

BUDGET

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THIRD QUARTER FISCAL UPDATE  
1999-2000 QUARTERLY BUDGET REPORT

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## **UPDATING ALBERTANS**

The Third Quarter Fiscal Update is comprised of two parts – the updated 1999-2000 forecast and the actual results for the first nine months of the fiscal year (April 1, 1999 to December 31, 1999).

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# 1999 - 2000 FORECAST

## Highlights

- As a result of higher than expected revenue, the economic cushion has increased to \$1.923 billion.
- Revenue is forecast to be \$2.553 billion higher than the budget estimate. The increase is due mainly to high energy prices, continuing strong growth in personal income tax revenues, and higher-than-expected investment income.
- Program expense is forecast to increase by \$1.262 billion over the budget estimate. The increase includes funding for health, education, forest fire fighting costs, agriculture disaster assistance and the \$600 million infrastructure initiative.
- The \$1.923 billion economic cushion has been allocated to repaying debt and increasing financial assets. This includes a \$1.567 billion accumulated debt payment which reduces accumulated debt to \$12.539 billion.
- \$230 million has been allocated to increase the assets of the Alberta Heritage Savings Trust Fund to \$12.256 billion.
- Net debt, subject to the *Balanced Budget and Debt Retirement Act*, has been eliminated. The province now has net assets of \$1.86 billion.

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

(millions of dollars)

	1999-2000			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
<b>Revenue<sup>b</sup></b>	16,837	<b>19,390</b>	2,553	341
<b>Expense</b>				
Program <sup>b</sup>	15,097	<b>16,359</b>	1,262	(125)
Debt Servicing Costs	1,090	<b>1,040</b>	(50)	(20)
Total Expense	16,187	<b>17,399</b>	1,212	(145)
Net Revenue	650	<b>1,991</b>	1,341	486
Less: Net Increase in Capital Assets affecting Operations <sup>c</sup>	33	<b>68</b>	35	8
<b>Economic Cushion</b>	617	<b>1,923</b>	1,306	478
Allocation of Economic Cushion				
Debt Repayment and Increase in Financial Assets	463	<b>1,923</b>	1,460	558
Contingency Reserve	154	—	(154)	(80)
Accumulated Debt Payment <sup>d</sup>	480	<b>1,567</b>	1,087	488
Net Assets at March 31, 2000 <sup>e</sup>	400	<b>1,860</b>	1,460	558

a Subject to the *Balanced Budget and Debt Retirement Act* and *Fiscal Responsibility Act*.

b As recommended by the Auditor General, the Alberta health care insurance premium subsidy payment from Community Development to Health and Wellness on behalf of seniors is being treated as an inter-ministry transaction. Accordingly, both budget and forecast revenue and expense have been reduced by \$51 million.

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

d Due to differences between cash and accruals and retained income of corporations, agencies and funds, the accumulated debt payment differs from the allocation from the economic cushion for debt repayment and increase in financial assets.

e The net assets calculation has been adjusted to reflect actual results at March 31, 1999. Net debt was \$63 million on March 31, 1999. Does not include pension obligations which are forecast to decrease by \$25 million to \$4,788 million.

# Revenue

## INCOME TAX REVENUE

Personal income tax revenue is forecast to be \$646 million higher than the budget estimate. As noted in the Second Quarter Update, the increase is due to higher actual revenue for the 1998 tax year (up \$355 million) and higher-than-estimated personal income and employment growth in 1999. The forecast also reflects the elimination of the 8% surtax effective January 1, 2000.

Corporate income tax revenue is forecast to be \$185 million lower than the budget estimate. The change is due to higher-than-expected tax refunds for the 1998 tax year, which are being paid in 1999-2000.

## NON-RENEWABLE RESOURCE REVENUE

The forecast of energy revenue has been increased by \$1.894 billion from the budget estimate. The increase is due to higher-than-expected natural gas and oil prices.

