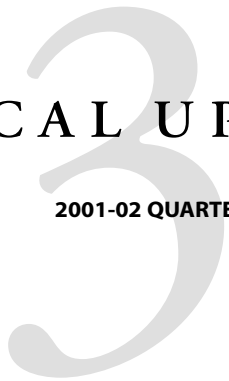




**THE FUTURE**  
MEETING PRIORITIES SHARING BENEFITS  
Budget 2001

THIRD QUARTER FISCAL UPDATE



2001-02 QUARTERLY BUDGET REPORT

## UPDATING ALBERTANS

The Third Quarter Fiscal Update is comprised of two parts – the updated 2001-02 forecast and the actual results for the first nine months of the fiscal year (April 1 to December 31, 2001).

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# 2001-02 FORECAST

## Highlights

- ◆ The fiscal situation of the province is essentially unchanged from that reported in the *Second Quarter Fiscal Update*. The economic cushion is forecast to be \$18 million.
- ◆ Revenue continues to be about \$1.5 billion lower than estimated in the budget, due to lower non-renewable resource revenue and investment income.
- ◆ Total expense is nearly \$750 million lower than budgeted. Higher-than-budgeted costs for agriculture assistance, forest fire fighting and health are more than offset by \$1.26 billion in corrective actions announced in October.
- ◆ These corrective actions, plus the use of most of the budgeted economic cushion, will keep the budget in balance.
- ◆ Despite a lower-than-budgeted debt payment from the economic cushion, accumulated debt is forecast to decline to \$6 billion at March 31, 2002. The decline is due to changes in when cash is received.

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

(millions of dollars)

	2001-02			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
1 <b>Revenue</b>	22,673	<b>21,131</b>	(1,542)	47
2 <b>Expense</b>				
3   Program	20,832	<b>19,998</b>	(834)	41
4   Debt Servicing Costs	750	<b>836</b>	86	11
5   Total Expense	21,582	<b>20,834</b>	(748)	52
6 Net Revenue	1,091	<b>297</b>	(794)	(5)
7 Less: Net Increase in Capital Assets affecting Operations <sup>b</sup>	274	<b>279</b>	5	(11)
8 <b>Economic Cushion</b>	817	<b>18</b>	(799)	6
9 Planned Allocation of Economic Cushion				
10   Debt Repayment/Increase in Financial Assets	613	<b>18</b>	(595)	18
11   Contingency Reserve	204	-	(204)	(12)
12 Net Assets at March 31, 2002 <sup>c</sup>	9,655	<b>9,060</b>	(595)	18
13 Accumulated Debt (less cash set aside) at March 31, 2002 <sup>c</sup>	6,438	<b>6,015</b>	(423)	(295)

<sup>a</sup> Subject to the *Fiscal Responsibility Act*.

<sup>b</sup> Converts capital to pay-as-you-go basis.

<sup>c</sup> 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 at March 31, 2001 amounted to \$9.042 billion, excluding pension obligations. Pension obligations are forecast to increase in 2001-02 by \$33 million to \$4.775 billion.

# Revenue

## NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is forecast at \$5.9 billion. This is \$1.6 billion lower than the budget estimate.

Natural gas royalties are forecast at \$3.8 billion, down \$1.7 billion from the budget estimate. Increased North American production, high storage levels, mild weather and reduced industrial consumption have combined to weaken prices from last winter's record highs.

Natural gas prices are forecast to average Cdn\$3.76 per thousand cubic feet (mcf) for the fiscal year. This is \$1.27 lower than the budget estimate and 9 cents lower than forecast in the *Second Quarter Fiscal Update*.

Total oil royalties are forecast at \$1.1 billion, down \$39 million from the budget estimate. Oil prices are expected to average US\$23.75 per barrel for the fiscal year. This is \$1.25 lower than the budget estimate of \$25.00. The impact of the lower oil price has been mostly offset by a lower-than-budgeted Canadian exchange rate.

Revenue from bonuses and sale of Crown leases is forecast at \$953 million. This is \$108 million higher than estimated in the budget.

## INCOME TAX REVENUE

Income tax revenue is now forecast at \$6.1 billion. This is \$92 million higher than the budget estimate.

