

BUDGET
2021

StrongerBC

for everyone



Building today for a better tomorrow.

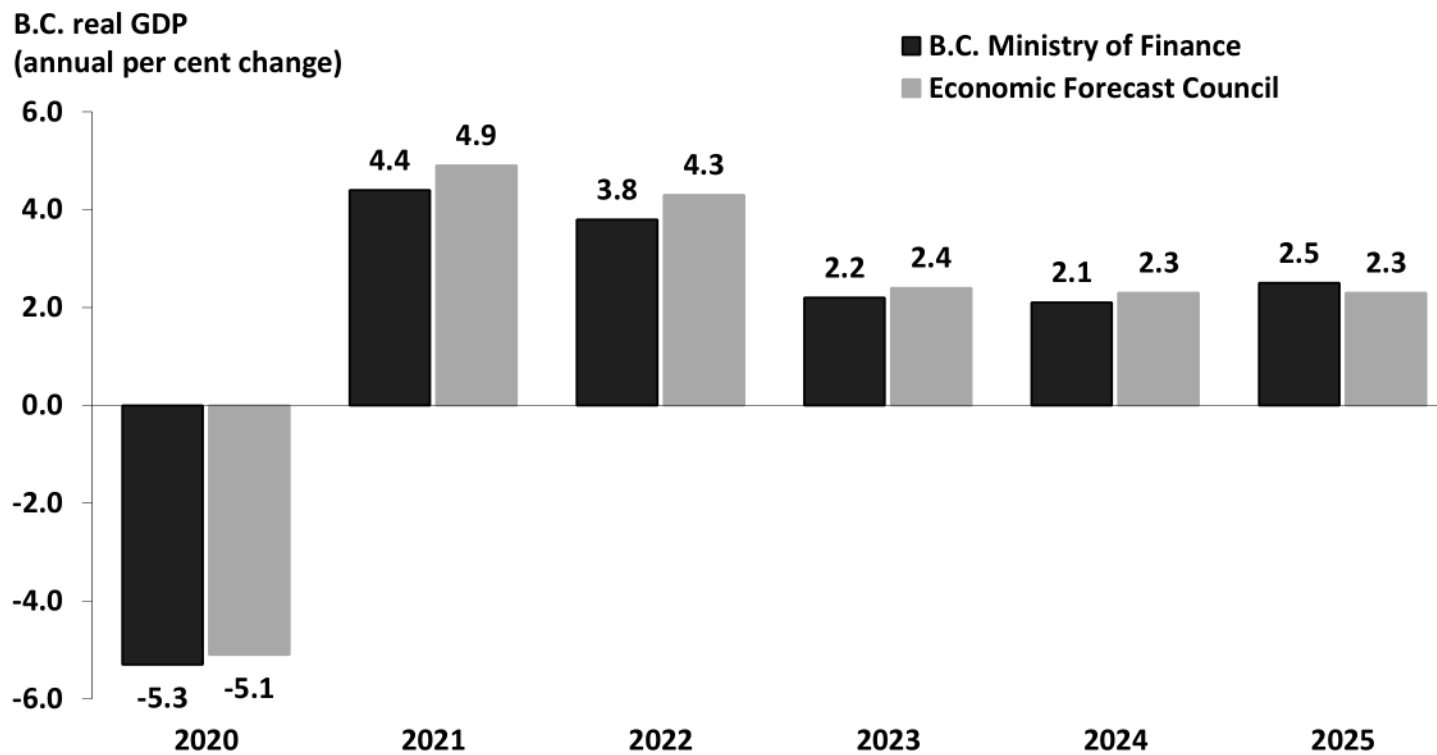
2020/21 Updated Q3 Forecast

- The updated 2020/21 forecast projects a deficit of \$8.1 billion, which is an improvement of \$5.5 billion from the December *Fall Economic & Fiscal Update*
- Key changes include:
 - Higher revenues from taxes, natural resources, fees and federal transfers
 - Lower than forecasted spending
 - Improvement for service delivery agency and commercial Crown corporation
 - Eliminated forecast allowance
- The magnitude of the improvement reflects stronger than expected economic activity, and changing conditions from ongoing pandemic uncertainty

