



**Budget 2011**  
Building a better Alberta

First Quarter Fiscal Update  
**2011–2012**

## UPDATING ALBERTANS

The *First Quarter Fiscal Update* consists of two parts – the updated 2011–12 forecast for the entire fiscal year and the actual results for the first three months of the fiscal year (April 1 to June 30, 2011).

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## 2011–12 FORECAST

## HIGHLIGHTS

**Deficit.** Forecast at \$1.3 billion, \$2.1 billion lower than the *Budget 2011* estimate, mainly due to higher revenue. The deficit is offset by a transfer from the Alberta Sustainability Fund.

**Revenue.** Forecast at \$38.3 billion, an increase of \$2.7 billion from the budget estimate, primarily from higher forecasts for Crown lease sales, bitumen and crude oil royalties, investment income and federal transfers.

**Expense.** Forecast at \$39.6 billion, an increase of \$650 million from the budget estimate. This is due primarily to increased disaster/emergency expense for municipal wildfire and flood support, and costs of fighting

forest fires, and to additional and re-profiled capital grants. Total expense is net of expected in-year savings of \$240 million.

**Sustainability Fund.** Forecast assets at March 31, 2012 of \$9.7 billion, \$4.4 billion higher than the *Budget 2011* estimate. The higher balance is due to the \$619 million in cash from 2010-11 fourth quarter results transferred after March 31, 2011 (i.e., in the 2011-12 fiscal year), the lower forecast 2011-12 deficit, lower capital cash requirements mainly from the \$1.1 billion in borrowing for capital purposes deferred from last year to 2011-12, and a positive swing in net other cash adjustments, mainly related to energy royalties (see page 9 for details).

FISCAL SUMMARY<sup>a</sup>

(millions of dollars)

	2011-12		Change from Budget
	Budget	1st Quarter Forecast	
<b>Revenue<sup>b</sup></b>	35,600	<b>38,300</b>	2,700
<b>Expense<sup>c</sup></b>			
Program expense			
Operating expense	33,943	<b>34,005</b>	62
Capital grants	3,895	<b>4,038</b>	143
Capital amortization and nominal sum disposals	808	<b>818</b>	10
In-year savings	(240)	<b>(240)</b>	-
Disaster/emergency assistance	-	<b>456</b>	456
Debt servicing costs	588	<b>567</b>	(21)
<b>Total Expense</b>	<b>38,994</b>	<b>39,644</b>	650
<b>Surplus / (Deficit)</b>	<b>(3,394)</b>	<b>(1,344)</b>	2,050

<sup>a</sup> Subject to the *Fiscal Responsibility Act*. Does not include revenue and expense of Crown-controlled SUCH sector organizations or Alberta Innovates corporations, or changes in pension liabilities.

<sup>b</sup> Budget revenue has been restated, increasing by \$11 million as a result of Alberta Treasury Branches adopting International Financial Reporting Standards. This reduces the Budget deficit by \$11 million.

<sup>c</sup> 2011-12 capital investment (not included in expense):

	2011-12	Change from Budget
	2,737	189
	<b>2,926</b>	

## ALBERTA SUSTAINABILITY FUND

(millions of dollars)

	2011-12		Change from Budget
	Budget	1st Quarter Forecast	
<b>Balance at Start of Year</b>	11,192	<b>11,192</b>	-
Cash transferred from 2010-11 fourth quarter results	-	<b>619</b>	619
Transfer to offset deficit <sup>a</sup>	(3,394)	<b>(1,344)</b>	2,050
Heritage Fund inflation-proofing	(339)	<b>(341)</b>	(2)
Cash adjustments:			
Capital cash adjustments	(1,018)	<b>(94)</b>	924
Retained income of funds and agencies <sup>a</sup>	(551)	<b>(487)</b>	64
Other cash adjustments <sup>a</sup>	(598)	<b>141</b>	739
<b>Assets at End of Year</b>	<b>5,292</b>	<b>9,686</b>	4,394

<sup>a</sup> The Budget deficit has been reduced by \$11 million due to the restatement of revenue related to Alberta Treasury Branches (ATB) from adopting new accounting standards. This is offset by an \$8 million increase to ATB retained income and a \$3 million increase in other cash adjustments.

## REVENUE

### NON-RENEWABLE RESOURCE REVENUE

**Non-renewable resource revenue** is forecast at \$10.7 billion, \$2.3 billion higher than estimated in *Budget 2011*. The increase is primarily due to higher land lease sales, oil prices and crude oil production. The higher US-Canadian dollar exchange rate, now forecast to average US\$1.02/Cdn\$, 4.15¢ up from budget, has a negative impact on resource revenue. Year to date (April to June), the exchange rate averaged US\$1.03/Cdn\$.

**Bitumen royalties** are forecast at \$4.9 billion, \$773 million higher than budget, due to higher oil prices and lower operator costs. The WCS @ Hardisty price is forecast to average Cdn\$76.34/barrel, \$4.32 higher than the budget estimate. Year to date (April to June), the price averaged \$82.77/barrel.

