



Budget Paper B

FINANCIAL REVIEW
AND STATISTICS

FINANCIAL REVIEW AND STATISTICS

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■ OVERVIEW

The 1998 Manitoba Budget is built on a foundation of economic and fiscal strength. Our Government has attained financial success by developing sound, achievable fiscal plans and sticking to them.

Our fiscal strength offers more flexibility and choices for Manitobans. We listened carefully to the people of Manitoba. This Budget reflects their priorities and it:

- balances the Budget for a fourth consecutive year;
- provides for a \$150 million payment on the provincial debt, twice the required amount;
- allocates over \$100 million more for health care than the 1997 Budget;
- allocates more resources for education, children, families and justice;
- provides a 3.6% overall increase in program funding;
- cuts taxes for individuals and employers, and provides other targeted incentives to create jobs; and
- projects a \$23 million surplus.

These budget measures will further strengthen our economy and our fiscal position, while making Manitoba a better place to live and raise a family, and to invest and create jobs.

■ 1997/98 PROJECTIONS

The 1997/98 projections to year end are outlined in the Third Quarter Report. The Report indicates that revenue and expenditure totals will both be higher than budgeted.

Higher total revenue and expenditure in 1997/98 are due, in large part, to disaster assistance related to the Flood of the Century. Total flood costs during the year are forecast at \$210 million, to be offset by \$175 million in cost-shared recoveries from the federal government, for a net provincial cost of \$35 million.

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Comparative Financial Statement for the Fiscal Year 1997/98

	Forecast 1997/98 ¹	Budget 1997/98	Change from Budget	
	(Millions of Dollars)	(Millions of Dollars)	(Millions of Dollars)	%
Revenue	5,777	5,412	365	6.7
Expenditure				
Operating	5,328	4,993	335	6.7
Capital	330	317	13	4.1
	5,658	5,310	348	6.6
	119	102	17	16.7
Deposit to Debt Retirement Fund	75	75	-	-
Budgetary Surplus	44	27	17	63.0

¹Forecast 1997/98 includes flood costs of \$210 million and recoveries of \$175 million for a net flood expenditure of \$35 million.

*Manitoba has
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The strong Manitoba economy increased revenue from taxation by \$55 million over Budget. Revised equalization entitlements reflect higher current and prior years adjustments. Both occurred as a result of 1996 Personal Income Tax assessment data. The 1997 spring flood resulted in the extension of the filing deadline for 1996 Personal Income Tax returns. This delay appears to have artificially decreased Personal Income Tax revenue, resulting in increased equalization payments. This distortion, when adjusted, should have no material effect on total revenue.

The Government devoted \$138 million more to priority programs, primarily in health care.

The first historic payment to the Debt Retirement Fund was made. Manitoba has started down the path toward lifting the burden of debt from future generations.

The budgetary surplus, after the net cost to the Province of the flood, is projected to be \$44 million, or \$17 million more than budgeted.

■ THE 1998/99 BUDGET PLAN

Total Revenue

Total revenue, before extraordinary revenue, is up by \$188 million or 3.5% from the 1997 Budget.

Own-Source Revenue

The 1998 Budget highlights tax reductions for individuals and employers, and growing revenue resulting from the strong Manitoba economy.

Revenue from taxation is projected to increase to \$3,346 million, \$177 million or 5.6% more than budgeted for 1997/98. Tax reductions will have the effect of reducing revenue by \$51 million. This amount includes \$37 million in reductions announced in this Budget, and \$14 million in reductions to Manitoba revenue because of changes in last month's federal Budget.

Other revenue includes a \$60 million allocation from the Fiscal Stabilization Fund to extend the financial bridge to protect social programs from federal reductions.

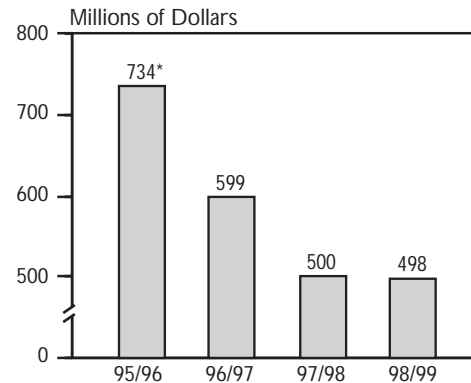
Government of Canada

Canada Health and Social Transfer (CHST) payments to provinces will be governed by the \$12.5 billion cash floor provision put in place by the federal government last year. This is \$6.8 billion down from the \$19.3 billion transferred to provinces in 1994/95. Manitoba's share will be \$498 million in 1998/99, about the same as last year, but \$236 million less than in 1995/96. In 1995/96, Manitoba's entitlements from the transfers replaced by the CHST were \$734 million.

In addition, the Government of Manitoba has accepted responsibility for the delivery of labour market training programs, formerly delivered by the federal government. This will result in the transfer of \$54 million from the federal government, to be fully offset by expenditure resulting from this responsibility.

The 1998 Budget highlights tax reductions for individuals and employers

Canada Health and Social Transfer Entitlements to Manitoba



* Combined Canada Assistance Plan and EPF Cash Entitlements.

Comparative Statement of Budgetary Revenue, Expenditure and Surplus

1998/99 and 1997/98

	Budget 1998/99	Budget 1997/98	1998/99 Change from 1997/98 Budget	
	(Millions of Dollars)		(Millions of Dollars)	%
Revenue				
Own-Source Revenue ¹	4,008	3,857	151	3.9
Government of Canada	1,592	1,555	37	2.4
Total	5,600	5,412	188	3.5
Program Expenditure				
Current	4,674	4,473	201	4.5
Capital	313	317	(4)	(1.3)
	4,987	4,790	197	4.1
Public Debt Costs	515	520	(5)	(1.0)
Total	5,502	5,310	192	3.6
	98	102	(4)	(3.9)
Debt Retirement	150	75	75	100.0
Less Funding from Fiscal Stabilization Fund	75	-	75	-
	75	75	-	-
Labour Market Development Agreement	54	-	54	-
Less Funding from Government of Canada	54	-	54	-
	-	-	-	-
Special Capital Initiatives	50	-	50	-
Less Funding from Fiscal Stabilization Fund	50	-	50	-
	-	-	-	-
Budgetary Surplus before Extraordinary Item	23	27	(4)	(14.8)
Extraordinary Item				
Flood disaster assistance and flood proofing	130	-	130	-
Less Recoveries from other levels of government and Fiscal Stabilization Fund	130	-	130	-
	-	-	-	-
Budgetary Surplus	23	27	(4)	(14.8)

¹Includes allocation from Fiscal Stabilization Fund of \$60 million in 1998/99 (\$100 million in 1997/98) for social programs.

Current Program Expenditure

We will provide \$4,674 million for current program expenditure. This is an increase of \$201 million from the 1997 Budget. The allocation of budgetary expenditure reflects the priorities of Manitobans. Half of the increase will be for health care.

Capital Expenditure

The Manitoba Government made a \$1.5 billion commitment to a five-year capital expenditure plan, for the period beginning in 1995/96. This is the fourth year of this program. In keeping with this commitment, capital expenditure will be \$363 million. This amount includes a special \$50 million capital initiative, provided from the Fiscal Stabilization Fund.

