



MAXIMIZING THE OLYMPIC ADVANTAGE

# Building a Stronger British Columbia

British Columbia faces significant economic challenges. But despite difficult times, the government is committed to protecting vital services and building a stronger British Columbia.

We are Canada's Gateway to the Asia Pacific, a source of growing economic strength. And next year, we will host the Vancouver 2010 Olympic and Paralympic Winter Games, a global showcase that will generate new opportunities for years to come. We're working to make B.C. more competitive, to stimulate investment and promote job growth. Through careful management

of taxpayers' dollars, we are dedicated to ensuring B.C.'s future is one of growth and prosperity.

We also recognize the need to balance difficult decisions concerning government spending and ensure our Province has a solid fiscal foundation.

Through this consultation paper, we are providing important background information and inviting your suggestions on the development of B.C.'s next provincial budget.

We want to hear about your priorities for a better, stronger British Columbia.



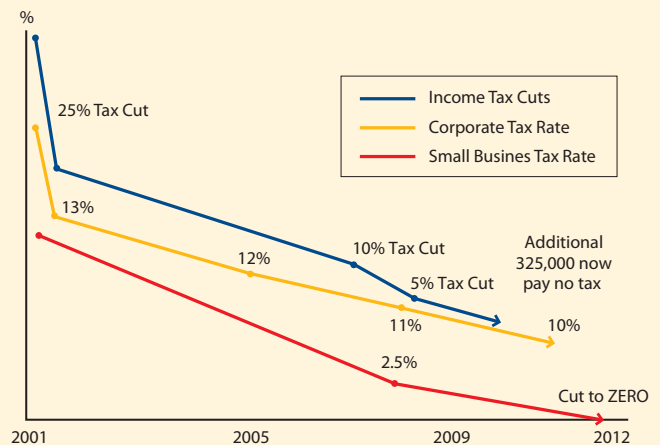
# B.C.'s Competitive Edge

To encourage investment, create jobs and ensure greater prosperity, the B.C. government is committed to making British Columbia one of the most competitive jurisdictions in the world.

Towards this goal, British Columbia will eliminate the current provincial sales tax (PST) and will introduce a harmonized sales tax (HST) that adds a seven per cent provincial rate to the five per cent federal GST on July 1, 2010. At 12 per cent, it will be the lowest HST rate in Canada.

The economic benefits of shifting to the HST are significant. Leading economists estimate that harmonizing the PST and GST is the single biggest initiative that the Province can do to stimulate the B.C. economy and create jobs. It will lower tax on business investment by 40 per cent, providing a major stimulus to the provincial economy. It will remove about \$2 billion in costs from B.C. businesses, which will enhance their competitiveness, encourage investment and ultimately result in more jobs. By generating increased business investment, the move to the HST will mean more, better-paid, long-term and stable jobs for British Columbians.

## LOWERING PERSONAL, CORPORATE AND BUSINESS INCOME TAXES



Even with the shift to the HST system – the total tax burden for individuals and families in B.C. will continue to be the second-lowest of any province in Canada.

Business and industry keep our province growing. A more competitive tax system that encourages growth and new investment will promote economic well-being throughout British Columbia.

## Reductions in Personal Income Tax

Since 2001, personal income tax rates have been reduced by 37 per cent for most British Columbians, and 325,000 additional people no longer pay any B.C. income tax.

Effective January 1, 2010, taxpayers will see the basic personal income tax credit increase to \$11,000 from \$9,373, a \$1,627 increase.

As a result of these and other tax measures introduced by the government, individual British Columbians earning up to \$118,000 annually will pay the lowest provincial personal income taxes in Canada.

## COMPARISON OF PROVINCIAL PERSONAL INCOME TAX – 2009



## Sound Fiscal Management

The B.C. government is committed to responsible and sound fiscal management. British Columbia's debt burden remains among the lowest in Canada. Interest costs on taxpayer-supported debt remain low and represent less than 5.2 cents per dollar of revenue.

Since 2004, British Columbia has received seven credit rating upgrades and today enjoys a AAA credit rating – the highest possible. This has provided financial flexibility and enables B.C. to borrow for capital projects – even during economic downturns – at the best possible terms.

