

Part 4: 2010/11 REVISED FINANCIAL FORECAST (THIRD QUARTERLY REPORT)

2010/11 Fiscal Year in Review

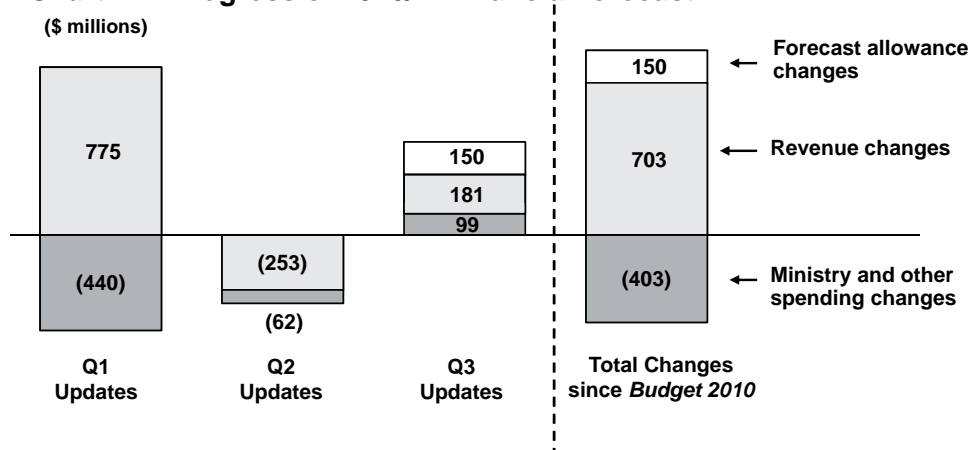
The deficit for 2010/11 is projected at \$1.3 billion, a \$450 million improvement from *Budget 2010*.

Table 4.1 Budget 2010 and Quarterly Report Updates

(\$ millions)	<i>Budget 2010</i>	First Quarterly Report	Second Quarterly Report	Third Quarterly Report
Revenue	39,190	39,965	39,712	39,893
Expense	(40,605)	(41,045)	(41,107)	(41,008)
Deficit before forecast allowance	(1,415)	(1,080)	(1,395)	(1,115)
Forecast allowance	(300)	(300)	(300)	(150)
Deficit	(1,715)	(1,380)	(1,695)	(1,265)
Capital spending:				
Taxpayer-supported capital spending	5,414	5,603	5,305	4,905
Self-supported capital spending	2,771	2,705	2,727	2,688
	8,185	8,308	8,032	7,593
Provincial Debt:				
Direct operating debt	7,511	7,640	7,927	7,987
Taxpayer-supported debt	33,748	33,669	33,765	33,388
Self-supported debt	13,709	13,650	13,740	13,743
Total debt	47,757	47,619	47,805	47,281
Taxpayer-supported debt-to-GDP ratio	17.2%	17.0%	16.8%	16.5%
Economic Forecast:				
2010 real GDP growth	2.2%	3.1%	3.1%	3.1%
2010 nominal GDP growth	4.5%	5.0%	5.0%	5.6%

The improvement reflects \$703 million in additional revenue, mainly due to higher corporate and sales tax revenue, partially offset by lower personal tax revenue and natural gas royalties. The revenue improvement was also partially offset by a \$403 million increase in expenses, mainly due to higher than expected forest firefighting and emergency program costs, and additional spending on programs whose costs are funded by third parties.

Chart 4.1 Progress of 2010/11 financial forecast



The forecast allowance was reduced by half to \$150 million to reflect the reduction in risks to the 2010/11 forecast for the remainder of the fiscal year. Further details on the changes from *Budget 2010* are provided in Table 4.2.

Changes since the Second *Quarterly Report*

Revenue in 2010/11 is projected to be \$181 million higher than the forecast in the second *Quarterly Report*, due primarily to:

- improvements to harmonized sales tax revenue reflecting increases to the 2009 tax bases and increases in property transfer tax revenue based on year-to-date collections;
- higher revenue from Medical Services Plan premiums; and
- improvements in fee and miscellaneous revenue sources from post-secondary institutions;

partially offset by

- a reduction in personal and corporate income tax revenue mainly due to lower 2009 tax assessments; and
- an overall decline in commercial Crown corporation net income projections, reflecting lower BC Hydro projections resulting from the negotiated settlement agreement on its rate application to BCUC, and a slower recovery in provincial liquor sales due to changes in consumer purchasing patterns.

Expense is forecast to be \$99 million lower than the forecast in the second *Quarterly Report*, including:

- lower CRF spending, including costs recovered from third parties, mainly due to benefits and interest costs savings and an adjustment to liabilities related to Medical Services Plan payments and the Vancouver Island Natural Gas Pipeline Agreement, partially offset by higher *Emergency Program Act* costs; and
- a reduction in other spending, reflecting revised projections for staffing and operating costs in the service delivery agencies.

More details on the changes from the second *Quarterly Report* can be found in Table 4.2.

