



BUDGET2009

BUILDING ON
OUR STRENGTH

Third Quarter Fiscal Update 2009–2010

UPDATING ALBERTANS

The *Third Quarter Fiscal Update* consists of two parts – the updated 2009–10 forecast for the entire fiscal year and the actual results for the first nine months of the fiscal year (April 1 to December 31, 2009).

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2009–10 FORECAST

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2009–10 FORECAST

HIGHLIGHTS

Deficit. Forecast at \$3.6 billion, an improvement of \$1.1 billion from budget and \$700 million from second quarter. The deficit is offset by a transfer from the Sustainability Fund.

Revenue. Forecast at \$33.5 billion, an increase of \$1.9 billion from budget and \$909 million from second quarter. The increase from budget is mainly due to strong investment income, higher conventional oil and oil sands royalties, and higher corporate income tax revenue, partially offset by lower natural gas royalties and lower personal income tax revenue. The increase from second quarter is mainly from higher land lease sales, corporate income tax revenue and a prior years' adjustment to the Canada Health Transfer.

Expense. Forecast at \$37.2 billion, an increase of \$784 million from budget and \$209 million from second quarter. The increases are mainly related to disaster/emergency assistance, income supports programs and providing funding to Alberta Health Services to repay its 2008-09 accumulated deficit. These are partially offset by a doubling of the in-year value review savings, to \$430 million, as reported in the second quarter.

Sustainability Fund. Forecast assets at March 31, 2010 of \$15 billion, \$4.6 billion higher than the budget estimate and \$1.7 billion higher than the second quarter forecast. The higher balance is due primarily to the \$1.1 billion reduction in the forecast deficit, \$1.5 billion in cash from 2008-09 fourth quarter results transferred in 2009-10, and \$2 billion in lower capital and other cash requirements.

FISCAL SUMMARY^a

(millions of dollars)

| | 2009-10 | | | |
|---|---------|----------------------------|-------------|----------------|
| | Budget | 3rd Quarter Forecast | Change from | |
| | | | Budget | 2nd Quarter |
| Revenue | 31,667 | 33,541 | 1,874 | 909 |
| Expense^b | | | | |
| Program expense | | | | |
| Operating expense (net of value review savings) | 31,250 | 31,462 | 212 | 229 |
| Capital grants | 4,152 | 4,193 | 41 | (61) |
| Disaster/emergency assistance | - | 577 | 577 | 123 |
| Capital amortization and nominal sum disposals | 774 | 710 | (64) | (77) |
| Debt servicing costs | 205 | 223 | 18 | (5) |
| Total Expense | 36,381 | 37,165 | 784 | 209 |
| Surplus / (Deficit) | (4,714) | (3,624) | 1,090 | 700 |

^a Subject to the *Fiscal Responsibility Act*. Does not include changes in results of Crown-controlled SUCH sector organizations or in pension liabilities or, commencing January 1, 2010, revenue and expense of Alberta Innovates corporations. Budget and quarterly revenue and expense numbers have been increased by \$6 million to report housing providers on a gross basis, instead of a net basis.

^b Capital Investment is not included in expense. In 2009-10, capital investment is forecast at: 3,027 2,646 (381) (51)

ALBERTA SUSTAINABILITY FUND

(millions of dollars)

| | 2009-10 | | | |
|---------------------------------------|---------|----------------------------|-------------|----------------|
| | Budget | 3rd Quarter Forecast | Change from | |
| | | | Budget | 2nd Quarter |
| Assets at Start of Year | 16,822 | 16,822 | - | - |
| 2008-09 fourth quarter results | - | 1,503 | 1,503 | - |
| Transfer to offset deficit | (4,714) | (3,624) | 1,090 | 700 |
| Cash adjustments | | | | |
| Capital cash adjustments | (847) | 59 | 906 | 72 |
| Retained income of funds and agencies | (223) | (182) | 41 | (59) |
| Other cash adjustments | (679) | 405 | 1,084 | 992 |
| Assets at End of Year | 10,359 | 14,983 | 4,624 | 1,705 |

REVENUE

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is forecast at \$6 billion, \$109 million higher than budget and \$455 million higher than the second quarter forecast. The increase from budget is primarily due to higher oil and oil sands royalties, partially offset by a significant drop in natural gas royalties. The increase from second quarter is mainly due to higher land sales revenue.

The higher-than-expected Canadian/US dollar exchange rate, now estimated to average 91.7 US¢/Cdn\$, 8.2¢ higher than budget, also reduces revenue.

Natural gas royalties are forecast at \$1.7 billion, \$1.9 billion lower than budget and \$208 million lower than second quarter. The Alberta Reference Price, used to calculate royalties, is now forecast to average Cdn\$3.40/gigajoule (GJ) for the fiscal year, \$2.10 lower than budget but 15 cents higher than second quarter.

The natural gas price has deteriorated due to record storage levels resulting from growing US unconventional production and a recession-induced decline in demand. Prices have averaged Cdn\$2.94/GJ between April and September and are expected to average \$3.76/GJ for the remainder of the fiscal year.

Total oil royalties are forecast at \$3.7 billion, \$1.4 billion higher than budget and \$115 million higher than the second quarter forecast. Oil prices are forecast to average US\$69.95/barrel (bbl) for the fiscal year, \$14.45 and \$2.44 higher than the budget and second quarter forecasts respectively. This is based on an April to November average of US\$67/bbl, and a forecast average of US\$76/bbl for the remainder of the fiscal year.

