British Columbia Pre-Budget Submission 2024-25

Presented by **Carson Binda**, 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 organisation. 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 organisers 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 organise petition drives, events and campaigns to mobilise citizens to affect public policy change.

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 2021-22, the CTF raised $5.1 million on the strength of 45,509 donations. Donations to the CTF are not deductible as a charitable contribution.

Prepared by Carson Binda - B.C. Director

Canadian Taxpayers Federation

Cover photo: Robbie Down

Introduction

British Columbia has traditionally been on sound financial footing. The province held a AAA credit rating with substantive efforts being made towards prudent fiscal decisions.

In the past several years, the province's commitment to fiscal discipline has substantially wavered. It is crucial that the government presents balanced budgets and responsible fiscal management in the next fiscal year.

While the federal government continues to show no regard for fiscal discipline, it falls on western powerhouse provinces such as British Columbia to lead the way and show responsibility with public finances.

The Canadian Taxpayers Federation is calling on the finance minister and her team to take the following actions while drafting the provincial budget:

1. **Balance the budget.**
2. **Scrap corporate welfare.**
3. **Reduce the Employer Health Tax.**
4. **Axe the motor fuel tax.**
5. **Review spending to find savings.**

Plans for a Balanced Budget	
Proposed Savings	**$6,460,000,000**
Reduced Revenue	**$6,260,000,000**
Surplus	**$190,000,000**

Balance the Budget

According to the most recent provincial budget, British Columbia will be $134.3 billion in debt by 2025-26.

Despite ending 2022-23 with a surplus in excess of $700 million, budget 2023-24 laid the groundwork for a deficit of $4.2 billion, with that deficit growing to $6.7 billion after the first quarter report.

To present a balanced budget for 2024-25, the government must find $3.8 billion worth of savings.

Piling up provincial debt has serious costs to taxpayers and reduces the flexibility of governments to prioritise spending in the future. Government debt is similar to household debt in that the more money spent on interest fees, the less money is left for essentials. It's important to save money while times are good, because one doesn't know when times will turn bad.

Deficits and deepening debt have triggered successive credit rating downgrades from AAA to AA+ in 2021 and down to AA in 2023.

In British Columbia, we are seeing the consequences of excessive government spending as debt interest payments are taking a bigger slice of the budget and our credit rating faced successive downgrades by the credit rating agencies.

While B.C. is not alone in the country when it comes to deficits, debt and downgrades, we must lead the way back out of these problems.

Debt Interest payments will cost British Columbia about $3.8 billion in 2024-25

How much money is $3.8 billion?

That's $316.6 million per month.

The debt interest costs in 2024-25 are going straight out the door to bond fund managers in Bay Street in Toronto. If that money was kept in B.C., it could pay the salaries of 5,650 new teachers for the next 10 years.

It could alternatively build 116 new schools, providing space for more than 76,200 students.

It could totally cut the Motor Fuel Tax three times over.

