
MANITOBA BUDGET 2011

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Information available at this site includes:

- The 2011 Manitoba Budget Address
- Budget 2011
- Budget Papers
 - A Economic Review and Outlook
 - Expanding Manitoba's Capacity for Innovation
 - B Supplementary Financial Information
 - C Taxation Adjustments
 - The Manitoba Advantage
 - Age-Friendly Manitoba: The Golden Years
 - D An Update on Fiscal Transfer Arrangements
 - E Education and Training - Investing in the Future Success of Manitoba Youth and Families
- Manitoba's Five-Year Economic Plan
- Estimates of Expenditure and Revenue for the Fiscal Year Ending March 31, 2012
- Tax News
- Financial Reports
- Economic Highlights
- Economic Statistics

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- Discours du Budget 2011 du Manitoba
- Budget 2011
- Accroître la capacité d'innovation du Manitoba
- Éducation et formation professionnelle -
 - Investissement dans les futurs succès des jeunes et des familles du Manitoba
- Plan économique quinquennal du Manitoba
- Budget des dépenses et des recettes pour l'exercice se terminant le 31 mars 2012
- Bulletin de nouvelles fiscales
- Rapports financiers
- Points saillants de l'économie du Manitoba
- Statistiques économiques

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BUDGET 2011

Contents

SUMMARY BUDGET 2011/12	1
FINANCIAL MANAGEMENT STRATEGY	7
APPENDICES	
1 MANITOBA SUMMARY FINANCIAL STATISTICS.....	21
2 SUMMARY BUDGET USER'S GUIDE.....	25
3 ENTITIES INCLUDED IN SUMMARY BUDGET (GOVERNMENT REPORTING ENTITY)	35

BUDGET PAPERS

- A Economic Review and Outlook
 - Expanding Manitoba's Capacity for Innovation
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■ FORWARD

Budget 2011 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 2011 includes an updated Financial Management Strategy, which sets out the government's priorities for financial management as well as measurable outcomes for each priority. These outcomes will be reported on in the fall of 2012.

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

SUMMARY BUDGET 2011/12

SUMMARY BUDGET

For the Fiscal Year Ending March 31, 2012

With Comparative Data for the year ending March 31, 2011

	2011/12 <u>Budget</u>	2010/11 <u>Forecast</u>	2010/11 <u>Budget</u>	Per cent Change	
				<u>2011/12 Budget from</u>	
				<u>2010/11 Forecast</u>	<u>2010/11 Budget</u>
(Millions of Dollars)					
REVENUE SOURCE					
Income Taxes	3,148	2,916	2,667	8.0%	18.0%
Other Taxes	3,510	3,404	3,385	3.1%	3.7%
Fees and Other Revenue	1,771	1,745	1,765	1.5%	0.3%
Federal Transfers	3,945	4,086	4,064	(3.5%)	(2.9%)
Net Income of Government Business Enterprises	781	752	699	3.9%	11.7%
Sinking Funds and Other Earnings	239	227	217	5.3%	10.1%
TOTAL REVENUE	<u>13,394</u>	<u>13,130</u>	<u>12,797</u>	2.0%	4.7%
EXPENDITURE SECTORS					
Health and Healthy Living	5,387	5,125	5,100	5.1%	5.6%
Education	3,560	3,406	3,447	4.5%	3.3%
Family Services and Consumer Affairs	1,402	1,392	1,323	0.7%	6.0%
Community, Economic and Resource Development	1,908	1,944	1,821	(1.9%)	4.8%
Justice and Other Expenditures	910	1,027	940	(11.4%)	(3.2%)
Debt Servicing Costs	807	762	776	5.9%	4.0%
TOTAL EXPENDITURE	<u>13,974</u>	<u>13,656</u>	<u>13,407</u>	2.3%	4.2%
In-Year Adjustments/Lapse	<u>(145)</u>	<u>(70)</u>	<u>(65)</u>		
Net Result for the Year	<u>(435)</u>	<u>(456)</u>	<u>(545)</u>		
2011 Spring Flood Contingency					
Expenditures	(30)	(11)	–		
Recovery from Disaster Financial Assistance	<u>27</u>	<u>–</u>	<u>–</u>		
Total 2011 Spring Flood Contingency	<u>(3)</u>	<u>(11)</u>	<u>–</u>		
NET INCOME (LOSS)	<u><u>(438)</u></u>	<u><u>(467)</u></u>	<u><u>(545)</u></u>		

NOTES:

- The 2010/11 Budget numbers originally presented in the 2010 Budget Address and the 2010/11 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 2011/12, and a reconciliation to the amounts reported for core government are found in Schedules 1 and 2.
- In-Year Adjustments/Lapse could be an increase in revenue and/or decrease in expenditures.
- Numbers may not add due to rounding.

■ SUMMARY BUDGET 2011/12

Revenue

Revenue in 2011/12 is projected to increase \$264 million or 2.0% from the 2010/11 Forecast.

Income Taxes are projected to increase by \$232 million, with a \$139 million increase in Individual Income Tax due to growth in personal income and a \$93 million increase in Corporation Income Tax due to higher estimates of corporate income. Budget 2011 projects a \$106 million, or 3.1%, increase in Other Taxes reflecting growth in retail sales taxes, a \$20 million increase in tobacco tax as well as a \$5 million increase in fuel taxes. Corporations Taxes are forecast to decrease by \$34 million due largely to the elimination of the general corporate capital tax. Fees and Other Revenue is projected to increase \$26 million, or 1.5%. Net Income of Government Business Enterprises (GBEs) is projected to increase \$29 million, or 3.9%. Federal Transfers are projected to decrease \$141 million, or 3.5%, primarily due to completion of economic stimulus funding.

Expenditure

Total expenditure is budgeted to increase \$318 million or 2.3% from the 2010/11 Forecast.

The growth in Health and Healthy Living expenditure is \$262 million or 5.1%. Education-related expenditure is increasing by \$154 million or 4.5%. Family Services and Consumer Affairs is up \$10 million, 0.7%. Community, Economic and Resource Development expenditure will decline by \$36 million or 1.9%. Manitoba Justice is increasing by \$2 million, 0.5%. Overall, the Justice and Other Expenditures sector will decrease by \$117 million, reflecting lower economic stimulus funding. Debt Servicing Costs are expected to increase by \$45 million.¹

In Budget 2011, services to people represent 78.7% of spending.