Public Debt Costs

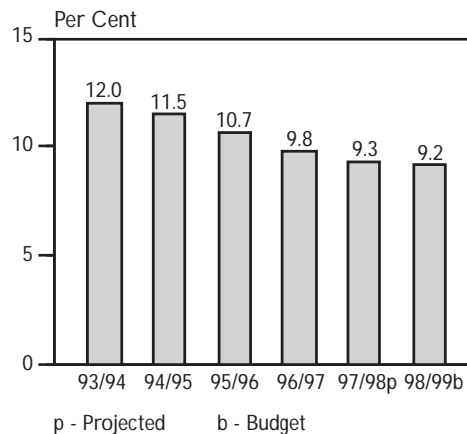
Public debt costs have begun to decline from the levels incurred in prior years. The Budget provides for \$515 million in public debt costs, down \$5 million from the 1997 Budget. As a proportion of revenue, Manitoba's public debt costs will have declined by close to 25% over five years.

Debt Retirement

The 1995 Manitoba Budget introduced *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*. This Act outlined the Government's plan to eliminate the Province's general purpose debt. That plan requires payments of a minimum of \$75 million annually, beginning in 1997/98. Last year, the first annual instalment of \$75 million was made. Manitobans told us to pay down the debt faster. Therefore, the Government will double the payment toward debt retirement in 1998/99, to \$150 million.

The allocation of budgetary expenditure reflects the priorities of Manitobans. Half of the increase will be for health care.

Debt Servicing Costs as a Per Cent of Revenue



The Government will double the payment toward debt retirement in 1998/99, to \$150 million.

1997 Flood

Expenditure on flood-related items will continue in 1998/99. Funding of \$130 million, including \$48 million of capital expenditure for flood proofing, has been incorporated in the 1998 Budget. The federal government is expected to provide about two-thirds of the recoveries, with the Fiscal Stabilization Fund providing \$41 million.

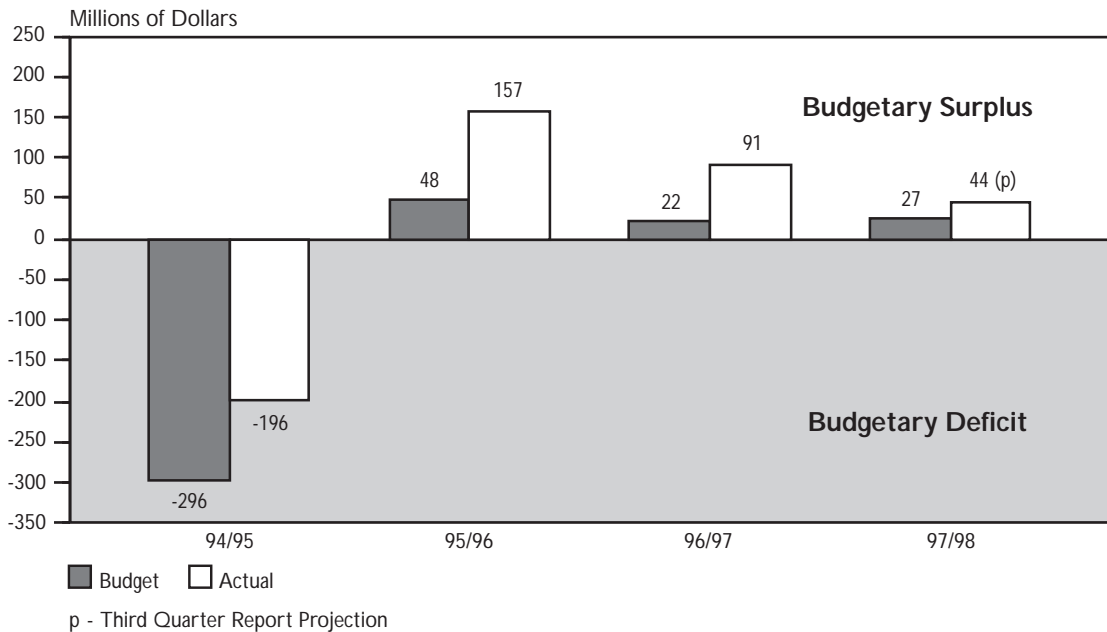
Budgetary Surplus

This fourth consecutive balanced budget is added proof of the strength and stability of Manitoba's fiscal position. The 1998 Budget has a budgetary surplus of \$23 million.

■ COMPARISON OF ACTUAL PERFORMANCE

For four consecutive years, Manitoba has bettered its budgeted fiscal targets. Prudent budgetary planning, the use of independent, conservative economic forecasts and spending taxpayers' money wisely are standard practices of our Government.

Comparison of Actual Surplus/Deficit to Budget



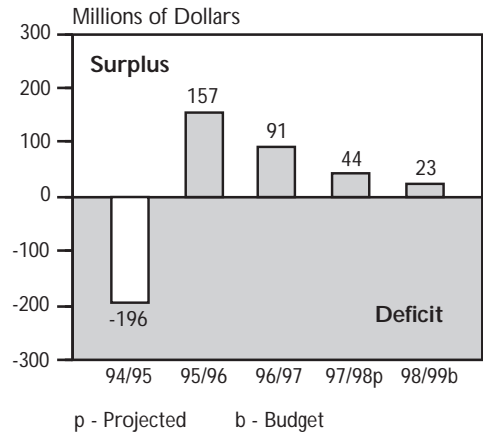
■ BUDGETARY COMPARISONS

The Budgetary Surplus: Manitoba has taken firm control of its expenditures in order to live within its means and achieve balanced budgets. A fourth consecutive budgetary surplus will be achieved in 1998/99. The balanced budget legislation requires the Government to maintain annual budgetary surpluses.

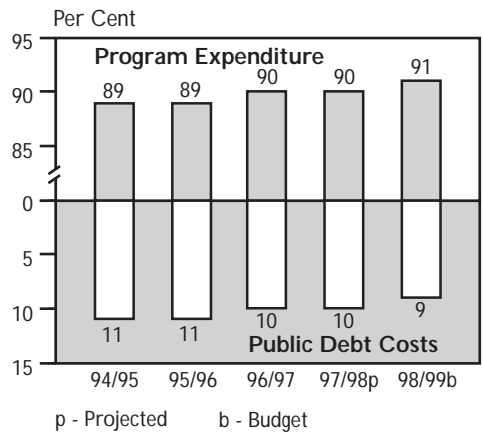
Program Expenditure and Public Debt: As we have gained control of the Province's finances, public debt costs have declined as a proportion of the total budget. This leaves more resources available for program expenditure.

Sources of Revenue: Own-source revenue has grown strongly with our economic improvement. Transfer payments from the federal government continue to decline as a proportion of total revenue.