Personal income tax revenue is up \$251 million from the budget estimate, mainly due to prior year adjustments.

This is partly offset by a \$159 million reduction in corporate income tax revenue. A weaker world economy and higher tax refunds have lowered the forecast.

## TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from the Government of Canada are expected to be \$144 million higher than the budget estimate.

The Canada Health and Social Transfer is \$126 million higher than the budget estimate, reflecting updated data from the federal government.

There is a net increase of \$18 million in other federal transfers. Higher agriculture transfers have been partly offset by a rescheduling of transfers for the Primary Health Care initiative to 2002-03.

## INVESTMENT INCOME

As noted in the *Second Quarter Fiscal Update*, weakness in world equity markets has resulted in realized capital losses and write-downs of investments, particularly in the technology sector. Investment income is now forecast to be \$496 million less than the budget estimate.

## NET INCOME FROM COMMERCIAL OPERATIONS

Net income from commercial operations is forecast to be \$143 million higher than the budget estimate. This primarily reflects higher gaming and liquor revenues.

## OTHER REVENUE

Revenue from other sources is forecast to be \$179 million higher than budgeted. A \$29 million reduction in freehold mineral rights tax revenue and a \$22 million reduction in timber rentals and fees have been more than offset by:

- ◆ \$102 million increase in refunds of expenditure. This primarily reflects private re-insurance proceeds for higher crop and hail claims this year and refunds of energy assistance payments made in 2000-01. Note: a \$45 million refund of expenditure related to the Alberta Children's Hospital which was reported in the *Second Quarter Fiscal Update* as revenue is now reported as a spending reduction in Infrastructure.
- ◆ \$72 million increase in restricted revenue and expense of the Alberta Dairy Control Board. This reflects a change in the Board's mandate.
- ◆ \$20 million increase in school property tax revenue due to a reduction in the allowance set aside for assessment adjustments and appeals.
- ◆ \$36 million in other net increases.

