



**Budget Paper B**

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**FINANCIAL REVIEW  
AND STATISTICS**

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# FINANCIAL REVIEW AND STATISTICS

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## ■ OVERVIEW

This Budget will ensure that Manitoba Government finances remain sound over the long term. A sound fiscal position builds confidence, promotes economic growth, creates jobs, and ensures that support for social programs can be sustained.

This Budget delivers:

- a third consecutive balanced budget in 1997/98;
- balanced budgets for 1998/99 and throughout the foreseeable future;
- solid growth in own-source revenue, from a vibrant, growing economy;
- expenditure plans which protect important health, education and social services for Manitobans from the cuts in federal support;
- continuation for the tenth consecutive year of the freeze on major tax rates;
- strategic tax cuts to bolster investment and job creation;
- declining debt and public debt costs;
- the lowest total cost government in all of Canada;
- the first instalment in our Government's plan to pay off the Province's general purpose debt;
- plans to live within our means;
- transfers to build up the Fiscal Stabilization Fund (a fund designed to protect against unforeseen events); and
- a bright future, with freedom to cut taxes, enhance programs or lower debt.

As prudent stewardship takes firm hold in Manitoba, renewed confidence will continue to invigorate our province. A vibrant economy creates jobs and provides income for a new era of prosperity and security which Manitobans are working together to create for themselves and their children.

*A sound fiscal position builds confidence, promotes economic growth, creates jobs, and ensures that support for social programs can be sustained.*

## Comparative Financial Statement for the Fiscal Year 1996/97

	Forecast 1996/97	Budget 1996/97	Change from Budget	
	(Millions of Dollars)		(Millions of Dollars)	%
Operating Revenue	5,438	5,320	118	2.2%
Operating Expenditure	5,088	4,988	100	2.0%
<b>Operating Surplus</b>	<b>350</b>	<b>332</b>	<b>18</b>	<b>5.7%</b>
Net Capital Expenditure	294	310	(16)	(4.8%)
<b>Budgetary Surplus before Extraordinary Items</b>	<b>56</b>	<b>22</b>	<b>34</b>	<b>155.5%</b>

*The projected surplus for the 1996/97 fiscal year is \$56 million, \$34 million more than budgeted.*

### ■ 1996/97 FISCAL PROJECTIONS

Stronger than anticipated growth in income taxes and retail sales tax revenue, together with lower public debt costs, were significant factors leading to improved fiscal results in the 1996/97 fiscal year.

The Government provided additional resources to health care, family services and tax credit payments, as well as funding for emergency expenditures required by flooding in the spring of 1996.

The projected surplus for the 1996/97 fiscal year is \$56 million, \$34 million more than budgeted. For the first time in a quarter of a century, consecutive budgetary surpluses will have been achieved.

In addition to the budgetary surplus, the proceeds from the divestiture of the Manitoba Telephone System generated extraordinary revenue of \$410 million. \$150 million of this extraordinary revenue is being used to pay down capital debt of health care facilities.

Both the budgetary surplus and the net extraordinary revenue will be transferred to the Fiscal Stabilization Fund.

## ■ THE 1997/98 BUDGET PLAN

### Federal Transfer Payments

In its 1995 Budget, the federal government cut Canada Health and Social Transfer (CHST) payments to the provinces by \$7 billion. Most of those reductions were scheduled in the 1996/97 and 1997/98 fiscal years. In 1997/98, those CHST reductions will cost Manitobans \$227 million in transfer entitlements – \$102 million in addition to the \$125 million which is ultimately the cost of the reductions in 1996/97.

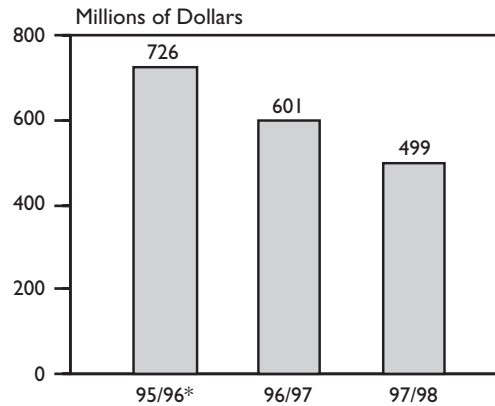
In 1995, the federal government suggested that growing equalization entitlements would protect recipient provinces from CHST reductions. In fact, equalization entitlements to Manitoba are falling over this period.

When our economy performs better than the national average, it lowers equalization entitlements to Manitoba. The trend in entitlements is sometimes obscured in payments data due to the effects of adjustments to prior years' entitlements dating back several fiscal years.

Reduced equalization entitlements, in addition to the further reduction in CHST entitlements, means that Manitoba will receive \$133 million less in federal revenue than was budgeted in 1996/97. This completely offsets the growth in Manitoba's taxation revenue.

The federal government's deficit reduction strategy is built on the backs of the provinces. On the one hand, all of the federal program expenditure reductions over the period from 1995/96 are from transfers to the provinces – other federal program expenditure has actually increased. On the other hand, for a province such as Manitoba, all of our own-source revenue growth has, in essence, been captured through reductions in transfer payments and applied against the federal deficit.

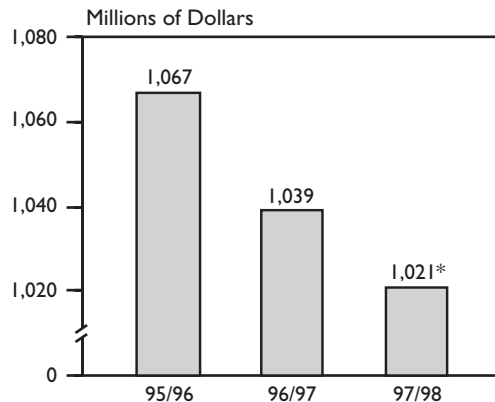
### Manitoba CHST Transfer Entitlements, 1995/96 - 1997/98



Source: Finance Canada

\* Combined Canada Assistance Plan and EPF Cash Entitlements

### Manitoba Equalization Transfer Entitlements, 1995/96 - 1997/98



Source: Finance Canada

\* Preliminary estimate of \$1,030m adjusted for anticipated Statistics Canada revisions to its estimates of non-permanent resident populations in Canada

## Comparative Statement of Budgetary Revenue, Expenditure and Surplus

1997/98 and 1996/97

	Budget 1997/98	Budget 1996/97	1997/98 Change from 1996/97 Budget	
	(Millions of Dollars)		(Millions of Dollars)	%
Revenue				
Taxation	3,169	3,037	132	4.3%
Government of Canada	1,555	1,688	(133)	(7.8%)
Other	688 <sup>(1)</sup>	595	93	15.5%
<b>Total Operating Revenue</b>	<b>5,412</b>	<b>5,320</b>	<b>92</b>	<b>1.7%</b>
Current Program Expenditure	4,473	4,413	60	1.4%
Public Debt Costs	520	575	(55)	(9.6%)
<b>Total Operating Expenditure</b>	<b>4,993</b>	<b>4,988</b>	<b>5</b>	<b>0.1%</b>
	419	332	87	26.3%
Deposit to Debt Retirement Fund	75	0	75	100.0%
<b>Operating Surplus</b>	<b>344</b>	<b>332</b>	<b>12</b>	<b>3.7%</b>
Capital Expenditure	317	313	4	1.2%
Less: Federal Recoveries	0	3	(3)	(100.0%)
<b>Net Capital Expenditure</b>	<b>317</b>	<b>310</b>	<b>7</b>	<b>2.3%</b>
<b>Budgetary Surplus</b>	<b>27</b>	<b>22</b>	<b>5</b>	<b>22.9%</b>

(1) Includes \$100 million from Fiscal Stabilization Fund

### Taxation

Revenue from taxation is budgeted at \$3.169 billion. This is \$132 million or 4.3% more than budgeted in 1996/97. This strong growth rate is based on two factors. The actual 1996/97 revenue base is higher, and the economic outlook for Manitoba in 1997 and 1998 is for continued solid growth.