Contingencies

Spending commitments and pressures totalling \$140 million have been notionally allocated to the Contingencies Vote.

Table 4.3 discloses both operating and statutory requirements for anticipated pressures in 2010/11, including the following significant cost items:

- an additional provincial expense related to the Teachers' Pension Plan, required as a result of the most recent actuarial valuation;
- the requirement to provide funding to address the BC Pavilion Corporation operating deficit;
- funding of the Sports and Arts Legacy, to support sports, culture and the arts across the province, including funding for the BC Arts Council and Spirit Festivals, and programming to enable more children and youth to play in organized sport and events, and assistance for high performing athletes to improve podium results;

Table 4.2 2010/11 Forecast Update

(\$ millions)	Q1 Update	Q2 Update	Q3 Update	Total Changes
2010/11 deficit – Budget 2010 Fiscal Plan (March 2, 2010)	<u>(1,715)</u>			<u>(1,715)</u>
2010/11 deficit – first Quarterly Report (September 14, 2010)		<u>(1,380)</u>		
2010/11 deficit – second Quarterly Report (November 25, 2010)			<u>(1,695)</u>	
Revenue changes:				
Personal income tax – weak 2009 tax assessments	(120)	(284)	(103)	(507)
Corporate income tax – strong 2009 and prior years' tax assessments	674	176	(59)	791
Harmonized sales tax – updated 2009 base	35	121	231	387
Property transfer tax – weak sales	-	(100)	50	(50)
Other tax sources – mainly tobacco, carbon and fuel	91	48	(16)	123
Forests – lower stumpage rates and border tax collections, partially offset by improved harvest volumes	(29)	(50)	10	(69)
Natural gas royalties – reduced price outlook	(166)	(155)	(12)	(333)
Crown land tenures – mainly reflects one-year extension to deferral of cash receipts	(58)	(11)	2	(67)
Coal, metals and minerals – mainly reflects changes in coal prices	92	(22)	10	80
Other energy and natural resources – mainly lower electricity prices	(43)	(28)	6	(65)
Fees, licenses, investment earnings and miscellaneous sources	133	57	83	273
Health and social transfers – mainly offset resulting from tax changes	(38)	23	18	3
Disaster Financial Assistance, Labour Market Development and Strategic Training	152	(3)	-	149
Other federal government transfers – reflects SUCH sector projections of federal grants	69	(12)	9	66
Commercial Crown agencies operating results:				
BC Hydro – reflects the negotiated settlement agreement on its rate application to the BC Utilities Commission	(13)	4	(37)	(46)
Liquor Distribution Branch – consumer shift in purchasing patterns and reduced sales ..	(11)	(35)	(31)	(77)
BC Lotteries – impact of lower consumer discretionary spending	(35)	-	-	(35)
ICBC – mainly lower claims costs	36	19	3	58
Other commercial Crown agencies changes	6	(1)	17	22
Total revenue changes	<u>775</u>	<u>(253)</u>	<u>181</u>	<u>703</u>
Less: expense increases (decreases):				
Consolidated Revenue Fund changes:				
Forest firefighting costs	220	(42)	(10)	168
Emergency program costs for floods and interface fires	-	-	39	39
Employee benefit costs savings	-	-	(25)	(25)
Transfer of BC Rail shares to BC Transportation Financing Authority	110	-	-	110
Management of public debt (net) – mainly lower interest rates	(2)	(7)	(36)	(45)
Liability adjustments (prior year over accruals)	-	-	(55)	(55)
Spending funded by third party recoveries	155	35	32	222
(Increase) decrease in operating transfers to service delivery agencies	(128)	94	21	(13)
Changes in spending profile of service delivery agencies:				
School districts – reflects additional spending on maintenance	-	51	14	65
Post secondary institutions – mainly spending related to federal research grants	98	6	22	126
Health authorities and hospital societies – revised projections for staffing and operating costs	23	6	(68)	(39)
Other service delivery agencies	(36)	(81)	(33)	(150)
Total expense increases (decreases)	<u>440</u>	<u>62</u>	<u>(99)</u>	<u>403</u>
Forecast allowance changes	<u>-</u>	<u>-</u>	<u>150</u>	<u>150</u>
Net change	<u>335</u>	<u>(315)</u>	<u>430</u>	<u>450</u>
2010/11 deficit – first Quarterly Report	<u>(1,380)</u>			
2010/11 deficit – second Quarterly Report		<u>(1,695)</u>		
2010/11 deficit – third Quarterly Report			<u>(1,265)</u>	<u>(1,265)</u>

Table 4.3 2010/11 Notional Allocations to Contingencies

	(\$ millions)
Costs arising from the BC Teachers' Pension Plan actuarial valuation	31
Funding to address BC Pavilion Corporation's 2010/11 deficit	25
2010 Sports and Arts Legacy	20
Climate action and clean energy initiatives	20
Impaired driving initiative and Enhanced Driver Licence/Identity Card costs	13
Increased crop insurance claims primarily due to flooding (statutory)	13
Grants to resort municipalities for tourism initiatives	8
Treaty 8 and other First Nations agreements	4
<i>Public Inquiry Act</i> pressures (statutory)	3
Operating funds authorized for the Officers of the Legislature, including Elections BC	2
Support for the remediation of provincial heritage properties	1
Subtotal notional allocations	140
Reserved for pressures related to litigation, caseload, natural disasters, and other contingent items	310
Total Contingencies Vote	450

