

THE MANITOBA BUDGET 1998



THE HONOURABLE
ERIC STEFANSON
MINISTER OF FINANCE





The 1998 Manitoba Budget Address

The Honourable Eric Stefanson
Minister of Finance
March 6, 1998

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THE 1998 MANITOBA BUDGET

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Madam Speaker:

It gives me great pleasure to present our Government's 1998 Budget Address to the people of Manitoba. I am also happy to say that this Address heralds the tenth anniversary of Gary Filmon's leadership as Premier of our great Province.

Under Premier Filmon's outstanding leadership, our Province and its people have made exceptional economic and social progress. Madam Speaker, the stage is set for an even brighter future. On a personal note, I believe this Budget once again confirms that Premier Filmon's vision is benefitting all Manitobans.

I would like to express our appreciation to the many Manitobans who took the time to participate in the Budget consultations we held across our province last fall. My colleagues and I were impressed with the hospitality and thoughtful input we received in the 12 areas we visited. From Virden to The Pas to Beausejour to Letellier to Winnipeg, and many other communities in-between, Manitobans shared with us their vision for the future of our Province and our children. I also want to thank the hundreds of individual Manitobans and organizations who took the time to write, call or meet with me to express their views on our challenges and opportunities.

Madam Speaker, we listened, and this Budget reflects what Manitobans told us.

It is a proud moment for me to present the 1998 Budget. A decade ago, we were confronted with the enormous challenge of high and rising taxes, a provincial debt that was ballooning out of control, and a struggling economy. We took on that challenge with the support and encouragement of Manitobans – and we prevailed. Today, Manitoba's finances are healthier than at any time in the past quarter century. Our economy is strong, vibrant, and growing.

The era of rising debt, excessive taxes and high unemployment is behind us. Before us lies unprecedented opportunity for all Manitobans.

During our first eight years in office, Madam Speaker, our Government worked hard to balance the budget. We did this by spending taxpayers' money wisely, ensuring that our resources were concentrated in health care, education and support to families, the areas that are most important to Manitobans. We



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*Balanced budgets
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education.*

listened to Manitobans who told us that taxes were too high and that as a Province we must learn to live within our means. We responded by freezing major taxes. Indeed, we cut taxes to improve investment opportunities and create jobs.

In 1995, Manitobans' efforts were rewarded when we tabled the first balanced budget in our Province in 22 years. We introduced balanced budget legislation to protect that hard-won battle. Consistent with this legislation, the budgets of 1996 and 1997 were also balanced. And now, Madam Speaker, I am proud to present the fourth balanced budget in a row.

Balanced budgets underpin the legislated commitment we made to Manitobans to freeze major tax rates. The legislation prohibits any increase in major taxes unless Manitobans give their explicit consent in a referendum. Balanced budgets have allowed us to launch the first sustained attack on the Province's accumulated debt since the 1950s. Balanced budgets have also allowed us to sustain and protect vital social programs like health and education.

The results could not be more clear, Madam Speaker. Sustained balanced budgets have given Manitobans confidence that they need not suffer from major tax increases. Due to this confidence, people are spending, business is expanding and more jobs are being created. Total employment has reached record levels in each of the past three years. All of our job growth has been in the private sector, where it does not depend on the support of tax dollars.

*Balanced
budgets
create jobs.*

There is a very important lesson here, Madam Speaker. Balanced budgets create jobs. As we approach a new century, Manitobans now have more opportunities than ever to earn good incomes. We also have more opportunities than ever to contribute to the success of our communities.

Indeed, 1996 and 1997 have been two exceptionally good years for Manitoba's economy.

- Private investment is at a record level.
- Retail sales are at a record level.
- Manufacturing shipments are at a record level.
- Foreign exports are at a record level.
- Farm cash receipts are at a record level.



Madam Speaker, we can all see this economic strength in the busy retail stores. We can see it in the growing number of construction sites. We can see it in media report after media report: there are more contracts being won by Manitoba companies, more facilities being built and more jobs being created.

I am especially pleased that a record number of Manitobans are working. Employment growth in the private sector was exceptionally strong in 1997, rising by 16,800 new jobs. This was the largest increase in private sector jobs in 18 years. The impressive increase in employment in 1997 pushed the annual unemployment rate down to just 6.6% – the lowest rate since 1981. Indeed, Madam Speaker, the unemployment rate fell further at the beginning of this year to just 5.7%.

Manitoba's economic and financial health is especially gratifying when you consider the challenges our Province faced in this decade.

In the early 1990s, Manitobans coped with a national recession.

Then, Manitobans endured huge cutbacks in federal support for health, post-secondary education and family services.

In the spring of 1997, Manitobans faced one of the most difficult challenges in our history: a flood without precedent in this century. But the flood was no match for Manitobans' amazing courage and spirit. Madam Speaker, Manitobans exerted an enormous effort as they worked side-by-side to save threatened homes and neighbourhoods.

On behalf of all Manitobans, I would once again like to express our profound gratitude to all who assisted during the crisis. Manitobans deeply appreciated the generous support our Province received from all parts of Canada and many organizations, especially members of the Canadian Armed Forces.

Madam Speaker, we faced up to all these challenges. We have overcome them. Today, our Province has a fourth consecutive balanced budget. Our Province has declining debt. Our Province has stable and competitive taxes. Our Province has a strong economy. And after years of hard work, Manitobans now have real choices and real flexibility.

*A record
number of
Manitobans
are working.*

*16,800 new
jobs in the
private sector,
the largest
increase in
18 years.*

*Manitobans
now have real
choices and real
flexibility.*

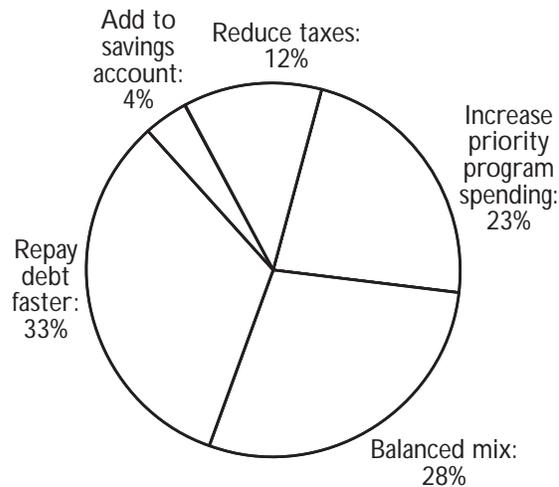


Some 2,000 people, from all across Manitoba, helped to set our priorities for this Budget.

- We can choose to pay down debt more quickly so that more money can go to Manitobans' priorities – not to interest payments.
- We can choose to spend more on key programs, especially health, education and support for children and families.
- We can choose to cut taxes to further strengthen our economy and create more jobs.

We discussed these important choices with Manitobans during the consultations leading up to this Budget. Some 2,000 people, from all across Manitoba, offered their views. Their input has helped to set our priorities for this Budget.

Manitobans told us how best to use resources created by Budget Surpluses



Source: 1998 Budget Consultations Questionnaire Responses

Madam Speaker, Manitobans were remarkably consistent in their views on the priorities their Government should pursue. I am proud to say that the 1998 Budget acts on their advice and counsel.

- Manitobans told us to continue to live within our means and spend tax dollars wisely. Madam Speaker, this Budget balances the books for the fourth consecutive year.



- Manitobans told us that our highest priority should be to relieve the next generation of the burden of our accumulated debt. Madam Speaker, this Budget increases our debt payment to \$150 million – double the required payment.
- Manitobans told us that strengthening our health care system should be our top program priority. Madam Speaker, this Budget targets significant additional funding to improve health care services for Manitobans. This Budget also targets more resources for education, children, families and justice.
- Manitobans told us to keep Manitoba's taxes competitive to continue to fuel a growing economy that creates more jobs and more opportunities. Madam Speaker, this Budget extends Manitoba's overall tax rate freeze for an 11th consecutive year; and in fact, the 1998 Budget cuts a number of key taxes.

Madam Speaker, this Budget reflects the goals and aspirations that Manitobans have for our Province. It pursues them with determination and vigour.

■ Better Health Care for Manitobans

Madam Speaker, sustained balanced budgets are the best way to secure and enhance our health care system and other vital social programs. Balanced budgets allow us to devote more resources to maintain and improve the high-quality health care services that Manitobans rely on.

We have consistently made better health care our top program priority. From 1987/88 to 1998/99, our health care budget has increased by almost \$600 million or 45%.

During Budget consultations, Manitobans told us that they value our health care system. We have listened and acted. Madam Speaker, in this Budget, we are devoting over \$100 million more for health care. In total, the Budget for Manitoba Health will be \$1.93 billion for 1998/99. Our Government has again increased funding for health care, despite significant federal cutbacks, the effects of which we continue to absorb.

