

MANITOBA BUDGET 2016

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Information available at this site includes:

- The 2016 Manitoba Budget Address
- Budget 2016
- Budget Papers
 - A Economic Review and Outlook
 - B Supplementary Financial Information
 - C Tax Measures
 - D Reducing Poverty and Promoting Social Inclusion
- Estimates of Expenditure and Revenue for the Fiscal Year Ending March 31, 2017
- Tax News
- Financial Reports
- Economic Highlights
- Economic Statistics
- Facts for Investors

Available in alternate formats upon request.

Les documents offerts en français sur le site Internet

www.gov.mb.ca/finance/index.fr.html comprennent:

- Discours du Budget 2016 du Manitoba
- Budget 2016
- Budget des dépenses et des recettes pour l'exercice se terminant le 31 mars 2017
- Bulletin de nouvelles fiscales
- Rapports financiers

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MANITOBA BUDGET 2016

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BUDGET PAPERS

- A Economic Review and Outlook
- B Supplementary Financial Information
- C Tax Measures
- D Reducing Poverty and Promoting Social Inclusion

FOREWORD

Budget 2016 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).

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 2016 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 2017.

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

SUMMARY BUDGET 2016/17

Summary Budget

For the Fiscal Year Ending March 31, 2017

With Comparative Data for the Year Ending March 31, 2016

	<u>2016/17 Budget</u>	<u>2015/16 Forecast</u>	<u>2015/16 Budget</u>	<u>Per Cent Change 2016/17 Budget from</u>	
				<u>2015/16 Forecast</u>	<u>2015/16 Budget</u>
(Millions of Dollars)					
Revenue					
Income Taxes	3,868	3,777	3,852	2.4	0.4
Other Taxes	4,136	4,017	4,116	3.0	0.5
Fees and Other Revenue	2,199	2,183	2,145	0.7	2.5
Federal Transfers	4,108	3,828	3,881	7.3	5.8
Net Income of Government Business Enterprises	674	712	759	(5.3)	(11.2)
Sinking Funds and Other Earnings	245	252	210	(2.8)	16.7
Total Revenue	<u>15,230</u>	<u>14,769</u>	<u>14,963</u>	3.1	1.8
Expenditure					
Health	6,497	6,250	6,088	4.0	6.7
Education	4,061	3,962	3,983	2.5	2.0
Families	2,036	1,946	1,891	4.6	7.7
Community, Economic and Resource Development	1,504	1,437	1,482	4.7	1.5
Justice and Other Expenditures	1,319	1,355	1,249	(2.7)	5.6
Debt Servicing	874	830	842	5.3	3.8
Total Expenditure	<u>16,291</u>	<u>15,780</u>	<u>15,535</u>	3.2	4.9
In-Year Adjustments/Lapse	<u>(150)</u>	<u>-</u>	<u>(150)</u>		
Net Income (Loss)	<u>(911)</u>	<u>(1,011)</u>	<u>(422)</u>		

NOTES:

- The 2015/16 forecast and budget have been restated to be consistent with the current presentation for the GRE.
- In-Year Adjustments/Lapse could be an increase in revenue and/or decrease in expenditures.
- Numbers may not add due to rounding.

SUMMARY BUDGET 2016/17

Revenue

Revenue in 2016/17 is projected to increase \$461 million or 3.1% from the 2015/16 forecast.

Income tax revenue is projected to increase by \$91 million, with a \$78 million increase in individual income tax revenue and an increase of \$13 million in corporation income tax revenue. Budget 2016 projects a \$119 million, or 3.0%, increase in other tax revenue, mainly reflecting growth in retail sales tax and levy for health and education tax. Fees and other revenue is projected to increase \$16 million, or 0.7%. Federal transfers are projected to increase \$280 million, or 7.3%. Net income of Government Business Enterprises is projected to decline \$38 million, or 5.3%.

Expenditure

Total expenditure is budgeted to increase \$511 million or 3.2% from the 2015/16 forecast.

The growth in health expenditure is \$247 million, or 4.0%. Education-related expenditure is increasing by \$99 million, or 2.5%. Families is up \$90 million, or 4.6%. Community, economic and resource development expenditure will increase by \$67 million, or 4.7%. The justice and other expenditures sector will decrease by \$36 million, or 2.7%. Debt servicing costs are expected to increase by \$44 million.

