

2006-09 FISCAL PLAN

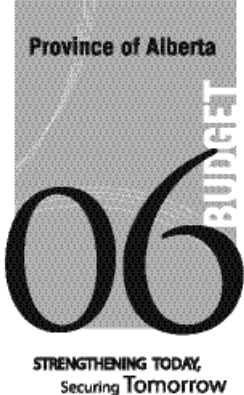
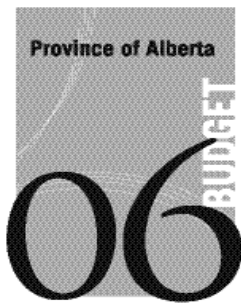


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Strengthening Today, Securing Tomorrow

"This is the first budget of Alberta's second century. We start with a strong economy, no debt and confidence in our abilities."

Shirley McClellan
Minister of Finance

Budget 2006 addresses infrastructure needs, improves programs, reduces taxes and increases savings.

Alberta is in an enviable position. A strong economy. Debt eliminated. And the fiscal flexibility to strengthen current advantages and help build new opportunities.

Alberta also faces challenges. Highly unpredictable resource revenue. Pressures from a growing economy and population. Rising expectations concerning what is affordable and sustainable.

Budget 2006 is focused on strengthening today and securing tomorrow. It balances current and longer-term requirements within a positive but uncertain revenue outlook. The budget addresses infrastructure requirements, improves the quality of services provided to Albertans, lowers taxes and increases savings.

This is being done while maintaining the commitment to a fiscally sound and sustainable outlook. Budgets will be balanced. Tax and spending plans will be affordable not only today, but also over the longer term.

BUDGET PRIORITIES

Budget 2006 is based on 2006-07 oil prices averaging US\$50.00 a barrel and natural gas prices averaging Cdn\$7.50 per gigajoule (GJ). The economy is expected to grow by 4.8 per cent in 2006 and by about 3.5 per cent in the following two years.

This strength will allow the government to move more aggressively than previously planned in areas important to Albertans:

- **Infrastructure Requirements** – \$13.3 billion will be provided over the next three years to address Alberta's infrastructure requirements, a 45 per cent increase from the Capital Plan in *Budget 2005*.
- **Program Initiatives** – Additional funding will be provided to address initiatives critical to Albertans' immediate and longer-term needs, with a strong focus on advanced education, health and the future economy.
- **Taxes** – Taxes will be reduced for individuals and businesses.
- **Savings** – Over the next three years, a total of \$2.7 billion will be provided to increase the assets of the Heritage Fund and the Medical Research Endowment Fund and to establish the Alberta Cancer Prevention Legacy Fund.

This is Alberta's 13th consecutive balanced budget.

2006-07 surplus is estimated at \$4.1 billion. Surplus is allocated to savings, capital investment and other requirements.

A further \$759 million will be allocated to the Heritage Fund and Medical Research Endowment Fund in 2007-09.

FISCAL SUMMARY

Budget 2006 is Alberta's thirteenth consecutive balanced budget. The budget will be balanced in each of the next three years. The *Fiscal Plan* is based on a realistic assessment of the outlook for energy prices. It also provides some protection against an unexpected decline in energy revenue.

The budget assumes oil prices at US\$50.00 per barrel in 2006-07, declining to US\$42.50 by 2008-09. Natural gas prices are forecast at Cdn\$7.50 per GJ in 2006-07, declining to Cdn\$6.25 by 2008-09.

A surplus of \$4.1 billion is estimated for 2006-07. This surplus has been allocated to:

- **Savings** – \$1.9 billion to increase the size of the Heritage Fund, the Medical Research Endowment Fund, the Scholarship Fund, and to establish the new Alberta Cancer Prevention Legacy Fund.
- **Capital Investment** – \$813 million is required to pay for capital investment in government-owned projects.
- **Contingency Allowance** – \$300 million has been set aside and can be used to respond to unforeseen issues that arise during the year.
- **Sustainability Fund** – \$325 million will be added to the Sustainability Fund. This will bring the Fund to \$4.4 billion, \$1.9 billion higher than the \$2.5 billion minimum target level. This provides some additional protection against a sudden decline in energy prices. These funds may become available for other uses, over the three years, as a clearer picture of energy prices emerges.
- **Other Requirements** – \$282 million will be retained by funds and agencies, primarily Alberta Treasury Branches. There is also a negative cash adjustment of \$464 million, primarily related to the difference between the accrual of energy royalties and when cash is received.

In 2007-08 and 2008-09, smaller surpluses are forecast as a result of assumed lower energy prices. The Heritage Fund will continue to be inflation-proofed every year as required by legislation and in 2007-08 a further \$150 million will be added to the Medical Research Endowment Fund.

Fiscal Summary^a

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Revenue	34,601	32,408	31,119	30,510
Expense				
Program	26,966	28,067	29,161	29,903
Debt servicing costs	260	245	243	238
Total Expense	27,226	28,312	29,404	30,141
Net Revenue (surplus)	7,375	4,096	1,715	369
Transfer from Capital Account	1,795	1,896	2,451	2,587
Net Transfer from (to) Sustainability Fund	(9,170)	(5,692)	(3,866)	(2,656)
Contingency Allowance	–	300	300	300

^a Subject to the *Fiscal Responsibility Act*. Excludes the change in pension obligations.

FISCAL FRAMEWORK

A legislated fiscal framework has been established to help ensure fiscal responsibility and accountability to Albertans. The framework addresses two fundamental issues:

- Budgets need to be affordable and sustainable both over the short and long term. For this reason, three-year fiscal plans are required, deficits are outlawed, and borrowing for operating purposes is forbidden.
- Resource revenue will continue to be highly variable and unpredictable. For this reason, a legislated limit on the amount of resource revenue that can be used for budget purposes has been set. The Sustainability Fund has also been established to protect operating and capital spending plans from revenue volatility.

No deficits. No borrowing for operating purposes allowed.

Fiscal Responsibility Act will be amended to raise the resource revenue limit to \$5.3 billion.

The major elements of the fiscal framework will remain unchanged in 2006-07. However, the *Fiscal Responsibility Act* will be amended to increase the limit on the use of non-renewable resource revenue for budget purposes. It will be raised from \$4.75 billion to \$5.3 billion. As currently allowed under the Act, an average of over \$2 billion a year in non-renewable resource revenue will also be allocated to the Capital Account to fund capital projects in each of the next three years.

The government will review its fiscal framework in 2006-07, to ensure it still meets the longer-term requirements of Albertans.

Fiscal Responsibility Act

Deficits Outlawed: *Deficits are against the law. However, funding from the Sustainability Fund can be used to offset the cost of disasters/emergencies and the Capital Account can be used to pay for capital spending.*

Non-Renewable Resource Revenue Limit: *The amount of resource revenue that can be used for budget purposes is increased from \$4.75 billion to \$5.3 billion. Revenue above this amount is deposited into the Sustainability Fund.*

Sustainability Fund: *The Fund can be used to offset the costs of emergencies, disasters, natural gas rebates, settlements with First Nations and unexpected declines in budget revenue. If the Fund has assets greater than \$2.5 billion, funds can be allocated to the Capital Account, Heritage Fund, endowments and other balance sheet improvements.*

Capital Framework: *Capital projects can be funded from current-year revenue, the Capital Account or be alternatively financed. The Capital Account allows surplus revenue to be carried forward from one year to another to pay for capital projects.*

Contingency Allowance: *A minimum of 1 per cent of revenue for fiscal policy purposes must be set aside as a contingency. This is the limit on in-year operating spending increases or revenue reductions not funded from the Sustainability Fund.*

Limitations on Future Debt: *No borrowing permitted to increase operating spending. Borrowing for capital purposes is allowed, as is borrowing required by self-supporting corporations such as the Agriculture Financial Services Corporation and the Alberta Capital Finance Authority.*

STRENGTHENING ALBERTA'S FINANCIAL POSITION

Since the early 1990s, the government has taken concrete steps to strengthen Alberta's financial position. This has included eliminating deficits, repaying debt and setting aside assets for the future use of Albertans. These steps have met with unparalleled success.

Alberta's net financial position has improved by \$38 billion since 1994-95. This includes the elimination of \$23 billion of accumulated debt.

The net financial position of the Province has improved by about \$38 billion from 1994-95 – the year the Province's deficit was eliminated – to 2006-07. This has given Alberta a level of financial strength unmatched in the rest of Canada and a strong foundation for Alberta's second century.

Alberta's success has been based on making hard decisions when needed and on the foresight to use energy revenue for both shorter-term improvements and building longer-term advantages.

USE OF NON-RENEWABLE RESOURCE REVENUE

The improvement in Alberta's financial situation is due to a number of factors, but primarily reflects the limitations placed on the use of surpluses and non-renewable resource revenue, and controls on spending. While it is not possible to track individually every dollar and determine whether it was used to support programs, pay back debt, or increase savings, it is clear that resource revenue made a major contribution in improving the Province's net worth.

Equivalent of 40 per cent of resource revenue has been directed to reducing debt and increasing savings.

From 1994-95 to 2006-07, the government will have received \$88 billion in non-renewable resource revenue. Over this time period, the net financial assets of the Province increased by about \$38 billion because of debt elimination and increased savings. In other words, the equivalent of about 40 per cent of non-renewable resource revenue received has been directed to reducing debt and increasing savings.

Debt Repayment. From 1994-95 to 2004-05, the equivalent of \$22.7 billion of resource revenue was used to eliminate debt incurred over the previous decade, saving \$1.5 billion in annual debt servicing costs.

Savings and Endowments. The equivalent of \$15 billion of resource revenue has been allocated to increasing financial assets since 1994-95:

- Heritage Fund – \$2.6 billion over the two years 2005-06 and 2006-07, and \$431 million for inflation-proofing in the late 1990s.
- Endowments – \$2.5 billion provided to existing and new endowments:
 - Advanced education (within the Heritage Fund) – \$750 million,
 - Science and Engineering Research Endowment Fund – \$600 million,
 - Alberta Cancer Prevention Legacy Fund – \$500 million,
 - Medical Research Endowment Fund – \$350 million (additional \$150 million committed in 2007-08), and
 - Scholarship Fund – \$270 million.
- Sustainability Fund – \$4.4 billion in assets at March 31, 2007. The Fund protects against the cost of emergencies/disasters and unexpected revenue declines and pays for natural gas rebates. Funds may be reallocated for other uses as a clearer picture of energy prices emerges.

- Capital Account – \$4.2 billion at March 31, 2007. The Capital Account is used to fund capital spending in current and future years. It is expected to be drawn down to \$2.3 billion by March 31, 2009.
- Other net improvements – There are improvements in other balance sheet items, including Alberta Treasury Branches' financial position.

Since 2000, Albertans have received \$4.5 billion in energy related rebates.

Rebates. About \$4.5 billion, or 5 per cent, of non-renewable resource revenue also has been returned to Albertans through natural gas rebates to help offset high winter heating costs, and direct tax rebates, including:

- Natural gas rebates – \$2.5 billion over the period 2000 to 2007.
- Alberta 2005 Resource Rebate – \$1.3 billion.
- 2001-02 Alberta Energy Tax Refunds – \$0.7 billion.

In 2006-07, an additional \$1 billion is being deposited in the Heritage Fund. This is on top of the \$1 billion deposited in 2005-06 and inflation-proofing in these years.

\$26 BILLION IN SAVINGS ACCOUNTS AT MARCH 31, 2007

ALBERTA HERITAGE SAVINGS TRUST FUND – \$14.7 BILLION

- Established in 1976. Transfers to the Fund reached \$12 billion by 1986.
- From 1986 to 1994, the Province had deficits. During this period, and for the following 10 years as this debt was repaid (1994-95 to 2004-05), automatic transfers to the Fund were stopped. All income earned was used to support services to Albertans.
- Starting in 2005-06, with the elimination of accumulated debt, the Fund is being inflation-proofed every year.
- There are additional deposits of \$1 billion in 2005-06 and \$1 billion in 2006-07.
- **Advanced education endowment** (held within the Heritage Fund) – Established in 2005-06 with a \$0.75 billion deposit.

\$150 million will be added to the Medical Research Endowment Fund in both 2006-07 and 2007-08.

ENDOWMENT FUNDS – \$3 BILLION

- **Medical Research Endowment Fund** – Established in 1980. \$1.3 billion at March 31, 2007. \$150 million also to be added in 2007-08.
- **Scholarship Fund** – Established in 1981. \$0.5 billion at March 31, 2007.
- **Science and Engineering Research Endowment Fund** – Established in 2000. \$0.7 billion at March 31, 2007.
- **Alberta Cancer Prevention Legacy Fund** – To be established in 2006 with a \$0.5 billion deposit.

A new \$500 million cancer fund established in 2006-07.

SHORTER-TERM SAVINGS ACCOUNTS – \$8.6 BILLION

- **Sustainability Fund** – Established in 2003 to protect spending plans from the cost of emergencies/disasters and unexpected declines in revenue. \$4.4 billion at March 31, 2007.
- **Capital Account** – Established in 2003 to provide funding for infrastructure. \$4.2 billion at March 31, 2007. Expected to decline to \$2.3 billion by March 31, 2009 as assets are withdrawn to help pay for capital projects.

Investments in Alberta's Future

Securing tomorrow's prosperity requires more than a strong financial foundation. It also requires investments and actions in areas critical to the province's future. *Budget 2006* makes the necessary investments. Services to Albertans will be improved. Infrastructure requirements will be addressed. Alberta's tax advantage will be strengthened.

Health and education account for nearly two-thirds of program spending.

SERVICES TO ALBERTANS

- **Health** continues to account for the largest share of total program spending at 37 per cent. Funding for the public health system is being increased and improvements are being made to continuing care.
- **Education**, including basic and advanced education, will account for 27 per cent of total program spending. The accessibility, quality and affordability of post-secondary education are being improved and continuing support is being provided to meet class size requirements.
- **Alberta's Economy and Environment** – Initiatives are being taken to support rural development, encourage research and innovation and protect the environment.
- **Other Initiatives** – Services for children are being strengthened. Benefits have been increased for AISH recipients. Albertans will continue to receive natural gas rebates. Additional funding is being provided for policing and access to the justice system.

Base operating spending in 2006-07 increases by 8.3 per cent.

In 2006-07, base operating spending is increasing by 8.3 per cent, or \$1.9 billion, from the 2005-06 forecast. This excludes funding for emergencies/disasters, natural gas rebates and capital-related expenses in both years. The increase in program expense is only 4.1 per cent due to lower budgeted spending on natural gas rebates and emergencies/disasters.

\$28 billion is being spent on Albertans' program priorities.

Expense

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target	3-year Change
Base operating expense	22,601	24,468	25,161	26,010	3,409
Emergencies/disasters	452	–	–	–	(452)
Natural gas rebates	726	362	282	282	(444)
Capital grants ^a	2,668	2,662	3,114	3,004	336
Amortization ^b	519	575	604	607	88
Total Program Expense	26,966	28,067	29,161	29,903	2,937
Debt servicing costs	260	245	243	238	(22)
Total Expense	27,226	28,312	29,404	30,141	2,915
Percentage increase ^c					
Base operating expense		8.3	2.8	3.4	15.1
Total program expense		4.1	3.9	2.5	10.9
Capital Investment ^d	1,088	1,519	1,199	1,824	736

^a Includes capital grants to local authorities and highway planning and rehabilitation costs. Does not include capital investment in government-owned capital assets.