Natural gas prices are now expected to average \$2.58 per thousand cubic feet for the fiscal year, 56¢ higher than the budget estimate and 9¢ higher than the second quarter forecast. Lower gas production levels in the United States and higher oil prices account for the higher natural gas prices. Natural gas royalties are \$724 million higher than estimated in the budget.

Oil prices are now expected to average US\$22.00 per barrel over the fiscal year, up US\$8.50 from the budget estimate and US\$2.00 higher than the second quarter forecast. The higher price reflects strong compliance with the March 1999 production management agreement by OPEC and other oil producers and the resulting decline in global oil inventory levels. Oil royalties are forecast to be \$936 million higher than the budget estimate.

Revenue from bonuses and sales of Crown leases is \$236 million higher than the budget estimate. The increase is due to higher energy industry cash flow, which is expected to reach a record level this year as a result of high natural gas and oil prices.

## TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from the Government of Canada are forecast to decline by \$129 million from the budget estimate. Revenue from the Canada Health and Social Transfer (CHST) is forecast to be \$196 million lower than budgeted. Higher income tax revenue reduces the CHST cash payment. Increases in other transfers, including \$44 million for agriculture support programs, partly offset this decrease.

## INVESTMENT INCOME

The investment income forecast has been increased by \$241 million from the budget estimate. Heritage Fund investment income is now forecast at \$946 million. This is \$216 million higher than the budget estimate. The rates of return for both equities and bonds have been above their budgeted levels. In addition, the Heritage Savings Trust Fund, Heritage Foundation for Medical Research Endowment Fund and the Heritage Scholarship Fund are all expected to realize higher-than-expected capital gains.

## NET INCOME FROM COMMERCIAL OPERATIONS

Net income from commercial operations is forecast to increase by \$121 million from the budget estimate. As noted in the Second Quarter Update, Alberta Treasury Branches' net revenue is expected to increase by \$66 million over the budget estimate as a result of the recognition of deferred income and reduced loan losses. Lottery revenues are now forecast to be \$50 million higher than the budget estimate due mainly to an increase in revenue from slot machines and video lottery terminals.

## OTHER REVENUE

Total revenue from other sources is forecast to decrease by \$35 million from the budget estimate.

Proceeds from the sale of capital assets are forecast to be \$104 million lower than the budget estimate. This is due to a delay in land disposals and an accounting change requiring revenue from the sale of capital assets to be recognized only when assets are sold.

Fuel tax revenue is forecast to decrease by \$25 million due to higher refunds to tax exempt users and lower-than-expected usage of railway, aviation and liquid propane gas fuel.

Partly offsetting these reductions are increased revenue from the freehold mineral rights tax, motor vehicle licences, timber rentals and fees, Alberta Dairy Control Board and a deposit guarantee fee from the Alberta Treasury Branches.

