



BRITISH COLUMBIA

# BUDGET ANALYSIS

2026/27

"Securing B.C.'s future," or slowly drifting towards austerity?

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# Introduction and overview

The B.C. government tabled its 2026/27 budget, titled *Securing B.C.'s Future*, on February 17. While *Budget 2026* is not the deep austerity budget many feared, it is also not a neutral “stabilizing budget” that fully preserves public services, as the government claims. The reality is that the failure to make necessary changes to public revenue and investments will amount to some cuts in how public services are delivered.

While BCGEU believes that government needs to address the deficit, although responsibly, the province is not currently in a financial crisis. B.C. needs strategic investment in the services that keep costs down for ordinary people. In difficult economic times, the people of B.C. rely on public services, such as health care child care, social services and public safety.

Instead, this budget promises more cuts to the public sector workforce. But current fiscal pressures stem from global uncertainty, inflation, cost overruns, and lost revenues—including the removal of the carbon tax without a replacement plan—not frontline public spending.

Public service workforce reductions of more than 2,500 full-time equivalents (FTE) are promised as a way to reduce the budget deficit, alongside another 12,500 FTEs across the wider B.C. public sector. Government has stated that workforce reductions will focus on reducing the management-to-frontline service worker ratio, but BCGEU members in some workplaces are already seeing attrition due to frontline workers being pressured to do more with less. Both Premier Eby and Finance Minister Bailey have made public commitments that these cuts are about

“rightsizing” the ratio of management to frontline service providers and BCGEU will hold them accountable to that promise.

Current fiscal pressures stem from global uncertainty, inflation, cost overruns, and lost revenues—including the removal of the carbon tax without a replacement plan—not frontline public spending.

B.C.'s spending per capita and as a share of provincial GDP is in the middle to lower end of Canadian provinces, but provincial revenue performance is not in balance with that level of expenditure. In short, the provincial government needs to increase annual revenue. *Budget 2026* does include some new measures to improve taxation and revenue generation. These are steps in the right direction, but the measures introduced do not go far enough in delivering fair value from our natural resources or ensuring fair taxation at higher income levels. The BCGEU believes government must take further steps to generate revenue and to develop a strong economic development and workforce development plan. Ensuring a strong, stable public sector will be essential to building a stronger, more productive B.C. economy, and a more sustainable fiscal framework long term.



# Economic context

## Growth

Economic growth in B.C. and for Canada nationally has been slow since 2025. B.C. led all large provinces from 2019-2023, but growth began to slow even before the Trump administration's introduction of tariffs in early 2025. Analysts expect B.C.'s economic expansion to remain relatively soft through 2026, but to begin a modest rebound in 2027, with the potential for more significant growth later in the decade.

*Budget 2026* forecasts real GDP growth of 1.3 per cent in 2026 and 1.8 per cent in 2027, due to continued trade uncertainty and impacts from federal government changes to immigration policy. Government is basing their forecasts on middle of the range estimates, and some forecasters predict slightly higher growth. The budget projects improved economic growth over the medium term (2028-2030), averaging 2.1 per cent annually as immigration levels return to normal and the trade environment stabilizes.

B.C.'s economy also stands to benefit from investments in major trade, resource and defence projects currently being promoted by the federal government.

Growth has been slow due to a number of factors. U.S. tariffs have compounded other problems to significantly weaken the

B.C. forestry sector. Slower population and employment growth has also reduced consumer demand in the province. Similarly, slowing in the real estate and housing market has impacted the construction and real estate sectors, while also reducing government revenue.

At the same time, some B.C. economic sectors have fared relatively well over the past year, due to factors such as rising metal and mineral prices and a rise in natural gas production exports. Forecasters note that B.C. is better positioned than other parts of Canada to weather trade risk, due to our greater diversity of trading partners and strong service sector.

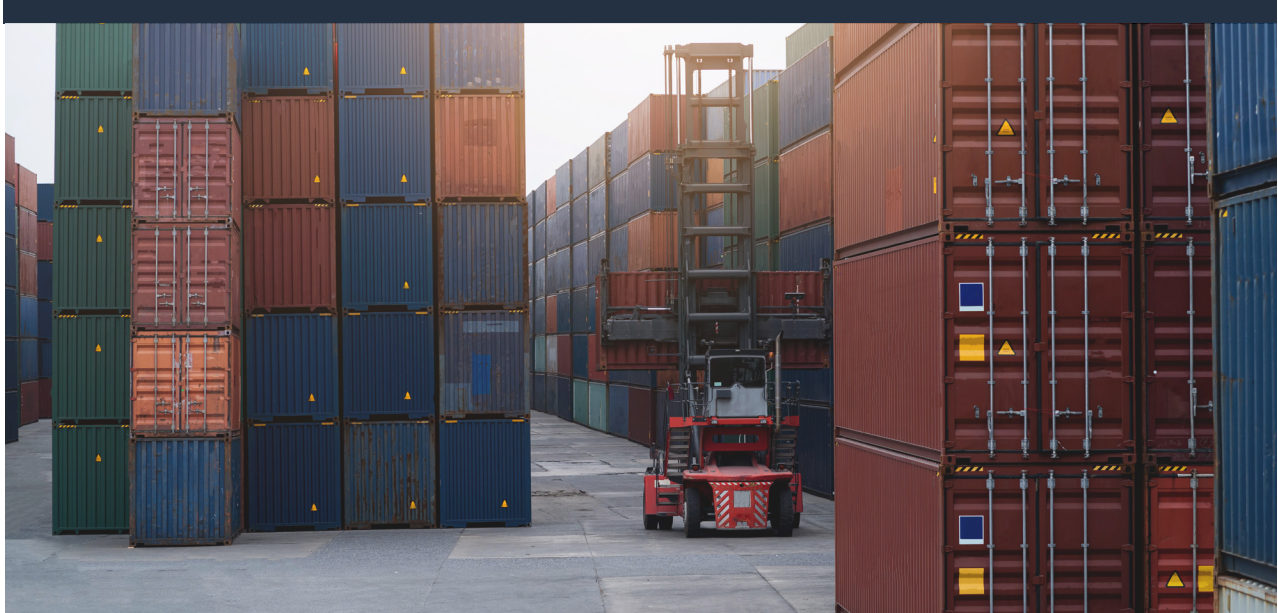
B.C.'s economy also stands to benefit from investments in major trade, resource and defence projects currently being promoted by the federal government, although the impacts will likely not be felt until later in the decade.

