



February 21, 2012

NEWS RELEASE

Budget 2012 focuses on a stable economy

VICTORIA — *Budget 2012* lays a firm foundation for the future, putting British Columbia on the right path to eliminate the deficit, protect public services, and build a more competitive economy that attracts jobs and investment, Finance Minister Kevin Falcon announced today.

Budget 2012 shows the deficit forecast for 2011-12 improved by \$594 million over second Quarterly Report projections to \$2.5 billion. The Province forecasts a deficit of \$968 million in 2012-13, and surpluses of \$154 million in 2013-14 and \$250 million in 2014-5.

Over the next three years, government will contain spending growth to an annual average of two per cent while continuing to protect health and education funding. The Ministry of Health budget will increase \$1.5 billion over the three-year fiscal plan to nearly \$17.3 billion in 2014-15. While continuing to achieve key health outcomes that lead the country, government will work to reduce the rate of growth in health spending through an ongoing focus on identifying additional best practices for delivering care and finding administrative savings.

Funding to school districts will increase, despite a trend of declining enrolment. In addition to the \$4.7 billion a year districts will receive for the next three years, government is investing an additional \$165 million to establish a fund to deal directly with issues of class composition. The annual facilities grant for maintenance again totals \$110 million in 2012-13.

Government remains committed to funding critical social services and is reallocating contingency funds to the ministries of justice and social development, where caseloads continue to rise.

Budget 2012 introduces new tax measures that benefit seniors, families and businesses in B.C., including:

- The B.C. First-Time New Home Buyers' Bonus of up to \$10,000.
- The B.C. Seniors' Home Renovation Tax Credit of up to \$1,000.
- The Children's Fitness Credit and the Children's Arts Credit.

Budget 2012 also supports the B.C. Jobs Plan with tax measures for businesses that:

- Eliminate the provincial jet fuel tax for international flights.
- Provide an additional \$3 million for the Small Business Venture Capital Program.
- Extend the Training Tax Credit program.
- Introduce new training tax credits for shipbuilding and ship repair industry employers.
- Make permanent the existing temporary municipal tax rate caps for B.C.'s major port terminals.

Given the uncertain fiscal environment, the small business corporate tax rate will be maintained at 2.5 per cent and will be revisited after the fiscal situation has improved. The fiscal plan also includes a temporary one-point increase in the general corporate income tax rate to 11 per cent, effective April 1, 2014. The requirement to implement this tax measure will be re-evaluated in next year's budget. Additionally, to help spur economic activity throughout the province and generate needed revenue, government will release non-strategic surplus assets for sale.

Over the next year, the government will undertake a comprehensive review of the revenue-neutral carbon tax. The review will cover all aspects of the carbon tax — both positive and negative — including revenue neutrality, and it will consider the impact on the competitiveness of B.C. businesses, and in particular B.C. food producers.

Budget 2012 forecasts British Columbia's taxpayer-supported debt-to-GDP ratio will be 17.6 per cent in 2012-13, 18.2 per cent in 2013-14, and peak at 18.3 per cent in 2014-15, before trending downward once again. Taxpayer-supported capital spending on schools, hospitals and other infrastructure across the province over the next three years is expected to total \$10.7 billion.

The government forecasts British Columbia's economy will grow by 1.8 per cent in 2012, 2.2 per cent in 2013 and 2.5 per cent per cent in 2014 — a forecast that is prudent relative to the independent British Columbia Economic Forecast Council.

Quotes:

Finance Minister Kevin Falcon –

“There is a new paradigm in today’s world economic environment. It demands prudent fiscal discipline. With *Budget 2012*, we continue to hold the line on spending and will achieve a surplus in 2013-14, as required by law.”

“Despite the challenging economic environment, *Budget 2012* provides strategic investments and incentives that support families and job creators throughout the province.”

“Our corporate income tax rates are now among the lowest in the country and G7 nations. I believe we can balance without the increase, and it will only be triggered if the fiscal situation worsens beyond our already-conservative assumptions.”

-30-

For the Finance Minister’s speech and more details on *Budget 2012*, visit www.bcbudget.ca.

Visit the Province’s website at www.gov.bc.ca for online information and services.

Media Contact: Jamie Edwardson
Communications Director
Ministry of Finance
250 356-2821