

2026 Provincial Budget Highlights

Budget 2026, themed "Securing BC's Future", marks a significant shift from post-pandemic stabilization toward active expenditure management and the "re-pacing" of capital infrastructure. Facing a record \$13.3 billion deficit and multiple credit rating downgrades, the government has moved toward a "maintenance" stance, prioritizing the "safeguarding" of existing core services while tactically delaying major infrastructure to manage debt.

High Level Financial and Operational Impacts on Local Governments:

Increased Operational Costs

- Effective October 1, 2026, PST will apply to professional services including accounting, bookkeeping, architectural, engineering and geoscience services.
- Municipalities, which rely heavily on these specialized services for infrastructure planning and financial auditing, will see a direct increase in project and operational costs. For engineering services, the tax will apply to 30% of the purchase price.

Infrastructure "Re-pacing" and Funding Delays

- The province is adjusting the timing for several long-term care and housing projects. For local governments, this may mean that anticipated community beds or provincial housing partnerships originally slated for 2026/27 could be pushed further into the three-year fiscal plan.
- While funding for critical wildfire resilience (FireSmart) received some additional funds to support current application period, overall local government transfers will be reduced by 10 million.

Public Sector Workforce and Service Pressure

- The province's plan to reduce its workforce through attrition and hiring restrictions will likely create ripple effects for local governments.
- As the provincial public sector becomes "leaner", there is an inherent risk of "service download," where local governments may feel increased pressure to fill gaps in social or community supports no longer fully staffed at the provincial level.

Environmental and Climate Funding

- Despite the tax cut, the Local Government Climate Action Program remains in place, but with new requirements. Starting in 2026, all local governments with populations over 5,000 must report corporate emissions.
- The \$2 billion in lost annual revenue from the carbon tax elimination reduces the overall provincial "pot" available for climate-related infrastructure grants, potentially limiting future funding for municipal green energy projects.

Housing

- The province is slowing the pace of delivering on its housing strategy and will re-allocate \$1.4 billion from it over the three years of the fiscal plan.
- Community Housing Fund will be closed indefinitely.
- The Province Local governments continue to be tasked with accelerating housing delivery while facing new fiscal constraints.

Other Key Economic Metrics

- Budget 2026 assumes stable commodities prices, 1.3% economic growth for 2026 and continue trade uncertainty. The budget's \$5 billion annual contingency is heavily earmarked for "responding to continued trade uncertainty".

- Forecasted debt at the end of this three-year budget is \$234.5B, \$26B more than the last budget.
 - Debt to GDP ratio is expected to reach 30.6% in fiscal year 2026/27
 - The interest bite (cent per dollar of revenue) is forecasted to be 6.2 cent/dollar of revenue in 2026 compared with 4.9 cent/dollar of revenue in 2025
- Nominal GDP growth is forecasted to be 4.4% (compared to 4.1% in 2025)
- Provincial unemployment rate is averaged to be 6.2% in 2025 and is expected to be 5.9% in 2026 and 5.8% in 2027
- Consumer Price Index forecasted to be 2.1% with core inflation projected to remain between 2.3% - 2.5%

The 2026 budget now estimates 2025/26 fiscal year deficit to be \$9.6B compared to a prior forecast of \$10.9B.

For the next three years the province is projecting the following deficits:

- 2026/27 \$13.3B deficit (including \$5.0B in contingencies)
- 2027/28 \$12.2B deficit (including \$5.0B in contingencies)
- 2028/29 \$11.4B deficit (including \$5.0B in contingencies)

Budget Themes

1. Safeguarding Critical Services

Budget 2026 invests \$5.1 billion over three years to support health, education and social services.

Health Care

- \$2.8 billion in new funding for the health care system over three years, including:
 - \$2.3 billion to support a growing need for services, including supporting hiring more doctors, nurses and health-care workers and the planning, development and operation of new and expanded hospitals and health care facilities across the province **[municipal impacts?] [CRHD]**
 - \$34 million annually to provide access to in-vitro fertilization for almost 1,800 BC families
- \$653 million in federal funding for free medications for diabetes and hormone replacement therapy.

Senior Care

- \$447 million over three years to support health services for seniors outside hospital setting and improving the safety and quality of long-term care facilities. **[CRHD?]**
- \$35 million over three years to the Ministry of Housing and Municipal Affairs to support Independent Living BC. This funding is to provide rental housing support for low and moderate income seniors who require assistance to live independently. **[CRHC?]**

Mental Health and Addictions

- \$131 million for intensive mental-health and addictions treatment, including spaces for involuntary care in Prince George, Surrey and Maple Ridge **[municipal impacts?]**

K-12 Education

- \$634 million over three years to help give children and youth supportive and inclusive learning environments.
 - \$167 million investment in the Classroom Enhancement Fund for more teachers as well as special education teachers and teacher psychologists and counsellors
- \$6 million for First Nations reciprocal tuition for students attending First Nations schools. **[FNR]**

- \$3.9 billion over three years for seismic replacements and upgrades as well as projects to address enrolment growth in B.C.'s fastest-growing communities.

