

Strong energy revenue pumps up province's bottom line

Ongoing strength in oil and gas prices continues to improve the province's 2004-05 fiscal results. Total revenue is \$28.6 billion, \$5.7 billion higher than budgeted.

Total expense is \$24.5 billion, \$1.9 billion higher than forecast. Increases are being used for emergency/disaster assistance, rebates, and program priorities.

Net revenue (surplus) is forecast at \$4.1 billion. Most of this—\$3.7 billion—will be allocated from the Sustainability Fund to the Debt Retirement Account.

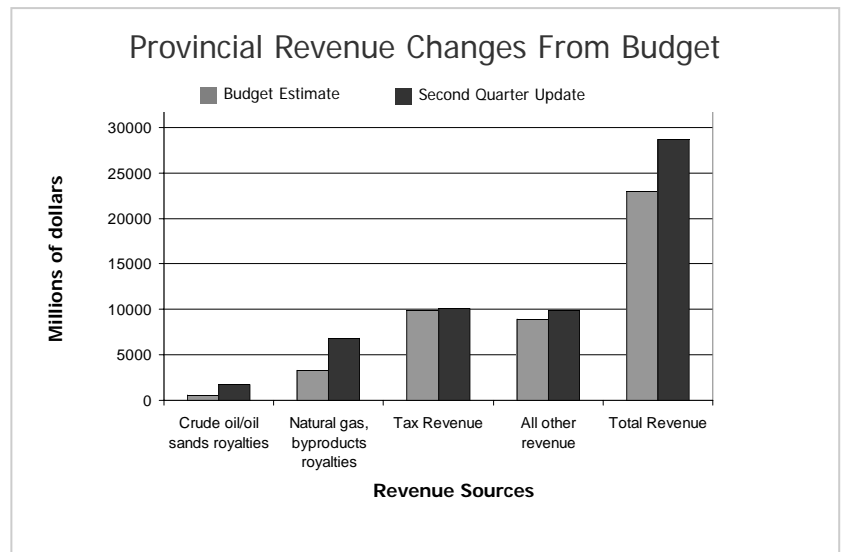
Revenue

Total revenue is forecast to reach \$28.6 billion, about \$5.7 billion higher than estimated in *Budget 2004*.

Higher than expected energy prices are forecast to earn the province about \$9.6 billion in non-renewable resource revenue, approximately \$1.8 billion higher than forecast in the *First Quarter Fiscal Update*.

Investment income is expected to be \$391 million higher than the budget estimate, largely due to improved income from the Heritage Savings Trust Fund and other endowment funds.

The government has announced an exemption for **seniors' health care insurance premiums** effective October 1, 2004, and changes to **seniors' education property taxes**, effective January 1, 2005.



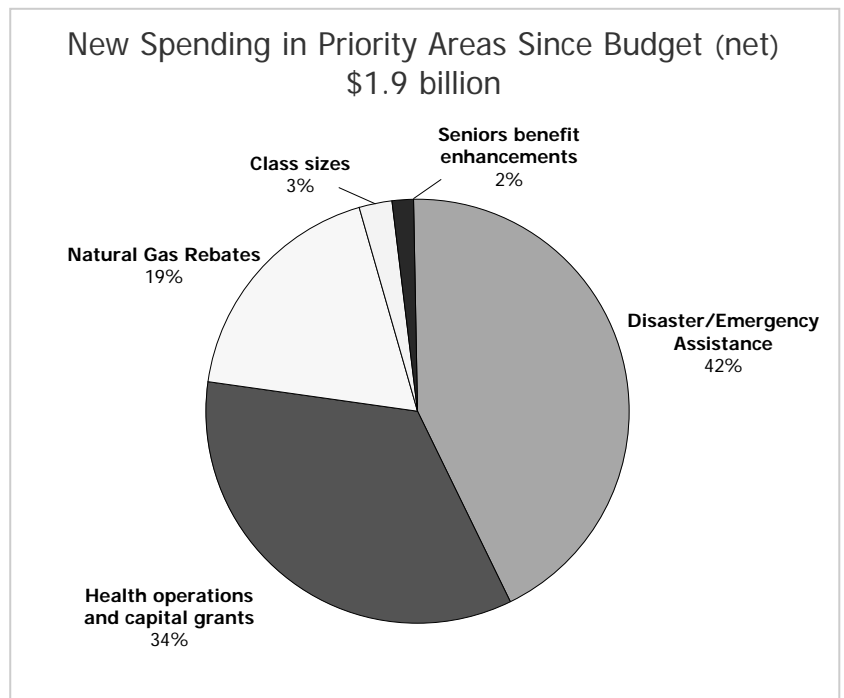
Spending

Government spending since the budget is forecast to increase by \$1.9 billion.