## Employment

Employment growth is also expected to be slow in the short term, due to lower population growth, the downturn in the forest sector, reduced housing starts and the completion of major construction projects such as Site C and LNG Canada in Kitimat. The budget forecasts employment growth of 0.4 per cent in 2026, 0.8 per cent in 2027, followed by an average of 1 per cent annually from 2028 to 2030.

Unemployment is forecast to average 6.2 per cent for 2025, with budget documents projecting a rate of 5.9 per cent in 2026 and 5.8 per cent in 2027, before dropping to an average of 5.5 annually from 2028 to 2030.





## Inflation

The consumer price index (CPI) is expected to remain relatively low at 2.1 per cent in 2026 and 2.0 per cent in 2027, although low headline rates can sometimes hide steeper price increases in particular categories, such as rising food prices experienced in recent years.<sup>1</sup> Nonetheless, 2 per cent is the desired target range for CPI, and essentially good news, as public sector wage increases of 3 per cent annually should beat headline inflation over the next few years.

## Tariffs and trade

2025 was shaped by fears of a major economic recession after Canada was singled out for American tariffs early in the year. Ultimately the majority of Canadian goods were exempted from tariffs under the existing Canada-United States-Mexico Agreement (CUSMA), and Canada dropped the majority of its retaliatory tariffs on U.S. goods in August 2025.

Contrary to initial fears, the value of B.C.'s total exports for 2025 were down only 1 per cent in 2024, as increased exports to other markets made up for most of the decline in exports to the United States. China and Mexico both stood out as key destinations for increased export activity

for the province. Increases were most notable for products such as natural gas, other energy products (including petroleum), copper and other minerals.

Despite a lower-than-expected impact on the wider B.C. economy, sector-specific tariffs have led to more dramatic effects in certain industries. Continued softwood lumber tariffs have put severe pressure on the B.C. forestry industry, which had already faced significant challenges prior to 2025, including a number of mill closures and employment declines of 15 per cent across the primary resources and utilities sector. The value of coal exports from B.C. has also declined significantly in 2025.

The recent decision from the U.S. Supreme Court on February 20 over tariffs issued under the U.S. federal *International Emergency Economic Powers Act* will have little effect on Canada's overall tariff burden. In the end, most of the domestic duties issued against Canada were done so using other legislation. The renegotiation of CUSMA in July 2026, however, will be more significant since important exemptions under the agreement that our economy is currently relying on could be subject to change.

<sup>1</sup> "Current Economic Trends: B.C. Economic Outlook," December 2025, Central 1 Economics: [https://www.central1.com/pdf\\_files/b-c-economic-forecast-2026-2027/](https://www.central1.com/pdf_files/b-c-economic-forecast-2026-2027/)



# B.C. fiscal outlook: revenue, expenditures and deficit

## Overview

While B.C. is not in imminent danger of a fiscal crisis, projected deficits are historically high, and debt is increasing steeply over the three-year fiscal plan. *Budget 2026* does introduce some tax changes to help increase revenue (see *New revenue initiatives* on page 10, below), significantly more will be needed in coming years to balance revenue with spending.

Despite sizeable projected increases, B.C.'s debt level will not be outside the norm for Canadian provinces at the end of this fiscal plan. Nonetheless, the trajectory needs to change. Continued increases at this pace could soon push debt to levels that are potentially problematic. Notably, the interest bite—which is the percentage of total annual provincial revenue required to pay interest on debt—will increase significantly over this budget cycle. In the long run, growing interest payments on the debt can be understood as foregone investment in public services.

B.C. is not yet facing financial crisis, but addressing the deficit and our growing debt will require more purposeful measures to increase revenue to support growing costs of health, education and other core public services. It will also require more vigorous efforts to increase spending efficiency, including restoring public sector management and excluded staffing ratios to sustainable balance, reforming procurement processes, and addressing the costly inefficiencies that result from unnecessary contracting-out of public services to profit-motivated private sector providers.

## Deficit

The updated budget deficit for 2025/26 is now \$9.6 billion, which is \$1.6 billion lower than forecast in the second quarterly report and roughly \$1 billion lower than the initial budget forecast for 2025/26. According to the budget, the improvement is due mainly to higher revenue from corporate and personal income tax and lower spending for refundable tax credits.

Contrary to the expectations of many, the government is not planning to reduce the deficit for 2026/27. In fact, *Budget 2026* projects a significantly larger deficit of \$13.3 billion in the coming fiscal year, followed by further large (but gradually declining) deficits over the remaining three-year fiscal plan, at \$12.2 billion in 2027/28 and \$11.4 billion in 2028/29. These are demonstrably higher shortfalls than proposed in the previous budget (i.e., \$10.2 billion for 2026/27 and \$9.9 billion in 2027/28).

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of many, the government is not  
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2026/27.

These are troubling projections; however, we note that they are based, in part, on conservative estimates of revenue growth and very large contingency allocations, so there remains a strong possibility of lower final deficits at year end. *Budget 2026* includes contingency



allocations of \$5 billion in each year of the fiscal plan, and cautious estimates of total provincial liquified natural gas (LNG) revenue.

With increased economic growth and (eventually) gradually declining deficits, the provincial deficit-to-GDP ratio is forecast to decline from 2.9 per cent in 2026/27 to 2.3 per cent by 2028/29.

While concerning, it is important to consider the deficit within the wider economic context as other provinces across Canada face similar fiscal challenges. Depressed revenues resulting from reduced economic performance are occurring elsewhere across Canada, with Nova Scotia, New Brunswick, and Alberta all posting large deficits for 2025/26.



# Government debt and debt affordability

B.C.'s taxpayer-supported debt is projected to be approximately \$2.2 billion lower than stated in *Budget 2025*, due to an improved operating result and lower capital spending. This reduces the provincial debt-to-GDP ratio marginally to 26.1 per cent for 2025-26 (down from 26.4 per cent at the end of the second quarter).

However, taxpayer-supported debt is expected to increase steeply from \$116.5 billion in 2025/26 to \$189 billion by 2028/29. This is a total increase of \$72.5 billion, and amounts to growth of 62.2 per cent in just three years.

