



Defeating the Deficit and Providing Relief:

2025 Manitoba Pre-Budget Submission

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Updates emails. Financial supporters can also receive the CTF's flagship publication *The Taxpayer* magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2023-24, the CTF raised \$6.27 million on the strength of 74,472 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.

Prepared by Gage Haubrich, Prairie Director



Introduction

The Manitoba government has promised to make life more affordable for taxpayers and balance the budget.¹ This report aims to assist the government with recommendations to meet both of those goals.

Bills for basics such as food and fuel are becoming more expensive and families need tax relief.

The government of Manitoba is currently facing a \$1.3-billion deficit.² The budget needs to come back to balance.

To prepare Manitobans for any upcoming economic challenges and move toward a balanced budget, the government should focus on providing taxpayers with permanent tax cuts and reducing unnecessary government expenditures to balance the budget and reduce taxpayer money that's wasted on debt interest payments.

This report recommends tax cuts to save taxpayers money and grow the economy. Reducing taxes means more money in the pockets of Manitoba families to cover bills. It also recommends reductions in spending that will bring the government back to balance, pay down the debt and reduce the cost of interest payments.

To finance the tax relief and balance the budget, this report relies on finding savings in government expenditures.

The recommended measures are:

- 1. Cut the PST by one percentage point**
- 2. Permanently cut the provincial gas tax**
- 3. Bring government compensation in line with Manitoba's labour market**
- 4. End corporate welfare**
- 5. Stop the spending spree**
- 6. Bring back real balanced budget legislation**

With these proposed actions, Manitoba will be able to provide much needed tax and inflation relief while improving its budgetary position.

1. <https://assets.nationbuilder.com/mbndp/pages/3327/attachments/original/1695920186/Manitoba-NDP-Election-Platform-2023-web.pdf?1695920186>

2. https://www.gov.mb.ca/asset_library/en/proactive/20242025/second-quarter-report-december2024.pdf

Costed Measures	Tax Relief	Cutting Spending
Cut the PST by one percentage point	\$399,428,571	-
Permanently cut the provincial gas tax	\$342,000,000	-
Bring government compensation in line with Manitoba's labour market	-	\$542,575,000
End corporate welfare	-	\$522,727,273
Stop the spending spree	-	\$1,031,974,156
Totals	\$741,428,571	\$2,097,276,429
Net budget impact		\$1,355,847,858

Tax relief

Cut the PST by one percentage point

Tax Relief: \$399 million

Polls show the increasing cost of living is worrying Manitobans. The top concern is the rising cost of housing, food and gasoline.³ Working people are struggling to afford necessities.

It is great to see the Manitoba government commit to tax relief through extending the cut to the provincial gas tax, but more can and should be done.⁴ The government can help families afford their increasing bills by taking less money out of their pockets in the first place.

The last NDP Manitoba premier, Greg Selinger, raised the PST and made it harder for families after promising not to raise the tax.⁵ Cutting the PST now would show that the new government has learned from the mistakes of the past.

For example:

A family making \$75,000 pays more provincial taxes living in Winnipeg than the same family living in Regina, Calgary, Vancouver, Toronto, or Montreal.⁶

Cutting taxes will help close this gap, increase Manitoba’s competitiveness, and provide relief to families.

City	2024 Provincial Taxes
Winnipeg	\$5,687
Regina	\$3,856
Calgary	\$2,514
Vancouver	\$2,395
Toronto	\$3,744
Montreal	\$3,696

Source: 2024 Saskatchewan Budget.

Manitobans already pay too much tax. Sales taxes make high prices worse. Since the tax is applied at the end of transactions, higher prices mean a higher amount of PST is being charged. This problem hits low-income taxpayers the hardest because sales taxes are regressive.

This means that lower income taxpayers pay a higher percentage of their income in sales taxes compared to those with higher incomes.

Poorer people have less money to pay for daily expenses. Higher taxes on those expenses cut more deeply into the wallets of the poor than those who are better off.

3. <https://winnipeg.ctvnews.ca/poll-suggests-manitobans-worried-about-costs-less-confident-in-institutions-1.6954609>

4. <https://www.cbc.ca/news/canada/manitoba/fuel-tax-holiday-extended-1.7333401>

5. <https://www.cbc.ca/news/canada/manitoba/selinger-defends-pst-hike-amid-opposition-1.1357083>

6. <https://www.saskatchewan.ca/government/budget-planning-and-reporting/budget-2023-24/budget-documents>

Cutting the tax from seven to six per cent would also increase competitiveness in the province. It would move Manitoba to the same PST rate as Saskatchewan and further widen the gap with Ontario's HST, giving Manitoba an edge.⁷

Every cut in the PST makes it easier for Manitobans to consider purchasing items close to home, rather than making a road trip to Saskatchewan to save on PST. This also makes it easier for businesses to decide to set up in Manitoba rather than another jurisdiction, growing the economy.