About \$830 million in **disaster and emergency assistance** has also been provided for BSE-related assistance, forest fires, and floods. As well, \$359 million in **natural gas rebates** are forecast to be paid over the winter. This spending is from the Sustainability Fund.

In June 2004, the government announced an additional \$700 million for health operating and capital grants.

An additional \$52 million increase has been provided in 2004-05 to reduce **class sizes**. Increased funding will allow school boards to start hiring about **2,250 new teachers** over the next three years and reduce class sizes.



Debt

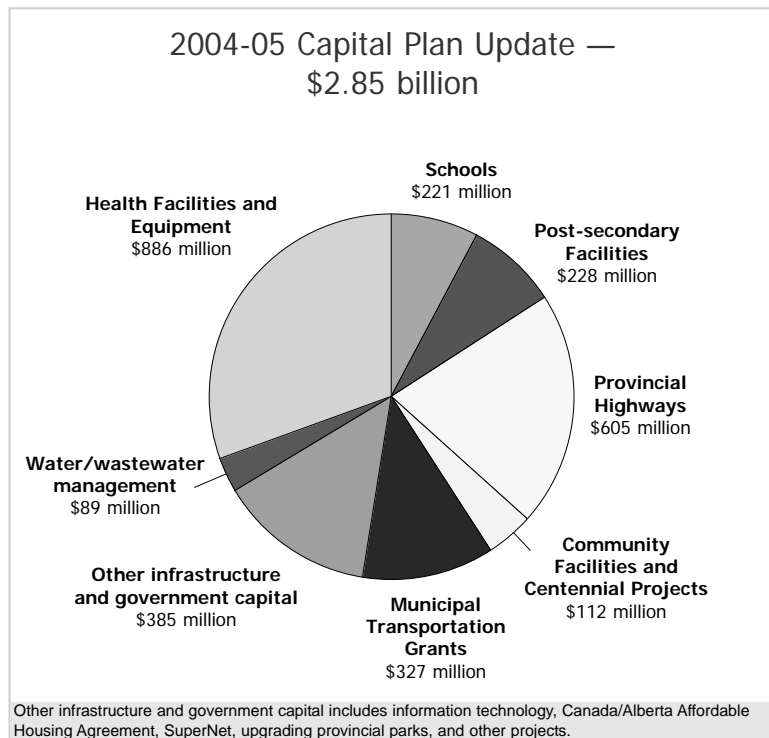
In July, the government announced plans to put a final \$3.7 billion against the accumulated debt. The money will be protected in the Debt Retirement Account to pay off accumulated debt as it matures.

Over the past 11 years, nearly \$23 billion has been committed to debt repayment. This has significantly reduced annual debt servicing costs, freeing up about **\$1.4 billion for programs, services and tax reductions**.

Capital Plan

More than **\$2.8 billion in capital investment** is underway this year, including grants to schools, post-secondary institutions, health authorities, municipalities, other local authorities, and investment in government-owned projects.

The 2004-05 Capital Plan has been increased by \$460 million since budget, primarily reflecting increases for health facilities and equipment. Increases have also been provided for the provincial highway network, the Northern and Southern Jubilee Auditoria, and vaccines, land purchases, and other projects.



Activities this Quarter

The Second Quarter Activity Report shows some of the government activities and accomplishments over the past three months. Highlights are:

Consulted with Albertans through the *It's Your Future* survey, distributed to all Alberta households, asking Albertans to rank their priorities for the government and identify how future windfall revenue should be used.

Opened the **\$37.4-million health centre in High Level**. The facility includes 28 acute care beds, 10 continuing care beds, and a community health centre.

Announced planned changes to the Alberta Seniors Benefit program: enhancements to **optical and dental assistance**, the **exemption from health insurance premiums** and assistance with **education property taxes**.

Began construction of a new \$14-million state-of-the-art level 3 laboratory in Edmonton to greatly **increase the province's surveillance and animal disease testing** capability, and prepare Alberta to better manage any further animal health challenges.

Opened the \$21.5 million Trillium Centre in Sherwood Park. This facility **hosts two schools accommodating 660 public students and 500 Catholic students**, as well as housing the neighbourhood office of the Children's Services Authority.

Announced additional provincial funding that will allow school boards to **hire approximately 2,250 new teachers** over the next three years and reduce class sizes to meet recommendations from Alberta's Commission on Learning.

Proclaimed the *Family Support for Children with Disabilities Act*.

Announced a go-forward six-points **BSE recovery strategy** and \$230 million in additional BSE funds to cover Alberta's 40 per cent share of two new national cattle programs, as well as made-in-Alberta components. The funds also assist with BSE surveillance costs to help meet international testing targets.

Awarded **\$33 million** to 45 community-owned and operated projects under the **Alberta 2005 Centennial Legacies Grant Program** (Phase 3) across Alberta. The grant program helps municipalities, volunteer organizations, and the province make tangible, memorable investments for future generations.