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# MANITOBA BUDGET 2014

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- Budget 2014
- Budget Papers
  - A Economic Review and Outlook
  - B Supplementary Financial Information
  - C The Manitoba Advantage
  - D Update on Fiscal Arrangements
  - E Reducing Poverty and Promoting Social Inclusion
- Estimates of Expenditure and Revenue for the Fiscal Year Ending March 31, 2015
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## BUDGET 2014

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### BUDGET PAPERS

- A Economic Review and Outlook
- B Supplementary Financial Information
- C The Manitoba Advantage: More Affordable For Families And More Competitive For Businesses
- D Update on Fiscal Arrangements
- E Reducing Poverty and Promoting Social Inclusion



## ■ FOREWORD

Budget 2014 provides the financial overview of the Government Reporting Entity (GRE), which includes core government and Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges. Manitoba's Summary Budget aligns with the accounting standards set by the Public Sector Accounting Board (PSAB) and fully reflects Generally Accepted Accounting Principles (GAAP). A Summary Budget presents a more complete picture of how the provincial government and the other related entities operate as a whole and what the total cost is of providing services and programs to people in Manitoba.

To ensure transparency and accountability, Schedules 1 and 2 in this Budget present information on core government estimates of expenditure and revenue reconciled to the Summary Budget.

Budget 2014 includes an updated Financial Management Strategy, which sets out our government's priorities for financial management as well as measurable outcomes for each priority. These outcomes will be reported on in the fall of 2015.

The information provided in this document will help the public assess the fiscal environment and financial status of the Province.



# **SUMMARY BUDGET 2014/15**

## SUMMARY BUDGET

For the Fiscal Year Ending March 31, 2015

With Comparative Data for the year ending March 31, 2014

	2014/15 Budget	2013/14 Forecast	2013/14 Budget	Per Cent Change 2014/15 Budget from	
				2013/14 Forecast	2013/14 Budget
(Millions of Dollars)					
<b>REVENUE SOURCE</b>					
Income Taxes	3,632	3,460	3,366	5.0	7.9
Other Taxes	4,232	3,961	4,015	6.8	5.4
Fees and Other Revenue	2,039	2,119	1,987	(3.8)	2.6
Federal Transfers	3,793	3,823	3,876	(0.8)	(2.1)
Net Income of Government Business Enterprises	692	863	737	(19.8)	(6.1)
Sinking Funds and Other Earnings	242	238	227	1.7	6.6
<b>TOTAL REVENUE</b>	<b>14,630</b>	<b>14,464</b>	<b>14,208</b>	<b>1.1</b>	<b>3.0</b>
<b>EXPENDITURE SECTORS</b>					
Health	5,791	5,684	5,689	1.9	1.8
Education	3,895	3,802	3,786	2.4	2.9
Family Services	1,115	1,094	1,069	1.9	4.3
Community, Economic and Resource Development	2,477	2,341	2,483	5.8	(0.2)
Justice and Other Expenditures	987	1,056	1,010	(6.5)	(2.3)
Debt Servicing Costs	872	836	839	4.3	3.9
<b>SUBTOTAL EXPENDITURE</b>	<b>15,137</b>	<b>14,813</b>	<b>14,876</b>		
<b>Extraordinary Item</b>					
First Nations Flood Contingency	-	100	-		
<b>TOTAL EXPENDITURE</b>	<b>15,137</b>	<b>14,913</b>	<b>14,876</b>	<b>1.5</b>	<b>1.8</b>
In-Year Adjustments/Lapse	(150)	(17)	(150)		
<b>NET INCOME (LOSS)</b>	<b>(357)</b>	<b>(432)</b>	<b>(518)</b>		

### NOTES:

- The 2013/14 Budget numbers originally presented in the 2013 Budget Address and the 2013/14 forecast from the Third Quarter Financial Report have been restated to be consistent with the current presentation for the GRE.
- Details of Expenditure and Revenue for Fiscal Year 2014/15, and a reconciliation to the amounts reported for core government can be found in Schedules 1 and 2.
- In-Year Adjustments/Lapse could be an increase in revenue and/or a decrease in expenditures.
- Numbers may not add due to rounding.



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## ■ SUMMARY BUDGET 2014/15

### Revenue

Revenue in 2014/15 is projected to increase \$166 million or 1.1% from the 2013/14 Forecast.

Income taxes are projected to increase by \$172 million, with a \$132 million increase in Individual Income Tax and an increase of \$40 million in Corporation Income Tax. Budget 2014 projects a \$271 million, or 6.8%, increase in other taxes reflecting growth in retail sales tax, fuel taxes, tobacco tax and corporations taxes. Fees and Other Revenue is projected to decline \$80 million, or 3.8%. Net Income of Government Business Enterprises (GBEs) is projected to decline \$171 million, or 19.8%. Federal transfers are projected to decrease \$30 million, or 0.8%.

### Expenditure

Total expenditure is budgeted to increase \$224 million or 1.5% from the 2013/14 Forecast.

The growth in Health expenditure is \$107 million or 1.9%. Education-related expenditure is increasing by \$93 million or 2.4%. Family Services is up \$21 million or 1.9%. Community, Economic and Resource Development expenditure will increase by \$136 million or 5.8%. The Justice and Other Expenditures sector will decrease by \$69 million, or 6.5%. Debt Servicing Costs are expected to increase by \$36 million.<sup>1</sup>

In Budget 2014, services to people represent 76.4% of spending.

Health expenditure makes up 38.3% of total expenditure.

Education accounts for 25.7% of all expenditure; it includes public schools and post-secondary institutions.

Family Services, Justice, and Housing and Community Development represent 12.4% of total expenditure.

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<sup>1</sup> Debt Servicing Costs are forecast to equal 6.0¢ of every dollar of revenue in 2014/15, down 54.5% from 13.2¢ per dollar in 1999/2000.

## Schedule 1

## Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates

Fiscal Year ending March 31, 2015 (in Thousands of Dollars)

Source of Revenue	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Revenue Estimate	and Revenue of Other Reporting Entities	
<b>Income Taxes</b>			
Individual Income Tax	3,101,900	-	3,101,900
Corporation Income Tax	530,100	-	530,100
<b>Subtotal: Income Taxes</b>	<b>3,632,000</b>	<b>-</b>	<b>3,632,000</b>
<b>Other Taxes</b>			
Corporations Taxes	268,600	-	268,600
Fuel Taxes	326,100	13,700	339,800
Land Transfer Tax	89,500	-	89,500
Levy for Health and Education	446,900	(121,352)	325,548
Retail Sales Tax	2,207,000	-	2,207,000
Tobacco Tax	286,300	-	286,300
Other Taxes	13,956	-	13,956
Education Property Taxes	-	701,480	701,480
<b>Subtotal: Other Taxes</b>	<b>3,638,356</b>	<b>593,828</b>	<b>4,232,184</b>
<b>Fees and Other Revenue</b>			
Fines and Costs and Other Legal	52,187	-	52,187
Minerals and Petroleum	18,861	-	18,861
Automobile and Motor Carrier Licences and Fees	150,500	-	150,500
Parks: Forestry and Other Conservation	34,190	-	34,190
Water Power Rentals	125,000	-	125,000
Service Fees and Other Miscellaneous Charges	171,175	1,194,338	1,365,513
Revenue Sharing from SOAs	18,050	-	18,050
Tuition Fees	-	274,585	274,585
<b>Subtotal: Fees and Other Revenue</b>	<b>569,963</b>	<b>1,468,923</b>	<b>2,038,886</b>
<b>Federal Transfers</b>			
Equalization	1,749,900	-	1,749,900
Canada Health Transfer	1,156,308	-	1,156,308
Canada Social Transfer	453,200	-	453,200
Infrastructure Renewal	16,900	-	16,900
Shared Cost and Other Transfers	153,054	263,422	416,476
<b>Subtotal: Federal Transfer</b>	<b>3,529,362</b>	<b>263,422</b>	<b>3,792,784</b>
<b>Net Income of Government</b>			
<b>Business Enterprises (GBEs)</b>			
Manitoba Liquor and Lotteries Corporation	575,000	-	575,000
Deposit Guarantee Corporation	-	22,199	22,199
Manitoba Hydro	-	62,000	62,000
Workers Compensation Board	-	16,663	16,663
Manitoba Public Insurance Corporation	-	16,172	16,172
<b>Subtotal: Net Income of GBEs</b>	<b>575,000</b>	<b>117,034</b>	<b>692,034</b>
<b>Sinking Funds and Other Earnings</b>	<b>-</b>	<b>241,911</b>	<b>241,911</b>
<b>Total Revenue Estimate</b>	<b>11,944,681</b>	<b>2,685,118</b>	<b>14,629,799</b>

## Schedule 2

## Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result

Fiscal Year ending March 31, 2015 (in Thousands of Dollars)

