

SCOMM

142:14

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: January 10, 2005

FURTHER REFERRALS: Finance

Date of Committee Action: March 18, 2005

The HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS considered:

HB 52

HOUSE BILL NO. 52

LONG-RANGE FISCAL PLAN

"An Act relating to adoption and revision of a comprehensive long-range fiscal plan for the State of Alaska."

Recommends it be replaced with ☐ HCS or ☒ CS for HBS2 (W.E.M.)
For Senate Bills with new title: ☐ Technical Title ☐ New Title: HCR _____ ☒ Same Title ☐ New Title

[] attach amendments
[] add new referral to _____Committee
[] Letter of Intent_____Committee

*List of
Abbrev
for
Depts.:*
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

[illegible][illegible]

Signing with recommendations		Printed Last Name	DP	DNP	NR	AM
<i>Paul Reator</i>	<i>Paul Reator</i>	ROKSBERG		X		
<i>Carl E. Moses</i>	<i>Carl E. Moses</i>	SEATON				✓
<i>Max Greenberg</i>	<i>Max Greenberg</i>	MOSES	X			
		Greenberg	✓			
Chair: <i>BW Johnson</i>		Weyhoush				X
Chair:						

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 52
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
 Title Long Range Fiscal Plan RDU _____
 Component Tax Division
 Sponsor Rep Gruenberg
 Requester House Ways and Means Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

House Bill 52 requires the Legislature to adopt a long-range fiscal plan subject to annual revision, which looks out a minimum of four years, and which considers the availability of revenues and the socio-economic effects of spending changes and revenue measures. This fiscal note assumes that the planning and economic analysis for the long range fiscal plan referred to in the bill will be done by the staff of the Legislative Affairs Agency and Legislative Finance. The Department of Revenue will continue to do short and long-term revenue forecasting and formally report revenue forecasts twice each year. House Bill 52 does not on its face create any new responsibilities or duties for the Department of Revenue.

Prepared by: Jerry Burnett Phone 465-2302
 Division Special Assistant to the Commissioner Date/Time 2/23/05 11:58 AM
 Approved by: Tomas Boutin Date 2/23/2005
 Agency Deputy Commissioner, Revenue

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

Representative Max Gruenberg

Representative John Harris

SPONSOR STATEMENT

HB 52

Adoption of a State Fiscal Plan

House Bill 52 would require the legislature to adopt and annually revise a fiscal plan to balance state revenues and expenditures for the succeeding five fiscal years. The state's current budgetary system encourages legislators and the governor to focus only on the fiscal year immediately ahead. This bill would mandate a more comprehensive approach to fiscal planning by requiring the legislature to project revenues and expenditures five years into the future. This would allow legislators to anticipate and plan for budgetary shortfalls before they reach crisis proportions.

The fiscal plan must include (1) the means to foster a stable economy that encourages economic growth; (2) procedures to improve governmental efficiency and cost-savings; (3) policies that protect the permanent fund while using earnings to maintain a strong dividend program and legislative flexibility to determine the use of the remaining earnings; (4) the means to raise revenues while maintaining a stable tax environment; and (5) provisions to maintain the integrity of the budget reserve fund.

This bill addresses a critical issue facing Alaska and will institutionalize appropriate long-range fiscal planning as part of the legislative process.

Alaska State Legislature

House of Representatives



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State Capitol
Juneau, AK 99801-1182

Representative Max Gruenberg

Representative John Harris

SECTIONAL ANALYSIS

HB 52

Adoption of a State Fiscal Plan

Section 1. Sets forth legislative findings that (1) the legislature and the governor are responsible for fulfilling constitutionally required state mandates and other responsibilities; (2) in order to carry out these responsibilities, the legislature must budget a reasonable level of expenditures to finance the operation of state government; (3) there is a significant disparity between the revenue sources currently being used and expenditures necessary to maintain a reasonable level of state services; (4) for several years the legislature has addressed the disparity between state revenue and expenditures by drawing against the budget reserve fund; (5) the budget reserve fund is rapidly declining to a level that requires a sound fiscal plan to address both current budgetary needs as well as future state revenues and expenditures; (6) there is no simple solution to the state's current fiscal dilemma; a combination of fiscal measures will be required to achieve a fair fiscal plan; (7) a comprehensive long-range fiscal plan will encourage the discipline to ensure a balanced budget; (8) the implementation of a comprehensive long-range fiscal plan will help stabilize the state's economy and level out its historical pattern of boom and bust cycles.

Section 2. This bill section adds a new section to the executive budget act that requires the legislature to adopt and annually revise a long-term fiscal plan for balancing state revenues and expenditures for the succeeding five fiscal years. The fiscal plan must include: (1) the means to foster a stable economy that encourages economic growth; (2) procedures to improve governmental efficiency; (3) policies that protect the permanent fund, while using the earnings to maintain a strong dividend program and the legislative flexibility to determine the use of the remaining earnings; (4) the means to raise revenues, while maintaining a stable tax environment; and (5) provisions to maintain the integrity of the budget reserve fund.

COMMITTEE:
House Special Committee on
Ways & Means
DATE: February 18, 2005

SUBJECT: HB 52-LONG-RANGE FISCAL
PLAN



PLEASE SIGN IN

PLEASE PRINT:
NAME & TITLE

ADDRESS

PHONE

REPRESENTING

(No acronyms unless for a state agency,
please)

DO YOU
WANT TO
TESTIFY ?

Kevin Ritchie	217 2nd St	5861325		yes
E-mail address:				
E-mail address:				
E-mail address:				
E-mail address:				
E-mail address:				

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February 18, 2005

Representative Bruce Weyhrauch
Chair, House Ways and Means Committee
State Capitol, Room 421
Juneau, AK 99801-1182

The Honorable Chair and Members of the Committee,

The State Chamber of Commerce would like to thank Rep. Max Gruenberg for introducing House Bill 52. House Bill 52 is a step towards a long-term fiscal plan and may incite future legislatures to work at leveling the state's budgetary roller coaster. The State Chamber supports HB 52, and the Chamber hopes the legislature seriously looks at adopting a fiscal plan in the future. Any fiscal plan should incorporate key measures that offset Alaska's declining oil production. However, without the important components that are part of any fiscal future, HB 52 ultimately falls short by merely directing the legislature towards a plan.

The State Chamber supports a plan that would include necessary measures to control state bureaucracy growth, preferably through austerity and other means. Although the State Chamber recognizes that to fully fund core functions of state government, alternative revenue measures may be necessary and should be implemented. The state chamber does not support targeted taxes, pitting one industry against other forms of revenue. Any long-term fiscal plan should be a combination of all available options, whereas the affects of new revenues would have minimal impacts on those providing the new revenues.

In conclusion, the state chamber lauds the efforts carried forth in HB 52 and urges the legislature to pass the bill; however, the chamber also feels that HB 52 falls short at achieving a sustainable state budgetary picture. For your reference, I have attached the position statement regarding our support for the development and implementation of a long term fiscal plan.

Your careful attention and thoughtful consideration of this matter is genuinely appreciated.

Yours in economic prosperity,


Wayne A. Stevens
President/CEO

**Alaska State Chamber of Commerce
2005 Priority
Fiscal Plan**

The Alaska State Chamber of Commerce urges the Legislature to adopt a comprehensive fiscal policy. It is the position of the State Chamber to encourage the legislature and the administration to focus spending decisions relative to the surplus based on the following:

- Treat this budget cycle as if there is still a fiscal crisis; and
- Exercise budget discipline and save more than spend.

As fiscal discussions continue, the Chamber supports a fiscal plan that incorporates the following principles:

- Reducing government size and spending;
- Rescinding unnecessary laws that add unnecessary costs and burdens;
- Appropriating a portion of the earnings of the Permanent Fund to support state services, and for investing in infrastructure necessary to generate economic activity;
- Using some of the Permanent Fund earnings for state government should not preclude the continuation of the Alaska Permanent Fund Dividend program;
- Establish in statute the percent-of-market (POMV) management tool for the Alaska Permanent Fund; and
- Forge a plan for implementation of a program to privatize state services that could be competitively provided by the private sector.

New Revenues:

As a last resort after fully addressing the above provisions, the State Chamber supports implementation of a broad-based, statewide tax. The State Chamber is concerned that new taxes would negatively impact the competitiveness of Alaskan business, especially if incrementally increased over time. Hence, the State Chamber reiterates that fiscal discipline and legislative accountability must precede any new taxes.



217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

To: Representative Max Gruenberg

From: Kevin Ritchie, Executive Director

Date: March 1, 2004

Re: Tying state "Mission and Measures" together with the long-range fiscal plan.

Other states integrate budget performance measures with the overall vision for the state and the long-range fiscal plan. **In essence, a state cannot logically have a long-range fiscal plan without knowing what it wants to accomplish for its citizens.**

In Oregon, the Oregon Progress Board and the "Oregon Benchmarks" program create a vision for Oregon. Every state program or service must explain how it helps achieve one or more of the elements of the vision. For example,

Each State program - Missions and Measures



Links to 1 or more elements of Oregon's Vision

The Alaska 2020 "State of the State Conference" was recently held in Anchorage. There was heavy participation by the Governor and Administration. The Alaska 2020 Board includes the Senate President and a member of the House. **I recommend that the Alaska 2020 Vision/goals be incorporated into bill HB 493 as part or all of AS 37.07.012 (b) that describes the goals of the long-range fiscal plan.** In the future, each of the State's Missions and Measures would necessarily link to achieving one or more of the overall goals.

Alaska 2020 Vision/Goals for Alaska (see www.ak2020.org.)

ECONOMY

Workers will have access to quality jobs at livable wages
Businesses will be encouraged to innovate and grow
Economic growth will be sustainable
Alaskans will have access to subsistence resources

EDUCATION

Children will enter school ready to learn
Students will graduate prepared for postsecondary opportunities
Postsecondary institutions will enable personal growth & professional development

COMMUNITIES

Communities will be safe.
Communities will be healthy
Communities will be livable

ENVIRONMENT

Biological diversity and wilderness areas will be preserved
High air, land and water quality will be maintained
Energy and natural resource conservation will be encouraged

GOVERNMENT

Government will be effective in meeting the needs of Alaskans
Government will efficiently deliver services
Government will be sustainable



OFFICE OF THE CITY CLERK

CITY OF WASILLA
290 E. HERNING AVE.
WASILLA, AK 99654-7091
PHONE: (907) 373-9090
FAX: (907) 373-9092

January 20, 2005

Dear State Legislator:

On December 13, 2004, the Wasilla City Council unanimously adopted the enclosed Resolution, sponsored by Wasilla City Council Member Ron Cox, urging the Alaska State Legislature to adopt a long range fiscal plan.

I invite you to contact me with any questions. I have also provided a contact list for members of our City Council.

Sincerely,
CITY OF WASILLA

KRISTIE L. SMITHERS, MMC
City Clerk

enclosure:

Resolution Serial No. 04-49; Contact List for Council Members

THE ALLIANCE

ALASKA SUPPORT INDUSTRY ALLIANCE

PRIORITY:

1

A STABLE BUSINESS CLIMATE

A stable business climate is driven by a predictable state fiscal system. It is essential that Alaska provide a stable and attractive fiscal framework that encourages continued oil investments and a healthy oil business.

It is in the best interest of the State that the legislature and administration adopt a long-term fiscal plan that deals with the issue of declining petroleum production, appropriate levels of broad based taxation, use of the permanent fund, and incentives to encourage new economic growth.

PRIORITY:

2

COMMERCIALIZATION OF ALASKA NORTH SLOPE GAS

The Alliance supports the development of a natural gas pipeline project that will provide an efficient, cost-effective means to commercialize Alaska's vast North Slope natural gas resources. We encourage the Administration to work in the best interests of the state by providing a competitive environment, treating all applicants equally.

We encourage the Legislature to act expeditiously in their approval of the Stranded Gas Development Act without the burden of additional terms and conditions that may cause delay or prevent a potentially successful project from moving ahead.

