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Building Stability and Confidence For The Future

BUDGET 2009 HIGHLIGHTS



“We can leverage our advantages to get our economy back on track — support families and communities — and make sure help is there for those who need it most. We can make immediate and dramatic investments in our infrastructure that will keep people working and position ourselves for future growth.”

HONOURABLE COLIN HANSEN
MINISTER OF FINANCE

Budget 2009 provides stability and confidence for B.C. families, businesses and communities. The government is taking immediate action to create tens of thousands of jobs and enhance the public services British Columbians depend on. A seismic shift in the global economy has had a dramatic impact on B.C., resulting in a sharp decline in revenues necessary to fund government programs and services. Rather than increase taxes or dramatically reduce spending on priority programs — the B.C. government will run its first deficit in five years. The temporary deficit outlined in Budget 2009 will total \$495 million in 2009/10 and \$245 million in 2010/11. Provincial legislation requires a return to a balanced budget by fiscal 2011/12. Responsible fiscal management and careful stewardship of the provincial economy have provided the flexibility needed to support and enhance vital services for British Columbians in difficult economic times.

Budget 2009 supports a \$14 billion investment to build and upgrade roads, schools, housing and hospitals around the province, creating new opportunities and up to 88,000 jobs. It delivers administrative and other cost savings of \$1.9 billion over three years and re-allocates these savings to priority areas of health, education and social programs.

Despite the economic downturn, leading economists agree the B.C. economy will gain renewed strength and rebound in 2010. The 2010 Olympic and Paralympic Winter Games will provide a significant boost to the economy as British Columbia is showcased to the world. Budget 2009 builds on the strengths of British Columbia by creating jobs, supporting families, and investing in communities. It is a budget that provides stability and confidence for British Columbians and sets a path to build an even brighter future.



Creating Jobs, Supporting Communities

MAJOR INFRASTRUCTURE PROGRAM WILL CREATE 88,000 JOBS

During this time of economic uncertainty, the British Columbia Government is moving quickly to invest almost \$14 billion in infrastructure projects in every region of the province.

\$2 billion is cost shared with the federal government for new projects to be accelerated over the next three years.

Another \$10.6 billion is for approved projects within the Province's capital plan for the next three years.

And \$1.4 billion in local infrastructure projects are being built in partnership with local governments and the federal government.

These new and accelerated investments will generate as many as 88,000 jobs across British Columbia, and build the assets we need to support our future growth and development.

These investments will:

- » Create up to 88,000 jobs.
- » Build new housing for seniors, First Nations and the homeless, as well as needed hospitals, schools, roads, bridges and community buildings.

The positive ripple effect of these investments will be felt throughout the province in communities large and small.

They will provide needed jobs, and create long-lasting public infrastructure for the benefit of British Columbians.

Since 2001, the Province has invested \$31 billion in capital projects across B.C. in education, health, transportation and other sectors.

Budget 2009 invests an additional \$294 million in operating funding over four years to support economic activity in communities throughout the province during the economic downturn providing confidence and stability that is critical for a strong future.

3 Year Job Creation Plan - through infrastructure investments in: education; post-secondary education; health; transportation; and provincial/federal initiatives.

\$14 Billion

IN

INFRASTRUCTURE

= 88,000 JOBS

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Decisive Action

PREPARING FOR THE FUTURE

1

Creating Thousands of Jobs — We are investing \$14 billion dollars in infrastructure projects that will build and renovate K–12 schools and post-secondary institutions, health care facilities and transportation projects, and create up to 88,000 jobs in every part of B.C.

2

Investing in B.C. Communities — We are committed to ensuring our communities across the province have access to the supports they need to prosper including over \$300 million in additional vital social services communities depend on.

3

Increasing Funding for Health and Education — Funding for the Ministry of Health Services will increase by \$4.8 billion over three years while per-pupil funding for the K-12 system will reach its highest level ever and post-secondary institutions will get an additional \$228 million over three years.