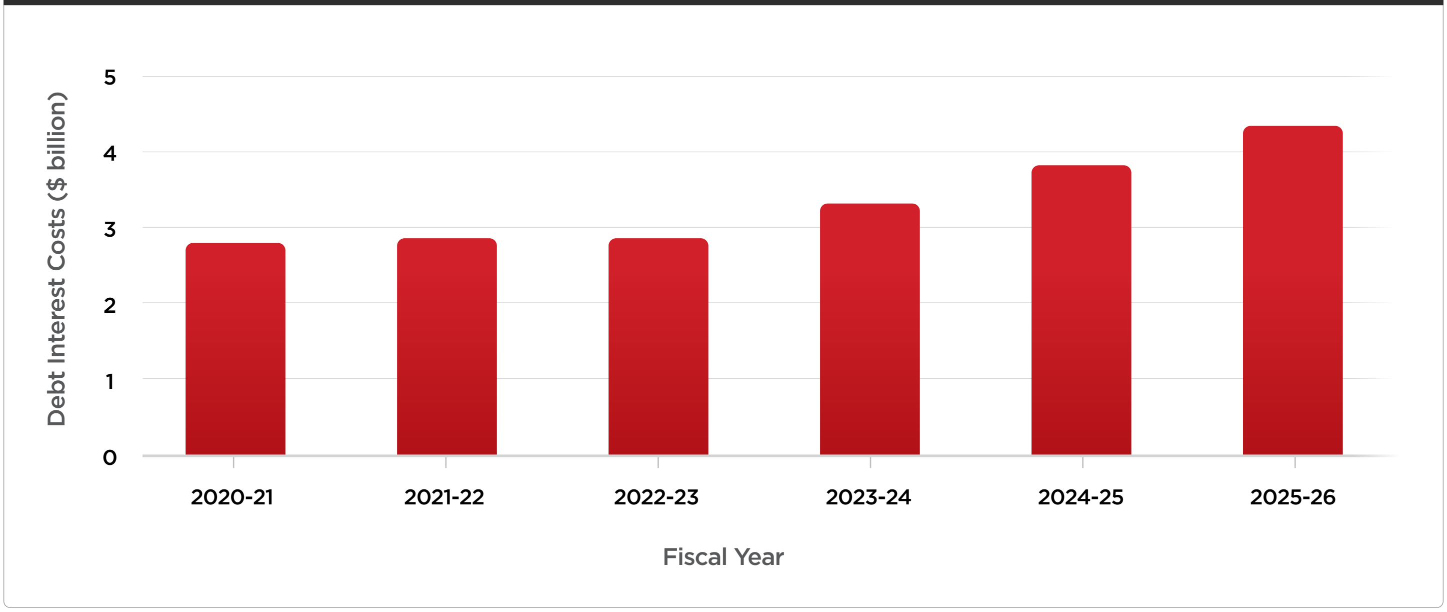
We ask the finance minister to return the B.C. budget to balance.

"The province's commitment to fiscal consolidation continues to waver as reflected by large after-capital deficits, increasing debt, and very low levels of internal liquidity."

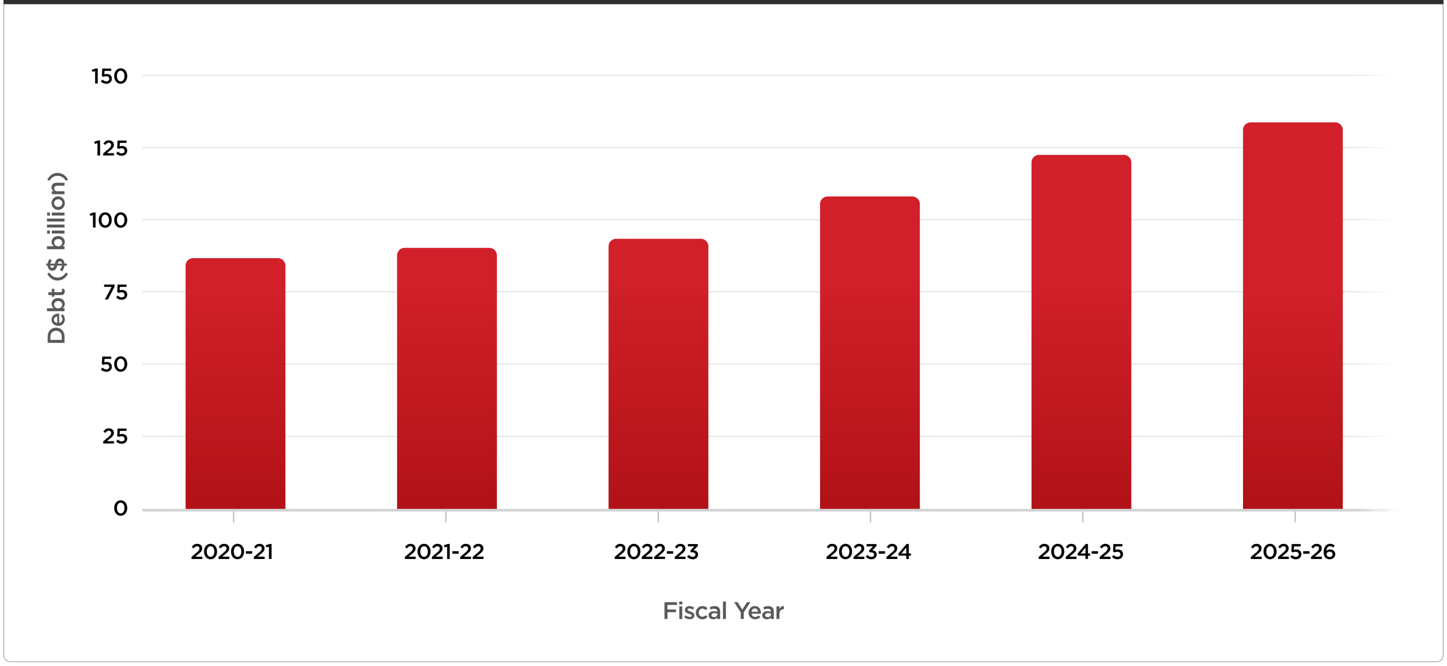
"We expect that the province's fiscal performance will materially deteriorate with the return of operating deficits and after-capital deficits of more than 10% of total revenues."