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

	2001-02		Change from Budget	Change from 2nd Quarter	Main Reason for Change from Budget
	Budget	3rd Quarter Forecast			
<b>Income Taxes</b>					
Personal income tax	4,077	<b>4,328</b>	251	1	Higher 2000 tax year returns
Corporate income tax	1,974	<b>1,815</b>	(159)	(34)	Weaker world economy
	6,051	<b>6,143</b>	92	(33)	
<b>Other Taxes</b>					
School property tax	1,048	<b>1,068</b>	20	-	Reduced allowance for appeals
Fuel tax	581	<b>590</b>	9	-	Volume increase
Tobacco tax	344	<b>350</b>	6	-	Higher consumption rates
Freehold mineral rights tax	253	<b>224</b>	(29)	30	Lower energy prices
Insurance corporations tax	134	<b>134</b>	-	4	
Hotel room tax	47	<b>52</b>	5	3	Revised forecast
	2,407	<b>2,418</b>	11	37	
<b>Non-Renewable Resource Revenue</b>					
Natural gas and by-products royalty	5,494	<b>3,795</b>	(1,699)	(116)	Lower natural gas prices
Crude oil royalty	881	<b>924</b>	43	48	Lower exchange rate
Synthetic crude oil and bitumen royalty	300	<b>218</b>	(82)	25	Revised industry plans
Coal royalty	11	<b>15</b>	4	1	Revised forecast
Bonuses and sale of Crown leases	845	<b>953</b>	108	(61)	Higher prices per hectare
Rentals and fees	170	<b>151</b>	(19)	3	Lower number of hectares renewed
Royalty tax credit	(165)	<b>(124)</b>	41	8	Lower royalties
	7,536	<b>5,932</b>	(1,604)	(92)	
<b>Transfers from Government of Canada</b>					
Canada Health and Social Transfer	1,482	<b>1,608</b>	126	22	Revised federal forecast
Medical equipment/primary care	63	<b>50</b>	(13)	(13)	Rescheduling of funding
Agriculture support programs	244	<b>275</b>	31	(5)	Increased agricultural aid
Labour market development	122	<b>118</b>	(4)	(1)	Lower demand
Other	167	<b>171</b>	4	(6)	Cost recoveries
	2,078	<b>2,222</b>	144	(3)	
<b>Investment Income</b>					
Alberta Heritage Savings Trust Fund	551	<b>162</b>	(389)	16	Weak world equity markets
Alberta Municipal Financing Corporation	358	<b>358</b>	-	-	
Endowment Funds:					
Medical Research	45	<b>(14)</b>	(59)	-	Weak world equity markets
Scholarship	28	<b>(5)</b>	(33)	-	Weak world equity markets
Science and Engineering Research	14	<b>(7)</b>	(21)	-	Weak world equity markets
Debt retirement funds	107	<b>112</b>	5	17	Higher in-year fund balance
Agriculture Financial Services Corporation	92	<b>90</b>	(2)	-	Lower return on investments
Other	61	<b>64</b>	3	4	Revised forecast
	1,256	<b>760</b>	(496)	37	
<b>Net Income from Commercial Operations</b>					
Alberta Gaming and Liquor Commission					
Gaming revenue	1,010	<b>1,128</b>	118	18	Increase in gaming activity
Liquor operations	478	<b>495</b>	17	2	Higher sales
Alberta Treasury Branches	151	<b>156</b>	5	4	Revised forecast
Other	4	<b>7</b>	3	1	Revised forecast
	1,643	<b>1,786</b>	143	25	
<b>Premiums, Fees and Licences</b>					
Health care insurance premiums	670	<b>675</b>	5	4	Increase in registrations
Motor vehicle licences	208	<b>213</b>	5	1	Increase in number of licences
Timber rentals and fees	90	<b>68</b>	(22)	2	Reduced prices and volumes
Crop and hail insurance premiums	62	<b>66</b>	4	-	Increase participation
Land titles	31	<b>32</b>	1	1	Revised forecast
Other	253	<b>254</b>	1	-	Revised forecast
	1,314	<b>1,308</b>	(6)	8	
<b>Other</b>					
Alberta Dairy Control Board	62	<b>134</b>	72	29	Change of mandate
Fines and penalties	43	<b>46</b>	3	1	Volume increase
Sale of capital assets	34	<b>31</b>	(3)	(3)	Revised forecast
Miscellaneous	249	<b>351</b>	102	41	Higher refunds of expenditure
	388	<b>562</b>	174	68	
<b>Total Revenue</b>	22,673	<b>21,131</b>	(1,542)	47	

## Expense

Program expense is now forecast to be \$834 million lower than budgeted.

Corrective actions totalling \$1.26 billion were announced in the *October Update*. Partly offsetting these savings is higher-than-budgeted spending in a few areas, primarily for agriculture, forest fires and health.

There is an \$86 million increase in debt servicing costs. The lower value of the Canadian dollar increases the foreign exchange provision on US dollar debt.

**Aboriginal Affairs and Northern Development** spending is now forecast to be \$1 million higher than budgeted. This is \$32 million lower than the second quarter forecast as the proposed agreement with the Peigan First Nation was not ratified.

**Agriculture, Food and Rural Development** spending is \$285 million higher than budgeted. This reflects the cost of drought assistance and higher crop insurance payments. It also includes a \$72 million increase in the restricted revenue and expense of the Alberta Dairy Control Board.

**Community Development** spending is \$36 million lower than budgeted. In addition to the deferral of centennial projects reported in the *Second Quarter Fiscal Update*, there is a spending lapse related to the First Nations Development Fund.

**Environment** spending is \$6 million higher than budgeted due to funding for Climate Change Central and the Western Canada flaring study.

**Finance** spending is \$34 million lower than budgeted primarily due to changes to valuation adjustments.

**Health and Wellness** spending is \$98 million higher than budgeted. The \$211 million increase reported in the *First Quarter Fiscal Update* has been partly offset by the \$93 million in corrective actions reported in the *October Update*. Expense has been reduced by a further \$20 million primarily due to rescheduling to 2002-03 of funding under federal/provincial agreements for Primary Health Care and other initiatives.

**Human Resources and Employment** spending is \$34 million lower than budgeted due to lower costs for Supports for Independence, Labour Market Development and Skill Development programs.

