

MANITOBA

2003



BUDGET
SPEECH

Manitoba 



BUILDING FOR THE FUTURE



The 2003 Manitoba Budget Address

The Honourable Gregory F. Selinger

Minister of Finance

April 22, 2003

This document is
available on the Internet at:
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The 2003 Manitoba Budget Papers,
2003 Estimates of Expenditure,
2003 Estimates of Revenue,
2003 Manitoba Advantage,
the latest Quarterly Financial Report and
Highlights of Manitoba's Recent Economic Performance

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THE 2003 MANITOBA BUDGET ADDRESS

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THE BUDGET PAPERS (in one volume)

Budget Paper A – The Economy

Budget Paper B – Financial Review and Statistics

Budget Paper C – Financing Health Care

Budget Paper D – Taxation Adjustments

THE MANITOBA ADVANTAGE

MANITOBA'S ACTION STRATEGY FOR ECONOMIC GROWTH

BUILDING FOR THE FUTURE

Mr. Speaker, I am proud to present the 2003 Manitoba Budget – a Budget that is balanced, that reduces taxes, that pays down the debt, and that invests for our future.

In times of uncertainty, we recognize the value of working together to build the foundations for a stronger, safer Manitoba – a welcoming, affordable place to live and do business. Four years ago, we started a new growth strategy for Manitoba. Budget 2003 continues our priority commitments to education, health care and innovation – the foundations of building a stronger and brighter future for Manitobans.

A steady pattern of economic growth is already paying dividends.

- We are one of only two provinces to achieve four consecutive years of private investment growth. Private investment has increased 13.8% since 1999.
- From September 1999 through the end of last year, Manitoba created an average of over 8,000 jobs per year compared to less than 3,000 jobs per year in the previous decade.
- Recently, Moody's Investors Service upgraded our Province's credit rating to Aa2 based on "solid economic growth, balanced budgetary performance and a reduced debt burden."



- Over the past four years, our unemployment rate and youth unemployment rate have consistently been the lowest or second-lowest in Canada.
- More youth are working in Manitoba today than at any time during the last decade, reversing the negative trend in youth employment that began in 1990.
- The number of Manitobans receiving income assistance has declined by 8.1% since 1999.

*We are one of only two
provinces to achieve four consecutive
years of private investment growth.*

- Since 1999, we have committed \$384 million to the reduction of debt and pension liabilities.
- This year, our net General Purpose Debt relative to GDP will be at its lowest level since 1982/83, following an 18% reduction in the past four years.
- Between 1999 and 2002, farm cash receipts increased by 27% – the best performance in Canada.

I am pleased to report that the forecasts for Manitoba growth continue to be positive.

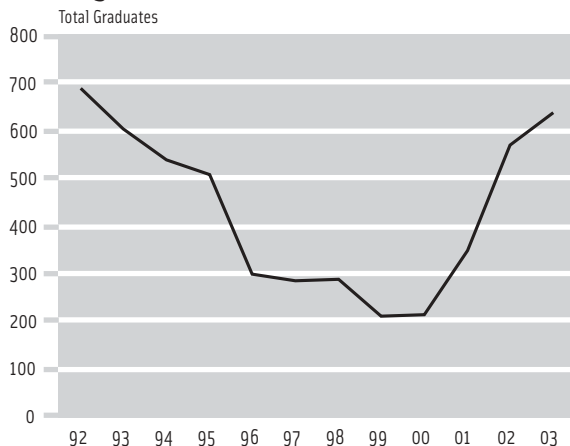
- Real economic growth is forecast at 3.2% this year – the third-strongest in Canada.
- The Conference Board projects our unemployment rate will decline again this year, and will be the lowest in Canada for the second year running.

Mr. Speaker, we have built a firm economic foundation, but there is more work to do. This Budget provides the tools Manitobans need to improve their lives now, and charts a path to an even more secure future.

Investing in our Youth

Our economic strategy is, first and foremost, an education strategy. To succeed economically, as individuals and as a province, we need a strong system of public education.

Nursing Graduates



Four years ago, we committed to the principle that a college or university education should be within reach of every young person who meets the entrance requirements. To this end, we reduced and then held the line on undergraduate tuitions, provided more assistance to students, increased course offerings, and revitalized campuses.

Six hundred nurses will graduate this year, compared to 200 in 1999. More people are taking advanced aerospace training, following the creation of the Stevenson Aviation and Aerospace Training Centre. There are more apprentices and more Aboriginal students in training. With our new investments, more students are taking more courses in more locations throughout Manitoba.

Today's Budget continues to create opportunity for Manitoba students and youth. Budget 2003:

- increases funding for the College Expansion Initiative to over \$22 million – providing \$9.2 million more to revitalize and expand Manitoba colleges;
- provides funding for 1,350 students to attend Red River College's downtown campus this fall;
- increases capital funding for universities by 15.4%; our five-year \$50 million contribution to the University of Manitoba's Building on Strengths campaign is being matched by over \$100 million in private donations;
- directs funding toward the establishment of a University College of the North;

- boosts overall operating and program grants to universities by 2.9%; and
- keeps our tuition fees among the lowest in Canada.

This Government has made the most significant investment in modernizing post-secondary education in Manitoba since the 1960s.

The increase in operating and program funding, plus another reduction in university property taxes, provides Manitoba universities with the equivalent of a 4% increase in overall support.

This Government has made the most significant investment in modernizing post-secondary education in Manitoba since the 1960s.

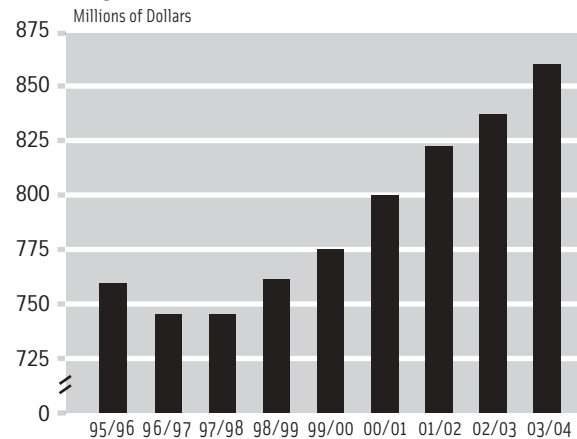
At the same time, we are strengthening our public school system.

- In 1999, we promised to increase funding to Manitoba schools at the rate of economic growth; we delivered.
- In 1999, we promised to increase property tax credits to \$400 for every homeowner and renter; we delivered.