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

	1999-2000				Main Reason for Change from Budget
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter	
<b>Income Taxes</b>					
Personal income tax	4,334	<b>4,980</b>	646	2	Prior year adjustment and growth
Corporate income tax	1,745	<b>1,560</b>	(185)	(254)	Higher tax refunds for 1998
	6,079	<b>6,540</b>	461	(252)	
<b>Other Taxes</b>					
School property tax	1,145	<b>1,139</b>	(6)	(6)	Rate reduction for the 2000 tax year
Fuel tax	570	<b>545</b>	(25)	(5)	Increase in tax exempt fuel use
Tobacco tax	350	<b>350</b>	—	—	
Insurance corporations tax	119	<b>117</b>	(2)	—	Revised forecast
Freehold mineral rights tax	98	<b>117</b>	19	4	Higher oil and natural gas prices
Hotel room tax	45	<b>45</b>	—	—	
Financial institutions capital tax	38	<b>36</b>	(2)	—	Revised forecast
	2,365	<b>2,349</b>	(16)	(7)	
<b>Non-Renewable Resource Revenue</b>					
Natural gas and by-products royalty	1,695	<b>2,419</b>	724	109	Higher natural gas prices
Crude oil royalty	346	<b>941</b>	595	114	Higher oil prices
Synthetic crude oil and bitumen royalty	43	<b>384</b>	341	138	Higher oil prices
Coal royalty	15	<b>13</b>	(2)	—	Forecast adjustment
Bonuses and sales of Crown leases	430	<b>666</b>	236	51	Higher energy industry cash flow
Rentals and fees	143	<b>149</b>	6	—	Higher land sales
Royalty tax credit	(256)	<b>(262)</b>	(6)	36	Higher oil and gas royalties
	2,416	<b>4,310</b>	1,894	448	
<b>Transfers from Government of Canada</b>					
Canada Health and Social Transfer	1,086	<b>890</b>	(196)	22	Higher income tax revenue
Canada Health and Social Transfer - health supplement	192	<b>192</b>	—	—	
Labour market development	126	<b>122</b>	(4)	—	Revised forecast
Agriculture support programs	98	<b>142</b>	44	24	Increased agricultural aid
Other	155	<b>182</b>	27	7	Federal softwood lumber tax rebate
	1,657	<b>1,528</b>	(129)	53	
<b>Investment Income</b>					
Alberta Heritage Savings Trust Fund	730	<b>946</b>	216	107	Higher rates of return on investments
Alberta Municipal Financing Corporation	439	<b>437</b>	(2)	—	Revised forecast
Agriculture Financial Services Corporation	69	<b>73</b>	4	—	Revised forecast
Alberta Heritage Foundation for Medical Research Endowment Fund	67	<b>80</b>	13	5	Realized capital gains
Other	78	<b>88</b>	10	6	Realized capital gains
	1,383	<b>1,624</b>	241	118	
<b>Net Income from Commercial Operations</b>					
Alberta Gaming and Liquor Commission					
Lottery revenue	770	<b>820</b>	50	25	Increase in anticipated slots/VLT revenue
Liquor operations	462	<b>456</b>	(6)	7	Lower beer mark-up
Alberta Treasury Branches	95	<b>161</b>	66	—	Lower loan losses/deferred income
Other	3	<b>14</b>	11	8	AGT Commission income
	1,330	<b>1,451</b>	121	40	
<b>Premiums, Fees and Licences</b>					
Health care insurance premiums <sup>a</sup>	639	<b>648</b>	9	3	Revised forecast
Motor vehicle licences	189	<b>203</b>	14	9	Higher volume
Crop and hail insurance premiums	76	<b>71</b>	(5)	(1)	Lower volume
Timber rentals and fees	73	<b>87</b>	14	9	Increased lumber prices
Land titles	67	<b>62</b>	(5)	(4)	Revised forecast
Other	221	<b>241</b>	20	3	ATB guarantee fee
	1,265	<b>1,312</b>	47	19	
<b>Other</b>					
Sale of capital assets	65	<b>(39)</b>	(104)	(84)	Delay in land disposals/revenue recognition
Alberta Dairy Control Board	49	<b>59</b>	10	(1)	Increased milk production
Fines and penalties	34	<b>38</b>	4	1	Revised forecast
Miscellaneous	194	<b>218</b>	24	6	Refund of pension payment
	342	<b>276</b>	(66)	(78)	
<b>Total Revenue</b>	<b>16,837</b>	<b>19,390</b>	<b>2,553</b>	<b>341</b>	

a As recommended by the Auditor General, the Alberta health care insurance premium subsidy payment from Community Development to Health and Wellness on behalf of seniors is being treated as an inter-ministry transaction. Accordingly, both budget and forecast revenue and expense have been reduced by \$51 million.

# Expense

On September 1, 1999, the government announced a \$600 million infrastructure initiative. Most of the funding for this initiative will be provided through the ministry of **Infrastructure**. Infrastructure's spending is forecast to increase by \$551 million over the budget estimate. This reflects \$559 million of increased funding for transportation infrastructure, health facilities, post-secondary education facilities, municipal water and wastewater grants and other infrastructure. Partly affecting this increase is an \$8 million reduction in program costs in other areas of the ministry.

**Health and Wellness** spending is forecast to increase by \$323 million over the budget estimate. As noted in the Second Quarter Update, \$216 million is being provided to improve the financial position of health authorities. Also, \$10 million has been provided for services to persons with developmental disabilities.

