



DRAFT #2

Key messages

- Budget 2016 is the B.C. government's fourth-consecutive balanced budget.
- Government is on track to balance the 2015-16 budget with a projected surplus of \$377 million.
- Balanced Budget 2016 forecasts modest surpluses in all three years of the fiscal plan:
 - \$264 million in 2016-17.
 - \$287 million in 2017-18.
 - \$373 million in 2018-19.
- By the end of 2015-16, the direct operating debt will be reduced by \$2.2 billion since government resumed balancing its budget.
- If we adhere to our prudent and disciplined path, we have the opportunity as early as 2020, in just four years, to completely eliminate the operating debt.
- Balanced Budget 2016 invests \$1.6 billion in new and increased spending over three years on core services, in addition to annual 3% increases to the Ministry of Health budget, almost \$500 million of which is funded by lower interest costs from paying down operating debt.
- New and increased investments in government programs and services include:
 - \$3.2 billion over three years added to the Ministry of Health compared to 2015-16.
 - \$217 million for the Ministry of Children and Family Development to support vulnerable youth and their families.
 - \$456 million for the Ministry of Social Development and Social Innovation to support those in need and to increase monthly disability income assistance rates.
 - \$143 million over three years to enhance key areas of the B.C. economy that support jobs in communities, including the new \$75-million Rural Dividend Program to help small communities strengthen and diversify their economies, additional support for youth trades training, building the B.C. wood brand in India, and additional BC Transit funding.

MSP changes

- Changes to Medical Services Plan (MSP) premiums and enhanced premium assistance effective Jan. 1, 2017, will help lower-income families, individuals and seniors with the cost of living.
- With these changes, the calculation of MSP premiums will no longer include children. Instead, the monthly rate for each household will be based only on the number of adults. Effective Jan. 1, 2017, the adult rate is set at \$78 per month.
- The Province is also investing an additional \$70 million annually to enhance premium assistance, helping more lower-income families, seniors and individuals qualify for reduced rates.
- Families and individuals receiving premium assistance who currently pay partial premiums will see their premiums reduced, and additional households earning above the current premium assistance threshold will qualify for assistance.
- With these changes, an additional 335,000 people will see their premiums reduced, including 70,000 single parent families.
- An additional 45,000 people will no longer pay MSP premiums at all.
- Once the changes have been implemented, nearly two million British Columbians will pay no premiums at all.
- A new calculator is now available on the government website to help British Columbians estimate whether they could qualify for premium assistance today, and also when the enhancements take effect in 2017.

Affordable housing

- Creating new housing supply is critical to improving housing affordability in the real estate market and government is acting to help the housing market respond to high demand for homes.
- Newly built homes – including condominiums – priced up to \$750,000 will be fully exempt from the property transfer tax when bought by Canadian citizens or permanent residents as a principal residence and lived-in for a full year. Partial exemptions are available for new housing valued up to \$800,000.
- The exemption will save a purchaser up to \$13,000, and provide an estimated \$75 million in property transfer tax relief for new construction in 2016-17.
- The new exemption is expected to benefit owners of about 22,000 new homes in 2016, many of which will be in the Vancouver area.


- The New Housing Exemption will be funded by increasing the property transfer tax rate to 3% from 2% on the portion of fair market value over \$2 million.
- Government will also be investing capital funding of \$355 million over the next five years for construction and renovation of affordable housing for people with low to moderate incomes.
- This investment will increase the supply of housing across the province through the construction and renovation of more than 2,000 units of affordable housing for people with low to moderate incomes.
- The New Housing Exemption will support efforts by local governments to make changes to improve housing density.

Real estate data collection

- Proposed changes to the Property Transfer Tax Act will generate data that will allow government to monitor the volume of foreign investment and use of bare trusts.
- Citizenship disclosure was required with land transfers until 1998. Government will resume collecting data that specifically identifies foreign purchasers beginning this summer.
- BC Housing is also conducting a study on the key factors affecting housing affordability in British Columbia, which may then contribute to policy-making across all levels of government.

Additional investments in programs and services

- Budget 2016 provides an additional \$217 million over three years for the Ministry of Children and Family Development will go towards:
 - \$152 million for children-in-care and related programs
 - \$11 million to support child care centres
 - \$51 million for children and youth in care with special needs
 - \$3 million for facilitating adoption of children in care
- Budget 2016 calls for the hiring of more than 130 new staff, including 100 additional front-line social workers, resources for further training, quality assurance, and technology.
- An additional \$456 million for the Ministry of Social Development and Social Innovation to support those in need and to increase monthly rates for disability income assistance.

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- People living on disability assistance will receive up to \$77 per month to help cover transportation cost or other expenses of their own choosing. This will be of particular benefit to the estimated 47,000 people who currently receive no transportation allowance, regardless of where they live.

