

ACCOUNTABILITY STATEMENT

The government's Annual Report for the year ended March 31, 2006 was prepared under my direction on behalf of the government in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 19, 2006 with material economic or fiscal implications have been considered in the preparation of the Annual Report.

[Original Signed]

Shirley McClellan
Minister of Finance



2005 BUDGET

Investing in the Next Alberta

A MESSAGE FROM THE MINISTER OF FINANCE

The past year marked a new era for Alberta as we began the Province's second century. With accumulated debt retired in the previous year, we were able to celebrate Alberta's 100th anniversary with investments in key areas, helping to build the Next Alberta. We were able to spend wisely, save for tomorrow, and give back to Albertans.

In 2005-06, the Government of Alberta reinforced advanced education as one of our top priorities, recognizing that a well-educated workforce is an important key to continued growth in the Province's future. Substantial investments improved access to and affordability of post-secondary education. An advanced education endowment was established and Scholarship Fund assets were increased.

We also made significant investments in basic education, allowing schools to hire new teachers and providing support for local initiatives to improve student learning and performance. In total, support for basic and advanced education increased 8.4 per cent, or \$533 million.

The government supported new projects to reduce wait times and improve access to health services. Funding for health care increased 7.2 per cent, or \$653 million, and accounted for about 36 per cent, or \$9.7 billion, of the Province's total expense.

The Government of Alberta made significant contributions to savings. The Heritage Fund's value was increased by more than \$2 billion, with a \$1 billion deposit, \$382 million added for inflation proofing and \$750 million added to establish the advanced education endowment. Another \$550 million was deposited into endowments for scholarships, medical research, and science and engineering research.

We also gave back to Albertans. In January, \$1.3 billion was provided to Albertans through the *Alberta 2005 Resource Rebate*.

Alberta's increasingly diverse economy – in manufacturing, agriculture and services – contributed to strong employment growth. Albertans benefited from nearly 27,000 new jobs in the past year and the lowest unemployment rate in the country.

We also continued to enjoy the highest disposable incomes per capita and the lowest overall tax burdens in Canada. Indexation of the personal tax system protected taxpayers from paying higher taxes due to inflation, and enhancements to the Alberta Family Employment Tax Credit provided more benefits for working families.

Albertans celebrated their centennial year free from the burden of accumulated debt. For years we had envisioned what a debt-free Alberta could be and in the past year we were able to start shaping it. A well-educated workforce, healthy Albertans, a strong fiscal footing – this is the Next Alberta.

[Original Signed]

Shirley McClellan
Minister of Finance

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 ministries.

This annual report of the Government of Alberta contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and the Measuring Up report, which compares actual performance results to desired results set out in the government's business plan.

The annual reports of ministries, released in the fall of each year, contain Ministers' accountability statements, the audited consolidated financial statements of the ministries and a comparison of actual performance results to desired results set out in the ministries' business plans. Each ministry annual report also includes:

- financial statements of entities making up the ministry including departments (all departments combined form the General Revenue Fund), regulated funds, provincial agencies and Crown-controlled corporations,
- other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of financial statements, to the extent that the ministry has anything to report, and
- financial information relating to accountable organizations and trust funds.



2005 BUDGET

Investing in the Next Alberta

BUDGET 2005

2005 marked the 100th anniversary of Alberta as a Province. Fittingly, *Budget 2005* also marked a new era for Alberta.

Budget 2005 was the first budget in twelve years in which resources were not required for debt reduction, as Alberta had eliminated its accumulated debt in 2004-05.

This provided an increased ability to invest in the key opportunities laid out in the Province's twenty-year strategic plan. *Budget 2005* focused on initiatives to improve education, address infrastructure requirements, encourage research and innovation and make Alberta the best place to live, work and visit.

These strategic investments and a continuing commitment to fiscal responsibility will help to ensure the Alberta of tomorrow is even better than the Alberta of today.

MAJOR INITIATIVES AND OUTCOMES

Fiscal Responsibility

- Alberta recorded a surplus for the twelfth consecutive year. The \$8.7 billion surplus was primarily committed to meeting infrastructure requirements and savings.

Advanced and Basic Education

- Access and affordability of the post-secondary system were improved. An advanced education endowment was established and Scholarship Fund assets were increased.
- Class sizes in the basic education system were reduced with increased funding to hire more teachers.

Infrastructure

- Support for capital projects increased by over 30 per cent, including major increases in support for municipal infrastructure and provincial highways.

Research and Innovation

- Support for research and innovation was increased, including additional allocations to the Medical Research Endowment Fund and the Science and Engineering Research Endowment Fund.

Best Place to Live, Work and Visit

- Alberta Advantage – Alberta had the strongest economic growth among provinces. Alberta's tax advantage was strengthened. \$1.3 billion was provided to Albertans through the *Alberta 2005 Resource Rebate*.
- Health – \$9.7 billion was provided for health-related services. This was the highest per capita spending level in the country. Wait times for health services were reduced and improvements were made to continuing care.
- Helping Albertans – Support for seniors, Assured Income for the Severely Handicapped (AISH) recipients, affordable housing and supportive living were increased.
- Other – Policing and the justice system were strengthened and increased support was provided for tourism.

NOTE ON REPORTING ENTITY

The audited financial statements include a larger reporting entity than the financial information provided in the budget and quarterly updates.

- For the first time, the net equity of Crown-controlled organizations in the SUCH sector (schools, universities, colleges and health authorities) has been consolidated in the audited statements. This added \$345 million to 2005-06 revenue.
- The change in pension obligations is also included in the audited statements. This added \$200 million to expense in 2005-06.
- Commentary on changes from 2004-05 include the change in the net equity of the SUCH sector. However, discussions about changes from budget and third quarter exclude the increase in equity of the SUCH sector, as this information was not available.

FISCAL HIGHLIGHTS

- **Overview.** The Province recorded a surplus of \$8.7 billion primarily due to record non-renewable resource revenue. Oil and natural gas prices and land lease sales reached record levels in 2005-06.

Record energy revenue allowed the government to more aggressively address infrastructure requirements, increase savings in the Heritage Fund and other endowments, and provide a resource rebate to Albertans.

- **Revenue** was \$35.9 billion, \$6.3 billion, or 21.4 per cent, higher than in 2004-05 and \$8.2 billion higher than budgeted. The increases were primarily due to higher non-renewable resource revenue, which reached \$14.3 billion in 2005-06.
- **Expense** was \$27.2 billion, \$2.9 billion, or 11.8 per cent, higher than in 2004-05, and was \$1.2 billion higher than budgeted. The increase

from 2004-05 was primarily due to higher municipal infrastructure support, health and education spending, and natural gas rebates. The increase from budget reflected higher natural gas rebates, emergency and disaster assistance, and capital grants.

- **Surplus.** Revenue exceeded expense by \$8.7 billion. This was \$3.5 billion higher than in 2004-05 and was \$7 billion higher than budgeted.
- **Fourth Quarter Results.** The surplus was \$1.2 billion higher than forecast in the 2005-06 *Third Quarter Fiscal Update* due to higher revenue and lower-than-forecast expense.
- **Net Assets.** At March 31, 2006, the Province had net assets of \$37.6 billion. This included \$11.6 billion in capital assets and \$3.1 billion of equity in Crown-controlled SUCH organizations.

Fiscal Summary

(millions of dollars)

	2005-06			2004-05
	Budget	3rd Quarter ^c	Actual	Actual
1 Revenue				
2 Revenue (budget basis)	27,346	34,601	35,542	29,328
3 SUCH sector increase in equity ^a	n/a	n/a	345	239
4 Total Revenue	27,346	34,601	35,887	29,567
5 Expense				
6 Program	25,535	26,966	26,743	23,851
7 Debt servicing costs	291	260	248	302
8 Pension provisions	141	214	200	176
9 Total Expense	25,967	27,440	27,191	24,329
10 Revenue in Excess of Expense	1,379	7,161	8,696	5,238
11 Adjustment for pension provisions	141	214	200	176
12 Adjustment for SUCH sector	n/a	n/a	(345)	(239)
13 Net Revenue (budget basis) ^b	1,520	7,375	8,551	5,175

^a Increase in equity of Crown-controlled organizations in the SUCH sector was not available for budget and quarterly forecasts.

