

MOVING MANITOBA FORWARD

BUDGET 2020

**BUDGET AND
BUDGET PAPERS**



Manitoba 

MANITOBA BUDGET 2020

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www.gov.mb.ca/finance

Information available at this site includes:

- The 2020 Manitoba Budget Address
- Budget 2020
- Budget Papers
 - Summary Budget and Financial Updates 2020/21
 - Economic Review and Outlook
 - Tax and Fee Measures
 - Fiscal Arrangements
 - Manitoba's Poverty Reduction Strategy
- Fiscally Responsible Outcomes and Economic Growth Strategy
- Estimates of Expenditure for the Fiscal Year Ending March 31, 2021
- Financial Reports
- Economic Highlights
- Economic Statistics
- Facts for Investors

Available in alternate formats upon request.

Les documents offerts en français sur le site Internet

www.gov.mb.ca/finance/index.fr.html comprennent :

- Discours du Budget 2020 du Manitoba
- Budget 2020
- Budget des dépenses pour l'exercice se terminant le 31 mars 2021
- Rapports financiers

Disponible en d'autres formats, sur demande.

MANITOBA BUDGET 2020

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**SUMMARY BUDGET AND FINANCIAL UPDATES
2020/21**

INTRODUCTION

The Summary Budget includes an overview of the financial plan for the Manitoba government reporting entity, which includes the services of the government generally associated with the Legislature (voted and statutory appropriations and non-voted expenses), government business enterprises (GBEs) (such as Manitoba Hydro and Manitoba Public Insurance), and other reporting entities that are indirectly controlled by the Manitoba government, such as health authorities, post secondary institutions and school divisions. In the Summary Budget, the voted and statutory appropriations and non-voted expenses are consolidated with the high level projections of other reporting entities and GBEs, according to the standards set by the Public Sector Accounting Board (PSAB). The Summary Budget fully reflects Generally Accepted Accounting Principles (GAAP).

Summary Budget Detail

For the Fiscal Year Ending March 31

| | <u>2020/21 Budget</u> | <u>2019/20 Forecast*</u> | <u>2019/20 Budget</u> |
|--------------------------|-----------------------|--------------------------|-----------------------|
| | | (Millions of Dollars) | |
| Revenue | 17,737 | 17,273 | 17,025 |
| Expenditure | <u>17,957</u> | <u>17,598</u> | <u>17,385</u> |
| Net Income (Loss) | <u>(220)</u> | <u>(325)</u> | <u>(360)</u> |

* Detailed breakdown of the 2019/20 Forecast is available in the Third Quarter Report released March 3, 2020

Summary Budget Detail

For the Fiscal Year Ending March 31

| | <u>2020/21 Budget</u> | <u>2019/20 Budget</u> |
|---|-----------------------|-----------------------|
| | (Millions of Dollars) | |
| Revenue | | |
| Income Taxes | 4,621 | 4,250 |
| Retail Sales Tax | 2,021 | 2,293 |
| Education Property Taxes | 887 | 878 |
| Other Taxes | 1,615 | 1,379 |
| Tuition Fees | 389 | 364 |
| Fees and Other Revenue | 1,969 | 1,907 |
| Federal Transfers | 5,136 | 4,815 |
| Net Income of Government Business Enterprises | 747 | 806 |
| Sinking Funds and Other Earnings | 352 | 333 |
| Total Revenue | <u>17,737</u> | <u>17,025</u> |
| Expenditure | | |
| Legislative Assembly | 50 | 51 |
| Executive Council | 4 | 4 |
| Agriculture and Resource Development | 429 | 421 |
| Central Services | 212 | 200 |
| Civil Service Commission | 25 | 24 |
| Conservation and Climate | 212 | 148 |
| Crown Services | 2 | 1 |
| Economic Development and Training | 1,707 | 1,680 |
| Education | 3,003 | 2,945 |
| Families | 2,161 | 2,168 |
| Finance | 111 | 105 |
| Health, Seniors and Active Living | 6,819 | 6,662 |
| Indigenous and Northern Relations | 33 | 35 |
| Infrastructure | 494 | 461 |
| Justice | 700 | 698 |
| Municipal Relations | 386 | 386 |
| Sport, Culture and Heritage | 116 | 114 |
| Enabling Appropriations | 391 | 245 |
| Emergency and Other Appropriations | 101 | 44 |
| Debt Servicing | 1,001 | 1,088 |
| Total Expenditure | <u>17,957</u> | <u>17,480</u> |
| In-Year Adjustments/Lapse | - | (95) |
| Net Income (Loss) | <u>(220)</u> | <u>(360)</u> |

NOTES:

- The 2019/20 budget has been restated to be consistent with the 2020/21 budget presentation.
- Numbers may not add due to rounding.

SUMMARY BUDGET 2020/21

Revenue

We forecast strong revenue growth in 2020/21 with a projected increase of \$712 million, or 4.2 per cent from the 2019/20 Budget.

Income tax revenue is projected to increase by \$371 million, with a \$238 million increase in individual income tax revenue and a \$133 million increase in corporate income tax revenue. The increase in individual income tax revenue reflects moderate growth in personal income from employment, capital gains and dividends, while the increase in corporate income tax revenue reflects growth in line with national corporate taxable income forecasts.

Retail Sales Tax is projected to decrease by \$272 million, mainly due to the one per cent reduction in the tax rate, effective July 1, 2020.

Education Property Taxes imposed primarily by school divisions are projected to increase \$9 million.

Other Taxes are projected to increase \$236 million, mainly due to the introduction of a green levy equal to \$25 per tonne of greenhouse gas emissions, beginning on July 1, 2020.

Tuition fees imposed by Manitoba's universities and colleges are projected to increase by \$25 million while fees and other revenue are projected to increase by \$62 million, mainly due to the first year of operations for Efficiency Manitoba (offset by increase in expenditures).

Federal transfers are projected to increase by \$32 million, or 6.7 per cent including an equalization increase of \$255 million or 11.3 per cent. As a percentage of our revenues, equalization is now approaching historical norms.

Net income of government business enterprises is projected to decrease \$59 million, mainly due to decreased income projections from Manitoba Hydro and Manitoba Public Insurance.

Expenditure

Expenditures in 2020/21 are projected to increase \$477 million, or 2.7 per cent, from the 2019/20 Budget.

Significant changes include a 2.4 per cent projected increase in Health, Seniors and Active Living, reflecting operating cost adjustments within the regional health authorities, a \$40 million contingency for Health Transformation and \$10 million for wait times reduction for priority procedures, including cataracts and joint replacements (hips and knees).

Conservation and Climate included a projected increase of \$64 million, as fiscal 2020/21 will be the first year of operations of Efficiency Manitoba (offset by increase in revenue).

Education has projected an increase of \$58 million, mainly due to cost increases in the school divisions and an increase in the pension expense.

Families has projected a \$7 million decrease in expenditures on a summary basis, despite a \$19 million increase to the department's voted appropriations. Expenses within the Manitoba Housing and Renewal Corporation - a Crown corporation - have decreased year-over-year following the transition of certain housing inventory to the not-for-profit sector.

Infrastructure has projected an increase of \$33 million due to increased amortization costs primarily related to provincial roads and highways.

The budget for Enabling Appropriations has increased by \$146 million, mainly to accommodate one-time expenditures to devolve certain government assets and to remediate government special funds.

The budget for Emergency and Other Appropriations has increased \$57 million to prepare for flood, forest fire or other emergency situations.

Debt Servicing is projected to decrease by \$87 million due to lower interest rates.

Lapse

In Budget 2020/21, we are fully discontinuing the use of "lapse" in our budget, ending this inappropriate budgeting technique of relying on "hope" to achieve our budget targets.

Summary Revenue

For the Fiscal Year Ending March 31

| | <u>2020/21 Budget</u> | <u>2019/20 Budget</u> |
|--|-----------------------|-----------------------|
| | (Millions of Dollars) | |
| Income Taxes | | |
| Individual Income Tax | 3,982 | 3,744 |
| Corporation Income Tax | 639 | 506 |
| Subtotal: Income Taxes | <u>4,621</u> | <u>4,250</u> |
| Retail Sales Tax | 2,021 | 2,293 |
| Education Property Taxes | 887 | 878 |
| Other Taxes | | |
| Green Levy | 218 | – |
| Corporations Taxes | 335 | 329 |
| Fuel Taxes | 354 | 349 |
| Land Transfer Tax | 98 | 91 |
| Levy for Health and Education | 399 | 381 |
| Tobacco Tax | 199 | 217 |
| Other Taxes | 12 | 12 |
| Subtotal: Other Taxes | <u>1,615</u> | <u>1,379</u> |
| Tuition Fees | 389 | 364 |
| Fees and Other Revenue | | |
| Fines and Costs and Other Legal | 48 | 57 |
| Minerals and Petroleum | 14 | 14 |
| Automobile and Motor Carrier Licences and Fees | 186 | 191 |
| Parks: Forestry and Other Conservation | 24 | 24 |
| Water Power Rentals | 122 | 107 |
| Service Fees and Other Miscellaneous Charges | 1,575 | 1,514 |
| Subtotal: Fees and Other Revenue | <u>1,969</u> | <u>1,907</u> |
| Federal Transfers | | |
| Equalization | 2,510 | 2,255 |
| Canada Health Transfer (CHT) | 1,521 | 1,474 |
| Canada Social Transfer (CST) | 546 | 533 |
| Shared Cost and Other Transfers | 559 | 553 |
| Subtotal: Federal Transfers | <u>5,136</u> | <u>4,815</u> |
| Net Income of Government | | |
| Business Enterprises (GBEs) | | |
| Manitoba Liquor and Lotteries Corporation | 650 | 630 |
| Deposit Guarantee Corporation of Manitoba | 27 | 25 |
| Manitoba Hydro-Electric Board | 47 | 121 |
| Manitoba Public Insurance Corporation | 48 | 80 |
| Contingency | (25) | (50) |
| Subtotal: Net Income of GBEs | <u>747</u> | <u>806</u> |
| Sinking Funds and Other Earnings | 352 | 333 |
| Total Revenue | <u><u>17,737</u></u> | <u><u>17,025</u></u> |

Summary Expenditure

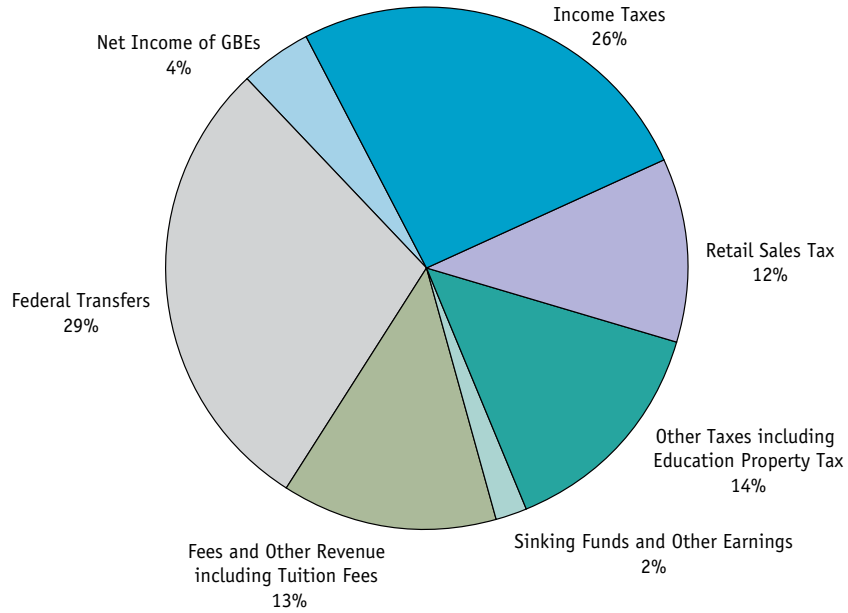
For the Fiscal Year Ending March 31

| | <u>2020/21 Budget</u> | <u>2019/20 Budget</u> |
|--------------------------------------|-----------------------|-----------------------|
| | (Millions of Dollars) | |
| Legislative Assembly | 50 | 51 |
| Executive Council | 4 | 4 |
| Agriculture and Resource Development | 429 | 421 |
| Central Services | 212 | 200 |
| Civil Service Commission | 25 | 24 |
| Conservation and Climate | 212 | 148 |
| Crown Services | 2 | 1 |
| Economic Development and Training | 1,707 | 1,680 |
| Education | 3,003 | 2,945 |
| Families | 2,161 | 2,168 |
| Finance | 111 | 105 |
| Health, Seniors and Active Living | 6,819 | 6,662 |
| Indigenous and Northern Relations | 33 | 35 |
| Infrastructure | 494 | 461 |
| Justice | 700 | 698 |
| Municipal Relations | 386 | 386 |
| Sport, Culture and Heritage | 116 | 114 |
| Enabling Appropriations | 391 | 245 |
| Emergency and Other Appropriations | 101 | 44 |
| Debt Servicing* | <u>1,001</u> | <u>1,088</u> |
| Total Expenditure | <u><u>17,957</u></u> | <u><u>17,480</u></u> |

*Debt servicing costs for Manitoba Hydro are expected to be \$869 million in 2020/21, which is already budgeted as part of Manitoba Hydro's expected net income of \$47 million.

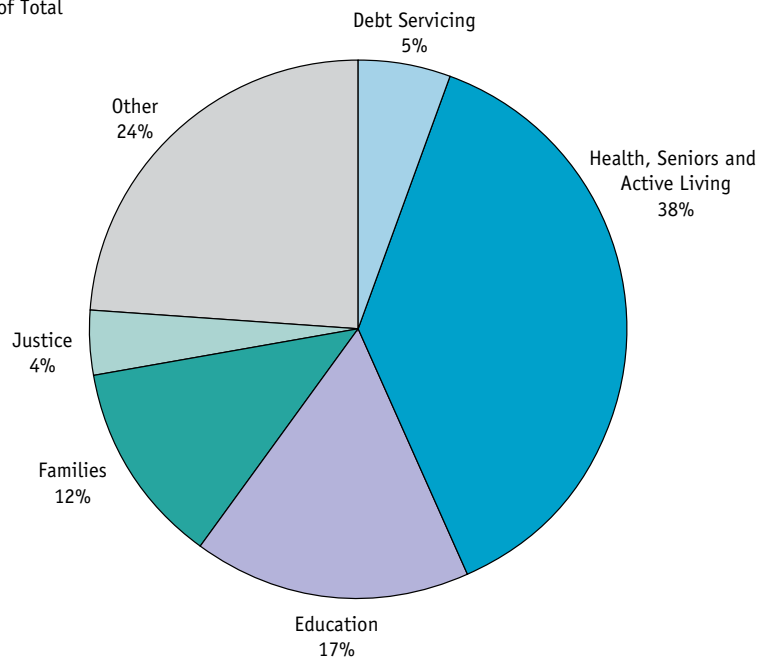
Revenue, 2020/21

Per Cent of Total



Expenditure, 2020/21

Per Cent of Total



ENTITIES INCLUDED IN SUMMARY BUDGET

Legislative Assembly

Executive Council

Agriculture and Resource Development

Food Development Centre
Manitoba Agricultural Services Corporation
Manitoba Potash Corporation

Central Services

Leaf Rapids Town Properties Ltd.
Manitoba Education, Research and Learning
Information Networks (MERLIN)
Materials Distribution Agency
Vehicle and Equipment Management Agency

Civil Service Commission

Conservation and Climate

Efficiency Manitoba Inc.
Manitoba Hazardous Waste Management Corporation

Crown Services

Economic Development and Training

Assiniboine Community College
Brandon University
Communities Economic Development Fund
Co-operative Loans and Loans Guarantee Board
Economic Development Winnipeg Inc.*
Helen Betty Osborne Memorial Foundation
Manitoba Development Corporation
Manitoba Opportunities Fund Ltd.
Red River College
Research Manitoba
Travel Manitoba
Université de Saint-Boniface
University College of The North
University of Manitoba
University of Winnipeg

Education

Manitoba Learning Resource Centre
Public School Divisions

Families

General Child and Family Services Authority
Manitoba Housing and Renewal Corporation

Finance

Entrepreneurship Manitoba
Funeral Board of Manitoba
Insurance Council of Manitoba
Manitoba Financial Services Agency
Special Operating Agencies Financing Authority
The Public Guardian and Trustee of Manitoba
Vital Statistics Agency
Pension Assets Fund

NOTES:

* Economic Development Winnipeg Inc. is a government partnership

Health, Seniors and Active Living

Addictions Foundation of Manitoba
 CancerCare Manitoba
 Manitoba Health Services Insurance Plan
 Not-for-Profit Personal Care Homes and
 Community Health Agencies
 Regional Health Authorities (including
 controlled organizations)
 Interlake-Eastern Regional Health Authority
 Northern Regional Health Authority
 Prairie Mountain Health
 Southern Health-Santé Sud
 Winnipeg Regional Health Authority
 Rehabilitation Centre for Children, Inc.
 Shared Health Inc.
 St.Amant Inc.

Indigenous and Northern Relations

Infrastructure

Justice

Legal Aid Manitoba
 Liquor, Gaming and Cannabis Authority of Manitoba
 Manitoba Horse Racing Commission
 Manitoba Law Reform Commission

Municipal Relations

Manitoba Water Services Board
 North Portage Development Corporation**

Sport, Culture and Heritage

Le Centre culturel franco-manitobain
 Manitoba Arts Council
 Manitoba Combative Sports Commission
 Manitoba Film and Sound Recording
 Development Corporation
 Sport Manitoba Inc.

Government Business Enterprises

Deposit Guarantee Corporation of Manitoba
 Manitoba Hydro-Electric Board
 Manitoba Liquor and Lotteries Corporation
 Manitoba Public Insurance Corporation

Special Accounts, not attached to a Department

Rainy Day Fund (Fiscal Stabilization Account)

Entities to cease being separate reporting entities in 2020/21

Abandonment Reserve Fund
 Community Revitalization Fund
 Farm Machinery and Equipment Act Fund
 Financial Literacy Fund
 Fish and Wildlife Enhancement Fund
 Land Titles Assurance Fund
 Manitoba Centennial Centre Corporation
 Manitoba Habitat Heritage Corporation
 Manitoba Trucking Productivity Improvement Fund
 Mining Community Reserve
 Mining Rehabilitation Reserve Fund
 Office of the Fire Commissioner
 Public Schools Finance Board
 Quarry Rehabilitation Reserve Fund
 Veterinary Science Scholarship Fund
 Victims Assistance Fund
 Waste Reduction and Recycling Support Fund
 Workplace Safety and Health Public Education Fund

NOTES:

** North Portage Development Corporation is a government business partnership

FINANCIAL UPDATES

Summary Net Debt

Changes in Summary Net Debt

(Millions of Dollars)

| | |
|---|--------------------------|
| 2019/20 Summary Net Debt (Forecast) | 25,667 |
| Net Investment in Tangible Capital Assets | 549 |
| Plus: Projected (Income) Loss for the Year | <u>220</u> |
| Change in Net Debt | <u>769</u> |
| 2020/21 Summary Net Debt (Budget) | <u><u>26,436</u></u> |

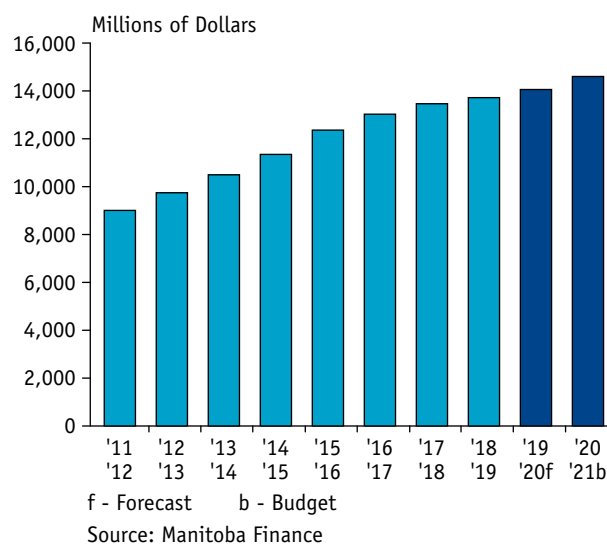
Net debt is an important indicator of a government's financial position, as this highlights the affordability of future government services. Summary net debt represents the difference between the Government Reporting Entity's total liabilities, less financial assets; it reflects the residual liability that must be financed by future revenues. It is important to measure changes in net debt against the growth of the economy, as measured by nominal GDP.

In Budget 2020, the net debt to GDP ratio is forecast to be 34.2 per cent.

Capital Investment

Capital investment continues to be a priority across government. An investment made to construct or enhance capital assets is a benefit to Manitobans for the provision of services needed into the future. Tangible capital assets are assets with a useful life extending beyond one year, which are acquired, constructed or developed and held for use, not for resale. Net investment in tangible capital assets is projected to be \$14.7 billion as at March 31, 2021.

Tangible Capital Assets - Net Book Values 2011/12–2020/21b



Tangible Capital Assets - Net Book Value

Projection as at March 31

| | <u>2020/21 Budget</u> | <u>2019/20 Forecast</u> |
|---------------------------------|-----------------------|-------------------------|
| | (Millions of Dollars) | |
| Cost of Assets | | |
| Beginning of Year | 25,053 | 23,984 |
| Additions | 1,338 | 1,069 |
| End of Year | <u>26,391</u> | <u>25,053</u> |
| Accumulated Amortization | | |
| Beginning of Year | 10,853 | 10,127 |
| Amortization | 789 | 726 |
| End of Year | <u>11,642</u> | <u>10,853</u> |
| Net Book Value | <u>14,749</u> | <u>14,200</u> |

Borrowing Requirements

Manitoba's borrowing requirements with respect to both general and self-sustaining borrowings is estimated to total \$5.6 billion in 2020/21, of which \$3.7 billion is required for refinancing purposes. New cash requirements, net of estimated repayments, are \$1.9 billion, which includes borrowing for general government purposes, capital investments by departments and the Manitoba Hydro-Electric Board. To date, approximately \$476 million of funding for 2020/21 has been completed.

