



BUDGET SPEECH 2013

Introduction

For almost a century and a half this Legislative Assembly has served British Columbians by performing two functions fundamental to our parliamentary democracy:

1. The passage of laws by which we seek to establish a civil society based upon the rule of law where all citizens may expect to be treated equitably and justly no matter who they are.
2. Members of this Legislative Assembly, through debate and discussion, authorize the executive branch on behalf of the Crown to collect and spend the public's money... we call it the Budget.

Today we introduce a new budget, or as we now refer to it, a three-year fiscal plan — made more interesting this year because, before the full budget process is complete, British Columbians will have a direct opportunity to express their views in that great democratic shareholders' meeting scheduled for May.

Building this plan has not been easy. We have worked for many months to find the right balance of measures to support our economic recovery, to maintain support for the services people rely on every day, and to respect the basic principle that government should not spend more of the taxpayers' money than it receives from the taxpayers.

Getting things right has meant a lot of tough decisions. But this is not the time to turn our backs on the discipline that has helped us through the worst of the economic downturn.

Let's not forget, the global recession that began in 2008-09 was probably the biggest economic and financial shock we will see in our lifetimes. And jurisdictions everywhere are struggling to recover.

The U.S. peers nervously across the chasm of a fiscal cliff. Much of Europe languishes in recession. Even China — with its fast-growing middle class — saw its economic growth in 2012 decline to its lowest level since the turn of the millennium.

Economists are using words like “weak” and “muddled” and “anemic” to describe the international economic recovery. And British Columbia is not immune.

We sell our goods on the global market. We cannot control international prices. That leaves us vulnerable on the revenue side of the ledger and demands extreme caution as we plan our budgets for the years ahead.

When prices for resources such as coal and natural gas are down, as they are at the moment, our provincial treasury is going to take a hit. But that doesn't mean that we, as a government, are going to renege on our longstanding commitment to sound fiscal management.

On the contrary, in an environment of ongoing global volatility, an environment of continuing uncertainty on the revenue side, we are more determined than ever to hold the line on government spending... and to honour our commitment to the people of British Columbia that we will not spend more of their money than government receives.

We certainly could. We do have the option of continuing to operate in a deficit position for many years to come—which is precisely what a lot of other governments are currently making their peace with.

If we chose to, we could even roll out big, new spending programs. That is not uncommon in election years. And there is always pressure on the government, from many fronts, to increase spending in a long list of areas to try to please as many voters as possible.

I'll tell you right now—we're not going to do that. Why? Because as my parents used to tell me, with a measure of common sense derived from their agrarian roots: "Son, we can't afford it right now."

Increasing spending across the board, in excess of the money taxpayers can send to government today, is plainly and simply the wrong choice—not just today but for the future of our province and for those generations yet to come.

We will not spend money we don't have. We will not leave a legacy of needless debt. To do so would be, frankly, irresponsible. Anyone looking for that approach is going to be disappointed.

Starting today, British Columbians will once again be able to look at their children and grandchildren and know that the services we rely upon today are being paid for by us, and not a future generation. Today I am presenting what we promised to the people of British Columbia, and what they have worked hard to achieve... **a balanced budget.**

We will have a modest surplus. That does not mean everything from here on out will be easy. But it does provide the firm footing, and the opportunity we need to continue investing in core programs and services. With this budget we are moving forward to:

- increase revenues by growing our economy and creating jobs;
- keep spending affordable; and
- work in partnership with families for the most important investment of all—investing in the future of our children.

Balancing the Budget

Mr. Speaker. I recognize that—given the timing of this particular budget—there may be some skepticism among the members opposite, or indeed among members of the public, about whether this is, in fact, a balanced budget.

So let's just confront that question head on: Is the budget really balanced?

The answer lies in the analysis of two parts: revenues and expenditures. Both must be credible; both must withstand scrutiny. I believe they are, and will.

Over the term of our three-year fiscal plan:

- Revenues are projected to grow by an average of three per cent per year.
- And spending is projected to grow at roughly half that rate—by an average of 1.5 per cent per year.

As difficult as it is not to spend all of the modest additional revenues we anticipate receiving, that is the only formula and approach by which a deficit can be eliminated on a sustainable basis.