Madam Speaker, we believe that better co-ordinated and integrated health services will make our system stronger. Our approach will improve our health care system by enhancing its capacity to deliver timely, better, and more appropriate care for

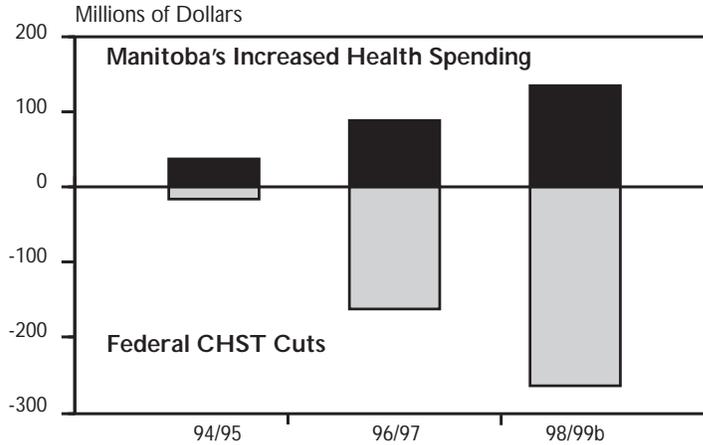
**Debt reduction
enhances our ability
to put more money
to better use.**

The Pas Consultations

*We are devoting
over \$100 million
more for health
care. Health care
has consistently
been our top
program priority.*



Manitoba has increased health spending, while the Federal CHST* has been cut since 1993/94



b - Budget

*Canada Health and Social Transfer

Source: Federal and Provincial Budgets and Public Accounts

*Better co-ordinated
and integrated
health services will
make our
system stronger.*

*\$11 million
more for
dialysis services.*

all Manitobans. That is why we have moved more of the decision making for health expenditures to the community level – where people live and work. The rural, northern and urban health authorities will benefit patients through more effective co-ordination and more appropriate services tailored to local priorities.

The additional resources for health are being targeted to the health care priorities of Manitobans. Madam Speaker, I am pleased to announce that this Budget provides almost \$11 million more to address the need for additional dialysis services in Manitoba. We are also promoting preventative measures. For example, since kidney failure is strongly connected to diabetes, we are adding \$600,000 to a Provincial Diabetes Initiative. This Initiative will help prevent and mitigate the effects of this disease, which disproportionately affects our aging population and First Nations people.

Our Government recognizes that we must improve access to critical care services. Madam Speaker, this Budget devotes \$2.4 million more to support the additional intensive care beds at the Health Sciences Centre, additional beds for panelled patients, and the expansion of the Neurosurgery Program at St. Boniface Hospital.



Madam Speaker, everywhere in Canada, waiting lists for some services have become unacceptably long. This Budget commits \$2.5 million to improve access to joint replacement surgery, ultrasound diagnostics, MRI machine use, CT Scans, radiation therapy, and bone density assessments.

As well, our Government is continuing to anticipate and respond to changing demographics and population needs of Manitobans. Madam Speaker, this Budget dedicates \$23 million more for the Home Care Program. This brings the total resources for home care to over \$123 million, triple what was spent on this Program in 1987/88. We are proud of Manitoba's home care services, which are unrivalled elsewhere in North America. We are determined to keep them that way.

Our Government also wants to ensure that Manitobans residing in personal care homes continue to have quality care and service. Madam Speaker, this Budget provides \$4.5 million more for the operation of personal care homes. We will spend almost \$260 million for care delivered in personal care homes in 1998/99.

Madam Speaker, Manitoba has one of the most comprehensive publicly funded Pharmacare programs in the country. This Budget dedicates \$7.3 million more to sustain and enhance our Pharmacare program, bringing the total allocation in 1998/99 to over \$62 million.

Madam Speaker, Manitoba has one of the finest mental health services in the country, featuring client-centred response in the communities where people live. This Budget provides \$870,000 to complete the Western Manitoba Mental Health Plan.

We believe that prevention activities are important. They help keep Manitobans healthy, and reduce health care costs. Our Government will continue its commitment for the Aboriginal Health and Wellness Centre. This Centre combines western medicine with more traditional approaches to wellness. In 1998/99, we will provide \$770,000 toward the operation of this Centre.

Madam Speaker, our Government recognizes the importance of public health. This Budget provides \$1 million for a Staged Immunization Initiative. This Initiative will reduce the incidence of serious illnesses for both children and adults.

*Since 1987/88,
spending on the
Home Care
Program has
tripled.*

**A focus on
prevention is
definitely more
cost-effective,
and better for
Manitobans.**

Letellier Consultations



As part of our commitment to early diagnosis and prevention, we are supporting the expansion of the Manitoba Breast Cancer Screening Program.

Our 1998/99 health capital program will total \$63 million and provide for 26 priority projects throughout Manitoba.

Madam Speaker, as part of our commitment to early diagnosis and illness prevention, this Budget supports the expansion of the Manitoba Breast Cancer Screening Program with the addition of two mobile breast screening units. In partnership with the Manitoba Cancer Treatment and Research Foundation, which raised sufficient funding to acquire the initial mobile screening unit, our Government will provide an additional \$670,000 to purchase a second unit and operate both units. This investment will improve access to these necessary screening services for women across our province.

Madam Speaker, to enhance addiction prevention and treatment services in our province, we have committed \$1.8 million to establish two residential treatment programs. A 20-bed youth residential facility in Portage la Prairie, to be operated by the Addictions Foundation of Manitoba, will focus on drug and alcohol problems, while a 20-bed facility, to be operated by the St. Norbert Foundation, will offer a Solvent Abuse Residential Program.

Madam Speaker, our Government is moving to address the infrastructure requirements of our evolving health care system. Therefore, I am pleased to announce a 1998/99 health capital program totalling \$63 million. This program provides for 26 priority projects throughout Manitoba, including construction of a 40-bed personal care home in Oakbank, a new 20-bed home in Hartney, and the development of a new personal care home in The Pas to replace an older facility. Early this spring, Lions Manor will be starting the construction of two projects in Winnipeg. The first is a 102-bed personal care home, and the second is a 30-person Alzheimer Care Unit.

The new capital program also includes 13 conversion projects. These projects will modify space within existing buildings to meet changing needs. My colleague, the Minister of Health, will provide further details on the 1998/99 health capital program.

Madam Speaker, our Government recognizes that modern health care relies on the availability of new, advanced and highly technical medical equipment. Therefore, I am pleased to announce a special allocation of \$10 million for the purchase of medical equipment. This new funding is in addition to our ongoing annual commitment of \$22.4 million for new medical equipment purchases. This spending will be targeted toward



clinical and patient care needs, including specialized equipment to support critical care, surgical, medical and diagnostic services. An allocation of \$5 million will be made immediately to Regional Health Authorities, while the remaining \$5 million will be provided in 1998/99.

Madam Speaker, Manitoba's research centres and institutions undertake vital health research in a number of areas. Our Government recognizes that there is a need for additional resources to support the search for new solutions and evidence-based decision making. That is why this Budget allocates \$2 million for the Health Research Initiative in 1998/99, an increase of \$1.5 million. This funding will support continued health research activities at the Manitoba Cancer Treatment and Research Foundation, Children's Hospital Research Foundation, St. Boniface Research Centre, Health Sciences Centre Research Foundation and the University of Manitoba.

Compensation for doctors and nurses is a significant portion of our health care budget. Madam Speaker, we are committed to providing expert medical care for all Manitobans. We also want to treat doctors and nurses fairly.

We recognize the value of nurses to our health care system and are committed to providing ongoing opportunities for nurses throughout our province. To that end, Madam Speaker, our Government has initiated dialogue with the leadership of the nursing community to ensure there are sufficient numbers of nurses in the future. We also recognize that there are inequities in the fee structure for medical services, and we are continuing to negotiate with the doctors. Our objective in the negotiations is to reach a fair and reasonable agreement.

To ensure that Manitoba remains competitive in retaining and attracting qualified people, Madam Speaker, we are prepared to allow professionals, including medical practitioners, to incorporate their practices. However, it is also important that patient and client protection and the rights of recourse are maintained. Accordingly, we are prepared to enter into discussions with the governing bodies of interested professions to develop appropriate legislation for possible introduction as early as 1999.

Our Government wants to ensure that Manitobans have timely access to high-quality health care now and in the future. That is

**Our health system
needs more
specialized diagnostic
equipment to cut
down waiting lists.**

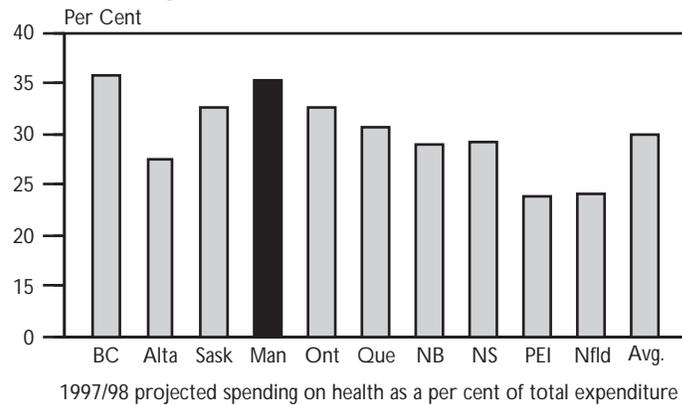
Brandon Consultations

*This Budget allocates
\$2 million for the
Health Research
Initiative in
1998/99.*



why 34.6% of the regular expenditures in this Budget will go toward meeting health care needs. We will spend almost \$1,700 for health care for every man, woman and child this year. This is the third-highest per capita health expenditure of all provinces. Our Province's spending on health care as a percentage of regular budget expenditure is the second-highest of all provinces.

Manitoba has the second highest share of spending devoted to health



Investments in Our Children – Investments in Our Future

Madam Speaker, Manitobans share a common vision for the healthy development and well-being of all of our children. Our children are the future of our Province and of our economic life. Investment in children and youth is one of the most important social investments we can make.

Manitobans told us that the keys to addressing child poverty are early intervention strategies and training programs that help parents find jobs.

During the 1998 Budget consultations, Manitobans told us that early intervention and prevention programs will help to ensure that all children develop into healthy and productive adults. Children in lower-income families also benefit from training programs for their parents.

Madam Speaker, spending on children, youth and their families is increased in this Budget by over \$20 million. Most of this funding will be directed toward programs that respond to the nutritional, learning and social needs of children and youth. Additional resources are also targeted to help parents with lower incomes enter the work force or find better-paying jobs.

