



MANITOBA 2004

BUDGET SPEECH



TODAY'S CHALLENGES
TOMORROW'S OPPORTUNITIES





The 2004 Manitoba Budget Address

The Honourable Gregory F. Selinger

Minister of Finance

April 19, 2004

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2004 Estimates of Expenditure,
2004 Estimates of Revenue,
2004 Manitoba Advantage,
the latest Quarterly Financial Report and
Highlights of Manitoba's Recent Economic Performance

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THE 2004 MANITOBA BUDGET ADDRESS

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Also available

THE BUDGET PAPERS (in one volume)

Budget Paper A – The Economy

Budget Paper B – Financial Review and Statistics

Budget Paper C – Restoring Fiscal Balance

Budget Paper D – Taxation Adjustments

THE MANITOBA ADVANTAGE

TODAY'S CHALLENGES, TOMORROW'S OPPORTUNITIES



Thank you, Mr. Speaker.

I am privileged to present the 2004 Manitoba Budget – a Budget that meets today's challenges and builds on our long-term plan for growth and opportunity.

Budget 2004 is a balanced Budget. It focusses on the priorities of Manitobans. It deals head-on with challenges that face our province:

- the national economic growth slowdown during this past year;
- a reduction of \$104 million in federal funding for Manitoba health care; and
- the continuing responsibility to pay down the Province's debt and pension liabilities, while protecting the Fiscal Stabilization Fund.

Budget 2004 continues our plan which has won two credit upgrades for Manitoba. Our record over five Budgets – reducing taxes, paying down debt and pension liabilities, upholding balanced budget legislation, and planning for the future – is one of affordability and sound fiscal management.

Our Budget projects no draw from the rainy day fund for the first time since 1996, and again pays down \$96 million in debt and pension liabilities. Budget 2004 also follows through on promised tax relief for Manitobans.

Mr. Speaker, Manitobans are still dealing with the challenges of what proved to be a very difficult past year: the BSE crisis, the second-worst forest fire season in Manitoba history, the sudden rise in the value of the Canadian dollar, drought conditions for farmers, and low water levels for Manitoba Hydro.

All of these combined to slow the growth of our economy. Manitoba's economy was projected to grow 3% at the start of 2003, but finished the year at 1.9%. Canada's growth rate fell even further.

The challenges of 2003 had an impact on all Manitobans, as well as on Provincial finances.

While other provinces delayed promised tax relief, or cut investments in vital programs and infrastructure, we worked hard to follow through on our commitments of the past four Budgets.

As promised – the Province has invested in the priorities of public health care, education, and supports for children and families.

As promised – \$301 million in personal taxes were cut.

As promised – \$480 million for debt retirement, including \$96 million more in today's Budget.

We have kept our commitments because these are the best investments we can make for Manitobans – today and tomorrow.

Affordable Government

To keep building for the future, we need to keep government affordable. Our total expenditures per person are the third-lowest in Canada.

Budget 2004 maintains our commitment to affordability by introducing new measures to reduce administration costs while preserving front line services.

This Budget sets in motion a plan to eliminate 400 Government positions, saving over \$30 million in salaries and related expenses. We expect to achieve these savings through attrition, and do not expect any layoffs. In addition, all departments have been directed to reduce discretionary spending by up to 7%.

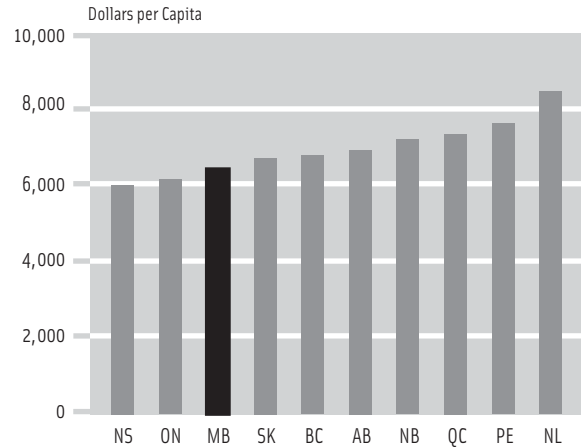
We believe in honouring collective agreements with public sector employees. At the same time, we will be seeking moderate salary costs in line with Manitoba's low cost of living.

In Budget 2004, 12 departments – the majority of departments – are holding the line below inflation or reducing spending.

In addition, Budget 2004 introduces a number of new and ongoing efficiencies.

- A further \$32.5 million reduction in the Province's borrowing costs – Manitoba's borrowing costs are among the lowest in Canada.
- Driver and Vehicle Licencing will now be housed with the Manitoba Public Insurance Corporation, allowing for reduced duplication of administrative services and increased customer service.

Total Expenditure by Province, 2003/04



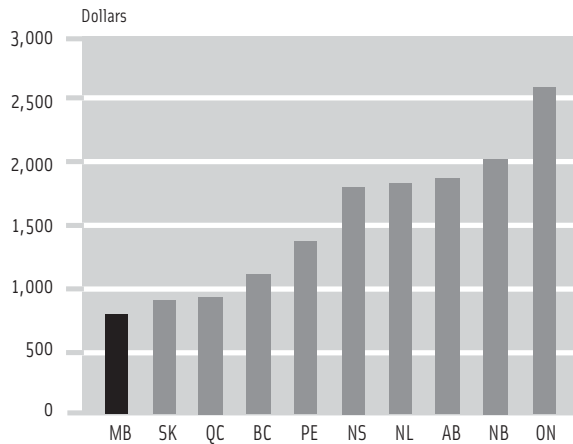
Sources: Statistics Canada and provincial mid-year financial statements

- Penalties on overdue own-source taxes will be increased.
- The sale and lease of Crown lands will be consolidated in a single agency.
- Administration, information technology and financial services will be shared between departments.

An internal expenditure management committee will continue to work with departments to review all government expenditures with a goal of finding additional efficiencies.

Manitoba's Crown corporations play an important role in keeping our province affordable. Both Manitoba Hydro and Manitoba Public Insurance offer high-quality service, reliability and low costs to consumers. Independent studies show our public utilities have among the lowest rates in North America.

Average Auto Insurance Rates by Province, 2003



Source: Consumers Association of Canada, September 2003

Building Manitoba

Our infrastructure priorities have focussed on health, education, highway renewal, community and downtown revitalization, and water management.

Our first job was a strategic rebuilding of health care facilities across Manitoba. A state-of-the-art redevelopment of the Brandon Regional Health Centre is completed, and a major expansion of Winnipeg's Health Sciences Centre is under way. From Steinbach to Swan River, from Pinawa to The Pas, significant investments have been made in modernizing health care facilities and upgrading critical diagnostic equipment.

Including resources in Budget 2004, over \$288 million has been allocated to capital funding for public schools

since 1999 – almost double the funding over the previous five-year period. The funding has resulted in 33 major addition/renovation projects, 11 replacement schools, and eight new schools, including facilities in Winkler, Mitchell, Norway House, Gimli, East Selkirk and Winnipeg.