Borrowing Requirements 2020/2021

| | <u>Refinancing</u> | <u>New Cash Requirements</u> | <u>Estimated Repayments</u> | <u>Gross Borrowing Repayments</u> | <u>Pre-Funding</u> | <u>Borrowing Requirements</u> |
|---|---------------------|------------------------------|-----------------------------|-----------------------------------|--------------------|-------------------------------|
| (Millions of Dollars) | | | | | | |
| Government Business Enterprises | | | | | | |
| Manitoba Hydro-Electric Board | 1,529 | 1,100 | – | 2,629 | – | 2,629 |
| Manitoba Liquor and Lotteries Corporation | 60 | 60 | 48 | 72 | – | 72 |
| Subtotal | <u>1,589</u> | <u>1,160</u> | <u>48</u> | <u>2,701</u> | <u>–</u> | <u>2,701</u> |
| Other Borrowings | | | | | | |
| General Purpose Borrowings | 1,442 | 92 | – | 1,534 | 96 | 1,438 |
| Capital Investment Assets | 355 | 732 | 318 | 769 | 280 | 489 |
| Health Facilities | 100 | 150 | 123 | 127 | 100 | 27 |
| Other Crowns and Organizations | 110 | 442 | 276 | 276 | – | 276 |
| Public School Divisions | – | 160 | 17 | 143 | – | 143 |
| Civil Service Superannuation Plan | 100 | – | – | 100 | – | 100 |
| Subtotal | <u>2,107</u> | <u>1,576</u> | <u>734</u> | <u>2,949</u> | <u>476</u> | <u>2,473</u> |
| Total Borrowing Requirements | <u>3,696</u> | <u>2,736</u> | <u>782</u> | <u>5,650</u> | <u>476</u> | <u>5,174</u> |

NOTES

- Numbers may not add due to rounding.

Special Accounts

Pension Assets Fund

The trust conditions of the funds held in the Pension Asset Fund are irrevocably restricted for pension purposes only. Net investment earnings of pension assets include the expected rate of return during the year, as well as adjustments to the market-related value. Market fluctuations of pension assets are not recorded in the year in which they occur, but are recognized over the employee average remaining service life.

The fund is expected to have a balance of \$5,036 million by the end of the 2020/21 fiscal year.

Pension Assets Fund

Projection as at March 31

| | <u>2020/21</u> | <u>2019/20</u> |
|--|-----------------------|---------------------|
| | (Millions of Dollars) | |
| Beginning of Year | <u>4,931</u> | <u>4,737</u> |
| Contributions and Revenue | | |
| Net Investment Earnings | 288 | 331 |
| Departments and Crown Corporations | <u>228</u> | <u>268</u> |
| | <u>516</u> | <u>599</u> |
| Transfers | | |
| Teachers' Retirement Allowances Fund and Civil Service Superannuation Fund Payments | <u>(411)</u> | <u>(405)</u> |
| End of Year | <u><u>5,036</u></u> | <u><u>4,931</u></u> |

Fiscal Stabilization Account

The Fiscal Stabilization Account, also known as the Rainy Day Fund, is expected to have a balance of \$872 million as at March 31, 2021, after a combined total transfer of \$300 million in 2019/20 and 2020/21. These transfers will rebuild the province's savings to the highest level ever and result in a fully funded account.

Manitoba Summary Financial Statistics

| | <u>2020/21</u> <u>Budget</u> | <u>2019/20</u> <u>Forecast</u> | <u>2018/19</u> <u>Actual</u> | <u>2017/18</u> <u>Actual</u> | <u>2016/17</u> <u>Actual</u> | <u>2015/16</u> <u>Actual</u> |
|--|---------------------------------|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | | (Millions of Dollars) | | | |
| Revenue | | | | | | |
| Income Taxes | 4,621 | 4,356 | 4,234 | 3,985 | 3,958 | 3,777 |
| Other Taxes | 4,523 | 4,511 | 4,685 | 4,588 | 4,396 | 4,250 |
| Fees and Other Revenue | 2,358 | 2,326 | 2,318 | 2,364 | 2,329 | 2,226 |
| Federal Transfers | 5,136 | 4,841 | 4,521 | 4,200 | 4,128 | 3,820 |
| Net Income of Government Business Enterprises | 747 | 863 | 919 | 758 | 589 | 618 |
| Sinking Funds and Other Earnings | 352 | 376 | 298 | 257 | 227 | 225 |
| Total Revenue | <u>17,737</u> | <u>17,273</u> | <u>16,975</u> | <u>16,152</u> | <u>15,627</u> | <u>14,916</u> |
| Expenditures (excluding Debt Servicing) | 16,956 | 16,575 | 16,138 | 15,894 | 15,486 | 14,993 |
| Debt Servicing | 1,001 | 1,023 | 1,000 | 952 | 930 | 855 |
| Expenditure | <u>17,957</u> | <u>17,598</u> | <u>17,138</u> | <u>16,846</u> | <u>16,416</u> | <u>15,848</u> |
| Net Income (Loss) | <u>(220)</u> | <u>(325)</u> | <u>(163)</u> | <u>(694)</u> | <u>(789)</u> | <u>(932)</u> |
| Tangible Capital assets | | | | | | |
| Acquisition of tangible capital assets | (1,338) | (1,069) | (1,019) | (1,123) | (1,417) | (1,702) |
| Amortization of tangible capital assets | 789 | 726 | 734 | 713 | 680 | 624 |
| Disposal of tangible capital assets | - | - | 39 | 48 | 48 | 53 |
| Subtotal | <u>(549)</u> | <u>(343)</u> | <u>(246)</u> | <u>(362)</u> | <u>(689)</u> | <u>(1,025)</u> |
| Other Non-Financial Assets | | | | | | |
| Decrease (Increase) in inventories | - | - | 3 | 3 | (1) | (17) |
| Decrease (Increase) in prepaid expenses | - | - | (8) | (2) | 1 | (1) |
| Subtotal | <u>-</u> | <u>-</u> | <u>(5)</u> | <u>1</u> | <u>-</u> | <u>(18)</u> |
| Other comprehensive income (loss) | <u>-</u> | <u>-</u> | <u>(225)</u> | <u>(14)</u> | <u>120</u> | <u>(43)</u> |
| (Increase) in Net Debt | <u>(769)</u> | <u>(668)</u> | <u>(639)</u> | <u>(1,069)</u> | <u>(1,358)</u> | <u>(2,018)</u> |
| Summary Net Debt, beginning of year | (25,667) | (24,999) | (24,345) | (23,276) | (21,918) | (19,900) |
| Change in Accounting Policy (applied retroactively without restatement) | <u>-</u> | <u>-</u> | <u>(15)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Summary Net Debt | <u>(26,436)</u> | <u>(25,667)</u> | <u>(24,999)</u> | <u>(24,345)</u> | <u>(23,276)</u> | <u>(21,918)</u> |

NOTES

- Numbers may not add due to rounding.

Manitoba Summary Financial Statistics

| | <u>2020/21</u> <u>Budget</u> | <u>2019/20</u> <u>Forecast</u> | <u>2018/19</u> <u>Actual</u> | <u>2017/18</u> <u>Actual</u> | <u>2016/17</u> <u>Actual</u> | <u>2015/16</u> <u>Actual</u> |
|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | | (Percentage Change) | | | |
| Annual Change | | | | | | |
| Income Taxes | 6.1 | 2.9 | 6.2 | 0.7 | 4.8 | 2.7 |
| Other Taxes | 0.3 | (3.7) | 2.1 | 4.4 | 3.4 | 3.6 |
| Fees and Other Revenue | 1.4 | 0.3 | (1.9) | 1.5 | 4.6 | 2.9 |
| Federal Transfers | 6.1 | 7.1 | 7.6 | 1.7 | 8.1 | 0.3 |
| Total Revenue | 2.7 | 1.8 | 5.1 | 3.4 | 4.8 | 0.8 |
| Debt Servicing | (2.2) | 2.3 | 5.0 | 2.4 | 8.8 | 1.7 |
| Total Expenditure | 2.0 | 2.7 | 1.7 | 2.6 | 3.6 | 3.3 |
| Summary Net Debt | 3.0 | 2.7 | 2.7 | 4.6 | 6.2 | 10.1 |
| | | | (Per Cent) | | | |
| Per Cent of GDP | | | | | | |
| Income Taxes | 6.0 | 5.8 | 5.8 | 5.6 | 5.9 | 5.7 |
| Other Taxes | 5.8 | 6.0 | 6.4 | 6.5 | 6.5 | 6.4 |
| Fees and Other Revenue | 3.0 | 3.1 | 3.2 | 3.3 | 3.5 | 3.4 |
| Federal Transfers | 6.6 | 6.5 | 6.2 | 5.9 | 6.1 | 5.8 |
| Total Revenue | 22.9 | 23.1 | 23.4 | 22.7 | 23.2 | 22.6 |
| Debt Servicing | 1.3 | 1.4 | 1.4 | 1.3 | 1.4 | 1.3 |
| Total Expenditure | 23.2 | 23.5 | 23.6 | 23.7 | 24.4 | 24.0 |
| Summary Net Debt | (34.2) | (34.3) | (34.4) | (34.2) | (34.6) | (33.2) |
| Per Cent of Revenue | | | | | | |
| Income Taxes | 26.1 | 25.2 | 24.9 | 24.7 | 25.3 | 25.3 |
| Other Taxes | 25.5 | 26.1 | 27.6 | 28.4 | 28.1 | 28.5 |
| Fees and Other Revenue | 13.3 | 13.5 | 13.7 | 14.6 | 14.9 | 14.9 |
| Federal Transfers | 29.0 | 28.0 | 26.6 | 26.0 | 26.4 | 25.6 |
| Net Income of Government Business | | | | | | |
| Enterprises | 4.2 | 5.0 | 5.4 | 4.7 | 3.8 | 4.1 |
| Sinking Funds and Other Earnings | 2.0 | 2.2 | 1.8 | 1.6 | 1.5 | 1.5 |
| Debt Servicing | 5.6 | 5.9 | 5.9 | 5.9 | 6.0 | 5.7 |
| | | | (Dollars) | | | |
| Dollars Per Capita | | | | | | |
| Total Revenue | 12,808 | 12,613 | 12,542 | 12,099 | 11,892 | 11,543 |
| Total Expenditure | 12,967 | 12,850 | 12,663 | 12,619 | 12,492 | 12,264 |
| Debt Servicing | 723 | 747 | 739 | 713 | 708 | 662 |
| Summary Net Debt | (19,090) | (18,742) | (18,471) | (18,236) | (17,713) | (16,962) |
| Memorandum Items | | | | | | |
| Population (000s) * | 1,384.8 | 1,369.5 | 1,353.4 | 1,335.0 | 1,314.1 | 1,292.2 |
| GDP at Market Prices | 77,343 | 74,872 | 72,688 | 71,122 | 67,298 | 65,943 |

* Official population July 1

Source: Manitoba Finance

ECONOMIC REVIEW AND OUTLOOK

ECONOMIC REVIEW AND OUTLOOK

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MANITOBA ECONOMIC HIGHLIGHTS

Manitoba is the most stable provincial economy in Canada, with a diversified base where strong growth in one sector can offset challenges in others.

Economic growth is supported by the third-highest population increase in Canada since 2014, in part through the highly successful Manitoba Provincial Nominee Program, which attracts skilled and entrepreneurial immigrants.

Demand for skilled workers contributes to among the lowest unemployment rate in the country, providing new Canadians quality job opportunities.

In fact, since 2016, almost 19,000 private sector jobs were created.

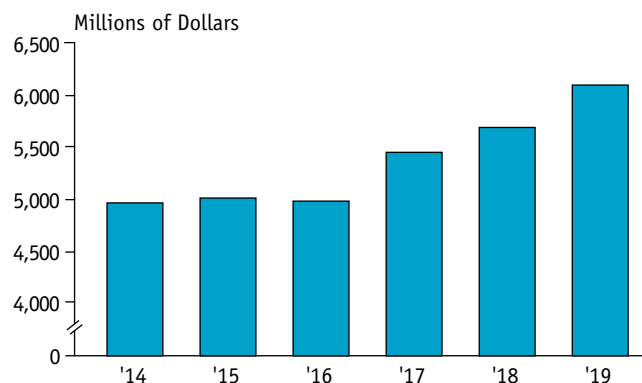
Business confidence is demonstrated by a boost in private sector capital spending across a number of sectors:

- Investment in commercial buildings increased by 15.0 per cent in 2019.
- Investment in industrial buildings increased by 5.9 per cent 2019.
- Capital spending in manufacturing was up over 50.0 per cent in 2018, highest among provinces.
- Capital spending on residential and non-residential buildings has increased over \$1 billion annually since 2016.
- 21,823 new housing units were added in the last three years, the best three-year total since 1987.
- 12,728 new multiple units were added in the last three years, the best three-year total since 1979.

Despite trade uncertainties with the U.S., exports increased by 34 per cent over the last two years, which is the second best among provinces.

- **Record increase in provincial nominees lifts total immigration to almost 19,000 persons.**
- **Capital investment on residential and non-residential properties surpasses \$6 billion in 2019, setting a new record.**
- **Capital investment in manufacturing increased by 123 per cent or \$626 million since 2016, to a record \$1.1 billion in 2019.**
- **Total employment increased by 19,800 workers since 2016.**
- **Private sector added 18,800 jobs since 2016.**
- **Over \$3 billion in exports to the U.S. over the past two years, the best two year increase for Manitoba.**

Total Investment in Non-Residential and Residential Building, 2014–2019



Sources: Statistics Canada and Manitoba Finance

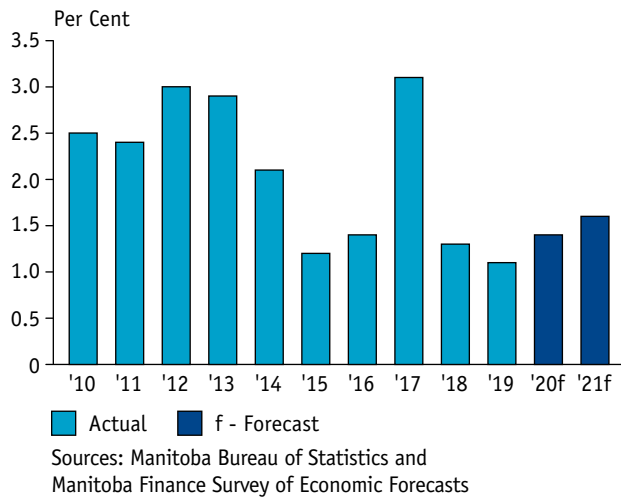
OVERVIEW AND OUTLOOK

There are tentative signs that the global economic slowdown, notably in manufacturing and trade, is bottoming out and overall economic activity is beginning to pick-up.

Looking ahead, business investment in Manitoba is expected to be encouraged by new tax changes, including the reduction in the retail sales tax rate, and extensions on several tax credits, among other measures.

In addition, strengthening Canadian growth should lift interprovincial exports while the momentum in robust sales coupled with the ratification of the Canada-United States-Mexico Agreement (CUSMA) should maintain record level exports to the U.S.

Manitoba Real GDP Growth, 2010-2021f



Manitoba has a number of underlying strengths that will sustain its steady economic growth. Domestic demand and home construction is at its best level in 37 years, buoyed by strong population growth. Businesses are rapidly increasing their investments in income-generating properties across the province.

Initial estimates from the Manitoba Bureau of Statistics indicate real GDP growth of 1.1 per cent in 2019, after 1.3 per cent in 2018. For the outlook, the Manitoba Finance Survey of Economic Forecasts indicates a 1.3 per cent growth in real GDP in 2020 and improving to a 1.5 per cent growth in real GDP in 2021. Nominal GDP is projected to increase by 3.3 per cent in 2020, and 3.4 per cent in 2021.

Manitoba Outlook at a Glance

| | 2019 | 2020f | 2021f |
|------------------------|--------------------------------|-------|-------|
| | (Per Cent Change Unless Noted) | | |
| Gross Domestic Product | | | |
| Real | 1.1 | 1.3 | 1.5 |
| Nominal | 3.0 | 3.3 | 3.4 |
| Employment | 0.9 | 0.5 | 0.8 |
| Unemployment Rate (%) | 5.3 | 5.5 | 5.5 |
| Consumer Price Index | 2.2 | 1.9 | 1.9 |
| Population | 1.2 | 1.1 | 1.1 |

Sources: Statistics Canada, Manitoba Bureau of Statistics and Manitoba Finance Survey of Economic Forecasts (2019 - 2021f)

Despite the forecast improvement to growth in 2020 and 2021, risks are still present. Higher tariffs, outright import bans on specific commodities, low resource prices, interest rate policy changes, and uncertainties related to public health and climate change events, which disrupt the movement of people and trade, will continue to weigh on global demand conditions and overall growth in Manitoba.

In recent years, economic forecasts for Manitoba have generally been optimistic. In the past four years, real GDP growth came in below the Budget forecast. This adds to the downside risk on the current forecast.

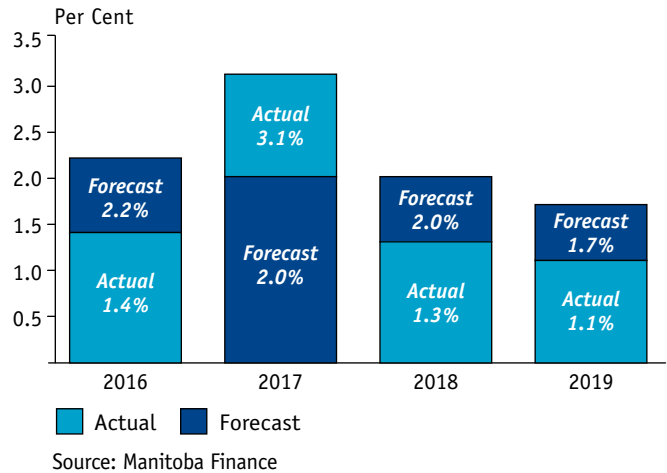
These developments are reflected in the long-term movement of economic growth in Canada and in Manitoba.

Manitoba’s 10-year average annual growth trend was materially more positive than Canada in the years following the Great Recession, as indicated on the graph below.

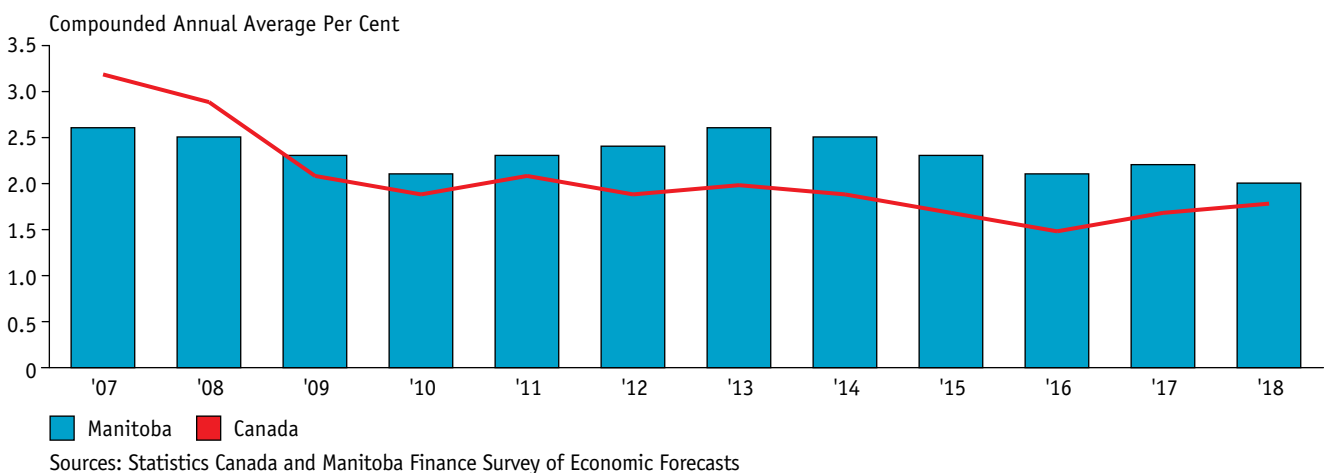
The 10-year average annual growth in Canada fell from 3.2 per cent in 2007 to 1.8 per cent in 2018. In contrast, Manitoba’s growth showed a smaller decline from 2.6 per cent to 2.0 per cent during the same period.

The government will continue to focus its efforts on maintaining economic growth. The Economic Growth Action Plan is a key pillar in an effort to attract new investments, accelerate skills, grow our talent, and expand our export markets.

Manitoba Economic Forecasts are Consistently Optimistic (Budget Forecast vs. Actual)



10-Year Average Annual Growth in Real GDP: Manitoba and Canada, 2007–2018



BOLD AMBITIOUS GOAL TO CREATE 40,000 JOBS OVER THE NEXT FOUR YEARS

To support and incentivise private-sector investment and job creation, the government has put forward an ambitious plan to generate 40,000 jobs over the next four years.

Taking a whole-of-Manitoba approach, economic development policies are informed by contribution and participation from stakeholders involved in growing the economy. Government departments, collaborating with industry, sector associations, regional development offices, municipal governments, non-profit sector and educational institutions are recommending province-wide measures to attract businesses to the province, and to support growth and expansion of local enterprises.

The Economic Development Office is working to create clear pathways for investors and entrepreneurs by putting an emphasis on teamwork, coordination, duplication reduction and red tape reduction (in fact, over 80,000 regulatory requirements have already been eliminated).

With a goal to modernize permitting standards and appeals processes in Manitoba, Manitoba Works is acting on the recommendations from the Review of Planning, Permitting and Zoning.

Strategic Infrastructure, including roads, bridges, flood protection, hospitals, schools, universities and colleges is guaranteed an annual investment of more than \$1 billion. Continuing at a sustainable level, Strategic Infrastructure is estimated at \$1.8 billion in 2020/21, above the annual commitment.

- ***Investing \$2 billion to develop innovations in patient care and reduce wait times***
- ***Building 20 new schools over the next decade***
- ***Over \$107 million for municipal support in 2019/20***

The new Manitoba Mineral Development Fund will advance new mining opportunities and outreach to First Nations for collaborative resource development.

The Climate and Green Plan will invest \$25 million in an energy efficiency retrofit program for existing homes and commercial buildings. The goal is to reduce Manitoba greenhouse gas emissions by 135,000 tonnes over three years - the equivalent of 27,000 less cars.