The end result—factoring in all the other pieces of the budget—will be surpluses of:

- \$197 million in 2013-14;
- \$211 million the following year; and
- \$460 million in the third year.

That, Mr. Speaker, the bottom line, is our fiscal plan at the highest level.

Now let's look at how we'll achieve it—starting with our work on the revenue side.

Stronger Economy, Stronger Revenues

At this time last year, the government had forecast a deficit of just under \$1 billion for 2012/13.

In fact, as members know, with declining revenues, the forecast deficit has now increased to \$1.2 billion.

That's a big gap to fill. And, as I've said, it won't be easy. But, with the plan I'm presenting today, taking the final step toward eliminating the deficit is achievable.

We expect gradual improvements in commodity prices and markets for some of our key exports over the next few years—including lumber and electricity. That will contribute to modest economic growth of:

- 1.6 per cent in 2013;
- 2.2 per cent in the following year; and
- 2.5 per cent in 2015.

These numbers are slightly lower than the outlook provided by the B.C. Economic Forecast Council. Its 14 members—including some of the most respected independent economic forecasters in Canada—meet with government every year, before the budget, to give us their best advice.

This year, for the first time, the Council meeting was open to the media. They shared their advice and analysis, essentially in public—ensuring transparency in that part of the process.

Happily, even some members of the opposition were present.

Along with a more conservative forecast for economic growth, we have built two additional layers of prudence into this budget.

First, we have included a forecast allowance of:

- \$200 million in 2013/14;
- \$225 million the following year; and
- \$325 million in the third year, to guard against revenue volatility.

Second, the fiscal plan includes contingencies of \$225 million each year, to help manage unexpected pressures and fund priority initiatives.

To further underscore our commitment to transparency, we engaged Dr. Tim O’Neill—a respected independent economist—to review, evaluate and report on all of the Ministry of Finance’s economic and revenue projections.

He has now completed his work, and—as members know—he released a report to the public yesterday... confirming that our processes, methodologies, assumptions and forecasts are legitimate—to the extent that projections about the future can be legitimate.

Here’s what he said, and I quote: “The general observation to be made about the assumptions that underpin the revenue forecasts is that they incorporate, for the most part, a reasonable amount of prudence, especially given the degree of uncertainty that still surrounds the economic outlook not only for British Columbia but for North America and Europe and, indeed, the global economy.”

But Dr. O'Neill had a concern. Given the volatility around natural gas pricing, he has suggested that instead of accepting the average of 24 private sector forecasts, he has recommended that we plan on the basis of the lower-end forecasts and assume prices for natural gas in the \$1.80–\$1.90 range. That's what we've done.

So we are confident that revenues will grow. In fact, we are projecting growth of:

- 4.6 per cent in 2013-14;
- 1.3 per cent the following year; and
- 3.1 per cent in 2015-16.

That alone will not be enough to meet our targets.

Therefore, we are asking businesses to help—consistent with the plan we put forward a year ago.

Revenue Measures—Business

In Budget 2012, the government signaled that one of the options being considered to achieve a balanced budget was to increase the General Corporate Income Tax rate by one percentage point.

Today I can confirm that will happen. In fact, it will happen earlier than planned. The rate will rise to 11 per cent effective April 1, 2013.

The Small Business Corporate Income Tax Rate will remain unchanged. And, because we've worked so hard for so long to keep taxes low, British Columbia is still very competitive.

Even with the change taking place in April, the General Corporate Income Tax rate will still be 33 per cent per cent lower than it was in 2001. It will also remain among the lowest in the country (after Alberta and New Brunswick)—while delivering hundreds of millions of dollars of additional revenues to government.

We will also see a revenue improvement from adjustments to the Industrial School Property Tax Credit, which was introduced in response to the recession, to help employers sustain their operations.

For major industry—including sawmills, pulp mills, and mines—the credit will remain unchanged. But we are beginning to scale it back for the light industry class. The value of the credit for these properties will decline from 60 per cent to 30 per cent in 2013, falling to zero in 2014.

The final change on the business side involves natural gas wells that qualify for the deep-well royalty credit program. We're adjusting the royalty structure, and introducing a minimum amount so that revenues flow into provincial coffers sooner.

Total revenues expected from these measures: about \$900 million over three years.

