

BALANCED BUDGET 2006 HIGHLIGHTS

Balanced Budget 2006 Concentrates on B.C.'s Children

Every new budget is an opportunity for British Columbia to take another step forward. Last year's budget focused on seniors. This year, the budget concentrates on improving services that support, nurture, educate and protect B.C. children.

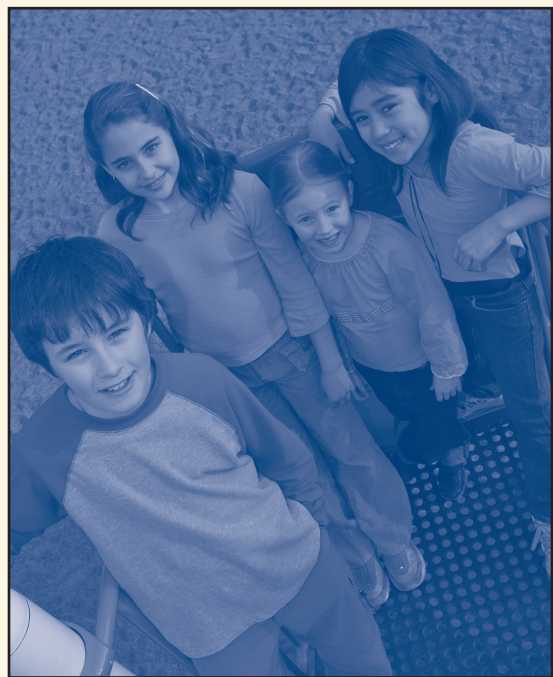
Balanced Budget 2006 provides more social workers and other front-line staff, improves supports for families at risk and children with special needs, and increases funding for public education to its highest level in provincial history.

It increases training and skills development, expands post-secondary education, and enhances opportunities for youth, First Nations, recent immigrants and those with disabilities.

It helps to keep home ownership affordable and provides a range of other tax reductions for individuals and businesses.

It also provides up to \$6 billion to fund compensation increases for the people who deliver British Columbia's public services.

Supporting these and an array of new investments, *Balanced Budget 2006* will keep British Columbia growing with confidence.



*Balanced Budget 2006
concentrates on improving
services that support,
nurture, educate and
protect B.C. children.*

Improving and Expanding Services for Children

Balanced Budget 2006 provides an additional \$421 million over four years to help ensure the well-being of vulnerable children, to enhance services to children with special needs, and to better support caregivers and family members caring for children and youth at risk. New measures include:

- > \$72 million to add more social workers and other front line staff, to improve supports for grandparents and other relatives looking after children, and to increase the transportation allowance for foster parents by 50 per cent — the first increase in more than 10 years;
- > \$100 million to enhance the child protection system, targeting early intervention services so the safety and well-being of children can be ensured in their families and communities;
- > \$34 million to increase funding for Phase 2 of the Child and Youth Mental Health Plan, to better serve the approximately 140,000 children and youth in B.C. with mental health disorders;
- > \$36 million to reduce waitlists for services to children and youth with special needs and their families;
- > \$31 million in additional support to implement five regional aboriginal child and family development service authorities;
- > \$2 million for the Crystal Meth Secretariat to integrate and coordinate efforts to combat the production and use of crystal methamphetamine;
- > \$112 million in additional funding for K-12 education; and
- > \$4 million to double the School Start-up Supplement—the first increase since 1993—to help the approximately 29,000 school-aged children of families on income assistance cope with the costs of starting a new school year.

Family Independence Fund

A \$30 million grant for a Family Independence Fund will help families cover the cost of specialized equipment or home renovations that are needed to keep their children or adults with developmental disabilities in their own homes.

WHAT THIS MEANS:

3,050

additional children will benefit from the Infant Development Program;

5,200

additional children and youth will benefit from therapy programs;

1,150

additional children with special needs will receive the support services needed to include them in regular child care;

1,000

children will receive specialized Fetal Alcohol Spectrum Disorder and other developmental behavioural intervention;

800

additional families will benefit from respite care;

650

additional children with complex needs will receive specialized services.

