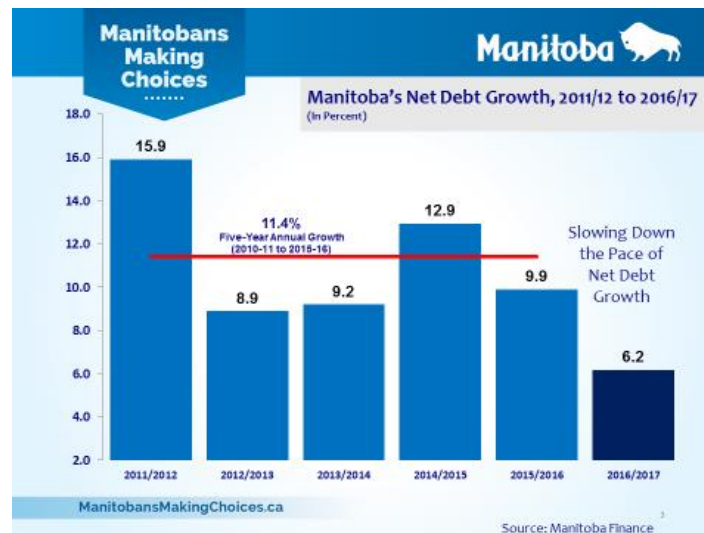


DISCUSSION – BALANCING THE BUDGET

Our government inherited a serious financial situation after a decade of decay. Spending more than we have as a province has led to historic debt and higher taxes for Manitobans.

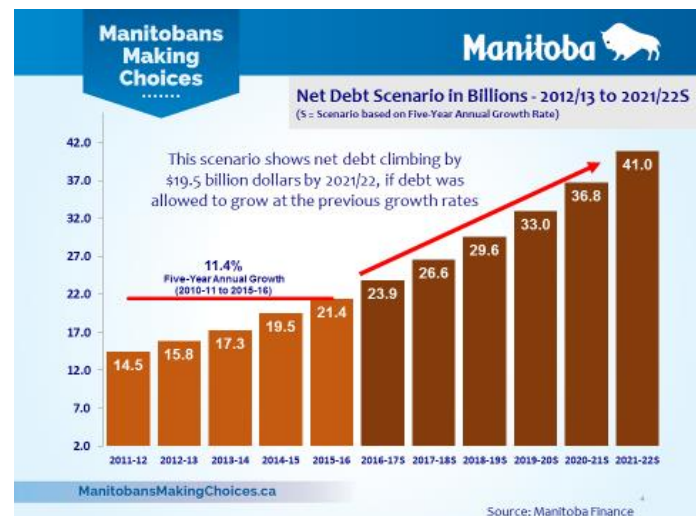
Decisions today will impact all Manitobans and our future prosperity so we must make choices that responsibly move us down our path towards a balanced budget.

Our deficit for 2016-17 was \$764 million. Deficits this large have very serious consequences for Manitobans and threaten our ability to deliver the services Manitobans depend on.



Running large deficits has created a very serious issue for our province's net debt position, which grew by an average of 11.4% annually over the last five years and is a key factor in the three Credit Rating downgrades our province received.

This trajectory is not sustainable. If left to continue on this path, Manitoba's debt would increase by \$19.5 billion more and total **\$41 billion by 2021.**

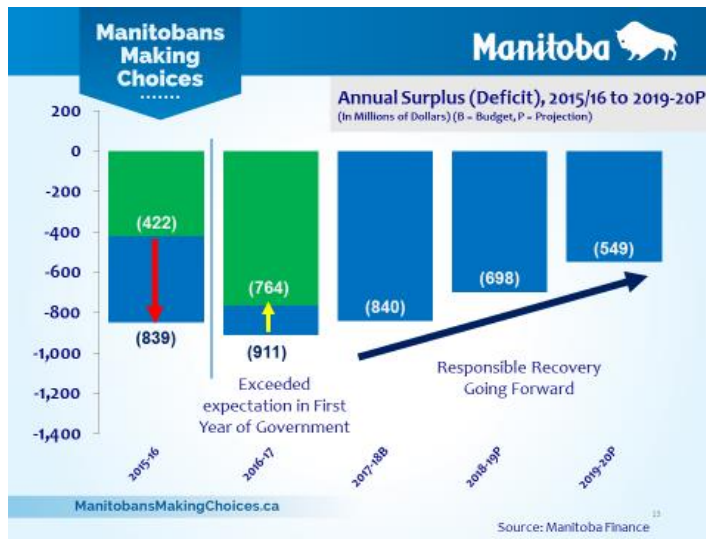


To finance this debt, the Government of Manitoba now pays **almost a billion dollars** in debt servicing cost payments each year. Paying interest on our debt impacts the government's ability to invest in priority areas such as health care, education, social services and infrastructure projects.

On a debt this large, even a small rise in interest rates has a significant impact. The Bank of Canada recently raised the interest rate and is likely to do so again over the next year and a half. The recent increases added \$5.5 million in additional borrowing costs for the remainder of the year.

There are three ways to balance the budget: fast, medium, or slow. The government is taking a responsible, medium approach to balance the budget over a 6 to 7-year period. Taking this amount of time affects government services less than if the budget was balanced too quickly.

We are making progress as our first two budgets focused on controlling government spending, reducing the size of upper management, and bringing forward legislation that will help us recover responsibly and hold Minister's accountable along the way.



As you can see in this chart, we aim to responsibly reduce the deficit each year over the next two years.

We have begun to reduce the deficit without raising taxes and legislation now requires that any Manitoba government must hold a non-binding referendum before increasing income tax rates, the retail sales tax rate, or the Health and Post Secondary Education Tax Levy.

New legislation will also help reduce the burden of regulatory requirements that are poorly designed, duplicative, contradictory and overly prescriptive.

An affordable and competitive tax environment is needed to help us recover. This is why we are indexing personal income tax brackets and the basic personal amount to the

rate of inflation. This will save Manitobans over \$20 million in 2017 alone and over \$110 million by 2020.

All provinces and territories receive transfers from the federal government. Manitoba's major federal transfers have declined by \$34 per person since 2009/10. This is a significant impact for Manitoba especially when it comes to funding health care which accounts for nearly 40% of our government expenditures, and we as a province spend more per person on health care than all other provinces except one.

Even with the new targeted funding by the federal government, overall health funding to Manitoba will be nearly \$2B less over ten years due to a reduction in the growth rate of the Canada Health Transfer. This falls short of what our province needs from the federal government to meet Manitoban's healthcare needs.

We are on a responsible path to fix the finances of our province. We need your top priorities for managing government spending and balancing the budget.

Have your say. Take the survey at
www.manitobansmakingchoices.ca or email your priorities
to Budget2018@gov.mb.ca.