Revenue Measures—Individuals

Those extra dollars from business and industry will go a long way towards meeting our targets. But with this budget, we are also asking those individuals who have a little more... to contribute a little more.

Starting in January 2014, we will enact a temporary, two-year increase in the Personal Income Tax rate on income above \$150,000 a year.

The rate will increase by 2.1 percentage points, to 16.8 per cent from 14.7 per cent for 2014 and 2015 only.

Even with this increase, B.C.'s top marginal tax rate will still be competitive.

To help sustain our health care system, MSP premiums will increase by about four per cent effective January 1, 2014.

And we are increasing taxes on tobacco by \$2 a carton, effective October 1st.

Smokers who object to paying more have plenty of time to work on quitting. And we hope this will give them an additional incentive—recognizing that, according to surveys, seven out of every 10 smokers in the province want to quit.

We already have the lowest smoking rate in Canada—less than 15 per cent—thanks in part to Ministry of Health tobacco control initiatives like the Smoking Cessation Program.

The program provides coverage of prescription medications or free nicotine replacement therapies, and other supports to help British Columbians quit smoking.

Since its inception in 2011, more than 100,000 smokers have received coverage and other supports to help them quit. That represents a significant proportion of all smokers in British Columbia.

And... even if only half those people manage to stay tobacco-free... the payoff for their health, the health of their families, and for the health-care system itself is well worth the investment by government.

With these tax changes, B.C. will be another step closer to balancing the budget. And we will close the rest of the gap with proceeds from the sale of surplus assets—consistent with the plan we announced in Budget 2012.

Revenue Measures — Asset Sales

We have about 100 surplus properties and assets, and we are continuing a process to turn them into economic generators — providing amenities such as housing, health care and long-term residential care on what are now, for the most part, vacant or underutilized lands.

We have sales agreements in process or negotiations underway on 16 properties, including:

- a vacant lot on Watkiss Way near Victoria General Hospital;
- a large surplus parcel on Tranquille Road in Kamloops;
- a former school board office in Surrey;
- a surplus parcel at Mission Memorial Hospital; and
- a former health care facility in Vancouver's Grandview-Woodlands neighbourhood.

Based on 2013 assessments and market appraisals, these 16 properties will provide an estimated net return of \$260 million. And a further 65 properties are being prepared for market.

In total, we expect the sale of surplus assets will deliver a net gain of approximately \$625 million over the fiscal plan — even before they start to generate new economic benefits.

With tax changes, economic growth and surplus-asset sales, annual revenues will grow to \$46.4 billion by the final year of the fiscal plan.

And that's the story on the revenue side.

Now let's turn to the other side of the equation — the spending side. The watchword here is discipline as we pursue the appropriate balance between providing public services, and keeping those services affordable.

Controlling Spending while Protecting Public Services

Between 2005 and 2008, when the global and provincial economies were strong, government spending was growing by approximately six per cent a year.

After the worldwide recession hit, we had to scale that back — because we all know what happens when you spend more money than you make.

Sooner or later, the bill collectors come; you end up deep in debt and your credit rating nosedives. Once that happens, it's difficult to get back on your feet again — and the same basic principle applies to governments. That is why we've worked so hard, especially since the recession, to keep provincial spending in check.

Public-sector unions have played a key role. And I would like to take this opportunity to publicly acknowledge the hard work, good faith and creativity of all the parties involved in public-sector bargaining.

The vast majority of unions in the 2010 round of contract talks accepted two-year agreements with net-zero wage increases.

Had we ignored the economic reality and agreed to modest annual raises of even two per cent under the 2010 net-zero mandate without offsetting savings, we could be facing more than \$4.3 billion in additional debt by 2016.

In the coming year alone we would have needed to find about \$790 million more to support those wage increases. And there is no way we could be delivering a balanced budget today.

Under the current 2012 cooperative gains mandate, we have reached agreements with about two-thirds of public sector workers. Many are receiving modest wage hikes, but these are funded entirely by savings from efficiencies—with no new taxpayer dollars.

Along with continuing discipline on wages, we've frozen salaries for all senior managers, we're aggressively auditing commercial Crowns, and we continue to cut discretionary spending in areas such as travel and administration.