- In 1999, we promised to begin phasing out the Residential Education Support Levy; we delivered.

Over the past three years, we have also committed \$200 million to capital projects to renew and rebuild our schools.

Funding Announcements to Public Schools



Source: Manitoba Education and Youth

Budget 2003 adds to our investments in education.

- For the fourth straight year, we are significantly increasing public school funding by providing an additional \$23.8 million.
- Over \$50 million will be committed to renovating and rebuilding public schools in Manitoba in the coming year.
- We are creating a \$1 million fund to address issues of class size and composition.

As a result of our commitment to schools, education, and training, more doors are being opened to young Manitobans. At the same time, homeowners are getting property tax relief after a decade of steady increases.

Moving Ahead on Health Care

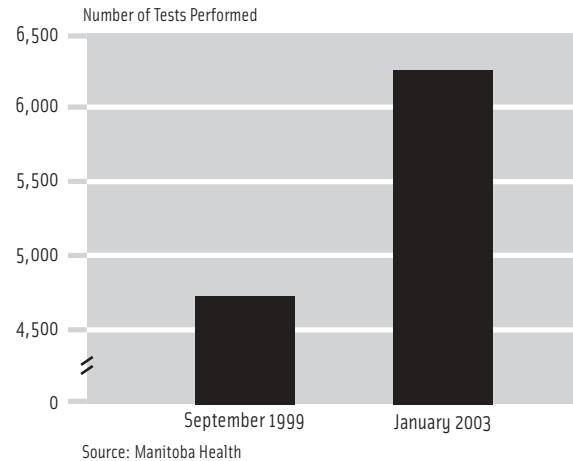
Rebuilding the public health care system remains our Government's top priority. In 1999, Manitobans faced a triple threat to health care. We were training too few nurses, doctors and other professionals to meet the health needs in our communities. Scheduled capital and equipment projects had been postponed, re-announced and then postponed again. Significant negotiated salary increases had no budgetary support. The result was gaps in service, hallway medicine as a routine practice, and lengthy waits for tests and operations.

The number of doctors in Manitoba has increased each year since 1999, reversing a period of decline.

We took immediate action, and we are now seeing the results of these ongoing training investments in our health sector.

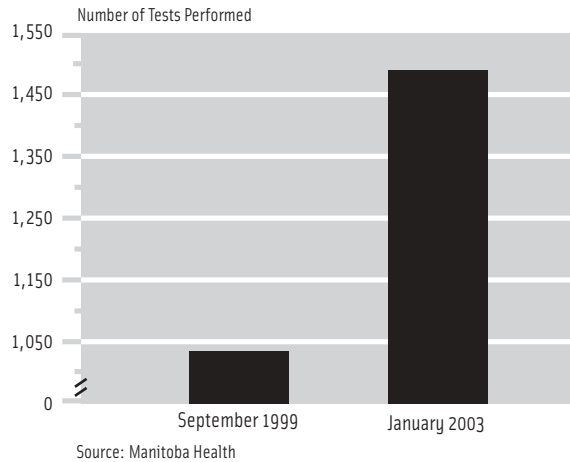
- We have added 500 additional spaces to train technologists, therapists, and health care aides.

CT Scans



- There are now over 1,300 more students enrolled in nursing following the strategic expansion in 1999.
- The number of doctors in Manitoba has increased each year since 1999, reversing a period of decline. According to the most recent data, there are 2,122 licensed doctors in Manitoba – 85 more than in 1999.
- We funded over 20% more spaces in Manitoba's medical school, and with new loan incentives, ensured that more of the doctors we graduate will be practicing in our communities.
- Through expanded home care service, improved patient management, a new flu vaccination program and – above all – the hard work of our front line health care professionals, hallway medicine has been reduced by 80%.

MRI

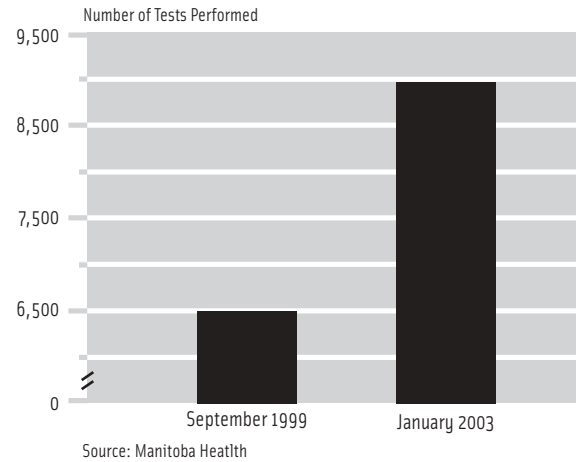


- We have implemented a strategic rebuilding program, including hospital expansions and major equipment purchases for communities such as Brandon, Thompson, Neepawa, Beausejour, Gimli, Island Lake, and Swan River.

Working with the dedicated staff at CancerCare Manitoba, we have reduced by half the wait time for cancer radiation therapy.

- We created a province-wide network of 24 Telehealth sites that allow our doctors to consult through video conferencing on diagnoses and treatments.

Ultrasound



- Working with the dedicated staff at CancerCare Manitoba, we have reduced by half the wait time for cancer radiation therapy.
- The recently announced Prostate Awareness Campaign is the first of its kind in Canada.
- By training and hiring more technologists and by extending the hours of operation, we have increased by over 40% the number of vital tests performed.
- We have five new CT scanners and, for the first time, we will have an MRI outside of Winnipeg.

As a result of major investments in upgrading health care facilities:

- Manitobans have increased access to day surgery and outpatient service, thereby making more hospital beds available; and

- more surgeries are being performed in rural and Northern hospitals.

As we make these improvements, front line health care professionals are playing a key role in the design of new health care facilities. Thanks to the advice of medical staff at Brandon Regional Health Centre, the redevelopment of operating rooms has made possible a significant increase in same-day service for patients.

Manitoba Health has distributed a new InfoHealth Guide to allow Manitobans to make better-informed health choices by letting them know what their publicly funded services are, where they are available, and where to get more information.

Budget 2003 continues support for recruiting and retaining more health care professionals by:

- improving working conditions through the Nursing Safety and Security Fund;
- providing additional funding for the Physician Resource Plan;
- financing the largest health capital project in the province's history at the Health Sciences Centre; it will include new adult and children's emergency departments, new operating rooms, new intensive care, post-anesthesia and coronary care units; and
- committing \$47.1 million for needed medical equipment and training.

