

# BUDGET

New Century. **Bold Plans.**

# 2000

## SECOND QUARTER FISCAL UPDATE

2000-01 QUARTERLY BUDGET REPORT

# 2

FOR RELEASE NOVEMBER 14, 2000

**Alberta**  
GOVERNMENT OF ALBERTA

## UPDATING ALBERTANS

The Second Quarter Fiscal Update is comprised of two parts - the updated 2000-01 forecast and the actual results for the first six months of the fiscal year (April 1 to September 30, 2000).

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# 2000-01 FORECAST

## Highlights

- Higher than budgeted revenue is being used to make a record payment on Alberta's accumulated debt. In total, \$4.5 billion is being allocated towards repaying Alberta's accumulated debt.
- Accumulated debt will be reduced by \$2.2 billion this year and \$2.3 billion will be set aside to repay accumulated debt as it matures in the future.
- As a result of strong energy prices, revenue is forecast to be nearly \$4.5 billion higher than estimated in the budget. Higher revenue will also allow \$485 million to be returned to Albertans through lower personal income and school property taxes, an Energy Tax Refund, and a reduction in crop insurance premiums.
- Spending is \$1 billion higher than budgeted. A new Farm Income Assistance package will provide \$233 million in support to farmers and ranchers. Increased funding has also been provided for construction and modernization of schools and health facilities, improving health services, children services and other priority programs.

## CONSOLIDATED FISCAL SUMMARY<sup>a</sup>

(millions of dollars)

	2000-01			
	Budget <sup>b</sup>	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
1 <b>Revenue</b>	19,075	<b>23,555</b>	4,480	(533)
2 <b>Expense</b>				
3 Program	16,732	<b>17,781</b>	1,049	280
4 Debt Servicing Costs	981	<b>945</b>	(36)	44
5 Total Expense	17,713	<b>18,726</b>	1,013	324
6 Net Revenue	1,362	<b>4,829</b>	3,467	(857)
7 Less: Net Increase in Capital Assets affecting Operations <sup>c</sup>	149	<b>159</b>	10	11
	1,213	<b>4,670</b>	3,457	(868)
8 Alberta Heritage Science and Engineering Research Endowment Fund	500	<b>500</b>	—	—
9 <b>Economic Cushion</b>	713	<b>4,170</b>	3,457	(868)
10 Allocation of Economic Cushion				
11 Debt Repayment and Increase in Financial Assets	535	<b>4,162</b>	3,627	(188)
12 Contingency Reserve	178	<b>8</b>	(170)	(680)
13 Reduction in accumulated debt	532	<b>4,509<sup>d</sup></b>	3,977	22
14 Net assets at March 31, 2001 <sup>e</sup>	3,689	<b>7,316</b>	3,627	(188)

a Subject to the *Fiscal Responsibility Act*.

b Budget numbers have been restated to reflect changes due to accounting adjustments. As recommended by the Auditor General, Community Development numbers have been restated to record admission fees and donations of collections, increasing both revenue and expense by \$4 million.

c Converts capital expense to a pay-as-you-go basis.

d Includes \$470 million of cash available from 1999-2000 fiscal year.

e The net asset calculation has been adjusted to reflect actual results at March 31, 2000. Net assets at March 31, 2000 amounted to \$2,654 million. This does not include pension obligations which are forecast to increase by \$19 million to \$4,747 million. 2000-01 net assets include the \$500 million allocation to the Alberta Heritage Science and Engineering Research Endowment Fund.

# Revenue

## NON-RENEWABLE RESOURCE REVENUE

Reflecting higher energy prices, resource revenue is up \$4.7 billion from the budget estimate.

Natural gas royalties are \$3 billion higher than estimated in the budget. Natural gas prices are now expected to average Cdn\$4.65 per thousand cubic feet, compared to the budget estimate of Cdn\$2.50 and the First Quarter Update forecast of Cdn\$4.27. Higher prices are the result of declining U.S. production, increasing oil prices and high demand driven by strong economic growth. Lower than expected production has partly offset the impact of higher prices.

Oil royalties are \$1.2 billion higher than the budget estimate. Oil prices were expected to average US\$19.00 per barrel at budget time. The price forecast was increased to US\$28.50 in the First Quarter Update and has now been raised to US\$30.00. Strong world economic growth has increased demand faster than supply has grown. Recent tension in the Middle East has kept prices high despite increased production.

