



Budget Paper B

FINANCIAL REVIEW
AND STATISTICS

FINANCIAL REVIEW AND STATISTICS

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■ OVERVIEW

Responsible fiscal management has contributed to Manitoba's economic success. By keeping our fiscal house in order, we promote economic growth and investment, and create jobs. This allows us to make further investments in health care, education, and support to children and families.

This Budget reflects the priorities of Manitobans. During this year's Budget consultations, Manitobans told us to maintain fiscal responsibility, to continue to make health care the top priority for additional investment, and to keep taxes competitive.

This Budget responds to those priorities with a fifth consecutive balanced budget, and projects a surplus of \$21 million. It delivers:

- \$194 million more for health care;
- more resources for education and services for children, youth and families;
- further personal income tax and small business tax reductions; and
- a \$75 million payment to the Debt Retirement Fund.

All Manitobans will benefit from greater opportunities, more jobs and enhanced social programs.

During this year's Budget consultations, Manitobans told us to maintain fiscal responsibility, to continue to make health care the top priority for additional investment, and to keep taxes competitive.

Comparative Statement of Budgetary Revenue, Expenditure and Surplus

1999/2000 and 1998/99

	Budget 1999/2000	Budget Adjusted*	1999/2000 Change from 1998/99 Budget	
	(Millions of Dollars)		(Millions of Dollars)	%
Revenue				
Own-Source Revenue	4,320	4,058	262	6.4
Government of Canada	1,693	1,646	47	2.9
Total Revenue	6,013	5,704	309	5.4
Expenditure				
Program Expenditure	5,436	5,085	351	6.9
Debt Servicing Costs	481	515	(34)	(6.6)
Total Expenditure	5,917	5,600	317	5.7
	96	104	(8)	(7.7)
Debt Retirement Fund Allocation	75	150	(75)	(50.0)
Less: Transfer from Fiscal Stabilization Fund for Debt Retirement	-	75	(75)	(100.0)
	75	75	-	-
Budgetary Surplus Before Extraordinary Item	21	29	(8)	(27.6)
Extraordinary Item				
Flood Disaster Assistance and flood proofing	69	130	(61)	(46.9)
Less: Recoveries from other levels of government and Fiscal Stabilization Fund	69	130	(61)	(46.9)
	-	-	-	-
Budgetary Surplus	21	29	(8)	(27.6)

* As a result of the change in capital assets accounting policy, the 1998/99 Budget has been restated to provide comparability with the 1999/2000 Budget. Adjustments are as follows:

	Program Expenditure	Surplus
	(Millions of Dollars)	
1998/99 Budget	5,091	23
Net Adjustment for Change in Accounting policy	(6)	6
1998/99 Budget Adjusted	5,085	29

■ 1999/2000 BUDGET PLAN

Total Revenue

Total revenue is up \$309 million, or 5.4% from the 1998/99 Budget, excluding transfers from the Fiscal Stabilization Fund related to the 1997 flood.

Own-Source Revenue

After accounting for the tax reductions announced in the 1999 Manitoba Budget, own-source revenue in 1999/2000 is forecast to be \$262 million, or 6.4% higher than the 1998/99 Budget.

Total income tax revenue in 1999/2000 is expected to be 8.4% above the 1998/99 Budget estimate. In part, the increase reflects the ongoing impact of the 1997 flood. Because of the flood, the federal and provincial governments permitted late filing of 1996 income tax returns. These late returns boosted Manitoba personal income tax in 1998/99, but equalization payments were correspondingly lower. These changes were offsetting, and the overall revenue was not affected.

The current federal personal income tax and equalization payments for the 1998 and 1999 taxation years are based on Manitoba's share of basic federal tax for 1997, and may also be influenced by the flood-delayed returns. However, any resulting reduction to 1999/2000 personal income tax revenue would be offset by an equivalent increase in equalization entitlements, and again, overall revenue would not be affected.

Revenue from other taxes and levies is projected to increase 4.9%. Strong growth in the retail sales tax is largely responsible for the increase.

A total of \$184.7 million will be drawn from the Fiscal Stabilization Fund, including allocations for social program funding, capital initiatives, costs associated with the 1997 flood, and Agricultural Income Disaster Assistance.

Reflecting the priorities of Manitobans, this Budget increases funding for health care, education, and children and families.

Transfers from the Government of Canada

Total transfers from the federal government are projected to be \$1.7 billion in 1999/2000. This is an increase of 2.9% after the one-time \$131 million federal health supplement.

Program Expenditure

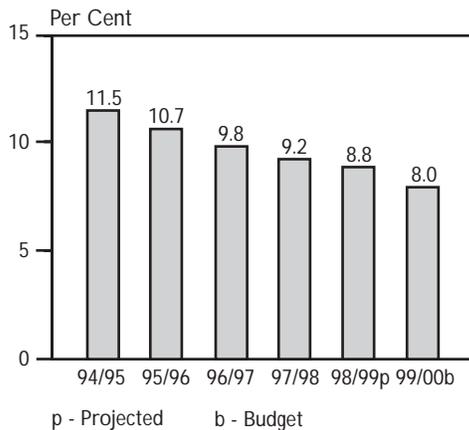
Reflecting the priorities of Manitobans, this Budget increases funding for health care, education, and children and families. Program expenditure is budgeted to increase 6.9% in 1999/2000, to \$5.5 billion. A significant increase in funding for health care of \$194 million, or 10.1% is budgeted, along with increasing support to education, children and families.

In total, 81% of additional program spending will be directed to the priority program areas of health care, education, and support to families.

As announced last year, the Province of Manitoba's accounting policy for tangible capital assets changed effective April 1, 1999, in accordance with new Canadian Institute of Chartered Accountants (CICA) standards which require that the expenditure on tangible assets be amortized "on an expense basis" over the useful life of the asset. The new accounting policy will result in an annual amortization charge for assets acquired before April 1, 1999, that have a remaining useful life, as well as amortization for all new capital investments.

The 1999/2000 Estimates are based on this new accounting policy, and include amortization charges as part of program expenditure. In order to make year-over-year comparisons meaningful, the 1998/99 Estimates figures and the Comparative Statement of Budgetary Revenue, Expenditure and Surplus have been restated to reflect this change in accounting policy.

Debt Servicing Costs as a Per Cent of Revenue



Public Debt Costs

Public debt costs are projected to decline 6.6% in 1999/2000, from \$515 million in the 1998 Budget to \$481 million. Public debt costs are projected to be \$34 million lower in 1999/2000 due to lower interest rates, the application of the Debt Retirement Fund balance to repay \$305 million in maturing debt, and increased debt guarantee income. These factors are partially offset by higher costs due to the weakening of the Canadian dollar. Manitoba's annual debt servicing costs are now \$116 million, or 19% lower than 1994/95.

With the accumulated proceeds from Manitoba's Debt Retirement Fund, \$305 million of debt was repaid in April 1999.

Debt Retirement

In 1999/2000, \$75 million is allocated to the Debt Retirement Fund. In 1998/99, Manitoba contributed \$150 million to the Fund, double what was required under the mandatory debt retirement schedule. The accumulated balance in Manitoba's Debt Retirement Fund was used to repay \$305 million of debt in April 1999.

Budgetary Surplus

The 1999 Manitoba Budget projects a budgetary surplus of \$21 million. This is Manitoba's fifth consecutive balanced budget.