Supports that help children grow up healthy have long-term benefits for the children, their families and our society.



Madam Speaker, as part of our plan for investing in children, our Government will spend \$2 million on positive parenting programs, healthy child development, and strategies to prevent adolescent pregnancy. We have also committed an additional \$300,000 toward a strategy to prevent Fetal Alcohol Syndrome.

Madam Speaker, numerous studies have shown that good nutrition plays an important role in ensuring that children become healthy and productive adults. Therefore, I am pleased to announce that this Budget invests \$2.1 million in early childhood nutrition initiatives.

Our Government also recognizes that some children require additional help in developing the skills they need to enter and be successful at school. Madam Speaker, to address these needs, this Budget allocates over \$2.6 million to pre-school and early-years programs, including an early literacy program to help at-risk grade one students develop reading skills.

Madam Speaker, our Government has consistently said that the best form of social security is a job. Therefore, I am pleased to announce that this Budget devotes nearly \$2 million more for training and job placement strategies to help income-assistance families enter the work force, and lower-income working families secure better-paying jobs. In 1998/99, our Government will spend \$13.6 million on training programs for Manitobans who are in receipt of income assistance or in low-paying jobs.

Madam Speaker, accessible, quality child care helps parents enter and remain in the work force. Therefore, I am pleased to announce that this Budget dedicates an additional \$4.8 million to provide more accessible, portable and flexible child-care options. A portion of this funding will also be used to increase day-care services for children with disabilities. We will spend over \$45 million on day-care in 1998/99.

Our Government wants to ensure that more families caring for a child with a disability have access to respite care, child development activities, supplies and counselling. Madam Speaker, I am pleased to announce that \$547,000 more will be spent in 1998/99 on children's special services.

The early intervention and prevention approach that our Government has taken toward healthy child development is complemented by our participation in the National Child Benefit initiative. Along with the other provinces and territories,

Supports that help children grow up healthy have long-term benefits for the children, their families and our society.

There is a significant need for early childhood nutrition programs.
Winnipeg Consultations

This Budget dedicates an additional \$4.8 million to provide more accessible, portable and flexible child-care options.



The early intervention and prevention approach that our Government has taken toward healthy child development is complemented by our participation in the National Child Benefit initiative.

we are pleased to have persuaded the federal government to work in partnership with us to address the needs of children in lower-income families.

Under the National Child Benefit system, which begins July 1998, the federal government will increase its monthly tax benefit for all lower-income families with children. Provinces and territories will redirect any savings on income assistance to new and expanded programs and services for lower-income families with children. Several of the initiatives that I have just outlined will be financed, in part, through Manitoba's participation in the National Child Benefit.

Madam Speaker, I would also like to take this opportunity to assure Manitobans that all families will receive at least the same level of overall income support through the National Child Benefit system. \$1.7 million has been set aside to fulfil our commitment.

My colleagues, the Minister of Family Services and the Minister of Education and Training, will provide additional details on our new and expanded initiatives for children, youth and families.

■ Preparing our Children and Youth for a Successful Future

Madam Speaker, our Government is committed to an effective and modern education system that will prepare our children and youth for the challenges of a rapidly changing world. Throughout the 1998 Budget consultations, Manitobans stressed that a quality education system is key to a child's successful future and the future of our Province. In 1998/99, our Government will increase grants for K-12 education to \$612.8 million.

A modern education system must focus on results.

Madam Speaker, Manitobans want a modern education system that focuses on outcomes and results. Our education renewal initiatives are designed to improve the quality of education for Manitoba's students. We are pressing ahead, Madam Speaker. The education system will continue to be strengthened by:

- emphasizing core subjects;
- establishing regular assessments to measure student performance; and
- giving parents and the community a stronger voice in our schools.



An additional \$4.2 million will be invested in 1998/99 in education renewal initiatives, with the further development and implementation of new curricula and an expansion of standards testing. Standards testing provides valuable information on student performance. Through the development of an Education Indicators Project, we will collect more information about how our education system is performing. Testing both the student and the system will provide measures of our success and help to ensure that children in all of our K-12 schools receive a quality education.

As was announced earlier this year, funding in support of public school education is being increased by 2.2% for the 1998/99 school year. The overall increase amounts to \$16.7 million. Some of this additional funding will go toward the implementation of the early literacy program which I described earlier.

Madam Speaker, technology is a key area in education renewal. We recognize that technology literacy is one of the "new basics." As part of the additional funding for public schools, \$1.8 million will be spent on information technology grants to enhance access to information technology in the classroom.

In addition, our Government will maintain our commitment in support of the volunteer-led Computers for Schools and Libraries Program. This Program is expected to refurbish and distribute about 2,000 donated computers to the schools and libraries of our province.

Madam Speaker, as was recently announced, our Government has approved \$29.6 million for the schools' capital construction program for 1998/99. We have also committed \$30 million to a new three-year initiative, the Aging Buildings Program. The Aging Buildings Program will help school divisions upgrade and extend the useful life of structurally sound older schools. In the first year, funding will be allocated primarily to school renovations, roofing replacements and mechanical systems replacements.

Now more than ever, Madam Speaker, Manitoba's continuing prosperity depends on the capacity of our young people to participate in, and to contribute to our economy. Youth must have ready access to training and post-secondary education so they can succeed in our labour market. Madam Speaker, studies have shown that education plays a key role in the youth employment picture.

A quality education system is key to a child's successful future and the future of our province.

Viriden Consultations

Funding in support of public school education is being increased by 2.2%.

We need to provide our children with basic technology skills.

Clearwater Consultations



Youth must have ready access to training and post-secondary education so they can succeed in our labour market.

Madam Speaker, I am pleased to be able to announce significantly enhanced and better targeted overall assistance for post-secondary students and recent graduates. Our Government's increased support will be directed to:

- our participation in a national harmonized student loans program;
- new Interest Relief and Debt Reduction Programs; and
- a greatly enhanced Scholarships and Bursaries Initiative.

The Manitoba Learning Tax Credit will be re-profiled to complement these initiatives.

A national harmonized student loans program for post-secondary students will be based on a one-student, one-loan premise. The new approach will reduce overlap and duplication, and create a consolidated loan package which will help graduates arrange more manageable repayments.

We are providing enhanced and better targeted overall assistance for students and recent graduates.

Madam Speaker, some individuals face greater challenges when they make the transition from school to employment, and may need extra assistance in managing and reducing their student debt. Our Government will direct \$1.6 million toward the introduction of an Interest Relief Program and a Debt Reduction Program.

The national harmonized student loan program and the Interest Relief and Debt Reduction Programs are to be cost-shared on a 60/40 federal/provincial basis, and will be administered by the provincial governments. These programs will complement those announced for students in the recent federal budget. The federal and provincial governments will continue to work together toward the early implementation of these programs.

Madam Speaker, I am also pleased to announce that our Government is enhancing its support for the Scholarship and Bursaries Initiative with an additional \$4 million contribution. Under this \$5 million Initiative, our Government will match one dollar for every dollar of new funds raised for scholarships and bursaries at the post-secondary level. This Initiative will provide further incentive for our students to study in Manitoba, and help to reduce the debt loads of our students. Based on an average scholarship and bursary of \$1,000, we expect that 10,000 students will benefit from this Initiative starting in 1998.



In 1996, our Government introduced the Manitoba Learning Tax Credit to provide significant tax relief to post-secondary students and their families. Madam Speaker, this year the Manitoba Learning Tax Credit will be re-profiled to target the overall funds available for student financial assistance to the areas of greatest need. The Manitoba Learning Tax Credit will offer a 7% refundable tax credit for a student's post-secondary tuition costs, and the Credit will be capped at \$700 per student. The Manitoba Learning Tax Credit will contribute \$15 million in support to Manitoba students and their families. It is still the only credit of its kind in Canada. No other province provides the same level of support to students through the tax system.

Madam Speaker, our new initiatives that provide direct support to students total over \$6 million. Including the Manitoba Learning Tax Credit, the total budget for student financial assistance and access programs is up from \$30.6 million in 1997/98, to \$34.3 million in 1998/99.

Madam Speaker, students and their families will also benefit substantially from lower federal and Manitoba income taxes introduced in last month's federal Budget. Part-time students will now be able to claim child-care expenses and more of their education costs, and interest on student loans will be eligible for new income tax benefits. Manitoba students and their families will save \$15 million in income taxes as a result of these changes. Our Government's share of this total is almost \$6 million.

Madam Speaker, universities play an important role in preparing our youth for future job opportunities. Statistics show that Canadians with a university degree have higher earnings and significantly lower unemployment rates. This Budget increases operating grants for universities by \$8.9 million, bringing the total to over \$215 million. My colleague, the Minister of Education and Training, together with the Council on Post-Secondary Education, will provide details about the allocation of the additional funding for the operating grants.

As well, our Government will continue to direct almost \$9 million toward capital projects for the repair or upgrading of buildings on our university campuses. As part of our support, \$3 million will go toward the replacement of the chiller systems at the University of Manitoba. Over the next six years, we will allocate \$26.5 million toward this major capital project.

*Our Government
is enhancing our
support for the
Scholarship and
Bursaries Initiative
by \$4 million.
This Initiative is
expected to benefit
10,000 students
starting in 1998.*



*Our
Government's
total annual
support to
universities is up
to \$227 million.*

*Manitoba's
community colleges
have a national
reputation for their
success in adapting
to meet the needs of
our changing
labour market.*

In addition, \$5.3 million over two years will go toward the construction of a new Nursing Building at the University of Manitoba. This building will increase classroom space for the Nursing Faculty, providing our health care system with nursing services in the years ahead.