Freeing interprovincial and international trade, Manitoba removed a number of its exceptions under the Canadian Free Trade Agreement. Manitoba is supporting the Canada-European Union Comprehensive Economic and Trade Agreement, and the Comprehensive and Progressive Agreement for Trans-Pacific.

The Manitoba Provincial Nominee Program was renewed to advance with the changing needs of the labour market. The program continues to approve skilled workers and qualified entrepreneurs, but has increased its focus on Manitoba educated and trained international student applications.

Retail Sales Tax rate reduction: The one percentage point cut to the sales tax rate in this budget, coupled with the one percentage point cut introduced in last year's budget, will save Manitoba households and businesses over \$650 million annually.

Indexed Personal Income Tax rates, brackets and basic personal amount: Removing 11,000 taxpayers from the tax rolls and savings increasing annually, starting with \$75 million in 2020.

Manitoba eliminated taxes for Small Businesses with income below \$500,000, starting in 2019.

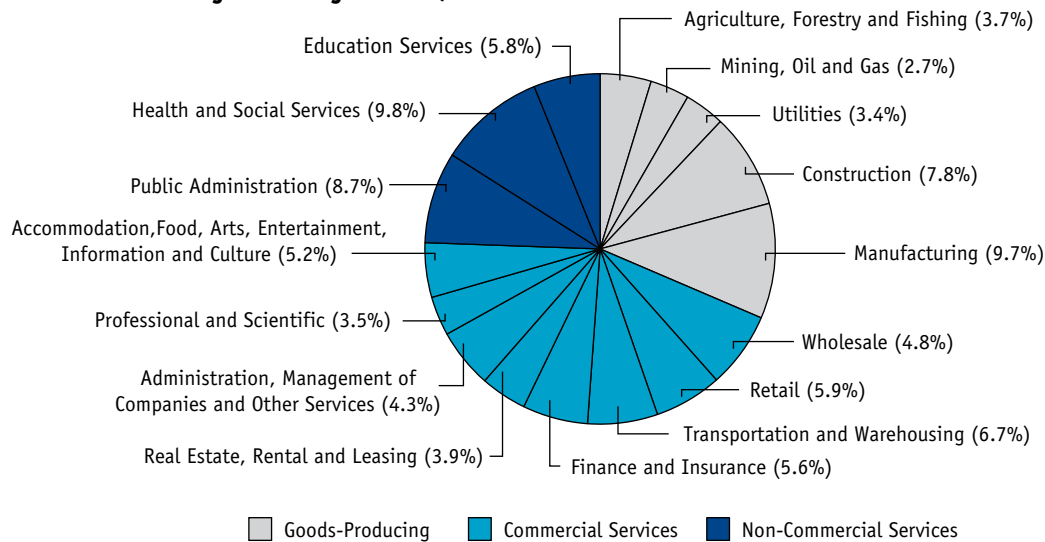
Health and Post Secondary Education Tax Levy tax thresholds increased from \$1.25 million to \$1.5 million and from \$2.5 million to \$3.0 million, effective January 1, 2021, saving an estimated 1,000 Manitoba small business owners a total of \$8.9 million annually.

A stable economy with competitive incentives is lifting investment in Manitoba. Capital spending in manufacturing reached \$1.1 billion in 2019, up from \$626 million 2016. Film production increased to a record \$270 million for 2018/19.

MANITOBA ECONOMIC DEVELOPMENTS

Strength in Diversity – Economic Growth, second highest among provinces over the past ten years.

Manitoba GDP By Industry Shares, 2018



Source: Manitoba Bureau of Statistics

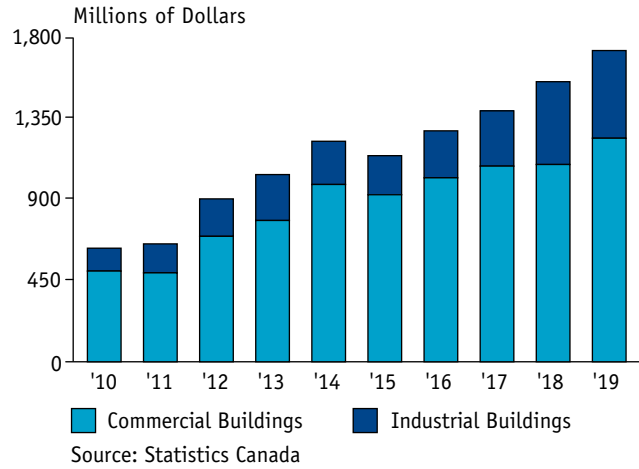
Despite the ongoing level of global economic and financial market uncertainty, the province is experiencing a boom in investment in private sector commercial, industrial and residential capital initiatives.

Some of the large and medium scale projects that have been recently completed, ongoing or announced, include:

- Roquette is constructing the world’s largest pea processing facility. The plant expects to process 125,000 tonnes of peas annually at the facility from 2020 onward. Roquette signed a multi-year pea protein supply agreement with Beyond Meat.
- Merit Functional Foods, in a joint venture with Burcon NutraScience, is constructing a new pea and canola processing plant, scheduled to be in production by fall 2020. Starting late 2020, the companies will partner with Nestlé to develop and commercialize its plant protein ingredients, with a focus on meat and dairy alternatives.
- Ubisoft opened a Winnipeg studio to work on AAA games.
- Paterson GlobalFoods is building a new oat processing facility.
- There are ongoing upgrades for Koch Fertilizer Canada.
- The Edible and Infusions Corporation combined with AgraFlora to become one of the largest cannabis edibles manufacturing facilities in North America.
- Simplot is more than doubling its processing capacity for frozen french fries and farmed potatoes.
- McCain Foods is upgrading their potato processing plants in Carberry and Portage la Prairie.

- The Canadian National Railway is improving the safety and efficiency of their system in Manitoba.
- Groupe Touchette, the largest Canadian-owned tire distributor, and Freightliner Manitoba, Manitoba’s highest-volume heavy-duty truck dealer, are some of the companies constructing new facilities in Manitoba, set to be complete in early 2020.
- Birchwood Automotive Group announced construction of new dealerships in Winnipeg, anticipating completion in 2020. This includes Lexus, Ford and Volkswagen.
- Construction of Focus Hyundai, a new automotive dealership, is also underway for Winnipeg, and is expected to be complete by spring 2020.

Private Sector Investment in Buildings, 2010–2019

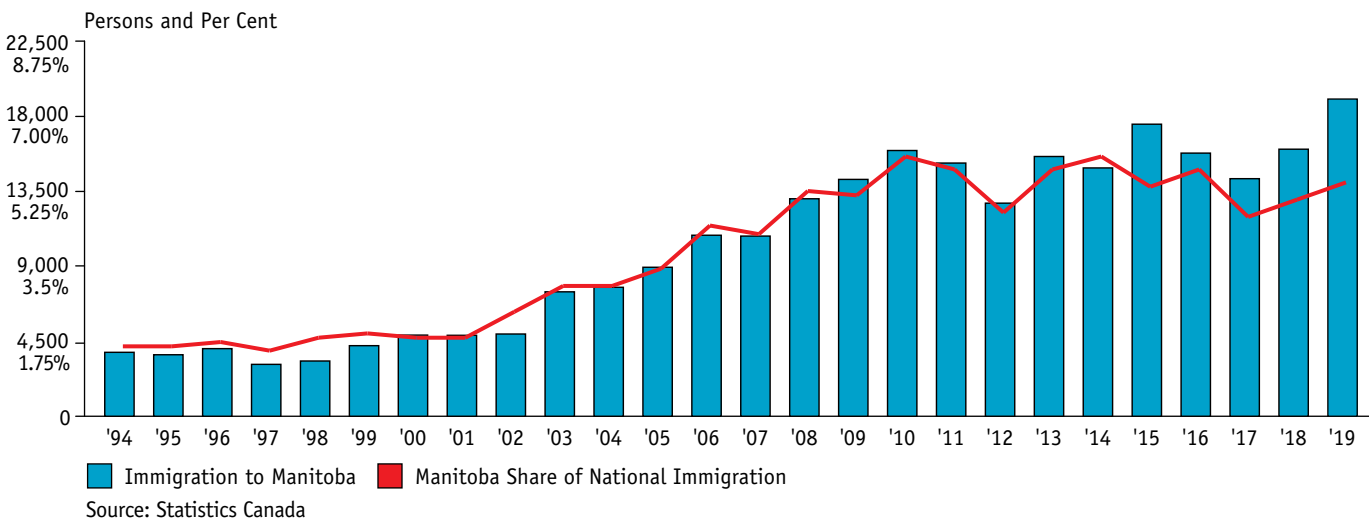


Population

Manitoba has the fifth largest population in Canada at 1,369,465 persons (July 1, 2019), or 3.6 per cent of Canada’s population. Population increased by 1.4 per cent annually over the last five years, third highest in Canada and well above the national average of 1.2 per cent annual growth.

In 2019, population increased by just over 16,000. The increase is above the 10-year average of 15,563 persons per year, and the 20-year average of 10,796 persons per year.

Immigration to Manitoba and Manitoba Share of Canadian Immigration, 1994-2019



Manitoba's relatively younger population, with a median age of 37.4 years, is tied for second lowest median age among provinces, and below Canada's 40.8 years. This bodes well for ongoing supply of labour for the province.

The rate of population growth has eased over the last three years, following the increase in immigration levels. In part, the substantial growth was due to humanitarian actions to

take in refugees from Syria, an increase in international students, as well as a relatively stable interprovincial out-migration, and a stable natural rate of increase (births less deaths).

Manitoba has one of the most successful immigration programs, known as the Manitoba Provincial Nominee Program (MPNP).

The renewal of the program builds on the Economic Action Plan by improving economic competitiveness, attracting new investment, fostering a skilled workforce, and encouraging new immigration.

The renewed program has four application streams:

- International Education
- Business Investor
- Skilled Worker in Manitoba
- Skilled Worker Overseas

Within these streams, two new pathways were introduced for international students: the International Student Entrepreneur Pathway and the Graduate Internship Pathway for international student graduates in Manitoba.

These pathways are tapping into a job-ready, growing segment of international students with a Manitoba education and Manitoba work experience.

In 2018, international student enrolment increased by 17 per cent, with 18,725 students from 100 countries. The MPNP nominated 1,923 international graduates for permanent residency. This was 36.9 per cent of total nominations, the largest number in the program's history.

Manitoba Provincial Nominee Program

Nominations by Connection to Manitoba

| Connection | Nominations | Share of Total | Approved |
|-----------------------------|--------------|----------------|--------------|
| Manitoba Graduate | 1,923 | 36.9% | 98.6% |
| Employment In Manitoba | 1,481 | 28.4% | 97.6% |
| Skilled Worker Overseas | 789 | 15.2% | 82.5% |
| Invitation To Apply To MPNP | 926 | 17.8% | 98.5% |
| Business | 88 | 1.7% | 46.1% |
| Total For 2018 | 5,207 | 100% | 93.8% |

Source: Manitoba Provincial Nominee Program

Labour Market

Manitoba has the most stable labour market in Canada. It is resilient, absorbing near record numbers of new working age population, while maintaining among the lowest unemployment rates in Canada.

Fluctuations in the market are minimal compared to other provinces. Manitoba’s supply and demand for labour has advanced at a steady 1.0 per cent pace since 1976. The share of full-time workers has consistently remained in a very narrow range, averaging 80.5 per cent in the past two decades.

Manitoba had the third lowest unemployment rate in 2019 at 5.3 per cent, an improvement from 6.0 per cent in 2018 and below the Canadian average of 5.7 per cent.

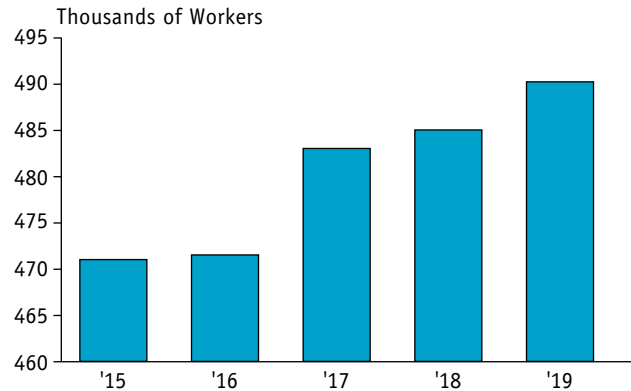
Job creation has been on a steady climb since 2016, increasing by 19,800 workers.

Last year, employment increased by 5,700 workers to a record 654,500 workers, a 0.9 per cent increase from 2018.

Private sector employment represented almost all of the gains last year, increasing by 5,100 jobs, while public sector jobs increased by 600.

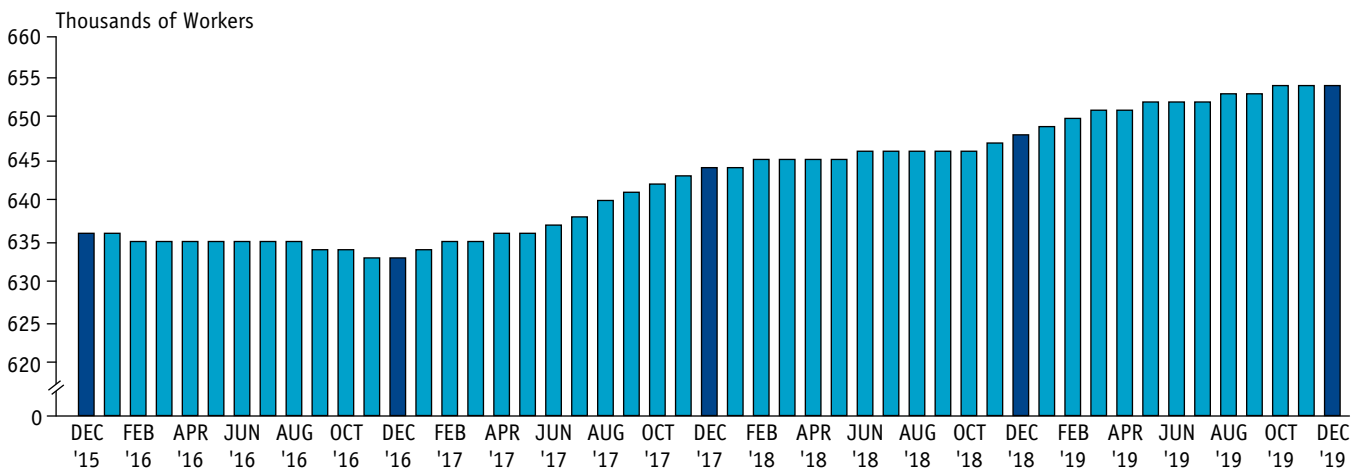
Additionally, full-time employment rose by 4,900 jobs, while part-time employment increased by 800 jobs.

Manitoba Private Sector Jobs, 2015-2019



Source: Statistics Canada

Manitoba Employment Level, Monthly at 12-Month Average, Dec 2015-Dec 2019



Sources: Statistics Canada and Manitoba Finance

Compensation of employees (labour income) is closely edging up to \$40 billion in Manitoba, currently estimated at \$37 billion. Labour income has increased by 3.0 per cent in 2019, after gaining 3.1 per cent and 4.5 per cent in 2018 and 2017, respectively.

Manufacturing is leading the growth at 9.1 per cent, followed by construction (6.0 per cent), agriculture (5.8 per cent), utilities (5.7 per cent), transportation and storage (5.6 per cent), and mining, oil and gas (5.5 per cent).

Capital Spending in Manitoba from Various Sources

Investment in Building Construction

Investment in building construction is the total value of capital spending on residential and non-residential properties by households, businesses and from all levels of government. It excludes land values and expenditure on engineering work (roads, bridges, railway tracks, dams, power lines and pipelines, among other engineering classifications).

This type of spending has broad implications on the overall growth of the economy, since it relies on goods and services from a number of other Manitoba industries, particularly construction, manufacturing, finance, insurance and real estate. Once the construction phase is complete, it adds to or revitalises the stock of long-term income generating properties.

Supported by solid growth in population and business confidence, overall spending on properties continues to set records in Manitoba.

Total investment in buildings increased to a record \$6.1 billion in 2019, up 6.9 per cent over 2018. Since 2016, spending on building construction increased by over \$1 billion in Manitoba.

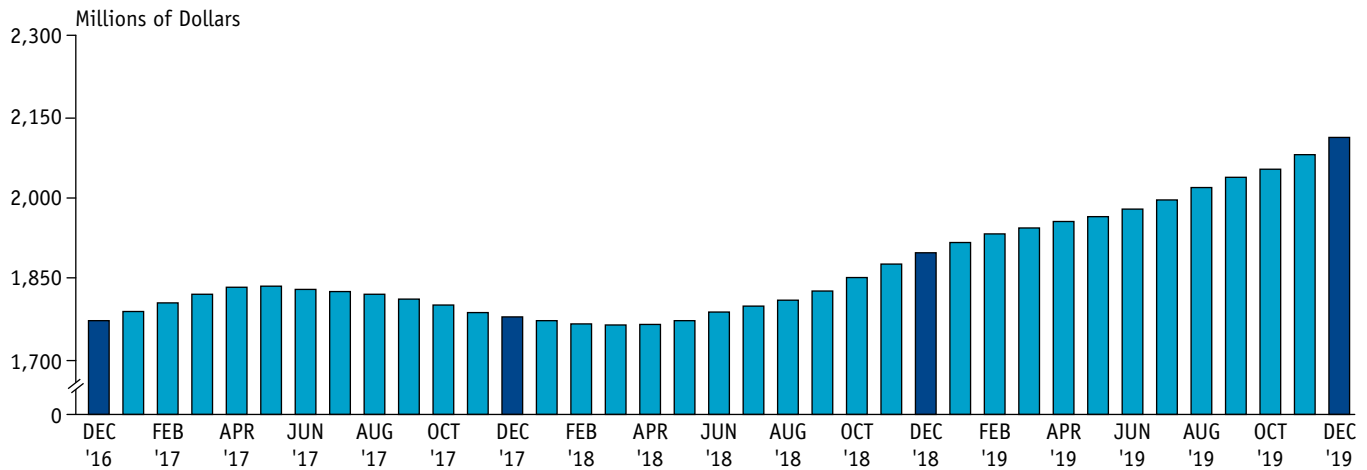
Investment in Non-Residential Buildings

Investment spending on non-residential structures increased by 11.3 per cent in 2019, to a record \$2.1 billion, a substantial gain from 6.7 per cent in 2018 and 0.4 per cent in 2017.

Investment in commercial buildings increased by 15.0 per cent, a \$165 million jump from 2018. This was primarily driven by a 69.4 per cent increase in spending on hotels and restaurants, up almost \$82 million. Spending on warehouses increased by 68.8 per cent, up \$72 million from 2018.

Investment on industrial buildings increased by 5.9 per cent, up \$27 million. Spending on factories increased by 49.2 per cent, up \$44 million. Investment on mining and agriculture-related buildings increased by 26.9 per cent, up \$21 million.

Total Investment in Non-Residential Building, Monthly at 12-Month Total, Dec 2016-Dec 2019



Sources: Statistics Canada and Manitoba Finance

Total spending on institutional and governmental buildings increased by 2.3 per cent, up \$8 million. Spending on public housing is up \$23.3 million, while spending on public schools is up \$4.4 million.

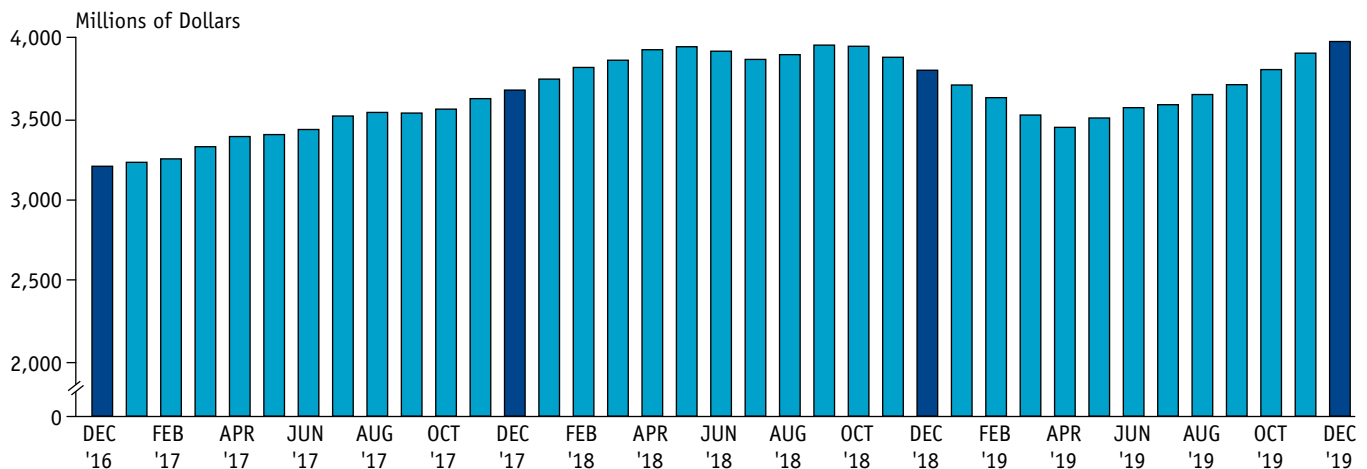
Investment in Residential Buildings

Investment in residential buildings rose to just under \$4 billion in 2019, increasing by 4.6 per cent to a new record and up by \$175 million from last year.

Investment in residential properties is lifted by spending on multiple units (8.9 per cent) and single-detached units (0.6 per cent). Multiples are primarily driven by doubles (62.5 per cent) and apartments (7.2 per cent).

In 2019, the province added 6,946 housing units, 2,740 single-detached units and 4,206 multiple units. Overall, the number of housing units being added remain historically high for the province.

Total Investment in Residential Building, Monthly at 12-Month Total, Dec 2016–Dec 2019



Source: Statistics Canada

Housing fundamentals are sound for this sector. According to Canada Mortgage and Housing Corporation, the province will continue to add new housing units at a similar pace to 2019, around 6,750 units in both 2020 and 2021.

Manitoba housing prices remain competitive nationally. In Winnipeg, the average price of a single-detached unit was \$324,122 in 2019, compared to \$321,945 in 2018. The average condominium was \$238,916 in 2019, compared to \$238,008 in 2018. Outside Winnipeg, single-detached unit price declined to \$305,035 in 2019, from \$308,320 in 2018.