Budget 2003 builds on many of the strengths of the Manitoba health care system such as home care, community health centres and special initiatives to

make our communities safer. Budget 2003 provides funds for:

- vital home care services;
- access centres that will provide health and community services in River East and Transcona;

Budget 2003 provides additional resources to Manitoba's nationally recognized West Nile Virus program.

- community health services provided through the Gimli Hospital redevelopment, and closer-to-home dialysis treatment in Island Lake;
- additional resources to Manitoba's nationally recognized West Nile Virus program; and
- meeting our commitment to reduce workplace injuries by 25%.

In recent years, most jurisdictions in Canada and the United States have increased tobacco prices. Over the past year, demand for tobacco products has dropped 20%, both in Manitoba and in Canada. Experience has shown that the price of cigarettes has a significant impact on youth smoking. As of midnight tonight, the tobacco tax rate will increase one cent per cigarette, to 15.5 cents. This measure will raise \$7 million per year to support health care.

Rebuilding Medicare

Our Government is committed to the principles of the Romanow Report. It calls for more federal resources for health care reform. Additional federal funding announced following the release of the Romanow Report is a positive step forward. Every additional health care dollar coming to Manitoba under the new funding arrangement will be spent on health care. However, even with the additional dollars, the federal share of funding for health care and other social programs will now stand at 16%. Mr. Romanow recommended that the federal share of health costs be 25%.

We will work hard to continue health care improvements and we will be diligent in pursuing Mr. Romanow's funding target.

The shortfall in federal funding for health care reform will limit the pace of improvements to our health care system. We will work hard to continue our progress, and we will be diligent in pursuing Mr. Romanow's funding target.

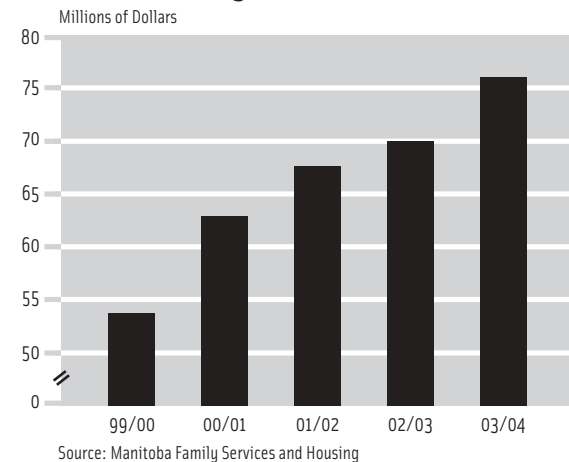
Expenditure on prescription drugs continues to be one of the fastest-growing costs in the health care system. New federal funds will allow us to cover the cost of more drugs for Manitobans. However, without a national drug plan, these resources are not enough to

address rising costs. Changes to the Pharmacare program this year include coverage for new drugs like Gleevec and Pegetron, effective May 1, and an increase in deductibles, effective July 1, 2003. For the majority of beneficiaries, this will mean an increase of between \$1 and \$5 per month. This Budget supports a projected 26% increase in Pharmacare costs this year.

Supporting Children and Families

All across the province, Manitobans are emphasizing the importance of child care. High-quality child care contributes to early childhood development, and helps families with young children find and hold jobs. In communities like Neepawa, expanding child care is also seen as a critical strategy for attracting and keeping young families.

Child Care Funding



Over the past three years, we have:

- added 2,300 funded child care spaces – a 16% increase; and
- created an on-line directory to assist parents in finding child care spots.

Budget 2003 contributes an additional \$6 million to our five-year plan for affordable, accessible and high-quality child care, bringing total Provincial support to \$76 million. Funding for child care has increased by \$22.3 million, or 41.5% over four years.

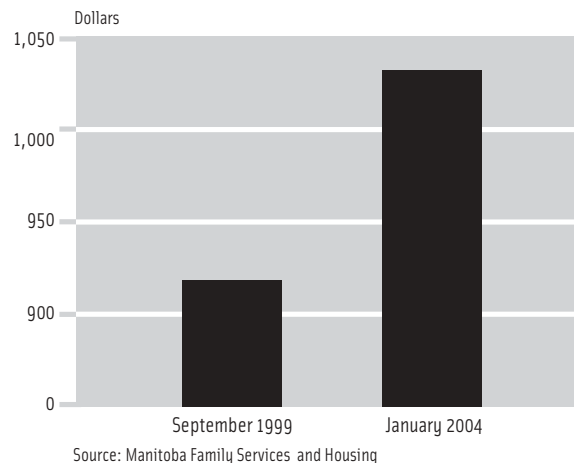
Budget 2003 continues the vital programs of Healthy Child Manitoba, which has:

- provided 5,000 mothers with financial assistance and nutrition education in the first year of its Healthy Baby program;
- restored and expanded parent-child programs – today, there are 26 across Manitoba;
- increased resources for Fetal Alcohol Syndrome prevention; and
- implemented the Healthy Schools Initiative to provide opportunities for schools and families to work with public health nurses to improve health outcomes.

In total, Budget 2003 will invest \$115 million in early childhood development. With the continued support of the federal government, we are helping families meet the needs of today to ensure success into the future.

We are taking a historic step in Manitoba, and fulfilling an Aboriginal Justice Inquiry recommendation by providing authority for off-reserve First Nations and Métis communities to take responsibility for the welfare of their children.

Income Assistance Benefits Single Parent - Two Children (Ages 10 & 13)



Last year, our Government funded a permanent Applied Behaviour Analysis (ABA) program for pre-school children with autism. Budget 2003 doubles the resources for the ABA program to accommodate all of the children currently on the waiting list.

In 1999, we promised to phase out the National Child Benefit clawback. This Budget ends the clawback for all families by January 1, 2004.

Income assistance remains an important part of the social safety net. This Budget increases general income assistance rates for individuals by 4.5% and by

an equivalent amount for persons with disabilities, effective January 2004. This will help pay for the costs of a phone to help in job searches, providing greater flexibility and dignity for citizens on assistance.

We are also changing income assistance regulations to allow persons with disabilities to establish trust funds that can be used to improve their quality of life without reducing their benefits.

Budget 2003 will also increase support for adults with mental disabilities and children with disabilities.

Safer Communities

Manitobans place a high priority on decent housing, vibrant neighbourhoods, and safe communities. Four years ago, we introduced a co-operative approach to community revitalization, forming partnerships with families, neighbourhood organizations, and other levels of government. In place of centralized programming, we created a community resources tool kit that residents can draw on to meet their goals.

