

BUDGET 2014

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BUDGET MESSAGE

- A Economic Review and Outlook
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- C The Manitoba Advantage: More Affordable For Families And More Competitive For Businesses
- D Update on Fiscal Arrangements
- E Reducing Poverty and Promoting Social Inclusion

n **FOREWORD**

Budget 2014 provides the financial overview of the Government Reporting Entity (GRE), which includes core government

SUMMARY BUDGET 2014/15

MMA B DGE

For the Fiscal Year Ending March 31, 2015

With Comparative Data for the year ending March 31, 2014

			C t C	
			2014/15 B t	2013/14
2014/15	2013/14	2013/14	2013/14	2013/14
<u>B t</u>	<u>F t</u>	<u>B t</u>	<u>F t</u>	<u>B t</u>
(Millions of Dollars)				

n **SUMMARY BUDGET 2014/15**

Revenue in 2014/15 is projected to increase \$166 million or 1.1% from the 2013/14 Forecast.

Income taxes are projected to increase by \$172 million, with a \$132 million increase in Individual Income Tax and an increase of \$40 million in Corporation Income Tax. Budget 2014 projects a \$271 million, or 6.8%, increase in other taxes reflecting

1

	E t t : D t	t t C G	t E t t
Fiscal Year ending March 31, 2015 (in Thousands of Dollars)			
	C E G E NMEN	C N LIDA I NIM AC	MMA
	E t t	t E t t	
I			
Individual Income Tax	3,101,900	-	3,101,900
Corporation Income Tax	530,100	-	530,100
t t : I	<u>3,632,000</u>	<u>-</u>	<u>3,632,000</u>
t			
Corporations Taxes	268,600	-	268,600
Fuel Taxes	326,100	13,700	339,800
Land Transfer Tax	89,500	-	89,500
Levy for Health and Education	446,900	(121,352)	325,548
Retail Sales Tax	2,207,000	-	2,207,000
Tobacco Tax	286,300	-	286,300
Other Taxes	13,956	-	13,956
Education Property Taxes	-	701,480	701,480
t t : t	<u>3,638,356</u>	<u>593,828</u>	<u>4,232,184</u>
F			
t			
Fines and Costs and Other Legal	52,187	-	52,187
Minerals and Petroleum	18,861	-	18,861
Automobile and Motor Carrier Licences and Fees	150,500	-	150,500
Parks: Forestry and Other Conservation	34,190	-	34,190
Water Power Rentals	125,000	-	125,000
Service Fees and Other Miscellaneous Charges	171,175	1,194,338	1,365,513
Revenue Sharing from SOAs	18,050	-	18,050
Tuition Fees	-	274,585	274,585
t t : F t	<u>569,963</u>	<u>1,468,923</u>	<u>2,038,886</u>
F			
Equalization	1,749,900	-	1,749,900
Canada Health Transfer	1,156,308	-	1,156,308

151 -1.472 TdBT8ociHealth TrT Td(446,900)Tj53j-

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Budget

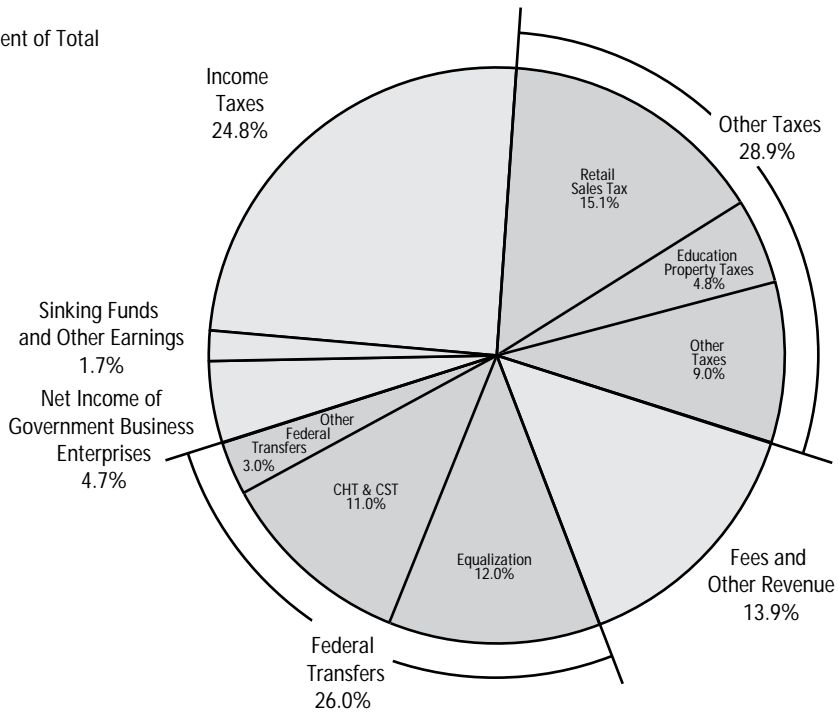
Fiscal Year ending March 31, 2015 (in Thousands of Dollars)