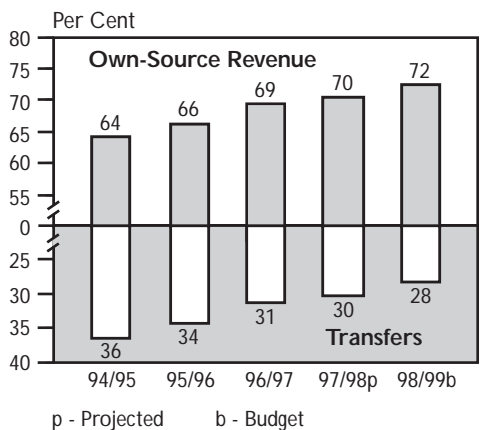
Budgetary Surplus/Deficit



Program Expenditure and Public Debt Costs as a Per Cent of Total Expenditure



Own-Source Revenue and Federal Transfers as a Per Cent of Total Revenue



■ THE MEDIUM-TERM PLAN

The Medium-Term Plan charts the course of our Government over the next four years. The principal features of this Plan are:

This Plan extends the string of consecutive balanced budgets to seven.

- extending the string of consecutive balanced budgets to seven;
- continuing to pay down Manitoba's debt;
- keeping taxes competitive, with no tax increases;
- continuing support of priority social programs; and
- sustaining our commitment to capital spending.

The revenue growth projected over the medium term is based on moderate economic growth assumptions. Revenue will grow at an average compounded rate of approximately 2.3% per annum from 1998/99. This projection incorporates the tax reductions introduced in the 1998 Manitoba Budget. The Plan shows no increase in federal social transfers, because the federal budget projects no increase over this period.

Current program expenditures grow 1.5% per annum. These program expenditure increases will continue to be directed toward priority program areas. Together with improvements in the delivery of programs, the additional resources identified in the Plan will ensure Manitobans continue to enjoy quality public services.

Debt costs are projected to decline modestly over the medium term, reaching \$500 million per annum by 2001/02, down from \$515 million in 1998/99.

Budgetary surpluses will grow over the medium term.

Debt reduction will continue to be a cornerstone of the medium-term Plan. The minimum \$75 million deposit required to the Debt Retirement Fund is included in the Plan.

Capital expenditures are maintained at \$313 million throughout. A special capital initiative of \$50 million will be undertaken in 1998/99, and a further \$50 million is projected for the subsequent year, providing our fiscal targets are achieved. Almost \$1.4 billion in capital spending is included over the four-year period of the fiscal Plan.

Budgetary surpluses will grow over the medium term. These provide Manitobans with options to reduce taxes, increase program expenditure or accelerate debt reduction.

Medium-Term Plan

	1998/99	1999/00	2000/01	2001/02
	(Millions of Dollars)			
Revenue ¹	5,600	5,675	5,839	6,002
Program Expenditure				
Current ¹	4,674	4,745	4,816	4,889
Capital	313	313	313	313
	4,987	5,058	5,129	5,202
Public Debt Costs	515	510	505	500
Total	5,502	5,568	5,634	5,702
Debt Retirement	150	75	75	75
Less Funding from Fiscal Stabilization Fund	75	-	-	-
Special Capital Initiatives	50	50	-	-
Less Funding from Fiscal Stabilization Fund	50	50	-	-
Budgetary Surplus Before Extraordinary Item	23	32	130	225
Extraordinary Item				
Flood disaster assistance and flood proofing	130	38	-	-
Less Recoveries from other levels of government and the Fiscal Stabilization Fund	130	38	-	-
Budgetary Surplus After Extraordinary Item	23	32	130	225

¹ Excludes \$54.3 million in expenditures on labour market training pursuant to the Labour Market Development Agreement and \$54.3 million in offsetting revenue from the Government of Canada. There is no effect of these items on the surplus.

Economic Assumptions for the Medium-Term Plan

The Medium-Term Plan uses a more conservative economic outlook for Manitoba than the average of the seven private forecasters surveyed for the Manitoba Outlook (see Budget Paper A, page 15). The use of prudent economic assumptions enhances the reliability of the projections, and increases the durability of the fiscal forecasts against possible unforeseen negative economic developments.

The following table shows the key economic indicators used in the Medium-Term Plan and the forecasts contained in the Manitoba Outlook.

	1998	1999	2000	2001
	(Percentage Change)			
Nominal GDP				
Manitoba Outlook	4.2	4.6	-	-
Medium-Term Fiscal Plan	3.2	4.3	4.5	4.8
Real GDP				
Manitoba Outlook	3.0	2.7	-	-
Medium-Term Fiscal Plan	2.8	2.5	2.6	2.7

(-) Manitoba Outlook only surveys forecasters through 1999.

Fiscal Stabilization Fund Statement of Revenue and Expenditure and Fund Balance

Projection as at March 31, 1999
(with comparative figures for March 31, 1998)
(Unaudited)

	<u>1998/99</u> (Millions of Dollars)	<u>1997/98</u> (Millions of Dollars)
Revenue		
Budgetary Surplus	23.0	43.5
Interest Earnings	14.1	9.6
	<u>37.1</u>	<u>53.1</u>
Expenditure		
Accelerated Debt Retirement	75.0	-
Allocation in Support of Social Programs	60.0	100.0
Flood Costs	41.4	-
Capital Initiatives	50.0	-
Economic Innovation and Technology Fund Transfer	1.0	0.5
	<u>227.4</u>	<u>100.5</u>
Net Change	<u>(190.3)</u>	<u>(47.4)</u>
Fund Balance, beginning of year	<u>530.1</u>	<u>577.5</u>
Fund Balance, end of year	<u><u>339.8</u></u>	<u><u>530.1</u></u>

■ THE FISCAL STABILIZATION FUND

Our Government has withdrawn \$100 million from the Fund in 1997/98 in support of health, education and families. The allocation was made from the Fund to help offset significantly reduced federal support for these programs. In 1997/98, interest earnings of the Fund will be \$9.6 million. As well, the projected 1997/98 surplus of \$43.5 million will be deposited in the Fund.

In 1998/99, the projected budgetary surplus of \$23 million will be deposited to the Fund. Estimated interest earnings will total \$14.1 million.

1998/99 withdrawals from the Fund will be \$227.4 million. These include: \$60.0 million for social programs; \$41.4 million for flood costs; \$50.0 million to fund special capital initiatives; and \$75.0 million to accelerate the paydown of Manitoba's accumulated debt.

The projected balance of the Fund at March 31, 1999, is \$339.8 million.

In 1999/00, it is expected that a further \$50 million capital initiative will be provided from the Fund.

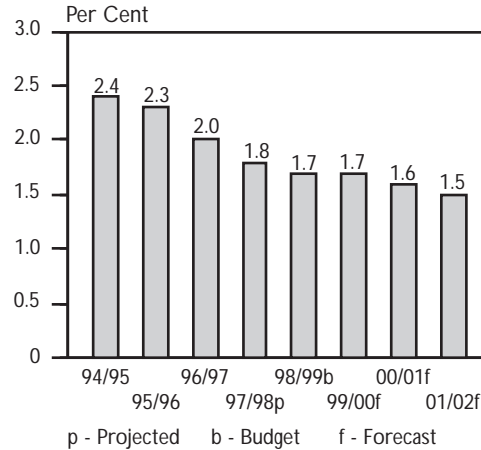
The minimum Fund balance target under *The Balanced Budget, Debt Repayment and Taxpayer Protection Act* is 5% of total expenditure, or approximately \$280 million.

