



Feb. 15, 2011

BACKGROUND

FISCAL PLAN 2011/12 — 2013/14

Economic Outlook

In 2010, key economic indicators such as employment, housing starts, retail sales and exports show that B.C.'s economy is recovering from the weakness experienced in late 2008 and early 2009.

The Ministry of Finance forecasts the economy to grow by 2.0 per cent in 2011, 2.6 per cent in 2012, and 2.8 per cent in the medium term, closer to historical growth levels.

Risks to the economic outlook include continued weakness in the US economy, the European sovereign debt crisis, slower global demand, increased moderation in the Canadian housing market, and a sudden rise in the value of the Canadian dollar.

Revenue Outlook

Total government revenue is forecast at \$41.3 billion in 2011/12, \$42.4 billion in 2012/13, and \$44.1 billion in 2013/14. Revenue is expected to average 3.4 per cent annual growth over the next three years.

Expense Outlook

Total expense over the three-year plan is forecast at \$41.9 billion in 2011/12, \$42.5 billion in 2012/13 and \$43.6 billion in 2013/14 — an average annual increase of 2 per cent over the next three years.

Priority Funding

Although a status-quo budget overall, *Budget 2011* allocates new funding for health care and social services priorities. It also gives some flexibility for future decisions by the new premier and executive council.

The budget provides:

- \$605 million to the Ministry of Health Services in 2013/14 to sustain front-line service delivery.
- \$65 million over three years to the Ministry of Social Development to provide for income assistance to individuals and families in need.
- An additional \$150 million to the Contingency Vote, in 2011/12 only, to address unforeseen issues and provide flexibility for the next executive council.

Health Care

Budget 2011 confirms government's ongoing commitment to protect health care. By 2013/14 the Ministry of Health Services' budget will increase by almost \$2 billion from 2010/11 levels.

Total health spending by function will reach \$18.5 billion or 42.5 per cent of all government expenses by 2013/14.

Education

Per-pupil funding for students in the K-12 levels is estimated to increase to \$8,357 for 2011/12, the highest ever. In total, operating funding for school districts is \$4.7 billion in 2011/12 on a school year basis.

Continuing government's strong commitment to funding higher education, funding for post-secondary institutions is \$1.9 billion in 2011/12. Post-secondary funding has increased by 36 per cent since 2001/02.

Capital Spending

Capital spending on schools, hospitals, roads, hydro-electric projects and other infrastructure in B.C. is expected to total \$19 billion over the next three years. Capital spending is anticipated to return to historical levels as the accelerated infrastructure program winds down in 2011/12.

Since October 2008, the government committed \$5.5 billion to about 900 accelerated capital infrastructure investments around the province to stimulate the economy and keep British Columbians working in the construction sector. This investment, partially funded by \$1.5 billion in federal contributions, is expected to maintain approximately 35,000 direct construction jobs over the life of these projects.

Debt

The total provincial debt is forecast to be \$53.4 billion in 2011/12, \$57.6 billion in 2012/13 and \$60.4 billion in 2013/14.

Between 2002/03 and 2008/09, the taxpayer supported debt-to-GDP ratio — a key measure of debt affordability — was reduced by 37 per cent. This significant reduction enabled government to absorb the impact of the economic slowdown. The debt-to-GDP ratio will peak at 17.8 per cent in 2012/13 and will return to a downward trend in 2013/14.

Taxpayer-supported interest costs continue to remain low, averaging 4.7 cents per dollar of revenue over the three-year fiscal plan.

Budget Outlook

Budget 2011 projects deficits of \$925 million in 2011/12, \$440 million in 2012/13, and a surplus of \$175 million in 2013/14 as the government returns to balanced budgets.

The fiscal plan includes contingencies of \$600 million in 2011/12 and \$450 million in each of 2012/13 and 2013/14. A forecast allowance of \$350 million has been included in each year of the fiscal plan to manage revenue volatility.

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For the Finance Minister's speech and more details on *Budget 2011*, visit www.bcbudget.ca.

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

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