



BUDGET2009

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OUR STRENGTH

Second Quarter Fiscal Update 2009–2010

UPDATING ALBERTANS

The *Second Quarter Fiscal Update* consists of two parts – the updated 2009–10 forecast for the entire fiscal year and the actual results for the first six months of the fiscal year (April 1 to September 30, 2009).

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2009–10 FORECAST

HIGHLIGHTS

Deficit. Forecast at \$4.3 billion, an improvement of \$390 million from budget and \$2.6 billion from first quarter. The deficit is offset by a transfer from the Sustainability Fund.

Revenue. Forecast at \$32.6 billion, an increase of \$965 million from budget and \$3.1 billion from first quarter. Increased conventional oil and oil sands royalties, from higher oil and bitumen prices, strong investment income, and higher corporate income tax revenue, are partially offset by lower natural gas royalties, from weaker prices, and lower personal income tax and gaming and liquor revenue. The higher US-Cdn dollar exchange rate also lowers revenue.

Expense. Forecast at \$37 billion, a net increase of \$575 million from budget and \$503 million from first quarter, mainly for disaster/emergency assistance and capital grants related to federal stimulus transfers. Increased operating expense, primarily for higher caseloads in income supports programs, is offset by an additional \$215 million in value review savings.

Sustainability Fund. Forecast assets at March 31, 2010 of \$13.3 billion, \$2.9 billion higher than budget estimate and \$4 billion higher than first quarter forecast. The higher balance is due primarily to the lower forecast deficit, \$1.5 billion in cash from 2008-09 fourth quarter results transferred in 2009-10 and lower capital cash requirements.

FISCAL SUMMARY^a

(millions of dollars)

	2009-10			
	Budget	2nd Quarter Forecast	Change from Budget	1st Quarter
1 Revenue	31,661	32,626	965	3,056
2 Expense ^b				
3 Program expense				
4 Operating expense (net of value review savings)	31,244	31,227	(17)	150
5 Capital grants	4,152	4,254	102	(2)
6 Disaster/emergency assistance	-	454	454	319
7 Capital amortization and nominal sum disposals	774	787	13	13
8 Debt servicing costs	205	228	23	23
9 Total Expense	36,375	36,950	575	503
10 Surplus / (Deficit)	(4,714)	(4,324)	390	2,553
11 Sustainability Fund transfer to offset deficit	4,714	4,324	(390)	(2,553)

^a Subject to the *Fiscal Responsibility Act*. Does not include changes in results of Crown-controlled SUCH sector organizations or in pension liabilities.

^b Capital Investment is not included in expense. In 2009-10, capital investment is forecast at: 3,027 2,697 (330) (726)

ALBERTA SUSTAINABILITY FUND

(millions of dollars)

	2009-10			
	Budget	2nd Quarter Forecast	Change from Budget	1st Quarter
Assets at Start of Year	16,822	16,822	-	-
2008-09 fourth quarter results	-	1,503	1,503	-
Transfer to offset deficit	(4,714)	(4,324)	390	2,553
Cash adjustments				
Capital cash adjustments	(847)	(13)	834	962
Retained income of funds and agencies	(223)	(123)	100	376
Other cash adjustments	(679)	(587)	92	72
Assets at End of Year	10,359	13,278	2,919	3,963

REVENUE

NON - RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is forecast at \$5.6 billion, \$346 million lower than budget but \$1.7 billion higher than first quarter: decrease from budget is mainly from lower natural gas prices; increase from first quarter is mainly from higher oil and bitumen prices.

The higher-than-expected US-Cdn dollar exchange rate, now estimated to average 91 US¢/Cdn\$, 7.5¢ higher than budget, has reduced resource revenue.

Natural gas royalties are forecast at \$1.9 billion, \$1.7 billion lower than budget but \$86 million higher than first quarter. The Alberta Reference Price, used to calculate natural gas royalties, is forecast to average Cdn\$3.25/gigajoule (GJ) for the fiscal year, \$2.25 lower than budget and 50 cents lower than first quarter.

The outlook for natural gas prices has deteriorated as a result of growing US unconventional natural gas production and the impact of the recession on demand. Prices have averaged Cdn\$2.94/GJ between April and September and are expected to average \$3.56/GJ for the remaining six months of the fiscal year.

Total oil royalties are forecast at \$3.6 billion, \$1.3 billion higher than budget and \$1.6 billion higher than first quarter. Oil prices are forecast to average US\$67.51/barrel (bbl) for the fiscal year, \$12.01 higher than budget and \$6.51 higher than first quarter. This is based on an April to October average of US\$66/bbl, and a forecast average of \$70 for the remaining five months of the fiscal year.