—S&P Global, April 18, 2023

Growth in Debt Interest Costs



Provincial Debt



Scrap Corporate Welfare

The goal of creating a B.C. that is friendly to business is an admirable one, however that goal cannot be achieved through corporate welfare and handouts. Corporate welfare gives bureaucracy and government the power to pick winners and losers which is a failing strategy to create economic growth. Instead, B.C. must reduce the tax burden levied against job creators in the province.

Corporate welfare is also present in the form of the InBC Investment Corp, which received $500 million of taxpayer money. We have seen countless examples at the federal level and in other provinces of how wasteful spending occurs when bureaucrats roleplay as investment bankers.

Scrapping the InBC Investment Corp would save B.C. taxpayers $500 million.

For British Columbians who filed taxes from 2007 to 2019, the total corporate welfare tab in B.C. cost each tax-filer $11,573. The government picking winners and losers through corporate welfare results in wasteful spending and ineffective business practices.

"A significant body of research finds little evidence that business subsidies generate widespread economic growth and/or job creation. In fact, business subsidies might have a negative impact on economic development as governments' attempts to pick winners by interfering in the free market ultimately distort private decisions and misallocate resources."

—Fraser Institute, 14 March, 2023

Reduce the Employer Health Tax

The Employer Health Tax cost job creators in British Columbia $2.7 billion in 2023-24 and will cost $2.9 billion in 2024-25.

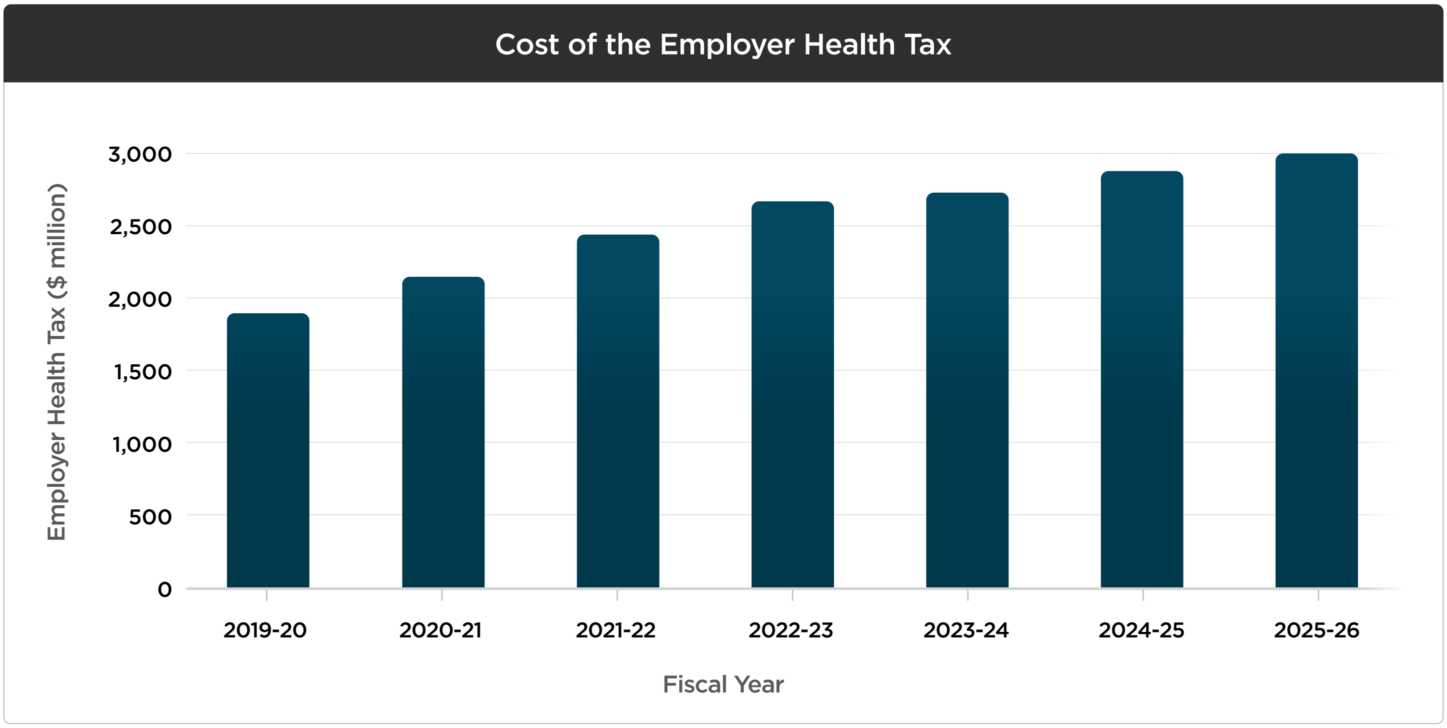
The next provincial budget should reduce the cost of the EHT to British Columbian businesses by 50 per cent, representing $1.4 billion in savings for local businesses.