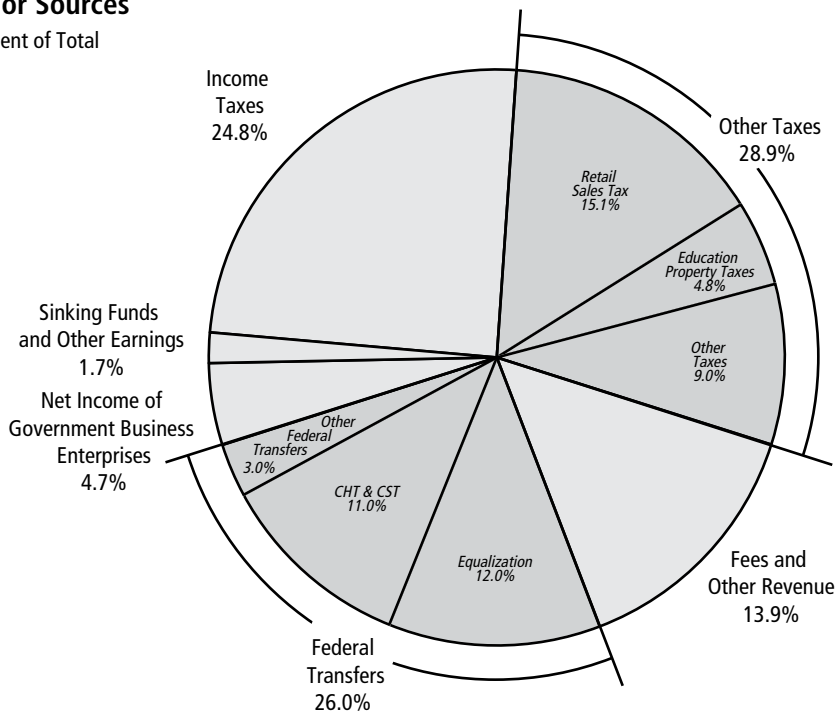
Sector/Department	CORE GOVERNMENT Expenditure Estimate	CONSOLIDATION IMPACTS and Expenditures of Other Reporting Entities	SUMMARY
<b>Health</b>			
Health	5,382,077	408,639	5,790,716
<b>Education</b>			
Education and Advanced Learning	2,430,348	1,465,059	3,895,407
<b>Family Services</b>			
Children and Youth Opportunities	48,247	(13,067)	35,180
Family Services	1,124,762	(44,851)	1,079,911
<b>Total Family Services</b>	1,173,009	(57,918)	1,115,091
<b>Community, Economic and Resource Development</b>			
Aboriginal and Northern Affairs	34,226	2,967	37,193
Agriculture, Food and Rural Development	209,035	206,498	415,533
Conservation and Water Stewardship	144,236	(2,561)	141,675
Housing and Community Development	79,119	146,676	225,795
Infrastructure and Transportation	660,780	(160,393)	500,387
Jobs and the Economy	669,545	21,574	691,119
Mineral Resources	10,780	15,178	25,958
Municipal Government	423,341	16,007	439,348
<b>Total Community, Economic and Resource Development</b>	2,231,062	245,946	2,477,008
<b>Justice and Other Expenditures</b>			
Legislative Assembly	44,324	(771)	43,553
Executive Council	2,679	(102)	2,577
Civil Service Commission	20,141	(688)	19,453
Employee Pensions and Other Costs	13,899	59,160	73,059
Finance	65,981	6,128	72,109
Justice	533,384	8,664	542,048
Labour and Immigration	25,427	13,800	39,227
Multiculturalism and Literacy	21,170	(240)	20,930
Tourism, Culture, Heritage, Sport and Consumer Protection	85,912	7,938	93,850
Enabling Appropriations	38,124	-	38,124
Other Appropriations	41,587	-	41,587
<b>Total Justice and Other Expenditures</b>	892,628	93,889	986,517
<b>Debt Servicing Costs</b>	230,000	642,133	872,133
<b>Total Expenditure Estimate</b>	12,339,124	2,797,748	15,136,872
<b>Subtract: Total Revenue Estimate (Schedule 1)</b>	11,944,681	2,685,118	14,629,799
In-Year Adjustments/Lapse	(70,000)	(80,000)	(150,000)
<b>NET INCOME (LOSS)</b>	(324,443)	(32,630)	(357,073)

NOTE: In-Year Adjustments/Lapse could be an increase in revenue and/or decrease in expenditures.

## Revenue, 2014/15

### Major Sources

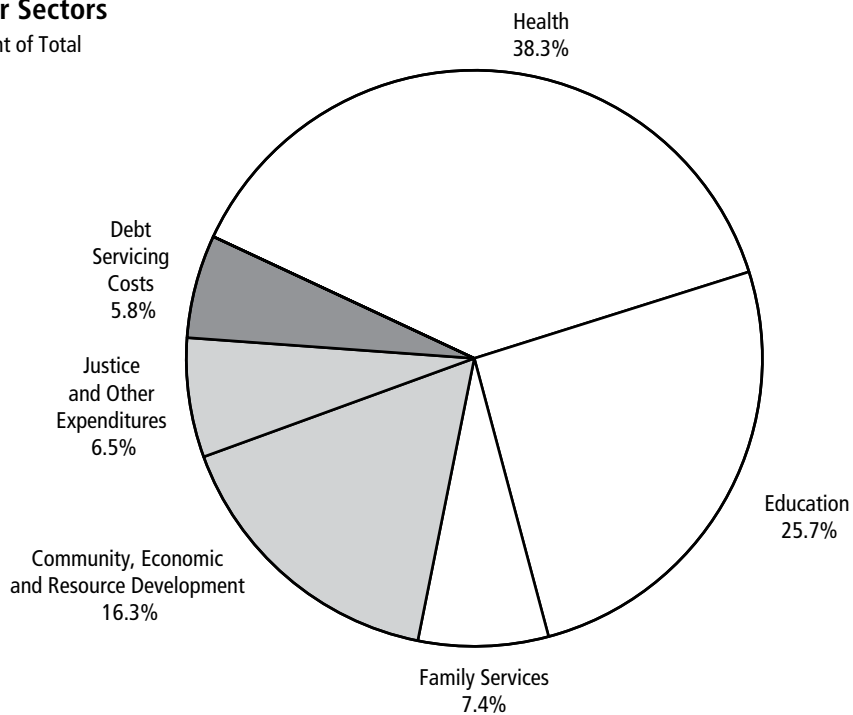
Per Cent of Total



## Expenditure, 2014/15

### Major Sectors

Per Cent of Total



# **FINANCIAL MANAGEMENT STRATEGY**

## ■ FINANCIAL MANAGEMENT STRATEGY 2014/15

### Financial Management Priorities

The Financial Management Strategy (FMS) sets out the government's priorities for financial management. It includes four main priority areas with one or more measurable outcomes. Each measurable outcome includes objectives for the current year and for future years.

For 2014/15, the FMS continues to focus on priority areas identified in prior years and reflects government's commitment to return to balance.

FINANCIAL MANAGEMENT PRIORITY	MEASURABLE OUTCOMES
<b>Transparency, Accountability and Fiscal Discipline</b>	<ul style="list-style-type: none"> <li>• Summary Budget Outlook</li> <li>• Maintaining Accountability for Core Government Program Expenditure and Revenue</li> </ul>
<b>Stable and Affordable Government</b>	<ul style="list-style-type: none"> <li>• Credit Ratings</li> <li>• Expenditures as a Percentage of Gross Domestic Product (GDP)</li> <li>• Sustainable Management of Public Resources</li> </ul>
<b>Managing Debt</b>	<ul style="list-style-type: none"> <li>• Debt Management</li> <li>• Net Debt to GDP Ratio</li> </ul>
<b>Five-Year Core Infrastructure Plan</b>	<ul style="list-style-type: none"> <li>• Core Infrastructure Investment</li> </ul>

## ■ PRIORITY AREA – TRANSPARENCY, ACCOUNTABILITY AND FISCAL DISCIPLINE

Government has implemented a number of measures to ensure financial accountability and maintain fiscal discipline, including:

- implementing GAAP compliant summary financial statements as of March 31, 2005;
- implementing summary budgeting and reporting in 2007/08 to present comprehensive information on the total cost of providing programs and services to Manitobans and how the GRE operates as a whole;
- publishing a financial management strategy as part of the annual budget and a report on outcomes within six months of the end of the fiscal year;
- implementing summary quarterly financial reporting, consistent with GAAP as of 2009/10;
- establishing a plan to reduce the unfunded pension liabilities;
- funding the employer's share of current service pension contributions for all employees; and
- ensuring all capital investments are amortized and all related costs are included in annual appropriations for core government.

The commitment to transparency, accountability and fiscal discipline continues in Budget 2014 with an update on the balanced financial strategy for 2014/15 and future years.

## Measurable Outcome – Summary Budget Outlook

The Manitoba economy has remained relatively steady in an uncertain global economic climate. Through the post-recession period, the high level of industrial diversity and a balance between domestic demand and export sales have provided Manitoba with modest and stable economic growth. However, five years after the Great Recession, global economic conditions remain tenuous as fiscal stimulus and accommodative monetary policies in advanced economies are being unwound and growth in Canada has softened. In spite of the forecast for the external environment, Manitoba is still expected to post steady growth over the next two years. The current Manitoba Finance survey of forecasters calls for 2.2% growth in 2014 before increasing to 2.4% in 2015.

Budget 2014 continues with a multi-year financial strategy based on declining deficits and a return to balance in 2016/17. Manitoba's balanced approach continues to focus on what matters most – jobs, a stable economy and key services that families count on. Budget 2014 demonstrates this balanced approach by focusing on:

- supporting economic growth and the creation of new job opportunities with a five-year core infrastructure plan;
- managing government spending strategically to hold expenditure growth below economic growth while continuing to ensure Manitobans' priorities come first;
- reducing the deficit while continuing to invest in vital front-line services to continue to improve health care, education and training and supports for families;
- delivering services in the most efficient way possible by expanding the use of lean processes in core government departments; and
- maintaining affordability to keep Manitoba one of the best places to live, work, raise a family and retire.

The commitment to build a stronger economy and create new job opportunities, while returning to balance, will make Manitoba an even better place for families.

## Manitoba's Balanced Financial Strategy

	2013/14 Forecast	2014/15 Budget	2015/16 Projection	2016/17 Projection	2017/18 Projection
	(Millions of Dollars)				
<b>REVENUE</b>					
Core Government	11,600	11,945	12,402	12,924	13,456
Other Reporting Entities <sup>1</sup>	2,864	2,685	2,626	2,652	2,658
<b>TOTAL REVENUE</b>	<u>14,464</u>	<u>14,630</u>	<u>15,028</u>	<u>15,576</u>	<u>16,114</u>
<b>EXPENDITURE</b>					
Core Government	12,230	12,339	12,619	12,900	13,187
Other Reporting Entities <sup>1</sup>	2,683	2,798	2,777	2,787	2,815
<b>TOTAL EXPENDITURE</b>	<u>14,913</u>	<u>15,137</u>	<u>15,396</u>	<u>15,687</u>	<u>16,002</u>
<b>Restatement Adjustment</b>					
In-Year Adjustments/Lapse <sup>2</sup>	(17)	(150)	(150)	(150)	(150)
<b>SUMMARY NET INCOME (LOSS)</b>	<u>(432)</u>	<u>(357)</u>	<u>(218)</u>	<u>39</u>	<u>262</u>

<sup>1</sup> Includes consolidation adjustments.

