

Rating Report

Province of British Columbia

Morningstar DBRS

May 22, 2024

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Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	AA (high)	Confirmed	Stable
Senior Secured Notes	AA (high)	Confirmed	Stable
Short-Term Debt	R-1 (high)	Confirmed	Stable

Note: Includes the Short-Term and Long-Term Obligations of the British Columbia Hydro and Power Authority (BC Hydro) based on its status as an Agent of the Crown.

On April 30, 2024, DBRS Limited (Morningstar DBRS) confirmed the Issuer Rating and Long-Term Debt credit rating of the Province of British Columbia (B.C. or the Province) at AA (high) and its Short-Term Debt credit rating at R-1 (high). Morningstar DBRS also confirmed British Columbia Hydro and Power Authority's Long-Term Obligations credit rating at AA (high) and its Short-Term Obligations credit rating at R-1 (high). All trends are Stable.

The credit rating confirmations reflect the underlying strength and diversity of the Province's economy, its disciplined management practices, and its strong balance sheet. With elections approaching in October, the New Democratic Party (NDP) government is prioritizing public investments over austerity in response to economic challenges that households are facing. Budget 2024 focuses on improving affordability for people and strengthening public services. The budget plans for substantial increases in spending on priority areas, higher deficits, and a larger borrowing program, all of which Morningstar DBRS expects to result in reduced flexibility in years to come. However, the Province's historically prudent fiscal approach and track record of outperformance continue to lend stability to its credit profile.

The Province's 2024 budget forecasts a deficit of \$7.9 billion in 2024–25, compared with a deficit of \$5.9 billion now anticipated in 2023–24. On a Morningstar DBRS-adjusted basis, this equates to a shortfall of \$16.9 billion, or 4.0% of GDP. Over the medium term, the Province projects deficits of 4.0% to 3.2% of GDP on a Morningstar DBRS-adjusted basis. In line with the past two budgets, B.C.'s 2024 budget does not present any plan for a return to balance; however, it continues to advocate for modest year-over-year (YOY) declining deficits. Morningstar DBRS notes that the Province has historically incorporated prudent budget assumptions, which leaves room for some outperformance.

Contrary to prior expectations at the time of Morningstar DBRS' last review in May 2023, B.C.'s debt outlook has deteriorated. Based on budget estimates, debt-to-GDP will increase to roughly 20% in 2024–25 and will likely continue to trend upward to 26% of GDP by 2026–27 compared with Morningstar DBRS' previous expectation that debt-to-GDP would hover around 22% over the medium term. Given the

higher deficit projections and no plan to return to balance, Morningstar DBRS expects debt to gradually rise over the medium term.

A negative credit rating action could result from a sustained deterioration in operating results and material increase in the debt-to-GDP ratio beyond the current expectations. A positive rating action, while unlikely in the near term, would require the Province to maintain a sustainable budget position and for its Morningstar DBRS-adjusted debt-to-GDP ratio to fall well below 15.0% on a sustainable basis.

Financial Information

	For the year ended March 31				
	2025B	2024P	2023	2022	2021
Debt/GDP (%)	20.2	17.2	15.2	17.5	19.4
Surplus (deficit)/GDP (%)	-4.0	-2.9	-0.5	-0.4	-2.5
Federal transfers/total revenue (%)	18.0	18.5	15.3	16.6	20.8
Interest costs/total revenue (%)	3.7	3.1	2.4	2.6	3.0
Real GDP growth (%)	0.8	1.0	3.8	7.1	-3.1

B = budget. P = projection.

Sources: The Province, Statistics Canada, and Morningstar DBRS calculations.

Issuer Description

B.C. is Canada's westernmost province, located along the Pacific Ocean. The Province has a population of 5.5 million, according to Statistics Canada, and is the fourth-largest provincial economy in the country by GDP. The Province has a diverse and stable economy, with nominal GDP of about \$395.0 billion.

Rating Considerations

Strengths

1. Diversified economy

B.C. has a diverse economy. Economic growth in B.C. has been among the strongest of the provinces in recent years, and Morningstar DBRS expects the Province to maintain this above-average growth trajectory. The provincial economy benefits from its advantageous location along the West Coast, a skilled workforce, consistent population growth, and a diverse industrial mix. Notwithstanding the subdued outlook for 2024, growth is forecast to resume an upward momentum over the medium term as economic activity rebounds, inflation eases into the target range, and interest rates trend lower. For 2024–25, the Province anticipates real GDP growth of 0.8%, followed by 2.3% in 2025–26 and 2.4% in 2026–27. Morningstar DBRS views the forecasts as reasonable assumptions, albeit susceptible to downside risks from persistently high interest rates and commodity price volatility.

2. Disciplined fiscal policy and management practices

Once again, the budget does not present any plan for a return to balance; however, the Province's fiscal guardrails continue to advocate for YOY declining deficits. The government remains committed to using conservative budgetary practices and keeping debt affordable. Furthermore, the Province has a track record of responsible fiscal management, low taxes, and prudent expense management.

