

THIRD QUARTER UPDATE

- HIGHLIGHTS**
- ◆ The 1998-99 surplus, which is now forecast at \$672 million, will be used to reduce net debt. The forecast net debt payment is \$87 million higher than the \$585 million targeted in the budget.
 - ◆ Net debt subject to the Balanced Budget and Debt Retirement Act is forecast to decline to \$417 million at March 31, 1999 from \$1,089 million at March 31, 1998.
 - ◆ Revenue is expected to be \$931 million higher than forecast in the budget. The increase is due mainly to prior year adjustments and continuing growth in personal income tax revenue. In addition, the revenue cushion of \$420 million is now included in total revenue.
 - ◆ Total expense is expected to be \$821 million higher than the budget estimate. Program expense is \$644 million higher than the budget estimate primarily due to additional spending on health, municipal transportation infrastructure and fighting forest fires. Debt servicing costs are forecast to exceed the budget by \$177 million because of increased foreign exchange provisions due to the lower Canadian dollar.

Consolidated Fiscal Summary^a

(millions of dollars)

		1998-99			
		Budget ^b	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Revenue					
1	Forecast	15,697	16,628	931	79
2	Cushion	(420) ^c	—	420	420
3	Budgeted Revenue	<u>15,277</u>	<u>16,628</u>	<u>1,351</u>	<u>499</u>
Expense					
4	Program	13,980	14,624	644	17
5	Debt Servicing Costs	<u>1,093</u>	<u>1,270</u>	<u>177</u>	<u>35</u>
6	Total Expense	<u>15,073</u>	<u>15,894</u>	<u>821</u>	<u>52</u>
7	Net Revenue	204	734	530	447
8	Less: Net Increase in Capital Assets affecting Operations ^d	39	62	23	22
9	Consolidated Surplus	<u>165</u>	<u>672</u>	<u>507</u>	<u>425</u>
10	Net Debt subject to Balanced Budget and Debt Retirement Act at March 31, 1999 (forecast)	<u>504^e</u>	<u>417</u>	<u>(87)</u>	<u>(5)</u>

^a Subject to the Balanced Budget and Debt Retirement Act. Includes the province's annual cash payments towards the unfunded pension obligations which will be eliminated over the long term under a separate legislated plan. Does not include the increase in the pension obligations forecast at \$6 million in 1998-99. This is a non-cash expense that does not affect borrowing requirements.

^b Budget numbers have been restated to reflect changes due to accounting adjustments. As suggested by the Auditor General, the Alberta Dairy Control Board now reports its operations on a gross basis, resulting in an increase of \$48 million in both revenue and expense. The Alberta Gaming and Liquor Commission (AGLC) and Economic Development numbers have been restated to record operating grants from the department to AGLC on a gross basis, increasing both revenue and expense by \$70 million. Lottery revenue is now reported under "Net Income from Commercial Operations".

^c As required by the Balanced Budget and Debt Retirement Act, budgeted revenue excludes a revenue cushion.

^d Converts capital expense to a pay-as-you-go basis for the purposes of the consolidated surplus.

^e The net debt calculation has been adjusted to reflect actual net debt at March 31, 1998 of \$1,089 million. Assumes the revenue cushion is not required and can be applied against net debt.

