



# BALANCED BUDGET 2005 HIGHLIGHTS

***Balanced Budget 2005 shows what we can accomplish – as a province and a people – and it points the way to a future of growth, confidence and prosperity.***

In just three years, as a province, we have rebuilt our economy, revitalized our industries, and regained our role as a national leader. We have brought back investment, created hundreds of thousands of jobs, strengthened our communities, and won the right – in 2010 – to host the world's most prestigious cultural and sporting event.

Our province is now moving towards a golden decade and Balanced Budget 2005 will help ensure all British Columbians share in the opportunities ahead with:

- long-term investments in our environment, and our communities;
- new measures to strengthen the economy;
- new supports for children with special needs and people with disabilities;
- thousands of new post-secondary spaces;
- the highest budgets ever for health care and education;
- the largest ever annual reduction in provincial debt; and
- income tax and MSP premium changes that, over three years, will leave \$480 million in the pockets of those who need it most.

## ***The challenge***

### **The 1990s**

- Underperforming economy
- BC was 9th in job growth
- Individuals and families were leaving BC
- Housing starts declined by 15.4% a year
- "Government is operating in a fundamentally unsustainable manner"- Fiscal Review Panel, July 2001

## ***We responded with a plan***

- Restore sound fiscal management - while protecting funding for health care and education
- Revitalize the economy

## ***The plan is working ...***

- BC is an economic leader
- 1st in jobs growth since 2001
- People moving to BC
- 1st in housing starts growth in 2004
- Balanced budget: 2nd straight year and record debt paydown
- Spending on health and education protected and increased by \$5.8 B since 2000/01

# Towards a Golden Decade

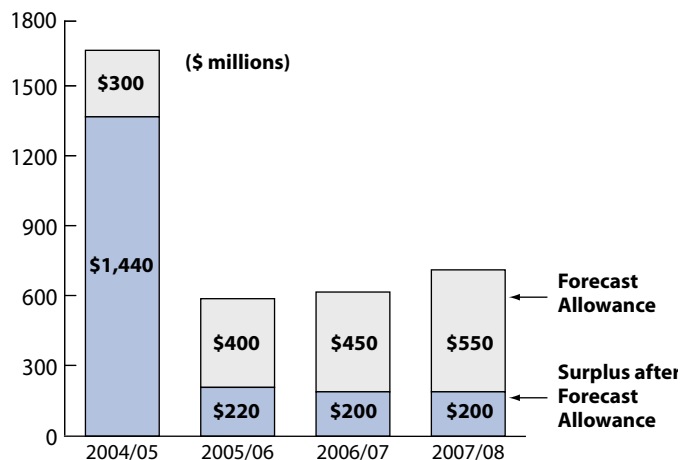
## Sound Fiscal Management and Sustainable Future

### Near Record Surplus and Balanced Budgets

The revised surplus forecast for the 2004/05 fiscal year is \$1.4 billion, with a forecast allowance of \$300 million, which, if not required, will result in a record surplus.

Balanced Budget 2005 forecasts surpluses of \$220 million in 2005/06 and \$200 million in each of 2006/07 and 2007/08. Forecast allowances and contingencies will protect the balanced budget projections against unforeseen events and revenue risks.

Near Record Surplus and Balanced Budgets

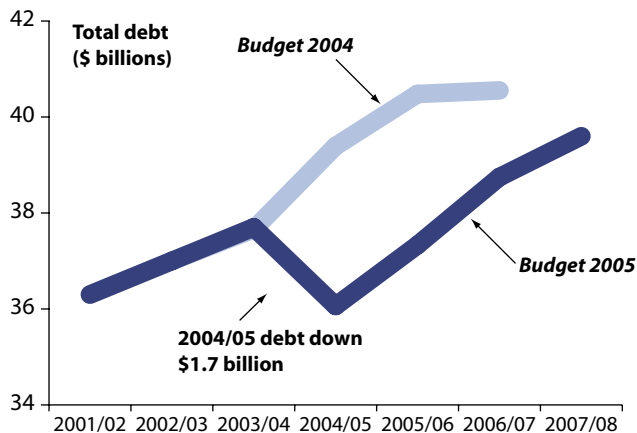


### Record \$1.7 Billion Debt Paydown

Total provincial debt at the end of 2004/05 is forecast at \$36.1 billion, a \$1.7 billion decline from the previous year and the largest annual debt reduction in B.C. history.

