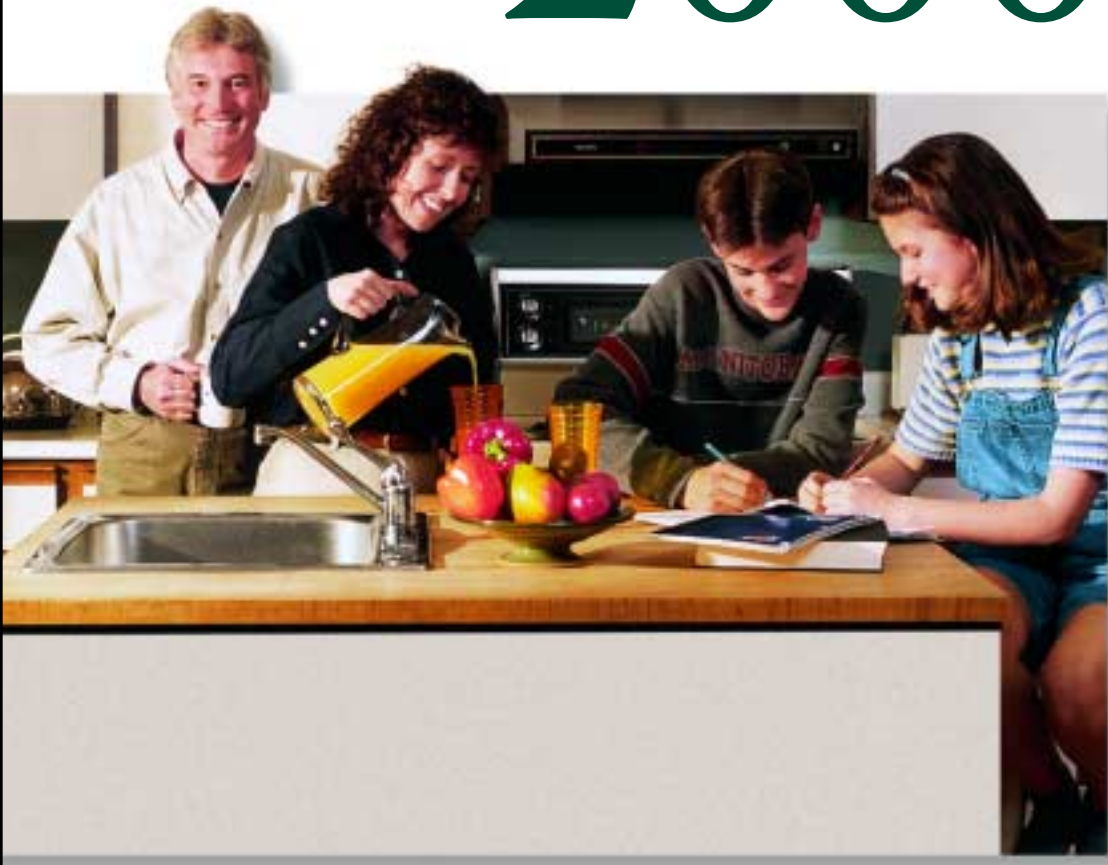

THE 2000



MANITOBA BUDGET



THE HONOURABLE
GREGORY F. SELINGER
MINISTER OF FINANCE



The 2000 Manitoba Budget Address

The Honourable Gregory F. Selinger
Minister of Finance
May 10, 2000

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2000 Estimates of Expenditure,
2000 Estimates of Revenue,
the latest *Quarterly Financial Report* and
Highlights of Manitoba's Recent Economic Performance

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The Manitoba Budget is printed on recycled paper.

ISSN 0380-4488

THE 2000 MANITOBA BUDGET

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Last September, Manitobans elected a new Government to lead them into a new century – a new Government with elected representatives from all regions of the province – the North, rural Manitoba and our cities.

Manitobans now have a Government for the many, not the few – a Government that understands the priorities of today's families. Today's Budget reflects those priorities.

Mr. Speaker, I feel privileged to present the first Budget of the new century to the people of Manitoba. On May 12, Manitoba celebrates its 130th birthday. Our history shows us how much we can accomplish when we set aside our differences and work together.

This constructive “can do” attitude was apparent during both my pre-Budget consultations and the Manitoba Century Summit. To the many Manitobans who participated in those consultations, offered their views and made constructive suggestions – thank you.

Today's Budget delivers on our five main commitments to Manitobans and their families:

- ending hallway medicine and rescuing health care;
- renewing hope for Manitoba's young people;
- keeping Manitoba Hydro, and building a new partnership between business and labour for new and better jobs;
- making our communities safer; and
- keeping balanced budget legislation and lowering property taxes.

Manitobans endorsed these five commitments because they are balanced, responsible, and responsive to the needs of today's families. This Budget begins to make that new balance a reality.

We have created a new balance by:

- meeting Manitobans' expectations for a health care system that is there when they need it, and an education system that prepares our young people for a rapidly changing economy;
- delivering responsible and sustainable tax relief for Manitoba families and for Manitoba businesses; and



- securing a balanced Budget, despite dealing with large over-expenditures discovered after taking office.

This is a good news Budget.

It is a responsible Budget.

It is a balanced Budget.

It delivers needed investment in health care and education, along with responsible tax relief.

These are the priorities of fair-minded, hard-working Manitobans and their families. These are the priorities of our Government.

*This Budget
delivers needed
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■ Health Care

Manitobans' number one priority is health care. Today, we address that priority head on, increasing health care spending by almost 6% over last year's expenditure, and targeting this funding to areas with the most critical need.

This Budget will help keep patients out of hallways, provide for more nurses, more personal care home spaces, and offer more home care services to Manitobans.

Upon taking office, our priority was to end hallway medicine in our hospitals. Our five-point plan to end hallway medicine includes:

- opening new beds;
- improving admission and discharge procedures;
- expanding community-based services;
- strengthening prevention programs like flu immunization; and
- increasing home care and adult day-care programs.

Two weeks ago, the Canadian Institute for Health Information cited the dramatic improvements in Manitoba's hospitals over the past six months. Waiting lists are now shorter, and postponed surgeries resulting from overcrowding in hospitals are down significantly. We will continue this progress. This Budget lays the groundwork for lasting improvement in our health care system.