PRIORITY: OUR MEMBERS

- 3M Alaska
A.T. Publishing & Printing Inc.
Access Information Associates Inc.
AeroMap U.S.
AeroMed International
AES Electric Supply Inc.
Air Liquide America Corporation
Air Logistics of Alaska Inc.
AK Supply Inc. (Lubchem of Alaska)
Alaska Air Forwarding
Alaska AirGas
Alaska Airlines
Alaska Anvil Inc.
Alaska Association of Professional Landmen
Alaska Business Monthly
Alaska Clean Seas
Alaska Forest Association
Alaska Hovercraft Ventures
Alaska Hydraulics
Alaska Industrial Hardware Inc.
Alaska Instrument Company
Alaska Interstate Construction
Alaska Journal of Commerce
Alaska Miners Association Inc.
Alaska National Insurance Company
Alaska Pacific University
Alaska Process Industry Careers Consortium
Alaska Pump & Supply Inc.
Alaska Railroad Corporation
Alaska Sales & Service Inc.
Alaska Society of Professional Engineers
Alaska Society of Professional Land Surveyors
Alaska State Chamber of Commerce
Alaska Steel Company
Alaska Supply Chain Integrators
Alaska Telecom Inc.
Alaska Tent & Tarp
Alaska Textiles
Alaska Trucking Association
Alaska Valve & Fitting Company
Alaska West Express Inc.
Alaskan Energy Resources Inc.
AMC Engineers
American Marine Corporation
American Petroleum Institute
Anchorage Chamber of Commerce
Anchorage Marriott Downtown
Apen Hotels
Arctic Caribou Inn
Arctic Controls Inc.
Arctic Foundations
Arctic Power
Arctic Slope Regional Corp.
Arctic Slope Telephone Association Co-Op
Arctic Structures LLC
Arctic Wire Rope & Supply Inc.
Artem Ehm
Army Navy Store
ASRC Energy Services
Assets Inc.
Associated General Contractors of Alaska
AT&S Inc.
Atgun Incorporated
Atkinson Conway & Gagnon
Automated Laundry Systems & Supply Corp.
Baker Hughes INTEQ
Baker Oil Tools
Beacon Occupational Health & Safety Services
BJ Services Company U.S.A.
Becker, Chuck
Blue Cross Blue Shield of Alaska (Premier)
Boertz, Marielle
Bradley Reid & Partners
Breaux Leadership Solutions
Brice Incorporated
Bristol Environmental & Engineering Service Corp.
Britch, Robert
Britt, Bill
Brooks Range Supply Inc.
Cal Worthington Ford of Alaska
Callista Corporation
Capital Office Systems
Caribou Construction Inc.
Carlisle Transportation Systems
Carmichael, Robert
Case Thomas
Cason Rodney
CCI Inc.
CH2M Hill Inc.
Champion Technologies Inc.
Charter College
Chugach Alaska Corporation
Commonwealth North
CONAM Construction Company
Construction Machinery Industrial
Consulate of Canada
Cook, Jeff
Cook Inlet Pipe Line Company
Cook Inlet Spill Prevention & Response Inc.
Crowley Alaska Inc.
Cruz Construction Inc.
Cummins Northwest Inc.
CVS
David Green & Sons Inc.
Denali Alaska Insurance LLC
Denali Alaska Investment Services
Denali Alaskan Federal Credit Union
Denali Alaskan Mortgage Company
Denali Group Companies - Pacific Movers
DHL/Danzas Air & Ocean
Dowland-Bach Corporation
Doyon Drilling Inc.
Doyon Limited
Doyon Universal Services
du Alaska
Ecology and Environment Inc.
Engineered Equipment Company of Alaska
ENSR International
ENSTAR Natural Gas Company
ENTRIX Inc.
Environmental Management Inc.
Equipment Source Inc.
ESS Support Services Worldwide
Evans, Robert
Evergreen Helicopters of Alaska Inc.
F. Robert Bell & Associates Inc.
Fairbanks Economic Development Corporation
Fairweather E & P Services
Far North Supply
Fasteners & Fire Equipment Co.
First National Bank Alaska
Florcraft Inc.
Flowline Alaska Inc.
FMC Energy Systems
FNW/Alaska Pipe & Supply
Focus on Alaska
Food Services of America
Frontier Plumbing Supply Inc.
GCI
GeoNorth LC
GLM Corporation
Golder Associates Inc.
Graybar Electric Company
Great Northwest Inc.
Greater Fairbanks Chamber of Commerce
Greater Soldotna Chamber of Commerce
Greater Wasilla Chamber of Commerce
Green Curtis G. CLU
Green Star Inc.
H.C. Price Co.
Haines Dale
Halliburton Energy Services
Harbor Ent./Petro Marine Services/AK Oil Sales
Hartig Rhodes Hoge & Lekisch P.C.
Hawk Construction Consultants Inc.
Hayden Electric Motors Inc.
Hector's Welding Inc.
Heiler Ehrman White & McAuliffe
Hilton Anchorage Hotel
Hoefler Consulting Group
Holaday Parks Inc.
Holland America Tours
Horizon Lines of Alaska LLC
Humphrey, Lowell
Inlet Drilling Alaska Inc.
Inlet Petroleum Company
Integrated Systems Group Inc.
Int'l Union of Operating Engineers
Local 302
Jackovich Industrial & Construction Supply
Jade North LLC
Jadon Inc. dba Chilkoot Charlie's
Jaeger, Clare
Jesse Engineering
Judy Patrick Photography
Juneau Chamber of Commerce
Junior Achievement of Alaska
K & K Recycling Inc.
Kakivik Asset Management LLC
Kenai Chamber of Commerce
Kenai Chrysler Center Inc.
Kenai Peninsula Economic Development District
Kenworth Alaska
KeyBank N.A.
Klondike Advertising Inc.
Knik Construction
Koniag Inc.
KPMG LLP
Kuukpik Arctic Catering
Lane Powell Spears Lubersky LLP
Lappi David W.
LCMF LLC
Little Red Services Inc.
Lounsbury & Associates Inc.
Lynden Inc.
Lynden Transport Inc.
Machinery Technical Support
MACTEC Engineering and Consulting
Make It Alaskan Inc.
Mapmakers Alaska
Marketing Solutions
Marsh USA
McDowell Group Inc.
McLane Consulting
M-I SWACO
Mining & Petroleum Training Service/UA
Mohammadi, Richard
Montana Creek Campground
Montgomery Watson (MWH)
Motorcycle Times Inc.
MRO Sales Inc.
Nabors Alaska Drilling Inc.
Nalco Energy Services
NANA Development Corporation
NANA Management Services
NANA Oilfield Services Inc.
NANA/Colt Engineering LLC
National Ocean Industries Association
NEI Fluid Technology
Nexus Northwest LLC
Nine Star Enterprises Inc.
NMS Employee Leasing
Nordic-Calista Services #1
Norgasco Inc.
North Coast Electric Company
North Peninsula Chamber of Commerce
North Star Terminal & Stevedore Company LLC
Northern Air Cargo Inc.
Northrim Bank
Northwest Strategies
Northwest Technical Services
O'Connell, Dan
Obermeyer, Ph.D. Theresa Nangle
Offshore Divers
Offshore Systems-Kenai
Olga, Carson
Pacific Alaska Forwarders Inc.
Pacific Legal Foundation
Pacific Power Products
Pacific Rim Leadership Development
Pacific Rim Logistics Inc.
Pacific Star Energy
Panalpina Inc.
Parish, David
Parker, Kyle W.
Parker Smith & Feek Inc
Parrish, David
Patton Boggs LLP
PCE Pacific
PDC Inc. Consulting Engineers
Peak Oilfield Service Company
Peninsula Sanitation Company
Perkins Cole LLP
Petro Star Inc.
Petroleum Club of Anchorage
Petroleum Equipment & Services
Petroleum News
Petrotechnical Resources of Alaska
PGS Onshore Inc.
PND Incorporated
Poe, Terzah Tippin
Polar Supply Company Inc.
Popp, Bill
Port of Tacoma
Potelcom Supply
Precision Power
ProComm Alaska
Production Testing Services Inc.
Prudhoe Bay Hotel/Ice Services
Prudhoe Bay Shops & Storage
PSC (Philip Services Corporation)
PSI Environmental & Instrumentation
Puget Sound Pipe & Supply Co.
Purcell Security / NANA Development
Quadco Inc.
Quadra Chemicals Western Inc.
R & K Industrial Inc.
RBMS LLC
Redi Electric Inc.
Resource Development Council for Alaska Inc.
REVL Communications
Ribelin Lowell Alaska USA
RIM Architects
Rise Alaska LLC
SAIC-Alaska Energy Office
Schlotfeldt, Denny
Schlumberger Oilfield Services
Sea Bright Insurance Company
Security Aviation Inc.
Shaw Environmental Inc.
Sheraton Anchorage Hotel
SKW/Eskimos Inc.
Society of Petroleum Engineers - Alaska Section
Software North LLC
Sourdough Express Inc.
STEELFAB
Stusser Electric Company
Suburban Propane
Sunshine Custom Promotions
Superior Electric Motor Service
Superior Machine & Welding Inc.
Swalling Construction Company
Taiga Ventures
Tankco Alaska Inc.
Terra Firma Inc.
Terra Surveys LLC
Testing Institute of Alaska Inc.
The Boeing Company
The Palmer Group
The Wilson Agency LLC
TIW Corporation
Toloff Crane Services
Totem Ocean Trailer Express Inc.
Trabits, George
Udelhoven Oilfield Systems Service Inc.
Unitech of Alaska Inc.
United Association (UA) Local 375
United Freight & Transport Inc.
UNIVAR
Usibelli Coal Mine Inc.
VECO Corporation
Wachovia Securities
Walker, R. Angus
Walsh Sheppard Flynn
Weaver Brothers Inc.
Weeks, James
Wells Fargo Bank Alaska
Weona Corporation
WESCO Distribution Inc.
Wilder Construction Company
Wood Group Gas Turbines (Alaska) Inc.
WorkSafe Inc.
WSI Total Safety Inc.

Associated General Contractors of Alaska Legislative Priorities 2005

Long Term Fiscal Plan

It is in the best interests of the State that the legislature and administration adopt a long-term fiscal plan that deals with the issue of declining petroleum production, appropriate levels of taxation, utilization of the permanent fund, and incentives to encourage new economic growth. In addition the serious problems that currently exist in the State retirement programs demands a long term solution.

The long-term fiscal plan should also include an approach to the maintenance and enhancement of the capital assets of the state. Frequently capital budgets trumpet the addition of new facilities but fail to address the necessary maintenance and upkeep of existing facilities. Good stewardship requires that appropriate maintenance of existing facilities be incorporated within the operating budget while the expansion or enhancement of facilities can be accomplished in a capital budget.

The capital budget should also deal with the issue of utilizing the bonding capabilities of the state to address existing capital deficiencies. Repayment of general bonds however competes annually with operating funds so the quantity of bonded projects should not exceed the State's ability to fund the required annual payments. Undoubtedly a level exists at which the bonded debt optimizes the growth of the State without penalizing future operations or opportunities. The goal should be to use bonded debt up to that level but care should be exercised not to exceed the threshold.

State of Alaska Transportation System

During the November, 2002 election, voters approved general obligation bonds to fund a major road building for the State. This was possibly the first time that Alaskans have taken the initiative to develop a road program separate from the federal highway system. Currently Alaska is the only state that does not have a state-designed and funded highway program. Only Delaware, Hawaii, and Rhode Island have fewer road miles than Alaska. Alaska has a majority of the nations coastline but has no program to develop and maintain the State's docks and harbors. Alaska has world-class mineral deposits but no transportation corridors for access.

To realize its potential, Alaska needs a transportation system that considers all modes of transportation. As part of the mix to finance the construction of the system, the State should consider a combination of taxes and revenue bonds. The logical tax to support this development would be the gasoline tax. Alaska has the second lowest gasoline tax in the nation and at eight cents per gallon is sixty percent below the national average. An increase in the gasoline tax to pay for the increased transportation infrastructure and maintenance needs of the State would allow the citizens of the State to help contribute to the development of the State's resources. In addition, a tax based on resource development would help underwrite the costs of infrastructure

development that would allow the development of ports and harbors as well as roads and airports.

