

BRITISH COLUMBIA

BUDGET ANALYSIS

2022/23

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Stalling on others.

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Overview

On February 22, the BC NDP delivered its second budget and fiscal plan since forming a majority government in October 2020. This was also the government's second budget since the beginning of the global COVID-19 pandemic in early 2020, exactly two years ago.

Budget 2022 offers few large measures or surprises, but stays the course on existing priorities by continuing to invest in key program areas. This includes both new and enhanced funding commitments, new targeted program measures, and new or updated service delivery objectives in several cases.

The budget also contains measures designed to put the government's newly unveiled economic plan, *StrongerBC: A Plan for Today, a Vision for Tomorrow*, into action. This plan, and its related investments announced in *Budget 2022*, are structured according to six core economic "missions." And together, these missions are designed to achieve two larger, overarching goals: *inclusive growth* and *clean growth*. They include:

1. Supporting people and families
2. Building resilient communities
3. Advancing true, lasting and meaningful reconciliation with Indigenous peoples
4. Meeting B.C.'s climate commitments
5. Leading on environmental and social responsibility
6. Fostering innovation across our economy

Although *Budget 2022* presents a wide range of meaningful, if mainly incremental, actions and commitments to advance progress in most of these areas, it fails to deliver on expectations for bolder, more creative and aggressive action on several other fronts. Some missed opportunities include:

- Significant direct investments in publicly owned and operated affordable housing
- Steps to remove private, for-profit providers from B.C. seniors' care
- Measures to improve tax fairness and to reduce extreme economic inequality
- Actions that would immediately address the growing crisis of affordability for workers and families
- Interventions that are needed to save lives in the continuing, and worsening, toxic drug crisis

These and other oversights are particularly frustrating considering the exceptionally strong fiscal and economic state in B.C. that the new budget reveals. Even with the exceptional pressures of an ongoing pandemic response and the more recent climate-related emergency spending costs, the combined strength of the economy, job market and government balance sheet all suggest that more is possible in terms of public spending and redistributive tax measures. (See further discussion below under "Economic outlook," "Revenue, expenditures and deficits," and "Provincial debt.")

Budget 2022 offers few large measures or surprises, but stays the course on existing priorities by continuing to invest in key program areas.

Despite these disappointments, the NDP's new budget does show a responsible and conscientious government that remains committed to protecting and expanding crucial public services. Important highlights include:

- \$50 million to fund implementation of the province's new economic plan, *StrongerBC: A Plan for Today, a Vision for Tomorrow*
- \$875 million in 2022/23 to provide additional support for ongoing public health measures in response to COVID-19
- \$149 million over the fiscal plan for the BC Emergency Health Services Action Plan, including investments to reduce emergency call wait and response times by adding more paramedics and dispatchers
- \$172 million over three years to provide more inclusive and accessible services for children and youth with support needs
- \$289 million over five years to expand and accelerate high-speed digital connectivity in rural and Indigenous communities



- \$633 million over three years to help prevent, and respond to, homelessness, and to help resource a shift in the province's approach away from a primarily reactive to more proactive strategy
- \$12 million over the fiscal plan to establish a new Declaration Act Secretariat that will guide and assist government in meeting its obligation to ensure legislation is consistent with the UN Declaration on the Rights of Indigenous Peoples, and is developed in consultation and cooperation with Indigenous peoples
- \$83 million to begin implementation of a new Climate Preparedness and Adaptation Strategy that will strengthen climate monitoring networks, expand the River Forecast Centre and provincial floodplain mapping programs, and builds better data collection capacity to understand where and how to mitigate future climate risks
- \$185 million over the fiscal plan to support forestry workers and communities affected by old-growth logging deferrals
- An additional \$25 million to expand training for health-care assistants to address critical staffing shortages in the long-term care, assisted living and home care sectors, allowing the province to hire more than 5,000 additional workers by the end of 2022/23
- \$21 million over three years to create additional trades training seats and help certify more skilled trade workers
- \$145 million in new funding over the fiscal plan to strengthen B.C.'s emergency management and wildfire services, by shifting the BC Wildfire Service from a reactive to more preventative and proactive delivery model, and by establishing a permanent year-round workforce in the service
- A moderate increase of \$49 million across the next three years to support service delivery in Community Living BC
- \$284 million in additional provincial funding for child care services during the fiscal plan
- \$1.5 billion over three years to fund ongoing recovery from climate-related disaster impacts experienced in 2021
- \$1 billion in new and additional funding for *CleanBC* and the *Roadmap to 2030* to invest in the fight against climate change



- An additional \$30 million over three years for contracted road, bridge and highway maintenance
- \$25 million in additional funding to support the B.C. tourism sector's continuing economic recovery from the COVID-19 pandemic
- \$22 million over three years to facilitate new investments in support service for survivors of sexual assault, by providing core funding to approximately 50 community-based sexual assault response organizations
- Announcement of forthcoming draft anti-racism data legislation, to be developed in partnership with communities and introduced by government spring 2022
- \$46 million over three years to support timely access to justice services and to alleviate wait time to trial, and \$12 million to continue the digitization of justice services that were implemented during the COVID-19 pandemic
- \$44 million over three years to provide additional staffing and capacity growth needed for the creation of a new Ministry of Land, Water and Resource Stewardship

The B.C. General Employees' Union has carefully reviewed the provincial budget to help understand how government's choices in the fiscal year of 2022/23 will affect the work our members do and the services our province relies on. In this report, we identify areas where new progress has been made and where significantly more improvement is still needed.