Public and Private Capital Investment in Structures, Equipment, Repairs and Renovations by Industry

The annual Capital and Repair Expenditures Survey (CAPEX) collects data on capital and repair expenditures in Canada. According to the February 2020 release, Manitoba expects a decrease of 7.3 per cent in total capital spending in 2020, following a 3.4 per cent gain in 2019.

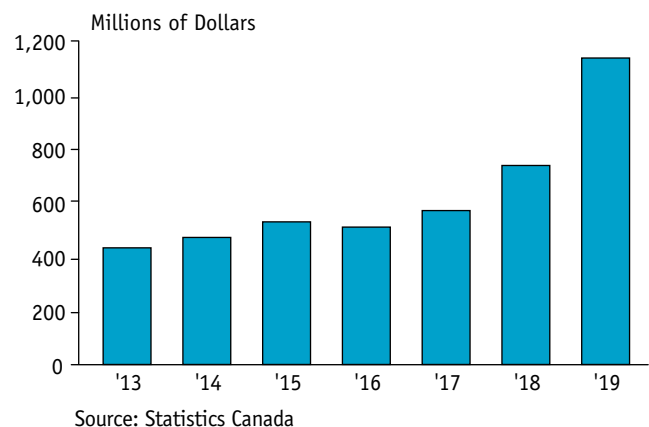
- **Private sector capital investment increased by 27 per cent in the last two years, second-highest among provinces.**
- **Capital investment in manufacturing increased by 54 per cent in 2019, highest among provinces.**
- **Capital investment in finance and insurance industry increased by 52 per cent in 2018, highest among provinces.**
- **Capital investment in mining, oil and gas increased by 71 per cent, since 2016, highest among province.**
- **Capital investment in transportation and warehousing increased by 48 per cent in 2018, second-highest among provinces.**

According to Statistics Canada, the manufacturing sector spent a record \$1.1 billion in 2019 on building construction and machinery and equipment, a 54.0 per cent increase over 2018. The national agency is expecting manufacturing capital spending to continue exceeding \$1.0 billion in 2020.

In 2020, capital investment in Manitoba is expected to increase in accommodation and food services (45.0 per cent), real estate and leasing (23.9 per cent), health care and social assistance (9.5 per cent), information and cultural (8.0 per cent), mining and oil and gas extraction (7.6 per cent), finance and insurance (6.9 per cent), and construction (6.8 per cent).

Capital investment in Manitoba is expected to decrease in transportation and warehousing (22.0 per cent), utilities (15.6 per cent), manufacturing (11.3 per cent), administration and support, and waste management (9.0 per cent), retail trade (8.5 per cent), education services (8.3 per cent), agriculture and forestry (2.5 per cent), public administration (1.5 per cent), and arts and recreation (0.5 per cent).

Capital Investment in Manufacturing, 2013–2019



Capital spending on machinery and equipment is expected to increase by 4.1 per cent in 2020, third highest among provinces. Industries leading spending on machinery and equipment include mining, quarrying and oil and gas extraction (213.8 per cent), public administration (18.0 per cent), and transportation and warehousing (9.7 per cent).

Mining, quarrying, and oil and gas extraction capital expenditure increased 14.0 per cent and exceeded \$698 million in 2019, and expects to exceed \$751 million in 2020. Capital expenditure for mining and quarrying alone recorded about \$275 million in 2019, and expected to exceed \$310 million in 2020.

Manitoba's wholesale capital spending, construction, machinery and equipment expects over \$312 million in 2020.

Sales Receipts from Industry Sources

Manufacturing Sales

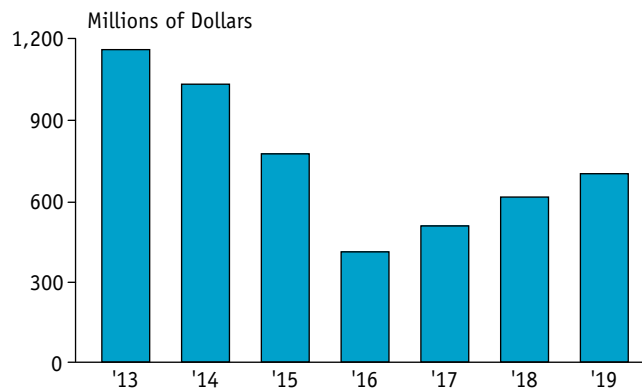
Manufacturing is Manitoba's largest industrial sector, accounting for 9.7 per cent of total economic production in 2018. Some of the larger manufacturing industries include food products, transportation equipment, chemical products, and machinery and equipment. The sector contributes 9.8 per cent of total employment and 10.9 per cent of total wages and salaries in Manitoba.

Manufacturing sales were \$19.4 billion in 2019. Sales were very stable after a strong pick-up in 2017 and 2018.

Reflecting diversity in the industry, sales from manufacturing industries moderated to a near even split between increases and decreases, and resulted in 0.1 per cent increase in 2019.

Manitoba manufacturing sales increased in four of ten subsectors, with notable increases coming from fabricated metals (10.3 per cent), transportation equipment (7.9 per cent), and printing (7.7 per cent). Sales decreased in electrical products (14.1 per cent), primary metals (9.2 per cent), machinery and equipment (6.2 per cent), and furniture (3.8 per cent).

Capital Investment in Mining and Oil Industry, 2013–2019



Source: Statistics Canada

Manufacturing is diversified, producing a wide range of consumer and industrial goods, with annual sales over \$19 billion in 2019.

Retail and Wholesale Trade

Retail trade employed nearly 70,000 workers in 2019, an annual increase of 1.0 per cent, accounting for about 10.7 per cent of all employees in Manitoba. Retail sales are increasing at a moderate pace to just over \$21 billion in 2019 (annual total in November).

Retail sales in Manitoba increased 1.2 per cent in 2019, after a 2.9 per cent increase in 2018. Similar to the national situation, a decline in automobile sales tempered retail sales in 2019.

Sales were primarily lifted by increases in health and personal care (14.9 per cent), gasoline (7.4 per cent), miscellaneous (7.0 per cent), building material and garden equipment (5.4 per cent). Retail sales decreased in electronics and appliances (29.1 per cent), motor vehicle and parts (4.5 per cent), and furniture (1.5 per cent).

Manitoba wholesale merchants employed around 18,500 workers in 2019, or about 2.8 per cent of Manitoba's total employees. Weekly earnings in wholesale averaged \$1,155 per week in 2019, which is 21.2 per cent higher than the overall industrial average of \$953 per week. Wholesale trade sales are just over \$19 billion in 2019 (annual total in November).

Total wholesale sales decreased 2.3 per cent in 2019. The decline is mostly due to a 13.0 per cent drop in shipments of agricultural supplies, which include agricultural seeds, fertilizers, herbicides and pesticides, and animal feed.

Wholesale sales increased in food, beverage and tobacco (6.3 per cent), motor vehicle and parts (2.6 per cent), farm products (0.6 per cent), and machinery, equipment and supplies (0.4 per cent). Wholesale sales decreased in miscellaneous (15.3 per cent), building material and supplies (1.5 per cent), and personal and household goods (0.8 per cent).

***Over 70,000 employed in Manitoba's retail industry, the largest employer in commercial services sector.
Over \$21 billion in sales in 2019.***

Agriculture Receipts and Production

Agriculture represents 3.7 per cent of Manitoba’s real GDP, and food and beverage processing adds another 2.3 per cent. Given the scale of the sector, crops, livestock and processed food products account for almost 37.0 per cent of international merchandise exports.

Manitoba farm cash receipts were estimated at \$6.6 billion for the year ending in the third quarter of 2019. Crops represent 61.0 per cent of total receipts, or \$4 billion, and livestock represents 36.0 per cent, or \$2.3 billion. The remaining 3.0 per cent were from direct payments (\$212 million). Manufacturing sales from food and beverage processing are at \$4.9 billion for the year ending in November 2019.

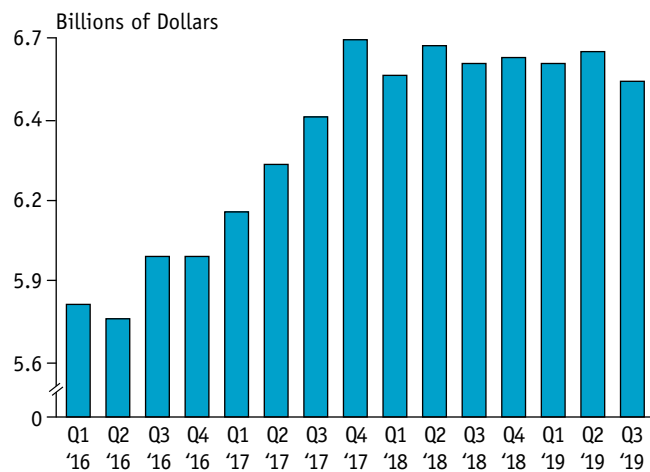
The 2019 crop season was challenging. Many growing regions experienced a cool start, extremely dry mid-season and record rainfall at harvest. Due to the wet conditions, a portion of the crop was left on the fields and a lot more dryers had to be used for the harvested crops.

Compared to the 2018 harvest, production declined for soybeans (35.2 per cent), canola (7.9 per cent) and corn for grain (1.2 per cent).

Production increased for rye (89.6 per cent), flaxseed (70.9 per cent), peas (56.3 per cent), sunflower (12.9 per cent), barley (5.6 per cent), wheat (3.4 per cent) and oats (0.7 per cent). In perspective, wheat harvest was a record, canola harvest was the third largest (2018 was the largest) and soybean harvest was the fifth largest.

Primarily lowered by canola and soybeans sales, crop receipts are down 5.0 per cent for the year ending in the third quarter of 2019. Receipts from livestock and dairy products increased by 4.4 per cent over the same period. Adding sales from Manitoba Dairy Ingredients and Parmalat processing plants, receipts from dairy products are up 7.1 per cent through the third quarter of 2019, following a 7.3 per cent rise in 2018 and a 10.9 per cent rise in 2017.

Total Farm Cash Receipts, Quarterly at Annual Total, 2016-2019



Source: Statistics Canada

Crop and livestock agri-businesses have strong ties to Manitoba’s food manufacturing, transportation and warehousing, retail and wholesale trade, as well as finance, insurance and real estate sectors.

Mining and Oil Production

Mining and petroleum is the third largest primary resource industry in Manitoba. In 2018, the sector produced 37.7 per cent of Canada's zinc, 12.7 per cent of Canada's silver, and 10.1 per cent of Canada's nickel.

Market conditions have not been favourable for the sector in recent years. Global demand conditions are weak. As a result, commodity prices remain low. Prices for zinc, crude oil and copper declined by 12.8 per cent, 12.5 per cent, and 8.1 per cent, respectively in 2019.

The quantity of Manitoba's metallic mining production in the first nine months of 2019, increased for zinc (11.7 per cent), while declining for copper (30.4 per cent), gold (15.9 per cent), and nickel (14.3 per cent).

Despite the malaise in the base metal market, capital expenditure for mining, quarrying, and oil and gas extraction sector increased by 29.4 per cent in 2019, to \$797 million, the highest since 2014.

In June 2019, the Manitoba government announced plans to establish a committee on mining and exploration to move forward on the goals of the province's Economic Growth Action Plan. The Manitoba Liaison Committee on Mining and Exploration will help manage mineral resources.

Capital investment in mining, oil and gas increased by 71 per cent since 2016, highest among provinces.

The committee's priority is to further attract business and investment in the sector, improve sustainability and reconciliation, and increase economic competitiveness and prosperity of northern Manitoba, while considering the mining industry's relationship with Indigenous and northern communities.

Similarly, the Manitoba government, in October 2019, established a new fund to help mineral and economic development initiatives in the north and throughout the province. Manitoba is providing \$20 million to establish the Manitoba Mineral Development Fund (MMDF). The MMDF will help the province to capitalize on existing mineral potential and opportunities within the north and across Manitoba.

International Merchandise Trade

International trade and international trade agreements play an important role in the economic development of the province. Global trade represents around 25 per cent of expenditures in the Manitoba economy. Exposure to global trade increased after Canada signed the original North American Free Trade Agreement and after the World Trade Organization (WTO) included China. This expanded the market for Manitoba business.

In the years following the Great Recession, the share of global sales has declined. Higher tariffs, ban on imports, and low resource prices affected Manitoba sales.

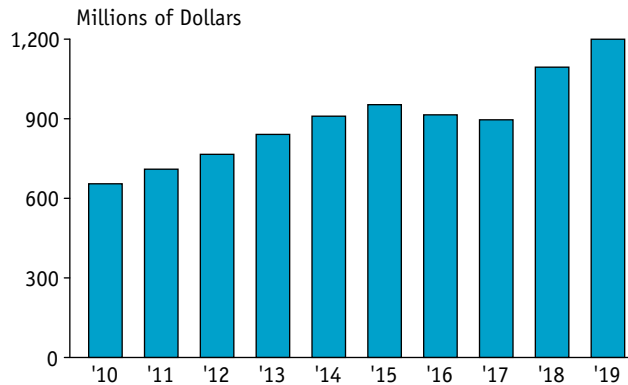
Global trade challenges are dampening Manitoba's international trade, slowing it to 2.1 per cent growth in 2019, down from a 11.6 per cent in 2018.

The suspension of Canadian canola seed imports into China prompted a 57 per cent reduction in export sales to China, the largest percent reduction among provinces and down from \$1.2 billion in 2018 to \$524 million in 2019.

This reduction in export sales is offset by a 9.6 per cent increase in sales to the U.S., and a 0.6 per cent increase in sales to other countries.

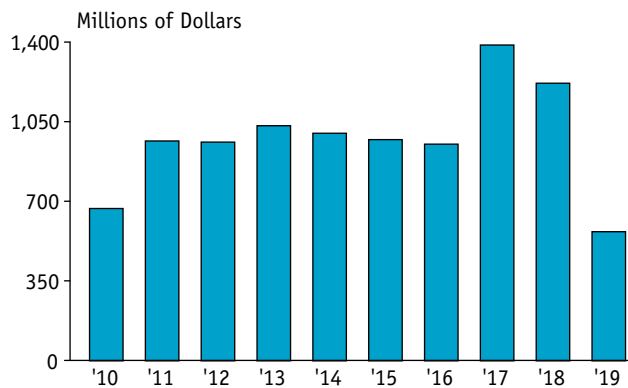
The recently signed international trade agreements that eliminate or reduce tariffs with Europe (Canada-European Union Comprehensive Economic and Trade Agreement) and Asia-Pacific (Comprehensive and Progressive Agreement for Trans-Pacific), is expected to gain traction as demand conditions improve.

International Merchandise Exports to U.S., 2010-2019



Source: Statistics Canada

International Merchandise Exports to China, 2010-2019



Source: Statistics Canada

Manitoba continues to lead work to fully implement the Canadian Free Trade Agreement and is taking on supporting internal and international trade. There are encouraging signs on the Canada-European Union Comprehensive Economic and Trade Agreement, and the Comprehensive and Progressive Agreement for Trans-Pacific.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Global economic growth is under pressure from significant trade restrictions, geopolitical tensions, commodity price dynamics, interest rate policies of major economies, and uncertainties related to public health and climate change events that can disrupt the movement of people and trade.

Trade-restrictive measures are by far having the largest financial impact. According to the WTO, G20 economies implemented 28 new restrictive measures in the form of tariff increases, import bans, and stricter customs procedures for imports in 2019 (mid-May to mid-October 2019), at an estimated value of U.S. \$460 billion. The cumulative impact of G20 measures from 2009 to 2018 is estimated at U.S. \$1.3 trillion.

To varying extents, these developments are affecting all economies by slowing manufacturing activity and dampening investment spending. Low commodity prices are in particular affecting resource-producing economies, like Canada.

Several central banks have reverted to easing credit conditions to spur economic growth. Since 2018, the U.S. reduced interest rates by 1.25 per cent, and Canada reduced rates by 0.50 per cent.

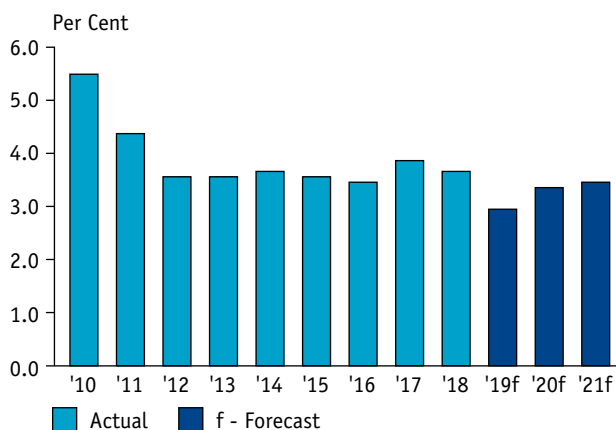
These developments have prompted downward revisions to the near-term outlook. In January, the International Monetary Fund (IMF) lowered its 2019 growth estimate to 2.9 per cent, the slowest since the Great Recession.

There are signs of the global economic slowdown bottoming out and the IMF expects global growth to lift to 3.3 per cent in 2020 and 3.4 per cent in 2021, driven by Asian, Middle Eastern and Sub-Saharan African economies.

The U.S. economy maintained momentum in 2019, following fiscal stimulus-fueled measures in 2018. Advance GDP estimates show U.S. real GDP growth at 2.3 per cent in 2019, down from 2.9 per cent in 2018.

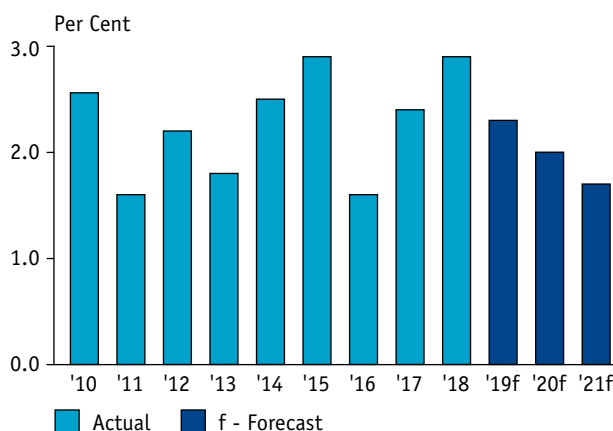
The largest contribution to U.S. growth was from consumer spending, followed by capital spending on intellectual property products and equipment. U.S. growth is projected to moderate to 2.1 per cent in 2020, as the momentum from stimulus programs fade, including the Tax Cuts and Jobs Act of 2017.

World Real GDP Growth, 2010–2021f



Source: International Monetary Fund

U.S. Real GDP Growth, 2010–2021f



Source: International Monetary Fund

The slowdown in China continued into 2019 as the country tackles several major challenges, including its tariff war with the U.S., high levels of debt and weak external demand.

After posting 6.6 per cent real GDP growth in 2018, growth is projected to slow to 6.1 per cent in 2019, and 5.8 per cent in 2020. The outbreak of the Novel Coronavirus could also materially impact growth in 2020, with implications for the global economy, given the highly integrated nature of international supply chains of goods and services.

CANADIAN ECONOMIC DEVELOPMENTS

Affected by global developments, Canadian economic growth slowed from 3.2 per cent growth in 2017 and 2.0 per cent growth in 2018, to 1.6 per cent in 2019.

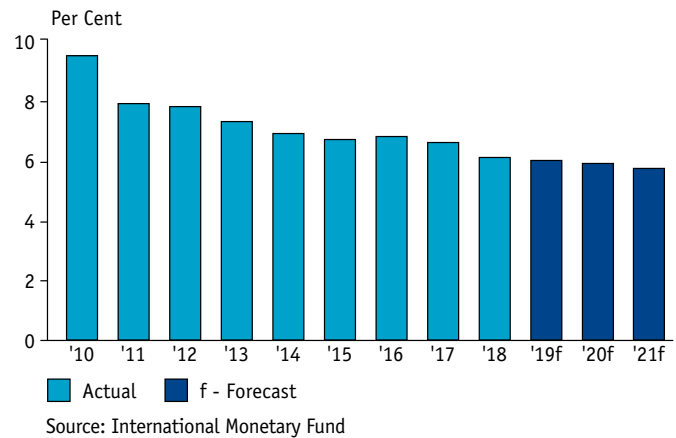
The slowdown is attributable to soft consumer spending, despite strong employment growth and earnings growth. Driven by a decline in automobile sales, retail sales were up by only 1.5 per cent in 2019, the slowest pace since the 2.9 per cent contraction in 2009.

Canadian employment rose by 2.1 per cent in 2019, the quickest since 2007 and roughly double the recent five-year average. The unemployment rate fell to 5.7 per cent, the lowest in 43 years. Average weekly earnings increased by 2.7 per cent, the strongest growth since 2010, and above the most recent five-year average increase of 1.7 per cent.

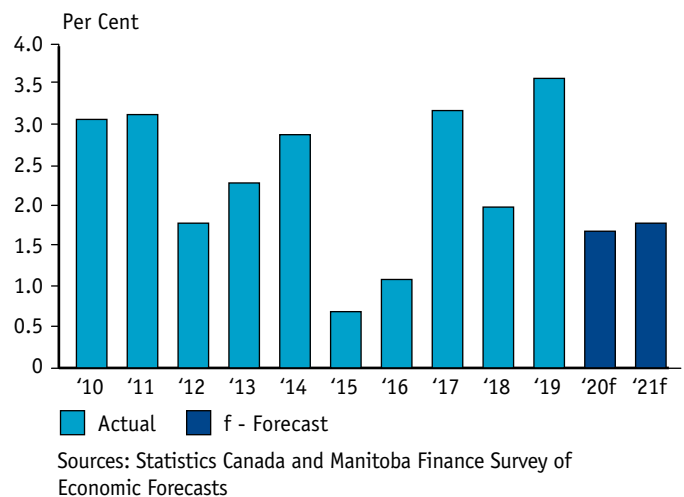
Stricter mortgage lending rules, coupled with higher interest rates, tempered growth in residential property values in the large urban markets and slowed new construction activity. Canadian housing starts declined by 2.0 per cent in 2019 and by 3.1 per cent in 2018.

