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# IN THE HOUSE

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## Provincial Budget Highlights

### REVENUE MEASURES

#### Small Community Protection Grants Maintained for Third Year

The Small Community Protection Grants (SCPG) are unconditional payments to municipalities to assist them to provide basic services. Grant amounts are based on a formula that factors in a base amount population and assessment values. These grants generally apply to municipalities with populations up to 18,000.

The SCPG have been maintained every year under this administration following the Premier's commitment to the 2001 UBCM convention. Looking at the Ministry of Community, Aboriginal and Women's Services three year service plan, **grants should remain stable through to 2006/07.**

Small Community Protection Grants amount to \$24 million and there are indications that the individual municipal allocation announcements may be expedited this year (February–March). What appears to be a decline in the Ministry budget for grants in the coming year is explained by the anticipated prepayment in 2003/04 of the 2004/05 transfers.

The last change to the SCPG was in 2000/01 when the transition grants were eliminated.

Also remaining stable this year is the \$2.1 million in regional district administration funding and \$10 million in traffic fine revenue sharing. The total of unconditional grants is \$36 million.

#### Traffic Fine Revenues

Under the Budget plan the government will **begin in 2005/06 to fulfil its New Era commitment to share 75 per cent of all traffic fine revenues with municipalities, to improve**

**community policing and crime prevention.**

The three-year fiscal plan indicates increased payments of \$10 million in 2005 and \$17 million in 2006. This would indicate that building on the existing base of \$10 million the sharing program would be:

2004	\$10 million (existing)
2005	\$20 million
2006	\$37 million (a 2.7 times increase over the current base)

### PROPERTY TAXATION

#### Legislation to Limit Municipal Taxation of Ports Introduced

Although it affects a handful of municipalities directly, capping of municipal taxes will be interest to all local governments.

Following through on an earlier announcement to cap port taxation by lower mainland municipalities, legislation, the *Port Property Tax Act*, was introduced as part of the budget implementation measures that affects North Vancouver District, North Vancouver City, Port Moody, Delta and Vancouver but also now Squamish and Prince Rupert. Squamish was reportedly included because of its proximity to the lower mainland ports and Prince Rupert on its request. Other ports were not included in the legislation.

Under the legislation which is retroactive for the 2004 tax year, the municipal tax rate on specified existing facilities is capped at \$27.50 per thousand until the end of the 2008 calendar year. Municipal taxes on new improvements built before the end of 2008 will be capped at \$22.50 per thousand for 10 years. Municipalities will be compensated for lost taxes for a five year period (\$4.5 million overall annual

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compensation). There will be a review after 3 years to determine the progress of the initiative and how to proceed after the initial 5 years of capping.

In a related matter, assessment legislation is to be amended to return “berthing corridors” to exempt tax status through changes in assessment legislation.

### **Home Owner Grant Reduction Threshold Increased**

The threshold at which the Home Owner Grant (HOG) begins to be reduced has risen from \$525,000 to \$585,000 (11.4%). After \$585,000 the grant is reduced \$10 for every \$1,000 in assessment until it is eliminated (\$632,000 for those receiving the basis grant and \$659,000 for those receiving the supplemental grants). UBCM had called on the Minister of Finance to make an increase. In the seven years since the HOG was last changed, residential assessments have increased dramatically in urban regions and other unique areas. The increase reportedly preserves the number of people receiving the grants (95.5% of home owners receive the full grant) and the cost to government of the grants.

Otherwise there was no change to the home owner grant system.

### **School Tax**

Prior to last year, school tax revenue decisions were made by the government on an annual basis. In the 2003 Budget, the government decided to establish a policy that average residential school taxes before application of the home owner grant will be increased by the provincial rate of inflation in the previous year. In 2004, this represents an increase of 2.1% overall.

Residential school tax rates will be set for each school district in April when authenticated assessment roll data are available. The rates are calculated according to the provincial residential school tax rate formula. Tax rates will fall in almost every school district in response to rising average assessed values, although changes in individual tax bills will vary depending on how the individual property value has changed relative to the average provincial and school district values.

For each of the eight non-residential property classes, a single, province-wide rate is set. Non-residential school tax rates will remain unchanged in 2004.

### **Provincial Rural Tax**

A single provincial rural residential tax rate applies province-wide. For the 2004 calendar year, the provincial rural residential tax rate will fall in response to rising average assessed values. Average residential provincial rural area taxes will increase by the provincial inflation rate which is 2.1%.