Economic outlook

B.C.'s economy underwent a strong rebound in 2021 following the initial impacts of the COVID-19 pandemic and it remains on a promising path for continued recovery.

Budget 2022 revises a previous estimate of the economic contraction that took place in 2020, now recorded officially at just -3.4 per cent of GDP (this is a notable improvement over the -5.2 per cent decline that was estimated in the previous year's budget forecast). The new budget and fiscal plan also estimates that subsequent growth and recovery in the year just past, was as high as 5 per cent, which again outpaces the previous year's forecast of 4.4 per cent. The Ministry of Finance now expects that 2022 will see a continued expansion of 4 per cent, followed by 2.5 per cent in 2023, and between 2.1 per cent to 2.4 per cent annually over the medium-term from 2024 to 2026.

The monthly unemployment rate was 5.1 per cent in January (compared to 5.2 per cent in February 2020). This is the first time in two years that joblessness in the province has fallen below the pre-pandemic levels that were observed in the early part of 2020. Likewise, total employment has also now reached comfortably above what was observed prior to the economic downturn in February 2020 (+62,700 jobs, +2.4%), and, of course, vastly above the lowest point recorded during the height of the disruptions that took place in March and April of that year (+470,700 jobs, +21.1%).

B.C.'s economy underwent a strong rebound in 2021 following the initial impacts of the COVID-19 pandemic and it remains on a promising path for continued recovery.

In aggregate, the B.C. labour market has now recovered, and where earlier gains made throughout late-2020 and early 2021 were somewhat uneven—for example, amongst those in sectors most heavily impacted by the recession, including youth, women, and visible minorities—the gap in unemployment rates for different groups has narrowed considerably in recent months. *Budget 2022* predicts stable and

continuing employment growth throughout 2022, but notes a degree of ongoing risk and uncertainty in the forecast due to the possibility of future and/or recurring pandemic restrictions, as well as variability in the path of recovery in consumer demand for high-contact services.

Overall, the B.C. economy has performed very well throughout both 2021 and the early part of 2022, and has well exceeded the forecasts made by government a year ago.

Consumer spending and retail sales have continued to surge throughout 2021 (up 13.6 per cent between January and December 2021 compared to the same period a year earlier), and housing starts are also 25.6 per cent higher than 2020 over a 12-month period. B.C. home sales have again reached record levels during 2021 (up by 32.8 per cent over the previous year), and the average sale price (all dwelling types) has also increased dramatically by 18.7 per cent above the same period a year earlier.

Overall, the B.C. economy has performed very well throughout both 2021 and the early part of 2022, and has well exceeded the forecasts made by government a year ago. Private sector growth for the year just past (2021) see B.C. outperforming the national average by 0.2% points, with the province being surpassed only by Quebec and Alberta in total growth. This is due to a larger rebound effect in those provinces following the significantly deeper contractions they suffered in 2020 (-5.5 per cent and -7.9 per cent respectively).

Going forward, expectations for growth in B.C. will also outpace the national average over 2022 (4.2 per cent compared to 3.9 per cent, +0.3% points), and as of January, the province also currently has the lowest unemployment rate in the country (seasonally adjusted) alongside Manitoba. (As discussed below, the strength of these indicators has an important positive bearing on the public financial state of the province for government and the treasury.)

While the overall outlook presented in *Budget 2022* is strong, continued recovery is expected to remain somewhat uneven across sectors and demographics.



Moreover, the emerging downside of surging growth and consumer confidence is growing inflation, which reached 4.1 per cent (year-over-year) in January 2022, with provincial price gains being led by rising costs for shelter, transportation, and food. This growth in the consumer price index (CPI)—forecast to be 2.9 per cent in 2022—is being driven by a combination of global supply chain bottlenecks, excess demand resulting from recovery and public stimulus spending, and in B.C., surging export volumes (up 36.1 per cent in 2021).

Inflation is therefore an appreciable risk to the outlook over the short- to medium-term. On top of existing social and economic inequalities in B.C.—some made worse by the pandemic—rising inflation serves to worsen an already-serious crisis of affordability for workers and families. More than ever, stagnant wages and living standards are of real concern to British Columbians, with critical implications for public sector contract negotiations that are now underway with government.

Revenue, expenditures and deficit

The COVID-19 pandemic has had a significant impact on government's fiscal situation, although less severe than originally anticipated. This is due in large part to the aggregate macroeconomic performance outlined above, but also sizeable federal transfers, as well as government's heavy use of fiscal padding by way of contingencies and allowances, and its excessively prudent forecasting habits.

Last year's budget and fiscal plan, presented in April 2021, initially estimated a very large \$9.6 billion deficit for 2021/22; however, following several downward revisions to that figure over the course of the year, the latest update offered by *Budget 2022* now estimates a final shortfall of just \$483 million for the fiscal year now concluding (a mere 5 per cent of the original deficit forecast).

By the end of the fourth quarter in April of this year, there is a significant possibility that government will have achieved a balanced budget (or surplus) in just the second year of a major and ongoing—and highly costly—global pandemic response. And this includes the significant additional and unforeseen costs



generated by the climate-related disasters experienced in late 2021. It seems somewhat unusual, then, that *Budget 2022* would continue to project large (albeit decreasing) annual deficits in each year of the fiscal plan: -\$5.5 billion in 2022/23; -\$4.2 billion in 2023/24; and -\$3.2 billion in 2024/25.