In 2012, those measures resulted in savings of \$20 million from ministries.

From 2013 onward, we expect ministry savings of \$15 million and a further \$20 million in savings from Crown corporations.

With these efficiencies, we can afford to maintain core services. And we will continue to see modest increases in a few important areas, including health care and education—the two most important public services British Columbians rely on.

Health care

Health care has historically accounted for the largest share of the budget, and that is unlikely to change in the future. So let's take a moment to look at where we are, and how we're doing—as a province—in the measures that matter most.

We have the longest life expectancy in Canada—and, if we compare our rate to those of other countries, only Japan has a longer life expectancy than British Columbia.

We have the best survival rate for heart disease in Canada; the lowest incidence of cancer; and among those who do get cancer, the very best survival rates.

We have among the healthiest people—and the best health care—anywhere in the world. But all of this comes at a cost, and the cost is increasing.

It has not, and will not, rise at the rate we are seeing in other jurisdictions. But we will be spending more.

Over the term of the fiscal plan, the Ministry of Health will receive a total of \$2.4 billion in additional funding.

That's a lot of money. But to put it in perspective, the average annual increase in health spending is projected to be 2.6 per cent—significantly lower than the six to eight per cent growth we saw before the recession.

We're slowing the rate of spending growth by continuing to drive improvements, and seek out efficiencies, in health care delivery.

For example, in the past year alone:

- we've introduced a new screening program for colorectal cancer that people can complete at home, without costly hospital visits or equipment;
- we've given nurse practitioners a wider scope of practice, so hospital patients can be admitted and discharged a lot more efficiently; and
- we've announced a new regulation to reduce the price of generic drugs, saving families and the government significant amounts of money.

These are just a few examples of how we're making dollars go farther.

This is in stark contrast to the objective of previous governments to elevate British Columbia to the highest per capita health spending in the country.

Today, despite resisting the call from some quarters to be the biggest spenders in the country, and thanks to innovation and hard work from dedicated professionals, our key health outcomes... the most important measures... rank among the highest in the world.

Education

British Columbians also enjoy one of the world's best public education systems. Through our new Education Plan, we're working to ensure that students are prepared to achieve and succeed in our rapidly changing world.

To support that continuing transformation, we are investing \$210 million over three years to support the Learning Improvement Fund.

Since its inception one year ago, the fund has provided extra support to virtually every public school in the province, with:

- Approximately 500 more teachers, hired at a cost of \$37 million.
- \$17.3 million devoted to special education, increasing hours of work for more than 7,400 existing assistants and placing more than 400 new teacher assistants in schools.
- And \$1.8 million devoted to professional development.

We will contribute \$60 million to the fund in the coming year ... increasing to \$75 million in each of the two following years.

And we look forward to seeing those dollars translate into better outcomes for students.

We are also investing \$1 million to help ensure that students have access to the healthy foods they need for optimal growth and development.

We have supported the School Fruit and Vegetable Nutritional Program since its inception as a pilot project in 2005. It now provides fresh produce to more than 1,400 schools—helping students get a taste for healthy eating while connecting them to the B.C. farms that put food on our tables.

Now, with this additional funding, we're expanding the program, through a new partnership with the BC Dairy Association—providing local milk to schools around the province at no cost to students or their families.

This will help give children and youth their best chance for a healthy future.

Other spending

Along with higher funding for health and education, we are providing over the next three years:

- \$60 million to continue the 2010 Sports and Arts Legacy Program, which provides more opportunities for youth participation;
- \$52 million to maintain front-line RCMP services including officers hired to combat organized crime and gang activity;
- \$18 million for the recently-announced Creative Futures initiative, to help increase youth participation in the arts;
- \$13 million to support the renewal of Single Room Occupancy hotels, providing a better quality of life for some of our most disadvantaged citizens; and
- \$5 million to enhance problem-gambling treatment, counseling and prevention services.

Building the Economy

In addition, we will continue making targeted investments to support economic growth through a number of initiatives, including the B.C. Jobs Plan.

As members know, the plan is a long-term initiative to make the most of B.C.'s strategic advantages. And one key pillar is to open and expand new markets for our products.

