
MANITOBA BUDGET 2009

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Information available at this site includes:

- The 2009 Manitoba Budget Address
- Budget 2009
- Budget Papers
 - A The Economy
 - B Supplementary Financial Information
 - C Recent Developments in Fiscal Arrangements
 - D Taxation Adjustments
 - E The Manitoba Advantage
 - F Improved Infrastructure and Fiscally Sound Economic Stimulus
- Estimates of Expenditure and Revenue for the Fiscal Year Ending March 31, 2010
- Budget in Brief
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- Le discours du Budget 2009
- Budget 2009
- Les avantages du Manitoba (Rapport supplémentaire du Budget)
- Moderniser le gouvernement (Rapport supplémentaire du Budget)
- Amélioration de l'infrastructure et stimulation responsable de l'économie (Rapport supplémentaire du Budget)
- Le Budget des dépenses et des recettes pour l'exercice se terminant le 31 mars 2010
- Budget en bref
- Le Bulletin de nouvelles fiscales
- Investir au Manitoba
- Rapports financiers
- Fait saillants de l'activité économique
- Statistiques économiques

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BUDGET 2009

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BUDGET PAPERS

- A The Economy
- B Supplementary Financial Information
- C Recent Developments in Fiscal Arrangements
- D Taxation Adjustments
- E The Manitoba Advantage
- F Improved Infrastructure and Fiscally Sound Economic Stimulus

■ FOREWORD

Budget 2009 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. The 2007/08 adoption of a summary budget followed the recommendation of the Office of Auditor General. Manitoba's summary budget aligns with the accounting standards set by the Public Sector Accounting Board and fully reflects Generally Accepted Accounting Principles (GAAP). A summary budget presents a more complete picture of how the provincial government and the other related entities operate as a whole and what the total cost is of providing services and programs to people in Manitoba.

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

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.

In addition, all financial reporting, including quarterly financial reporting, is being transitioned to a summary basis. During 2008/09 the quarterly financial reports have been revised to include additional information on the GRE and now also include an economic performance review and outlook. The third quarter financial report, for the first time, included an operating statement with the financial results of the GRE for the nine months ending December 31, 2008. The complete transition to having summary quarterly reporting consistent with GAAP is targeted to be in place by the end of 2009/10.

Budget 2009 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 2010.

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

SUMMARY BUDGET 2009/10

SUMMARY BUDGET

For the Fiscal Year ending March 31, 2010

With Comparative Data for the year ending March 31, 2009

	2009/10 Budget	2008/09 Forecast	2008/09 Budget	Per cent Change 2009/10 Budget from	
				2008/09 Forecast	2008/09 Budget
(Millions of Dollars)					
REVENUE					
Income Taxes	2,689	2,812	2,611	(4.4%)	3.0%
Other Taxes	3,293	3,329	3,321	(1.1%)	(0.8%)
Fees and Other Revenue	1,582	1,565	1,478	1.1%	7.0%
Federal Transfers	4,103	3,936	3,905	4.2%	5.1%
Net Income of Government Business Enterprises	816	812	668	0.5%	22.2%
Sinking Funds and Other Earnings	246	325	278	(24.3%)	(11.5%)
TOTAL REVENUE	<u>12,729</u>	<u>12,779</u>	<u>12,261</u>	(0.4)%	3.8%
EXPENDITURE					
Health and Healthy Living	4,723	4,583	4,469	3.1%	5.7%
Education	3,270	3,138	3,132	4.2%	4.4%
Family Services and Housing	1,390	1,357	1,320	2.4%	5.3%
Community, Economic and Resource Development	1,529	1,509	1,479	1.3%	3.4%
Justice and Other Expenditures	1,003	1,065	951	(5.8%)	5.5%
Debt Servicing Costs	766	803	806	(4.6%)	(5.0%)
TOTAL EXPENDITURE	<u>12,681</u>	<u>12,455</u>	<u>12,157</u>	1.8%	4.3%
Restatement Adjustment	-	(8)	(8)		
SUMMARY NET INCOME	<u>48</u>	<u>316</u>	<u>96</u>		

NOTES:

- The 2008/09 Budget numbers originally presented in the 2008 Budget Address have been restated to be consistent with the current presentation for the Government Reporting Entity.
- Details of Expenditures and Revenue for Fiscal Year 2009/10, and a reconciliation to the amounts reported for Core Government are found in Schedules 1 and 2.
- The restatement adjustment in 2008/09 is the net impact of a change in accounting policy in Core Government to more appropriately reflect tangible capital assets related to Northern Affairs communities and a new asset class of highway rehabilitation. Infrastructure projects of the Northern Affairs communities that were previously funded through capital grants – \$(5) million – will now use capital authority for their projects and record the assets in 2009/10. As well, some road and highway improvement projects that were previously recorded as operating expenditures – \$(7) million – will be funded through Part B – Capital Investment to more appropriately account for the projects as tangible capital assets. The interest and amortization costs of \$4 million related to these projects has been added.
- Information on the structure of the Summary Budget may be found in Appendix 2.
- The 2008/09 Forecast is based on the Third Quarter Financial Report.
- Numbers may not add due to rounding.

■ SUMMARY BUDGET 2009/10

Budgeted Summary Net Income for the year is \$48 million.

Revenue

Revenue in 2009/10 is projected to decrease \$50 million from the 2008/09 Forecast.

Income taxes are projected to decline \$123 million, or 4.4%, as both personal and corporation income taxes will be lower due to tax reduction measures and a slowing economy. Budget 2009 projects a \$36 million, or 1.1%, decline in Other Taxes. Modest growth in retail sales tax and a \$9 million increase in tobacco tax are offset by decreases in corporation capital tax, due to rate reductions, and to mining tax, due to the decline in commodity prices. Fees and Other Revenue is projected to increase \$17 million, or 1.1%, and Net Income of Government Business Enterprises (GBEs) is projected to be virtually unchanged, increasing \$4 million. Federal Transfers are projected to increase \$167 million, or 4.2%, with Equalization remaining flat. A revised formula, announced on November 3, 2008 will limit the growth of the Equalization Program. Health and social transfers are up \$33 million, due to program escalators for both the Canada Health Transfer and Canada Social Transfer, as well as population growth. All other transfers, including infrastructure and labour market funding from the 2009 federal budget economic stimulus package, are up \$134 million.

Expenditure

Total expenditure is budgeted to increase \$226 million, or 1.8%, from the 2008/09 Forecast.

The budgeted growth in Health and Healthy Living expenditure is \$140 million, or 3.1%, from the 2008/09 Forecast. Education-related expenditure is increasing by \$132 million, or 4.2% from the 2008/09 Forecast. Family Services and Housing expenditure is up \$33 million, or 2.4% from the 2008/09 Forecast. Community, Economic and Resource Development expenditure will rise \$20 million. Justice and Other Expenditures are expected to decrease by \$62 million (including year-end lapse) from the 2008/09 Forecast. Debt Servicing costs are expected to drop by \$37 million.*

In Budget 2009, services to people represent 77.1% of spending:

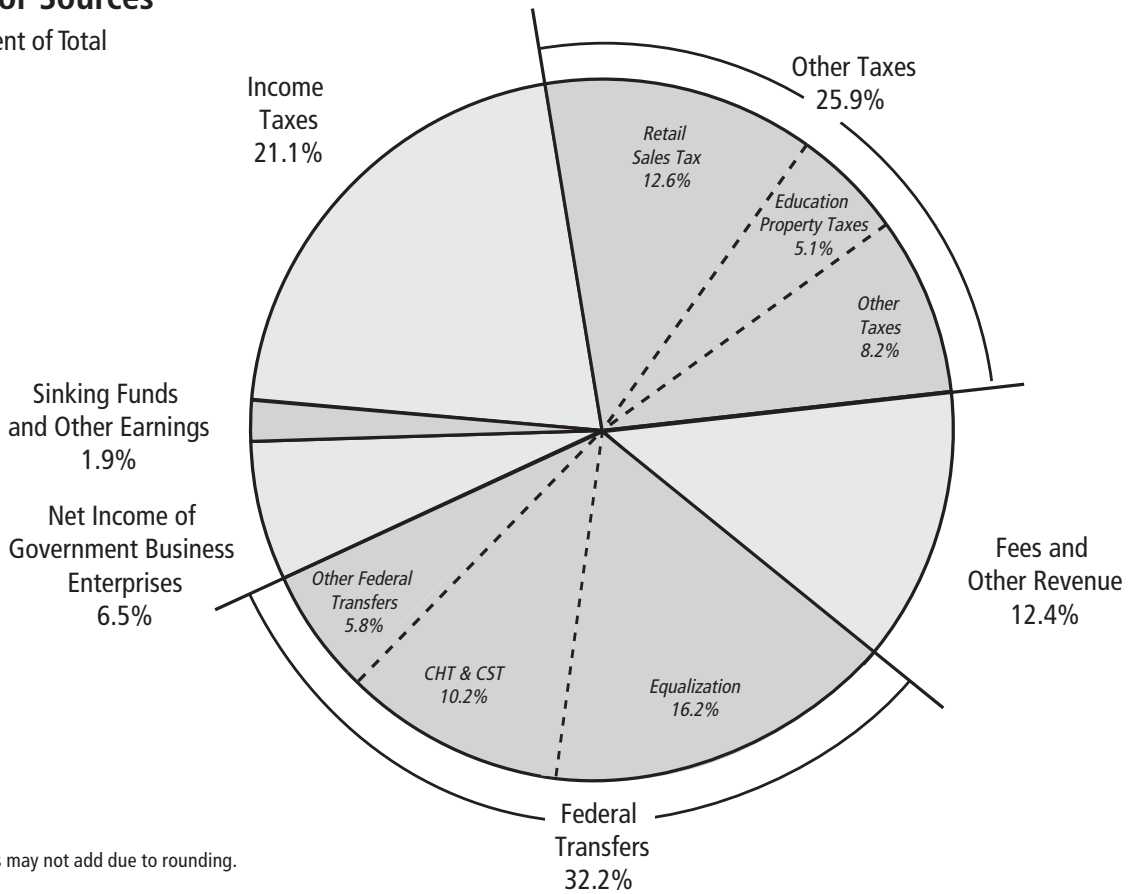
- Health and Healthy Living expenditure makes up 37.2% of total expenditure.
- Education accounts for 25.8% of all expenditure; it includes public schools and post-secondary institutions.
- Family Services and Housing and Justice represent 14.1% of total expenditure.

* Debt Servicing costs are forecast to equal 6.0¢ of every dollar of revenue in 2009/10, down 54.5% from 13.2¢ per dollar in 1999/2000.

Revenue, 2009/10

Major Sources

Per cent of Total



Numbers may not add due to rounding.

Revenue Sources

2009/10 and 2008/09

Millions of Dollars

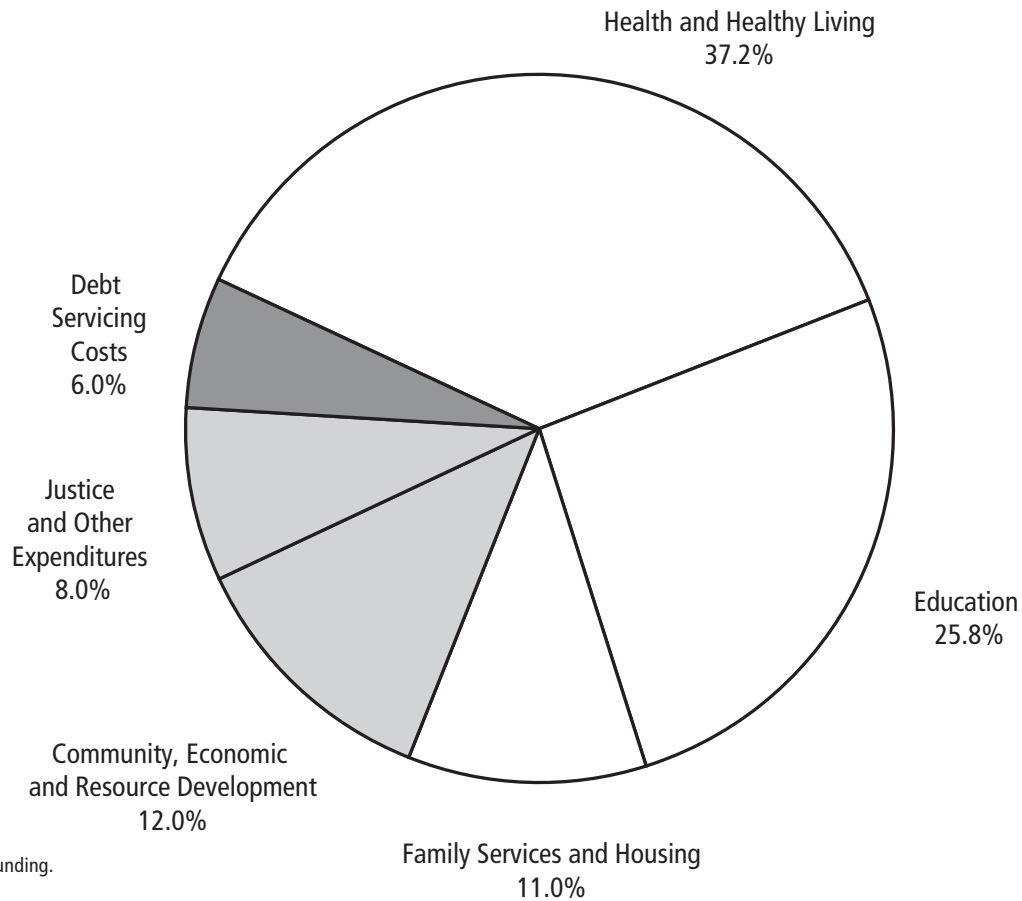
	2009/10 Budget	2008/09 Forecast	Change 2009/10 from 2008/09 Forecast
Income Taxes	2,689	2,812	(123)
Other Taxes	3,293	3,329	(36)
Fees and Other Revenue	1,582	1,565	17
Federal Transfers	4,103	3,936	167
Net Income of Government Business Enterprises	816	812	4
Sinking Funds and Other Earnings	246	325	(79)
TOTAL REVENUE	12,729	12,779	(50)

Numbers may not add due to rounding.

Expenditure, 2009/10

Major Sectors

Per cent of Total



Numbers may not add due to rounding.

Expenditure Sectors

2009/10 and 2008/09

Millions of Dollars

	2009/10 Budget	2008/09 Forecast	Change 2009/10 from 2008/09 Forecast
Health and Healthy Living	4,723	4,583	140
Education	3,270	3,138	132
Family Services and Housing	1,390	1,357	33
Community, Economic and Resource Development	1,529	1,509	20
Justice and Other Expenditures	1,003	1,065	(62)
Debt Servicing Costs	766	803	(37)
TOTAL EXPENDITURE	12,681	12,455	226

Numbers may not add due to rounding.

Schedule 1

Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates

Fiscal Year ending March 31, 2010 (in Thousands of Dollars)

Source of Revenue	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Revenue Estimates	and Revenue of Other Reporting Entities	
Income Taxes			
Individual Income Tax	2,342,700	-	2,342,700
Corporation Income Tax	346,600	-	346,600
Subtotal: Income Taxes	2,689,300	-	2,689,300
Other Taxes			
Corporation Capital Tax	135,000	-	135,000
Gasoline Tax	130,000	-	130,000
Insurance Corporations Tax	69,500	-	69,500
Land Transfer Tax	46,400	-	46,400
Levy for Health and Education	358,600	-	358,600
Mining Tax	10,000	-	10,000
Motive Fuel Tax	90,500	-	90,500
Retail Sales Tax	1,594,700	-	1,594,700
Tobacco Tax	194,000	-	194,000
Other Taxes	8,876	-	8,876
Education Property Taxes	-	655,481	655,481
Subtotal: Other Taxes	2,637,576	655,481	3,293,057
Fees and Other Revenue			
Fines and Costs and Other Legal	51,848	-	51,848
Minerals and Petroleum	9,594	-	9,594
Automobile and Motor Carrier Licences and Fees	118,025	-	118,025
Parks: Forestry and Other Conservation	33,973	-	33,973
Water Power Rentals	118,502	-	118,502
Service Fees and Other Miscellaneous Charges	121,718	955,288	1,077,006
Revenue Sharing from SOAs	23,880	(23,880)	-
Tuition Fees	-	173,093	173,093
Subtotal: Fees and Other Revenue	477,540	1,104,501	1,582,041
Federal Transfers			
Equalization	2,063,400	-	2,063,400
Canada Health Transfer (CHT)	903,300	-	903,300
Canada Social Transfer (CST)	392,300	-	392,300
Health Funds	13,976	-	13,976
Infrastructure Renewal	135,150	-	135,150
Manitoba Floodway Expansion	77,967	-	77,967
Shared Cost and Other Transfers	195,607	321,520	517,127
Subtotal: Federal Transfers	3,781,700	321,520	4,103,220
Net Income of Government			
Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	236,200	-	236,200
Manitoba Lotteries Corporation	311,600	-	311,600
Manitoba Hydro	-	265,000	265,000
Workers Compensation Board	-	676	676
Manitoba Public Insurance Corporation	-	2,000	2,000
Subtotal: Net Income of GBEs	547,800	267,676	815,476
Sinking Funds and Other Earnings	-	246,296	246,296
Total Revenue Estimate	10,133,916	2,595,474	12,729,390

