

Government of Manitoba Budget 2022

ISSUE BACKGROUNDER PREPARED BY
THE MANITOBA CHAMBERS OF COMMERCE
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OVERVIEW

Minister of Finance Honourable Cameron Friesen delivered the Government of Manitoba's 2022 Budget Address at the Manitoba Legislative Building on April 12. The Minister provided an updated accounting of provincial finances and laid out his government's spending plan for the 2022/23 Fiscal Year.

Budget 2022 **reduces the deficit by more than \$1 billion** in comparison to last year and the government is projecting a deficit in 2022/23 of \$548 million. The Province has suggested that it is on track to **return Manitoba's books to balance within the next seven years**.

Gross Domestic Product is projected to grow by 3.6% this year and government spending is forecast to increase to \$19.9 billion, up from \$19.4 billion last year.

Health continues to be the government's most robust department, with \$6.7 billion in spending projected for 2022/23. Education and Early Childhood Learning comes in second with \$3.5 billion budgeted this year.

What is of concern is that if the costs associated with debt servicing were a government department, it would make up the government's fifth largest with over \$1 billion in spending projected for this year.

The provincial budget offered new details on the creation of a Venture Capital Fund, which was announced in last year's Throne Speech. The provincial government is **investing \$50 million to give Manitoba companies access to equity**, funding for innovation, and support to expand and grow. Budget 2022 also makes the Small Business Venture Capital Tax Credit permanent. This is something that MCC called for in our budget recommendations.

The government is moving ahead with a plan to eventually eliminate the education property tax. This year's budget **increases the Education Property Tax Rebate from 25% to 37.5% for residential and farm properties**. Next year, Manitobans are projected to receive a 50% Education Property Tax Rebate.

BUDGET HIGHLIGHTS

- **Budget 2022 prioritizes healthcare spending** and when combined with the departments of Mental Health and Community Wellness and Seniors and Long-Term Care, total **projected healthcare spending is \$7.1 billion**.
 - The budget includes **\$30 million for 28 new ICU beds** and **\$11.6 million to add 400 permanent nursing seats** to Manitoba's post-secondary institutions.
 - The government announced **\$110 million to address the surgical and diagnostic backlog in Manitoba**, which includes a \$4.9 million investment to expand Concordia Hospital's orthopedic surgery program.
 - The budget also includes \$32 million to implement the **17 recommendations that came out of the comprehensive review of Manitoba's long-term care system**, including increasing staffing within personal care homes and adding PCH beds.
 - The finance minister announced \$17 million in spending to support new programs and services to help support those struggling with **mental health and addictions challenges**.
- Budget 2022 allocates **\$82.7 million to expand the childcare subsidy**, reducing fees by 50% this year for low-income and middle-class families, tripling the number of children who are eligible for financial assistance. The government is also creating **726 childcare centre spaces** and supporting 50 new home-based spaces this year.
- The budget implements a new **Residential Renters Tax Credit** and will capture 11,000 low-income households on Rent Assist and 34,000 households in social housing who were not previously eligible.
- The provincial government ran on an election promise to build 20 new schools in 10 years. Budget 2022 commits to **building 22 new schools by 2027** under this government's mandate. Funding for K-12 education increases by \$138 million this year.
- This year's budget doubles funding for the **Building Sustainable Communities Fund**, providing \$25 million for non-profits and local governments. In addition, the government is providing \$313 million in funding to municipalities this year for infrastructure investments.
- Budget 2022 commits \$34 million this year and **\$100 million over three years for arts, culture and sports grants**.
- The finance minister announced **\$578 million this year for capital highway projects**, including Perimeter Highway upgrades and the rehabilitation of PTH 23 in western Manitoba. Flooding infrastructure also received an injection of money with \$101 million projected for the Lake Manitoba and Lake St. Martin Outlet Channels development this year.
- This year's budget makes an **investment in provincial parks with a \$14 million infusion** this year for a new multi-year capital strategy and modernization of campgrounds, trails, and other key infrastructure.
- The provincial government committed \$5 million in this year's budget to support a whole-of-government approach to **advance innovative reconciliation projects throughout Manitoba**. The government committed to working with Indigenous leaders and the private sector to increase Indigenous participation, advance key partnerships, and ensure shared economic benefits in all sectors of Manitoba's economy.