The root causes of the rise of hallway medicine over the past decade were clear:

- ill-conceived decisions to cut nursing positions and close hospital beds;
- poor management of existing beds;
- delayed construction of required personal care home spaces; and
- failure to listen to caregivers.

We are laying the foundations for a better health care system in which hallway medicine is no longer routine. We are expanding home care, primary care and community-based services as integral parts of our health care system. We will rebuild the acute care sector and expand the community sector.

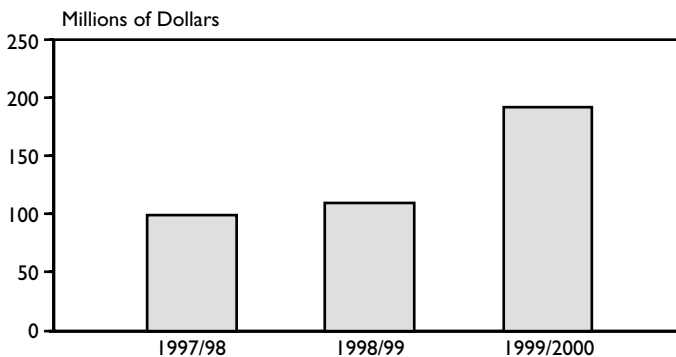
In 1999, Manitoba's health spending was the highest per capita in the nation. Our larger challenge is to stabilize health expenditure while ensuring there are needed resources for patient care. There must be secure, sustainable and timely funding for health care as well as effective use of health care resources.

Realistic budgeting is key. Deloitte and Touche's report on our Province's finances revealed chronic overspending of the health care budget. In the last three years, unbudgeted health expenditures totalled over \$400 million. Our Budget realistically funds the quality health services we need.

Manitoba announced a five-point plan to address hallway medicine in November 1999.... These and related efforts seem to have had a positive effect.

Canadian Institute for Health Information

Manitoba Health, Actual Expenditure over Budget



Sources: Deloitte & Touche, 3Q Report

Today's Budget provides additional funding for health care... strategically allocated to Manitobans' top priorities.

Today's Budget provides \$2.4 billion for health care programs. That is an increase of \$135 million over last year's projected expenditure.

For the first time in a decade, health authorities have their budgets based on a stable funding formula. Regional health authorities must exercise greater fiscal responsibility, avoid deficits and reduce administration costs now that proper funding levels are in place.

Training hundreds of new nurses is key to providing quality health services. As part of our plan to reduce nursing shortages, we are reintroducing a diploma nursing program, while continuing our support for the existing degree program. We are also educating and training more aides.

Nurses should have a voice in important decisions concerning their working conditions. A nursing advisory council and nurse representation on health authority boards will help to ensure that involvement. In addition, our Government will work with employers, unions and front line health care staff to improve the use of all available health care workers.

Quality home care services help to relieve pressure on acute and long-term care facilities, and improve service in the community. I am pleased to announce that today's Budget expands home care services to provide community intravenous therapy, improved palliative care and more adult day care. This means stronger home care services for 30,000 Manitobans.

This Budget also provides new or additional funding for other priority health care programs. We will:

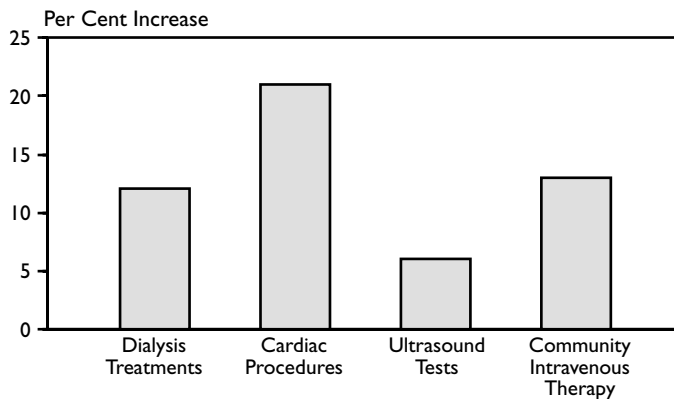
- increase cardiac care and cancer care;
- expand Pharmacare, including coverage of new lifesaving drugs, palliative care drugs and the Aricept trial for Alzheimer patients;
- reduce waiting times by increasing hours for oncology treatment, increasing dialysis capacity, and providing a new pediatric CT scanner;
- enhance our rural physician recruitment and retention plan;
- increase funding for personal care home operations, not just for more beds but for existing beds as well;



- strengthen partnerships with the federal government to improve Aboriginal health, including diabetes programs and new dialysis units in Aboriginal communities;
- provide additional funding for mental health programs and enhanced access to community health services through our new Program for Assertive Community Treatment;
- increase grants to community facilities, such as the Village Clinic, the Francophone Primary Health Care Centre in St. Boniface, and the Memory Assessment Clinic at Lion's Place Alzheimer Housing Complex;
- provide \$5 million more to enhance Emergency Response and Transport Services for rural, northern and urban ambulance services;
- add eight Workplace Health and Safety Officers to ensure safer, healthier workplaces in the manufacturing, construction and health care sectors; and
- continue the targeted programs to reduce waiting lists.

Our plan puts patients first by redirecting administrative costs to front line services.

Additional Procedures in 2000/01



Our plan for health care focuses on putting patients, not overhead, first. Amalgamating Winnipeg's health authorities allowed us to redirect costs from administration to caregivers. As a consequence of the amalgamation, we expect increased accountability of institutions to the Winnipeg Regional Health Authority.

Our health care system is often overlooked when it comes to promoting Manitoba's competitive advantage. Manitoba employers have considerably lower employee health insurance

*Our Government
wants to work with
the federal
government. Full
restoration of the
CHST is an
important first step.*

costs than employers in the United States. In addition, unlike some provinces, Manitoba does not levy health care premiums.

Employers in U.S. cities incur \$3,000 to \$4,000 annually per employee in health care insurance costs. More importantly, the public health system provides assured access to health services for every Manitoban, whatever their financial circumstances. This is why it is imperative to maintain and protect our universal health care system.