^b Includes amortization, consumption of inventories and nominal sum disposals.

^c 2006-07 percentage increase is from 2005-06 forecast.

^d Capital investment on government-owned projects is not reported in expense.

The 2006-09 Capital Plan will support \$13.3 billion in capital projects, a 45 per cent increase over the Budget 2005 Capital Plan.

2006-09 Capital Plan

2006-07	\$4.2 billion
2007-08	\$4.3 billion
2008-09	\$4.8 billion
Total	\$13.3 billion

Alberta's per capita spending on infrastructure is three times the average of other provinces.

INFRASTRUCTURE – 2006-09 CAPITAL PLAN

Infrastructure requirements will be addressed at a level unmatched in the rest of the country. The 2006-09 Capital Plan will directly support \$13.3 billion in capital projects. This is a 45 per cent, or \$4.1 billion, increase from the 2005-08 Capital Plan published in Budget 2005.

Last year, a major increase was provided for municipal infrastructure, including a five-year, \$3 billion Municipal Infrastructure Program. In Budget 2006, major increases have been provided for:

- **Health, schools and post-secondary facilities.** The three-year commitment will increase from \$2.8 billion to \$4.9 billion.
- **Provincial Highway Network.** The three-year commitment will increase from \$2 billion to \$3.6 billion. This will provide for continued investment in strategic economic corridors and ongoing construction and rehabilitation throughout Alberta.

Comparison of 2005-08 and 2006-09 Capital Plans

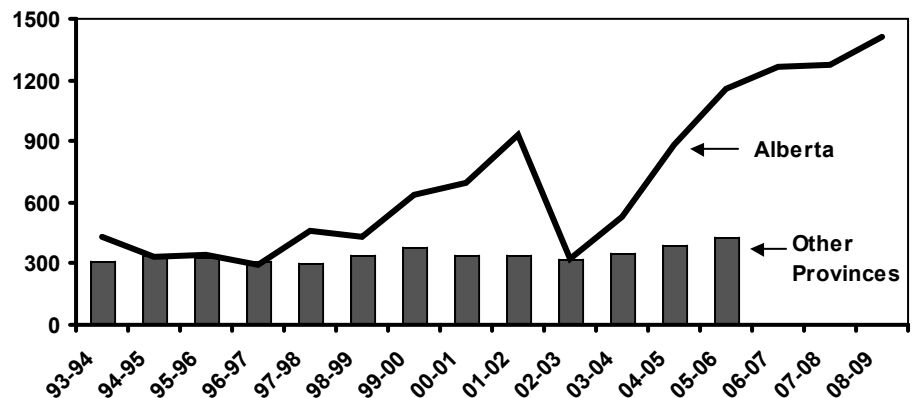
(millions of dollars)

	2005-08 Budget 2005	2006-09 Budget 2006	Change
Health, schools, post-secondary facilities	2,788	4,865	2,077
Provincial highway network	1,985	3,637	1,652
Municipal infrastructure support	3,035	3,127	92
Other	1,411	1,693	282
Total Capital Plan	9,219	13,322	4,103

Alberta's per capita spending on infrastructure is over three times the average of other provinces. In 2006-07, Alberta is spending \$4.2 billion on capital projects or about \$1,300 per person. The average spending on infrastructure in other provinces has been about \$400 per person.

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 has been updated by Alberta Finance.

If Alberta had the same tax system as any other province, Albertans and Alberta businesses would pay at least \$7.2 billion more each year.

ALBERTA TAX ADVANTAGE

Albertans and Alberta businesses pay, by far, the lowest overall taxes in Canada. If Alberta had the same tax system as any other province, Albertans and Alberta businesses would pay at least \$7.2 billion more in taxes each year, the equivalent of about \$2,200 per capita.

In 2005, the government undertook an internal review of the Province's tax system. The review confirmed that Alberta has a fair and competitive tax system.

The tax review identified priorities for future tax cuts. On the personal side, the focus should be on providing tax relief that is directed primarily towards lower and middle-income Albertans. On the business side, the top priority should be to reduce the general corporate income tax rate. *Budget 2006* will act on these priorities.

PERSONAL TAX REDUCTIONS AND HEALTH CARE INSURANCE PREMIUMS

From 1999 to 2001, the government phased in over \$1.5 billion in personal income tax cuts, including implementing a single rate tax and the highest basic and spousal amounts in Canada.

In 2001, indexing of credit amounts started, which has protected taxpayers from the effects of inflation and kept over 140,000 lower-income Albertans off the tax rolls.

In 2004, seniors were exempted from paying health care insurance premiums and, starting in 2005, senior homeowners were protected from increases to school property taxes.

Also in 2005, the Alberta Family Employment Tax Credit was enhanced, providing more benefits to lower-income working families.

In *Budget 2006*, the following tax and premium changes are being made:

- **Basic, spousal and eligible dependant tax credits** – Amounts are being increased from \$14,523 to \$14,899 for the 2006 tax year as a result of indexation plus an extra \$100 adjustment. These changes, and the indexation of other credit amounts, are expected to save Albertans about \$77 million in the 2006 tax year. The indexation of the Alberta Family Employment Tax Credit will also begin in July 2006. With these enhancements, a typical working family with two children can effectively earn up to \$37,000 before paying provincial income taxes.
- **Enhanced subsidies for health care insurance premiums** – The income thresholds at which low-income families and individuals begin to pay partial premiums are being raised by \$5,000, effective April 1, 2006. For example, a family with children will pay no health care insurance premiums if their taxable income is less than \$32,210 and will pay only partial premiums until their taxable income exceeds \$39,250. The increase to the thresholds will benefit approximately 140,000 people and save them about \$30 million in 2006-07.

Budget 2006 increases basic and spousal tax credits.

Budget 2006 enhances subsidies for health care insurance premiums, helping 140,000 Albertans.

BUSINESS TAX REDUCTIONS

The 2005 tax review confirmed that Alberta's business tax system is highly competitive within Canada, with low rates for large and small businesses. However, the review also noted that there are emerging competitive pressures from jurisdictions outside of Canada.

Alberta's general corporate income tax rate is being reduced to 10 per cent, setting the foundation for future economic growth.

Based on the tax review findings, the general corporate income tax rate is being reduced from 11.5 per cent to 10 per cent effective April 1, 2006. This is estimated to save Alberta businesses \$265 million in 2006-07.

The lower corporate income tax rate positions Alberta to meet worldwide competition and sets a strong foundation for tomorrow's economic growth and job creation.

SCHOOL PROPERTY TAX MILL RATE REDUCTIONS

Since 1994, equalized school property tax mill rates have been reduced by over one-third.

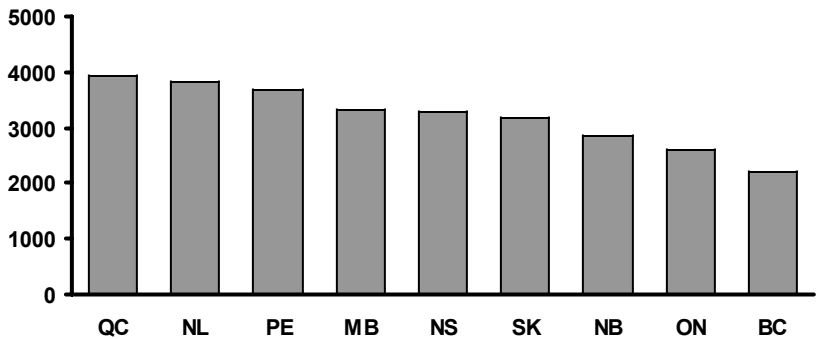
In every year since 1994, mill rates have been either reduced or frozen. In 2006, school property tax mill rates are being reduced by over 7 per cent. Even though rates are being reduced, revenue will increase 1.7 per cent as a result of the many new homes and businesses that have been built over the last year.

School property tax assistance will be provided to eligible senior homeowners. This assistance has protected senior homeowners from any increases in school property taxes since 2004, or from when they moved into their home or became a senior, if subsequent to January 1, 2005.

See Tax Advantage chapter for more details.

Alberta Tax Advantage

(dollars per capita)



This graph shows, on a per capita basis, the total additional provincial taxes, health care insurance premiums and liquor markups that individuals and businesses would pay if Alberta had the same tax systems as other provinces.

ADVANCED EDUCATION

Strengthening the advanced education system is one of the government's top priorities. Over the next three years, the Ministry of Advanced Education will provide:

- An additional \$474 million, or nearly a 29 per cent increase, for post-secondary education. This includes maintaining tuition fees at 2004-05 levels in 2006-07.
- \$1.1 billion in capital support for post-secondary facilities.

Advanced Education operating spending increases by 16 per cent in 2006-07.

In 2006-07, program expense reaches nearly \$2.2 billion, a 19.1 per cent increase from 2005-06. This includes \$1.9 billion in operating support for the post-secondary system, an increase of \$265 million or 16 per cent. In addition, \$273 million in capital grants is provided from the Ministry to post-secondary institutions in 2006-07.

QUALITY AND ACCESSIBILITY – POST-SECONDARY INSTITUTIONS

Support to Post-Secondary Institutions. In 2006-07, support is increasing by \$166 million, or 11.6 per cent, to almost \$1.6 billion. By 2008-09, funding will have increased by \$380 million, or 26.6 per cent, to over \$1.8 billion. Major increases in 2006-07 include:

- \$61 million for base operating grants. Grants will increase by 6 per cent per year for the next three years, providing for inflationary pressures including staff salary settlements and higher facility operating costs.
- \$61 million for the Enrolment Planning Envelope, an increase of 50 per cent, to address enrolment growth, expand apprenticeship training capacity and encourage increased participation in learning opportunities.
- \$44 million to pay tuition increases at public post-secondary institutions in September. A total of \$87 million is being provided in 2006-07 to offset the tuition fee increases in 2005-06 and 2006-07.

Additional funding is being provided to address enrolment growth and expand apprenticeship training.

Increasing Access. In total, 15,000 new learning opportunities will have been provided by 2007-08, and 20,000 by 2008-09. That includes almost 12,000 full-load equivalent student spaces added by 2008-09 in universities, colleges, technical institutes and apprenticeship programs. New opportunities will also be extended beyond the traditional classroom to include expanded access closer to the learner.

In 2006-07, the Access to the Future Fund is providing \$45 million for post-secondary initiatives.

Access to the Future Fund. \$750 million was allocated to an advanced education endowment in the Heritage Fund during 2005-06. In 2006-07, as a result of income earned on the endowment, \$45 million is available to the Access to the Future Fund. This includes \$11 million earned in 2005-06.

The Access to the Future Fund will be used to enhance the capacity of the post-secondary system through matching grants, and to support initiatives to broaden access, improve quality, enhance learning outcomes, attract and retain the best minds and talents, and expand innovation capacity.

The government will continue to pay, in 2006-07, the bill for tuition increases.

AFFORDABILITY – STUDENT ASSISTANCE

Tuition. This September, the government will pay tuition increases at public post-secondary institutions, as was done in September 2005. A review of the affordability of advanced education is taking place. Based on this review, a new tuition policy will be announced by the fall of 2006.

Student Assistance. Funding for scholarships, bursaries and grants to students increases by \$14.9 million, or 21.5 per cent, to \$84 million in 2006-07. About 32,000 students will receive scholarships.

In 2006-07, \$20 million is being added to the Scholarship Fund to support the new Alberta Centennial Scholarship Program. The program will provide 325 annual scholarships worth \$2,005 each to 25 post-secondary students in every province and territory, including Alberta.

Alberta expects to disburse \$97 million in student loans in 2006-07, up \$13 million or 15 per cent from 2005-06. To recognize increased student living costs, yearly loan limits are increasing to \$12,440 from \$12,140. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment will reduce the debt of students in their first and final years of study. Alberta continues to have the most generous student debt relief programs in the country.

In 2006-07, eligibility for the \$100 matching grants to Registered Education Savings Plans under the Alberta Centennial Education Savings Plan is being expanded to include all children aged 8, 11 and 14.

CAPITAL SUPPORT FOR POST-SECONDARY FACILITIES

Over \$1.1 billion in funding for post-secondary capital projects will be supported over the next three years. This is an increase of about \$650 million over the 2005-08 plan published in *Budget 2005*.

Projects include a new Centennial Centre for Interdisciplinary Science at the University of Alberta, the Campus Calgary Digital Library at the University of Calgary, and the second phase of redevelopment at Bow Valley College.

\$1.1 billion for post-secondary capital over the three years.

Ministry of Advanced Education

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating Expense				
Support to post-secondary institutions	1,431	1,597	1,722	1,811
Access to the Future Fund	—	45	34	35
Student assistance	144	196	199	199
Program delivery/support services	80	82	83	84
Total Operating Expense	1,655	1,920	2,038	2,129
Capital grants ^a	185	273	455	381
Amortization	5	5	5	5
Total Program Expense	1,845	2,198	2,498	2,515
Operating expense increase (%)		16.0	6.1	4.5
Program expense increase (%)		19.1	13.6	0.7

^a In addition, \$13 million will be provided over the next three years from the Ministry of Innovation and Science and the Medical Research Endowment Fund for capital support to post-secondary institutions.

EDUCATION

Excellence in the kindergarten to grade 12 education system continues to be a high priority for Albertans. The Ministry of Education's initiatives over the next three years include:

- An additional \$575 million for operating support to school boards and other educational support.
- \$833 million for school capital projects.

Basic education operating spending is increasing by 5.1 per cent in 2006-07.

In the 2006-07 fiscal year, program spending on the basic education system, including grants for school capital projects, is over \$5.1 billion, a 6.8 per cent increase from 2005-06. This includes \$4.8 billion in operating spending, an increase of 5.1 per cent, or \$231 million. In addition, \$339 million is provided for school capital projects in 2006-07.

SUPPORT TO SCHOOL BOARDS

In 2006-07, operating and property tax support to public and separate school boards, including funding for provincial initiatives such as the Class Size Initiative, increases by 5.2 per cent, or \$194 million. This will bring support to school boards to more than \$3.9 billion. By 2008-09, this support will be more than \$4.2 billion, a three-year increase of \$517 million, or 13.8 per cent.

This additional funding will give school boards increased capacity to manage the education initiatives currently underway while providing flexibility for school boards to address local education needs. General enrolment across the province is expected to decrease by about 3,000 students, or 0.5 per cent this year.

Budget 2006 continues the government's commitment to the Class Size Initiative. In July 2004, the government announced that school boards would receive, in addition to their base grants, funding over a three-year period to hire 2,265 teachers in order to reduce class sizes. For the 2004-05 school year, 1,250 new classroom teachers were hired under this initiative. An additional 435 teachers were hired for the 2005-06 school year.

Support for the Class Size Initiative will increase by 15 per cent, allowing school boards to retain teachers already hired and to hire additional teachers.

As a result, the majority of school boards already meet or exceed the Commission on Learning's guidelines for grades 4 to 12 average class sizes. For the 2006-07 fiscal year, support for the Class Size Initiative is increasing by \$16.6 million, or 15.1 per cent, to \$126.3 million, allowing school boards to retain the 1,685 teachers hired in the last two years and hire additional teachers to specifically address those areas experiencing the greatest difficulty in class size reduction.

