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BUDGET 2010
Striking the Right Balance

First Quarter Fiscal Update 2010–2011

**Government
of Alberta** ■

August 2010

UPDATING ALBERTANS

The *First Quarter Fiscal Update* consists of two parts – the updated 2010–11 forecast for the entire fiscal year and the actual results for the first three months of the fiscal year (April 1 to June 30, 2010).

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2010–11 FORECAST

HIGHLIGHTS

Deficit. Forecast at \$4.8 billion, \$7 million higher than estimated in *Budget 2010*. The deficit is offset by a transfer from the Sustainability Fund.

Revenue. Forecast at \$34.6 billion, \$602 million higher than the budget estimate. Increased revenue from land lease sales, corporate income tax and federal transfers are partly offset by lower revenue from personal income tax and investment income, and the increased cost of drilling stimulus initiative claims.

Expense. Forecast at \$39.3 billion, \$609 million higher than the budget estimate, due primarily to disaster/emergency assistance for municipal flooding and wildfires, agriculture sector and forest fire-fighting costs. Total expense is net of expected in-year savings of \$240 million.

Sustainability Fund. Forecast assets at March 31, 2011 of \$11.2 billion, \$3 billion higher than the budget estimate. The higher balance is due primarily to the \$2.2 billion in cash from 2009-10 fourth quarter results transferred after March 31, 2010 (i.e., in the 2010-11 fiscal year), and lower 2010-11 net cash requirements, mainly related to energy royalties (see page 9 for details).

FISCAL SUMMARY^a

(millions of dollars)

	2010-11		Change from Budget
	Budget	1st Quarter Forecast	
Revenue	33,968	34,570	602
Expense^b			
Program expense			
Operating expense (net of in-year savings)	33,215	33,270	55
Capital grants	4,406	4,422	16
Disaster/emergency assistance	-	534	534
Capital amortization and nominal sum disposals	759	769	10
Debt servicing costs	336	330	(6)
Total Expense	38,716	39,325	609
Surplus / (Deficit)	(4,748)	(4,755)	(7)

^a Subject to the *Fiscal Responsibility Act*. Does not include changes in results of Crown-controlled SUCH sector organizations or pension liabilities, or revenue and expense of Alberta Innovates corporations. Budget revenue and expense have been increased by \$6 million to report recreational licensing fees collected by private issuers on a gross, instead of a net, basis, and decreased by \$2 million to eliminate double counting of expense related to secondment of staff to the Alberta Law Enforcement Response Team Ltd.

^b 2010-11 capital investment (not included in expense):

	2,802	2,868	66
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ALBERTA SUSTAINABILITY FUND

(millions of dollars)

	2010-11		Change from Budget
	Budget	1st Quarter Forecast	
Assets at Start of Year	14,983	14,983	-
Cash transferred from 2009-10 fourth quarter results	-	2,230	2,230
Transfer to offset deficit	(4,748)	(4,755)	(7)
Heritage Fund inflation-proofing	(291)	(291)	-
Cash adjustments:			
Capital cash adjustments	(519)	(678)	(159)
Retained income of funds and agencies	(341)	(291)	50
Other cash adjustments	(868)	37	905
Assets at End of Year	8,216	11,235	3,019

REVENUE

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is forecast at \$7.9 billion, \$612 million higher than the budget estimate. The increase is primarily due to higher-than-expected land lease sales, partially offset by increased drilling stimulus initiative credits and the negative impact of the higher exchange rate, now estimated to average 96.75 US¢/Cdn\$, 1.75¢ higher than budget.

Oil sands royalties are forecast at \$3.5 billion, \$231 million higher than budget. The forecast for bitumen prices and production is essentially unchanged from budget, but lower costs of production result in higher forecast royalties.

Conventional oil royalties are forecast at \$1.9 billion, \$214 million lower than budget. Oil prices are forecast to average US\$80.00/barrel for the fiscal year, \$1.25 higher than the budget estimate, due to recovering global demand. Production is also expected to be higher than the budget estimate. However, the impact of the higher exchange rate more than offsets the price and production increases.