Manitoba is a leader in the renewal of health care in Canada. In fact, home care and Pharmacare were pioneered right here in Manitoba. And, we are committed to building the most cost-effective primary and community-based care systems in Canada. However, in order for this to happen, we need the federal government to once again become a committed and reliable partner.

Canadians are fully aware of the \$6.2 billion federal funding cut for health, post-secondary education and social services in 1995. This cut reduced Manitoba's annual revenue by \$236 million. Despite five years of unparalleled growth in the federal government's revenues and surpluses, federal Canada Health and Social Transfer (CHST) payments remain below 1994/95 levels, and the health supplement is \$39 million lower this year.

Our Government wants to work with the federal government, other provinces and, most importantly, with citizens and front line health care workers to ensure the sustainability of public health care. Full restoration of the CHST is an important first step toward a more financially sustainable system. Manitoba has been a leader in Medicare and, with help from the federal government, this will continue.

With today's Budget, we demonstrate our commitment to stronger public health care for Manitobans, and signal our support for a nationwide renewal of Canada's health care programs.



■ New Hope for Young People

Among Manitoba's greatest strengths are the individual and community values that make our province a great place to raise a family.

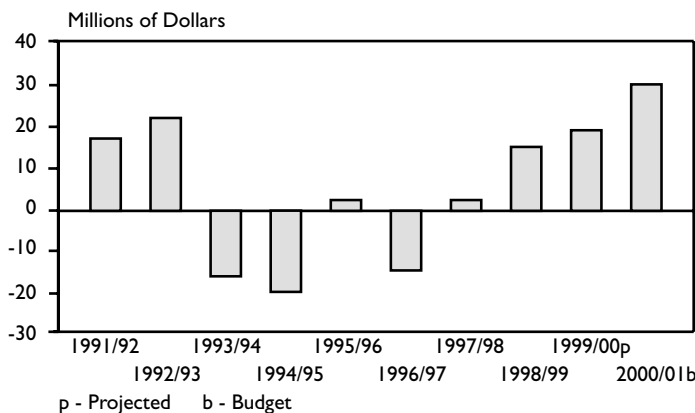
We have a responsibility to the children of our province to ensure that their dreams of a brighter future can be realized. This means providing accessible and relevant educational and training opportunities to help all Manitoba children succeed.

Our Government is committed to creating new hope for young people. And today, with this Budget, we are delivering on that commitment by providing a total of \$1.4 billion for K to Senior 4 and post-secondary education and training in Manitoba, including tax credits.

New hope for young people requires excellent preparation to create the opportunities of the future. We are reversing the recent neglect of our public school system. Our commitment starts with providing stable and predictable funding increases. As already announced in February, we are providing almost \$30 million in funding for K to Senior 4 programs provided by school divisions. In addition, the public schools capital program will be \$51 million this year.

New hope for young people starts with increased investment in education and training.

Change in Provincial Funding to Public Schools



Our Government is committed to offering young Franco-Manitobans access to quality education in French. My colleague, the Minister of Education and Training, recently announced the renewal in principle of a five-year

A good education strategy is a good economic strategy.

Canada-Manitoba Special Funding Agreement for governance of education in French. Over that term, our Government will provide Division Scolaire Franco-Manitobaine supplementary resources and cash totalling \$15 million to assist in meeting its provincewide mandate and obligations.

Manitobans will be well positioned if we prepare to take full advantage of the growing knowledge-based economy. Quality post-secondary education is essential in creating and keeping the highly skilled, good-paying jobs of the new millennium.

I am pleased to announce our advanced education plan includes the following measures that meet our election commitments:

- doubling community college enrolment over four years, beginning with \$5 million in new funding for the College Expansion Initiative;
- taking \$8 million, or 10%, off student tuition bills in public colleges and universities;
- increasing university and college operating grants by \$8.8 million and providing additional funding of \$2 million for a total increase of 3.8% to ensure that colleges and universities do not increase tuition. This will ensure that the 10% reduction is a real saving to students.

Operating Grants to Universities and Colleges

Components of Increase

	Base Operating Grant	Tuition Increase Offset*	Total	
	(\$ Millions)	(\$ Millions)	(\$ Millions)	%
Support	8.8	2.0	10.8	3.8

* Offset equivalent to a 2.2% tuition fee increase.

- introducing a new \$5.9 million Manitoba Millennium Bursary Program, the first bursaries available since 1993. The flexibility of the Canada Millennium Scholarship, administered by Manitoba, assists in establishing this bursary program. On average, these bursaries will benefit over 5,000 students annually.

In today's world, a good education strategy is a good economic strategy. At the recent Manitoba Century Summit hosted by the Premier, there was a broad consensus among labour,



business, the community and government that we need a more responsive education system.

Along with direct support for educational institutions, this Budget also provides funds for schools to form innovative partnerships with other sectors of the community. We believe that school facilities can serve the community better. For example, through the new Lighthouse Program, and with the assistance of community volunteers, we will be opening schools after hours as recreation centres. In addition, the Community Access Program, developed in co-operation with the federal government, will add 400 public Internet access sites in schools and community facilities across Manitoba.

We will also be targeting new apprenticeship and training programs toward increasing Aboriginal participation. In the future, an increasing number of new entrants to Manitoba's labour force will be Aboriginal. Working in close partnership with Aboriginal communities and with the federal government, Manitoba can ensure Aboriginal youth benefit from the job opportunities available, and can contribute and share fully in our future economic growth.

Some of these initiatives are made possible by redirecting funds from administration directly into the classroom. To this end, the Department of Education and Training will reduce 60 positions in the coming year.

Our Government is committed to providing new hope for young people, and the education priorities I have just outlined make it clear that today's Budget follows through on this commitment.

■ Families and Safe Communities

Along with the important role education plays in our society, our Government clearly recognizes that healthy families and communities play the most important role in providing new hope for our children. This support will help to ensure that our province is a healthy place for children and their families to live, learn, work and play.

A child's earliest years are vitally important in determining later health and well-being. Children who grow up in safe, stable and nurturing environments have better opportunities and success throughout their lives. Studies indicate that

*Healthy families
and communities
mean better
opportunities and
success for our
children.*

*Safe and stable
neighbourhoods
depend on more than
bricks and mortar.*

*Initiatives like
Neighbourhoods Alive!
will build on the
existing strengths and
experiences of people
and community
organizations.*

effective, early childhood programs are a sound investment leading to improved graduation rates, higher incomes, decreased crime rates, and less reliance on social assistance.

