CCPA Submission to BC Budget Consultations 2020

SUBMISSION TO THE SELECT STANDING COMMITTEE ON FINANCE AND GOVERNMENT SERVICES OF THE LEGISLATIVE ASSEMBLY OF BC

Canadian Centre for Policy Alternatives, BC Office

June 26, 2019

Introduction

We are pleased to offer this submission to the 2020 BC Budget Consultations on behalf of the BC Office of the Canadian Centre for Policy Alternatives. This submission highlights key findings from our research[1] and outlines our recommendations for the 2020 provincial budget.

Established over 20 years ago, the BC Office of the Canadian Centre for Policy Alternatives investigates key challenges facing our province—the high rate of poverty, economic insecurity, extreme concentration of wealth and threats to our environment and climate—providing independent research, analysis and expertise. We work with a team of over 50 staff and volunteer research associates to develop workable solutions and share our findings as widely as possible to advance social, economic and environmental justice in BC.

[1] All publications available at: https://www.policyalternatives.ca/offices/bc/publications.

BC Budget 2020 priorities and outline of submission

CCPA's top three priority recommendations for BC Budget 2020 are:

1. Fund the next phase of BC's first ever poverty reduction strategy.
2. Expand climate action initiatives to reflect the urgency of the crisis.
3. Make major new investments in dedicated affordable housing.

In several other important policy areas, we make further recommendations:

4. Accelerate investment in transit, including regional and long-haul services.
5. Strengthen public K-12 and post-secondary education.
6. Build on recent public health care investments to further improve patient care.
7. Continue building a universal child care system with new spaces owned publicly.
8. Review and reform natural resource revenues.
9. Create a fairer provincial tax system.

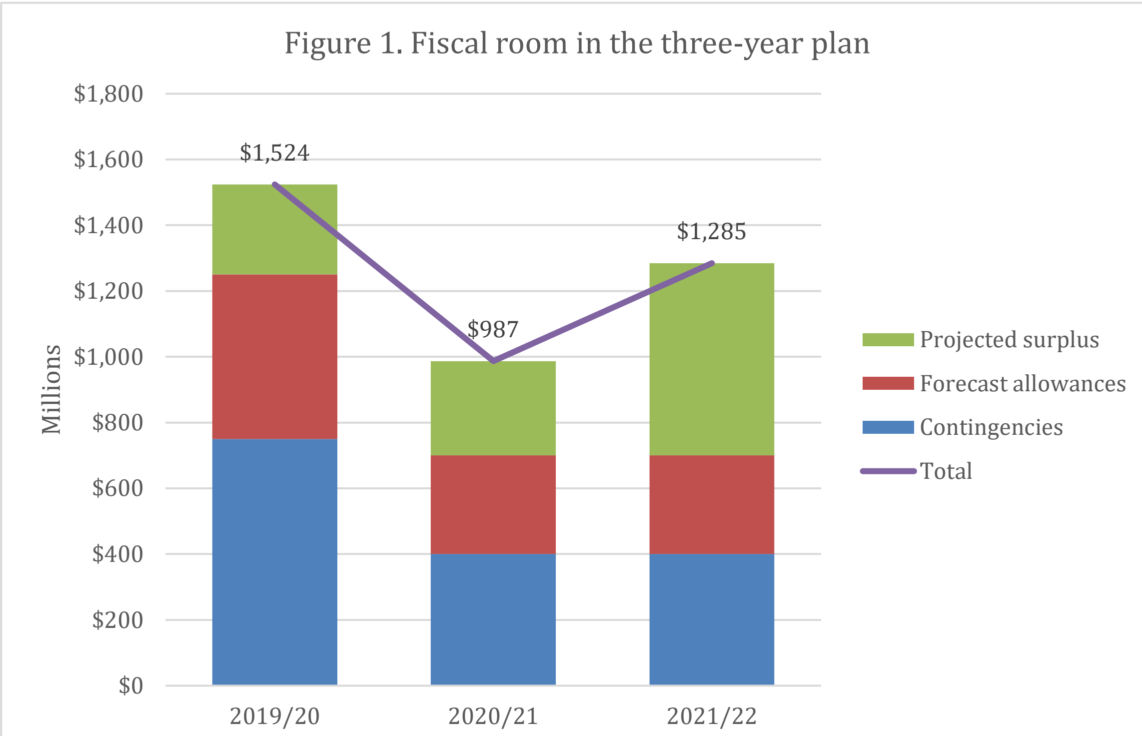
These action items represent a detailed and demonstrably affordable plan for how the BC government can successfully tackle poverty and climate change, make life more affordable, provide the services that people need, and build a strong, sustainable and innovative economy that works for all British Columbians.

To begin our submission we offer an analysis of the economic and fiscal outlook for BC. This fiscal analysis serves as context for our full set of budget recommendations, which follow.

Fiscal outlook

Strong additional public investment is needed to tackle the large and pressing challenges facing our province. Fortunately, BC has the economic and fiscal capacity to make significant investments in our public sector and the critical services it provides.

BC Budget 2019 projects substantial surpluses over the next two years, including generous contingency allocations and forecast allowances over the remainder of the three-year fiscal plan. Together, these amount to combined underlying surpluses of $1.5 billion in 2019/20, $1 billion in 2020/21 and $1.3 billion in 2021/22 (see Figure 1). Considering that these projections are based on cautious assumptions about GDP growth, which are lower than the average private-sector forecast, it is likely that underlying surpluses over these three years may be higher still. This represents $1 billion per year or more additional fiscal room that could be deployed to tackle the backlog accumulated after 16 years of underfunding and neglect of key public programs. And that is without introducing any new revenue-side measures, which represent an additional source of fiscal capacity for the Province. This fiscal room is in addition to funding envelopes already set aside in the fiscal plan to cover public sector bargaining agreements, including $1.2 billion in 2020/21 and $1.8 billion in 2021/22.

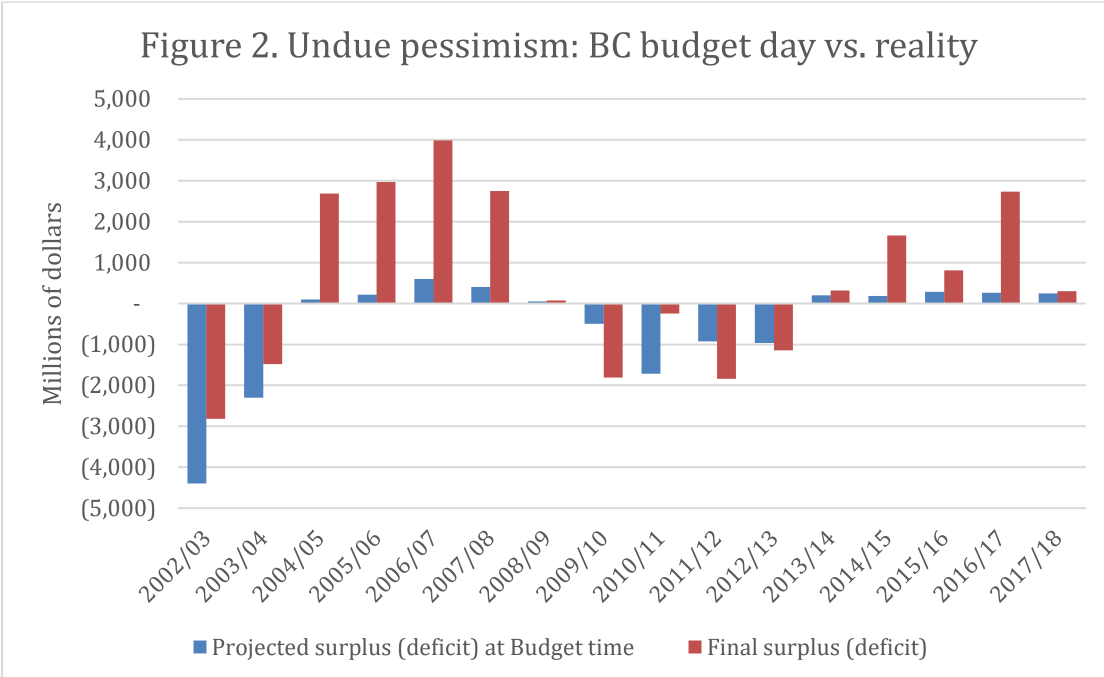


Source: BC Ministry of Finance. BC Budget 2019.