- Neighbourhoods Alive! will invest \$6.7 million in 2003/04 to revitalize older communities through community-based housing, employment, education, and safety initiatives.
- The Winnipeg Housing and Homelessness Initiative, a partnership of the Province with the City of Winnipeg and the federal government, will add to the 1,100 housing units approved for renovation and construction since 2000.

- Building Communities will continue with its \$7 million plan to renew housing and infrastructure in older neighbourhoods.
- Our Lighthouses program will continue to provide young people with a safe place to play and study in more than 20 schools and community centres across Manitoba.

This is the largest investment in quality affordable housing in Manitoba in a decade.

This approach is starting to bear fruit. For example, since 1999, housing values in Winnipeg's North End and West End have increased by as much as 60%. Working with the City of Winnipeg and community groups, we have reversed a decade of decline in property values, but more work needs to be done.

Budget 2003 builds on our achievements. We are providing support for the new \$50.8 million Affordable Housing Agreement with the federal government. This Agreement will deliver at least 2,500 housing units to low- and moderate-income families over the next five years.

I am pleased to report that this is the largest investment in quality affordable housing in Manitoba in a decade.

We are taking strong measures to deal with those who threaten the safety of our neighbourhoods. We are providing unprecedented levels of support to law enforcement across Manitoba.

- We are funding the RCMP up to full complement. We have increased funding for provincial policing by \$13.2 million, or 23.6%, since 1999.
- We are expanding the Victims' Bill of Rights services to deal with offences against children, and we are appointing a new co-ordinator for child victim cases to ensure timely and effective prosecution of offences.
- We are countering bullying with the Safe Schools Manitoba program.
- Under new legislation, police can now apply to the courts to shut down businesses operating as fronts for organized crime.
- We have enhanced support to the Criminal Organization and High Risk Offenders Unit which targets gangs and predators.

Since 1999, our Government has increased the prosecutions budget by 58.7%. We are also improving access to family law related services by increasing funding for Family Law Legal Aid by 31% this year, and by providing two new regional family law lawyers.

Today's Budget also channels increased investment into joint police efforts to counter organized crime, adds new resources to address recommendations of the Aboriginal Justice Implementation Commission, and invests in a new Seniors' Home Security program.

The Manitoba Economy: Strength in Diversity

Achievements in health, education, and community development depend on a stable and growing economy. Our diversified economy has served us well during the current period of economic uncertainty.

*Our economy created
9,100 jobs last year –
75% in the private sector.*

- Manitoba had the lowest unemployment and youth unemployment rates in the country in 2002 – when a record 69.2% of working-age Manitobans participated in our labour market.
- Our economy created 9,100 jobs last year – 75% in the private sector.
- Retail sales were up 6.9%, the highest annual increase in five years.
- Manitoba's per capita personal disposable income increased 11% over the past three years.
- Merchandise exports to the U.S. increased in each of the last two years, at a time when Canadian exports to the U.S. were falling.

Raising and Retaining Capital

Investments in Manitoba can deliver strong returns for investors and create new growth, opportunities and jobs for the benefit of all Manitobans.

Recent capital investments in Manitoba include:

- J.R. Simplot's \$150 million investment in the first phase of a new potato processing plant in Portage la Prairie;
- Biovail Corporation's \$25 million expansion of its biopharmaceutical facility in Steinbach;
- Monarch Industries' \$13 million renovation and expansion of its Winnipeg facility; and
- Cormer Group Industries' \$13 million expansion to increase its supply of precision machining services.

The Premier's Economic Advisory Council concluded that local investments have the potential to deliver returns to investors and provide diversification benefits. Working with the Advisory Council, we created a Local Investment Council focussing on capital retention to encourage local investments.

Our economic prosperity depends in part on putting our savings to work here at home. Our existing labour-sponsored investment funds, Crocus and Ensis, have been very successful in this regard. Their combined capital totals approximately \$270 million, up from \$122 million in 1999. Together, these funds have invested in over 80 Manitoba firms.

Today, I am pleased to announce that we are extending this approach from the Provincial level to the

Manitoba's Seven-point Action Strategy for Economic Growth

We build a brighter future when we work together. At the Manitoba Century Summit three years ago, educators, business leaders, labour leaders, and representatives of First Nations and Métis communities sat down to identify economic priorities. Those priorities were assessed by the Premier's Economic Advisory Council, whose members also reflect the diversity and strength of our province. The Premier's Economic Advisory Council's report forms the basis for Manitoba's Seven-point Action Strategy for Economic Growth.

The Action Strategy's seven priorities are:

- education first;
- building through research and innovation;
- raising and retaining capital;
- affordable government;
- growing through immigration;
- building our communities; and
- building on our energy advantage.

These priorities reinforce one another. Research and innovation require an educated work force. Capital and immigrants are attracted to communities with an effective and efficient administration. Our energy advantage plays an important role in ensuring that economic development takes place evenly across the province. This Budget reflects the Action Plan's priorities, and begins to implement the Premier's Economic Advisory Council recommendations.

community level, by introducing the Community Enterprise Development Tax Credit. This Credit will provide Manitoba communities with further means to draw upon local savings to support local investment. Qualifying investments in individual community enterprises, or in pools that will invest in community enterprises, will be eligible for a 30% personal income tax credit on investments up to \$30,000.

The Community Enterprise Development Tax Credit will provide Manitoba communities with further means to draw upon local savings to support local investment.

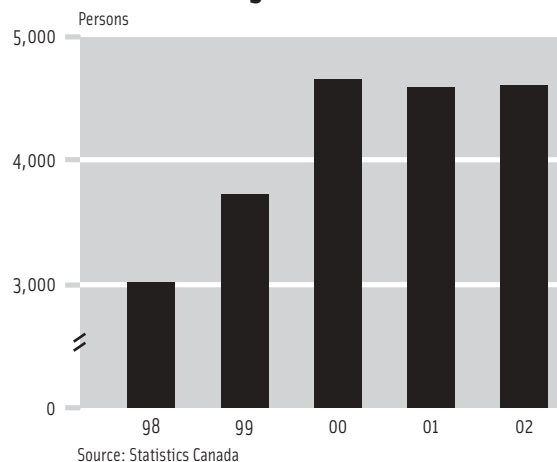
Following up on a recommendation from the Premier's Economic Advisory Council, the Government is working with communities and the private sector – both inside and outside our province – to promote a positive image of Manitoba to potential investors, vacationers, and immigrants.

