



BRITISH
COLUMBIA

Ministry of Finance

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BUDGET 2003 IN BRIEF

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On Track for a Brighter Future

With its first full budget in February 2002, the provincial government introduced a three-year plan with three goals: to restore sound fiscal management, revitalize the economy and put patients, students and people in need first.

The plan is working. For 2002/03, the deficit is forecast to be \$600 million lower than originally planned, while in 2002, the economy will have grown at almost three times the rate anticipated by independent forecasters. B.C.'s economy is expected to grow 2.4 per cent in 2003 and three per cent in each of the following two years.

As a result of prudent spending control and sticking to its fiscal and economic plan, the government is on track to:

- Balance the budget in 2004/05.
- Increase the overall education budget by \$143 million over the next three years.
- Direct an additional \$1.3 billion in expected three-year federal funding to meet the health care needs of British Columbians.
- Invest \$650 million of new, dedicated fuel-tax revenues in transportation infrastructure over the next three years.
- Achieve a significantly lower level of debt than anticipated in the 2002 budget and fiscal plan.

RESTORING SOUND FISCAL MANAGEMENT

Keeping Spending Under Control

- In 2002/03, every government ministry will be within its operating budget.
- In addition, the provincial debt is \$3.5 billion lower than anticipated a year ago.
- Government's prudent fiscal management and lower debt-service costs have freed up almost \$400 million in total program savings, some of which will be used to help our forest sector make the transition to a sustainable future.

Balancing the Budget in 2004-05

- Overall, government is forecast to be under budget by about \$600 million in 2002/03.
- In 2003/04, government revenues are forecast to rise by over \$1 billion, while spending declines by \$675 million, leading to a deficit of \$2.3 billion after including a \$500-million forecast allowance.
- In 2004/05, revenues are expected to rise by almost \$1.3 billion, while spending falls \$565 million, resulting in a year-end surplus of \$50 million.
- In 2005/06, the government expects a \$375 million surplus — after funding lifts for education, advanced education, social services and early childhood development.

REVITALIZING THE ECONOMY

Tax Changes for Growth and Diversification

- Budget 2003 includes sector-specific tax changes to further the growth and diversification of B.C.'s economy:
- A \$5-million increase in venture capital tax credits will attract as much as \$17 million a year in new investment in New Media companies, one of B.C.'s fastest-growing high-tech industries.
- A 15 per cent top-up tax credit for productions using digital animation and visual effects, worth \$5 million, will help this emerging sector grow.
- Regional tax credits for television and film projects will expand.
- A \$2.3-million tax credit will strengthen the book publishing industry.
- The budget for tax credits under the labour-sponsored venture capital program will grow by \$4 million and generate up to \$27 million a year in new investments.
- A rise in the threshold for corporation capital tax paid by B.C.'s small trust companies and credit union — to \$10 million from \$5 million — will save them a total of \$2 million a year.
- The B.C. mineral exploration tax credit is extended for another three years to 2006. The province will also match any extension to the federal mining flow-through share tax credit, which Ottawa is currently reviewing.
- To help make B.C. a more attractive port of call for cruise ships, fuel used in gas-turbine-powered ships will be included in the bunker fuel tax exemption.
- These targeted tax changes will be worth a total of \$29 million a year by 2004/05.

Opening Up B.C.'s Heartlands to Economic Growth

- Opening up the province — to all British Columbians and to the world — is a central strategic imperative.
- The government will complete and implement economic development plans across the province, incorporating plans for infrastructure, human capital and marketing.
- In addition, the B.C. Heartlands Economic Strategy will open up increased opportunities in energy development, new partnerships with First Nations, new investments in transportation infrastructure, new opportunities for tourism, sport and recreation from a successful Olympics bid, and a revitalized forest industry.

Opening Up the Heartlands Through Transportation

- The government will dedicate \$650 million over the next three fiscal years to transportation improvements that will open up B.C. to new opportunities for growth and prosperity.
- The largest share, \$225 million, will go into northern and heartland roads, which account for over 70 per cent of B.C.'s highway inventory.
- Other investments will include \$30 million in ports and airports, \$93 million for border crossing infrastructure and \$132 million toward major highway corridors. Priority projects under the new transportation plan include a new bridge across Okanagan Lake at Kelowna and upgrading of the Trans-Canada Highway through the Kicking Horse Canyon east of Golden.
- The government will also invest \$170 million in other improvements, including highway rehabilitation, and to keep the inland ferry system toll-free.
- The transportation plan investments will not increase overall public debt. Some of the plan funding will come from federal contributions. British Columbians pay the federal government \$750 million a year in fuel tax.
- Other funding will come from tolls where appropriate, private-sector involvement in public-private partnerships, and a 3.5-cent-per-litre increase in provincial fuel tax dedicated to transportation improvements.