- funding for Climate Action and Clean Energy initiatives including the recently announced LiveSmart BC: Small Business Program;
- support for costs associated with the impaired driving initiative and pressures arising from the Enhanced Driver's Licence and Identity card implementation;
- statutory spending to address higher than anticipated insurance claims for crop damage on farms affected by flooding and other extreme weather events; and
- grants to BC's resort municipalities to replace the nine months of Resort Municipality Tax transfer that ended with the elimination of the PST on July 1, 2010. The allocation supports local tourism infrastructure projects and government is committed to an annual allocation in future years.

The unallocated contingency room will be available to address issues emerging before the end of the fiscal year.

2010 Olympic and Paralympic Winter Games Update

The provincial government and its partners are in the final stage of completing various wind-up activities related to the 2010 Olympic and Paralympic Winter Games (2010 Games). During 2010, the provincial government and its partners released a number of 2010 Games reports:

- In July 2010, the Province released a report providing details on the provincial government's financial commitment to the 2010 Games as well as other investments to maximize the social and economic benefits and legacies of the 2010 Games.
- In December 2010, the Vancouver Organizing Committee (VANOC) released its audited financial results for the year ended July 31, 2010, showing it ended the year in a balanced position, which greatly reduced the financial risk to all partners from winding up 2010 Games activities.
- In December 2010, the Province and Canada released two reports by Price-Waterhouse-Coopers (PWC) on the estimated accumulated social and economic impact of the 2010 Games on British Columbia and Canada up to March 31, 2010.

A further report is expected from PWC later this year that looks at the accumulated 2010 Games impacts for the full 2010 year.

There have been a few material changes since the release of the province's July 2010 report. The 2010/11 Contingencies Vote still retains a small allocation within the overall \$765 million provincial funding commitment to address any remaining financial risks associated with completing the wind-up of the 2010 Games.

Capital spending

Total capital spending is forecast to be \$7.6 billion in 2010/11, \$439 million lower than the projection in the second *Quarterly Report* (see Table 4.4).

Table 4.4 2010/11 Capital Spending Update

(\$ millions)	Q1 Update	Q2 Update	Q3 Update	Total Changes
2010/11 capital spending – Budget 2010 Fiscal Plan (March 2, 2010)	8,159			8,159
2010/11 capital spending – first Quarterly Report (September 14, 2010)		8,308		
2010/11 capital spending – second Quarterly Report (November 25, 2010) ..			8,032	
Taxpayer-supported changes:				
Education – mainly project scheduling changes, increased spending by school districts from their own sources of funds, and addition of full day kindergarten offset by a reduction of the annual facility grant amounts used for capital purposes ..	16	(24)	(43)	(51)
Post-secondary education – mainly project scheduling changes partially offset by increased spending on self-funded projects.....	65	46	74	185
Health – mainly project scheduling changes, revised costs for the Children's and Women's Hospital and Surrey Memorial Hospital's Emergency Department/Critical Care Tower	(23)	(8)	(81)	(112)
BCTFA – mainly project scheduling changes	100	(132)	(124)	(156)
Social housing – mainly project scheduling changes	(23)	(90)	(15)	(128)
Other changes – mainly project scheduling changes for the BC Place redevelopment project.....	54	(19)	(111)	(76)
Capital contingencies – reflects allocation to government ministries, full day kindergarten projects, and timing of requirements	-	(71)	(100)	(171)
Total taxpayer-supported	189	(298)	(400)	(509)
Self-supported changes:				
BC Hydro – mainly delays in generation and transmission projects and lower costs for numerous projects	(14)	10	(214)	(218)
Columbia River power projects – commencement of the Waneta Dam power expansion project	2	-	49	51
Transportation Investment Corporation – Port Mann Bridge/Highway 1 construction ahead of schedule	-	27	109	136
ICBC – mainly delays in the Transformation Program to modernize critical business systems	(28)	(15)	4	(39)
Other	-	-	13	13
Total self-supported	(40)	22	(39)	(57)
Total changes	149	(276)	(439)	(566)
Capital spending – first Quarterly Report	8,308			
Capital spending – second Quarterly Report		8,032		
Capital spending – third Quarterly Report			7,593	7,593

The change in taxpayer-supported capital spending is mainly due to project scheduling changes and a reduction in the capital contingencies, partially offset by higher than expected spending by post-secondary institutions from their own sources of funds.

The reduction in projected commercial Crown corporation capital spending reflects delays in BC Hydro electricity generation and transmission projects, partially offset by the acceleration of the Port Mann Bridge construction and commencement of the Waneta Dam power expansion project.