Manitoba Finance Survey of Economic Forecasts indicates a 1.6 per cent growth in Canadian real GDP in 2019, and projects 1.7 per cent growth in 2020, and 1.8 per cent growth in 2021. Nominal GDP growth was 3.6 per cent in 2019, and is projected to be 3.6 per cent in 2020, increasing to 3.7 per cent in 2021.

China Real GDP Growth, 2010–2021f



Canada Real GDP Growth, 2010–2021f



MANITOBA ECONOMIC STATISTICS,

2015–2019

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------------------------------------|---------|---------|---------|---------|
| | (Millions of Dollars unless noted) | | | | |
| POPULATION | | | | | |
| July 1st estimates (in thousands) | 1,292.2 | 1,314.1 | 1,335.0 | 1,353.4 | 1,369.5 |
| GROSS DOMESTIC PRODUCT¹ | | | | | |
| Nominal (MBS) | 65,944 | 67,298 | 71,122 | 72,687 | 74,872 |
| Real (chained 2012 dollars) (MBS) | 63,627 | 64,549 | 66,575 | 67,431 | 68,151 |
| INVESTMENT | | | | | |
| Residential Construction (s.a.) | 3,264 | 3,195 | 3,659 | 3,780 | 3,919 |
| Housing Starts All Areas (Units) | 5,501 | 5,318 | 7,501 | 7,376 | 6,946 |
| Building Permits (s.a.) | 2,313 | 2,626 | 2,986 | 2,974 | 3,402 |
| Non-Res. Building Construction (s.a.) | 1,735 | 1,773 | 1,780 | 1,899 | 2,112 |
| Total Capital and Repair Investment ² | 9,493 | 8,862 | 9,140 | 9,392 | 9,712 |
| Private Capital Investment ² | 4,892 | 4,154 | 4,385 | 5,169 | 5,580 |
| Public Capital Investment ² | 4,600 | 4,708 | 4,755 | 4,223 | 4,132 |
| SECTORS | | | | | |
| Manufacturing (s.a.) | 17,718 | 17,652 | 18,819 | 19,367 | 19,393 |
| Retail Trade (s.a.) | 18,210 | 18,891 | 20,362 | 20,952 | 21,201 |
| Wholesale Trade (s.a.) | 17,205 | 17,814 | 18,956 | 19,280 | 18,835 |
| Farm Cash Receipts | 5,829 | 5,963 | 6,692 | 6,626 | 6,526 * |
| Crops | 3,201 | 3,622 | 4,277 | 4,199 | 3,930 * |
| Livestock | 2,323 | 2,119 | 2,233 | 2,247 | 2,378 * |
| Direct Payments | 305 | 222 | 178 | 180 | 236 * |
| Mining and Petroleum | 2,239 | 2,168 | 2,526 | 2,526 | n/a |
| FOREIGN MERCHANDISE EXPORTS | | | | | |
| Total | 13,752 | 13,451 | 13,886 | 15,501 | 15,820 |
| USA | 9,528 | 9,144 | 8,957 | 10,942 | 11,994 |
| Non-USA | 4,224 | 4,307 | 4,928 | 4,559 | 3,825 |
| LABOUR MARKET | | | | | |
| Labour Force (000s) | 674.1 | 674.9 | 680.9 | 688.8 | 690.0 |
| Employment (000s) | 636.2 | 633.6 | 644.1 | 647.7 | 653.4 |
| Participation Rate (%) | 68.3 | 67.6 | 67.2 | 67.2 | 66.5 |
| Unemployment Rate (%) | 5.6 | 6.1 | 5.4 | 6.0 | 5.3 |
| Youth Unemployment Rate (%) | 11.4 | 13.2 | 11.7 | 11.8 | 11.0 |
| Average Weekly Earnings (\$) | 880.2 | 888.9 | 911.0 | 936.7 | 954.9 |
| Compensation of Employees (\$M) | 33,098 | 33,443 | 34,947 | 36,017 | 37,114 |
| CONSUMER PRICE INDEX | | | | | |
| (2002 = 100) | 126.8 | 128.4 | 130.5 | 133.8 | 136.8 |

(s.a.) - Seasonally adjusted

* Year-to-date growth rate

¹ Manitoba Bureau of Statistics² 2019 is based on Statistics Canada's Capital and Repair Expenditure Survey (CAPEX)

| 2015 | 2016 | 2017 | 2018 | 2019 | |
|----------------------------|--------|--------|--------|---------|--|
| (Annual Percentage Change) | | | | | |
| 1.0 | 1.7 | 1.6 | 1.4 | 1.2 | POPULATION |
| | | | | | July 1st estimates |
| 2.5 | 2.1 | 5.7 | 2.2 | 3.0 | GROSS DOMESTIC PRODUCT¹ |
| 1.2 | 1.4 | 3.1 | 1.3 | 1.1 | Nominal (MBS) |
| | | | | | Real (chained 2012 dollars) (MBS) |
| 1.6 | (2.1) | 14.5 | 3.3 | 3.7 | INVESTMENT |
| (11.6) | (3.3) | 41.0 | (1.7) | (5.8) | Residential Construction (s.a.) |
| (17.9) | 13.5 | 13.7 | (0.4) | 14.4 | Housing Starts All Areas (Units) |
| (0.2) | 2.2 | 0.4 | 6.7 | 11.2 | Building Permits (s.a.) |
| 10.0 | (6.6) | 3.1 | 2.8 | (3.4) | Non-Res. Building Construction (s.a.) |
| (11.6) | (15.1) | 5.5 | 17.9 | 8.0 | Total Capital and Repair Investment ² |
| 48.6 | 2.3 | 1.0 | (11.2) | (2.2) | Private Capital Investment ² |
| | | | | | Public Capital Investment ² |
| 0.0 | (0.4) | 6.6 | 2.9 | 0.1 | SECTORS |
| 1.3 | 3.7 | 7.8 | 2.9 | 1.2 | Manufacturing (s.a.) |
| 1.1 | 3.5 | 6.4 | 1.7 | (2.3) | Retail Trade (s.a.) |
| (2.5) | 2.3 | 12.2 | (1.0) | (1.5) * | Wholesale Trade (s.a.) |
| (2.3) | 13.2 | 18.1 | (1.8) | (6.4) * | Farm Cash Receipts |
| (6.0) | (8.8) | 5.4 | 0.6 | 5.8 * | Crops |
| 31.7 | (27.2) | (19.7) | 0.8 | 31.3 * | Livestock |
| (27.7) | (3.2) | 16.5 | 0.0 | n/a | Direct Payments |
| | | | | | Mining and Petroleum |
| 2.2 | (2.2) | 3.2 | 11.6 | 2.1 | FOREIGN MERCHANDISE EXPORTS |
| 4.8 | (4.0) | (2.0) | 22.2 | 9.6 | Total |
| (3.1) | 2.0 | 14.4 | (7.5) | (16.1) | USA |
| | | | | | Non-USA |
| 1.8 | 0.1 | 0.9 | 1.2 | 0.2 | LABOUR MARKET |
| 1.5 | (0.4) | 1.7 | 0.6 | 0.9 | Labour Force |
| 2.0 | 1.0 | 2.5 | 2.8 | 1.9 | Employment |
| 4.2 | 1.0 | 4.5 | 3.1 | 3.0 | Average Weekly Earnings |
| | | | | | Compensation of Employees |
| 1.2 | 1.3 | 1.6 | 2.5 | 2.2 | CONSUMER PRICE INDEX |
| | | | | | (2002 = 100) |

(s.a.) - Seasonally adjusted

* Year-to-date growth rate

¹ Manitoba Bureau of Statistics² 2019 is based on Statistics Canada's Capital and Repair Expenditure Survey (CAPEX)

TAX AND FEE MEASURES

TAX AND FEE MEASURES

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FISCAL SUMMARY OF MEASURES

| | <u>2020/21</u> | <u>Full Year</u> |
|--|-----------------------|---------------------|
| | (Millions of Dollars) | |
| Retail Sales Tax Measures | | |
| Rate - <i>reduced</i> | -243.0 | -326.0 |
| Exemption for Preparing Personal Income Tax Returns - <i>introduced</i> | -4.5 | -5.5 |
| | <u>-247.5</u> | <u>-331.5</u> |
| Climate and Green Measures | | |
| Green Levy - <i>introduced</i> | 218.0 | 284.0 |
| Sales Tax Not Applicable to Green Levy - <i>introduced</i> | -3.6 | -4.8 |
| | <u>214.4</u> | <u>279.2</u> |
| Fee Measures | | |
| Vehicle Registration Fees - <i>reduced</i> | -11.0 | -15.0 |
| Probate Fees - <i>eliminated</i> | -7.8 | -7.8 |
| | <u>-18.8</u> | <u>-22.8</u> |
| Health Measure | | |
| Tobacco Tax - <i>increased</i> | 2.3 | 3.0 |
| Business Measures | | |
| Health and Post-Secondary Education Tax Levy - <i>increased thresholds</i> | -2.2 | -8.9 |
| Film and Video Production Tax Credit - <i>enhanced</i> | -5.3 | -6.3 |
| Child Care Centre Development Tax Credit - <i>increased spaces</i> | -1.0 | -1.0 |
| Manufacturing Investment Tax Credit - <i>adjusted</i> | 3.5 | 5.0 |
| | <u>-5.0</u> | <u>-11.2</u> |
| Tax Credit Extensions | | |
| Manufacturing Investment Tax Credit | - | - |
| Mineral Exploration Tax Credit | - | - |
| Cultural Industries Printing Tax Credit | - | - |
| Community Enterprise Development Tax Credit | - | - |
| | <u>-</u> | <u>-</u> |
| Total Fiscal Impact | <u><u>-54.6</u></u> | <u><u>-83.3</u></u> |

Note: A negative amount is a cost to government and a benefit to taxpayers.

RETAIL SALES TAX MEASURES

Retail Sales Tax Rate

2020/21 fiscal impact: -\$243.0 million

The general retail sales tax rate will decrease from seven per cent to six per cent, effective July 1, 2020.

The estimated full-year savings to Manitobans and businesses is \$326 million (2021/22), approximately \$176 million of which is for households and \$134 million for the business sector. The remaining savings are estimated to benefit the three levels of government.

This retail sales tax rate reduction, along with the 2019 tax rate reduction, represents a 25 per cent decrease (eight per cent to six per cent) and will benefit all taxpayers.

With the decrease, Manitoba's retail sales tax rate will be tied with Saskatchewan for the second lowest rate in Canada (or tied for lowest among sales tax provinces, excluding Alberta), as follows:

Interprovincial Comparison of Sales Tax Rates

| Province | Type | GST (%) | PST (%) | Total Tax Rate (%) |
|--------------------------------------|------------------|----------|----------|--------------------|
| Alberta | GST | 5 | - | 5 |
| Manitoba (as of July 1, 2020) | GST + PST | 5 | 6 | 11 |
| Saskatchewan | GST + PST | 5 | 6 | 11 |
| British Columbia | GST + PST | 5 | 7 | 12 |
| Ontario | HST | 5 | 8 | 13 |
| Quebec | GST + QST | 5 | 9.975 | 14.975 |
| New Brunswick | HST | 5 | 10 | 15 |
| Newfoundland and Labrador | HST | 5 | 10 | 15 |
| Nova Scotia | HST | 5 | 10 | 15 |
| Prince Edward Island | HST | 5 | 10 | 15 |

GST – Goods and Services Tax, HST – Harmonized Sales Tax, PST – Provincial Sales Tax, QST – Quebec Sales Tax

The following retail sales tax rates will also decrease, effective July 1, 2020:

- The rate on electricity used by qualifying manufacturing, mining and oil well operators will decrease from 1.4 per cent to 1.2 per cent.
- The rate on mixed uses of electricity and natural gas used for home heating, heating and cooling of farm buildings, and operating farm grain dryers, will decrease from 1.4 per cent to 1.2 per cent.

- The rate on mobile home, modular and ready-to-move homes will decrease from 4 per cent to 3.5 per cent.
- The prorated vehicle tax rates for commercial trucking will be adjusted for the lower general retail sales tax rate of 6 per cent.

Amendments passed in 2016 under The Fiscal Responsibility and Taxpayer Protection Act ensure that the retail sales tax rate cannot be increased without a public referendum.

For more information, please contact Location D, page 51.

Retail Sales Tax Exemption for Preparing Personal Income Tax Returns

2020/21 fiscal impact: -\$4.5 million

The preparation of personal income tax returns will be exempted from retail sales tax effective October 1, 2020, as was committed to under the Manitoba Government's \$2,020 Tax Rollback Guarantee. This ensures the preparation of personal income tax returns for the 2020 taxation year will be exempted from retail sales tax.

For more information, please contact Location D, page 51.

CLIMATE AND GREEN MEASURES

Green Levy

2020/21 fiscal impact: +\$218 million

Manitoba will introduce a green levy at a flat rate of \$25 per tonne of carbon dioxide equivalent (tCO₂e) emissions, effective July 1, 2020. It will apply to gas, liquid, and solid fuel products intended for combustion (referred to as fuels). The green levy is estimated to generate \$218 million in revenue in 2020/21, or \$284 million on a full year basis in 2021/22.

The table provides the green levy rates for the main types of fuel consumed in Manitoba.

The existing rules for the proration of fuel-use charges to a jurisdiction for railway companies and commercial trucking under the International Fuel Tax Agreement will also apply to the green levy in Manitoba.

Certain fuel uses will not be subject to the green levy. Exemptions are provided to protect Manitoba sectors and industries that are trade-exposed to jurisdictions which do not have a comparable carbon price, to protect Manitoba's agricultural sector, and to apply the green levy only on emissions occurring in Manitoba. In addition to these fossil fuel exemptions, other emissions, including from agricultural processes, as well as from landfills and other sources, will also be exempted. An overview of the main exemptions is outlined below, and will result in savings to these industries of approximately \$33 million per year.

| Fuel Type | Green Levy Rate Per Unit |
|------------------|---------------------------------|
| Gasoline | 5.30 ¢/L |
| Diesel | 6.74 ¢/L |
| Natural Gas | 4.74 ¢/m ³ |
| Propane | 3.87 ¢/L |

Agricultural process emissions: All agricultural process-related emissions are exempted from the green levy (e.g., emissions from soil and animals).

Marked fuels: All marked fuels, including marked gasoline and marked diesel, will be exempted from the green levy. It's estimated that 90 per cent of marked fuels in Manitoba are consumed in the agricultural sector, with the remainder consumed by the fishing, forestry, mining and other sectors. Exempting all eligible marked fuel uses from the levy will ease the compliance requirement on fuel providers and users.

Output-Based Pricing System (OBPS) Entities: The OBPS will apply to entities emitting at least 50,000 tCO₂e per year, with smaller emitters able to opt-in upon review and approval by the government.

The green levy on transportation fuels will be collected and remitted to the province through the existing fuel tax system. The green levy on natural gas will be collected by Manitoba Hydro. Green levies on other carbon-intensive fuels will be required to be collected and remitted by the purchaser to the province.

Additional administrative guidance will be made available on the collection of the green levy.

For more information, please contact Location D, page 51.

Retail Sales Tax Not Applicable to Green Levy

2020/21 fiscal impact: -\$3.6 million

The green levy on natural gas and coal will be exempted from retail sales tax. A similar exemption is not required for gasoline, diesel and propane as they are not subject to retail sales tax.

For more information, please contact Location D, page 51.

Fiscal Impact of the Retail Sales Tax Rate Reduction and the Green Levy

The fiscal impact of the retail sales tax rate reduction will more than offset the revenues from the implementation of the made-in-Manitoba green levy, as follows:

| | <u>2020/21</u> | <u>2021/22</u> | <u>2022/23</u> | <u>2023/24</u> |
|---|----------------|----------------|----------------|----------------|
| Green Levy - July 1, 2020 | \$218M | \$284M | \$278M | \$271M |
| Sales Tax Rate Cut to 6% - July 1, 2020 | \$(243)M | \$(326)M | \$(337)M | \$(346)M |
| Fiscal impact | \$(25)M | \$(42)M | \$(59)M | \$(75)M |

Note:

- A negative amount is a cost to government and a benefit to taxpayers.

FEE MEASURES

Reduction in Vehicle Registration Fees

2020/21 fiscal impact: -\$11.0 million

Vehicle registration fees will be reduced by 10 per cent, starting with renewals after June 30, 2020. This measure is the first step in the government's commitment to roll back the increase to vehicle registration fees by 30 per cent by 2023. The vehicle registration fee reduction applies to non-commercial vehicles, including passenger vehicles, trucks, trailers, motorcycles/mopeds, and off-road vehicles.

For more information, please contact Location H, page 51.

Elimination of Probate Fees

2020/21 fiscal impact: -\$7.8 million

When an estate of a deceased person requires probating, probate fees are payable on the value of that person's estate. The current probate fee is \$70 on the first \$10,000 value of the estate and then \$7 per \$1,000 or portion of a \$1,000 thereafter. Beginning on July 1, 2020, applications made to the Court of Queen's Bench for the probate of an estate of a deceased person will no longer require the payment of any probate fees.

Manitoba will be the first western province to eliminate probate fees, as was committed to under the Manitoba Government's \$2,020 Tax Rollback Guarantee.

For more information, please contact Location G, page 51.

HEALTH MEASURE

Tobacco Tax

2020/21 fiscal impact: +\$2.3 million

The following tobacco tax rates will change, effective July 1, 2020:

- cigarettes from 30.0¢ to 30.5¢ each
- fine cut tobacco from 45.5¢ to 46.0¢ per gram
- raw leaf tobacco from 27.5¢ to 28.0¢ per gram
- other tobacco products from 29.0¢ to 29.5¢ per gram

This increase ensures the total retail price of tobacco will remain approximately the same once the sales tax rate decreases to six per cent on July 1, 2020.

For more information, please contact Location D, page 51.

BUSINESS MEASURES

Health and Post-Secondary Education Tax Levy

2020/21 fiscal impact: -\$2.2 million

Effective January 1, 2021, the exemption threshold is raised from \$1.25 million to \$1.5 million of annual remuneration. In addition, the threshold below which employers pay a reduced rate is raised from \$2.5 million to \$3.0 million.

The new higher thresholds will benefit approximately 1,000 Manitoba employers, including exempting approximately 220 Manitoba employers.

For more information, please contact Location D, page 51.

Film and Video Production Tax Credit

2020/21 fiscal impact: -\$5.3 million

Effective for principal photography that begins after May 31, 2020, a new Manitoba Production Company Bonus of eight per cent is added to the 30 per cent cost-of-production credit under the Film and Video Production Tax Credit, increasing the total cost-of-production credit up to 38 per cent. This enhanced cost-of-production credit is intended to encourage more pre- and post-production film and video activity in Manitoba.

The Film and Video Production Tax Credit is a refundable corporation income tax credit designed to promote the growth of the Manitoba film and video production industry. The tax credit is available for qualifying producers of eligible Manitoba productions and co-productions. Eligible Manitoba productions and co-productions may choose the cost-of-salaries credit (of up to 65 per cent of eligible salaries) or the cost-of-production credit of up to 38 per cent (up from 30 per cent) of eligible expenses.

The Film and Video Production Tax Credit was made permanent in Budget 2019.

For more information, please contact Location E, page 51.

Child Care Centre Development Tax Credit

2020/21 fiscal impact: -\$1.0 million

Effective after budget day, the existing child care spaces limit is increased by 474 spaces, from 208 to 682 spaces, to support growing interest in work place child care. In addition, the maximum daily amount that can be charged is eliminated, allowing eligible corporations to partner with for-profit child care centres and permit non-profit child care centres developed under the tax credit, to establish parent fees that support their business.

This refundable corporation income tax credit stimulates the creation of licensed child care centres in work places. The tax credit is available for private corporations not primarily engaged in child care services that create new child care centres, for a total benefit of \$10,000 per new infant or preschool space created, claimable over five years.

For more information, please contact Location F, page 51.

Manufacturing Investment Tax Credit

2020/21 fiscal impact: +\$3.5 million

Effective for qualifying property acquired and available for use after June 30, 2020, the refundable portion of the Manufacturing Investment Tax Credit is reduced from seven per cent to six per cent, to align with the sales tax rate reduction. The one per cent non-refundable portion is not impacted by this change.

For more information, please contact Location B, page 51.

TAX CREDITS EXTENSIONS

The **Manufacturing Investment Tax Credit**, scheduled to expire on December 31, 2020, is made permanent. This credit supports businesses by providing a seven per cent tax credit (six per cent refundable and a one per cent non-refundable) that acquire qualified plant, machinery and equipment for use in manufacturing or processing in Manitoba.

For more information, please contact Location B, page 51.

The **Mineral Exploration Tax Credit**, scheduled to expire on December 31, 2020, is extended for three years to December 31, 2023. This credit supports Manitobans who invest in flow-through shares of qualifying mineral exploration companies engaged in mineral operations in Manitoba and is equal to 30 per cent of investments in flow-through shares.

For more information, please contact Location B, page 51.

The **Cultural Industries Printing Tax Credit**, scheduled to expire on December 31, 2020, is extended for one year to December 31, 2021. This tax credit promotes the growth of Manitoba's printing industry, with a 35 per cent refundable credit on salary and wages paid to Manitoba employees.

For more information, please contact Location E, page 51.

The **Community Enterprise Development Tax Credit**, scheduled to expire on December 31, 2020, is extended for one year to December 31, 2021. This program supports Manitoba-resident investors to invest in business opportunities in their communities and assist community-based enterprise development projects to raise local equity capital by providing a 45 per cent refundable tax credit on eligible shares.

For more information, please contact Location C, page 51.

ADMINISTRATIVE AND TECHNICAL TAX MEASURES

The Tax Administration and Miscellaneous Taxes Act

- Enabling the Independent Tax Appeals Commission to hear land transfer tax notice of objections and protests.
- Enhancing enforcement and administration measures.

For more information, please contact Location A, page 51.

The Income Tax Act (Manitoba)

Registration of Tax Rebate Discounters

Effective for the 2020 taxation year, the requirement to register with the Province of Manitoba as a tax rebate discounter and the associated registration fee are eliminated. Manitoba was the only province that registered tax rebate discounters. Manitoba discounters will be required to register with the Canada Revenue Agency, consistent with other provinces.

The **Primary Caregiver Tax Credit** provisions will be amended to require a renewal every three years.

For more information, please contact Location B, page 51.

The Optometry Act

Amendments will be made to allow optometrists to provide their professional services through a professional corporation.