Higher energy prices and industry cashflow have also led to a \$436 million increase in revenue from the bonuses and sales of Crown leases.

## INCOME TAX REVENUE

Personal income tax revenue is \$599 million lower than the budget estimate.

As noted in the First Quarter Update, the new single tax rate, which takes effect January 1, 2001, has been reduced from 11% to 10.5% and the basic and spousal exemptions increased, at a cost of \$86 million.

\$345 million has also been provided for an Energy Tax Refund to assist Albertans with higher home heating, gasoline and other energy costs.

The remaining decrease is accounted for by a negative prior year adjustment.

As noted in the First Quarter Update, corporate income tax revenue has been reduced from the budget estimate because of ongoing effects of the weakness in corporate profits in the 1998 tax year.

## TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from the Government of Canada are expected to be \$325 million higher than the budget estimate.

As noted in the First Quarter Update, the Canada Health and Social Transfer (CHST) health supplement has increased by \$98 million as a result of the additional funding provided in the federal budget.

The September 11th First Ministers' Agreement on Health will result in \$49 million being transferred to Alberta this year for medical diagnostic and treatment equipment.

Revised estimates in the total value of CHST transfers, changes in Alberta's share of Canadian population and lower personal income tax revenue have also increased the basic CHST transfer by \$147 million. Federal transfers for agriculture support programs, disaster assistance and other transfers have increased from the budget by \$31 million.

## NET INCOME FROM COMMERCIAL OPERATIONS

Net income from commercial operations is \$163 million higher than budgeted. An increase in net interest income has increased Alberta Treasury Branches' net revenue by \$47 million. Lottery revenue is up \$107 million as a result of an increase in gaming activity. Higher net revenue from liquor operations and other commercial operations account for the remaining \$9 million increase.

## OTHER REVENUE

Revenue from all other sources is up \$61 million.

Investment income is forecast to increase by \$69 million as a result of higher realized gains on equities and higher short term investments.

There is a \$47 million increase in freehold mineral rights tax revenue as a result of higher energy prices.

School property tax revenues are down \$30 million as a result of a reduction in the school property tax requisition effective January 1, 2001.

Revenue from other sources is forecast to decrease by \$25 million from the budget estimate, primarily due to lower crop insurance premium rates, lower tobacco tax revenue, and lower timber rentals and fees.