SCHEDULE 1

Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates

Fiscal Year Ending March 31, 2017 (Thousands of Dollars)

Source of Revenue	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Revenue Estimate	and Revenue of Other Reporting Entities	
Income Taxes			
Individual Income Tax	3,338,761	-	3,338,761
Corporation Income Tax	529,016	-	529,016
Subtotal: Income Taxes	3,867,777	-	3,867,777
Other Taxes			
Corporations Taxes	249,047	-	249,047
Fuel Taxes	321,150	10,275	331,425
Land Transfer Tax	83,736	-	83,736
Levy for Health and Education	472,614	(127,402)	345,212
Retail Sales Tax	2,325,330	2,600	2,327,930
Tobacco Tax	256,123	-	256,123
Other Taxes	9,591	-	9,591
Education Property Taxes	-	532,643	532,643
Subtotal: Other Taxes	3,717,591	418,116	4,135,707
Fees and Other Revenue			
Fines and Costs and Other Legal	53,574	900	54,474
Minerals and Petroleum	9,628	-	9,628
Automobile and Motor Carrier Licences and Fees	152,270	-	152,270
Parks: Forestry and Other Conservation	33,856	300	34,156
Water Power Rentals	107,722	-	107,722
Service Fees and Other Miscellaneous Charges	181,826	1,354,706	1,536,532
Revenue Sharing from SOAs	23,170	(23,170)	-
Tuition Fees	-	304,667	304,667
Subtotal: Fees and Other Revenue	562,046	1,637,403	2,199,449
Federal Transfers			
Equalization	1,735,600	-	1,735,600
Canada Health Transfer (CHT)	1,303,600	-	1,303,600
Canada Social Transfer (CST)	482,400	-	482,400
Shared Cost and Other Transfers	322,955	263,012	585,967
Subtotal: Federal Transfer	3,844,555	263,012	4,107,567
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor and Lotteries Corporation	585,700	-	585,700
Deposit Guarantee Corporation	-	18,326	18,326
Manitoba Hydro-Electric Board	-	42,000	42,000
Workers Compensation Board	-	9,305	9,305
Manitoba Public Insurance Corporation	-	18,688	18,688
Subtotal: Net Income of GBEs	585,700	88,319	674,019
Sinking Funds and Other Earnings	-	245,071	245,071
Total Revenue Estimate	12,577,669	2,651,921	15,229,590

SCHEDULE 2

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

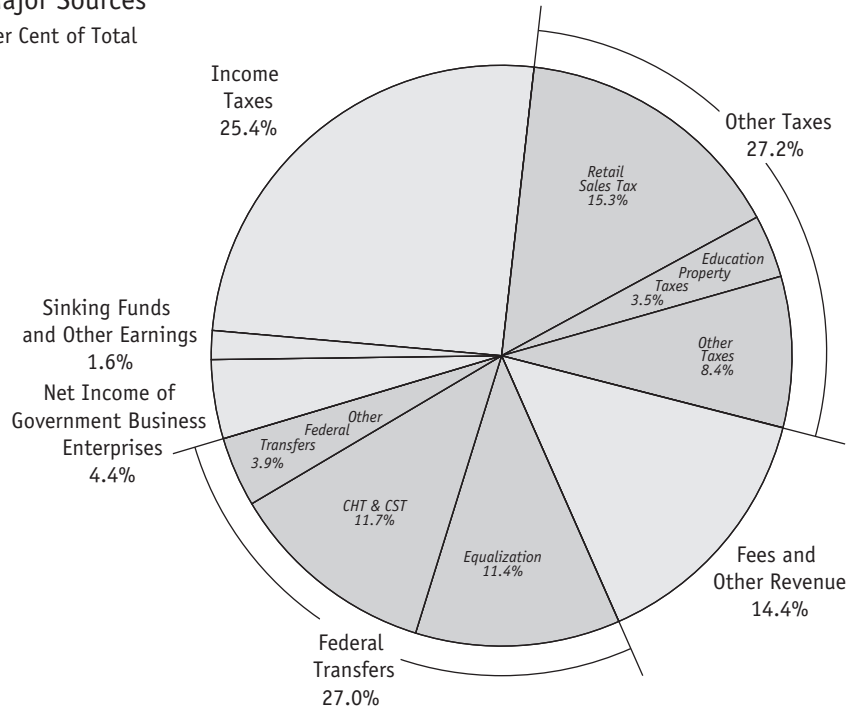
Fiscal Year Ending March 31, 2017 (Thousands of Dollars)

	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
Sector/Department	Expenditure Estimate	and Expenditures of Other Reporting Entities	
Health			
Health, Seniors and Active Living	5,989,870	506,800	6,496,670
Education			
Education and Training	2,733,768	1,326,733	4,060,501
Families			
Families	1,927,625	108,572	2,036,197
Community, Economic and Resource Development			
Agriculture	180,371	192,526	372,897
Growth, Enterprise and Trade	82,593	11,469	94,062
Indigenous and Municipal Relations	498,023	9,948	507,971
Infrastructure	625,093	(235,955)	389,138
Sustainable Development	141,715	(1,683)	140,032
Total Community, Economic and Resource Development	1,527,795	(23,695)	1,504,100
Justice and Other Expenditures			
Legislative Assembly	57,707	(819)	56,888
Executive Council	4,107	(71)	4,036
Civil Service Commission	21,677	(842)	20,835
Employee Pensions and Other Costs	14,735	57,849	72,584
Finance	278,349	119,862	398,211
Justice	585,844	17,409	603,253
Sport, Culture and Heritage	66,462	(2,709)	63,753
Enabling Appropriations	42,991	-	42,991
Other Appropriations	56,700	-	56,700
Total Justice and Other Expenditures	1,128,572	190,679	1,319,251
Debt Servicing Costs	230,000	644,391	874,391
Total Expenditure Estimate	13,537,630	2,753,480	16,291,110
Subtract: Total Revenue Estimate (Schedule 1)	12,577,669	2,651,921	15,229,590
In-Year Adjustments/Lapse	(70,000)	(80,000)	(150,000)
NET INCOME (LOSS)	(889,961)	(21,559)	(911,520)

