

THE FUTURE

MEETING PRIORITIES SHARING BENEFITS

Budget 2001

SECOND QUARTER FISCAL UPDATE

2001-02 QUARTERLY BUDGET REPORT

2

FOR RELEASE NOVEMBER 21, 2001

Alberta
GOVERNMENT OF ALBERTA

UPDATING ALBERTANS

The *Second Quarter Fiscal Update* is comprised of two parts - the updated 2001-02 forecast and the actual results for the first six months of the fiscal year (April 1 to September 30, 2001).

TABLE OF CONTENTS

2001-02 Forecast	
Highlights	1
Revenue	2
Expense	4
Net Change in Capital Assets	6
Allocation of Economic Cushion	7
Net Assets and Accumulated Debt	8
Cash Available for Debt Repayment	9
Accumulated Debt	9
Net Financing Requirements	9
Sensitivities to Fiscal Year Assumptions, 2001-02	10
Actual Results	11
Consolidated Fiscal Summary	12
Expense	13
Net Increase in Capital Assets affecting Operations	14

2001-02 FORECAST

Highlights

- ◆ Declining energy prices and weakness in world equity markets have required the province to implement corrective actions to maintain a balanced budget. Revenue is forecast to be \$1.6 billion lower than estimated in the budget.
- ◆ \$1.26 billion in corrective actions were announced as part of the *October Fiscal and Economic Update*, including deferred infrastructure projects, lapses in energy assistance programs and a freeze on hiring and discretionary spending.
- ◆ Since the *October Update*, additional savings have been identified in several ministries. These savings have been used to offset part of the additional costs for forest fires, a proposed aboriginal agreement, crop insurance and Crown prosecutors.
- ◆ Program expense is now forecast to be \$1.1 billion lower than in the *First Quarter Fiscal Update* and \$0.9 billion lower than budgeted.
- ◆ Lower spending and the use of the \$817 million economic cushion, set aside in the budget, will help balance the budget. If required, further appropriate actions will be taken to ensure the province's budget remains balanced.
- ◆ Accumulated debt at March 31, 2002 is forecast at \$6.3 billion.

CONSOLIDATED FISCAL SUMMARY^a

(millions of dollars)

	2001-02				
	Budget	2nd Quarter Forecast	Change from		
			Budget	1st Quarter	October Update
1 Revenue	22,673	21,084	(1,589)	(1,491)	127
2 Expense					
3 Program	20,832	19,957	(875)	(1,131)	109
4 Debt Servicing Costs	750	825	75	95	—
5 Total Expense	21,582	20,782	(800)	(1,036)	109
6 Net Revenue	1,091	302	(789)	(455)	18
7 Less: Net Increase in Capital Assets affecting Operations ^b	274	290	16	18	18
8 Economic Cushion	817	12	(805)	(473)	—
9 Planned Allocation of Economic Cushion					
10 Debt Repayment/Increase in Financial Assets	613	—	(613)	(472)	—
11 Contingency Reserve	204	12	(192)	(1)	—
12 Accumulated Debt (including cash set aside) at March 31, 2002 ^c	6,438	6,310	(128)	234	
13 Net Assets at March 31, 2002 ^c	9,655	9,042	(613)	(472)	

a Subject to the *Fiscal Responsibility Act*.

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

c Budget numbers have been restated to reflect actual results for 2000-01. At March 31, 2001, accumulated debt, less cash set aside for future debt repayment, was \$8.195 billion. Net assets as at March 31, 2001 amounted to \$9.042 billion, excluding pension obligations. Pension obligations are forecast to increase in 2001-02 by \$35 million to \$4.777 billion.

Revenue

OCTOBER UPDATE

Total revenue is forecast at \$21.1 billion. This is \$1.6 billion lower than budgeted but \$127 million higher than the *October Update* forecast. The increase from the *October Update* reflects an increase in dedicated revenue/expense, the reclassification of the spending reduction associated with the Alberta Children's Hospital in Calgary as a refund of expenditure (which increases revenue), and higher Alberta Gaming and Liquor Commission revenue.

