
- What did the minister direct the taskforce to look at for their final report, given that she'd already decided to implement the employer health tax? Secondly, has she received the final report? If so, when will she release it?

Employer Health Tax

- To the minister, before she announced that she would replace the MSP premiums with a new health employers tax, did she contemplate the impact of competitiveness on B.C. businesses?
- What happened between the Premier's comments that only the taxes in the platform would be the ones that this government moved ahead with until surprise, on budget day, businesses finally figured out that they were going to be on the hook for the financial gap that the elimination, according to the minister, of the MSP premiums created.
- Can the minister advise us how much of this payroll tax is coming from businesses, how much is coming from the public sector, and how much is coming from charities and non-profits?
- How could the minister put forward an amount of $4.2 billion without any numerical basis to it?
- Can the minister not tell us today what revenue she expects to collect from the SUCH sector as a result of imposing this tax on them?
- The minister put $1.9 billion in revenue in the budget. Where is it coming from, and how was that number determined? How did the minister come up with $1.9 billion when today she can't tell us who is paying it, how much they're paying, which sector, which organization?
- The other concern we have now is that we know the minister is considering who's in and who's out. Is the $1.9 billion the final outcome, the final number that the minister needs to plug in, and it will just be spread over a smaller group of people?

MINISTRY OF FINANCE
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FACT SHEET

- The public sector represents about 25 percent of the payroll in this province, based on the statistics that we've seen. Was it the minister's intention to tax the public sector? Isn't it a bit odd that the government should be taxing itself?
- Could the minister please advise which part of the public sector she is going to exempt or not exempt? Is she going to exempt charities? What will that do to the revenue that the government is expecting to achieve over the few years?
- In the case of business, they're being hit by the corporate tax increases, albeit small business is getting the tax decrease that was promised by the previous government. But businesses are also seeing carbon tax increases, minimum-wage increases, as well as increases in taxes at the federal level. Has the government done any analysis as to what these combined taxes will do to job growth and business investment in our province?
- Why on earth would this minister not, at the soonest moment, say: "You know what? Non-profits, we made a mistake. You're out. We're not going to impact you"?
- We'll start with Agriculture. Can the minister tell us today how many B.C. farms will be impacted by the payroll tax? Has there been any assessment done?
- Is the minister preparing any targeted relief for the greenhouse industry sector?
- Can the minister confirm today that she is considering exempting the education sector?
- The issue is: would some sectors, then, receive additional funding to cover off the tax? Government is going to tax government, in the case of education. They're going to pay it, and then the minister would refund or provide additional funding to cover that section of this tax?
- What is the quantum of the tax that she expects to collect from school districts?
- The minister was able to tell us that agriculture, forestry and something else was 0.2 percent. What sector does the education component fit into? What percentage of…? The minister said that she has it by sector but not specific pieces of the sector. Education, hospitals, universities, colleges, the general broader public sector — what percentage of the tax is being attached to the broader sector?
- Can the minister confirm that MSP for most Indigenous people is currently paid for through the First Nations Health Authority?
- Has the minister or the ministry consulted with First Nations on the possible and potential impacts of the employer health tax on their people?
- Has there been any further consultation regarding the impact of the employer health tax on the friendship centres? And would the minister be requesting that the friendship centres be exempt from this tax?

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- If she knows that 85 percent of businesses in this province won't pay the employer health tax, how can she not provide us with a breakdown of how much of the $1.9 billion will be paid by businesses?
- I'm not sure if the minister has had a chance to read the CFIB report that was recently released on the health tax. They are indicating that 44 percent of small businesses will be affected. At the same time, 56 percent of those business owners also say that the health tax will be more costly than MSP, and 60 percent indicate that it will hurt their business. Does the minister think the CFIB is wrong or these businesses don't know what they're talking about?
- Will all policing payrolls in British Columbia, the federal and provincial combination, be subject to this employer health tax, including the federal section, the ones that are fully funded by the federal government, like the drug sections and the federal enforcement sections in the province?
- Minister, could you explain to us how many child care providers in B.C. will be subject to the employer health tax, and what would be the total cost to child care providers in B.C.?
- Child care providers have seen increases to minimum wage, inflation, fuel and hydro and with the employer health tax on top of that, for some, is going to be the last straw. Is the intention to provide support to both public and private child care centres, given these problems?
- Minister, we all know there's a shortage of child care spaces in this province. So why would the Ministry of Finance implement a tax that would potentially put child care operators out of business?
- Is it this government's intention to put private sector child care operators out of business?
- How much money is being saved by eliminating the monthly billing of the MSP, and how much of the outstanding liability exists with respect to MSP premiums that have not been collected? What is the government planning to do to get some of that money back?
- For most businesses today, I believe, covering an employee's MSP is tax-deductible for the employers as an expense. Could the minister confirm that the employers health tax will be deductible as an expense as well?
- The non-profits in our community, which I shared with the member for Prince George–Mackenzie. Their question was…. "We're providing services to some of British Columbia's most vulnerable people, and now, because of the employer health tax, we may have to reduce staff or discontinue programming." Has the minister heard that concern, and what is she prepared to do about that?

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
FACT SHEET

- If the minister sees so much value and knows firsthand about the importance of non-profits, why were they included in the tax in the first place?
- I want to pursue the difference between exemption and providing support. Can the minister tell me if the government has a relationship with every non-profit that would be impacted by the employer health tax? If they are required to pay the tax, what kind of system would the minister use to then return funds or provide relief?
- To the Minister of Finance, will she today at least acknowledge that in the double-dip year, not-for-profits and everyone else, while they will see a reduction in their MSP premium, will see the addition of a second tax, the employer health tax, and that 50 percent of the reduction in MSP premiums will not cover the second tax they are facing next year?
- Once again to the minister, is she prepared to today at least provide some sense of relief to not-for-profits across the province that she will mitigate and exempt the not-for-profit sector from the employer health tax?
- How much longer will not-for-profits have to wait? Is the minister waiting till the end of session? Is she waiting till June, till July? When cannot-for-profits in British Columbia expect an answer to a question that they deserve to have an answer for?
- Can the minister confirm that no relief will be provided, to municipalities across British Columbia? Can she at least acknowledge that it is very likely, according to the Union of B.C. Municipalities report, that property taxes will increase across British Columbia because of the employer health tax?
- Will there be support for municipalities in terms of relief from the employer health tax?
- What is the minister's response to the concern expressed in the UBCM report that "many local governments are questioning a tax policy that results in the funding of a provincial service, health care, through property taxation"?
- In fact, the minister is also very fond of calling this tax, the MSP tax, regressive. Can she explain how raising this money through property taxes…? We know the municipalities are going to have to get their money from the property tax owners. How is that not regressive?
- Minister, with all the issues around this tax, why don't you just take a hiatus? Why don't you just say: "Look, we'll get these things fixed, and we will come back later when we've actually got our act together and we actually know what we're going to be doing"?
- Has the minister made a decision, after all of these months, about who will receive some form of reimbursement?

- Can the minister give us and give businesses, give non-profits, give British Columbians some sense of certainty about when she will clear up the confusion and concern that has been created by this tax?
- Can the minister reconcile for us how she said that the majority of B.C. businesses would not be impacted by the employer health tax, whereas today we have credible businesses, with accountants and people who do the math, say to this minister that the majority of small businesses would be impacted?

ICBC

- In particular, can the Minister of Finance tell us what ICBC is currently paying in MSP costs, what they will be paying in the employers health tax and what the difference is in costs that ICBC will be paying as a result of the EHT?
- Perhaps the minister can tell us: what will the overall costs of both of those be when they are charged simultaneously in 2019 at ICBC? Perhaps the minister can, then, at least tell us: have the costs been booked in the government's fiscal plan?
- One of the primary issues with the EHT is that it's a payroll tax, and that's regardless of whether the company is making money or not. Could the minister make a comment on that?
- Could the minister give us a better explanation of the move to 15 months in Budget 2018, the issue of transparency, and if she has any concerns about the fact that it makes a year-by-year comparison very difficult?
- I wonder if the minister could take us through how forecasts are done, in general. How does the minister verify forecasts? Does the minister accept what she gets? Are the numbers challenged, and if so, how? What verification does the ministry staff do with the Crown forecasts? And how does the minister satisfy herself that the numbers supplied by the Crowns are accurate?
- The E and Y report on ICBC suggested that the Crown needed to raise premium rates by 30 percent. Has the minister read this report in detail? And can she speak to how E and Y arrived at the 30 percent? Was it 30 percent in one year or two years?
- You have a reputable accounting firm that is indicating $1 billion of losses. The AG is indicating up to hundreds of millions of dollars. Why did this Minister of Finance, with information suggesting that the losses were going to be much higher, sign off on a report that indicated the losses were only going to be $225 million?
- Did the minister or her staff have any conversations with ICBC or the Attorney General's staff, and could she explain the differences in numbers in terms of the projected losses for ICBC coming out of the AG's office and her office?

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- Was she aware that the budget losses at ICBC had the potential to be significantly higher than $225 million? Was she aware of that? Did she know that? And if she did know that, would it have impacted the spending plan, for example, that she outlined in her September update?
- Did the minister know, based on all the information, comments and the conversations between the two ministries, that the potential loss at ICBC was going to be higher than $225million?
- Did ICBC provide the $225 million number? Or did the Ministry of Finance make any changes? If ICBC did provide that number, what was their confidence level in terms of being able to hit it?
- To the minister, how did she feel about this change? It was obviously a marked difference between what management had forecast and her ministry had verified. Did the minister change her verification process? Did she ask management for more supporting information or documentation as to how they arrived at this? Could the minister explain to us how comfortable she was at that time with the information she was getting from ICBC?
- If the minister recognized that by…. She was the minister during the move from $225 million to $364 million in a very short period of time. She signed off those numbers. At the same time, did the minister, saying that she was going to carefully watch what was going on, put in place accountability mechanisms at ICBC? Did she go and speak to the Attorney General to say: “Where on earth are you getting this kind of information that suddenly it’s half a billion dollars?”
- Did the minister, did the Ministry of Finance, did anybody go and put in place with ICBC, the board of directors — anyone — some measures of accountability, some sense of mechanism to monitor?
- What did the minister do to try to put mechanisms in place to deal with that volatility and the changing numbers that she put in the budget?
- Let’s roll forward now to January — January 28, 2018, specifically. ICBC is now forecasting increased losses from $364 million to an incredible $1.3 billion.
- My question. When exactly did the Minister of Finance first learn that the losses were going to be $1 billion or more? At what point did the minister realize that the numbers that she had disclosed to the public only two months earlier were not only inaccurate; they were more than three times higher than what she had warranted to the public on November 28, 2017?
- The fact that the ICBC losses, the projections, had gone from $225 million to $1.3 billion…. Did this not strike the minister as highly unusual, given her, and the ministry’s, process of verifying the ICBC numbers that she’s spoken about, that the

forecast could change that suddenly? Is it normal for an auto insurer to go from expecting a loss of $225 million to $364 million to $1.3 billion in four months? Has ICBC ever, in its history, experienced this type of fluctuation?

- What can the minister tell us about what she plans to do moving forward? What mechanisms has she now put in place — knowing that the numbers that she put in place were changed three times, when you look at from $225 million moving right on up to $1.3 billion?
- Let's just summarize to date. In September 2017, with the budget update, the minister's government indicated that the projected loss would be $225 million. But by February 2018, only four months later, the government now revised this number to a projected loss of $1.296billion, a 476 percent increase in projected losses — again, after only four months.
- Can the minister explain the major drivers to the claims costs and how numbers are arrived at? And what is the process for changing or re-evaluating those claims?
- What conversations did she have with the Attorney General about the claims issues or any other of the risk factors that he was concerned about?
- We're now going to turn to the three-year forecast. Minister, revenues are growing from $5.3 billion in 2017-18 to $6.98 billion in 2021, which, as the minister stated, is inclusive of product reform and other cost-saving initiatives to improve ICBC's financial position. That change is a compound annual growth rate of about 9.37 per cent, meaning that in each of the three years, there is a plan to boost earnings through premium increases by more than 20 percent over the next three years. Is that correct? And can the minister advise what is projected in the numbers in terms of the actual increase in premiums and what is attributed to volumes?
- The Attorney General referred to $1 billion in savings if these reforms are put in place. Can the Minister of Finance tell us whether she verified those numbers, whether there was any modelling done? Was there a conversation with the Attorney General about the fact that he was talking about $1 billion in savings?
- There are savings estimated in the minister's budget numbers of $392,000 in fiscal 2018-19, but the product reform doesn't take place until April 1,2019. Why, if you are reviewing these numbers in such detail, are you booking savings that won't occur until the following year?
- Can the minister explain how she can possibly have confidence in ICBC's projection of a $1 billion turnaround after they've had to revise their numbers three times on her watch?
- Can the Minister of Finance tell us if she has had meetings with ICBC or meetings about ICBC with the Attorney General since July 18?

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
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- Has the minister been given any briefing notes with regards to the situation at ICBC since assuming her position?
- Can the minister tell us if she has had correspondence with ICBC or the Attorney General's office about ICBC since being sworn in as the Minister of Finance?
- We filed FOIs on civil tariffs, driver risk premiums, correspondence, memoranda, meeting minutes, summaries, briefing notes, handwritten notes, post-meeting reports between Finance, AG and ICBC. Finance came back with no records. Would the minister be prepared to look at the information that was requested and release information that we believe is important to British Columbians having a full understanding of the ICBC file?

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMPR)
ISSUE NOTE

ISSUE: BC Hydro Comprehensive Review

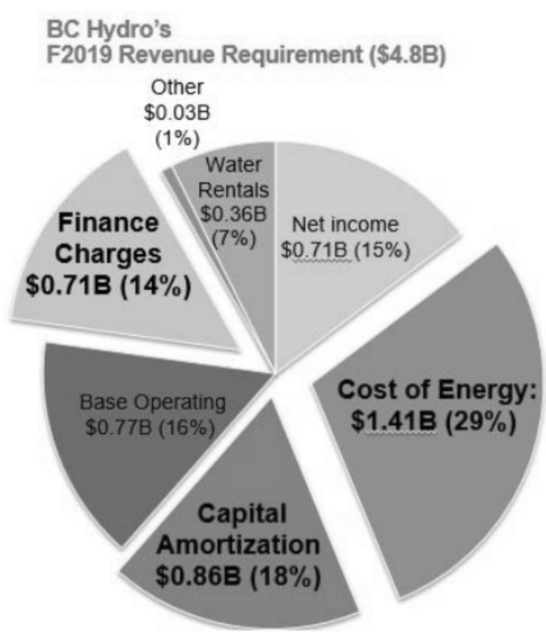
ADVICE AND RECOMMENDED RESPONSE:

- The comprehensive review of BC Hydro helped to make rates more affordable for British Columbians, while at the same time enhancing oversight of BC Hydro by the BC Utilities Commission (BCUC).
- Government's decisions flowing from the report reflect a balance of BCUC independence (as desired by the Auditor General) and the impact of BCUC decisions on government priorities (including fiscal plan, affordable rates, CleanBC).
- The $1.1 billion write-down of BC Hydro's Rate Smoothing Regulatory Account in 2018/19 has been accommodated within the Fiscal Plan. $950 million of this was already booked to fiscal 2017/18, and the remaining $190 million has been absorbed within our budget forecast allowances.

KEY FACTS:

Context

- BC Hydro rates have increased over 70% in the past 10 years. Reason: BC Hydro's rising costs that include capital investments to support growth and address aging infrastructure, plus energy purchases from Independent Power Producers (IPPs), have been key drivers.
- 2011 and 2013 BC Hydro reviews:
  — Reduced BC Hydro costs,
  — Smoothed/slowed rate increases through 2013 10-Year Rates Plan;
  — but also significantly reduced BCUC oversight of BC Hydro



Contact: Doug Foster
Phone: 250 387-9022
Division: Deputy Minister's Office

File Name: BC Hydro Comprehensive Review

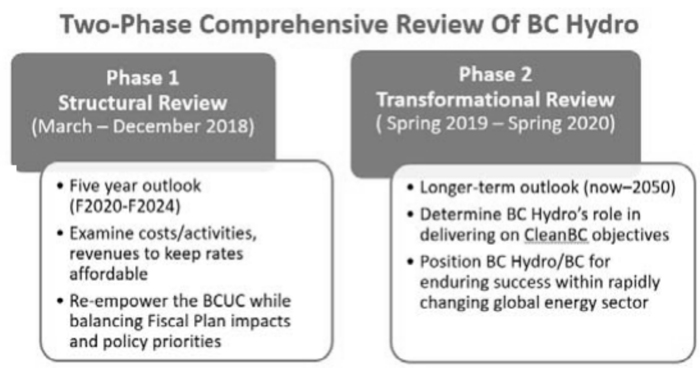
MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMPR)
ISSUE NOTE

- Past/current Auditor Generals have expressed concern Government has unduly fettered BCUC's authority.
- More broadly, global energy context is changing, shaped largely by climate policies and technology.