Rather than taking money from business and occasionally giving scraps back through corporate welfare and various rebates, the provincial government should save job creators money across the board by cancelling the EHT.

As a first step, reducing the EHT burden would allow businesses to create more jobs without being punished with higher taxes.

The EHT begins to impact job creators once their total payroll hits $500,000. Out of the four provinces that have a similar EHT with thresholds before it kicks in, B.C.'s is the lowest. In Manitoba and Newfoundland and Labrador, the EHT doesn't kick in until payroll hits $2 million. In Ontario, the province with the next lowest EHT threshold, businesses start paying the EHT once their payroll hits $1 million. Bringing the EHT in line with other Canadian provinces by raising the exemption threshold would be a good step towards delivering that $1.4 billion in savings for local small businesses.

It's wrong to tax businesses for hiring people. B.C.'s government should cut the EHT in half to allow for businesses to grow and employ more people without being punished through extra payroll taxes.



Axe the Fuel Tax

Drivers in British Columbia pay the highest taxes on gasoline and diesel fuel in Canada. High fuel prices lead to a high cost of living. To address the rising cost of living, the government should totally eliminate the provincial fuel tax. Removing the provincial fuel tax would result in $1.1 billion in savings for British Columbians in 2024-25.

The motor fuel tax needs to be scrapped.

On a litre of gasoline, drivers in Vancouver pay 78 cents, or about 40 per cent of the total cost, in taxes alone. In Victoria, drivers pay 71 cents per litre in taxes which works out to be about 36 per cent of the total cost. Across the rest of the province, drivers are paying 64 cents per litre.