3. Low debt burden

B.C.'s debt burden is relatively low at current levels. However, debt outlook has deteriorated based on the most recent budget forecast. On a Morningstar DBRS-adjusted basis, debt-to-GDP will increase to roughly 20% in 2024–25 and is expected to continue to trend upward to 26% of GDP by 2026–27. Morningstar DBRS previously expected debt-to-GDP to hover around 22% over the medium term. Given the higher deficit projections and no plan to return to balance, Morningstar DBRS expects debt to gradually rise over the medium term.

Given B.C.'s past track record of outperformance when reporting year-end results, Morningstar DBRS believes there is some likelihood that year-ending debt balances will be slightly lower when the Public Accounts are tabled later this year. Any improvement would carry forward into subsequent years.

4. Fiscal capacity

B.C. has a lower tax burden compared with most other provinces, which provides the government with the flexibility to raise revenue to address budget pressures should it be deemed necessary.

Challenges

1. Pace of spending growth

Even prior to the Coronavirus Disease (COVID-19) pandemic, the pace of spending growth had accelerated under the NDP government, made possible by strong economic growth and tax policy changes. B.C. has expanded health, education, and social service programs, which may not be easily scaled back if the Province were to face economic headwinds forcing the government to curtail spending.

2. High level of household indebtedness

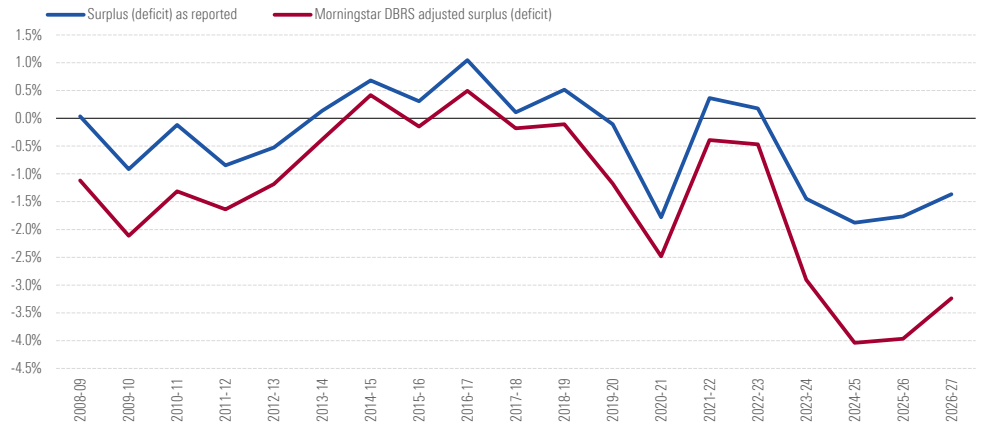
The rapid increase in home prices and historically low interest rates have resulted in elevated household indebtedness, which could amplify the severity of an external shock to the provincial economy and, by extension, the Province's fiscal plan. Households are even more susceptible to financial distress in the current environment of elevated interest rates, which, coupled with inflationary pressures, may further exacerbate debt affordability issues.

3. Affordability challenges

Greater Vancouver and, to a lesser extent, Greater Victoria are among the least-affordable regions in Canada, posing financial challenges for residents and hindering the ability of businesses to attract labour to the region. While the lack of affordability has prompted a policy response by various levels of government, this has yet to lead to any significant improvement.

2024–25 Budget

Exhibit 1 Operating Result (Share of GDP)



Sources: The Province, Morningstar DBRS, and Statistics Canada.

With elections approaching in October, the NDP government has prioritized public investments over austerity in response to economic challenges faced by households. Budget 2024 focuses on improving affordability for people and strengthening public services. The budget plans for substantial increases in spending on priority areas, higher deficits, and a larger borrowing program resulting in reduced flexibility over the years to come.

Budget 2024 focuses on four key priorities:

- Helping people with costs;
- Delivering more homes for people;
- Strengthening healthcare and services; and
- Building a stronger, cleaner economy.

Budget Summary						
(\$ millions)	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20
	Budget	Forecast	Actual	Actual	Actual	Actual
Revenue	81,523	77,320	81,536	72,392	62,156	58,660
Expense						
Program expense	81,444	74,434	78,113	68,344	64,902	56,255
Interest expense	4,105	3,300	2,719	2,742	2,722	2,727
Contingencies	3,885	5,500	-			
Forecast Allowance	-	-	-			
Surplus (Deficit) as Reported	(7,911)	(5,914)	704	1,306	(5,468)	(322)
Morningstar DBRS Adjustments						
Nonrecurring items	(27)	(3)	(40)	(18)	(7)	(26)
Capital investment	(14,104)	(10,107)	(6,755)	(6,002)	(5,428)	(4,772)
Amortization	3,170	3,012	3,077	2,717	2,670	2,578
Assumed capital investment underspend	2,116	1,516	-	-	-	-
BC Hydro adjustment	(268)	(369)	1,162	608	604	(1,086)
Rate smoothing regulatory account write-off	-	-	-	-	-	-
Forecast allowance	-	-	-	-	-	-
Adjusted Surplus (Deficit)	(17,024)	(11,865)	(1,852)	(1,389)	(7,629)	(3,628)
Share of nominal GDP (%)	(4.0)	(2.9)	(0.5)	(0.4)	(2.5)	(1.2)

Sources: Morningstar DBRS and the Province.