Bitumen prices are also about 50% higher than originally forecast, caused by lower global heavy oil supply and increased demand from expanded US upgrading capacity. The higher bitumen price more than offsets higher-than-expected oilsands operator costs and lower production.

Revenue from bonuses and sales of Crown leases is forecast at \$443 million, \$188 million lower than the budget estimate, due to a lower number of hectares being requested and sold, and lower prices per hectare.

Drilling stimulus initiatives are forecast at \$584 million, down \$258 million from budget, due to lower activity and lower natural gas prices.

TAX REVENUE

Personal income tax revenue is forecast at \$8.1 billion, \$495 million lower than budget but \$37 million higher than first quarter. The decrease from budget is mainly due to a prior years' adjustment of \$308 million. Updated 2008 assessment data indicates the deterioration in

financial markets last year lowered taxable capital gains, and the change is booked against this year's revenue. This also lowers the 2009 and 2010 forecasts.

Corporate income tax revenue is forecast at \$3 billion, \$553 million higher than budget and first quarter forecasts. This represents a 29% decline in corporate income tax revenue from the very high levels of 2008-09.

Other tax revenue is forecast at \$3.7 billion, \$78 million lower than budget. Declines of \$35 million in tobacco tax from lower consumption, \$36 million in freehold mineral rights tax mainly from lower natural gas prices, and \$13 million in the tourism levy from lower hotel room rates and stays, are partially offset by a \$6 million increase in insurance taxes from updated prior year premium data.

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers are forecast at \$4.7 billion, \$49 million higher than the budget estimate. Health and social transfers have increased by \$19 million each due to prior years' adjustments and revised population numbers respectively. Agriculture transfers are \$39 million lower than budget due to AgriInvest delivery changes and lower crop insurance premiums, partly offset by Growing Forward Agreement increases. Other federal transfers are \$50 million higher than budget but \$50 million lower than first quarter. Increased stimulus funding is partly offset by re-profiling of about \$175 million in capital stimulus transfers into future years.

INVESTMENT INCOME

Investment income is forecast at \$3.4 billion, an increase of \$1.6 billion from budget and \$873 million from first quarter. Heritage and endowment fund income is \$1.5 billion higher due to strong equity markets, while Sustainability Fund income has increased by \$130 million mainly because of the higher projected balance.

OTHER REVENUE

Revenue from other sources is forecast at \$4.2 billion, \$351 million lower than the budget estimate:

- \$150 million decrease in liquor revenue;
- \$166 million decrease in gaming revenue;
- \$52 million decrease in premiums, fees and licences;
- A net \$17 million increase, primarily from Alberta Livestock and Meat Agency industry funding and Land Stewardship Initiative land sales, partly offset by lower ATB net income.

