



# SEPTEMBER BUDGET UPDATE

## BALANCED BUDGET 2005

### HIGHLIGHTS

**The *September Budget Update* shows the progress B.C. has made since the February 2005 Budget and confirms that we are on our way to a future of growth, confidence and opportunity.**

**Driven by a robust economy, British Columbia's fiscal outlook is stronger than previously forecast. The improved outlook allows the government to build on its February budget commitments with new measures to support senior citizens, to build a new relationship with First Nations, and to reduce taxes to help keep our economy competitive and support job creation.**

#### Improved Support for Senior Citizens

New measures to improve the lives of senior citizens are at the heart of the *September Budget Update*, which provides an additional \$242 million over three years to:

- renew the Seniors' Supplement, to provide a monthly benefit for approximately 40,000 low income seniors;
- double the annual funding for the Shelter Aid For Elderly Renters (SAFER) program, to improve subsidies for lower income seniors who rent, and expand coverage to those who own manufactured homes and face significant monthly pad rentals; the changes will apply to 12,000 seniors already receiving SAFER benefits and open the program to an additional 7,200 senior citizens; and
- update existing seniors' health facilities and strengthen and modernize the full range of services for seniors, to help them live as independently as possible.

#### How Seniors Benefit

A single senior who earns \$12,500 a year and who rents accommodation for \$700 per month in a high cost area will receive the following benefits annually:

SAFER	\$1,944
Seniors' Supplement	\$ 592
<b>Total annual benefit</b>	<b>\$2,536</b>

Seniors currently make up 14 per cent of the B.C. population. By 2031, that proportion will rise to 23 per cent. In addition to improving supports for senior citizens, the government has formed a Premier's Advisory Council on Aging and Seniors' Issues to consult with British Columbians and help ensure that seniors in our province receive the support and services they need to continue living full, rewarding lives.

# Sound fiscal management and a sustainable future

## Building a New Relationship with First Nations

The *September Budget Update* advances the government's commitment to build a new relationship with First Nations by allocating \$100 million of one-time funding to a First Nations New Relationship Fund. The Fund will support capacity building initiatives that will assist First Nations communities to be effective partners in consultations concerning the use of land and resources.

Too often, funding from all levels of government is focused on short term priorities and needs, resulting in reliance on third party expertise. The Fund will invest in First Nations communities to advance training and skills development, to create lasting growth, prosperity and true-self reliance.

## Enhancing B.C.'s Competitiveness

In addition to confirming February's tax reductions, which include significant measures targeted to low and modest income earners, the budget update provides new measures to enhance British Columbia's economic competitiveness and support job creation. These include:

- effective July 1, 2005, reducing the general corporate income tax rate to 12 per cent from 13.5 per cent, to benefit all sectors of the economy; and
- effective January 1, 2006, providing a tax incentive for the commercialization of life science patents, to build on B.C.'s growing stature as a centre for biotechnology research and development.

## A Strong Economy

After leading the provinces in 2004 with growth of 3.9 per cent, British Columbia's economy continues to perform impressively in 2005, with positive momentum in employment, consumer spending, non-residential investment, and continued robust levels of home construction as well as consumer and business confidence.

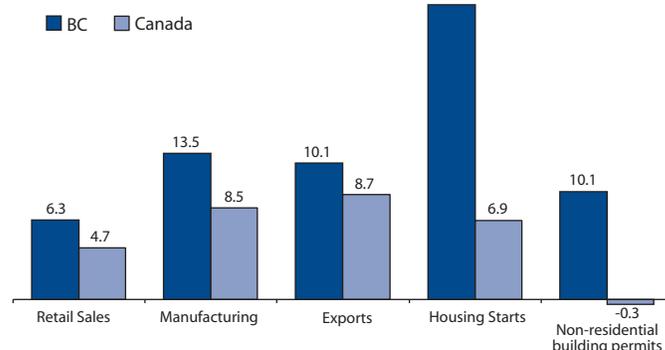
The Ministry of Finance improved its economic forecast to 3.4 per cent real GDP growth for 2005, 3.2 per cent in 2006, and 3.1 per cent for 2007 to 2009.