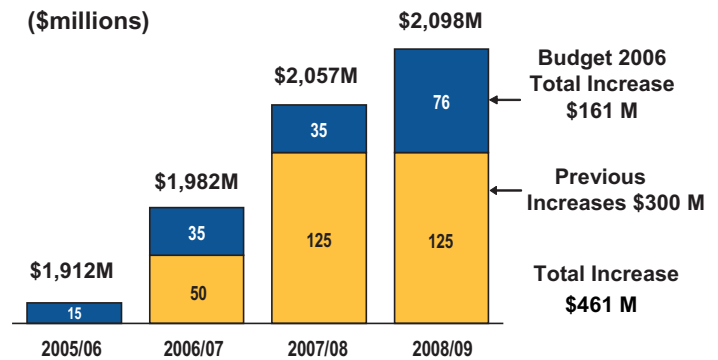
Skills and Training

Balanced Budget 2006 provides an additional \$400 million over four years to increase training and skills development and help more people connect with opportunities and achieve their potential.

New measures include:

- > \$90 million for a new tax credit program, to be designed in consultation with industry, to expand training opportunities in the traditional construction trades and emerging industries;
- > \$39 million for the Industry Training Authority to increase apprenticeship training through public and private training institutions.
- > \$50 million for a Natural Resources and Applied Science endowment to support economic development and diversification through research in sciences and engineering through grants and fellowships;
- > \$5 million in additional funding for ESL training, allowing new immigrants to enter the workforce more quickly;
- > \$3 million to extend Bladerunners to more communities, an award-winning on-the-job construction training and apprenticeships program for disadvantaged and multi-barrier youth;
- > \$17 million for computer training and to create computer access centres in First Nations communities;
- > \$2 million for mineral exploration and mining training, and hands-on experience for youth in prospecting and environmental remediation;
- > \$9 million to provide an additional 2,500 income assistance recipients with up to \$100 per month for clothing and other expenses related to volunteer work they perform in their communities through the Community Volunteer Program; and
- > \$145 million in additional operating funding to post-secondary institutions to help create 25,000 new student spaces by 2010.

Post-secondary Education Budget Increases



Balanced Budget 2006 provides an additional \$161 million for post secondary education . Combined with previously announced increases, that amounts to \$461 million in new funding to create new student spaces and keep tuition capped.

World Centre for Digital Media Education

In partnership with industry, *Balanced Budget 2006* provides \$40.5 million to develop a new graduate program in digital media and capitalize on the province's position as Canada's largest digital media hub.

Supporting Research and Innovation

To encourage emerging industries and attract, train and support highly skilled researchers, *Balanced Budget 2006* provides an additional \$134 million for research and innovation:

- > \$45 million for Genome BC;
- > \$70 million for the Michael Smith Foundation;
- > \$4 million in research funding for a Cancer Chair at the Canadian Cancer Society, B.C. and Yukon Division; and
- > \$15 million for the Pacific Alzheimers Research Foundation.

Tax Reductions for Homeowners

Balanced Budget 2006 helps make home ownership more affordable. It provides \$309 million over four years to improve the Home Owner Grant Program:

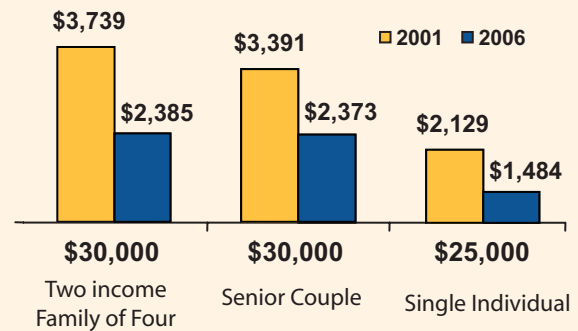
- > the basic grant will increase by 22 per cent to \$570 — the first increase in the grant amount since 1993 — and the grant for seniors, disabled people and veterans will increase to \$845 from \$745.
- > as announced in January, the threshold at which homeowners qualify for the full grant will increase to \$780,000 in assessed value — this change ensures that more than 95 per cent of homeowners remain eligible for the full grant; and
- > eligibility for the additional grant will be extended to include more people with disabilities.

Keeping Taxes Fair and Competitive

Including improvements to the Home Owner Grant Program, *Balanced Budget 2006* provides \$733 million in tax reductions over four years, two-thirds of which benefit individuals and the remainder to keep business taxes competitive. Tax reductions include:

- > eliminating PST on labour charges for maintaining or modifying computer software;
- > expanding and clarifying PST exemptions for machinery and equipment;
- > extending the B.C. Mining Flow-through Share Tax Credit to maintain an incentive for raising venture capital mineral exploration in British Columbia;
- > expanding eligible uses of coloured fuel;
- > increasing the vehicle PST surtax threshold for passenger vehicles to \$55,000 from \$49,000, allowing British Columbians who require diesel pickup trucks and similar vehicles for work to purchase them without paying the surtax;
- > increasing the Small Business Venture Capital tax credit program to \$25 million from \$20 million.