^b Net revenue (surplus) on a budget/quarterly presentation basis. For the purposes of the *Fiscal Responsibility Act*, the change in equity of SUCH sector organizations and the annual change in pension obligations are excluded from balanced budget requirements. Pension obligations are scheduled to be eliminated under a separate legislated plan.

^c Third quarter forecast reflects an updated 2005-06 revenue forecast published in *Budget 2006*. This revenue forecast was \$5 million lower than the forecast published in the 2005-06 *Third Quarter Fiscal Update*. The reduction reflected personal income tax changes that were announced in *Budget 2006* and effective January 1, 2006.

SURPLUS ALLOCATION

The 2005-06 surplus, after taking into account required adjustments, was deposited in the Alberta Sustainability Fund.

As assets in the Sustainability Fund were already above the \$2.5 billion minimum target level, the cash from the surplus was available for allocation to other balance sheet improvements.

\$3.6 billion was allocated to the Capital Account, \$2.7 billion to savings and \$2.7 billion was retained in the Sustainability Fund.

Capital Account – \$3.6 billion.

- A net \$3.6 billion was transferred to the Capital Account in 2005-06 to help pay for capital projects in future years. Most of this cash is expected to be drawn down over the next three to four years to pay for planned capital commitments.

Savings – \$2.7 billion.

- \$2.7 billion was deposited in the Heritage Fund and other endowments, including the new advanced education endowment.
- The book value of the Heritage Fund and endowments reached \$15.7 billion at March 31, 2006.

Sustainability Fund – \$2.7 billion.

- Based on final 2005-06 results, Sustainability Fund assets will be \$2.7 billion higher than the minimum target level of \$2.5 billion.
- At March 31, 2006, the Fund had assets of \$4.1 billion. This was \$1.6 billion higher than the minimum target. This did not include cash available from higher-than-forecast fourth quarter results, as this information was not available until after March 31. Based on final fourth quarter results, an additional \$1.1 billion is being transferred into the Fund in 2006-07.

Allocation of Surpluses

(millions of dollars)

	2005-06 Actual	2004-05 Actual
Net Revenue (surplus)	8,696	5,238
Adjustments	233	186
Net Amount Available for Allocation^a	8,929	5,424
Allocation		
Debt Retirement Account	-	3,730
Capital Account - net deposits for future year use	3,569	-
Savings		
Heritage Fund - deposit	1,000	-
Heritage Fund - inflation proofing	382	-
Advanced education endowment (in the Heritage Fund)	750	-
Scholarship Fund	250	-
Medical Research Endowment Fund	200	-
Science and Engineering Research Endowment Fund	100	-
Sustainability Fund		
Assets over \$2.5 billion (at end of year)	1,583	998
Cash transferred from fourth quarter results after March 31	1,095	696
Total Allocation	8,929	5,424

^a The amount available for allocation reflects the current-year surplus adjusted for: the retained income of funds, agencies and SUCH sector organizations; differences between cash and accrued revenue/expenditures; and Sustainability Fund assets above \$2.5 billion at the start of the year. Further information on adjustments is included under the discussion on the Alberta Sustainability Fund on page 16.

ECONOMIC AND TAX HIGHLIGHTS

ECONOMIC HIGHLIGHTS (calendar year basis)

- **2005 Economic Growth.** Alberta's economy grew by an estimated 4.5 per cent in 2005, outperforming every other province for the second consecutive year.
- **2006 Economic Outlook.** Alberta's strong economic momentum is expected to continue in 2006, with growth forecast at 4.8 per cent.
- **Employment.** In 2005, employment grew by 1.5 per cent, as 26,900 jobs were created. Alberta also had the lowest unemployment rate among provinces, at 3.9 per cent.
- **Personal Income.** Alberta had the highest personal disposable income per capita among provinces in 2005, at \$28,672. This was 19 per cent above the national average.
- **Migration.** For the ninth consecutive year, Alberta attracted the highest net inter-provincial migration in Canada.
- **Energy Sector.** High energy prices encouraged strong exploration and development activity in Alberta's energy sector. Conventional drilling activity was up 22.6 per cent in 2005, and non-conventional energy investment surged by over \$3.4 billion to an estimated \$9.8 billion.
- **Housing.** The housing market remained strong with starts reaching a 27-year high.
- **Retail Sales.** Large labour income gains (10 per cent) contributed to a robust consumer sector. Alberta led all provinces in retail sales growth, with sales up 12 per cent, almost double the Canadian average.
- **Manufacturing Sector.** The manufacturing sector continued to build on the momentum begun in 2004. Shipments increased by 12 per cent compared to 3 per cent nationally.
- **Agriculture Sector.** Alberta's agriculture sector experienced some improvement in 2005 with the opening of the U.S. border to live cattle under the age of thirty months. However, crop prices fell 20 per cent due to rising inventory levels, reduced crop quality from poor harvesting weather and a world oversupply of grain.

- **Inflation.** Alberta's inflation rate averaged 2.1 per cent in 2005. Energy prices contributed to almost a third of the overall increase. Decreases in global prices of various consumer goods, and the Canadian dollar appreciating to a fourteen-year high, lowered the prices of imported goods, keeping core inflation low at an average of 1.4 per cent.

TAX HIGHLIGHTS

- **Lowest Overall Taxes.** Albertans and Alberta businesses paid the lowest overall provincial taxes in Canada. Indexation of the personal tax system protected taxpayers from paying higher taxes due to inflation.
- **Resource Rebates.** \$1.3 billion was provided to Albertans through the *Alberta 2005 Resource Rebate* (a refundable tax credit).
- **Alberta Family Employment Tax Credit.** The tax credit was enhanced, providing more benefits for working families.
- **Property Taxes.** School property tax rates fell by 5 per cent in 2005, marking the twelfth straight year that rates have been reduced or frozen.
- **Hotel Room Tax.** The hotel room tax was reduced from 5 per cent to 4 per cent and converted into a tourism levy.

Measuring Up – Performance Results

- Albertans had the highest average personal disposable income per capita among the provinces.
- Alberta had the lowest total provincial and municipal tax load among the provinces.
- Alberta's three-year average growth rate (real GDP) was 4 per cent, the highest among provinces.
- Alberta's real labour productivity was the highest among provinces, and well above the national average.
- 98 per cent of collective bargaining agreements were settled without a legal work stoppage.

OVERVIEW OF PROGRAM AND CAPITAL SPENDING

EXPENSE

Total expense was \$27.2 billion in 2005-06. The health and education functions continued to account for over 60 per cent of total expense.

Year-over-Year Comparison. Expense was 11.8 per cent, or \$2.9 billion, higher than in 2004-05. This included:

- Base operating expense – \$2.2 billion, or 10.6 per cent increase, primarily related to health, education and social services.
- Capital grants – \$646 million, or 32.1 per cent increase, due to higher municipal infrastructure support.
- Emergency/disaster assistance – Decrease of \$302 million. Higher flood assistance was offset by lower Bovine Spongiform Encephalopathy (BSE) funding requirements.
- Natural gas rebates – Up \$358 million due to higher natural gas prices.

Budget-to-Actual Changes. Total expense was \$1.2 billion higher than budgeted. This was almost entirely due to higher capital grants, natural gas rebates and emergency/disaster assistance.

- Capital grants – \$552 million increase, including health, post-secondary, school, housing and supportive living, water/wastewater and community facilities capital grants.
- Natural gas rebates – \$349 million increase due to higher natural gas prices.
- Emergency/disaster assistance – \$270 million increase for floods, forest fire-fighting, and mountain pine beetle infestations.
- Other expense – \$53 million net increase. Increases in base operating expense and pension provisions were partly offset by lower amortization and debt servicing costs.

Third Quarter-to-Actual Changes. Expense was down \$249 million from the third quarter forecast. Spending was lower than forecast in all major elements.

Expense

(millions of dollars)

	2005-06		2004-05	Change from	
	Budget	Actual	Actual	Budget	2004-05 Actual
Base operating expense	22,511	22,615	20,444	104	2,171
Capital grants and other infrastructure support	2,108	2,660	2,014	552	646
Amortization	498	431	412	(67)	19
Emergency/disaster assistance	133	403	705	270	(302)
Natural gas rebates	285	634	276	349	358
Debt servicing costs	291	248	302	(43)	(54)
Pension provisions	141	200	176	59	24
Total Expense	25,967	27,191	24,329	1,224	2,862
Capital Investment	1,037	1,083	828	46	255

Note on Capital Investment

In 2005-06, capital investment in government-owned facilities and equipment was \$1.1 billion, an increase of \$255 million from 2004-05. Capital investment is not recorded as expense; only the amortization cost of government-owned capital is reflected in expense. Capital support to external authorities (including the SUCH sector) is treated as expense and is not amortized in provincial government financial statements. Capital investment plus capital grants to external authorities, and support for highway rehabilitation, equal the total Capital Plan support provided by the provincial government. The Capital Plan does not include amortization costs.