*Balanced Budget 2005* includes a capital plan for ministries and taxpayer-supported agencies that is substantially higher in value than last year's plan. It includes an additional \$1 billion in 2005/06 and \$900 million in 2006/07 for planned and new construction of schools, colleges and universities, health facilities and transportation infrastructure.

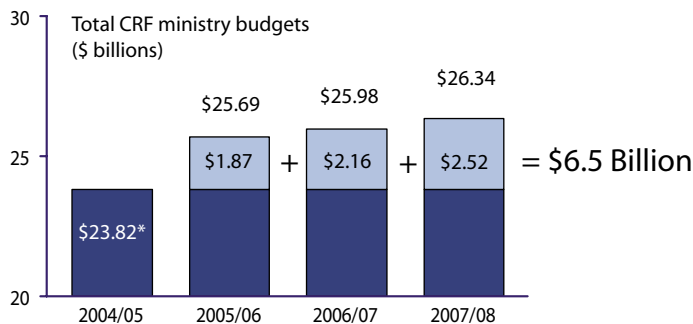
Debt Forecast Improves



### More Services for British Columbians

*Balanced Budget 2005* provides \$6.5 billion over the next three years for increased ministry funding for health care, communities, children, education, public safety, economic development and the environment. Reflecting the ongoing service priorities of British Columbians, 71 per cent of the new funding is directed to health care and education.

More Services for British Columbians



\*Budget 2004 base, prior to \$148 million federal trust funding

# de for British Columbia

## The best place on Earth to live, work and raise a family

**Balanced Budget 2005 supports tax reductions for lower and moderate income British Columbians, measures to keep home ownership affordable, and increased funding to keep our families safe and strengthen our local communities.**

In 2001, the government reduced income taxes for B.C. families by an average of 25 per cent, and by 28 per cent for those earning less than \$30,000 a year. With higher revenues fuelled by a stronger economy, the province is in a position to reduce taxes further.

### The BC Tax Reduction

Effective this year, a new non-refundable personal income tax credit, the BC Tax Reduction, will reduce or eliminate provincial income taxes for about 730,000 British Columbians. Most individuals earning up to \$16,000 a year will pay no provincial income tax and those earning up to \$26,000 will pay lower tax.

### Improved MSP Premium Assistance Program

A \$4,000 increase in the thresholds to qualify for the Medical Services Plan Premium Assistance Program will reduce or eliminate premiums for 215,000 people. This means:

- Single persons with net incomes of \$20,000 or less will pay no premiums, and those earning up to \$28,000 will pay lower premiums.
- Senior couples and families of four with net incomes of \$29,000 or less will pay no premiums, and those with net incomes up to \$37,000 will pay lower premiums.

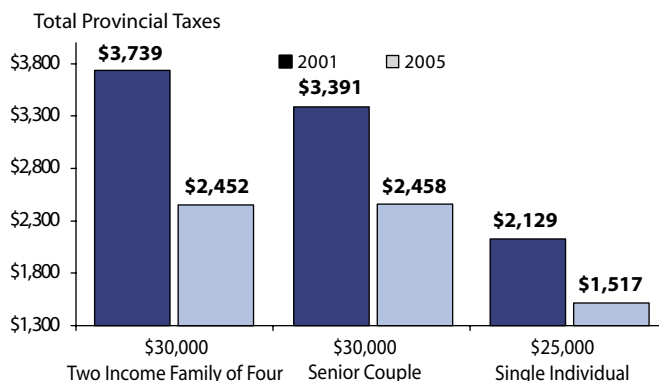
Over the next three years, the BC Tax Reduction and the enhanced MSP Premium Assistance Program will provide \$480 million in tax reductions for lower and moderate income families, seniors, and individuals.

### Examples of Tax Savings

A senior couple with an income of \$30,000 will now pay almost \$930 less in total provincial tax than in 2001.