A remarkably consistent feature of the BC budget process over the past two decades has been underestimating budget surpluses. In 13 of the past 16 years, the predicted budget balance on budget day has been more pessimistic than the actual year-end balance, usually by hundreds of millions of dollars and often by well over $1 billion (see Figure 2).[2]

We reject this overly cautious – and indeed inaccurate – approach to budgeting. When governments systematically underestimate the available budgetary resources, this distorts the scope of public debate on what is possible for a budget to achieve. The long-running, multi-government fixation on booking an operating surplus is not justified in economic terms – a small operating surplus is not meaningfully different from a small operating deficit.

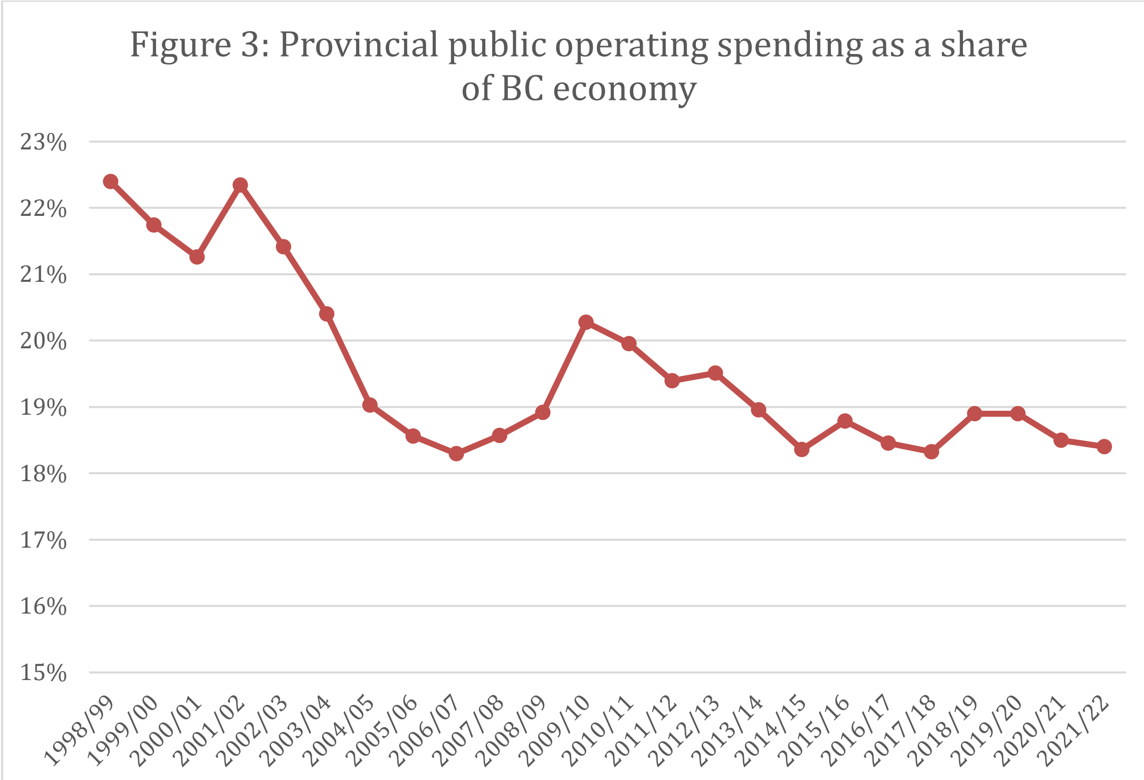
[2] The only three cases in which budget day projections were more optimistic than the actual year-end balance were in the wake of the global financial crisis (in fiscal 2009/10) and after the HST referendum when the government had to repay federal funds.



Source: BC Ministry of Finance. BC Budgets 2002 through 2017.

Ultimately, what matters for BC's fiscal health is not whether a year ends with a budget surplus but the debt-to-GDP ratio (i.e., the size of the debt relative to the annual income of the economy) and debt service costs (i.e., the debt payments relative to the size of the budget). BC's debt-to-GDP ratio is projected to be a healthy 15.7 per cent for 2020/21 (and remains the second lowest in the country), which leaves considerable room for addressing a backlog of important capital investments in the province. Considering that interest costs from BC's public debt are at historic lows at less than 3.3 cents of every dollar of revenue, we conclude that now is an excellent time to increase provincial borrowing to fund long-term investments that will public produce benefits for generations to come.

When measured as a share of the economy, provincial operating spending has declined markedly since the late 1990s (see Figure 3). Under the new government, this decline has levelled off but has not been reversed (over the three-year fiscal plan). In concrete terms, if BC dedicated the same share of our forecasted $308 billion of economic output to public operating spending in 2019/20 as we did in 2000/01, this would mean making additional expenditures of more than $7 billion per year. It is entirely within our economic and fiscal capacity to make bold new investments in British Columbia, over and above the ones that have already been announced.



Source: Ministry of Finance, including BC Financial and Economic Review and Budget 2019.

BC's fiscal situation has been bolstered by revenue measures announced over the last two years, including restoration of the top tax bracket on individual income above $150,000 to 16.8 per cent, and a one percentage point increase to the general corporate income tax rate (from 11 per cent to 12 per cent). The Speculation Tax, and additional School Tax on properties over $3 million are also important steps in this respect. By requiring corporations and the wealthy to contribute more, these measures also enhance the fairness of the tax system.

The reduction and forthcoming elimination of Medical Services Plan (MSP) premiums—BC's least fair tax—represent a very positive step towards a more progressive tax system. The Employer Health Tax is a fairer replacement for MSP, but it is only projected to replace $1.9 billion of the total forgone $2.6 billion of MSP revenue. We recommend additional steps to fully replace this revenue and using the funds to enhance key public services for all British Columbians (see the section on fair taxation for further discussion of revenue-generating possibilities).

Given pressing economic, social and environmental needs facing BC, as well as historically low interest rates, we recommend the government boost borrowing to make additional public capital investments in affordable housing, transportation and expanding health and education facilities (including new child care spaces). These investments would strengthen the provincial economy and set the stage for balanced and inclusive growth moving forward. A strong, well-resourced public sector goes hand-in-hand with a healthy economy. In fact, it is often public spending—including ensuring staffing levels that create and enforce appropriate regulation—that creates the conditions for communities and businesses to thrive.

Recommendations

1. FUND THE NEXT PHASE OF BC'S FIRST EVER POVERTY REDUCTION STRATEGY

The BC government deserves credit for introducing BC's first ever poverty reduction strategy, TogetherBC.[3] We were pleased to see that the strategy takes a cross-government approach and includes a number of very promising initiatives in key priority areas, recognizing the complexity of poverty.