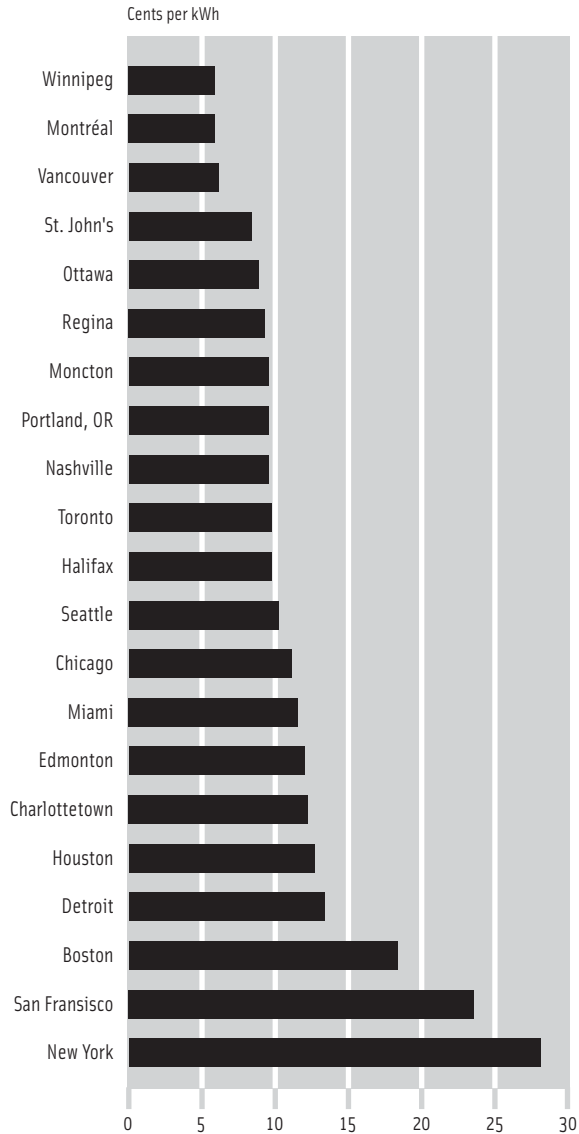
Since 1999, capital improvement projects have been undertaken at every campus in Manitoba. The third phase of the downtown Red River College campus is complete. At the University of Manitoba, the new \$52 million Engineering and Information Technology Centre, and the \$25 million Richardson Centre for Functional Foods and Nutraceuticals, are also proceeding. Discussions are under way on the renewal of Brandon's Assiniboine Community College.

Our \$50 million contribution to the University of Manitoba's *Building on Strengths Campaign*, the largest post-secondary capital campaign in Manitoba's history, has helped to leverage an additional \$187 million in private sector support – for a total of \$237 million.

We are currently negotiating a new Canada-Manitoba infrastructure program, focussing primarily on rural and Northern regions, which will provide new resources from each level of government for vital infrastructure needs throughout Manitoba.

The following measures will be introduced to address current and future Provincial infrastructure needs. Effective midnight April 30, the tax rate on diesel fuel will be synchronized with the rate for gasoline. This new diesel fuel tax rate remains the second-lowest among the provinces.

Average Residential Hydro Prices North American Cities



Source: Hydro Québec, May 2003

Vehicle registration fees will increase by \$23 effective July 1, and an additional levy will be applied for land transfers in excess of \$200,000 beginning July 2004. These measures will generate \$9.5 million in this fiscal year.

We are currently in the third year of a five-year, \$600 million highways program, which is providing better, safer roads throughout Manitoba. Budget 2004 builds on this commitment, adding \$10 million in construction for the upcoming season, and a further \$10 million for the following season.

As a result, the twinning of the Trans-Canada Highway will be completed a year earlier, in 2006; the resurfacing of major portions of Highway 6, through the Interlake and into Northern Manitoba, will begin this summer; and the twinning of the Perimeter highway northeast of Winnipeg and Highway 59 South will proceed over the next three years.

Since 1999, 45 Northern communities have received improved drinking water and waste water treatment facilities. Budget 2004 will continue to invest in water management and water quality initiatives.

Budget 2004 continues to invest in the first phase of the Floodway Expansion initiative. To date, Canada and Manitoba have committed a total of \$240 million in Floodway funding. When completed, the \$660 million project will provide our capital with one-in-700-year flood protection.

Following on the Clean Environment Commission recommendations of last August, the Province, the

City of Winnipeg and the federal government recently entered into a \$72 million agreement to upgrade sewage and waste water treatment in Winnipeg – safeguarding the health of the Red River and Lake Winnipeg. The same tri-level agreement provides for the construction of the Kenaston Underpass and the development of a rapid transit system in Winnipeg.

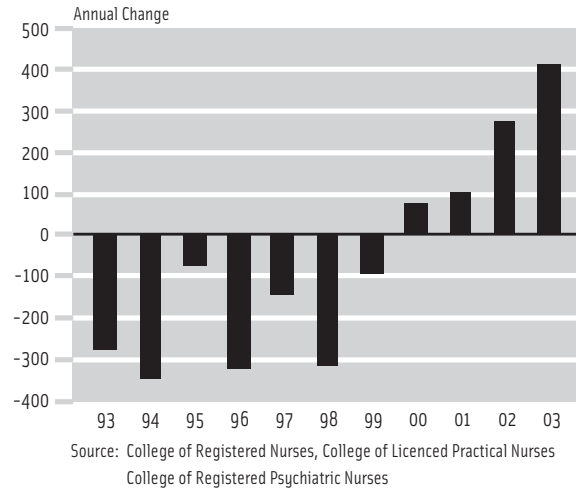
Fiscal Imbalance, Future Sustainability

Mr. Speaker, the Conference Board of Canada indicates that Alberta and the federal government will be running surpluses over the next decade, while the provinces collectively struggle to fund health and education, and local governments face a serious infrastructure deficit. The Board says that under these circumstances, the national health care system will become unsustainable.

Our first priority is to seek a new funding partnership with the federal government for health. Once a new, sustainable agreement on the immediate and longer-term direction of health care is complete, we can then begin to address the serious infrastructure deficit facing our municipal governments.

Here in Manitoba, the City of Winnipeg made a significant contribution to the understanding of this pressing issue on the national stage. In addition, Manitoba is unique among the provinces in sharing a portion of both personal and corporation income taxes with municipalities. The amount shared is equivalent to five cents per litre in gasoline taxes to municipalities.

Active Practising Nurses



Overall, in 2004, the Province of Manitoba will provide over \$140 million in grants and revenue transfers to the City of Winnipeg. The federal government will provide approximately \$11 million.

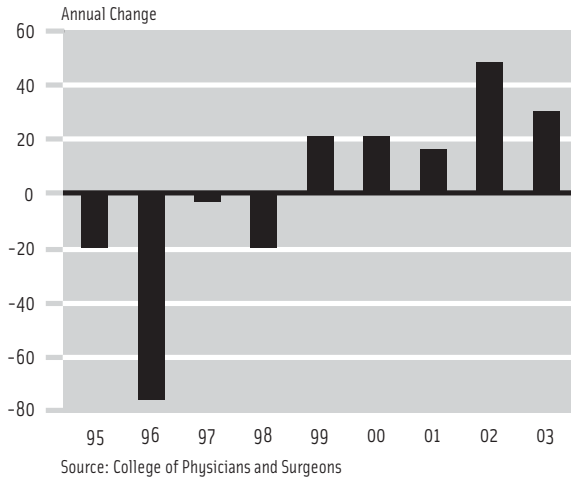
After securing a new agreement on future health funding, we look forward to working co-operatively with the federal government and Manitoba municipalities to tackle infrastructure needs head on.

Health Care

We have a major sustainability challenge in health care, and it is here that we continue to seek a lasting and meaningful federal partnership.

Beginning in 1999, an unprecedented provincial commitment helped to stabilize a health care system that faced serious nurse and doctor shortages along with deteriorating hospitals and diagnostic equipment.