**REVENUE***(millions of dollars)*

	2000-01		Change from Budget	Change from 1st Quarter	Main Reasons for Change from Budget
	Budget	2nd Quarter Forecast			
<b>Income Taxes</b>					
Personal income tax	4,713	<b>4,114</b>	(599)	(884)	Tax changes, Energy Tax Refund, prior-year adjustment
Corporate income tax	1,896	<b>1,776</b>	(120)	2	Higher than expected refunds
	<b>6,609</b>	<b>5,890</b>	(719)	(882)	
<b>Other Taxes</b>					
School property tax	1,157	<b>1,127</b>	(30)	(30)	Tax reduction
Fuel tax	559	<b>562</b>	3	—	Revised forecast
Tobacco tax	355	<b>340</b>	(15)	—	Lower demand
Freehold mineral rights tax	135	<b>182</b>	47	7	Higher oil and natural gas prices
Insurance corporations tax	127	<b>126</b>	(1)	(1)	Revised forecast
Hotel room tax	47	<b>47</b>	—	—	
Financial institutions capital tax	38	<b>38</b>	—	—	
	<b>2,418</b>	<b>2,422</b>	4	(24)	
<b>Non-Renewable Resource Revenue</b>					
Natural gas and by-products royalty	2,323	<b>5,318</b>	2,995	19	Higher natural gas prices
Crude oil royalty	632	<b>1,365</b>	733	123	Higher oil prices
Synthetic crude oil and bitumen royalty	469	<b>930</b>	461	(50)	Higher oil prices
Coal royalty	14	<b>13</b>	(1)	1	Mine closure
Bonuses and sales of Crown leases	650	<b>1,086</b>	436	166	Higher energy prices/industry cash flow
Rentals and fees	157	<b>161</b>	4	(1)	Higher land sales
Royalty tax credit	(197)	<b>(175)</b>	22	(31)	Higher energy prices
	<b>4,048</b>	<b>8,698</b>	4,650	227	
<b>Transfers from Government of Canada</b>					
Canada Health and Social Transfer	906	<b>1,053</b>	147	93	Federal revision to CHST
CHST - health supplement	194	<b>292</b>	98	—	New federal budget provision
Medical equipment fund	—	<b>49</b>	49	49	September Health Agreement
Labour market development	124	<b>124</b>	—	—	
Agriculture support programs	53	<b>81</b>	28	(45)	Increased agricultural aid (AIDA)
Other	168	<b>171</b>	3	(4)	Pine Lake disaster
	<b>1,445</b>	<b>1,770</b>	325	93	
<b>Investment Income</b>					
Alberta Heritage Savings Trust Fund	818	<b>825</b>	7	7	Expected higher realized gains
Endowment Funds:					
Medical Research	74	<b>83</b>	9	(6)	Expected higher realized gains
Scholarship	21	<b>32</b>	11	5	Expected higher realized gains
Science and Engineering Research	12	<b>18</b>	6	6	Expected higher realized gains
Alberta Municipal Financing Corporation	399	<b>403</b>	4	—	Higher lending activity
Agriculture Financial Services Corporation	77	<b>80</b>	3	(1)	Higher rates of return
Other*	59	<b>88</b>	29	(17)	Higher short term investments
	<b>1,460</b>	<b>1,529</b>	69	(6)	
<b>Net Income from Commercial Operations</b>					
Alberta Gaming and Liquor Commission					
Lottery revenue*	832	<b>939</b>	107	20	Increase in gaming activity
Liquor operations	458	<b>465</b>	7	4	Higher sales
Alberta Treasury Branches	114	<b>161</b>	47	12	Increase in net interest income
Other	4	<b>6</b>	2	—	Revised forecast
	<b>1,408</b>	<b>1,571</b>	163	36	
<b>Premiums, Fees and Licences</b>					
Health care insurance premiums	660	<b>660</b>	—	—	
Motor vehicle licences	196	<b>202</b>	6	3	Increase in number of licences
Timber rentals and fees	89	<b>78</b>	(11)	—	Lower prices
Crop and hail insurance premiums	77	<b>66</b>	(11)	13	Premium reduction
Land titles	28	<b>29</b>	1	1	Revised forecast
Other	233	<b>232</b>	(1)	1	Revised forecast
	<b>1,283</b>	<b>1,267</b>	(16)	18	
<b>Other</b>					
Sale of capital assets	62	<b>63</b>	1	4	Revised forecast
Alberta Dairy Control Board	59	<b>62</b>	3	—	Increased milk production
Fines and penalties	40	<b>40</b>	—	—	
Miscellaneous	243	<b>243</b>	—	1	
	<b>404</b>	<b>408</b>	4	5	
<b>Total Revenue</b>	<b>19,075</b>	<b>23,555</b>	<b>4,480</b>	<b>(533)</b>	

\* \$6 million of Lottery interest revenue has been reclassified as investment income.

# Expense

**Infrastructure** spending is forecast to increase by \$419 million over the budget estimate.

As noted in the First Quarter Update, \$411 million is being provided for high priority new schools, school modernization, health capital projects, and the construction of a new high-tech learning centre at the Northern Alberta Institute of Technology.

In addition the province will provide \$8 million this fiscal year as part of its \$171 million commitment to the Infrastructure Canada/Alberta Program.

**Health and Wellness** spending is forecast to increase by \$294 million.

As reported in the First Quarter Update, an additional \$230 million was provided to support the implementation of the Six Point Plan for Health, including funding to:

- health authorities to replace aging medical equipment and invest in new technology;
- cut waiting times for diagnosis and treatment;
- accommodate recently negotiated salary settlements for the health authorities;
- expand long-term care and home care and to support a new strategic plan for healthy aging;
- eliminate the accumulated deficits of voluntary organizations operating acute care facilities;
- address the Children's Forum and the Children at Risk Task Force Report; and
- support other programs.

The Second Quarter Update also includes increases of \$15 million for contracted agencies and service providers to support employee compensation adjustments and \$49 million for medical equipment.