The focus on Indigenous reconciliation and social inclusion is particularly important, and should help tackle the structural barriers and discrimination faced by groups disproportionately affected by poverty and homelessness. Coordinated action across different ministries is vital to ensure that programs work smoothly together to lift some of the most marginalized British Columbians out of poverty. These efforts will be complemented by the commitment made in BC Budget 2019 to use gender-based analysis when implementing new programs.

TogetherBC lays the groundwork for tackling poverty in BC, a major undertaking which will require sustained and coordinated efforts of all levels of government, working in partnership with the private sector, the social sector and communities and families across the province. It is vitally important that Budget 2020 follow through with funding commitments to fully implement the measures already announced over the three-year budgetary planning horizon, and to support the next phase of BC's poverty reduction work.

The provincial strategy document points to some key areas that have not yet been addressed on p. 43: "Particular gaps that were named during the poverty reduction consultations, but not yet met by TogetherBC, include better access to good food for families, enhanced investments in affordable transportation, and improved income security, including assistance rates." Another notable gap is the extremely limited access to dental, optical and other extended health services for low-income people. Budget 2020 should include initiatives to fill these gaps.

We strongly recommend prioritizing policy measures aimed directly at eliminating the most extreme and severe forms of poverty—such as homelessness and hunger—and ending deep poverty (defined as income below 75% of the official poverty line). While reducing the depth of poverty was not one of the legislated targets embedded in the new *Poverty Reduction Strategy Act*, it would be unconscionable for a government committed to poverty reduction to leave the poorest and most vulnerable British Columbians behind.

[3] See *TogetherBC: British Columbia's Poverty Reduction Strategy*. 2019. https://www2.gov.bc.ca/gov/content/governments/about-the-bc-government/poverty-reduction-strategy

Our top seven priority areas for poverty reduction actions in Budget 2020 are:

1. **Immediate and significant increases to social and disability assistance rates.** These benefits remain far below the poverty line even after the $50 increase announced in Budget 2019 and are completely inadequate to meet even the most minimal costs of food, shelter and other basic necessities of life. The goal for which the CCPA and the BC Poverty Reduction Coalition have long advocated is to ensure all British Columbians have incomes that reach at least 75% of the official poverty line within two years (75% of the poverty line is also how the federal government defines deep income poverty in its new national poverty reduction strategy). For a single person in the *Expected to Work* category (those farthest away from the poverty line, and the second largest group of welfare recipients), this would mean increasing monthly assistance by approximately $512 In the medium term, income assistance rates must be set at a level that meets actual costs of living in this province—above the poverty line at a minimum—and be indexed to inflation to ensure that long freezes do not erode their value over time.

   By keeping welfare incomes too low (and forcing people to virtually exhaust their savings before they can even qualify for assistance), the system actually makes it extremely difficult to transition to work. Inadequate rates mean people are sometimes forced out of their housing and, as we documented in our report the CCPA-BC report Living on Welfare in BC, inadequate benefits drive recipients to spend much of their time focused on survival (such as lining up for free food). As well, it is virtually impossible to connect with potential employers when you are unable to afford transit, let alone a car, work clothes, Internet or a phone.

2. **New investments in additional low-income housing stock, including coop housing and in further strengthening renter protections.** See our Housing section below for specific recommendations. We also recommend strengthening rent control by tying it to the unit and not the tenant, and increased funding for the Residential Tenancy Branch to enable timely and proactive enforcement of reforms to the Residential Tenancy Act (RTA). Escalating rental costs represent the greatest threat not only to the poverty reduction plan but to the government's overall policy agenda. If the pace of rent increases continues, there is a significant risk that all the improvements and gains experienced for low-income people due to minimum wage increases, welfare rate increases, child care fee reductions and more will be wiped out.

3. **Funding for further improvements to social assistance delivery.** BC Budget 2020 should build on the much-needed reforms to the rules for accessing social assistance announced earlier this year and introduce measures to further reduce the administrative barriers that discourage, delay and deny access to social assistance to British Columbians who desperately need help. Priority action items include: simplifying the complex online application process for social assistance and making the application form available in languages other than English, hiring additional Ministry staff to reduce wait times on BC's social assistance phone line, and restoring access to in-person application assistance by re-opening Ministry offices where they have been closed in order to

provide alternatives to online and phone services for marginalized people who need them. In addition, Budget 2020 should build on the success of the Single Parent Employment Initiative and extend similar provisions to all social assistance recipients so they can participate in post-secondary education and training programs while receiving benefits.

4. **Funding for proactive enforcement of employment and labour law.** We were encouraged to see that reforms announced earlier this year to modernize workers' rights and protections and strengthen enforcement efforts because improving the wages and working conditions of the working poor is an important element to a successful poverty reduction strategy. Budget 2020 should maintain the momentum and ensure adequate staffing for the Employment Standards Branch of the Ministry of Labour to enable strategic enforcement of workplace rights as the BC government takes the necessary next steps to build a fairer and more inclusive economy for all workers. We outline our recommendations for reforms to workplaces rights in our March 30th submission to the BC Ministry of Labour.[4]

5. **Invest in making public transit more accessible and more affordable**. In Metro Vancouver the #AllOnBoard campaign is making the case for free transit for those under age 18 and a sliding-scale pass for adults based on income. BC currently provides a $52/month bus pass to persons receiving disability assistance and a virtually free bus pass (at the cost of $45 per year) for certain low-income seniors, including welfare recipients who are 60 or older, but not to younger social assistance recipients, to working poor adults or to the children of those receiving disability assistance. In addition to making it easier for lower income residents to get to services, training opportunities, jobs and recreation, discounting transit fares would reduce the harms associated with ticketing for fare evasion by ensuring low-income and at-risk individuals (including youth) do not incur the life-long harm of bad credit due to an inability to pay fines. The recent decision of the City of Victoria to fund transit passes for residents aged 18 or younger is a positive step towards transportation equity.

6. **Fund expanded access to affordable dental and eye care, as well as pharmacare for low-income people**, including both the working poor and those on social assistance. Gaps in coverage of these services, even for those with supplemental health coverage under welfare and disability assistance, were highlighted in the report capturing the feedback from the public consultation on poverty reduction.

7. **Make additional investments to improve access to justice for lower-income and marginalized communities**. Ever since funding for legal aid family law services was cut by 60% in the early 2000s, legal aid has been persistently underfunded, leaving lower-income women and children, and otherwise marginalized people to navigate the justice system alone or hope for a lawyer to take their case on a *pro bono* basis.[5]

[4] Ivanova, Iglika. 2019. CCPA-BC Response to the BC Ministry of Labour Consultation Paper on Modernizing the Employment Standards Act. Vancouver: CCPA-BC.

[5] West Coast LEAF. 2018. *2018 CEDAW Report Card: How is BC Measuring Up in Women's Rights?* Vancouver.

BC Budget 2020 should build on the welcome (but very modest) funding commitments to improve access to justice in this year's budget. We recommend substantially higher investments in expanding access to justice across the province, and specifically to family law, poverty law and Indigenous legal services, including both legal aid and community legal clinics. This would tremendously improve access to justice for people living in poverty, including women and Indigenous communities.