Changes in Taxes 2001 versus 2006



Taxes for 2001 are calculated based on rates in effect prior to June 2001; taxes for 2006 are calculated based on rates announced in Budget 2006.

Includes provincial personal income tax, MSP premiums, fuel tax, sales tax and estimated municipal property taxes.

Improving the Home Owner Grant is the latest in a series of steps to ease the tax burden for British Columbians.

In 2001, income taxes were reduced by an average of 25 per cent. British Columbia now has the lowest personal income tax rates in Canada for the bottom two tax brackets.

Last year, further income tax and MSP premium reductions were made to benefit lower-income earners. Today most people earning up to \$16,000 a year pay no provincial income tax at all.

WHAT THIS MEANS:

A senior couple with an income of \$30,000 now pays \$1,000 less in total provincial tax than in 2001.

A family of four earning \$30,000 now pays \$1,350 less in total provincial tax than in 2001.

B.C.'s Negotiating Framework

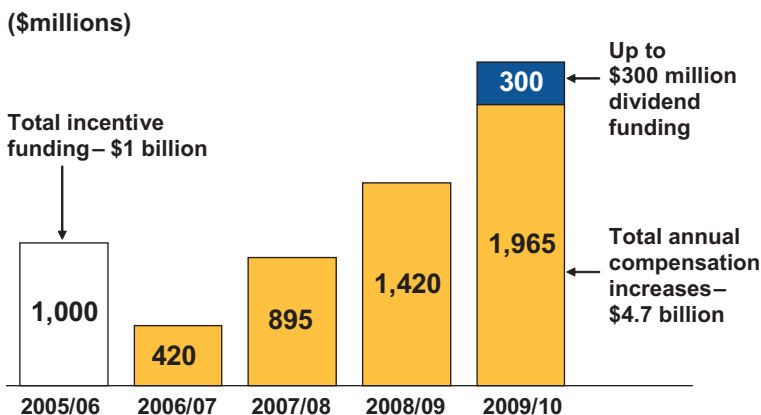
By far the single largest commitment in *Balanced Budget 2006*, is the up to \$6 billion to fund compensation increases for British Columbia's 300,000 public sector workers.

To put this in perspective, \$6 billion is more than the annual budget for the province of New Brunswick and represents half of the forecast fiscal room available out to 2009/10. The other half of the available fiscal room remains to support all the programs and services British Columbians rely on, including health care and education. The framework entails:

- > \$1 billion in 2005/06 as an incentive to reach agreements;
- > \$4.7 billion over 4 years for annual compensation increases; and
- > Up to \$300 million dividend in 2009/10 for agreements that extend to March 31, 2010 or later, subject to the surplus exceeding \$150 million.

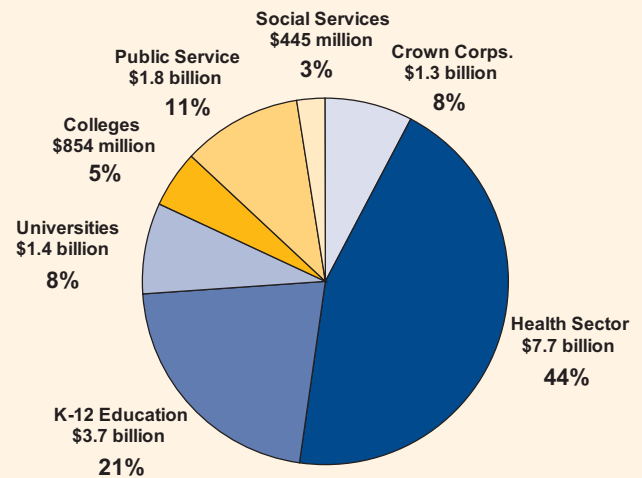
The Negotiating Framework replaces the previous "one size fits all" mandate with a more flexible and creative approach that retains affordability, sustainability and better services for taxpayers dollars as the guiding principles for compensation agreements.