Expense by Function

(millions of dollars)

	2005-06		2004-05	Change from		
	Budget	Actual	Actual	Budget	2004-05 Actual	
					\$	%
Health	9,510	9,713	9,060	203	653	7.2
Education	6,754	6,903	6,370	149	533	8.4
Social services	2,684	2,721	2,458	37	263	10.7
Transportation, communications and utilities ^a	1,889	2,329	1,225	440	1,104	90.1
Agriculture, resource management and economic development ^b	1,816	1,798	1,926	(18)	(128)	(6.6)
Protection of persons and property ^c	911	1,168	959	257	209	21.8
Regional planning and development	409	408	421	(1)	(13)	(3.1)
Recreation and culture	328	388	294	60	94	32.0
Housing	179	298	160	119	138	86.3
Environment	193	200	189	7	11	5.8
General government	862	817	789	(45)	28	3.5
Debt servicing costs	291	248	302	(43)	(54)	(17.9)
Pension provisions	141	200	176	59	24	13.6
Total Expense	25,967	27,191	24,329	1,224	2,862	11.8

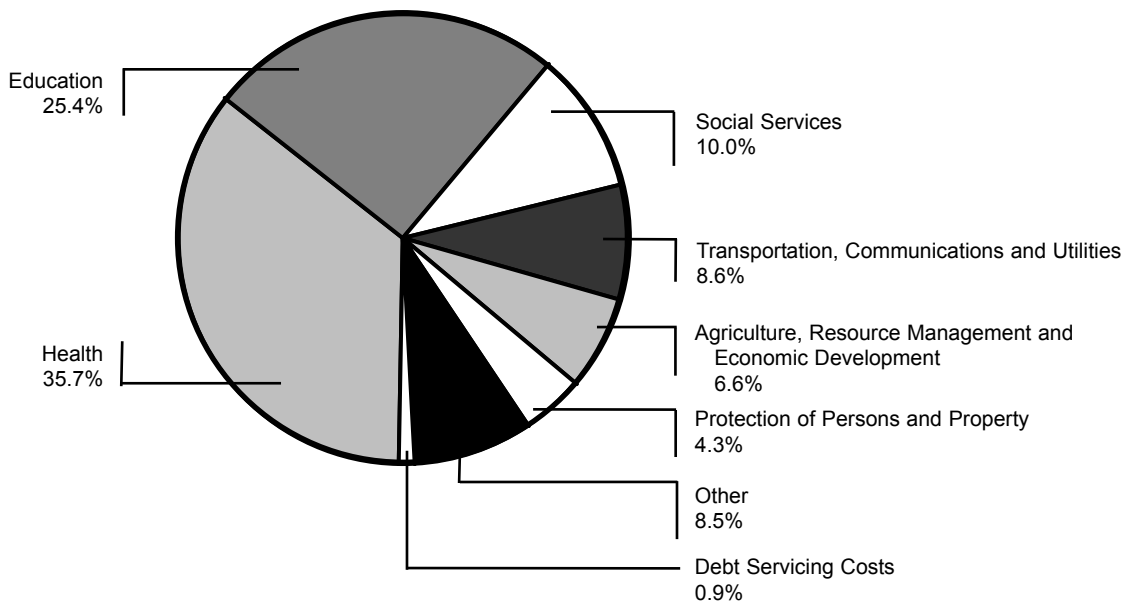
^a Includes municipal infrastructure support and natural gas rebates.

^b Includes BSE assistance.

^c Includes flood assistance and forest fire-fighting costs.

2005-06 Expense by Function

\$27.2 billion



CAPITAL PLAN

- The 2005-06 Capital Plan supported \$3.7 billion of capital projects in 2005-06. This was a \$901 million, or 31.7 per cent increase from 2004-05, and \$577 million higher than budgeted.
- Approximately 80 per cent of the increase from 2004-05 was due to higher municipal infrastructure support. In particular, this reflected the first year of the new five-year, \$3 billion Municipal Infrastructure Program.
- The government announced major commitments for health, post-secondary, schools and highway capital projects during the year. Most of the increased funding associated with these announcements will be provided in 2006-07 and future years.
- Alberta's per capita spending on infrastructure is approximately three times the average of other provinces.
- The 2006-09 Capital Plan published in *Budget 2006* averages \$4.4 billion a year.

Capital Plan

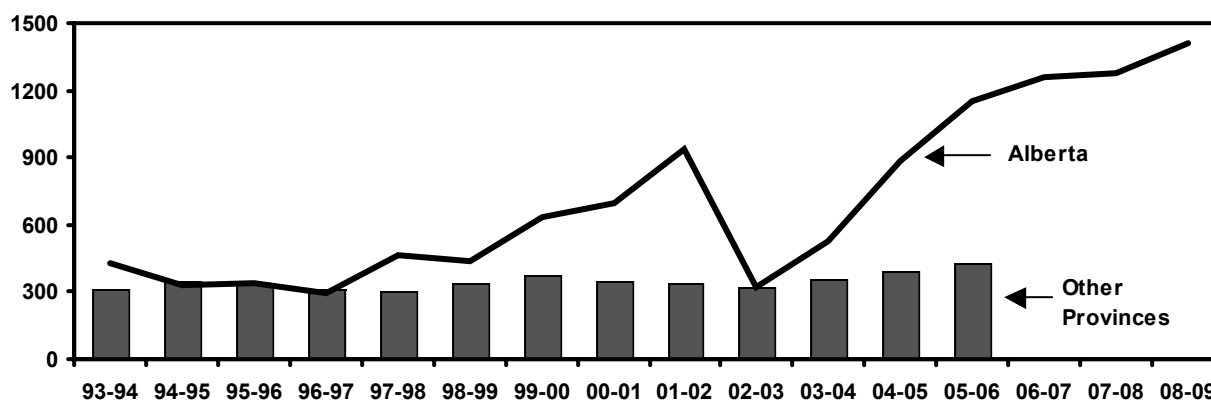
(millions of dollars)

	2005-06		2004-05 Actual	Change from	
	Budget	Actual		Budget	2004-05 Actual
Municipal infrastructure support	1,021	1,115	393	94	722
Provincial highway network ^a	699	769	570	70	199
Health facilities and equipment ^a	546	631	863	85	(232)
Schools	201	243	222	42	21
Post-secondary facilities	111	191	231	80	(40)
Community facilities and centennial projects	176	244	165	68	79
Government facilities, housing and equipment	354	497	329	143	168
Water and wastewater management	58	53	69	(5)	(16)
Total Capital Plan	3,166	3,743	2,842	577	901

^a Budget numbers have been restated to reflect a transfer of \$15 million from Health facilities and equipment to Provincial highway network.

Interprovincial Comparison of Capital Expenditure

(dollars per capita)



Source: Dominion Bond Rating Service Limited, The Canadian Federal and Provincial Governments - 2005 Overview, September 2005, and earlier reports. Alberta data for 2004-09 have been updated by Alberta Finance.

SPENDING HIGHLIGHTS

(BY FUNCTIONAL AREA)

HEALTH

- Health expense was \$9.7 billion. This was an increase of 7.2 per cent, or \$653 million, from 2004-05, and \$203 million higher than budgeted.
- The **increase from 2004-05** reflected higher funding for health services, physician services, prescription drug costs and information technology systems. Increases included:
 - ♦ \$594 million, or 11.7 per cent, in base operating grants for the health authorities.
 - ♦ \$183 million, or 11.7 per cent, for physician services.
 - ♦ \$52 million, or 9.8 per cent, for non-group health benefits, largely for the higher cost of drug benefits provided to seniors.
- These increases were partly offset by lower health capital grants in 2005-06.
- The **increase from budget** reflected additional funding for access and wait time projects, electronic health records, continuing care and capital grants for health facilities.