Summary of Economic Forecast

- ***Budget 2021* economic outlook has improved from the *Fall 2020 Update* due to:**
 - Better than expected 2020 actuals for retail sales, housing starts, home sales, exports, and wages and salaries
 - Sooner than expected vaccination timelines
- **The level of real GDP is forecast to return to pre-pandemic levels by 2022**
- **The economic recovery is expected to continue to be uneven**
- **The main risk to the outlook is uncertainty regarding the duration of the COVID-19 pandemic and the degree to which it will have lasting effects on provincial, national, and global economies**

Prudent Economic Forecast

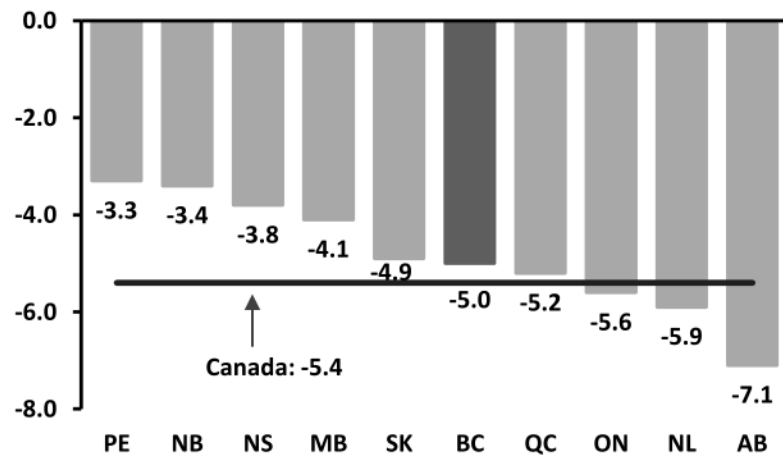


Sources: B.C. Ministry of Finance; Economic Forecast Council

Private Sector Growth Expectations

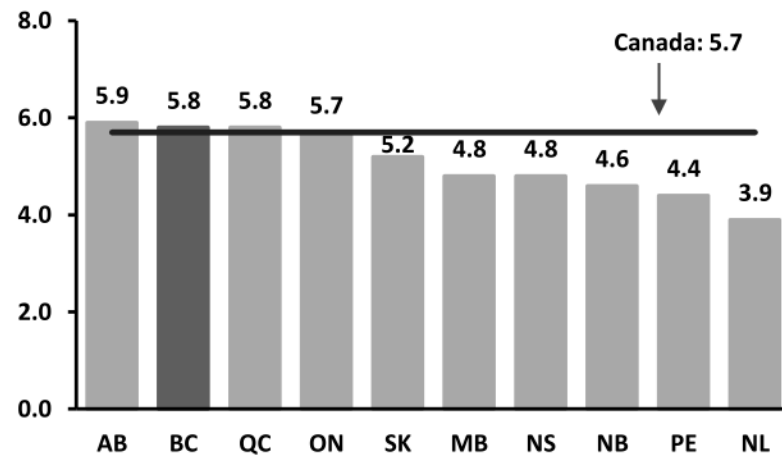
Significant impacts across provinces

Real GDP forecasts for 2020 (annual % change)



Economic recovery across provinces

Real GDP forecasts for 2021 (annual % change)



Source: Average of a subset of the Economic Forecast Council that regularly forecasts economic performance in all provinces (BMO, CIBC, National Bank, RBC, Scotiabank and TD) as of April 7, 2021.

