

BALANCED BUDGET 2005 NEWS RELEASE

Towards a Golden Decade for British Columbia

VICTORIA — A strong economy and sound fiscal management paved the way for tax reductions benefiting lower and modest income British Columbians, increased funding for health, education and other key programs, and a record \$1.7 billion debt reduction, Finance Minister Colin Hansen said today as he tabled *Balanced Budget 2005*.

“Through much of the 1990s, B.C.’s economic growth was at or near the bottom of the provincial rankings,” said Hansen. “Four years ago we laid out a plan to change that, and the plan is working. British Columbia has emerged as an economic leader, creating new opportunities for sustainable investments in programs and services that make a real difference in people’s lives.”

The B.C. economy performed impressively in 2004, with robust domestic demand evident in strong growth rates for employment, consumer spending, home construction and non-residential investment. This broadly based economic activity is expected to yield real economic growth of 3.3 per cent in 2004, 3.1 per cent in 2005 and 3.0 per cent in 2006 and 2007.

“On our first day in office, we reduced income taxes for all B.C. families by an average of 25 per cent, and by 28 per cent for those earning less than \$30,000 a year,” said Hansen. “Now, with higher revenues fuelled by a stronger economy, we can afford to leave even more dollars in the pockets of those who need them most.”

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.

In addition, 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.

"When combined with our previous tax reductions, this results in significant savings," said Hansen. "A senior couple with an income of \$30,000 will now pay almost \$930 less in total provincial tax than they did just four years ago. A family of four earning the same amount will now pay almost \$1,300 less. It's initiatives like these that make British Columbia the best place to live and raise a family."

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 modest income families, seniors, and individuals.

Balanced Budget 2005 supports other tax reductions including:

- improvements to the First Time Homebuyers Program, which exempts first time buyers from the property transfer tax on eligible residential properties;
- an improvement to the small business corporate income tax threshold that will allow more business income to qualify for the lower 4.5 per cent small business tax rate;
- 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 energy efficient residential heating equipment;
- a 10-year extension of the Mining Exploration Tax Credit to encourage mining exploration in the province;
- a \$2,000 increase to the vehicle surtax threshold to eliminate the surtax on passenger vehicles valued at \$49,000 or below;
- a partial exemption from the property (school) tax for eligible hydroelectric projects; and
- 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.

The total value of tax reductions in *Balanced Budget 2005* is estimated at \$484 million in 2005/06, \$496 million in 2006/07 and \$501 million in 2007/08.

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

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 of \$670 million in 2005/06, \$720 million in 2006/07, and \$860 million in 2007/08 will protect the balanced budget projections against unforeseen events and revenue risks.

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.

“Making a record payment on our government credit card significantly improves our debt forecast while we continue to make significant capital investments to meet the infrastructure needs of a growing economy,” said Hansen.

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

As a result, total provincial debt is forecast to reach \$39,599 million in 2007/08. This is \$979 million lower than the debt forecast for 2006/07 in last year’s fiscal plan.

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.

British Columbia is a leader in budget transparency and is the only province in Canada required by law to introduce balanced budgets prepared in accordance with Generally Accepted Accounting Principles (GAAP).

“Over the past four years, we set out a clear plan and built a solid foundation,” said Hansen. “This budget demonstrates the province’s accomplishments and supports a plan to create even greater opportunities as we move towards a golden decade for British Columbia.”

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1 backgrounder(s) attached.

For the Finance Minister’s speech and more about details on this year’s budget, visit <http://www.bcbudget.gov.bc.ca>.

Visit the province’s Web site at <http://www.gov.bc.ca/> for online information and services.

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BALANCED BUDGET 2005 BACKGROUND

Towards a Golden Decade for British Columbia

Balanced Budget 2005 sets out the province's spending plans for the next three fiscal years. It also commits one-time funding to priority programs from the 2004/05 year-end dividend. Key initiatives are detailed below.

Economic Development Initiatives

Budget 2005 provides an additional \$777 million for economic development initiatives throughout British Columbia.

Agriculture and Aquaculture

Budget 2005 provides an additional \$49 million for programs to enhance the province's agricultural and aquaculture industries, and to protect food safety. Government will direct:

- \$27 million for assistance and prevention related to BSE and avian flu;
- \$6 million for fisheries including inspection, monitoring and improvements in aquatic animal health; and
- \$16 million for other initiatives including crop insurance funding, research and innovation.

Forestry

Budget 2005 provides an additional \$266 million for initiatives including:

- \$101 million to address the economic impacts of the mountain pine beetle and forest fires, while providing new opportunities to industry and communities by:
 - Facilitating new strategies for using beetle wood;
 - Supporting economic diversification planning for affected communities; and
 - Increasing reforestation of areas damaged by beetles and wildfire;
- An additional \$50 million for the Forestry Revitalization Trust, a fund created in 2003 to assist workers and contractors affected by timber reallocation;
- \$50 million to compensate companies affected by tenure reform;
- \$51 million for fuel management and to fully implement the recommendations from the Filmon Report. This includes the addition of two air tankers, hiring seven unit crews and funding for community wildfire protection plans; and
- \$14 million to improve rural recreation access.

Oil and Gas, Mining

Budget 2005 provides an additional \$110 million to help create economic development opportunities in the oil, gas and mining sectors. This includes:

- \$50 million to improve rural and northern access through road building and upgrading;
- \$25 million to create a new B.C. Centre for Geoscience to develop and publish geoscience data and enhance exploration in the mining and oil and gas sectors;
- \$18 million to implement the Mining Plan including measures to improve mine safety and services to the mining sector; and
- \$17 million for initiatives to foster a competitive and environmentally responsible oil and gas industry, including work to engage stakeholders and communities in all areas of oil and gas development.