The Province is establishing the Manitoba Ambassadors program, which will involve leaders in business, labour and education in promoting Manitoba. Ambassadors will use their own networks, expertise and participation in trade missions to raise the profile of trade, investment and tourism opportunities in Manitoba.

Growing Through Immigration

Over the last four years, immigration to Manitoba increased by over 50%, reaching 4,600 immigrants per year. This growth is critical to our economic future, and is a tribute to Manitoba's strategy of involving employers, labour, and community groups in immigration recruitment.

International Immigration



Last November, Manitoba reached an agreement with the federal government to increase the number of immigrants who can come to Manitoba under the Provincial Nominee Program. A new agreement with the federal government and the City of Winnipeg also supports increased private refugee sponsorship to Manitoba.

Our target is to more than double the number of immigrants to 10,000 per year. Budget 2003 supports that goal by funding a new Manitoba Council on

Immigration, which will co-ordinate settlement supports and employment opportunities and, in co-operation with the federal government, increase funding for immigrant settlement services by over \$718,000.

Building Through Research and Innovation

Research and innovation are key to continued growth and increased economic productivity. In fact, expenditures in research and development now account for about 1.2% of GDP – fourth-highest among the provinces.

Last year, we created a new Department of Energy, Science and Technology, to focus on knowledge-based sectors and the development of a clean energy economy.

Provincial support for research and innovation includes:

- \$9 million for the Richardson Centre for Functional Foods and Nutraceuticals;
- \$5 million for the I.H. Asper Clinical Research Institute at St. Boniface General Hospital; and
- an \$8 million contribution for the renovation and expansion of the Portage la Prairie Food Development Centre.

Budget 2003 builds on these investments by:

- increasing the amount available through the Manitoba Research and Innovation Fund;

- supporting a new biotech training strategy in partnership with Red River College and Biovail; and
- continuing to support private research and development through the Manitoba Research and Development Tax Credit.

We are working with Manitoba communities and businesses to promote the use of the Internet for commerce and education.

We are working with Manitoba communities and businesses to promote the use of the Internet for commerce and education. A new e-commerce course is being offered by Red River College. And Internet access is being extended throughout the province.

- Our Community Connections program has created 600 public Internet sites and supported the Churchill Community Network, the first community-owned Internet service provider in Manitoba.
- Manitoba Telecom Services is expanding its Next Generation Service Program to approximately 60 Manitoba communities.
- The Provincial Data Network is being upgraded to enhance broadband access for hospitals and Provincial Government buildings.

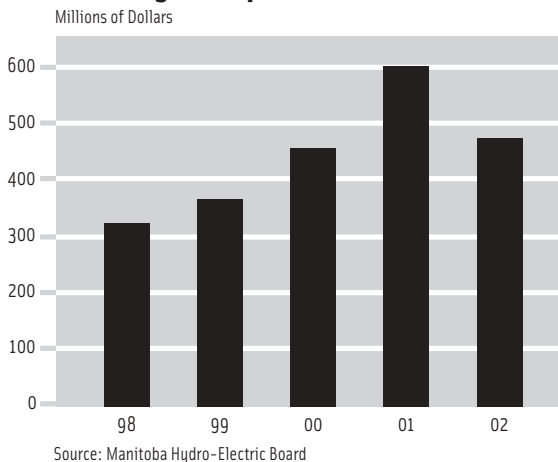
- Manitoba Hydro infrastructure is being used to provide Internet access where communities have identified a need.

Our Government service delivery innovations include Service Manitoba, Business Service Centres, and bilingual Community Service Centres.

Building on our Energy Advantage

Manitoba Hydro is a cornerstone of the Manitoba economy. Its low-cost, renewable, reliable electric power gives every business in Manitoba a competitive edge. Manitobans enjoy the lowest electricity rates in North America.

Manitoba Hydro Export Revenues



Manitoba Hydro export sales are at their second-highest level in history. Recently, Manitoba Hydro renewed a contract with Xcel Energy in Minnesota that will result in \$1.7 billion in export sales. Discussions

are continuing with neighbouring provinces and the federal government on expanding the power transmission grid to increase exports.

Manitoba Hydro is considering the construction of three new generating stations in Northern Manitoba. Together, these would be the largest construction projects in Manitoba in decades. These mean significant long-term economic benefits for Northern Manitoba. Manitoba Hydro is working toward partnership agreements with First Nations to ensure that these communities share in the training opportunities, employment, and profits that hydro development brings.

Our publicly owned hydro utility will continue to play an important role in attracting investment to Manitoba, and creating quality jobs for young Manitobans.

Water Policy Across the Province

Our new water management and conservation policies address the unique concerns of each region in Manitoba. Key priorities are protecting the quality of our drinking water, drainage, and flood protection.

Our Government:

- created an Office of Drinking Water and increased monitoring of water quality;
- introduced a 70% subsidy for the testing of private drinking water;
- initiated ground-water testing of 1,000 wells in agricultural areas; and

- strengthened ring dikes in the Red River Valley.

Last year, the Province spent \$10 million on drainage-related water projects in rural Manitoba. Budget 2003 increases spending on drainage initiatives by 10%.

Since April 2001, we have invested over \$40 million in upgrades to drinking water and sewer systems throughout rural and Northern Manitoba.

Over the last three years, 45 Northern communities have benefited from improved drinking and waste water treatment resulting from a Provincial commitment of \$26.2 million.

*An expanded Floodway will
create 3,500 jobs and protect
against a one-in-700-year flood.*

Protecting Manitobans from potential personal and business financial loss due to flooding is vital. This Budget will establish the Red River Floodway Authority to oversee the planning and construction of an expanded Floodway – a project that will create 3,500 jobs and protect against a flood with a one-in-700-years probability of occurrence.

The Province and federal government recently announced \$160 million to begin the first phase of Floodway expansion, which will double the capacity of the existing Floodway, and will include dredging and riverbank stabilization north of the outlet.

Since the Flood of the Century, the Province and federal government have spent \$110 million on flood protection outside Winnipeg, including an extensive community ring dike program which protects 1,800 homes and businesses in the areas such as Grande Pointe, Ste. Agathe, St-Pierre-Jolys and Emerson.

Transportation

In a province as large and geographically diverse as Manitoba, transportation is crucial to economic development and quality of life in each region. We are in the second year of a five-year, \$600 million highway construction program – budgeting \$120 million this year. This Budget also provides \$68 million for highway maintenance.

Rural Manitoba

Agriculture and the rural landscape have undergone tremendous change over the past decade. We want to work in partnership to provide the framework and support within which rural Manitoba can adapt to this change and continue with diversification.