**Conventional oil royalties** are forecast at \$2.2 billion, \$231 million higher than budget, due to higher oil prices and increased production. Crude oil prices are forecast to average US\$97.85/barrel for the fiscal year, \$8.45 higher than estimated in *Budget 2011*. Year to date (April to June), the price averaged US\$102.56/barrel.

**Natural gas and by-product royalties** are forecast at \$1.1 billion, a \$32 million increase from the budget estimate, due to higher-than-expected natural gas production and increased by-product royalties linked to higher oil prices. The Alberta Reference Price, used to calculate natural gas royalties, is forecast to average Cdn\$3.45/gigajoule for the fiscal year, unchanged from the *Budget 2011* estimate. Year to date (April to June), the price averaged \$3.39/gigajoule.

**Revenue from bonuses and sales of Crown leases** is forecast at \$2.4 billion, an increase of \$1.3 billion from the *Budget 2011* estimate, due to higher bid prices and numbers of hectares sold, including a record land sale totalling \$842 million on June 1, 2011.

### TAX REVENUE

**Personal income tax revenue** is forecast at \$8.8 billion, an increase of \$80 million from the budget estimate, due to higher forecasts for Alberta employment and personal income.

**Corporate income tax revenue** is forecast at \$3.6 billion, \$25 million higher than estimated in *Budget 2011*, due to a higher forecast for corporate profits.

**Other tax revenue** is forecast at \$3.9 billion, \$7 million higher than the budget, mainly due to the impact of increased oil prices on freehold mineral rights tax revenue.

### TRANSFERS FROM GOVERNMENT OF CANADA

**Federal transfers** are forecast at \$4.9 billion, a \$132 million increase from budget. This includes an increase of \$106 million mainly from re-profiling infrastructure stimulus and ecoTrust funding from 2010-11, and additional funding for affordable housing and the Highway 63 twinning project. It also includes increases of a net \$24 million for agricultural support programs and \$13 million for labour market programs carried forward from 2010-11, and a decrease in health transfers of \$12 million due to forecast increased income tax revenue.

### INVESTMENT INCOME

**Investment income** is forecast at \$2.1 billion, an increase of \$134 million from the budget estimate. Sustainability Fund income has increased due to a higher balance resulting mainly from the improved 2010-11 fourth quarter results and the lower deficit forecast for 2011-12. This is partly offset by lower Heritage and endowment fund income due to the higher forecast for the US-Canadian dollar exchange rate.

### OTHER REVENUE

**Other revenue** is forecast at \$4.4 billion, \$14 million lower than estimated in the budget:

- \$9 million net increase in other miscellaneous revenue, including from the Public Trustee Common Fund for information technology system development costs, cost-shared transportation projects and Workers' Compensation Appeals Commission software costs;
- \$8 million increase in net income from Alberta Treasury Branches, due to gains on ATB's investment portfolio;
- \$24 million decrease in crop and hail insurance premiums due to lower participation resulting from higher crop and livestock commodity prices;
- \$5 million decrease in motor vehicle licences revenue related to the deferral of the municipal search fee increase;
- a net \$2 million decrease in other revenue sources.