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

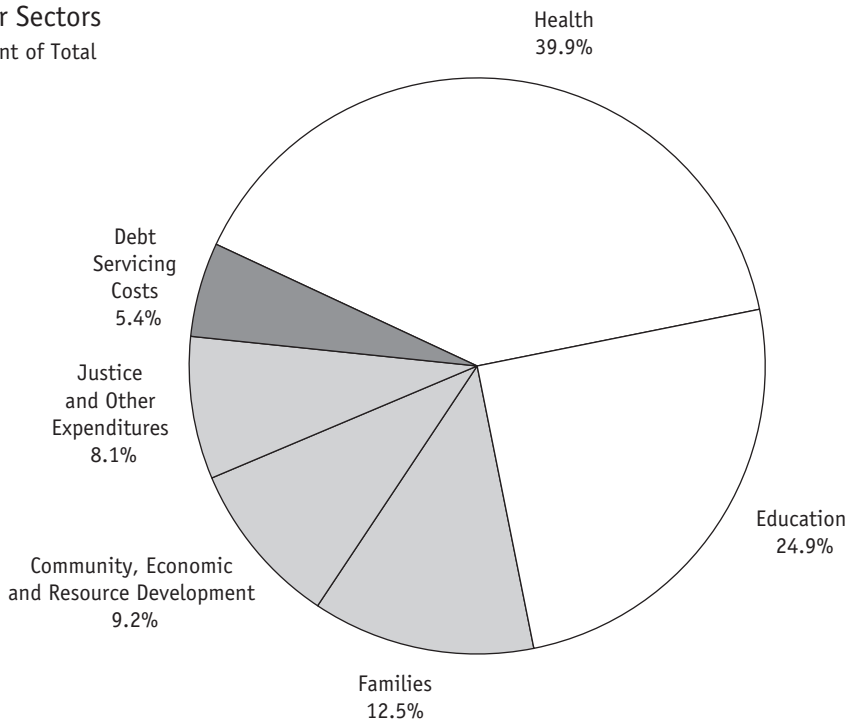
Revenue, 2016/17

Major Sources
Per Cent of Total



Expenditure, 2016/17

Major Sectors
Per Cent of Total



FINANCIAL MANAGEMENT STRATEGY 2016/17

FINANCIAL MANAGEMENT STRATEGY 2016/17

Manitoba's New Government is committed to making Manitoba the most improved province in all of Canada: to better health care and education for Manitoba families; to better jobs that will inspire our young people to make Manitoba their home into the future; and to an open, transparent government that earns and deserves the trust of Manitobans.

A strong fiscal plan is the foundation that will make these improvements possible. Budget 2016 sets a new course for Manitoba toward lower taxes, better services and a stronger economy.

Manitoba is facing significant fiscal challenges but we will work through those challenges together. Manitobans value integrity, caring, inclusion, common sense and teamwork. These are the values upon which our great province has been built, and they are the values that will guide Manitoba's plan to restore fiscal discipline and bring the province's finances back into balance.

We have set a target of achieving balance within our second term by pursuing measures that will responsibly address the unsustainable trajectory of spending increases while ensuring the protection of front line services for all Manitobans. It cannot be overstated that the challenges we face as a government, and as a province, are significant. In order to allow the time necessary to carefully correct Manitoba's fiscal course,

balanced budget legislation will be suspended. This will be accomplished by repealing the current legislation and replacing it in Budget 2017 with legislation that provides Manitoba taxpayers with enforceable protection, including the restoration of their right to vote on major tax increases.

The Financial Management Strategy laid out in these pages presents Manitoba's objectives for measurable outcomes to be achieved during the coming year. The inclusion of this statement of measurable objectives in the budget reflects this government's commitment to open, transparent and accountable management of the finances of the province.

MANITOBA'S BUDGET PROJECTIONS

Summary budget reporting and core government reporting are both important to provide transparency and accountability with respect to the province's financial management. The core government outlook provides information on core government activities – the revenues and expenses of government departments that are under the direct control of the Legislative Assembly. These are where the day-to-day decisions are made that ultimately determine the success of the government's strategies, plans and programs.

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 year.

Core Government

	2015/16 Budget	2015/16 Forecast (Millions of Dollars)	2016/17 Budget
Revenue	12,354	12,163	12,578
Expenditure	12,865	13,175	13,538
Year-End Adjustments/Lapse	(70)	-	(70)
Net Result	(441)	(1,012)	(890)
Fiscal Stabilization Account Transfer	20	20	-
Net Income (Loss)	(421)	(992)	(890)

The core government budget outlook for 2016/17 projects that revenue will rise by 3.4% over the 2015/16 forecast. Expenditures are projected to increase by 2.7%. Prudent budget decisions in expenditure increases and fiscal discipline throughout the coming year will result in improvements to the deficit position in 2016/17. This approach will continue in future years.