4

Delivering the Lowest Provincial Income Taxes in Canada — Individuals earning up to \$116,000 per year pay less provincial income tax than any other Canadians. Most British Columbians have seen a provincial income tax cut of at least 37 per cent since 2001 and an additional 250,000 British Columbians no longer pay any provincial income tax.

5

Maintaining B.C.'s Fiscal Advantage — Even after two necessary deficits, B.C.'s debt to GDP ratio will be 26 per cent lower than it was in 2002; both corporate and small business income taxes have dropped dramatically since 2001; and B.C. continues to carry a Triple-A credit rating. No province has a higher rating.

6

Capitalizing on Economic Recovery — We will take advantage of the opportunities provided by hosting the 2010 Olympic and Paralympic Winter Games, by our geographic proximity to the vast markets of Asia, and by preparing now to be a leader in the new green economy.

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Improving Public Services

Improving Public Services

Fully 90 per cent of all new spending in British Columbia's three-year fiscal plan is devoted to improving healthcare.

The remaining 10 per cent is allocated to other key priorities including education and social programs.

Budget 2009 continues to support families and communities.

It provides new funding over three years to care for and protect vulnerable children and youth supporting healthy child and family development.

This includes:

- » \$110 million in funding for programs for B.C. families with children.
- » \$110 million in new funding for income assistance.
- » \$73 million for programs and services for adults with developmental disabilities.

Investing in Communities

Budget 2009 provides new and direct support for communities over four years, including:

- » \$81 million for economic and regional development.
- » \$213 million to support local government.
- » \$58 million for community safety.

The provincial government is building communities with a sense of confidence and stability that is critical for a strong future.

Improving Education

Budget 2009 affirms government's commitment to increase funding to post-secondary institutions.

The Province continues to invest in our children — the future of British Columbia. Budget 2009 increases per-student funding for the K–12 system to \$8,242, the highest level in the history of the province.

The government continues to enhance access to post-secondary education and develop our labour force.

Budget 2009 provides \$228 million over three years to post-secondary education including:

- » \$165 million to increase access to post-secondary educational opportunities at universities, colleges and other institutions.
- » \$40 million to expand health education to reduce shortages in the healthcare sector. This includes: expanding the three-year Bachelor of Science in nursing, medical technology and pharmacy.
- » \$23 million to increase the number of doctors trained in British Columbia.

British Columbia needs to attract and retain a highly skilled workforce to remain competitive and address skills shortages.

New investments of \$16 million over three years in Budget 2009 will support the Skills Connect for Immigrants and International Qualifications Programs.

Both these programs address the barriers many immigrants face to full labour market participation.

Total Provincial Education Spending

\$ Millions



Improving Health Care

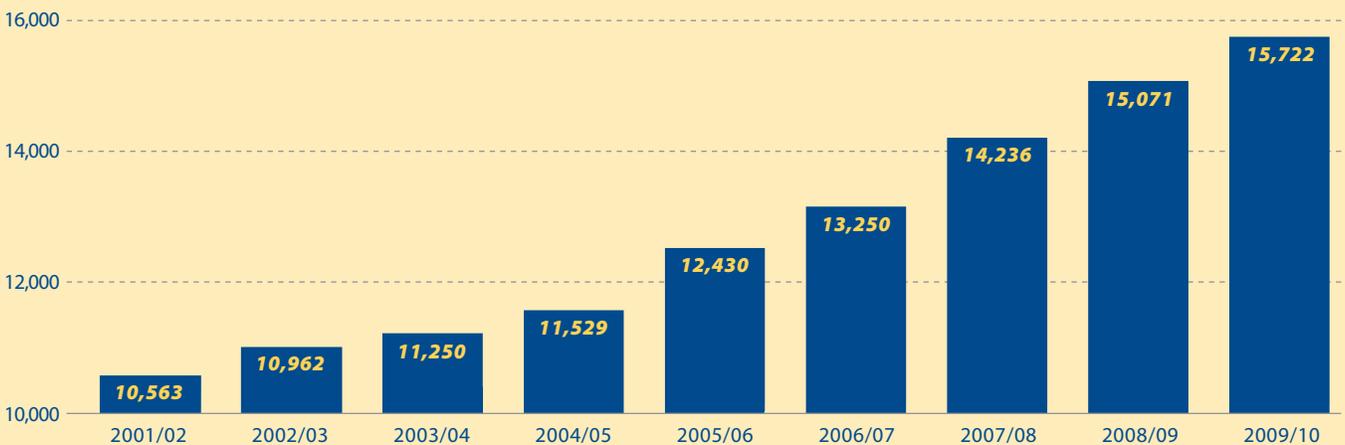
Budget 2009 continues government's commitment to health care by providing an additional \$945 million for the Ministry of Health Services and health authorities.