## Total Operating Revenue

As noted earlier, federal transfer payment reductions have the effect of completely offsetting growth in taxation revenue in 1997/98. Given these circumstances, the Government has chosen to make a \$100 million allocation for health, education, and other social programs from the Fiscal Stabilization Fund to offset the federal CHST reduction. Total operating revenue after the Fiscal Stabilization Fund allocation will be \$5.412 billion, 1.7% higher than last year.

## Current Program Expenditure

The budgetary decisions resulted in an average current program expenditure increase of 1.4%. Total current program expenditure will be \$4.473 billion.

## Public Debt Costs

Declining debt and lower interest rates have reduced public debt costs by \$55 million, to \$520 million in 1997/98.

## Deposit to the Debt Retirement Fund

The 1997 Manitoba Budget marks the beginning of a sustained effort to eliminate the Province's debt. The first instalment of \$75 million into the Debt Retirement Fund will be made.

## Operating Surplus

The operating surplus will be \$344 million, up \$12 million or 3.7% from the level budgeted for 1996/97.

## Net Capital Expenditure

Net capital expenditure is budgeted at \$317 million, up 2.3%.

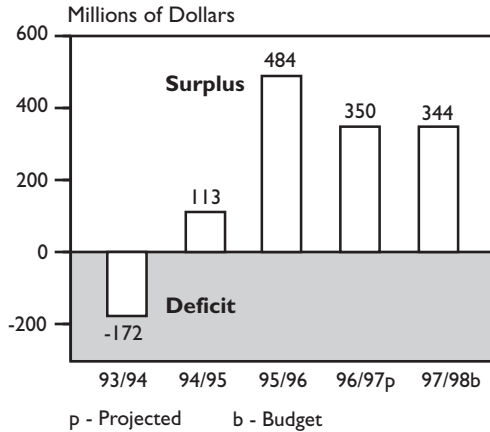
## Budgetary Surplus

The budgetary surplus of \$27 million is \$5 million higher than budgeted for the 1996/97 fiscal year, and is the third consecutive surplus for Manitoba.

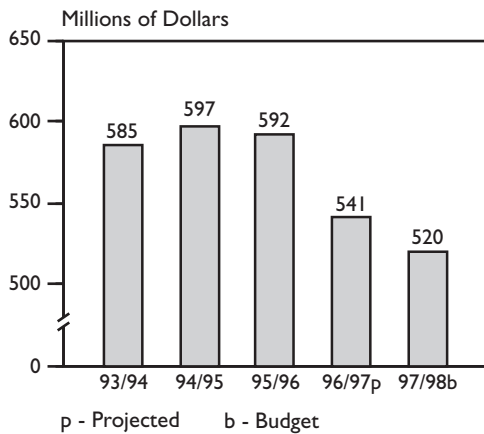
*The 1997  
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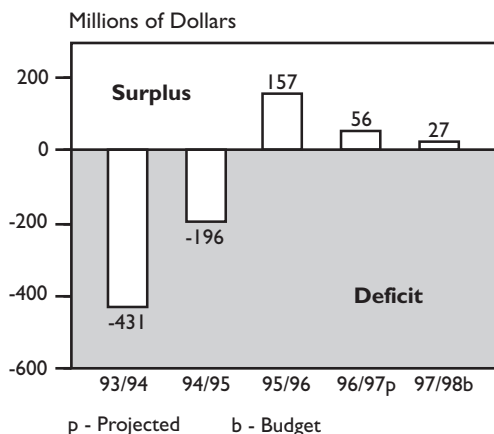
### Operating Surplus/Deficit, 1993/94 to 1997/98



### Public Debt Costs, 1993/94 to 1997/98



### Budgetary Surplus/Deficit, 1993/94 to 1997/98



## ■ BUDGETARY COMPARISONS

**The Operating Surplus:** This measure compares operating expenditure (excluding net capital expenditure) against operating revenue. The operating account has been in surplus since 1994/95, and is expected to be \$344 million in 1997/98.

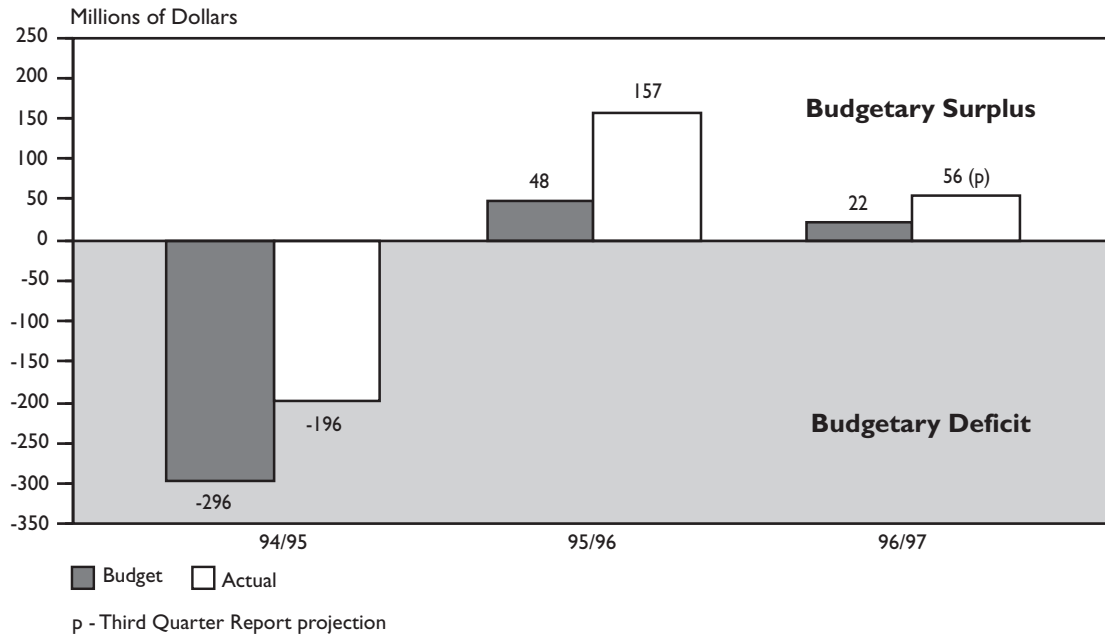
**Net Capital Expenditure:** The Manitoba Government made a \$1.5 billion commitment to a five-year capital expenditure plan, for the period beginning in 1995/96. 1997/98 is the third year of this program. In keeping with this commitment, net capital expenditure continues to be budgeted at a level exceeding \$300 million annually.

**Public Debt Costs:** Public debt costs continue to fall from their 1995/96 level. The total drop over the two-year period will be \$72 million. At \$520 million, public debt costs will be at their lowest point since 1991/92, and will continue to be among the lowest of the provinces.

**The Budgetary Surplus:** Manitoba has taken firm control of its expenditures in order to live within its means and achieve balanced budgets. A third consecutive budgetary surplus will be achieved in 1997/98. The Balanced Budget Act requires the Government to maintain annual budgetary surpluses.



