

British Columbia's Current Spending Peak Highest in History, Highest Growth in Canada

by Ben Eisen and Nathaniel Li

MAIN CONCLUSIONS

- This research bulletin examines, inflation-adjusted, per-person program spending in British Columbia between 1999/2000 and 2022/2023 to provide a recent historical analysis of this important measure of government fiscal policy.
- We find that, in inflation-adjusted 2023 dollars, per-person spending in British Columbia reached its highest point ever (\$14,275) in the most recent fiscal year (2022/23).
- The analysis also shows that per-person spending in British Columbia has increased quickly in recent years: spending is up 35.5% since 2016/17.
- The rapid growth in British Columbia's spending is unique among Canadian provinces. Alberta has reduced its spending since 2016/17 while several other provinces including Ontario and Saskatchewan saw much smaller increases in spending.
- The unique spending growth in British Columbia has contributed to a negative change in the province's fiscal trajectory. The province has ended a lengthy period of reduction in its debt burden relative to the size of its economy. Further, the province forecasts substantial growth in debt in the years ahead. These outcomes are directly the result of higher spending.

Introduction

This research bulletin reviews the recent spending record of British Columbia's provincial government. Specifically, it examines the government's per-person, inflation-adjusted program spending between 1999/2000 and 2022/2023 to provide an historical analysis of this important measure of government fiscal policy. We compare spending levels in the most recently completed fiscal year, 2022/23, to previous years to assess how current spending levels compare to those that have prevailed in recent decades; and how spending in British Columbia compares to that in other provinces. Finally, we provide a brief discussion of how the evolution of provincial program spending has affected the province's ratio of debt to GDP.

Methodology

This bulletin focuses on program spending, which means that interest costs on government debt are excluded. The study uses the *Government Revenue and Expenditure* (REAL) dataset from Finances of the Nation (2023), which is constructed using three sets of Statistics Canada publications. Although there are differences in accounting conventions across time and jurisdictions, the creators of the REAL dataset make several adjustments to improve comparability.¹

We compare real, per-person spending across fiscal years, which begin on April 1st and end on March 31st. The final year of available data is 2022/23. To adjust for population across time, we use Statistics Canada's table 17-10-0009-01 (2023); to adjust for inflation

across time, we use the measure of the Consumer Price Index from table 18-10-0004-01 (Statistics Canada, 2024).²

Several years in this period of analysis, and in particular 2020/21 and 2021/22, were significantly influenced by emergency spending related to the COVID pandemic and recession. We separated out specifically designated one-time emergency COVID spending to make sure we were not just capturing data issues from the spending on COVID, and present two sets of numbers for the affected years (2020/21–2022/23), one including these expenditures and one excluding them.