	C E G E NMEN	C N LIDA I N IM AC	MMA
	E t	E t t	
H t			
Health	5,382,077	408,639	5,790,716
E t			
Education and Advanced Learning	2,430,348	1,465,059	3,895,407
F			
Children and Youth Opportunities	48,247	(13,067)	35,180
Family Services	1,124,762	(44,851)	1,079,911
t F	1,173,009	(57,918)	1,115,091
C t, E D t			
Aboriginal and Northern Affairs	34,226	2,967	37,193
Agriculture, Food and Rural Development	209,035	206,498	415,533
Conservation and Water Stewardship	144,236	(2,561)	141,675
Housing and Community Development	79,119	146,676	225,795
Infrastructure and Transportation	660,780	(160,393)	500,387
Jobs and the Economy	669,545	21,574	691,119
Mineral Resources	10,780	15,178	25,958
Municipal Government	423,341	16,007	439,348
t C t, E D t	2,231,062	245,946	2,477,008
J t t E t			
Legislative Assembly	44,324	(771)	43,553
Executive Council	2,679	(102)	2,577
Civil Service Commission	20,141	(688)	19,453
Employee Pensions and Other Costs	13,899	59,160	73,059
Finance	65,981	6,128	72,109
Justice	533,384	8,664	542,048
Labour and Immigration	25,427	13,800	39,227
Multiculturalism and Literacy	21,170	(240)	20,930
Tourism, Culture, Heritage, Sport	1,170	(39,227)	1,130,793

R , 2014/15

M

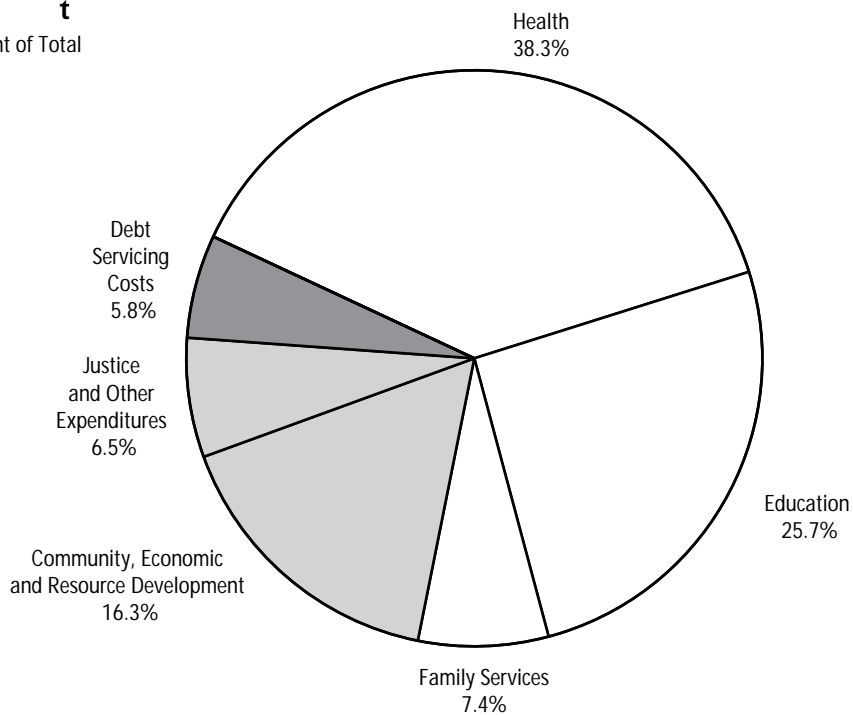
Per Cent of Total



E , 2014/15

M t

Per Cent of Total



FINANCIAL MANAGEMENT STRATEGY

FINANCIAL MANAGEMENT STRATEGY 2014/15

Financial Management Strategy

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

For 2014/15, the FMS continues to focus on priority areas identified in prior years and reflects government's commitment to return to balance.

