
MANITOBA BUDGET 2012

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Information available at this site includes:

- The 2012 Manitoba Budget Address
- Budget 2012
- Budget Papers
 - A Economic Review and Outlook
 - B Supplementary Financial Information
 - C Taxation Adjustments
 - The Manitoba Advantage
 - D Update on Major Transfer Arrangements
 - E Reducing Poverty and Promoting Social Inclusion
- Estimates of Expenditure and Revenue for the Fiscal Year Ending March 31, 2013
- Tax News
- Financial Reports
- Economic Highlights
- Economic Statistics

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Les documents offerts en français sur le site Internet www.gov.mb.ca/finance/index.fr.html comprennent :

- Discours du Budget 2012 du Manitoba
- Budget 2012
- Budget des dépenses et des recettes pour l'exercice se terminant le 31 mars 2013
- Bulletin de nouvelles fiscales
- Rapports financiers
- Points saillants de l'économie du Manitoba
- Statistiques économiques

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BUDGET 2012

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BUDGET PAPERS

- A Economic Review and Outlook
- B Supplementary Financial Information
- C Taxation Adjustments
The Manitoba Advantage
- D Update on Major Transfer Arrangements
- E Reducing Poverty and Promoting Social Inclusion

■ FOREWORD

Budget 2012 provides the financial overview of the Government Reporting Entity (GRE), which includes core government and Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges. Manitoba's Summary Budget aligns with the accounting standards set by the Public Sector Accounting Board (PSAB) and fully reflects Generally Accepted Accounting Principles (GAAP). A Summary Budget presents a more complete picture of how the provincial government and the other related entities operate as a whole and what the total cost is of providing services and programs to people in Manitoba.

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

Budget 2012 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 2013.

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

SUMMARY BUDGET 2012/13

SUMMARY BUDGET

For the Fiscal Year Ending March 31, 2013

With Comparative Data for the Year Ending March 31, 2012

	2012/13 Budget	2011/12 Forecast	2011/12 Budget	Per cent Change	
				2012/13 Budget from 2011/12 Forecast	2011/12 Budget
(Millions of Dollars)					
REVENUE SOURCE					
Income Taxes	3,202	3,141	3,170	1.9%	1.0%
Other Taxes	3,788	3,474	3,470	9.0%	9.2%
Fees and Other Revenue	2,009	1,837	1,772	9.4%	13.4%
Federal Transfers	3,889	4,351	3,972	(10.6%)	(2.1%)
Net Income of Government Business Enterprises	722	761	781	(5.1%)	(7.6%)
Sinking Funds and Other Earnings	241	245	239	(1.6%)	0.8%
TOTAL REVENUE	13,851	13,809	13,404	0.3%	3.3%
EXPENDITURE SECTORS					
Health and Healthy Living	5,547	5,286	5,387	4.9%	3.0%
Education	3,710	3,576	3,562	3.7%	4.2%
Family Services	1,064	1,047	990	1.6%	7.5%
Community, Economic and Resource Development	2,317	2,614	2,340	(11.4%)	(1.0%)
Justice and Other Expenditures	928	1,666	901	(44.3%)	3.0%
Debt Servicing Costs	858	813	807	5.5%	6.3%
TOTAL EXPENDITURE	14,424	15,002	13,987	(3.9%)	3.1%
In-Year Adjustments/Lapse	(113)	(73)	(145)		
NET INCOME (LOSS)	(460)	(1,120)	(438)		

NOTES:

- The 2011/12 Budget numbers originally presented in the 2011 Budget Address and the 2011/12 forecast from the Third Quarter Financial Report have been restated to be consistent with the current presentation for the GRE.
- Details of Expenditure and Revenue for Fiscal Year 2012/13, and a reconciliation to the amounts reported for core government are found in Schedules 1 and 2.
- Program portfolio management review savings have been allocated to Community, Economic and Resource Development (CERD) expenditures.
- In-Year Adjustments/Lapse could be an increase in revenue and/or a decrease in expenditure.
- Numbers may not add due to rounding.

■ SUMMARY BUDGET 2012/13

Revenue

Revenue in 2012/13, including new revenue measures, is projected to increase \$42 million or 0.3% from the 2011/12 Forecast.

Income taxes are projected to increase by \$61 million, with a \$95 million increase in Individual Income Tax offset by a decrease of \$34 million in Corporation Income Tax. Budget 2012 projects a \$314 million, or 9.0%, increase in other taxes reflecting growth in retail sales taxes, a \$49 million increase in fuel taxes as well as an \$11 million increase in tobacco tax. Corporations taxes are forecast to increase by \$27 million. Fees and Other Revenue is projected to increase \$172 million, or 9.4%. Net Income of Government Business Enterprises (GBEs) is projected to decrease \$39 million, or 5.1%. Federal transfers in 2011/12 included recoveries for the 2011 flood.

Expenditure

Total expenditure is budgeted to decrease \$578 million or 3.9% from the 2011/12 Forecast.

The growth in Health and Healthy Living expenditure is \$261 million or 4.9%. Education-related expenditure is increasing by \$134 million or 3.7%. Family Services is up \$17 million or 1.6%. Community, Economic and Resource Development expenditure will decrease by \$297 million or 11.4%. Manitoba Justice is increasing by \$6.3 million or 1.4%. Overall, the Justice and Other Expenditures sector will decrease by \$738 million, mainly due to 2011 flood costs. Debt Servicing Costs are expected to increase by \$45 million.¹

In Budget 2012, services to people represent 76.4% of spending.

- Health and Healthy Living expenditure makes up 38.5% of total expenditure.
- Education accounts for 25.7% of all expenditure; it includes public schools and post-secondary institutions.
- Family Services, Justice, and Housing and Community Development represent 12.2% of total expenditure.

¹ Debt Servicing Costs are forecast to equal 6.2¢ of every dollar of revenue in 2012/13, down 53.0% from 13.2¢ per dollar in 1999/2000.

Schedule 1

Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates

Fiscal Year ending March 31, 2013 (in Thousands of Dollars)

Source of Revenue	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Revenue Estimate	and Revenue of Other Reporting Entities	
Income Taxes			
Individual Income Tax	2,796,300	-	2,796,300
Corporation Income Tax	405,500	-	405,500
Subtotal: Income Taxes	3,201,800	-	3,201,800
Other Taxes			
Corporations Taxes	215,400	-	215,400
Fuel Taxes	296,500	19,600	316,100
Land Transfer Tax	66,200	-	66,200
Levy for Health and Education	410,000	(104,400)	305,600
Mining Tax	35,000	-	35,000
Retail Sales Tax	1,834,100	-	1,834,100
Tobacco Tax	256,400	-	256,400
Other Taxes	14,705	-	14,705
Education Property Taxes	-	744,447	744,447
Subtotal: Other Taxes	3,128,305	659,647	3,787,952
Fees and Other Revenue			
Fines and Costs and Other Legal	51,538	-	51,538
Minerals and Petroleum	28,820	-	28,820
Automobile and Motor Carrier Licences and Fees	147,026	-	147,026
Parks: Forestry and Other Conservation	33,088	-	33,088
Water Power Rentals	117,800	-	117,800
Service Fees and Other Miscellaneous Charges	218,624	1,158,406	1,377,030
Revenue Sharing from SOAs	26,180	-	26,180
Tuition Fees	-	227,786	227,786
Subtotal: Fees and Other Revenue	623,076	1,386,192	2,009,268
Federal Transfers			
Equalization	1,872,000	-	1,872,000
Canada Health Transfer	1,062,500	-	1,062,500
Canada Social Transfer	429,200	-	429,200
Health Funds	9,000	-	9,000
Infrastructure Renewal	28,800	-	28,800
Manitoba Floodway Expansion	10,000	-	10,000
Shared Cost and Other Transfers	187,745	289,705	477,450
Subtotal: Federal Transfers	3,599,245	289,705	3,888,950
Net Income of Government			
Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	260,452	-	260,452
Manitoba Lotteries Corporation	346,000	-	346,000
Deposit Guarantee Corporation	-	19,295	19,295
Manitoba Hydro	-	65,000	65,000
Workers Compensation Board	-	21,140	21,140
Manitoba Public Insurance Corporation	-	10,000	10,000
Subtotal: Net Income of GBEs	606,452	115,435	721,887
Sinking Funds and Other Earnings	-	241,541	241,541
Total Revenue Estimate	11,158,878	2,692,520	13,851,398