As part of the one-time \$600 million infrastructure initiative, \$10 million is being provided to purchase advanced medical equipment and \$10 million for long-term care under the Healthy Aging Partnership initiative.

Funding to accommodate the settlement of sterilization claims is now set at \$62 million. Increased utilization of physician services is expected to cost \$16 million.

**Environment** spending is forecast to exceed the budget estimate by \$142 million. As noted in the Second Quarter Update, the increase is due primarily to the additional costs of fighting forest fires in the northern region. This region experienced a large number of fires because of prolonged and extreme drought conditions. Funding is also being provided for a \$6 million contribution to Climate Change Central.

**Learning** spending is now forecast to be \$117 million over the budget estimate. As noted in the Second Quarter Update, one-time grants of \$305 per student have been provided to every school board at a cost of \$151 million to retire accumulated debt and for local one-time spending priorities. Also, the caps on funding for students with severe emotional and behavioural disabilities and for students in English as a Second Language programs have been removed at a cost of \$16 million. Savings from lower-than-budgeted school enrolment growth partly offset the increases.

**Agriculture, Food and Rural Development** spending is forecast to increase by \$89 million over the budget estimate. It is now estimated that the agriculture disaster assistance provided as emergency support to farmers experiencing severe income losses will cost \$164 million. Crop insurance costs are expected to be lower than forecast due to higher-than-expected quality and quantity of grain crops.

**Children's Services** spending is forecast to be \$37 million higher than budgeted. As reported in the Second Quarter Update, the increase is required to fund increases in caseloads and the increased average cost of services for Child Welfare and Handicapped Children's Services clients.

\$16.6 million has been provided in the **Human Resources and Employment** budget for the government achievement bonus program. This money is offset by lapses in other areas of the ministry. The funds will be reallocated to ministries at the end of the fiscal year.

**Debt Servicing Costs** are now forecast to be \$50 million lower than the budget estimate. The lower forecast reflects a reduction in the foreign exchange provision on unhedged United States dollar debt due to a higher-than-estimated Canadian dollar. In addition, debt repayments in 1998-99 and 1999-2000 are higher than anticipated. Partly offsetting these factors is the upward trend in interest rates.

**EXPENSE<sup>a</sup>***(millions of dollars)*

	1999-2000			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
<b>Program</b>				
Legislative Assembly	41	40	(1)	(1)
Agriculture, Food and Rural Development	556	645	89	(106)
Children's Services	469	506	37	1
Community Development <sup>b</sup>	347	353	6	5
Economic Development	51	49	(2)	(2)
Environment	317	459	142	7
Executive Council	13	13	—	—
Gaming	179	179	—	—
Government Services	46	46	—	—
Health and Wellness	5,168	5,491	323	7
Human Resources and Employment	989	991	2	6
Infrastructure	1,306	1,857	551	1
Innovation and Science	164	168	4	(3)
International and Intergovernmental Relations	34	38	4	—
Justice	405	412	7	4
Learning	4,079	4,196	117	(22)
Municipal Affairs	132	139	7	(2)
Resource Development	139	135	(4)	—
Treasury	662	642	(20)	(20)
<b>Total Program Expense</b>	15,097	16,359	1,262	(125)
Debt Servicing Costs	1,090	1,040	(50)	(20)
<b>Total Expense</b>	16,187	17,399	1,212	(145)

a Numbers have been restated to reflect the government reorganization announced in May 1999 and implemented over the following months. In addition, a change in accounting methodology has resulted in the classification of \$1 million of Learning program expense as debt servicing costs.

b As recommended by the Auditor General, the Alberta health care insurance premium subsidy payment from Community Development to Health and Wellness on behalf of seniors is being treated as an inter-ministry transaction. Accordingly, both budget and forecast revenue and expense have been reduced by \$51 million.