Our Government's total annual support to universities for operating and capital costs is up to \$227 million.

Manitoba's community colleges have a national reputation for their success in adapting to meet the needs of our changing labour market. Madam Speaker, I am pleased to announce that we are increasing the operating grants for the colleges by \$1.1 million, or 2% over 1997/98. In addition, \$500,000 is directed to the Colleges Strategic Initiatives Fund, which will help expand the capacity of community colleges' programs. Including capital grants, our total support for community colleges is now over \$59 million.

Our Government will spend \$16.5 million more in 1998/99 in direct support to students and post-secondary institutions. Manitoba students and their families will also pay nearly \$6 million less in Manitoba income taxes this year. The total budgeted expenditure on students and post-secondary education is \$320.6 million, up from the 1997/98 Budget amount of \$304.1 million.

■ Providing More Opportunities for Manitobans

Our Government believes that all Manitobans want to be self-sufficient and full participants in their communities. Madam Speaker, we remain committed to helping Manitobans acquire skills and find jobs.

Earlier, I reviewed the strength of our economy. More jobs are being created and the unemployment rate is at its lowest point since 1981. While more and more Manitobans are finding work, increasingly, employers are telling us that there are growing shortages of skilled workers. Firms in almost every sector say that jobs are going unfilled, and that it is more difficult to find the skilled employees needed to increase production.



Madam Speaker, perhaps the most pressing challenge that our Province faces today is developing the skills of Manitobans, in particular, our youth, so that they may take advantage of the opportunities created in our thriving economy.

Madam Speaker, this past December, all First Ministers agreed that youth employment is a national priority requiring the involvement of both orders of government. We are actively working with the other provinces, the federal government and the private sector to create more opportunities for youth. Our Government will continue to support our student and youth employment programs. In 1998/99, it is expected that more than 15,000 students and youth throughout our province will benefit from these programs.

Aboriginal youth represent the fastest growing segment of our population. Madam Speaker, Aboriginal youth also face the highest unemployment rates. Our Government believes that our Province must tackle the education, training and employment needs of Aboriginal youth through a partnership approach between the Aboriginal community, the federal government and the private sector. The Partners for Careers program assists unemployed Aboriginal youth with a high school, college or university degree find positions in private sector companies. It is an example of how the partnership approach can work successfully.

Manitoba's apprenticeship training program plays an important role in developing a highly skilled work force. Our Government believes there are opportunities in our province that will support the expansion of the apprenticeship program from 2,000 to 4,000 in-school apprentices over the next three years. The revitalization of apprenticeship signals our ongoing commitment to achieving high standards in training excellence. Madam Speaker, that is why I am pleased to announce that our Government will provide \$3 million in 1998/99 to support Manitoba's apprenticeship program. This includes additional funding of \$1.4 million to assist with the expansion of the apprenticeship program.

Our Government recently completed negotiations with the federal government to integrate training and employment programs for unemployed Manitobans. We believe that delivering a fully integrated set of programs is more efficient and effective than the previous system. \$54.3 million will be spent

Perhaps the most pressing challenge that our Province faces today is developing the skills of Manitobans, in particular our youth, so that they may take advantage of the opportunities created in our thriving economy.

Help Aboriginal youth build the skills necessary to enter the work force.

Winnipeg Consultations



*Manitoba's
apprenticeship
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important role in
developing a
highly skilled and
technologically
competitive
work force.*

**Access to job
training helps to
break the
welfare cycle.**

**Ste. Rose
Consultations**

this year on a continuum of training and employment services that link unemployed Manitobans with jobs. These programs, which are offered through integrated employment centres located across Manitoba, will help individuals and employers respond to our growing economy.

Madam Speaker, we are continuing our efforts to remove the barriers between income assistance and employment. We have worked proactively to reform our income-assistance program through the Employment First focus.

Successful programs such as Taking Charge!, Youth NOW and Opportunities for Employment give income-assistance recipients the training and skills they need to move into jobs. Since 1996, almost 1,900 graduates from the Making Welfare Work and other related training programs have obtained jobs. Income-assistance caseloads and costs have declined substantially as our economy creates more jobs, and people are making the transition to employment.

In this Budget, we increase the total support for the Making Welfare Work programs to \$9.3 million. This Budget also invests \$4.3 million in other innovative programs that offer education, training, job readiness and job search services to enhance Manitobans' employment prospects.

Madam Speaker, basic literacy skills are critical for improving employment prospects and preparing for general training. This Budget increases our support for Community Based Adult Literacy Grants to over \$1 million in 1998/99. Last year, these Grants offered almost 1,700 adult Manitobans training in literacy skills.

We believe it is important to support adults with disabilities so they can live and participate as active members in our communities. Therefore, I am pleased to announce that this Budget increases funding to Adult Services programming by over \$7 million. This represents a funding increase of more than 10% to expand supported living and day programs for adults with disabilities.

Madam Speaker, additional funding will be used to improve facilities and programming at St. Amant Centre. Both the Centre's adult day program and the family care program for children living in the community will be expanded. In addition,



Madam Speaker, this Budget provides \$1.1 million to enable the Centre to deliver a more appropriate school program for residents.

With our new and enhanced initiatives, our Government is strengthening our investment in Manitobans. These initiatives will help more people find jobs and live independently within our communities. We want to help all Manitobans achieve economic independence, and a brighter future for themselves and their families.

■ Safer Communities

Madam Speaker, our Government is committed to making our communities safer and our citizens more secure. We will do this by strengthening our justice system and by implementing further initiatives that help fight and prevent crime.

Madam Speaker, we have zero tolerance for domestic violence. That is why our Government is allocating an additional \$1.9 million for our action plan to deal with domestic violence. A number of programs will be implemented to improve the way domestic violence is handled within our criminal justice system, and to provide additional support to families caught in the destructive cycle of violence.

In 1995, our Government announced that we would spend \$14 million for community policing in Winnipeg. This funding was provided to put 40 more constables on the streets of Winnipeg. Madam Speaker, this Budget allocates \$2 million for the fourth year of our seven-year commitment.

In 1998/99, our Government will contribute \$3.3 million to modernizing the RCMP's telecommunications system. The new system will have one central dispatch centre for the province and will improve response times for emergency services.

This Budget provides almost \$10 million for capital projects, including a maximum security unit and safety upgrades at Headingley Correctional Institution, the completion of the Winnipeg Law Courts Lockup, and the commencement of renovations and expansion of the Brandon Courthouse. Approximately \$2 million will be spent on the construction of a new custody unit at the Agassiz Youth Centre.

Help adults with a disability live independently.

Winnipeg Consultations

Our Government is allocating an additional \$1.9 million for our action plan to deal with domestic violence.



**Support successful
intervention
programs for
at-risk youth.**

Winnipeg Consultations

*Our
Government's
total spending
on Justice has
increased by
6.8%.*

Madam Speaker, we must help prevent youth from becoming involved in criminal activity. We will continue to support initiatives like the Youth Justice Committees, Urban Sports Camps, and Choices Youth Program which help to ensure that at-risk youth have positive alternatives to a life of crime.

It is also important to work actively with young offenders to ensure that they do not re-offend. Therefore, Madam Speaker, over \$500,000 in additional funding will be directed toward expanding the intensive support and supervision programs that target and monitor young offenders on temporary release and selected young offenders on probation.

Madam Speaker, successful programs have shown that victims benefit from police-based support during a crisis and throughout the court process. Therefore, our Government will enhance Victims Assistance Services by almost \$800,000, which includes a \$625,000 increase in grants to expand Victims Services Programs throughout our province.

Madam Speaker, our Government's total spending on Justice has increased by 6.8% in 1998/99. My colleague, the Minister of Justice, will provide additional details on these initiatives.

■ Arts, Culture and Sports

Madam Speaker, Manitobans enjoy a very high quality of life, thanks in large measure to the wide variety of options for entertainment and enrichment. Our Government recognizes the importance of continued public investment in the arts, culture, sports and other activities.

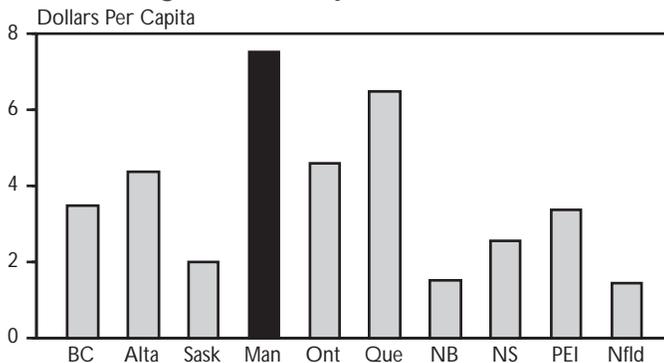
The arts, festivals and cultural events of Manitoba symbolize our province's creativity and cultural pride. They showcase the spirit of Manitoba to our people and around the world. Our numerous fairs and festivals, such as the Brandon Winter Fair, the Morris Stampede, the Dauphin Ukrainian Festival, and Folklorama, bring Manitobans and others together to celebrate our communities and our heritage.

The Royal Winnipeg Ballet, the Winnipeg Symphony Orchestra, the Manitoba Theatre Centre and the Winnipeg Art Gallery are only a few of our major arts and cultural organizations that have international reputations. The not-for-profit performing arts are generously supported by audiences,



and both the public and private sectors in our province. In fact, this support is stronger in Manitoba than any other province. Madam Speaker, public grants per capita are the highest in Manitoba, while fund-raising and donations per capita are second-highest.