\$2,020 TAX ROLLBACK GUARANTEE

The \$2,020 Tax Rollback Guarantee announced in 2019 will save Manitobans an average of \$2,020 in tax over the next four years by removing unnecessary taxes and fees so people can keep more of their hard-earned money.

The table below provides a current status update on this commitment:

| Tax Measure | Implementation Date |
|---|----------------------------|
| Indexing of Basic Personal Amount and Personal Income Tax Brackets | January 1, 2017 |
| Retail Sales Tax Rate Reduction from eight per cent to seven per cent | July 1, 2019 |
| Retail Sales Tax Exemption - Preparing Wills | January 1, 2020 |
| Retail Sales Tax Rate Reduction from seven per cent to six per cent | July 1, 2020 |
| Elimination of Probate Fees | July 1, 2020 |
| Vehicle Registration Fee Reduction | July 1, 2020 |
| Retail Sales Tax Exemption - Preparing Personal Income Tax Returns | October 1, 2020 |

These remaining \$2,020 Tax Rollback Guarantee tax measures are still to be implemented:

- Removing sales tax from home insurance.
- Removing sales tax from personal services.
- Phasing out of education property taxes.

CONTACTS FOR FURTHER INFORMATION

| | | | |
|----------|---|----------------------------------|---|
| A | Finance Research Division Manitoba Finance | Telephone E-mail | 204-945-3757 feedbackfin@gov.mb.ca |
| B | Manitoba Tax Assistance Office Manitoba Finance | Telephone Toll-free E-mail | 204-948-2115 in Winnipeg 1-800-782-0771 tao@gov.mb.ca |
| C | Economic Policy and Programs Branch Manitoba Economic Development and Training | Telephone E-mail | 204-945-2770 EcDevPrograms@gov.mb.ca |
| D | Taxation Division Manitoba Finance | Telephone Toll-free E-mail | 204-945-5603 in Winnipeg 1-800-782-0318 mbtax@gov.mb.ca |
| E | Arts Branch Manitoba Sport, Culture and Heritage | Telephone E-mail | 204-945-3847 artsbranch@gov.mb.ca |
| F | Early Learning and Child Care Program Manitoba Families | Telephone Toll-free E-mail | 204-945-0776 in Winnipeg 1-888-213-4754 cdcinfo@gov.mb.ca |
| G | Court of Queen's Bench Probate Division Manitoba Justice | Telephone E-mail | 204-945-2086 in Winnipeg ProbateInquiry@gov.mb.ca |
| H | Manitoba Public Insurance Contact Centre | Telephone Toll-free | 204-985-7000 1-800-665-2410 |

For further information on government programs, individuals can contact Manitoba Government Inquiry by calling 204-945-3744 in Winnipeg or toll-free 1-866-626-4862, or by e-mail at mgj@gov.mb.ca.

INTERPROVINCIAL COMPARISON OF 2020 TAX RATES

Rates effective in 2020/21^a

| | CAN | BC | AB | SK | MB | ON |
|-----------------------------------|--------|-------------------|--------|--------|-------------------------|--------------------|
| Personal Income Tax | | | | | | |
| Basic Personal Amount (\$) | 13,229 | 10,949 | 19,369 | 16,065 | 9,838 | 10,783 |
| Top Rate (%) | 33.00 | 20.50 | 15.00 | 14.50 | 17.40 | 20.53 ^b |
| Health Care Premiums (\$) | | ^c | | | | 900 |
| Health and Education Tax (%) | | 1.95 ^d | | | 2.15^e | 1.95 ^f |
| Corporation Income Tax (%) | | | | | | |
| Small | 9.0 | 2.0 | 2.0 | 2.0 | 0.0 | 3.2 |
| Large | 15.0 | 12.0 | 10.0 | 12.0 | 12.0 | 11.5 |
| Small Business Limit (\$000) | 500 | 500 | 500 | 600 | 500 | 500 |
| Capital Tax on Banks (%) | | | | | | |
| | | | | 4 | 6 | |
| Sales Tax (%) | | | | | | |
| | 5 | 7 | | 6 | 6ⁱ | 8 |
| Tobacco Tax (¢/cigarette) | | | | | | |
| | 12.421 | 29.5 | 27.5 | 27.0 | 30.5^j | 18.475 |
| Fuel Tax | | | | | | |
| Gasoline (¢/L) | 10.0 | 14.5 | 13.0 | 15.0 | 14.0 | 14.7 |
| Diesel (¢/L) | 4.0 | 15.0 | 13.0 | 15.0 | 14.0 | 14.3 |
| Carbon Tax^{k,l} | | | | | | |
| Gasoline (¢/L) | | 10.01 | 6.63 | 6.63 | 5.30^l | 6.63 |
| Diesel (¢/L) | | 11.51 | 8.05 | 8.05 | 6.74^l | 8.05 |

^a Data as of February 29, 2020.

^b Includes provincial surtax.

^c The BC Medical Services Plan was eliminated as of January 1, 2020.

^d Employers with BC remuneration of \$500,000 or less don't pay employer health tax. Between \$500,000.01 and \$1.5 million pay the reduced tax amount of 2.925 per cent. Employers with more than \$1.5 million pay the tax on their total BC remuneration at 1.95 per cent.

^e Effective January 1, 2021, MB employers with total remuneration in a year of \$1.5 million or less are exempted. MB employers with up to \$3.0 million of remuneration pay 4.3 per cent on the amount in excess of \$1.5 million. Employers with more than \$3.0 million pay the tax on their total MB remuneration at 2.15 per cent.

^f The ON Employer Health Tax rates vary from 0.98 per cent on payroll less than \$200,000 and up to 1.95 per cent for payroll in excess of \$400,000.

^g The QC Health Services Fund contribution rates vary from 1.25 per cent to 4.26 per cent dependent upon sector and total payroll. Employers, other than a public-sector employer, with total payroll less than \$6 million are eligible for the reduced contribution rates.

^h The NL Health and Post Secondary Education Tax, at a rate of 2 per cent, is payable by employers whose annual remuneration that exceeds \$1.3 million.

ⁱ MB retail sales tax rate effective July 1, 2020.

^j MB tobacco tax rate effective July 1, 2020.

^k On April 1st, 2019, the federal government implemented a carbon pricing system in provincial jurisdictions that do not have a carbon pricing system that aligns with the federal benchmark. The federal government fuel charge applies in SK, ON, and NB.

^l Rates apply to April 1, 2020 to March 31, 2021. MB rates effective July 1, 2020.

^m NS operates under a provincial Cap-and-Trade program, the figures listed in the table are estimated costs.

| QC | NB | NS | PE | NL | |
|-------------------|--------|-------------------|--------------------|-------------------|----------------------------------|
| | | | | | Personal Income Tax |
| 15,532 | 10,459 | 8,481 | 10,000 | 9,498 | Basic Personal Amount (\$) |
| 25.75 | 20.30 | 21.00 | 18.37 ^b | 18.30 | Top Rate (%) |
| | | | | | Health Care Premiums (\$) |
| 4.26 ^g | | | | 2.00 ^h | Health and Education Tax (%) |
| | | | | | Corporation Income Tax (%) |
| 5.0 | 2.5 | 2.5 | 3.0 | 3.0 | Small |
| 11.5 | 14.0 | 14.0 | 16.0 | 15.0 | Large |
| 500 | 500 | 500 | 500 | 500 | Small Business Limit (\$000) |
| | 5 | 4 | 5 | 6 | Capital Tax on Banks (%) |
| 9.975 | 10 | 10 | 10 | 10 | Sales Tax (%) |
| 14.9 | 25.52 | 29.52 | 25.0 | 24.5 | Tobacco Tax (¢/cigarette) |
| | | | | | Fuel Tax |
| 19.2 | 15.5 | 15.5 | 8.47 | 16.5 | Gasoline (¢/L) |
| 20.2 | 21.5 | 15.4 | 14.15 | 16.5 | Diesel (¢/L) |
| | | | | | Carbon Tax^{k,l} |
| 4.92 | 6.63 | 0.94 ^m | 6.63 | 4.42 | Gasoline (¢/L) |
| 6.26 | 8.05 | 1.20 ^m | 8.05 | 5.37 | Diesel (¢/L) |

FISCAL ARRANGEMENTS

FISCAL ARRANGEMENTS

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INTRODUCTION

Federal transfers are important tools that assist individuals and help to ensure all governments have adequate revenues to meet their spending responsibilities. These transfers help foster a strong Canadian economic and social union.

The major transfers include the Canada Health Transfer (CHT), the Canada Social Transfer (CST), Equalization (EQ) and Territorial Formula Financing (TFF). In 2020/21, these transfers are projected to total \$81.7 billion. Another \$55.9 billion in federal transfers are administered directly by departments and agencies, often on a cost-shared basis.

Major transfers to persons consist of elderly benefits, Employment Insurance (EI) and children's benefits. Major transfers to persons are projected to total \$105.3 billion in 2020/21.

MAJOR TRANSFERS TO PROVINCES AND TERRITORIES

All provinces and territories receive the CHT and CST, and all provinces have received support from the Equalization program at one time or another. Without adequate major federal transfers, provinces and territories would have little option but to reduce the level of services offered to residents, increase taxes or increase borrowing.

While Manitoba's Equalization entitlement has seen exceptional growth in the past three years, total federal transfers as a share of Manitoba revenue are still rebounding after declines in the last decade. From about 2000/01 to 2011/12, federal transfers to Manitoba accounted for about 30 per cent of revenues. The federal share began dropping in 2012/13 and fell to almost 25 per cent in 2015/16 before beginning to rebound. Only now, in 2020/21, are we getting close to returning to that 30 per cent benchmark.

Major Federal Transfers to Manitoba, 2009/10 to 2020/21

| | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 |
|-----------------|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | (Millions of Dollars) | | | | | | | | | | | |
| CHT | 903 | 943 | 993 | 1,057 | 1,124 | 1,156 | 1,229 | 1,310 | 1,357 | 1,410 | 1,471 | 1,521 |
| CST | 392 | 404 | 418 | 426 | 440 | 453 | 468 | 485 | 502 | 518 | 531 | 546 |
| EQ | 2,063 | 1,826 | 1,666 | 1,671 | 1,792 | 1,750 | 1,738 | 1,736 | 1,820 | 2,037 | 2,255 | 2,510 |
| TTP | | 175 | 276 | 201 | 7 | | | | | | | |
| Total | 3,359 | 3,348 | 3,352 | 3,355 | 3,363 | 3,359 | 3,436 | 3,531 | 3,680 | 3,964 | 4,258 | 4,576 |
| Per Capita (\$) | 2,783 | 2,746 | 2,721 | 2,688 | 2,660 | 2,626 | 2,656 | 2,684 | 2,761 | 2,932 | 3,114 | 3,310 |

Note: Totals may not add due to rounding.

Note: Federal Total Transfer Protection (TTP) was provided between 2010/11 and 2013/14 to ensure that a province's total major transfers in one of those years was no lower than in the previous year.

Source: Finance Canada

Major federal transfers are provided on an ongoing basis, and Equalization and TFF are renewed every five years. The federal government has indicated it will review the operation of the CHT and CST, in addition to Equalization and TFF, in 2024.

Both the CHT and CST are allocated on an equal per capita basis, reflecting the share of the total population in each province and territory. Per capita, major federal transfers to Manitoba are only 19 per cent higher than they were 10 years ago. This is just over one-half of the all-province increase of 37 per cent.

The Canada Health Transfer

The CHT is the primary federal transfer to the provinces and territories in support of health care, and the largest of the major transfers. It provides ongoing funding for Canada's health care system, and supports the principles of the Canada Health Act, which are:

- universality
- comprehensiveness
- portability
- accessibility
- public administration

Manitoba will receive \$1.521 billion through the CHT in 2020/21, up \$50 million or 3.4 per cent from 2019/20. Manitoba's share of the CHT is at 3.63 per cent.

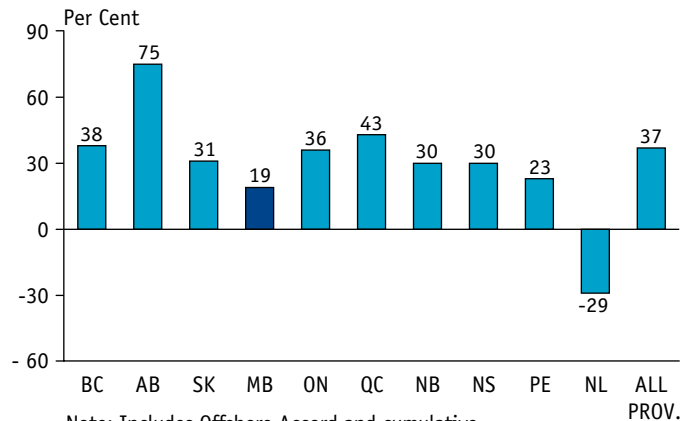
Historically, the federal government has played an important role in helping support provincial and territorial health care services. However, Manitoba remains concerned with the recent reduction in the CHT's annual growth rate and its impact on the health care system. The aging of the population, combined with longer life expectancies, are expected to result in billions in additional health care costs, as well as lost revenue associated with a declining workforce and slowing economic growth.

Starting in fiscal year 2017/18, the federal government cut growth in the CHT from a fixed six per cent per year to a three-year moving average of nominal Gross Domestic Product (GDP) growth, with funding guaranteed to increase by three per cent per year.

In 2017/18, the first year of the new escalator, CHT growth was held at the minimum level of three per cent, due to the very low actual nominal GDP growth in 2015 of only 0.16 per cent and forecasted growth in 2016 of only 1.78 per cent. The three-year moving average growth rate in 2020/21 includes the actual nominal GDP growth rate in 2018 (3.86 per cent) and the forecasts for 2019 (3.60 per cent) and 2020 (3.66 per cent), for an average growth rate of 3.71 per cent.

Manitoba Finance estimates the new, lower rate of CHT growth will cost the province about \$2.25 billion over 10 years, when compared to the previous six per cent annual escalator. To date, the lower growth rate has reduced Manitoba's CHT payments by an estimated \$338 million.

Per Capita Growth in Major Federal Transfers, 2009/10 to 2020/21



Note: Includes Offshore Accord and cumulative "Best-of-Guarantee" payments

Sources: Finance Canada and Statistics Canada

A November 2016 report prepared for Canada's Premiers through the Council of the Federation (COF), recommended a long-term CHT growth rate of 5.2 per cent per year. This reflected the Conference Board of Canada's expected average growth in provincial and territorial health costs from 2015 to 2035 due to inflation, population aging and growth, and ongoing system improvements.

In December 2016, the federal government offered the provinces and territories \$11 billion over 10 years, in targeted, one-time funding for home care (\$6 billion) and mental health services (\$5 billion).

Manitoba believes targeted funding is not an effective alternative for adequate, long-term, broad-based funding through the CHT. As well, there remains a significant funding gap between what Manitoba will lose due to the lower CHT escalator (\$2.25 billion over 10 years), and what it will receive through the targeted funding (\$400 million over 10 years).

In December 2019, Canada's premiers reiterated their call for a stronger health care funding partnership with the federal government. Noting that the federation works best when provinces and territories have adequate resources and autonomy, the premiers called on the federal government to respect provincial and territorial jurisdiction and grow the CHT by 5.2 per cent per year. This is consistent with the independent analysis conducted by the Conference Board of Canada on the impact of long-term, health system cost drivers.

The Canada Social Transfer

The CST is a federal block transfer provided to all provincial and territorial governments in support of post-secondary education, social assistance and social services, and programs for children. The CST has a fixed, legislated annual growth rate of three per cent per year. It has been allocated on an equal per capita cash basis since 2007/08.

The federal government's decision to maintain the CST growth track at three per cent, rather than increase it at the rate of nominal GDP like the other major transfers, is expected to reduce the federal share of provincial and territorial spending on post-secondary education and social services. The CST as a share of the economy will also decline.

Manitoba will receive \$546 million through the CST in 2020/21, up \$14 million or 2.7 per cent from 2019/20. Manitoba's share of the CST is 3.63 per cent.

Equalization

Equalization is a fiscal transfer designed to reduce revenue-raising disparities (known as fiscal disparities) among the provinces. Its purpose is to give provinces with lower fiscal capacity the financial means to offer their residents reasonably comparable levels of health care, education, and other public services at reasonably comparable rates of tax.

A province with measured fiscal capacity below the national average standard, receives Equalization sufficient to bring it up to the average. Provinces above the national average do not receive Equalization. The Territorial Formula Financing (TFF) serves a similar purpose for territorial governments.

Equalization is not intended for provinces experiencing short-term economic challenges. This is the purpose of the federal Fiscal Stabilization Program, which is intended for provinces facing significant declines in year-over-year revenues.

A Review of the Federal Fiscal Stabilization Program

At the meeting of the Council of the Federation in December 2019, Canada’s premiers called on the federal government “to work with provincial Ministers of Finance to strengthen the Fiscal Stabilization Program to make it more responsive to economic circumstances and downturns in the resource sectors, without compromising the other federal transfer programs.”

The Government of Canada’s Fiscal Stabilization Program provides financial assistance to provinces that have experienced significant declines in year-over-year revenue due to a downturn in economic activity. To receive assistance under the current program, provinces must have experienced an annual decline in non-resource revenue of greater than five per cent and/or a reduction in resource revenues of over 50 per cent. The maximum stabilization payment for a given fiscal year is \$60 per person.

Canada has had a formal Equalization program since 1957. The program is financed entirely by the federal government, using tax and other revenues collected from Canadians. Provinces do not pay for Equalization.

Equalization is designed to be policy neutral and to respect the autonomy of provinces in making decisions on behalf of their residents. There are no conditions or standards on how to use the payments.

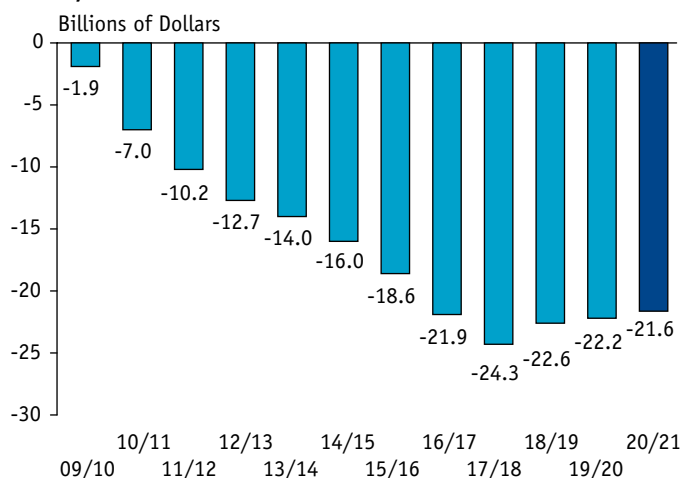
In general, and on a per capita basis, fiscal capacity is a measure of how much revenue a province could raise on its own, if it were to apply the national average tax rate to each standardized revenue base: personal income tax, business income tax, consumption taxes and property taxes.

The natural resource base is the exception to how fiscal capacity is measured. Serious measurement issues and a wide variation in royalty structures across the provinces, mean actual resource revenues are used instead to measure the fiscal capacity from the natural resource base.

To reduce volatility, Equalization calculations are based on a three-year, weighted moving average of revenues, with a two-year data lag. For example, the entitlements for 2020/21 are based on data from 2018/19 (50 per cent weighting), 2017/18 (25 per cent weighting) and 2016/17 (25 per cent weighting).

Because the program applies national average tax rates to each province’s tax base, measured fiscal capacity for Equalization will generally differ from the actual amount of revenue collected by a province. As a result, Equalization payments are not a reflection of a province’s fiscal position (e.g., having either a budget surplus or deficit).

Cumulative Losses for Receiving Provinces Under the Federal Growth Track for Equalization, 2020/21



Note: The cumulative losses includes \$2.2 billion in federal transfer protection paid to receiving provinces between 2010/11 and 2013/14.

Source: Finance Canada

A province makes policy decisions concerning the extent of public services it seeks to offer its residents and the revenue it needs to raise to fund them. A province that chooses to offer its residents a lower range of public services at lower than average tax rates, will have actual revenues below its measured fiscal capacity. A province that elects to provide its residents with above average public services by raising its tax rates above the national average, will have actual revenues above its measured fiscal capacity.

Annual growth in the Equalization program is based on a three-year, moving average of nominal GDP growth, a feature of the program since 2009/10.

Prior to 2009/10, the size of the Equalization program was based on the amount that was needed to bring all provinces with measured fiscal capacity below the national average standard, up to the average. The operation of the growth path acted as a ceiling from 2009/10 to 2017/18, resulting in a cumulative loss to receiving provinces of \$24.3 billion (including \$2.2 billion in federal transfer protection payments paid to receiving provinces between 2010/11 to 2013/14).

Although initially introduced to limit costs in the program, the nominal GDP growth path can also act as a payment floor, as it did in 2018/19 and 2019/20. In 2020/21, the growth path again acted as a floor, adjusting Equalization payments upward by \$58 per capita to ensure total payments grow in line with the program's nominal GDP growth path. As a result, Manitoba will receive an additional \$78 million in 2020/21.

The floor payments have reduced the overall cumulative loss to receiving provinces due to the operation of the caps from 2009/10 to 2017/18 from \$24.3 billion to \$21.6 billion in 2020/21.

Following consultations with the provinces and territories, the federal government renewed the Equalization and TFF programs for a five-year period, beginning April 1, 2019. The renewal implemented a number of technical changes to improve the accuracy and efficiency of the calculation of entitlements. Preliminary work has already begun on the 2024 renewal of the major transfer programs, including Equalization.

Manitoba will receive \$2.510 billion in Equalization in 2020/21, up \$254 million or 11.3 per cent from 2019/20. Manitoba's share of total Equalization is 11.3 per cent. Manitoba's per capita entitlement is \$1,877, which is the second lowest of all receiving provinces.

