

BUDGET 2004

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2004-2005 Quarterly Budget Report

Q1 FISCAL UPDATE

AUGUST 31, 2004

Alberta

UPDATING ALBERTANS

The First Quarter Fiscal Update is comprised of two parts – the updated 2004-05 forecast and the actual results for the first three months of the fiscal year (April 1 to June 30, 2004).

TABLE OF CONTENTS

2004-05 Forecast

Highlights	1
Revenue	2
Expense	4
Alberta Sustainability Fund	6
Capital Plan	7
Net Financial and Capital Assets	8
Assets, Liabilities and Net Assets	9
Net Financing Requirements	9
Fiscal Year Assumptions	9
Capital Investment and Amortization	10
Capital Grants to Local Authorities and Other Infrastructure Support	10
Actual Results	11
Consolidated Fiscal Summary	12
Expense	13

2004-05 FORECAST

Highlights

- On July 12, 2004, the government announced high energy prices will allow an additional \$3 billion to be set aside to pay off Alberta's remaining accumulated debt. Since 1994, nearly \$23 billion has been committed to debt repayment, saving approximately \$1.4 billion in annual debt servicing costs.
- Revenue is forecast to be \$4 billion higher than estimated in the budget. The increase reflects higher energy, income tax and investment income revenue.
- Total expense is forecast to be \$1.4 billion higher than budgeted. This includes:
 - ◆ \$503 million increase in capital grants funded from the Capital Account. As announced in June 2004, additional funds were transferred into the Capital Account from the better than forecast year-end results for the 2003-04 fiscal year. These funds are being used in the current fiscal year to increase health and other capital grants.
 - ◆ \$379 million for agriculture, forest fire and flood disaster/emergency assistance, funded from the Sustainability Fund.
 - ◆ \$285 million from the Sustainability Fund for natural gas rebates.
 - ◆ \$215 million net increase for in-year program initiatives, primarily for health, education and seniors, funded from the Contingency Allowance.
- Net Revenue (revenue minus expense, prior to Sustainability Fund and Capital Account transfers) is forecast at \$2.9 billion. This is \$2.6 billion higher than estimated in the budget.
- The Sustainability Fund net assets are forecast at \$2.6 billion after allocations for natural gas rebates, emergency/disaster assistance, and transfers to the Debt Retirement Account and Capital Account.

FISCAL SUMMARY^a

(millions of dollars)

		2004-05		
		Budget	1st Quarter Forecast	Change from Budget
1	Revenue	22,952	26,912	3,960
2	Expense			
3	Program	22,286	23,671	1,385
4	Debt servicing costs	363	363	-
5	Total Expense	22,649	24,034	1,385
6	Net Revenue	303	2,878	2,575
7	Transfer from Capital Account	741	1,244	503
8	Retained income/capital cash requirements ^b	-	(76)	(76)
9	Net transfer from (to) Sustainability Fund	(784)	(4,046)	(3,262)
10	Contingency Allowance	260	-	(260)
11	Sustainability Fund assets at start of year	2,500	2,500	-
12	Net transfer to Sustainability Fund	784	4,046	3,262
13	Cash adjustments	568	383	(185)
14	Cash from 2003-04 fourth quarter results ^c	-	510	510
14	Sustainability Fund prior to reallocation	3,852	7,439	3,587
15	Less allocations to:			
16	Debt Retirement Account	726	3,730	3,004
17	Capital Account ^c	626	1,136	510
18	Sustainability Fund Balance at March 31, 2005	2,500	2,573	73

^a Subject to the *Fiscal Responsibility Act*. Does not include the change in pension obligations which are forecast to increase by \$141 million.

^b The *Fiscal Responsibility Act* requires the net of retained income of funds and agencies and capital cash requirements to be set aside as part of the economic cushion. This amount is not available for transfer to the Sustainability Fund.

^c \$510 million was added to the Sustainability Fund in 2004-05 and then reallocated to the Capital Account from the better than forecast year-end results for the 2003-04 fiscal year.

Revenue

NON-RENEWABLE RESOURCE REVENUE

Energy prices are considerably higher than energy analysts expected. The increase has been driven by strengthening demand from an improved North American and world economy, continued concerns over inventory and production levels, and concerns over supply disruptions from political events in countries such as Russia, Venezuela and Iraq. Most analysts expect a correction in both oil and natural gas prices but the timing and degree is uncertain.

