



bcgeu BUDGET ANALYSIS

2015/2016

'Heavy on Discipline and Prudence. Light on Vision.'

Overview

The B.C. Liberal government has tabled a budget and fiscal plan for 2015/16 – 2017/18 which adheres strongly to two of three stated values: “discipline” and “prudence”—but less so to the third, “vision.” Budget 2015/16 again prioritizes fiscal “balance” above all else, in many ways continuing to neglect the real needs of families, as well as required investments in effective and accessible public services, and the protection of our natural environment and resources.

The Liberal government has stated time and again its commitment to a “plan,” and the necessity of “sticking to the plan”—even when times get tough. This plan, however, makes only limited progress in moving B.C.’s most vulnerable to within the periphery of its so-called “vision” for the province, revealing itself more as a plan for the *economy*, than for *society* as a collection of citizens, families, workers, and communities.

Budget 2015/16 offers notable increases to the Ministry of Health and Ministry of Education, but elsewhere, commits only modest increases where significant cuts to public services were made in previous years. In other areas, it simply maintains flatline funding introduced in 2014/15.

While the government’s budget identifies some growing (and encouraging) sources of public revenue, it takes pride in the decision not to increase personal or corporate tax rates—while shamelessly increasing highly regressive user fees, rates, and premiums for a second consecutive year. Thus, the government has delivered with great “discipline” in its commitment to managing the economy, but with only limited concern for growing inequality in the province or the impact this will have on a “secure tomorrow.”

If “vision” means “having the most competitive tax rates in Canada,” then as a consequence, it may also mean having little else.

Staff in the B.C. Government and Service Employees’ Union’s (BCGEU) Research, Campaigns and Communications department have reviewed the provincial budget, ministry by ministry, to help understand how government’s choices for the fiscal year of 2015/16 will affect the work our members do and the services our province relies on. It identifies areas where progress has been made and areas where far more is needed.

Public Service

While yet to be confirmed, it is expected that an estimated 320 FTEs were cut through attrition in 2014/15. Budget 2015/16, however, projects that only 100 FTEs will be cut in 2015/16, due mainly to the expectation that the additional seasonal wildfire FTEs required in 2014/15 will not be required in 2015/16.

Going forward, the fiscal plan projects that FTEs for ministries and special offices will remain stable at 26,500 through 2017/18. At the same time, Budget 2015/16 estimates that FTEs in service delivery agencies will decline by 241 (-5.0%) over the same period, thereby increasing the ratio of total population per FTE by 4.9%.

Revenue

The budget projects that total revenue in 2015/16 will grow by \$593 million over the updated forecast for 2014/15, and that over the three years of the fiscal plan, the cumulative increase above the level in 2014/15 will equal approximately \$5.3 billion. This will allow for \$2.3 billion in increased ministry program funding and a combined three-year surplus of \$2 billion over the same period.

Based on the government’s economic growth forecasts, however, total revenues as a proportion of GDP would take a further slide from 19.5% in 2013/14 to 18.7% for the upcoming fiscal year. This would suggest that economic policy in the province has yet to consider measures that expand the capture of

government revenue in order to finance key programs and services that remain underfunded—namely, through higher taxes on personal and corporate incomes.

Considering the above, it is disappointing that Budget 2015/16 allows the two-year tax rate increase on personal incomes above \$150,000 to expire at the end of the calendar year. At 16.8% this rate is still the second lowest in Canada after Alberta. For B.C., the return to the previous rate will mean a loss of \$230 million in tax revenue for the coming year, as well as foregoing the possibility of growing receipts in future years—assuming the province's positive outlook for GDP growth. Combined with other possible tax measures, the extension of this policy would act as both a useful safeguard against unforeseen fiscal pressures as well as a necessary means for addressing harmful growth in economic inequality in B.C.

Instead, Budget 2015/16 demonstrates the government's growing reliance on insurance premiums, service rates, and other user fee hikes as a source of general revenue. With an additional 4% increase in MSP premiums set for January 2016, individuals will be contributing more out-of-pocket income totalling \$2.4 billion annually in order to balance a budget that would be financed more equitably and efficiently through other means.