- Health and Healthy Living expenditure makes up 38.6% of total expenditure.
- Education accounts for 25.4% of all expenditure; it includes public schools and post-secondary institutions.
- Family Services and Consumer Affairs, Justice, and Housing and Community Development represent 14.7% of total expenditure.

2011 Spring Flood Contingency

The 2011 Spring Flood Contingency is comprised of \$30 million for potential expenditures, offset by a recovery from Canada for disaster financial assistance of \$27 million for a net expenditure of \$3 million.

The \$11 million expenditure in 2010/11 is the forecast of costs incurred for planning and preparation. These expenditures are intended to mitigate the 2011/12 impact of spring flooding.

¹ Debt Servicing Costs are forecast to equal 6.0¢ of every dollar of revenue in 2011/12, down 54.5% 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, 2012 (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	2,724,800	-	2,724,800
Corporation Income Tax	423,400	-	423,400
Subtotal: Income Taxes	3,148,200	-	3,148,200
Other Taxes			
Corporations Taxes	188,000	-	188,000
Fuel Taxes	247,200	19,600	266,800
Land Transfer Tax	62,500	-	62,500
Levy for Health and Education	395,400	(101,356)	294,044
Mining Tax	35,000	-	35,000
Retail Sales Tax	1,671,100	-	1,671,100
Tobacco Tax	253,400	-	253,400
Other Taxes	11,490	-	11,490
Education Property Taxes	-	727,509	727,509
Subtotal: Other Taxes	2,864,090	645,753	3,509,843
Fees and Other Revenue			
Fines and Costs and Other Legal	50,582	-	50,582
Minerals and Petroleum	22,314	-	22,314
Automobile and Motor Carrier Licences and Fees	130,026	-	130,026
Parks: Forestry and Other Conservation	29,379	-	29,379
Water Power Rentals	115,000	-	115,000
Service Fees and Other Miscellaneous Charges	135,842	1,085,860	1,221,702
Revenue Sharing from SOAs	26,180	(26,180)	-
Tuition Fees	-	202,453	202,453
Subtotal: Fees and Other Revenue	509,323	1,262,133	1,771,456
Federal Transfers			
Equalization	1,941,700	-	1,941,700
Canada Health Transfer (CHT)	1,002,200	-	1,002,200
Canada Social Transfer (CST)	416,000	-	416,000
Health Funds	9,000	-	9,000
Infrastructure Renewal	66,500	-	66,500
Economic Stimulus	17,903	-	17,903
Manitoba Floodway Expansion	22,491	-	22,491
Shared-Cost and Other Transfers	172,022	296,834	468,856
Subtotal: Federal Transfers	3,647,816	296,834	3,944,650
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	254,800	-	254,800
Manitoba Lotteries Corporation	348,300	-	348,300
Manitoba Hydro	-	134,000	134,000
Workers Compensation Board	-	13,696	13,696
Manitoba Public Insurance	-	30,000	30,000
Subtotal: Net Income of GBEs	603,100	177,696	780,796
Sinking Funds and Other Earnings	-	239,483	239,483
Total Revenue Estimate	10,772,529	2,621,899	13,394,428

Schedule 2

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

Fiscal Year ending March 31, 2012 (in Thousands of Dollars)

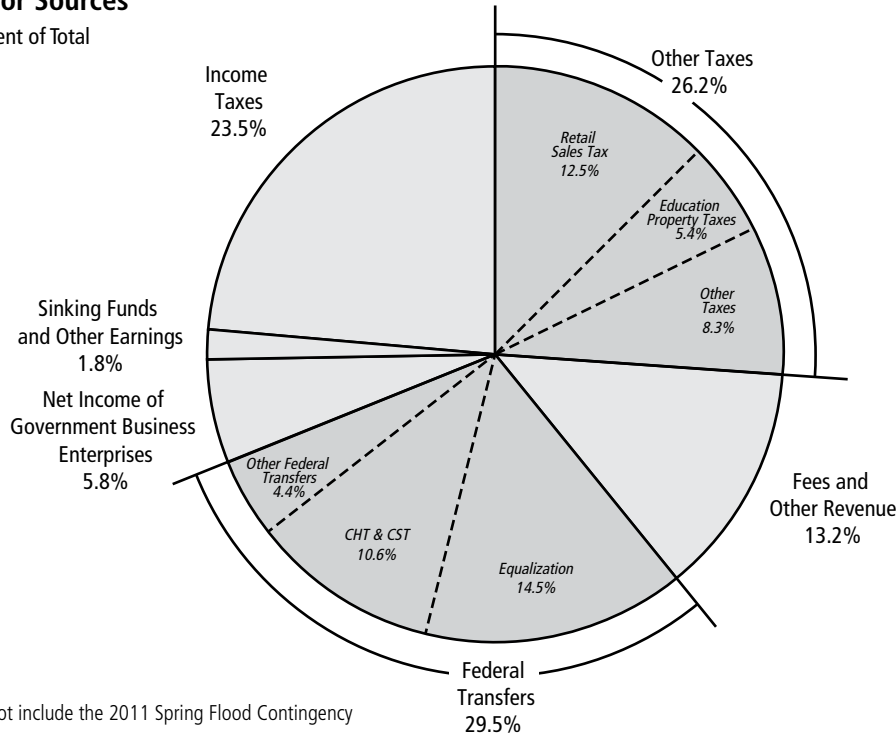
Sector/Department	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Expenditure Estimate	and Expenditures of Other Reporting Entities	
Health and Healthy Living			
Health	4,925,016	378,496	5,303,512
Healthy Living, Youth and Seniors	77,897	5,263	83,160
Total Health and Healthy Living	5,002,913	383,759	5,386,672
Education			
Advanced Education and Literacy	661,237	468,564	1,129,801
Education	1,586,218	844,599	2,430,817
Total Education	2,247,455	1,313,163	3,560,618
Family Services and Consumer Affairs	1,388,417	14,111	1,402,528
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	38,051	(263)	37,788
Agriculture, Food and Rural Initiatives	228,299	200,883	429,182
Conservation	126,582	1,904	128,486
Entrepreneurship, Training and Trade	134,567	3,702	138,269
Housing and Community Development	82,326	128,608	210,934
Infrastructure and Transportation	594,299	(88,015)	506,284
Innovation, Energy and Mines	87,658	29,936	117,594
Local Government	307,552	(1,558)	305,994
Water Stewardship	35,250	(1,903)	33,347
Total Community, Economic and Resource Development	1,634,584	273,294	1,907,878
Justice and Other Expenditures			
Legislative Assembly	55,284	(1,175)	54,109
Executive Council	2,827	(87)	2,740
Civil Service Commission	21,656	910	22,566
Culture, Heritage and Tourism	64,100	5,458	69,558
Employee Pensions and Other Costs	15,817	61,999	77,816
Finance	86,593	3,259	89,852
Justice	427,743	14,777	442,520
Labour and Immigration	58,761	7,268	66,029
Sport	11,959	215	12,174
Enabling Appropriations	42,305	-	42,305
Other Appropriations	30,151	-	30,151
Total Justice and Other Expenditures	817,196	92,624	909,820
Debt Servicing Costs	257,785	548,827	806,612
Total Expenditure Estimate	11,348,350	2,625,778	13,974,128
Subtract: Total Revenue Estimate (Schedule 1)	10,772,529	2,621,899	13,394,428
In-Year Adjustments/Lapse	(65,000)	(80,000)	(145,000)
Net Result for the Year	(510,821)	76,121	(434,700)
2011 Spring Flood Contingency			
Expenditures	(30,000)	-	(30,000)
Recovery from Disaster Financial Assistance	27,000	-	27,000
Total 2011 Spring Flood Contingency	(3,000)	-	(3,000)
Transfer from Fiscal Stabilization Account	49,500	(49,500)	-
NET INCOME (LOSS)	(464,321)	26,621	(437,700)