The non-renewable resource revenue forecast has been increased to \$7.9 billion, an increase of \$3.1 billion from the budget estimate. The forecast is based on oil prices averaging US\$34.00 for the fiscal year, an \$8.00 increase from the budget. For natural gas, the forecast assumes prices will average Cdn\$6.01 per mcf, an increase of \$1.81 from the budget estimate.

There remains considerable uncertainty over short-term energy prices and revenue. Year-to-date (April-August) oil prices have averaged US\$40 per barrel while year-to-date natural gas prices have averaged about Cdn\$6.45 per thousand cubic feet (mcf).

For each US\$1.00 increase in the average annual oil price above the current forecast, revenue increases by about \$65 million. For each 10 cent increase in the average annual natural gas price above the current forecast, revenue increases by about \$105 million.

The *Fiscal Responsibility Act* requires non-renewable resource revenue above \$4 billion to be transferred to the Sustainability Fund. This transfer is now forecast at \$3.9 billion.

TAX REVENUE

Total tax revenue is forecast at \$10.5 billion. This is \$528 million higher than estimated in the budget.

Personal income tax revenue is forecast at \$5.3 billion, \$208 million higher than the budget estimate. The increase reflects preliminary data from actual 2003 tax year assessments which indicate revenue for the 2003-04 fiscal year was higher than recorded. The resulting positive prior year adjustment is recorded in 2004-05. This also increases the base forecast for the current year.

Corporate income tax revenue is forecast at \$2.16 billion, \$199 million higher than the budget estimate. Stronger energy prices have resulted in a higher corporate profit outlook.

Other tax revenue is forecast at \$3.05 billion, \$121 million higher than estimated in the budget. The increase reflects higher revenue from freehold mineral

rights tax, tobacco tax, fuel tax and insurance taxes. Changes to seniors' school property taxes, effective January 1, 2005, are expected to reduce school property tax revenue by \$1 million in the 2004-05 fiscal year.

TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from the Government of Canada are forecast at \$3 billion, an increase of \$33 million from the budget estimate. Changes from budget include:

- \$61 million net increase in agriculture support programs, reflecting higher agriculture income stabilization payments partly offset by reduced crop re-insurance transfers.
- \$61 million net decrease in health and social transfers. Base transfers decline when income tax revenue increases.
- \$33 million net increase in other transfers. \$60 million in expected federal flood assistance is partly offset by delayed transfers for transportation infrastructure.

INVESTMENT INCOME

Investment income is forecast at \$1.6 billion, \$376 million higher than estimated in the budget. The increase is due to the continued strength in equity markets. The increase includes:

- \$307 million increase in Heritage Fund income.
- \$40 million increase in endowment funds income.
- \$29 million net increase in other investment income.

OTHER REVENUE

Total revenue from all other sources is \$58 million lower than estimated in the budget. The decrease is primarily due to the announced exemption for seniors from paying health care insurance premiums, effective October 1, 2004. This is expected to reduce health care insurance premium revenue by \$44 million in 2004-05. Partly offsetting this is a \$3 million increase in non-seniors premium revenue due to a revised forecast.

Other changes include:

- \$23 million reduction in crop insurance premium revenue due to lower crop insurance coverage.
- \$10 million decrease in gaming revenue due to delays in new gaming facilities and lower electronic bingo activity.
- \$16 million net increase in other revenue, primarily motor vehicle licences and land title fees.