# Creating Jobs and Supporting Communities

The B.C. government continues to invest in vital public infrastructure such as bridges, highways, schools, hospitals and community facilities. Together with federal and local governments nearly \$14 billion is being invested in public infrastructure projects that are expected to create as many as 88,000 jobs.

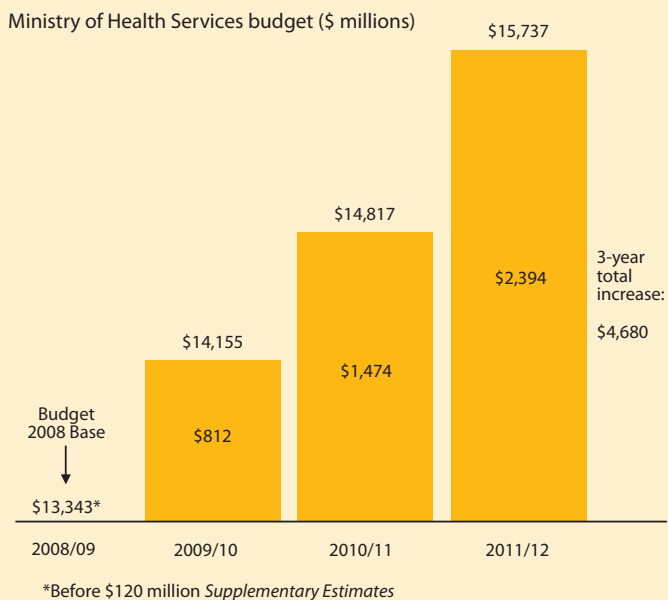
Since February, some 480 projects worth \$3.4 billion have already been announced. These projects are expected to create 21,600 direct jobs, providing additional stability and confidence throughout the province.

## A Difficult Economic Environment

British Columbia has been hard hit by the global economic downturn. Projected revenues from corporate and personal income tax have fallen dramatically – by over \$1 billion this year alone. Revenues from natural resources – which are the backbone of our economy – have also fallen by a similar amount. At the same time, necessary government spending has increased dramatically. In fact, the overall cost pressures to deliver the services British Columbians value most – in health care, education and core social programs – continue to rise.

To protect these core services, government chose to run projected deficits of \$2.8 billion in 2009/10, \$1.7 billion in 2010/11, \$945 million in 2011/12, and \$140 million in 2012/13, returning to balanced budgets in 2013/14. It is within this financial environment that the spending priorities and direction of Budget 2010 will be developed.

### HEALTH FUNDING GROWTH MAINTAINED



## Protecting Vital Services

Despite falling revenues and difficult economic conditions, the B.C. government is committed to protecting and maintaining vital public services.

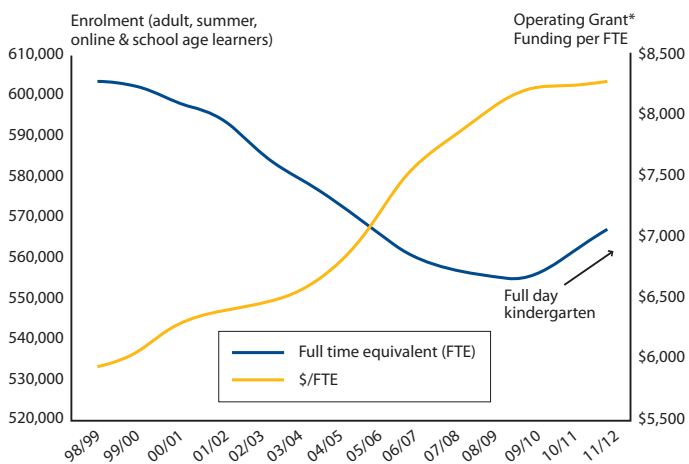
Government spending on health, education and social services represents approximately 75 per cent of all government spending.

Over the next three years, funding for health services is being increased by nearly 18 per cent. By 2011, it will reach \$15.7 billion.

Per-student funding for kindergarten to Grade 12 is being maintained at over \$8,200, despite declining enrolment. The government will also introduce full-day kindergarten in the fall of 2010.

Total annual post-secondary education spending by fiscal 2011/12 will exceed \$4.7 billion. This includes increased training tax credits for businesses that take on apprentices.