Provincial debt

Total provincial debt is projected to be \$524 million lower at March 31, 2011 compared to the projections in the second *Quarterly Report*, reflecting reductions in the projected taxpayer-supported debt and the forecast allowance, partially offset by a slight increase in self-supported debt.

Table 4.5 2010/11 Provincial Debt Update

(\$ millions)	Q1 Update	Q2 Update	Q3 Update	Total Changes
2010/11 provincial debt – Budget 2010 Fiscal Plan (March 2, 2010)	47,757			47,757
2010/11 provincial debt – first Quarterly Report (September 14, 2010)		47,619		
2010/11 provincial debt – second Quarterly Report (November 25, 2010)			47,805	
Taxpayer-supported debt changes:				
Government operating:				
2009/10 changes:				
– impact of using available cash to reduce accounts payable	838	-		838
– lower cash revenue and higher special purpose investment balances	339	-	-	339
Impact of higher debt balance at March 31, 2010	1,177	-	-	1,177
2010/11 fiscal plan updates:				
– Bonus bid proceeds	(302)	93	15	(194)
– Higher cash advances mainly from the federal government	(735)	73	20	(642)
– Other changes, mainly working capital	(11)	121	25	135
Total operating debt changes	129	287	60	476
Education facilities – mainly impact of capital spending changes and lower opening debt at March 31, 2010	(58)	2	(118)	(174)
Health facilities – mainly lower capital spending projections	(72)	(18)	(89)	(179)
Transportation – impact of increases to fuel tax revenue and lower capital spending	(143)	(42)	(66)	(251)
Social housing – change in timing of not-for-profit projects	91	(68)	2	25
Other changes	(26)	(65)	(166)	(257)
Total taxpayer-supported	(79)	96	(377)	(360)
Self-supported debt changes:				
BC Hydro – mainly impact of cash flow requirements for capital projects	(48)	64	(269)	(253)
BC Lotteries – impact of lower debt balance at March 31, 2010	(66)	-	4	(62)
Columbia River power projects – mainly impact of cash flow requirements for Waneta Dam power expansion.....	-	-	287	287
Transportation Investment Corporation – impact of working capital changes.....	(13)	26	(18)	(5)
Post-secondary institutions' subsidiaries – impact of higher debt balance at March 31, 2010	67	-	-	67
Other changes	1	-	(1)	-
Total self-supported	(59)	90	3	34
Forecast allowance change	-	-	(150)	(150)
Total changes	(138)	186	(524)	(476)
Provincial debt – first Quarterly Report	47,619			
Provincial debt – second Quarterly Report		47,805		
Provincial debt – third Quarterly Report			47,281	47,281

The reduction in taxpayer-supported debt is mainly due to reduced borrowing for capital transfers (see Table 4.5), partially offset by the increased borrowing for government operating purposes. The change in self-supported debt reflects additional borrowing for Columbia River power projects (Waneta Dam power expansion), partially offset by decreased capital cash flow requirements for BC Hydro and the Transportation Investment Corporation.

The key taxpayer-supported debt-to-GDP ratio is projected to be 16.5 per cent by the end of 2010/11, an improvement of 0.3 percentage points from the second *Quarterly Report*.

Risks to the 2010/11 outlook

The major risks to the 2010/11 forecast stem from changes to the main tax bases (personal and corporate income, sales and property transfer) that are dependent on economic activity in BC and its trading partners, commodity prices (especially natural gas, lumber and electricity) and exchange rate fluctuations.

The spending forecast contained in the fiscal plan is based on ministry and service delivery agency spending plans and strategies. Changes to planning assumptions, such as utilization or demand rates for government services in the health care, education, or community social services sectors, represent the main spending risks.

These risks, as well as further government spending initiatives and the potential impact of accounting policy changes, are covered by the \$450 million Contingencies Vote and the \$150 million forecast allowance.

Table 4.6 2010/11 Operating Statement

(\$ millions)	Year-to-Date to December 31				Full Year			
	2010/11		Variance	Actual 2009/10	2010/11		Variance	Actual 2009/10
	Budget	Actual			Budget	Forecast		
Revenue	29,298	29,196	(102)	27,319	39,190	39,893	703	37,521
Expense	(29,331)	(29,103)	228	(28,707)	(40,605)	(41,008)	(403)	(39,300)
Surplus (deficit) before forecast allowance	(33)	93	126	(1,388)	(1,415)	(1,115)	300	(1,779)
Forecast allowance	-	-	-	-	(300)	(150)	150	-
Surplus (deficit)	(33)	93	126	(1,388)	(1,715)	(1,265)	450	(1,779)
Accumulated surplus beginning of the year ..	4,211	4,827	616	6,639	4,211	4,860	649	6,639
Accumulated surplus before comprehensive income	4,178	4,920	742	5,251	2,496	3,595	1,099	4,860
Accumulated other comprehensive income from self-supported Crown agencies	(67)	314	381	396	(67)	335	402	412
Accumulated surplus end of period	4,111	5,234	1,123	5,647	2,429	3,930	1,501	5,272