The same family noted in our example above pays about \$2,131 per year in PST in Manitoba.

Cutting the PST by just one percentage point would save that family \$304 in provincial taxes every year. That's the cost of a load of groceries for a family of four.

By lowering the province's sales tax burden by one percentage point, the government would put \$399 million back into the pockets of Manitobans, saving the average family \$304 per year.

7. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/charge-collect-which-rate/calculator.html#rt>

Permanently cut the provincial gas tax

Tax Relief: \$342 million

Every day, Manitobans fill up their gas tanks to get work, go to the grocery store or take their kids to hockey practice. With gas prices at near-record highs, a family's bill for transportation is eating away at their budget and making life more unaffordable.

The Manitoba government has recognized this and has kept the gas tax off fuel for an entire year. However, the government needs to go further and permanently cut the gas tax to save drivers money for the foreseeable future. As the federal government looks to increase its carbon tax until 2030, drivers will need the provincial government's help them save on their gas bill for as long as possible.⁹

The Manitoba government currently charges drivers 14 cents per litre on every fill up of gasoline at the pumps.

Axing the gas tax permanently would save a Manitoba family filling up a minivan and a pick-up truck once every two weeks about \$587 per year.¹⁰

Overall, gas taxes currently make up 24 per cent of the pump price in Manitoba. Provincial and federal taxes together cost 34 cents per litre of gasoline.¹¹

Since the gas tax was cut on Jan. 1, 2024, Manitoba has had the lowest gas taxes and fuel prices in the country.¹²

Ontario and Newfoundland and Labrador both initially temporarily cut gas taxes in the summer of 2022. Since then, both provinces have repeatedly extended the cuts because of the help it gives residents.

Permanently cutting the provincial gas tax would save Manitoba drivers \$342 million and save the average family about \$587 per year.

8. <https://www.taxpayer.com/newsroom/taxpayers-applaud-gas-tax-cut-extension>

9. <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/carbon-pollution-pricing-federal-benchmark-information/federal-benchmark-2023-2030.html>

10. <https://www.taxpayer.com/newsroom/taxpayers-applaud-gas-tax-cut-extension>

11. <https://www.taxpayer.com/media/Gas-Tax-Honesty-Report-2024-CTF.pdf>

12. <https://www.gasbuddy.com/charts>

Cut spending

Bring government compensation in line with Manitoba’s labour market

Savings: \$543 million

Paying government employees, also known as “personnel services,” is the largest line item in Manitoba’s budget.¹³

Last year, the province spent \$9.9 billion on personnel services, representing 98 per cent of what it collected via taxes.¹⁴ In the interest of fairness, and to free up resources for much-needed tax relief, the government must make sure its compensation costs are in line with that of non-government employees in Manitoba.

Year	Personnel Services	Total Expenses
2019-20	\$8,241,000,000	\$18,474,000,000
2020-21	\$8,759,000,000	\$20,726,000,000
2021-22	\$9,041,000,000	\$20,694,000,000
2022-23	\$9,215,000,000	\$21,885,000,000
2023-24	\$9,865,000,000	\$23,763,000,000

Source: Manitoba Public Accounts.

After adjusting for 11 different individual characteristics, the Fraser Institute found that the average government employee earns a 5.5 per cent wage premium over their private sector counterparts.¹⁵ In the last three years, the number of Manitoba government employees making more than \$100,000 per year increased by 83 per cent.¹⁶

Government employees also are more likely to be enrolled in a pension plan than those in the private sector.¹⁷ The type of pension plan afforded to government employees is also typically a defined benefit plan, such as the Civil Service Superannuation Fund for employees of the Manitoba government or the pension for MLAs.¹⁸ A defined benefit plan offers the employee a guaranteed benefit during retirement. This guarantee is often on the back of taxpayers who would be saddled with the cost of a bailout if pension funds do not perform well.

