



February 17, 2009

BACKGROUND

FISCAL PLAN 2009/10 – 2011/12

Economic Outlook

Due to global economic conditions, British Columbia's economy slowed considerably during the latter half of 2008. As a result, B.C. is experiencing fewer housing starts, a decline in retail sales, lower consumer confidence, and job losses.

Risks to B.C.'s economic outlook include a more prolonged period of low economic growth in the U.S., continued turmoil in global financial markets, further weakening of domestic demand, and further commodity price volatility.

Following estimated real gross domestic product growth of 1 per cent in 2008, the Ministry of Finance forecasts B.C.'s economy to contract by 0.9 per cent in 2009, then grow by 2.4 per cent in 2010 and 2.6 per cent in 2011.

Revenue Outlook

Total government revenue is forecast at \$38.5 billion in 2008/09, \$38.8 billion in 2009/10, \$39.8 billion in 2010/11, and \$41.2 billion in 2011/12 — an average annual increase of 2.3 per cent over the next three years.

Expense Outlook

Total government expense is forecast at \$38.4 billion in 2008/09, \$39.3 billion in 2009/10, \$40.0 billion in 2010/11, and \$41.2 billion in 2011/12 — an average annual increase of 2.4 per cent over the next three years.

Achieving Cost Savings

Budget 2009 reallocates \$1.9 billion in administrative and other cost savings over three years to health, education and social services. Savings will be achieved through reductions in contracted professional services, travel expenses, advertising and discretionary grants.

Significant Budget Decisions

Significant expenditures include:

- \$920 million to health care in 2011/12, in addition to \$3.9 billion over three years in previously allocated funding.

- \$351 million over three years to improve social services and programs that enhance the quality of life for British Columbians in need.
- \$244 million for post-secondary institutions and to support B.C.'s immigrant workers.
- \$479 million over four years to support economic activity in communities and to maintain B.C. as a leader in environmental protection.

Investing in Infrastructure

Budget 2009 invests almost \$14 billion in infrastructure projects to build and upgrade housing, schools, hospitals, transit, and roads around the province. Since 2001, the government has invested \$31 billion in infrastructure projects throughout British Columbia.

Debt

Debt continues to represent a significant source of financing for provincial infrastructure investments. In 2008/09, provincial debt is forecast to total \$37.5 billion. Over the next three years, total provincial debt is forecast at \$40.5 billion in 2009/10, \$44.2 billion in 2010/11, and \$47.2 billion in 2011/12. This represents an expected increase of \$9.7 billion from the forecast in 2008/09.

Debt continues to remain affordable, despite the unprecedented global economic outlook. The taxpayer-supported debt to GDP ratio — a key measure of debt affordability — is forecast to be 13.8 per cent in 2008/09, 15.2 per cent in 2009/10, 15.7 per cent in 2010/11, and 15.8 per cent in 2011/12.

Budget Outlook

Budget 2009 outlines government's continued commitment to sound fiscal management and prudent budgeting, despite global economic challenges. The forecast for the 2008/09 fiscal year is a surplus of \$50 million, unchanged from the forecast at Budget 2008.

As announced in January 2009, British Columbia will run a temporary deficit for the next two fiscal years. The deficit is forecast to be \$495 million in 2009/10 and \$245 million in 2010/11, returning to a balanced budget in 2011/12.

Amended provincial legislation requires government to use any increases in cash as of 2011/12 to eliminate direct operating debt.

The fiscal plan includes contingencies of \$385 million in 2009/10, \$300 million in 2010/11, and \$250 million in 2011/12 to help ensure fiscal targets are met.

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For the Finance Minister's speech and more details on *Budget 2009*, visit www.bcbudget.ca.

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

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