The Summary Budget brings together the results for not just core government, but also all of the Government Business Enterprises such as Manitoba Hydro and Manitoba Public Insurance, health authorities, social service authorities, school divisions, and other entities that are controlled by the provincial government. As such, it provides an important overview of the financial position of the provincial public sector as a whole.

The summary government budget outlook for 2016/17 projects that revenue will rise by 3.1% over the 2015/16 forecast. Expenditures are projected to increase by 3.2%.

RESTORING FISCAL DISCIPLINE

Manitobans have a right to expect that their government uses public revenues effectively and efficiently to deliver high quality government programs and services at a reasonable and sustainable cost. Manitoba's New Government is working to fulfill that

expectation by restoring fiscal discipline with a common sense approach to financial management.

Common sense respects the value of taxpayers' money. It is common sense to eliminate waste and duplication. It is common sense to demand that public funding delivers value for money. It is common sense to create a culture of smart shopping through competitive tendering of government contracts.

It is also common sense that open and transparent financial reporting will increase accountability and, ultimately, restore the fiscal discipline needed to correct the course and bend the cost curve in government spending back towards budget balance.

Open and transparent financial reporting means that financial management plans, actions, and results should be clearly described and readily available to the public. Manitoba has the basic elements in place now:

- issuing summary financial statements compliant with standards set by the Public Sector Accounting Board;
- summary budgeting and reporting presents comprehensive information on the total cost of providing programs and services to Manitobans and how the Government Reporting Entity operates as a whole;

Summary Budget

	<u>2015/16 Budget</u>	<u>2015/16 Forecast</u>	<u>2016/17 Budget</u>
Revenue		(Millions of Dollars)	
Core Government	12,354	12,163	12,578
Consolidation Impacts and ORE*	2,609	2,606	2,652
Total Revenue	<u>14,963</u>	<u>14,769</u>	<u>15,230</u>
Expenditure			
Core Government	12,865	13,175	13,538
Consolidation Impacts and ORE*	2,670	2,605	2,753
Total Expenditure	<u>15,535</u>	<u>15,780</u>	<u>16,291</u>
Year-End Adjustments/Lapse	(150)	-	(150)
Net Income (Loss)	<u>(422)</u>	<u>(1,011)</u>	<u>(911)</u>

* Other Reporting Entities

- a financial management strategy with measurable outcomes included with the annual budget;
- a report on outcomes within six months of the end of the fiscal year;
- summary quarterly financial reporting; and
- amortizing all capital investments and showing all related costs in annual appropriations for core government.

Improvements in reporting will continue in Budget 2016 with a commitment to more timely quarterly reporting.

Restoring Credit Ratings

After many years of stability, Manitoba's credit ratings came under increasing pressure when budget deficits did not come down as quickly as predicted. When Budget 2015 showed that Manitoba would not return to balance in 2016 as planned, Manitoba received its first credit downgrade in almost 30 years. While many factors are considered in determining a credit rating, the one that was highlighted when Moody's Investors Service downgraded Manitoba was the willingness to rein in government spending.

This fiscal management strategy acknowledges the importance of controlling spending growth as the key element in restoring fiscal discipline. Manitoba's New Government is committed to reducing spending growth to sustainable levels, setting the foundation for a return to balance which will, in turn, be reflected in improved credit ratings in the future.

MEASURABLE OUTCOMES

Meeting Budget Targets

A large part of restoring fiscal discipline is restraining the growth of spending – bending the cost curve – to ensure that spending does not outpace revenue growth. Manitoba's New Government is committed to ensuring that government programs and services become more effective and efficient.

Departments will be held accountable for meeting their budget targets and finding opportunities to improve

service delivery by operating more efficiently and effectively. As a result, the chronic overspending of the past decade will come to a halt and Manitobans will once again be able to place their trust in government's financial projections.

Initiatives to support this increased emphasis on delivering better value within available resources are:

- issuing mandate letters to government ministers to ensure clarity of expectations, more particularly, mandating the Minister of Finance with the responsibility to “restore the fiscal integrity of the province and move to a balanced budget... by developing immediate and long term steps to eliminate waste, duplication and overlap in government services”;
- keeping annual core spending growth below 3%;
- reducing the number of departments to eliminate \$4 million wasted through overlap and duplication of management and administration functions;
- amalgamating the East Side Road Authority with the Department of Infrastructure;
- modernizing the governance of Crown Agencies to eliminate political interference in their business operations;
- requiring competitive tendering to ensure that untendered contracts are only used in exceptional circumstances;
- launching fiscal performance reviews of all core government spending;
- initiating a comprehensive review of health-care delivery that engages all stakeholders, including patients and front-line workers, in the search for sustainable solutions;
- working with front-line workers in all departments to find ways to deliver better results for citizens; and
- working with the Canada Revenue Agency to reduce costs associated with the administration of tax credits.