Net Gain/Loss of Doctors Manitoba, 1995-2003



- We have tripled the number of nurses graduating in Manitoba in large part as a result of re-instating the diploma RN program.
- With the number of licenced practitioners increasing by almost 7% over the past five years, Manitoba now has more doctors than at any time in the past decade.
- The new Brandon Regional Health Centre has just opened – a modern hospital that will serve WestMan patients for decades to come.
- Such leading-edge medical equipment as Canada's first gamma knife is now available right here in Manitoba.
- Communities like The Pas, Selkirk and Steinbach now have access to CT scans in their local hospitals.

According to the Cancer Advocacy Coalition of Canada, Manitoba has among the shortest waiting times in

Canada for cancer treatment – wait times have been cut in half since 1999.

The Canadian Diabetes Association has recognized Manitoba as having one of the best treatment programs in Canada.

The Canadian Association of Radiologists found that Manitoba has one of the shortest MRI waiting times in Canada.

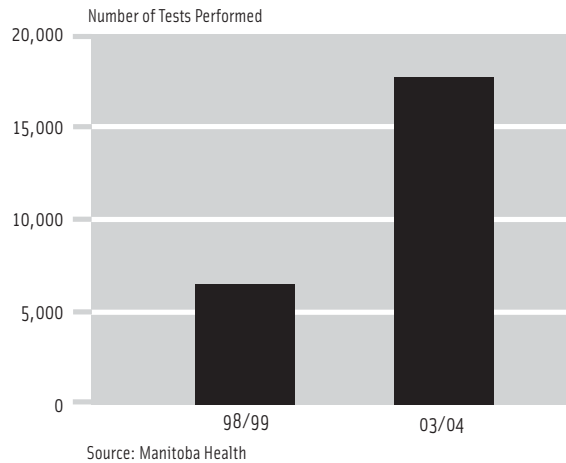
We have accomplished these milestones, while the federal commitment to Medicare has continued to falter. At a time of major surpluses in Ottawa, the federal government funding share for health care is projected to decrease this year to 16% of the total cost. This is well below the 25% recommended in the Romanow Report.

In Budget 2004, health care as a whole will receive an increase of 5.2% – the largest increase of any department. As the cost of providing health care to Manitobans continues to grow much faster than available resources, we can no longer stay on our current course.

Health resources will continue to be redirected from regional health authority administration to front line care.

Our Pharmacare system covers medication costs for Manitobans in need. Over the last five years, spending on this important program has more than doubled – this year's budget is \$177.5 million. In addition to this funding increase, measures are being taken to control spiraling drug costs.

MRI



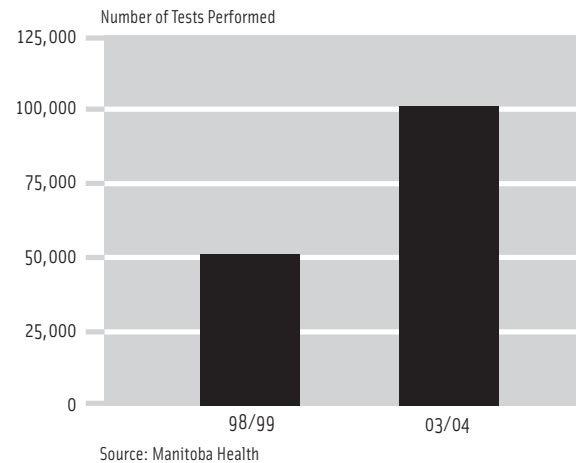
The use of generic drugs will be encouraged. As well, we will examine best practices from other provinces to ensure that the most effective, lowest-cost medication is covered whenever possible. As in previous years, deductibles will rise by 5%. As well, two new deductible levels will distribute the cost more fairly. By taking these measures now, we can ensure that Pharmacare will remain available to Manitobans who need it.

Manitobans want their loved ones to get the care they need quickly. Budget 2004 provides resources to address waiting times, improve service in emergency rooms, and ensure an adequate supply of health care professionals.

This Budget provides strategic investments and reforms that improve patient care and continue building a system that is more efficient in the long run including:

- the first MRI outside of Winnipeg, which will be located at the Brandon Regional Health Centre;

CT Scans



- meeting the need for an increased number of heart surgeries;
- more staff in emergency rooms dedicated to reducing waiting times;
- better access to family doctors and health information; and
- dialysis treatment closer to home for Northern Manitobans.

Through the College Expansion Initiative, \$5 million has been invested annually since 2000 in expanded education for health professionals. We have used the nursing recruitment and retention fund to bring hundreds of nurses back to Manitoba. This year, we will re-allocate a portion of this fund to further expand our successful diploma nursing program and increase opportunities for Manitobans who want to make health care their career.

Budget 2004 will invest resources to educate more Manitoba nurses throughout the province. Licenced

Practical Nurses in rural Manitoba will be offered the opportunity to become Registered Nurses. Nurses who want to return to the profession will receive assistance to refresh their skills.

In the last five years, the number of diagnostic tests, such as MRIs, CT scans and ultrasounds, has almost doubled and, in some cases, tripled. More than ever, Manitobans have access to the latest medical technology. To continue this progress, Budget 2004 provides resources to enhance training for diagnostic professionals.

Manitobans are also taking more responsibility for their own health – one more important piece in making the health care system sustainable. The new focus on healthy living assists our long-term plan to help reduce health care costs by increasing the well-being of Manitobans.

Manitobans will benefit from the \$3.9 million federal/provincial contribution toward the Kinsmen Reh-Fit Centre's expansion. This facility combines fitness, nutrition, and medical care under one roof.

We believe that government should help promote healthy lifestyles from the earliest years. To this end, the Task Force on Youth Fitness and Health will hold public consultations across the province to gather suggestions on improving nutrition and increasing activity levels for our young people.

In the recent federal Budget, it was announced that additional funding for immunization will be available. Our Government is committed to expanding the use of vaccines to prevent serious childhood illnesses.

Following on the recommendations of the All-Party Task Force on Environmental Tobacco Smoke, the Minister of Healthy Living took a leadership role in tabling Bill 21, *The Non-Smokers Health Protection Amendment Act*. This will make Manitoba the first province in Canada to adopt a province-wide indoor smoking ban as of October 1, 2004.

From January 2001 to June 2003, smoking in Manitoba has decreased approximately 19%, according to Health Canada. To further discourage smoking, the tobacco tax rate will increase two cents per cigarette at midnight tonight.

Education and Youth

Creating tomorrow's opportunities starts with a strong commitment to education and our young people. This commitment lies at the heart of our economic growth strategy.

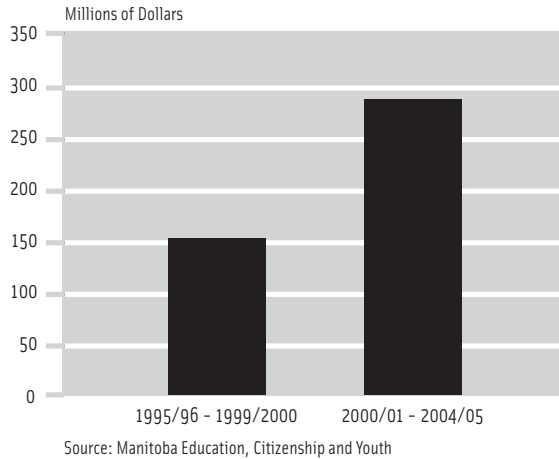
Since 1999, we have worked in partnership with parents, teachers, and communities to provide stable funding for schools, improve the efficiency of public school administration, and modernize school infrastructure.

