

# Alberta 2003 Budget

**Making Alberta Even Better**



FIRST QUARTER FISCAL UPDATE

2003-04 QUARTERLY BUDGET REPORT

1

AUGUST 27, 2003

**Alberta**  
GOVERNMENT OF ALBERTA

## UPDATING ALBERTANS

The First Quarter Fiscal Update is comprised of two parts – the updated 2003-04 forecast and the actual results for the first three months of the fiscal year (April 1 to June 30, 2003).

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# 2003 - 04 FORECAST

## Highlights

- ◆ Total revenue is \$1.7 billion higher than estimated in the budget. The increase primarily reflects higher non-renewable resource revenue.
- ◆ Total expense is \$580 million higher than budgeted. The increase is primarily due to agriculture and forest-fire disaster and emergency assistance. Partly offsetting these increases are lower debt servicing costs.
- ◆ Net Revenue (revenue minus expense, prior to Sustainability Fund and Capital Account transfers) is forecast at \$2.2 billion. This is \$1.1 billion higher than estimated in the budget.
- ◆ Funding for agriculture and forest-fire disaster and emergency assistance has been provided through the Alberta Sustainability Fund. Funding for other in-year spending initiatives has been provided from the \$210 million Contingency Allowance set aside in the budget. \$98 million remains unallocated in the Contingency Allowance.
- ◆ The net assets of the Sustainability Fund are forecast to reach \$3.4 billion by March 31, 2004. The net transfer from 2003-04 operations is forecast at \$2.5 billion. Approximately \$900 million in cash is also being transferred to the Sustainability Fund, primarily reflecting cash from natural gas royalties accrued in 2002-03.
- ◆ The Sustainability Fund was established to help protect budgets from volatile revenue and the costs of emergencies and disasters. The Fund is the first priority for year-end surpluses until it reaches \$2.5 billion. The government will consider, later in the fiscal year, the potential reallocation of dollars above the \$2.5 billion target to other balance sheet improvements.

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

(millions of dollars)

	2003-04		
	Budget	1st Quarter Forecast	Change from Budget
1 <b>Revenue</b>	21,928	<b>23,620</b>	1,692
2 <b>Expense</b>			
3 Program	20,335	<b>20,985</b>	650
4 Debt servicing costs	465	<b>395</b>	(70)
5 Total Expense	20,800	<b>21,380</b>	580
6 <b>Net Revenue</b>	1,128	<b>2,240</b>	1,112
7 Transfer from Capital Account	416	<b>416</b>	-
8 Net transfer from (to) Sustainability Fund	(1,276)	<b>(2,493)</b>	(1,217)
9 <b>Economic Cushion</b>	268	<b>163</b>	(105)
10 Of which:			
11 Contingency Allowance	210	<b>98</b>	(112)
12 Other requirements <sup>b</sup>	58	<b>65</b>	7
13 Net Assets of Sustainability Fund at March 31, 2004 <sup>c</sup>	2,217	<b>3,399</b>	1,182
14 Available for Potential Reallocation from Sustainability Fund <sup>d</sup>	-	<b>899</b>	899

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

<sup>b</sup> Net positive amount required for capital cash requirements and retained income of funds and agencies.

<sup>c</sup> Reflects net transfers plus cash adjustments.

<sup>d</sup> Amount above \$2.5 billion target which is potentially available for other balance sheet improvements.

# Revenue

## NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is forecast at \$6.3 billion. This is \$1.5 billion higher than estimated in the budget.

The increase in non-renewable resource revenue primarily reflects higher-than-estimated energy prices. The positive impact of higher prices has been partly offset by a strengthening Canadian dollar relative to the U.S. dollar.

Natural gas royalties are forecast at \$4.7 billion. This is \$1.2 billion higher than estimated in the budget. Natural gas prices are now forecast to average Cdn.\$5.00 per thousand cubic feet (mcf) for the fiscal year, 95 cents higher than estimated in the budget. Higher natural gas prices are the result of continued high oil prices, limited North American supply growth, increase in demand and low storage levels.