This budget also provides funding for initiatives such as:

- Additional innovative technology in the classroom.
- Increased transportation costs, including the continuation of the Transportation Fuel subsidy.
- Additional support for the Student Health Initiative.
- Increased support for students with severe special needs.
- Increased support for students requiring English as a Second Language programming.

Additional funding for school facilities operations and maintenance.

SCHOOL FACILITIES OPERATIONS AND MAINTENANCE

In 2006-07, plant operations and maintenance support to school boards is increasing by \$19 million, or 5.1 per cent, to \$395 million. This fulfills the government's commitment to increase plant operations and maintenance funding by \$43 million this school year.

OTHER PROGRAMS AND SERVICES

- Teachers' Pension Costs – 6.3 per cent increase in teachers' pension costs, reflecting the hiring of additional teachers, increases in the contribution rate and negotiated salary increases.
- Private Schools – 5 per cent increase in funding for accredited private schools for grant rate increases and to accommodate the number of special needs students served, particularly by private early childhood services operators.
- Technology – continued support for e-learning opportunities including high-speed networking, LearnAlberta.ca, and provincial Microsoft licensing for school boards.
- High School Completion – A series of roundtables will be held with youth from across the province to discuss high school completion. A symposium, which will include teens, parents, business leaders and educators, will help develop a provincial strategy to increase high school completion rates.

CAPITAL SUPPORT FOR SCHOOLS

Capital support for schools will total \$833 million over the next three years, an increase of \$189 million from the 2005-08 Capital Plan. In 2006-07, \$339 million is being provided including \$81 million for Infrastructure Maintenance and Renewal projects, and \$258 million to fulfill the government's commitment for previously announced school projects.

\$833 million in school capital support over the three years.

Ministry of Education

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating Expense				
Operating support to school boards	3,734	3,928	4,091	4,251
Less: Funding from opted-out boards' property tax revenue	(166)	(169)	(175)	(182)
School facilities operation and maintenance	376	395	395	395
Teachers' pensions	319	339	354	369
Other initiatives/program support	293	294	291	298
Total Operating Expense	4,556	4,787	4,956	5,131
Capital grants	243	339	272	222
Amortization	1	1	1	1
Total Program Expense	4,800	5,127	5,229	5,354
Operating expense increase (%)		5.1	3.5	3.5
Program expense increase (%)		6.8	2.0	2.4

HEALTH AND WELLNESS

On February 28, 2006, a Health Policy Framework was released that outlined values and policy directions for Alberta's health system. The framework envisions a comprehensive public health system that provides quality health services to all Albertans, and creates greater flexibility and choice.

Since 1995-96, health spending has grown by an average of about 10 per cent a year and accounts for 37 per cent of the government's total budget. The Alberta government's per capita health spending is one of the highest in the country.

The Ministry of Health and Wellness' operating spending is increasing by 7.5 per cent in 2006-07.

In 2006-07, program spending by the Ministry of Health and Wellness reaches \$10.3 billion, a 7.7 per cent increase. This includes \$9.6 billion in operating spending, an increase of \$668 million, or 7.5 per cent. \$748 million is being spent on health capital in 2006-07, including \$672 million in capital grants to health authorities and \$76 million in capital investment, primarily for electronic health records and vaccines.

Health Authority Operating Grants. Nearly two-thirds of Health and Wellness' operating budget is provided to health authorities for provision of services, ranging from home care to diagnostic testing to surgeries and transplants. In 2006-07, operating grants to health authorities increase by \$338 million, or 6 per cent, to nearly \$6 billion. Further increases of 6 per cent are planned in 2007-08 and 2008-09.

Physician Services. \$1.88 billion is being provided in 2006-07 including:

- \$75 million for special arrangements with academic physicians so they can focus more time on research, education and delivering innovative specialty care to Albertans.
- \$70 million for primary care initiatives.
- \$21 million for the Physician Office System Program to support the expansion of the Electronic Health Record to physician offices.

The new \$500 million Alberta Cancer Prevention Legacy Fund will support the fight against cancer.

Alberta Cancer Prevention Legacy Fund. Bill 1, the *Alberta Cancer Prevention Legacy Act*, establishes a \$500 million Alberta Cancer Prevention Legacy Fund for new and expanded cancer screening programs, a virtual cancer research institute to coordinate cancer research in the province, and the promotion of coordinated public, private, provincial, national and international research and screening programs. \$25 million will be drawn from the Fund in each of the next three years.

The government is extending the approach used to reduce wait times for hip and knee replacements to other services.

Wait Times. In 2005-06, the Alberta Hip and Knee Replacement Project decreased wait times for first orthopedic consultations from 35 weeks to 6 weeks, and wait times between consultation and surgery from 47 weeks to less than 5 weeks. This approach is being extended to other health areas, such as breast and prostate cancer care, coronary artery bypass surgery, MRIs and CT scans. A total of \$54 million has been allocated over 2005-06 and 2006-07 to address current wait-listed patients so that the future wait times for selected services will be at an acceptable level.

Continuing Care. \$42 million is being provided in 2006-07 to improve continuing care through changes such as increasing the number of hours of nursing and personal care in long-term care facilities, permitting increases in therapy, implementing new health care standards and improving case coordination. This is in addition to the \$25 million increase provided in 2005-06. The number of hours of care will increase to 3.6 per resident day, up from 3.1 hours in 2004-05.

Drug Benefits. Non-group health benefits rise to \$690 million in 2006-07, an increase of \$91 million, or 15 per cent. This is largely due to increases in the cost of drug benefits for seniors.

Alberta Alcohol and Drug Abuse Commission. Budget is increasing by \$19 million, or 25 per cent, to \$95 million in 2006-07. \$14 million of this increase is being used to implement services to help children abusing drugs.

HEALTH CAPITAL

\$2.9 billion will be provided over the next three years, an increase of \$1.2 billion, or 74 per cent, over the *2005-08 Capital Plan*. This includes:

- \$2.5 billion for health facilities projects including:
 - ♦ South Calgary Hospital, Foothills Medical Centre, Peter Lougheed Centre, Alberta Bone and Joint Institute, and Rockyview General Hospital in Calgary.
 - ♦ Health Sciences Ambulatory Learning Centre, the Royal Alexandra Hospital and the Mazankowski Alberta Heart Institute in Edmonton.
 - ♦ Health facilities in Red Deer, Lethbridge, Edson, Barrhead, Viking, High Prairie, Sherwood Park and Fort Saskatchewan.
- Information systems and vaccines – \$309 million for the collection and distribution of health information, including the Electronic Health Record and the Diagnostic Imaging Strategy, and \$95 million to purchase vaccines for immunization programs.

\$2.9 billion for health capital projects over the three years.

Ministry of Health and Wellness

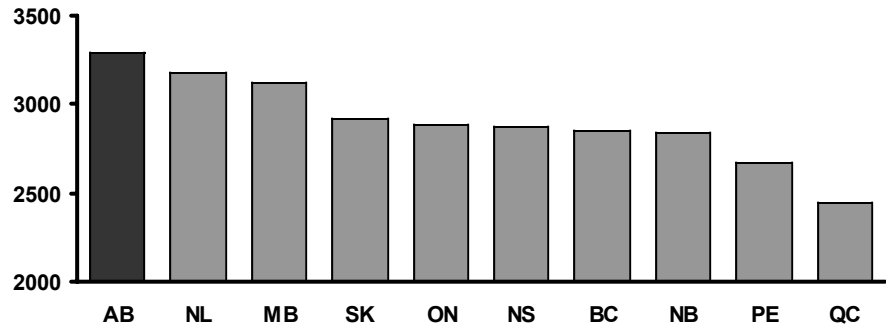
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating Expense				
Health authority operating grants	5,637	5,975	6,334	6,714
Physician services	1,745	1,880	1,941	1,978
Other health services	1,546	1,741	1,724	1,797
Total Operating Expense	8,928	9,596	9,999	10,489
Capital Grants	616	672	1,060	977
Amortization ^a	36	47	50	53
Total Program Expense	9,580	10,315	11,109	11,519
Operating expense increase (%)		7.5	4.2	4.9
Program expense increase (%)		7.7	7.7	3.7
Capital Investment		76	62	62

^a Includes consumption of inventories (vaccines).

Comparison of Provincial Government Health Expenditures 2005-06

(dollars per capita)



Alberta's per capita health spending is one of the highest among the provinces.

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 *Budget 2006*. Statistics Canada's Financial Management System, which uses a narrower definition than CIHI, places Alberta's per capita health spending as second highest among provinces in 2004-05.

SENIORS AND COMMUNITY SUPPORTS

The Ministry provides assistance to seniors and persons with disabilities, and various social housing programs. In 2006-07, operating spending is \$1.7 billion, an increase of 9 per cent or \$141 million.

Total program spending increases by only 2.8 per cent in 2006-07 as a result of lower capital grants for affordable housing and supportive living.

Alberta Seniors Benefit. Program funding is increasing by \$21 million, or over 8 per cent, to \$274 million as part of the increased funding for continuing care. Residents of long-term care and designated assisted living facilities are receiving increased funding to assist with their accommodation costs. The maximum annual benefit rose to \$9,660, effective January 1, 2006.

Assured Income for the Severely Handicapped (AISH). In 2006-07, funding reaches \$574 million, an increase of \$86 million, or nearly 18 per cent (excluding the \$12 million legal settlement in 2005-06). The increase provides for higher caseload volumes and for:

- A \$50 increase in the maximum monthly living allowance to \$1,000, effective April 1, 2006.
- Increased benefits for AISH recipients living in long-term care or designated assisted living spaces as part of the continuing care reforms. The maximum annual benefit was increased by nearly 20 per cent to \$20,810 effective January 1, 2006.
- Full-year costs of changes made in October 2005 to enhance benefits such as special transportation, and to increase employment income exemptions so recipients can benefit more from their earned income.

Seniors Lodge Assistance. Assistance has been increased by \$4.7 million during 2005-06 and a further \$4.2 million in 2006-07.

AISH program spending increases by nearly 18 per cent in 2006-07.

Over 2005-06 and 2006-07, the government is supporting the construction of about 1,500 supportive living units in rural Alberta.

Persons with Developmental Disabilities (PDD). In 2006-07 the budget increases by \$13 million, or 2.6 per cent, to \$509 million. This is on top of the \$10 million in new ongoing annual funding announced in February 2006 for salary increases to some 12,000 frontline staff.

Social Housing Capital. \$69 million is provided in 2006-07, including:

- \$24 million for the Rural Affordable Supportive Living program which supports the creation of housing in rural Alberta for seniors, people with high health needs and lower-income Albertans. This is in addition to the \$76 million provided in 2005-06. Over the two years, this will support the construction of about 1,500 supportive living units in rural Alberta.
- \$44 million is provided to support the development of 350 affordable housing units. This is the final year of the Canada/Alberta Affordable Housing Agreement, which will have provided nearly \$200 million since 2002 to expand the stock of affordable housing units in Alberta.

Ministry of Seniors and Community Supports

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating Expense				
Seniors programs	340	368	380	397
AISH	500	574	609	612
Assistance to PDD	496	509	509	539
Other programs	227	253	274	274
Total Operating Expense	1,563	1,704	1,772	1,822
Capital Grants	160	69	–	–
Amortization/nominal sum disposals	44	44	44	44
Total Program Expense	1,767	1,817	1,816	1,866
Operating expense increase (%)		9.0	4.0	2.8
Program expense increase (%)		2.8	(0.1)	2.8

CONTINUING CARE

Health and Wellness, and Seniors and Community Supports provide health and accommodation services for individuals with chronic care needs in homes, supportive living and long-term care facilities. From 2004-05 to 2008-09, there will be a \$127 million increase in annual funding for continuing care. This allows for:

- Increased hours of nursing and personal care in long-term facilities.
- Increased benefits for accommodation costs for low-income seniors.
- Increased funding for the Seniors Lodge Assistance Program.
- Improved access to community-based services for persons with special needs.
- New accommodation standards in supportive living and long-term care facilities, and mechanisms to monitor and enforce them.

In addition, \$115 million in capital support for rural affordable supportive living and seniors lodges has been allocated in 2005-06 and 2006-07. This will help improve facilities in the continuing care system.

Children's Services program spending increases by 12 per cent in 2006-07.

CHILDREN'S SERVICES

In 2006-07, program expense is \$918 million, an increase of \$99 million, or 12.1 per cent. This funding increase will help strengthen the continuum of services designed to produce better results for children, youth and families in urban, rural and Aboriginal communities.

In late February 2006, the new federal Conservative government informed Alberta that funding for the Early Learning and Child Care initiative would be cancelled after the 2006-07 fiscal year. This decision came too late in Alberta's budget process to determine the possible implications for Children's Services 2007-09 spending plans. As a result, the revenue and expense associated with this initiative are still contained in 2007-08 and 2008-09 plans. Alberta will actively participate in negotiations with the new federal government regarding future federal funding in this area.

In 2006-07, increases in funding allow for:

- **Child Care.** \$147 million for child care programs, an increase of \$49 million or nearly 50 per cent from 2005-06. Alberta's five-point plan, released in October 2005, indicated the additional federal funding would be used to increase child care subsidies and to improve the quality of child care choices.
- **Child Intervention Services.** Funding is increasing by \$22 million, or 5.4 per cent in 2006-07. The protective services safety net is being strengthened through Bill 2, the *Drug Endangered Children Act*. The Act clarifies that children exposed to drug manufacturing and trafficking are victims of abuse and require intervention. It provides an additional tool to rescue, protect, shelter and support drug-endangered children.
- **Family Support for Children with Disabilities.** An additional \$8.8 million, or 10.7 per cent, is being provided to expand services, particularly for those in rural and isolated areas of the province.
- **Other Services.** Funding is increasing by an additional \$16 million or 9.4 per cent. This allows additional resources to be provided for the Prevention of Family Violence and Bullying, and to help youth in government care, including increased bursaries to pursue post-secondary education and expanded transitional supports.

Ministry of Children's Services

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Child intervention services	402	424	427	428
Child care	98	147	149	156
Support for children with disabilities	83	92	101	100
Family and community support services	65	68	70	70
Other services	171	187	198	198
Total Program Expense	819	918	945	952
Program expense increase (%)		12.1	2.9	0.7

SAFE COMMUNITIES

Funding for the Ministries of Justice, and Solicitor General and Public Security is being increased by \$72 million, or 9.9 per cent, in 2006-07.

80 additional RCMP officers to be hired.

Provincial Policing. Funding increases by \$11.8 million, or 8.2 per cent, to \$155.4 million in 2006-07. The increase provides for 80 additional RCMP officers under the Provincial Policing Services Agreement, bringing the overall Alberta complement to over 1,400 officers. In addition, this increase will result in more Alberta Sheriffs being hired to undertake enforcement initiatives on provincial highways as part of the Alberta Traffic Safety Plan.

23 per cent increase in 2006-07 to help in the fight against organized crime.

Organized Crime. Funding to combat organized crime is increasing to \$18 million in 2006-07, a 23 per cent increase. This increase will establish a twenty-member surveillance team that will work closely with the RCMP and municipal police services in providing strategic support to crack down on organized crime. The fight against the use of crystal methamphetamine will continue through the Integrated Response to Organized Crime Unit, other integrated units targeting drugs and gangs, and participation in the newly established Crystal Meth Task Force.

More Crown prosecutors to be hired in 2006-07.