Natural gas royalties are forecast at \$1.9 billion, \$82 million higher than budget, due mainly to lower costs of processing the Crown share of production, partly offset by lower natural gas prices. The Alberta Reference Price, used to calculate natural gas royalties, is now forecast to average Cdn\$3.75/gigajoule for 2010-11, \$0.50 lower than the budget estimate. Natural gas prices have remained low as a result of growing supply, continued weak US demand and resulting high natural gas storage levels.

Revenue from bonuses and sales of Crown leases is forecast at \$1.8 billion, \$1.2 billion higher than budget, due to higher-than-expected prices per hectare and number of hectares sold.

Drilling stimulus initiatives are forecast to reduce revenue by \$1.4 billion, \$698 million more than budget, due to a higher-than-expected number of credits being claimed by smaller companies, which are eligible for higher credit rates.

TAX REVENUE

Personal income tax revenue is forecast at \$7.8 billion, \$866 million lower than the budget estimate. This is due mainly to lower-than-expected preliminary data for 2009 tax year assessments. This reduces the base used to forecast revenue for 2010 and subsequent tax years. As a result, the 2010-11 forecast has been lowered by \$498 million.

The revised assessments also require a negative prior years' adjustment of \$368 million for overstated 2008-09 and 2009-10 accrued revenue.

Corporate income tax revenue is forecast at \$4 billion, \$887 million higher than the budget estimate, reflecting stronger-than-expected cash instalment payments from corporations in 2009-10.

Other tax revenue is forecast at \$3.7 billion, \$90 million lower than the budget estimate, due to lower fuel consumption, lower natural gas prices, lower-than-anticipated cash receipts from insurance premiums and lower hotel rates and fewer stays.

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers are forecast at \$5.6 billion, \$462 million higher than the budget estimate. The lower personal income tax revenue forecast results in a lower tax transfer component for the Canada Health Transfer, and consequently a higher cash transfer component. There are also additional transfers for agriculture and municipal flooding disaster assistance and employment, training and income supports programs.

INVESTMENT INCOME

Investment income is forecast at \$1.5 billion, a decrease of \$418 million from the budget estimate, mainly reflecting the impact of current weak equity markets, partially offset by increased income from the higher-than-expected Sustainability Fund balance.

OTHER REVENUE

Revenue from other sources is forecast at \$4.1 billion, \$15 million higher than budget, consisting of:

- \$28 million increase in net income from Alberta Treasury Branches;
- \$18 million increase in crop and hail insurance premiums due to higher participation and coverage levels;
- \$21 million increase in refunds of expense, mainly related to over-accrual of expense in 2009-10 for physician payments;
- \$46 million decrease due to rescinding of changes to the Seniors Drug Plan;
- \$6 million net decrease in various premiums, fees and licences and other miscellaneous revenue.