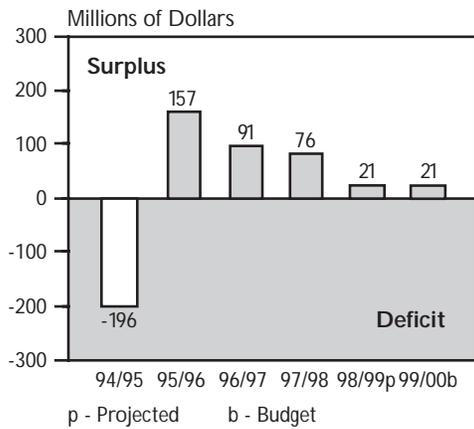
MANITOBA CREDIT RATINGS

Manitoba's strong fiscal and economic performance has been recognized by several credit rating agencies in recent years. In 1998, Standard and Poor's boosted Manitoba's credit rating to AA-. Moody's Investors Services raised Manitoba's credit rating to Aa3. The Canadian Bond Rating Service upgraded Manitoba's credit outlook to "positive" from "stable" last year, after boosting Manitoba's credit rating to A+ in 1997.

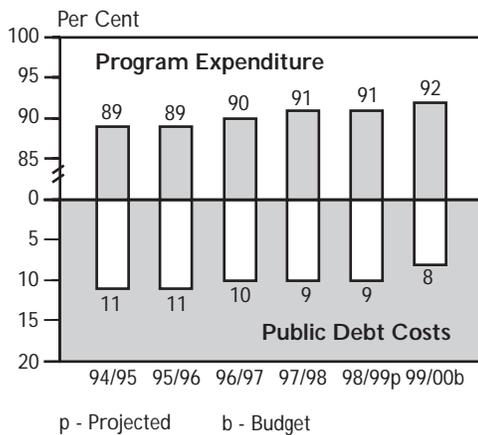
Manitoba's Current Credit Ratings

Standard & Poor's upgraded 1998	AA-
Moody's upgraded 1998	Aa3
Canadian Bond Rating Service upgraded 1997	A+
Dominion Bond Rating Service	A

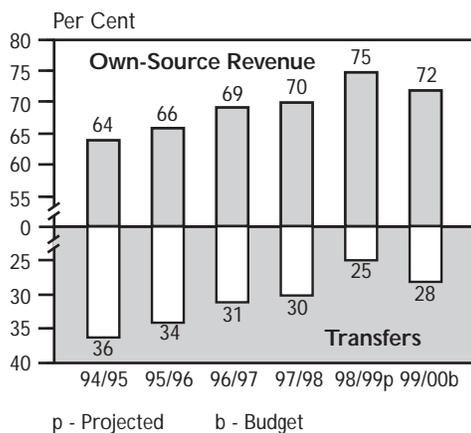
Budgetary Surplus/Deficit



Program Expenditure and Public Debt Costs as a Per Cent of Total Expenditure



Own-Source Revenue and Federal Transfers as a Per Cent of Total Revenue



BUDGETARY COMPARISONS

The Budgetary Surplus: Manitoba's balanced budget legislation ensures fiscal responsibility. This is our fifth consecutive balanced budget, and it projects a \$21 million surplus in 1999/2000.

Program Expenditure and Public Debt: Public debt costs continue to decline as a proportion of the provincial Budget. Factors such as lower interest rates, effective debt and investment management, and consecutive balanced budgets have resulted in a decline in annual public debt servicing costs of \$116 million since 1994/95.

Sources of Revenue: Own-source revenue increased 6.4% over the 1998/99 Budget, while federal transfers increased 2.9%. Over the last five years, federal transfers as a share of total revenue have declined from 36% to just 28% in 1999/2000.

In 1998/99 own-source revenue was affected by significant positive adjustments related to the 1997 flood. This boosted the 1998/99 share of own-source revenue relative to total revenue. Since these adjustments do not apply in 1999/2000, the own-source revenue returns to the long-term trend.

■ 1999 FEDERAL BUDGET

The 1999 Federal Budget included a number of initiatives which affect Manitoba's fiscal position. Both the renewal of the Equalization program and the federal tax measures reduce Manitoba's projected revenue for 1999/2000 and beyond.

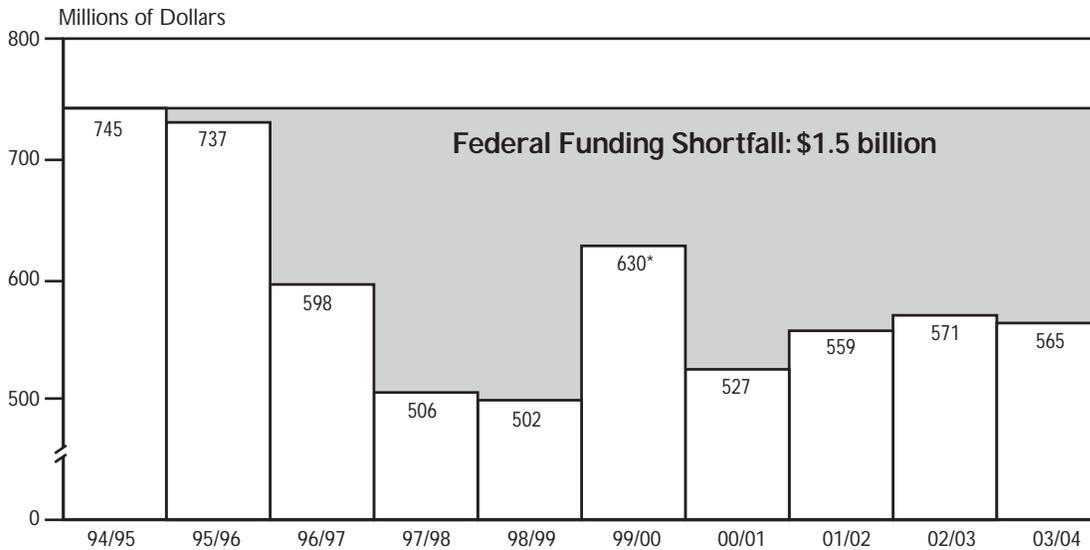
The federal Budget announced a plan to restore partially the funding that was cut from the Canada Health and Social Transfer (CHST) between 1994/95 and 1998/99. Beginning in 2000/01, the CHST will increase over three years from \$12.5 billion to \$15 billion nationally. In 1999/2000, Manitoba will receive \$499 million in CHST payments.

Throughout 1998, the federal government assured Canadians that it was preparing a health care budget for 1999. Acting on these assurances, our Government accelerated plans to invest more in health care services. In 1998/99, we devoted an additional \$110 million to our health care system. In 1999/2000, we are adding a further \$194 million over last year's budget. To support

Effect of the 1999 Federal Budget on Manitoba

	1999/ 2000	2000/ 2001
(Millions of Dollars)		
New CHST cash	0	28
Equalization	-7	-15
Federal tax changes	-19	-31
Subtotal	-26	-18
Federal health supplement	131	-
Total impact	<u>105</u>	<u>-18</u>

Canada Health and Social Transfer Cash Entitlements to Manitoba



* 1999/2000 reflects the one-time \$3.5 billion Federal Health Supplement, of which Manitoba's share is \$131 million.

Manitoba Health Care Funding Increases Since the 1998 Budget

(Millions of Dollars)

	1998 Budget	1998/99 Projected	1999 Budget	Total Health Care Increase
Total Health Care Expenditure	1,925	2,035	2,119	-
Additional Health Care funding since 1998 Budget	-	110	194	304

this increase, we are drawing our \$131 million share of the one-time \$3.5 billion health supplement announced in the 1999 federal budget.

The federal government recently renewed the legislation for the Equalization Program from April 1, 1999 to March 31, 2004. As a result of technical changes to the Equalization formula, Manitoba's annual entitlements will drop by \$37 million once fully implemented. The effects of the reduction will be phased in over the next five years.

