MINISTER'S STAFF (CATEGORY B) SALARY SCHEDULE

ANNUAL, BI-WEEKLY AND HOURLY RATES
EFFECTIVE APRIL 1, 2013

Classification Title	Class Code	NOC	Grid Level	Step	Annual	Bi-weekly	Hourly

SALARY PLAN = OEX BARGAINING UNIT CODE = 0

Classification Title	Class Code	NOC	Grid Level	Step	Annual	Bi-weekly	Hourly
Administrative Officer R14	351501		14	1	43,243.54	1,657.52	23.6789
				2	44,483.82	1,705.06	24.3580
				3	45,765.59	1,754.19	25.0599
				4	47,089.88	1,804.95	25.7850
				5	49,066.67	1,880.72	26.8674
Administrative Officer R18	351503		18	1	48,458.00	1,857.39	26.5341
				2	49,872.83	1,911.62	27.3089
				3	51,334.09	1,967.63	28.1090
				4	52,844.14	2,025.51	28.9359
				5	55,111.82	2,112.43	30.1776
Clerk R9	351103		09	1	37,617.38	1,441.87	20.5981
				2	38,670.86	1,482.25	21.1750
				3	39,758.01	1,523.92	21.7703
				4	40,881.93	1,567.00	22.3857
				5	42,561.82	1,631.39	23.3056
Clerk R11	351104		11	1	39,758.01	1,523.92	21.7703
				2	40,881.93	1,567.00	22.3857
				3	42,043.69	1,611.53	23.0219
				4	43,243.54	1,657.52	23.6789
				5	45,035.87	1,726.22	24.6603
Clerk R14	351105		14	1	43,243.54	1,657.52	23.6789
				2	44,483.82	1,705.06	24.3580
				3	45,765.59	1,754.19	25.0599
				4	47,089.88	1,804.95	25.7850
				5	49,066.67	1,880.72	26.8674
Clerk Stenographer R9	353103		09	1	37,617.38	1,441.87	20.5981
				2	38,670.86	1,482.25	21.1750
				3	39,758.01	1,523.92	21.7703
				4	40,881.93	1,567.00	22.3857
				5	42,561.82	1,631.39	23.3056
Clerk Stenographer R11	353104		11	1	39,758.01	1,523.92	21.7703
				2	40,881.93	1,567.00	22.3857
				3	42,043.69	1,611.53	23.0219
				4	43,243.54	1,657.52	23.6789
				5	45,035.87	1,726.22	24.6603
Clerk Stenographer R14	353105		14	1	43,243.54	1,657.52	23.6789
				2	44,483.82	1,705.06	24.3580
				3	45,765.59	1,754.19	25.0599
				4	47,089.88	1,804.95	25.7850
				5	49,066.67	1,880.72	26.8674

MINISTER'S STAFF (CATEGORY B) SALARY SCHEDULE

ANNUAL, BI-WEEKLY AND HOURLY RATES
EFFECTIVE APRIL 1, 2013

Classification Title	Class Code	NOC	Grid Level	Step	Annual	Bi-weekly	Hourly
SALARY PLAN = OEX BARGAINING UNIT CODE = 0							
Communications Officer R18	351533		18	1	48,458.00	1,857.39	26.5341
				2	49,872.83	1,911.62	27.3089
				3	51,334.09	1,967.63	28.1090
				4	52,844.14	2,025.51	28.9359
				5	55,111.82	2,112.43	30.1776
Office Assistant R7	351052		07	1	35,613.46	1,365.06	19.5009
				2	36,599.64	1,402.86	20.0409
				3	37,617.38	1,441.87	20.5981
				4	38,670.86	1,482.25	21.1750
				5	40,244.31	1,542.56	22.0366

MINISTRY PROFILE
Office of the Premier

The Office assists the Premier in overseeing and leading the government as a whole. In addition, it supports the Cabinet decision-making process. The Office:

- Articulates government's goals, commitments and priorities and works with ministries and Crown agencies to ensure communication of those goals, commitments and priorities and to track and monitor implementation of them;
- Leads the public service;
- Provides support for the operations and decision-making processes of Cabinet and its Committees; and
- Works directly with the federal government and with all ministry and Crown agencies to ensure that relations with federal, provincial, territorial and international governments advance British Columbia's interest.

Office of the Chief of Staff

The Premier's political office is overseen by the Premier's Chief of Staff and is made up of three components: the political office, the Scheduling Branch and the Correspondence Branch.

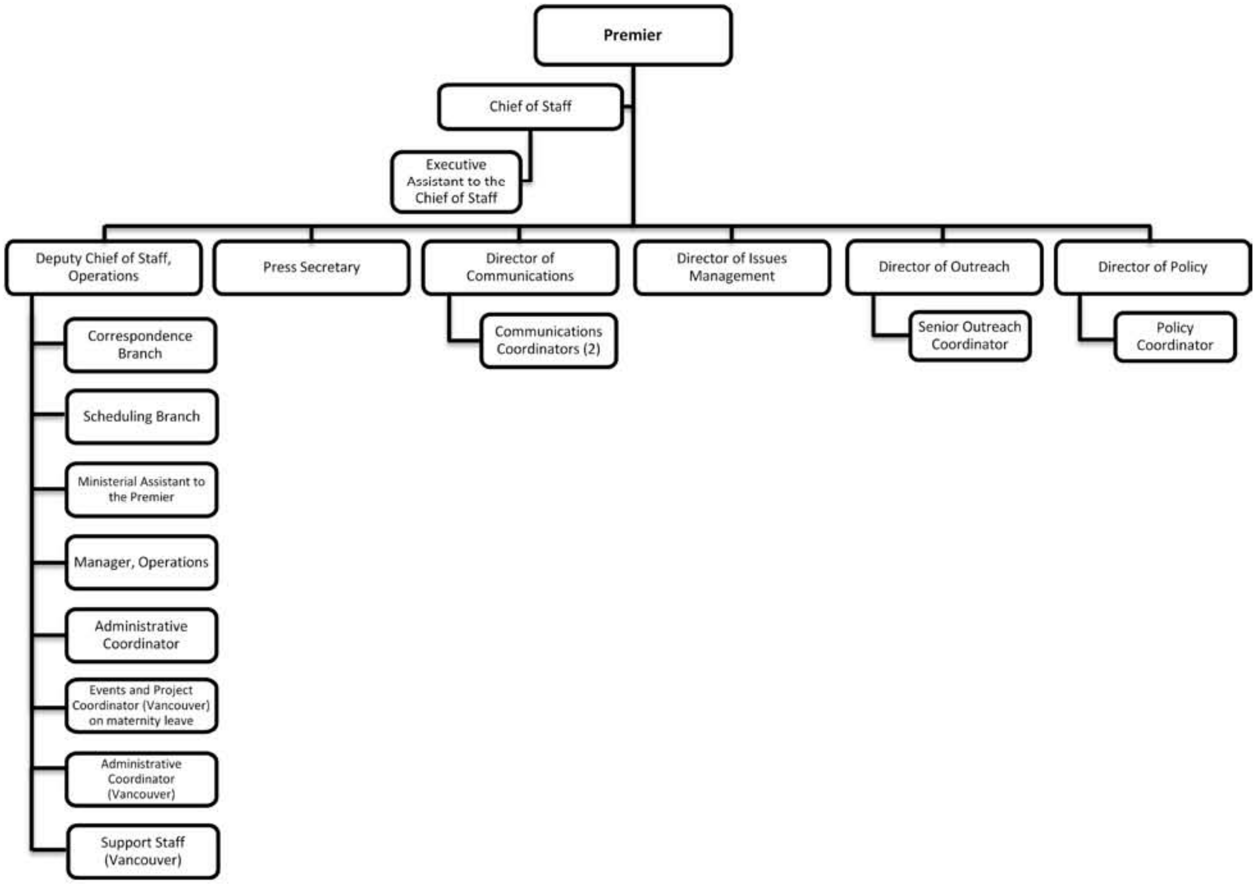
The office is responsible for managing the day-to-day operations of the Premier, coordinating cross-government communications and issues management, and developing the strategic objectives of government.

Office of the Deputy Minister to the Premier

The Deputy Minister to the Premier (DM) is responsible to the Premier for ensuring the efficiency of the machinery of government, maintaining the overall functions of the public service, leading the development and implementation of key policy initiatives, and overseeing the provincial budget. The Deputy Minister also serves as the Cabinet Secretary and the Head of the Public Service.

The Deputy Minister's Office (DMO) supports the Deputy Minister to the Premier in his roles and provides a co-ordination function between government ministries, agencies, crown corporations and Cabinet. Currently there are five staff supporting the Deputy Minister to the Premier.

Office of the Premier

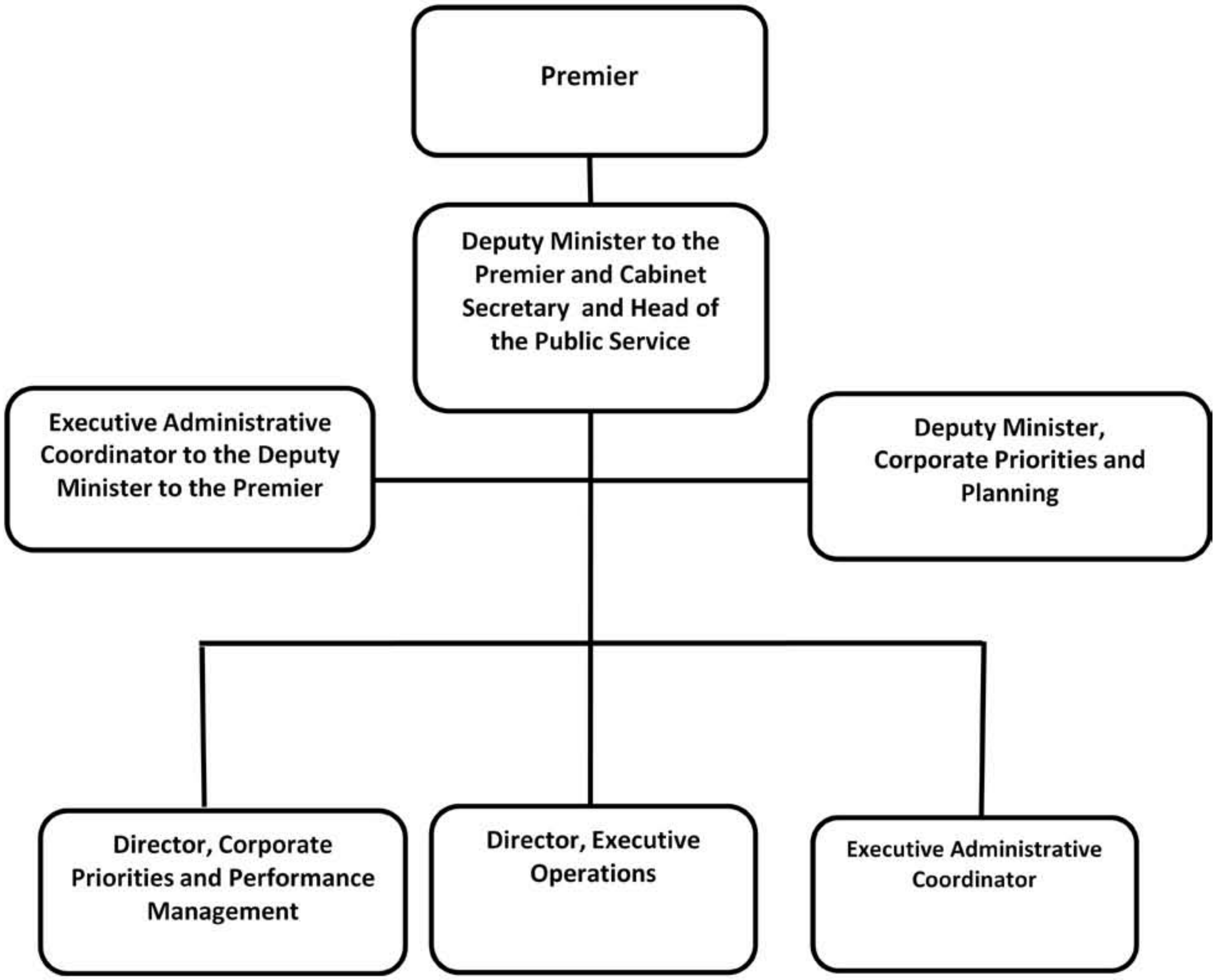


Executive and Support Services

- ***Premier's Office – Executive Branch (includes Correspondence and Scheduling)***

STOB	Description	2012/13 Annual Budget	2013/14 Annual Budget	$ Variance	Comments
50	Base Salaries and Overtime	2,140,000	2,123,000	(17,000)	Moved to Stob 52
51	Supplementary Salary Costs	5,000	5,000	0	
52	Employee Benefits	538,000	555,000	17,000	Benefits increased April 1
54	Legislative Salaries/Indemnities	108,000	108,000	0	
57	Employee Travel	222,000	222,000	0	
59	Shared Srv – Legal Services	0	0	0	
60	Professional Services	10,000	10,000	0	
63	Information Systems	37,000	37,000	0	
65	Office Expenses	76,000	76,000	0	
67	Advertising	0	0	0	
69	Utilities, Materials and Supplies	0	0	0	
70	Operating Equipment	1,000	1,000	0	
73	Amortization	2,000	2,000	0	
75	Building Occupancy Costs	0	0	0	
77	Grants	0	0	0	
85	Other Expenses	92,000	92,000	0	
88	Internal Recoveries	0	0	0	
89	Recoveries within Govt Reporting Entity	0	0	0	
90	External Recoveries	0	0	0	
	Total	**3,231,000**	**3,231,000**	0	

Office of the Deputy Minister to the Premier



EXECUTIVE MEMBER BIOGRAPHIES

S22

John Dyble
Deputy Minister to the Premier
Cabinet Secretary and Head of the Public Service

S22

Neil Sweeney
Deputy Minister, Corporate Priorities and Planning
Office of the Premier

S22

Elizabeth MacMillan
Deputy Cabinet Secretary and Assistant Deputy Minister
Cabinet Operations, Office of the Premier

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Executive and Support Services

- **Deputy Minister's Office (includes Cabinet Operations and Vancouver Cabinet Office)**

STOB	Description	2012/13 Annual Budget	2013/14 Annual Budget	$ Variance	Comments
50	Base Salaries and Overtime	2,119,000	2,103,000	(16,000)	Moved to Stob 52
51	Supplementary Salary Costs	25,000	25,000	0	
52	Employee Benefits	522,000	538,000	16,000	Benefits increased April 1
54	Legislative Salaries/Indemnities				
57	Employee Travel	112,000	112,000	0	
59	Shared Srv – Legal Services	56,000	56,000	0	
60	Professional Services	41,000	41,000	0	
63	Information Systems	64,000	64,000	0	
65	Office Expenses	152,000	152,000	0	
67	Advertising				
69	Utilities, Materials and Supplies	5,000	5,000	0	
70	Operating Equipment	24,000	24,000	0	
73	Amortization	10,000	10,000	0	
75	Building Occupancy Costs				
77	Grants	1,000	1,000	0	
85	Other Expenses	193,000	192,000	(1,000)	
88	Internal Recoveries	(2,000)	(1,000)	1,000	
89	Recoveries within Govt Reporting Entity	(1,000)	(1,000)	0	
90	External Recoveries	0	0	0	
	Total	**3,321,000**	**3,321,000**	0	

Cabinet Operations, Office of the Premier

ADM Responsible: Elizabeth MacMillan

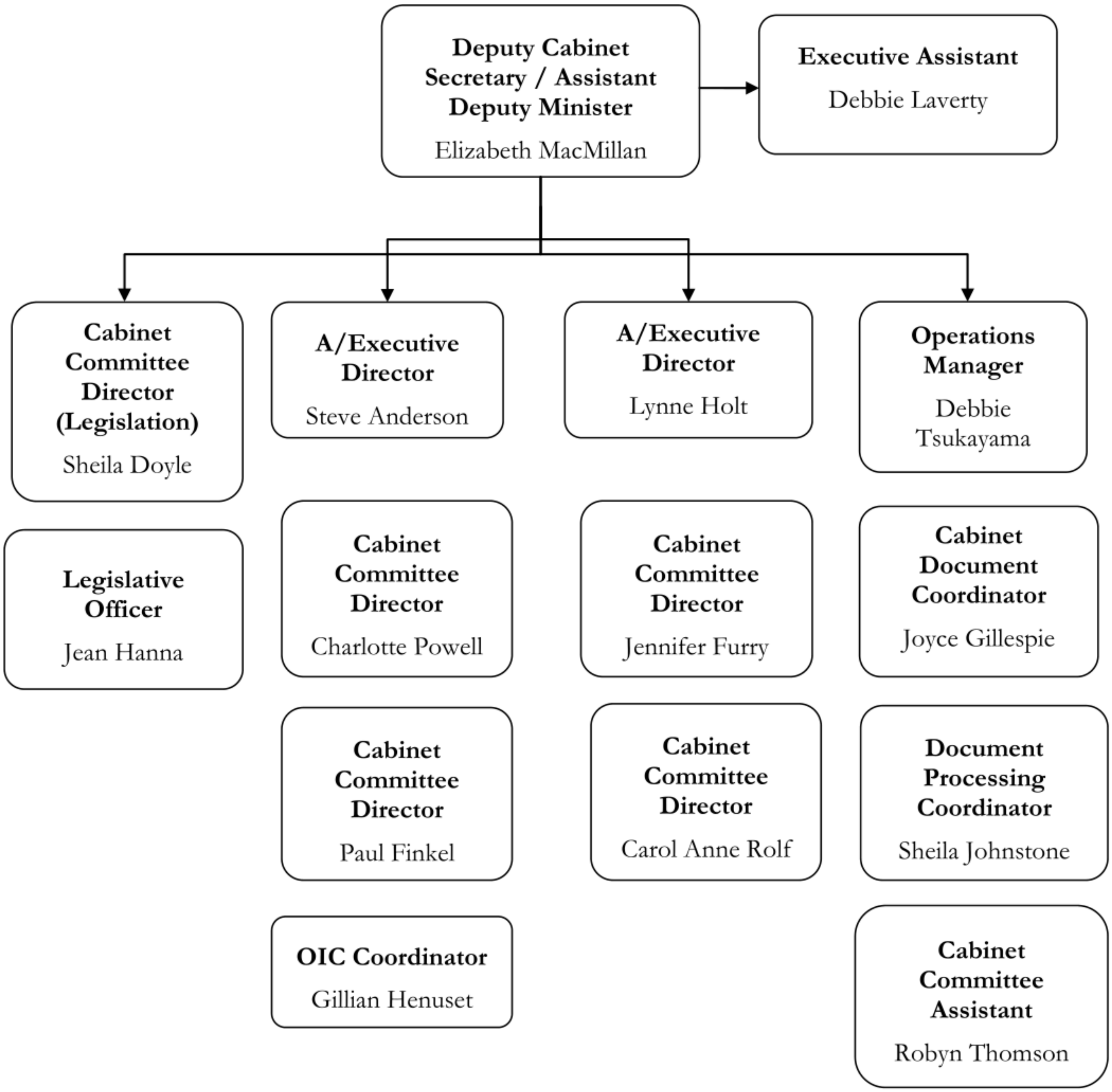
Cabinet Operations is a non-partisan secretariat for Cabinet and its committees.

Cabinet Operations:

- Provides advice to the Cabinet Secretary on the development of Cabinet and committee agendas.
- Coordinates legislative development, including regulations and Orders in Council.
- Assists ministries to schedule submissions for review and provides advice on appropriate format and content.
- Schedules and manages logistics for all Cabinet and Cabinet committee meetings (except Treasury Board).
- Distributes Cabinet and committee materials to members and maintains records.
- Prepares, distributes, and maintains records of Cabinet and Committee meeting minutes.
- Coordinates the preparation of Service Plans and Annual Service Plan Reports.
- Provides recommendations on FOI requests regarding the application of s.12 (Cabinet confidences).

Cabinet Operations is also responsible for providing advice and support to ensure continuity of government operations during transition.

CABINET OPERATIONS



MINISTRY PROFILE

Ministry: Intergovernmental Relations Secretariat (IGRS), Office of the Premier

Ministry Mandate:

There are few issues in public policy that do not cross jurisdictional lines, and few instances in which the actions of one government do not affect other governments and their citizens.

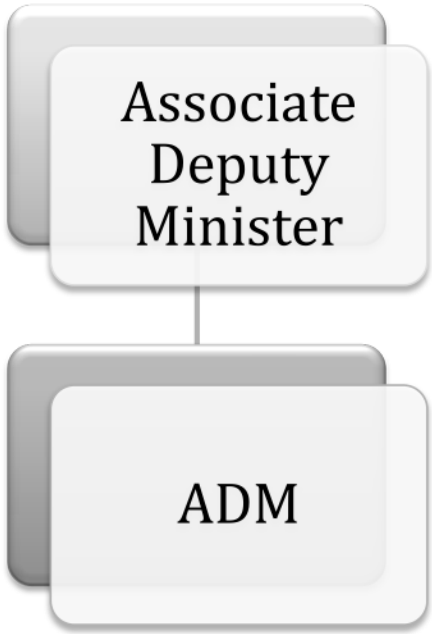
The mandate of Intergovernmental Relations Secretariat (IGRS) is to provide advice and support for policy, negotiations, and communications for the Premier's engagement with heads of governments, and to coordinate the intergovernmental activities within the government to make sure positions are coherent and unified. IGRS supports other Ministries' initiatives and policies that British Columbia cannot achieve alone, or could be performed better by working with other jurisdictions. IGRS also manages the Government's ceremonial, protocol and diplomatic activities. To advance BC's interests, IGRS's role includes pursuing a constructive, pragmatic approach with the federal government; coordinating BC's participation in strategic groupings of jurisdictions (e.g., Western Premiers' Conference; BC-Washington State; the Pacific Coast Collaborative which includes BC and U.S. coastal jurisdictions, the Pacific Northwest Economic Region; the New West Partnership); and establishing government-to-government relations as a foundation for relations with foreign governments and sister-province relationships. The latter is critical and often a pre-requisite when planning and executing BC's missions abroad. IGRS participates in intergovernmental negotiations leading up to the Council of the Federation meetings, ensures that BC's interests are represented in defining the agendas, and creates strategic alliances, as required, to influence the direction of policies or programs that affect the province as a whole. Success in gaining national support for British Columbia's priorities or in shaping the national or international agenda is built on relationships and consensus achieved through agreements on shared interests or shared outcomes. The Secretariat is also responsible for the Francophone Affairs Program which is governed by a federal-provincial cooperation agreement on Official Languages.

The Secretariat includes the Office of Protocol which is responsible for relations with the Diplomatic and Consular Corps. The Office of Protocol is responsible for over one hundred incoming missions to BC; it also supports the swearing-in, opening of the Legislature, and some awards and ceremonies such as the BC Public Service Long Service Awards, the Oath of Employment ceremonies, and the Order of British Columbia. IGRS is responsible for the *Provincial Symbols and Honours Act*.

Budget: 2012/13 $ 2.456 million

Full Time Equivalents (FTEs): 26

Executive Organizational Chart:



EXECUTIVE MEMBER BIOGRAPHY

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Pierrette Maranda

Associate Deputy Minister –Intergovernmental Relations Secretariat

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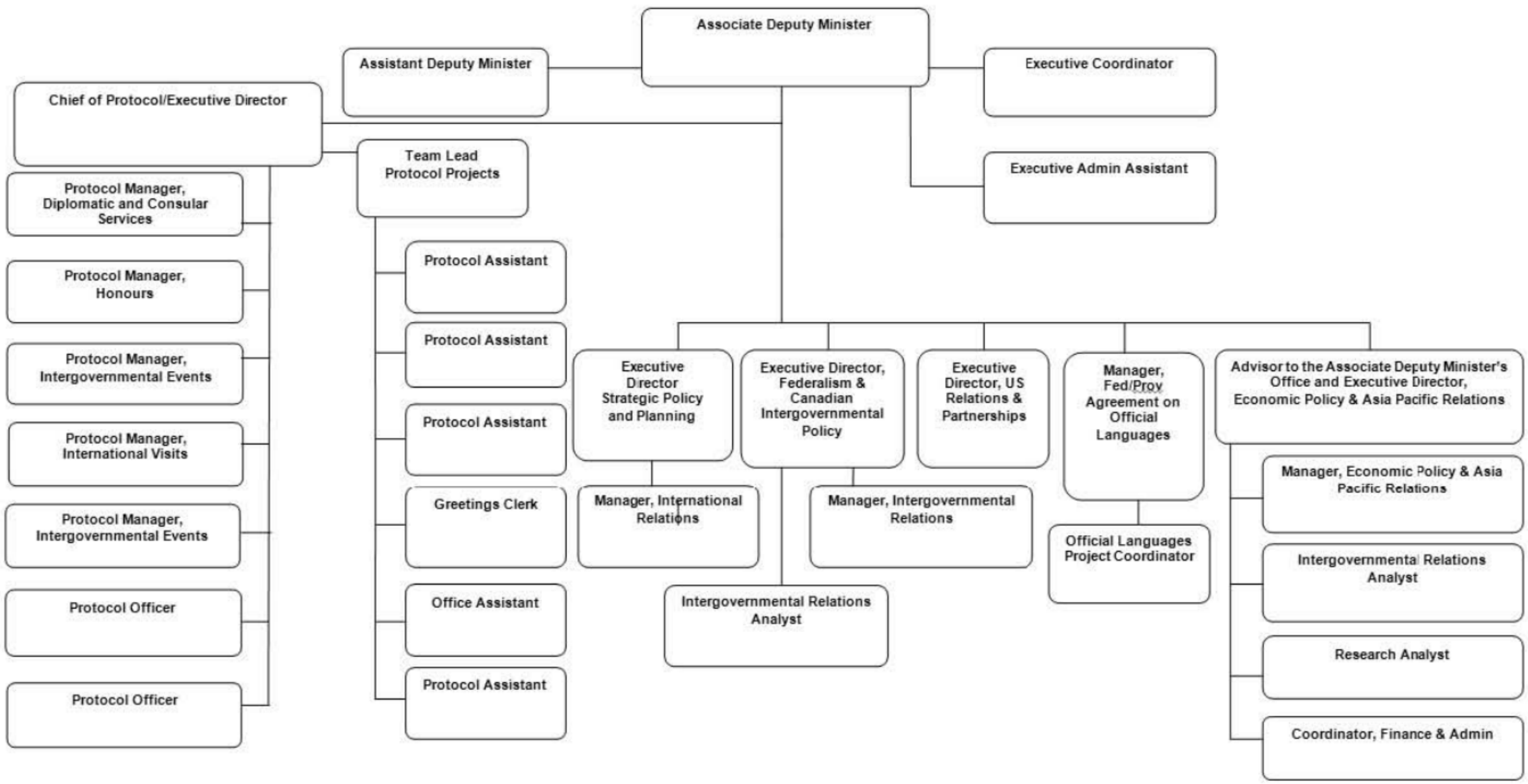
INTERGOVERNMENTAL RELATIONS SECRETARIAT
Organization Chart (March 2013)



Francophone Affairs Program
Stakeholders - Executive Directors
Apr-13

Prefix	FirstName	LastName	Organization	Telephone	email	Address	City	PCode
Mme	Marie-Andrée	Asselin	Fédération des parents francophones de C.-B	604 736-5056	maasselin@fpfcb.bc.ca			
Mme	Marie-Andrée	Asselin	Fédération des parents francophones de C.-B	604 736-5056	maasselin@fpfcb.bc.ca			
M.	Jean-Sébastien	Attié	Alliance Française	604 327-0201	info@alliancefrancaise.ca			
Mme	Cécile	Barbier	L'Agence francophone pour l'accueil des Agence francophone pour l'accueil des immigrants	604 630-0316	coordinationafai@vivreencb.ca		S22	
Mme	Denise	Branter	Assemblée Francophone des Retraîtés et Aînés de la C.-B.	250 592-7388	S22			
Mme	Prudence-Elise	Breton	Association des Francophones des Kootenays Ouest	250 352-3516	S22			
Mme	Claire	Carlin	University of Victoria - Département de Français	250 721-7366	ccarlin@uvic.ca			

M.	Pierre	Claveau	Conseil Scolaire Francophone de la C.-B.	604 214-2617	pclaveau@csf.bc.ca	
Mme	Julie	Cormier	The Society of Friends of Saint Ann's Academy	250 953-8820	info@friendsofstannsacademy.com	
Mme	Linda	Cosentino	Club Bon Accueil de Powell River	604 483-3966	admin@clubbonaccueil.com	
Mme	Camille	Côté-Marcil	Centre culturel français de l'Okanagan	250 860-4074	directiongenerale@leccfo.org	
M.	Donald	Cyr	Société de développement économique de la C.-B.	604 732-3534	dcyr@sdecb.com	
Mme	Diane	Dessureault	Association des Francophones et francophiles du Nord-Ouest de la C.-B.	250 632-6542	affno@citywest.ca	S22
Mme	Johanne	Dumas	Société francophone de Maillardville	604 515-7070	info@maillardville.com	
M.	Christian	Francey	La Société Francophone de Victoria	250 388-7350	cfrancey@francocentre.com	
M.	Louis	Giguère	Réso-Santé	604 629-1000	lgiguere@resosante.ca	
Mme	Diane	Hoffmann	Association francophone de Campbell River	250 287-2951	info@afcr.bc.ca	
M.	Craig	Holzschuh	Théatre La Seizième	604 736-2616	directionartistique@seizieme.ca	

Mme	France-Emmanuelle	Joly	Fédération des francophones de la C.-B.	604 732-1420	dg@ffcb.ca
M.	Yvon	Laberge	Collège Éducacentre	604 708-5100	ylaberge@educacentre.com
M.	Tanniar	Leba	La Boussole	604 683-7337	laboussole@lbv.ca
M.	Glyn	Lewis	Canadian Parents for French BC & Yukon	1-800-665-1222	glewis@cpf.bc.ca
M.	Rémi	Marien	Conseil jeunesse francophone de la C.-B.	604 736-6970	direction@cjfcb.com
M.	Jean-Pierre	Martin	La Société Francophone D'Abbotsford et de la Vallée du Fraser	604 615-7475	S22
M.	Sarah	Marty	Conseil culturel et artistique francophone de la C.-B.	604 732-5562	directiongenerale@ccafcb.com
Mme	Sophie	Maurice	Réseau-Femmes Colombie-Britannique	604 736-6912	direction@reseaufemmes.bc.ca
M.	Jean	McRae	ICA	250 388-4728	jmc@icavictoria.org
Mme	Margo	Mercier	Association francophone de Kamloops	250 376-6060	S22
Mme	Shelley	Myhres	St. Ann's Academy National Historic Site	250 953-8829	archives@ssabc.ca
M.	Régis	Painchaud	Vision Ouest Productions	604 876-2294	S22

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mme	Michelle	Rakotonaivo	Association Francophone de Surrey	604 597 1590	info@afsurrey.ca	
M.	Pierre	Rivard	Centre culturel francophone de Vancouver	604 736-9806	pierre.rivard@lecentreculturel.com	
Mme	Fadia	Saad	Société radio communautaire Victoria	250 220-4139	contact@francocentre.com	
Mme	Gisèle	Samson	Association historique de Victoria	250 381-3660	S22	
Mme	Catherine	Tableau	La Maison de la francophonie	604 736-6979	td-exec.dir@lamaison.bc.ca	S22
M.	Joël	Tremblay	Association des Juristes d'Expression Française de la C.-B.	778 373-3929	joel@ajefcb.ca	
Mme	Claire	Trépanier	Bureau des Affaires francophones et Francophiles Université Simon Fraser	778 782-6927	claire_trepanier@sfu.ca	
Mme	Renée	Trépanier	Cercle des Canadiens-Français de Prince George	250 561-2565	S22	

INTERGOVERNMENTAL RELATIONS SCRETARIAT (IGRS)

Primary Stakeholders, Clients and Interlocutors

IGRS is a central agency serving first and foremost the Premier, Cabinet, Ministries and government agencies. Specifically:

BRITISH COLUMBIA

Premier

BC Cabinet

Lieutenant Governor

Premier's Office

BC ministries and agencies

Order of British Columbia Advisory Council

GOVERNMENT OF CANADA

Prime Minister's Office

Office of Senior Regional Minister for British Columbia (in Vancouver)

Minister of Foreign Affairs and the Department of Foreign Affairs

Minister of Intergovernmental Relations

Minister of Canadian Heritage (responsible for francophone affairs)

Privy Council Office

PROVINCIAL AND TERRITORIAL GOVERNMENTS

Premiers

Ministers responsible for intergovernmental relations (where not held by Premier)

Cabinet Secretaries

Offices of intergovernmental affairs

Council of the Federation Secretariat

UNITED STATES

Governors and Governor's Offices of Washington State, Oregon, California, Alaska, Montana

Pacific Northwest Economic Region and representatives of member governments and private sector

US Ambassador and Embassy in Ottawa

US Consul General and Consulate in Vancouver

Canada's Ambassador and Embassy in Washington, DC

Canadian Consuls General and Consulates in Seattle, San Francisco, Los Angeles and Denver

INTERNATIONAL

Consular corps representatives (i.e. representatives of 83 countries) based in Vancouver

Canadian diplomatic corps (based in Ottawa)

BC sister provinces (Guangdong, China and Gyeonggi, Korea)

International organizations with offices in BC (3)

Taipei Economic and Cultural Office (TECO) in Vancouver

FRANCOPHONE AFFAIRS PROGRAM

See Attached List

CHIEF OF STAFF'S OFFICE

Chalmers, Jennifer	Manager of Operations	Band B
Chin, Ben	Director of Communications	Band E
Dawson, Ken	Director of Policy	Band E
Doyle, Dan P.	Chief of Staff	Band C
Garfinkel,Gabriel	Executive Assistant	Band B
Kay, Maclean	Communications Coordinator	Band B
Kerr, Carleen	Communications Coordinator	Band B
Mills, Shane	Director of Issues Mgmt	Band E
Morton, Mike	Press Secretary	Band E
Ritchie, David	Ministerial Assistant	Band A
Tennant, Laura	Executive Assistant	Band B
Toda, Sarah	Administrative Coordinator	Admin Coord.

PREMIER'S VANCOUVER OFFICE

Bergen, Katherine	Events & Project Coordinator	Band A
Bhullar, Barinder Singh	Senior Outreach Coordinator	Band A
Bremner, Virginia	Support Staff	Clerk R14
Lee, May	Administrative Coordinator	Admin Coord.
Martin, Pamela	Director of Outreach	Band E

CORRESPONDENCE BRANCH

Alexander,Robert	Mail/File Clerk	Clerk R9
Bains, Jasmine	Correspondence Officer	Clerk R14
De Wit, Antoinette	Manager, Correspondence Branch	Band A
Klak, Stephanie	Correspondence Officer	Clerk R14
MacGrotty,Alysia	Correspondence Clerk	Clerk R9
McGaw, Danna	Correspondence Officer	Clerk R14
Pottage,Catherine	Correspondence Clerk	Clerk R9

SCHEDULING BRANCH

Davidson,Tamara	Executive Scheduling Coord.	Band B
McKnight,Valerie	Scheduling Clerk	Clerk R9
Ross,Kara	Scheduling Clerk	AO18

DEPUTY MINISTER TO THE PREMIER OFFICE STAFF

Currently, the DMO includes the following positions:

Deputy Minister to the Premier, Cabinet Secretary and Head of the Public Service

Deputy Minister, Corporate Priorities and Planning

Responsible for providing strategic advice, advancing government initiatives, and supporting the Deputy Minister to the Premier on the management of priority issues.

Director, Corporate Priorities and Performance Management

Responsible for assisting the Deputy Minister to the Premier in all matters affecting his office, in particular coordinating a comprehensive process to ensure executive accountability and the management of highly sensitive issues related to Cabinet and the public service.

Director, Executive Operations

Responsible for administration and operations of the Deputy Minister's Office, overall Premier's Office budget and FOI coordination, human resources and facilities processes for Premier's Office and Ministers' Offices.

Executive Administrative Coordinator

Responsible for managing the Deputy Minister to the Premier's calendar, travel and expenses and providing administrative support as required.

Executive Administrative Coordinator

Responsible for administrative management (accounts payable, FOI tracking, records management, etc.) and providing administrative support to the Deputy Minister, Corporate Priorities and Planning as required.

OFFICE OF THE DEPUTY MINISTER TO THE PREMIER, CABINET SECRETARY AND HEAD OF THE PUBLIC SERVICE

The Deputy Minister to the Premier (DM) is the most senior non-political official in government and provides professional, non-partisan advice to the Premier on all public policy, management and operational issues. The position is complex and broad in scope, and includes three titles: Deputy Minister to the Premier, Cabinet Secretary, and Head of the Public Service.

The DM supports the Premier in her/his role as Head of Government; specifically, he is responsible to the Premier for ensuring the efficiency of the machinery of government, maintaining the overall functions of the public service, leading the development and implementation of key policy initiatives, and overseeing the provincial budget. The DM provides executive leadership for government and plays a key role in building consensus and supporting Deputies in carrying out their multiple accountabilities. The DM chairs Deputy Ministers' Council (and several of its sub-committees) to facilitate cross-agency coordination and to ensure a strategic and corporate-level approach is undertaken on key priorities. The DM oversees the appointments of senior executives for ministries and certain agencies, and all line Deputy Ministers (and some Associate Deputy Ministers) functionally report to the Deputy Minister to the Premier.

The Deputy Minister to the Premier's role also has an important intergovernmental component and he liaises regularly with his counterparts across the country, including the federal Clerk of the Privy Council, and participates in the Federal-Provincial-Territorial (FPT) meetings and the Council of Federation (COF) annually. (This year's FPT meeting is scheduled for July 22-23, 2013 in Toronto followed by COF on July 24-26 at Niagara-on-the-Lake). The Deputy Minister to the Premier is supported in this role by the Intergovernmental Relations Secretariat (IGRS) which is led by an Associate Deputy Minister. IGRS resides within the Office of the Premier and works directly with the federal government and all ministries and Crown agencies to ensure that relations with federal, provincial, territorial and international governments advance British Columbia's interests.

The Cabinet Secretary is responsible for corporate planning and pro-actively sets agendas for Cabinet and Cabinet Committees. The Cabinet Secretary advises on the administrative soundness of proposed policy and legislation. The Cabinet Secretary also liaises with the Lieutenant Governor on matters related to Executive Government and participates in various protocol and ceremonial duties. The Cabinet Secretary is supported in this role by the Deputy Cabinet Secretary.

As the Head of the Public Service, the Deputy Minister is responsible for leading and inspiring the workforce. The DM leads the work of the Corporate Human Resource Plan and the Lean, Innovation and Transformation strategies to achieve ongoing improvements and efficiencies in the delivery of public services.

The Deputy Minister's Office (DMO) supports the Deputy Minister to the Premier in his roles and provides a co-ordination function between government ministries, agencies, crown corporations and Cabinet. It has been described as "the hub of government action as well as the point of convergence of the public service". The organization of the DMO has had varied models in the past; currently it is relatively lean office with five FTEs supporting the Deputy Minister to the Premier - one Deputy Minister, two Directors and two Executive Administrative Coordinators. Staff are Order-in-Council appointments and serve at the pleasure of Cabinet.

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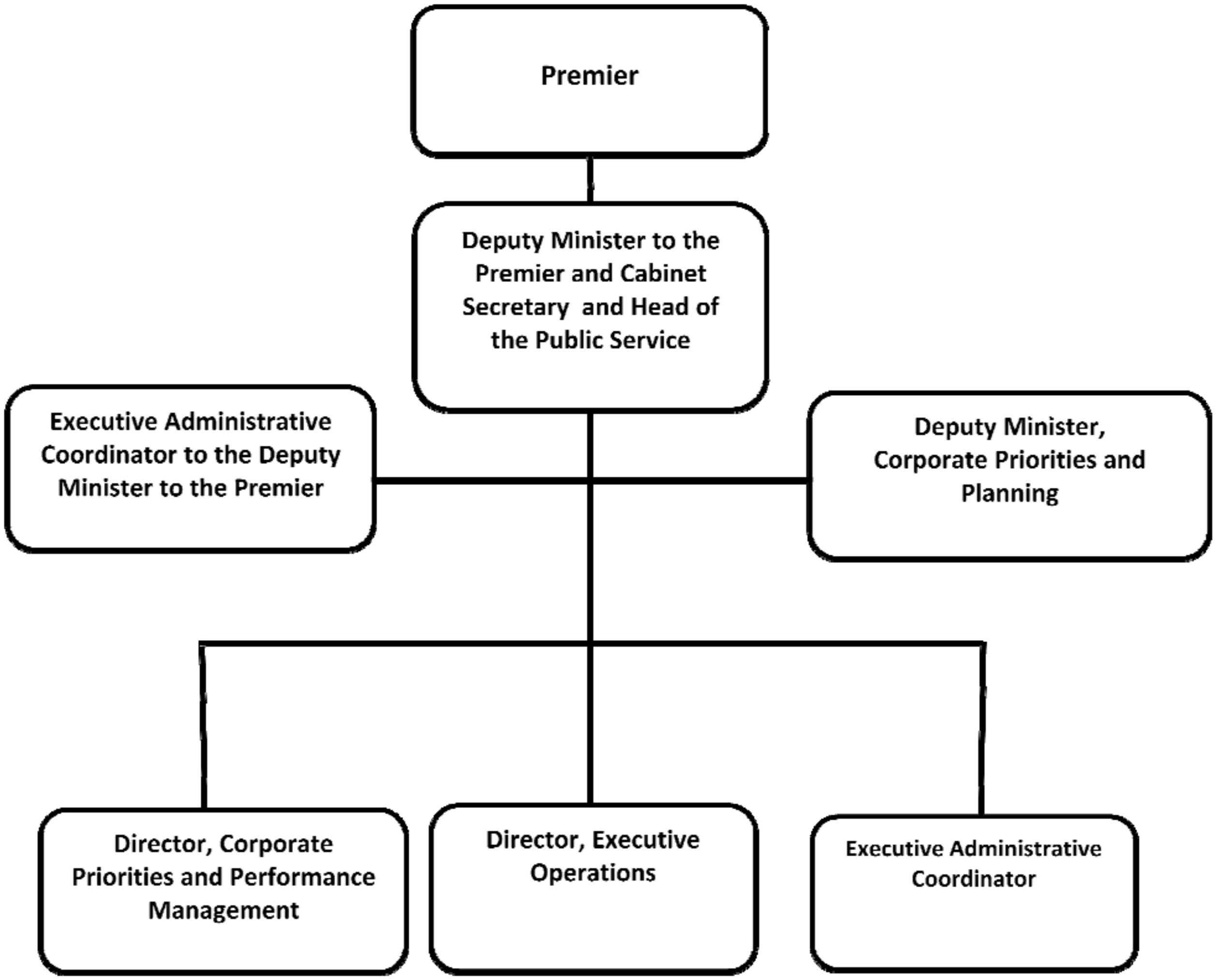
Office of the Deputy Minister to the Premier



Executive and Support Services

- **Deputy Minister's Office (includes Cabinet Operations and Vancouver Cabinet Office)**

STOB	Description	2012/13 Annual Budget	2013/14 Annual Budget	$ Variance	Comments
50	Base Salaries and Overtime	2,119,000	2,103,000	(16,000)	Moved to Stob 52
51	Supplementary Salary Costs	25,000	25,000	0	
52	Employee Benefits	522,000	538,000	16,000	Benefits increased April 1
54	Legislative Salaries/Indemnities				
57	Employee Travel	112,000	112,000	0	
59	Shared Srv – Legal Services	56,000	56,000	0	
60	Professional Services	41,000	41,000	0	
63	Information Systems	64,000	64,000	0	
65	Office Expenses	152,000	152,000	0	
67	Advertising				
69	Utilities, Materials and Supplies	5,000	5,000	0	
70	Operating Equipment	24,000	24,000	0	
73	Amortization	10,000	10,000	0	
75	Building Occupancy Costs				
77	Grants	1,000	1,000	0	
85	Other Expenses	193,000	192,000	(1,000)	
88	Internal Recoveries	(2,000)	(1,000)	1,000	
89	Recoveries within Govt Reporting Entity	(1,000)	(1,000)	0	
90	External Recoveries	0	0	0	
	Total	**3,321,000**	**3,321,000**	0	

OFFICE OF THE PREMIER

Overview

The Premier's political office (the office) is overseen by the Premier's Chief of Staff and is comprised of three components: the political office, the Scheduling Branch and the Correspondence Branch.

The office is responsible for managing the day-to-day operations of the Premier, coordinating cross-government communications and issues management and developing the strategic objectives of government.

The office also serves executive council by ensuring ministers' communications and issues management strategies are well developed and coordinated across government.

The office plays a major role in assisting ministers with the development of new policy, crisis management and stakeholder relations.

In conjunction with the House Leader, the office assists in the management of all aspects of the legislative session including developing and briefing cabinet on the daily session strategy.

The office is responsible for all hiring and human resource issues for political staff across government.

S15

Executive and Support Services

- ***Premier's Office – Executive Branch (includes Correspondence and Scheduling)***

STOB	Description	2012/13 Annual Budget	2013/14 Annual Budget	$ Variance	Comments
50	Base Salaries and Overtime	2,140,000	2,123,000	(17,000)	Moved to Stob 52
51	Supplementary Salary Costs	5,000	5,000	0	
52	Employee Benefits	538,000	555,000	17,000	Benefits increased April 1
54	Legislative Salaries/Indemnities	108,000	108,000	0	
57	Employee Travel	222,000	222,000	0	
59	Shared Srv – Legal Services	0	0	0	
60	Professional Services	10,000	10,000	0	
63	Information Systems	37,000	37,000	0	
65	Office Expenses	76,000	76,000	0	
67	Advertising	0	0	0	
69	Utilities, Materials and Supplies	0	0	0	
70	Operating Equipment	1,000	1,000	0	
73	Amortization	2,000	2,000	0	
75	Building Occupancy Costs	0	0	0	
77	Grants	0	0	0	
85	Other Expenses	92,000	92,000	0	
88	Internal Recoveries	0	0	0	
89	Recoveries within Govt Reporting Entity	0	0	0	
90	External Recoveries	0	0	0	
	Total	**3,231,000**	**3,231,000**	0	

MINISTER'S STAFF SALARY SCHEDULE

ANNUAL, BI-WEEKLY AND HOURLY RATES

Classification Title	Salary Plan	Salary Grade	Class Code	Step	%	Annual	Bi-weekly	Hourly

BARGAINING UNIT CODE = 0

EFFECTIVE JULY 21, 2006:

Classification Title	Salary Plan	Salary Grade	Class Code	Step	%	Annual	Bi-weekly	Hourly
Band A	VAR	MS1	023031	1		66,150.20	2,535.53	36.2219
(Ministerial Assistant; Press				2		70,875.24	2,716.64	38.8091
Secretary; Director of Issues				3		80,325.04	3,078.85	43.9836
Management; Sr. Coordinator,				4		85,050.07	3,259.96	46.5709
Issues Management; Manager				5		89,775.11	3,441.07	49.1581
Media Monitoring)				6		94,500.14	3,622.18	51.7454
Band B	VAR	MS2	023032	1		51,300.17	1,966.33	28.0904
(Executive Assistant)				2		54,720.22	2,097.42	29.9631
				3		58,140.01	2,228.50	31.8357
				4		61,560.05	2,359.59	33.7084
				5		64,980.10	2,490.68	35.5811
				6		68,400.14	2,621.77	37.4539
Band C	VAR	MS3	023033	1		146,361.23	5,610.01	80.1430
(Chief of Staff in the Office of				2		156,118.11	5,983.99	85.4856
the Premier)				3		165,875.25	6,357.98	90.8283
				4		175,633.17	6,732.00	96.1714
				5		185,390.04	7,105.98	101.5140
				6		195,148.22	7,480.01	106.8573
Band D	VAR	MS4	023034	1		108,000.05	4,139.63	59.1376
(Deputy Chief of Staff in the				2		115,200.17	4,415.61	63.0801
Office of the Premier)				3		122,400.04	4,691.58	67.0226
				4		129,600.16	4,967.56	70.9651
				5		136,800.03	5,243.53	74.9076
				6		144,000.15	5,519.15	78.8450
Band E	VAR	MS5	23035	1		105,000.04	4,024.64	57.4949
(Press Secretary; Director,				2		110,000.05	4,216.29	60.2327
Policy Coord. & Issues Mgmt)				3		115,000.07	4,407.94	62.9706
				4		120,000.08	4,599.59	65.7084
				5		125,000.10	4,791.24	68.4463
				6		130,000.11	4,982.89	71.1841

EFFECTIVE MARCH 29, 2009:

Classification Title	Salary Plan	Salary Grade	Class Code	Step	%	Annual	Bi-weekly	Hourly
Administrative Coordinator	MGT	ADA	150005	1	90.26%	52,423.84	2,009.40	28.7057
% of Management Level 01				2	94.28%	54,758.83	2,098.90	29.9843
				3	97.94%	56,884.59	2,180.38	31.1483
				4	100%	58,081.04	2,226.24	31.8034
Special Advisor	VAR	NFS	023030	This code is for employees hired under Section 15(1)(b) of the *Public Service Act*. There is no specific salary attached to this code, as salary and benefits for individual employees are dictated by their OIC.				