Bitumen prices are also much higher –over 50%– than originally forecast, caused by lower global heavy oil supply and increased demand from expanded US upgrading capacity. The higher bitumen price more than offsets higher-than-expected operator costs and lower production.

Revenue from bonuses and sales of Crown leases is forecast at \$847 million, \$216 million higher than budget, mainly due to a higher-than-expected price per hectare on a December sale of shale gas land leases.

Drilling stimulus incentives. Forecast at \$441 million, down \$401 million from budget, due to lower activity.

TAX REVENUE

Personal income tax revenue is forecast at \$7.9 billion, \$626 million lower than budget and \$131 million lower than the second quarter forecast. The decrease from budget is mainly due to updated, lower 2008 assessment data, and

the decrease from second quarter is mainly due to a lower personal income growth forecast.

Corporate income tax revenue is forecast at \$3.3 billion, \$853 million higher than budget and \$300 million higher than the second quarter forecast. The *Budget 2009* forecast assumed a significant decline from 2008-09 due to the recession. However, cash installment payments from corporations have been greater than expected.

Other tax revenue is forecast at \$3.7 billion, \$72 million lower than the budget estimate, mainly from the impact of lower volumes on tobacco tax and the tourism levy, and of lower natural gas prices on the freehold mineral rights tax.

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers are forecast at \$5 billion, \$299 million higher than budget. Health and social transfers have increased by \$317 million from budget mainly due to a prior years' adjustment as the 2007 Equalization program re-design guaranteed minimum amounts for the 2007-08 and 2008-09 Canada Health Transfer, and to revised population estimates. Agriculture transfers are \$7 million lower than budget mainly due to AgriInvest delivery changes and lower crop insurance premiums, partly offset by AgriStability and Growing Forward increases.

Other transfers are \$11 million lower than budget and \$61 million lower than second quarter. Increases, mainly for employment and skills training, affordable housing, post-secondary facilities and other infrastructure stimulus are more than offset by re-profiling of about \$259 million in infrastructure stimulus to future years.

INVESTMENT INCOME

Investment income is forecast at \$3.5 billion, an increase of \$1.6 billion from budget. Heritage and endowment fund income is up \$1.6 billion from budget, as asset values have recovered strongly from the 2008 financial market decline. Sustainability Fund income is up \$180 million from budget mainly due to a higher projected balance. Alberta Capital Finance Authority (ACFA) income has decreased \$127 million from budget due to a forecast methodology change for both income and expense.

OTHER REVENUE

Forecast at \$4.2 billion, \$331 million lower than budget, comprising a \$300 million decrease in liquor and gaming revenue from rescinding the liquor mark-up increases and lower-than-expected activity, a \$61 million decrease in premiums, fees and licences from lower volumes, partly offset by a net \$30 million in other increases.

REVENUE*(millions of dollars)*

| | 2009-10 | | | | 2nd Main Reasons for Quarter Change from Budget |
|--|-------------|----------|-------------|-------------|---|
| | 3rd Quarter | | Change from | | |
| | Budget | Forecast | Budget | 2nd Quarter | |
| Income Taxes | | | | | |
| Personal income tax | 8,559 | 7,933 | (626) | (131) | Lower-than-expected prior years' assessments |
| Corporate income tax | 2,447 | 3,300 | 853 | 300 | Higher-than-expected cash receipts |
| | 11,006 | 11,233 | 227 | 169 | |
| Other Taxes | | | | | |
| Education property tax | 1,532 | 1,536 | 4 | 4 | Supplemental property tax |
| Tobacco tax | 915 | 865 | (50) | (15) | Lower-than-expected consumption |
| Fuel tax | 725 | 745 | 20 | 20 | Higher-than-anticipated consumption |
| Freehold mineral rights tax | 200 | 165 | (35) | 1 | Lower natural gas prices |
| Insurance taxes | 298 | 302 | 4 | (2) | Updated 2008-09 cash collections |
| Tourism levy | 76 | 61 | (15) | (2) | Lower hotel rates and fewer stays |
| | 3,746 | 3,674 | (72) | 6 | |
| Non-Renewable Resource Revenue | | | | | |
| Natural gas and by-products royalty | 3,687 | 1,739 | (1,948) | (208) | Lower natural gas prices |
| Crude oil royalty | 1,249 | 1,821 | 572 | 214 | Higher oil prices |
| Synthetic crude oil and bitumen royalty | 1,008 | 1,856 | 848 | (99) | Higher bitumen prices |
| Coal royalty | 27 | 34 | 7 | (1) | Higher-than-expected coal prices |
| Bonuses and sales of Crown leases | 631 | 847 | 216 | 404 | Higher-than-expected price per hectare from recent sale |
| Rentals and fees | 143 | 156 | 13 | 2 | Higher lease renewal rates |
| Drilling stimulus initiatives | (842) | (441) | 401 | 143 | Lower-than-expected drilling activity |
| | 5,903 | 6,012 | 109 | 455 | |
| Transfers from Government of Canada | | | | | |
| Health transfers | 2,037 | 2,335 | 298 | 279 | Prior years' adjustment |
| Canada Social Transfer | 1,170 | 1,189 | 19 | - | Higher population share |
| Agriculture support programs | 374 | 367 | (7) | 32 | AgrilInvest program delivery change |
| Other | 1,090 | 1,079 | (11) | (61) | Various federal stimulus transfers |
| | 4,671 | 4,970 | 299 | 250 | |
| Net Income from Commercial Operations | | | | | |
| Alberta Gaming and Liquor Commission: | | | | | |
| Gaming and lottery revenue | 1,492 | 1,342 | (150) | 16 | Lower-than-expected activity |
| Liquor revenue | 880 | 730 | (150) | - | Rescinding of liquor mark-up increases |
| Alberta Treasury Branches | 148 | 144 | (4) | 15 | Lower interest income |
| Other | 7 | 7 | - | - | |
| | 2,527 | 2,223 | (304) | 31 | |
| Investment Income | | | | | |
| Alberta Heritage Savings Trust Fund | 789 | 2,178 | 1,389 | 92 | Stronger-than-expected equity markets |
| Endowment Funds: | | | | | |
| Medical Research | 52 | 165 | 113 | 4 | Stronger-than-expected equity markets |
| Science and Engineering Research | 30 | 92 | 62 | 5 | Stronger-than-expected equity markets |
| Scholarship | 20 | 88 | 68 | 2 | Stronger-than-expected equity markets |
| Alberta Capital Finance Authority | 294 | 167 | (127) | (127) | Revised forecasting methodology |
| Agriculture Financial Services Corporation | 108 | 97 | (11) | (1) | Lower interest rates |
| Sustainability Fund | 345 | 525 | 180 | 50 | Higher balance and returns |
| Debt Retirement Account | 45 | 52 | 7 | 2 | Higher returns |
| Other | 129 | 90 | (39) | (5) | Lower balances and interest rates |
| | 1,812 | 3,454 | 1,642 | 22 | |
| Premiums, Fees and Licences | | | | | |
| Motor vehicle licences | 366 | 360 | (6) | - | Lower vehicle registrations |
| Crop and hail insurance premiums | 251 | 219 | (32) | (10) | Reduction in insurance participation |
| Energy Resources Conservation Board levies | 111 | 111 | - | - | |
| Timber rentals and fees | 40 | 33 | (7) | (1) | Lower volumes/mountain pine beetle infestations |
| Land titles | 62 | 58 | (4) | - | Lower housing activity |
| Other | 326 | 314 | (12) | 2 | Lower fees from lands and grazing |
| | 1,156 | 1,095 | (61) | (9) | |
| Other | | | | | |
| Refunds of expense | 111 | 117 | 6 | (4) | Miscellaneous changes |
| Climate Change and Emissions Management | 95 | 95 | - | - | |
| Fines and penalties | 113 | 114 | 1 | 1 | Revised forecast |
| Miscellaneous | 527 | 554 | 27 | (12) | ALMA industry funding/Land Stewardship initiatives |
| | 846 | 880 | 34 | (15) | |
| Total Revenue | 31,667 | 33,541 | 1,874 | 909 | |