REVENUE*(millions of dollars)*

	2004-05			Main Reasons for Change from Budget
	Budget	1st Quarter Forecast	Change from Budget	
Income Taxes				
Personal income tax	5,085	5,293	208	Higher 2003 tax assessments
Corporate income tax	1,957	2,156	199	Stronger corporate profits
	7,042	7,449	407	
Other Taxes				
School property tax	1,233	1,232	(1)	Changes for seniors effective January 1, 2005
Tobacco tax	660	675	15	Higher volume
Fuel tax	607	620	13	Higher volume
Freehold mineral rights tax	204	276	72	Higher oil and natural gas prices
Insurance taxes	165	191	26	Higher 2003 industry premium revenue
Hotel room tax	60	56	(4)	Fewer hotel stays
	2,929	3,050	121	
Non-Renewable Resource Revenue				
Natural gas and by-products royalty	3,373	5,588	2,215	Higher natural gas prices
Crude oil royalty	558	932	374	Higher oil prices
Synthetic crude oil and bitumen royalty	100	337	237	Higher oil prices
Coal royalty	9	7	(2)	Revised forecast
Bonuses and sale of Crown leases	694	945	251	Higher bid prices per hectare
Rentals and fees	145	144	(1)	Revised forecast
Royalty tax credit	(95)	(88)	7	Higher oil and natural gas prices
	4,784	7,865	3,081	
Transfers from Government of Canada				
Health transfers	1,625	1,590	(35)	Higher income tax revenue
Canada Social Transfer	679	653	(26)	Higher income tax revenue
Agriculture support programs	286	347	61	Increased income stabilization
Other	381	414	33	Flood assistance
	2,971	3,004	33	
Net Income from Commercial Operations				
Alberta Gaming and Liquor Commission:				
Gaming and lottery revenue	1,162	1,152	(10)	Delay in new gaming facilities / electronic bingo
Liquor revenue	551	551	-	
Alberta Treasury Branches	151	146	(5)	Lower interest rates and spreads
Other	5	5	-	
	1,869	1,854	(15)	
Premiums, Fees and Licences				
Health care insurance premiums	928	887	(41)	Exemption for seniors effective October 1, 2004
Motor vehicle licences	270	282	12	Increased commercial truck licences
Crop and hail insurance premiums	153	130	(23)	Lower crop coverage
Timber rentals and fees	64	64	-	
Land titles	37	42	5	Increased registrations
Other	281	282	1	Revised forecast
	1,733	1,687	(46)	
Investment Income				
Alberta Heritage Savings Trust Fund	631	938	307	Strong equity markets
Alberta Capital Finance Authority	314	314	-	
Agriculture Financial Services Corporation	85	82	(3)	Lower lending volume
Debt Retirement Account	10	40	30	Higher fund balance
Alberta Sustainability Fund	75	75	-	
Endowment Funds:				
Medical Research	30	53	23	Strong equity markets
Science and Engineering Research	12	23	11	Strong equity markets
Scholarship	9	15	6	Strong equity markets
Other	60	62	2	Revised forecast
	1,226	1,602	376	
Other				
Refunds of expense	81	81	-	
Fines and penalties	68	68	-	
Miscellaneous	249	252	3	Revised forecast
	398	401	3	
Total Revenue	22,952	26,912	3,960	

Expense

Total expense is \$1.385 billion higher than estimated in the budget, including:

- \$664 million for emergency/disaster assistance and natural gas rebates from the Sustainability Fund,
- \$503 million for increased capital grants from the Capital Account,
- \$215 million net increase for in-year initiatives drawn against the Contingency Allowance, and
- \$3 million net increase in dedicated revenue/expense.

SUSTAINABILITY FUND

Disaster/Emergency Assistance – \$379 million is being provided, including:

- \$213 million for Bovine Spongiform Encephalopathy (BSE) assistance and research, partly offset by \$97 million in increased federal agriculture income stabilization payments,
- \$91 million for forest fire-fighting costs, and
- \$75 million for flood disaster assistance, partly offset by \$60 million in federal assistance.

Natural Gas Rebates – \$285 million in rebates are expected to be paid. Winter rebates are paid during the November to March period. This forecast is based on the first tier trigger price (\$5.51 to \$7.50 per gigajoule) being reached in all five eligible months. The first tier level provides a \$1.50 per gigajoule rebate.

CAPITAL ACCOUNT

Capital grants funded from the Capital Account have been increased by \$503 million. As announced in June 2004, \$510 million was transferred into the Capital Account from the better than forecast year-end results for the 2003-04 fiscal year. \$500 million is being used in 2004-05 to increase health capital grants and \$2.5 million is being used for additional infrastructure grants to Banff and Jasper.

FUNDING FROM THE CONTINGENCY ALLOWANCE

\$260 million was set aside in the budget for in-year, non-emergency initiatives. The Contingency Allowance has been fully committed. In-year initiatives include a \$215 million net program expense increase, primarily for health, education and seniors, and \$45 million in revenue reduction initiatives for seniors.

MINISTRY CHANGES

Agriculture, Food and Rural Development expense has increased \$159 million from budget. An additional \$213 million has been provided for BSE assistance and research. Partially offsetting this is a \$54 million reduction in the costs of crop insurance programs.

Children's Services expense has increased \$6 million from budget. Funding for early learning and child care has been increased by \$7.5 million reflecting additional federal transfers provided in the 2004 federal budget for children's services. Partly offsetting this is a \$1.5 million transfer from program expense to capital investment.