BC Hydro Review Objectives and Approach

Phase 1:

- Internal Review overseen by Deputy Ministers (EMPR, Finance) and BC Hydro (Chair and President/COO)
- Multiple Government/BC Hydro teams examined all aspects of BC Hydro costs an d revenues



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- Challenge: over 80% of BC Hydro's costs are fixed (electricity purchase agreements, capital amortization, debt service)

Key Outcomes

- Phase 1 is now complete and a public report has been issued. Key outcomes:
  - Five Year (2020 – 2024) Rates Forecast
    - Cumulative rate increases expected to be 40% lower than previous government's 10 Year Rates Plan, and 20% below forecast inflation
  - Enhanced BCUC Oversight of BC Hydro
    - Includes "go forward" BCUC decision making on BC Hydro's net income, regulatory accounts, Integrated Resource Plan
    - Precludes oversight on other matters (e.g. policy-driven programs like rate rebalancing, retail access)
    - Responds to concerns raised by the Auditor General
- **Five Year (2020 – 2024) Rates Forecast:** Key assumptions:

- Improve revenues:
  - Work to attract new customers and increase electricity demand
  - Increase Low Carbon Fuel Standard Credit sales

	F2020	F2021	F2022	F2023	F2024	5 Year Cumulative Total*
Proposed Rates Forecast**						
Annual Bill Impact***	1.8%	0.7%	2.2%	0.0%	3.2%	8.1%
Previous Government's 10 Year Rates Plan						
Annual Bill Impact	2.6%	2.6%	2.6%	2.6%	2.6%	13.7%
Inflation						
Forecast BC CPI	2.3%	2.0%	2.0%	2.0%	2.0%	10.7%

PST on electricity to be reduced from 3.5% to 0 on April 1, 2019 for business customers

** Cumulative rates do not equal the sum of annual rate changes due to the effect of compounding.*
***Subject to approval by the BCUC*
****Includes impact of removing 5% rate rider*

- Lower costs:
  - Transition to enhanced BCUC oversight results in write-down of $1.1B balance of Rate Smoothing Regulatory Account (RSRA)
  - Reduce Future Energy Procurement
  - Reduce Planned Capital Expenditures while Maintaining Safety/Reliability
  - Tightly manage controllable operating costs

- $1.1B write down of Rate Smoothing Regulatory Account
  - Between April 1, 2019 and March 31, 2024, reduces cumulative rate increases by 8.1% (subject to BCUC approval)
  - $190M impact to Fiscal Plan in 2019/20, as Province wrote down $950M in its *Public Accounts* in 2018/19
  - Reduces forecast March 31, 2019 regulatory account balance by ~24%, from $4.7B to $3.6B
  - BC Hydro retains related debt - $45M per year in debt servicing costs to be recovered through rates
- Future energy costs to be reduced
  - BC Hydro's current multi-year power purchase commitments ~$51 B for over 130 Electricity Purchase Agreements (EPAs
  - Current agreements will be maintained
  - Go-forward approach:
    - Negotiate renewal of 7 expiring biomass agreements at a reduced volume and price; implement Renewable Fuels Acceleration Strategy to transition industry and meet CleanBC targets

  - Indefinitely suspend BC Hydro's Standing Offer Program (SOP)
- — BC Hydro holds 19 biomass EPAs, mainly with forest sector companies – 7 of these agreements expire within next three years
- — Many biomass EPA holders are important economic anchors, and/or are large customers for BC Hydro
- — Biomass EPAs play an important role in regional fibre balances

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- **Enhanced BCUC oversight of BC Hydro** – reflects a balance of BCUC independence (as desired by the Auditor General) and the impact of BCUC decisions on government priorities (including fiscal plan, affordable rates, CleanBC).

- Fiscal planning
  - — Going forward, Budget 2019 does not assume dividends from BC Hydro. Dividends will remain at 0 until BC Hydro achieves a debt/equity ratio of 60/40, or unless BCUC otherwise determines.
  - — As part of the transition to enhanced BCUC oversight, government will continue to set BC Hydro's target net income for rate-setting purposes for the next two years. After that, BCUC will determine BC Hydro's appropriate net income targets and public consultation will be part of that process.
- The following table summarizes decisions arising from Phase 1 of the Comprehensive Review of BC Hydro. It shows that on balance, there is a significant improvement in BCUC oversight.

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMPR)
ISSUE NOTE

Area of Focus	Before Review	After Review	Change
Regulatory Accounts	Direction for some	Recover existing balances in rates; BCUC go-forward oversight for almost all accounts	↑
IRP	Government reviews	BCUC reviews	↑
Rate Smoothing Account	BCUC determines pace after F2019	RSRA written off in F2019	↑
Rate Setting	Under prescribed cap	BCUC decides	↑
DARR	Set at 5% by direction	BCUC decides	↑
Net Income	Set at $712M by direction	Set by Government for F2020 & F2021; then BCUC decides	↑
Biomass	BCUC decides	Government to direct	↓
Rate Rebalancing	Direction to BCUC prohibits	Direction to BCUC prohibits, unless utility requests otherwise	↔
Expenditures for Export	Direction to BCUC	Same	↔
Powerex	Direction to BCUC	Same	↔
Retail Access	Direction to BCUC prohibits	Direction prohibits, unless utility requests otherwise	↔

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE
ISSUE NOTE

ISSUE: ICBC

ADVICE AND RECOMMENDED RESPONSE:

- ICBC's deteriorated financial health continues to pose a risk to the Fiscal Plan.
- However, under leadership of the Ministers responsible for ICBC and road safety, as well as ICBC, immediate actions are being taken on a number of significant insurance, traffic, road safety and other operational strategies to improve the corporation's fiscal sustainability over the near and longer term.
- I expect that these changes will help put ICBC back on a fiscally sustainable path, while improving fairness and affordability of the public auto insurance system.
- In *Budget 2019*, I have been cautious in the assumptions used for ICBC's forecasts of benefits resulting from product reform and other measures. ICBC is also a reason why we have used prudent economic assumptions and included a forecast allowance in *Budget 2019*.

KEY FACTS:

Bottom Line Results – 2018/19

- Table 4.7 in *Budget 2019* (Third Quarterly Report – Q3) shows that ICBC expects a $1.18B net loss in 2018/19.

Table 4.7 2018/19 Revenue by Source

	Year-to-Date to December 31				Full Year			
	2018/19			Actual	2018/19			Actual
($ millions)	Budget	Actual	Variance	2017/18	Budget	Forecast	Variance	2017/18
ICBC	(590)	(860)	(270)	(935)	(684)	(1,180)	(496)	(1,327)

- This compares to record $1.3B loss in 2018/19 and a $913M loss for the 15 months ended March 31, 2017 (or $612M for the comparative 12-month period).
- At Q3, ICBC's 2018/19 projected net loss was up $496M from the *Budget 2018* net loss forecast of $684M. The deterioration is largely from adverse changes to the following *Budget 2018* assumptions: aggressive legal representation behaviours; higher cost of claims; more large claims for prior years; and lower claim closure

rates. The forecast assumes some new additional claims savings measures, such as recent changes to limit the number of expert witnesses and reports.

- Since 2010, negative developments significantly impacting ICBC's finances include:
  - A rising number of injury claims per crash;
  - A rising crash rate starting in 2014;
  - Significantly older, smaller claims evolving into large and complex claims beginning in 2017, as well as slower settlement rates;
  - Lower-than-required annual Basic rate increases needed to cover claims costs;
  - A continuing low interest rate environment that has resulted in lower investment earnings potential; and
  - Eroded capital reserve levels, reflecting past use of Optional side net income and capital to avoid needed Basic rate increases, as well as over $1 billion of Optional capital paid to government.

Bottom Line Results – 2019/20 & Beyond

Table 1.14 Revenue by Source

($ millions)	Updated Forecast 2018/19	Budget Estimate 2019/20	Plan 2020/21	Plan 2021/22
ICBC	(1,180)	(50)	86	148

- Under leadership of the Ministers responsible for ICBC and road safety, immediate actions are being taken to help put ICBC back on a fiscally sustainable path, while improving fairness and affordability of the public auto insurance system.
- Table 1.14 in *Budget 2019* shows that despite higher-than-expected deterioration in 2018/19, ICBC's finances are expected to improve significantly. This reflects improving rates of accidents and actions to reform the insurance product (product reform) to improve care and treatment for injured drivers and passengers and reduce claims and legal costs. All other provinces have existing systems or taken similar actions to tackle rising claims costs through policy reform.
- Product reform includes a limit on pain and suffering payments (effective April 2019); increased accident benefits (effective January 2018); and more minor claims being reviewed through the BC Civil Resolution Tribunal instead of the courts. These changes are expected to reduce the amount ICBC spends on legal fees and other expenses, which have grown to consume about 24 per cent of ICBC's budget. Reforms also include changing Basic insurance rates to make them fairer. More benefits will be provided to good drivers while bad drivers will pay more.

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- Legislation to enable this transition was passed in last year's legislative session.
- Major reforms to the Basic insurance product are coming Apr. 1 that are projected to help save approximately $1 billion per year. These changes are already helping: without them, ICBC's recent Basic rate increase application of 6.3% in December 2018 would have needed to be almost 40 per cent – or approximately $360 more for every customer.

Other Measures

- Other changes planned/underway to improve ICBC's finances and road safety:
  - *Reducing crashes* – increasing insurance penalties and piloting technology to curb distracted driving; activating intersection safety cameras 24 hours a day, seven days a week; and making improvements to dangerous intersections.
  - *Improving ICBC's cost effectiveness* – reducing the cost of auto body repairs through improved vendor management, as well as other efficiency opportunities.
- Other measures, such as increased red-light camera operations, will generate additional revenues. However, these additional revenues have not been expressly included in *Budget 2019* while actual results are accumulated.

Minimum Capital Reserve Levels

- A minimum capital test (MCT) is one measure used by regulators for assessing whether there is an adequate margin of capital for the level of risks undertaken by insurance companies.
- Over the last decade, ICBC's profitable Optional side net income and capital were used to help subsidize the unprofitable Basic side, thus mitigating Basic rate increases otherwise needed. It was also used to provide $1.2 billion of excess Optional capital payments to government.
- These factors, together with emerging annual operating losses, have significantly weakened ICBC's capital equity reserves and financial health.
- The product reform and other measures being introduced will gradually lead to a restoration of ICBC's MCT levels – but this will take time.
- Simply writing a cheque to ICBC to reimburse the corporation for capital transfers (dividends) paid to government in the past will not fix ICBC's structural problem which will continue to grow year after year in the absence of significant changes.

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DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMPR)
ISSUE NOTE

ISSUE: LNG Investment Fiscal Framework and LNG Canada

ADVICE AND RECOMMENDED RESPONSE:

- Our LNG Investment Fiscal Framework is about raising the standard of living for all British Columbians
- Our goal is to encourage industries that:
  - — Provide healthy government revenues to invest in people
  - — Create high-paying jobs
  - — Generate reconciliation opportunities with First Nations
  - — Look after the environment and are less GHG-intensive than counterparts in the rest of the world and help the world reduce overall GHG emissions
- We are removing impediments to major investment:
  - — The previous LNG Income Tax created uncertainty and risk to investors
  - — Access to the BC Hydro's industrial electricity rate (instead of the much higher LNG rate) now treats large investments more fairly
- We are keeping the natural gas tax credit to encourage BC-based companies that pay corporate income taxes
- We are targeting programs for all large investments by:
  - — Replacing upfront PST obligation with future performance payments
  - — Allowing CleanBC Incentives to ensure world class low emissions and fair competition with other jurisdictions
- We are encouraging investment without giving subsidies or imposing significant costs on future generations
- I am pleased to say that we have now passed *Income Tax Amendment Act, 2019* – which implements some of the final pieces to help us fulfil our commitment to attract $40 billion of new investment and $23 billion

in new revenues over 40 years – prosperity that will help pay for services for people

- As promised earlier, we also tabled our Operating and Performance Payment Agreement as part of our investment fiscal framework

KEY FACTS:

Provincial Commitment

- In March 2018, the Province made a commitment subject to receiving LNG Canada's (LNGC) notice of positive final investment decision (FID) by November 30, 2018. LNGC announced and gave notice of a positive FID October 1, 2018.
- The commitment was to prepare for Cabinet or Legislature's consideration 4 Measures intended to help improve the Project's competitive position:
  1. Access to BC Hydro's industrial (instead of LNG) electricity rate.
  2. Provincial Sales Tax (PST) exemption for the construction of the LNG facility, along with separate Operating Performance Payments Agreement with Province.
  3. Repeal of *Liquefied Natural Gas Income Tax Act* and re-introduce a natural gas income tax credit.
  4. Allow LNG facilities to participate in Clean Growth (now CleanBC) Industrial Incentive Program.

Project Economics

- A joint operating/financial model was developed by Province and LNGC for the Kitimat Project:
  — Referenced in Premier's commitment letter and is the basis for Province's consideration and implementation of the Measures.
  — Includes estimates of Project's revenues and costs over 40 years on a nominal and net present value basis.
  — Analyzed in the context of competitiveness (e.g. U.S. Gulf coast).
  — Estimated that combined provincial Measures could lead to 13 cents/MMBtu reduction in Project costs over 40 years.
  — Province does not warrant or guarantee that Measures will produce savings estimated in the joint model, as LNGC and the market control most variables.

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- — Provincial Measures part of larger LNG strategy that includes federal government incentives.
- — Joint model contains LNGC's confidential and commercial operating/ financial information.