The tax relief I am announcing today, including the new Manitoba Family Tax Reduction, will benefit Manitoba families. In addition, our strategy for healthy children and families includes the following features.

- The Healthy Child Initiative will provide \$13 million for proven services such as parent-child centres, prenatal and early childhood nutrition, nurses in schools, adolescent pregnancy reduction, and fetal alcohol syndrome/fetal alcohol effect prevention.
- Almost \$9 million more for child care will provide funding for additional subsidized children, more licensed child-care spaces and additional funding to integrate more children with disabilities into day care. In addition, wages for child-care workers will be addressed by our new funding model, worked out in collaboration with the child-care community.
- Starting in July, increases in the National Child Benefit will be retained in full by all families. In addition, families on income assistance with children under age six, will receive an additional \$20 per month per child. We will also provide additional assistance to families for the cost of children's school supplies.

We also know that healthy families require healthy communities. However, helping to build safe and stable neighbourhoods is a significant undertaking, and one that requires action on various fronts. Creating healthy neighbourhoods depends on more than just bricks and mortar. Today's families need access to vital programming and services. They also need decent and affordable housing, and an effective justice system.

Our strategy for healthy families and communities features the following.

- Neighbourhoods Alive!, a long-term community-based development strategy, provides community organizations the support they need to rebuild neighbourhoods in Winnipeg, Brandon and Thompson. Neighbourhoods Alive! focuses on housing, employment and training, education and recreation, and safety and crime prevention.



- A new Winnipeg housing initiative will provide community groups with single-window access to a \$22 million housing fund created by federal, civic and provincial governments. An additional \$1 million per year will be available for targeted neighbourhoods outside of Winnipeg. Both initiatives are part of Neighbourhoods Alive! and will provide up to \$10,000 per housing unit to community-based organizations in targeted areas. This is an example of the resources that can be marshalled when governments work together.
- The Residential Rehabilitation Assistance Program, aimed at improving deteriorating housing stock, will be expanded.
- Effective and innovative ways to enhance public safety will be introduced through Justice initiatives, including measures to make our correctional facilities safer for the public and staff, and a new Criminal Organization and High Risk Offender Unit.
- Maintenance enforcement will be augmented with full-time officers in order to improve service.
- We will build genuinely safer communities by assisting victims of crime, and developing effective approaches to preventing criminal behaviour. Earlier this year, our Government introduced the first child victim support initiative in Canada.
- Our Government will work in partnership with communities throughout Manitoba to give our young people more access to community resources and facilities for positive alternative activities. My colleague, the Minister of Justice, will be announcing details on this initiative shortly.
- Our Aboriginal Justice Implementation Commission is reviewing the recommendations of the Aboriginal Justice Inquiry to provide advice on implementation. We look forward to that advice, and will continue our work to improve justice services for Aboriginal people.
- Our Government is committed to providing Manitoba's Francophone community with better access to Government information and services. The first of three planned French Language Services Centres should open later this year, in Notre-Dame de Lourdes, and early next year in St-Boniface and St-Pierre-Jolys.

We will continue our work to improve justice services for Aboriginal people.

**There is a
fundamental link
among providing
accessible and
affordable post-
secondary education,
attracting successful
business ventures,
and maintaining a
well-trained and
educated work force.**

Premier Gary Doer

- Supported Living and Vocational Rehabilitation programs for adults with disabilities will be expanded. The increase will expand residential, day and support services for adults with a mental disability who are living in the community, and will strengthen agencies' ability to provide high-quality services.

Our Government believes that educational opportunity, accessible child care, fair income support programs, maintenance enforcement and our other initiatives will provide an effective springboard to employment and greater independence.

We are committed to revitalizing older neighbourhoods. The days of top-down, one-size-fits-all solutions are gone. Often, the best ideas for community revitalization come from the community itself. We will build on the existing strengths and experiences of residents and community groups, to take into account the distinctive needs, conditions and priorities of individual neighbourhoods.

The development of safe and stable neighbourhoods is key to achieving and maintaining the high quality of life that Manitobans and their families expect and deserve. All orders of government, labour, business and the community have an important role to play in rebuilding and revitalizing Manitoba neighbourhoods. Today's families benefit when governments and the community work together.

Healthy communities for our children, and our children's children, are dependent on a healthy environment. Perhaps the most valuable resource for future generations is our abundance of fresh water. Our Government will provide greater protection for Manitoba's rivers, lakes and streams by increasing resources to protect water quality and by mapping those areas at risk of ground water pollution.

We know that the sustainable use of our resources requires careful planning. To this end, the Department of Conservation will establish a new Environmental Stewardship Division. This Division will implement wide area planning that will link development decisions to the sustainability of our ecosystems. They will also work with Aboriginal communities to ensure that our land use decisions respect the traditional entitlements of Manitoba's First Peoples. By working in co-operation with Aboriginal communities and with industry, we have protected over 200,000 hectares of endangered spaces within our first seven months in



office. We will continue to work co-operatively to sustain our environment for the benefit of future generations.

Today's Budget clearly provides for increased emphasis on Manitoba families, and recognizes the importance of safety and revitalization within our communities. We have listened to Manitobans and have carefully developed budget priorities that meet our commitment to the families and communities of our province.

■ A New Partnership Between Business and Labour

The Economic Outlook

A great strength of the Manitoba economy lies in its diversity. In fact, we have one of the most diversified economies in Canada. We also have a significant affordability advantage. And we consistently achieve one of the lowest unemployment rates and highest employment rates. Manitoba's unemployment rate over the first four months of 2000 has averaged 5.3%. In fact, last month, it declined to 5.0%, the lowest monthly unemployment rate since January 1980.

Economic opportunities are flourishing in all parts of this province – in Winnipeg, in the North, and in rural Manitoba. Our Government is committed to helping provide economic opportunities across Manitoba.

