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FAST FACTS

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A middle of the road budget for tough times

No one can envy Minister Wowchuk’s job of delivering this year’s budget. As we work our way through the “great recession” the budget will face even more scrutiny than usual. Her job is made perhaps even more difficult by the fact that nationally the recession seems to be releasing its grip, albeit very slightly, making some call for a return to business as usual. But the Minister should not be lulled into a false sense of security: Manitoba’s economic recovery depends on many factors outside her control and is, therefore, fragile at best.

Two of the four components of GDP are down from last year: private-sector investment and exports. Not until investment and exports – which are highly dependent on the recovery of the US economy and the value of the Canadian dollar - are revitalized will the economy be able to stand on its own.

Fortunately, another component of GDP – government spending – is under the Minister’s control and this year’s budget has some important spending that will help hold the status quo until the private sector gets back on its feet.

Government spending, both during and out of a recession, should be an investment in our collective good. Investment in education, health, infrastructure and social programs leaves a legacy

of public assets that benefit present and future generations. We are pleased to see that spending has been targeted in key areas including health, education and training, justice, family services and supports for families, including housing. Fully 90% of new spending is in these areas.

Preventive programming must be a focus of spending and the province has targeted some new investments in some important areas. However the Province has much more work to do if they are serious about reducing poverty. There is little in this budget to help the increasing number of individuals reliant on Employment and Income Assistance.

The continued commitment to infrastructure spending is important. Manitoba was fortunate to have large infrastructure projects in process when the economic crisis hit (such as the floodway expansion, Hydro building, airport expansion and social housing) and these projects are in large part why Manitoba has weathered the storm as well as it has. Now that these projects are winding down, continued infrastructure spending is crucial - a point that has not been lost on the Minister. We are pleased to see that Manitoba’s commitment to infrastructure includes a focus on increasing the supply of social housing.



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Also of note is the renewed commitment to community-based organizations. Now that the Winnipeg Partnership Agreement – a development agreement between the three levels of government – has expired the Province will ensure that community organizations will receive continued operating support through the Winnipeg Regeneration Strategy. These organizations play a critical role in ensuring the important work being done in Winnipeg's inner city continues. It is unfortunate that the federal and municipal governments have opted not to renew the agreement, leaving the province to prop up support on its own.

The changes being introduced to the balanced budget legislation do not go far enough. The government will be able to run five deficits in a row, but will have to return to balancing the bottom line on a four-year average in 2014/15. As well, the new legislation will continue to prohibit raising taxes without holding a referendum (although it can lower taxes at the drop of a hat).

This prohibitive legislation is likely what is forcing the minister to back off on other spending. Although 61% of the new spending is going to healthcare, this amount will only allow them to toe the line. We are still not fully recovered from the devastating cuts to healthcare suffered in the 1990s and this setback, combined with the fact that healthcare investment delivers such high returns to society, means that even more stimulus spending should be invested in this area.

Although the balanced-budget legislation is part of the legacy left by Filmon's Conservative party, the other obstacle blocking the Minister is curiously of the current government's making. Cumulative tax cuts since this administration took office now amount to \$1.14 billion, money that would have prevented the \$545 million shortfall and which, if it had been properly invested, benefited low-income Manitobans, improved healthcare services, and even allowed for re-instatement of the tuition

freeze so that more Manitobans could afford post-secondary education.

It is obvious that the balanced budget legislation has to go; it is forcing the government to be overly timid in its stimulus spending and preventing it from being able to raise taxes once the economy recovers. In an attempt to circumvent the legislation, Minister Wowchuk has had to set a course down the middle of the road and has put forward a five-year plan to deal with the \$545 million revenue shortfall. The plan requires the shortfall to be eliminated in 4 years, and will exceed debt-payment requirements now in force. There will be no attempt to eliminate future obligations to balance the budget or to raise taxes.

Given the difficult global economic conditions and the frustrating constraints of the balanced budget legislation, this budget goes a long way to making the best of a bad situation.

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