**FOR INFORMATION****INFRASTRUCTURE INITIATIVE<sup>a</sup>***(millions of dollars)*

Ministry	Program Expense	Capital Investment	Total
Agriculture, Food and Rural Development	3	—	3
Environment	—	8	8
Health and Wellness	20	—	20
Infrastructure <sup>b</sup>	559	10	569
<b>Total</b>	582	18	600

a Included in the revised forecasts of Expense and Capital Investment.

b Funding for post-secondary infrastructure is now reported under the Ministry of Infrastructure. In the Second Quarter Update, it was reported as part of the Ministry of Learning.

# Net Change in Capital Assets

The net increase in capital assets affecting operations is forecast at \$68 million, an increase of \$35 million from the budget estimate.

Capital investment is \$30 million higher than the budget estimate. As noted \$18 million of the increase is related to the \$600 million infrastructure initiative.

The ministry of **Infrastructure's** capital investment has increased by \$17 million, including \$10 million for water infrastructure under the \$600 million infrastructure initiative.

**Innovation and Science** capital investment is forecast to increase by \$8 million because of increased capital investment by the Alberta Research Council Inc.

**Environment's** capital investment is increasing by \$6 million. As noted in the Second Quarter Update, \$8 million was provided for rehabilitation, upgrading and replacement of small water infrastructure projects, as part of the \$600 million infrastructure initiative. The increase is partly offset by the reduction in capital investment in other areas.

Capital amortization is forecast at \$237 million, down \$5 million from the budget estimate.

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## NET CHANGE IN CAPITAL ASSETS

*(millions of dollars)*

	1999-2000			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Capital Investment	275	<b>305</b>	30	1
Capital Amortization	(242)	<b>(237)</b>	5	7
<b>Net Increase in Capital Assets affecting Operations</b>	33	<b>68</b>	35	8



**CAPITAL INVESTMENT AND AMORTIZATION<sup>a</sup>***(millions of dollars)*

	1999-2000 Capital Investment				1999-2000 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	5	<b>9</b>	4	—	(7)	<b>(7)</b>	(1)	(1)
Children's Services	—	—	—	—	(1)	<b>(1)</b>	—	—
Community Development	2	<b>1</b>	(1)	(1)	(25)	<b>(24)</b>	1	1
Economic Development	—	—	—	—	—	—	—	—
Environment	8	<b>14</b>	6	(1)	(26)	<b>(26)</b>	—	—
Executive Council	—	—	—	—	—	—	—	—
Gaming	—	—	—	—	—	—	—	—
Government Services	2	<b>2</b>	—	—	(3)	<b>(3)</b>	1	1
Health and Wellness	1	<b>1</b>	—	—	(1)	<b>(1)</b>	—	—
Human Resources and Employment	7	<b>3</b>	(4)	(3)	(2)	<b>(2)</b>	—	—
Infrastructure	220	<b>237</b>	17	—	(152)	<b>(152)</b>	—	—
Innovation and Science	11	<b>19</b>	8	8	(13)	<b>(10)</b>	3	4
International and Intergovernmental Relations	—	—	—	—	—	—	—	—
Justice	3	<b>3</b>	—	—	(1)	<b>(1)</b>	—	—
Learning	4	<b>1</b>	(3)	(1)	(1)	<b>(1)</b>	—	—
Municipal Affairs	—	<b>2</b>	2	2	(1)	<b>(1)</b>	—	—
Resource Development	4	<b>6</b>	2	(2)	(6)	<b>(6)</b>	—	2
Treasury	8	<b>7</b>	(1)	(1)	(3)	<b>(2)</b>	1	—
<b>Total Capital Investment/Amortization</b>	<b>275</b>	<b>305</b>	<b>30</b>	<b>1</b>	<b>(242)</b>	<b>(237)</b>	<b>5</b>	<b>7</b>

a Numbers have been restated to reflect the government reorganization announced in May 1999 and implemented over the following months..

# Allocation of Economic Cushion

On a net basis, \$543 million of the total contingency reserve has been allocated to address in-year initiatives. The remaining \$223 million is being allocated to pay down the accumulated debt of the province.