As with other Canadian provinces, B.C. is also vulnerable to fluctuations in global energy and commodity prices. For example, Budget 2015/16 forecasts a -37% drop in natural gas revenue, declining from \$543 million in 2014/15 to \$344 million in 2015/16. Similarly, oil revenues will fall from \$97 million in 2014/15 to \$47 million (-52%) in 2015/16. Budget 2015/16 specifically notes key fiscal sensitivities, such as fluctuations in lumber and natural gas prices, as well as foreign exchange, and therefore builds larger forecast allowances into its fiscal plan over each of the plan's three years.

Overall, the Ministry of Finance continues to adopt an overly cautious forecast for real GDP growth (2.3% in 2015/16) relative to the Economic Forecast Council (2.7%), allowing the government to claim the achievement of higher budgetary surpluses and impressive fiscal management, and in some cases, lower projections in revenue to commit to future financing of public programs and services.

Families and Communities in Need

As outlined in the ministry summaries that follow in this report, certain actions have been taken in Budget 2015/16 to address, or partially offset, major deficiencies in programs and services for individuals, children, and families in need. These include:

- The exemption of child support payments from income assistance calculations (or the elimination of "clawbacks"), returning up to \$32 million over three years to some of B.C.'s most vulnerable families.
- An additional \$106 million over the next three years to Community Living B.C. to support people with developmental disabilities and their families.
- Increased funding of \$64 million to the Ministry of Social Development and Social Innovation, including an additional \$20 million for income assistance programs.
- An additional \$22.5 million for the Ministry of Children and Family Development.
- An increase in the basic personal income tax exemption to \$19,000.

While these are positive steps toward better social support for families, communities, and working British Columbians—as well as those most in need—Budget 2015/16 overlooks a number of important recommendations for social policy and spending made by the Select Standing Committee on Finance and Government Services in their *Report on the Budget 2015 Consultations*. Examples include:

- Provide new investments for prevention and treatment of mental disorders in children and youth, including initiatives that foster cross-sector collaboration and integrated service delivery.
- Provide adequate funding to support provincially funded ESL programs delivered by B.C. post-secondary institutions, and work with post-secondary institutions to develop a long-term and sustainable strategy for the delivery of ESL.
- Introduce a comprehensive poverty reduction plan.

- Provide funding and support for the development and implementation of a child care plan.

Ministry of Aboriginal Relations and Reconciliation

The Ministry of Aboriginal Relations and Reconciliation receives additional funding of \$4.6 million (+5.6%) in Budget 2015/16, partially offsetting a funding level that has remained static since 2011/12 at approximately \$81 million. This additional financing will allow for slight increases to negotiations and regional operations, strategic initiatives, as well as a \$2 million boost (+403%) to the First Nations clean energy business fund.

The ministry's current service plan emphasizes renewed treaty negotiation efforts and the building of "new relationships"—particularly revenue-sharing agreements between the province and First Nations with respect to natural resources, including Liquefied Natural Gas (LNG) projects, forests, and mines. Ongoing litigation surrounding the Tsilquot'in Supreme Court decision of 2014 is expected to have a significant impact on these relationships and agreements.

Conspicuously absent from the budget and service plan are the significant challenges faced by at-risk Aboriginal children and youth, and new funding and resources for Aboriginal delegated agencies to better support the needs of these individuals and families.

Ministry of Advanced Education

The Ministry of Advanced Education receives an increase of \$24.9 million (+1.3%) in Budget 2015/16 following a significant \$43 million cut under the previous year's fiscal plan.

However, internally, this year's spending forecast reveals a \$14.9 million (-0.8%) drop in operating expenses for educational institutions and organization. Further, student services programs see only a very modest \$1.9 million (+2.8%) increase in resources. Revenue realized from cuts to these budget items are earmarked to fund new business areas of government communications and public engagement and strategic initiatives.

Additional ministry responsibilities do not represent new government investments; rather, these are pre-existing programs cut from the

Ministry of Technology, Innovation and Citizens' Services and directly transferred to Advanced Education—requiring internal appropriations from institutions to maintain balanced funding.

Such changes are an example of how government's budgeting practices are often used to create the appearance of stable or even increased funding, when in fact key service items are merely being relocated, and in many cases cut. In the final analysis, Budget 2015/16 fails to restore any of the substantial cuts this ministry has undergone since 2010/11.