IMPLICATIONS FOR MANITOBA'S ECONOMY AND THE BUSINESS COMMUNITY

- The budget attached a line item to its Venture Capital Fund promise made in last year's Throne Speech. The provincial government is investing \$50 million to give Manitoba companies access to equity, funding for innovation, and support to expand and grow through the creation of this fund.
- **In terms of payroll tax, the government is increasing the total exemption threshold** for this tax from \$1.75 million to \$2 million and is increasing the lower rate threshold from \$3.5 million to \$4 million. These changes reduce the payroll tax for 970 businesses and ensure almost 200 employers will no longer get penalized for hiring more employees.
- The provincial government recently announced the establishment of an Immigration Advisory Council with a mandate to enhance Manitoba's Provincial Nominee Program. Budget 2022 invests **\$2 million in a Newcomer Integration Support Program** to help match newcomers with jobs. The government also expressed a desire to improve alignment between Manitoba's post-secondary institutions and the labour market.
- The finance minister announced an **increase in contributions to the Conservation and Climate Fund** to support a cleaner environment, and a \$6.4 million investment in the government's Climate and Green Plan. We await more details on how these measures will support innovation in green technology and what this could mean for this sector in Manitoba.

TAX MEASURES IN BUDGET 2022

- The Small Business Venture Capital Tax Credit, a non-refundable tax credit of up to 45 percent for investments in eligible Manitoba enterprises, will be made permanent.
- New Residential Renters Tax Credit effective for 2022, with a max. annual claim amount of \$525.
- Increases to the Health and Post-Secondary Education Tax Levy threshold from \$1.75 million to \$2 million to reduce payroll taxes.
- An increase in the Education Property Tax Rebate to 50 percent by 2023.
- The Community Enterprise Development Tax Credit, a refundable tax credit of up to 45 percent for investments in community-based Manitoba enterprises, will be made permanent.
- Fuel tax exemption for off-road operation of peat harvesting equipment effective May 1, 2022.
- Various administrative tax measures to:
 - Provide greater clarity on federal provisions respecting tax on split income for individuals in Manitoba;
 - Align provincial Research and Development Tax Credit deadlines with extended federal filing deadlines;
 - Establish a statute of limitations on audits and requests for change by taxpayers on taxes administered by Manitoba Finance;
 - Confirm the Film and Video Production Tax Credit can be claimed in advance where proper documentation is submitted; and
 - Increase validation of Manitoba tax credits claimed through an extended service agreement with the Canada Revenue Agency.

MANITOBA CHAMBERS OF COMMERCE PERSPECTIVE

In last month's MB Pulse survey – MCC's subscription-based community insights and polling platform – we surveyed our members on business community priorities for Budget 2022. In terms of where survey respondents believed that government should focus its resources this year, the **number one priority was improving health care**. Not only are investments in Manitoba's health care system a priority for average citizens, the business community has also told us that this must be a priority. Therefore, it was no surprise to see health care spending as the centerpiece in this year's provincial budget.

Despite the critical importance of health care investments this year, **we expected to see more supports for businesses still reeling from the challenges of COVID-19 and a clearer focus on growing Manitoba's economy**. In our recommendations to government, we emphasized the necessity of making economic growth and competitiveness a focus in the budgeting process. As we emerge from the pandemic, the economy must be a driving force behind all decision-making.

Budget 2022 suggests a focus on tax competitiveness and discusses the importance of making improvements to the tax system to allow Manitobans to keep more of their money. **While we were pleased to see some movement on the payroll tax, 42% of Manitoba businesses tell us that reducing or eliminating payroll tax should be a top priority** in supporting Manitoba business. This has consistently been a primary concern for members, and it warrants review.

In terms of Manitoba's taxation system, we have been asking the provincial government to **commit to a full review of the Manitoba tax structure, including both corporate and personal taxes**. While we are pleased to see an indexing of tax brackets and some movement on payroll tax, there are concerns that Manitoba is not competitive with the rest of the country. The basic personal exemption on income taxes in Manitoba is \$10,145, which is the lowest basic personal amount in Western Canada. For comparison's sake, Saskatchewan's basic personal amount is \$16,615 and Alberta's is \$19,369.

The government's Throne Speech in November 2021 spoke directly to businesses and seemed to suggest that workforce, venture capital, and Manitoba's economic recovery were priorities. In this budget, we expected to receive details on how the government planned to accomplish those goals. We were hoping to see more timely action this week.

We commend the government on its investment in a Venture Capital Fund as this has been needed in Manitoba for years, however, we expected Budget 2022 to include supports to business in the immediate term and a focus on growing Manitoba's economy. A recent MB Pulse survey of the business community revealed that 40% of business owners felt it would be at least a year before most businesses are back to pre-pandemic revenues. Our hope was that this budget would show some urgency to fast-track that timeline.

While Budget 2022 includes measures that will help in the long-term, there is no immediate help for businesses despite the challenges they've faced over the last two years. There is little in this budget to increase the business community's confidence as they chart their path forward towards economic recovery. Overall, the Manitoba Chambers of Commerce gives Budget 2022 a C grade.