Table 4.7 2010/11 Revenue by Source

(\$ millions)	Year-to-Date to December 31				Full Year			
	2010/11			Actual 2009/10	2010/11			Actual 2009/10
	Budget	Actual	Variance		Budget	Forecast	Variance	
Taxation								
Personal income	4,357	4,053	(304)	4,146	5,861	5,354	(507)	5,529
Corporate income	872	1,009	137	896	847	1,638	791	1,317
Harmonized sales	2,457	2,735	278	-	3,784	4,171	387	-
Other sales ¹	1,338	1,347	9	3,653	1,399	1,399	-	4,765
Fuel	661	719	58	666	877	946	69	884
Carbon	514	523	9	376	727	740	13	542
Tobacco	534	585	51	523	686	737	51	682
Property	1,436	1,431	(5)	1,412	1,906	1,891	(15)	1,884
Property transfer	713	675	(38)	692	900	850	(50)	887
Other ²	350	338	(12)	468	435	440	5	612
	13,232	13,415	183	12,832	17,422	18,166	744	17,102
Natural resources								
Natural gas royalties	508	258	(250)	282	698	365	(333)	406
Forests	339	284	(55)	239	491	422	(69)	387
Other natural resource ³	1,515	1,438	(77)	1,378	2,019	1,967	(52)	1,853
	2,362	1,980	(382)	1,899	3,208	2,754	(454)	2,646
Other revenue								
Medical Services Plan premiums	1,306	1,334	28	1,240	1,741	1,798	57	1,666
Other fees ⁴	1,891	1,908	17	1,779	2,615	2,749	134	2,453
Investment earnings	640	589	(51)	702	921	891	(30)	963
Miscellaneous ⁵	1,842	1,957	115	1,836	2,597	2,709	112	2,754
	5,679	5,788	109	5,557	7,874	8,147	273	7,836
Contributions from the federal government								
Health and social transfers	3,873	3,862	(11)	3,661	5,165	5,168	3	4,883
Harmonized sales tax transition payments	769	769	-	-	769	769	-	250
Other federal contributions ⁶	1,163	1,229	66	1,093	1,751	1,966	215	1,784
	5,805	5,860	55	4,754	7,685	7,903	218	6,917
Commercial Crown corporation net income								
BC Hydro ⁷	401	382	(19)	302	617	571	(46)	447
Liquor Distribution Branch	756	702	(54)	695	974	897	(77)	877
BC Lotteries (net of payments to the federal government)	839	828	(11)	798	1,106	1,071	(35)	1,070
ICBC	223	215	(8)	457	303	361	58	601
Transportation Investment Corporation (Port Mann)	(14)	(6)	8	(1)	(19)	(9)	10	(4)
Other	15	32	17	26	20	32	12	29
	2,220	2,153	(67)	2,277	3,001	2,923	(78)	3,020
Total revenue	29,298	29,196	(102)	27,319	39,190	39,893	703	37,521

¹ Includes social service tax and continuation of the tax on designated property.² Corporation capital, insurance premium and hotel room taxes.³ Columbia River Treaty, other energy and minerals, water rental and other resources.⁴ Post-secondary, healthcare-related, motor vehicle, and other fees.⁵ Includes asset dispositions, reimbursements for health care and other services provided to external agencies, and other recoveries.⁶ Includes contributions for health, education, community development, housing and social service programs, and transportation projects.⁷ In July 2010 BC Hydro was re-amalgamated with BC Transmission Corporation. Amounts for 2010/11 have been restated to reflect this change.