The service plan also shows that, despite a forecast shortage of skilled workers to service B.C.'s economy, enrollment at post-secondary institutions is projected to drop by 3,000 student spaces next year (201,256 compared to 204,250), and remain at that level for two more years. Yet receipts from post-secondary education revenue are expected to increase by \$123 million (+7.6%) this fiscal year, reflecting higher tuition fees, rendering advanced education cost prohibitive for many British Columbians.

Furthermore, personal student debt repayment as a percentage of income is forecast to increase by over 50% through 2016/17 (compared to 2012/13)—from 5.5% to 8%—possibly indicating lower wages and higher unemployment for graduated students.

Lastly, Budget 2015/16 offers no solution to the lost \$17 million in federal funding for English language training programs at B.C. colleges and universities resulting from the cancellation of the Canada-B.C. immigration agreement in 2013/14.

Ministry of Agriculture

The Ministry of Agriculture operating budget has virtually flatlined since Budget 2014/15, with a forecasted increase in expenses of just \$0.5 million (+0.6%) on a total budget of \$80.3 million.

Total annual projected revenue from food and beverage production, seafood, and farm cash receipts is forecast to grow by \$708 million to \$12.3 billion by the end of fiscal 2014/15, with another increase of \$557 million (+4.5%) forecast for 2015/16. These increases are attributed to "rises in both average prices and harvest levels for many agricultural and seafood commodities."

Having routinely highlighted the unique value of B.C.'s agri-food sector in both the throne and budget speeches, it is unclear why the government fails to invest more in core ministry business areas, such as Agriculture Science and Policy and Business Development.

As highlighted in BCGEU's budget summary for 2014, B.C. continues to invest significantly less in agriculture as a percent of GDP than most other provinces, potentially foregoing an important opportunity to generate greater public revenues, improve farm incomes, strengthen regional food systems, and capitalize on the growing demand for organic and local foods.

B.C. Housing

The overall budget for B.C. Housing is projected to decrease from \$671,707 in 2014/15 to \$657,534 in 2015/16 (-2.1%), as well as a plan for incremental decreases in 2016/17 (-4.3%) and 2017/18 (-1.0%).

This decrease is linked to drops in revenue due to the expiration of federal housing programs (-10%) and projected decreases in tenant rents and license fees (-22%). There is a planned decrease to housing subsidies (-4.8%), as well as operational costs (-15%). There is also a projected increase in salaries and labour costs (+7%), with no significant anticipated changes to internal staffing.

The total number of homeless and low-income households / individuals assisted this year is projected at 103,760, an increase of +2.8% over last year. There was an increase to the number of individuals assisted through emergency shelters and housing for the homeless programs (+9%), with the biggest increase occurring through homeless rent supplements (+60%). There was also an increase in the number of households assisted within the private market (+8.8%). There was a decrease in the number of individuals assisted through the transitional, supportive, and assisted living programs (-4.9%), with the biggest decrease occurring in the number of frail seniors assisted (-7%).

As with last year, concern remains that the government's *Housing Matters B.C.* plan is insufficient to meet the housing needs of B.C.'s most vulnerable citizens. According to the B.C. Poverty Reduction Coalition, over 500,000 people live below the poverty line in B.C., and

housing accessibility and affordability are key aspects of both the problem and solution.

Ministry of Children and Family Development

B.C.'s chronically underfunded and under-resourced Ministry of Children and Family Development (MCFD) has attracted widespread public and media attention over the past year through BCGEU's high profile Choose Children campaign.

Budget 2015/16 shows a funding increase of \$22.5 million (+1.7%) to MCFD. While the additional funding represents a step in the right direction, it still falls short of restoring the \$44 million in ministry cuts since 2008/09 and may not fully address the overall increase in demand for child and family services in the province, as acknowledged in the introduction to the fiscal plan. It remains to be seen if this funding increase will be sufficient to reduce caseload sizes consistent with best practices, and to facilitate delivery of the ministry's commitment to hiring 200 additional frontline staff as announced in November 2014.