NON-RENEWABLE RESOURCE REVENUE

Total non-renewable resource revenue is forecast at \$6 billion, \$1.5 billion lower than estimated in the budget. Total revenue is unchanged from the *October Update*. However, reflecting actual prices and recent developments, changes have been made to the *October Update* forecast of oil and natural gas prices.

Natural gas royalties are forecast to be \$1.6 billion lower than budgeted. Economic uncertainty and increased production have combined to weaken prices.

Natural gas prices are forecast to average Cdn\$3.85 per mcf for the fiscal year. This is \$1.18 lower than budgeted but 10 cents higher than in the *October Update*. Year-to-date prices (April to November) have averaged about Cdn\$4.30 per mcf. Prices for the last four months of the fiscal year (December to March) are expected to average about Cdn\$2.90 per mcf.

Oil royalties are forecast to be \$112 million lower than budgeted. Uncertainty over whether OPEC and non-OPEC producers can reach an agreement on cutting oil production has resulted in volatile oil prices in November.

Reflecting this volatility, the oil price forecast for the fiscal year has been lowered to US\$23.50 per barrel. This is \$1.50 lower than the budget and *October Update* forecasts. Year-to-date prices (April to November) have averaged about US\$26.00 per barrel. Prices for the last four months of the fiscal year (December to March) are expected to average about US\$19.00 per barrel.

The impact of lower prices has been partly offset by a \$169 million increase in land sales and a lower-than-forecast US/Canadian exchange rate.

INCOME TAX REVENUE

The forecast of income tax revenue is unchanged from the *October Update* and \$125 million higher than the budget estimate. Personal income tax revenue is up \$250 million from the budget, mainly due to the prior year adjustment reported in the *First Quarter Update*. This increase is partly offset by a \$125 million reduction in the forecast of corporate income tax revenue, due to weakened economic conditions.

TRANSFERS FROM GOVERNMENT OF CANADA

As reported in the *October Update*, transfers from the Government of Canada are expected to be higher than budgeted. The Canada Health and Social Transfer is \$104 million higher than the budget estimate due to updated data from the federal government. Other federal transfers, primarily for agricultural support, are \$43 million higher than the budget estimate.

INVESTMENT INCOME

Investment income is \$533 million less than estimated in the budget. As noted in the *October Update*, weakness in world equity markets has resulted in realized capital losses and write-downs of investments, particularly in the technology sector.

NET INCOME FROM COMMERCIAL OPERATIONS

Net income from commercial operations is \$118 million higher than budgeted. This is almost entirely due to higher lottery and liquor revenue.

OTHER REVENUE

Other revenue is \$66 million higher than budgeted. Lower revenue from the freehold mineral rights tax (down \$59 million) and timber rentals and fees (down \$24 million) have been more than offset by other net revenue increases.

Increases include a \$45 million refund of expenditure associated with the Alberta Children's Hospital, a \$43 million increase in restricted revenue and expense of the Alberta Dairy Control Board, a \$20 million increase in school property tax revenue due to a reduction in the allowance set aside for assessment adjustments and appeals, and \$41 million in other net increases.