Public Grants for Not-for-profit Performing Arts Groups, 1995/96



Source: Statistics Canada

Our Government recognizes the importance of continued public investment in the arts, culture, sports and other activities.

All of these organizations and events enhance our quality of life, create jobs, and help make Manitoba the best place to live, to work and to raise a family.

Our Province should be very proud of its accomplishments when it comes to the hosting and delivery of amateur and professional sporting events. The success of sporting events hosted in our province has made Manitoba and Manitobans known throughout North America and the world. For instance, Brandon received recognition from across Canada last summer when it hosted the most successful Canada Summer Games ever.

Madam Speaker, a number of Manitoba's finest athletes are gathered in Gimli right now for The Manitoba Winter Games. Almost 1,600 participants from across our province will compete in 12 different sporting events.

I am pleased to report that over the next 18 months, Manitoba will continue to be showcased throughout Canada and the world. Beginning tomorrow, our province welcomes the 1998 Brier which will result in the crowning of a new Canadian Men's Curling Champion. This fall, the 1998 Grey Cup Championship will be held in Winnipeg. Over the Christmas



season, Manitoba will be the site of the 1999 World Junior Hockey Championship. This premiere hockey tournament will bring teams, families and fans from all over the world to our province.

The 1999 World Junior Hockey Championship will bring teams, families and fans from all over the world to our province.

Madam Speaker, in the summer of 1999, our province will be centre stage when we welcome the Pan American Games. Over 5,000 athletes from 42 countries will come to Manitoba to compete in this major sporting event. The 13th Pan American Games will be the third-largest multi-sport athletic competition ever held in North America. At least 35 test events will be held in our province this year. Active preparations for the Games are now under way across our province.

Our Province is supporting the efforts of Aboriginal organizations, such as the Manitoba Aboriginal Sport and Recreation Council, in their bid to host the North American Indigenous Games in 2001.

Madam Speaker, the economic benefits, job opportunities, and memories that these sporting events bring, contribute greatly to the quality of life across our province.

■ Supporting Local Governments

Madam Speaker, our Government believes in working in partnership with local governments to make Manitoba the best place in Canada to live.

Local governments are our partners in making Manitoba the best place to live in Canada.

Direct grants to municipalities include the Provincial-Municipal Tax-Sharing (PMTS) payments. This year, the PMTS payments will total \$64.2 million, up 4% from 1997/98. Manitoba is the only province to allocate a portion of provincial personal and corporate income tax revenues directly to local governments.

The Rural Economic Development Initiative (REDI) was established by our Government in 1992 to stimulate long-term economic development and diversification in rural communities. Rural communities and businesses can apply for REDI support to undertake projects in areas such as business development, infrastructure development, tourism and commercial services. Madam Speaker, this year an additional \$1.8 million will be dedicated to REDI, bringing the total allocation for this program to \$21 million. In addition, I am pleased to report that over \$13 million has been approved for major water and sewer projects throughout our province.



Last year, our Government committed \$96 million in capital funding to the City of Winnipeg under a third six-year Urban Capital Projects Allocation. Unique in Canada, this program is designed to support the renewal and enhancement of municipal infrastructure. Capital projects approved for 1998/99 include the Bishop Grandin and Kenaston Connection, and the Main and Norwood Bridges. This Budget includes \$18.5 million for our contribution toward urban capital projects in 1998/99, an increase of \$2.5 million from last year's Budget. Over and above Urban Capital Projects, I am also pleased to announce that our Government will contribute \$5 million for residential street repairs in Winnipeg in 1998/99.

Highway construction and maintenance create jobs and improve Manitoba's natural advantage as a transportation hub between eastern and western Canada, the United States and Mexico. Better highways also facilitate the greater movement of goods and people throughout our province, linking our communities, and benefitting our economy. Madam Speaker, this Budget provides an additional \$7.1 million for highway construction. This increase brings our total capital spending on highways this year up to over \$105 million. Further, an additional \$3.2 million will be spent on highway maintenance. In total, our Government will spend over \$170 million on improving our province's roads and highways in 1998/99, \$10 million more than last year.

Provinces and territories have consistently called on the federal government to develop a National Highways Program. A National Highways Program would create jobs, improve Canada's transportation links and spur further economic development. Unfortunately, to date, the federal government has not responded positively to this suggestion.

Our Province is also urging the Government of Canada to renew the very successful Infrastructure Works Program. Over five years, \$245 million will have been invested in our Province's infrastructure. To date, nearly 600 projects have been approved, creating over 4,000 direct on-site and off-site jobs. All areas of Manitoba benefit from this Program with better roads, improved infrastructure, better facilities and more opportunities for work and enjoyment. Our Government and Manitobans are disappointed that the federal government has not yet agreed to renew the Infrastructure Works Program.

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*Highway
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natural
advantage as a
transportation
hub.*

**Improve
provincial
highways.**

Beausejour Consultations



**Provide more
resources for
Northern
infrastructure and
development.
The Pas Consultations**

*The Northern
Youth Summer
Program benefits
both children in
the north and
students from
across the
province.*

■ Northern Manitoba

Madam Speaker, our Government believes in the importance of ensuring all regions of Manitoba share in the economic benefits we are enjoying.

The sustainability of Manitoba's northern communities is of vital importance to the continued strength of Manitoba's economy. Our goal is to improve the ability of northern communities to deliver municipal services independently. Madam Speaker, I am pleased to be able to announce funding for a new initiative, Creating Sustainable Communities. In this Budget, \$500,000 will be dedicated to the process of transferring responsibility for the delivery of municipal services from the Province to northern communities. My colleague, the Minister of Northern Affairs, will work with northern communities to ensure that a more independent and sustainable service delivery structure is in place.

Madam Speaker, the development of infrastructure will improve the quality of life in northern communities. Therefore, in 1998/99, \$3.6 million or \$1 million more than 1997/98, will be spent on capital projects that are related to infrastructure development in a number of northern communities. These projects will include a water treatment plant at Cormorant and the development of a lagoon at Dawson Bay.

Madam Speaker, this Budget continues our support for programs such as the Northern Youth Summer Program. Through this Program, a variety of students from across our province travel to remote northern communities to offer recreational and educational activities to children. Children benefit from access to activities which are not always available, the student leaders are provided with valuable experience and an understanding of life in northern communities, and the communities benefit from the improved social well-being of their residents.

Madam Speaker, we have signed the Treaty Land Entitlement Framework Agreement with the federal government and the TLE Committee of Manitoba. The Agreement will fulfil a long-standing commitment arising from treaties signed by the federal government and the First Nations. In addition, four of



the five Northern Flood Agreement First Nations have ratified comprehensive implementation agreements. It is expected that Treaty Land Entitlement Agreements and the Northern Flood Agreements will improve economic and social development.

Madam Speaker, I am pleased to report that we are making a major contribution to develop the potential of Canada's only major arctic port at Churchill. Manitoba will contribute \$6 million for harbour dredging over the next two years. With the end of the Crow benefit, Churchill is well-placed to capitalize on its natural advantage as the lowest-cost rail route to a seaport for prairie grain. A commercially viable arctic port will further enhance Manitoba's position as the northern gateway to the mid-North American trade corridor.

Madam Speaker, Manitoba's billion-dollar minerals industry provides an economic base for several communities in both the north and the south. Further discoveries would help these communities to continue to thrive. The renewed exploration activity in recent years has produced promising results for future gold, diamond and base metal mines. Geologists believe that extensive tracts of untapped mineral deposits remain to be discovered.

Therefore, Madam Speaker, this Budget continues the Mining Exploration Assistance Program, the Petroleum Exploration Assistance Program and the Prospectors Assistance Program.

The long-term outlook for mining in Manitoba remains very positive, despite the current downturn in metal prices. Gossan Resources' magnesium project in the Interlake is especially exciting, Madam Speaker. We expect that Manitoba's low-cost hydro power will prove an important advantage in developing a mine, and processing this increasingly popular alternative to aluminum.

As well, Madam Speaker, to help maintain the competitiveness of the mining industry, I am pleased to announce adjustments in the tax treatment of propane used in certain mining operations.

*We are making a
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Canada's only
major arctic port
at Churchill.*



**“We remain
impressed with
Manitoba’s fiscal
achievements.”**
Nesbitt Burns

*For the sixth year
in a row, farm
cash receipts
reached a new
record.*

■ Manitoba’s Economy – Growing Stronger

Madam Speaker, Manitoba has one of the strongest economies in Canada. Our growth rate has ranked in the top three among the provinces for three consecutive years. Our economy is stronger now than it has been in many years. The drop in the unemployment rate to a 16-year low is proof of that.

I would like to review some of the economic highlights of 1997.

- Employment grew by 2.4% in 1997 – the largest annual increase in 11 years. All of the increase was in the private sector, and all of the new jobs were full-time. It is my opinion that one of the most important accomplishments in 1997 was the decline in the annual unemployment rate to just 6.6% – the lowest level since 1981. Manitoba today employs more of our working-age population than we did in any year during the decade of the 1980s, or any previous decade for that matter. And the unemployment situation continues to improve. In January it was just 5.7%.
- In 1997, total investment growth in Manitoba exceeded the national average for the fifth time in six years. Since 1991, total investment in Manitoba has increased 36% – nearly double the national increase.
- Farm cash receipts grew much faster than the national average in 1997, and reached a new record high of \$3 billion. This was the sixth consecutive year that farm cash receipts achieved a new record level. Madam Speaker, the farmers of Manitoba can be very proud of this remarkable performance. In recent years, they have successfully adjusted their approach to farming in the face of declining support programs and the elimination of grain transportation subsidies.
- Manufacturing shipments expanded at a double-digit rate for the third time in four years, reaching \$10 billion for the first time. In both 1996 and 1997, Manitoba’s manufacturing sector grew significantly faster than the national average. I am especially pleased to report that, since 1991, manufacturing investment in our province has grown at an annual rate of 15.5% – ten times the national growth rate.