OFFICE OF THE PREMIER STAFF

Currently, the Premier's political office includes the following positions:

Chief of Staff

The Chief of Staff reports directly to the Premier.

The Chief of Staff is the senior political advisor to government responsible for providing strategic advice to the Premier and Executive Council to advance government's policy and legislative objectives.

Key Responsibilities:
- Co-ordinates and develops political input to government policy.
- Develops strategic government objectives.
- Oversees implementation of government's strategic objectives.
- Ensures the Premier is informed and represented in decision making throughout government.
- Maintains and develops relationships with major government stakeholders.
- Oversees cross-government issues management.
- Oversees all hiring of political staff across government.

Deputy Chief of Staff

The Deputy Chief of Staff reports to the Chief of Staff and is responsible for the operational management of the Premier's Office, Premier's scheduling, and human resources for the Premier's Office and Ministerial Offices.

Key Responsibilities:
- Responsible for the operations of the Premier's Vancouver and Victoria offices including the recruitment, hiring and ongoing review of staff.
- Responsible for hiring, HR management, training and professional development of all Administrative Coordinators and support staff in the Victoria Ministers' offices.
  In consultation with the Chief of Staff, responsible for hiring of all Ministerial Assistants and Executive Assistants in Victoria Ministers' offices.
- Responsible for HR management, training and professional development of all Ministerial Assistants and Executive Assistants in Victoria Ministers' offices.
- Responsible for the Premier's Correspondence Branch.
- Responsible for the Premier's Schedule and management of the Premier's Scheduling Branch.
- Responsible for the Premier's touring and special events.

- Lead liaison for Premier’s Protection Detail.
- Ensures follow-up is completed on the Premier's meetings.

Ministerial Assistant to the Premier

The Ministerial Assistant to the Premier reports to the Deputy Chief of Staff.

Responsible for assisting the Premier in performing day-to-day responsibilities.

Key Responsibilities:

- Working with the Deputy Chief of Staff, provides information to the Premier regarding the daily schedule and events.
- Provides comprehensive, concise briefings to the Premier on current and emerging policies and ensure effective preparation for meetings and events.
- Travels with the Premier to meetings and events.
- Provides information to Chief of Staff and Deputy Chief of Staff to ensure follow-up on all Premier’s meetings.
- Provides all services and duties, as required, to ensure successful Premier’s travel and follow-up.
- Complete projects as requested by the Premier, Chief of Staff or Deputy Chief of Staff.

Director of Issues Management

The Director of Issues Managements reports to the Chief of Staff.

Responsible for coordinating issues management for the Premier and Chief of Staff across government; provides strategic advice for government’s policy and legislative objectives and is the key contact for the Premier and Executive Council on breaking issues and daily operations of government.

Key Responsibilities:

- 24-hour availability to the Premier, Executive Council and Ministerial staff to manage breaking issues and advise on policy development and daily operations.
- Provides issues management and policy advice to the Premier and Chief of Staff, Executive Council, Ministers’ Offices and MLAs.
- Co-ordinates the issues management activities of government vis-à-vis Cabinet and Ministerial Offices.
- Provides the Premier with all issues management briefing materials and necessary preparation for events, announcements and legislative sessions.
- In conjunction with the House Leader, responsible for developing the House strategy and briefing Cabinet daily on that strategy during the legislative session.
- Responsible for research and legislative support for Premier during legislative session.

Press Secretary

The Press Secretary reports to the Chief of Staff.

The Press Secretary is responsible for maintaining and enhancing the relationship with the media and ensuring the Premier and Director of Communications are aware of emerging issues.

Key Responsibilities:

- In conjunction with the Director of Communications maintain and enhance the working relationship between the Office of the Premier and members of the Legislative Press Gallery and other provincial media.
- Responsible for ensuring that all media availabilities, scrums and press conferences are conducted in an appropriate manner.
- Responsible for keeping the Premier and the Director of Communications apprised of emerging issues and events that are of potential interest to provincial media.
- Responsible for working with the Government Communications and Public Engagement staff to ensure that all information that specifically relates to the Office of the Premier is coordinated and communicated in an appropriate manner.

Director of Communications

The Director of Communications reports to the Chief of Staff.

Responsible for coordinating communications for the Premier, maintaining and enhancing the relationship with media and ensuring the Premier is aware of emerging issues.

Key Responsibilities:

- Develops and implements communications coordination related to the Premier, including:
    - Coordination of news releases, backgrounders, columns, op eds, letters to the editor, speech notes, ministerial statements, legislative introductions, special acknowledgements, video and radio scripts, quotes, messages, media scans and written publications;
    - Ensuring all proactive communication materials are appropriately structured and communicated to the media; and
    - Media relations.
- Overall responsibility for maintaining and enhancing the working relationship between the Office of the Premier and members of the Legislative Press Gallery and other provincial media.
- Responsible for keeping the Office of the Premier apprised of emerging issues and events that are of potential interest to provincial media.
- Responsible for ensuring that all media availabilities, scrums and press conferences are conducted in an appropriate manner.

- Responsible for working with the Government Communications and Public Engagement staff to ensure that all information that specifically relates to the Office of the Premier is coordinated and communicated in an appropriate manner.
- When deemed necessary, responsible for travelling with the Premier to meetings and events where media may be present.

Communications Coordinators

Two Communications Coordinators report to the Director of Communications.

Responsible for supporting the Director of Communications by providing written materials and participating in the development of communications products.

Key Responsibilities:
- Write, edit, and coordinate distribution of speech notes, news releases, backgrounders, ministerial statements, legislative introductions and special acknowledgements, columns, op-eds, letters to the editor, video and radio scripts, quotes, messages, media scans and other written communications support materials for the Premier as required.
- Coordinate Premier's videos and scripts as directed by the Director of Communications and in conjunction Government Communications and Public Engagement staff.
- In conjunction with the Director of Communications and Press Secretary:
    - Maintaining and enhancing the working relationship between the Office of the Premier and members of the Legislative Press Gallery and other provincial media.
    - When deemed necessary, responsible for travelling with the Premier to meetings and events where media may be present.
    - Responsible for ensuring that all media availabilities, scrums and press conferences are conducted in an appropriate manner.
- Work with the Director of Communications to manage the Premier's online presence.

Director of Outreach

The Director of Outreach reports to the Chief of Staff.

Responsible for developing the Premier's vision of creating open government by reaching out to British Columbians. The Director of Outreach will listen and gather input, ideas and feedback from stakeholders, the public and other parties.

Key Responsibilities:
- Dedicated to removing communications barriers and relaying messages to government from the province's diverse communities.
- Creates and executes Premier's Office external stakeholders' strategy.

- Improves public awareness and engagement and ensures communication is a two-way conversation between government and the public.
- Helps the public's concerns be translated into action by sharing with the Premier the challenges British Columbians face navigating government.
- Co-ordinates events that make members of the government more accessible to British Columbians. E.g.: telephone town halls, Premier's town-halls meetings.
- Reviews and updates the inventory of stakeholder groups that interact with government.
- Reviews invitations to public events to make sure that government is being properly represented.

Senior Outreach Coordinator

The Senior Outreach Coordinator reports to the Director of Outreach.

Responsible for working with the Director of Outreach, the Senior Outreach Coordinator is responsible to help ensure the Premier is engaging and meeting with a broad cross section of British Columbians.

Key Responsibilities:

- Assists with the coordination of the Premier's trade missions by working with business and community groups.
- Works with Deputy Chief of Staff Operations to ensure that the Premier is accessible to a wide variety of groups all across BC.
- Works with the Director of Outreach to:
  - Remove communications barriers and relay messages to government from the province's diverse communities.
  - Execute Premier's Office external stakeholders' strategy.
  - Improve public awareness and engagement and ensure communication is a two-way conversation between government and the public.
  - Update the inventory of stakeholder groups that interact with government.
  - Research invitations to public events to make sure that government is being properly represented.

Director of Policy

The Director of Policy reports to the Chief of Staff.

Responsible for coordinating policy initiatives for the Premier and Chief of Staff across government; provides strategic advice for government's policy and legislative objectives and is the point of contact within the Premier's Office on overall policy development and policy initiatives within government.

Key Responsibilities:

- Available to the Premier, Executive Council, Ministerial staff, and MLAs to provide advice and manage policy issues across government.
- Coordinates policy development process vis a vis Cabinet operations and Ministers' offices.
- Liaises with the Deputy Minister to the Premier and Deputy Minister Corporate Priorities on policy issues.
- Monitors and provides advice on Cabinet committees as necessary. Under the direction of the Chief of Staff, attend Cabinet as required.
- Works in collaboration with the Director of Communications and Director of Issues Management on announcements and corporate communications of overall government policy.
- Coordinates research and information in support of issues management, policy and communications priorities.
- Consult and engage with external stakeholders on policy initiatives as necessary.

Policy Coordinator

The Policy Coordinator reports to the Director of Policy.

Key Responsibilities:

- Monitors and provides advice to various cabinet committees.
- Provides policy advice to the Premier and Chief of Staff on a wide range of policy areas.
- Works with Ministers' offices to coordinate policy initiatives led by the Premier and Chief of Staff.
- Liaises with external stakeholders on policy initiatives as necessary.

Executive Assistant to the Chief of Staff

The Executive Assistant to the Chief of Staff reports to the Chief of Staff.

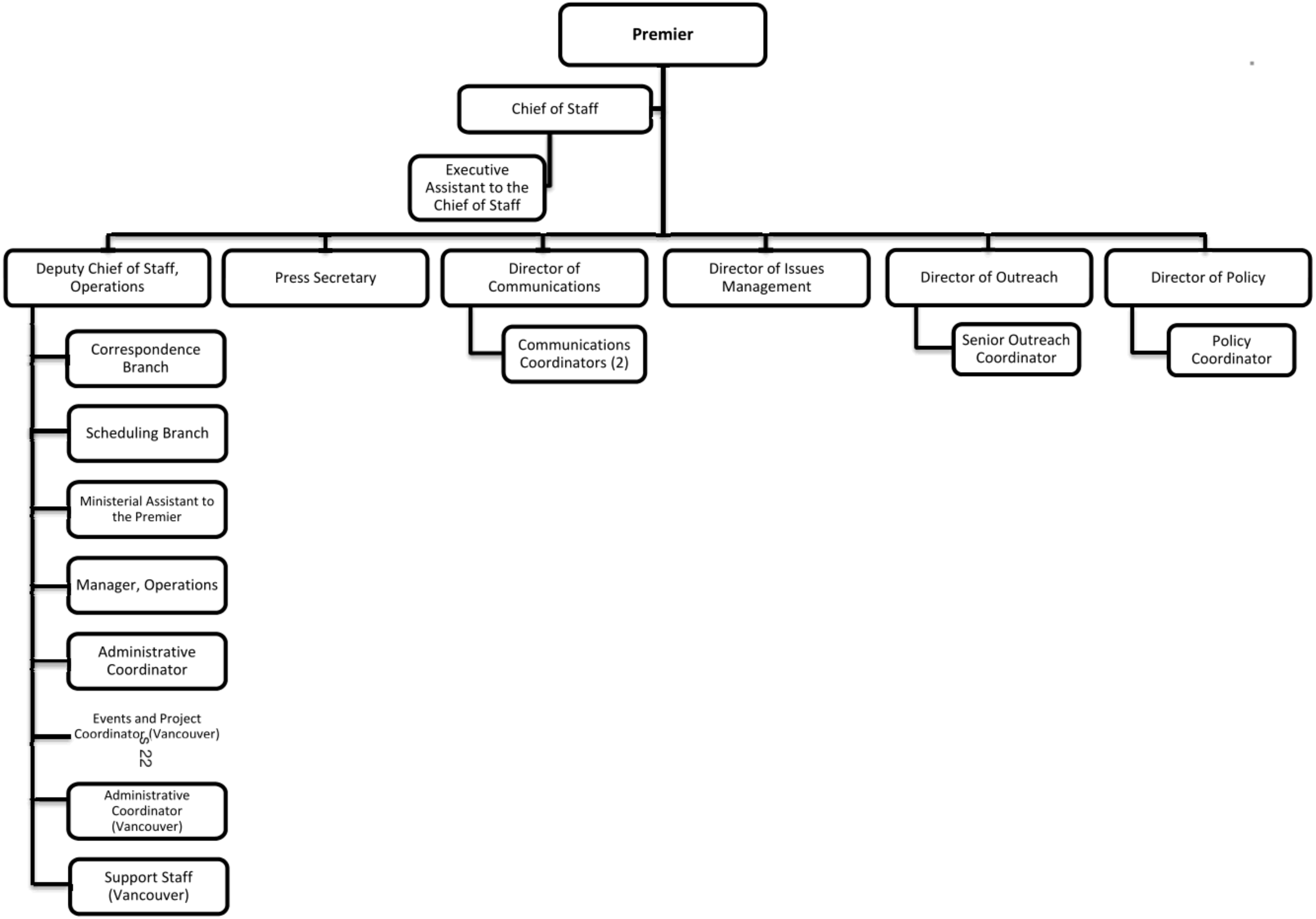
Key Responsibilities:

- Manages the Chief of Staff's schedule, travel expenses, correspondence, information technology tools and provides administrative support as required.
- Assists the Deputy Chief of Staff, Operations, with the management of the Victoria office.
- Attends and coordinates meetings with the Chief of Staff, or on his behalf, as required.
- Responsible for keeping Chief of Staff informed of major projects and political developments that arise.

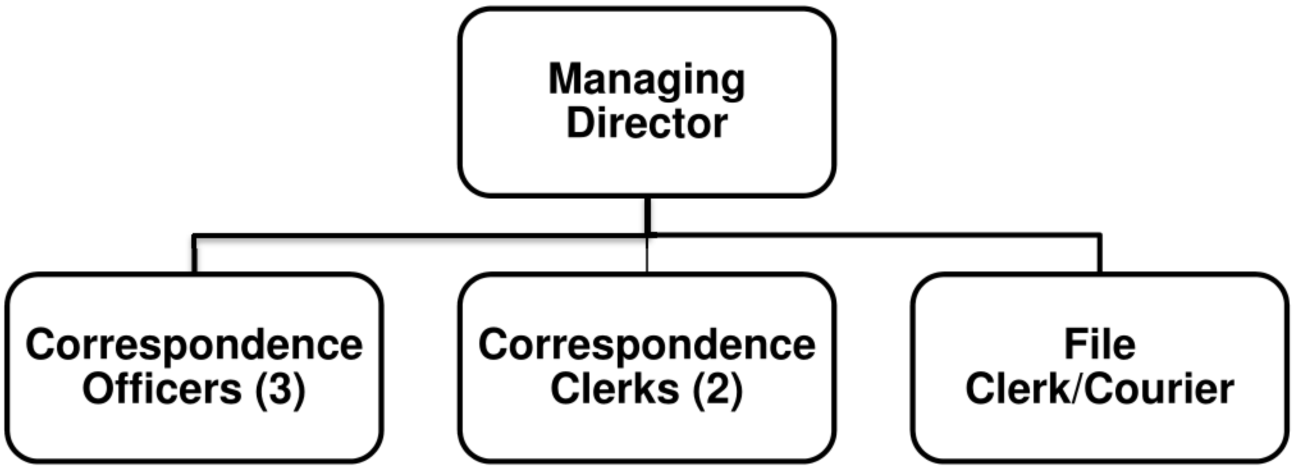
Manager of Operations

The Manager of Operations reports to the Deputy Chief of Staff.

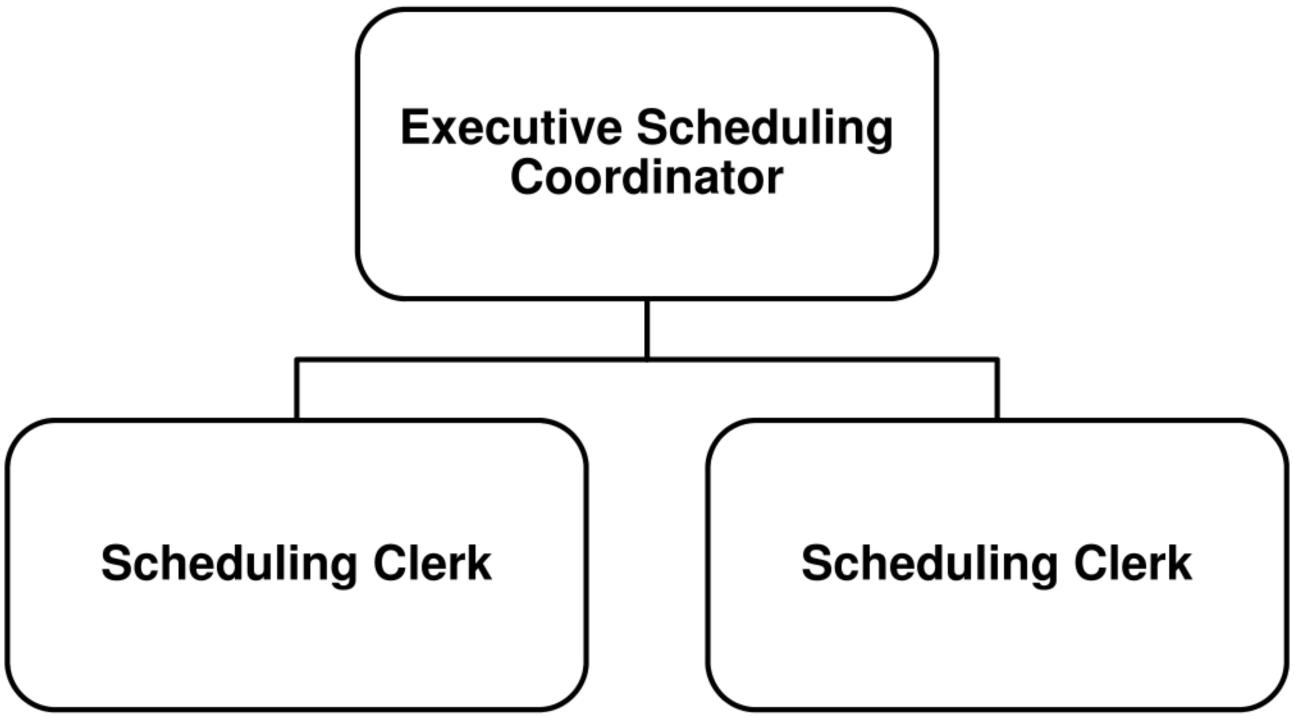
Office of the Premier
Executive Branch



Office of the Premier
Correspondence Branch



Office of the Premier
Scheduling Branch



Pages 40 through 41 redacted for the following reasons:
- -
S15

INTERGOVERNMENTAL RELATIONS SECRETARIAT

30-60-90 DAY DECISION NOTE

Issue: Government Structure: Cabinet responsibility for intergovernmental relations (including francophone affairs)

Background:

- The Premier is the Minister for Intergovernmental Relations in all provinces and territories except for Quebec, which has a Minister of State, and Alberta, which has a Minister.
- The Premier of British Columbia has traditionally been the Minister of Intergovernmental Relations. From time to time, the Premier has been supported by a Minister of State for Intergovernmental Relations or a Parliamentary Secretary.
- In addition, all provinces and territories have an elected official (Minister/Minister of State or Parliamentary Secretary) responsible for francophone affairs for their jurisdictions as a concrete contribution to national unity. This elected official is supported by IGRS in his/her functions.
- At the federal level, the Minister responsible for francophone affairs is the Honourable James Moore, the federal political Minister for BC.
- The next meeting of Ministers or elected representative responsible for francophone affairs is on September 4th and 5th in Winnipeg and will be hosted by Premier Greg Selinger who is responsible for Francophone Affairs in Manitoba. In Prince Edward Island, the Premier, Honourable Robert Ghiz is responsible for Francophone Affairs.

Decision required:

- 30 day item: Decision on Government Structure, i.e. Cabinet responsibility for intergovernmental relations, and for francophone affairs.

Page 43 redacted for the following reason:
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S12

INTERGOVERNMENTAL RELATIONS SECRETARIAT

30-60-90 DAY DECISION NOTE

Issue: Reference to the Supreme Court of Canada -- Senate Reform

Background:

- On February 1st, the Government of Canada announced it was seeking a reference to the Supreme Court of Canada on the constitutionality of various aspects of Senate reform.
- The reference asks several questions related to the appropriate amending procedure for the federal government's Senate reform initiatives (limiting the terms of Senators; democratic selection of senate nominees) as well as the abolition of the Senate and changing the net worth and property qualifications for senators.
- British Columbia, as well as every province and territory except Yukon, has filed a Notice of Intention to Intervene.
- By intervening, British Columbia can participate in the reference including submitting a written argument to the court (a factum), make oral submissions to the court during the hearing and, if it chooses, add relevant materials and evidence to the court record to support its position.
- The hearing is scheduled for November 12-14, 2013. British Columbia's factum is due on August 30th, 2013.
- British Columbia is required to submit any proposed additions to the court record by **May 24th, 2013.** In anticipation of this court deadline, the Ministry of **Justice and IGRS** are considering what, if any, materials the Province may want to include in the court record. The question of the appropriate materials may vary depending on the Province's position on senate reform.

Decision required:

- 30 day: Confirm the Province's policy position on Senate reform generally including abolition of the Senate and the federal government's reform proposals. This is needed for the key dates:
  - May 24th: decision on any proposed additions to the court record
  - August 30th: British Columbia's factum is due
  - November 12-14: optional: oral submission to the court

Page 45 redacted for the following reason:
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S12

INTERGOVERNMENTAL RELATIONS SECRETARIAT

30-60-90 DAY DECISION NOTE

Issue: Upcoming Royal/International Visits (Confirming Premier's/Minister of IGR's Availability)

- Opportunity to promote international engagement in BC with foreign dignitaries who request official meetings with the Premier.

Background:

- Requested dates for meeting and events (pending):

May 18	**Prince Andrew, Duke of York** – attending Victoria Highland Games and Celtic Festival – Victoria
May 27	**Premier of Northrhine-Westfalia, Germany, Ms. Hannelore Kraft** – Vancouver

Decision required:

- 30 day item: Does the Premier wish to participate in an official visit with the above dignitaries?

INTERGOVERNMENTAL RELATIONS SECRETARIAT

30-60-90 DAY DECISION NOTE

Issue: Western Premiers' Conference (WPC) 2013

Background:

- The 2013 Western Premiers' Conference (WPC) will be chaired by Manitoba Premier Greg Selinger from June 3-5, 2013 in Winnipeg.
- This will be a working session of the seven Western Premiers (includes the Territories). Its purposes are to establish or strengthen relationships among Premiers; articulate the interests of Western Canada and influence, if not drive, the national agenda. The WPC is often used to lay the ground work for discussions at the summer Council of the Federation meeting (July 25-26, 2013, Niagara-on-the-Lake).

S12

  - Decisions at the WPC are by consensus (no action can be taken without agreement of all Premiers).
  - Outcomes for WPC focus on one or more communiqués that express common broad policy interests of the West.
- Issues likely to be on the 2013 June agenda include Skills; Infrastructure (including flood mitigation; federal program criteria, etc.); Energy; Relations with the US.

Decision required:

- 30 day item:
  - Confirm the Premier' participation at the Western Premiers' Conference.
  - Confirm approach (issues or priorities) for discussion with Western Premiers, if attendance is confirmed.

INTERGOVERNMENTAL RELATIONS SECRETARIAT

30-60-90 DAY DECISION NOTE

Issue: Council of the Federation (COF) 2013

Background:

- Ontario Premier Kathleen Wynne will serve as Chair of the Council of the Federation in 2013 beginning with hosting the annual Council of the Federation Meeting from July 25-26th, 2013 at Niagara-on-the-Lake, Ontario. The COF meeting will be preceded by a meeting of Premiers with National Aboriginal Leaders on July 24th, 2013.
- Ontario Intergovernmental officials are currently working with the Intergovernmental Relations Secretariat and all IGR offices across the country to develop the agenda for the meeting.
- Very early drafts of the agenda indicate that the focus will be on skills; social foundations; infrastructure; and international relations particularly given the likely appointment of a new US Ambassador to Canada by July, and the start of the second mandate of the Obama administration.
- The Council of the Federation was founded in December 2003. The July meeting will be the tenth anniversary of the Council and Premiers might wish to discuss how the country has evolved in the last decade, and their aspirations for the upcoming decade. The membership of the Council includes the Premiers from all the provinces and territories. It enables Premiers to work collaboratively to strengthen the Canadian federation by fostering a constructive relationship among the provinces and territories, and with the federal government. Meetings are limited to Premiers plus three note takers. Decisions at the COF are by consensus (no action can be taken without agreement of all Premiers).

Decisions required:

- 30 days:
  - Early briefings of the Premier on the agenda, potential outcomes for BC and key intergovernmental issues and alliances.
  - Direction on approach/issues the Premier would like to focus on for the COF meeting.

INTERGOVERNMENTAL RELATIONS SECRETARIAT

30-60-90 DAY DECISION NOTE

Issue: Order of British Columbia (OBC)

Background:

- The Order of British Columbia is governed by the Provincial Symbols and Honours Act, which is under the responsibility of IGRS.
- Nominations for the 2013 recipients were accepted until March 1st.
- On April 16, the selection committee, i.e. the Advisory Council, will review 193 nominations and recommend 12-14 recipients to be appointed to the Order for 2013.
- The composition of the selection committee, i.e. "Advisory Council", is established by legislation.
- The seven-member Advisory Council consists of:
    - the Chief Justice of British Columbia (chair)
    - the Speaker of the Legislative Assembly
    - a Public University President in rotation (two-year term)
    - the President of the Union of BC Municipalities
    - the Deputy Minister of Intergovernmental Relations, and
    - two past members of the Order.
- OBC appointments are made by Order-in-Council.

S12

- June 13 and September 16 are currently being held as dates for the investiture ceremony by the Lieutenant Governor.

Decision required:

- 30 day item: Signing by the President of Executive Council (or alternate) of the Order in Council(s) appointing the 2013 recipients.
- Confirm investiture ceremony date determined by the Chancellor of the Order of BC, the Honourable Judith Guichon: either June 13 or September 16, 2013.

INTERGOVERNMENTAL RELATIONS SECRETARIAT
30-60-90 DAY DECISION NOTE

Issue: Premier's Representative on Pacific Northwest Economic Region (PNWER) and two MLAs (Ministers or not) as BC PNWER Delegates.

Background:

- PNWER is composed of BC, Alberta, Saskatchewan, Yukon, Northwest Territories, and BC's border States. Each jurisdiction is represented by four legislators, in addition to the Premier's Representative for the Canadian jurisdictions.
- PNWER is a forum for discussion on regional priorities that cross jurisdictions and joint actions that advance BC government priorities. PNWER is North America's most influential cross-border governmental partnerships and is recognised as such by the federal governments in Canada and the US. It is a vehicle to advance BC's profile and perspectives regionally and in Ottawa and Washington, DC.
- Policy decisions made in the United States, especially on border management, transportation, emergency management (e.g. earthquakes), environmental protection, energy exports and security often have important implications for the Province's priorities.
- The Premier's representative sits on PNWER's Executive Committee with other government and private sector leaders, and has opportunity to influence PNWER activities and priorities.
- PNWER's Annual Summit is on July 14-19 in Anchorage. It will attract over 500 government and private sector delegates interested in advancing regional goals.

Decision required:

- 30 day item: Premier to designate an elected official (usually the Minister responsible for IGRS) as the Premier's representative on PNWER.
- 30 day item: Premier to appoint two MLAs (Ministers or not) as the Government Delegates on PNWER.

Pages 51 through 56 redacted for the following reasons:
- -
S12
S12, S17

30/60 DAY ISSUE
CREDIT RATING AGENCIES AND THE FINANCIAL COMMUNITY

Issue:

- Meeting with Credit Rating Agencies and the Financial Community.

Background:

S12, S13

Pages 58 through 59 redacted for the following reasons:
- -
S13

30 DAY ISSUE

BUDGET UPDATE

Issue:

- Budget Update

Background:

- Once the new Cabinet is sworn in, the *Budget and Transparency Accountability Act* requires that a new budget and Estimates be tabled in the Legislature within 90 days.

S12, S13

Decisions required:

- **30 day issue.**

S12

ISSUE NOTE

Issue:

- The Ministry of Jobs, Tourism and Skills Training (JTST), directly and through the Industry Training Authority (ITA), is playing a key role in implementing initiatives under the Skills and Training Plan (S&TP).

Background:

- B.C. is seeking to capitalize on significant economic opportunities, particularly liquefied natural gas (LNG), mining and other resource development opportunities in Northern B.C.
- However, efforts to take full advantage of these opportunities may be hampered by a shortage of skilled workers in trades, technical and other key occupations. It is projected that B.C. may face a shortage of between 22,000-32,000 workers in these areas by 2020.
- To address this issue, government launched the S&TP as a key component of Canada Starts Here: The BC Jobs Plan on September 19, 2012.
- JTST, with the Ministry of Advanced Education, Innovation and Technology and the Ministry of Education, played a lead role in developing the S&TP.
- S&TP initiatives led by JTST and the Industry Training Authority (ITA) are shown in Attachment 1.
- The Labour Market and Immigration Division (LMID) is responsible for reporting out on progress on JTST's and ITA's S&TP commitments through the BC Jobs Plan Progress Report, which is reviewed bi-weekly by the Deputy Ministers Committee on Jobs and Skills Training.

S12, S13

- In November 2012, Premier Clark further raised the profile of the skilled trades and technical shortages by engaging British Columbians in a "Skills for BC" conversation, using televised segments and web-based interchanges.
- Many of the issues raised and explored under Skills for BC align with S&TP objectives and actions.
- LMID is working closely with Government Communications and Public Engagement (GCPE) to profile JTST or ITA-led S&TP initiatives through the BC Jobs Plan "Ideas to Actions" web page, Op-Ed pieces and other communications products.

Decision required:

90 day issue for information.

ATTACHMENT

JTST AND ITA S&TP RESPONSIBILITIES

LEAD	SKILLS AND TRAINING PLAN COMMITMENT
JTST	Encourage major project proponents to submit workforce needs to government so that government and industry can plan for and target training investments in the region. S12, S13
	S13
ITA (LEAD)	S12, S13

[1] To include a web-based portal to match unemployed apprentices with employers seeking to hire.

LEAD	SKILLS AND TRAINING PLAN COMMITMENT
ITA (SUPPORT ROLE)	S12, S13

ISSUE NOTE

Issue:

- Industry Training System Review

Background:

S12

- B.C.'s efforts to take full advantage of emerging economic opportunities, particularly in Northern B.C., may be hampered by a shortage of skilled workers in trades and technical occupations. It is projected that B.C. may face a shortage of between 22,000-32,000 trades and technical workers by 2020.
- A strong and strategic industry training system and effective policy responses are essential to ensuring B.C. has the right number of skilled workers at the right time to meet the needs of B.C.'s growing economy.
- Any significant disruption to the industry training system (e.g., significant swing in policy direction) could impact the province's growth potential.

S12, S13

S12

Decision required:

- **90 day issue.**

S12, S13

Pages 66 through 72 redacted for the following reasons:
- -
S12
S12, S13

EXECUTIVE SUMMARY

Economic Structure and Trends in Gross Domestic Product (GDP)

- BC is a small open economy, with a large service sector and diversified export market.
- The goods sector produced about 24 per cent of BC's GDP in 2012, with the service sector producing about 76 per cent. Service industries have made up at least two thirds of BC's economy since 1980.
- Construction and manufacturing produce the highest amount of GDP in the goods sector accounting for 8.1 per cent and 7.2 per cent of BC's total GDP respectively.
- The two biggest service industries are finance, insurance and real estate services (23.1 per cent of BC's total real GDP) and wholesale and retail trade (10.0 per cent of BC's total real GDP).
- Over the past two decades, destinations for BC's exports have diversified, with a significant share now going to Asian markets. This has helped BC's economy to weather sharp decreases in demand from the US, BC's largest trading partner. While most of Canada is highly dependent on the US as an export destination (Alberta and Ontario send more than three quarters of their merchandise exports to the US), BC currently sends less than half of its total merchandise export to the US.

Economic Outlook

- The BC economy grew by an estimated 1.9 per cent in 2012 and is forecasted in Budget 2013 to grow by 1.6 per cent in 2013, 2.2 per cent in 2014, and 2.5 per cent per year in the medium-term. The growth forecasts are 0.5 percentage points lower than the Economic Forecast Council's outlook for 2013 and 0.3 percentage points lower in 2014, acknowledging the significant downside risks to forecasts in both years.

Fiscal History and Outlook

Revenue

Total revenue is projected to reach $46.4 billion by 2015/16.

Total revenue is expected to average 3 per cent annual growth over the 2013/14 to 2015/16 fiscal plan period. This reflects strengthening economic conditions, rising energy prices and impacts of tax measures. The major sources of revenue and average annual growth rates over the fiscal plan are as follows:

- Taxation: 3.4%

- Natural Resources: 4.2%
- Federal transfers: 1.9%
- Commercial Crown net income: 2.9%
- Other: 2.5%

Release of Assets for Economic Generation

The fiscal plan includes revenues of $475 million in 2013/14 and $150 million in 2014/15 from the sale of properties and assets that are surplus to government's needs (i.e., no longer in use, not required for future utilization, or where there is no strategic benefit for the province to be the owner). The inventory includes surplus assets of ministries, school districts, Crown corporations and agencies, and health authorities, and provincially owned college and university buildings.

Expenditures

Total expense is projected to reach $45.6 billion by 2015/16.

During the period leading up to the economic downturn, spending grew an average of 5.7 per cent annually. Expenditure management policies, in place since 2009, reduced the annual spending growth to an average of 3.0 per cent over three years. Measures introduced in *Budget 2013* further reduce the average annual spending growth to 1.5 per cent over the current fiscal plan period.

Health spending has been increasing, both in costs and as a share of total expense, from 35 per cent of total expense in 2001/02 to a projected 42 per cent in 2015/16. In contrast during the same period, Education's share of total expense is projected to increase one percentage point by 2015/16. Other Expenditures, Social Services and Debt Servicings share of total expenses decline over the same time period (from 19 per cent to a projected 17 per cent in 2015/16, 11 percent to a projected 8.1 per cent, and 9.2 per cent to a projected 6.3 per cent respectively).

Capital Spending

Capital spending is classified as either taxpayer-supported or self-supported, depending on the nature of the organizations making the expenditures. Taxpayer-supported capital spending includes capital infrastructure for school districts, health authorities, post-secondary institutions, taxpayer-supported Crown agencies and ministries. Taxpayer-supported capital spending is projected at $3.7 billion in 2013/14, $10.4 billion over the fiscal plan.

Total capital spending (taxpayer and self-supported) reached a ten year high of $7.1 billion in 2009/10 and is projected to decline to $5.9 billion in 2015/16.

Government began utilizing private-public partnerships (P3) in 2004/05 to deliver capital projects. Since that time, $2.1 billion of capital spending has been financed via P3 contracts, primarily in the health and transportation sectors.

Self-supported capital spending is projected at $2.5 billion in 2013/14, $7.9 billion over the fiscal plan. The vast majority of self-supported capital spending relates to power projects, as delivered by BC Hydro.

Debt

Total debt (including forecast allowance) is projected to reach $69.4 billion by 2015/16.

Government borrowing projections encompass the support of its current operating and capital requirements and the retirement of existing debt that will mature during the fiscal plan period.

Debt is classified as either taxpayer-supported or self-supported, depending on the nature of the organizations doing the borrowing.

Taxpayer-supported debt is mainly due to requirements for financing capital spending for health, education, transportation and infrastructure.

With the exception of the Port Mann Bridge project, the vast majority of self-supported debt relates to power projects, as delivered by BC Hydro.

Debt to GDP

Debt to GDP is often used as an indicator for assessing the financial health of a government. Rating agencies focus on taxpayer-supported debt to GDP as one measure of government's control over its finances.

Controlling increases to the provincial taxpayer-supported debt-to-GDP ratio and returning to a declining trend in the debt-to-GDP ratio is seen as key in maintaining BC's AAA credit rating, which keeps borrowing costs low as it maintains investor confidence.

2013/14 Fiscal Spending Authority

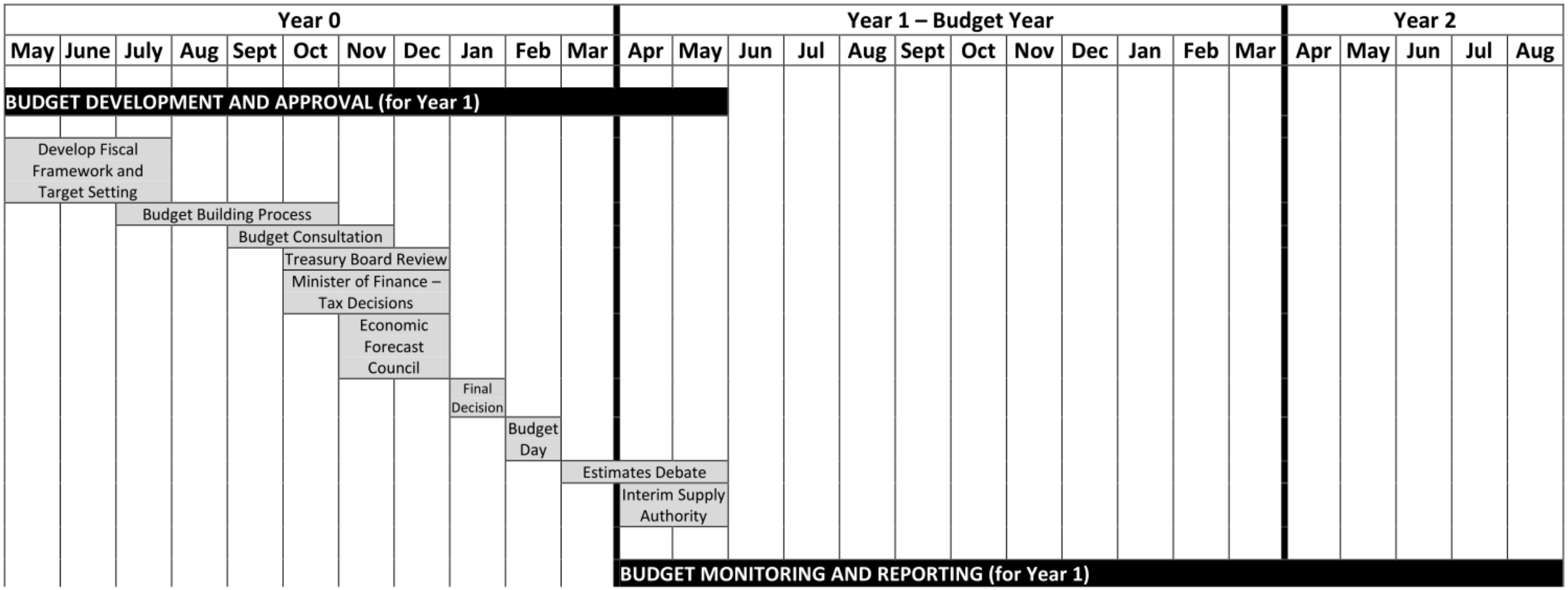
The legislature was dissolved before the Budget 2013 Estimates was debated and approved. An Interim Supply bill was passed by the Legislature for an operating expenditure allocation for six-twelfths of the total Estimates for the year and eight-twelfths for capital/financing transactions. It is expected that the authorization will be exhausted on or about September 30, 2013.

Inter-provincial Perspective

- At present, only one province, Saskatchewan, is reported to be in budgetary balance. According to their respective 2013 budgets, Nova Scotia, Quebec and British Columbia expect to balance their budgets in 2013/14. Newfoundland and Labrador, Prince Edward Island and Alberta have pushed out the date at which they expect to balance by one year (2015/16, 2015/16 and 2014/15 respectively). Ontario and Manitoba have not yet tabled their 2013 budgets but Manitoba has indicated that it will take longer to balance than the previously reported 2014/15. The federal government expects to balance its budget in 2015/16.
- Provinces plan to limit program expenditure growth in 2013/14 with rates in the range of 1.4 per cent to 2.5 per cent. However, Alberta and Nova Scotia have budgeted year-over-year expenditure declines of 1.1 per cent and 0.8 per cent respectively.
- When all taxes are considered, including Medical Services Premiums, BC has one of the lowest tax burdens in the country (generally second or third lowest).

BUDGET AND REPORTING OVERVIEW

The following provides a high level overview of a general annual budget and reporting cycle. Actual activities and/or timing in any given year may change depending on circumstances or other direction.



S12

BUDGET 2013

The *Balanced Budget and Ministerial Accountability Act* requires government to table balanced budgets annually after 2012/13. Budget 2013 continued government's expenditure management plan in order to meet the legislated requirement and forecasts surpluses of $197 million in 2013/14, $211 million in 2014/15 and $460 million in 2015/16.

Budget Development

Revenues

Refer to Revenue section for information on *Budget 2013* revenues.

Budget 2013 includes revenues of $475 million in 2013/14 and $150 million in 2014/15 from the sale of properties and assets that are surplus to government's needs. See the Surplus Assets section for more information.

Expenditures

Budget 2013 continues the fiscal management plan introduced in prior years. Ministries are expected to achieve efficiencies in administrative and support services while minimizing the impact on delivery of direct services.

Ministry savings targets for 2012/13, totalling $20 million, were introduced in October 2012. As part of *Budget 2013*, savings targets were incorporated into the ministry budget targets for 2013/14 – 2015/16, for a total annual savings of $15 million. In addition, *Budget 2013* introduced administrative savings targets for most commercial and taxpayer-supported Crown agencies, totalling $20 million. For Crown agencies receiving a grant from the ministry responsible, the Crown agency savings target is reflected through a reduction in the grant provided by the ministry; savings targets were reflected in improvements to the Crown agency's net income target for the other Crowns.

Administrative savings targets for the health and education sectors were provided in previous Budgets.

Ministries are required to manage existing programs and pressures within the current year budget allocation and out year targets; however, *Budget 2013* provided incremental funding for select direct services, caseload pressures and government priorities.

Table 1 provides a summary of ministry budget allocations for 2013/14 and budget targets for 2014/15 and 2015/16, per the budget tabled on February 9, 2013. Appendix 1 summarizes *Budget 2013* budget adjustments by ministry.

Table 1: *Budget 2013* Ministry Budget Targets

Ministry	2012/13	2013/14	2014/15	2015/16
		($millions)		
Legislation	69	75	70	71
Officers of the Legislature	46	47	47	47
Office of the Premier	9	9	9	9
Ministry of Aboriginal Relations and Reconciliation	80	82	80	84
Ministry of Advanced Education, Innovation and Technology*	1,965	1,962	1,944	1,919
Ministry of Agriculture	68	79	79	79
Ministry of Children and Family Development	1,333	1,345	1,352	1,386
Ministry of Citizens' Services and Open Government	531	526	534	534
Ministry of Community, Sport and Cultural Development	311	184	224	264
Ministry of Education	5,330	5,366	5,387	5,387
Ministry of Energy, Mines and Natural Gas	450	424	430	436
Ministry of Environment	129	129	129	129
Ministry of Finance*	173	170	169	169
Ministry of Forests, Lands and Natural Resource Operations	601	561	591	589
Ministry of Health	16,177	16,551	16,945	17,406
Ministry of Jobs, Tourism and Skills Training	232	230	230	230
Ministry of Justice	1,112	1,140	1,145	1,147
Ministry of Social Development	2,457	2,487	2,504	2,504
Ministry of Transportation and Infrastructure	807	803	803	803
Management of Public Funds and Debt	1,287	1,264	1,309	1,366
Other Appropriations	2,461	2,099	2,083	2,386
Total**	**35,631**	**35,536**	**36,064**	**36,945**

* Reflects the transfer of responsibility for multiculturalism from the Ministry of Advanced Education, Innovation and Technology to the Ministry of Finance in March 2013, subsequent to *Budget 2013*.

** Columns may not calculate to totals due to rounding.

Budget Management

Interim Supply

An *Interim Supply* bill was passed by the Legislature in March 2013, for an operating expenditure allocation of six-twelfths of the total *Estimates* for 2013/14, as tabled on February 19, 2013, and eight-twelfths for capital/financing transactions. Interim Supply appropriations are expected to be exhausted around September 30, 2013.

Ministries have been directed to ensure that all spending is in accordance with Interim Supply approved by the Legislature. Ministries have also been directed to avoid implementing major policy changes or new spending initiatives outside those required for the continuing delivery of existing core services. To ensure that government remains within the Interim Supply appropriations, ministries were directed to work closely, and in a timely manner, with Treasury Board Staff to identify any areas of risk to managing within approved Interim Supply appropriations.

Expenditure Management

In order to ensure that fiscal plan targets are met, ministries and Crown agencies were provided expenditure management control direction in October 2012. These controls continue to remain in effect, including the Managed Hiring Guidelines for the BC Public Services, communicated to ministries in September 2012.

Managed Hiring Guidelines

Managed Hiring Guidelines for the BC Public Service instituted a hiring freeze and requires Deputy Minister to the Premier approval on all internal and external hiring for regular appointments, temporary assignments and auxiliary hires from outside each ministry. Hires only for areas of critical service and/or to meet an urgent government priority are approved; and hires external to government only for critical roles that cannot be filled by an internal candidate.

Ministry Expenditure Management

Ministries are expected to make all efforts to reduce administrative and discretionary costs in order to achieve their savings targets without impacting direct services. The Expenditure Management Controls are as follows:

- **Base Salaries (STOB 50)**
  - Overtime is restricted to addressing urgent or safety issues or where overtime results in demonstrated costs savings. Ministries are expected to develop an approval framework that provides appropriate executive sign-off.
  - Pre-approval by the Deputy Minister Committee on Expenditure Management is required for ongoing overtime exemptions needed to maintain adequate delivery of essential government services.
  - Ministries are required to adhere to the Managed Hiring Guidelines for the BC Public Service, as outlined in the memorandum to Deputy Ministers dated September 13, 2012.
- **Travel (STOB 57)**
  - Discretionary travel (e.g., non-essential conferences, meetings, etc.) is restricted.
  - Use alternate methods to travel (e.g., teleconferencing, video conferencing) whenever possible.
  - When travel is required make all efforts to minimize costs, including but not limited to, restricting the number of ministry participants travelling to a meeting (e.g., two ministry participants). If additional ministry participants are required, use of teleconferencing or videoconferencing in addition to in-person (travelling) participants should be considered.
  - Ministries are not to pay for business class air travel.

- Ministries are expected to develop an approval framework that provides appropriate executive sign-off for essential travel within the province.
- Pre-approval by the Deputy Minister is required for all out-of-province travel.

- **Professional Services (STOB 60)**
  - Wherever possible, services should be delivered by internal staff or transitioned to internal staff.
  - All professional services contracts must be pre-approved by the Assistant Deputy Minister.

- **Office and Business Expenses (STOB 65)**
  - *Conferences:*
    - Attendance is limited to essential job-required purposes.
    - Pre-approval by the Deputy Minister is required to attend a conference.
    - Pre-approval by the Deputy to the Premier is required to attend Federal /Provincial/ Territorial meetings.
  - *New furniture and equipment:*
    - A moratorium on the purchase of new furniture and equipment is in effect.
    - Deputy Minister of Finance approval is required for all new furniture and equipment purchases.
  - *Business meeting expenses – meeting rooms:*
    - Meetings should be scheduled in government meeting rooms/facilities whenever possible.
    - Pre-approval by the Deputy Minister is required for paid meeting facilities.
  - *Office books and subscriptions:*
    - Current subscriptions should be reviewed and rationalized. Subscriptions should be renewed only if essential to work and when not available through a library.
  - *Minimal tenant improvements:*
    - "Minimal tenant improvements" (e.g., hanging pictures, whiteboards) are restricted to health, safety and security (e.g., tethering a bookcase to the wall).
    - Pre-approval by the Assistant Deputy Minister is required.
  - *Mobile devices; single work station; VPN and DTS; printing, faxing, copying and scanning devices:*
    - Ministries are to review their requirements with a goal to reducing costs.