Stabilizing the Net Debt to GDP Ratio

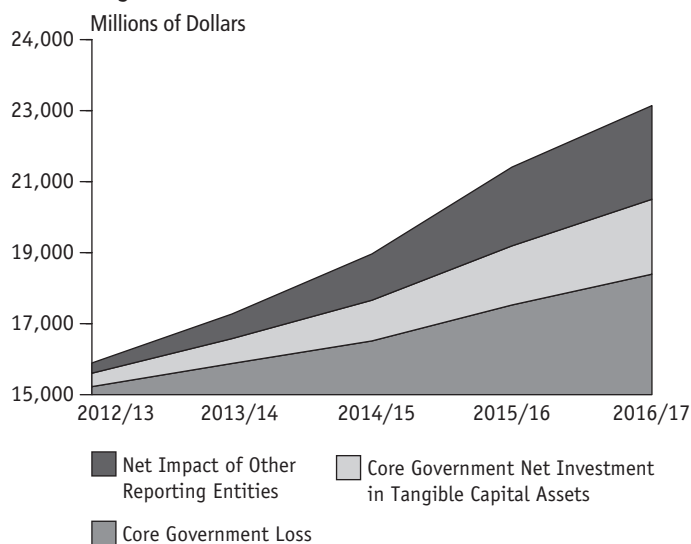
Net debt is an important indicator of a government’s financial position as this highlights how government services will remain affordable in the future. Summary net debt is made up of financial assets (such as cash or investments) minus total liabilities (such as loans or financing). It is the remaining liability that must be financed by future revenues.

The net debt to GDP ratio measures changes in net debt against the growth of the economy. A stable net debt to GDP ratio is a good indication that the province is managing its debt responsibly.

Some amount of public debt is necessary for the efficient delivery of required services – it is the relative size of the debt that matters. Prudent debt management means managing the size of the debt to stay within reasonable and predictable limits that reflect the ability of the provincial economy to support it.

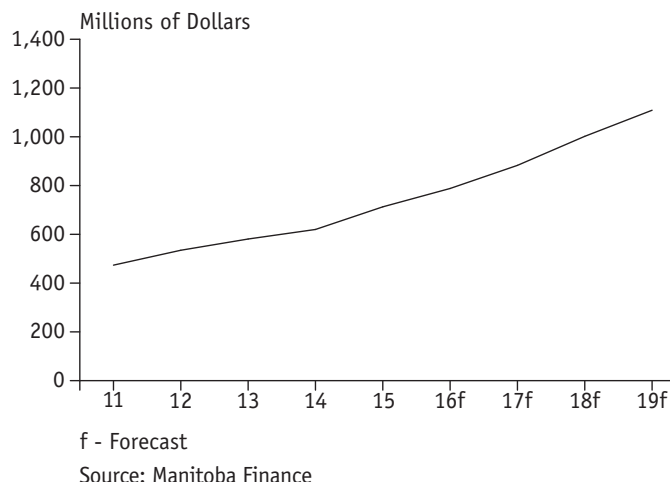
The chart below breaks out the components of the growth in the summary net debt in recent years to show the impact that core government deficits have had on the growth of the province’s net debt. Manitoba’s fiscal plan to correct that course and move back to balance will eliminate that component of the growth curve, bringing it back down to a reasonable and sustainable level.

Summary Net Debt



Source: Manitoba Finance

Principal, Amortization and Interest Growth: The Challenge



In 2016/17, over \$800 million has been included in core government appropriations for principal, amortization and interest related to capital investment. With the growth in the capital investment and debt over the last number of years, the growth in debt servicing costs has been dramatic. Continued capital investment at similar rates of growth into the future will result in unsustainable growth in capital-related debt servicing costs. The resulting pressure to pay for the debt results in bigger deficits and erodes the ability to pay for front-line services.

A total of \$437 million has been included in core government appropriations to retire debt associated with capital investments: \$259 million for amortization of department-owned assets, and \$178 million for principal payments for education and health-related assets. These payments are about 2.7% of the total summary expenditure in Budget 2016.

Manitoba’s communities and the economy as a whole benefit from the investment in tangible capital assets in both core government and Other Reporting Entities, which range from roads and water-control structures to health facilities, universities, colleges and schools, and parks. While the public good provided by these investments is immeasurable, continued growth in debt that outstrips growth in the economy is not sustainable.

Stabilizing the growth of the debt will result in a more stable net debt to GDP ratio over time. In Budget 2016, the net debt to GDP ratio is forecast to be 33.8%.

JOBS AND ECONOMIC GROWTH

Jobs and economic growth are at the centre of the plan for a better Manitoba. A stronger economy will allow improvements in front-line services and additional investments in the programs and initiatives most important to Manitoba families, while also repairing the state of the province's finances.

Manitoba's New Government has a 10-point plan to grow Manitoba's economy by increasing competitiveness, building strategic infrastructure, working with business and entrepreneurs to expand their opportunities, and promoting Manitoba as an attractive place to invest and trade.

