

**Manitobans
Making
Choices**
.....



**Keeping our promises.
Real progress for Manitobans.**

Budget 2018

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SPEECH

Manitoba 

THE 2018 MANITOBA BUDGET ADDRESS

Honourable Cameron Friesen
Minister of Finance
March 12, 2018

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Information available at this site includes:

- The 2018 Manitoba Budget Address
- Budget 2018
- Budget Papers
 - A Economic Review and Outlook
 - B Supplementary Financial Information
 - C Tax Measures
 - D Fiscal Arrangements
 - E Made-in-Manitoba Climate and Green Plan
 - F Reducing Poverty and Promoting Community Involvement
- Estimates of Expenditure and Revenue for the Fiscal Year Ending March 31, 2019
- Financial Reports
- Economic Highlights
- Economic Statistics
- Facts for Investors

Available in alternate formats upon request.

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- Discours du Budget 2018 du Manitoba
- Budget 2018
- Budget des dépenses et des recettes pour l'exercice se terminant le 31 mars 2019
- Rapports financiers

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**THE 2018
MANITOBA BUDGET ADDRESS**



I am honoured to rise in this Legislative Assembly to deliver Budget 2018.

It has been 21 months since I stood here and told Manitobans about the fiscal challenges left to us by the previous government, and the measures our government would be taking to address those challenges.

The situation we faced was far more serious than Manitobans were led to believe by the previous government.

The deficit was almost \$600 million larger than had been estimated, and was projected to reach \$1.6 billion by this year if left unaddressed.

The province's debt had almost doubled, to \$21 billion in just 8 years.

Debt servicing costs were approaching \$1 billion each year.

The previous government was warned by bond rating agencies to reduce the deficit.

When no action was taken, Manitoba's credit rating was downgraded.

That happened on the NDP's watch.

A report by the Manitoba Employers Council concluded we had the highest taxes and were the least prosperous province west of Quebec.

Out of 25 economic, government and taxation indicators, Manitoba ranked last or second-last in 22 categories among the five western-most provinces.

Another report said that business confidence in Manitoba under the NDP was at its lowest level since they started measuring it.

Our rainy day fund had been drained, leaving us vulnerable to the impact of floods, fires and other costly disasters.

The challenges went far beyond fiscal issues.

We inherited many of Canada's longest surgical and emergency room wait times.

Patients were subjected to taxicab medicine.

Our students scored the lowest in Canada in reading, math and science in standardized tests.

We had the highest child poverty rate in the nation, and far too many children in the care of child welfare agencies.

That was the legacy of 16 years of NDP government.

A legacy of broken promises. A legacy of debt and mismanagement.

A legacy of failure.

That is the onerous challenge we shouldered two years ago, as we began the task of fixing our finances, repairing our services, and rebuilding our economy.

We did so with a moderate, responsible plan to return Manitoba to fiscal balance, while protecting our most vulnerable citizens.

In our first fiscal year, we were able to reduce the summary deficit by \$147 million to \$764 million.

Last year's budget continued on the road to recovery, with no tax increases, no new taxes.

A budget that delivered tax relief for Manitobans and lower ambulance fees.

A budget that increased funding for health care, families, education and justice, investing in areas where it would deliver the greatest value for taxpayers.

And I am pleased to advise Manitobans that we are on track to reduce the summary deficit for the current 2017/18 fiscal year by more than \$100 million.

We've made good progress over the past two years, but there are a number of issues that pose risks to the fiscal stability of our province.

Our economy is growing, but lower growth will be the new normal for advanced economies throughout the world. Manitoba is not immune to this reality.

As an economy that relies on exports, uncertainty over the future of the North American Free Trade Agreement is a significant concern, as is the recent increase in interprovincial trade disputes.

Political instability beyond our borders and the threat of military conflict threaten world markets.

Tax reforms recently adopted by the United States government will make it more difficult to compete with American states for investment, job recruitment and skilled professionals.

That challenge is magnified by our federal government's recent changes to the way small businesses are taxed.

Climate change is another threat to our economy. Weather patterns are changing and extreme events are becoming more frequent.