In addition, Budget 2020 should increase funding for community-based programs and services supporting women and children affected by gender-based, domestic and sexual violence (including counselling, outreach and crisis assistance) and switch to a more stable, multi-year funding model for the sector, as recommended in your Committee's report last year.[6]

In addition to these top seven, a comprehensive poverty reduction plan requires that BC:

- Continue to boost investment in child care, moving towards the goal of building a universal, affordable and quality public child care system with spaces for all families that want one.
- Adopt living wage policies in all government ministries, Crown corporations and service agencies to ensure all public sector employees and contractors earn a living wage.
- Expand community health services for seniors, people with disabilities, and those with mental health illnesses and addictions. Gaps in the accessibility of these services puts pressure on the most-expensive component of the health care system—emergency rooms and hospitals—costing BC more in the long term.
- Improve access to post-secondary education and training for low-income people (including more generous financial support for low-income students) and improved services for special needs students in the K-12 education system.
- Invest in programs that tackle poverty among populations and communities where poverty is most acute, including Indigenous people, new immigrants and refugees, people of colour, single-parent families (and particularly, single-mother families), single seniors (particularly women), people with disabilities, people with mental health or addiction issues and others.

Many of the recommendations outlined above represent upstream approaches designed to get at the root causes of poverty instead of simply ameliorating poverty's negative consequences on the worst-affected individuals and families. In addition, many of our recommendations would boost the incomes of those at the bottom of the income ladder—a group of people who spend their income purchasing goods and services because they don't have the luxury of saving. Most of these expenditures occur in local communities, and thus, would provide a boost to the local economy (a much stronger one than personal or corporate tax cuts, for example, can provide).

[6] BC, Legislative Assembly, Select Standing Committee on Finance and Government Services. 2018. *Report on the Budget 2019 Consultation*. 41st Parliament, 3rd Session. Victoria. (recommendation #75).

2. EXPAND CLIMATE ACTION INITIATIVES TO REFLECT THE URGENCY OF THE CRISIS

BC Budget 2020 provides an opportunity to get serious about the climate crisis. While the government's CleanBC plan is a step in the right direction, it lacks the urgency demanded by climate science.[7] In future budgets we need to see a much stronger commitment from the BC government to invest in reducing our emissions and create green jobs in the transition.

The decision of the BC government to support LNG Canada's investment on the north coast is a troubling one, as it will make it much harder for BC to meet its new legislated emission reduction targets. In place of LNG Canada's investment, a fiscal engine for change lies in improving and expanding BC's carbon tax to facilitate new public investment that drives complementary climate actions.

Two priority areas for climate action include using increased carbon tax revenues to fund climate investments, and making the costs of climate change adaptation more transparent.

Increase carbon tax to fund climate action

BC's carbon tax increased $5/tonne in each of April 2018 and 2019 to $40 per tonne, and is scheduled to rise for the next two years at the same rate, hitting $50/tonne by 2021. Arguably too much attention has been placed on the carbon tax for its ability to reduce emissions, while less attention has been given to the tax's revenue potential: carbon tax revenues will hit $2 billion in 2020/21.

In the landmark *Stern Review of the Economics of Climate Change* (a 2006 report to the UK government), former World Bank Chief Economist Nicholas Stern recommended that governments invest 1% of their GDP on climate measures. For BC, this would mean an investment of $3 billion per year. BC should thus be more aggressive and re-assert leadership on carbon pricing with new annual increases of $10 per tonne starting in 2020.

New carbon tax revenues can support an ambitious capital/infrastructure plan to facilitate new climate action investments, building on CleanBC:

- **Retrofitting buildings:** Invest through the new EfficiencyBC program with emphasis on multi-unit buildings, including rental housing, and older (less energy efficient) housing stock. In addition, there should be funding for energy retrofits of public buildings, including schools and hospitals.
- **Low-carbon transportation:** Large new investments in public transit for Metro Vancouver and other BC cities are needed to improve the quantity and quality of services to give people more and better options for getting around (more on this below).

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[7] For a more detailed commentary on BC Budget 2019's climate commitments, see Marc Lee, "Goin' slow: BC Budget fails to make meaningful investments in climate action" in Policy Note, February 22, 2019, https://www.policynote.ca/goin-slow-bc-budget-fails-to-make-meaningful-investments-in-climate-action/

- **Renewable energy:** The province needs to shift to 100 per cent renewable energy as quickly as possible. Measures that can insert small and community-scale renewables should be supported, including efforts by First Nations to move off diesel power. Another key strategy is expanding low-carbon district energy in urban areas modelled on the City of Vancouver's Neighbourhood Energy Utility, which taps waste heat from sewers to provide space and water heating in Southeast False Creek.
- **Zero waste:** Invest to develop new capabilities for processing recycled materials in BC. Bring in deposit-and-return systems for consumer packaging and containers. And, use provincial procurement power and minimum recycled content requirements to boost the domestic market for recycled materials.
- **Forest conservation and stewardship:** Focus on sustainable forestry and value-added activities to create good jobs in rural areas.
- **Just transition:** Develop and support just transition policies to ensure BC resource industry workers and their communities are not left behind in the shift to a greener economy.

We recommend that half of new carbon tax revenues be used to fund climate action initiatives and the other half to fund a reformed carbon credit, to ensure lower and modest-income households are not facing additional costs. The recent increases in the low-income carbon credit to a maximum of $154.50 per adult and $45.50 per child are moves in the right direction, and will help to address the regressive nature of the carbon tax for low-income households. Moving forward, we recommend (and have modeled) a reformed carbon credit system that would reach a larger share of BC households.[8] This credit would gradually phase out as income rises, but overall, 80 per cent of households would receive at least a partial credit.

Finally, the additional carbon offset fee of $25 per tonne paid by public sector organizations should be phased out. The government should abandon its offset purchases in the name of "carbon neutral government," and instead aim to achieve real emission reductions across the economy. Some offset projects may fund worthwhile objectives, like forest conservation, and those could instead be funded from carbon tax revenues. They should not be used, however, to pretend emissions are being reduced elsewhere.

Make costs of climate change adaptation more transparent

Climate change is no longer something that might occur far in the future but is costing BC a lot of money today. BC's 2018 wildfire season set another record for hectares burned, topping the previous 2017 record. In budget terms the cost for 2018 has been lower, but nonetheless about $1 billion has been spent fighting fires over the two years. In addition, fire and flood management costs under the *Emergency*

[8] Lee, Marc, 2017. "Fixing the carbon tax: A closer look at the BC NDP's climate plan". Policy Note, March 14, 2017.

Program Act were $308 million over budget in the current fiscal year, according to Budget 2019. The costs of all these extreme events add up fast, and highlight the growing future costs of our collective inaction.

In 2019/20 the BC Budget increased the firefighting budget from $64 million to $101 million. However, costs are likely to be much higher, given the experience of recent years. Some $860 million in unbudgeted fire management costs were incurred in Summer 2018. And this is not counting public costs associated with repair of infrastructure, much less private insured and uninsured losses. This represents a budgetary form of climate change denial, a belief that an extreme wildfire season only happens rarely, when they seem to be a “new normal” for the province.

Other elements of climate change adaption need to be funded in the budget. Over the coming years dykes will need to be raised, storm water systems upgraded to handle extreme precipitation events, and new systems will need to be implemented to mitigate the impact of extreme heat.

3. MAKE MAJOR NEW INVESTMENTS IN DEDICATED AFFORDABLE HOUSING

Budget 2019 did not announce major new investments in affordable housing, but it does continue the implementation of the taxation and spending initiatives in the 2018 Budget. In particular, the rollout of 33,900 units over 10 years is much needed. Most of these will be affordable rental stock (20,950 units) and student housing (5,000 “beds”). The remainder goes towards marginalized groups: modular housing for the homeless (2,200 units), supportive housing (2,500 units), housing for women and children fleeing abuse (1,500 units) and housing for Indigenous people (1,750 units).