Schedule 2

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

Fiscal Year ending March 31, 2010 (in Thousands of Dollars)

Sector/Department	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Expenditure Estimates	and Expenditures of Other Reporting Entities	
Health and Healthy Living	4,363,709	359,512	4,723,221
Education			
Advanced Education and Literacy	609,074	435,515	1,044,589
Education, Citizenship and Youth	1,474,038	751,720	2,225,758
Total Education	<u>2,083,112</u>	<u>1,187,235</u>	<u>3,270,347</u>
Family Services and Housing	1,256,082	133,904	1,389,986
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	37,684	(741)	36,943
Agriculture, Food and Rural Initiatives	225,709	177,279	402,988
Competitiveness, Training and Trade	149,663	4,092	153,755
Conservation	127,970	(4,116)	123,854
Infrastructure and Transportation	566,151	(109,620)	456,531
Intergovernmental Affairs	231,698	(1,143)	230,555
Science, Technology, Energy and Mines	82,560	8,568	91,128
Water Stewardship	33,876	(850)	33,026
Total Community, Economic and Resource Development	<u>1,455,311</u>	<u>73,469</u>	<u>1,528,780</u>
Justice and Other Expenditures			
Legislative Assembly	37,003	(813)	36,190
Executive Council	2,916	(145)	2,771
Civil Service Commission	6,434	(38)	6,396
Culture, Heritage, Tourism and Sport	88,353	8,318	96,671
Employee Pensions and Other Costs	15,124	134,442	149,566
Finance	103,969	25,826	129,795
Healthy Child Manitoba	28,402	(130)	28,272
Justice	386,807	14,065	400,872
Labour and Immigration	51,379	7,932	59,311
Manitoba Seniors and Healthy Aging Secretariat	1,757	(38)	1,719
Enabling Appropriations	127,908	-	127,908
Other Appropriations	28,500	-	28,500
Less: Year-End Lapse	(65,000)	-	(65,000)
Total Justice and Other Expenditures	<u>813,552</u>	<u>189,419</u>	<u>1,002,971</u>
Debt Servicing Costs	<u>250,150</u>	<u>516,317</u>	<u>766,467</u>
Total Expenditure Estimate	10,221,916	2,459,856	12,681,772
Subtract: Total Expenditure Estimate (above) from			
Total Revenue Estimate (Schedule 1)	<u>10,133,916</u>	<u>2,595,474</u>	<u>12,729,390</u>
Net Result for the Year	<u>(88,000)</u>	<u>135,618</u>	<u>47,618</u>
Transfer to Debt Retirement Account	(20,000)	20,000	-
Transfer from Fiscal Stabilization Account	110,000	(110,000)	-
NET INCOME	<u>2,000</u>	<u>45,618</u>	<u>47,618</u>

FINANCIAL MANAGEMENT STRATEGY

■ FINANCIAL MANAGEMENT STRATEGY

The Financial Management Strategy (FMS) sets out the government's priorities for financial management, one or more measurable outcomes for each priority area, and objectives for each measurable outcome for the current year and for the future.

The FMS demonstrates the government's commitment to enhancing transparency and accountability. The first report on outcomes for the FMS in Budget 2007 was released in the fall of 2008. The report on outcomes for the FMS presented in the 2008 Budget will be available in the fall of 2009.

For 2009/10, the FMS will continue with the five priority areas the government set for 2008/09. These areas, and their related measurable outcomes, are summarized below.

FINANCIAL MANAGEMENT PRIORITY	MEASURABLE OUTCOMES
Transparency, Accountability and Fiscal Discipline	<ul style="list-style-type: none"> • Summary Budgeting and Financial Reporting • Balancing Summary Net Income • Maintaining Accountability for Core Government Program Expenditure and Revenue
Stable and Affordable Government	<ul style="list-style-type: none"> • Credit Ratings • Expenditures as a Percentage of Gross Domestic Product (GDP) • Addressing the Unfunded Pension Liability
Managing Debt	<ul style="list-style-type: none"> • Debt Retirement • Net Debt to GDP Ratio
Infrastructure and Capital Asset Renewal	<ul style="list-style-type: none"> • Capital Investments
Performance Measurement	<ul style="list-style-type: none"> • Continued Development of Performance Measurement Capacity

■ PRIORITY AREA: TRANSPARENCY, ACCOUNTABILITY AND FISCAL DISCIPLINE

The government remains committed to continual improvements in transparency and accountability and maintaining sound financial discipline. This commitment has been evident in recent years as we have passed a number of major milestones, including: the achievement of fully Generally Accepted Accounting Principles (GAAP) compliant Summary Financial Statements as of March 31, 2005; the transition to Summary Budgeting and Reporting in 2007/08; the introduction of a FMS in Budget 2007 and the release of the first report on outcomes in the fall of 2008; the development of plans to eliminate general purpose debt and pension liabilities; and in October 2008, *The Balanced Budget, Fiscal Management and Taxpayer Accountability Act* came into effect.

Measurable Outcome: Summary Budgeting and Financial Reporting

Budget 2007 delivered on the commitment to transition to Summary Budgeting and Reporting. The Summary Budget presents comprehensive information on how the Government Reporting Entity (GRE) operates as a whole and what the total cost is of providing programs and services to people in Manitoba. With enactment of the new balanced budget legislation last fall, the year-end financial reporting presented in the 2008/09 Public Accounts will only contain audited Financial Statements for the GRE.

In addition, all financial reporting, including quarterly financial reporting, is being transitioned to a summary basis. During 2008/09 the quarterly financial reports have been revised to include additional information on the GRE and now also include an economic performance review and outlook. The third quarter financial report, for the first time, included an operating statement with the financial results of the GRE for the nine months ending December 31, 2008. The complete transition to having summary quarterly reporting consistent with GAAP is targeted to be in place by the end of 2009/10.

Measurable Outcome: Balancing Summary Net Income

The shift to a Summary Budget presents significant challenges. The GRE is comprised of many organizations over which government does not have day-to-day control. Given the nature of some of the entities in the GRE, the Summary Budget is more volatile than Core Government's budget.

Today we are presenting a budget which has a positive net income on a summary basis of \$48 million for 2009/10.

As noted above, updated balanced budget legislation came into force in October 2008 reflecting the shift to summary budgets and financial reporting. The Act requires the government to table a budget for the GRE in the Legislative Assembly by April 30 that projects a positive balance as at the end of that year. For the purposes of the Act, balance is the average of the net results as shown in the audited summary financial statements for each fiscal year within the four-year period ending at that time. The results of applying this formula for the 2009/10 fiscal year is a projected balance of \$342 million, therefore Budget 2009 is in compliance with the Act.

Measurable Outcome: Maintaining Accountability for Core Government Program Expenditure and Revenue

To ensure transparency and accountability, the new balanced budget legislation requires the government to include a summary of the Core Government expenditures and projected revenue, consistent with the main estimates of expenditure and revenue for the fiscal year, as part of the FMS. In Budget 2009, Core Government expenditures are fully supported by related Core revenue, including allocations from the Fiscal Stabilization Account for funding advanced by the federal government and for other provincial priorities:

	\$ Millions
Revenue	10,134
Expenditure	10,222
	<hr/>
	(88)
Transfer to Debt Retirement Account	(20)
Transfer from Fiscal Stabilization Account	110
	<hr/>
Net Result	2

Year-end information on Core Government's revenue and expenditure for 2009/10 will be provided as part of the FMS report on outcomes, which will be released in the fall of 2010.