- **Transfers – Grants (STOB 77)**
  - Expenditures are for previously approved STOB 77 grants only.
  - Any grant that has not been committed should be reviewed to assess its priority against other ministry expenditures.

Crown Corporation Expenditure Management

Crown corporations and agencies are expected to adopt similar measures of expenditure restraint, such as, but not limited to the following:

- Instituting a hiring freeze, except for critical operational positions;
- Instituting a salary freeze for management and executive;
- Restrictions on discretionary travel, including attendance at conferences, and elimination of business class travel whenever possible; more use of alternative methods to travel, such as video conferencing; and,
- Limits on office and business expenses, including a moratorium on purchase of new furniture and equipment and a review of mobile device and computer use to eliminate redundancies in equipment allocations.

Contingencies – Operating and Capital Reserves

As in previous years, ministries have been advised to assume that no contingencies access will be considered in 2013/14 for existing ministry programs beyond that previously approved through a letter from the Chair of Treasury Board. Ministries with approval for contingencies funding are expected to make all efforts to manage costs within the ministry's budget allocation to reduce the draw on contingencies and should commitments to any new initiatives be made without the express prior approval of the Chair of Treasury Board, the ministry's contingencies funding approval will be reduced by a corresponding amount. S12, S13

S12, S13

Additional Direction

Ministries are required to work closely with Treasury Board Staff to ensure that any potential impacts on the fiscal plan are identified in a timely manner and that mitigation strategies are developed as not to compromise the ministry's budget or government's bottom line. This includes early and ongoing notification of Statutory Authority pressures.

Authority to make expenditures beyond the voted appropriation is provided by legislation to some votes due to the nature the expenditure authorized under the votes (e.g., required for immediate health and safety or protection of property such as fire fighting, provision of emergency services). Treasury Board Staff tracks these expenditures to ensure that the impact on the fiscal plan is known. S12, S13

S12, S13

In addition to votes with statutory authority to spend beyond the Estimates appropriation, Special Accounts also have statutory authority to make expenditures above the amounts published in the Estimates. A special account is an account in the general fund of the consolidated revenue fund where the authority to spend money from the account is located in an Act other than the *Supply Act*. Legislation specifies the dedicated revenue sources and eligible expenditures/specific purposes for each special account. Despite statutory authority, ministries are directed to not increase a special account's expenses or financing transaction disbursements above the amounts approved in the Estimates without prior Treasury Board approval because of the potential impact on the fiscal plan.

Compensation Mandate

Under the 2012 Cooperative Gains Mandate no new funding is provided for increases to compensation negotiated through collective bargaining. Public sector employers are to work with the ministries responsible to develop Cooperative Gains Savings Plans (Savings Plan) to free up funding from within existing budgets to provide for modest compensation increases.

Savings Plans must be based on real savings that are measurable and incremental to existing business plans and directions that are assumed in the approved budgets and three-year fiscal plans of the sectors and service delivery agencies under your ministry's oversight, as well as the Province. They must not include proposals for:

- Increased funding from government;
- Reductions in service;
- Transferring the costs of existing services to clients, the public or other provincial ministries/agencies; or
- Eroding the agency's financial targets/forecasts such that it will impact on government's broader bottom line budget and fiscal plan targets published in any year.

Savings Plans may also include new revenue generation opportunities that are voluntary in nature to consumers and taxpayers.

The Cooperative Gains Mandate does not apply to executive and management staff; a salary freeze for executive and management staff continues to be in place.

Budget Required – 90-days from Swearing-In

S12, S13

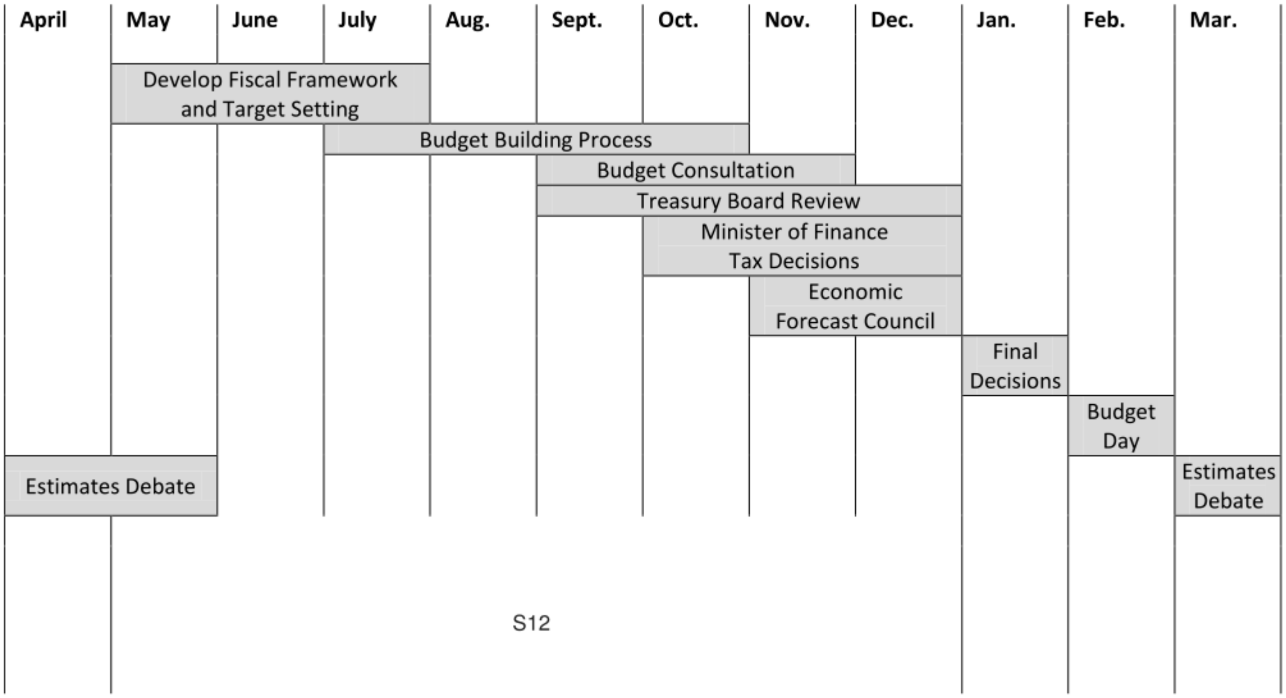
Budget Development Process

Government's Strategic and Fiscal Plans are key to the budget process. The Strategic Plan articulates government's priorities and the fiscal plan establishes the spending constraints for target setting.

Applicable statutes include the Financial Administration Act, the Supply Act, the Budget Transparency and Accountability Act (BTAA), and the Balanced Budget and Ministerial Accountability Act (BBMAA). BBMAA prohibits government from tabling forecasted deficits after 2012/13.

The chart on the following page provides a summary of the budget development and approval process/timelines.

Fiscal Year



Fiscal Framework and Target Setting (May to July)

- The annual budget process begins with the fiscal framework, which is presented to Treasury Board and Cabinet by the Minister of Finance.
- The fiscal framework outlines the current and future (usually three years) economic and fiscal profile. The framework includes projections for revenues, expenses, capital expenditures and debt for the government reporting entity.
- Using the fiscal framework as a guide, Treasury Board determines spending priorities, a forecast allowance and a preliminary government bottom line for each of the next three years. These decisions form the basis for the budget instructions to ministries and Crown agencies.
- The fiscal framework is updated periodically throughout the year and key updates occur when a new economic forecast is prepared.
- Government's expense targets are generally determined by solving for the difference between forecast revenues, including Crown corporations' net income forecasts, and the desired bottom line.

Budget Building Process (July to October)

- Budget Instructions are issued to ministries with direction on process, format and content. Separate directions on operating and capital processes may be provided. However, all operating funding requests are required to include reference to capital requirements and vice versa.

- The timeframe for operating requests is three years; however, government currently has a ten year capital plan.
- Ministry submissions are to include requests for any taxpayer-supported and commercial Crown corporations for which the Minister is responsible.

Budget Consultation (September to November)

- Under the BTAA, the Minister of Finance is required to release a pre-budget consultation paper on or before September 15; historically, this is released with the first Quarterly Report.
- The document includes a fiscal forecast, a description of the major economic and policy assumptions underlying the forecast and a summary of key issues affecting the next budget.
- A Select Standing Committee is responsible for conducting consultations and publically report on the consultations by November 18 annually.

Treasury Board Review (September to December)

- Treasury Board reviews budget submissions to determine appropriate funding for operating and capital requests. Decisions are usually completed by early December.
- Commercial Crown corporations are generally required to make an annual budget presentation to Treasury Board.
- Treasury Board may consider funding requests under various methods (e.g., by funding envelopes based on key strategic categories, by ministry, etc.)

Minister of Finance – Tax Decisions (October to December)

- The Minister of Finance considers tax policy issues and proposed tax policy changes. Final decisions are made by the Minister in consultation with the Premier.
- To facilitate legislative drafting prior to Budget Day, most decisions are made by the end of December.

Economic Forecast Council (EFC) (November/December)

- The Economic Forecast Council meets to advise the Minister of Finance on the economic outlook for the BC and global economies.

Final Decisions (January)

- The Economic Forecast Council members are given an opportunity to update their forecasts in early January. This is used as a mechanism to disclose how the Ministry of Finance's economic forecast for BC compares to the average of private sector forecasts developed around the same time.
- The Minister of Finance finalizes revenue projections and other revenue measures, and makes any additional/final operating and capital spending decisions.

- Final budget decisions are required approximately four weeks prior to budget day.

Budget (February)

- The BTAA requires the budget and service plans to be tabled the third Tuesday in February each year. The budget is debated and Estimates debate usually begins in March and occurs over several months.
- Interim Supply is usually passed during the last week in March to provide spending authority until the Supply Act is passed.
- If Estimates debate is not concluded before the Interim Supply is exhausted, a second Interim Supply Bill is tabled.

Fiscal Plan Updates (Ongoing)

S12

FISCAL BALANCES

The chart below summarizes the medium-term fiscal prospects facing the federal and provincial governments as they recover from the 2008-2009 recession.

S16

At present, only one province, Saskatchewan, is reported to be in budgetary balance. According to their respective 2013 budgets, Nova Scotia, Quebec and British Columbia expect to balance their budgets in the current fiscal year.

S16

At the time of writing, Ontario and Manitoba have not yet tabled their 2013 budgets S16

S16

The federal government expects to balance its budget in 2015/16. Reports from the Parliamentary Budget Office S16

S16 note that the federal government may be expected to post large and growing surpluses in the medium term. This, they attribute to three key factors:

S16

S16 The current federal fiscal plan includes a substantial cut in EI premiums and a 5.7 percentage point reduction in the federal debt-to-GDP ratio – from 33.8% in 2013/14 and to 28.1% in 2017/18.

S16

AN INTRODUCTION TO BC'S ECONOMY

Data as of April 30, 2013

An Introduction to BC's Economy

This paper describes some of the main characteristics of the BC economy. It includes:

- A brief history of the BC economy
- BC's current economic structure
- Recent trends in GDP and employment
- Information on regional employment

BC's economy then…

In the mid-1800s, BC was populated mainly by aboriginals and European settlers, many of whom were fishers, hunters, miners and loggers. When BC joined Confederation in 1871, its population was 36,000, accounting for just under one per cent of the national total. The share had doubled (to two per cent) by 1890. At the turn of the 19th century, three per cent of Canadians were living in BC.

BC's economy developed around the fur trade and the gold rush in the mid-1800s. The completion of the Canadian Pacific Railroad in 1885 helped bring the province into Confederation, as a transportation link was opened up between the west coast and the rest of Canada. This laid the foundation for further development of the economy.

In the early years, BC's economy was highly dependent on resource industries such as logging, mining, fishing and agriculture. Manufacturing activities were based on the processing of natural resources: canning Fraser River salmon, producing lumber and paper from trees harvested in the province's coastal and interior forests and extracting the province's rich mineral wealth. This dependence on primary industries helped forge an image of BC that persists to this day. Many people, when asked to name the largest industries in the province, continue to put forestry, mining, fishing and agriculture at the top of the list even though these industries are no longer the dominant forces in BC's economy.

BC's economy today

There were 4.6 million people living in BC in 2012. With 13 per cent of the Canadian population, it is now Canada's third most populous province, after Ontario and Quebec. BC produced about 12 per cent of the country's total GDP as of 2012. Vancouver is home to more than two million people, making it the third largest metropolitan area in Canada (after Toronto and Montreal) and one of only six Canadian cities with a population in excess of one million. It has become an important financial and industrial centre, and with its location on the west coast of the country, it is also a major transportation hub.

BC's population is aging: only 35 per cent of British Columbians are currently under 30, and 29 per cent are aged 55 or older. In recent years, immigration, especially from Asia, has been a major source of population growth. As a result, the Vancouver area, along with other parts of the province, is becoming more culturally and ethnically diverse.

BC's economy grew by an annual rate of 2.4 per cent since 1981, slightly below the Canadian average of 2.5 per cent during this period.[1]

BC's economy experienced two years of annual contraction since 1981, both brought on by major downturns in the global economy. The first occurred in 1982 (when BC's real GDP fell by 6.1 per cent), a result of a major US economic downturn. In the early 1980s, the US implemented contractionary monetary policy in an effort to slow rapidly rising inflation. The second annual decline took place in 2009 (a 2.1 per cent annual decline), in the wake of the recent global financial crisis. BC also saw periods of very weak growth in 1986 and 1991 (a 0.2 per cent increase in each year) and 2001 (a 0.6 per cent gain).

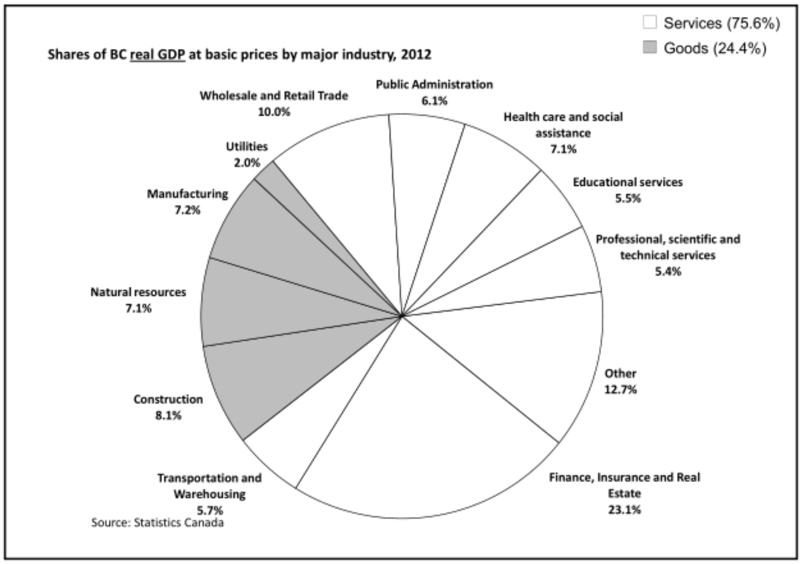
BC is a small, open economy and is therefore vulnerable to economic downturns in its major trading partners. However, destinations for BC's exports have diversified considerably over the last two decades, with a larger share of BC's goods now going to Asian markets. This diversification has helped BC's economy to weather sharp decreases in demand from the US (BC's largest trading partner). In 2001, just 2.3 per cent of BC's total merchandise exports went to China and 69.8 per cent went to the US. By 2012, however, 18.1 per cent of BC's total went to China and 44.9 per cent went to the US.

BC's current economic structure and recent trends in GDP and employment

Although BC has traditionally been viewed as largely focused on goods production, these industries now account for relatively small shares of total GDP and total employment. This represents quite a significant change from the early days of BC's economy when the goods sector played a much larger role in the economy. Service industries have made up at least two thirds of BC's economy since 1980, but their proportion of the total has gradually increased over the last 30 years.

[1] Calculation based on Statistics Canada Provincial Economic Accounts 2011 (1981-2010).

Shares of BC real GDP by industry (2012):



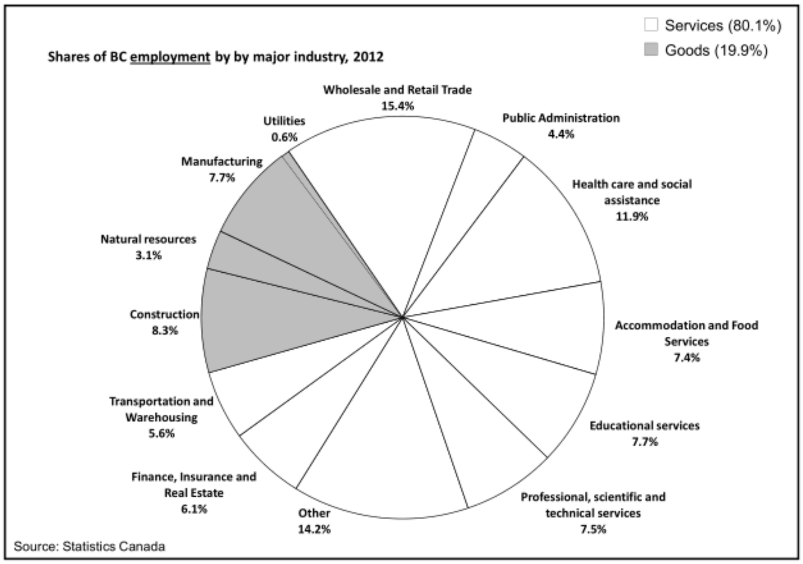
Goods sector

The goods sector produced about 24 per cent of BC's real GDP in 2012, down from about 33 per cent in 1980. It includes industries most people are familiar with: agriculture, fishing, forestry, mining, manufacturing, construction and utilities. Construction and manufacturing produced the highest amount of GDP in the goods sector in 2012, with construction accounting for 8.1 per cent of BC's total GDP and manufacturing making up 7.2 per cent. These two sectors are also the biggest employers in this sector, providing four out of five jobs among BC's goods-producing industries. Primary resource extraction and harvesting (agriculture, logging, mining and fishing) are relatively small employers, as is the utilities industry.

Services sector

The services sector produced about 76 per cent of BC's real GDP in 2012, an increase from about 67 per cent in 1980. The two biggest service industries are finance, insurance and real estate services (23.1 per cent of BC's total real GDP) and wholesale & retail trade (10.0 per cent of BC's total real GDP). These two industries employ more people than all of the goods-producing industries combined. Wholesale and retail trade (15.4 per cent of total employment in 2012) alone employs nearly twice as many people as manufacturing, which has traditionally been the largest employer in the goods sector. Health care and social assistance (11.9 per cent), accommodation and food services (7.4 per cent of total), professional, scientific and technical services (7.5 per cent of total) and educational services (7.7 per cent of total) also employ many service sector workers.

Shares of BC employment by industry (2012):



Some service industries have close ties to goods production, providing transportation, wholesaling, retailing, insurance and other services to producers who must move their products to markets where they can be bought and sold. In some cases (for example, freight transportation), these industries would not exist, or would be greatly reduced in scope, without clients in the goods sector. At the same time, some goods industries would not be able to function the way they do without service industries to support them.

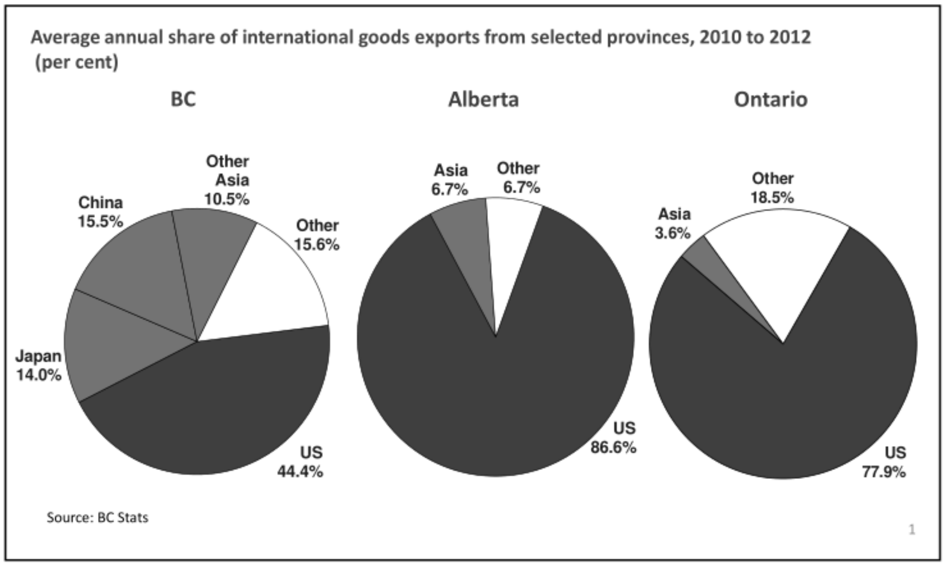
Goods or services: what drives economic growth in BC?

Given the role that resource-based goods industries played in the development of BC's economy—and the role they still play in some communities—it is not surprising that many people view the goods sector as the engine that drives the provincial economy. However, as the province has become increasingly dependent on service industries as a source of employment and economic growth, the degree to which goods industries determine our economic fortunes has been reduced.

The pace of economic growth in the goods sector is somewhat volatile, as these industries experience periods of relatively rapid growth and decline in response to changing world demand for commodities such as wood, paper, metals, gas and other resource products. The services sector can be thought of as a buffer that insulates BC's economy from some of the volatility in the goods sector. Although less reliance on resource industries means we are not as likely to feel the full effect of downturns in world markets for resource-based products, it also means that when these markets are booming, the benefits are not as noticeable either. A highly service-oriented economy will usually experience steady, but slower, growth than one that is more reliant on volatile resource industries.

BC's trade diversity helps to shelter its economy from US downturns and allows BC to take advantage of rapidly expanding markets like China. While most of Canada is highly dependent on the US as an export destination (both Alberta and Ontario send more than three quarters of their merchandise exports to the US), BC currently sends less than half of its total merchandise export to the US.

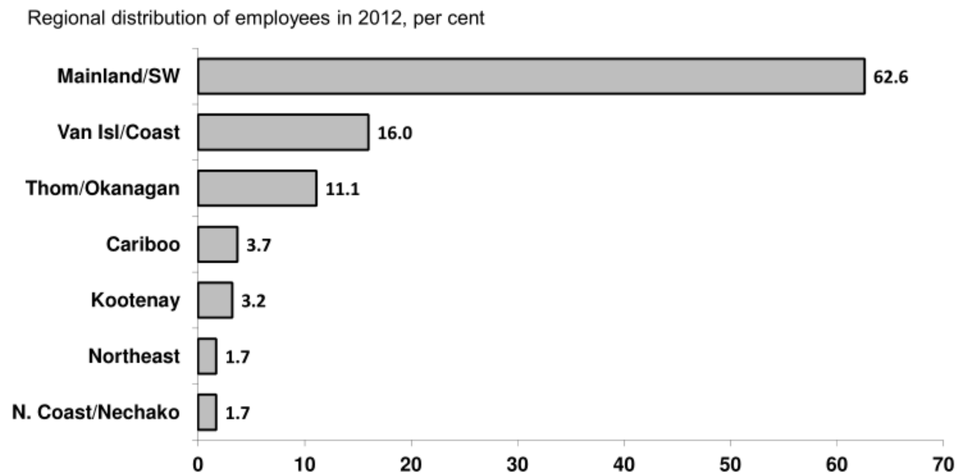
Merchandise exports by destination: BC, Alberta and Ontario



Employment in BC's regions

Nearly 8 out of 10 jobs in BC are located in the Lower Mainland (63 per cent in 2012) and Vancouver Island (16 per cent in 2012) areas. This is not surprising, as these two regions also contain most of the provincial population. About 11 per cent work in Thompson/Okanagan—the region around Kamloops, Kelowna and Vernon. Cariboo (4 per cent), Kootenay (3 per cent), North Coast and Nechako (2 per cent) and Northeast (2 per cent) each employ a relatively small percentage of the province's workers.

The northern and interior regions of the province, where many of the mineral and forest resources are located, are most reliant on goods production as a source of employment. Roughly three out of 10 jobs in Kootenay, North Coast/Nechako, Northeast and Cariboo are in goods-producing industries. Goods account for a much smaller percentage of total employment in the most densely populated regions, where the service sector is more dominant. Service industries provide eight out of ten jobs in Vancouver Island/Coast and Mainland/Southwest.



Source: Statistics Canada

Appendix A: Interprovincial comparisons

Data as of April 30, 2013

The tables and charts below compare selected BC economic indicators to Ontario and Alberta and to the national average.

GDP by Industry:

- Service industries account for the majority of total GDP in all three provinces and Canada overall.
- Forestry is larger in BC than in most other jurisdictions, although it still makes up less than 1 per cent of BC's total GDP.
- Mining, oil and gas extraction makes up a large component of AB's economy (nearly 27 per cent) relative to the other provinces.
- ON's manufacturing sector is large compared to the other areas.
- Finance, Insurance and Real Estate makes up about a quarter of BC and ON's economies, but is still fairly large in AB.

Employment by Industry:

- Service industries also account for the majority of total employment in all jurisdictions.
- Trade (which consists of wholesale and retail trade) is the largest employer across all areas.
- Primary industries make up a much higher share of AB's total jobs (largely due to employment in the oil and gas sector) than in other provinces.

- Manufacturing accounts for a higher share of employment in ON relative to BC and AB.

Exports by destination:

- BC has a diversified export market.
- Most of Canada is highly dependent on the US. Over the past three years (2010 to 2012), 86.6 per cent of Alberta's total merchandise exports and 77.9 per cent of Ontario's total merchandise exports went to the US. This is considerably higher than the 44.6 per cent of BC's merchandise exports that was sent to the US during this time.
- This diversification helps to shelter BC from US downturns, compared to other provinces, and allows BC to take advantage of rapidly expanding markets like China.

SUMMARY ACCOUNTS BUDGETING

Revenue		Expense
CRF revenue combined with SUCH sector and service delivery agency own source revenue + Commercial Crown corporation net income	-	CRF direct spending on programs (i.e. excluding transfers to GRE entities) plus SUCH sector and service delivery agency spending

=

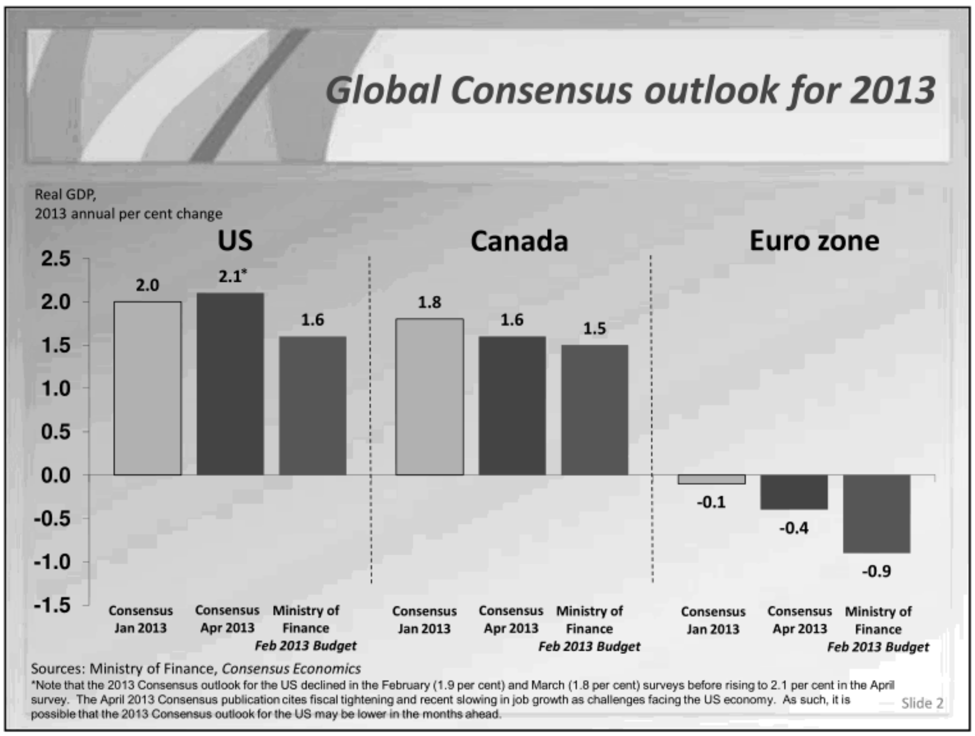
Surplus / (Deficit)

- The provincial government has been budgeting on a summary accounts basis since *Budget 2002*. Full compliance with generally accepted accounting principles (GAAP) as required under the *Budget Transparency and Accountability Act* was achieved in Budget 2004 with the inclusion of the SUCH sector (i.e. schools, universities, colleges, and health organizations).
- Summary accounts budgeting combines the financial projections of core government (i.e. the consolidated revenue fund, or CRF) with those of the service delivery agencies, including the SUCH sector, and the commercial Crown corporations. The CRF and these organizations are collectively known as the government reporting entity (GRE).
- It is commercial Crown corporation net income, and not dividends, that is reported as revenue in the summary accounts. Dividends merely represent the transfer of cash to the CRF. This cash flow enables government to reduce its direct operating debt requirements, which in turn lowers the taxpayer-supported debt to GDP ratio.
- Grants issued by ministries to organizations in the GRE do not necessarily translate into spending on the summary accounts level in the year the grant is issued. Spending occurs when the program being funded is actually delivered, and a lag between when the funding is received and the program is up and running may span a fiscal year end.
- While BC was the leader in Canada in adopting full summary accounts budgeting, the other provinces have followed suit to varying degrees.

ECONOMIC UPDATE – APRIL 30, 2013

Global Consensus Outlook for 2013

- On the external front, the outlook has weakened since the beginning of the year, with the Consensus lowering its 2013 forecast for Canada and Europe.
- The Consensus outlook for the US declined in the February (1.9 per cent) and March (1.8 per cent) surveys before rising to 2.1 per cent in the April survey.
    - The April 2013 Consensus publication cites fiscal tightening and recent slowing in job growth as challenges facing the US economy.
    - As such, it is possible that the 2013 Consensus outlook for the US may be lower in the months ahead.



BC Employment

- Employment growth in BC has been weak so far in 2013, with year-to-date employment gains of about 6,700 jobs in the first three months of 2013 (0.3 per cent) compared to the first three months of 2012.
- The year-to-date gains have been in full-time jobs (up 21,600 jobs or 1.2 per cent), while part-time jobs have declined (down 14,900 jobs or -2.9 per cent).

- BC's unemployment rate stood at 7.0 per cent in March, unchanged from a year ago.

BC Housing Starts

- The BC housing market is experiencing a period of moderate activity.

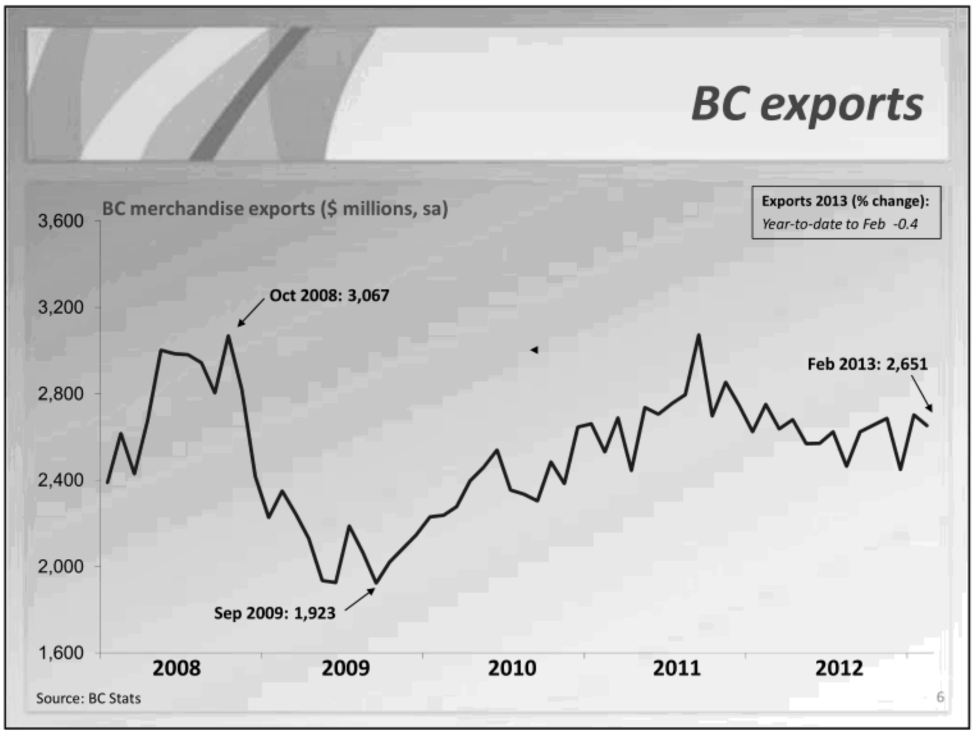
- BC housing starts averaged about 24,200 units in the first three months of 2013 (down 12.0 per cent compared to the same period a year ago), and are currently below the 20-year annual average of around 27,800 units.
- BC MLS home sales and prices are also down, with year-to-date (to March) declines of 16.3 per cent and 4.5 per cent, respectively.
- This moderation is due to a number of factors including stagnant labour markets, tighter mortgage insurance rules and weak population growth. It is anticipated that moderation in homebuilding will continue in the short-term as the Canadian (and provincial) markets transition to levels of activity that are more sustainable.

BC Retail Sales

- In 2012, BC retail sales rose 1.9 per cent, following growth of 3.2 per cent in 2011.
- So far in 2013, BC retail sales decreased 0.5 per cent in the first two months of the year, compared to the same period of 2012.
- BC retail sales were quick to recover from the sharp drop that was experienced during the 2008/09 global recession. However, retail sales in BC have been trending relatively flat since 2012 as debt-conscious consumers reign in spending.

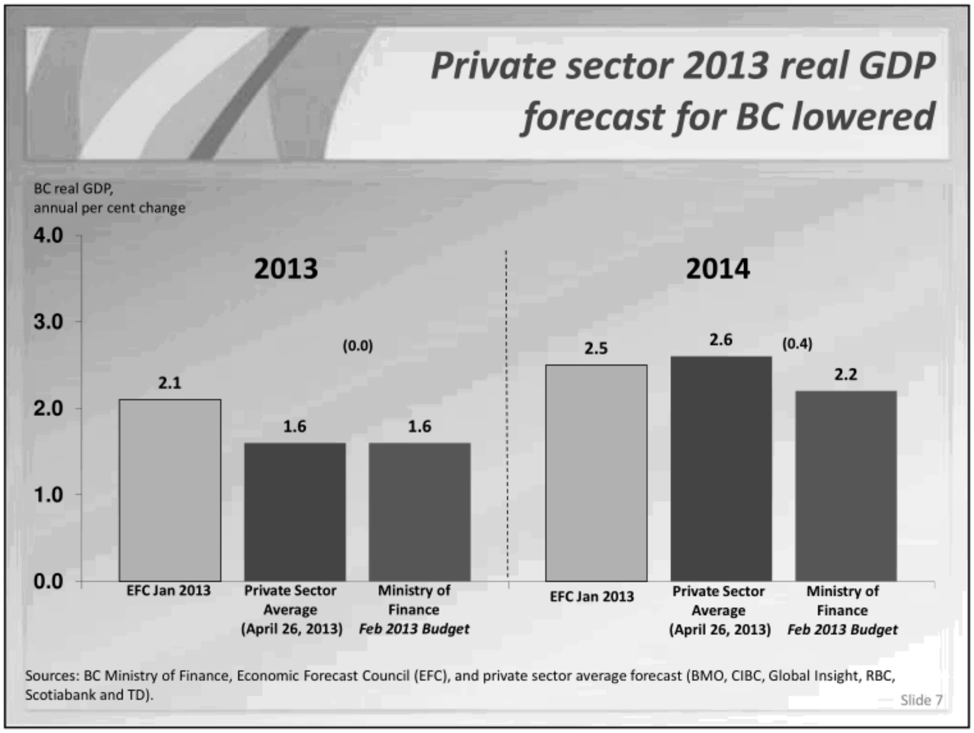
BC Exports

- BC merchandise exports have been on a downward trend since late 2011, and this trend has continued into 2013.
- In the first two months of 2013, BC exports declined 0.4 per cent compared to the same period a year ago, mainly due to year-to-date declines in energy products exports (primarily coal) and metal and non-metallic mineral product exports.
- BC exports are sluggish, despite a depreciating loonie, due to weak external demand as uncertainty over the global economic situation remains.
- Note that private sector forecasts for exports are not available. The MOF forecast for exports is not directly comparable to the published BC Stats exports series.



Private Sector 2013 Real GDP Forecast for BC Lowered

- The current private sector average (average of 6 private sector organizations) calls for real GDP growth of 1.6 per cent in 2013 and 2.6 per cent in 2014. This is an indication that the Economic Forecast Council outlook (average of 14 private sector organizations) for BC, for 2013, may decline when they are re-surveyed. Note that as per the legislation (BTAA), the EFC will be re-surveyed prior to the Budget Update.



BC Real GDP (as of February 2013)

	2013	2014	2015	2016	2017
MOF (Feb 2013 Budget)	1.6	2.2	2.5	2.5	2.5
EFC (Jan 2013)	2.1	2.5	2.6	2.6	2.6
Prudence	-0.5	-0.3	-0.1	-0.1	-0.1

BC Real GDP (as of April 26, 2013)

	2013	2014	2015	2016	2017
MOF (Feb 2013 Budget)	1.6	2.2	2.5	2.5	2.5
Current PS (April 26, 2013)*	1.6	2.6	2.7	2.6	2.6
Prudence	0.0	-0.4	-0.2	-0.1	-0.1

* Current PS average for 2015 onward is only Global Insight.

- The private sector average (6 private sector forecasters) is a sub-set of the EFC (14 private sector forecasters).
- Forecasts from these 6 organizations are monitored during the year due to:
    - the relative frequency with which they update their forecasts (i.e. every month, or every quarter); and,
    - The fact that they produce forecasts for all provinces, so the Ministry can track how BC is expected to perform relative to the rest of Canada.
- The 6 organizations that comprise the private sector average are:
    - Bank of Montreal
    - CIBC
    - Global Insight
    - RBC
    - Scotiabank
    - TD

APPENDIX A

British Columbia Economic Indicators (recent changes new or revised are in bold)

Data to April 26, 2013

	Latest data available			Month-over-previous-month	Jan-Mar over Oct-Dec average[1]	Current month over same month of previous year	Year-to-date average
				Per cent change (unless otherwise noted)			
Employment[2]	2,303	(thousand jobs)	March	-0.6 -14,800 [3]	-0.4 -8,167 [3]	+0.1 +2,800 [3]	+0.3 +6,667 [3]
Unemployment rate[2]	7.0	(per cent)	March	+0.7 [10]	-0.0 [10]	0.0 [10]	-0.5 [10]
Manufacturing shipments[2]	3,270	($million)	February	+0.3	+1.3	+3.1	+3.4
Exports[2]	2,651	($million)	February	-1.9	+3.1	-3.6	-0.4
Retail sales[2]	**5,115**	**($million)**	**February**	**-0.3**	**-0.0**	**-1.0**	**-0.5**
Housing starts[5]	25,991	(units)	March	+11.2	-1.9	+15.0	-12.0
Non-residential building permits[2]	209	($million)	February	+11.6	-28.4	-60.0	-48.8
Consumer price index[6]	118.5	(2002=100)	March	+0.2	+0.4	+0.5	+0.6

Forecast Status

	Latest Government Forecast (February 2013)			Current Forecasts			
	2012	2013	2014		2012	2013	2014
	Per cent change (unless otherwise noted)				Per cent change (unless otherwise noted)		
British Columbia Real GDP	1.9[e]	1.6	2.2	BC Real GDP (Economic Forecast Council)[8, 11]	**1.7[e]**	2.1	2.5
US Real GDP	2.2[a]	1.6	2.3	US Real GDP (Consensus Economics)	2.2[a]	2.1	2.7
Canada Real GDP	1.9[e]	1.5	2.1	Canada Real GDP (Consensus Economics)[11]	1.8[a]	1.6	2.4
Cdn 3-mth treasury bills (%)	1.0[a]	1.0	1.6	Cdn 3-mth treasury bills (%) (private sector average)[9]	1.0[a]	1.0	1.1
Exch. Rate (US cents/C$)	100.1[a]	100.5	102.5	Exch. Rate (US cents/C$) (private sector average)[9]	100.1[a]	97.5	99.5
SPF 2x4s (US$/000 bd ft)	300	328	300				

Provincial Key Economic Indicators

	Retail Sales[2]	Housing Starts[5]	Non-Res Building Permits[2]	Exports[6]	Manuf. Ships.[2]	Empl.[2]	Unempl Rate[2,4]	Avg. Wkly Wage Rate[6]	Consumer Price Index[6]	Real GDP[11] 2012	Real GDP Forecast[7] for 2013	Real GDP Forecast[7] for 2014
Data to:	Feb	Mar	Feb	Feb	Feb	Mar	Mar	Mar	Mar			
	Year-to-date per cent change (unless otherwise noted)									Annual per cent change		
British Columbia (rank in parentheses)	**-0.5 (6)**	-12.0 (6)	-48.8 (9)	-0.5 (7)	+3.4 (4)	+0.3 (8)	6.5 (4)	+2.2 (4)	+0.6 (9)	**1.7 (4)**	**1.6 (5)**	**2.6 (3)**
Alberta	**+6.1**	+8.1	+33.7	+1.2	+1.5	+2.0	4.6	+6.7	+0.5	**3.9**	**2.5**	**3.2**
Saskatchewan	**+5.7**	-24.9	+7.5	+7.4	+6.2	+4.4	3.9	+4.9	+1.2	**2.2**	**2.5**	**3.0**
Manitoba	**+0.4**	-1.1	+31.2	+1.1	+0.8	+1.8	5.0	+1.5	+1.9	**2.7**	**1.9**	**2.4**
Ontario	**-0.6**	-25.9	-11.1	-2.7	-0.3	+1.3	7.7	+0.5	+0.9	**1.4**	**1.6**	**2.5**
Quebec	**+1.1**	-14.6	+17.5	-0.1	-0.3	+2.6	7.4	+2.3	+0.9	**1.0**	**1.2**	**2.1**
New Brunswick	**-3.8**	+24.1	+115.3	+7.8	+17.2	-0.0	10.6	+1.6	+0.9	**-0.6**	**1.1**	**1.8**
Nova Scotia	**-1.6**	+22.5	-56.1	+5.2	-2.4	-1.1	9.5	+0.6	+1.5	**0.2**	**1.5**	**2.2**
Prince Edward Island	**-1.7**	+82.6	-36.3	-9.1	+7.4	+3.6	11.8	+0.8	+1.3	**1.2**	**1.5**	**1.9**
Newfoundland	**+3.1**	-20.7	+53.0	-12.1	-11.9	+3.1	11.8	+0.9	+1.6	**-4.8**	**3.8**	**1.8**
Canada	**+0.9**	-13.8	-0.8	-0.8	+0.7	+1.6	7.1	+2.2	+0.9	**1.8**	**1.7**	**2.5**

[1] Compares first quarter 2013 to fourth quarter 2012. If only January and February data are available, their average is compared to the October through December average.
[2] Seasonally-adjusted data.
[3] Change in number of jobs over the period.
[4] Year-to-date unemployment rate.
[5] Seasonally-adjusted at annual rates.
[6] Not seasonally-adjusted data.

e Estimate a Actual

[7] Average of Global Insight, BMO Capital Markets, Scotiabank, Royal Bank, TD Bank, and CIBC.
[8] Average of the fourteen forecast council members: Global Insight, Bank of Montreal, Scotiabank, Royal Bank, TD Bank, CIBC World Markets, BC Real Estate Association, Conference Board of Canada, Central 1 Credit Union, BC Business Council, Informetrica, Laurentian Bank Securities, Stokes Economic Consulting, and Urban Futures Institute as of January 9, 2013.
[9] Average of BMO Capital Markets, CIBC, Global Insight, Scotiabank, TD Bank and RBC Capital Markets as of April 9, 2013.
[10] Percentage point change
[11] Provincial real GDP for 2012 is based on Statistics Canada preliminary industry accounts (April 2013); Canadian real GDP for 2012 based Statistics Canada expenditure accounts (March 2013).

KEY ECONOMIC RISKS

Sluggish US Economy

Data as of April 5, 2013

Risks to BC

- The BC economy remains strongly linked to the US economy despite increasing trade diversification to markets in Asia.
- The major impacts of sluggish growth in the US economy have been:
    - Downward pressure on BC merchandise exports
    - Lower commodity prices
    - Reduced consumer, business and investor confidence
    - Increased uncertainty over the domestic and global economic outlook
- Risks surrounding the US and global economic environment are accounted for as the Ministry of Finance instils prudence in its economic forecast and incorporates a forecast allowance to mitigate unexpected hits to the bottom line.

Challenges facing the US economy

Federal Fiscal Issues

The fiscal situation in Washington is a key source of downside risk facing the US economy. Though the fiscal cliff (which involved around $600 billion worth of automatic tax increases and spending cuts) was narrowly avoided on January 1, 2013, federal sequestration came into effect on March 1, 2013 (which requires $85 billion in government spending cuts by September 30, 2013). In addition, the US debt limit will be hit again on May 18, 2013, unless it is increased by Congress. If this occurs, the US Treasury would have to resort to extraordinary measures to continue to fund government operations.

In total, federal fiscal restraint is expected to shave around 1.5 percentage points from US real GDP growth in 2013. Furthermore, uncertainty about whether lawmakers will alter the sequestration order or raise the debt ceiling has clouded the US economic outlook and weighed on consumer, business and investor confidence.

The Housing Market

Despite improvements in recent months, the level of activity in the US housing market remains at historically low levels.

- Housing starts - At 917,000 units (saar) in February, US housing starts are still down 37.4 per cent from their historical average of 1,466,000 (data to 1959).
- Home sales – New home sales, pegged at 411,000 units (saar) in February, are still 38.1 per cent lower than their historical average of 664,000 (data to 1963).
- Foreclosure rates – 3.7 per cent of mortgages are in the foreclosure process, considerably higher than the historical average of around 1 per cent.
- Home prices – Home prices are down around 29 per cent from their pre-recession peak.
- Negative equity – 21.5 per cent of all mortgages still had negative equity during the fourth quarter of 2012, where the value of a home is lower than the amount owed on a mortgage.

The Labour Market

As of March 2013, only 67.3 per cent of the jobs lost during the recession have been regained. At the current pace of job growth (88,000 jobs added (m/m) in March) it would take over 2.5 years to recover the remaining 2.9 million jobs that were lost during the recession.

Meanwhile, the US unemployment rate sat at a lofty 7.6 per cent in March and the labour force participation rate fell to 63.3 per cent (its lowest rate since 1979). The Federal Reserve has repeatedly expressed concern about the elevated US unemployment rate and has pledged to maintain exceptionally low interest rates at least as long as the unemployment rate remains above 6.5 per cent, provided that inflation is contained (this a significant departure from previous Federal Reserve practices of providing time horizons, rather than economic indicator thresholds, as guidance for future interest rate movements).

In addition, 4.6 million Americans are currently considered to be 'long-term unemployed' (jobless for 27 weeks or more) and a record high of nearly 48 million Americans were on food stamps as of December 2012.

State and Local Government Finances

State and local government expenditures have subtracted from US GDP in 15 of the last 20 quarters and state spending is expected to remain below pre-recession levels this coming fiscal year. In addition, 7 US cities and localities and 26 other municipal entities (such as hospitals) have filed for bankruptcy since 2010.

Global Environment

The US is exposed to a variety of risks in the global economy, particularly through trade channels. For instance, around 23 per cent of US exports were sent to Europe from 2008 to 2012, exposing US businesses to further weakness and uncertainty caused by the ongoing European debt crisis.