Total oil royalties are forecast at \$862 million. This is \$257 million higher than estimated in the budget. Oil prices are now forecast to average US\$25.00 per barrel for the fiscal year, US\$1.70 higher than estimated in the budget. The forecast is based on OPEC managing supply, continued problems in re-introducing Iraqi production and strengthening world demand due to improving economic conditions.

No assumption has been built into the first quarter energy forecast concerning the potential impact of the recent Alberta Energy and Utilities Board decision to shut in natural gas wells to permit bitumen extraction. The potential impact on energy revenue remains uncertain.

The *Fiscal Responsibility Act* requires non-renewable resource revenue above \$3.5 billion to be transferred to the Sustainability Fund. This transfer is now forecast at \$2.8 billion.

## TAX REVENUE

Total tax revenue is essentially unchanged at over \$9.8 billion. Personal income tax revenue has been reduced by \$35 million based on updated 2002 personal income tax data. Tobacco tax revenue has been reduced by \$5 million reflecting the announced cigar tax rate reduction. Hotel room tax revenue has been lowered by \$2 million reflecting lower tourism stays. Partly offsetting these decreases is a \$26 million increase for freehold mineral rights tax revenue as a result of higher energy prices.

## TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from the Government of Canada are forecast to increase by \$187 million to \$2.6 billion. This reflects a \$172 million increase in agriculture support, related to the Bovine Spongiform Encephalopathy (BSE) Recovery Program. The forecast for the Canada Health and Social Transfer has increased by \$15 million reflecting more recent federal data.

## OTHER REVENUES

Other revenues are essentially unchanged at \$4.9 billion. Alberta Treasury Branches has lowered its forecast by \$19 million, in part due to potential increased risks in the agriculture sector. This reduction and smaller decreases in areas such as gaming revenue and Alberta Science and Engineering Research Endowment Fund investment income, are mostly offset by increases in liquor revenue, Sustainability Fund investment income, timber rentals and fees and other items.

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

	2003-04		Change from Budget	Main Reasons for Change from Budget
	Budget	1st Quarter Forecast		
<b>Income Taxes</b>				
Personal income tax	5,035	5,000	(35)	2002 revenue lower than expected
Corporate income tax	2,016	2,016	-	
	7,051	7,016	(35)	
<b>Other Taxes</b>				
School property tax	1,165	1,165	-	Cigar tax rate decrease
Tobacco tax	624	619	(5)	
Fuel tax	602	602	-	
Freehold mineral rights tax	214	240	26	Higher oil and natural gas prices
Insurance taxes	148	148	-	Lower tourism hotel stays
Hotel room tax	58	56	(2)	
	2,811	2,830	19	
<b>Non-Renewable Resource Revenue</b>				
Natural gas and by-products royalty	3,480	4,679	1,199	Higher natural gas prices
Crude oil royalty	502	706	204	Higher oil prices
Synthetic crude oil and bitumen royalty	103	156	53	Higher oil prices
Coal royalty	11	11	-	Higher bid prices per hectare
Bonuses and sale of Crown leases	679	733	54	
Rentals and fees	144	144	-	
Royalty tax credit	(143)	(131)	12	Higher oil and natural gas prices
	4,776	6,298	1,522	
<b>Transfers from Government of Canada</b>				
Canada Health and Social Transfer	1,613	1,628	15	Revised forecast
2003 Health Accord	248	248	-	Increased transfers related to BSE
Agriculture support programs	169	341	172	
Labour market development	120	120	-	
Other	236	236	-	
	2,386	2,573	187	
<b>Net Income from Commercial Operations</b>				
Alberta Gaming and Liquor Commission				
Gaming and lottery revenue	1,093	1,089	(4)	Delay in casino expansion
Liquor revenue	546	556	10	Higher volume of sales
Alberta Treasury Branches	152	133	(19)	Higher loan loss provisions
Other	4	4	-	
	1,795	1,782	(13)	
<b>Premiums, Fees and Licences</b>				
Health care insurance premiums	913	913	-	Revised forecast
Motor vehicle licences	262	263	1	
Crop and hail insurance premiums	164	164	-	
Timber rentals and fees	63	71	8	Higher timber prices
Land titles	36	36	-	Lower deposit guarantee fees
Other	278	272	(6)	
	1,716	1,719	3	
<b>Investment Income</b>				
Alberta Heritage Savings Trust Fund	426	426	-	Increased lending activity
Alberta Capital Finance Authority	319	325	6	
Agriculture Financial Services Corporation	91	91	-	
Debt Retirement Account	45	45	-	Higher Fund balance
Alberta Sustainability Fund	31	41	10	
Endowment Funds:				
Medical Research	31	31	-	Equity writedowns
Science and Engineering Research	11	5	(6)	
Scholarship	10	10	-	
Other	55	59	4	Revised forecast
	1,019	1,033	14	
<b>Other</b>				
Refunds of expense	87	85	(2)	Revised forecast
Fines and penalties	63	63	-	Reduced contract research
Miscellaneous	224	221	(3)	
	374	369	(5)	
<b>Total Revenue</b>	21,928	23,620	1,692	