***Budget 2021* Highlights**

Budget 2021: A Stronger BC, for Everyone

- **Protects the health and safety** of British Columbians, with enhancements to health care, mental health and addictions services (\$3.1 billion)
- **Supports people and businesses** by expanding upon services and programs that people rely on and providing businesses with extended grants, incentives and tax exemptions to weather the pandemic (\$4.5 billion)
- **Prepares B.C. for recovery** with new investments in training and job creation, CleanBC, and community infrastructure (\$1.0 billion)
- **Pandemic and Recovery Contingencies** to provide time-limited supports and programs as the province overcomes and recovers from the pandemic (\$4.6 billion)

Budget 2021 Fiscal Plan

(\$ millions)	Updated Forecast 2020/21	Budget Estimate 2021/22	Plan 2022/23	Plan 2023/24
Revenue	60,967	58,929	63,286	65,074
Expense	(61,601)	(64,377)	(67,020)	(68,697)
Pandemic and Recovery Contingencies	(7,510)	(3,250)	(1,000)	(300)
Forecast allowance	-	(1,000)	(750)	(400)
Deficit	<u>(8,144)</u>	<u>(9,698)</u>	<u>(5,484)</u>	<u>(4,323)</u>
Capital spending:				
Taxpayer-supported capital spending	6,277	8,479	9,025	8,872
Self-supported capital spending	3,812	4,976	4,640	3,489
Total capital spending	<u>10,089</u>	<u>13,455</u>	<u>13,665</u>	<u>12,361</u>
Provincial Debt:				
Taxpayer-supported debt	59,962	71,642	82,771	92,732
Self-supported debt	27,524	30,238	32,688	33,882
Total debt (including forecast allowance)	87,486	102,880	116,209	127,014
Taxpayer-supported debt to GDP ratio	20.3%	22.8%	25.0%	26.9%
Taxpayer-supported debt to revenue ratio	102.6%	125.9%	135.4%	147.5%
Economic Forecast:	2020	2021	2022	2023
Real GDP growth	-5.3%	4.4%	3.8%	2.2%
Nominal GDP growth	-4.5%	6.4%	5.4%	4.0%

Highlights:

- ✓ **Declining deficits** of \$9.7 billion in 2021/22 to \$4.3 billion in 2023/24
- ✓ **Record \$26.4 billion in taxpayer supported capital** spending over the plan, a \$3.5 billion increase from *Budget 2020*
- ✓ **Taxpayer-supported debt to GDP ratio below 30%** in all three years of the fiscal plan
- ✓ **Additional layers of prudence** built into the plan