REVENUE*(millions of dollars)*

	2001-02		Change from Budget	Change from 1st Quarter	Main Reasons for Change from Budget
	Budget	2nd Quarter Forecast			
Income Taxes					
Personal income tax	4,077	4,327	250	(69)	Higher 2000 tax year returns
Corporate income tax	1,974	1,849	(125)	(125)	Weaker world economy
	6,051	6,176	125	(194)	
Other Taxes					
School property tax	1,048	1,068	20	20	Reduced allowance for appeals
Fuel tax	581	590	9	5	Volume increase
Tobacco tax	344	350	6	6	Volume increase
Freehold mineral rights tax	253	194	(59)	(21)	Lower energy prices
Insurance corporations tax	134	130	(4)	—	Revised forecast
Hotel room tax	47	49	2	—	Revised forecast
	2,407	2,381	(26)	10	
Non-Renewable Resource Revenue					
Natural gas and by-products royalty	5,494	3,911	(1,583)	(936)	Lower natural gas prices
Crude oil royalty	881	876	(5)	(52)	Lower oil price offset by exchange rate
Synthetic crude oil and bitumen royalty	300	193	(107)	(42)	Lower oil price/revised industry plans
Coal royalty	11	14	3	1	Revised forecast
Bonuses and sales of Crown leases	845	1,014	169	(51)	Higher prices per hectare
Rentals and fees	170	148	(22)	—	Lower number of hectares renewed
Royalty tax credit	(165)	(132)	33	20	Lower royalties
	7,536	6,024	(1,512)	(1,060)	
Transfers from Government of Canada					
Canada Health and Social Transfer	1,482	1,586	104	170	Revised federal forecast
Medical equipment/primary care	63	63	—	—	
Agriculture support programs	244	280	36	(4)	Increased agricultural aid
Labour market development	122	119	(3)	(3)	Lower demand
Other	167	177	10	2	Hepatitis C initiative
	2,078	2,225	147	165	
Investment Income					
Alberta Heritage Savings Trust Fund	551	146	(405)	(405)	Weak world equity markets
Alberta Municipal Financing Corporation	358	358	—	—	
Endowment Funds:					
Medical Research	45	(14)	(59)	(59)	Weak world equity markets
Scholarship	28	(5)	(33)	(33)	Weak world equity markets
Science and Engineering Research	14	(7)	(21)	(21)	Weak world equity markets
Debt retirement funds	107	95	(12)	(17)	Lower interest rates
Agriculture Financial Services Corporation	92	90	(2)	2	Lower lending activity
Other	61	60	(1)	—	Revised forecast
	1,256	723	(533)	(533)	
Net Income from Commercial Operations					
Alberta Gaming and Liquor Commission					
Lottery revenue	1,010	1,110	100	30	Increase in gaming activity
Liquor operations	478	493	15	5	Higher sales
Alberta Treasury Branches	151	152	1	1	Revised forecast
Other	4	6	2	2	Revised forecast
	1,643	1,761	118	38	
Premiums, Fees and Licences					
Health care insurance premiums	670	671	1	—	Increase in registrations
Motor vehicle licences	208	212	4	1	Increase in number of licenses
Timber rentals and fees	90	66	(24)	(5)	Reduced prices and volumes
Crop and hail insurance premiums	62	66	4	(5)	Increased participation
Land titles	31	31	—	—	
Other	253	254	1	1	Revised forecast
	1,314	1,300	(14)	(8)	
Other					
Alberta Dairy Control Board	62	105	43	28	Changes to ADCB mandate
Fines and penalties	43	45	2	2	Volume increase
Sale of capital assets	34	33	(1)	(1)	Revised forecast
Miscellaneous	249	311	62	62	Higher refunds of expenditure
	388	494	106	91	
Total Revenue	22,673	21,084	(1,589)	(1,491)	

Expense

October Update

The \$1.26 billion in corrective actions, announced in the *October Update*, included \$735 million in deferred infrastructure projects, a \$285 million lapse in energy assistance programs and \$240 million in other savings. Since the *October Update*, additional savings have been identified in several ministries.

Partly offsetting these savings is higher-than-budgeted spending in a few areas. In the *First Quarter Update*, increases were primarily provided for health, drought assistance and forest fire fighting costs. In the *Second Quarter Update*, additional increases are required for forest fire fighting, crop insurance, Crown prosecutors and an aboriginal agreement.

Program expense is now forecast to be \$875 million lower than budgeted but \$109 million higher than in the *October Update*. The increase from the *October Update* reflects the above noted spending changes, increases in dedicated revenue/expense and the reclassification of the Alberta Children's Hospital deferral as a refund of expenditure (increases revenue).

Aboriginal Affairs and Northern Development spending is expected to increase by \$33 million to implement a proposed agreement with the Peigan First Nation and the Canadian government.

Agriculture, Food and Rural Development spending is \$177 million higher than budgeted. This reflects the cost of drought disaster assistance and higher crop insurance expenditures. It also includes a \$43 million increase in the restricted revenue and related expense of the Alberta Dairy Control Board.