## Comparison of Actual Surplus/Deficit to Budget 1994/95, 1995/96 and 1996/97



### ■ COMPARISON OF ACTUAL PERFORMANCE

Over the past three years, Manitoba has consistently bettered its “bottom-line” budgetary targets. The deficit was lower than budgeted in 1994/95, and surpluses have been higher than budgeted in the past two years.

This achievement is the result of realistic planning, consistent application of high standards of management throughout the public service, and the benefits of a strengthening economy.

Manitoba revenue estimates are based on independent, conservative economic forecasts, federal estimates of transfer payments, population projections from Statistics Canada and other relevant data.

Firm control of expenditure and supplementary spending authorizations, including an allowance for lapsing of some expenditure authority, is standard practice. Improving service, while reducing costs, has become an essential ingredient in our Government’s efforts to be cost effective and live within our means.

*Over the past three years, Manitoba has consistently bettered its “bottom-line” budgetary targets.*

## Medium-Term Fiscal Plan

	1997/98	1998/99	1999/00	2000/01
	(Millions of Dollars)			
Operating Revenue	5,412 <sup>(1)</sup>	5,403	5,509	5,647
Less: Current Program Expenditure	4,473	4,473	4,498	4,523
Public Debt Costs	520	515	510	505
Deposit to Debt Retirement Fund	75	75	75	75
<b>Operating Surplus</b>	<b>344</b>	<b>340</b>	<b>426</b>	<b>544</b>
Less: Net Capital Expenditure	317	310	310	310
<b>Budgetary Surplus</b>	<b>27</b>	<b>30</b>	<b>116</b>	<b>234</b>

(1) 1997/98 includes \$100 million from Fiscal Stabilization Fund

## Economic Assumptions for the Medium-Term Fiscal Plan

The Fiscal Plan uses a more conservative economic outlook for Manitoba than the average of the seven private forecasters surveyed for the Manitoba Outlook. The use of prudent economic assumptions enhances the reliability of the Fiscal Plan projections, and increases the durability of the fiscal forecasts against possible unforeseen negative economic developments.

The following table shows the key economic indicators from the set of Fiscal Plan assumptions relative to the current average forecasts contained in the Manitoba Outlook. As well, the table compares the Fiscal Plan assumptions against the current Conference Board of Canada forecast for Manitoba.

	1998	1999	2000	2001
	(Percentage Change)			
<b>Nominal GDP</b>				
Manitoba Outlook	4.0	-	-	-
Conference Board	3.7	4.2	4.4	4.4
<b>Medium-Term Fiscal Plan</b>	<b>3.2</b>	<b>3.0</b>	<b>4.0</b>	<b>3.7</b>
<b>Real GDP</b>				
Manitoba Outlook	2.5	-	-	-
Conference Board	2.1	2.1	2.2	2.2
<b>Medium-Term Fiscal Plan</b>	<b>2.0</b>	<b>1.9</b>	<b>2.5</b>	<b>2.3</b>

(-) Manitoba Economic Outlook only surveys forecasters through 1998.

## ■ THE MEDIUM-TERM FISCAL PLAN

The 1997 Medium-Term Fiscal Plan charts the course our Government intends to follow over the next four years. It lays out responsible and achievable targets. The benefits of following this plan include:

- a strong economy built on the confidence resulting from responsible stewardship;
- a strong provincial Government with balanced budgets, lower debt service costs and adequate resources to meet unexpected challenges;
- a quality of life for Manitobans enhanced by growing after-tax incomes and access to first-rate public services; and
- pride that we have prepared the way for an even brighter future for our children as we enter the next millenium.

The Plan incorporates the continuing adjustment to the federal transfer payment reductions. Own-source revenue is projected to grow roughly in line with our prudent assumptions concerning economic growth in Manitoba and Canada as a whole.

The Plan makes provision for modest expenditure increases beginning in 1999/2000. Together with our efforts for continual improvement in delivery of public services, these additional resources assure Manitobans that they will receive quality public services, as required.

The Plan incorporates modest reductions in public debt costs over the medium term. Interest earnings on monies in the Debt Retirement Fund will accumulate in that Fund until used to retire debt.

In keeping with the philosophy and commitment of our Government, capital expenditure is maintained at a level in excess of \$300 million annually.

The 1997 Budget's Medium-Term Fiscal Plan extends the string of consecutive budgetary surpluses to six fiscal years. This will be the first time since the 1950s that government has mounted a sustained attack on the debt burden of Manitobans. We have turned the corner and will begin paying down the mortgage for future generations.

*The 1997 Budget's  
Medium-Term  
Fiscal Plan extends  
the string of  
consecutive  
budgetary surpluses  
to six fiscal years.*

## Fiscal Stabilization Fund Statement of Revenue and Expenditure and Fund Balance

Projection as at March 31, 1998  
(with comparative figures for March 31, 1997)  
(Unaudited)

	<u>1998</u> (Thousands of Dollars)	<u>1997</u> (Thousands of Dollars)
<b>Revenue</b>		
Interest Earnings	7,451	11,434
Transfer from Consolidated Fund	26,800	315,681
	<u>34,251</u>	<u>327,115</u>
<b>Expenditure</b>		
Allocation in Support of Social Programs	100,000	-
Transfer to Economic Innovation and Technology Fund	500	248
	<u>100,500</u>	<u>248</u>
Increase/(Decrease) in Fund	(66,249)	326,867
<b>Fund Balance, beginning of year</b>	<u>537,217</u>	<u>210,350</u>
<b>Fund Balance, end of year</b>	<u><u>470,968</u></u>	<u><u>537,217</u></u>

### ■ THE FISCAL STABILIZATION FUND

The balance of the Fund as at March 31, 1996, stood at \$210 million.

In 1996/97, in excess of \$11 million in interest will be earned on the Fund balance. The Fund will receive the net proceeds of the divestiture of the Manitoba Telephone System. The net proceeds are expected to be \$410 million less \$150 million which will be provided to health care facilities to pay down their debt. In addition, the Fund will receive a transfer from the Consolidated Revenue Fund equal to the 1996/97 surplus, now projected to be \$56 million. The balance of the Fund as at March 31, 1997, is projected to be \$537 million.

In 1997/98, the Government of Manitoba is facing the second consecutive reduction in excess of \$100 million in federal support to health, education and social services. In these circumstances, the Government has chosen to make a \$100 million allocation from the Fiscal Stabilization Fund in support of social programs. This will allow another year of Provincial revenue growth to work to offset the federal transfer payment reduction. It is only because the Government has the flexibility provided by this savings account that this choice is possible. By the end of the 1997/98 fiscal year, the balance in the Fund is expected to be \$471 million.

Manitobans can take comfort and pride in this Fund. It provides welcome assurance that the Government will be able to sustain its important public services in the event of unforeseen difficulties. And it will provide Government with time to adjust to changing circumstances which may have longer-term implications.

## ■ THE DEBT RETIREMENT FUND

Manitoba has led the nation in taking action to control expenditure, eliminate the deficit and begin paying down debt. Within this Budget, our Government will make the first historic instalment of \$75 million into the Debt Retirement Fund.

The operations of this Fund will be guided by the provisions of *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*.

The Debt Retirement Fund will receive annual deposits of at least \$75 million until the year 2002. These amounts, together with interest, will be available to retire debt.

