

BUDGET

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2000

THIRD QUARTER FISCAL UPDATE

2000-01 QUARTERLY BUDGET REPORT

FOR RELEASE FEBRUARY 5, 2001

Alberta
GOVERNMENT OF ALBERTA

UPDATING ALBERTANS

The Third Quarter Fiscal Update is comprised of two parts – the updated 2000-01 forecast and the actual results for the first nine months of the fiscal year (April 1 to December 31, 2000).

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2000-01 FORECAST

Highlights

- This year's record resource revenues will fund a \$5.6 billion reduction in Alberta's accumulated debt. In addition, over \$1.4 billion is being returned to Albertans through tax cuts and energy cost assistance initiatives.
 - Accumulated debt is being reduced by \$2.2 billion this year and \$2.1 billion is being set aside to repay accumulated debt as it matures in the future. A further \$1.3 billion will be available in 2001-02 because of the spike in natural gas royalties in the last three months of this fiscal year. The cash from these royalties is not available for accumulated debt repayment until 2001-02 because of a three-month lag in receiving the money.
 - Strong energy prices have increased the revenue forecast by \$6.2 billion from the budget estimate. This is net of \$535 million returned to Albertans through lower personal income and school property taxes, an Energy Tax Refund and a reduction in crop insurance premiums.
 - Program expense is \$1.5 billion higher than the budget estimate. Over \$900 million has been allocated to natural gas rebates and the electricity market transition credit.
- The remaining increase includes funding for the construction and modernization of schools and health facilities, improvements in health and children services, and the Farm Income Assistance Program.

CONSOLIDATED FISCAL SUMMARY^a

(millions of dollars)

	2000-01			
	Budget ^b	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
1 Revenue	19,075	25,294	6,219	1,739
2 Expense				
3 Program	16,732	18,198	1,466	417
4 Debt Servicing Costs	981	940	(41)	(5)
5 Total Expense	17,713	19,138	1,425	412
6 Net Revenue	1,362	6,156	4,794	1,327
7 Less: Net Increase in Capital Assets affecting Operations ^c	149	158	9	(1)
8	1,213	5,998	4,785	1,328
9 Alberta Heritage Science and Engineering Research Endowment Fund	500	500	—	—
10 Economic Cushion	713	5,498	4,785	1,328
11 Allocation of Economic Cushion				
12 Debt Repayment and Increase in Financial Assets	535	5,498	4,963	1,336
13 Contingency Reserve	178	—	(178)	(8)
14 Reduction in Accumulated Debt	532	4,279^d	3,747	(230)
15 Natural gas royalty 2001-02 cash adjustment		1,321		
16		5,600		
17 Net Assets at March 31, 2001^e	3,689	8,652	4,963	1,336

^a Subject to the *Fiscal Responsibility Act*.

^b As recommended by the Auditor General, Community Development's budget 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 \$2,050 million set aside for future accumulated debt repayments.

^e The net asset calculation has been adjusted to reflect actual net assets at March 31, 2000 of \$2,654 million. This does not include pension obligations of \$4,728 million which are forecast not to change in 2000-01. Net assets in 2000-01 include the \$500 million allocation to the Alberta Heritage Science and Engineering Research Endowment Fund.

Revenue

NON-RENEWABLE RESOURCE REVENUE

Higher energy prices have raised the forecast of resource revenue to \$10.3 billion. This is \$6.2 billion higher than the budget estimate and nearly double the previous record high of \$5.2 billion in 1984-85.

Natural gas royalties are forecast at \$6.9 billion, a \$4.6 billion increase from the budget estimate. Natural gas prices are now expected to average Cdn\$6.06 per thousand cubic feet, up from the budget forecast of Cdn\$2.50. The dramatic increase in natural gas prices is the result of rapidly increasing North American demand which has exceeded the modest growth in supply.

Oil royalties are forecast at \$2.3 billion, a \$1.2 billion increase from the budget estimate. Oil prices, which were forecast to average US\$19.00 per barrel at budget time, are now forecast to average US\$30.00, unchanged from the Second Quarter Update. The increase is due to strong world economic growth and OPEC actions to control supply.

Revenue from bonuses and sales of Crown leases is forecast to be \$476 million higher than the budget estimate. The increase is a result of the higher energy prices and improved industry cash flow.

