



June 27, 2013

BACKGROUND 1

ACHIEVING A BALANCED BUDGET: JUNE BUDGET UPDATE 2013

How is the B.C. government taking the budget from a projected 2012-13 deficit of \$1.1 billion, to a projected surplus of \$153 million in 2013-14, and surpluses over the following years? There are four key steps:

Control spending

Expenditure growth management will reduce average annual spending growth to 1.6 per cent over the fiscal plan period, less than a third the rate of spending growth before the economic downturn.

Expenditure management has found ministry and service delivery agency savings, resulting in savings of almost \$1.2 billion over the fiscal plan period. About half of these savings (\$497 million) are helping achieve the balanced budget, while the remaining half is being invested to improve family affordability, and support jobs and economic growth.

Stable economic growth

Government forecasts economic growth of 1.4 per cent in 2013, 2.2 per cent in 2014, and 2.5 per cent in 2015. Net economic growth is expected to generate \$1.1 billion in base revenue increase in excess of expense increases over the fiscal plan period.

Revenue is expected to grow by an annual average of 3.1 per cent over the three-year fiscal plan, almost double the rate of B.C.'s spending growth.

Targeted revenue measures

Surplus property and asset sales: Government has identified properties and assets that are not used by government, cost taxpayers money to maintain, and would be better used in other hands.

The B.C. government has achieved approximately 37 per cent of this year's goal for property and asset sales in the first three months of the fiscal year. Sales agreements are in place for approximately \$58-million (net gain) worth of surplus property and government has realized a net gain of \$123 million on the sale of financial assets. These sales raise combined revenue of approximately \$181 million to help balance the budget. This year's fiscal plan target for property and asset sales is \$475 million.

Planned property and asset sales will provide a return to government of a minimum \$625 million over the next two years, helping to balance the budget while releasing under-used assets for economic development and community services. The assets identified represent less than two per cent of the government's \$70-billion property holdings.

Targeted tax measures are projected to generate \$1.3 billion over the fiscal plan period.

Mitigating the risks

Government incorporates four main levels of prudence in its projections to mitigate the risks to the fiscal plan:

- The government's outlook for B.C.'s real GDP growth is lower than the outlook provided by the Economic Forecast Council (0.2 percentage points lower in 2013 and 0.3 percentage points lower in 2014).
- The natural gas revenue forecast is based on a natural gas price forecast that is within the 20th percentile of the private sector forecast, continuing with a prudent approach as recommended by Dr. Tim O'Neill in the February 2013 budget.
- Government has included a forecast allowance of \$150 million in 2013-14, \$200 million in 2014-15, and \$300 million in 2015-16 to guard against revenue volatility.
- The fiscal plan includes contingencies of \$225 million in each year of the fiscal plan to help manage unexpected pressures.

For more details on *June Update 2013*, visit: www.bcbudget.ca

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