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

	2011-12		Change from Budget	Main Reasons for Change from Budget
	Budget	1st Quarter Forecast		
<b>Income Taxes</b>				
Personal income tax	8,693	8,773	80	Increased forecast for personal income
Corporate income tax	3,608	3,633	25	Increased forecast for corporate profits
	12,301	12,406	105	
<b>Other Taxes</b>				
Education property tax	1,634	1,634	-	
Tobacco tax	910	910	-	
Fuel tax	795	795	-	
Insurance taxes	322	317	(5)	Forecast revised based on 2010 cash receipts
Freehold mineral rights tax	142	152	10	Higher oil price
Tourism levy	63	65	2	Higher hotel rates and stays
	3,866	3,873	7	
<b>Non-Renewable Resource Revenue</b>				
Bitumen royalty	4,123	4,896	773	Higher oil prices and lower operator costs
Crude oil royalty	1,925	2,156	231	Higher oil prices and production
Natural gas and by-products royalty	1,022	1,054	32	Higher by-product royalties and natural gas production
Bonuses and sales of Crown leases	1,068	2,371	1,303	Higher prices per hectare and more hectares sold
Rentals and fees	141	146	5	More hectares sold
Coal royalty	42	34	(8)	Lower mine profitability
	8,321	10,657	2,336	
<b>Transfers from Government of Canada</b>				
Health transfers	2,302	2,290	(12)	Increased income taxes
Canada Social Transfer	1,260	1,261	1	Higher population share
Agriculture support programs	287	311	24	Growing Forward / AgriRecovery disaster assistance
Labour market agreements	171	184	13	Funding from 2010-11
Other	748	854	106	Re-profiled 2010-11 / additional capital projects
	4,768	4,900	132	
<b>Investment Income</b>				
Alberta Heritage Savings Trust Fund	1,050	999	(51)	Higher exchange rate forecast
Endowment Funds	198	184	(14)	Higher exchange rate forecast
Alberta Capital Finance Authority	242	242	-	
Sustainability Fund	225	430	205	Higher balance from lower 2010-11 and 2011-12 deficits
Agriculture Financial Services Corporation	115	106	(9)	Higher-than-expected loan repayments in prior years
Debt Retirement Account	26	35	9	Higher returns
Other	71	65	(6)	Lower balances
	1,927	2,061	134	
<b>Net Income from Commercial Operations</b>				
Alberta Gaming and Liquor Commission				
Gaming and lottery revenue	1,388	1,388	-	
Liquor revenue	718	718	-	
Alberta Treasury Branches <sup>a</sup>	188	196	8	Gains on investment portfolio
Other	24	23	(1)	Increased expense of Safety Codes Council
	2,318	2,325	7	
<b>Premiums, Fees and Licences</b>				
Motor vehicle licences	431	426	(5)	Deferral of increase in municipal motor vehicle search fees
Crop and hail insurance premiums	297	273	(24)	Lower participation due to higher commodity prices
Energy Resources Conservation Board levies	125	125	-	
Land titles	66	66	-	
Land and grazing	63	63	-	
Supplementary health benefits premiums	58	58	-	
Other <sup>a</sup>	356	353	(3)	Decrease in timber dues from lower lumber prices
	1,396	1,364	(32)	
<b>Other</b>				
AIMCo investment management charges	131	131	-	
Fines and penalties	117	117	-	
Refunds of expense	112	114	2	Increased recoveries of AISH grants
Climate Change and Emissions Management	68	68	-	
Miscellaneous	275	284	9	Various/Public Trustee Common Fund transfer for IT systems
	703	714	11	
<b>Total Revenue</b>	35,600	38,300	2,700	

<sup>a</sup> Budget revenue has been restated as a result of Alberta Treasury Branches (ATB) adopting International Financial Reporting Standards. This increases ATB net income by \$8 million and payment-in-lieu of taxes by \$3 million (in "Other Premiums Fees and Licences").

## EXPENSE

### TOTAL EXPENSE

Total expense is forecast at \$39.6 billion, \$650 million higher than the *Budget 2011* estimate. Changes from budget consist of:

- \$456 million in disaster/emergency assistance;
- \$62 million increase in net operating expense (including \$19 million net increase in dedicated revenue-operating expense and a net \$43 million increase in other operating expense);
- \$143 million increase in capital grants;
- \$10 million increase in amortization costs;
- \$21 million decrease in debt servicing costs.

**Disaster/emergency assistance** – \$456 million increase comprising \$200 million for forest fire-fighting costs, \$159 million for Slave Lake wildfires, \$50 million for southern Alberta floods, \$30 million to combat mountain pine beetle infestations and \$17 million for the AgriRecovery response to excess moisture conditions.

**Operating expense** – \$62 million increase. Increases mainly for contracted agency lump sum payments to employees, labour market initiatives, K-12 student transportation fuel costs and Travel Alberta, are partially offset by lower Health and Wellness information system maintenance and operating costs.

**Capital grants** – \$143 million increase primarily due to re-profiling of projects from 2010-11, including a number with associated federal transfer revenue, and for additional school projects, the Agrium Western Event Centre in preparation for the Calgary Stampede 2012 Centennial, Slave Lake wildfire recovery, affordable housing initiatives and various community projects.

**In-year operating expense limit** – Operating expense increases, excluding those for dedicated revenue-operating expense, are limited by the *Fiscal Responsibility Act* to 1% of total budgeted ministry operating expense. In 2011-12, the limit is \$339 million. Increases as of first quarter total \$43 million.

### MINISTRY EXPENSE CHANGES

**Agriculture and Rural Development** – \$22 million net increase. Increases of \$25 million in capital grants for the Agrium Western Events Centre, \$17 million for the federal-provincial cost-shared AgriRecovery disaster response to excess moisture conditions and \$10 million for federally-funded Growing Forward initiatives, are partly offset by a negative adjustment of \$17 million

from lower-than-reported 2010-11 Canada-Alberta Feed Transportation Allowance Initiative claims (with an associated negative federal revenue adjustment of \$10 million) and \$13 million in lower forecast livestock insurance payments resulting from lower forecast participation due to higher commodity prices.

**Culture and Community Spirit** – \$21 million increase in capital grants, for new projects and from re-profiling projects and federal infrastructure stimulus funding from 2010-11. Projects include the Canada Sports Hall of Fame, Fort Calgary, Ukrainian Canadian Archives and Museum, the GO Community Centre, the Citadel Theatre and the Cantos National Music Centre.