Municipal Policing. Policing assistance to municipalities is being increased by 4.8 per cent to \$48 million in 2006-07 to allow funding to keep pace with population growth in the province, and to deal with unique policing situations faced by specific municipalities.

Enhanced Prosecution Service. Funding for Legal Services provided by Justice is increasing by \$7.9 million, or 9.3 per cent in 2006-07. \$6.3 million of this increase is in the Criminal Justice Division, which includes funding to hire an additional eighteen Crown prosecutors and nine prosecutorial staff. As well, up to ten specialized prosecutorial staff focusing on family violence issues will be added.

Access to Justice. Funding for Court Services increases by \$10.2 million, or 7.6 per cent in 2006-07. The additional funding will be used to appoint additional judges and to hire frontline staff in courthouses and pursue information technology to improve services to judiciary and public.

Alberta Relationship and Threat Assessment and Management Initiative. A multi-disciplinary unit involving the RCMP, municipal agencies, Health and Wellness, Children's Services, Justice, and Solicitor General and Public Security is being established to reduce and manage high-risk family violence and stalking cases.

Ministries of Justice and Solicitor General and Public Security

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Solicitor General and Public Security	413	450	463	463
Justice	313	348	356	357
Total Program Expense	726	798	819	820
Program expense increase (%)		9.9	2.6	0.1

INFRASTRUCTURE AND TRANSPORTATION

The Ministry of Infrastructure and Transportation provides funding for the provincial highway network, municipal infrastructure, natural gas rebates and government facility operations. Initiatives over the next three years include:

- \$3.2 billion in capital support for municipal infrastructure, including municipal water and wastewater systems.
- \$3.6 billion in capital support for the provincial highway network.
- Continued natural gas rebates and initiatives to improve traffic safety.

In 2006-07, program spending, including capital grants to municipalities, is budgeted at almost \$2.6 billion. This is a decrease of about \$370 million from 2005-06, almost entirely as a result of the expected lower costs of the Natural Gas Rebate program. In 2006-07, Infrastructure and Transportation is also providing \$1.3 billion for capital investment in provincial highways and government facilities. This is an increase of \$410 million, or 47 per cent, from the 2005-06 forecast.

CAPITAL SUPPORT FOR MUNICIPAL INFRASTRUCTURE

Over the three years, Alberta municipalities will receive \$3.2 billion in capital support through Infrastructure and Transportation. This includes:

- **Alberta Municipal Infrastructure program** – \$1.8 billion for municipal roads, bridges, public transit, water and wastewater, emergency services and infrastructure management systems.
- **Municipal Transportation Grants** – \$995 million for rural and urban communities for transportation capital projects based on 5 cents per litre of fuel delivered in Edmonton and Calgary, \$60 per capita for other urban municipalities, and on factors such as kilometers of open road and terrain for rural grant programs.
- **Water and Wastewater** – \$126 million for municipal water supply and treatment and wastewater treatment and disposal.
- **Other Municipal Capital Support** – \$320 million in support for the federal New Deal for Cities and Communities, Alberta's share of the Canada/Alberta Municipal Rural Infrastructure Fund and other initiatives.

Alberta municipalities will receive \$3.2 billion in capital support over the three years.

PROVINCIAL HIGHWAY NETWORK

Over the next three years, capital support for the provincial highway network will total \$3.6 billion. This is an increase of \$1.7 billion or 83 per cent from the 2005-08 Capital Plan. This includes:

- \$1.5 billion for the Edmonton and Calgary ring roads.
- \$2.1 billion for other highway construction projects, including the commencement of the twinning of Highway 63 between Edmonton and Fort McMurray, continuing upgrades to other sections of Highways 63 and 881 in and around the Fort McMurray/Wood Buffalo area, twinning sections of the North-South Trade corridor, and other highway rehabilitation throughout the province.

\$3.6 billion in capital support for provincial highways over the three years.

OTHER CAPITAL PROJECTS

Investments of \$672 million in other government-owned capital will also take place over the next three years, for the Royal Alberta Museum, the Calgary Courts Centre, dams, canals and erosion-control infrastructure, and other government facilities.

NATURAL GAS REBATE PROGRAM

The Natural Gas Rebate program was developed to provide some protection to Albertans from high winter natural gas prices. The program has been extended until March 31, 2009 and expanded to include rebates for six months, from October to March. It is expected that approximately \$926 million in rebates will be provided over the next three years.

TRAFFIC SAFETY PLAN

A Traffic Safety Plan is being developed to coordinate new strategies, changes to legislation and increased enforcement. Issues such as driver education and licencing, enforcement, community involvement and road engineering improvements will be addressed.

Over \$900 million in natural gas rebates expected to be provided to Albertans over the three years.

Ministry of Infrastructure and Transportation

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating expense				
Government operations	346	354	352	352
Highway maintenance and other services	281	297	297	297
Total Base Operating Expense	627	651	649	649
Natural Gas Rebate program	726	362	282	282
Capital grants/provincial highway rehabilitation	1,240	1,190	1,243	1,340
Amortization/nominal sum disposals/consumption of inventories	324	345	361	358
Total Program Spending	2,917	2,548	2,535	2,629
Base operating expense change (%)		3.8	(0.3)	–
Program expense change (%)		(12.6)	(0.5)	3.7
Capital Investment				
Provincial highway network	581	976	825	1,453
Other capital projects	289	304	184	184
Total Capital Investment	870	1,280	1,009	1,637

ECONOMIC AND ENVIRONMENTAL INITIATIVES

RURAL DEVELOPMENT

\$100 million is being provided in 2006-07 for an initiative to support rural development.

Rural Development Initiative. In 2006-07, \$100 million is being provided for an initiative to support community-based projects to expand and diversify the rural economy, improve services in local communities and enhance the quality of life for rural families.

The program parameters are being finalized and will reflect input received from rural Albertans. This initiative is in addition to other measures such as increased funding for rural health facilities, affordable housing programs, Agricultural Service Boards, the *Water for Life* strategy, irrigation systems and municipal policing.

Bovine Spongiform Encephalopathy (BSE). The BSE crisis has severely affected rural communities. Nonetheless, farmers, ranchers and those whose livelihood depends on a healthy rural economy have persevered, in part due to support from other Albertans through the government's continuing six-part BSE recovery strategy. *Budget 2006* provides an additional \$20 million to respond, if necessary, to BSE-related changes in feed regulations and specified risk material disposal.

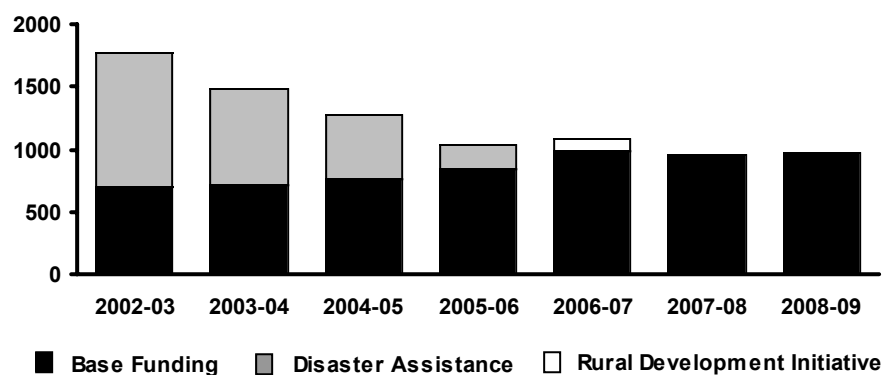
Farm Income Stabilization. Programs are being reviewed to improve their effectiveness. Pilot projects have been introduced to deal with the longer-term declining economics of agricultural production due to sagging agricultural commodity prices, increasing input costs and crises like drought and BSE. As well, the government recently extended enhancements to the Revenue Insurance Coverage and Spring Price Endorsement programs to cover the 2006 crop year. Alberta's grain and oilseeds producers also will see a 20 per cent drop in their share of production insurance premiums for 2006.

Production insurance premiums reductions.

Ministry of Agriculture, Food and Rural Development

Program Expense

(millions of dollars)



The medical, and science and engineering endowments will support \$285 million in research over the three years.

Funding will be provided to promote research into clean coal technologies.

Development of new energy technologies through the Innovative Energy Technologies Program.

RESEARCH AND INNOVATION

Research Endowment Funds. Alberta has two major research endowment funds with total assets of \$2 billion. Over the next three years, these funds will support approximately \$285 million in medical, and science and engineering research in Alberta. In addition, the new \$500 million Alberta Cancer Prevention Legacy Fund will support cancer research.

National Institute of Nanotechnology (NINT). Over the past five years, \$60 million has been invested by Alberta in constructing and equipping one of the world's most technologically advanced facilities for nanotechnology research, with \$47.4 million invested by the provincial government and \$12.6 million from the University of Alberta. The total project cost is \$120 million, funded in partnership with the federal government and the University of Alberta. NINT will explore nanotechnology applications in health, computing science, energy, biotechnology, education, manufacturing and engineering.

Energy Research. \$63 million will be provided for energy research over the next three years, mostly through the Alberta Energy Research Institute. The Institute's six priorities are: clean coal development, bitumen upgrading, enhanced recovery of oil and gas, alternate and renewable energy sources, carbon dioxide, and water management.

Clean Coal Technologies. Alberta has 33.6 billion tonnes of established reserves of coal, and potentially 620 billion tonnes might be available. Clean coal technologies, such as coal gasification, make it possible for coal to be used in an environmentally efficient manner while capturing associated by-products which can enhance value-added opportunities.

Ten per cent of Alberta Energy Research Institute's 2006-09 budget is supporting, in partnership with industry, the federal government and universities, ten clean coal technologies research projects valued at \$18.5 million.

Innovative Energy Technologies Program. A five-year, \$200 million royalty reduction program, including \$15 million for carbon dioxide sequestration, was established in 2005-06. The program encourages development of new energy technologies to increase recoveries from existing and in-situ oil sands reserves, development of new reserves, finding solutions to the gas over bitumen issue, and devising cost reductions that extend oil and gas pools' economic lives. To date, \$68 million in royalty adjustment commitments have been made, of which \$14 million relate to carbon dioxide sequestration.

Life Sciences Research. \$51 million will be provided over the next three years for research on bioproducts, health and nutrition, water, genomics and other platform technologies, and sustainable resource management.

Alberta SuperNet. With the recent completion of SuperNet, Albertans across the province have the opportunity to connect to a high-speed internet network. Currently 25 internet service providers are using SuperNet to provide service in over 97 communities. More communities are expected to connect in the near future.

AVAC Ltd. In 2006-07, AVAC will expand operations to provide managerial and financial support to start-up and early stage ventures in information and communications technology, life sciences and other industrial technology sectors. \$30 million was provided for this initiative in February 2006.

THE ENVIRONMENT

Water for Life: Alberta's Strategy for Sustainability

Water for Life funding will total \$172 million over the three years.

In 2005-06, \$105 million was provided for implementing the *Water for Life* strategy. This strategy is focused on safe, secure drinking water, healthy aquatic ecosystems and sustainable supplies of water. Over the three years, \$172 million in operating and capital support will be provided, including:

- \$126 million in capital grants to support municipal water supply and treatment, and wastewater treatment and disposal.
- \$33 million to improve understanding of groundwater in the province, accelerate the completion of flood risk mapping to reduce risk and liabilities from flooding, advance drinking water programs for smaller communities, and for water monitoring equipment.
- \$13 million to expand testing capacity for drinking water, augment emergency response support to public and private water systems, enhance waterborne health protection systems, upgrade drinking water systems and continue monitoring water quality in provincial parks.

In addition to the *Water for Life* funding, \$144 million over three years is committed for irrigation rehabilitation grants, government dams, canals and erosion-control infrastructure and other initiatives.

Climate Change. In 2006-07, \$12 million is provided for Climate Change activities. This includes \$8 million in research funding through the Alberta Energy Research Institute. Other initiatives include energy efficiency and conservation programs. In 2006-07, amendments to the *Climate Change and Emissions Management Act* will be introduced providing regulatory authority to set greenhouse gas emissions limits for industrial facilities.

Forest Management. Over three years, \$70 million will be provided to continue to upgrade aircraft and air tanker bases used for fighting wildfires, and \$8 million will be provided to continue to address the mountain pine beetle infestation.

Land Use Framework Initiative. \$15 million will be provided over three years for consulting with Albertans on land use in developing a decision-making framework. Funding also allows for improving land use resource information to support decision-making for environmental sustainable resource management, and for enhancing the existing land disposition approval process.

Alberta Energy and Utilities Board. There is a \$14 million increase in their 2006-07 budget. This increase will be used to help improve public and environmental safety, and adapt regulatory activities to new energy resources being developed (such as coalbed methane, shale gas, low-productivity oil and gas).

Increased funding for tourism and the film development program.

OTHER INITIATIVES

Tourism. In 2006-07, tourism funding is increasing by over \$6 million, or 14.6 per cent, to \$48 million, for expanded national and international marketing and development of new tourism opportunities.

Alberta Film Development Program. Funding for the program is increasing by 10 per cent to almost \$15 million in 2006-07. The program is targeted to reach \$18 million by 2008-09, a \$4.5 million, or 33 per cent, increase over the next three years.

Community and Cultural Foundations. A total of \$7 million is being added to the budgets of provincial foundations supporting programs in the arts, sports and recreation, human rights and multiculturalism, volunteerism and historical resources sectors.

Employment and Income Support. Increased funding is being provided for workplace health and safety initiatives, and immigration services, including enhanced English as a Second Language training and foreign credential recognition.

Strong employment growth has allowed funding to be reallocated within Alberta Works:

- to skills and apprenticeship training programs, with an emphasis on occupations facing labour shortages, and
- for a 5% increase in Alberta Works core benefit rates for almost 12,000 clients who are not expected to work.

First Nations. Over the next three years, \$21 million will be spent on the First Nations Economic Participation initiative. \$10 million is also being provided to accelerate completion of Traditional Use Studies. This should facilitate improved resource management decision-making by avoiding potential land use conflicts with First Nations.

Regulatory Reform. Alberta's regulatory regime will be reviewed in 2006-07. Opportunities to streamline activities and to remove duplication will be identified.

Economic and Revenue Outlook

High energy prices, along with strong investment and consumer spending, resulted in Alberta's economy growing by 4.3 per cent in 2005, the best performance by any province for the second consecutive year. Alberta's unemployment rate of 3.9 per cent was the lowest in Canada and Alberta had the highest average personal disposable income of any province.

Alberta's real economic growth is forecast at 4.8 per cent in 2006.

Economic growth is expected to be 4.8 per cent in 2006. Increasing production from oil sands, rising investment and consumer spending, along with an improved agriculture sector, will all contribute to continued strong growth. Over the medium term, Alberta's economic outlook is very positive, with growth averaging 3.5 per cent per year through 2009. Alberta will remain at essentially full employment, with employment growing at 2.2 per cent per year and the unemployment rate remaining at 3.9 per cent.

Total revenue is estimated at \$32.4 billion in 2006-07.