**Infrastructure** spending is \$823 million lower than budgeted due to:

- ◆ \$390 million in lapsed energy assistance programs (a \$65 million increase from the second quarter).
- ◆ \$370 million in deferred projects. (\$390 million reported in the second quarter, plus \$45 million for Alberta Children's Hospital previously reported as a refund of expenditure, partly offset by \$65 million in reallocated funding in the third quarter from additional energy assistance lapses).
- ◆ \$63 million in other net lapses.

**Innovation and Science** spending is \$51 million lower than budgeted. As reported in the *Second Quarter Fiscal Update*, \$10 million in SuperNet funding was deferred and \$37 million was reallocated from program spending to capital investment. There is now an additional \$3 million reduction in the dedicated revenue and expense of the Alberta Research Council.

**Justice** spending is \$9 million higher than budgeted, a \$2 million increase from the *Second Quarter Fiscal Update*. Increased funding is required for Crown prosecutors and compensation increases.

**Learning** spending is \$38 million lower than budgeted. One-time capital costs for post-secondary facilities, budgeted at \$13 million, are now being funded by Infrastructure instead of Learning. Previously announced lapses of \$29 million have been partially offset by a \$2 million increase in dedicated revenue/expense and a \$2 million reclassification from capital investment to program expense.

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

**Revenue** spending is \$14 million higher than budgeted due to higher corporate income tax interest refunds.

**Sustainable Resource Development** spending is \$93 million higher than budgeted mainly due to forest fire fighting costs.

**Transportation** spending is \$271 million lower than budgeted. This reflects the corrective actions announced in the *October Update* and a \$13 million reallocation from capital investment.

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

	2001-02			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
<b>Program</b>				
Legislative Assembly	58	56	(2)	(2)
Aboriginal Affairs and Northern Development	30	31	1	(32)
Agriculture, Food and Rural Development	883	1,168	285	108
Children's Services	648	648	-	3
Community Development	599	563	(36)	(7)
Economic Development	51	51	-	-
Energy	175	166	(9)	(7)
Environment	122	128	6	7
Executive Council	15	15	-	-
Finance <sup>a</sup>	466	432	(34)	(4)
Gaming	217	204	(13)	-
Government Services	51	52	1	1
Health and Wellness	6,271	6,369	98	(20)
Human Resources and Employment	1,055	1,021	(34)	(4)
Infrastructure	2,768	1,945	(823)	(36)
Innovation and Science	232	181	(51)	(3)
International and Intergovernmental Relations	6	6	-	-
Justice	220	229	9	2
Learning	4,807	4,769	(38)	4
Municipal Affairs	203	170	(33)	-
Revenue <sup>a</sup>	139	153	14	14
Seniors	299	298	(1)	-
Solicitor General	253	257	4	5
Sustainable Resource Development	204	297	93	(5)
Transportation	1,060	789	(271)	17
<b>Total Program Expense</b>	20,832	19,998	(834)	41
<b>Debt Servicing Costs</b>	750	836	86	11
<b>Total Expense</b>	21,582	20,834	(748)	52

<sup>a</sup> Budget numbers have been restated to reflect government organization changes.

## Net Change in Capital Assets

The Net Change in Capital Assets affecting Operations is now forecast to be \$5 million higher than budgeted.

As noted in the *Second Quarter Fiscal Update*, \$37 million of SuperNet program expense in Innovation

and Science has been reclassified as capital investment. This increase is offset by deferred capital projects and transfers from capital investment to program expense in Transportation and Infrastructure.

### NET CHANGE IN CAPITAL ASSETS

(millions of dollars)

	2001-02			
		3rd	Change	Change
	Budget	Quarter	from	from 2nd
Capital Investment	588	592	4	(10)
Capital Amortization	314	313	(1)	1
<b>Net Increase in Capital Assets affecting Operations</b>	<b>274</b>	<b>279</b>	<b>5</b>	<b>(11)</b>

### CAPITAL INVESTMENT AND AMORTIZATION

(millions of dollars)

