



BRITISH
COLUMBIA

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SEPTEMBER BUDGET UPDATE 2009

September 1, 2009

BACKGROUND

FISCAL PLAN 2009/10 - 2011/12

Economic Outlook

Ongoing economic weakness, troubled global commodity and financial markets, and lower domestic demand for B.C. goods and services resulted in British Columbia undergoing a significant decline in economic activity during the first seven months of 2009.

Risks to B.C.'s economic outlook include a more severe and prolonged U.S. recession, continuing weaker demand for B.C. exports and extended volatility in global financial and commodity markets.

Domestic demand slowed considerably due to lower consumer confidence levels and tighter credit conditions. Housing starts declined and job loss increased as the provincial unemployment rate reached 7.8 per cent in July 2009.

In 2008, the provincial GDP contracted by 0.3 per cent, the first decline since 1982. The Ministry of Finance forecasts B.C.'s economy to contract 2.9 per cent in 2009, then grow by 1.9 per cent in 2010, and 2.7 per cent in 2011.

Revenue Outlook

Total government revenue is forecast at \$37.6 billion in 2009/10, \$38.8 billion in 2010/11, and \$41.1 billion in 2011/12.

Due to a sharp decline in taxation and natural resource revenues, projected government revenues since the February 2009 Budget have declined by \$3.9 billion over three years. This will be partially offset by \$1.6 billion in HST transition payments from the federal government.

Compared to the February 2009 Budget, taxation revenue is expected to be 6.9 per cent lower in 2009/10, 4.6 per cent lower in 2010/11 and 2.9 per cent lower in 2011/12.

Over the three-year plan, natural resource revenues are expected to be \$2.1 billion lower than estimated in February.

Expense Outlook

Total government expense is forecast at \$40.1 billion in 2009/10, \$40.3 billion in 2010/11, and \$41.8 billion in 2011/12, an average annual increase of 3.0 per cent over the three-year plan.

Administrative and Other Savings

The *Budget Update* includes \$3.4 billion in administrative and other savings over the next three years, which will be used to help fund healthcare, education and other priority programs.

These savings will be achieved through reductions in advertising, discretionary grants, contracted professional services, travel costs and office expenses.

Significant Budget Decisions:

Infrastructure Investments

The *Budget Update* reaffirms government's investment in public infrastructure and job creation projects. This includes capital spending of \$21.6 billion on schools, hospitals, roads, bridges, hydro-electric projects and other infrastructure throughout the province over the next three years.

The total capital investment of \$21.6 billion is comprised of \$12.7 billion in tax-payer supported capital investments and \$8.9 billion in capital investments by Crown corporations.

The *Budget Update* projects capital investments of \$7.4 billion in 2009/10, \$7.7 billion in 2010/11, and \$6.5 billion in 2011/12.

Health

Over the next three years, health care will receive the largest share of funding increases in government spending. By 2011/12, the Ministry of Health Services' budget will increase by 18 per cent, reaching a total of \$15.7 billion.

Education

Post Secondary

Funding for institutions that support the post-secondary education system in B.C. will increase by \$93 million in 2009/10 from 2008/09. Total post-secondary education spending will exceed \$4.7 billion in 2009/10.

K-12 Education

The *Budget Update* protects core K-12 education by maintaining per-pupil funding at over \$8,200. Total K-12 education spending is \$5.7 billion in 2009/10.

Full-Day Kindergarten

An additional \$151 million is budgeted for the introduction of full-day kindergarten in British Columbia. This includes \$44 million for 2010/11 and an additional \$107 million for 2011/12.

Social Services

The *Budget Update* provides an additional \$455 million for priority social services and programs including \$420 million over three years to support individuals and families in need of income assistance.

Debt

Although total government debt will increase over the next three years, the B.C. government is keeping provincial debt affordable and managing its liabilities conservatively.

The total provincial debt is forecast to be \$42.3 billion in 2009/10, \$48.5 billion in 2010/11, and \$52.8 billion in 2011/12. As B.C. returns to balanced budgets, provincial legislation mandates the use of year-end surpluses to pay down direct operating debt.

Budget Outlook

British Columbia will run temporary deficits with a return to a balanced budget projected within five years. The *Budget Update* contains revised deficit forecasts of \$2.8 billion in 2009/10, \$1.7 billion in 2010/11, and \$945 million in 2011/12.

The fiscal plan includes contingencies of \$500 million in 2009/10, \$300 million in 2010/11 and \$300 million in 2011/12. Additionally, a forecast allowance of \$250 million is included for each of the next three years.

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

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

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