



GREATER VANCOUVER
BOARD OF TRADE



GVBOT Analysis: **B.C. Budget 2022**



Overview

On Tuesday February 22, B.C. Minister of Finance, Selina Robinson, presented the 2022 [provincial budget](#) titled “Stronger Together”. The provincial budget follows the launch of a new [provincial economic strategy](#), released last week.

This is the second budget introduced by Minister Robinson since the NDP were elected as a majority government in the October 2020 provincial election. The main themes of the budget are Building a Stronger Society by Putting People First, Building a Strong Economy for Everyone, and Building a Stronger Environment for Our Future.

Budget materials include the government’s [news release](#), a [budget highlights](#) document, the [budget speech](#) read by Minister Robinson and the updated [ministry service plans](#).

Fiscal Highlights

Economic Forecast

It is estimated that the B.C. economy expanded by 5.0% in 2021, following a 3.4% decline in 2020. The economy is forecast to expand by 4.0% in 2022 and 2.5% in 2023. Over the medium-term (2024 to 2026), growth is expected to slow significantly and return to the 2.1% and 2.4% range, annually.

B.C.’s growth is expected to compare favourably to other provinces due to a mix of factors including strong population growth and large scale private and public megaprojects including LNG Canada, Site C, the TransMountain Pipeline, and various other initiatives.

Real business investment is estimated to have grown by 9.5% last year (following 1.3% growth in 2020) and is projected to grow by only 1.0% in 2022. Over the 2023 to 2026 period, growth is forecast to range from 1.1% and 3.0% annually. The province notes that the LNG Canada project is expected to generate a significant amount of economic activity which will support B.C.’s economy over the forecast horizon.

Fiscal Situation

Budget 2022 projects an operating deficit of \$483 million in 2021-22, following a \$5.5 billion deficit in 2020-21.

The deficit increases to \$5.4 billion in 2023 and totals \$12.4 billion over the three-year forecast.

B.C. Three-Year Forecast

(\$ millions)	2021-22	2022-23	2023-24	2024-25
Revenue	70,220	68,552	70,177	72,325
Expenses	66,453	71,013	72,359	74,506
Pandemic/Recovery Contingency	3,250	2,000	1,000	-
Forecast Allowance	1,000	1,000	1,000	1,000
Deficit	(483)	(5,461)	(4,182)	(3,181)
Other Contingencies	1,000	2,848	3,412	3,987

The overall fiscal cushion included in the forecast is substantial. Over three years there is a total of \$16.2 billion in the forecast allowance, pandemic/recovery contingencies, and general program contingencies. The overall level of contingencies exceeds the deficit forecasts over the three-year period. This cushion could be used either on government's priorities in the near-term or be used to reduce the overall deficit.

Revenues & Expenses

Revenues have strongly outperformed Budget 2021 expectations. Revenue is stronger across nearly all categories including property transfer taxes, personal and corporate tax, natural resource revenues due to higher commodity prices, and ICBC, which has contributed over \$3.0 billion in net revenue over the last two years.

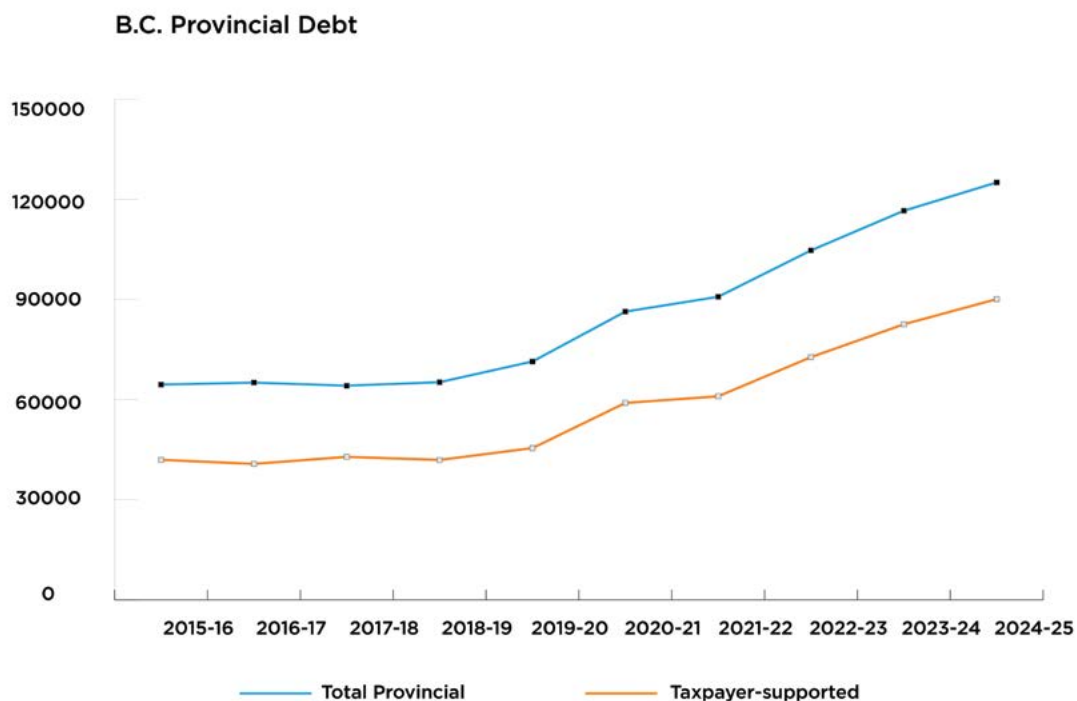
It is instructive to consider the revenue projections of the government prior to the pandemic. Budget 2019 estimated that overall revenues would total \$62 billion in 2021-22. The updated forecast for the current fiscal year has revenues of \$70 billion, or approximately 13% higher than anticipated pre-pandemic.