Federal Fiscal Equalization Payments, 2020/21

| | Per Capita (\$ Dollars) | Payment (\$ Millions) |
|----------------------|----------------------------|--------------------------|
| Prince Edward Island | 3,013 | 454 |
| New Brunswick | 2,880 | 2,210 |
| Nova Scotia | 2,255 | 2,146 |
| Manitoba | 1,877 | 2,510 |
| Quebec | 1,594 | 13,253 |
| Total | | 20,573 |

Source: Finance Canada

OTHER TRANSFERS TO PROVINCIAL AND TERRITORIAL GOVERNMENTS

In addition to the major transfers, the federal government also provides funding to the provinces and territories through other types of fiscal arrangements to support specific program areas. These funds are typically provided on a time-limited, cost-shared and/or conditional basis. In 2018/19, they amounted to \$531 million to Manitoba government departments and agencies, representing around three per cent of the province's total summary revenues.

Profile of Manitoba's Other Fiscal Arrangements

Manitoba government departments currently have around 50 other fiscal arrangements with the federal government. This does not include the major federal transfers (Equalization, CHT and CST), or federal transfers paid directly to other government reporting entities (such as post-secondary education institutions, health authorities, etc.).

Other fiscal arrangement is defined here as an arrangement between a federal department and a provincial department, formalized through an individual bilateral agreement and/or other mechanism(s). Under these arrangements, the federal department transfers conditional funds to help supplement provincial departmental spending in a specific program area.

The majority of Manitoba's other fiscal arrangements with the federal government (around 80 per cent of them) are time limited, meaning they have a start and end date. Manitoba's time-limited arrangements range in length from one year to 20 years (average length of around six years). Existing arrangements end and new ones begin in most fiscal years. At any given time, Manitoba is typically in the process of negotiating one or more of these arrangements with Canada.

The federal government will often commit to providing a pre-determined national total amount of funding, over one or more years, to address a specific need or issue. The funding is then distributed to the provinces and territories using an allocation formula chosen by the federal government. About half of Manitoba's current fiscal arrangements with the federal government fall into this category.

The simplest and most common allocation method is to distribute the funding on a per capita basis, whereby each jurisdiction is allocated their population share of the funds. However, the federal government sometimes uses other needs-based methods to distribute national funding amounts to provinces and territories. For example:

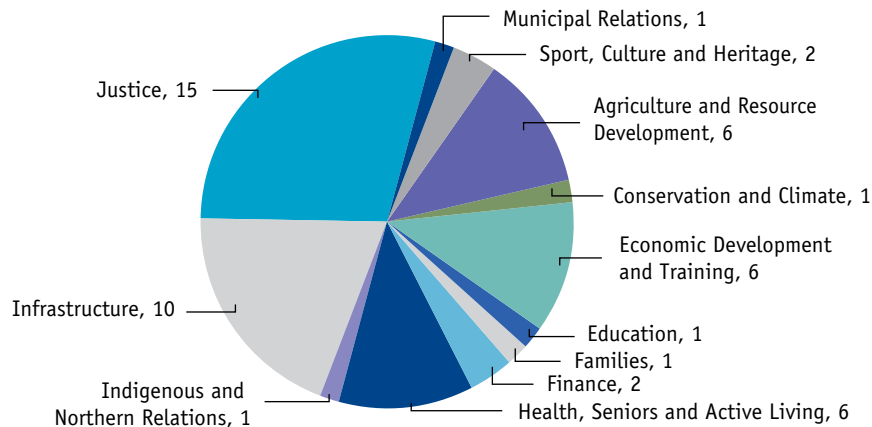
- Most of the funding provided under the Labour Market Development Agreements (LMDAs) is distributed to provinces and territories using a complex formula based on 17 labour market variables.
- The allocation formula for the Emergency Treatment Fund (ETF) is based on the severity of the opioid crisis in each province or territory, and the population of each province or territory. However, ETF funds can be used for any addictions treatment or substance issue. Manitoba is using the funds to help those suffering from methamphetamine addictions.

The federal government sometimes provides a base amount to each jurisdiction, with the remainder of the funds distributed on a per capita basis, or using some other needs-based formula. Base funding ensures that smaller jurisdictions get at least enough to cover the cost and effort required to establish and deliver the services.

The other half of Manitoba's arrangements (i.e., where there is not a set national amount allocated using a formula) is a mix of project and merit-based programs and/or arrangements, in which the amount depends on the cost of specific projects, or is a product of the number of activities or services provided by the province.

The annual value of Manitoba's individual arrangements varies widely, from as little as a few thousand dollars to as much as tens of millions of dollars for some arrangements. However, regardless of the value of the arrangement, there are typically numerous planning, monitoring, and reporting requirements that provinces and territories must adhere to, to access the funding. These requirements are stipulated in the funding or service agreement.

Number of Current Other Fiscal Arrangements, by Manitoba Department



Source: Manitoba Finance

Over a third of Manitoba's other fiscal arrangements are cost-shared, meaning the province must match up to 100 per cent of the funds provided by the federal government to access the full federal transfer amount. Targeted, cost shared arrangements such as these place constraints and cost pressures on the province.

Arrangements cover a wide range of sectors and program areas. Most Manitoba departments administer at least one federal transfer arrangement on behalf of the province, with some departments having several arrangements.

MAJOR TRANSFERS TO PERSONS

In 2020/21, the federal government expects to transfer \$105.3 billion directly to individual Canadians, including many Manitobans, through what it classifies as the major transfers to persons. It will provide \$59.5 billion in elderly benefits through the Old Age Security (OAS) program, which includes the OAS Pension, the Guaranteed Income Supplement (GIS) and the Allowance; \$21 billion in Employment Insurance benefits; and \$24.7 billion in children's benefits. The major transfers to persons will represent almost one-third of total federal program expenses in 2020/21.

Employment Insurance Enhancements

Employment Insurance (EI) is a federal program funded through premiums paid by workers and employers. The program provides direct financial support to workers when they are unemployed or when they are absent from work for other reasons, such as sickness, maternity, childbirth, adoption or providing care to family members. It also helps eligible individuals find employment and pursue skills training, mainly through programs and services administered by the provinces and territories under the bilateral Labour Market Development Agreements (LMDAs).

EI finances are monitored through a separate account, called the EI Operating Account. The EI Commission sets the EI premium rate each year according to a seven-year break-even rate mechanism, as forecast by the Office of the Chief Actuary (OCA) based on projected program costs and revenues. The seven-year break-even rate is the rate that will bring the EI Operating Account balance to \$0 in seven years, including eliminating any surplus in the account (currently around \$5 billion).

The break-even premium rate for workers is dropping by four cents in 2020 to \$1.58 per \$100 of insurable earnings, down from \$1.62 in 2019. The premium rate for employers is 1.4 times the employee rate, so it will fall by six cents from \$2.27 to \$2.21.

Total EI premiums paid by workers and employers are projected to be \$22.6 billion in 2020. Despite the lower rate in 2020, total EI premium revenues will be about the same as they were in 2019 due to higher insurable earnings.

The federal government has introduced several enhancements to the EI program over the past few years. This includes richer benefits for workers, parents and caregivers, and additional, time-limited funding to the provinces and territories under the LMDAs.

Enhancements to the EI program that increase program expenditures put upward pressure on premium rates for workers and employers.

According to the federal government, recent enhancements to the EI program will cost billions of dollars over the next several years. These costs will be covered by workers and employers through relatively higher EI premiums. For example, Manitoba estimates these enhancements will cost Manitoba employers between \$15 and \$20 million per year in higher EI premiums (compared to what they would have paid without these enhancements).

Manitoba is not opposed to changes to EI that modernize the program and make it more flexible and responsive. However, Manitoba believes that the federal government must pay careful attention to the additional costs faced by workers and employers when considering enhancements to the program, especially given the efforts of our government, and governments across Canada, to encourage businesses to grow and to make life more affordable for families.

CANADA PENSION PLAN

In addition to the federal major transfers to persons, Canadians will also receive over \$50 billion in Canada Pension Plan (CPP) benefits (retirement, survivor and disability benefits) in 2020/21.

Update on CPP Enhancement

Beginning in January 2019, finance ministers began the seven-year phase in of increased contributions to the CPP that are needed to fully fund the CPP enhancement. As of January 2020, year two of the phase-in period, the CPP contribution rate increased by another 0.15 per cent each for workers and employers, from 5.10 per cent to 5.25 per cent of pensionable earnings.

By 2025, once the contribution rate phase-in is complete, workers and employers will each pay 5.95 per cent on earnings up to the Year's Maximum Pensionable Earnings limit (YMPE, projected to be \$67,100 in 2025) and four per cent between the YMPE and the Year's Additional Maximum Pensionable Earnings (YAMPE, projected to be \$76,400 in 2025).

The CPP is a major source of retirement income for most Canadians. Once fully matured (in about 45 years), the enhancement will increase CPP retirement benefits by up to 50 per cent by expanding the proportion of eligible pre-retirement income replaced by the plan, from one-quarter to one-third, and the pensionable earnings limit by 14 per cent.

Finance ministers are working together on the last step in the process to fully implement the CPP enhancement, which is to bring into force financial sustainability regulations for the Additional CPP Fund. The proposed regulations would ensure the Additional CPP remains appropriately funded and that intergenerational equity is respected, consistent with the full-funding principle required under legislation and underpinning the CPP enhancement.

CPP Triennial Review

The CPP is managed jointly by the federal and provincial governments. In their role as co-stewards of the plan, finance ministers review the state of the CPP every three years to ensure the plan remains financially sustainable, and to make ongoing improvements to the plan for current and future generations of Canadian workers.

All of the changes agreed to by finance ministers under the 2016-2018 Triennial Review of the CPP are now in place. These include measures that help to address issues raised by Manitoba as part of the review, which will help make the plan not just bigger, but better.

At their meeting in December 2019, federal, provincial and territorial finance ministers agreed to consider the following items as part of the current 2019-2021 Triennial Review:

- An increase of 25 per cent to survivor benefits offered in the base and enhanced CPP, to ensure that these benefits are providing sufficient support to vulnerable survivors.
- Updating CPP provisions to reflect the reality of today's working families and those of the future, reflecting how both work and child care responsibilities have evolved, such as:
 - the rules on combined benefits (i.e., survivor/retirement and survivor/disability).
 - the child-rearing provisions and children's benefits.
 - the division of pensionable earnings (e.g., how these provisions apply to different marital status).
- Options for better targeting the death benefit.

Phased-in Contributions to the Additional CPP

| | Employers/ Employees will Each Pay an Additional: (Per Cent) | Additional Bi-weekly Contribution | |
|-------|--|--|--|
| | | Annual Earnings of \$40,000 (Dollars) | Annual Earnings of \$75,000 (Dollars) |
| 2019 | 0.15 of earnings | 2.11 | 3.11 |
| 2020 | 0.30 | 4.21 | 6.37 |
| 2021 | 0.50 | 7.02 | 10.90 |
| 2022 | 0.75 | 10.53 | 16.82 |
| 2023 | 1.00 | 14.04 | 23.04 |
| 2024* | 1.0 and 4.0 | 14.04 | 30.65 |
| 2025* | 1.0 and 4.0 | 14.04 | 36.62 |

*1.0% below the YMPE and 4.0% between the YMPE and the YAMPE

Sources: Finance Canada, the Office of the Chief Actuary and Manitoba Finance Calculations

Manitoba is pleased that the ministers' work plan is well aligned with the province's objectives for the comprehensive review of CPP supplementary benefits begun during the last Triennial Review, which were to investigate improvements to flexibility for individual circumstances, responsiveness to realities to contemporary families, and modernization of eligibility requirements.

The 2019-2021 Triennial Review is based on the 30th Actuarial Report on the CPP, as at December 31, 2018. The report found that the respective legislated contribution rates are higher than the minimum contribution rates needed to sustain the plan, and thus are sufficient to finance both the base and additional CPP over the long term.

Ministers agreed on the need to carefully consider any burden of costs that are imposed on individuals and businesses from making any changes to the plan.

CONCLUSION

Historically, federal transfers have played an important role in helping support Canada's health and social system. However, the federal government's unilateral reduction in the annual growth rate of the CHT in 2017/18 has weakened this important funding partnership.

While the provinces have common constitutional spending responsibilities, their capacity to tax and raise revenue to address those responsibilities is not the same. The imbalance between expenditure responsibilities and revenue raising capacities creates a need for intergovernmental fiscal transfer arrangements. The chart below shows how equalization helps reduce, but does not fully address, differences in fiscal capacity between provinces.

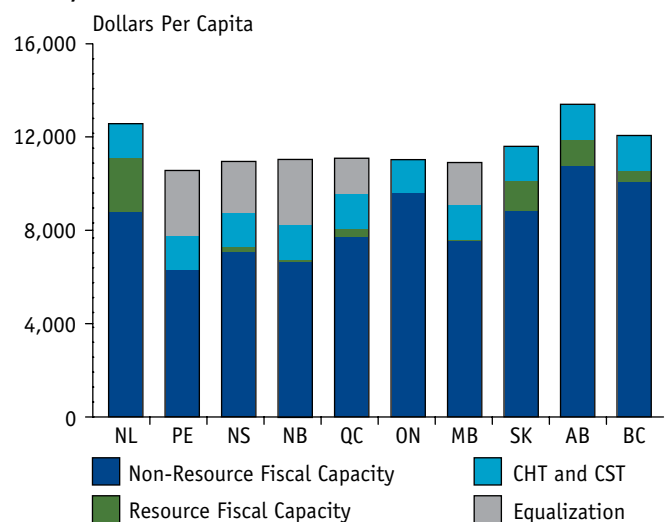
It is primarily through the major transfers that the federal government ensures all provinces and territories have the financial capacity to deliver reasonably comparable public services for all Canadians.

However, other types of federal transfers also help to meet this objective. In this regard, transfer arrangements must be considered as a whole, to ensure current approaches are appropriate, effective and respectful of jurisdictional responsibility.

Conditional transfers have their place. Manitoba recognizes that many of today's multi-faceted issues require a coordinated role on the part of both orders of government. However, in areas where provinces have sole jurisdiction, restrictions must be minimized, so unique provincial needs can be effectively addressed.

Noting that the federation works best when provinces and territories have adequate resources and autonomy, the premiers called on the federal government to respect provincial and territorial jurisdiction and authority.

Provincial Fiscal Capacity After Equalization, 2020/21



Note: Equalization includes Offshore Accord and Cumulative "Best-of-Guarantee" payments

Sources: Finance Canada and Statistics Canada

**MANITOBA'S
POVERTY REDUCTION STRATEGY**

MANITOBA'S POVERTY REDUCTION STRATEGY

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INTRODUCTION

Budget 2020 makes investments to improve the lives of all Manitobans, including for those in greatest need of support. In 2020, cornerstone initiatives include investments in the areas of mental health, addictions, the development of a new disability income support program, and Manitoba's second social impact bond.

The Manitoba government is responding to the needs in local communities, including job creation, lowering taxes and supporting community-based organizations. Investments are showing positive impact for the great majority of Manitobans. The most recent low-income data (2018) shows that the poverty rate among Manitobans is 9.3 per cent, a decrease of 22.5 per cent compared to the baseline year of 2015. The impact has been even more significant among children. The low-income rate was 11.3 per cent among children in 2018, a decrease of 31.1 per cent, compared to 2015. Detailed low-income information is shared in the table below, including a look at how Manitoba is doing relative to other provinces, and data comparisons from the last few years.

The Manitoba government is committed to transparent reporting on government's progress. Manitoba's Balanced Scorecard includes broad priority areas that support achieving better outcomes for Manitobans. Three of Manitoba's poverty reduction indicators are reflected in Manitoba's Balanced Scorecard dashboard measures, including:

- (1) Market Basket Measure (Canada's official poverty line) for child poverty
- (2) Manitoba's employment rate
- (3) Manitoba's graduation rate

The inclusion of these three poverty reduction indicators reinforce government's commitment to supporting a reduction in poverty and better quality of life for Manitobans.

The Manitoba government is committed to continued progress in 2020/21 and to empowering individuals and families to achieve a brighter future.

Low Income in Manitoba, 2008, 2015-2018, Statistics Canada, Market Basket Measure¹

| | | | | | | | Per Cent Change | |
|--|------------------|---------|---------|---------|---------|-------------------|-------------------|-------------------|
| | | 2008 | 2015 | 2016 | 2017 | 2018 | 2015 to 2018 | 2017 to 2018 |
| All Manitobans | Rate, per cent | 11.1 | 12.0 | 9.4 | 8.7 | 9.3 | | |
| | Rank (1 is best) | 2 | 4 | 4 | 2 | 7 | -22.5% | 6.9% |
| | Number | 124,000 | 146,000 | 115,000 | 108,000 | 117,000 | | |
| Children | Rate, per cent | 14.7 | 16.4 | 11.9 | 9.5 | 11.3 | | |
| | Rank (1 is best) | 3 | 10 | 5 | 4 | 8 | -31.1% | 18.9% |
| | Number | 37,000 | 43,000 | 32,000 | 26,000 | 31,000 | | |
| Persons in Lone-Parent Families | Rate, per cent | 29.0 | 41.3 | 36.9 | 23.3 | 26.1 | | |
| | Rank (1 is best) | 2 | 7 | 8 | 5 | 8 | -36.8% | 12.0% |
| | Number | 22,000 | 22,000 | 22,000 | 16,000 | 15,000 | | |
| Persons in Youth-Led Families² | Rate, per cent | 35.7 | 30.6 | 35.9 | 29.1 | | | |
| | Rank (1 is best) | 3 | 1 | 6 | 2 | not yet available | not yet available | not yet available |
| | Number | 16,000 | 17,000 | 18,000 | 14,000 | | | |
| Single Individuals (45-64 years) | Rate, per cent | 27.9 | 30.6 | 31.0 | 29.3 | | | |
| | Rank (1 is best) | 2 | 3 | 3 | 5 | not yet available | not yet available | not yet available |
| | Number | 13,000 | 16,000 | 15,000 | 15,000 | | | |
| Indigenous Persons (off-reserve) | Rate, per cent | 16.5 | 21.6 | 23.2 | 16.9 | | | |
| | Rank (1 is best) | 4 | 4 | 8 | 4 | not yet available | not yet available | not yet available |
| | Number | 15,000 | 24,000 | 23,000 | 16,000 | | | |
| Persons with Disabilities | Rate, per cent | 11.4 | 16.7 | 13.2 | 12.4 | | | |
| | Rank (1 is best) | 2 | 3 | 3 | 2 | not yet available | not yet available | not yet available |
| | Number | 31,000 | 42,000 | 35,000 | 34,000 | | | |
| Seniors | Rate, per cent | 3.5 | 4.8 | 2.5 | 3.8 | 3.3 | | |
| | Rank (1 is best) | 2 | 3 | 1 | 6 | 6 | -31.3% | -13.2% |
| | Number | F | 9,000 | 5,000 | 7,000 | 7,000 | | |

¹ In February 2019, Statistics Canada changed its Market Basket Measure (MBM) methodology, with the release of MBM 2008 series. Thus, the 2008 data shown differs from data earlier reported. Data for All Manitobans, Persons in Lone-Parent Families, Children, and Seniors are from Statistics Canada's published data. Data for Persons in Youth-Led Families, Single Individuals (45 - 64 years), Indigenous Persons (off reserve), and Persons with Disabilities are from custom data from Statistics Canada.

² Age of primary income earner is 24 years or less.

F: too unreliable to be published

MANITOBA'S POVERTY REDUCTION STRATEGY

Budget 2020 aligns with the priorities and goals of Pathways to a Better Future: Manitoba's Poverty Reduction Strategy. Released on March 4, 2019, Manitoba's strategy is a whole-of government approach to address the multiple dimensions of poverty. Extensive consultations with Manitobans, including those living in poverty, helped inform the strategy. The six priority areas that continue to guide government's actions are:

1. Invest in Manitoba's future prosperity through supports to children and youth.
2. Work together to improve health outcomes and standard of living.
3. Promote economic inclusion through employment, education and training.
4. Facilitate partnerships and support community-based organizations.
5. Strengthen client-centred service delivery.
6. Make positive change through social innovation.

The 2020/21 Poverty Reduction Budget Paper highlights initiatives and investments that support the priority areas of Pathways to a Better Future.

Above all, Manitobans want to see results from a poverty reduction strategy. To this end, the Manitoba government has committed to a target of reducing the number of children living in low-income households by 25 per cent by the year 2025, compared to the baseline year of 2015. This is measured using Canada's official poverty line, also known as Statistics Canada's Market Basket Measure.

Manitobans have a lot to be proud of with respect to progress made. Manitoba's child poverty rate was 11.3 per cent in 2018. This is an improvement of 31.1 per cent relative to 2015, which means that Manitoba's target related to child poverty is being achieved. The challenge ahead will be to sustain a lower child poverty rate over time. Manitoba's Balanced Scorecards include a more robust target of achieving a child poverty rate that is better (lower) than the 2017 level of 9.5 per cent. As well, Pathways to a Better Future emphasizes that the commitment to poverty reduction does not end once targets are achieved. The Manitoba government's long-term aspiration is for the eradication of all poverty in the province.

PRIORITY AREAS AND HIGHLIGHTS OF GOVERNMENT ACTIONS

Investing in Manitoba's Future Prosperity through Supports to Children and Youth

Investing in Early Learning and Child Care

The Manitoba government is investing in early learning and child care to provide quality, accessible and affordable child care options for parents. Robust early learning and child care helps to reduce poverty by supporting parents to enter or stay in the workforce, while promoting positive educational and child development outcomes for Manitoba children.

Manitoba has embarked on a comprehensive review of the early learning and child care funding model, with a goal to modernize how child care is delivered and funded in our province. New approaches, including a portable child care benefit and the Child Care Centre Development Tax Credit, will provide families with greater choice and flexibility to access a wider variety of child care options.

In 2020/21, Manitoba will invest an additional \$1.5 million to provide operating grants to:

- four school-based capital child care projects, representing 286 new spaces
- two community-based capital child care projects, representing 122 new spaces

A total of \$95,000 in operating grants will be allocated toward 50 new, licensed, home-based child care spaces, targeted to open in 2020/21.

An innovative \$11.5 million endowment is being established to support ongoing sustainability of Manitoba's more than 1,100 child care centres. The new Child Care Sustainability Trust is available to support the diverse array of challenges that face child care operators across Manitoba, from minor repairs and maintenance for aging centres, to new equipment to improve learning opportunities. Applications can also be submitted for one-time deficit or emergency support for operators who provide strong financial management plans but require a little extra support to get back on track. The fund is also intended to support innovative approaches to child care and initiatives/projects to improve accessibility – for example, pilot projects that expand or shift hours to meet the needs of a modern workforce.