The budget forecasts a deficit of \$7.9 billion in 2024–25, compared with a \$5.9 billion deficit now anticipated in 2023–24. On a Morningstar DBRS-adjusted basis, this equates to a shortfall of \$16.9 billion, or 4.0% of GDP. Morningstar DBRS makes several adjustments to British Columbia's reported results/budget projections to improve comparability among the provinces. Morningstar DBRS adjusts reported results to recognize capital spending as incurred rather than as amortized, assume a modest amount of capital underspending, and exclude the change in regulatory accounts from British Columbia Hydro and Power Authority's (rated AA (high) with a Stable trend) net income to arrive at the adjusted deficit.

Total revenues are projected to rise by 5.4% YOY in 2024–25 relative to the prior year, reflecting a strong increase in tax revenues on the back of population growth and an improved forecast for corporate taxable income, partly offset by lower carbon tax revenues and the absence of one-time revenue experienced in 2023–24. Own-source revenues are projected to rise by 6.0% YOY, mainly as a result of higher taxation revenue and modest growth in other revenue categories.

Federal transfers are budgeted to increase by 3.0% YOY, driven primarily by an increase in health and social transfers. The budget includes a new home-flipping tax on profits of homes sold within two years of purchase, increases the employer health tax exemption threshold, and also introduces a few tax breaks, including an increased family benefit and increased climate action tax credits, among others.

Spending is expected to increase by a substantial 7.4% YOY as the government increases funding for priority areas of cost of living, housing affordability, and healthcare. Relative to the previous plan, the budget includes \$6.2 billion in incremental spending on healthcare (+14.2%), education (+9.1%), and social services (+14.5%). The incremental funding in healthcare and education will focus on building

capacity across the sectors in order to support the growing population. The new funding will also look to improve housing affordability by building more homes, ongoing efforts to address homelessness, cost-of-living supports in the face of global inflation, and grants to local municipalities for infrastructure development.

Debt-servicing costs are projected to rise by 24%, reflecting an increase in debt and rising interest rates; however, these costs remain relatively low at around 3.7% of total revenues.

Consistent with past prudent budget practice, the budget includes contingencies totalling \$3.9 billion in 2024–25, \$3.0 billion in 2025–26, and \$3.7 billion in 2026–27 toward general contingencies, CleanBC, and other priority spending initiatives, which, if unused, would contribute to improvement in the bottom line and debt outlook. The budget does not include a forecast allowance compared with prior years; while the forecast is in line with other projections, this could, at the margin, add to downside risks to fiscal performance.

The Province is continuing with a robust capital spending program toward the health, transportation, housing, and education sectors that will help support an economic recovery. The three-year taxpayer-supported capital plan is projected to be \$43.3 billion, up \$5.8 billion from the previous plan. For 2024–25, a total capital investment of \$18.8 billion is planned. However, actual capital investment tends to be below budget projections, and Morningstar DBRS assumed a modest amount of capital underspending in its debt projections.

Outlook

Over the medium term, the Province projects deficits of \$7.8 billion and \$6.3 billion for 2025–26 and 2026–27, respectively. On a Morningstar DBRS-adjusted basis, these equate to deficits of 4.0% to 3.2% of GDP. In line with the past two budgets, Budget 2024 does not present any plan for a return to balance; however, it continues to advocate for modest YOY declining deficits. Morningstar DBRS notes that B.C. has historically incorporated prudent budget assumptions, which leaves room for a degree of outperformance.

2023–24 Preliminary Results

Based on updated forecasts, B.C. estimates a deficit of \$5.9 billion for the year ended March 31, 2024, slightly more than the \$5.6 billion estimated during the fall update was driven by a combination of lower than anticipated revenues and higher expenses which was slightly offset by removal of the forecast allowance. On a Morningstar DBRS-adjusted basis, this equates to a shortfall of \$11.8 billion, or 2.9% of GDP in 2023–24.

Based on interim results, Morningstar DBRS estimates adjusted revenue to have declined by 5.2% in 2023–24, reflecting lower tax revenue as well as natural resource revenues, partly offset by higher federal transfers. Tax revenues were down by 5.7% YOY, largely driven by decreases in corporate income taxes driven by weaker preliminary 2022 tax assessments and lower corporate income tax advance payments from the federal government. Natural resource revenue declined by 51.4% YOY, on account of

lower forestry harvest volumes as well as lower natural gas and metal prices during the year. Net income from government business enterprises (GBE) increased by +3.5% YOY driven by stronger investment earnings at the Insurance Corporation of British Columbia (ICBC), partly offset by lower earnings at the British Columbia Lottery Corporation. Other own-source revenue also increased by 1.5% YOY, which reflects gains in other licenses and fees as well post-secondary education fees and sales of goods and services. Federal transfers increased by 12.0% YOY, driven by higher transfer under the new health funding and one-time higher transfers under the Disaster Financial Assistance Arrangements in relation to the 2023 wildfires.