While revenues have increased, expenses have outpaced revenues and are planned to increase further over the forecast period. While much of the increased spending is generally attributed to rising healthcare costs related to the pandemic, those costs have increased at a slower pace than other government expenditures, growing 18% since 2019 with total expenses growing by 24%.

Capital spending is expected to hit record levels, totalling \$27.4 billion over the fiscal plan, a \$1.1 billion increase over last year's budget. Capital expenditures are driven by previously announced major projects, including Site C, transit investments in Vancouver and Surrey, Pattullo bridge, and myriad educational and hospital investments.

Debt

The increased spending is driving a significant increase in the debt forecast. Overall, the B.C. government projects that total debt will increase to \$126 billion by 2025 from \$91 billion in 2021. Taxpayer-supported debt will increase by nearly 50% in three short years from \$62 billion to \$91 billion.



Summary of Tax Changes

- PST rebate on machinery and equipment phasing out in March
- CleanBC funding includes removing PST on heat pumps and creating a new exemption for ZEVs
- Introducing a temporary clean buildings tax credit and extending scientific research and experimental development tax credits under the Income Tax Act
- The CleanBC PST changes are complemented by PST increases to fossil fuel alternatives (increased to 12%)
- Expanding hydrogen exemption to motor fuel tax
- Introducing PST collection, remittance and reporting obligations for marketplace facilitators
- Speculation and vacancy tax exemption for strata accommodation properties made permanent

Budget Highlights

Economic investments

Budget 2022: Table 1.2.2 Investments for a Strong Economy

(\$ millions)	2021-22	2022-23	2023-24	2024-25	Total
Stronger BC Economic Plan	-	11	21	21	54
Addressing the Housing Challenge	-	111	12	43	166
Enhancing Digital Connectivity*	-	5	7	91	104
Moving British Columbians and Goods	-	26	26	26	78
Old Growth Supports	-	112	44	31	185
Land, Water and Resource Stewardship	-	10	17	17	44
Advancing Mining Opportunities	-	8	8	2	18
Life Sciences Research	195	-	-	-	195
Job Training and Skills Development	-	39	14	14	67
Declaration Act Secretariat	-	4	4	4	12
Total	195	326	154	250	925

Table may not sum due to rounding. Table includes Contingencies allocations.

*Funding to enhance digital connectivity builds on \$40 million of new funding in Budget 2021, and includes funding commitments to 2026/27. The total Budget 2022 investment is \$289 million through 2026/27

The province has announced \$925 million of new investments in B.C.'s economy. Importantly, these investments include continued funding to improve digital connectivity across B.C., supporting the growth of the life sciences sector, improving job training and skills development, and increasing funding to expand the supply of affordable housing. Additionally, more than \$44 million dollars has been set aside to establish a new Ministry of Land, Water and Resource Stewardship.

Overall, the Greater Vancouver Board of Trade (GVBOT) welcomes continued investment in B.C.'s economy. Setting aside one-time funding for life sciences, the rest of the economic investments are rather thin. The largest plank of the economic funding - \$185

million - is set aside to support communities impacted by a loss of jobs and economic activity due to the government's recent decisions regarding old growth logging deferrals. \$56 million is set aside for new government ministries, more than the \$54 million to implement the government's long-term vision released last week. There is much to like about the remaining measures. However, the quantum of investment makes it challenging to be too aspirational about the growth these measures will provide.