■ THE MEDIUM-TERM FISCAL PLAN

The Medium-Term Plan charts the course of our Government over the next four years.

- It extends the string of consecutive balanced budgets to eight.
- It provides resources to continue paying down Manitoba's debt.
- It continues support for priority social programs.

Over the medium term, revenues from sources other than those related to the flood and the one-time federal health supplement, grow at an average annual rate of 2.6% from 1999/2000 – a rate consistent with the Conference Board of Canada's forecasts for the Canadian and Manitoba economies.

Medium-Term Fiscal Plan

	1999/2000	2000/01	2001/02	2002/03
	(Millions of Dollars)			
Revenue	5,882	6,040	6,154	6,362
Federal Health Supplement	131	-	-	-
1997 Flood Related Revenue	69	49	-	-
Total Revenue	6,082	6,089	6,154	6,362
Program Expenditure	5,436	5,454	5,517	5,583
1997 Flood Related Expenditure	69	49	-	-
Public Debt Costs	481	480	479	478
Total Expenditure	5,986	5,983	5,996	6,061
Debt Retirement Fund Deposit	75	96	96	96
Budgetary Surplus	21	10	62	205

The Conference Board's forecast of March 1999 reflects a sustained, moderate, real GDP growth path for the Manitoba economy. In the forecast, real GDP growth is expected to average slightly below national growth over the next three years.

Apart from one-time initiatives, underlying program expenditures are targeted to grow at an annual average rate of 1.2% after 1999/2000. This rate reflects increased efficiencies in the delivery of public services.

Debt costs are projected to decline modestly over the medium term, reaching \$478 million per year by 2002/03, down from \$481 million in 1999/2000.

Debt reduction remains a cornerstone of the Medium-Term Plan. Beginning in 2000/01, the annual commitment to debt retirement will increase to \$96 million per year as reflected by the balanced budget legislation. The Plan targets surpluses over the medium term.

Economic Growth Assumptions for Manitoba's Medium-Term Fiscal Plan

	2000/01- 2002/03
	(Average Annual Percentage Change)
Manitoba GDP	
Nominal	4.1
Real	2.4

■ MANITOBA'S SAVINGS ACCOUNT – THE FISCAL STABILIZATION FUND

Last year our Government withdrew \$222.4 million from the Fund. The allocation was used to double the payment toward debt retirement to \$150 million, to cover the Province's share of costs for the flood proofing program, to deliver special capital initiatives, and to improve health care services, education, and support to families.

In 1998/99, interest earnings on the Fund will be \$16.8 million. The projected 1998/99 budgetary surplus of \$20.7 million will be deposited into the Fund.

Fiscal Stabilization Fund Statement of Revenue and Expenditure and Fund Balance

Projection as at March 31, 2000
(with comparative figures projected for March 31, 1999)
(Unaudited)

	<u>1999/2000</u>	<u>1998/99*</u>
	(Millions of Dollars)	
Fund Balance, beginning of year	380.1	565.0
Revenue		
Budgetary Surplus	21.4	20.7
Interest Earnings	9.3	16.8
	<u>30.7</u>	<u>37.5</u>
Expenditure		
Allocation in Support of Social Programs	75.0	60.0
Capital Initiatives	55.0	50.0
Flood Costs	37.2	36.4
Agricultural Income Disaster Assistance	12.0	-
Millennium Projects	4.0	-
Economic Innovation and Technology Fund Transfer	1.5	1.0
Accelerated Debt Retirement	-	75.0
	<u>184.7</u>	<u>222.4</u>
Fund Balance, end of year	<u><u>226.1</u></u>	<u><u>380.1</u></u>

* Third Quarter projection for 1998/99.

The 1999/2000 withdrawals from the Fund will be \$184.7 million. This includes:

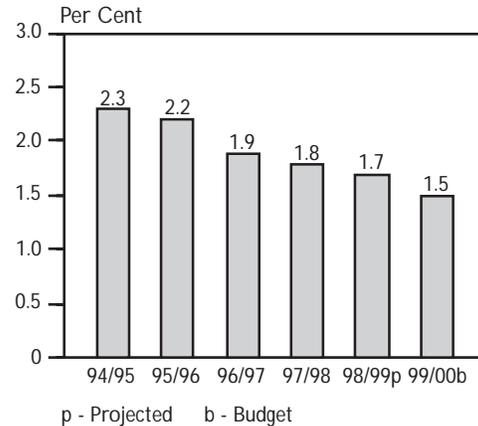
- a \$75 million allocation in support of social programs;
- \$55 million to fund capital initiatives;
- \$37.2 million for flood related costs;
- \$12 million for agricultural income disaster assistance; and
- \$4 million for millennium projects.

The 1999/2000 estimated surplus of \$21.4 million will also be deposited into the Fund, along with the anticipated \$9.3 million in interest earnings. The projected balance of the Fund at March 31, 2000, is \$226.1 million.

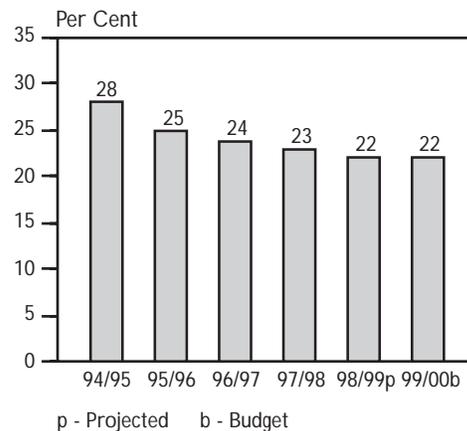
■ THE DEBT RETIREMENT FUND

The 1999 Budget provides a \$75 million deposit to the Debt Retirement Fund. *The Balanced Budget, Debt Repayment and Taxpayer Protection Act* sets out a 30-year plan to eliminate Manitoba's general purpose debt. This year's payment, combined with money already set aside in the Debt Retirement Fund, was used in April 1999 to repay \$305 million of Manitoba's maturing debt.

Debt Servicing Costs as a Per Cent of GDP



Net General Purpose Debt as a Per Cent of GDP

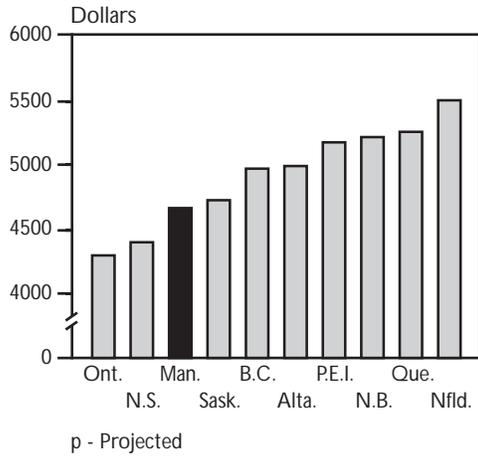


Debt Retirement Fund

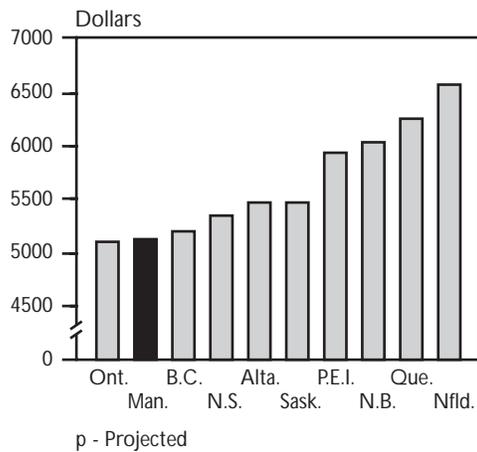
Projections as at March 31, 2000, and March 31, 1999
(Unaudited)

	1999/2000	1998/99
	(Millions of Dollars)	
Fund Balance, Beginning of Year	230.1	76.3
Deposits	75.0	150.0
Interest Earnings	-	3.8
Withdrawals	(305.1)	-
Fund Balance, End of Year	0	230.1

Provincial Per Capita Program Expenditures, 1998/99(p)



Provincial Per Capita Total Expenditure, 1998/99(p)



■ MANITOBA'S RELATIVE POSITION AMONG PROVINCES

Manitoba is a leader among provincial governments in maintaining a strong fiscal position. This fact has been acknowledged both by the financial industry and by credit rating agencies. In 1998, Moody's Investors Services and Standard and Poor's recognized Manitoba's fiscal successes, as both agencies boosted Manitoba's credit ratings. The Canadian Bond Rating Service upgraded Manitoba's rating in 1997 and changed the Manitoba credit outlook to "positive" from "stable" in 1998.