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

Revenue, 2011/12

Major Sources

Per cent of Total

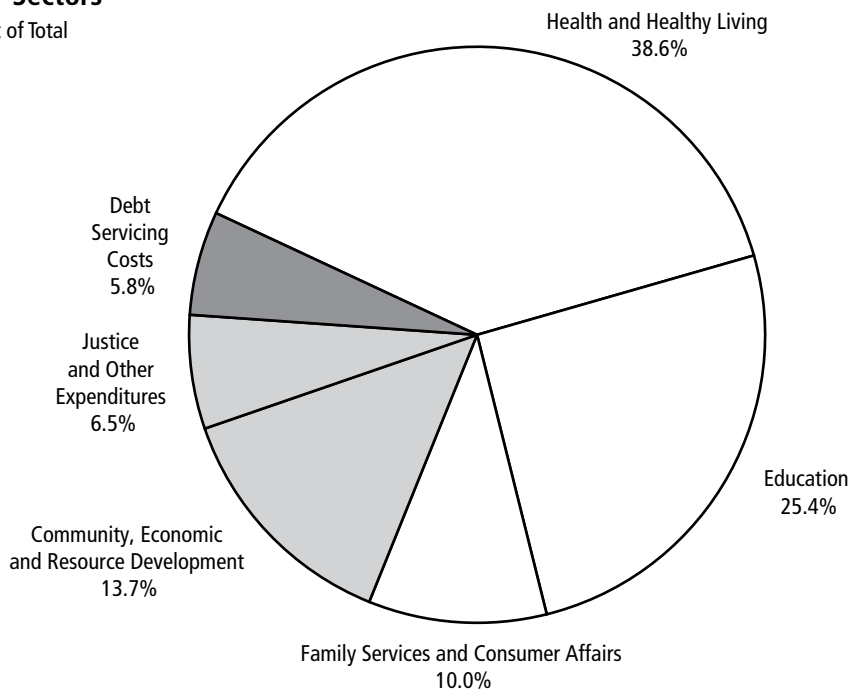


Does not include the 2011 Spring Flood Contingency

Expenditure, 2011/12

Major Sectors

Per cent of Total



Does not include the 2011 Spring Flood Contingency

FINANCIAL MANAGEMENT STRATEGY

■ 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 2011/12, the FMS continues to focus on the priority areas identified in prior years and reflects the implementation 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 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 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 a 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 address 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.

The commitment to transparency, accountability and fiscal discipline continues in Budget 2011 with an update on the multiyear plan for 2011/12 and future years.

Measurable Outcome – Summary Net Income

Governments around the world were affected by the economic downturn, the worst global recession since the end of the Second World War. Like Manitoba, many governments were faced with budget deficits as they worked to stimulate the economy and manage expenditures.

While Manitoba's economy continues to be one of the most stable in Canada, there was no quick solution to the financial pressures that the province was facing. In response to the uncertainty, Manitoba introduced a five-year economic plan in Budget 2010 that focused on:

- investing in vital front-line services by continuing to improve health care, education and training, policing and supports for families;
- stimulating economic growth by upgrading needed infrastructure to create jobs, and investing in innovation to secure a prosperous future;
- managing government spending strategically to ensure Manitobans' priorities come first;
- restoring balance and returning to surplus by Budget 2014; and
- maintaining affordability to keep Manitoba one of the best places to live, work and raise a family.

Considerable challenges remain for the Manitoba and Canadian economies in 2011 and 2012 in terms of both domestic economic conditions and the global economic environment. With 2011 economic growth proceeding largely in line with Budget 2010 forecasts, Manitoba will continue with the five-year strategy of restoring balance and returning to surplus in Budget 2014.