REVENUE*(millions of dollars)*

	2009-10				Main Reasons for Change from Budget
	Budget	2nd	Change from		
		Quarter Forecast	Budget	1st Quarter	
Income Taxes					
Personal income tax	8,559	8,064	(495)	37	Lower-than-expected prior years' assessments
Corporate income tax	2,447	3,000	553	553	Higher-than-expected cash receipts
	<u>11,006</u>	<u>11,064</u>	<u>58</u>	<u>590</u>	
Other Taxes					
Education property tax	1,532	1,532	-	-	
Tobacco tax	915	880	(35)	-	Lower-than-expected consumption
Fuel tax	725	725	-	20	
Freehold mineral rights tax	200	164	(36)	(3)	Lower natural gas prices
Insurance taxes	298	304	6	6	Updated 2008-09 cash collections
Tourism levy	76	63	(13)	(10)	Lower hotel rates and fewer stays
	<u>3,746</u>	<u>3,668</u>	<u>(78)</u>	<u>13</u>	
Non-Renewable Resource Revenue					
Natural gas and by-products royalty	3,687	1,947	(1,740)	86	Lower natural gas prices
Crude oil royalty	1,249	1,607	358	327	Higher oil prices
Synthetic crude oil and bitumen royalty	1,008	1,955	947	1,311	Higher bitumen prices
Coal royalty	27	35	8	8	Higher coal prices
Bonuses and sales of Crown leases	631	443	(188)	(35)	Fewer hectares sold / lower prices per hectare
Rentals and fees	143	154	11	3	Higher lease renewal rates
Drilling stimulus initiatives	(842)	(584)	258	6	Lower-than-expected prices and drilling activity
	<u>5,903</u>	<u>5,557</u>	<u>(346)</u>	<u>1,706</u>	
Transfers from Government of Canada					
Health transfers	2,037	2,056	19	19	Prior years' adjustments
Canada Social Transfer	1,170	1,189	19	19	Higher population share
Agriculture support programs	374	335	(39)	(12)	AgriInvest program delivery change
Other	1,090	1,140	50	(50)	Various federal stimulus transfers
	<u>4,671</u>	<u>4,720</u>	<u>49</u>	<u>(24)</u>	
Net Income from Commercial Operations					
Alberta Gaming and Liquor Commission:					
Gaming and lottery revenue	1,492	1,326	(166)	(82)	Lower-than-expected activity
Liquor revenue	880	730	(150)	30	Rescinding of liquor mark-ups increase
Alberta Treasury Branches	148	129	(19)	(19)	Lower interest income
Other	7	7	-	-	
	<u>2,527</u>	<u>2,192</u>	<u>(335)</u>	<u>(71)</u>	
Investment Income					
Alberta Heritage Savings Trust Fund	778	2,086	1,308	679	Stronger-than-expected equity markets
Endowment Funds:					
Medical Research	51	161	110	58	Stronger-than-expected equity markets
Science and Engineering Research	29	87	58	31	Stronger-than-expected equity markets
Scholarship	20	86	66	33	Stronger-than-expected equity markets
Alberta Capital Finance Authority	294	294	-	-	
Agriculture Financial Services Corporation	108	98	(10)	(10)	Lower interest rates
Sustainability Fund	345	475	130	100	Higher balance and returns
Debt Retirement Account	45	50	5	-	Higher returns
Other	129	95	(34)	(18)	Lower balances and interest rates
	<u>1,799</u>	<u>3,432</u>	<u>1,633</u>	<u>873</u>	
Premiums, Fees and Licences					
Motor vehicle licences	366	360	(6)	2	Lower vehicle registrations
Crop and hail insurance premiums	251	229	(22)	(22)	Reduction in insurance participation
Energy Resources Conservation Board levies	111	111	-	-	
Timber rentals and fees	40	34	(6)	(6)	Lower volumes/mountain pine beetle infestations
Land titles	62	58	(4)	(2)	Lower housing activity
Other	326	312	(14)	(6)	Lower fees from land access/apprenticeship program
	<u>1,156</u>	<u>1,104</u>	<u>(52)</u>	<u>(34)</u>	
Other					
Refunds of expense	111	121	10	9	Miscellaneous changes
Climate Change and Emissions Management	95	95	-	-	
Fines and penalties	113	113	-	-	
Miscellaneous	534	560	26	(6)	ALMA industry funding/Land Stewardship initiatives
	<u>853</u>	<u>889</u>	<u>36</u>	<u>3</u>	
Total Revenue	<u>31,661</u>	<u>32,626</u>	<u>965</u>	<u>3,056</u>	

EXPENSE

TOTAL EXPENSE

Total expense has increased by \$575 million from the budget estimate and by \$503 million from first quarter. Changes from budget consist of:

- \$454 million increase in disaster/emergency assistance;
- \$102 million net increase in capital grants;
- \$17 million net decrease in operating expense (\$215 million decrease for additional value review savings, less \$40 million net increase in dedicated revenue/expense and \$158 million in other increases);
- \$36 million increase in amortization/nominal sum disposals and debt servicing costs.

Disaster/emergency assistance – \$454 million increase from budget consisting of \$285 million in agriculture disaster support, \$130 million for forest fire-fighting costs, \$25 million to combat mountain pine beetle infestations and \$14 million for municipal disaster recovery and wildfire assistance programs.

Capital grants – \$102 million net increase, mainly for affordable housing, post-secondary facilities, municipal transportation and water management infrastructure, partially offset by re-profiling of grants for health facilities, schools and carbon capture and storage.

Debt servicing costs/amortization – \$36 million increase. Debt servicing costs are \$23 million higher due to increased borrowing, primarily to repay \$1.2 billion owed by the pre-1992 Teachers' Pension Plan (TPP) to the post-1992 TPP. This reduces unfunded pension liabilities by an equivalent amount. Amortization/nominal sum disposals expense is \$13 million higher mainly for \$10 million in vaccine consumption.

MINISTRY EXPENSE CHANGES

Advanced Education and Technology – \$176 million increase. Increases of \$131 million for the Centennial Centre for Interdisciplinary Science and \$98 million in federal funding supporting post secondary infrastructure, are partly offset by \$39 million in value review savings and \$14 million in other decreases.

Agriculture and Rural Development – \$276 million increase, consisting of a \$285 million increase in industry disaster support, prompted by poor early season weather conditions and declines in commodity prices, offset by \$5 million in value review savings and \$4 million in other net decreases.