Schedule 2

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

Fiscal Year ending March 31, 2013 (in Thousands of Dollars)

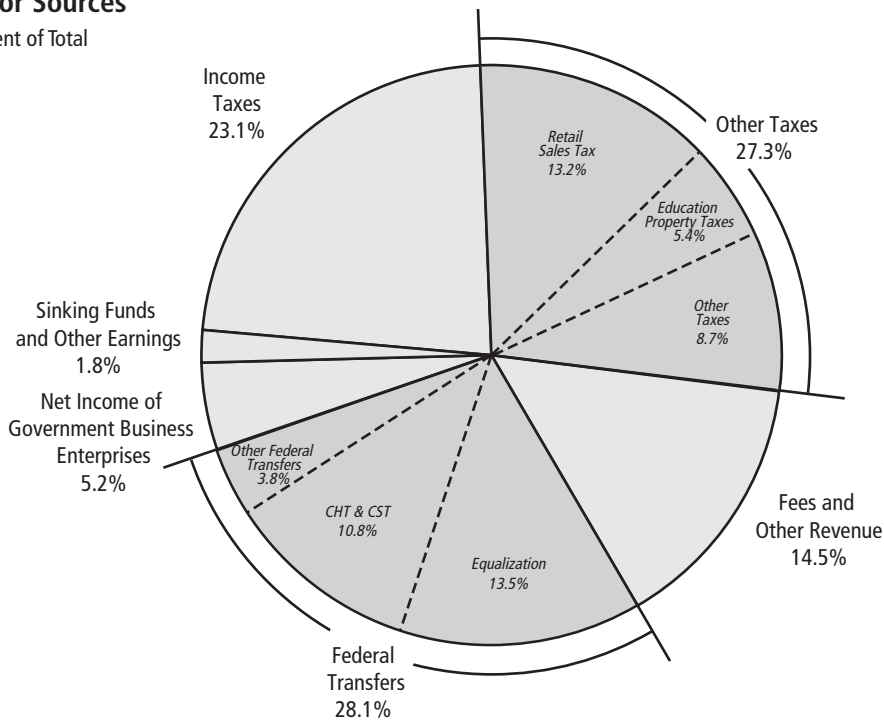
Sector/Department	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Expenditure Estimate	and Expenditures of Other Reporting Entities	
Health and Healthy Living			
Health	5,094,313	363,348	5,457,661
Healthy Living, Seniors and Consumer Affairs	57,862	31,013	88,875
Total Health and Healthy Living	5,152,175	394,361	5,546,536
Education			
Advanced Education and Literacy	689,205	507,691	1,196,896
Education	1,632,689	880,875	2,513,564
Total Education	2,321,894	1,388,566	3,710,460
Family Services			
Children and Youth Opportunities	44,611	-	44,611
Family Services and Labour	1,032,234	(13,074)	1,019,160
Total Family Services	1,076,845	(13,074)	1,063,771
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	35,536	(408)	35,128
Agriculture, Food and Rural Initiatives	226,988	222,825	449,813
Conservation and Water Stewardship	156,037	(4,654)	151,383
Entrepreneurship, Training and Trade	574,473	8,153	582,626
Housing and Community Development	80,445	137,844	218,289
Infrastructure and Transportation	653,762	(126,428)	527,334
Innovation, Energy and Mines	87,906	25,474	113,380
Local Government	363,923	3,721	367,644
Total Community, Economic and Resource Development	2,179,070	266,527	2,445,597
Justice and Other Expenditures			
Legislative Assembly	40,181	(1,243)	38,938
Executive Council	2,827	(127)	2,700
Civil Service Commission	21,643	783	22,426
Culture, Heritage and Tourism	61,350	5,654	67,004
Employee Pensions and Other Costs	16,933	55,000	71,933
Finance	68,081	3,366	71,447
Immigration and Multiculturalism	38,818	13,187	52,005
Justice	460,873	13,912	474,785
Sport	11,970	2,052	14,022
Enabling Appropriations	40,671	-	40,671
Other Appropriations	72,175	-	72,175
Total Justice and Other Expenditures	835,522	92,584	928,106
Debt Servicing Costs	258,000	599,584	857,584
Program Portfolio Management Reviews	(128,000)	-	(128,000)
Total Expenditure Estimate	11,695,506	2,728,548	14,424,054
Subtract: Total Revenue Estimate (Schedule 1)	11,158,878	2,692,520	13,851,398
In-Year Adjustments/Lapse	(32,500)	(80,000)	(112,500)
Net Result for the Year	(504,128)	43,972	(460,156)
Transfer from Fiscal Stabilization Account	56,065	(56,065)	-
NET INCOME (LOSS)	(448,063)	(12,093)	(460,156)

