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Alberta's 2009-10 deficit down to \$1 billion

Last year's \$4.7-billion projected deficit reduced by 78%, means less draw on Sustainability Fund

2009-10 Annual Report Highlights

- Alberta posted a \$1-billion deficit in 2009-10, \$3.7 billion lower than forecast at budget.
- The reduced deficit is due to relatively flat expense and increased revenue.
- Revenue was \$35.7 billion, \$4 billion higher than forecast at budget, mainly due to higher oil sands and oil royalties, investment income and corporate income tax revenue.
- Expense was \$36.7 billion, \$303 million higher than forecast at budget. The increase was mainly due to higher disaster and emergency expense, partly offset by lower operating expense.

Edmonton... Tight controls on spending and higher-than-expected revenue helped reduce Alberta's 2009-10 deficit to \$1 billion - less than a quarter of the original estimate of \$4.7 billion.

Revenue from oil and oil sands royalties, investment income and corporate income tax were all significantly higher than forecast in *Budget 2009* while expense was up only slightly due mainly to assistance for disasters and emergencies. The resulting lower deficit means less will be drawn from the Sustainability Fund, which stood at \$15 billion at March 31, 2010. (The Heritage Fund is not the Sustainability Fund, and will not be used to cover the deficit).

"We had a plan to manage through these difficult economic times, we stuck to that plan and it has paid off. We kept a tight rein on spending and drew on the Sustainability Fund to protect vital public programs," said Ted Morton, Minister of Finance and Enterprise.

"If we had followed the advice of some of our critics, we would have made deep cuts that could have had damaging consequences," Morton added. "But because we prepared for times like this by paying down our debt and putting aside money in the Sustainability Fund, we were able to cover the deficit while continuing to deliver the programs and services Albertans value."

While the 2009-10 deficit is considerably smaller than expected, Alberta's revenue picture in the current fiscal year remains highly uncertain, with natural gas prices low, and oil prices, financial markets and the Canadian dollar fluctuating on a daily basis. As a result, there is no reason at this time to expect any improvement in the forecast deficit of \$4.7 billion for 2010-11.

"Government ministries worked hard to find in-year savings that helped keep our spending in

check,” said Lloyd Snelgrove, President of Treasury Board. “We know there are fiscal challenges in the coming year and we will all need to pitch in and be just as careful with our spending as we move forward. We’ll control what we can and make sure we’re prepared for unforeseen circumstances - like the recent flooding in southern Alberta.”

Deficit

The deficit for 2009-10 came in lower than the \$4.7 billion originally forecast, and is now at just over \$1 billion. The lower deficit is due to higher revenue and relatively flat expense.

Revenue

Revenue was considerably higher than budgeted, at \$35.7 billion. The increase of \$4 billion was primarily due to higher oil and oil sands royalties, investment income and corporate income tax revenue, partly offset by significantly lower natural gas royalties.

Natural gas royalty revenue collapsed in 2009-10, coming in at less than half of what was forecast at *Budget 2009*, and one-third of the total in 2008-09. This drop, coupled with increased prices and production in the oil sands, saw oil sands royalties surge ahead to become Alberta’s largest source of royalty revenue.

Expense

Expense was up only slightly from what was forecast at budget, totaling \$36.7 billion. The \$303-million increase relates mainly to increased disaster and emergency assistance, partly offset by lower operating expense.

Health

Health expense was \$13.2 billion, a \$73-million increase from 2008-09, but unchanged from budget. The increase from 2008-09 includes additional funding for Alberta Health Services, physician services and the H1N1 pandemic response.

Education

Education expense was \$9.5 billion in 2009-10, an increase of \$128 million from 2008-09, and \$174 million from budget. The increase from budget relates to higher post-secondary facility capital grants, greater demand for job- and skills-training programs and increased teachers’ salaries.

Social Services

Social services expense was \$3.8 billion in 2009-10, an increase of \$388 million from 2008-09, and \$97 million from budget. The increase from 2008-09 was mainly due to higher demand for income support and health benefit programs because of the recession, but also a result of benefit increases for seniors and Assured Income for the Severely Handicapped (AISH) recipients and increased funding for programs for children, youth and families.

Investing in Infrastructure

The Capital Plan supported \$6.5 billion of projects in 2009-10, a decrease of \$1.1 billion from 2008-09, and \$651 million lower than budgeted. The decrease from 2008-09 reflects reduced capital grants to Alberta Health Services to allow for use of their capital cash reserves, and the expiration of the Major Community Facilities Program and other one-time grants for community projects. The decrease from budget relates mainly to lower construction costs and re-profiling projects to future years.

Scope of Reporting

The Consolidated Financial Statements report on a larger scope than the fiscal plan, and include the revenue, expense, assets and liabilities of the SUCH sector (schools, universities, colleges and health boards), and Alberta Innovates corporations. Pension liabilities are also included in government liabilities, and the annual non-cash change is included in expense. On a fiscal plan basis, the deficit is \$1 billion. Adding \$3.7 billion in SUCH sector and Alberta Innovates revenue, \$2.8 billion in SUCH sector and Alberta Innovates net expense and \$428 million for the change in

pension liabilities changes the deficit to \$476 million for the Consolidated Financial Statements.

Measuring Up

Measuring Up is released as part of the annual report and provides an update on the 10 goals and 62 performance measures established in the 2009-10 Government of Alberta Strategic Business Plan. It includes results beyond the financial reporting with this year's report identifying performance trends improving in areas such as: river water quality, total provincial and municipal tax load, public rating of health system, seniors' average total income, workplace lost-time claim rates and visitor satisfaction with provincial parks and recreation areas.

Heritage Fund

The Alberta Heritage Savings Trust Fund 2009-10 Annual Report was also released today. The fund's net earnings for the year were just over \$2 billion, nearly triple the original budget estimate of \$711 million.

The Alberta government has a clear plan for a strong economic recovery. An important part of *The Way Forward* is maintaining support for programs and services Albertans need most, such as health care, education and safe and vibrant communities. For more information on the plan visit Alberta.ca.

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Backgrounder: [Heritage Fund Annual Report information](#), [Fiscal Tables](#), [Oil/natural Gas Price Volatility Chart](#)

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