Culture and Community Spirit – \$10 million increase, consisting of \$13 million for the Canada Sports Hall of Fame less \$3 million in value review savings.

Education – \$124 million decrease, comprising \$80 million in value review savings and re-profiling \$44 million in school projects into future years.

Employment and Immigration – \$175 million increase. \$138 million for higher caseloads and costs per case of Income Supports and Health Benefits programs and \$50 million for federally-funded skills and training are offset by \$13 million in value review savings.

Energy – \$97 million decrease comprising re-scheduling \$100 million in carbon capture and storage capital grants into future years, \$4 million in value review savings, a \$3 million reduction in expense and revenue of the Alberta Utilities Commission (AUC), and an increase of \$10 million to cancel an exploration lease and for AUC amortization.

Health and Wellness – \$237 million decrease reflecting \$188 million in value review savings and a \$60 million reduction in capital grants, offset by a net increase of \$11 million mainly for consumption of vaccines.

Housing and Urban Affairs – \$55 million increase comprising \$59 million in capital grants mainly for affordable housing, offset by federal funding, less decreases of \$4 million mainly in value review savings.

Municipal Affairs – \$16 million increase consisting of \$14 million in municipal wildfire and disaster assistance, \$5 million in other increases and \$3 million in value review savings.

Sustainable Resource Development – \$159 million increase. \$130 million for forest fire-fighting costs and \$35 million to combat mountain pine beetle infestations are partly offset by \$6 million in value review savings and other net decreases.

Transportation – \$195 million increase. Increases of \$91 million for federal stimulus projects and accelerated municipal grants, \$75 million for the Alberta Municipal Infrastructure program and \$47 million for Fort McMurray projects, are partly offset by decreases of \$10 million for re-profiling GreenTRIP projects to future years and \$8 million in value review savings.

Treasury Board – \$179 million decrease reflecting transferring \$75 million of funds set aside to match federal stimulus initiatives to Alberta Transportation and Culture and Community Spirit, \$100 million in federal stimulus funds re-profiled to future years, \$3 million in capital planning funds transferred for re-engineering strategies and \$1 million in value review savings.

Other Ministries – \$88 million decrease including \$81 million in value review savings.

EXPENSE SUMMARY*(millions of dollars)*

	2009-10			
	Budget	2nd Quarter Forecast	Change from Budget	1st Quarter
Program Expense				
Operating expense ^a	31,459	31,617	158	583
Dedicated revenue / operating expense net increases ^b	-	40	40	(3)
Value review savings	(215)	(430)	(215)	(430)
Net operating expense	31,244	31,227	(17)	150
Capital grants	4,152	4,254	102	(2)
Disaster/emergency assistance	-	454	454	319
Capital amortization and nominal sum disposals	774	787	13	13
Total Program Expense	36,170	36,722	552	480
Debt Servicing Costs	205	228	23	23
Total Expense	36,375	36,950	575	503

^a Prior to dedicated revenue/operating expense net changes and value review savings.

^b Dedicated revenue/operating expense changes – Advanced Education and Technology: \$4 million net decrease, mainly in Marketing Apprenticeship; Agriculture and Rural Development: \$10 million net decrease (\$25 million decrease in federal agriculture transfers partly offset by \$15 million increase in ALMA industry funding); Employment and Immigration: \$51 million increase in federal funding for skills and training; Infrastructure: \$5 million net decrease primarily due to lower Swan Hills Waste Treatment Centre revenue; Sustainable Resource Development: \$9 million net increase, mainly federal funding to combat mountain pine beetle infestations; net decrease of \$1 million in other ministries.