Finance expense has been increased \$2 million from budget for automobile insurance reform and Alberta Pension Administration operating costs.

Gaming expense is down \$10 million due to delays in new gaming facilities and lower electronic bingo activity.

Health and Wellness expense has increased \$362 million from budget. \$200 million has been provided to health authorities for their operating costs. An additional \$150 million has been provided from the Capital Account for health capital grants. There is also a \$12 million increase for various public health initiatives which are being funded by increased federal health transfers announced in the 2004 federal budget.

Infrastructure expense has been increased by \$635 million from the budget estimate. This includes increases of \$350 million for health infrastructure and \$285 million for forecast natural gas rebates.

Learning expense has increased \$52 million from budget to implement the announced initiative to hire new teachers and reduce class sizes.

Municipal Affairs expense has been increased by \$78 million from budget. \$75 million has been provided for flood disaster assistance. In addition, \$2.5 million has been provided for additional infrastructure grants.

Seniors expense has increased \$30 million from budget for enhancements to the Alberta Seniors Benefit program. In addition, two revenue reductions will reduce premiums and taxes paid by seniors in 2004-05 by \$45 million. Seniors will be exempted from paying health care insurance premiums effective October 1, 2004 and changes will be made to school property taxes paid by seniors effective January 1, 2005.

Solicitor General expense has increased \$3 million from budget for program enhancements to the Victims of Crime Fund.

Sustainable Resource Development expense is up \$91 million from budget as a result of higher forest fire-fighting costs.

Transportation expense is down \$22 million from budget primarily due to revised amortization costs for the secondary highway system.

EXPENSE SUMMARY*(millions of dollars)*

	2004-05		Change from Budget
	Budget	1st Quarter Forecast	
Program Expense			
Budget	22,286	22,286	-
Disaster/emergency assistance (from Sustainability Fund)	-	379	379
Natural gas rebates (from Sustainability Fund)	-	285	285
Increase in capital grants from Capital Account	-	503	503
In-year contingency allowance net expense ^a	-	215	215
Dedicated revenue/expense changes (net) ^b	-	3	3
Total Program Expense	22,286	23,671	1,385
Debt Servicing Costs	363	363	-
Total Expense	22,649	24,034	1,385

^a In addition, the Contingency Allowance is being used to provide \$45 million for in-year revenue reduction initiatives for seniors' health care insurance premiums and school property tax. Emergency/disaster assistance, natural gas rebates, capital grants funded from the Capital Account, dedicated revenue and expense changes, and expense increases offset by reductions in other program expense are not charges against the Contingency Allowance.

^b Dedicated revenue/expense changes – Agriculture, Food and Rural Development: \$7 million decrease for agriculture programs; Children's Services: \$7.5 million federal transfer increase for early learning and child care; Gaming: \$10 million decrease related to new gaming facilities and electronic bingo; Health and Wellness: \$12 million increase in federal transfers for various public health initiatives; and several minor offsetting changes in other ministries.

EXPENSE BY MINISTRY*(millions of dollars)*

Program	2004-05		Change from Budget	Main Reasons for Change from Budget
	Budget	1st Quarter Forecast		
Legislative Assembly	76	76	-	
Aboriginal Affairs and Northern Development	36	36	-	
Agriculture, Food and Rural Development	908	1,067	159	BSE assistance
Children's Services	742	748	6	Early learning / child care
Community Development	691	690	(1)	Lower NHL player tax revenue
Economic Development	58	58	-	
Energy	191	191	-	
Environment	125	125	-	
Executive Council	21	21	-	
Finance	438	440	2	Auto insurance / APA operations
Gaming	165	155	(10)	New gaming facilities / electronic bingo
Government Services	93	93	-	
Health and Wellness	7,996	8,358	362	Health authority operations / capital
Human Resources and Employment	1,147	1,147	-	
Infrastructure	1,528	2,163	635	Health facilities / natural gas rebates
Innovation and Science	205	205	-	
International and Intergovernmental Relations	8	8	-	
Justice	283	283	-	
Learning	5,272	5,324	52	Class size initiative
Municipal Affairs	123	201	78	Flood disaster assistance / infrastructure
Revenue	162	162	-	
Seniors	429	459	30	Alberta Seniors Benefit enhancements
Solicitor General	346	349	3	Victims of Crime Fund
Sustainable Resource Development	205	296	91	Forest fire-fighting costs
Transportation	1,038	1,016	(22)	Lower amortization expense
Total Program Expense	22,286	23,671	1,385	
Debt Servicing Costs	363	363	-	
Total Expense	22,649	24,034	1,385	