MEASURABLE OUTCOMES

Strategic Infrastructure Investments

Investments in strategic infrastructure stimulate the provincial economy, generate employment, and increase household and business incomes. In addition, infrastructure, and infrastructure renewal projects, boost productivity over the long term, further strengthening the economy. It is important that the investment decisions are made in the context of stimulating the economy, are for the public good, but are also financially sustainable over the long term.

Manitoba's New Government committed to spending at least \$1 billion on strategic infrastructure in 2016/17 – roads and bridges, flood protection, hospitals, schools, universities and colleges, as well as municipal projects and other infrastructure. The level of investment in 2016/17 is over \$1.8 billion.

Strategic Infrastructure 2016/17

Millions of Dollars

Core Government Infrastructure

Roads, Highways, Bridges, Flood Protection and Parks	
Highways and Bridges	542
Water-Related Capital	45
Parks, Cottages and Camping	12
Subtotal	599
Capital Grants, Maintenance and Preservation	
Building Manitoba Fund* – Capital Grants	284
Maintenance and Preservation – Highways	144
Maintenance and Preservation – Water	10
Subtotal	438
Core Government Infrastructure Total	1,037

Other Provincial Infrastructure

Health	442
Education	241
Housing	120
Northern Affairs Communities	15
Other Provincial Infrastructure Total	818
Total Strategic Infrastructure	1,855

*Net of Transit Operating

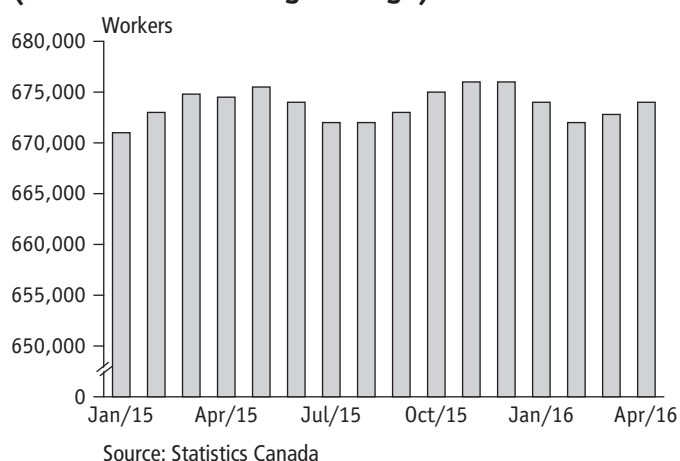
Employment Growth

Manitoba has the most stable labour market in Canada, with modest changes from year-to-year in annual growth rates and an unemployment rate that is second lowest among the provinces right now. Our labour market growth reflects the growth in the economy, with the supply of labour growing at about the same rate as the growth in jobs.

Manitoba's New Government will work closely with business and community leaders to create new and innovative opportunities to ensure our economy remains strong and growing. Included among the initiatives to grow the economy in 2016 are:

- negotiating membership in the New West Partnership with the other three western provinces in order to reduce trade barriers and open up new opportunities for Manitoba companies;
- investing no less than \$1 billion annually in strategic infrastructure;
- partnering with municipalities to provide them with a fair say on strategic infrastructure investment priorities;
- establishing a Premier's Enterprise Team of business leaders to make recommendations to promote stronger job and economic growth;
- increasing tourism promotion;
- engaging indigenous leaders to develop a framework for meaningful ongoing consultation and build strong, mutually beneficial relationships; and
- consulting with business and education leaders to strengthen partnerships with the private sector to increase funding for students pursuing higher education.

Manitoba's Labour Force, January 2015-April 2016 (Three Month Moving Average)



Through the first quarter of 2016, both labour force and employment growth have slowed when compared to the same period in 2015, but projections for growth in the future are positive. The Manitoba Finance Survey of Economic Forecasts shows an expected 0.4% growth in employment this year and improving to 1.1% growth in 2017, in line with the national average. The unemployment rate is expected to average 5.8% in 2016, tied for the lowest among provinces and anticipated to fall to 5.5% in 2017.

Budget 2016 is the first budget of your New Government. We will work hard to meet the commitments made in the Financial Management Strategy and will report on the outcomes at the end of the fiscal year. Together we will make Manitoba better.

