



Fast

FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES - MANITOBA

April 17, 2013

Still Waiting for the Thaw

Just like the ice and snow that refuse to go away this April, the provincial government is frozen into a perennial cycle of cutting revenue and then scrambling to make up for the shortfall. Uncertainty around whether we will have yet another flood this year calls for some pretty rigorous scrambling. Flooding is turning out to be this government's millstone, costing over \$1 billion last year alone. Future flood-protection investments are predicted to require an additional \$1 billion.

Having to deal with natural disasters throws a wrench into the works because they cannot be ignored; they're spectacular, deadly, disruptive, and affect everyone directly or indirectly. So it is not surprising that a series of floods forced this government to look for a way to increase revenues.

This budget brings in a new Manitoba Building and Renewal Plan to raise revenue dedicated to infrastructure, including flood protection. As of July 1st, the PST will increase to 8%. This spending will be welcome by all sectors of society, but necessary as it is, we need to keep in mind that sales taxes are more regressive than income taxes, which brings us to another perennial spring time event: income tax decreases. In the 13 years since this government took power, over \$1 billion dollars in personal and corporate taxes have been cut from the provincial budget. This year the tradition continues.

There is another deduction in the basic personal income tax exemption that removes \$20 million from revenues. Low, middle and upper income earners alike will benefit from this deduction. Although we welcome

the relief this measure will afford low-income Manitobans, higher-income Manitobans should not be included. The constant bleeding of revenues is preventing government from dealing with other insidious but less spectacular problems.

Poverty and inequality impact society broadly, not just those who struggle with low incomes. This is the second budget cycle in which many community organizations and coalitions have been calling for an increase in the EIA shelter allowance (to at least 75% of median-market rent) so that the many EIA recipients who have to rent in the private market can afford decent places to live. Last year CCPA estimated that \$20 million/year, or less than 1% of the total budget would allow the EIA shelter allowance to make a significant difference in people's lives.

Using 2012 figures, the average rent for a 1 bedroom apartment in Winnipeg was \$704; a 2 bedroom, \$911; and a 3 bedroom, \$1027. EIA recipients' rental allowance does not come close matching these rents: for a 2 person family the allowance is \$387; a 3-4 person family receives \$430-\$471 and a 4-6 person family, \$471-\$513. In spite of the collective call for a meaningful increase to allow EIA recipients to meet these rents, this budget has only increased rental allowances by \$20 month.

The seniors' education property tax credit will effectively remove another \$6 million from revenues. This year's credit only applies to those with incomes

there is an alternative.

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below \$40,000 and provides important relief to low-income seniors. But there is also a commitment to phase this credit in to include all seniors which will cost an estimated \$50 million by 2015. Wealthy individuals who have benefitted from public services surely do not begrudge paying their share of education tax, ensuring that the next generation of Manitobans can obtain high paying jobs that help to pay for seniors' pensions and other benefits. In light of the challenges facing the education sector, extending the tax credit beyond low-income seniors is not sound policy, especially given that this is a demographic group set to grow so much in the coming years. There may need to be a discussion about changing how we collect education revenues, but this move simply decreases revenues rather than improving the funding mechanism.

Although transfers to post-secondary institutions have increased by 2.5%, this is less than the 5% per year that was supposed to be allocated over 3 years (this being the 3rd year). Had revenues not been reduced so much over the past 13 years, the Province could have kept on track with its 3-year plan. This reduction in education spending will no doubt cause universities to further increase fees that students pay above tuition.

There are a few positive measures in this budget that will help deal with inequality. Minimum wage will increase to \$10.45/hour. This government has done much to increase the minimum wage in Manitoba, with increases steadily more than inflation. Nonetheless, a minimum wage is not a living wage so there are still improvements to be made.

Still to be examined in more detail is a "new three-year commitment for 500 new social housing units and 500 affordable housing units over three years" and a tax credit for development of private rental housing. The 8% tax credit will apply to new rental developments with at least 10% of the units with rents at or less than affordable rental rates. Improvements to rent regulations appear to offer some relief

to tenants living in units that are renovated. Although we don't know the details, there is a commitment to new spending in early childhood development and parenting support.

Sustained incremental improvements in the minimum wage prove that government can make positive changes in people's lives and in the economy overall. Unfortunately, this government is much more swayed by the anti-tax, small government, anti-deficit crowd than it is by its own successes. Whether through the attacks of business and their lobbyists or the anti-public-sector tirades of the media, this government gives far too much credence to spin and rhetoric instead of boldly using its power to help the disadvantaged.

The tide is turning on tax reductions; both the B.C. Liberals and NDP are promising to increase taxes. There is a growing public understanding that governments are running deficits because they are not collecting enough revenue, not because they're spending too much.

Just as we're beginning to wonder if the spring thaw will ever start, many of us are wondering when this government will take some bold steps to restore revenues and responsible public spending.

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