# Expense

## **DISASTER AND EMERGENCY ASSISTANCE FROM THE SUSTAINABILITY FUND**

A total of \$545 million in disaster and emergency assistance is being provided from the Alberta Sustainability Fund to support agriculture and forest fire-fighting programs. In addition, \$9 million in capital investment will be provided from the Sustainability Fund for constructing and equipping laboratory facilities to support enhanced food safety surveillance.

**Agriculture, Food and Rural Development** expense has been increased by \$466 million to address BSE-related disaster assistance. This is partly offset by a \$172 million increase in federal agriculture transfers.

The increased spending allows for the compensation of Alberta producers due to the temporary closure of borders to Canadian beef exports. Initiatives include a short-term federal-provincial program based on market prices, short-term fed cattle competitive bid and market adjustment programs to reduce the pressure on Alberta's beef markets, changes to the Alberta Disaster Assistance Loan and Alberta Farm Development Loan programs, enhancement of animal health surveillance and a cull cow and bull product development program.

**Economic Development** expense has been increased by \$3.5 million for a market recovery strategy related to BSE. The program is aimed at enhancing buyer confidence and re-establishing Alberta's beef export markets. Agriculture, Food and Rural Development has also received \$1 million in funding for their part in this \$4.5 million program.

**Sustainable Resource Development** expense has been increased by \$75 million to pay for increased forest fire-fighting costs.

## **IN-YEAR SPENDING INITIATIVES FROM THE CONTINGENCY ALLOWANCE**

A \$210 million Contingency Allowance was set aside in the budget for in-year spending increases and revenue reduction initiatives. The First Quarter Update commits \$112 million from the Contingency Allowance. This consists of \$107 million for in-year spending initiatives and \$5 million for a reduction in cigar tax rates. In-year emergency and disaster assistance and changes in dedicated revenue and expense are not charged against the Contingency Allowance.

**Health and Wellness** expense has been increased by \$22 million for facility operation and maintenance costs of health authorities. \$19 million has been reallocated from the ministry to the ministries of Seniors and Human Resources and Employment for the increased costs of providing assistance to low-income residents due to long-term care rate increases. As a result, the ministry's expense has increased by a net \$3 million.

**Human Resources and Employment** expense has been increased by \$2 million for the Assured Income for the Severely Handicapped (AISH) program. This funding, reallocated from Health and Wellness, will assist AISH recipients with long-term care costs.

**Infrastructure and Learning** expense have both been increased by \$30 million from budget to fund increased facility operations and maintenance costs in schools and post-secondary institutions.

**Seniors** expense has been increased by \$31 million from budget. \$17 million has been reallocated from Health and Wellness to address the increased costs in the Seniors Benefit Program due to long-term care rate increases. In addition, \$8 million has been provided for operations and maintenance costs of government-supported housing facilities, and \$6 million for the Special Needs Assistance Program.

**Solicitor General** expense has been increased by \$3.5 million to fund an organized crime initiative.

**Finance** expense has been increased by \$11 million from budget. This includes \$1 million to fund a review of automobile insurance, \$3 million for higher pension liability funding and \$7 million for dedicated revenue and expense increases of the Alberta Capital Financing Authority (ACFA) and Alberta Pensions Administration Corporation.