Further, the current transportation infrastructure of Alaska is inadequate and requires continued planning, upgrades, and expenditures to assure the citizens of Alaska are provided with essential services. There is little doubt that the economic benefit derived from the investment in Alaska's transportation infrastructure far exceeds the matching funds required to secure the federal matching funds. Accordingly the State is encouraged to continue providing full funding of the federal highway matching funds.

Privatization of work done by State

Each year, state workers undertake considerable work that could more efficiently be performed by the private sector. The governmental employees involved in these activities should be transferred to more traditional governmental roles and the work should be performed by the private sector.

From projects such as the reconstruction airport roads to major maintenance work on transportation projects, the State of Alaska is employing State workers to perform work normally undertaken by the private sector. The justification that the State can perform the work more cost effectively ignores cost accounting realities. Perhaps the most condemning aspect of this endeavor is that legitimate work is withdrawn from a myriad of small Alaskan businesses that depend on it. Without such work, the viability of these firms is threatened.

Funding for vocational/technical education

A majority of Alaska's high school graduates do not go to college yet the State's high school curriculum is oriented to college preparation. The State should adopt a more balanced funding approach to better prepare those students not pursuing post-secondary education for the world of work.

Currently the State of Alaska has one and one half positions in the Department of Education and Early Development devoted to the students not pursuing a post-secondary education. As a consequence, these students are ill prepared for the world of work, have little idea of the opportunities available to them, and are not prepared to contribute to the economic growth of Alaska. The educational system of the State of Alaska is failing these students, their future employers, and constraining the growth of the State by not focusing on the needs of this valuable group of Alaskans.

Workers Compensation

Workers compensation was conceived as a process to guarantee workers indemnity and medical payments for work place injuries. As part of that guarantee, workers compensation is the sole remedy for such injuries. From time to time the system gets out of balance causing costs to escalate, delays in benefits to injured workers, and a general level of frustration to all participants. The Alaska system is currently at that level of frustration and AGC supports the work of the Management/Labor Ad Hoc Committee to address the issues.

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Anchorage, Alaska 99501
(907) 278-2722 FAX 278-6643

February 18, 2005

Representative Max Gruenberg
State Capitol, Room 112
Juneau, AK 99801-1182

Dear Representative Gruenberg,

The Alaska State Chamber of Commerce wishes to say thank you for your efforts to begin a serious discussion on the development and adoption of a long term fiscal plan for Alaska. Your willingness to for introduce House Bill 52 brings us a step closer towards a long-term fiscal plan and may incite future legislatures to work at leveling the state's budgetary roller coaster. The State Chamber supports HB 52 and the Chamber hopes the legislature seriously looks at adopting a fiscal plan in the future. Any fiscal plan should incorporate key measures that offset Alaska's declining oil production. However, without the important components that are part of any fiscal future, HB 52 ultimately falls short by merely directing the legislature towards a plan.

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Wayne A. Stevens
President/CEO

**Alaska State Chamber of Commerce
2005 Priority
Fiscal Plan**

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- Exercise budget discipline and save more than spend.

As fiscal discussions continue, the Chamber supports a fiscal plan that incorporates the following principles:

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- Establish in statute the percent-of-market (POMV) management tool for the Alaska Permanent Fund; and
- Forge a plan for implementation of a program to privatize state services that could be competitively provided by the private sector.

New Revenues:

As a last resort after fully addressing the above provisions, the State Chamber supports implementation of a broad-based, statewide tax. The State Chamber is concerned that new taxes would negatively impact the competitiveness of Alaskan business, especially if incrementally increased over time. Hence, the State Chamber reiterates that fiscal discipline and legislative accountability must precede any new taxes.

Requested by: Council Member Ron Cox
Adopted: December 13, 2004
Vote: Unanimous; Sande absent

**CITY OF WASILLA
RESOLUTION SERIAL NO. 04-49**

**A RESOLUTION OF THE WASILLA CITY COUNCIL URGING THE ALASKA STATE
LEGISLATURE TO ADOPT A LONG-RANGE FISCAL PLAN.**

WHEREAS, the State of Alaska has no long-range fiscal plan to balance revenues and expenditures; and

WHEREAS, State revenues over the past quarter century have relied on petroleum extraction revenues for over 80 percent of its total annual operating revenues; and

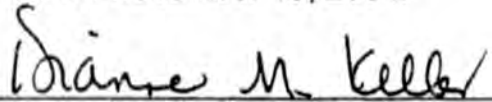
WHEREAS, diversified economic development requires a stable and predictable State-wide and local fiscal environment; and

WHEREAS, the continual decrease in overall State revenue sharing, including matching grants and educational funding, have led to severe stress on local municipal budgets resulting in decreased service delivery throughout the State; and

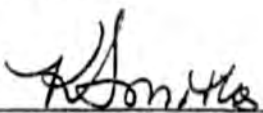
WHEREAS, the current price of oil has resulted in a temporary increase in State revenues which provides an additional short period of time for the Legislature to develop a long-term fiscal plan for the State.

NOW THEREFORE BE IT RESOLVED, that the Wasilla City Council, urges the Alaska State Legislature to develop and adopt a Long-Range Fiscal Plan during its 2005 Legislative Session.

ADOPTED by the Wasilla City Council on December 13, 2004.


DIANNE M. KELLER, Mayor

ATTEST:


KRISTIE SMITHERS, MMC
City Clerk

[SEAL]

City of Wasilla - City Council Members
290 E Herning Ave. Wasilla, AK 99654
Phone: 373-9090 / Fax: 373-9092

<i>Seat Designation</i>	<i>Name/Mailing Address</i>	<i>Residence Phone</i>	<i>Term of Office</i>
A	Howard O'Neil, Deputy Mayor P.O. Box 871771 Wasilla, AK 99687	373-2808	10/00 10/06
B	Diana L. Straub 1452 Bertha Lane Wasilla, AK 99654	373-7230	10/02 10/06
C	Noel Lowe 2001 Bay View Drive Wasilla, AK 99654	357-0445	10/99 10/05
D	Rob Sande HC30-5553-P Wasilla, AK 99654	376-8976	10/02 10/05
E	Ron Cox P.O. Box 871963 Wasilla, AK 99687	373-5401	10/01 10/07
F	Mark Ewing P.O. Box 298305 Wasilla, AK 99629	373-2217	10/04 10/07
Mayor	Dianne M. Keller 290 E. Herning Ave. Wasilla, AK 99654	373-7158	10/02 10/05



ALASKA MINERS ASSOCIATION, INC.

3305 Arctic Blvd., #105, Anchorage, Alaska 99503 • (907) 563-9229 • FAX: (907) 563-9225 • www.alaskaminers.org

January 17, 2005

Honorable Max Gruenberg
House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Gruenberg, *Max*

Enclosed for your consideration is the Alaska Miners Association position paper titled **Issues of Concern to the Mining Industry for 2005**. This paper outlines our concerns and views on several of topics that will likely come before the First Session of the 24th Alaska State Legislature.

Many past actions by the Legislature and Administration have provided a positive business climate that is now encouraging mineral exploration and development in the state. There is worldwide competition for mineral development dollars and Alaska must continue its efforts if we are to attract the attention and investments of these companies.

Even though there has been much in the press regarding mining projects, most of these are still in the exploration and permitting stage. One, Pogo is now in construction and another, Kensington, is ready to start construction if it is not blocked by legal action from non-governmental organizations. These two projects, and many others now being explored and evaluated will provide high-quality, year-around, skilled jobs in many diverse areas of the state.

We appreciate the Legislature's support for the State agencies that permit and regulate mining. Mining and exploration require numerous permits and the agencies that process these permits, inspect the operations, etc. need continued funding at levels that will allow them to do their jobs. Without these agencies it would be impossible for the mining industry to operate.

Thank you for helping provide a climate where the minerals industry can create new jobs and economic opportunities for Alaska.

Sincerely,

Steven C. Borell, P.E.
Executive Director

enclosure



Issues of Concern to the Alaska Mining Industry for 2005

It is the position of the Alaska Miners Association that:

January 2005

FISCAL ISSUES

1. **State Fiscal Policy** - The Governor and Legislature adopt a long range fiscal plan and a biannual budget cycle. And provide effective funding for the minerals and permitting functions in the Department of Natural Resources, the Department of Community & Economic Development, and the Department of Environmental Conservation.
2. **Annual Airborne Geophysical Mapping Program** - The Legislature and the Governor continue the extremely effective program of State investment in airborne geophysical mapping along with baseline water quality mapping.
3. **Baseline Water Data** - The Legislature renew funding for collection of baseline water information, focusing on areas where resource development is anticipated.
4. **Mineral Education** - The Legislature continue to support mining engineering and geological engineering at UAF, and geology programs throughout UA at levels that will ensure continued accreditation, as well as the Delta Mine Training Center (DMTC) and the Mining and Petroleum Training Service (MAPTS).
5. **AMEREF (Alaska Mineral & Energy Resources Education Fund)** - The Legislature reinstate funding of the State's share of this program in the public schools.
7. **Land Transfers** - Prior to any state land transfers to boroughs, **land disposals/sales**, or leases not required for resource development, require a detailed mineral evaluation, to include airborne geophysical surveys, be completed to help ensure that mineralized lands or key access routes are not transferred.
8. **Outdated Federal Withdrawals** - The State pursue removal of old federal land withdrawals (where purpose for withdrawal has expired) which are blocking land transfers to the State, *such as PLO 5150, the outer pipeline corridor*. Encourage BLM to remove such PLOs and open the lands through its land planning process.
9. **Evaluation of State Land Selections** - The Administration review and complete a new ranking of state-selected lands for transfer by the Bureau of Land Management. Special emphasis must be given to high value resource lands and lands required for access rights-of-way.
10. **New Federal Withdrawals** - The Governor and Legislature oppose all new federal land withdrawals, roadless initiatives, marine restricted areas, Antiquities Act designations, BLM wilderness studies, etc. and fight vigorously against additional buffers or other restrictions to multiple use of federal lands in Alaska. The Alaska National Interest Lands Conservation Act (ANILCA) provides that "no more" federal land will be withdrawn for parks, preserves, monuments, wilderness designations, wild & scenic river designations, etc.

LAND MANAGEMENT ISSUES

6. **State Lands** - The Governor and the Legislature support **no net loss of multiple use** lands and require that additions to any state parks, refuges, critical habitat areas, marine restricted areas, or any other restricted-use areas, or transfer of state land to federal ownership, be made **only if** an equal acreage of other lands already having the same designation is released and the new area being designated is **first evaluated for mineral potential**.
11. **International Heritage & Biosphere Designations** - The Governor vigorously oppose establishment of international parks, biosphere reserves, and world heritage sites, such as the so-called Beringia (over the Seward Peninsula & Bering Sea), NPRA, or ANWR. International designations would - 1) surrender partial sovereignty to the United Nations, and 2) forever eliminate access across the affected lands and waters.

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January 21, 2005

Dear Alaska State Chamber Member:

Your copy of the Alaska State Chamber of Commerce 2005 Membership Directory is enclosed. Your listing in the directory is just one of the benefits of State Chamber membership. Please support your fellow members and share this directory with your business associates and friends.

The Alaska State Chamber of Commerce works hard to be on the forefront promoting commerce and business development while important issues are addressed in the legislature. Our priorities for this legislative session are:

- Implement a State Fiscal Plan,
- Build the Alaska Gas Pipeline,
- Open ANWR,
- Resolve the Worker's Compensation Crisis,
- Support a Superior Education System.

More details on our priorities are on the enclosed 2005 Legislative Priorities Flyer. Please join us in bringing these priorities directly to our legislators during our Legislative Forum in Juneau on February 23rd and 24th. For more information about the Legislative Forum and to register online go to www.alaskachamber.com.

Thank you for helping us to ensure that the voice of Alaska business is heard through your continued membership and by actively lobbying for positive and productive business legislation.