Several recent announcements attest to the strength of our economy. Vansco Electronics, a local firm employing 500 Manitobans, has announced an expansion that will create a further 340 jobs over the next few years. Air Canada is bringing another 170 positions to Winnipeg, and a new contract for Motor Coach Industries means another 300 jobs. Loewen Windows announced a plant expansion in Steinbach that will create 250 new jobs, and Schneider Corporation's \$125 million expansion will boost employment by 1,100 positions.

In addition, there are many other signs that point to the strength of our economy.

- Manitoba is North America's largest producer of buses. Two major firms – Motor Coach Industries and New Flyer –

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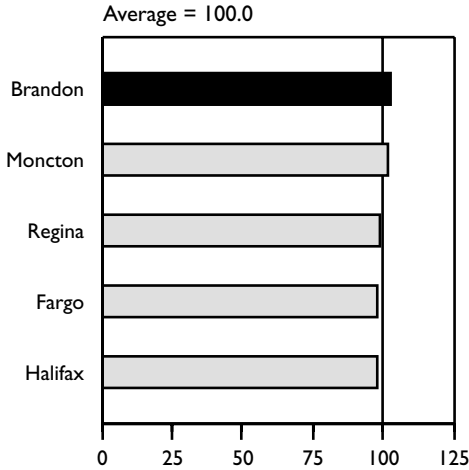
*Manitoba is a
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directly employ more than 3,000 Manitobans. MCI produces over half the intercity bus coaches sold in Canada and the U.S., while New Flyer has become one of North America's leading manufacturers of city transit buses. Both firms have proven that made-in-Manitoba skills and talent are the foundation for international success.

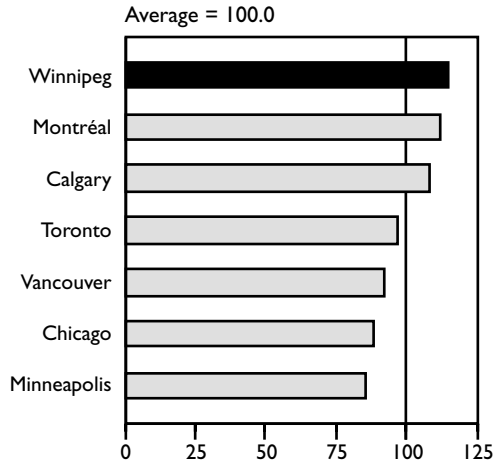
- Manitoba's aerospace industry has always been a major employer of well-educated, technically skilled workers. Last year, the aerospace industry – including firms like Boeing Canada, Standard Aero and Bristol Aerospace – employed 5,000 Manitobans and earned gross revenues of over \$1 billion. The prospects for continued robust growth of aerospace in Manitoba continue to look bright.
- In addition, demand and prices for metals have recently risen sharply, and the Northern mining sector should contribute strongly to Manitoba's economic growth over the next year.
- In the fall of 1999, Hudson Bay Mining and Smelting announced new capital investment of \$359 million in its Manitoba operations in Flin Flon to extend copper and zinc mining in the region to 2016.
- In February 2000, Inco Ltd. announced a \$70 million investment to deepen its Birchtree Mine in Thompson. The mine is expected to reach full production by 2004, and its production life is now scheduled to extend to 2016.
- Manitoba Hydro recently announced construction of a new \$180 million natural gas thermal generating station in Brandon.
- Capital investment in Manitoba has increased for the past eight years, and investment intentions for 2000 remain among the strongest on record.
- New migration data show a sharp reduction in the level of net out-migration to other provinces. Our training and education policies will attract more young people who are needed to address skills shortages and meet the needs of Manitoba's growing economy. Manitoba is a place where families can come for good jobs and a strong quality of life. Stronger population growth will also boost demand for housing, consumer goods and services, and other made-in-Manitoba products.



**Internal Rates of Return
Small Manufacturing Firm
in Cities under 500,000**



**Internal Rates of Return
Small Manufacturing Firm
in Cities over 500,000**



Along with all the previously mentioned attributes, Manitoba will continue to be one of the most affordable places to do business in Canada. For example, rates of return for a small manufacturing firm locating in Brandon or Winnipeg compare extremely well with other competing locations throughout Canada and the U.S.

Based on the average of seven major economic forecasts, Manitoba's economy will grow 2.7% in real terms in the current year. This is a significant increase from 2.2% in 1999.

The Manitoba Century Summit

As part of our commitment to begin building new partnerships between business and labour, our Government held the Manitoba Century Summit on March 14 and 15. The Summit brought together labour, community, business and government participants to forge a consensus on how we can build our economy. Everyone recognized that we all benefit when we work together to build a stronger Manitoba.

Our Manitoba Century Summit identified several key issues including overcoming skills shortages, fostering and encouraging capital investment, and promoting leading-edge industries, including biotechnology, information technology and advanced manufacturing.

**Solutions require
co-operation
between the
private sector and
government,
between labour
and business,
between all parts
of the community.**

**Harvey Sector,
Century Summit
Moderator**

The Summit developed a broad range of strategies to address these issues. This Budget follows up on the conclusions of the Summit through the development and implementation of a solid economic strategy for Manitoba.

Economic Initiatives

Our Government's economic strategy is based on taking action where we can make a positive contribution, and building on our competitive advantages. Today's Budget is an important part of our economic strategy. Our Government action includes the following.

Our Government is building on the competitive advantages we already enjoy.

- **Addressing skills shortages:** This is a priority concern shared by Manitoba business and government. In addition to doubling community college spaces, we will provide more flexible education and training options, and take steps to attract more immigrants and skilled labour to Manitoba. We will also address the barriers experienced by many Aboriginal Manitobans as they enter the work force, and create partnerships to better include our Aboriginal population in the economy.
- **Promoting immigration:** We will support both humanitarian and economic immigration to Manitoba for skilled labour, business entrepreneurs, and family reunification.
- **Keeping Manitoba Hydro:** Manitoba Hydro is one of the great advantages enjoyed by Manitoba families and businesses. It provides reliable electrical power at the lowest cost of any major utility in North America. It will also continue to provide huge economic benefits and jobs in communities throughout Manitoba.
- **Reducing small business taxes:** Our Government is committed to seeing small and innovative businesses grow and prosper. The small business income tax rate was decreased from 8% to 7% this year, and it will be further reduced to 6% next year, and to 5% on January 1, 2002.
- **Legislation facilitating e-commerce:** In response to changing requirements in the new economy, legislation facilitating e-commerce will be brought forward this year.
- **Supporting research and development:** Our Government understands the sustained economic development of our



province depends on a high level of continuous research and development activity. The Manitoba Research and Development Tax Credit supports more investment in this critical area.