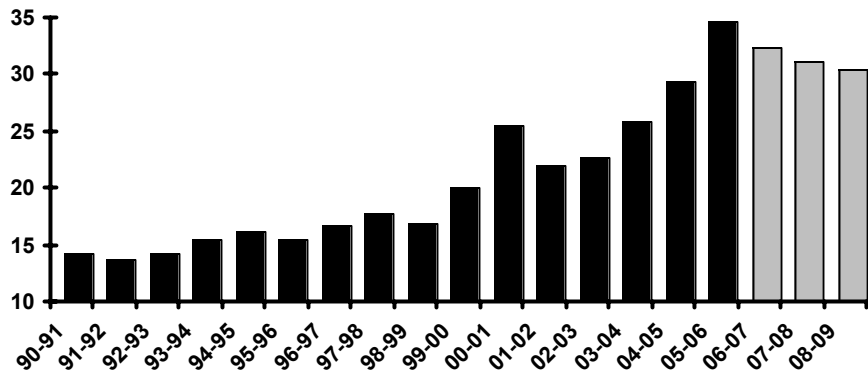
REVENUE OUTLOOK

In 2005-06, revenue increased by 18 per cent to \$34.6 billion. This was the result of record non-renewable resource revenue which increased by nearly 50 per cent. Revenue from other sources (before deducting the Alberta 2005 Resource Rebates) increased by about 10 per cent, reflecting strong corporate and personal income tax revenue and investment income.

Over the next three years, total revenue is expected to decline. Energy prices are assumed to fall back from their current peaks, resulting in a decline in resource revenue. The growth in revenue from other sources is also expected to be lower due to tax reductions and a more moderate rate of return on investment income. As a result, revenue will decline by \$2.2 billion, or 6.3 per cent, in 2006-07 and a further 5.9 per cent over the following two years.

Total Revenue

(billions of dollars)



The volatility of energy prices makes it difficult to accurately forecast government revenue. While non-energy revenue can be expected, on average, to grow roughly in line with the growth in the economy, energy revenue can change by billions of dollars in a single year. For this reason,

legislated limits have been placed on the amount of non-renewable resource revenue that can be used for budget purposes. This provides a more predictable level of revenue on which to base program spending decisions.

The *Fiscal Responsibility Act* will limit the amount of non-renewable resource revenue that can be used for budget purposes to \$5.3 billion in *Budget 2006*. However, the Act does allow budgeted revenue to be supplemented through transfers from the Capital Account for capital projects and from the Sustainability Fund for natural gas rebates, emergencies/disasters and settlements with First Nations.

Over three years, the Capital Account provides an average of \$2.3 billion per year for capital grants. The Sustainability Fund will also provide an average of \$309 million a year for natural gas rebates.

Revenue

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Tax revenue	11,731	11,546	11,891	12,453
Non-renewable resource revenue	14,362	11,354	9,448	8,238
Transfers from Government of Canada	3,363	3,398	3,572	3,658
Investment income	2,106	1,767	1,798	1,741
Other revenue	4,359	4,343	4,410	4,420
Total Revenue (prior to rebates)	35,921	32,408	31,119	30,510
<i>Alberta 2005 Resource Rebate</i>	(1,320)	-	-	-
Total Revenue	34,601	32,408	31,119	30,510

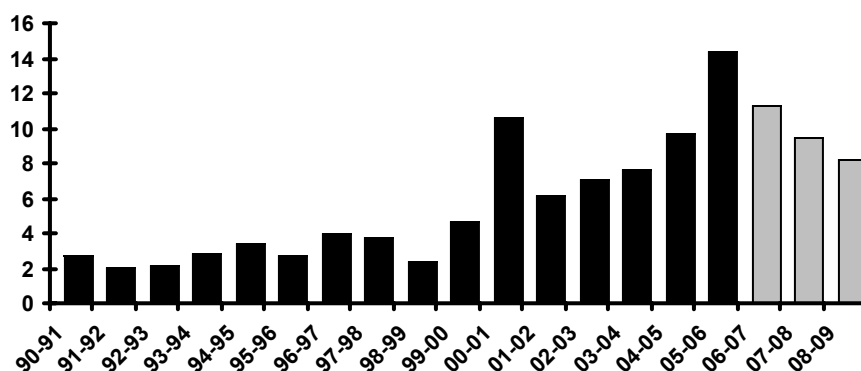
NON-RENEWABLE RESOURCE REVENUE

In 2005-06, energy prices reached record levels. Oil prices averaged US\$60 per barrel and natural gas prices averaged Cdn\$8.40 per GJ. These exceptionally high oil and natural gas prices, combined with record land lease sales, resulted in a record \$14.4 billion in non-renewable resource revenue in 2005-06.

Non-renewable resource revenue in 2005-06 was nearly double the level it was just two years ago, in 2003-04, and nearly five times higher than it was through most of the 1990s.

Non-Renewable Resource Revenue

(billions of dollars)



With energy prices and revenue at record levels, the potential downside risk to government revenue is greater than in previous years.

Resource revenue is forecast at \$11.4 billion in 2006-07.

The budget forecasts oil prices at US\$50.00 in 2006-07, declining to US\$42.50 by 2008-09. Natural gas prices are forecast at Cdn\$7.50 in 2006-07, declining to Cdn\$6.25 by 2008-09.

Fiscal Year Assumptions

	2005-06	2006-07	2007-08	2008-09
Oil Price (WTI US\$/bbl)	60.00	50.00	45.00	42.50
Natural Gas Price (Cdn\$/GJ)	8.40	7.50	6.50	6.25
Exchange Rate (US\$/Cdn\$)	84.0	85.8	85.0	85.0

Energy Price Forecasts by Other Organizations

Most forecasters surveyed expect energy prices will decline over the next three years from current levels.

The rapid rise in energy prices in recent years was unexpected by most analysts. Today, there is even less certainty over energy prices. Generally, energy analysts surveyed have indicated that they expect oil and natural gas prices to decline from current levels. However, the timing and extent of the expected decline vary considerably.

By 2008-09, the average oil price of energy analysts surveyed is about US\$46 while the average natural gas price is the equivalent of just under Cdn\$6.00 per GJ.

These prices are similar to the medium-term forecast being used in *Budget 2006*. However, *Budget 2006* does assume the decline in oil prices will occur about a year faster than most industry analysts surveyed.

Reflecting the uncertainty over energy prices, forecasters have a fairly wide range of views. Based on the forecasts reviewed, for 2006-07, there is about a US\$24 range in oil prices and Cdn\$2.75 range in natural gas prices. This suggests non-renewable resource revenue could be between \$10 billion and \$16 billion.

Comparison of Energy Price Forecasts

	Private Forecasters ^a			Budget 2006
	High	Low	Average	
2006-07				
Oil Price (WTI US\$/bbl)	72.49	48.16	59.92	50.00
Natural Gas Price (Cdn\$/GJ)	9.09	6.36	7.52	7.50
2007-08				
Oil Price (WTI US\$/bbl)	72.73	46.24	55.37	45.00
Natural Gas Price (Cdn\$/GJ)	8.41	5.66	6.81	6.50
2008-09				
Oil Price (WTI US\$/bbl)	56.19	35.00	46.16	42.50
Natural Gas Price (Cdn\$/GJ)	7.63	4.65	5.86	6.25

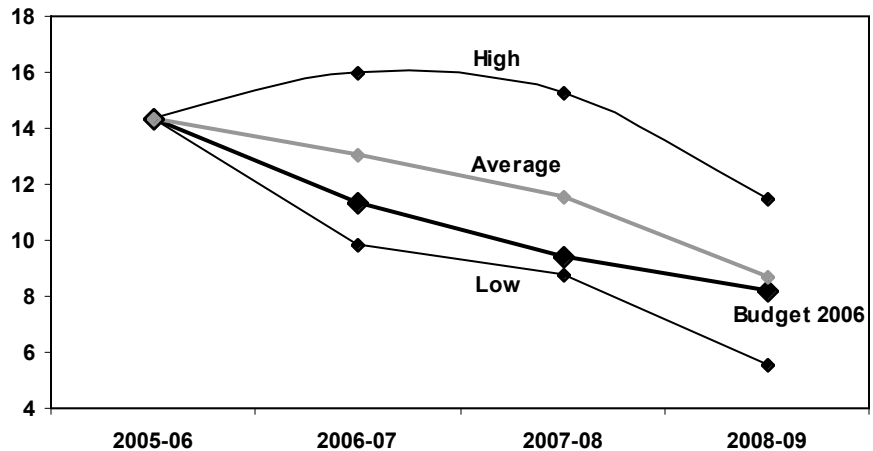
a Private forecasts have been converted to a fiscal year basis, and for natural gas prices, from Henry Hub US\$/MMBTU basis to Cdn\$/GJ.

Further details on energy price forecasts by other organizations are in the Economic Outlook chapter.

Energy Revenue Scenarios^a - A \$6 Billion Range

(billions of dollars)

\$6 billion range between high and low energy price scenarios.



^a Non-renewable resource revenue scenarios are based on a survey of oil and natural gas price projections from leading forecasting organizations. Not all of these forecasts are publicly released.

Budget 2006 Non-Renewable Resource Revenue Forecast

2006-07 non-renewable resource revenue is estimated at \$11.4 billion. This is \$3 billion, or 21 per cent, lower than 2005-06. Over the following two years, non-renewable resource revenue is forecast to decline by \$1.9 billion and \$1.2 billion, reaching \$8.2 billion in 2008-09.

Bonuses and sales of Crown leases reached a record level of \$3.4 billion in 2005-06, almost \$2.2 billion higher than the previous record in 2004-05. The budget assumes bonuses and sales of Crown leases revenue will return to roughly 2004-05 levels for 2006-07 and the following two years.

Royalties from synthetic crude oil and bitumen to reach \$1.7 billion in 2006-07.

Royalties from synthetic crude oil and bitumen also reached a record level in 2005-06, at almost \$1.2 billion. In 2006-07 and 2007-08, royalties from oil sands are expected to surpass that record by over \$500 million, with revenue estimated at \$1.7 billion. Strong oil prices will increase royalties from projects in payout and accelerate the timing of project payout for other projects. In 2008-09, royalties are forecast to drop by \$350 million, as adjustments within the royalty system to treat all projects on a similar basis are expected to take place.

Non-Renewable Resource Revenue

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Natural gas and by-products royalty	8,238	7,146	5,578	4,942
Crude oil royalty	1,447	954	798	685
Synthetic crude oil and bitumen royalty	1,184	1,716	1,712	1,351
Coal royalty	11	11	11	11
Bonuses and sales of Crown leases	3,440	1,479	1,293	1,191
Rentals and fees	155	150	150	148
Royalty tax credit	(113)	(102)	(94)	(90)
Total Non-Renewable Resource Revenue	14,362	11,354	9,448	8,238

TAX REVENUE

In 2006-07, total tax revenue is estimated at \$11.5 billion. This is \$1.1 billion higher than in 2005-06. The increase is due to a one-time \$1.3 billion reduction in 2005-06 for the Alberta 2005 Resource Rebate. The rebate is a refundable tax credit and the cost is reported as a reduction to personal income tax revenue.

Excluding the resource rebates, total tax revenue is \$185 million, or 1.6 per cent, lower than in 2005-06. The decrease is due primarily to a reduction in the corporate income tax rate and the effect of prior years' adjustments to personal income tax. In the following two years, tax revenue is forecast to grow by an average of about 3.9 per cent a year.

Base growth rate in personal income tax revenue expected to be about 7 per cent per year.

Personal income tax revenue is forecast at \$6 billion, an increase of \$102 million, or 1.7 per cent in 2006-07. This excludes the Alberta 2005 Resource Rebates. The relatively low increase is mostly due to prior years' adjustments related to 2003 and 2004 tax years. These adjustments increased 2005-06 base revenue. Taking these adjustments into account, the 2006-07 base growth rate in personal income tax is forecast to be 7.4 per cent. In the following two years, the growth in personal income tax revenue will average around 7 per cent a year.

The corporate income tax rate reduced from 11.5 per cent to 10 per cent.

Corporate income tax revenue is forecast at \$2.2 billion in 2006-07, a decline of \$369 million, or 14.2 per cent, largely due to a reduction in the general tax rate from 11.5 per cent to 10 per cent. The tax reduction reduces revenue by \$265 million. Lower corporate profits due to expected lower energy prices account for the remainder of the decrease. Over the following two years, corporate income tax revenue is forecast to decline by a further 1.8 per cent, reflecting lower energy prices and economic growth moderating from 4.8 per cent to 3.5 per cent.

School property tax revenue is forecast at \$1.3 billion, an increase of about \$22 million, or 1.7 per cent, in 2006-07. In the following two years, school property tax revenue is forecast to grow by about 4 per cent a year.

Other tax revenue is expected to be relatively unchanged over the next three years, at about \$2 billion. Reductions in freehold mineral rights tax revenue offset most of the increase in revenue from the other tax sources.

Tax Revenue

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Personal income tax	5,897	5,999	6,423	6,867
Corporate income tax	2,596	2,227	2,131	2,188
School property tax	1,284	1,306	1,356	1,410
Other taxes	1,954	2,014	1,981	1,988
Total Tax Revenue (prior to rebates)	11,731	11,546	11,891	12,453
<i>Alberta 2005 Resource Rebate</i>	(1,320)	—	—	—
Total Tax Revenue	10,411	11,546	11,891	12,453

Federal transfers will total almost \$3.4 billion in 2006-07.

TRANSFERS FROM GOVERNMENT OF CANADA

Transfers from the Government of Canada represent about 12 per cent of Alberta's program expense. Federal transfers are estimated at almost \$3.4 billion in 2006-07, an increase of \$35 million, or 1 per cent from 2005-06.

Most of the increase in ongoing federal transfer programs is offset by the ending of several special health transfers and the absence of federal disaster payments for floods in 2006-07.

Health transfers are estimated at \$1.9 billion in 2006-07, a 1.1 per cent increase from 2005-06. The Canada Health Transfer is forecast to increase by 11 per cent, but this is almost entirely offset by the wind up of three other special health transfer programs (Diagnostic/Medical Equipment and the 2003 and 2004 CHST Supplements). In the following two years, total health transfers are forecast to increase by 6.7 per cent and 4 per cent.

Agriculture transfers dropped significantly in 2005-06 due to lower BSE assistance and good crop conditions that lowered requirements for agriculture income stabilization and production insurance payments. Federal agriculture transfers are expected to return to more customary levels of about \$300 million a year for the 2006-09 period.

The **Canada Social Transfer**, which supports post-secondary education and social programs, is forecast to increase by 10.4 per cent, to \$678 million in 2006-07 and by an average of 5 per cent in the following two years.

Other federal transfers are forecast to decline in 2006-07 by 19 per cent, primarily due to the reduction in transfers related to flood disasters.

Other transfers also include the Early Learning and Child Care initiative. The federal government informed Alberta, in late February 2006, that this initiative would be cancelled after the 2006-07 fiscal year. This decision came too late in Alberta's budget process to determine the possible implications for 2007-08 and 2008-09 budget plans. The revenue forecast for 2007-08 and 2008-09 still includes the transfer of \$117 million in each year for this initiative as identified under the original agreement.

Transfers from Government of Canada

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Health transfers	1,867	1,888	2,015	2,096
Canada Social Transfer	614	678	718	745
Agriculture support programs	227	303	302	300
Other transfers	655	529	537	517
Total Federal Transfers	3,363	3,398	3,572	3,658

Investment income is estimated at \$1.8 billion in 2006-07.

INVESTMENT INCOME

Investment income is estimated to be \$1.8 billion in 2006-07, a decrease of \$339 million, or 16.1 per cent, from the 2005-06 forecast. The decline is primarily due to an expected lower rate of return on Heritage Fund and other endowment fund investments. Investment income is forecast to remain relatively flat over the following two years.