Major Initiatives

- New projects designed to improve province-wide access to health services and to reduce wait times were supported. The early success of the Alberta Hip and Knee Replacement Project demonstrated the value of developing innovative models of patient care.
- Alberta's first Primary Care Network was launched in May 2005. Fourteen Primary Care Networks now operate in seven health regions providing services to more than 700,000 patients.
- \$188 million increase in spending on health information systems, such as the Alberta Netcare Electronic Health Record. This included capital grants of \$116 million.
- Continuing care was improved by increasing the number of nursing and personal care hours per resident in long-term care facilities from 3.1 to 3.4 per day, increasing support for patient lift equipment, implementing assessment systems, and reviewing medication use.

- \$200 million was added to the Medical Research Endowment Fund in 2005-06, with a commitment to add a further \$300 million in the following two years.

- \$25 million for mental health innovation.

Capital Plan

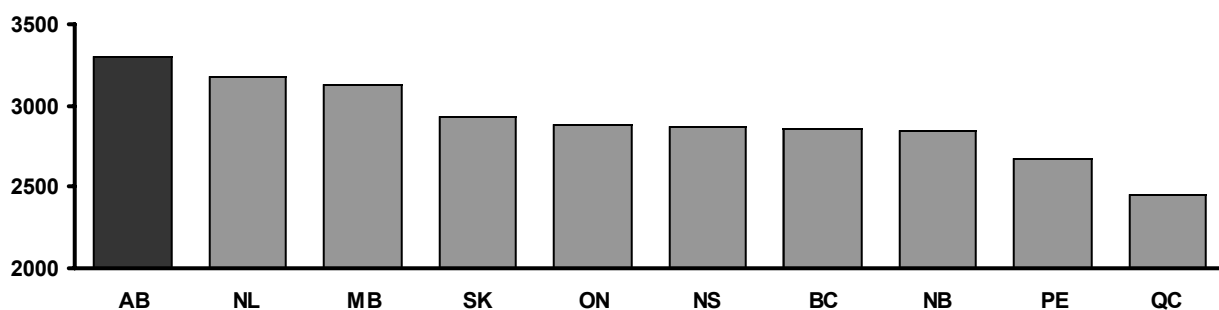
- Support of \$631 million was provided for health facilities and equipment (including \$11 million of capital investment).
- This was a decrease of \$232 million from 2004-05, as several major health projects were substantially completed in 2004-05.
- 2005-06 capital funding included:
 - ♦ Continued work on the Edmonton Clinic (Health Services Ambulatory Learning Centre), Alberta Children's Hospital in Calgary and the Mazankowski Alberta Heart Institute in Edmonton, and redevelopment of the Royal Alexandra Hospital in Edmonton and the Rimbey Hospital and Care Centre.
 - ♦ \$65 million of in-year support for capital facilities, such as redevelopment of the Foothills, Rockyview and Peter Lougheed Hospitals in Calgary and support for new health facilities in Sherwood Park and Fort Saskatchewan. This funding represented the first year of the announced \$1.4 billion in increased support for health facilities.

Measuring Up – Performance Results

- 65 per cent of Albertans surveyed rated the overall health system as “excellent” or “good.”
- 78 per cent of Albertans surveyed rated their access to physician services as “easy” or “very easy.”
- 67 per cent of Albertans surveyed rated their access to hospital services as “easy” or “very easy.”
- 88 per cent of Albertans surveyed aged 18 to 64 rated their own personal health as either “excellent,” “very good,” or “good.”
- 86 per cent of Albertans surveyed aged 65 and older rated their own personal health as either “excellent,” “very good,” or “good.”

2005-06 Comparison of Provincial Government Health Expenditures

(dollars per capita)



Source: Canadian Institute for Health Information (CIHI) – National Health Expenditure Trends, 1975-2005.

Note: Definition of health expenditure includes health-related components of various income support programs not included in the health expense function in 2005-06. Statistics Canada's Financial Management System, which uses a narrower definition than CIHI, places Alberta's per capita health spending as the highest among provinces in 2005-06.

EDUCATION

- Education expense was \$6.9 billion in 2005-06. This was an increase of 8.4 per cent, or \$533 million, from 2004-05, and \$149 million higher than budgeted.
- The **increase from 2004-05** primarily reflected higher basic and post-secondary operating grants.
- This **increase from budget** was due to higher capital grants for post-secondary institutions and increased funding to school boards for school operations and maintenance, increased transportation fuel costs and capital grants.

Major Initiatives

Basic Education

- **Small Class Size Initiative.** Funding was increased to hire 435 new teachers in the 2005-06 school year to reduce class sizes and retain the 1,250 teachers hired in the previous year.
- **Alberta Initiative for School Improvement.** Additional support was provided for local initiatives designed to improve student learning and performance.
- **Student Health Initiative.** Integrated health and related support was provided for children with special health needs.
- **Technology.** Supported expanded technology in the classroom, such as video-conferencing suites and funding for connecting computers in schools to the Alberta SuperNet.

Advanced Education

- Support for post-secondary institutions was increased by 13.9 per cent. This included a 6 per cent increase in operating grants to post-secondary institutions, start-up funding for the new Faculty of Veterinary Medicine at the University of Calgary and degree programs at Grant MacEwan College, funding for the Lois Hole Digital Library, increased facility operation grants for newly finished buildings, and other increased support to institutions.
- *Access to the Future Act.* Legislation was passed to establish an advanced education endowment as part of the Heritage Savings Trust Fund. The endowment is targeted to grow over time to \$3 billion. An initial allocation of \$750 million was made in 2005-06.
- **Tuition.** The government paid tuition increases at public post-secondary institutions. A comprehensive review of affordability of advanced education was initiated with one outcome to be a new tuition policy.
- **Student Assistance.** Funding for scholarships, bursaries and grants to students were increased by 7.7 per cent, with scholarships distributed to 28,960 students. \$250 million was added to the Alberta Heritage Scholarship Fund. The Alberta Centennial Education Savings Plan was established to encourage parents to save for their children's education.

- Apprenticeship Training. 2,382 new apprenticeship technical training seats were added in 2005-06.

Capital Plan

- \$434 million was provided for education capital projects, a decrease of 4.1 per cent or \$19 million from 2004-05. Funding included \$243 million for school projects and \$191 million for post-secondary institutions.
- Schools – Five new schools and seven replacement schools were opened during 2005-06. Additional funding was provided for new modular classrooms, the leasing of portables and the relocation of existing portables.
- Post-secondary facilities – Expansion and upgrades included facilities at Grant MacEwan College, NAIT, the University of Alberta, the University of Calgary, Olds College, Banff Centre and the University of Lethbridge.

Measuring Up – Performance Results

- 78 per cent of Alberta’s grade 9 students met acceptable standards on the Provincial Achievement Tests in language arts.
- 91 per cent of Albertans surveyed aged 25-34 completed high school.
- 79 per cent of adult Albertans surveyed were satisfied that most adult Albertans were able to access the education or training they want.
- 90 per cent of employers surveyed were satisfied with recent graduates’ skills and quality of work.
- 87 per cent of Albertans aged 25-34 with a post-secondary diploma or certificate were employed.
- 76 per cent of Aboriginal Albertans (off-reserve) surveyed aged 25-34 completed high school.
- 95 per cent of schools and 90 per cent of post-secondary institutions were estimated to be in acceptable (“fair” or “good”) physical condition.

SOCIAL SERVICES

- Social Services expense was \$2.7 billion in 2005-06. This was an increase of 10.7 per cent, or \$263 million, from 2004-05, and \$37 million higher than budgeted.
- The **increase from 2004-05** reflected increases of 23 per cent for AISH, 27 per cent for seniors benefits and 7.6 per cent for children’s services.

Major Initiatives

- The initial response to the Achieving Excellence in Continuing Care report included:
 - ♦ increasing benefits for low-income Albertans in supportive living and long-term care;
 - ♦ enhancing grants for those seniors lodges which provide a high level of support for residents;
 - ♦ implementing new continuing care accommodation standards;
 - ♦ introducing updated monitoring, reporting and enforcement processes; and
 - ♦ developing a new concerns resolution process for continuing care residents and their families.
- Benefits for clients receiving AISH were enhanced and new benefits introduced. This included increased earnings exemptions, and benefits for extra needs such as caring for a guide animal, special diets or emergency travel.
- 7.1 per cent increase in financial assistance to Persons with Developmental Disabilities boards.
- Funding was provided for three pilot projects aimed at continuing support for adults with Fetal Alcohol Spectrum Disorder.
- The Ministry of Children’s Services provided additional funding for early learning and child care, support for families with disabled children and child intervention services.