Some believe we can wall ourselves off from the world; that we can somehow survive in an insulated, B.C.-only scenario; that's just not true. Market diversification is absolutely essential to maintaining—let alone improving—our standard of living.

In 2001, 70 per cent of our exports went to one market—the U.S. And we were vulnerable. Any suggestion that we could reduce our trade dependency on the U.S. was met with great skepticism.

But we've done it. Trade to the U.S. now accounts for 45 per cent of our exports—important to be sure, but Asia now purchases 41 per cent of our exports.

Exports to China were up nearly 20 per cent in 2012. And, while the share of B.C. exports going to India is small today, (one per cent of total exports in 2012), it has increased by nearly 60 per cent in 2012.

We are succeeding in diversifying our markets. We're accomplishing this by working in partnership with business and strategically investing some public dollars.

Whether it's Dream Home Canada in Shanghai or a strategic marketing initiative with the Times of India Group, we are carving out a presence and gaining new footholds in new markets... opening up new opportunities for forest products, agrifoods, metals and minerals, and—in the near future—natural gas.

Right now, we can only sell natural gas to the U.S.

But the demand and growth is across the Pacific Rim, and that's a huge incentive for us to move forward aggressively to develop liquefied natural gas, using our twin advantages of a plentiful natural resource and strategic location as Canada's Pacific province—making it possible to ship our product to those more-lucrative overseas markets.

That won't happen overnight—but we have made significant progress in the year since our LNG vision was articulated.

Industry has responded with approximately \$4 billion in natural gas-related commitments in 2012, including:

- a plan by Shell to build “LNG Canada” with joint venture partners KOGAS, Mitsubishi and PetroChina;
- a partnership between Spectra Energy and the BG Group, a major company with an established LNG portfolio, to develop a new transportation system serving the Port of Prince Rupert;
- a plan by PETRONAS, an experienced LNG operator, to establish the Pacific Northwest LNG facility; and
- Chevron Canada’s purchase of an operating interest in the Kitimat LNG plant.

In the construction phase alone, these projects represent real jobs for B.C. families, real investment in B.C. worth billions of dollars, and, ultimately, real revenue to government for deployment on behalf of British Columbians.

We are also moving forward with our effort to provide more efficient permitting for water, land, and mining exploration... so projects can get off the ground faster, while protecting the environment and requirements for First Nations consultations.

That work is paying off. For example, mineral exploration spending increased nearly 50 per cent in 2012—and we want to keep the momentum going.

We will also provide nearly \$4 million to the Agricultural Land Commission to speed up application reviews, support boundary reviews and work with local governments to encourage farming.

Carbon tax review

Agriculture is integral to our quality of life, and to the social and economic fabric of B.C. communities. With that in mind, in Budget 2012, we announced one-time support for the province’s greenhouse growers.

They face a distinct challenge in relation to the Carbon Tax—the fact that carbon dioxide is essential for plant growth. And so... to help them thrive in a highly competitive market... we introduced a measure to offset 100 per cent of their Carbon-Tax costs for one year.

Since that time, we have completed a comprehensive review of the tax. And today we are announcing ongoing Carbon Tax relief for B.C.’s commercial greenhouse vegetable and flower growers.

A new grant will provide relief for 80 per cent of their Carbon-Tax costs on certain fuels used for their greenhouse operations.

We also intend to provide an exemption for farmers on the Carbon Tax they pay on coloured motor fuel, matching the current motor fuel tax exemptions, in recognition of the importance we attach to maintaining a strong, competitive, domestic agrifoods sector.

Our review determined that, in general, the Carbon Tax at current rates does not appear to have a significant impact on B.C.'s overall economic performance. However, specific sectors involved in things like refining processes and cement production continue to have concerns about their relative competitiveness.

We will continue to work with them to find balanced, affordable solutions to their challenges while remaining mindful that, because it is revenue neutral, the carbon tax helps us keep other taxes low.

In fact, since its inception in 2008, the Carbon Tax has raised a total of \$3.7 billion—all of which has been reinvested into tax reductions for businesses, individuals and families.

Skills Training

Mr. Speaker. This is an exciting time for British Columbia. We are on the brink of a resource-development boom—with the potential to breathe new life into dozens of communities.