Manitoba's Five-Year Economic Plan

	Year 1	Year 2	Year 3	Year 4	Year 5
	2010/11	2011/12	2012/13	2013/14	2014/15
	Forecast	Budget	Projection	Projection	Projection
	(Millions of Dollars)				
REVENUE					
Core Government ¹	10,496	10,799	11,096	11,563	12,151
Other Reporting Entities*	2,634	2,622	2,620	2,696	2,740
TOTAL REVENUE	13,130	13,421	13,716	14,259	14,891
EXPENDITURE					
Core Government Programs and Services ¹	11,030	11,378	11,581	11,849	12,106
Other Reporting Entities*	2,637	2,626	2,625	2,701	2,745
TOTAL EXPENDITURE	13,667	14,004	14,206	14,550	14,851
In-Year Adjustments/Lapse **	(70)	(145)	(145)	(145)	(145)
SUMMARY NET INCOME (LOSS)	(467)	(438)	(345)	(146)	185

¹ includes 2011 Spring Flood Contingency of \$30 million in expenditures offset by \$27 million in revenue

* includes consolidation adjustments

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

The plan assumes GRE revenue will rise by an average of 3.5% annually from 2011/12 to 2014/15, while GRE expenditures are forecast to increase by an annual average of 2.0% during the same period.

Core government revenue is forecast to rise by an average of 4.0% annually and core government expenditure will grow by an annual average of 2.1% from 2011/12 to 2014/15.

Core government projections reflect the commitment to return to surplus without negatively impacting the front-line services Manitoba families need. With the strengthening recovery in late 2010, revenue projections for Budget 2011 have improved and these funds are being directed to key investments that support economic growth in our province. As considerable challenges remain, this is not the time to scale back, but to respond confidently in support of growing the economy and protecting front-line services.

The Manitoba government is committed to balancing summary net income over the medium term, as reflected in the five-year plan, by:

- strategically managing and prioritizing expenditures;
- negotiating zero per cent increase for the general civil service in 2011/12;
- continuing to manage discretionary salary and operating costs on a government-wide basis;
- reducing ministerial salary levels;
- continuing the second year of a freeze on salaries for members of the Legislative Assembly, their staff and senior government officials;

- continuing to find new ways to foster innovative, cost-effective services; and
- using funds set aside in the Fiscal Stabilization Account (FSA) to retire a portion of the debt and interest expense associated with the core government operating shortfalls during the economic recovery period.

The responsible plan to restore balance over five years is 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 expenditure and projected revenue 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 2011, the five-year economic recovery plan shows this reversing by Budget 2014. The projection includes allocations from the FSA for funding from the federal government for health-related programming and ecoTrust funding, a contingency for a potential 2011 spring flood, as well as for debt servicing costs resulting from core government deficits during the economic recovery period.

Core Government Expenditure and Revenue, 2011/12

	\$ Millions
Revenue	10,772
Expenditure	11,348
In-Year Adjustments/Lapse	(65)
	<u>(511)</u>
2011 Spring Flood Contingency	
Flood fighting expenditures	(30)
Recovery from federal Disaster Financial Assistance program	27
	<u>(3)</u>
Transfer from Fiscal Stabilization Account	
Health-related programming	25
ecoTrust	8
Debt Servicing Costs	14
2011 Spring Flood Contingency	3
Net Result	<u><u>(464)</u></u>

Year-end information on core government expenditure and revenue for 2011/12 will be provided as part of the FMS report on outcomes, scheduled to be released in the fall of 2012.

■ PRIORITY AREA – STABLE AND AFFORDABLE GOVERNMENT

Manitoba's government continues to be one of the most cost-effective governments in Canada. Keeping programs affordable is done by continuing to improve the way government operates and delivers services.

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.

In this challenging economic climate, the government will continue to carefully manage expenditures without negatively impacting front-line services.

Measurable Outcome – Credit Ratings

Manitoba continues to maintain its reputation for fiscal responsibility. 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 three 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 2011. The credit rating agencies are aware of the challenging economic conditions facing all Canadian provinces. Our five-year plan includes a strategy to repay debt while restoring balance. Coupled with Manitoba's existing credit rating, the initial success of the economic recovery plan and the commitment to return to surplus, credit ratings are expected to remain unchanged in the coming year.

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

Credit Rating Agency	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
DBRS	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)
Moody's	Aa2	Aa2	Aa1	Aa1	Aa1	Aa1	Aa1
Standard & Poor's	AA-	AA-	AA-(positive)	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 2011.

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

	<u>2006/07</u> <u>Actual</u>	<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>Forecast</u>	<u>2011/12</u> <u>Budget</u>	<u>2012/13</u> <u>Projection</u>
Core Program Expenditure	18.8%	18.7%	19.1%	20.3%	20.2%	19.7%	19.0%
Other Reporting Entities Expenditure	3.7%	4.0%	3.3%	3.5%	4.0%	3.7%	3.7%
Debt Servicing Costs	1.8%	1.8%	1.6%	1.5%	1.4%	1.4%	1.4%
Total Expenditure	24.2%	24.4%	24.1%	25.2%	25.5%	24.8%	24.1%

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 has made sure that public spending remains under control and that tax dollars are used effectively and efficiently.

Overall, discretionary salary and operating expenditures for existing services have been frozen government-wide in 2011/12. To streamline services, the Mechanical and Engineering Branch of Manitoba Labour and Immigration was integrated with the Office of the Fire Commissioner. As well, online services for families and businesses and red tape reduction measures are being introduced.

The government has also implemented reforms with other reporting entities to better manage public resources, capitalize on synergies and enhance regional capabilities, expertise and talent.

The government supports continuous internal review and reform to provide Manitobans with affordable, innovative and effective public service operations, programs and services. The government will continue to emphasize reforms that improve accountability and transparency, two important goals of modern government.

■ PRIORITY AREA – MANAGING DEBT

Each year since 1999, 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 entitlements for all employees in 2008/09, the first time since April 1, 1961;
- 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 reduce 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, Manitoba's net debt-to-GDP ratio has increased as a result of the economic downturn, but the five-year plan indicates this ratio stabilizing in 2012/13 and returning to a downward trend by 2014/15.