<sup>2</sup> In-Year Adjustment/Lapse could be an increase in revenue and/or a decrease in expenditure.

The summary budget outlook projects GRE revenue will rise by an average of 3.3% annually from 2014/15 to 2017/18 while GRE expenditures are projected to increase by an annual average of 1.9% during the same period.

Core government revenue is forecast to rise by an average of 4.1% annually while core government expenditure will grow by an annual average of 2.2% from 2014/15 to 2017/18.

Core government projections reflect declining deficits while protecting the services Manitoba families need. Budget 2014 includes strategic investments in core infrastructure as well as investments in infrastructure required to support health, education and housing, while limiting spending growth to key front-line services. Although several risks and challenges remain for the global economy, Manitoba's stable economic and demographic fundamentals are projected to produce steady economic growth over the next few years.

The government is committed to protecting the services Manitobans rely on, and ensuring that delivery methods consider innovative ways to reduce the cost of government and to increase efficiency. Measures implemented in recent years include:

- reducing the number of regional health authorities to streamline administration;
- merging the Manitoba Liquor Control Commission and Manitoba Lotteries Corporation to reduce overhead and regulatory costs;
- reducing the number of government-appointed agencies, boards and commissions;
- establishing Entrepreneurship Manitoba to provide an integrated suite of programs and innovative service improvements for entrepreneurs and businesses; and
- integrating the financial institutions regulation operations in the Manitoba Financial Services Agency to gain efficiencies, while acting further in the public interest to protect Manitoba investors.



Budget 2014 continues to move forward with further improvements in the coming year by:

- expanding the use of lean management across government to maximize value and eliminate duplication and repetitive processes;
- scrutinizing internal resource requirements to build on successes already achieved and continuing to reduce the size of the civil service to meet the commitment of a 600 reduction overall;
- undertaking a comprehensive review of office space to reduce the footprint of government;
- continuing to innovate within health care to control costs while delivering needed patient care;
- Manitoba Liquor and Lotteries Corporation becoming a fully matching employer on April 1, allowing the past pension liability to be addressed;
- continuing to improve service delivery by focusing on operational issues – the way in which implementation or execution is being managed to improve the effectiveness of government’s ability to deliver results; and
- continuing to focus on core government program priorities.

These measures will continue to address redundancy and result in more efficient use of human and financial resources.

The deficit to GDP ratio relates a government’s fiscal deficit, or the amount by which budgetary expenditures exceed expected revenues, in relation to the size of the overall economy. Broadly, it is an indicator of the size of the shortfall relative to all economic activity in the jurisdiction. For 2013/14, Manitoba’s deficit as a percentage of GDP is forecast to be (0.7)%, the fourth lowest among provinces and below the federal government. Manitoba’s ratio for 2014/15 is forecast to improve to (0.6)%.

The annual financial management strategy and a report on outcomes will continue to be published. In addition, in-year financial reporting will provide updates on the progress made in achieving our balanced financial strategy.

### **Measurable Outcome – Maintaining Accountability for Core Government Program Expenditure and Revenue**

Legislation requires government to include a summary of core government expenditure and projected revenue as part of the FMS. This is consistent with the main estimates of expenditure and revenue for the fiscal year.

While core government expenditure will exceed revenue in Budget 2014, Manitoba’s balanced financial strategy shows declining deficits and a return to surplus in 2016/17.

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### **Core Government Expenditure and Revenue, 2014/15**

(Millions of Dollars)

Revenue	11,945
Expenditure	12,339
In-Year Adjustments/Lapse	(70)
Net Result	<u>(324)</u>

Year-end information on core government revenue and expenditure for 2014/15 will be provided as part of the FMS report on outcomes, scheduled to be released in the fall of 2015.

## ■ PRIORITY AREA – STABLE AND AFFORDABLE GOVERNMENT

Manitoba uses public revenues effectively and efficiently to deliver affordable government programs and services. Keeping programs affordable is achieved by continuing to improve the way government operates and delivers services.

As part of the balanced financial strategy, government will continue to carefully manage programs and services to protect the priorities of Manitobans.

### Measurable Outcome – Credit Ratings

Manitoba continues to maintain its reputation for fiscal responsibility. The government's balanced approach to paying down debt and the pension liability, while maintaining core services in health care and other program areas has been positively acknowledged by credit rating agencies through the reaffirmation of Manitoba's credit rating over the last six years, including the period of the Great Recession.

Despite lingering uncertainty in external economies, Manitoba's economy is the most stable among provinces as measured by long-term annual fluctuation in economic growth. Manitoba's stability, industrial diversity and commitment to responsible financial management, is anticipated to contribute to a steady credit outlook in 2014. Manitoba's balanced multi-year approach continues to include draws from the fiscal stabilization account to repay debt, while returning to balance in 2016/17.

The Manitoba government remains committed to maintaining fiscal responsibility to achieve stable or improving credit ratings into the future.

<b>Credit Rating Agency</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Actual</b>
DBRS	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)
Moody's	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
Standard & Poor's	AA	AA	AA	AA	AA	AA	AA

NOTE: For fiscal year ending March 31.

### Measurable Outcome – Expenditures as a Percentage of GDP

Maintaining stable and affordable government means managing the growth in spending to meet increasing demands for quality services. An effective measure of appropriate spending is the ratio of total expenditures as a percentage of GDP. This ratio has remained relatively stable over the last four years and is anticipated to decline in Budget 2014.

Expenditure to GDP ratios are reflected in the following table and as part of Appendix 1: Manitoba Summary Financial Statistics.

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14 Forecast</b>	<b>2014/15 Budget</b>	<b>2015/16 Projection</b>
			(Per Cent)		
Core Program Expenditure	21.5	20.0	19.9	19.4	19.0
Other Reporting Entities (ORE) Expenditure	3.6	3.3	3.4	3.5	3.3
Debt Servicing Costs	1.5	1.4	1.4	1.4	1.4
Total Expenditure	26.6	24.7	24.7	24.2	23.6

The Manitoba government's objective is to maintain a stable or declining ratio over the longer term.

## Measurable Outcome – Sustainable Management of Public Resources

Sustainable management of public resources is key to making government more effective, now and into the future. Government continues to explore ways to make sure that public spending remains under control and that tax dollars are used effectively and efficiently.

Budget 2014 continues to move forward on containing core government expenditure growth. The balanced financial strategy projects medium-term expenditure growth at 2.2%, enabling declining deficits with a return to balance in 2016/17. Meeting government priorities and getting back to a balanced budget will require continual review and reprioritization of existing funding and streamlining internal operations to find opportunities for lowering costs.

The government supports continuous internal review and reform to provide Manitobans with affordable, innovative and effective public service operations, programs and services. A Lean Council is being established whose mandate will be to help government reduce costs while providing better services for Manitobans. Under the leadership of this council, government departments will be identifying ways to make their operations more efficient by eliminating any duplication or redundancies. The initiatives will include ongoing reviews of the current processes to deliver services, aiming to reduce administrative costs, while ensuring service levels remain constant.

The government committed to reducing the size of the civil service by 600 over three years. Projections to March 31, 2014, halfway through the three-year period, show a reduction of over 370 will be achieved in support of this commitment. Measures will continue to fully meet the commitment while protecting the services that Manitobans need.

A review of office space will also be undertaken in 2014/15. This review will be aimed at ensuring that all space is used in the most efficient way to potentially reduce the footprint of government. This review, and the on-going scrutiny of operating costs incurred to deliver services such as the use of consulting services, travel and the purchase of various goods and services, will provide savings across departments to assist government in achieving a return to balance in 2016/17. The government continues to emphasize reforms that improve accountability and transparency and support sustainable programs that protect the priorities of Manitobans.

## ■ PRIORITY AREA – MANAGING DEBT

Over the years, government has continued to implement specific initiatives to ensure sound fiscal management. These include:

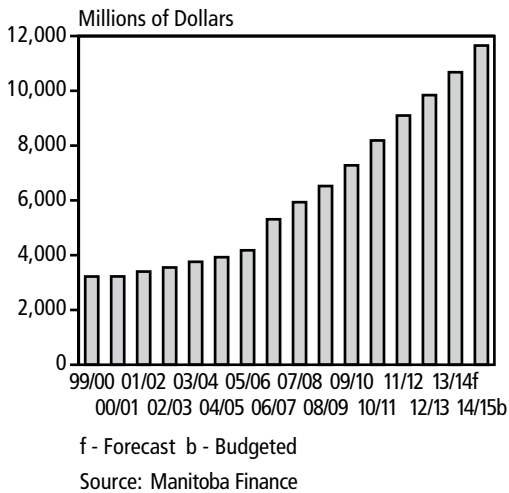
- addressing the unfunded pension liability;
- funding the employer's share of current service pension entitlements in 2008/09, the first time since April 1, 1961;
- ensuring all capital investments are amortized and all related costs are fully reflected in annual appropriations for core government; and
- establishing a plan to reduce deficits with a return to balance in 2016/17.

Solid debt management consists of a plan to address general purpose debt and the pension liability while making needed investments in Manitoba. The net debt to GDP ratio is one of the key indicators used by credit rating agencies in their analysis because it measures the level of debt relative to a jurisdiction's financial capacity. While deficits and the increased investment in capital assets will add to the net debt in the short term, spending on core infrastructure is a priority of government because of the economic growth it creates. Increased investment in a core infrastructure plan and continuing investment in education and technology, lays the groundwork for continued economic expansion and the creation of good jobs, and helps Manitoba remain competitive.

## Measurable Outcome – Debt Management

Direct action to address the unfunded pension liabilities for the Civil Service Superannuation Plan (CSSP) and the Teachers' Retirement Allowances Fund (TRAF) began in 2007/08 with the province borrowing funds that have been invested by these two pension plans on behalf of the province.