**Education** – \$87 million increase, reflecting \$61 million for new, and \$11 million in re-profiled, school capital grants, \$13 million for student transportation fuel costs, \$3 million for teachers' salaries, as the Alberta Average Weekly Earnings Index was updated in March 2011 by Statistics Canada, slightly offset by a net \$1 million decrease primarily from an operating expense to capital investment transfer for student and teacher information systems.

**Housing and Urban Affairs** – \$20 million increase in affordable housing capital grants, fully offset by an increased federal transfer.

**Municipal Affairs** – \$234 million increase, consisting of \$159 million in wildfire disaster support and an additional \$10 million in capital grants for Slave Lake, \$50 million for flood disaster support, \$10 million in municipal capital grants and \$5 million in other municipal support.

**Sustainable Resource Development** – \$230 million increase comprising \$200 million for forest fire-fighting and \$30 million for mountain pine beetle infestations.

**Other Ministries** – \$57 million net increase, including \$26 million for contracted agency lump sum payments to employees (\$9 million in Children and Youth Services; \$17 million in Seniors and Community Supports), \$13 million for labour market programs (Employment and Immigration), \$15 million for consumption of salt, sand and gravel assets acquired for highway maintenance activities (Transportation), and a net \$3 million in various other ministries.

**Debt servicing cost** – \$21 million decrease, due mainly to the planned 2010-11 borrowing of \$1.1 billion for capital purposes being delayed to 2011-12.

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

	2011-12		Change from Budget
	Budget	1st Quarter Forecast	
<b>Program Expense</b>			
Operating expense <sup>a</sup>	33,943	<b>33,986</b>	43
Dedicated revenue/operating expense net changes <sup>b</sup>	-	<b>19</b>	19
<b>Net operating expense</b>	33,943	<b>34,005</b>	62
Capital grants	3,895	<b>4,038</b>	143
Capital amortization and nominal sum disposals	808	<b>818</b>	10
In-year savings	(240)	<b>(240)</b>	-
Disaster/emergency assistance	-	<b>456</b>	456
<b>Total Program Expense</b>	38,406	<b>39,077</b>	671
<b>Debt Servicing Costs</b>	588	<b>567</b>	(21)
<b>Total Expense</b>	38,994	<b>39,644</b>	650

<sup>a</sup> Prior to dedicated revenue/operating expense net changes.

<sup>b</sup> Dedicated revenue/operating expense changes – Employment and Immigration: \$13 million increase in federal labour market funding carried over from 2010-11; Environment: \$4 million increase for federal ecoTrust funding from 2010-11; net \$2 million increase in other ministries.

**EXPENSE BY MINISTRY***(millions of dollars)*

Program	2011-12		Change from Budget	Main Reasons for Change from Budget
	Budget	1st Quarter Forecast		
Legislative Assembly	111	<b>111</b>	-	
Aboriginal Relations	146	<b>146</b>	-	
Advanced Education and Technology	3,009	<b>3,018</b>	9	Capital planning funds from Treasury Board
Agriculture and Rural Development	974	<b>996</b>	22	Agrium Western Event Centre capital grant
Children and Youth Services	1,205	<b>1,214</b>	9	Contracted agency employee lump sum payments
Culture and Community Spirit	225	<b>246</b>	21	Capital grants re-profiled from 2010-11
Education	6,151	<b>6,238</b>	87	Re-profiled 2010-11 / additional capital grants
Employment and Immigration	1,102	<b>1,115</b>	13	Federal labour market funding from 2010-11
Energy	445	<b>445</b>	-	
Environment	290	<b>304</b>	14	Federal ecoTrust funding re-profiled from 2010-11
Executive Council	29	<b>29</b>	-	
Finance and Enterprise	956	<b>956</b>	-	
Health and Wellness	14,947	<b>14,931</b>	(16)	Lower vaccine usage / information system costs
Housing and Urban Affairs	367	<b>387</b>	20	Affordable housing capital grants
Infrastructure	1,520	<b>1,525</b>	5	Capital planning funds from Treasury Board
International and Intergovernmental Relations	24	<b>24</b>	-	
Justice	488	<b>487</b>	(1)	Lower Public Trustee system development expense
Municipal Affairs	1,044	<b>1,278</b>	234	Slave Lake Wildfire Recovery / flood assistance
Seniors and Community Supports	2,121	<b>2,131</b>	10	Contracted agency employee lump sum payments
Service Alberta	300	<b>300</b>	-	
Solicitor General and Public Security	678	<b>678</b>	-	
Sustainable Resource Development	313	<b>543</b>	230	Forest fire-fighting / mountain pine beetle infestations
Tourism, Parks and Recreation	167	<b>181</b>	14	Travel Alberta / Calgary Stampede 2012 Centennial
Transportation	1,968	<b>1,985</b>	17	Highway maintenance
Treasury Board	66	<b>49</b>	(17)	Capital planning funds transferred to other ministries
In-year savings	(240)	<b>(240)</b>	-	
<b>Total Program Expense</b>	38,406	<b>39,077</b>	671	
<b>Debt Servicing Costs</b>	588	<b>567</b>	(21)	Delay in 2010-11 borrowing for capital purposes
<b>Total Expense</b>	38,994	<b>39,644</b>	650	