INCOME TAX REVENUE

The personal income tax revenue forecast is \$681 million lower than the budget estimate.

During the year, two cuts were made to the new single tax rate which took effect on January 1, 2001. In May 2000, the planned rate was reduced from 11% to 10.5% and the basic and spousal exemptions were increased to \$12,900. In January 2001, a further rate reduction to 10% was announced. The province also matched tax credit improvements introduced by the federal government. The three-month (January to March 2001) cost of these reductions is \$136 million.

As announced in the Second Quarter Update, personal income tax revenue was also reduced by \$345 million for the Energy Tax Refund. The province also paralleled the federal reduction in the inclusion rate on capital gains to 50%. A negative prior-year adjustment accounts for the remaining reduction.

The forecast of corporate income tax revenue has been revised to \$1,978 million, an \$82 million increase from the budget estimate. Strong corporate income growth is expected to more than offset the reduction in the inclusion rate on capital gains to 50%.

TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from Government of Canada are forecast to be \$298 million higher than the budget estimate.

The total Canada Health and Social Transfer (CHST) has increased by \$233 million. This reflects a \$135 million increase due to revised estimates of the value of CHST transfers, together with changes in Alberta's share of the Canadian population and lower income tax revenue. In addition, the CHST health supplement was increased by \$98 million in the federal budget.

The September 2000 First Ministers' Health Agreement resulted in a \$49 million transfer to Alberta for medical diagnostic and treatment equipment. Federal transfers for other programs have increased by \$16 million from the budget estimate.

NET INCOME FROM COMMERCIAL OPERATIONS

Net income from commercial operations is expected to increase by \$164 million from the budget estimate. Lottery revenue is up \$108 million as a result of an increase in gaming activity. An increase in net interest income has raised Alberta Treasury Branches' net revenue by \$49 million. Higher net revenue from liquor operations accounts for the remaining \$7 million increase.

OTHER REVENUE

Revenue from all other sources is expected to be \$110 million above the budget estimate.

Higher energy prices have led to an \$86 million increase in freehold mineral rights tax revenue.

Investment income is forecast to rise by \$70 million, primarily the result of income from short-term investments set aside for debt repayment in future years and higher realized gains on equities.

Provincial school property tax revenues are down \$26 million. As announced in the Second Quarter Update, school property taxes were cut effective January 1, 2001, reducing property tax revenue by \$30 million. This is partly offset by a \$4 million forecast change in the shares of property tax revenue of opted in and opted out school boards.

Revenue from all other sources is forecast to decline by a net of \$20 million from the budget estimate.