Sincerely,

Lisa K. Reinhart

Lisa K. Reinhart
Membership Director

Alaska Council of School Administrators

Resolution 04-9

COMPREHENSIVE FISCAL PLAN

WHEREAS, the Alaska Council of School Administrators (ACSA) includes the educational and financial leadership of public education in Alaska; and

WHEREAS, public education is a significant economic force throughout the State educating in excess of 134,000 students and employing more than 10,000 teachers, administrators and support personnel, and responsible for more than one billion dollars; and

WHEREAS, the economic vitality of the State impacts education's ability to conduct the business of operating Alaska's schools and school districts; and

WHEREAS, ACSA is eager to support a responsible and committed effort to address the fiscal challenges Alaska currently faces; and

WHEREAS, ACSA believes Alaska needs a comprehensive fiscal plan to address the priorities of the State in relation to the available resources and desired services; now

THEREFORE BE IT RESOLVED that ACSA supports a long-term approach including budget discipline, and use of Permanent Fund earnings, and a contribution from all people who live and/or work in Alaska; and

BE IT FURTHER RESOLVED that the Alaska Council of School Administrators supports using earnings of the Permanent Fund as one part of a sound and responsible solution to increasing revenue to meet services and obligations of the State of Alaska, and in determining essential state services as provided in the State Constitution.

Adopted by the Alaska Council of School Administrators (AASA, AAESP, AASSP and ALASBO) October and December 2004.



155 Cottage Street NE, U20
Salem, Oregon 97301-3966
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THEODORE R. KULONGOSKI
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Chair

BRETT WILCOX
Vice Chair

NEIL BRYANT

DAVE FROHNMAYER

STEVE HARPER

ANNABELLE JARAMILLO

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DUKE SHEPARD

DIANE SNYDER

ED WHITELAW

THERESA MCHUGH
Ex Officio

HEATHER KAPLINGER
Student Ex Officio

JEFFREY TRYENS
Executive Director

Oregon Progress Board At-A-Glance

The Oregon Progress Board is an independent state planning and oversight agency. Created by the Legislature in 1989, the Board is responsible for monitoring the state's 20-year strategic vision, *Oregon Shines*. The 12-member panel, chaired by the governor, is made up of citizen leaders and reflects the state's social, ethnic and political diversity. You can learn more about the Progress Board at www.oregon.gov/DAS/OPB.

The Progress Board focuses Oregon's institutions on outcomes that support the overall goals of *Oregon Shines*:

- Quality jobs for all Oregonians
- Safe, caring and engaged communities
- Healthy, sustainable surroundings

The Progress Board tracks these outcomes through 90 indicators known as the Oregon Benchmarks. The Benchmarks are a broad array of social, economic and environmental health indicators, including K-12 student achievement, per capita income, air quality, crime rates, employment, and infant health. Twenty-five "priority" benchmarks are considered deserving of special attention.

The Progress Board is a catalyst for change. It gathers and distributes data on the Benchmarks. It encourages state and local government agencies, businesses, and nonprofit and citizen groups to use the Benchmarks in their planning and reporting. And it assists its Oregon partners in developing their own benchmarks and creating programs that support meeting Benchmark targets. Both *Oregon Shines* and the Benchmarks were created with extensive citizen involvement.

Every other year since 1991, the Progress Board has issued an Oregon Benchmarks report, tracking Oregon's success in achieving the Benchmarks. In December 1996, the Progress Board issued a new *Oregon's Benchmark Performance Report*, followed in January 1997 by *Oregon Shines II*, a complete update of the original strategic plan.

The Progress Board meets every other month on the third Tuesday. For further information, please call 503-378-3201, or write Oregon Progress Board, 155 Cottage Street NE, U20, Salem, Oregon 97301-3966.

"Oregon's Future is Everybody's Business"

The Oregon Legislature establishes the Oregon Progress Board as a permanent advisory Board

69th OREGON LEGISLATIVE ASSEMBLY—1997 Regular Session

Enrolled

Senate Bill 285

Sponsored by Senator BRYANT, Representative REPINE; Representative WATT

AN ACT

Relating to the Oregon Progress Board.

Be It Enacted by the People of the State of Oregon:

SECTION 1. The Legislative Assembly finds that:

(1) The Oregon economy of the future can provide unparalleled opportunity while maintaining Oregon's traditional values if this state pursues the future with clarity of purpose and perseverance.

(2) The Oregon economy is in the midst of a massive transition created by technological changes, global competition and new production practices.

(3) In order to maintain employment opportunities, increase income levels, reduce poverty and generate the public revenues needed to provide public services, Oregon must increasingly rely on an economy that adds value to its natural resources and provides a diverse mix of products.

(4) An Oregon Progress Board is needed to:

(a) Encourage the discussion and understanding of critical global and national economic trends that will affect the Oregon economy in the coming decades;

(b) Formulate and submit to Oregonians a strategy that describes and explains a vision for Oregon's economic progress over the next 20 to 30 years; and

(c) Submit to the Legislative Assembly, for its adoption, goals for Oregon's progress, including measurable indicators of the achievement of those goals, in the manner prescribed in ORS 184.007

SECTION 2. (1) There is established an Oregon Progress Board consisting of the following members:

(a) The Governor; and

(b) Nine members appointed by the Governor.

(2) The term of office of each member is four years. Before the expiration of the term of a member, the Governor shall appoint a successor whose term begins on January 31 next following. A member is eligible for reappointment.

(3) A member of the Oregon Progress Board shall be entitled to compensation and expenses as provided in ORS 292.495.

(4) Of the members of the board, five shall be selected who are residents of different congressional districts in this state.

5) Members of the Oregon Progress Board shall be appointed so as to be representative of the ethnic, cultural, social and economic diversity of the people of this state.

Enrolled Senate Bill 285 (SB 285-A) Page 1

SECTION 3. Notwithstanding the term of office specified by section 2 of this Act, of the members first appointed under this Act to the Oregon Progress Board:

(1) Four shall serve for terms ending January 31, 1999.

(2) Five shall serve for terms ending January 31, 2001.

SECTION 4. (1) In addition to the members listed in section 2 of this Act, the Oregon Progress Board shall have as members:

(a) The Director of the Oregon Department of Administrative Services, who shall serve as a member ex officio; and

(b) A student selected by the Governor.

(2) The student member of the board shall serve for as long as the member remains a student or at the pleasure of the Governor.

(3) The director and the student member may not vote on matters before the board and may not bind the board with respect to decisions relating to matters described in sections 6, 7 and 8 of this Act. The director and the student member shall advise the board concerning the goals, missions and functions of the board.

(4) Section 2 of this Act does not apply to the members of the board serving under this section. However, the director and the student member may receive actual and necessary expenses actually incurred in the performance of their duties as board members as provided in ORS 292.495 (2).

SECTION 5.(1) In accordance with applicable provisions of ORS 183.310 to 183.550, the Oregon Progress Board may adopt rules necessary for the administration of sections 1 to 9 of this Act.

(2) The Governor shall serve as chair of the board and may appoint an executive officer for the board for a term and with such duties and powers as the board determines to be necessary or appropriate.

(3) A majority of the members of the board constitutes a quorum for the transaction of business.

(4) The board shall meet as the board determines necessary at times and places specified by call of the chair or a majority of the members of the board.

(5) The Economic Development Department shall provide clerical, technical and management personnel to the board to serve as the board's staff.

SECTION 6.(1) The Oregon Progress Board shall develop a strategy for Oregon that addresses the economic, social, cultural, environmental and other needs and aspirations of the people of Oregon.

(2) The strategy developed by the Oregon Progress Board shall address issues that the board determines are necessary and appropriate to Oregon's future. Such issues shall include:

(a) Education and workforce.

(b) Public and private cooperation.

(c) Environmental quality.

(d) Infrastructure.

(e) Funding and taxation.

(f) Such other issues as the board, by majority vote, shall add to the strategy.

(3) When developing the strategy, the Oregon Progress Board shall hold public hearings, public meetings and workshops as needed to ensure the participation of a broad cross section of Oregon's population. The board shall publicize the public hearings, public meetings and workshops in each city in which they are held and shall allow interested residents and other individuals to appear and be heard by the board.

(4) After considering any written comments and public testimony relating to the proposed strategy, the board shall revise the strategy as it considers necessary or appropriate. The board, by a vote of a majority of its members, shall approve and adopt a final strategy. The board shall submit, in addition to its adopted strategy, a summary and digest of comments and public testimony and its response, if any, to those comments. The adopted strategy shall be submitted to the Seventy-second Legislative Assembly not later than January 15, 2003, and every six years thereafter.

SECTION 7.As a part of the strategy adopted under section 6 of this Act, the Oregon Progress Board shall also adopt a recommended implementation plan. The plan shall include recommendations for statutory or other changes the board considers appropriate, modifications in public fiscal and spending policies, including the allocation of lottery revenues, and also recommendations for implementing actions to be carried out by local governments, businesses, private citizens and other

organizations.

SECTION 8.(1) The Oregon Progress Board shall, in its adopted strategy, include a series of goals for Oregon's progress over the next two to three decades.

(2) Goals shall include such measurable indicators of attainment, as the board shall determine, that show the extent to which each goal is being achieved.

(3) Goals shall be reviewed by the Legislative Assembly, which may, by joint resolution, adopt, modify, delete or add to the goals. Any goals adopted by the Legislative Assembly shall become the goals used by the board in its subsequent activities.

(4) After the legislative review and adoption of goals, the board may recommend such modifications to the goals as it considers appropriate.

SECTION 9.The Oregon Progress Board shall prepare, at least once each biennium, a report that describes Oregon's progress toward achievement of the board's strategy, based on the specific indicators the board adopts for measuring the attainment of strategic goals. The report shall include an analysis of issues and trends of strategic significance and shall propose an agenda that identifies key steps that Oregon should take over the following two years to build for Oregon's future. In developing the report required by this section, the Oregon Progress Board shall consider the criteria contained in ORS 285.005 (3).

FISCAL PLAN

BUDGET
2004
ON ROUTE
ON COURSE

Table of Contents

Heading Toward Alberta's Second Century	7
2004-07 Fiscal Plan	7
Enhancing Alberta's Tax Advantage	12
Program and Capital Priorities	13
Economic and Revenue Outlook	32

LIST OF FISCAL PLAN TABLES AND CHARTS

Fiscal Summary	40
Sustainability Fund	40
Accumulated Debt	40
Balance Sheet Summary	41
Estimate of Assets, Liabilities and Net Assets	41
Revenue	42
2004-05 Revenue	43
Expense by Ministry	44
Expense by Function	44
2004-05 Expense	45
2004-05 Expense by Function	46
2004-05 Expense by Object	47
Capital Plan	48
2004-07 Capital Plan	48
Capital Plan Funding Details	49
Comparison of the Capital Plan and Capital Expense	49
Capital Investment in Government-Owned Capital	50
Grants to Local Authorities for Capital Purposes and Other Infrastructure Support	50
Capital Amortization for Government-Owned Capital	51
Capital Account	51
Retained Income/Capital Cash Requirements	52
Sustainability Fund Details	52
Balance Sheet Details	53
Capital Assets	54
Debt Servicing Costs	54
Pension Obligations	54
General Revenue Fund Term Debt Maturities	55
Net Financing Requirements	55
Loans and Advances	56
Guarantees	56
2004-05 Allocation of Lottery Fund Revenue	57
Full-Time Equivalent Employment	58
Premiums, Fees and Licences Changes	59
Major Provincial Tax Rates, 2004	60
Key Energy and Economic Assumptions	61
Sensitivities to Fiscal Year Assumptions, 2004-05	61
Historical Fiscal Summary, 1985-86 to 2006-07	62