Heritage Fund and other endowment funds realized investment income is expected to drop in 2006-07 by about \$385 million. The decline is primarily due to lower equity and fixed income realized rates of return, partly offset by additional deposits to the Heritage Fund and Medical Research Endowment Fund. In 2005-06, these funds had a realized rate of return of about 10 per cent because of the strong Canadian equity market. In 2006-07, the realized rate of return is expected to be about 6 per cent. The forecast is based on equity market returns reverting to the long-term average and on rising interest rates.

Alberta Capital Finance Authority's investment income is forecast to continue to decline over the next three years because interest rates on new loans that are being issued are lower than the rates on maturing longer-term loans.

Other investment income is expected to increase in 2006-07 and 2007-08, primarily due to higher interest rates and higher balances in the Sustainability Fund and the Capital Account, and income earned on the new Alberta Cancer Prevention Legacy Fund. In 2008-09, other investment income declines as the Capital Account is drawn down to fund capital projects and the Debt Retirement Account continues to be drawn down to pay off maturing debt.

Investment Income

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Alberta Heritage Savings Trust Fund	1,197	874	833	847
Alberta Capital Finance Authority	286	275	261	246
Endowment funds	181	119	131	148
Other investment income	442	499	573	500
Total Investment Income	2,106	1,767	1,798	1,741

REVENUE FROM OTHER SOURCES

Revenue from other sources is estimated at \$4.3 billion in 2006-07, essentially unchanged from 2005-06. Increasing net income from commercial operations, primarily Alberta Treasury Branches, is offset by lower timber rentals and fees and lower health care insurance premiums revenue.

Timber rentals and fees are decreasing due to forecast lower lumber prices and the reduction associated with the updating of Alberta's Softwood Stumpage System, effective January 1, 2006. Health care insurance premiums decrease in 2006-07 because the threshold at which low-income families and individuals begin to pay premiums has been raised by \$5,000.

Over the following two years, revenue from other sources is expected to remain relatively flat.

Revenue from Other Sources

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Net income from commercial operations	2,062	2,094	2,144	2,113
Premiums, fees and licences	1,799	1,752	1,794	1,841
Other	498	497	472	466
Total Revenue from Other Sources	4,359	4,343	4,410	4,420

RISKS

Economic

- The budget is based on continued strong Alberta and world economic growth. The U.S. budget and current account imbalances have the potential to disrupt world financial markets and significantly reduce U.S. and global economic growth in the medium term.
- Higher-than-expected increases in overall consumer and wholesale prices could cause inflationary pressures to emerge nationally and internationally. Monetary authorities would respond by raising short-term rates higher than expected, triggering slower world economic growth.
- In Alberta, tight labour markets and the robust Alberta economy could exacerbate wage pressures, making some sectors become less competitive. Inflationary pressures could increase government and private sector costs, particularly related to the construction sector.

Energy Prices

- There is significant uncertainty over energy prices. A greater-than-expected decline in world energy prices could negatively impact Alberta's energy sector and reduce government revenue.
- Higher-than-forecast energy prices would increase government revenue, but global economic growth could be negatively affected.

Exchange Rate

- The budget assumes the Canadian dollar will average about 85 cents relative to the US dollar.
- A stronger-than-expected Canadian dollar could negatively affect exports and economic growth. Oil and gas activity could also be negatively affected due to lower returns for energy exporters. A high Canadian dollar also lowers government resource revenue, as energy prices and contracts are mainly based on the US dollar.

Investment Income

- Alberta has significant financial assets that are invested in a variety of financial instruments. Changes in equity markets, interest rates, exchange rates and other factors affect the rate of return on these assets.

Emergency and Disaster Assistance

- Alberta has provided emergency and disaster assistance over the last several years to deal with drought, BSE, floods, wild fires and mountain pine beetle infestations. The amounts and occurrence of these spending requirements are not predictable. The Sustainability Fund was created in part as a risk management tool that is available to offset these types of unexpected costs.

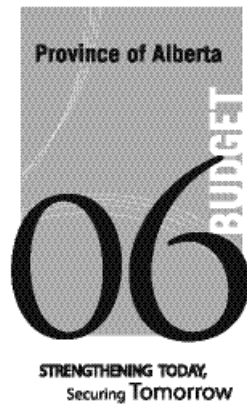
Sensitivities to Fiscal Year Assumptions, 2006-07^a

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-123	—	-123
Natural Gas Price (Cdn\$/GJ)	-10¢	-104	—	-104
Exchange Rate (US¢/Cdn\$)	+1¢	-172	—	-172
Interest Rates	+1%	-200	+5	-205

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land lease sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

FISCAL PLAN TABLES



Fiscal Summary^a

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Revenue	29,328	27,346	34,601	32,408	31,119	30,510
Expense						
Program	23,851	25,535	26,966	28,067	29,161	29,903
Debt servicing costs	302	291	260	245	243	238
Total Expense ^b	24,153	25,826	27,226	28,312	29,404	30,141
Net Revenue (surplus)	5,175	1,520	7,375	4,096	1,715	369
Transfer from Capital Account for Capital Grants	1,209	1,274	1,795	1,896	2,451	2,587
Net transfer from (to) Sustainability Fund	(6,384)	(2,546)	(9,170)	(5,692)	(3,866)	(2,656)
Contingency Allowance	-	248	-	300	300	300

^a For fiscal policy purposes under the *Fiscal Responsibility Act* (pending legislative amendment). Amounts for 2004-05 and 2005-06 have been restated to be comparable to the 2006-07 presentation. Excludes the increase in pension obligations, estimated to be \$147 million in 2006-07, \$149 million in 2007-08 and \$165 million in 2008-09.

^b Capital investment (not included in expense) :

	828	1,037	1,088	1,519	1,199	1,824
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Allocation of Surpluses

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Net Revenue (surplus)	5,175	1,520	7,375	4,096	1,715	369
Adjustments						
Contingency Allowance	-	(248)	-	(300)	(300)	(300)
Retained income of funds and agencies and cash adjustments ^a	(520)	384	(82)	(746)	(217)	(410)
Net cash required for capital investment from Capital Account ^b	(433)	(435)	(494)	(813)	(495)	(1,238)
Net withdrawal from Capital Account ^c	506	-	-	-	95	1,848
Sustainability Fund assets over \$2.5 billion at start of year	-	998	998	1,583	1,908	2,247
Net Amount Available for Allocation	4,728	2,219	7,797	3,820	2,706	2,516
Allocation						
Debt Retirement Account	3,730	-	-	-	-	-
Capital Account - net deposits for future year use	-	1,554	3,569	-	-	-
Heritage Fund - deposit	-	-	1,000	1,000	-	-
Heritage Fund - inflation proofing	-	215	345	242	309	300
Advanced education endowment (in the Heritage Fund)	-	250	750	-	-	-
Scholarship Fund	-	-	250	20	-	-
Medical Research Endowment Fund	-	200	200	150	150	-
Science and Engineering Research Endowment Fund	-	-	100	-	-	-
Alberta Cancer Prevention Legacy Fund	-	-	-	500	-	-
Sustainability Fund assets over \$2.5 billion at end of year	998	-	1,583	1,908	2,247	2,216
Total Allocation	4,728	2,219	7,797	3,820	2,706	2,516

^a Includes cash adjustments and cash from fourth quarter results transferred in the following year.

^b Cash required for capital investment from current year surplus and/or net withdrawal from Capital Account.

^c Net amount withdrawn from Capital Account after current year allocations and withdrawals.

Balance Sheet Summary

(millions of dollars)

	At March 31				
	2005 Actual	2006 Forecast	2007 Estimate	2008 Target	2009 Target
Financial Assets					
Heritage Fund external investments	11,274	13,376	14,699	15,007	15,308
Self-supporting lending organizations	6,037	5,934	6,324	6,587	6,894
Sustainability Fund	3,498	4,083	4,408	4,747	4,716
Endowment funds ^b	1,658	2,299	2,968	3,122	3,130
Capital Account	674	4,243	4,243	4,148	2,300
Debt Retirement Account	3,479	2,214	2,041	1,792	1,166
Other financial assets	7,227	7,520	8,467	8,916	9,714
Total Financial Assets	33,847	39,669	43,150	44,319	43,228
Liabilities					
Accumulated debt	3,475	2,210	2,037	1,788	1,162
Pension obligations	5,235	5,449	5,596	5,745	5,910
Self-supporting lending organizations	4,928	4,671	4,935	5,110	5,347
Liabilities for government-owned capital	8	83	231	345	340
Other liabilities	5,041	5,514	5,621	5,644	5,811
Total Liabilities	18,687	17,927	18,420	18,632	18,570
Net Financial Assets	15,160	21,742	24,730	25,687	24,658
Capital Assets	10,921	11,500	12,461	13,070	14,303
Net Assets	26,081	33,242	37,191	38,757	38,961
Adjustment for pension obligations	5,235	5,449	5,596	5,745	5,910
Net Assets for Fiscal Policy Purposes ^a	31,316	38,691	42,787	44,502	44,871

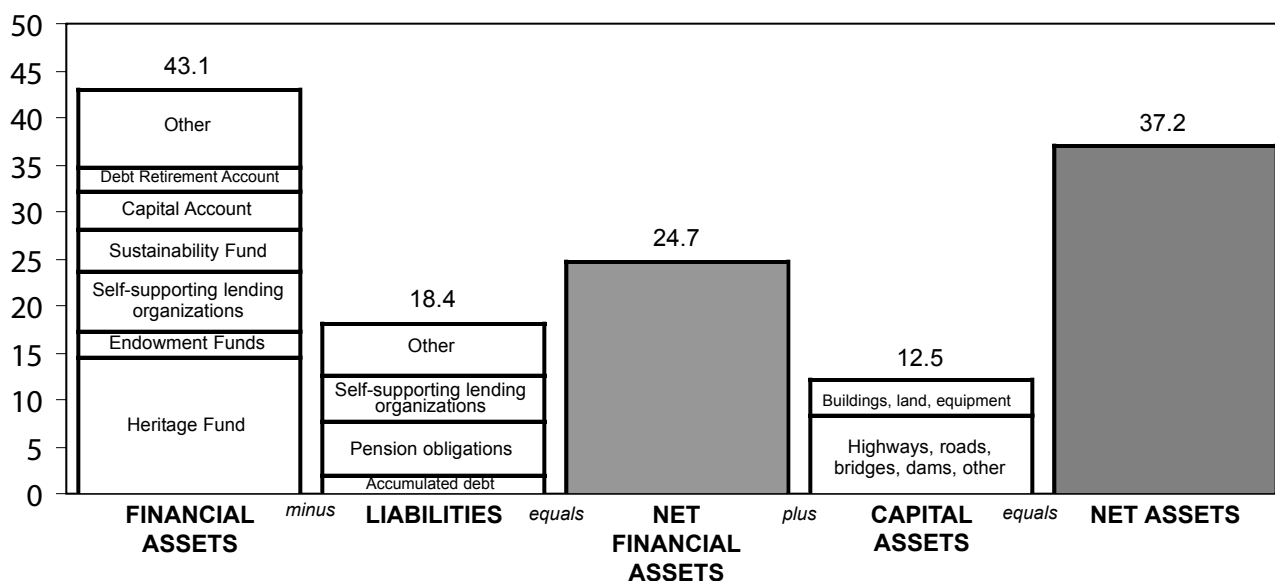
^a Under the *Fiscal Responsibility Act*. Excludes pension obligations.

^b Includes the Alberta Cancer Prevention Legacy Fund.

Estimate of Assets, Liabilities and Net Assets

at March 31, 2007

(billions of dollars)

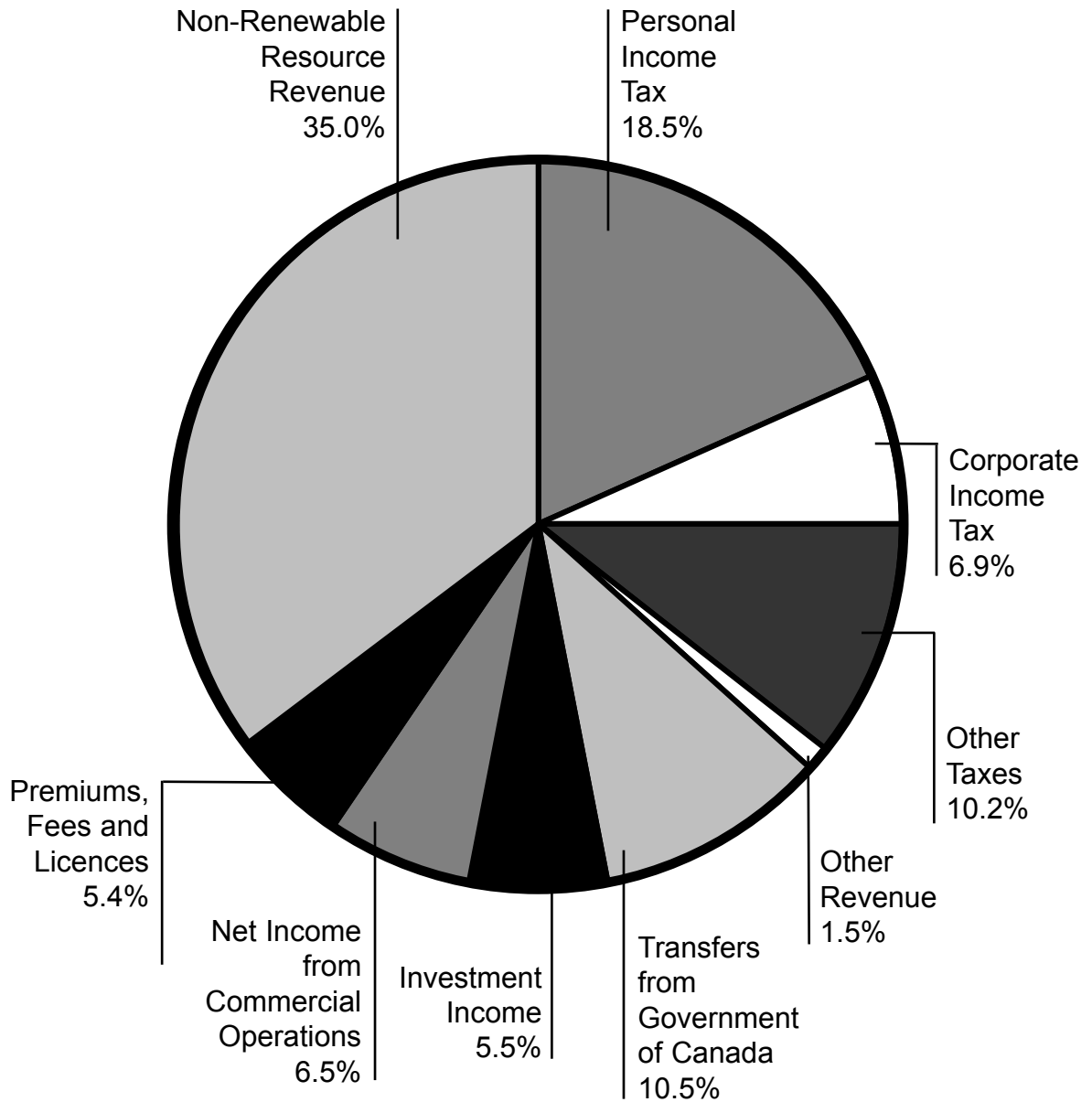


Revenue

(millions of dollars)