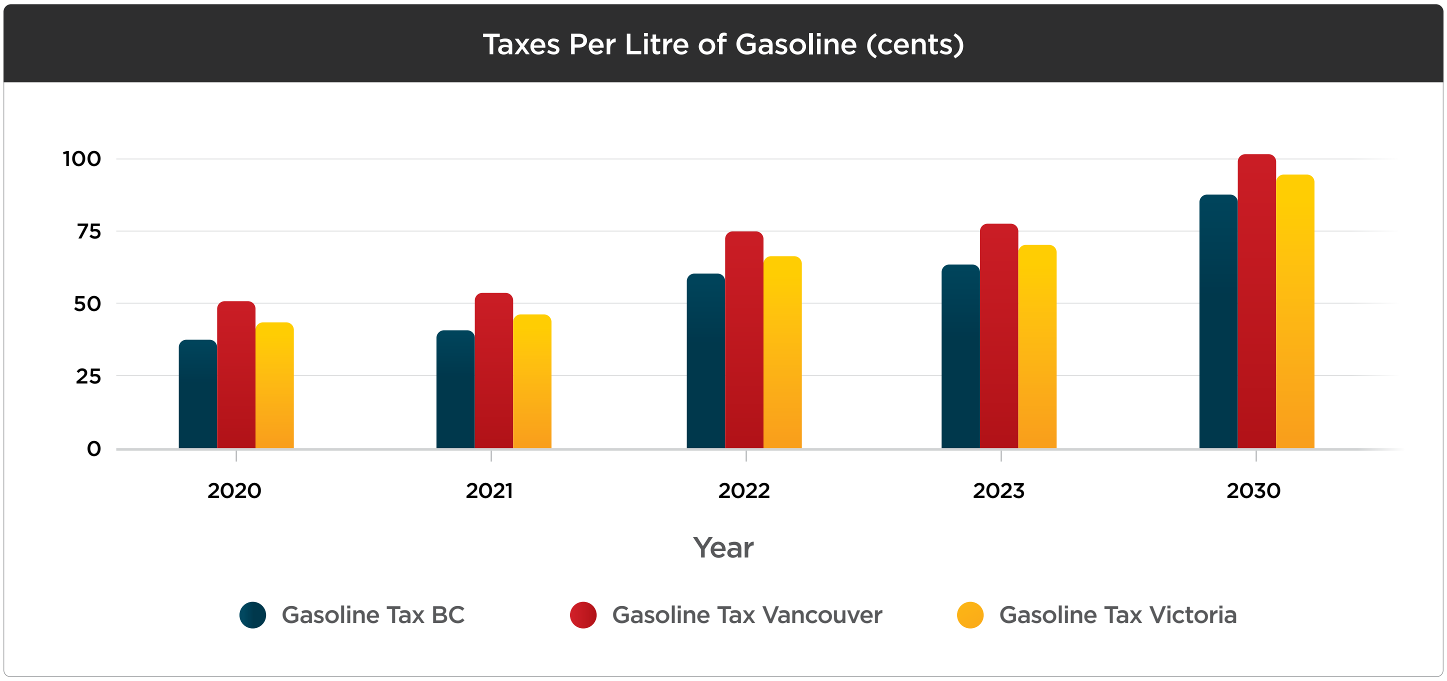
By 2030, drivers will be paying $1.02 per litre of gasoline in Vancouver, 95 cents in Victoria and 88 cents across the rest of the province, in taxes alone.

Taxes on gasoline and diesel make the things your family needs more expensive. Increased transportation costs lead to higher costs for goods and services which inflates the final price that consumers pay.

They are also regressive, meaning that lower income households pay a higher share of their income towards fuel taxes compared to higher income households. It's fundamentally wrong to be forcing families who need support the most to pay the most taxes on fuel.

Higher taxes on fuels will not solve the problem of climate change. As the parliamentary budget officer pointed out, "Canada's own emissions are not large enough to materially impact climate change."

B.C.'s own emissions have continued to rise despite the highest taxes on fuels in Canada. Between 2011 and 2021, B.C.'s emissions rose by 2.6 per cent. That's because driving to work or the grocery store, or heating one's home in the winter are necessities, not luxuries that can be taxed away.



Review Spending to Find Savings

As the province racks up larger and larger debts, the government needs to clearly distinguish between wants and needs.