■ PRIORITY AREA: STABLE AND AFFORDABLE GOVERNMENT

Manitoba continues to have one of the most efficient and cost-effective governments in Canada. Continuous improvements in the way government operates and delivers services help keep Manitoba programs affordable. Providing affordable public services means using public revenues effectively and efficiently to deliver government programs and services. According to Statistics Canada, since 1999/2000 Manitoba's total per capita expenditure growth has been the second lowest of all provincial governments and Manitoba's rank among provinces in total per capita spending has dropped from fifth highest to fourth lowest. In this challenging economic climate, the government will continue to carefully manage programs and services within existing resources.

Measurable Outcome: Credit Ratings

Manitoba continues to maintain its reputation for fiscal responsibility. The Province's measured approach to balancing the budget, paying down debt and the pension liability, and dealing with the needs in health care and other program areas has been acknowledged by credit rating agencies. This performance has been reflected in the credit rating upgrades Manitoba received from Moody's Investors Service and Standard & Poor's. In November 2006, Standard & Poor's revised its outlook on the Province of Manitoba to positive from stable, and then upgraded the credit rating of the Province in December 2007 from AA-(positive) to AA(stable). During this period of international economic and financial instability, Manitoba's stable and diversified economy, strong financial position and commitment to responsible financial management will help ensure a stable credit outlook in 2009.

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

Credit Rating Agency	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Projected
DBRS	A(positive)	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)
Moody's	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1
Standard & Poor's	AA-	AA-	AA-	AA-	AA-(positive)	AA(stable)	AA(stable)

NOTE: As at March 31 (end of fiscal year)

Measurable Outcome: Expenditures as a Percentage of Gross Domestic Product (GDP)

Maintaining a stable and affordable government means managing the growth in spending to meet increasing demands for quality services in areas such as health, education and training. An effective measure of appropriate spending is the ratio of total expenditures as a percentage of GDP. This ratio has remained relatively stable over the last four years and is budgeted to remain within this range for 2009/10. Expenditures to GDP ratios are reflected in the following table and as part of Appendix 1, Summary Financial Statistics.

	<u>2005/06</u> Actual	<u>2006/07</u> Actual	<u>2007/08</u> Actual	<u>2008/09</u> Forecast	<u>2009/10</u> Budget	<u>2010/11</u> Projection
Core Government Programs	19.2%	18.7%	18.7%	19.2%	19.4%	18.9%
Other Reporting Entities	3.8%	4.0%	4.2%	3.5%	3.8%	3.7%
Debt Servicing Costs	2.0%	1.7%	1.7%	1.6%	1.5%	1.4%
Total Expenditures	25.0%	24.4%	24.6%	24.3%	24.7%	24.1%

NOTE: Actual numbers for other reporting entities for 2005/06 do not include public schools as this information is not available in a GAAP format. The percentage reflected for 2005/06 would increase if public schools information was included.

Numbers may not add due to rounding.

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

Measurable Outcome: Addressing the Unfunded Pension Liability

In recognition of the need for a long-term strategy to address the pension liabilities, the 2000 Budget introduced a comprehensive approach to address both debt and pension obligations. As a result, the net pension liability of \$1.8 billion in Budget 2009 is a reduction of \$1.6 billion from the 2004/05 net pension liability of \$3.4 billion.

In 2001, we started to pay down the accumulated liability, and in the 2002 Budget we announced our plan to make current service pension contributions for new employees. In Budget 2008, current service pension contributions were extended to all employees for the first time since April 1, 1961. In Budget 2009, this \$136 million cost has been allocated to departmental appropriations to better reflect the actual cost of services. The government took further steps in 2007 to deal with the unfunded pension liability by funding 75% of the employer's liability related to the Teachers' Retirement Allowances Fund (TRAF). Budget 2008 continued to address the unfunded pension liability by committing to begin funding the Civil Service Superannuation Fund (CSSF) and Budget 2009 includes a further allocation to CSSF. Borrowing funds to pay down the previously unfunded pension liability is a sound fiscal decision, as over the longer term, the cost of borrowing is less than the actuarially determined expected rate of return on the plan assets and the rate of growth in the pension liability.

Although current market volatility is having a negative impact on the market value of pension assets in recent months, in accordance with GAAP any market losses will be recognized over a period of time. Under GAAP, changes in pension assets and liabilities are accounted for using actuarial estimates. The difference between actual gains and losses and the actuarial estimates are recognized over the employee average remaining service life. Further information on the status of pension plan assets is provided in Budget Paper B – Supplementary Financial Information.

■ PRIORITY AREA: MANAGING DEBT

Since coming into office, the government has been diligent about implementing specific disciplines to ensure sound fiscal management. These disciplines include: measures to pay down debt, addressing the unfunded pension liability, funding the employer's share of current service pension entitlements and ensuring that for Core Government all capital investments are amortized and all related costs are fully reflected in annual appropriations.

Over the past nine years we have contributed \$924 million to the debt retirement account to address general purpose debt and pension obligations with a further payment of \$20 million planned for 2009/10. Budget 2009 includes a planned addition of \$330 million for CSSF. Budget 2009 also includes \$136 million in Core Government expenditures for the employer's share of current service pension obligations.

Based on a projection for Core Government of a total of \$4.4 billion in capital asset investments as of March 31, 2009, \$1.7 billion of related debt will have been retired through accumulated amortization. The balance is to be repaid over the remaining useful life of those assets. The debt retirement schedule is consistent with the period of amortization which reflects the service life of those assets. A total of \$135 million for amortization of capital investment has been included in Core Government for 2009/10.

Measurable Outcome: Debt Retirement

Upon coming into office in 1999 the government established a plan to retire the general purpose debt and to eliminate the pension liability

Direct action taken to address the unfunded pension liability, allocating part of the debt retirement payment to pension obligations and funding the employer's share of current service entitlements for all employees is one component of our strict discipline to ensure sound fiscal management.

A similar discipline is applied to general purpose debt and a portion of the debt retirement payment has been allocated for this purpose over the last nine years. Our strong past investments in infrastructure and our commitment to accelerate infrastructure spending to support the economy through job creation and training opportunities means that borrowing activities for Core Government capital spending will have an impact on debt. However, asset costs are amortized over a set period that represents the useful life of the asset as required by GAAP. Inherent in the process of borrowing to fund the acquisition of assets is the fact that within the province's long term commitment to balance its budget, the set amortization periods result in an orderly retirement of the debt. The end result is increased infrastructure investment for Manitobans, spreading the cost of those assets over their useful life and a strategy which includes a funded retirement plan of that debt.

The government has streamlined debt management, which is reflected not only in our debt retirement plan, but also in the fact that debt servicing costs as a percentage of revenue continues to decline. Since 1999/2000 the debt servicing cost rate has declined by 54.5% from 13.2¢ of every dollar of summary revenue collected to a forecasted level of 6.0¢ for 2009/10.

The Manitoba Government is committed to retiring debt with the ultimate goal of eliminating the general purpose debt and the remaining unfunded pension liabilities. In light of the need to protect vital services, amendments will be introduced to temporarily provide the government more flexibility in making the debt payment required by balanced budget legislation. The decision to modify the payments to the debt retirement account reflects the fiscal and economic reality. For 2009/10 a \$20 million payment is projected. The balance that would otherwise have been paid to the debt retirement account has been redirected to address infrastructure, stimulate the economy and create jobs.

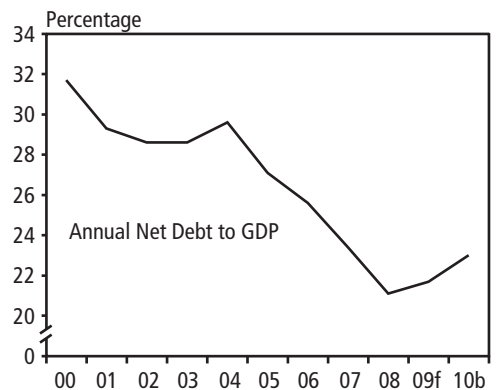
Measurable Outcome: Net Debt to GDP Ratio

Net debt is an important indicator of a government's financial position as this highlights the affordability of future government service. Summary net debt represents the difference between the GRE's total liabilities, such as borrowing and financing, less its financial assets* – it reflects the residual liability that must be financed by future revenues. Net debt may grow in absolute terms from time to time, as needed investments in capital assets – like the Red River Floodway, highway infrastructure and economic stimulus investments – are made. These investments underpin and support Manitoba's economic performance. It is important therefore to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

* Financial assets are liquid assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.