EXPENSE

TOTAL EXPENSE

Expense has increased \$784 million from budget and \$209 million from second quarter. Changes from budget:

- \$577 million increase in disaster/emergency assistance;
- \$212 million net increase in operating expense (\$530 million in increases are partly offset by decreases of \$215 million in additional value review savings and a net \$103 million in dedicated revenue/expense);
- \$41 million net increase in capital grants;
- \$46 million net decrease in other expense.

Disaster/emergency assistance – \$577 million increase from budget: \$268 million in agriculture disaster support, \$138 million for the H1N1 response, \$130 million for forest fire-fighting costs, \$25 million to combat mountain pine beetle infestations and \$16 million for municipal disaster recovery and wildfire assistance programs.

Capital grants – \$41 million net increase, mainly for affordable housing, post-secondary facilities, municipal transportation and water management infrastructure, partially offset by re-profiling grants for health facilities, schools and carbon capture and storage to future years and to re-allocating capital grants to capital investment.

Other expense – \$46 million decrease. Debt servicing costs are \$18 million higher due to increased borrowing, primarily to repay \$1.2 billion owed by the pre-1992 Teachers' Pension Plan (TPP) to the post-1992 TPP. This also reduces pension liabilities. Amortization/nominal sum disposals expense is \$64 million lower than budget mainly due to lower provincial highway capital investment and reduced nominal sum disposals.

In-year operating expense limit - The *Fiscal Responsibility Act* limits in-year operating expense increases to 1% of total ministry operating expense, which for 2009-10 is \$315 million. Increases of \$530 million are offset by \$215 million in higher value review savings.

MINISTRY EXPENSE CHANGES

Advanced Education and Technology – \$181 million net increase, comprising a net \$218 million for post-secondary facilities and \$33 million for student loans, partly offset by a \$28 million decrease from removing Alberta Research Council and iCORE from the budget presentation (as part of creating the Alberta Innovates corporations) and \$42 million in value review and other savings.

Agriculture and Rural Development – \$270 million net increase, consisting mainly of industry disaster support.

Education – \$123 million decrease, comprising \$80 million in value review savings and a net \$43 million in school projects re-profiled into future years.

Employment and Immigration – \$177 million net increase, comprising \$138 million for Income Supports and Health Benefits programs and \$52 million for federally-funded skills and training, partly offset by \$13 million in value review savings.

Energy – \$94 million net decrease, consisting of \$95 million in carbon capture and storage capital grants re-scheduled to future years and a net \$9 million in value review and other savings, partly offset by a \$10 million increase for amortization and cancelling an exploration lease.

Finance and Enterprise – \$175 million net decrease. Decreases of \$135 million related to a forecast methodology change of ACFA income and expense, \$29 million from lower-than-anticipated investment management expenses and \$18 million in net value review and other savings are partly offset by a \$7 million increase in corporate income tax refund interest.

Health and Wellness – \$235 million net increase. Increases of \$343 million to fund elimination of the Alberta Health Services 2008-09 accumulated deficit, \$138 million for the H1N1 response, and \$5 million mainly for consumption of vaccines, are offset by \$189 million in value review and other savings, and a net \$62 million reduction in capital grants.