REVENUE*(millions of dollars)*

	2000-01		Change from Budget	Change from 2nd Quarter	Main Reasons for Change from Budget
	Budget	3rd Quarter Forecast			
Income Taxes					
Personal income tax	4,713	4,032	(681)	(82)	Tax cuts, Energy Tax Refund, prior-year adjustment
Corporate income tax	1,896	1,978	82	202	Higher corporate income growth
	6,609	6,010	(599)	120	
Other Taxes					
School property tax	1,157	1,131	(26)	4	Tax reduction
Fuel tax	559	585	26	23	Higher-than-expected sales
Tobacco tax	355	343	(12)	3	Lower-than-expected sales
Freehold mineral rights tax	135	221	86	39	Higher oil and natural gas prices
Insurance corporations tax	127	126	(1)	—	Revised forecast
Hotel room tax	47	47	—	—	
Financial institutions capital tax	38	38	—	—	
	2,418	2,491	73	69	
Non-Renewable Resource Revenue					
Natural gas and by-products royalty	2,323	6,903	4,580	1,585	Higher natural gas prices
Crude oil royalty	632	1,407	775	42	Higher oil prices
Synthetic crude oil and bitumen royalty	469	873	404	(57)	Higher oil prices
Coal royalty	14	12	(2)	(1)	Mine closure
Bonuses and sales of Crown leases	650	1,126	476	40	Higher energy prices and industry cash flow
Rentals and fees	157	153	(4)	(8)	Revised forecast
Royalty tax credit	(197)	(180)	17	(5)	Higher energy prices
	4,048	10,294	6,246	1,596	
Transfers from Government of Canada					
Canada Health and Social Transfer	1,100	1,333	233	(12)	Health agreement/revised estimates
Medical equipment	—	49	49	—	September health agreement
Labour market development	124	123	(1)	(1)	Revised forecast
Agriculture support programs	53	70	17	(11)	Increased agricultural aid
Other	168	168	—	(3)	
	1,445	1,743	298	(27)	
Investment Income					
Alberta Heritage Savings Trust Fund	818	824	6	(1)	Expected higher realized gains
Alberta Municipal Financing Corporation	399	403	4	—	Higher lending activity
Endowment Funds:					
Medical Research	74	83	9	—	Expected higher realized gains
Scholarship	21	31	10	(1)	Expected higher realized gains
Science and Engineering Research	12	18	6	—	Expected higher realized gains
Agriculture Financial Services Corporation	77	86	9	6	Higher rates of return
Debt retirement funds	—	20	20	(5)	Short-term investment of excess cash
Other ^a	59	65	6	2	Revised forecast
	1,460	1,530	70	1	
Net Income from Commercial Operations					
Alberta Gaming and Liquor Commission					
Lottery revenue ^a	831	939	108	—	Increase in gaming activity
Liquor operations	458	465	7	—	Higher sales
Alberta Treasury Branches	114	163	49	2	Increase in net interest income
Other	5	5	—	(1)	
	1,408	1,572	164	1	
Premiums, Fees and Licences					
Health care insurance premiums	660	666	6	6	Revised forecast
Motor vehicle licences	196	202	6	—	Increase in number of licences
Timber rentals and fees	89	77	(12)	(1)	Lower prices
Crop and hail insurance premiums	77	59	(18)	(7)	Premium reduction
Land titles	28	29	1	—	Increase in volume and land values
Other	234	237	3	5	Revised forecast
	1,284	1,270	(14)	3	
Other					
Sale of capital assets	62	32	(30)	(31)	Lower-than-expected sales
Alberta Dairy Control Board	59	62	3	—	Increased milk production
Fines and penalties	40	41	1	1	Increase in victims of crime fine surcharge
Miscellaneous	242	249	7	6	Property rental revenue
	403	384	(19)	(24)	
Total Revenue	19,075	25,294	6,219	1,739	

a \$6.1 million of lottery interest revenue has been reclassified as investment income in the Budget and Forecast.

Expense

Infrastructure spending is forecast to increase by \$833 million over the budget estimate.

\$914 million is being provided for January to March 2001 payments of natural gas rebates and the electricity market transition credit. This will be partly offset by a temporary delay in some infrastructure funding until early 2001-02.

The dedicated revenue/expense of the ministry has also increased by \$8 million, reflecting utility cost increases for the facilities it operates.

Health and Wellness spending is forecast to increase by \$316 million over the budget estimate, including funding to:

- replace aging medical equipment and invest in new technology,
- cut waiting times for diagnosis and treatment,
- accommodate negotiated salary settlements for the health authorities,
- expand long-term care and home care, and 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,
- support employee compensation adjustments by contracted agencies and service providers, and
- support other programs.

The \$22 million increase over the Second Quarter Update reflects a one-time increase in the statutory provision made for premium write-offs.

Agriculture, Food and Rural Development spending is forecast to increase by \$153 million.

The Farm Income Assistance Program will provide \$238 million to farmers and ranchers who are experiencing difficulties due to poor weather, low commodity prices and growing input costs. In addition, crop, hail and wildlife insurance indemnities are increasing by \$35 million.

These increases are partially offset by a \$120 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 positive effect of the Farm Income Assistance Program on farmers' and ranchers' margins.

Community Development spending is forecast to increase by \$62 million from budget. As reported in the Second Quarter Update, \$12 million is being provided for seniors' housing projects and rent subsidies for low income households and \$50 million for Alberta Centennial community legacy projects.

Children's Services spending is forecast to increase by \$48 million from the budget estimate. \$39 million is required 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. \$9 million has been provided to contracted agencies and service providers to support employee compensation adjustments.

Environment spending is forecast to increase by \$37 million owing to higher forest fire fighting costs.

Learning spending is forecast to increase by \$8 million from budget to offset a decrease in opted out school property revenues due to the property tax cut and the forecast change in shares of tax revenue. The ministry has also reallocated funds to assist school boards and post-secondary institutions with rising energy costs, increase the number of hours of kindergarten, and provide funding for the training of more physicians and other health professionals.