Revenue

INCOME TAX REVENUE	Personal income tax revenue is now forecast at \$4.601 billion, an increase of \$766 million from the budget estimate. Of the total increase, \$461 million is due to prior year adjustments and \$305 million to the continuing growth in personal income tax revenue. The forecast of corporate income tax revenue is virtually unchanged from the budget estimate at \$1.639 billion. As noted in the Second Quarter Update, an increase in corporate income tax refunds has offset the growth in revenue.
OTHER TAX REVENUE	Revenue from other taxes is forecast to be \$7 million lower than the budget estimate. The decline is due to prior year adjustments to the insurance corporations tax and financial institutions capital tax, and lower diesel fuel consumption. The school property tax received by the province's Alberta School Foundation Fund (ASFF) is up by \$17 million from the budget estimate. This is owing largely to regionalization of some Catholic school boards during the past year, which temporarily changed their status from opted-out of the Fund to opted-in. The ASFF revenue increase associated with this change is offset by an equivalent increase in grants to these boards.
NON-RENEWABLE RESOURCE REVENUE	Energy revenue is forecast to decline by \$293 million from the budget estimate to \$2.264 billion. Conventional crude oil royalties are forecast to decline by \$235 million due to lower world oil prices and weak demand. The West Texas Intermediate crude oil price, originally forecast to average US\$17.50 per barrel for the year, is now expected to average only US\$13.50. Revenue from bonuses and sales of Crown leases is forecast to decline by \$202 million from the budget estimate due to lower oil industry cash flow. An increase of \$144 million in natural gas royalties partly offsets these decreases. Natural gas prices are forecast at \$1.97 per thousand cubic feet, up 27 cents from the budget forecast of \$1.70. The increase reflects strong demand for gas and a revision to the exchange rate forecast.
TRANSFERS FROM GOVERNMENT OF CANADA	Transfers from the Government of Canada are \$40 million higher than the budget estimate. Revenue from the Canada Health and Social Transfer is forecast to be \$29 million above the budget estimate. As noted in the Second Quarter Update, an increase due to prior year adjustments relating to 1996 census adjustments to population estimates more than offsets a decline due to higher personal income tax revenue. Higher personal and corporate tax revenues reduce the cash component of the transfer. In addition, transfers for agriculture support have increased to reflect the federal farm aid program contribution to Alberta's farm income disaster program. Partly offsetting these increases, recoveries under the labour market development program are expected to be \$37 million lower than the budget estimate due to reduced demand for services.
OTHER REVENUE SOURCES	Total revenue from other sources is \$428 million higher than the budget estimate. Lottery revenue is forecast to increase by \$108 million and revenue from liquor sales is expected to be \$35 million higher. Investment income is forecast to increase by \$125 million from the budget estimate primarily due to realized capital gains from fixed income holdings. Alberta Treasury Branches profit is expected to exceed the budget estimate by \$56 million. Health care insurance premiums are forecast to increase by \$27 million, reflecting population and employment growth in the province. Minor changes in other revenue sources account for the remainder of the increase.

Revenue

(millions of dollars)