Measurable Outcome – Debt Retirement

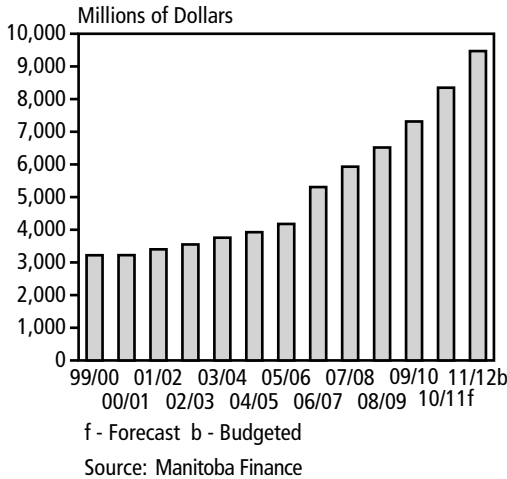
The government has contributed almost \$1 billion to the debt retirement account since 1999 for general purpose debt and pension obligations. Direct action to address the unfunded pension liabilities for Civil Service Superannuation Fund (CSSF) and Teachers' Retirement Allowances Fund (TRAF) began in 2007/08 with the province borrowing funds that would be invested by these two pension plans on behalf of the province. Budget 2011 includes a further addition of \$240 million for the CSSF.

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

Since 2000, over \$600 million from the annual debt retirement payment has been directed to pension obligations, and net investment earnings in the Pension Asset Fund are projected to be \$727 million by March 31, 2012. Combined with the \$2.6 billion in new investment provided by the government since 2007, a total of \$ 3.9 billion will have been directed to address the unfunded pension liability by March 31, 2012. In addition, Budget 2011 includes \$145 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.

Tangible Capital Assets - Net Book Value



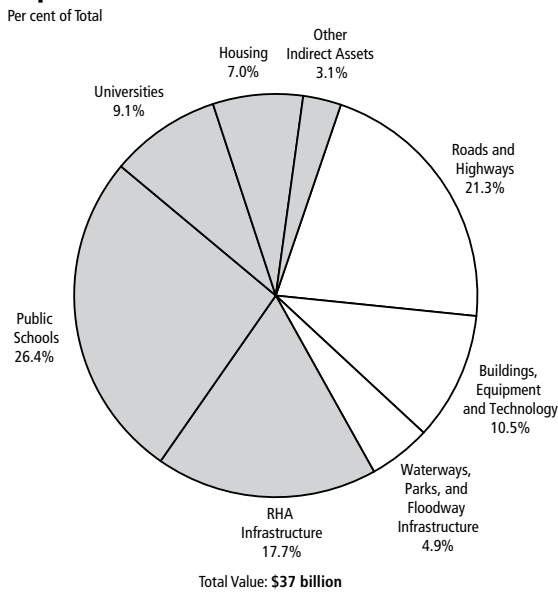
The investment in tangible capital assets has increased steadily over the last decade and with the \$1.6 billion investment in Budget 2011, is projected to total \$15.9 billion as of March 31, 2012, with \$6.4 billion of related debt retired through accumulated amortization. The net book value of these assets (cost less accumulated amortization) almost tripled since 1999/2000 to \$9.5 billion.

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 \$37 billion.

Based on projections, core government will have a total of \$6.5 billion in capital asset investments as of March 31, 2012, and \$2.1 billion of related debt will have been retired through accumulated amortization.

A total of \$328 million has been included in core government appropriations to retire debt associated with capital investments – \$171 million for amortization of department-owned assets and \$157 million for principal payments for education and health-related assets.

Replacement Value of Public Assets'



Note 1: excludes municipal assets and assets of government business enterprises such as Manitoba Hydro

■ Indirect Assets: 63.4% □ Direct Assets: 36.6%

Totals may not add due to rounding.

After years of surplus, the global economic downturn 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, while protecting key services and a return to surplus by 2014/15. However, 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. As a result, the deficit in Budget 2011 is 0.8% of GDP, third lowest among provincial budgets released.

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 (DRA) were withdrawn to repay \$145 million of debt, and \$90 million of debt was repaid with a withdrawal from the FSA. Budget 2011 includes a further debt repayment from the FSA of \$110 million, for a total payment of \$345 million. With a return to surplus position in Budget 2014, scheduled debt payments for general purpose debt from current resources will resume.

Prudent management of public funds since 2000 is reflected in the cumulative total of core government revenue exceeding core government expenditure by almost \$300 million, prior to any transfers to or from the FSA or DRA. Combined with the decisions Manitoba has taken to address the previously unfunded pension liability – budgeting for the employer’s share of current service entitlements for all employees, ensuring all capital investments are amortized and all related costs are fully reflected in annual appropriations, and continuing to make debt repayments to mitigate core government operating deficits – Manitoba has a solid debt management plan. In Budget 2011, \$438 million will be directed to debt-related payments.

The government continues to streamline debt management. This is reflected not only in the debt retirement plan, but also in the fact that debt servicing costs as a percentage of revenue remain constant. Since 1999/2000, the debt servicing cost rate has dropped by 54.5%, from 13.2¢ of every dollar of summary revenue collected to a forecasted level of 6.0¢ in Budget 2011.

Although the global economic downturn has recently 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.

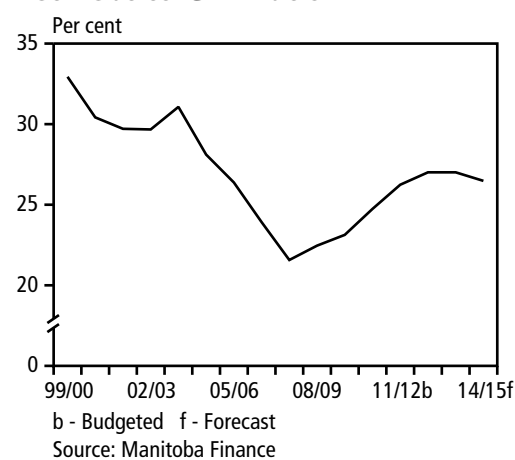
Therefore, it is important to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

Over the last several years, the Manitoba government has seen a substantial downward trend in the debt-to-GDP ratio, lowering the ratio to a projected level of 24.7% in 2010/11 from 32.9% in 1999/2000, an improvement of 25%.

In December 2010, DBRS noted in their 2010 Canadian Federal and Provincial Governments Overview, that all provinces showed an increase in debt-to-GDP ratios in 2009/10 and that in 2010/11 the ratio was expected to rise again, although at a slower pace. The report also noted that the ratios are expected to peak in the next two to three years, if economic recovery continues and fiscal discipline is not relaxed.