EXPENSE BY MINISTRY*(millions of dollars)*

Program	2nd		Change from		1st Main Reasons for Change from Budget
	Budget	Quarter Forecast	Budget	Quarter	
Legislative Assembly	95	95	-	-	
Aboriginal Relations	150	149	(1)	(1)	Value review savings
Advanced Education and Technology	3,143	3,319	176	176	Capital grants
Agriculture and Rural Development	1,139	1,415	276	289	Disaster assistance
Children and Youth Services	1,141	1,125	(16)	(16)	Value review savings
Culture and Community Spirit	309	319	10	9	Canada Sports Hall of Fame
Education	6,158	6,034	(124)	(124)	Value review savings
Employment and Immigration	1,011	1,186	175	125	Income Supports and Health Benefits
Energy	501	404	(97)	(106)	Deferred capital grants
Environment	348	345	(3)	(3)	Value review savings
Executive Council	36	35	(1)	(1)	Value review savings
Finance and Enterprise	1,283	1,275	(8)	(7)	Securities Commission/value review savings
Health and Wellness	12,935	12,698	(237)	(239)	Value review savings
Housing and Urban Affairs	554	609	55	(3)	Affordable housing development
Infrastructure	572	562	(10)	(8)	Value review savings
International and Intergovernmental Relations	26	26	-	-	
Justice	485	478	(7)	(7)	Value review savings
Municipal Affairs	592	608	16	11	Disaster recovery and wildfire assistance
Seniors and Community Supports	1,974	1,946	(28)	(28)	Value review savings
Service Alberta	298	297	(1)	(2)	Value review savings
Solicitor General and Public Security	627	616	(11)	(13)	Value review savings
Sustainable Resource Development	344	503	159	29	Forest fires/mountain pine beetles
Tourism, Parks and Recreation	193	191	(2)	-	Value review savings
Transportation	2,227	2,422	195	148	Various federal stimulus projects
Treasury Board	244	65	(179)	(179)	Transfer of federal stimulus to other ministries
Value review savings	(215)	-	215	430	Increased value review savings
Total Program Expense	36,170	36,722	552	480	
Debt Servicing Costs	205	228	23	23	Increased borrowing
Total Expense	36,375	36,950	575	503	

CAPITAL PLAN

2009-10 Capital Plan spending, comprising capital grants and other infrastructure support, included in expense, and capital investment in government-owned assets, is forecast at \$7 billion, \$228 million lower than the budget estimate and \$728 million less than first quarter. Major changes reflect project re-profiling and re-costing, and lapsing the unallocated provision.

Municipal Infrastructure Support – \$1.7 billion, \$173 million increase from budget. Increases of \$91 million for federal stimulus projects and accelerated grants, \$75 million for the Alberta Municipal Infrastructure program and \$11 million for Fort McMurray housing development, are slightly offset by other net decreases of \$4 million.

Provincial Highway Network – \$1.9 billion, an increase of \$63 million from budget, consisting of a net \$261 million increase related to 2008-09 projects, \$6 million for the intersection of Highways 63 and 69, and a net decrease of \$204 million for project re-costing and re-profiling.

Health Facilities and Equipment – \$312 million, a decrease of \$57 million from budget. Decreases of \$35 million for health information systems and \$35 million for project re-costing and re-profiling are partly offset by an increase of \$13 million for vaccine purchases and Capital for Emergent Projects.

Post-secondary Facilities – \$708 million, up \$218 million from budget. \$131 million for the Centennial Center for Interdisciplinary Science and \$98 million from the federal Knowledge Infrastructure program are offset by \$11 million in project re-profiling.

Schools – \$716 million, down \$45 million from budget due mainly to re-profiling of the school P3 projects.

Community Facilities – \$97 million, up \$17 million from budget. The increase mainly reflects \$13 million for the Canada Sports Hall of Fame and \$4 million for parks infrastructure, primarily supported by federal stimulus transfers.

Water and Wastewater Management – \$286 million, up \$32 million from budget. An increase of \$36 million for Fort McMurray development projects is partly offset by a \$4 million decrease primarily related to re-classifying funds to the Municipal Infrastructure Support envelope.

Housing – \$405 million, up \$77 million from budget. Increases of \$58 million for affordable housing supported by federal funding and \$33 million for Fort McMurray projects are partially offset by a net \$14 million re-profiled to future years.

Government Facilities, Equipment and Other Capital – \$858 million, down \$494 million from budget. Decreases of \$420 million from project re-costing and re-profiling, \$175 million from re-profiling and re-classifying of federal stimulus project funding to other envelopes, and \$8 million in other net decreases, are partially offset by increases of \$78 million from carried-over 2008-09 projects, \$19 million for AIMCo relocation and information technology requirements and \$12 million for land purchases.

Unallocated Provision – The \$212 million unallocated provision is being lapsed.

CAPITAL PLAN SUMMARY

(millions of dollars)

	Budget	2009-10	
		2nd Quarter Forecast	Change from 1st Quarter
Municipal infrastructure support	1,491	1,664	173
Provincial highway network	1,842	1,905	63
Health facilities and equipment	369	312	(57)
Post-secondary facilities	490	708	218
Schools	761	716	(45)
Community facilities	80	97	17
Water and wastewater management	254	286	32
Housing	328	405	77
Government facilities, equipment and other capital	1,352	858	(494)
Unallocated provision	212	-	(212)
Total Capital Plan	7,179	6,951	(228)

NET FINANCIAL AND CAPITAL ASSETS

Net Assets – Forecast at \$37.4 billion at March 31, 2010, an increase of \$135 million from the budget forecast but \$5.3 billion lower than March 31, 2009. This includes forecast capital assets of \$17.8 billion, \$347 million lower than budget but \$1.9 billion higher than March 31, 2009.