■ THE DEBT RETIREMENT FUND

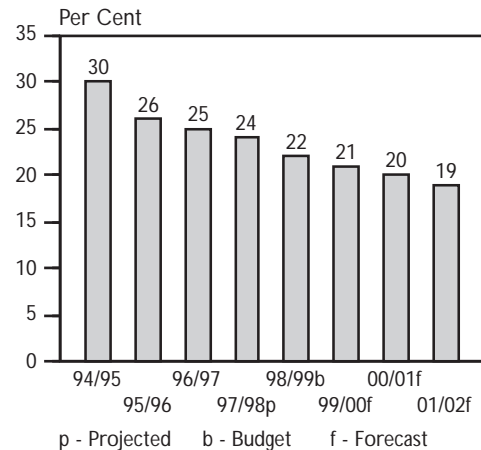
1997/98 was a historic year. It marked the first instalment to the Debt Retirement Fund. We are now on the road to eliminating Manitoba's debt.

The operation of the Debt Retirement Fund is governed by the provisions of *The Balanced Budget, Debt Repayment and Taxpayer Protection Act* which requires a minimum payment of \$75 million annually to the Fund. Based on the Act, the 1995 Manitoba Budget introduced a 30-year plan to eliminate Manitoba's debt.

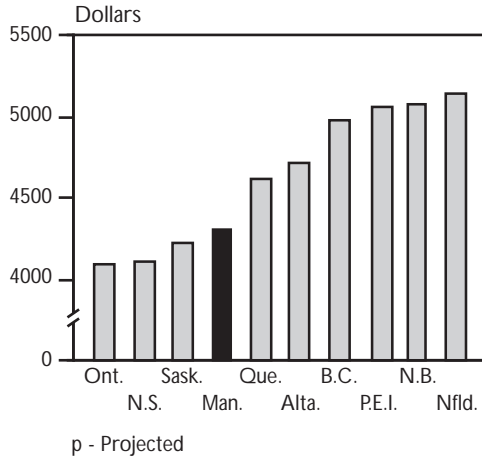
Debt Servicing Costs as a Per Cent of GDP



Net General Purpose Debt as a Per Cent of GDP



Provincial Per Capita Program Expenditure, 1997/98(p)



MANITOBA'S RELATIVE FISCAL POSITION AMONG PROVINCES

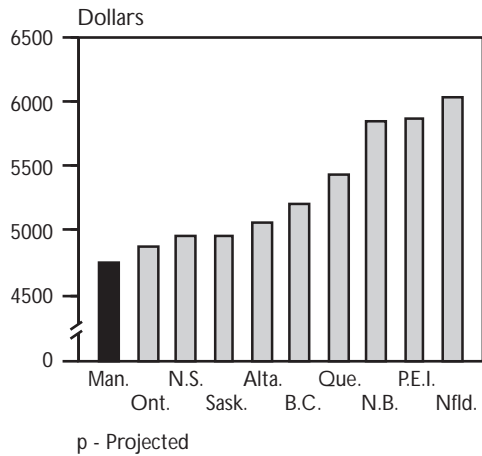
The Province of Manitoba has been a leader among Canadian provinces in establishing and maintaining a strong fiscal position. Manitoba's strong economic performance and moderate expenditure growth are keys to its fiscal success. This success has been achieved while tax rates have been reduced.

Manitoba's strong financial position continues to be applauded by independent analysts and the investment community.

1997/98 will mark Manitoba's third consecutive surplus, a performance matched by only three other provinces.

Manitoba has the most efficient and cost-effective provincial government in Canada. In 1997/98, per capita total expenditure is projected to be \$4,770. This is the lowest among the provinces. The focus has been on providing effective, quality public services, while at the same time, promoting better methods in the delivery of these services.

Provincial Per Capita Total Expenditure, 1997/98(p)



Health, education and support to families account for almost three-quarters of total program spending. These programs remain important priorities to Manitobans.

Manitoba devotes the second-highest proportion of total spending to health care among provinces.

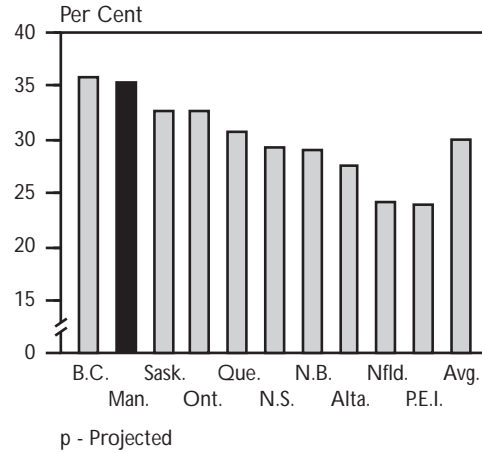
Manitoba's relatively moderate debt servicing costs are one of the principal factors in keeping Manitoba's total expenditure down, and ensuring there are adequate resources for social programs over the longer term.

Among provinces, Manitoba has the third-lowest per capita debt servicing costs. Per capita debt costs will decline in 1998/99 for the sixth consecutive year.

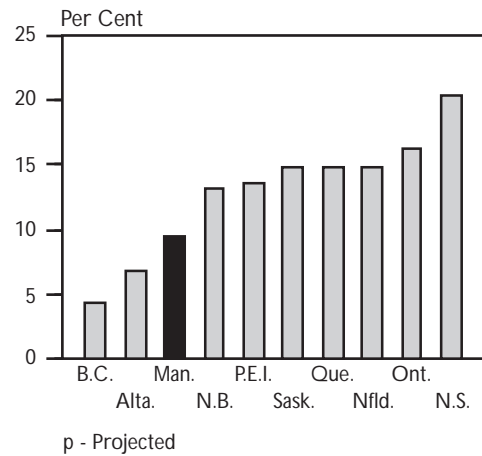
In 1997/98, debt servicing costs will equal 9.6% of total expenditure.

Nevertheless, debt costs continue to make a sizable claim against resources that could otherwise be devoted to important programs such as health care, to lower taxes or to accelerate debt retirement.

Health Expenditure as Per Cent of Total Expenditure, 1997/98(p)