Investing in health care

- British Columbia is recognized as a Canadian leader in health and wellness.
- Budget 2016 continues to add more dollars to health care with \$3.2 billion of additional funding overall for the Ministry of Health in the next three years compared to its 2015-16 budget.
- In the third year alone, we forecast an increase of \$560 million compared to the previous year, bringing the annual ministry budget to a forecast \$19 billion in 2018-19.
- There is \$1.4 billion per year in operating funding already being spent on mental health treatment and supports.
- In addition, we've allocated \$101 million in capital to construct a 105-bed mental health facility in Coquitlam to help patients who are severely addicted and mentally ill.
- Budget 2016 includes \$2.9 billion in health infrastructure projects, such as:
 - Royal Inland Hospital – clinical services building, Kamloops.
 - B.C. Children's & Women's Hospital Redevelopment (clinical support building & acute care centre), Vancouver.
 - Penticton Regional Hospital - Patient Care Tower.
 - North Island Hospitals, Comox Valley & Campbell River.

Other priority investments in 2015/16:

- \$95 million for strategic wildfire prevention and mitigation investments.
- \$65 million for flood mitigation and emergency response.
- \$39 million to extend the BC Training and Education Savings Program to eligible children born on or after January 1, 2006, so that an additional 40,000 plus children are better positioned to make their dreams a reality.
- \$13 million for Innovative Clean Energy Fund.

Economy & competitiveness


- B.C. continues to be the gold standard for fiscal prudence and management.
- We are alone among the provinces rated “Triple-A Stable” credit rating from both international credit rating agencies.
- This is a reflection of the disciplined fiscal management that British Columbians have demanded of their government and the solid economic growth that British Columbians have achieved.
- We are poised to lead the country in economic growth in 2016, we are attracting people from other provinces and employment has exceeded our forecasts in 2015.
- B.C. currently has the lowest provincial personal income taxes in Canada for individuals earning up to \$122,000 a year.

Infrastructure investments

- Budget 2016 continues to invest in new and upgraded infrastructure to support services and jobs. Taxpayer-supported infrastructure spending will inject \$12 billion into the economy over the next three years, build new projects, and expand and sustain existing infrastructure including:
 - \$2.9 billion for health infrastructure and hospital projects
 - \$1.7 billion for K-12 schools
 - \$2.5 billion for post-secondary education facilities and labs
 - \$3.1 billion for transportation investments

Prosperity Fund

- Budget 2016 establishes the B.C. Prosperity Fund with an inaugural commitment of \$100 million from the forecast 2015-16 surplus. This long-term legacy is intended to:
 - Help eliminate the Province’s debt over time
 - Invest in health care, education, transportation, family supports and other priorities that provide future benefits to British Columbia
 - Preserve a share of today’s prosperity for future generations.

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- Government's priority for the new B.C. Prosperity Fund will be to reduce taxpayer-supported debt. Government will allocate a minimum of 50% of cash flowing into the fund to debt retirement, and a minimum 25% will be saved to accumulate earnings. The remainder will be available for core government priorities in the future.

LNG

- Today there are 20 LNG proposals in B.C. at various stages of development, and we will continue to work with the private sector to move forward on projects.
- We have seen important and substantive progress in the development of an LNG industry in B.C., but in an effort to maintain fiscal prudence we have not included LNG projects in our revenue.
- The fundamental advantages that have attracted LNG proponents to B.C., including the enthusiastic participation of so many First Nations, have not changed. The forecasts for growing worldwide demand for a reliable supply of LNG remain unchallenged.

DRAFT #1

MLA Questions & Answers

1. Is the 2015-16 budget on track to be balanced?

- Government is on track to balance the 2015-16 budget with a projected surplus of \$377 million.
- Balanced Budget 2016 forecasts modest surpluses in all three years of the fiscal plan:
 - \$264 million in 2016-17
 - \$287 million in 2017-18
 - \$373 million in 2018-19

2. What are you doing to address the cost of housing?

- Creating new housing supply is critical to improving housing affordability in the real estate market and government is acting to help the housing market respond to high demand for homes.
- Newly built homes – including condominiums – priced up to \$750,000 will be fully exempt from the property transfer tax when bought by Canadian citizens or permanent residents as a principal residence and lived-in for a full year. Saving a purchaser up to \$13,000.
- The New Housing Exemption will be funded by increasing the property transfer tax rate to 3% from 2% on the portion of fair market value over \$2 million.
- The New Housing Exemption will support efforts by local governments to make changes to improve housing density.
- Government will also be investing capital funding of \$355 million over the next five years for construction and renovation of affordable housing for people with low to moderate incomes.
- Government will also resume collecting data that specifically identifies foreign purchasers beginning this summer. Citizenship disclosure was required with land transfers until 1998.
- These changes will generate data that will allow government to monitor the volume of foreign investment and use of bare trusts and assess what effect, if any, they have on pricing.
- BC Housing is also conducting a study on the key factors affecting housing affordability in British Columbia, which may then contribute to policy-making across all levels of government.