This year, MCFD continues its commitment to implementing its Early Years Strategy, maintaining stable funding in that program area. Budget 2015/16 also includes the B.C. Early Childhood Tax Benefit for qualifying families with children under the age of six. This tax credit is expected to provide a maximum benefit of \$660 annually per child for an estimated 180,000 families in B.C.. In practical terms, the average monthly cost of child care in B.C. ranges from double to triple the government's annual tax credit and is a significant financial hardship for working families across the province. For this reason, BCGEU continues to advocate for the implementation of B.C.'s \$10/day child care plan.

The ministry also plans to reduce funding to other critical programs. The projected cut of \$16 million (-5.3%) in 2015/16 to services for children and youth with special needs (CYSN) is especially problematic and directly contradicts the previous budget's commitment to increased funding in this area by \$15 million over three years. Ministry comments indicate that this funding has not been eliminated, but instead transferred to the Ministry of Health. It is not clear, however, how it will be used in this new ministry to maintain continuity of services for children with special needs. In addition, part of

the ministry's \$1.5 million (-3.2%) cut this year to youth justice services represents the closure of Victoria's Youth Custody Centre, an action that the BCGEU lobbied intensely to prevent.

Elsewhere, the ministry will introduce modest increases, including an additional \$1.3 million (+1.7%) to child and youth mental health services and \$2.4 million (+0.5%) for child safety, family support and children-in-care services. MCFD's service plan also indicates that a new parliamentary secretary for child mental health and anti-bullying will be appointed.

Ministry of Community, Sport, and Cultural Development

Budget 2015/16 extends a \$7.1 million (+3.2%) funding increase to the Ministry of Community, Sport, and Cultural Development, \$5 million of which will be allocated as an increase for local government services and transfers (+3.5%).

The ministry service plan and budget estimates package show no increased investment in the arts. Funding to the Royal B.C. Museum will remain stable at \$11.9 million. The B.C. arts and culture endowment account and physical fitness and amateur sport fund will also maintain status quo amounts at \$2.5 million and \$1.7 million respectively. However, the ministry intends to increase financing to the university endowment lands administration account by \$2 million (+31%) this year.

Additional goals and commitments by the ministry include: creating and implementing a new "rural dividend" (in collaboration with FLNRO) as part of B.C.'s *Strong Economy, Secure Tomorrow* strategic plan; continuing to identify both impacts and opportunities in communities where LNG facilities will be based; and working with Ministry of Transportation and UBCM to develop a provincial response and readiness plan for the new federal building Canada infrastructure program. More detailed information is required on the above objectives, and in particular, the structure, estimated value, and eligibility criteria of the proposed rural dividend.

Ministry of Energy and Mines and Minister Responsible for Core Review

Despite the devastating environmental, economic and social impacts of the Mount Polley disaster of August 2014—including negative outcomes for mining industry

investment, and the suspension of some approval processes—the B.C. government continues to project a highly optimistic outlook for mining operations in Budget 2015/16.

The number of major new mine operations is forecast to increase from three to five by the end of fiscal 2014/15. Notwithstanding a global slowdown in economic growth and declining commodity prices, the B.C. government forecasts an additional eight new mines in 2015/16, nine new mines in 2016/17, and 10 in 2017/18. Such projections are perhaps unrealistic given the above economic factors, as well as the possible outcomes of two additional pending investigations into last year's incident.

Budget 2015/16 provides an increase of \$6.2 million for the Ministry of Energy and Mines, much of which will be used for the creation of a new major mines permitting office designed to fast-track the mine review process, as well as undisclosed improvements for safety and inspections.

Also, for a second consecutive year, the ministry's innovative Clean Energy Fund will receive no new funding, again demonstrating the government's lack of commitment to a genuine vision for renewable energy development in B.C..

Core Review

Scheduled for completion in 2014, the B.C. government's core review process was tasked with identifying \$50 million in savings to annual operating expenses in the delivery of public services. While indications are that the project is complete and targets were met, neither the budget nor the ministry's service plan offer any findings from the review or specify a release date for the report.

Ministry of Environment and the Environmental Assessment Office

The Ministry of Environment will receive a projected increase of \$16.9 million (+13.8%) in operating expenses through Budget 2015/16, and \$1.8 million (+9.4%) in capital expenditure.