Morningstar DBRS projects total adjusted spending to have increased by 3.0% in 2023–24 with increases across core program areas of health (+3.8%) and education (+5.1%) partly offset by lower expenses towards social services and other program categories. Additional pandemic contingencies of \$1.0 billion and general contingencies of \$4.5 billion have also been recorded, which, if unused, may result in improving the bottom-line result. As a result of higher debt and an increasing interest rate environment, debt-servicing costs were up by 21.4% YOY. In line with its priorities, the Province continues to ramp up capital spending in priority areas of health, education, transportation and housing, with taxpayer-supported capital investments estimated to have increased by 49.6% YOY.

Debt and Liquidity

Exhibit 2 Debt-to-GDP Ratios

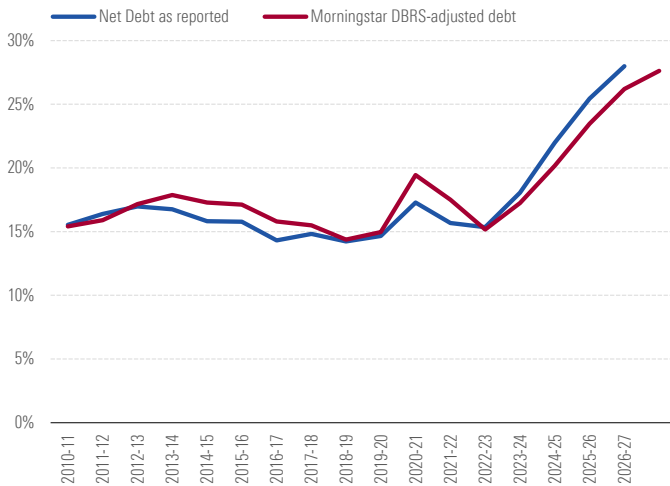
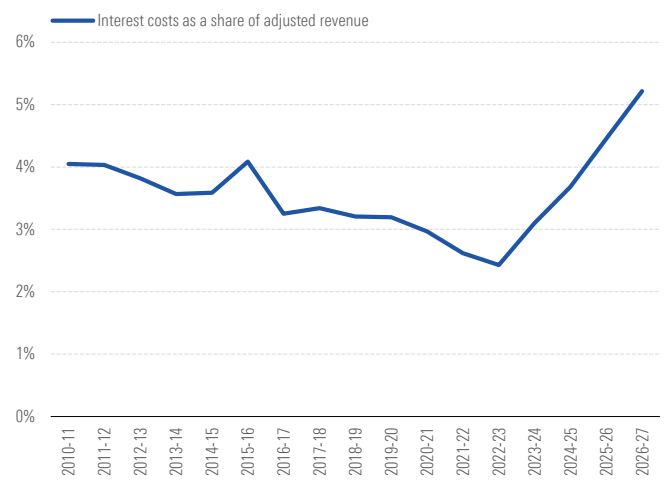


Exhibit 3 Interest Costs as a Share of Adjusted Revenue



Sources: Morningstar DBRS and the Province.

Contrary to prior expectations at the time of Morningstar DBRS' last review in May 2023, British Columbia's debt outlook has deteriorated. The debt burden is expected to rise substantially as spending ramps up for budget-related investments. In 2023–24, the Morningstar DBRS-adjusted debt—defined as tax-supported debt and unfunded pension liabilities (there were no pension liabilities for B.C.)—is estimated to have grown by \$10.4 billion to \$70.3 billion. Combined with modest expansion in nominal GDP, this pushed the debt-to-GDP ratio to 17.2% from 15.2% the year prior. Given B.C.'s past track record of outperformance when reporting year-end results, Morningstar DBRS believes there is some likelihood

that year-ending debt balances could be slightly lower when the Public Accounts are tabled later this year. Any improvement would carry forward into subsequent years.

Debt management remains prudent as the Province maintains a relatively smooth debt maturity profile, no unhedged foreign currency exposure, and a limited amount of floating-rate debt (17.8% of the estimated debt stock at February 27, 2024). B.C. has an internal oversight committee that advises the Ministry of Finance on the borrowing program.

The Province issues debt in both domestic and international markets, looking for opportunities to reduce its overall borrowing costs. It has established borrowing programs in the United States, Europe, and Australia and borrowing access to currencies in Asia. B.C. does not have an explicit policy or guideline dictating domestic/foreign issuance, but it will generally go offshore if the all-in cost is lower than what is available in the domestic market. As at February 27, 2024, about 26% of gross market debt outstanding was sourced outside the domestic market and fully hedged back to Canadian dollars.

As at February 22, 2024, B.C. was party to derivatives contracts with notional principal amounts totalling \$30.0 billion, consisting largely of foreign currency and interest rate swaps. Internal policy limits the Province's counterparties to high-quality financial institutions with higher standards for longer-dated swaps. The Province continues to implement its Collateral Management Framework (negotiated symmetrical credit support annexes) with all its bank counterparties.

The average term to maturity was 13.0 years dollars [Please confirm] as at February 23, 2024, excluding short-term debt. The maturity profile is relatively smooth over the next decade, with generally no more than \$6.5 billion maturing in any given year.

B.C. maintains considerable liquidity relative to the size of its short-term program and its long-term borrowing requirement. At March 31, 2024, cash and temporary investments that can be readily accessed in the event of a broad market disruption were estimated to be \$3.9 billion. The Province also has other investments worth \$4.4 billion and could further access liquidity from sinking fund assets, the Prosperity Fund, or within the broader public-sector entities it controls as well as by drawing on a \$376 million credit facility.