## **DEBT SERVICING COSTS**

Debt servicing costs have decreased by \$70 million primarily due to the appreciation of the Canadian dollar against the U.S. dollar. This has lowered the cost of debt held in U.S. dollars.

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

	2003-04		Change from Budget
	Budget	1st Quarter Forecast	
<b>Program Expense</b>			
Budget	20,335	<b>20,335</b>	-
Emergency/disaster assistance	-	<b>545</b>	545
In-year contingency allowance expense	-	<b>107</b>	107
Dedicated expense changes (net)	-	<b>(2)</b>	(2)
<b>Total Program Expense</b>	20,335	<b>20,985</b>	650
<b>Debt Servicing Costs</b>	465	<b>395</b>	(70)
<b>Total Expense</b>	20,800	<b>21,380</b>	580

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

Program	2003-04		Change from Budget	Main Reasons for Change from Budget
	Budget	1st Quarter Forecast		
Legislative Assembly	61	<b>62</b>	1	<i>Personal Information Protection Act</i>
Aboriginal Affairs and Northern Development	32	<b>32</b>	-	
Agriculture, Food and Rural Development	808	<b>1,274</b>	466	Agriculture disaster assistance
Children's Services	708	<b>708</b>	-	
Community Development	647	<b>648</b>	1	Facility operation and maintenance costs
Economic Development	55	<b>59</b>	4	BSE market recovery strategy
Energy	191	<b>191</b>	-	
Environment	122	<b>122</b>	-	
Executive Council	18	<b>18</b>	-	
Finance	435	<b>446</b>	11	Increased lending activity of ACFA
Gaming	150	<b>150</b>	-	
Government Services	83	<b>84</b>	1	Transfer from capital to operating
Health and Wellness	7,350	<b>7,353</b>	3	Facility operation and maintenance costs
Human Resources and Employment	1,071	<b>1,073</b>	2	AISH
Infrastructure	1,202	<b>1,232</b>	30	Facility operation and maintenance costs
Innovation and Science	200	<b>193</b>	(7)	Lower contract research
International and Intergovernmental Relations	6	<b>6</b>	-	
Justice	263	<b>263</b>	-	
Learning	4,912	<b>4,942</b>	30	Facility operation and maintenance costs
Municipal Affairs	132	<b>132</b>	-	
Revenue	166	<b>165</b>	(1)	Lower endowment funds' spending
Seniors	354	<b>385</b>	31	Increased costs of seniors' benefits
Solicitor General	278	<b>281</b>	3	Organized crime initiative
Sustainable Resource Development	202	<b>277</b>	75	Forest fires
Transportation	889	<b>889</b>	-	
<b>Total Program Expense</b>	20,335	<b>20,985</b>	650	
<b>Debt Servicing Costs</b>	465	<b>395</b>	(70)	Foreign exchange valuation adjustment
<b>Total Expense</b>	20,800	<b>21,380</b>	580	



## Alberta Sustainability Fund

- ◆ The Sustainability Fund balance at March 31, 2004 is forecast at \$3.4 billion, a \$1.2 billion increase from the budget estimate of \$2.2 billion.
- ◆ The *Fiscal Responsibility Act* requires non-renewable resource revenue above \$3.5 billion to be transferred to the Sustainability Fund. This transfer has increased from \$1.3 billion to \$2.8 billion.
- ◆ There are also net transfers of \$240 million to the Fund as a result of:
  - ◆ \$177 million increase in revenue (excluding non-renewable resource revenue, a \$5 million revenue reduction initiative, and a \$2 million reduction in dedicated revenue),
  - ◆ \$70 million reduction in debt servicing costs, less
  - ◆ \$7 million increase in net cash requirements for capital spending and retained income of funds and agencies.
- ◆ As permitted by the *Fiscal Responsibility Act*, emergency and disaster funding of \$545 million for forest fire-fighting costs and agricultural assistance is being withdrawn from the Fund.