Right now, across BC, we have approximately \$80 billion worth of major projects under way. These are happening across a whole range of economic sectors—from shipbuilding to natural gas; mining to manufacturing; transportation to commercial and residential development.

Decades ago, in more troubling times, a great statesman said: “Give us the tools, and we will finish the job.”

Today, the “tools” we require to support this growth are skills and training.

Accordingly, we are adding significantly to our skills training infrastructure, helping ensure that British Columbians can be first in line for the jobs of the future. For example, we are investing:

- \$29 million for two new trades-training buildings and facility upgrades at Camosun College in Victoria;
- \$28 million to expand and improve trades-training facilities at Okanagan College in Kelowna;
- \$12 million towards a new building for the Chip and Shannon Wilson School of Design at Kwantlen Polytechnic University in Richmond, to introduce new programming in technical apparel design;

- \$7.4 million towards the expansion and upgrade for the law school at Thompson Rivers University in Kamloops; and
- Another \$17 million is targeted to new skills-training equipment at colleges and institutes throughout B.C. And we are putting \$6.3 million towards the new North Kamloops Secondary Trades and Technology Centre of Excellence.

Along with building our capacity for training, these new capital investments will generate new economic activity in almost every region of the province.

Infrastructure investments

In total, we will be making \$10.4 billion worth of taxpayer-supported capital investments over the next three years.

That includes continuing investments in more than \$3-billion worth of transportation projects, with:

- more than \$800 million earmarked for public transit;
- \$100 million for the Cariboo Connector;
- \$95 million for the Okanagan Valley corridor;
- \$92 million for the roadbuilding portion of the Mountain Pine Beetle strategy;
- \$30 million for the Gateway Program—to keep our trade with Asia flowing; and
- \$9 million for cycling infrastructure.

In the health-care sector, we're investing \$2.3 billion in capital projects including:

- the redevelopment of B.C. Children's and Women's Hospital in Vancouver;
- a new Surrey Memorial Hospital Emergency Department and Critical Care Tower;
- a new Interior Heart and Surgical Centre in Kelowna;
- the replacement and expansion of North Island hospitals;
- the redevelopment at East Kootenay Hospital in Cranbrook;
- the replacement of Lakes District Hospital in Burns Lake; and
- the replacement of Queen Charlotte/Haida Gwaii hospital.

We will invest \$1.5 billion in capital projects for the education sector, including new or replacement schools in Langford, Oliver, Chilliwack, Coquitlam, and a seismic upgrade at Wellington Secondary in Nanaimo.

And, importantly, even with these new investments, debt will remain affordable.

Its growth will slow as we return to a balanced budget. And the ratio of taxpayer-supported debt to GDP—a key measure of affordability—will peak at 18.3 per cent in 2014/15.

It is projected to decline in 2015/16.

And... because our revenues will outpace spending... we will have an opportunity, once we're into surplus budgets... to do a little more to keep life affordable for B.C. families.

Keeping Life Affordable for Families

Mr. Speaker. That's the whole reason we are so intent on balancing the budget and building the economy. Because together, they provide the strong foundation families and businesses need to prosper in the years ahead.

For example, our prudent fiscal management continues to earn us a Triple-A credit rating, the highest rating available. I realize that most people don't sit around worrying about the Province's credit rating. They do worry, however, when more and more of their tax dollars are spent on servicing our debt. Our hard-earned triple-A credit rating has saved taxpayers millions of dollars in debt-servicing costs—allowing us to put more into vital public services.

With Budget 2012, we introduced three new measures to help keep life affordable for families:

- the First-Time New Home Buyers' Bonus;
- the Seniors' Home Renovation Tax Credit; and
- the Children's Fitness and Arts Tax Credits.

Since Budget 2012 we have also improved income and disability assistance to

- help vulnerable individuals and families attain better financial outcomes;
- help people with disabilities lead more independent lives; and
- help people capable of work avoid the cycle of income-assistance dependence.

We are continuing work on a Poverty Reduction Strategy, beginning with pilots in seven communities recommended by local leaders.

And we launched a new Employment Program to help more British Columbians find and keep the jobs they need to support themselves and their families.

With today's budget, we are building on that with a number of targeted measures to help make life more affordable for families.