REVENUE*(millions of dollars)*

2010-11

	Budget	1st Quarter Forecast	Change from Budget	Main Reasons for Change from Budget
Income Taxes				
Personal income tax	8,648	7,782	(866)	Lower-than-expected 2009 assessments
Corporate income tax	3,113	4,000	887	Higher-than-expected 2009-10 cash receipts
	11,761	11,782	21	
Other Taxes				
Education property tax	1,592	1,592	-	
Tobacco tax	880	880	-	
Fuel tax	760	725	(35)	Lower consumption
Freehold mineral rights tax	167	138	(29)	Lower natural gas prices
Insurance taxes	330	307	(23)	Lower-than-anticipated cash receipts
Tourism levy	63	60	(3)	Lower hotel rates and fewer stays
	3,792	3,702	(90)	
Non-Renewable Resource Revenue				
Natural gas and by-products royalty	1,861	1,943	82	Lower costs to process Crown portion
Crude oil royalty	2,137	1,923	(214)	Higher exchange rate
Synthetic crude oil and bitumen royalty	3,249	3,480	231	Lower costs
Coal royalty	35	35	-	
Bonuses and sales of Crown leases	630	1,820	1,190	Higher prices/number of hectares sold
Rentals and fees	135	156	21	Higher lease renewal rates
Drilling stimulus initiatives	(732)	(1,430)	(698)	Higher number of credits from smaller companies
	7,315	7,927	612	
Transfers from Government of Canada				
Health transfers	2,072	2,246	174	Decreased personal income tax forecast
Canada Social Transfer	1,224	1,226	2	Higher population share
Agriculture support programs	357	448	91	Disaster assistance programs
Other	1,437	1,632	195	Municipal flooding assistance/training and income supports
	5,090	5,552	462	
Investment Income				
Alberta Heritage Savings Trust Fund	1,050	684	(366)	Weaker-than-expected equity markets
Endowment Funds:				
Medical Research	95	40	(55)	Weaker-than-expected equity markets
Science and Engineering Research	55	21	(34)	Weaker-than-expected equity markets
Scholarship	53	32	(21)	Weaker-than-expected equity markets
Alberta Capital Finance Authority	164	164	-	
Agriculture Financial Services Corporation	103	97	(6)	Lower loan balances from higher 2009-10 repayments
Sustainability Fund	285	380	95	Higher balance
Debt Retirement Account	38	40	2	Higher expected returns
Other	104	71	(33)	Lower balances
	1,947	1,529	(418)	
Net Income from Commercial Operations				
Alberta Gaming and Liquor Commission				
Gaming and lottery revenue	1,292	1,292	-	
Liquor revenue	697	697	-	
Alberta Treasury Branches ^a	99	127	28	Higher expected interest-rate spreads/lower loss provision
Other	9	9	-	
	2,097	2,125	28	
Premiums, Fees and Licences				
Supplementary health benefits premiums	104	58	(46)	Rescinding of Seniors Drug Plan changes
Motor vehicle licences	369	369	-	
Crop and hail insurance premiums	241	259	18	Higher participation and coverage levels
Energy Resources Conservation Board levies	115	115	-	
Timber rentals and fees	34	35	1	Higher prices
Land titles	53	53	-	
Other ^a	342	337	(5)	Miscellaneous changes
	1,258	1,226	(32)	
Other				
Refunds of expense	110	131	21	Over-accrual of 2009-10 physician payments
Climate Change and Emissions Management	78	78	-	
Fines and penalties	114	114	-	
Miscellaneous	406	404	(2)	Miscellaneous changes
	708	727	19	
Total Revenue	33,968	34,570	602	

^a Budget numbers have been restated to reflect reporting of the estimated \$30 million payment in lieu of taxes from Alberta Treasury Branches (ATB) as "Premiums, Fees and Licences – Other" revenue, rather than being included in "Net Income from Commercial Operations - ATB" revenue.

EXPENSE

TOTAL EXPENSE

Total expense has increased by \$609 million from the budget estimate. Changes from budget consist of:

- \$534 million in disaster/emergency assistance;
- \$55 million increase in net operating expense (including \$29 million for the Bigstone Cree Nation land claim settlement, \$28 million net increase in dedicated revenue-operating expense and a net \$2 million decrease in other operating expense);
- \$16 million net increase in capital grants;
- \$4 million net increase in amortization, nominal sum disposals and debt servicing costs.

Disaster/emergency assistance – \$534 million increase comprising \$228 million for municipal flood recovery and wildfire assistance, \$171 million in agriculture support, \$120 million for forest fire-fighting costs, and \$15 million to combat mountain pine beetle infestations.

Operating expense – \$55 million increase, including additional funding for Children and Youth Services programs, teachers' salaries, a First Nations settlement, and training and income support programs funded through increased federal transfers. Partially offsetting these is lower-than-budgeted Health and Wellness expense.

Capital grants – \$16 million net increase mainly for seniors accommodation and school projects, partly offset by a re-profiling of carbon capture and storage grants to future years.

In-year operating expense limit – Operating expense increases, excluding those for First Nations settlements and dedicated revenue-operating expense, are limited by the *Fiscal Responsibility Act* to 1% of total operating expense. In 2010-11, this is \$332 million.

MINISTRY EXPENSE CHANGES

Aboriginal Relations – \$41 million increase for the Bigstone Cree Nation land claim settlement, consisting of \$29 million in compensation and \$12 million in capital grants to construct schools.