## The Budget Surplus Outlook

In keeping with the improved economic outlook, the updated fiscal plan forecasts surpluses of \$1.3 billion this year, \$600 million next year and \$400 million in 2007/08. The healthier surplus track helps to reduce the province's capital infrastructure borrowing requirements and improves the debt outlook compared to the February budget forecast.

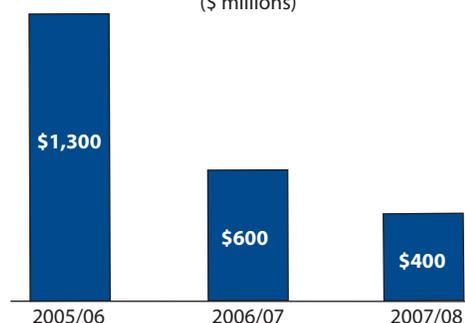
## B.C. - an Economic Leader

Annual percent change 2004



## Balanced Budget Plan

(\$ millions)



# Sound fiscal management and a sustainable future

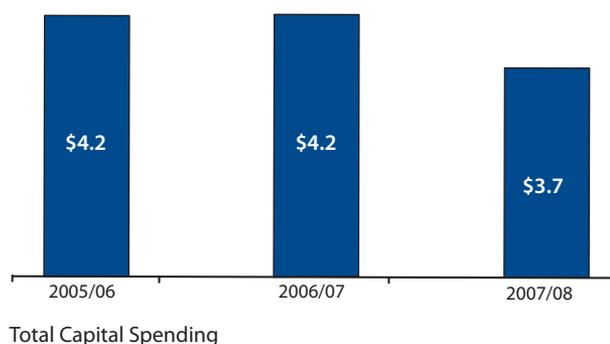
## Building New Infrastructure

To meet the transportation, health, and education needs of a growing province, the province's capital infrastructure plan includes a three-year increase of \$1.1 billion compared to the February budget. This is due mainly to increased investments in the post-secondary and health sectors.

The budget update provides for investments of \$4.2 billion in both 2005/06 and 2006/07, and \$3.7 billion in 2007/08, for total capital spending of \$12.1 billion over the three-year fiscal plan.

## Investing in New Infrastructure

(\$ billions)



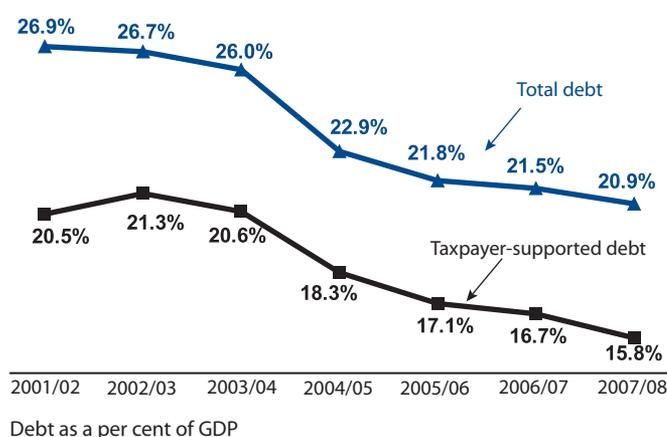
## Larger Surpluses Improve the Debt Forecast

The province's infrastructure investments are funded through new borrowing. The larger fiscal plan surpluses will help reduce the province's borrowing requirements, resulting in an improved debt forecast.

Total provincial debt is now forecast at \$35.9 billion in 2005/06, \$37.3 in 2006/07 and \$38 billion in 2007/08. The total debt forecast for 2007/08 is now \$1.6 billion lower than in the February budget.