Per-person spending in British Columbia from 2000 to 2022

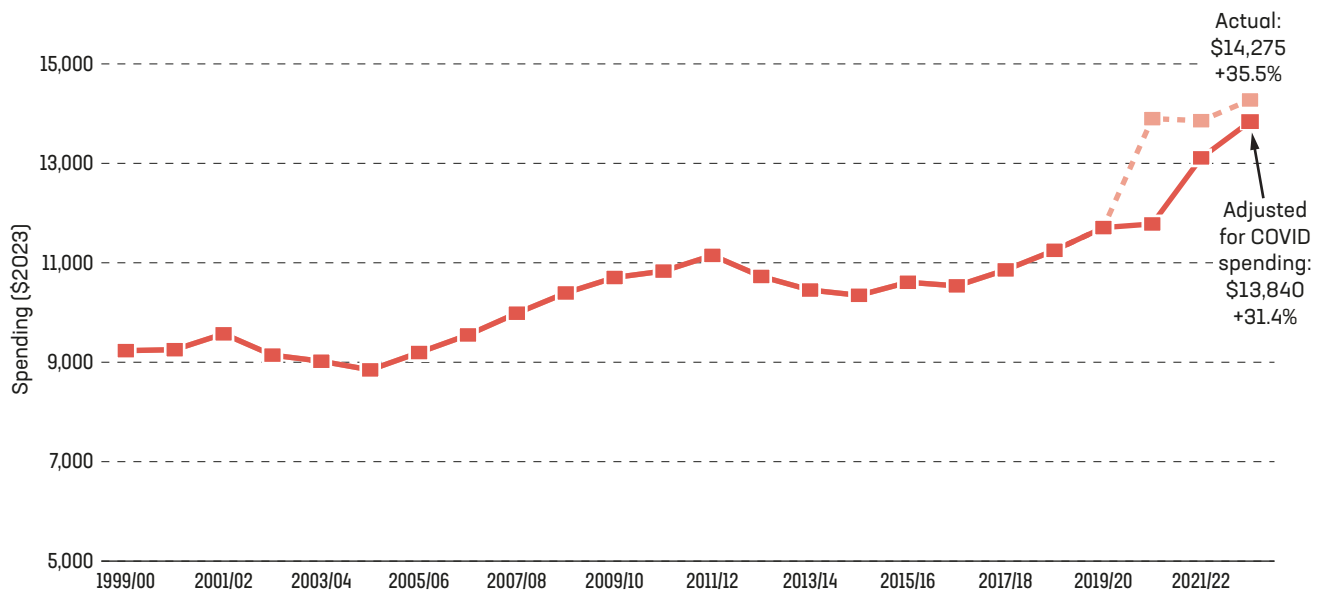
Figure 1 shows real (\$2023) per-person spending every year from 1999/2000 until 2022/2023, which is the most recent year of complete data. The solid line excludes emergency COVID spending in recent years, while the dashed line includes those expenditures. This distinction has decreased in importance in the most recent fiscal year as emergency spending has been mostly wound down. The aggregate spending figure for fiscal year 2022/23 is 3.1% higher than the adjusted total that excludes COVID emergency spending.

Figure 1 shows that in fiscal year 2022/23, COVID-adjusted spending reached an all-time high of \$13,840 per person. This represents a 5.6% increase over the previous high of \$13,110 the previous year. Figure 1 also shows that actual spending in 2022/23 (\$14,275) was, without the adjustments

1 See the website of Finances of the Nation, <financesofthenation.ca>, for further information.

2 The approach to the measurement of annual, real, per-person spending draws in large part from the Fraser Research Bulletin *Prime Ministers and Government Spending: A Retrospective* (Clemens and Palacios, 2017).

Figure 1: Inflation-adjusted, per-person program spending (\$2023), 1999/2000-2022/2023



Sources: Finances of the Nation, 2023; Statistics Canada, 2023, 2024; Government of British Columbia, 2023a; Office of the Comptroller General, 2023.

for emergency spending, the highest level on record, eclipsing the previous high of \$13,899 set in 2020/21 during the height of the COVID pandemic and recession.