	2004-05	2005-06	2005-06	2006-07	2007-08	2008-09
	Actual	Budget	Forecast	Estimate	Target	Target
Income Taxes						
Personal income tax	4,649	5,199	5,897	5,999	6,423	6,867
Alberta 2005 Resource Rebate	-	-	(1,320)	-	-	-
Corporate income tax	2,364	2,278	2,596	2,227	2,131	2,188
	7,013	7,477	7,173	8,226	8,554	9,055
Other Taxes						
School property tax	1,247	1,273	1,284	1,306	1,356	1,410
Tobacco tax	698	735	723	740	755	770
Fuel tax	641	645	635	643	655	665
Freehold mineral rights tax	306	310	349	386	313	280
Insurance taxes	212	186	197	195	207	220
Hotel room tax/Tourism levy	61	50	50	50	51	53
	3,165	3,199	3,238	3,320	3,337	3,398
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	6,439	5,418	8,238	7,146	5,578	4,942
Crude oil royalty	1,273	923	1,447	954	798	685
Synthetic crude oil and bitumen royalty	718	393	1,184	1,716	1,712	1,351
Coal royalty	11	8	11	11	11	11
Bonuses and sales of Crown leases	1,252	886	3,440	1,479	1,293	1,191
Rentals and fees	153	145	155	150	150	148
Royalty tax credit	(102)	(93)	(113)	(102)	(94)	(90)
	9,744	7,680	14,362	11,354	9,448	8,238
Transfers from Government of Canada						
Health transfers	1,737	2,048	1,867	1,888	2,015	2,096
Canada Social Transfer	605	690	614	678	718	745
Agriculture support programs	506	355	227	303	302	300
Other	371	408	655	529	537	517
	3,219	3,501	3,363	3,398	3,572	3,658
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,260	1,202	1,291	1,300	1,315	1,236
Liquor revenue	567	560	570	571	581	592
Alberta Treasury Branches	187	162	195	217	242	278
Other	6	5	6	6	6	7
	2,020	1,929	2,062	2,094	2,144	2,113
Premiums, Fees and Licences						
Health care insurance premiums	918	875	903	882	897	913
Motor vehicle licences	285	291	298	305	313	321
Crop and hail insurance premiums	136	157	142	124	141	148
Timber rentals and fees	130	81	120	81	71	78
Land titles	47	50	54	54	57	60
Other	288	277	282	306	315	321
	1,804	1,731	1,799	1,752	1,794	1,841
Investment Income						
Alberta Heritage Savings Trust Fund	1,078	669	1,197	874	833	847
Alberta Capital Finance Authority	305	287	286	275	261	246
Agriculture Financial Services Corporation	81	86	84	86	91	97
Sustainability Fund	80	80	90	125	165	175
Debt Retirement Account	56	115	115	89	81	62
Endowment Funds						
Medical Research	73	37	93	61	68	80
Science and Engineering Research	29	20	51	31	35	39
Scholarship	21	13	37	27	28	29
Capital Account	28	28	55	135	165	95
Other	61	41	98	64	71	71
	1,812	1,376	2,106	1,767	1,798	1,741
Other						
Refunds of expense	123	82	99	97	97	97
Fines and penalties	73	72	72	78	78	78
Miscellaneous	355	299	327	322	297	291
	551	453	498	497	472	466
Total Revenue	29,328	27,346	34,601	32,408	31,119	30,510

2006-07 Revenue
\$32.4 billion



Expense by Ministry

(millions of dollars)

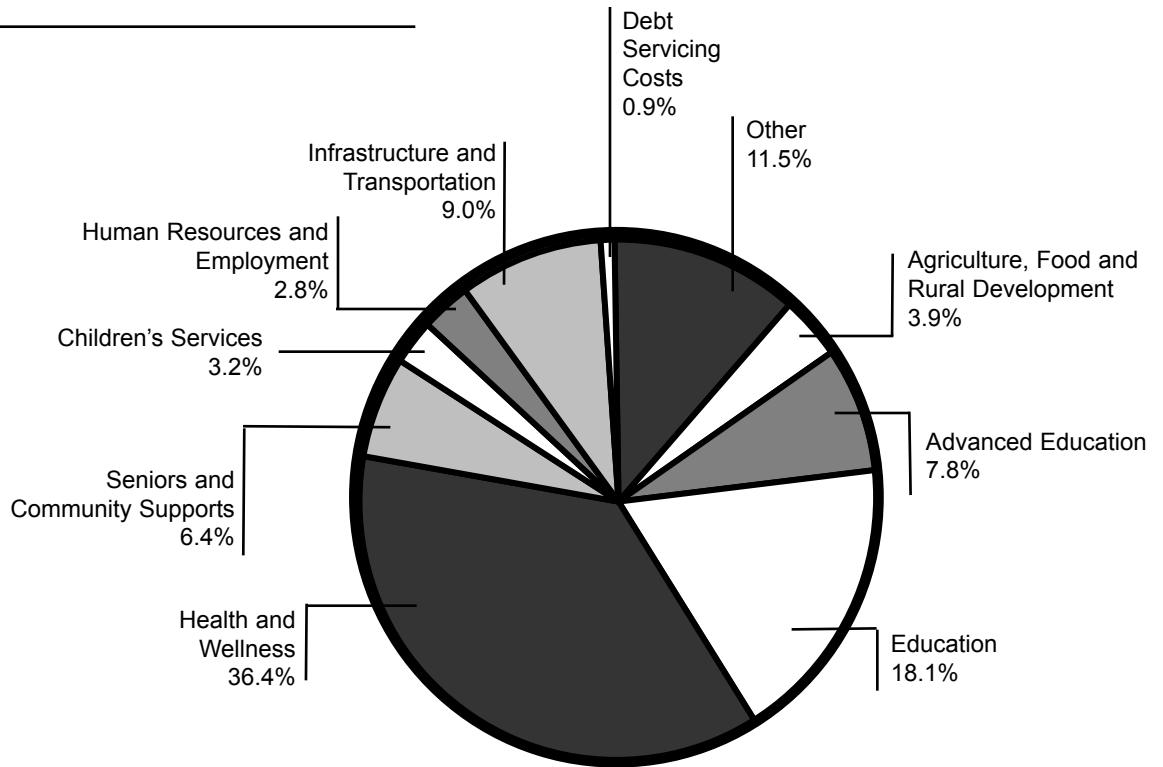
	2004-05	2005-06	2005-06	2006-07	2007-08	2008-09
	Actual	Budget	Forecast	Estimate	Target	Target
Program						
Legislative Assembly	72	70	69	75	77	93
Aboriginal Affairs and Northern Development	35	39	39	44	30	30
Advanced Education	1,663	1,761	1,845	2,198	2,498	2,515
Agriculture, Food and Rural Development	1,287	1,146	1,033	1,093	959	969
Children's Services	753	790	819	918	945	952
Community Development	186	231	282	242	209	210
Economic Development	69	92	91	103	106	108
Education	4,438	4,706	4,800	5,127	5,229	5,354
Energy	189	200	202	219	221	221
Environment	130	135	140	143	143	145
Executive Council	17	22	22	25	26	26
Finance	574	586	564	596	603	607
Gaming	196	169	243	202	247	247
Government Services	76	90	89	99	101	103
Health and Wellness	8,925	9,351	9,580	10,315	11,109	11,519
Human Resources and Employment	753	772	780	789	785	782
Infrastructure and Transportation	1,659	2,350	2,917	2,548	2,535	2,629
Innovation and Science	195	180	195	181	165	164
International and Intergovernmental Relations	8	10	10	11	10	10
Justice	279	310	313	348	356	357
Municipal Affairs	147	126	304	139	142	146
Restructuring and Government Efficiency	114	149	132	147	147	147
Seniors and Community Supports	1,417	1,627	1,767	1,817	1,816	1,866
Solicitor General and Public Security	355	402	413	450	463	463
Sustainable Resource Development	314	221	317	238	239	240
Total Program Expense	23,851	25,535	26,966	28,067	29,161	29,903
Debt Servicing Costs	302	291	260	245	243	238
Total Expense	24,153	25,826	27,226	28,312	29,404	30,141

Expense by Function

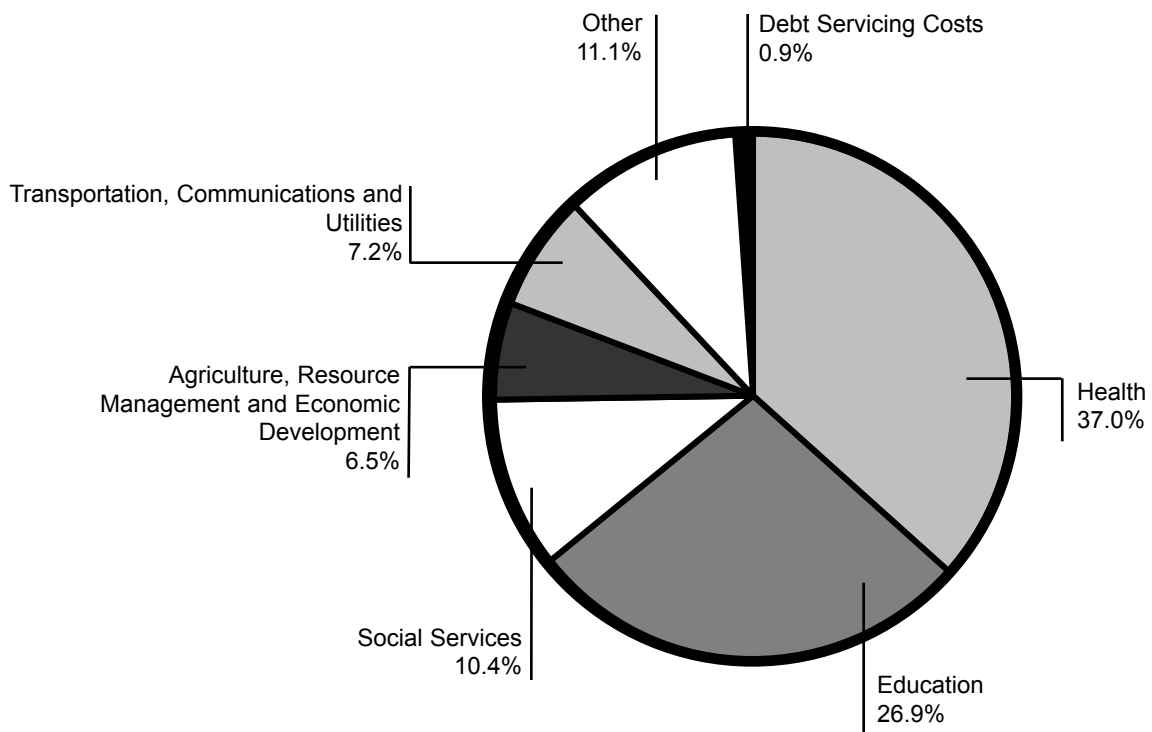
(millions of dollars)

	2004-05	2005-06	2005-06	2006-07	2007-08	2008-09
	Actual	Budget	Forecast	Estimate	Target	Target
Health	9,059	9,493	9,717	10,462	11,263	11,682
Education	6,370	6,758	6,922	7,628	8,026	8,164
Social Services	2,438	2,656	2,737	2,952	3,041	3,095
Transportation, Communications and Utilities	1,226	1,904	2,434	2,043	2,020	2,118
Agriculture, Resource Management and Economic Development	1,929	1,822	1,793	1,845	1,752	1,772
Protection of Persons and Property	948	901	1,176	999	1,021	1,025
Regional Planning and Development	421	409	416	410	381	365
Recreation and Culture	278	313	362	323	290	291
Environment	185	191	197	202	202	205
Housing	159	178	287	199	136	136
General Government	838	910	925	1,004	1,029	1,050
Debt Servicing Costs	302	291	260	245	243	238
Total Expense	24,153	25,826	27,226	28,312	29,404	30,141

2006-07 Expense By Ministry
\$28.3 billion



2006-07 Expense By Function
\$28.3 billion



2006-07 Expense by Function Details

(millions of dollars)

	Health		Education		Social Services		Transportation ^a		Economic Development ^b		Protection of Persons and Property		Regional Planning and Development		Recreation and Culture Environment		Housing Government		General Government		Debt Servicing Costs		Total Expense
Legislative Assembly	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	75	—	—	—	75
Aboriginal Affairs and Northern Development	—	—	—	—	—	—	—	—	—	—	—	—	—	44	—	—	—	—	—	—	—	—	44
Advanced Education	—	2,198	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,198
Agriculture, Food and Rural Development	—	—	—	—	—	—	—	—	1,093	—	—	—	—	—	—	—	—	—	—	—	—	—	1,141
Children's Services	—	—	—	—	918	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	918
Community Development	—	—	—	—	—	—	—	—	—	7	—	—	—	—	—	235	—	—	—	—	—	—	242
Economic Development	—	—	—	—	—	—	—	—	103	—	—	—	—	—	—	—	—	—	—	—	—	—	103
Education	—	5,127	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6	5,133
Energy	—	—	—	—	—	—	9	—	150	—	—	—	—	—	13	—	—	—	—	—	—	—	219
Environment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	143	—	—	—	—	—	—	—	143
Executive Council	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	25
Finance	55	—	—	—	—	—	—	—	28	29	—	—	—	275	—	—	—	—	—	—	—	168	764
Gaming	—	—	—	—	—	—	—	—	114	—	—	—	—	—	88	—	—	—	—	—	—	—	202
Government Services	—	—	—	—	—	—	—	—	4	90	—	—	—	—	—	—	—	—	—	—	—	—	99
Health and Wellness	10,315	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	10,315
Human Resources and Employment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	789
Infrastructure and Transportation	3	300	3	—	419	—	—	2,034	16	38	—	—	—	3	—	—	—	—	—	—	—	—	2,548
Innovation and Science	—	—	—	—	—	—	—	—	181	—	—	—	—	—	—	—	—	—	—	—	—	—	181
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	11
Justice	—	—	—	—	70	—	—	—	—	278	—	—	—	—	—	—	—	—	—	—	—	—	348
Municipal Affairs	—	—	—	—	—	—	—	—	—	15	—	—	—	88	—	—	—	—	—	—	—	—	139
Restructuring and Government Efficiency	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	147
Seniors and Community Supports	89	—	—	—	1,529	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,840
Solicitor General and Public Security	—	—	—	—	16	—	—	—	—	434	—	—	—	—	—	—	—	—	—	—	—	—	450
Sustainable Resource Development	—	—	—	—	—	—	—	—	147	67	—	—	—	—	—	—	—	—	—	—	—	—	238
Total Expense	10,462	7,628	2,952	2,043	1,845	999	410	323	202	199	1,004	245	28,312										

^a Transportation, Communications and Utilities.

^b Agriculture, Resource Management and Economic Development.