Actions in Response to LNG Canada's FID

- Measure 1: Electricity Services:
  - — Regulation changes made effective October 2, 2018
  - — Provides BC Hydro industrial electricity rates and some related transmission infrastructure consistent with other industries
- Measure 2: Provincial Sales Tax (PST):
  - — Regulation changes made effective October 2, 2018
  - — Scope of exemption includes LNG facility; export docks; storage and adjacent construction work camp
  - — Expires earlier of 7 years or 2 liquefaction trains ready for production
  - — Limited to 2-train facility – expansions require new agreement
  - — Estimated exemption value is $596 million and is replaced with future Operating Performance Payments
- Measure 3: Introduce legislation that will:
  - — Repeal the *Liquefied Natural Gas Income Tax Act (LNGITA)*
  - — Repeal the *Liquefied Natural Gas Project Agreements Act*
  - — Implement a natural gas tax credit under the *Income Tax Act*
- Measure 4: CleanBC Incentive Program
  - — Program to be implemented by:
    - o Enacting regulations under *Greenhouse Gas Industrial Reporting and Control Act* and other policy changes

s.12; s.13

  - — Intent is to provide:
    - o Up to 100% of incremental carbon tax paid beyond $30/metric tonne of CO_2e if facility meets (exceeds) world leading intensity standard (benchmark reviewed every 5 years)
    - o Reduced or eliminated incentives if carbon pricing in competing jurisdictions is similar to BC's carbon price

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- New: *Income Tax Amendment Act, 2019 (TBC)*
  - — Repeals *Liquefied Natural Gas Income Tax Act*
    - o Retains natural gas income tax credit to encourage BC-based companies that pay corporate income taxes
    - o Available to qualifying corporations for taxation years that begin on or after January 1, 2020
    - o Qualifying corporations own natural gas entering an LNG facility
    - o Principal business in BC is oil and gas exploration, development, refining, marketing or liquefaction of natural gas
    - o Credit calculated at 3% of the cost of natural gas and can reduce effective BC corporate income tax rate from 12% to 9%
    - o Unused credit can be carried forward if a corporation continues to be a qualifying corporation
    - o Province will administer the tax credit

- Natural Gas Income Tax Credit – Comparison
  - — Consistent with previous government's LNGITA design
  - — Key differences with credit in new legislation:
    - o Cost of gas rules:
      1. i. Simplified and streamlined compliance and price calculation
      2. ii. No differential amounts for multiple pipelines
    - o Major LNG facility:
      1. i. Limits credit eligibility to major facilities that meet a minimum production capacity
    - o Qualifying corporation:
      1. i. Includes only corporations whose principal business in BC is oil and gas exploration, development, refining marketing or liquefaction of natural gas – old definition less clear
    - o Provincial administration instead of federal
    - o Higher BC corporate income tax rate (12% Jan 2018)
- Operating Performance Payments Agreement
  - — *Term –* ends 20 years after commercial in-service

- *Performance Payments* – commence after in-service:
  - Triggered with production/shipment of 1st tonne of LNG annually
  - Payments total $596 million (nominal) – equal to estimated PST exemption benefit
  - Low payments early – balloon payments in last 2 years
- *Project Measures Certainty:*
  - Measures in place by June 30 (possible extension to December)
  - No changes to Measures during Agreement Term
  - If Measures changed and harm Project, relief remedies available under Agreement – capped at foregone future revenue payments otherwise received by Province (max. $596 million)
- *No Indemnity* – expressly stated in Agreement

- *Income Tax Amendment Act, 2019* – which implements some of the final pieces – was passed with one amendment which retained the *Project Agreements Act.*

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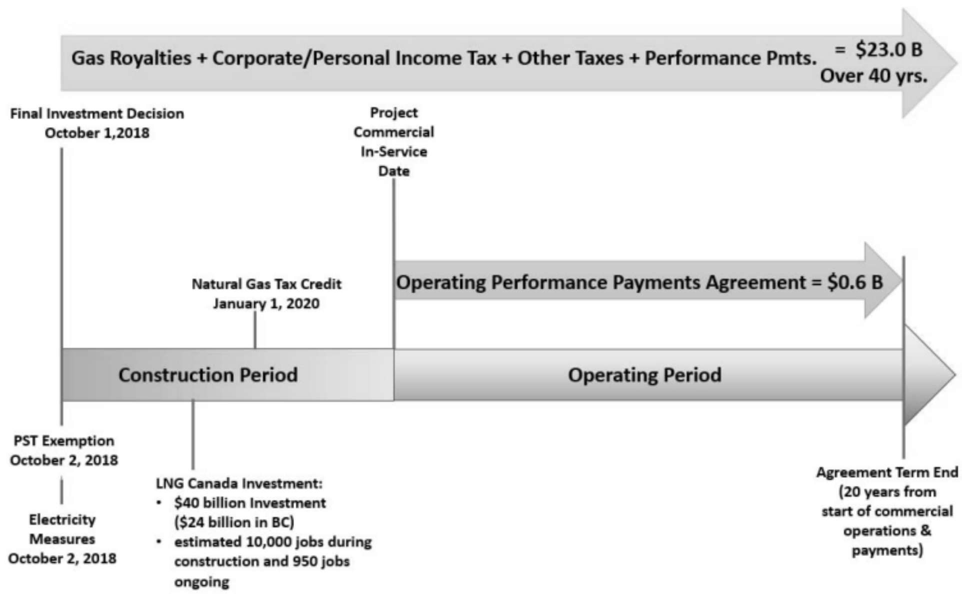
ISSUE NOTE

LNG Canada Project and Provincial Returns



More on carbon tax treatment:

- Energy Intensive Trade Exposed Industries – In *Budget 2018*, the Province introduced a new clean growth incentive program that would be available to large industrial emitters in BC. The program would be performance-based, focused on improving competitiveness and sensitive to the level of carbon pricing in competing jurisdictions around the globe.
  - Government would establish a performance benchmark for interested industrial sectors based on the lowest emitting facility operating anywhere in the world. Eligible BC facilities would be able to apply under the first part of the program for an Industrial Incentive of up to 100 per cent of the carbon tax they paid beyond $30 per tonne, based on how their greenhouse gas production intensity compares to the benchmark, with the cleanest performers receiving the largest incentives.
  - With a well-established industry benchmark for LNG facilities of 0.16 tonnes carbon dioxide equivalent per tonne of LNG produced, an LNG facility that has emissions below the benchmark would likely be able to claim the entire incentive ($20 per tonne for a carbon tax of $50 per tonne).
- Further details on LNG Canada attached as MEMPR background note.

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ISSUE NOTE

LNG Project Fact Sheet

LNG CANADA

February 2019

Recent Announcements

Jan 2019 LNG Canada approves $937 million in contracts and subcontracts to First Nations and Canadian businesses

Nov 2018 Vitol signed an 0.8 mtpa offtake deal with PETRONAS, and joined Tokyo Gas, Toho Gas and Kogas as buyers from LNG Canada, for a total commitment of 2.4 mtpa.

Oct 2018 LNG Canada announced that its joint venture participants had taken a Final Investment Decision (FID) and will immediately commence construction.

Jul 2018 PETRONAS finalized its transaction to become an equity partner in the project.

Apr 2018 LNG Canada announced that the partner ship between JGC and Fluor had been selected as the EPC contractor conditional on the project partners making a Final Investment Decision.

Facility Concept

Major Permits and Authorizations

Export License:	40-year export license issued May 2016
Provincial Environmental Assessment Status:	EAC issued June 2015, amended August 2016
Federal Environmental	EADS issued June 2015
LNG Facility Permit:	Issued January 2016

Summary Table

Shareholders:		Shell (40%), PETRONAS (25%), PetroChina (15%), KOGAS (5%), Mitsubishi (15%)
Facility Type:		Liquefied Natural Gas Facility and Marine Terminal
Location:		Kitimat - Former Methanex site
Output Capacity	**Initial:**	14 MTPA
	Total:	28 MTPA
Feedstock Pipeline:		Coastal GasLink
s.13; s.21		
Pre-FEED Contractor:		Not announced
FEED Contractor:		CFSW LNG Constructors (Chiyoda, Foster Wheeler, SAIPEM and Worley Parsons)
EPC Contractor:		JGC & Fluor Joint Venture
Capital Expenditure (est.):		$40 billion – full value chain
s.13; s.21		
Construction Jobs (est.):		4,500 to 7,500 expected at the height of construction
Operations Jobs (est):		300 to 450 people during initial phase, increasing to 450-800 at full capacity

Contact: Oil and Gas Division

Contact: Doug Foster
Division: Deputy Minister's Office
File Name: LNG Canada
Phone: 250 387-9022

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMPR)
QUESTIONS AND ANSWERS

ISSUE: LNG Investment Fiscal Framework and LNG Canada

KEY MESSAGES:

- We have taken an important step forward and announcing the details of our agreement with LNG Canada.
- This is in line with our government's approach to LNG, which involves creating opportunities for British Columbians, ensuring a fair return for our resources, respecting and making partners of First Nations, and meeting our climate goals.
- With the legislation we have just passed – *Income Tax Amendment Act, 2019* – our government has taken a key step toward building a competitive LNG industry in B.C. that will generate thousands of new jobs for people, supporting local communities while balancing our CleanBC climate action goals.

  This legislation puts the LNG industry on equal footing with other industrial sectors by repealing old measures that created barriers to investment.

  The fiscal framework this government laid out last year has allowed a $40 billion final investment decision by LNG Canada – a project that will generate billions of revenues for services that people count on, while creating thousands of new jobs throughout the province.
- Last year, we launched CleanBC, our comprehensive climate plan, and it is through that lens that we, as a government, look at all decisions. I am proud to say the LNG Canada project fits into the climate goals of CleanBC and allows us to build a strong economy for future generations, while protecting their environment.

QUESTIONS AND ANSWERS:

New Legislation/Framework

1. Your critics say this new LNG framework and repealing the Liquefied Natural Gas Income Tax Act is essentially giving the farm away for free—that you've undersold B.C.'s natural resources. How do you respond?

- Not at all.
- In fact, by working with our partners, we have facilitated the largest private sector investment in Canadian history: a $40 billion investment, of which about $24 billion will be direct investment in B.C.
- The LNG Canada project guarantees a fair return for B.C.'s natural resources and is expected to generate about $23 billion in net direct provincial revenue over 40 years.
- This new investment will bolster B.C.'s economy with new revenues, allowing us to invest in health care, schools, child care, affordable housing and good services for British Columbians.
- Not only that, but the LNG Canada project is expected to create thousands of jobs and training opportunities for British Columbians.
- Our new investment fiscal framework for natural gas and LNG development puts the sector on a level playing field with other industrial sectors, while ensuring significant benefits for British Columbians.
- The old government provided indemnities to LNG project owners if a future government changed a variety of tax and regulatory provisions.
- Our government's new investment fiscal framework for LNG does not do that.

2. The BC Green Party has publicly stated that they will not support investments in LNG. What does this mean for the CASA?

- The B.C. government is committed to working with the BC Green caucus as formalized through the CASA.
- We have consulted with the Green caucus closely on LNG development. They have clearly expressed their view, and we have expressed ours. The CASA allows for disagreements.
- Our minority government and partnership with the BC Green Caucus remains as strong as ever.
- LNG Canada fits within CleanBC. That was a critical point in our discussions with the Greens. They said: "show us how this fits within our climate targets," and we did just that with CleanBC.
- Our view is that LNG Canada's project is a tremendous, historic investment in B.C. – it will be the world's cleanest LNG facility and will create thousands of jobs for people while strengthening our economy.
- It's good for people, good for the economy, and good for B.C.

3. What impact will this have on B.C.'s economy? How will it help British Columbians?

- I couldn't be prouder to talk about how this – the largest private sector investment in Canadian history – will positively impact the people of B.C. and our thriving economy.
- By creating a positive investment climate and fostering a $40 billion final investment decision for B.C.'s natural gas sector, we're helping to ensure the province will benefit from huge economic gains that will generate thousands of new jobs for people, both directly in the LNG industry and in the communities the industry touches.
- The economic benefits of the LNG Canada final investment decision include:

   - $24 billion of LNG Canada's $40 billion investment will be direct private-sector investment in B.C.
   - Up to 10,000 jobs for people during the construction phase and 950 permanent jobs in Northern B.C.
   - Up to $23 billion in net new government revenues over the assumed 40-year life of the project – creating new resources for health care, schools, child care and good services for British Columbians
   - And, significant funding for First Nations capacity building, training and education, contracting and employment, and community contributions
- People in B.C. deserve a thriving natural gas sector, that will provide local, stable jobs that help families get ahead – and that's exactly what the LNG Canada project will deliver.
- It is the steps we are taking here today that will allow for the viability of the LNG Canada project and to kickstart a made-in-B.C. LNG industry. These changes will allow the Province to collect $23 billion in net new revenues from taxes and royalties. If these changes were not made, the LNG Canada project would not be viable, and the Province would collect no new revenues.

4. How will you guarantee that B.C. workers are first in line for these jobs?

- The LNG Canada final investment decision is an unprecedented economic opportunity for British Columbians.

It will create 10,000 jobs during construction and 950 full time jobs during operations.

- LNG Canada has committed to hiring local workers and British Columbians first and have bound their primary contractor to this commitment.
- Even in the early stages of construction, LNG Canada and their contractors employed more than 600 workers during December in the Kitimat area alone.
- By the end of last year, they had already approved $530 million in contracts with BC businesses, including $175 million in contracts with local First Nations businesses.
- We will continue working with them to make sure people in BC see the benefits from this project.

From LNG Canada:

- We have a "local hire first" policy, to which the EPC contractor JGC-Fluor is bound, and through which qualified Indigenous, local community and British Columbian workers will be employed, followed by people from other parts of Canada.
- At the peak of construction at the Kitimat site, we expect to require approximately 4000 jobs that, based on the current working shift assumptions, will necessitate about 7,000 or more men and women craft.
- With the jobs related to the Coastal GasLink pipeline, there will be about 10,000 craftworkers employed at the peak of the construction of the plant and pipeline.
- The project is still in the early stages of field execution and LNG Canada, along with its contractors and subcontractors, employed more than 600 workers during December to support various project activities in the Kitimat area. Of this number, approximately 45% were

local residents from the local Kitimat -Terrace area or from a First Nations community.

- Labor demand will continue to increase gradually through 2019, with continuing opportunities for enhancing local participation.

5. How can you be sure B.C.'s workforce is ready for this opportunity when there's a skills shortage?

- The LNG Canada final investment decision is an unprecedented economic opportunity for British Columbians.
- LNG Canada has prioritized skills training opportunities for local people.
- They have committed to a target of 25% apprentices onsite and contractually required it of their main contractor as well.
- The company has invested more than $1.5 million in their Trades Training Fund which has supported more than 1,000 people to get apprenticeship training.
- We will continue working with them to make sure British Columbians are benefit from the jobs and training opportunities that will come with the LNG Canada project.

<u>From LNG Canada:</u>

- LNG Canada continues to invest in building the capacity and skills of British Columbians through targeted workforce development programs.
- We have a strong focus on developing and expanding the apprentice population in the province and have committed to a target of 25% apprentices onsite and are contractually expecting the same of JGC-Fluor.

- To help achieve this objective, LNG has invested more than $1.5M since 2015 in LNG Canada's Trades Training Fund to remove monetary barriers to the academic portion of apprenticeship training.
- This fund is administered through BC Construction Association to support industry and apprenticeship training in the construction sector across the province.
- Both LNG Canada and JGC-Fluor have a collective focus on attracting and retaining women to our project site. LNG Canada has activated a strategy resulting from investing more than $200k in research, including focus groups with women in the trades and a comprehensive literature review to learn first-hand from women what improvements can be made to employment readiness and work experience at site.
- This strategy includes LNG Canada supporting the Builders Code and "Be More than A Bystander" programs, both of which are products of the funding provided by the Province to support women in trades.
- LNG Canada is also developing a specific pre-apprentice women's training and graduate program to improve readiness to enter the onsite apprentice program of JGC-Fluor.

6. If projects can't get B.C. labour in time, will they turn to temporary foreign workers?

- LNG Canada has a "local hire first policy" that ensures that qualified Indigenous, local community and British Columbian workers are employed first – followed by people from other parts of Canada.
- The company is making significant investments in training to prepare the local workforce.

- They do not expect to need to hire workers from outside Canada at this time – in fact, under current labour forecasts, temporary foreign workers are not expected.
- However, if circumstances were to change, foreign workers would only be needed in very low numbers for highly specialized and high demand trades.

s.13; s.16

<u>From LNG Canada on background:</u>

- When the inquiry about whether TFWs were working at LNG Canada was previously made in October 2018, LNG Canada confirmed there were no TFWs working at site. This is still the case.

s.13; s.16

7. LNG Canada states their workforce in December was 45% local - Is this indicative of what's to come?

- LNG Canada is creating new careers and job opportunities for British Columbians. Jobs and procurement opportunities for local businesses are substantial and growing.
- LNG Canada has committed to a "local first" hiring policy – they have been very clear about that. That means qualified Indigenous, local community and British Columbians will be employed first, followed by people from the rest of Canada.
- British Columbia's economy is strong – we are essentially at full employment. We appreciate the challenge this does create for LNG Canada. They are working to overcome this challenge by making investments through targeted workforce development programs.
- With that said, LNG Canada continues to see opportunities for enhancing local participation – as Andy Calitz articulated in his letter to the Premier.

8. Who makes up the rest of the workforce? TFWs?

- Again – to be clear – LNG Canada has committed to "local first" hiring policy. After that, they are hiring British Columbians, followed by the rest of Canada. There is a clear commitment on LNG Canada's part to have British Columbian's working on British Columbia's first-ever large-scale LNG export facility.
- As the very first large-scale LNG export facility to ever be built in B.C., there is a crunch on skills trades people – bottom line. LNG Canada is investing to provide people with skills and creating opportunities for apprentices.
- Our government is also working with the federal government to address skilled labour shortages province-wide, by increasing apprenticeships.
- It should be noted: our province has no authority to approve or deny temporary foreign worker applications. The federal government

approves any temporary foreign workers that come into the country. With that said, again, LNG Canada has committed to a "local first" hiring policy.