In the third quarter, an additional \$11 million has been allocated from the contingency reserve for revenue reduction initiatives. This includes the announced reduction in education property tax rates for the 2000 tax year and planned fee reductions. Offsetting these third quarter revenue initiatives are forecast third quarter lapses in program spending.

As reported in the Second Quarter Update, an amendment to the *Fiscal Responsibility Act* has provided a special one-time allocation of \$600 million from the economic cushion for infrastructure funding in 1999-2000.

Pursuant to sections 4(2) and 4(3) of the *Fiscal Responsibility Act*, \$164 million of emergency support to farmers under the agriculture disaster program and \$28 million increases in dedicated revenue and expense are not deducted from the contingency reserve.

## ALLOCATION OF ECONOMIC CUSHION

(millions of dollars)

	Budget	Forecast Changes	Revised Forecast	Cushion Allocations			3rd Quarter Forecast
				1st and 2nd Quarter	3rd Quarter	Total	
<b>Revenue</b>	16,837	2,591	19,428	(27) <sup>a</sup>	(11) <sup>b</sup>	(38)	<b>19,390</b>
<b>Expense</b>							
Program Expense	15,097	192 <sup>c</sup>	15,289	1,121 <sup>d</sup>	(51)	1,070	<b>16,359</b>
Debt Servicing Costs	1,090	(50)	1,040	—	—	—	<b>1,040</b>
Net Change in Capital Assets	33	—	33	27 <sup>d</sup>	8	35	<b>68</b>
Total Expense and Net Change in Capital Assets	16,220	142	16,362	1,148	(43)	1,105	<b>17,467</b>
<b>Economic Cushion</b>	617	2,449	3,066	(1,175)	32	(1,143)	<b>1,923</b>
Allocation of Economic Cushion							
Debt Repayment/Increase in financial assets	463	1,837	2,300	(600)	—	(600)	<b>1,700</b>
Contingency Reserve	154	612	766	(575)	32	(543)	<b>223</b>

a The cost of the elimination of the 8% surtax on personal income tax effective January 1, 2000.

b The cost of reductions in fees and charges and reductions to education property taxes for the 2000 tax year.

c Includes \$164 million for agriculture disaster assistance and dedicated revenue and expense increase of \$28 million.

d Includes one-time \$600 million allocation from the economic cushion for infrastructure funding, of which \$582 million is in program expense and \$18 million is in capital investment.

# Assets, Liabilities and Net Assets

The net debt subject to the *Balanced Budget and Debt Retirement Act* has been eliminated. Total financial assets of the province now exceed total liabilities.

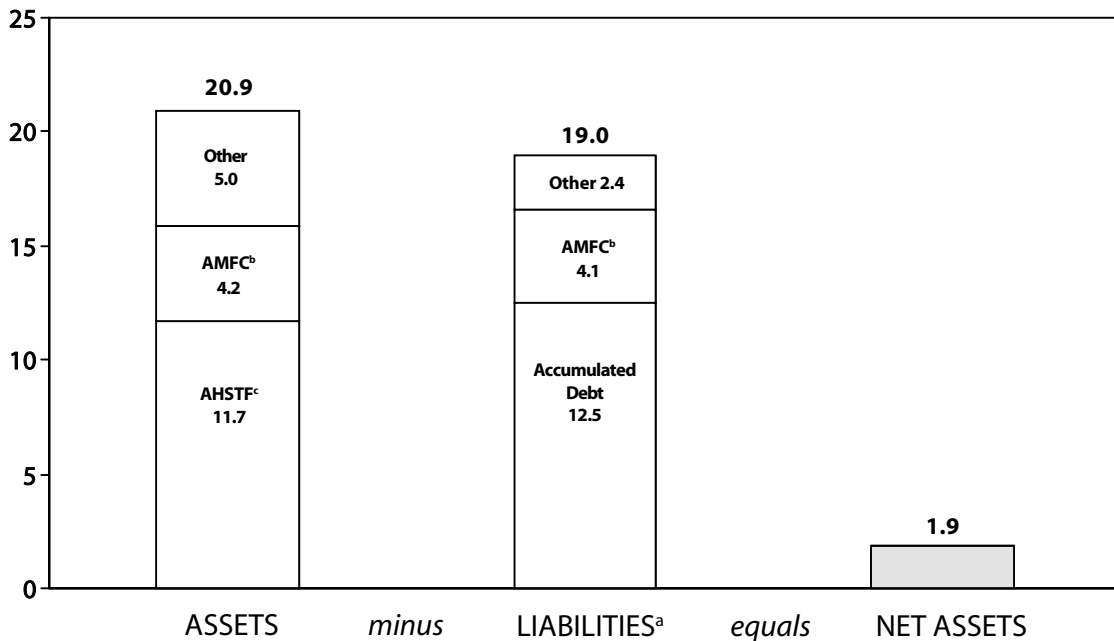
The province's accumulated debt, on which debt servicing costs are paid, is forecast at \$12.5 billion at March 31, 2000. This is a reduction of over \$1.5 billion from the previous year.