## CAPITAL PLAN

2011-12 Capital Plan spending (capital grants and other support included in expense, and capital investment in government-owned assets not included in expense) is forecast at \$7 billion, \$332 million higher than estimated in *Budget 2011*. The increase primarily reflects re-profiling, highway projects carried-over from 2010-11, additional schools, assistance to Slave Lake for the regional wildfire recovery plan and interim housing, and new affordable housing initiatives.

**Municipal Infrastructure Support** – \$1.6 billion, an increase of \$19 million from budget, reflecting primarily Slave Lake support and grants for water infrastructure.

**Provincial Highway Network** – \$1.8 billion, an increase of \$181 million from budget, including \$116 million in projects carried-over from 2010-11, \$35 million for twinning Highway 63 (cost-shared with the federal government), \$15 million for purchasing salt, sand and gravel assets for highway maintenance activities, and a net \$15 million mainly reflecting re-profiling of P3 projects from 2010-11.

**Health Facilities and Equipment** – \$1 billion, a decrease of \$12 million from budget, from project re-profiling and lower purchases of vaccines due to lower demand.

**Schools** – \$361 million, an increase of \$72 million from the budget estimate, comprising \$61 million in new projects and \$11 million in re-profiled projects.

**Post-secondary Facilities** – \$251 million, unchanged from *Budget 2011*.

**Community Facilities** – \$148 million, an increase from budget of \$28 million, consisting of \$25 million for Calgary's Agrium Western Event Centre (funded from a transfer from the government facilities envelope),

\$21 million in re-profiled and new projects offset by federal infrastructure stimulus funding (including the Canada Sports Hall of Fame, Fort Calgary, Ukrainian Canadian Archives and Museum, the GO Community Centre, the Citadel Theatre and the Cantos National Music Centre), and a net \$4 million mainly in tourism and parks projects carried-over from 2010-11, partly offset by a \$22 million decrease from re-profiling the Royal Alberta Museum project.

**Water and Wastewater Management** – \$308 million, \$11 million higher than budget, comprising \$6 million for dam repairs (funded from a transfer from the government facilities envelope), \$4 million in projects carried-over from 2010-11 and \$1 million in re-profiled projects.

**Housing** – \$362 million, an increase of \$89 million from the budget estimate, consisting of \$65 million for Slave Lake interim housing, \$20 million for affordable housing funded by an increased federal transfer, \$10 million for continued Parsons Creek development, partly offset by a net decrease of \$6 million mainly related to re-profiling of Affordable Supportive Living Initiative projects.

**Government Facilities, Equipment and Other Capital** – \$1 billion, \$56 million lower than budget. Increases of \$94 million for various carried-over 2010-11 projects (mainly the Edmonton Remand Centre, Federal Building, Strategic Information Technology Initiative and First Responders Radio Communication System) and \$15 million for increased capital grants, mainly from re-profiling ecoTrust funding from 2010-11, are more than offset by decreases of \$118 million from re-profiling various projects, \$33 million transferred to other Capital Plan envelopes and a net \$14 million transferred to operating expense mainly in project planning funds.

### CAPITAL PLAN SUMMARY

(millions of dollars)

	2011-12		Change from Budget
	Budget	1st Quarter Forecast	
Municipal infrastructure support	1,628	1,647	19
Provincial highway network	1,665	1,846	181
Health facilities and equipment	1,022	1,010	(12)
Schools	289	361	72
Post-secondary facilities	251	251	-
Community facilities	120	148	28
Water and wastewater management	297	308	11
Housing	273	362	89
Government facilities, equipment and other capital	1,087	1,031	(56)
<b>Total Capital Plan</b>	<b>6,632</b>	<b>6,964</b>	<b>332</b>



**CAPITAL GRANTS AND OTHER SUPPORT<sup>a</sup>***(millions of dollars)*

	2011-12		Change from Budget
	Budget	1st Quarter Forecast	
Advanced Education and Technology	251	251	-
Agriculture and Rural Development	38	63	25
Culture and Community Spirit	48	69	21
Education	288	360	72
Energy	70	70	-
Environment	90	100	10
Health and Wellness	59	59	-
Housing and Urban Affairs	100	120	20
Infrastructure	948	947	(1)
Municipal Affairs	838	858	20
Seniors and Community Supports	75	68	(7)
Tourism, Parks and Recreation	1	1	-
Transportation	1,070	1,070	-
Treasury Board	19	2	(17)
<b>Total</b>	<b>3,895</b>	<b>4,038</b>	<b>143</b>

<sup>a</sup> Capital grants and other support are included in expense. Other support includes project planning, accommodation and facility preservation expense. Ministries not listed above have no capital grants or other support or the amount rounds to less than \$1 million.