For now, total operating expenses over the three-year fiscal plan are forecast at \$71.0 billion for 2022/23 (an increase of 6.9%), \$72.4 billion for 2023/24 (+1.9%) and \$74.5 billion in 2024/25 (+3.0%). These increases, which total \$6.6 billion in added operating expenditure over the fiscal plan, do not reflect the substantial additional contingencies and forecast allowances planned in the budget. This combined prudence is worth \$5.8 billion in 2022/23, \$5.4 billion in 2023/24 and \$5 billion in 2024/25, and a significant portion of those amounts is reflected in the projected deficits for each of the three years.

This excess financial padding has continued to provide government with great flexibility in its desire to reach year-end fiscal balance. In the years immediately preceding the pandemic, this practice had helped generate several large surpluses. Right now, however, it is the related habit of significantly lowballing growth and revenue forecasts that continues to have an even





greater influence on government's balance sheets. To illustrate, comparing *Budget 2022*'s updated forecasts for 2021/22 against the original estimates made a year prior, government has seen a major windfall of approximately \$11.3 billion (+19.2%) from across all its revenue sources.

Revenue sources that performed considerably better than expected during 2021/22 include personal income tax (+\$2.5 billion / +22.4% above forecast), corporate income tax (+\$1.7 billion, +48.5%), sales tax (+\$1.1 billion, +14.4%), carbon tax (+326 million, +16.4%), property transfer tax (+\$1.3 billion, +64.6%), natural gas royalties (+\$463 million, +162%), forests (+\$643 million, +53.4%), other natural resources (+\$485 million, +46.5%), federal health and social transfers (+\$595 million, +7.5%), BC Lottery Corporation (+\$358, +46.4%) and ICBC (+\$1.8 billion, +1136%).

For the coming fiscal year in 2022/23, *Budget 2022* projects that total government revenue will in fact decline temporarily to \$68.6 billion (2.4 per cent below the updated forecast for the year just concluding), followed thereafter by an increase back to \$70.2 billion in 2023/24 (+2.4%), and to \$72.3 billion in 2024/25 (+3.1%).

It should be noted that the previous year's fiscal plan projected a similar short-term dip in total revenue. However, as we now know, government ended up dramatically exceeding these modest expectations, in the end, benefitting from a 20 per cent windfall worth \$11.3 billion. While the Minister of Finance has chosen to characterize this as an unexpected, one-time occurrence, the recent evidence suggests otherwise. Although the gains may not be quite as dramatic in the future, the

treasury retains a very strong, nearly balanced, fiscal position, and it continues to benefit from heavy financial cushioning, untapped contingencies, and by lowballing growth and revenue estimates.

In this light, government's publicly stated expectations for sizeable deficits in each of the three years of the current fiscal plan are not entirely reasonable (or transparent), and likely will not come to pass. It could be argued, therefore, that government already has the additional means to invest—including in public sector wages and compensation—even before contemplating progressive tax increases that would enhance both economic fairness and the capacity to further improve public services and resource for British Columbians.

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Unfortunately, in *Budget 2022* the government has again chosen not to introduce such measures. It removes an exemption from the provincial sales tax on tobacco purchases and proceeds with a scheduled \$5/tonne increase in the carbon tax, but offers little else that would directly advance redistribution and economic fairness.



Capital investments

Budget 2022 contains a record \$27.4 billion in taxpayer-supported capital spending over the fiscal plan. It includes an additional \$1.1 billion over what was presented in *Budget 2021*, mainly due to new project spending in the areas of health and transportation, as well as revised timing for certain capital projects.

Expenditures highlighted in the budget include:

- \$3.1 billion to maintain, replace, renovate or expand K-12 facilities
- \$4.3 billion in total project spending over the next three years by post-secondary institutions
- \$8.6 billion over three years on infrastructure in the health sector, including new major construction projects and upgrading of health facilities, medical and diagnostic equipment, and information management/technology systems
- \$8 billion in transportation investments, including replacing George Massey Tunnel on Highway 99 and the Pattullo Bridge, constructing the Broadway Subway, and various highway projects and public transit fleet investments spread across B.C.
- \$1.7 billion in capital spending by government ministries that will maintain, upgrade and expand public infrastructure, such as courthouses, correctional centres, office buildings and information systems

Capital spending on social housing comprises a relatively modest amount compared to the investments planned in K-12, post-secondary, transportation and the health sector.



Projects that may be of particular interest for BCGEU members include:

- Modernization and renewal of the Royal BC Museum, with a new collections and research building set to break ground in Colwood in 2022, with anticipated completion in 2025
- A new Nanaimo Correctional Centre will replace the existing 190-bed correctional centre and increase capacity with a 12-room unit for women
- Construction of a \$163-million Trades and Technology Complex at BCIT's Burnaby campus
- Construction of a new \$88-million health science building at BCIT's Burnaby campus
- \$114 million to build a 12-storey (464-bed) student housing facility at BCIT's Burnaby campus

Despite these significant outlays in *Budget 2022*, capital spending on social housing comprises a relatively modest amount compared to the investments planned in K-12, post-secondary, transportation and the health sector: \$572 million is allocated in 2022/23, decreasing 25.5 per cent thereafter in 2023/24, and very significantly by 40.4 per cent in 2024/25.



Provincial debt

The three-year outlook for provincial debt has narrowed slightly compared to what was presented in April 2021. Total provincial debt is projected to increase \$34.2 billion over the fiscal plan period to eventually reach \$125.8 billion by 2024/25. By the end of the next fiscal year, total government debt will already have grown appreciably, by 20.4 per cent above the pre-pandemic estimate for 2022/23 (\$82.1 billion) tabled back in February 2020. But this, in fact, is a significant improvement over the 32.7 per cent growth that was forecasted for this period less than a year ago—over \$10 billion less. Moreover, should the recurring pattern of inflated deficit projections hold true again in 2022/23, then the increase to total debt will be even less come April 2023.