Manitobans are constantly making new scientific and technological discoveries. It is important for Manitoba to reap the investment and jobs that flow from these breakthroughs. Today's Budget provides support for Keystone Technologies Incorporated – a new fund dedicated to ensuring the continued commercialization of biotechnical and health care innovations by Manitoba companies.

This Budget directly encourages more technological, knowledge-based activity in Manitoba.

- The Manitoba Science and Technology Fund, a venture capital fund, administered by Crocus Investments, supports investment in small and medium-sized firms active in various areas of technological research.
- The Manitoba Innovations Fund will provide \$7 million to help Manitoba's universities, hospitals, and other research institutions perform research and technology development.
- To build on the strength of mining and other natural resource industries, our Government will work with other provinces to ensure the general Corporate Income Tax reduction announced in the federal Budget is extended to the natural resources sector.
- As Manitoba industry continues to grow, our Government will ensure the environment is protected, activities are sustainable, and clean air and fresh water are available throughout Manitoba.
- In anticipation of a new Infrastructure Agreement with the federal government, we are allocating \$4 million for this initiative. It is expected that Manitoba's share of this new national program will generate up to \$318 million in infrastructure and other improvements throughout the province over six years.
- Today's Budget provides ongoing support for Manitoba companies to raise new capital and expand through the Manitoba Equity Tax Credit. Labour-Sponsored Venture Capital Corporations, supported by Manitoba and federal tax credits, are a success in Manitoba. The

Manitobans are constantly making new scientific and technological discoveries.

*Manitobans
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strong health and
education programs
contribute to the
economy.*

Crocus Investment Fund is an example of labour, the community and business working together and creating more jobs. The ENSIS Fund provides another opportunity to access and invest in labour-sponsored venture capital.

Roads, bridges and other transportation works are keys to the Manitoba economy, and today's Budget commits \$177 million to construction and maintenance of this infrastructure.

Manitobans should promote our competitive advantage. This Budget contains a paper on the Manitoba Advantage. We enjoy significant advantages in cost and location. Quality schools and affordable post-secondary education provide another edge. Manitobans recognize that strong health and education programs contribute to the economy, while a growing economy can provide additional revenue to improve our overall quality of life.

Community and Economic Development

This Budget reflects our belief that we must focus on both community and economic development. A revitalized partnership with local governments is important in our community and economic development efforts. This Budget provides significant resources to build this partnership.

Manitoba's unique provincial-municipal tax-sharing arrangement provides local governments with a share of growing provincial revenue. This year, the Provincial-Municipal Tax-Sharing Program payments will rise \$7 million to \$77 million. This 10% increase delivers \$44 million to the City of Winnipeg and \$33 million to other local governments.

The Rural and Urban Economic Development Initiatives provide funding for economic development, tourism, trade and investment strategies, and entrepreneurial assistance. We are expanding the Grow Bonds and Community Works Loans programs for community development corporations to include urban projects. Our TEAM program will be a pilot project to provide micro-credit loans to small Northern enterprises.

In addition, Manitoba's VLT revenue-sharing program provides \$7 million to the City and \$6 million to rural and Northern Manitoba communities.



Urban Initiatives

The City of Winnipeg will benefit by \$22 million of capital assistance provided through today's Budget.

To support urban economic development, this Budget allocates almost \$18 million to the Urban Economic Development Initiative. This will provide \$2 million to the Department of Health to support improvements to ambulance services in Winnipeg.

In the 1950s and 1960s, governments worked together to build the Red River Floodway. We are currently in discussions with the federal and City governments to develop a co-ordinated response to the International Joint Commission's recommendation of improved flood protection for Winnipeg. And, together with the federal government, we are providing resources in this Budget to complete improvements to the floodway inlet, which will increase floodway capacity by up to 10%.

Rural Initiatives

Along with these urban initiatives, today's Budget provides over \$18 million for rural capital projects such as sewer and water and the Interlake Natural Gas project.

The Rural Economic Development Initiative provides \$15 million in support to local governments for youth programs, regional development corporations, and community development programs like Grow Bonds, trade promotion and the Community Works Loans program.

The Community Ring Dykes Program provides funding, with federal cost sharing, for communities in flood-prone areas.

We will also be introducing a program to replace older ambulances in rural Manitoba.

Aboriginal and Northern Initiatives

Today's Budget includes Aboriginal and Northern communities in our community and economic development efforts. For example, this Budget provides additional resources for winter roads to Manitoba's remotest communities. It also provides \$1 million to establish an Aboriginal Economic and Resource Development Fund for programs to address economic, cultural, recreational and social needs of Aboriginal communities.

A revitalized partnership with municipal governments is important in our efforts to create better and safer communities.

We will help an additional 12 communities provide sustainable municipal services and maintain infrastructure as part of our self-reliance initiative. To promote self-reliance and economic development, we are restoring core funding to Aboriginal organizations.

I am also pleased to announce that this Budget eliminates the \$50 fee charged to Northern patients who must be transported to southern health facilities for treatment.

Agriculture Initiatives

Our Government is committed to maintaining a viable and vibrant agricultural economy in Manitoba.

Last year, in addition to the \$60 million in the Budget, \$166 million more was provided in recognition of income and moisture problems in southwestern Manitoba.

This year, the Budget provides for improvement to the Crop Insurance Program. Coverage is extended for specialty crops, moisture insurance and a new flexible price option. This Program will provide protection to individual farmers and reduce the uncertainty associated with disaster assistance.

Prairie agriculture is going through a historic period of transition. Manitoba producers have made considerable progress in diversifying their operations. However, they face serious challenges. The loss of federal transportation support, unfair subsidies in the United States and the European Union, and low grain prices have strained the economic viability of our farmers. To address these issues, Manitoba communities are seeking opportunities to attract food-processing operations. This will enhance local economic activity, thereby providing economic opportunities for our young people in rural communities. The Provincial Government will work to support the agricultural community on all of these issues.