Our estimates, as well as that of the BC Non-Profit Housing Association, suggest much more than this is needed: between 5,000 and 10,000 units per year in Metro Vancouver alone to keep up with growing population, and address the broad range of housing needs in BC – housing for the homeless, supportive housing, seniors’ housing and assisted living, and immigrant and refugee settlement – as well as more broad-based non-market rental housing for low-income British Columbians.

Thus, Budget 2020 should increase new investment to get to the full 114,000 units over 10 years promised during the election, with a focus on new rental, social and co-op housing. This investment would also help counter the recessionary impact of a slowdown in housing activity by keeping new construction levels high.

A housing commitment to build 11,400 units per year for a decade translates into an annual public investment of about $3 billion per year ($250,000 per unit construction and related cost), assuming public land owned by local governments or the BC government is contributed. This upfront capital cost, however, would be more than paid back through the flow of rental income over the lifespan of the buildings.

Funding for this build-out should come from taxing some of the windfall gains received by home owners through higher property values. We support the 2018 BC Budget shift to more progressive property taxation (the "school tax") and taxes on speculative activities at the provincial level. Further steps could be taken, including enabling municipalities to levy their own such taxes so that local politicians can take on affordability more directly.

Conspicuously absent from the 2018 and 2019 budgets was the $400 renters' rebate, proposed in the election. While we support a more level playing field between owners and renters, we believe it is necessary for government to find another way to extend support to low-income renters struggling with recent rapid rent increases. To accomplish this, and to make the property tax system more progressive, we recommend reformulating the $824 million per year Home Owner Grant (HOG) into an income-tested housing grant that would go to owner and renter households alike. That is, it should be redesigned to provide greater help to low-income households, then phased out gradually as household income rises (as is the case for Old Age Security or the Canada Child Benefit). This new housing grant would essentially transfer income from the wealthiest homeowners to renters.

The cost of the renters' rebate was estimated at $265 million. A revenue-neutral way of funding this additional amount would be to eliminate the property transfer tax exemptions for first time buyers, new homes and transfers between related individuals (with the exception of certain cases like divorces).

BC should also develop a more comprehensive system of rental supports, linking to the federal government's Canada Housing Benefit (CHB), which will begin in 2020. BC's rental assistance is only available to working families with children not on social assistance and low-income seniors (approximately 30,000 households). BC should seek to broaden accessibility to its current rental assistance programs, and integrate them with the new CHB. A combined benefit would provide significant gains for households at the low end of the income spectrum where the most assistance is needed.

A concern around rental supports is that they simply enable landlords to raise rents, particularly in a tight rental market like Metro Vancouver's. An innovative policy response to this situation is Manitoba's Rent Assist program, which began in 2015. By design, qualifying renters (below a specified income threshold or on social assistance) in the private market do not pay more than 30% of their income in rent (based on 75% of the median market rent), with the rental assistance subsidy bridging the gap between that amount and actual rent.[9] This program raised housing benefits for people on social assistance without the increase going to landlords in increased rent; it is also an income-tested benefit for those not on social assistance, so there is no loss of benefits when moving off of social assistance. The benefit is based on income, so it is portable should the person or family move.

4. ACCELERATE INVESTMENT IN TRANSIT, INCLUDING REGIONAL AND LONG-HAUL SERVICES

Expanding public transit is a win-win for the province: it reduces costs for households, improves mobility, creates good jobs and supports long-term economic prosperity, while helping reduce GHG emissions and

[9] Josh Brandon, Jesse Hajer and Michael Mendelson, *What does an actual housing allowance look like? Manitoba's Rent Assist program*, Caledon Institute, October 2017.

air pollution. BC's current auto-dominated transportation system also imposes costs in other ways: injury and death from accidents, time wasted due to idling on congested roads and highways, and noise pollution.

In place of one-off funding deals for particular infrastructure projects, there is an urgent need for stable, long-term capital funding for public transit in Metro Vancouver and other BC municipalities. With dedicated funding for transit expansion the Broadway subway could keep shovels in the ground and get to a final destination of UBC, Skytrain could be extended from Surrey to Langley, and from Coquitlam further east. Just as the BC government decided to fully fund the $1.4 billion capital cost of replacing the Pattullo Bridge, so should the BC government commit 100% of the capital costs of new transit infrastructure (as it did for the Millennium line, for example).

Other high-capacity transit networks could be built in Metro Vancouver, and be extended out to the Fraser Valley, and up to Whistler. This need not all be rail: there are many good opportunities for new marine transit options within Metro Vancouver, in particular the Burrard Inlet, and between Vancouver, Squamish and the Sunshine Coast.

The BC government has also enabled Metro Vancouver's TransLink with new self-financing options, including a 1.5 cent per litre increase in the regional fuel tax (as of July 1, 2019) and a new development cost charge. This has prompted some outrage by anti-tax groups in the face of record high gas prices at the pump. However, as our analysis reveals, recent high gas prices are driven by market forces and gas gouging much more so than by new taxes, and merit price regulation at the provincial level.[10]

Public transit is not just an urban issue. The decision by Greyhound to pull service from Western Canada means low-income households across BC are faced with diminished mobility options. There is an urgent need for more coherent regional and long-haul transit services supported through BC Transit. BC's infamous Highway of Tears shows that a build-out of public transit capacity across the province cannot be put off any longer. This is a central transportation justice issue.

5. STRENGTHEN PUBLIC K-12 AND POST-SECONDARY EDUCATION

The court-mandated restoration of class size and composition provisions in the K-12 education system, illegally stripped from teachers' contracts by the previous government, means that thousands of new teachers have been hired and class sizes are being reduced across the province. This is an extremely welcome development after years of chronic underfunding of public schools.[11]

But there is much more work to do. The size of the education funding envelope itself must be increased to support better services for students beyond just meeting court requirements and enrollment increases. Most urgently, Budget 2020 should make substantial new investments to ensure that students with

[10] Lee, Marc, 2018. Turn off the taps? Alberta already has Vancouver over a barrel, Policy Note. April 29, 2019.
[11] Hemingway, Alex, 2016. "What's the real story behind BC's education funding crisis?" Policy Note. August 24, 2016.

learning disabilities and special needs receive the supports they need to reach their full potential. BC saw the number of special education teachers decline almost 25% between 2000 and 2016, and the ratio of special needs students to special education teachers has also increased. Just two weeks into the current school year, parents of kids with disabilities had already reported nearly 100 incidents of these students being asked to stay home, sent home early, or separated from their class, among other types of exclusion.[12] Parents of kids with special needs have made it clear that they are being left behind.

As one source of additional funds for this purpose, we recommend that public funding to elite private schools be immediately eliminated, with the savings redirected to students with special needs.[13] This would represent an approximately $43 million boost to special needs funding, or an 8 per cent increase. (Note this is only a fraction of the over $400 million in public funding flowing to private schools, all of which should be reviewed with an eye to eliminating the practice in the medium-term.)

On the capital side, progress has been made in fast-tracking seismic upgrades and building new schools to relieve overcrowding in some districts. After so many years of delays to seismic upgrading, it's critical that the pace of investment be maintained and accelerated. Capital investment is also needed to cover deferred maintenance needs that have piled up during the long period of underfunding.

In terms of post-secondary education, there is a pressing need to increase funding for colleges and universities. For almost two decades, provincial operating grants for public post-secondary institutions have plummeted as a share of revenue, forcing institutions to increase reliance on tuition fees. This resulted in student debt reaching new heights and eroded the public nature of these institutions. Inadequate government funding of public post-secondary education has affected not only students. Employment for untenured academics has become more insecure and funding and action is needed to reduce the increasing reliance on precarious academic labour.