- The growth in Manitoba's exports to foreign countries exceeded the national increase for a fourth consecutive year. Exports to our largest customer, the United States, grew at a double-digit rate for the sixth year in a row. In fact, our exports to the U.S. have tripled since 1990.
- Manitoba has long played an important national role in several segments of the financial services industry, including insurance and grain trade finance. This role was greatly enhanced in 1997, when Great-West Life Assurance Company acquired London Life to become the largest life insurance company in Canada. Winnipeg is also home to the largest mutual fund company in Canada, Investors Group.

Madam Speaker, it is no coincidence that employment has shown strong growth, driving down the unemployment rate, at the same time that our Government has restored order to Manitoba's public finances. The period of very high deficits and rapidly rising debt, which started in 1981, was a period when the unemployment rate was far too high.

Now that our Budget is balanced and the debt is declining, unemployment has returned to the low rates which prevailed until 1981. That is not to say, Madam Speaker, that we are satisfied. On the contrary, all Manitobans want to see the unemployment rate go lower still. But it is clear that balanced budgets and competitive tax rates are key elements in any strategy to create and maintain a full-employment economy.

The same lesson can be seen clearly in the experience of other provinces, Madam Speaker. All Canadian provinces and the federal government ran large deficits in the 1980s and early 1990s, and they experienced a sustained high level of unemployment. Manitoba, and the other provinces which moved quickly to eliminate their deficits, have been rewarded with the strongest economic growth and the lowest unemployment rates.

Again, Madam Speaker, high and rising deficits kill jobs. Balanced budgets create jobs.

*Since 1991,
manufacturing
investment in
our province has
grown at ten
times the
national
growth rate.*



**“We rank
Manitoba so high
because of the
way it plans for
the future.”**

TD Bank

*... a seventh
consecutive year
of rising private
investment.*

**Continue to focus
on economic
development and
job creation.**

**Portage la Prairie
Consultations**

■ Sharing the Benefits of a Strong Economy

The foundation of our fiscal policy has always been to create conditions conducive to strong economic growth and jobs, which in turn generate revenue to support priority public programs, like health care, education and support to families. Madam Speaker, by keeping tax rates competitive, we leave more money in Manitobans' hands, more money for people to invest, and more money for businesses to expand. By paying down the Province's debt, we can give Manitobans comfort that there will be no major tax increases down the road, and as a Province we will have greater flexibility.

Our success can be seen in Manitoba's low unemployment rate, and the impressive growth in the economy. However, the most direct evidence can be found in the exceptional record of private sector investment. In 1998, Manitoba will record its seventh consecutive year of rising private investment. Only Alberta has such a consistent record of increases. This consistency says a great deal about the strong and rising business confidence in our Province. Acrylon Plastics, Maple Leaf Foods, MCI, the Royal Bank, Springhill Farms and Winpak are just a few examples of the local, national and international companies that are helping to expand and diversify our economy and create thousands of new jobs.

For the most part, this strong investment performance happens because decisions are now made on the basis of this Province's great competitive advantages. This is a big change from the past when rising debt burdens, mushrooming deficits and high taxes led many investors to pass Manitoba by.

In addition, our Government has pursued a variety of targeted initiatives to promote investment and job creation in our province, such as tax credits for manufacturing and research and development.

Last year, we introduced the Manitoba Film and Video Production Tax Credit. I am happy to report that this Credit has helped enhance employment, promote the talents of Manitobans, and advance the film industry in our province. We are starting to see the results of these initiatives, and it is projected that production activity will double to over \$40 million in 1998.

We have also introduced small business loan programs, such as the Rural Entrepreneurial Assistance Program. This Program is



worthy of note because of the significant successful uptake by women entrepreneurs.

The 1998 Budget also includes new initiatives to promote investment and jobs in Manitoba.

Madam Speaker, since we took office in 1988, our Government has reduced the impact of the payroll tax by increasing the exemption level for annual payrolls on four occasions. The threshold has been increased from \$100,000 of annual payroll in 1988, to \$1 million currently. Over that period, the number of employers subjected to the tax has been cut 78%, from about 8,000 in 1988, to 1,800 now.

Madam Speaker, I am pleased to announce that with this Budget we are shifting our focus from increasing exemption levels to cutting the payroll tax rate. Effective January 1, 1999, the payroll tax rate will be cut from 2.25% to 2.15%. It is anticipated that this change will save employers over \$9 million a year.

This is an important step in reducing this tax on jobs. We believe it will encourage employers to expand their operations in Manitoba and to hire more Manitobans. Manitoba continues to do its part in keeping payroll taxes down.

Madam Speaker, Manitoba, along with all other provinces and territories, has called on the federal government to reduce Employment Insurance premiums from the current unacceptably high levels. Employment Insurance premiums paid by employers and employees alike far exceed the benefits paid to unemployed Canadians. The Employment Insurance Fund will generate a projected surplus of \$6 billion in 1998/99. Premiums should be cut to levels necessary to sustain the program's benefits. A reduction in premiums would also help cushion the impact of the scheduled acceleration in CPP contribution rates.

Madam Speaker, to further encourage investment and job creation, the Corporation Capital Tax exemption was doubled from \$1 million to \$2 million in 1994. In 1997, we raised the exemption again to \$3 million.

Today, Madam Speaker, I am pleased to announce that the Corporation Capital Tax exemption will be increased from \$3 million to \$5 million of taxable capital, effective for taxation years ending after January 1, 1999. This change to the

“...the [Manitoba] economy’s steady improvement owes much to Filmon’s persistence with a course of fiscal prudence...”

The Financial Post

The payroll tax rate will be cut from 2.25% to 2.15%.

The Corporation Capital Tax exemption will be increased from \$3 million to \$5 million.



*To assist businesses
prepare for the
Year 2000
problem,
provincial sales
tax will no longer
be applied to
custom-developed
software.*

*We have set a
goal to double
the supply of
venture capital
to \$60 million
per year by
2000.*

Corporation Capital Tax exemption will mean that 900 more companies will no longer have to pay this tax.

Madam Speaker, we have all heard concerns about the potential impact of the Year 2000 problem for businesses' and governments' computer systems. The potential risks to individual firms and the economy as a whole are too large to be ignored. Our Government will be ready and we encourage Manitoba businesses to meet this critical challenge.

Therefore, Madam Speaker, I am pleased to announce that the provincial sales tax will no longer be applied to custom-developed computer software. This change will make purchasers and developers of such software more competitive. It will also assist businesses in preparing for the Year 2000, and it will help firms acquire and use specialized software at a lower cost. This, in turn, will create more jobs in our province.

Madam Speaker, in co-operation with our private sector partners, our Government has worked to increase the annual supply of venture capital for Manitoba's small- and medium-sized businesses from less than \$4 million in 1993, to approximately \$30 million in each of 1996 and 1997. We have set a goal to double this commitment to \$60 million per year by 2000.

The Manitoba Capital Fund has approved \$21 million in loans to 19 small- and medium-sized Manitoba businesses. In 1997, our Government, in partnership with the CIBC and TD Banks, introduced the Manitoba Business Expansion Fund to provide expansion capital for small businesses. Madam Speaker, Manitoba's first Labour-Sponsored Venture Capital Corporation, the Crocus Fund, is playing an important role in generating investment and jobs in Manitoba firms. Since its inception in 1992, the Crocus Fund has invested \$32 million in 21 Manitoba businesses. Late in 1997, the Ensis Growth Fund commenced operations as Manitoba's second labour-sponsored venture capital fund.

To provide much needed capital to Manitoba's science and technology sector, Madam Speaker, I am very pleased to announce that we have committed \$5 million to create the Manitoba Science and Technology Fund. This investment is expected to leverage \$15 million to \$25 million of private sector venture capital which will be used to assist high technology Manitoba companies. My colleague, the Minister of Industry, Trade and Tourism, will provide additional details on this new Fund.



Together, these initiatives will supply substantial amounts of previously unavailable risk capital to allow our small- and medium-sized firms to grow and create more jobs for Manitobans.

Research and development activities are key to continued success and prosperity. To strengthen the research infrastructure in our province, I am pleased to announce that our Government will invest \$7 million in 1998/99, and a total of \$35 million over five years in a new initiative called the Manitoba Innovations Fund. This initiative will allow proponents to increase their capabilities to carry out world-class scientific research and technology development in the fields of science, health, engineering and environment. This initiative will fund projects on its own or in concert with the Canada Foundation for Innovation.

The Manitoba agriculture and agri-food sector is achieving significant success in diversifying and adding value to our primary products. Madam Speaker, our Government is continuing to encourage crop diversification and value-added activities, as grain producers successfully adapt to the challenge of change in the post-Crow Rate era.

Madam Speaker, I am pleased to announce the expansion of the Diversification Loan Guarantee Program offered through the Manitoba Agricultural Credit Corporation. This Program helps farmers access the capital necessary to diversify into more profitable commodities and add value to primary production. Since it was first introduced in 1995, the Program has supported loans totalling over \$19 million. My colleague, the Minister of Agriculture, will provide further details on the expansion of this Program.

In addition, Madam Speaker, our Government is expanding our contribution to the Agri-Food Research and Development Initiative by over \$3 million this year. This will bring our total commitment to this Initiative in 1998/99 to \$6.5 million. This Initiative will help our province's growing agri-food industry develop ways to process commodities into value-added products.