Over the last several years, the Manitoba Government has seen a substantial downward trend in Net Debt to GDP ratio, lowering the ratio to a projected level of 21.6% in 2008/09 from 31.7% in 1999/2000, while continuously making much needed investments in Manitoba infrastructure. As a result our decision to invest \$1.6 billion in 2009/10 in infrastructure projects to create jobs and stimulate the economy, the Net Debt to GDP ratio is forecast to increase to 23.0% in the current year. In February 2009, Moody's acknowledged that all Canadian provinces will likely experience a brief increase in the Net Debt to GDP levels in the short term given the investment on stimulus infrastructure and tightening of revenues. The government remains committed to reducing the Net Debt to GDP ratio over the longer term.

Manitoba Net Debt to GDP Ratio



f - Forecast b - Budgeted

Note: Dates are for the fiscal year ending March 31

Source: Manitoba Finance

■ PRIORITY AREA: INFRASTRUCTURE AND CAPITAL ASSET RENEWAL

Building and upgrading Manitoba's infrastructure has been a priority for our government since 1999. In November 2008, the government committed to a four-year, \$4.7-billion economic stimulus investment plan to fund key infrastructure projects in order to create jobs and training opportunities across the province. The Manitoba Bureau of Statistics estimates that, over four years the \$4.7 billion investment will create or maintain approximately 40,000 jobs directly and an additional 34,000 indirect jobs. Budget 2009 supports the added emphasis on our infrastructure plans with planned expenditures of \$1.6 billion in the upcoming year. The current plan to accelerate capital spending in the short term is expected to be supported by \$135 million in federal economic stimulus funding.

Measurable Outcome: Capital Investments

Since coming to office in 1999, the government has invested in public capital assets, such as new or renewed hospitals, colleges, the Red River Floodway, Manitoba's highway system, and Churchill's deepwater seaport. The government is aware that the renewal will be costly. It is estimated that the insured or replacement value of these investments is over \$36 billion.

The Red River Floodway Expansion project at a total cost of \$665 million is anticipated to be finished in 2010. This project protects Manitobans from more than \$12 billion in potential damages in the event of a major flood.

Budget 2009 provides the resources for upgrading Manitoba's roads and highways, wastewater treatment plants, expanding health facilities across the province, building and restoring much need social housing and modernizing our post-secondary institutions. Budget 2009 includes funding for a multi-million four-year capital program for public schools that will address high need areas in terms of immigration and population change, and will also provide for improvements and renewal of existing facilities. Based on principles of sound financial management, Manitoba has been able to increase the assets of the province while maintaining a sustainable level of debt. To support the accelerated level of infrastructure investment, in 2009/10 instead of providing interest earnings to the fiscal stabilization account, the funds will be used to offset increases in amortization required to support capital expenditures within departments. Major capital expenditure cash flow anticipated in 2009/10 includes:

	\$ Millions
Roads and Highways (including preservation)	535
Universities, Colleges and Public Schools	265
Health Facilities	260
Manitoba Floodway Expansion and Water-related Infrastructure	195
Housing (including third party contributions)	173
Assistance to Third Parties	97
Public Service Buildings	80
Parks and Campground Infrastructure	17
	1,622

Manitoba's past and present commitment to infrastructure investments and renewal of existing assets, while maintaining a fiscally responsible approach to budgeting and debt management will continue to deliver benefits to Manitobans.

■ PRIORITY AREA: PERFORMANCE MEASUREMENT

Improving the way government measures on both financial and non-financial performance outcomes enhances both transparency and accountability. Outcomes-based reporting provides information on the actual impacts, benefits or changes experienced as a result of a program or government service.

Measurable Outcome: Continued development of performance measurement capacity

Manitoba is committed to continuing progress on the measurement of performance outcomes.

The 2008 Financial Management Strategy identified the eight principles which guide measurement and reporting for the government departments and major Crown corporations:

1. The organization's public purpose is explained.
2. The organization's priorities relate to overall government priorities.
3. Each organizational priority has objectives and actions to achieve them.
4. Measures are developed with outcomes in mind, focusing on a few critical aspects of performance.
5. Financial and non-financial information are linked.
6. The strategic context for the plan and reported results is discussed.
7. Performance information looks forward and backward in time.
8. Information is clear, relevant, credible and balanced.

The statement of overall government priorities will be updated in mid-April. Key performance measures will continue to be included in every government department's annual report. Performance reporting information is also included in the annual reports, and various specialized reports, of many other entities in the GRE.

In 2009/10, Manitoba will work toward increasing departmental capacity to measure, monitor, and evaluate effectiveness and efficiency of programs. Initial steps will include development of workshops on performance measurement for government staff and establishment of a performance measurement network to build a community of practice within government.

PROVINCIAL OUTLOOK

Summary Budget Outlook

	2008/09 <u>Forecast</u>	2009/10 <u>Budget</u>	2010/11 <u>Projection</u>
		Millions of Dollars	
REVENUE			
Core Government ¹	10,113	10,134	10,409
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	227	236	244
Manitoba Lotteries Commission	303	312	321
Manitoba Hydro	314	265	184
Workers Compensation Board	(32)	1	4
Manitoba Public Insurance Corporation	0	2	2
Subtotal	<u>812</u>	<u>816</u>	<u>755</u>
Less: Consolidation Adjustment	(530)	(548)	(565)
Net Contribution of GBEs	<u>282</u>	<u>268</u>	<u>190</u>
Other Reporting Entities	<u>2,384</u>	<u>2,327</u>	<u>2,376</u>
TOTAL REVENUE	<u>12,779</u>	<u>12,729</u>	<u>12,975</u>
EXPENDITURE			
Core Government Programs and Services	10,091	10,222	10,428
Other Reporting Entities	<u>2,364</u>	<u>2,459</u>	<u>2,513</u>
TOTAL EXPENDITURE	<u>12,455</u>	<u>12,681</u>	<u>12,941</u>
Restatement Adjustment	(8)		
SUMMARY NET INCOME	<u>316</u>	<u>48</u>	<u>34</u>
 Balance under Balanced Budget Legislation	 424	 342	 244

Numbers may not add due to rounding.

NOTES:

¹ Core Government revenue includes net income of Manitoba Lotteries Corporation and Manitoba Liquor Control Commission; that income is eliminated in the Consolidation Adjustment.

*Revenue and expenditure projections for GBEs and Other Reporting Entities are based on information provided by the entities.

Fiscal projections beyond 2010/11 have become subject to a very high degree of uncertainty due to the current volatility in both the global and national economic outlooks.