Connectivity

Budget 2022 allocates funding to connect another 280 First Nations, rural and remote communities to high speed internet. More than \$289 million in new funding over the next five years will be provided to expand high-speed internet access throughout B.C. Digital connectivity is critically important to B.C.'s economic growth. We welcome these investments and note that the government must work with 5G and digital providers to ensure connectivity is cost effective and leaves no communities behind.

Skills training

The province has promised in the budget to provide more than \$67 million in funding for new jobs training and skills development, creating more training seats for healthcare assistants and early childhood educators. The province is also developing a comprehensive workforce readiness plan titled Future Ready: Skills for the Jobs of Tomorrow, to fill one million job openings forecasted by 2031. The province has also extended job training income tax credits through 2023. We welcome these investments in skills training, and look forward to the government's ongoing measurement of the impact of these investments on B.C.'s workforce development.

Housing

The budget continues the work announced in the ten-year affordable housing plan to build 114,000 new affordable housing units. That plan has delivered 32,000 units of new rental housing, many of which have not been built. Budget 2022 includes \$166 million in new investment in affordable housing over the next three years, but housing starts are still projected to decline. We support continued investment in housing, and also welcome potential new initiatives designed to unlock new housing supply across the province. We await new announcements from the government regarding those initiatives.

Climate Change, Disaster Recovery and Prevention

Budget 2022: **Table 1.2.4 Investments to Support Communities Against Climate Events**

(\$ millions)	2021-22	2022-23	2023-24	2024-25	Total
Supports to Communities - Emergency Preparedness	120	-	-	-	120
Supports for Communities - Wildfire Prevention	90	-	-	-	90
Wildfire Prevention Projects and Services	-	52	23	23	98
EMBC and Wildfire Service Resources	-	45	50	51	145
Climate Preparedness and Adaptation Strategy	30	13	20	20	83
Climate-Ready Transportation Networks*	-	15	20	30	65
Emergency Program Act - Flooding Recovery	-	400	-	-	400
Contingencies - Flooding Recovery	-	400	500	250	1,150
Total	240	925	613	374	2,152

Tables may not sum due to rounding.

*Capital Funding

In a pre-budget press conference on February 21, Minister Robinson indicated the budget will focus on climate change, including introducing a year-round B.C. Wildfire Service dedicated to full-time fire prevention, preparedness, response and recovery. The Budget allocates over \$2.15 billion dollars in climate change and emergency preparedness efforts.

Climate preparedness and adaptation

The budget includes \$98 million for wildfire prevention efforts and \$145 million for wildfire and emergency services. Additionally, the government will provide \$400 million in 2022/23 for flood recovery under the Emergency Program Act, as well as \$1.15 billion in flooding recovery contingencies. In addition to these allocations to support community recovery from disaster events, \$600 million in operating and capital funding is provided to continue the response to climate-related disasters, for local government and First Nation disaster and recovery projects, and to begin to implement the Climate Preparedness and Adaptation Strategy.

GVBOT welcomes investments in emergency recovery and disaster relief, but notes that the scale of the damage caused by these events has been monumental and further investment in recovery and preparedness, in partnership with the federal government, will be necessary.

Support for zero emissions purchases

In addition to the other emergency and climate preparedness investments, Budget 2022 announces new investments in zero emissions infrastructure and energy efficiency under CleanBC. These investments include a new PST exemption for used Zero Emission Vehicles effective until 2027, new PST exemptions for heat pumps, a temporary clean buildings tax credit, an expanded hydrogen exemption to the Motor Fuel Tax, and extending scientific research and experimental development tax credits under the Income Tax Act. The CleanBC PST changes are complemented by PST increases to fossil fuel alternatives to heating and transport, which will now be set at 12%. Around \$79 million will continue to fund the Go Electric Program for electric vehicle charging systems and to support vehicle pilot projects.

Pandemic Recovery

The budget allocates \$2.0 billion in pandemic recovery contingencies in 2022/23, and also notes \$1 billion for 2023/24. The largest amount, \$875 million, is for the Ministry of

Budget 2022: **Table 1.2.5 Pandemic Recovery Contingencies 2022/23**

Initiative	Notional Allocations*
Health COVID-19 Management	\$875 million
Supports for Vulnerable Populations	\$175 million
Tourism Initiative Envelope	\$255 million
Other Recovery Initiatives	\$10 million
Unallocated: available for additional health or recovery measures	\$915 million
Total	\$2.0 billion

*National allocations are based on current forecasts, with any changes communicated in Quarterly Reports.

Health to continue to manage the COVID-19 pandemic. This includes funding for ongoing COVID-19 and influenza vaccination programs, the provision of personal protective equipment for healthcare workers, and COVID-19 testing.