B.C. does not expect any unfunded pension liability over the forecast period. Morningstar DBRS notes that on an actuarial basis, the four major pension plans have significant surpluses. The major pension plans are defined-benefit/defined-contribution hybrid plans. They provide a basic guarantee, but indexation is not guaranteed and subject to decisions of pension boards. In addition, the plans have joint trusteeship, with employers and employees equally sharing risk, which results in more proactive management.

Outlook

The Province projects net debt-to-GDP to reach 22.0% in 2024–25 and anticipates that this will increase to 28% by 2026–27. British Columbia's debt outlook has deteriorated. On a Morningstar DBRS-adjusted

basis, debt-to-GDP will increase to roughly 20% in 2024–25 and is expected to continue to trend upward to 26% of GDP by 2026–27. Morningstar DBRS previously expected debt-to-GDP to hover around 22% over the medium term. Given the higher deficit projections and no plan to return to balance, Morningstar DBRS expects debt to gradually rise over the medium term.

Gross borrowing requirements are estimated to be \$24.2 billion in 2024–25; they are estimated to increase to \$29.5 billion in 2025–26 and to decline slightly thereafter as the deficit moderates. Capital spending generally tends to be lower than planned; however, given the deficit forecasts and increases in spending over the plan period, Morningstar DBRS anticipates that borrowing requirements will remain high.

British Columbia Hydro and Power Authority

BC Hydro is a commercial Crown agent of the Province that generates, transmits, and distributes electric power, primarily from renewable energy sources. Morningstar DBRS considers BC Hydro to be self-supporting because it funds its own operations and services its debt obligations. The Province has sought to maintain low and competitive electricity rates and has set BC Hydro’s net income targets through directives at \$712 million until F2027.

Site C Clean Energy Project (Site C): Construction of a 1,100-megawatt hydroelectric generating station. In 2021, the Province announced the cost to complete Site C had increased to \$16.0 billion from \$10.7 billion, and the full in-service date was delayed by one year to 2025 attributable to the coronavirus pandemic, geotechnical issues, and schedule pressures. Because BC Hydro expects costs associated with the Site C project, including any additional debt to fund the delays, to be fully recovered from ratepayers, the cost increase is not expected to have any impact on BC Hydro's self-supported status. As of December 31, 2023, the project was more than 85% complete and now seems to be within budget and on track toward its anticipated in-service date of 2025. Morningstar DBRS will continue to monitor Site C for its impact on the utility’s financial outlook.

Economy

Exhibit 4 Economic Growth (Annual)

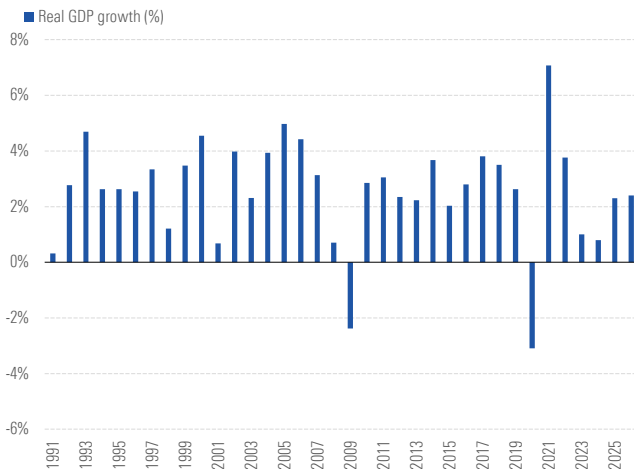
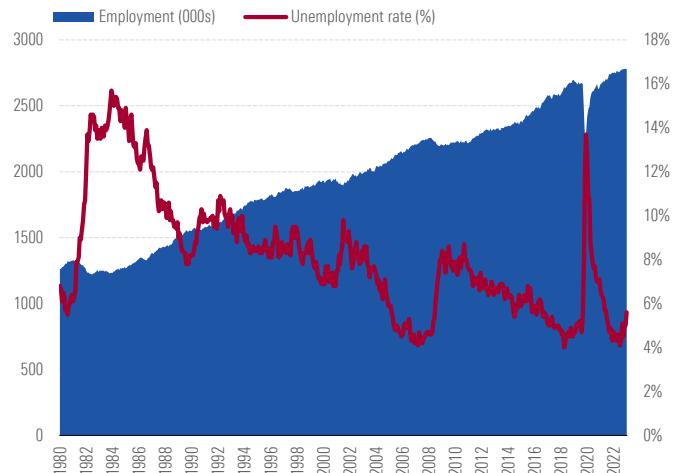


Exhibit 5 Labour Market (Annual)



Sources: Statistics Canada and the Province.

British Columbia's economy is estimated to have expanded by 1.0% in 2023, amid a global economic slowdown, high interest rates, and inflationary pressures. The economy experienced moderate employment gains on the back of strong population growth and record levels of construction starts. However, growth was tempered by lower commodity prices as well as merchandise exports and manufacturing shipments. Consumer spending also trended downward with a modest growth in retail sales and is expected to remain soft in the near term as interest rates continue to remain high.

