

UNION OF
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COLUMBIA
MUNICIPALITIES

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Budget Day in B.C. and Canada

Provincial Budget Specifics

- local government transfers to be maintained. The Ministry of Community, Aboriginal and Women's Services Service plan indicated that the Premier's commitment to maintain transfers for three years has been extended for a fourth year. Funding to libraries is also maintained.
- delay by one year the move to have rural areas and municipalities under 5,000 population begin to pay for policing, pending further consultations to find a fair and equitable approach. This will allow the Solicitor General to work with local government to develop a broader policing strategy.
- effective for January 1, 2003 the *University Act* is to be amended to clarify which properties are used for "university purposes" and exempt from taxation and which properties are really commercial in nature and should be liable to taxation.
- clarify a recent court decision for the assessment exemption for dust and particulate eliminators so that it applies to the equipment only and not to buildings and tanks.
- legislation will be amended to clarify the authority to calculate interest on a compound basis and to validate interest that has been paid. This would include an amendment to the *Taxation (Rural Area) Act*, through which local governments are authorized to impose interest charges for various purposes.
- a one time \$275 million allocation for forest sector transition. Also revenue sharing will begin with First Nations in exchange for legal certainty.
- new \$650 million over three years for transportation funding including \$225 million for northern and Heartlands roads and \$30 million for ports and airports. Transportation improvements will be funded by a mix of gas tax increases, private sector investments, federal contributions and tolls.
- the Heartlands Economic Strategy is to complete and implement economic development plans across the province including plans for infrastructure, human capital and marketing.
- BC Rail: the budget documents refer to the BC Rail Core Services review which resulted in the railway's focusing on its rail freight business, and the divestment of "non-core assets and unprofitable businesses". The budget documents comment that the restructuring is expected to result in improved operating results for the railway as it sheds the annual losses from discontinued operations and reduces its debt servicing costs.
- BC Ferries: the budget confirms that BC Ferry Corporation, which currently operates as a taxpayer-supported Crown corporation, will be restructured and renamed BC Ferry Services. The new company will be governed by the BC Ferry Authority. The government will support coastal ferry services through an annual grant negotiated with the new company. The spending plan for 2003/04 indicates some \$106 million for annual service contract payments to BC Ferry Services.
- as the details of the First Ministers' Accord on Health Care Renewal have not yet been finalized, the Budget did not include a health funding increase attributable to the Accord. Initial estimates indicate that BC could receive \$1.3 billion over three years – \$325 million in 2003/04, \$390 million in 2004/05, and \$585 million in 2005/06. An additional \$260 million may be available in 2003/04, subject to federal surplus availability. Updated service plans for the health ministries will be issued to reflect the new revenues.

Provincial Revenue Measures

School Tax

Traditionally, school tax revenue decisions are made by the government on an annual basis. Residential school tax revenues last year were increased by 2% which was the rate of inflation. This year, the government has decided to establish a policy that for the 2003 calendar year and future years, average residential school taxes before application of the home owner grant will be increased by the provincial rate of inflation in the previous year. For 2003, this represents an increase of about 2.5% overall, or about \$20 on a medium valued home. Residential school tax rates will be set for each school district in April when authenticated assessment roll data are available.

Non-residential school tax rates will remain unchanged from 2002.

In his presentation to stakeholders, Finance Minister Collins presented the following chart which compares the revenues generated by the residential school tax increase to the additional funds available for education in the budget:

	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
Residential School Tax Increases	\$34 m	\$62m	\$91m	\$187m
Additional Education Funding	\$0	\$83m	\$143m	\$226m

Residential property tax, net of Home Owner Grant, now represents about 12.1% of K-12 expenditures.

Provincial Rural Tax

As with the school tax, the government has established a policy that for the 2003 calendar year and future years, average residential provincial rural area taxes will be increased by the provincial inflation rate in the previous year, which is 2.5%. Even with the targeted revenue increase, the average rural residential rates will fall slightly due to increased rural property values.

Non-residential rural tax rates remain unchanged from last year.

Rural Property Tax Administration Fee

Effective for the property tax year beginning January 1, 2004, amendments to several acts will allow the provincial Surveyor of Taxes to levy its longstanding administration fee on three additional taxing authorities: hospital districts, Municipal Finance Authority and BC Transit. The broader base will allow a lower administration fee for those rural taxing authorities already paying the fee. No increase in provincial revenue is expected, nor any adverse impacts on rural taxpayers.