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

Revenue, 2012/13

Major Sources

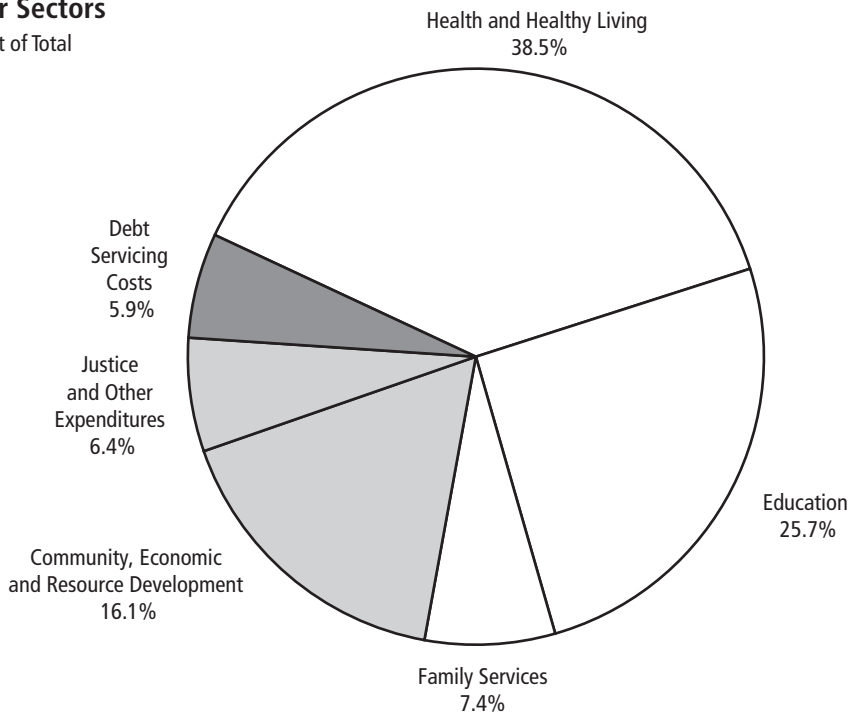
Per cent of Total



Expenditure, 2012/13

Major Sectors

Per cent of Total



FINANCIAL MANAGEMENT STRATEGY

■ FINANCIAL MANAGEMENT STRATEGY 2012/13

Financial Management Priorities

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

For 2012/13, the FMS continues to focus on the priority areas identified in prior years and reflects the balanced approach of Manitoba's Five-Year Economic Plan.

FINANCIAL MANAGEMENT PRIORITY	MEASURABLE OUTCOMES
Transparency, Accountability and Fiscal Discipline	<ul style="list-style-type: none"> • 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) • Strengthening the Management of Public Resources
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 Management	<ul style="list-style-type: none"> • Continued Development of Performance Management Capacity

■ PRIORITY AREA – TRANSPARENCY, ACCOUNTABILITY AND FISCAL DISCIPLINE

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

- implementing GAAP compliant summary financial statements as of March 31, 2005;
- implementing summary budgeting and reporting in 2007/08 to present comprehensive information on the total cost of providing programs and services to Manitobans and how the GRE operates as a whole;
- publishing an FMS as part of the annual budget and a report on outcomes within six months of the end of the fiscal year;
- implementing summary quarterly financial reporting, consistent with GAAP as of 2009/10;
- establishing and implementing plans to eliminate general purpose debt and pension liabilities;
- funding the employer's share of current service pension contributions for all employees; and
- introducing a multi-year plan in Budget 2010 to address the impact of the global economic downturn.

Government will continue to monitor changes in accounting standards and recommendations from the PSAB to facilitate the presentation of meaningful financial information for end users. The commitment to transparency, accountability and fiscal discipline continues in Budget 2012 with an update on the multi-year plan for 2012/13 and future years.

Measurable Outcome – Summary Net Income

Governments around the world were affected by the economic downturn and, like Manitoba, many were faced with budget deficits as they worked to stimulate the economy and manage expenditures. While Manitoba's economy has traditionally been one of the most stable in Canada, there was no quick solution to the financial pressures that the province was facing.

The five-year economic plan introduced in Budget 2010 to address the challenges has seen positive results and the government continues to be committed to a balanced approach. With the continuing uncertainty in global economies and the additional fiscal pressures caused by record flooding in 2011, Budget 2012 demonstrates this balanced approach by focusing on:

- investing in vital front-line services to improve health care, education and training, policing and supports for families;
- introducing responsible, innovative ways to reduce the cost of government;
- supporting economic growth and innovation;
- taking steps to ensure the long-term sustainability of infrastructure;
- restoring balance and returning to surplus in Budget 2014; and
- maintaining affordability to keep Manitoba one of the best places to live, work and raise a family.

Challenges remain for the Manitoba and Canadian economies as they continue to expand at a modest pace. The unprecedented flooding in 2011 may have negatively impacted the province's finances, but Manitoba has a strategy to keep the economy strong and growing, and meet the commitment to return to surplus in Budget 2014.

Manitoba's Five-Year Economic Plan

	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Forecast	Budget	Projection	Projection
	(Millions of Dollars)				
REVENUE					
Core Government	10,550	11,146	11,159	11,672	12,141
Other Reporting Entities*	2,655	2,663	2,692	2,667	2,727
TOTAL REVENUE	13,205	13,809	13,851	14,339	14,868
EXPENDITURE					
Core Government Programs and Services	10,890	12,171	11,696	11,930	12,171
Other Reporting Entities*	2,613	2,831	2,728	2,730	2,819
TOTAL EXPENDITURE	13,503	15,002	14,424	14,660	14,990
In-Year Adjustments/Lapse **	-	(73)	(113)	(145)	(145)
SUMMARY NET INCOME (LOSS)	(298)	(1,120)	(460)	(176)	23

* includes consolidation adjustments

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

The plan assumes GRE revenues will rise by an average of 3.6% annually from 2012/13 to 2014/15, while GRE expenditures are forecast to increase by an annual average of 1.9% during the same period.

Core government revenue is forecast to rise by an average of 4.3% annually while core government expenditure will grow by an annual average of 2.0% from 2012/13 to 2014/15.

Core government projections reflect the commitment to return to surplus while focusing on what matters most to Manitoba families. Budget 2012 makes strategic investments in front-line services, reduces spending growth in other areas and introduces modest measures to increase revenue. While several risks and challenges remain for the national economy, Manitoba's economic and demographic fundamentals are projected to produce stable economic growth over the next two years.

The Manitoba government is committed to balancing summary net income over the medium term and Budget 2012 introduces more responsible, innovative ways to reduce the cost of government in the third year of the five-year plan:

- reducing the number of regional health authorities from 11 to five to streamline services;
- merging the Manitoba Liquor Control Commission and the Manitoba Lotteries Corporation to reduce overhead and the regulatory costs;
- working with municipal governments to encourage more regional co-operation;
- continue the 20 per cent roll-back on salaries for government ministers;
- defer wage increases and reduce office expenses for Members of the Legislative Assembly;
- reduce travel costs in every government department;
- reduce the number of government-appointed agencies, boards and commissions; and
- implement program portfolio management reviews to reduce expenditures and focus on core government program priorities.

These measures will reduce duplication and result in more efficient use of public resources and support the return to balance. The responsible plan to restore balance continues to be reflected in legislation that:

- requires the budget shortfall to be eliminated over four years and a return to surplus in 2014/15;
- keeps the legal requirement to have balanced budgets into the future;
- exceeds debt payment requirements under the previous legislation; and
- retains the restrictions that prohibit increases to major taxes without a referendum.

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

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

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

While core government expenditure will exceed revenue in Budget 2012, the five-year economic recovery plan shows this reversing in Budget 2014. The projection includes allocations from the Fiscal Stabilization Account (FSA) for funding from the federal government for health-related programming and ecoTrust funding as well as for debt servicing costs resulting from the core government deficit.

Core Government Expenditure and Revenue, 2012/13

	\$ Millions
Revenue	11,159
Expenditure	11,696
In-Year Adjustments/Lapse	(33)
	<u>(504)</u>
Transfer from Fiscal Stabilization Account	
Health-related programming	8
ecoTrust	4
Debt Servicing Costs	44
Net Result	<u><u>(448)</u></u>

Year-end information on core government revenue and expenditure for 2012/13 will be provided as part of the FMS report on outcomes, scheduled to be released in the fall of 2013.