Sustainable Resource Development – \$159 million net increase: \$130 million for forest fire-fighting costs and \$35 million for mountain pine beetle infestations, partly offset by \$6 million in value review and other savings.

Transportation – \$144 million increase. A net increase of \$201 million for federal stimulus projects and municipal grants is partly offset by a net decrease of \$57 million in operating savings, amortization and nominal sum disposals.

Treasury Board – \$167 million decrease mainly from transfers of funds set aside to match federal stimulus initiatives and for capital planning to other ministries. \$30 million in budgeted capital grants has also been re-allocated to operating expense for separation payments.

Other Ministries – \$56 million net decrease: Housing and Urban Affairs, \$43 million increase for affordable housing; Infrastructure, \$52 million decrease, mainly re-allocation of capital grants to investment; Environment, \$23 million decrease, mainly ecoTrust re-profiling; Other ministries, \$24 million net decrease, primarily value review savings.

EXPENSE SUMMARY*(millions of dollars)*

| | 2009-10 | | | |
|--|---------------|----------------------------|-----------------------|----------------|
| | Budget | 3rd Quarter Forecast | Change from Budget | 2nd Quarter |
| Program Expense | | | | |
| Operating expense ^a | 31,465 | 31,995 | 530 | 372 |
| Dedicated revenue / operating expense net changes ^b | - | (103) | (103) | (143) |
| Value review savings | (215) | (430) | (215) | - |
| Net operating expense | 31,250 | 31,462 | 212 | 229 |
| Capital grants | 4,152 | 4,193 | 41 | (61) |
| Disaster/emergency assistance | - | 577 | 577 | 123 |
| Capital amortization and nominal sum disposals | 774 | 710 | (64) | (77) |
| Total Program Expense | 36,176 | 36,942 | 766 | 214 |
| Debt Servicing Costs | 205 | 223 | 18 | (5) |
| Total Expense | 36,381 | 37,165 | 784 | 209 |

^a Prior to dedicated revenue/operating expense net changes and value review savings.

^b Dedicated revenue/operating expense changes – Advanced Education and Technology: \$23 million net decrease, mainly related to dissolution of ARC; Agriculture and Rural Development: \$25 million net increase (\$66 million increase in federal funding for agriculture programs, \$17 million increase in ALMA industry funding, partly offset by \$58 million decrease in federal AgrilInvest funding); Culture and Community Spirit: \$11 million net decrease mainly in Horse Racing and Breeding Renewal program; Employment and Immigration: \$52 million increase in federal skills and training funding; Finance and Enterprise: \$141 million net decrease mainly from ACFA forecast methodology change; Sustainable Resource Development: \$8 million increase, mainly federal support to combat mountain pine beetle infestations; net decrease of \$13 million in other ministries.

EXPENSE BY MINISTRY*(millions of dollars)*

| Program | 2009-10 | | | | Main Reasons for Change from Budget |
|---|---------------|----------------------------|-----------------------|----------------|---|
| | Budget | 3rd Quarter Forecast | Change from Budget | 2nd Quarter | |
| Legislative Assembly | 95 | 92 | (3) | (3) | Election preparations |
| Aboriginal Relations | 150 | 149 | (1) | - | Value review savings |
| Advanced Education and Technology | 3,143 | 3,324 | 181 | 5 | Capital grants |
| Agriculture and Rural Development | 1,139 | 1,409 | 270 | (6) | Disaster assistance |
| Children and Youth Services | 1,141 | 1,141 | - | 16 | |
| Culture and Community Spirit | 309 | 314 | 5 | (5) | Canada Sports Hall of Fame |
| Education | 6,158 | 6,035 | (123) | 1 | Value reviews / capital grants re-profiling |
| Employment and Immigration | 1,011 | 1,188 | 177 | 2 | Income Supports and Health Benefits |
| Energy | 501 | 407 | (94) | 3 | Carbon capture and storage capital grants |
| Environment | 348 | 325 | (23) | (20) | Canada ecoTrust deferral |
| Executive Council | 36 | 35 | (1) | - | Value review savings |
| Finance and Enterprise | 1,283 | 1,108 | (175) | (167) | ACFA forecast methodology change |
| Health and Wellness | 12,935 | 13,170 | 235 | 472 | 2008-09 AHS accumulated deficit/H1N1 costs |
| Housing and Urban Affairs | 560 | 603 | 43 | (12) | Affordable housing development |
| Infrastructure | 572 | 520 | (52) | (42) | Re-allocation of capital grants to investment |
| International and Intergovernmental Relations | 26 | 26 | - | - | |
| Justice | 485 | 467 | (18) | (11) | Value review savings |
| Municipal Affairs | 592 | 608 | 16 | - | Disaster recovery and wildfire assistance |
| Seniors and Community Supports | 1,974 | 1,952 | (22) | 6 | Value review savings |
| Service Alberta | 298 | 301 | 3 | 4 | Utilities Consumer Advocate/registry services |
| Solicitor General and Public Security | 627 | 616 | (11) | - | Value review savings |
| Sustainable Resource Development | 344 | 503 | 159 | - | Forest fires/mountain pine beetles |
| Tourism, Parks and Recreation | 193 | 201 | 8 | 10 | Nominal sum disposals |
| Transportation | 2,227 | 2,371 | 144 | (51) | Various federal stimulus projects |
| Treasury Board | 244 | 77 | (167) | 12 | Transfers to ministries/separation payments |
| Value Review Savings | (215) | - | 215 | - | Allocated to individual ministries |
| Total Program Expense | 36,176 | 36,942 | 766 | 214 | |
| Debt Servicing Costs | 205 | 223 | 18 | (5) | Increased borrowing |
| Total Expense | 36,381 | 37,165 | 784 | 209 | |

CAPITAL PLAN

2009-10 Capital Plan spending, comprising capital grants and other infrastructure support included in expense, and capital investment in government-owned assets not included in expense, is forecast at \$6.8 billion, \$340 million lower than budget and \$112 million lower than second quarter. Major changes reflect project re-profiling and re-costing, and lapsing the unallocated provision.