**Agriculture, Food and Rural Development** spending is forecast to increase by \$177 million.

A new Farm Income Assistance package will provide \$233 million to farmers and ranchers who are experiencing difficulties due to poor weather, low commodity prices and growing input costs. Crop and hail insurance indemnities are also increasing by \$40 million and there is a \$2 million increase in Alberta Dairy Control Board restricted expense.

These increases are partially offset by a \$98 million reduction in the Farm Income Disaster Program. The reduction is due to lower than anticipated claims for the 1998 and 1999 tax years, and the offsetting effects of the Farm Income Assistance Program on farmers' margins for the 2000 tax year.

**Community Development** spending is forecast to increase by \$56 million from budget.

As reported in the First Quarter Update, \$12 million is being provided for seniors housing projects and rent subsidies for low income households. \$50 million was also provided for the Alberta Centennial, of which the ministry has now allocated \$44 million for community legacy projects (program expense) and \$6 million for related capital investment.

**Children's Services** spending is forecast to increase by \$46 million above the budget estimate.

As reported in the First Quarter Update, \$37 million is being provided to address higher than expected caseload growth in child welfare and handicapped children's services, civil service compensation costs, and high priority recommendations of the Children's Forum and the Children at Risk Task Force Report.

An additional \$9 million is being provided to contracted agencies and service providers to support employee compensation adjustments.

**Learning** spending is down \$7 million from budget due to lower than anticipated enrollment. As reported in the First Quarter Update, the ministry is reallocating funds to increase the number of hours of kindergarten and provide extra funding for the training of more physicians and other health professionals.

**Environment** spending is forecast to increase by \$30 million. Forest fire fighting costs have risen \$33 million, partly offset by decreases in dedicated revenue expenditures.

**Municipal Affairs** spending is forecast to increase by \$18 million from the budget estimate. \$10 million is being provided to develop and implement a property tax assessment and building permit data sharing system for use by municipalities and the ministry (\$8 million program expense plus \$2 million in capital investment). \$10 million has also been provided for the Pine Lake Tornado Disaster Recovery Program.

**Debt Servicing Costs** are forecast to be \$945 million, a drop of \$36 million from the budget estimate. The forecast reflects the large debt payment the province is making this year. A higher foreign exchange valuation due to the weaker Canadian dollar partially offsets lower interest costs.

**EXPENSE***(millions of dollars)*

	2000-01			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
<b>Program</b>				
Legislative Assembly	56	57	1	1
Agriculture, Food and Rural Development	642	819	177	197
Children's Services	537	583	46	9
Community Development	374	430	56	(6)
Economic Development	51	51	—	—
Environment	328	358	30	1
Executive Council	13	13	—	—
Gaming	183	183	—	—
Government Services	48	49	1	—
Health and Wellness	5,653	5,947	294	64
Human Resources and Employment	1,031	1,030	(1)	—
Infrastructure	1,766	2,185	419	8
Innovation and Science	186	188	2	1
International and Intergovernmental Relations	34	34	—	—
Justice	457	458	1	—
Learning	4,456	4,449	(7)	(7)
Municipal Affairs	142	160	18	6
Resource Development	150	156	6	6
Treasury	625	631	6	—
<b>Total Program Expense</b>	16,732	17,781	1,049	280
<b>Debt Servicing Costs</b>	981	945	(36)	44
<b>Total Expense</b>	17,713	18,726	1,013	324

# Net Change in Capital Assets

The Net Change in Capital Assets affecting Operations forecast has been increased by \$10 million to \$159 million.

The forecast of capital investment has increased by \$10 million, reflecting funding for Alberta Centennial Legacy projects, the expansion of the Alberta Emergency

Public Warning System, the property tax assessment and building permit data sharing system, and increased capital investment of the Energy Utilities Board. The forecast of capital amortization is unchanged.