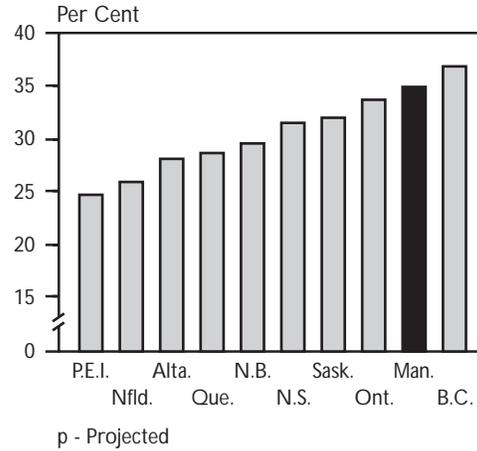
Carefully managed spending and a diversified and growing economy have helped Manitoba achieve a string of budgetary surpluses. The 1999 Budget projects a fifth consecutive budgetary surplus, while at the same time continuing to reduce taxes and making a payment to the Debt Retirement Fund.

Manitoba continues to have one of the most efficient and cost-effective governments in Canada. Per capita program expenditures are the third-lowest among the provinces, and Manitoba's per capita total expenditure is second-lowest among the provinces.

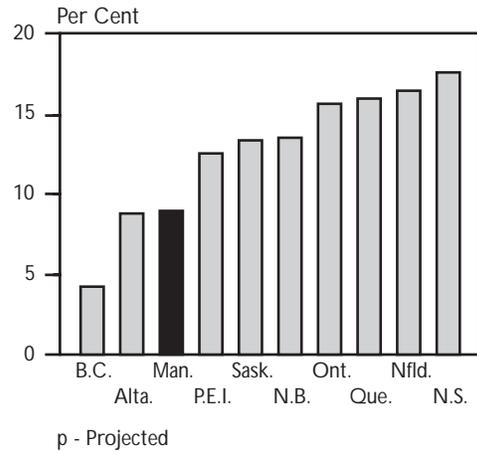
Manitobans understand that prudent fiscal management is required in order to sustain vital programs now and into the future. The priority programs of health care, education, and support to families account for two-thirds of the Province's total expenditure. Health care remains the top program priority. In 1998/99, Manitoba devoted about 35% of total spending to health care, the second-highest share among the provinces.

Ongoing efforts to control debt, and the benefits of lower interest rates have contributed to lower debt servicing costs. In 1998/99, debt costs as a per cent of expenditure were the third-lowest in Canada. Manitoba's annual debt servicing costs have declined significantly over the past several years. In 1999/2000, annual debt servicing costs will be \$116 million lower than just five years ago, a decline of 19% or \$100 per capita.

Health Expenditures as Per Cent of Total Expenditure, 1998/99(p)



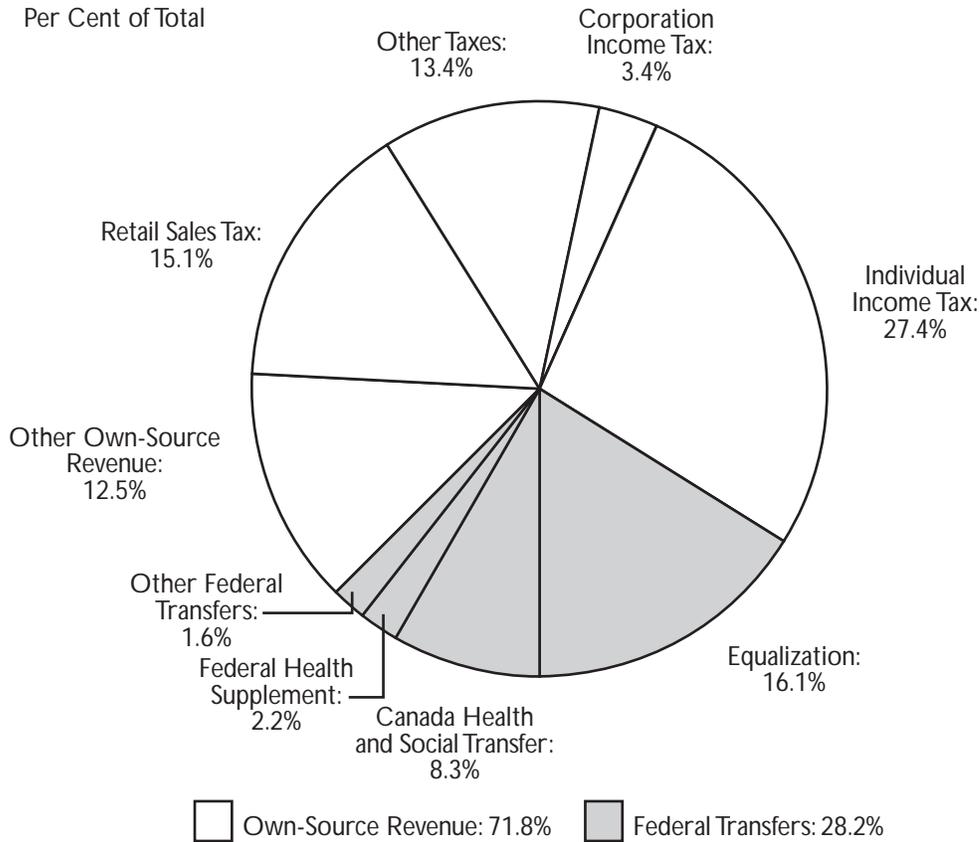
Debt Servicing Costs as Per Cent of Total Expenditure, 1998/99 (p)



Provincial Revenue, 1999/2000

Major Sources

Per Cent of Total



Revenue by Source

1999/2000 and 1998/99

	1999/2000 Budget	1998/99 Budget	Change, 1999/2000 from 1998/99 Budget
	(Millions of Dollars)		(Millions of Dollars)
Own-Source Revenue	4,320	4,058	262
Government of Canada	1,693	1,646	47
Total Before Extraordinary Revenue	6,013	5,704	309
Extraordinary Revenue	69	205	(136)
Total Revenue	6,082	5,909	173