Historical Fiscal Summary, 1985-86 to 2006-07^a

(millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04 Forecast	2004-05 Estimate	2005-06 Target	2006-07 Target
INCOME STATEMENT																						
Revenue																						
1 Personal income tax	1,521	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	5,085	5,438	5,786
2 Corporate income tax	780	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,796	1,957	1,976	2,070
3 School property tax	660	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,166	1,233	1,304	1,366
4 Other tax revenue	341	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,755	1,696	1,705	1,734
5 Resource revenue	4,932	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,446	4,784	4,356	3 ^c
6 Investment income	2,161	1,965	1,847	1,834	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,649	1,226	1,291	1
7 Other own-source revenue	1,111	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,319	3,922	4,000	4,090	4,141
8 Total own-source revenue	11,506	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,586	22,347	19,981	20,160	20,324
9 Federal transfers	1,788	1,689	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,991	2,971	3,182	3,265
10 Total Revenue	13,294	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,660	25,338	22,952	23,342	23,589
Expense by Function^b																						
11 Health	3,003	3,244	3,114	3,372	3,631	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,649	8,407	8,672	8,910
12 Basic / advanced education	2,961	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,887	6,354	6,439	6,508
13 Social services	1,156	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,305	2,408	2,470	2,512
14 Other program expense	6,753	5,725	5,137	5,077	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,890	5,117	5,228	5,149
15 Total program expense	13,873	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,731	22,286	22,809	23,079
16 Debt servicing costs	182	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	280	363	329	315
17 Total Expense	14,055	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	22,011	22,649	23,138	23,394
18 Net Revenue (Spending)	(761)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,324)	(1,371)	838	1,151	2,489	2,659	1,084	2,791	6,671	1,061	2,131	3,327	303	204	196
19 Transfer from Capital Account																			416	741	425	—
20 Transfer from (to) Sustainability Fund																			(3,608)	(784)	(356)	77
21 Other requirements ^c																			(135)	—	—	—
22 Contingency Allowance																			—	280	273	272
BALANCE SHEET																						
23 Net Financial Assets (Debt) ^d	11,817	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(9,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,803	14,951	14,846	14,637	1 ^e
24 Capital Assets ^e	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,285	10,464	10,872	11,285	11,565
25 Net Assets (Debt) ^d	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,088	25,415	25,718	25,922	26,117
26 Pension obligations	5,500	6,625	7,946	8,004	8,243	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,047	5,166	5,287	5,415
27 Accumulated Debt ^f	4,953	10,091	11,105	13,069	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,714	2,988	2,729	2,729
28 Sustainability Fund assets																			—	2,500	2,529	2,500
29 Capital Account assets																			910	1,180	718	187

^a Numbers have been restated on 2004-05 basis where possible. Numbers for 2001-02 forward are fully comparable. For the period 1992-93 to 2000-01 numbers are essentially comparable to the 2004-05 presentation with exception of the treatment of disposal of capital assets (in most years variance of less than \$100 million). Prior to 1992-93, spending is on an expenditure basis, using actual capital numbers rather than capital amortization costs.

^b Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.

^c 'Other requirements' is the net of retained income of funds and agencies and capital cash requirements. This amount is not available for transfer to the Sustainability Fund.

^d Excludes pension obligations. Net debt was increased by \$1,474 million in 1992-93 primarily for a provision for school construction debt, reduced by \$125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by \$32 million in 1995-96 to report some other revenues on accrual basis.

^e Capital Assets information not available prior to 1992-93. In 1994-95, includes the disposal of \$449 million in capital assets, (primarily transfer of secondary highways to municipalities). In 2001-02, includes \$1.8 billion transfer of provincial secondary highway system from municipalities to the Province.

^f Net of cash set aside for future debt repayments. In 2001-02, the amount of \$5,261 million includes commitment of \$414 million to debt retirement based on a higher-than-expected year end cushion. This amount was transferred in 2002-03 from other assets.

DEBT SUMMARY

Budget and Fiscal Plan

2005/06 – 2007/08



THREE YEAR FISCAL PLAN — OPERATING STATEMENT

	2004/05		Budget Estimate 2005/06	Plan 2006/07	Plan 2007/08
	Budget Estimate	Updated Forecast			
Taxpayer-supported programs and agencies			(\$ millions)		
Revenue ¹	28,568	30,273	30,746	31,245	32,114
Expense ¹	(30,440)	(30,986)	(32,456)	(32,847)	(33,494)
Taxpayer-supported balance	(1,872)	(713)	(1,710)	(1,602)	(1,380)
Commercial Crown corporation net income	2,072	2,453	2,330	2,252	2,130
Surplus before forecast allowance	200	1,740	620	650	750
Forecast allowance	(100)	(300)	(400)	(450)	(550)
Surplus	100	1,440	220	200	200

¹ The 2004/05 budget includes an additional \$148 million federal Health Accord and Immunization Trust funding authorized in the May 20, 2004 Supply Act.

- The updated forecast shows a \$1.44 billion surplus including a \$300 million forecast allowance. This represents a \$1.34 billion improvement from budget, resulting primarily from strong economic performance, higher than expected commodity prices, increased federal transfer payments, higher commercial Crown corporation net income and lower debt interest costs.
- The fiscal plan shows a \$220 million surplus for 2005/06 and \$200 million for 2006/07 and 2007/08. Combined with the contingency vote and forecast allowance, this provides a cushion of \$890 million in 2005/06, \$920 million in 2006/07 and \$1,060 million in 2007/08 to protect the balanced budget plan against unforeseen events.
- Economic growth of 3.1 per cent for 2005 and 3.0 per cent for 2006 and 2007 is forecast, slightly lower than the independent Economic Forecast Council average.

PROVINCIAL DEBT SUMMARY¹

	2004/05		Budget Estimate 2005/06	Plan 2006/07	Plan 2007/08
Forecast debt at March 31	Budget Estimate	Updated Forecast			
Taxpayer-supported debt			(\$ millions)		
Provincial government direct operating	16,558	14,175	13,990	13,633	12,744
Education facilities	6,901	6,796	7,273	7,837	8,300
Health facilities	2,479	2,393	2,755	3,103	3,318
Highways and public transit	5,018	4,527	4,867	5,219	5,542
Other debt	1,159	722	703	687	669
Total taxpayer-supported debt	32,115	28,613	29,588	30,479	30,573
Self-supported debt					
Commercial Crown corporations and agencies	7,180	7,150	7,344	7,819	8,476
Total self-supported debt	7,180	7,150	7,344	7,819	8,476
Forecast allowance	100	300	400	450	550
Total provincial debt	39,395	36,063	37,332	38,748	39,599
Taxpayer-supported debt as a per cent of GDP	21.8%	18.5%	18.2%	18.0%	17.3%
Taxpayer-supported interest bite (cents per dollar of revenue)	6.4	5.2	5.5	5.7	5.8

¹ Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

- Provincial debt is forecast to total \$36.1 billion at March 31, 2005. This is a record \$1.7 billion lower than the debt balance at March 31, 2004 reflecting the forecast surplus, the pay-down of BC Rail debt and lower working capital requirements.
- The updated forecast debt is \$3.3 billion lower than budget due to the improved surplus forecast, lower debt of the BC Transportation Financing Authority and BC Hydro, lower working capital requirements and higher cash balances at the start of the year.
- To meet the needs of a growing economy, significant capital investments are planned over the coming years. This will result in an increase in provincial debt to \$39.6 billion by March 31, 2008.
- The debt forecast includes a forecast allowance of \$400 million for 2005/06, \$450 million for 2006/07 and \$550 million for 2007/08 to mirror the operating forecast allowance.
- The taxpayer-supported debt to GDP ratio is now forecast to be significantly lower than Budget 2004. Consistent with government's strategic plan commitment, the taxpayer-supported debt to GDP ratio falls over the three year plan.

PROVINCIAL BORROWING REQUIREMENTS

	2004/05		Budget	Plan	Plan
	Budget	Updated	Estimate	2006/07	2007/08
	Estimate	Forecast	2005/06		
	(\$ millions)				
Operating surplus ¹	(100)	(1,440)	(220)	(200)	(200)
Capital requirements	2,934	3,187	3,857	3,755	3,342
Refinancing requirements	2,328	2,961	2,245	2,894	2,491
Other financing sources ²	(901)	(3,364)	(2,250)	(2,190)	(2,172)
Gross borrowing requirements	4,261	1,344	3,632	4,259	3,461
Add:					
Increase in debt guarantees	67	179	146	250	248
Increase in SUCH sector debt	29	26	142	190	11
Debt reclassification	215 ³	—	—	—	—
Gross increase in debt	4,572	1,549	3,920	4,699	3,720
Less:					
Year to date — gross long-term borrowing		(1,044)			
Increase in debt guarantees		(179)			
Increase in SUCH sector debt		(26)			
Remaining borrowing requirements		300¹			

¹ Includes the forecast allowance.

² Includes other financing requirements/sources for the province, the SUCH sector and Crown corporations and adjustments for non-cash budgetary items.

³ Reclassification of Columbia Basin Power project debt to taxpayer-supported.

• The updated gross borrowing requirements for 2004/05 are forecast to total \$1.3 billion.

• The estimated borrowing requirements of \$3.6 billion for 2005/06, \$4.3 billion for 2006/07 and \$3.5 billion for 2007/08 are primarily to fund capital expenditures.

2004/05 MARKET SUMMARY¹

	(\$ millions)
Canadian Public	500
Canadian MTN's	355
Canada Pension Plan	189
	1,044

¹ Includes long-term debt issued to February 15, 2005.

RECONCILIATION OF GROSS BORROWING TO THE CHANGE IN DEBT

	2004/05		Budget	Plan	Plan
	Budget	Updated	Estimate	2006/07	2007/08
	Estimate	Forecast	2005/06		
	(\$ millions)				
Gross increase in debt	4,572	1,549	3,920	4,699	3,720
Less: debt maturities and changes in sinking fund balances	(2,961)	(3,252)	(2,651)	(3,283)	(2,869)
Net increase in provincial debt	1,611	(1,703)	1,269	1,416	851



Ministry of Finance
Provincial Treasury
Debt Management Branch

February 15, 2005

Mailing Address:
PO Box 9423 Stn Prov Govt
Victoria BC V8W 9V1

Telephone: 250 387-7125
Facsimile: 250 387-3024
Internet: <http://www.fin.gov.bc.ca/PT/dmb/index.shtml>

Location:
2nd Floor, 620 Superior Street, Victoria

CREDIT RATINGS OF THE PROVINCE

Moody's ¹	Aa2
Standard and Poor's ²	AA
DBRS ¹	AA (low)

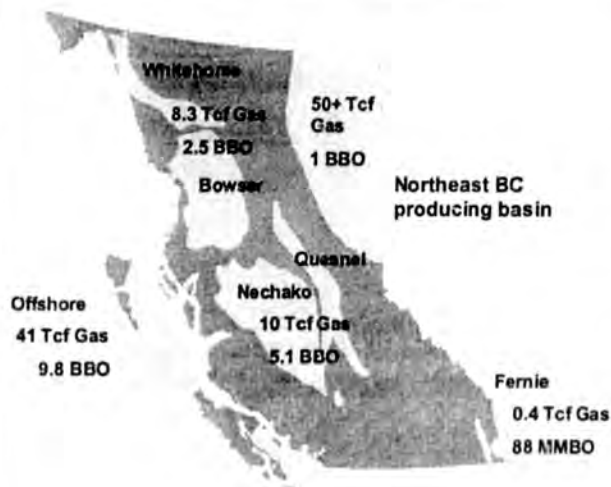
¹ with a positive outlook.

² upgraded in November 2004 with a stable outlook.

Outlook for Oil and Gas Prices in British Columbia

The petroleum industry is one of BC's biggest success stories. In 2003, industry invested approximately \$3.8 billion in BC, and is forecast to contribute over \$1.8 billion in government revenues from royalties, resource tax and tenures in 2004/05.

The northeast area of BC is the only area of the province currently producing commercial quantities of oil and gas. However, considerable natural gas and oil potential remain in other areas of the province.



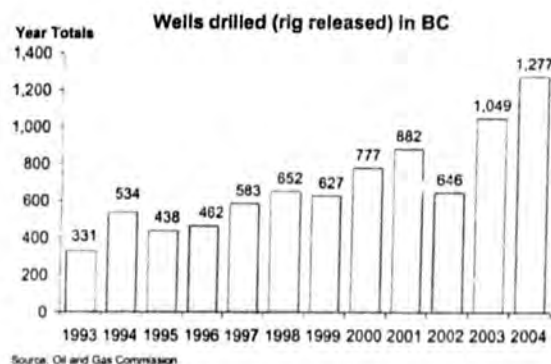
Government Initiatives

A number of economic fundamentals have contributed to the rapid growth of the BC oil and gas industry over the last three years. These include higher natural gas prices and strong North American demand for energy – natural gas in particular, despite high prices. In addition, a number of government initiatives specifically designed to promote BC's oil and gas potential have contributed to a positive investment climate.