Those who work for the government in Manitoba also retire earlier and have higher levels of job security than those who work in the private sector.¹⁹

13. https://www.gov.mb.ca/asset_library/en/proactive/20232024/publicaccounts/AnnualReportPublicAccounts2023-2024.pdf

14. https://www.gov.mb.ca/asset_library/en/proactive/20232024/publicaccounts/AnnualReportPublicAccounts2023-2024.pdf

15. <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-canada-2023>

16. <https://www.taxpayer.com/newsroom/government-sunshine-list-increased-by-83-per-cent-since-2020>

17. <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-canada-2023>

18. <https://cssb.mb.ca/employees/new-employees/#:~:text=The%20Civil%20Service%20Superannuation%20Fund,as%20CSSB%20or%20the%20Board.>

19. <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-canada-2023>

In the interest of fairness, the Manitoba government should also cut the transition allowance payable to leaving members of the Legislative Assembly after an election. After the most recent election, retiring or defeated MLAs were eligible for \$1.8 million in taxpayer-funded handouts.²⁰

To achieve immediate budgetary savings and bring wages in line with the private sector, the government should implement a 5.5 per cent reduction in total employee compensation costs. Apart from wage reductions, savings can be achieved through other methods. These methods include not replacing unnecessary employees who leave or retire, encouraging early retirement and moving all applicable employees to a defined contribution instead of defined benefit pension plan.

Reducing the cost of paying government employees will reduce the estimated cost of salaries and benefits from \$9.9 billion to \$9.3 billion.²¹ This will result in a savings of \$543 million.

	Current Cost	Cost with Reduction
Salaries and benefits	\$9,865,000,000	\$9,322,425,000
Budgetary Savings		\$542,575,000

Source: Manitoba Public Accounts.

20. <https://www.taxpayer.com/newsroom/outgoing-mlas-eligible-for-1.8-million-in-golden-parachutes>

21. https://www.gov.mb.ca/asset_library/en/proactive/20232024/publicaccounts/AnnualReportPublicAccounts2023-2024.pdf

End corporate welfare

Savings: \$523 million

Businesses should be thriving or failing on their own merits, not because some spend more time lobbying the provincial government for taxpayer-funded handouts.

In Budget 2023, the government introduced \$95 million in corporate welfare. This includes an extra \$50 million to a venture capital fund, \$35 million through so-called economic development loans, and \$10 million to the Manitoba Mineral Development Fund.²²

In Budget 2024, the government continued the corporate welfare spending spree. These new handouts include spending \$50 million on a new Strategic Innovation Fund to hand out money to corporations.²³ The government also recently announced a handout of \$23.4 million to a bus company to build a new facility.²⁴

It's clear that the government should not be in the business of businesses, and it should not be forking over taxpayers' dollars to do it.

Overall, from 2011 to 2021, the government of Manitoba spent \$5.8 billion on corporate welfare.²⁵ That's an average of \$523 million spent each year on subsidies.

Completely axing these subsidies would provide room in the budget to achieve a surplus and provide tax relief to Manitobans. It would also have very little impact on business growth in the province, as businesses do not decide where to move and invest based off the corporate welfare packages they receive.

When job creators decide where to relocate or expand, their primary focus is on long-term profitability rather than one-off subsidy packages. Other factors, like tax rates and level of business regulations have a much bigger impact on a business owner's decision to locate somewhere compared to a subsidy.²⁶

Economic research found no statistically significant relationship between business subsidies and economic growth, or per capita GDP levels.²⁷ The level of **taxation**, compared to competing jurisdictions, affects a company's profitability, and ultimately its bottom-line and growth.²⁸

In other words, competitive tax rates attract job creators and direct investment.²⁹ Lower tax rates also contribute to lowering the cost of capital for job creators, thus increasing their ability to re-invest in their company.³⁰

Instead of using taxpayers' dollars to give handouts to corporations, the government should instead look to provide broad base tax relief to encourage businesses to move to and invest in Manitoba.

Corporate welfare doesn't work and handouts only result in single companies getting payouts, while broad-based tax relief, allows all businesses to retain more money to use to hire new workers and invest in new equipment.

Completely cutting corporate welfare will reduce budgeted spending by \$523 million, freeing-up more funds to balance the budget, repay debt and use for tax relief.

22. <https://news.gov.mb.ca/news/?archive=&item=52576>

23. <https://www.taxpayer.com/newsroom/government-right-to-extend-gas-tax-cut,-needs-to-deal-with-the-debt>

24. <https://news.gov.mb.ca/news/?archive=&item=65777>

25. <https://www.fraserinstitute.org/sites/default/files/cost-of-business-subsidies-in-canada-updated-edition.pdf>

26. <https://www.brookings.edu/wp-content/uploads/2016/06/cohen-1.pdf>

27. <https://medium.com/concentrated-benefits/florida-man-seeks-a-quarter-of-a-billion-dollars-6bb6fe36a96e>

28. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

29. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

30. https://files.taxfoundation.org/legacy/docs/TaxFoundation_FF477.pdf

Stop the spending spree

Savings: \$1 billion

The Manitoba government is dealing with a significant deficit. Difficult decisions need to be made to get the budget back to balance quickly before the problem gets worse.