### K-12 PUBLIC EDUCATION ENROLMENT AND FUNDING LEVELS



For British Columbians in need, the government is providing an additional \$420 million over three years to meet greater demand for income assistance.

# Economic Recovery and the Olympic Advantage

As the economic recovery begins to take hold, B.C. is poised to build on its many advantages, including hosting the Vancouver 2010 Olympic and Paralympic Winter Games. The exceptional opportunities resulting from hosting the Games provide another cornerstone for future growth. The Games will bring an estimated 250,000 visitors to B.C. and will be televised to a global viewing audience of 3 billion. The economic boost provided by the Games will be significant. In fact, the Games represent the largest-ever, single promotion of British Columbia and its many opportunities for job-creating investment, tourism and trade.

## Building on the Foundation



From job creation through accelerated infrastructure spending and creating a more competitive tax system – to establishing Canada’s Pacific Gateway and hosting the Vancouver 2010 Olympic and Paralympic

Winter Games – the government continues to seek new and innovative ways to strengthen the provincial economy.

This includes initiatives to establish a comprehensive Asia Pacific Gateway Authority with the federal government and maintaining B.C.’s leadership role in addressing climate change and developing green technologies.

It includes meeting the demands of a world marketplace through the development of an Open Skies policy to

further promote trade and economic growth. It includes developing new relationships with First Nations based on mutual respect, recognition and reconciliation.

And it includes plans to introduce a “wood first” policy that will require all public buildings to use wood as their default building material wherever possible, both inside and out. These and other measures will significantly strengthen our economic foundation.

As British Columbia emerges from difficult times, private sector economists expect B.C. to lead the nation in economic growth. Meantime, protecting vital services and building for the future remain top priorities as we work to create a stronger, more prosperous British Columbia.

### BUDGET CONSULTATION - FIVE YEAR FISCAL PLAN

(\$ millions)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Revenue	38,328	37,608	38,845	41,072	42,920	44,630
% change		-1.9%	3.3%	5.7%	4.5%	4.0%
Total Expense	38,250	40,133	40,320	41,767	42,810	43,880
% change		4.9%	0.5%	3.7%	2.5%	2.5%
Surplus (Deficit) before forecast allowance	78	(2,525)	(1,475)	(695)	110	750
Forecast Allowance	-	(250)	(250)	(250)	(250)	(250)
Surplus (Deficit)	78	(2,775)	(1,725)	(945)	(140)	500
Taxpayer-supported capital expenditures	3,778	4,729	4,626	3,376	3,063	2,515
Total capital expenditures	5,540	7,434	7,687	6,544	6,574	5,740
Direct operating debt	6,455	8,250	10,071	10,512	9,930	9,513
Total Taxpayer-supported debt	26,446	30,593	34,894	37,279	38,613	39,993
Total debt	38,014	42,332	48,461	52,754	56,569	59,942
Taxpayer-supported debt/GDP (%)	13.3%	16.2%	17.9%	18.1%	17.9%	17.7%

## Tell Us Your Budget Priorities

What’s most important to you? Should government continue to protect core services such as health and education, and if so, how should government increase revenues to pay for these services? Should government continue to reduce taxes? How should government control deficits during difficult economic times?

The Select Standing Committee on Finance and Government Services – an all party committee of the Legislative Assembly – will hold province-wide consultations in September and October to seek the views of British Columbians.

You can provide your feedback by:

- Appearing at one of the scheduled public hearings. For locations please visit: [www.leg.bc.ca/budgetconsultations](http://www.leg.bc.ca/budgetconsultations)
- Sending a written response by letter or email

**To send your submission or ask for more information:**

Select Standing Committee on Finance and Government Services, Room 224, Parliament Buildings, Victoria, British Columbia, V8V 1X4 Canada

Phone: 1 877 428-8337 (toll-free)

Phone: 250 356-2933 (collect)

Fax: 250 356-8172

Email: [financecommittee@leg.bc.ca](mailto:financecommittee@leg.bc.ca)

[www.leg.bc.ca/budgetconsultations](http://www.leg.bc.ca/budgetconsultations)



**BRITISH COLUMBIA**

The Best Place on Earth