Up to \$6 Billion for the Negotiating Framework



There are approximately 258,000 unionized workers and 42,000 management and other non-union employees in the provincial public sector.

Public Sector Compensation 2005/06



Roughly half (\$17.2 billion) of the 2005/06 budget funds the wages and benefits of public sector employees.

Health care and education are the two largest sectors, currently accounting for about 65 per cent (\$11.4 billion) of the overall compensation base.

As we move into the 2006/07 fiscal year, compensation costs and how they impact different sectors will change based on agreements reached under the Negotiating Framework.

Strengthening B.C.'s Communities

Balanced Budget 2006 reconfirms the government commitment to strengthen B.C. communities by investing an additional \$191 million over three years to improve housing, safety and supports to vulnerable individuals. New measures include:

- > \$8 million for housing and support services to people who are homeless;
- > \$16 million will help provide persons on income assistance with the services they need, including supplementary benefits and program enhancements;
- > \$21 million to create 548 additional assisted living and supportive housing units for eligible lower-income seniors and persons with disabilities;
- > \$21 million in higher traffic fine revenue to municipalities, helping enhance community policing, crime prevention and other programs to make communities safer;
- > \$42 million to increase the small community and regional district grants, in line with the government commitment to double these grants by 2009/10;
- > \$3 million for a community court pilot project that will explore more effective responses to street crime;
- > \$13 million to improve capacity in the B.C. Coroners Service and reduce backlogs, including child death reviews.

Community Living BC

More people with more serious needs are accessing residential and day support services. An additional \$67 million will expand community living services to cover almost 2,000 more individuals and deliver new or enhanced supports to 5,300 British Columbians with developmental disabilities.



\$21 million to create 548 additional assisted living and supportive housing units for eligible lower-income seniors and persons with disabilities.



\$21 million in higher traffic fine revenue to municipalities, helping enhance community policing, crime prevention and other programs to make communities safer.

Natural Resources and Sustainable Development

Balanced Budget 2006 invests an additional \$312 million over four years to support the sustainable development of natural resources, to provide new opportunities for workers and communities, and to strengthen environmental protections.

These measures include:

- > \$113 million to build on previous funding to address the effects mountain pine beetle, including additional funds to support increased beetle timber harvest levels and reforest devastated areas;
- > \$12 million to strengthen monitoring of forest and range management;
- > \$129 million to upgrade roads, lengthen the winter drilling season, and support enhanced environmental stewardship initiatives in oil and gas exploration areas;
- > \$5 million to operate the Animal Health Centre lab in Abbotsford, a new \$13-million, high security, level-three containment lab capable of testing for dangerous pathogens such as BSE and avian influenza;
- > \$3 million for Front Counter BC, a single-window service to help small and medium business operators obtain land use and resource authorizations;
- > \$6 million to enhance capacity in the Ministry of the Environment to assess permitting requests and to increase the ability of the Environmental Assessment Office to conduct assessments in a timely manner;
- > \$30 million invested to support Coastal First Nations conservation and economic development opportunities; and
- > \$14 million to meet the province's commitment to triple funding for the Living Rivers Trust Fund.

Tourism and International Opportunities

British Columbia aims to double the tourism industry by 2015 and take advantage of its international exposure as host of the 2010 Winter Olympic Games. *Balanced Budget 2006* adds \$50 million over three years to help meet that goal with:

- > \$15 million in new funding for tourism initiatives;
- > \$6 million to build Gateway tourism centres at the Peace Arch and Merritt;
- > \$5 million to help develop all season resorts, adventure tourism, and public recreation opportunities as part of the provincial Resorts Strategy;
- > \$3 million to support hosting major international, national, and community-based sporting events; and
- > \$21 million to promote foreign direct investment in B.C. and take advantage of economic opportunities presented by the 2010 Winter Olympic and Paralympic Games and B.C.'s Asia Pacific focus.



\$30 million to support Coastal First Nations conservation and economic development opportunities.

Investing in Infrastructure

Balanced Budget 2006 supports an affordable, effective infrastructure plan that meets the needs of our growing province. It continues to build and upgrade schools, universities, colleges, hospitals, roads and bridges to better serve British Columbians and keep our economy strong.