The topic box in *Budget 2004* detailed BC's oil and gas resources and the Oil and Gas Development Strategy.

Further strategies and initiatives to be implemented over the next year include:

- a net profit royalty scheme and a new tight gas royalty to promote development of unconventional and remote resources in BC;
- continuation of the Resource Road Royalty Credit program which is expected to facilitate up to \$60 million in road construction;
- up to \$12 million expansion related to the Oil and Gas Training Centre of Excellence;
- staged updates to the Producer Cost of Service allowance¹; and
- increased oil and gas related research funding.



Industry response and market trends

The oil and gas industry has responded quickly and positively to market signals and government initiatives. In 2004, 1,277 wells were drilled, up 22 per cent from 2003 and almost double the 2002 activity. After rising 4.8 per cent in 2004/05, natural gas production is forecast to increase 4.0 per cent in 2005/06 and 3.2 per cent in 2006/07.

Natural gas is an important element in the total North American energy picture, and it influences and is influenced by other energy sources. After more than doubling over the last decade, natural gas prices have remained high, inducing more

¹ The producer cost of service reduces government's royalty to account for the producers' costs of transporting the crown share of natural gas from the well to the plant inlet.

TABLE OF CONTENTS

Budget and Fiscal Plan 2005/06 – 2007/08

February 15, 2005

Attestation by the Secretary to Treasury Board

Summary	2
---------------	---

Part One: Three-Year Fiscal Plan

Introduction	9
Consolidated Revenue Fund Spending	16
Taxpayer-supported Crown Corporation and Agency Expenses	33
SUCH Sector Expenses	33
Regional Authority Expenses	34
Revenue	34
Commercial Crown Corporation and Agency Net Impact	39
Full-Time Equivalents (FTEs)	40
Capital Spending	42
Provincial Debt	47
Risks to the Fiscal Plan	49

Tables:

1.1 Three Year Fiscal Plan – Operating Statement	9
1.2 Three-Year Fiscal Plan Update – Changes from <i>Budget 2004</i>	11
1.3 Three-Year Fiscal Plan Update – Allocation of Available Revenues	12
1.4 Revenue by Source	14
1.5 Expense by Ministry, Program and Agency	15
1.6 Planned 2004/05 <i>Supplementary Estimates</i>	16
1.7 Continued Commitment to Health Care Increases	18
1.8 Enhancing Services to Children	22
1.9 Enhancing Services to Communities	23
1.10 Commitment to Safety	26
1.11 Economic Development Initiatives	27
1.12 2010 Olympics Funding	29
1.13 VCCEP Funding	30
1.14 Environment	31
1.15 Three-Year Revenue Forecast Update – Changes from <i>Budget 2004</i>	37
1.16 Full-Time Equivalents (FTEs) – Changes from <i>Budget 2004</i>	41
1.17 Capital Spending	43
1.18 Capital Expenditure Projects Greater Than \$50 million	46
1.19 Provincial Debt Summary	47
1.20 Provincial Financing	48
1.21 Fiscal Sensitivities	49

Topic Boxes:

Provincial Debt	55
Transportation Investment Plan	58
Outlook for Oil and Gas Prices in British Columbia	60
Health Care	63
Child Care	65
Children and Youth with Special Needs	66
Homelessness	68
Transparency and Openness in Government Budgeting and Reporting	70
British Columbia's Strong and Vibrant Economy	72

Part Two: Revenue Measures

Revenue Measures – Supplementary Information	87
Administrative Measures – Supplementary Information	95

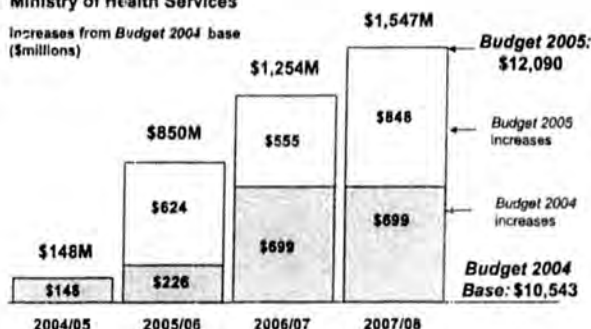
Tables:

2.1 Summary of Revenue Measures	87
2.2 Interprovincial Comparisons of Provincial Personal Income Taxes Payable – 2005	88
2.3 BC Tax Reduction – 2005 Tax Year	88
2.4 Medical Service Plan Premium Assistance Changes	92
2.5 Examples of Medical Service Plan Premium Changes	92
2.6 Summary of Administrative Measures	94

Health Care Funding

Ministry of Health Services

Increases from Budget 2004 base (\$millions)



Budget 2005 maintains BC's commitment to health care, as health funding will increase by over \$1.5 billion by 2007/08 – the largest ministry increase. BC continues its promise to reinvest every dollar of federal health funding back into health care services focused on improving access to care and reducing wait times. The new funding will provide for enhanced public health initiatives to promote healthy lifestyles, immunization programs, early screening for children with key health problems, and improved wait times for critical services such as cancer, cardiac, joint replacements and sight restoration.

Communities

Budget 2005 also commits additional funding to strengthen BC communities, by focusing on people in need. Additional funding is included in this budget for contributions to persons with disabilities, for initiatives aimed at winter homelessness and for social housing. As well, the New Era commitment to share traffic fines with municipalities is now fulfilled, enabling local governments to fund improved policing or other services at the community level.

Communities (\$ millions)	2004/05	2005/06	2006/07	2007/08
Traffic fine revenue sharing.....	32	29	17	17
Skilled immigrant accreditation.....	-	5	5	5
Public library funding.....	-	3	4	5
Arts funding.....	25	3	3	3
Persons with disabilities.....	18	56	58	62
Adult community living services.....	-	22	28	41
Homelessness.....	8	15	8	17
Social housing – independent living.....	-	12	10	14
Family law funding.....	-	5	5	5

Safety

Budget 2005 provides new funding to help address crime and violence, increasing the provincial police force by an additional 215 RCMP officers. The corresponding additional resources in the courts and the correctional system are also provided.

Safety

(\$ millions)	2004/05	2005/06	2006/07	2007/08
Personal safety for women and girls.....	-	13	12	12
Policing strategy.....	-	35	42	45
Related courts and corrections costs.....	-	9	14	16

Enhancing Services for Children

Budget 2005 provides \$241 million in additional funding to support greater access to child care, to help protect vulnerable children and youth, and to provide additional services for special needs children. Anticipated federal funding for child care has not been included in *Budget 2005*; the new funds will be committed to the child care budget once details of the transfer arrangements are known and the accounting treatment is confirmed.

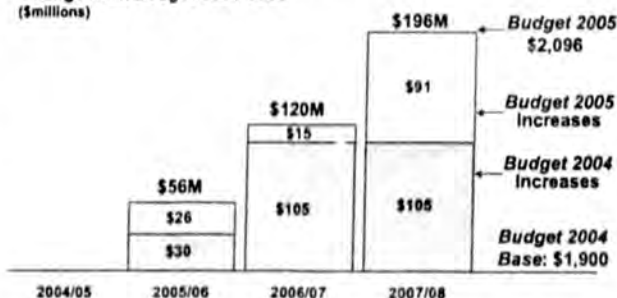
Children

(\$ millions)	2004/05	2005/06	2006/07	2007/08
Increased access to childcare.....	-	4	1	-
Children and Youth with special needs				
– Assessments.....	-	3	5	6
– Reduced waitlists.....	-	11	14	17
– Services for school aged children.....	-	26	26	26
Early childhood screening.....	3	21	25	27
Children in care and Family Development..	-	8	9	9

Post-Secondary Education and Skills Development

The government continues to develop a top-notch education system for students of all ages. Additional funds were provided in *Budget 2004*, and are increased in *Budget 2005*, to expand access to post-secondary education. By the end of 2007/08 there will be 16,205 new seats, and 25,000 new spaces will have been added at BC's universities and colleges by 2010. *Budget 2005* also provides over

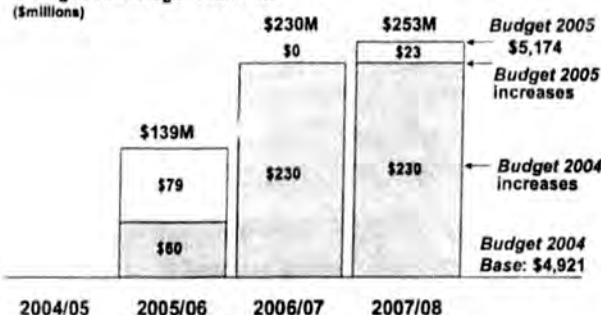
Post-Secondary Education Budget Change Change from Budget 2004 base (\$millions)



\$450 million over the next three years in funding for a comprehensive student financial assistance system including loan-reduction and loan-forgiveness programs.

K-12 Education

K-12 Education Budget
Change from Budget 2004 base
(\$millions)



Budget 2005 accelerates the *Budget 2004* increase in K-12 funding to 2005/06, continuing the trend of increased per pupil funding to school districts. This increased funding will ensure that every student has access to school libraries and quality learning resources, music and art programs and improved services to support every special needs student. Funding is also provided to seismically upgrade all at-risk schools within 15 years.

Promoting Economic Growth

Budget 2005 provides funding for BC's natural resource industries; promoting economic growth in areas such as tourism; participating in local infrastructure funding with other governments; and accelerating where practical provincial commitments to the 2010 Olympic and Paralympic Winter Games.

Economic Development Initiatives

(\$ millions)	2004/05	2005/06	2006/07	2007/08
Agriculture and aquaculture.....	41	4	2	2
Forestry initiatives.....	123	61	19	63
Mining plan, geoscience, oil and gas.....	45	45	11	9
Municipal and regional infrastructure.....	32	75	27	13
Tourism marketing.....	14	24	22	21

Protecting the Environment

Additional funding has been provided in *Budget 2005* to support land use planning, contaminated site investigation and remediation, the drinking water action plan, and other conservation activities.

Environment

(\$ millions)	2004/05	2005/06	2006/07	2007/08
BC Conservation Corps, park services.....	-	5	5	6
Contaminated sites remediation.....	25	21	22	23
Drinking water action plan.....	-	2	3	3
Environmental assessment capacity.....	-	1	2	2
Land-use planning.....	2	12	8	8

Public Sector Compensation

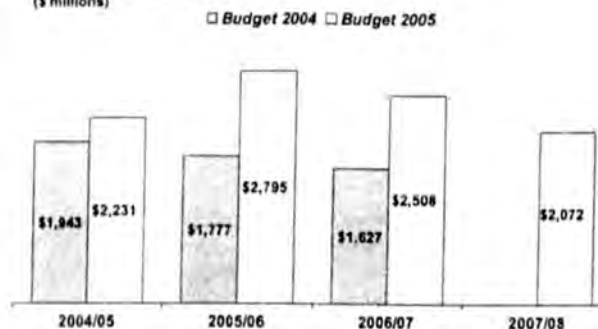
The current public sector compensation mandate of 0-0-0 until March 31, 2006 remains unchanged. Seventy per cent of all public sector employees have agreements in place under this mandate. As the next mandate is still under development, no compensation increase has been included in the fiscal plan. As government has publicly acknowledged the need for compensation increases in the next wage mandate, future wage settlements are likely to create a pressure against the surplus and forecast allowance in 2006/07 and 2007/08.

Capital

Budget 2005 includes a capital plan for ministries and taxpayer supported agencies that is substantially higher than last year's plan, including an additional \$1 billion in 2005/06 and \$881 million in 2006/07. This reflects increased capital spending to address government priorities in the K-12, post-secondary and health sectors along with transportation projects. The expanded level of capital spending is financed in part by new borrowing.