Child Care

- \$330 million lift to ChildCareBC to stabilize the programs and services that families rely on as government works to modernize BC's childcare system.
- During stabilization period the Province will pause enrolment of new providers into the Operating Funding Model and the \$10 a Day ChildCareBC program.
- \$25 million capital and operating over the next three years to expand childcare programs **[municipal impacts/CRD?]**:
 - \$5 million in initial capital funding from the Ministry of Infrastructure
 - \$20 million in operating funding over three years from the Ministry of Education and Child Care.

Children and Youth with Support Needs

- \$475 million in new funding over three years for children and youth with disabilities.
 - BC Children and Youth Disability Benefit – provide direct funding for approximately 12,000 families of children with significant disabilities who require higher and individualized support.
 - BC Children and Youth Disability Supplement – up to \$6,000 per year to ease financial pressures for low- and middle-income families.
 - 40% expansion in community-based services, including increased behavioural and mental-health supports.

Children and Youth in Care and Alternative Care

- \$478 million over three years to support children in government care or who are placed with a family member or someone with an established relationship.

Post-Secondary Education and Skills Training

- \$241 million over three years to double funding for SkilledTradesBC
- \$30 million will establish dedicated funding to train highly qualified professionals by adding specialized streams to existing programs, to accelerate growth in technology-related degrees
- \$12 million over three years to enhance the BC Employer Training Grant
- \$4.4 billion in capital for post-secondary institutions.
 - \$150 million to expand the Engineering and Computer Science building and construct a new research and structures lab at UVIC (completion date 2026)
 - \$155 million for Camosun College Student Housing (completion date 2028)

Community Living BC

- An additional \$252 million over three years to Community Living BC to support more than 32,000 adults with developmental disabilities.

2. Investing in BC's Future

Budget 2026 advances economic security by accelerating key projects, attracting investment, fostering innovation and expanding trades training opportunities for British Columbians.

Creating Opportunities for Skill Training

- \$283 million over three years through the Look West: Jobs and Prosperity for a Stronger BC and Canada to deliver major projects, create good jobs and strengthen BC **[municipal/EA economic development?]**
 - \$241million over three years for SkilledTradeBC
 - \$30 million to train highly qualified professionals by adding specialized streams to existing programs, including engineering, geology, computer science, biology and aerospace
 - \$12 million over three years to enhance the employer training grant

Encouraging Innovation and Investment

- \$400 million over three years in the new BC Strategic Investments Special Account to attract investments around clean energy, value add forestry, manufacturing and responsible mining, life science, AI and quantum, marine sector and clean technology. **[municipal/EA economic development?]**
- \$40 million over three years to remove barriers and reduce duplication in permitting across the natural resource and tourism sectors **[municipal/EA economic development?]**
- \$50 million in new and reallocated funding to stabilize the forestry sector, protect jobs and help communities adapt. **[municipal/EA economic development?]**
- \$15 million to be released to key organizations in 2025-26:
 - 5 million to the First Nations Forestry Council to continue Indigenous Forestry Scholarships and expand First Nations participation **[FNR]**
 - \$5 million to the Wildfire Reduction Equipment Support Trust to help logging contractors purchase specialized fibre-recovery equipment
 - \$5 million to the Forestry Service Providers Compensation Fund to assist contractors unpaid due to tenure-holder insolvency
- \$20 million allocated to the Northern Development Initiative Trust to support employers and workers in forestry and steel, complementing employment services provided through WorkBC.
- \$35 million Clean Industry Fund to support projects that reduce GHG **[municipal/EA economic development?]**
- Temporary 15% Manufacturing and Processing Investment Refundable Tax Credit for businesses investing in buildings, machinery and equipment used in manufacturing and processing. **[municipal/EA economic development?]**
- Extends the Shipbuilding and Ship Repair Industry Tax Credit until the end of 2027 **[municipal/EA economic development?]**

Disaster Resilience

- \$70 million over three years for Disaster Resilience and Innovation Fund to mitigate the impact of changing climate. **[municipal/EA?]**
- \$15 million to recapitalize the FireSmart Community Funding and Supports program, helping local governments and First Nations enhance wildfire preparedness through training, equipment, bylaw updates, and home hardening. **[municipal/EA/CRD?]**

First Nations Equity Financing Program **[FNR]**

Starting in the spring of 2026, the program will enable First Nations to participate as equity partners in major projects across British Columbia through provincial loan guarantees and strategic partnerships.