Severe weather events can quickly translate into unbudgeted costs measured in the hundreds of millions of dollars.

Over the past two years, we have also spoken about the threat posed by higher interest rates.

We warned that an increase in the cost of borrowing would slow spending, hurt economic growth and reduce tax revenues.

We said that higher debt servicing costs for our government would make the goal of balancing the budget more difficult.

This concern has now come to pass.

For the first time in Manitoba history, annual debt servicing costs will exceed \$1 billion.

More than \$1 billion dollars – money that could be spent on schools, families and health care – will instead go to lenders outside our province.

If debt servicing were a government department, it would be the fourth largest, in terms of budget.

This is the consequence of year after year of reckless spending by the NDP government, and there is so little to show for all that spending.

It underscores the seriousness of the situation our government inherited two years ago, why it was necessary to chart a safer course for our province, and why we are so proud of the progress we have made in such a short time.

Budget 2018 continues on the path toward a stronger, safer and more prosperous future for Manitoba.

Through a combination of measures that I will outline in a moment, we are projecting a summary deficit of \$521 million for the 2018/19 fiscal year – a reduction of more than \$200 million over the current fiscal year.

We promised to make Manitoba Canada's most-improved province, and we are delivering on that promise.

We are on schedule to reduce the PST during our first term, and deliver a balanced budget during our second term.

We're keeping the promises we made to Manitobans.

We're fixing our finances, so that Manitobans will have greater stability.

We're repairing our services, so that Manitobans will have greater security.

And we are rebuilding our economy, so that Manitobans will have greater opportunity.

The result will be a safer, stronger, more secure Manitoba for all Manitobans.

The best government is one that listens more and talks less.

Since forming government, we have sought Manitobans' guidance on a number of important issues, and the public's response has been nothing short of incredible.

Our pre-budget consultations have reached every corner of the province, and I thank the more than 34,000 Manitobans who came forward with great ideas on how to get better value for the tax dollars we spend.

Budget 2018 is the budget they told us they want.

It reflects the concerns, the hopes, the priorities we all share.

Many Manitobans told us that our income tax rates are too high compared to other provinces; that people in Saskatchewan can earn thousands of dollars more each year, tax free, than we can.

It isn't fair. It hurts our competitiveness, and it's because the previous government refused to index tax brackets.

It was a hidden tax increase that we promised to end. We are keeping that promise.

We increased the Basic Personal Amount in the past two budgets, reduced the income taxes we all pay, and removed thousands of modest-income Manitobans from the tax rolls.

Budget 2018 delivers even more tax relief for Manitobans.

The Basic Personal Amount will increase by \$1,010 effective January 1 of next year, and will increase by a further \$1,010 the following year.

A total tax break of \$2,020 by 2020.

It's the largest tax cut in Manitoba history.

It takes money off the Cabinet table and puts it back on the kitchen table in every home in Manitoba.

It will remove more than 30,000 Manitobans from the tax rolls over the next two years.

The NDP took more from Manitobans and gave less. Our Progressive Conservative government is taking less and giving more.

That's how you reward hard work: by putting more money back into the pockets of the Manitobans who earned it in the first place.

Manitobans who need it most. Seniors living on a fixed income. Single parents. Students.

They will all benefit from the increased basic personal amount.

Manitobans who own small businesses have told us their concerns regarding changes the federal government is making to the way their businesses will be taxed.

While the federal government seems to see small business as a problem, we see Manitoba's small businesses as the solution.

The backbone of our economy. The job creators. The innovators.

The engines of growth.

That's why our premier led the national effort to convince the federal government to reconsider changes that, in our view, punish ambition, discourage entrepreneurship and hurt our economy.

Business owners told us that our high taxes made Manitoba less competitive, costing us jobs and investment.

While other provinces were increasing the small business tax threshold to \$500,000 years ago, the previous government refused to do so.

Budget 2018 increases the Small Business tax deduction from \$450,000 to \$500,000, effective January 1, 2019.

This increase will make Manitoba consistent with most other Canadian jurisdictions.

It will make us more competitive in attracting business. It will create jobs.

