

SPEECH

M A N I T O B A
BUDGET

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Correcting the Course

THE 2016 MANITOBA BUDGET ADDRESS

Honourable Cameron Friesen
Minister of Finance
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BUDGET SPEECH – CORRECTING THE COURSE



Madame Speaker, I am honoured to stand before you today to deliver upon a number of the commitments made by Manitoba's New Government. Commitments to getting Manitoba back on a responsible fiscal track and to protecting front-line services, while

eliminating the wasteful government spending that has set our province on a dangerous fiscal path.

In our first budget, we are setting a new course for Manitoba, a course that will lead to lower taxes, better services and a stronger economy.

We acknowledge that our challenges are great. For too long, Manitoba's government has spent beyond its means, resulting in accumulated debt and ever increasing taxes.

These decisions have eroded the confidence and trust of citizens in their government, negatively impacted the incomes of hard-working Manitobans, and jeopardized our ability to provide the services Manitoba families depend upon.

To ensure the protection of front-line services for all Manitobans, now and into the future, we must correct Manitoba's course and move our province back toward balance.

THE CHALLENGES AHEAD

It cannot be overstated that the challenges we face as a government, and as a province, are significant.

Provincial spending in fiscal year 2015/16 is projected to exceed revenues by over \$1 billion – the second time in the past five years that Manitoba has posted a deficit in excess of \$1 billion and the largest deficit in our province's history.

The current projection of a \$1.012 billion deficit in 2015/16 is much higher than the \$421 million deficit

originally projected when the budget was tabled by the previous government. That is a difference of \$591 million or 140%.

Manitobans expect, and deserve, more responsible fiscal management from their government.

Over the last decade, budget expenditures were exceeded every single year under the previous government.

The consequences of such a reckless but consistent pattern are alarming. And will create impacts well into the future.

In just eight years, the summary net debt doubled from \$10 billion to \$21 billion.

High rates of taxation make it difficult for Manitoba to compete for investments that create jobs and pay for front-line services.

The steady growth of our provincial debt makes us vulnerable to increases in interest rates and was a major contributing factor, along with the province's inability to meet its targets for returning to balance, in Manitoba's credit rating being downgraded for the first time in almost 30 years.

The depletion of the Fiscal Stabilization Fund, which is Manitoba's savings account, limits our ability to deal with the consequences of emergencies such as floods or forest fires.

And our increased reliance on revenues from the federal government and other provinces makes us vulnerable to reductions in federal transfers.

These are serious challenges, but Manitobans elected a new government, with a strong commitment to charting a better, safer course.

Manitobans have asked our New Government to address these challenges with a careful approach based on the principals of trust, compassion and common sense. We acknowledge that sweeping austerity measures will not work given the significant demands of our province's

bottom-ranked results in health care, education and poverty reduction, and would only cause harm to Manitoba's most vulnerable citizens.

Manitoba's New Government recognizes the need for a plan to return our province to fiscal balance if we are to avoid further downgrades to our credit rating.

We will pursue measures that will responsibly restore Manitoba to fiscal balance with a target of achieving this within our second term. And we know that Manitobans stand ready to help us with the innovative ideas and entrepreneurial spirit that helped build this province and that make it great.

Manitoba's health care system continues to be plagued by wait times that are the longest in the country.

The number of children under the care of provincial child and family services agencies doubled during the tenure of the previous government, and far too many Manitoba children live in poverty.

Manitoba students have been assessed some of the worst results in national and international testing for basic requirements in the subject areas of literacy, math and science.

That is why Budget 2016 invests in literacy and education.

Manitoba seniors languish too long on wait lists for health care and our ambulance fees are the highest in the country, forcing patients and their families to make difficult decisions in the most trying of circumstances.

That is why Budget 2016 invests in personal care homes and reduces ambulance fees for all Manitobans.

Our province's taxation rates have become the highest among provinces west of Ontario, including the highest provincial sales tax rate and the highest general corporate tax rate.

Manitoba's small business corporate tax income limit is also the second lowest among provinces.

Low-income earners pay tax at a much lower threshold than in other provinces because Manitoba's basic

personal exemption for personal income taxes is among the lowest in Canada.

Budget 2016 includes indexing of the Basic Personal Exemption as of January 1, 2017.

BETTER HEALTH CARE

Manitobans should never be forced to choose between paying high ambulance fees and receiving the emergency medical attention they need. Our government has committed to reducing ambulance fees by half during this mandate. This budget takes the first important step toward meeting that commitment.

We will appoint a wait times task force that will consult with front-line health care providers to develop a plan to reduce waits in our health care system.

We will address our province's shortage of personal care home beds by developing a funding model to fast-track the construction of those beds in partnership with non-profit organizations, faith-based groups and community leaders in all regions of Manitoba.

Our budget provides a 3.8% increase in funding for health care over the current 2015/16 projection.

This funding supports the St. Boniface and Fort Garry ACCESS Centres, the Powerview Pine Falls Primary Care and Traditional Healing Centre, as well as the commissioning of the Women's Hospital right here in Winnipeg. It provides needed support for dialysis, improvements to the cardiology critical care unit, the provincial oncology drug program and the HPV Immunization Program for males.