Earlier this year, we announced our intention to increase school funding by \$17.6 million – a 2% increase. This is the fifth consecutive year our Government has kept our commitment to fund schools at the rate of economic growth, for a total increase of \$105 million.

New resources will be directed toward:

- Aboriginal academic achievement;

Capital Funding – Public Schools

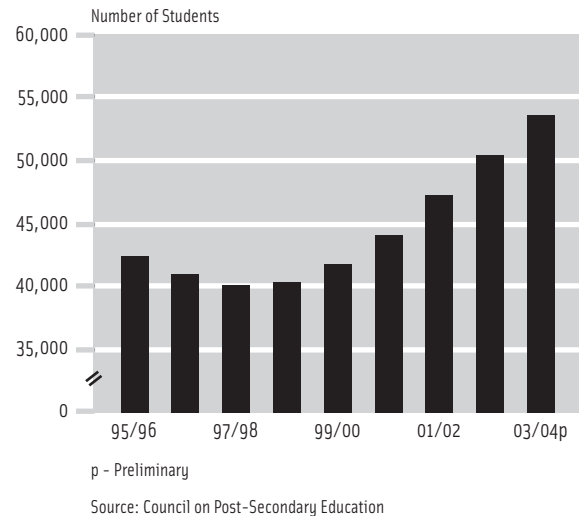


- special needs education, which has increased almost 25% since 1999/2000;
- English as a Second Language programs;
- counselling and guidance; and
- library support.

We are embarking on a multi-year initiative with new resources in Budget 2004 to improve the curriculum and options for high school vocational education. This initiative will improve the links to post-secondary educational institutions, to apprenticeship opportunities, and to employers.

With new resources in Budget 2004, we are placing a greater emphasis on citizenship, and giving students new tools to understand their role as contributing members of society.

Total College and University Enrolment, 1995/96 to 2003/04p



Resources will also be provided to create a Teachers' Institute at the Manitoba Legislature for teachers to learn more about parliamentary democracy and bring that experience and understanding back to the classroom.

Mr. Speaker, tax relief to homeowners is part of our investment in education, and we have reduced education property taxes every year by increasing the tax credit or reducing the residential Education Support Levy (ESL).

During the 1990s, property values were flat, while education property taxes rose by an average of 66%. Today, this situation has reversed, with strong growth in property values and flat education property taxes. Higher school division levies have been fully offset for most Manitobans by reductions in Provincial education

property taxes. With today's Budget, we have reduced education property taxes by \$92 million since 1999.

Despite the challenges of the past year, this Budget will fund a further \$10 million reduction in the residential Education Support Levy. In 2004, our additional ESL reduction will save homeowners \$40.50 on a \$125,000 home – bringing the total ESL savings since 2001 to \$159 for the same home.

Manitoba's Education Property Tax Credit provides \$179 million in assistance to homeowners and renters to offset their property taxes. Next year, we intend to transfer \$100 million in property tax credits directly to school divisions. To ensure transparency and equity for homeowners from this transfer, there must be no reduction in benefits to individual recipients. This change will ensure accountability in Provincial education funding.

In our first mandate, we saved Manitoba farmers \$7 million when we reduced the farmland portioning from 30% to 26%.

In our second mandate, we committed to reduce education taxes on farmland by 20%.

For 2005, farm education property taxes will be reduced by 5% as a first step. We will undertake consultations to determine how best to implement this commitment.

Through Budget 2004, we will continue to keep Manitoba post-secondary tuition among the most affordable in Canada, offer new or expanded programs, invest in vital infrastructure, and increase the education options available for all Manitobans.

Since 1999, we have made tremendous strides forward.

- University enrolments have increased by 28%.
- College enrolments are up over 30%.
- Apprenticeships are up 18%.
- The number of nurses in training has tripled.
- High-tech training in aerospace and life sciences has increased by almost 1,000 students.

In 2000, tuition was cut by 10% and has been retained at that level for the past four years. This Budget continues the tuition rebate for the fifth straight year, improving accessibility and helping students keep debt loads manageable.

Total support for colleges and universities in Budget 2004 will increase by 3.5%.

New resources will go to:

- the College Expansion Initiative, to continue expanding educational opportunities;
- the Post-secondary Strategic Initiatives Fund, to stimulate new program development; and
- the Access Program, which assists individuals who have traditionally faced barriers to college and university.

Earlier this year, we introduced legislation to establish the University College of the North (UCN) as a Manitoba post-secondary institution. Today, our Government is moving forward with new support for UCN.

The UCN will make post-secondary education more accessible by delivering courses closer to home and ensuring Aboriginal and northern people have full participation in the governance of this new institution.

Funding will also be made available for the Hydro Northern Training Initiative to improve the delivery of training and employment opportunities for Northern Aboriginal residents resulting from hydro-electric development.

We will allocate \$200,000 to train Manitobans for employment opportunities related to the expansion of the Red River Floodway.

We are channelling significant new support for graduate scholarships to stimulate research-based graduate studies in Manitoba. This investment will help enable us to retain our top students and to foster research that will support economic growth and prosperity in the province.

Supporting Families

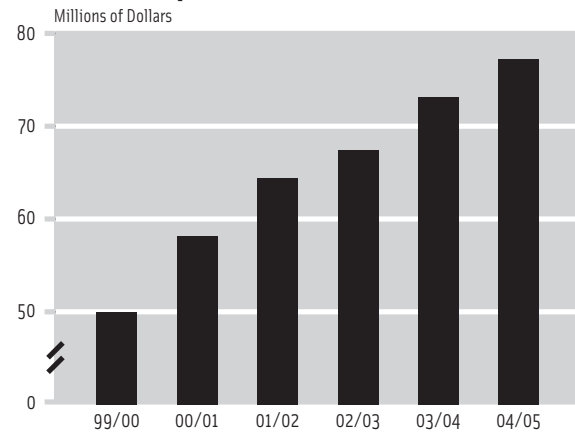
Mr. Speaker, we know that investments in the early years generate positive outcomes both for our children and for society.

Through Budget 2004, Healthy Child Manitoba will receive new resources for BabyFirst and EarlyStart programs. These programs offer important resources to low-income families with very young children.

In addition, new resources are being allocated to support francophone early childhood development to enable the francophone community to develop culturally and linguistically appropriate programs.

New resources have been allocated to expand early childhood development testing to help school divisions measure how Manitoba children are developing before they start grade one.

Child Care Expenditures



Source: Manitoba Family Services and Housing

We will also direct funding toward a new Children's Therapy Initiative which has been introduced to improve children's early access to services such as speech and language therapy.

Manitoba has a long tradition of supporting the efforts of the United Way. In fact, we are the only province in Canada that covers the organization's administration costs. I am pleased to announce Budget 2004 improves support for United Ways throughout the province, ensuring every dollar donated is spent on important community services.

The Office of the Children's Advocate recently conducted a review of the Winnipeg Child and Family Services emergency shelter system. Our Government has responded immediately by phasing out shelter care for younger children. We have already begun an implementation process to improve family-based services for children in care.

Supporting Families

In the last five years, the Province has made a commitment to families with an additional \$26 million for child day care, and more than \$58 million for early childhood development in areas such as:

- funding 3,500 new child care spaces;
- a 51% increase in funding over five Budgets for child day care;
- establishing 26 parent-child centres to improve parenting supports;
- supporting the Healthy Baby program for new mothers and providing a nutrition supplement for low-income pregnant women.