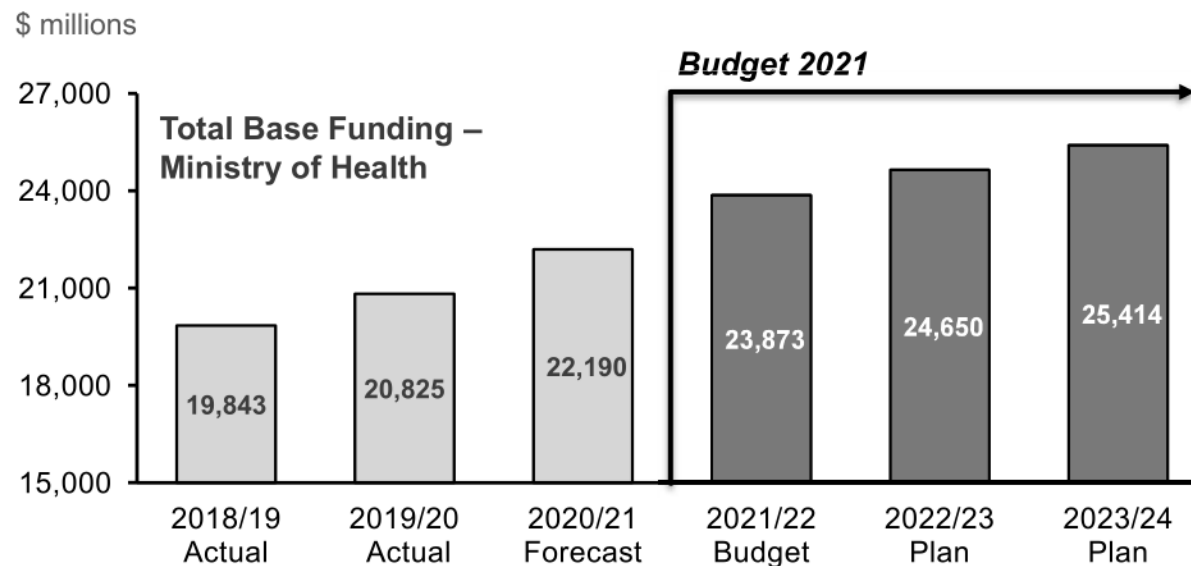
Enhanced Prudence in the Fiscal Plan

Prudence Measure	2021/22	2022/23	2023/24
Real GDP Growth Below EFC (percentage points, pp)*	0.5pp	0.5pp	0.2pp
Contingencies – General Programs	\$1.00 billion	\$800 million	\$700 million
Contingencies – Pandemic and Recovery	\$3.25 billion	\$1.00 billion	\$300 million
Contingencies – Caseload pressures and Priority Investments	-	\$1.50 billion	\$2.00 billion
Forecast Allowance	\$1.00 billion	\$750 million	\$400 million

* Calendar Year

Protecting Health and Safety: Improving Health and Mental Health

\$4 billion in new funding over 3 years, including \$3.1 billion to improve the quality of health and mental health care for people, and \$900 million in 2021/22 allocated for pandemic response



Highlights:

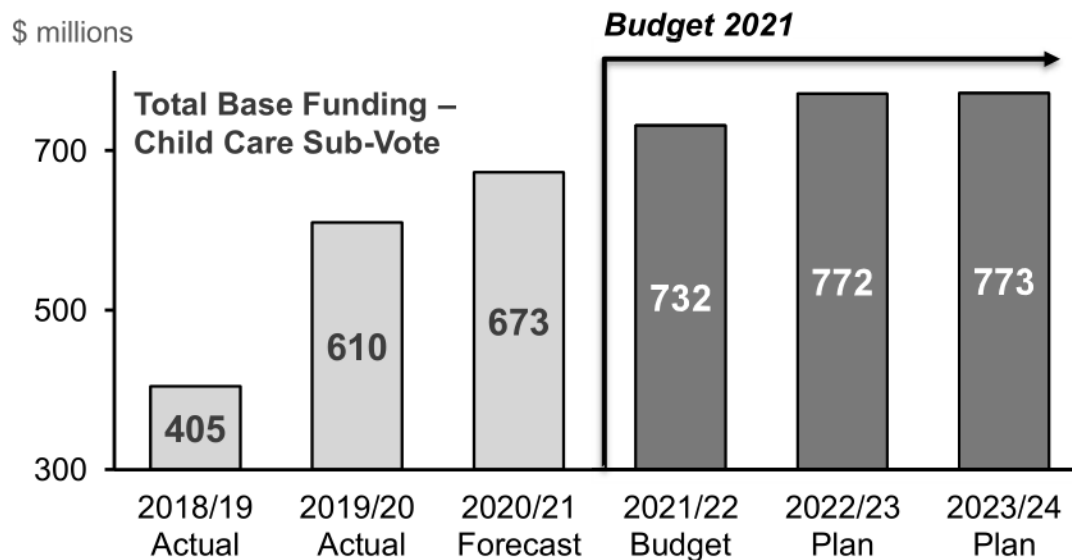
- ✓ **\$900 million** in 2021/22 for vaccine roll-out, contact tracing and screening, and PPE
- ✓ **\$748 million** over 3 years to expand urgent and primary care centres, and reduce wait times for surgeries and diagnostic services
- ✓ **\$585 million** over 3 years to hire thousands of new health care workers to build capacity
- ✓ **\$500 million** over 3 years to expand and improve mental health and addictions services and respond to overdose crisis

Supporting People and Businesses: **Support for Vulnerable Populations**

- **\$1.6 billion over three years for enhancements and to address growing demand for income and disability assistance, including supports for low-income seniors**
 - \$175 per month increase for income and disability assistance
 - Senior's Supplement doubled – the first increase ever
 - Province is on pace to meeting commitments to reduce poverty rates by 2024
- **\$265 million in 2021/22 to provide ongoing supports and services for people experiencing or at risk of homelessness**
 - Continues funding for more than 3,000 temporary shelters and hotel spaces
 - Extends 650 urgent shelter spaces used to support decampment efforts
 - Supports the provision of meals, support staff, and security to ensure well-being for people