The biggest components of debt growth are from operating deficits, followed by capital spending under the B.C. Transportation Financing Authority (BCFTA). Debt from operating expenses is projected to increase by \$37.1 billion (+117%) and reach \$69 billion in 2028/29. Capital debt under the BCFTA is expected to increase by \$15.4 billion (+55%) over the same period.

This will lead to a substantial increase in debt servicing costs, with the interest bite (taxpayer-supported interest costs) rising from 4.9 per cent in 2025/26 to 8.2 per cent by 2028/29. This means the province will be paying almost \$7.3 billion annually in interest costs in 2028/29, compared to \$4 billion in 2025/26. For perspective, the third largest government ministry, Social Development and Poverty Reduction, costs approximately \$6 billion to operate on an annual basis, including all income and disability assistance payments to eligible residents (\$4 billion).

## B.C.'s debt compared to other provinces

While B.C.'s debt growth is concerning, and further growth should be reined in, provincial debt performance is not yet out of line with other Canadian averages and remains significantly better than Ontario and Quebec by some metrics. As of December 2025, B.C. still had the best credit rating of all Canadian provinces.

B.C.'s taxpayer-supported debt-to-GDP ratio was one of the best among Canadian provinces for 2025/26.

B.C.'s net debt per capita ranked in the middle of Canadian provinces in 2025/26, and was well below that of Ontario, Quebec and Manitoba. Further, all provinces except New Brunswick have had increases in net debt per capita since 2017/18, and while B.C. has had the biggest rate of increases in debt per capita since 2017/18, Alberta has had the second highest.<sup>2</sup>

B.C.'s taxpayer-supported debt-to-GDP ratio was one of the best among Canadian provinces for 2025/26, with only Alberta and Saskatchewan performing better under that metric. Using a related line of analysis, government has referenced net liabilities to GDP in the budget to demonstrate that B.C. will retain a significantly lower ratio of liabilities to GDP than Ontario and Quebec in 2026/27.

<sup>2</sup> RBC Economics, Canadian Federal and Provincial Fiscal Tables, Nov. 17, 2025. Royal banks of Canada. Available at: [Canadian Federal and Provincial Fiscal Tables, RBC Economics, Nov. 17, 2025](#)



## Expenses

Operating expenses are expected to grow 4.1 per cent in 2026/27 with the rate of increase dropping to 1.9 per cent in 2027/28 and 2.5 per cent in 2028/29. In total, expenses will increase \$8.5 billion (+9%) over the three-year fiscal plan, starting at \$94.7 billion in 2025/26 and rising to \$103.2 billion by 2028/29.

It is worth noting that B.C.'s expenditure levels are not in themselves excessive, and recent fiscal imbalances owe more to a poor performance in provincial revenue capture and generation. B.C. provincial government spending on services in recent years has been below the Canadian provincial average, both per capita and relative to GDP. In fact, spending as a percentage of GDP has remained largely stable at an average of 18.4 per cent of GDP over the past 20 years.<sup>3</sup>

The province's per capita program spending has also been lower than the average for Canadian provinces. It was the fourth lowest of all the provinces in 2024/2025 and 2025/26 and has been below the national average since at least 2017/18, when it was the lowest of all Canadian provinces. While spending by this measure has grown significantly since then, it is expected to remain below the average for all provinces in the coming year.

B.C. has also had the fourth lowest program expenditure relative to GDP and has been below the median for Canadian provinces every year since 2017/18.

## Revenue

Provincial revenues are projected to grow only 0.5 per cent in 2026/27, followed by increases of 3.6 per cent annually over the following two years. By 2028/29, total revenue will have risen to \$91.7 billion on an annual basis, for an increase of \$6.7 billion (+7.9%) above 2025/26.

This projected growth is driven largely by increased revenue from new income tax, sales tax, and property tax changes introduced in *Budget 2026* (see *New revenue initiatives*, below), alongside expected growth in natural gas royalties and other natural resource revenues.

While a percentage of recent deficits are the result of the economic downturn and uncertainty all provinces are facing, B.C. also has a longer-term, structural revenue problem rooted in tax cuts made in the early 2000s. Over the past 25 years revenue as a percentage of GDP has fallen appreciably from 19.2 per cent to 15.4 per cent in B.C., resulting in \$16.8 billion in lost revenue potential annually.<sup>4</sup> This shortfall would be more than enough to cover the deficit this year without even counting the \$5 billion in contingency vote allocations planned in each of the next three years.

B.C. provincial government revenues relative to GDP are the fourth lowest in the country and have remained consistently behind the Canadian provincial average since 2017/18. Growth in revenue has also been well below the Canadian provincial average since 2023/24.<sup>5</sup>

These structural revenue problems were compounded by the abrupt cancellation of the consumer carbon tax in 2025. The cancellation of the carbon tax without any replacement sources of revenue immediately added \$2.8 billion to the

<sup>3</sup> British Columbia Summary Financial Statement, Consolidated Statement of Operations for each fiscal year, compared to Stats Canada, GDP, expenditure based, current dollars, table 36-10-0222-01

<sup>4</sup> Igljka Ivanova, "The truth behind BC's deficit and debt," BC Society for Policy Solutions, Sept. 29, 2025. Available at: <https://bcpolicy.ca/2025/09/29/bc-deficit/>

<sup>5</sup> RBC Economics, Canadian Federal and Provincial Fiscal Tables, Nov. 17, 2025. Royal banks of Canada. Available at: [Canadian Federal and Provincial Fiscal Tables, RBC Economics, Nov. 17, 2025](https://www.rbc.com/canada/economics/fiscal-tables)





2025/26 deficit, which amounts to more than 25 per cent of the total projected shortfall for this year.<sup>6</sup> The move was applauded by big business and right-wing politicians, but lower and middle-income people in B.C. are actually now worse off from the elimination of the carbon tax. Individuals and families at those income levels had received more through the climate action tax credit than they paid in carbon taxes.<sup>7</sup>

B.C. provincial government revenues relative to GDP are the fourth lowest in the country.

For political reasons, the government likely felt it was obligated to cancel the consumer carbon tax. However, a phased transition alongside the introduction of replacement revenue streams would have made much more sense than abruptly cutting revenue during a period of slow economic

growth and significant trade uncertainty—not to mention growing deficit spending.