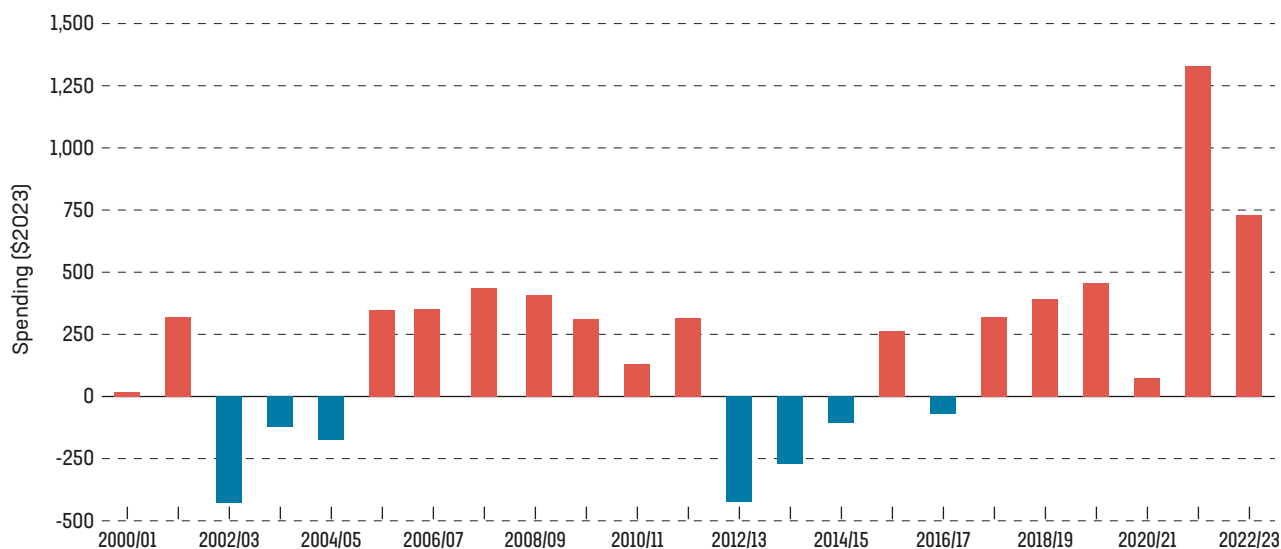
Previous analysis has shown that British Columbia has reached its current record spending level as a result of the rapid growth in spending in recent years. Specifically, after a lengthy period of restraint throughout the first decade and a half of the century, since the election of John Horgan’s NDP government in 2017 British Columbia’s provincial government has substantially accelerated the rate at which spending increased (Eisen and Emes, 2023).

Figure 2 illustrates the change in the government’s approach to spending by showing the annual change in real, per-person program spending each year since 2000. (The data in this figure presented excludes COVID-related spending in 2020 and 2021.) The graph shows that there has been a sustained increase in government program spending since the end of

British Columbia’s era of fiscal restraint as growth in spending accelerated in the most recent years. As a result, per-person program spending for 2022 (excluding COVID related spending) was fully 31.4% higher than it was in the final year of the restraint era, 2016/17. Furthermore, per-person program spending for 2022/23 was 18.2% higher than the pre-COVID levels of 2019/20.

The combined impact of the annual results shown in figure 2 has been a fundamental shift in the BC government’s approach to government spending since the change of government in 2017. Over the course of the restraint era from 1999/2000 to 2016/2017, inflation-adjusted, per-person program spending increased at a compounded annual rate of 0.8%. Since then, between 2016/17 and 2022/23, spending has increased at an annualized compound rate of 4.7%. This has produced the outcome shown in figure 1: British Columbia reached its highest ever level of inflation-adjusted, per-person spending in 2022/23, even when COVID-related spending is excluded.

Figure 2: Year-to-year change in inflation-adjusted, per-person program spending (\$2023), COVID spending excluded, 2000/01-2022/23



Sources: Finances of the Nation, 2023; Statistics Canada, 2023, 2024; Government of British Columbia, 2023a; Office of the Comptroller General, 2023.