Municipal Infrastructure Support – \$1.6 billion, \$132 million increase from budget. Increases of \$91 million for community projects supported by federal stimulus funding, \$75 million for the Municipal Infrastructure program and \$11 million for Fort McMurray housing development, are partially offset by a \$35 million reclassification to the Water and Wastewater Management envelope and other net decreases of \$10 million.

Provincial Highway Network – \$1.9 billion, an increase of \$59 million from budget, consisting of a net \$261 million increase related to 2008-09 projects partly offset by a net decrease of \$202 million, mainly for project re-costing and re-profiling.

Health Facilities and Equipment – \$310 million, a decrease of \$59 million from budget. Decreases of \$35 million for health information systems and \$38 million for project re-costing and re-profiling are partly offset by an increase of \$14 million for H1N1 vaccine purchases and Capital for Emergent Projects.

Post-secondary Facilities – \$708 million, up \$218 million from budget. Increases of \$131 million for

the Centennial Center for Interdisciplinary Science and \$98 million under the federal Knowledge Infrastructure program are offset by \$11 million in project re-profiling.

Schools – \$718 million, down \$43 million from budget due mainly to re-profiling of school P3 projects.

Community Facilities – \$93 million, \$13 million higher than budget, reflecting \$10 million for the Canada Sports Hall of Fame and \$3 million for parks infrastructure. These are offset by federal funding.

Water and Wastewater Management – \$325 million, an increase of \$71 million from budget, mainly related to \$36 million in additional support for Fort McMurray projects and a net \$35 million reclassification from the Municipal Infrastructure Support envelope.

Housing – \$406 million, up \$78 million from budget, reflecting increases of \$58 million for affordable housing supported by federal funding and a net \$20 million primarily for Fort McMurray projects.

Government Facilities, Equipment and Other Capital – \$755 million, \$597 million lower than budget. Decreases of \$508 million for project re-costing and re-profiling, \$175 million from re-profiling and reclassifying of federal stimulus project funding to future years and other Capital Plan envelopes, are partly offset by increases of \$78 million for carried-over 2008-09 projects and a net \$8 million in other projects.

Unallocated Provision – The \$212 million unallocated provision is being lapsed.

CAPITAL PLAN SUMMARY

(millions of dollars)

| | 2009-10 | | | |
|--|--------------|--------------|--------------|--------------|
| | Budget | 3rd | Change from | |
| | | Quarter | Budget | 2nd |
| | Budget | Forecast | Budget | Quarter |
| Municipal infrastructure support | 1,491 | 1,623 | 132 | (41) |
| Provincial highway network | 1,842 | 1,901 | 59 | (4) |
| Health facilities and equipment | 369 | 310 | (59) | (2) |
| Post-secondary facilities | 490 | 708 | 218 | - |
| Schools | 761 | 718 | (43) | 2 |
| Community facilities | 80 | 93 | 13 | (4) |
| Water and wastewater management | 254 | 325 | 71 | 39 |
| Housing | 328 | 406 | 78 | 1 |
| Government facilities, equipment and other capital | 1,352 | 755 | (597) | (103) |
| Unallocated provision | 212 | - | (212) | - |
| Total Capital Plan | 7,179 | 6,839 | (340) | (112) |

NET FINANCIAL AND CAPITAL ASSETS

Net Assets – Forecast at \$38.5 billion at March 31, 2010, an increase of \$1.2 billion from the budget forecast and a decrease of \$4.2 billion from March 31, 2009. This includes forecast capital assets of \$17.8 billion, \$341 million lower than the budget estimate but \$1.9 billion higher than March 31, 2009.

Heritage Fund – The forecast net book value of the Heritage Fund external assets is \$13.8 billion, unchanged from budget and the same as at March 31, 2009. No inflation-proofing is expected as inflation is forecast to be negative.

Endowment and Other Funds – Total assets are forecast at \$3.2 billion, \$264 million higher than budget and \$187 million higher than March 31, 2009, due mainly to stronger-than-expected equity markets.

Sustainability Fund – Assets are forecast at \$15 billion at March 31, 2010, \$4.6 billion higher than the budget

estimate, but \$1.8 billion lower than March 31, 2009. Changes from March 31, 2009 include the \$3.6 billion withdrawal to offset the deficit and \$0.3 billion in various cash requirements, offset by the additional \$1.5 billion in cash from 2008-09 fourth quarter results.

Pension Liabilities – Forecast to be \$9.5 billion at March 31, 2010, \$1.3 billion lower than budget and \$583 million lower than March 31, 2009. The change from budget mainly reflects the repayment of \$1.2 billion owed from the pre-1992 Teachers' Pension Plan (TPP) to the post-1992 TPP. As the Province is borrowing for this debt repayment, "Other liabilities" are increasing by \$1.2 billion. The change in pension liabilities from March 31, 2009 reflects the TPP debt repayment partly offset by increases related to the 2008 financial market downturn, and revised economic and demographic assumptions.