Expanded capital plan the main driver of new debt

Taxpayer-supported capital spending
(\$ millions)

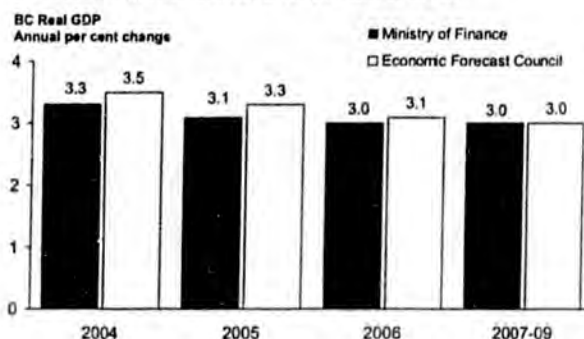


Robust economic performance to continue

The BC economy performed impressively in 2004, with robust domestic demand evident in strong growth rates for employment, consumer spending, home construction and non-residential investment. The export sector also gathered momentum early in the year, fueled by demand for forest products and other industrial goods such as copper, aluminum and molybdenum.

This broadly based economic activity is expected to yield real economic growth of 3.3 per cent in 2004. The Ministry of Finance forecasts economic growth of 3.1 per cent for 2005 and 3.0 per cent in 2006, slightly below the independent Economic Forecast Council's average.

BC economic growth forecast at 3.0 per cent or higher



2004/05 forecast

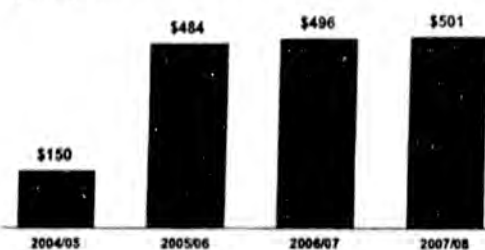
The updated fiscal plan reflects government's decision to allocate \$452 million from the 2004/05 surplus to one-time or accelerated spending initiatives, matching the one-time nature of some of the 2004/05 revenues. *Supplementary Estimates* will be introduced in the Legislature to authorize this additional spending.

Ensuring a fair and competitive tax system

Since 2001, the government has cut taxes by a total of \$1.4 billion to improve competitiveness and make the tax system more fair. The cuts include:

- A 25 per cent average reduction in provincial personal income taxes and a 28 per cent reduction for taxpayers earning less than \$30,000;
- An 18 per cent cut in the general corporate income tax rate;

Financial impact of Budget 2005 revenue measures (\$ millions)



- Exempting production machinery and equipment from the provincial sales tax;
- Eliminating the corporation capital tax for general corporations; and
- Introducing a range of more targeted cuts to improve the competitiveness of sectors such as mining exploration and provincial ports.

In October 2004, the provincial sales tax rate was reduced to 7 per cent, reversing a half point increase introduced in 2002 to fund compensation increases for health care professionals.

Budget 2005 builds on this foundation by introducing new cuts to:

- reduce taxes for those with low and moderate incomes;
- help meet environmental goals; and
- further enhance competitiveness.

The new \$120 million BC Tax Reduction will ensure that low and moderate income British Columbians have the lowest income taxes in Canada. The new tax credit will eliminate provincial personal income taxes for British Columbians earning less than \$15,500 and will reduce taxes for those earning under \$26,000. The BC Reduction will benefit 730,000 British Columbians of which 330,000 will have their provincial income taxes eliminated. In addition, the MSP premium assistance program will be enhanced effective August 1, 2005 to reduce or eliminate premiums for about 215,000 people, many of whom are seniors.

In recognition of the impact of rising home values, and as previously announced, the threshold at which the home owner grant starts to be phased out is increased by \$100,000 to \$685,000 and the grant for homes valued above that will be phased out more slowly. In addition, the thresholds for the First Time Homebuyers program under the property transfer tax will be raised by 18 per cent across the province.

The government will promote greenhouse gas reductions and energy conservation by enhancing the incentives available for hybrid vehicles and introducing a new provincial sales tax exemption for highly efficient residential heating equipment effective February 16, 2005. Both of these measures will be time-limited.

A partial property tax exemption is introduced for environmentally friendly energy projects such as run of the river hydro projects. This will make it easier for BC Hydro to achieve its goal of 50 per cent of incremental power requirements from clean energy sources.

The threshold income level that will qualify for the provincial small business corporate income tax rate is increased to \$400,000 from \$300,000 effective January 1, 2005.

The Mineral Exploration Tax Credit will be extended for ten years to 2016. The extension will build on the renewed interest in BC's mining industry and the resurgence in mineral exploration.

To meet competitive pressures at home and abroad, and as an interim measure, the province's film tax credits are increased until March 31, 2006. The basic Film Incentive BC credit available for domestic productions is increased to 30 per cent from 20 per cent and the productions services tax credit for foreign productions is increased to 18 per cent from 11 per cent, effective January 1, 2005.

Combined with the October sales tax cut, these measures will reduce revenues by \$484 million in 2005/06, \$496 million in 2006/07 and \$501 million in 2007/08.

Prudent Fiscal Management

A \$300 million forecast allowance is included in 2004/05 to protect the bottom line against unanticipated revenue shortfalls or spending pressures, which may arise before the end of the fiscal year. *Budget 2005* includes forecast allowances of \$400 million in 2005/06, \$450 million in 2006/07,

and \$550 million in 2007/08 to protect the fiscal plan from revenue risks such as sudden changes in energy prices or forest fires or spending pressures such as future public sector wage settlements.

Over and above the expected surpluses and forecast allowances, a \$270 million contingency vote is included in 2005/06 and 2006/07 for unexpected spending requirements by government ministries. The contingency vote is increased by \$40 million to \$310 million in 2007/08 to include a portion of the 2010 Olympics contingency budget, as part of the government's \$600 million commitment to the 2010 Games.

Balanced, Transparent and Accountable

Balanced budgets are required under the British Columbia's balanced budget legislation. The three-year fiscal plan is also required to conform to the standards set by the accounting profession for senior governments in Canada referred to as generally accepted accounting principles or "GAAP". Continuing the practice established in *Budget 2004*, financial forecasts for schools, universities, colleges and health authorities (the SUCH sector) are incorporated into government's revenue, spending and balance sheet projections.

To complete government's accountability framework, the three-year fiscal plan is complemented by government's strategic plan, and service plans that detail the goals, objectives and performance targets of ministries and Crown corporations. Government ministers are subject to ministerial salary deductions for not achieving financial targets and ministers of state are subject to salary deductions if performance targets are not achieved.

Establishing the Council on Virginia's Future

CHAPTER 900

An Act to amend and reenact §§ 2.2-1501, 2.2-1509, 2.2-1511, and 2.2-2101 of the Code of Virginia; to amend the Code of Virginia by adding in Chapter 26 of Title 2.2 an article numbered 28, consisting of sections numbered 2.2-2681 through 2.2-2687, and by adding in Title 2.2 a chapter numbered 55.1, consisting of sections numbered 2.2-5510 and 2.2-5511; and to repeal the second enactment of Chapter 424 of the Acts of Assembly of 2000, relating to the administration of government; long-term planning; Roadmap for Virginia's Future.

[H 2097]

Approved March 22, 2003

Be it enacted by the General Assembly of Virginia:

1. That §§ 2.2-1501, 2.2-1509, 2.2-1511 and 2.2-2101 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding in Chapter 26 of Title 2.2 an article numbered 28, consisting of sections numbered 2.2-2681 through 2.2-2687, and by adding in Title 2.2 a chapter numbered 55.1, consisting of sections numbered 2.2-5510 and 2.2-5511, as follows:

§ 2.2-1501. Duties of Department (of Planning and Budget).

The Department shall have the following duties:

1. Development and direction of an integrated policy analysis, planning, and budgeting process within state government.
2. Review and approval of all sub-state district systems boundaries established or proposed for establishment by state agencies.
3. Formulation of an executive budget as required in this chapter. In implementing this provision, the Department shall utilize the resources and determine the manner of participation of any executive agency as the Governor may determine necessary to support an efficient and effective budget process notwithstanding any contrary provision of law. The budget shall include reports, or summaries thereof, provided by agencies of the Commonwealth pursuant to subsection E of § 2.2-603.
4. Conduct of policy analysis and program evaluation for the Governor.
5. Continuous review of the activities of state government focusing on budget requirements in the context of the goals and objectives determined by the Governor and the General Assembly and monitoring the progress of agencies in achieving goals and objectives.
6. Operation of a system of budgetary execution to ensure that agency activities are conducted within fund limitations provided in the appropriation act and in accordance with gubernatorial and legislative intent. The Department shall make an appropriate reduction in the appropriation and maximum employment level of any state agency or institution in the executive branch of government that reports involuntary separations from employment with

the Commonwealth due to budget reductions, agency reorganizations, or workforce downsizings, or voluntary separations from employment with the Commonwealth as provided in the second and third enactments of the act of the General Assembly creating the Workforce Transition Act of 1995 (§ 2.2-3200.). In the event an agency reduces its workforce through privatization of certain functions, the funds associated with such functions shall remain with the agency to the extent of the savings resulting from the privatization of such functions.

7. Development and operation of a system of standardized reports of program and financial performance for management.

8. Coordination of statistical data by reviewing, analyzing, monitoring, and evaluating statistical data developed and used by state agencies and by receiving statistical data from outside sources, such as research institutes and the federal government.

9. Assessment of the impact of federal funds on state government by reviewing, analyzing, monitoring, and evaluating the federal budget, as well as solicitations, applications, and awards for federal financial aid programs on behalf of state agencies.

10. Review and verify the accuracy of agency estimates of receipts from donations, gifts or other nongeneral fund revenue.

11. Development, coordination and implementation of a performance management system involving strategic planning, performance measurement, evaluation, and performance budgeting within state government. The Department shall ensure that information generated from these processes is useful for managing and improving the efficiency and effectiveness of state government operations, and is available to citizens and public officials. The Department shall submit annually on or before the second Tuesday in January to the Chairman of the House Appropriations Committee and the Chairman of the Senate Finance Committee a report that sets forth state agencies' strategic planning information and performance measurement results pursuant to this subdivision for the immediately preceding fiscal year.

12. Development, implementation and management of an Internet-based information technology system to ensure that citizens have access to performance information.

13. Development, implementation and management of an Internet-based information technology system to ensure that citizens have access to meeting minutes and information pertaining to the development of regulatory policies.

§ 2.2-1509. Budget bill.

A. On or before December 20 of the year immediately prior to the beginning of each regular session of the General Assembly held in an even-numbered year, the Governor also shall submit to the presiding officer of each house of the General Assembly, at the same time he submits "The Executive Budget," copies of a tentative bill for all proposed appropriations of the budget, for each year in the ensuing biennial appropriation period, which shall be known as "The Budget Bill." "The Budget Bill" shall be organized by function, primary agency, and proposed appropriation item and shall include (i) an identification of, and authorization for, common programs and (ii) the appropriation of funds according to programs. *Strategic plan information and performance measurement results developed by each agency shall be made available to the General Assembly as it considers "The Budget Bill."* Except as expressly provided in an appropriation act, whenever the amounts in a schedule for a single appropriation item are shown in two or more lines, the portions of the total amount shown on separate lines are for information purposes only and are not limiting. No such bill shall contain any appropriation the expenditure of which is

extend to boards, commissions, and councils engaged solely in policy studies or commemorative activities. If any law directs the appointment of any member of the General Assembly to a board, commission, or council in the executive branch of state government that is responsible for administering programs established by the General Assembly, such portion of such law shall be void, and the Governor shall appoint another person from the Commonwealth at large to fill such a position.