APPENDIX 1

MANITOBA SUMMARY FINANCIAL STATISTICS

Manitoba Summary Financial Statistics

	2009/10 Budget	2008/09 Forecast	2007/08 Actual	2006/07 Actual	2005/06 Actual	2004/05 Actual
(Millions of Dollars)						
SUMMARY FINANCIAL STATEMENTS						
Revenue						
Income Taxes	2,689	2,812	2,652	2,441	2,322	2,244
Other Taxes	3,293	3,329	3,288	3,129	2,285	2,219
Fees and Other Revenue	1,582	1,565	1,619	1,493	1,552	1,398
Federal Transfers	4,103	3,936	3,597	3,320	3,103	3,156
Net Income (Loss) of Government Business Enterprises	816	812	946	627	958	679
Sinking Funds and Other Earnings	246	325	335	375	505	444
Total Revenue	12,729	12,779	12,437	11,385	10,725	10,140
Expenditure						
Health and Healthy Living	4,723	4,583	4,224	3,956	3,809	3,560
Education	3,270	3,138	3,218	2,948	2,291	2,309
Family Services and Housing	1,390	1,357	1,224	1,142	1,075	1,020
Community, Economic and Resource Development	1,529	1,509	1,406	1,280	1,526	1,169
Justice and Other General Expenditures	1,003	1,065	974	829	820	755
Debt Servicing Costs	766	803	815	745	810	765
Total Expenditure	12,681	12,455	11,861	10,900	10,331	9,578
Restatement Adjustment		(8)				
Summary Net Income/(Loss)	48	316	576	485	394	562
Provincial Borrowings, Guarantees & Obligations						
General Government Programs	6,305	6,316	6,383	6,564	6,583	6,594
General Government Programs - Pension Liability	2,180	1,850	1,500	0	0	0
Manitoba Hydro	8,247	7,556	6,796	6,636	6,524	6,615
Other Crown Organizations	1,451	1,291	1,269	1,279	1,272	1,340
Health Facilities	1,054	892	833	790	767	739
Government Enterprises and Other	69	79	92	150	163	173
Capital Investments	1,861	1,411	1,084	749	464	363
Subtotal	21,167	19,395	17,957	16,168	15,773	15,824
Other Obligations						
Pension Liability	4,667	4,556	4,451	4,159	3,967	3,761
Pension Asset Fund	(2,889)	(2,599)	(2,242)	(699)	(537)	(382)
Net Pension Liability	1,778	1,957	2,209	3,460	3,430	3,379
Debt incurred for and repayable by the Manitoba Hydro- Electric Board and Manitoba Lotteries Corporation	(8,040)	(7,320)	(6,619)	(6,163)	(6,276)	(6,215)
Education and Health Debt held by Government Enterprises	404	416	416	383	339	324
Other Debt of Crown Organizations	260	260	258	221	243	173
Subtotal	(5,598)	(4,687)	(3,736)	(2,099)	(2,264)	(2,339)
Total Summary Borrowings, Guarantees & Obligations	15,569	14,708	14,221	14,069	13,509	13,485
Adjustments to arrive at Summary Net Debt						
Guarantees	(402)	(402)	(352)	(675)	(491)	(660)
Net Financial Assets	(3,358)	(3,206)	(3,681)	(2,929)	(2,433)	(2,102)
Summary Net Debt	11,809	11,100	10,188	10,465	10,585	10,723
Summary Net Debt as percentage of GDP	23.0	21.6	21.1	23.4	25.6	27.1

Numbers may not add due to rounding.

NOTES

- Actual numbers for summary expenditures for 2005/06 and earlier do not include public schools as this information is not available in a GAAP format. The above results and the statistics associated with these results would change if public schools were included.
- The 2008/09 Forecast is based on the Third Quarter Financial Report.
- Historical information has been restated to be consistent with changes in accounting policies.

Manitoba Summary Financial Statistics

	2009/10 Budget	2008/09 Forecast	2007/08 Actual	2006/07 Actual	2005/06 Actual	2004/05 Actual
(Percentage Change)						
Annual Change						
Income Taxes	(4.4)	6.0	8.6	5.1	3.5	11.7
Other Taxes ¹	(1.1)	1.2	5.1	36.9	3.0	7.4
Fees and Other Revenue	1.1	(3.3)	8.4	(3.8)	11.0	8.7
Federal Transfers	4.2	9.4	8.3	7.0	(1.7)	16.2
Total Revenue	(0.4)	2.7	9.2	6.2	5.8	19.4
Health and Healthy Living	3.1	8.5	6.8	3.9	7.0	4.5
Education	4.2	(2.5)	9.2	28.7	(0.8)	6.5
Debt Servicing Costs	(4.6)	(1.5)	9.4	(8.0)	5.9	(4.3)
Total Expenditure	1.8	5.0	8.8	5.5	7.9	5.6
Summary Net Debt	6.4	9.0	(2.6)	(1.1)	(1.3)	(3.0)
(Per cent)						
Per cent of GDP						
Income Taxes	5.2	5.5	5.5	5.5	5.6	5.7
Other Taxes ¹	6.4	6.5	6.8	7.0	5.5	5.6
Fees and Other Revenue	3.1	3.1	3.4	3.3	3.7	3.5
Federal Transfers	8.0	7.7	7.5	7.4	7.5	8.0
Total Revenue	24.8	24.9	25.8	25.5	25.9	25.7
Health and Healthy Living	9.2	8.9	8.8	8.8	9.2	9.0
Education	6.4	6.1	6.7	6.6	5.5	5.8
Debt Servicing Costs	1.5	1.6	1.7	1.7	2.0	1.9
Total Expenditure	24.7	24.3	24.6	24.4	25.0	24.2
Summary Net Debt	23.0	21.6	21.1	23.4	25.6	27.1
Per cent of Revenue						
Income Taxes	21.1	22.0	21.3	21.4	21.7	22.1
Other Taxes ¹	25.9	26.1	26.4	27.5	21.3	21.9
Fees and Other Revenue	12.4	12.2	13.0	13.1	14.5	13.8
Federal Transfers	32.2	30.8	28.9	29.2	28.9	31.1
Net Income (Loss) of						
Government Business Enterprises	6.4	6.4	7.6	5.5	8.9	6.7
Sinking Funds and Other Earnings	1.9	2.5	2.7	3.3	4.7	4.4
(Dollars)						
Dollars Per Capita						
Total Revenue	10,474	10,578	10,419	9,614	9,101	8,639
Total Expenditure	10,434	10,310	9,937	9,205	8,767	8,160
Debt Servicing Costs	631	666	684	630	688	653
Summary Net Debt	9,717	9,188	8,535	8,837	8,982	9,136
Memorandum Items						
Population (000's) *	1,215.2	1,208.0	1,193.5	1,184.0	1,178.3	1,173.6
GDP at Market Prices	51,429	51,275	48,225	44,728	41,402	39,499

Source: Manitoba Finance

* official population July 1

¹ Other Taxes for 2005/06 and earlier do not include property taxes charged by public school divisions.

APPENDIX 2

SUMMARY BUDGET USER'S GUIDE

■ INTRODUCTION

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

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

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

■ STRUCTURE OF THE SUMMARY BUDGET

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

In the Summary Budget, 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. Federal transfers include funding from the 2009 federal budget for economic stimulus related to infrastructure and labour market development/training initiatives;
- Net Income of Government Business Enterprises (GBEs) – This 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 Lotteries and the Manitoba Liquor Control Commission whose net income continues to be recorded as revenue of Core Government;
- Sinking Funds and Other Earnings – these are interest and other investment earnings on sinking funds and other investments held by Core Government and Other Reporting Entities. For Core Government Estimates purposes investment revenue is netted against debt servicing costs.
- In the Summary Budget, Expenditure has been classified by major sectors. See Appendix 3 for a list of the entities in the GRE.
- Health and Healthy Living – represents all health-related expenditures including the activities of the Department of Health and Healthy Living, all Regional Health Authorities, hospitals and other health-related entities in the GRE;
- Education – represents costs associated with all primary, secondary and post-secondary education including the operations of universities and colleges, and includes the activities of the Department of Advanced Education and Literacy and the

Department of Education, Citizenship and Youth. Also includes additional funding for teachers' pensions and programs funded by other sources;

- Family Services and Housing – includes all costs related to social service and housing programs, including the activities of the Department of Family Services and Housing;
- Community, Economic and Resource Development – includes expenditures related to infrastructure and other government services, including the activities of the Departments of Aboriginal and Northern Affairs; Agriculture, Food and Rural Initiatives; Competitiveness, Training and Trade; Conservation; Infrastructure and Transportation; Intergovernmental Affairs; Science, Technology, Energy and Mines; and Water Stewardship;
- Justice and Other Expenditures – includes costs for Justice services and the activities of the Legislative Assembly; Executive Council; Civil Service Commission; Department of Culture, Heritage, Tourism and Sport; Employee Pensions and Other Costs; Department of Finance; Healthy Child Manitoba; Department of Justice; Department of Labour and Immigration; and Manitoba Seniors and Healthy Aging Secretariat;
- Debt Servicing – contains the cost of interest and related expenses for the Teachers' Retirement Allowances Fund (TRAF), the Civil Service Superannuation Fund (CSSF), capital funding, and general purpose borrowings associated with all provincial summary borrowings, excluding debt servicing costs for debt incurred and repayable by Manitoba Hydro and Manitoba Lotteries. Debt servicing costs related to those borrowings are reflected in the net income of GBEs.