The Manitoba government has funded more than 2,270 new child care spaces since 2016, with another 1,600 new spaces estimated to be created by the end of the 2019/20 fiscal year. In 2019/20, the Manitoba government budgeted more than \$177 million in financial assistance and grants for early learning and child care.

Child Care Centre Development Tax Credit

Increased access to early learning and child care services supports economic development, and reduces barriers to labour force participation. In 2020/21, Manitoba will invest an additional \$4.74 million over five years to expand the number of child care spaces available for development under the Child Care Centre Development Tax Credit. The increase enables corporations to open new licensed early learning and child care spaces to support their employees and surrounding communities, which may open up to 474 spaces in future years.

Thrival Kits™

As part of a comprehensive whole-of-government approach to improving mental health and addictions programming, the Manitoba government is investing \$160,000 in 2019/20 and \$580,000 in 2020/21 to expand the distribution of Thrival Kits™ to grades 4 to 6 students across the province. Thrival Kits™ are currently being distributed by the Manitoba Advocate for Children and Youth and the Canadian Mental Health Association, under a pilot project in some Manitoba schools. Thrival Kits™ are a mental wellness and promotion program, incorporating evidence-based practices where students are provided their own kit and introduced to themes and activities throughout the school year, led by their teacher.

This investment aligns with recommendations put forward in the VIRGO report on mental health and addictions and the Manitoba Advocate for Children and Youth.

Financial Support for Post-Secondary Students

The Manitoba government, through Manitoba Student Aid, provides front-line services for Manitoba's post-secondary students who are in need of financial support. Students who apply for financial assistance through Manitoba Student Aid are assessed for both the Canada Student Loan Program and various Manitoba Student Aid programs, such as loans, grants and bursaries. In recent years, more students are participating in post-secondary learning programs and benefiting from public financial support. To support more students in need, the Manitoba government is making \$55.4 million in student loans available in 2020/21, an increase of \$5.4 million over the previous year. In addition to loans, the Manitoba government is also making \$27.3 million available through the Manitoba Bursary and Manitoba Scholarship and Bursary Initiative in 2020/21, an increase of \$5 million over the previous year.

The Manitoba Bursary is an upfront grant for students who are financially disadvantaged, to help ensure they are able to successfully engage in their studies. Low-income Indigenous students are eligible for additional supports through the Manitoba Bursary.

The Manitoba Scholarship and Bursary Initiative (MSBI) is another means by which government financially supports students' success. The MSBI encourages private donations for scholarships and bursaries by providing matching government funds at a 2 to 1 ratio (private to public) to ensure that students with financial need can access post-secondary education. In 2020/21, the Manitoba government will provide an additional \$3.25 million to MSBI, increasing the annual provincial contribution to \$10 million. This means putting \$30 million in the hands of students when combined with private sector investment.

Working Together to Improve Health Outcomes and Standard of Living

Improving Health Outcomes

Support for Mental Health and Addictions

In early 2019, Manitoba and Canada signed a bilateral funding agreement offering targeted federal funding to enhance and implement new initiatives supporting mental health and addictions services in Manitoba. The Manitoba government has taken a whole-of government approach to addressing this issue, recognizing that supports are needed for all Manitobans. Substantial investment for new and enhanced programming has been put forward, including a \$25 million boost in the final three months of 2019. Information on mental health and addictions programs and related funding for 2020/21 are included throughout this budget paper.

Expanded Services for StreetReach Thompson

The Manitoba government is investing \$225,000 in 2019/20 and \$900,000 in 2020/21 to expand StreetReach programming in Thompson and enhance the community mobilization hub.

StreetReach is part of Tracia's Trust, the Manitoba government's strategy to prevent sexual exploitation of children and youth. The StreetReach program currently includes a Winnipeg team with representatives from child welfare, law enforcement and non-governmental organizations who work together to respond to children and youth at high risk of being violently victimized through the sex trade.

As a first step, the province conducted community consultation in late 2019 and will be working with community stakeholders to build a Thompson-specific model. The new program will also integrate existing mobile crisis and addictions programs, and include mental health, and spiritual and elder supports.

In addition to Tracia's Trust, this initiative also fulfils recommendations in the VIRGO report on mental health and addictions.

Enhancing Mental Health, Substance Use and Addictions Services for StreetReach Winnipeg

To help address the growing need for integrated access to mental health, substance use and addictions services among youth with complex, multi-system needs, the province is investing \$88,200 in 2019/20, and \$268,900 in 2020/21, for the Manitoba Adolescent Treatment Centre (MATC) to work in collaboration with StreetReach. Additional funding is also being provided to fund a spiritual care position. These positions will be embedded into the existing StreetReach outreach team and will work directly with sexually exploited youth. The combined strengths of these organizations to deliver mental health and substance abuse services, and intervene in crises, will help protect children and youth.

Funding for StreetReach fulfils recommendations made by the Manitoba Advocate for Children and Youth, recommending the expansion of StreetReach services in Winnipeg. It also addresses recommendations in the VIRGO report, including those to increase capacity through expanded community outreach services, significantly enhance the capacity of mental health and addictions services for children and youth, and priority funding for the expansion of services for children and youth. The investment also aligns with key findings in the research report released under the Tracia's Trust Strategy.

The Northern Healthy Foods Initiative

The Northern Healthy Foods Initiative (NHFI), a Manitoba government program, supports local and regional projects that contribute to the development of culturally relevant, healthy food systems, while improving health and well-being of Manitobans. NHFI goals are to improve sustainable access to healthy and culturally appropriate foods in Manitoba's north and strengthen community-led development in increasing food security.

While the current NHFI program has made a positive impact in many communities, the issues around food insecurity in northern and remote communities persist and require concerted efforts towards more robust programming and better outcomes. Within the existing program budget of \$1.2 million, Budget 2020 re-allocates a total of \$662,000 to strengthen existing community service delivery and explore initiatives to generate unique solutions to northern food insecurity. This will be achieved through engaging stakeholders, communities and Manitobans in the north. This funding will also reinforce collaborative work at the national level to strengthen efforts toward reconciliation through targeted support for Indigenous food systems and intergenerational knowledge transfer.

Elevating Manitoba's Standard of Living

New Income Support for Persons with Disabilities

In 2020/21, the Manitoba government will continue work on developing an income support program for individuals with severe and prolonged disabilities – a new program that will be distinct from Employment and Income Assistance (EIA). In 2019/20, an initial consultation process was completed, inviting stakeholders to provide feedback to inform the design of the new program. Over 140 Manitobans attended five in-person consultation sessions, and over 400 responses were received through an online survey. This information and continued engagement with stakeholders and persons living with disabilities will help guide program development, with the overarching goal of improving the quality of life and services to Manitobans with severe and prolonged disabilities.

Making Housing Affordable – Rent Assist

The Manitoba government recognizes that safe and affordable housing helps to improve the lives and health of low-income Manitobans. Rent Assist is a portable shelter benefit for low-income Manitobans who are receiving EIA and have shelter costs, or who are renting in the private market and not receiving EIA benefits. Rent Assist is designed to ensure that households renting in the private market do not pay more than 30 per cent of their income for a reasonable rent and utilities. Reasonable rent and utilities is defined as 75 per cent of median market rent as established through rental market surveys conducted by the Canada Mortgage and Housing Corporation.

In 2020, Rent Assist rates will again be increased to maintain indexation to 75 per cent of median market rent. Budget 2020 includes an increase of \$7.9 million for Rent Assist. This is to fund benefits and annual indexing to 75 per cent of median market rent. Rent Assist supports approximately 27,500 households that reside in the private market and are receiving EIA (an approximate increase of 5,500 households since March 2016). Rent Assist also supports approximately 7,700 households not receiving EIA (an approximate increase of 2,950 households since March 2016) that are renting in the private market.

Increasing Family Income – Basic Personal Amount and Personal Income Tax Brackets

The Basic Personal Amount (BPA) is a non-refundable tax credit that every Manitoba resident is entitled to claim on their income tax return. Manitoba legislated the indexing of the BPA and personal income tax brackets to the rate of inflation, beginning in 2017. The BPA will increase from \$9,626 in the 2019 tax year to \$9,838 in 2020. Since 2016, the BPA has increased by \$704 from \$9,134 to \$9,838.

In 2019, indexing the BPA removed an estimated 3,800 Manitobans from the tax rolls and saved all residents more than \$18.4 million. In 2020, indexing will remove an additional 3,300 Manitobans from the tax rolls for an additional annual savings for all residents of \$16.2 million. These savings will continue growing at the rate of the growth in the consumer price index, meaning that taxable Manitobans are able to keep more of their income.

Indexing the Basic Personal Amount, beginning in the 2017 taxation year, has removed 11,000 low-income Manitobans from the tax rolls as of this tax year.

Basic Personal Amount and Manitobans Removed from Tax Rolls, 2017 – 2022^f, Province of Manitoba

| Tax Year | Basic Personal Amount | Manitobans Removed from Tax Rolls (Year-over-Year) | Manitobans Removed from Tax Rolls (Cumulative) |
|----------|-----------------------|--|--|
| 2017 | \$9,271 | 2,150 | 2,150 |
| 2018 | \$9,382 | 1,750 | 3,900 |
| 2019 | \$9,626 | 3,800 | 7,700 |
| 2020 | \$9,838 | 3,300 | 11,000 |
| 2021 | \$9,986 ^f | 2,300 | 13,300 |
| 2022 | \$10,196 ^f | 3,250 | 16,550 |

f – Forecast and subject to change

Sales Tax Rate Reductions and Exemption Measures

In Budget 2020, our government will once again lower the sales tax rate, from seven per cent to six per cent on July 1, 2020. The sales tax rate reductions introduced in Budget 2019 and Budget 2020 represent a 25 per cent reduction in the sales tax rate over two years, which benefits all Manitobans.

Additional sales tax measures are being implemented during our mandate. On January 1, 2020, our government eliminated sales tax on the preparation of wills and on October 1, 2020, will eliminate sales tax on personal income tax return preparation. This ensures that personal income tax returns for the 2020 taxation year are exempt from sales tax. Future measures include the elimination of sales tax on personal services and home insurance.

Elimination of Tax on Probate Fees

The Manitoba government is pleased to eliminate the payment of any probate fees on applications made to the Court of Queen's Bench as of July 1, 2020 for the probate of a deceased person.

Promoting Economic Inclusion through Employment, Education and Training

Economic Growth Strategy and 40,000 Jobs Plan

In December 2018, Manitoba launched an Economic Growth Action Plan that envisions greater coordination between government and the private sector to support a more nimble approach to economic development. A critical element of the Economic Growth Action Plan is ensuring that Manitoba's workforce has the skills required to support industry expansion and economic growth. The Economic Growth Action Plan has gained momentum with the launch of the new Manitoba Works Jobs Plan. The ambitious plan will enable the creation of 40,000 jobs across Manitoba over the next four years with co-operation across government departments, Team Manitoba partners and the private sector.

The Manitoba Works Job Plan is tightly tied to the Economic Growth Action Plan and seeks to enhance partnerships and collaboration with municipalities and Indigenous communities. It aims to build on our strengths in key sectors to grow trade, investment and job creation, and to ensure that policies in areas like permitting, infrastructure investment and regulatory reform align with the Economic Growth Action Plan.

Supporting Employment – Labour Market Transfer Agreements

The Manitoba government is increasing investment for the delivery of employment programs and services by over \$5 million in 2020/21. This increase supports a total budget of approximately \$91.5 million for unemployed and under-employed workers, through programs and services funded under two federal-provincial labour market transfer agreements. A wide range of programs and services are available for adult learners, unemployed workers, persons with a disability, employers and industry for existing workers and new labour market entrants, as well as programs for students and youth transitioning to the workforce. This funding will also support the collaborative efforts of the departments of Families and Economic Development and Training, to help EIA recipients get the skills they need to move into good jobs and achieve financial independence.

Supporting Youth Employment

The Manitoba government is providing a wide range of employment services to help young people overcome barriers and succeed in the labour market. Youth under 30 represent nearly 50 per cent of individuals participating in programs and services funded under the labour market transfer agreements. The Manitoba government is dedicating an additional \$6 million in 2020/21 to youth employment programming that addresses key determinants of poverty, including low literacy and numeracy, mental health and addictions, and disengagement from employment and education. Programming is being delivered to assist current and former youth in care, Indigenous and newcomer youth, and youth at-risk of involvement in the justice system.

The Manitoba government has increased funding to \$900,000 to expand services and supports available to youth-in-care or formerly in care through the Futures Forward program. Futures Forward supports youth in their transition from the child welfare system to independence.

Jobs on Market, Jobs on 9th

Jobs on Market and Jobs on 9th helps individuals who are receiving EIA to prepare for and find employment. EIA staff, through assessment-informed practice, provide rapid engagement supports to participants to understand their needs and to develop personalized plans to support entry or return to the work force. On-site services at Jobs on Market and Jobs on 9th include ongoing assessment, counselling, resume development, job leads, voicemail services, connections to community resources and connections to employers. In just over two years, Jobs on Market in Winnipeg has provided services to more than 6,400 people with approximately 3,000 having moved from EIA to independence. As well, since November 2019, Jobs on 9th in Brandon has provided services to more than 100 people with over one quarter of those served also reaching independence.

Community Helper and Recruitment Training

The Manitoba government is investing \$25,000 in 2019/20 and \$250,000 in 2020/21 to recruit, train and employ 'community helpers' to provide services that reduce the risk of Child and Family Services (CFS) apprehension or placement breakdown.

The new primary prevention program will match community-based support workers with families and caregivers residing in Winnipeg's inner city who are experiencing challenges that could lead to separation. The workers, known as community helpers, will support the stability and wellness of vulnerable families by establishing trusting relationships outside the formal child welfare system. Through these relationships, the caregivers will feel supported, valued and empowered to access additional available services when they are needed.

Through facilitated family-led planning, in-home crisis counselling and skill-building exercises, the community helpers will provide children and caregivers with the tools to help manage challenges independently in the long-term, thereby limiting CFS involvement.

This initiative fulfils recommendations from the VIRGO report on mental health and addictions and the Manitoba Advocate for Children and Youth. This work also aligns with Manitoba's commitment to transform child welfare in Manitoba.

Facilitating Partnerships and Supporting Community-Based Organizations

End Homelessness Winnipeg

End Homelessness Winnipeg (EHW) is an organization established to coordinate a system of supports and services for those experiencing homelessness in Winnipeg. To support the forward momentum of EHW, the Manitoba government is investing \$250,000 in 2020/21. This funding is part of a \$750,000 agreement over three years.

Building Sustainable Communities Grant

The Building Sustainable Communities Program fosters thriving, sustainable communities. Grant assistance, in partnership with support from other funders, will leverage investments to provide a better quality of life for Manitobans. In 2020/21, the Manitoba government is allocating \$8 million to this grant program. More information on the Building Sustainable Communities program and other government grants can be accessed through Manitoba Grants Online at www.manitoba.ca/grants.

Supporting Victims of Family Violence

The Manitoba Status of Women Secretariat continues to support Manitobans who are experiencing domestic and family violence. Annually, 33 community-based agencies receive funding through the Family Violence Prevention Program (FVPP) to deliver a range of intervention services for vulnerable women, men and individuals, along with their children.

In 2019, the West Central Women's Resource Centre became a funded agency of the FVPP. This funding will ensure that women in one of Winnipeg's most vulnerable neighbourhoods will continue to be supported as they heal from family and domestic violence. In 2020, another FVPP agency, Wabhung Abinoonjiag Inc., was chosen to lead

a network of nine other community agencies to help improve housing options for women and children who have experienced family violence. Wahbung will work closely with family violence shelters, second stage programs, women's resource centres and other community agencies to ensure access to appropriate social housing is available to women and children affected by family violence.

Strengthening Client-Centered Service Delivery

Reconciliation Strategy

Following the release of the Truth and Reconciliation Commission of Canada's (TRC) final report, Manitoba unanimously ratified The Path to Reconciliation Act, which came into force on March 15, 2016. The act was the first reconciliation legislation of its kind in Canada.

Under the act, reconciliation is guided by the principles of respect, understanding, engagement and action.

The act requires government to pursue reconciliation in a way that is guided by the TRC Calls to Actions and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

Engagement will occur with Indigenous Nations and peoples, and all sectors of society, to develop a strategic path forward. These engagement efforts will build on current activities to help inform the development of a reconciliation strategy for the province. In 2020/21, \$500,000 is being allocated to support implementation of Manitoba's Reconciliation Strategy.

This work aligns with commitments to advance reconciliation in Manitoba. This includes:

- working positively and respectfully with Indigenous and Northern communities
- supporting reconciliation across government
- furthering reconciliation through a principled approach that will enhance opportunities for economic development with full participation of Indigenous communities

Indigenous and Northern Initiatives Fund

The Indigenous and Northern Initiatives grant program provides funding for projects and initiatives led by Indigenous and non-Indigenous organizations and communities to engage in new and innovative approaches to advance reconciliation in the province. The Manitoba government will provide up to \$25,000 for eligible single-year projects through the Indigenous and Northern Initiatives Fund. The fund places a specific focus on strategic projects that advance economic development, including those that support job creation and educational initiatives within the province.

Neecheewam

The Manitoba government is investing \$800,000 in 2019/20 and \$1.5 million in 2020/21 to enable Neecheewam Inc. to expand its Winnipeg facility and improve access to Indigenous-led healing, care and treatment services to sexually exploited youth. Neecheewam operates the Strong Hearted Buffalo Women Crisis Stabilization Unit, a four-bed crisis intervention program for female and transgender youth who are at high risk of sexual exploitation. With new provincial funding, Neecheewam will undergo renovations to pilot a new, longer-term four-bed addition to its treatment facility.

The funding for Neecheewam addresses recommendations in the VIRGO report on mental health and addictions, including:

- establishing culturally relevant treatment for youth with mental health and substance use issues
- increasing capacity through expanded community outreach services
- significantly enhancing the capacity of mental health and addictions services for children and youth
- funding the expansion of services for children and youth

The investment also aligns with key findings in the research report released under the Tracia's Trust Strategy.

Metis Community Addictions Response Team

The Manitoba government will partner with the Metis Child and Family Services (CFS) Authority on a new pilot project that will provide mental health and addictions services to families at risk of child apprehension. The three-year pilot project with the Metis CFS Authority will see \$1.9 million invested over three years (\$400,000 invested in 2019/20 and \$750,000 in each of the following two years (2020/21 and 2021/22)). A team, including a caseworker, a family mentor, and addictions and mental health workers, will provide support for families with parental substance use to prevent children from coming into care. Families will be able to access services quickly, as well as referrals to various community resources. The program, known as Community Addictions Response Team (CART), will also include connections to cultural programming.

This initiative reflects recommendations made in a variety of reports, such as the VIRGO report on mental health and addictions, the Illicit Drug Task Force and the Truth and Reconciliation Commission report, and developed by the Metis Authority and its agencies to reflect community and cultural needs.

Making Positive Change through Social Innovation

Manitoba's Social Innovation Office is a newly established hub for social innovation across government. Its purpose is to initiate projects with organizations and develop creative solutions to social concerns. The office will promote the development of social innovation tools, including social impact bonds, social procurement and social enterprise through investment from community partners. The goal is to engage in impactful partnerships to positively benefit and improve the lives of Manitobans.

Social Impact Bonds

In April 2020, the Manitoba government is launching a new social impact bond (SIB) dedicated to helping people quit smoking in partnership with Pharmacists Manitoba. Under this SIB, Shoppers Drug Mart will invest \$2 million over the next three years to fund activities around smoking cessation, including counselling and nicotine replacement therapies.

The goal of the SIB is to enrol at least 4,500 smokers over a three-year period, based on their readiness to quit and to ensure a minimum of 12 per cent quit smoking with the support of one of more than 500 Manitoba pharmacists trained in smoking cessation. Increasing the number of Manitobans who successfully quit smoking could save the province more than \$1 million annually in lower health-care costs.

A SIB is an innovative social policy tool that brings together government, the private sector, not-for-profits and other stakeholders to deliver effective and prevention-focused solutions. Private investment is used to fund the programs initially, and then is repaid if social outcomes are realized. SIBs allow the government to explore more innovative solutions with reduced financial risk, with the ultimate goal of delivering better outcomes for Manitobans.

This SIB builds on previous innovation work. Last year, the Manitoba government partnered with Southern First Nations Network of Care and Wiji'idiwag Ikwewag, an Indigenous doula service provider, on a two-year pilot project designed to connect at-risk Indigenous mothers with doulas, to improve outcomes for children and families.

Manitoba Homeownership Program

The Manitoba government is committed to fostering innovative community and private sector homeownership opportunities for Manitobans. In 2020/21, \$2 million is allocated to provide capital funding and homebuyer assistance to support the acquisition of homes by eligible low to moderate-income families.

Since 2016, support from the Manitoba government has facilitated homeownership for over 180 households through partnerships with municipalities and non-profit organizations such as Habitat for Humanity and MB Tipi Mitawa, and through Manitoba Housing's Rural Homeownership Program.

Indigenous-Led Healing Services (Land-Based Healing)

The Manitoba government is investing \$24,000 in 2019/20 and \$68,000 in 2020/21, for a pilot project to develop a land-based healing service through Clan Mothers Inc. This investment will provide vulnerable youth who are working with StreetReach, the opportunity to access twice-monthly land-based teachings and ceremonies. This pilot project offers an opportunity to build cultural connection and address the physical, mental, emotional and spiritual harms caused by trauma and perpetrators.

This investment aligns with recommendations from the VIRGO report on mental health and addictions, Tracia's Trust, the Manitoba Advocate for Children and Youth, the Truth and Reconciliation Commission, and the National Inquiry into Missing and Murdered Indigenous Women and Girls. It also supports the path to reconciliation in Manitoba.

PROGRESS INDICATORS

The Poverty Reduction Strategy Act requires that the Manitoba government set indicators to measure progress in reducing poverty and increasing social inclusion.

Pathways to a Better Future: Manitoba's Poverty Reduction Strategy identifies 13 progress indicators that align with the goals of the strategy. Manitoba reported on these indicators for the first time in the 2018/19 Poverty Reduction Annual Report, and will continue to share this data on an annual basis. Manitoba's poverty reduction indicators were formally registered in regulation under The Poverty Reduction Strategy Act in May 2019.