### Tangible Capital Assets – Net Book Value



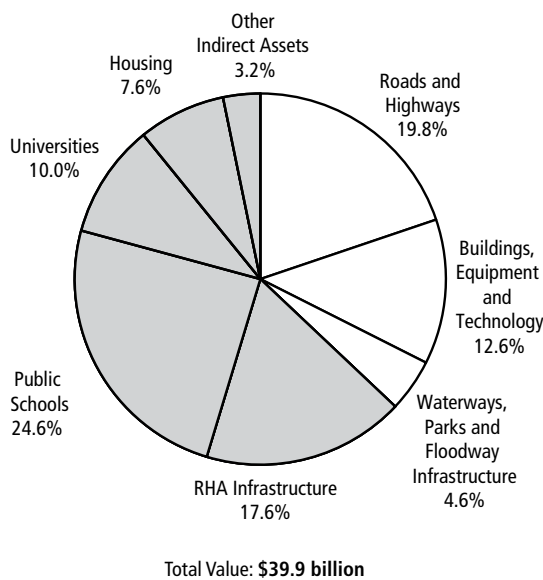
Borrowing funds to pay down the previously unfunded pension liability is a sound fiscal decision, as over the longer term, the cost of borrowing is less than the actuarially determined expected rate of return on the plan assets and the rate of growth in the pension liability.

Since 2000, over \$4.5 billion has been directed to pension obligations, including over \$615 million of the annual debt retirement payments, \$2.6 billion in new investment provided by the government since 2007 and net investment earnings projected to be \$1.3 billion by March 31, 2014. In addition, Budget 2014 includes \$196 million in core government expenditures for the employer's share of current service pension obligations.

The government continues to recognize capital investment as a priority in order to support economic growth and the related new job opportunities, while continuing to provide for the services Manitobans need in the future. The cost of these assets is amortized over a set period that represents the useful life of the asset as required by GAAP. The end result is increased infrastructure investment for Manitobans accompanied by a fixed discipline for paying down the associated debt.

### Replacement Value of Assets<sup>1</sup>

Per Cent of Total



<sup>1</sup> Excludes municipal assets and assets of government business enterprises such as Manitoba Hydro.

Indirect Assets: 63.0%      Direct Assets: 37.0%

Totals may not add due to rounding.

The investment in tangible capital assets has increased steadily over the last decade and with the investment in core and other capital investment of \$1.6 billion in Budget 2014, is projected to total \$19.7 billion at March 31, 2015 with \$8.0 billion of related debt retired through accumulated amortization. The net book value of these assets (cost less accumulated amortization) has more than tripled since 1999/2000 to \$11.7 billion.

Manitoba's communities and the economy have benefited over the years from the significant investment in infrastructure assets such as roads and water-control structures and other capital assets such as health facilities, universities, colleges and schools, and parks. To meet the needs of today's and future generations, it is necessary to continue to invest in the renewal of these assets. The public good provided by these investments is immeasurable. It is estimated that the insured or replacement value of these investments is \$40 billion.

Based on projections, core government will have a total of \$8.1 billion in capital asset investments at March 31, 2015 and \$2.7 billion of related debt will have been retired through accumulated amortization.

A total of \$375 million has been included in core government appropriations to retire debt associated with capital investments – \$225 million for amortization of department-owned assets and \$150 million for principal payments for education and health-related assets.

The year 2008 saw the onset of the worst global economic downturn in a generation. Throughout the period of economic weakness, the government acted to stimulate the economy, protect jobs and preserve key services. This strategy helped Manitoba fare better than most provinces in weathering the recession. The global economic instability remains. As the government continues to work toward returning to balance, investments included in Budget 2014 will support continued economic growth and create good jobs while protecting key services.

Manitoba's balanced financial strategy maintains the legislated requirement to dedicate at least \$600 million of the balance in the FSA to the amortization of increases in the general purpose debt, including related interest expenses that are attributable to negative net results incurred during the period of economic recovery. Funds in the Debt Retirement Account (DRA) were withdrawn in 2010/11 to repay \$145 million of debt. A further \$460 million is being withdrawn from the FSA for both debt and interest: \$96 million in 2010/11; \$124 million in 2011/12; \$140 million in 2012/13; and \$100 million for 2013/14. Budget 2014 provides for an additional debt payment of \$55 million, for a total payment of \$515 million. With a return to surplus position in Budget 2016, scheduled debt payments for general purpose debt will resume.

Manitoba has a solid debt management plan which includes addressing the previously unfunded pension liability, budgeting for the employer's share of current service entitlements for all employees, ensuring all capital investments are amortized and all related costs are fully reflected in annual appropriations, and continuing to make debt repayments to mitigate core government operating deficits.

Strategic decision making has resulted in debt servicing costs as a percentage of revenue decreasing. Since 1999/2000, the debt servicing cost rate has dropped by 54.5%, from 13.2¢ of every dollar of summary revenue collected to a forecasted level of 6.0¢ in Budget 2014.

The government remains committed to reducing debt over time with an ultimate goal of eliminating the general purpose debt and the remaining unfunded pension liabilities.

## **Measurable Outcome – Net Debt to GDP Ratio**

Net debt is an important indicator of a government's financial position as this highlights how government services will remain affordable in the future.

Summary net debt is financial assets (such as cash or investments) minus total liabilities (such as loans or financing). It is the remaining liability that must be financed by future revenues.

Net debt may grow as needed investments in capital assets – like highway infrastructure, water control structures, hospitals and schools are made. These forward-looking investments help support Manitoba's economy, attract investment, increase trade, and create jobs and new opportunities for young people. Therefore, it is important to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

Manitoba's net debt to GDP has fluctuated over the past 14 years resulting from the effects of the economic downturn, the impact of the 2011 flood and the continued commitment to invest in capital assets that will benefit Manitobans in the years to come. While the new five-year core infrastructure plan is anticipated to increase the net debt to GDP ratio in the short term, this increase must be considered in relation to the resulting benefits to the economy overall. According to the Conference Board of Canada's Report entitled "The Economic Impact of Manitoba's Infrastructure Investment Program", the government's five-year core infrastructure plan will boost overall real GDP by \$6.3 billion or 2% over 2014 to 2018. Manitoba will also benefit from additional positive impacts resulting from increased productivity due to the elevated productive capacity from this investment. Further studies will be undertaken to assess the additional impact resulting from these productivity gains.

Manitoba is committed to maintaining its net debt to GDP ratio in line with the average for Canadian provinces, which was 30.9% in 2013/14. In Budget 2014, the net debt to GDP ratio is forecast to be 29.8%.

## ■ PRIORITY AREA – FIVE-YEAR CORE INFRASTRUCTURE PLAN

Building and upgrading Manitoba's infrastructure has been a priority for the government since 1999. The government announced an economic stimulus investment plan in November 2008 to fund key infrastructure projects across the province. Manitoba has also dedicated revenue raised through fuel taxes to fund infrastructure, participated in the national stimulus program that began in 2009 and, in 2011, committed to providing the equivalent of 1/7th of the provincial sales tax to support investment in municipal infrastructure and public transit.

Budget 2014 reinforces the commitment to infrastructure by introducing a new five year, \$5.5 billion core infrastructure plan to focus investments on:

- roads, highways and bridges;
- flood protection; and
- municipal infrastructure including roads and clean water.

To meet these important infrastructure needs, the government has committed that it will invest more than the revenue raised from the additional point of PST introduced last year into new investments in core infrastructure, over and above existing spending levels. In 2012/13, prior to the increase in the PST, the base level of investment in core infrastructure totaled \$729 million. From 2014/15 to 2018/19 revenues associated with the one-point increase in the PST are estimated at \$1.5 billion. As shown in the following table, beginning in 2014/15, core infrastructure investment projected for the five-year plan will reach over \$5.5 billion, exceeding the government's PST commitment by \$420 million.

### Five-Year Core Infrastructure Plan

	2012/13 Base	2013/14 Forecast	2014/15 Budget	2015/16 Planned	2016/17 Planned	2017/18 Planned	2018/19 Planned	Total
	(Millions of Dollars)							
Roads, Highways and Bridges	478	532	707	746	755	762	771	3,741
Flood Protection	21	64	42	49	54	68	107	320
Municipal Infrastructure*	230	258	277	288	299	315	327	1,506
<b>Planned Investment</b>	<b>729</b>	<b>854</b>	<b>1,026</b>	<b>1,083</b>	<b>1,108</b>	<b>1,145</b>	<b>1,205</b>	<b>5,567</b>
Base Funding Level	729	729	729	729	729	729	729	3,645
1 point PST commitment		196	276	288	300	313	325	1,502
<b>Investment Commitment</b>		<b>925</b>	<b>1,005</b>	<b>1,017</b>	<b>1,029</b>	<b>1,042</b>	<b>1,054</b>	<b>5,147</b>
<b>Investment Over/(Under) Commitment</b>		<b>(71)</b>	<b>21</b>	<b>66</b>	<b>79</b>	<b>103</b>	<b>151</b>	<b>420</b>

\* Building Manitoba Fund net of transit operating grants.

While the 2013/14 fiscal year is outside of the plan, the \$5.5 billion level of investment is enough to offset the projected underinvestment in 2013/14, and is flexible enough to accommodate any potential revenue offsets that may be received under the Building Canada Plan or other federal cost-sharing initiatives.

The core infrastructure plan will be reviewed and rebased each year to recognize any variances in the PST revenues and investments.

## Measurable Outcome – Core Infrastructure Investment

The 2014/15 budget for core infrastructure of \$1,026 million exceeds the investment commitment of \$1,005 million which represents the base funding level of \$729 million and the equivalent of one percentage point of PST revenue, estimated at \$276 million in 2014/15. The investment in 2014/15 includes \$16.9 million of support from the federal government.