Climate action is scheduled to receive the majority of new operating resources in the ministry, with a substantial \$16 million boost to its budget line. Within this expanded program area, \$9 million will be provided as incentive for B.C. concrete producers to switch to cleaner

fuels, and \$7 million used for the retirement of carbon offsets associated with the dissolution of the Pacific Carbon Trust in 2013.

Despite a significant total increase in ministry operational funding, many core business areas will see near negligible resource improvements, with environmental protection taking a cut of \$0.9m (-10%) and conservation officer services losing \$1.5 million (-8.9%). The Park Enhancement Fund will see no increase, nor will the Sustainable Environment Fund. In the environmental assessment office, funding will remain stable through 2017/18 at \$11.6 million.

With only a very narrow investment in its climate action program—primarily through targeted incentives rather than longer term adaptation—the province has provided few additional resources to ease heavy workloads for conservation officers, protect B.C. parks, or to otherwise safeguard the environment during a period of accelerating natural resource development and high-impact economic activity.

Ministry of Forests, Lands, and Natural Resources

Budget 2015/16 provides an increase of \$17 million (+2.9%) to the Ministry of Forests, Lands and Natural Resource Operations (FLNRO). From this funding, the B.C. timber sales account increases by \$8.9 million (+5.7%) and regional operations increases by \$5.6 million (+4.7%). Unfortunately, however, financing for resource stewardship will remain frozen for this fiscal year. For a sector that currently generates estimated annual revenue exceeding \$800 million, failing to increase expenditure on resource stewardship and public sector forestry staffing represents a significant and costly forgone investment for the province.

Combined operational and capital spending for 2015/16 is estimated at \$662 million with total combined revenues from use of Crown land and natural resources projected at \$1.35 billion. Roughly 62% of this figure will come from forest revenue (\$835 million), yet only \$248 million is expected from B.C. timber sales. While this represents a +19% increase over the previous year, significant additional public revenue could be raised by increasing stumpage rates.

Both in the throne speech and budget highlights, the B.C. government identifies the potential for a revitalized forest product sector, pointing to a

substantial +63% increase in exports since 2011/12. However, to fully capitalize on this opportunity (and to avoid repeating past mistakes) the government must do more to plan for the management of this natural resource, ensuring maximum public returns. To this end, it is especially unfortunate that Budget 2015/16 appears to overlook a key pre-budget recommendation made in late-2014 by the multi-partisan Select Standing Committee on Finance and Government Services: “Develop strategies to sustain the B.C. forest industry through the mid-term, and provide adequate funding to update inventories for forestry and land-based users and industries.”

Ministry of Health

Budget 2015/16 provides an additional \$508.4 million (+3.0%) to the Ministry of Health. With this growth, health authorities will receive an average operating increase 2.9%, while centrally managed service lines will increase by 1.2%. According to Budget 2015/16, an additional increase in Medical Services Plan premiums of 4% is scheduled for January 1, 2016. The government's growing exploitation of health care user fees, rate hikes, and premiums to meet its fiscal objectives of debt management—rather than investing in accessible and high quality social programs—demonstrates its priorities.

Budget 2015/16 makes efforts to highlight the province's low spending on health care:

"We've reduced the rate of health funding increases to an annual average of under 3%,"¹
"B.C. continues to be only one of three provinces with health care costs under \$4,000 annually per capita."²

While these statements are presented alongside data that indicates B.C. leads the nation in important health outcomes—repeatedly citing the Conference Board of Canada's latest health report—analysis suggests that such health outcomes are not necessarily linked to our healthcare system but may be correlated to broader determinants of health as well as health promotion programs.

¹ Balanced Budget 2015 Highlights, page 6

² Budget and Fiscal Plan – 2015/16 – 2017/18, page 19

Elsewhere, the ministry's service plan reiterates the continued implementation of B.C.'s 10-year mental health plan *Healthy Minds, Healthy People*, introducing new performance indicators, but without concrete details related to resource allocation for meeting targets. In fact, it appears this strategy simply introduces rigorous new performance targets—and therefore, increasing demands for workers—without any additional funding and resources.