Community Development expense is down \$29 million primarily from deferral of some centennial projects.

Finance spending is \$31 million lower than budgeted primarily related to changes to valuation adjustments.

Gaming spending is \$13 million less than budgeted as a result of reductions to lottery funded programs.

Health and Wellness spending is \$119 million higher than budgeted. The \$211 million increase reported in the *First Quarter Update* has been partly offset by \$92 million in corrective actions.

Human Resources and Employment spending is down \$30 million due to lower costs for Supports for Independence, Labour Market Development and Skill Development programs.

Infrastructure spending is \$787 million lower than budgeted due to:

- ◆ \$390 million in deferred projects (\$55 million in additional project deferrals are reported in capital investment and refunds of expenditure).
- ◆ \$325 million in lapsed energy assistance programs (\$40 million announced in the *First Quarter Update* and \$285 million in the *October Update*).
- ◆ \$72 million in other net lapses (\$90 million reported in the *First Quarter Update* offset by a net increase of \$18 million in dedicated revenue/expense and funding for post-secondary facilities).

Innovation and Science program spending is forecast to be \$48 million less than budgeted. This includes a deferral of \$10 million in SuperNet funding to 2002-03 and reallocation of \$37 million in program spending to capital investment.

Justice spending is \$7 million higher than budgeted. Increased funding for Crown prosecutors, Justices of the Peace and to address recommendations of the 2000 Judicial Compensation Commission has been partly offset by reductions in other areas.

Learning spending has been reduced by \$42 million from budget. A \$25 million spending lapse was announced as part of the *October Update*. A further \$17 million is being lapsed, including \$13 million for budgeted one-time capital costs of post-secondary facilities which will now be funded by Infrastructure rather than Learning.

Municipal Affairs spending is down \$33 million primarily due to the deferral of some funding for the Underground Petroleum Storage Tank Program.

Sustainable Resource Development spending is \$98 million higher than budgeted due to forest fire fighting costs.

Transportation spending is \$288 million lower than budgeted. This includes \$266 million in deferred capital projects (\$14 million in additional project deferrals are reported in capital investment) and \$22 million in other lapsed spending.

Debt Servicing Costs are \$75 million higher than budgeted. The lower value of the Canadian dollar increases the foreign exchange provision on US dollar debt.

EXPENSE*(millions of dollars)*

	2001-02			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Program				
Legislative Assembly	58	58	—	—
Aboriginal Affairs and Northern Development	30	63	33	33
Agriculture, Food and Rural Development	883	1,060	177	41
Children's Services	648	645	(3)	(3)
Community Development	599	570	(29)	(29)
Economic Development	51	51	—	—
Energy	175	173	(2)	(2)
Environment	122	121	(1)	(1)
Executive Council	15	15	—	—
Finance ^a	466	435	(31)	(29)
Gaming	217	204	(13)	(13)
Government Services	51	51	—	—
Health and Wellness	6,271	6,390	119	(92)
Human Resources and Employment	1,055	1,025	(30)	(25)
Infrastructure	2,768	1,981	(787)	(657)
Innovation and Science	232	184	(48)	(48)
International and Intergovernmental Relations	6	6	—	—
Justice	220	227	7	4
Learning	4,807	4,765	(42)	(42)
Municipal Affairs	203	170	(33)	(33)
Revenue ^a	139	139	—	—
Seniors	299	298	(1)	(1)
Solicitor General	253	252	(1)	(2)
Sustainable Resource Development	204	302	98	43
Transportation	1,060	772	(288)	(275)
Total Program Expense	20,832	19,957	(875)	(1,131)
Debt Servicing Costs	750	825	75	95
Total Expense	21,582	20,782	(800)	(1,036)

a Budget numbers have been restated to reflect government reorganization changes.

Net Change in Capital Assets

The Net Change in Capital Assets affecting Operations is \$16 million higher than budgeted. This primarily reflects the reclassification of \$37 million of SuperNet program expense (Innovation and Science) as capital

investment. Partly offsetting this increase in capital investment are deferred capital projects in Infrastructure and Transportation.