Tourism, arts and culture

These pandemic contingencies also provide \$25 million in funding to support the tourism sector's continuing recovery from the effects of the COVID-19 pandemic. The tourism sector continues to be disproportionately impacted by COVID-19, and it will be the last sector to fully recover. Continued support for this sector is critical, and we welcome the government's announced investments.

The government is providing additional funding to support non-profit organizations affected by the pandemic and the recovery of the arts, culture and music sectors through the Arts Impacts and Amplify BC programs. Like tourism, arts and culture sectors have been disproportionately harmed by the pandemic due to the uncertainty and lack of ability to host large-scale in person events. Investments to support these sectors will help them to recover more quickly as restrictions are lifted.

Healthcare and Social Services Investments

Healthcare

In addition to the pandemic contingencies noted above, the budget makes investments in healthcare. These investments will go towards initiatives including supporting timely surgeries and diagnostic imaging (\$303 million), continuing the implementation of the B.C. Emergency Health Services Action Plan (\$148 million), increasing the number of Urgent and Primary Care Centres throughout the province (\$57 million), and implementing primary care networks and bringing additional traditional wellness providers closer to Indigenous communities (\$45 million),

A few days before the budget was released, the B.C. government also [announced](#) funding for 602 new nursing seats at public post-secondary institutions across the province. Investments in new nursing training seats will ensure B.C.'s healthcare system is well staffed to respond to future challenges, including new variants and pandemics.

As the COVID-19 pandemic continues to impact communities across B.C., and with an aging population, GVBOT welcomes these necessary investments to strengthen the province's healthcare system.

Childcare

Budget 2022 builds on previous investments to promote access and affordability of childcare across the province. Budget 2022 also creates more before and after school

spaces through the New Spaces Fund and increases the number of school districts offering the Seamless Day program from 24 to 44.

GVBOT is encouraged at progress being made, with the support of the federal government, to advance child care in B.C. We encourage the federal government to continue to work to achieve the \$10-a-day childcare goal for more families.

Homelessness and social services

The budget also provides \$633 million over the next three years to prevent homelessness and respond quickly to assist people experiencing homelessness, including additional support for youth aging out of care.

Budget 2022 creates a new \$30 million Non-Profit Recovery and Resilience Fund to provide support to charitable organizations, administered by the Vancouver Foundation and the United Way BC.

The budget allocates \$22 million to support survivors and provide stable funding for 50 sexual assault service centers across B.C. These and other investments in social services will help ensure our communities remain safe, inclusive and healthy for all British Columbians.

Reconciliation with Indigenous Peoples

We were encouraged to see that Budget 2022 outlines a number of specific actions to continue to pursue meaningful reconciliation with Indigenous peoples and advance Indigenous economic opportunities. Some of these investments include expanding the Indigenous Forest Bioeconomy Program to include a new Accelerator Program to help Indigenous partners commercialize and scale-up innovative forest-based products, providing funding for Indigenous-led emergency management in First Nations communities, and connecting more First Nations communities to high-speed internet and cell service. The economic strategy released last week also includes the creation of a new Indigenous economic development agency. A new Declaration Act Secretariat will guide and assist the government to meet its obligation to ensure legislation is consistent with the United Nations Declaration on the Rights of Indigenous Peoples.

GVBOT looks forward to continuing to work with Indigenous partners and the B.C. government to promote and support Indigenous-led economic opportunities and businesses.

GVBOT Commentary

In response to the release of the 2022 Budget, Bridgitte Anderson, President and CEO of the Greater Vancouver Board of Trade, made the following statement:

“B.C. has weathered the pandemic relatively well given its strong fiscal position, a return of economic activity and pre-pandemic employment levels. However, given years of cumulative tax increases, the cost of doing business in B.C. is high. Budget 2022 has limited incentives to drive economic growth and competitiveness,” said Bridgitte Anderson, President and CEO of the Greater Vancouver Board of Trade.

The budget has nearly closed the gap on the forecast deficit, now projecting a deficit of \$483 million, significantly less than the \$9.7 billion projected in Budget 2021. Today’s budget provides additional funding for pandemic recovery, healthcare and mental health, childcare, and investments to address climate change and related disasters, such as the floods and fires last year.

“Spending is up significantly over the next three years and nearly \$5 billion is set aside in contingency funds. Last week, the B.C. Government unveiled its economic plan, StrongerBC. Today’s budget lacks financial details to support many of the announced initiatives and does not address needed tax and regulatory reform, especially for our small and medium businesses,” added Anderson.

See full statement [here](#).



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