	2001-02 Capital Investment				2001-02 Capital Amortization			
		3rd	Change	Change		3rd	Change	Change
	Budget	Quarter	from	from	Budget	Quarter	from	from 2nd
Legislative Assembly	1	1	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-	-	-
Agriculture, Food and Rural Development	4	3	(1)	(1)	6	6	-	-
Children's Services	-	-	-	-	1	1	-	-
Community Development	3	3	-	1	10	10	-	-
Economic Development	-	-	-	-	-	-	-	-
Energy	7	13	6	6	7	8	1	1
Environment	1	1	-	-	16	16	-	-
Executive Council	-	-	-	-	-	-	-	-
Finance	5	4	(1)	(1)	1	1	-	-
Gaming	-	-	-	-	-	-	-	-
Government Services	1	-	(1)	(1)	5	5	-	-
Health and Wellness	2	2	-	-	2	2	-	-
Human Resources and Employment	4	5	1	-	3	2	(1)	-
Infrastructure	52	44	(8)	2	54	54	-	-
Innovation and Science	12	49	37	-	8	8	-	-
International and Intergovernmental Relations	-	-	-	-	-	-	-	-
Justice	1	1	-	-	1	1	-	-
Learning	6	4	(2)	(2)	2	2	-	-
Municipal Affairs	1	2	1	(1)	2	1	(1)	-
Revenue	2	2	-	-	2	2	-	-
Seniors	1	-	(1)	-	24	24	-	-
Solicitor General	-	-	-	-	-	-	-	-
Sustainable Resource Development	3	3	-	-	6	6	-	-
Transportation	482	455	(27)	(13)	164	164	-	-
<b>Total Capital Investment/Amortization</b>	<b>588</b>	<b>592</b>	<b>4</b>	<b>(10)</b>	<b>314</b>	<b>313</b>	<b>(1)</b>	<b>1</b>



## Allocation of Economic Cushion/Corrective Actions

Without the corrective actions announced in the *October Update*, the province would have faced a \$1.2 billion deficit.

The *Third Quarter Fiscal Update* includes a \$92 million increase in revenue from the second quarter forecast (before taking into account the reclassification of the \$45 million refund of expenditure for the Alberta Children's Hospital as a spending reduction). Of this \$92 million, changes in dedicated revenue and expense account for \$68 million. The remaining \$24 million was used to:

- ◆ offset a \$11 million increase in debt servicing costs,
- ◆ increase by \$7 million (net) the allocation for program spending/change in capital assets affecting operations,
- ◆ increase the economic cushion by \$6 million.

In total, dedicated revenue and expense has increased by \$125 million from budget, including:

- ◆ \$72 million for the Alberta Dairy Control Board;
- ◆ \$45 million in private re-insurance revenue for crop and hail claims;
- ◆ \$8 million net changes in other areas.

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

### ALLOCATION OF ECONOMIC CUSHION, 2001-02

(millions of dollars)

	Budget	Forecast Changes	Revised Forecast	Allocation 1st Quarter	Corrective Actions 2nd Quarter	Allocation 3rd Quarter	3rd Quarter Forecast
<b>Revenue</b>	22,673	(1,562)	21,111	-	20 <sup>a</sup>	-	<b>21,131</b>
<b>Expense</b>							
Program	20,832	218	21,050	146	(1,216) <sup>a</sup>	18	<b>19,998</b>
Debt Servicing Costs	750	86	836	-	-	-	<b>836</b>
Net Change in Capital Assets affecting Operations	274	-	274	(2)	18	(11)	<b>279</b>
<b>Total Expense and Net Change in Capital Assets</b>	<b>21,856</b>	<b>304</b>	<b>22,160</b>	<b>144</b>	<b>(1,198)</b>	<b>7</b>	<b>21,113</b>
<b>Economic Cushion</b>	<b>817</b>	<b>(1,866)</b>	<b>(1,049)</b>	<b>(144)</b>	<b>1,218</b>	<b>(7)</b>	<b>18</b>
<b>Allocation of Economic Cushion</b>							
Debt Repayment/Increase in Assets	613	(613)	-	-	-	18	<b>18</b>
Contingency reserve	204	(1,253)	(1,049)	(144)	1,218	(11)	-

<sup>a</sup> The \$45 million refund of expenditure related to the Alberta Children's Hospital has been restated as a spending reduction.

