

## **BUDGET 2011 BACKGROUNDER – FACTS AND FIGURES**

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### **Budget 2011 - the ‘status quo’ Budget.**

The Finance Minister today released a budget that was billed as a ‘status quo’ Budget, providing maximum flexibility to the new premier. Budget 2011 was also billed as continuing the government’s commitment to fiscal prudence and returning to balanced budgets while protecting the core areas of health care, education and social services.

#### **Key Messages**

- We are pleased to see that the Budget continues us on a path to balanced budgets by 2014.
- The key drivers of the recovery in provincial finances are a combination of controlling public spending and strengthening economic conditions.
- Budget 2011 gives flexibility to the next premier by ensuring significant revenue could be available for new spending initiatives
- Whoever is the next Premier must ensure that these key drivers are maintained

#### **Growth**

As has been the case in previous years the government growth projections are lower than those of the independent Economic Forecast Council.

	<b>2011</b>	<b>2012</b>	<b>2013</b>
Economic Forecast Council	2.7	3.0	2.8
Ministry forecasts	2.0	2.6	2.7

#### **Risks**

The economic risks identified by the government are largely focused on the continued uncertainty surrounding global economic activity. These are;

- Continued weakness in the US
- European debt crisis
- Slower than anticipated global demand
- Greater than anticipated moderation in the Canadian housing market
- A sudden rise in the value of the loonie

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In addition the government have also identified several risks to the fiscal plan that are focused on potential changes in factors that government does not directly control. These are;

- Potential changes to Crown Corporation revenue
- Potential changes to federal transfer programs and to federal tax policy
- Utilization rates for government services such as health care

One risk that is not addressed is the impact on government revenue of a removal of the HST.

### Prudence

To mitigate these risks the government built in 3 levels of prudence. These are;

- The lower growth projections of the Ministry (higher growth results in additional revenue)
- Contingencies of \$600 million in 2011/12 and \$450 million in each of 2012/13 and 2013/14
- A forecast allowance of \$350 million in each of the 3 years of the fiscal plan

### Revenue Outlook

With a status quo budget the focus has been on providing the government the spending authority to manage the provincial books for the coming year rather than on new spending initiatives.

	<b>2011</b>	<b>2012</b>	<b>2013</b>
Revenue	41,337	42,446	44,091
Expense	(41,912)	(42,536)	(43,566)
Surplus (deficit)	(925)	(440)	175

Budget 2011 saw a significant reduction in the level of debt over the forecast in Budget 2010. Budget 2010 forecast a deficit of \$1,715 billion but the actual deficit is \$1,265 billion.

Revenue is expected to grow on average 3.4% over the next few years with expenses increasing by an average of 25 over the same period.

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### Spending

The Budget did announce new program spending in 2 areas;

- \$605 million to the Ministry of Health in 2013/14
- \$65 million over 3 years to the Ministry of Social Development for income assistance for individuals and families in need.

### Debt

After an increase in all levels of debt during the recession Budget 2011 shows a return to reduction in the debt to GDP ratio. The Chamber remains concerned by the increase in the increased in taxpayer supported debt.

	2011	2012	2013
Direct operating debt	8,763	9,267	8,599
Taxpayer-supported debt	36,816	39,162	40,500
<b>Total debt (incl forecast allowance)</b>	<b>53,437</b>	<b>57,572</b>	<b>60,355</b>
<b>Taxpayer-supported debt-to-GDP ratio</b>	<b>17.5%</b>	<b>17.8%</b>	<b>17.5%</b>