Further, the service objective of "increased access to a continuum of residential care services" contained in the 2014/15 service plan has been removed in 2015/16, with no further mention of residential care. This is a significant omission considering the province's aging demographic and multitude of research predicting an increasing burden on B.C.'s acute care services as a result of the province's failure to provide sufficient residential care services.

Although "sustainable and effective health services in rural and remote areas of the province, including First Nations communities" represents an important service objective for health care in non-urban communities, available details appear to center on administrative planning rather than concrete health outcomes, and do not indicate the availability of new funding resources.

Lastly, Budget 2015/16 presents an additional health strategy through strategic investments to non-government partners. The strategy increases the prominence of front-loaded grants and other payments to local governments, public libraries, and non-governmental agencies this fiscal year in order to insulate the ministry against future fiscal uncertainty—thereby offloading core responsibility for delivering public programs to non-provincial funding recipients.

Ministry of International Trade and Minister Responsible for the Asia Pacific Strategy and Multiculturalism

The Ministry of International Trade is the second smallest ministry by operating budget (after Energy and Mines) but will receive a 44% increase through Budget 2015/16 from \$34 million to \$49 million. The ministry's service plan shows that funding to international trade and investment will receive an additional \$11.6 million (+106%), reflecting an expected increase both in trade missions and trade-related travel,

as well as transfers to investment advocacy initiatives and agencies based provincially.

In particular, the government's rhetoric emphasizes key opportunities in exporting educational services, as well energy products. Emphasis is focused on China, South Korea, Japan, and increasingly, India, both in promoting trade and investment between B.C. and these economies, as well as cultural awareness and integration locally.

Multiculturalism programs and services will also be increased by \$1 million (160%), likely providing for new resources in the development of Asian and South Asian curriculum. While Budget 2015/16 acknowledges the upcoming expiration and renegotiation of the softwood lumber agreement, the ministry's service plan makes no mention of either its involvement in the process or strategic objectives provincially.

Ministry of Jobs, Tourism and Skills Training and Minister Responsible for Labour

Consistent with last year's fiscal plan, Budget 2015/16 maintains a flatline funding level for the Ministry of Jobs, Tourism and Skills Training at \$199 million, extending this projected freeze an additional fiscal year into 2017/18.

Internally, the ministry's service plan indicates that a \$1.8 million appropriation will be made from labour market and immigration initiatives in order to fund a new workforce development business area. Estimates 2015/16 show that this expenditure will be largely focussed on supporting actions and recommendations from the Premier's LNG working group with a skills development strategy in this sector.

The ministry will continue in its responsibility for implementing the *B.C. Skills for Jobs Blueprint*, in order to "re-engineer B.C.'s education and apprenticeship program." It will also continue to prioritize regional investment opportunities and employment gains outside of urban centres. The throne speech also noted the creation of a "rural advisory panel," which may relate to the economic development and employment objectives in this area. These will include greater regional equity and social adaptation to accommodate growth and development; however, financing details and resources are not yet clear for this initiative.

Other items include a commitment to initiating a six-year Canada-B.C. jobs fund worth \$65 million aimed specifically at supporting apprenticeships in high demand areas, as well as for women, immigrants and Aboriginal peoples. The ministry is also tasked with meeting key goals from the *Gaining the Edge* strategy for expanding economic opportunities for women.

Industry Training Authority (ITA)

Budget 2015/16 indicates that ministry transfers to ITA will remain constant this year at \$94 million after a significant \$14 million (-13%) cut in 2014/15. ITA's service plan, however, shows an internal reduction to the invest-in-training-pathways expenditure line of \$8.5 million (-9.7%). This suggests a discrepancy between the stated objectives of protecting jobs—and improving linkages between training opportunities and the demands of the broader provincial labour market—versus the operative government priority of providing balanced budgets.

ITA remains committed to one of its key mandates in pursuing new harmonization initiatives across the interprovincial labour market. While the authority makes strong claims in 2015/16 around a “new agenda” for efficiently and effectively deploying provincial training investments, it is not clear what this new direction is or how it deviates from previous years' operating mandates.

Ministry of Justice

Budget 2015/16 provides a \$17.2 million (+1.4%) increase over the previous year's fiscal plan. However, the budget offers no concrete strategy or additional funding to improve access to justice services (including courtroom capacity) or victim services for British Columbians.