Supporting People and Businesses: Affordable, Accessible & High Quality Child Care

\$233 million new base funding over three years to improve access, affordability and quality of care for children, bringing total child care funding to over \$2.2 billion over the plan



Highlights:

- ✓ **400 new spaces** for children of Indigenous families
- ✓ 2,000 more families to access **supportive childhood development programs**
- ✓ Doubles the number of children receiving **child care for less than \$10/day** through prototype sites
- ✓ Increasing **wage enhancements to \$4-per-hour** for 11,000 licensed early childhood educators

Supporting People and Businesses: **Delivering the Services People Count On**

- **Nearly \$1.9 billion over three years to deliver the services people count on**
 - \$1.2 billion to support the K-12 education sector
 - \$85 million for family, children, and youth services including in-care and out-of-care supports, and programs for children living with disabilities
 - \$367 million for Community Living BC to support adults with development disabilities and their families
 - \$206 million to improve and expand access to justice and public safety initiatives
 - \$11 million to implement free transit for youth aged 12 and under, saving families money each year (TransLink: up to \$672 per child; BC Transit: up to \$400 per child)

Supporting People and Businesses: Helping Businesses

- Over \$800 million for ongoing supports for businesses in 2021/22

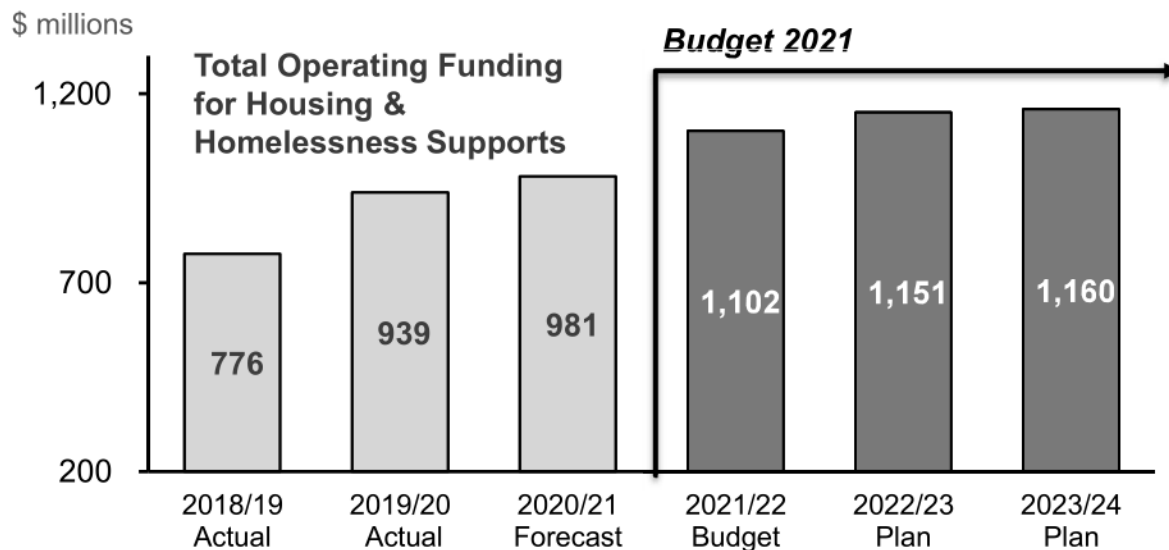
(\$ millions)	2020/21 Forecast	2021/22	Total
Spending Measures			
Small and Medium Sized Business Recovery Grant	150	195	345
Increased Employment Incentive Tax Credit	40	150	190
Farmer supports to access labour	25	35	60
Tourism sector supports	73	120	193
Sub-total	288	500	788
Other Business Supports			
PST Exemptions on select machinery and equipment	235	235	470
Wholesale pricing for hospitality licensees	31	71	102
Sub-total	266	306	572
Total	554	806	1,360