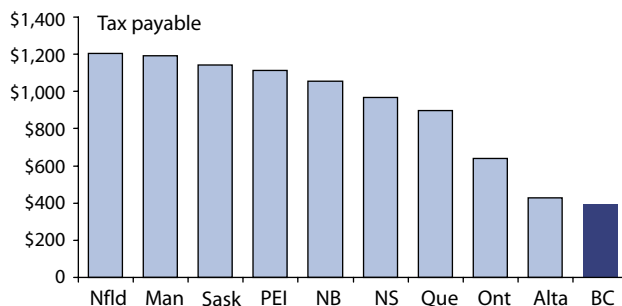
A family of four earning \$30,000 will now pay almost \$1,300 less in total provincial tax than in 2001.

Change in Taxes, 2001 versus 2005



Taxes for 2001 are calculated based on rates in effect prior to June 2001; taxes for 2005 are calculated based on rates announced in Budget 2005. Includes provincial personal income tax, MSP premiums and estimated provincial and municipal property taxes.

### Lowest income taxes at low income levels



Calculated for a single taxpayer with wage income of \$20,000, no deductions and claiming the basic personal credit and credits for CPP contributions and EI premiums only.

# Great Goals for a

## 1 **Balanced Budget 2005: To lead the world in sustainable environmental management, with the best air and water quality and the best fisheries management, bar none.**

**A healthy environment is critical to a healthy lifestyle. Balanced Budget 2005 provides an additional \$150 million to preserve and protect our stunning natural surroundings that help define our province to the world.**

These initiatives include:

- \$91 million to remediate contaminated sites on Crown land;
- \$5 million to increase the capacity of the Environmental Assessment Office;
- \$16 million to establish the B.C. Conservation Corps, with up to 150 members, and the addition of up to 50 new park rangers and conservation officers;
- \$30 million to support land-use planning activities; and
- \$8 million to implement the *Drinking Water Protection Act*.

*Balanced Budget 2005* also supports better protection for aquatic habitats with \$6 million for fisheries inspection and monitoring and improvements in aquatic animal health.

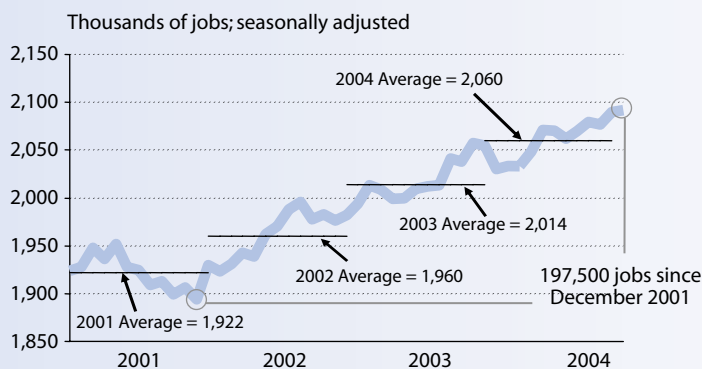
British Columbians will benefit from safe, reliable and accessible drinking water and improved waste water systems with the creation of a new \$80 million B.C. Community Water Improvement Program.

### Tax changes to reduce greenhouse gas emissions

*Balanced Budget 2005* encourages the development and use of cleaner, alternative energy sources with targeted tax changes that include:

- enhanced provincial sales tax (PST) relief for alternative fuel vehicles, including an exemption from provincial sales tax, up to a maximum of \$2,000, for hybrid electric passenger vehicles (until March 31, 2008);
- a two-year PST exemption for highly energy efficient residential heating equipment; and
- a partial exemption from the provincial property (school) tax for eligible hydroelectric projects.

### BC a leader in job growth since 2001



Source: Statistics Canada January 26, 2005; annual average numbers are unadjusted.

Since December 2001, the province has created 197,500 new jobs and employment has grown more than 10 per cent, the fastest rate among provinces.