There is also no new funding to reduce workloads or improve workplace safety for government employees in court services and corrections. With only a 0.7% increase to corrections in 2015/16, extremely high community corrections (probation) caseloads are expected to persist, courts will remain inadequately staffed, and correctional institutions will continue to experience dangerous overcrowding.

Budget 2015/16 notes that the new Okanagan Correctional Centre is expected to be completed in 2016 at an anticipated total cost of \$91 million

(through direct procurement) and \$129 million (through P3 contracting). However, as the Auditor General reported in January 2015, even with the opening of the Okanagan facility the provincial prison occupancy rate will be 121%, with 35% of inmates double-bunked in 2022/23.

British Columbia Liquor Distribution Branch (LDB)

Budget 2015/16 shows that the LDB is expected to contribute \$881 million in public revenue in the upcoming fiscal year, rising to \$910 million by 2017/18. This represents an annual average increase of 1.8% (+0.1% higher growth than forecast in Budget 2014/15).

The LDB's capital spending over the fiscal period is also projected to total \$158 million as the LDB modernizes operations, including updates and improvements to stores, technology, and equipment. This year marks a substantial positive improvement through the announcement of extended operating hours and Sunday openings.

Ministry of Natural Gas Development and Minister Responsible for Housing

Operational funding for the Ministry of Natural Gas Development will see a significant increase of \$43.3 million (+10.8%) in 2015/16. The ministry's service plan shows that LNG will receive additional operating funds of \$2.1 million (+53%) and that executive and support services will grow by \$1.5 million (+54%). However, the housing capital fund will drop by \$24.3 million (-62%).

Budget 2015/16 continues to demonstrate the government's overly optimistic forecast for LNG development. There is only one project development and power supply agreement reached in 2014/15. The plan currently forecasts five potential project development agreements and two power supply agreements to be completed in 2015/16, with the elusive “first final investment decision” still outstanding as noted in the budget speech.

In line with persistent optimism for development in this sector, annual investment in natural gas and oil exploration is forecast to grow by \$300 million to \$6.2 billion in 2015/16. This, despite falling market prices, in combination with a growing social movement protesting environmental impacts associated with LNG projects.

Housing

This year's largest operating increase in the ministry is an additional \$39.7 million (+10.8%) for housing. Currently there are few details on how this funding will be used and distributed, and whether it can be expected to support better options and outcomes in safe and affordable housing for those in need.

Ministry of Social Development and Social Innovation

As detailed in BCGEU's *Choose Children* report (November 2014), the Ministry of Social Development and Social Innovation (MSDSI) has struggled to provide timely and effective services to vulnerable children, youth, and families due to massive caseloads and caseload complexity, lack of resources, and substantial administrative problems associated with the province's cross-ministry Integrated Case Management system (ICM). To date, the province has spent more than \$180 million on ICM, including an unknown total amount on system repairs, upgrades, and maintenance, and a projected additional \$2 million in 2015/16 to bring the project to completion.

Last year's budget introduced a long-overdue funding increase for MSDSI, and 2015/16 sees an additional injection of \$64 million (+2.5%) into its budget. This includes \$27 million (+1.6%) to income assistance, primarily allocated to disability assistance, but coupled with a slight reduction in resources for temporary assistance, which covers short-term emergency needs.

The fiscal plan also provides for a further \$21 million to income assistance in 2016/17, but is followed by an \$18 million reduction in 2017/18. Currently, these funding projections are consistent with the government's expectation of improved economic growth which, in their view, will result in lower caseloads and reduced demand for income assistance. While this estimate is consistent with Liberal ideology, it is inconsistent with the historical trend of increasing demand for social assistance and disregards the government's social responsibility.

Recognizing the enormous pressures that exist for the province's neediest children and families, the 2015/2016 fiscal plan ends the practice of "clawbacks" on child support payments, and reinstates their exemption in the calculation of

income and disability assistance. This reform is to be implemented by fall 2015 and is estimated to provide an additional \$32 million to children and families most in need. However, the government's implementation of this much-needed reform is also being exploited as a seriously misguided opportunity to eliminate 51 positions within the ministry's family maintenance program, an action opposed by the BCGEU.