Table 4.8 2010/11 Expense by Ministry, Program and Agency

(\$ millions)	Year-to-Date to December 31				Full Year			
	2010/11			Actual 2009/10 ¹	2010/11			Actual 2009/10 ¹
	Budget	Actual	Variance		Budget ¹	Forecast	Variance	
Office of the Premier	5	4	(1)	5	7	7	-	7
Aboriginal Relations and Reconciliation	59	59	-	75	81	81	-	128
Agriculture	58	68	10	54	69	69	-	85
Attorney General	356	345	(11)	350	469	469	-	540
Children and Family Development	999	981	(18)	980	1,334	1,334	-	1,306
Citizens' Services	465	396	(69)	447	622	597	(25)	519
Community, Sport and Cultural Development ..	269	228	(41)	144	340	340	-	172
Education	3,888	3,854	(34)	3,676	5,164	5,164	-	5,012
Energy	42	31	(11)	32	56	56	-	35
Environment	101	87	(14)	88	136	136	-	124
Finance	50	123	73	43	78	188	110	108
Forests, Mines and Lands	237	159	(78)	175	329	329	-	266
Health Services	11,189	10,975	(214)	10,563	14,796	14,796	-	13,897
Labour	12	11	(1)	11	16	16	-	16
Natural Resource Operations	260	449	189	664	338	506	168	764
Public Safety and Solicitor General	732	749	17	723	977	1,016	39	1,011
Regional Economic and Skills Development	536	497	(39)	609	717	717	-	726
Science and Universities	1,072	1,053	(19)	1,050	1,415	1,415	-	1,403
Social Development	1,770	1,754	(16)	1,697	2,354	2,354	-	2,257
Tourism, Trade and Investment	86	84	(2)	77	106	106	-	101
Transportation and Infrastructure	554	553	(1)	540	753	753	-	732
Total ministries and Office of the Premier	22,740	22,460	(280)	22,003	30,157	30,449	292	29,209
Management of public funds and debt	972	923	(49)	845	1,301	1,256	(45)	1,141
Contingencies	-	-	-	-	450	450	-	360
Funding for capital expenditures	994	690	(304)	517	1,751	1,284	(467)	866
Legislative and other appropriations	93	84	(9)	113	123	123	-	148
Subtotal	24,799	24,157	(642)	23,478	33,782	33,562	(220)	31,724
Prior year liability adjustments	-	-	-	-	-	(55)	(55)	-
Consolidated revenue fund expense	24,799	24,157	(642)	23,478	33,782	33,507	(275)	31,724
Expenses recovered from external entities	1,914	2,028	114	1,982	2,741	2,963	222	2,748
Funding provided to service delivery agencies	(15,482)	(14,930)	552	(14,309)	(20,704)	(20,250)	454	(19,240)
Total direct program spending	11,231	11,255	24	11,151	15,819	16,220	401	15,232
Service delivery agency expense								
School districts	3,899	3,885	(14)	3,855	5,440	5,505	65	5,379
Universities	2,619	2,662	43	2,543	3,680	3,785	105	3,573
Colleges and institutes	762	768	6	768	1,047	1,068	21	1,055
Health authorities and hospital societies	8,291	8,189	(102)	7,990	11,141	11,102	(39)	10,761
Other service delivery agencies	2,529	2,344	(185)	2,400	3,478	3,328	(150)	3,300
	18,100	17,848	(252)	17,556	24,786	24,788	2	24,068
Total expense	29,331	29,103	(228)	28,707	40,605	41,008	403	39,300

¹ Restated to reflect government's organization and/or accounting policies as at December 31, 2010.

Table 4.9 2010/11 Expense By Function

(\$ millions)	Year-to-Date to December 31				Full Year			
	2010/11			Actual	2010/11			Actual
	Budget	Actual	Variance	2009/10 ¹	Budget ¹	Forecast	Variance	2009/10 ¹
Health:								
Medical Services Plan	2,903	2,878	(25)	2,662	3,801	3,831	30	3,536
Pharmacare	906	885	(21)	823	1,095	1,109	14	1,053
Regional services	7,802	7,635	(167)	7,626	10,627	10,593	(34)	9,966
Other healthcare expenses ²	702	665	(37)	737	951	1,024	73	904
	<u>12,313</u>	<u>12,063</u>	<u>(250)</u>	<u>11,848</u>	<u>16,474</u>	<u>16,557</u>	<u>83</u>	<u>15,459</u>
Education:								
Elementary and secondary	4,085	4,102	17	4,063	5,809	5,870	61	5,778
Post-secondary	3,507	3,515	8	3,450	4,556	4,768	212	4,740
Other education expenses ³	245	321	76	285	455	503	48	528
	<u>7,837</u>	<u>7,938</u>	<u>101</u>	<u>7,798</u>	<u>10,820</u>	<u>11,141</u>	<u>321</u>	<u>11,046</u>
Social services:								
Social assistance ^{2,3}	1,155	1,128	(27)	1,140	1,511	1,500	(11)	1,462
Childcare services ²	851	821	(30)	846	1,171	1,118	(53)	1,077
Community living and other services	523	538	15	494	772	784	12	729
	<u>2,529</u>	<u>2,487</u>	<u>(42)</u>	<u>2,480</u>	<u>3,454</u>	<u>3,402</u>	<u>(52)</u>	<u>3,268</u>
Protection of persons and property	1,071	1,002	(69)	1,106	1,456	1,507	51	1,380
Transportation	1,058	1,101	43	1,015	1,515	1,527	12	1,453
Natural resources and economic development	1,192	1,267	75	1,465	1,520	1,630	110	1,883
Other	811	808	(3)	790	1,415	1,411	(4)	1,418
Contingencies	-	-	-	-	450	450	-	-
General government	780	761	(19)	574	1,120	1,107	(13)	1,224
Debt servicing	1,740	1,676	(64)	1,631	2,381	2,276	(105)	2,169
Total expense	<u>29,331</u>	<u>29,103</u>	<u>(228)</u>	<u>28,707</u>	<u>40,605</u>	<u>41,008</u>	<u>403</u>	<u>39,300</u>

¹ Restated to reflect government's organization and accounting policies as at December 31, 2010.

² Payments for healthcare services by the Ministry of Social Development and the Ministry of Children and Family Development made on behalf of their clients are reported in the Health function.

³ Payments for training costs by the Ministry of Social Development made on behalf of its clients are reported in the Education function.