Revenue Estimates

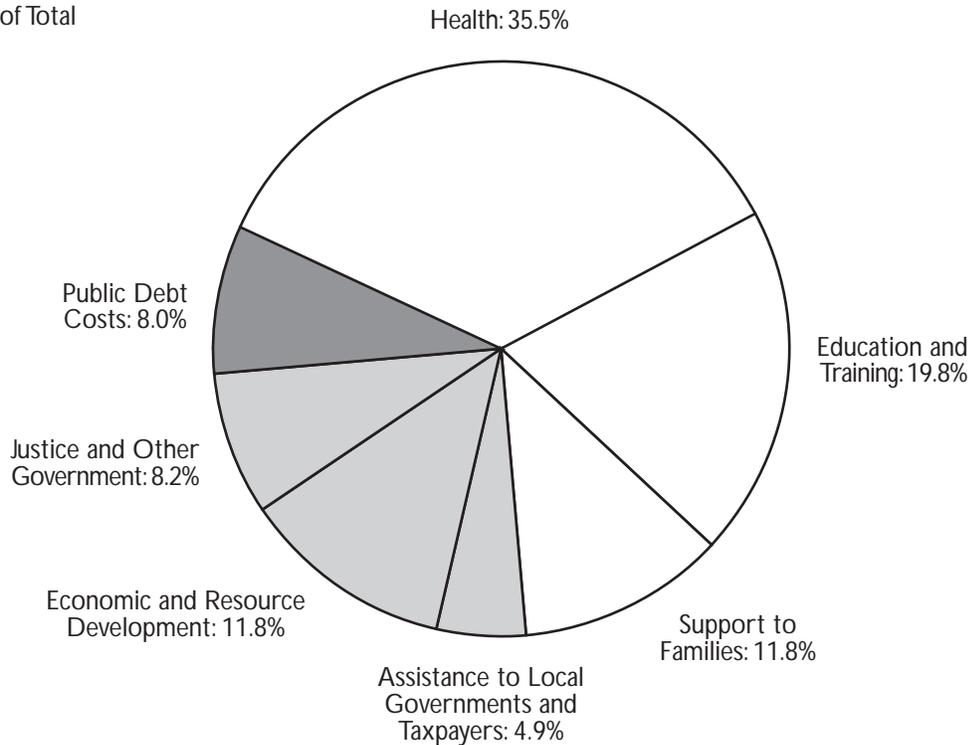
(Thousands of Dollars)

	1999/2000 Estimate	1998/99 Budget	Per Cent of Total 1999/2000 Revenue
■ Own-Source Revenue			
Income Taxes			
• Corporation Income Tax	\$ 205,000.0	\$ 228,200.0	
• Individual Income Tax	1,646,300.0	1,480,200.0	
Subtotal	\$ 1,851,300.0	\$ 1,708,400.0	30.8
Taxes, Levies and Collections			
• Land Transfer Tax	\$ 12,000.0	\$ 12,000.0	
• Corporation Capital Tax	126,000.0	114,200.0	
• Gasoline Tax	157,000.0	155,000.0	
• Insurance Corporations Tax	38,700.0	38,700.0	
• Levy for Health and Education	230,000.0	225,400.0	
• Mining Tax	3,200.0	10,000.0	
• Motive Fuel Tax	66,700.0	66,300.0	
• Oil and Natural Gas Tax	2,952.2	3,570.0	
• Retail Sales Tax	909,900.0	846,100.0	
• Revenue Act, 1964, Part 1	55,000.0	53,000.0	
• Tobacco Tax	113,000.0	110,000.0	
• Environmental Protection Tax	3,000.0	3,000.0	
• Other Taxes	112.0	112.0	
Subtotal	\$ 1,717,564.2	\$ 1,637,382.0	28.5
Fees and Other Revenue			
• Fines and Costs; and Other Legal	\$ 17,241.9	\$ 17,272.3	
• Minerals and Petroleum; and Other Energy and Mines	5,338.4	5,778.2	
• Automobile and Motor Carrier Licences and Fees	53,587.8	51,087.8	
• Drivers' Licences	12,315.8	12,315.8	
• Water Power Rentals	50,000.0	52,000.0	
• Parks; Forestry; Fisheries; and Other Natural Resources	25,345.3	25,215.1	
• All Other Manitoba Collections	62,168.0	53,901.1	
Subtotal	\$ 225,997.2	\$ 217,570.3	3.8
Crown Corporations / Entities			
• Manitoba Lotteries Corporation	\$ 219,000.0	\$ 227,000.0	
• Liquor Control Commission	152,000.0	150,000.0	
• Other	8,140.0	8,000.0	
Subtotal	\$ 379,140.0	\$ 385,000.0	6.3
Allocations from Fiscal Stabilization Fund			
• Agricultural Income Disaster Assistance	\$ 12,000.0	\$ -	
• Capital Initiatives	55,000.0	50,000.0	
• Millennium Fund	4,000.0	-	
• Support of Social Programs	75,000.0	60,000.0	
Subtotal	\$ 146,000.0	\$ 110,000.0	2.4
Total Own-Source Revenue	\$ 4,320,001.4	\$ 4,058,352.3	71.8
■ Federal Transfers			
• Equalization	\$ 970,000.0	\$ 1,061,000.0	
• Canada Health and Social Transfer	499,200.0	498,000.0	
• Federal Health Supplement	131,000.0	-	
• Other Transfers	93,155.5	87,222.2	
Total Federal Transfers	\$ 1,693,355.5	\$ 1,646,222.2	28.2
Total Revenue Before Extraordinary	\$ 6,013,356.9	\$ 5,704,574.5	100.0
■ Extraordinary Revenue			
• Debt Retirement	\$ -	\$ 75,000.0	
• 1997 Flood Related Revenue			
Recoveries from Canada and Other Sources	31,604.0	88,200.0	
Allocation from Fiscal Stabilization Fund	37,202.0	41,400.0	
Subtotal, 1997 Flood Related Revenue	\$ 68,806.0	\$ 129,600.0	
Total	\$ 68,806.0	\$ 204,600.0	
Total Budgetary Revenue	\$ 6,082,162.9	\$ 5,909,174.5	

Provincial Operating Expenditure, 1999/2000

Major Categories

Per Cent of Total



Program Expenditure Estimates, 1999/2000 and 1998/99

	1999/2000 Budget	1998/99 Budget Adjusted*	Change, 1999/2000 from 1998/99 Budget Adjusted
	(Millions of Dollars)		(Millions of Dollars)
Health	2,119	1,925	194
Education and Training	1,179	1,130	49
Support To Families	708	668	40
Assistance to Local Governments and Taxpayers	290	311	(21)
Economic and Resource Development	707	667	40
Justice and Other Government	493	444	49
	5,496	5,145	351
Extraordinary Expenditure	69	130	(61)
Expenditure Estimates	5,565	5,275	290

* Adjusted to reflect impact of new capital asset accounting policy.

Operating Expenditure Estimates

(Thousands of Dollars)