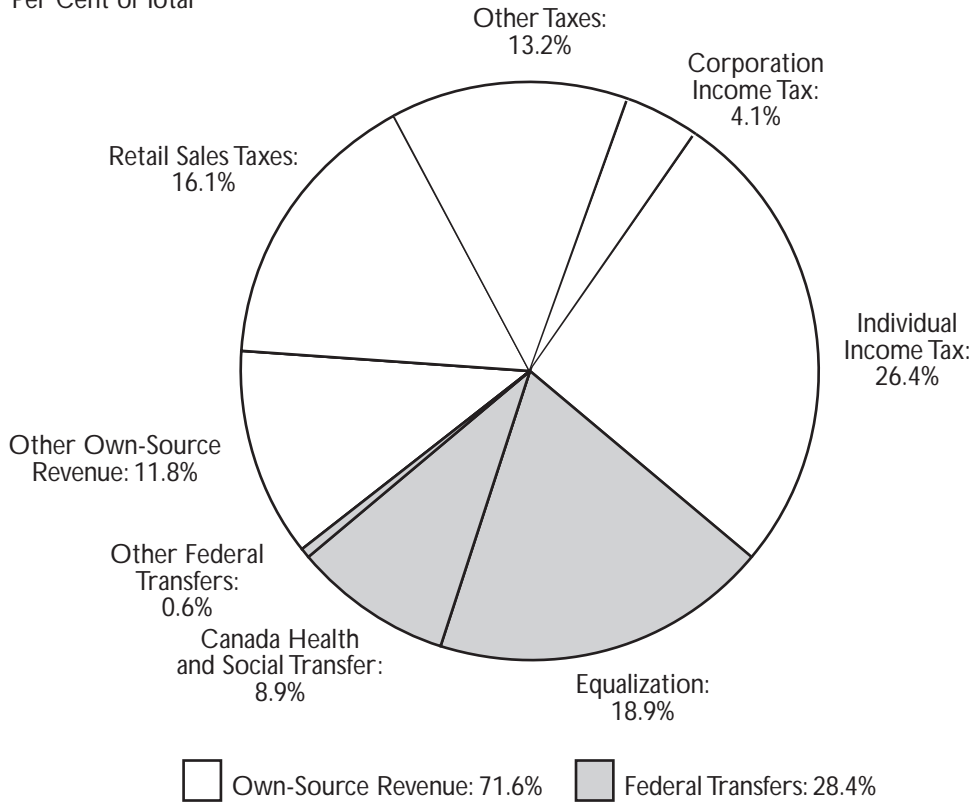
Debt Servicing Costs as Per Cent of Total Expenditure, 1997/98(p)



Provincial Revenue, 1998/99

Major Sources

Per Cent of Total



Revenue by Source

1998/99 and 1997/98

	1998/99 Budget	1997/98 Budget
	(Millions of Dollars)	
Own-Source Revenue	4,008	3,857
Government of Canada	1,592	1,555
Total Before Extraordinary Revenue	5,600	5,412
Extraordinary Revenue	309	-
Total Revenue	5,909	5,412

Revenue Estimates

(Thousands of Dollars)

	1998/99 Estimate	1997/98 Budget	% of Total 1998/99 Revenue	% Change
■ Own-Source Revenue				
Taxes, Levies and Collections				
• Land Transfer Tax	\$ 12,000.0	\$ 9,000.0		
• Corporation Capital Tax.....	114,200.0	108,100.0		
• Gasoline Tax	155,000.0	151,500.0		
• Insurance Corporations Tax	38,700.0	35,500.0		
• Levy for Health and Education	225,400.0	209,400.0		
• Mining Tax	10,000.0	15,000.0		
• Motive Fuel Tax	66,300.0	64,400.0		
• Oil and Natural Gas Tax.....	3,570.0	3,168.2		
• Retail Sales Tax.....	846,100.0	785,000.0		
• Revenue Act, 1964, Part I.....	53,000.0	52,000.0		
• Tobacco Tax.....	110,000.0	106,500.0		
• Environmental Protection Tax.....	3,000.0	3,000.0		
• Other Taxes.....	112.0	112.0		
Subtotal	\$ 1,637,382.0	\$ 1,542,680.2		
Fees and Other Revenue				
• Fines and Costs; and Other Legal	\$ 17,272.3	\$ 18,385.4		
• Minerals and Petroleum; and Other Energy and Mines	5,778.2	4,638.5		
• Automobile and Motor Carrier Licences and Fees	51,087.8	51,724.1		
• Drivers' Licences.....	12,315.8	12,315.8		
• Water Power Rentals.....	52,000.0	48,927.0		
• Parks; Forestry; Fisheries; and Other Natural Resources.....	23,715.1	23,725.8		
• All Other Manitoba Collections.....	55,401.1	55,237.1		
Subtotal	\$ 217,570.3	\$ 214,953.7		
Crown Corporations / Entities				
• Manitoba Lotteries Corporation.....	\$ 227,000.0	\$ 223,000.0		
• Liquor Control Commission.....	150,000.0	146,600.0		
• Other	8,000.0	3,300.0		
Subtotal	\$ 385,000.0	\$ 372,900.0		
Allocation from Fiscal Stabilization Fund				
• Support of Social Programs.....	\$ 60,000.0	\$ 100,000.0		
Income Taxes				
• Corporation Income Tax.....	\$ 228,200.0	\$ 190,100.0		
• Individual Income Tax.....	1,480,200.0	1,436,100.0		
Subtotal	\$ 1,708,400.0	\$ 1,626,200.0		
Total Own-Source Revenue	\$ 4,008,352.3	\$ 3,856,733.9	71.6	3.9
■ Federal Transfers				
• Equalization	\$ 1,061,000.0	\$ 1,021,300.0		
• Canada Health and Social Transfer.....	498,000.0	499,000.0		
• Other Transfers	32,901.2	34,812.9		
Total Federal Transfers	\$ 1,591,901.2	\$ 1,555,112.9	28.4	2.4
Total Revenue Before Extraordinary	\$ 5,600,253.5	\$ 5,411,846.8	100.0	3.5
■ Extraordinary Revenue				
• 1997 Flood-Related Revenue.....	\$ 129,600.0	\$ -		
• Debt Retirement.....	75,000.0	-		
• Labour Market Development Agreement.....	54,321.0	-		
• Capital Initiatives.....	50,000.0	-		
Total	\$ 308,921.0	\$ -		
■ Total Budgetary Revenue	\$ 5,909,174.5	\$ 5,411,846.8		

Provincial Expenditure, 1998/99

Major Categories

Per Cent of Total



Program Expenditure Estimates, 1998/99 and 1997/98

Operating and Capital

	1998/99		1997/98	
	Operating Expenditure	Capital Expenditure	Total Program Expenditure	Total Program Expenditure
	(Millions of Dollars)			
Health	1,859	67	1,926	1,826
Education and Training	1,041	35	1,076	1,030
Support to Families	667	-	667	664
Assistance to Local Governments and Taxpayers	276	35	311	304
Economic and Resource Development	493	122	615	590
Justice and Other Government	418	34	452	436
Minor Capital	(20)	20	0	0
Total before Extraordinary Expenditure	4,734	313	5,047	4,850
Extraordinary Expenditure	136	98	234	-
Expenditure Estimates	4,870	411	5,281	4,850

Expenditure Estimates

(Thousands of Dollars)