<u>From LNG Canada:</u>

- We have a "local hire first" policy, to which the EPC contractor JGC-Fluor is bound, and through which qualified Indigenous, local community and British Columbian workers will be employed, followed by people from other parts of Canada.
- JGC-Fluor does not expect to need to hire trade workers from outside Canada, given current market conditions.
- However, should conditions change through the construction period, temporary foreign workers may be needed in very low numbers for highly specialized and high demand trades.

9. Why are you repealing the Liquefied Natural Gas Income Tax Act?

- With this new legislation, our government has taken a key step to generate unprecedented economic opportunity for British Columbians.
- This is part of our new investment fiscal framework for LNG, which puts the industry on a level playing field with other industrial sectors and ensures benefits for people.
- The LNG income tax wasn't an efficient or effective means of generating returns for British Columbians and was in fact identified as a key detriment to investment.
- The LNG income tax was cumbersome to administer and led to uncertainties and risks, hampering investment in B.C.

- Under our new investment fiscal framework, LNG Canada will contribute $23 billion in taxes and royalties – revenue that will support investments in services for people.

10. Why are you keeping the natural gas tax credit that was meant to offset the LNG income tax?

- We are retaining the natural gas income tax credit as it will help ensure that B.C. remains a good place to do business for natural gas development.
- The natural gas tax credit creates an incentive for companies to allocate their corporate income in B.C. and pay corporate income taxes, which will support revenues for the Province.
- Under our investment fiscal framework, LNG Canada will contribute $23 billion in new revenues to support investments in infrastructure and services for people.
- The tax credit is part of what allows these investments in B.C. The province can have 100% of $23 billion or 0% of $29 billion.

11. Why are you repealing the *Liquefied Natural Gas Project Agreement Act*? Was this not put in place to protect the interests of B.C.? N/A

- The *Liquefied Natural Gas Project Agreements Act* (LNGPAA) effectively tied the hands of future governments with respect to the rules governing LNG projects.
- It also created potential future liabilities through open-ended indemnities given to companies.
- The Act provided indemnities to LNG project owners if a future government changed a variety of tax and regulatory provisions.

- To date, no LNG projects have ever gotten off the ground under the LNGPAA.
- LNG Canada's announcement of a positive final investment decision is proof that the government's new LNG investment fiscal framework works, and that it doesn't need to provide open-ended indemnities to secure a final investment decision for LNG projects.

12. The Opposition has said that repealing the LNG Project Agreement Act will reduce transparency as it required that any deals are published. How do you respond?

- The old act allowed deals to tie the hands of future governments and opened the door to significant liabilities through open-ended indemnities.
- Our government has a different approach.
- We introduced a new investment fiscal framework for LNG and have been working to implement those measures.
- As part of the investment fiscal framework, we have negotiated an Operating Performance Payment Agreement with LNG Canada and are making it publicly available with the tabling of our new LNG legislation – just as I committed to do.
- The Agreement replaces upfront PST obligations on LNG Canada's construction costs with future performance-based payments to the Province.

13. What is the difference between your agreement with LNG Canada and the old government's agreement with PNW?

- Our government has been clear that we don't believe special Project Development Agreements that tie the hands of future governments are appropriate.

- Under the old approach, Project Development Agreements offered unlimited indemnities that posed a significant liability.
- We have not entered into that sort of agreement with LNG Canada.
- The operating performance payment agreement specifies the terms by which LNG Canada will pay the province $596 million in place of the PST on construction costs.
- There is no indemnity provided in the agreement.

14. You criticized the old government for providing an indemnity to PNW – aren't you effectively doing the same with LNG Canada?

- No. We have not entered a project development agreement, and in fact, we are repealing the legislation that provided for agreements with unlimited indemnities for LNG companies.
- The operating performance payment agreement simply specifies the contractual terms for LNG Canada to pay the province $596 million in place of PST on construction costs.
- They agree to pay this amount provided they are in operation and provided the framework elements we've announced are in place.
- If the province changes the framework elements to the detriment of the project, LNG Canada could end up paying less in the operating performance payments that would be otherwise due under the agreement.
- Unlike the old approach, there is no provision for the province to pay LNG Canada for any changes to the measures that harm the project.
- And for greater certainty, the agreement expressly says there are no indemnities.

15. Are you confident that this bill will pass?

- We are very proud of the work we did to help secure the largest private sector investment in B.C.'s history.
- It will create 10,000 construction jobs and 950 permanent jobs in B.C.
- I think the Opposition wants to see this project move forward as well.
- While I can't speak for the BC Liberals, I know they're on the record saying they will support LNG legislation.

16. In its 2018 Fall Economic Statement, the federal government announced changes to the income tax system to enhance business confidence and encourage more job-creating investments. Won't LNG Canada be able to benefit from these changes?

- The federal changes are broadly available to all businesses that report income in Canada, and help ensure that Canada remains a competitive place to do business, including all business that report income in B.C.
- Specific questions around how LNG Canada may benefit should be directed to them.

17. Budget 2019 announced more than $800 million over the fiscal plan that parallel the federal announcement in their 2018 Fall Economic Statement. How much of the $800 million will go to LNG Canada?

- The $800 million in savings are broadly available to all businesses that report income in British Columbia, and help ensure that British Columbia remains a competitive place to do business.
- This will include businesses that are directly related to, or indirectly benefit from, the LNG Canada investment.

- Businesses will only benefit from the $800 million in savings to the extent they report income in British Columbia. Specific questions around how LNG Canada may benefit should be directed to them.

18. Is this a confidence vote?

- This is clearly an important project for the province that will create thousands of jobs and billions in new revenues.
- The Green Caucus has said they don't support this project, but we expect that the legislature as a whole will given what the Opposition has said before.
- Under the CASA there are things we agree to work on together, and there are things we can agree to disagree on.
- I think this will be an issue we agree to disagree on.

19. What is the Operating Performance Payment Agreement?

- The Operating Performance Payment Agreement outlines the terms of the contractual arrangement for the payment of $596 million to the province over the life of the project.
- These payments are in place of PST on construction costs which is one of the four measures we introduced with our new framework for LNG.
- It relates to just one measure – the deferral of PST – but references the other measures government committed to under our new LNG framework.

20. Why are operating performance payments weighted so heavily to the last two years of the 20-year term?

- Operating Performance Payments were negotiated in a way that recognize LNG Canada's huge upfront $40 billion investment and its need to recover a substantial part of the construction investment during the first 20 years of operation.
- The Operating Performance Payments total nearly $600 million over 20 years starting when the project comes into service.
- However, this represents a very small portion (2.6%) of the overall $23 billion in new revenues from LNG Canada over 40 years.
- The province will start to receive revenues through other streams right from the start of construction.

21. How does the LNG Canada project compare with PNW LNG?

- Through our newly established investment fiscal framework that balances the interests of British Columbia with industry, we've created a positive investment climate that will benefit local communities for years to come.
- We worked in partnership with communities, First Nations and the LNG industry to secure a final investment decision for B.C.'s natural gas sector.
- The PNW LNG project faced considerable opposition from First Nations and was projected to produce substantially more greenhouse gas emissions than LNG Canada.
- Furthermore, PNW LNG proposed to employ Temporary Foreign Workers for up to 70% of its workforce, while LNG Canada's workforce is expected to be at least 95% Canadian workers.
- But most obviously, the PNW LNG project never proceeded.

- People in B.C. deserve a thriving natural gas sector that provides local, stable jobs that help families get ahead. And that is what the LNG Canada project will deliver.

22. Why are you freezing carbon taxes for LNG?

- LNG Canada will pay the Carbon Tax.
- As we've said, the LNG industry will be allowed to participate in the CleanBC industrial incentive program just like other industrial sectors.
- Under this program operations that meet or exceed world's cleanest benchmarks for their sector will be eligible for a rebate of up to 100% of the incremental carbon tax increase above $30/tonne.
- LNG Canada is anticipated to be the cleanest LNG facility in the world and so would qualify for a rebate on the portion of carbon tax paid.
- The Minister of the Environment is developing further details of this program for all sectors.

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Environment and Climate Action

24. How can you say fossil fuel energy is "clean" or in line with climate action goals?

- Last year, we launched CleanBC, our comprehensive climate plan, and it is through that lens that we as a government look at all decisions.
- I am proud to say the LNG Canada project fits into the climate goals of CleanBC and allows us to build a strong economy for future generations while protecting their environment.
- LNG Canada is working to make its Kitimat facility the world's cleanest in terms of greenhouse gas emissions intensity.
- The reality is that natural gas can be a transitional fuel on the path to less carbon-intensive options, and our CleanBC program for industry encourages the use of the greenest technologies available in the sector to reduce emissions.
- More reductions from LNG's climate impact will be achieved through investments in electrification of upstream oil and gas production, so

extraction and processing are powered by electricity instead of burning fossil fuels.

- B.C. has set and committed to new targets for GHG emissions and we plan to achieve our goal of reducing by 40% by 2030, 60% by 2040 and 80% by 2050.
- CleanBC is putting us on the track to a cleaner, better future, and shifting to lower carbon fuels like LNG will help us reach our destination.

25. You say you're building "the world's cleanest LNG facility." By what standards?

- Last year, we launched CleanBC, our comprehensive climate plan, and it is through that lens that we as a government look at all decisions.
- I am proud to say the LNG Canada project fits into the climate goals of CleanBC and allows us to build a strong economy for future generations while protecting their environment.
- LNG Canada is working to make its Kitimat facility the world's cleanest in terms of greenhouse gas emissions.
- The average Liquid Natural Gas facility emits 0.35 tonnes of greenhouse gasses per tonne of LNG produced, the LNG Canada facility will emit 200% less at only 0.15 tonnes of GHG per tonne of LNG produced.
- The reality is that natural gas can be a transitional fuel on the path to less carbon-intensive options, and our CleanBC program for industry encourages the use of the greenest technologies available in the sector to reduce emissions.
- More reductions from LNG's climate impact will be achieved through investments in electrification of upstream oil and gas production, so

extraction and processing are powered by electricity instead of burning fossil fuels.

- B.C. has set and committed to new targets for GHG emissions and we plan to achieve our goal of reducing by 40% by 2030, 60% by 2040 and 80% by 2050.
- CleanBC is putting us on the track to a cleaner, better future, and shifting to lower carbon fuels like LNG will help us reach our destination.

26. Will LNG Canada be the last LNG project permitted under government climate strategy?

- Last year, we launched CleanBC, our comprehensive climate plan, and it is through that lens that we as a government look at all decisions.
- We've been clear that any new LNG project will have to fit within B.C.'s climate change strategy and the new framework.

27. Can government meet its legislated GHG targets while allowing LNG to proceed?

- Our government has been clear that any LNG development must meet our four conditions and that includes fitting within our climate targets.
- Last year, we launched CleanBC, our comprehensive climate plan, that includes a robust accountability framework to make sure we stay on track.
- I am proud to say the LNG Canada project fits into the climate goals of CleanBC and allows us to build a strong economy for future generations while protecting their environment.

28. How can you expect other industries in BC to reduce their emissions while living the LNG sector a free pass?

- The LNG sector isn't getting a free pass.
- The LNG sector, like all industry, pays the carbon tax.
- And, like all industry, the LNG sector will have the opportunity to access the new Clean Growth (CleanBC) Incentive program as their emissions hit a global benchmark for cleanest in the world.
- Every industry, just like every person, will need to take measures to shift to a lower carbon future.

29. Are LNG operations eligible under the CleanBC program for industry's incentive program?

- Yes. The Premier expressed that when he announced BC's LNG investment fiscal framework in March 2018.
- We've reaffirmed that intent when we finalized our agreement with LNG Canada, and today's legislation.
- Any new project, LNG or otherwise, has to fit within the climate requirements of CleanBC.
- The LNG industry pays the Carbon Tax and, like any other industry, they will be allowed to participate in CleanBC's industrial incentive program – just like all industrial facilities that emit over 10,000 tonnes of carbon dioxide equivalent and report under the Greenhouse Gas Industrial Reporting and Control Act.
- Under this program operations that meet or exceed world's cleanest benchmarks for their sector will be eligible for a rebate of up to 100% of the incremental carbon tax increase above $30/tonne.
- LNG Canada is anticipated to be the cleanest LNG facility in the world and so would qualify for a rebate on the portion of carbon tax paid.

- The Minister of the Environment is developing further details of this program for all sectors.

30. How will you accommodate Phase 2 of the LNG Canada project in your climate plan?

- I want to be clear that the investment decision LNG Canada has made is for Phase 1 of the project only.
- The PST measure our government has provided is also only for Phase 1 of the project.
- As I've said before, LNG development in B.C. must meet our four conditions, and that includes fitting within our climate targets.
- Last year, we launched a comprehensive climate plan, and it is through that lens that we as a government look at all decisions.
- I am proud to say the LNG Canada project fits into the climate goals of CleanBC and allows us to build a strong economy for future generations while protecting their environment.
- LNG Canada is working to make its Kitimat facility the world's cleanest in terms of greenhouse gas emissions.
- The reality is that natural gas can be a transitional fuel on the path to less carbon-intensive options, and our CleanBC program for industry encourages the use of the greenest technologies available in the sector to reduce emissions.
- More reductions from LNG's climate impact will be achieved through investments in electrification of upstream oil and gas production, so extraction and processing are powered by electricity instead of burning fossil fuels.
- B.C. has set and committed to new targets for GHG emissions and we plan to achieve our goal of reducing by 40% by 2030, 60% by 2040 and 80% by 2050.

- CleanBC is putting us on the track to a cleaner, better future, and shifting to lower carbon fuels like LNG will help us reach our destination.

First Nations

31. Do you think LNG Canada has respected and made partners of First Nations?

- LNG Canada has shown they understand the importance of consultation and meaningful reconciliation with First Nations.
- That's why they've signed agreements with every First Nation along the pipeline corridor.
- This project represents great opportunities for all people in BC, and it also recognizes and highlights the challenges of reconciliation.
- As I've said before, there's no quick fix to resolving issues that go back hundreds of years, but our government remains committed to the hard work of reconciliation.

32. What are the economic benefits for First Nations if this project moves forward and which First Nations bands will benefit?

- We worked in close partnership with communities, First Nations and the LNG industry to secure a final investment decision for B.C.'s natural gas sector.
- The LNG Canada project represents great opportunities for all people in B.C.
- This project's economic benefits for B.C. include significant funding for First Nations capacity building, training and education, contracting and employment, and community contributions.

- LNG Canada has signed agreements with every First Nation along the pipeline route. In fact, TransCanada has signed more than $600 million dollars' worth of contracts with Indigenous businesses to support the construction of the Coastal Gas Link pipeline.

33. Given Unis'ot'en Camp's opposition to the project, how can you say LNG Canada has met your conditions?

- As I've said before, LNG Canada has met all the conditions we've placed on LNG development in B.C.
- This project represents great opportunities for all people in B.C., and it also recognizes and highlights the challenges of reconciliation.
- There is no quick fix to resolving issues that go back hundreds of years, but we remain committed to the hard work of reconciliation.
- Our government will continue to engage with the Wet'suw'et'en hereditary chiefs in broader discussions on advancing reconciliation.

34. When you and Minister Fraser met with the hereditary chiefs earlier this month did you reach an agreement on the project?

- Our government's commitment to lasting reconciliation with the Wet'suwet'en Nation and peoples is not connected to any specific project.
- Our mutual goal is to establish a deeper relationship between the Province and Wet'suwet'en Nation based on respect and recognition of title and rights, and in support of self-determination and self-governance.
- We were honoured to attend the bahtlats as guests, which represented the start of our government-to-government reconciliation discussions.

Claims and "what ifs?" (for Minister's background)

35. What if the LNG plant shuts down? Isn't that a risk with balloon payments at the end?

- LNG Canada has been clear that they are here to stay. However, hypothetically, if they went under in year, five or 10, B.C. will have benefited from billions in direct government revenues, and it would be LNG Canada that would lose a $40 billion investment.

36. Claim: There's no transparency in government's economic model for LNG. How will the public know your framework is a good deal for the people of B.C.?

- By creating a positive investment climate and fostering a $40 billion final investment decision for B.C.'s natural gas sector, we're helping to ensure the province will benefit from huge economic gains that will generate thousands of new jobs for people, both directly in the LNG industry and in the communities the industry touches.
- Because of the measures we're bringing in to build a competitive LNG industry, our province stands to gain $23 billion in direct government revenues that will support schools, hospitals, affordable housing, clean growth, and conservation.
- I'm proud to say that the LNG Canada final investment decision is an unprecedented economic opportunity for British Columbians today, and for generations to come.
- And, we are committed to transparency every step of the way. That's why we made the LNG Canada agreement publicly available yesterday, and we will continue to update British Columbians as plans progress.