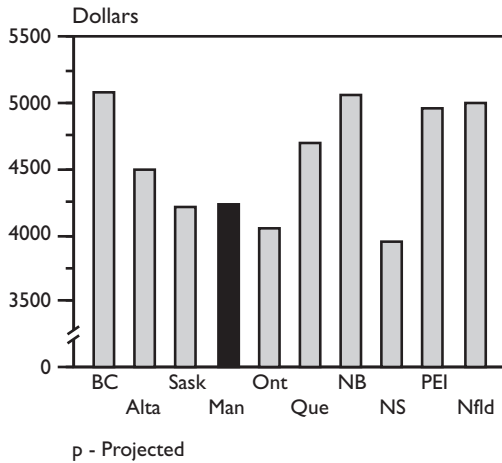
In subsequent years, at least \$75 million annually plus interest savings from paying down the debt will be deposited in the Fund, and will be available to pay down the debt and provide further interest savings to be deposited in the Fund.

The debt repayment plan, as outlined in Manitoba's 1995 Budget, will provide for the complete elimination of the Province's general purpose debt over the next 30 years.

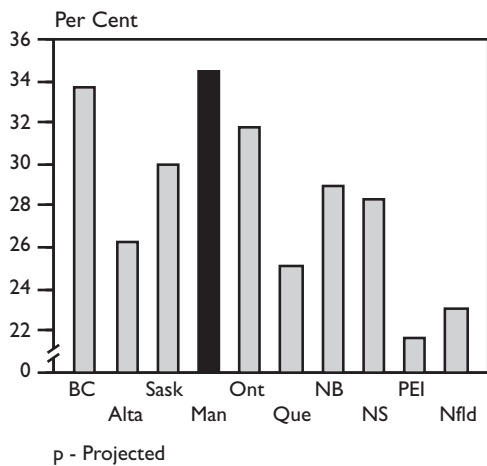
*The Government has chosen to make a \$100 million allocation from the Fiscal Stabilization Fund in support of social programs.*

*Manitoba has led the nation in taking action to control expenditure, eliminate the deficit and begin paying down debt.*

### Provincial Per Capita Program Expenditure, 1996/97(p)



### Health Expenditure as a Per Cent of Total Spending, 1996/97(p)



## MANITOBA'S RELATIVE FISCAL POSITION AMONG PROVINCES

Manitoba continues to enjoy one of the best fiscal positions among provinces. Manitoba's excellent fiscal situation has been widely recognized by investment dealers, bond rating agencies and others concerned with positive and improving fiscal balances.

Recent financial information for 1996/97 confirms Manitoba's strong position among provinces.

Government has focussed on promoting effective, efficient and responsible public expenditure in Manitoba. Manitoba's per capita program expenditure is fourth-lowest among provinces.

Social programs are important priorities for our Government and for Manitobans. Together, health, education and family services account for over 73% of total program spending in 1996/97. Virtually all increases in program spending over the last ten years have been targeted to these vital social programs.

As in previous years, Manitoba will spend a greater share of its program spending on health care than any other province in Canada. Over 34¢ of every dollar spent in 1996/97 went to health care, the highest percentage among provinces. Health care is a fundamental priority in our province.

Prudent spending decisions have led to lower than average debt costs. In 1996/97, Manitoba's per capita debt costs are third-lowest among provinces. In 1997/98, debt servicing costs are equal to 9.7% of total expenditure. Still, on average, we had to pay \$1.5 million every day in interest on the public debt in 1996/97 on behalf of Manitobans.

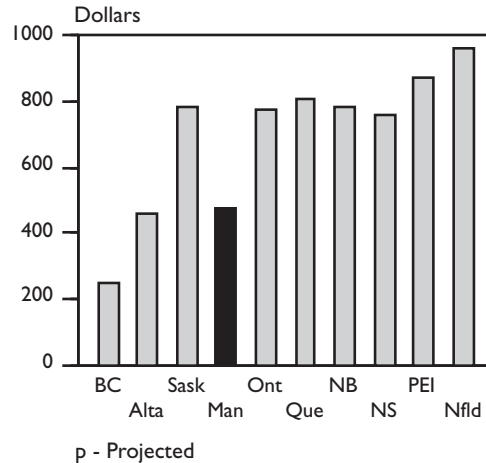
Manitobans will continue to see lower payments to lenders as the Province's debt is retired under the terms of *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*. Lower debt costs mean that less of Manitobans' tax dollars must go to interest costs, and more resources are available for services.

Through prudent fiscal management over the past nine years, Manitoba has been able to achieve surpluses while freezing major tax rates and providing targeted reductions to improve investment and job creation. In 1996/97, Manitoba's budgetary surplus of \$56 million will be fourth-highest among provinces.

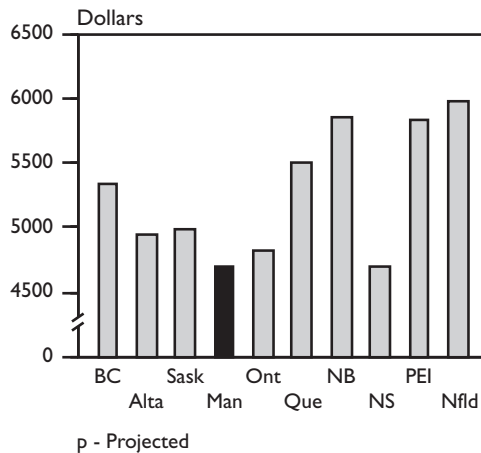
The Government has made a commitment that the era of budgetary deficits is now over.

Including debt servicing costs, Manitoba's per capita total expenditure is the lowest amongst provinces.

### Provincial Per Capita Debt Servicing Costs, 1996/97(p)



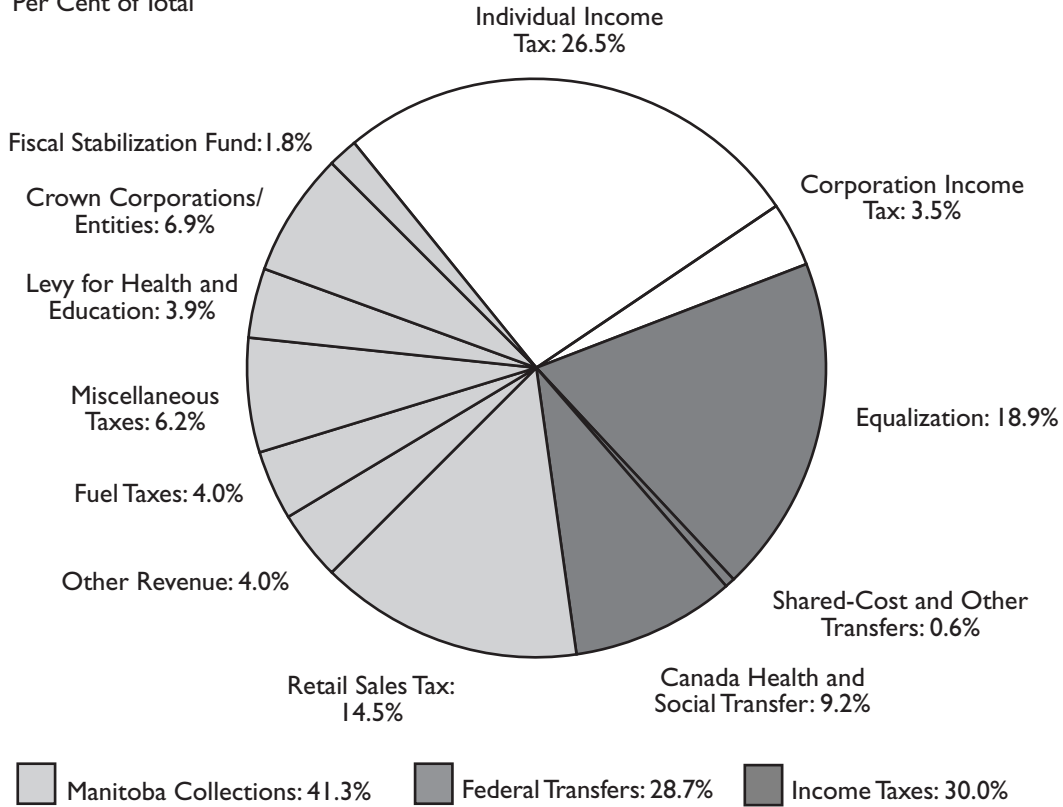
### Provincial Per Capita Total Expenditure, 1996/97(p)