Alberta Sustainability Fund

ASSETS OF THE SUSTAINABILITY FUND

- Net transfers to the Sustainability Fund (after \$664 million in allocations for emergencies/disasters and rebates) are forecast to be \$3.6 billion higher than budgeted. This includes a \$325 million increase from budget in cash adjustments.
- As announced, \$3 billion has been reallocated from the Sustainability Fund to the Debt Retirement Account and \$510 million to the Capital Account. This leaves the net assets of the Sustainability Fund at \$2.573 billion, \$73 million higher than budgeted.

SUSTAINABILITY FUND TRANSFERS

- The *Fiscal Responsibility Act* requires non-renewable resource revenue above \$4 billion to be transferred to the Sustainability Fund. This transfer is forecast at \$3.9 billion, \$3.1 billion higher than budgeted.
- Withdrawals from the Fund are permitted to pay for the costs of emergencies/disasters, rebates under the *Natural Gas Price Protection Act* and First Nations settlements. Withdrawals of \$664 million are forecast, including:
 - ◆ \$379 million for emergency/disaster assistance for agriculture, forest fires and floods, and
 - ◆ \$285 million for natural gas rebates.

- Other net transfers to the Fund total \$845 million, consisting of:
 - ◆ \$921 million increase in revenue (excluding non-renewable resource revenue, \$45 million in revenue reduction initiatives charged against the Contingency Allowance, and net \$3 million in dedicated revenue/expense increases),
 - ◆ less \$76 million required for the net increase in capital cash requirements and financial assets of funds and agencies.

CASH ADJUSTMENTS

- \$510 million in cash became available for transfer to Sustainability Fund after March 31, 2004, because of the better than forecast 2003-04 fourth quarter results. This amount was not reflected in the *Budget 2004* estimate.
- Other cash adjustments are \$185 million lower than estimated in the budget, primarily related to natural gas royalties. Cash adjustments reflect the differences between accrued revenue and cash receipts, non-cash expenses and transfers not reported on the income statement.

ALBERTA SUSTAINABILITY FUND AT MARCH 31, 2005

(millions of dollars)

	2004-05		Change from Budget
	Budget	1st Quarter Forecast	
Assets at start of year	2,500	2,500	-
Transfers to (from) Sustainability Fund			
Non-renewable resource revenue transfer from general revenue	784	3,865	3,081
Transfer for disaster and emergency program expense	-	(379)	(379)
Transfer for Natural Gas Rebate Program expense	-	(285)	(285)
Other net transfers	-	845	845
Total net transfers	784	4,046	3,262
Cash adjustments:			
Cash from 2003-04 fourth quarter results ^a	-	510	510
Natural gas royalties	547	221	(326)
Other	21	162	141
Total cash adjustments	568	893	325
Assets prior to reallocation	3,852	7,439	3,587
Reallocation to:			
Debt Retirement Account	726	3,730	3,004
Capital Account	626	1,136	510
Assets not yet allocated	-	-	-
Assets at End of Year	2,500	2,573	73

^a \$510 million was added to the Sustainability Fund in 2004-05 and then reallocated to the Capital Account from the better than expected year-end results for 2003-04.

Capital Plan

- Capital asset acquisitions, which include capital grants to local authorities and capital investment in provincial government-owned projects, are forecast at \$2.9 billion. This is \$492 million higher than budgeted in the Capital Plan.
- The increase from budget primarily reflects additional capital grants for health capital funded from the Capital Account. Partly offsetting this increase is lower spending associated with the rescoping and rescheduling of some capital projects.
- The changes in the Capital Plan include:
 - ◆ **Health Facilities and Equipment** – \$500 million increase includes \$150 million in capital grants to health authorities and \$350 million for acute care beds in Calgary and Edmonton, rural supportive living spaces, and planning for the new South Calgary Hospital and Health Sciences Ambulatory Learning Centre in Edmonton.
 - ◆ **Provincial Highway Network** – The \$18 million increase includes a \$15 million carry-over from unfinished projects in 2003-04, \$2 million for highway tourism signage, and \$1 million in other capital investment.
 - ◆ **Community Facilities** – The \$17 million increase includes additional funding of \$14 million for the Northern and Southern Jubilee Auditorium refurbishment projects and \$2.5 million for the Special Infrastructure Assistance Program (Banff/Jasper).
 - ◆ **Other Infrastructure** – The \$10 million reduction is due to delayed start dates for some projects including the Leduc Agrivalve Processing Incubator and the level III bio-containment laboratory. Partly offsetting this is an addition of \$3.5 million for the Canmore Nordic Centre Facility to support the bid for the 2005 Cross Country Ski World Cup.
 - ◆ **General Government Capital** – There is a \$33 million reduction in general government capital. This reflects a \$41 million reduction in 2004-05 costs for the Calgary Courts Centre due to rescoping of the project. Funding for the Calgary Courts Centre in 2004-05 is now to be provided from the Capital Account rather than alternative financing. Partly offsetting this decrease is \$6 million in additional spending for vaccines and other capital projects.