■ PRIORITY AREA – STABLE AND AFFORDABLE GOVERNMENT

Manitoba uses public revenues effectively and efficiently to deliver affordable government programs and services. Manitoba's per capita spending growth over the past five years has been the fourth lowest of all provincial governments. Keeping programs affordable is achieved by continuing to improve the way government operates and delivers services.

During these uncertain economic times, the government will continue to carefully manage programs and services to protect the priorities of Manitobans.

Measurable Outcome – Credit Ratings

Manitoba continues to maintain its reputation for fiscal responsibility. The five-year plan includes a strategy to repay debt while restoring balance. The province's measured approach to paying down debt and the pension liability, while dealing with the needs in health care and other program areas, has been positively acknowledged by credit rating agencies.

This is reflected in the credit rating upgrades Manitoba received from Moody's Investors Service and by Standard & Poor's through 2007, and through the reaffirmation of Manitoba's credit quality by rating agencies in the last four years.

During this period of economic and financial recovery, Manitoba's stable and diversified economy, strong financial position and commitment to responsible financial management will help ensure a steady credit outlook in 2012. The credit rating agencies have acknowledged the challenging economic conditions facing all Canadian provinces.

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

<u>Credit Rating Agency</u>	<u>2006 Actual</u>	<u>2007 Actual</u>	<u>2008 Actual</u>	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Actual</u>
DBRS	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)
Moody's	Aa2	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
Standard & Poor's	AA-	AA-(positive)	AA	AA	AA	AA	AA

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

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

Maintaining stable and affordable government means managing the growth in spending to meet increasing demands for quality services. An effective measure of appropriate spending is the ratio of total expenditure as a percentage of GDP. This ratio has remained relatively stable over the last four years and is budgeted to return to a decline in the ratio for Budget 2012.

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

	<u>2007/08</u> <u>Actual</u>	<u>2008/09</u> <u>Actual</u>	<u>2009/10</u> <u>Actual</u>	<u>2010/11</u> <u>Actual</u>	<u>2011/12</u> <u>Forecast</u>	<u>2012/13</u> <u>Budget</u>	<u>2013/14</u> <u>Projection</u>
Core Program Expenditure	18.7%	18.9%	20.0%	19.6%	20.9%	19.2%	18.7%
Other Reporting Entities Expenditure	4.0%	3.3%	3.4%	3.8%	4.0%	3.6%	3.4%
Debt Servicing Costs	1.8%	1.6%	1.5%	1.4%	1.4%	1.4%	1.4%
Total Expenditure	24.4%	23.8%	24.9%	24.9%	26.3%	24.2%	23.5%

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

Measurable Outcome – Strengthening the Management of Public Resources

Sound management and use of public resources are key to making government more effective. Government continues to explore ways to make sure that public spending remains under control and that tax dollars are used effectively and efficiently.

Strategically managing and prioritizing expenditures, including limiting discretionary operating costs, on a government-wide basis is an ongoing objective. Reforms have been implemented with other reporting entities to better manage public resources, capitalize on synergies and enhance regional capabilities, expertise and talent. A pause in wage increases was successfully negotiated with many parts of the public sector and a cap on administrative costs for regional health authorities was legislated. Last year red-tape reduction measures were introduced for not-for-profit organizations and this year red tape will be cut for small businesses by reducing how often they have to file sales tax.

Budget 2012 continues to move forward with internal review and reform processes to control growth of government expenditures. A program portfolio management review process is being introduced to improve efficiency and effectiveness of government service delivery through reorganization or reallocation of funding within groups of related programs and services to produce better results at a lower cost. Examples of cost cutting reforms already identified for action this year are:

- reducing the number of regional health authorities;
- reducing the number of Crown corporations by merging Manitoba Liquor Control Commission and Manitoba Lotteries Corporation; and
- reducing the number of government-appointed agencies, boards and commissions.

The target for total in-year savings resulting from internal review processes is \$128 million, which is about 1% of core government expenditures.

The government will continue to emphasize reforms that improve accountability and transparency and sustainable programs that protect the priorities of Manitobans.

■ PRIORITY AREA – MANAGING DEBT

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

- addressing the unfunded pension liability;
- funding the employer's share of current service pension obligations;
- ensuring all capital investments are amortized and all related costs are fully reflected in annual appropriations for core government; and
- establishing a plan to address core government deficits during the economic recovery period.

Solid debt management consists of a plan to repay general purpose debt and eliminate the pension liability, while making needed investments in Manitoba. The net debt to GDP ratio is one of the key indicators used by credit rating agencies in their analysis of provincial governments because it measures the level of debt relative to a province's financial capacity. Like all other Canadian jurisdictions, the impact of the economic downturn has been an increase in Manitoba's net debt to GDP ratio, but the five-year plan indicates this ratio returning to a downward trend in 2014/15.

Measurable Outcome – Debt Retirement

This government has contributed almost \$1 billion to the debt retirement account for general purpose debt and pension obligations. Direct action to address the unfunded pension liabilities for the Civil Service Superannuation Plan (CSSP) and the Teachers' Retirement Allowances Fund (TRAF) began in 2007/08 with the province borrowing funds that would be invested by these two pension plans on behalf of the province.

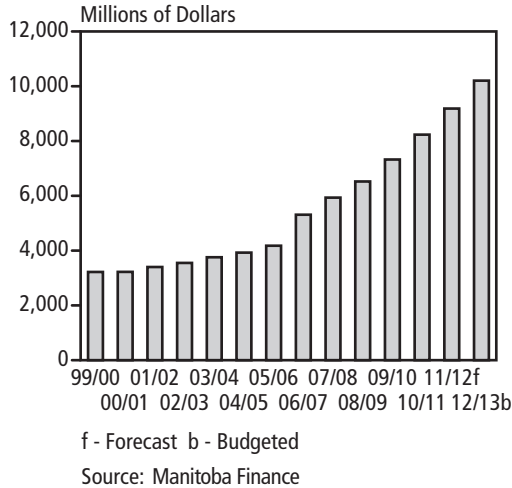
Borrowing funds to pay down the previously unfunded pension liability is a sound fiscal decision, as over the longer term, the cost of borrowing is less than the actuarially determined expected rate of return on the plan assets and the rate of growth in the pension liability.

Since 2000, over \$615 million from the annual debt retirement payment has been directed to pension obligations. Net investment earnings in the Pension Asset Fund are projected to be \$806 million by March 31, 2013. Combined with the \$2.6 billion in new investment provided by the government since 2007, a total of \$4.0 billion will have been directed to address the unfunded pension liability by March 31, 2013. In addition, Budget 2012 includes \$152 million in core government expenditures for the employer's share of current service pension obligations.

Capital investment continues to be a priority for government in order to support continued economic growth, reduce the maintenance burden and provide for the services Manitobans need in the future. The cost of these assets is amortized over a set period that represents the useful life of the asset as required by GAAP. The end result is increased infrastructure investment for Manitobans accompanied by a fixed discipline for paying down the associated debt.

The investment in tangible capital assets has increased steadily over the last decade, and with the \$1.7 billion investment in Budget 2012, is projected to total \$17.2 billion at March 31, 2013, with \$7.0 billion of related debt retired through accumulated amortization. The net book value of these assets (cost less accumulated amortization) has more than tripled since 1999/2000 to \$10.2 billion.