B.C. experienced above-average population growth in recent years with a record increase of 3.0% during 2023. The population growth was led by sizable inflow of international migration partly offset by decline in interprovincial migration. The population's age profile resembles that of the Province of Ontario (Ontario; rated AA (low) with a Positive trend by Morningstar DBRS) and the Province of Québec (rated AA (low) with a Stable trend by Morningstar DBRS). The B.C. population is somewhat older than Ontario's (median age of 41.1 years versus 40.0 for Ontario), and, while deaths have outpaced births over the last three years, international migration has been a major population growth driver over the last few years.

The labour markets witnessed moderate employment gains resulting in the unemployment rate averaging 5.2%, up from 4.6% in 2022. Average weekly earnings grew by 6.2% in 2023 as wage pressures remain firm given high inflation.

Housing market activity receded, with home sales declining by 9.2%, while the average home price saw 2.6% dip following an increase of 7.5% in the prior year. Housing starts increased by 8.1% despite higher borrowing costs and labour shortages. The Province anticipates a rebound in home sales activity given the potential for an interest-rate cut later this year.

Merchandise exports declined impacted by lower commodity prices and slowing global economy. The value of merchandise goods exports was down by 13.1% in 2023, led by lower exports of energy and wood products. By destination, exports to the United States were down 17.6%, while those to the rest of the world were lower by 7.0%. The Province expects the growth momentum in real exports to increase over the next few years.

Outlook

Growth is expected to remain muted for the better part of 2024, only to recover later in the year, with continued moderation in inflation and the potential for rate cuts in the second half of 2024. Notwithstanding the subdued outlook for 2024, growth is forecast to resume an upward momentum over the medium term as economic activity rebounds, inflation eases into the target range, and interest rates trend lower. Economic growth is also expected to be supported by strength in labour markets and export growth driven by increased liquefied natural gas production and recovery for key trading partners. For 2024–25, the Province anticipates real GDP growth of 0.8%, followed by 2.3% in 2025–26 and 2.4% in 2026–27. Unlike previous budgets, the forecast seems to be slightly more optimistic relative to the private-sector average. Morningstar DBRS views the forecasts as reasonable assumptions, albeit susceptible to downside risks from persistently high interest rates and commodity price volatility.

Economic Statistics							
	2025P	2024E	2023	2022	2021	2020	2019
Nominal GDP (\$ billions)	440.2	421.4	408.1	395.2	355.9	307.4	309.0
Growth rate (%)	4.4	3.3	3.2	11.0	15.8	(0.5)	3.9
Real GDP (\$billions)	336.1	328.7	326.1	322.9	311.1	290.6	299.9
Growth rate (%)	2.3	0.8	1.0	3.8	7.1	(3.1)	2.6
Population (thousands)	5,779	5,674	5,519	5,356	5,227	5,176	5,111
Population growth (%)	1.9	2.8	3.0	2.5	1.0	1.3	1.8
Labour Market							
Employment (thousands)	2,861	2,818	2,792	2,748	2,664	2,509	2,678
Growth rate (%)	1.5	0.9	1.6	3.2	6.2	(6.3)	2.7
Average Weekly Earnings (\$)	-	-	1,265.1	1,190.9	1,136.2	1,095.3	1,021.1
Growth rate (%)	-	-	6.2	4.8	3.7	7.3	2.0
Unemployment rate (%)	5.9	6.1	5.2	4.6	6.6	9.1	4.8
Other Indicators							
Housing starts	47,331	46,107	50,490	46,721	47,607	37,734	44,932
Retail sales (\$ millions)	115,011	111,257	108,784	107,889	104,653	92,916	91,305
Inflation rate (CPI)	2.2	2.7	3.9	6.9	2.8	0.8	2.3

E = estimate.

Sources: Statistics Canada/Haver Analytics and the Province's estimates and projections.

Government and Elections

Current Distribution of Seats in the Legislature			
Party in Power	NDP (majority)	NDP	55
Premier	David Eby	BC United (formerly Liberal Party)	26
Finance Minister	Katrine Conroy	Green Party	2
Next election	October 2024	Conservative Party	2
		Independent	2

Environmental, Social, and Governance (ESG) Credit Risk Considerations

Environmental

There were no environmental factors that had a relevant or significant effect on the credit analysis. For more details about which environmental factors could have an effect on the credit analysis, please refer to the following checklist.

Social

There were no social factors that had a relevant or significant effect on the credit analysis. For more details about which social factors could have an effect on the credit analysis, please refer to the following checklist.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the following checklist.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at <https://dbrs.morningstar.com/research/427030>.