Measuring Up – Performance Results

- Survey results indicate that 83.8 per cent of Alberta children aged 2-5 demonstrated healthy emotional development and 85.9 per cent aged 0-3 demonstrated healthy social development.
- Survey results indicate that 94.3 per cent of Alberta children, aged 0-5, had parents who interacted positively with them.

AGRICULTURE, RESOURCE MANAGEMENT AND ECONOMIC DEVELOPMENT

- Agriculture, Resource Management and Economic Development expense was \$1.8 billion in 2005-06. This was a decrease of 6.6 per cent, or \$128 million, from 2004-05, and \$18 million lower than budgeted.
- Lower expense from the previous year and from budget was due to lower agriculture assistance for BSE.

Major Initiatives

- ♦ Agriculture. BSE agriculture assistance was \$386 million lower than in 2004-05. The reopening of the U.S. border to live beef exports for cattle under 30 months of age allowed the Fed Cattle Set-Aside program to be discontinued earlier than anticipated in the budget.

Partly offsetting lower BSE assistance were increases related to the Canadian Agriculture Income Stabilization program and other agriculture programs.

- ♦ Tourism. Effective April 1, 2005, the 5 per cent hotel room tax was converted to a 4 per cent tourism levy, and the annual level of provincial support for tourism marketing and

development was determined by the amount of revenue the hotel room tax/tourism levy raised in previous years. In 2005-06, based on this new policy, tourism funding increased by nearly 75 per cent.

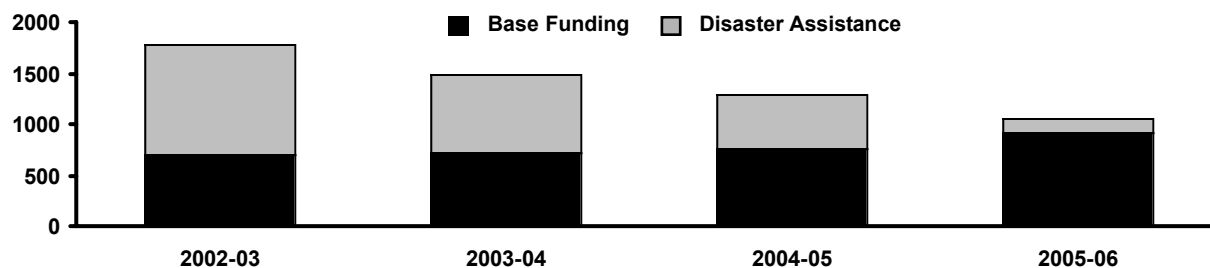
- ♦ Research. \$100 million was added to the Science and Engineering Research Endowment Fund.
- ♦ Alberta Energy Innovation Strategy. A five-year, \$200 million Innovative Energy Technologies program was established to encourage the development of innovative technologies to enhance oil and gas recovery.
- ♦ Mountain Pine Beetles. Over 14,000 trees infested with mountain pine beetles were cut down to protect Alberta's forests.

Measuring Up – Performance Results

- Sponsored research at Alberta universities increased by 11.4 per cent in the past year, and has almost doubled since 2000.
- Tourism industry revenue continues to increase.
- Total goods exported grew by 18.5 per cent to an estimated \$79.2 billion in 2005.

Ministry of Agriculture, Food and Rural Development Expense

(millions of dollars)



TRANSPORTATION, COMMUNICATIONS AND UTILITIES

- Expense was \$2.3 billion in 2005-06, an increase of 90.1 per cent, or \$1.1 billion, from 2004-05, and \$440 million from budget.
- The **increase from 2004-05** reflected a \$722 million increase in municipal infrastructure support and a \$358 million increase in natural gas rebates.
- The **increase from budget** reflected higher-than-budgeted natural gas rebates due to stronger-than-expected natural gas prices.

Major Initiatives

- A new five-year, \$3 billion Municipal Infrastructure Program was introduced.
- Funding was committed to accelerate construction projects in the Fort McMurray area and other resource development areas, including major highway work to twin Highway 63 and upgrade Highway 881.
- Part of the Southwest leg of Anthony Henday Drive in Edmonton opened to traffic a year ahead of schedule. The Southeast leg, which is Alberta's first highway project using a public-private partnership, commenced construction in 2005-06.
- The *Traffic Safety Amendment Act* improved road safety, including doubling existing fines for drivers caught speeding past emergency and construction workers.
- Natural Gas Rebates. \$634 million was provided to help offset winter heating costs.

Capital Plan

- \$1.1 billion in municipal infrastructure grants, an increase of \$722 million from 2004-05.
- \$769 million for the provincial highway network, an increase of \$199 million from 2004-05 (includes \$644 million in capital investment).

Measuring Up – Performance Results

- 87.1 per cent of provincial highways were in acceptable (“fair” or “good”) physical condition.
- 99.1 per cent of water management infrastructure was in acceptable (“fair” or “good”) physical condition.

PROTECTION OF PERSONS AND PROPERTY

- Protection of Persons and Property expense was \$1.2 billion in 2005-06. This was an increase of 21.8 per cent, or \$209 million, from 2004-05, and \$257 million from budget.
- The **increase from 2004-05** reflected higher flood disaster assistance and increased funding for policing and justice programs.
- The **increase from budget** reflected disaster assistance for floods and wildfires.

Major Initiatives

- 12 per cent increase in the budgets of the Ministries of Justice and Solicitor General and Public Security. Increase allowed:
 - ♦ Addition of nearly 200 police officers to Alberta communities in 2005-06.
 - ♦ Enhancements to policing grants to help ease the financial burden on smaller towns and cities.
 - ♦ Establishment of the Integrated Child Exploitation Unit to combat on-line child sexual exploitation.
 - ♦ One-window system to assist families accessing the family court system and to allow for improved access to the courts by reducing wait times and increasing the availability of mediation and dispute resolution services.
 - ♦ Enhancements to programs dedicated to identifying and dismantling crime networks across the Province.
 - ♦ Implementation of courthouse security and courtroom videoconferencing to increase the safety of the general public and those involved in court operations.
- Flood Assistance. \$173 million was provided to residents, business owners and municipalities, and for restoration of provincial parks and other government infrastructure, because of extensive flooding, primarily in southern Alberta.
- \$153 million was provided to protect Albertans and their property from wildfires and support programs that prevent wildfires in Alberta's forests.

Measuring Up – Performance Results

- Violent and property crime rates decreased, remaining the lowest among the four western provinces.
- 86.7 per cent of Albertans surveyed felt human rights in Alberta were “very well” or “fairly well protected.”
- 60 per cent of Albertans felt that crime is not a serious problem in their neighborhood.
- Alberta’s workplace lost-time claim rate continued to decline.

OTHER PROGRAM EXPENSE

- Other program expense was \$2.1 billion in 2005-06. This was an increase of 13.9 per cent, or \$258 million, from 2004-05, and \$140 million higher than budgeted. Increases primarily reflected additional funding for housing assistance and centennial projects.

Major Initiatives

- Alberta’s Centennial – The government provided \$107 million to commemorate Alberta’s centennial and leave a lasting legacy for Albertans. Funding supported initiatives such as the September 1, 2005 centennial celebrations, Alberta Tracks: A Centennial Music Celebration, renewal of the Jubilee Auditoria and the construction of community facilities across the province. This brings the total commitment for Alberta’s centennial to \$517 million.
- Housing – In 2005-06, \$116 million was provided to support the development of affordable housing and supportive living units, and upgrading of lodges in rural Alberta. These initiatives help address housing needs of seniors by providing an alternative to long-term care facilities.
- Environment – Implemented Canada’s first greenhouse gas reporting program for large emitters.
- Parks – Operating and capital support was increased to enhance Alberta’s park infrastructure and facilities, including Canmore Nordic Centre.
- Alberta SuperNet – Construction of the SuperNet was completed in September 2005, linking government, health, library and

education facilities in 429 communities across the Province. The network is now operational, enabling high speed Internet access and network services through Internet service providers.

Measuring Up – Performance Results

- 91.1 per cent of visitors surveyed were satisfied with experiences at provincial parks and recreation areas.
- 88.8 per cent of adult Albertans surveyed participated in arts and cultural activities.
- 98.5 per cent of visitors were satisfied with their experiences at provincial historic sites, museums, and interpretive centres.
- River water and air quality remained high.

