

March 2, 2010

BACKGROUND

FISCAL PLAN 2010/11 - 2012/13

Economic Outlook

The Ministry of Finance forecasts the economy to grow by 2.2 per cent in 2010, 2.3 per cent in 2011, and return to more normal growth of 2.8 per cent in the medium term. In the *September Update 2009*, B.C.'s economy was projected to grow 1.9 per cent in 2010.

The upgraded B.C. forecast for 2010 reflects the emerging economic recovery in the U.S. and throughout the world, stabilizing commodity and financial markets, and improved domestic demand in British Columbia.

Revenue Outlook

Following two years of declining growth in 2008/09 and 2009/10, revenue is expected to average 4.9 per cent annual growth over the next three years. Total government revenue is forecast at \$39.2 billion in 2010/11, \$41.0 billion in 2011/12, and \$42.8 billion in 2012/13.

Projected revenue growth during this period reflects improving economic conditions, higher commodity and lumber prices, and increased forest harvest volumes as compared to 2009/10 when total revenues declined 3.3 per cent.

Expense Outlook

Total expense over the three-year plan is forecast at \$40.6 billion in 2010/11, \$41.6 billion in 2011/12 and \$42.5 billion in 2012/13.

Priority Program Funding

The B.C. government will fund an additional \$1.36 billion in program priorities over the next three years. Savings and efficiencies identified in 2009/10 have enabled the government to reallocate \$500 million in federal HST transition funding from 2009/10 to 2010/11 and 2011/12.

Budget 2010 provides additional priority program spending in the following areas compared to *September Update 2009*:

- a \$447 million funding increase for health care in 2012/13 (total budget increase of over \$2 billion since 2009/10);
- \$108 million focused on families and youth, including \$60 million in new funding for a 2010 Sports and Arts Legacy, and an additional \$22 million for full-day kindergarten in 2011/12;
- an additional \$156 million over three years for education, including \$150 million for schools in addition to the allocation for full-day kindergarten for five-year-olds;
- \$69 million for justice and policing operations;
- \$58 million in additional provincial funding for infrastructure projects in communities, to be matched by other levels of government;
- \$35 million in additional funding for LiveSmart BC programs; and
- \$100 million in new clean energy development funding, to support new jobs and investments in communities, while at the same time lowering greenhouse gas emissions.

Significant Budget Decisions

Health Care

Protecting health care is a top priority for the B.C. government. By 2012/13 the Ministry of Health Services' budget will increase by over \$2 billion from the 2009/10 level. This represents the largest share of government funding increases during the fiscal period.

Government is committed to allocating to health spending all revenue received from five key revenue sources — harmonized sales tax; medical services plan premiums; tobacco taxes; lottery revenues dedicated to the Health Special Account and health transfer payments from the federal government.

Total health spending will reach \$17.9 billion or 42 per cent of all government expenses by function by 2012/13.

Education

Per-pupil funding for students in the K-12 levels will increase from \$8,200 in 2009/10 to an estimated \$8,301 for 2010/11, the highest ever. In total, operating funding for K-12 schools is increased from \$4.55 billion in 2009/10 to \$4.66 billion in 2010/11 on a school year basis. This increase includes the phased introduction of full-day kindergarten for five-year-olds in 2010.

Budget 2010 maintains funding to post-secondary institutions at \$1.88 billion for 2010/11. This includes a \$55 million increase added in Budget 2009 for universities, colleges and institutes.

Tax Deferral Support for Families

Beginning in 2010, homeowners who are financially responsible for a child under 18 will be able to defer property taxes on their principal residence. Eligible homeowners who have at least 15 per cent equity in their homes will be able to defer all or part of their annual property taxes. Interest charged on deferred taxes will be at the prime rate.

Capital Spending

Over the next three years, capital spending on schools, hospitals, roads, hydro-electric projects and other infrastructure in B.C. is expected to total \$20.7 billion. This assumes federal contributions of \$1.5 billion.

Accelerated Infrastructure Spending

Budget 2010 continues B.C.'s commitment to accelerated infrastructure spending to keep British Columbians working and stimulate the economy. \$5.3 billion has been committed to accelerated infrastructure investments throughout British Columbia. This is an increase of \$1.9 billion since the *September Update 2009*. Accelerated infrastructure funding is provided through a number of sources, primarily by the provincial and federal governments, as well as by local governments and other third parties.

Debt

The total provincial debt is forecast to be \$47.8 billion in 2010/11, \$52.4 billion in 2011/12 and \$55.9 billion in 2012/13.

From 2002/03 to 2008/09, significant reductions were made in the tax-payer supported debt burden. The tax-payer supported debt-to-GDP ratio — a key measure of debt affordability — was reduced by 37 per cent during this period. Tax-payer supported interest costs continue to remain low, representing less than 5.2 cents per dollar of revenue in each year of the three-year plan.

Budget Outlook

Budget 2010 projects deficits of \$1.7 billion in 2010/11, \$945 million in 2011/12, and \$145 million in 2012/13, and reaffirms government's commitment to return to balanced budgets by 2013/14.

The fiscal plan includes contingencies of \$450 million in each year of the fiscal plan. A forecast allowance of \$300 million has been included for 2010/11 and 2011/12, and \$400 million for 2012/13.

-30-

For the Finance Minister's speech and more details on *Budget 2010*, visit www.bcbudget.ca.

Visit the Province's website at www.gov.bc.ca for online information and services.

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