The federal government has mandated that carbon emissions must be taxed, and that it would impose a tax in provinces that did not do so.

Our Climate and Green Plan is a made-in-Manitoba approach that respects our clean energy investments, supports our economy and reduces emissions.

It is better for the environment, and better for our economy, than the federal approach.

As part of our Climate and Green Plan, we have designed a carbon pricing system that carefully balances Manitoba's unique environmental and economic realities.

In order to ensure that the economic impact of meeting our climate change goals is sustainable, our government is committed to achieving meaningful emissions reductions while also reducing other taxes.

To this end, all carbon tax revenues received over four years will be returned to Manitobans through tax reductions.

Our government recognizes the right of our generation to develop and use our natural resources, but not at the expense of those who will come after us.

We bear a responsibility to protect our environment for future generations.

That is why our government will establish a conservation trust that will provide significant financial support for efforts aimed at achieving the objectives of our climate strategy, particularly those related to nature conservation.

With an initial endowment of \$102 million, the conservation trust will be managed by the Winnipeg Foundation, with the use of proceeds administered by the Manitoba Habitat Heritage Corporation.

This endowment will be irrevocable, giving the fund permanent autonomy and independence from government.

The conservation trust will be available to private and public stakeholders engaging in projects that align with the goals and aspirations of our Climate and Green Plan.

It will encourage community involvement.

Manitobans rely upon our health care system to give us the care we need, when we need it.

It is the most important priority of all Canadians, but the federal government's current funding approach places the sustainability of health services at risk.

Over 10 years, Manitoba will receive \$2.25 billion less through the Canada Health Transfer than it would have received under previous funding arrangements.

Despite the significant challenge posed by the federal government's refusal to adequately support the number one priority of Canadians and Manitobans, Budget 2018 increases funding for the Department of Health, Seniors and Active Living to almost \$6.2 billion.

It is the highest level of health funding in Manitoba history.

It continues to be one of the highest in Canada, in terms of both per capita spending and as a percentage of total expenditures.

This funding will shorten wait times and create 60 new full-time positions for paramedics.

It will address the opioid crisis and other addictions.

Spending for the Home Cancer Drug program will increase by almost \$14 million.

An additional \$7.7 million is allocated to increase the capacity for lifesaving dialysis treatment for Manitobans.

We promised we would reduce ambulance fees, and we are keeping that promise.

The fee was reduced in our first two budgets and Budget 2018 cuts it by another \$85, to \$340.

Fees have been reduced by 32 per cent in just two years, and we are on track to reach our target fee of \$250 next year.

Another promise kept.

Since forming government, we have increased funding for the Department of Families by more than \$340 million, almost 20 per cent more than in the previous government's final budget.

That includes an increase in Budget 2018 of \$60.5 million.

Funding is increased to improve the supply and quality of affordable housing throughout the province.

We will continue to help families in need, by providing more than \$13 million for Community Living DisABILITY services, and an additional \$7 million to index RentAssist to median rates.

The shortage of child care spaces throughout Manitoba is a crisis that was 16 years in the making, and we are moving quickly to address it.

Budget 2017 added funding for more than 500 new licensed child-care spaces and 50 new home-based child-care spaces.

Budget 2018 supports more than 700 new and newly funded spaces, including funding for new child care construction in communities and schools across Manitoba.

This leverages \$47 million over three years in federal child care support under the recently signed Bi-Lateral Agreement on Early Learning and Child Care.

Budget 2018 also includes more than \$2 million in funding for a refundable tax credit – the Child Care Centre Development Tax Credit – to encourage private businesses to create new child care spaces in the workplace.

A strong education system today means a stronger Manitoba tomorrow.

Under Budget 2017, funding for the Department of Education and Training increased by \$36 million, with a total investment of \$1.3 billion in our Kindergarten to Grade 12 education system.

Budget 2018 increases that funding by a further \$13.7 million, to the highest amount spent on education in Manitoba history.

That includes an additional \$6.6 million in K to 12 funding.

We are making significant changes to the Student Aid program, with a focus on students who need it most.