Debt Servicing Costs are forecast to be \$940 million, a drop of \$41 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-than-expected Canadian dollar partially offsets the lower interest costs.

EXPENSE*(millions of dollars)*

	2000-01			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Program				
Legislative Assembly	56	56	—	(1)
Agriculture, Food and Rural Development	642	795	153	(24)
Children's Services	537	585	48	2
Community Development	374	436	62	6
Economic Development	51	51	—	—
Environment	328	365	37	7
Executive Council	13	13	—	—
Gaming	183	183	—	—
Government Services	48	49	1	—
Health and Wellness	5,653	5,969	316	22
Human Resources and Employment	1,031	1,013	(18)	(17)
Infrastructure	1,766	2,599	833	414
Innovation and Science	186	184	(2)	(4)
International and Intergovernmental Relations	34	34	—	—
Justice	457	460	3	2
Learning	4,456	4,464	8	15
Municipal Affairs	142	161	19	1
Resource Development	150	155	5	(1)
Treasury	625	626	1	(5)
Total Program Expense	<u>16,732</u>	<u>18,198</u>	1,466	417
Debt Servicing Costs	981	940	(41)	(5)
Total Expense	<u>17,713</u>	<u>19,138</u>	1,425	412

Net Change in Capital Assets

The Net Change in Capital Assets affecting Operations has increased by \$9 million to \$158 million.

The forecast of capital investment has increased by \$4 million. This reflects increased capital funding for the expansion of the Alberta Emergency Public Warning System, irrigation and agrifood infrastructure, the

property tax assessment and building permit data sharing system, and the Energy Utilities Board. These increases are partly offset by decreases in other ministries. The forecast of capital amortization is down \$5 million.

NET CHANGE IN CAPITAL ASSETS

(millions of dollars)

	2000-01			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Capital Investment	429	433	4	(6)
Capital Amortization	(280)	(275)	5	5
Net Increase in Capital Assets affecting Operations	149	158	9	(1)

CAPITAL INVESTMENT AND AMORTIZATION

(millions of dollars)

	2000-01 Capital Investment				2000-01 Capital Amortization			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Legislative Assembly	—	—	—	—	—	—	—	—
Agriculture, Food and Rural Development	6	9	3	3	7	7	—	—
Children's Services	—	—	—	—	1	1	—	—
Community Development	2	3	1	(5)	25	25	—	—
Economic Development	—	—	—	—	—	—	—	—
Environment	12	10	(2)	(1)	27	27	—	—
Executive Council	—	—	—	—	—	—	—	—
Gaming	—	—	—	—	—	—	—	—
Government Services	2	2	—	(1)	2	2	—	(1)
Health and Wellness	2	3	1	1	1	1	—	—
Human Resources and Employment	5	2	(3)	(2)	3	3	—	—
Infrastructure	371	370	(1)	(1)	186	186	—	—
Innovation and Science	11	11	—	—	13	10	(3)	(3)
International and Intergovernmental Relations	—	—	—	—	—	—	—	—
Justice	1	1	—	—	2	2	—	—
Learning	3	3	—	—	1	1	—	—
Municipal Affairs	1	4	3	—	1	1	—	—
Resource Development	7	11	4	1	7	7	—	—
Treasury	6	4	(2)	(1)	4	2	(2)	(1)
Total Capital Investment/Amortization	429	433	4	(6)	280	275	(5)	(5)

Allocation of Economic Cushion

Higher revenue has increased the contingency reserve to \$1,832 million, all of which has been allocated to address in-year spending and revenue reduction initiatives.

Revenue reduction initiatives totalling \$535 million have been approved:

- \$345 million for the first \$150 installment of the \$300 Energy Tax Refund to assist with higher home heating, gasoline and other energy costs for Albertans,
- \$136 million to lower the single tax rate from 11% to 10% and increase the personal and spousal exemptions from \$11,620 to \$12,900, effective January 1, 2001,
- \$30 million to reduce school property taxes effective January 1, 2001, and
- \$24 million to reduce crop insurance premiums for farmers.

Spending has been increased by \$1,475 million (program expense plus net change in capital assets). Of this, \$1,297 million is a charge against the contingency reserve.