Manitoba has acknowledged that the debt-to-GDP ratio will rise in the short term as the government makes needed investments in infrastructure projects to create jobs and stimulate the economy. In Budget 2011, the debt-to-GDP ratio is forecast to increase to 26.2%, fourth lowest among provinces. The five-year plan projects the return to a downward trend as the government remains committed to reducing the debt-to-GDP ratio over the longer term.

Net Debt-to-GDP Ratio



■ 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 that create jobs and training opportunities across the province.

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 will have invested \$8.7 billion in public capital assets, including \$3.0 billion for new or renewed hospitals, universities, colleges and public schools; \$3.2 billion to upgrade Manitoba's roads and highways; and \$2.5 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 \$37 billion (see chart page 16).

Budget 2011 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 2011 includes capital investment of \$1.8 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)	589
Universities, Colleges and Public Schools	258
Health Facilities	260
Manitoba Floodway Expansion and Water-Related Infrastructure	93
Housing (including third-party contributions)	329
Assistance to Third Parties	116
Public Service Buildings	114
Parks and Camping Infrastructure	35
	<u>1,794</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.

The 2010 FMS confirmed the eight principles which 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 is linked.
6. The strategic context for the plan and reported results are discussed.
7. Performance information looks forward and backward in time.
8. Information is clear, relevant, credible and balanced.

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, measureable, 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 2011/12, the Performance Management Community of Practice established in 2010 will continue to provide opportunities for collaboration and building capacity in all areas of performance, including measuring and reporting. 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

	2011/12 Budget	2010/11 Forecast	2009/10 Actual	2008/09 Actual	2007/08 Actual	2006/07 Actual
SUMMARY FINANCIAL STATEMENTS						
(Millions of Dollars)						
Revenue						
Income Taxes	3,148	2,916	2,659	2,841	2,652	2,441
Other Taxes	3,510	3,404	3,281	3,276	3,288	3,129
Fees and Other Revenue	1,771	1,745	1,791	1,720	1,628	1,493
Federal Transfers	3,945	4,086	3,924	3,866	3,597	3,320
Net Income of Government Business Enterprises	781	752	772	764	947	627
Sinking Funds and Other Earnings	239	227	220	296	384	423
Total Revenue	13,394	13,130	12,647	12,763	12,496	11,433
Expenditure						
Health and Healthy Living	5,387	5,125	4,830	4,588	4,232	3,956
Education	3,560	3,406	3,227	3,091	3,224	2,948
Family Services and Consumer Affairs	1,402	1,392	1,295	1,192	1,224	1,142
Community, Economic and Resource Development	1,908	1,944	1,814	1,729	1,420	1,280
Justice and Other General Expenditures	910	1,027	926	882	974	829
Debt Servicing Costs	807	762	756	830	864	793
Total Expenditure	13,974	13,656	12,848	12,312	11,938	10,948
In-Year Adjustments/Lapse	(145)	(70)	-	-	-	-
Net Result for the Year	(435)	(456)	(201)	451	558	485
2011 Spring Flood Contingency						
Expenditures	(30)	(11)	-	-	-	-
Recovery from Disaster Financial Assistance	27	-	-	-	-	-
Total 2011 Spring Flood Contingency	(3)	(11)	-	-	-	-
Net Income (Loss)	(438)	(467)	(201)	451	558	485
Provincial Borrowings, Guarantees and Obligations						
General Government Programs	7,309	6,955	6,833	6,400	6,532	6,566
General Government Programs - Pension Liability	2,595	2,355	2,175	1,850	1,500	-
Manitoba Hydro	8,901	8,361	7,730	7,499	6,794	6,636
Other Crown Organizations	1,868	1,643	1,478	1,341	1,269	1,279
Health Facilities	1,264	1,065	949	831	833	790
Government Enterprises and Other	41	51	65	78	92	106
Capital Investments	3,183	2,546	1,846	1,411	1,084	749
Subtotal	25,161	22,976	21,076	19,410	18,104	16,126
Other Obligations						
Pension Liability	6,901	6,637	6,392	6,152	6,008	5,650
Pension Asset	(5,185)	(4,859)	(4,592)	(4,161)	(3,780)	(2,157)
Net Pension Liability	1,716	1,778	1,800	1,991	2,228	3,493
Debt incurred for and repayable by the Manitoba						
Hydro-Electric Board	(8,663)	(8,198)	(7,479)	(7,177)	(6,449)	(5,966)
Education and Health Debt held by Government Enterprises	496	466	443	406	416	431
Other Debt of Crown Organizations	255	255	255	262	252	219
Subtotal	(6,196)	(5,699)	(4,981)	(4,518)	(3,553)	(1,823)
Total Summary Borrowings, Guarantees and Obligations	18,965	17,277	16,095	14,892	14,551	14,303
Adjustments to arrive at Summary Net Debt						
Guarantees	(241)	(166)	(255)	(326)	(350)	(675)
Net Financial Assets	(3,920)	(3,867)	(4,046)	(3,098)	(3,651)	(2,828)
Summary Net Debt	14,804	13,244	11,794	11,468	10,550	10,800
Summary Net Debt as percentage of GDP	26.2	24.7	23.1	22.5	21.6	23.9

Numbers may not add due to rounding.

NOTES

- The 2010/11 Forecast has been re-stated from the Third Quarter Financial Report, to be consistent with Budget 2011 presentation.
- Guarantees reflect only guaranteed balances for Manitoba Hydro Bonds and Manitoba Grow Bonds.
- Borrowings, guarantees and obligations are net of sinking funds.
- Historical information has been re-stated to be consistent with changes in accounting policies.