The European Sovereign Debt Crisis

Data as of April 5, 2013

Risks to BC

- The major impact of the sovereign debt crisis in Europe has been increased uncertainty in the global economic outlook, volatility in financial markets and a decline in global trade. The continued deterioration in European financial conditions may undermine the global recovery by:
  - fraying already fragile investor, business and household confidence
  - weighing on US merchandise exports, since the European Union has been a major market for US merchandise in recent years
- Instability in the global economy (particularly in the US and China) would have a negative impact on BC's economy, mainly through trade and commodity price channels.
- Risks surrounding the global economic environment are accounted for as the Ministry of Finance instills prudence in its economic forecast and incorporates a forecast allowance to mitigate unexpected hits to the bottom line.

Challenges Facing the European Economy

Government Debt and Deficits

Significant public debt troubles have led to bailouts for the governments of Greece, Ireland, and Portugal. As of the third quarter of 2012, the three countries had public debt-to-GDP ratios of 152.6 per cent, 117.0 per cent, and 120.3 per cent, respectively. In June 2012, Cyprus asked for a bailout and, after agreeing to radical and swift restructuring in Cypriot banks, reached an agreement with eurozone finance ministers for a three year loan in March 2013. Some analysts are concerned that the current bailout capacity in Europe would be insufficient to cover a government bailout of larger European governments. Analysts have speculated that the governments of Italy and Spain may need financial assistance at some point.

Bank Debt

The collapse of housing values in many parts of Europe has left some European banks with considerable bad debts on their balance sheets. Spain's banks were particularly hard hit and the Spanish government requested eurozone loans worth €100 billion to shore up its ailing banks in June 2012. The banks of Cyprus provide an illustration of the spread of financial contagion, as exposure to Greek bonds crippled Cypriot banks, pushing the country to the brink of bankruptcy.

The Housing Market

Some European housing markets saw large declines in home prices. From the third quarter of 2007 to the third quarter of 2012, Spain's housing price index has fallen 30.7 per cent and Ireland's housing price index fell 49.6 per cent. In turn, these declines in home prices have led to dramatic reductions in construction employment. In Spain, construction employment in 2012 was 57.5 per cent lower than it was in 2007.

The Labour Market

In February 2013, the eurozone unemployment rate stood at 12.0 per cent, tied for the highest level since the introduction of the single currency; Spain's unemployment rate was recorded at 26.3 per cent and Greece's unemployment rate was 26.4 per cent in December 2012 (the most recent datapoint for Greek unemployment). Unemployment among youth (under 25) is particularly concerning, as the youth unemployment rate is above 55 per cent in both Spain and Greece.

Poor Economic Performance

In 2012, eurozone real GDP declined by 0.6 per cent from 2011. While the majority of the sovereign debt crisis occurred in southern European countries, northern European countries (including Finland, Denmark and Germany) saw their economic output contract in the fourth quarter of 2012. Looking forward, the March 2013 Consensus projects a European recession in 2013, as eurozone real GDP is forecast to contract by 0.3 per cent this year. Modest growth is anticipated the following year, with the March Consensus projecting 1.0 per cent eurozone growth in 2014. However, given recent events in Cyprus, low consumer and business confidence is likely to remain a downside risk to the continent's economic outlook.

Economic slowdown in China

Data as of April 30, 2013

Risks to BC:

- Slower economic growth in China will likely have a negative effect on demand for BC's commodity exports, especially BC's softwood lumber, pulp, copper and coal.
    - This could affect the performance of BC's firms that produce these commodities, as well as firms in related industries.
    - Slower growth in China could also have an indirect effect on BC, as BC's major trading partners (that also trade with China) could also be hurt by falling Chinese demand. As the economies of BC's other trading partners slow, they may, in turn, decrease their demand for BC's exports.
- Due to rapid economic expansion over the last decade, China is now the second largest export destination for BC's exports. About 18 per cent of BC's exports went to China in 2012 compared to about 2 per cent in 2001.
- Risks surrounding the Chinese economy are accounted for as the Ministry of Finance instils prudence in its economic forecast and incorporates a forecast allowance to mitigate unexpected hits to the bottom line.

Challenges facing China's economy:

Slower global demand for Chinese exports

China's economy was hit in 2012 by weakening demand for its exports (especially from troubled major trading partners Europe and the US). On the year, Chinese real GDP advanced 7.8 per cent, its weakest annual pace since 1999.

- China grew at an annual rate of more than 10 per cent between 2000 and 2011. Looking ahead, the private sector (April 2013 Consensus) currently forecasts China's economy to grow by 8.2 per cent in 2013 and 8.0 per cent in 2014.
- Note that in March 2012, the Chinese government lowered its official target for annual growth to 7.5 per cent from 8.0 per cent (the target in place since 2005).
- More recently, China's economy grew by 7.7 per cent (year-over-year) in the January to March quarter of 2013, slower than the previous quarter's 7.9 per cent (year-over-year) rate.

Housing market

Residential property prices have increased 50 per cent over the last five years, to the highest level since China privatized home ownership in 1998. Further, average home prices in China's 100 largest cities rose for the tenth straight month in March 2013.

- The Chinese government, worried that property prices were becoming unaffordable and that developers were building too many luxury homes, has implemented a number of policies since 2010 aimed at cooling the housing market. In March 2013, the government announced stricter enforcement of a capital gains tax on home sales, higher down payment requirements and mortgage rates on second homes in high-priced cities and a tightening of home purchase limits.

Inflation

Consumer prices in China reached a ten-month high in February 2013, climbing by 3.2 per cent compared to the same month a year earlier. This gain was mainly driven by a 6.0 per cent increase in the price of food. However, China's inflation rate eased in March to 2.1 per cent compared to the same month in 2012 (as the pace of food price inflation slowed to 2.7 per cent).

- China's Premier declared in March 2013 that he intends to keep the inflation rate low. China has maintained an annual inflation target of 4.0 per cent since 2011.

Canadian Dollar

Data as of April 29, 2013

Risk of exchange rate volatility

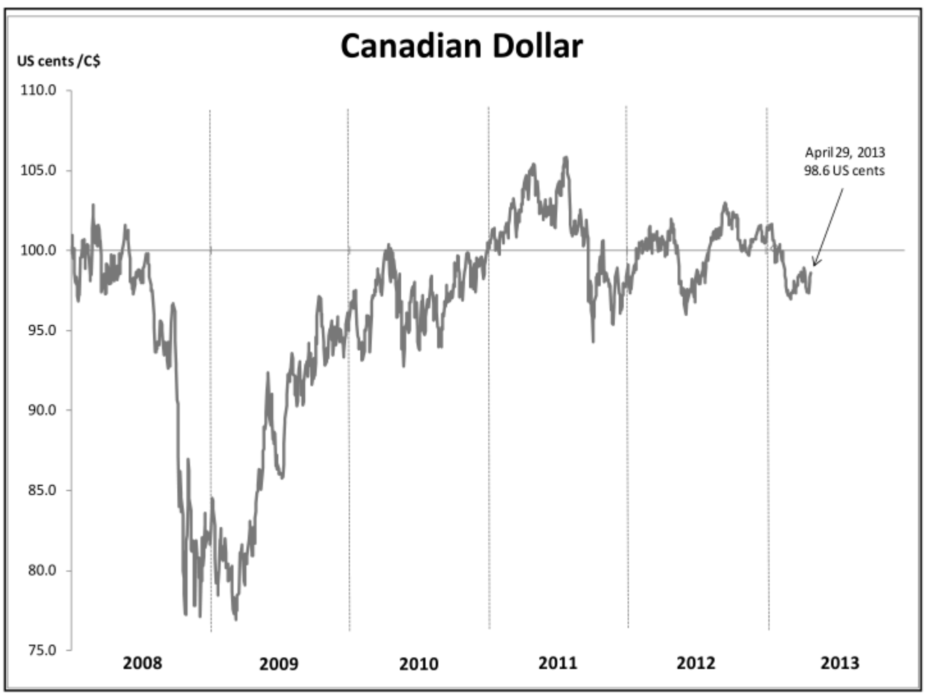
- The Canadian dollar averaged slightly above par for 2011, 2012 and into January 2013.
- In recent months, however, the loonie has depreciated relative to the US dollar, reflecting

factors such as tepid economic growth and the expectation that the Bank of Canada's overnight target rate will remain lower for longer.

- A higher Canadian dollar will generally have a negative effect on Canadian economic growth through a decline in exports.
  - At the same time, a sustained higher Canadian dollar may benefit consumers (by lowering the prices of consumer goods) and firms who are importing machinery and equipment and other factors of production.
- Risks surrounding exchange rate volatility are inevitable. Therefore, the Ministry of Finance instils prudence into its forecast and incorporates a forecast allowance into its budget to mitigate unexpected hits to the bottom line.

Background:

- The loonie began 2013 at 101.4 US cents but has since eased below par to average 98.9 US cents year-to-date to April 29, 2013.



- Most analysts view the loonie's retreat to be temporary.
  - The private sector is forecasting the loonie to begin appreciating again by the end of 2013.
  - A gradual rise is expected to continue throughout 2014, based on the expectation that Canadian interest rates will rise faster than those in the US.
  - On an annual basis, the private sector is forecasting the loonie to average 97.5 US cents for 2013 and 99.5 US cents for 2014.

- An elevated Canadian dollar affects BC's economic growth directly by causing export prices for BC goods to become more expensive to importing countries.
  - By contrast, Canadian companies that import raw materials, machinery and other American products benefit from greater purchasing power.
- Although a strong Canadian dollar adds to competitiveness pressures faced by Canadian manufacturers, most industries have adapted their business practices to maintain steady operations with the loonie at par.
  - Additionally, a relatively strong loonie lowers the cost of investing in productivity-enhancing equipment.

A FRAMEWORK FOR ASSESSING THE ECONOMY'S PERFORMANCE AND OUTLOOK

Data as of April 30, 2013

Every day, government statistics agencies release economic data. As well, private companies, non-government organizations/think tanks and interest/advocacy groups are constantly sending out data on various aspects of the economy.

Interpreting what is happening in the economy and how it will perform in the future is more of an art than a science. There are armchair economists who think that their preferred indicator tells you all that you need to know about how the economy is doing now or how it will fare in the future. However, one can make sense of the daily blizzard of economic data and events by using a framework for thinking about the economy and its various components. Having a framework for looking at the economy helps to evaluate all of the data (actual statistics collected by reputable agencies), qualitative indicators (consumer and business confidence surveys and polls) and anecdotes ("the malls are crowded, so people are spending lots of money").

The purpose of this note is to outline how Ministry of Finance staff goes about assessing the current performance of the economy – the framework used for measuring the economy, the indicators considered – and how we use information about the risks facing the economy to assess the likelihood that our economic forecast will be achieved. This will provide a context for the briefing material we provide regularly and suggest what economic indicators/information is useful to look at.

A Framework for Measuring the Economy

In the post-World War II years, economists and statisticians developed a framework for measuring the size and growth of economies. At the urging of the United Nations, most developed countries adopted this framework and began producing what are termed "national economic accounts". The purpose of these accounts was to measure the total volume of economic activity in a country year by year. The measure of total economic activity became known as "real gross domestic product" (real GDP).

A second measure of GDP is called nominal or current-dollar GDP. The difference between the two measures is that nominal GDP uses the current price level whereas real GDP uses a fixed price level. This means that nominal GDP is affected by inflation, whereas real GDP is not. Because the government's revenues and costs are measured at the current prices[1], nominal GDP is useful for government budgeting. Real GDP is useful for comparing the actual economic output of the

1 Workers today would almost certainly not want to be paid 1992 wages!

economy, without inflation affecting the analysis. Unless otherwise stated, we will be referring to real GDP in the rest of this document.

A key principle of this economic accounting framework was that GDP measures all transactions of goods and services for money in the marketplace. This is done activity by activity, measuring the revenue from each good or service produced and sold minus the cost of production. (This is known as "value added", so GDP is the sum of value added by all activities.) The change in the volume of economic activity (real GDP) measures how much "economic progress" was being made over any selected period.

There are three ways of measuring GDP, and they are represented by 3 different sub sections of the economic accounts: the Expenditure Side, the Income Side and the Industry Side. Each side measures GDP from a slightly different approach, though in theory the result is the same for each side of the accounts.

- Expenditure Side: Aggregate expenditures/demand (e.g. consumption, investment etc), real and nominal GDP;
- Income Side: Total incomes earned in the economy (payments made to factors of production such as labour and capital); only nominal GDP; and
- Industry Side: The sum of value added by each industry/sector in the economy; real and nominal GDP.

In theory, all three approaches should produce equivalent measures of GDP. In practice, however, most national statistical agencies, analysts and forecasters put more weight on the expenditure-side approach (it is considered the most accurate of the 3 approaches). The Ministry of Finance also focuses on the expenditure side in its economic forecasting and monitoring.

Note that in November 2012, Statistics Canada made some significant methodological changes to the Canadian System of National Accounts. While the definition of GDP is unchanged, the scope of the categories that are included in the expenditure and income side GDP have been revised. S13

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S13 For details regarding the new accounting system see the briefing note titled Canadian System of National Accounts.

Using the Framework to Monitor and Forecast the Economy

Statistics Canada produces quarterly GDP figures for the Canadian economy two months after the end of each quarter. It does not produce quarterly estimates of provincial GDP. Ontario and Quebec produce their own quarterly GDP estimates.

Since real GDP is the main statistic for measuring the actual growth of the economy and the main focus of forecasts, during the year we want to have some idea of how the provincial economy is progressing relative to the previous year and relative to the forecast. The framework outlined in the table allows us to take a "bottom-up" approach to estimating how GDP is unfolding as the year progresses. This involves assembling a range of indicators for the major components of GDP.

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The table on the next page lists the various statistical indicators that can help track the major components of real GDP:

Expenditure-Based Real GDP Components	Directly-Related Statistical Indicators Available Monthly/Quarterly	Indirect Statistical Indicators
+ Personal expenditure on goods and services	Retail and wholesale sales, restaurant/bar sales, sales tax data	Auto sales, tourism indicators
+ Capital investment	Housing starts, residential and non-residential building permits data, twice-yearly capital spending intentions survey	Business confidence surveys, changes in long-term interest rates
+ Gov't expenditure on goods and services	Fiscal plans of governments and actual expenditures	Public sector employment and aggregate wage data
= Final domestic demand		
+ Exports	Value of exports data	Manufacturing shipments, tourism indicators
- Imports	No direct provincial data	Canadian imports through B.C. customs ports; data on consumer/business spending on durable goods and machinery and equipment
+ Change in inventory investment	No provincial data	Canadian Investment in Inventory quarterly release by Statistics Canada, industry sources
= **Real GDP**		

Some important indicators such as employment and income are not mentioned in the two right-hand columns. We pay close attention to these figures. They are used to help monitor the changes in income-based (nominal) GDP, as shown in the table below. Of course, employment and income help determine the level of consumer spending.

Combined, the in-year/year-to-date indicators for real and nominal GDP give us a fairly good idea of how the economy is performing. There are times, however, when the available indicators send misleading signals. This occurs when the highly volatile components, such as investment and inventory changes are moving differently than was assumed. This will be difficult to detect since minimal in-year data for these volatile components is available.

Income-Based Nominal GDP Components	**Directly-Related Statistical Indicators**	**Indirect Statistical Indicators**
Labour income	Total wages and salaries, employee benefit expenditures	Employment, average weekly/hourly earnings
+ Corporation profits before taxes	Tax data (2-year lag), profit surveys for major industries	National profit data; industry financial data
+ Interest and misc. investment income	Tax data (2-year lag)	Changes in interest rates, corporate profits and dividends
+ Net income of farms and small businesses	Net farm income; no in-year data	Agricultural employment data, prices
+ Inventory valuation adjustment	Highly variable between years; no in-year data	
+ Indirect taxes less subsidies on factors of production	No in-year data, but does not vary much from year to year	
= Net domestic income at basic prices		
+ Indirect taxes less subsidies on products	No in-year data, but does not vary much from year to year	
+ Capital consumption allowances	No in-year data, but does not vary much from year to year	
= Nominal GDP at market prices		

Forecasting

The Economic Forecasting and Analysis branch uses the same framework to make formal forecasts of the economy. The forecast takes all the information we have about the past performance of the economy and estimates its performance five years into the future. The model is a system of linked mathematical equations that are based on historical relationships between different sectors of the economy.

Because many factors affecting the provincial economy are determined outside the province's borders (e.g. foreign economic growth, interest rates, the value of the Canadian dollar, export prices), staff have to make assumptions about these factors. Based on these assumptions, the model projects the performance of these sectors and components and adds them up to determine the level and growth rate of total provincial GDP, the forecast number that everyone focuses on.

Models are very useful in ensuring consistency between and among the assumptions and variables being forecast. In addition, model-based forecasts tend to be more accurate than other ad-hoc approaches. Nevertheless, staff temper the model's predictions with their own judgements and knowledge of real-world developments that may be difficult to incorporate in the model.

Statistics Canada’s Changes to the Canadian System of National Accounts

Data as of April 30, 2013

Summary:

- Periodically, the provincial and territorial economic accounts undergo historical revisions that are much broader in scope than the regular revisions undertaken on an annual basis.
- Statistics Canada released historical revisions to national and provincial economic accounts data on November 19, 2012.
- The revisions align the economic accounts data more closely with new international standards for economic accounting. Various changes to the data and concepts used in the System of National Accounts (SNA) were also introduced with that release.
- Some of these conceptual changes involve providing more disaggregation of existing information, while other changes involve the inclusion of new categories that were not previously being captured in the data.
- Furthermore, the reference year for constant dollar volume and price indexes has changed from 2002 to 2007.

- At the national level, the SNA revisions date back to 1981, while at the provincial level the revisions only date back to 2007.

Background:

- Below is a high-level list of some of the main changes to the SNA:
    - familiar terms such as corporate profits, labour income and personal expenditures, will no longer appear in Statistics Canada text or tables, and instead, the revisions will add new variables and concepts, such as compensation of employees, gross operating surplus, gross mixed income and household final consumption expenditure.
    - the corporate sector will be split so that transactions of non-financial corporations will be identified separately from those of financial corporations.
    - non-profit institutions serving households and Aboriginal general governments will be articulated as separate sectors.
    - an additional investment category called intellectual property products is being added that includes investment made by businesses in the area of research and development, software and mineral exploration.
- Appendix A compares the old and new representation of the economic accounts on the expenditure side.
- Appendix B compares the old and new representation of the economic accounts on the income side.

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APPENDIX A – Expenditure Side

GDP at Market Prices (Expenditure Side)	
Old Representation (chained 2002 dollars)	*New Representation (chained 2007 dollars)*
Personal expenditures	**Final consumption expenditure**
Durable goods	**Household final consumption expenditure**
Semi-durable goods	Goods
Non-durable goods	Durable goods
Services	Semi-durable goods
Government expenditure on goods and services	Non-durable goods
Government gross fixed investment	Services
Business gross fixed investment	**Non-profit institutions serving households' final consumption**
Residential structures	**General governments final consumption expenditure**
Non-residential structures and equipment	**Gross fixed capital formation**
Non-residential structures	**Business gross fixed capital formation**
Machinery and equipment	Residential structures
Inventories	Non-residential structures, machinery and equipment
Business investment in inventories	Non-residential structures
Non-farm inventories	Machinery and equipment
Farm inventories	Intellectual property products
Exports of goods and services	**Non-profit institutions serving households' gross fixed capital formation**
Goods	**General governments gross fixed capital formation**
Services	**Investment in inventories**
Imports of goods and services	Business investment in inventories
Goods	Non-farm inventories
Services	Farm inventories
Statistical discrepancy	**Exports of goods and services**
Final domestic demand	Goods
Gross domestic product at market prices	Services
	Imports of goods and services
	Goods
	Services
	Statistical discrepancy
	Final domestic demand
	Gross domestic product at market prices

Source: Statistics Canada

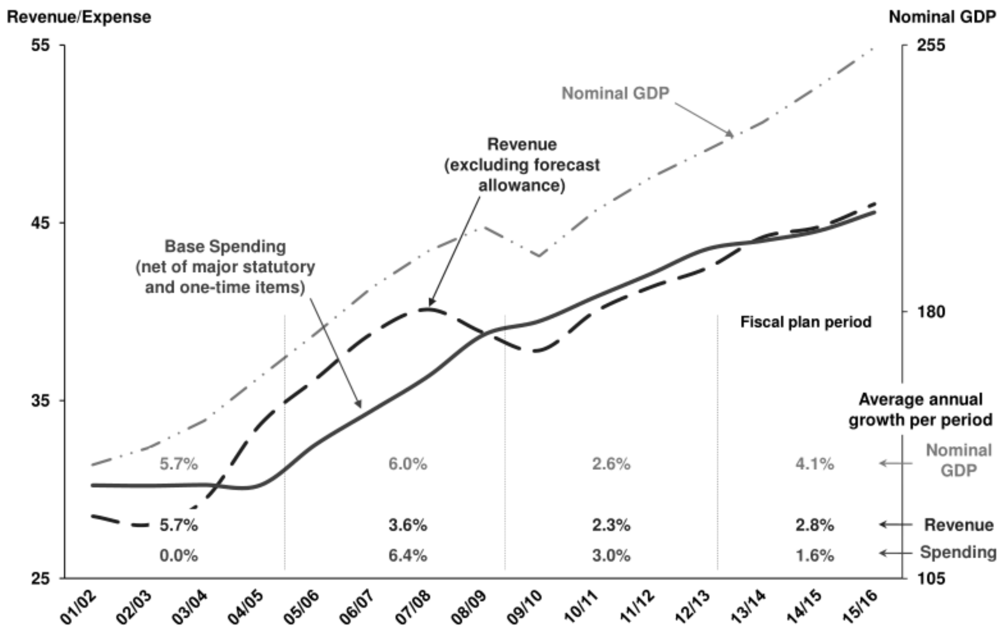
APPENDIX B – Income Side

GDP at Market Prices (Income Side)	
Old Representation	***New Representation***
Labour income	**Compensation of employees**
Corporation profits	Wages and salaries
Interest and miscellaneous investment income	Employers' social contributions
Inventory valuation adjustment	**Gross operating surplus**
Accrued income of farm operators	Net operating surplus: corporations
Net income of unincorporated businesses	Consumption of fixed capital: corporations
Capital consumption allowance	Consumption of fixed capital: general governments and non-profit institutions serving households
Taxes less subsidies on production	**Gross mixed income**
Taxes less subsidies on products and imports	Net mixed income
Statistical discrepancy	Consumption of fixed capital: unincorporated businesses
Gross domestic product at market prices	**Taxes less subsidies on production**
	Taxes less subsidies on products and imports
	Statistical discrepancy
	Gross domestic product at market prices

Source: Statistics Canada

OPERATING OVERVIEW: 2001/02 – 2015/16

Historical Revenue and Spending Trends ($billions)



- Average annual growth trends from 2001/02 to 2015/16:
  - Revenue: 3.5%
  - Base spending: 3.0%
  - Nominal GDP: 4.5%
- The above chart depicts the relative trends in nominal GDP, revenue and spending over the last twelve years and over the fiscal plan period. Spending has been adjusted to remove the impacts of extraordinary natural disasters and one-time initiatives such as joint trusteeship, restructuring, and incentive payments.
- Generally, the revenue trend follows the nominal GDP trend, although usually at a lower rate of growth. However, exceptions can occur as a result of policy choices, such as the reduction in income tax rates in 2001/02, or externalities, such as the boom in commodity prices (especially natural gas) from 2004/05 to 2007/08 followed by their collapse in 2008/09 and 2009/10.
- Generally, spending rises to meet income. S13

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  S12, S13 That period (from 2005/06 to 2008/09) also demonstrates the volatility inherent in BC's revenue base. The commodity price boom in the first three years resulted in revenue growth of 6.0%. However, the economic downturn in the fourth year (2008/09) cut the previous three years' revenue growth by 40%.
- The periodic changes in spending growth reflect government's commitment to balancing the

budget. Both core review during 2002/03 to 2004/05 and the implementation of expenditure growth management beginning in 2009/10 were intended to eliminate non-essential government spending in the face of revenue losses, with the eventual goal of balancing the budget when historical revenue growth reasserted itself.

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- Expenditure growth management during the fiscal plan period limits increases in spending to an average of 1.6% annually in order to enable growth in base revenue plus the tax measures introduced in Budget 2013 to eclipse base spending by 2015/16. S12, S13

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PUBLIC REPORTING REQUIREMENTS

The *Budget Transparency and Accountability Act* (BTAA) prescribes public reporting requirements.

Public Requirement	Responsibility	Public Reporting no later than (annually unless otherwise indicated)
Budget Consultation Paper	Minister of Finance	September 15
Budget Consultation Report	Select Standing Committee	November 15
Budget (Main Estimates)*	Minister of Finance	• Third Tuesday in February; • 90 days after the post-election appointment of the Executive Council when there has been a general election before passage of the *Supply Act* for that fiscal year.
Government Strategic Plan	A Minister	On or before the date the Main Estimates are presented to the Legislative Assembly
Service Plans for ministries and government organizations	Minister Responsible	On the date the Main Estimates are presented to the Legislative Assembly
Quarterly Reports	Minister of Finance	September 15 – Q1 November 30 – Q2 February 28 – Q3 May 31 – for the preceding fiscal year if Estimates for the current year have not been presented to the Legislative Assembly.
Public Accounts	Minister of Finance	August 31
Annual Report on Government's Strategic Plan	A Minister	August 31
Annual Service Plan Reports for ministries and government organizations	Minister Responsible	August 31 or 5 months after an organization's fiscal year end
Report on estimated impact on forecast deficit or surplus when greater than $25 million in any year of the fiscal plan, arising from a change in government composition or to accounting policy/standards	Minister of Finance	As soon as practicable after the change
Major Capital Projects (except if disclosure would be harmful)	Minister Responsible	Within one month after a commitment has been made

***** Includes Main Estimates/*Supply Act* appropriations, economic and fiscal forecasts, statement of material assumptions and policy decisions underlying the forecasts, report on the advice of the Economic Forecast Council, signed statement by the Secretary to Treasury Board that the disclosure requirements have been met or an explanation of how requirements have not been met, a statement of adjustments in the final Supply Bill if the fiscal forecast is different than when the Minister believes is the most likely fiscal result, and information on major capital projects (total project cost greater than $50 million).

TRENDS IN PROVINCIAL 2013 BUDGETS

Most provinces now expect slightly larger deficits in 2012/13 than originally budgeted. S16

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For 2013/14, provinces are generally forecasting revenue growth of about 2%. S16

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Provinces plan to limit program expenditure growth in 2013/14, with rates in the range of 1.4% to 2.5%. S16

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Pages 127 through 128 redacted for the following reasons:
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ECONOMIC FORECAST PROCESS

Summary

The Economic Forecasting and Analysis (EFA) Branch in the Ministry of Finance is responsible for the development of the provincial government economic forecast. EFA generally produces three medium-term (five-year) economic forecasts per year. The typical schedule has been as follows:

- Budget (completed in January for the Budget released in February)
- Summer (completed in August for the First Quarterly Report released in September)
- Winter (completed in November for internal planning in preparation for Budget – not publically released)

The BC Macroeconomic Model is used to produce the economic forecast. Model "runs" (drafts) are fine-tuned by EFA staff, with various adjustments reflecting recent economic intelligence or more up-to-date monthly data, or where staff judge that the model-generated results are out of line with likely trends. This review produces the final forecast, which is documented and published in the Budget and First Quarterly reports.

During this process and throughout the year, EFA staff monitor the year-to-date performance of key provincial and external economic indicators, and maintain contact with numerous private sector economists, industrial representatives and other experts regarding the outlook for various areas of the economy. Other important aspects to monitoring the economic situation include consultations with the Economic Forecast Council (a group of economic experts from the private sector that advise the Minister of Finance prior to Budget) and a monthly review of Consensus Economics (a private sector survey of the global economic outlook).

Development of Economic Forecast

BC Macroeconomic Model

The economic forecast is produced using the BC Macroeconomic Model (BCMM). The BCMM is a system of linked mathematical equations that are based on historical relationships between different sectors of the economy (businesses, households, governments and external economies). The BCMM currently consists of about 300 equations. EFA regularly reviews and updates the BCMM to ensure that the model remains up to date relative to current economic thinking and research. Models are very useful in ensuring consistency between and among the assumptions and variables being forecast, and provide a sound framework for economic forecasting.

External Assumptions

The first step of the forecast process requires assumptions to be made by EFA (in consultation with the private sector and other ministries) about the outlook for key external factors that affect the BC economy, including the following: economic indicators for the rest of Canada, the US and other major trading partners; interest rates and exchange rates; export prices; and government fiscal policy.

At this stage, there is generally a discussion as to the degree of prudence to be incorporated in the forecast. This is assessed using the balance of risks to the current outlook, and views of private sector forecasters. Much of the on-going gathering of economic intelligence by EFA helps in this process. Prudence is typically introduced into the forecast when setting external assumptions, such as Canadian and US real GDP growth.

Model Runs & Final Forecast

Once the review of external assumptions is complete, they are incorporated in the BCMM and an initial model forecast is produced. EFA staff then review and discuss the results. Generally the forecast is done using a team approach. One group of staff will operate the model, while a second set offers a 'third-party' objective view. The forecast is also presented to the Assistant Deputy Minister of Treasury Board Staff, and the Executive Director of the Fiscal Planning Branch who offers a 'third-party' review of the results as well.

Typically, three or four model runs will be required before EFA is satisfied with the model's forecasts. Adjustments are made based on the professional judgement of staff, to arrive at the base case forecast. While staff temper the model's predictions with their own judgements and knowledge of real-world developments that may be difficult to incorporate in the model, they are careful not to over-adjust the model's results.

EFA then produces a written document and a set of forecast tables that are reviewed by senior management. Finally the forecast results are reviewed by the Minister of Finance, who gives final approval for the forecast. Once the forecast has been reviewed and approved by the Minister, the document becomes the government's official economic forecast.

Economic Forecast Council

Since the late 1990s, EFA has been organizing the annual Economic Forecast Council (EFC) meeting hosted by the Minister of Finance. These meetings constitute an additional forum providing external feedback on the economic outlook in general. The council is made up of economic experts from the private sector. They are brought together prior to the budget (usually in November or December) to meet with the Minister to discuss the economic outlook. Participants are surveyed on their detailed forecasts and their opinions on the key issues that will affect the outlook.

The Ministry continues to produce and publish its own economic forecast, taking the survey results into consideration. The proceedings and survey findings from the EFC meeting are published in the budget alongside the Ministry's economic forecast. This permits the public to compare the Ministry's forecast to the survey results. Consultation with the EFC is a mandatory process, required by the *Budget Transparency and Accountability Act*.

The Ministry's economic outlook will typically differ from the average outlook provided by the EFC for the following reasons:

- The Ministry instils an explicit degree of prudence into its external economic assumptions to acknowledge risks in the economic environment. This practice is based on the set of recommendations published in A Review of the Estimates Process in British Columbia (Auditor General of British Columbia, 1999).
- In addition, the Ministry is able to use additional non-public information in developing its forecast (such as the current government's fiscal plan) which will also lead to differences between the Ministry and EFC outlook.

REVENUE OVERVIEW

Government revenue consists of:

- Consolidated Revenue Fund (CRF) revenue (ministry responsibility);
- vote recoveries collected by ministries in support of program spending;
- revenue collected by schools, universities, colleges and health authorities and societies (SUCH sector);
- revenue collected by taxpayer supported Crown corporations and agencies; and
- net income of commercial Crown corporations (gross income less expenditures).

Revenue is recorded consistent with generally accepted accounting principles (GAAP), based on interpretation of the Office of the Comptroller General (OCG).

Revenues are typically shown by "revenue block":

- taxation;
- natural resource;
- other (fees, investment earnings, miscellaneous sources including asset sales);
- federal government contributions; and
- net income of commercial Crown corporations.

In 2013/14, taxation revenue of $21.6 billion is expected to account for almost 49 per cent of total revenue – personal and corporate income and sales tax revenues account for almost 35 per cent of total revenue. Carbon tax revenue at $1.2 billion is offset by tax cuts in other tax sources or through refundable tax credits (expensed under GAAP).

Natural resource revenues in 2013/14 are expected to total about $2.8 billion or 6 per cent of total revenues – down significantly from previous years in the mid 2000's.

Other revenue consisting of fees, licenses, investment earnings, miscellaneous revenue and asset sales is expected to total $9.8 billion or about 22 per cent of total revenue in 2013/14.

Federal government contributions forecast at $7.5 billion represent about 17 per cent of total revenue. The Canada Health Transfer and the Canada Social Transfer entitlements represent about 79 per cent of total federal government transfers.

Net income of commercial Crown corporations is forecast at $2.8 billion, representing about 6 per cent of total revenue. The commercial Crowns are BC Hydro, Liquor Distribution Branch (LDB), BC Lottery Corporation (BCLC), Insurance Corporation of British Columbia (ICBC), Transportation Investment Corporation (TIC – Port Mann Bridge), BC Railway Company (BCRC) and Columbia Power Corporation (CPC).

The revenue forecast is consolidated by Treasury Board Staff (TBS), based on forecasts provided by ministries, taxpayer supported agencies and commercial Crown corporations.

- TBS is responsible for estimating the tax revenues and major federal government transfers (Canada Health Transfer, Canada Social Transfer). Estimates of new tax revenues or changes to tax rates or credits are estimated by Tax Policy Branch in conjunction with TBS.
- Ministries are responsible for estimating CRF revenue sources and vote recoveries for which they are responsible – for example, this would include almost all natural resource revenues.
- Commercial and taxpayer supported Crown corporations and agencies are responsible for estimating their own source revenues and expenses and are submitted to TBS following approvals from their respective boards.
- The SUCH sector forecasts are submitted through the respective responsible ministry (Health; Education; and Advanced Education, Innovation and Technology) and projections of each individual school district, post-secondary institution and health authority are signed off by the respective boards.

The following chart and tables show the 2013/14 revenue forecast breakdown by organization – CRF; vote recoveries; SUCH sector; taxpayer supported crowns and agencies; and net income of commercial Crown corporations. The $475-million asset sale forecast is shown separately.

Ministries through CRF and vote recoveries account for about 80 per cent of total revenue. The SUCH sector accounts for approximately 10 per cent of total revenue and Crown corporations and agencies are also responsible for about 10 per cent. Asset sales represent just over 1 per cent of total revenue.

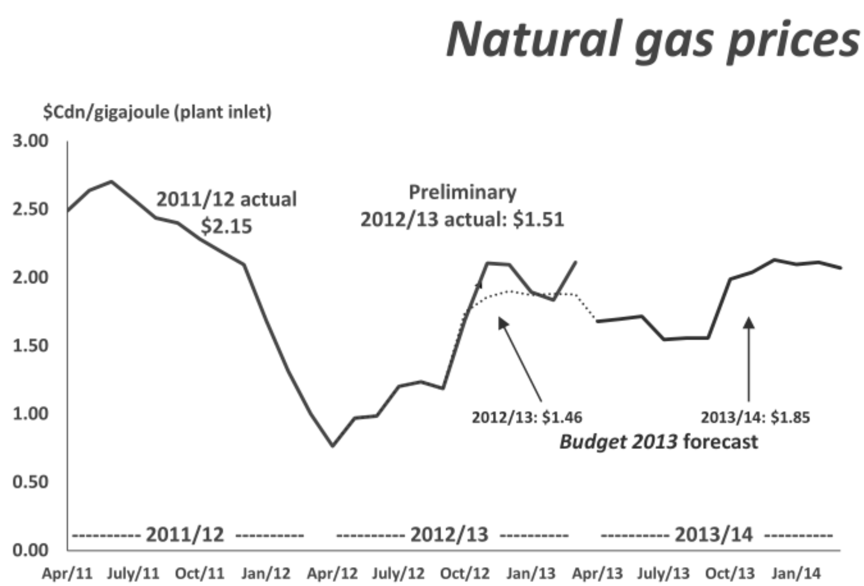
The majority of the revenue from taxation and natural resources are TBS/ministry responsibility (CRF and vote recoveries). Taxpayer supported Crowns and agencies have some dedicated tax revenues such as fuel tax for the BC Transportation Financing Authority (BCTFA) and BC Transit as well as property taxing authority (BC Assessment Authority and BC Transit). TBS prepares the fuel tax forecasts for the BCTFA and BC Transit.

Vote recoveries do not affect the "bottom line" surplus/deficit as there are offsetting revenue and expenses. Over 50 per cent of the recoveries in "Other Revenue" ($866 million) represent investment earnings and debt interest costs associated with the Fiscal Agency Loan program. Most of the SUCH sector revenue is recorded as "Other Revenue" which includes fees, licences, investment earnings and other miscellaneous sources. The post-secondary institutions (universities and colleges) account for almost 70 per cent of the total SUCH sector revenue excluding asset sales. Post-secondary fees account for almost one-third of total SUCH sector revenue excluding asset sales.

Natural Gas and Lumber Price Trends

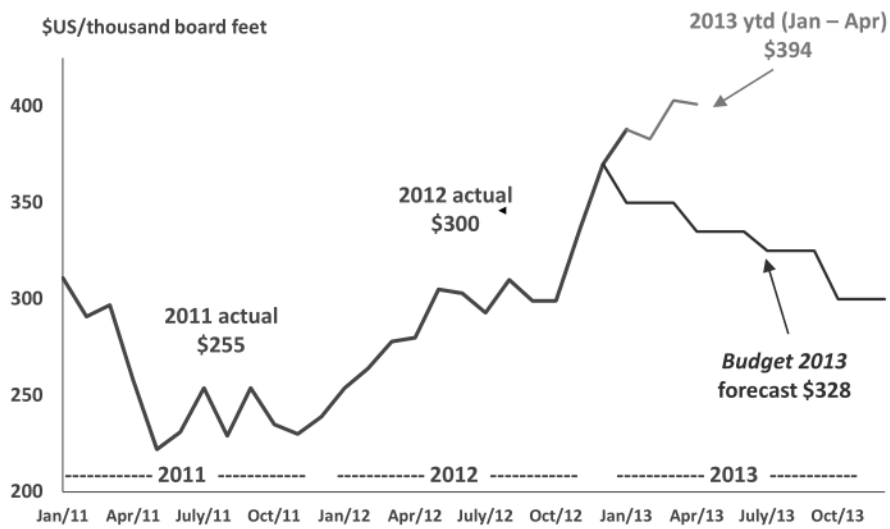
In 2012/13, natural gas prices averaged $1.51 ($Cdn/gigajoule, plant inlet), up slightly from the $1.46 assumed in the third Quarterly Report (Q3) forecast.

As a result, preliminary 2012/13 revenue at $164 million is up $21 million from the Q3 outlook. The preliminary price in March was $2.11 although this could be revised in the next 2 to 3 weeks. The full-year price in 2013/14 is $1.85 and the price assumed in April, 2013 is $1.68



Spruce-Pine-Fir (SPF) 2X4 lumber prices have continued to rise in the first 4 months of 2013, whereas the Budget 2013 outlook assumed prices would trend down.
Prices rose to $408 ($US per thousand board feet) on March 15, although lost ground recently on April 19, falling to $388. Higher than expected prices should mean improved stumpage revenue although it is dependent on the amount of beetle-damaged fibre that is harvested (25¢ fibre). Although it is still very early in the fiscal year, higher lumber prices, combined with a lower than expected Canadian dollar should also mean a healthier and more profitable forest sector in 2013.

Lumber prices (SPF – Spruce/Pine/Fir)



Preliminary 2012/13 CRF Revenue

Consolidated Revenue Fund (CRF) revenue comprises about 75 per cent of total government revenue. CRF revenue does not include:

- revenue used to fund ministry vote recoveries (offsetting revenues and expenses do not impact the bottom line);
- direct revenue collected by the SUCH sector (schools, universities, colleges and health authorities);
- direct revenue collected by taxpayer-supported Crown corporations and agencies; and
- net income of commercial Crown corporations.

Preliminary revenue information pertaining to the SUCH sector, taxpayer-supported agencies and commercial Crown corporations is expected to be available by April 26.

Preliminary CRF revenue at $31.4 billion is $198 million below the third Quarterly Report (Q3) forecast as lower revenue from taxation, natural resource and federal contributions is partially offset by improvements in other sources (fees, investment earnings and miscellaneous sources).

CRF REVENUE ($M)	Budget	Q3	Change	April 25 Prelim Actual	Change from Budget	Change from Q3
Income taxes	8,896	9,152	256	**9,181**	285	29
Sales taxes	6,101	6,137	36	**6,068**	(33)	(69)
Fuel & Carbon taxes	1,663	1,656	(7)	**1,600**	(63)	(56)
Property transfer tax	893	778	(115)	**758**	(135)	(20)
Other taxes	2,912	2,868	(44)	**2,876**	(36)	8
Total Taxes	**20,465**	**20,591**	**126**	**20,483**	**18**	**(108)**
Natural gas royalties	397	143	(254)	**164**	(233)	21
Mining taxes	415	247	(168)	**200**	(215)	(47)
Bonus bids	882	863	(19)	**868**	(14)	5
Forests	523	522	(1)	**529**	6	7
Other natural resources	647	604	(43)	**602**	(45)	(2)
Total Natural Resources	**2,864**	**2,379**	**(485)**	**2,363**	**(501)**	**(16)**
Fees	2,811	2,780	(31)	**2,808**	(3)	28
Investment earnings	65	72	7	**86**	21	14
Fines & miscellaneous	203	206	3	**226**	23	20
Commissions	(7)	(7)	-	**(6)**	1	1
Doubtful accounts	(138)	(207)	(69)	**(194)**	(56)	13
TOTAL OTHER	**2,934**	**2,844**	**(90)**	**2,920**	**(14)**	**76**
Health & Social Transfers	5,682	5,632	(50)	**5,478**	(204)	(154)
Other federal contributions	150	149	(1)	**150**	-	1
TOTAL FEDERAL TRANSFERS	**5,832**	**5,781**	**(51)**	**5,628**	**(204)**	**(153)**
TOTAL CRF	**32,095**	**31,595**	**(500)**	**31,394**	**(701)**	**(201)**

Note that these estimates will likely change as ministries and OCG conduct reviews and as OAG conducts it year-end audit process.

Taxation revenue

Taxation revenue is down $108 million from the Q3 forecast mainly reflecting weaker than expected sales in the last 4 to 5 months of the fiscal year. The $69-million revenue loss in sales tax revenue mainly reflects lower HST revenue related to the housing base and includes $8 million lower revenue from the tax on designated property (sales of used vehicles at 12 per cent). S12, S13

S12, S13

S12, S13 Motor fuel tax revenue is down $11 million and this reduced motive fuel consumption will also result in an additional $11 million loss in BCTFA revenue from dedicated fuel taxes. The $29-million improvement in income tax revenue relative to the Q3 outlook mainly reflects one-time gains in personal income tax revenue.

Natural Resource Revenue

Natural Resource Revenue is down $16 million from the Q3 forecast mainly due to lower mining tax revenue resulting from prior-year over accruals, partially offset by improvements in other natural resource revenue sources (e.g. natural gas royalties and forest revenues). The initial natural gas price averaged $1.51 in 2012/13 ($ Cdn/ gigajoule, plant inlet) compared to $1.46 assumed in the Q3 forecast ($2.52 assumed in the budget outlook). The $7-million improvement in forest revenues mainly reflects higher revenue collected under the US-Canada Softwood Lumber Agreement related to prior years.

Federal Contributions

Federal Contributions are $153 million lower than the Q3 outlook mainly due to the impact from the recently revised population estimates provided by Statistics Canada on entitlements under the Canada Health Transfer (CHT) and Canada Social Transfer (CST) programs. These revisions reflect the population net undercount exercise that Statistics Canada undertakes every 5 years (2 years following the Census year). The revenue loss covers 3 entitlement years for CHT (2010/11 to 2012/13) and only the 2012/13 year for CST entitlement.

The revised estimate is based on preliminary Statistics Canada information that will be finalized in September 2013. BC's 2011 population estimate has been revised down 1.11 per cent from the previous estimate provided by Statistics Canada, compared to a 0.18 per cent decline in the national population estimate resulting in a 0.12 per cent decline in BC's population share of the national total.

Other Revenue

Other revenue is up $76 million from Q3 reflecting improvements in a variety of sources including MSP premiums, probate fees, Crown Land Special Account collections, fines and a lower provision for MSP revenue collection (doubtful accounts).

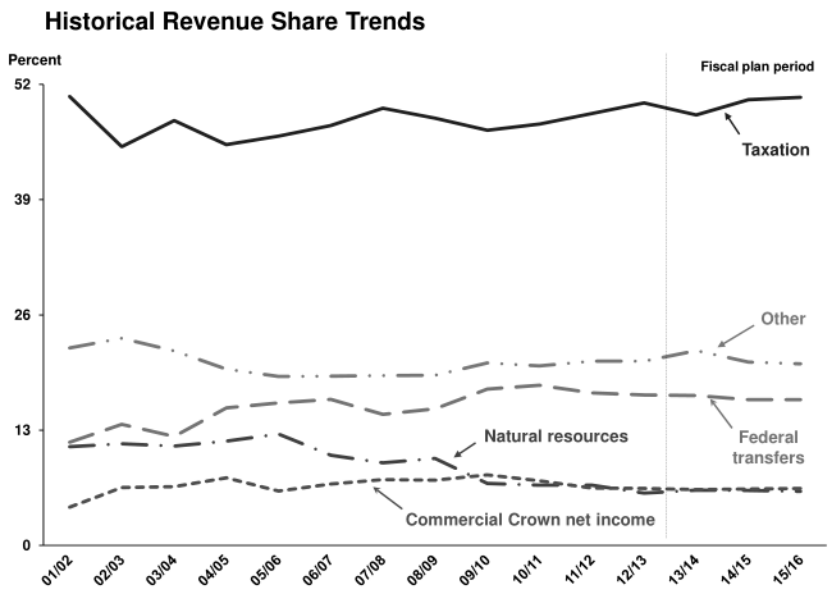
Impacts on the February 2013 Revenue Forecast

There is no 2013/14 revenue source information available. Current year information will not be available until mid-to-late June at the earliest for the year-to-date results to May 31, 2013 (first 2 months of 2013/14). However, the preliminary 2012/13 results will have an impact on the revenue forecast over the next three years.

S12, S13

Revenue Trends: 2001/02 – 2015/16

- Total revenue is projected to reach $46.4B by 2015/16. This level of increase is reflected in taxation and other revenue. However, during this period, natural resource revenue decreased by 11%, while federal transfers increased by 130% and commercial Crown corporation net income increased by 142%.
- Average annual growth trends from 2001/02 to 2015/16:
    - Taxation: 3.5%
    - Natural resources: – 0.8%
    - Other: 2.9%
    - Federal transfers: 6.1%
    - Commercial Crown net income: 6.5%



- The above chart depicts the relative percent share of total revenue from each of the major revenue sources. If a revenue source maintains a constant share of total revenue, then the revenue source has grown in amount by the overall average annual rate of revenue growth (i.e. 3.5% – see Historical Operating Overview section). Therefore, an increase share of total revenue indicates higher than average growth, and vice versa.
- The changes in taxation revenue share mainly reflect income tax trends, both personal and corporate. The reduction in revenue share in 2002/03 was mostly due to the reduction in income tax rates introduced with the change in government in 2001. (The spike in 2003/04 was due to declines in other revenue sources.) Between 2004/05 and 2007/08, there was significant growth in income tax revenue due to personal income growth and higher corporate profits.
- Taxation revenue actually declined in 2008/09 and 2009/10 before resuming higher than

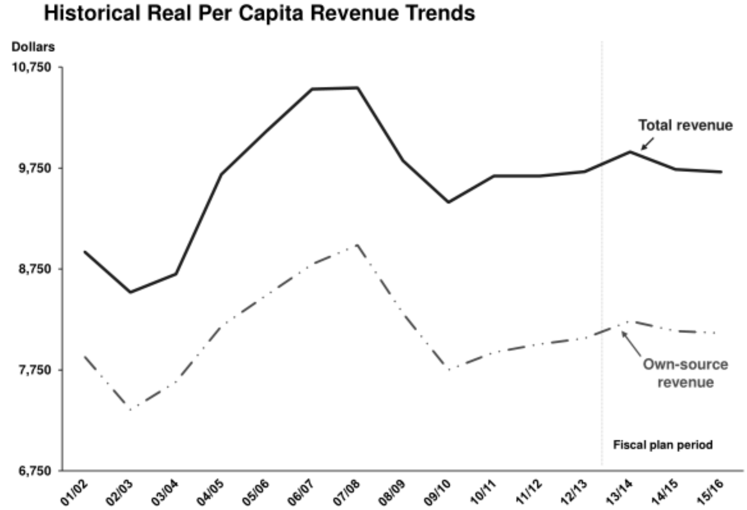
average growth and increasing revenue share, especially in the fiscal plan period with the increase in corporate income tax rates. By 2015/16, taxation revenue will comprise the same share of total revenue as it did in 1999/2000.