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

	2011-12 Capital Investment			2011-12 Capital Amortization		
	Budget	1st Quarter Forecast	Change from Budget	Budget	1st Quarter Forecast	Change from Budget
Legislative Assembly	5	5	-	1	1	-
Advanced Education and Technology	5	5	-	5	5	-
Agriculture and Rural Development	13	13	-	15	15	-
Children and Youth Services	6	6	-	3	3	-
Culture and Community Spirit	3	3	-	3	3	-
Education	1	5	4	1	1	-
Employment and Immigration	4	5	1	3	3	-
Energy	31	31	-	21	21	-
Environment	1	1	-	22	22	-
Finance and Enterprise	23	23	-	11	11	-
Health and Wellness	85	80	(5)	75	70	(5)
Housing and Urban Affairs	98	108	10	24	24	-
Infrastructure	391	369	(22)	100	100	-
Justice	3	5	2	9	9	-
Municipal Affairs	1	66	65	2	2	-
Seniors and Community Supports	1	1	-	1	1	-
Service Alberta	50	55	5	50	50	-
Solicitor General and Public Security	184	199	15	5	5	-
Sustainable Resource Development	16	19	3	16	16	-
Tourism, Parks and Recreation	14	17	3	18	18	-
Transportation	1,665	1,857	192	412	427	15
Treasury Board	137	53	(84)	1	1	-
<b>Total</b>	<b>2,737</b>	<b>2,926</b>	<b>189</b>	<b>798</b>	<b>808</b>	<b>10</b>

<sup>a</sup> Includes purchases of inventories. Capital investment and inventory purchases are not included in expense. Ministries not listed above have no capital investment or inventory purchases or the amount rounds to less than \$1 million.

## NET FINANCIAL AND CAPITAL ASSETS

**Net Assets** – At March 31, 2012 net assets are forecast at \$35.8 billion, an increase of \$2.1 billion from budget but \$1.6 billion lower than March 31, 2011. This includes forecast financial assets of \$51.1 billion, \$629 million lower than at March 31, 2011, capital assets of \$21 billion, \$2.1 billion higher than at March 31, 2011, less liabilities of \$36.4 billion, \$3 billion higher than at March 31, 2011.

**Heritage Fund and Endowment Funds** – Forecast book value of Heritage Fund external assets is \$14.5 billion, \$1 million higher than budget and \$341 million higher than at March 31, 2011, reflecting forecast inflation-proofing. Total assets of endowment and other funds are forecast at \$3.3 billion at March 31, 2012, \$7 million lower than budget and \$10 million higher than at March 31, 2011.

**Sustainability Fund** – Assets are forecast at \$9.7 billion at March 31, 2012, \$4.4 billion higher than budget, but \$1.5 billion lower than March 31, 2011. The increase from budget is due primarily to the \$2.1 billion lower deficit forecast, \$0.6 billion from 2010-11 fourth quarter results

transferred into the Fund after March 31, 2011 (included in “Other financial assets” at March 31, 2011), lower capital cash requirements mainly from the \$1.1 billion in borrowing deferred from last year to 2011-12, and a positive swing in energy cash adjustments. The decrease from last year is due mainly to the \$1.3 billion transfer to offset the deficit, \$0.8 billion in 2011-12 revenue that is retained by the Heritage Fund and other funds and agencies, partly offset by the \$0.6 billion deposited in 2011-12 from 2010-11 fourth quarter results.

**Total Liabilities** – Forecast at \$36.4 billion, an increase of \$3 billion from March 31, 2011 and \$1.7 billion from the budget estimate. The increase from last year is due mainly to a \$2 billion increase in liabilities for capital projects, reflecting the planned \$1.8 billion in direct borrowing and ongoing progress on P3 projects, and a net \$1.3 billion increase in self-supporting lending organizations, primarily from higher Alberta Capital Finance Authority activity, which is more than offset by an increase in their assets.

### BALANCE SHEET

(millions of dollars)