Heritage Fund – The forecast net book value of Heritage Fund external assets is \$13.8 billion, unchanged from budget and the same as at March 31, 2009. No inflation-proofing is expected as inflation is forecast to be negative.

Endowment and Other Funds – Total assets are forecast at \$3.3 billion, \$194 million higher than the budget estimate and \$117 million higher than March 31, 2009, due mainly to stronger-than-expected equity markets.

Sustainability Fund – Assets are forecast at \$13.3 billion at March 31, 2010, \$2.9 billion higher than budget

estimate but \$3.5 billion lower than March 31, 2009. Changes from March 31, 2009 include the \$4.3 billion withdrawal to offset the deficit, \$0.7 billion in various cash requirements, offset by the additional \$1.5 billion in cash from 2008-09 fourth quarter results. (Details are provided on pages 1 and 9.)

Pension Liabilities – Forecast at \$9.9 billion at March 31, 2010, \$931 million lower than the budget estimate and \$228 million lower than March 31, 2009. This reflects repayment of \$1.2 billion owed from the pre-1992 Teachers' Pension Plan (TPP) to the post-1992 TPP, partly offset by a \$255 million increase due to revised mortality rates and higher-than-expected recent COLA adjustments. The Province is borrowing for the debt repayment, increasing "other liabilities" by \$1.2 billion.

BALANCE SHEET

(millions of dollars)

	at March 31				
	2009		2010		Change from 2009 Actual
	Actual	Budget ^a	2nd Quarter Forecast	Budget	
Financial Assets					
Heritage Fund equity	13,838	13,838	13,838	-	-
Self-supporting lending organizations	9,235	9,994	10,276	282	1,041
Alberta Sustainability Fund ^b	16,822	10,359	13,278	2,919	(3,544)
Endowment and other funds ^c	3,208	3,131	3,325	194	117
Equity in commercial enterprises	2,346	2,562	2,466	(96)	120
Debt Retirement Account	1,175	1,107	1,107	-	(68)
Other financial assets	7,427	7,686	6,321	(1,365)	(1,106)
Total Financial Assets	54,051	48,677	50,611	1,934	(3,440)
Liabilities					
Accumulated debt	1,160	1,092	1,092	-	(68)
Pension liabilities ^d	10,081	10,784	9,853	(931)	(228)
Self-supporting lending organizations	8,424	9,003	9,604	601	1,180
Liabilities for capital projects	880	2,626	2,803	177	1,923
Other liabilities	6,633	5,996	7,601	1,605	968
Total Liabilities	27,178	29,501	30,953	1,452	3,775
Net Financial Assets	26,873	19,176	19,658	482	(7,215)
Capital Assets	15,848	18,128	17,781	(347)	1,933
Net Assets	42,721	37,304	37,439	135	(5,282)
Adjustment for pension liabilities	10,081	10,784	9,853	(931)	(228)
Net Assets for Fiscal Policy Purposes^e	52,802	48,088	47,292	(796)	(5,510)

^a Budget numbers have been restated to reflect 2008-09 actual results.

^b Under the amended *Fiscal Responsibility Act*, assets of the Capital Account were transferred into the Sustainability Fund for 2009-10, and amounts set aside for carbon capture and storage and GreenTRIP initiatives were retained in the Sustainability Fund.

^c Includes the Medical Research Endowment Fund, Science and Engineering Research Endowment Fund, Scholarship Fund, Alberta Cancer Prevention Legacy Fund, Alberta Enterprise Corporation and Climate Change and Emissions Management Fund.

^d The Actual, Budget and the Quarterly forecast amounts were restated to include the government's portion of liabilities of the Local Authorities Pension Plan.

^e Under the *Fiscal Responsibility Act*. Excludes pension liabilities and equity of Crown-controlled SUCH sector organizations.