BALANCE SHEET

(millions of dollars)

| | at March 31 | | | | |
|--|---------------|---------------------|----------------------------|--------------|---------------------|
| | 2009 | | 2010 | | Change from 2009 |
| | Actual | Budget ^a | 3rd Quarter Forecast | Budget | |
| Financial Assets | | | | | |
| Heritage Fund equity | 13,838 | 13,838 | 13,838 | - | - |
| Self-supporting lending organizations | 9,235 | 9,994 | 10,296 | 302 | 1,061 |
| Alberta Sustainability Fund | 16,822 | 10,359 | 14,983 | 4,624 | (1,839) |
| Endowment and other funds ^b | 3,062 | 2,985 | 3,249 | 264 | 187 |
| Equity in commercial enterprises | 2,345 | 2,562 | 2,479 | (83) | 134 |
| Debt Retirement Account | 1,175 | 1,107 | 1,107 | - | (68) |
| Other financial assets | 7,574 | 7,832 | 5,885 | (1,947) | (1,689) |
| Total Financial Assets | 54,051 | 48,677 | 51,837 | 3,160 | (2,214) |
| Liabilities | | | | | |
| Accumulated debt | 1,160 | 1,092 | 1,092 | - | (68) |
| Pension liabilities ^c | 10,081 | 10,784 | 9,498 | (1,286) | (583) |
| Self-supporting lending organizations | 8,424 | 9,003 | 9,682 | 679 | 1,258 |
| Liabilities for capital projects | 880 | 2,626 | 2,903 | 277 | 2,023 |
| Other liabilities | 6,633 | 5,996 | 7,955 | 1,959 | 1,322 |
| Total Liabilities | 27,178 | 29,501 | 31,130 | 1,629 | 3,952 |
| Net Financial Assets | 26,873 | 19,176 | 20,707 | 1,531 | (6,166) |
| Capital Assets | 15,848 | 18,128 | 17,787 | (341) | 1,939 |
| Net Assets | 42,721 | 37,304 | 38,494 | 1,190 | (4,227) |
| Adjustment for pension liabilities | 10,081 | 10,784 | 9,498 | (1,286) | (583) |
| Net Assets for Fiscal Policy Purposes^d | 52,802 | 48,088 | 47,992 | (96) | (4,810) |

^a Budget numbers have been restated to reflect 2008-09 actual results.

^b Includes the Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Heritage Scholarship Fund, Alberta Cancer Prevention Legacy Fund, and Alberta Enterprise Corporation.

^c The Actual, Budget and the Quarterly forecast amounts were restated to include the government's portion of liabilities of the Local Authorities Pension Plan.

^d Under the *Fiscal Responsibility Act*. Excludes pension liabilities, and equity of Crown-controlled SUCH sector organizations and Alberta Innovates corporations.

CAPITAL GRANTS AND OTHER INFRASTRUCTURE SUPPORT^a*(millions of dollars)*

| | 2009-10 | | | |
|---------------------------------------|---------|----------|-------------|----------------|
| | 3rd | | Change from | |
| | Budget | Forecast | Budget | 2nd Quarter |
| Advanced Education and Technology | 484 | 702 | 218 | - |
| Agriculture and Rural Development | 42 | 40 | (2) | (4) |
| Children and Youth Services | 14 | 14 | - | - |
| Culture and Community Spirit | 45 | 55 | 10 | (2) |
| Education | 760 | 717 | (43) | 2 |
| Energy | 100 | 5 | (95) | 5 |
| Environment | 112 | 97 | (15) | (15) |
| Finance and Enterprise | 6 | 6 | - | - |
| Health and Wellness | 288 | 226 | (62) | (2) |
| Housing and Urban Affairs | 277 | 336 | 59 | - |
| Infrastructure | 67 | 25 | (42) | (35) |
| Municipal Affairs | 355 | 359 | 4 | 4 |
| Seniors and Community Supports | 51 | 51 | - | - |
| Solicitor General and Public Security | - | 1 | 1 | 1 |
| Tourism, Parks and Recreation | 9 | 9 | - | - |
| Transportation | 1,349 | 1,550 | 201 | (1) |
| Treasury Board | 193 | - | (193) | (14) |
| | 4,152 | 4,193 | 41 | (61) |

^a Included in program expense. Includes support for project planning, and accommodation and facility preservation.**CAPITAL INVESTMENT AND AMORTIZATION^a***(millions of dollars)*

