

BUDGET 2009 FACTS AND FIGURES

Budget 2009 was presented as “Builds Stability, Confidence For the Future.”

One of the strong features of Budget 2009 is on the strong record of fiscal management in BC. This focus is in keeping with the direction of Budget 2009 which indicates that BC’s recession will be short with recovery coming in 2010 and seems to suggest that given our solid fiscal footing the economy is well positioned to weather this storm.

With this in mind it is not surprising that in an election year the focus of Budget 2009, certainly in terms of spending initiatives, is firmly on social programs such as education, health and social programs.

BC’s Fiscal situation

(millions)	2007/09				
	Budget	Updated Forecast	Budget Estimate 2009/10	Plan 2010/11	Plan 2011/12
Revenue	38,490	38,455	38,812	39,795	41,182
Expenses	(37,690)	(38,405)	(39,307)	(40,040)	(41,182)
Surplus (Deficit) before forecast allowance	800	50	(495)	(245)	-
Forecast Allowance	(750)	-	-	-	-
Surplus (Deficit)	50	50	(495)	(245)	-
Capital spending:					
Taxpayer-supported capital spending	3,859	4,133	4,746	4,650	3,382
Total capital spending	5,766	5,951	6,945	7,155	5,924
Provincial Debt:					
Government direct operating debt	7,408	6,437	6,847	7,104	7,074
Taxpayer-supported debt	27,741	27,692	30,213	32,392	34,078
Total debt	37,741	37,487	40,471	44,203	47,215
Government direct operating debt-to-GDP ratio	3.7%	3.2%	3.5%	3.4%	3.3%
Taxpayer-supported debt-to-GDP ratio	14.0%	13.8%	15.2%	15.7%	15.8%
Total debt-to GDP ratio	19.0%	18.7%	20.4%	21.4%	21.8%

Growth

	2008	2009	2010	2011-13
BC's real GDP % change				
Ministry of Finance	1.0	-0.9	2.4	2.6
Economic Forecast Council	1.3	0.0	2.8	2.6

Government Expenditure

Government has dramatically cut government spending in a number of areas to offset declining revenue. This is focused on;

Travel	-22%
Contacted professional services	-23%
Office and business services	-8%
Advertising	-76%
Operating equipment and vehicles	-9%
Discretionary grants	-7%

In addition all Ministries with the exception of Children and Family Development; Education; Health Services; Healthy Living and Sports; Housing and Social Development and Transportation and Infrastructure will face cuts in their Budgets.

These measures represent a saving of \$1.9 bn over 2009/10 – 2011/12 with a commitment to find an additional \$250 million in savings.

New commitments

Budget 2009 focuses on increased expenditure in three primary areas, protecting health care, increased education and sustaining social services. These increases in funding are combined with a requirement that each of these areas will be required to find cost savings.

Health care

Budget 2009 commits to maintaining the increases in health care spending of \$3.9 bn over 3 years allocated in Budget 2008 while also committing an additional \$920 million in 2011/12 as well as \$25 million in 2009/10 for the Lower Mainland Innovation and Integration Fund.

Healthcare funding represents fully 90% of all new spending the three year fiscal plan laid out in Budget 2009 and now stands at \$17.5 bn (with total government expenditure standing at just over \$41 bn)

Collectively health authorities will be required to achieve administrative savings of \$25 million per year, representing approx. 2% of health authorities' admin and support service costs. Each dollar saved will be redirected to patient care.

Post-Secondary Education

Budget 2009 will see an increase of \$244 million in operational spending;

- \$165 million to further enhance access
- \$40 million to expand health education opportunities
- \$23 million in 2010/11 to fulfill the commitment to increase the number of doctors
- \$16 million to support immigrant workers –

Collectively public post-secondary education institutions will be required to achieve admin savings of \$11 million per year. It is expected that these savings will be redirected to education and training in these institutions.

K12

Budget 2009 will see funding remain stable that given falling enrolment numbers represents an increase in per-pupil funding (no specific figures provided)

Collectively school districts will be required to achieve admin savings of \$12 million per year. It is expected that these savings will be redirected to the classroom.