- The Province also continues to work in collaboration with other levels of government to support British Columbians' ability to buy or rent at prices they can afford.

3. What changes are coming to MSP premiums?

- Changes to Medical Services Plan (MSP) premiums and enhanced premium assistance effective Jan. 1, 2017, will help lower-income families, individuals and seniors with the cost of living.
- With these changes, the calculation of MSP premiums will no longer include children. Instead, the monthly rate for each household will be based only on the number of adults. Effective Jan. 1, 2017, the adult rate is set at \$78 per month.
- The Province is also investing an additional \$70 million annually to enhance premium assistance, helping more lower-income families, seniors and individuals qualify for reduced rates.
- Families and individuals receiving premium assistance who currently pay partial premiums will see their premiums reduced, and additional households earning above the current premium assistance threshold will qualify for assistance.
- With these changes, an additional 335,000 people will see their premiums reduced, including 70,000 single parent families.
- An additional 45,000 people will no longer pay MSP premiums at all.
- Once the changes have been implemented, nearly two million British Columbians will pay no premiums at all.

4. Why isn't government integrating MSP into the income tax system?

- MSP premiums are important because they send a signal to remind people that health care isn't free. In fact, about half of every dollar government collects – whether through consumption taxes, income taxes or property taxes – is devoted to health care.
- Integrating MSP premiums into the income tax system would require a change in the structure of MSP premiums, from a premium based on family income to a premium based on individual income.
- This is because MSP premiums are administered on a per family basis, while the income tax system is administered on an individual basis.
- Changing premiums in such a manner would result in significant distributional impacts on British Columbia families that would have to be carefully considered.

5. What is the Prosperity Fund?

- Budget 2016 establishes the B.C. Prosperity Fund with an inaugural commitment of \$100 million, derived from the forecast 2015/16 surplus.
- This fund will be a long-term legacy that is intended to:

- Help eliminate the Province's debt over time
- Make investments in health care, education, transportation, family supports and other priorities that provide future benefits to British Columbia
- Preserve a share of today's prosperity for future generations.
- Government's lead priority for the new BC Prosperity Fund will be to reduce taxpayer-supported debt. Government will allocate a minimum of 50% of cash flowing into the fund to debt retirement, and a minimum 25% will be saved to accumulate earnings. The remainder will be available for core government priorities in the future.

6. How much is being invested in the Ministry of Health budget?


- Budget 2016 provides Ministry of Health with additional funding in support of health services with increases totaling \$3.2 billion over three years compared to the 2015/16 level.
- This means the average rate of growth over the three-year fiscal plan will be 3%, the same as the ministry's budget growth in 2015/16.
- In the coming years, the Ministry of Health budget in British Columbia is forecast to be:
 - 2016/17: \$17.97 billion
 - 2017/18: \$18.51 billion
 - 2018/19: \$19.06 billion

7. What does this budget do to support the children and families?

- Budget 2016 provides \$217 million over three years for the Ministry of Children and Family Development to go towards helping vulnerable kids and families, including implementing the recommendations in the Plecas report.
- This investment will fund more than 130 new staff, including 100 additional front-line social workers, resources for further training, quality assurance, and technology.
- Budget 2016 provides \$456 million for the Ministry of Social Development and Social Innovation to support those in need and to increase monthly disability income assistance rates.

8. What about economic investments and job creation?

- Budget 2016 provides \$143 million over three years to enhance key areas of the B.C. economy that support jobs in communities, including:
 - The new \$75-million Rural Dividend Program to help small communities strengthen and diversify their economies.
 - \$8 million in additional support for youth trades training
 - \$5 million for building the B.C. wood brand in India

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- \$7 million in additional BC Transit funding.

9. What about capital spending?

- The three-year fiscal plan projects total capital spending of \$20.6 billion, of which \$12 billion is taxpayer-supported.
- This will ensure record levels of investment in health, education, skills training facilities and transportation and community safety infrastructure including:
 - \$2.9 billion for health infrastructure and hospital projects
 - \$1.7 billion for K-12 schools
 - \$2.5 billion for post-secondary education facilities and labs
 - \$3.1 billion for transportation investments

Faddegon, Jessica MIT:EX

From: Mulholland, Lauren GCPE:EX
Sent: Thursday, February 18, 2016 7:33 AM
To: Faddegon, Jessica MIT:EX
Cc: Denney, Jay MIT:EX; Hagerman, Shannon GCPE:EX
Subject: FYI: Foreign Investment
Attachments: IN_Foreign Investment_Vancouver Real Estate_Feb 1 2016_FINAL.docx

