

BUDGET 2009 - Update FACTS AND FIGURES

Budget Update 2009 was presented as “Protecting Vital Services, Building for the Future.”

Revenue

Provincial revenue has been decimated showing a \$3.9 bn drop over the three years of the fiscal plan, \$2 bn of this decline is for 2009/10 alone. In 2009/10 BC saw over \$1 bn wiped from the provincial books through a collapse in personal and corporate income tax with another \$1 bn lost from natural resource revenues.

Deficit

The deficits are lower than many had forecast at \$2.775 bn in 2009/10, \$1.725 bn in 2010/11, \$945 million in 2011/12 and \$140 million in 2012/13. The province has forecast that 2013/14 will see BC return to balanced budgets.

The province have committed that once the province returns to surplus every surplus dollar will be directed to eliminate the direct operating debt that is incurred as a result of operating a deficit.

Growth

In 2008 BC’s GDP contracted by 0.3%, in 2009 it is expected to contract by 2.9% then to return to growth in 2010 with projections of 1.9% and 2.7% in 2011.

	2009	2010	Average 2011-2013
BC’s real GDP % change			
Ministry of Finance	-2.9	1.9	2.7
Economic Forecast Council	-2.3	2.5	3.1

HST

Budget Update 2009 provided no significant announcements on HST but did contain 2 new measures intended to mitigate the impact on the public, these were;

- Basic personal income tax credit increased to \$11,000 from \$9,373 effective January 1, 2010. This represents an increase of 17% and now means that anyone earning an income of \$118,000 or less will pay the lowest personal income tax rates in Canada, up from \$116,000; and
- Full provincial rebate for residential energy.

Some clarification was offered around treatment of municipalities who will receive a 75% rebate on the BC portion of HST. In the case of charities and eligible non-profits the rebate will be 57%.

Transition revenue will be spread over 3 years, \$750 million in 2009/10, \$374 million in 2010/11 and \$475 million in 2011/12.

Tourism Funding

Following the announcement to fold Tourism BC back into the Ministry concern was raised that this would lead to a reduction in funding provided to the organization for marketing. Budget update 2009 does contain revenue for Tourism BC that is commensurate with the level of funding that would be provided under the Hotel Tax model.

Further to this Budget Update 2009 also confirmed the government's commitment to maintain the Additional Hotel Tax funding model for regional DMO's for one year following the introduction of HST as an alternative funding model is developed.

Spending commitments

The only 'winner' in terms of spending remains health which will see a 17% increase over three years, seeing spending rise from \$13.3 bn to \$15.7 bn. As part of the funding formula MSP premiums will increase for the first time since 2002, rising by about 6%.

Healthcare continues to be seen as untouchable in terms of increased funding with no reform our measureables for the increased funding. The Chamber maintains its concern that without significant reform such rises are simply unsustainable.

Education has also seen its funding levels 'protected' with funding to remain at the same level in terms of funding per student.

Under the heading "Supporting Communities" the government has committed an additional \$253 million in additional funding to the following initiatives;

- \$32 million for expedited infrastructure projects in partnership with the federal government under the Build Canada Fund (this is in addition to the \$150 million previously committed);
- \$50 million to stimulate additional commitments from the federal government under the Infrastructure Stimulus Fund
- \$31 million to settle the Maa-nulth Final Treaty; and
- \$39 million in one-time funding for marketing strategies across Canada and the US, focused on the opportunity presented by the 2010 games.

BC's Fiscal situation

(millions)	2008/09		Budget Estimate 2009/10	Plan 2010/11	Plan 2011/12
	Budget	Actual			
Revenue	38,490	38,328	37,608	38,845	41,072
Expenses	(37,690)	(38,250)	(40,133)	(40,320)	(41,767)
Surplus (deficit)	50	78	(2,775)	(1,725)	(945)

Debt

(millions)	2008/09		Budget Estimate 2009/10	Plan 2010/11	Plan 2011/12
	Budget	Actual			
Government direct operating	7,408	6,455	8,250	10,071	10,512
Taxpayer Supported	27,741	26,446	30,593	34,984	37,279
Total provincial debt	37,743	38,014	42,332	48,461	52,754
Debt to GDP ratios					
Government direct operating	3.7%	3.2%	4.4%	5.1%	5.1%
Taxpayer supported	14.0%	13.3%	16.2%	17.9%	18.1%
Total provincial	19.0%	19.1%	22.4%	24.8%	25.7%

Risks

- A more severe and prolonged US recession
- A higher than forecast Canadian dollar
- Slower than expected global demand reducing demand for BC exports