	1998/99 Estimate	1997/98 Budget	% of Total 1998/99 Expenditure	% Change
■ Health.....	\$ 1,925,643.0	\$ 1,825,691.8	34.6	5.5
■ Education and Training	\$ 1,076,144.9	\$ 1,030,311.9	19.3	4.4
■ Support to Families				
• Family Services.....	\$ 664,625.8	\$ 663,493.8		
• Children and Youth Secretariat.....	2,796.3	742.3		
Total Support to Families.....	\$ 667,422.1	\$ 664,236.1	12.0	0.5
■ Assistance to Local Governments and Taxpayers				
• Rural Development.....	\$ 50,231.8	\$ 48,987.2		
• Urban Affairs	77,362.4	71,991.4		
• Net Tax Credit Payments	183,500.0	182,550.0		
Total Assistance to Local Gov't and Taxpayers	\$ 311,094.2	\$ 303,528.6	5.6	2.5
■ Economic and Resource Development				
• Agriculture	\$ 98,241.9	\$ 98,208.3		
• Energy and Mines.....	14,358.6	14,161.0		
• Environment	13,893.0	13,307.9		
• Highways and Transportation.....	231,500.0	224,884.2		
• Housing	43,509.2	44,642.9		
• Industry, Trade and Tourism.....	40,142.4	38,603.3		
• Natural Resources.....	97,389.9	92,467.8		
• Northern Affairs.....	17,552.0	16,900.3		
• Enabling Appropriations.....	21,619.8	10,335.0		
• Other Appropriations	36,750.0	36,500.0		
Total Economic and Resource Development	\$ 614,956.8	\$ 590,010.7	11.1	4.2
■ Justice and Other Government				
• Legislative Assembly.....	\$ 18,960.9	\$ 16,888.8		
• Executive Council.....	3,280.7	3,183.1		
• Civil Service Commission	4,258.0	4,087.9		
• Community Support Programs	6,254.6	6,185.1		
• Consumer and Corporate Affairs.....	10,491.3	10,518.6		
• Culture, Heritage and Citizenship.....	51,728.7	52,179.0		
• Employee Benefits and Other Payments.....	46,650.0	39,765.7		
• Finance - Departmental Programs.....	30,739.4	27,908.5		
• Government Services	52,937.8	50,783.4		
• Justice	181,630.1	170,068.8		
• Labour	13,139.3	12,638.9		
• Seniors Directorate	635.0	534.4		
• Sport.....	15,349.7	14,903.1		
• Status of Women.....	923.8	899.4		
• Enabling Appropriations.....	1,500.0	1,500.0		
• Other Appropriations	13,475.0	24,262.0		
Total Justice and Other Government	\$ 451,954.3	\$ 436,306.7	8.1	3.6
■ Total Program Expenditure.....	\$ 5,047,215.3	\$ 4,850,085.8	90.7	
■ Public Debt Costs.....	\$ 515,000.0	\$ 520,000.0	9.3	(1.0)
■ Total Expenditure Before Extraordinary	\$ 5,562,215.3	\$ 5,370,085.8	100.0	3.6
■ Extraordinary Expenditure				
• 1997 Flood Related.....	129,600.0	-		
• Labour Market Development Agreement.....	54,321.0	-		
• Capital Initiatives.....	50,000.0	-		
Total.....	\$ 233,921.0	\$ -		
■ Total Expenditure Estimates.....	\$ 5,796,136.3	\$ 5,370,085.8		
■ Less: Year-End Lapse	(60,000.0)	(60,000.0)		
■ Total Budgetary Expenditure.....	\$ 5,736,136.3	\$ 5,310,085.8		

Incremental Capital Authority Requirements for Non-Budgetary Programs, 1998/99

(Thousands of Dollars)

The Loan Act, 1998

The Manitoba Agricultural Credit Corporation	\$ 82,970
The Manitoba Water Services Board	30,000
Communities Economic Development Fund	5,546
Business Support	
Manitoba Science and Technology Fund	5,000
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency	1,000
Venture Manitoba Tours Ltd.	250
	<u>\$ 124,766</u>

Schedule of Existing Capital Authority to Lapse, 1998/99

(Thousands of Dollars)

Manitoba Hospital Capital Finance Authority	\$ 80,010
Pine Falls Paper Company	10,000
Manitoba Housing and Renewal Corporation	5,155
Manitoba Development Corporation	3,000
	<u>\$ 98,165</u>

Non-Budgetary Capital Program, 1998/99

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	\$ 270,000
The Manitoba Agricultural Credit Corporation	80,000
The Manitoba Water Services Board	31,452
Business Support	
Industrial Opportunities Program	16,797
Vision Capital	5,000
Manitoba Capital Fund	1,000
Manitoba Science and Technology Fund	5,000
Communities Economic Development Fund	11,000
Special Operating Agencies Financing Authority	
Fleet Vehicles Agency	8,276
Rural Development Bonds Program	4,430
Miscellaneous Corporations, Agencies and Other Programs	13,352
	<u>\$ 446,307</u>

■ BORROWING REQUIREMENTS

Manitoba Government borrowing requirements for both general and self-sustaining purposes, including Guaranteed Debt of Crown corporations, will total \$1,345 million. Having achieved balanced budgets, the only borrowing for general Government programs is for refunding existing issues. \$1,113 million is required for refunding. The remainder is for self-sustaining program requirements. Incremental capital authority to be provided by The Loan Act, 1998, will be \$125 million.

Estimated Borrowing Requirements

(Thousands of Dollars)

	Estimated Unfunded Requirements as at March 31/98	Refunding 1998/99	New Cash Requirements 1998/99	Estimated Repayments of Loans & Advances 1998/99	Borrowing Requirements 1998/99
General Government Programs:					
Refunding	-	1,111,851	-	-	1,111,851
Self-Sustaining Programs:					
Refunding	-	657	-	-	657
Manitoba Hydro Cash Requirements	147,700	-	5,036	-	152,736
Refunding		-	-		-
Manitoba Agricultural Credit Corporation	-	-	57,700	20,000	37,700
Manitoba Housing and Renewal Corporation	-	-	400	4,271	(3,871)
Business Support Programs	-	-	27,797	3,797	24,000
Miscellaneous Other Crown Corps. etc.,	-	-	34,601	12,458	22,143
	<u>147,700</u>	<u>1,112,508</u>	<u>125,534</u>	<u>40,526</u>	<u>1,345,216</u>

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

(Thousands of Dollars) *Unaudited*

As at December 31, 1997 (with comparative figures for March 31, 1997)

Canadian Dollar Equivalent at Date of Issue Dec. 31/97	Canadian Dollar Equivalent at Date of Issue March 31/97	Increase (Decrease) Dec. 31/97 over March 31/97		Canadian Dollar Valuation (Note 1) Dec. 31/97	Canadian Dollar Valuation (Note 1) March 31/97	Increase (Decrease) Dec. 31/97 over March 31/97
			Direct Debt Payable in:			
8,467,452	7,913,617	553,835	Canadian Dollars	8,467,452	7,913,617	553,835
2,749,235	2,832,768	(83,533)	Foreign Issues Swapped to Canadian Dollars	2,841,211	2,930,815	(89,604)
4,074,490	4,583,730	(509,240)	U.S. Dollars	4,951,407	5,337,523	(386,116)
1,171,824	804,471	367,353	Foreign Issues Swapped to U.S. Dollars	1,279,082	885,139	393,943
<u>16,463,001</u>	<u>16,134,586</u>	<u>328,415</u>	Total Direct Debt	<u>17,539,152</u>	<u>17,067,094</u>	<u>472,058</u>
			Guaranteed Debt Payable in:			
484,843	523,033	(38,190)	Canadian Dollars	484,843	523,033	(38,190)
402,600	461,528	(58,928)	U.S. Dollars	576,845	638,893	(62,048)
<u>887,443</u>	<u>984,561</u>	<u>(97,118)</u>	Total Guaranteed Debt	<u>1,061,688</u>	<u>1,161,926</u>	<u>(100,238)</u>
17,350,444	17,119,147	231,297	Total Direct and Guaranteed Debt (Note 2)	18,600,840	18,229,020	371,820
4,818,844	4,677,624	141,220	Less: Sinking Fund Investments	4,818,844	4,677,624	141,220
75,000	-	75,000	Less: Debt Retirement Fund	75,000	-	75,000
<u>12,456,600</u>	<u>12,441,523</u>	<u>15,077</u>	Net Direct and Guaranteed Debt (Note 3)	<u>13,706,996</u>	<u>13,551,396</u>	<u>155,600</u>

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at December 31, 1997 and March 31, 1997 adjusted for any foreign currency contracts entered into for settlement after these dates.