## Net Assets and Accumulated Debt

Despite a lower-than-budgeted debt payment from the economic cushion, accumulated debt will decline \$423 million more than estimated in the budget to \$6 billion. This improvement is due to:

- ◆ differences between when natural gas royalties are accrued and cash is actually received,
- ◆ changes in requirements for when cash from energy royalties are due, and
- ◆ 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 accrued royalties in the last quarter of the 2001-02 fiscal year.

As noted in the *First Quarter Fiscal Update*, the cash adjustment has also increased due to administrative changes in the natural gas deposit policy and when royalty payments are due on fiscal year-ends ending on weekends.

While higher cash payments from energy royalties will be received in 2001-02, lower-than-forecast payments will be received in 2002-03, reducing the cash available for debt repayment next year.

The lower retained income of funds and agencies mostly reflects the lower investment income of endowment funds and the draw down of the accumulated surplus of the Agriculture Financial Services Corporation as a result of higher crop insurance payments.

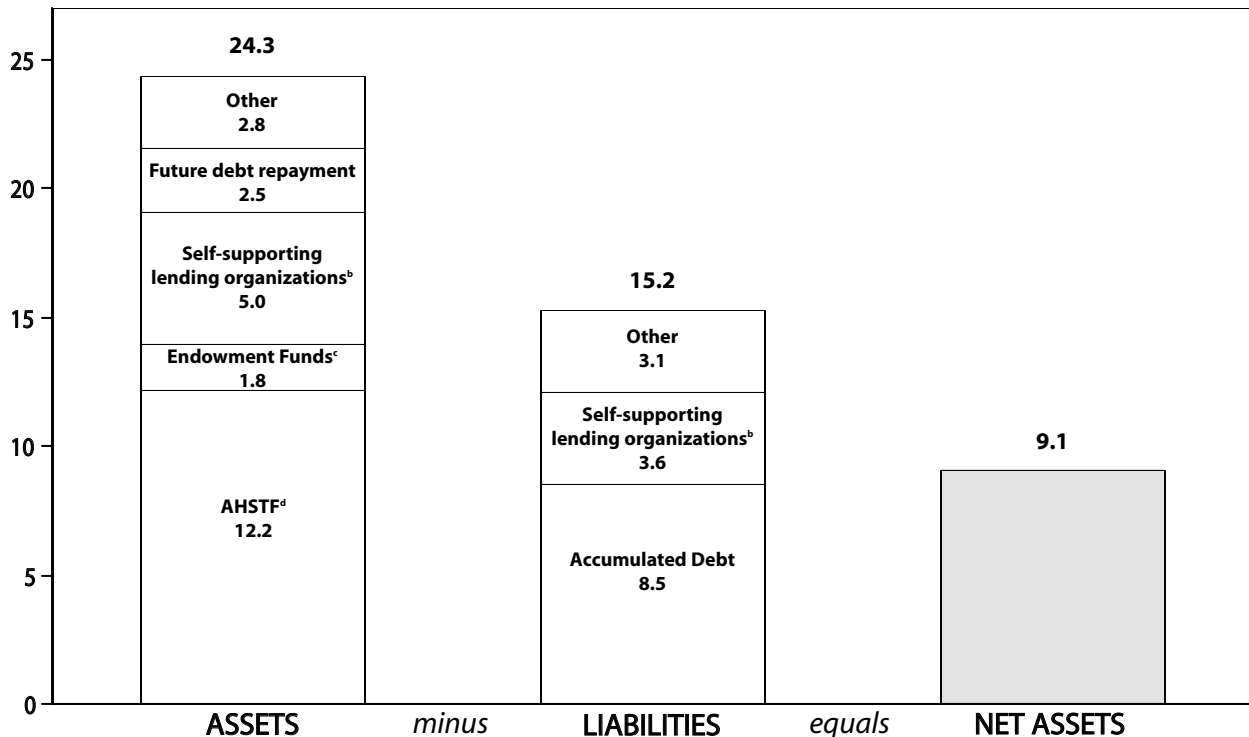
At March 31, 2002, the net assets of the province are forecast at \$9.1 billion (excluding pension obligations).