The remaining \$178 million in increased spending results from disaster assistance and increases in dedicated revenue consisting of:

- \$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
- \$21 million in other dedicated revenue and expense changes.

Pursuant to sections 4(2) and 4(3) of the *Fiscal Responsibility Act*, these increases are not charged against the contingency reserve.

ALLOCATION OF ECONOMIC CUSHION, 2000-01

(millions of dollars)

	Budget	Forecast Changes	Revised Forecast	Cushion Allocations			3rd Quarter Forecast
				1st and 2nd Quarter	3rd Quarter	Total	
Revenue	19,075	6,754	25,829	(485)	(50)	(535)	25,294
Expense							
Program Expense	16,732	176	16,908	886	404	1,290	18,198
Debt Servicing Costs	981	(41)	940	—	—	—	940
Net Change in Capital Assets	149	2	151	8	(1)	7	158
Total	17,862	137	17,999	894	403	1,297	19,296
	1,213	6,617	7,830	(1,379)	(453)	(1,832)	5,998
Alberta Heritage Science and Engineering Research Endowment Fund	500	—	500	—	—	—	500
Economic Cushion	713	6,617	7,330	(1,379)	(453)	(1,832)	5,498
Allocation of Economic Cushion							
Debt Repayment/Increase in Assets	535	4,963	5,498	—	—	—	5,498
Contingency Reserve	178	1,654	1,832	(1,379)	(453)	(1,832)	—

Assets, Liabilities and Accumulated Debt

At March 31, 2001, the province's financial assets are forecast at \$25.5 billion. Total liabilities (excluding pension obligations) are forecast at \$16.8 billion, resulting in net assets of \$8.7 billion.

The province's accumulated debt is forecast to decline by \$2.2 billion to \$10.3 billion by March 31, 2001. A further \$2.1 billion in financial assets has been set aside for repayment of accumulated debt as it matures in the future.

Strong natural gas prices in the last quarter of the 2000-01 fiscal year will also result in approximately \$1.3 billion in additional cash being available for accumulated debt payment in early 2001-02.

Natural gas royalty revenue is recorded on an accrual basis. There is a three-month lag between when the gas royalty revenue is accrued and when royalties are paid.

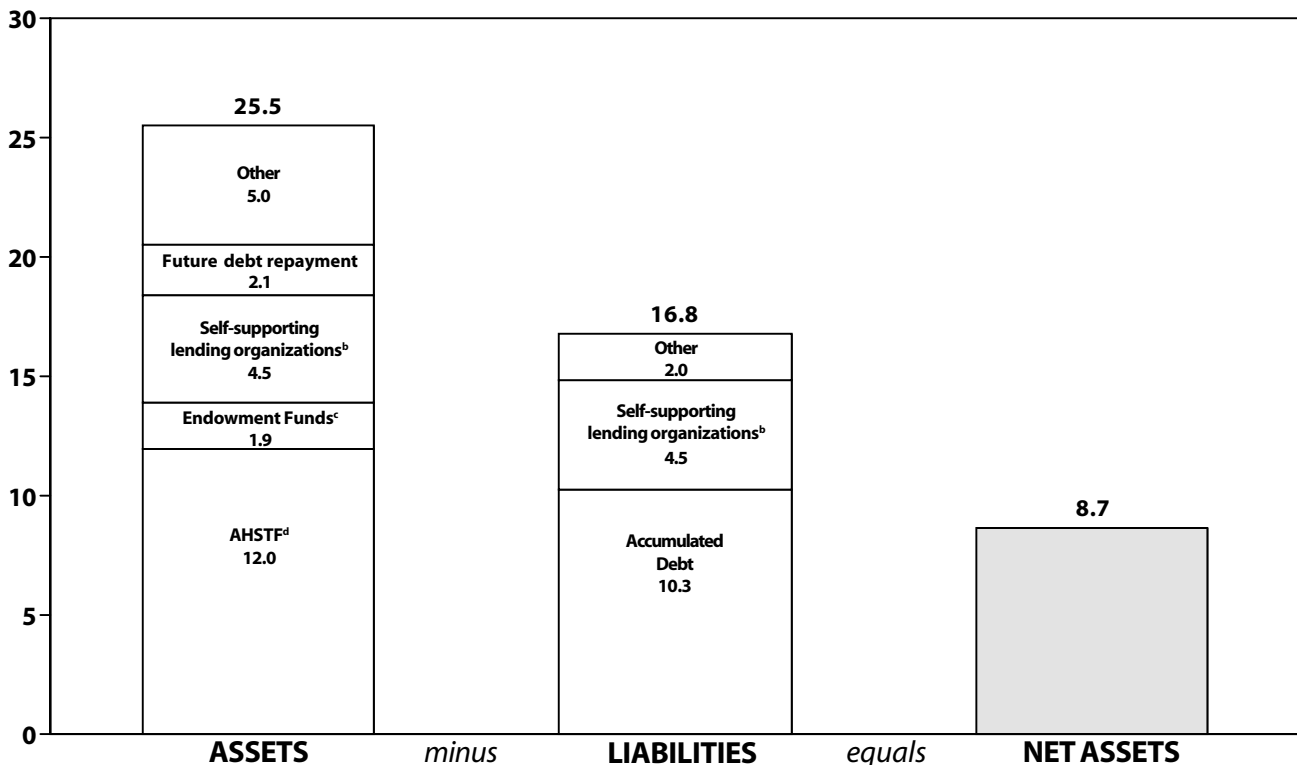
The cash received from natural gas royalties in 2000-01 reflects the period January to December 2000 and is \$1.6 billion less than the accrued revenue amount for the fiscal year.