Details of the 2014/15 investment for the construction of new, or maintenance and preservation of existing, assets in the departments of Infrastructure and Transportation and Municipal Government are as follows:

### Five-Year Core Infrastructure Plan

	<b>2014/15 Budget</b>
	\$000s
<b>Roads, Highways and Bridges</b>	
Highways Infrastructure	548,510
Transportation Capital	14,105
Airport Runways	2,000
Maintenance and Preservation	142,093
<b>Subtotal Highways and Bridges</b>	<b>706,708</b>
<b>Flood Protection</b>	
Water Control Capital	32,800
Maintenance	9,640
<b>Subtotal Flood Protection</b>	<b>42,440</b>
<b>Municipal Infrastructure</b>	
Building Manitoba Fund *	276,642
<b>Planned Investment</b>	<b>1,025,790</b>

\* Net of transit operating grants.

Planned projects for the year are highlighted in the five-year plan released by government.

Year-end information on the 2014/15 core infrastructure plan investment and projects will be provided as part of the FMS report on outcomes, scheduled to be released in the fall of 2015.





# **Appendix 1:** MANITOBA SUMMARY FINANCIAL STATISTICS

## Manitoba Summary Financial Statistics

	2014/15 Budget	2013/14 Forecast	2012/13 Actual	2011/12 Actual	2010/11 Actual	2009/10 Actual
<b>SUMMARY FINANCIAL STATEMENTS</b>						
(Millions of Dollars)						
<b>Revenue</b>						
Income Taxes	3,632	3,460	3,302	3,138	2,938	2,674
Other Taxes	4,232	3,961	3,572	3,350	3,219	3,103
Fees and Other Revenue	2,039	2,119	1,998	1,906	1,828	1,792
Federal Transfers	3,793	3,823	3,953	4,332	4,047	3,924
Net Income of Government Business Enterprises	692	863	719	713	807	789
Sinking Funds and Other Earnings	242	238	242	249	230	220
<b>Total Revenue</b>	<b>14,630</b>	<b>14,464</b>	<b>13,786</b>	<b>13,688</b>	<b>13,069</b>	<b>12,502</b>
<b>Expenditure</b>						
Health	5,791	5,684	5,487	5,328	5,044	4,831
Education	3,895	3,802	3,569	3,389	3,218	3,125
Family Services	1,115	1,094	1,062	1,013	978	1,295
Community, Economic and Resource Development	2,477	2,341	2,405	2,734	2,367	1,780
Justice and Other Expenditures	987	1,056	1,004	1,410	870	900
Debt Servicing Costs	872	836	839	815	773	756
Subtotal Expenditure	15,137	14,813	14,366	14,689	13,250	12,687
<b>Extraordinary Item</b>						
First Nations Flood Contingency	-	100	-	-	-	-
<b>Total Expenditure</b>	<b>15,137</b>	<b>14,913</b>	<b>14,366</b>	<b>14,689</b>	<b>13,250</b>	<b>12,687</b>
<b>In-Year Adjustments/Lapse</b>	<b>(150)</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>(357)</b>	<b>(432)</b>	<b>(580)</b>	<b>(1,001)</b>	<b>(181)</b>	<b>(185)</b>
<b>Provincial Borrowings, Guarantees &amp; Obligations</b>						
General Government Programs	9,244	8,920	8,289	7,803	6,955	6,863
General Government Programs - Federal Flood Relief	-	75	276	326	-	-
General Government Programs - Pension Liability	2,595	2,595	2,595	2,595	2,355	2,175
The Manitoba Hydro-Electric Board	12,390	11,010	9,609	8,999	8,362	7,730
Other Crown Organizations	2,583	2,457	2,246	1,926	1,641	1,478
Health Facilities	1,477	1,225	1,149	1,094	1,015	949
Other	5	17	23	37	51	65
Capital Investments	4,431	4,013	3,668	3,195	2,546	1,846
<b>Subtotal</b>	<b>32,725</b>	<b>30,312</b>	<b>27,855</b>	<b>25,975</b>	<b>22,925</b>	<b>21,106</b>
<b>Other Obligations</b>						
Pension Liability	7,761	7,379	6,940	6,697	6,545	6,392
Pension Assets	(5,500)	(5,322)	(5,112)	(5,063)	(4,814)	(4,624)
Net Pension Liability	2,261	2,057	1,828	1,634	1,731	1,768
Debt incurred for and repayable by the Manitoba Hydro-Electric Board	(12,145)	(10,745)	(9,443)	(8,742)	(8,199)	(7,479)
Education and Health Debt held by Government Enterprises	598	569	547	505	471	443
Other Debt of Crown Organizations	266	266	264	266	263	255
<b>Subtotal</b>	<b>(9,020)</b>	<b>(7,853)</b>	<b>(6,804)</b>	<b>(6,337)</b>	<b>(5,734)</b>	<b>(5,013)</b>
<b>Total Summary Borrowings, Guarantees &amp; Obligations</b>	<b>23,705</b>	<b>22,459</b>	<b>21,051</b>	<b>19,638</b>	<b>17,191</b>	<b>16,093</b>
<b>Adjustments to Arrive at Summary Net Debt</b>						
Guarantees	(245)	(265)	(166)	(257)	(165)	(255)
Net Financial Assets	(4,842)	(4,906)	(4,992)	(4,831)	(4,464)	(4,196)
<b>Summary Net Debt</b>	<b>18,618</b>	<b>17,288</b>	<b>15,893</b>	<b>14,550</b>	<b>12,562</b>	<b>11,642</b>

## NOTES:

- The 2013/14 Budget numbers originally presented in the 2013 Budget Address and the 2013/14 forecast from the Third Quarter Financial Report have been re-stated to be consistent with the current presentation for the GRE.
- Details of Expenditure and Revenue for Fiscal Year 2014/15, and a reconciliation to the amounts reported for core government are found in Schedules 1 and 2.
- In-Year Adjustments/Lapse could be an increase in revenue and/or decrease in expenditures.
- Numbers may not add due to rounding.

## Manitoba Summary Financial Statistics

	2014/15 Budget	2013/14 Forecast	2012/13 Actual	2011/12 Actual	2010/11 Actual	2009/10 Actual
	(Percentage Change)					
<b>Annual Change</b>						
Income Taxes	5.0	4.8	5.2	6.8	9.9	(6.4)
Other Taxes	6.8	10.9	6.6	4.1	3.7	(0.1)
Fees and Other Revenue	(3.8)	6.1	4.8	4.3	2.0	4.1
Federal Transfers	(0.8)	(3.3)	(8.7)	7.0	3.1	1.5
Total Revenue	1.1	4.9	0.7	4.7	4.5	(0.9)
Health	1.9	3.6	3.0	5.6	4.4	5.3
Education	2.4	6.5	5.3	5.3	3.0	4.6
Debt Servicing Costs	4.3	(0.4)	2.9	5.4	2.2	(8.9)
Total Expenditure	1.5	3.8	(2.2)	10.9	4.4	4.3
Summary Net Debt	7.7	8.8	9.2	15.8	7.9	2.0
	(Per Cent)					
<b>Per Cent of GDP</b>						
Income Taxes	5.8	5.7	5.7	5.7	5.6	5.3
Other Taxes	6.8	6.6	6.1	6.1	6.1	6.1
Fees and Other Revenue	3.3	3.5	3.4	3.5	3.5	3.5
Federal Transfers	6.1	6.3	6.8	7.8	7.6	7.7
Total Revenue	23.4	24.0	23.7	24.8	24.7	24.7
Health	9.3	9.4	9.4	9.6	9.5	9.5
Education	6.2	6.3	6.1	6.1	6.1	6.2
Debt Servicing Costs	1.4	1.4	1.4	1.5	1.5	1.5
Total Expenditure	24.2	24.7	24.7	26.6	25.0	25.0
Summary Net Debt	29.8	28.7	27.3	26.4	23.7	23.0
	(Dollars)					
<b>Dollars Per Capita</b>						
Total Revenue	11,427	11,434	11,029	11,095	10,704	10,344
Total Expenditure	11,823	11,789	11,493	11,906	10,853	10,497
Debt Servicing Costs	681	661	671	661	633	626
Summary Net Debt	14,542	13,666	12,714	11,794	10,289	9,633
<b>Memorandum Items</b>						
Population (000's) *	1,280.3f	1,265.0	1,250.0	1,233.7	1,220.9	1,208.6
GDP at Market Prices	62,426f	60,315	58,156	55,214	52,934	50,683

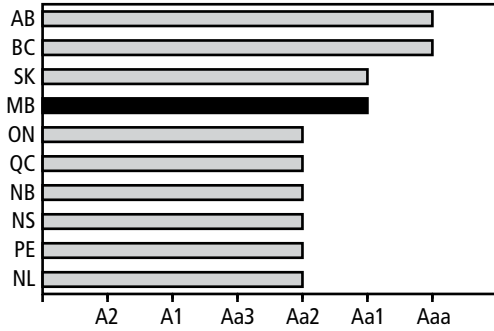
Source: Manitoba Finance

\* Official population July 1.