To help expand our province's livestock industry, our Government will also provide additional resources to increase the volume of diagnostic laboratory tests. Additional funding is also being allocated to begin replacing medical and diagnostic equipment in rural veterinary district animal clinics.

To support world-class research in our province, we have committed \$35 million to create the Manitoba Innovations Fund.

We will contribute \$6.5 million to the Agri-Food Research and Development Initiative this year.



*Our strong
commitment to
research and
development is
demonstrated
through our new
and enhanced
initiatives, totalling
\$25.5 million.*

Madam Speaker, our Province will continue to support the Agricultural Sustainability Initiative. This Initiative will replace the recently concluded Canada-Manitoba Agreement on Agricultural Sustainability and will continue to encourage the adoption of sustainable agricultural practices. Activities to be supported include enhancing the production and marketing of livestock and forage crops, and increasing the diversity of commodities produced and processed in Manitoba. We expect that the federal government will match our contributions to activities funded through this Initiative.

Research and development activities are essential for sustained economic growth and the creation of high-quality jobs now and in the future. A key theme of our new and enhanced initiatives is that they all foster an economic climate within our province that will support further research and development activity.

From our first Budget, Madam Speaker, our Government has consistently worked to encourage more research and development in our province.

- We have introduced our own research and development initiatives.
- We have introduced the Manitoba Innovations Fund to complement the Canada Foundation for Innovation.

Madam Speaker, our Government is investing more funds to provide our hospitals, universities, colleges, research foundations, businesses and entrepreneurs with the resources they need to undertake exciting new research or expand their activities in innovative ways. In total, we are committing \$11.6 million more to these vital activities. These resources will go toward the Health Research Initiative, the Manitoba Innovations Fund, and the Agri-Food Research and Development Initiative. Our Government has also made an additional \$5 million commitment to create the Manitoba Science and Technology Fund. The Manitoba Research and Development Tax Credit, which was introduced in 1992, will continue to provide over \$5 million in tax relief annually to further encourage scientific research and experimental development.

These five new and enhanced initiatives, totalling \$25.5 million, show our strong commitment to research and development activities in our province.



■ Flood of the Century

Madam Speaker, significant provincial, federal and municipal financial resources were spent fighting the flood last spring. In 1998/99, additional resources will be directed to disaster-assistance payments, to reconstruct our communities, as well as to protect against future floods. It is estimated that total expenditures on flood-related measures will exceed \$400 million. Of this total, our Government's share is expected to be approximately \$100 million.

Madam Speaker, negotiations are continuing with the federal government with respect to cost-sharing on flood repairs and flood-proofing measures. Our Government fully expects the federal government to honour its commitments to Manitobans, and pay its share of financial support to these necessary undertakings.

This Budget provides \$130 million toward flood recovery and flood-proofing measures in 1998/99. Manitoba's share is \$41 million.

The total resources will go toward:

- Disaster assistance costs related to the 1997 flood.
- The repair and replacement of infrastructure, bridges, dikes and drains which were damaged or destroyed during the 1997 flood.
- Home and business flood proofing, and building community ring dikes.

The Flood-Proofing Loans Initiative will continue to provide financing so that Manitobans can take appropriate measures to flood proof their properties. To date, 197 loans have been approved, totalling \$7.1 million.

Manitoba's former Premier, the Honourable Duff Roblin, had a vision which inspired the building of the floodway. Time and time again, "Duff's Ditch" has saved the City of Winnipeg from flooding. Our Government would like to formally recognize his vision. Madam Speaker, I am very pleased to announce that a park will be built and dedicated to the Honourable Duff Roblin.

This Budget provides \$130 million toward flood recovery and flood-proofing measures.

A park will be built and dedicated to the Honourable Duff Roblin.



Spending taxpayers' money wisely continues to be extremely important to our Government and Manitobans.

We continue to pursue new ways to reduce overlap and duplication.

■ Quality Service

Madam Speaker, Manitobans can be proud of the fact that we have the lowest-cost government anywhere in Canada. While we are pleased with our past accomplishments, our Government continues to pursue new ways to offer excellent public services at the lowest-possible cost to taxpayers. Spending taxpayers' money wisely continues to be extremely important to our Government and Manitobans.

The One Tier Welfare Initiative that is under way between our Government and the City of Winnipeg is one example of our emphasis on reducing overlap and duplication. This project will streamline the administrative processes for delivering income assistance within Winnipeg, with the Province assuming responsibility for the delivery of these services.

A further example of our Government's efforts to reduce overlap and duplication is the devolution of active training measures from the federal government to the Province. All training and employment programs will now be fully integrated and delivered through provincially operated employment centres.

We have also signed the National Harmonization Accord on the Environment with the federal government. The Accord sets out principles to maximize the effectiveness of environmental management activities in Canada. This includes eliminating duplication, sharing knowledge and expertise, and creating common environmental standards and processes across the country. As a further step in improving service and reducing costs, the Department of Environment has begun the process of integration with Environment Canada through the co-location of both departments.

Our Government and the federal government have agreed to integrate our resources and establish a jointly operated Business Service Centre in Winnipeg. This Centre, which is scheduled to open in April, will provide a single point of access for service, and offer information and data to small- and medium-sized firms, including advice on available programs and services.

As part of our broad commitment to public sector reform and renewal, we have launched a series of Service First Initiatives including Better Methods, Better Systems, Year 2000 and Desktop Management. Our success to date is due to the participation of hundreds of civil servants in the design and now in the implementation of these projects. Through these



initiatives, we will be able to offer timely access to information, better services for Manitobans, and better tools for employees.

This past year has seen a consolidation and the further maturing of Manitoba's innovative Special Operating Agencies (SOA) initiative. The 16 SOAs are expected to generate more than \$13 million in government cost savings. In addition, our Government has shared its experience across Canada and abroad, and recently assisted The City of Winnipeg in launching its own SOA initiative.

We are enhancing our commitment to the renewal of the public service. Madam Speaker, three years ago we began the Management Internship Program as one way to recruit and train bright graduates from our Universities for careers within the public service. We have also introduced the Aboriginal Management Development Program to help our Aboriginal employees acquire the skills necessary to compete effectively for management positions within the civil service.

Madam Speaker, I would like to acknowledge the important role that Manitoba's civil servants played in helping our Government control expenditures while we continued to meet the needs of Manitobans. Therefore, I am pleased that our Government has recently signed a new three-year collective agreement with our employees, taking us to March 2000.

■ Fiscal Stabilization Fund

Madam Speaker, in 1989, our Government established the Fiscal Stabilization Fund to act as a savings account.

During Budget consultations, Manitobans told us that the Fund must remain and continue to support our strong financial footing. *The Balanced Budget, Debt Repayment and Taxpayer Protection Act* sets a target of a minimum balance in the Fiscal Stabilization Fund of 5% of Consolidated Fund expenditures, or about \$280 million.

In 1998/99, a \$226 million transfer will be made from the Fiscal Stabilization Fund to finance a number of one-time initiatives in priority areas.

- An additional \$75 million payment on debt. This doubles our 1998/99 debt payment to \$150 million.
- \$60 million to further bridge the drastic federal funding cuts to health, education and family services. Since 1996, the federal

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civil service.*

*Manitobans told
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the Fiscal
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Fund.*



*\$50 million
will be used to
support special
capital
initiatives.*

government's transfers for health, education and family services have dropped annually by about \$240 million. The federal government's share of the cost of Manitoba's social programs has been cut from 50%, ten years ago, to 15% today.

- \$41 million to cover the Province's 1998/99 share of the 1997 flood costs and the flood-proofing program designed to rebuild and protect homes, businesses and farms in the future.
- \$50 million to support special capital initiatives. These expenditures will create jobs and contribute to further economic development. Some of the projects to be funded in 1998/99 include:
 - \$5 million for residential street repair in Winnipeg;
 - \$5 million for highway construction;
 - \$2.4 million for the Nursing Building at the University of Manitoba;
 - \$4 million for water and sewer projects;
 - \$5 million for medical equipment; and
 - \$7 million toward the Manitoba Innovations Fund.

The transfer will bring the balance of the Fund to approximately \$340 million as of March 31, 1999. A second \$50 million draw for special capital initiatives will be made next year provided our fiscal targets are met.

The Fiscal Stabilization Fund will continue to provide welcome insurance that we will be able to sustain public services even in the event of unforeseen difficulties.

■ Keeping Manitoba's Taxes Competitive

*The personal
income tax rate
will be cut from
52% to 50%.*

Madam Speaker, when our Government took office in 1988, Manitoba's major personal and business taxes were at or near the highest levels among the provinces. Our Government undertook to restore confidence in Manitoba as the best place to live and invest, by living within our means and by implementing a competitive tax system. We accomplished our goal through a number of general and targeted tax reductions and a freeze on major tax rates over the past ten years.

Madam Speaker, our Government understands that a fair and competitive tax system is the key to a strong economy. In turn, the revenue a strong economy generates allows us to sustain and



enhance essential public services and support long-term strategic investments. We were one of the first governments to cut personal income taxes.

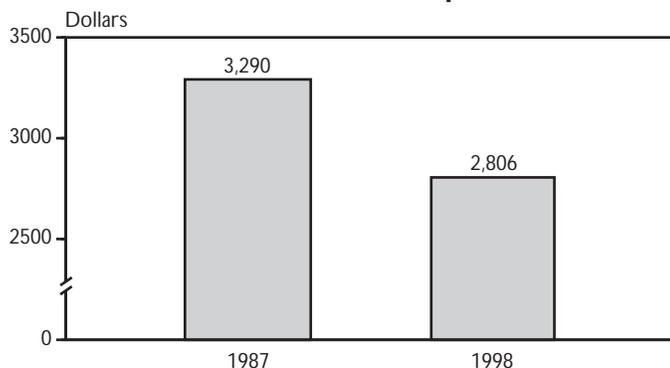
Madam Speaker, I am very pleased to announce that we are making a further cut to our personal income tax rate. The personal income tax rate will fall from 52% to 50%.