We have negotiated a new disaster aid program with the federal government to replace the AIDA program. We will continue our work on gaining stronger federal government commitments to prairie agricultural transition. Our Government has taken a proactive stance on assistance programs such as crop insurance, the Net Income Stabilization Account and disaster aid.

*Our government
is committed to a
viable and
vibrant
agricultural
economy.*



We recognize that an ageing population is an issue in the Manitoba farming community. To this end, we will introduce Project 2000, to assist young people to enter farming. In addition, we recently announced the Livestock Stewardship Initiative to ensure the sustainable expansion of the livestock industry.

We have also provided funding for the development of a rural agrometeorological weather network which will assist our producers in making critical decisions to reduce their risks.

Manitoba farmers have done much to build this province over the past century. They deserve our support as they strengthen and diversify their operations to meet the challenges of worldwide competition.

■ Responsible Tax Relief

Manitobans have told us they want a responsible and balanced approach to programs and taxation. They want important public services maintained and improved. And they are prepared to pay fair and reasonable taxes to support those services. Our Government is working diligently to achieve a sustainable balance between increasing resources in priority areas and providing responsible tax relief. Today's Budget is the first step toward achieving this balance.

Lower Property Taxes

In the election, we promised to increase the Property Tax Credit by \$75 this year. I am pleased to announce that today's Budget fulfils that commitment.

Both the maximum and minimum Property Tax Credits are increasing for all eligible homeowners and tenants.

Most homeowners will see the increased minimum Property Tax Credit – also called the Resident Homeowner Tax Assistance – as a reduction of \$325 off their municipal property tax bills.

On average, this provides a 3.3% reduction to Manitoba property taxpayers. For an average Winnipeg home, the additional \$75 represents a tax saving of 2.7%. For an average home in rural Manitoba, the saving is even higher at 4.8%. Manitoba now has the most generous property tax relief program delivered through the income tax system.

Our Government will achieve a sustainable balance between increasing resources in priority areas and responsible tax relief.

We are fulfilling our commitment to increase the Property Tax Credit.

*Our Government
will deliver
income tax relief
to Manitobans
totalling over
\$100 million
annually.*

*We will
simplify
Manitoba's
income tax.*

Income Tax Relief

Manitobans are already seeing significant income tax relief totalling \$50 million in this year alone. Basic Personal Income Taxes were cut on January 1, saving Manitoba taxpayers over \$40 million. In addition, we are reducing income taxes a further \$10 million because we are paralleling the tax base changes announced in the federal Budget. This year, Manitoba's top marginal Personal Income Tax rate is the third-lowest among provinces. Our Government is pleased to deliver this responsible and tangible tax relief to Manitobans.

In February, I announced that Manitoba, along with the other provinces, would begin to apply provincial income tax directly on taxable income, rather than on basic federal tax. This new system is more transparent and less complicated. And it provides us with the flexibility to integrate the Net Income Tax and the Surtax – which together raised about one-third of Personal Income Tax revenue – into the basic tax structure.

Our Government will deliver additional personal tax relief to Manitobans of \$68 million in 2001, and a further \$34 million in 2002 for an annual total of over \$100 million. Manitobans from all income groups and family sizes will benefit from these significant tax reductions.

- We are reducing taxes across the board by enhancing the non-refundable tax credits and adjusting tax brackets.
- We are providing more support to families with children through the new Family Tax Reduction.
- We are providing more support to persons living with disabilities in the Family Tax Reduction.
- We are removing 15,000 low-income Manitobans from the tax rolls.
- We are increasing the tax recognition for charitable donations.
- We will simplify Manitoba's income tax. The new system will have just three tax brackets. For 2001, the new system levies tax at 10.9% on taxable income up to \$30,544, 16.2% on income between \$30,544 and \$61,089, and 17.5% on the excess. For 2002, the rate on the middle bracket is reduced to 15.6% and the bracket is increased to \$65,000.
- We will eliminate use of a Net Income Tax and we will no longer have a Surtax.



I would like to provide some examples of the tangible tax relief today's Budget delivers for Manitobans.

- For a family of four with one income of \$40,000, Manitoba income tax falls by \$153 this year, \$421 next year and \$515 in 2002 relative to 1999. Their savings over the period: \$1,089.
- For a single senior with an income of \$20,000, taxes drop \$60 this year, \$192 next year and \$214 in 2002 compared to 1999. Over the three years, this senior will save \$466 in provincial income tax.
- For a single parent with earnings of \$20,000 and one child, Manitoba income tax drops \$76 this year, \$197 next year, and \$229 in 2002 compared to 1999. Over three years, this parent saves \$502 in income tax.
- For a two-income family at \$60,000, with two children, income tax falls \$194 this year, \$526 next year, and \$605 in 2002 relative to 1999. Their three-year income tax savings total \$1,325.

This tax relief means Manitoba remains one of the most affordable places to raise a family.

Reducing Small Business Taxes

Our Government is committed to seeing small businesses grow and prosper. The small business tax rate decreased to 7% this year, saving small business over \$6 million. I am pleased to confirm that we will proceed with the further reduction to 6% next year and to 5% on January 1, 2002.

Tobacco Tax

Both as a preventative health measure, and also as a revenue measure, we have increased the Tobacco Tax from 8.0 cents to 8.6 cents per cigarette. This brings Manitoba's rates in line with those in Saskatchewan.

Summary of Tax Relief

These tax measures will help to ensure that Manitoba continues to be one of the most affordable places in Canada to earn a living and raise a family.

Full details of the tax changes I have just announced are provided in Budget Paper C – Taxation Adjustments.

Manitoba's income taxes for a family of four, earning \$40,000, rank the fifth-lowest in Canada.

Budget 2000 is providing responsible tax relief for Manitoba families.

Manitoba is one of the most affordable places in Canada to raise children.

We will balance the Budget in 2000/01, while delivering increased investments in health and education, and while providing responsible tax relief for Manitobans.

■ **Balanced Budgets**

This Budget is balanced.

For several years, the Provincial Auditor has recommended improvements to financial management and reporting practices. These recommendations were endorsed by the independent review of the fiscal position of the Province conducted by Deloitte and Touche. We are responding.