f - Forecast

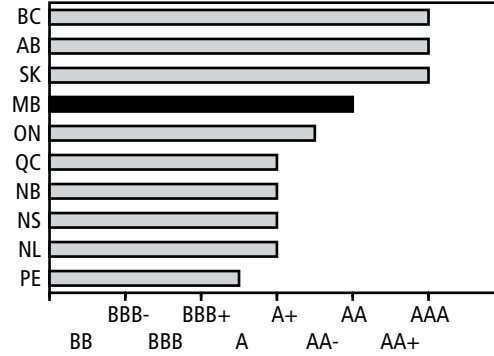
## INTERPROVINCIAL COMPARISONS

### Moody's Credit Ratings, March 6, 2014



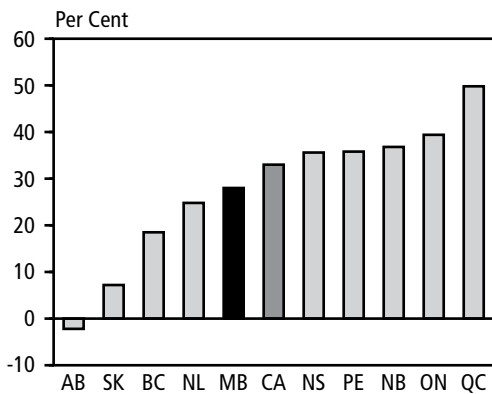
Source: Moody's Investors Service

### S&P Credit Ratings, March 6, 2014



Source: Standard & Poor's Ratings Service

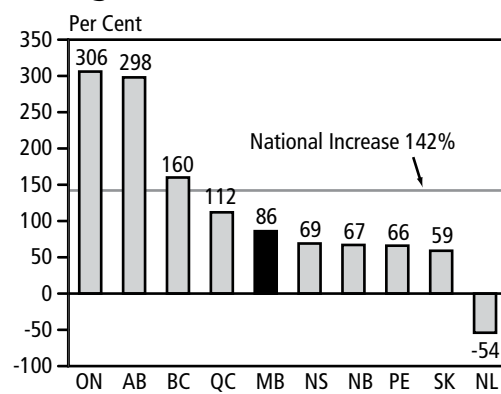
### Net Debt to GDP Ratio, 2013/14f



f - Forecast

Source: Provincial fiscal documents

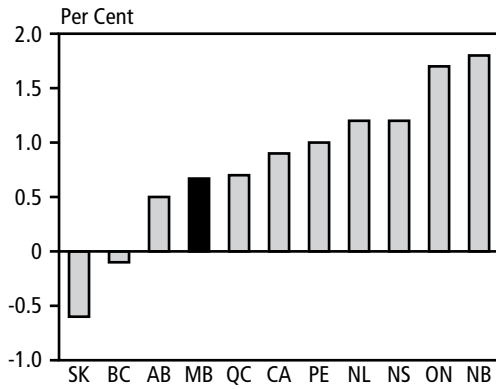
### Major Federal Cash Transfers, Change from 1999/00 to 2014/15



Note: Includes Offshore Accord and cumulative "Best-of-Guarantee" payments to NS.

Source: Finance Canada

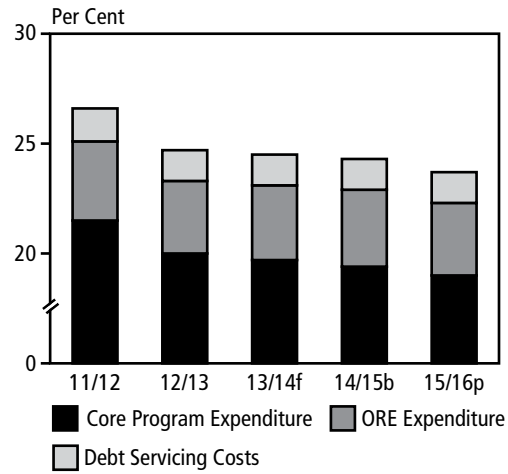
### Net Deficit to GDP Ratio, 2013/14f



f - Forecast

Source: Provincial fiscal documents

### Manitoba Expenditures as a Percentage of GDP



f - Forecast b - Budget p - Projected

Source: Manitoba Finance



## **Appendix 2:** SUMMARY BUDGET USER'S GUIDE

## ■ INTRODUCTION

This document guides readers through the format of the Manitoba Budget. It includes three components: a general explanation of the Structure of the Summary Budget, Annotated Summary Budget and Schedules, and a list of Frequently Asked Questions.

Schedule 1 (Summary Revenue Estimate) and Schedule 2 (Summary Expenditure Estimate) consolidate the Estimates of Expenditure and Revenue of core government with high-level projections of expenses and revenues of the Other Reporting Entities (OREs) of the Government Reporting Entity (GRE) to produce the Summary Budget.

Although the additional revenues and expenses of entities such as universities, public schools and Government Business Enterprises (GBEs) are included in the Summary Budget, the existing relationship between the government and the related entities does not change. Governance of these organizations and their relationships with government are not affected by the Summary Budget process.

## ■ STRUCTURE OF THE SUMMARY BUDGET

The Summary Budget presents a high-level overview of revenue and expenditure of the entire GRE.

Revenue is reported under six categories.

- Income Taxes – are entirely revenue of core government.
- Other Taxes – includes the Retail Sales Tax and all of the other tax revenues of core government, as well as property taxes levied to support school funding.
- Fees and Other Revenue – includes fees such as automobile licences, park and forestry fees, and fees collected by Crown organizations such as fees for non-insured health services and rental revenue for Manitoba Housing and Renewal Corporation (MHRC). Tuition fees collected by universities and colleges are also included in this category.
- Federal Transfers – Equalization, Canada Health Transfer, Canada Social Transfer, and other grants and transfers are mostly received by core government, although some federal funds are provided directly to entities not included in core government, such as housing subsidies to MHRC, insurance premiums for agriculture programs and grants for public education.
- Net Income of GBEs – represents the net income of all GBEs. This income is added to the summary financial statements on a modified equity basis and includes the income of Manitoba Liquor and Lotteries Corporation whose net income continues to be recorded as revenue of core government.
- Sinking Funds and Other Earnings – are interest and other investment earnings on sinking funds and other investments held by core government and OREs. For core government estimates purposes, investment revenue is netted against debt servicing costs.

Expenditure has been classified by major sectors. See Appendix 3 for a list of entities in the GRE.

- Health – represents all health-related expenditures including the activities of Manitoba Health, all Regional Health Authorities, hospitals and other health-related entities in the GRE.
- Education – represents costs associated with all primary, secondary and post-secondary education, including the operations of universities and colleges, and includes the activities of Manitoba Education and Advanced Learning. This also includes additional funding for teachers' pensions and programs funded by other sources.



- Family Services – includes all costs related to social service and youth programs, including the activities of Manitoba Family Services and Manitoba Children and Youth Opportunities.
- Community, Economic and Resource Development – includes expenditures related to infrastructure and other government services, including the activities of Manitoba Aboriginal and Northern Affairs; Manitoba Agriculture, Food and Rural Development; Manitoba Conservation and Water Stewardship; Manitoba Housing and Community Development; Manitoba Infrastructure and Transportation; Manitoba Jobs and the Economy; Manitoba Mineral Resources; and Manitoba Municipal Government.
- Justice and Other Expenditures – includes costs for Manitoba Justice services and the activities of the Legislative Assembly; Executive Council; Civil Service Commission, Employee Pensions and Other Costs; Manitoba Finance; Manitoba Labour and Immigration; Manitoba Multiculturalism and Literacy; Manitoba Tourism, Culture, Heritage, Sport and Consumer Protection; and Enabling and Other Appropriations.
- Debt Servicing – contains the cost of interest and related expenses for the Teachers' Retirement Allowances Fund (TRAF), the Civil Service Superannuation Plan (CSSP), capital funding and general purpose borrowings associated with all provincial summary borrowings, excluding debt servicing costs for debt incurred and repayable by The Manitoba Hydro-Electric Board. Debt servicing costs related to those borrowings are reflected in the net income of GBEs.

In-Year Adjustments/Lapse – could be an increase in revenue and/or a decrease in expenditure.

Net Income (Loss) is the “bottom line” – the result after Expenditure is subtracted from Revenue. This represents the GRE's financial result for the fiscal year.

## ■ ANNOTATED SUMMARY BUDGET

The Summary Budget includes the revenue and expenditure of the entities in the GRE. Amounts are adjusted on consolidation to avoid counting the same revenue or expenditure twice.

<b>SUMMARY BUDGET</b>			
For the Fiscal Year Ending March 31, 2015			
With Comparative Data for the year ending March 31, 2014			
	2014/15	2013/14	2013/14
	<u>Budget</u>	<u>Forecast</u>	<u>Budget</u>
	(Millions of Dollars)		
<b>REVENUE SOURCE</b>			
Income Taxes	3,632	3,460	3,366
Other Taxes	4,232	3,961	4,015
Fees and Other Revenue	2,039	2,119	1,987
Federal Transfers	3,793	3,823	3,876
Net Income of Government Business Enterprises	692	863	737
Sinking Funds and Other Earnings	242	238	227
<b>TOTAL REVENUE</b>	<u>14,630</u>	<u>14,464</u>	<u>14,208</u>
<b>EXPENDITURE SECTORS</b>			
Health	5,791	5,684	5,689
Education	3,895	3,802	3,786
Family Services	1,115	1,094	1,069
Community, Economic and Resource Development	2,477	2,341	2,483
Justice and Other Expenditures	987	1,056	1,010
Debt Servicing Costs	872	836	839
<b>SUBTOTAL EXPENDITURE</b>	<u>15,137</u>	<u>14,813</u>	<u>14,876</u>
<b>Extraordinary Item</b>			
First Nations Flood Contingency	-	100	-
<b>TOTAL EXPENDITURE</b>	<u>15,137</u>	<u>14,913</u>	<u>14,876</u>

Includes school property taxes.

Includes university and college tuition fees.

Most Federal Transfers are received by core government but some entities also receive Federal Transfers or cost-shared payments directly.

Includes all expenditures of Manitoba Education, Manitoba Advanced Education and Literacy, and K-12 public schools, colleges and universities.

This includes all health-related expenditures of Manitoba Health, Healthy Living and Seniors, hospitals, Regional Health Authorities and other health-related entities.

The revenue and expenditure of OREs are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles different than core government. In those cases, data for the closest fiscal year-end date to core government's own year-end date are used.

## ■ ANNOTATED SUMMARY REVENUE ESTIMATE: DETAILS AND RECONCILIATION TO CORE GOVERNMENT ESTIMATES

Schedule 1 groups individual revenue sources under six categories, showing the contributions of core government and the impact of consolidating core government and OREs.