First, we will continue to provide tax credits benefiting seniors and children. We are investing, over the next three years:

- approximately \$81 million for the Seniors' Home Renovation Tax Credit; and
- \$27 million for the Children's Fitness and Arts Tax Credits.

The First Time New Home Buyers' Bonus, which remains in effect until March 31, is on track to help more than 1,000 individuals and families afford a new home. And, with this budget, we are taking further steps to help homeowners when their costs can be highest—by providing the option of property tax deferral to a wider range of families.

Seniors in the province have had this option since 1974. It lets them defer their property taxes until their home is sold—so they can keep a little more of their income every year.

In 2010, we expanded this option to include families supporting children under 18. Today I can confirm that we are also including families supporting their children attending an educational institution... and those supporting adult sons and daughters who have disabilities.

We are also making a small but significant change to the legislation governing the property transfer tax, which has affected some families unfairly. The legislation will be amended to clarify its intent, so the tax will generally not apply to family farms passed from one generation to the next.

Children's Education Fund

I want to speak a moment about the power of savings. Saving is about prioritizing for the future. It's hard to save. There always seems to be a more immediate need.

It's virtually impossible to save if you're spending more than you make. All of this is true for families, and also true for government. But by taking some modest steps today to save and plan for the future, we can have a dramatic, positive impact on the most important investment of all—caring for children and improving their future prospects.

In 2007, when admittedly times were a little better, the government started saving. Since January 1, 2007, we have been investing \$1,000 for every child born in the province.

Today, for each of those children, that amount has grown to about \$1,200. It's time to unleash the full force of that savings potential by forging a partnership with parents and families.

Effective immediately, every family with a child under seven who meets some basic residency rules will qualify for a one-time B.C. Training and Education Savings Grant.

Once the child turns six and enters an elementary school program we will transfer \$1,200 to the family to help with the cost of studies or skills training after high school.

All you will need to qualify for the \$1,200 grant is to have a Registered Education Savings Plan in place before your child's seventh birthday.

If you already have one, great. If not, the sooner you set one up the sooner savings can begin to accumulate.

Families won't need to put in their own contributions to get the B.C. grant, but we would certainly encourage them to do so. Because RESPs harness the power of interest over time... allowing your investments to grow tax-free until your son or daughter starts a post-secondary program.

The new B.C. Training and Education Savings Grant will give your child a boost. And families with a registered savings plan can also qualify for additional federal grants.

Even with a modest family contribution of \$10 a month, a child who's starting school this September could have over \$4,000 in their RESP by the time they turn 18—enough to get a good start in any post-secondary program whether it's vocational skills, college or university.

At a \$50-per-month contribution, the equivalent amount would be \$12,000.

We have to stop thinking of education as just K-12.

By 2020, almost 80 per cent of new job openings will demand at least some post-secondary training, and that proportion is growing all the time.

We need to accept and plan for that reality. And while we do not support the concept of free tuition, we do agree that government has a role—alongside families—in removing financial impediments to higher education.

That's why, in 2012, we introduced changes to help low-income students and their families. We estimate the Province will pay down about \$900,000 in student-loan principal for up to 17,000 students by the end of this year and forgo about \$4 million in interest payments. In the coming year, some 20,000 students will benefit as we pay down about \$2 million in principal and \$4.5 million in interest on student loans.

That will help make life a little more affordable. And now... with the B.C. Training and Education Savings Grant... higher education and skills training for the children of today, the students of tomorrow, will be more accessible than ever.

Early Years Strategy

What about the short-term? That's a question many parents may be asking. Saving for the future is an excellent idea. But what about the more immediate challenges?

With this budget, we are setting out a plan to address those as well.

As our economy picks up steam, as we continue to reap the rewards of prudent fiscal management... we will be able to invest an additional \$76 million over three years to improve families' access to quality early-learning and child-care supports.

Of that total:

- \$32 million will support the creation of new child-care spaces;
- \$37 million is targeted to improving the quality of child-care and early years services; and
- Another \$7 million will be invested to improve coordination of early childhood development programs and child-care services.

These investments build on the \$1 billion a year the Province currently spends on early learning, childhood development, and child-care services; and the \$129 million invested annually in full-day kindergarten.

In addition, we are investing \$146 million in a new provincial tax credit, starting in 2015.