This increase is in addition to \$3.9 billion over three years in previously allocated funding. Budget 2009 provides:

- » \$562 million in new health authority funding to meet patients' needs in their communities.
- » \$358 million in other Ministry of Health Services programs to enhance patient care across B.C.
- » \$15 million for important public health research
- » \$13 million for new medical travel assistance for B.C. families.

Total Provincial Health Care Spending

\$ Millions



Competitive Advantage

PERSONAL INCOME TAX REDUCTIONS SINCE 2001

- » A family of four earning \$70,000 now pays \$2002 less per year — a reduction of 45 per cent.
- » A single individual earning \$20,000 now pays \$618 less per year — a reduction of 78 per cent.
- » A senior couple earning \$30,000 now pays \$71 less per year — a reduction of 100 per cent.

CORPORATE INCOME TAX REDUCTIONS SINCE 2001

- » Small business corporate income tax rate has been reduced to 2.5 per cent from 4.5 per cent — a reduction of 44 per cent.
- » General corporate income tax rate has been reduced to 11 per cent from 16.5 per cent. By 2011, British Columbia's general corporate income tax rate will be 10 per cent — a reduction of 39 per cent.

The B.C. government is committed to fiscal responsibility and prudent management of taxpayers' dollars.

Since 2001 the government has reduced the provincial debt and cut taxes more than 120 times, benefiting both businesses and the people of British Columbia. Since 2001, personal income tax rates have been reduced by 37 per cent for most taxpayers. Individual British Columbians earning up to \$116,000, now pay the lowest provincial personal income taxes in Canada.

The small business corporate income tax rate has been reduced from 4.5 per cent to 2.5 per cent and the threshold doubled to \$400,000 from \$200,000.

B.C.'s corporate income tax rate has been reduced from 16.5 per cent to 11 per cent. This will be further reduced to 10.5 per cent in 2010, and to 10 per cent in 2011. Combined with federal tax rate cuts, B.C. will have the lowest corporate tax rate among G7 nations by 2012.

British Columbia has earned one of the best credit ratings in the world.

Since 2004, British Columbia has received seven credit rating upgrades and enjoys a Triple-A credit rating -- the highest possible. This provides financial flexibility and enables British Columbia to borrow for capital projects at the best possible terms.