Agriculture and Rural Development – \$172 million increase, primarily disaster assistance, comprising \$95 million for the Canada-Alberta Pasture Recovery Initiative related to the impact of 2009 drought conditions, \$42 million for the Excess Precipitation and Flooding initiative related to 2010 spring conditions, and \$34 million for additional crop insurance payments. Additional federal transfers of \$82 million partially offset the costs of the first two programs.

Children and Youth Services – \$72 million increase, consisting of \$40 million to address child intervention pressures, \$19 million to support the expansion of child care spaces and \$13 million mainly for increased caseloads for children with disabilities.

Education – \$63 million net increase consisting of \$63 million for teachers' salaries and \$10 million for the related impact on pension costs, partly offset by \$25 million in departmental savings. School project capital grants have increased by a net \$15 million.

Employment and Immigration – \$26 million increase, for employment, training and income supports programs funded by increased federal transfers.

Energy – \$59 million decrease, consisting of \$1 million transferred from Treasury Board for the Energy Regulatory Reengineering project less \$60 million in carbon capture and storage (CCS) capital grants re-profiled to future years. \$5 million in CCS capital grants have been transferred to operating expense in 2010-11.

Health and Wellness – \$147 million net decrease. Reductions of \$232 million related to the lower-than-estimated Alberta Health Services (AHS) 2009-10 deficit and \$9 million in capital grants now provided by Infrastructure, are partially offset by \$50 million allocated to address AHS emergent pressures and \$44 million to fund post-secondary health workforce spaces.

Infrastructure – \$21 million increase, consisting of \$16 million for a capital grant and nominal sum disposal of land to expand Wood Buffalo's prisoner holding facility and \$13 million in other capital grants, mainly reflecting \$9 million originally budgeted in Health and Wellness, are partly offset by \$8 million in capital for emergent projects funding transferred to other ministries.

Municipal Affairs – \$228 million increase in flooding and wildfire disaster assistance.

Seniors and Community Supports – \$53 million increase for Affordable Supportive Living Initiative projects.

Sustainable Resource Development – \$135 million increase in disaster funding consisting of \$120 million for forest fire-fighting costs and \$15 million for combatting mountain pine beetle infestations.

Other Ministries – \$10 million net increase, including support for Edmonton's 2017 Expo bid, increased correctional facility staffing and a nominal sum disposal of land for seniors housing in Calgary.

Debt servicing costs – \$6 million decrease, due to lower-than-expected Agriculture Financial Services Corporation borrowing in 2009-10 and interest rates in 2010-11.

EXPENSE SUMMARY*(millions of dollars)*

	2010-11		Change from Budget
	Budget	1st Quarter Forecast	
Program Expense			
Operating expense ^a	33,455	33,482	27
In-year savings	(240)	(240)	-
Dedicated revenue/operating expense net changes ^b	-	28	28
Net operating expense	33,215	33,270	55
Capital grants	4,406	4,422	16
Disaster/emergency assistance	-	534	534
Capital amortization and nominal sum disposals	759	769	10
Total Program Expense	38,380	38,995	615
Debt Servicing Costs	336	330	(6)
Total Expense	38,716	39,325	609

^a Prior to dedicated revenue/operating expense net changes and in-year savings. Includes a \$29 million increase for a First Nations settlement.

^b Dedicated revenue/operating expense changes – Employment and Immigration: \$25.4 million increase in federal employment, skills and income support funding; Finance and Enterprise: \$1 million increase from Community Development Trust Fund; net increase of \$1.3 million in other ministries.

