



**BUDGET 2020 BACKGROUNDER – FACTS AND FIGURES**

**Key Message Box**

- Budget 2020 references the BC Chamber of Commerce and our network as key source of insight into what is needed to foster a competitive economy.
- Budget 2020 is balanced, but business still predominantly footing the bill
- The provincial government continues to invest in affordability – including the enhanced BC Child Opportunity Benefit for low and middle-income families – but business don't see the corresponding competitiveness strategy to tackle the cumulative effect of immense tax increases that will stall businesses' ability to grow.
- Businesses are now officially footing the bill to the tune of \$1.9 billion. This new tax will have a negative effect on growth and investment.
- The carbon tax increases to \$40 per tonne on its way to \$50 per tonne by 2022/23, but no direct relief for energy intensive, trade exposed businesses.

**Balanced Budget – Highlights**

Budget 2020 remains balanced, but revenues still fueled by large tax increases, especially to business:

	Updated Forecast	Budget Estimate	Plan	Plan
(\$ millions)	2019/20	2020/21	2021/22	2022/23
Revenue	59,326	60,585	62,366	64,211
Expenses	(58,823)	(60,058)	(61,887)	(63,537)
Forecast allowance	(300)	(300)	(300)	(300)
<b>Surplus</b>	<b>203</b>	<b>227</b>	<b>179</b>	<b>374</b>

**Prudence Measures**

The surplus amounts remain modest, but the provincial government has maintained a comfortable level of prudence in their budget. Budget 2020 includes Forecast Allowances of \$300 million for the following 3 years. There is also a contingency of \$600 million for 2020 dropping the \$400 million per year in 2021 and 2022.



### Economic Growth Projections

In addition, the provincial government continues to budget at a lower growth rate for the economy – compared to the Economic Forecast Council. This lower projected growth means the government budgets with reduced levels of revenue, which provides the government added cushion to protect against unforeseen circumstances.

	2019	2020	2021	2022-24
Forecast Council	2.0	2.4	2.3	2.0
Ministry of Finance	1.8	2.0	1.9	2.0

### B.C.'s Debt Picture

The BC Chamber continues to focus on B.C.'s debt picture.

	Updated Forecast 2019/20	Budget Estimate 2020/21	Plan 2021/22	Plan 2022/23
(\$ millions)				
Taxpayer Supported Debt	44,569	49,202	53,929	58,598
Self-supported Debt	<u>25,769</u>	<u>26,890</u>	<u>27,834</u>	<u>28,697</u>
<b>Provincial Debt before allowance</b>	<b>70,338</b>	<b>76,092</b>	<b>81,763</b>	<b>87,295</b>
Forecast Allowance	300	300	300	300
<b>Total Provincial Debt</b>	<b><u>70,638</u></b>	<b><u>76,392</u></b>	<b><u>82,063</u></b>	<b><u>87,595</u></b>
<b>Taxpayer Supported Debt to GDP</b>	<b>14.6</b>	<b>15.5</b>	<b>16.3</b>	<b>17.1</b>
<b>Taxpayer Supported Debt to Revenue</b>	<b>77.9</b>	<b>84.1</b>	<b>89.4</b>	<b>94.4</b>

Taxpayer supported debt continues to increase due to capital investments in transportation, education and health infrastructure. The provincial debt-to-GDP ratio did drop below 15% due to strong economic growth, but it is set to increase over the next three years due to increased capital infrastructure investments.

Debt-to-revenue – a key metric credit agencies use to establish credit ratings – is at 77.9% and rising to 94.4% by 2022/2023. While this is an acceptable level – based on expected increased revenues – but should those revenues fail to materialize then it could impact our Aaa credit rating.



### **Residential Zoning Liberalization in BC Communities (Building on the Housing Strategy)**

Budget 2020 continues to support in housing and construction through the 10-year *Homes for BC* plan that will build affordable homes for low and middle-income families.