Appendix 1: MANITOBA SUMMARY FINANCIAL STATISTICS

Manitoba Summary Financial Statistics

	2016/17 Budget	2015/16 Forecast	2014/15 Actual	2013/14 Actual	2012/13 Actual	2011/12 Actual
SUMMARY FINANCIAL STATEMENTS						
(Millions of Dollars)						
Revenue						
Income Taxes	3,868	3,777	3,679	3,446	3,302	3,138
Other Taxes	4,136	4,017	3,900	3,723	3,365	3,350
Fees and Other Revenue	2,199	2,183	2,183	2,202	2,013	1,906
Federal Transfers	4,108	3,828	3,809	3,818	3,953	4,332
Net Income of Government Business Enterprises	674	712	899	783	739	713
Sinking Funds and Other Earnings	245	252	269	242	242	249
Total Revenue	15,230	14,769	14,739	14,214	13,614	13,688
Expenditures (Excluding Debt Servicing Costs)	15,417	14,950	14,350	13,915	13,335	13,874
Debt Servicing Costs	874	830	841	821	839	815
Expenditure	16,291	15,780	15,191	14,736	14,174	14,689
In-Year Adjustments/Lapse	(150)	-	-	-	-	-
Net Income (Loss)	(911)	(1,011)	(452)	(522)	(560)	(1,001)
Provincial Borrowings, Guarantees and Obligations						
General Government Programs	11,590	10,630	9,460	9,105	8,289	7,803
General Government Programs - Federal Flood Relief	-	-	-	-	276	326
General Government Programs - Pension Liability	2,695	2,695	2,595	2,595	2,595	2,595
Manitoba Hydro-Electric Board	17,848	14,544	12,540	10,838	9,609	8,999
Other Crown Organizations	3,710	3,309	2,827	2,511	2,246	1,926
Health Facilities	2,473	1,730	1,338	1,252	1,149	1,094
Other	-	-	5	9	23	37
Capital Investments	5,429	5,174	4,724	4,020	3,668	3,195
Subtotal	43,745	38,082	33,489	30,330	27,855	25,975
Other Obligations						
Pension Liability	8,945	8,419	7,947	7,456	6,940	6,697
Pension Assets	(6,432)	(6,080)	(5,702)	(5,418)	(5,112)	(5,063)
Net Pension Liability	2,513	2,339	2,245	2,038	1,828	1,634
Debt Incurred for and Repayable by the Manitoba Hydro-Electric Board	(17,760)	(14,323)	(12,371)	(10,573)	(9,443)	(8,742)
Education Debt Held by Government Enterprises	610	620	620	600	547	505
Other Debt of Crown Organizations	285	281	279	281	264	266
Subtotal	(14,352)	(11,083)	(9,227)	(7,654)	(6,804)	(6,337)
Total Summary Borrowings, Guarantees and Obligations	29,393	26,999	24,262	22,676	21,051	19,638
Adjustments to Arrive at Summary Net Debt						
Guarantees	(90)	(110)	(172)	(265)	(166)	(257)
Net Financial Assets	(6,154)	(5,494)	(5,127)	(5,139)	(5,064)	(4,903)
Summary Net Debt	23,149	21,395	18,963	17,272	15,821	14,478

NOTES:

- 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

	2016/17 Projection	2015/16 Forecast	2014/15 Actual	2013/14 Actual	2012/13 Actual	2011/12 Actual
	(Percentage Change)					
Annual Change						
Income Taxes	2.4	2.7	6.8	4.4	5.2	6.8
Other Taxes	3.0	3.0	4.8	10.6	0.4	4.1
Fees and Other Revenue	0.7	0.0	(0.9)	9.4	5.6	4.3
Federal Transfers	7.3	0.5	(0.2)	(3.4)	(8.7)	7.0
Total Revenue	3.1	0.2	3.7	4.4	(0.5)	4.7
Debt Servicing Costs	5.3	(1.3)	2.4	(2.1)	2.9	5.4
Total Expenditure	3.2	3.9	3.1	4.0	(3.5)	10.9
Summary Net Debt	8.2	12.8	9.8	9.2	9.3	15.3
	(Per Cent)					
Per Cent of GDP						
Income Taxes	5.7	5.7	5.7	5.6	5.5	5.6
Other Taxes	6.0	6.1	6.1	6.0	5.6	5.9
Fees and Other Revenue	3.2	3.3	3.4	3.5	3.4	3.4
Federal Transfers	6.0	5.8	5.9	6.1	6.6	7.7
Total Revenue	22.3	22.4	23.0	22.9	22.8	24.3
Debt Servicing Costs	1.3	1.3	1.3	1.3	1.4	1.4
Total Expenditure	23.8	23.9	23.7	23.7	23.7	26.1
Summary Net Debt	33.8	32.5	29.5	27.8	26.5	25.7
Per Cent of Revenue						
Income Taxes	25.4	25.6	25.0	24.2	24.3	22.9
Other Taxes	27.2	27.2	26.5	26.2	24.7	24.5
Fees and Other Revenue	14.4	14.8	14.8	15.5	14.8	13.9
Federal Transfers	27.0	25.9	25.8	26.9	29.0	31.6
Net Income of Government						
Business Enterprises	4.4	4.8	6.1	5.5	5.4	5.2
Sinking Funds and Other Earnings	1.6	1.7	1.8	1.7	1.8	1.8
	(Dollars)					
Dollars Per Capita						
Total Revenue	11,630	11,419	11,513	11,233	10,888	11,095
Total Expenditure	12,441	12,200	11,866	11,646	11,336	11,906
Debt Servicing Costs	667	642	657	649	671	661
Summary Net Debt	17,678	16,542	14,813	13,651	12,653	11,735
Memorandum Items						
Population (000's) *	1,309.5	1,293.4	1,280.2	1,265.3	1,250.4	1,233.7
GDP at Market Prices	68,393	65,889	64,177	62,082	59,802	56,343

Source: Manitoba Finance

* official population July 1

Appendix 2: SUMMARY BUDGET USER'S GUIDE

INTRODUCTION

This document guides readers through the format of the Manitoba Budget. It includes three components: an explanation of the Structure of the Summary Budget, a list of Frequently Asked Questions and a Glossary of Key Terms.