Budget 2020 should boost financial supports available for post-secondary students, building on the government's recent elimination of interest on provincial student loans. We recommend a comprehensive grants program to make post-secondary education free for lower-income students with the aim of moving towards a universal reduction and ultimately elimination of tuition fees.

The government has also taken the welcome measure of eliminating or waiving tuition fees in important areas, including Adult Basic Education and English language learning programs, as well as for youth aging out of the foster care system. We recommend that Budget 2020 build on this by extending eligibility for tuition waivers from the current age limit of 26 to 30 and eliminating fees for all adult developmental education programs, which were also tuition-free prior to 2014.

[12] Vikander, 2018. "BC parents have reported 98 incidents of students with disabilities being excluded since start of school year." The Star Vancouver. September 18, 2018.

[13] Hemingway, Alex. 2018. "Elite private schools rake in public funds while special needs students go without." Policy Note. October 2, 2018.

6. BUILD ON RECENT PUBLIC HEALTH CARE INVESTMENTS TO FURTHER IMPROVE PATIENT CARE

In any provincial budget, health care is one of the biggest line items as it is, of course, one of our most vital public services. A number of big steps have been taken to improve public health care in BC over the past year, but there is still more to do.

Substantial increases in funding seniors' residential care, providing free pharmacare coverage for the lowest-income British Columbians and investing in new team-based primary care centres are among the most important recent new health care policies. Measures have also been taken to adopt best practices to reduce hip and knee surgical wait times, significantly increase public MRI capacity and service levels, and to clamp down on private surgical clinics illegally billing patients.

The CCPA-BC welcomes this impressive pace of action, and urges the BC government to maintain momentum in Budget 2020.

Provincial health spending as a share of our economy has remained relatively steady in recent years, and is projected to fall from 7.8 per cent of GDP in 2009 to 7.2 per cent by 2021 (according to Budget 2019). There is certainly fiscal room to make additional investments where required.

As deaths from the opioid crisis continue to mount, Budget 2020 should provide any and all additional resources needed to save lives, including ensuring those living with addictions have access to a safe, reliable supply of opioids (as opposed to a toxic, unpredictable street supply).

The budget should complement the laudable recent investments in seniors' residential care staffing levels with funds to increase access to home support services like home nursing and help with cooking and bathing for seniors who require these supports to age safely in their homes. Capital investments are also needed to support the expansion of public and non-profit residential care, which evidence shows provide superior quality of care to private, for-profit facilities. Strong investments in the public senior care system will pay dividends by freeing up hospital beds, with positive downstream effects on surgical wait times.

Recent investments to increase public hip and knee surgeries, using evidence-based approaches, are a very important step to address the backlog and strengthen our public health care system. Budget 2020 should expand this approach to reduce wait times in other backlogged surgical categories.[14]

New investments in urgent primary care centres (UPCCs) are welcome, though it's worth noting that the UPCC model has its limitations. As our research has previously recommended, the backbone of a team-based primary care system should be a major expansion of community health centres (CHCs). CHCs are non-profit, community-governed primary care centres that emphasize long-term, relationship-based care

[14] Longhurst, Andrew, Cohen, Marcy and Margaret McGregor, 2016. *Reducing Surgical Wait Times: the Case for Public Innovation and Provincial Leadership*. Vancouver: CCPA-BC.

delivered by an interdisciplinary team of practitioners, with an explicit emphasis on addressing social determinants of health through team-based health and social care.[15] Further to the social determinants of health, enhancements to a comprehensive poverty reduction plan in Budget 2020 will be crucial to creating a healthier British Columbia and a more efficient use of resources by helping prevent serious health problems.

Budget 2020 should also build on the enhancements of pharmacare for low-income families announced last year to move towards universal pharmacare coverage, which a growing body of evidence demonstrates would reduce drug costs dramatically.[16] BC should build universal pharmacare in collaboration with the federal government if possible, but independently if necessary.

Finally, Budget 2020 should discontinue the use of wasteful Public Private Partnerships (P3s) for capital expenditures—including hospitals, residential care facilities and urgent care centres. The P3 model has been repeatedly shown to increase costs while unnecessarily privatizing public goods and frequently diminishing the quality of services across sectors, including health care.[17] As a matter of good public policy, the infrastructure of our health care system should be owned collectively by British Columbians.

Unfortunately, there is an alarming development taking place under the watch of Vancouver Coastal Health: the creation of for-profit (investor-owned) UPCCs. A private business called Seymour Health was contracted by the health authority to run the first Vancouver-based UPCC, which opened its doors on Hornby Street in November 2018. The health authority's moves towards corporate health care delivery take us in the opposite direction of the impressive range of reforms taking place in BC's public health care system. A swift change of policy is in order here.[18]

Each of these recommended policies has the dual benefit of increasing quality of care and helping contain health care costs. In contrast, failing to make proper long-term investments in the public universal health system will mean that British Columbians spend more to get less.[19]

7. CONTINUE BUILDING A UNVERSAL CHILD CARE SYSTEM WITH NEW SPACES OWNED PUBLICLY

The BC government's milestone investment of $1 billion over three years to lay the foundation of a new universal, affordable, high-quality child care system was an enormous step forward for the province.

[15] Longhurst, Andrew and Cohen, Marcy, 2019. "The importance of community health centres in BC's primary care reforms: What the research tells us." Policy Note. March 1, 2019.

[16] CCPA and Canadian Doctors for Medicare, 2017. *Cost Savings Resulting from a National Pharmacare Program.* Ottawa: CCPA.

[17] Reynolds, Keith, 2017. "The enormous cost of public-private partnerships." Policy Note. August 3, 2017. See also: McGregor, Margaret and Lisa Ronald, 2016. "For-profit care of seniors proven to be inferior." Policy Note. October 11, 2016.

[18] Hemingway, Alex, 2019. "Why are we letting corporate medicine take hold in Vancouver's new urgent care centres?" Policy Note. May 23, 2019.

[19] Hemingway, Alex, 2016. "The biggest source of waste in Canadian health care? The private, for-profit sector." Policy Note. November 21, 2016.

Thousands of BC families have already seen their out-of-pocket child care costs decrease as a result of the new child care fee reduction initiative and Affordable Child Care Benefit. The BC government converted 2,500 child care spaces into prototype projects charging parents only $200/month or $10/day, with the fee waived for families with income below $51,000.

Now that affordability measures for families are well underway, it's time for Budget 2020 to refocus on addressing the serious shortage of child care spaces in the province.

We know that investing in a universal, affordable, quality child care system in BC is a smart use of public resources that will have ripple effects across the provincial economy: it will take some pressure off young working families freeing resources to pay off their student loans and mortgage debt; it will provide a good start for all BC children; it will allow more parents to participate in the workforce, increasing tax revenues almost immediately; and it will create new jobs. However, these benefits will fully materialize only after a significant expansion of licensed, quality child care spaces so that all families can access the services they need. After all, the new affordability measures don't mean much for families whose children remain on long wait lists or for those who have to drive long distances from home and work to get to the only available spot in town.

A 2018 CCPA study mapped child care coverage rates at the neighbourhood level across Canada, revealing widespread shortages of licensed child care spaces and large geographical disparities in access to child care in BC in particular. [20] Although all provinces have waitlists for child care services, Metro Vancouver families are particularly poorly served compared to families living in other large Canadian urban areas. Almost all postal codes in both Surrey and Burnaby are child care deserts (that is, areas with more than three children under five for every licensed child care space) despite the large number of young children living there.

Budget 2018 allocated funding for 22,000 new licensed spaces by 2020/21, with additional money to maintain and upgrade existing spaces. The vast majority of these spaces are yet to open.

