British Columbia Pre-Budget Submission 2021–22

Presented by **Kris Sims,** BC Director

CANADIAN TAXPAYERS FEDERATION

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. Today, the CTF has 235,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada. Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive issue and Action Updates. Financial supporters can additionally receive the CTF's flagship publication The Taxpayer magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2019-20, the CTF raised $4.8 million on the strength of 31,655 donations. Donations to the CTF are not deductible as a charitable contribution.

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Introduction

British Columbia had been on generally sound financial footing for several years leading up to the COVID-19 pandemic in 2020.

While increased capital spending was a concern and the debt was deepening, the operating budgets were balanced, our credit rating was AAA+ and efforts were being made to make prudent financial choices.

As we emerge from the financial challenges created by the pandemic and subsequent government restrictions on the economy, it's important to get back to balanced budgets and good fiscal management as soon as possible.

The federal government shows no interest in fiscal responsibility so it falls upon economic powerhouse provinces such as British Columbia to show leadership and responsibility.

In this pre budget submission, the Canadian Taxpayers Federation is recommending the finance minister and her team take the following actions while drafting the budget:

1. **Balance the budget within four years**
2. **Open ICBC to full competition**
3. **Scrap corporate welfare**
4. **Cancel Employer Health Tax**
5. **Review spending to find savings**

Balance budget within the next four years

British Columbia will be $127 billion in debt by 2023-24.

Prior to the COVID-19 pandemic, heavy capital spending was a growing concern, even though the operating budgets were balanced.

Going deeper and deeper into debt always has a cost, and, in that way, provinces are no different than households. It's important to save money while times are good because one doesn't know when the bad times will return.

We are currently in that bad time and we are seeing economic consequences of sudden emergency spending. Our debt interest payments are costing us money that could be much better spent else where and the province's credit rating has been downgraded.

While B.C. is not alone in the country when it comes to deficits, debts and downgrades, we need to lead the way back out of them.

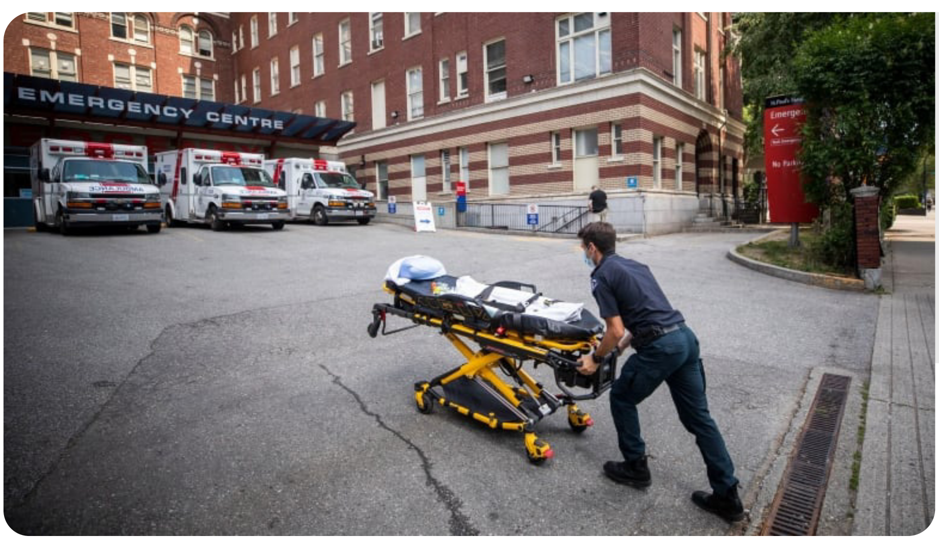
Debt interest payments cost about $2.8 billion per year.

How much money is $2.8 billion per year?

That amount of money could pay for the salaries of 4,600 new paramedics for 10 years, but instead it's being handed over to bond fund managers on Bay Street in Toronto.

Deficits and deepening debt have triggered a credit downgrade from AAA to AA+.

We ask the finance minister to work hard to return the B.C. budget to balance within the next four years, a traditional length of time for a majority mandate.



Current annual debt interest payments could pay for the salaries of 4,600 new paramedics for ten years.