Conservation Districts have become highly effective partnerships between the Province, local municipalities, and farmers. Funded jointly by the Province and municipalities, the number of Conservation Districts has grown from nine to sixteen in just over three years.

The land managed by the Districts has grown by 40% in the same period. Conservation Districts are increasingly taking the lead in water management planning, and encouraging innovative farming and land management practices.

Our reduction in the taxable portion of farm property put \$7 million annually back in the hands of producers. Since 2000, we have provided \$220 million of disaster assistance, and have improved crop insurance coverage for excessive moisture to Manitoba farmers.

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and have improved crop
insurance coverage.*

Our Bridging Generations Initiative has provided \$14.5 million to assist in intergenerational farm transfers and to support the next generation of young farm families. Since 1999, we invested over \$9 million in rural projects, resulting in over \$25 million in capital spending and 1,176 jobs.

Livestock is one of the fastest-growing areas of opportunity for Manitoba farmers, and is generating \$250 million to \$300 million in investment each year. We continue to work with industry and rural communities to ensure the environmental sustainability of the livestock industry in Manitoba.

This Budget maintains support for the Fisheries Enhancement Initiative and the Northern Fishermen's Freight Assistance program. We will work with all Manitobans whose livelihood depends on the fishery to ensure a sustainable industry.

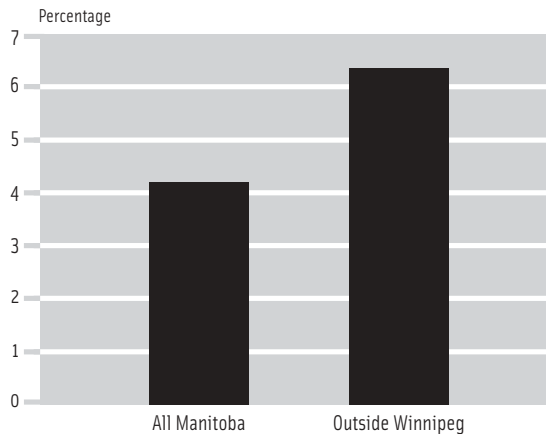
Budget 2003 continues to support agriculture and rural communities through:

- a 7.4% increase for risk management and farm support programs;
- \$43 million for the new Net Income Stabilization Account (NISA) program;
- Hometown Manitoba, a new program supporting community-driven projects to build community pride by improving the appearance of public spaces and businesses;
- a new Operating Credit Guarantee program, which will leverage \$60 million in private sector loans for farm operating expenses;
- funding to expand and renovate the Food Development Centre in Portage la Prairie;
- another \$6.5 million contribution to the Prairie Grain Roads program;
- a 28% increase in capital grants to further expand the number of Conservation Districts;
- a two-year extension of the sales tax exemption on manure slurry tanks and lagoon liners; and
- support for an ethanol mandate that will create new markets for our grains, add jobs in rural Manitoba

communities, and generate high-protein co-products to benefit our livestock industry.

We are also committed to improving quality of life for rural residents through such specific new measures as increasing support to rural libraries by 13%, equalizing hydro rates, and providing resources to improve recreation centres in The Pas and Dauphin.

Increase in Medical Doctors, 1999 to 2002



Source: Manitoba College of Physicians and Surgeons

Budget 2003 will direct \$35 million to municipalities outside of Winnipeg through the Provincial-Municipal Tax Sharing arrangement – a program of sharing revenue with local governments that is unique within Canada.

Our Government also recognizes that quality of life is about investing in education, the environment, and health care. Since 1999, we have recruited and retained more rural doctors, expanded rural home care, and provided 70 new ambulances. Last year, there were

530 licensed doctors in rural Manitoba, up from 498 in 1999.

Budget 2003 builds on these accomplishments by:

- installing new CT scanners in the Steinbach, Boundary Trails, and Selkirk hospitals;
- providing expanded dialysis services in Portage la Prairie, Island Lake/Garden Hill and Boundary Trails; and
- providing new equipment, such as a computerized radiographic system, and a chemistry analyzer for the Neepawa Hospital.

Northern and Aboriginal Communities

Manitoba's Northern Development Strategy is based on the conviction that the priorities, strengths and experiences of the people in the North must guide Northern development. Budget 2003 provides increased funding for Northern housing, employment and training, health, transportation, and economic development initiatives. In preparation for new hydro construction, we have already committed \$10 million to pre-project training for Northerners. This is the first stage in a proposed \$60 million training initiative developed between First Nations, the Governments of Manitoba and Canada, and Manitoba Hydro.

Budget 2003 fulfills our promise to fully restore Provincial grants to the Manitoba Association of Friendship Centres.

Transportation is of critical importance in the North, and is among the top priorities in our Northern Development Strategy. Budget 2003 underlines our commitment to upgrading transportation in the North by channeling \$37 million for road construction and maintenance; \$11.6 million for airport and marine operations, maintenance and capital; and \$5.8 million for winter road operations.

We replaced the 24-year-old air ambulance with a newer \$6.5 million air ambulance capable of responding to emergencies in weather situations beyond the older aircraft's capability.

To ensure dependable and vital air ambulance services to Northern communities, we replaced the 24-year-old air ambulance with a newer \$6.5 million air ambulance capable of responding to emergencies in weather situations beyond the older aircraft's capability.

Mining remains a mainstay of the Northern economy. The most recent offering of our Mineral Exploration Assistance Program resulted in \$15.2 million in private sector investment for mineral exploration. Last year, we supported 41 new exploration projects which were undertaken by 35 companies.

The Northern Forest Diversification Centre in The Pas has received national recognition for its work in assisting residents of Northern communities to harvest, process, and market non-timber forest products. Budget 2003 supports an expansion of the Centre's work.

We are committed to working in partnership with the Canadian Wheat Board and other stakeholders to increase shipping at the port of Churchill – the Prairies' only deep-sea port. Budget 2003 provides up to \$1 million to ensure the continued operation of Canada's mid-continent gateway to the world.

Urban Initiatives

We are continuing with the revitalization and rebuilding of our urban communities. We have developed a dynamic set of partnerships with community organizations, the private sector, civic governments, and our universities and colleges.

Winnipeg is a vibrant and diverse capital city with world-class amenities and a tremendous quality of life. The Province is proud to work co-operatively with the City to build our downtown and urban neighbourhoods.