This reflects the difference between natural gas royalties in the period January to March 2000 (when prices averaged Cdn\$2.76 per mcf) and January to March 2001 (when prices are expected to average Cdn\$9.02 per mcf).

This situation is expected to be reversed in 2001-02. Natural gas prices during January to March 2002 are expected to be lower than in January to March 2001. As a result, the cash received from natural gas royalties in 2001-02 is expected to be \$1.3 billion higher than the 2001-02 accrued royalty revenue.

NET WORTH (BALANCE SHEET)^a **FORECAST OF ASSETS, LIABILITIES AND NET ASSETS** AT MARCH 31, 2001

(billions of dollars)



a Excludes pension obligations of \$4.7 billion which are scheduled for elimination under a separate 1993 legislated plan.

b Alberta Municipal Financing Corporation, Agriculture Financial Services Corporation and Alberta Opportunity Company.

c 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 \$301 million of internal holdings of provincial corporation and General Revenue Fund debt.

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

2000-01

	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Allocation for debt repayment and increase in financial assets	535	5,498	4,963	1,336
Natural gas royalty 2000-01 cash adjustment	78	(1,561)	(1,639)	(1,248)
Other cash adjustments	34	48	14	(327)
Cash available from 1999-2000	—	470	470	—
	647	4,455	3,808	(239)
Less: Retained income of funds and agencies:				
Alberta Treasury Branches	114	163	49	2
Agriculture Financial Services Corporation	23	(34)	(57)	2
Environmental Protection and Enhancement Fund	60	43	(17)	(17)
Foundation for Medical Research Endowment Fund	29	34	5	(4)
Scholarship Fund	4	14	10	(1)
Science and Engineering Research Endowment Fund	0	6	6	6
Other	(115)	(50)	65	3
Total retained income	115	176	61	(9)
Cash Available for Accumulated Debt Repayment	532	4,279	3,747	(230)
Accumulated debt reduction				
2000-01 maturities and redemptions	532	2,229	1,697	(7)
Future maturities and redemptions	—	2,050	2,050	(223)
Reduction including cash set aside for future payments	532	4,279	3,747	(230)
Natural gas royalty 2001-02 cash adjustment		1,321		
		5,600		

ACCUMULATED DEBT*(millions of dollars)*

2000-01

	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Accumulated debt at the start of the year	12,490 ^a	12,490	—	—
Less: Accumulated debt reduction in 2000-01	532	2,229	1,697	(7)
Accumulated Debt at March 31, 2001	11,958	10,261	(1,697)	7
Cash set aside for future accumulated debt repayments	—	2,050	2,050	(223)
Accumulated debt less cash set aside for future payments	11,958	8,211	(3,747)	230
Natural gas royalty 2001-02 cash adjustment		1,321		
		6,890		

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

NET FINANCING REQUIREMENTS*(millions of dollars)*

2000-01

	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Requirements				
Term debt maturities and redemptions	2,760	2,495	(265)	35
Repayments of school construction loans	99	99	—	—
Provincial corporations' borrowing requirements	248	375	127	5
	3,107	2,969	(138)	40
Sources				
Term debt borrowing to date	—	516	516	175
Cash for accumulated debt repayment in 2000-01	532	2,229	1,697	(7)
Adjustments	(5)	72	77	42
	527	2,817	2,290	210
Net Remaining Financing Requirements	2,580	152^a	(2,428)	(170)

^a Refers to remaining financing of provincial corporations.