## NET CHANGE IN CAPITAL ASSETS

(millions of dollars)

	2000-01			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Capital Investment	429	<b>439</b>	10	13
Capital Amortization	(280)	<b>(280)</b>	—	2
<b>Net Increase in Capital Assets affecting Operations</b>	<b>149</b>	<b>159</b>	<b>10</b>	<b>11</b>

## CAPITAL INVESTMENT AND AMORTIZATION

(millions of dollars)

	2000-01 Capital Investment				2000-01 Capital Amortization			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Legislative Assembly	—	—	—	—	—	—	—	—
Agriculture, Food and Rural Development	6	<b>6</b>	—	2	7	<b>7</b>	—	—
Children's Services	—	—	—	—	1	<b>1</b>	—	—
Community Development	2	<b>8</b>	6	6	25	<b>25</b>	—	—
Economic Development	—	—	—	—	—	—	—	—
Environment	12	<b>11</b>	(1)	—	27	<b>27</b>	—	—
Executive Council	—	—	—	—	—	—	—	—
Gaming	—	—	—	—	—	—	—	—
Government Services	2	<b>3</b>	1	—	2	<b>3</b>	1	1
Health and Wellness	2	<b>2</b>	—	—	1	<b>1</b>	—	—
Human Resources and Employment	5	<b>4</b>	(1)	(1)	3	<b>3</b>	—	—
Infrastructure	371	<b>371</b>	—	—	186	<b>186</b>	—	—
Innovation and Science	11	<b>11</b>	—	—	13	<b>13</b>	—	—
International and Intergovernmental Relations	—	—	—	—	—	—	—	—
Justice	1	<b>1</b>	—	—	2	<b>2</b>	—	—
Learning	3	<b>3</b>	—	—	1	<b>1</b>	—	—
Municipal Affairs	1	<b>4</b>	3	3	1	<b>1</b>	—	—
Resource Development	7	<b>10</b>	3	3	7	<b>7</b>	—	—
Treasury	6	<b>5</b>	(1)	—	4	<b>3</b>	(1)	1
<b>Total Capital Investment/Amortization</b>	<b>429</b>	<b>439</b>	<b>10</b>	<b>13</b>	<b>280</b>	<b>280</b>	<b>—</b>	<b>2</b>



# Allocation of Economic Cushion

Higher revenue has increased the contingency reserve to \$1,387 million.

Nearly all of the contingency reserve has been allocated to address in-year initiatives — \$485 million for revenue reduction measures and \$894 million for spending initiatives. The remaining contingency reserve is \$8 million.

Revenue reduction initiatives include:

- \$345 million for the Energy Tax Refund to assist with higher home heating, gasoline and other energy costs for Albertans;
- \$86 million for the lowering of the single tax rate from 11% to 10.5% and the increase in the personal and spousal exemptions from \$11,620 to \$12,900, effective January 1, 2001;
- \$30 million for the reduction in the school property tax effective January 1, 2001; and
- \$24 million for a reduction in crop insurance premiums for farmers.

Spending has been increased by \$1,059 million (program expense plus net change in capital assets). Of this, \$894 million is a charge against the contingency reserve and \$165 million results from an increase in dedicated revenue and disaster assistance.

Pursuant to sections 4(2) and 4(3) of the *Fiscal Responsibility Act*, the net increase of \$165 million in dedicated revenue/expense and disaster assistance are not considered allocations from the contingency reserve. These include the:

- \$98 million Canada Health and Social Transfer health supplement;
- \$49 million federal transfer for medical equipment;
- \$10 million for the Pine Lake Tornado Disaster Recovery Program; and
- \$8 million in other dedicated revenue/expense changes.

## ALLOCATION OF ECONOMIC CUSHION, 2000-01

(millions of dollars)

	Budget	Forecast Changes	Revised Forecast	Cushion Allocations		2nd Quarter Update
				1st Quarter	2nd Quarter	
<b>Revenue</b>	19,075	4,965	24,040	(110)	(375)	<b>23,555</b>
<b>Expense</b>						
Program Expense	16,732	163	16,895	652	234	<b>17,781</b>
Debt Servicing Costs	981	(36)	945	—	—	<b>945</b>
Net Change in Capital Assets	149	2	151	—	8	<b>159</b>
Total Expense and Net Change in Capital Assets	17,862	129	17,991	652	242	<b>18,885</b>
Alberta Heritage Science and Engineering Research Endowment Fund	1,213	4,836	6,049	(762)	(617)	<b>4,670</b>
500	—	500	—	—	<b>500</b>	
<b>Economic Cushion</b>	713	4,836	5,549	(762)	(617)	<b>4,170</b>
Allocation of Economic Cushion						
Debt Repayment	535	3,627	4,162	—	—	<b>4,162</b>
Contingency Reserve	178	1,209	1,387	(762)	(617)	<b>8</b>