CAPITAL GRANTS TO LOCAL AUTHORITIES AND OTHER INFRASTRUCTURE SUPPORT^a*(millions of dollars)*

2009-10

	Budget	2nd Quarter Forecast	Change from	
			Budget	1st Quarter
Advanced Education and Technology	484	702	218	218
Agriculture and Rural Development	42	44	2	2
Children and Youth Services	14	14	-	-
Culture and Community Spirit	45	57	12	12
Education	760	715	(45)	(45)
Energy	100	-	(100)	(100)
Environment	112	112	-	-
Finance and Enterprise	6	6	-	-
Health and Wellness	288	228	(60)	(62)
Housing and Urban Affairs	277	336	59	1
Infrastructure	67	60	(7)	(4)
Municipal Affairs	355	355	-	-
Seniors and Community Supports	51	51	-	-
Tourism, Parks and Recreation	9	9	-	-
Transportation	1,349	1,551	202	155
Treasury Board	193	14	(179)	(179)
	4,152	4,254	102	(2)

^a Included in program expense. Includes support for project planning, and accommodation and facility preservation.**CAPITAL INVESTMENT AND AMORTIZATION^a***(millions of dollars)*2009-10
Capital Investment2009-10
Capital Amortization

	2009-10 Capital Investment		Change from		2009-10 Capital Amortization		Change from	
	Budget	2nd Quarter Forecast	Budget	1st Quarter	Budget	2nd Quarter Forecast	Budget	1st Quarter
Legislative Assembly	2	2	-	-	1	1	-	-
Advanced Education and Technology	16	11	(5)	(5)	8	8	-	-
Agriculture and Rural Development	15	15	-	-	14	14	-	-
Children and Youth Services	2	2	-	-	4	4	-	-
Culture and Community Spirit	3	4	1	-	2	2	-	-
Education	1	5	4	4	1	1	-	-
Employment and Immigration	4	5	1	-	3	3	-	-
Energy	25	25	-	-	20	21	1	1
Environment	1	1	-	-	22	22	-	-
Finance and Enterprise	12	32	20	19	8	10	2	2
Health and Wellness	74	84	10	10	76	86	10	10
Housing and Urban Affairs	-	19	19	(14)	24	24	-	-
Infrastructure	599	355	(244)	(320)	77	78	1	1
Justice	4	4	-	-	8	8	-	-
Municipal Affairs	2	2	-	-	2	2	-	-
Seniors and Community Supports	1	1	-	-	1	1	-	-
Service Alberta	117	118	1	-	41	41	-	-
Solicitor General and Public Security	36	27	(9)	(9)	3	3	-	-
Sustainable Resource Development	26	41	15	2	15	15	-	-
Tourism, Parks and Recreation	18	24	6	3	13	13	-	-
Transportation	1,857	1,920	63	(204)	362	362	-	-
Treasury Board	-	-	-	-	1	1	-	-
Unallocated provision	212	-	(212)	(212)	-	-	-	-
Total	3,027	2,697	(330)	(726)	706	720	14	14

^a Capital Investment includes purchases of inventory. Capital Amortization includes consumption of inventory.

CASH ADJUSTMENTS*(millions of dollars)***2009-10**

	Budget	2nd Quarter Forecast	Change from	
			Budget	1st Quarter
Capital cash adjustments				
Requirements				
Capital investment	(3,027)	(2,697)	330	726
Principal repayment for alternatively-financed projects	(7)	(7)	-	-
Total requirements	(3,034)	(2,704)	330	726
Sources				
Capital amortization	706	720	14	14
Net book value of capital asset disposals	41	41	-	-
Alternatively-financed capital investment	340	294	(46)	-
Alternatively-financed capital grants	-	245	245	(69)
Direct borrowing	1,100	1,391	291	291
Total sources	2,187	2,691	504	236
Total capital cash adjustments	(847)	(13)	834	962
Other cash adjustments				
Energy royalties	(635)	(496)	139	122
Student loans	(50)	(99)	(49)	(30)
Other	6	8	2	(20)
Retained income of funds and agencies ^a	(223)	(123)	100	376
Total other cash adjustments	(902)	(710)	192	448
Total cash adjustments	(1,749)	(723)	1,026	1,410

^a Due primarily to the retained income of Alberta Treasury Branches, Agriculture Financial Services Corporation and endowment funds.

2009–10 FISCAL YEAR ASSUMPTIONS AND SENSITIVITIES^a*(millions of dollars)*

	Sensitivities		\$ millions		Assumptions		
	2009-10		Budget	1st Quarter Forecast	2nd Quarter Forecast		
	Annual Change	Net Change				Budget	Forecast
Oil Price WTI (US\$/bbl)	-\$1.00	-143	55.50	61.00	67.51		
Natural Gas Price (Cdn\$/GJ)	-10 cents	-126	5.50	3.75	3.25		
Exchange Rate (US¢/Cdn\$)	+1 cent	-221	83.50	89.40	91.00		
Interest Rates	+1%	-212					
3-month Canada treasury bills			0.60	0.30	0.30		
10-year Canada bonds			3.05	3.00	3.50		
Personal Income	-1%	-127	2.1%	2.8%	2.6%		
Corporate Taxable Income	-1%	-16	-37.3%	-52.2%	-28.1%		

^a Sensitivities based on prices and rates forecast at budget.