The provisions of this section shall not apply to members of the Board for Branch Pilots, who shall be appointed as provided for in § 54.1-901; to members of the Board on Veterans' Affairs, who shall be appointed as provided for in § 2.2-2421; to members of the Council on Indians, who shall be appointed as provided for in § 2.2-2628; to members of the Board of Trustees of the Southwest Virginia Higher Education Center, who shall be appointed as provided for in § 23-231.3; to members of the Maternal and Child Health Council, who shall be appointed as provided for in § 2.2-2642; to members of the Virginia Interagency Coordinating Council who shall be appointed as provided for in § 2.2-5204; to members of the Advisory Council on the Virginia Business-Education Partnership Program, who shall be appointed as provided in § 2.2-2600; to members of the Virginia Correctional Enterprises Advisory Board, who shall be appointed as provided for in § 53.1-45.3; to members appointed to the Virginia Veterans Cemetery Board pursuant to § 2.2-2438; to members appointed to the Board of Trustees of the Roanoke Higher Education Authority pursuant to § 23-231.15; to members of the Commonwealth Competition Commission, who shall be appointed as provided for in § 2.2-2621; to members of the Virginia Geographic Information Network Advisory Board, who shall be appointed as provided for in § 2.2-2423; to members of the Advisory Commission on the Virginia Schools for the Deaf and the Blind, who shall be appointed as provided for in § 22.1-346.1; to members of the Substance Abuse Services Council, who shall be appointed as provided for in § 37.1-207; to members of the Criminal Justice Services Board, who shall be appointed as provided in § 9.1-108; to members of the Council on Virginia's Future, who shall be appointed as provided in § 2.2-2683; or to members of the Virginia Workforce Council, who shall be appointed as provided for in § 2.2-2669.

Article 28.

Council on Virginia's Future.

§ 2.2-2681. Definitions.

As used in this article:

"Long-term objective" means a measurable standard of desired performance achievement extending at least five years into the future.

"Performance budgeting" means a systematic incorporation of planning, strategic performance and productivity measurement, and program evaluation information into the budgetary process.

"Performance management" means a management system consisting of strategic planning, strategic performance and productivity measurement, program evaluation, and performance budgeting.

"Program evaluation" means an evaluation of the progress made toward the achievement of long-term objectives, current initiatives, and increased productivity.

"Roadmap" or "Roadmap for Virginia's Future" means a planning process that may include some or all of the following sequential steps: (i) developing a set of guiding principles that

contingent upon the receipt of revenues in excess of funds unconditionally appropriated.

B. The salary proposed for payment for the position of each cabinet secretary and administrative head of each agency and institution of the executive branch of state government shall be specified in "The Budget Bill," showing the salary ranges and levels proposed for such positions.

C. "The Budget Bill" shall include all proposed capital appropriations, including each capital project to be financed through revenue bonds or other debt issuance, the amount of each project, and the identity of the entity that will issue the debt.

D. Concurrently with the submission of "The Budget Bill," the Governor shall submit a tentative bill involving a request for authorization of additional bonded indebtedness if its issuance is authorized by, or its repayment is proposed to be made in whole or in part, from revenues or appropriations contained in "The Budget Bill."

E. On or before December 20 of the year immediately prior to the beginning of each regular session held in an odd-numbered year of the General Assembly, the Governor shall submit to the presiding officer of each house printed copies of all gubernatorial amendments proposed to the general appropriation act adopted in the immediately preceding even-numbered year session. In preparing the amendments, the Governor may obtain estimates in the manner prescribed in §§ 2.2-1504, 2.2-1505, and 2.2-1506. On the same date he shall also submit a tentative bill during the second year of the appropriation period, a request for authorization of additional bonded indebtedness if its issuance is authorized by, or its repayment is proposed to be made in whole or in part, from revenues or appropriations contained in the proposed gubernatorial amendments.

F. The proposed capital appropriations or capital projects described in, or for which proposed appropriations are made pursuant to, this section shall include the capital outlay projects required to be included in "The Budget Bill" pursuant to § 2.2-1509.1. The Governor shall propose appropriations for such capital outlay projects in "The Budget Bill" in accordance with the minimum amount of funding and the designated sources of funding for such projects as required under § 2.2-1509.1.

§ 2.2-1511. Consideration of budget by committees.

The standing committees of the House of Delegates and of the Senate in charge of appropriation measures shall begin consideration of the budget within five calendar days after the convening of the regular session of the General Assembly to which the budget is submitted. The committees or subcommittees thereof, may meet jointly on matters concerning the budget at such times as the chairmen of the two committees deem appropriate. The committees or subcommittees may cause the attendance of heads or responsible representatives of the departments, institutions and all other agencies of the Commonwealth to furnish such information and answer such questions as they require. *The committees shall consider strategic plan information and performance-measurement results developed by each agency pursuant to Chapter 55.1 (§ 2.2-5510 et seq.) of this title and submitted by the Governor pursuant to § 2.2-1509.* All persons interested in the matters under consideration shall be admitted to the meetings and shall have the right to be heard.

§ 2.2-2101. Prohibition against service by legislators on boards, commissions, and councils within the executive branch; exceptions.

Members of the General Assembly shall be ineligible to serve on boards, commissions, and councils within the executive branch of state government who are responsible for administering programs established by the General Assembly. Such prohibition shall not

are reflective of public sentiment and relevant to critical decision-making; (ii) establishing a long-term vision for the Commonwealth; (iii) conducting a situation analyses of core state service categories; (iv) setting long-term objectives for state services; (v) aligning state services to the long-term objectives; (vi) instituting a planning and performance management system consisting of strategic planning, performance measurement, program evaluation, and performance budgeting; and (vii) performing plan adjustments based on public input and evaluation of the results of the Roadmap.

"Situational analyses" means the assessment of state agency performance in core service areas.

"Strategic planning" means the systematic clarification and documentation of what a state agency wishes to achieve and how to achieve it. The objective of strategic planning is a set of goals, action steps, and measurements constructed to guide performance.

"Strategic performance and productivity measures" means the use of data to review the current performance, improvement in productivity, and progress against the long-term objectives.

"Vision" means an aspirational expression of a future condition for the Commonwealth that is both essential and desirable and extends at least 10 years into the future.

§ 2.2-2682. Council on Virginia's Future; purpose.

The Council on Virginia's Future (the Council) is established as an advisory council, within the meaning of § 2.2-2100, in the executive branch of state government. The purpose of the Council is to advise the Governor and the General Assembly on the implementation of the Roadmap for Virginia's Future process.

§ 2.2-2683. Membership; terms; chairman and vice chairman; quorum; meetings.

A. The Council shall be composed of 18 members that include eight legislative members and 10 nonlegislative members as follows:

1. The Governor;
2. The Speaker of the House;
3. The majority and minority leaders of the House of Delegates;
4. The Chairman of the House Committee on Appropriations;
5. The President Pro Tempore of the Senate;
6. The majority and minority leaders of the Senate;
7. The Chairman of the Senate Finance Committee;
8. One nonlegislative citizen member appointed by the Speaker of the House;
9. One nonlegislative citizen member appointed by the Senate Committee on Privileges and Elections;
10. Two Cabinet Secretaries appointed by the Governor; and
11. Five nonlegislative citizen members appointed by the Governor.

B. Legislative members and the two Cabinet Secretaries appointed by the Governor shall serve terms coincident with their terms of office. In the event that a legislative member holds more than one of the positions listed in subsection A, such legislative member shall designate another legislative member or members, as applicable, to serve as the representative for the other position or positions. The initial appointments of nonlegislative citizen members shall be staggered as follows: one member for a term of three years appointed by the Speaker of the House of Delegates; one member for a term of three years appointed by the Senate Committee on Privileges and Elections; one member for a term of one year, two members for a term of two years, and two members for a term of three years

appointed by the Governor. Thereafter, nonlegislative citizen members appointed by the Speaker of the House of Delegates or the Senate Committee on Privileges and Elections shall be appointed for a term of two years, and nonlegislative citizen members appointed by the Governor shall be appointed for a term of four years. Appointments to fill vacancies, other than by expiration of a term, shall be for the unexpired terms. All members may be reappointed. No nonlegislative citizen member appointed by the Speaker of the House of Delegates or the Senate Committee on Privileges and Elections shall serve more than four consecutive two-year terms and no nonlegislative citizen member appointed by the Governor shall serve more than two consecutive four-year terms. The remainder of any term to which a member is appointed to fill a vacancy shall not constitute a term in determining the member's eligibility for reappointment. Vacancies shall be filled in the same manner as the original appointments.

The Governor shall serve as the chairman of the Council. The Council shall elect a vice chairman from its membership. A majority of members of the Council shall constitute a quorum. The Council shall meet at least four times each year. The meetings of the Council shall be held at the call of the chairman or whenever four or more members so request.

§ 2.2-2684. Duties of the Council.

A. The Council shall have the following duties:

1. Recommend a timetable for phasing in and establishing guiding principles for the Roadmap;
2. Recommend long-term objectives for the Commonwealth and monitor and advise the Governor and the General Assembly regarding the progress toward the objectives;
3. Provide advice on the implementation of the performance-management system across state government;
4. Disseminate information to the public on the Commonwealth's performance-management system;
5. Recommend a systematic process for the periodic evaluation of the Roadmap and adherence to the long-term goals and recommend improvements to the Governor and the General Assembly. The periodic evaluation process shall provide for enhanced opportunities for public participation and input;
6. Beginning November 1, 2004, develop and submit annually to the General Assembly and the Governor and publish to the public a balanced accountability scorecard containing an assessment of (i) current service performance, (ii) productivity improvement, and (iii) progress against long-term objectives. The balanced scorecard shall also contain other evaluative recommendations that will enhance the provision of state services and suggested measures to evaluate progress against long-term objectives; and
7. Solicit public input on appropriate aspects of the Roadmap as determined by the Council.

B. By January 1, 2004, the Council shall recommend to the Governor and the General Assembly legislation defining the vision, long-term objectives, and appropriate performance measures for state government. The Council shall review the long-term objectives for state government every two years.

§ 2.2-2685. Advisory committees.

The Council may form such advisory committees as it deems necessary, convenient, or desirable to advise and assist in performing the duties conferred by this article. The disclosure requirements of subsection B of § 2.2-3114 of the State and Local Government

Conflict of Interests Act shall apply to members of the advisory committees.

§ 2.2-2686. Staff; cooperation and assistance.

A. *The Department of Planning and Budget shall provide staff assistance to the Council. Additional assistance as needed shall be provided by the Joint Legislative Audit and Review Commission, the Auditor of Public Accounts, and the staffs of the House Committee on Appropriations and the Senate Finance Committee. All agencies, authorities, and institutions of the Commonwealth shall cooperate and provide such assistance to the Commission as the Commission may request.*

B. *The Chairman, in consultation with the Council, may hire or appoint an Executive Director for the Council if deemed appropriate.*

§ 2.2-2687. Chairman's executive summary of activity and work of the Council.

The chairman shall submit to the Governor and the General Assembly an annual executive summary of the interim activity and work of the Council no later than the first day of each regular session of the General Assembly. The executive summary shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website.

CHAPTER 55.1.

GOVERNMENT PERFORMANCE AND RESULTS ACT.

§ 2.2-5510. Strategic plan.

A. *Each agency shall develop and maintain a strategic plan for its operations. The plan shall include:*

1. *A statement of the mission, goals, strategies, and performance measures of the agency that are linked into the performance management system directed by long-term objectives;*
 2. *Identification of priority and other service populations under current law and how those populations are expected to change within the time period of the plan; and*
 3. *An analysis of any likely or expected changes in the services provided by the agency.*
- B. *Strategic plans shall also include the following information:*
1. *Input, output, and outcome measures for the agency;*
 2. *A description of the use of current agency resources in meeting current needs and expected future needs, and additional resources that may be necessary to meet future needs; and*
 3. *A description of the activities of the agency that have received either a lesser priority or have been eliminated from the agency's mission or work plan over the previous year because of changing needs, conditions, focus, or mission.*

C. *The strategic plan shall cover a period of at least two years forward from the fiscal year in which it is submitted and shall be reviewed by the agency annually.*

D. *Each agency shall post its strategic plan on the Internet.*

§ 2.2-5511. Review of strategic plan information.

The Governor shall develop an implementation plan providing for each agency to develop a strategic plan. Such implementation plan shall provide for agency submission of individual strategic plans over a three-year period beginning December 1, 2003, and ending December 1, 2006, and require, at a minimum, one-third of state agencies each year to so

submit. Thereafter, each agency shall submit, on a biennial basis by December 1 in even-numbered years, its strategic plan including goals, strategies, and performance measures for consideration and review by the Council on Virginia's Future. After review, the Council may submit comments to the Governor regarding any concerns about the strategic plan or recommendations to improve the plan.

2. That the second enactment of Chapter 424 of the Acts of the Assembly of 2000 is repealed.
3. That the provisions of this act shall expire on July 1, 2008.