Table 4.10 2010/11 Capital Spending

(\$ millions)	Year-to-Date to December 31				Full Year			
	2010/11			Actual	2010/11			Actual
	Budget	Actual	Variance	2009/10	Budget	Forecast	Variance	2009/10
Taxpayer-supported								
Education								
Schools (K–12)	361	304	(57)	344	481	430	(51)	482
Post-secondary	561	551	(10)	404	743	928	185	672
Health	871	482	(389)	485	1,161	1,049	(112)	927
BC Transportation Financing Authority	1,113	988	(125)	749	1,483	1,327	(156)	918
BC Transit	67	25	(42)	88	89	61	(28)	150
Vancouver Convention Centre expansion project	6	6	-	39	8	10	2	41
BC Place redevelopment	293	156	(137)	47	390	298	(92)	75
Government operating (ministries)	211	131	(80)	182	355	396	41	306
Other ¹	303	189	(114)	107	404	277	(127)	183
Capital spending contingencies	-	-	-	-	300	129	(171)	-
Total taxpayer-supported	3,786	2,832	(954)	2,445	5,414	4,905	(509)	3,754
Self-supported								
BC Hydro ²	1,397	1,281	(116)	1,144	1,784	1,566	(218)	2,406
BC Transmission Corporation	-	-	-	9	-	-	-	12
Columbia River power projects ³	9	52	43	12	12	63	51	16
Transportation Investment Corporation (Port Mann)	552	623	71	454	735	871	136	777
BC Railway Company	-	8	8	7	-	14	14	14
ICBC	75	40	(35)	18	83	44	(39)	22
BC Lotteries	86	60	(26)	69	107	107	-	92
Liquor Distribution Branch	19	11	(8)	12	24	23	(1)	19
Total self-supported	2,138	2,075	(63)	1,725	2,745	2,688	(57)	3,358
Total capital spending	5,924	4,907	(1,017)	4,170	8,159	7,593	(566)	7,112

¹ Includes BC Housing Management Commission, Provincial Rental Housing Corporation and other service delivery agencies.

² Amounts for 2010/11 include BC Transmission Corporation as it was re-amalgamated with BC Hydro in July 2010.

³ Joint ventures of the Columbia Power Corporation and Columbia Basin Trust.

Table 4.11 2010/11 Provincial Debt ¹

(\$ millions)	Year-to-Date to December 31				Full Year			
	Budget	Actual	Variance	Actual 2009/10	Budget	Forecast	Variance	Actual 2009/10
Taxpayer-supported debt								
Provincial government operating ²	4,498	3,927	(571)	3,851	4,815	5,291	476	4,663
Provincial government general capital ³	2,696	2,696	-	2,696	2,696	2,696	-	2,696
Provincial government operating	7,194	6,623	(571)	6,547	7,511	7,987	476	7,359
Other taxpayer-supported debt (mainly capital)								
Education ^{2,4}								
Schools	6,102	5,895	(207)	5,785	6,194	6,039	(155)	5,777
Post-secondary institutions	4,043	4,040	(3)	3,866	4,111	4,092	(19)	3,843
	10,145	9,935	(210)	9,651	10,305	10,131	(174)	9,620
Health ^{2,4,5}	4,891	4,646	(245)	4,170	5,074	4,895	(179)	4,389
Highways and public transit								
BC Transportation Financing								
Authority ⁶	5,921	5,576	(345)	4,970	6,136	5,900	(236)	5,211
Public transit ²	997	997	-	1,057	997	997	-	997
SkyTrain extension	1,154	1,155	1	1,154	1,154	1,153	(1)	1,154
BC Transit	179	161	(18)	113	186	172	(14)	140
	8,251	7,889	(362)	7,294	8,473	8,222	(251)	7,502
Other								
Social housing ⁷	484	471	(13)	293	530	555	25	305
Provincial government general capital ³	667	423	(244)	-	774	719	(55)	294
BC Pavilion Corporation	321	227	(94)	30	409	298	(111)	49
BC Immigrant Investment Fund	295	337	42	283	297	347	50	289
Homeowner Protection Office	-	-	-	156	-	-	-	144
Other ⁸	309	123	(186)	67	375	234	(141)	70
	2,076	1,581	(495)	829	2,385	2,153	(232)	1,151
Total other taxpayer-supported	25,363	24,051	(1,312)	21,944	26,237	25,401	(836)	22,662
Total taxpayer-supported debt	32,557	30,674	(1,883)	28,491	33,748	33,388	(360)	30,021
Self-supported debt								
Commercial Crown corporations								
BC Hydro	11,606	11,738	132	9,932	11,830	11,647	(183)	10,792
BC Transmission Corporation	70	-	(70)	81	70	-	(70)	70
Columbia River power projects ⁹	184	183	(1)	196	181	468	287	196
BC Lotteries	122	65	(57)	65	128	66	(62)	60
Transportation Investment								
Corporation (Port Mann)	1,178	1,133	(45)	576	1,365	1,360	(5)	544
Liquor Distribution Branch	1	1	-	1	1	1	-	1
Post-secondary institutions' subsidiaries								
	134	201	67	134	134	201	67	201
	13,295	13,321	26	10,985	13,709	13,743	34	11,864
Warehouse borrowing program	-	609	609	723	-	-	-	-
Total self-supported debt	13,295	13,930	635	11,708	13,709	13,743	34	11,864
Forecast allowance	125	-	(125)	-	300	150	(150)	-
Total provincial debt	45,977	44,604	(1,248)	40,199	47,757	47,281	(476)	41,885

¹ Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

² In 2009/10, sinking funds for debt related to schools, post-secondary education, health care and public transit were liquidated and the proceeds (\$763 million) used to offset direct operating borrowing requirements.