In the immediate term, with the extraordinary deficit and revenue improvements for 2021/22 just revealed in *Budget 2022*, B.C.'s taxpayer-supported debt to GDP ratio will hold at just 17.8 per cent in the current fiscal year (as compared the earlier and substantially higher estimate of 22.8 per cent made in April 2021). This positions the treasury at just 1.5 percentage points above the pre-pandemic forecast for 2022/23 on this important measure (16.3% was the estimate for 2022/23 prior to the pandemic).

In more practical and concrete terms, the estimated taxpayer-supported interest bite will hold at 3.0 cents per dollar of revenue in 2022/23, and between 3.0 - 3.7 cents over the course of the three-year fiscal plan. Another way of stating this is that government will only need to commit an average of 3.35 per cent of its revenue for managing its debt servicing obligations over the short-to-medium term.

This a very manageable debt burden for the province, and arguably represents extraordinarily good value with respect to the very impactful investments government has been able to make to protect public health and safety, jobs and livelihoods, and crucial public services during a prolonged period of crisis. It also shows, however, that there is significantly more room to manoeuvre, which is frustrating from the standpoint of bolder action that has been forgone in this budget on persistent issues like housing affordability. Similarly, had the government chosen to pursue action on tax fairness by introducing higher rates on top earners, there would be even greater capacity to deliver on these important priorities for British Columbians over the months ahead.

B.C. Public Service

Full-time equivalent (FTE) staff utilization in core government ministries is expected to increase by 1,000 FTEs during the fiscal plan period (as compared to the 2021/22 forecast). Staff utilization in service delivery agencies will also increase by approximately 1,400 FTEs in 2022/23, and by a further 560 in 2023/24.

The anticipated growth is mainly due to increased staffing needs across the public sector to accommodate expansion of child care programming, wildfire and emergency management services, and additional staffing requirements for the implementation of *CleanBC*. New FTEs are also forecasted for the Ministry of Land, Water and Resource Stewardship and to staff the Declaration Act Secretariat.

Continued growth in public sector staffing will further reduce the ratio of population per FTE to 125.0 in 2021/22 (down from a high of 149.3 in 2015/16). This has helped to close the gap on staffing across strained public services in the province, but it still leaves an additional 25 to 30 British Columbians for every public service FTE as compared 2001—the year the BC Liberals began their aggressive cuts to government programs and services.



Housing and homelessness

As in previous budgets, *Budget 2022* groups together spending on housing and homelessness under a single heading: “Investments in Housing Affordability and Homelessness Supports.” While this makes sense in some respects, it also tends to disguise the fact that the government is performing very differently in these connected but nonetheless quite distinct policy areas. While the budget makes commendable investments in social programs it classifies as homelessness supports, government’s performance on housing policy more broadly is failing to address the wider crisis of affordability in B.C.

The overview below separates these two policy areas in order to better highlight the difference.



Homelessness supports and prevention

Budget 2022 allocates \$633 million over the three-year fiscal plan to “expand services and shift the approach to homelessness in the province from reactive to proactive.” Key components include:

- \$164 million to expand the complex care housing model to at least 20 more sites across B.C.—to support people with severe mental health, substance-use issues, or traumatic and acquired brain injuries who are currently homeless or unstably housed
- \$264 million to continue delivering housing support for up to 3,000 people who were temporarily housed in leased or purchased spaces during the COVID-19 pandemic, including new funding to acquire and operate permanent housing
- Introducing a \$600 per month rent supplement available to more than 3,000 people, to help them become stably housed, with integrated wraparound supports
- Doubling the current number of community integration specialists to help strengthen timely supports for people experiencing homelessness
- \$35 million to help reduce the risk of homelessness faced by former youth in care, including: shifting temporary housing and support arrangements toward permanent options; automatic eligibility for the \$600 per month rent supplement; and expanding the scope of agreements with young adults to include counselling, medical benefits, life-skills programming and improved income support services

While the budget makes commendable investments in social programs it classifies as homelessness supports, government’s performance on housing policy more broadly is failing to address the wider crisis of affordability in B.C.



Affordable housing

In contrast to the positive trajectory on homelessness spending, the few new affordable housing investments that are offered by *Budget 2022* are disappointing. This plan adds only \$166 million in additional funding over the three-year fiscal period, including \$100 million in 2022/23 for non-profit housing providers to accelerate construction of mixed-income housing projects financed through the community housing fund. The budget also allocates an additional \$8 million to the HousingHub program at BC Housing to help administer a \$2-billion low-cost loan initiative first introduced in *Budget 2021*.

Budget documents quietly draw attention away from the relatively limited new spending amounts by situating them within grander, previously unveiled housing initiatives under the existing *Homes for BC* strategy, which pledged a total build-out of 114,000 affordable homes between 2018 and 2028. However, many core programs within *Homes for BC* appear to be performing below target and some observers are now questioning the overall direction and efficacy of the government's housing strategy to date. For example, the community housing fund is supposed to deliver \$1.9 billion over 10 years to develop 14,350 units of mixed income, affordable rental housing for independent families and seniors. However, while government recently reported that 6,196 units were in progress during spring 2021, only 310 units had actually been completed as of April 30, 2021, and only 1,935 others were actually under construction at that time. The rest (almost 4,000 units) were either "in development" or listed as having been "initiated" according to internal briefing notes.¹

Similarly, the provincial HousingHub program, which partners community, government, non-profit and private-sector stakeholders, had only completed 1,687 units as of May 2021, with 852 more under construction and another 988 listed as either in development or initiated.²

In short, these programs do not appear to be on track for meeting their targets and are a long way off addressing B.C.'s worsening housing affordability crisis.