37. Claim: the PST repayment is really just an 'interest-free' loan for LNG Canada.

- That's simply not true.
- Our fiscal framework delivers LNG investment that brings long-term benefits to the province and thousands of good paying jobs for B.C. workers.
- Because of our measures we're bringing in to build a competitive LNG industry, our province stands to gain $23 billion in direct government revenues for schools, hospitals, housing, clean growth, and conservation.

38. Claim: your government is giving away Carbon Tax revenue to LNG Canada.

- LNG Canada will pay the Carbon Tax.
- As we've said, the LNG industry will be allowed to participate in the CleanBC industrial incentive program just like other industrial sectors.
- Because of our measures we're bringing in to build a competitive LNG industry, our province stands to gain $23 billion in direct government revenues for schools, hospitals, housing, clean growth, and conservation.
- There is no loss to Carbon Tax revenues, because without the measures we're bringing in to open the door to LNG investment in B.C., there is no revenue to lose.

Opposition Issues

39. What guarantees are in place to ensure that other western provinces do not take advantage of B.C.'s incentives and infrastructure – ensuring that only companies developing B.C. gas get the proposed benefits?

- We designed the new framework to make B.C. a competitive place to attract natural gas investment.
- This framework has resulted in a $40 billion final investment decision in B.C.'s natural gas sector and $23 billion in net new revenues that will support schools, hospitals, affordable housing and the services British Columbians depend on.
- Our focus is on bringing in new revenues and new jobs to B.C. And through this work, we have secured the largest private-sector investment in Canadian history.

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40. What measures are in place to ensure B.C. natural gas is used for the facility? What steps are the government taking to ensure the project does not simply use Alberta natural gas?

- Similar to the old credit introduced under the *Liquefied Natural Gas Income Tax Act*, the credit is available regardless of whether the gas comes from B.C. or Alberta.
- To benefit from the tax credit, corporations must be paying B.C. corporate income taxes. This ensures the tax credit is only available to corporations paying their fair share of B.C. income taxes.
- To claim the credit, a corporation must be a "qualifying corporation," which means it must do business in B.C. in oil and gas activities or the liquefaction of natural gas, and it must own natural gas as it enters a B.C. LNG facility.
- This ensures that the reduction of corporate income taxes as a result of the credit is tied to a specific kind of business in B.C. In this case, oil and gas development.

41. Why are you giving the credit when corporations no longer have to pay the LNG income tax?

- The LNG income tax regime was not competitive and was a barrier to proponent investment.
- Under the old model, to access the credit, the claimant had to be an LNG income taxpayer.
- As a result, under the old credit model, a claimant could have a very small percentage of their business activities come from liquefaction activities in order to fall within the definition of an LNG taxpayer and claim the credit.
- Under the old legislation, an LNG taxpayer is defined as someone engaged in liquefaction activities, whether or not the person was liable to pay LNG income tax.

- The old legislation potentially allowed for a large portion of the credit to be claimed against business activities outside of oil and gas activities and regardless of whether the person was actually paying the LNG income tax.
- Under the new credit model, a significant portion of a corporation's business activities have to come from oil and gas activities in B.C. to access the credit and reduce their corporate income taxes. The new credit is much more restrictive in terms of access than the old credit.

42. What if Alberta lowers its corporate income tax rate to 8%?

- LNG Canada reached an agreement with B.C. with the understanding that the tax credit can be used to lower the corporate income tax rate by 3 percentage points. Today, the corporate income tax rate is 12% so that would bring it down to 9%.
- B.C. has a competitive tax structure for both individuals and corporations. We regularly review our tax structure to ensure that B.C. is an affordable place for families and a supportive climate for businesses.

43. Will the project pay the Employer Health Tax?

- The employer health tax applies to businesses with a payroll above $500,000. Provided that LNG Canada's payroll is at least $500,000, it will pay the employer health tax.

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE
FACT SHEET

TOPIC: Ministry FOI response times and volumes

BACKGROUND:

- For the period April 1, 2018, to March 31, 2019, the Ministry's on-time result for responding to all Freedom of Information (FOI) requests was 91.1% (excluding PSA and GCPE). Overall government result was 89% on-time.
- The overall government target is 90% on-time for 2019/20.
- The volume of FOI requests coming to the ministry decreased by approximately 15% between FY18 (555 requests) and FY19 (472 requests).
    - FY18 included approximately 150 requests from one applicant for previously disclosed records that were not published on the Open Information site because of copyrighted information. These requests were processed by the Corporate Information and Records Management Office (CIRMO), which is now in the Ministry of Citizens' Services.
- The Ministry's on-time performance increased between 2017/18 (90.1%) and 2018/19 (91.1%).
- The Ministry's No Records Responses increased from 10.1% in 2017/18 to 17.6% in 2018/19.
- The Ministry and Information Access Operations continue to train and educate executive and staff to increase awareness and compliance.

Contact:	Lori Wanamaker, Deputy Minister	**Phone:**	250-920-9559
Division:	Deputy Minister's Office	**Page:**	1 of 1
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MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE
ISSUE NOTE

ISSUE: BC Prosperity Fund

ADVICE AND RECOMMENDED RESPONSE:

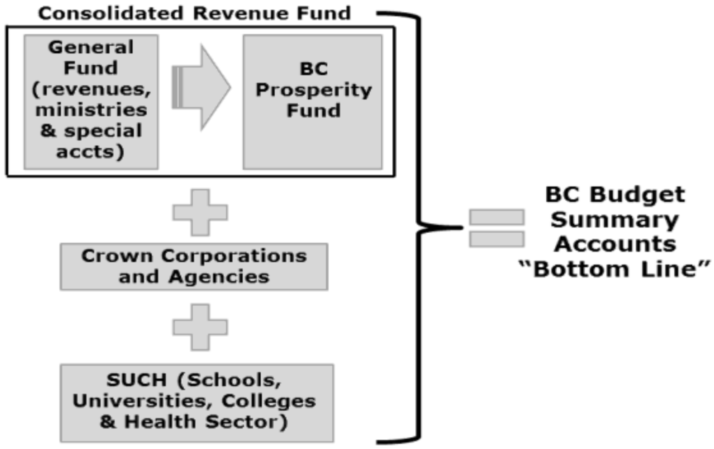
- The BC Prosperity Fund (Fund) was estimated to stand at $521.0 million at March 31, 2019 (unaudited).
- The BC Prosperity Fund remains part of the Province's overall investment portfolio and annual investment income is part of government's bottom line.
- The government has not made decisions on use of the Fund at this time. However, the Fund will be considered as part of broader fiscal planning in the near- to medium-term.

KEY FACTS:

- The BC Prosperity Fund (Fund) was estimated to stand at $521.0 million at March 31, 2019 (unaudited and assumed in *Budget 2019*). This consisted of:
    - An inaugural payment of $100 million to establish the Fund in Budget 2016;
    - $400 million transferred in September 2016, based on the 2015/16 final audited surplus; and
    - Accumulated external investment earnings of $21.0 million.
- The Fund is established under section 47 of the Financial Administration Act) and intended to:
    - Help reduce the Province's taxpayer-support debt over time;
    - Make capital and operating investments in health care, education, transportation, family supports and other government priorities; and
    - Preserve a share for future generations.
- The Fund is simply another component of the government's Consolidated Revenue Fund. Annual revenue (e.g. investment income) and spending (excluding debt reduction) of the Fund are included as part of government's bottom line reported in the annual Budget, Estimates and Public Accounts.

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE
ISSUE NOTE

FIGURE 1: COMPONENTS OF BC BUDGET SUMMARY ACCOUNTS



- Under legislation, uses for the Fund are controlled by Treasury Board as follows:
  - 25% of the total of all amounts that have been transferred to or earned by the Fund must be retained by the Fund;
  - 50% (or 2/3 of the remaining 75%) must be used for reducing the debt of the taxpayer-supported government reporting entity; and
  - 25% will be available for priority spending including capital and operating improvements in health care, education, transportation and job training, and providing family supports.
- The Fund has real assets which are externally invested following Treasury Board approved policies. As at March 31, 2019, funds are currently held in accounts at two chartered Canadian banks:
  - $400 million of Fund principal is invested with RBC; and
  - $100 million of Fund principal is invested with HSBC.
- By September 15 each fiscal year, Treasury Board decides on any transfers to the Fund provided that there was an operating surplus recorded in the previous fiscal year. s.12; s.13

s.12; s.13

- Treasury Board will be reviewing the final results for 2018/19 later this year once the Public Accounts are prepared and audited.

Contact:	Doug Foster	**Phone:**	250 387-9022
Division:	Deputy Minister's Office	**Page:**	2 of 3
File Name:	Prosperity Fund.docx		

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE
ISSUE NOTE

BACKGROUND:

- The Fund has two primary investment objectives:
  - Capital preservation – to protect against decreases in Fund asset values; and
  - Income generation – to meet or exceed the average yield on the Provincial working capital portfolio.
- The initial asset allocation policy weighting requires at least 75% of the fund to be invested in short term fixed income deposits, and permits a maximum of 25% of the fund to be invested in 1-5 year duration fixed income deposits.
- On an annual basis, the Ministry will review the performance of the Fund's investments, asset allocation framework, and asset class policies to ensure that the investments are managed prudently.

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MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE
ISSUES NOTE

ISSUE: Fiscal Sustainability Review

ADVICE AND RECOMMENDED RESPONSE:

- The Ministry engaged independent consultants to conduct a Fiscal Sustainability Review to give government a better picture of the risks, finances and reliability of fiscal forecasts of significant Crown corporations and schools, universities, colleges and health (SUCH) sector entities – the Review completed January 31, 2018.
- The Review covered a wide range of areas and identified a number of areas where increased focus could be made.

s.13; s.16

- We have reviewed each of the consultant's recommendations and are incorporating those wherever appropriate in our planning, future budgets and service plans.

KEY FACTS:

Review Scope and Terms of Reference

- As announced in the Budget 2017 September Update, the Ministry of Finance (Ministry) engaged independent consultants to conduct a Fiscal Sustainability

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE
ISSUES NOTE

Review (Review). The purpose of the review was to give government a better picture of the risks, finances and reliability of fiscal forecasts of significant Crown corporations and schools, universities, colleges and health (SUCH) sector entities.

- The scope covered Crown corporations potentially having a material impact on the Province's Fiscal Plan and its risks – BC Lottery Corporation; BC Hydro; ICBC; Liquor Distribution Branch and BC Housing. Public schools, universities, colleges and health (SUCH) sector information were similarly assessed at a high level.
- Review was completed January 31, 2018. s.13; s.17

Key Review Findings

s.13; s.16

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Withheld pursuant to/removed as

s.13 ; s.16 ; s.17

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ISSUES NOTE

s.13; s.16; s.17

CURRENT STATUS:

- The Ministry has reviewed each of the consultant's recommendations and we ae incorporating those wherever appropriate in our planning, future budgets and service plans. For example:

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Contact:	Doug Foster	**Phone:**	250 387-9022
Division:	Deputy Minister's Office	**Page:**	5 of 5
File Name:	Fiscal Sustainability Review		

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMPR)
ISSUE NOTE

ISSUE: Site C Update – Fiscal, Governance and Debt

ADVICE AND RECOMMENDED RESPONSE:

- The Site C project budget increased to $10.7 billion (from $8.775 billion previously) due to a one-year delay in the river diversion milestone and higher than anticipated contract costs. The increased project budget included $858 million in contingency and $708 million of project reserve.
- Construction on track to be completed in 2024 (river diversion by fall 2020 and 1st power unit December 2023).
- Government has added measures to increase the likelihood that the project remains on time and on budget. New measures, announced on December 11, 2017, include:
  - Formation of a new Project Assurance Board;
  - Retention of EY Canada to provide dedicated budget oversight, timeline evaluation, and risk assessment for the project; and
  - Additional reporting requirements for BC Hydro.
- Government plans to address many public concerns heard during the Site C review through a number of initiatives which, if approved, will be funded from Site C revenues after the project is operational in 2024 (e.g. water rental revenues).
- So far, government's rating agencies have confirmed the additional Site C debt within the Province's current highest credit ratings – there is no rating change.

KEY FACTS:

Financial

- On December 11, 2017, after considering the results of the BC Utilities Commission's review and other factors, government announced its decision to continue with the Site C project.
- The updated project budget is $10.7 billion. This includes a contingency allocation of $858 million (under control of BC Hydro), and an additional project reserve of $708 million controlled by Treasury Board.
- Approximately $6.4 billion in financial commitments have been made as of December 31, 2018, including contracts and agreements. (Results to March 31, 2019 are still being finalized).

- This includes the $1.6 billion contract for the generation station and spillways civil works signed in March 2018. Other contracts such as transmission have been signed since March 2018 also.

Enhanced Reporting and Other Measures to Monitor Project Costs and Schedule

- The terms of reference and Reporting and Accountability framework for the Site C Project Assurance Board (PAB) were approved in September 2018.
- The PAB encompasses a more diverse membership including two advisors from Government, BC Hydro directors, external advisors with expertise in capital project construction and a member of the technical advisory board. EY, as the independent oversight advisor, also attends PAB meetings.
- The PAB meets monthly to review the status of the project and provide advice to BC Hydro management and the BC Hydro board.
- In addition to the reporting structures in place under the Reporting and Accountability Framework, the Ministry of Energy, Mines and Petroleum Resources and BC Hydro is also undertaking additional reporting to the Chair of Treasury Board with input from independent oversight advisor EY. The Ministry of Energy, Mines and Petroleum Resources will also be providing monthly progress reports to the Chair of Treasury Board (or designate).

Site C Continuation Measures

- On December 11, 2017, government announced a series of continuation measures to respond to concerns raised by British Columbians about the Site C Project.
- This included commitments to:
  - — Establish a Peace River Legacy Fund to implement solutions to longer-term environmental, social and economic issues;
  - — Consider the development of a new procurement stream for clean energy projects where Indigenous Nations are proponents or partners to create local employment and commercial opportunities throughout B.C; and
  - — Establish a new dedicated BC Food Security Fund, to support farming and enhance agricultural innovation and productivity throughout B.C.
- The Ministry of Energy, Mines and Petroleum Resources is working with BC Hydro and other ministries and community and First Nations stakeholders on further developing these proposals for review by government at a later date. s.12; s.13

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMPR)
ISSUE NOTE

s.12; s.13

BC Hydro Debt

- BC Hydro's total debt (both current and forecasted with the revised Site C budget) remains manageable and is confirmed by the Province's bond ratings.
- BC Hydro has hedged 75% of total forecast borrowing requirements (i.e., including Site C) for each of the current and next five years (up to an including 2024/25, which therefore includes the completion of Site C construction). This is favourable to the project because it reduces exposure from rising interest rates.
- The Comprehensive Review of BC Hydro (Phase 1) resulted in actions that temporarily increased BC Hydro's debt to equity ratio (to a forecast 82:18 ratio at the end of 2018/19). This was due to the write-off of the $1.1 billion balance in the rate smoothing regulatory account. BC Hydro forecasts that its debt to equity ratio will return to 80:20 by the end of 2019/20 and will continue to decrease in subsequent years. Further, starting in 2019/20, BC Hydro will not pay dividends to the Province until it achieves a debt to equity ratio of 60:40, which is not anticipated to occur until the 2030s – or as otherwise determined by the BCUC.

MINISTRY OF FINANCE
FINANCIAL INSTITUTIONS COMMISSION
ISSUE NOTE

ISSUE: B.C. Credit Union Commercial Real Estate (CRE) Loans

ADVICE AND RECOMMENDED RESPONSE:

- FICOM monitors the level of commercial real estate lending by credit unions and assesses the level of risk through its supervisory activity and risk analysis of regulatory filings.
- Credit unions provide monthly reports to FICOM that include CRE loans at an aggregate level. FICOM also conducts on-site monitoring of credit unions, at which time CRE loan portfolios and policies are reviewed.