DEBT SERVICING COSTS

- Debt servicing costs represent the interest paid on unmatured accumulated debt and interest costs related to Agriculture Financial Services Corporation’s lending operations.
- Debt servicing costs were \$248 million in 2005-06. This was a decrease of \$54 million from 2004-05 and \$43 million lower than estimated in the budget. Decreases were primarily due to lower debt and lower in-year financing requirements.
- Sufficient funds were set aside in 2004-05 in the Debt Retirement Account to repay the remaining \$2.2 billion of accumulated debt as it matures.

PENSION PROVISIONS

- Pension obligations in respect of public sector pension plans increased by \$200 million to \$5.4 billion in 2005-06.
- \$161 million of the increase was related to the Teachers’ Pension Plans. The Province’s obligations for these plans increased to \$4.4 billion.
- For purposes of the *Fiscal Responsibility Act*, the annual change in pension obligations is excluded from expense and balanced budget requirements. Pension obligations are scheduled to be eliminated under a separate legislated plan.

REVENUE HIGHLIGHTS

TOTAL REVENUE

- Total revenue was \$35.9 billion, \$6.3 billion, or 21.4 per cent higher than in 2004-05. Revenue was \$8.2 billion higher than budgeted (excluding increase in equity of SUCH sector).
- 2005-06 revenue is net of the \$1.3 billion cost of the *Alberta 2005 Resource Rebate*, which

was recorded as a deduction from personal income tax revenue.

- The increase in 2005-06 revenue was primarily due to higher non-renewable resource revenue.
- Revenue was \$941 million higher than forecast in the *Third Quarter Fiscal Update*. The increase was primarily due to higher corporate and personal income tax revenue and higher investment income.

Revenue

(millions of dollars)

	2005-06		2004-05 Actual	Change from	
	Budget	Actual		Budget	2004-05 Actual
Personal income tax	5,199	6,000	4,649	801	1,351
Alberta 2005 Resource Rebate	-	(1,323)	-	(1,323)	(1,323)
Corporate income tax	2,278	2,917	2,364	639	553
Other taxes	3,199	3,273	3,165	74	108
Non-renewable resource revenue	7,680	14,347	9,744	6,667	4,603
Transfers from Government of Canada	3,501	3,392	3,219	(109)	173
Net income from commercial operations	1,929	2,192	2,020	263	172
Premiums, fees and licences ^a	1,739	1,818	1,812	79	6
Investment income	1,376	2,348	1,809	972	539
Increase in equity of SUCH sector organizations	n/a	345	239	n/a	106
Other ^a	445	578	546	133	32
Total Revenue	27,346	35,887	29,567	8,196	6,320

^a Budget numbers have been restated to reflect an \$11 million reallocation of revenue from "Premiums, Fees and Licences" to "Other" revenue.

NON-RENEWABLE RESOURCE REVENUE

- Non-renewable resource revenue reached a record \$14.3 billion in 2005-06. This was \$4.6 billion higher than in 2004-05 and \$6.7 billion higher than budgeted.
- Energy prices were significantly higher than the budget estimate or what was expected by energy analysts. High prices resulted in record oil and natural gas royalties and record revenue from bonuses and sales of Crown leases.
- Natural gas prices averaged Cdn\$8.29 per gigajoule, \$2.24 higher than in 2004-05 and \$2.69 higher than budgeted.

- Oil prices averaged US\$59.94 per barrel. This was \$14.91 higher than in 2004-05 and \$17.94 higher than the budget estimate.
- Bonuses and sales of Crown leases reached a record \$3.5 billion, over \$2.2 billion higher than the previous record in 2004-05.
- Partly offsetting the impact of higher energy prices was the strengthening of the Canadian dollar relative to the United States dollar.
- Non-renewable resource revenue in 2005-06 was nearly double the level it was just two years earlier in 2003-04, and nearly five times higher than it was through most of the 1990s.

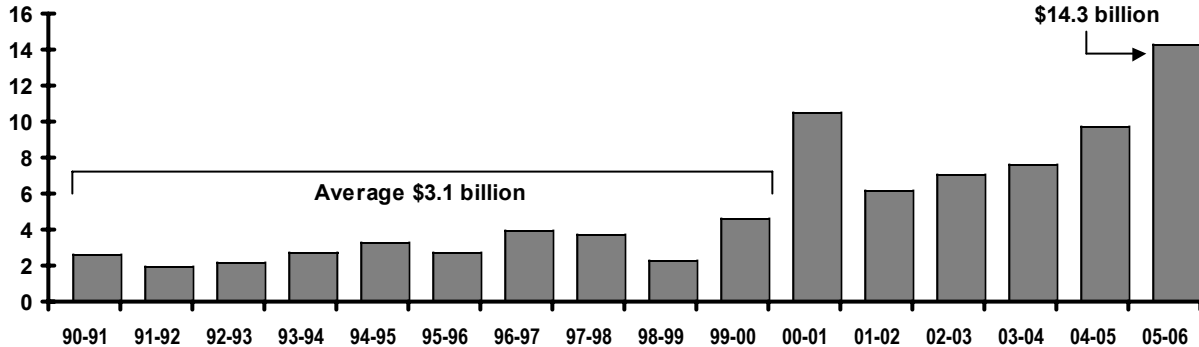
Energy Prices and Exchange Rates

1996-97 to 2005-06

	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
Oil Price (WTI US\$/bbl)	22.84	18.93	13.70	23.16	30.20	24.13	29.04	31.38	45.03	59.94
Natural Gas Price (Cdn\$/GJ)	1.69	1.76	1.89	2.52	5.76	3.57	4.72	5.45	6.05	8.29
Exchange Rate (US¢/Cdn\$)	73.1	71.3	66.6	68.0	66.5	63.9	64.6	74.0	78.4	83.9

Non-renewable Resource Revenue

(billions of dollars)



TAX REVENUE

- Tax revenue was \$10.9 billion net of the *Alberta 2005 Resource Rebate*. This was an increase of \$689 million, or 6.8 per cent, from 2004-05, and \$191 million higher than budgeted.
- Excluding the \$1.3 billion *Alberta 2005 Resource Rebate*, tax revenue was \$2 billion, or 20 per cent, higher than in 2004-05, and \$1.5 billion higher than budgeted.
- The resource rebate provided a \$400 per person refundable tax credit to all Albertans.
- **Personal income tax revenue** was \$6.0 billion, excluding the *Alberta 2005 Resource Rebate*. This was \$1.4 billion higher than in 2004-05 and \$801 million higher than budgeted. The increase reflects both strong income growth and significant adjustments made to both 2004-05 and 2005-06 revenue to address under and over estimation of previous years' tax revenue. The base increase in personal income tax revenue in 2005-06, before taking into account adjustments for prior years, was 9.8 per cent.
- **Corporate income tax revenue** was \$2.9 billion. This was \$553 million higher than in 2004-05 and \$639 million higher than budgeted. The increases were primarily due to high energy prices and strong corporate profits.
- **Other tax revenue** was \$3.3 billion. This was \$108 million higher than in 2004-05 and \$74 million higher than the budget estimate. The increase from 2004-05 was mostly attributable to school property tax, freehold mineral rights tax and fuel taxes.

GOVERNMENT OF CANADA TRANSFERS

- Transfers from Government of Canada were \$3.4 billion, \$173 million higher than in 2004-05 but \$109 million lower than budgeted.
- The increase from 2004-05 was primarily due to higher transfers for flood disaster assistance, health, and early learning and child care. Partly offsetting these increases were lower agriculture transfers.
- The decrease from budget reflected lower health and social transfers due to the impact of higher provincial income tax revenue and the reporting of some of the Wait Times Reduction Fund to 2004-05.

INVESTMENT INCOME

- Investment income was \$2.3 billion. This was an increase of \$539 million from 2004-05 and \$972 million higher than budgeted. The increases reflected strong equity markets and larger fund balances in investment accounts.

INCREASE IN EQUITY OF SUCH SECTOR

- Increase in equity attributed to Crown-controlled SUCH sector organizations was \$345 million. This was \$106 million higher than in 2004-05.
- \$278 million of the increase in equity is attributable to post-secondary institutions and \$66 million to health authorities.

OTHER REVENUE

- Revenue from other sources was \$4.6 billion, \$210 million higher than in 2004-05 and \$475 million higher than the budget estimate.
- The increases reflected higher gaming and lottery revenue.