NET CHANGE IN CAPITAL ASSETS

(millions of dollars)

	2001-02			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Capital Investment	588	602	14	16
Less: Capital Amortization	314	312	(2)	(2)
Net Increase in Capital Assets affecting Operations	274	290	16	18

CAPITAL INVESTMENT AND AMORTIZATION

(millions of dollars)

	2001-02 Capital Investment				2001-02 Capital Amortization			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Legislative Assembly	1	1	—	—	—	—	—	—
Aboriginal Affairs and Northern Development	—	—	—	—	—	—	—	—
Agriculture, Food and Rural Development	4	4	—	—	6	6	—	—
Children's Services	—	—	—	—	1	1	—	—
Community Development	3	2	(1)	—	10	10	—	—
Economic Development	—	—	—	—	—	—	—	—
Energy	7	7	—	—	7	7	—	—
Environment	1	1	—	—	16	16	—	—
Executive Council	—	—	—	—	—	—	—	—
Finance	5	5	—	—	1	1	—	—
Gaming	—	—	—	—	—	—	—	—
Government Services	1	1	—	—	5	5	—	—
Health and Wellness	2	2	—	—	2	2	—	—
Human Resources and Employment	4	5	1	2	3	2	(1)	—
Infrastructure	52	42	(10)	(10)	54	54	—	—
Innovation and Science	12	49	37	37	8	8	—	—
International and Intergovernmental Relations	—	—	—	—	—	—	—	—
Justice	1	1	—	—	1	1	—	—
Learning	6	6	—	—	2	2	—	—
Municipal Affairs	1	3	2	2	2	1	(1)	(1)
Revenue	2	2	—	—	2	2	—	(1)
Seniors	1	—	(1)	(1)	24	24	—	—
Solicitor General	—	—	—	—	—	—	—	—
Sustainable Resource Development	3	3	—	—	6	6	—	—
Transportation	482	468	(14)	(14)	164	164	—	—
Total Capital Investment/Amortization	588	602	14	16	314	312	(2)	(2)

Allocation of Economic Cushion/Corrective Actions

Without undertaking the corrective actions announced in the *October Update*, the province would have faced a \$1.2 billion deficit (based on first quarter spending commitments).

Corrective actions include a net reduction of \$1.153 billion in spending and \$65 million in revenue adjustments.

Revenue adjustments include a \$20 million increase in school property tax revenue due to a reduction in the allowance set aside for assessment adjustments and appeals, and a \$45 million refund of expenditure for the Alberta Children's Hospital.

The \$1.153 billion in net spending reductions include:

- ◆ \$1.195 billion in corrective spending actions announced in the *October Update*, (\$65 million of the October corrective actions are reflected as increased revenue),
- ◆ less the \$42 million net increase for crop insurance, forest fires, an aboriginal agreement and Crown prosecutors as reported in the *Second Quarter Update*.

The *Second Quarter Update* includes a \$57 million increase from budget (\$40 million increase from *First Quarter Update*) in dedicated revenue and expense changes, including:

- ◆ \$43 million for the Alberta Dairy Control Board,
- ◆ \$8 million for the Swan Hills Treatment Plant,
- ◆ \$4 million for services provided to First Nations' children on reserve, offset by federal or band reimbursement, and
- ◆ \$2 million in other areas.

In addition, \$93 million in drought assistance reported in the *First Quarter Update* was declared a disaster program.