| | 2009-10 Capital Investment | | | | 2009-10 Capital Amortization | | | |
|---------------------------------------|-------------------------------|----------|-------------|----------------|---------------------------------|----------|-------------|----------------|
| | 3rd | | Change from | | 3rd | | Change from | |
| | Budget | Forecast | Budget | 2nd Quarter | Budget | Forecast | Budget | 2nd Quarter |
| Legislative Assembly | 2 | 3 | 1 | 1 | 1 | 1 | - | - |
| Advanced Education and Technology | 16 | 11 | (5) | - | 8 | 7 | (1) | (1) |
| Agriculture and Rural Development | 15 | 14 | (1) | (1) | 14 | 13 | (1) | (1) |
| Children and Youth Services | 2 | 2 | - | - | 4 | 4 | - | - |
| Culture and Community Spirit | 3 | 4 | 1 | - | 2 | 2 | - | - |
| Education | 1 | 5 | 4 | - | 1 | 1 | - | - |
| Employment and Immigration | 4 | 5 | 1 | - | 3 | 3 | - | - |
| Energy | 25 | 25 | - | - | 20 | 21 | 1 | - |
| Environment | 1 | 1 | - | - | 22 | 22 | - | - |
| Finance and Enterprise | 12 | 26 | 14 | (6) | 8 | 8 | - | (2) |
| Health and Wellness | 74 | 84 | 10 | - | 76 | 81 | 5 | (5) |
| Housing and Urban Affairs | - | 19 | 19 | - | 24 | 24 | - | - |
| Infrastructure | 599 | 369 | (230) | 14 | 77 | 78 | 1 | - |
| Justice | 4 | 3 | (1) | (1) | 8 | 8 | - | - |
| Municipal Affairs | 2 | 2 | - | - | 2 | 2 | - | - |
| Seniors and Community Supports | 1 | 1 | - | - | 1 | 1 | - | - |
| Service Alberta | 117 | 68 | (49) | (50) | 41 | 33 | (8) | (8) |
| Solicitor General and Public Security | 36 | 27 | (9) | - | 3 | 3 | - | - |
| Sustainable Resource Development | 26 | 37 | 11 | (4) | 15 | 15 | - | - |
| Tourism, Parks and Recreation | 18 | 24 | 6 | - | 13 | 13 | - | - |
| Transportation | 1,857 | 1,916 | 59 | (4) | 362 | 335 | (27) | (27) |
| Treasury Board | - | - | - | - | 1 | 1 | - | - |
| Unallocated provision | 212 | - | (212) | - | - | - | - | - |
| Total | 3,027 | 2,646 | (381) | (51) | 706 | 676 | (30) | (44) |

^a Capital Investment includes purchases of inventory. Capital Amortization includes consumption of inventory.

CAPITAL CASH ADJUSTMENTS*(millions of dollars)*

| | 2009-10 | | | |
|---|----------------|----------------------------|-------------|----------------|
| | Budget | 3rd Quarter Forecast | Change from | |
| | | | Budget | 2nd Quarter |
| Requirements | | | | |
| Capital investment | (3,027) | (2,646) | 381 | 51 |
| Principal repayment for alternatively-financed projects | (7) | (7) | - | - |
| Total Requirements | (3,034) | (2,653) | 381 | 51 |
| Sources | | | | |
| Capital amortization | 706 | 676 | (30) | (44) |
| Net book value of capital asset disposals | 41 | 6 | (35) | (35) |
| Alternatively-financed capital investment | 340 | 294 | (46) | - |
| Alternatively-financed capital grants | - | 245 | 245 | - |
| Direct borrowing | 1,100 | 1,491 | 391 | 100 |
| Total Sources | 2,187 | 2,712 | 525 | 21 |
| Total Capital Cash Adjustments | (847) | 59 | 906 | 72 |

RETAINED INCOME OF FUNDS AND AGENCIES CASH ADJUSTMENTS*(millions of dollars)*

| | 2009-10 | | | |
|--|--------------|----------------------------|-------------|----------------|
| | Budget | 3rd Quarter Forecast | Change from | |
| | | | Budget | 2nd Quarter |
| Alberta Treasury Branches | (114) | (111) | 3 | (12) |
| Agriculture Financial Services Corporation | (165) | 151 | 316 | (23) |
| Endowment funds | 65 | (189) | (254) | (15) |
| Other funds | (9) | (33) | (24) | (9) |
| Total Retained Income of Funds and Agencies | (223) | (182) | 41 | (59) |

OTHER CASH ADJUSTMENTS*(millions of dollars)*

| | 2009-10 | | | |
|-------------------------------------|--------------|----------------------------|-------------|----------------|
| | Budget | 3rd Quarter Forecast | Change from | |
| | | | Budget | 2nd Quarter |
| Energy royalties | (635) | 355 | 990 | 851 |
| Student loans | (50) | (68) | (18) | 31 |
| Other | 6 | 118 | 112 | 110 |
| Total Other Cash Adjustments | (679) | 405 | 1,084 | 992 |

Note: Negative cash adjustments are a cash requirement; positive cash adjustments are a cash source.

2009–10 FISCAL YEAR ASSUMPTIONS AND SENSITIVITIES^a*(millions of dollars)*

| | Sensitivities \$ millions | | Assumptions | | | |
|-------------------------------|---------------------------|------------|-------------|------------------|------------------|------------------|
| | 2009-10 | | Budget | 1st | 2nd | 3rd |
| | Annual Change | Net Change | | Quarter Forecast | Quarter Forecast | Quarter Forecast |
| Oil Price WTI (US\$/bbl) | -\$1.00 | -143 | 55.50 | 61.00 | 67.51 | 69.95 |
| Natural Gas Price (Cdn\$/GJ) | -10 cents | -126 | 5.50 | 3.75 | 3.25 | 3.40 |
| Exchange Rate (US¢/Cdn\$) | +1 cent | -221 | 83.50 | 89.40 | 91.00 | 91.67 |
| Interest Rates | +1% | -212 | | | | |
| 3-month Canada treasury bills | | | 0.60 | 0.30 | 0.30 | 0.25 |
| 10-year Canada bonds | | | 3.05 | 3.00 | 3.50 | 3.45 |
| Personal Income | -1% | -127 | 2.1% | 2.8% | 2.6% | 1.8% |
| Corporate Taxable Income | -1% | -16 | -37.3% | -52.2% | -28.1% | -26.7% |

^a Sensitivities based on prices and rates forecast at budget.