- Other revenue (comprised of fees, investment earnings and miscellaneous sources) declined as a share of total revenue in 2003/04 due to the loss of fee revenue from the spinoff of BC Ferries as an independent, regulated organization. Since then, the other source revenue share has been fairly constant. The slight increase in share in 2013/14 is due to the sale of properties and other assets as part of the initiative to balance the budget in that year.

S13

- The increasing share of total revenue from federal transfers reflects increases in Canada health and social transfers as well as the devolution of federal programs for immigration and labour market development to provincial administration. The federal government has recently repatriated the delivery of immigration programs and currently is reviewing delivery of the labour market development programs. Further repatriation of these programs to federal administration would be offset by a reduction in expense.
- The natural resource share of total revenue peaked in 2005/06 in conjunction with the spike in commodity prices. The significant decline in revenue share in 2009/10 was due to the impact of the global economic downturn on commodity prices, plus the collapse of natural gas prices due to the oversupply in North America market from the expansion of “fracking” as a resource extraction technique.
- The increase in revenue share from commercial Crown net income is mainly due to a 105% increase in gaming revenue. The overall 142% increase in revenue is partially inflated by losses sustained by ICBC and BC Rail in 2001 as a result of unusual one-time costs. Excluding these costs, commercial Crown net income increased by 103% from 2001/02 to 2015/16.

Historical Real Per Capita Revenue Trends

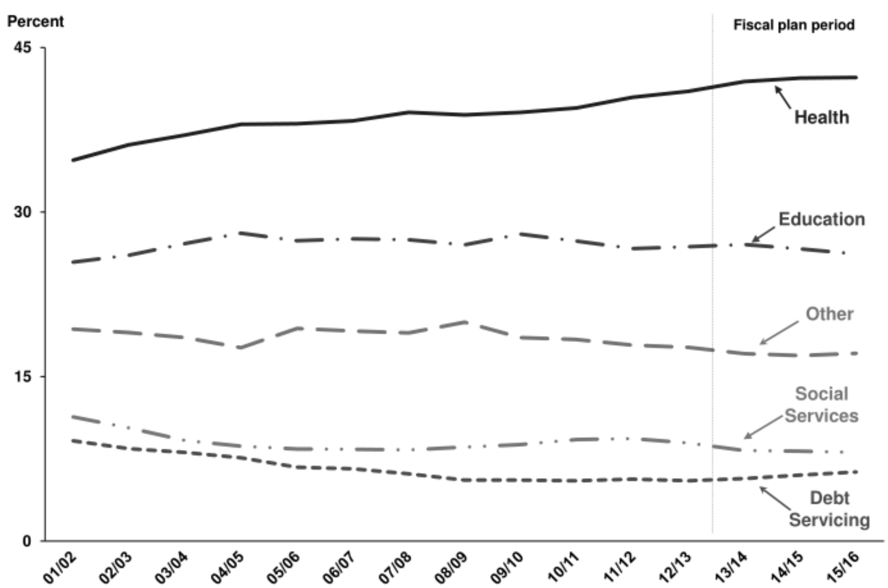


- The historical real per capital revenue trend reflects the volatility of government revenue. The decline in 2002/03 was due to the tax measures introduced in 2001. This was followed by a spike in revenue that reflected the commodity price boom followed by the economic downturn. Real per capita revenue has been relatively stable since 2010/11.
- The increasing gap between own-source and total per capita revenue demonstrates the increasing footprint of federal transfers as a revenue source for government. In real terms, by 2015/16, the amount of revenue extracted directly by government from British Columbians (i.e. own-source revenue) will have increased by 3.0%. During the same period, federal transfers per capita have increased by almost three times as much (8.9%).

EXPENSE TRENDS: 2001/02 – 2015/16

- Total expense is projected to reach $45.6B by 2015/16. The majority of this increase was for spending in Health (up 83%) and Education (up 55%). Spending on Social Services only increased by 7.7% during this period, while other program spending increased by 34% and debt servicing costs increased by 3.9%.
- Average annual growth trends from 2001/02 to 2015/16:
  - Health: 4.4%
  - Education: 3.2%
  - Social services: 0.5%
  - Other: 2.1%
  - Debt servicing: 0.3%

Historical Base Expense Share Trends (net of major statutory and one-time items)



- The above chart depicts the relative percent share of total expense from each of the major expense categories (i.e. functions). If the expense in a category maintains a constant share of total expense, then that category of expense has grown in amount by the overall average annual rate of expense growth (i.e. 3.0% – see Historical Operating Overview section). Therefore, an increase share of total expense indicates higher than average growth, and vice versa.
- Health is the only expense category with significant above average growth, as is demonstrated by the increasing share of total expense from 35% in 2001/02 to a projected 42% in 2015/16. This represents an average annual increase in spending of 4.4%. The overall growth rate reflects a slowing of the growth trend from 4.9% over the last 12 years to 2.6% over the fiscal plan

period as government implements efficiency measures.

- Education’s share of total expense is materially unchanged from 2001/02, increasing only 1 percentage point (from 25% to 26%) by 2015/16. After an initial period of expansion in Education expense, subsequent years’ growth has not been as robust, reflecting declining K-12 enrolment and the introduction of efficiency measures. During the period in the chart, average annual growth in Education expense was 3.2%.

- Other expense in the chart also includes protection of persons/property, transportation, natural resources/economic development, and general government. This category’s share of total expense declined from 19% in 2001/02 to a projected 17% in 2015/16, reflecting average annual growth of 2.1%.

- Growth rates were not evenly distributed among the types of expenses grouped under “Other” in the chart. Projected spending on natural resources/economic development in 2015/16 is virtually unchanged from 2001/02, whereas spending on community grants, cultural activities and housing averaged 3.2% annual growth.

- The share of total expense allocated to social services declined from 11% in 2001/02 to a projected 8.1% in 2015/16, reflecting average annual growth of 0.5%. The share of total expense briefly increased from 2008/09 to 2012/13 with the introduction of the low income HST tax credit; however, this was reversed in 2013/14 with the reintroduction of the PST and reversion to the previous tax credit regime.

- Debt servicing’s share of total expense declined from 9.2% in 2001/02 to a projected 6.3% in 2015/16, reflecting average annual growth 0.4%. Debt servicing’s share of total expense reached its nadir in 2008/09 at 5.5%, as the annual surpluses to that point reduced operating debt and partially funded capital spending, That share remained constant until 2012/13, before increasing over the fiscal plan period due to the accumulation of debt.

Historical Real Per Capita Base Expense Trend

- The historical real per capital expense trend reflects government spending initiatives, primarily made in response to changes in revenue. For example, from 2001/02 to 2004/05, spending growth was nil as government implemented core review.

- The increases in spending per capita from 2005/06 to 2008/09 resulted from average annual spending growth of 6.4% as government reacted to higher than average revenue growth from 2004/05 to 2007/08 that primarily resulted from the commodity price boom.
- From 2009/10 to 2012/13, government gradually exerted increasing expenditure growth constraint in response to the revenue declines in 2008/09 and 2009/10. Further tightening of these controls during the fiscal plan period in response to moderate revenue growth will result in a decline in real spending per capita.

MAJOR TRANSFER PROGRAMS

S13

Federal transfers currently account for 16.2% of BC revenue. Major transfers in support of health and social programs account for 13.4%, while other federal transfers and contribution programs account for the remaining 2.8%.

Canada Health Transfer (CHT)

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S16

The federal government also announced that it would continue to provide funding to provinces and territories for social services and post-secondary education under the Canada Social Transfer (CST).

Equalization

Section 36(2) of the Constitution Act of 1982 commits the federal government to the principle of Equalization, “to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.”

S13, S16

Equalization is a federal program that the federal government funds solely out of its general revenue. Provinces do not contribute to funding the Program. Currently, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario, and Manitoba receive Equalization, although every province has at one time received Equalization payments. In this regard, BC was a recipient from 1957/58 to 1961/62 and from 1999/2000 to 2006/07 (except for 2000/01). S13

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Other Federal Transfers and Contributions

Other federal funding can be for programs that are cost-shared between federal and provincial or territorial governments, or ones that are funded by the federal government but administered or delivered by provincial or territorial governments S13

S13

Other arrangements can also include payments to provinces and territories that are unrelated to program delivery, that only apply to a limited number of jurisdictions and that are for a limited time period. S13, S16

S13, S16

Infrastructure

Aside from the major transfers, the largest are those comprising the New Building Canada Plan.

S16

The Building Canada Plan in Budget 2007 (excluding sun-setting programs and excluding support for municipalities through the gas tax fund and the GST rebate) provided provinces and territories with $15.4 billion over seven years. S13

S13

Labour Market Agreements (LMAs)

In its 2013 budget, the federal government announced that it would make S13 changes to the LMA beginning in 2014/15. At the national level, annual funding for LMAs will be reduced from

$500 million to $200 million. S16

S16

PRIVATE SECTOR ECONOMIC FORECASTS

Economic Forecast Council (EFC) outlook vs the Private Sector outlook for BC

Data as of April 30, 2013

Differences in Membership:

Economic Forecast Council (13 private sector forecasters):

- The EFC is a group of private sector economists appointed by the Minister of Finance.
  - The 13 members of the EFC are:
    1. Bank of Montreal
    2. Business Council of BC
    3. BC Real Estate Association
    4. Central 1 Credit Union
    5. CIBC
    6. Conference Board
    7. IHS Global Insight
    8. Laurentian Bank Securities
    9. RBC
    10. Scotiabank
    11. Stokes Economic Consulting
    12. TD
    13. Urban Futures Institute

Private Sector Average (6 private sector forecasters):

- The private sector average is a sub-set of the EFC.
  - Forecasts from these organizations are monitored during the year due to:
    - the relative frequency with which they update their forecasts (i.e. every month, or every quarter); and,
    - the fact that they produce forecasts for all provinces, so the Ministry can track how BC is expected to perform relative to the rest of Canada.

- The 6 organizations that comprise the private sector average are:
  1. Bank of Montreal
  2. CIBC
  3. IHS Global Insight
  4. RBC
  5. Scotiabank
  6. TD

Recent Forecasts:

Economic Forecast Council

When it was last surveyed in January 2013, the EFC forecast BC's real GDP to grow by 2.1 per cent in 2013 and 2.5 per cent in 2014.

- The EFC will be surveyed again prior to the Budget Update.

Private Sector

On January 11, 2013, the private sector forecast BC's real GDP to grow by 2.0 per cent in 2013 and 2.5 per cent in 2014.

- As of April 26, 2013, the private sector's average projection for BC's economic growth is 1.6 per cent in 2013 and 2.6 per cent in 2014.
- Reasons for the downgrade in 2013 are mainly due to some moderation in domestic indicators, as well as a weaker external outlook for the US and Europe and the potential impact on BC.

Notes:

- Both outlooks are averages of private sector forecasts.
- The difference is in the number of organizations included in the averages, and the timing of when the forecasts are prepared.

Economic Forecast Council – Background Information

Data as of April 30, 2013

What is the EFC?

- The EFC is an appointed body of independent economic experts.
- Members are generally economic forecasters from private sector financial and research institutions, but the Council has also had members from academic institutions in the past.
- Appointed by the Minister of Finance, the EFC is used as a mechanism to disclose how the Ministry of Finance's economic forecast for BC compares to the average of private sector forecasts developed around the same time.
- The EFC also provides valuable advice on BC's economy and government policy.
- The Council must have a minimum of 10 members, each appointed for a term of at least three years.

History of the EFC:

- First meeting of the EFC was in 1997, but was not legislatively required until 2000.
- Prescribed in the Budget Transparency and Accountability Act (BTAA) (2000).
    - Legislation followed recommendations of the "Enns Report" (1999) that encouraged the government to seek EFC advice in advance of each year's budget (in order to improve the reliability and credibility of Ministry forecasts).

Legislative requirements and conventions:

BTAA requires:

- A minimum of 10 members, selected for economic expertise.
- Minister appoints each member for a term of no less than three years.
- A report on the advice of the EFC, including a range of economic forecasts for the current year and following year, must be included in each year's Budget (see Appendix A).
    - The Economic Forecasting and Analysis Branch of Treasury Board Staff compile the Council's advice into a topic box, which is published in the Budget.

Conventionally:

Annual meeting:

- The Minister of Finance meets with the EFC annually to discuss BC's economic outlook and other issues of concern to the BC economy, including government economic and fiscal policy, risks and opportunities for the BC economy, interest and exchange rate projections and issues facing the global economy.

- The meeting occurs in advance of each year's budget (usually November or December).
- Generally a lively and collegial discussion, chaired by the Minister.

- Media usually interviews the Minister and a few EFC members following the meeting. The meeting was traditionally held in private until 2012, when it was opened to the media.
- The meeting is not legislatively required, but is well-attended and enjoyed each year by EFC members.

Survey:

- EFC members submit their forecasts (and additional comments) electronically in advance of the annual meeting (Appendix B).
- Members are permitted to submit a revision in early January, to incorporate any changes that may have occurred since their initial survey.

EFC Members:

Participant	Organization	
David Baxter	Urban Futures Institute	
Marie-Christine Bernard	Conference Board of Canada	
Derek Burleton	TD	
Warren Jestin	Scotiabank	
Arlene Kish	IHS Global Insight	
Carlos Leitao	Laurentian Bank Securities	S22
Warren Lovely	CIBC	
Cameron Muir	BC Real Estate Association	
Helmut Pastrick	Central 1 Credit Union	
Ken Peacock	Business Council of British Columbia	
Doug Porter	Bank of Montreal	
Ernie Stokes	Stokes Economic Consulting	
Craig Wright	RBC	

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S13

RELEASE OF ASSETS FOR ECONOMIC GENERATION

Sales of Financial Instruments & Properties

- This year's fiscal plan target for property and asset sales is $475 million.
- Sales agreements are in place for $34-million (net gain) worth of surplus property and a net gain of $123 million on the sale of financial assets was realized in early April.

Sale of Financial Instruments Update

- The Province has realized a net gain of $123 million from the sale of fixed income securities held in the sinking funds of the BC Transportation Financing Authority (TFA).
- Sinking funds are set up under provincial policy to provide for retirement of debt. However because the TFA was borrowing to cover its annual sinking fund contribution, the economic and credit benefits of holding sinking funds were minimal.
- With today's exceptionally low interest rates, the bond portfolio held by the TFA was a valuable asset whose sale generated investment income for the Province. Selling the asset also reduced future debt management costs, and reduced future borrowing.
- Continuing to borrow for the annual sinking fund allocation adds debt servicing charges. Further, as the borrowing cost can be higher than the investment returns, maintaining the funds did not make financial sense.
- All proceeds from the sale will be used to displace new provincial borrowing, which means the impact on the province's total net debt will be neutral.
- Government has been reducing the practice of maintaining sinking funds over the past few years because borrowing to contribute to sinking funds is not economical. Government and BC Hydro liquidated their sinking funds in 2007/08 and 2008/09.
- It is also very much timed to realize exceptional market value for the assets in the current and historically low interest environment (i.e. lower interest rates generate a higher market price for fixed income securities). The benchmark Government of Canada bond yields have progressively declined since 1994 and are now near their very lowest levels.
- The sale of the fixed income assets in the TFA sinking funds was managed by the portfolio managers at the BC Investment Management Corporation and an excellent result was achieved for the efficient and effective sale of a very large block of securities in the market.
- BCIMC , on the province's behalf, sold the fixed income assets to a single investment dealer for the agreed price of $1.47 billion. This was deemed to be the most efficient and effective way to sell such a large portfolio for fair value and avoid the risk of the market moving against the province on news of new supply. The investment dealer has disclosed the transaction to the appropriate regulatory agency as required by securities law.

- Both Budget 2012/13 and Budget 2013/14 reflected the TFA sinking fund liquidation in the Statement of Financial Position (see Table A15). Budget 2013/14 estimated the book value of the province's sinking funds at March 31, 2013 as $1,769 million, declining to $379 million at the end of 2013/14. The estimated decline of $1,390 million primarily reflects sale of the TFA sinking fund assets which had an estimated book value of $1,329 million.
- The calculation of the net gain on sale of the TFA securities is as follows:
    - Sale Proceeds:$1,447 million
    - Less Amortized Book Value of Sinking Fund Securities :$1,324 million
    - Net Gain $123 million

Property Sales Update

- The provincial government has sales agreements in place for $34-million (net gain) worth of surplus property.
- Property sales are part of government's ongoing plan to release unused and surplus government properties and assets for new development opportunities in the public and private sectors, creating economic activity and helping balance the budget this fiscal year and next.
- Sales agreements are completed or in place for the following properties:
    - A large surplus parcel on Tranquille Rd., Kamloops, sold to be developed into a residential care facility.
    - A surplus parcel at Mission Memorial Hospital, sold to be developed into a Community Health Centre.
    - Two large empty lots in Surrey, previously used by the Province surface gravel, have been sold to the City of Surrey.

Sinking Funds

- Sinking funds are created by authority of the Financial Administration Act, and at the discretion and direction of the Minister of Finance.
- The funds have been established for the retirement of fiscal agency loans to government corporations, like the TFA. As at March 31, 2013, the book value of provincial sinking funds was estimated at $1.8 billion; the Budget forecast for 2013/14 is $379 million which primarily relates to the liquidation of the TFA fund.
- Annual sinking fund contributions are determined based on the amount and term of the debt to be retired and an assumed rate of return on sinking fund investments.
- TFA has contributed to sinking funds since 1996, and in 2012/13 contributed $217 million, all of which had to be borrowed. As a result, the economic and credit benefits for TFA to hold sinking funds are poor. Specifically, the TFA unnecessarily increases the annual taxpayer supported borrowing requirement, and typically incurs a negative carry on investments (i.e. borrowing cost higher than investment returns).
- Sinking funds are also costly to administer and are not accorded favourable value by the credit rating agencies or investors because when contributions must be borrowed, sinking funds do not reduce net debt or important credit ratios like net debt to GDP.
- Most other provinces do not maintain sinking funds. The government and BC Hydro liquidated their sinking funds in 2007/08 and 2008/09. Approximately $400 million for BC Transit and several post secondary institutions remain (see page 138, Table A15 of the Budget and Fiscal Plan 2013/14 – 2015/16 for details on sinking funds).

Release of Assets for Economic Generation (RAEG)

As a key component of its ongoing mandate to ensure government's resources are efficiently and appropriately allocated, and recognizing the need to explore opportunities in all sectors of government, the Province undertook a targeted review of its major asset base in fall 2011 to identify those that were surplus to its needs and no longer offered a financial or strategic ownership benefit. The results of this initiative will see a number of surplus properties and assets released for sale over the next two fiscal years. The sale of these surplus properties and assets will not only provide much needed revenue to the Province but will also generate economic activity such as development and new business opportunities in communities around British Columbia.

Over the years, various entities have been selling assets, but on a smaller scale. The current program (RAEG) announced in the February 2012 budget is a greater consolidated initiative to realize gains from surplus real estate assets owned within the BC Public Sector and generate economic activity. The surplus inventory includes assets of ministries, school districts, Crown Corporations and agencies, including: the Provincial Capital Commission, BC Housing, Health Authorities, and provincially-owned college and university buildings.

Real estate assets that are classified as a strategic priority, and not included in the surplus inventory are those properties whose ownership is essential to the delivery of a government funded service, for example: hospitals, jails, schools and other special purpose facilities currently used for delivery of services, and assets that are being held for an identified future need of the government.

The Treasury Board through the Minister of Finance has overall responsibility for the program. The Deputy Minister of Citizens' Services and Open Government is responsible for the delivery of the program. A project board has been established to provide overall guidance and direction to the RAEG Project Team. This project team is based out of the Ministry of Citizens' Services and Open Government (Shared Services) is comprised of professionals from a variety of backgrounds (sales, marketing, First Nations consultation, environmental management and communications). The team is tasked with coordinating the province-wide management of this initiative ensuring all issues are addressed appropriately and the return to government and taxpayer is maximized.

The project team reports regularly to the Project Board. The Deputy Minister of Citizens' Services seeks direction and reports progress quarterly to Treasury Board on: financials, marketing strategy, stakeholder relations and communications, First Nations consultation and accommodation, and methods of disposal.

Properties and assets will be marketed by the responsible agencies as part of their established business practices in FY 2013/14 and 2014/15. In some cases, the sale of an asset will make available the necessary capital for future development within a sector, as with school districts and health authorities.

First Nations

A consolidated First Nations consultation and accommodation approach has been implemented wherein; the RAEG project team coordinates with participating ministries to ensure consistent practices and advises on negotiations. S12, S13

S12, S13

An Assistant Deputy Minister Advisory Committee has been established to consult on First Nations issues as needed with representation from the Ministry of Aboriginal Relations and Reconciliation, Ministry of Transportation and Infrastructure, and Ministry of Community, Sport and Cultural Development. The Aboriginal Law Group within Legal Services Branch is also regularly consulted and reviewed the initial list of properties prior to Treasury Board approval to ascertain duty to consult and identify properties within existing treaty negotiations.

Marketing

Over 70 properties are to be marketed in 2013/14 to meet the fiscal target of $350 million. The balance of the inventory will be marketed in 2014/15 to meet the fiscal target of $150 million. Through an RFP process Colliers was chosen to provide brokerage services.

Environmental Investigation

The RAEG team has been performing environmental investigation to receive certification as due diligence in preparation for marketing. Several priority properties have been tested mostly with good results.

Stakeholder and Community Relations

Stakeholder and community relations develops and executes strategic communication plans, and performs issues management by providing direction in responding to issues raised by stakeholders (Ministers, MLAs, Mayors, Council, City staff, etc) impacting RAEG's objective of asset disposal.

Communications may also involve presenting to the public directly through communication product, the media, or community workshops.

To date, Burnaby, Surrey, Vancouver, Victoria and Kamloops have been engaged concerning surplus properties in their jurisdictions.

Current Context

The RAEG Project Team coordinates resources for surplus property sales with the sectors and provides support for Ministries and Crowns disposing of surplus properties. The majority of surplus properties come from three sectors, education, healthcare and transportation. In the case of the SUCH sectors, proceeds for the sales of surplus properties go back to the entities. For example, School Districts may keep the proceeds and reinvest. Often, by selling properties in areas that don't need them, it frees up capital for construction of new schools within the district. School Districts have not been able to sell their surplus properties in recent years, so there is a built up need to dispose of school properties. This is also an important initiative for the health services sector. Many surplus Health Authority properties are old healthcare facilities past their economic life that have been replaced, or are in the process. S12, S13

S12, S13

The proceeds from the sale of a portion of the site will go towards the development of new health care facilities.

S12, S13

S13

S12, S13

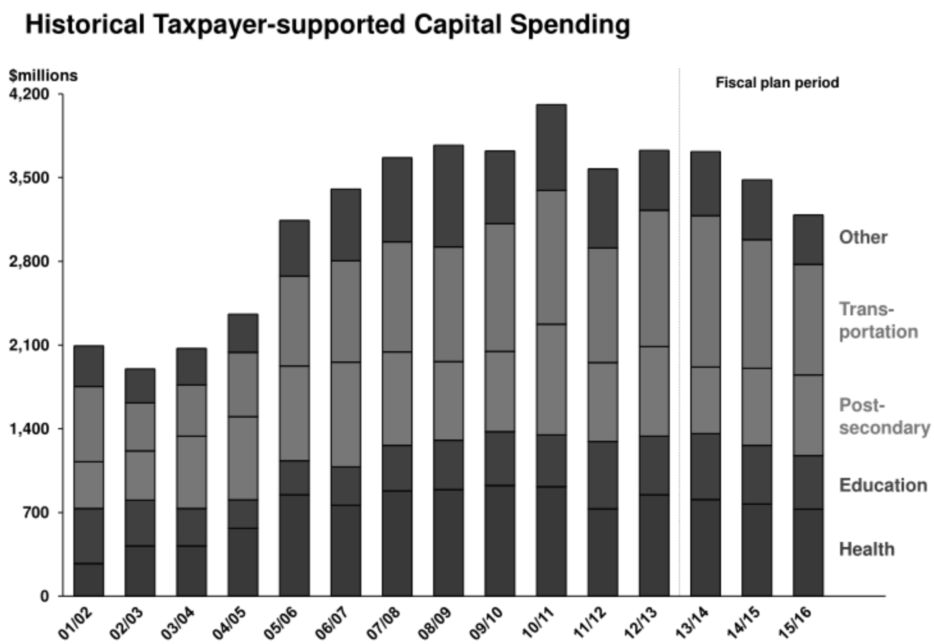
Major Activities in 2013/14

Seventy properties to be marketed in 2013/2014

- Continuing consultations with First Nations
- Ongoing inventory management
- Environmental investigation will continue on properties as required in order to prepare for market
- Further consultation with municipalities and communities

CAPITAL SPENDING TRENDS: 2001/02 – 2015/16

- Total capital spending is projected to reach $6.8B in 2012/13 before receding to $5.9B 2015/16. Capital spending is classified as either taxpayer-supported or self-supported, depending on the nature of the organizations making the expenditures.
- Taxpayer-supported capital spending has increased from $2.1B in 2001/02 to a projected $3.2B in 2015/16, reflecting average annual spending growth of 3.1%. Spending peaked at $4.1B in 2010/11, primarily as a result of the federal government's accelerated infrastructure program.



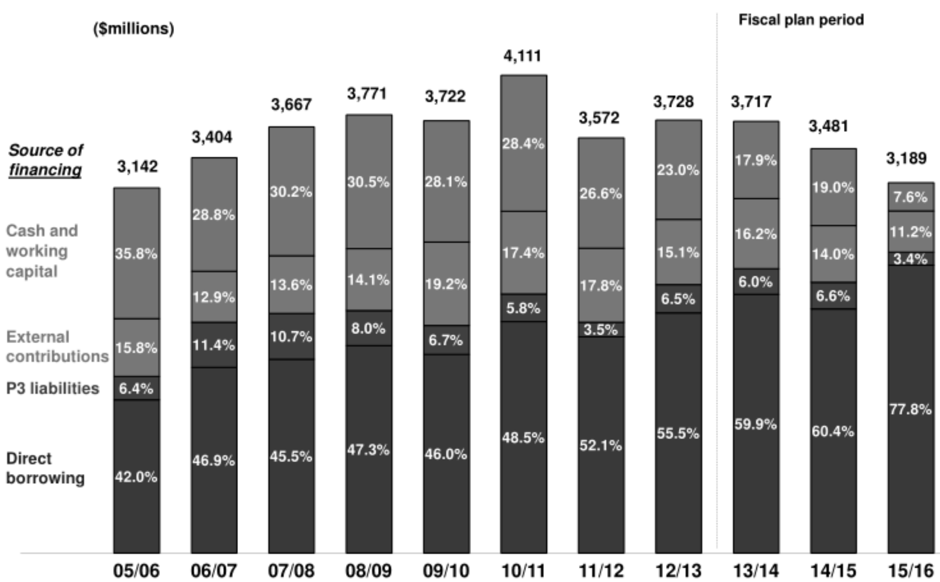
- Composition and average annual growth of taxpayer-supported capital spending:

	2001/02	2015/16	Annual Growth
Health	13%	23%	7.2%
Education	22%	14%	-0.2%
Postsecondary	19%	21%	4.0%
Transportation	30%	29%	2.8%
Other	16%	13%	1.4%

- The Other category of capital spending includes social housing and government ministry capital, plus projects such as the Vancouver Convention Centre and the BC Place redevelopment.

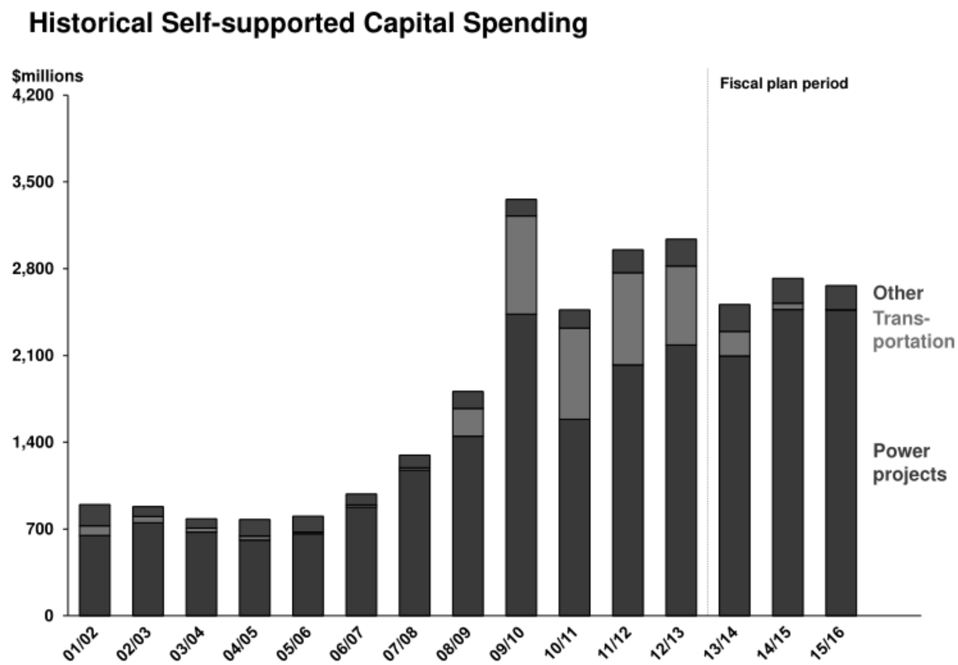
- Capital spending is financed from a number of sources, and not just debt. Operating cash flows and working capital (i.e. management of cash balances, receivables, payables) can finance a significant portion of capital spending, especially in those years when government posts operating surpluses.
- Since 2005/06, $8.4B of capital spending has been financed from this source. However, the significance is expected to diminish during the fiscal plan period as operating requirements reduce the amount of operating cash flows that can be directed towards capital spending.
- As well, the federal government and other organizations outside of government make significant contributions towards health, post-secondary and transportation projects. Since 2005/06, government has received $4.6B in capital contributions from these sources.

Financing Taxpayer-supported Capital Spending



- Government began financing capital through P3 contracts (public-private partnerships) in 2004/05 with the construction of the Abbotsford Hospital and Cancer Centre. Including AHCC, $2.1B of capital spending has been financed via P3 contracts since 2005/06, mainly in the health and transportation sectors.
- While P3 financing is more expensive than government's cost of borrowing, two main features of P3 projects make this a viable form of capital financing:
  - risk transference – construction risk is borne by the proponent;
  - debt retirement – the annual service payment includes a P3 liability reduction (i.e. debt repayment) component.
- With the exception of the Port Mann Bridge project (from 2008/09 to 2013/14), the vast majority of self-supported capital spending relates to power projects, mainly in BC Hydro. The

Columbia River power projects managed by the Columbia Power Corporation comprise the remainder of power project capital spending. Other capital spending is done mainly by ICBC in support of its operations and by BCLC for gaming equipment.



- Beginning in 2006/07, BC Hydro began an aggressive campaign of refurbishing existing heritage generation and transmission assets, and expansion of generating capacity in major dams where spillways were unused. By 2015/16, spending on power projects will have quadrupled from an average annual $670M prior to 2006/07 to a projected $2.5B by 2015/16.
- From 2001/12 to 2015/16, capital spending on power projects will total $22.1B. Of this, $12.5B is debt financed, with the remainder financed from Crown corporation operations.

DEBT MANAGEMENT

Provincial Borrowing Requirements and Gross Change in Debt

	Updated Forecast 2012/13	Budget Estimate 2013/14
	$millions	
Operating deficit/(surplus)1	1,228	(197)
Capital requirements	6,767	6,227
Refinancing Requirements	884	2,198
Other Financing sources[2]	(2,172)	323
Gross Borrowing Requirements	**6,707**	**8,551**
Add: guarantees, non-guaranteed, SUCH debt	326	296
Gross increase in debt	**7,033**	**8,847**

The 2013/14 borrowing requirement as tabled in the February 2013 Budget is mainly driven by capital requirements and refinancings. The province will have gross requirements from the capital markets of $8.5 billion which does not include guaranteed, non guaranteed debt or P3 debt incurred by private sector consortia. The market requirement is manageable for the province given its exceptional access to the domestic and international capital markets. It will be challenged by having delayed long term borrowing in Q1 due to the public market blackout related to the election, but all very manageable. (see 2013/14 Borrowing Strategy section, below).

2013/14 Borrowing Strategy

Maintain duration at about 7.0 years
Opportunistically diversify capital market sources
Maintain liquid benchmarks
Give due regard to market volatility and liquidity risks

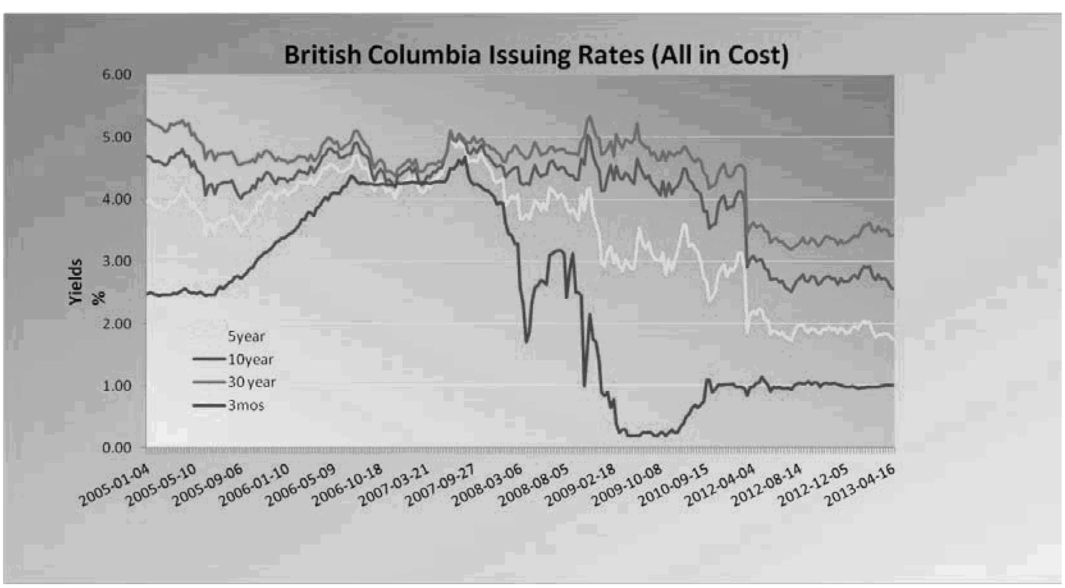
The province's borrowing requirement from the capital markets is estimated at $8.5 billion in 2013/14. The planned borrowing strategy will be similar to previous years:

- Mix maturities to minimize refinancing risks;
- Price, size and time public debt issues with due regard to spread performance;
- Build benchmark issues which offer liquidity to investors; and
- Diversify borrowing sources outside of Canada to the extent economics are favourable compared to our domestic cost of funds

Today's low interest rates combined with an expectation that interest rates are biased to rise (albeit modestly) will mean that the province will favour fixed rate financing and keeping the duration at about 7 plus years and at the high end of the permitted policy range for the debt portfolio.

During Q1 and around the election, the province will not issue in the public markets in Canada or abroad. Managing during this blackout period poses challenges and the province has taken several measures to deal with them. Leading into this blackout period, the province helped Hydro prefund $360 million before fiscal year-end. The province held its short term debt balance at March 31 2013 at a relatively low level in order to leave room to actively use short term debt as the primary source of financing during the blackout period. Estimated cash balances from rural property taxes in July 2013 will reach $2 billion and allow for timely pay down of short term borrowings in Q1. As available and if cost effective the province will transact long term domestic private placements, to take pressure off of short term borrowing as well as to suit the portfolio strategy. Finally, proceeds from liquidation of Transportation Financing Authority's sinking funds in April (about $1.45 billion) will be available for off-lending to the province and further reduce short term borrowing in Q1.

Issuing Costs

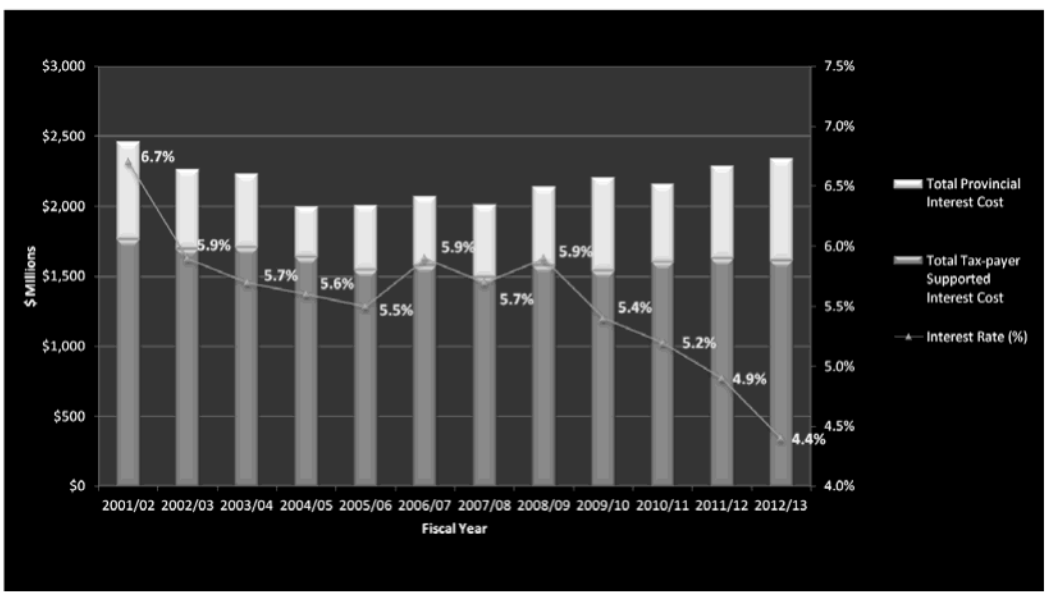


The province's all in cost to borrow from the capital markets in terms ranging from 3 months to 30 years is very competitive on a historical basis. Borrowing costs are currently near historical low's which is symptomatic of a world economy which is still struggling to recover from the meltdown in 2008. The problems are most acute in the developed world especially Europe. The benefit is low cost debt for debtors and particularly high investment grade issuers like British Columbia. The consensus forecast calls for the US to bounce back and put a floor on further rate declines and move interest rates modestly higher in Canada in late 2013 and 2014.

Debt Service Costs

Taxpayer supported debt is estimated to increase from 2001/02 to 2012/13 by $10.8 billion while annual taxpayer supported interest costs have declined by $152 million to an estimated $1.6 billion. This is explained by declining interest rates over the period (the interest rate on taxpayer supported debt fell from 6.7% to 4.4%), and the province sourcing new borrowings in this lower interest rate environment and refinancing maturing, high cost debt with lower cost debt.

The province has not actively retired high interest rate debt in its portfolio. The province would have to pay a significant premium to buy back and cancel any of its outstanding high coupon bonds to compensate the investor in this low interest rate environment. It would not be economical to do so. In addition, further pressure would be put on the borrowing requirements of the province to refinance this debt in addition to meeting the new borrowing requirements (forecast to be $8.5 billion in fiscal 2013/14).



Sensitivity of 2013/14 Debt Service Costs to Change in Interest Rates

	Net Debt Service Costs	Gross Financing Requirements	Impact of a 1% Change in Interest Rates[2]
Government Operating	370	2,751	28.0
Government Capital	894	2,540	37.6
Total – government	1,264	5,291	65.6
Other taxpayer-supported Crown corporations [1]	320	100	31.7
Total – taxpayer-supported	1,584	5,391	97.3
Self-supported Crown corporations	756	3,010	101.5
Warehouse borrowing program	22	0	13.8
Increase in forecast allowance		150	
Total – on Provincial Debt	2,362	8,551	212.6

[1] Includes interest expenses relating to debt directly incurred by taxpayer-supported crowns, school districts, universities, colleges and health authorities/societies (SUCH).
[2] Includes forecasted remaining borrowing for 2012/13 and new borrowing, refinancing, floating long and short-term debt, & swap rate resets in 2013/14

The sensitivity of debt service costs to a change in interest rates remains significant and is compounded by the growth in debt over the past 6 years, e.g. taxpayer supported debt is expected to increase $16.6 billion between March 31 2007 and March 31 2014.

2012/13 Borrowing Activity

Last fiscal year the province transacted long-term borrowing of $6.3 billion from the capital markets including:

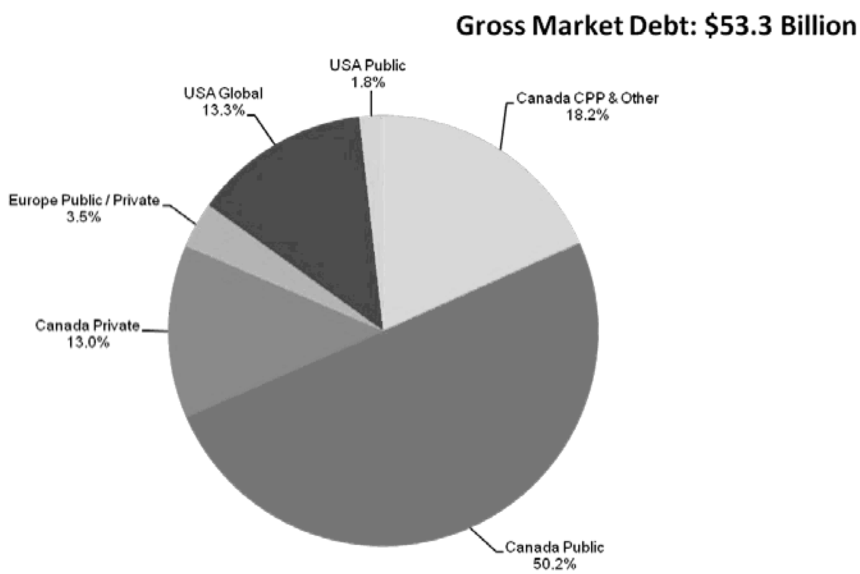
- 6 public issues ($2.3 billion) and 11 private placements ($1.02 billion) from the domestic market;
- 3 US$ Global issues (US$2.75 billion; C$ equivalent of $2.72 billion); and
- 4 loans from the Canada Pension Plan and the BC Immigrant Investor Fund Limited ($268 million)

The weighted average term of long term borrowing in 2012/13 was 14.5 years.

It is notable that over 40 per cent of borrowings were sourced from the international bond market, generating debt service cost savings of over $12 million compared to the province's domestic cost of borrowings. As a very highly rated credit, investors from around the world including central banks place significant value on BC bonds and are prepared to accord more relative value than domestic investors. As a result, offshore financings were very cost effective for the province and this helped support optimal domestic pricing to the extent it lowered the supply of BC bonds. BC's international successes were also helped by an active investor relations program which over the past 24 months included investor tours to North America, Europe and Asia. The Minister of Finance and/or officials had met with the majority of investors who participated in BC's US$ Global bonds last year.

Gross Market Debt Outstanding By Source

As estimated March 31, 2013



Market debt does not include guaranteed and non-guaranteed debt of SUCH sector and P3s

The province issues debt in both the domestic and offshore markets via public offerings or private placements. The province has actively diversified its funding sources into offshore capital markets to assure ample liquidity for the province, realize interest cost savings compared to the province's domestic cost of borrowing, and to ration the supply of BC bonds to the domestic market and extract the most competitive pricing from Canadian institutional investors.

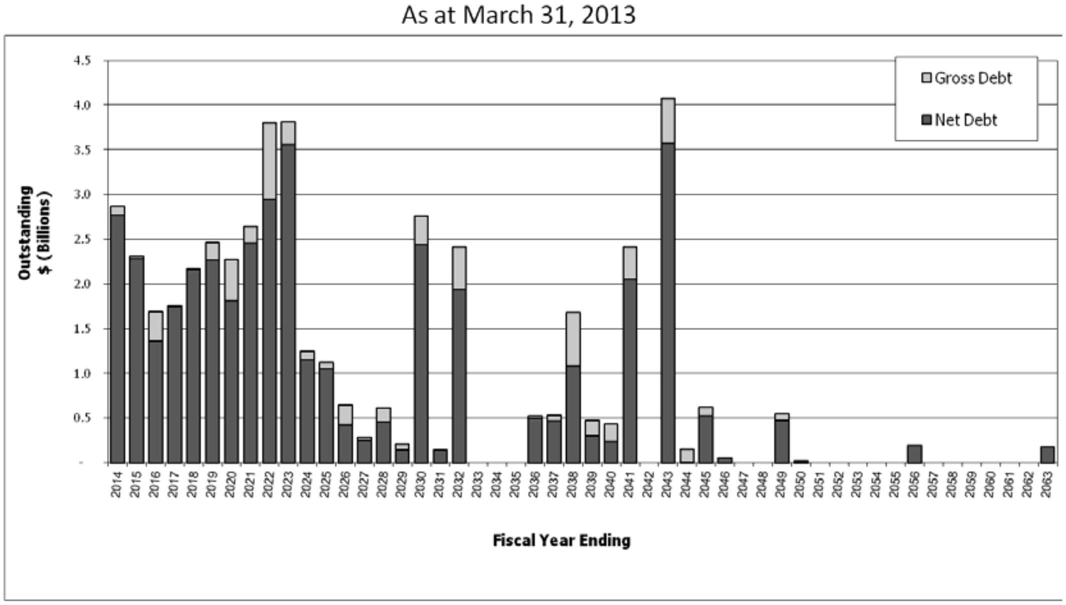
The province has been active in the international capital markets since the early 1980's. Currently, about 19% of the province's outstanding market debt has been sourced from US or offshore markets. Over the last 10 years, the province has borrowed approximately $12.5 billion in capital markets outside of Canada and benefits from the competitive bid from offshore investors, particularly those who place high value on the province's excellent credit rating. Borrowings in foreign currencies are usually swapped to Canadian dollar liabilities as opportunities arise to beat the province's domestic cost of funds.

The province manages its liabilities conservatively by:

- Managing its debt maturity schedule to minimize refinancing risk.
- Currently managing the duration of its debt portfolio at about 7 years and at the high end of the permitted range; and
- Capping the unhedged foreign currency exposure of its net direct debt to no more than 10% (as of March 31, 2013 the exposure was zero).

Gross/Net Debt Maturities

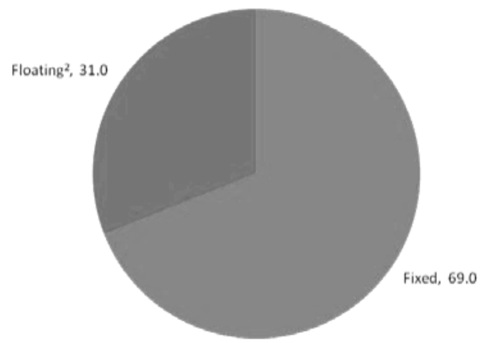
As at March 31, 2013



The province mixes debt maturities along the maturity curve out to 50 years in order to minimize refinancing and liquidity risks. The overall strategy is to manage the maturity schedule so that net maturities (after deducting any sinking funds) in any year do not exceed $5 billion and preferably less. A working objective each year is to keep maturity room in the benchmark 5, 10 and 30 year terms because these terms are most highly sought by investors wanting to buy large public bond issues with liquidity.

Floating Rate Exposure

Provincial Government Direct Debt[1] as estimated March 31, 2013



1 Provincial Government Direct Debt includes debt for operating and capital financing purposes.

2 Floating Debt includes all debt maturing within the next 12 months, short term debt outstanding and fixed rate issues that have been converted into floating rate instruments for the provincial direct debt.