This year, Manitoba’s debt is increasing. The government projects a \$1.3-billion deficit for 2024–25.

By the end of 2024, Manitoba’s provincial debt is projected to reach \$34.6 billion, working out to about \$23,000 per Manitoban.³¹ Since 2015, the government has increased the debt by 58 per cent, which means more money must be wasted on interest payments on that debt and not spent on important priorities or used for tax relief.³²

This year, the government plans to spend \$2.3 billion on interest payments on the debt. That costs every single Manitoban more than \$1,500.³³ That’s almost a month of groceries for a family of four. If the government had been prudent and paid down the debt in the past, that money could be used to pay the average salary for about 20,000 nurses or police officers.

The interest payments alone make up about nine per cent of the entire budget. If the government didn’t have to spend that every year on interest, there wouldn’t be a \$1.3-billion deficit, but rather a \$1-billion surplus.

Year	Interest Charges
2020–21	\$1,827,000,000
2021–22	\$1,804,000,000
2022–23	\$1,963,000,000
2023–24	\$2,156,000,000
2024–25	\$2,333,000,000

Source: Manitoba Budget and Public Accounts.

Over the last five years, interest charges have cost taxpayers \$10 billion.^{34 35}

Taxpayers can’t afford for the government to keep wasting money on interest payments. Increasing interest rates also means that holding government debt will only become more expensive.

The government has a spending problem.

Since 2019, overall government revenues have increased by 32 per cent, but spending has increased by 40 per cent.³⁶ This is a fundamental imbalance that the government needs to address.

Before the pandemic, the government was already spending at all time highs. Since that time, inflation-adjusted per person revenue has remained flat. This means that while the government has collected more in overall revenue, it is a result of population growth,

31. https://www.gov.mb.ca/asset_library/en/proactive/20242025/first-quarter-report-july2024.pdf

32. https://www.gov.mb.ca/asset_library/en/proactive/20232024/publicaccounts/AnnualReportPublicAccounts2023-2024.pdf

33. https://www.gov.mb.ca/asset_library/en/proactive/20242025/second-quarter-report-december2024.pdf

34. https://www.gov.mb.ca/asset_library/en/proactive/20232024/publicaccounts/AnnualReportPublicAccounts2023-2024.pdf

35. https://www.gov.mb.ca/asset_library/en/proactive/20242025/second-quarter-report-december2024.pdf

36. <https://www.gov.mb.ca/government/finances/financial-reports-archive.html>

not from increases in revenue per taxpayer. Inflation-adjusted government spending per person on the other hand, has increased by nine per cent.^{37 38 39 40}

To balance the budget and stop the debt from increasing, the government needs to reduce spending to pre-pandemic, all-time highs in 2019 with spending increases adjusted for inflation and population growth.

This would result in the government spending \$2.1 billion less than is currently budgeted for 2024-25. Combining that with the other savings highlighted in this report would allow the government to balance the budget with a small surplus.

The net \$2.1 billion in savings identified in this report can be used to balance the budget and provide tax relief. Future surpluses can then be used pay down the debt and reduce the annual interest bill, allowing more funds to be freed up for tax relief or further debt repayment.

37. https://www.gov.mb.ca/asset_library/en/proactive/20242025/first-quarter-report-july2024.pdf

38. https://www.gov.mb.ca/asset_library/en/proactive/20232024/second-quarter-report-2023.pdf

39. <https://www150.statcan.gc.ca/t1/tbl/en/tv.action?pid=1810000501&pickMembers%5B0%5D=1.2&cubeTimeFrame.startYear=2017&cubeTimeFrame.endYear=2022&referencePeriods=20170101%2C20220101>

40. <https://www150.statcan.gc.ca/t1/tbl/en/tv.action?pid=1710000901&cubeTimeFrame.startMonth=01&cubeTimeFrame.startYear=2019&cubeTimeFrame.endMonth=10&cubeTimeFrame.endYear=2023&referencePeriods=20190101%2C20231001>

Bring back real balanced budget legislation

Savings: Unknown

Higher deficits mean more debt and that means more money wasted on interest payments.

The government projects that about \$2.3 billion will be wasted this year on interest charges.⁴¹ That's almost quadruple what the government plans to spend on agriculture.

The government needs to get back to basics: it must get spending down and balance the budget.

But what incentives does the government have to do that? The province's balanced budget legislation is one answer, but that legislation has been changed and neutered since it was introduced.

The government needs to put the bite back into Manitoba's balanced budget law.