## Provincial Revenue, 1997/98

Major Sources

Per Cent of Total



## Revenue by Source

1996/97 and 1997/98

1996/97 Budget		1997/98 Budget	% Change from 1996/97
(\$M)		(\$M)	
3,037	Taxation	3,169	4.3
1,691	Government of Canada	1,555	(8.0)
595	Other	688	15.6
<b>5,323</b>	<b>Total Revenue</b>	<b>5,412</b>	<b>1.7</b>



## Revenue Estimates

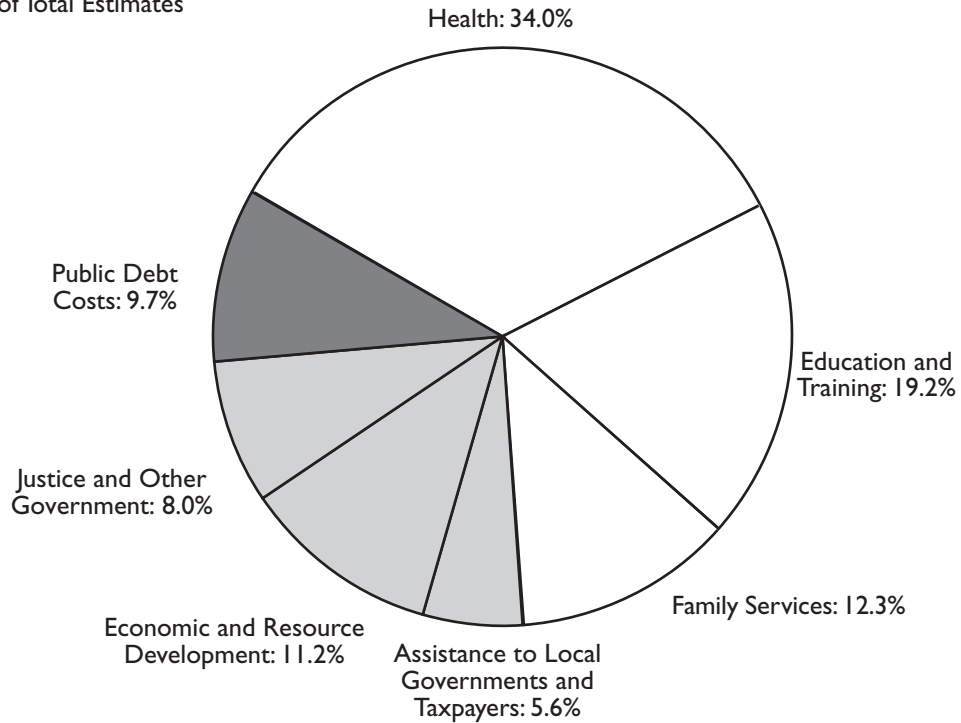
(Thousands of Dollars)

1996/97 Budget		1997/98 Estimate	% of Total Revenue	% Change
\$2,119,667.5	<b>Manitoba Collections</b>	\$2,230,533.9	41.3	5.2
	<b>Taxes, Levies and Collections</b>			
\$ 9,000.0	• Land Transfer Tax	\$ 9,000.0		
106,300.0	• Corporation Capital Tax	108,100.0		
157,000.0	• Gasoline Tax	151,500.0		
32,200.0	• Insurance Corporations Tax	35,500.0		
206,500.0	• Levy for Health and Education	209,400.0		
40,000.0	• Mining Tax	15,000.0		
59,200.0	• Motive Fuel Tax	64,400.0		
2,843.8	• Oil and Natural Gas Tax	3,168.2		
745,000.0	• Retail Sales Tax	785,000.0		
50,800.0	• Revenue Act, 1964, Part I	52,000.0		
109,600.0	• Tobacco Tax	106,500.0		
3,000.0	• Environmental Protection Tax	3,000.0		
2,940.0	• Other Taxes	112.0		
<u>\$ 1,524,383.8</u>	Subtotal	<u>\$ 1,542,680.2</u>		
	<b>Fees and Other Revenue</b>			
\$ 28,308.7	• Fines and Costs; Land Titles; and Other Legal	\$ 18,385.4		
4,496.8	• Minerals and Petroleum; and Other Energy and Mines	4,638.5		
47,293.5	• Automobile and Motor Carrier Licences and Fees	51,724.1		
12,130.0	• Drivers' Licences	12,315.8		
46,193.0	• Water Power Rentals	48,927.0		
21,788.8	• Parks; Forestry; Fisheries; and Other Natural Resources	23,725.8		
61,672.9	• All Other Manitoba Collections	55,237.1		
<u>\$ 221,883.7</u>	Subtotal	<u>\$ 214,953.7</u>		
	<b>Crown Corporations/Entities</b>			
\$ 223,000.0	• Manitoba Lotteries Corporation	\$ 223,000.0		
144,400.0	• Liquor Control Commission	146,600.0		
6,000.0	• Other	3,300.0		
<u>\$ 373,400.0</u>	Subtotal	<u>\$ 372,900.0</u>		
	<b>Fiscal Stabilization Fund</b>			
-	• Allocation in Support of Social Programs	\$ 100,000.0		
1,512,700.0	<b>Income Taxes</b>	1,626,200.0	30.0	7.5
\$ 172,700.0	• Corporation Income Tax	\$ 190,100.0		
1,340,000.0	• Individual Income Tax	1,436,100.0		
1,690,711.3	<b>Federal Transfers</b>	1,555,112.9	28.7	(8.0)
\$ 1,054,800.0	• Equalization	\$ 1,021,300.0		
599,400.0	• Canada Health and Social Transfer	499,000.0		
36,511.3	• Other Transfers	34,812.9		
<u>\$5,323,078.8</u>	<b>Total Budgetary Revenue</b>	<u>\$5,411,846.8</u>	<b>100.0</b>	<b>1.7</b>

## Provincial Expenditure, 1997/98

Major Categories

Per Cent of Total Estimates



## Program Expenditure Estimates, 1997/98

Operating and Capital

	Operating Expenditure	Capital Expenditure	Total Program Expenditure
	(Millions of Dollars)		
Health	1,759	67	1,826
Education and Training	996	35	1,031
Family Services	661	-	661
Assistance to Local Governments and Taxpayers	272	31	303
Economic and Resource Development	480	119	599
Justice and Other Government	385	45	430
Minor Capital	(20)	20	0
<b>Total</b>	<b><u>4,533</u></b>	<b><u>317</u></b>	<b><u>4,850</u></b>

## Expenditure Estimates

(Thousands of Dollars)