BETTER EDUCATION, BETTER TRAINING

Education is an investment in a better future for our children and our province.

Education is both our province's path to opportunity and future growth, and one of our greatest challenges given our unacceptably low rates of literacy.

This budget provides a 1.4% increase in funding for education and training over the current 2015/16 projection, including a 2.55% increase in funding for schools.

We are providing support for new initiatives in early years reading, building upon our children's potential with a focus on improving their ability to read and write.

Our government will increase the resources available to at-risk students through Winnipeg School Division No. 1, to Indigenous students through Aboriginal Academic Achievement, and to Adult Learning Centres through continued support for the wrap-around literacy model – 111 Lombard pilot project.

This budget also provides new resources in support of three new schools: École Sage Creek School, École South Pointe School and École Rivière Rouge. It also commits to previously announced support for universities and colleges, including operating increases of 2.5% and 2%, respectively.

Our budget also includes commitments to support the full implementation of the Master of Social Work based in Indigenous Knowledges program at the University of Manitoba in 2016/17. This program focusses on the development of social workers, whose skills are rooted in Indigenous knowledges and worldviews, addressing some of the recommendations made in the Hughes Inquiry Report.

Our government is providing necessary resources identified by the Inter-Provincial Training Agreement in Clinical Genetics Technology. We will build on the success of SkipTheDishes and provide support for year two of the Industry and Labour Force Investment Fund training agreement.

We will fulfill our commitment to the Child and Youth Mental Health Strategy, and matching support will be provided for the United Way of Winnipeg family resource centres.

CARING FOR MANITOBA FAMILIES

Manitoba's New Government will introduce *The Protecting Children Act* to ease the ability of government departments, child and family service authorities, community service providers and law enforcement agencies to share information and collaborate when dealing with victimized and at-risk children.

This budget provides a 6.2% increase in funding for the Department of Families over the current 2015/16 projection. It significantly increases our contribution to new construction, improvement and maintenance costs through the Manitoba Housing and Renewal Corporation's multi-year capital program.

And to assist those in need, this budget provides for full indexation to 75% of Median Market Rent through the Rent Assist program for low income Manitobans who live in private rental housing.

Our government will increase supports for residential care direct service workers through the Community Living disABILITY Services. And we will support Child and Family Services programs, including FASD Connections, COACH Expansion, StreetReach expansion, Families First – Point Douglas pilot project, and Resource Assistance for Youth through the Safe Suites pilot project.

Within Children's disABILITY Services, we are continuing government support to reduce wait lists for the Children's Therapy Initiative, Family Support Services, and Specialized Services for Children and Youth.

We will engage in consultations with interested partners from business and the community with the goal of increasing social supports through innovative social impact bonds. These discussions will begin the process of fostering new business, social and community partnerships.

This budget provides support for early learning and child care, including operating grants for existing child-care centres as well as principal and interest costs for new centres.

And it provides increased resources to support services for victims of crime, the criminal property forfeiture unit, as well as the New Home Warranty and High-Cost Credit Grantors programs that will take effect this year.

This budget supports the family resource centres sponsored by the United Way of Winnipeg, subject to matching funding being raised by the United Way. And it continues the government's general support of the United Way of Manitoba, to ensure that donations are directed to the community and not to fundraising or administrative costs.

BUILDING A STRONGER ECONOMY

A stronger economy is the best pathway to better services for Manitobans.

We are pleased to enter into discussions with our western neighbors toward membership in the New West Partnership Trade Agreement. And we look forward to new opportunities to market our province and to co-operate on the provision of services.

Manitoba's tourism potential is limitless, but our investment in this sector has lagged behind that offered by governments elsewhere in Canada. Our private sector partners have called for more investment in tourism promotion, and we believe that tourism-related economic benefits will justify increases both in this year's budget and into the future.

This budget provides for preparations necessary as we approach the beginning of the Canada Summer Games in 2017, which will be hosted in Winnipeg. These games will be an incredible opportunity to showcase our province to the entire country.

We committed to spending at least \$1 billion on strategic infrastructure in 2016/17 – funding for roads and bridges, flood protection, hospitals, schools, universities and colleges, as well as municipal infrastructure. In fact, the level of investment in Budget 2016 is over \$1.8 billion.

Projects not yet approved will be reviewed to assess their return on investment and social benefits. Priority

will be placed on projects that leverage additional investment from the public sector, private sector and/or other levels of government.

Budget 2016 lays the foundation for an improved partnership with the City of Winnipeg and all Manitoba municipalities, by providing the Department of Indigenous and Municipal Relations the tools necessary to create a single provincial access point for municipal programming.

Such an approach complements our commitment to provide municipalities with a *Fair Say* on infrastructure projects affecting their jurisdiction.

We will appoint members of the Premier's Enterprise Team, creating an advisory panel of top business leaders who will work with our government to create new jobs and economic growth in the province.

And we will commence discussions with Indigenous leaders on the best path forward to a respectful and collaborative consultation process.

We will soon establish a Red Tape Reduction Task Force to eliminate the needless impediments that frustrate business owners and individual citizens.