Tangible Capital Assets – Net Book Value



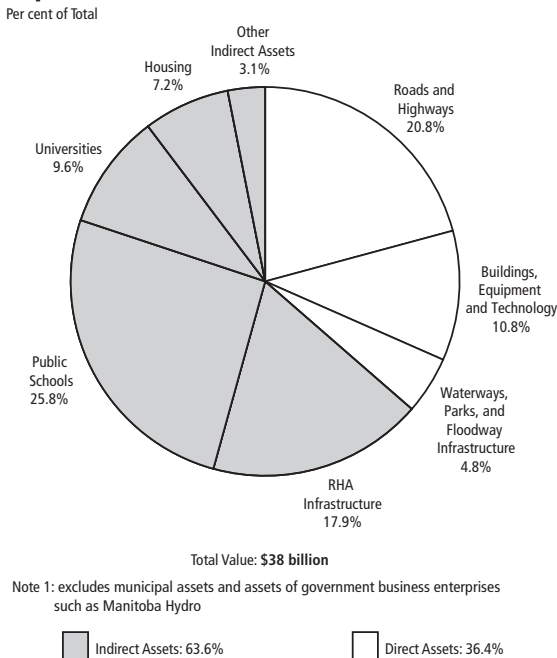
Manitoba’s communities and the economy have benefited over the years from the significant investment in public capital assets such as health facilities, universities, colleges and schools, as well as infrastructure assets such as roads, water-control structures and parks. To meet the needs of today’s and future generations, it is necessary to continue to invest in renewal of these assets. The public good provided by these investments is immeasurable. It is estimated that the insured or replacement value of these investments exceeds \$38 billion.

Based on projections, core government will have a total of \$7.2 billion in capital asset investments at March 31, 2013 and \$2.4 billion of related debt will have been retired through accumulated amortization.

A total of \$339 million has been included in core government appropriations to retire debt associated with capital investments – \$196 million for amortization of department-owned assets and \$143 million for principal payments for education and health-related assets.

After years of surplus, the global economic downturn and the severe flooding in 2011 has had a negative impact on Manitoba’s core government operations. Budget 2010 introduced a five-year plan to stimulate the economy and create jobs, protect key services and return to surplus in 2014/15. In addition, Manitoba’s responsible management of public funds in previous years meant that the FSA had a healthy balance that would be available to mitigate the impact of the short-term deficits that would occur in core government operations.

Replacement Value of Public Assets¹



Manitoba’s five-year plan incorporates a legislated requirement to dedicate at least \$600 million of the balance in the FSA to the amortization of increases in the general purpose debt, including related interest expenses, that are attributable to negative net results incurred during the period of economic recovery. In 2010/11, existing funds in the Debt Retirement Account were withdrawn to repay \$145 million of debt and a further \$200 million debt repayment was made with withdrawals of \$90 million in 2010/11 and \$110 million in 2011/12 from the FSA. Budget 2012 provides for an additional debt payment of \$140 million, for a total payment of \$485 million. With a return to surplus position in Budget 2014, scheduled debt payments for general purpose debt from current resources will resume.

Over the last 11 years, prudent management of public funds has resulted in the actual cumulative total of core government revenue exceeding core government expenditures by over \$450 million. Combined with the decisions Manitoba has taken to address the previously unfunded pension liability, budgeting for the employer’s share of current service obligations for all employees, ensuring all capital investments are amortized and all related costs are fully reflected

Totals may not add due to rounding.

in annual appropriations, and continuing to make debt repayments to mitigate core government operating deficits, Manitoba has a solid debt management plan. This is reflected by the fact that debt servicing costs as a percentage of revenue remains constant. Since 1999/2000, the debt servicing cost rate has dropped by 53%, from 13.2¢ of every dollar of summary revenue collected to a forecasted level of 6.2¢ in Budget 2012.

Although the impact of economic uncertainty has slowed progress, the government remains committed to reducing debt over time with an ultimate goal of eliminating the general purpose debt and the remaining unfunded pension liabilities.

Measurable Outcome – Net Debt to GDP Ratio

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

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

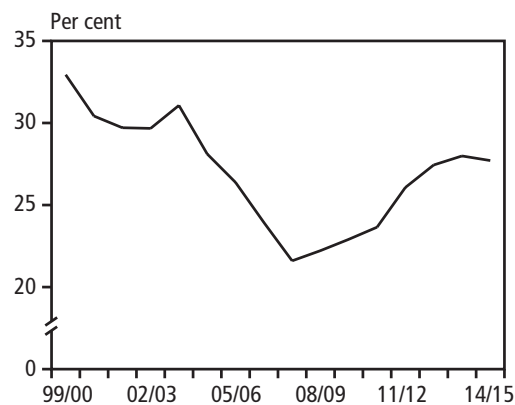
Net debt may grow from time to time, as needed investments in capital assets – like the Red River Floodway, highway infrastructure and economic stimulus investments – are made. These forward-looking investments help support Manitoba's economy.

Therefore, it is important to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

The Manitoba government has seen a substantial downward trend in the net debt to GDP ratio, lowering the ratio to a projected level of 26.1% in 2011/12 from 32.9% in 1999/2000, an improvement of 21%.

Manitoba has acknowledged that the net debt to GDP ratio will rise in the short term as the government makes needed investments in infrastructure projects including repairing the damage caused by the 2011 flood and mitigation of the impact of any future floods. In Budget 2012, the net debt to GDP ratio is forecast to increase to 27.4%, with a projected return to a downward trend in 2014/15, as the government remains committed to reducing the net debt to GDP ratio over the longer term.

Net Debt to GDP Ratio



Source: Manitoba Finance

■ PRIORITY AREA – INFRASTRUCTURE AND CAPITAL ASSET RENEWAL

Building and upgrading Manitoba's infrastructure has been a priority for the government since 1999. The government reinforced this priority by announcing a four-year, \$4.7 billion economic stimulus investment plan in November 2008 to fund key infrastructure projects across the province. In 2011, Manitoba committed to providing the equivalent of one percentage point of the provincial sales tax to support investment in municipal infrastructure and public transit. This investment grows on the success of Manitoba's economy. Manitoba has also dedicated the revenue raised through fuel taxes to fund public infrastructure.

Measurable Outcome – Capital Investments

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. Since 2000, the government has invested \$10.2 billion in public capital assets, including \$3.4 billion for new or renewed hospitals, universities, colleges and public schools; \$3.8 billion to upgrade Manitoba's roads and highways and \$3 billion for the Manitoba Floodway, the modernization and improvement of social housing, improving public service buildings, parks and camping infrastructure.

It is estimated that the insured or replacement value of these investments is more than \$38 billion (see chart page 16).

Budget 2012 provides the resources to continue upgrading Manitoba's roads and highways, wastewater treatment plants, health facilities across the province, building and restoring much needed social housing and modernizing our schools and post-secondary institutions.

Budget 2012 includes capital investment of \$1.7 billion to support continued economic growth, reduce the maintenance burden and provide for the services Manitobans need in the future as outlined in the table below.

	<u>\$ Millions</u>
Roads and Highways (including preservation)	580
Universities, Colleges and Public Schools	296
Health Facilities	250
Water Related Infrastructure	59
Housing (including third-party contributions)	284
Assistance to Third Parties	121
Public Service Buildings	80
Parks and Camping Infrastructure	49
	<u>1,719</u>

Manitoba's 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 MANAGEMENT

Improving the way government measures 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.