At March 31, 2000, financial assets are expected to amount to \$20.9 billion. Total liabilities, excluding pension obligations, are forecast at \$19.0 billion, resulting in net assets of \$1.9 billion.

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## NET WORTH (BALANCE SHEET) FORECAST OF ASSETS, LIABILITIES AND NET ASSETS AT MARCH 31, 2000

(billions of dollars)



- a Excludes pension obligations of \$4.788 billion which are scheduled for elimination under a separate 1993 legislated plan.
- b Alberta Municipal Financing Corporation.
- c Alberta Heritage Savings Trust Fund. Total assets of \$12.256 billion less \$588 million of internal holdings of provincial corporation and General Revenue Fund debt.

## FISCAL YEAR ASSUMPTIONS, 1999-2000

	Budget	1st Quarter Forecast	2nd Quarter Forecast	3rd Quarter Forecast
Oil Price (WTI US\$/bbl)	13.50	17.50	20.00	<b>22.00</b>
Natural Gas Price (Cdn\$/mcf)	2.02	2.39	2.49	<b>2.58</b>
Exchange Rate (US\$/Cdn\$)	66.80	68.70	67.75	<b>67.80</b>
Interest Rates				
3-month Canada Treasury Bills	4.75	4.85	4.90	<b>4.80</b>
10-year Canada Bonds	5.25	5.65	5.85	<b>5.90</b>

## ACCUMULATED DEBT REPAYMENT

(millions of dollars)

	1999-2000			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
<b>Accumulated debt at the start of the year</b>	14,106 <sup>a</sup>	<b>14,106</b>	—	—
Allocation for debt repayment/increase in financial assets	463	<b>1,923</b>	1,460	558
Cash adjustments:				
Repayment of Farm Credit Stability Program deposits	100	<b>105</b>	5	(20)
Other	72	<b>149</b>	77	330
Less: Retained income of provincial corporations, agencies and funds				
Alberta Treasury Branches	(95)	<b>(161)</b>	(66)	—
Agriculture Financial Services Corporation	(10)	<b>(98)</b>	(88)	(88)
Environmental Protection and Enhancement Fund	(20)	<b>(72)</b>	(52)	(52)
Other	(30)	<b>(49)</b>	(19)	(10)
Less: Allocation to increase assets of the Heritage Fund	—	<b>(230)</b>	(230)	(230)
Accumulated Debt Repayment	480	<b>1,567</b>	1,087	488
<b>Accumulated debt at the end of the year</b>	13,626	<b>12,539</b>	(1,087)	(488)

a Accumulated debt has been restated to reflect the March 31, 1999 actual number.

## NET REFINANCING REQUIREMENTS

(millions of dollars)

	1999-2000			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Term debt maturities and redemptions	2,480	<b>2,289</b>	(191)	(241)
Accumulated Debt Repayment	(480)	<b>(1,567)</b>	(1,087)	(488)
General Revenue Fund Cash Requirements (Sources)				
Decrease (Increase) in accrued foreign exchange provisions	(80)	<b>(45)</b>	35	—
Repayment of school board loans	102	<b>102</b>	—	—
Financing of provincial corporations' borrowing	225	<b>231</b>	6	—
<b>Net Refinancing Requirements</b>	2,247	<b>1,010</b>	(1,237)	(729)

# ACTUAL RESULTS

## FOR THE FIRST NINE MONTHS OF 1999-2000

### **METHOD OF CONSOLIDATION**

This financial summary is prepared on the same basis as used in Budget '99, restated for the May 1999 government reorganization.