EXPENSE BY MINISTRY*(millions of dollars)*

Program	2010-11		Change from Budget	Main Reasons for Change from Budget
	Budget ^a	1st Quarter Forecast		
Legislative Assembly	94	94	-	
Aboriginal Relations	153	194	41	Bigstone Cree Nation settlement
Advanced Education and Technology	3,226	3,226	-	
Agriculture and Rural Development	1,055	1,227	172	Disaster assistance
Children and Youth Services	1,106	1,178	72	Child intervention/child care spaces/caseloads
Culture and Community Spirit	284	285	1	Valour House project
Education	6,078	6,141	63	Teachers' salaries and capital grants
Employment and Immigration	1,100	1,126	26	Income supports, employment and training programs
Energy	457	398	(59)	Carbon capture and storage capital grants
Environment	308	308	-	
Executive Council	31	31	-	
Finance and Enterprise	1,082	1,082	-	
Health and Wellness	15,030	14,883	(147)	Lower 2009-10 Alberta Health Services deficit
Housing and Urban Affairs	491	495	4	Nominal sum disposal
Infrastructure	1,170	1,191	21	Wood Buffalo prisoner holding facility/health facilities
International and Intergovernmental Relations	24	24	-	
Justice	479	479	-	
Municipal Affairs	1,030	1,258	228	Flood and wildfire disaster assistance
Seniors and Community Supports	1,995	2,048	53	Affordable Supportive Living Initiative capital grants
Service Alberta	280	281	1	Procurement reengineering initiative
Solicitor General and Public Security	639	643	4	Increased staffing at correctional facilities
Sustainable Resource Development	312	447	135	Forest fire fighting/mountain pine beetles
Tourism, Parks and Recreation	176	180	4	Edmonton Expo 2017 bid
Transportation	1,964	1,964	-	
Treasury Board	56	52	(4)	Transfers to ministries for reengineering initiatives
In-year savings	(240)	(240)	-	
Total Program Expense	38,380	38,995	615	
Debt Servicing Costs	336	330	(6)	Lower-than-expected interest rates/AFSC borrowing
Total Expense	38,716	39,325	609	

^a Budget numbers have been restated to reflect the transfer of responsibility for the Agency Governance Secretariat from Executive Council to Treasury Board.

CAPITAL PLAN

2010-11 Capital Plan spending, comprising capital grants and other infrastructure support included in expense, and capital investment in government-owned assets not included in expense, is forecast at \$7.3 billion, \$82 million higher than budget, primarily due to a \$66 million increase in capital investment.

Municipal Infrastructure Support – \$1.8 billion, unchanged from budget.

Provincial Highway Network – \$1.8 billion, a net decrease of \$50 million from budget. The cost of the South East Stoney Trail Calgary ring road P3 project was lower than expected, resulting in savings of \$269 million in 2010-11. This is partially offset by an increase of \$219 million in projects carried over from 2009-10, including the North West Anthony Henday Edmonton ring road P3 project, and rehabilitation and other highway systems projects.

Health Facilities and Equipment – \$804 million, an increase of \$2 million for long-term care beds in Grande Cache.

Post-secondary Facilities – \$578 million, unchanged from budget.

Schools – \$543 million, an increase of \$27 million from budget, consisting of a net \$11 million increase from re-profiling of ASAP I and II projects, a \$12 million increase as part of the Bigstone Cree Nation land claim settlement and \$4 million in capital for emergent projects funding transferred from the government facilities envelope.

Community Facilities – \$123 million, \$5 million higher than budget, reflecting \$4 million in projects carried over from 2009-10 and \$1 million in capital for emergent projects funding transferred from the government facilities envelope.

Water and Wastewater Management – \$169 million, a \$2 million increase from budget for projects carried over from 2009-10.

Housing – \$423 million, an increase of \$71 million from budget, comprising \$53 million for Affordable Supportive Living Initiative projects, \$15 million for Fort McMurray projects, and \$3 million in capital for emergent projects funding transferred from the government facilities envelope.

Government Facilities, Equipment and Other Capital – \$1.1 billion, \$25 million higher than budget. Increases consist of \$97 million for projects carried over from 2009-10, \$10 million for a capital grant to expand Wood Buffalo's prisoner holding facility and \$2 million for an Alberta Innovates - Technology Futures biomaterials facility. These are partially offset by decreases of \$65 million mainly for re-profiling of carbon capture and storage grants to future years, \$8 million in capital for emergent project funding transferred to other Capital Plan envelopes, \$5 million in capital planning funds transferred to operating expense for reengineering initiatives and a net \$6 million in other decreases.