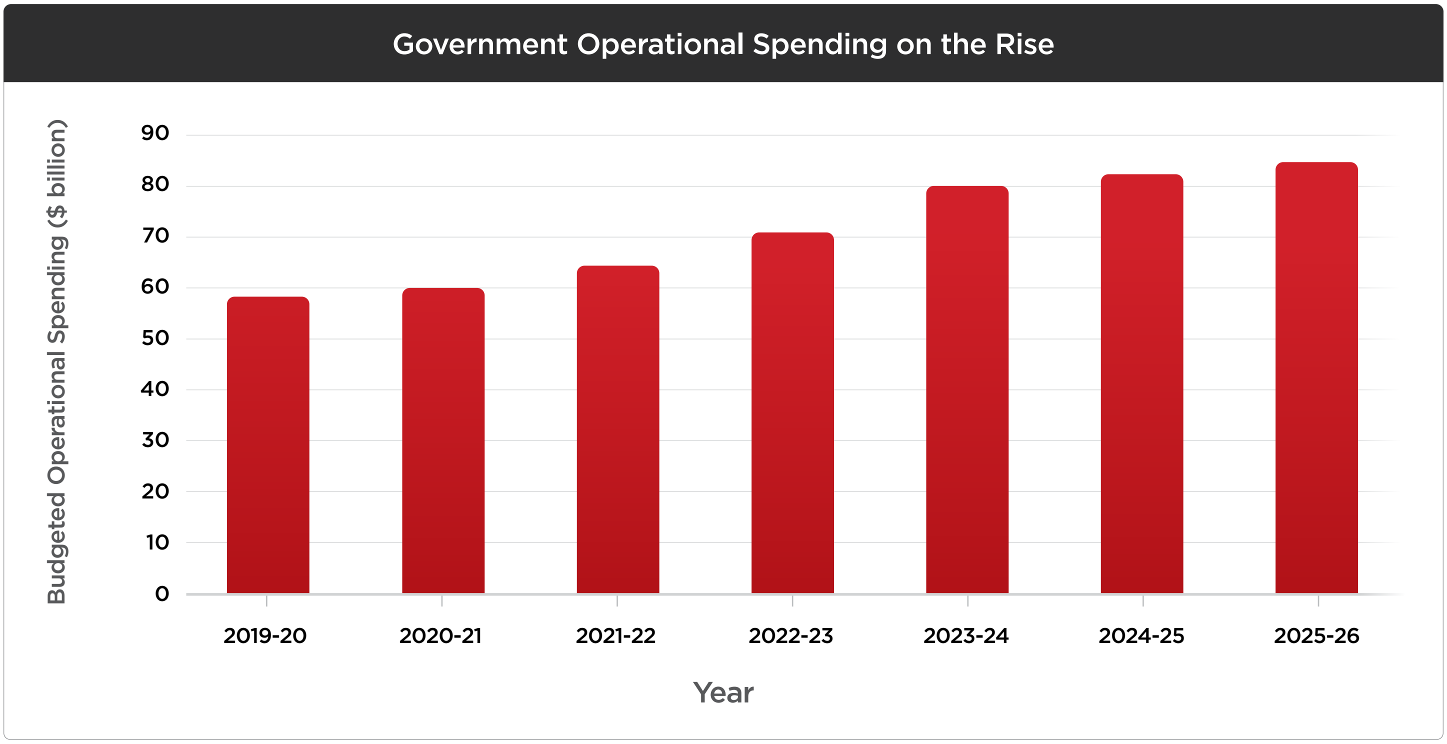
Reductions in non-essential government spending need to be made in order to bring B.C.'s budget back to balance, to halt the debt spiral and restore the provincial credit rating.

To reduce spending, all ministries with the exception of Health and Education should bring their operational spending back to 2022-23 levels. Reducing these expenses would save B.C. taxpayers almost $6 billion in 2024-25.

Eliminating costly practices that are not essential for the core functioning of government is an important step in any fiscally responsible budget.

Additionally, the premier's office should not be padding its own budget with an extra $1 million, as we saw in the 2023-24 budget. MLAs should lead by example and forgo their annual pay raises in fiscal year 2024-25, as they did in 2022-23.

Political staffers already making six-figure salaries should not receive raises. In August 2023, it was revealed that political staffers working in minister's offices who already made over $100,000 received pay raises up to $17,000. At a time when ordinary British Columbians are struggling to make ends meet, the political class needs to lead by example and not take in millions of extra taxpayer-dollars.



Conclusion

If fiscal responsibility is shown, British Columbia is well positioned to regain firm financial footing.

Reducing the EHT and eliminating the provincial fuel tax would save British Columbians almost $4 billion in Budget 2024-25. To find these savings while also presenting a balanced budget, the provincial government must reduce spending by $6.26 billion.

To do this, the government should return ministry spending to the levels we saw in 2022-23 while also eliminating the corporate welfare doled out by the InBC Investment Corp. Combined, those two measures will reduce government spending by $6.46 billion.

These steps will leave B.C. with a surplus of almost $200 million.

Our province has a vast wealth of natural resources and skilled people who work hard keeping our economy strong and resilient.

To return our budgets to balance, the provincial government needs to be prudent and responsible with every taxpayer dollar. A balanced budget would go a long way in restoring our credit ratings and confidence in British Columbia's economy.

Reducing the tax burden paid by job creators, like the EHT and fuel taxes, would make British Columbia a more attractive economy to invest in and create jobs across the province.

Axing taxes on fuel would help the lowest income British Columbians weather the tough economic times that too many families across our province are facing and would show that we are led by a government that cares about affordability.