			1998-99		
	Budget ^a	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter	Main Reasons for Change from Budget
Income Taxes					
Personal income tax	3,835	4,601	766	81	Prior year adjustment & income growth
Corporate income tax	1,642	1,639	(3)	(31)	Corporate income tax refunds
	<u>5,477</u>	<u>6,240</u>	<u>763</u>	<u>50</u>	
Other Taxes					
School property tax	1,099	1,116	17	17	Shift from opted-out boards to ASFF
Fuel tax	570	560	(10)	—	Lower diesel fuel consumption
Tobacco tax	345	345	—	—	
Insurance corporations tax	112	101	(11)	—	Prior year adjustment
Freehold mineral rights tax	101	104	3	(1)	Higher natural gas prices
Hotel room tax	41	43	2	—	Increased tourism
Financial institutions capital tax	39	31	(8)	—	Prior year adjustment
	<u>2,307</u>	<u>2,300</u>	<u>(7)</u>	<u>16</u>	
Non-Renewable Resource Revenue					
Natural gas and by-products royalty	1,282	1,426	144	(77)	Higher natural gas prices
Crude oil royalty	644	409	(235)	(74)	Lower oil prices
Synthetic crude oil and bitumen royalty	50	63	13	10	Lower investment /royalty cost write-offs
Coal royalty	17	17	—	—	
Bonuses and sales of Crown leases	650	448	(202)	(77)	Lower oil industry cash flow
Rentals and fees	147	143	(4)	(1)	Lower land sales
Royalty tax credit	(233)	(242)	(9)	3	Lower oil prices
	<u>2,557</u>	<u>2,264</u>	<u>(293)</u>	<u>(216)</u>	
Investment Income					
Heritage Fund	701	774	73	69	Higher realized capital gains
Alberta Municipal Financing Corporation	484	482	(2)	—	Lower long-term interest rates
Heritage Foundation for Medical Research Endowment Fund	63	95	32	32	Higher realized capital gains
Farm credit stability program	40	38	(2)	—	Revised forecast
Other	121	145	24	19	Higher realized capital gains
	<u>1,409</u>	<u>1,534</u>	<u>125</u>	<u>120</u>	
Transfers from Government of Canada					
Canada health and social transfer	940	969	29	2	Prior year adjustment
Labour market development	121	84	(37)	(13)	Decline in program demand
Agriculture support programs	77	114	37	43	Federal farm aid program
Other	157	168	11	8	Miscellaneous changes
	<u>1,295</u>	<u>1,335</u>	<u>40</u>	<u>40</u>	
Premiums, Fees and Licences					
Health care insurance premiums	641	668	27	4	Population growth
Motor vehicle licences	172	185	13	—	Volume increase
Crop and hail insurance premiums	83	75	(8)	(6)	Lower participation rate
Timber rentals and fees	70	83	13	7	Higher softwood export tax rebates
Land titles	48	63	15	1	Higher volume
Other	208	217	9	3	Miscellaneous changes
	<u>1,222</u>	<u>1,291</u>	<u>69</u>	<u>9</u>	
Net Income from Commercial Operations					
Alberta Gaming and Liquor Commission Lottery revenue	660	768	108	—	More electronic gaming activity
Liquor operations	427	462	35	13	Increase in liquor sales
Alberta Treasury Branches	46	102	56	22	Improved portfolio returns
Other	4	13	9	1	Miscellaneous changes
	<u>1,137</u>	<u>1,345</u>	<u>208</u>	<u>36</u>	
Other					
Fines and penalties	26	28	2	—	Revised forecast
Proceeds from sale of assets	25	28	3	6	Revised forecast
Miscellaneous	242	263	21	18	Miscellaneous changes
	<u>293</u>	<u>319</u>	<u>26</u>	<u>24</u>	
Forecast Revenue	<u>15,697</u>	<u>16,628</u>	<u>931</u>	<u>79</u>	
Revenue Cushion	(420)	—	420	420	Cushion not deducted from revenue
Budgeted Revenue	<u>15,277</u>	<u>16,628</u>	<u>1,351</u>	<u>499</u>	

^a Budget numbers have been restated to reflect changes due to accounting adjustments. As suggested by the Auditor General, the Alberta Dairy Control Board now reports its operations on a gross basis, resulting in an increase of \$48 million in both revenue and expense. The Alberta Gaming and Liquor Commission (AGLC) and Economic Development numbers have been restated to record operating grants from the department to AGLC on a gross basis, increasing both revenue and expense by \$70 million. Lottery revenue is now reported under "Net Income from Commercial Operations".

Expense

PROGRAM EXPENSE **Health** spending is \$243 million higher than the budget estimate. As noted in the Second Quarter Update, spending has been increased to provide more funding for services provided by the Regional Health Authorities and by physicians, and for costs associated with the start up of the Canadian Blood Services agency and assistance to Hepatitis C victims. An additional \$20 million is being provided in this Update primarily for higher physician billings and increased usage of blood and blood-related products.

Environmental Protection spending has been increased by \$198 million over the budget estimate due to substantially higher fire suppression and reforestation costs this year.

As noted in the Second Quarter Update, **Economic Development** has transferred \$130 million from the Lottery Fund to **Transportation and Utilities** to fund assistance for municipal transportation infrastructure. \$10 million has also been transferred to **Municipal Affairs** for a regional co-ordination initiative in the capital region. A further \$9 million has been provided from the Lottery Fund to support the development of a specialized medical laboratory by the Calgary Regional Health Authority and \$1 million for the 2001 World Championships in Athletics.