Declining government revenues have gone hand in hand with increasing social and economic inequality in British Columbia. Income inequality in Canada reached a record high in 2025,<sup>8</sup> with the top percentile of Canadian households capturing the vast majority of economic gains since 2020.<sup>9</sup> Economists increasingly reference a K-shaped economy in which spending and growth is driven by a small percentage of higher earners, while a larger majority struggle with the cost of living and are forced to live paycheque to paycheque.

Growing economic inequality contributes to a negative feedback loop of weaker economic performance, greater strain on social services, and less effective political processes. Taxation policy is not only about balancing the books, but about setting the social and economic directions for the communities we live in.

<sup>6</sup> British Columbia Ministry of Finance, Second Quarterly Report, 2025/26 Financial Update, Economic Outlook & Six Month Financial Results, April - September 2025, released November 2025. Available at: <https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/quarterly-reports/2025-26-q2-report.pdf>

<sup>7</sup> Igljka Ivanova, "The truth behind BC's deficit and debt," BC Society for Policy Solutions, Sept. 29, 2025. Available at: <https://bcpolicy.ca/2025/09/29/bc-deficit/>

<sup>8</sup> Statistics Canada, *Distributions of household economic accounts for income, consumption, saving and wealth of Canadian households, first quarter 2025*, released: 2025-07-16. Available at: <https://www150.statcan.gc.ca/n1/daily-quotidien/250716/dq250716a-eng.htm>

<sup>9</sup> Silas Xuereb, "Canada's affordability divide: How the 1%'s rise left millions behind," Canadians for Tax Fairness, March 2025. Available at: [https://www.taxfairness.ca/sites/default/files/2025-03/C4TF%20Affordability%20report\\_0.pdf](https://www.taxfairness.ca/sites/default/files/2025-03/C4TF%20Affordability%20report_0.pdf)



# New revenue initiatives

While *Budget 2026* proposes new revenue initiatives, it largely tinkers around the edges while declining to address either the province's larger fiscal situation or the economic inequality within the province. New tax measures, collectively, raise \$757 million this year and are projected to rise to \$1.9 billion by 2028/2029. We note that these new revenues fail to make up for the greater than \$2 billion net annual loss introduced by the elimination of the carbon tax.

## Income tax increases

For the first time since 2000, government has sought to generate new revenue by raising the lowest income tax bracket from 5.06 per cent to 5.60 per cent, resulting in an average tax increase of \$76 per individual/household and total (new) additional government revenues of \$353 million this year. Higher earners will see a maximum tax increase of \$206 annually because of this change, while lower-income British Columbians will ultimately see net gains from the increase in the B.C. Tax Reduction Credit from \$115 to \$690.

Government could have elected to take a more effective and equitable approach to revenue through modest increases to higher tax brackets, such as for the top decile of earners.

The government will also pause the indexation of tax brackets between 2027-2030, which will allow marginal rates to bite further into inflation-adjusted earnings. This will raise an additional \$1 billion, but will also have a slight distributive impact at the low end of the earnings scale.

Government could have elected to take a more effective and equitable approach to revenue through modest increases to higher tax brackets, such as for the top decile of earners. As Minister Bailey correctly pointed out, B.C. residents earning as much as \$140,000 continue to pay the lowest personal income taxes in Canada. We think this is unfortunate, especially considering the fiscal state and implied impact on services.

## Property taxation

Increasing the School Tax by 0.1 per cent for homes assessed over \$3 million and 0.2 per cent for homes assessed over \$4 million is expected to raise \$787 million. Despite these increases, residential property taxes in B.C. remain among the lowest in any jurisdiction in North America, while the value of residential property across the province has appreciated by \$1.7 trillion in the last 20 years.

We note that land values are publicly created through our collective economic and cultural activity, and through our joint contribution to public services and infrastructure. While attention to our property tax system is welcome, government should look to further increase the progressivity of property tax rates and to look seriously at implementing a land value tax to ensure the public receives a fairer share of windfall gains in property values.



*Budget 2026* notes that revenue from non-residential property taxes has declined from 14 per cent to 8 per cent over the last 20 years and will index rates to the three-year average annual GDP growth going forward to prevent further declines in revenue.

*Budget 2026* also eliminates the northern and rural homeowner benefit for a meagre savings of \$24 million in 2026/27, while retaining the \$925 million home owner grant to subsidize property taxes on homes worth up to \$2.2 million. This can be contrasted with the considerably smaller and means-tested renter's tax credit, which is projected to cost \$260 million over the same period, as well as the retraction of \$1.4 billion in housing spending addressed below in this report. Instead, the province should eliminate the home owner grant and replace it with targeted supports for low-income individuals and seniors.

Finally, the speculation and vacancy tax has been increased from 3 per cent to 4 per cent for 2027, increasing estimated revenue for that year to \$161 million.

## Resource royalties

Notably absent from *Budget 2026* were any changes to B.C.'s resource royalty regime. In a shifting geopolitical climate, both the provincial and federal government have made unprecedented efforts to subsidize and deregulate strategic projects planned for British Columbia. Whatever the underlying strategic priority of these projects, the reality is that British Columbia's resource wealth is collectively owned by the public. Resource development should provide strong (and fair) public value and help advance Reconciliation with First Nations.

Current royalty rates do not accomplish these goals, and contributed only 0.6 per cent of GDP in 2025—less than a fourth of the value British Columbians received for the use of our collective natural resources in the early 2000s.<sup>10</sup> As B.C. begins to export LNG and expedite other major projects, government should ensure that British Columbians receive value in exchange, especially in light of massive publicly funded infrastructure projects, such as the North Coast Transmission Line and the Site C dam, that are necessary for these enterprises.

## New tax credits and other measures

*Budget 2026* introduces the manufacturing and processing investment refundable tax credit, offering a 15 per cent credit to offset investment in buildings, machinery, and equipment of up to \$2 million. This credit is intended to recognize that manufacturing across Canada has been disproportionately affected by American tariffs over the past year, and the credit will also support processing in the primary resource sector at a projected cost of \$55 million annually.

The B.C. shipbuilding tax credit has been extended until the end of 2027, with B.C. shipyards projected to remain at close to capacity through the end of the decade while they fulfil navy and coast guard contracts granted under the federal national shipbuilding strategy.

The expansion of the PST to professional services such as architecture, accounting, and real estate management is expected to raise an additional \$1.5 billion over the budget cycle.