Enhancements include \$1 million for low-income Indigenous students and \$1.7 million to expand eligibility to students studying at private religious institutions in Manitoba, as well as institutions within Canada but outside of Manitoba.

Last year, we announced that we would explore the benefits of building schools under a P3 partnership model, and we retained advice for us to learn from the experience of other jurisdictions.

After a careful review of all of the information, we have decided to build these schools by enhancing our conventional school construction approach.

With information gained through this process, we will achieve many of the same savings as would be available through the P3 model, and also leverage the scale of building multiple schools at once.

As a result, we have identified at least \$18 million in savings over conventional costs and are able to fund the construction of one more school than initially planned.

I am also pleased to confirm that over the course of the next two years, work will begin on the following new schools:

- Brandon School Division–Southeast Brandon (K-8)
- Seven Oaks School Division–Precinct “E” (K-5)
- Winnipeg School Division–Waterford Green (K-8)
- Pembina Trails School Division–Waverley West (K-8)
- Pembina Trails School Division–Waverley West (9-12)

These important capital investments are part of our government’s commitment to catch up with the need for new schools that was ignored by the previous government.

Just as we are also catching up with the need for critical maintenance in our schools and hospitals, a growing crisis that was also ignored in the past.

When I say that our government puts Manitoba families first, the numbers speak for themselves.

We are making record investments in health, in education and for families; a higher proportion of total spending than any other province.

Compared to the previous NDP government's final budget, spending has increased for Health, Seniors and Active Living by almost 11 per cent, for Education and Training by almost 12 per cent and for Families by more than 13 per cent,

We are investing in what matters most to Manitobans, and we're getting results.

Our government remains committed to reducing crime; keeping our communities safe and secure.

Budget 2018 invests an additional \$11 million in the Department of Justice.

We are creating a more affordable, less adversarial family law system.

We are investing in community mobilization programs that leverage partnerships between police, social service agencies, and community organizations.

Community programs such as Selkirk Team for At-risk Teens, Southwest Teens At-Risk in Stonewall, Dauphin At-Risk Teens, the Families and Youth Regional Support Team in Gimli, and Headway in Steinbach.

Budget 2018 also invests \$363,000 in the establishment of a Strategic Innovation Unit, which will report directly to the Minister and Deputy Minister of Justice.

This Unit will focus on long-term strategic projects, including a comprehensive review of police services in Manitoba and further modernization of the justice system.

Our government is committed to protecting women from violence and harassment.

We are ending the culture of concealment that was allowed to fester in the past, by a government that ignored victims of sexual harassment.

We are taking concrete steps to ensure that Government of Manitoba employees work in an environment that is respectful and free of harassment in all its forms.

We want all parents in our province to know their daughters and sons will be safe, respected and heard when they choose to work in the Manitoba Government.

Our commitment to protect Manitoba's women goes beyond changes in the workplace.

Budget 2018 allocates an additional \$100,000 to the Salvation Army's "Choose 2 Change" program, a restorative justice program for domestic violence offenders.

We are also investing more than \$147,000 from Justice Canada's Victims Fund in training, information and education related to sexual violence.

More than \$50,000 is allocated for workshops and training sessions for police, service providers and community members in order to improve access to justice for sexual assault survivors.

Over \$75,000 will be invested in specialized training for Manitoba Victim Services, the Manitoba Prosecution Service, and other community partners in order to challenge misconceptions about victims and their responses to the trauma of sexual violence.

An additional \$20,000 will enhance information resources available to survivors of sexual violence to ensure victims know what to expect when a police report is filed, as well as alternative sources of support for those who may choose not to report.

Manitoba Justice will partner with several community agencies, including Klinik Community Health Centre and Ka Ni Kanichihk and other government departments, to develop and deliver these important new initiatives.

The previous government had a long history of ignoring risks, overestimating revenues and underestimating expenses as part of its budgetary process.

Our government will not make that mistake. We will not engage in guesswork budgeting.

For that reason, we are not budgeting for any revenue from the sale of cannabis in fiscal 2018/19.

We do not expect a revenue windfall, and we anticipate there will be many costs associated with this initiative.