FISCAL YEAR ASSUMPTIONS, 2000-01

	Budget	1st Quarter Forecast	2nd Quarter Forecast	3rd Quarter Forecast
Oil Price (WTI US\$/bbl)	19.00	28.50	30.00	30.00
Natural Gas Price (Cdn\$/mcf)	2.50	4.27	4.65	6.06
Exchange Rate (US¢/Cdn\$)	68.50	68.10	67.00	66.75
Interest Rates (per cent)				
3-month Canada Treasury Bills	5.65	5.95	5.75	5.55
10-year Canada Bonds	6.75	6.50	6.00	5.75

A C T U A L R E S U L T S

FOR THE FIRST NINE 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.

Comparative 1999-2000 figures have been restated where necessary to conform to 2000-01 presentation.

CONSOLIDATED FISCAL SUMMARY^a

for the nine months ended December 31, 2000 (unaudited)

(millions of dollars)

	First Nine Months		
	2000-01	1999-2000	Change
Revenue			
Income Taxes	4,004	4,428	(424)
Other Taxes	1,935	1,756	179
Non-Renewable Resource Revenue	7,105	3,029	4,076
Transfers from Government of Canada	1,300	1,206	94
Investment Income	1,173	1,312	(139)
Net Income from Commercial Operations	1,245	1,181	64
Premiums, Fees and Licences	982	1,067	(85)
Other	273	234	39
Total Revenue	18,017	14,213	3,804
Expense			
Program	12,376	11,889	487
Debt Servicing Costs	705	752	(47)
Total Expense	13,081	12,641	440
Net Revenue	4,936	1,572	3,364
Net Increase in Capital Assets affecting Operations ^b	145	42	103
Net Results of Operations	4,791	1,530	3,261

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 nine months ended December 31, 2000 (unaudited)

(millions of dollars)

	First Nine Months		
	2000-01	1999-2000	Change
Program			
Legislative Assembly	33	27	6
Agriculture, Food and Rural Development	643	526	117
Children's Services	423	374	49
Community Development	280	300	(20)
Economic Development	31	24	7
Environment	280	349	(69)
Executive Council	9	9	—
Gaming	120	144	(24)
Government Services	36	32	4
Health and Wellness	4,283	4,145	138
Human Resources and Employment	733	736	(3)
Infrastructure	1,173	1,084	89
Innovation and Science	102	87	15
International and Intergovernmental Relations	29	30	(1)
Justice	313	288	25
Learning	3,220	3,077	143
Municipal Affairs	118	110	8
Resource Development	97	88	9
Treasury	453	459	(6)
Total Program Expense	12,376	11,889	487
Debt Servicing Costs	705	752	(47)
Total Expense	13,081	12,641	440

NET INCREASE IN CAPITAL ASSETS AFFECTING OPERATIONS

for the nine months ended December 31, 2000 (unaudited)

(millions of dollars)

	First Nine Months		
	2000-01	1999-2000	Change
Capital Investment			
Legislative Assembly	—	—	—
Agriculture, Food and Rural Development	5	6	(1)
Children's Services	—	—	—
Community Development	3	—	3
Economic Development	—	—	—
Environment	4	4	—
Executive Council	—	—	—
Gaming	—	—	—
Government Services	1	1	—
Health and Wellness	1	—	1
Human Resources and Employment	1	1	—
Infrastructure	289	183	106
Innovation and Science	5	11	(6)
International and Intergovernmental Relations	—	—	—
Justice	1	2	(1)
Learning	—	—	—
Municipal Affairs	—	—	—
Resource Development	5	1	4
Treasury	2	5	(3)
	317	214	103
Less: Capital Amortization	172	172	—
Net Increase in Capital Assets affecting Operations	145	42	103

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