Home ownership is now well out of reach for millions of British Columbians, and rental costs are increasingly unaffordable in many areas. The most recent figures from the Canadian Mortgage and Housing Corporation (CMHC) found that the average rent for a two-bedroom purpose-built rental apartment in Metro Vancouver had risen to \$1,824 in 2021, and at the same time, that rental vacancy in the region had dropped to just 1.2 per cent.³ Rents for newly built units were even higher, averaging \$2,522 for a two-bedroom apartment.

According to CMHC, less than one-quarter of purpose-built Vancouver-region rental units on the open market are affordable to households earning less than \$48,000 in annual income, and only one in every 1,000 units is affordable to renter households in the lowest 20 per cent of household earnings. Moreover, the CMHC report notes that most of the lowest-priced units are small and unsuitable for families. Similarly, CMHC found that market rents are also unaffordable for most households in the Victoria area as well, and that the vacancy rate in that city had also dropped to just 1 per cent.

To address this crisis, BCGEU reiterates its call for government to significantly expand and accelerate both its capital funding and public land contributions in order to immediately build new public, co-op, social and non-market housing. Housing that is funded and coordinated directly by government can be delivered much more quickly and reliably than through partnerships and mixed arrangements with the private sector. While the private sector can play an important role in construction, the ownership, operation and financing of new affordable rental housing should remain firmly in the public and non-profit sectors. *Budget 2022* shows that governments approach needs to shift dramatically in this direction in order to be effective.

¹ Ministry of Attorney General and Housing, 2021/22 Estimates Debate Note, 103-106, April 13, 2021. Available at http://docs.openinfo.gov.bc.ca/Ministry_of_Attorney_General_Estimates_Notes_2021.pdf#page=6

² Ibid., 63-64.

³ See: "Rental Market Report: Canada and Selected Markets," Canadian Mortgage and Housing Corporation, February 2022. Available at: <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/rental-market-report/rental-market-report-2021-en.pdf?rev=a5a0eaac-6f70-4058-8aa3-e6d307685910>



Child Care

Budget 2022 commits significant additional funding over three years to improve the availability and affordability of child care in B.C. Although more action is still required, important child care measures introduced in this budget are being applauded by the Coalition of Child Care Advocates of BC and by other key proponents.

Major, multi-year funding increases

As seen in the figure below, *Budget 2022* marks the beginning of a major, multi-year increase in funding for continuing child care reforms in B.C. This is a promising development and a very welcome contrast to the previous year's budget, which revealed a plateau in resources over the course of the fiscal plan at that time.

In total, government child care expenditures will reach \$1.6 billion annually by 2024/25—more than double what was spent in 2021/22. To reach this level, federal and provincial contributions on child care spending will combine to deliver a total of \$4.4 billion in new funding over a three-year period.

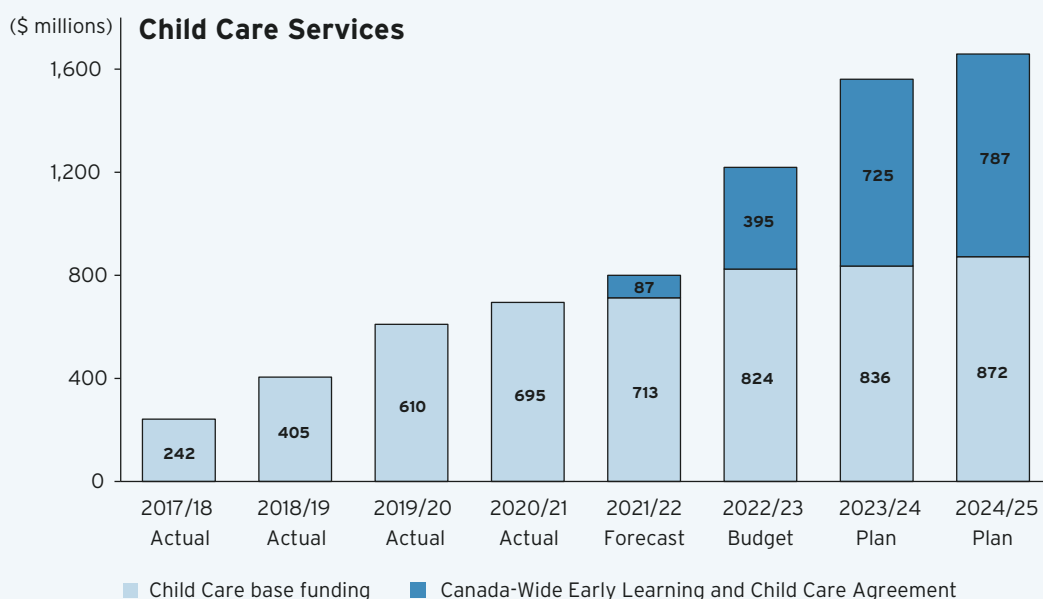
The largest factor in this resource growth is the introduction of significant federal transfers under the Canada-B.C. Early Learning and Child Care Agreement—it will deliver \$3.2 billion over the first five years. On the other hand, provincial funding increases are slightly more modest: an additional \$111 million (+15.6%) in

2022/23, then rising incrementally through 2024/25 by a further 5.8 per cent. These enhancements raise total provincial spending on child care services from \$713 million in 2021/22 up to \$824 million in 2022/23, and ultimately to \$872 million by the end of the fiscal plan in 2024/25. While the province will remain the majority funder, the federal government's share of total child care spending will increase from 32 per cent in 2022/23 up to 47 per cent by 2024/25 as a proportion of total expenditure in B.C.