Budget 2020 still lacks targeted action that can make market housing more affordable by tackling supply issues via streamlining development permits, optimizing the payment of Development Cost Charges and better outlining how Community Amenities Contributions can be utilized by municipalities.

### **Helping Create A Low Carbon Economy**

Budget 2020 invests an additional \$419 million bring the total funding to \$1.3 billion for the Clean BC plan over the next 4 years. The additional investment includes:

- \$106 million over three years in capital funding for schools, universities and hospitals to improve energy efficiency,
- \$120 million in enhanced Climate Action tax Credits for low and middle-income families to offset the impact of the carbon tax,
- \$155 million to support the CleanBC Programs for Industry (but details still need to be confirmed and won't kick-in until 2022/23)

While we work toward transitioning to a low carbon economy, there was no initiatives announced in Budget 2020 to support businesses that are energy intensive, trade exposed.

### **Forestry Sector of the 21<sup>st</sup> Century**

Budget 2020 provide new funding of \$13 million over years to develop opportunities related the bio-economy and revitalization within the forest sector.

This new investment builds on previous support, such as job placement and skills training, equipment loans for coastal logging contractor and grants for hardest hit communities, but there is a disconnect between these level of money committed and the significant – and multi-faceted – issues facing the sector.



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## **The Cost of Doing Business (Competitiveness Concerns)**

The BC Chamber continues to raise red flags over the cumulative effect of massive tax increases and the impact that has on our overall tax competitiveness. As a reminder, since the government's Budget 2017 update, we have seen:

- Corporate tax rate holding steady at 12% (up from 11%)
- Carbon Tax still increasing \$5 per tonne per year on its way to \$50 per tonne by 2021.
- The removal of revenue neutrality that would have seen carbon tax increases shifted to other tax reductions.
- The Employers' Health Tax set to raise \$1.9 billion 2020/21 increasing to over \$2 billion by 2022/23.
- The speculation and vacancy tax in the Lower Mainland, Capital Regional District, Nanaimo region and the Kelowna/West Kelowna area.
- Significant increases in commercial property tax bills thanks to the "highest and best use" principle.

While many of these tax initiatives help pay for many laudable goals – like housing, childcare and the BC Child Opportunity Benefit – it's largely financed by an overall increase in taxes on business. These tax increases on business will hinder their ability to invest and grow and (ultimately) hire more British Columbians over the long term.

Overall, Budget 2020 lacks a clearly defined "competitiveness strategy" to help pay for the affordability strategy.

## **Investing in Trade Infrastructure**

The Province will be investing \$9.2 billion over the next 5 years for highway rehabilitation, highway upgrades and public transit including:

- Pattullo Bridge replacement
- Broadway line to Arbutus Street
- Four-laning Highway 1 to the Alberta border
- Highway 1 216<sup>th</sup> to 264<sup>th</sup> Street HOV
- Highway 91/17 and Deltaport Way Upgrade



# BC Chamber of Commerce

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## Chamber 'Wins'

While there is no direct win in this budget, the impact of BC Chamber network's advocacy is seen in:

- PST removed on machinery and equipment for pollution control and waste management regardless of where it's used.
- PST exemption and refund for electric aircraft and electric aircraft conversions supporting made-in-BC innovation.
- A new BC Access Grant to support the training of low and middle-income students to provide the needed skill training in high-demand occupations.

A Chamber win of sorts that is worth mentioning is that the BC Chamber of Commerce is referenced in the Minister's Budget Speech. This is a clear indication that the BC Chamber network is a key partner in the discussion about how to foster a sustainable economy. This is testament to policy development and advocacy our network.

## Other Notable Measure

Budget 2020 also provide:

- \$283 million over the fiscal plan to enhance community safety and make justice service more accessible, including \$57million to individuals can access legal resources, advice, information and representation.
- \$65 million per year in additional funding to better respond to wildfires and emergencies in BC.