Similarly, the taxpayer-supported debt-to-GDP ratio, a key measure of debt affordability, is also lower than previously forecast. Taxpayer-supported debt-to-GDP is forecast to decline to 17.1 per cent in 2005/06, 16.7 per cent in 2006/07 and 15.8 per cent in 2007/08.

## Debt Affordability Improves



## Budget Plan Remains Prudent

To ensure budget surplus targets are met, the updated plan includes forecast allowances of \$300 million in 2005/06, \$600 million in 2006/07, and \$900 million in 2007/08. These allowances will help protect the fiscal plan from revenue risks such as sudden drops in commodity prices, the cost of natural disasters, and other unexpected events. The forecast allowances also cover potential wage and benefit increases arising from the next round of public sector bargaining.

### ***B.C. a Leader in Financial Accountability***

The audited Public Accounts recently confirmed that B.C. achieved a record \$2.6 billion surplus and a record \$1.9 billion debt paydown in 2004/05. The province has also completed its three-year plan to achieve full compliance with Generally Accepted Accounting Principles and to fully consolidate information from school districts, universities, colleges and health authorities in the province's budgets and financial reports.

This achievement was recognized by B.C.'s Auditor General and the Canadian Institute of Chartered Accountants. B.C. leads the provinces in the timeliness of its financial reports and in providing the most comprehensive set of public disclosure documents in Canada.

# Great Goals for a Golden Decade

## *September Budget UPDATE:* To make B.C. the best educated, most literate jurisdiction on the continent.

**Education and literacy are keys to progress – for individuals and for our province. They help set a course for success in school, at work and throughout our lives, and foster innovations that benefit our society, economy and quality of life.**

The *September Budget Update* supports the highest education budget and the highest per-pupil funding in British Columbia history. It also commits \$329 million over three years from the federal government to new early learning and child care programs, improving access to quality child care for groups such as lower income families, aboriginal people and children with special needs.

### Education

The *September Budget Update* recommits \$268 million in funding over three years to the Ministry of Education. Funding to districts for the 2005/06 school year is rising by \$150 million — the single largest funding increase in a decade.

This will improve access to school libraries and quality learning resources, music and arts programs, and resources to support every special needs student.

### Post-Secondary Education

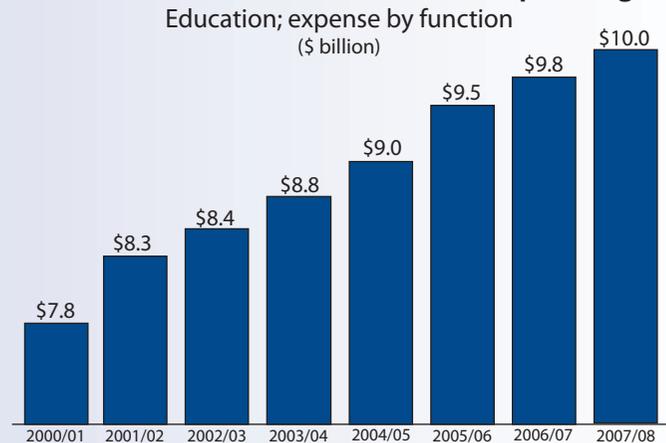
The *September Budget Update* builds on the February budget with an additional \$15 million in 2005/06 to expand the number of post-secondary seats and help keep tuition fees affordable. Including the February commitments, funding for post-secondary education will increase by \$386 million over three years to help create 16,205 new post-secondary seats by 2007/08 with an overall goal to add 25,000 new seats by 2010.

The *September Budget Update* maintains the commitment to provide \$450 million over three years for student financial assistance, including loan reductions for students in need, debt relief, a loan forgiveness program and grants for students with disabilities.