Manitoba Summary Financial Statistics

	2011/12 Budget	2010/11 Forecast	2009/10 Actual	2008/09 Actual	2007/08 Actual	2006/07 Actual
(Percentage Change)						
Annual Change						
Income Taxes	8.0	9.7	(6.4)	7.1	8.6	5.1
Other Taxes	3.1	3.7	0.2	(0.4)	5.1	36.9
Fees and Other Revenue	1.5	(2.6)	4.1	5.7	9.0	(12.2)
Federal Transfers	(3.5)	4.1	1.5	7.5	8.3	7.0
Total Revenue	2.0	3.8	(0.9)	2.1	9.3	6.1
Health and Healthy Living	5.1	6.1	5.3	8.4	7.0	3.9
Education	4.5	5.5	4.4	(4.1)	9.4	28.7
Debt Servicing Costs	5.9	0.8	(8.9)	(3.9)	9.0	(7.8)
Total Expenditure	2.3	6.3	4.4	3.1	9.0	5.5
Summary Net Debt	11.8	12.3	2.8	8.7	(2.3)	(1.4)
(Per cent)						
Per cent of GDP						
Income Taxes	5.6	5.4	5.2	5.6	5.4	5.4
Other Taxes	6.2	6.4	6.4	6.4	6.7	6.9
Fees and Other Revenue	3.1	3.3	3.5	3.4	3.3	3.3
Federal Transfers	7.0	7.6	7.7	7.6	7.4	7.4
Total Revenue	23.7	24.5	24.8	25.0	25.6	25.3
Health and Healthy Living	9.5	9.6	9.5	9.0	8.7	8.8
Education	6.3	6.4	6.3	6.1	6.6	6.5
Debt Servicing Costs	1.4	1.4	1.5	1.6	1.8	1.8
Total Expenditure	24.8	25.5	25.2	24.1	24.4	24.2
Summary Net Debt	26.2	24.7	23.1	22.5	21.6	23.9
(Dollars)						
Dollars Per Capita						
Total Revenue	10,706	10,628	10,370	10,587	10,469	9,656
Total Expenditure	11,169	11,054	10,535	10,213	10,002	9,247
Debt Servicing Costs	645	617	620	689	724	670
Summary Net Debt	11,833	10,720	9,670	9,513	8,839	9,122
(Dollars)						
Memorandum Items						
Population (000's) *	1,251.1	1,235.4	1,219.6	1,205.5	1,193.6	1,184.0
GDP at Market Prices (\$M)	56,419	53,528	50,990	51,065	48,903	45,150

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 government business enterprises are included in the Summary Budget, the existing relationship between the government and the related entities does not change. Governance of these organizations and their relationships with government are not affected by the Summary Budget process.

■ 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 – This represents the net income of all GBEs. This income is added to the summary financial statements on a modified equity basis and includes the income of Manitoba Lotteries Corporation and Manitoba Liquor Control Commission whose net income continues to be recorded as revenue of core government.
- Sinking Funds and Other Earnings – These are interest and other investment earnings on sinking funds and other investments held by core government and 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, Youth and Seniors, 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 and Consumer Affairs – includes all costs related to social service and consumer programs, including the activities of Manitoba Family Services and Consumer Affairs.

- 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; Manitoba Entrepreneurship, Training and Trade; Manitoba Housing and Community Development; Manitoba Infrastructure and Transportation; Manitoba Innovation, Energy and Mines; Manitoba Local Government; and Manitoba Water Stewardship.
- 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 Labour and Immigration; 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, 2012			
With Comparative Data for the year ending March 31, 2011			
	2011/12	2010/11	2010/11
	<u>Budget</u>	<u>Forecast</u>	<u>Budget</u>
	(Millions of Dollars)		
REVENUE SOURCE			
Income Taxes	3,148	2,916	2,667
Other Taxes	3,510	3,404	3,385
Fees and Other Revenue	1,771	1,745	1,765
Federal Transfers	3,945	4,086	4,064
Net Income of Government Business Enterprises	781	752	699
Sinking Funds and Other Earnings	239	227	217
TOTAL REVENUE	<u>13,394</u>	<u>13,130</u>	<u>12,797</u>
EXPENDITURE SECTORS			
Health and Healthy Living	5,387	5,125	5,100
Education	3,560	3,406	3,447
Family Services and Consumer Affairs	1,402	1,392	1,323
Community, Economic and Resource Development	1,908	1,944	1,821
Justice and Other Expenditures	910	1,027	940
Debt Servicing Costs	807	762	776
TOTAL EXPENDITURE	<u>13,974</u>	<u>13,656</u>	<u>13,407</u>
In-Year Adjustments/Lapse	(145)	(70)	(65)

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, 2012 (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	2,724,800	-	2,724,800
Corporation Income Tax	423,400	-	423,400
Subtotal: Income Taxes	3,148,200	-	3,148,200
Other Taxes			
Corporations Taxes	188,000	-	188,000
Fuel Taxes	247,200	19,600	266,800
Land Transfer Tax	62,500	-	62,500
Levy for Health and Education	395,400	(101,356)	294,044
Mining Tax	35,000	-	35,000
Retail Sales Tax	1,671,100	-	1,671,100
Tobacco Tax	253,400	-	253,400
Other Taxes	11,490	-	11,490
Education Property Taxes	-	727,509	727,509
Subtotal: Other Taxes	2,864,090	645,753	3,509,843
Fees and Other Revenue			
Fines and Costs and Other Legal	50,582	-	50,582
Minerals and Petroleum	22,314	-	22,314
Automobile and Motor Carrier Licences and Fees	130,026	-	130,026
Parks: Forestry and Other Conservation	29,379	-	29,379
Water Power Rentals	115,000	-	115,000
Service Fees and Other Miscellaneous Charges	135,842	1,085,860	1,221,702
Revenue Sharing from SOAs	26,180	(26,180)	-
Tuition Fees	-	202,453	202,453
Subtotal: Fees and Other Revenue	509,323	1,262,133	1,771,456
Federal Transfers			
Equalization	1,941,700	-	1,941,700
Canada Health Transfer (CHT)	1,002,200	-	1,002,200
Canada Social Transfer (CST)	416,000	-	416,000
Health Funds			
Infrastructure Renewal	66,500	-	66,500
Economic Stimulus	17,903	-	17,903
Manitoba Floodway Expansion	22,491	-	22,491
Shared-Cost and Other Transfers	172,022	296,834	468,856
Subtotal: Federal Transfers	3,647,816	296,834	3,944,650
Net Income of Government			
Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	254,800	-	254,800
Manitoba Lotteries Corporation	348,300	-	348,300
Manitoba Hydro	-	134,000	134,000
Workers Compensation Board	-	13,696	13,696
Manitoba Public Insurance	-	30,000	30,000
Subtotal: Net Income of GBEs	603,100	177,696	780,796
Sinking Funds and Other Earnings			
	-	239,483	239,483
Total Revenue Estimate	10,772,529	2,621,899	13,394,428