Manitoba continues to apply the eight principles established in 2009 to guide measurement and reporting for 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.

These principles will help guide the program portfolio management review process for all government departments. This initiative will incorporate and continue to enhance the performance management work initiated in previous years.

Measurable Outcome – Continued Development of Performance Management Capacity

Manitoba is committed to continuing progress on the measurement of performance outcomes with a focus on SMART (specific, measurable, achievable, reliable, time bound) objectives.

Performance management continues to be refined to support management decision-making in the effective use of public funds with planning, measuring, and reporting activities that integrate financial and non-financial information.

In 2012/13 program portfolio management reviews will provide opportunities for collaboration and building capacity. Key performance measures and performance information for government departments and other entities in the GRE will continue to be included in annual reports and other specialized reports.

APPENDIX 1

MANITOBA SUMMARY FINANCIAL STATISTICS

Manitoba Summary Financial Statistics

	2012/13 Budget	2011/12 Forecast	2010/11 Actual	2009/10 Actual	2008/09 Actual	2007/08 Actual
SUMMARY FINANCIAL STATEMENTS						
(Millions of Dollars)						
Revenue						
Income Taxes	3,202	3,141	2,922	2,659	2,841	2,652
Other Taxes	3,788	3,474	3,406	3,281	3,276	3,288
Fees and Other Revenue	2,009	1,837	1,825	1,792	1,722	1,628
Federal Transfers	3,889	4,351	4,047	3,924	3,866	3,597
Net Income of Government Business Enterprises	722	761	775	772	764	947
Sinking Funds and Other Earnings	241	245	230	220	296	384
Total Revenue	13,851	13,809	13,205	12,648	12,765	12,496
Expenditure						
Health and Healthy Living	5,547	5,286	5,120	4,831	4,590	4,232
Education	3,710	3,576	3,341	3,227	3,091	3,224
Family Services	1,064	1,047	1,363	1,295	1,192	1,224
Community, Economic and Resource Development	2,317	2,614	1,972	1,813	1,729	1,420
Justice and Other Expenditures	928	1,666	934	926	882	974
Debt Servicing Costs	858	813	773	756	830	864
Total Expenditure	14,424	15,002	13,503	12,848	12,314	11,938
In-Year Adjustments/Lapse	(113)	(73)	-	-	-	-
Net Income (Loss)	(460)	(1,120)	(298)	(200)	451	558
Provincial Borrowings, Guarantees & Obligations						
General Government Programs	8,041	7,789	6,925	6,833	6,400	6,532
General Government Programs - Federal Flood Relief	-	326	-	-	-	-
General Government Programs - Pension Liability	2,595	2,595	2,355	2,175	1,850	1,500
Manitoba Hydro	9,832	9,101	8,362	7,730	7,499	6,794
Other Crown Organizations	2,128	1,868	1,641	1,478	1,341	1,269
Health Facilities	1,283	1,074	1,015	949	831	833
Other	27	41	51	65	78	92
Capital Investments	3,750	3,183	2,546	1,846	1,411	1,084
Subtotal	27,656	25,977	22,895	21,076	19,410	18,104
Other Obligations						
Pension Liability	7,051	6,780	6,600	6,392	6,152	5,881
Pension Asset Fund	(5,166)	(5,076)	(4,828)	(4,592)	(4,161)	(3,653)
Net Pension Liability	1,885	1,704	1,772	1,800	1,991	2,228
Debt incurred for and repayable by the Manitoba Hydro-Electric Board	(9,608)	(8,847)	(8,199)	(7,479)	(7,177)	(6,449)
Education and Health Debt held by Government Enterprises	499	499	471	443	406	416
Other Debt of Crown Organizations	255	255	263	255	262	252
Subtotal	(6,969)	(6,389)	(5,693)	(4,981)	(4,518)	(3,553)
Total Summary Borrowings, Guarantees & Obligations	20,687	19,588	17,202	16,095	14,892	14,551
Adjustments to arrive at Summary Net Debt						
Guarantees	(227)	(254)	(165)	(255)	(326)	(350)
Net Financial Assets	(4,137)	(4,490)	(4,370)	(4,030)	(3,086)	(3,640)
Summary Net Debt	16,323	14,844	12,667	11,810	11,480	10,561
Summary Net Debt as percentage of GDP	27.4	26.1	23.3	22.9	22.2	21.6

Numbers may not add due to rounding.

NOTES

- The 2011/12 Forecast has been restated from the Third Quarter Financial Report to be consistent with Budget 2012 presentation.
- Program portfolio management review savings have been allocated to CERD expenses.
- Guarantees reflect only guaranteed balances for Manitoba Hydro Bonds and Manitoba Grow Bonds.
- Borrowings, guarantees and obligations are net of sinking funds.
- Historical results have not been restated to reflect the impact of the 2011/12 reorganization.

Manitoba Summary Financial Statistics

	2012/13 Budget	2011/12 Forecast	2010/11 Actual	2009/10 Actual	2008/09 Actual	2007/08 Actual
(Percentage Change)						
Annual Change						
Income Taxes	1.9	7.5	9.9	(6.4)	7.1	8.6
Other Taxes	9.0	2.0	3.8	0.2	(0.4)	5.1
Fees and Other Revenue	9.4	0.7	1.8	4.1	5.8	9.0
Federal Transfers	(10.6)	7.5	3.1	1.5	7.5	8.3
Total Revenue	0.3	4.6	4.4	(0.9)	2.2	9.3
Health and Healthy Living	4.9	3.2	6.0	5.3	8.5	7.0
Education	3.7	7.0	3.5	4.4	(4.1)	9.4
Debt Servicing Costs	5.5	5.2	2.2	(8.9)	(3.9)	9.0
Total Expenditure	(3.9)	11.1	5.1	4.3	3.1	9.0
Summary Net Debt	10.0	17.2	7.3	2.9	8.7	(2.3)
(Per cent)						
Per cent of GDP						
Income Taxes	5.4	5.5	5.4	5.2	5.5	5.4
Other Taxes	6.4	6.1	6.3	6.4	6.3	6.7
Fees and Other Revenue	3.4	3.2	3.4	3.5	3.3	3.3
Federal Transfers	6.5	7.6	7.5	7.6	7.5	7.4
Total Revenue	23.2	24.2	24.3	24.5	24.7	25.6
Health and Healthy Living	9.3	9.3	9.4	9.4	8.9	8.7
Education	6.2	6.3	6.2	6.3	6.0	6.6
Debt Servicing Costs	1.4	1.4	1.4	1.5	1.6	1.8
Total Expenditure	24.2	26.3	24.9	24.9	23.8	24.4
Summary Net Debt	27.4	26.1	23.3	22.9	22.2	21.6
Per cent of Revenue						
Income Taxes	23.1	22.7	22.1	21.0	22.3	21.2
Other Taxes	27.3	25.2	25.8	25.9	25.7	26.3
Fees and Other Revenue	14.5	13.3	13.8	14.2	13.5	13.0
Federal Transfers	28.1	31.5	30.6	31.0	30.3	28.8
Net Income of Government						
Business Enterprises	5.2	5.5	5.9	6.1	6.0	7.6
Sinking Funds and Other Earnings	1.7	1.8	1.7	1.7	2.3	3.1
(Dollars)						
Dollars Per capita						
Total Revenue	10,927	11,042	10,697	10,374	10,589	10,469
Total Expenditure	11,379	11,996	10,938	10,538	10,215	10,002
Debt Servicing Costs	677	650	626	620	689	724
Summary Net Debt	12,877	11,870	10,261	9,687	9,523	8,848
Memorandum Items						
Population (000's) *	1,267.6	1,250.6	1,234.5	1,219.2	1,205.5	1,193.6
GDP at Market Prices (\$M)	59,583	56,947	54,275	51,554	51,676	48,902

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: a general explanation of the structure of the Summary Budget, Annotated Summary Budget and Schedules, and a list of Frequently Asked Questions.