### NET WORTH (BALANCE SHEET)<sup>a</sup>

#### FORECAST OF ASSETS, LIABILITIES AND NET ASSETS

AT MARCH 31, 2002

(billions of dollars)



a Excludes pension obligations of \$4.775 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	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Allocation for debt repayment and increase in financial assets	613	18	(595)	18
Natural gas royalty cash adjustments	1,815	2,869	1,054	66
Other cash adjustments	(508)	(664)	(156)	224
	1,920	2,223	303	308
Less: Retained income of funds and agencies:				
Alberta Treasury Branches	152	156	4	4
Agriculture Financial Services Corporation	13	(57)	(70)	(52)
Environmental Protection and Enhancement Fund	-	44	44	44
Foundation for Medical Research Endowment Fund	(18)	(69)	(51)	8
Heritage Scholarship Fund	9	(22)	(31)	1
Science and Engineering Research Endowment Fund	7	(9)	(16)	4
Alberta Government Telephones Commission	-	-	-	4
Total retained income	163	43	(120)	13
Cash available from current operations	1,757	2,180	423	295
Cash available from 2000-01 <sup>a</sup>	2,070	2,070	-	-
<b>Cash Available for Accumulated Debt Repayment</b>	3,827	4,250	423	295
<b>Allocation of Cash Available:</b>				
2001-02 maturities and redemptions	1,762	1,787	25	3
Future maturities and redemptions <sup>a</sup>	2,065	2,463	398	292
Cash available for accumulated debt repayment	3,827	4,250	423	295

<sup>a</sup> Cash set aside in budget has been restated to reflect the March 31, 2001 actuals.**ACCUMULATED DEBT***(millions of dollars)*

	2001-02			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Accumulated debt at the start of the year <sup>a</sup>	10,265	10,265	-	-
Less: Accumulated debt repayment in 2001-02	1,762	1,787	25	3
<b>Accumulated Debt at March 31, 2002</b>	8,503	8,478	(25)	(3)
Less: Cash set aside for future accumulated debt repayments <sup>a</sup>	2,065	2,463	398	292
	6,438	6,015	(423)	(295)

<sup>a</sup> Accumulated debt and cash set aside in budget has been restated to reflect the March 31, 2001 actuals.**NET FINANCING REQUIREMENTS***(millions of dollars)*

	2001-02			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
<b>Requirements:</b>				
Term debt maturities and redemptions	1,585	1,737	152	(16)
Repayment of school construction loans	95	95	-	-
Provincial corporations' borrowing requirements	281	255	(26)	(18)
Other	45	(82)	(127)	19
	2,006	2,005	(1)	(15)
Term debt borrowing to date	-	(50)	(50)	-
Accumulated debt repayment	(1,762)	(1,787)	(25)	(3)
<b>Net Remaining Financing Requirements</b>	244	168 <sup>a</sup>	(76)	(18)

<sup>a</sup> Includes \$120 million term debt financing.

<b>FISCAL YEAR ASSUMPTIONS, 2001-02</b>	<b>Budget</b>	<b>1st Quarter Forecast</b>	<b>October Update</b>	<b>2nd Quarter Forecast</b>	<b>3rd Quarter Forecast</b>
Oil Price (WTI US\$/bbl)	25.00	25.63	25.00	23.50	23.75
Natural Gas Price (Cdn\$/mcf)	5.03	4.53	3.75	3.85	3.76
Exchange Rate (US\$/Cdn\$)	66.75	66.05	66.05	64.30	63.95
Interest Rates					
3-month Canada Treasury Bills	4.75	4.25	4.25	3.55	3.15
10-year Canada Bonds	5.50	5.75	5.75	5.55	5.50

# ACTUAL RESULTS

## FOR THE FIRST NINE MONTHS OF 2001-02

### OVERVIEW OF NINE-MONTH RESULTS

As a result of high energy prices in the first part of the year and the spending reductions which were implemented in the fall, the nine-month actual results show a positive balance of \$1.28 billion. This positive balance will deteriorate significantly in the last quarter of the year as lower revenue is received from energy royalties and approved spending proceeds.