ALLOCATION OF ECONOMIC CUSHION, 2001-02

(millions of dollars)

	Budget	Forecast Changes	Revised Forecast	Cushion Allocation 1st Quarter	Corrective Actions 2nd Quarter	2nd Quarter Update
Revenue	22,673	(1,654)	21,019	—	65	21,084
Expense						
Program Expense	20,832	150	20,982	146	(1,171)	19,957
Debt Servicing Costs	750	75	825	—	—	825
Net Change in Capital Assets affecting Operations	274	—	274	(2)	18	290
Total Expense and Net Change in Capital Assets	21,856	225	22,081	144	(1,153)	21,072
Economic Cushion	817	(1,879)	(1,062)	(144)	1,218	12
Allocation of Economic Cushion						
Debt Repayment/Increase in Financial Assets	613	(613)	—	—	—	—
Contingency Reserve	204	(1,266)	(1,062)	(144)	1,218	12

Net Assets and Accumulated Debt

Accumulated debt (including cash set aside for future debt repayment) is forecast to decline to \$6.3 billion by March 31, 2002. This is \$128 million lower than estimated in the budget.

The lower forecast of accumulated debt in 2001-02 is primarily due to:

- ◆ differences between when revenue is accrued and cash is received,
- ◆ changes in requirements for when cash is due,
- ◆ lower retained income of funds and agencies.

As noted in *Budget 2001*, there is a three-month lag in receiving cash from natural gas royalties. This resulted in a large negative cash adjustment in 2000-01 and a corresponding large positive cash adjustment in 2001-02. The cash adjustment has become larger due to expected lower royalties in the last quarter of the 2001-02 fiscal year.

As noted in the *First Quarter Update*, the 2001-02 cash adjustment has also increased due to administrative changes in natural gas deposit policy and when payments are due on fiscal year-ends ending on weekends. Higher cash payments will be received in 2001-02 and lower payments in 2002-03.

The lower retained income of funds and agencies reflects the lower investment income of endowment funds.

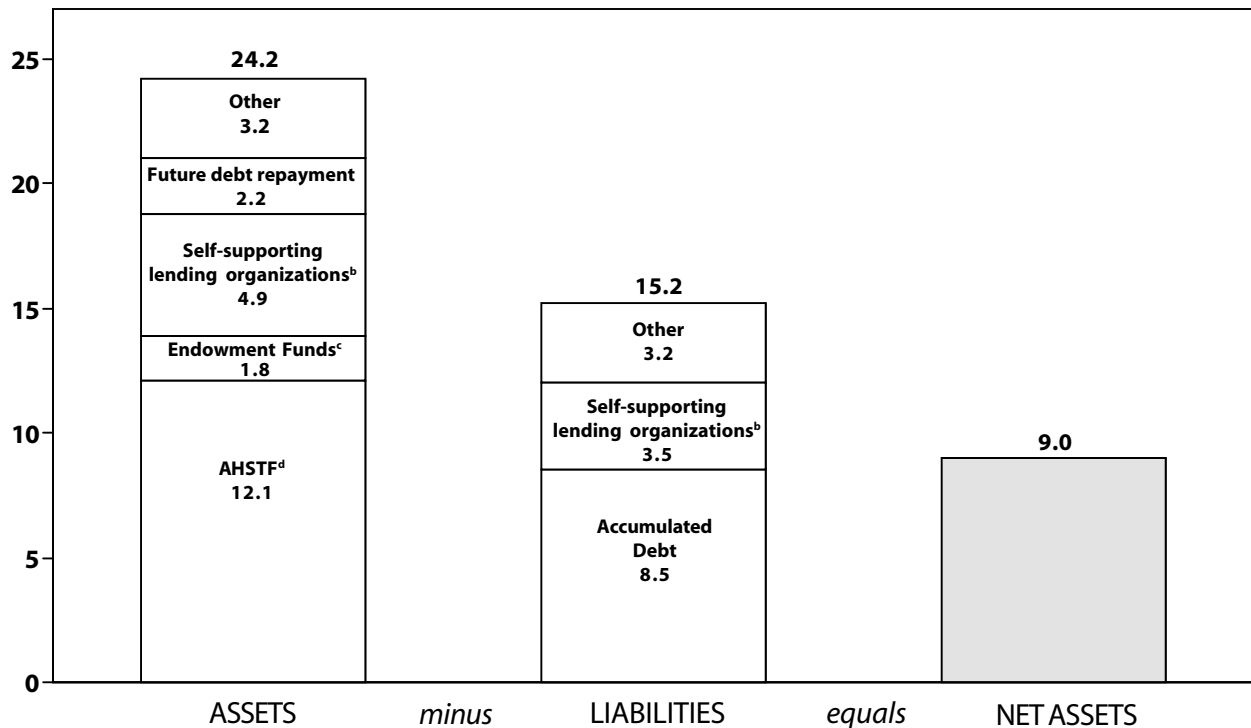
These changes have more than offset the lower debt payment from the economic cushion in 2001-02.

