



February 21, 2012

BACKGROUND

FISCAL PLAN 2012-13 – 2014-15

Economic Outlook

In 2011, key economic indicators such as employment, retail sales and exports show that B.C.'s economy is slowly but steadily improving.

The Ministry of Finance forecasts the economy to grow by 1.8 per cent in 2012, 2.2 per cent in 2013, and 2.5 per cent in 2014.

Risks to the economic outlook include a return to recession in the US, the European sovereign debt crisis, slower than expected Asian demand for B.C. exports, exchange rate volatility, and further weakening of the US dollar disrupting global financial and commodity markets.

Revenue Outlook

Total government revenue is forecast at \$43.1 billion in 2012-13, \$44.6 billion in 2013-14, and \$45.7 billion in 2014-15. Revenue is expected to average 2.9 per cent annual growth over the next three years.

Expense Outlook

Total expense over the three-year plan is forecast at \$43.9 billion in 2012-13, \$44.2 billion in 2013-14 and \$45.1 billion in 2014-15 — an average annual increase of 2.0 per cent over the next three years.

Priority Funding

Budget 2012 allocates new funding for health care and education priorities. It also reallocates funding from contingency funds to justice and social services where caseloads continue to rise.

In total, government has drawn down the contingencies vote by \$153 million in 2012-13 and by \$203 million in 2013-14 from *Budget 2011* projections, and reallocated this funding to the Ministry of Justice and Ministry of Social Development.

Health Care

Budget 2012 confirms government's ongoing commitment to protect health care. By 2014-15 the Ministry of Health's budget will increase by more than \$1.5 billion from 2011-12 levels.

Total health spending by function will reach \$19.1 billion or 42.2 per cent of all government expenses by 2014-15.

Education

Block funding to School Districts remains unchanged from *Budget 2011*, at \$4.7 billion annually through to 2014-15. The Annual Facilities Grant to fund maintenance of schools through a combination of operating and capital funding totals \$110 million in 2012-13, the same as 2011-12.

Budget 2012 also provides an additional \$165 million over three years for the Learning Improvement Fund. This is in response to the issues surrounding the Bill 28 ruling in the spring of 2011. The funding will be targeted directly to those classrooms with the highest needs.

Justice System

Budget 2012 allocates an additional \$237 million over the next three years to the Ministry of Justice to address caseloads and maintain existing services — including the extra policing introduced as part of government's guns and gangs strategy. These ministry budget increases are a reallocation from the contingencies vote.

Supports to Individuals and Families

Budget 2012 provides an additional \$444 million over the next three years to support individuals and families. This includes:

- \$294 million over three years for individuals and families in need of income assistance, including temporary assistance, disability assistance and supplementary assistance (health and other supports for families on income assistance).

- \$144 million to increase capacity and improve services for individuals with developmental disabilities and their families consistent with the recommendations made by the Deputy Ministers' Review of Community Living British Columbia (CLBC).
- \$6 million over three years for communications tools (e.g. speech-generating devices) and other supports to assist young adults with severe communications disabilities. This funding will serve approximately 90 new clients annually, as well as provide ongoing support to existing clients.

Significant portions of the ministry budget increases noted above are reallocations from the contingencies vote.

Capital Spending

Taxpayer-supported capital spending on schools, hospitals, roads, post-secondary institutions and other infrastructure in B.C. is expected to total \$10.7 billion over the next three years. This includes new spending of \$1.3 billion in new and expanded facilities; \$1.1 billion to maintain and upgrade schools, health facilities, post secondary institutions and other provincial infrastructure; and over \$300 million to support innovation and technological transformation and ministry operations.

Taxpayer-supported capital spending is projected to decline from recent peak levels following substantial completion in 2011-12 of the accelerated infrastructure program.

Self-supported capital spending by commercial Crown agencies is above historical levels due to continued investment by BC Hydro in infrastructure projects and the Port Mann Bridge/Highway 1 project. Capital spending is projected to decline over the plan period as the Port Mann Bridge/Highway 1 project is completed.

Debt

The total provincial debt is forecast to be \$57.6 billion in 2012-13, \$62.7 billion in 2013-14 and \$66.4 billion in 2014-15.

Taxpayer supported debt is forecast to be \$38.7 billion in 2012-13, \$41.7 billion in 2013-14 and \$43.7 billion in 2014-15.

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 has put British Columbia in a strong position to ride out the ongoing global economic uncertainty. The debt-to-GDP ratio will peak at 18.3 per cent in 2014-15, before returning to a downward trend.

Taxpayer-supported interest costs continue to remain low, averaging 4.2 cents per dollar of revenue over the three-year fiscal plan.

Budget Outlook

Budget 2012 projects a deficit of \$968 million in 2012-13, and surpluses of \$154 million in 2013-14 and \$250 million in 2014-15.

The fiscal plan includes contingencies of \$300 million in 2012-13 and \$250 million in each of 2013-14 and 2014-15. The fiscal plan includes forecast allowances of \$200 million in 2012-13, \$250 million in 2013-14 and \$350 million in 2014-15 to help guard against revenue volatility.

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For the Finance Minister's speech and more details on *Budget 2012*, visit www.bcbudget.ca.

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

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