<sup>10</sup> Igljika Ivanova, "The truth behind BC's deficit and debt," BC Society for Policy Solutions, Sept. 29, 2025. Available at: <https://bcpolicy.ca/2025/09/29/bc-deficit/>



# Capital spending

While large scale provincial investment in hospitals, schools, transit and other much-needed public infrastructure in recent years has been justified, that same spending on capital projects has also become a significant factor in the rapid growth of B.C.'s provincial debt. Project costs have risen significantly in many cases, due to factors such as higher interest rates, rising construction costs, skilled labour shortages and inefficiencies in government procurement practices.

The government is reacting to this situation by, in their words, “strategically sequencing the capital plan.”

In practice, this will mean postponing or slowing the pace of several planned capital projects. While the new budget still commits to \$37.7 billion in capital spending over the next three years, several previously announced projects will be delayed or “re-paced.”

These delays include:

- Long-term care projects:
  - Abbotsford long-term care
  - Campbell River long-term care
  - Chilliwack long-term care
  - Cottonwoods long-term care replacement (Kelowna)
  - Delta long-term care
  - Fort St. John long-term care
  - Squamish (Hilltop) long-term care
- Second phase of the Burnaby Hospital and Cancer Care redevelopment
- University of Victoria student housing expansion
- And reallocating \$1.4 billion of housing investments across the fiscal plan (see *Housing* on page 15 for details on how this will impact affordable housing initiatives in B.C.)



Construction begins on the Burnaby Hospital redevelopment, one of several major capital projects now facing delays under *Budget 2026*. Photo: Province of British Columbia (CC BY-NC-ND 2.0)



# Budget highlights

## Expenditure management and efficiency review

*Budget 2026* commits to some significant expenditure reductions through an ongoing expenditure management and efficiency review; however, details are far from clear on exactly how these reductions will be achieved. The government claims that it has already reduced spending by \$400 million for 2025/26 through staffing adjustments, hiring restrictions, and reducing discretionary spending by reviewing travel, consulting contracts, office and business expenses.

Budget documents promise a further \$3.5 billion in estimated total savings over the next three years through the management of administrative and discretionary spending, and a further \$2.8 billion in savings related to streamlining of government operations alongside reductions in public sector FTEs. However, about \$1.9 billion of these savings will be reinvested in core services, the government claims, meaning that projected net savings over three years will total \$4.4 billion.

Various overtures to expenditure management are outlined in the budget, including “right sizing

the public sector,” “streamlining government operations,” and “the continuation of both a health authority review and post-secondary system review.” Few concrete details of these processes were contained in the budget documents, however.

## Public sector workforce reductions

*Budget 2026* includes plans by government to reduce staffing across the entire provincial public sector—including public service, health, K-12 education, post-secondary education and crown agencies—by a target of 15,000 full-time-equivalent positions over the duration of the three-year fiscal plan. That amounts to a reduction of the B.C. public sector workforce of approximately 3.4 per cent by the end of 2028/29.

Documents state that these reductions will be achieved largely through attrition and voluntary departures. However, they note that “additional measures, such as early retirement and voluntary severance incentives, may be used to help support the transition.” The government says it

EXPENDITURE MANAGEMENT AND WORKFORCE REDUCTION TARGETS (\$ MILLIONS)				
Expenditure management savings	950	1,240	1,320	3,510
Workforce reduction targets	200	800	1,850	2,850
Total estimated savings	1,150	2,040	3,170	6,360
Funding reinvested in core services	(525)	(663)	(736)	(1,924)
Total savings, net of reinvestments	625	1,377	2,434	4,436

Source: Government of British Columbia, *Budget 2026*



will be developing specific targets to reduce the number of executive positions, with a focus on Crown corporations and the health sector.

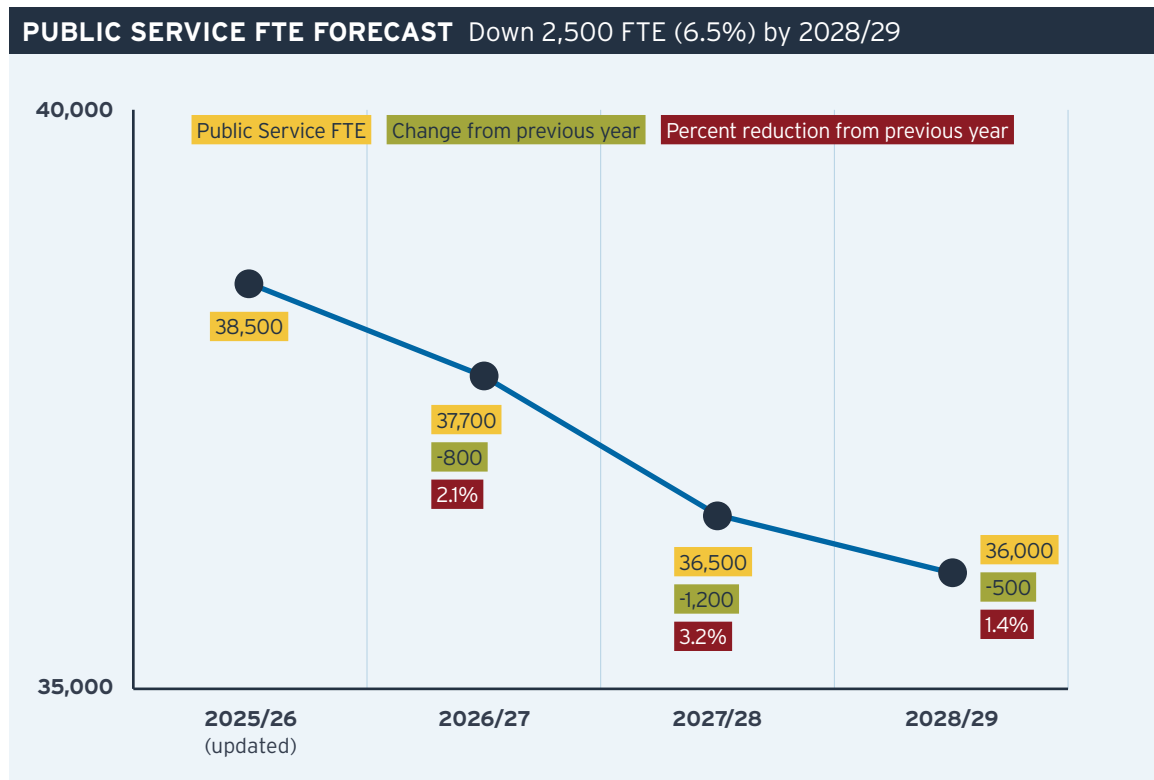
Government expects these workforce reductions to save \$1.85 billion annually by 2028/29 and that they will total \$2.85 billion in savings over the

three-year fiscal plan. However, the government also says a portion of these savings (combined with other expenditure management savings) will be reinvested in core services somehow.