1996/97 Budget		1997/98 Estimate	% of Total Expend.	% Change
\$1,811,896.0	<b>Health</b> .....	\$1,825,551.1	34.0	0.8
1,018,823.6	<b>Education and Training</b> .....	1,030,537.5	19.2	1.1
655,037.2	<b>Family Services</b> .....	661,141.8	12.3	0.9
299,183.1	<b>Assistance to Local Governments and Taxpayers</b> .....	303,383.6	5.6	1.4
\$ 47,947.3	• Rural Development .....	\$ 48,848.2		
70,735.8	• Urban Affairs .....	71,985.4		
180,500.0	• Net Tax Credit Payments .....	182,550.0		
579,859.0	<b>Economic and Resource Development</b> .....	599,449.9	11.2	3.4
\$ 96,488.6	• Agriculture .....	\$ 97,725.3		
14,109.8	• Energy and Mines .....	14,096.0		
13,751.9	• Environment .....	13,236.9		
222,209.3	• Highways and Transportation .....	223,731.2		
48,198.8	• Housing .....	44,610.4		
38,910.4	• Industry, Trade and Tourism .....	38,521.3		
90,331.1	• Natural Resources .....	91,816.8		
17,105.1	• Northern Affairs .....	16,862.3		
12,754.0	• Enabling Appropriations .....	22,349.7		
26,000.0	• Other Appropriations .....	36,500.0		
421,512.0	<b>Justice and Other Government</b> .....	430,021.9	8.0	2.0
\$ 16,770.2	• Legislative Assembly .....	\$ 16,819.8		
3,168.1	• Executive Council .....	3,168.1		
242.3	• Children and Youth Secretariat .....	742.3		
4,164.1	• Civil Service Commission .....	4,063.9		
6,080.1	• Community Support Programs .....	6,096.1		
18,457.2	• Consumer and Corporate Affairs .....	10,507.5		
51,805.7	• Culture, Heritage and Citizenship .....	51,528.3		
35,372.8	• Employee Benefits and Other Payments .....	39,765.7		
27,060.2	• Finance – Departmental Programs .....	26,940.5		
44,823.5	• Government Services .....	46,344.4		
168,215.5	• Justice .....	169,279.8		
12,959.4	• Labour .....	12,613.6		
537.4	• Seniors Directorate .....	530.4		
14,974.1	• Sport .....	14,903.1		
906.4	• Status of Women .....	893.4		
1,000.0	• Enabling Appropriations .....	1,500.0		
14,975.0	• Other Appropriations .....	24,325.0		
<b>\$4,786,310.9</b>	<b>Total Program Expenditure</b> .....	<b>\$4,850,085.8</b>	<b>90.3</b>	1.3
575,000.0	<b>Public Debt Costs</b> .....	520,000.0	9.7	(9.6)
<b>\$5,361,310.9</b>	<b>Total Expenditure Estimates</b> .....	<b>\$5,370,085.8</b>	<b>100.0</b>	0.2
(60,000.0)	<b>Less: Year-End Lapse</b> .....	(60,000.0)		
<b>\$5,301,310.9</b>	<b>TOTAL BUDGETARY EXPENDITURE</b> .....	<b>\$5,310,085.8</b>		0.2

## Incremental Capital Authority Requirements for Non-Budgetary Programs, 1997/98

(Thousands of Dollars)

### The Loan Act, 1997

The Manitoba Hydro-Electric Board .....	\$ 257,000
The Manitoba Agricultural Credit Corporation .....	16,175
Communities Economic Development Fund .....	7,550
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency .....	6,000
The Manitoba Water Services Board .....	6,000
Manitoba Potash Corporation.....	2,100
Rural Economic Development Initiatives.....	1,515
Venture Manitoba Tours Ltd.....	250
	<u>\$ 296,590</u>

## Schedule of Existing Capital Authority to Lapse, 1997/98

(Thousands of Dollars)

Manitoba Telephone System.....	\$ 43,100
Pine Falls Paper Company .....	15,000
Manufacturing Adaptation Program .....	48
	<u>\$ 58,148</u>

## Non-Budgetary Capital Program, 1997/98

(Thousands of Dollars)

The Manitoba Hydro-Electric Board .....	\$ 380,900
The Manitoba Agricultural Credit Corporation .....	69,000
Business Support	
Industrial Opportunities Program .....	31,636
Vision Capital.....	4,194
Manitoba Capital Fund .....	3,555
Manitoba Potash Corporation.....	1,911
The Manitoba Water Services Board .....	14,675
Communities Economic Development Fund.....	12,000
Rural Development Bonds Program.....	8,000
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency.....	10,000
Miscellaneous Corporations, Agencies and Other Programs.....	11,945
	<u>\$ 547,816</u>

## ■ BORROWING REQUIREMENTS

Manitoba Government borrowing requirements for both general and self-sustaining purposes, including Guaranteed Debt of Crown corporations, will total \$1,587 million. Having achieved balanced budgets, the only borrowing for general Government programs is for refunding existing issues. \$1,023 million is required for the refunding of general purpose debt. The remainder is for the refunding of Manitoba Hydro Bonds and self-sustaining program requirements. Incremental capital authority to be provided by The Loan Act, 1997, will be \$297 million.

### Estimated Borrowing Requirements

(Thousands of Dollars)

	Estimated Unfunded Requirements as at March 31/97	Refunding 1997/98	New Cash Requirements 1997/98	Borrowing Requirements 1997/98
<b>General Government Programs:</b>				
Refunding	–	1,023,000	–	1,023,000
<b>Self-Sustaining Programs:</b>				
Manitoba Hydro				
Cash Requirements	79,100	–	73,700	152,800
Refunding	–	294,448	–	294,448
Manitoba Agricultural Credit Corporation	–	–	48,700	48,700
Manitoba Housing and Renewal Corporation	–	–	400	400
Business Support Programs	–	–	39,188	39,188
Miscellaneous				
Other Crown Corps. etc.,	–	–	28,091	28,091
	<u>79,100</u>	<u>1,317,448</u>	<u>190,079</u>	<u>1,586,627</u>

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

 (Thousands of Dollars) *Unaudited*

As at December 31, 1996 (with comparative figures for March 31, 1996)

Canadian Dollar Equivalent at Date of Issue Dec. 31/96	Canadian Dollar Equivalent at Date of Issue March 31/96	Increase (Decrease) Dec. 31/96 over March 31/96		Canadian Dollar Valuation (Note 1) Dec. 31/96	Canadian Dollar Valuation (Note 1) March 31/96	Increase (Decrease) Dec. 31/96 over March 31/96
			<b>Direct Debt Payable in:</b>			
7,836,121	7,710,108	126,013	Canadian Dollars	7,836,121	7,710,108	126,013
2,626,729	1,944,154	682,575	Foreign Issues Swapped to Canadian Dollars	2,730,185	1,951,919	778,266
4,789,769	5,541,360	(751,591)	U.S. Dollars	5,489,854	6,312,647	(822,793)
804,473	953,252	(148,779)	Foreign Issues Swapped to U.S. Dollars	876,443	1,020,128	(143,685)
<u>16,057,092</u>	<u>16,148,874</u>	<u>(91,782)</u>	Total Direct Debt	<u>16,932,603</u>	<u>16,994,802</u>	<u>(62,199)</u>
			<b>Guaranteed Debt Payable in:</b>			
527,187	649,868	(122,681)	Canadian Dollars	527,187	649,868	(122,681)
0	0	0	U.S. Dollars	0	0	0
<u>527,187</u>	<u>649,868</u>	<u>(122,681)</u>	Total Guaranteed Debt	<u>527,187</u>	<u>649,868</u>	<u>(122,681)</u>
16,584,279	16,798,742	(214,463)	<b>Total Direct and Guaranteed Debt</b> (Note 2)	17,459,790	17,644,670	(184,880)
4,098,438	3,971,001	127,437	Less: Sinking Fund Investments	4,098,438	3,971,001	127,437
<u>12,485,841</u>	<u>12,827,741</u>	<u>(341,900)</u>	<b>Net Direct and Guaranteed Debt</b> (Note 3)	<u>13,361,352</u>	<u>13,673,669</u>	<u>(312,317)</u>

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at December 31, 1996 and March 31, 1996 adjusted for any foreign currency contracts entered into for settlement after these dates.