# a Golden Decade

## 2 Balanced Budget 2005: To make B.C. the best educated, most literate jurisdiction on the continent.

**Balanced Budget 2005 supports the highest education budget and highest per-pupil funding in British Columbia history.**

More students than ever are completing high school, and they are getting the best marks ever in reading, writing and math. As students graduate, they will be able to pursue a wider range of opportunities as the province delivers the largest expansion of post-secondary education in over 40 years.

Total education spending, including K-12, advanced education and skills training, continues to increase each year and will reach \$9.8 billion in 2007/08. That represents a \$2 billion increase in annual spending since 2000/01.

### Education

*Balanced Budget 2005* provides an additional \$622 million to the Ministry of Education, which allows for a \$150 million increase in funding to school districts for the 2005/06 school year — the single largest funding increase in a decade. This funding will improve access to:

- school libraries and quality learning resources;
- music and arts programs;
- resources to support every special needs student; and
- a new school-based literacy innovation program.

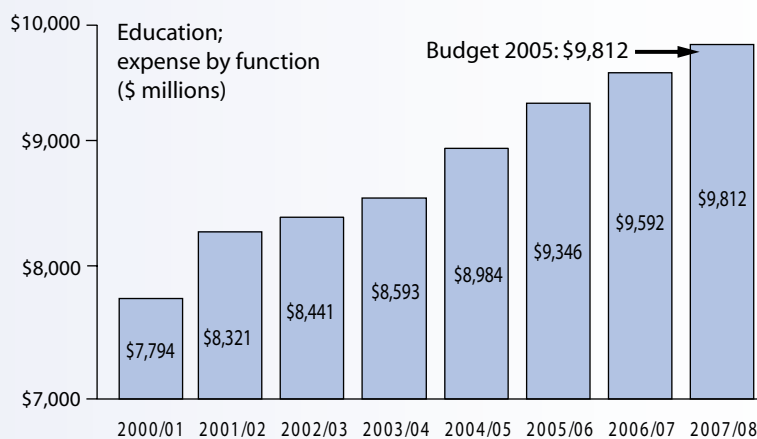
### Post-Secondary Education

British Columbia will add 25,000 new post-secondary spaces by 2010.

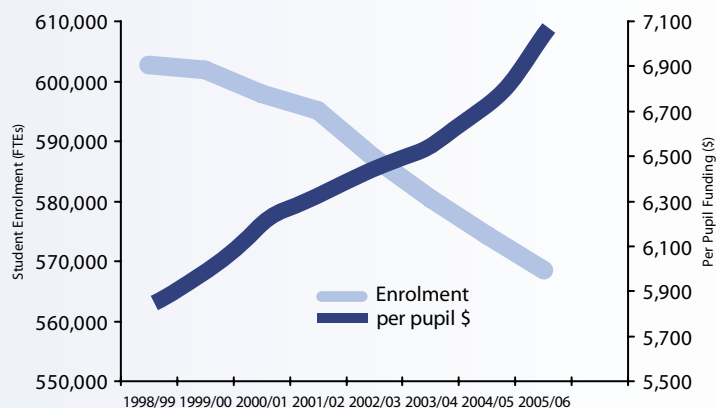
*Balanced Budget 2005* provides an additional \$372 million in funding for post-secondary education, including fully funding the province's share of costs for 16,205 seats up to 2007/08 with an overall goal to add 25,000 seats by 2010.

The province will provide \$450 million for student financial assistance including loan reductions for students in need, debt relief, a loan forgiveness program and grants for students with disabilities.

**\$2.0 Billion Increase in Education Funding Since 2000/01**



**Student Enrolment and Per Pupil Funding (Public Schools)**



### Literacy and Arts

*Balanced Budget 2005* provides \$12 million to public libraries across B.C. for new programs and initiatives including broadband Internet access, a 24-hour virtual reference desk and a one-card system to provide access to books in any B.C. library.

In addition, the budget provides \$25 million for the Arts and Culture Endowment Fund that will leverage private sector support to build endowments for arts and culture organizations. The BC Arts Council will also receive an additional \$3 million annually.