To ensure that the funding is utilized and these new child care spaces are built in the communities that need them the most, Budget 2020 should introduce a capital funding allocation for publicly-owned child care facilities. Instead of simply making capital grants to providers to invest in building new child care spaces—as is the current practice—a capital budget for child care would ensure that the public can retain (at least some) ownership in the capital assets in which we invest. As the Coalition of Child Care Advocates of BC has suggested, the remaining capital grants funds from last year's budget should be transferred to the new capital fund for child care.[21]

[20] Macdonald, David, 2018. *Child Care Deserts in Canada*. Ottawa: CCPA.

[21] Coalition of Child Care Advocates of BC. 2018. *$10aDay Child Care Recommendations for BC Budget 2019: Submission to Select Standing Committee on Finance and Government Services*. Vancouver.

Just like schools, child care facilities are a crucial part of social infrastructure and the BC government can and should play a bigger role in creating new spaces. To address the significant shortages of child care spaces across the province without further delays, invest in custom-designed, high quality modular buildings for child care that can be built quickly and located on public property, such as lands owned by school districts, municipalities, health authorities and other public partners.

Capacity planning must be done in collaboration with local communities, with the goal to address areas of highest need first and work towards making child care available for all families who would like to access a program, whether full-time or part-time. The government's commitment to Indigenous-led child care should include sufficient resources for capacity planning for services on and off reserve.

In addition to a new capital funding allocation for child care, Budget 2020 should table a plan for a further expansion of new child care spaces in 2021/22 and beyond so that planning for future capacity increases can begin now.

Transforming the existing fragmented patchwork of expensive child care services with inadequate spaces and inconsistent quality into a coherent system of high-quality child care and early learning is a big job that will take years of stable provincial investment and hard work. The good news is that we know how to do that because the evidence-based and widely endorsed $10-a-Day Child Care Plan includes a blueprint for action.

To ensure that all child care spaces in BC provide high quality programming, Budget 2020 should address the serious recruitment and retention crisis in the child care. Building on the Early Childhood Education workforce development strategy announced in late 2018, Budget 2020 should provide additional funding for wage increases beyond what has already been announced. Raising wages in this notoriously low-paid sector and providing ongoing funding for professional development is urgently needed to improve the quality of child care services in BC.

To continue to improve affordability for BC families, Budget 2020 should include funding to expand the universal child care fee reduction program over the next three years to move fees towards the goal of $10/day for full-time programs and $7/day for part-time programs. As in Budget 2018, the reductions should be larger for infants and toddlers until fees are equalized across all age groups. Without a sustained effort to reduce fees across the board, the BC government risks having the costs of the new affordable child care benefit balloon over time as providers raise their fees and more families qualify for higher benefit amounts.

As we have previously recommended, all new capital and operating funding for child care should flow only to licensed programs that operate on a not-for-profit basis. We support the Coalition of Child Care

Advocates of BC's recommendation that participation in the Child Care Fee Reduction Initiative be made a condition for receiving public funding (as opposed to being an optional program).[22]

8. REVIEW AND REFORM NATURAL RESOURCE REVENUES

Resource revenues are generally not considered taxes, but royalty, rental or stumpage payments that major industries pay for harvesting or extracting publicly-owned or Crown resources. Natural resource revenues accounted for $2.97 billion or slightly more than 5.2 per cent of provincial revenues in the most recent fiscal year.

In the forest sector, projected revenues stood at just shy of $1.4 billion in 2018-2019. In the petroleum, natural gas and minerals sector, the amount of revenue collected was an estimated $164 million. And in the third resource revenue stream, which includes revenues from the Columbia River Treaty, Crown land tenures, other energy and mineral developments and water rentals, revenues were projected to be slightly more than $1.4 billion.

The provincial budget projects that natural gas royalties will increase dramatically in the coming year, but that revenues will decline in other resource sectors. The projected decline in forestry revenue is particularly noteworthy. It signals both a cooling off in commodity prices but also a recognition that the province's forest resource base is in trouble.

Successive and historic wildfire seasons in 2017 and 2018 wiped out vast areas of Crown forest. Moreover, the costs of fighting those fires ate up half the revenues collected. The fires also came on the heel of more than a decade of sharply increased logging rates in response to the mountain pine beetle and other insect and disease outbreaks in the province's forests.

The combination of logging, wildfires and insect and disease attacks that have been exacerbated by climate change, has resulted in a vastly diminished forest land base, and thus, vastly diminished timber supply. Announced recent sawmill closures and predictions for additional closures ahead underscore significant challenges both for the Province and for a number of rural communities whose economic fortunes are entwined with the forest industry.

Aggravating matters from an economic perspective, the continued export of unprocessed logs from coastal BC (approximately 6 million cubic metres annually in recent years) means that B.C. loses out on foregone domestic manufacturing opportunities and the increased payroll and corporate taxes that such activities generate.

The Province needs a coordinated plan to generate more forest revenues that does the following:

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[22] Coalition of Child Care Advocates of BC. 2018. *Child Care Affordability in BC—What's Working (and What's Worrying)*. #1 of 4 Policy Briefing Notes. Vancouver.

- Squarely addresses years of forest mismanagement that have increased wildfire risks.
- Charges exporters higher taxes on raw log exports to stimulate domestic production.
- Generates new carbon tax revenue by extending the tax to waste wood-burning.
- Embraces a value-based or "more-from-less" approach to log harvesting and the manufacturing of wood products.
- Encourages maximum substitution of concrete, steel and brick with wood in buildings.

Revenues from the province's natural gas industry continue a trend of falling well below government projections. In the last five years, revenues have consistently come in under what was projected. The current budget estimates that in the coming year revenues will increase sharply, from $164 to $275 million – a 67 per cent increase.

Given persistently low prices for natural gas in recent years, it is difficult to see how such an increase will occur, even with the suite of programs that the Province has had in place for years that are designed to encourage companies to drill more natural gas wells.

To incentivize increased natural gas production, the Province allows companies to reduce their royalty payments through various credit schemes including:

- credits to offset some of the costs incurred building roads and other infrastructure,
- credits to drill gas wells during summer months,
- credits to install clean technology such as solar panels at gas well sites,
- and, credits to drill deep and horizontal wells.

Credits obtained are then later applied against royalty assessments, thereby allowing companies to reduce their royalty fees. By far, the most significant of those credit schemes is the deep well credit program. The most recent Public Accounts (2017/2018) shows that the amount of claimable credits in the deep well account stood at $2.59 billion in 2018, up from $2.14 billion in 2017. It is not just low prices for natural gas, then, that keeps natural gas royalties low, but a suite of government subsidies or incentives.

To safeguard the interests of British Columbians more information must be made publicly available on the Province's credit programs and royalty revenue streams. To accomplish this the Province should:

- Develop a comprehensive strategy to rapidly wind-down all natural gas and liquids production in the province, and identify future revenue streams to replace all revenues associated with current gas production in the province.
- Publish annual reports on the number of gas wells that qualify for credits and the credits claimed by individual companies on gas produced at qualifying wells.
- Publish revenues on all natural gas liquids produced. This is essential because the most attractive financial returns to the gas industry are for liquids, not gas.
- Publicize royalty revenues collected as a percentage of the natural gas and gas liquids produced to allow for comparison with other fossil fuel producing jurisdictions.

Water revenues represent a third, and likely to grow revenue stream. It is a revenue stream that will be influenced significantly by the water used by major industrial consumers, of which the natural gas industry is increasingly significant.