## B.C. public service

The B.C. public service will account for 2,500 FTE of these staffing reductions, which indicates a 6.5 per cent reduction in public service FTEs by the end of 2028/29. Budget documents claim there were already 700 FTEs reduced or eliminated in the public service during the 2025/26 fiscal year.

In a budget day briefing, Minister Bailey said staffing reductions in the public service will focus on management and excluded positions; however, this is not explicitly stated elsewhere in the budget documents. Our union has been exceptionally clear that these cuts must not come from core frontline staffing. While both Premier Eby and Finance Minister Bailey have made public commitments that this is about “rightsizing” the ratio of management to frontline service providers, BCGEU members are already seeing through attrition that frontline workers will be asked to do more with less.



## Health care

B.C.'s health sector is far and away the single largest component of the provincial budget and the target of attention as the health system continues to show signs of strain despite historic investments over the past decade. Many British Columbians continue to struggle to access a family doctor, for example, and cutbacks in emergency room hours in some communities have caused public concern.

Reaching \$38.4 billion in total annual operating spending in 2028/29, *Budget 2026* allocates \$2.3 billion in additional funding for the Ministry of Health over the next three years to expand capacity across the health system. Operating expenditure has increased largely at the expense of slowed capital spending in health. Government has reduced the \$15.5 billion in capital spending announced in *Budget 2025* to \$11.1 billion by extending and delaying the rollout of projects over a longer time horizon. These projects include new, upgraded, or replaced hospitals and health facilities across the province.

Other new developments in health include \$34 million in additional funding to continue support for a publicly funded in vitro fertilization (IVF) program introduced in July 2025, funding services for over 1,500 individuals to date.

While a recent review of administrative costs in the health sector has identified \$60 million in annual savings, little movement has been seen on other cost-saving measures such as the expanded rollout of community health centers (CHCs). CHCs have been called for by many health experts with the aim of centralizing services and creating economies of scale to reduce physician overhead, which can account for as much as 30 per cent of all costs billed to the public health system.

## Housing

*Budget 2026* includes no new commitments from the province in housing, and instead sees the province retreat from significant earlier commitments to affordable housing, including \$1.4 billion which will now be reallocated and spread across the entirety of the fiscal plan. In total, \$2.7 billion in capital spending will be committed to affordable housing projects over the course of the three-year plan.

In recent years B.C. has seen a modest stabilization of rents in many regions, driven largely by population outflows following years of record rental inflation. Despite these developments, British Columbians remain among the most rent-burdened population in Canada and one in six renters spends over 50 per cent of their income on housing. The stabilization of rent increases has seen the housing development sector shrink from new investment, despite zoning reform and significant government efforts to deregulate the sector, which helps demonstrate the clear limitations of a market-reliant approach to the housing crisis.

Alarmingly, *Budget 2026* suspends the community housing fund (CHF), BC Housing's marquee program for delivering deeply affordable rental housing. Established in 2018, the CHF was allocated \$3.3 billion to support non-profits in constructing 20,000 deeply affordable homes, 14,000 of which have been constructed to date. The suspension of the CHF is a regressive turn that could bring affordable housing delivery to a standstill while leaving non-profits with resources that are sunk into mid-stream projects.

With housing production currently in a cyclical slump, government-supported projects are more vital than ever for keeping construction trades at work and providing the deeply affordable units still badly needed by British Columbians. Our union remains critical of the lack of value



presented by the BC Builds program and believes that any public land and financing allocated under this program should be directed toward non-profit rather than market projects.

Finally, *Budget 2026* offered no additional relief for more vulnerable renters. Shelter aid for elderly residents and the rental assistance program remain frozen, though only about one fifth of British Columbians facing core housing need actually benefit from these programs.<sup>11</sup>

## Infrastructure

Ministry of Infrastructure operating expenditures are projected to decline marginally (less than 1 per cent) in 2026/27 to \$421 million. Lower external recoveries for 2026/27 appear to account for the small net decrease. Total salaries and benefits in the ministry are projected to rise from \$39.1 million in 2025/26 to \$44.1 million in 2026/27.

Despite the “re-pacing” of some capital projects, most major capital projects in education, post-secondary, health care, and social housing will continue.

Despite the “re-pacing” of some capital projects, most major capital projects in education, post-secondary, health care, and social housing will continue. Combined with transit infrastructure spending, this will amount to \$37.7 billion in total capital spending over the fiscal plan. An additional \$15.2 billion in self-supported capital spending is planned for BC Hydro, ICBC and other crown agencies.

## Transportation and Transit

Operational spending in the Ministry of Transportation and Transit is projected to increase by \$20 million (1.7%) to \$1.97 billion in 2026/27. However, total salaries and benefits are projected to decrease by more than \$1 million, which suggests the ministry anticipates some small reductions in staffing.

Transportation capital investments are expected to total \$13.8 billion over the three-year fiscal plan, and include major allocations for the Surrey Langley Skytrain Project, the George Massey Tunnel replacement, the Broadway Subway Project and a range of other highway, transit and trade network infrastructure projects across B.C.

## Economic Development and Skills Training

While facing economic headwinds, government has sought to position B.C. as central to the wider federal strategy of attracting private sector investment to nation-building projects supporting Canadian sovereignty and economic security. It is important that such investments deliver good jobs, adequate government revenues, and that they advance Reconciliation with First Nations communities.

*Budget 2026* has allocated \$400 million in new funding for the B.C. strategic investments special account, a new fund which provides equity loans and direct investment in companies in the clean energy, forestry products, manufacturing, mining, life sciences, transportation, and AI sectors. An additional \$40 million has been committed to initiatives for reducing permitting timelines for major projects in the natural resources and tourism sectors.