When business owners don't balance their own budgets or they make bad business decisions, they pay for it with their wallet. The least Manitoba politicians can do is get some real skin in the game.

Former premier Gary Filmon brought in Manitoba's first balanced budget law in 1995.⁴² It laid out some clear rules for what should happen to cabinet minister's pay if they failed to balance the budgets of their departments.

Under the initial law, if the government failed to balance the budget, the extra pay an MLA receives for being a cabinet minister would be cut by 20 per cent. If the deficit continues into the next year, the extra pay was docked 40 per cent.⁴³

This year cabinet ministers will receive an about an extra \$58,000 for their position. A 20 per cent pay cut would see them lose more than \$10,000 and a 40 per cent pay cut would chop \$23,000 off their paycheque.⁴⁴

That's a big stick and a crunchy carrot. Keeping a hold of more than \$10,000 is a good reason to buckle down and find a way to balance the budget.

But now the law is much less stringent.

Under the current law, a minister's pay can still be cut by up to 40 per cent.⁴⁵ But instead of being punished for any deficit, if the government lowers the deficit by some amount, but hasn't balanced the budget, ministers still get to keep their pay.

Ministers are also exempt from the law for their first year on the job. And if the government eventually balances the budget, even years later, ministers get back the pay they were docked. That's not a real punishment.

"Why does it have to be so complicated? Why wouldn't they just pass a law that says if you run a deficit, you take a pay cut?" said then NDP leader Wab Kinew when the law was being gutted in 2018.⁴⁶

The premier just needs to replace the current law with the one from 1995.

The government needs to deal with this deficit and get spending down. But it also needs to work to prevent future deficits by strengthening Manitoba's balanced budget law, so politicians face real punishments when they blow open the taxpayer piggy bank.

41. https://www.gov.mb.ca/asset_library/en/proactive/20242025/first-quarter-report-july2024.pdf

42. <https://web2.gov.mb.ca/laws/statutes/1995/c00795e.php>

43. <https://web2.gov.mb.ca/laws/statutes/1995/c00795e.php>

44. <https://www.reviewcommissioner.mb.ca/mla-pay-2024.html>

45. <https://www.canlii.org/en/mb/laws/stat/ccsm-c-f84/latest/ccsm-c-f84.html>

46. <https://www.cbc.ca/news/canada/manitoba/balanced-budget-jubilee-manitoba-1.4585431>

Conclusion

Addressing Manitoba's financial challenges will not happen overnight and it will not be easy. To get back to balance and reduce the debt, the government needs to meet this challenge head on and act as soon as possible. Procrastination will not make things easier.

However, the government is not the only one facing a budget crunch and it should also focus on making life more affordable for Manitobans.

Reducing the provincial sales tax alone would result in \$399 million being put directly back into the pockets of Manitoba families, saving the average family \$304 per year.

The government should also make its gas tax cut permanent. Drivers will face high prices for the foreseeable future, especially with the federal government's plan to continue to hike up the carbon tax.

Drivers need permanent relief. Permanently cutting the provincial gas tax would save Manitoba drivers \$342 million and save the average family about \$587 per year.

Given the wage and benefit premium enjoyed by government employees over their private sector counterparts and the large expense that salaries and benefits make up of the budget, it is necessary to reduce the cost of government employee compensation. Eliminating the wage gap between the government and the private sector promotes fairness and would provide \$543 million in savings that can be used to finance tax relief and balance the budget.

The government also needs to end corporate welfare. Years of research shows that when companies are looking to move and invest, they are looking for low

taxes and low regulation, not taxpayer handouts. Stopping the corporate welfare gravy train would instantly save the provincial government about \$523 million every year.

Interest payments on government debt are a recurring expense that will grow until the province deals with its debt. Making it a clear priority to continue reducing the debt would reduce the amount spent on interest payments and free up more funds for much-needed inflation relief.

Limiting the increase in government spending to the growth in population and inflation from previous pre-pandemic highs would save taxpayers \$1 billion in unnecessary government expenditure.

The government should implement these cost savings measures as soon as possible. Balancing the budget is paramount so the government can begin to pay back the debt and reduce the amount of money being wasted on interest payments every year.

Going forward, the Manitoba government should emphasize foundational fiscal prudence and respect for taxpayers. The budget should be balanced through controlling spending, not relying on tax increases. Future surpluses should not be used for new spending, but instead, be set aside for tax relief or to pay down the debt.

Overall, the measures recommended in this report will put \$741 million back into the pockets of Manitobans and help save at least \$2.1 billion in government spending. This will have a net positive budgetary impact of \$1.4 billion.