	1999/2000 Estimate	1998/99 Budget Adjusted*	Per Cent of Total 1999/2000 Expenditure
■ Health	\$ 2,119,306.4	\$ 1,925,307.1	35.5
■ Education and Training	\$ 1,179,022.8	\$ 1,129,986.3	19.8
■ Support to Families			
• Family Services.....	\$ 701,719.8	\$ 665,144.3	
• Children and Youth Secretariat.....	6,110.8	2,864.2	
Total Support to Families	\$ 707,830.6	\$ 668,008.5	11.8
■ Assistance to Local Governments and Taxpayers			
• Rural Development	\$ 52,250.6	\$ 50,448.6	
• Urban Affairs.....	55,768.5	77,362.4	
• Net Tax Credit Payments.....	181,800.0	183,500.0	
Total Assistance to Local Gov'ts and Taxpayers	\$ 289,819.1	\$ 311,311.0	4.9
■ Economic and Resource Development			
• Agriculture.....	\$ 111,541.7	\$ 98,277.4	
• Energy and Mines.....	14,630.1	14,358.6	
• Environment.....	15,130.4	13,907.9	
• Highways and Transportation.....	238,749.3	232,809.5	
• Housing.....	44,997.2	43,509.2	
• Industry, Trade and Tourism	40,371.6	40,095.8	
• Natural Resources.....	103,234.3	97,759.2	
• Northern Affairs	19,239.6	17,552.0	
• Enabling Appropriations.....	26,953.4	21,419.8	
• Capital Initiatives.....	55,000.0	50,000.0	
• Other Appropriations.....	37,500.0	36,750.0	
Total Economic and Resource Development..	\$ 707,347.6	\$ 666,439.4	11.8
■ Justice and Other Government			
• Legislative Assembly.....	\$ 26,251.3	\$ 19,296.8	
• Executive Council	3,460.0	3,280.7	
• Civil Service Commission	4,478.6	4,258.0	
• Community Support Programs.....	6,317.6	6,254.6	
• Consumer and Corporate Affairs.....	9,328.9	10,491.3	
• Culture, Heritage and Citizenship	58,336.7	51,750.4	
• Employee Benefits and Other Payments	50,753.9	46,650.0	
• Finance - Departmental Programs	35,922.8	30,745.4	
• Government Services	53,661.7	44,553.0	
• Justice.....	205,192.9	181,692.7	
• Labour	14,057.8	13,133.3	
• Seniors Directorate.....	929.0	695.5	
• Sport	10,556.8	15,349.7	
• Status of Women.....	1,202.3	923.8	
• Enabling Appropriations.....	1,500.0	1,500.0	
• Other Appropriations.....	10,902.1	13,475.0	
Total Justice and Other Government	\$ 492,852.4	\$ 444,050.2	8.2
■ Total Program Expenditures	\$ 5,496,178.9	\$ 5,145,102.5	92.0
■ Public Debt Costs	\$ 480,800.0	\$ 515,000.0	8.0
■ Total Expenditure Before Extraordinary	\$ 5,976,978.9	\$ 5,660,102.5	100.0
■ Extraordinary Expenditure			
1997 Flood Related Expenditure.....	\$ 68,806.0	\$ 129,600.0	
■ Total Expenditure Estimates	\$ 6,045,784.9	\$ 5,789,702.5	
■ Less: Year-End Lapse	(60,000.0)	(60,000.0)	
■ Total Budgetary Expenditure	\$ 5,985,784.9	\$ 5,729,702.5	

* Adjusted to reflect impact of new capital asset accounting policy.

■ CAPITAL INVESTMENT

As announced last year, the Province of Manitoba's accounting policy for tangible capital assets changed effective April 1, 1999, in accordance with new Canadian Institute of Chartered Accountants (CICA) standards which require that the expenditure on tangible assets be amortized "on an expense basis" over the useful life of the asset. In past years, the government absorbed the cost of these assets in the fiscal year in which they were acquired, and costs increased and decreased in response to the overall capital program even though the asset was to be used many years after acquisition. The new accounting policy will result in an annual amortization charge for assets acquired before April 1, 1999, that have a remaining useful life, as well as amortization for all new capital investments. This accounting policy will also result in authority for capital investments being requested separately from traditional expenditure authority.

The 1999/2000 Estimates are based on this new accounting policy, and include amortization charges as part of program expenditures. In order to make year-over-year comparisons meaningful, the 1998/99 Estimates figures have been restated to reflect this change in accounting policy.

With the change in accounting policy for tangible capital assets, the government's spending on capital assets to be used for future program purposes will now be authorized in Part B of the Estimates of Expenditure and recorded as a Capital Investment. For multi-year projects, this authority represents only the annual cost required to acquire the completed portion of the assets.

The following table outlines the authority required for 1999/2000 Capital Investments.

Capital Investment, 1999/2000

(Thousands of Dollars)

Better Systems – "Single Window" Initiative ¹	\$ 34,000
Government Services Construction and Renovation Projects	24,500
Health Information Network ¹	20,700
Desktop Management Initiative ¹	16,200
Better Methods – Integrated Financial and Human Resource Management Initiative ¹	6,700
Income Assistance System	8,710
Other Equipment and Buildings	2,447
	\$ 113,257

¹ This initiative was funded from the Government Information Systems Management Organization (Man.) Inc. in the 1997/98 and 1998/99 fiscal years. With the change in accounting policy, this entity will be wound down, and the annual amortization cost of these new major information technology systems will be included in departmental expenditure appropriations until the costs have been fully amortized.

■ CAPITAL GRANTS, INFRASTRUCTURE AND CAPITAL INVESTMENT

Spending for capital purposes continues to be a priority for government. With the change in accounting policy, total spending for capital purposes is comprised of spending on capital grants and infrastructure from Part A of the Estimates of Expenditure, and Capital Investment spending from Part B of the Estimates of Expenditure.

Total spending for capital purposes in 1999/2000 is outlined in the following chart.

Capital Grants, Infrastructure and Capital Investment, 1999/2000

(Thousands of Dollars)

Capital Grants (Part A)	\$ 245,340
Infrastructure (Part A)	149,271
Capital Investment (Part B)	<u>113,257</u>
	<u>\$ 507,868</u>

Incremental Capital Authority Requirements for Non-Budgetary Programs, 1999/2000

(Thousands of Dollars)

The Loan Act, 1999

The Manitoba Hydro-Electric Board	\$ 876,400
The Manitoba Agricultural Credit Corporation	165,000
Business Support	
Manitoba Industrial Opportunities Program	16,800
Renaissance Capital Fund	3,000
Communities Economic Development Fund	10,700
The Manitoba Water Services Board	10,000
Canada-Manitoba Economic Development Partnership Agreement	6,000
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency	1,000
	<u>\$ 1,088,900</u>

Schedule of Existing Capital Authority to Lapse, 1999 /2000

(Thousands of Dollars)

Manitoba Development Corporation	<u>\$ 2,000</u>
----------------------------------------	-----------------

Non-Budgetary Capital Program, 1999/2000

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	\$ 859,000
The Manitoba Agricultural Credit Corporation	119,400
The Manitoba Water Services Board	27,681
Business Support	
Manitoba Industrial Opportunities Program	27,418
Manitoba Science and Technology Fund	5,000
Vision Capital	3,526
Renaissance Capital Fund	3,000
Communities Economic Development Fund	10,400
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency	8,047
Canada-Manitoba Economic Development Partnership Agreement	6,000
Miscellaneous Corporations, Agencies and Other Programs	17,007
	<u>\$ 1,086,479</u>

■ BORROWING REQUIREMENTS

Manitoba's borrowing requirements for both general and self-sustaining purposes, including Guaranteed Debt of Crown Corporations, will total \$2,356.1 million. A total of \$1,013.1 million is required for the refunding of general purpose and self-sustaining debt. The remainder is for sinking funds, capital investments and self-sustaining program requirements, including Manitoba Hydro. Incremental capital authority to be provided by The Loan Act, 1999 will be \$1,088.9 million. The debt guarantee fee has been adjusted to 0.65% for Manitoba Hydro and 0.25% for other Crown corporations to better reflect the value of provincial borrowing for these entities.