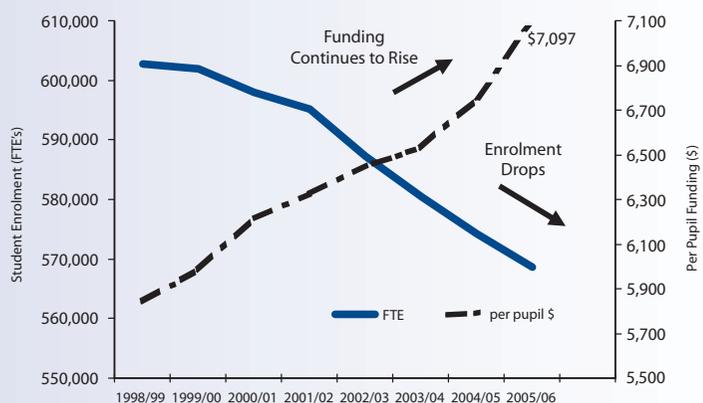
### Literacy and Arts

The *September Budget Update* recommits an additional \$12 million over three years 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 give people access to books in any B.C. library. The BC Arts Council will also receive an additional \$9 million over three years for grants to support arts and culture organizations throughout the province.

### \$2.2 Billion Increase in Education Spending



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



# Great Goals for a Golden Decade

## **September Budget UPDATE:** To lead the way in North America in healthy living and physical fitness

**The September Budget Update reaffirms funding for a wide range of programs and services that support and encourage British Columbians to lead healthy, active lives.**

The province will invest an additional \$1.5 billion in health care and fitness initiatives by 2007/08, the largest increase for any government function. Health spending continues to grow every year and has increased by 32 per cent over the past five years.

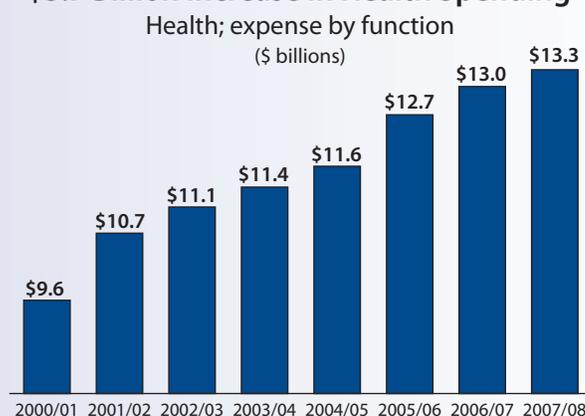
The September Budget Update supports the three-year plan to improve access to critical services such as cancer care, cardiac care, joint replacements and sight restoration, through an additional:

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

- \$77 million over three years for recruitment, training and retention of nurses; and
- \$200 million over three years to improve access to home care, residential care, palliative care, mental health and addictions services.

The September Budget Update confirms the plan to provide an additional \$73 million for infant and early childhood vision, dental and hearing screening. It also supports the promotion of physical fitness and healthy communities with \$50 million for regional sports facilities and \$60 million for major post-secondary sports training facilities.

### **\$3.7 Billion Increase in Health Spending**



# Great Goals for a Golden Decade

The *September Budget Update* confirms the February 2005 Budget commitments and introduces new measures to help British Columbia realize its full potential as the best place on Earth to raise a family; to live and play; to work, invest and get ahead. To guide our progress, the government has set out five great goals for the decade ahead.

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

**Everyone deserves an opportunity to live a full, rewarding life and to achieve their potential.**

**The *September Budget Update* enhances the February budget plan to protect and improve the quality of life for British Columbians most in need with \$242 million in new funding to improve support for senior citizens.**

These new measures include:

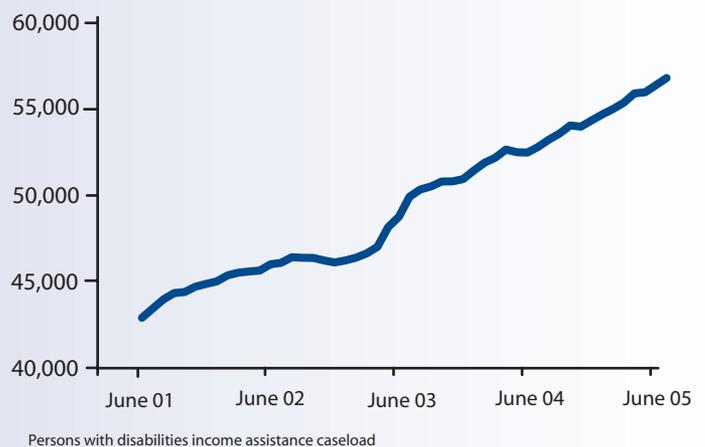
- renewing the Seniors' Supplement to provide a monthly benefit for low income seniors;
- doubling the annual funding for the Shelter Aid For Elderly Renters (SAFER) program, to improve subsidies for lower income seniors who rent, and expand coverage to those who own manufactured homes and pay monthly pad rentals; and
- updating existing seniors' health facilities and strengthening and modernizing the full range of services for seniors, to help them live as independently as possible.

These new measures build on the February Budget plan, which provided additional funding over three years of:

- \$254 million to address income assistance caseloads and increase assistance for persons with disabilities by \$70 per month — the largest one-time dollar increase in B.C. history, and the first significant increase in more than 10 years;
- \$91 million for adult community living services;
- \$36 million for social housing and \$24 million for supportive and transition housing projects;
- \$15 million for emergency shelters;

- \$37 million for transition homes, outreach programs, and 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; and
- \$140 million to enhance services to children and youth with special needs.

### More British Columbians with Disabilities Receiving Support



Since 2001, the B.C. income assistance caseload has changed significantly. The number of people receiving temporary assistance has fallen as employable people have moved into the workforce, and more support has been directed to those with disabilities.

# Great Goals for a Golden Decade

## *September Budget* **UPDATE:**

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. The **September Budget Update** confirms additional funding to preserve and protect the natural surroundings that help define our province to the world.

These initiatives include three year funding of:

- \$5 million to accelerate the new \$80 million B.C. Community Water Improvement Program;
- \$66 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;
- \$28 million to support land-use planning activities;
- \$8 million to implement the *Drinking Water Protection Act*; and
- \$6 million for fisheries inspection and monitoring and improvements in aquatic animal health.

## Tax changes to reduce greenhouse gas emissions

The *September Budget Update* reaffirms the plan to encourage the development and use of cleaner, alternative energy sources with targeted tax changes, including:

- a provincial sales tax (PST) exemption to save people buying hybrid electric passenger vehicles up to \$2,000 (until March 31, 2008);
- a two-year PST exemption for eligible energy efficient residential heating equipment; and
- a partial exemption from provincial (school) property tax for eligible hydroelectric projects.

Since the February budget, the new B.C. Conservation Corps has hired nearly 150 students and graduates to help protect and enhance the environment. Government is investing \$9 million over the next three years in the Corps, a long-term program to nurture a new generation of conservationists for the 21st century.

# Great Goals for a Golden Decade

## **September Budget UPDATE:** To create more jobs per capita than anywhere else in Canada

After leading the provinces in 2004 with growth of 3.9 per cent, British Columbia's economy continues to perform impressively in 2005, with positive momentum in employment, consumer spending, home construction and non-residential investment, and continued robust levels of home construction as well as consumer and business confidence.

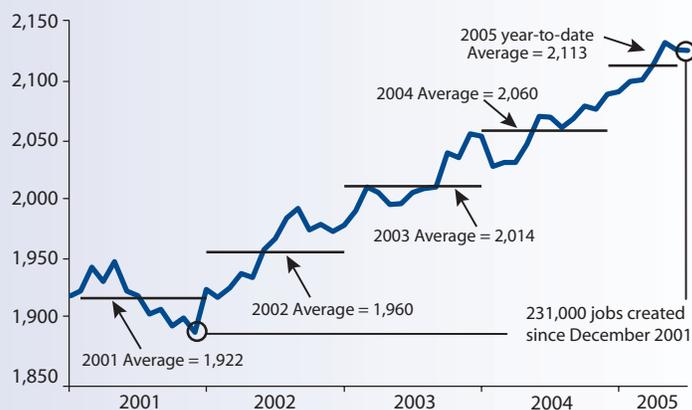
The *September Budget Update* provides new measures to keep B.C.'s economy strong and support job creation:

- reducing the general corporate income tax rate to 12 per cent from 13.5 per cent, to benefit all sectors of the economy;
- providing a tax incentive for the international commercialization of life science patents, to build on B.C.'s growing stature as a centre for biotechnology research and development; and
- \$100 million in new funding from the federal government over three years to address the mountain pine beetle outbreak.

These new measures build on those in the February budget, which include:

- improvements to 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;
- \$150 million to fund three trusts for regional economic development, including \$30 million to assist northern communities respond to the mountain pine beetle infestation.
- \$143 million over three years for forestry initiatives to address the economic impacts of the mountain

**B.C. A Leader in Job Creation**  
Thousands of jobs; seasonally adjusted



Source: Statistics Canada; Annual averages are not seasonally adjusted

pine beetle and forest fires, and to replace bridges and improve access to remote communities;

- an additional \$65 million over three years to create new opportunities in the oil, gas and mining sectors;
- \$67 million over three years to promote and develop British Columbia's tourism industry;
- increased film and television tax credits; and
- \$15 million over three years for B.C. Skills Connect for Immigrants, a new program to help new British Columbians find work in their fields of expertise.

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

**The September Budget Update confirms 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 communities.**

## Tax Reductions for British Columbians

British Columbians at lower and moderate income levels now pay the lowest income taxes in Canada. Recent tax reductions include:

- a new non-refundable personal income tax credit, the BC Tax Reduction, to 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;
- a \$4,000 increase in the thresholds to qualify for the Medical Services Plan Premium Assistance Program, to reduce or eliminate premiums for 215,000 people; senior couples and families of four with net incomes of \$29,000 or less will pay no premiums, and those with incomes up to \$37,000 will pay lower premiums;
- improvements to the First-Time Home Buyers' Program, which exempts first-time buyers from the property transfer tax on eligible properties;
- an improved threshold and phase-out rate for the Home Owner Grant Program;
- a \$2,000 increase to vehicle surtax thresholds, eliminating the surtax on passenger vehicles valued below \$49,000; and
- reduction of the PST rate to 7 per cent from 7.5 per cent.

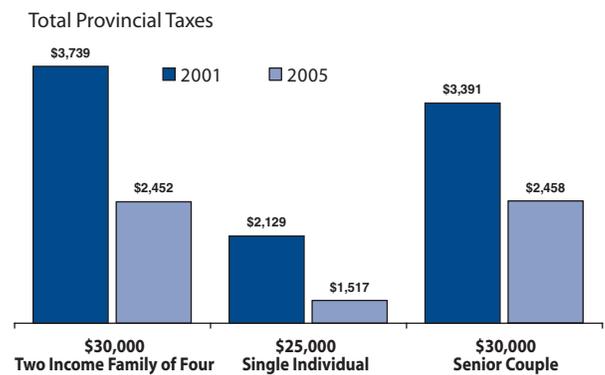


## Examples of Tax Savings

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, consumption, MSP premiums and estimated provincial and municipal property taxes.  
Source: Ministry of Finance

## Community Infrastructure and Safety

The *September Budget Update* reaffirms the three-year plan for strong, secure communities introduced in the February Budget, which provided additional funding over three years for community infrastructure and safety, including:

- \$115 million for municipal and regional infrastructure across B.C.;
- \$63 million to return traffic fine revenues to 70 municipalities for community policing, crime prevention, and other initiatives to make communities safer;
- \$122 million to add 215 RCMP officers throughout B.C.; and
- \$39 million to increase support for provincial courts and corrections.