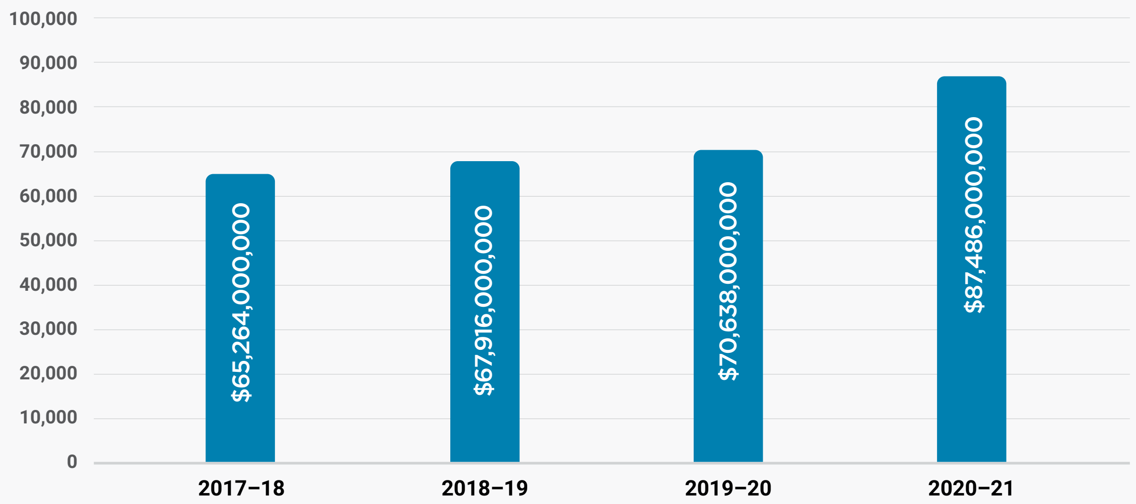
"The COVID-19 pandemic's blow to the provincial economy has turned after-capital results into large deficits and is elevating the burden of tax-supported debt such that the Province of British Columbia's key fiscal and debt metrics are no longer comparable with those of AAA-rated peers"

S&P Global, July 7, 2021.

FIGURE 1

British Columbia Debt

MILLIONS OF DOLLARS



Debt has increased 34 per cent since 2017-18 budget

Open ICBC to full competition

The COVID-19 pandemic cloud included an odd and unlooked for silver lining.

Because of the dramatic drop of vehicles on the road in the early part of 2020, the government auto insurance monopoly saved hundreds of millions of dollars due to fewer crashes and fewer claims.

For the first time in many years, the books at ICBC appear to be temporarily balanced.

Prior to the COVID-19 crisis, ICBC was a major fiscal risk to the province of British Columbia, as detailed repeatedly during budget presentations by former finance minister Carole James.

ICBC was losing about a billion dollars a year to its financial "dumpster fire" and taxpayers were ultimately going to be on the hook for it.

Now is a good time for the province to initiate the process of transitioning ICBC to a co-op, similar to a credit union, and to open that new co-op up to open competition for auto insurance.

There is no guarantee that ICBC will not fall into financial disarray again and the only way to guard against it becoming a fiscal risk once more is for the province to step away from ICBC and open it up to full competition.

This would not only shield the province and taxpayers from any future dumpster fires, it also would allow drivers to shop around for their own auto insurance and try to save money, helping make life more affordable for everyday British Columbians.

"The situation of ICBC continues to pose a risk to B.C.'s financial health."

Former Finance Minister Carole James, November 2018

Scrap corporate welfare plans

While the goal to attract investment into B.C. is laudable, the government giving taxpayers' money to select corporations does little to spur true growth and will be at risk of favouritism and abuse.

The Government of Quebec is spending $30 million of taxpayers' money on a company that wants to develop zeppelins – the flying balloon airships – dubbed "Flying Whales." The aircraft would require water to act as a ballast and the inventors hadn't realised that the water will freeze during Quebec's winters.

Spending $500 million of taxpayers' money to create the InBC Investment Corp over three years could lead to a cycle of wasteful spending spanning years.

We have seen countless examples in other provinces and at the federal level of what can happen when bureaucrats are tasked with playing investment banker with taxpayers' money.

The government taking charge of picking winners and losers in businesses results in wasteful spending.

For example, the Government of Quebec is spending $30 million of taxpayers' money on a company that wants to develop zeppelins – the flying balloon airships similar to the Hindenburg – to transport supplies in the province's northern region. Unfortunately, the aircraft, dubbed "Flying Whales," would use water to act as a ballast and the inventors hadn't realised that the water will freeze during Quebec's winters. It's unlikely taxpayers will get a good return on their money for this investement.