Note 2: Direct Debt and Guaranteed Debt are payable in Canadian and US dollars. As at December 31, 1996, total gross debt was payable 63.5% in Canadian dollars and 36.5% in US dollars. Of this total, general purpose and other debt was payable 76% in Canadian dollars and 24% in US dollars while Manitoba Hydro debt was payable 37% in Canadian dollars and 63% in US dollars.

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

	December 31, 1996		March 31, 1996	
	(\$ Thousands)	(\$ Per Capita) (Note 4)	(\$ Thousands)	(\$ Per Capita) (Note 4)
General Government Programs	6,675,496	5,828	6,813,637	5,968
The Manitoba Hydro-Electric Board	4,958,005	4,328	5,089,650	4,458
Other	1,727,851	1,508	1,770,382	1,551
	<u>13,361,352</u>	<u>11,664</u>	<u>13,673,669</u>	<u>11,977</u>

Note 4: Per capita data are based upon population figures at October 1, 1996 and April 1, 1996, as reported by Statistics Canada.

## Province of Manitoba Direct and Guaranteed Debt

Net Maturities to March 31, 2031

	Canadian Valuation Payable in		Net Maturities
	Canadian Dollars	U.S. Dollars	
		(Millions of Dollars)	
1997/98	1,317	–	1,317
1998/99	1,015	67	1,082
1999/00	960	179	1,139
2000/01	835	479	1,314
2001/02	236	970	1,206
2002/03	338	986	1,324
2003/04	325	691	1,016
2004/05	716	55	771
2006-10	632	–	632
2011-15	780	–	780
2016-20	–	1,475	1,475
2021-31	902	403	1,305

The above table indicates the amount which the Province of Manitoba will have to borrow for the purpose of repaying Direct and Guaranteed Debt outstanding at December 31, 1996 (based on the foreign exchange rates in existence on December 31, 1996).

The Province of Manitoba has three retractable debenture issues and one extendable debenture issue outstanding at December 31, 1996. The maturity date of these issues has been assumed to be the maturity date occurring if the holders of the securities were to utilize the related extendable or retractable options under present market conditions.

## Manitoba Financial Statistics, Ten-Year Summary

	1997/98 Budget	1996/97 Forecast	1995/96 Actual	1994/95 Actual	1993/94 Actual
(Millions of Dollars)					
<b>FINANCIAL STATEMENTS<sup>1</sup></b>					
<b>Operating Revenue</b>					
Manitoba Collections	2,230.5 <sup>2</sup>	2,106.9	2,152.5	1,987.4	1,893.2
Income Taxes	1,626.2	1,618.6	1,492.0	1,322.5	1,354.1
Federal Transfers	1,555.1	1,712.6	1,867.2	1,883.1	1,615.0
Total	5,411.8	5,438.1	5,511.7	5,193.0	4,862.3
<b>Operating Expenditure</b>					
Current Programs	4,473.3	4,546.5	4,580.5	4,482.8	4,479.4
Public Debt Costs	520.0	541.4	592.3	597.0	584.8
Total	4,993.3	5,087.9	5,172.8	5,079.8	5,064.2
	418.5	350.2	338.9	113.2	(201.9)
Deficit Reduction Transfers	0.0	0.0	145.0	0.0	30.0
Deposit to Debt Retirement Fund	(75.0)	0.0	0.0	0.0	0.0
<b>Operating Surplus/(Deficit)</b>	<b>343.5</b>	<b>350.2</b>	<b>483.9</b>	<b>113.2</b>	<b>(171.9)</b>
Capital Expenditure	316.7	297.9	332.5	321.2	272.1
Less: Federal Recoveries	0.0	3.4	5.7	12.0	13.5
Net Capital Expenditure	316.7	294.5	326.8	309.2	258.6
<b>Budgetary Surplus/(Deficit)</b>	<b>26.8</b>	<b>55.7<sup>3</sup></b>	<b>157.1</b>	<b>(196.0)</b>	<b>(430.5)</b>
<b>NET DIRECT AND GUARANTEED DEBT<sup>4</sup></b>					
General Purpose	6,598.4 <sup>5</sup>	6,776.6	6,813.6	7,364.2 <sup>7</sup>	6,834.0
Hydro	4,833.1	4,868.0	5,089.7	5,021.7	5,426.3
Other Debt	1,249.6	1,288.7 <sup>6</sup>	1,770.4	1,944.7	1,876.1
Total	12,681.1	12,933.3	13,673.7	14,330.6	14,136.4
<b>Memorandum Items</b>					
Total Budgetary Revenue	5,411.8	5,441.5	5,662.4	5,205.0	4,905.8
Total Budgetary Expenditure	5,310.0	5,385.8	5,505.3	5,401.0	5,336.3
Debt Retirement Fund Deposit	75.0	0.0	0.0	0.0	0.0
Population (000's)	1,150.4	1,143.5	1,136.8	1,129.5	1,124.1
GDP at Market Prices (\$M)	27,960	27,224	25,831	25,081	23,888

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

Note 2: Includes \$100 million from Fiscal Stabilization Fund.

Note 3: In addition, there is an extraordinary net gain of \$260 million from divestiture of Manitoba Telephone System.

Note 4: 1997/98 and 1996/97 are projected debt at March 31.



1992/93 Actual	1991/92 Actual	1990/91 Actual	1989/90 Actual	1988/89 Actual	
(Millions of Dollars)					
					<b>FINANCIAL STATEMENTS<sup>1</sup></b>
					<b>Operating Revenue</b>
1,648.1	1,823.0	1,754.7	1,765.2	1,744.0	Manitoba Collections
1,233.9	1,323.2	1,227.9	1,183.4	1,231.0	Income Taxes
1,814.6	1,815.9	1,687.0	1,654.0	1,559.1	Federal Transfers
<u>4,696.6</u>	<u>4,962.1</u>	<u>4,669.6</u>	<u>4,602.6</u>	<u>4,534.1</u>	Total
					<b>Operating Expenditure</b>
4,618.1	4,476.3	4,227.2	3,975.1	3,764.4	Current Programs
559.3	492.1	501.3	487.4	438.5	Public Debt Costs
<u>5,177.4</u>	<u>4,968.4</u>	<u>4,728.5</u>	<u>4,462.5</u>	<u>4,202.9</u>	Total
(480.8)	(6.3)	(58.9)	140.1	331.2	
200.0	(30.0)	67.3	0.0	(200.0)	Deficit Reduction Transfers
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	Deposit to Debt Retirement Fund
<u>(280.8)</u>	<u>(36.3)</u>	<u>8.4</u>	<u>140.1</u>	<u>131.2</u>	<b>Operating Surplus/(Deficit)</b>
286.5	302.6	308.3	285.7	281.4	Capital Expenditure
1.3	4.6	8.3	3.2	8.9	Less: Federal Recoveries
<u>285.2</u>	<u>298.0</u>	<u>300.0</u>	<u>282.5</u>	<u>272.5</u>	Net Capital Expenditure
<u>(566.0)</u>	<u>(334.3)</u>	<u>(291.6)</u>	<u>(142.4)</u>	<u>(141.3)</u>	<b>Budgetary Surplus/(Deficit)</b>
					<b>NET DIRECT AND GUARANTEED DEBT<sup>4</sup></b>
6,179.4	5,294.6	5,248.1	4,855.6	5,249.0	General Purpose
4,679.4	4,979.2	4,319.6	3,912.6	3,935.2	Hydro
1,852.1	1,548.7	1,473.9	1,174.5	1,399.1	Other Debt
<u>12,710.9</u>	<u>11,822.5</u>	<u>11,041.6</u>	<u>9,942.7</u>	<u>10,583.3</u>	Total
					<b>Memorandum Items</b>
4,897.9	4,936.7	4,745.2	4,605.8	4,343.0	Total Budgetary Revenue
5,463.9	5,271.0	5,036.8	4,748.2	4,484.3	Total Budgetary Expenditure
0.0	0.0	0.0	0.0	0.0	Debt Retirement Fund Deposit
1,117.6	1,112.5	1,108.4	1,106.2	1,104.7	Population (000's)
23,357	23,227	23,251	22,427	21,185	GDP at Market Prices (\$M)