Treasury spending is forecast to be \$65 million over the budget estimate. As noted in the Second Quarter Update, the resolution of tax objections with Revenue Canada is expected to reduce some companies' taxable incomes in Alberta. This will result in tax refunds and the payment of \$87 million in interest on the overpayments. Savings in pension liability funding costs and a decrease in valuation adjustments partly offset the overall increase.

Spending by **Family and Social Services** is forecast to increase by \$25 million over the budget estimate. The increase relates to a provision for the settlement of legal claims and the associated costs; enhancements to the Child Health Benefit and day care programs; and higher information technology costs including Year 2000 compliance. Partly offsetting the increases is a \$7 million reduction in capital investment.

Spending by **Advanced Education and Career Development** is forecast to be \$25 million below the budget estimate. Lower demand for labour market services is expected to reduce spending by \$37 million. A declining number of upgrading students requiring financial assistance and a reduction in the statutory provision for student loan costs are expected to result in savings of \$21 million. Partly offsetting these spending reductions is an increase of \$27 million that will fund performance bonuses to government employees under the Achievement Bonus program. Performance bonuses will only be paid if the government's budgeted net debt payment target of \$585 million is attained at fiscal year-end.

Spending by **Agriculture, Food and Rural Development** is expected to be \$24 million under budget due mainly to lower indemnities for crop losses and lower payments under the Farm Income Disaster Program.

DEBT SERVICING COSTS Debt servicing costs are expected to be \$177 million higher than the budget estimate. The higher forecast reflects an increase to the foreign exchange provision on unhedged United States dollar debt due to the weakness of the Canadian dollar. This provision is expected to be \$280 million higher than forecast in the Budget. The exchange rate is now forecast to average 66.7¢US, down 7.3¢ from the budget estimate.

Partly offsetting the increase are lower interest costs due to higher than anticipated debt repayments in 1997-98 and lower interest rates on refinanced debt in 1998-99.

Expense

(millions of dollars)

	1998-99			
	Budget ^a	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Program				
Legislative Assembly	39	39	—	—
Advanced Education and Career Development	1,311	1,286	(25)	15
Agriculture, Food and Rural Development	513	489	(24)	(34)
Community Development	366	370	4	3
Economic Development	292	442	150	1
Education ^b	3,094	3,097	3	3
Energy ^b	118	121	3	1
Environmental Protection	292	490	198	7
Executive Council	12	12	—	—
Family and Social Services	1,375	1,400	25	11
Health	4,206	4,449	243	20
Intergovernmental and Aboriginal Affairs	34	35	1	1
Justice	384	391	7	3
Labour	28	28	—	—
Municipal Affairs	245	254	9	(4)
Public Works, Supply and Services	468	465	(3)	(1)
Science, Research and Information Technology ^b	86	87	1	(1)
Transportation and Utilities ^b	539	669	130	—
Treasury ^b	736	801	65	(7)
Consolidation adjustments	(158)	(301)	(143)	(1)
Program Expense	<u>13,980</u>	<u>14,624</u>	<u>644</u>	<u>17</u>
Debt Servicing Costs				
Gross debt servicing costs	1,224	1,394	170	35
Consolidation adjustments	(131)	(124)	7	—
Consolidated Debt Servicing Costs	<u>1,093</u>	<u>1,270</u>	<u>177</u>	<u>35</u>
Total Consolidated Expense	<u>15,073</u>	<u>15,894</u>	<u>821</u>	<u>52</u>

^a Budget numbers have been restated to reflect changes due to accounting adjustments. As suggested by the Auditor General, the Alberta Dairy Control Board now reports its operations on a gross basis, resulting in an increase of \$48 million in both revenue and expense. The Alberta Gaming and Liquor Commission (AGLC) and Economic Development numbers have been restated to record operating grants from the department to AGLC on a gross basis, increasing both revenue and expense by \$70 million.

^b Budget amounts have been adjusted to reflect a change in ministerial responsibilities or reporting. Responsibility for rural utilities has been transferred from Transportation and Utilities to Energy. Alberta Oil Sands Technology Research Authority has been transferred from Energy to Science, Research and Information Technology. The reporting of pension liability funding relating to the Teachers' Pension Plan has been transferred from Treasury to Education.