CAPITAL PLAN SUMMARY

(millions of dollars)

	2010-11		Change from Budget
	Budget	1st Quarter Forecast	
Municipal infrastructure support	1,776	1,776	-
Provincial highway network	1,866	1,816	(50)
Health facilities and equipment	802	804	2
Post-secondary facilities	578	578	-
Schools	516	543	27
Community facilities	118	123	5
Water and wastewater management	167	169	2
Housing	352	423	71
Government facilities, equipment and other capital	1,033	1,058	25
Total Capital Plan	7,208	7,290	82

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

2010-11

	Budget	1st Quarter Forecast	Change from Budget
Aboriginal Relations	-	12	12
Advanced Education and Technology	578	578	-
Agriculture and Rural Development	30	30	-
Children and Youth Services	15	15	-
Culture and Community Spirit	84	85	1
Education	513	528	15
Energy	100	35	(65)
Environment	94	94	-
Health and Wellness	96	87	(9)
Housing and Urban Affairs	234	234	-
Infrastructure	689	704	15
Municipal Affairs	828	828	-
Seniors and Community Supports	50	103	53
Tourism, Parks and Recreation	1	1	-
Transportation	1,084	1,084	-
Treasury Board	10	4	(6)
	4,406	4,422	16

^a Included in program expense. Includes support for project planning, and accommodation and facility preservation.

CAPITAL INVESTMENT AND AMORTIZATION^a*(millions of dollars)*

2010-11

2010-11

Capital Investment

Capital Amortization

	2010-11 Capital Investment			2010-11 Capital Amortization		
	Budget	1st Quarter Forecast	Change from Budget	Budget	1st Quarter Forecast	Change from Budget
Legislative Assembly	3	3	-	1	1	-
Advanced Education and Technology	8	8	-	5	5	-
Agriculture and Rural Development	14	14	-	14	14	-
Children and Youth Services	2	2	-	4	4	-
Culture and Community Spirit	3	3	-	3	3	-
Education	1	1	-	1	1	-
Employment and Immigration	4	4	-	3	3	-
Energy	28	28	-	21	21	-
Environment	1	1	-	22	22	-
Finance and Enterprise	32	32	-	11	11	-
Health and Wellness	78	78	-	80	80	-
Housing and Urban Affairs	68	86	18	24	24	-
Infrastructure	407	470	63	82	82	-
Justice	4	2	(2)	8	8	-
Municipal Affairs	1	1	-	2	2	-
Seniors and Community Supports	1	1	-	1	1	-
Service Alberta	133	146	13	52	52	-
Solicitor General and Public Security	25	42	17	3	3	-
Sustainable Resource Development	24	29	5	16	16	-
Tourism, Parks and Recreation	21	22	1	19	19	-
Transportation	1,881	1,832	(49)	386	386	-
Treasury Board	63	63	-	1	1	-
Total	2,802	2,868	66	759	759	-

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

NET FINANCIAL AND CAPITAL ASSETS

Net Assets – At March 31, 2011 net assets are forecast to be \$36 billion, essentially unchanged from budget and a decrease of \$5.3 billion from March 31, 2010. This includes forecast financial assets of \$49.9 billion, \$4.9 billion lower than at March 31, 2010, capital assets of \$19.6 billion, \$2.1 billion higher than at March 31, 2010, less liabilities of \$33.5 billion, \$2.5 billion higher than at March 31, 2010.

Heritage and Endowment Funds – Forecast book value of Heritage Fund external assets is \$14.1 billion, unchanged from budget, but \$291 million higher than March 31, 2010, reflecting forecast inflation-proofing. Total assets of endowment and other funds are forecast to be \$3.2 billion at March 31, 2011, \$40 million lower than at March 31, 2010 and \$69 million lower than budget, due to lower expected returns and budgeted spending.

Sustainability Fund – Assets are forecast at \$11.2 billion at March 31, 2011, \$3 billion higher than budget, but \$3.7 billion lower than at March 31, 2010. The increase

from budget is due primarily to the \$2.2 billion from 2009-10 fourth quarter results transferred into the Fund after March 31, 2010 (included in “other financial assets” at March 31, 2010), and a positive swing in energy cash adjustments. The decrease from last year is due mainly to the \$4.8 billion transfer to offset the deficit, and Heritage Fund inflation-proofing and capital cash requirements, partly offset by the \$2.2 billion in better-than-expected 2009-10 results.