Building Classrooms

British Columbia will invest nearly \$3.4 billion on K-12 and post-secondary education infrastructure over the next three years. This includes:

- > \$955 million to replace, renovate and expand K-12 facilities, and continue the \$1.5 billion program to upgrade schools at risk of earthquake damage;
- > \$2.4 billion for post-secondary institutions, including new or expanded facilities at Northern Lights College in Fort St. John, Douglas College, Simon Fraser University, College of the Rockies in Cranbrook, University of Victoria and the University of British Columbia.

Building Roads and Highways

Ongoing commitment to the Transportation Investment Plan will provide \$3.9 billion over the next three years of public and private sector investment towards projects such as:

- > Phase 2 of the Kicking Horse Canyon Project;
- > The new Pitt River Bridge component of the Gateway Project;
- > Sea-to-Sky Highway improvements;
- > The William R. Bennett Bridge in Kelowna; and
- > Road rehabilitation supporting the oil and gas sector and to manage the impacts of intense harvesting required under the Mountain Pine Beetle Strategy.



B.C. invest will invest almost \$3.5 billion in capital projects in 2006/07—building and upgrading schools, roads and health facilities.

Building Health Facilities

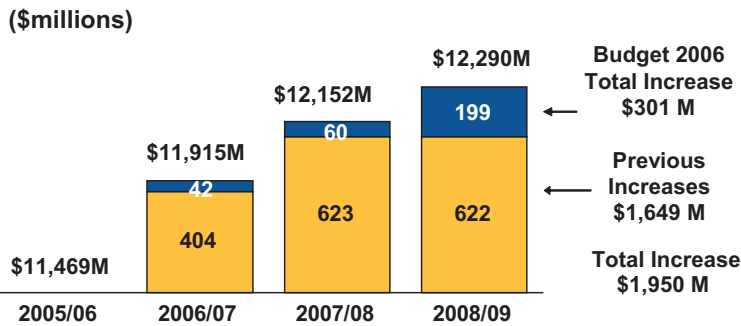
The health system will benefit from nearly \$1.8 billion in infrastructure spending over the next three years. Significant projects include:

- > Expanding Surrey Memorial Hospital with a new emergency, urgent, ambulatory, and perinatal care facilities and an additional 140 acute care beds;
- > The new Academic Ambulatory Care Centre at Vancouver General Hospital;
- > Renovating and expanding maternity and pediatrics departments at Prince George Regional Hospital;
- > A new perinatal wing at Nanaimo Regional General Hospital;
- > The new Abbotsford Regional Hospital and Cancer Centre; and
- > Redeveloping the East Kootenay Regional Hospital in Cranbrook, including the emergency, ambulatory care, and diagnostic imaging departments.

Health

Balanced Budget 2006 provides an additional \$301 million in increased funding for health care. Combined with previously announced increases, that amounts to nearly \$2 billion in new funding over the next three years. The new funding will support a range of enhanced services, including surgical wait times initiatives, providing new residential, assisted living, and supportive housing, and health prevention.

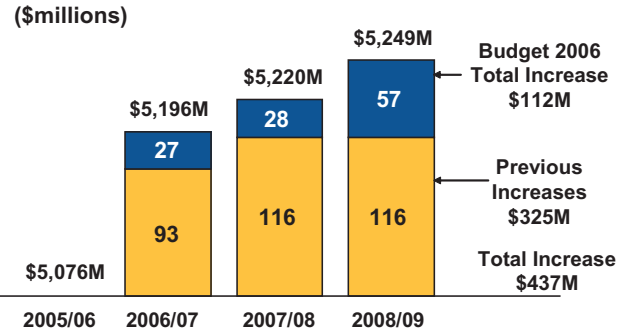
Ministry of Health Budget Increases



Education

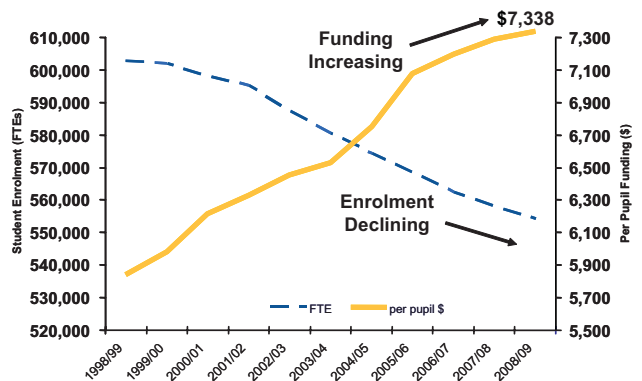
Balanced Budget 2006 provides an additional \$112 million in increased funding for K-12 education. Combined with previously announced increases, that amounts to \$437 million in new funding over the next three years. Furthermore, as the number of student entering the school system continues to decline, that results in more funding for each student. Per pupil funding will reach a record \$7,338 in 2008/09.