Supporting People and Businesses: **Reconciliation with Indigenous Peoples**

- **Over \$290 million over three years to support reconciliation and continued implementation the *Declaration on the Rights of Indigenous Peoples Act***
 - \$197 million to support a range of activities including engagement with Indigenous peoples on land/resource activities, legislation and policy, and the implementation of agreements
 - \$59 million to implement cultural safety and humility training and Indigenous liaisons across health, and mental health and addictions services
 - \$20 million to create 400 new child care spaces for Indigenous families
 - \$17 million in 2021/22 to deliver skills training initiatives for Indigenous people

Supporting People and Businesses: Building More Affordable Housing

Budget 2021 continues to deliver on affordable homes as part of the \$7 billion, 10-year *Homes for BC* strategy, with \$2 billion in additional financing to expand the HousingHub program



Highlights:

- ✓ **Over 26,000 new homes** completed or underway since 2018 as part of *Homes for BC*
- ✓ *Budget 2021* continues to provide **more low- and middle-income housing** units through funding to non-profit housing providers and \$1.6 billion in capital investments over the plan
- ✓ HousingHub to facilitate **creation of 9,000 units** of rental housing and homeownership options over the next three to five years

Preparing for Recovery: **A More Sustainable Economy through CleanBC**

- **\$506 million in new investments for CleanBC, including:**
 - \$199 million over three years for clean transportation programming; and improving building and community energy efficiency
 - \$60 million for Clean Energy and CleanTech Innovation in 2021/22
 - \$96 million in new funding for CleanBC Program for Industry over three years
 - \$7 million per year in savings for British Columbians through new PST exemption on e-bikes
- **Builds on CleanBC investments for a total of \$2.2 billion since 2019/20**

Preparing for Recovery: **Investing in People, Businesses & Communities**

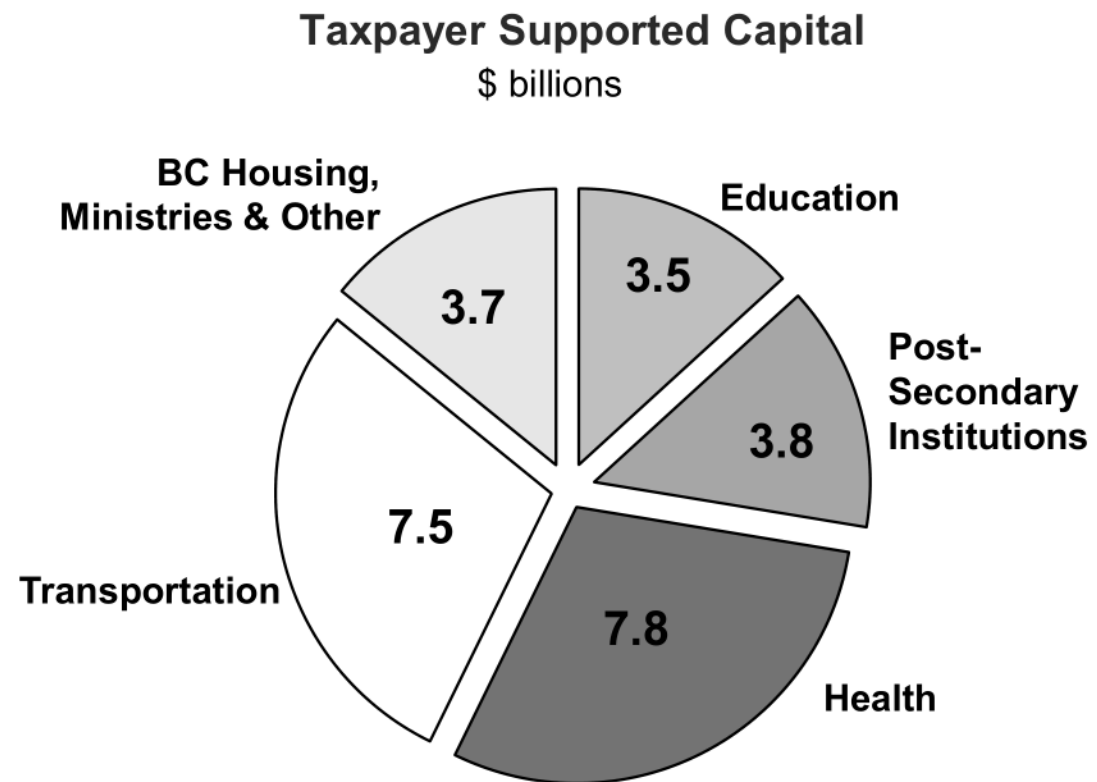
- \$96 million over three years for **skills training to build health sector capacity**
- \$32 million in 2021/22 for other **targeted training** to help people recovery including skills training programs for Indigenous peoples, micro-credentials, and work experience placements
- \$36 million in 2021/22 for **student and youth employment** initiatives
- \$500 million over three years in financing for **InBC** to help attract and anchor high growth business, talent, and good jobs in B.C.
- \$147 million to **invest in communities**, including connectivity, BC park and campsite extension, community infrastructure, and BC 150+ investments