However, these changes will result in less cash than originally forecast being available for debt repayment in future years. Overall, accumulated debt on March 31, 2004 is expected to be about \$600 million higher than forecast in *Budget 2001*.

At March 31, 2002, the net assets of the province are forecast at \$9.0 billion (excluding pension obligations).

NET WORTH (BALANCE SHEET)^a **FORECAST OF ASSETS, LIABILITIES AND NET ASSETS** AT MARCH 31, 2002

(billions of dollars)



a Excludes pension obligations of \$4.777 billion which are scheduled for elimination under a separate 1993 legislated plan.
 b Includes Alberta Municipal Financing Corporation, Agriculture Financial Services Corporation and Alberta Opportunity Company.
 c Includes Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Endowment Fund.
 d Alberta Heritage Savings Trust Fund. Total assets of \$12.256 billion less \$105 million of internal holdings of provincial corporation and General Revenue Fund debt.

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

	2001-02			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Allocation for debt repayment/increase in financial assets	613	—	(613)	(472)
Natural gas royalty 2001-02 cash adjustments	1,815	2,803	988	116
Other cash adjustments	(508)	(888)	(380)	(33)
	1,920	1,915	(5)	(389)
Less: Retained income of funds and agencies:				
Alberta Treasury Branches	152	152	—	(1)
Agriculture Financial Services Corporation	13	(5)	(18)	(41)
Foundation for Medical Research Endowment Fund	(18)	(77)	(59)	(59)
Heritage Scholarship Fund	9	(23)	(32)	(32)
Science and Engineering Research Endowment Fund	7	(13)	(20)	(20)
Alberta Government Telephones Commission	—	(4)	(4)	(4)
Total retained income	163	30	(133)	(155)
Cash available from current operations	1,757	1,885	128	(234)
Cash available from 2000-01	2,070 ^a	2,070	—	—
Cash Available for Accumulated Debt Repayment	3,827	3,955	128	(234)
Allocation of Cash Available:				
2001-02 maturities and redemptions	1,762	1,784	22	15
Future maturities and redemptions	2,065 ^a	2,171	106	(249)
Cash available for accumulated debt repayment	3,827	3,955	128	(234)

^a Cash set aside has been restated to reflect the March 31, 2001 actuals.

ACCUMULATED DEBT*(millions of dollars)*

	2001-02			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Accumulated debt at the start of the year	10,265 ^a	10,265	—	—
Less: Accumulated debt repayment in 2001-02	1,762	1,784	22	15
Accumulated Debt at March 31, 2002	8,503	8,481	(22)	(15)
Less: Cash set aside for future accumulated debt repayments	2,065 ^a	2,171	106	(249)
	6,438	6,310	(128)	234

^a Accumulated debt and cash set aside have been restated to reflect the March 31, 2001 actuals.

NET FINANCING REQUIREMENTS*(millions of dollars)*

	2001-02			
	Budget	2nd Quarter Forecast	Change from Budget	Change from 1st Quarter
Requirements:				
Term debt maturities and redemptions	1,585	1,753	168	145
Repayment of school construction loans	95	95	—	—
Provincial corporations' borrowing requirements	281	273	(8)	(10)
Other	45	(101)	(146)	(130)
	2,006	2,020	14	5
Term debt borrowing to date	—	(50)	(50)	—
Accumulated debt repayment	(1,762)	(1,784)	(22)	(15)
Net Remaining Financing Requirements	244	186	(58)	(10)