### CASH ADJUSTMENTS

- ◆ Cash adjustments reflect differences between when revenue is accrued and cash is received, non-cash expenses, and transfers of cash not reported on the income statement.
- ◆ Cash adjustments increase the \$2.5 billion net transfer to the Sustainability Fund by \$906 million, bringing the Fund's forecast assets at the end of the year to \$3.4 billion.
- ◆ Cash adjustments primarily represent natural gas royalties that were accrued in 2002-03 but for which the cash was not received until 2003-04.
- ◆ Other cash adjustments include the budgeted \$21 million transfer to the Alberta Science and Engineering Research Endowment Fund; a \$9 million cash transfer from the Sustainability Fund for capital investment in food safety surveillance laboratory facilities; and a \$65 million foreign exchange valuation adjustment on debt denominated in U.S. dollars.

### ALBERTA SUSTAINABILITY FUND

AT MARCH 31, 2004

(millions of dollars)

	Budget	1st Quarter Forecast	Change from Budget
Assets at start of year	-	-	-
Non-renewable resource revenue transfer from general revenue	1,276	2,798	1,522
Transfer for emergency/disaster program expense	-	(545)	(545)
Other net transfers	-	240	240
	1,276	2,493	1,217
Cash adjustments			
Natural gas royalties	914	1,093	179
Transfer to Science and Engineering Research Fund	(21)	(21)	-
Transfer for emergency/disaster capital investment	-	(9)	(9)
Foreign exchange valuation adjustment on debt	-	(65)	(65)
Other	48	(92)	(140)
	941	906	(35)
<b>Assets at End of Year</b>	2,217	3,399	1,182



# Capital Plan

- ◆ Capital spending, including capital grants to local authorities and capital investment in provincial government-owned projects, is forecast at \$1.677 billion. This is a \$14 million net increase from the budgeted Capital Plan.
- ◆ This increase consists of:
  - ◆ \$24 million increase in 'general government capital', consisting of:
    - \$13 million for the FireNet Telecommunications System (Sustainable Resource Development),
    - \$9 million for constructing and equipping laboratory facilities to support enhanced food safety surveillance, funded from the Sustainability Fund (Infrastructure and Agriculture, Food and Rural Development), and
    - \$2 million in net reallocations from operating spending to equipment/inventory purchases (various ministries).
  - ◆ \$7 million increase in 'other infrastructure programs' for the Infrastructure Canada/Alberta Program.
  - ◆ \$6 million increase in spending on pavement rehabilitation of the provincial highway network.
  - ◆ Pre-funding of \$13 million of municipal transportation grants at the end of the 2002-03 fiscal year, which reduces the 2003-04 grant level by the same amount.
  - ◆ A decrease of \$10 million for post-secondary facilities due to a change in the cash flows for the construction of the Health Innovation Centres.

## CAPITAL PLAN SUMMARY<sup>a</sup>

(millions of dollars)

	2003-04		Change from Budget
	Budget	1st Quarter Forecast	
Provincial highway network	457	463	6
Municipal transportation grants	242	229	(13)
Health facilities and equipment	284	284	-
School facilities and equipment	136	136	-
Post-secondary facilities	135	125	(10)
Water and wastewater management	86	86	-
Community facilities	63	63	-
Housing	44	44	-
Other infrastructure programs	77	84	7
General government capital	139	163	24
<b>Total Capital Plan Spending</b>	<b>1,663</b>	<b>1,677</b>	<b>14</b>
To be funded by:			
Current-year revenue	1,040	1,045	5
Capital Account	623	623	-
Alternative financing	-	-	-
Transfer from Alberta Sustainability Fund	-	9	9
<b>Total Capital Plan</b>	<b>1,663</b>	<b>1,677</b>	<b>14</b>

a Includes \$629 million (First Quarter forecast) for capital investment in government-owned capital which is not included in expense. Does not include \$427 million (First Quarter forecast) for capital amortization costs which are included in expense.

## Net Financial and Capital Assets

- ◆ Net assets are forecast at \$19.3 billion at March 31, 2004, including \$10.5 billion of capital assets owned by the provincial government.
- ◆ All of the \$1.8 billion in accumulated debt that matures in 2003-04 will be repaid. Accumulated debt, net of cash set aside in the Debt Retirement Account, is forecast at \$4.671 billion.
- ◆ Pension obligations are forecast at \$5.05 billion. These obligations are scheduled for elimination under a separate legislative plan and are not subject to the *Fiscal Responsibility Act*.