Major projects in Winnipeg include:

- completion of the Red River College downtown campus;
- the Millennium Library;
- True North Entertainment Centre;

- Waterfront Drive in the Exchange District;
- the expansion of CanWest Global Park; and
- a new downtown Manitoba Hydro headquarters.

To promote growth in our film and recording industries, this year we are increasing support by \$1 million for Manitoba Film and Sound.

The Community Places program will receive a \$500,000 increase to improve community recreation facilities across the province.

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Important community investments are being made in Brandon and Thompson. Downtown Brandon will soon have 77 more new or renovated rental housing units for families with low and moderate incomes, bringing the total number of revitalized housing units in the city to approximately 400.

The Province has also provided support for Brandon's future by expanding the Assiniboine Community College campus. We are currently supporting feasibility studies on future expansion options.

Through the Canada-Manitoba Infrastructure Program, we are supporting a new regional community centre in Thompson. In March, Neighbourhoods Alive! announced funding for a homeless shelter and a child care centre in Thompson.

Brandon's economy has benefited from:

- a \$58 million capital construction project for Brandon Regional Health Centre – the largest investment in health care ever made in Western Manitoba;
- a Provincial Government commitment to multi-year funding for Brandon's Keystone Centre;
- Provincial Government support for Maple Leaf Foods to help the company meet its labour-force needs;
- a \$3 million loan to ensure local ownership of McKenzie Seeds;
- a \$5 million upgrade to the nursing facilities at Brandon University; and
- support for Smart Communities, which involves connecting communities in Manitoba to larger centres with the ultimate goal of providing resources and technology to remote, rural, and urban areas in Manitoba.

Culture, Heritage and Tourism

Strategies have been developed for marketing the rapidly growing adventure travel and eco-tourism industry, along with cultural, Aboriginal, and heritage attractions.

Funding for tourism marketing has been increased by \$750,000 in Budget 2003 to maintain our competitive position in key markets, and to encourage fellow Manitobans to experience the many attractions here.

We are working with the Tourism Industry Advisory Committee on the development of a joint industry-Government tourism development strategy. A partnership delivery system will ensure that the economic and community benefits of tourism are realized.

Funding for tourism marketing has been increased by \$750,000 to maintain our competitive position.

Manitoba's support for the arts is among the strongest in the country. This Budget provides an overall 6.1% increase to the Manitoba Arts Council. In partnership with the federal government and the City of Winnipeg, we are working to secure the future of the Winnipeg Symphony Orchestra.

Environmental Stewardship

Environmental stewardship is a priority in any constructive plan for the future. Manitoba has taken a leadership position on a number of key environmental issues.

A new provincial park will be added in addition to the Caribou River, Pembina Valley and Trappist Monastery Provincial Parks that we have announced recently. We have fully protected all or part of 21 Wildlife Management areas, and extended park reserve status to East Paint Lake and Manigotagan. Also, to support the eco-tourism industry, we have provided a grant to the Narcisse Snake Dens, and developed a Watchable Wildlife initiative.

We have committed ourselves to exceeding Kyoto Accord targets for the reduction of greenhouse gas emissions. The Kyoto Accord offers Manitoba a number of economic opportunities. We are a continental leader in the production of clean renewable energy. Our Action Plan on Climate Change will allow us to build on this advantage. The Plan is grounded in Hydro's investments in conservation and in generating stations with low environmental impact, and in our ethanol initiative. It encourages research and development of windpower, solar energy, hydrogen fuel cells and geothermal heat pumps. This diversification capitalizes on our strengths, creates local employment, and protects the environment.

We are broadening the Manufacturing Investment Tax Credit to include investment by businesses in equipment that uses energy more efficiently, or produces energy for the producer's own consumption from environmentally friendly sources such as windpower. This measure will make Manitoba firms more competitive by reducing energy costs, while also reducing pollution and helping to meet Canada's Kyoto targets.

A Provincial action plan to help protect Lake Winnipeg, including the establishment of a new Lake Winnipeg Stewardship Board, and new regulations to prevent erosion and reduce nutrient run-off, has recently been announced.

The Kyoto Accord offers Manitoba a number of economic opportunities.

We are continuing with the broad-based community planning process for the east side of Lake Winnipeg with the goal of improving transportation, and creating increased economic opportunity in a manner that is sustainable and fits with community goals and values.

We are building on our commitment to create over 1,000 new cottage lots and 1,900 new campsites by providing \$750,000 for cottage lot development and campsite improvement inside and outside provincial parks.

Connecting to the Future

This Budget focusses on the priorities of Manitobans, maintaining a robust economy, and building a strong education and health care system. It also provides a connection to the future. In a turnaround from the 1990s, more young people are choosing to make Manitoba their home. This Budget provides a package of incentives to further encourage young people to remain in Manitoba, including:

- a new 10% tax credit – up to \$1,000 per student – for employers providing work placements for co-op education students, a measure that encourages employers to attract students from recognized training programs from within and outside Manitoba;
- doubling the interest-free period on Manitoba Student Loans to one year from six months; and
- another significant personal income tax reduction for the middle-income tax bracket.

New Tax Reductions

Since Budget 2000, we have introduced meaningful and sustainable tax reductions each year. Today, I am pleased to announce further personal and business tax relief.

Highlights of our new personal income tax reductions include:

- lowering personal, middle-income tax rates by 6% in Budget 2003 – saving taxpayers almost \$40 million annually; and
- bringing the total personal income tax reductions to \$220 million since Budget 2000 – the largest four-budget reduction in Manitoba history.

In 2004, a single-earner family of four earning \$60,000 will save more than \$1,400 annually as a result of these reductions.

Our Government recognizes the particular burden faced by many seniors paying property taxes. I am pleased to announce today that the maximum Education Property Tax Credit for seniors will rise to \$800 from \$775. Seniors and other taxpayers will also benefit from other property tax cuts including:

- the continuing phase out of the Residential Education Support Levy (ESL), which has been cut by 27% over the past two years, now saves taxpayers \$27 million annually; and
- the \$150 increase in the Education Property Tax Credit which now saves taxpayers \$53 million annually.

In 2003, our ESL reductions will save homeowners \$119 on a \$125,000 home. When combined with the \$150 increase in the Tax Credit, this homeowner now saves more than \$250 each year.

Together, our personal income and property tax cuts will save our citizens \$300 million annually – this is significant tax relief for Manitobans and their families.

Business Taxes

In the last three years, small business tax rates fell by 37%. We have increased the amount of taxable income eligible for the small business income tax rate. We introduced the first cut in general corporation income taxes since the Second World War that continues through to 2005. As of January 1, 2004, the rate will drop to 15.5%.