- We will issue a single set of combined financial statements commencing this September. We will end the practice of describing withdrawals from the Fiscal Stabilization Fund as revenue.
- We will bring financing for health capital under the Provincial umbrella to reduce interest costs by over \$1.2 million annually.
- We will begin to address the Province's pension liability for our employees and teachers. This liability stands at an estimated \$2.8 billion today and would surpass the \$9 billion mark around 2030. We have to take action now to prevent this burden from falling on the shoulders of our young people. We are, therefore, broadening debt retirement provisions to deal with both pension liabilities and general purpose debt. We believe a balanced plan is required, and addressing both obligations will achieve real long-term benefits.

The Deloitte and Touche report also showed that, in the past two years, the Manitoba Government spent far more than it received in operating revenue. The 1999 Budget covered this shortfall with transfers from the Fiscal Stabilization Fund.

As shown in the Third Quarter Report, Manitoba received substantially more revenue than budgeted this past fiscal year. However, much of that revenue increase was simply a one-time catch up of payments from the federal government. Despite this, it was necessary to draw the budgeted \$185 million from the Fiscal Stabilization Fund to obtain a positive balance of \$5 million for the 1999/2000 fiscal year.

Our Government is committed to putting Manitoba's finances on a sustainable footing. We have already taken action in three areas with large overexpenditures identified by Deloitte and Touche – health, emergency farm aid and adult



Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2000/01 and 1999/2000

	2000/01	1999/2000	Increase/(Decrease)	
	Budget	3Q-Forecast	From 1999/2000	3Q-Forecast
	(Millions of Dollars)	(Millions of Dollars)	(Millions of Dollars)	%
Revenue				
Own-Source	4,487	4,251	236	5.6
Federal Transfers	1,927	2,082	(155)	(7.4)
Total Revenue	<u>6,414</u>	<u>6,333</u>	<u>81</u>	<u>1.3</u>
Expenditure				
Program				
Base	5,924	5,739	185	3.2
Extraordinary	0	219	(219)	N.A.
Total	<u>5,924</u>	<u>5,958</u>	<u>(34)</u>	<u>(0.6)</u>
Debt Servicing	474	480	(6)	(1.3)
Total Expenditure	<u>6,398</u>	<u>6,438</u>	<u>(40)</u>	<u>(0.6)</u>
Net Revenue/(Expenditure)	16	(105)	121	115.2
Interfund Transfers				
Debt/Pension Repayment	(96) ¹	(75)	(21)	(28.0)
Fiscal Stabilization Fund	90	185	(95)	(51.4)
Balance Under Balanced Budget Legislation	<u>10</u>	<u>5</u>	<u>5</u>	<u>100.0</u>

¹ Commencing in 2000/01, \$21 million from debt repayment allocation is applied to start funding pension obligations with Civil Service Superannuation Fund and Teachers Retirement Allowances Fund. This amount is sufficient to match the current service contributions for new employees (\$4 million) and apply \$17 million against the unfunded pension liability.

education. The 2000 Budget makes additional progress toward the goal of sustainability.

- Today's Budget proposes a draw from the Fiscal Stabilization Fund of \$90 million, less than one-half of the \$185 million draw in 1999/2000. This year, the entire \$90 million will be used for debt retirement.
- Today's Budget also projects a \$10 million positive balance, consistent with the provisions of the balanced budget legislation.
- The debt reduction plan, introduced in this Budget and detailed in Paper B, will address both the general purpose debt and the unfunded pension liability.
- Our Budget provides greater transparency and accountability as called for by the Provincial Auditor, and legislation will be strengthened to give effect to these matters.



■ The Medium-Term Fiscal Framework

The economic outlook for Manitoba and Canada projects sustained growth over the medium term. Real average annual growth of the Manitoba economy between 2000/01 to 2003/04 is projected to be 2.3%, with nominal economic growth at 4.0%. Revenue is projected to grow at an average rate of 3.0% annually.

Program expenditure growth in our medium-term fiscal framework averages 2.8% annually. Public debt servicing remains stable. We have reduced reliance on the Fiscal Stabilization Fund and will continue to work toward eliminating the need for Fund draws.

Medium-Term Fiscal Framework

	1999/2000 ¹	2000/01	2001/02	2002/03	2003/04
	(Millions of Dollars)				
Revenue	6,333	6,414	6,565	6,781	7,013
Expenditure					
Program Expenditure	5,958	5,924	6,044	6,215	6,437
Public Debt Costs	480	474	475	475	475
Total	6,438	6,398	6,519	6,690	6,912
Net Revenue/(Expenditure)	(105)	16	46	91	101
Interfund Transfers					
Debt/Pension Repayment	(75)	(96)	(96)	(96)	(96)
Fiscal Stabilization Fund	185	90	60	15	5
Balance Under Balanced Budget Legislation	5	10	10	10	10

¹ 3Q Forecast

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, budget decisions will reflect these changes.

■ Conclusion

Mr. Speaker, Manitoba is a great place to raise a family. With this Budget, it will be even better. Today's Budget provides Manitoba with an even stronger competitive advantage that includes:

- public programs such as health care and education that are once again receiving priority attention;
- lower tuition fees for post-secondary education students who are training for the jobs and opportunities of today's economy;
- affordable housing and vehicle operating costs that are among the lowest in North America;
- the lowest hydro rates in North America;
- a low unemployment rate; and
- lower, competitive personal taxes for low- and middle-income families.

When major taxes and other significant costs are added up, a typical Manitoba family has among the lowest taxes and living costs in the country.

Our Government has taken a responsible and balanced approach to budgeting in order to respond to the priorities of today's Manitoba families. Today's Budget:

- provides significant new investment in health and education;
- takes measures to develop our communities and our economy; and
- provides sensible property tax and income tax relief, with the benefits targeted to Manitoba families.

On top of all this, the Budget is balanced. And, it provides the first long-term plan to address all our liabilities, including debt repayment and unfunded pension liabilities.

Improving the lives of Manitoba families is at the heart of today's Budget. Our Government is keeping our five commitments to Manitobans. And, we will continue to be responsive to Manitobans' needs and remain focussed on their priorities in the years to come.