Comparing growth in British Columbia's spending to growth in other provinces

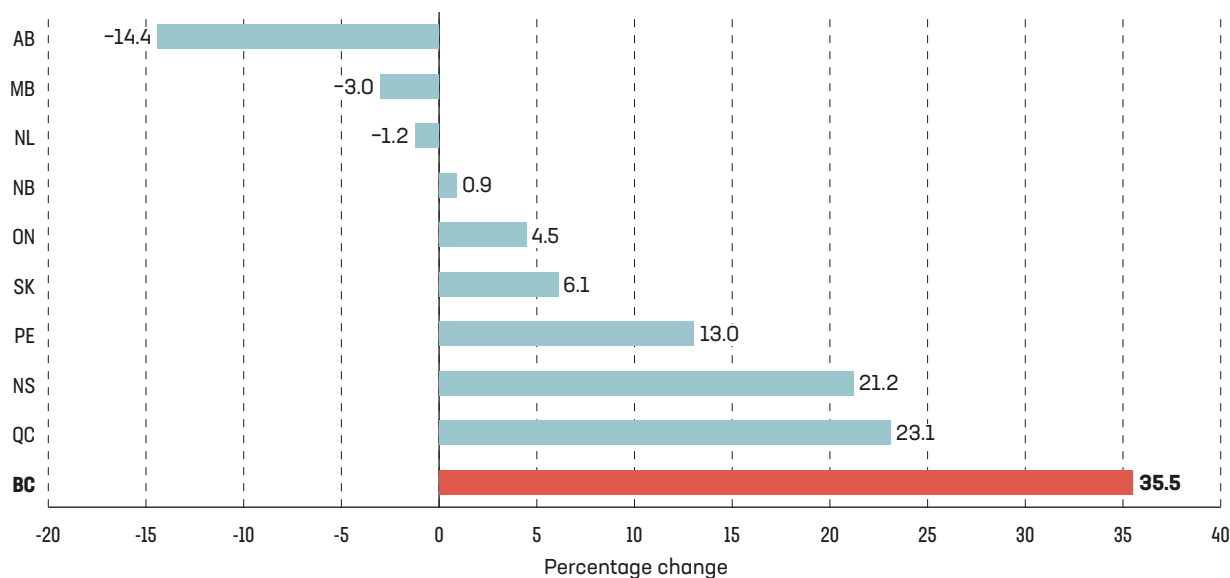
One important question that presents itself upon reviewing the recent surge in spending in British Columbia is whether this phenomenon is unique to the province or whether it is taking place across the country. The latter may (but would not necessarily) suggest that common cost pressures are driving up expenditures rather than discretionary policy choices. **Figure 3** attempts to address this question by comparing the increase in government spending in all ten provinces since the end of British Columbia's era of fiscal restraint. This means that 2016/17 is the baseline year, and 2022/23 is the terminal year for this analysis period.³

Figure 3 shows that there has not been a consistent approach to managing government expenditures across Canada since 2017/18, when British Columbia began its current period of rapid spending growth. Some provinces including Alberta (-14.4%) have reduced real, per-person spending from 2016/17 to 2022/23. Others, such as Ontario (4.5%) and Saskatchewan (6.1%) have increased spending relatively moderately.

Finally, certain provinces have increased provincial program spending markedly during this period. Most prominent amongst these is British Columbia, where real, per-person program spending increased by 35.5% over the course of this 7-year period. This was substantially more than the next largest increases, which occurred in Quebec (23.1%) and Nova Scotia (21.2%).

³ Due to accounting differences in the treatment of one-time COVID expenses, no adjustments are made to Finances of the Nation's data for this comparison, except for those made for British Columbia for early portions of the paper. These are retained for consistency. However, the COVID adjustments for the terminal year is small for British Columbia, and the adjustment decreases the spending level reported here and excluding the adjustment would show an even larger increase for British Columbia.

Figure 3: Change (%) in inflation-adjusted, per-person program spending, by province, 2016/17-2022/23



Sources: Finances of the Nation, 2023; Statistics Canada, 2023, 2024; Government of British Columbia, 2023a; Office of the Comptroller General, 2023.

These numbers show that the chosen rate of increase in real, per-person expenditures varied considerably across the country. However, British Columbia stands out as the province with the fastest rate of growth in spending during this time frame. This unusually rapid rate of spending growth contributed to the key result presented above, that British Columbia's spending reaching the highest point in its history in 2022/23.

The impact of British Columbia's spending choices on provincial public finances

The previous sections have shown that, following an extended period of fiscal restraint from 1999/2000 to 2016/2017, British Columbia's provincial government has significantly increased spending in subsequent years. We have seen that this spending growth has exceeded that found in any other province.

Finally, we have seen that the result is that spending in 2022/23 was higher than in any other year in British Columbian history. In this section, we will discuss the impact of these spending decisions on the government's recent fiscal outcomes as well as its outlook in coming years.