The reduction will take effect in two stages: for 1998, Manitoba's personal income tax rate will be cut from 52% of federal basic tax to 51%. Taxpayers will see the benefits of the reduction on their pay slips after July 1.

On January 1, 1999, Manitoba's personal income tax rate will be cut to 50% of federal basic tax. As a result, Manitobans' personal income taxes will be cut by \$22 million in 1998, and by \$45 million in 1999.

Madam Speaker, all Manitoba taxpayers will benefit from these tax cuts. They leave more money in taxpayers' hands to spend as they choose. They will also help business in our province retain and attract skilled workers. The tax cuts keep Manitoba's tax rates competitive with other provinces. In turn, Manitobans' spending and investment decisions will stimulate more economic growth and more jobs.

Manitoba Income Tax for a Family of Four at \$40,000 of Income, 1987 Compared to 1998



Madam Speaker, our tax cuts are in keeping with the sensible approach suggested by Manitobans during 1998 Budget consultations. They are indicative of the direction we are setting for the future – affordable reductions, a competitive tax system, and more money left in the hands of individual Manitobans to spend or invest.

A single taxfiler
earning \$40,000

will save \$63 in 1998,
and \$126 in 1999.

A couple earning \$50,000

will save \$80 in 1998,
and \$159 in 1999.

A senior couple

with total income of \$25,000

will save \$32 in 1998,
and \$63 in 1999.

**“A solid decade
without any tax
increases has
offered small
businesses one of
the most important
elements they need
to succeed –
stability.”**

**Canadian Federation of
Independent Business**



*We maintained
and enhanced our
funding for health
care, education
and families
despite federal cuts
of about
\$240 million
annually.*

*We will
increase our
debt payment to
\$150 million.*

■ 1997/98 Fiscal Results

Madam Speaker, the projections for the 1997/98 fiscal year confirm that our Province is in an era of economic strength and fiscal stability. In 1997/98, we will achieve a third consecutive budgetary surplus. The 1997/98 surplus is now projected to be \$44 million, as compared with our budgeted surplus of \$27 million.

As we announced in the 1997 Budget, Madam Speaker, our Government made its historic first payment into the Debt Retirement Fund in accordance with *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*. This was the first step of our 30-year plan to remove the burden of debt from our children and grandchildren.

Madam Speaker, the most noteworthy fact is that we have been able to maintain and enhance our funding for health care, education and families, despite federal cuts of about \$240 million annually.

■ 1998/99 Budget Plan

Madam Speaker, this Budget is a balanced approach to meeting the priorities of Manitobans. In this Budget, we increase our debt payment to \$150 million, \$75 million more than required under our Act. In addition, this Budget provides over \$100 million more for health care and significantly more resources for education, children and families. This Budget also cuts key taxes and maintains our overall tax freeze for the 11th straight year.

Manitoba's taxation revenue is projected to grow by \$177 million, or 5.6%. Again, Madam Speaker, this growth is after our tax cuts, and results from the strength of Manitoba's economy.

Madam Speaker, the recent federal budget announced once again that the Canada Health and Social Transfer (CHST) payment will be frozen at \$12.5 billion nationally, the same as last year. However, Madam Speaker, the cuts already in place have reduced federal support for health, post-secondary education and family services to our Province by almost \$240 million annually.

Federal estimates indicate that there will be modest growth in equalization entitlements in 1998/99.



Comparative Statement of Budgetary Revenue, Expenditure and Surplus

1998/99 and 1997/98

	Budget 1998/99	Budget 1997/98	1998/99 Change from 1997/98 Budget	
	(Millions of Dollars)		(Millions of Dollars)	%
Revenue				
Own-Source Revenue ¹	4,008	3,857	151	3.9
Government of Canada	1,592	1,555	37	2.4
Total	5,600	5,412	188	3.5
Program Expenditure				
Current	4,674	4,473	201	4.5
Capital	313	317	(4)	(1.3)
	4,987	4,790	197	4.1
Public Debt Costs	515	520	(5)	(1.0)
Total	5,502	5,310	192	3.6
	98	102	(4)	(3.9)
Debt Retirement	150	75	75	100.0
Less Funding from Fiscal Stabilization Fund	75	-	75	-
	75	75	-	-
Labour Market Development Agreement	54	-	54	-
Less Funding from Government of Canada	54	-	54	-
	-	-	-	-
Special Capital Initiatives	50	-	50	-
Less Funding from Fiscal Stabilization Fund	50	-	50	-
	-	-	-	-
Budgetary Surplus before Extraordinary Item	23	27	(4)	(14.8)
Extraordinary Item				
Flood disaster assistance and flood proofing	130	-	130	-
Less Recoveries from other levels of government and Fiscal Stabilization Fund	130	-	130	-
	-	-	-	-
Budgetary Surplus	23	27	(4)	(14.8)

¹Includes allocation from Fiscal Stabilization Fund of \$60 million in 1998/99 (\$100 million in 1997/98) for social programs.



*The 1998
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\$23 million.*

*Program spending
increases will
continue to be
allocated to
Manitobans'
priority programs –
health, education
and support for
families.*

Excluding extraordinary items, total revenue in 1998/99 is projected to be \$188 million, or 3.5% higher than forecast in last year's Budget. The revenue projection includes the tax reductions announced in this Budget.

Total regular expenditure is \$5,502 million. This is up by \$192 million or 3.6%. Over 50% of this increase is allocated for health.

Total capital expenditure, including the \$50 million special capital initiative, will be \$363 million. The special capital initiative is targeted for new medical equipment, highways and residential streets, scientific research and other public works.

Madam Speaker, this Budget shares the benefits and projects a surplus of \$23 million. This compares to a \$27 million surplus budgeted for 1997/98. Four balanced budgets in a row is a significant accomplishment, Madam Speaker. All Manitobans can take pride in our Province's financial performance.

■ The Medium-Term Plan

Madam Speaker, our Medium-Term Plan charts the course that our Government will follow over the next four years. The features of this Plan are:

- extending the string of balanced budgets to seven;
- continuing to pay down Manitoba's debt;
- keeping our taxes competitive with no tax increases;
- continuing support of priority social programs; and
- sustaining our commitment to capital spending.

The Medium-Term Plan is based on prudent revenue growth assumptions. Revenue is projected to increase by an average of 2.3% per annum over the medium term.

Current projections over the next four-year period show modest program spending increases of 1.5% per annum over the medium term. Program spending increases will continue to be allocated to Manitobans' priority programs: health, education and support for families.

The Plan also continues our commitment to capital funding for our Province. A total of almost \$1.4 billion in capital spending is planned over the next four years.



Madam Speaker, it is important to note that virtually all of the projected growth in revenue is from Manitoba's own-source revenue. Federal transfer payments in support of health, education and family services, remain essentially frozen at the current level. Equalization, under the current formula, is not expected to yield substantial growth.

Medium-Term Plan

	1998/99	1999/00	2000/01	2001/02
	(Millions of Dollars)			
Revenue ¹	5,600	5,675	5,839	6,002
Program Expenditure				
Current ¹	4,674	4,745	4,816	4,889
Capital	313	313	313	313
	4,987	5,058	5,129	5,202
Public Debt Costs	515	510	505	500
Total	5,502	5,568	5,634	5,702
Debt Retirement	150	75	75	75
Less Funding from Fiscal Stabilization Fund	75	-	-	-
Special Capital Initiatives	50	50	-	-
Less Funding from Fiscal Stabilization Fund	50	50	-	-
Budgetary Surplus Before Extraordinary Item	23	32	130	225
Extraordinary Item				
Flood disaster assistance and flood proofing	130	38	-	-
Less Recoveries from other levels of government and the Fiscal Stabilization Fund	130	38	-	-
Budgetary Surplus After Extraordinary Item	23	32	130	225

¹ Excludes \$54.3 million in expenditures on labour market training pursuant to the Labour Market Development Agreement and \$54.3 million in offsetting revenue from the Government of Canada. There is no effect of these items on the surplus.



■ **Balanced Budgets: Sharing the Benefits**

Madam Speaker, our Government's first Throne Speech nearly a decade ago, set out our vision for Manitoba. We wanted to create:

A competitive and diversified economy which will provide increased job opportunities for our citizens, and pay for quality health, education and social programs.

Madam Speaker, that first Throne Speech also set out our path to that goal:

By living within our means, [our] Government will be able to introduce measures to reduce the burden of taxation and strengthen the competitiveness of Manitoba industry.

Under the leadership of Premier Filmon, we have never lost sight of that goal. With the continued support of Manitobans, we delivered on what we promised.

Our policies have proven themselves, Madam Speaker, and we will continue to build on them. By keeping our budgets balanced and our financial house in order, our economy will continue to grow even stronger – creating more jobs and new opportunities.

Now, Madam Speaker, as we move closer to a new decade and a new century, we can set our sights even higher.

- We will continue to balance the budget.
- We will further improve health care and education for Manitobans.
- We will make our communities safer.
- We will eliminate our Province's debt.
- We will keep our taxes competitive.
- We will encourage further investment.
- And, we will create more jobs.

In short, Madam Speaker, our goal is to see Manitobans all across our great Province share in the benefits of balanced budgets and a strong economy.

Sharing the Benefits!