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

■ ANNOTATED SUMMARY BUDGET

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

SUMMARY BUDGET			
For the Fiscal Year ending March 31, 2010			
With Comparative Data for the year ending March 31, 2009			
	<u>2009/10</u>	<u>2008/09</u>	<u>2008/09</u>
	<u>Budget</u>	<u>Forecast</u>	<u>Budget</u>
	(Millions of Dollars)		
REVENUE			
Income Taxes	2,689	2,812	2,611
Other Taxes	3,293	3,329	3,321
Fees and Other Revenue	1,582	1,565	1,478
Federal Transfers	4,103	3,936	3,905
Net Income of Government Business Enterprises	816	812	668
Sinking Funds and Other Earnings	<u>246</u>	<u>325</u>	<u>278</u>
TOTAL REVENUE	<u>12,729</u>	<u>12,779</u>	<u>12,261</u>
EXPENDITURE			
Health and Healthy Living	4,723	4,583	4,469
Education	3,270	3,138	3,132
Family Services and Housing	1,390	1,357	1,320
Community, Economic and Resource Development	1,529	1,509	1,479
Justice and Other Expenditures	1,003	1,065	951
Debt Servicing Costs	<u>766</u>	<u>803</u>	<u>806</u>
TOTAL EXPENDITURE	<u>12,681</u>	<u>12,455</u>	<u>12,157</u>
Restatement Adjustment	-	(8)	(8)
SUMMARY NET INCOME	<u>48</u>	<u>316</u>	<u>96</u>

includes school property taxes

includes University and College tuition fees

Most Federal Transfers are received by Core Government but some Entities also receive Federal Transfers or cost-shared payments directly.

includes all expenditures of Departments of Education, Citizenship and Youth, Advanced Education and Literacy, and K-12 public schools, colleges and universities

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

The revenue and expenditure of Other Reporting Entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from Core Government's. In those cases data for the closest fiscal year-end date to Core Government's own year-end date is used.

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

Schedule 1 – groups individual revenue sources under six categories, showing the contributions of Core Government and the impact of consolidating Core Government and Other Reporting Entities.

Schedule 1			
Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates			
Fiscal Year ending March 31, 2010 (in Thousands of Dollars)			
Source of Revenue	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Revenue Estimates	and Revenue of Other Reporting Entities	
Income Taxes			
Individual Income Tax	2,342,700	-	2,342,700
Corporation Income Tax	346,600	-	346,600
Subtotal: Income Taxes	2,689,300	-	2,689,300
Other Taxes			
Corporation Capital Tax	135,000	-	135,000
Gasoline Tax	130,000	-	130,000
Insurance Corporations Tax	69,500	-	69,500
Land Transfer Tax	46,400	-	46,400
Levy for Health and Education	358,600	-	358,600
Mining Tax	10,000	-	10,000
Motive Fuel Tax	90,500	-	90,500
Retail Sales Tax	1,594,700	-	1,594,700
Tobacco Tax	194,000	-	194,000
Other Taxes	8,876	-	8,876
Education Property Taxes	-	655,481	655,481
Subtotal: Other Taxes	2,637,576	655,481	3,293,057
Fees and Other Revenue			
Fines and Costs and Other Legal	51,848	-	51,848
Minerals and Petroleum	9,594	-	9,594
Automobile and Motor Carrier Licences and Fees	118,025	-	118,025
Parks: Forestry and Other Conservation	33,973	-	33,973
Water Power Rentals	118,502	-	118,502
Service Fees and Other Miscellaneous Charges	121,718	955,288	1,077,006
Revenue Sharing from SOAs	23,880	(23,880)	-
Tuition Fees	-	173,093	173,093
Subtotal: Fees and Other Revenue	477,540	1,104,501	1,582,041
Federal Transfers			
Equalization	2,063,400	-	2,063,400
Canada Health Transfer (CHT)	903,300	-	903,300
Canada Social Transfer (CST)	392,300	-	392,300
Health Funds	13,976	-	13,976
Infrastructure Renewal	135,150	-	135,150
Manitoba Floodway Expansion	77,967	-	77,967
Shared Cost and Other Transfers	195,607	321,520	517,127
Subtotal: Federal Transfers	3,781,700	321,520	4,103,220
Net Income of Government			
Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	236,200	-	236,200
Manitoba Lotteries Corporation	311,600	-	311,600
Manitoba Hydro	-	265,000	265,000
Workers Compensation Board	-	676	676
Manitoba Public Insurance Corporation	-	2,000	2,000
Subtotal: Net Income of GBEs	547,800	267,676	815,476
Sinking Funds and Other Earnings			
	-	246,296	246,296
Total Revenue Estimate	10,133,916	2,595,474	12,729,390

The revenue and expenditure of Other Reporting Entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from Core Government's. In those cases data for the closest fiscal year-end date to Core Government's own year-end date is used.

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

Schedule 2 – groups expenditures in six sectors. It shows Core Government Expenditure Estimates, Consolidation Impacts to avoid double counting of expenditures, and the additional expenditure of Other Reporting Entities, which is not financed by Core Government.

Schedule 2			
Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result			
Fiscal Year ending March 31, 2010 (in Thousands of Dollars)			
	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
Sector/Department	Expenditure Estimates	and Expenditures of Other Reporting Entities	
Health and Healthy Living	4,363,709	359,512	4,723,221
Education			
Advanced Education and Literacy	609,074	435,515	1,044,589
Education, Citizenship and Youth	1,474,038	751,720	2,225,758
Total Education	2,083,112	1,187,235	3,270,347
Family Services and Housing	1,256,082	133,904	1,389,986
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	37,684	(741)	36,943
Agriculture, Food and Rural Initiatives	225,709	177,279	402,988
Competitiveness, Training and Trade	149,663	4,092	153,755
Conservation	127,970	(4,116)	123,854
Infrastructure and Transportation	566,151	(109,620)	456,531
Intergovernmental Affairs	231,698	(1,143)	230,555
Science, Technology, Energy and Mines	82,560	8,568	91,128
Water Stewardship	33,876	(850)	33,026
Total Community, Economic and Resource Development	1,455,311	73,469	1,528,780
Justice and Other Expenditures			
Legislative Assembly	37,003	(813)	36,190
Executive Council	2,916	(145)	2,771
Civil Service Commission	6,434	(38)	6,396
Culture, Heritage, Tourism and Sport	88,353	8,318	96,671
Employee Pensions and Other Costs	15,124	134,442	149,566
Finance	103,969	25,826	129,795
Healthy Child Manitoba	28,402	(130)	28,272
Justice	386,807	14,065	400,872
Labour and Immigration	51,379	7,932	59,311
Manitoba Seniors and Healthy Aging Secretariat	1,757	(38)	1,719
Enabling Appropriations	127,908	-	127,908
Other Appropriations	28,500	-	28,500
Less: Year-End Lapse	(65,000)	-	(65,000)
Total Justice and Other Expenditures	813,552	189,419	1,002,971
Debt Servicing Costs	250,150	516,317	766,467
Total Expenditure Estimate	10,221,916	2,459,856	12,681,772
Subtract: Total Expenditure Estimate (above) from Total Revenue Estimate (Schedule 1)	10,133,916	2,595,474	12,729,390
Net Result for the Year	(88,000)	135,618	47,618
Transfer to Debt Retirement Account	(20,000)	20,000	-
Transfer from Fiscal Stabilization Account	110,000	(110,000)	-
NET INCOME	2,000	45,618	47,618

The revenue and expenditure of Other Reporting Entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from Core Government's. In those cases data for the closest fiscal year-end date to Core Government's own year-end date is used.

■ FREQUENTLY ASKED QUESTIONS

Q1 What is a Summary Budget?

A A Summary Budget is a comprehensive picture of Core Government expenditure and revenue together with high-level projections for the operations of Crown organizations, government business entities 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 for 2009/10?

A A listing of all the entities in the Government Reporting Entity (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 other reporting entities should be directed to the appropriate entity.

Q4 As the additional revenues and expenses of universities and health authorities, for example, are now reported in the provincial budget, will that change the government's relationship with those institutions?

A The government does not intend, or have the statutory authority, to manage the day-to-day operations of these entities. The normal governance relationships between the government and these entities, and between the entities and their Boards and stakeholders, are not affected by the Summary Budget process, other than that the entities must provide financial information on a regular basis.