Infrastructure

Budget 2005 provides an additional \$207 million in new funding for municipal and regional infrastructure across British Columbia, with:

- \$97 million for municipal infrastructure projects including the new BC Community Water Improvement Program and the Community Development Initiative;
- \$60 million for major post-secondary sports training facilities; and
- \$50 million for regional sports facilities.

Tourism

Budget 2005 provides an additional \$81 million to enhance economic development opportunities that build on British Columbia's thriving tourism industry, and:

- Further government's goal to double tourism revenues within a decade; and
- Help communities in every region of British Columbia draw new tourists.

Children

Budget 2005 provides an additional \$241 million to enhance the capacity of families and communities to care for and protect vulnerable children and youth, including:

- \$76 million for infant and early childhood vision, dental and hearing screening initiatives;
- \$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;
- \$134 million to enhance services to children and youth with special needs, including:
 - \$14 million for enhanced diagnostic and assessment services through the Ministry of Health Services for children who have developmental behavioural conditions;

- Over \$40 million to the Ministry of Children and Family Development to improve intervention for families and children affected by developmental behavioural conditions, including Fetal Alcohol Spectrum Disorder, and to improve access to key family support services; and
- Close to \$80 million to enhance services to children and youth with special needs in the K-12 school system.

Communities

Budget 2005 provides an additional \$618 million for key services and programs to support B.C.'s communities. Investments include:

- \$194 million to assist persons with disabilities and enhance their self-reliance by increasing their income assistance by \$70 per month or 9 per cent for a single person with disabilities;
- \$95 million to return 100 per cent of traffic fine revenues to 70 municipalities; the funds may be used for community policing, crime prevention, and other initiatives to make communities safer;
- \$91 million for adult community living services including support for families through family-care residential settings and day programs;
- \$78 million to the Ministry of Human Resources to reflect the growth and changing composition of the income assistance caseload;
- \$48 million by 2007/08 to address homelessness, including funds for emergency shelters and support services;
- \$36 million for social housing that focuses on helping people move to stable housing arrangements;
- \$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;
- \$15 million for family law initiatives designed to balance the needs of citizens with the capacity of the legal system;
- over \$14 million for B.C. Skills Connect for Immigrants, a program to help new British Columbians find work in their fields of expertise; and
- \$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.

Education

Budget 2005 provides an additional \$622 million to the Ministry of Education, which allows for a \$150 million increase in funding for 2005/06 — the largest increase in a decade. These funds will help provide improved 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.

Environment

Budget 2005 provides an additional \$150 million to enhance environmental protection and land-use certainty in British Columbia, including:

- \$91 million for the investigation and remediation of contaminated sites on Crown land;
- \$5 million to increase the capacity of the Environmental Assessment Office;

- \$16 million to increase the number of park rangers and conservation officers and establish a B.C. Conservation Corps to provide seasonal employment opportunities for students;
- \$30 million to support land-use planning activities including the completion and implementation of Land and Resource Management Plans; and
- \$8 million to implement the *Drinking Water Protection Act*, including research into the protection of surface and ground water.

Health Care

Budget 2005 provides an additional \$3.8 billion to help improve access to critical services such as cancer care, cardiac care, joint replacements and sight restoration, with:

- \$465 million for PharmaCare, to provide financial assistance for prescription drugs;
- \$200 million for life supporting drugs and services for cancer, cardiac, renal and transplant patient, and 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 health promotion and prevention program, immunization programs, water and food security and health emergency management;
- \$100 million to the BC Ambulance Service to enhance its capacity;
- \$100 million for health research;
- \$77 million for recruitment, training and retention of nurses; and
- \$200 million to improve access to home care, residential care, palliative care, mental health and addictions services.

2010 Olympic and Paralympic Games (2010 Olympics)

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

- venues;
- an endowment to support the ongoing operation of certain venues;
- medical and security costs; and
- legacies for sports, First Nations and municipalities.

Post-Secondary Education

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.

Capital

Budget 2005 supports over \$3 billion in annual capital investment, reflecting government's priorities in the K-12, post-secondary and health sectors and Crown agencies. Some key commitments are:

- \$1.5 billion over 15 years for seismic upgrading in K-12 schools;
- \$800 million in capital funding for infrastructure to accommodate post-secondary seat growth and facilitate research activities;

- \$735 million in capital grants to health authorities (including federal funding) for new major construction, equipment and upgrading of existing health facilities; and
- \$416 million to expand and upgrade the Vancouver Convention Centre including funding on behalf of Tourism Vancouver and the federal government which will be reimbursed over time.

Safety

Budget 2005 provides an additional \$198 million to help keep communities safe and prevent violence against women with:

- \$122 million to add 215 RCMP officers throughout B.C. and increase support for the courts and corrections;
- \$39 million for community corrections programs and corrections facilities, including safety measures; and
- over \$37 million for transition homes, outreach programs, counselling and related services for women and children fleeing domestic violence.

Transportation

Budget 2005 supports continued investment in the province's transportation plan, including:

- \$438 million for highway rehabilitation throughout the province;
- \$317 million for continuing improvements on the Sea-to-Sky Highway;
- \$291 million for Gateway initiatives that enhance British Columbia's competitiveness;
- \$225 million for Interior and rural roads;
- \$200 million for provincial contributions to the Richmond-Airport-Vancouver rapid transit project;
- \$88 million for the Okanagan Valley Corridor and Okanagan Lake Bridge;
- \$32 million for airport and port improvements;
- \$26 million for improvements to Highway 1 at Kicking Horse Canyon; and
- \$79 million for border crossing infrastructure.

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For the Finance Minister's speech and more about details on this year's budget, visit <http://www.bcbudget.gov.bc.ca>.

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