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

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

■ STRUCTURE OF THE SUMMARY BUDGET

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

Revenue is reported under six categories.

- Income Taxes – are entirely revenue of core government.
- Other Taxes – includes the Retail Sales Tax and all of the other tax revenues of core government, as well as property taxes levied to support school funding.
- Fees and Other Revenue – includes fees such as automobile licences, park and forestry fees, and fees collected by Crown organizations such as fees for non-insured health services and rental revenue for Manitoba Housing and Renewal Corporation (MHRC). Tuition fees collected by universities and colleges are also included in this category.
- Federal Transfers – Equalization, Canada Health Transfer, Canada Social Transfer, and other grants and transfers are mostly received by core government, although some federal funds are provided directly to entities not included in core government, such as housing subsidies to MHRC, insurance premiums for agriculture programs and grants for public education.
- Net Income of GBEs – represents the net income of all GBEs. This income is added to the summary financial statements on a modified equity basis and includes the income of Manitoba Lotteries Corporation and Manitoba Liquor Control Commission 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 and Healthy Living – represents all health-related expenditures including the activities of Manitoba Health, and Manitoba Healthy Living, Seniors and Consumer Affairs, all Regional Health Authorities, hospitals and other health-related entities in the GRE.
- Education – represents costs associated with all primary, secondary and post-secondary education, including the operations of universities and colleges, and includes the activities of Manitoba Advanced Education and Literacy, and Manitoba Education. This also includes additional funding for teachers' pensions and programs funded by other sources.
- Family Services – includes all costs related to social service and youth programs, including the activities of Manitoba Family Services and Labour, and Children and Youth Opportunities.

- Community, Economic and Resource Development – includes expenditures related to infrastructure and other government services, including the activities of Manitoba Aboriginal and Northern Affairs; Manitoba Agriculture, Food and Rural Initiatives; Manitoba Conservation and Water Stewardship; Manitoba Entrepreneurship, Training and Trade; Manitoba Housing and Community Development; Manitoba Infrastructure and Transportation; Manitoba Innovation, Energy and Mines and Manitoba Local Government.
- Justice and Other Expenditures – includes costs for Manitoba Justice services and the activities of the Legislative Assembly; Executive Council; Civil Service Commission; Manitoba Culture, Heritage and Tourism; Employee Pensions and Other Costs; Manitoba Finance; Manitoba Immigration and Multiculturalism; Manitoba Sport; Enabling and Other Appropriations.
- Debt Servicing – contains the cost of interest and related expenses for the TRAF, the 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 Corporation. Debt servicing costs related to those borrowings are reflected in the net income of GBEs.

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

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

■ ANNOTATED SUMMARY BUDGET

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

SUMMARY BUDGET			
For the Fiscal Year Ending March 31, 2013			
With Comparative Data for the Year Ending March 31, 2012			
	2012/13	2011/12	2011/12
	<u>Budget</u>	<u>Forecast</u>	<u>Budget</u>
	(Millions of Dollars)		
REVENUE SOURCE			
Income Taxes	3,202	3,141	3,170
Other Taxes	3,788	3,474	3,470
Fees and Other Revenue	2,009	1,837	1,772
Federal Transfers	3,889	4,351	3,972
Net Income of Government Business Enterprises	722	761	781
Sinking Funds and Other Earnings	241	245	239
TOTAL REVENUE	<u>13,851</u>	<u>13,809</u>	<u>13,404</u>
EXPENDITURE SECTORS			
Health and Healthy Living	5,547	5,286	5,387
Education	3,710	3,576	3,562
Family Services	1,064	1,047	990
Community, Economic and Resource Development	2,317	2,614	2,340
Justice and Other Expenditures	928	1,666	901
Debt Servicing Costs	858	813	807
TOTAL EXPENDITURE	<u>14,424</u>	<u>15,002</u>	<u>13,987</u>
In-Year Adjustments/Lapse	(113)	(73)	(145)
NET INCOME (LOSS)	<u>(460)</u>	<u>(1,120)</u>	<u>(438)</u>

includes school property taxes

includes university and college tuition fees

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

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

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

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

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

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

Schedule 1			
Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates			
Fiscal Year ending March 31, 2013 (in Thousands of Dollars)			
Source of Revenue	CORE GOVERNMENT Revenue Estimate	CONSOLIDATION IMPACTS and Revenue of Other Reporting Entities	SUMMARY
Income Taxes			
Individual Income Tax	2,796,300	-	2,796,300
Corporation Income Tax	405,500	-	405,500
Subtotal: Income Taxes	3,201,800	-	3,201,800
Other Taxes			
Corporations Taxes	215,400	-	215,400
Fuel Taxes	296,500	19,600	316,100
Land Transfer Tax	66,200	-	66,200
Levy for Health and Education	410,000	(104,400)	305,600
Mining Tax	35,000	-	35,000
Retail Sales Tax	1,834,100	-	1,834,100
Tobacco Tax	256,400	-	256,400
Other Taxes	14,705	-	14,705
Education Property Taxes	-	744,447	744,447
Subtotal: Other Taxes	3,128,305	659,647	3,787,952
Fees and Other Revenue			
Fines and Costs and Other Legal	51,538	-	51,538
Minerals and Petroleum	28,820	-	28,820
Automobile and Motor Carrier Licences and Fees	147,026	-	147,026
Parks: Forestry and Other Conservation	33,088	-	33,088
Water Power Rentals	117,800	-	117,800
Service Fees and Other Miscellaneous Charges	218,624	1,158,406	1,377,030
Revenue Sharing from SOAs	26,180	-	26,180
Tuition Fees	-	227,786	227,786
Subtotal: Fees and Other Revenue	623,076	1,386,192	2,009,268
Federal Transfers			
Equalization	1,872,000	-	1,872,000
Canada Health Transfer	1,062,500	-	1,062,500
Canada Social Transfer	429,200	-	429,200
Health Funds	9,000	-	9,000
Infrastructure Renewal	28,800	-	28,800
Manitoba Floodway Expansion	10,000	-	10,000
Shared Cost and Other Transfers	187,745	289,705	477,450
Subtotal: Federal Transfers	3,599,245	289,705	3,888,950
Net Income of Government			
Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	260,452	-	260,452
Manitoba Lotteries Corporation	346,000	-	346,000
Deposit Guarantee Corporation	-	19,295	19,295
Manitoba Hydro	-	65,000	65,000
Workers Compensation Board	-	21,140	21,140
Manitoba Public Insurance Corporation	-	10,000	10,000
Subtotal: Net Income of GBEs	606,452	115,435	721,887
Sinking Funds and Other Earnings			
	-	241,541	241,541
Total Revenue Estimate	11,158,878	2,692,520	13,851,398

Category headings match those in the Summary Budget.