Note 2: Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at December 31, 1997, General Purpose Debt and Other Debt was payable 78% in Canadian dollars (76% at March 31, 1997) and 22% in U.S. dollars (24% at March 31, 1997) while Manitoba Hydro debt was payable 38% in Canadian dollars (36% at March 31, 1997) and 62% in U.S. dollars (64% at March 31, 1997). Total Gross Debt was payable 63% in Canadian dollars and 37% in U.S. dollars.

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

	December 31, 1997		March 31, 1997	
	(\$ Thousands)	(\$ Per Capita) (Note 4)	(\$ Thousands)	(\$ Per Capita) (Note 4)
General Government Programs	6,802,106	5,958	6,807,955	5,964
The Manitoba Hydro-Electric Board	5,862,519	5,135	5,531,663 (Note 5)	4,846
Other	1,042,371	913	1,211,778	1,062
	<u>13,706,996</u>	<u>12,006</u>	<u>13,551,396</u>	<u>11,872</u>

Note 4: Per capita data is based upon population figures at October 1, 1997 and April 1, 1997, as reported by Statistics Canada.

Note 5: Restated to include Manitoba Hydro Promissory Notes of \$638,893 as at March 31, 1997.

Province of Manitoba Direct and Guaranteed Debt Net Maturities to March 31, 2031

	Canadian Valuation Payable in		Net Maturities
	Canadian Dollars	U.S. Dollars	
	(Millions of Dollars)		
1997/98	78	–	78
1998/99	1,111	77	1,188
1999/00	1,055	187	1,242
2000/01	1,059	506	1,565
2001/02	319	891	1,210
2002/03	545	850	1,395
2003/04	326	719	1,045
2004/05	671	55	726
2005/06	87	–	87
2007-11	947	303	1,250
2012-16	696	–	696
2017-21	487	1,398	1,885
2022-31	438	–	438
Treasury Bills and Hydro Promissory Notes	325	577	902
Total:	8,144	5,563	13,707

The above table indicates the net Direct and Guaranteed Debt outstanding at December 31, 1997 (based on the foreign exchange rates in existence on December 31, 1997).

The Province of Manitoba had several retractable and extendable debenture issues outstanding at December 31, 1997. The maturity date of these issues has been assumed to be the maturity date occurring if the holders of the securities were to utilize the related extendable or retractable options under the present market conditions.

Technical Note

Accounting for Capital Assets

Tangible capital assets are a significant economic resource of governments and a key component in the delivery of many government programs. Traditionally, governments have absorbed the cost of these assets in the fiscal year in which they were acquired.

New accounting standards recently issued by the Canadian Institute of Chartered Accountants, require that the expenditure on tangible assets be amortized "on an expense basis" over the useful life of the asset. Manitoba intends to implement this accounting change in the fiscal year 1999/00.

Manitoba Financial Statistics, Ten-Year Summary

	1998/99 Budget ¹	1997/98 Forecast	1996/97 Actual	1995/96 Actual	1994/95 Actual
(Millions of Dollars)					
FINANCIAL STATEMENTS²					
Revenue					
Own-Source Revenue	4,008.3 ³	3,927.8 ³	3,783.1	3,644.5	3,309.9
Federal Transfers	1,591.9	1,674.4	1,715.9	1,872.9	1,895.1
Total	5,600.2	5,602.2	5,499.0	5,517.4	5,205.0
Expenditure					
Current Programs	4,674.7	4,617.5	4,552.8	4,580.5	4,482.8
Capital Programs	312.5	308.1	316.0	332.5	321.2
Public Debt Costs	515.0	522.7	539.1	592.3	597.0
Total	5,502.2	5,448.3	5,407.9	5,505.3	5,401.0
	98.0	153.9	91.1	12.1	(196.0)
Deficit Reduction Transfers	-	-	-	145.0	-
Debt Retirement	(150.0)	(75.0)	-	-	-
Funding from Fiscal Stabilization Fund for Debt Retirement	75.0	-	-	-	-
	(75.0)	(75.0)	-	145.0	-
Budgetary Surplus/(Deficit) before Flood Items	23.0	78.9	91.1	157.1	(196.0)
Flood Items					
Expenditure	129.6	210.4	-	-	-
Less Recoveries	129.6	175.0	-	-	-
Budgetary Surplus/(Deficit)	23.0	43.5	91.1 ⁴	157.1	(196.0)
Net Direct and Guaranteed Debt					
General Purpose	6,570.7	6,738.7	6,808.0	6,813.6	7,364.2
Hydro ⁵	5,432.6	5,576.8	5,531.7	5,300.2	5,335.3
Other Debt	992.7	1,006.0	1,211.8 ⁶	1,770.4	1,944.7
Total	12,996.0	13,321.5	13,551.5	13,884.2	14,644.2
Memorandum Items					
Total Budgetary Revenue	5,909.1	5,777.2	5,499.0	5,662.4	5,205.0
Total Budgetary Expenditure	5,736.1	5,658.7	5,407.9	5,505.3	5,401.0
Debt Retirement	150.0	75.0	-	-	-
Population (000's)	1,146.7	1,142.1	1,137.3	1,132.4	1,126.2
GDP at Market Prices (\$M)	29,620	28,430	27,336	26,176	24,970

Note 1: The 1998/99 Budget includes:

- i) \$54.3 million in expenditures on labour market training pursuant to the Labour Market Development Agreement which will be fully offset by a transfer from the Government of Canada, and
- ii) a special capital initiative of \$50 million which is fully funded by a transfer from the Fiscal Stabilization Fund.

In order to provide comparability in the Ten-Year Summary, these items are *excluded* from Revenue and Expenditure. There are no effects of these items on the surplus. See 1998 Budget Financial Statements for details.

Note 2: Refer to Public Accounts of Manitoba for applicable statements on accounting policies.