### BALANCE SHEET

AT MARCH 31, 2004

(millions of dollars)

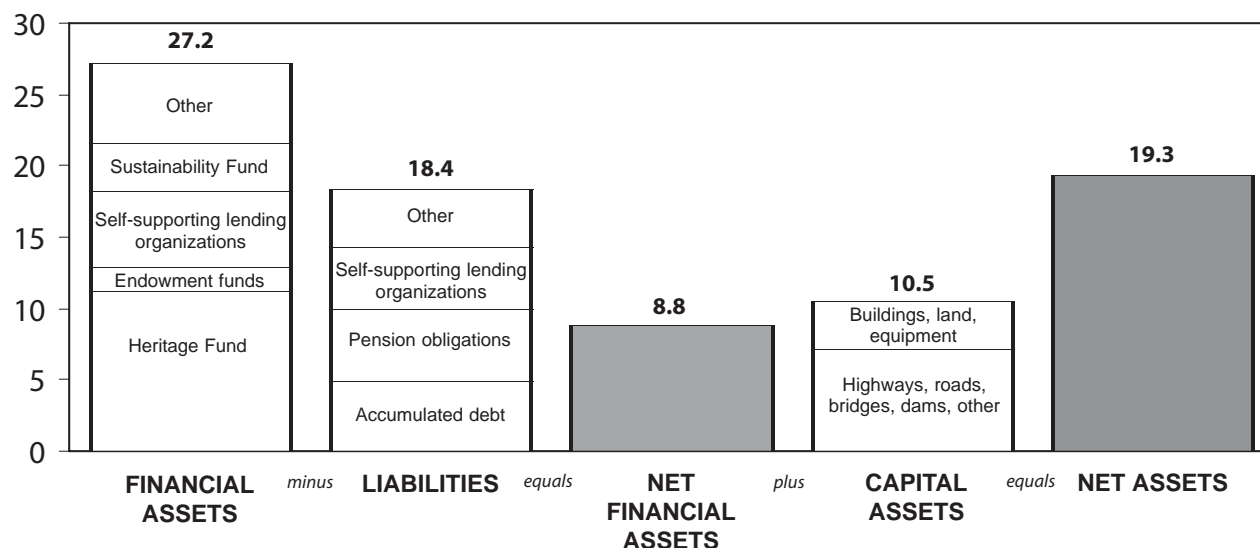
	Budget <sup>a</sup>	1st Quarter Forecast	Change from Budget
<b>Financial Assets</b>			
Heritage Fund external investments <sup>b</sup>	11,267	11,267	-
Self-supporting lending organizations	5,184	5,372	188
Alberta Sustainability Fund	2,217	3,399	1,182
Endowment funds	1,518	1,534	16
Capital Account	287	287	-
Debt Retirement Account	252	268	16
Other financial assets	5,267	5,049	(218)
<b>Total Financial Assets</b>	<b>25,992</b>	<b>27,176</b>	<b>1,184</b>
<b>Liabilities</b>			
Accumulated debt	4,988	4,939	(49)
Pension obligations	5,048	5,051	3
Self-supporting lending organizations	4,062	4,258	196
Other liabilities	4,175	4,125	(50)
<b>Total Liabilities</b>	<b>18,273</b>	<b>18,373</b>	<b>100</b>
<b>Net Financial Assets</b>	<b>7,719</b>	<b>8,803</b>	<b>1,084</b>
Capital assets	10,449	10,474	25
<b>Net Assets</b>	<b>18,168</b>	<b>19,277</b>	<b>1,109</b>
Adjustment for pension obligations	5,048	5,051	3
<b>Net Assets for Fiscal Policy Purposes</b>	<b>23,216</b>	<b>24,328</b>	<b>1,112</b>

a Budget amounts have been restated to reflect 2002-03 actual results.

b Excludes \$95 million in internal government investments.