Fuel Tax

The Budget includes a 3.5 cent per litre increase in the tax rates on clear gasoline and diesel fuel collected on behalf of the BC Transportation Finance Authority (BCTFA), effective March 1, 2003. This increases the tax rate to 6.75 cents throughout the province. The tax rate for propane is also increased by 0.6 cents to 2.7 cents per litre. These revenue increases will help fund the Transportation Investment Plan, and will be partly offset by an additional 0.5 cent per litre increase in the clear fuel tax collected in the Greater Vancouver Regional District and transferred to Translink. This brings the fuel tax rate in the GVRD to 11.5 cents per litre.

Disability Portion of Home Owner Grant

Administrative changes to the additional grant for persons with disabilities simplified the application process in 2002. After reviewing other options for providing these benefits, the government has decided to continue with the existing program. The regulations will be amended to ensure that home owners who received the additional grant as persons with disabilities in 2001, prior to the administrative changes, will not have to re-qualify for the grant.

Federal Budget Highlights

Finance Minister John Manley announced some significant funding commitments in the 2003 federal budget of interest to local governments. Three key areas include health care, support for families and communities and the environment.

Health Care

In follow-up to the 2003 Health Care Accord agreed to by the Prime Minister and Canada's provincial premiers earlier this month, this budget invests \$34.8 billion over the next five years to renew Canada's health care system to ensure Canadians have better and timely access to quality, universal health care in every part of the country. The health care funding is targeted as follows:

- \$9.5 billion in transfers to provinces and territories over next 5 years
- \$2.5 billion in an immediate investment through a Canada Health and Social Transfer supplement to relieve existing pressures.
- \$16 billion over five years to provinces and territories for a Health Reform Fund targeted to primary health care, home care and catastrophic drug coverage;
- \$5.5 billion over five years in health initiatives including diagnostic/medical equipment, health information technology, and the creation of a six-week compassionate family care leave benefit under employment insurance;
- \$1.3 billion over five years to support health programs for First Nations and Inuit.

Support for Families and Communities

To assist communities, the federal budget announced increased funding for affordable housing, address homelessness and improve the state of Canada's infrastructure.

- to combat homelessness in Canada's cities the federal government committed to extend the Supporting Communities Partnership Initiative with an investment of \$135 million each year for three years.
- additional support for housing was announced with \$320 million over five years to enhance existing affordable housing agreements with the provinces and territories. The federal government also indicated its intention to extend the government's housing renovation program with \$384 million over three years.

Of key interest to local governments is the federal govern-

ment's commitment to improve the quality of life of our communities by building on previous investments in infrastructure with another \$3 billion for infrastructure support over the next 10 years, including \$1 billion for municipal infrastructure.

Environment

With an investment of \$3 billion, the federal government will promote sustainable development and a healthier environment:

- \$2 billion will be used to help implement the Climate Change Plan which includes support for Sustainable Development Technology Canada and funding for renewable energy, energy efficiency, sustainable transportation, new alternative fuels, such as wind power, fuel cells, and ethanol, as well as building retrofits.
- \$1 billion will be devoted to other environmental priorities including:
 - \$600 million over five years to upgrade, maintain and monitor water and wastewater systems on First Nations reserves;
 - \$175 million over two years to clean-up federal contaminated sites;
 - \$40 million over two years to improve air quality across Canada;
 - \$75 million over the next two years to better assess and manage toxic substances;
 - \$74 million over the next two years as part of a multi-year plan to maintain existing parks and establish 10 new national parks and five new national marine conservation areas;
 - \$33 million to protect species at risk and their habitat.

Other Federal announcements of interest

- \$15 million to the Rick Hansen Man In Motion Foundation and \$20 million to the Medical and Related Sciences project.
- \$30 million for SchoolNet and the Community Access Program
- \$94.6 million to the Canadian Coast Guard over the next two years for major repairs to its fleet for shore-based infrastructure and capital replacement purchases.
- \$11 million over the next two years to bolster Canada's representation and trade promotion activities in the US.
- reduction in the level of Air Travellers Security Charge from \$12 to \$7 for one-way travel and from \$24 to \$14 for round trip travel.