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- B.C. credit unions have communicated to the Ministry their desire to relax current capital requirement regulations pertaining to CRE lending.
- FICOM has expressed its willingness to meet with the credit union sector to discuss the issue. s.13

s.13

KEY FACTS:

s.13; s.17

Contact:	Tara Richards, CEO	**Phone:**	250-889-8446
Division:	FICOM	**Page:**	1 of 3
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MINISTRY OF FINANCE
FINANCIAL INSTITUTIONS COMMISSION
ISSUE NOTE

s.13; s.17

Contact:	Tara Richards, CEO	**Phone:**	250-889-8446
Division:	FICOM	**Page:**	2 of 3
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MINISTRY OF FINANCE
FINANCIAL INSTITUTIONS COMMISSION
QUESTION AND ANSWERS

ISSUE: B.C. Credit Union Commercial Real Estate (CRE) Loans

Question: How will FICOM work with the industry to understand this request?

Answer:

- FICOM is committed to maintaining its positive working relationship with industry and part of that means understanding concerns regarding constraints impacting credit union lending.

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Contact: Tara Richards, CEO
Phone: 250-889-8446
Division: FICOM

File Name: Commercial Lending and Capital Rules

MINISTRY OF FINANCE
FINANCIAL INSTITUTIONS COMMISSION
ISSUE NOTE

ISSUE: Home Warranty Insurance

ADVICE AND RECOMMENDED RESPONSE:

- FICOM issued an advisory letter in 2016 to all insurers authorized to write home warranty insurance in BC, laying out regulatory concerns and expectations.
- And in March FICOM released a press release reminder to consumers in partnership with BC Housing.
- FICOM expects home warranty insurers to intervene in a timely way to resolve warrantable defects in new homes, and more generally to treat consumers fairly during the lifecycle of insurance products.
- FICOM is undertaking examinations of home warranty insurers operating in British Columbia, following ongoing complaints from consumers.
- FICOM recently entered into a voluntary compliance agreement with Travelers Insurance Company of Canada after finding deficiencies in claim dispute processes and the timeliness of resolving warrantable defects in new homes.
- Further questions on home warranty insurance should be directed to FICOM.

KEY FACTS:

- On January 13, 2016 the Financial Institutions Commission issued an advisory letter to insurers authorized to write home warranty insurance in British Columbia which set out FICOM's expectations around the treatment of home warranty insurance as a contract of first resort, not a surety, and highlighted legislative requirements concerning the timely handling of home warranty insurance claims.
- FICOM staff completed an examination of Travelers Insurance Company of Canada (Travelers) claims handling practices for home warranty insurance, including review of 20 claims files obtained on February 27th, 28th and March 1st, 2017 and a review

of 5 additional claims files submitted by Travelers on June 8, 2018 as reflective of its current claims handling practices.

- The 5 more recent claim files from the secondary review were generally handled appropriately and consistent with FICOM's expectations, but staff found that the other claim files reviewed did not respond adequately to FICOM's Advisory Letter.
- The Financial Institutions Act (FIA) provides the authority for FICOM to intervene where an insurance company conducts business in a manner that might reasonable be expected to harm the interests of consumers.
- FICOM therefore entered into a formal voluntary compliance agreement with Travelers, pursuant to the FIA, and is publishing it to ensure the public is informed of their rights as consumers and to encourage compliance by Travelers and other insurance companies offering home warranty insurance.
- FICOM is continuing to examine the claims practices of other home warranty insurers operating in British Columbia.
- On March 21, 2019 FICOM will issue a joint press release with BC Housing to make consumers more aware of their rights under home warranty insurance coverage in British Columbia.

MINISTRY OF FINANCE
FINANCIAL INSTITUTIONS COMMISSION
QUESTION AND ANSWERS

ISSUE: Home Warranty Insurance

Question: Why do so many home buyers seem to have trouble with home warranty claims?

Answer:

- While insurers are fully responsible for home warranty claims, typically the initial review of the claim is conducted by the builder on behalf of the insurer through a site visit.
- Coordinating site visits between homeowners and builders can cause delay as can the subsequent coordination between the many different parties including the builder, the insurance company and any number of other contractors and trades people responsible for repairs.
- FICOM observed that in some cases, insurance companies were not sufficiently engaged with builders to ensure timely settlement of home warranty claims. When it comes to home warranty insurance, ultimately the insurer is responsible first.
- In FICOM's view insurers have not been getting involved early enough to solve problems you're seeing in the media.
- And accordingly, consumers feel they are not being treated fairly.

Question: What is the purpose of a voluntary compliance agreement with Travelers Insurance?

Answer:

- The agreement is based on an agreed set of facts that the regulator has presented to a company when the company's business practices do not meet our regulatory expectations.
- Through this voluntary compliance agreement, Travelers Insurance undertakes to deliver specific, meaningful and timely action to remedy deficiencies.

- Through these agreements, the company acknowledges deficiencies and the regulator sets a marker for the company's commitment to address the deficiency from that point forward.
- The agreements also act as a timely reminder to industry that the regulator is watching.

Question: How many British Columbians have been harmed by home warranty insurance practices?

Answer:

- This is hard to quantify because not all complainants come to FICOM or BC Housing. But you can see from the number of complainants that go to the media that the harms that are experienced are emotionally and financially significant for some homeowners.
- Poor home warranty practices are probably impacting more British Columbians today than in the past given residential construction boom and more people living in strata arrangements. That was part of the reason for the FICOM warning to industry in 2016.

MINISTRY OF FINANCE
FINANCIAL INTITUTIONS COMMISSION
ISSUE NOTE

ISSUE: Mortgage Broker Regulation

ADVICE AND RECOMMENDED RESPONSE:

- The Registrar of Mortgage Brokers (Registrar) at the Financial Institutions Commission (FICOM) is committed to addressing mortgage broker misconduct.
- Mortgage fraud, unregistered activity, and improper private lending practices are treated as high priorities.
- These practices place consumers at risk of getting mortgages they can't afford, lenders at risk of making loans they otherwise would not have made and undermine the integrity of real estate and financial marketplaces.
- Since 2015 the Registrar's Office has observed an increase in incidents of mortgage broker misconduct leading to enforcement actions.
- The Registrar's proactive examinations program includes private lending and misconduct can trigger orders to cease lending activities or a review of the lender's ongoing suitability to be registered.
- FICOM is vigilant of the mortgage broker sector and engages with regulatory and law enforcement partners including FINTRAC.
- Further questions should be directed to the Registrar of Mortgage Brokers at FICOM.

KEY FACTS:

- Recent media commentary has tied various forms of criminal and other misconduct to the B.C. real estate sector, including money laundering, tax evasion, and fraud.
- Under the *Mortgage Brokers Act*, registered mortgage brokers and mortgage lenders are prohibited from engaging in "conduct prejudicial to the public interest".

MINISTRY OF FINANCE
FINANCIAL INTITUTIONS COMMISSION
ISSUE NOTE

- The Registrar uses that power to address misconduct by registrants including application fraud, where a broker misrepresents borrower information to secure a mortgage from a lender.
- From 2015 the Registrar's Office experienced an over 250% increase in reported incidents of mortgage fraud, and this trend is continuing. In many cases mortgage application fraud involves unregistered mortgage brokers working with registered brokers and other market participants from the real estate sector to facilitate the fraud.
- The Registrar can also find registrants unsuitable for engaging in activities such as predatory lending, fronting loans on behalf of unregistered mortgage brokers, and participating in "harsh and unconscionable" transactions.
- The Registrar maintains strong relationships with other regulators and law enforcement agencies that touch the real estate sector, including FINTRAC, police, BC Securities Commission, and the Superintendent of Real Estate.

MINISTRY OF FINANCE
FINANCIAL INTITUTIONS COMMISSION
QUESTION AND ANSWERS

ISSUE: Mortgage Broker Regulation

Question: Are there any mortgage brokers or private lenders involved in money laundering?

Answer:

- The Registrar is working with both Dr. Peter German and the Expert Panel on Money Laundering led by Professor Maureen Maloney on their reviews of money laundering in the BC real estate marketplace.
- The Registrar has reminded industry that while mortgage brokers are not subject to formal FINTRAC reporting requirements, they should voluntarily report suspected money laundering to FINTRAC and other appropriate law enforcement authorities.
- Mortgage broker industry vulnerability to money laundering includes private lending, where lenders may place greater emphasis on the value of the property than borrower characteristics (for example, source of income or funds to repay loans).

Question: How prevalent is fraud in the mortgage industry?

Answer:

- The Registrar of Mortgage Brokers (Registrar) at the Financial Institutions Commission (FICOM) is committed to addressing mortgage broker misconduct.
- Mortgage fraud is a high priority. These practices place consumers at risk of being placed into mortgages they can't afford, lenders at risk of making loans they otherwise would not have made and undermine the integrity of real estate and financial marketplaces.
- Since 2015 the Registrar's Office has observed an increase in incidents of mortgage fraud and related enforcement actions. The Registrar's

Office works closely with regulatory and law enforcement partners to disrupt misconduct that stretches across regulatory and criminal jurisdictions.

- The Registrar's investigation and proactive examinations programs provides vigilance over private lenders, brokerages and individual brokers and any misconduct can trigger financial penalties and orders to cease certain activities, or outright cancellation of registration.

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

ISSUE: Gender Equity Office Overview

ADVICE AND RECOMMENDED RESPONSE:

- Government is committed to gender equality and ensuring that all British Columbians are able to reach their full potential.
- That is why our government appointed a new Parliamentary Secretary for Gender Equity in February 2018 to serve under the direction of the Minister of Finance.
- A Gender Equity Office was established in mid-April 2018 to support the Parliamentary Secretary's mandate and to ensure that gender equity is a priority across government.
- Gender-Based Analysis Plus (GBA+) is currently being implemented across the public service as a way of ensuring that gender and diversity concerns are recognized in all government decision-making.

KEY FACTS:

- There are three Full-Time Equivalents (FTEs) in the Gender Equity Office – Assistant Deputy Minister, Executive Administrative Assistant, and Policy Director.
- The Parliamentary Secretary is also supported by a Government Communications and Public Engagement Manager.
- For fiscal 2019-20, the overall operating cost for the Parliamentary Secretary including staffing, travel and general operating costs is forecasted to be $500,000.
- In addition to salaries and benefit costs, modest staff travel and some general operating costs for business/office expenses are included in the budget.
- Regular reports on progress are provided by the Gender Equity Office to the Minister of Finance against the mandate provided by government to ensure accountability.
- Key Gender Equity Office achievements since mid April 2018 include:
    - Establishment and human resourcing of the Gender Equity Office in the Ministry of Finance.

- Development of training materials and implementation of training in Gender-Based Analysis Plus (GBA+) across the public service.
- Inclusion of GBA+ in all Cabinet and Treasury Board submissions.
- Approximately 2,000 public servants have completed online GBA+ training between August 1, 2018 and March 1, 2019.
- Approximately 657 public servants have participated in GBA+ workshops between August 1, 2018 and March 1, 2019.
- A total of 3,175 public servants have been exposed to training and/or presentations regarding GBA+ to date.
- BC has re-established itself as an active member of the National Forum on the Status of Women and has assumed the role of Co-Chair with the federal government from October 2018-December 2019.
- Policy advice on gender and diversity issues has been provided by the Gender Equity Office into a wide variety of government initiatives including:
  - Child Care;
  - Poverty Reduction Legislation and Plan;
  - CleanBC;
  - Environmental Assessment Revitalization;
  - Human Rights Commission; and
  - Mental Health and Addictions Strategy.

BACKGROUND:

- Gender equality has yet to be achieved in British Columbia. This is evidenced by the fact that:
  - BC has the third largest gender pay gap in Canada, at 22.6%[1];
  - Women, especially racialized women, Indigenous women, LGTBQ2S+, and women with disabilities, are overrepresented in all poverty statistics and comprise the majority (62%) of the minimum wage workforce[2];
  - LGBTQ2S+ British Columbians continue to experience lower socio-economic outcomes, and still face many barriers to inclusion;

[1] Conference Board of Canada. 2016.
[2] Statistics Canada, Market Basket Measure 2016.

- Gender-based violence remains very prevalent, with approximately 50% of British Columbian women having experienced sexual or physical violence in their lifetimes[3];
- On February 15, 2018 Premier Horgan announced government's commitment to advance gender equality and appointed Mitzi Dean MLA for Esquimalt-Metchosin Parliamentary Secretary for Gender Equity (the Parliamentary Secretary).
- The Parliamentary Secretary has the following mandate:
    - Ensure gender equity is reflected in government budgets, policies and programs;
    - Co-ordinate cross-government action on gender issues, including gender violence, gender equality and women's economic empowerment;
    - Track progress on the National Inquiry into Missing and Murdered Indigenous Women;
    - Liaise with feminist and women's organizations; and
    - Promote gender equity and leadership at senior levels in the public and private sector.

BUDGET:

Budget	**2017/18 Actuals**	**2018/19 Budget**	**2019/20 Budget**
Salaries and Benefits	n/a	n/a	$446,000
Travel	n/a	n/a	$20,000
General Operating	n/a	n/a	$35,000
Total Operating Expenses	n/a	n/a	**500,000**

[3] Statistics Canada, The Violence Against Women Survey, The Daily, November 18, 1993 and Demography Division, Statistics Canada, Ottawa. Prepared and presented by: BC Stats, Service BC, Ministry of Citizens' Services, Victoria.

APPENDIX I

Gender Equity Mandate – Progress

Mandate Commitment	How Achieved
1. Ensure gender equity is reflected in government budgets, policies and programs	• Implementation of Gender-based Analysis Plus (GBA+) across government ○ Approximately 2,000 public servants have completed online GBA+ training between August 1, 2018 and March 1, 2019; ○ Approximately 657 public servants have participated in GBA+ workshops between August 1, 2018 and March 1, 2019; ○ A total of 3,175 public servants have been exposed to training and/or presentations regarding GBA+ to date.
2. Co-ordinate cross-government action on gender issues, including gender violence, gender equality and women's economic empowerment	• Establishment of the Gender Equity Office (GEO) • ADM involvement in cross-government ADM Committees ○ ADM Committee Natural Resources (ADMCNR) ○ ADMC Social Initiatives (ADMCSI) ○ ADMC Shared Sustainable Prosperity (ADMCSSP) ○ Executive Committee on Diversity & Inclusion (ECDI) ○ ADM Draft 10 Principles Committee
3. Track progress on the National Inquiry into Missing and Murdered Indigenous Women	• Regular updates from Ministry of Public Safety & Solicitor General (PSSG)
4. Liaise with feminist and women's organizations	• From February 2018 to March 2019, Parliamentary Secretary Dean has: ○ attended/presented at 29 gender equity events; ○ met with 57 stakeholders (individuals and organizations) including: Single Mothers' Alliance, Battered Women's Support Services (BWSS), Coalition of Childcare Advocates of BC, WestCoast LEAF, Rainbow Health Co-op, Equal Voice, Northern FIRE, Ministers' Advisory Council on Indigenous Women, Women Deliver.
5. Promote gender equity and leadership at senior levels in the public and private sector.	• ADM Gender Equity on Diversity & Inclusion Executive Committee in public service • PS Dean attended Minerva Foundation event to promote women's leadership in private sector • Crowns Agencies and Boards Resourcing Office (CABRO) in Ministry of Finance has set targets in Service Plan for public sector appointments

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

ISSUE: Gender-Based Analysis Plus (GBA+) Implementation

ADVICE AND RECOMMENDED RESPONSE:

- Government is committed to gender equality and to ensuring that all British Columbians can reach their full potential.
- A significant part of the Parliamentary Secretary for Gender Equity's mandate is to ensure gender equity is reflected in government budgets, policies and programs.
- Gender-Based Analysis Plus (GBA+) is an analytical tool that is being implemented across the BC public service to ensure that gender and diversity issues are considered as part of policy, budget, and program development processes.
- GBA+ helps us understand how diverse groups of women, girls, men, boys, and gender diverse people experience public policy in British Columbia.
- In B.C., GBA+ has been adapted to more clearly recognise indigenous women's perspectives and the unique immigrant composition of British Columbia.

KEY FACTS:

- When GBA+ is applied to budgets, policies or programs, it looks at who, based on gender and other intersecting identity factors, benefits and who is excluded. This helps us ensure that we are able to respond to the diverse needs of different British Columbians.
- The B.C. government is using a phased approach to implement GBA+, starting with Budget 2019 followed by inclusion in Policy Development in 2019/20 and Program Alignment in 2020/21. GBA+ is now a required component of all Cabinet and Treasury Board submissions.
- GBA+ is a method of analysis that will be incorporated into existing government processes for decision-making, budgeting, and delivering programs and services. As

such, costs for implementing GBA+ will be managed by ministries within their existing budgets.