Net Change in Capital Assets

The net increase in capital assets affecting operations is forecast to be \$23 million higher than the budget estimate.

Capital investment is forecast at \$299 million, up \$20 million from the budget estimate. **Transportation and Utilities** capital investment is expected to exceed the budget estimate by \$13 million due to an acceleration of 1999 construction projects. **Public Works, Supply and Services** capital investment is forecast to increase by \$8 million due to higher than anticipated requirements for water management projects. **Agriculture, Food and Rural Development** capital investment is forecast to exceed the budget estimate by \$6 million to address Year 2000 issues. This increase is offset by a transfer from the operating budget. **Family and Social Services** expects to reduce its capital investment by \$7 million due to a delay in systems redesign.

Total capital amortization is forecast at \$237 million, down \$3 million from the budget estimate.

Net Change in Capital Assets affecting Operations

(millions of dollars)

	1998-99			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Capital Investment	279	299	20	23
Capital Amortization	(240)	(237)	3	(1)
Net Increase in Capital Assets affecting Operations	<u>39</u>	<u>62</u>	<u>23</u>	<u>22</u>

Capital Investment and Amortization

(millions of dollars)

	Capital Investment				Capital Amortization			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Legislative Assembly	—	—	—	—	1	1	—	—
Advanced Education and Career Development	3	1	(2)	(1)	2	1	(1)	(1)
Agriculture, Food and Rural Development	3	9	6	—	5	6	1	—
Community Development	1	1	—	—	1	1	—	—
Economic Development	1	1	—	—	—	—	—	—
Education	1	1	—	—	1	1	—	—
Energy	3	4	1	—	6	5	(1)	2
Environmental Protection	8	7	(1)	—	25	25	—	—
Executive Council	—	—	—	—	—	—	—	—
Family and Social Services	9	2	(7)	2	3	2	(1)	—
Health	1	1	—	—	1	1	—	—
Intergovernmental and Aboriginal Affairs	—	—	—	—	—	—	—	—
Justice	2	2	—	—	1	1	—	—
Labour	—	—	—	—	—	—	—	—
Municipal Affairs	3	4	1	—	28	27	(1)	(1)
Public Works, Supply and Services	62	70	8	8	62	61	(1)	—
Science, Research and Information Technology	2	3	1	—	2	3	1	1
Transportation and Utilities	174	187	13	13	100	100	—	—
Treasury	6	6	—	1	2	2	—	—
Total Capital Investment/Amortization	<u>279</u>	<u>299</u>	<u>20</u>	<u>23</u>	<u>240</u>	<u>237</u>	<u>(3)</u>	<u>1</u>