Non-residential provincial rural tax rates remain unchanged for 2004.

### **Total Revenues from Provincial Property Taxes**

	FY 02/03	03/04	04/05 (est.)
School Residential	562	598	628
School Non-Residential	823	832	869
Rural	72	70	73
TOTAL	\$1457m	\$1500m	\$1570m

### **Dust and Particulate Matter Eliminator Exemptions**

The *Community Charter* will be amended to grandparent the property tax exemption for those improvements that were determined to be exempt dust and particulate matter eliminators in the 2003 tax year. The grandparenting is effective for the 2004 tax year and subsequent years. There are only two properties in BC that are affected.

### **Accounting Change for Transit Revenues**

Provincial property tax revenues have increased by \$19 million mainly due to a change in accounting for the tax collected by municipalities for BC Transit (previously recorded as miscellaneous revenue).

## Expenditure Highlights

Additional funding of \$13 million [in each of the following 3 years] for **policing** (including small communities).

Safety inspection services of the Ministry of Community, Aboriginal and Women's Services will be assumed by an **independent self-financed safety authority** in 2004/05 and is reflected in a decrease in the Ministry budget.

Over the next 3 years, over \$70 million in new funding is provided to the ministries of Children and Family Development and Community, Aboriginal and Women's Services to increase family access to **early learning and childcare programs**.

The Health ministry's budget is increasing by an additional \$1 billion by 2006/07, compared to the base amount in last year's budget. In addition, the province will provide **\$694 million in capital funding** for new construction, equipment and upgrading of existing health facilities over the next three years.

With respect to **First Nations** investment and land certainty, the budget provides:

- up to \$120 million for forestry revenue-sharing agreements over the next three years, like one recently reached with the province's largest First Nation, the Cowichan; and
- the opportunity to develop energy revenue-sharing arrangements with First Nations in the Treaty 8 areas.

## Other Items of Interest Mentioned

In November 2003, the government introduced the **Significant Projects Streamlining Act (Bill 75)** to provide

a fast track approval process for designated major projects that will make a substantial contribution to meeting the province's economic and social objectives. Projects that could be designated include major transportation infrastructure projects, regional sewage treatment plants and major resort developments.

**Partnerships BC** is engaged in approximately 11 major infrastructure projects around the province including a major resource road in Northeastern BC, major bridge construction in the Southeast and Okanagan, the new academic ambulatory (outpatient) care centre in Vancouver, the new Abbotsford Regional Hospital and Cancer Centre, the new Fraser River Crossing, the proposed Richmond-Vancouver rapid transit service and the Sea to Sky Highway improvement project. Partnerships BC is also in discussions with a number of public sector agencies regarding further provincial and municipal government infrastructure priorities.

Effective September 1, 2004, the government is taking advantage of an opportunity to expand BC's status as an **international financial centre**. The existing provincial tax advantage for international financial activities will be expanded to include a broader range of activities and will no longer be restricted solely to financial institutions or to Greater Vancouver.

The Ministry of Management Services will be:

- working to provide or improve high-speed **Internet access** to British Columbians through the Communications Infrastructure (Digital Divide) Initiative; and
- implementing a framework for ministries and other levels of government to work together in communities to **deliver services and information** in a more coordinated and effective manner.

## Throne Speech Highlights

A week ago, the Legislative Session was opened with the Throne Speech, delivered by The Honourable Iona Campagnolo, Lieutenant Governor of BC. It contained the following highlights of interest to local government:

- **land use plans** will be completed for the Central Coast, North Coast, Sea-to-Sky, Queen Charlotte Islands/Haida Gwaii, Morice and Lillooet areas. Constructive new relationships in land use decisions will be strengthened.
- 50% of all new power produced for BC Hydro will be generated from clean, **alternative energy sources**.
- the government will act to bridge the digital divide, by providing **broadband access** to 171 communities over the next two years, through the Provincial Learning Network.
- bills will be introduced to further **eliminate unnecessary red tape**.
- establish a new **rural health travel assistance plan**.
- as a sound financial foundation is established, the province will continue to **work with the UBCM** to create safer communities and to establish new responses to the aging of our population.
- new legislation will be introduced to ensure that criminals do not profit from illegal activity and that victims have recourse for compensation.
- expand the provincial park system by converting protected areas to parks.
- reinstate funding to maintain **forest recreation roads and recreation sites** in the Heartlands.