- A portion of the Gender Equity Office budget (total staffing and operational budget - $500k) involves training, coordination and monitoring and reporting for GBA+ implementation.
    - Approximately 2,930 public servants have completed online GBA+ training between August 1, 2018 and April 1, 2019.
    - Approximately 892 public servants have participated in GBA+ workshops between August 1, 2018 and April 1, 2019.
    - A total of 5,143 public servants have been exposed to training and/or presentations regarding GBA+ to date.
- GBA+ implementation in BC has benefited from the prior experience of other jurisdictions. In particular, additional training, collaboration, and accountability mechanisms have been put in place to ensure greater compliance across government.

BACKGROUND:

- Gender-Based Analysis Plus (GBA+) has its origin in the 1995 Beijing UN Conference and Platform for Action, when the Government of Canada committed to use gender-based analysis in all federal departments.
- The implementation of GBA+ in the federal government has been a non-partisan, public service initiative. s.16

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- In British Columbia, the Gender Equity Office was set up in the Ministry of Finance in April 2018 and on July 13 of this year, the Deputy Minister Council approved a 3-year GBA+ implementation plan for the British Columbia public service.
- The majority of provinces and territories and the federal government use a form of gender-based analysis for policy and decision-making. Only Nunavut and NWT do not use gender-based analysis.
- Internationally, 160+ governments and international/regional institutions have made using a tool like GBA+ a key component of their policy-making process.

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

ISSUE: Pay Equity

ADVICE AND RECOMMENDED RESPONSE:

- Many women in B.C. are still making less than men for doing work of equal value.
- In fact, B.C. has the third largest gender pay gap in Canada, at 22.6%, according to the Conference Board of Canada.[1]
- This gap widens when we consider the pay gap faced by Indigenous women, women of colour, women with disabilities and transgender women.
- There are many reasons for this, including systemic discrimination.
- Women are the majority of part-time and minimum wage workers and are more likely to be in lower paid positions than men.
- Women also face barriers to employment due to a lack of access to affordable childcare.
- Removing barriers like these is important to our government and will have a significant impact on the gender pay gap.

KEY FACTS:

- Legislation is only one means to address the pay gap. Most jurisdictions employ a wide variety of mechanisms to address the gender pay gap.
- Here in B.C., government is addressing the fundamental drivers of the pay gap in a number of ways.
- For example, government has:
  - Made a historic $1 billion investment in a universal childcare plan so everyone has access to affordable, quality childcare and so that no parent is forced to choose between their career and family.

[1] Conference Board of Canada. 2016.

- Research shows that investing in child care is the single most significant thing that can be done to reduce the gender pay gap by increasing women's full-time participation in the labour market.
- Government is incrementally raising the general minimum wage to $15.20 per hour by 2021. Women – and especially women of colour – make up a disproportionately large segment of the minimum wage workforce in B.C. (62%).[2]
- The minimum wage is also being raised for liquor servers, liquor servers are predominantly women. Workers in that industry will receive at least the general minimum wage that applies to all other workers.
- As part of Budget 2019, government has introduced the new B.C. Child Opportunity Benefit, that will support children up to the age of 18 for qualifying families. The benefit will improve the lives of hundreds of thousands of children and families, including single mothers, and will help to reduce child poverty.
- Government is also eliminating interest on B.C. student loan debt. The majority of student loan holders in B.C. are women. This will allow young women with student loan debt to get off to a better start with their careers.
- The Poverty Reduction Strategy Act commits BC to reducing overall poverty by 25% and child poverty by 50% over five years. The legislation states that the minister must establish a committee to advise on matters relating to poverty reduction and prevention; at least half of the members of the advisory committee must be women.
- Government is also working to ensure diverse voices are heard by increasing the representation of women and other under-represented groups on public sector boards.
- Finally, government is supporting increased participation of women in male-dominant skilled trades by providing enhanced employment and skills training. The Community Benefits Agreement is an important action to provide equity for women, by providing more opportunities for women in good paying jobs – like construction.

BACKGROUND:

B.C. Human Rights Code

- Currently in B.C., the Human Rights Code governs many aspects of pay discrimination. Section 12 of the Human Rights Code, R.S.B.C. 1996, c. 210 (the

[2] Statistics Canada, Market Basket Measure 2016.

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

"Code") provides that the same employer cannot discriminate between employees doing similar or substantially similar work on the basis of sex. Section 12(2) sets out the concept of "similar or substantially similar work" must be based on the concept of skill, effort and responsibility.

- An employee who feels they have experienced discrimination in wages can file a complaint with the BC Human Rights Tribunal (the "Tribunal"). Under section 12(5), a complaint must be filed within 12 months. It is important to note that Section 12 protection does not extend to ensuring that employees receive equal pay for equal value across the labour market, but only ensures that employees employed by the same employer receive equal pay for similar or substantially similar work.

Pay Equity Policy Framework

The province's public sector does have pay equity policy. In September 1995, the Pay Equity Policy Framework came into effect for provincial public servants. This required employers to engage in a joint process with their bargaining agents or employee representatives to develop pay equity plans. A pay equity plan was a document that set out the results of a review and analysis of pay practices within the bargaining unit or employee group. The plan identified the female predominant jobs in the public service that required pay equity adjustments and the schedule for making those adjustments. The framework was designed to support both union and excluded employees.

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Proposed Bill: Equal Pay Reporting Act

- On March 7, 2019 MLA Stephanie Cadieux introduced a Bill to address the gender pay gap that passed first reading. The Private Members Bill M203 is an example of pay transparency legislation. Pay transparency legislation establishes requirements for employers to increase the transparency of information regarding compensation and workforce composition in an effort to promote equality of compensation between men and women.
- The proposed legislation applies to businesses with more than 50 employees. In BC, 98% of businesses have fewer than 50 employees. Therefore, this type of legislation would apply to the majority of women workers.

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ISSUE NOTE

Federal Legislation

- On Oct. 29, 2018, the federal government announced new legislation – *An Act to Establish a Proactive Pay Equity Regime within the Federal Public and Private Sectors* (Pay Equity Act), proposed amendments to the *Canadian Human Rights Act* (CHRA) and the *Parliamentary Employment and Staff Relations Act* (PERSA).
- The federal government's proposed Act will apply to federally regulated public and private sector employers with 10 or more employees as well as Ministers' Offices. This new pay equity legislation seeks to ensure that women working in federally regulated workplaces receive equal pay for work of equal value. It is estimated that the new law will apply to 1.2 million Canadians.
- The new *Pay Equity Act* will:
    - Require employers to establish a pay equity plan within 3 years of becoming subject to the Act that monitors compensation practices;
    - Establish a Pay Equity Commissioner within the Canadian Human Rights Commission to administer and enforce the Act, including compliance audits and facilitating dispute resolution.

Other Provinces:

- Pay equity – "equal pay for work of equal value" - is legally required in separate pay equity legislation for the public sector in Manitoba, Nova Scotia, New Brunswick and Prince Edward Island and for the public and certain private sectors in Quebec and Ontario.
- Pay discrimination on the grounds of gender is prohibited by Human Rights legislation in BC, Alberta, Ontario, Saskatchewan.
- Equal pay for "same or similar work" is a requirement of Employment Standards legislation in Ontario, Manitoba, Saskatchewan, Yukon, Newfoundland and Northwest Territories.
- On March 6, 2018, Ontario announced it would be introducing pay transparency legislation in an effort to narrow the pay gap. The legislation would force firms to disclose salary ranges in jobs ads and also report to the province what they pay their employees. The governing party in Ontario has since changed and this pay transparency legislation is delayed to allow for consultation with business.

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

ISSUE: Gender-Based Violence

ADVICE AND RECOMMENDED RESPONSE:

- All British Columbians deserve to live free of violence and abuse.
- Yet, women, transgender and gender-diverse people continue to face violence for who they are. It is estimated that 50% of women in B.C. will experience physical or sexual violence in their lifetimes.[1]
- Rates of violence and abuse for Indigenous women, transgender women, women of colour and women with disabilities are even higher.
- One of the Parliamentary Secretary for Gender Equity's mandate letter commitments is to coordinate cross-government action on gender violence and ultimately, to ensure that all British Columbians, regardless of their gender identity, socio-economic status, ethnicity, sexual orientation, (dis)ability or any other identity factors are able to live free from the fear of violence.
- In this work, the Parliamentary Secretary works closely with the Ministry of Public Safety and Solicitor General, Housing, Attorney-General, Advanced Education and Skills Training, Education, Social Development and Poverty Reduction, Health, and Mental Health and Addictions.

KEY FACTS:

- Important steps in the past year to support survivors of gender-based violence and eliminate gender-based violence in the future include:
    - Providing $734 million in funding over 10 years to build 1,500 new transition homes for women leaving violence, including critically needed new housing options in more remote and First Nations communities.

[1] Statistics Canada, The Violence Against Women Survey, The Daily, November 18, 1993 and Demography Division, Statistics Canada, Ottawa. Prepared and presented by: BC Stats, Service BC, Ministry of Citizens' Services, Victoria.

Contact: Melanie Stewart **Phone:** 250-213-8764
Division: Gender Equity Office
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  - Supporting organizations assisting women who have experienced sexual assault or violence with an added $18 million over three years so that they can provide critically needed services. This funding is in addition to $5 million in urgent funding provided in 2017 to reduce waitlists and provide counselling, outreach and crisis support.
  - Keeping post-secondary students safe and informed about consent with a province-wide campaign to prevent sexualized violence on campuses.
  - Increasing cellular service and building a new cell tower along Highway 16 to help keep women and girls safe along the Highway of Tears. Bringing new wireless service to the area will also improve people's access to education and health care, and support businesses that are helping to grow the local economy.
  - Making sure people, especially women and girls, have safe and affordable travel in northern B.C. by establishing BC Bus North, a long-haul northern bus service.
  - Providing $2 million in funding for the Moosehide campaign and $100,000 for the More Than a Bystander campaign to support violence prevention.

BACKGROUND:

- On February 15, 2018 Premier Horgan announced government's commitment to advance gender equality and appointed Mitzi Dean MLA for Esquimalt-Metchosin Parliamentary Secretary for Gender Equity (the Parliamentary Secretary).
- The Parliamentary Secretary has the following mandate:
  - Ensure gender equity is reflected in government budgets, policies and programs;
  - Co-ordinate cross-government action on gender issues, including gender violence, gender equality and women's economic empowerment;
  - Track progress on the National Inquiry into Missing and Murdered Indigenous Women;
  - Liaise with feminist and women's organizations; and
  - Promote gender equity and leadership at senior levels in the public and private sector.

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

ISSUE: Gender Equity and Leadership in Public and Private Sectors

ADVICE AND RECOMMENDED RESPONSE:

- Government is committed to gender equality.
- That is why BC's cabinet is gender-balanced and why we have one of the most diverse caucuses in the history of British Columbia. Diverse voices lead to better outcomes for all British Columbians.
- The Parliamentary Secretary for Gender Equity's mandate includes a commitment to promote gender equity and leadership in the public and private sectors because we know that having diverse perspectives at the table leads to better decision-making.
- Already, progress has been made to increase women's representation on public sector boards, and work continues to promote greater diversity in the private sector as well.

KEY FACTS:

- In 2017 41.5% percent of public sector board appointments were held by women. The go-forward plan to increase representation includes a voluntary baseline survey of gender and diversity breakdowns in current agency, board and commission (ABC) provincial appointees, and proactive communications strategy across all demographic groups and regions to encourage a more diverse applicant pool for board positions.
- Diversity is also important. To support strong boards that reflect the diversity of our province, women, visible minorities, Indigenous Peoples, persons with disabilities, persons of diverse sexual orientation, gender identity or expression (LGBTQ2S+), and others who may contribute to diversity in public sector board appointments are encouraged to put their names forward for appointments.
- While there have been gains in representation of women on public sector boards, the private sector still has a way to go. The Minerva foundation reports that in 2018, amongst B.C.'s Top 50 Companies only 22% of private board members were women.

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

- The Parliamentary Secretary is working with organizations like the Minerva Foundation to encourage the private sector to increase the representation on their executives as well.
- A Diversity and Inclusion Action Plan was launched by the Public Service Agency in 2017. This plan includes actions to encourage greater representation of under-represented groups and create more inclusive workplaces for all public servants.

BACKGROUND:

- On February 15, 2018 Premier Horgan announced government's commitment to advance gender equality and appointed Mitzi Dean MLA for Esquimalt-Metchosin Parliamentary Secretary for Gender Equity (the Parliamentary Secretary).
- The Parliamentary Secretary has the following mandate:
  - Ensure gender equity is reflected in government budgets, policies and programs;
  - Co-ordinate cross-government action on gender issues, including gender violence, gender equality and women's economic empowerment;
  - Track progress on the National Inquiry into Missing and Murdered Indigenous Women;
  - Liaise with feminist and women's organizations; and
  - Promote gender equity and leadership at senior levels in the public and private sector
- The Ministry of Finance began tracking the number of women represented on public sector boards in the Service plan in 2018/19.

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

ISSUE: B.C. Co-chair of National Status of Women Forum

ADVICE AND RECOMMENDED RESPONSE:

- Government is committed to advancing gender equality in British Columbia and to ensuring that all British Columbians have the opportunity to reach their full potential.
- After close to two decades without any significant presence on the National Forum on the Status of Women Minister's table, British Columbia is proud to once again have a seat at the table and to take on a leadership role in identifying priorities to advance gender equality across Canada.
- And already B.C. is making its presence felt, with B.C. co-chairing two out of nine Task Teams. This includes a Task Team focussed on Indigenous issues (especially with respect to violence against Indigenous women and girls) and – for the first time ever - new Task Team (initiated and co-chaired by B.C.) on LGBTQ2S+ Inclusion.

KEY FACTS:

- Annual costs for the Parliamentary Secretary and senior officials to participate in National Status of Women Forum teleconferences and initiatives will be managed within the existing Gender Equity Office annual budget of $500,000.

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- By co-chairing the National Status of Women Forum, British Columbia gains key insights into best practices related to gender equity across the country and ensures that B.C.'s priorities inform national objectives for the next year.

Contact:	Melanie Stewart	**Phone:**	250-213-8764
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GENDER EQUITY OFFICE
ISSUE NOTE

- To this end, B.C. has put on the national agenda, a clear focus on solutions to address the violence that continues to face Indigenous women and girls and, for the first time ever, a federal/provincial/territorial focus on the current state of LGBTQ2S+ populations in Canada.

BACKGROUND:

- On February 15, 2018, Premier Horgan announced government's commitment to advancing gender equality and appointed MLA Mitzi Dean as Parliamentary Secretary for Gender Equity.
- Part of the Parliamentary Secretary's duties includes representing the Province of British Columbia on the Federal/Provincial/Territorial table on the Status of Women. The ADM and Director of Policy in the Gender Equity Office, Ministry of Finance support this role. This function was formerly managed by a junior Director of Women's and Maternal Health in the Ministry of Health without elected official support.
- Prior to the appointment of the Parliamentary Secretary for Gender Equity, the Province of B.C. had had no elected official attendance at the Status of Women table. British Columbia has not hosted a Status of Women Minister's meeting since the year 2000.
- In late July 2018, Government of Canada senior officials responsible for the Status of Women FPT table asked B.C. to assume the Co-chair responsibility for the Status of Women table beginning in October 2018 and ending with B.C. hosting the Status of Women Ministers Meeting in Victoria in October 2019. This invitation recognized the re-engagement of the Province of BC on the Status of Women file and B.C.'s place in the provincial rotation of Co-chairs.

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

ISSUE: Gender Equity Progress Summary

ADVICE AND RECOMMENDED RESPONSE:

- We are well into the 21st century, but it's still true in B.C. that women earn less on average than men, are more likely to work in part-time, insecure work environments, and have lower representation in leadership positions.
- In addition, while everyone has the right to live without fear and violence, women, transgender and gender-diverse people continue to face violence for who they are.
- Finally, there are still systemic barriers to full equality that exclude LGBTQ2S communities from fully participating in society.
- Government is committed to advancing gender equality by 1) advancing women's economic and political empowerment 2) eliminating systemic barriers to equality and 3) ending gender-based violence.
- Significant progress has been made in the last year toward these goals. But there is much more to do.