K-12 Education Budget Increases

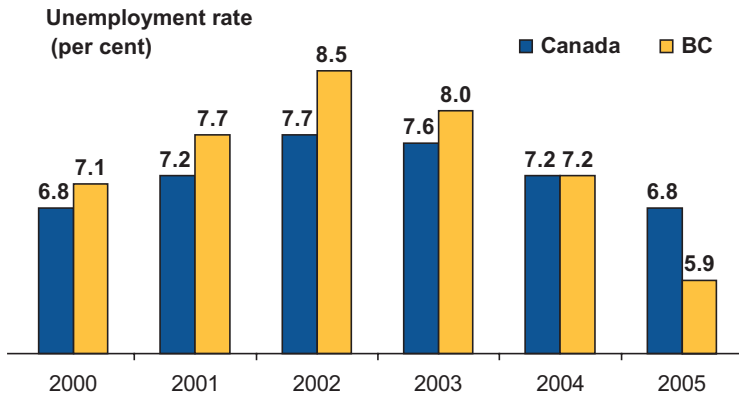


The health budget provides an additional \$15 million for ActNowBC, which promotes healthy lifestyles.

Student Enrolment and Per Pupil Funding (Public Schools)



Unemployment at 30 Year Low



A Strong Economy

British Columbia's economy remains strong, supported by a low unemployment rate, robust domestic demand and strong business investment.

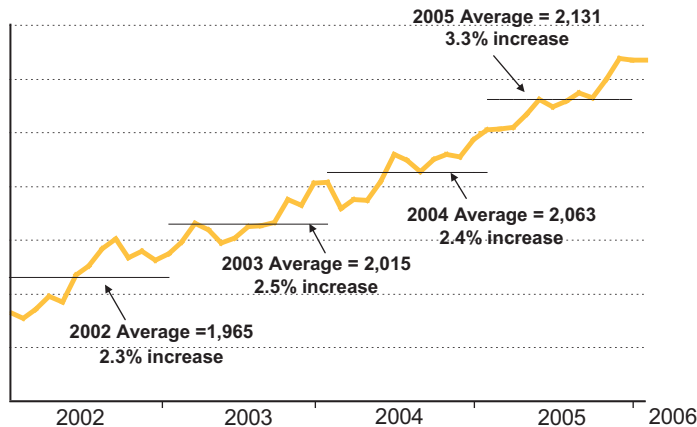
Following estimated real gross domestic product growth of 3.6 per cent in 2005, the Ministry of Finance forecasts economic growth of 3.3 per cent for 2006. Economic growth is expected to moderate to an average 3.1 per cent over the medium-term.

In 2005, British Columbia led the provinces in employment growth with 67,800 new jobs – an increase of 3.3 per cent. The unemployment rate averaged 5.9 per cent, the lowest jobless rate in 30 years.

Reflecting strong business and consumer confidence, real business investment in British Columbia increased by 5.9 per cent in 2005; most of the growth in business investment was driven by strong investment in machinery and equipment and non-residential construction. Total real investment in British Columbia is forecast to grow 6.4 per cent in 2006, moderating to 3.1 per cent in 2007.

BC a Job Creation Leader

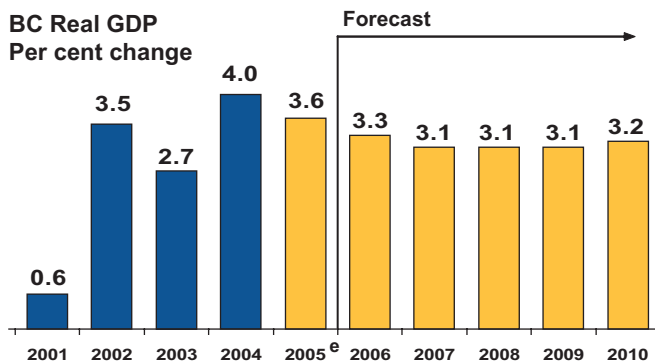
Thousands of jobs; seasonally adjusted



Economic Forecast Council

The Economic Forecast Council is a group of 13 private sector economists who provide advice to the Minister of Finance on the provincial economic outlook.