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The Manitoba economy has remained relatively steady in an uncertain global economic climate. Through the post-recession period, the high level of industrial diversity and a balance between domestic demand and export sales have provided Manitoba with modest and stable economic growth. However, five years after the Great Recession, global economic conditions remain tenuous as fiscal stimulus and accommodative monetary policies in advanced economies are being unwound and growth in Canada has softened. In spite of the forecast for the external environment, Manitoba is still expected to post steady growth over the next two years. The current Manitoba Finance survey of forecasters calls for 2.2% growth in 2014 before increasing to 2.4% in 2015.

Budget 2014 continues with a multi-year financial strategy based on declining deficits and a return to balance in 2016/17. Manitoba's balanced approach continues to focus on what matters most – jobs, a stable economy and key services that families count on. Budget 2014 demonstrates this balanced approach by focusing on:

- supporting economic growth and the creation of new job opportunities with a five-year core infrastructure plan;
- managing government spending strategically to hold expenditure growth below economic growth while continuing to ensure Manitobans' priorities come first;
- reducing the deficit while continuing to invest in vital front-line services to continue to improve health care, education and training and supports for families;
- delivering services in the most efficient way possible by expanding the use of lean processes in core government departments; and
- maintaining affordability to keep Manitoba one of the best places to live, work, raise a family and retire.

The commitment to build a stronger economy and create new job opportunities, while returning to balance, will make Manitoba an even better place for families.

n PRIORITY AREA STABLE AND AFFORDABLE GOVERNMENT

Manitoba uses public revenues effectively and efficiently to deliver affordable government programs and services. Keeping programs affordable is achieved by continuing to improve the way government operates and delivers services.

M t t M t

Sustainable management of public resources is key to making government more effective, now and into the future. Government continues to explore ways to make sure that public spending remains under control and that tax dollars are used effectively and efficiently.

Budget 2014 continues to move forward on containing core government expenditure growth. The balanced financial strategy projects medium-term expenditure growth at 2.2%, enabling declining deficits with a return to balance in 2016/17. Meeting government priorities and getting back to a balanced budget will require continual review and reprioritization of existing funding and streamlining internal operations to find opportunities for lowering costs.

The government supports continuous internal review and reform to provide Manitobans with affordable, innovative and

M t D t M t

The year 2008 saw the onset of the worst global economic downturn in a generation. Throughout the period of economic weakness, the government acted to stimulate the economy, protect jobs and preserve key services. This strategy helped Manitoba fare better than most provinces in weathering the recession. The global economic instability remains. As the government continues to work toward returning to balance, investments included in Budget 2014 will support continued economic growth and create good jobs while protecting key services.

Manitoba's balanced financial strategy maintains the 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. Funds in the Debt Retirement Account (DRA) were withdrawn in 2010/11 to repay \$145 million of debt. A further \$460 million is being withdrawn from the FSA for both debt

n **PRIORITY AREA FIVE-YEAR CORE INFRASTRUCTURE PLAN**

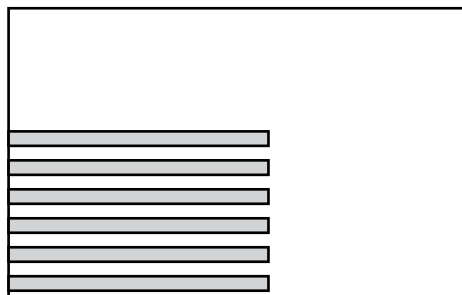
A - 1:
MANITOBA SUMMARY FINANCIAL STATISTICS