Mr. Speaker, during the 1990s, funding was cut dramatically for persons with disabilities, resulting in reduced services and a diminished quality of life for some Manitobans. We have taken action.

We appointed a Minister Responsible for Persons with Disabilities and opened a new Disabilities Issues Office, a centre of co-ordination for disability policy, which ensures meaningful consultation with the disability community and addresses issues of importance to persons with disabilities. Budget 2004 provides a \$12.3 million, or 11%, increase for the Supported Living Program, which helps persons with disabilities live in the community.

In the 1990s, Manitoba's minimum wage failed to keep pace with inflation. Since 1999, we have increased the minimum wage by 16.7%. I am pleased that with the April 1, 2004 increase to \$7.00, we have restored the

purchasing power for Manitoba workers, students and low-income families.

Our efforts to rebuild and revitalize neighbourhoods, particularly in Winnipeg's inner city, have brought a measure of pride back to many communities. In some areas, housing values are up over 60%.

Over four years, \$12 million has been allocated to the Neighbourhood Housing Assistance program to help communities improve housing stock and help low-income homeowners and renters obtain affordable housing.

The governments of Canada and Manitoba are each contributing \$25.4 million to the Affordable Housing Initiative over five years – with \$6 million dedicated to housing in the North. We have also doubled the Provincial contribution to the Residential Rehabilitation Assistance Program to \$2 million.

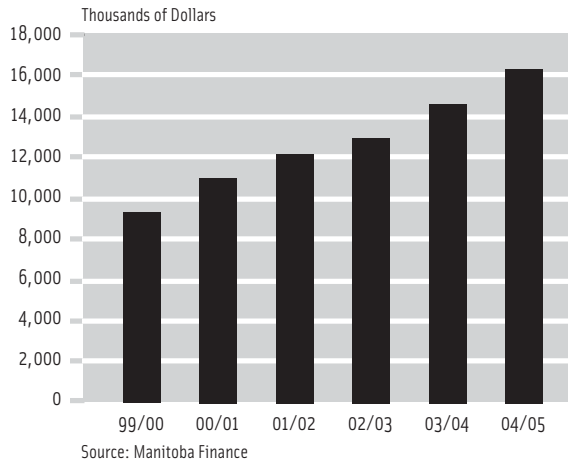
Since 1999, commitments have been made to build, renovate or repair over 2,100 homes in Manitoba under the Neighbourhood Housing Assistance program and the Affordable Housing Initiative.

Safer Communities

Quality housing, supports for children and families, thriving neighbourhoods and safe communities are important components of healthy living.

When our Government came to office in 1999, problems such as auto theft and arson were growing. Organized crime had a new profile in Manitoba following the arrival of the Hells Angels in 1997.

Prosecution Expenditures



Our Government immediately began tackling these complex problems with a comprehensive approach toward fighting crime and improving public safety.

Our approach means more resources for police and prosecutors, new legal tools for law enforcement agencies, and a greater emphasis on prevention programs that work.

We also funded Manitoba's first organized crime task force and have shut down over 50 houses conducting illegal activity including sniff, drugs and prostitution.

We have introduced new strategies to fight auto theft and impaired driving, and launched the successful Lighthouses program designed to provide youth with healthy alternatives to the streets. Budget 2004 provides resources for the establishment of five new Lighthouses.

Our approach means recognizing the need for more resources on the front lines – and Budget 2004

Strengthening Communities – Confronting Poverty

As of January 2004, the Province has:

- fully restored the National Child Benefit (NCB) for families with children under the age of 18, putting \$13.7 million back into the pockets of low-income families in Manitoba;
- increased support for general assistance recipients and persons with disabilities;
- increased earnings exemptions for families on income assistance with children;
- extended training supports from one year to two for single parents with children under six; and
- recorded a significant drop in income assistance caseloads compared with a decade ago.

By eliminating the clawback of the NCB, and allowing new child tax benefits to flow to families on income assistance with children, those families are 15% to 20% better off than they were in the 1990s.

continues to invest in efforts that have been under way since 1999.

We are fighting organized crime by:

- supporting the new joint-forces organized crime task force and the RCMP Gang Awareness Unit;
- funding the RCMP to enable it to achieve full complement – bringing total support for Provincial police to \$70.2 million, an increase of 26% since 1999; and
- expanding the collaboration between police, prosecutors, and corrections staff through the

Criminal Organization and High Risk Offender Unit to target gangs and predators.

The Department of Justice has commenced extensive consultations with over 24 major industry stakeholders that use “in-house” security in some form. The Department is working toward developing regulatory policies within this newly emerging and complex industry that will include employment standards and training.

Supporting our prosecutors has also been a top priority, and we have increased the prosecutions budget by 67% since 1999. Today's Budget adds resources for another senior prosecutor for cases involving child victims.

Budget 2004 builds on these efforts by providing further resources for police and fire fighting services, enhancing community partnerships, and supporting those at greatest risk. The Budget provides:

- new resources for the Dakota Ojibway Police Service, Opaskwayak Cree Nation Policing, and Aboriginal policing at Nelson House;
- new funding of over \$350,000 to support the Victim Notification and Tracking System, to inform victims of court dates, trial outcomes, and other events related to their cases;
- resources to permanently establish Turnabout, the first Provincial program of its kind in Canada, to ensure meaningful interventions and consequences for offenders under 12 years of age;
- resources to expand Safety Aid, a program providing security equipment for low-income seniors; and
- enhanced regional support for child victims through Victim Services.

Our Government also recognizes that it must address challenges facing the justice system. Since 2001, funding for Legal Aid has increased by 30%.

This year, funding for Legal Aid will again increase. Yet significant challenges persist – challenges such as high expenditures on high-profile and multi-accused cases. Changes will be made to preserve the mandate of Legal Aid, which is to ensure legal representation for those who could not otherwise afford it.

Building Our Communities

Mr. Speaker, we remain committed to providing community and economic development opportunities in all regions of Manitoba. Through Budget 2004, resources will be provided to ensure we are able to build on the growth strategies we have developed in consultation with citizens, Elders, agricultural producers, educators and business leaders.

In rural Manitoba, investments in bioscience, nutraceuticals and food development will continue.

New supports will be delivered to rural students, entrepreneurs and agricultural producers. We will continue to stand with our livestock producers in the face of the BSE crisis.

We will make the investments necessary to ensure the expertise and technology required to thrive in the new economy are there for rural Manitoba.

And we will continue to make investments in health care and supports for families to improve the quality of life for Manitobans across the province.

In Northern Manitoba, we will continue to work hard to implement the goals laid out in our Northern Development Strategy, which is designed to identify opportunities to develop the human and natural resources of the region.

Resources will be provided for the Aboriginal Economic and Resource Development Fund, which supports our Northern Strategy through projects like the Northern Forest Diversification Centre.

Resources will also be provided for the implementation of a Northern Healthy Foods Initiative to promote local and traditional food production and improve nutrition for families.

Northern infrastructure will remain a priority in Budget 2004, including winter roads, Northern airports and other transportation infrastructure. We will also deliver improved drinking water and waste water treatment initiatives.

Budget 2004 continues to support upgrades in community facilities throughout the province. Major recreation centres will be built or expanded in Thompson, The Pas and Dauphin, with contributions from all three levels of government.

Revitalization efforts in our major urban centres are also continuing. Confidence, energy and enthusiasm are growing in Manitoba cities. In Brandon and Thompson, programs like Neighbourhoods Alive! and Lighthouses are making a difference.

Brandon is growing rapidly in terms of population, investment, and opportunity.