Estimated Borrowing Requirements

(Thousands of Dollars)

	Estimated Unfunded Requirements as at March 31/99	Refunding 1999/2000	New Cash Requirements 1999/2000	Estimated Repayments of Loans & Advances 1999/2000	Borrowing Requirements 1999/2000
General Government Programs:					
Sinking Fund	-	-	200,000	-	200,000
Capital Investment	-	-	113,257	-	113,257
Refunding	24,033	582,978	-	-	607,011
Self-Sustaining Programs:					
Refunding	-	208,850	-	-	208,850
Manitoba Hydro					
Cash Requirements	185,700	-	690,700	-	876,400
Refunding	-	197,215	-	-	197,215
Manitoba Agricultural Credit Corporation	-	-	165,000	40,000	125,000
Business Support Programs	-	-	19,800	4,000	15,800
Manitoba Water Services Board	-	-	10,000	400	9,600
Canada-Manitoba Economic Development Partnership Agreement	-	-	6,000	-	6,000
Miscellaneous	-	-	11,700	14,700	(3,000)
	<u>209,733</u>	<u>989,043</u>	<u>1,216,457</u>	<u>59,100</u>	<u>2,356,133</u>

Province of Manitoba Statement of Valuation and Purpose of Direct and Guaranteed Debt Outstanding

(Thousands of Dollars) *Unaudited*

As at March 31, 1999 (with comparative figures for March 31, 1998)

Canadian Dollar Equivalent at Date of Issue March 31/99	Canadian Dollar Equivalent at Date of Issue March 31/98	Increase (Decrease) March 31/99 over March 31/98		Canadian Dollar Valuation (Note 1) March 31/99	Canadian Dollar Valuation (Note 1) March 31/98	Increase (Decrease) March 31/99 over March 31/98
			Direct Debt Payable in:			
10,203,163	8,575,028	1,628,135	Canadian Dollars	10,175,362	8,575,028	1,600,334
1,994,764	2,654,435	(659,671)	Foreign Issues Swapped to Canadian Dollars	2,045,427	2,746,411	(700,984)
4,308,044	4,074,490	233,554	U.S. Dollars	5,517,267	4,895,424	621,843
740,294	1,271,824	(531,530)	Foreign Issues Swapped to U.S. Dollars	880,384	1,363,002	(482,618)
<u>17,246,265</u>	<u>16,575,777</u>	<u>670,488</u>	Total Direct Debt	<u>18,618,440</u>	<u>17,579,865</u>	<u>1,038,575</u>
			Guaranteed Debt Payable in:			
476,766	507,565	(30,799)	Canadian Dollars	476,766	507,565	(30,799)
296,709	532,500	(235,791)	U.S. Dollars	296,709	532,500	(235,791)
<u>773,475</u>	<u>1,040,065</u>	<u>(266,590)</u>	Total Guaranteed Debt	<u>773,475</u>	<u>1,040,065</u>	<u>(266,590)</u>
18,019,740	17,615,842	403,898	Total Direct and Guaranteed Debt (Note 2)	19,391,915	18,619,930	771,985
5,764,945	5,225,942	539,003	Less: Sinking Fund Investments	5,764,945	5,225,942	539,003
230,103	76,309	153,794	Less: Debt Retirement Fund	230,103	76,309	153,794
<u>12,024,692</u>	<u>12,313,591</u>	<u>(288,899)</u>	Net Direct and Guaranteed Debt (Note 3)	<u>13,396,867</u>	<u>13,317,679</u>	<u>79,188</u>

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at March 31, 1999 and March 31, 1998 adjusted for any foreign currency contracts entered into for settlement after these dates.

Note 2: Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at March 31, 1999, General Purpose Debt and Other Debt was payable 65% in Canadian dollars and 35% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 78% in Canadian dollars (78% at March 31, 1998) and 22% in U.S. dollars (22% at March 31, 1998) while Manitoba Hydro was payable 43% in Canadian dollars (38% at March 31, 1998) and 57% in U.S. dollars (62% at March 31, 1998)

Note 3: The above debt was issued for the following purposes:

	March 31, 1999		March 31, 1998	
	(\$ Thousands)	(\$ Per Capita)	(\$ Thousands)	(\$ Per Capita)
General Government Programs	6,772,599	5,948	6,772,495	5,958
The Manitoba Hydro-Electric Board	5,680,836	4,989	5,568,799	4,899
Other	943,432	829	976,385	859
	<u>13,396,867</u>	<u>11,766</u>	<u>13,317,679</u>	<u>11,716</u>

Province of Manitoba Direct and Guaranteed Debt Net Maturities to March 31, 2031

	Canadian Valuation Payable in		Net Maturities
	Canadian Dollars	U.S. Dollars	
	(Millions of Dollars)		
1999/00	867	197	1,064
2000/01	1,082	537	1,619
2001/02	177	1,207	1,384
2002/03	450	1,111	1,561
2003/04	401	933	1,334
2004/05	615	73	688
2005/06	165	–	165
2007-11	2,263	302	2,565
2012-16	656	–	656
2017-21	905	763	1,668
2022-31	–	71	71
Treasury Bills and Hydro Promissory Notes	325	297	622
Total	7,906	5,491	13,397

The above table indicates the amount which the Province of Manitoba will have to borrow for the purpose of repaying Direct and Guaranteed Debt outstanding at March 31, 1999 (based on the foreign exchange rates in existence on March 31, 1999).

The Province of Manitoba had several retractable and extendable debenture issues outstanding at March 31, 1999. The maturity date of these issues has been assumed to be the maturity date occurring if the holders of the securities were to utilize the related extendable or retractable options under the present market conditions.

Manitoba Financial Statistics, Ten-Year Summary

	1999/2000 Budget	1998/99 Forecast	1997/98 Actual	1996/97 Actual	1995/96 Actual
(Millions of Dollars)					
FINANCIAL STATEMENTS¹					
Revenue					
Own-Source Revenue	4,320.0	4,408.0	3,957.8	3,783.1	3,644.5
Federal Transfers	1,693.4	1,500.5	1,711.0	1,715.9	1,872.9
Total	6,013.4	5,908.5	5,668.8	5,499.0	5,517.4
Expenditure					
Program Expenditure	5,436.2	5,293.8	4,952.2	4,868.8	4,913.0
Public Debt Costs	480.8	519.0	520.1	539.1	592.3
Total	5,917.0	5,812.8	5,472.3	5,407.9	5,505.3
	96.4	95.7	196.5	91.1	12.1
Deficit Reduction Transfers	-	-	-	-	145.0
Debt Retirement Fund Allocation	(75.0)	(150.0)	(75.0)	-	-
Funding from Fiscal Stabilization Fund for Debt Retirement Fund	-	75.0	-	-	-
	(75.0)	(75.0)	(75.0)	-	145.0
Flood Items					
Expenditure	68.8	70.4	218.4	-	-
Less: Recoveries	68.8	70.4	173.1	-	-
	-	-	45.3	-	-
Budgetary Surplus/(Deficit)	<u>21.4</u>	<u>20.7</u>	<u>76.2</u>	<u>91.1²</u>	<u>157.1</u>
Net Direct and Guaranteed Debt					
General Purpose	6,769.9	6,772.6	6,772.5	6,808.0	6,813.6
Hydro	6,100.1	5,680.8	5,568.8	4,892.8	5,089.7
Other Debt	971.6	943.4	976.4	1,211.8	1,770.4
Total	13,841.6	13,396.8	13,317.7	12,912.6	13,673.7
Memorandum Items					
Total Budgetary Revenue	6,082.2	6,053.9	5,841.9	5,499.0	5,662.4
Total Budgetary Expenditure	5,985.8	5,883.2	5,690.7	5,407.9	5,505.3
Capital Program ³	507.9	404.8	326.9	316.0	332.5
Debt Retirement Fund	75.0	150.0	75.0	-	-
Population (000's)	1,142.1	1,138.7	1,136.8	1,134.3	1,129.8
GDP at Market Prices (\$M)	31,225	30,496	29,612	28,661	27,434

Note 1: Refer to Public Accounts of Manitoba for applicable statements on accounting policies.

Note 2: Excludes net gain of \$264.6 million from divestiture of Manitoba Telephone System.

Note 3: Reflects new accounting treatment for tangible capital assets in 1999/2000. 1998/99 and prior years are not restated to reflect this change.

