
NEWS RELEASE

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Ministry of Finance

BALANCED BUDGET 2004: BRINGING OUT THE BEST IN B.C.

VICTORIA – Government has delivered on its promise to introduce a balanced budget for Fiscal 2004/05, Finance Minister Gary Collins said today.

“We have introduced a balanced budget for 2004/05 and are on track to beat our bottom line target for last year, despite more than 41 billion in unexpected costs from forest fires, floods, SARS, BSE and changes to federal equalization,” said Collins.

“As a result of our resilient fiscal plan, we are now able to fund new investments that bring out the best in education and patient care, accelerate funding for the province’s Olympic commitment, and enhance our strategy for economic growth.”

Balanced Budget 2004 includes estimated surpluses of \$100 million for 2004/05, \$275 million for 2005/06 and \$300 million in 2006/07. These projected surpluses are based on an economic growth forecast of 2.8 per cent in 2004 and 3.1 per cent in each of the following two years. In addition, cushions of more than \$400 million in each of the next three fiscal years will protect the balanced budget projections against unforeseen circumstances.

“Based on this prudent forecast, our government is making more than \$1.3 billion in investments that bring out the best in B.C.,” said Collins.

Education spending will rise by \$313 million over three years, improving student achievement, promoting literacy and making schools safer. School districts, as part of a provincewide review, will see funding for minor structural seismic upgrading rise from \$8 million to \$23 million by 2006/07, plus a further \$50 million a year in major capital spending by 2006/07 to support seismic projects.

A \$105 million increase over the next three years for advanced education will improve student access to higher education in communities across the province. By 2010, 25,000 post-secondary spaces will be created. Funds from the current student grant program are being refocused to go directly towards the additional spaces and to post-secondary institutions.

Over the next three years, investment in health care will increase by \$1.047 billion, or 10 per cent over Budget 2003. This funding will be directed at improving patient care.

To build on the Transportation Investment Plan begun last year, government is investing \$1.3 billion in the next three years to improve transportation infrastructure. \$836 million is dedicated specifically to projects in the Heartlands.

\$176 million has been allocated over three years to expand and enhance the BC Timber Sales Program as part of the Forestry Revitalization Plan. \$6 million will be invested over three years to continue small-scale salvage operations, creating further opportunities for First Nations and other communities. A further \$6 million over three years will go towards the timely harvest of timber damaged by pine beetles and forest fires.

With drilling activity up nearly 40 per cent last year, the budget supports the continuing success of the Oil and Gas Development Strategy, and provides \$17 million over three years towards the province's offshore oil and gas initiative.

"Increased economic activity and strong employment growth are drawing people back to B.C. and contributing to the current real estate boom," said Collins.

"But higher housing prices also affect affordability. That's why, effective immediately, we are raising the threshold for the Home Owner Grant to \$585,000 from \$525,000. The change means 95 per cent of B.C. homeowners will continue to receive the full grant."

Balanced budget 2004 also contains details of the third quarter results for fiscal 2003/04. Higher energy revenues, improved Crown corporation finances, lower ministry spending, lower debt service costs, and a smaller forecast allowance helped reduce the deficit for 2003/04 to an estimate \$1.7 billion -- \$590 million below budget.

"These savings will allow government to make year-end funding enhancements for programs that are priorities for British Columbians," said Collins.

Priorities include:

- \$30 million for health care -- over and above the \$319 million lift provided through the First Ministers Health Accord of February 2003
- \$17 million for education and literacy initiatives
- \$14 million for advanced education

Year-end savings will also contribute to funding B.C.'s commitments for the 2010 Winter Olympics. \$55 million will be invested in B.C.'s share of the Olympic endowment, offsetting future costs for operating venues. \$51 million will be provided as the initial funding for venue construction, representing 20 per cent of B.C.'s financial obligation for building venues.

British Columbia now requires balanced budgets by law, and is the first province to introduce a balanced budget that complies with legislated Generally Accepted Accounting Principles (GAAP).

"Through discipline, hard work, and sound fiscal management, we have turned B.C.'s financial situation around," said Collins. "We will balance the budget this year, next year, and every year thereafter. By revitalizing the economy and creating the right environment for growth and prosperity, we are truly bringing out the best in B.C."