CAPITAL PLAN SUMMARY

(millions of dollars)

	2004-05		Change from Budget
	Budget	1st Quarter Forecast	
Provincial highway network	587	605	18
Municipal transportation grants	324	324	-
Health facilities and equipment	433	933	500
Schools	221	221	-
Post-secondary facilities	228	228	-
Water and wastewater management	89	89	-
Community facilities and centennial projects	95	112	17
Other infrastructure programs	163	153	(10)
Other government capital and information technology	253	220	(33)
Total Capital Plan	2,393	2,885	492
To be funded by:			
Current-year revenue	1,154	1,184	30
Capital Account	1,088	1,677	589
Alternative financing including P3s	151	24	(127)
Total Capital Plan	2,393	2,885	492

Net Financial and Capital Assets

- **Net Assets** – Alberta's net assets are forecast at \$23.8 billion as of March 31, 2005. This includes nearly \$11 billion in capital assets and \$5.2 billion in pension obligations.
- **Accumulated Debt** – Accumulated debt, net of cash set aside in the Debt Retirement Account, is forecast to be eliminated as of March 31, 2005. This is a \$3.7 billion reduction from March 31, 2004 and a \$3 billion improvement from the budget estimate. At March 31, 2005, \$3.5 billion will be in the Debt Retirement Account to pay off accumulated debt as it matures.
- **Capital Account** – The Capital Account is forecast at \$639 million as of March 31, 2005. Subsequent to *Budget 2004*, \$510 million from better than forecast 2003-04 fourth quarter results was transferred to the Sustainability Fund and then reallocated to the Capital Account. Withdrawals from the Capital Account have been increased from budget by \$589 million (\$503 million for capital grants to local authorities and \$86 million for capital investment).
- **Heritage Fund** – The book value of the Heritage Fund is forecast at \$11.3 billion as of March 31, 2005, unchanged from budget. This represents the recorded value of Heritage Fund external investments. The fair market value of the Heritage Fund at June 30, 2004 was estimated at \$12.1 billion.
- **Pension Obligations** – Pension obligations are forecast at \$5.2 billion, an increase of \$22 million from budget and \$141 million from March 31, 2004. They are scheduled for elimination under a separate legislative plan and are not subject to the *Fiscal Responsibility Act*.

BALANCE SHEET AT MARCH 31

(millions of dollars)

	2004	2005		Change from Budget
	Actual	Budget ^a	1st Quarter Forecast	
Financial Assets				
Heritage Fund external investments	11,267	11,273	11,273	-
Self-supporting lending organizations	5,597	5,607	5,359	(248)
Alberta Sustainability Fund	2,500	2,500	2,573	73
Endowment funds	1,622	1,578	1,616	38
Capital Account	1,180	718	639	(79)
Debt Retirement Account ^b	1,241	478	3,474	2,996
Other financial assets	5,858	4,728	4,130	(598)
Total Financial Assets	29,265	26,882	29,064	2,182
Liabilities				
Accumulated debt ^b	4,971	3,482	3,474	(8)
Pension obligations	5,059	5,178	5,200	22
Self-supporting lending organizations	4,556	4,489	4,271	(218)
Other liabilities	4,131	3,409	3,251	(158)
Total Liabilities	18,717	16,558	16,196	(362)
Net Financial Assets	10,548	10,324	12,868	2,544
Capital assets ^c	10,534	10,942	10,951	9
Net Assets	21,082	21,266	23,819	2,553
Adjustment for pension obligations	5,059	5,178	5,200	22
Net Assets for Fiscal Policy Purposes	26,141	26,444	29,019	2,575

