



# Fast

# FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES - MANITOBA

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## Federal off-loading hurts us all

Federal funding cuts will be top of mind at the Premiers' annual in-person meeting July 25th to 26th in Niagara-on-the-Lake. However it remains to be seen if the Premiers will address off-loading of valuable public programs. They would be wise to make this a public issue as Canadian values of respect, equality and justice continue to be eroded by federal divestment.

The changes are happening with little notice but their impact is huge. In early June, the federal government cut 30 percent of funding to programs in 43 key Aboriginal organizations across the country. This is in addition to cuts in 2012, severely limiting First Nations' ability to provide essential services like healthcare and clean water. Last year, the federal government unilaterally stopped paying for refugee health care and abandoned already vulnerable people. Fortunately in our province, the Manitoba government stepped in to foot the bill - approximately \$5 million dollars per year.

The off-loading of federal programs increasingly forces Manitoba to fend for itself. A reduction in federal transfers limits the province's ability to meet current needs and respond to under-resourced issues like poverty, the affordable housing crisis and climate change. Lack of a federal role in funding also limits its role in setting national policy frameworks and standards. In the context of severe reductions in federal funding, it is not surprising Manitoba has had to increase the PST to deal with the infrastructure deficit.

Transfers from the federal government to the

provinces are a cornerstone of Canadian federalism, helping to maintain a standard of living across the country. However federal money is drying up; federal transfers to Manitoba in 2013/14 are the same as 2012/13 - \$3.4 billion, with no increase for inflation. This is broken down as follows: \$1.1 billion in Canada Health Transfer (CHT) for health care; \$443 million for the Canadian Social Transfer (CST) for post-secondary education, social assistance and social spending; \$1.8 billion in equalization payments (because of our smaller population and lesser ability to generate tax revenues). Federal money is 31 percent of the total provincial budget of \$11.5 billion, but it is on the decline.

Manitoba's 2013 budget papers explain that the combined major federal cash transfers to our province are already 4.5 percent lower per Manitoban than in 2009/10. Factoring in inflation over the same period, major federal cash transfers have declined 11 percent per Manitoban and are projected to continue to decrease.

This lack of income will make it hard for the Manitoba government to continue to offer services citizens have come to rely on. For example the health care system will face financial pressures as it deals with aging baby boomers: 18 percent of lifetime health costs are incurred during the last year of life.

The federal government used to share more of the financial responsibility of health spending. When Medicare first

there is an alternative.

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started in the 1960s, the federal government footed 50 percent of the costs. The federal share of spending on health care is projected to decline from 20.5 percent in 2010/11 to 17.1 percent in 2030/31. Health spending in Manitoba is a significant proportion of the budget - 44.3 percent of total government spending, or \$5 billion dollars per year. The provinces will be forced to replace the decreasing amount of federal funding for health with money from elsewhere in the provincial budget. This is especially difficult for the provinces to swallow when the federal budgetary surplus is expected to be \$3.4 billion on 2015/16 and \$7.8 billion in 2016/17. Indeed Ottawa is balancing its books on the backs of the provinces.

Premiers are well-aware of the situation. Manitoba's Premier Selinger is leading the Working Group of Fiscal Arrangements, composed of finance ministers from all provinces and territories. This committee reported that from 2014/15 to 2018/19, provinces and territories will receive \$23 billion dollars less in federal transfers than under the current arrangement. Additionally, Saskatchewan Premier Wall and Prince Edward Island Premier Ghiz are co-chairing the Health Care Innovation Working Group, made of provincial Health Ministers, mandated to find ways provinces and territories can improve health care delivery, including achieving efficiencies in costs. While this is a step towards addressing the situation, Premiers are limited without the federal government, and its deep pockets and unifying policy role, at the table.

Premiers seem reluctant to speak to citizens about these issues, choosing instead to study and solve the challenges on their own. This is ironic considering the huge public popularity – borne out in polls – of Medicare and Canada's social programs. Perhaps they are held back from taking a strong stand publicly because they need to maintain their negotiating relationship with the federal government who holds the purse strings. However Premiers need to realize the benefits of working proactively together with those also impacted by federal cuts, like First

Nations.

At the same time Premiers need to educate their constituents on the financial limitations the federal government is placing on social and economic development in Canada. If federal cuts go unchecked, health and social spending will continue to gobble up provincial budgets and the ability of the provinces to address under-invested areas of need like social housing and the environment will be severely impaired.

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