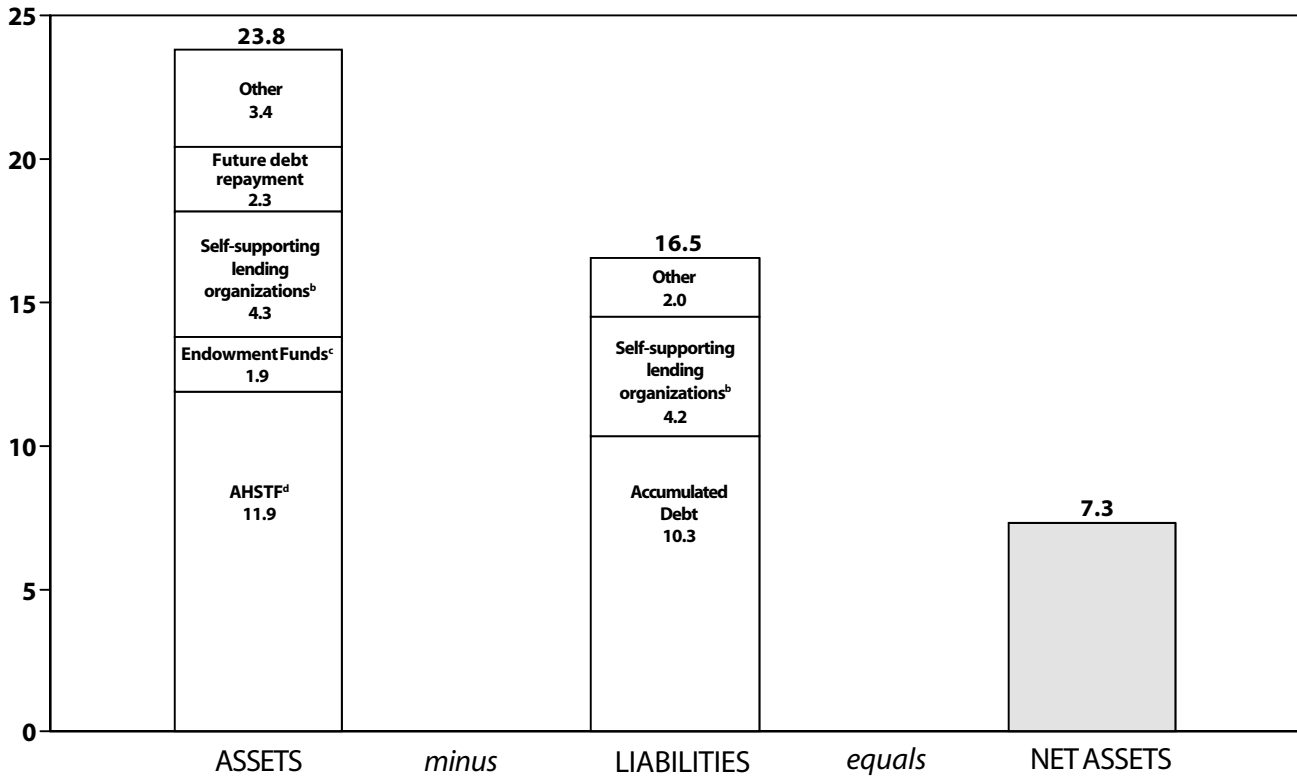
# Assets, Liabilities and Net Assets

At March 31, 2001, the province's financial assets are forecast at \$23.8 billion. Total liabilities (excluding pension obligations) are forecast at \$16.5 billion, resulting in net assets of \$7.3 billion.

The province's accumulated debt is forecast to decline by \$2.2 billion to \$10.3 billion by March 31, 2001. A further \$2.3 billion in financial assets has been set aside for repayment of accumulated debt as it matures in the future. This will reduce the accumulated debt to \$8.0 billion.