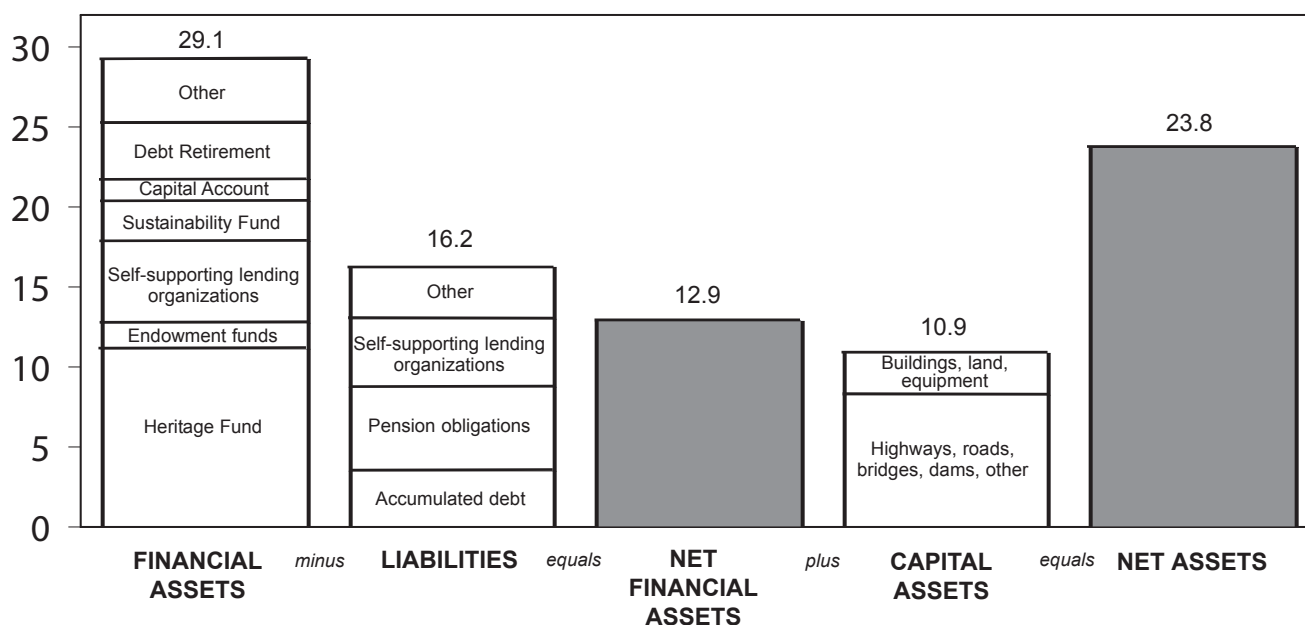
^a Budget numbers have been restated to reflect 2003-04 actual results.

^b At March 31, 2005, financial assets in the Debt Retirement Account equal the remaining accumulated debt that has not matured.

^c Includes inventories of supplies.

ASSETS, LIABILITIES AND NET ASSETS

AT MARCH 31, 2005

(billions of dollars)**NET FINANCING REQUIREMENTS***(millions of dollars)*

	2004-05		
	Budget	1st Quarter Forecast	Change from Budget
Requirements:			
General Revenue Fund term debt maturities	1,435	1,443	8
School construction loan repayments	75	75	-
Adjustments	(21)	(20)	1
Accumulated debt financing requirements	1,489	1,498	9
Provincial corporations' term borrowing requirements	247	205	(42)
Gross financing requirements	1,736	1,703	(33)
Cash applied to accumulated debt repayment	(1,489)	(1,498)	(9)
Net Term Debt Financing Requirements	247	205	(42)

FISCAL YEAR ASSUMPTIONS, 2004-05

	Sensitivities (\$ millions) ^a				Assumptions	
	Change	Revenue	Spending	Net Change	Budget	1st Quarter Forecast
Oil Price (WTI US\$/bbl)	-\$1.00	-65	—	-65	26.00	34.00
Natural Gas Price (Cdn\$/mcf)	-10c	-105	—	-105	4.20	6.01
Exchange Rate (US¢/Cdn\$)	+1c	-118	-6	-112	77.0	74.0
Interest Rates:	+1%	-93	+10	-103		
3-month Canada treasury bills					2.50	2.45
10-year Canada bonds					5.15	5.15

^a Sensitivities show the effect for a full 12 month period. They 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 a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