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Prudent Management

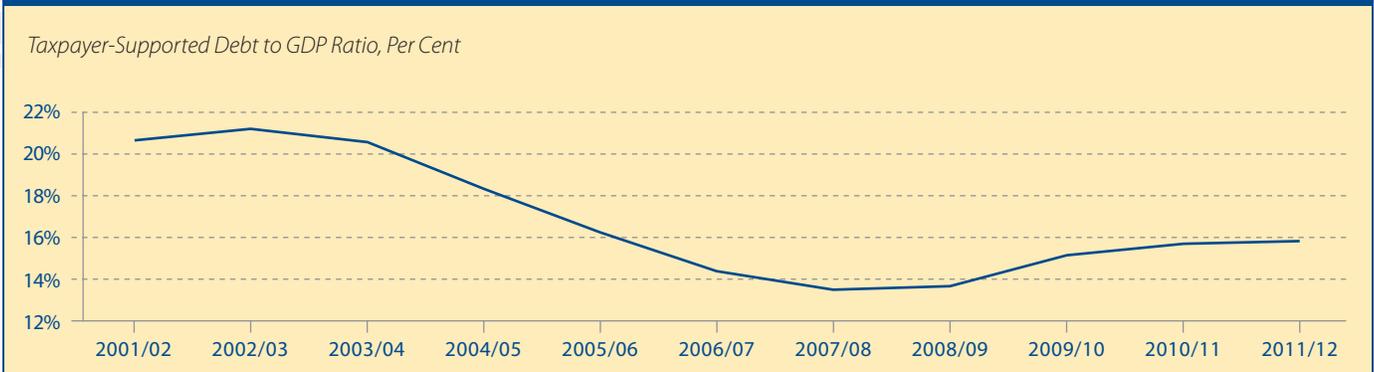
Temporary Deficits to Protect Services



British Columbia's debt burden is among the lowest in Canada, behind only Alberta. Since 2003/04, we have reduced the operating debt from a high of \$15.7 billion to \$6.4 billion in 2008/09 — a reduction of \$9.3 billion dollars or almost 60 per cent. These reductions have given the province the flexibility it needs to address current economic challenges while keeping the provincial debt affordable. In total, the taxpayer supported debt-to-GDP ratio has decreased from a high of 21.3 per cent in 2002 to around 14 per cent today. As a result, taxpayer supported interest costs on the provincial debt continue to remain low and now represent less than 5 cents per dollar of revenue.

The B.C. government is committed to keeping the debt affordable and managing its liabilities conservatively. Recent changes to provincial legislation require a return to a balanced budget in 2011/2012. By law, and consistent with government policy, all future increases in cash will be used to completely pay down the operating debt before any discretionary end-of-year spending through supplementary estimates will be undertaken. Through prudent fiscal management, the government of British Columbia has established a strong financial foundation upon which to build for the future.

Debt Burden Remains Low



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Economic Stimulus

Capitalizing on the Economic Recovery

Budget 2009 protects British Columbians and builds for a stronger future. It is a plan designed to create jobs and provide confidence and stability for families, businesses and communities throughout the province. It is also a plan that will take full advantage of the coming recovery and capitalize on new economic opportunities.

The B.C. government has set out a bold plan in Budget 2009 that will create a new measure of confidence and stability for British Columbians. It will create thousands of jobs and new opportunities in every region of the province, while providing new funding for priority programs in health and education. It a plan that will help meet the challenges of today and tomorrow while building on the strengths of our province as we move forward to the future.

OPPORTUNITIES INCLUDE:

- » **Investing in the New Green Economy** — Through Budget 2009, the government is investing additional dollars to support the \$1 billion committed in Budget 2008 to address climate change and further help position British Columbia as a leader in the green economy of the coming decades.
- » **Establishing B.C. as a Centre for International Commerce** —The Province is working to expand economic opportunities abroad and to make British Columbia even more attractive to investors.
- » **Hosting the 2010 Olympic and Paralympic Winter Games** — British Columbia will capitalize on the opportunities of hosting a world-class event. Through VANOC, the Games contributes \$3 million a day to the economy of B.C. over the next year, creating needed jobs and opportunities. British Columbia will also receive extraordinary coverage and tourism during the Olympics raising the profile of British Columbia as the best place to live, work and play.
- » **Expanding the Asia Pacific Gateway** — B.C. is capitalizing on its geographic advantage by expanding relations with Asia-Pacific trading partners. The Province has opened new trade and investment centres abroad. It is enhancing trading opportunities with initiatives including: the Gateway Project, the Prince Rupert shipping terminal and the Provincial Nominee program.