ALBERTA SUSTAINABILITY FUND

- As set out in the *Fiscal Responsibility Act*, the Sustainability Fund receives non-renewable resource revenue above the level available for budget purposes (\$4.75 billion in 2005-06) and any additional year-end surpluses, less required adjustments.
- **Withdrawals** are allowed to offset the cost of emergencies/disasters, natural gas rebates, First Nations settlements and revenue shortfalls. In 2005-06, \$1 billion was withdrawn to pay for emergencies/disasters and natural gas rebates. In addition, the \$1.3 billion cost of the *Alberta 2005 Resource Rebate* was charged against the Fund.
- **Adjustments.** The net cash transferred to the Fund was also adjusted for:
 - ◆ Retained income of funds and agencies – \$522 million was retained by funds and agencies, primarily Alberta Treasury Branches and the Agriculture Financial Services Corporation.
 - ◆ Increase in equity of SUCH sector – SUCH sector organizations retained the \$345 million increase in their equity.
 - ◆ Capital Requirements – \$2.3 billion. The *Fiscal Responsibility Act* allows current-year capital requirements to be met by allocating non-renewable resource revenue to the Capital Account above the \$4.75 billion limit.
 - ◆ Other Cash Adjustments – This primarily reflects the difference between cash and accrued revenue and expenditure and was negative \$300 million in 2005-06.
- **Assets Available for Allocation.** When the assets of the Fund exceed \$2.5 billion, they can be allocated to other balance sheet improvements. In 2005-06, a total of \$2.7 billion was allocated to savings and \$3.6 billion to the Capital Account for the future cost of current capital commitments. After these allocations, the Sustainability Fund had assets of \$4.1 billion at March 31, 2006. In addition, \$1.1 billion will be transferred to the Fund after March 31 from the better-than-forecast fourth quarter results.
- In total, based on 2005-06 final results, the Fund assets will be \$5.2 billion. This is \$2.7 billion higher than the minimum target level of \$2.5 billion.

Alberta Sustainability Fund

(millions of dollars)

	2005-06			2004-05
	Budget	3rd Quarter	Actual	Actual
1 Assets at start of year	3,498	3,498	3,498	2,500
2 Cash transferred from previous year fourth quarter results	-	696	696	510
3 Transfers to (withdrawals from) Sustainability Fund				
4 Non-renewable resource revenue and other net transfers	2,964	11,668	13,051	7,325
5 Disaster/emergency assistance and natural gas rebates	(418)	(1,178)	(1,037)	(981)
6 Cost of <i>Alberta 2005 Resource Rebate</i>	-	(1,320)	(1,323)	-
7 Adjustments				
8 Retained income of funds and agencies	(133)	(428)	(522)	(333)
9 Increase in equity of SUCH sector	n/a	n/a	(345)	(239)
10 Capital grant requirements (current year)	(1,274)	(1,795)	(1,795)	(1,136)
11 Capital investment requirements (current year)	(435)	(494)	(494)	(494)
12 Other cash adjustments	517	(350)	(300)	772
13 Minimum assets required in Sustainability Fund	(2,500)	(2,500)	(2,500)	(2,500)
14 Assets available for allocation	2,219	7,797	8,929	5,424
15 Allocation to Debt Retirement Account	-	-	-	(3,730)
16 Allocation to Capital Account - future year use	(1,554)	(3,569)	(3,569)	-
17 Allocation to Heritage Fund and endowments	(665)	(2,645)	(2,682)	-
18 Sustainability Fund assets above \$2.5 billion at March 31	-	1,583	1,583	998
19 Cash to be transferred after March 31 to Sustainability Fund	-	-	1,095	696
Sustainability Fund assets at March 31 (lines 13 & 18). Does not include cash to be transferred after March 31 (line 19).	2,500	4,083	4,083	3,498

NET FINANCIAL AND CAPITAL ASSETS

- At March 31, 2006, the assets of the Government of Alberta exceeded its liabilities by \$37.6 billion. This included \$11.6 billion in capital assets and \$3.1 billion in equity in Crown-controlled SUCH sector organizations.

Financial Assets

- \$44.9 billion in financial assets as of March 31, 2006. This included:
 - Heritage Fund – \$13.4 billion (book value). Includes the advanced education endowment.
 - Endowment Funds – \$2.3 billion.
 - Sustainability Fund – \$4.1 billion plus \$1.1 billion to be transferred from Other Financial Assets (cash).
 - Capital Account – \$4.2 billion. These funds are to be used to meet the cost of current capital commitments in future years.

Capital Account

(millions of dollars)

	2005-06		2004-05
	Budget	Actual	Actual
Assets start of year	674	674	1,180
Allocation to Capital Account	3,263	5,858	1,136
Withdrawals			
Local authorities capital	(1,274)	(1,795)	(1,209)
Government-owned capital	(435)	(494)	(433)
Assets end of year	2,228	4,243	674

- Debt Retirement Account – \$2.2 billion. Set aside to repay the Province's remaining accumulated debt as it matures. These funds are locked-in and can only be used to repay accumulated debt.
- Self-supporting Lending Organizations – \$6.6 billion. Financial assets of Alberta Capital Finance Authority and Agriculture Financial Services Corporation (AFSC). These assets offset the liabilities of the lending organizations.
- Equity in Commercial Enterprises – \$1.8 billion. Primarily equity in Alberta Treasury Branches.

- Equity in Crown-controlled SUCH sector organizations – \$3.1 billion. Post-secondary institutions account for \$2.4 billion, school boards \$380 million and health authorities \$356 million.
- Other Financial Assets – \$7.1 billion. Of this amount \$1.1 billion is to be transferred to the Sustainability Fund. Of the remaining \$6 billion, accounts and interest receivable represent \$3.8 billion. This includes receivables from oil and natural gas royalties, federal government and taxes.

Liabilities

- The provincial government had \$18.9 billion in liabilities as of March 31, 2006. This included:
 - Pension Obligations – \$5.4 billion. Of this amount \$4.4 billion was related to the Teachers' Pension Plans.
 - Self-Supporting Lending Organizations – \$5.3 billion. In addition, \$882 million of General Revenue Fund (GRF) debt on-lent to AFSC is recorded under Other Liabilities. The financial assets of the Alberta Capital Finance Authority and AFSC offset these liabilities.
 - Accumulated Debt – \$2.2 billion. The financial assets of the Debt Retirement Account fully offset this debt.

Accumulated Debt

(millions of dollars)

	2004-05	2005-06
Debt at start of year	4,971	3,475
Repayment of debt maturities	(1,496)	(1,280)
Debt at end of year	3,475	2,195
Less: Debt Retirement Account	(3,479)	(2,197)
Accumulated Debt^a	(4)	(2)

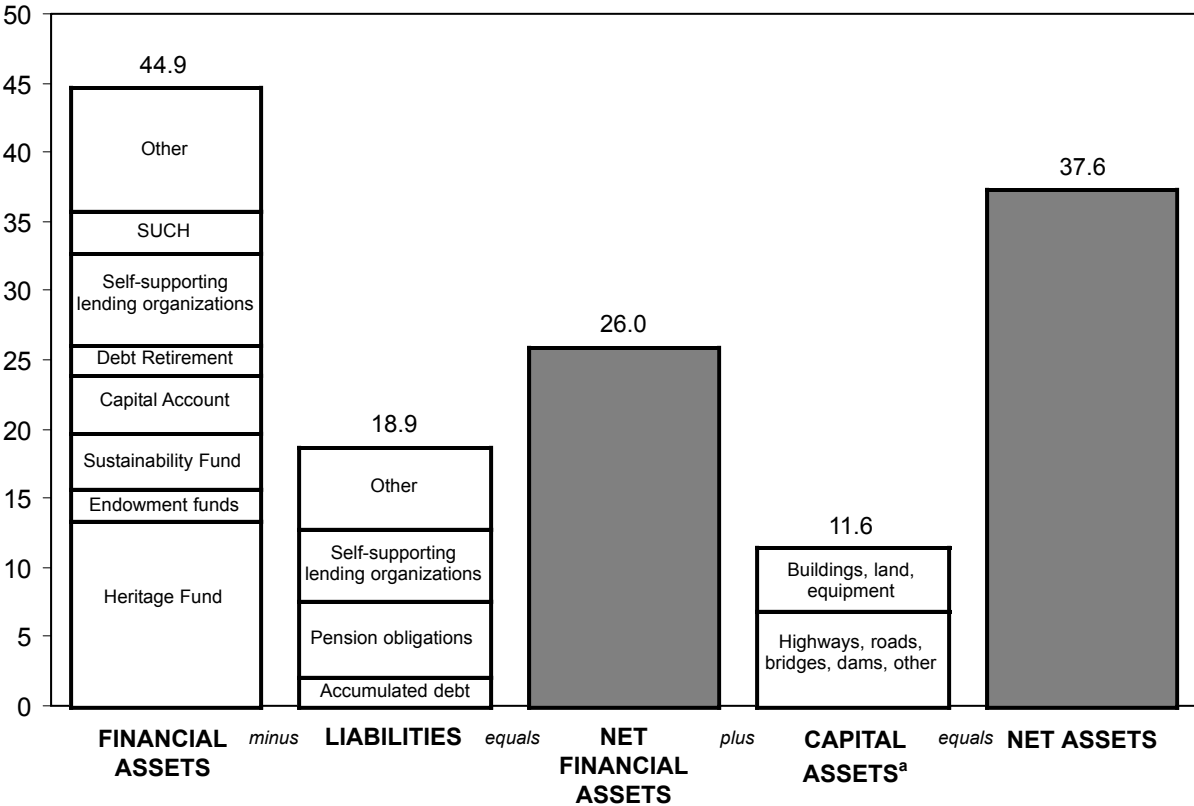
^a Based on actual year-end results at March 31, the assets in the Debt Retirement Account exceeded unmatured accumulated debt.