SENSITIVITIES TO FISCAL YEAR ASSUMPTIONS, 2001-02

	Sensitivities (\$ million)				Assumptions	
	Change	Revenue	Spending	Net Change	Budget	2nd Quarter Forecast
Oil Price (WTI US\$/bbl)	-\$1.00	-153	—	-153	25.00	23.50
Natural Gas Price (Cdn\$/mcf)	-10¢	-142	—	-142	5.03	3.85
Exchange Rate (US¢/Cdn\$)	+1¢	-120	-30	-90	67.8	64.3
Interest Rates	-1%	-39	-29	-10		
3-month Canada Treasury Bills					4.75	3.55
10-year Canada Bonds					5.50	5.55

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

FOR THE FIRST SIX MONTHS OF 2001-02

METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in Budget 2001.

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 revenue, expense 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 2000-01 figures have been restated where necessary to conform to 2001-02 presentation.

CONSOLIDATED FISCAL SUMMARY^a

for the six months ended September 30, 2001 (unaudited)

(millions of dollars)

	First Six Months		
	2001-02	2000-01	Change
Revenue			
Income Taxes	2,732	2,426	306
Other Taxes	1,119	1,264	(145)
Non-Renewable Resource Revenue	4,097	4,216	(119)
Transfers from Government of Canada	1,323	844	479
Net Income from Commercial Operations	905	798	107
Premiums, Fees and Licences	729	687	42
Investment Income	165	890	(725)
Other	211	171	40
Total Revenue	11,281	11,296	(15)
Expense			
Program	9,985	8,189	1,796
Debt Servicing Costs	416	491	(75)
Total Expense	10,401	8,680	1,721
Net Revenue	880	2,616	(1,736)
Net Increase in Capital Assets affecting Operations ^b	172	54	118
Net Results of Operations	708	2,562	(1,854)

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

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

EXPENSE

for the six months ended September 30, 2001 (unaudited)

(millions of dollars)

	First Six Months		
	2001-02	2000-01	Change
Program			
Legislative Assembly	24	23	1
Aboriginal Affairs and Northern Development	23	23	—
Agriculture, Food and Rural Development	675	304	371
Children's Services	329	287	42
Community Development	289	241	48
Economic Development	24	21	3
Energy	68	63	5
Environment	57	45	12
Executive Council	6	6	—
Finance	227	252	(25)
Gaming	97	73	24
Government Services	24	23	1
Health and Wellness	2,999	2,674	325
Human Resources and Employment	484	498	(14)
Infrastructure	1,119	308	811
Innovation and Science	72	71	1
International and Intergovernmental Relations	3	3	—
Justice	101	98	3
Learning	2,339	2,135	204
Municipal Affairs	85	101	(16)
Revenue	53	53	—
Seniors	143	119	24
Solicitor General	124	109	15
Sustainable Resource Development	200	150	50
Transportation	420	509	(89)
Total Program Expense	9,985	8,189	1,796
Debt Servicing Costs	416	491	(75)
Total Expense	10,401	8,680	1,721

NET INCREASE IN CAPITAL ASSETS AFFECTING OPERATIONS

for the six months ended September 30, 2001 (unaudited)

(millions of dollars)

	First Six Months		
	2001-02	2000-01	Change
Capital Investment			
Legislative Assembly	—	—	—
Aboriginal Affairs and Northern Development	—	—	—
Agriculture, Food and Rural Development	1	3	(2)
Children's Services	1	1	—
Community Development	—	—	—
Economic Development	—	—	—
Energy	5	1	4
Environment	—	—	—
Executive Council	—	—	—
Finance	2	1	1
Gaming	—	—	—
Government Services	—	—	—
Health and Wellness	1	1	—
Human Resources and Employment	—	—	—
Infrastructure	12	9	3
Innovation and Science	2	2	—
International and Intergovernmental Relations	—	—	—
Justice	—	—	—
Learning	—	—	—
Municipal Affairs	—	—	—
Revenue	1	1	—
Seniors	—	—	—
Solicitor General	—	—	—
Sustainable Resource Development	—	—	—
Transportation	270	150	120
	295	169	126
Less: Capital Amortization	123	115	8
Net Increase in Capital Assets affecting Operations	172	54	118

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