Supporting Agricultural Producers

The detection of BSE in a single cow in Alberta has resulted in many difficulties for Manitoba cattle producers and the rural economy. The Province has:

- made over \$180 million available in Provincial funding to assist producers, and to date, over \$93 million has flowed to producers affected by BSE through low-interest loans, slaughter incentives, and transportation subsidies;
- worked to develop a producer-led, Manitoba-based cow and bull slaughter processing and rendering facility; and
- signed on to the national Agricultural Policy Framework Implementation Agreement with \$50.3 million committed this year to the Canadian Agricultural Income Stabilization program to support farmers.

We recently celebrated the opening of the new state-of-the-art Brandon Regional Health Centre.

The first MRI outside Winnipeg will be located in the Wheat City.

The Keystone Centre is being upgraded with Provincial assistance.

New programs and facilities at Brandon University and Assiniboine Community College are ensuring high-quality, accessible educational opportunities are available in WestMan.

And we will continue to work with the community to determine the best options for the future of the Brandon Mental Health Centre site.

Manitoba Immigration

Historic gains were made in 2003.

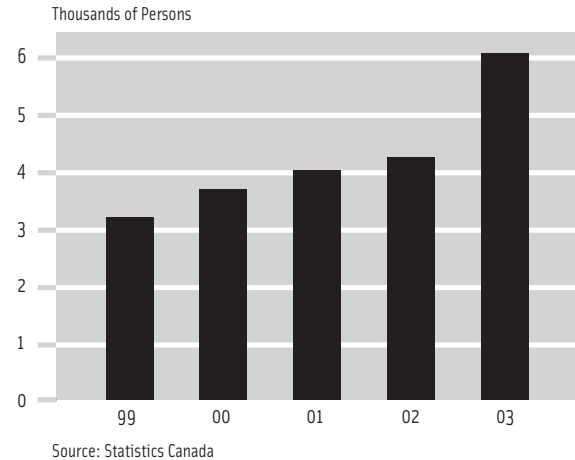
- Total net migration reached a 20-year high.
- Manitoba's population grew by 7,584 persons – the highest level since 1986.
- Almost 6,500 international immigrants came to Manitoba, the greatest number since 1990.
- New legislation will establish the Immigration Council, to support our goal of attracting and retaining 10,000 immigrants each year.
- The Provincial Nominee Program helped welcome over 3,000 provincial nominees and their families, almost half of the province's total immigration.
- The Provincial Nominee Program business component approved 172 entrepreneurs representing an investment potential of \$64 million and commitments for the creation of 450 jobs.

In Winnipeg, major private and public projects like the new entertainment complex and the Health Sciences Centre are proceeding. The Canadian Museum for Human Rights is in the planning stages and a new downtown Manitoba Hydro building is on the horizon.

The third phase of the downtown Red River College campus is complete. At U of M, a new \$52 million Engineering and Information Technology Centre and the \$25 million Richardson Centre for Functional Foods and Nutraceuticals are also proceeding.

Our \$50 million contribution to the University of Manitoba's Building on Strengths campaign, the largest

Manitoba Net International Migration



post-secondary capital campaign in Manitoba's history, has helped to leverage an additional \$187 million in private sector support – for a total of \$237 million.

Our capital city's housing market is growing, and new affordable housing will continue to be delivered through resources in Budget 2004.

Mr. Speaker, one of Manitoba's greatest strengths is its diverse and vibrant multicultural communities. Budget 2004 provides additional resources for the implementation of our Immigration Strategy.

Manitoba now has a greater role in provincial immigration planning through a renewed Canada-Manitoba Immigration Agreement signed in June 2003.

To support immigrant settlement and provide language training, the governments of Canada and Manitoba will provide additional resources to the Manitoba Immigrant Integration Program.

We are working to increase the number of immigrants coming to Manitoba, but we are also working hard to increase the number of tourists coming to Manitoba.

Tourism contributes approximately \$1.4 billion to Manitoba's economy and employs – directly or indirectly – 60,000 Manitobans. We have introduced legislation to create an arms length Government agency, similar to Manitoba Film & Sound, with the flexibility to seize new tourism opportunities through a public-private partnership.

By working with the tourism industry and examining the experiences of other provinces, we can ensure this important area of our economy continues to expand and prosper.

Conservation and Water Stewardship

A wealth of clean, fresh water, beautiful beaches, unspoiled wilderness areas, pristine parks and recreational facilities – these are a major part of our Manitoba Advantage. We know we must continue to preserve and enhance our natural beauty.

Our commitment to water quality encompasses all aspects – from source to tap. The mandate of the newly created Water Stewardship Department – the first of its kind in Canada – is to focus our efforts on protecting and managing our water.

We have already proclaimed some of the strongest legislation in North America to protect drinking water, subsidized water tests, brought in mandatory training for water operators, hired 12 new drinking water officers

Provincial Investments in the North

- The Northern Forest Diversification Centre in The Pas makes a link between the growing demand for wild, natural, non-timber forest products and meeting the challenge of creating sustainable economic opportunities in remote areas.
- Providing dialysis patients in the Island Lake region of Northern Manitoba with treatment closer to home at a new \$5.2 million renal health and treatment unit at Garden Hill.
- Providing almost \$11 million for a new emergency department, other improvements and new equipment including a new CT scanner at the Thompson General Hospital.
- Investing in the Churchill Gateway Initiative to ensure the operation of the Hudson Bay rail line and the Port of Churchill for the 2003 season.

and 16 livestock inspectors, and invested \$50 million in drinking water and sewer infrastructure.

Budget 2004 will provide strong support for the continued improvement of Manitoba's water resources.

Resources will be provided to support the Lake Winnipeg Stewardship program, with the goal of identifying means to reduce harmful nutrients in the Lake.

We have introduced *The Water Protection Act*, to facilitate more effective measures to protect water sources and aquatic ecosystems, provide a framework for integrated planning on a watershed basis, and enable the establishment of the Manitoba Water Council and Water Stewardship Fund.

The *Act* will be backed up with changes to livestock operation approvals processes and a Provincial commitment to meet the Clean Environment Commission's recommended standards for waste water treatment in Winnipeg and Brandon.

Based on public input, we will focus resources in the coming year on the development of new regulations and implementation of this leading-edge legislation.

We will provide support for the Livestock Management Program to address additional responsibilities for inspection and enforcement. To encourage farm businesses to invest in equipment to reduce odours from organic waste, we are introducing a 10% Odour Control Tax Credit.

Recently, North Dakota began a water diversion project that would potentially harm our rivers and lakes. Working with other governments and concerned citizens on both sides of the border, we have responded by launching a legal challenge.

In 1997, Winnipeg came within inches of a devastating flood that would have cost the Province over \$6 billion in damages. Risk to the city of Winnipeg remains at a cost of approximately \$80 million per year, not including business losses, if no additional protection works are constructed.

I am pleased to report that work is now commencing on the \$240 million first phase of the floodway expansion.

The expansion project will almost double the water capacity of the floodway and will increase the level of flood protection for the city of Winnipeg from a

one-in-90-year flood event, such as the 1997 flood, to a one-in-700-year flood event, equivalent to the 1826 flood—the largest ever recorded in Manitoba. Increased capacity will also benefit upstream properties.