- The province's risk parameters authorize the range of floating rate exposure for the direct debt portfolio as between 15 and 45%. Floating rate exposure can be volatile from month to month due to lumpy cash inflows /outflows requiring an increase in short term debt, and debt maturities changing on a rolling 12-month basis.
- As at March 31st 2013, the duration of the portfolio (which is a measure for the weighted average term) was about 7 years. This is at the high end of the permitted range of 3.5 to 7.0 years and reflects the portfolio strategy to extend term in today's low interest rate environment.

Liquidity Strategy

It is important for the province to have sufficient access to liquidity to meet its ongoing requirements to fund operations and capital budgets in the event of a market disruption. The credit rating agencies also inquire of the province's strategy for maintaining liquidity. The major elements of the strategy are listed in the chart:

Managed Maturity Schedule
Multiple domestic and international borrowing programs
Authority for pre-funding (i.e. Warehouse account)
Cash/temporary investments (#3.1 billion estimated at March 31, 2013
Sinking fund assets ($0.5 billion estimated at April 22, 2013)
Operating Line of Credit ($450 million)
Special purpose investments ($930 million at January 31, 2013

- as indicated earlier, the maturity schedule is managed to spread net maturities over the maturity curve and minimize refinancing and liquidity risks;
- maintaining access to domestic and international capital markets provides important diversification and is supported by investor tours to keep the financial community apprised of the province's credit story;
- the province can use its "warehouse account" to fund in advance of requirements and has done so to manage concerns with the stability of the capital markets (i.e. over $2 billion as at March 31 2009 and during the financial market meltdown) . As at March 31, 2013 the balance in the warehouse was zero;
- The province expects short term cash balances to total CAD$3.15bn at March 31st 2013 and CAD$3.11 at March 31st 2014 (As per budget 2013/14; by entity: Health authorities and hospital societies - $836; School districts - $1,079; Post secondary institutions - $722; Other taxpayer supported Crowns - $477);
- the province has sinking fund balances of $0.5 billion which could be accessed as a last resort. Since 2007/08 ,the province has liquidated most of its sinking funds including those in the province direct debt portfolio, BC Hydro's portfolio and most recently in the BC Transportation Financing Authority portfolio;
- the province has special purpose accounts with total market value of approximately $930 million. Examples as at January 31, 2013 include the C$298 million Housing Endowment Fund or the $316 million Children's Education Fund ;and
- Finally, the province has an uncommitted operating line of credit of $450 million

Other liquidity measures which are available over 60 days include:

- The province has the authority to raise revenue through direct taxation. Examples of the types of tax revenues can be found in the Budget and Fiscal Plan 2013/14. The province's own-source revenue is estimated at C$36.8 billion in 2013/14 or about 83 % of total revenue.
- As was done earlier in 2013/14 the province can re-profile capital spending in line with what was more affordable

- The province owns approximately 94 percent of the province's land area (i.e. about 95 million hectares or 9.5 percent of Canada's total surface area) and sizeable tangible capital assets.

Derivatives

The province uses a variety of hedging techniques to manage debt portfolio risks. For example, the province may use Advance Rating Setting agreements to lock in current low interest rates; it may use swaps to convert foreign currency borrowing to Canadian dollar liabilities; or it may use swaps to convert floating rate debt to fixed rate debt or vice versa.

The province will only transact with highly rated domestic and international banks and enters into formal agreements with each selected counterparty.

Recent market practice requires issuers and counterparties to post collateral to one another once the value of a swap reaches a certain level. The province, as a Triple A rated issuer, has entered into arrangements with some of its counterparties that are asymmetrical. The counterparty is required to post collateral, based on its credit rating, once the mark to market value of the swap portfolio reaches a certain threshold such that the counterparty owes the province money. The province, however, is not required to post any collateral until the swap portfolio with a counterparty reaches a threshold amount and then is only required to post enough to satisfy anything over the threshold.

More regulatory reforms are currently being considered by the financial regulatory authorities which may further impact how the province deals with its counterparties, e.g. a clearing house for managing derivative trading.

S13, S17

Debt Burden

By any measure British Columbia's debt is affordable and, indeed, that fact materially explains the seven credit rating upgrades since 2004 and the province's triple A credit rating.

More recently, the rating agencies have noted the marginal declines in the province's debt affordability, leading to Moody's Investors Services changing its Aaa "stable" outlook to a "negative" outlook in December 2012.

Credit rating agencies focus on debt affordability measures as opposed to absolute debt levels, e.g. debt as a percentage of GDP. Further, the rating agencies pay special attention to affordability of taxpayer supported debt as opposed to debt which is borne by standalone commercial entities and fully serviced by revenues of those enterprises.

The chart on the following page shows various measures used to determine debt affordability.

Fiscal Year (*Millions*):	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13***
Taxpayer Supported:	$29,383	$30,014	$28,668	$27,251	$25,968	$26,589	$26,446	$30,021	$31,855	$34,692	$38,337
Commercial Crowns and other self-supported:	7,474	7,761	7,201	7,206	7,471	8,048	11,568	11,864	13,299	15,501	17,724
Forecast Allowance:											50
Total Provincial Debt:	**36,857**	**37,775**	**35,869**	**34,457**	**33,439**	**34,637**	**38,014**	**41,885**	**45,154**	**50,193**	**56,111**
Percentage change of total provincial debt (YoY):	2.1%	2.5%	-5.0%	-3.9%	-3.0%	3.6%	9.7%	10.2%	7.8%	11.2%	11.8%
Total debt-to-revenue:	104.4%	100.7%	85.2%	74.9%	68.7%	68.8%	77.1%	86.4%	88.4%	94.7%	104.6%
Taxpayer supported debt to GDP:	21.3%	20.6%	18.2%	16.1%	13.9%	13.5%	13.0%	15.3%	15.3%	15.9%	17.0%
Taxpayer supported interest cost per dollar of taxpayer supported revenue:	6.3%	6.1%	5.0%	4.4%	4.2%	3.9%	4.2%	4.2%	3.9%	4.0%	3.9%

*forecasted

Source: 2012 British Columbia Financial & Economic Review and Budget and Fiscal Plan 2013

Interprovincial Comparison of Taxpayer-Supported Debt to GDP

Taxpayer supported debt to GDP has declined significantly over the past decade from a high of 21.3 % to 13.4 % in 2008/09 and is estimated by the province to be 17.0 % at March 31, 2013.

According to Moody's Investors Services BC has the third lowest debt to GDP ratio among the provinces. As at December 2012, the International Monetary Fund reports that BC compares favourably internationally with the US (84%), France (83%), UK (84%), Italy (102%), Japan (135%) and Greece (153%).

While Canada's debt to GDP is 35%, it stands out positively among the G7 countries and this has permitted the provinces, and banks and larger corporations in Canada to benefit from the "halo" effect of being Canadian, i.e. strong credit ratings, capital market access, competitive borrowing costs.

Interprovincial Comparison of Taxpayer-Supported Debt Service Costs as a % of Revenue

The percent of revenues which go to service taxpayer supported debt is also followed by the rating agencies to assess debt affordability.

In BC, this ratio has held steady in recent years between 4% and 4.5%. Moody's reports that the province has the third lowest "interest bite" among provinces.

Part of the strong performance on this metric relates to refinancing high cost debt in today's low interest rate environment.

BRITISH COLUMBIA'S PUBLIC SECTOR PENSION RISK MANAGEMENT

Pension Plan Positions

The chart below shows the actuarial position, as at the most the recent valuation date, of the four public sector pension plans. Employer and Employee contribution rates were increased to return these plans to fully funded status.

Pension Plan	Number of Members (thousands)	Most recent Valuation	Funding Basis (millions)	Accrued Basis (millions)
Teachers'	89	Dec 31, 2011	**($855)** **96%**	($1,870) 88%
College	22	Aug 31, 2009	**($28)** **99%**	$74 103%
Municipal	274	Dec 31, 2009	**($1,024)** **97%**	($970) 96%
Public Service	111	Mar 31, 2011	**($275)** **98%**	$305 102%

- The last Teachers' Pension Plan valuation, as at December 31, 2011, showed a slight deterioration in its funded position, it went from 98% funded to 96% on a funding basis :
  - The main reason for this decline was related to lower investment returns than projected. The Plan uses five year forward smoothing of its investment results, this valuation contains three years of the negative return from 2008.
  - Other negative impacts were related to lower contributions than previously assumed and changes in demographic assumptions primarily related to mortality stats; this was partially offset by actual salary increases being lower than assumed.
  - This result was expected.
  - Employer and employee rates will both increase by 1.3% of salary for 15 years to retire this

liability.

    - Rates will begin to decline in this Plan in 2017

- The last College Pension Plan valuation, as at August 31, 2009, showed an overall improvement in the funded position of the plan; it went from 98% funded to 99% funded on a funding basis.
    - This improvement occurred even with changes in valuation assumptions to recognize greater longevity and demographic trends.
    - The plans use a 5 year return smoothing methodology, so there was also negative carry over from 2008.
    - Contribution rates were increased by 0.48% of salary and were shared by employers and employees.
    - The College Plan's next valuation is just underway.
- The last Municipal Pension Plan valuation, as at December 31, 2009, showed an overall decline in the funded position of the plan; it went from 103% funded to 97% funded on a funding basis.
    - The main reasons for the decline are related to the negative carry over from 2008 and changes in valuation assumptions (reduced long term return assumptions, recognizing greater longevity and demographic trends).
    - Contribution rates increased by 1.62% of salary and was shared equally by employers and employees.
    - The Municipal Plan valuation will commence in the New Year.
- The most recent valuation for the Public Service Pension Plan, as at March 31, 2011, resulted in an overall decline in the funded position of the plan .It went from 103% funded to 98% funded on a funding basis.
    - The main reasons for the decline are related to the negative carry over from 2008, lower than expected returns and changes in longevity and demographic trends.
    - Contribution rates increased by 0.8% of salary and was shared equally by employers and employees.

Pension Plan Background

- There are four public sector pension plans in BC:
  - Public Service
  - Municipal
  - Teachers
  - Colleges
- BC has a good handle on managing its public sector plan risks and this is cited by the rating agencies as a positive credit attribute and especially so when other public sector jurisdictions struggle with unfunded liabilities:
  - contributions to the plans are shared 50/50 by employers and employees
  - between 70 to 80% of pensions are paid by investment returns
  - only basic pension is guaranteed on a defined benefit basis
  - pension indexation is on a defined contribution basis (limited to funds available for the purpose) and post-retirement benefits are on a pay-as-you-go basis
  - under joint trusteeship, if the triennial actuarial valuation identifies an unfunded liability, the liability must be eliminated by either increasing contributions and/or reducing benefits (the latter by consensus of the plan sponsors).
- **The plans' actuary reported the four pension plans to be funded between 96 to 99% as of the valuation dates. Resulting contribution rate increases put these plans in a fully funded position from an actuarial basis.**

CREDIT RATING

British Columbia Credit Ratings

Moody's Investor Service	Aaa	Negative
Standard and Poor's	AAA	Stable
Dominion Bond Rating Service	AA (High)	Stable
Fitch	AAA	Stable

The province is rated triple- A by both Moody's and Standard and Poor's (S & P), the two premier credit rating agencies in the global financial markets. Moody's changed its outlook on the province's rating to negative in December 2012 reflecting concern with the recent accumulation of debt and impact on affordability.

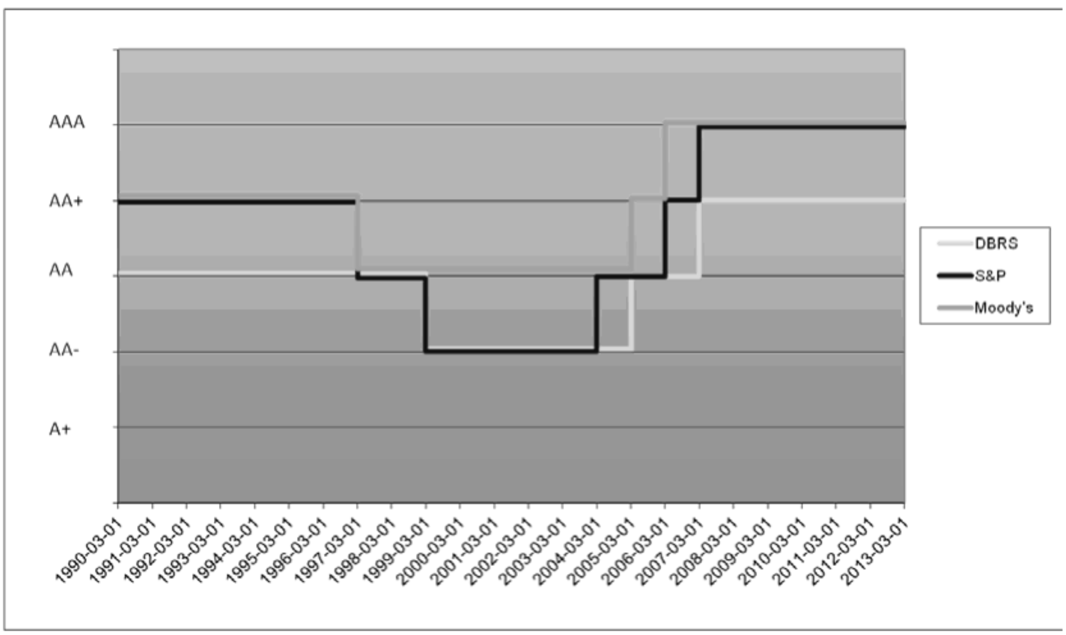
Dominion Bond Rating Service (DBRS) is a Canadian credit rating agency and has rated BC very highly at double AA+ equivalent; only Alberta has a triple A rating from DBRS among the provinces.

BC and Alberta are the only provinces rated triple- A by Moody's. BC, Alberta and Saskatchewan are the only provinces rated Triple A by S&P.

Canada is rated triple -A by all four of the credit rating agencies.

Fitch is a US-based rating agency which is not contractually engaged to rate the province. However, on an unsolicited basis, the agency releases ratings on the province from time to time.

British Columbia's Credit Rating History
(Moody's, S&P, DBRS)



The chart above illustrates how the province's ratings with the three credit rating agencies have changed since 1990.

A credit rating is not a market valuation or investment advice. It is an assessment of credit risk and incorporates evaluation of historical data and performance, and future outlook. Rating action is often a lagging indicator and discounted by investors and bank underwriters who have already factored in good or poor performance in their pricing of an issuer's debt securities.

Factors which were cited by the rating agencies and explain BC's downgrades in the 1997 to 1999 period include:

- Weak economic performance

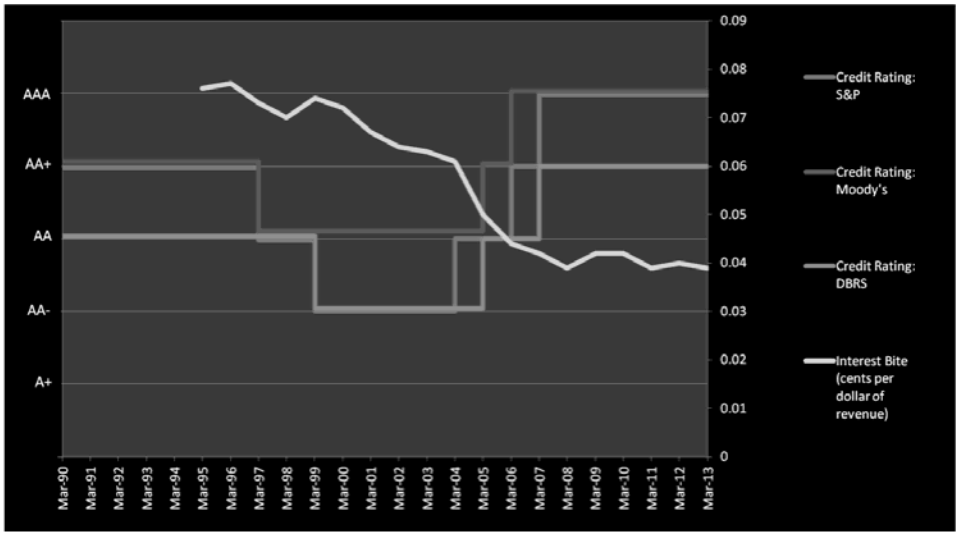
- Widening budgetary imbalance expected (expansionary fiscal policy)
- Fiscal targets not being met
- High relative taxes and spending pressures reduced fiscal flexibility
- Debt to GDP almost doubled over seven years

Factors which were cited by the rating agencies which explained the upgrades between 2004 and 2007 included:

- Track record of surpluses and lower debt burden (larger result than expected)
- Expectations of future balanced budgets or surpluses
- Expectation of a decline in the debt burden
- Fiscal room to manoeuvre in case of unanticipated fiscal pressures
- Solid economic performance despite strong headwinds in some years
- Competitive provincial tax system
- Favourable assessment of economic forecasts
- Public sector pension plan governance
- Reporting transparency
- Successful management of infrastructure procurement
- Access to liquidity (egg. domestic and international investors)

Managing the province's credit rating agency relationships is an important function of the Ministry of Finance's mandate for sound fiscal management. Accordingly, the Ministry communicates clearly on material developments impacting the province's economic and fiscal management to avoid surprises and maintain a transparent and professional relationship with the rating agencies. The Ministry with support of the Minister of Finance provides detailed briefings following annual budgets and regular updates following all material public releases, e.g. Public Accounts and quarterly reports.

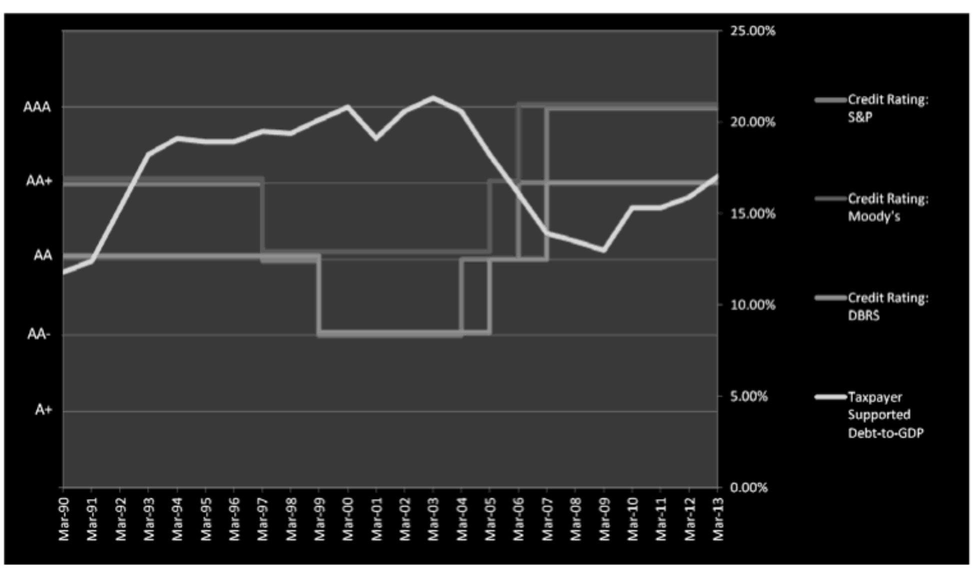
Relationship between Interest Bite ("cents per dollar of revenue") & Credit Rating Adjustments



There is no single ratio or fiscal indicator which defines the province's credit rating. An appreciation of that can be gathered by the listing of factors which lead to a positive or negative rating action. Nonetheless, there are certain debt affordability and performance measures which have some correlation to rating action, usually on a lagged basis.

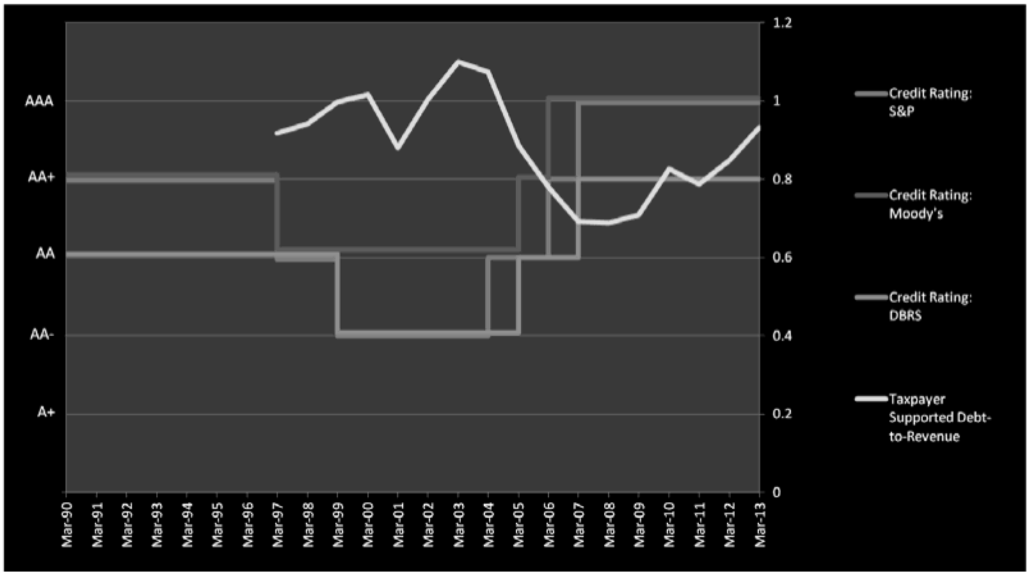
The following charts depict the major credit performance indicators followed by the agencies. They are self explanatory and illustrate to varying degrees the province's upgrades in the mid-2000's. In each case the indicators were on an improving track and then deteriorated or flat-lined with the onset of the recession in 2008.

Relationship Between Tax-payer Supported Debt as a % of GDP & Credit Rating Adjustments

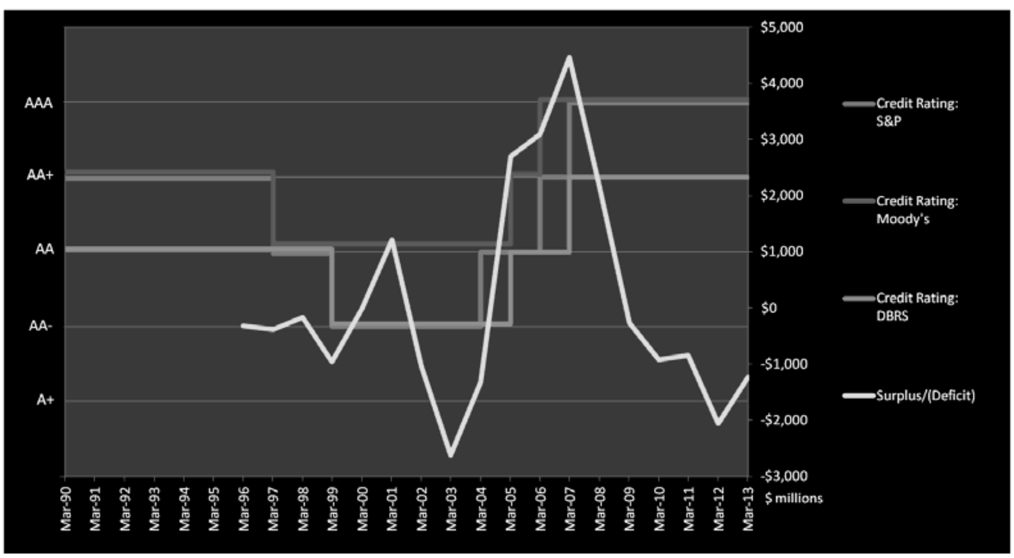


Relationship Between Taxpayer Supported Debt
as % of Total Revenue & Credit Rating Adjustments

(As at March 31)



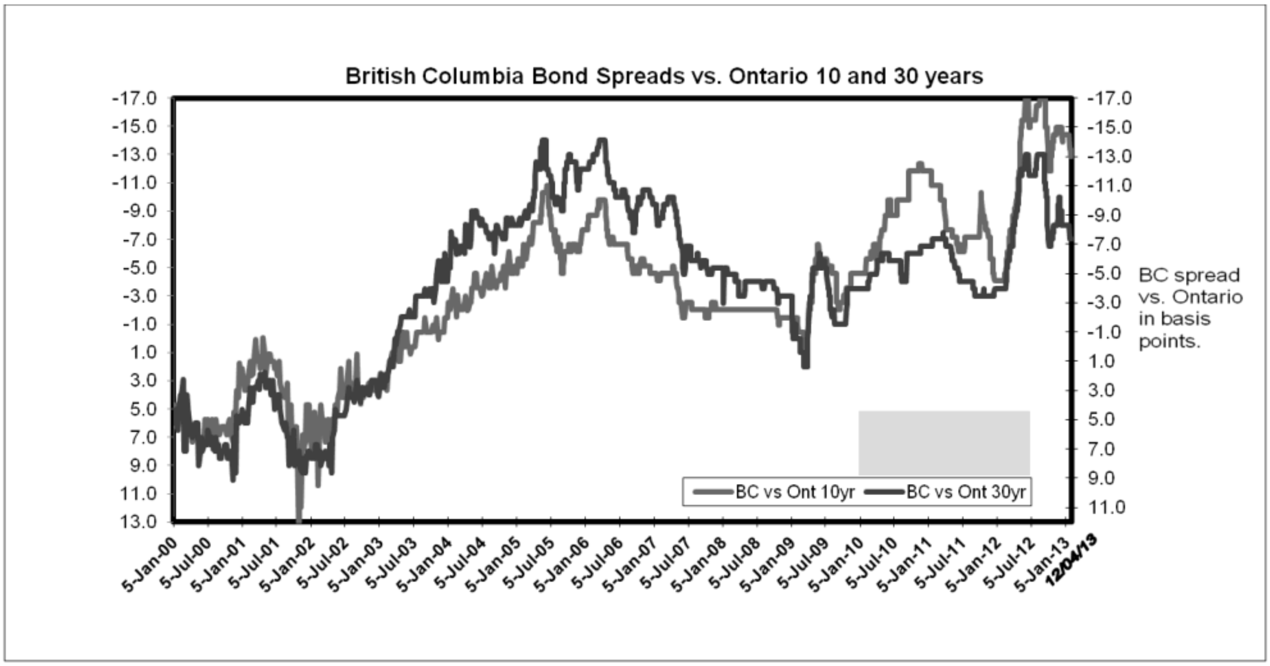
Relationship Between Surplus/(Deficit) & Credit Rating Adjustments



Deficits or surpluses, in and of themselves, have the poorest correlation to rating action. The agencies are less concerned with a deficit per se and far more with the collateral impact on debt affordability. The agencies did not take action when the government slipped into deficit following the 2008/09 recession, noting that the government still carried affordable debt due to past efforts to lower the debt burden by using surpluses to pay down debt.

Standard and Poor's currently opines that it views the government as close to exhausting the fiscal room provided by increasing debt affordability and deficits may place pressure on fiscal flexibility and government's ability to keep debt affordable .

BC Spreads vs. Ontario



An important dividend paid on a strong credit rating and improving credit worthiness is lower borrowing costs. One way to track this is to compare how British Columbia's borrowing costs compare with Ontario which is the benchmark province in the domestic capital market. BC borrowed about 9 basis points (9/100's of one percent) higher than Ontario in the early 2000's in the 10 year-term and now borrows about 13 basis points lower. A favourable swing of 22 basis points on the province's cost of borrowing on a current annual requirement of $8.5 billion yields $18.7 million per year in debt service cost savings and $187 million over an average borrowing term of 10 years.

Other benefits which are afforded the province as a highly rated issuer of debt and, especially as a triple –A rated entity, is outstanding access to liquidity in Canada and abroad and insurance that the province will be able to finance essential government programs during periods of turbulence in the capital markets. With a triple A rating, the province bonds are eligible to be purchased by many of the major central banks and official institutions in the world, all of which provides a cost-effective bid for BC issues and lowers the cost of debt to the province. This strong international bid for BC bonds has enabled the province to finance in the international markets (e.g. US $'s, EUROs, Swiss Francs) and fully swap or convert the liabilities into Canadian dollars at levels below the province's domestic cost of borrowing. In 2012/13, the province borrowed US$2.75 billion and saved over C$12 million in debt service costs.

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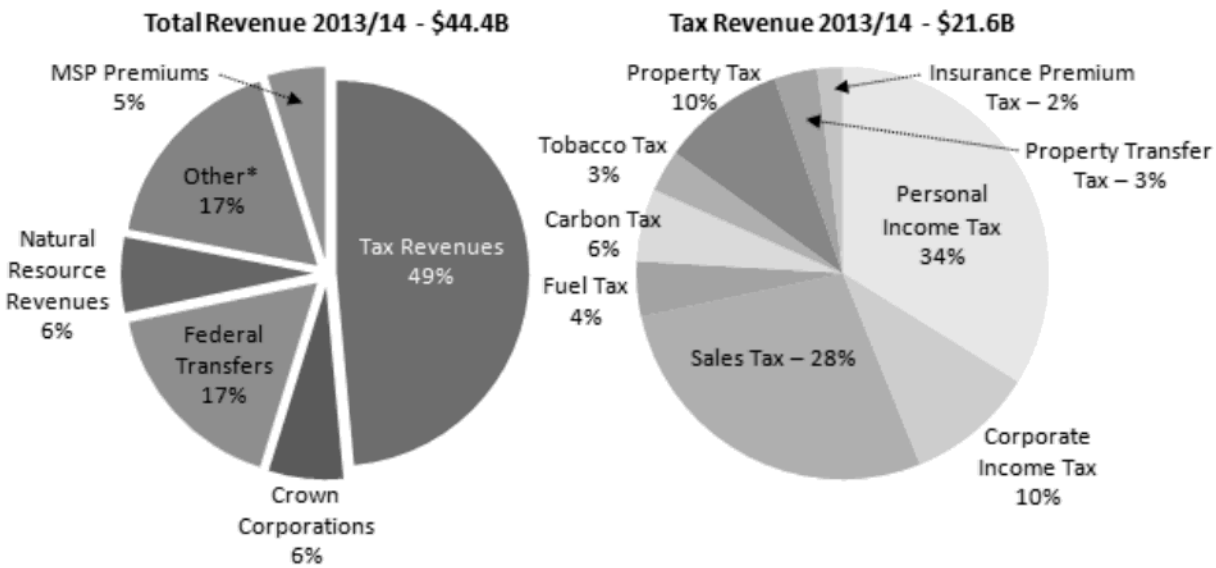
OVERVIEW OF BRITISH COLUMBIA'S TAX SYSTEM

- The provincial tax system is comprised of a variety of taxes on income, consumption and property. Tax policy considerations include balancing fairness, competitiveness, efficiency, administrative simplicity and economic objectives.
- In 2013/14, total government revenues are expected to exceed $44 billion, with almost half generated from tax sources.



* Other includes: post-secondary education fees, motor vehicle licences and permits, investment earning, release of surplus assets, etc.

- About 34% of tax revenues are generated from personal income taxes, followed by 28% from sales tax and 10% from each of corporate income tax and property tax. All other tax revenues account for 18% of total tax revenues.
- Although generally not included as part of tax revenues, the province will also generate almost $2.2 billion from MSP premiums in 2013/14, accounting for 5% of total revenues.

COMPARISON OF PROVINCIAL TAXES BY PROVINCE – INDIVIDUALS AND FAMILIES

Each year, the Ministry of Finance publishes a tax comparison table showing the amount of tax paid by various individuals and families in BC with the same family types in other provinces. The analysis includes personal income tax, sales tax, property tax, fuel tax, carbon tax and health premiums. S16

S16

This analysis shows that, when all taxes are considered, including MSP premiums, British Columbia has one of the lowest tax burdens in the country (generally second or third lowest). General findings include the following:

S13, S16

S13

Provincial Personal Income Tax – Summary Statistics, 2010 Tax Year

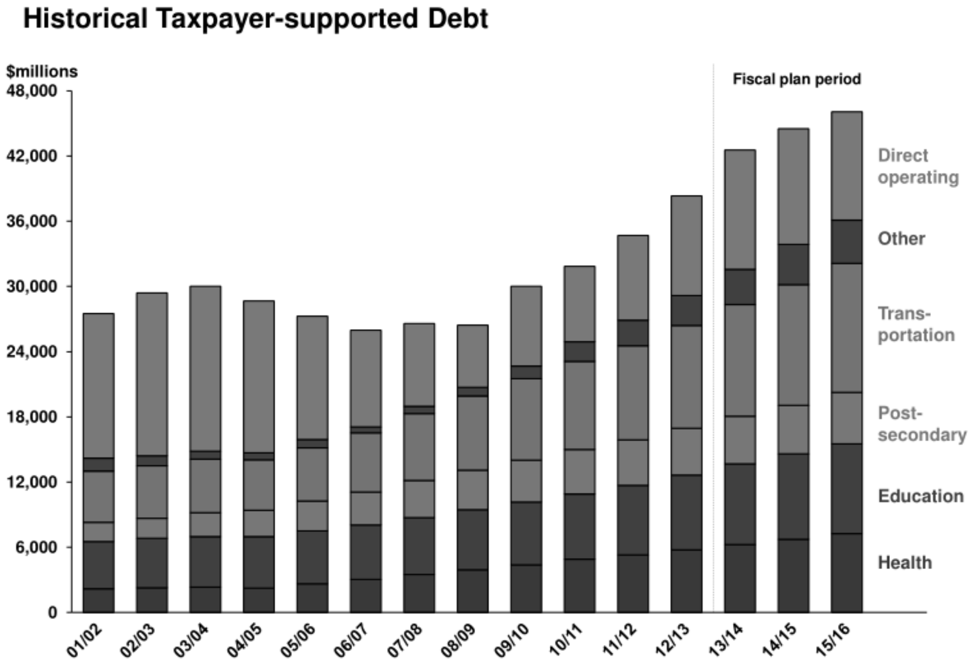
- BC population - 4.5M
- Taxfilers – 3.5M
- Taxfilers who earn income – 3.4M
- Taxpayers – 1.9M

S13

- Of the 3.5 million taxfilers in 2010, only 1.9 million earned income at a level high enough to pay provincial income tax. Taxfilers who are not taxpayers (i.e., who did not pay provincial income tax) mainly include lower income individuals and families, stay-at-home spouses and some children.
- The top 1% of income earners (those with incomes over $223,000) account for 13% of total income in BC and 28% of total provincial personal income tax collected.
- The bottom 50% of income earners (those with incomes under about $28,300) account for 15% of total income in BC and 1% of total provincial personal income tax collected. Most of these individuals do not pay any provincial personal income tax.

DEBT TRENDS: 2001/02 – 2015/16

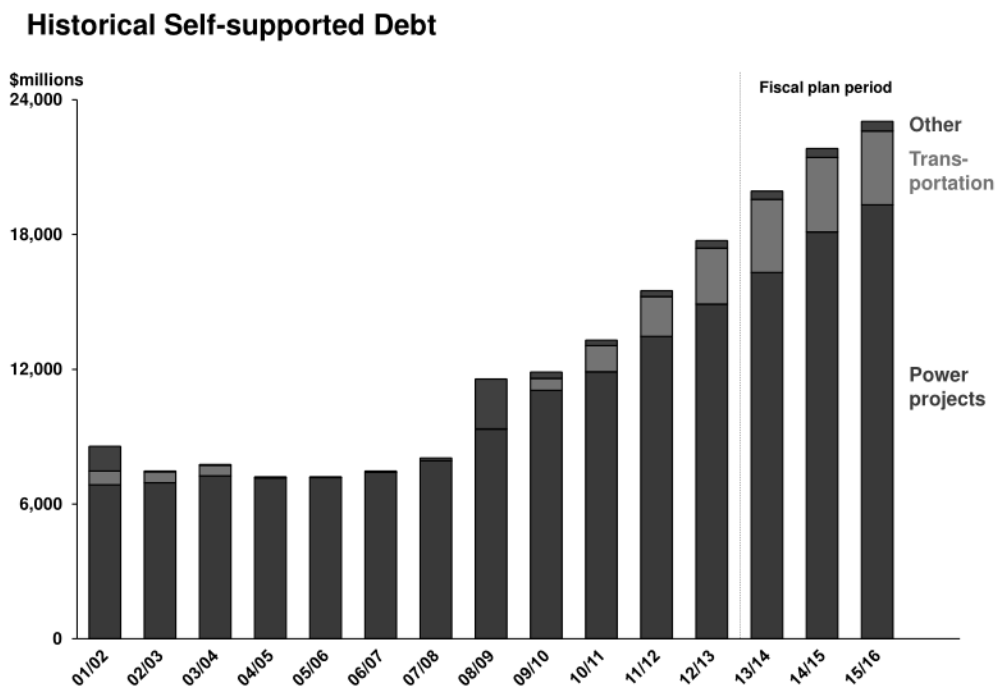
- Total debt is projected to reach $69.4B (including forecast allowance) by 2015/16. Debt is classified as either taxpayer-supported or self-supported, depending on the nature of the organizations doing the borrowing.
- Taxpayer-supported debt has increased from $27.5B in 2001/02 to a projected $46.1B in 2015/16 – mainly due to requirements for financing capital spending for health, education, post-secondary, transportation and other infrastructure.



- Composition and average annual growth of taxpayer-supported debt:

	2001/02	2015/16	Annual Growth
Health	8%	16%	9.0%
Education	16%	18%	4.7%
Post Secondary	7%	10%	7.2%
Transportation	17%	26%	6.9%
Other	4%	8%	8.9%
Direct Operating	78%	22%	-2.0%

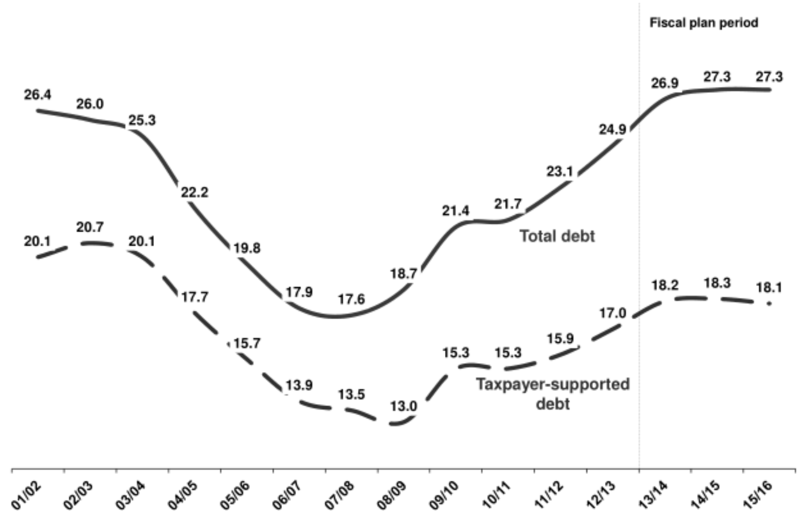
- Self-supported debt has increased from $8.6B in 2001/02 to a projected $23.0B in 2015/16 – exclusively due to requirements for financing capital spending.
- With the exception of the Port Mann Bridge project, the vast majority of self-supported debt relates to power projects, mainly in BC Hydro. The Columbia River power project debt comprises only 2.4% of power project debt.
- Other self-supported debt includes borrowing by BCLC to finance gaming equipment purchases, the debt owed by the commercial subsidiaries of post-secondary institutions, and warehouse program debt.



- Composition and average annual growth of self-supported debt:

	2001/02	2015/16	Annual Growth
Power Projects	80%	84%	7.7%
Transportation	7%	14%	13%
Other	13%	2%	-6.5%

Debt to GDP Ratios (%)

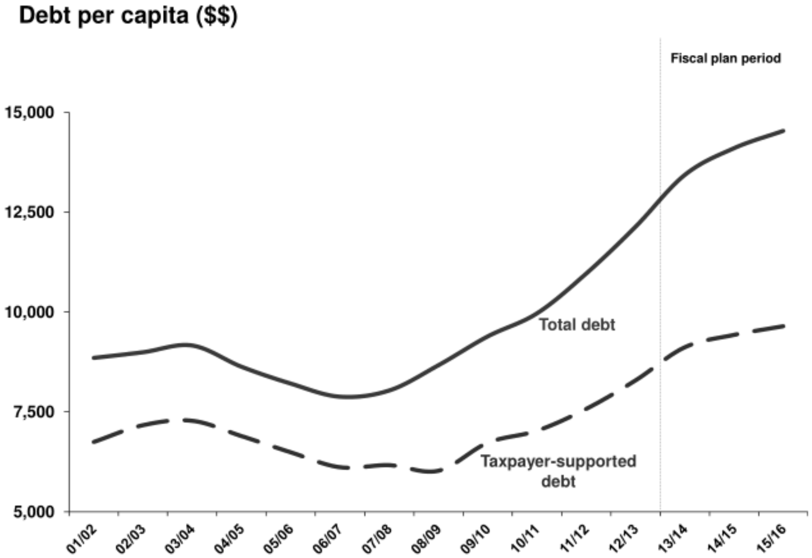


- Debt relative to GDP is often used as an indicator for assessing the financial health of a government. Rating agencies focus on taxpayer-supported debt to GDP as one measure of government's control over its finances.
- Eliminating the increases in taxpayer-supported GDP and returning to a declining trend in this measure is seen as key to maintaining BC's AAA credit rating, which keeps borrowing costs low.

S12, S13

- The total debt to GDP ratio reflects BC Hydro's debt load driven by its aggressive capital spending program. As this ratio includes self-supported debt, which is financed from revenue generated from the sale of services to individuals and organizations outside of government, it does not have a significant influence on the province's credit rating.

Debt per capita ($$)

- 

- Composition and total increase in debt per capita:

	2001/02	2015/16	Increase
Total	$8,852	$14,539	64%
Taxpayer-supported	$6,750	$9,648	43%
Self-supported	$2,102	$4,823	129%

MINISTRY OF ADVANCED EDUCATION, INNOVATION AND TECHNOLOGY (AEIT) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	1,971.938	1,951.938	1,921.938	1,921.938
Ministry Re-orgs - Increase	9.172	9.172	9.172	9.172
Inter-ministry program transfer to EDUC - Decrease	(15.600)	(15.600)	(15.600)	(15.600)
Transfer of Multiculturalism responsibility (March 2013)*	(0.625)	(0.625)	(0.625)	(0.625)
2012 Budget & Fiscal Plan (post re org) *	1,964.885	1,944.885	1,914.885	1,914.885
2013 Budget & Fiscal Plan* (2012/13 restated)**	**1,964.885**	**1,961.742**	**1,944.158**	**1,919.158**
2012 to 2013 Change - Increase (Decrease)		16.857	29.273	4.273
% Change		0.9%	1.5%	0.2%
CRF Capital ($ millions)				
Budget 2012	0.896	0.504	0.504	0.504
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	0.896	0.504	0.504	0.504
2013 Budget & Fiscal Plan (2012/13 restated*)	**0.896**	**0.504**	**0.504**	**0.504**
2012 to 2013 Change - Increase (Decrease)		0.000	0.000	0.000
% Change		0.0%	0.0%	0.0%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2013 Budget & Fiscal Plan (2012/13 restated)**	**1,964.885**	**1,961.742**	**1,944.158**	**1,919.158**
Year-over-Year Change - Increase (Decrease)		(3.143)	(17.584)	(25.000)
% Change		-0.2%	-0.9%	-1.3%

** Reflects the transfer of responsibility for multiculturalism from AEIT to FIN in March 2013, subsequent to Budget 2013*
*** 2012/13Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

Budget 2013/14 Summary

Plan over Plan - $16.9M/ $29.3M/ $4.3M

- AEIT's *Budget 2013* track increases by 1%/1.5%/.2% compared to *Budget 2012* mainly due to revised (lower) sector-wide savings targets and a planned increase to the Medical Expansion Program budget for UBC – Okanagan.

Year over Year - $(3.1)M/$(17.6)M/$(25.0)M

- Decreases of 0.2%/0.9%/1.3% per year in AEIT's 2013 budget are mainly due to gradual increases in the sector-wide savings targets and a loss of federal funding for ESL services beginning in 2014/15.

Budget 2013/14

OPERATING – Changes from Budget 2012

	Program/Initiative	2013/14	2014/15	2015/16
1	Sector-wide shared services savings (slower phase-in)	15.000	25.000	-
2	Medical Expansion Program planned increase	2.416	4.832	4.832
3	BC Innovation Council – Crown Savings adjustment	(0.060)	(0.060)	(0.060)
4	Expenditure Management Savings	(0.499)	(0.499)	(0.499)
5	ESL services - decrease in gross expenditures	-	(17.117)	(17.117)
	Offset by recovery to vote		17.117	17.117
	Total	**16.857**	**29.273**	**4.273**

Sector-wide shared services

S12, S13

Medical Expansion Program (Southern Medical Program at UBCO)

- Budget lifts in 2013/14 and 2014/15 represent the final, planned increases to MD undergraduate seats at UBCO, after which FTE will reach “steady state” at 128.

BC Innovation Council – Crown Savings adjustment

- BCIC’s budget was reduced by $60K per year, with a corresponding reduction to AEIT’s budget, per Budget 2013 S12 decisions re Crown Corporation savings.

Expenditure Management Savings

- AEIT’s portion of the $15M expenditure management target is $499K annually, a reduction from the 2012/13 savings target of $270K assigned at Q2.

Loss of federal government funding for ESL

- Beginning in 2014/15, the federal government will no longer transfer $17.117M to the Province to provide ESL services exclusively through post-secondary institutions.

CRF Capital

Plan over Plan

- AEIT's CRF capital budget returns to $504K annually. A one-year increase to $896K in Budget 2012 reflected $392K allocated to business case development for a new Student Financial Assistance System (SFAS).

Capital Funding (Vote 46)

- $1.9 billion is planned in capital spending over the Budget 2013 three-year period. This amount includes $622 million in provincially-funded projects and $1.26 billion in "self-funding" from the PSIs.

Updated Forecast 2012/13	**2013/14 Estimate**	**2014/15 Plan**	**2015/16 Plan**	**B2013 Plan Total ($ millions)**
749	558	647	673	**1,878**

Major Capital Projects (> $50 M) Approvals/Changes since Budget 2012:

Emily Carr University of Art and Design (ECUAD) Campus Re-development

A new campus for ECUAD at the Great Northern Way site in Vancouver is projected to be completed in Spring 2016. S12

S12

TRIUMF superconducting electronic accelerator at UVic

Scheduled for completion in Spring 2015, this BC Knowledge Development Fund (BCKDF) project

S12

MINISTRY OF AGRICULTURE (AGRI) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	65.788	65.788	65.788	65.788
Ministry Re-orgs - Increase (Decrease)	(0.283)	(0.283)	(0.283)	(0.283)
2012 Budget & Fiscal Plan (post re org)	65.505	65.505	65.505	65.505
2013 Budget & Fiscal Plan (2012/13 restated*)	**68.143**	**79.307**	**78.833**	**78.808**
2012 to 2013 Change - Increase (Decrease)		13.802	13.328	13.303
% Change		21.1%	20.3%	20.3%
CRF Capital ($ millions)				
Budget 2012	0.290	0.495	0.593	0.593
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	0.290	0.495	0.593	0.593
2013 Budget & Fiscal Plan (2012/13 restated*)	**0.290**	**0.355**	**0.593**	**0.568**
2012 to 2013 Change - Increase (Decrease)		(0.140)	0.000	(0.025)
% Change		-28.3%	0.0%	-4.2%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2012 Budget & Fiscal Plan (2012/13 restated*)	**68.143**	**79.307**	**78.833**	**78.808**
Year-over-Year Change - Increase (Decrease)		11.164	(0.474)	(0.025)
% Change		16.4%	-0.6%	0.0%

Budget 2013/14 Summary

Plan over Plan - $13.802M/ $13.328M/ $13.303M

- *Budget 2013* inter-ministry transfer – increase of $2.638M in 2012/13, $6.677M in 2013/14, $5.592M in 2014/15 and $5.592M in 2015/16 due to the transfer of the Meat Inspection Program from the Ministry of Health.
- AGRI's *Budget 2013* operating budget increases plan over plan by $7.125M in 2013/14, $7.736M in 2014/15 and $7.711M in 2015/16 due to:
    - carbon tax relief grant for the greenhouse sector ($6.5M in 2013/14 and 2014/15; and $6.6M in 2015/16);
    - budget lifts for the Agricultural Land Commission (ALC) ($0.931M in 2013/14, $1.542M in 2014/15 and $1.417M in 2015/16);
    - partially off-set by the ministry expenditure savings target ($0.306M annually).