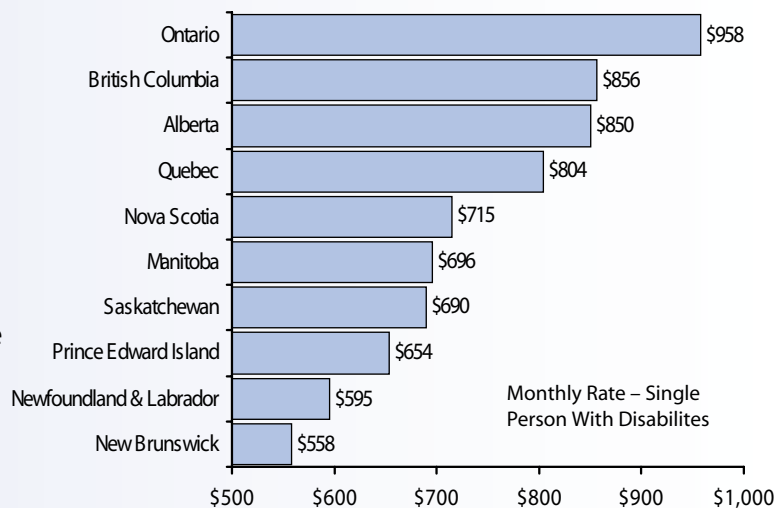
# 3 Balanced Budget 2005: To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.

## Balanced Budget 2005 protects and improves the quality of life for British Columbians most in need with additional funding of:

- \$194 million to increase income assistance for persons with disabilities by \$70 per month — the largest one-time dollar increase in BC history, and the first significant increase in more than 10 years;
- \$91 million for adult community living services;
- \$36 million for social housing;
- \$48 million for emergency shelters and support services for the homeless;
- \$37 million for transition homes, outreach programs, related services for women and children fleeing domestic violence — the largest increase in over a decade;
- \$15 million for family law initiatives designed to balance the needs of citizens with the capacity of the legal system;

- \$26 million to support prevention and out-of-care options to keep children safe within their families and communities;
- \$5 million to make more families eligible for child care subsidies; and
- \$134 million to enhance services to children and youth with special needs.

Persons with Disabilities  
Monthly Rates Second Highest in Canada

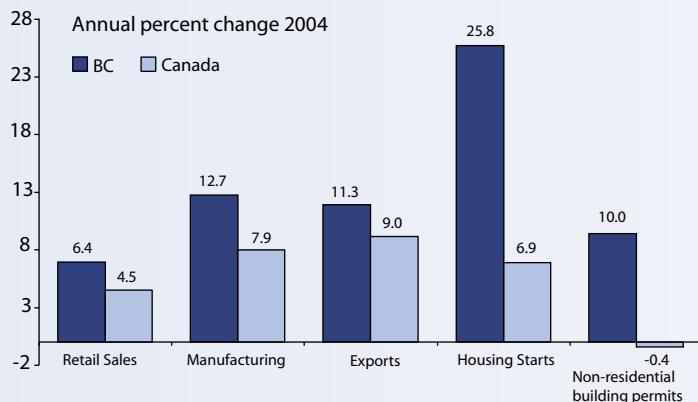


# 5 Balanced Budget 2005: To create more jobs per capita than anywhere else in Canada.

## British Columbia's economy performed impressively in 2004, with robust domestic demand evident in strong growth rates for employment, consumer spending, home construction and non-residential investment.

Since December 2001, the province has created 197,500 new jobs and employment has grown more than 10 per cent, the fastest rate among provinces.

An Economic Leader in Canada



Source: Statistics Canada, CMHC; Data seasonally adjusted (except exports, housing starts and non-residential building permits); Data to November except Housing Starts and building permits (December)