The new B.C. Early Childhood Tax Benefit will provide up to \$660 a year for children in British Columbia under the age of six—to help families with the cost of their care.

Approximately 180,000 families will be eligible to receive the benefit. Most will receive the full amount, while those with family incomes between \$100,000 and \$150,000 a year will receive a partial benefit.

That will help them pay for child care, or any of the other expenses that come with the territory when you're raising a young family.

Pooled Registered Pension Plans

The third new initiative to help keep life affordable for families isn't, strictly speaking, a budget measure. And no, it's not in the budget bill.

But it is important, because it will help a lot of families save for the future. And saving isn't just for six-year-olds.

Some individuals are fortunate to have good pension plans. But those who are self-employed or work for small businesses don't have access to the same opportunities.

In fact, it's estimated that just one of every three B.C. workers belongs to a registered workplace pension plan.

It's difficult to save for retirement on your own—especially while you're raising a family. Too often, parents are forced to choose between the needs of today and the needs of tomorrow. And Mr. Speaker, we intend to give those families a break.

During this session, we will introduce measures that make it easier for working families to save for retirement... and provide an additional, optional safety net for those who cannot currently access group pension plans.

We worked with the federal government and will create a mechanism by which thousands more British Columbians will have the opportunity to pool their retirement savings with a regulated pension program... and benefit from economies of scale closer to those sustaining large scale pension plans.

We will provide the House with details in the coming weeks.

It's one more way we're working with the people of British Columbia to build a strong, secure future for our province.

Conclusion

I cautioned at the outset that achieving our goal of a balanced budget wouldn't leave a lot of room for massive, widespread spending announcements.

As I draw my remarks to a close, members will I hope, at a minimum, accept the veracity of that statement.

What we've done today is lay out a modest, responsible, and achievable plan to guide B.C. through the next few years of continuing global economic uncertainty, with:

- a balanced budget;
- affordable spending; and... as the economy strengthens...
- some new supports to help make life more affordable for families.

It's may not be your classic pre-election budget. Would it be easier to just run a deficit? Absolutely. Undoubtedly.

When it comes to exercising spending discipline... as parents can attest... it's not saying yes that's difficult; it's saying no.

It's always possible to put off those difficult decisions. It's always possible to say, Oh well, we'll balance the budget next year... tomorrow.

The problem is that too often, for too many governments, tomorrow never comes.

Ever since this government first came to office, we've focused on delivering sound fiscal management. In 2002, when we tabled our first full budget, we were facing a structural deficit of over \$4 billion.

We worked hard to turn that around. And we succeeded, Mr. Speaker. By 2005, the budget was balanced, and we kept it balanced—in fact, we delivered record surpluses—until we were hit by the impact of what's now being called the Great Recession.

We went into deficit in 2009 because, given what was happening around us in the world, it was better than the alternatives. Instead of making massive program cuts or implementing big tax hikes, we spent some money to help people through the worst of the recession, and that was the right choice. But it wasn't a happy choice.

We knew it wouldn't be easy to get back to surplus budgets. But we committed then — just as we did with our first full budget in 2002 — to do the necessary work to get our financial house in order...

And just as we did in 2005, we stand today on the brink of delivering a series of back-to-back surplus budgets.

That will give our province an edge in attracting new investment in a still-uncertain global economy... and we can look forward to a future of growth, opportunity and prosperity.

It will be a future where parents have more support to care for their children;

Where the education system is able to prepare them for the jobs, and the challenges, that lie ahead for all of us.

Where every child will have the opportunity to graduate from high school with money in the bank for further education or skills training; and... as the economy continues growing stronger... a future where our young people have more options, and more opportunities, than ever before to build their lives and careers and families... here in British Columbia.

That is the future we are working towards. And it all starts with a balanced budget.

Starting today, as British Columbians travel to other parts of Canada, they will be able to say with pride, "I come from B.C. where the government doesn't spend more money than I send it. Where the government doesn't burden future generations with the cost of programs being delivered today."

I've sat here for 19 budgets over the years. I've heard them characterized in a variety of ways: prudent or reckless, frugal or extravagant. In presenting this one to the House for its consideration, I observe with a modest measure of pride that it is, in every sense of the word, balanced.

Now let's get to work.