If the government wants to attract investment and skilled workers into British Columbia, it could instead consider reducing the small business corporate tax from two percent to 1.5 per cent.

This would give B.C. a competitive edge over neighbouring Alberta, and it would be an equal playing field for all small businesses.

Cancel the Employer Health Tax

The B.C. government takes approximately $2 billion away from job creators in the form of the Employer Health Tax per year.

Rather than taking with one hand and occasionally giving some money back with the other during the recovery from the COVID-19 crisis using relief funding and wage supports, the government could instead eliminate the Employer Health Tax and save job creators money across the board.

Several small businesses have reported that they ensure that they stay under the payroll cap in order to avoid paying the Employer Health Tax.

The payroll cap for small the Employer Health Tax is $500,000 with a notched rate of taxation taking effect after that.

Businesses staying under that cap means that new workers aren't getting hired, it means that store hours are being curtailed to save payroll money and it means that new trades apprentices aren't being hired.

For example, an average apprentice plumber starts out at about $52,000 per year in British Columbia and works their way up to about $100,000 per year after they gain experience. If a small business already had five plumbers on staff, it would be reluctant to hire the new apprentice in order to stay under the salary cap of the Employer Health Tax.

Small businesses have struggled throughout the COVID-19 downturn and many employers are finding it very challenging to bring workers back on to their payrolls.

Reducing the costs to job creators by eliminating the Employer Health Tax would help these employers save money and employ more people.

Review spending in ministries, departments and the Office of the Premier

As the province plunges into deficit spending and breaks its balanced budget legislation, wants must be separated from needs

Reductions in non-essential government spending must be made in order to bring the budget back to balance, to halt the debt spiral and to restore the province's credit rating.

Eliminating costly practices that are not essential for the wellbeing of the province is a good place to start saving money.

For example, the Premier's Office should not be increasing its operating budget by $4 million, and it should not be spending $15,000 per month on a TV studio.

The premier managed to communicate with the people of British Columbia by spending $11 million for his office functions in 2018, and he doesn't need to spend $4 million more to achieve the same thing in 2021.

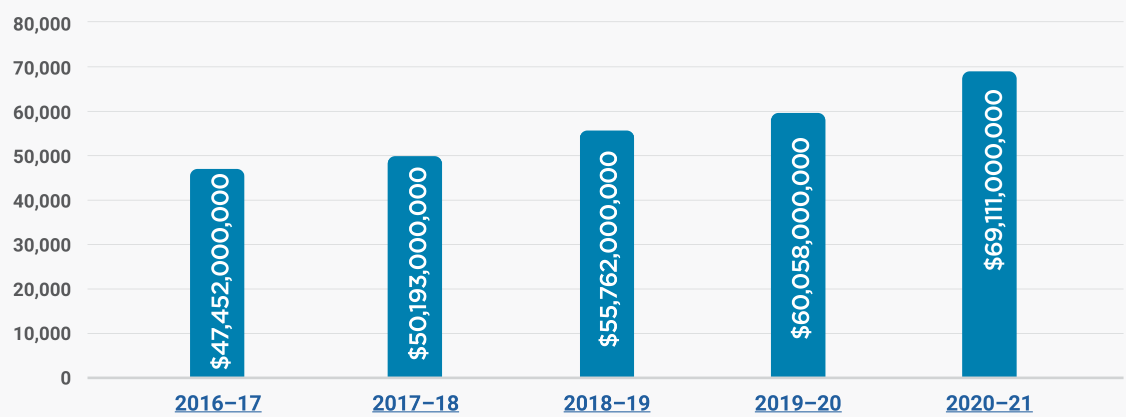
Finding savings of 15 per cent in most ministers' offices and departments, excluding healthcare and reconciliation, would save $3.4 billion per year.

Returning to pre-COVID level spending would save $9 billion per year.

FIGURE 2

British Columbia Expenses (Spending)

MILLIONS OF DOLLARS



Total expenses increased 26 per cent in the four budgets leading up to the COVID-19 crisis and jumped up by 15 per cent year to year after the onset of COVID-19.

Conclusion

British Columbia was in a good economic and financial position prior to the COVID-19 crisis, and we are well equipped to recover our footing soon.

Our province has an abundance of natural resources and skilled people who work hard and keep our economy strong.

If B.C. commits to balancing the budget within four years and to being very prudent with every taxpayer dollar, it will go a long way toward returning the province to a strong financial position, attracting investment and restoring our credit rating.

Saving taxpayers money while we all get the province back on track is the right thing to do.