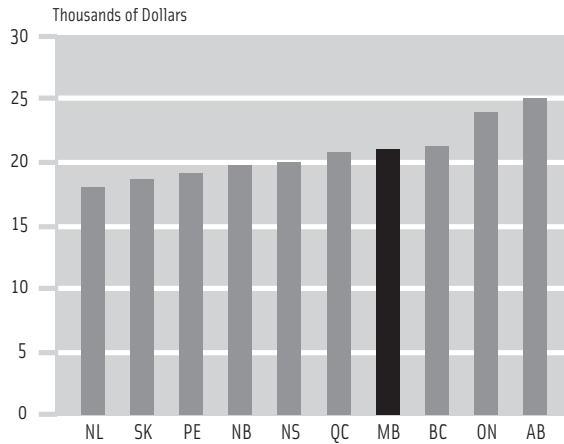
This \$660 million capital project will create economic opportunities for communities, businesses and Manitoba workers. The project will create thousands of direct and spin off jobs in the local economy during the six-year construction period, and leave a recreation legacy both inside and outside of the city of Winnipeg.

The Province has also provided flood fighting resources to the people of Peguis First Nation who have been flooded by the Fisher River. An important priority for our Government is the negotiation of a federal-provincial cost-shared initiative to improve flood forecasting, prevention and remediation in the Fisher River area, including Peguis First Nation.

To further enhance Manitoba's many natural assets, we have designated five new provincial parks since 1999 – Pembina Valley, Caribou River, Trappist Monastery, South Atikaki, and the Criddle/Vane Homestead – encompassing a total of nearly 800,000 hectares. We have also recently signed an agreement that will lead to the creation of the Manitoba Lowlands National Park – Canada's newest national park.

We will make \$350,000 available for the Cottage Lot and Campsite Development Initiative in provincial parks, and channel increased funding of \$225,000 for beach safety. In addition, the Protected Areas Initiative will receive \$100,000 to further support our network of protected areas in Manitoba.

Disposable Income per Person, 2002



Source: Statistics Canada Provincial Public Accounts, April 2003

Manitoba Economy

The strengths of Manitoba's economy remain our diversity, and the ability of our citizens and business community to innovate, modernize, and adapt quickly to changing circumstances.

These strengths have allowed us to meet the challenges of the past year.

In 2003, Manitoba achieved:

- overall economic growth of 1.9%, which was below earlier expectations, but still exceeded the national average;
- population growth of 7,584 people – our strongest performance since 1986;
- net in-migration of 1,055 more young people, aged 15-24 – our best performance since 1984;
- the lowest unemployment rate in Canada at 5.0%;

Manitoba is Building

Investments in Manitoba:

- \$133 million 15,000 seat MTS Centre is being constructed
- \$52 million for the Engineering and Information Technology Centre at the University of Manitoba
- \$19 million for the Millennium Library Project, which is under way
- \$15 million downtown office complex for the Credit Union Central of Manitoba is being planned
- \$14 million Industrial Partnership Facility next to the National Research Centre's Centre for Biodiagnostics
- Manitoba Hydro's new downtown office building is on the horizon

- a record high in investment, which topped \$6 billion;
- a 16.3% Increase in housing starts province-wide;
- personal disposable income growth of 3.1%, which outpaced the national increase; and
- the lowest inflation rate in Canada.

Over the period from 2000–2003, Manitoba's employment increased on average by 6,500 jobs per year, more than double the average of the previous decade. Of these, 5,100 were full time.

Projections for the year ahead are also promising.

- Manitoba's real growth rate in 2004 is expected to reach 2.9%, matching the national average.
- Growth in Manitoba's total capital investment is projected to be up 5.4% in 2004, third-best among provinces and ahead of Canada's 3.1% increase.

- Manitoba's private investment in 2004 is projected to be up 2.2% – ahead of Canada's 2.0%.
- The level of total capital investment in Manitoba is estimated at \$6.3 billion for 2004, over 70% of which is private investment. Total capital investment has jumped 22% since 1999.

In 2003, Manitoba's housing sector posted its third year of strong growth with housing starts up over 16%. Over the past three years, the total number of housing starts in Manitoba is up 64%.

Significantly, last year the number of multiple-unit dwelling starts rose by over 73% to the highest level since 1989.

Since 1999, the average house price has increased 24% across the province – a sign of the underlying strength of our economy.

Like all provinces, Manitoba has faced serious challenges recently, but the bedrock of our economy remains solid and the outlook is positive.

We will continue to work in close partnership with the Premier's Economic Advisory Council (PEAC). The Council is made up of business, labour, education, and community and Aboriginal leadership, and provides recommendations on crucial economic issues and creative thinking on the challenges and strengths of Manitoba.

A multi-stakeholder local investment council has been established under the auspices of PEAC to work with the community to enhance relationships with pension

funds, capital funds, and other institutional investors to increase local investment.

The PEAC Aboriginal Economic Development and Employment Task Group is working to stimulate economic development and new opportunities for the Aboriginal community.

Later this year, the group will hold an Aboriginal Economic Development Summit, modelled after the successful Manitoba Century Summit, to facilitate new opportunities and effective partnerships in Aboriginal communities.

Building on our Energy Advantage

Manitoba continues to lead the nation in addressing climate change and developing clean energy.

Our abundant, environmentally friendly, renewable hydro resource continues to be a tremendous asset. Manitoba Hydro offers among the lowest electricity rates in the world and an exemplary record for reliability.

The 200 MW Wuskwatim hydro project is currently before the Clean Environment Commission. This \$900 million investment would mark the largest capital construction project in Manitoba in well over a decade.

Our Government is pursuing opportunities to the east in Ontario and to the south in the United States to facilitate further large power sales that could lead to significant hydro-electric development and employment.

The Toronto Star has recommended that “Ontario, which will lose nearly half of its power generators to old age over the next dozen years, should be looking seriously at buying as much Manitoba power as it can.”

Manitoba Hydro and other organizations are conducting wind-monitoring tests at more than 16 locations around the province to determine future options. The proposed 99 MW wind farm in St. Leon would be Canada’s largest, and would trigger a \$190 million investment in rural Manitoba.

We are working hard to diversify the rural economy and address climate change with increased ethanol production. Through the Manitoba Ethanol Office, we are working to co-ordinate the growth of the industry and encourage the development of made-in-Manitoba ethanol.

We are also taking steps to reduce our energy consumption with a new one-stop agency that will see Manitobans’ energy bills reduced by building on the success of Manitoba Hydro’s Power Smart program. This agency will free up electricity for lucrative export markets, reduce gas imports, and reduce water usage.

Building Through Research and Innovation

Research and development are key elements of our economy that promote growth and diversification and provide for higher living standards. Manitoba has enjoyed much success in this area, particularly in the life sciences sector.

Over the past two years, our province has benefited from a 40% increase in the number of life sciences

companies. With approximately 4% of the country’s population, Manitoba is responsible for about 10% of the national biotech activity.

The University of Manitoba is already one of Canada’s major research institutions, and home to more than 20 research centres. Patents at the school have increased fourfold, from 11 to 40 over the past three years. Last year, researchers at the U of M realized \$2.4 million in licencing revenue and over \$8 million during the past five years.

SMARTpark, a community of innovators with a focus on life sciences, composite materials, and information and communication technologies at the U of M, continues to grow, including:

- the \$8.5 million Cangene Corporation expansion;
- \$6 million invested in two new multi-tenant facilities, with a further \$6–8 million to be invested in a third facility in 2004; and
- start-up companies are being developed at SMARTpark’s incubator (Incubat).

Communities like Hartney, Winnipegosis, and St-Pierre-Jolys are among a number of communities that now have access to high-speed connectivity and broadband. We continue to work with the private sector and community-based organizations to provide these services to those areas in the province where such services do not currently exist.