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 the net results of operations for the period.

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. The annual change in unfunded pension obligations has been excluded from expense. 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.

In May 1999, the government announced a major reorganization involving the creation of new ministries and the elimination, mergers and the realignment of others. Comparative 1998-99 figures have been restated to conform to the restructured 1999-2000 presentation.

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

for the nine months ended December 31, 1999 (unaudited)

*(millions of dollars)*

	<b>First Nine Months</b>		
	<b>1999-2000</b>	<b>1998-99</b>	<b>Change</b>
<b>Revenue</b>			
Income Taxes	4,428	4,509	(81)
Other Taxes	1,756	1,660	96
Non-Renewable Resource Revenue	3,029	1,586	1,443
Investment Income	1,320	1,195	125
Transfers from Government of Canada	1,206	912	294
Net Income from Commercial Operations	1,181	1,063	118
Premiums, Fees and Licences	1,067	1,027	40
Other	234	238	(4)
<b>Total Revenue</b>	<b>14,221</b>	<b>12,190</b>	<b>2,031</b>
<b>Expense</b>			
Program	11,897	10,480	1,417
Debt Servicing Costs	752	1,052	(300)
<b>Total Expense</b>	<b>12,649</b>	<b>11,532</b>	<b>1,117</b>
Net Revenue	1,572	658	914
Net Change in Capital Assets affecting Operations <sup>b</sup>	42	65	(23)
<b>Net Results of Operations</b>	<b>1,530</b>	<b>593</b>	<b>937</b>

<sup>a</sup> 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.

<sup>b</sup> 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, 1999 (unaudited)

*(millions of dollars)*

	First Nine Months		
	1999-2000	1998-99	Change
<b>Program</b>			
Legislative Assembly	27	26	1
Agriculture, Food and Rural Development	534	388	146
Children's Services	374	318	56
Community Development	300	271	29
Economic Development	24	25	(1)
Environment	349	400	(51)
Executive Council	9	8	1
Gaming	144	113	31
Government Services	32	34	(2)
Health and Wellness	4,145	3,504	641
Human Resources and Employment	736	672	64
Infrastructure	992	836	156
Innovation and Science	87	86	1
International and Intergovernmental Relations	30	29	1
Justice	288	255	33
Learning	3,169	2,811	358
Municipal Affairs	110	111	(1)
Resource Development	88	96	(8)
Treasury	459	497	(38)
	11,897	10,480	1,417
<b>Debt Servicing Costs</b>	752	1,052	(300)
<b>Total Expense</b>	12,649	11,532	1,117

**NET CHANGE IN CAPITAL ASSETS AFFECTING OPERATIONS**

for the nine months ended December 31, 1999 (unaudited)

*(millions of dollars)*

	First Nine Months		
	1999-2000	1998-99	Change
<b>Capital Investment</b>			
Legislative Assembly	—	—	—
Agriculture, Food and Rural Development	6	6	—
Children's Services	—	—	—
Community Development	—	—	—
Economic Development	—	—	—
Environment	4	4	—
Executive Council	—	—	—
Gaming	—	—	—
Government Services	1	—	1
Health and Wellness	—	1	(1)
Human Resources and Employment	1	1	—
Infrastructure	183	210	(27)
Innovation and Science	11	5	6
International and Intergovernmental Relations	—	—	—
Justice	2	1	1
Learning	—	—	—
Municipal Affairs	—	—	—
Resource Development	1	2	(1)
Treasury	5	2	3
	214	232	(18)
Less: Capital Amortization Reversal	172	167	5
<b>Net Change in Capital Assets affecting Operations</b>	42	65	(23)