## NET WORTH (BALANCE SHEET)<sup>a</sup> **FORECAST OF ASSETS, LIABILITIES AND NET ASSETS** AT MARCH 31, 2001

(billions of dollars)



- a Excludes pension obligations of \$4.747 billion which are scheduled for elimination under a separate 1993 legislated plan.
- b Includes Alberta Municipal Financing Corporation, Agriculture Financial Services Corporation and Alberta Opportunity Company.
- c Includes Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Endowment Fund.
- d Alberta Heritage Savings Trust Fund. Total assets of \$12.256 billion less \$326 million of internal holdings of provincial corporation and General Revenue Fund debt.

**CASH AVAILABLE FOR DEBT REPAYMENT***(millions of dollars)*

	2000-01			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Allocation for debt repayment/increase in financial assets	535	4,162	3,627	(188)
Cash adjustments	112	62	(50)	168
Cash available from 1999-2000	—	470	470	—
	647	4,694	4,047	(20)
Less: Retained income of funds and agencies:				
Alberta Treasury Branches	114	161	47	12
Agriculture Financial Services Corporation	23	(36)	(59)	(50)
Environmental Protection and Enhancement Fund	60	60	—	—
Foundation for Medical Research Endowment Fund	29	38	9	(6)
Heritage Scholarship Fund	4	15	11	5
Other	(115)	(53)	62	(3)
Total retained income	115	185	70	(42)
<b>Cash available for accumulated debt repayment</b>	532	4,509	3,977	22
Net reduction:				
2000-01 accumulated debt maturities and redemptions	532	2,236	1,704	(62)
Future accumulated debt maturities and redemptions	—	2,273	2,273	84
	532	4,509	3,977	22

**ACCUMULATED DEBT***(millions of dollars)*

	2000-01			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Accumulated debt at the start of the year	12,490 <sup>a</sup>	12,490	—	—
Less: Accumulated debt reduction in 2000-01	532	2,236	1,704	(62)
<b>Accumulated debt at March 31, 2001</b>	11,958	10,254	(1,704)	62
Cash set aside for future accumulated debt repayments	—	2,273	2,273	84
	11,958	7,981	(3,977)	(22)

a Accumulated debt has been restated to reflect the March 31, 2000 actual.

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

	2000-01			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
<b>Requirements</b>				
Term debt maturities and redemptions	2,760	2,460	(300)	—
School construction loans	99	99	—	—
Provincial corporations' borrowing requirements	248	370	122	39
	3,107	2,929	(178)	39
<b>Sources</b>				
Borrowing to date	—	341	341	—
Cash for accumulated debt repayment in 2000-01	532	2,236	1,704	(62)
Adjustments	(5)	30	35	62
	527	2,607	2,080	—
<b>Net Financing Requirements</b>	2,580	322 <sup>a</sup>	(2,258)	39

a Represents remaining borrowing for provincial corporations.

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**SENSITIVITIES TO FISCAL YEAR ASSUMPTIONS, 2000-01**

	<b>Sensitivities (\$ million)</b>				<b>Assumptions</b>	
	<b>Change</b>	<b>Revenue</b>	<b>Spending</b>	<b>Net Change</b>	<b>Budget</b>	<b>2nd Quarter Forecast</b>
Oil Price (WTI US\$/bbl)	-\$1.00	-150	—	-150	19.00	<b>30.00</b>
Natural Gas Price (Cdn\$/mcf)	-10¢	-154	—	-154	2.50	<b>4.65</b>
Exchange Rate (US¢/Cdn\$)	+1¢	-82	-30	-52	68.50	<b>67.00</b>
Interest Rates (per cent)	+1%	+5	+40	-35		
3-month Canada Treasury Bills					5.65	<b>5.75</b>
10-year Canada Bonds					6.75	<b>6.00</b>

# A C T U A L   R E S U L T S

## FOR THE FIRST SIX MONTHS OF 2000 -01

### **METHOD OF CONSOLIDATION**

This financial summary is prepared on the same basis as used in Budget 2000.

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 consolidated on an equity basis, the equity being computed in accordance with generally accepted accounting principles.

### **BASIS OF FINANCIAL REPORTING**

The consolidated fiscal summary reports revenue (including proceeds from sale of capital assets), expense (including amortization of capital assets), and net revenue. Consistent with the policy that capital assets are not included in the province's financial assets, losses on disposal and write-downs of capital assets do not affect revenues, expenses or net revenue for the period. The intermediate result of operations (net revenue) is then adjusted for the difference between capital investment and capital asset amortization. The final result is the consolidated net results of operations subject to the *Fiscal Responsibility Act*.