We will also provide increased resources to Rural Opportunities 4 Growth – Partner 4 Growth, to create jobs in partnership with our municipalities. This support is directed to assessing the feasibility of economic opportunities, and to supporting community-initiated projects that pursue strategic economic opportunities.

This budget provides significant additional resources to provide supports for Syrian refugees as they settle in their new community. These will include staff supports at Welcome Place, a community sponsorship coordinator, language and literacy training services, and services provided by Mount Carmel Clinic.

The funds will increase the service capacity necessary for greater levels of refugee resettlement in Manitoba, including approximately 2,500 Syrian refugees. This support will include private refugee sponsorship efforts; educational, social, cultural and mental health supports for refugee youth; and refugee housing.

Work is also underway to develop a made-in-Manitoba climate action plan. One that will include a carbon pricing model that fosters emissions reductions, retains investment capital, and stimulates new innovation in clean energy, businesses and jobs.

CORRECTING THE COURSE

Just twelve weeks ago, on March 8, 2016, – the previous government presented a projected deficit of \$554 million for budget year 2016/17.

The previous government inflated revenue and understated expenditures, including \$215 million in savings that were never identified, and \$316 million in federal revenues, most of which never materialized. In the final analysis, the real projected deficit for 2016/17 should have been \$1.085 billion.

Since our government was sworn in, just four weeks ago, we have worked diligently to change the trajectory of overspending so long pursued by the previous government.

In Budget 2016, Manitoba's New Government will reduce our province's core deficit by \$122 million – to \$890 million. That's a 12% improvement over the 2015/16 projection.

And this budget will not draw from the Fiscal Stabilization Fund, a fund that was created to address exceptional circumstances, not the ongoing failure of government to responsibly manage Manitoba's finances.

This budget also freezes taxes, and gives Manitobans a permanent tax break that will keep up with the cost of living by ending bracket creep and indexing income tax brackets to the rate of inflation.

Our government is also indexing the basic personal exemption, bringing it closer towards the national average and removing 2770 low-income Manitobans from the tax rolls in 2017.

This budget protects education tax relief for Manitoba seniors by maintaining the Seniors' School Tax Rebate at its current level of \$470. And it introduces an income

test, based on net family income, to ensure that this benefit is provided to those seniors who need it most.

In order to reduce application paperwork and administrative costs, the Seniors' School Tax Rebate will be integrated with the existing \$400 Seniors' Education Property Tax Credit, which is already income-tested and delivered through annual income tax returns.

REDUCING WASTE, OVERLAP AND DUPLICATION

We are leading by example in our determination to do more with less. As such, this budget reflects a reduction in the size of cabinet by one-third, resulting in \$4 million of savings.

This budget also takes initial steps to reduce unnecessary administrative costs.

The East Side Road Authority will be dissolved and its mandate will be repatriated into Manitoba's Department of Infrastructure.

Property tax credits and rebates to seniors will now be delivered through the income tax system administered by the Canada Revenue Agency, resulting in an estimated \$900,000 in savings annually.

The per-vote allowance for political parties will be eliminated, in recognition of the fact that political parties do not require additional supports from Manitoba taxpayers.

And we will reduce the amount of advertising that promotes government, choosing to invest instead in the promotion of Manitoba as a national and international tourist destination.

To find further savings, we have launched a value for money review. This review will look within government for savings, and will engage Manitobans to share their innovative ideas for eliminating waste, while protecting front-line services.

We are also committing to a review of government tendering practices to shop smarter, reduce untendered contracts and eliminate the practice of forced unionization.

Consistent with our commitment to an Open Government Initiative, this budget provides resources for the legislative review of *The Freedom of Information and Protection of Privacy Act*.

We will soon introduce legislation to begin the implementation of other elements of our open government commitment, and we will ensure that Manitobans are always allowed to vote on major tax increases.

THE WORK AHEAD

Our goal is to make Manitoba the most improved province in the country. Manitoba's New Government is committed to the development of a system of measurements to report on our progress toward our stated goals.

A strong fiscal plan is the foundation for a healthy economy and a healthy province – one with the ability to grow, to face difficult circumstances and to provide for the needs of its population.

It will take time to undo the damage our government has inherited and to correct the course. And it will take years of hard work, guided by compassion and common sense.

Manitobans aren't afraid of hard work, however, and neither is their New Government.

We will work together with all Manitobans to build a better, stronger, more prosperous Manitoba.

That process begins today, with the measures outlined in this budget. Responsible steps will enable us to put Manitoba back on track so that we are able to protect the front-line services used by all Manitobans today and into the future.

We share the confidence that the only thing better than today in Manitoba is tomorrow in Manitoba.

We know that Manitoba is a wonderful place to live. To love. To laugh. To learn.

And to leave a legacy.

Indeed, Madame Speaker, while the challenges we face are large, our government is confident that Manitobans will band together, as we do in any time of trouble, to face them head on and to leave our province much improved.

Our goal – the duty we each share – is to replace doubt with optimism. Disharmony with unity. To replace fear and anxiety with hope and opportunity for all Manitobans.

And to ensure that truly, our best days are ahead of us.

Thank you.