KEY FACTS:

Actions to advance economic and political empowerment

- Investing $1 billion in a made-in-B.C childcare plan that will ensure tens of thousands of families have access to quality, affordable child care. This allows more women to participate in the workforce, fosters economic independence and security, and supports a healthy, growing economy.
- Supporting the child care workforce, the majority of whom are women, through enhanced wages, training and development opportunities.
- Mandating that half of the members of the Poverty Reduction Plan Advisory Committee be women and requiring that the gendered nature of poverty be considered in all actions.

MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

- Implementing Gender-Based Analysis Plus (GBA+) throughout B.C.'s policy processes to comprehensively identify and address the impacts of government policy on diverse population groups.
- Expanding women's access to education and training in STEM (science, technology, engineering, and math), through programs and funding including a $250,000 grant to the Achieve Anything Foundation.
- Raising the minimum wage to $15 by 2020, and including liquor servers, the majority of whom are women.
- Expanding opportunity under the new Community Benefits Agreements so that women, youth and Indigenous peoples will have access to employment, training and apprenticeship opportunities on major infrastructure projects.
- Providing $350,000 to the We for She Conference to support the advancement of women in the workplace.
- Ensuring diverse voices are heard by increasing the representation of women and other under-represented groups on public sector boards.

Actions to End Gender-Based Violence

- Providing $734 million in funding over 10 years to build 1,500 new transition homes for women leaving violence, including new housing options in remote and First Nations communities.
- Supporting organizations that assist women who have experienced sexual assault or violence with an added $18 million over three years. This funding is in addition to $5 million in urgent funding provided in 2017 to reduce waitlists and provide counselling, outreach and crisis support.
- Preventing sexualized violence on post-secondary campuses through a province-wide campaign.
- Increasing cellular service and building a new cell tower along Highway 16 to help keep women and girls safe along the Highway of Tears.
- Making sure women and girls have safe and affordable travel in northern B.C. by establishing BC Bus North, a long-haul northern bus service.
- Providing $2 million in funding for the Moosehide campaign and $100,000 for the More Than a Bystander campaign in order to support violence prevention.

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GENDER EQUITY OFFICE
ISSUE NOTE

Actions to Eliminate Systemic Barriers to Equality

- Re-establishing the provincial Human Rights Commission, to promote a more inclusive and just society for all.
- Expanding legal aid with a $26 million-dollar investment, to improve access to affordable, quality legal services.
- Creating new options for gender identification on provincial documents, so that every British Columbian is able to self-identify in a way that reflects their experience.
- Launching the Diversity and Inclusion Action Plan in B.C.'s Public Service Agency to ensure our public service reflects the diversity of British Columbians.

BACKGROUND:

- On February 15, 2018 Premier Horgan announced government's commitment to advance gender equality and appointed Mitzi Dean MLA for Esquimalt-Metchosin Parliamentary Secretary for Gender Equity (the Parliamentary Secretary).
- The Parliamentary Secretary has the following mandate:
    - Ensure gender equity is reflected in government budgets, policies and programs;
    - Co-ordinate cross-government action on gender issues, including gender violence, gender equality and women's economic empowerment;
    - Track progress on the National Inquiry into Missing and Murdered Indigenous Women;
    - Liaise with feminist and women's organizations; and
    - Promote gender equity and leadership at senior levels in the public and private sector.

MINISTRY OF FINANCE
BRITISH COLUMBIA SECURITIES COMMISSION
ISSUES NOTE

NAME: British Columbia Securities Commission (BCSC)

ADVICE AND RECOMMENDED RESPONSE:

- The BCSC has adopted a Fintech Strategy that includes the formation of a dedicated Tech Team, the launch of an online Tech Survey, and participation in B.C. Tech Summit Conferences.
- The objectives of the strategy are to support the emergence of fintech and other innovations that may attract and contribute to investment opportunities in B.C., without compromising investor protection. The BCSC aims to help fintech companies with securities law compliance and to provide greater regulatory certainty.

s.13

BACKGROUND:

- The BCSC strategy includes:
    - industry outreach
    - a multi-pronged consultation process, which in the past year included:
        - a notice and request for comment on the securities law framework for fintech regulation that explored potential measures to clarify or modernize B.C. securities laws for stakeholders (published February 2018)
        - ad-hoc consultation with B.C. stakeholders though participation in relevant events and one-on-one consultation with identified stakeholders
        - targeted questionnaires to, and meetings with, operators of crypto-asset trading platforms, s.13

          s.13

MINISTRY OF FINANCE
BRITISH COLUMBIA SECURITIES COMMISSION
ISSUES NOTE

- a technology webpage on the BCSC website, where B.C. technology companies, entrepreneurs, and stakeholders can find relevant information and tools that apply to their specific needs
- a dedicated Tech Team as a point of contact for the fintech industry
- social media outreach to promote the tools and resources available to fintech companies

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- In February 2017, the Canadian Securities Administrators (CSA), including the BCSC, created the Regulatory Sandbox initiative. The initiative seeks to facilitate and expedite harmonized registration and exemptive relief across provinces to support the growth of Canada's fintech industry.

s.16

- The BCSC participated in the B.C. Government's March 2017 and March 2018 B.C. Tech Summits and plans to attend the 2019 B.C. Tech Summit in March. The B.C. Tech Summit provides an opportunity to help fintech and other technology companies understand the securities regulatory framework and to support opportunities for accessing capital.

QuadrigaCX and Crypto-Asset Trading Platforms

- In response to media inquiries about the trading platform QuadrigaCX, the BCSC has publicly stated that it does not regulate that platform, based on the information that the BCSC has obtained to date.
- In June 2018, the CSA, which includes the BCSC, released an investor alert warning Canadians of the risks of crypto-asset trading platforms, and urging Canadians to be cautious when considering buying crypto assets through trading platforms.

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- The BCSC is working with the CSA to develop a regime for the regulation of crypto-asset trading platforms that the BCSC has jurisdiction over. On March 14, 2019 the CSA published Consultation Paper 21-402 Proposed Framework for Crypto-Asset Trading Platforms.

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Drafting a National Instrument to Replace B.C. Instrument 45-535 Start-up Crowdfunding Registration and Prospectus Exemptions

- On February 21, 2019, the CSA announced in CSA Staff Notice 45-324 that it was developing a national instrument for securities crowdfunding. This would provide greater regulatory harmony compared to the present situation of having three different securities crowdfunding regimes among the provinces. Securities crowdfunding refers to raising small amounts of capital from a large number of people, usually over the internet.
- CSA Staff Notice 45-325 noted that the national instrument would have the same key features as currently present in B.C. Instrument 45-535 *Start-up Crowdfunding Registration and Prospectus Exemptions* (BCI 45-535), with targeted amendments to improve harmonization and the effectiveness of crowdfunding as a capital-raising tool for start-ups and early-stage businesses. s.13; s.16

s.13; s.16

s.13; s.14

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International Initiatives and Cooperation

- The BCSC is a member of the Global Fintech Innovation Network (GFIN), a global fintech initiative which involves approximately 30 financial regulators and related organizations globally. GFIN seeks to provide a more efficient way for innovative firms to interact with regulators and navigate the legal frameworks of different countries. BCSC is offering, in conjunction with other GFIN members, an opportunity for qualified firms to engage in cross-border pilot tests of their business models in a sandbox regulatory environment.
- The BCSC is also an active participating member of several fintech-focused initiatives, and through these initiatives is working toward harmonized Canadian and global approaches to fintech regulation. These include:
    - The International Organization of Securities Commissions (IOSCO) ICO Network, which shares global information and developments relating to initial coin offerings.
    - The IOSCO Fintech Network, which contains global work streams focusing on fintech innovation hub structures, regulatory technology, distributed ledger technology, and artificial intelligence/machine learning.

FINTECH Activity in BC

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s.13 Robo-advisors use computer algorithms to generate advice for investors at a reduced cost. Peer-to-peer lenders provide an alternative to traditional bank loans by connecting borrowers with third party lenders.

s.13

- There are currently no registered or recognized entities operating cryptocurrency trading platforms in B.C.

MINISTRY OF FINANCE
BRITISH COLUMBIA SECURITIES COMMISSION
ISSUES NOTE

NAME: Enforcement and Collections

ADVICE AND RECOMMENDED RESPONSE:

Collections

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s.13

Contact:	Peter Brady	**Phone:**	604 899-6570
Division:	British Columbia Securities Commission	**Page:**	1 of 5
File Name:	Enforcement and Collections		

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ISSUES NOTE

Criminal Enforcement

s.13

- With the recently approved fee increases, the BCSC is expanding the criminal investigations team.

CURRENT STATUS:

Media Coverage

- In September 2018, the Vancouver Sun reported that the BCSC had filed additional claims in B.C. Supreme Court against fraudster Earle Douglas Pasquill and his wife, increasing the value of assets being sought to $20 million.
- In December 2018, the Vancouver Sun reported on several outstanding BCSC penalties it had previously reported on in 2017. The story showed that for each of the four cases, BCSC had taken action or was receiving money.
- In January 2019, one of those people was ordered to jail for contempt of court after not appearing for a scheduled hearing about her assets.
- In January 2019, the BCSC announced that investors who had lost money in a massive fraud would be able to get a small portion of their money back, thanks to a settlement with the fraudster that resulted in the sale of his Hawaiian condo.
- In February 2019, the BCSC announced the collection of $4.8 million in penalties collected from assets that were frozen by BCSC during a BCSC investigation of a Ponzi scheme. Those payments to the BCSC came after all investors were reimbursed for their losses, with interest – a total of about $6.5 million was returned to investors.
- The BCSC took action in late November to disrupt a securities trading scheme involving purported consultants (25 people and 26 firms) and 11 small companies listed on the Canadian Securities Exchange, attracting widespread publicity. The investigation of the scheme has expanded to Alberta.

MINISTRY OF FINANCE
BRITISH COLUMBIA SECURITIES COMMISSION
ISSUES NOTE

- The BCSC also is preparing to hear a case about an alleged $47 million fraud involving a once fast-growing insurance group, FS Financial Strategies.

KEY FACTS:

Collections

s.13

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s.13

Enforcement

- Strategy 2.1 of the BCSC's 2019/20 – 2021/22 Service Plan is to act decisively against misconduct through early disruption and timely enforcement.

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TAB BCSC-2

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BRITISH COLUMBIA SECURITIES COMMISSION
ISSUES NOTE

s.13; s.16

s.13

s.13 The BCSC posts on its website the amounts it has collected that is available for claims by investors.

- The BCSC registers all decisions with monetary orders attached with the B.C. Supreme Court. This allows the BCSC to use various collections tools, including:
    - Registering against property interests
    - Conducting examinations in aid to identify assets and sources of income
    - Garnishing personal bank accounts and receivables
    - Seizing personal property
    - Petitioning respondents into bankruptcy or receivership

The BCSC has also invested significant resources in investor education to help British Columbians understand the warning signs of fraud. We want B.C. residents to know how to recognize and reject investment fraud and to report it to the BCSC when they see or suspect it.

s.13; s.17

s.13; s.15

s.13; s.15

- Sentencing of Ayaz Dhanani
- New charges against Richard Gozdek
- Sentencing of Rui Armando Figueiredo

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BRITISH COLUMBIA SECURITIES COMMISSION
ISSUES NOTE

- Sentencing of Craig Cho
- New charges against Richard Good

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BRITISH COLUMBIA SECURITIES COMMISSION
ISSUES NOTE

NAME: Client Focused Reforms

ADVICE AND RECOMMENDED RESPONSE:

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BACKGROUND:

- In June 2018, the Canadian Securities Administrators (CSA) announced that they had agreed on a harmonized proposal for Client Focused Reforms. The reforms would raise the standards of conduct in the industry and lead to better investor outcomes.
- The Client Focused Reforms would require registrants to better understand the securities that they recommend to clients; to better understand their clients before giving them recommendations; and to make recommendations that are not only suitable for their clients but also put their clients' interest first. The Client Focused Reforms would provide greater clarity to registrants about how regulators expect registrants to address material conflicts of interest, and require registrants to avoid using business titles that might mislead a client about the registrant's experience or qualifications.
- The details of the Client Focused Reforms were published June 21, 2018 for a 120-day comment period that ended on October 19, 2018.
- The CSA received 135 comment letters and is currently reviewing and revising the proposed Client Focused Reforms in light of the comments.

KEY FACTS:

- In September 2018, the Ontario government announced that it did not support the mutual fund fee reforms as currently drafted.
- We do not yet know whether the Ontario government will make a similar announcement regarding the Client Focused Reforms.

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ISSUES NOTE

CURRENT STATUS:

- All CSA members have uniformly agreed to implement the Client Focused Reforms as the preferred regulatory option.

Contact: Peter Brady
Phone: 604 899-6570
Division: British Columbia Securities Commission

File Name: Client Focused Reforms

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BRITISH COLUMBIA SECURITIES COMMISSION
ISSUES NOTE

ISSUE: Mutual Fund Fee Reform

ADVICE AND RECOMMENDED RESPONSE:

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KEY FACTS:

- The paper proposing these changes had a 150-day comment period that closed in June 2017. The Canadian Securities Administrators (CSA) received 142 comment letters from various stakeholders.
- The CSA held formal and informal in-person consultations with stakeholders, including one-on-one meetings, speaking engagements, public information sessions and roundtables.
- The BCSC held in-person consultations with industry stakeholders in September 2017, and an open consultation/webinar in October 2017. The Ontario Securities Commission, Alberta Securities Commission and Autorité des marchés financiers also held various consultations throughout fall 2017.
- Feedback received from the comment letters indicated that the majority of industry stakeholders were opposed to a ban on embedded commissions and a mandated move to direct-pay arrangements. The majority of investors and investor advocates supported a ban.
- In June 2018, in conjunction with the CSA client focused reforms project, and taking into consideration the research, analysis and consultations on the proposed reforms noted above, the CSA announced its policy decision to:
    - enhance conflict of interest mitigation rules for dealers and representatives through the client focused reforms to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

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  - prohibit all forms of the deferred sales charge (DSC) option, under which investors are charged a fee if they redeem their investments before a specified period of time
  - prohibit the payment of (trailing) commissions to dealers who do not provide advice in connection with a sale of securities, such as discount brokers
- In September 2018, the CSA published, for a 90-day comment period, proposed amendments to National Instrument 81-105 *Mutual Fund Sales Practices*, to implement the June 2018 policy decision.
- On September 13, 2018, concurrently with the publication for comment of the proposed amendments, Vic Fedeli, Ontario Minister of Finance, issued a press release stating: “Our government does not agree with this proposal as currently drafted. We will work with other provinces and territories and stakeholders to explore other potential alternatives to ensure fair, efficient, capital markets and strong investor protections.”
- The CSA also received 56 comment letters from various stakeholders.

s.13; s.16

BACKGROUND:

- In January 2017, the Canadian Securities Administrators (CSA) published Consultation Paper 81-408 *Consultation on the Option of Discontinuing Embedded Commissions.*
- The paper sought input on the option of discontinuing embedded commissions (commissions paid indirectly by investors to their advisors) and the potential impacts of such a change on Canadian investors and market participants.
- The CSA identified three key investor protection and market efficiency issues stemming from the payment of embedded commissions. Embedded commissions:
  - raise conflicts of interest that misalign the interests of investment fund managers, dealers and representatives with those of investors;
  - reduce investor awareness, understanding and control of dealer compensation costs; and

    - generally do not align with the services provided to investors.

- The CSA sought input on transitioning to direct pay arrangements as a way to manage or mitigate the issues that arise from embedded commissions. The CSA also asked for feedback on possible alternatives that would maintain embedded commissions but still address the CSA's key investor protection and market integrity concerns.

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BRITISH COLUMBIA SECURITIES COMMISSION
QUESTIONS AND ANSWERS

ISSUE: Mutual Fund Fee Reform

Question: s.13; s.16

s.13; s.16

Answer:

s.13; s.16

Question: s.13; s.16

s.13; s.16

Answer:

s.13; s.16

Question: s.13; s.16

s.13; s.16

Answer:

s.13; s.16