Year over Year – $11.164M/ ($0.474M)/ ($0.025M)

- The increase to AGRI's budget in 2013/14 is due to the incremental funding from the transfer of the Meat Inspection Program, funding for the Carbon Tax Relief Grant for the Greenhouse Sector, and budget lifts for the ALC partially off-set by the ministry expenditure savings target.
- The decrease to AGRI's budget in 2014/15 and 2015/16 is due to year over year changes in the Meat Inspection Program budget transfer, and changes to the amount of the budget lifts for the ALC and Carbon Tax Relief Grant (see table below).

Year-over Year funding changes ($ millions)	**2013/14**	**2014/15**	**2015/16**
Meat Inspection Program Transfer	4.039	(1.085)	-
ALC Budget Lifts	0.931	0.611	(0.125)
Carbon Tax Relief Grant	6.500	-	0.100
Expenditure Savings Target	(0.306)	-	-
Total	**11.164**	**(0.474)**	**(0.025)**

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	**2013/14**	**2014/15**	**2015/16**
1	Program Transfer	6.677	5.592	5.592
2	Greenhouse Sector Carbon Tax Relief	6.500	6.500	6.600
3	ALC	0.931	1.542	1.417
4	Expenditure Management Target	(0.306)	(0.306)	(0.306)
	Total	**13.082**	**13.328**	**13.303**

Program Transfer for Meat Inspection Program

- Transfer from the Ministry of Health for the Meat Inspection Program.

Greenhouse Sector Carbon Tax Relief

- *Budget 2013* provides funding for a grant program for the greenhouse sector to help greenhouse grower's off-set carbon tax costs.

ALC

- The budget lift supports the ALC in providing better oversight over the Agricultural Land Reserve.

Expenditure Management Target

- AGRI's portion of the $15M expenditure management target is $0.306M; a slight increase from the 2012/13 savings target of $0.250M assigned at Q2.

CRF Capital

Plan over Plan

- AGRI's CRF capital budget decreases by $0.140M in 2013/14 due to a vehicles budget adjustment consistent with the Ministry of Citizens' Services and Open Government vehicle fleet plan and capital budget recommendations, and by $0.025M in 2015/16 to remove Transformation and Technology (T&T) funding that ends in 2014/15.

Program/Initiative ($ M)	2013/14	2014/15	2015/16
Vehicles	(0.140)	-	-
T&T Funding	-	-	(0.025)
TOTAL	**(0.140)**	-	**(0.025)**

Major Capital Projects

- N/A

MINISTRY OF ABORIGINAL RELATIONS AND RECONCILIATION (ARR) - BUDGET 2013/14

Operating ($ millions)				
Budget 2012	80.141	81.190	82.583	82.583
Ministry Re-orgs - Increase (Decrease)	0.000	0.000	0.000	0.000
2012 Budget & Fiscal Plan (post re org)	80.141	81.190	82.583	82.583
2013 Budget & Fiscal Plan (2012/13 restated*)	**80.365**	**82.479**	**80.307**	**83.714**
2012 to 2013 Change - Increase (Decrease)		1.289	(2.276)	1.131
% Change		1.6%	-2.8%	1.4%
CRF Capital ($ millions)				
Budget 2012	0.391	0.001	0.001	0.001
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	0.391	0.001	0.001	0.001
2013 Budget & Fiscal Plan (2012/13 restated*)	**0.391**	**0.001**	**0.001**	**0.001**
2012 to 2013 Change - Increase (Decrease)		0.000	0.000	0.000
% Change		0.0%	0.0%	0.0%

Year over Year Change *Operating ($ millions)*	restated **2012/13**	**2013/14**	**2014/15**	**2015/16**
2013 Budget & Fiscal Plan (2012/13 restated*)	**80.365**	**82.479**	**80.307**	**83.714**
Year-over-Year Change - Increase (Decrease)		2.114	(2.172)	3.407
% Change		2.6%	-2.6%	4.2%

** 2012/13Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

Budget 2013/14 Summary

Plan over Plan - $1.289M/ ($2.276M)/ $1.131M

- Budget 2013 interministry transfer - ARR's budget increases plan over plan by $0.224M in each year of the plan due to two FTEs being transferred from the Ministry of Children and Family Development to support the Off Reserve Aboriginal Action Plan.
- ARR's budget increases plan over plan by $2.213M in 2013/14, $1.013M in 2014/15 and $2.569M in 2015/16 to reflect funding requirements for both new agreements and expected increases to revenue-sharing payments with First Nations.
- ARR's budget decreases plan over plan by $0.200M in each fiscal year of the plan due to decreased spending from the First Citizens Fund (FCF) special account to match decreased forecast revenues to the special account.
- ARR's budget also decreases plan over plan by $0.523M in 2013/14, $2.888M in 2014/15 and $1.037M in 2015/16 due to forecast expense changes under the First Nations Clean Energy

Business Fund special account to match forecast revenue changes.

- ARR's portion of the $15M expenditure management target is $0.425M; a slight increase from the 2012/13 savings target of $0.290M assigned at Q2.

Year over Year - $2.114M/ ($2.172M)/ $3.407M

- Increases and decreases year over year reflect changing funding requirements for negotiated agreements based on taxation and resource revenue agreement fluctuations and investment returns in the FCF special account.

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Program Transfers	0.224	0.224	0.224
2	Treaty and Other Agreements Funding Vote	2.213	1.013	2.569
3	FCF special account forecast changes	(0.200)	(0.200)	(0.200)
4	FNCEBF special account forecast changes	(0.523)	(2.888)	(1.037)
5	Ministry Expenditure Management Target	(0.425)	(0.425)	(0.425)
	Total	**1.289**	**(2.276)**	**1.131**

Program Transfers

- This increase in budget is due to the transfer of 2 FTEs from CFD to ARR.

S12

First Nations Clean Energy Business Fund Special Account

- A fiscal plan neutral decrease to expenditures from the special account to match decrease in forecast revenues to the special account.

Treaty and Other Agreements Funding Vote

- Budget changes reflect forecast funding requirements under revenue-sharing agreements with First Nations.
- Across all revenue-sharing agreements, ARR is forecasting an increase in revenue-sharing obligations over the fiscal plan period of $4.514M in 2013/14, $3.640M in 2014/15 and $4.943M in 2015/16, offset by recoveries to vote for an actual increase of $2.213M in 2013/14, $1.013M in 2014/15 and $2.569M in 2015/16.
- The Nisga'a Personal Income Tax Revenue Sharing Agreement has been added to the Vote as the Nisga'a PIT tax exemption expired January 1, 2013 and the Province had committed to revenue share the tax collected from Nisga'a citizens on Nisga'a land (increase of $0.758M in 2013/14, $0.788M in 2014/15 and $0.820M in 2015/16).
- The Fort Nelson Economic Benefit Agreement (EBA) was reached in June 2012 and has been added to the Vote due to long-term ongoing payments (increase of $1.261M in 2013/14, $1.473M in 2014/15 and $1.807M in 2015/16).
- The Blueberry EBA and Forest Revenue Sharing Agreements are forecast to decrease over the plan period reflecting decreased revenue forecasts and a new mandate for FCRSA's approved by Treasury Board on November 22, 2012.

CRF Capital

Plan over Plan

- No change.

Major Capital Projects

- N/A

MINISTRY OF CHILDREN AND FAMILY DEVELOPMENT (CFD) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	1,333.291	1,333.291	1,333.291	1,333.291
Ministry Re-orgs / Transfers - Increase (Decrease)				
2012 Budget & Fiscal Plan (post re org)	1,333.291	1,333.291	1,333.291	1,333.291
2013 Budget & Fiscal Plan (2012/13 restated*)	**1,333.067**	**1,345.039**	**1,351.644**	**1,385.945**
2012 to 2013 Change - Increase (Decrease)		11.748	18.353	52.654
% Change		0.9%	1.4%	3.9%
CRF Capital ($ millions)				
Budget 2012	0.277	1.427	1.344	1.344
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	0.277	1.427	1.344	1.344
2013 Budget & Fiscal Plan (2012/13 restated*)	**0.277**	**1.352**	**1.344**	**1.344**
2012 to 2013 Change - Increase (Decrease)		(0.075)	0.000	0.000
% Change		-5.3%	0.0%	0.0%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2012 Budget & Fiscal Plan (2012/13 restated*)	**1,333.067**	**1,345.039**	**1,351.644**	**1,385.945**
Year-over-Year Change - Increase (Decrease)		11.972	6.605	34.301
% Change		0.9%	0.5%	2.5%

** 2012/13Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

Budget 2013/14 Summary

Plan over Plan- $11.7M/ $18.4M/ $52.6M

- A base budget increase of $6.1M/ $17.7M/ $52M is provided for implementation of the BC Families Early Years Strategy.
- S12, S13
- A base budget increase of $0.878M/ $0.878/ $0.878 is provided for the ongoing operation of the Provincial Office of Domestic Violence, S12, S13
- Program transfer of ($0.224M) to Aboriginal Relations and Reconciliation for strengthening strategic partnerships with aboriginal communities.

Year over Year- $11.9M/ $6.6M/ $34.3M

- 13/14 increase of $11.9 as noted above;
- 14/15 increase- Incremental Early Years Funding of $11.6M S12, S13
  S12
- 15/16 increase – Incremental Early Years Funding of $34.3M

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1			17.699	52.000
2	S12	S12, S13	-	-
3	omestic Violence	0.878	0.878	0.878
4	Program Transfer	(0.224)	(0.224)	(0.224)
	Total	**11.748**	**18.353**	**52.654**

Program/Initiative

- A base budget increase of $6.1M/ $17.7M / $52M is provided to fund costs associated with the Provincial Early Years Strategy.
  - The Early Years Strategy is a cross-government initiative with involvement of the ministries of Children & Family Development, Health, Education, and Finance.
  - The Strategy will fund the creation and ongoing operation of a cross-ministry Early Years Office, a network of provincially branded early years development centres, quality enhancement actions including creation of a Quality Enhancement Funding Program, and operating grants to service provider agencies for creation of additional child care spaces.
    - The Early Years Office will begin mapping and reviewing the current range of early years services and developing an early years framework supported by an early years action plan.
    - A provincial child care registry and waitlist will be developed to help parents locate and access child care spaces.
    - Quality enhancement actions will improve training for Early Childhood Educators, family, and out-of-school care providers to support richer child experiences while in

child care.

- Funding will be provided to support the creation of 1,000 new licensed child care spaces per year in 2014/15 and 2015/16.

CRF Capital

Plan over Plan- ($0.075M)/ $0/ $0

- Plan over plan changes due to the ministry's vehicle replacement / acquisition budget being adjusted by CITZ (Shared Services BC).

Major Capital Projects

- N/A

MINISTRY OF CITIZENS' SERVICES AND OPEN GOVERNMENT (CITZ) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	548.586	543.986	552.586	552.586
Ministry Re-orgs - Increase (Decrease)	(15.713)	(15.713)	(15.713)	(15.713)
2012 Budget & Fiscal Plan (post re org)	532.873	528.273	536.873	536.873
2013 Budget & Fiscal Plan (2012/13 restated*)	**531.173**	**525.880**	**534.480**	**534.480**
2012 to 2013 Change - Increase (Decrease)		(2.393)	(2.393)	(2.393)
% Change		-0.5%	-0.4%	-0.4%
CRF Capital ($ millions)				
Budget 2012	169.778	141.721	216.690	216.690
Ministry Re-orgs - Increase (Decrease)	(0.173)	(0.003)	(0.003)	(0.003)
2012 Budget & Fiscal Plan (2012/13 post re org)	169.605	141.718	216.687	216.687
2013 Budget & Fiscal Plan (2012/13 restated*)	**169.605**	**129.367**	**176.162**	**187.623**
2012 to 2013 Change - Increase (Decrease)		(12.351)	(40.525)	(29.064)
% Change		-8.7%	-18.7%	-13.4%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2013 Budget & Fiscal Plan (2012/13 restated*)	**531.173**	**525.880**	**534.480**	**534.480**
Year-over-Year Change - Increase (Decrease)		(5.293)	8.600	-
% Change		-1.0%	1.6%	0.0%

Budget 2013/14 Summary

Plan over Plan – ($2.4M)/ ($2.4M)/ ($2.4 M)

- Changes from Budget 2012 are primarily the transfer of amortization expense ($1.70M) to the Ministry of Justice for completed Accelerated Infrastructure Projects, the Knowledge Network Crown Savings target ($0.15M) and the ministry's expenditure management target ($0.54M).

Year over Year – ($5.29M)/ $8.60M/ $0M

- S12, S13 for Shared Services BC costs related to the Surrey Pre-trial expansion scheduled to open in 2013.

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Program Transfers	(1.700)	(1.700)	(1.700)
2	Crown Savings Adjustment	(0.150)	(0.150)	(0.150)
3	Ministry Expenditure Management Target	(0.543)	(0.543)	(0.543)
	Total	**(2.393)**	**(2.393)**	**(2.393)**

Program Transfers

- The decrease in budget is due to the transfer of the amortization expense from Shared Services BC to the Ministry of Justice for completed Accelerated Infrastructure Projects ($1.700 million per year).

Crown Savings Adjustment

- Treasury Board approved a reduction to the ministry grant to the Knowledge Network Corporation as part of the government-wide expenditure management exercise ($0.150 per year).

Ministry Expenditure Management Target

- Treasury Board approved an annualized expenditure management target of $0.543 million for CITZ.

CRF Capital

Plan over Plan – ($12.351M)/ ($40.525M)/ ($29.064M)

S12, S13

Major Capital Projects

There are two major increases to the CITZ CRF capital budget:

- The transfer of unallocated Transformation and Technology funding held in capital reserves to CITZ ($18.27 million in 2013/14 and $16.65 million in 2014/15). There is also an adjustment made in 2015/16 to reflect the end of Transformation and Technology funding in 2014/15.
- Treasury Board approved capital costs of S12 over two years to replace all government workstation computers, beginning in 2013/14.

Reductions/Re-Profiling

- The S12 in CITZ CRF capital budget over the three-year plan is due to adjustment to ministries' routine capital allocations S12
S12
- The decrease in the vehicle budget is consistent with the Ministry of Citizens' Services and Open Government vehicle fleet plan and capital budget recommendations.
- Treasury Board approved re-profiling of spending for the Okanagan Correctional Centre over the three-year plan as follows: S12
S12
- Other re-profiling includes:

S12

  - The ministry re-profiled S12 for the Surrey Pre-trial Centre to 2013/14.

S12

Transfers

- Transfer Labour capital budget ($0.003 million per year) to the Ministry of Jobs, Tourism and Skills Training to reflect government's September 2012 re-organization.

MINISTRY OF COMMUNITY, SPORT AND CULTURAL DEVELOPMENT (CSCD) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	310.907	171.707	211.307	211.307
Ministry Re-orgs - Increase (Decrease)	0.000	0.000	0.000	0.000
2012 Budget & Fiscal Plan (post re org)	310.907	171.707	211.307	211.307
2013 Budget & Fiscal Plan (2012/13 restated*)	**310.907**	**184.232**	**223.832**	**263.832**
2012 to 2013 Change - Increase (Decrease)		12.525	12.525	52.525
% Change		7.3%	5.9%	24.9%
CRF Capital ($ millions)				
Budget 2012	0.884	1.061	0.002	0.002
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	0.884	1.061	0.002	0.002
2013 Budget & Fiscal Plan (2012/13 restated*)	**0.884**	**1.061**	**0.002**	**0.002**
2012 to 2013 Change - Increase (Decrease)		0.000	0.000	0.000
% Change		0.0%	0.0%	0.0%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2013 Budget & Fiscal Plan (2012/13 restated*)	**310.907**	**184.232**	**223.832**	**263.832**
Year-over-Year Change - Increase (Decrease)		(126.675)	39.600	40.000
% Change		-40.7%	21.5%	17.9%

** 2012/13 Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

Budget 2013/14 Summary

Plan over Plan - $12.525 M / $12.525 M / $52.525 M

- The increase of $12.525M in 13/14 and 14/15 includes $6.8M for Sport & Art Legacy funding, $6.3M for Creative Futures Strategy, less the ministry expenditure management target of ($0.275M) and Crown savings adjustment of ($0.300M).
- The increase of $52.525M in 15/16 includes the above $12.525M in funding and savings as well as the reinstatement of normal funding level for the Small Community Grants (SCG, $20M) and the Traffic Fine Revenue Sharing (TFRS, $20M).

Year over Year – ($126.675 M) / $39.6 M / $40 M

- The variance of $126.675M between 12/13 and 13/14 includes the following:

S12

- The noted variances ($79.2M + $60M) and the $12.525M increase discussed above add up to the total variance of $126.675M between 12/13 and 13/14.

S12, S13

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Sport & Arts Legacy	6.800	6.800	6.800
2	Creative Futures Strategy	6.300	6.300	6.300
3	SCG & TFRS Reinstatement			40.000
4	Ministry Expenditure Management Target	(0.275)	(0.275)	(0.275)
5	Crown Savings Adjustment	(0.300)	(0.300)	(0.300)
	Total	**12.525**	**12.525**	**52.525**

Sport & Arts Legacy

- CSCD's base budget is increased by $6.8M for Sport & Arts Legacy programming. S12, S13

S12, S13

Creative Futures

- CSCD's base budget is increased by $6.3M for Creative Futures Strategy to provide a continuum of programming for children, youth and students to experience, perform, learn and be employed in creative endeavours.

Small Community Grants & Traffic Fines Revenue Sharing Reinstatement

- Funding for SCG ($20M) and TFRS ($20M) is reinstated in 15/16 after having been re-profiled from 13/14 and 14/15 to prior years (11/12 and 12/13) to support local governments.

Ministry Expenditure Management Target

- CSCD's portion of the $15M expenditure management target is $0.275M, a slight decrease from the 2012/13 savings target of $0.325M assigned at Q2.

Crown Savings Adjustment

- Savings adjustment from Royal BC Museum.

CRF Capital

Plan over Plan

- No change

Major Capital Projects

National Soccer Development Centre at UBC

- In July/August 2012, government approved S12 for the development of the National Soccer Development Centre at UBC, a $21.1M project consisting of 1 new and 4 existing soccer fields.
- S12 to partly reimburse the Whitecaps for the resurfacing of 2 existing soccer fields at SFU, a $6M project, subject to an agreement between the Whitecaps and UBC that clearly defines the extent of availability of the fields for use by the public.

S12

MINISTRY OF EDUCATION (EDUC) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	5,314.848	5,320.860	5,341.872	5,341.872
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (post re org)	5,314.848	5,320.860	5,341.872	5,341.872
2013 Budget & Fiscal Plan (2012/13 restated*)	**5,330.448**	**5,365.750**	**5,386.762**	**5,386.762**
2012 to 2013 Change - Increase (Decrease)		44.890	44.890	44.890
% Change		0.8%	0.8%	0.8%
CRF Capital ($ millions)				
Budget 2012	0.978	0.952	0.002	0.002
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	0.978	0.952	0.002	0.002
2013 Budget & Fiscal Plan (2012/13 restated*)	**0.978**	**0.952**	**0.937**	**0.002**
2012 to 2013 Change - Increase (Decrease)		0.000	0.935	0.000
% Change		0.0%	46750.0%	0.0%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2012 Budget & Fiscal Plan (2012/13 restated*)	**5,330.448**	**5,365.750**	**5,386.762**	**5,386.762**
Year-over-Year Change - Increase (Decrease)		35.302	21.012	-
% Change		0.7%	0.4%	0.0%

** 2012/13Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

Budget 2013/14 Summary

- The Ministry of Education (EDUC) budget is increasing by $45M in 2013/14 – 2015/16 between Budget 2012 and Budget 2013.
- Budget 2013 will see EDUC's budget increase year-over-year by $35M in 2013/14, $21M in 2014/15, and $0M in 2015/16. The increases in each year of the plan are the result of the following changes:
  - Additional $30M as of 2013/14 provided for the BC Training and Education Savings Program.
  - Additional $0.19M for the Teachers Act Special Account for 2013/14.
  - Expenditure management target of ($0.9M) for 2013/14.
  - Additional $30M in 2013/14 and $15M in 2014/15 for the Learning Improvement Fund.
  - Off-set by strategic investments in public libraries (accelerating $14M in 2012/13 from

2013/14 ($10M) and 2014/15 ($4M)), of ($24M) in 2013/14 and $6M in 2014/15 year over year.

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	BC Training and Education Savings Program	30.000	30.000	30.000
2	Program Transfer from AEIT	15.600	15.600	15.600
3	*Teachers Act* Special Account	0.190	0.190	0.190
4	Expenditure Management	(0.900)	(0.900)	(0.900)
	Total	**44.890**	**44.890**	**44.890**

BC Training and Education Savings Program (BCTESP)

- The BCTESP is a new government program to provide, from the Children's Education Fund, a one-time grant of $1,200 to an eligible child's Registered Education Savings Plans (RESPs) and encourage families to save for their child's future education.

Scholarships and Passport to Education Program

- The $15.6M Scholarships and Passport to Education Programs budget historically was held with the Ministry of Advanced Education, Innovation & Technology (AEIT) and EDUC had the responsibility for policy, program development, and administration of the two programs. The budget for both programs was transferred from AEIT to EDUC in 2012 to improve accountability and efficiency (reflected in Budget 2012).

Teachers Act Special Account

- In January 2012, the Teachers Act Special Account was established as the funding mechanism for teacher regulation, which operates on a cost-recovery basis. EDUC anticipated that annual expenses and offsetting revenues for this new program would be $6.21M based on limited information. After the first full year of the account EDUC has improved projections to $6.4M.

Expenditure Management

- EDUC's portion of the $15M expenditure management target is $0.9M; an increase from the 2012/13 savings target of $0.4 million assigned at Q2.

CRF Capital

- CRF capital budget has increased by $0.935M in 2014/15 due to re-profiling of CRF funding for the ministry's data warehouse – the ministry's primary system for measuring and reporting performance and student achievement.

Capital Funding (Vote 46)

- $1.5 billion in capital spending is planned over the Budget 2013 three-year period.

Updated Forecast 2012/13	**2013/14 Estimate**	**2014/15 Plan**	**2015/16 Plan**	**B2013 Plan Total ($ millions)**
490	551	489	447	**1,487**

Major Capital Project (>$50 m) Approvals/Changes since Budget 2012

South Okanagan Secondary

- The renovated/replacement school is projected to be completed in Fall 2013. The school was completing renovations when a fire in September 2011 destroyed 60% of the school. S12

S12

Oak Bay Secondary

- A replacement school on the existing Oak Bay Secondary site is projected to be completed in Fall 2015. S12

S12

Kitsilano Secondary

- The school renewal project is projected to be completed in Fall 2015. S12

S12

Seismic Mitigation Program

- A reassessment of seismic mitigation needs was announced in May 2012. The total program costs are estimated S12

S12

Belmont Secondary

- A replacement school, on a new site, for the existing Belmont Secondary in Langford is projected to be completed in Fall 2015. S12

S12

MINISTRY OF ENERGY, MINES AND NATURAL GAS (EMNG) - BUDGET 2013/14

Plan over Plan Change	restated **2012/13**	**2013/14**	**2014/15**	**2015/16**
Operating ($ millions)				
Budget 2012	**439.569**	**420.869**	**420.869**	**420.869**
Ministry Re-orgs - Increase (Decrease)	9.142	9.142	9.142	9.142
2012 Budget & Fiscal Plan (post re-orgs)	448.711	430.011	430.011	430.011
2013 Budget & Fiscal Plan (2012/13 restated*)	**449.595**	**424.476**	**430.186**	**436.134**
2012 to 2013 Change - Increase (Decrease)		(5.535)	0.175	6.123
% Change		-1.3%	0.0%	1.4%
CRF Capital ($ millions)				
Budget 2012	**28.168**	**28.181**	**0.233**	**0.233**
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	28.168	28.181	0.233	0.233
2013 Budget & Fiscal Plan (2012/13 restated*)	**28.168**	**27.369**	**4.297**	**0.233**
2012 to 2013 Change - Increase (Decrease)		(0.812)	4.064	0.000
% Change		-2.9%	1744.2%	0.0%

Year over Year Change *Operating ($ millions)*	restated **2012/13**	**2013/14**	**2014/15**	**2015/16**
2013 Budget & Fiscal Plan (2012/13 restated*)	**449.595**	**424.476**	**430.186**	**436.134**
Year-over-Year Change - Increase (Decrease)		(25.119)	5.710	5.948
% Change		-5.6%	1.3%	1.4%

** 2012/13Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

Budget 2013/14 Summary

Ministry Re-organization (Sept 2012)

- EMNG's budget increased by $9.142M due to the September 2012 government reorganization when responsibility for BC Pavilion Corporation (PavCo) was transferred to the ministry.

Plan over Plan - $(5.535M)/ $.175M/ $6.123M

- Budget 2013 inter-ministry transfer of $0.884 M annually is from the Ministry of Forests, Lands and Natural Resource Operations.
- Decrease in 2013/14 is due largely to reduced expenditures for the Innovative Clean Energy (ICE) fund (($6.97M)/($9.70M)/($9.70M)) and expenditure management savings, including reduction in Crown corporation grants (($4.185M)/($4.74M)/($4.39M)).
- *Budget 2013* provides funding for housing, including increases to the Housing Endowment Fund

($3.236M/$12.231M/ $17.829M), and increased funding for the Responsible Gambling Program ($1.5M annually).

Year over Year – ($25.119M)/ $5.710M/ $5.948M

- The decrease to EMNG's budget in 2013/14 is due mainly to the previously announced end of LiveSmart program funding (($15M)), expenditure management savings (($4.185M)), reduced expenditures for the ICE fund (($9.97M)) and miscellaneous decreases from prior budgets (($0.7M)), off-set by funding increases for Housing ($3.236M) and Responsible Gambling ($1.5M).
- The increases in 2014/15 and 2015/16 reflect additional funding for the Housing Endowment Fund ($6M/$2M) and budget lifts to address housing issues ($2.995M/$3.598M) off-set by decreased expenditures for the ICE fund ($2.73M) starting in 2014/15 and changes in Crown savings targets (($0.555M)/$0.35M).

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Program Transfers	0.884	0.884	0.884
2	Housing Endowment Fund	2.000	8.000	10.000
3	ICE Fund	(6.970)	(9.700)	(9.700)
4	Responsible and Problem Gambling Program	1.500	1.500	1.500
5	Single Room Occupancy Hotel Renovation	1.236	4.231	7.829
6	Expenditure Management	(0.430)	(0.430)	(0.430)
7	Crown Savings – PavCo	(0.165)	(0.150)	(0.170)
	– BC Housing	(3.590)	(4.160)	(3.790)
	Total	**(5.535)**	**0.175**	**6.123**

Program Transfers

- Budget increase is due to the transfer of 12 FTEs in the regional geology program from the Ministry of Forests, Lands and Natural Resources Operations to EMNG.

Housing Endowment Fund (HEF)

- Annual earnings from the HEF have increased, which allow for increased expenditures on social housing.

ICE Fund Special Account

- Decrease in budgeted expenditures from the ICE fund maintains funding for currently approved projects while government reviews its ongoing priorities for the Special Account. Reduced spending also recognizes lower revenue projections based on most current sales data for natural gas and other fuels (anticipated revenues from the ICE fund levy have been reduced from $12M in Budget 2012 to $7M annually).

Responsible and Problem Gambling Program

- Increased funding for enhanced treatment, counseling and prevention services to effectively address problem gambling.

Single Room Occupancy Hotel Renovation

- Budget lift is for tenant relocation costs and annual service payments for the much needed renovation of 13 single room occupancy hotels.

Ministry Expenditure Management Target

- EMNG's portion of the $15M expenditure management target is $0.430M; a slight increase from the 2012/13 savings target of $0.190M assigned at Q2.

Crown Savings Adjustments

- Grants to PavCo and BC Housing are reduced as part of the government-wide expenditure management exercise.

CRF Capital

Plan over Plan

- CRF capital budget decreases by $0.812M in 2013/14 due to a reduction in routine maintenance funding and increases by $4.064M in 2014/15 due to funding provided through BC Housing for the Kitsilano Neighbourhood House.

Major Capital Projects

Sierra Yoyo-Desan road upgrade

- The Sierra Yoyo-Desan road upgrade project is the only major capital project for the ministry. For capital projects in Crown agencies under EMNG's responsibility see PavCo and BC Housing Management Commission for taxpayer-supported capital spending projects and BC Hydro, Columbia Power Corporation, BC Lotteries and the Liquor Distribution Branch for self-supported capital spending.

MINISTRY OF ENVIRONMENT (ENV) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	128.925	128.925	128.925	128.925
Ministry Re-orgs - Increase (Decrease)	0.000	0.000	0.000	0.000
2012 Budget & Fiscal Plan (post re org)	128.925	128.925	128.925	128.925
2013 Budget & Fiscal Plan (2012/13 restated*)	**129.045**	**129.052**	**129.052**	**129.052**
2012 to 2013 Change - Increase (Decrease)		0.127	0.127	0.127
% Change		0.1%	0.1%	0.1%
CRF Capital ($ millions)				
Budget 2012	17.815	19.094	21.313	21.313
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	17.815	19.094	21.313	21.313
2013 Budget & Fiscal Plan (2012/13 restated*)	**17.815**	**18.627**	**21.313**	**21.313**
2012 to 2013 Change - Increase (Decrease)		(0.467)	0.000	0.000
% Change		-2.4%	0.0%	0.0%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2012 Budget & Fiscal Plan (2012/13 restated*)	**129.045**	**129.052**	**129.052**	**129.052**
Year-over-Year Change - Increase (Decrease)		0.007	-	-
% Change		0.0%	0.0%	0.0%

Budget 2013/14 Summary

Plan over Plan – $0.127M/ $0.127M/ $0.127M

- *Budget 2013* inter-ministry transfer – increase of $0.120M annually due to the transfer of funding from the Ministry of Forests, Lands and Natural Resource Operations for 2 library staff.
- ENV's budget increases $1M annually due to an increase to the Park Enhancement Fund Special Account (PEF) expenditures, which is fully off-set by projected increase in revenues.
- ENV's portion of the $15M expenditure management target is $0.993M; a slight increase from the 2012/13 target savings of $0.770M assigned at Q2.

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Program Transfer	0.120	0.120	0.120
2	PEF	1.000	1.000	1.000
3	Expenditure Management Target	(0.993)	(0.993)	(0.993)
	Total	**0.127**	**0.127**	**0.127**

Program Transfer

- Transfer of 2 FTE's from the Ministry of Forest Lands and Natural Resource Operations for library support.

PEF

- Increased expenditure budget for PEF based on a projected BC Parks online contractual obligation of $1.0M and targeted donation projections of $0.5M. Increased expenses are offset by increased revenues.

Expenditure Management Target

- ENV's portion of the $15M expenditure management target is $0.993M; a slight increase from the 2012/13 savings target of $0.770M assigned at Q2.

CRF CAPITAL

Plan over Plan

- ENV's CRF capital budget decreases by $0.467M in 2013/14 due to a vehicles budget adjustment consistent with the Ministry of Citizens' Services and Open Government vehicle fleet plan and capital budget recommendations.

Program/Initiative ($ M)	2013/14	2014/15	2015/16
Vehicle Budget Adjustment - Upfitting	0.340	-	-
Vehicle Budget Adjustment	(0.807)	-	-
TOTAL	**(0.467)**	-	-

MAJOR CAPITAL PROJECTS

- N/A

MINISTRY OF FINANCE (FIN) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	172.574	161.473	161.473	161.473
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
Transfer of Multiculturalism responsibility (March 2013)*	0.625	0.625	0.625	0.625
2012 Budget & Fiscal Plan (post re org) *	173.199	162.098	162.098	162.098
2013 Budget & Fiscal Plan* (2012/13 restated)**	**173.199**	**170.305**	**168.805**	**168.805**
2012 to 2013 Change - Increase (Decrease)		8.207	6.707	6.707
% Change		5.1%	4.1%	4.1%
CRF Capital ($ millions)				
Budget 2012	9.655	5.570	0.064	0.064
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	9.655	5.570	0.064	0.064
2013 Budget & Fiscal Plan* (2012/13 restated)**	**9.655**	**7.995**	**0.564**	**0.064**
2012 to 2013 Change - Increase (Decrease)		2.425	0.500	0.000
% Change		43.5%	781.3%	0.0%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2013 Budget & Fiscal Plan* (2012/13 restated)**	**173.199**	**170.305**	**168.805**	**168.805**
Year-over-Year Change - Increase (Decrease)		(2.894)	(1.500)	-
% Change		-1.7%	-0.9%	0.0%

** Reflects the transfer of responsibility for multiculturalism from AEIT to FIN in March 2013, subsequent to Budget 2013*

*** 2012/13 Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

Budget 2013/14 Summary

Plan over Plan - $8.207M/ $6.707M/ $6.707M

- Increases in student loan doubtful accounts expense resulting from growth in the student loan portfolio and uptake of the Repayment Assistance Program ($10.270/ $8.770/ $8.770); offset by expenditure management savings of $2.063 across the 3 years of the plan.

Year over Year - $2.894M/ $1.500M/ $0M

- **13/14**- *Budget 2012* decrease of $11.1M in 2013/14 re PST staff scheduled to transfer to Canada Revenue agency. Reimplementation of PST program funding is currently held in contingencies ($23.8M in 2013/14 and $25.2M in 2014/15); offset by $8.2M in Budget 2013 decisions noted above.

- **14/15** – Due to higher interest revenue on student loans recovered to vote.

Budget 2013/14

OPERATING – Changes from Budget 2012

	Program/Initiative	2013/14	2014/15	2015/16
1	Student Loan Doubtful Accounts	10.270	8.770	8.770
2	Expenditure Management Target	(2.063)	(2.063)	(2.063)
	Total	**8.207**	**6.707**	**6.707**

Student Loan Doubtful Accounts

- Doubtful accounts expense is recognized for loans that are anticipated to be uncollectable and will require write-off, or will be forgiven through the Repayment Assistance Program.

Expenditure Management Target

- $2.063M is FIN's portion of the $15M expenditure savings reduction target applied to most ministries in Budget 2013; a slight increase from the 2012/13 savings target of $1.13M assigned at Q2.

CRF Capital

Plan over Plan

- $ 2.425 in CRF capital funding has been moved from prior years into 2013/14 as a result of project implementation delays and savings achieved in completed projects.

Major Capital Projects

- FIN has no major capital projects.

MINISTRY OF FORESTS, LANDS AND NATURAL RESOURCE OPERATIONS (FLNR) - BUDGET 2013/14

Plan over Plan Change	restated **2012/13**	**2013/14**	**2014/15**	**2015/16**
Operating ($ millions)				
Budget 2012	602.034	554.928	591.991	591.991
Ministry Re-orgs - Increase (Decrease)	0.283	0.283	0.283	0.283
2012 Budget & Fiscal Plan (post re org)	602.317	555.211	592.274	592.274
2013 Budget & Fiscal Plan (2012/13 restated*)	**601.313**	**561.490**	**591.325**	**589.394**
2012 to 2013 Change - Increase (Decrease)		6.279	(0.949)	(2.880)
% Change		1.1%	-0.2%	-0.5%
CRF Capital ($ millions)				
Budget 2012	55.223	55.438	49.607	49.607
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	55.223	55.438	49.607	49.607
2013 Budget & Fiscal Plan (2012/13 restated*)	**55.223**	**58.752**	**53.807**	**53.467**
2012 to 2013 Change - Increase (Decrease)		3.314	4.200	3.860
% Change		6.0%	8.5%	7.8%

Year over Year Change *Operating ($ millions)*	restated **2012/13**	**2013/14**	**2014/15**	**2015/16**
2013 Budget & Fiscal Plan (2012/13 restated*)	**601.313**	**561.490**	**591.325**	**589.394**
Year-over-Year Change - Increase (Decrease)		(39.823)	29.835	(1.931)
% Change		-6.6%	5.3%	-0.3%

** 2012/13Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

Budget 2013/14 Summary

Plan over Plan - $6.279M/ ($0.949M)/ ($2.880M)

- FLNR budget increases plan over plan by $4.45M in 2013/14, and $3.10M annually thereafter for an expanded forest inventory program under the Land Based Investment program.
- BC Timber Sales (BCTS) expenses increase plan over plan by $5.863M in 2013/14, decrease by $0.015M in 2014/15, and increases by $0.300M in 2015/16, primarily due to increased Cost of Good Sold (COGS) in 2013/14 and improved demand for timber in 2015/16. These increases are offset by a plan over plan decrease of $3.03M annually as an expenditure management target adjustment, a decrease of $2.246M in 2015/16 to reflect the end of funding for deferred maintenance costs of provincially-owned heritage properties, and a decrease of $1.004M for the Budget 2013 inter-ministry transfer of FTE's to other ministries.

Year over Year – ($39.823M)/ $29.835M/ ($1.931M)

- The $40M year over year decrease to 2013/14 in mainly due to a one-time $30M reduction in funding for the Land Based Investment program, partially offset by a $10M increase in 2012/13, with full funding restored in 2014/15, as reflected in the $30M year over year increase in 2014/15. The $2M decrease in 2015/16 is mainly due a decrease in funding for Heritage properties ($2.2M) offset by BCTS expenditure adjustments ($0.30M).

Budget 2013/14

OPERATING – Changes from Budget 2012

	Program/Initiative	2013/14	2014/15	2015/16
1	Program Transfers	(1.004)	(1.004)	(1.004)
2	BCTS Target	5.863	(0.015)	0.300
3	Forest Inventory Program	4.450	3.100	3.100
4	Heritage Properties	-	-	(2.246)
5	Ministry Expenditure Management Target	(3.030)	(3.030)	(3.030)
	Total	**6.279**	**(0.949)**	**(2.880)**

Program Transfers

- The decrease in budget for program transfers reflects the transfer of 12 FTEs for Regional Geology and associated operational staff to the Ministry of Energy, Mines and Natural Gas ($0.884M annually), and the transfer of 2 FTEs for library support staff to the Ministry of Environment ($0.120M annually).

BCTS target

- Increased costs in 2013/14 reflect less timber production in 2011/12 than anticipated due to poor weather conditions in January to March 2012 (too warm) while fixed costs remained the same. As a result, the cost per cubic metre of developed timber inventory to be expensed as COGS is projected to increase. The forecast expense increase in 2015/16 reflects increased production. BCTS projects a small decrease in net revenue of $2.9M across the fiscal plan period (2012/13 to 2015/16).

Forest Inventory Program

- An increase to the forest inventory program will ensure that all 10 of the highest priority beetle-impacted management units are inventoried by doubling the amount of vegetation resources created over the 10 year inventory planning period (from 17 million to 35 million).

Heritage Properties

- A budget reduction of $2.246M in 2015/16 confirms Budget 2012/13 decision to provide $2.246M annually from 2012/13 to 2014/15 to address deferred maintenance issues on provincially-owned Crown land. Funding of $4.8M annually allocated under Budget 2012 for on-going operating and maintenance costs of heritage sites is continued.

Expenditure Management Target

- FLNR portion of the $15M expenditure management target is $3.03M annually; a decrease of $2.8M from the 2012/13 savings target of $5.8M assigned at Q2.

CRF Capital

- The increase to FLNR CRF capital budget is primarily due to new BCTS capital requirements reflecting increased production of timber for harvest as well as the declining Mountain Pine Beetle harvest, resulting in the move to more difficult terrain and increasing road and inventory development costs. Funding is also re-profiled into 2013/14 for One Payment/One Process IM/IT and a T&T adjustment made in 2015/16 reflects IM/IT funding that ends in 2014/15. Vehicle adjustments are consistent with the Ministry of Citizens' Services and Open Government vehicle fleet plan and capital budget recommendations.

	Program/Initiative ($ M)	2013/14	2014/15	2015/16
1	BCTS	1.400	4.200	5.900
2	One Project / One Process Reprofiling	1.885	-	-
3	T & T Funding	-	-	(0.300)
4	Vehicles	(0.641)	-	-
5	Medium / Heavy Duty Vehicles	0.670	-	-
	Total	3.314	4.200	5.600

Major Capital Projects

- N/A

MINISTRY OF HEALTH (HLTH) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	16,180.117	16,784.813	17,281.095	17,281.095
Ministry Re-orgs - Increase (Decrease)	(2.638)	(6.677)	(5.592)	(5.592)
2012 Budget & Fiscal Plan (post re org)	16,177.479	16,778.136	17,275.503	17,275.503
2013 Budget & Fiscal Plan (2012/13 restated*)	**16,177,479.000**	**16,551.136**	**16,944.503**	**17,405.908**
2012 to 2013 Change - Increase (Decrease)		(227.000)	(331.000)	130.405
% Change		-1.4%	-1.9%	0.8%
CRF Capital ($ millions)				
Budget 2012	16.614	0.277	0.255	0.255
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	16.614	0.277	0.255	0.255
2013 Budget & Fiscal Plan (2012/13 restated*)	**16.614**	**2.644**	**0.255**	**0.255**
2012 to 2013 Change - Increase (Decrease)		2.367	0.000	0.000
% Change		854.5%	0.0%	0.0%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2013 Budget & Fiscal Plan (2012/13 restated*)	**16,177.479**	**16,551.136**	**16,944.503**	**17,405.908**
Year-over-Year Change - Increase (Decrease)		373.657	393.367	461.405
% Change		2.3%	2.4%	2.7%

Budget 2013/14 Summary

Plan over Plan – ($277M)/ ($331M)/ $131M

- *Budget 2013* reduces Health budget vs. what was projected in Budget 2012. Its budget is 1.4% lower in 13/14 and 1.9% lower in 14/15 vs. the Budget 2012 out-year targets.

Year over Year - $373.7M/ $393.4M/ $461.4M

- *Budget 2013* provides HLTH with budget increases that total $1.228 billion annually by 2015/16.
- *Budget 2013* reduces the growth rate of HLTH's budget to 2.3% in 2013/14, 2.4% in 2014/15 and 2.7% in 2015/16. HLTH will continue to manage down the rate of health care spending growth while maintaining services to the public. S12, S13

S12, S13

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Budget Increase	0	0	$518.405M
2	Targeted Savings Initiatives	($155 M)	($259 M)	($316 M)
3	Operating / Capital Swap	($72 M)	($72 M)	($72 M)
	Total	**($227 M)**	**($331 M)**	**$131 M**

Budget Increase

- Budget lifts average 2.5%/yr. over the fiscal plan period, not significantly less than the 12/13 growth rate of 2.8%.

Targeted Savings Initiatives

- HLTH identified targeted reductions that can be implemented to create fiscal plan savings. Overall, HLTH will seek to stabilize or reduce what it pays for drugs, physician's services, and lab tests and not reduce services available to the public.
- S12, S13
- Health Authority budgets are protected.

Health Authority Budget Track – Historical and Projected

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
% Incr. Over Prior Year	7.5%	5.4%	5.9%	4.8%	5.1%	3.5%	4.3%	2.9%
% Incr. Over Prior Year*	7.50%	5.40%	5.90%	4.80%	5.10%	4.40%	3.90%	2.90%

*** Excludes operating $ impact of $316M (100-72-72-72) capital-operating trade.**

S12, S13

CRF Capital

Plan over Plan

- The spending profile of some HLTH CRF capital projects has changed. As a result some expenditures that were expected to take place in 2012/13 will now be incurred in 2013/14.
- CRF capital is a relatively small source of capital funds for a SUCH sector ministry like HLTH. Most of HLTH's capital funding is directed to assets owned and operated by Health Authorities, and therefore most of the Ministry's capital funds come from the Capital Funding vote.

Capital Funding (VOTE 46)

- $2.3 billion in capital spending is planned over the three-year fiscal plan

Updated Forecast 2012/13	**2013/14 Estimate**	**2014/15 Plan**	**2015/16 Plan**	**B2013 Plan Total ($ millions)**
850	809	771	729	**2,309**

- Major HLTH capital projects that are in planning or underway include:
  - Lions Gate Hospital – Mental Health redevelopment S12
  - Surrey Memorial Hospital Emergency Department and Critical Care Tower S12
  - Burns Lake Hospital Replacement S12
  - Queen Charlotte/Haida Gwaii Hospital Replacement S12
  - North Island Hospitals Replacements S12
  - Interior Heart and Surgical Centre S12
  - Children's and Women's Hospital Redevelopment S12

Major Capital Project (>$50 M) Approvals/Changes since Budget 2012

Lakes District Hospital (Burns Lake)

- Scheduled for completion in Summer 2015, this hospital replacement project was announced in April 2012 and is in the procurement phase. S12

S12

Queen Charlotte/Haida Gwaii Hospital

- Scheduled for completion in Fall 2015, this hospital replacement project was announced in April 2012 and is in the procurement phase. S12

S12

North Island Hospitals (Courtenay/Comox and Campbell River)

- Scheduled for completion in Summer 2017, these replacement projects were announced in April 2012 and are in the procurement phase. S12

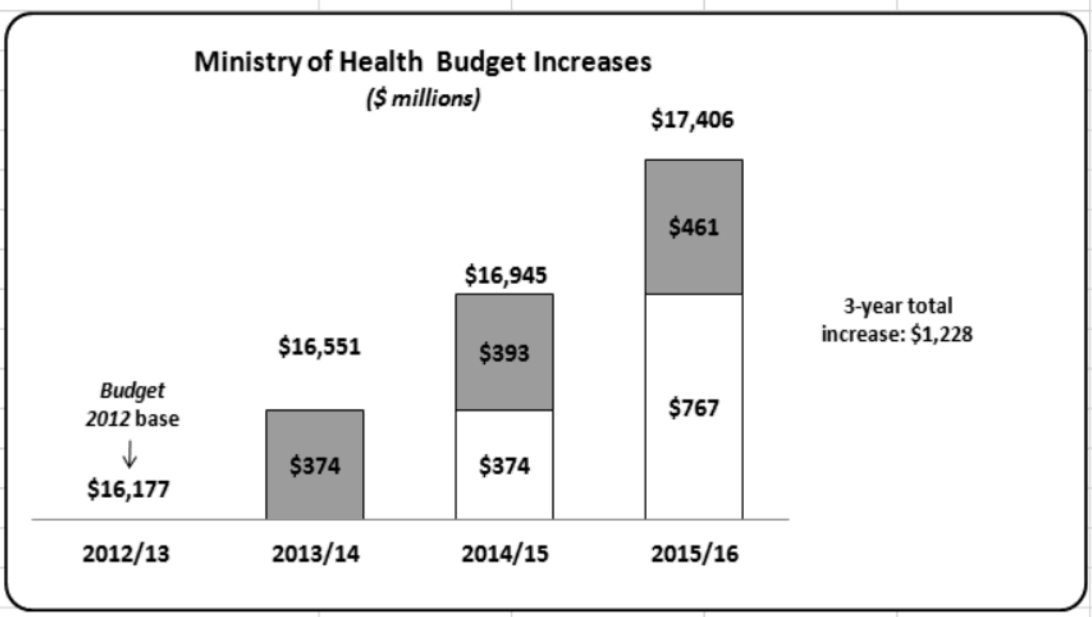
S12

Interior Heart and Surgical Centre (Kelowna)

- Scheduled for completion in Spring 2017, the winning proponent was announced in June 2012.