New child care spaces

Budget 2022 also makes significant commitments to increase child care spaces. According to budget documents, the agreement with the federal government is expected to lead to the creation of 30,000 new licensed child care spaces in B.C. within five years, and 40,000 spaces within seven years. This is in addition to 26,000 spaces that have already been funded and announced through earlier provincial investments made under *ChildCareBC*.

Funding for new spaces under the budget include \$33 million to create additional before- and after-school spaces, and more than \$11 million to enable an increase in the number of school districts participating in the Seamless Day program. \$11 million is also provided to support the Aboriginal Head Start program, including resources to support engagement, community planning and capacity-building with Indigenous stakeholders.



* Does not include time-limited funding initiatives related to pandemic response and economic recovery





Training and compensation for child care workers

Budget 2022 pledges \$80 million over the next three years for training and compensation measures tied to the child care workforce. Full details are not yet available, but related funding commitments include:

- Expanding the wage enhancement program for certified early childhood educators who spend under 50 per cent of their time in direct child care functions (but are still working within child care services)
- \$8 million to expand the early childhood education dual credit program to 150 students, and to create 130 more training seats in post-secondary institutions
- Construction of a new \$19-million Centre for Childhood Studies at Capilano University's North Vancouver campus

Fee reductions

While *Budget 2022* does not deliver province-wide \$10 per day child care, it does commit to significant progress in fee reductions over the next two years. With the influx of new federal funding, the government promises that fees for full-day infant and toddler

care will be reduced by 50 per cent to an average of approximately \$20 a day by the end of 2022. In addition, the budget pledges to cut average fees for preschool and before- and after-school care to less than \$20 a day for the 2023/24 school year.

Building a better ECE system

In addition, the new budget includes funding to support the transfer of child care service delivery from the Ministry of Children and Family Development to the Ministry of Education and Child Care, a move that is viewed as necessary for integrating and expanding the child care system in B.C., and for delivering these services on a more universal basis. This includes \$16 million for targeted measures to improve program delivery and to support the integration of child care into the broader learning environment. The budget also provides \$7 million to hire additional licensing officers in order to guarantee that more child care facilities are licensed and ready to operate once they are completed.

Finally, *Budget 2020* also provides an additional \$8 million to child care providers for increased cleaning supplies, personal protective equipment or space enhancement measures in order to ensure child care centres remain safe for workers and children.



Climate action, resilient infrastructure, and clean growth

Budget 2022 makes wide-ranging, meaningful investments in climate change mitigation and adaptation, including actions to support recovery in the wake of last year's fires, floods, storms and extreme heatwaves. While making significant, real progress on climate change will require ongoing (and expanding) public resource commitments—and stronger tax measures—in subsequent budgets, the current fiscal plan nonetheless establishes important precedents and a viable path forward in building a greener and more resilient B.C.

Climate action and environmental sustainability

With respect to climate and environmental policy, BCGEU's most recent budget consultation submission to government renewed our union's call for a plan that: 1) prioritizes ambitious reductions of greenhouse gas emissions; and 2) promotes mission-oriented leadership to help drive our province toward a net-zero economy that is profitable and inclusive for everyone.

Budget 2022 outlines a range of programs and spending commitments that are broadly in line with these goals, including \$1.2 billion in additional funding to advance the implementation of existing *CleanBC* measures as well as some new initiatives. Notable expenditures within the new three-year fiscal plan include:

- \$310 million for actions to support the decarbonization of industry such as: funding for applied research and innovation to reduce methane emissions; developing carbon capture, utilization and storage; and programs designed to assist emission-intensive industries prepare for the challenge of meeting net-zero emissions requirements by 2050
- \$249 million in low carbon fuel credits to continue B.C.'s zero-emission electric vehicle rebate program
- \$125 million for various transportation investments, some to be incorporated under a new clean transportation action plan
- \$76 million for a new local government climate action program to help local governments take

action to reduce emissions and to adapt to climate change

- \$46 million for various energy retrofit incentives in buildings
- \$42 million for a clean buildings tax credit to encourage major retrofits in multi-unit residential and commercial buildings
- \$22 million to strengthen B.C. forests and improve their ability to sequester carbon
- \$4 million to expand the Indigenous Forest Bioeconomy Program
- \$15 million to support sustainable and climate-resilient agriculture practices

The budget also outlines additional commitments outside the *CleanBC* funding framework. Most notably, a further \$921 million in capital spending over the fiscal plan for construction of the Broadway Subway Project in Vancouver, and an additional \$1 billion in other transit infrastructure spending initiatives, including projected spending on the Surrey-Langley SkyTrain during the fiscal period.

While making significant, real progress on climate change will require ongoing (and expanding) public resource commitments—and stronger tax measures—in subsequent budgets, the current fiscal plan nonetheless establishes important precedents and a viable path forward in building a greener and more resilient B.C.

Budget 2022 commits \$185 million to support workers and communities impacted by the deferral of logging in old growth forests. This includes funding to connect workers to employment opportunities, skills training and retirement bridging funds, as well as other measures to aid with transition and help create jobs through diversified economies and infrastructure projects.



This is an important action on the part of government to acknowledge—and proactively address—the adverse social and economic effects of policies needed to reach key environmental and sustainability objectives. We encourage government to explore how similar principles could be applied in developing a broader just transition framework for our province, one that would have relevance for other sectors such as oil and gas and other emissions-intensive industries.