- The government will use its \$650-million contribution to leverage an anticipated \$1.7 billion in additional investments to help finance improvements to roads, bridges and border crossings that will benefit all British Columbians.

Revitalizing Our Forest Industry

- Budget 2003 builds on steps the province has taken to foster a leading-edge forest industry.
- The government has set aside \$275 million in one-time funding in 2002/03 to assist in the transition to a revitalized and sustainable forest sector. This is a one-time restructuring cost over and above the operating targets covered by balanced-budget legislation.
- The government is also committed to increasing First Nations' participation in the forest economy. The government is committing up to \$95 million over the next three years for potential revenue-sharing opportunities to increase participation in the forest economy.
- These initiatives will build on measures the province has already introduced to foster a leading-edge forest industry, including the new results-based Forest and Range Practices Act and a proposal to designate about 48 per cent of B.C.'s land base as working forest.

Construction to Promote Economic Development

- Budget 2003 devotes \$103 million over three years to the province's bid to host the 2010 Winter Olympics. The Games could add more than \$4 billion to the province's gross domestic product by 2020.
- For the next three years, the government is budgeting a total of \$199 million of its \$230-million commitment toward expansion of the Vancouver Convention and Exhibition Centre, which could add as much as \$5 billion to B.C.'s GDP over the centre's life.

PUTTING PATIENTS, STUDENTS AND PEOPLE IN NEED FIRST

Preserving the Health Services Budget

- The government increased health spending in 2002/03 by 12 per cent — \$1.1 billion — to \$10.4 billion.
- In 2002/03, the Michael Smith Foundation will receive an \$8-million grant to conduct research to improve the effectiveness of health-care reforms; health authorities will receive \$15 million in grants to support the development of electronic-record systems.
- B.C. is moving towards increasing its complement of new doctors. The government's fiscal plan will help to ensure that by 2009, B.C. universities will be graduating almost twice as many doctors as they do today.
- A \$2-per-carton increase in tobacco tax should help encourage more people to quit smoking, thereby taking some pressure off the health system.
- Every penny of the \$1.3 billion in new federal funding will be used over the next three years to improve the health of British Columbians.

Increasing Education Funding Per Student

- Although enrolment is declining, the budget for the Ministry of Education remains unchanged at \$4.8 billion, which will mean an extra \$51 for every student in the coming year.
- This is in addition to the one-time funding of \$50 million that was allocated directly to school boards before the budget.
- Excluding one-time funding, the annual budget for the Ministry of Education will increase by \$143 million by 2005/06 — \$243 per student more than in 2002/03.

- To help fund the education budget, average residential school and rural property taxes will be increased by inflation in 2003 and future years. The total residential and school property tax raised in 2003/04 will be equal to 12 per cent of the education budget.
- The Ministry of Children and Family Development will continue to offer school-based programs like school meals and inner-city school funding, which are geared to helping children in need succeed in the classroom.

Funding Leading Edge Post-Secondary Education

- In 2002/03, the Ministry of Advanced Education will target \$23 million in one-time funding to programs to enhance research in B.C.
- Of this, \$18 million will be targeted to the Leading Edge Endowment Fund, a partnership with the private sector. This will fulfil, two years ahead of schedule, the government's \$45-million commitment to fund 20 B.C. Leading Edge Chairs across the province, in medical, social, environmental and technological research.
- An additional \$7.5 million will fund six new B.C. Regional Innovation Chairs in the college sector.
- One-time funding will also support advancing the province-wide B.C. Campus online learning model and accelerate the medical school expansion program under way at University of British Columbia, University of Northern British Columbia and University of Victoria. Both of these initiatives will help to make higher education more accessible to students across the province.
- The Ministry of Advanced Education will receive an annual budget lift of \$30 million starting in 2005/06.

Supporting Families and Communities

- Before the end of 2002/03, the government will invest \$10 million in an Early Childhood Partnership Fund with the United Way and Credit Union Central B.C.
- In 2003/04, the government will invest up to \$11 million per year for intervention for school-aged children with autism spectrum disorder.
- The number of childcare spaces eligible for subsidy assistance in the coming year will increase by 50 per cent.
- Employment programs for people in need will receive \$110 million in 2003/04.
- The earnings exemption for people with disabilities who receive income assistance will increase to \$400 a month, starting this spring.
- Charity top-up grants to assist community organizations will continue over the next three years.
- The government will delay the move to have the province's rural areas and communities with populations under 5,000 begin to pay a share of their policing costs, pending further consultations to find a fair, equitable approach.
- In 2005/06, the Ministry of Children and Family Development will receive a budget lift of \$23 million and the Ministry of Human Resources, \$45 million.

– 30 –

For more details on this year's budget, visit www.bcbudget.gov.bc.ca online.

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