Alberta Wellhead Oil Price (Cdn\$/bbl)	57.95	59.80	63.14
Bitumen at Cold Lake (Cdn\$/bbl)	31.60	34.16	48.22

NET FINANCING REQUIREMENTS^a*(millions of dollars)*

	2009-10			
	Budget	2nd Quarter Forecast	Change from	
			from Budget	1st Quarter
Requirements				
General Revenue Fund term debt maturities	-	-	-	-
School construction loan repayments	44	44	-	-
Alberta Social Housing Corporation debt repayment	24	24	-	-
Accumulated debt financing requirements	68	68	-	-
Direct borrowing for capital purposes	1,100	1,391	291	291
Loan repayment from the pre-1992 TPP to the post-1992 TPP	-	1,186	1,186	1,186
Agriculture Financial Services Corporation term borrowing requirements	75	200	125	-
Gross financing requirements	1,243	2,845	1,602	1,477
Cash applied to accumulated debt repayment	(68)	(68)	-	-
Net Term Debt Financing Requirements	1,175	2,777	1,602	1,477
Term debt financing completed to date	-	1,524	1,524	1,424

^a Does not include alternative financing for capital projects (P3s) or financing requirements of Alberta Capital Finance Authority or ATB Financial.

ACTUAL RESULTS

FOR THE FIRST SIX MONTHS OF 2009–10

METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in *Budget 2009*.

The results of all government departments, funds and agencies, except those designated as commercial enterprises, are consolidated on a line-by-line basis. Revenue and expense transactions between consolidated entities have been eliminated.

The accounts of Crown-controlled corporations and provincial agencies designated as commercial enterprises are included on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to those entities.

The accounts of Crown-controlled SUCH sector organizations such as school boards, universities, colleges, technical institutes and Alberta Health Services that are controlled by the government are not included in this fiscal summary. These Crown-controlled entities are included in the consolidated financial statements forming part of the Government of Alberta Annual Report.

BASIS OF FINANCIAL REPORTING

The consolidated fiscal summary reports revenue (including gains and losses from sale of capital assets), expense (including amortization of capital assets), and surplus (deficit).

Revenue and expense are recorded using the accrual basis of accounting. Cash received for goods or services which have not been provided by period end is recorded as unearned revenue.

Expense includes the province's cash payments towards the unfunded pension liabilities. Expense excludes the change in the unfunded pension liabilities, which is a non-cash expense that does not affect borrowing requirements.

Debt servicing costs include interest payable and amortization of discount on debt issues.

Comparative 2008-09 figures have been restated where necessary to conform to the 2009-10 presentation.

CONSOLIDATED FISCAL SUMMARY*(millions of dollars)*

	First Six Months		
	2009-10	2008-09	Change
Revenue			
Income taxes	5,983	6,544	(561)
Other taxes	1,684	1,895	(211)
Non-renewable resource revenue	2,816	8,851	(6,035)
Transfers from Government of Canada	2,154	1,708	446
Net income from commercial operations	1,177	1,241	(64)
Premiums, fees and licences	702	1,214	(512)
Investment income	2,275	57	2,218
Other	360	312	48
Total Revenue	17,151	21,822	(4,671)
Expense			
Program Expense			
Legislative Assembly	40	41	(1)
Aboriginal Relations	69	37	32
Advanced Education and Technology	1,664	1,768	(104)
Agriculture and Rural Development	890	825	65
Children and Youth Services	581	520	61
Culture and Community Spirit	119	162	(43)
Education	2,958	2,635	323
Employment and Immigration	552	432	120
Energy	176	126	50
Environment	86	81	5
Executive Council	13	11	2
Finance and Enterprise	419	432	(13)
Health and Wellness	5,924	5,594	330
Housing and Urban Affairs	292	160	132
Infrastructure	260	248	12
International and Intergovernmental Relations	11	11	-
Justice	238	223	15
Municipal Affairs	281	598	(317)
Seniors and Community Supports	950	858	92
Service Alberta	144	136	8
Solicitor General and Public Security	318	283	35
Sustainable Resource Development	274	283	(9)
Tourism, Parks and Recreation	85	97	(12)
Transportation	1,155	1,164	(9)
Treasury Board	19	18	1
Total Program Expense	17,518	16,743	775
Debt servicing costs	88	108	(20)
Total Expense	17,606	16,851	755
Surplus (Deficit)	(455)	4,971	(5,426)

PRODUCED BY
Government of Alberta ■
Finance and Enterprise