During the restraint period, British Columbia's fiscal position improved significantly. The province gradually reduced its debt-to-GDP ratio by a total of 3.5 percentage points, from 18.4% in 1999/2000 to 14.4% in 2016/17. This progress is particularly impressive in light of the historical context of the period. The restraint era included a severe global economic contraction in 2008/09, which undermined public finances across Canada and indeed much of the OECD. A comparison to the other large English-speaking provinces is constructive. While British Columbia's debt ratio improved, Alberta's deteriorated by 1.2 percentage points. Meanwhile, Ontario's debt-to-GDP ratio increased by 7.6 percentage points (Eisen, 2024).

In recent years, however, the spending increases documented above have caused the progress towards a lower debt-to-GDP ratio to cease. Recent research demonstrates that, if the government had maintained the level of spending growth that had prevailed during the restraint era, British Columbia would have continued to shrink its debt-to-GDP ratio, instead of seeing the encouraging trend of the preceding 15 years reversed (Eisen and Emes, 2023).

The province's current forecasts suggest that its debt trajectory is on course to increase faster still in the years ahead, thanks in large measure to record spending levels. The government's most recent fiscal update forecasts a deficit of \$5.6 billion in 2023/24, with overall growth in net debt (including capital spending) of \$16.4 billion (Government of British Columbia, 2023b). Additional debt increases of \$13.1 and \$13.2 billion are projected in the two following fiscal years. If these forecasts materialize, the province's real, per-person debt burden (in \$2023,) will increase by 44.8% in 2022/23, from \$11,854 to \$17,169 by 2025/26. This would represent a cumulative increase in the province's debt-to-GDP ratio of 8.2 percentage points for a total of 23.6%. This would be British Columbia's largest debt burden relative to the size of the provincial economy in recent history (Eisen, 2024).

This section has briefly summarized some of the past and forecast fiscal results associated with British Columbia's rapid climb to its highest level of spending in history. The province's progress in reducing its debt burden has stopped entirely in recent years since spending growth accelerated, and

the provincial government's forecast shows that at current spending levels debt is forecast to increase further in the years ahead.

Conclusion

This research bulletin has examined recent trends surrounding an important indicator of fiscal policy in British Columbia, inflation-adjusted, per-person program spending. Spending in 2022/23 reached \$14,275 per person; this was the highest level in provincial history. We also briefly reviewed the spending growth of recent years that has produced significant provincial debt. Further, we show that real per-person spending has increased by 35.5% since 2016/17, the final year of British Columbia's era of spending restraint.

Finally, we examined the impact of elevated and growing spending on provincial finances so far, as well as the government's projections for future years. We found that the increase in provincial spending has resulted in a reversal of a long-standing trend towards a decreasing debt burden relative to the size of the economy that had prevailed during the restraint era. In the era of faster spending growth, the provincial net debt-to-GDP ratio has once again begun to increase. Further, we reviewed recent government forecasts that project that the government's record high spending levels will produce substantially more debt in the years ahead and bring the province's debt-to-GDP ratio to its highest level in history.