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

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. Debt servicing costs include interest payable, amortization of discount on debt issues, and amortization of unrealized exchange gains and losses on unhedged foreign currency debt.

**CONSOLIDATED FISCAL SUMMARY<sup>a</sup>**

for the six months ended September 30, 2000 (unaudited)

*(millions of dollars)*

	<b>First Six Months</b>		
	<b>2000-01</b>	<b>1999-2000</b>	<b>Change</b>
<b>Revenue</b>			
Income Taxes	2,426	2,821	(395)
Other Taxes	1,264	1,182	82
Non-Renewable Resource Revenue	4,216	1,662	2,554
Transfers from Government of Canada	844	818	26
Investment Income	890	754	136
Net Income from Commercial Operations	798	734	64
Premiums, Fees and Licences	687	761	(74)
Other	171	151	20
<b>Total Revenue</b>	<b>11,296</b>	<b>8,883</b>	<b>2,413</b>
<b>Expense</b>			
Program	8,189	7,572	617
Debt Servicing Costs	491	524	(33)
<b>Total Expense</b>	<b>8,680</b>	<b>8,096</b>	<b>584</b>
Net Revenue	2,616	787	1,829
Net Increase in Capital Assets affecting Operations <sup>b</sup>	54	29	25
<b>Net Results of Operations</b>	<b>2,562</b>	<b>758</b>	<b>1,804</b>

a Subject to the *Fiscal Responsibility Act*. Includes the province's annual cash payments towards the unfunded pension liability, which will be eliminated over a longer term under a separate legislated plan. Does not include the annual change in the unfunded pension obligations, which is a non-cash expense that does not affect borrowing requirements.

b Converts capital expense to a pay-as-you-go basis for the purposes of the consolidated net results of operations.

**EXPENSE**

for the six months ended September 30, 2000 (unaudited)

*(millions of dollars)*

	First Six Months		
	2000-01	1999-2000	Change
<b>Program</b>			
Legislative Assembly	23	18	5
Agriculture, Food and Rural Development	309	176	133
Children's Services	287	247	40
Community Development	183	201	(18)
Economic Development	21	15	6
Environment	205	285	(80)
Executive Council	6	6	—
Gaming	73	85	(12)
Government Services	23	19	4
Health and Wellness	2,833	2,543	290
Human Resources and Employment	498	492	6
Infrastructure	818	665	153
Innovation and Science	72	57	15
International and Intergovernmental Relations	25	27	(2)
Justice	208	195	13
Learning	2,135	2,082	53
Municipal Affairs	102	96	6
Resource Development	63	56	7
Treasury	305	307	(2)
<b>Total Program Expense</b>	<b>8,189</b>	<b>7,572</b>	<b>617</b>
<b>Debt Servicing Costs</b>	<b>491</b>	<b>524</b>	<b>(33)</b>
<b>Total Expense</b>	<b>8,680</b>	<b>8,096</b>	<b>584</b>

**NET INCREASE IN CAPITAL ASSETS AFFECTING OPERATIONS**

for the six months ended September 30, 2000 (unaudited)

*(millions of dollars)*

	First Six Months		
	2000-01	1999-2000	Change
<b>Capital Investment</b>			
Legislative Assembly	—	—	—
Agriculture, Food and Rural Development	3	4	(1)
Children's Services	—	—	—
Community Development	—	—	—
Economic Development	—	—	—
Environment	2	2	—
Executive Council	—	—	—
Gaming	—	—	—
Government Services	—	—	—
Health and Wellness	1	—	1
Human Resources and Employment	—	—	—
Infrastructure	159	123	36
Innovation and Science	1	9	(8)
International and Intergovernmental Relations	—	—	—
Justice	—	1	(1)
Learning	—	1	(1)
Municipal Affairs	—	—	—
Resource Development	1	1	—
Treasury	2	3	(1)
	169	144	25
Less: Capital Amortization	115	115	—
<b>Net Increase in Capital Assets affecting Operations</b>	54	29	25



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