Building upon our previous tax reductions for both small and large businesses, I am pleased to announce further tax relief for companies that are actively expanding their operations in Manitoba. Today's Budget:

- exempts all corporations from paying tax on their first \$5 million of capital; this is designed to encourage investment by businesses of all sizes, and will be of particular benefit to small, growing firms which will now face much lower taxes when they cross the \$5 million threshold; and

Value of the Education Property Tax Credit for Seniors, 1999 and 2003

Income	1999	2003	Increase
\$15,000	\$475	\$650	\$175
\$20,000	\$425	\$600	\$175
\$25,000	\$375	\$550	\$175
\$30,000	\$325	\$500	\$175
\$35,000	\$275	\$450	\$175
\$40,000 and over	\$250	\$400	\$150

- extends for three years the Manufacturing Investment Tax Credit, which has proven effective in promoting investment in our province's large and diversified manufacturing sector; this Credit has also been enhanced and now applies to businesses that invest in energy-efficient equipment.

A Responsible Fiscal Plan

For the 2002/03 fiscal year, we are projecting a positive balance of \$4 million under the terms of balanced budget legislation and a debt repayment of \$96 million. The 2002/03 draw from the Fiscal Stabilization Fund (FSF) of \$77 million will be used entirely for the \$96 million debt and pension repayment.

Budget 2003 projects a positive balance of \$10 million under balanced budget legislation. For the fourth straight year, the Province will commit \$96 million to paying down the debt and pension liability – with a draw of \$48 million from the FSF to go toward our debt and pension liability.

We have balanced the budget in each year of our mandate – a balance that has been achieved at the same time as we have paid down debt and pension liabilities by \$384 million. While other jurisdictions have run deficits and cancelled or suspended debt payments, we have continued to make significant progress in this area over four Budgets. Our Government is committed to improving efficiency and ensuring that taxpayer dollars are spent efficiently on

our highest priority programs. A cross-departmental initiative will examine what we do and how we do it. In the coming year, departments will be challenged to justify their expenditures, to improve methods of operation, and to deliver the services Manitobans need most. This initiative will reduce costs and increase in-year savings.

*For the fourth straight year,
the Province will commit \$96 million
to paying down the debt
and pension liability.*

Over the past four years, accountability to Manitobans has been improved through more complete and transparent reporting. We have produced the first-ever Annual Report for Government – a critical piece in the accountability cycle – and introduced improved accounting practices for capital acquisitions. In addition to summary financial statements, we are now presenting annual summary budgets encompassing the entire Government reporting entity, including the 40-year unfunded pension liability.

The international financial community has recognized our prudent fiscal management over the past four years.

Earlier this year, Moody's Investors Service improved our credit rating from Aa3 to Aa2, and debt servicing

costs are down, leaving more revenue for priority public programs. Moody's noted: "the province's prudent budget policy framework is well entrenched and should continue to generate positive results leading to further easing of the debt burden in coming years."

In 1961, the Manitoba Government stopped funding the pensions of civil servants and teachers. By 1990, pension liabilities had grown to \$1.2 billion. In 1999, pension liability was \$2.7 billion. Left unattended this would have grown to well over \$10 billion by 2035.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2003/04 and 2002/03

	2003/04 Budget	2002/03 Forecast	2002/03 Budget	Increase/(Decrease) from 2002/03 Forecast to 2003/04 Budget		Increase/(Decrease) from 2002/03 Budget to 2003/04 Budget	
				(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	4,806	4,598	4,579	208	4.5	227	5.0
Federal Transfers	2,508	2,242	2,362	266	11.9	146	6.2
Extraordinary Revenue - Manitoba Hydro (2001/02)	0	150	0	(150)		0	
Total Revenue	7,314	6,990	6,941	324	4.6	373	5.4
Expenditure							
Program	6,925	6,632	6,560	293	4.4	365	5.6
Debt Servicing	331	335	368	(4)	(1.2)	(37)	(10.1)
Total Expenditure	7,256	6,967	6,928	289	4.1	328	4.7
Net Revenue	58	23	13	35		45	
Interfund Transfers							
Debt/Pension Repayment	(96)	(96)	(96)	0		0	
Fiscal Stabilization Fund	48	77	93	(29)		(45)	
Balance Under Balanced Budget Legislation	10	4	10	6		0	

We took immediate action in 2000, introducing the first-ever plan to deal with the pension liability. We are continuing to take action. In addition to the funds allocated for debt and pension liabilities in Budget 2003, each hiring department or Government agency must now fund the full pension costs of each new employee. Moody's took notice of our approach, stating that Manitoba has "taken steps to address (the Province's) unfunded pension liability which will improve fiscal flexibility going forward."

The Medium-Term Fiscal Framework projects continued balanced budgets into the future. There will be challenges from areas of cost pressure such as health care. And revenue growth will be influenced by national and international events.

Conclusion

As in past Budgets, we are focussed on the priorities of Manitobans. Our plan includes:

- strong schools and training for success;
- quality public health services;
- healthy families in secure communities;
- an innovative economy that provides real opportunities; and
- affordable government.

Our achievements are significant in each of these areas. For four years in a row, we have balanced the budget, contributed to reducing debt and pension

Medium-Term Fiscal Framework

	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
	(Millions of Dollars)				
Revenue	<u>6,990</u>	<u>7,314</u>	<u>7,471</u>	<u>7,715</u>	<u>7,997</u>
Expenditure					
Program Expenditure	6,632	6,925	7,056	7,198	7,342
Public Debt Costs	335	331	348	365	365
Total	<u>6,967</u>	<u>7,256</u>	<u>7,404</u>	<u>7,563</u>	<u>7,707</u>
Net Revenue	23	58	67	152	290
Interfund Transfers					
Debt/Pension Repayment	(96)	(96)	(96)	(115)	(115)
Fiscal Stabilization Fund	77	48	39	(27)	(165)
Balance Under Balanced Budget Legislation	<u>4</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

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

liabilities, cut taxes, and made strategic investments in education, health care, and our communities.

With these investments, we are creating exciting new educational opportunities, developing health care technologies, diversifying our agricultural sector, and tapping into a range of new and clean energy sources.

Manitoba is one of the best places to live in the world. Our communities are safe, our cost of living is low, and quality of life is high – our economy is strong. With this Budget, we are continuing to build on our advantages to keep young people here and attract newcomers in ever-growing numbers. Budget 2003 is about providing more opportunities today while building for the future.