M t F t t t		2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
		B t	F t	A t	A t	A t	A t
MMA FINANCIAL A EMEN		(Millions of Dollars)					
	Income Taxes	3,632	3,460	3,302	3,138	2,938	2,674
	Other Taxes	4,232	3,961	3,572	3,350	3,219	3,103
	Fees and Other Revenue	2,039	2,119	1,998	1,906	1,828	1,792
	Federal Transfers	3,793	3,823	3,953	4,332	4,047	3,924
	Net Income of Government Business Enterprises	692	863	719	713	807	789
	Sinking Funds and Other Earnings	242	238	242	249	230	220
	t	14,630	14,464	13,786	13,688	13,069	12,502
E t	t						
	Health	5,791	5,684	5,487	5,328	5,044	4,831
	Education	3,895	3,802	3,569	3,389	3,218	3,125
	Family Services	1,115	1,094	1,062	1,013	978	1,295
	Community, Economic and Resource Development	2,477	2,341	2,405	2,734	2,367	1,780
	Justice and Other Expenditures	987	1,056	1,004	1,410	870	900
	Debt Servicing Costs	872	836	839	815	773	756
	Subtotal Expenditure	15,137	14,813	14,366	14,689	13,250	12,687
E t	It						
	First Nations Flood Contingency	-	100	-	-	-	-
t E t	t	15,137	14,913	14,366	14,689	13,250	12,687
I - A t t /L		(150)	(17)	-	-	-	-
N t l (L)		(357)	(432)	(580)	(1,001)	(181)	(185)
	B ,G t & t						
	General Government Programs	9,244	8,920	8,289	7,803	6,955	6,863
	General Government Programs - Federal Flood Relief	-	75	276	326	-	-
	General Government Programs - Pension Liability	2,595	2,595	2,595	2,595	2,355	2,175
	The Manitoba Hydro-Electric Board	12,390	11,010	9,609	8,999	8,362	7,730
	Other Crown Organizations	2,583	2,457	2,246	1,926	1,641	1,478
	Health Facilities	1,477	1,225	1,149	1,094	1,015	949
	Other	5	17	23	37	51	65
	Capital Investments	4,431	4,013	3,668	3,195	2,546	1,846
t t	t	32,725	30,312	27,855	25,975	22,925	21,106
t t	t						
	Pension Liability	7,761	7,379	6,940	6,697	6,545	6,392
	Pension Assets	(5,500)	(5,322)	(5,112)	(5,063)	(4,814)	(4,624)
	Net Pension Liability	2,261	2,057	1,828	1,634	1,731	1,768
	Debt incurred for and repayable by the Manitoba Hydro-Electric Board	(12,145)	(10,745)	(9,443)	(8,742)	(8,199)	(7,479)
	Education and Health Debt held by Government Enterprises	598	569	547	505	471	443
	Other Debt of Crown Organizations	266	266	264	266	263	255
t t	t	(9,020)	(7,853)	(6,804)	(6,337)	(5,734)	(5,013)
t B ,G t & t	t	23,705	22,459	21,051	19,638	17,191	16,093
A t t t A t N t D t							
	Guarantees	(245)	(265)	(166)	(257)	(165)	(255)
	Net Financial Assets	(4,842)	(4,906)	(4,992)	(4,831)	(4,464)	(4,196)
N t D t	t	18,618	17,288	15,893	14,550	12,562	11,642

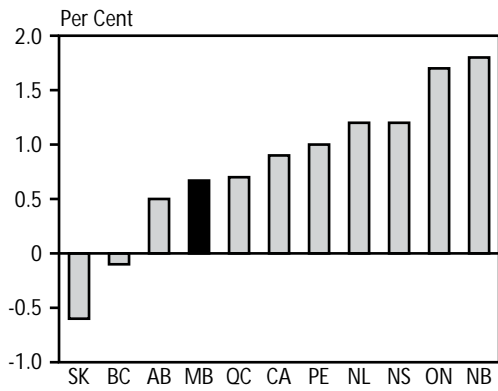
M t	F	t t t	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
			B t	F t	A t	A t	A t	A t

(Percentage Change)

n INTERPROVINCIAL COMPARISONS



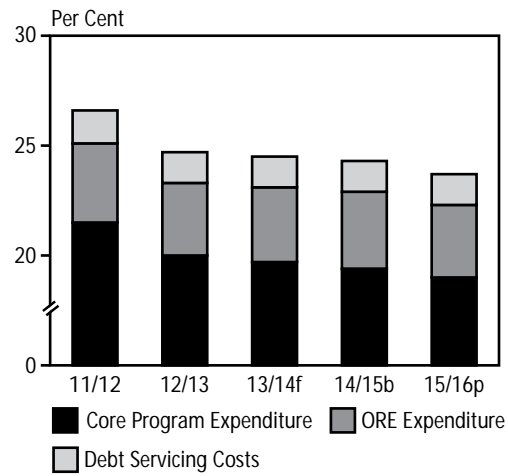
Net Debt Ratio, 2013/14f



f - Forecast

Source: Provincial fiscal documents

Manitoba Expenditure as a Percentage of GDP



■ Core Program Expenditure ■ ORE Expenditure
 ■ Debt Servicing Costs

f - Forecast b - Budget p - Projected

Source: Manitoba Finance

A - 2:
SUMMARY BUDGET USER'S GUIDE

n 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 Government Reporting Entity (GRE) to produce the Summary Budget.