While this budget offers significant financial resources to advance a wide variety of climate action and environmental sustainability programs, it lacks ambitious action on tax measures that are needed to directly advance key mitigation targets. For example, the provincial carbon tax will stay at \$50/tonne of CO₂e during the last two years of the fiscal plan—which is a missed opportunity both driving further emissions reductions, and for generating additional revenue for related climate, environment and economic transition measures.

In addition, analysis from the Canadian Centre for Policy Alternatives finds that the budget still anticipates \$2.1 billion in fossil fuel subsidies over three years, of which \$1.8 billion are deep drilling credits associated with fracking.⁴

While the BCGEU is hopeful that this longstanding issue—i.e., the continuation of harmful fossil fuel subsidies—will be addressed through an ongoing review of the oil and gas royalty regime in B.C., we point out that the scale of tax credits and other subsidies gifted to wealthy fossil fuel companies runs directly contrary to the province's larger goals on climate change and a clean future. It is a contradiction that cannot longer be left unaddressed.

Building resilience in the face of climate change and related crises

In the BCGEU's recent submission to government regarding a renewed economic strategy for B.C., our union emphasized that the province's future planning must incorporate strong and well-developed principles of environmental and social resilience. *Budget 2022* already makes some important funding and program-related commitments that help apply these principles in several areas.

As we pointed out to government in our submission, resilience must include the basic ability of communities and regions to cope in the face of crisis. Recently, the climate-related fires, floods and extreme heatwaves of the past 12 months have underscored the incredible urgency of increasing of our province's capacity to adapt and respond in such situations. In turn, *Budget 2022* recognizes this priority by committing \$600 million in operating and capital funding for the ongoing response to these climate-related disasters, and to support British Columbians with improved readiness and resilience in future emergencies. Measures includes:

- \$145 million in new funding to strengthen B.C.'s emergency management and wildfire services (including the shift to an enhanced year-round workforce in the BC Wildfire Service)
- \$98 million to fund wildfire prevention work and maintain forest service roads
- \$210 million to support community climate change preparedness and emergency management planning, including Indigenous-led emergency management priorities
- \$83 million for a new Climate Preparedness and Adaptation Strategy that will strengthen climate monitoring networks, expand the River Forecast Centre and provincial floodplain mapping programs, and develop an extreme heat response framework

The fiscal plan also provides \$1.5 billion in available funding over the next three years to continue supporting people and communities responding to, and recovering from, the November 2021 flooding event, helping B.C. communities to build back with more resilient critical infrastructure. This funding comes in addition to a separate \$5 billion that was supplied by the federal government to aid with response and recovery efforts.

Other provincially funded measures include \$400 million in 2022/23 for Emergency Management BC and a further \$1.1 billion over three years that is earmarked in general programs contingencies for ongoing disaster recovery (to allow flexibility as disaster-related costs become better known).

⁴ Marc Lee, "BC budget moves in the right direction but too slowly to address pressing challenges like housing, climate, toxic drug supply and poverty," Policy Note, February 24, 2022. Available online at: <https://www.policynote.ca/bc-budget-2022/>



Reinforcing programs, services and public employment

Budget 2022 continues to deliver meaningful progress on rebuilding public programs and services in B.C. In total, it introduces \$6.6 billion in increased operating expenditure for government and the public sector over the life of the plan, including increased spending of \$1.3 billion for service delivery agencies located outside direct government (e.g., health authorities, colleges and institutes, etc.).

In particular, the BCGEU is very pleased by government's decision to establish a year-round workforce in the BC Wildfire Service. This is a crucial structural reform that the union has been advocating for many years, and that will allow the service to shift toward a proactive model of delivery focused on prevention and mitigation, preparedness, response and recovery.

The budget allocates \$145 million in new funding between the BC Wildfire Service and Emergency Management BC to facilitate this transition, along with a number of other related measures, such as improvements to the public alerting system for wildfires, and better supports for people and communities during climate-related events. Ministry deputies have confirmed that the move will result in permanent, full-time staffing in the Wildfire Service beginning in the coming year, but were not able to say on budget day how many FTEs this will include, or what proportion of the announced funding (\$145 million) would be used to cover costs tied directly to the new staffing model. What the documents do show, however, is that the new base amount for fire management will increase immediately by 42.6 per cent in 2022/23, bringing the total budget to just under \$200 million annually for each year of the fiscal plan.

Budget 2022 also introduces other structural changes designed to strengthen the complex stewardship demands of B.C.'s land and marine environments, including some moderate additional funding for transition and implementation. It provides \$44 million in new funding to support the creation the Ministry of Land, Water and Resource Stewardship, including additional staffing needed to provide capacity for several of its new functions. It is expected that this will involve up to 100 new FTEs.

A chief objective of the new ministry is to help align economic activity in the province with the important, simultaneous goals of environmental sustainability and reconciliation with Indigenous peoples. The ministry will take on programs that are currently managed in other ministries, including: land use policy and planning; fisheries and coastal policy and planning; and aquatic and terrestrial habitat management. It will have a key leadership role working with Indigenous governments and organizations to develop a new vision for land, water and resource management. This vision must bring government's natural resource policy framework in line with the *Declaration on the Rights of Indigenous Peoples Act*.

In particular, the BCGEU is very pleased by government's decision to establish a year-round workforce in the BC Wildfire Service. This is a crucial structural reform that the union has been advocating for many years.

