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Alberta's fiscal results improve in 2010-11

Province posts lower deficit as economy grows

2010-11 Annual Report Highlights

- **Alberta's fiscal results reflected growing confidence in the Alberta economy, which grew by an estimated 3.8 per cent in 2010.**
- **Alberta posted a \$3.4 billion deficit in 2010-11, \$1.3 billion lower than estimated at budget**
- **The Sustainability Fund, which stood at \$11.2 billion at March 31, 2011 is \$3 billion higher than forecast at budget.**
- **Revenue was \$34.9 billion, \$886 million higher than budget, mainly due to higher bitumen royalties, strong land lease sales, and investment income.**
- **Expense was \$38.3 billion, \$452 million lower than budget, mainly due to decreases in operating expense and reprofiling of capital grants to future years. No projects have been cancelled.**

Edmonton... Global economic recovery, increased demand for oil, and continued careful spending improved Alberta's 2010-11 fiscal results, with a reduced deficit of \$3.4 billion—\$1.3 billion lower than estimated in *Budget 2010*.

Revenue from Crown lease sales, bitumen royalties and investment income were all higher than forecast for the year, while expense was down slightly, with lower operating expense and capital grants. This was partially offset by increases for disaster/emergency assistance for forest fires, agriculture and flooding.

"We are in good fiscal shape in part because of our savings in the Sustainability Fund. While we are still reporting a deficit, our savings account covered the shortfall, and due to prudent planning, increased revenue and controlled spending, the amount needed from our savings was less," said Lloyd Snelgrove, Minister of Finance and Enterprise, and President of the Treasury Board. "We are in the best financial position of any jurisdiction in the country, with net financial assets of just over \$28 billion, and every indication is that Alberta will lead economic growth in Canada this year."

The improved fiscal situation meant less was drawn from savings in the Sustainability Fund, which stood at \$11.2 billion at March 31, 2011—\$3 billion higher than originally forecast in *Budget 2010*. The Sustainability Fund will be replenished in future years as the province's fiscal situation improves.

Alberta's 2010-11 fiscal results reflected confidence in the Alberta economy, which grew by an estimated 3.8 per cent in 2010, following the severe contraction in 2009 caused by the global

recession.

“Our economy and fiscal situation improved in 2010,” said Snelgrove. “That said, the global recovery remains tenuous. The health of the world economy, particularly in the United States and Europe, remains uncertain and we need to continue to be cautious.”

Deficit

The 2010-11 deficit of \$3.4 billion was lower than the \$4.7 billion originally forecast in Budget 2010. The lower deficit was mainly due to higher-than-expected resource revenue and lower expense.

Revenue

Revenue was \$34.9 billion—\$886 million higher than estimated in the budget. This is primarily due to higher Crown lease sales, bitumen royalties and investment income, partly offset by lower personal income tax revenue, natural gas royalties, and the impact of higher drilling stimulus initiative claims.

Expense

Expense was \$38.3 billion—\$452 million lower than budgeted. Higher disaster/emergency assistance of \$438 million was more than offset by lower operating expense and reprofiling of capital grants to future years to reflect funding requirements.

Health

Health expense was \$15 billion, \$1.9 billion or 14 per cent higher than in 2009-10, but \$779 million lower than estimated in *Budget 2010*. The decrease from budget is due to a lower-than-forecast Alberta Health Services (AHS) 2009-10 deficit, and a decrease in health capital grants to AHS to allow for use of existing capital cash reserves.

The increase from 2009-10 reflects a \$1.5 billion increase to the AHS operating grant as part of government's five-year funding commitment, as well as increases for physician services and service delivery enhancements.

Education

K-12, post-secondary and job training expense was \$9.3 billion in 2010-11, a decrease of \$263 million or 2.8 per cent from 2009-10, and \$49 million lower than the budget estimate.

The decrease from 2009-10 was due mainly to lower capital grants, as a major school construction project (ASAP 1) was completed in 2009-10, as well as less demand for job training programs due to an improving economy. This was partially offset by increases for teachers' salaries, enrollment growth, higher demand for English as a Second Language and other specialized programs, and student loans.

Social Services

Social services expense was \$4 billion in 2010-11, an increase of \$208 million or 5.5 per cent from 2009-10 and \$112 million from the budget estimate.

The increase from 2009-10 was due mainly to increased caseloads and costs in Assured Income for the Severely Handicapped, programs for children and seniors, income supports, health benefits and child care.

Support for Infrastructure

The Capital Plan supported \$5.9 billion in projects in 2010-11 including funding for housing, health and education projects and improvements to provincial highways. Total investment in capital projects came in \$639 million lower than last year and \$1.3 billion lower than budgeted as there were savings in construction costs and some projects were reprofiled to future years to reflect construction schedules. No projects were cancelled.

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 entities), Alberta Innovates corporations and pensions. On a fiscal plan basis, the deficit is \$3.4 billion. On a Consolidated Financial Statement basis, the deficit is \$2.3 billion.

Measuring Up

Measuring Up is part of the government annual report and provides an update on the 10 goals and 59 performance measures established in the *2010-13 Government of Alberta Strategic Business Plan*. The report goes beyond financial reporting and summarizes key strategies and significant performance results, achievements and shows trends and areas that need improvement.

Ministry Annual Reports

In conjunction with the release of the *Consolidated Financial Statements* and *Measuring Up*, the government released the annual reports for each of the 24 government ministries. This is three months earlier than ministry annual reports had been available in the past and improves the timeliness of the documents that make up public accounts. Each report includes an operational overview of the ministry, analysis of results achieved on targets established in business plans and financial statements. Ministries are accountable to the Legislative Assembly and the public and must report annually on their performance results relative to their ministry business plans.

Heritage Fund

The Alberta Heritage Savings Trust Fund 2010-11 annual report was also released today. Investment income of the fund was \$1.2 billion in 2010-11, exceeding the budget forecast by \$102 million. \$360 million was retained in the fund for inflation-proofing. Over the past year, the fund's investments had a return of just over ten per cent.

The Alberta government is working to build a better Alberta by fostering economic growth, strengthening our health and education systems, investing in infrastructure, supporting safe and strong communities and ensuring a clean and healthy environment.

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Backgrounders: [Heritage Fund Annual Report information](#), [Fiscal Tables](#)

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