CAPITAL INVESTMENT AND AMORTIZATION ^a*(millions of dollars)*

	2004-05 Capital Investment			2004-05 Capital Amortization		
		1st Quarter	Change from Budget		1st Quarter	Change from Budget
	Budget	Forecast	Budget	Budget	Forecast	Budget
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Agriculture, Food and Rural Development	13	13	-	8	8	-
Children's Services	-	2	2	1	2	1
Community Development	7	11	4	10	10	-
Economic Development	-	-	-	-	-	-
Energy	11	11	-	14	14	-
Environment	4	4	-	19	19	-
Executive Council	-	-	-	-	-	-
Finance	2	2	-	3	3	-
Gaming	-	-	-	-	-	-
Government Services	4	4	-	5	5	-
Health and Wellness	67	70	3	23	26	3
Human Resources and Employment	4	4	-	3	3	-
Infrastructure	205	166	(39)	55	51	(4)
Innovation and Science	48	47	(1)	21	21	-
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	1	1	-	2	2	-
Learning	6	6	-	5	5	-
Municipal Affairs	2	2	-	2	2	-
Revenue	3	3	-	3	3	-
Seniors	-	-	-	24	24	-
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	11	13	2	11	11	-
Transportation	501	518	17	257	233	(24)
Total Capital Investment/Amortization	889	877	(12)	466	442	(24)
Funded from Capital Account	347	433	86	-	-	-
Alternatively Financed	151	24	(127)	-	-	-

^a Capital investment includes purchases of inventories. Amortization includes consumption of inventories.**CAPITAL GRANTS TO LOCAL AUTHORITIES AND OTHER INFRASTRUCTURE SUPPORT***(millions of dollars)*

	2004-05		
		1st Quarter	Change from Budget
	Budget	Forecast	Budget
Agriculture, Food and Rural Development	24	24	-
Community Development	14	14	-
Environment	1	1	-
Gaming	39	39	-
Health and Wellness	50	200	150
Infrastructure	798	1,148	350
Innovation and Science	10	10	-
Municipal Affairs	-	3	3
Revenue	4	4	-
Seniors	51	51	-
Transportation	513	514	1
Total	1,504	2,008	504
Funded from Capital Account	741	1,244	503

ACTUAL RESULTS

FOR THE FIRST THREE MONTHS OF 2004-05

METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in *Budget 2004*.

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 the modified equity basis, the equity being computed in accordance with generally accepted accounting principles.

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 net revenue.

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 2003-04 figures have been restated where necessary to conform to 2004-05 presentation.

CONSOLIDATED FISCAL SUMMARY^a

for the three months ended June 30, 2004 (unaudited)

(millions of dollars)

	First Three Months		
	2004-05	2003-04	Change
Revenue			
Income taxes	1,829	1,659	170
Other taxes	766	695	71
Non-renewable resource revenue	2,398	2,019	379
Transfers from Government of Canada	1,092	638	454
Net income from commercial operations	494	449	45
Premiums, fees and licences	587	573	14
Investment income	507	360	147
Other	81	83	(2)
Total Revenue	7,754	6,476	1,278
Expense			
Program	5,428	4,689	739
Debt servicing costs	98	70	28
Total Expense	5,526	4,759	767
Net Revenue	2,228	1,717	511

^a 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.

EXPENSE

for the three months ended June 30, 2004 (unaudited)

(millions of dollars)

	First Three Months		
	2004-05	2003-04	Change
Program			
Legislative Assembly	14	13	1
Aboriginal Affairs and Northern Development	18	19	(1)
Agriculture, Food and Rural Development	272	134	138
Children's Services	181	184	(3)
Community Development	176	166	10
Economic Development	13	13	-
Energy	41	37	4
Environment	30	24	6
Executive Council	4	4	-
Finance	107	110	(3)
Gaming	26	15	11
Government Services	24	21	3
Health and Wellness	1,919	1,729	190
Human Resources and Employment	274	267	7
Infrastructure	350	218	132
Innovation and Science	34	30	4
International and Intergovernmental Relations	2	2	-
Justice	74	66	8
Learning	1,266	1,179	87
Municipal Affairs	44	49	(5)
Revenue	35	22	13
Seniors	100	79	21
Solicitor General	83	67	16
Sustainable Resource Development	84	80	4
Transportation	257	161	96
Total Program Expense	5,428	4,689	739
Debt Servicing Costs	98	70	28
Total Expense	5,526	4,759	767

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