	at March 31				
	2011	2012			
	Actual	Budget <sup>a</sup>	1st Quarter Forecast	Change from Budget	2011 Actual
<b>Financial Assets</b>					
Heritage Fund	14,198	14,538	14,539	1	341
Self-supporting lending organizations <sup>b</sup>	12,606	13,844	14,151	307	1,545
Alberta Sustainability Fund	11,192	5,292	9,686	4,394	(1,506)
Endowment and other funds <sup>c</sup>	3,302	3,319	3,312	(7)	10
Equity in commercial enterprises	2,615	2,841	2,859	18	244
Debt Retirement Account	843	503	503	-	(340)
Other financial assets	6,964	7,165	6,041	(1,124)	(923)
<b>Total Financial Assets</b>	<b>51,720</b>	<b>47,502</b>	<b>51,091</b>	<b>3,589</b>	<b>(629)</b>
<b>Liabilities</b>					
Accumulated debt	828	488	488	-	(340)
Pension liabilities	9,716	9,982	9,982	-	266
Self-supporting lending organizations <sup>b</sup>	11,627	12,626	12,955	329	1,328
Liabilities for capital projects	3,199	4,122	5,222	1,100	2,023
Other liabilities	7,952	7,436	7,707	271	(245)
<b>Total Liabilities</b>	<b>33,322</b>	<b>34,654</b>	<b>36,354</b>	<b>1,700</b>	<b>3,032</b>
<b>Net Financial Assets</b>	<b>18,398</b>	<b>12,848</b>	<b>14,737</b>	<b>1,889</b>	<b>(3,661)</b>
Capital Assets	18,975	20,854	21,026	172	2,051
<b>Net Assets</b>	<b>37,373</b>	<b>33,702</b>	<b>35,763</b>	<b>2,061</b>	<b>(1,610)</b>
Adjustment for pension liabilities	9,716	9,982	9,982	-	266
<b>Net Assets for Fiscal Policy Purposes<sup>d</sup></b>	<b>47,089</b>	<b>43,684</b>	<b>45,745</b>	<b>2,061</b>	<b>(1,344)</b>

<sup>a</sup> Budget numbers have been restated to reflect 2010-11 actual results. The \$619 million in cash from 2010-11 fourth quarter results transferred into the Sustainability Fund after March 31, 2011 is reported in “Other financial assets” in Budget numbers.

<sup>b</sup> Includes Alberta Capital Finance Authority and Agriculture Financial Services Corporation.

<sup>c</sup> Includes the Medical Research Endowment Fund, Science and Engineering Research Endowment Fund, Scholarship Fund, Alberta Cancer Prevention Legacy Fund and Alberta Enterprise Corporation.

<sup>d</sup> Under the *Fiscal Responsibility Act*. Excludes pension liabilities and equity of Crown-controlled SUCH sector organizations and Alberta Innovates corporations.

**CASH ADJUSTMENTS<sup>a</sup>***(millions of dollars)*

	2011-12		Change from Budget
	Budget <sup>b</sup>	1st Quarter Forecast	
<b>Capital Cash Adjustments</b>			
<b>Requirements</b>			
Capital investment	(2,737)	(2,926)	(189)
Principal repayment /amortization of debt issue costs	(19)	(19)	-
<b>Total requirements</b>	(2,756)	(2,945)	(189)
<b>Sources</b>			
Capital amortization	798	808	10
Net book value of capital asset disposals	2	2	-
Alternatively-financed capital investment	156	168	12
Alternatively-financed capital grants	45	36	(9)
Direct borrowing	737	1,837	1,100
<b>Total sources</b>	1,738	2,851	1,113
<b>Total capital cash adjustments</b>	(1,018)	(94)	924
<b>Retained Income of Funds and Agencies Cash Adjustments</b>			
Alberta Treasury Branches	(188)	(195)	(7)
Agriculture Financial Services Corporation	(259)	(228)	31
Access to the Future Fund	(50)	(50)	-
Endowment funds (Medical, Science and Engineering, Scholarship)	(30)	(16)	14
Alberta School Foundation Fund	(14)	(11)	3
Alberta Capital Finance Authority	(13)	(13)	-
Alberta Social Housing Corporation	1	18	17
Alberta Cancer Prevention Legacy Fund	10	5	(5)
Other funds	(8)	3	11
<b>Total retained income of funds and agencies cash adjustments</b>	(551)	(487)	64
<b>Other Cash Adjustments</b>			
Energy royalties	(428)	454	882
Student loans	(124)	(124)	-
Other	(46)	(189)	(143)
<b>Total other cash adjustments</b>	(598)	141	739

<sup>a</sup> Negative cash adjustments are a cash requirement; positive cash adjustments are a cash source.

<sup>b</sup> Budget revenue has been restated, increasing by \$11 million as a result of Alberta Treasury Branches (ATB) adopting International Financial Reporting Standards. Budget ATB net income is increased by \$8 million, and the payment-in-lieu of taxes by \$3 million. Consequently, the Budget ATB retained income cash adjustment has been increased by \$8 million and other cash adjustments by \$3 million.

**DISASTER/EMERGENCY ASSISTANCE***(millions of dollars)*

	2011-12		Change from Budget
	Budget	1st Quarter Forecast	
Agriculture and Rural Development			
AgriRecovery	-	17	17
Municipal Affairs			
Slave Lake wildfires <sup>a</sup>	-	159	159
Southern Alberta floods	-	50	50
Sustainable Resource Development			
Forest fire-fighting costs	-	200	200
Mountain pine beetle infestations	-	30	30
<b>Total Disaster/Emergency Assistance</b>	-	456	456

<sup>a</sup> Does not include \$10 million in capital grants or \$65 million in capital investment provided in 2011-12 for assistance in dealing with Slave Lake wildfires.