Social Spending

Budget 2009 directs \$110 million over 3 years for priority programs and services;

- \$47 million to support children in care and for preventative and family support services
- \$25 million for the child care subsidy program
- \$38 to support families and children with special needs

\$73 million for programs for adults with developmental disabilities and their families.

\$110 million for increased income assistance

Infrastructure

Budget 2009 announced \$14 bn in infrastructure investment. This investment represents \$3.4 bn in new spending, \$2 bn for accelerated infrastructure spending and \$1.4 bn in grants to communities for infrastructure. The remaining \$10.6 represents existing spending commitments in the provincial government's capital plan.

Budget 2009 states that this funding will create 88,000 new construction jobs.

Full details on the projects included in the governments infrastructure plan can be found on page 33 onwards.

Supporting Communities

- \$6 million over 3 years to support the strategic development of shale and tight gas
- \$20 million (\$5 in 2008/9 and \$15 in 2009/10) on resource road maintenance (mainly forest service roads) near remote BC communities
- \$30 million in 2009/10 to support community adjustment and job creation in rural BC
- \$50 million for Towns for Tomorrow
- \$20 million in 2008/09 for local road maintenance and rehabilitation

As part of an ongoing efforts to restructure local government funding arrangements \$151 million will be provided to local governments in 2008/09 to support local government priorities

Public Sector Pay

The Budget contains no funding for annual wage increases in the next round of public sector bargaining

Risks

- A protracted recession or low growth in the US
- Reduced global demand for BC exports
- Continued turmoil in global financial markets
- Low commodity prices
- Spending pressures

Chamber is also concerned with the lack of flexibility in the plan given the lack of forecast allowance (which is expected in a deficit situation) that means that if any of the governments projections regarding tax revenue (either personal or corporate) are wrong we will run a deficit beyond the two years.

Carbon Tax

Budget 2009 will increase to \$15 per tonne effective July 1, 2009.

However, Budget 2009 does introduce several new measures;

- Increase in low income climate action tax credit by 10% to \$115.50 per adult and \$34.50 per child, effective July 1, 2011
- A new Northern and Rural Homeowner benefit of up to \$200 beginning in 2011
- Increase in the Industrial Property Tax Credit to 60% from 50% beginning in 2011

- Reduce school property taxes for farm land by 50%, beginning in 2011

These new measures do not represent a shift in the measures already in place to return carbon tax to British Columbians, in fact these new measures will mean that the government returns \$194 million more to BC than is collected through the tax.

Conclusion

Budget 2009 cannot be viewed in isolation of the 10 point Economic Plan announced in October and the Throne Speech announced on February 16, 2009.

The 10 point plan included a number of taxation measures that has ensured BC has extremely competitive tax rates at the personal (for incomes below \$111,000 BC has the lowest personal income tax rate), small business rates which will be 2.5% by 2011 and a corporate tax rate that will be the 10% by 2011.

These measures, combined with significant reductions in regulation mean that we are well positioned to weather these difficult times. Indeed, it could be said that if you want to be anywhere in North America you want to be in Canada and further, if you want to be anywhere in Canada you want to be in BC.

Despite the strength of BC's fiscal position as a small, open trading jurisdiction BC is not immune to the turmoil of what is a deep global recession. Indeed, whether it is job losses, falling exports, or the continuing challenges facing our largest trading markets BC is facing a difficult year in 2009 which will see the crisis getting worse rather than better.

The Throne Speech, while thin on specifics, laid out a vision that recognises that in difficult times we must look to the future with a new vision and with a renewed focus on what are the future opportunities, not what has been. When we come out of this recession (and we will) we must be looking to build a foundation for the next generation economy. The Throne Speech certainly focuses on many of the areas that present BC with unique opportunities, whether it is our growing role as an International Finance Centre, opportunities from hospitality (convention centres etc), cultural, film, tech, or our role as the Gateway to Asia Pacific the possibilities for BC are significant.

To take advantage of these opportunities BC needs to continue to focus on the economy. If this crisis has taught us one thing it is that government's fundamental responsibility is to ensure a robust fiscal foundation that provides business with a basis to exploit new opportunities. To do this requires focus and a long term vision and plan, the chamber will be working with government to ensure this is place to ensure that as we come out of recession we do so with a clear vision for a vibrant, innovative economy.