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N**	Extent of the Effect on the ESG Factor on the Credit Analysis: None (N), Relevant (R) or Significant (S)*		
Environmental		Overall:	N	N
Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?		N	N
Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?		N	N
	Will recent regulatory changes have any adverse impact on economic resilience or public finances?		N	N
Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?		N	N
	Is the economy reliant on industries vulnerable to import or export price shocks?		N	N
Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?		N	N
Climate and Weather Risks	Will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?		N	N
Social		Overall:	N	N
Human Capital and Human Rights	Compared with regional or global peers, how competitive, flexible, and productive is the domestic labour force?		N	N
	Are labour and social conflicts source of economic volatility?		N	N
	Are individual and human rights broadly respected and in line with the population's expectations?		N	N
	Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?		N	N
	Human Capital and Human Rights:		N	N
Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?			
Governance		Overall:	N	N
Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?		N	N
	Bribery, Corruption, and Political Risks:		N	N
Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a similar degree of accountability, transparency, and effectiveness?		N	N
	Are regulatory and oversight bodies protected from inappropriate political influence?		N	N
	Are government officials exposed to public scrutiny and held to high ethical standards of conduct?		N	N
	Institutional Strength, Governance, and Transparency:		N	N
Peace and Security	Is the government likely to initiate or respond to hostilities with neighbouring governments?		N	N
	Is the government's authority over certain regions contested by domestic or foreign militias?		N	N
	Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?		N	N
	Peace and Security:		N	N
Consolidated ESG Criteria Output:			N	N

Statement of Operations						
(\$ millions)	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20
	Budget	Forecast	Actual	Actual	Actual	Actual
Revenue						
Tax Revenue						
Personal income tax	16,638	16,442	17,268	13,704	11,118	10,657
Corporate income tax	8,236	6,085	9,156	5,053	4,805	5,011
Sales tax	10,762	10,362	9,818	8,731	7,694	7,374
Other	13,578	13,330	12,783	13,229	10,549	10,224
Subtotal	49,214	46,219	49,025	40,717	34,166	33,266
Natural Resource Revenue						
Natural gas	754	684	2,255	920	196	118
Forests	689	691	1,887	1,893	1,304	988
Other	1,707	1,640	2,056	1,658	903	1,162
Subtotal	3,150	3,015	6,198	4,471	2,403	2,268
Net Income from GBE						
BC Hydro	712	314	360	668	688	705
Liquor and lotteries	2,413	2,566	2,783	2,400	1,581	2,443
ICBC	-	140	(197)	2,216	1,528	(376)
Other	188	187	152	140	167	146
Subtotal	3,313	3,207	3,098	5,424	3,964	2,918
Other Own-Source Revenue						
Medical Services Plan premiums	-	-	-	1	(4)	1,063
Other licenses and fees	5,468	5,362	4,928	4,583	4,333	4,509
Investment earnings	1,424	1,335	1,316	1,306	1,264	1,263
Miscellaneous	4,508	4,154	4,445	3,910	3,136	3,838
Subtotal	11,400	10,851	10,689	9,800	8,729	10,673
Federal Transfers						
Canada Health Transfer	7,153	7,113	6,432	6,431	5,701	5,523
Canada Social Transfer	2,322	2,273	2,174	2,110	2,042	1,971
Equalization	-	-	-	-	-	-
Other	4,971	4,642	3,757	3,138	2,548	2,041
Subtotal	14,446	14,028	12,526	11,980	12,894	9,535
Total Revenue as Reported	81,523	77,320	81,536	72,392	62,156	58,660
Growth rate (%)	5.4	(5.2)	12.6	16.5	6.0	2.7
Morningstar DBRS Adjustments						
Nonrecurring revenue	-	-	-	-	-	-
BC Hydro adjustment	(268.0)	(369.0)	1,162.0	608.0	604.0	(1,086.0)
Reg. account write-off	-	-	-	-	-	-
GBE interest expense	(1,151.0)	(936.0)	(721.0)	(848.0)	(880.0)	(905.0)
Sinking fund earnings (tax-sup. only)	(7.0)	(6.0)	(6.0)	(5.4)	(5.3)	(11.9)
Adjusted Total Revenue	80,097.0	76,009.0	81,971.0	72,146.6	61,874.7	56,657.1
Growth rate (%)	5.4	(7.3)	13.6	16.6	9.2	0.4

(\$ millions)	2024–25	2023–24	2022–23	2021–22	2020–21	2019–20
	Budget	Forecast	Actual	Actual	Actual	Actual
Expenses						
Program Expense						
Health	35,944	31,466	30,322	27,584	25,605	23,449
Education	19,479	17,858	16,991	15,795	14,943	14,735
Social services	10,473	9,145	9,652	7,268	7,789	5,887
Protection of persons and property	2,557	2,797	3,483	2,937	2,258	2,126
Transportation	2,775	2,457	3,319	4,453	3,360	2,126
Natural resources and economic development	4,441	5,447	6,284	5,213	4,191	3,778
General government	2,068	1,884	2,326	2,036	3,915	1,653
Other	3,707	3,380	5,736	3,058	2,841	2,501
Subtotal	81,444	74,434	78,113	68,344	64,902	56,255
Debt Servicing Costs						
Contingencies — General	3,885	4,500	-	-	-	-
Contingencies — Pandemic Recovery	-	1,000	-	-	-	-
	-	-	-	-	-	-
Total Expense as Reported	89,434	83,234	80,832	71,086	67,624	58,982
Growth Rate (%)	7.4	3.0	13.7	5.1	14.7	6.1
Morningstar DBRS Adjustments						
Nonrecurring expenditures						
Capital investment	14,104.0	10,107.0	6,755.0	6,002.0	5,428.0	4,772.0
Assume capital expenditure underspend	(2,115.6)	(1,516.1)	-	-	-	-
Amortization	(3,170.0)	(3,012.0)	(3,077.0)	(2,717.0)	(2,670.0)	(2,578.0)
GBE interest expense	(1,151.0)	(936.0)	(721.0)	(848.0)	(880.0)	(905.0)
Tax-sup. debt sinking fund earnings	(7.0)	(6.0)	(6.0)	(5.4)	(5.3)	(11.9)
Adjusted Total Expenditures	97,094.4	87,871.0	83,783.0	73,517.6	69,496.7	60,259.1
Growth Rate (%)	10.5	4.9	14.0	5.8	15.3	6.2