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

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

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

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

Schedule 2			
Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result			
Fiscal Year ending March 31, 2013 (in Thousands of Dollars)			
	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
Sector/Department	Expenditure Estimate	and Expenditures of Other Reporting Entities	
Health and Healthy Living			
Health	5,094,313	363,348	5,457,661
Healthy Living, Seniors and Consumer Affairs	57,862	31,013	88,875
Total Health and Healthy Living	5,152,175	394,361	5,546,536
Education			
Advanced Education and Literacy	689,205	507,691	1,196,896
Education	1,632,689	880,875	2,513,564
Total Education	2,321,894	1,388,566	3,710,460
Family Services			
Children and Youth Opportunities	44,611	-	44,611
Family Services and Labour	1,032,234	(13,074)	1,019,160
Total Family Services	1,076,845	(13,074)	1,063,771
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	35,536	(408)	35,128
Agriculture, Food and Rural Initiatives	226,988	222,825	449,813
Conservation and Water Stewardship	156,037	(4,654)	151,383
Entrepreneurship, Training and Trade	574,473	8,153	582,626
Housing and Community Development	80,445	137,844	218,289
Infrastructure and Transportation	653,762	(126,428)	527,334
Innovation, Energy and Mines	87,906	25,474	113,380
Local Government	363,923	3,721	367,644
Total Community, Economic and Resource Development	2,179,070	266,527	2,445,597
Justice and Other Expenditures			
Legislative Assembly	40,181	(1,243)	38,938
Executive Council	2,827	(127)	2,700
Civil Service Commission	21,643	783	22,426
Culture, Heritage and Tourism	61,350	5,654	67,004
Employee Pensions and Other Costs	16,933	55,000	71,933
Finance	68,081	3,366	71,447
Immigration and Multiculturalism	38,818	13,187	52,005
Justice	460,873	13,912	474,785
Sport	11,970	2,052	14,022
Enabling Appropriations	40,671	-	40,671
Other Appropriations	72,175	-	72,175
Total Justice and Other Expenditures	835,522	92,584	928,106
Debt Servicing Costs	258,000	599,584	857,584
Program Portfolio Management Reviews	(128,000)	-	(128,000)
Total Expenditure Estimate	11,695,506	2,728,548	14,424,054
Subtract: Total Revenue Estimate (Schedule 1)	11,158,878	2,692,520	13,851,398
In-Year Adjustments/Lapse	(32,500)	(80,000)	(112,500)
Net Result for the Year	(504,128)	43,972	(460,156)
Transfer from Fiscal Stabilization Account	56,065	(56,065)	-
NET INCOME (LOSS)	(448,063)	(12,093)	(460,156)

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

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

■ FREQUENTLY ASKED QUESTIONS

Q1 What is a Summary Budget?

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

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

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

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

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

Q3 What entities are included in the Summary Budget and where can I get more information about their plans for 2012/13?

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 Lotteries Corporation, Manitoba Liquor Control Commission 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. GAAP and the PSAB standards for senior Canadian governments require provincial, territorial and federal governments to prepare their annual financial statements on this basis.

Q6 How do core government and summary expenses differ?

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

Q7 How does the Summary Budget treat pension liabilities?

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

Q8 What is meant by Consolidation Impacts?

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

Q9 What is Other Comprehensive Income (OCI) and how does it impact the province'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 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 ORE's 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 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 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 (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 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, 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 province 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 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 (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 province, 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 PSAB – excludes core government.

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

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

Public Sector Accounting Board (PSAB): A board established under the Canadian 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

Health

Manitoba Health
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 (including controlled organizations)
 Assiniboine Regional Health Authority
 Brandon Regional Health Authority
 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.
St. Amant Centre

Healthy Living, Seniors and Consumer Affairs

Manitoba Healthy Living, Seniors and Consumer Affairs
Addictions Foundation of Manitoba
Board of Administration Under the Embalmers and Funeral Directors Act
Companies Office
Financial Literacy Fund
Insurance Council of Manitoba
Land Titles Assurance Fund
The Property Registry
Vital Statistics Agency

EDUCATION

Advanced Education and Literacy

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

Education

Manitoba Education
Manitoba Textbook Bureau
Public Schools Finance Board
Public School Divisions

FAMILY SERVICES

Manitoba Children and Youth Opportunities
Manitoba Family Services and Labour
First Nations of Northern Manitoba Child and Family Services Authority
First Nations of Southern Manitoba Child and Family Services Authority
General Child and Family Services Authority
Metis Child and Family Services Authority Inc.
Office of the Fire Commissioner
Workplace Safety and Health Public Education Fund

COMMUNITY, ECONOMIC AND RESOURCE DEVELOPMENT

Aboriginal and Northern Affairs

Manitoba Aboriginal and Northern Affairs
Communities Economic Development Fund

Agriculture, Food and Rural Initiatives

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

Conservation and Water Stewardship

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

Entrepreneurship, Training and Trade

Manitoba Entrepreneurship, Training and Trade
Manitoba Trade and Investment Corporation
Manitoba Development Corporation
The Manitoba Opportunities Fund Ltd.
Taking Charge! Inc. / Se Prendre En Main! Inc.

Housing and Community Development

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

Infrastructure and Transportation

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

Innovation, Energy and Mines

Manitoba Innovation, Energy and Mines
Abandonment Reserve Fund
The Mining Community Reserve
Manitoba Gaming Control Commission
Manitoba Health Research Council
The Mining Rehabilitation Reserve Fund
The Quarry Rehabilitation Reserve Fund
Economic Innovation and Technology Council
Industrial Technology Centre
Manitoba Education, Research and Learning Information Networks
The Ethanol Fund

Local Government

Manitoba Local Government
Community Revitalization Fund
Manitoba Water Services Board

JUSTICE AND OTHER EXPENDITURES

Legislative Assembly

Legislative Assembly

Executive Council

Executive Council

Civil Service Commission

Civil Service Commission
Organization and Staff Development

Culture, Heritage and Tourism

Manitoba Culture, Heritage and Tourism
Le Centre culturel franco-manitobain
Manitoba Arts Council
Manitoba Centennial Centre Corporation
Manitoba Film and Sound Recording Development Corporation
Travel Manitoba
Venture Manitoba Tours Ltd.

Employee Pensions and Other Costs

Pension Assets Fund

Finance

Manitoba Finance
Crown Corporations Council
Manitoba Securities Commission

Justice

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

Immigration and Multiculturalism

Manitoba Immigration and Multiculturalism

Sport

Sport Manitoba Inc.
Manitoba Boxing Commission

GOVERNMENT BUSINESS ENTERPRISES

Deposit Guarantee Corporation of Manitoba
Manitoba Hydro-Electric Board
Manitoba Liquor Control Commission
Manitoba Lotteries Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board of Manitoba

SPECIAL ACCOUNTS, not attached to Sector or Department

Debt Retirement
Fiscal Stabilization