- Backed by a \$1 billion cumulative loan guarantee limit, the program will use the First Nations Equity Financing Special Account to support investment in energy and other sectors where there is shared provincial interest.
- Will be delivered in collaboration with First Nations, private lenders, businesses, and the federal government, and align with both First Nations and provincial priorities.

Housing

The provincial government is slowing the pace of delivering on its housing strategy and will re-allocate \$1.4 billion from it over the three years of the fiscal plan. **[CRHC/municipalities]**

- The Community Housing Fund has been closed indefinitely. Local governments with pending applications are being contacted regarding the status of their projects.
- Over \$900 million is being reinvested to support existing programs, including a partnership with the Musqueam, Squamish, and Tsleil-Waututh Nations to support thousands of new below-market homes. **[FNR]**
- Specific capital projects are being delayed or "re-paced".

Taxpayer Supported Capital Spending

Budget 2026 capital plan includes \$38 billion over next three years:

- \$3.9 billion invested in K-12 schools for seismic replacements, upgrades and for projects associated with enrolment growth
- \$4.4 billion for post-secondary institutions
 - \$150 million for the expansion of UVic Engineering and Computer Science building and the new HighBay Research and Structures Lab (expected completion 2026) **[municipality – in region highlight]**
 - \$155 million for Camosun College – Student Housing (expected completion 2028) **[municipality – in region highlight]**
 - \$178 million for the expansion of UVic student housing (expected completion 2034)
- \$11.1 billion for expanding and upgrading health facilities
 - \$76 million for VGH – Electrical Energy Centre (expected completion 2029) **[municipality – in region highlight]**
 - \$325 million for Western Communities Long-term Care (expected completion 2029) **[municipality – in region highlight]**
- \$13.8 billion for supporting transportation. Although the Hwy 1 Goldstream Safety Improvements project was canceled, two other projects of regional significance continued to receive funding.
 - \$10 million to complete the Hwy 17 Keating Cross Overpass project (expected completion 2026) **[municipality – in region highlight]**
 - \$95 million for Hwy1 Bus on Shoulder McKenzie to Colwood Interchange (expected completion 2027) **[municipality – in region highlight]**
- \$2.7 billion invested in a mix of shelter space, supportive, affordable and near-market rental housing.
 - \$153 million for 926-930 Pandora project (expected completion 2029) **[CRHC]**.

3. Updating the Tax System

The elimination of Carbon tax combined with Climate Action Tax Credit resulted in net fiscal shortfalls of \$2.1 billion in 2026/27, rising to \$2.6 billion by 2028/29. Budget 2026 proposes to partially offset this gap through targeted tax measures.

Income Tax

- Increase lowest personal income tax rate from 5.06% to 5.6% and temporarily freeze personal income tax brackets and non-refundable credits
- Tax Credit for that may be claimed for Volunteer Firefighters and Search and Rescue Volunteers was increased from \$168 to \$336.

Property Tax Deferral Program

- Property Tax Deferral interest rate structure is shifting from simple to compound interest. Effective 2026, the rate will increase to prime plus 2% (compounded monthly) for both the Regular Program (seniors/disabilities) and the Families with Children program. **[Housing]**

Property Transfer Tax

- The property transfer tax exemption for purpose-built rentals has been expanded, retroactively effective to January 1, 2025. **[Housing]**

Provincial Rural Area Property Tax

- Starting 2026, rural property taxes will increase based on the three-year average growth in BC's nominal GDP (the total value of goods and services in the economy, including inflation). **[Housing]**

Speculation and Vacancy Tax

- Increases to the speculation and vacancy tax rates. The rate for foreign owners rises from 3% to 4% of their home's value, and from 0.5% to 1% for Canadian citizens and permanent residents. The increase takes effect January 1, 2027. **[Housing]**

School Tax

- Starting in 2027, the province is increasing the additional school tax on high-value residential properties
 - For the portion of a home's value between \$3 million and \$4 million, the tax rate rises from 0.2% to 0.3%.
 - For the portion of value above \$4 million, the rate rises from 0.4% to 0.6%.

4. Making Communities Stronger, Safer

Community Safety

Budget 2026 invests \$139 million in new funding over three years to reduce repeat, violent offending and chronic property crime, and support timely access to justice; **[PPS/municipalities]**

- \$73 million to continue to improve access to the justice system and support court operations, including sheriff recruitment and retention, Crown counsel, the judiciary, legal aid, and the BC Prosecution Service
- \$16 million to establish a Chronic Property Offending Intervention Initiative that strengthens monitoring and enforcement for crimes such as vandalism and shoplifting hurting businesses
- \$26 million for the Repeat Violent Offending Intervention Initiative
- \$24 million for the continuation of the Special Investigation and Targeted Enforcement program and the Community Safety and Targeted Enforcement program