Economic Growth



^e: 2005 real GDP growth is a BC Ministry of Finance estimate
Sources: Statistics Canada, BC Ministry of Finance

Over the medium term, the Council expect B.C.'s strong domestic economy will be supported by strong job growth, increased non-residential construction, healthy consumer spending, steady housing activity, continued demand for B.C.'s natural resources, growing trade with Asia, B.C.'s improved fiscal position, and an anticipated build-up towards the 2010 Olympics.

Keeping the Budget Balanced

In keeping with the government's legislated commitment to balanced provincial budgets, the fiscal plan forecasts surpluses of \$600 million in 2006/07, \$400 million in 2007/08 and \$150 million in 2008/09.

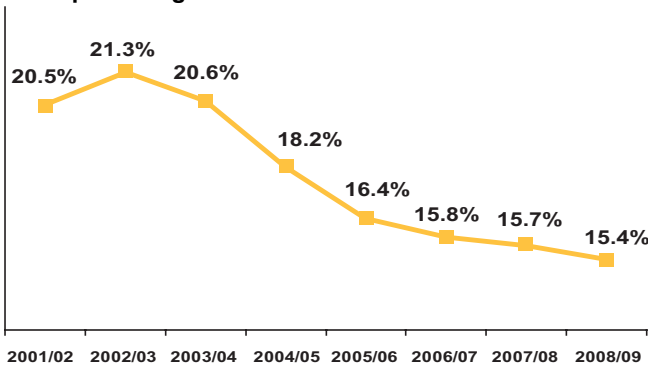
Budget Remains Prudent

To help ensure surplus targets are met, the updated fiscal plan includes forecast allowances of \$850 million in 2006/07, \$550 million in 2007/08, and \$400 million in 2008/09.

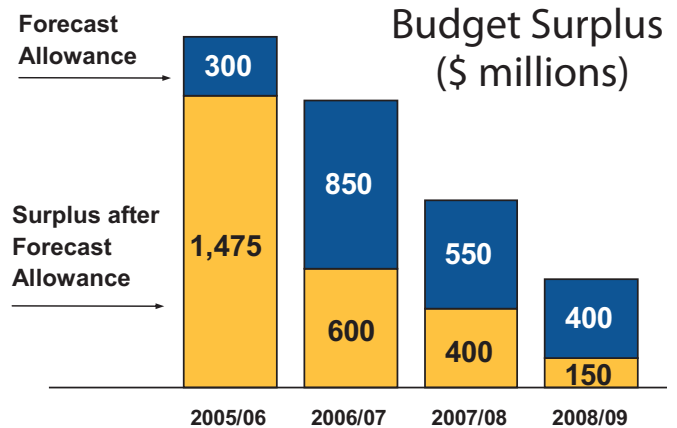
These allowances will help protect the fiscal plan from revenue risks such as sudden drops in natural gas or other commodity prices, the cost of natural disasters, and other unexpected events. The higher forecast allowance in 2006/07 reflects increased risks to the surplus due to natural gas price volatility. If the forecast allowance is not required, it can be used to reduce borrowing and debt.

Debt Affordability Improves

Taxpayer - Supported debt as a percentage of GDP



Sound Fiscal Management



Debt Remains Affordable

Debt continues to represent a significant source of financing for provincial infrastructure investments.

The three-year plan forecasts taxpayer-supported debt at \$27.9 billion in 2006/07, \$29 billion in 2007/08, and \$29.9 billion in 2008/09, a 2.9 per cent average annual increase.

British Columbia's continued economic and fiscal strength ensures the new debt remains affordable. Continuing the favourable trend of recent years, the taxpayer-supported debt to GDP ratio, a key measure of debt affordability, is forecast to decline to 15.8 per cent in 2006/07, 15.7 per cent in 2007/08, and 15.4 per cent in 2008/09.

The government is committed to maintain a downward trend in this ratio, using a three-year moving average.

200607200809400200304440505080200901300050606500091240020030444049002100
220300050605000124000120455500901290100022030020010070550440088070306604
409129900844033200802001002257705550300024050606500910755088033044401208
800240020030444050508020090130005060650009124002003044404900210022030005
060500012400012045550090129010002203002055510070550440088070306604409120
084403300802055401002257705550300024050606500910755088033044401208800240
023044405050802044090130005060650009124002003044404900210022030005060500