Total Liabilities – Forecast at \$33.5 billion, an increase of \$2.5 billion from March 31, 2010, but \$129 million lower than budget. The increase from last year is mainly due to a \$1.4 billion increase in liabilities for capital projects, reflecting the planned \$1.1 billion in direct borrowing and ongoing progress on P3 projects, the \$544 million budgeted increase in pension liabilities, and increased liabilities of self-supporting lending organizations, which are more than offset by their increased assets.

BALANCE SHEET

(millions of dollars)

	at March 31				
	2010		2011		
	Actual	Budget ^a	1st Quarter Forecast	Change from Budget	2010 Actual
Financial Assets					
Heritage Fund equity	13,838	14,129	14,129	-	291
Self-supporting lending organizations	10,671	11,857	11,857	-	1,186
Alberta Sustainability Fund	14,983	8,216	11,235	3,019	(3,748)
Endowment and other funds ^b	3,239	3,268	3,199	(69)	(40)
Equity in commercial enterprises	2,478	2,629	2,612	(17)	134
Debt Retirement Account	1,107	843	843	-	(264)
Other financial assets	8,489	9,127	5,997	(3,130)	(2,492)
Total Financial Assets	54,805	50,069	49,872	(197)	(4,933)
Liabilities					
Accumulated debt	1,092	828	828	-	(264)
Pension liabilities	9,279	9,823	9,823	-	544
Self-supporting lending organizations	10,035	11,044	11,044	-	1,009
Liabilities for capital projects	2,889	4,411	4,313	(98)	1,424
Other liabilities	7,772	7,558	7,527	(31)	(245)
Total Liabilities	31,067	33,664	33,535	(129)	2,468
Net Financial Assets	23,738	16,405	16,337	(68)	(7,401)
Capital Assets	17,532	19,573	19,634	61	2,102
Net Assets	41,270	35,978	35,971	(7)	(5,299)
Adjustment for pension liabilities	9,279	9,823	9,823	-	544
Net Assets for Fiscal Policy Purposes^c	50,549	45,801	45,794	(7)	(4,755)

^a Budget numbers have been restated to reflect 2009-10 actual results. The \$2.2 billion in cash from 2009-10 fourth quarter results transferred into the Sustainability Fund after March 31, 2010 is reported in “Other financial assets” in Budget numbers.

^b Includes the Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Heritage Scholarship Fund, Alberta Cancer Prevention Legacy Fund, and Alberta Enterprise Corporation.

^c Under the *Fiscal Responsibility Act*. Excludes pension liabilities, and equity of Crown-controlled SUCH sector organizations and Alberta Innovates corporations.

CASH ADJUSTMENTS^a*(millions of dollars)*

	2010-11		
	Budget	1st Quarter Forecast	Change from Budget
Capital Cash Adjustments			
Requirements			
Capital investment	(2,802)	(2,868)	(66)
Principal repayment for alternatively-financed projects	(13)	(13)	-
Total requirements	(2,815)	(2,881)	(66)
Sources			
Capital amortization	759	759	-
Net book value of capital asset disposals	2	7	5
Alternatively-financed capital investment	355	258	(97)
Alternatively-financed capital grants	80	79	(1)
Direct borrowing	1,100	1,100	-
Total sources	2,296	2,203	(93)
Total capital cash adjustments	(519)	(678)	(159)
Retained Income of Funds and Agencies Cash Adjustments			
Alberta Treasury Branches	(99)	(127)	(28)
Agriculture Financial Services Corporation	(186)	(186)	-
Endowment funds	(42)	31	73
Other funds	(14)	(9)	5
Total retained income of funds and agencies cash adjustments	(341)	(291)	50
Other Cash Adjustments			
Energy royalties	(746)	(21)	725
Student loans	(80)	(109)	(29)
Other	(42)	167	209
Total other cash adjustments	(868)	37	905

^a Negative cash adjustments are a cash requirement; positive cash adjustments are a cash source.**DISASTER/EMERGENCY ASSISTANCE***(millions of dollars)*

	2010-11		
	Budget	1st Quarter Forecast	Change from Budget
Disaster/Emergency Assistance			
Agriculture and Rural Development	-	171	171
Municipal Affairs (flood and wildfire assistance)	-	228	228
Sustainable Resource Development			
Forest fires	-	120	120
Mountain pine beetles	-	15	15
Total Disaster/Emergency Assistance	-	534	534