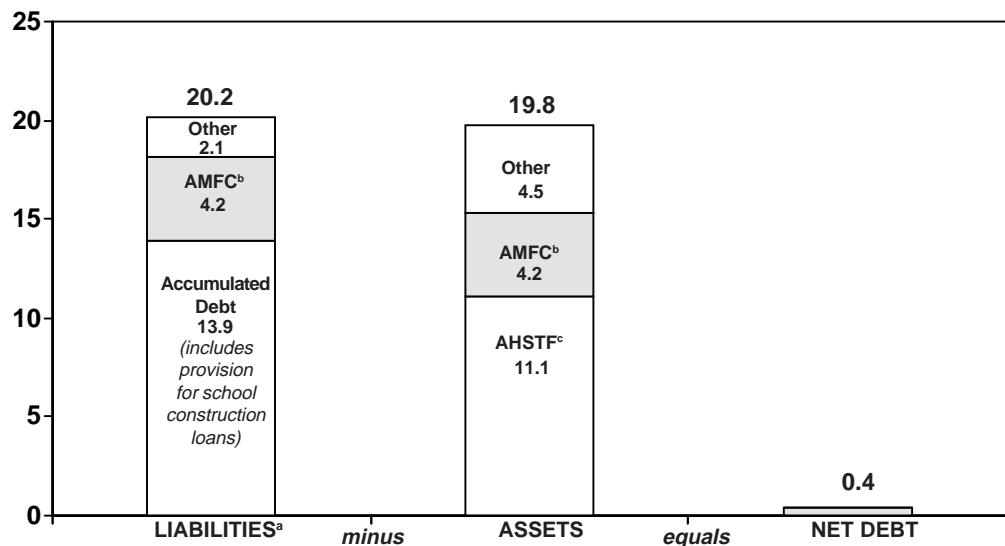
Liabilities, Assets and Net Debt

The net debt subject to the Balanced Budget and Debt Retirement Act is forecast to be \$417 million as at March 31, 1999, down \$672 million from the March 31, 1998 level of \$1,089 million. Total liabilities (excluding pension obligations) will be approximately \$20.2 billion. This is mostly offset by \$19.8 billion in financial assets.

Net Worth (Balance Sheet)

Forecast of Liabilities and Offsetting Assets at March 31, 1999

(billions of dollars)



^a Excludes pension obligations of \$4.9 billion which are scheduled for elimination under a separate 1993 legislated plan.

^b Alberta Municipal Financing Corporation.

^c Alberta Heritage Savings Trust Fund — net of internal holdings.

Borrowing Requirements

(millions of dollars)

	1998-99			
	Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Targeted net debt repayment	(585)	(672)	(87)	(5)
Retained surpluses of other agencies	105	132	27	11
Provincial corporations' requirements	432	355	(77)	(17)
Funding of school board loan repayments to AMFC	104	104	—	—
Inflation-proofing of Alberta Heritage Savings Trust Fund	85	—	(85)	(5)
Other adjustments to cash	65	(244)	(309)	28
Foreign exchange valuation	(20)	(300)	(280)	(40)
Repayments of farm credit and small business program deposits	(200)	(140)	60	35
Cash requirements (receipts)	(14)	(765)	(751)	7
Refinancing of debt maturities and redemptions	3,305	3,420	115	(78)
Total borrowing requirements	<u>3,291</u>	<u>2,655</u>	<u>(636)</u>	<u>(71)</u>

Fiscal Year Assumptions

	1998-99			
	Budget	1st Quarter Forecast	2nd Quarter Forecast	3rd Quarter Forecast
Oil Price (WTI US\$/bbl)	17.50	14.75	14.75	13.50
Natural Gas Price (Cdn\$/mcf)	1.70	1.90	1.95	1.97
Exchange Rate (US¢/Cdn\$)	74.00	70.00	67.50	66.70
Interest Rates				
3-month Canada Treasury Bills	4.50	4.90	4.80	4.85
10-year Canada Bonds	6.25	5.60	5.30	5.25

NINE MONTH ACTUAL RESULTS

**METHOD OF
CONSOLIDATION**

This financial summary is prepared on the same basis as used in Budget '98, as restated.

Consistent with the policy that capital assets are not included in the province's financial assets, losses on disposal and write-downs of capital assets do not affect revenues, expenses or surplus for the period.

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

The accounts of Crown-controlled corporations and provincial agencies designated as commercial enterprises are consolidated on an equity basis, the equity being computed in accordance with generally accepted accounting principles.

**BASIS OF
FINANCIAL
REPORTING**

The consolidated fiscal summary reports revenues (including proceeds from sale of capital assets), expenses (including amortization of capital assets), and net revenue. The annual change in unfunded pension obligations has been excluded from expenses. The intermediate result of operations (net revenue) is then adjusted for the difference between capital investment and capital asset amortization. The final result is the consolidated surplus subject to the *Balanced Budget and Debt Retirement Act*.

Expenses include the province's annual cash payments towards the unfunded pension obligations. Expenses exclude the annual change in the unfunded pension obligations, forecast to increase by \$6 million in 1998-99, which is a non-cash item that does not affect borrowing requirements.

Revenues and expenses are recorded using the accrual basis of accounting. Cash received for goods or services that 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.