<sup>11</sup> Igljka Ivanova, “The truth behind BC’s deficit and debt,” BC Society for Policy Solutions, Sept. 29, 2025. Available at: <https://bcpolicy.ca/2025/09/29/bc-deficit/>



Investments in post-secondary education help enhance productivity more effectively than corporate subsidies, and we are happy that *Budget 2026* allocates \$283 million in funding for skilled trades development, \$241 million of which will be allocated to SkilledTradesBC. It is not clear how much if any of this funding will be allocated to supplementing resources at unionized post-secondary trades education programs, however.

\$50 million has been allocated to B.C.'s forestry sector, including \$20 million to the northern development initiative to supplement WorkBC services for workers affected by tariff-related losses in the forestry and steel industries. \$15 million has been provided to recapitalize the FireSmart community funding and supports program to strengthen wildfire resilience and fund investments in training and equipment. The remaining \$15 million has been allocated to the B.C. First Nations forestry council, the wildfire reduction equipment support trust, and the forestry service providers compensation fund.

## Education

*Budget 2026* commits \$634 million in new funding to K-12 education over the next three years, including \$167 million for the classroom enhancement fund which will finance additional teachers, special education, and counselling supports in recognition of a larger student body with special needs. \$3.9 billion in capital spending is also committed for the construction, renovation, and seismic upgrading of schools across the province.

Post-secondary education expenditures have been increased by \$394 million in *Budget 2026*. This new funding will be directed to further support the \$4.4 billion in capital spending on new infrastructure including student housing projects and the Simon Fraser University medical school opening this fall.

Despite historic funding increases in 2024, post-secondary institutions have struggled to adapt from the decline in tuition revenues from international studies and have increasingly turned to program cuts and general tuition increases to fund the shortfall.



UBC Okanagan campus. Photo: UBC Media Relations (CC BY-NC-ND 2.0)





## Emergency Management and Climate Readiness

Total net operating expenses in the Ministry of Emergency Management and Climate Readiness are expected to decrease from \$115.8 million in 2025/26 to \$110.8 million (-4.1%) in 2026/27. The bulk of this budget decrease is concentrated in a cut to climate readiness programs. Total salaries and benefits for the ministry are projected to decrease by about \$200,000 (-0.5%), which implies some minor workforce reductions.

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Including money spent from contingency to address fires, floods and other emergencies, updated ministry spending for 2025/26 is projected to be \$442 million.

## Forests

Total net operating expenditure in the Ministry of Forests for 2025/26 was \$898.2 million, which is projected to rise 1.3 per cent to \$909.6 million in 2026/27. Ministry salaries and benefits are projected to rise from \$358.8 million in 2025/26 to \$361.2 million in 2026/27 (+\$2.4 million/+0.7%).

## BC Wildfire Service

The initial amount budgeted for fire management is down \$2.3 million compared to 2025/26; however, core resourcing for wildfire management is typically funded from contingency rather than the nominal amount included in the estimates.

Actual ministry spending in 2025/26, including amounts drawn from contingencies for wildfire management, is forecast to be \$1.3 billion. This means contingency spending on wildfire management added approximately \$400 million to the ministry budget, for a total expenditure in the range of \$635 million.





## Mental Health and Addictions

Events in Tumbler Ridge have drawn renewed attention to access to mental health supports in the North and other remote areas of the province. Unfortunately, new mental health spending in *Budget 2026* focuses on involuntary care rather than an expansion of support for mental health concerns.

The budget allocates \$131 million to the expansion of involuntary care at facilities in Prince George, Maple Ridge, and Surrey. Our union looks upon the expansion of involuntary care with concern as British Columbians continue to face difficulties accessing key mental health services and voluntary care options for substance abuse earlier in their struggles. Systemic non-compliance with the *Mental Health Act* under the existing involuntary care regime is also a pressing concern.<sup>12</sup>

## Seniors' care and Community Living

The community care sector will see significant changes over the next three years, with more than 5,000 care home workers transitioning into collective agreements between the Facilities Bargaining Association and the Health Employers Association of B.C. This will improve compensation and help ensure consistent working conditions and delivery standards across the sector.

*Budget 2026* sustains the existing commitment of \$35 million over three years to support Independent Living BC, offering housing supports to assist seniors in managing their care while continuing to live at home.

The budget also provides an additional \$252 million in funding to support Community Living BC (CLBC) to meet the growing demand for community living and support services for people with disabilities. BCGEU continues to advocate for the repatriation of CLBC to direct government to improve care and reduce costs following the death of Florence Girard while under the care of a CLBC contractor in 2018.

<sup>12</sup> Deborah Berman, Zoë Jackson, Sarah Malan, Himaloya Saha Protecting the rights of involuntary patients under the Mental Health Act, Ombudsperson of the Province of British Columbia Special Report No.62, January 2026. Available at: [https://bcombudsperson.ca/wp-content/uploads/2026/01/OMB\\_Committed-to-Change\\_Report\\_Update\\_2026-WEB.pdf](https://bcombudsperson.ca/wp-content/uploads/2026/01/OMB_Committed-to-Change_Report_Update_2026-WEB.pdf)



## Child Care

Child care funding has been expanded by \$330 million in *Budget 2026*, but still falls short of what is needed to realize the government's long-standing goal of \$10aDay care in B.C. These rates are available at only a limited number of facilities and further expansion has been paused, with government instead pointing out that average child care costs have been reduced from \$47 to \$20 a day, or approximately half of the \$10aDay goal.

Child care funding has been expanded by \$330 million in Budget 2026, but still falls short of what is needed to realize the government's long-standing goal of \$10aDay care in B.C.

Child care should be prioritized as a key component of our economic strategy in British Columbia. It has the dual benefit of allowing parents to continue to work while freeing up considerable disposable income to be spent elsewhere in the economy.

## Care and support for children and youth

*Budget 2026* commits \$475 million in new direct funding over the next three years to reorganize existing program delivery and expand support services for children and youth with disabilities.

Two new benefit streams announced under this funding include the children and youth with

support needs benefit and the children and youth disability supplement, the latter of which offers a maximum of \$6,000 annually to eligible families. However, advocates have raised concerns about the income and needs criteria for families accessing this funding, and many feel these changes have been introduced without proper stakeholder consultation.