1994/95 Actual	1993/94 Actual	1992/93 Actual	1991/92 Actual	1990/91 Actual	
(Millions of Dollars)					
3,309.9	3,247.3	2,882.0	3,146.2	2,982.6	FINANCIAL STATEMENTS¹
1,895.1	1,628.5	1,815.9	1,820.5	1,695.3	Revenue
<u>5,205.0</u>	<u>4,875.8</u>	<u>4,697.9</u>	<u>4,966.7</u>	<u>4,677.9</u>	Own-Source Revenue
					Federal Transfers
					Total
4,804.0	4,751.5	4,904.6	4,778.9	4,535.5	Expenditure
597.0	584.8	559.3	492.1	501.3	Program Expenditure
<u>5,401.0</u>	<u>5,336.3</u>	<u>5,463.9</u>	<u>5,271.0</u>	<u>5,036.8</u>	Public Debt Costs
(196.0)	(460.5)	(766.0)	(304.3)	(358.9)	Total
-	30.0	200.0	(30.0)	67.3	Deficit Reduction Transfers
-	-	-	-	-	Debt Retirement Fund
-	-	-	-	-	Funding from Fiscal Stabilization
-	-	-	-	-	Fund for Debt Retirement Fund
<u>-</u>	<u>30.0</u>	<u>200.0</u>	<u>(30.0)</u>	<u>67.3</u>	
-	-	-	-	-	Flood Items
-	-	-	-	-	Expenditure
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Less: Recoveries
-	-	-	-	-	
<u>(196.0)</u>	<u>(430.5)</u>	<u>(566.0)</u>	<u>(334.3)</u>	<u>(291.6)</u>	Budgetary Surplus/(Deficit)
7,364.2	6,834.0	6,179.4	5,294.6	5,248.1	Net Direct and
5,021.7	5,426.3	4,679.4	4,979.2	4,319.6	Guaranteed Debt
1,944.7	1,876.1	1,852.1	1,548.7	1,473.9	General Purpose
<u>14,330.6</u>	<u>14,136.4</u>	<u>12,710.9</u>	<u>11,822.5</u>	<u>11,041.6</u>	Hydro
					Other Debt
					Total
5,205.0	4,905.8	4,897.9	4,936.7	4,745.2	Memorandum Items
5,401.0	5,336.3	5,463.9	5,271.0	5,036.8	Total Budgetary Revenue
321.2	272.1	286.5	302.6	308.3	Total Budgetary Expenditure
-	-	-	-	-	Capital Program ³
-	-	-	-	-	Debt Retirement Fund
1,123.9	1,118.4	1,113.1	1,109.6	1,105.6	Population (000's)
26,169	24,767	24,308	24,030	24,185	GDP at Market Prices (\$M)

Manitoba Financial Statistics, Ten-Year Summary

	1999/2000 Budget	1998/99 Forecast	1997/98 Actual	1996/97 Actual	1995/96 Actual
Annual Change					
			(Per Cent Change)		
Own-Source Revenue	(2.0)	11.4	4.6	3.8	10.1
Federal Transfers	12.9	(12.3)	(0.3)	(8.4)	(1.2)
Total Revenue	1.8	4.2	3.1	(0.3)	6.0
Program Expenditure	2.7	6.9	1.7	(0.9)	2.3
Public Debt Costs	(7.4)	(0.2)	(3.5)	(9.0)	(0.8)
Total Expenditure	1.8	6.2	1.2	(1.8)	1.9
Budgetary Surplus/(Deficit)	3.4	(72.8)	(16.4)	(42.0)	(180.2)
Net General Purpose Debt	(0.1)	0.0	(0.5)	(0.1)	(7.5)
Total Net Debt	3.3	0.6	3.1	(5.6)	(4.6)
Per Cent of GDP					
			(Per Cent)		
Own-Source Revenue	13.8	14.5	13.4	13.2	13.3
Total Revenue	19.3	19.4	19.1	19.2	20.1
Program Expenditure	17.4	17.4	16.7	17.0	17.9
Public Debt Costs	1.5	1.7	1.8	1.9	2.2
Total Expenditure	18.9	19.1	18.5	18.9	20.1
Budgetary Surplus/(Deficit)	0.1	0.1	0.3	0.3	0.6
Net General Purpose Debt	21.7	22.2	22.9	23.8	24.8
Per Cent of Revenue					
Own-Source Revenue	71.8	74.6	69.8	68.8	66.1
Federal Transfers	28.2	25.4	30.2	31.2	33.9
Public Debt Costs	8.0	8.8	9.2	9.8	10.7
Net General Purpose Debt	112.5	114.6	119.5	123.8	123.5
Per Cent of Expenditure					
Program Expenditure	91.9	91.1	90.5	90.0	89.2
Public Debt Costs	8.1	8.9	9.5	10.0	10.8
Budgetary Surplus/(Deficit)	0.4	0.4	1.4	1.7	2.9
Dollars Per Capita					
			(Dollars)		
Total Expenditure	5,181	5,105	4,814	4,768	4,873
Public Debt Costs	421	456	458	475	524
Budgetary Surplus/(Deficit)	19	18	67	80	139
Net General Purpose Debt	5,928	5,958	5,958	6,002	6,031

Source: Manitoba Department of Finance

1994/95 Actual	1993/94 Actual	1992/93 Actual	1991/92 Actual	1990/91 Actual	
					Annual Change
		(Per Cent Change)			Own-Source Revenue
1.9	12.7	(8.4)	5.5	1.2	Federal Transfers
16.4	(10.3)	(0.3)	7.4	2.3	Total Revenue
6.8	3.8	(5.4)	6.2	1.6	Program Expenditure
1.1	(3.1)	2.6	5.4	6.3	Public Debt Costs
2.1	4.6	13.7	(1.8)	2.9	Total Expenditure
1.2	(2.3)	3.7	4.6	6.1	Budgetary Surplus/(Deficit)
(54.5)	(23.9)	69.3	14.6	104.8	Net General Purpose Debt
7.8	10.6	16.7	0.9	8.1	Total Net Debt
1.4	11.2	7.5	7.1	12.3	
		(Per Cent)			Per Cent of GDP
12.6	13.1	11.9	13.1	12.3	Own-Source Revenue
19.9	19.7	19.3	20.7	19.3	Total Revenue
18.4	19.2	20.2	19.9	18.8	Program Expenditure
2.3	2.4	2.3	2.0	2.1	Public Debt Costs
20.6	21.5	22.5	21.9	20.8	Total Expenditure
(0.7)	(1.7)	(2.3)	(1.4)	(1.2)	Budgetary Surplus/(Deficit)
28.1	27.6	25.4	22.0	21.7	Net General Purpose Debt
					Per Cent of Revenue
63.6	66.6	61.3	63.3	63.8	Own-Source Revenue
36.4	33.4	38.7	36.7	36.2	Federal Transfers
11.5	12.0	11.9	9.9	10.7	Public Debt Costs
141.5	140.2	131.5	106.6	112.2	Net General Purpose Debt
					Per Cent of Expenditure
88.9	89.0	89.8	90.7	90.0	Program Expenditure
11.1	11.0	10.2	9.3	10.0	Public Debt Costs
(3.6)	(8.1)	(10.4)	(6.3)	(5.8)	Budgetary Surplus/(Deficit)
		(Dollars)			Dollars Per Capita
4,806	4,771	4,909	4,750	4,556	Total Expenditure
531	523	502	443	453	Public Debt Costs
(174)	(385)	(508)	(301)	(264)	Budgetary Surplus/(Deficit)
6,552	6,111	5,552	4,772	4,747	Net General Purpose Debt