

February 28, 2023

BACKGROUND

Fiscal Plan 2023-24 – 2025-26

Budget 2023 addresses people's challenges today while working to build a strong, sustainable future for everyone. The budget continues the Province's prudent approach to fiscal planning, while prioritizing the issues that matter most: helping people with costs, tackling the housing crisis, strengthening health and mental-health services, supporting safe, healthy communities and building a sustainable economy that works for everyone.

Budget outlook

Budget 2023's three-year fiscal plan presents declining deficits:

- \$4.2 billion in 2023-24
- \$3.8 billion in 2024-25
- \$3.0 billion in 2025-26

The B.C. government has included layers of prudence to account for potential lower-than-expected revenues and unforeseen expenses or emergencies. Budget 2023 includes a forecast allowance of \$700 million in 2023-24, as well as \$500 million in each of 2024-25 and 2025-26.

Government has put aside contingencies of \$2.3 billion in 2023-24, \$2.2 billion in 2024-25 and \$1.2 billion in 2025-26 for climate and emergency response, CleanBC and other spending uncertainties for new and existing programs. Additional contingencies include \$1 billion in 2023-24 for pandemic recovery, as well as \$2.2 billion in 2023-24, \$2.6 billion in 2024-25 and \$2.7 billion in 2025-26 for the costs of the Shared Recovery Mandate as well as a further \$800 million in 2025-26 for future cost pressures.

The 2022 Shared Recovery Mandate provides wage increases and inflation protection for B.C. public-sector workers to help protect and improve the services people rely on, such as health care and education. It is estimated to cost \$10.8 billion over the three-year mandate term (2022-23 to 2024-25) with ongoing annual costs of \$5.4 billion. Budget 2023 provides more than \$15 billion over three years (including contingencies funding) to support agreements under the Shared Recovery Mandate from the beginning of the mandate in 2022.

Economic outlook

The province's economy expanded by an estimated 2.8% in 2022, and growth is expected to slow to 0.4% in 2023. Slower near-term economic growth is being seen across jurisdictions and reflects a slower global economy as well as the combined effects of higher prices and raised interest rates throughout Canada. Real gross domestic product is expected to grow by 1.5% in 2024 and range between 2.2% and 2.4% annually over the medium-term (2025 to 2027).

Budget 2023 projections are prudent in the near-term and align with the average outlook provided by the independent 13-member Economic Forecast Council.

Revenue outlook

Total government revenue is forecast at \$77.7 billion in 2023-24, \$79.7 billion in 2024-25 and \$82.2 billion in 2025-26. The gradual increase in revenue is driven by a growing tax base due to strong population growth and supported by nominal GDP, while partly offset by lower natural resource revenues, including lower commodity price and flat forestry revenues.

Revenue for 2023-24 is expected to be somewhat lower than 2022-23 because of unexpected higher-than-projected income-tax revenues from Canada Revenue Agency for the 2021 tax year.

Expense outlook

Expenses over the three-year fiscal plan are forecast at \$81.2 billion in 2023-24, \$83 billion in 2024-25 and \$84.8 billion in 2025-26 to help support the programs and services people rely on, as well as strategic investments in health care, mental health, housing, public safety and helping people with rising costs.

Capital spending

Taxpayer-supported capital spending over the fiscal plan is projected to be \$37.5 billion and includes investments to sustain and expand provincial infrastructure, including housing, hospitals, schools, post-secondary facilities, transit, roads and bridges.

Debt affordability

B.C.'s taxpayer-supported debt is projected to be \$63.7 billion at the end of 2022-23, approximately \$9.8 billion less than projected at Budget 2022. This improvement is attributed to better-than-expected operating results in 2022-23, which was driven by fast economic recovery in some sectors and higher-than-projected income-tax revenues.

The taxpayer-supported debt-to-GDP ratio, a key metric used by credit rating agencies, is expected to be approximately 18.9% in 2023-24 and remain below 25% over the fiscal plan. This relatively low debt-to-GDP ratio among Canadian provinces signals that provincial debt is manageable and sustainable, and means B.C. continues to have capacity to borrow and refinance in the future.

The interest bite, which represents the taxpayer-supported interest costs as a percentage of provincial government revenue, remains historically low at less than three cents per dollar in 2023-24.

Putting the surplus to work for people

At this time, updated Third Quarterly Report forecasts for the 2022-23 fiscal year show a projected surplus of \$3.6 billion, lower than Second Quarterly Report projections. The change is because of \$2.7 billion in new spending through supplementary estimates, as well as new spending that includes the Rental Protection Fund (\$500 million) and a third BC Affordability Credit to help people with cost-of-living pressures (\$500 million). Revenue improvements since the second quarter offset some of the spending.

The current year's surplus allows the Province to reinvest in the services and supports people need – now and for the long term. The surplus projection is expected to continue to shift as revenue forecasts are updated and the Province continues to put the surplus to work for people. Final numbers will be released through Public Accounts. Unspent funds remaining at the end of the fiscal year will be used to pay down provincial debt to create more fiscal capacity for future spending and programs.

Initiatives funded through supplementary estimates include:

- \$1 billion for the Growing Communities Fund;
- \$500 million to support BC Ferries fare affordability;
- \$450 million for Critical Community Infrastructure funding;
- \$160 million for food security initiatives;
- \$150 million for the BC Cancer Foundation;
- \$150 million for local, Indigenous, and remote communities to get ready for Next Generation 911 services;
- \$100 million for a watershed security fund;
- \$75 million to accelerate existing reconciliation agreements with First Nations; and
- \$45 million for public libraries to support accessibility, inclusion and reconciliation, and respond to rising costs and growing demand for services. This includes opportunities for libraries to improve access to books and digital collections, programs, technology and operating hours

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