Drawing on our research expertise, Manitoba has taken a leading role in responding to SARS, BSE, West Nile virus, and other emerging health challenges.

With the federal government currently considering a location for the Canadian Centre for Disease Control, we believe Manitoba – home to the only Level 4 lab in the country – is the logical choice to be Canada's primary centre of excellence for research into infectious diseases.

No other Canadian jurisdiction has Manitoba's unique combination of research partnerships, scientific capability, infrastructure, and skilled professionals.

Budget 2004 sets aside \$250,000 to enable us to continue to work with the federal government and experts in the field of biotechnology to ensure this important national institution is located right here in Manitoba.

Taxation

In our previous four Budgets, our Government has reduced personal taxes for Manitobans by \$301 million annually. Our tax reductions for businesses add up to another \$74 million annually.

This Budget funds a 6% middle income tax break, effective January 2004. This will save Manitobans \$39 million this year.

This Budget also provides additional targeted personal income tax relief in line with federal budget changes.

- The Education Tax Credit will be extended to employees who pursue career-related studies at their own expense.
- A new deduction will recognize the additional employment and education-related costs borne by persons with disabilities.

- Caregivers will have improved tax recognition of certain medical and disability-related costs they bear on behalf of persons with disabilities.
- The employment income of military and police personnel deployed to high-risk assignments outside Canada will be exempt from taxation up to prescribed limits.

I am pleased to announce several new measures that will make Manitoba's business climate even more competitive.

- The Manitoba Film and Video Production Tax Credit is being extended for another three years. Several measures will enhance this Tax Credit, including a frequent filming incentive; and to encourage film activity outside Winnipeg – a rural and northern incentive will be created.
- To promote business investment in computers and data networks, the depreciation rates for related equipment will increase by 50% for income tax purposes.
- The temporary Mineral Exploration Tax Credit will be extended for an additional year.
- The non-capital loss carry-forward provision will be extended from 7 to 10 years. The carry-forward provision will be similarly extended for the Manufacturing Investment Tax Credit, the R&D Tax Credit and the Community Enterprise Development Tax Credit. A 10-year carry-forward provision will be introduced for the Co-operative Education Tax Credit.

Budget 2004 also follows through on our long-term plans for sustainable tax reductions.

- In 2001, we announced the first cut in the corporation tax rate since the Second World War. The rate fell in stages from 17% to 15.5% effective January 2004; it will fall again to 15% in 2005.
- The small business tax threshold will also increase for the third straight year. It will rise further to \$400,000 in 2005.
- Corporations will also be exempt from paying tax on their first \$5 million of capital expenditure to encourage investment by businesses of all sizes.

To protect essential services, Budget 2004 strikes a balance between new efficiencies, reduced expenditures and additional revenues. We recognize that additional shifting of business taxes is needed to help finance general business rate reductions. We are more closely aligning the capital tax base for banking institutions with our neighbouring provinces and the federal government. Like many other provinces, Retail Sales Tax will be applied to legal, accounting, engineering, architectural and security services.

We are also announcing that the Corporation Income Tax rate will fall to 14.5%, and the small business rate will be reduced to 4.5%.

Medium-Term Fiscal Framework

	2003/04 ¹	2004/05	2005/06	2006/07	2007/08
			(Millions of Dollars)		
Revenue	7,279	7,571	7,849	8,051	8,408
Expenditure					
Program Expenditure	7,135	7,233	7,420	7,633	7,871
Public Debt Costs	256	239	275	293	293
Total	7,391	7,472	7,695	7,926	8,164
Net Revenue/(Expenditure)	(112)	99	154	125	244
Adjustments for Disaster-related Expenditure	75				
Interfund Transfers					
Debt Repayment	(96)	(96)	(110)	(110)	(110)
Fiscal Stabilization Fund	138	0	(34)	(5)	(124)
Balance under Balanced Budget Legislation	5	3	10	10	10

Note 1: Third Quarter Adjusted Forecast

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

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2004/05 and 2003/04

	2004/05 Budget	2003/04 Forecast ¹	2003/04 Budget ¹	Increase/ (Decrease) from 2003/04 Forecast to 2004/05 Budget		Increase/ (Decrease) from 2003/04 Budget to 2004/05 Budget	
		(Millions of Dollars)		(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	5,124	4,774	4,806	350	7.3	318	6.6
Federal Transfers	2,447	2,505	2,496	(58)	(2.3)	(49)	(2.0)
Total Revenue	7,571	7,279	7,302	292	4.0	269	3.7
Expenditure							
Program	7,233	7,135	7,037	98	1.4	196	2.8
Debt Servicing	239	256	271	(17)	(6.6)	(32)	(11.8)
Total Expenditure	7,472	7,391	7,308	81	1.1	164	2.2
Net Revenue	99	(112)	(6)	211		105	
Adjustment for Disaster-related Expenditure	0	75	0	(75)		0	
Interfund Transfers							
Debt/Pension Repayment	(96)	(96)	(96)	0		0	
Fiscal Stabilization Fund	0	143	48	(143)		(48)	
Restatement Adjustment	0	(5)	64	5		(64)	
Balance under Balanced Budget Legislation	3	5	10	(2)		(7)	

Note 1: See Budget Paper B, page 6

For the first time since the late 1980s, Manitoba Liquor Control Commission markups will also be adjusted.

Overall, the tax changes in this Budget, when combined with previously announced tax measures coming into effect this year, are revenue neutral for Manitoba taxpayers.

Our Fiscal Plan

Budget 2004 projects a positive balance of \$3 million, with no draw from the Fiscal Stabilization Fund. This is the first Budget to project no draw from the Fund since 1996. Budget 2004 also provides for a further \$96 million toward paying down debt and pension liability.

Over the past five years, accountability to Manitobans has been improved through more complete and transparent reporting. We 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 summary budgets encompassing the entire Government reporting entity, including the 40-year unfunded pension liability.

Starting with Budget 2004, two additional changes will reflect our commitment to ever improving reporting. In keeping with the Public Sector Accounting Board's standards, we are introducing infrastructure capital accounting practices with this Budget. This policy change mirrors earlier changes made for other capital acquisitions.

In this year's Budget documents, we have also included a medium-term fiscal framework on a summary basis. We believe this additional information will help Manitobans better understand our planning for future years for the overall government.

Our medium term shows that in 2004/05, our operating accounts are in a positive balance. Our Crown organizations, including Manitoba Hydro, Manitoba Public Insurance and Manitoba Crop Insurance, are in an overall positive balance. We continue to address the 40-year unfunded pension liability through measures that fully fund all pension costs for new government employees, and we are making annual payments toward outstanding pension obligations.

For future years, the medium-term framework forecasts positive balances.

Conclusion

Mr. Speaker, this past year will be remembered as one of great challenges. It also underlined yet again that in the face of such challenges, Manitoba has the resilience, expertise, and leadership to succeed. We were not sidetracked from our shared goals of better health care, more educational opportunities for Manitobans, stronger families, and safer communities.

We are building an even better future in communities right across the province, and we are doing so in partnership with all Manitobans. Our economy is growing, consumer confidence is high, our housing market is strong, and we have achieved historic highs in immigration.

For five straight years, we met the test of balanced budget legislation, paid down debt and pension liabilities, and invested in the programs that Manitobans cherish most. Our Government has also taken positive steps to improve efficiency and remain one of the most affordable governments in Canada.

Budget 2004 builds on the solid progress we have made in the recent past. In meeting today's challenges, we are also building the opportunities for tomorrow and the next generation of Manitobans.