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.

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, Seniors and Active Living; all Regional Health Authorities; and 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, the activities of Manitoba Education and Training, and additional funding for teachers' pensions and programs funded by other sources. This also includes youth programs, workforce training and immigration services.
- Families – includes costs related to social service and housing programs, including the activities of Manitoba Families and its authorities.
- Community, Economic and Resource Development – includes expenditures related to infrastructure and other government services, including the activities of Manitoba Agriculture; Manitoba Growth, Enterprise and Trade; Manitoba Indigenous and Municipal Relations; Manitoba Infrastructure; and Manitoba Sustainable Development.

- Justice and Other Expenditures – includes costs for Manitoba Justice and the activities of the Legislative Assembly; Executive Council; Civil Service Commission; Employee Pensions and Other Costs; Manitoba Finance; Manitoba Sport, Culture and Heritage; and Enabling and Other Appropriations.
- Debt Servicing – contains the cost of interest and related expenses for the Teachers’ Retirement Allowances Fund, the Civil Service Superannuation Plan, 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.

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 and the Public Sector Accounting Board 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 the Teachers' Retirement Allowances Fund 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 Public Sector Accounting Board – 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 ENTITIES)

HEALTH

Manitoba Health, Seniors and Active Living
 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 Inc.
 Prairie Mountain Health
 Southern Health-Santé Sud
 Winnipeg Regional Health Authority
 Rehabilitation Centre for Children
 St.Amant

EDUCATION

Manitoba Education and Training
 Assiniboine Community College
 Brandon University
 Manitoba Learning Resource Centre
 Public School Divisions
 Public Schools Finance Board
 Red River College
 Université de Saint-Boniface
 University College of The North
 University of Manitoba
 University of Winnipeg

FAMILIES

Manitoba Families
 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
 Manitoba Housing and Renewal Corporation
 Métis Child and Family Services Authority

COMMUNITY, ECONOMIC AND RESOURCE DEVELOPMENT**Agriculture**

Manitoba Agriculture
 Farm Machinery and Equipment Act Fund
 Food Development Centre
 Manitoba Agricultural Services Corporation
 Manitoba Horse Racing Commission
 Veterinary Science Scholarship Fund

Growth, Enterprise and Trade

Manitoba Growth, Enterprise and Trade
 Abandonment Reserve Fund
 Biodiesel Fund
 Cooperative Loans and Loans Guarantee Board
 Cooperative Promotion Board
 Communities Economic Development Fund
 Economic Development Winnipeg Inc.
 Entrepreneurship Manitoba
 Ethanol Fund
 Industrial Technology Centre
 Manitoba Development Corporation
 Manitoba Potash Corporation
 Manitoba Opportunities Fund Ltd.
 Mining Community Reserve
 Mining Rehabilitation Reserve Fund
 Office of the Fire Commissioner
 Quarry Rehabilitation Reserve Fund
 Research Manitoba
 Travel Manitoba
 Venture Manitoba Tours Ltd.
 Workplace Safety and Health Public Education Fund

Indigenous and Municipal Relations

Manitoba Indigenous and Municipal Relations
 Community Revitalization Fund
 Manitoba Community Services Council Inc.
 Manitoba Water Services Board

Infrastructure

Manitoba Infrastructure
 Crown Lands and Property Agency
 Manitoba East Side Road Authority
 Manitoba Trucking Productivity Improvement Fund

COMMUNITY, ECONOMIC AND RESOURCE DEVELOPMENT CONTINUED

Sustainable Development

Manitoba Sustainable Development
Fish and Wildlife Enhancement Fund
Green Manitoba Eco Solutions
Manitoba Habitat Heritage Corporation
Manitoba Hazardous Waste Management Corporation
Pineland Forest Nursery
Waste Reduction and Recycling Support Fund

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
Leaf Rapids Town Properties Ltd.
Manitoba Centennial Centre Corporation
Manitoba Education, Research and Learning Information
Networks (MERLIN)
Manitoba Financial Services Agency
Materials Distribution Agency
Special Operating Agencies Financing Authority
Vehicle and Equipment Management Agency

Justice

Manitoba Justice
Financial Literacy Fund
Funeral Board of Manitoba
Helen Betty Osborne Memorial Foundation
Land Titles Assurance Fund

Legal Aid Manitoba
Liquor and Gaming Authority of Manitoba
Manitoba Law Reform Commission
Public Guardian and Trustee of Manitoba
Victims Assistance Fund
Vital Statistics Agency

Sport, Culture and Heritage

Manitoba Sport, Culture and Heritage
Le Centre culturel franco-manitobain
Manitoba Arts Council
Manitoba Combative Sports Commission
Manitoba Film & Sound Recording
Development Corporation
Sport Manitoba Inc.

GOVERNMENT BUSINESS ENTERPRISES

Deposit Guarantee Corporation of Manitoba
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