**ASSETS, LIABILITIES AND NET ASSETS**

AT MARCH 31, 2004

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

	2003-04		Change from Budget
	Budget	1st Quarter Forecast	
<b>Requirements:</b>			
General Revenue Fund term debt maturities	1,700	1,630	(70)
School construction loan repayments	83	83	-
Provincial corporations' term borrowing requirements	200	150	(50)
Adjustments	(25)	94	119
Gross financing requirements	1,958	1,957	(1)
Term debt borrowing to date	-	-	-
Accumulated debt reduction	(1,758)	(1,807)	(49)
<b>Net Remaining Term Debt Financing Requirements</b>	<b>200</b>	<b>150</b>	<b>(50)</b>

**FISCAL YEAR ASSUMPTIONS**

	Sensitivities (\$ million) <sup>a</sup>				Assumptions	
	Annual Change	Revenue	Spending	Net Change	Budget	1st Quarter Forecast
Oil Price (WTI US\$/bbl)	-\$1.00	-76	-	-76	23.30	25.00
Natural Gas Price (Cdn\$/mcf)	-10¢	-106	-	-106	4.05	5.00
Exchange Rate (US¢/Cdn\$)	+1¢	-125	-25	-100	65.60	71.90
Interest Rates	+1%	-148	+15	-163		
3-month Canada Treasury Bills					3.90	3.35
10-year Canada Bonds					5.80	4.55

<sup>a</sup> Sensitivities are based on current assumptions of prices and rates and show the effects for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.



# ACTUAL RESULTS

## FOR THE FIRST THREE MONTHS OF 2003-04

### **METHOD OF CONSOLIDATION**

This financial summary is prepared on the same basis as used in Budget 2003.

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 2002-03 figures have been restated where necessary to conform to 2003-04 presentation.

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

for the three months ended June 30, 2003 (unaudited)

*(millions of dollars)*

	First Three Months		
	2003-04	2002-03	Change
<b>Revenue</b>			
Income Taxes	1,659	1,733	(74)
Other Taxes	695	624	71
Non-Renewable Resource Revenue	2,019	1,503	516
Transfers from Government of Canada	638	687	(49)
Net Income from Commercial Operations	449	455	(6)
Premiums, Fees and Licences	573	504	69
Investment Income	360	38	322
Other	83	197	(114)
<b>Total Revenue</b>	<b>6,476</b>	<b>5,741</b>	<b>735</b>
<b>Expense</b>			
Program	4,689	4,598	91
Debt Servicing Costs	70	119	(49)
<b>Total Expense</b>	<b>4,759</b>	<b>4,717</b>	<b>42</b>
<b>Net Revenue</b>	<b>1,717</b>	<b>1,024</b>	<b>693</b>

<sup>a</sup> 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, 2003 (unaudited)

*(millions of dollars)*

	First Three Months		
	2003-04	2002-03	Change
<b>Program</b>			
Legislative Assembly	13	13	-
Aboriginal Affairs and Northern Development	19	13	6
Agriculture, Food and Rural Development	133	252	(119)
Children's Services	184	169	15
Community Development	166	150	16
Economic Development	13	11	2
Energy	37	36	1
Environment	24	24	-
Executive Council	4	4	-
Finance	110	113	(3)
Gaming	15	25	(10)
Government Services	22	15	7
Health and Wellness	1,729	1,653	76
Human Resources and Employment	267	244	23
Infrastructure	218	173	45
Innovation and Science	30	29	1
International and Intergovernmental Relations	2	1	1
Justice	66	63	3
Learning	1,179	1,099	80
Municipal Affairs	49	59	(10)
Revenue	22	28	(6)
Seniors	79	71	8
Solicitor General	67	63	4
Sustainable Resource Development	80	165	(85)
Transportation	161	125	36
<b>Total Program Expense</b>	<b>4,689</b>	<b>4,598</b>	<b>91</b>
<b>Debt Servicing Costs</b>	<b>70</b>	<b>119</b>	<b>(49)</b>
<b>Total Expense</b>	<b>4,759</b>	<b>4,717</b>	<b>42</b>



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