It's uncharted territory and there is no prudent way to credibly project how much revenue Manitoba will earn, or lose, from the sale of cannabis in the coming fiscal year.

What we know for certain, and all provinces agree, is that provinces will bear the majority of the costs including healthcare, education, road safety, justice and more.

We are working hard to be ready for legalization, but remain concerned that implementation of the federal legalization of cannabis is being rushed without proper regard to the consequences and harm that could result.

Our government is committed to keeping Manitobans safe, and that is the approach we are taking to the sale of cannabis in our province.

The private sector will do what it does best: retailing.

The public sector will do what it does best: ensuring public safety.

Our government will be signing on to the federal excise duty framework, in order to ensure a seamless enforcement network across the country. A few minutes ago, I alluded to a number of issues that threaten the fiscal stability of our province, including severe weather events.

Each of those factors underscores the need for a substantial fiscal stabilization fund.

The previous NDP government drained the rainy day fund, leaving us vulnerable to costly natural disasters and other threats.

Budget 2018 addresses that problem with a \$50 million allocation to the fiscal stabilization fund, a 40 per cent increase in the balance.

Additional contributions will be made to the fund in future budgets.

We recently announced a transformation strategy for the Manitoba civil service that embraces challenges and places innovation at the heart of its work.

It's an approach that will give the talented women and men who work for our government the tools they need to advance change while building on the existing foundation of strong public sector values.

It transforms the work we do and the culture in which we do it.

Jobs and economic growth remain at the centre of our plan for a better Manitoba.

When we formed government, Manitoba did not have a clearly articulated, evidence-based approach to economic development.

It was a disjointed array of mismatched programs that were added to over time.

In many cases, there was no review to determine if those programs had achieved their intended outcomes.

This past year, we engaged Deloitte to undertake a comprehensive assessment of the state of our economic development efforts and give us their expert recommendations on how to make Manitoba the most improved province in attracting business investment.

That report confirmed the absence of clearly defined goals and objectives, significant areas of mandate overlap among our many economic development agencies, and a lack of coordination within government departments.

Our government is committed to fixing those problems.

We have asked distinguished Manitobans Dave Angus and Barb Gamey to lead the next step of designing a strategy aimed at reforming the way we attract business investment to our province.

The need for economic diversification and development throughout Northern Manitoba has been ignored for too long.

Decades of short-term fixes have not resulted in lasting solutions for an area with tremendous economic potential.

Our government is changing that reality, through our Look North economic development strategy – a viable, long-term plan for sustained economic growth and prosperity.

We are working to increase tourism and mining activity.

We are also working with partners to extend high-speed Internet service to schools, health centres and over 55,000 First Nations customers.

In total, 72 communities and 88 institutions will have access to Internet service on par with what is currently available in southern Manitoba.

It will reduce isolation in the north and build hope.

It will improve the health and quality of life for those living throughout the region.

And it will make it easier for the development of entrepreneurial opportunities, the attraction of new business, and the expansion of existing businesses.

It signals that Northern Manitoba is open for business, open for opportunity.

When we formed government, we promised to spend at least \$1 billion annually on strategic infrastructure such as roads and bridges, flood protection, hospitals, schools, universities and colleges.

Budget 2018 keeps that promise.

FleetNet was ignored by the previous government for years, but we are making a historic investment to replace that aging and obsolete public safety communications network.

Shoal Lake 40 Road – known to many as “Freedom Road” — will be completed this year, and major steps will be taken toward the completion of the Lake St. Martin outlet.

Sixty years ago, Duff Roblin saw the need for infrastructure that would protect all Manitobans from the danger of flooding. The baton has been passed to us and we will get the job done.

The people of the Lake Manitoba/Lake St. Martin area have suffered greatly so that downstream communities would be safe from flooding.

We owe it to those brave Manitobans to get the outlet finished.

We will soon issue a request for proposals to determine if provincial air services can be delivered in a manner that provides greater value for Manitobans.

We have received expressions of interest from the marketplace, and are now prepared to move forward to procure expert advice on tendering.

This approach illustrates how all governments must change their thinking.