Schedule 1			
Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates			
Fiscal Year ending March 31, 2015 (in Thousands of Dollars)			
Source of Revenue	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Revenue Estimate	and Revenue of Other Reporting Entities	
<b>Income Taxes</b>			
Individual Income Tax	3,101,900	-	3,101,900
Corporation Income Tax	530,100	-	530,100
<b>Subtotal: Income Taxes</b>	<b>3,632,000</b>	<b>-</b>	<b>3,632,000</b>
<b>Other Taxes</b>			
Corporations Taxes	268,600	-	268,600
Fuel Taxes	326,100	13,700	339,800
Land Transfer Tax	89,500	-	89,500
Levy for Health and Education	446,900	(121,352)	325,548
Retail Sales Tax	2,207,000	-	2,207,000
Tobacco Tax	286,300	-	286,300
Other Taxes	13,956	-	13,956
Education Property Taxes	-	701,480	701,480
<b>Subtotal: Other Taxes</b>	<b>3,638,356</b>	<b>593,828</b>	<b>4,232,184</b>
<b>Fees and Other Revenue</b>			
Fines and Costs and Other Legal	52,187	-	52,187
Minerals and Petroleum	18,861	-	18,861
Automobile and Motor Carrier Licences and Fees	150,500	-	150,500
Parks: Forestry and Other Conservation	34,190	-	34,190
Water Power Rentals	125,000	-	125,000
Service Fees and Other Miscellaneous Charges	171,175	1,194,338	1,365,513
Revenue Sharing from SOAs	18,050	-	18,050
Tuition Fees	-	274,585	274,585
<b>Subtotal: Fees and Other Revenue</b>	<b>569,963</b>	<b>1,468,923</b>	<b>2,038,886</b>
<b>Federal Transfers</b>			
Equalization	1,749,900	-	1,749,900
Canada Health Transfer	1,156,308	-	1,156,308
Canada Social Transfer	453,200	-	453,200
Infrastructure Renewal	16,900	-	16,900
Shared Cost and Other Transfers	153,054	263,422	416,476
<b>Subtotal: Federal Transfer</b>	<b>3,529,362</b>	<b>263,422</b>	<b>3,792,784</b>
<b>Net Income of Government Business Enterprises (GBEs)</b>			
Manitoba Liquor and Lotteries Corporation	575,000	-	575,000
Deposit Guarantee Corporation	-	22,199	22,199
Manitoba Hydro	-	62,000	62,000
Workers Compensation Board	-	16,663	16,663
Manitoba Public Insurance Corporation	-	16,172	16,172
<b>Subtotal: Net Income of GBEs</b>	<b>575,000</b>	<b>117,034</b>	<b>692,034</b>
<b>Sinking Funds and Other Earnings</b>	<b>-</b>	<b>241,911</b>	<b>241,911</b>
<b>Total Revenue Estimate</b>	<b>11,944,681</b>	<b>2,685,118</b>	<b>14,629,799</b>

Category headings match those in the Summary Budget.

Similar types of revenue may be received by core government and reporting entities (ex. Service Fees and Shared-Cost Transfers).

The revenue and expenditure of OREs are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles different than core government. In those cases, data for the closest fiscal year-end date to core government's own year-end date are used.

## ■ ANNOTATED SUMMARY EXPENDITURE ESTIMATE: DETAILS, RECONCILIATION TO CORE GOVERNMENT ESTIMATES AND SUMMARY BUDGET RESULT

Schedule 2 groups expenditures in six sectors. It shows core government expenditure estimates, consolidation impacts to avoid double counting of expenditures, and the additional expenditure of OREs, which is not financed by core government.

Schedule 2			
Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result			
Fiscal Year ending March 31, 2015 (in Thousands of Dollars)			
	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
Sector/Department	Expenditure Estimate	and Expenditures of Other Reporting Entities	
<b>Health</b>			
Health	5,382,077	408,639	5,790,716
<b>Education</b>			
Education and Advanced Learning	2,430,348	1,465,059	3,895,407
<b>Family Services</b>			
Children and Youth Opportunities	48,247	(13,067)	35,180
Family Services	1,124,762	(44,851)	1,079,911
<b>Total Family Services</b>	<u>1,173,009</u>	<u>(57,918)</u>	<u>1,115,091</u>
<b>Community, Economic and Resource Development</b>			
Aboriginal and Northern Affairs	34,226	2,967	37,193
Agriculture, Food and Rural Development	209,035	206,498	415,533
Conservation and Water Stewardship	144,236	(2,561)	141,675
Housing and Community Development	79,119	146,676	225,795
Infrastructure and Transportation	660,780	(160,393)	500,387
Jobs and the Economy	669,545	21,574	691,119
Mineral Resources	10,780	15,178	25,958
Municipal Government	423,341	16,007	439,348
<b>Total Community, Economic and Resource Development</b>	<u>2,231,062</u>	<u>245,946</u>	<u>2,477,008</u>
<b>Justice and Other Expenditures</b>			
Legislative Assembly	44,324	(771)	43,553
Executive Council	2,679	(102)	2,577
Civil Service Commission	20,141	(688)	19,453
Employee Pensions and Other Costs	13,899	59,160	73,059
Finance	65,981	6,128	72,109
Justice	533,384	8,664	542,048
Labour and Immigration	25,427	13,800	39,227
Multiculturalism and Literacy	21,170	(240)	20,930
Tourism, Culture, Heritage, Sport and Consumer Protection	85,912	7,938	93,850
Enabling Appropriations	38,124	-	38,124
Other Appropriations	41,587	-	41,587
<b>Total Justice and Other Expenditures</b>	<u>892,628</u>	<u>93,889</u>	<u>986,517</u>
<b>Debt Servicing Costs</b>	<u>230,000</u>	<u>642,133</u>	<u>872,133</u>
<b>Total Expenditure Estimate</b>	<u>12,339,124</u>	<u>2,797,748</u>	<u>15,136,872</u>
<b>Subtract: Total Revenue Estimate (Schedule 1)</b>	<u>11,944,681</u>	<u>2,685,118</u>	<u>14,629,799</u>
In-Year Adjustments/Lapse	(70,000)	(80,000)	(150,000)
<b>NET INCOME (LOSS)</b>	<u>(324,443)</u>	<u>(32,630)</u>	<u>(357,073)</u>

NOTE: In-Year Adjustments/Lapse could be an increase in revenue and/or decrease in expenditures.

The revenue and expenditure of OREs are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles different than core government. In those cases, data for the closest fiscal year-end date to core government's own year-end date are used.

## ■ FREQUENTLY ASKED QUESTIONS

**Q1** What is a Summary Budget?

**A** A Summary Budget is a comprehensive picture of core government expenditure and revenue together with high-level projections for the operations of Crown organizations, GBEs and public sector organizations such as regional health authorities, school divisions, universities and colleges.

It is called a Summary Budget because the revenue and expenditure of general program and departmental operations of the government – the services of government usually associated with the Legislature – and the additional functions that are indirectly controlled by the provincial government, such as public schools and universities, are consolidated.

For example, public school expenditures paid for by school division property taxes and provincial support payments are shown together in one sum. This approach allows taxpayers to see the total cost of providing public school services.

**Q2** How can I tell how much the government raises as revenue and plans to spend on core government programs and services?

**A** Details of core government expenditure and revenue are presented in the Estimates of Expenditure and Revenue tabled in the Legislature. The Summary Budget and the Estimates both contain reconciliation schedules (Schedule 1 for Revenue, Schedule 2 for Expenditure), to help the reader move between the Summary Budget and the Estimates.

**Q3** What entities are included in the Summary Budget and where can I get more information about their plans?

**A** A listing of all the entities in the GRE is included in the Summary Budget as Appendix 3. The Summary Budget combines the Estimates of Expenditure and Revenue for core government with high-level projections for other reporting entities. Questions about financial information of OREs should be directed to the appropriate entity.

**Q4** As Manitoba's Budget is presented for the GRE, will the government use the revenues of OREs to pay for core government operations?

**A** A Summary Budget does not change the way in which core government operations are funded. Under the Summary Budget, only revenues from those Crown entities that have traditionally been used to support government programs and services (Manitoba Liquor and Lotteries Corporation and the Special Operating Agencies established by government) will continue to be used to support core government operations.

**Q5** If the government is not controlling the OREs directly, why does the government combine their revenue and expenses with its own in the Summary Budget?

**A** The Manitoba government acted on the recommendations of the Office of the Auditor General for Manitoba. Generally Accepted Accounting Principles (GAAP) and the Public Sector Accounting Board (PSAB) standards for senior Canadian governments require all governments to prepare their annual financial statements on this basis.

**Q6** How do core government and summary expenses differ?

**A** Core government expenses reflect the departmental expenditure estimates of the Manitoba government that are presented and approved by the Legislative Assembly. These expenditures include grants to OREs. The summary expenditures include incremental expenses of OREs that are financed from sources other than core government. The summary total reflects the total cost of the service provided, under the various sectors, that are financed by core government and the OREs.

**Q7** How does the Summary Budget treat pension liabilities?

**A** The pension liability is recorded in full in the Summary Financial Statements and therefore, changes in this liability are reflected in the Summary Budget. The pension expenses include amounts that are funded through the appropriations of core government as well as summary adjustments for actuarially determined increases in the value of the outstanding pension liability. Pension expenses related to TRAF are included in the Education sector.

**Q8** What is meant by Consolidation Impacts?

**A** Consolidation Impacts are adjustments needed to bring the revenue and expenditure of the OREs into the Summary Budget. They include adjustments needed to present the information on a consistent basis and to eliminate transactions between entities in the GRE, to avoid duplicating revenues and expenses in the summary result (ex. a government grant is counted as an expenditure of core government and is eliminated from the revenue of the ORE).

**Q9** What is Other Comprehensive Income (OCI) and how does it impact the government's summary results?

**A** OCI applies to certain OREs, and represents unrealized gains or losses in fair market value of financial instruments, such as investments held for sale or debt held in a foreign currency. Changes in OCI are based upon "mark-to-market" variances at year end and therefore, are a one-day snapshot of the change in value when compared to the same day in the previous year. Because OCI represents an unrealized gain or loss, it does not impact an ORE's annual operating results, and therefore, does not impact the government's Summary Net Income. However, OCI does impact the balance sheet and therefore, will impact the government's Net Debt and Net Debt to GDP.

When the underlying investments are sold, or when the foreign held debt is retired, OCI gains or losses are realized, which will correspondingly impact an ORE's net income and therefore the government's Summary Net Income.

## ■ GLOSSARY OF KEY TERMS

**Borrowings:** Borrowings are securities issued in the name of the government to capital markets investors. Securities include debentures, treasury bills, promissory notes, medium-term notes and Manitoba Savings Bonds.