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

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- Family Services – includes all costs related to social service and youth programs, including the activities of Manitoba Family Services and Manitoba Children and Youth Opportunities.
- Community, Economic and Resource Development – includes expenditures related to infrastructure and other government services, including the activities of Manitoba Aboriginal and Northern Affairs; Manitoba Agriculture, Food and Rural

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

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

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.

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

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.

The revenue and expenditure of OREs are projections based on data obtained from the entities and may not represent final

n FREQUENTLY ASKED QUESTIONS

1 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.

2 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.

3 What entities are included in the Summary Budget and where can I get more information about their plans?

- A** A listing of all the entities in the GRE is included in the Summary Budget as Appendix 3. The Summary Budget combines the Estimates of Expenditure and Revenue for core government with high-level projections for other reporting entities. Questions about financial information of OREs should be directed to the appropriate entity.

4 As Manitoba's Budget is presented for the GRE, will the government use the revenues of OREs to pay for core government operations?

- A** A Summary Budget does not change the way in which core government operations are funded. Under the Summary Budget, only revenues from those Crown entities that have traditionally been used to support government programs and services (Manitoba Liquor and Lotteries Corporation and the Special Operating Agencies established by government) will continue to be used to support core government operations.

5 If the government is not controlling the OREs directly, why does the government combine their revenue and expenses with its own in the Summary Budget?

- A** The Manitoba government acted on the recommendations of the Office of the Auditor General for Manitoba. Generally Accepted Accounting Principles (GAAP) and the Public Sector Accounting Board (PSAB) standards for senior Canadian governments require all governments to prepare their annual financial statements on this basis.

6 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.

7 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.

8 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).

9 What is Other Comprehensive Income (OCI) and how does it impact the government's summary results?

A OCI applies to certain OREs, and represents unrealized gains or losses in fair market value of financial instruments, such as investments held for sale or debt held in a foreign currency. Changes in OCI are based upon "mark-to-market" variances at year end and therefore, are a one-day snapshot of the change in value when compared to the same day in the previous year. Because OCI represents an unrealized gain or loss, it does not impact an ORE's annual operating results, and therefore, does not impact the government's Summary Net Income. However, OCI does impact the balance sheet and therefore, will impact the government's Net Debt and Net Debt to GDP.

When the underlying investments are sold, or when the foreign held debt is retired, OCI gains or losses are realized, which will correspondingly impact an ORE's net income and therefore the government's Summary Net Income.

n **GLOSSARY OF KEY TERMS**

B : Borrowings are securities issued in the name of the government to capital markets investors. Securities include debentures, treasury bills, promissory notes, medium-term notes and Manitoba Savings Bonds.

C t l t :

t : Long-term, non-interest-bearing liabilities of the government, which may or may not carry specific repayment terms.

t C l (CI): OCI is an accounting recognition of unrealized gains and losses in fair market value of financial instruments, such as investments held as available for sale or trading or debt held in a foreign currency. Currently, OCI accounting standards apply only to OREs, except not-for-profit organizations. It is measured as the change in “mark-to-market” valuations, interest rates, or foreign exchange rates at year end and therefore, is a one-day snapshot of the change in value when compared to the same day in the previous year.

A - 3:
ENTITIES INCLUDED IN SUMMARY BUDGET
(GOVERNMENT REPORTING ENTITY)

HEAL H

A t , F D t
Manitoba Agriculture, Food and Rural Development

M

- Manitoba Mineral Resources
- The Abandonment Reserve Fund
- Liquor and Gaming Authority of Manitoba
- The Mining Community Reserve
- The Mining Rehabilitation Reserve Fund
- The Quarry Rehabilitation Reserve Fund

M G t

M t t L t

Manitoba Multiculturalism and Literacy

, C t , t C t t

Manitoba Tourism, Culture, Heritage, Sport and Consumer Protection

Financial Literacy Fund

Funeral Board of Manitoba

Land Titles Assurance Fund

Le Centre culturel franco-manitobain

Manitoba Arts Council

Manitoba Centennial Centre Corporation

Manitoba Combative Sports Commission

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