They must get out of the rut of “business as usual” and find innovative solutions that provide the greatest value for taxpayers.

That’s what we are doing on provincial air services; it’s what we are doing in every sector of government.

A number of participants in our pre-budget consultations spoke about the need for stable, adequate funding for our municipalities.

They’re right, and that’s why Budget 2018 continues to provide one of the most generous per capita levels of funding in all of Canada.

Basket funding gives Manitoba’s local governments the autonomy they sought for so many years, but with that freedom comes the responsibility to lead by example, by controlling expenditure growth.

Our government will continue to work in partnership with our federal and municipal partners on strategic infrastructure, while ensuring that Manitobans receive value for the taxes they pay.

Budget 2018 funds critical municipal infrastructure investments that will maximize value for money and return on investment, while ensuring that municipalities have “fair say” on the projects that matter to them most.

Vital projects such as the City of Winnipeg’s Waverley Underpass, as well as upgrades to the City of Portage la Prairie’s wastewater treatment plant to accommodate wastewater flows from the new Roquette food processing plant.

The world increasingly looks to Manitoba for a reliable supply of safe, nutritious food products.

Agriculture employs more than 33,000 Manitobans and generates approximately \$6 billion in annual economic activity.

In addition, food processing produces about one quarter of all goods manufactured in Manitoba each year, with well over \$4 billion in annual sales.

With the addition of the Roquette processing plant and the expansion of the Simplot potato plant in the coming year – almost \$1 billion in private investment – those numbers will continue to grow.

That is why Budget 2018 invests in research and development aimed at advancing the diversification, competitiveness and sustainability of our agri-food industries.

Initiatives such as the new Sustainable Agriculture Incentives Program, which will grow our livestock industry and align with our Made-In-Manitoba Climate and Green Plan.

Cultural activity in its many forms contributes almost \$2 billion to our province's GDP each year, and provides direct employment to more than 22,000 Manitobans – more than 3 per cent of our workforce.

Budget 2018 allocates more than \$20 million in funding for culture and arts capital projects throughout Manitoba, as well as community foundations.

Manitoba is home to the world's best curlers and we look forward to the 2019 Tim Horton's Brier Men's Curling Championship, which will be held in Brandon, and the completion of Manitoba's International Curling Centre for Excellence in Winnipeg.

While other jurisdictions have dramatically reduced their film production tax credits, we recognize the positive impact film production has on our economy and creative community.

Budget 2018 commits funding of almost \$16 million for the coming fiscal year for the Manitoba Film and Video Production Tax Credit.

Today, we are announcing the formation of a working group that will partner with our government to point this tax credit to the future.

To develop a new framework that will ensure even better value for the sector, and continued growth for our economy.

It was a Progressive Conservative government that created this tax credit. It is a Progressive Conservative government that will renew it.

Two years ago, we presented a plan to fix our finances, repair our services and rebuild our economy.

Our plan is measured, it is responsible, and it is working.

ER wait times are down. Business confidence has grown from worst to first.

We've seen record levels of new home construction, record levels of private business investment, and the lowest unemployment rate in the country for most of the past year.

Our GDP is up, our population is growing and more Manitobans have jobs than ever before.

Youth employment increased by 2,200 jobs last year, the first increase in three years and the largest increase in 11 years.

In key economic categories such as manufacturing investment, private capital investment and wage growth, we have moved from near the bottom of the provincial rankings to the top third.

We're moving in the right direction, on target to spend within our budget for the second year in a row.

We're reducing taxes while investing more in health, in education, in children and in protecting our environment.

And we are on track to reduce the PST in our first term and balance the budget in our second term, as we promised.

Our plan is working, and when you have a plan that is succeeding – that's getting the results you promised – you stick with it.

That's what Budget 2018 does.

We've kept our commitments. We're keeping our promises.

We're fixing our finances, so that Manitobans will have greater stability.

We're repairing our services, so that Manitobans will have greater security.

And we are rebuilding our economy, so that Manitobans will have greater opportunity.

As we look to the path before us, we know there is more work to be done.

But our team is up to the challenge.

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