Note 5: Net of the Debt Retirement Fund

Note 6: Reflects the repayment of debt from the divestiture of Manitoba Telephone System.

Note 7: 1994/95 General Purpose Debt includes \$495 million of pre-funding of 1995/96 requirements.

## Manitoba Financial Statistics, Ten-Year Summary

	1997/98 Budget	1996/97 Forecast	1995/96 Actual	1994/95 Actual	1993/94 Actual
	(Per Cent Change)				
<b>Annual Change</b>					
Manitoba Collections	5.9	(2.1)	8.3	5.0	14.9
Income Taxes	0.5	8.5	12.8	(2.3)	9.7
Federal Transfers	(9.4)	(8.4)	(1.2)	16.4	(10.3)
Total Operating Revenue	(0.5)	(1.3)	6.1	6.8	3.5
Current Program Expenditure	(1.6)	(0.7)	2.2	0.1	(3.0)
Public Debt Costs	(4.0)	(8.6)	(0.8)	2.1	4.6
Total Operating Expenditure	(1.9)	(1.6)	1.8	0.3	(2.2)
Operating Surplus/(Deficit)	(1.9)	(27.6)	327.5	(165.9)	(38.8)
Net Capital Expenditure	7.5	(9.9)	5.7	19.6	(9.3)
Budgetary Surplus/(Deficit)	(51.9)	(64.5)	(180.2)	(54.5)	(23.9)
Net General Purpose Debt	(2.6)	(0.5)	(7.5)	7.8	10.6
Total Net Debt	(2.0)	(5.4)	(4.6)	1.4	11.2
<b>Per Cent of GDP</b>					
	(Per Cent)				
Operating Revenue	19.4	20.0	21.3	20.7	20.4
Operating Expenditure	17.9	18.7	20.0	20.3	21.2
Operating Surplus/(Deficit)	1.2	1.3	1.9	0.5	(0.7)
Budgetary Surplus/(Deficit)	0.1	0.2	0.6	(0.8)	(1.8)
Net General Purpose Debt	23.6	24.9	26.4	29.4	28.6
Total Net Debt	45.4	47.5	52.9	57.1	59.2
<b>Per Cent of</b>					
<b>Operating Revenue</b>					
Manitoba Collections	41.2	38.7	39.1	38.3	38.9
Income Taxes	30.0	29.8	27.1	25.5	27.8
Federal Transfers	28.7	31.5	33.9	36.3	33.2
<b>Per Cent of</b>					
<b>Operating Expenditure</b>					
Current Program Expenditure	89.6	89.4	88.5	88.2	88.5
Public Debt Costs	10.4	10.6	11.5	11.8	11.5
Operating Surplus/(Deficit)	6.9	6.9	9.4	2.2	(3.4)
Budgetary Surplus/(Deficit)	0.5	1.1	3.0	(3.9)	(8.5)
<b>Dollars Per Capita<sup>1</sup></b>					
	(Dollars)				
Operating Revenue	4,704	4,756	4,848	4,598	4,326
Operating Expenditure	4,340	4,449	4,550	4,497	4,505
Operating Surplus/(Deficit)	299	306	426	100	(153)
Budgetary Surplus/(Deficit)	23	49	138	(174)	(383)
Net General Purpose Debt	5,735	5,926	5,994	6,520	6,080
Total Net Debt	11,023	11,310	12,028	12,688	12,576

Source: Manitoba Department of Finance

Note 1: Per Capita values based on population at July 1 in fiscal year.

1992/93 Actual	1991/92 Actual	1990/91 Actual	1989/90 Actual	1988/89 Actual	
(Per Cent Change)					
(9.6)	3.9	(0.6)	1.2	11.1	<b>Annual Change</b>
(6.7)	7.8	3.8	(3.9)	6.5	Manitoba Collections
(0.3)	7.4	2.3	5.7	19.4	Income Taxes
(5.4)	6.3	1.5	1.5	12.5	Federal Transfers
3.2	5.9	6.3	5.6	4.7	Total Operating Revenue
13.7	(1.8)	2.9	11.2	(10.6)	Current Program Expenditure
4.2	5.1	6.0	6.2	2.9	Public Debt Costs
673.6	(532.1)	(94.0)	6.8	(345.7)	Total Operating Expenditure
(4.3)	(0.7)	6.2	3.7	10.7	Operating Surplus/(Deficit)
69.3	14.6	104.8	0.8	(52.8)	Net Capital Expenditure
16.7	0.9	8.1	(7.5)	1.7	Budgetary Surplus/(Deficit)
7.5	7.1	11.1	(6.1)	2.6	Net General Purpose Debt
					Total Net Debt
(Per Cent)					<b>Per Cent of GDP</b>
20.1	21.4	20.1	20.5	21.4	Operating Revenue
22.2	21.4	20.3	19.9	19.8	Operating Expenditure
(1.2)	(0.2)	0.0	0.6	0.6	Operating Surplus/(Deficit)
(2.4)	(1.4)	(1.3)	(0.6)	(0.7)	Budgetary Surplus/(Deficit)
26.5	22.8	22.6	21.7	24.8	Net General Purpose Debt
54.4	50.9	47.5	44.3	50.0	Total Net Debt
					<b>Per Cent of Operating Revenue</b>
35.1	36.7	37.6	38.4	38.5	Manitoba Collections
26.3	26.7	26.3	25.7	27.1	Income Taxes
38.6	36.6	36.1	35.9	34.4	Federal Transfers
					<b>Per Cent of Operating Expenditure</b>
89.2	90.1	89.4	89.1	89.6	Current Program Expenditure
10.8	9.9	10.6	10.9	10.4	Public Debt Costs
(5.4)	(0.7)	0.2	3.1	3.1	Operating Surplus/(Deficit)
(10.9)	(6.7)	(6.2)	(3.2)	(3.4)	Budgetary Surplus/(Deficit)
(Dollars)					<b>Dollars Per Capita</b>
4,202	4,460	4,213	4,161	4,104	Operating Revenue
4,633	4,466	4,266	4,034	3,805	Operating Expenditure
(251)	(33)	8	127	119	Operating Surplus/(Deficit)
(506)	(300)	(263)	(129)	(128)	Budgetary Surplus/(Deficit)
5,529	4,759	4,735	4,389	4,752	Net General Purpose Debt
11,373	10,627	9,962	8,988	9,580	Total Net Debt