Statement of Financial Position						
	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20
(\$ millions)	Budget	Forecast	Actual	Actual	Actual	Actual
Financial Assets						
Cash & investments	3,616	3,865	8,247	7,142	6,560	3,985
Equity in gov't enterprises	13,872	13,121	12,634	12,223	9,623	6,515
Sinking fund investments	567	517	521	510	492	692
Loans recoverable from agencies	33,182	30,459	28,145	27,218	26,301	24,768
Other financial assets	18,103	17,741	19,077	17,105	15,399	12,394
Total Financial Assets	69,340	65,703	68,624	64,198	58,375	48,354
Liabilities						
Accounts payable and accrued liabilities	22,337	20,834	22,168	13,754	10,226	8,842
Deferred revenue	17,226	15,758	15,005	13,379	12,185	10,626
Unfunded pension liabilities	-	-	-	-	1	1
Employee future benefits	-	-	3,234	3,075	2,865	2,654
Tax-supported debt	88,826	72,034	60,564	62,565	59,982	46,669
Self-supported debt	33,562	30,805	28,332	27,209	26,275	24,847
Forecast allowance	-	-	-	-	-	-
Total Liabilities	161,951	139,431	129,303	119,982	111,534	93,639
Net Assets (Debt)	(92,611)	(73,728)	(60,679)	(55,784)	(53,159)	(45,285)
Nonfinancial assets	81,489	70,517	63,382	59,939	56,366	53,231
Accumulated Surplus (Deficit)	(11,122)	(3,211)	2,703	4,155	3,207	7,946
Net debt as a share of GDP (%)	22.0	18.1	15.4	15.7	17.3	14.7

Debt Profile (\$ millions)						
	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20
	Budget	Forecast	Actual	Actual	Actual	Actual
Tax-Supported Debt						
Notes, bonds, and debentures	85,408	68,491	56,491	58,875	56,579	43,534
Capital leases	239	253	262	264	280	285
Public-private partnerships	3,157	3,265	3,369	3,400	3,096	2,819
Other	18	21	26	26	27	31
Loan guarantees	5	5	5	6	4	5
Sinking funds	(187)	(171)	(219)	(230)	(236)	(445)
Net Tax-Supported Debt as Reported	88,639	71,863	59,934	62,341	59,750	46,229
Self-Supported Debt (net of sinking funds)						
BC Hydro	31,880	29,178	26,707	25,611	24,650	23,238
BC Lottery Corporation	146	132	201	195	228	233
Columbia Power Corporate	259	264	270	266	271	276
Columbia Basin power projects	1,241	1,271	1,298	1,319	1,349	1,387
Liquor Distribution Branch	287	263	242	230	233	210
Postsecondary institutions subsidiaries	717	717	685	615	520	504
Transportation Investment Corporation	-	-	-	-	-	-
Other	98	95	89	89	99	84
Net Self-Supported Debt as Reported	34,628	31,920	29,492	28,325	27,350	25,932
Net Public-Sector Debt	123,267	103,783	89,426	90,666	87,100	72,161
Calculation of Morningstar DBRS -Adjusted Debt						
Tax-supported debt	88,639	71,863	59,934	62,341	59,750	46,229
Unfunded pension liabilities	-	-	-	-	1	1
Cumulative capital expenditure underspend	(3,632)	(1,516)	-	-	-	-
Morningstar DBRS -Adjusted Debt	85,007	70,347	59,934	62,341	59,751	46,230
Share of nominal GDP (%)	20.2	17.2	15.2	17.5	19.4	15.0
Foreign Currency Exposure (net of hedges, share of total)						
Canadian dollars (%)	100	100	100	100	100	100
Other (%)	-	-	-	-	-	-
Floating-Rate Exposure (net of hedges, share of total)						
Fixed rate (%)	83	82	85	79	77	80
Floating and maturing within 12 months (%)	17	18	15	21	23	20

Rating History

	Current	2023	2022	2021	2020	2019
Issuer Rating	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)
Long-Term Debt	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)
Short-Term Debt	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)

Previous Report

- British Columbia, Province of: Rating Report, May 05, 2023.

Related Research

- *Rating Canadian Provincial and Territorial Governments*, April 15, 2024.
- *Province of British Columbia Budget 2024: Deeper Deficits and Rising Debt*, February 23, 2024.
- *2024 Canadian Provincial Credit Outlook: Despite a Slowing Economy, Public Finances to Remain Sustainable*, December 15, 2024.
- *Corporate Risk Assessment Scorecard for Canadian Provincial and Territorial Governments*, May 10, 2023.

Notes:

All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on <http://dbrs.morningstar.com>.

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