**2011–12 FISCAL YEAR ASSUMPTIONS AND SENSITIVITIES<sup>a</sup>**

	Sensitivities		Assumptions	
	Change	Net Impact (\$ million)	Budget	1st Quarter Forecast
Oil price - WTI (US\$/bbl)	-\$1.00	-141	89.40	<b>97.85</b>
Natural gas price - Alberta Reference Price (Cdn\$/GJ)	-10 cents	-51	3.45	<b>3.45</b>
Alberta Wellhead - conventional oil (Cdn\$/bbl)			79.43	<b>85.69</b>
WCS @ Hardisty (Cdn\$/bbl)			72.02	<b>76.34</b>
Production assumptions				
Oil sands (000s barrels/day)			1,850	<b>1,810</b>
Conventional crude oil (000s barrels/day)			484	<b>508</b>
Natural gas (billions of cubic feet/annum)			4,055	<b>4,306</b>
Exchange rate (US\$/Cdn\$)	+1 cent	-154	98.38	<b>102.53</b>
Interest rates	+1%	-212		
3-month Canada treasury bills (per cent)			1.75	<b>1.50</b>
10 year Canada bonds (per cent)			3.65	<b>3.55</b>
Personal income growth (2011 calendar year)	-1%	-115	5.9%	<b>6.4%</b>

<sup>a</sup> Sensitivities are based on the *Budget 2011* 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.

**FINANCING REQUIREMENTS<sup>a</sup>**

(millions of dollars)

	2011-12		
	Budget	1st Quarter Forecast	Change from Budget
<b>Financing Requirements</b>			
Direct borrowing for capital purposes	737	<b>1,837</b>	1,100
Term debt borrowing for provincial corporations:			
Agriculture Financial Services Corporation	280	<b>295</b>	15
Alberta Capital Finance Authority	2,100	<b>2,100</b>	-
Alberta Treasury Branches	800	<b>1,350</b>	550
<b>Total financing requirements</b>	<b>3,917</b>	<b>5,582</b>	1,665
<b>Financing Completed to Date</b>			
Direct borrowing for capital purposes	-	-	-
Agriculture Financial Services Corporation	-	<b>30</b>	30
Alberta Capital Finance Authority	-	<b>900</b>	900
Alberta Treasury Branches	-	<b>1,350</b>	1,350
<b>Total financing completed to date</b>	<b>-</b>	<b>2,280</b>	2,280

<sup>a</sup> Does not include alternative financing for capital projects (P3s).

## **ACTUAL RESULTS**

# ACTUAL RESULTS

## FOR THE FIRST THREE MONTHS OF 2011–12

### METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in *Budget 2011*.

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 2010-11 figures have been restated where necessary to conform to the 2011-12 presentation.



**CONSOLIDATED FISCAL SUMMARY**

for the three months ended June 30, 2011

*(millions of dollars)*

	First Three Months		
	2011-12	2010-11	Change
<b>Revenue</b>			
Income taxes	2,848	2,777	71
Other taxes	882	850	32
Non-renewable resource revenue	3,613	1,944	1,669
Transfers from Government of Canada	1,176	1,172	4
Net income from commercial operations	606	595	11
Premiums, fees and licences	585	554	31
Investment income	594	(16)	610
Other	200	187	13
<b>Total Revenue</b>	<b>10,504</b>	<b>8,063</b>	<b>2,441</b>
<b>Expense</b>			
<b>Program Expense</b>			
Legislative Assembly	21	20	1
Aboriginal Relations	31	36	(5)
Advanced Education and Technology	669	956	(287)
Agriculture and Rural Development	114	213	(99)
Children and Youth Services	302	292	10
Culture and Community Spirit	36	44	(8)
Education	1,508	1,404	104
Employment and Immigration	288	271	17
Energy	74	73	1
Environment	40	38	2
Executive Council	5	6	(1)
Finance and Enterprise	248	237	11
Health and Wellness	3,511	3,410	101
Housing and Urban Affairs	65	100	(35)
Infrastructure	224	132	92
International and Intergovernmental Relations	6	6	-
Justice	121	117	4
Municipal Affairs	972	38	934
Seniors and Community Supports	511	488	23
Service Alberta	62	55	7
Solicitor General and Public Security	194	181	13
Sustainable Resource Development	230	108	122
Tourism, Parks and Recreation	42	38	4
Transportation	289	284	5
Treasury Board	9	9	-
<b>Total Program Expense</b>	<b>9,572</b>	<b>8,556</b>	<b>1,016</b>
Debt servicing costs	69	70	(1)
<b>Total Expense</b>	<b>9,641</b>	<b>8,626</b>	<b>1,015</b>
<b>Surplus (Deficit)</b>	<b>863</b>	<b>(563)</b>	<b>1,426</b>

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