1993/94 Actual	1992/93 Actual	1991/92 Actual	1990/91 Actual	1989/90 Actual	
(Millions of Dollars)					
3,247.3	2,882.0	3,146.2	2,982.6	2,948.6	FINANCIAL STATEMENTS²
1,628.5	1,815.9	1,820.5	1,695.3	1,657.2	Revenue
4,875.8	4,697.9	4,966.7	4,677.9	4,605.8	Own-Source Revenue
					Federal Transfers
					Total
4,479.4	4,618.1	4,476.3	4,227.2	3,975.1	Expenditure
272.1	286.5	302.6	308.3	285.7	Current Programs
584.8	559.3	492.1	501.3	487.4	Capital Programs
5,336.3	5,463.9	5,271.0	5,036.8	4,748.2	Public Debt Costs
(460.5)	(766.0)	(304.3)	(358.9)	(142.4)	Total
30.0	200.0	(30.0)	67.3	-	Deficit Reduction Transfers
-	-	-	-	-	Debt Retirement
-	-	-	-	-	Funding from Fiscal Stabilization
30.0	200.0	(30.0)	67.3	-	Fund for Debt Retirement
(430.5)	(566.0)	(334.3)	(291.6)	(142.4)	Budgetary Surplus/(Deficit) before Flood Items
-	-	-	-	-	Flood Items
-	-	-	-	-	Expenditure
(430.5)	(566.0)	(334.3)	(291.6)	(142.4)	Less Recoveries
					Budgetary Surplus/(Deficit)
6,834.0	6,179.4	5,294.6	5,248.1	4,855.6	Net Direct and Guaranteed Debt
5,584.5	4,856.1	4,979.2	4,439.1	3,912.6	General Purpose
1,876.1	1,852.1	1,548.7	1,473.9	1,174.5	Hydro ⁵
14,294.6	12,887.6	11,822.5	11,161.1	9,942.7	Other Debt
					Total
4,905.8	4,897.9	4,936.7	4,745.2	4,605.8	Memorandum Items
5,336.3	5,463.9	5,271.0	5,036.8	4,748.2	Total Budgetary Revenue
-	-	-	-	-	Total Budgetary Expenditure
1,120.4	1,114.9	1,112.5	1,108.4	1,106.2	Debt Retirement
23,778	23,437	23,011	23,218	22,442	Population (000's)
					GDP at Market Prices (\$M)

Note 3: Includes \$60 million from Fiscal Stabilization Fund for social programs in 1998/99 (\$100 million in 1997/98).

Note 4: Excludes net gain of \$264.6 million from divestiture of Manitoba Telephone System.

Note 5: Includes Manitoba Hydro Promissory Notes.

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

Source: Manitoba Department of Finance

Manitoba Financial Statistics, Ten-Year Summary

	1998/99 Budget	1997/98 Forecast	1996/97 Actual	1995/96 Actual	1994/95 Actual
Annual Change					
			(Per Cent Change)		
Own-Source Revenue	2.0	3.8	3.8	10.1	1.9
Federal Transfers (incl. Capital Transfers)	(4.9)	(2.4)	(8.4)	(1.2)	16.4
Total Revenue	0.0	1.9	(0.3)	6.0	6.8
Current Program Expenditure	1.2	1.4	(0.6)	2.2	0.1
Capital Expenditure	1.4	(2.5)	(5.0)	3.5	18.0
Public Debt Costs	(1.5)	(3.0)	(9.0)	(0.8)	2.1
Total Expenditure	1.0	0.7	(1.8)	1.9	1.2
Budgetary Surplus/(Deficit)	(70.8)	(13.4)	(42.0)	(180.2)	(54.5)
Net General Purpose Debt	(2.5)	(1.0)	(0.1)	(7.5)	7.8
Total Net Debt	(1.3)	(1.7)	(2.4)	(5.2)	2.4
Per Cent of GDP			(Per Cent)		
Own-Source Revenue	13.5	13.8	13.8	13.9	13.3
Total Revenue	18.9	19.7	20.1	21.1	20.8
Current Program Expenditure	15.8	16.2	16.7	17.5	18.0
Public Debt Costs	1.7	1.8	2.0	2.3	2.4
Total Expenditure	18.6	19.2	19.8	21.0	21.6
Budgetary Surplus/(Deficit)	0.1	0.3	0.3	0.6	(0.8)
Net General Purpose Debt	22.2	23.7	24.9	26.0	29.5
Per Cent of Revenue					
Own-Source Revenue	71.6	70.1	68.8	66.1	63.6
Federal Transfers	28.4	29.9	31.2	33.9	36.4
Public Debt Costs	9.2	9.3	9.8	10.7	11.5
Net General Purpose Debt	117.3	120.3	123.8	123.5	141.5
Per Cent of Expenditure					
Current Program Expenditure	85.0	84.8	84.2	83.2	83.0
Capital Expenditure	5.7	5.7	5.8	6.0	5.9
Public Debt Costs	9.4	9.6	10.0	10.8	11.1
Budgetary Surplus/(Deficit)	0.4	1.4	1.7	2.9	(3.6)
Dollars Per Capita			(Dollars)		
Total Expenditure (excl. Flood)	4,798	4,770	4,755	4,862	4,796
Public Debt Costs	449	458	474	523	530
Budgetary Surplus/(Deficit)	20	38	80	139	(174)
Net General Purpose Debt	5,730	5,900	5,986	6,017	6,539

Source: Manitoba Department of Finance

1993/94 Actual	1992/93 Actual	1991/92 Actual	1990/91 Actual	1989/90 Actual	
					Annual Change
		(Per Cent Change)			Own-Source Revenue
12.7	(8.4)	5.5	1.2	1.2	Federal Transfers
(10.3)	(0.3)	7.4	2.3	26.9	(incl. Capital Transfers)
3.8	(5.4)	6.2	1.6	14.2	Total Revenue
(3.0)	3.2	5.9	6.3	5.6	Current Program Expenditure
(5.0)	(5.3)	(1.8)	7.9	1.5	Capital Expenditure
4.6	13.7	(1.8)	2.9	11.2	Public Debt Costs
(2.3)	3.7	4.6	6.1	16.2	Total Expenditure
(23.9)	69.3	14.6	104.8	0.8	Budgetary Surplus/(Deficit)
10.6	16.7	0.9	8.1	(7.5)	Net General Purpose Debt
10.9	9.0	5.9	12.3	(6.1)	Total Net Debt
		(Per Cent)			Per Cent of GDP
13.7	12.3	13.7	12.8	13.1	Own-Source Revenue
20.5	20.0	21.6	20.1	20.5	Total Revenue
18.8	19.7	19.5	18.2	17.7	Current Program Expenditure
2.5	2.4	2.1	2.2	2.2	Public Debt Costs
22.4	23.3	22.9	21.7	19.9	Total Expenditure
(1.8)	(2.4)	(1.5)	(1.3)	(0.6)	Budgetary Surplus/(Deficit)
28.7	26.4	23.0	22.6	21.7	Net General Purpose Debt
					Per Cent of Revenue
66.6	61.3	63.3	63.8	64.0	Own-Source Revenue
33.4	38.7	36.7	36.2	35.9	Federal Transfers
12.0	11.9	9.9	10.7	10.6	Public Debt Costs
140.2	131.5	106.6	112.2	105.4	Net General Purpose Debt
					Per Cent of Expenditure
83.9	84.5	84.9	83.9	83.7	Current Program Expenditure
5.1	5.2	5.7	6.1	6.0	Capital Expenditure
11.0	10.2	9.3	10.0	10.3	Public Debt Costs
(8.1)	(10.4)	(6.3)	(5.8)	(3.2)	Budgetary Surplus/(Deficit)
		(Dollars)			Dollars Per Capita
4,763	4,901	4,738	4,544	4,292	Total Expenditure (excl. Flood)
522	502	442	452	441	Public Debt Costs
(384)	(508)	(300)	(263)	(129)	Budgetary Surplus/(Deficit)
6,100	5,543	4,759	4,735	4,389	Net General Purpose Debt