- **The B.C. government is working hard to attract investments that create jobs, diversify our markets and grow the economy.**
- **Attracting investment has a number of direct and indirect benefits, including job creation, increased trade and economic growth.**
- **In some cases, it may also mean that people come from outside of B.C. and Canada to purchase homes here.**

Thanks,
Lauren

Lauren Mulholland
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Government Communications and Public Engagement
Ministry of International Trade
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Denney, Jay MIT:EX

From: Mulholland, Lauren GCPE:EX
Sent: Thursday, February 18, 2016 9:04 AM
To: Faddegon, Jessica MIT:EX; Hagerman, Shannon GCPE:EX
Cc: Denney, Jay MIT:EX
Subject: RE: Foreign ownership data collection

You need to ask your finance colleagues.

From: Faddegon, Jessica MIT:EX
Sent: Thursday, February 18, 2016 8:55 AM
To: Hagerman, Shannon GCPE:EX
Cc: Mulholland, Lauren GCPE:EX
Subject: RE: Foreign ownership data collection

Shannon— we'd like to find out why the NDP cancelled citizenship disclosure (point 2)—heading to qp prep now—can one of you or Lauren look into this??

Jessica

From: Hagerman, Shannon GCPE:EX
Sent: Thursday, February 18, 2016 7:41 AM
To: Denney, Jay MIT:EX; Faddegon, Jessica MIT:EX
Cc: Mulholland, Lauren GCPE:EX
Subject: Foreign ownership data collection

Here are bullets Min of Finance shared on this:

Real estate data collection:

- Proposed changes to the Property Transfer Tax Act will generate data that will allow government to monitor the volume of foreign investment and use of bare trusts.
- Citizenship disclosure was required with land transfers until 1998. Government will resume collecting data that specifically identifies foreign purchasers beginning this summer.
- BC Housing is also conducting a study on the key factors affecting housing affordability in British Columbia, which may then contribute to policy-making across all levels of government.

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ADVICE TO MINISTER

- In order to obtain more data, the B.C. government announced as part of Budget 2016/17 that, beginning in the summer of 2016; purchasers of real estate in B.C. will be required to disclose their citizenship.
- BC Housing has been asked to lead a research initiative that specifically looks at the impact of foreign ownership in the B.C. real estate market.
 - They will begin by collecting data currently available and identifying what further information is needed to adequately assess the impact of foreign ownership.
 - Following this initial assessment, a framework for the study will be presented in the coming months and a final report will be completed by early next year (2017).
- On Jan. 18, 2016, a team of academics from UBC and SFU called on the province to implement a housing surtax for investment properties. They propose that people who buy housing in Vancouver as an investment but don't contribute to the economy should pay 1.5% property surtax. The revenue would go toward a provincial affordability fund, which would then be redistributed. The academics hope the province will give the plan serious consideration
- In December 2015, Prime Minister Justin Trudeau said in an interview that he has committed to working with municipal and provincial leaders to look at a broad range of solutions to localized problems arising from foreign ownership and how it may be impacting housing affordability.
- In December 2015, a survey released by the Canada Mortgage and Housing Corporation found foreign ownership of condominiums has increased in Vancouver to 3.5% in 2015 from 2.3% in 2014. The CMHC collects its information through telephone interviews with property management companies, or strata boards. In the context of this particular study, "foreign ownership" is defined based on the country of residence rather than nationality – that is, someone who lives outside of Canada.
- In November 2015, a study by a Vancouver urban planner found that 66% of homes in West Point Grey, University Endowment Lands and Dunbar neighbourhoods between August 2014 and February 2015 were sold to Chinese buyers. That study was based on whether or not buyers had anglicized Chinese names or not.
- And in October 2015, the Globe and Mail reported that one in three multimillion-dollar homes bought recently in Vancouver areas popular with foreign buyers is registered to a homemaker, student or corporation – one indicator of how the identity of the person who actually paid can be hidden in order to pay little or no income or capital gains tax.

Citizenship

39 (1) A person who is not a Canadian citizen has the same capacity to acquire and dispose of land in British Columbia as if he or she were a Canadian citizen.

(2) A person must not be disturbed in the possession or precluded from the recovery of land in British Columbia merely because of the citizenship or lack of citizenship of some person from or through whom he or she may derive title.

Canadian citizenship is a factor under other legislative regimes where public benefits are made available to property owners: e.g., the Homeowner Grant Act, Land Tax Deferral Act, and Property Purchase Tax Act (for exemption purposes).

Program Area Contact:	Hayden Lansdell/FIN	
File Created:	Jan 19 2016	
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