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, 2012 (in Thousands of Dollars)			
	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
Sector/Department	Expenditure Estimate	and Expenditures of Other Reporting Entities	
Health and Healthy Living			
Health	4,925,016	378,496	5,303,512
Healthy Living, Youth and Seniors	77,897	5,263	83,160
Total Health and Healthy Living	5,002,913	383,759	5,386,672
Education			
Advanced Education and Literacy	661,237	468,564	1,129,801
Education	1,586,218	844,599	2,430,817
Total Education	2,247,455	1,313,163	3,560,618
Family Services and Consumer Affairs	1,388,417	14,111	1,402,528
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	38,051	(263)	37,788
Agriculture, Food and Rural Initiatives	228,299	200,883	429,182
Conservation	126,582	1,904	128,486
Entrepreneurship, Training and Trade	134,567	3,702	138,269
Housing and Community Development	82,326	128,608	210,934
Infrastructure and Transportation	594,299	(88,015)	506,284
Innovation, Energy and Mines	87,658	29,936	117,594
Local Government	307,552	(1,558)	305,994
Water Stewardship	35,250	(1,903)	33,347
Total Community, Economic and Resource Development	1,634,584	273,294	1,907,878
Justice and Other Expenditures			
Legislative Assembly	55,284	(1,175)	54,109
Executive Council	2,827	(87)	2,740
Civil Service Commission	21,656	910	22,566
Culture, Heritage and Tourism	64,100	5,458	69,558
Employee Pensions and Other Costs	15,817	61,999	77,816
Finance	86,593	3,259	89,852
Justice	427,743	14,777	442,520
Labour and Immigration	58,761	7,268	66,029
Sport	11,959	215	12,174
Enabling Appropriations	42,305	-	42,305
Other Appropriations	30,151	-	30,151
Total Justice and Other Expenditures	817,196	92,624	909,820
Debt Servicing Costs	257,785	548,827	806,612
Total Expenditure Estimate	11,348,350	2,625,778	13,974,128
Subtract: Total Revenue Estimate (Schedule 1)	10,772,529	2,621,899	13,394,428
In-Year Adjustments/Lapse	(65,000)	(80,000)	(145,000)
Net Result for the Year	(510,821)	76,121	(434,700)
2011 Spring Flood Contingency			
Expenditures	(30,000)	-	(30,000)
Recovery from Disaster Financial Assistance	27,000	-	27,000
Total 2011 Spring Flood Contingency	(3,000)	-	(3,000)
Transfer from Fiscal Stabilization Account	49,500	(49,500)	-
NET INCOME (LOSS)	(464,321)	26,621	(437,700)

NOTE: In-Year Adjustments/Lapse could be an increase in revenue and/or 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 2011/12?

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 revenue 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: The province, in the normal course of business, may provide a guarantee to honour the repayment of debt or loans of an organization, primarily GBEs. Such a guarantee is provided on the Manitoba Hydro Savings Bonds.

Infrastructure Assets: A subset of tangible capital assets that are used by the general public, such as parks, highways and 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): Other comprehensive income is an accounting recognition of unrealized gains and losses in fair market value of financial instruments, such as investments held as available for sale or trading or debt held in a foreign currency. Currently, OCI accounting standards apply only to 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 Research Council
Manitoba Health Services Insurance Plan
Manitoba Hospital Capital Financing Authority
Not-for-Profit Personal Care Homes
Regional Health Authorities (including controlled organizations)
 Assiniboine Regional Health Authority
 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, Youth and Seniors

Manitoba Healthy Living, Youth and Seniors
Addictions Foundation of Manitoba

EDUCATION

Advanced Education and Literacy

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

Education

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

FAMILY SERVICES AND CONSUMER AFFAIRS

Manitoba Family Services and Consumer Affairs
First Nations of Northern Manitoba Child and Family Services Authority
First Nations of Southern Manitoba Child and Family Services Authority
General Child and Family Services Authority
Métis Child and Family Services Authority Inc.
Board of Administration Under the Embalmers and Funeral Directors Act
Companies Office
Insurance Council of Manitoba
Land Titles Assurance Fund
The Property Registry
Vital Statistics Agency

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

Manitoba Conservation
The Manitoba Habitat Heritage Corporation
Pineland Forest Nursery
Green Manitoba Eco Solutions
Manitoba Hazardous Waste Management Corporation
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.

Housing and Community Development

Manitoba Housing and Community Development
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
The Manitoba Water Services Board
Material Distribution Agency
Vehicle and Equipment Management Agency
Leaf Rapids Town Properties Ltd.

Innovation, Energy and Mines

Manitoba Innovation, Energy and Mines
The Abandonment Reserve Fund
The Mining Community Reserve
Manitoba Gaming Control Commission
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

Water Stewardship

Manitoba Water Stewardship

JUSTICE AND OTHER EXPENDITURES

Legislative Assembly

Legislative Assembly

Executive Council

Executive Council

Civil Service Commission

Civil Service Commission
Organization and Staff Development

Culture, Heritage and Tourism

Manitoba Culture, Heritage and Tourism
Le Centre culturel franco-manitobain
Manitoba Arts Council
Manitoba Centennial Centre Corporation
Manitoba Film & Sound Recording Development Corporation

Travel Manitoba
Venture Manitoba Tours Ltd.

Employee Pensions and Other Costs

Pension Assets Fund

Finance

Manitoba Finance
Crown Corporations Council
The Manitoba Securities Commission

Justice

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

Labour and Immigration

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

Sport

Manitoba Sport
Manitoba Boxing Commission
Sport Manitoba Inc.

GOVERNMENT BUSINESS ENTERPRISES

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

SPECIAL ACCOUNTS, not attached to Sector or Department

Debt Retirement
Fiscal Stabilization