To this end, *Budget 2022* also takes the important step of establishing a new Declaration Act Secretariat. \$12 million over three years will fund a dedicated staff to provide guidance on the consistency of B.C. laws with the *Declaration Act*, help inform government's legislative agenda and engage with Indigenous peoples on ways to ensure that the *Declaration Act* is consistently applied.

For other areas of operation within the public service, the budget introduces a moderate \$10 million increase over three years to the Ministry of Mental Health and Addictions. This provides for additional staffing to continue advancing the expansion of services, including support services for the complex care housing initiative. In total it raises the ministry's operating budget by 19 per cent to reach \$25 million annually over the course of the fiscal plan.

Budget 2022 also provides an additional \$12 million to increase capacity and reduce backlogs in the BC Coroners Service stemming from pressures related to the COVID-19 pandemic, the overdose crisis and recent





climate-related events. Lastly, the budget commits an additional \$18 million over the next three years to enhance mining regulation.

Other direct funding-related changes that have occurred in *Budget 2022*, include:

- \$2.9 million increase (+18.2%) to science, policy, and inspection within the **Ministry of Agriculture and Food** in 2022/23; a \$5 million increase (+8.8%) to agricultural resources
- \$11.3 million increase (+7.1%) to justice services within the **Ministry of Attorney General and Minister Responsible for Housing** in 2022/23; a \$6 million increase (+4.6%) to court services
- \$39.3 million increase (+8.9%) to services to children and youth with support needs within the **Ministry of Children and Family Development** in 2022/23; a \$28.2 million increase (+3.5%) to child safety, family support and children in care services
- \$105.7 million increase (+14.9%) to child care services within the **Ministry of Education and Child Care** in 2022/23

- \$6.1 million increase (+32.8%) to mines competitiveness and authorizations within the **Ministry of Energy, Mines and Low Carbon Innovation** in 2022/23; a \$2 million increase (+18.9%) to mines health, safety and enforcement
- \$27.8 million increase (+189%) to climate action within the **Ministry of Environment and Climate Change Strategy** in 2022/23; \$44.8 million increase (+45.6%) to *CleanBC* program for industry; \$2.3 million increase (+13.2%) to environmental protection
- \$9.1 million increase (+8.6%) to the office of the chief forester within the **Ministry of Forests** in 2022/23
- \$2.5 million increase (+9.6%) to trade and industry development within the **Ministry of Jobs, Economic Recovery and Innovation** in 2022/23
- \$64 million increase (+15.4%) to policing and security within the **Ministry of Public Safety and Solicitor General** in 2022/23; \$2.5 million increase (+4.0%) to victim services and crime prevention
- \$42.7 million increase (+3.3%) to community living services within the **Ministry of Social Development and Poverty Reduction** in 2022/23
- \$13.1 million increase (+79.3%) to transportation and infrastructure improvements (note: operating not capital) within the **Ministry of Transportation and Infrastructure** in 2022/23; \$16.3 million increase (+5.0%) to public transportation; \$10.5 million increase (+1.9%) to highway operations

One very crucial area of public service delivery in which the budget lacks a degree of ambition and creativity is seniors' care. What we wanted to see are investments and structural changes that would make seniors' care in B.C. a well-resourced, non-profit and publicly administered system of care—one that is far less reliant on private, for-profit operators and providers.

Despite this, our union is broadly supportive of two actions in the budget in particular: 1) government's announcement of an additional \$25 million to expand training for health-care assistants to address critical staffing shortages in the long-term care, assisted living and home care sectors; and 2) providing additional funding over the course of the fiscal plan to cover the ongoing costs of bringing privatized hospital dietary and housekeeping staff back in-house.



Expenditures at a glance (2021/22 - 2022/23)

Ministry, Program and Agency (\$ millions)	Updated Forecast 2021/22	Budget Estimate 2022/23	Total Change 2021/22 - 2022/23	Relative Change 2021/22 - 2022/23
Advanced Education and Skills Training	2,577	2,613	36	1.4%
Agriculture and Food	99	107	8	8.1%
Attorney General	1,273	1,374	101	7.9%
Children and Family Development	1,662	1,742	80	4.8%
Citizens' Services	604	657	53	8.8%
Education and Child Care	7,845	8,217	372	4.7%
Energy, Mines and Low Carbon Innovation	108	112	4	3.7%
Environment and Climate Change Strategy	313	368	55	17.6%
Finance	1,399	1,221	(178)	-12.7%
Forests	788	833	45	5.7%
Health	23,882	25,456	1574	6.6%
Indigenous Relations and Reconciliation	177	178	1	0.6%
Jobs, Economic Recovery and Innovation	107	111	4	3.7%
Labour	17	17	0	0.0%
Land, Water and Resource Stewardship	82	92	10	12.2%
Mental Health and Addictions	21	25	4	19.0%
Municipal Affairs	308	260	(48)	-15.6%
Public Safety and Solicitor General	1,423	1,394	(29)	-2.0%
Social Development and Poverty Reduction	4,360	4,456	96	2.2%
Tourism, Arts, Culture and Sport	171	173	2	1.2%
Transportation and Infrastructure	916	956	40	4.4%
BC Housing	2,029	2,247	218	10.7%
Community Living BC	1,316	1,361	45	3.4%
Industry Training Authority	118	118	0	0.0%
Legal Aid BC	119	119	0	0.0%
BC Liquor Distribution Branch	546	584	38	7.0%
BC Oil and Gas Commission	56	55	(1)	-1.8%
BC Pavilion Corporation	45	51	6	13.3%
Royal BC Museum	27	31	4	14.8%