S12

Operating Expenses ($000)	2012/13	2013/14	2014/15	2015/16
Regional Health Sector Funding	**10,838,220**	**11,121,315**	**11,486,822**	**11,901,104**
% Change from Prior Year		*2.6%*	*3.3%*	*3.6%*
Medical Services Plan	**3,886,873**	**3,982,075**	**4,008,832**	**4,028,876**
% Change from Prior Year		*2.4%*	*0.7%*	*0.5%*
PharmaCare	**1,178,354**	**1,179,232**	**1,179,453**	**1,203,033**
% Change from Prior Year		*0.1%*	*0.0%*	*2.0%*
Health Benefits Operations	**35,123**	**35,560**	**36,005**	**37,085**
% Change from Prior Year		*1.2%*	*1.3%*	*3.0%*
Vital Statistics	**6,834**	**6,971**	**7,111**	**7,253**
% Change from Prior Year		*2.0%*	*2.0%*	*2.0%*
Minister and Deputy Minister's Offices	**1,958**	**1,993**	**1,993**	**2,018**
% Change from Prior Year		*1.8%*	*0.0%*	*1.3%*
Stewardship & Corporate Services	**230,117**	**223,990**	**224,287**	**226,539**
% Change from Prior Year		*-2.7%*	*0.1%*	*1.0%*
Subtotal	**$16,177,479**	**$16,551,136**	**$16,944,503**	**$17,405,908**
% Change from Prior Year		***2.3%***	***2.4%***	***2.7%***
$ Change from Prior Year		***$373,657***	***$393,367***	***$461,405***



MINISTRY OF JUSTICE (JAG) - BUDGET 2013/14

Plan over Plan Change	restated 2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	1,110.249	1,123.089	1,125.789	1,125.789
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (post re org)	1,110.249	1,123.089	1,125.789	1,125.789
2013 Budget & Fiscal Plan (2012/13 restated*)	**1,111.949**	**1,139.904**	**1,145.204**	**1,146.834**
2012 to 2013 Change - Increase (Decrease)		16.815	19.415	21.045
% Change		1.5%	1.7%	1.9%
CRF Capital ($ millions)				
Budget 2012	12.882	8.251	6.276	6.276
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	12.882	8.251	6.276	6.276
2013 Budget & Fiscal Plan (2012/13 restated*)	**12.882**	**18.927**	**19.097**	**14.884**
2012 to 2013 Change - Increase (Decrease)		10.676	12.821	8.608
% Change		129.4%	204.3%	137.2%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2013 Budget & Fiscal Plan (2012/13 restated*)	**1,111.949**	**1,139.904**	**1,145.204**	**1,146.834**
Year-over-Year Change - Increase (Decrease)		27.955	5.300	1.630
% Change		2.5%	0.5%	0.1%

Budget 2013/14 Summary

Plan over Plan - $17M/ $19M/ $21M

- Due mainly to Budget 2013 base budget lifts of $15M in 2013/14, $18M in 2014/15 and $19M in 2015/16 to address policing cost increases in the province's new agreement with the RCMP as well as salary and benefit increases announced by the federal government in March 2012. Breakdown and explanation of increases provided below.

Year over Year - $28M/ $5M/ $2M

- Increase in 2013/14 is due to incremental funding lifts from Budget 2012 of $13M, primarily for adult corrections and operating costs for the Surrey Pretrial Service Centre Expansion scheduled to open in November 2013; and the funding lift in Budget 2013 of $15M for increased policing costs.

- Increase in 2014/15 is due mainly to additional funding for full year operating costs for the Surrey Pretrial Service Centre Expansion and incremental funding in Budget 2013 for policing costs, while increase in 2015/16 is solely due to incremental funding in Budget 2013 for policing costs.

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Policing Services - RCMP	14.990	17.590	19.220
2	Transfer of Amortization	1.700	1.700	1.700
3	Adjustment to Recoveries	0.125	0.125	0.125
	Total	**16.815**	**19.415**	**21.045**

Policing Services - RCMP

- Approximately $52M over the next three years to fund increased RCMP policing costs, including salary and benefit increases under the new 20-year agreement. In 2013/14, these incremental costs are primarily for accommodation costs for new detachments and member's housing S12 nd compensation increases S12

Transfer of Amortization for Accelerated Infrastructure Projects

- Budget increase is due to the transfer of the amortization expense from Shared Services BC to the Ministry of Justice for completed Accelerated Infrastructure Projects.

Adjustment to Recoveries for ICBC funding

- Minor housekeeping item to recognize all $0.5M in auto-crime funding from ICBC as revenue meant reducing recoveries by $0.125M but corresponding increase to revenue will offset the increased operating costs showing (i.e. no net impact on fiscal plan).

CRF Capital

Plan over Plan - $11M/ $13M/ $9M

- Plan over plan changes in 2013/14 due mainly to the notional approval for the S12 S12 vehicle budget decisions ($2M) to reflect recommendations from Shared Services BC; and the reallocation of existing Accelerated Infrastructure Project capital funding to OSMV's Core Operating System IM/IT project ($1.5M).

- CRF Capital increases in 2014/15 and 2015/16 are mainly due to funding S12 S12

	2013/14	2014/15	2015/16
		($ '000s)	
S12			
Vehicles – Base Budget	(24)	-	-
Vehicles – Z Class and Upfitting	1,986	-	-
CRF Re-profiling: IM/IT	1,786	-	-
Specialized Equipment	592	262	(93)
Office Furniture and Equipment	29	49	33
Independent Investigations Office (IM/IT)	288	-	(242)
Public Guardian and Trustee (IM/IT)	19	-	-
BC Utilities Commission (IM/IT)	-	10	10

S12

Major Capital Projects

Okanagan Correctional Centre

- (in procurement – scheduled to be completed in Summer 2016): Total capital funding up to S12

Surrey Pretrial Service Centre Expansion

- (in construction – scheduled to be completed in Fall 2013): Total capital funding up to S12 S12

S12, S13

MINISTRY OF JOBS, TOURISM AND SKILLS TRAINING (JTST) - BUDGET 2013/14

Plan over Plan Change	2012/13	2013/14	2014/15	2015/16
Operating ($ millions)				
Budget 2012	234.608	234.610	234.610	234.610
Ministry Re-orgs - Increase (Decrease)	(2.601)	(2.601)	(2.601)	(2.601)
2012 Budget & Fiscal Plan (post re org)	232.007	232.009	232.009	232.009
2013 Budget & Fiscal Plan (2012/13 restated*)	**232.007**	**229.839**	**229.839**	**229.839**
2012 to 2013 Change - Increase (Decrease)		(2.170)	(2.170)	(2.170)
% Change		-0.9%	-0.9%	-0.9%
CRF Capital ($ millions)				
Budget 2012	3.103	1.296	0.025	0.025
Ministry Re-orgs - Increase (Decrease)	0.173	0.003	0.003	0.003
2012 Budget & Fiscal Plan (2012/13 post re org)	3.276	1.299	0.028	0.028
2013 Budget & Fiscal Plan (2012/13 restated*)	**3.276**	**0.004**	**0.028**	**0.028**
2012 to 2013 Change - Increase (Decrease)		(1.295)	0.000	0.000
% Change		-99.7%	0.0%	0.0%

Year over Year Change *Operating ($ millions)*	restated 2012/13	2013/14	2014/15	2015/16
2013 Budget & Fiscal Plan (2012/13 restated*)	**232.007**	**229.839**	**229.839**	**229.839**
Year-over-Year Change - Increase (Decrease)		(2.168)	-	-
% Change		-0.9%	0.0%	0.0%

** 2012/13 Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

* Ministry Re-orgs in September 2012 includes the transfer out of BC Innovation Council ($6.150M), British Columbia Pavilion Corporation ($9.142M), Multiculturalism ($0.625M), Research and Innovation (2.397M) and the transfer in of $15.713M for Labour Programs, a total reduction of **($2.601M)** in operating budget. The re-orgs also include a transfer in of **$0.173M** in CRF Capital budget for Labour programs.

Budget 2013/14 Summary

Plan over Plan – ($2.17M) / ($2.17M) / ($2.17 M)

- The variance of ($2.17M) is comprised of Ministry expenditure management target of ($1.670M) and Crown savings adjustment of ($0.500M) which are built into the fiscal plan.

Year over Year – ($2.17M) / $0M/ $0M

- The variance of ($2.17M) is comprised of Ministry expenditure management target of ($1.670M) and Crown savings adjustment of ($0.500M) in Budget 2013.

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Ministry Expenditure Management Target	(1.670)	(1.670)	(1.670)
2	Crown Savings Adjustment	(0.500)	(0.500)	(0.500)
	Total	**(2.170)**	**(2.170)**	**(2.170)**

Ministry Expenditure Management Target

- JTST's portion of the $15M expenditure management target is $1.670M, a slight decrease from the 2012/13 savings target of $1.769M assigned at Q2.

Crown Savings Adjustment

- Savings adjustment from Forestry Innovation Investment Ltd.

CRF Capital

Plan over Plan

- Capital budget is reduced by ($1.295M) as JTST's Tourism division is transferred to Destination BC.

Major Capital Projects

Wood Innovation and Design Centre (WIDC)

- In July/August 2012, government approved the development of the Wood Innovation and Design Centre (WIDC) in Prince George S12, S13

S12, S13

- To be completed in the fall of 2014, the WIDC project would be a multi-story wood frame structure which should accelerate the technical development and understanding of innovative wood-based and building system in BC.

- The project is envisioned to help develop capacity in BC to build large, non-residential and multi-use buildings using wood and innovative wood products, help develop the skills to meet future economic opportunities; support the revitalization of downtown Prince George, and strengthen BC's expertise and global reputation as a leader in wood-based construction/design and wood product engineering.

MINISTRY OF SOCIAL DEVELOPMENT (SD) - BUDGET 2013/14

Plan over Plan Change	restated **2012/13**	**2013/14**	**2014/15**	**2015/16**
Operating ($ millions)				
Budget 2012	2,456.780	2,497.980	2,504.580	2,504.580
Ministry Re-orgs - Increase (Decrease)	0.000	0.000	0.000	0.000
2012 Budget & Fiscal Plan (post re org)	2,456.780	2,497.980	2,504.580	2,504.580
2013 Budget & Fiscal Plan (2012/13 restated*)	**2,456.780**	**2,487.135**	**2,503.735**	**2,503.735**
2012 to 2013 Change - Increase (Decrease)		(10.845)	(0.845)	(0.845)
% Change		-0.4%	0.0%	0.0%
CRF Capital ($ millions)				
Budget 2012	32.538	33.350	13.229	13.229
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	32.538	33.350	13.229	13.229
2013 Budget & Fiscal Plan (2012/13 restated*)	**32.538**	**39.511**	**15.538**	**1.329**
2012 to 2013 Change - Increase (Decrease)		6.161	2.309	(11.900)
% Change		18.5%	17.5%	-90.0%

Year over Year Change *Operating ($ millions)*	restated **2012/13**	**2013/14**	**2014/15**	**2015/16**
2013 Budget & Fiscal Plan (2012/13 restated*)	**2,456.780**	**2,487.135**	**2,503.735**	**2,503.735**
Year-over-Year Change - Increase (Decrease)		30.355	16.600	-
% Change		1.2%	0.7%	0.0%

** 2012/13Budget adusted for reorganizations, accounting changes, budget decisions and program transfers.*

Budget 2013/14 Summary

Plan over Plan – ($10.8M)/ ($0.8M)/ ($0.8M)

- $10M decrease in 2013/14 due to a significant decline in the Temporary Assistance caseload, and $0.8M decrease in each year of the plan associated with the ministry expenditure management target.

Year over Year - $30.4M/ $16.6M/ $0M

- Funding increases for CLBC of $10M in 2013/14 and an additional $10M in 2014/15; funding increases for Income Assistance of $20.4M in 2013/14 and $6.6M in 2014/15.

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Income Assistance (TA)	(10.0)		
2	Ministry Expenditure Management Target	(0.8)	(0.8)	(0.8)
	Total	**(10.8)**	**(0.8)**	**(0.8)**

Income Assistance

- Due to a declining caseload, the Temporary Assistance (TA) budget for 2013/14 will be $42M lower than in *Budget 2012*; which is offset by an increase of $32M for the Disability Assistance caseload and $10M savings to the bottom line (See Attachment 1).
- The TA caseload is expected to continue declining, S12, S13 S12, S13
- The DA budget was flat-lined in 2015/16, S12, S13 S12, S13

S12, S13

CLBC

- S12, S13 $36M in contingency funding to further support anticipated CLBC caseload increases.

- Government and CLBC are mid-way through implementation of the 12 recommendations included in the Deputy Ministers Report, and until these recommendations are fully implemented and a new integrated service delivery model is established, there is no way to reliably substantiate service demands and associated costs.

Ministry Expenditure Management Target

- SD's portion of the $15M expenditure management target is $0.8M; a slight increase from the 2012/13 savings target of $0.5M assigned at Q2.

CRF Capital

Plan over Plan - $6.2M / $2.3M / ($11.9M)

- The CRF Capital budget changes are due to the re-profiling of Integrated Case Management (ICM) budget from 2015/16 into 2013/14 and 2014/15.

Major Capital Projects

ICM Capital Budget History						
	phase 1	**phase 2**	**phase 3** *(current)*	**phase 4**	**phase 5**	**Total**
Project Budget	17,474,000	48,480,000	14,735,000	44,928,000	18,158,000	143,775,000
				phase 0		38,000,000
				Total ICM		**181,775,000**

Pages 254 through 257 redacted for the following reasons:

- -

S12

S12, S13

MINISTRY OF TRANSPORTATION AND INFRASTRUCTURE (TRAN) - BUDGET 2013/14

Plan over Plan Change	restated **2012/13**	**2013/14**	**2014/15**	**2015/16**
Operating ($ millions)				
Budget 2012	806.921	806.921	806.921	806.921
Ministry Re-orgs - Increase (Decrease)	0.000	0.000	0.000	0.000
2012 Budget & Fiscal Plan (post re org)	806.921	806.921	806.921	806.921
2013 Budget & Fiscal Plan (2012/13 restated*)	806.921	**803.301**	**803.301**	**803.301**
2012 to 2013 Change - Increase (Decrease)		(3.620)	(3.620)	(3.620)
% Change		-0.4%	-0.4%	-0.4%
CRF Capital ($ millions)				
Budget 2012	4.239	3.306	1.685	1.685
Ministry Re-orgs - Increase (Decrease)	-	-	-	-
2012 Budget & Fiscal Plan (2012/13 post re org)	4.239	3.306	1.685	1.685
2013 Budget & Fiscal Plan (2012/13 restated*)	**4.239**	**2.702**	**1.685**	**1.685**
2012 to 2013 Change - Increase (Decrease)		(0.604)	0.000	0.000
% Change		-18.3%	0.0%	0.0%

Year over Year Change *Operating ($ millions)*	restated **2012/13**	**2013/14**	**2014/15**	**2015/16**
2013 Budget & Fiscal Plan (2012/13 restated*)	806.921	**803.301**	**803.301**	**803.301**
Year-over-Year Change - Increase (Decrease)		(3.620)	-	-
% Change		-0.4%	0.0%	0.0%

Budget 2013/14 Summary

Plan over Plan -

- See below: “Operating – Changes from Budget 2012”.

Year over Year -

- See below: “Operating – Changes from Budget 2012” for 2013/14 change.

Budget 2013/14

OPERATING – Changes from *Budget 2012*

	Program/Initiative	2013/14	2014/15	2015/16
1	Ministry Expenditure Management Target	3.020	3.020	3.020
2	Crown Savings Adjustment	0.600	0.600	0.600
	Total	**3.620**	**3.620**	**3.620**

Ministry Expenditure Management Target

- TRAN's portion of the $15M expenditure management target is $3.02M. It is to be managed through a variety of savings methods by TRAN (e.g. reduced grants and/or administrative savings).

Crown Savings Adjustment

- This is a $0.6M reduction in the grant to BC Transit, to be managed through administrative savings by BC Transit.

CRF Capital

Plan over Plan

- $0.604M reduction in 2013/14 due primarily to a reduced allocation for vehicles.

Major Capital Projects

Evergreen Line Rapid Transit Project ($1.431 billion)

- The Evergreen Line is scheduled for completion in Summer 2016. A contract was awarded to SNC Lavalin for $889M for the design/build/finance of the line, as announced in January 2013. The remaining costs include items such as project contingencies, skytrains and road improvements/modifications to accommodate the line.

South Fraser Perimeter Road ($1.264 billion) – 2013/14 only

Port Mann/Highway 1 ($2.46 billion) – 2013/14 and 2014/15 only

COMPETITIVENESS ISSUES – TAXATION OF BUSINESS

S13

Marginal Effective Tax Rate (METR)

S13

- The Marginal Effective Tax Rate (METR) is a more comprehensive indicator of tax competitiveness than the statutory rate. It combines into a single measure the key elements of the overall corporate tax structure, including the statutory income tax rate, factors that affect the tax base such as capital cost allowances, and profit-insensitive taxes such as sales taxes and capital taxes.

S13

Provincial Sales Tax

Corporate Income Tax

General Corporate Income Tax Rate

- BC's Budget 2013 announced an increase to the general corporate income tax rate to 11 per cent from 10 percent effective April 1, 2013, however, the legislation to implement the increase was not passed.
- Under the Tax Collection Agreement, BC must notify the federal government by August 1, 2013 to confirm the rate increase. S16

S16

- At 11 per cent BC will have the second lowest general corporate income tax rate in the country, after Alberta at 10 per cent (New Brunswick is increasing its general corporate income tax rate to 12 per cent effective July 1, 2013).

S16

Small Business Corporate Income Tax Rate

- BC's small business rate of 2.5 per cent applies to active business income of Canadian-controlled private corporations up to a $500,000 income threshold.
- At 2.5 per cent BC has the third lowest small business corporate income tax rate in the country (after Manitoba at 0 per cent and Saskatchewan at 2 per cent) and has the same $500,000 threshold limit as 7 other provinces.
- Small businesses must be incorporated to benefit from the 2.5 per cent rate. The majority of small businesses in BC are unincorporated and pay income tax at the applicable personal income tax rates.

S13

Carbon Tax

- When the carbon tax was introduced, a key principle was that the tax would be revenue neutral – that all carbon tax revenue would be returned to individuals and businesses through reductions in other taxes.
- The BC low Income Climate Action Tax Credit helps to offset the carbon tax paid by lower income individuals and families. The credit is set at $115.50 per adult and 34.50 per child. Even with the carbon tax at $30 per tonne, the credit continues to over-compensate many low income recipients for the carbon tax they pay.
- The carbon tax review presented in Budget 2013 found the following:
    - BC's carbon tax at $30 per tonne has had, and will continue to have, a small negative impact on gross domestic product (GDP) in the province.

S13

Business Tax Incentives

The following measures are BC's primary business tax expenditures. In total, their estimated cost was $584 million in 2012/13. S13

S13

Film and Television Industry Tax Credits – 2012/13 estimated cost: $331 million

S13

- These findings have been duplicated in studies in many US states. The Tax Foundation (an American non-partisan, non-profit organization) states that every independent study in the US has found that film tax credits generate less than 30 cents for every $1 of spending (even accounting even for movie-induced tourism, increased business to non-film business, and other indirect effects).

- The cost of BC government support provided to the industry has increased more than a 400 per cent over the last decade.

Interactive Digital Media Tax Credit – 2012/13 estimated cost: $23 million

Scientific Research and Experimental Development Tax Credit – 2012/13 estimated cost: $161 **million**

Mining Exploration Tax Credit – 2012/13 estimated cost: $49 million

International Business Activity Program – 2012/13 estimated cost: $20 million

- The original rationale for the IBA Program was to attract certain international activities to BC by providing internationally competitive tax rates.

- Since the Program's introduction in 1988, both federal and provincial corporate income tax rates have fallen dramatically. S13

S13

S13

Capital Taxes

- BC phased out its general corporate capital tax by 2002 and the remaining capital tax on financial institutions in 2010.

- The federal government instituted a moratorium on the deductibility of capital taxes against income taxes. As a result, any new provincial capital taxes will not be deductible for income tax purposes and will represent a larger cost for impacted taxpayers.

Pages 264 through 266 redacted for the following reasons:
- -
S16

CONTINGENCIES

The contingencies vote provides for additional operating and capital funding for items budgeted in other votes to accommodate the financial consequences of unanticipated and contingent events. Unanticipated events include developments during the year that could not be reasonably anticipated when the budget was prepared. Contingent events include developments that could be anticipated but not with enough certainty to make a reasonable estimate of budget costs, or where final costs are dependent on a pending decision by government or another party. This vote also provides for ex-gratia payments and the funding of new programs during the fiscal year.

Operating contingencies and capital project reserves provided in the three-year fiscal plan are as shown in the table below.

Contingencies (Vote 45)	2013/14	2014/15	2015/16
	($millions)		
Operating Expenses	225.0	225.0	225.0
Capital Project Reserves	93.6	85.0	60.0

Contingencies Funding – Approvals

Treasury Board Staff (TBS) tracks by item or issue all approvals granted by Treasury Board or the Chair of Treasury Board to access contingencies funding. Treasury Board may provide funding approval for one year or multiple years, and may provide formal access or notional access to contingencies funding.

Formal approval to contingencies funding is documented either in a decision letter to the ministry or budget letter. Only ministries with formal written approval may access contingencies funding for up to a specified amount. Current practice is to direct ministries with formal approval to make all efforts to reduce their draw on contingencies by fully exhausting all options to absorb costs within their ministry's budget prior to contingencies/capital reserves being accessed and should a commitment to any new initiatives be made without the express approval of the Chair of Treasury Board, any previous contingencies/capital reserve funding approvals will be reduced by a corresponding amount.

Notional approval to contingencies funding may also be documented in a decision or budget letter. Treasury Board agrees in-principle with providing access to contingencies for an initiative/ program subject to the ministry fulfilling certain conditions and returning to Treasury Board or the Chair of Treasury Board for formal approval, which is required to access contingencies. In order to obtain formal approval, ministries may be required to provide better cost estimates (e.g., caseload pressures), a detailed spending plan, or other information. Ministries are also required to make all efforts to reduce their contingencies access requirement prior to seeking formal approval.

Ministries with caseload pressures may be provided access to contingencies for an estimated required amount, either formally or notionally, rather than or in addition to a base budget lift as the actual budget requirement is unknown. In some cases, a base budget lift is provided along with contingencies access to ensure that appropriation is not stranded in ministry votes if actual caseload requirements are lower than forecasted.

Table 1 provides a summary of the approved formal and notional contingencies access currently granted. In addition to the approved amounts for the current fiscal year, the expected draws on contingencies over the fiscal plan are also tracked so that the available contingencies funding room can be projected in order to effectively manage the vote.

S13

Other Risks Being Monitored

TBS also tracks and monitors other risks to the fiscal plan. Potential pressures tracked under this category include, but are not limited to, cost pressures that may not materialize due to a decision by government or a third party, and/or where the timing or amount of the potential pressure is not known with any degree of certainty.

Statutory Authority Pressures

Authority to make expenditures beyond the voted appropriation is provided by legislation to some votes due to the nature the expenditure authorized under the votes (e.g., required for immediate health and safety or protection of property such as fire fighting, provision of emergency services). Treasury Board Staff also tracks these forecasted expenditures to ensure that the impact on the fiscal plan is known. S12, S13

S12, S13

Pages 270 through 271 redacted for the following reasons:
- -
S12, S13

CREDIT RATINGS

Credit Ratings (last updated: Dec 21, 2012)

Province	Moody's Investors Services	Standard & Poor's Corp.	Dominion Bond Rating Service	Fitch Ratings Ltd.	Short-Term Ratings Moody's	S & P	DBRS	Fitch
British Columbia	**Aaa /Aaa Negative** D97, D95, U2005, U2006	**AAA /AAA stable** D99,U2004,U2006,U2007	**AA (high) stable** D99, U2005, U2007	**AAA Stable** 2007	**P-1**	**A-1+**	**R-1 (high)** U2006	**F1+**
Alberta	**Aaa /Aaa stable** U99, U2000, U2001, U2002	**AAA /AAA stable** U2002	**AAA stable** U98, U2001	n.r	**P-1**	**A-1+**	**R-1 (high)**	n.r
Saskatchewan	**Aa1 stable** U2002, U2005, U2006, D2009	**AAA stable** U2004, U2006, U2008, U2011	**AA stable** U2003, U2005, U2006, U200	**AA- positive** U2008	n.r	**A-1+**	**R-1 (high)** U2006, U2009	**F1+**
Manitoba	**Aa1 stable** U2003, U2006	**AA stable** U1998, U2007	**A (high) stable** U2003	n.r	n.r	**A-1+**	**R-1 (middle)** U2007	n.r
Ontario	**Aa2 stable** U2002, U2006, D2011, D2012	**AA- negative** U2001, D2009, D2012	**AA low** U99, U2001, D2009	**AA positive** 2008	**P-1**	**A-1+**	**R-1 (middle)** U2006, D2009	**F1+**
Quebec	**Aa2 stable** U2006	**A+ stable** U1995, D2009	**A (high) stable** U2006	**AA- positive** 2008	**P-1**	**A-1+**	**R-1 (middle)** U2006	**F1+**
New Brunswick	**Aa2 stable** U2004, U2006, D2009	**AA- negative** rated 1995	**A (high) stable** U2004	n.r	n.r	**A-1+**	**R-1 (middle)** U2006	n.r
Nova Scotia	**Aa2 stable** U2004 , U2006	**A+ stable** U2004, U2007 , D2009	**A stable** U2003, U2006	n.r	n.r	**A-1+**	**R-1 (low)**	n.r
Prince Edward Isl.	**Aa2 Stable** U 2006	**A stable** rated 2001	**A (low) stable** U2000	n.r	n.r	**A-1**	**R-1 (low)** U99	n.r
Newfoundland	**Aa2 stable** U 2002, U2006	**A+ stable** U1999, U2006, U2011	**A stable** U2005, U2006, U2008	n.r	n.r	**A-1+** U2011	**R-1 (low)** U2005	n.r
Northwest Territories	**Aa1 stable** U2006	n.r	n.r	n.r.	n.r	n.r	n.r	n.r
Yukon	n.r	**AA stable** 2010	n.r	n.r.	n.r	n.r	n.r	n.r
Canada	**Aaa/Aaa** U2002	**AAA/ AAA** U2002	**AAA/ AAA**	**AAA Stable**	n.r	**A-1+**	**R-1 (high)**	**F1+**

D - Downgrade U - Upgrade (followed by year) n.r = not rated

- Ratings separated by / denote split between domestic/foreign currency debt. Only BC & AB are so rated.

Ratings Definitions

	Moody's	S & P	DBRS	Fitch
Highest	Aaa	AAA	AAA	AAA
Superior	Aa1	AA+	AA [high]	AA
	Aa2	AA	AA	
	Aa3	AA-	AA [low]	
Satisfactory	A	A+	A [high]	A
	A1	A	A	
	A2	A-	A [low]	
	A3			
Adequate	Baa	BBB	BBB	BBB
Speculative	Ba	BB	BB	BB
Highly Speculative	B	B	B	B
Poor	Caa	CCC	CCC	CCC
Vulnerable to	Ca	CC	CC	CC
non-payment	C	C	C	C

	Province of BC		Moody's Investors Service		Standard & Poor's*		Dominion Bond Rating Service	
Current Rating	n/a		Aa1		AA+		AA	
	Taxpayer supported	Self Supporting /Other	Taxpayer supported	Self Supporting /Other	Taxpayer supported	Self Supporting /Other	Taxpayer supported	Self Supporting /Other
Province Direct Debt	x		x		x		x	
Crown Corporations								
BC Hydro		x		x		x		x
BC Transmission		x		x	x			x
BC Lottery Corporation		x		x	x			
Columbia River Power Projects		x		x	x			x
Transportation Investment Corp		x		x		x		x
Other Fiscal Agency	x		x		x		x	
e.g. BCTFA, BCBC, Social Housing								
University self funded debt	x		x			x	x	
Less Investments Held	x		x		x		x	
Warehouse Borrowing Program		x	x		x		x	
Other Guarantees	x		x		x		x	
Non-Guaranteed Debt	x[1]	x[2]	x[1]	x[2]	x		x	x[2]
BCMFA/Municipalities						x	x	
Unfunded Pension Liabilities							x	

* S&P nets cash and temporary investments from taxpayer supported debt

[1] **Taxpayer-supported**
Includes British Columbia Securities Commission, British Columbia Transit, Columbia Basin Trust, Homeowner Protection Office, Land & Water British Columbia Inc., Legal Services Society, Oil and Gas Commission, Pacific National Exhibition and Provincial Rental Housing Corporation.

[2] **Self-supported**
Includes British Columbia Liquor Distribution Branch, British Columbia Railway Company (Vancouver Wharves), and Columbia Basin Power Company (a joint venture of Columbia Basin Trust and Columbia Power Corporation).

Taxpayer-supported Debt excludes debt of commerical Crown corporations and agencies and funds held under the province's warehouse borrowing program.

Taxpayer-supported Revenue includes revenue of the consolidated revenue fund (excluding dividends from enterprises) plus revenue from all government organizations and enterprises.

PROVINCIAL RATIOS
(last updated December 3, 2012)

Province	Moody's Investors Services		Standard & Poor's Corp.		Dominion Bond Rating Service		Fitch Ratings Ltd.	
	Net Direct & Guar. Debt / GDP (%)	Interest Costs / Revenue (%)	Net Direct & Guar. Debt / GDP (%)	Interest Costs / Revenue (%)	Net Direct & Guar. Debt / GDP (%)	Interest Costs / Revenue (%)	Net Direct & Guar. Debt / GDP (%)	Interest Costs / Revenue (%)
British Columbia	16.4% 2012	4.1% 2012	15.1% 2011	5.5% 2011	17.9% 2011	4.0% 2011	16.3%[2]	?
Alberta	2.2% 2012	1.2% 2012	7.0% 2012	1.2% 2012	4.9% 2012	1.2% 2012	n.r	n.r
Saskatchewan	6.1% 2012	3.1% 2012	2.2% 2011	5.6% 2011	14.7% 2012	4.5% 2012	?	?
Manitoba	28.1% 2011	5.9% 2011	27.3% 2012	6.0% 2012	31.8% 2011	5.4% 2011	n.r	n.r
Ontario	36.9% 2011	9.1% 2011	35.0% 2011	9.1% 2011	37.4% 2011	7.8% 2011	?	?
Quebec	48.6% 2011	8.1% 2011	45.3% 2011	11.0% 2011	61.3% 2011	13.9% 2011	?	?
New Brunswick	30.7% 2011	8.6% 2011	34.4% 2011	8.5% 2011	33.0% 2011	5.8% 2011	n.r	n.r
Nova Scotia	34.8% 2012	7.5% 2012	36.0% 2011	9.6% 2011	34.6% 2011	8.0% 2011	n.r	n.r
Prince Edward Isl.	42.5% 2011	7.0% 2011	37.7% 2010	7.6% 2011	38.3% 2011	6.0% 2011	n.r	n.r
Newfoundland & Labrador	21.1% 2011	5.4% 2011	21.8% 2010	5.6% 2011	32.0% 2011	9.7% 2011	n.r	n.r
Northwest Territories	7.1% 2011	0.5%[1] 2011	n.r	n.r	n.r	n.r	n.r	n.r
Yukon	n.r	n.r	-	-	n.r	n.r	n.r	n.r

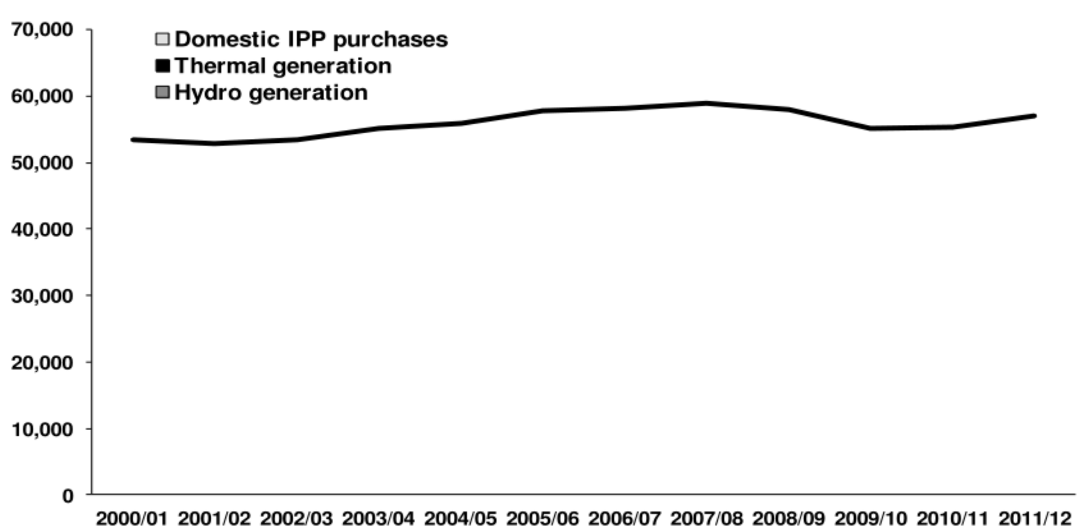
COMMERCIAL CROWN CORPORATIONS

BC Hydro and Power Authority

	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Operating income	379	227	(73)	(249)	142	252	203	54	217	653
Costs deferred to R/As	28	142	438	696	447	306	313	491	401	39
Net income	407	369	365	447	589	558	516	545	618	692
Dividend	331	288	-	47	463	230	178	178	166	392
Property, plant and equipment	10,426	11,154	12,099	13,995	15,546	16,832	17,551	18,926	20,641	22,304
Debt	6,916	7,519	9,135	10,696	11,520	12,795	14,349	15,821	17,631	18,834
Regulatory account - opening ..	409	437	579	1,017	1,713	2,160	2,466	4,348	4,839	5,240
Net deferred costs	28	142	438	696	447	306	313	491	401	39
IFRS accounting adjustment .	-	-	-	-	-	-	1,569	-	-	-
Regulatory account - closing	437	579	1,017	1,713	2,160	2,466	4,348	4,839	5,240	5,279

- BC Hydro's net income is based on a regulatory allowed return on assets in service (i.e. deemed equity). Dividends to the CRF are 85% of net income, except that the payment of a dividend must not result in BC Hydro debt to equity ratio falling below 80:20. BC Hydro has not paid a full dividend since 2005/06.
- Costs deferred to regulatory accounts are shown on a net basis (i.e. current costs to be deferred less amortization of prior year deferred costs). Regulatory costs are amortized to expense over a 10 to 40 year period, depending on the nature of the cost. All regulatory accounts are subject to approval by the BC Utilities Commission.
- Independent power producers (IPPs) have become a significant source of supply for domestic energy markets. The weighted average IPP cost of electricity is currently $79/MWh and is expected to reach $97/MWh by 2015/16. This is comparable to the cost of energy that would be produced from the Site C dam.

BC Hydro Domestic Supply vs. Demand

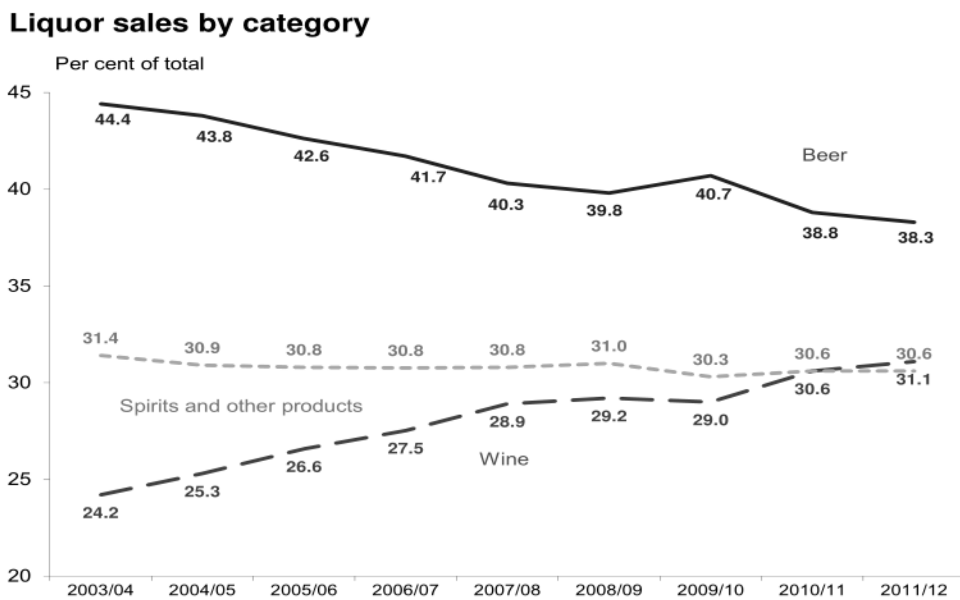


BC Liquor Distribution Branch

	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Sales	2,509	2,679	2,795	2,854	2,821	2,890	2,922	2,891	2,933	2,975
Commissions and discounts .	(142)	(180)	(191)	(198)	(202)	(187)	(187)	(183)	(186)	(188)
Cost of sales	(1,276)	(1,396)	(1,451)	(1,515)	(1,458)	(1,511)	(1,532)	(1,557)	(1,582)	(1,607)
Gross margin	1,091	1,103	1,153	1,141	1,161	1,192	1,203	1,151	1,165	1,180
Operating expenses (net)	(251)	(246)	(262)	(264)	(271)	(281)	(297)	(300)	(305)	(312)
Net income	840	857	891	877	890	911	906	851	860	868
Gross margin percentage	43.5	41.2	41.3	40.0	41.2	41.2	41.2	39.8	39.7	39.7
Operating cost percentage	10.2	9.6	9.7	9.7	10.0	10.0	10.5	10.6	10.6	10.7

- BC Liquor derives approximately 47.5% of its net income from its retail operations (i.e. direct counter sales in government liquor stores) and 52.5% from its wholesale operations (sales to licensee retail stores, restaurants and bar owners).
- While BC Liquor's sales are projected to increase by 19% from 2006/07 to 2015/16, net income is only projected to increase by 3%. S13

S13



Source: BC Liquor Distribution Branch

- A significant portion of the shift from beer to wine is to 100% BC product wine. The entire markup of this product is retained by the wineries. By law, BC Liquor reports the sales of this product, but discloses the lost markup as a discount. Also, beer carries a flat markup that has not been indexed – price increases accrue entirely to the beer industry. S13

S13

BC Lottery Corporation

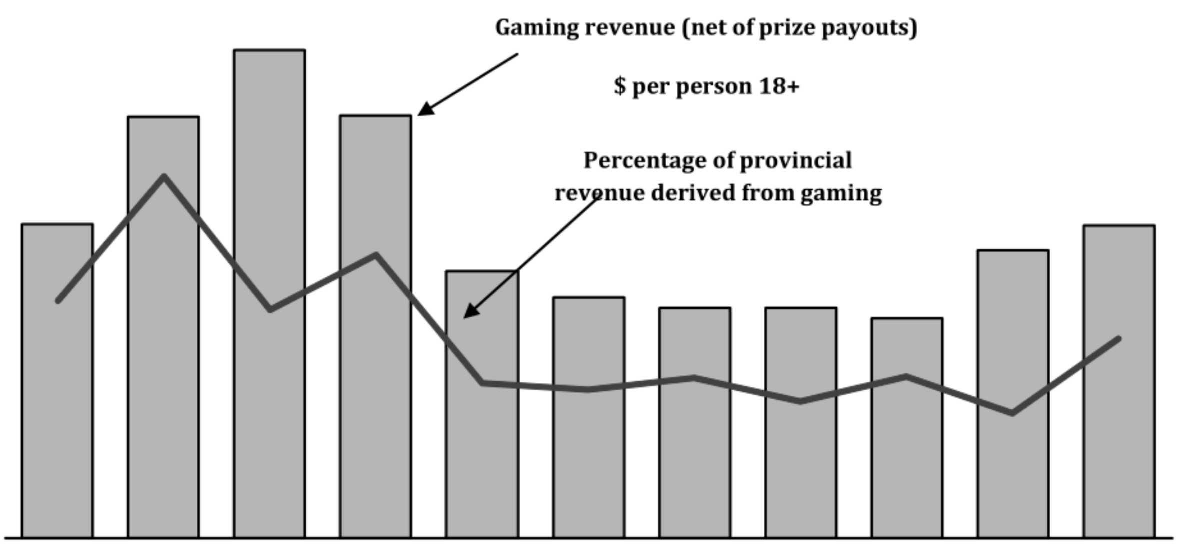
	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Revenue:										
Lottery	983	958	931	904	1,020	996	1,000	1,025	1,045	1,065
eGaming	14	19	23	34	43	65	82	100	114	126
Casino/community gaming ct	1,428	1,582	1,596	1,579	1,616	1,640	1,655	1,678	1,710	1,749
Total revenue	2,425	2,559	2,550	2,517	2,679	2,701	2,737	2,803	2,869	2,940
Prizes	(651)	(647)	(599)	(577)	(652)	(642)	(632)	(645)	(657)	(665)
Direct expenses	(548)	(596)	(620)	(607)	(620)	(630)	(644)	(664)	(681)	(700)
Gaming support/other costs .	(207)	(227)	(240)	(254)	(301)	(322)	(336)	(322)	(329)	(339)
Net income	1,019	1,089	1,091	1,079	1,106	1,107	1,125	1,172	1,202	1,237
Distribution of net income:										
Government of Canada	8	8	9	9	9	9	9	9	10	10
Charities/local governments	243	256	256	226	234	236	234	239	239	239
CRF revenue	768	825	826	844	863	862	882	924	953	988
	1,019	1,089	1,091	1,079	1,106	1,107	1,125	1,172	1,202	1,237

- Lottery revenue has seen stagnant growth for a number of years, reflecting the maturity of the revenue stream and a shift to other forms of gaming. The brief resurgence in 2010/11 is due to the introduction of the LottoMax lottery product. However, the growth in this product has peaked.

- S13
  The revenue growth in the forecast assumes the successful move of the Edgewater Casino in Vancouver and expansion of the Fraser Downs facility in Cloverdale.

- BC Lottery's forecast for eGaming assumes further expansion and marketing of the PlayNow gaming platform. As well, BC Lottery is partnering with the Manitoba Gaming Control Commission for the use of the PlayNow platform in that province, with BC Lottery providing service support. BC Lottery is contemplating similar expansion into other jurisdictions.

Interprovincial Gaming Comparisons



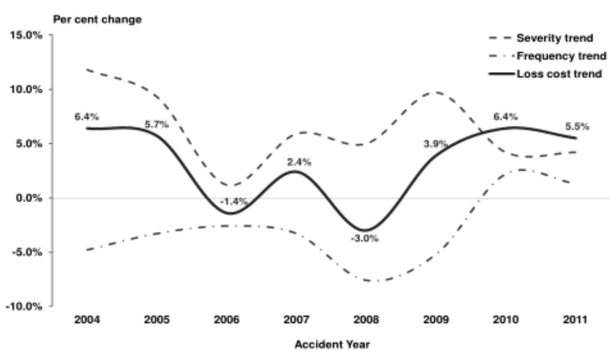
Source: Canadian Partnership for Responsible Gambling – *Canadian Gambling Digest 2010-2011*.

Insurance Corporation of BC

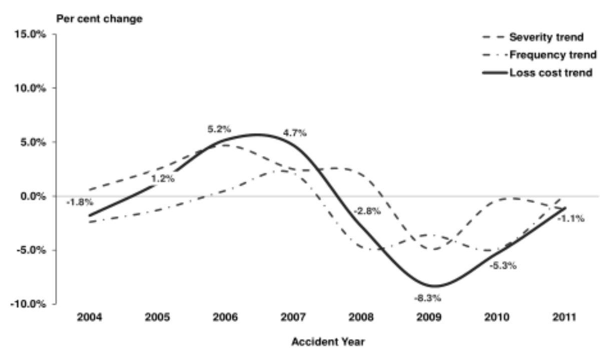
	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Net premiums	3,257	3,482	3,631	3,650	3,667	3,673	3,811	3,969	4,093	4,170
Investment and other income .	559	697	350	591	585	492	499	510	546	547
Total revenue	3,816	4,179	3,981	4,241	4,252	4,165	4,310	4,479	4,639	4,717
Claims costs	(2,643)	(2,613)	(2,510)	(2,651)	(2,752)	(2,866)	(2,954)	(3,096)	(3,251)	(3,360)
Insurance operations	(434)	(451)	(458)	(488)	(541)	(529)	(527)	(548)	(558)	(545)
Taxes and commissions	(292)	(380)	(412)	(435)	(477)	(517)	(464)	(456)	(483)	(480)
Non-insurance operations ...	(97)	(93)	(104)	(104)	(110)	(113)	(116)	(122)	(125)	(127)
Net income	350	642	497	563	372	140	249	257	222	205

- ICBC is organized into two lines of business: Basic insurance, which is regulated by the BC Utilities Commission; and Optional insurance, which is operated in accordance with federal regulations. ICBC's net income is derived primarily from its Optional line of business. Since 2010, ICBC has begun paying dividends from its Optional insurance profits.
- Between 2007 and 2011, ICBC's cost per claim increased by 20 per cent, most of this increase occurring in the last two years. However, net claims incurred costs only increased 9.7 per cent over the same period, as declining claims frequency partially mitigated increases in claim severity, mainly in the area of bodily injury claims.

ICBC bodily injury claims loss cost trend



ICBC collision claims loss cost trend



- For the most part, during this period collision claims loss cost increases were offset by decreases in the bodily injury claims loss costs, and vice versa, keeping annual cost per claim increases close to inflation. However, since 2009, the claims frequency trends have begun reinforcing each other, resulting in the increase in cost per claim.
- In response to the loss cost trends, the BCUC approved an 11.2 per cent increase to Basic rates in August 2012. ICBC partially offset this increase with a 6.0 per cent decrease to Optional rates; however the trend in collision claims loss costs may restrict ICBC's ability to offer future Optional rate decreases.

Columbia Power Corporation

- Under the Columbia Basin Initiative, CPC and the Columbia Basin Trust were to purchase the Brilliant Dam and embark on three power projects that were designated as core to the initiative: Arrow Lakes Generating Station (completed); Brilliant Expansion (completed); and Waneta Expansion (in progress).
- The completion of the Waneta project in the Spring of 2015 will comprise the build out of the power rights acquired in 1995 as part of the Initiative and increase CPC's net income to $51M annually (compared to the 2012/13 forecast of $16M).

S12, S13

Transportation Investment Corporation

- TI Corp was established to implement the Port Mann Bridge/Highway 1 Improvement Project. The total project cost is estimated at $3.3 billion, including construction, operating and maintenance, rehabilitation, and interest.
- The TI Corp business plan calls for annual losses until the bridge is fully operational and tolling revenue is maximized. S12, S13

S12, S13

- The Office of the Auditor General disagrees with accounting for TI Corp as a commercial enterprise on the basis that it should not be considered commercial until it generates net income. The rating agencies do not share the OAG viewpoint, and classify TI Corp debt as self-supported, as the 40-year business case demonstrates commercial viability.

BC Railway Company

- BCRC's rail operations (with the exception of its Port Subdivision subsidiary – the 24 mile railway line accessing the port terminals at Roberts Bank) were sold to CN in 2004. BCRC retained ownership of the railway right-of-way, rail bed, and track infrastructure. BCRC also divested itself of its North Vancouver ports operations and is in the process of selling surplus real estate holdings not required to support its operations.
- The Port Subdivision operates on a breakeven basis. BC Rail income from property sales is projected to average $13M annually over the fiscal plan basis. These sales are not part of the property sales initiative for balancing the budget. BC Rails' excess cash flow is paid into the CRF.

ISSUE NOTE - Proposed Liquefied Natural Gas (LNG) Projects

Issue:

- Timelines for completing an environmental assessment (EA) of proposed Liquefied Natural Gas (LNG) projects.

Background:

- Under the BC *Environmental Assessment Act*, major LNG Projects, both proposed LNG facilities and pipelines, are required to complete an EA and receive an EA Certificate before they can proceed.
- A federal EA is currently required under the *Canadian Environmental Assessment Act* for both proposed pipelines and LNG facilities. However, Environmental Assessment Office (EAO) understands that the federal government is contemplating a regulation change in early April that would exempt pipelines wholly located within a province from requiring a federal EA.

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- The province has an established regulatory framework under the Oil and Gas Commission (OGC) - LNG Plants and associated pipeline infrastructures are oil and gas activities as defined by the *Oil and Gas Activities Act* - design/construction/operation/maintenance/abandonment regulated by OGC.
- EAO currently has:
  - two pipeline projects in stream, and a third expected in mid-April, 2013;
  - three LNG facility projects expected to enter the provincial EA process in April-May; and
  - three to seven more projects (LNG facilities and pipelines) that have potential to enter the provincial EA process by the end of summer, 2013.
- Recent government announcements on the LNG sector (pipelines and facilities) have heighted the expectations of these highly sophisticated and well capitalized proponents. In particular, a number of proponents have expressed their desire to make investment decisions as early as November 2014 (assuming the issuance of an EA certificate).

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- In response, EAO has created a single team of staff dedicated to LNG projects. It is anticipated that this model will bring cohesion and efficiency to project reviews. A single lead is dedicated to pipelines; a single lead is dedicated to facilities, and a senior First Nations coordinator to manage aboriginal engagement across all projects.
- In addition, EAO – in partnership with the OGC - has established a senior level cross-government LNG Regulatory Working Group to:
  - ensure effective use of government resources;
  - address operational issues and inform strategic policy decisions;
  - coordinate aboriginal engagement, consultation and negotiations; and
  - develop a planned approach to public and community engagement.

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Decision required:

- **No decision required at this time.**

Pages 282 through 284 redacted for the following reasons:
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S13, S17