Both the budget and minister's speech also highlight an increase of \$106 million to Community Living British Columbia (CLBC) over the three years of the fiscal plan. A total of \$69 million is allocated to services for individuals with developmental disabilities and their families, in order to address continued caseload growth and demand for services. The remaining \$37 million is earmarked for wage increases recently negotiated for frontline community social services workers in CLBC—workers who were substantially undercompensated for the vital support they provide.

While these additional resources represent much-needed improvements for core social services in B.C., neither the budget nor the ministry's service plan illuminate the current organizational reforms within the service delivery division of MSDSI. Increased funding is certainly a necessity to meet needs. However, there remain unaddressed questions and concerns regarding an accelerating shift in service design toward an increasingly "virtual" model of delivery, and away from face-to-face interaction. Such policies mirror other sectors of the public service in recent years: the prioritization of administrative efficiency and so-called lean government over its social responsibility to the province's most vulnerable.

Ministry of Technology, Innovation and Citizen Services

Following a \$17.4 million cut (-3.4%) in 2014/15, the Ministry of Technology, Innovation and Citizens' Services will undergo a further \$34.1 million (-6.5%) reduction in funding through Budget 2015/16. Where the previous year's cuts were concentrated primarily in reductions to technology solutions—with real reductions in core operating expenses—the projected cuts in 2015/16 will be tied primarily to the removal and relocation of government communications and public engagement and strategic initiatives.

These core business areas are being transferred to the Ministry of Advanced Education, thereby creating the appearance of new program spending in that ministry. In actuality, the move is simply a change in ministerial responsibility.

According to the 2015/16 service plan, the Ministry of Technology, Innovation, Citizens' Services will continue to provide support for B.C.'s 10-year *Jobs Plan*, focusing largely on advancing the creation of "high-paying jobs" in the technology sector. To this end, the budget's extension of the B.C. training tax credit until 2017 is presented as a key policy supporting the ministry's core mandate and objectives.

Other ministry objectives include continued expansion and enhancements to the B.C. services card, expanded targets for improving broadband internet access for First Nations communities, and ambitious productivity improvements in the processing of Freedom of Information Requests (FOI). While ministry statements throughout the year have emphasized efforts to reduce the turnaround times for FOI requests, the ministry will focus heavily on efficiency improvements internally, targeting 20% cost reductions in average processing baselines through each of the following three fiscal years.

Ministry of Transportation and Infrastructure

The Ministry of Transportation and Infrastructure receives flatline funding through Budget 2015/16, increasing slightly from \$812 million in 2014/15 to \$813 million in 2015/16 (+0.1%)—well below the current rate of inflation.

The province's 10-year transportation plan, *B.C. on the Move*, was initially due in the fall of 2014 but has now been confirmed for "early 2015." This strategy is expected to provide better information concerning the government's longer

term vision for the ministry and its key investments and operations.

Currently, the ministry service plan for 2015/16 reflects near identical agenda setting and priorities to those provided in 2014/15: the ministry will continue to focus on improved infrastructure, the Pacific Gateway, reducing greenhouse gases, and ensuring a safe, reliable highway system.

Capital expenditures for highway operations have increased from \$2.7 million in 2013/14 to \$4.2 million in 2014/15, with a further projected increase to \$5.3 million (+26%) in 2015/16. No concrete details on these investments or where they will take place are provided. Highway operating expenditures will remain static at \$472.9 million in 2015/16

Budget 2015/16 states that over the three years of the fiscal plan, an additional \$2.9 billion will be spent on transportation investments, including the Evergreen Line, Cariboo Connector, and Highway 1 improvements. However, not all of these investments will flow through the Ministry of Transportation and Infrastructure. Some will be provided through federal contributions and P3 financing.

The Insurance Company of British Columbia (ICBC) will have \$160 million per year of their generated revenue (71% of their estimated income) appropriated as general revenue, as the government continues to build surpluses by overcharging ICBC customers, along with significant fee and rate hikes in other areas of the provincial budget.

Lastly, the B.C. Transportation Financing Authority (BCTFA) will receive deficit financing for an expenditure increase of \$60 million. One million dollars of this amount (+5.7%) will be used to support increases in BCTFA highway operations and substantial debt servicing costs.