References

- Clemens, Jason, and Milagros Palacios (2017). *Prime Ministers and Government Spending: A Retrospective*. The Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/prime-ministers-and-government-spending-retrospective.pdf>> as of Jan 26, 2024.
- Eisen, Ben (2024). *British Columbia's Coming Debt Boom in Historical Context*. The Fraser Institute. <<https://www.fraserinstitute.org/studies/british-columbias-coming-debt-boom-in-historical-context>> as of Jan 27, 2024.
- Eisen, Ben, and Joel Emes (2023). *Spending Growth Is the Cause of BC's Coming Debt Boom*." The Fraser Institute <<https://www.fraserinstitute.org/sites/default/files/spending-growth-is-the-cause-of-BCs-coming-debt-boom.pdf>> as of January 28, 2024.
- Finances of the Nation (2023). *Government Revenue and Expenditure*. Finances of the Nation. <financesofthenation.ca/real-fedprov/> as of Jan 6, 2024.
- Government of British Columbia (2022a). *Budget 2022, Stronger Together: Budget and Fiscal Plan 2022/23 – 2024/25*. <https://www.bcbudget.gov.bc.ca/2022/pdf/2022_Budget_and_Fiscal_Plan.pdf>, as of February 5, 2024.
- Government of British Columbia (2022b). *Public Accounts 2020/21*. <<https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/public-accounts/2020-21/public-accounts-2020-21.pdf>>
- Government of British Columbia (2023a). *Budget 2023, Stronger BC for Everyone: Budget and Fiscal Plan 2023/24 – 2025/26*. <https://www.bcbudget.gov.bc.ca/2023/pdf/2023_budget_and_fiscal_plan.pdf>, as of February 5, 2023.
- Government of British Columbia (2023b). *First Quarterly Report: Fiscal Plan Update 2023/24 – 2025/26, 2023/24 Economic Outlook and Financial Forecast & Three Month Results April - June 2023* (September). <<https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/quarterly-reports/2023-24-q1-report.pdf>>, as of February 5, 2024.
- Government of British Columbia (2023c). *Second Quarterly Report: 2023/24 Financial Update, Economic Outlook & Six Month Financial Results April - September 2023* (November). <<https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/quarterly-reports/2023-24-q2-report.pdf>>, as of February 5, 2024.
- Office of the Comptroller General (2023). *Public Accounts, for the Fiscal Year Ended March 31, 2023*. Ministry of Finance, British Columbia. <<https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/public-accounts/2022-23/public-accounts-2022-23.pdf>>.
- Statistics Canada (2023). Table 17-10-0009-01. *Population estimates, quarterly*. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901>>, as of February 5, 2024.
- Statistics Canada (2024). Table 18-10-0004-01. *Consumer Price Index, monthly, not seasonally adjusted*. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000401>>

Acknowledgments

Any errors or oversights are the sole responsibility of the authors. As the researchers have worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or supporters. This publication in no way implies that the Fraser Institute, its directors, or staff are in favour of, or oppose the passage of, any bill; or that they support or oppose any particular political party or candidate.

Ben Eisen

Ben Eisen is a Senior Fellow in Fiscal and Provincial Prosperity Studies and former Director of Provincial Prosperity Studies at the Fraser Institute. He holds a B.A. from the University of Toronto and an M.P.P. from the University of Toronto's School of Public Policy and Governance. Prior to joining the Fraser Institute, Mr. Eisen was the Director of Research and Programmes at the Atlantic Institute for Market Studies in Halifax. He also worked for the Citizens Budget Commission in New York City, and in Winnipeg as the Assistant Research Director for the Frontier Centre for Public Policy. Mr. Eisen has published influential studies on several policy topics, including intergovernmental relations, public finance, and higher education. He has been widely quoted in major newspapers including the *National Post*, *Chronicle Herald*, *Winnipeg Free Press*, and *Calgary Herald*.



About this Publication

Copyright © 2024 by the Fraser Institute. All rights reserved. Without written permission, only brief passages may be quoted in critical articles and reviews.

ISSN 2291-8620 | website: www.fraserinstitute.org

Media queries: call 604.714.4582 or
e-mail: communications@fraserinstitute.org

Support the Institute: call 1.800.665.3558, ext. 586 or
e-mail: development@fraserinstitute.org

Nathaniel Li

Nathaniel Li is a Senior Economist at the Fraser Institute. He holds a B.A. from the Fudan University in China and a Ph.D. in Food, Agricultural and Resource Economics from the University of Guelph. Prior to joining the Fraser Institute, he worked for the University of Toronto as a postdoctoral fellow and the University of Guelph as a research associate. His past research has been published in *Applied Economic Perspectives and Policy*, *Agricultural Economics*, *Preventive Medicine*, and *Canadian Public Policy*.