## Income and disability supports

This year's budget introduces an additional \$121 million over three years for income and disability support, which is a marginal addition over the \$1.6 billion in funding scheduled last year. While some couples receiving disability assistance benefitted from the removal of the spousal cap in December 2025, income and disability rates remain frozen far below the poverty line and continue to be eroded every year by inflation due to the lack of CPI indexation. Cost of living increases hit those on income and disability assistance harder than anyone, which is reflected in the considerably increased use of food banks since 2019.

## Public safety

An additional \$139 million has been committed to community safety, maintaining funding for the repeat violent offending intervention initiative and special investigation and targeted enforcement programs announced in 2023. *Budget 2026* also introduces \$16 million in funding to the newly established chronic property offending intervention initiative designed to target retail theft.

Government has also announced that it intends to expand the civil forfeiture office on a self-sustaining basis while maintaining net revenue for the province drawn from proceeds of crime.



# Conclusion

The new budget for 2026/27 could have been more severe, but it nonetheless points to workforce reductions (and potential service reductions) in the provincial public sector. Government has promised that staffing reductions will be achieved by so-called right-sizing the management-to-frontline service worker ratio, and BCGEU will hold the government accountable to that commitment.

In uncertain economic times, frontline public sector workers and the services they provide are more important than ever. A strong public sector will be essential for weathering these difficult pressures and providing the foundation for future recovery, growth and prosperity.

Simultaneously, we believe the provincial government will need to do better in balancing revenue with public expenditure. Careful expenditure management can increase efficiency, but this must not be used as a rationale for cutting service levels in key areas of the public sector that the people of B.C. depend upon.

The government instead needs to turn its attention to revenue generation. *Budget 2026* takes some steps in that direction, but the new revenue measures it introduces

barely address the loss of consumer carbon tax revenue, much less the longer-term structural revenue shortfalls that have taken root in B.C.

A strong public sector will be essential for weathering these difficult pressures and providing the foundation for future recovery, growth and prosperity.

Comparisons with other provinces show that B.C. is not overtaxed and that it does not spend outside provincial norms as measured by ratios of spending to GDP or spending per capita. With this in mind, the province needs to rethink its revenue and economic growth strategies, particularly in relation to taxation rates for high income earners, and furthermore by ensuring the people of B.C. receive fair value (and revenue) from the province's natural resource development.



## EXPENDITURES AT A GLANCE (2025/26 - 2026/27)

Ministry, Program and Agency (\$ millions)	Updated Forecast 2025/26	Budget Estimate 2026/27	Change 2025/26- 2026/27	Relative Change (%) 2025/26- 2026/27	Notes
Agriculture and Food	151	135	(16)	-10.6%	Decrease is primarily from lower projected expenditures through the <i>Production Insurance Account Special Account</i>
Attorney General	872	897	25	2.9%	
Children and Family Development	2,400	2,712	312	13.0%	Increases are primarily in expenditures for <i>Services for Children and Youth with Support Needs, Child Safety, Family Support and Children in Care Services</i>
Citizens' Services	759	741	(18)	-2.4%	This net decrease is primarily in expenditures under <i>Connected Services BC</i> , possible through increased external recoveries.
Education and Child Care	9,779	10,069	290	3.0%	
Emergency Management and Climate Readiness	116	111	(5)	-4.1%	Including contingencies, total expenditures for 2025/26 were \$442 million
Energy and Climate Solutions	107	109	2	1.9%	
Environment and Parks	214	214	0	0.0%	
Finance	1,582	1,145	(437)	-27.6%	Decrease is the result of a \$400 million decline in spending in 2026/27 through the <i>Housing Priority Initiatives Special Account</i>
Forests	898	910	11	1.3%	Including contingencies, ministry expenditures for 2025/26 were \$1.32 billion
Fire management budget line	238	236	(2)	-1.0%	
Forestry salaries budget line	359	361	2	0.7%	
Health	35,017	36,116	1,099	3.1%	
Housing and Municipal Affairs	1,535	1,713	178	11.6%	Increases are from <i>Transfers to Crown Corporations and Agencies</i>
Indigenous Relations and Reconciliation	186	182	(4)	-2.2%	Decrease is a result of slightly reduced projected expenditures across the ministry
Infrastructure	421	421	(0)	0.0%	
Jobs and Economic Growth	86	110	24	27.9%	Increase is from new spending through the <i>British Columbia Strategic Investments Special Account</i>
Labour	24	24	-	0.0%	
Mining and Critical Minerals	57	57	(0)	-0.3%	These figures are from BC Budget 2026 Estimates, but <i>Table 1.3 Expense by Ministry, Program and Agency</i> in the BFP lists total spending for 2025/26 as \$70 million. It is not clear what this extra \$13 million for 2025/26 represents.
Post-Secondary Education and Future Skills	3,510	3,580	70	2.0%	



## EXPENDITURES AT A GLANCE (2025/26 - 2026/27) *continued*

Ministry, Program and Agency (\$ millions)	Updated Forecast 2025/26	Budget Estimate 2026/27	Change 2025/26- 2026/27	Relative Change (%) 2025/26- 2026/27	Notes
Public Safety and Solicitor General	1,104	1,100	(4)	-0.4%	
PSSG Corrections line	319	319	(1)	-0.2%	
Social Development and Poverty Reduction	5,705	5,977	272	4.8%	The 2026/27 increase is primarily from increased expenditures on <i>Income Assistance</i>
Tourism, Arts, Culture and Sport	191	189	(2)	-1.0%	
Transportation and Transit	1,177	1,197	20	1.7%	
Water, Land and Resource Stewardship	197	202	5	2.5%	
<b>Crown Agencies</b>					
BC Housing	3,251	3,068	(183)	-5.6%	Decrease is primarily from lower projected expenditures on <i>Grants</i> in 2026/27
Community Living BC	1,855	1,931	76	4.1%	Increases are primarily in the <i>Developmental Disabilities Program</i> budget line and the <i>Personalized Supports Initiative</i>
Skilled Trades BC	117	171	54	46.2%	Increase is from new investment in <i>Skills Training</i>
Legal Aid BC	165	162	(3)	-1.6%	
BC Liquor Distribution Branch	578	649	71	12.3%	Increases are primarily in <i>Employment and Administration</i> expenditures
BC Pavillion Corporation	181	208	26	14.4%	Increases are largely in <i>Cost of Sales</i> and <i>Staff expenditures</i>
Royal BC Museum	37	37	1	1.4%	