Q5 As Manitoba's Budget is now presented for the GRE, will the government use the revenues of other reporting entities to pay for Core Government operations?

A In the same way that the transition to a Summary Budget does not affect the governance relationships between other reporting entities and government, it also does not change the way in which Core Government operations will be funded. Under the Summary Budget, only revenue from those Crown entities that has traditionally been used to support government programs and services (Manitoba Lotteries Corporation, Manitoba Liquor Control Commission and the Special Operating Agencies established by government) will continue to be used to pay for Core Government operations.

Q6 If the government is not controlling the other reporting entities directly, why does the government combine their revenue and expenses with its own in the Summary Budget?

A The Manitoba Government is acting on the recommendations of the Office of the Auditor General for Manitoba. Generally Accepted Accounting Principles and the Public Sector Accounting Board (PSAB) standards for senior Canadian governments require provincial, territorial and federal governments to prepare their annual financial statements on this basis. The Manitoba Government is presenting its Summary Budget in the same general format as its year-end financial reports to make it easier to compare plans and results.

Q7 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 other reporting entities. The summary expenditures include incremental expenses of other reporting entities 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 other reporting entities.

Q8 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 Teachers' Retirement Allowances Fund are included in the Education sector.

Q9 What is meant by Consolidation Impacts?

A Consolidation Impacts are adjustments needed to bring the revenue and expenditure of the other reporting entities 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 (e.g. a government grant is counted as an expenditure of Core Government and is eliminated from the revenue of the Other Reporting Entity).

Q10 What is Other Comprehensive Income (OCI) and how does it impact the Province's Summary results?

A OCI applies to certain Other Reporting Entities (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 OREs annual operating results, and therefore, does not impact the Province's Summary Net Income. However, OCI does impact the balance sheet, and therefore will impact the Province'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 OREs net income and therefore the Province's Summary Net Income.

■ GLOSSARY OF KEY TERMS

Borrowings: Borrowings are securities issued in the name of the Province 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 Other Reporting Entities into the Summary Budget, and to eliminate transactions between entities to avoid duplication of revenues and expenses (e.g. a government grant is counted as an expenditure of Core Government and is eliminated from the revenue of the Other Reporting Entity).

Core Government: A component of the GRE. Represents the operations of government, including the revenues directly under 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 government, such as a Crown corporation (e.g. 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 Province such as cash, investments, loans and accounts receivable that could be readily converted to cash in order to pay the Province's liabilities or finance its future operations.

Generally Accepted Accounting Principles (GAAP): Standard accounting practices and reporting guidelines as prescribed by The Canadian Institute of Chartered Accountants.

General Purpose Debt: General program borrowings including any provincial 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, government business entities 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: The Province, in the normal course of business, 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 water control structures.

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 regards to their relative creditworthiness.

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

Non-Financial Assets: Includes physical items such as tangible capital assets (e.g. 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 Province, which may or may not carry specific repayment terms.

Other Comprehensive Income (OCI): Other comprehensive income 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 other reporting entities, 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: Entities in the GRE such as Crown organizations, government business entities 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 PSAB – excludes Core Government.

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

Pension Liability: Outstanding actuarial-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 Institute of Chartered Accountants responsible for setting accounting standards for the public sector based upon GAAP.

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

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

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

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

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

APPENDIX 3
ENTITIES INCLUDED IN SUMMARY BUDGET
(GOVERNMENT REPORTING ENTITY)

HEALTH AND HEALTHY LIVING

Manitoba Health and Healthy Living
Addictions Foundation of Manitoba
CancerCare Manitoba
Diagnostic Services of Manitoba Inc.
Manitoba Health Research Council
Manitoba Health Services Insurance Plan
Manitoba Hospital Capital Financing Authority
Not-for-Profit Personal Care Homes
Regional Health Authorities (including controlled organizations)
 Assiniboine Regional Health Authority Inc.
 Brandon Regional Health Authority Inc.
 Burntwood Regional Health Authority Inc.
 Churchill Regional Health Authority Inc.
 Interlake Regional Health Authority Inc.
 NOR-MAN Regional Health Authority Inc.
 North Eastman Health Association Inc.
 Parkland Regional Health Authority Inc.
 Regional Health Authority – Central Manitoba Inc.
 South Eastman Health/Santé Sud-Est Inc.
 Winnipeg Regional Health Authority
Rehabilitation Centre for Children Inc.

EDUCATION

Advanced Education and Literacy

Manitoba Advanced Education and Literacy
Assiniboine Community College
Brandon University
Collège universitaire de Saint-Boniface
Council on Post-Secondary Education
Red River College
University College of The North
University of Manitoba
University of Winnipeg

Education, Citizenship and Youth

Manitoba Education, Citizenship and Youth
Manitoba Text Book Bureau
Public Schools Finance Board
Public School Divisions

FAMILY SERVICES AND HOUSING

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

COMMUNITY, ECONOMIC AND RESOURCE DEVELOPMENT**Aboriginal and Northern Affairs**

Manitoba Aboriginal and Northern Affairs
Communities Economic Development Fund
Northern Affairs Fund

Agriculture, Food and Rural Initiatives

Manitoba Agriculture, Food and Rural Initiatives
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Farm Machinery and Equipment Act Fund
Food Development Centre
Horse Racing Commission
Manitoba Agricultural Services Corporation
Veterinary Science Scholarship Fund

Competitiveness, Training and Trade

Manitoba Competitiveness, Training and Trade
Manitoba Development Corporation
Manitoba Opportunities Fund Ltd.
Manitoba Trade and Investment Corporation

Conservation

Manitoba Conservation
Manitoba Habitat Heritage Corporation
Pineland Forest Nursery
Tire Stewardship Board

Infrastructure and Transportation

Manitoba Infrastructure and Transportation
Crown Lands and Property Agency
Manitoba Floodway Authority
Manitoba Trucking Productivity Improvement Fund
Manitoba Water Services Board
Materials Distribution Agency
Vehicle and Equipment Management Agency

Intergovernmental Affairs

Manitoba Intergovernmental Affairs
Community Revitalization Fund

Science, Technology, Energy and Mines

Manitoba Science, Technology, Energy and Mines
Abandonment Reserve Fund
Economic Innovation and Technology Council
Ethanol Fund
Green Manitoba Eco Solutions
Industrial Technology Centre
Manitoba Education, Research and Learning Information Networks (MERLIN)
Mining Community Reserve
Mining Rehabilitation Reserve
Quarry Rehabilitation Reserve

Water Stewardship

Manitoba Water Stewardship

JUSTICE AND OTHER EXPENDITURES

Legislative Assembly

Legislative Assembly

Executive Council

Executive Council

Civil Service Commission

Civil Service Commission
Organization and Staff Development

Culture, Heritage, Tourism and Sport

Manitoba Culture, Heritage, Tourism and Sport
Centre culturel franco-manitobain
Manitoba Arts Council
Manitoba Boxing Commission
Manitoba Centennial Centre Corporation
Manitoba Community Services Council Inc.
Manitoba Film and Sound Recording Development Corporation
Sport Manitoba Inc.
Travel Manitoba
Venture Manitoba Tours Ltd.

Employee Pensions and Other Costs

Pension Assets Fund

Finance

Manitoba Finance
Board of Administration under the Embalmers and Funeral Directors Act
Companies Office
Crown Corporations Council
Insurance Council of Manitoba
Land Titles Assurance Fund
Manitoba Securities Commission
Special Operating Agencies Financing Authority
The Property Registry
Vital Statistics Agency

Healthy Child Manitoba

Healthy Child Manitoba Office

Justice

Manitoba Justice
Civil Legal Services
Helen Betty Osborne Foundation
Legal Aid Manitoba
Manitoba Gaming Control Commission
Manitoba Law Reform Commission
The Public Trustee
Victims Assistance Fund

Labour and Immigration

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

Manitoba Seniors and Healthy Aging Secretariat

Manitoba Seniors and Healthy Aging Secretariat

GOVERNMENT BUSINESS ENTERPRISES

Leaf Rapids Town Properties Ltd.
Manitoba Hazardous Waste Management Corporation
Manitoba Hydro-Electric Board
Manitoba Liquor Control Commission
Manitoba Lotteries Corporation
Manitoba Product Stewardship Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board

SPECIAL ACCOUNTS, not attached to Sector or Department

Debt Retirement

Fiscal Stabilization