To be consistent with the practice used in reporting annual results, budget estimates and forecasts, the Province adopted the accrual basis of accounting in reporting its nine month actual results in December 1998. Comparative 1997-98 figures have been restated to conform to the 1998-99 presentation.

Consolidated Fiscal Summary^a
for the Nine Months ended December 31, 1998 (unaudited)
(millions of dollars)

	<u>First Nine Months</u>		Change
	1998-99	1997-98	
Revenue			
Income Taxes	4,509	4,135	374
Other Taxes	1,660	1,696	(36)
Non-Renewable Resource Revenue	1,586	3,001	(1,415)
Investment Income	1,195	1,302	(107)
Transfers from Government of Canada	912	867	45
Premiums, Fees and Licences	1,027	963	64
Net Income from Commercial Operations	1,063	941	122
Other	238	240	(2)
Total Revenue	<u>12,190</u>	<u>13,145</u>	<u>(955)</u>
Expense			
Program	10,525	10,222	303
Debt Servicing Costs	960	892	68
Total Expense	<u>11,485</u>	<u>11,114</u>	<u>371</u>
Net Revenue	<u>705</u>	<u>2,031</u>	<u>(1,326)</u>
Less: Net Increase in Capital Assets affecting Operations ^b	<u>65</u>	<u>5</u>	<u>60</u>
Consolidated Surplus	<u>640</u>	<u>2,026</u>	<u>(1,386)</u>

^a Subject to the *Balanced Budget and Debt Retirement Act*. Includes the province's annual cash payments towards the unfunded pension obligations which will be eliminated over the longer term under a separate legislated plan. Does not include the annual change in the unfunded pension obligations, forecast to increase by \$6 million for 1998-99, which is a non-cash expense that does not affect borrowing requirements.

^b Converts capital expense to a pay-as-you-go basis for the purposes of the consolidated surplus.

Expenses

for the Nine Months ended December 31, 1998 (unaudited)

(millions of dollars)

	First Nine Months		Change
	1998-99	1997-98	
Program			
Legislative Assembly	26	25	1
Advanced Education and Career Development	868	818	50
Agriculture, Food and Rural Development	388	366	22
Community Development	264	234	30
Economic Development	195	165	30
Education	2,196	2,174	22
Energy	98	84	14
Environmental Protection	400	236	164
Executive Council	9	9	—
Family and Social Services	1,031	1,047	(16)
Health	3,270	3,195	75
Intergovernmental and Aboriginal Affairs	30	30	—
Justice	255	240	15
Labour	21	18	3
Municipal Affairs	191	193	(2)
Public Works, Supply and Services	330	317	13
Science, Research and Information Technology	36	36	—
Transportation and Utilities	532	457	75
Treasury	514	657	(143)
Consolidation adjustments	(129)	(79)	(50)
	10,525	10,222	303
Debt Servicing Costs	960	892	68
Total Consolidated Expenses	11,485	11,114	371

Net Change in Capital Assets affecting Operations for the Nine Months ended December 31, 1998 (unaudited)

(millions of dollars)

Capital Investment	First Nine Months		Change
	1998-99	1997-98	
Legislative Assembly	—	—	—
Advanced Education and Career Development	—	—	—
Agriculture, Food and Rural Development	5	1	4
Community Development	—	—	—
Economic Development	—	—	—
Education	—	1	(1)
Energy	4	1	3
Environmental Protection	4	3	1
Executive Council	—	—	—
Family and Social Services	—	—	—
Health	1	—	1
Intergovernmental and Aboriginal Affairs	—	—	—
Justice	—	—	—
Labour	—	—	—
Municipal Affairs	1	1	—
Public Works, Supply and Services	47	35	12
Science, Research and Information Technology	1	1	—
Transportation and Utilities	167	121	46
Treasury	2	2	—
	<u>232</u>	<u>166</u>	<u>66</u>
Less: Capital Amortization Reversal	167	161	6
Net Increase in Capital Assets affecting Operations	<u><u>65</u></u>	<u><u>5</u></u>	<u><u>60</u></u>