Building on Affordability Measures

Affordability Measures	Estimated annual savings
Elimination of MSP premiums	Up to \$1800
Elimination of tolls on bridges	Up to \$1,500
More affordable child care	Up to \$19,200
Elimination of interest on student loans	Average of \$230
Grants for post-secondary students	Up to \$4,000
B.C. Child Opportunity Benefit	Up to \$1,600 per child
More affordable auto insurance	Average of \$400
Free transit for kids under 12	Up to \$672 per child
PST exemption on e-bikes	Average of \$280

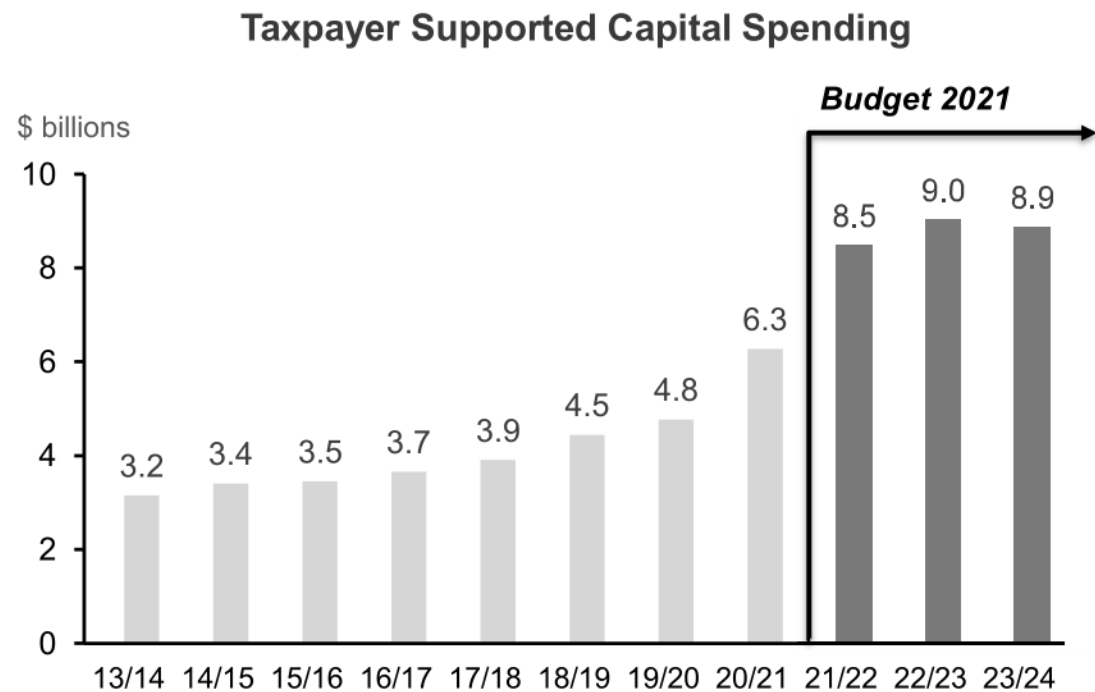
Preparing for Recovery: **Building for a Better Future**

- A record **\$26.4 billion** in funding for capital spending over 3 years
- **\$3.5 billion increase** compared to *Budget 2020*
- Includes funding for roads, schools, housing and hospitals across B.C.