Water use in the gas sector is on a sharp rise due to the need to use enormous quantities of water in hydraulic fracturing or fracking operations. A key concern is that shared, publicly owned water resources are adequately valued and adequately tracked.

To ensure that this is the case, the government should:

- Require full metering of all water withdrawals, placing a priority on industrial users.
- Publish water use reports by company (a precedent has been set for doing so in other resource sectors, for example the forest industry, where the volume and value of publicly-owned Crown timber logged by company is publicly available).
- Conduct a review to determine whether current water rental rates are sufficiently high enough to capture the full value and encourage maximum conservation and reuse.

9. CREATER A FAIRER PROVINCIAL TAX SYSTEM

Between 2000 and 2016, BC's tax system became remarkably less fair. CCPA-BC's analysis showed that personal tax changes over this period—including income, sales, property, carbon and MSP taxes—overwhelmingly benefited the wealthiest British Columbians.[23] These changes in BC's overall tax system meant the bottom 90 per cent of households actually paid a higher overall provincial tax rate (what economists refer to as *effective tax rate*) as a share of their income than the top 1 per cent of households.

Over the past two years, a suite of important tax policy changes have begun to meaningfully reverse this trend. These include: restoration of the top tax bracket on individual income above $150,000 to 16.8 per cent, the increase to the general corporate income tax rate to 12 per cent, and the 50 per cent reduction in MSP premiums—BC's least fair tax— and its replacement with the employer health tax. The introduction of the BC Child Opportunity Benefit represents another new progressive income transfer at the provincial level. Our analysis shows that personal tax changes over the past two years will benefit modest and middle-income British Columbians most.[24]

As the BC government takes the important step of entirely eliminating MSP premiums as of January 1, 2020, we recommend that the full MSP revenue of $2.6 billion in 2016/17 be replaced. Currently the Employer Health Tax is only projected to replace $1.9 billion of this forgone revenue. CCPA-BC has

[23] Hemingway, Alex and Iglika Ivanova, 2017. "Tax fairness in BC? Hardly." Policy Note. February 16, 2017.

[24] Hemingway, Alex, 2019. "Reality check: Only BC's very richest paying higher tax rate." Policy Note. March 25, 2019.

previously modelled options for replacing the entirety of the MSP revenue,[25] and we also believe there are ideas in the final report of the MSP Task Force worth consideration.[26]

The past two years have also seen new progressive tax policies with respect to real estate, including the Speculation Tax and additional property tax on high-end properties over $3 million (in effect embedding new progressive tiers to the provincial portion of annual property taxes). These measures are crucial not only in addressing runaway housing prices, but also in tackling spiraling inequality. Real estate wealth in BC, including principal residences, is extremely concentrated among the richest households, as our research shows.[27] Province-wide, property wealth has grown by more than $1 trillion since 2007, and these incredible windfalls are flowing overwhelmingly to the wealthiest households.

Further steps are needed to enhance tax fairness and address this major source of inequality. Income and wealth inequality in BC have reached extraordinary levels.[28] Vancouver, which is the centre of the province's real estate wealth, has among the lowest property taxes in the country.[29] The new provincial real estate taxes are narrowly targeted, requiring only 1–2% of the wealthiest property owners in BC to pay more, according to government estimates. Building on the additional School Tax on properties over $3 million, we recommend that the full range of property taxes be redesigned to include additional progressive brackets, along the lines of the income tax system, so that owners of higher-valued properties pay higher rates than those with properties that are more modest. Municipal governments should be granted the authority to create progressive property tax brackets (as the City of Vancouver has requested).

We also recommend eliminating the Home Owner Grant and replacing it with an income-tested grant that goes to renters and owners alike. In addition, when huge increases in private land wealth are created through major public investments like building the Broadway subway, this wealth should be captured for the public good instead of flowing to private landowners. The province should explore the best ways to capture this land value lift, which is created collectively by all of us through our tax dollars.[30] Publicly captured land value rises can be used to fund new investment in much-needed infrastructure like public transit and affordable housing.

More broadly, it is important to keep in mind that, as a share of GDP, provincial government revenue in British Columbia has been reduced substantially since 2000, in part as a result of successive tax cuts, as well as the decline in natural resource revenues. The tax changes taken under the new government have

[25] Ivanova, Iglika. 2016. "BC should eliminate the MSP. Here are two better options." Policy Note. July 6, 2016.

[26] Tedds, Duff and Ramsey, 2018. "MSP task force: tax reform proposals." March 2018.

[27] Hemingway, Alex, 2018. "Land wealth is a massive source of inequality in BC." Policy Note. September 4, 2018.

[28] Hemingway, Alex, 2018. "Whose wealth is it anyway? BC's top 10 billionaires and the rest of us." Policy Note. December 12, 2018.

[29] Hemingway, Alex, 2018. "Low property taxes help fuel housing crisis." Policy Note. June 4, 2018.

[30] See BCGEU, 2017. *Building an affordable BC: taxing speculation and investing in our neighbourhoods to solve the housing affordability crisis.* November 2017.

levelled off this trend, but not reversed it. To make additional social and environmental investments possible, BC's fiscal capacity should not only be maintained, but also enhanced.

In Budget 2020, we recommend adding an additional top income tax bracket of 22% on incomes above $200,000, which would add over $500 million in provincial revenue annually while only affecting the most affluent tax filers in the province.

Furthermore, we recommend that natural resource revenues be reviewed and reformed to ensure that British Columbians get a fair return on our collectively-owned resources (see section 7 for a detailed discussion of natural resource revenues). We agree with the Auditor General that tax expenditures in BC—amounting to $7 billion year—should be subject to increased reporting transparency and reviewed in terms of their public policy objectives (including their distributional implications).[31]

Reform of existing tax credits and expenditures could enhance tax fairness and have a strong anti-poverty impact by reallocating existing tax expenditures to households that truly need them.[32] The MSP task force highlighted some reforms along this line, in particular to the Home Owner Grant and to the credit for Provincial Sales Tax. In addition, reforms to the structure of the carbon tax credit could be considered. Such reforms could be accomplished in a revenue-neutral manner, if desired. Combined, they could be considered a form of basic income—a topic now being studied by a provincially appointed panel.

Finally, we recommend convening a Fair Tax Commission to review the provincial tax system in its full scope—including natural resource royalties and all tax expenditures—to ensure we have the fiscal capacity to address urgent challenges facing BC. The Commission should meaningfully consult and engage with British Columbians from all walks of life in all regions of the province about the services they want and how we can fairly pay for them. Such a process could boldly propel the discussion on taxes at a time when income and wealth inequality have reached dizzying heights in our rich province and there is a growing need for renewed investment in the public good.

Conclusion

The recommendations for the 2020 BC Budget outlined in this submission will help reduce a number of deficits facing our province: a large social deficit in poverty and inequality, an environmental deficit, a deficit in family-supporting jobs and an affordability deficit. Our recommended investments would set the province on a path of higher productivity and sustainable economic growth over the long term.

There is no better time than now to tackle the big social, economic and environmental challenges currently facing our province. We are running surpluses, interest rates are at historic lows, our debt level

[31] BC Auditor General, 2018. *Understanding tax expenditures*. October 2018.

[32] Lee, Marc, 2018. "Fighting poverty through tax credit reform". Policy Note. September 21, 2018.

is manageable and our taxes are some of the lowest of all provinces. With sufficient revenue reform—as outlined above—this could be achieved without incurring a fiscal deficit.

The Canadian Centre for Policy Alternatives appreciates the opportunity to share our recommendations on BC Budget 2020 with the Legislative Standing Committee on Finance and Government Services.