- Accounts and Interest Payable and Other Liabilities – \$6.0 billion. Includes GRF debt on-lent to AFSC, natural gas royalty and security deposits, payables to the Government of Canada, unearned revenue and trade payables and liabilities. There is an offsetting relationship between some of these liabilities and Other Financial Assets.

Assets, Liabilities and Net Assets

At March 31, 2006

(billions of dollars)



a Does not include \$10 billion in tangible capital assets of health authorities, schools, post-secondary institutions or other local authorities.

Historical Fiscal Summary, 1985-86 to 2005-06^a

(millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U		
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06		
INCOME STATEMENT																							
Revenue																							
1 Personal income tax	1,521	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	4,677 ^f		
2 Corporate income tax	780	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,364	2,917		
3 School property tax	660	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,247	1,283		
4 Other tax revenue	341	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,918	1,990		
5 Resource revenue	4,932	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,744	14,347		
6 Investment income	2,161	1,965	1,847	1,834	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,352	788	(462)	1,838	1,809	2,348		
7 Other own-source revenue	1,111	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,378	4,588		
8 Total own-source revenue	11,506	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	26,109	32,150		
9 Federal transfers	1,788	1,689	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,392		
10 Total Revenue	13,294	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,662	25,887	29,328	35,542		
Expense by Function^b																							
11 Health	3,003	3,244	3,114	3,372	3,631	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,634	9,060	9,713		
12 Basic / advanced education	2,961	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,850	6,370	6,903		
13 Social services	1,156	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,265	2,458	2,721		
14 Other program expense	6,753	5,725	5,137	5,077	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,731	5,963	7,406		
15 Total program expense	13,873	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,743		
16 Debt servicing costs	182	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	302	248		
17 Total Expense	14,055	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	21,751	24,153	26,991		
18 Net Revenue (Spending)	(761)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,324)	(1,371)	938	1,151	2,489	2,659	1,094	2,791	6,571	1,081	2,133	4,136	5,175	8,551		
BALANCE SHEET																							
19 Net Financial Assets (Debt) ^c	11,817	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,398	28,318		
20 Capital Assets ^d	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,921	11,552		
21 Net Assets (Debt) ^c	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,319	39,870		
22 Pension obligations	5,500	6,625	7,946	8,004	8,243	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,235	5,435		
23 Accumulated Debt ^e	4,953	10,091	11,105	13,069	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730	—	—		
24 Sustainability Fund assets																				2,500	3,498	5,178 ^g	
25 Capital Account assets																				910	1,180	674	4,243

a Numbers have been restated on 2005-06 basis where possible. Numbers for 2001-02 forward are fully comparable. For the period 1992-93 to 2000-01, numbers are essentially comparable to the 2005-06 presentation with exception of the treatment of disposal of capital assets (in most years variance of less than \$100 million). Prior to 1992-93, spending is on an expenditure basis, using actual capital numbers rather than capital amortization costs. Revenue excludes increase in equity of SUCH sector organizations. Expense excludes change in pension provisions.

b Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.

c Excludes pension obligations and equity in SUCH organizations. Net debt was increased by \$1,474 million in 1992-93 primarily for a provision for school construction debt, reduced by \$125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by \$32 million in 1995-96 to report some other revenues on accrual basis.

d Capital Assets information not available prior to 1992-93. In 1994-95, includes the disposal of \$449 million in capital assets, (primarily transfer of secondary highways to municipalities). In 2001-02, includes \$1.8 billion transfer of provincial secondary highway system from municipalities to the Province.

e Net of cash set aside for future debt repayments. In 2001-02, the amount of \$5,261 million includes commitment of \$414 million to debt retirement based on a higher-than-expected year end cushion. This amount was transferred in 2002-03 from other assets.

f The \$1,323 billion cost of the Alberta 2005 Resource Rebate is netted against personal income tax revenue in 2005-06.

g Includes \$1,095 million to be transferred to the Sustainability Fund after March 31, 2006 from better than forecast 2005-06 fourth quarter results.

2005-06 Ministry Program Expense by Function^a

(millions of dollars)

	Health		Education		Social Services		Transportation ^b		Economic Development ^c		Protection of Persons and Property		Regional Planning and Development		Recreation and Culture		Housing		Environment		Government		Total Program Expense	
Legislative Assembly	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	67	—	67
Aboriginal Affairs and Northern Development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	39
Advanced Education	—	1,723	—	—	—	—	—	—	—	—	—	—	39	—	—	—	—	—	—	—	—	—	—	1,723
Agriculture, Food and Rural Development	—	—	—	—	—	—	—	—	1,060	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,060
Children's Services	—	—	—	—	818	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	818
Community Development	—	—	—	—	—	—	—	—	—	—	6	—	—	—	—	—	—	—	—	—	—	—	—	310
Economic Development	—	—	—	—	—	—	—	—	79	—	—	—	—	—	—	—	—	—	—	—	—	—	—	79
Education	—	4,600	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,600
Energy	—	—	—	—	—	—	8	—	134	—	—	—	—	—	—	—	—	—	—	—	—	—	—	201
Environment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	143
Executive Council	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	25
Finance	51	—	—	—	—	—	—	—	19	—	23	—	282	—	—	—	—	—	—	—	—	—	—	181
Gaming	—	—	—	—	—	—	—	—	143	—	—	—	—	—	84	—	—	—	—	—	—	—	—	237
Government Services	—	—	—	—	—	—	—	—	4	—	79	—	—	—	—	—	—	—	—	—	—	—	—	86
Health and Wellness	9,198	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9,198
Human Resources and Employment	—	270	—	—	450	—	—	—	7	—	38	—	—	—	—	—	—	—	—	—	—	—	—	780
Infrastructure and Transportation	379	310	—	—	—	—	2,321	—	17	—	34	—	—	—	—	—	—	7	—	24	—	—	—	3,462
Innovation and Science	—	—	—	—	—	—	—	—	197	—	—	—	—	—	—	—	—	—	—	—	—	—	—	197
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	10
Justice	—	—	—	—	50	—	—	—	—	—	252	—	—	—	—	—	—	—	—	—	—	—	—	302
Municipal Affairs	—	—	—	—	—	—	—	—	—	—	182	—	87	—	—	—	—	—	—	—	—	—	—	299
Restructuring and Government Efficiency	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	61
Seniors and Community Supports	85	—	—	—	1,389	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,765
Solicitor General and Public Security	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	416
Sustainable Resource Development	—	—	—	—	—	—	—	—	138	—	152	—	—	—	—	—	—	—	—	—	—	—	—	309
Total Program Expense	9,713	6,903	2,721	2,329	1,798	1,168	408	388	298	200	817	26,743												

^a Does not include debt servicing costs or pension provisions.

^b Transportation, Communications and Utilities.

^c Agriculture, Resource Management and Economic Development.