**Consolidation Impacts:** The adjustments needed to bring the revenue and expenditure of the OREs into the Summary Budget, and to eliminate transactions between entities to avoid duplication of revenue and expense (ex. a government grant is counted as an expenditure of core government and is eliminated from the revenue of the ORE).

**Core Government:** A component of the GRE. Represents the operations of government, including the revenues directly under the government's control, and the programs and services delivered by government departments.

**Crown Organization:** An organization in the GRE that is wholly owned or established by the government, such as a Crown corporation (ex. Manitoba Agricultural Services Corporation).

**Debt Servicing Cost:** Interest and other expenses associated with provincial borrowings.

**Fair Market Value:** Represents the value obtainable for an asset, financial or non-financial, if disposed of on the open market.

**Federal Recoveries and Transfers:** Revenues that are either received or receivable from the federal government.

**Financial Assets:** Assets of the government such as cash, investments, loans and accounts receivable that could be readily converted to cash in order to pay the government's liabilities or finance its future operations.

**Generally Accepted Accounting Principles (GAAP):** Standard accounting practices and reporting guidelines as prescribed for the public sector.

**General Purpose Debt:** General program borrowings including any government securities that are not self-sustaining, or are not associated with the acquisition of capital assets.

**Government Business Enterprises (GBEs):** A Crown organization delegated with the financial and operating authority to carry on a business. It sells goods or services to individuals and organizations outside the GRE and can maintain its business on those revenues.

**Government Reporting Entity (GRE):** Includes core government and Crown organizations, GBEs and public sector organizations such as regional health authorities, school divisions, universities and colleges.

**Gross Domestic Product (GDP):** Represents the total market value of all final goods and services produced in the Manitoba economy.

**Guarantees:** In the normal course of business, the government may provide a guarantee to honour the repayment of debt or loans of an organization, primarily GBEs. Such a guarantee is provided on the Manitoba Hydro Savings Bonds.

**Infrastructure Assets:** A subset of tangible capital assets that are used by the general public, such as parks, highways and bridges.

**Net Debt to GDP Ratio:** The ratio of government net debt relative to the total market value of all final goods and services produced in the Manitoba economy. Net debt represents the total liabilities of the government less its financial assets. It is widely used by credit rating agencies and other analysts to evaluate the financial situation and trends of jurisdictions in regard to their relative credit worthiness.

**Net Financial Assets:** Assets of the government (such as cash, investments, loans and accounts receivable) less accounts payable, that could be readily converted to cash in order to pay the government's liabilities or finance its future operations.

**Non-Financial Assets:** Includes physical items such as tangible capital assets (ex. buildings and roads) and consumable goods such as inventories that are not normally converted to cash.

**Obligations:** Long-term, non-interest-bearing liabilities of the government, which may or may not carry specific repayment terms.

**Other Comprehensive Income (OCI):** OCI is an accounting recognition of unrealized gains and losses in fair market value of financial instruments, such as investments held as available for sale or trading or debt held in a foreign currency. Currently, OCI accounting standards apply only to OREs, except not-for-profit organizations. It is measured as the change in “mark-to-market” valuations, interest rates, or foreign exchange rates at year end and therefore, is a one-day snapshot of the change in value when compared to the same day in the previous year.

**Other Reporting Entities (OREs):** Entities in the GRE such as Crown organizations, GBEs and public sector organizations such as regional health authorities, school divisions, universities and colleges that are directly or indirectly controlled by the government, as prescribed by the PSAB – excludes core government.

**Pension Assets Fund:** Financial assets that are set aside to provide for the orderly retirement of the government’s pension obligations.

**Pension Liability:** Outstanding actuarially calculated pension liability of the government and participating Crown organizations. The expense includes amounts funded through the appropriations of core government as well as for the actuarially determined increases in the pension liability.

**Public Sector Accounting Board (PSAB):** A board established under the Chartered Professional Accountants of Canada responsible for setting accounting standards for the public sector based upon GAAP.

**Replacement Value of Assets:** Represents the cost of replacing capital assets at current values.

**Sinking Funds:** Funds that are readily convertible to cash and set aside to provide for the orderly retirement of borrowings as they become due.

**Summary Budget:** Includes revenue forecasts and expenditure estimates for core government as well as high-level projections for the entities directly or indirectly controlled by government, as prescribed by the PSAB.

**Summary Net Debt:** Represents the total liabilities of the GRE less its financial assets. This is the residual amount that will have to be paid or financed by future revenue.

**Tangible Capital Assets:** Assets with a useful life extending beyond one year which are acquired, constructed or developed and held for use, not for resale.



**Appendix 3:**  
ENTITIES INCLUDED IN SUMMARY BUDGET  
(GOVERNMENT REPORTING ENTITY)

## **HEALTH**

Manitoba Health  
Addictions Foundation of Manitoba  
CancerCare Manitoba  
Diagnostic Services of Manitoba Inc.  
Manitoba Health Services Insurance Plan  
Manitoba Hospital Capital Financing Authority  
Not-for-Profit Personal Care Homes  
Regional Health Authorities of Manitoba Inc.  
Regional Health Authorities (including controlled organizations)  
    Interlake-Eastern Regional Health Authority  
    Northern Regional Health Authority  
    Prairie Mountain Regional Health Authority  
    Southern Regional Health Authority  
    Winnipeg Regional Health Authority  
Rehabilitation Centre for Children, Inc.  
St. Amant Centre

## **EDUCATION**

Manitoba Education and Advanced Learning  
The Council on Post-Secondary Education  
Assiniboine Community College  
Brandon University  
Université de Saint-Boniface  
Red River College  
University College of the North  
University of Manitoba  
University of Winnipeg  
Manitoba Textbook Bureau  
Public Schools Finance Board  
Public School Divisions

## **FAMILY SERVICES**

Manitoba Children and Youth Opportunities  
Manitoba Family Services  
First Nations of Northern Manitoba Child and Family Services Authority  
First Nations of Southern Manitoba Child and Family Services Authority  
General Child and Family Services Authority  
Metis Child and Family Services Authority Inc.

## **COMMUNITY, ECONOMIC AND RESOURCE DEVELOPMENT**

### **Aboriginal and Northern Affairs**

Manitoba Aboriginal and Northern Affairs  
Communities Economic Development Fund

**Agriculture, Food and Rural Development**

Manitoba Agriculture, Food and Rural Development  
The Farm Machinery and Equipment Act Fund  
Food Development Centre  
Manitoba Agricultural Services Corporation  
Manitoba Horse Racing Commission  
The Veterinary Sciences Scholarship Fund

**Conservation and Water Stewardship**

Manitoba Conservation and Water Stewardship  
Green Manitoba Eco Solutions  
The Manitoba Habitat Heritage Corporation  
Manitoba Hazardous Waste Management Corporation  
Pineland Forest Nursery  
Waste Reduction and Recycling Support Fund

**Housing and Community Development**

Manitoba Housing and Community Development  
Co-operative Loans and Loans Guarantee Board  
The Co-operative Promotion Board  
The Manitoba Housing and Renewal Corporation  
Manitoba Community Services Council Inc.

**Infrastructure and Transportation**

Manitoba Infrastructure and Transportation  
Crown Lands and Property Agency  
Leaf Rapids Town Properties Ltd.  
Manitoba Floodway and East Side Road Authority  
Manitoba Trucking Productivity Improvement Fund  
Material Distribution Agency  
Vehicle and Equipment Management Agency

**Jobs and the Economy**

Manitoba Jobs and the Economy  
Entrepreneurship Manitoba  
Industrial Technology Centre  
Manitoba Development Corporation  
Manitoba Education, Research and Learning Information Networks  
Manitoba Health Research Council  
The Manitoba Opportunities Fund Ltd.  
Manitoba Trade and Investment Corporation  
Taking Charge! Inc.

### **Mineral Resources**

- Manitoba Mineral Resources
- The Abandonment Reserve Fund
- Liquor and Gaming Authority of Manitoba
- The Mining Community Reserve
- The Mining Rehabilitation Reserve Fund
- The Quarry Rehabilitation Reserve Fund

### **Municipal Government**

- Manitoba Municipal Government
- The Biodiesel Fund
- Community Revitalization Fund
- The Ethanol Fund
- Manitoba Water Services Board

### **JUSTICE AND OTHER EXPENDITURES**

#### **Legislative Assembly**

- Legislative Assembly

#### **Executive Council**

- Executive Council

#### **Civil Service Commission**

- Civil Service Commission

#### **Employee Pensions and Other Costs**

- Pension Assets Fund

#### **Finance**

- Manitoba Finance
- Crown Corporations Council
- Insurance Council of Manitoba
- Manitoba Financial Services Agency

#### **Justice**

- Manitoba Justice
- Helen Betty Osborne Memorial Foundation
- Legal Aid Manitoba
- Public Trustee of Manitoba
- Manitoba Law Reform Commission
- Victims Assistance Fund

#### **Labour and Immigration**

- Manitoba Labour and Immigration
- Office of the Fire Commissioner
- Workplace Safety and Health Public Education Fund

**Multiculturalism and Literacy**

Manitoba Multiculturalism and Literacy

**Tourism, Culture, Sport and Consumer Protection**

Manitoba Tourism, Culture, Heritage, Sport and Consumer Protection

Financial Literacy Fund

Funeral Board of Manitoba

Land Titles Assurance Fund

Le Centre culturel franco-manitobain

Manitoba Arts Council

Manitoba Centennial Centre Corporation

Manitoba Combative Sports Commission

Manitoba Film & Sound Recording Development Corporation

Sport Manitoba Inc.

Travel Manitoba

The Property Registry

Venture Manitoba Tours Ltd.

Vital Statistics Agency

**GOVERNMENT BUSINESS ENTERPRISES**

Deposit Guarantee Corporation of Manitoba

The Manitoba Hydro-Electric Board

Manitoba Liquor and Lotteries Corporation

Manitoba Public Insurance Corporation

Workers Compensation Board of Manitoba

**SPECIAL ACCOUNTS, not attached to Sector or Department**

Debt Retirement

Fiscal Stabilization