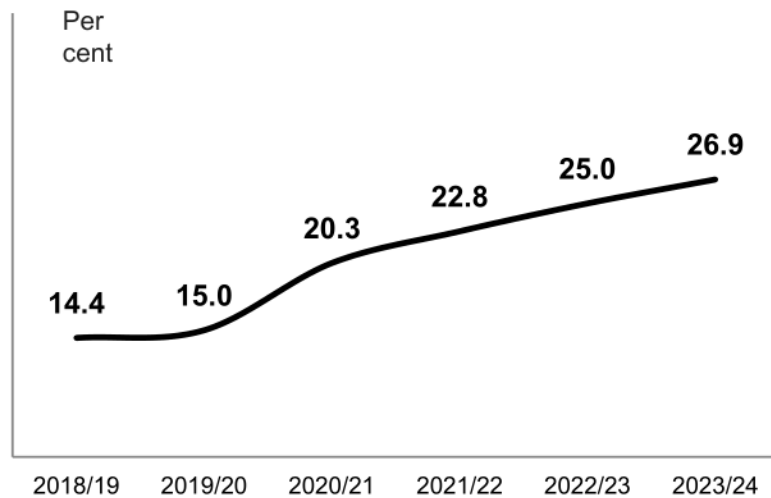
Preparing for Recovery: Investing in Infrastructure to Support Recovery

- Increased capital spending in *Budget 2021* of **\$3.5 billion more** over the 3-year plan for major infrastructure investments that provide timely economic stimulus to support the recovery
- In the next 3 years, capital investments are expected to create **over 85,000 jobs**

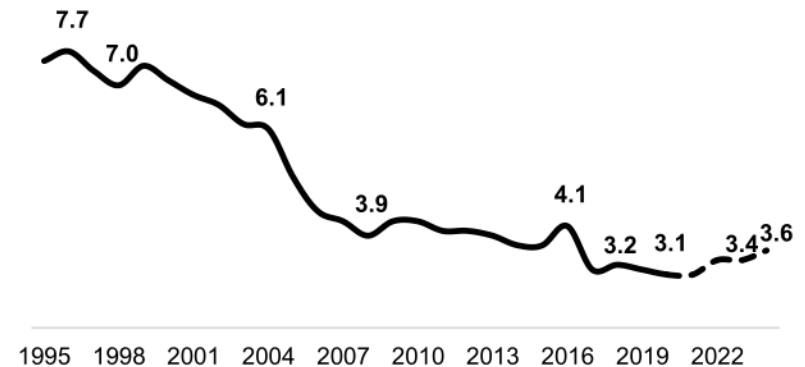


Sustainable Debt Levels

Taxpayer-supported Debt-to-GDP



Interest bite for taxpayer-supported debt
(cents per dollar of revenue)



Economic Recovery and a Path to Balance

- *Budget 2021* uses **fiscal guardrails** to maintain fiscal discipline and guide decision-making
- A renewed **economic framework** will be released this fall detailing broader strategies to grow various sectors and build an inclusive economy that works for everyone
- *Budget 2022* will present the timeline, approach and plan to **return to fiscal balance**, guided by economic indicators and the path and pace of recovery

Budget 2021 Fiscal Guardrails:

- Year-over-year declining deficits
- Targeted spending criteria
- Increased prudence levels
- Pandemic and Recovery Contingencies
- “Best in Class” debt metrics
- Transparent and timely reporting

Budget 2021

Budget 2021 prioritizes investments, including COVID-19 response and recovery, while protecting the long-term financial sustainability of the province to make a stronger BC for everyone by:

- Putting the health and safety of people and the services they count on first
- Supporting businesses and sectors during the pandemic and towards recovery
- Investing in a recovery that will strengthen our communities and build a clean, strong and sustainable economy that works for everyone

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Ministry of
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