



BRITISH
COLUMBIA

Ministry of Finance

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BUDGET 2002 NEWS RELEASE

BUDGET 2002

THREE-YEAR PLAN TO BALANCE BUDGET, RESTORE PROSPERITY

VICTORIA — Restoring sound fiscal management, revitalizing British Columbia’s economy and addressing patient and student needs are government’s top goals for the year ahead as it moves toward a balanced budget in 2004/05, Minister of Finance Gary Collins said today in releasing Budget 2002.

“This budget sets out our three-year plan to eliminate the deficit, build a strong, vibrant economy and serve British Columbians well by getting government right,” said Collins. “At the same time, we’re protecting funding for education and actually increasing the health care budget.”

The budget is the first to include three-year service plans for ministries and Crown corporations. It details how controlled spending and stronger economic growth will take British Columbia from a forecast \$4.4 billion deficit in 2002/03 to a balanced budget, required by legislation, in 2004/05.

The government is forecasting B.C.’s economy to grow 0.6 per cent in 2002, 2.8 per cent in 2003, 3.1 per cent in 2004 and 3.0 per cent in 2005. These figures are slightly more conservative than those of the independent British Columbia Economic Forecast Council.

“With our new competitive tax structure, reduced regulation and other measures we are implementing, B.C. businesses are poised to grow as global economies continue to recover,” said Collins. “We will see government revenues increase and we will keep to our spending targets.”

The balanced budget in 2004/05 will result from a combination of a \$2.3 billion revenue increase between 2002/03 and 2004/05 and a \$1.4 billion spending decrease.

“We are making difficult changes at a difficult time because there is no alternative,” said Collins. “Government’s debt is expected to increase from \$36.4 billion to \$43.9 billion by March 31, 2005. Once the budget is balanced, our debt to GDP ratio — an important measure of our fiscal health — will begin to fall. Eliminating the deficit, as quickly as possible, is essential to avoid burdening future generations with escalating debt-interest costs.”

Collins noted government MLAs are leading by example by taking a five per cent pay cut. In addition, the caucus budget will be cut by 25 per cent.

Starting April 1, the Premier and cabinet ministers will be collectively and individually accountable for spending control. Ministers will incur salary penalties if they fail to meet specific budget or performance targets.

Budget 2002 ends the practice of allocating capital funds through a separate budgeting process. Capital decisions must now fit the service plan objectives and operating budgets of ministries and agencies, which will explore public-private partnerships and other measures to maximize value for capital dollars. Overall capital spending will decline after 2002/03 as construction finishes on current projects and fewer wholly government-funded projects begin.

The budget builds on the competitive tax changes government began implementing in June by expanding the range of machinery and equipment parts exempt from provincial sales tax. Budget 2002 also increases the threshold for the small business income tax rate to \$300,000 from \$200,000, bringing the province into line with other western provinces and Ontario. In 2002/03, these two measures will return about \$25 million to B.C. businesses.

Additional budget measures will see disability-related credits increased to reduce income tax for persons with disabilities and their caregivers. These credits will be indexed annually to inflation.

Budget 2002 also fulfils a New Era commitment by introducing refunds of provincial sales tax on school purchases made with funds raised by parent advisory councils.

“We will continue to review the tax system regularly to make sure British Columbia stays competitive with the rest of the country,” said Collins.

Budget 2002 also reaffirms government’s commitment to maximize the value of B.C.’s resource sector while encouraging emerging industries that offer significant potential for growth. Economic renewal will be achieved by revitalizing the forest industry and accelerating development of the energy and high-tech sectors.

Government will also work to expand the private sector's role in public infrastructure and service provision, and promote the province internationally through a new marketing initiative and support for the 2010 Olympic bid. Significant effort is also focused on rebuilding the economic framework by reducing the regulatory burden and by providing greater flexibility and efficiency for employees and employers.

To pay for nearly \$800 million in higher health care compensation, MSP premiums will increase for most British Columbians, the provincial sales tax rate will rise to 7.5 per cent from 7.0 per cent and smokers will pay \$8 more tax per carton. However, to protect low-income earners, MSP premiums will decrease or be eliminated for 230,000 people, and the refundable B.C. sales tax credit will rise to \$75 a year from \$50. The MSP premium and tax increases will be used to boost the Ministry of Health Services budget to \$10.2 billion from \$9.5 billion.

“Health care underlies the exceptional quality of life we enjoy in B.C., and its providers are in high demand,” said Collins. “These increases will go toward competitive wages that encourage them to stay in British Columbia. This will help ensure we can attract and retain top-quality doctors, nurses and other health professionals.”

The Ministry of Education's budget is set at \$4.86 billion, and the Ministry of Advanced Education's budget is \$1.9 billion, consistent with 2001/02. There is no higher priority and the budget reaffirms the government's New Era commitment to protect funding for education. In addition, with the lifting of the six-year tuition freeze, colleges and universities will have the autonomy to meet growing demand while protecting B.C.'s high quality of instruction. Budget 2002 also reaffirms the New Era commitment to increase spaces for high-tech professionals, nurses and medical students.

The government also released full third-quarter results for 2001/02, reporting a deficit of \$3.4 billion, which is consistent with the second-quarter forecast released on November 22, 2001.

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Attachment.

Full budget details are available at www.gov.bc.ca online.

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