# 4 Balanced Budget 2005: To lead the way in North America in healthy living and physical fitness.

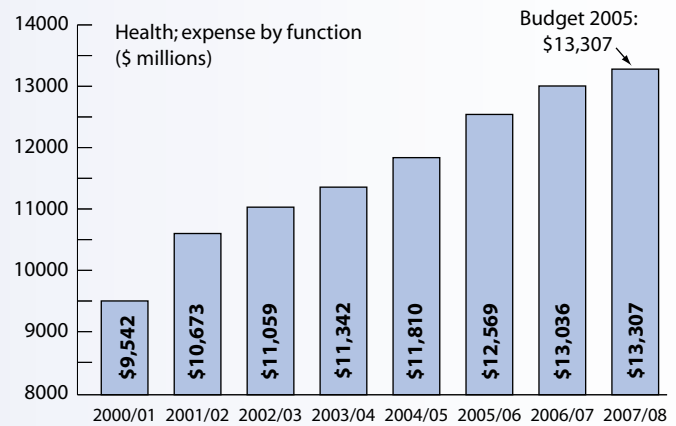
**Nothing is more important to our quality of living and lifestyle in British Columbia than our family's personal health and *Balanced Budget 2005* supports government's goal for British Columbians to be healthier and more physically active.**

Annual health care funding will increase by \$1.5 billion, the largest increase of any government function. Health care funding has increased every year, resulting in a \$3.8 billion annual funding increase since 2000/01.

*Balanced Budget 2005* will help improve access for critical services such as cancer care, cardiac care, joint replacements and sight restoration, through an additional:

- \$465 million for PharmaCare;
- \$200 million for better access to hip and knee replacements, diagnostics, and other acute care services;
- \$100 million for public health initiatives including Act Now BC — a new health promotion and prevention program;
- \$100 million to the BC Ambulance Service;
- \$100 million for health research;
- \$77 million for recruitment, training and retention of nurses; and

**\$3.8 Billion Increase in Health Spending**



- \$200 million to improve access to home care, residential care, palliative care, mental health and addictions services.

*Balanced Budget 2005* also provides \$76 million for infant and early childhood vision, dental and hearing screening initiatives.

To support physical fitness, *Balanced Budget 2005* provides \$50 million for regional sports facilities and \$60 million for major post-secondary sports training facilities.

## n Canada.

*Budget 2005* provides an additional \$777 million for economic development initiatives throughout British Columbia, including:

- an additional \$49 million for programs to enhance the province's agricultural and aquaculture industries, and to protect food safety
- an additional \$266 million for forestry initiatives to address the economic impacts of the mountain pine beetle, forest fires, and to provide enhanced opportunities to industry and communities;

- additional \$110 million to help create economic development opportunities in the oil, gas and mining sectors; and
- \$81 million to enhance economic development opportunities that build on British Columbia's thriving tourism industry.

*Budget 2005* improves the small business corporate income tax threshold to allow more business income to qualify for the lower 4.5 per cent small business tax rate.

*Budget 2005* also provides \$14 million for B.C. Skills Connect for Immigrants, a new program to help new British Columbians find work in their fields of expertise.

# Towards a Golden Decade for British Columbia

## The best place on Earth to live, work and raise a family

### Other Tax Reductions

*Balanced Budget 2005* supports other tax reductions including:

- improvements to the First-Time Home Buyers' Program, which exempts first time buyers from the property transfer tax on eligible residential properties;
- an increase to the vehicle surtax thresholds by \$2,000 to ensure the surtax does not apply to passenger vehicles valued below \$49,000;
- other previously announced measures such as the reduction of the PST rate to 7 per cent from 7.5 per cent, increased film and television tax credits, and an improved threshold and phase-out rate for the Home Owner Grant Program.

### Community Infrastructure and Safety

*Balanced Budget 2005* provides additional funding for community infrastructure and safety, including:

- \$207 million for municipal and regional infrastructure across B.C.;
- \$95 million to return traffic fine revenues to 70 municipalities for community policing, crime prevention, and other initiatives to make communities safer; and

### ***BC's Credit Rating Upgraded***

In November 2004, Standard and Poor's upgraded BC's credit rating to AA from AA-

S&P noted BC's record for:

- consistently meeting budget targets;
- solid economic performance;
- enhanced fiscal transparency; and
- low debt to GDP ratios.

- \$122 million to add 215 RCMP officers throughout B.C. and increase support for provincial courts and corrections.

Through *Balanced Budget 2005*, the province will have funded \$328 million of its \$600 million commitment to the 2010 Olympic and Paralympic Games by 2007/08.