| | | | | |
|--|-------|-------|-------|-------|
| Alberta Wellhead Oil Price (Cdn\$/bbl) | 57.95 | 59.80 | 63.14 | 67.40 |
| Bitumen at Cold Lake (Cdn\$/bbl) | 31.60 | 34.16 | 48.22 | 49.36 |

NET FINANCING REQUIREMENTS^a*(millions of dollars)*

| | 2009-10 | | | |
|--|---------|------------------|-------------|-------------|
| | Budget | 3rd | Change from | |
| | | Quarter Forecast | Budget | 2nd Quarter |
| Requirements | | | | |
| General Revenue Fund term debt maturities | - | - | - | - |
| School construction loan repayments | 44 | 44 | - | - |
| Alberta Social Housing Corporation debt repayment | 24 | 24 | - | - |
| Accumulated debt financing requirements | 68 | 68 | - | - |
| Direct borrowing for capital purposes | 1,100 | 1,491 | 391 | 100 |
| Pre-1992 Teachers' Pension Plan loan repayment | - | 1,186 | 1,186 | - |
| Agriculture Financial Services Corporation term borrowing requirements | 75 | 200 | 125 | - |
| Gross financing requirements | 1,243 | 2,945 | 1,702 | 100 |
| Cash applied to accumulated debt repayment | (68) | (68) | - | - |
| Net Term Debt Financing Requirements | 1,175 | 2,877 | 1,702 | 100 |
| Term debt financing completed to date | - | 2,709 | 2,709 | 1,185 |

^a Does not include alternative financing for capital projects (P3s) or financing requirements of Alberta Capital Finance Authority or ATB Financial.

ACTUAL RESULTS

ACTUAL RESULTS

FOR THE FIRST NINE MONTHS OF 2009–10

METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in *Budget 2009*.

The results of all government departments, funds and agencies, except those designated as commercial enterprises, are consolidated on a line-by-line basis. Revenue and expense transactions between consolidated entities have been eliminated.

The accounts of Crown-controlled corporations and provincial agencies designated as commercial enterprises are included on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to those entities.

The accounts of Crown-controlled SUCH sector organizations such as school boards, universities, colleges, technical institutes and Alberta Health Services that are controlled by the government are not included in this fiscal summary. These Crown-controlled entities are included in the consolidated financial statements forming part of the Government of Alberta Annual Report.

BASIS OF FINANCIAL REPORTING

The consolidated fiscal summary reports revenue (including gains and losses from sale of capital assets), expense (including amortization of capital assets), and surplus (deficit).

Revenue and expense are recorded using the accrual basis of accounting. Cash received for goods or services which have not been provided by period end is recorded as unearned revenue.

Expense includes the province's cash payments towards the unfunded pension liabilities. Expense excludes the change in the unfunded pension liabilities, which is a non-cash expense that does not affect borrowing requirements.

Debt servicing costs include interest payable and amortization of discount on debt issues.

Comparative 2008-09 figures have been restated where necessary to conform to the 2009-10 presentation.

CONSOLIDATED FISCAL SUMMARY

for the nine months ended December 31, 2009

(millions of dollars)

| | First Nine Months | | |
|---|-------------------|---------------|----------------|
| | 2009-10 | 2008-09 | Change |
| Revenue | | | |
| Income taxes | 8,717 | 8,941 | (224) |
| Other taxes | 2,489 | 2,611 | (122) |
| Non-renewable resource revenue | 4,721 | 11,080 | (6,359) |
| Transfers from Government of Canada | 3,301 | 2,816 | 485 |
| Net income from commercial operations | 1,747 | 1,816 | (69) |
| Premiums, fees and licences | 875 | 1,635 | (760) |
| Investment income | 2,612 | (1,416) | 4,028 |
| Other | 547 | 467 | 80 |
| Total Revenue | 25,009 | 27,950 | (2,941) |
| Expense | | | |
| Program Expense | | | |
| Legislative Assembly | 58 | 64 | (6) |
| Aboriginal Relations | 102 | 64 | 38 |
| Advanced Education and Technology | 2,262 | 2,499 | (237) |
| Agriculture and Rural Development | 1,263 | 1,298 | (35) |
| Children and Youth Services | 857 | 801 | 56 |
| Culture and Community Spirit | 178 | 252 | (74) |
| Education | 4,402 | 3,973 | 429 |
| Employment and Immigration | 837 | 662 | 175 |
| Energy | 258 | 201 | 57 |
| Environment | 195 | 125 | 70 |
| Executive Council | 20 | 18 | 2 |
| Finance and Enterprise | 689 | 652 | 37 |
| Health and Wellness | 8,933 | 8,821 | 112 |
| Housing and Urban Affairs | 532 | 266 | 266 |
| Infrastructure | 367 | 438 | (71) |
| International and Intergovernmental Relations | 17 | 19 | (2) |
| Justice | 331 | 311 | 20 |
| Municipal Affairs | 498 | 623 | (125) |
| Seniors and Community Supports | 1,470 | 1,283 | 187 |
| Service Alberta | 208 | 200 | 8 |
| Solicitor General and Public Security | 446 | 417 | 29 |
| Sustainable Resource Development | 374 | 370 | 4 |
| Tourism, Parks and Recreation | 137 | 138 | (1) |
| Transportation | 1,474 | 1,555 | (81) |
| Treasury Board | 29 | 28 | 1 |
| Total Program Expense | 25,937 | 25,078 | 859 |
| Debt servicing costs | 147 | 162 | (15) |
| Total Expense | 26,084 | 25,240 | 844 |
| Surplus (Deficit) | (1,075) | 2,710 | (3,785) |

PRODUCED BY
Government of Alberta ■
Finance and Enterprise