



MANITOBA FEDERATION OF LABOUR

BRIEF ON

BILL 38

**The Balanced Budget, Fiscal Management
and Taxpayer Accountability Act**

May 28, 2008

The Manitoba Federation of Labour, its member unions and the Canadian Labour movement as a whole, has a lengthy history of offering advice to all levels of government on the development of sound economic policy and the orderly financing of public initiatives. For more than fifty years we have urged governments of all political stripes to formulate laws and policies that will lead to fairness and justice and an improved quality of life for Manitobans.

Part of the challenge of attaining these goals is even-handed and fair strategies to deal with public debt and budgetary deficits.

When the government of Manitoba passed the **Balanced Budget, Fiscal Management and Taxpayer Accountability Act** in 1995, the MFL was concerned that it was a strategy by the government of the day to continue having a dramatic impact on how governments govern after their term in office was over. It did not strike us as the basis for good public policy development.

In our view, good government sometimes includes financing in order to meet specific economic and social goals, particularly when unforeseen difficulties and the highs and lows of the business cycle present themselves. Sometimes these issues must be dealt with immediately in order to benefit citizens and to ensure that a minimum amount of negative impact is experienced. Of course, this short term measure must be balanced by paying down the debt or deficit as economic conditions improve.

Overall, we believe that good government budgeting is characterized by a number of elements. It should balance the sometimes erratic private sector impact on the economy to avoid the inevitable boom and bust cycle that private sector based economies are noted for. By controlling their own tax policy, governments are able to put in place the human and physical infrastructure that a healthy private sector depends on and, through a progressive tax structure in healthy economic times and deficit budgeting in poor economic times, stabilize the economy.

Governments have sometimes taken the economic activity produced by deficit budgeting as a signal to gain popularity through tax reductions, tax holidays, grants and other government revenue reductions. This, of course, is exactly the wrong thing to do. It means that government is operating with only half the equation. Government intervention during the bad times must be balanced with government revenue during the good times in order to balance the books. The successful use of deficit financing requires a dedication by government to a fair and progressive tax policy - using the taxation benefits of a healthy economy to pay off the debt incurred during periods of economic instability.

In 1995, we told this legislature that balanced budget legislation is an inappropriate limitation on the ability of a government to deal with the peaks and valleys of the business cycle and with unforeseen crises that may confront society. It may well be that a budget deficit is required to revitalize our economy during periods of recession or to undertake a project that the private sector can't or won't do. We believed that then and we do today.

But we are not here today to ask you to repeal this Act instead of amending it. There is no doubt that many Manitobans take comfort in the fact that it is in place, no matter what we believe.

We are here to underscore the importance of three aspects of Bill 38 that we believe makes the Act more palatable and less of an encroachment on good government.

The first deals with basing the calculation of government accounts over four fiscal years rather than one. In 1995, we warned that balanced budget legislation that is out of step with the natural business cycle is asking for trouble. We recommended then that the annual reporting requirement be altered to reflect the business cycle and this Bill proposes that.

We commend the government for this because, simply put, it makes more sense than keeping the calculation on an annual basis.

Another aspect of Bill 38 that we are pleased to see is the measure that brings the parameters of reporting into alignment with today's standards. To quote the printed Bill Explanatory Note:

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants sets accounting standards designed to improve the accountability and transparency of public sector bodies. Consistent with those standards, the government's annual budget and financial statements are now prepared on a summary basis for the government reporting entity. For this purpose, "government reporting entity" includes not only core government, but also government agencies and other public sector organizations prescribed by regulation under The Financial Administration Act.

We believe that this measure will provide a more complete view of the fiscal state of the province.

Another aspect of Bill 38 that we find interesting is the requirement to prepare and table a government Fiscal Management Strategy, and assess it, on an annual basis.

These two measures, taken together, will provide the people of Manitoba with a clearer understanding of what their government is doing on their behalf. This greater transparency in itself is good.

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