- ◆ Non-Renewable Resource Revenue – Natural gas prices averaged Cdn\$4.18 per mcf from April to December but are forecast to average about Cdn\$2.55 from January to March. Similarly, oil prices averaged US\$25 per barrel in the first nine months but are forecast to average US\$20 per barrel in the last three months. As a result, \$5.1 billion (86%) of the forecast \$5.9 billion of resource revenue has been received in the first nine months.
- ◆ Spending Plans of Ministries – Lower-than-budgeted revenue resulted in planned reductions in government spending. Given continued uncertainty, many ministries have delayed approved spending until the fourth quarter of the fiscal year.

### 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 Canadian 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<sup>a</sup>**

for the nine months ended December 31, 2001 (unaudited)

	First Nine Months		
	2001-02	2000-01	Change
<b>Revenue</b>			
Income Taxes	4,458	4,004	454
Other Taxes	1,843	1,935	(92)
Non-Renewable Resource Revenue	5,107	7,105	(1,998)
Transfers from Government of Canada	1,876	1,300	576
Net Income from Commercial Operations	1,415	1,245	170
Premiums, Fees and Licences	1,026	982	44
Investment Income	475	1,173	(698)
Other	335	273	62
<b>Total Revenue</b>	<b>16,535</b>	<b>18,017</b>	<b>(1,482)</b>
<b>Expense</b>			
Program	14,368	12,376	1,992
Debt Servicing Costs	609	705	(96)
<b>Total Expense</b>	<b>14,977</b>	<b>13,081</b>	<b>1,896</b>
Net Revenue	1,558	4,936	(3,378)
Net Increase in Capital Assets affecting Operations <sup>b</sup>	278	145	133
<b>Net Results of Operations</b>	<b>1,280</b>	<b>4,791</b>	<b>(3,511)</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, 2001 (unaudited)

*(millions of dollars)*

	First Nine Months		Change
	2001-02	2000-01	
<b>Program</b>			
Legislative Assembly	34	33	1
Aboriginal Affairs and Northern Development	26	26	-
Agriculture, Food and Rural Development	869	636	233
Children's Services	484	423	61
Community Development	414	378	36
Economic Development	35	31	4
Energy	105	96	9
Environment	86	72	14
Executive Council	10	9	1
Finance	312	375	(63)
Gaming	174	120	54
Government Services	38	36	2
Health and Wellness	4,570	4,031	539
Human Resources and Employment	744	732	12
Infrastructure	1,284	455	829
Innovation and Science	109	102	7
International and Intergovernmental Relations	4	4	-
Justice	162	148	14
Learning	3,498	3,220	278
Municipal Affairs	120	117	3
Revenue	78	77	1
Seniors	218	182	36
Solicitor General	184	164	20
Sustainable Resource Development	250	192	58
Transportation	560	717	(157)
<b>Total Program Expense</b>	<b>14,368</b>	<b>12,376</b>	<b>1,992</b>
<b>Debt Servicing Costs</b>	<b>609</b>	<b>705</b>	<b>(96)</b>
<b>Total Expense</b>	<b>14,977</b>	<b>13,081</b>	<b>1,896</b>

**NET INCREASE IN CAPITAL ASSETS AFFECTING OPERATIONS**

for the nine months ended December 31, 2001 (unaudited)

*(millions of dollars)*

	First Nine Months		Change
	2001-02	2000-01	
<b>Capital Investment</b>			
Legislative Assembly	-	-	-
Aboriginal Affairs and Northern Development	-	-	-
Agriculture, Food and Rural Development	1	5	(4)
Children's Services	-	-	-
Community Development	2	2	-
Economic Development	-	-	-
Energy	14	5	9
Environment	1	1	-
Executive Council	-	-	-
Finance	3	1	2
Gaming	-	-	-
Government Services	-	1	(1)
Health and Wellness	1	1	-
Human Resources and Employment	2	1	1
Infrastructure	12	16	(4)
Innovation and Science	6	6	-
International and Intergovernmental Relations	-	-	-
Justice	1	1	-
Learning	2	1	1
Municipal Affairs	1	-	1
Revenue	1	1	-
Seniors	-	-	-
Solicitor General	-	-	-
Sustainable Resource Development	3	2	1
Transportation	415	273	142
	<b>465</b>	<b>317</b>	<b>148</b>
Less: Capital Amortization	187	172	15
<b>Net Increase in Capital Assets affecting Operations</b>	<b>278</b>	<b>145</b>	<b>133</b>





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