2010–11 FISCAL YEAR ASSUMPTIONS AND SENSITIVITIES^a

	Sensitivities		Assumptions	
	Change	Net Impact (\$ million)	Budget	1st Quarter Forecast
Oil Price - WTI (US\$/bbl)	-\$1.00	-186	78.75	80.00
Natural Gas Price - Alberta Reference Price (Cdn\$/GJ)	-10 cents	-93	4.25	3.75
Exchange Rate (US¢/Cdn\$)	+1 cent	-215	95.00	96.75
Interest Rates	+1%	-141		
3-month Canada treasury bills (per cent)			1.30	1.25
10 year Canada bonds (per cent)			4.05	3.90
Personal Income (2010 calendar year)	-1%	-127	3.4%	2.4%
Production assumptions				
Oil sands (000s barrels/day)			1,771	1,775
Conventional crude oil (000s barrels/day)			424	475
Natural gas (billions of cubic feet/annum)			4,284	4,359
Alberta Wellhead - Conventional Oil (Cdn\$/bbl)			72.20	72.82
Bitumen @ Cold Lake (Cdn\$/bbl)			56.38	56.41

^a Sensitivities are based on the *Budget 2010* assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and capital loss. When interest rates rise, bond prices go down, causing a capital loss.

NET FINANCING REQUIREMENTS^a

(millions of dollars)

	2010-11		
	Budget	1st Quarter Forecast	Change from Budget
Requirements			
General Revenue Fund term debt maturities	202	202	-
School construction loan repayments	37	37	-
Alberta Social Housing Corporation debt repayment	25	25	-
Accumulated debt financing requirements	264	264	-
Direct borrowing for capital purposes	1,100	1,100	-
Agriculture Financial Services Corporation term borrowing requirements	470	470	-
Gross financing requirements	1,834	1,834	-
Cash applied to accumulated debt repayment	(264)	(264)	-
Net Term Debt Financing Requirements	1,570	1,570	-

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

ACTUAL RESULTS

ACTUAL RESULTS

FOR THE FIRST THREE MONTHS OF 2010–11

METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in *Budget 2010*.

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 the Alberta Innovates Corporations and the 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 consolidated on a line by line basis 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 2009-10 figures have been restated where necessary to conform to the 2010-11 presentation.

CONSOLIDATED FISCAL SUMMARY

for the three months ended June 30, 2010

(millions of dollars)

	First Three Months		
	2010-11	2009-10	Change
Revenue			
Income taxes	2,777	3,096	(319)
Other taxes	850	812	38
Non-renewable resource revenue	1,944	1,100	844
Transfers from Government of Canada	1,172	1,161	11
Net income from commercial operations	595	622	(27)
Premiums, fees and licences	554	501	53
Investment income	(16)	1,162	(1,178)
Other	187	165	22
Total Revenue	8,063	8,619	(556)
Expense			
Program Expense			
Legislative Assembly	20	22	(2)
Aboriginal Relations	36	35	1
Advanced Education and Technology	956	603	353
Agriculture and Rural Development	213	118	95
Children and Youth Services	292	302	(10)
Culture and Community Spirit	44	58	(14)
Education	1,404	1,384	20
Employment and Immigration	271	265	6
Energy	73	99	(26)
Environment	38	43	(5)
Executive Council	6	7	(1)
Finance and Enterprise	237	205	32
Health and Wellness	3,410	2,932	478
Housing and Urban Affairs	100	78	22
Infrastructure	132	130	2
International and Intergovernmental Relations	6	6	-
Justice	117	119	(2)
Municipal Affairs	38	52	(14)
Seniors and Community Supports	488	478	10
Service Alberta	55	67	(12)
Solicitor General and Public Security	181	177	4
Sustainable Resource Development	108	94	14
Tourism, Parks and Recreation	38	43	(5)
Transportation	284	536	(252)
Treasury Board	9	10	(1)
Total Program Expense	8,556	7,863	693
Debt servicing costs	70	43	27
Total Expense	8,626	7,906	720
Surplus (Deficit)	(563)	713	(1,276)

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Finance and Enterprise