³ Separate disclosures of borrowing for ministries' capital spending were applied prospectively beginning in fiscal 2009/10.

⁴ Includes debt and guarantees incurred by the government on behalf of school districts, universities, colleges and health authorities/hospital societies (SUCH), and debt directly incurred by these entities.

⁵ Health facilities' debt includes public-private partnership obligations of \$886 million for the nine months ended December 31, 2010 and \$932 million for fiscal 2010/11.

⁶ BC Transportation Financing Authority debt includes public-private partnership obligations of \$824 million for the nine months ended December 31, 2010 and \$852 million for fiscal 2010/11.

⁷ Includes the BC Housing Management Commission and the Provincial Rental Housing Corporation.

⁸ Includes service delivery agencies, student loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs and loan guarantee provisions.

⁹ Joint ventures of the Columbia Power Corporation and Columbia Basin Trust.

Table 4.12 2010/11 Statement of Financial Position

(\$ millions)	Actual March 31, 2010	Year-to-Date December 31, 2010	Forecast March 31, 2011
Financial assets			
Cash and temporary investments	2,913	3,368	2,740
Other financial assets	8,731	7,883	9,198
Sinking funds	1,329	1,425	1,411
Investments in commercial Crown corporations:			
Retained earnings	7,231	7,308	6,924
Recoverable capital loans	11,471	12,940	13,078
	<u>18,702</u>	<u>20,248</u>	<u>20,002</u>
Warehouse borrowing program assets	-	609	-
	<u>31,675</u>	<u>33,533</u>	<u>33,351</u>
Liabilities			
Accounts payable and accrued liabilities	6,994	7,037	7,099
Deferred revenue	9,997	10,649	10,636
Debt:			
Taxpayer-supported debt	30,021	30,674	33,388
Self-supported debt	11,864	13,930	13,743
Forecast allowance	-	-	150
Total provincial debt	<u>41,885</u>	<u>44,604</u>	<u>47,281</u>
Add: debt offset by sinking funds	1,329	1,425	1,411
Less: guarantees and non-guaranteed debt	<u>(493)</u>	<u>(461)</u>	<u>(758)</u>
Financial statement debt	<u>42,721</u>	<u>45,568</u>	<u>47,934</u>
	<u>59,712</u>	<u>63,254</u>	<u>65,669</u>
Net liabilities	(28,037)	(29,721)	(32,318)
Capital and other non-financial assets			
Tangible capital assets	32,371	33,788	35,271
Other non-financial assets	938	1,200	977
	<u>33,309</u>	<u>34,988</u>	<u>36,248</u>
Accumulated surplus (deficit)	<u>5,272</u>	<u>5,267</u>	<u>3,930</u>

Changes in Financial Position

(\$ millions)	Year-to-Date December 31, 2010	Forecast March 31, 2011
(Surplus) deficit for the period	(93)	1,265
Comprehensive income and other accounting changes	98	77
(Increase) decrease in accumulated surplus	<u>5</u>	<u>1,342</u>
Capital and other non-financial asset changes:		
Increase in taxpayer-supported capital investments	2,832	4,905
Less: amortization and other accounting changes	<u>(1,415)</u>	<u>(2,005)</u>
Change in net capital assets	1,417	2,900
Increase (decrease) in other non-financial assets	262	39
	<u>1,679</u>	<u>2,939</u>
Increase (decrease) in net liabilities	<u>1,684</u>	<u>4,281</u>
Investment and working capital changes:		
Increase (reduction) in cash and temporary investments	455	(173)
Increase in total investment in commercial Crown corporations:		
Increase (decrease) in retained earnings	77	(307)
Self-supported capital investments	2,075	2,688
Less: loan repayments and other accounting changes	<u>(606)</u>	<u>(1,081)</u>
	1,546	1,300
Other working capital changes	<u>(838)</u>	<u>(195)</u>
	<u>1,163</u>	<u>932</u>
Increase (decrease) in financial statement debt	<u>2,847</u>	<u>5,213</u>
(Increase) decrease in sinking fund debt	<u>(96)</u>	<u>(82)</u>
Increase (decrease) in guarantees and non-guaranteed debt	<u>(32)</u>	<u>265</u>
Increase (decrease) in total provincial debt	<u><u>2,719</u></u>	<u><u>5,396</u></u>