2006-07 Expense by Object

(millions of dollars)

	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Other	Amortization of Capital Assets	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	37	23	—	—	15	—	—	75	—	75
Aboriginal Affairs and Northern Development	9	7	28	—	—	—	—	44	—	44
Advanced Education	37	50	2,106	—	—	5	—	2,198	—	2,198
Agriculture, Food and Rural Development	126	63	223	337	719	10	(337)	1,141	—	1,141
Children's Services	187	603	127	653	—	1	(653)	918	—	918
Community Development	69	51	110	60	—	12	(60)	242	—	242
Economic Development	28	51	24	—	—	—	—	103	—	103
Education	59	90	4,977	—	6	1	—	5,133	—	5,133
Energy	128	61	14	55	—	16	(55)	219	—	219
Environment	71	46	6	—	—	20	—	143	—	143
Executive Council	20	5	—	—	—	—	—	25	—	25
Finance	92	337	120	2,426	297	7	(2,352)	927	(163)	764
Gaming	3	3	196	1,306	—	—	(197)	1,311	(1,109)	202
Government Services	42	51	—	—	—	6	—	99	—	99
Health and Wellness	115	177	9,934	92	42	47	(92)	10,315	—	10,315
Human Resources and Employment	148	129	506	—	3	3	—	789	—	789
Infrastructure and Transportation	130	524	1,484	—	98	315	—	2,551	(3)	2,548
Innovation and Science	53	57	71	44	—	2	(44)	183	(2)	181
International and Intergovernmental Relations	7	4	—	—	—	—	—	11	—	11
Justice	220	56	44	—	25	3	—	348	—	348
Municipal Affairs	30	20	87	—	—	2	—	139	—	139
Restructuring and Government Efficiency	80	140	—	—	—	31	—	251	(104)	147
Seniors and Community Supports	135	316	1,340	1,181	67	25	(1,181)	1,883	(43)	1,840
Solicitor General and Public Security	171	201	77	—	—	1	—	450	—	450
Sustainable Resource Development	136	75	15	28	1	11	(24)	242	(4)	238
Total Expense	2,133	3,140	21,489	6,182	1,273	518	(4,995)	29,740	(1,428)	28,312

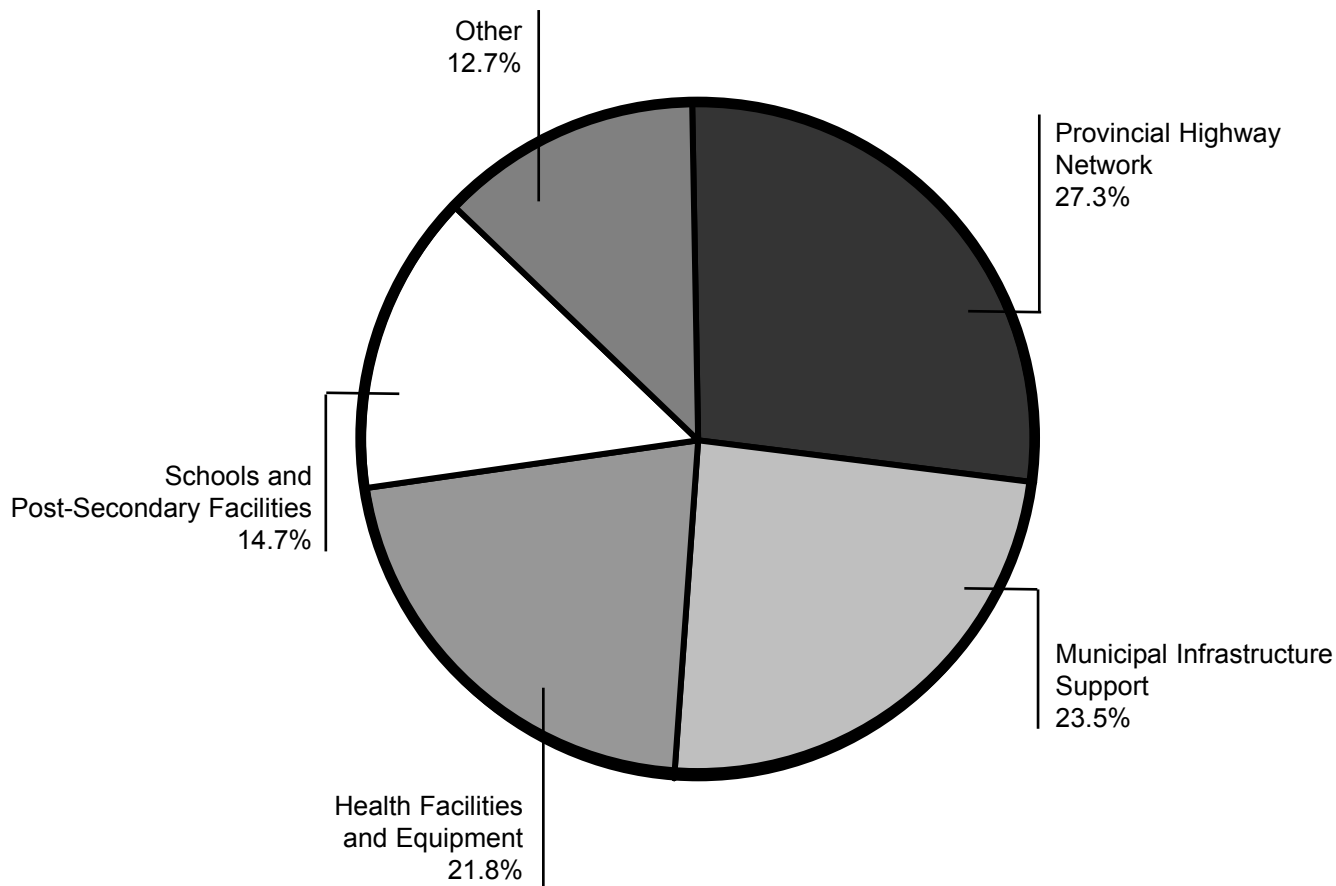
Capital Plan

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target	2006-09 Total
Municipal infrastructure support	361	989	1,009	1,014	1,046	1,067	3,127
Provincial highway network	570	699	711	1,074	922	1,641	3,637
Health facilities and equipment	892	577	681	748	1,123	1,039	2,910
Schools	222	201	243	339	272	222	833
Post-secondary facilities	231	111	196	278	459	385	1,122
Community facilities and centennial projects	161	171	271	121	115	140	376
Water and wastewater management	101	90	153	90	109	78	277
Government facilities, housing and equipment	304	328	464	345	167	156	668
Capital for emergent projects	-	-	28	172	100	100	372
Total Capital Plan	2,842	3,166	3,756	4,181	4,313	4,828	13,322

2006-09 Capital Plan

\$13.3 billion



Capital Plan Funding Details

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Support for Local Authorities' Capital						
Current-year revenue	676	716	759	678	570	229
Capital Account	1,209	1,274	1,795	1,896	2,451	2,587
Alternatively financed	-	26	-	-	-	-
Total Support for Local Authorities' Capital	1,885	2,016	2,554	2,574	3,021	2,816
Government-Owned Capital ^a						
Current-year revenue	524	632	625	646	681	774
Capital Account	433	435	494	813	495	1,238
Alternatively financed	-	83	83	148	116	-
Total Government-Owned Capital	957	1,150	1,202	1,607	1,292	2,012
Capital Plan						
Current-year revenue	1,200	1,348	1,384	1,324	1,251	1,003
Capital Account	1,642	1,709	2,289	2,709	2,946	3,825
Alternatively financed	-	109	83	148	116	-
Total Capital Plan	2,842	3,166	3,756	4,181	4,313	4,828

^a Includes provincial highway planning and rehabilitation projects which are included in program expense.

Capital Account

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Assets at start of year	1,180	674	674	4,243	4,243	4,148
Allocations to Capital Account						
Current year use	1,136	1,709	2,289	2,709	2,851	1,977
Future year use	-	1,554	3,569	-	-	-
Total Allocations to Capital Account	1,136	3,263	5,858	2,709	2,851	1,977
Withdrawals						
Capital grants to local authorities	(1,209)	(1,274)	(1,795)	(1,896)	(2,451)	(2,587)
Government-owned capital investment	(433)	(435)	(494)	(813)	(495)	(1,238)
Total Withdrawals	(1,642)	(1,709)	(2,289)	(2,709)	(2,946)	(3,825)
Assets at End of Year	674	2,228	4,243	4,243	4,148	2,300

Capital Investment in Government-Owned Capital^a

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Legislative Assembly	2	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Advanced Education	5	8	6	4	4	4
Agriculture, Food and Rural Development	13	8	14	10	13	11
Children's Services	2	-	3	4	2	2
Community Development	9	45	53	26	21	21
Economic Development	-	-	1	-	-	-
Education	1	5	4	4	1	1
Energy	16	13	13	18	18	18
Environment	5	3	3	3	2	2
Executive Council	-	-	-	-	-	-
Finance	7	6	6	6	6	6
Gaming	-	-	-	-	-	-
Government Services	6	10	9	11	11	10
Health and Wellness	46	74	69	76	62	62
Human Resources and Employment	3	4	4	4	4	4
Infrastructure and Transportation	648	823	870	1,280	1,009	1,637
Innovation and Science	5	4	9	6	6	6
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	3	1	1	22	4	4
Municipal Affairs	1	1	1	1	1	1
Restructuring and Government Efficiency	44	3	3	4	4	4
Seniors and Community Supports	1	1	1	1	1	1
Solicitor General and Public Security	-	-	-	-	1	1
Sustainable Resource Development	11	28	18	39	29	29
Total Capital Investment	828	1,037	1,088	1,519	1,199	1,824

^a Includes inventory purchases. Not included in expense.

Grants to Local Authorities for Capital Purposes and Other Capital Support^a

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Advanced Education	215	104	185	273	455	381
Agriculture, Food and Rural Development	24	27	34	29	29	29
Community Development	15	32	55	36	2	2
Education	222	201	243	339	272	222
Environment	12	1	6	1	1	1
Finance	4	4	4	4	4	4
Gaming	78	45	115	45	45	45
Health and Wellness	847	486	616	672	1,060	977
Infrastructure and Transportation	526	1,152	1,240	1,190	1,243	1,340
Innovation and Science	12	2	7	1	-	-
Municipal Affairs	3	3	3	3	3	3
Seniors and Community Supports	56	51	160	69	-	-
Total Support	2,014	2,108	2,668	2,662	3,114	3,004

^a Included in program expense. Includes provincial highway planning and rehabilitation.

Capital Amortization for Government-Owned Capital^a

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Advanced Education	1	5	5	5	5	5
Agriculture, Food and Rural Development	8	8	9	10	10	10
Children's Services	1	1	1	1	2	2
Community Development	10	11	11	12	13	15
Economic Development	-	-	-	-	-	-
Education	1	1	1	1	1	1
Energy	14	15	15	16	16	16
Environment	18	20	20	20	21	22
Executive Council	-	-	-	-	-	-
Finance	6	7	7	7	8	7
Gaming	-	-	-	-	-	-
Government Services	2	4	3	6	7	9
Health and Wellness	36	29	36	47	50	53
Human Resources and Employment	3	3	3	3	3	3
Infrastructure and Transportation	267	315	315	315	326	327
Innovation and Science	3	3	2	2	3	3
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	2	3	3	3	8	8
Municipal Affairs	2	2	2	2	3	2
Restructuring and Government Efficiency	7	35	18	31	31	31
Seniors and Community Supports	24	25	25	25	25	25
Solicitor General and Public Security	-	-	-	1	1	1
Sustainable Resource Development	7	11	11	11	12	13
Total Capital Amortization	412	498	487	518	545	553

^a Includes inventory consumption.

Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Capital Plan						
Capital grants to local authorities	1,885	1,990	2,554	2,574	3,021	2,816
Value of local authorities' alternatively financed projects	-	26	-	-	-	-
Provincial highway planning and rehabilitation	129	113	114	88	93	188
Capital investment in government-owned projects	828	1,037	1,088	1,519	1,199	1,824
Total Capital Plan	2,842	3,166	3,756	4,181	4,313	4,828
Expense for Capital Purposes^a						
Capital grants to local authorities	1,885	1,990	2,554	2,574	3,021	2,816
Capital financing grants to local authorities	-	5	-	-	-	-
Provincial highway planning and rehabilitation	129	113	114	88	93	188
Amortization of government-owned projects	412	498	487	518	545	553
Nominal sum disposals	23	30	32	57	59	54
Total Expense for Capital Purposes	2,449	2,636	3,187	3,237	3,718	3,611

^a Included in program expense.

Sustainability Fund Details

(millions of dollars)

	2004-05	2005-06	2005-06	2006-07	2007-08	2008-09
	Actual	Budget	Forecast	Estimate	Target	Target
Assets at start of year	2,500	3,498	3,498	4,083	4,408	4,747
Transfers to (withdrawals from) Sustainability Fund						
Non-renewable resource revenue transfer from general revenue	5,744	2,930	9,612	6,054	4,148	2,938
Other net transfers	1,621	34	2,056	-	-	-
Cost of Alberta 2005 Resource Rebates	-	-	(1,320)	-	-	-
Withdrawals for disaster/emergency/natural gas rebates	(981)	(418)	(1,178)	(362)	(282)	(282)
Net transfers (withdrawals)	6,384	2,546	9,170	5,692	3,866	2,656
Adjustments						
Cash adjustments	(1)	517	(350)	(464)	101	(41)
Retained income of funds and agencies	(333)	(133)	(428)	(282)	(318)	(369)
Fourth quarter results						
Cash transferred from previous year	510	-	696	-	-	-
Cash to be transferred following year	(696)	-	-	-	-	-
Assets transferred to Capital Account for current year use						
Capital grants	(1,136)	(1,274)	(1,795)	(1,896)	(2,451)	(1,977)
Capital investment	-	(435)	(494)	(813)	(400)	-
Total adjustments	(1,656)	(1,325)	(2,371)	(3,455)	(3,068)	(2,387)
Assets prior to reallocation	7,228	4,719	10,297	6,320	5,206	5,016
Allocation to:						
Debt Retirement Account	(3,730)	-	-	-	-	-
Capital Account - future year use	-	(1,554)	(3,569)	-	-	-
Heritage Fund - deposit	-	-	(1,000)	(1,000)	-	-
Heritage Fund - inflation proofing	-	(215)	(345)	(242)	(309)	(300)
Advanced education endowment (in the Heritage Fund)	-	(250)	(750)	-	-	-
Scholarship Fund	-	-	(250)	(20)	-	-
Medical Research Endowment Fund	-	(200)	(200)	(150)	(150)	-
Science and Engineering Endowment Fund	-	-	(100)	-	-	-
Alberta Cancer Prevention Legacy Fund	-	-	-	(500)	-	-
Assets at End of Year	3,498	2,500	4,083	4,408	4,747	4,716
Assets at end of year above \$2.5 billion target	998	-	1,583	1,908	2,247	2,216

Cash Adjustments

(millions of dollars)

	2004-05	2005-06	2005-06	2006-07	2007-08	2008-09
	Actual	Budget	Forecast	Estimate	Target	Target
Energy royalties	(154)	608	(151)	(419)	173	43
Student loans	(21)	(43)	(27)	(22)	(25)	(33)
Other	174	(48)	(172)	(23)	(47)	(51)
Total Cash Adjustments	(1)	517	(350)	(464)	101	(41)

Retained Income of Funds and Agencies

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Alberta Treasury Branches	187	162	195	217	242	278
Agriculture Financial Services Corporation	88	(2)	134	58	63	74
Endowment Funds						
Medical Research	23	(18)	43	6	8	15
Science and Engineering Research	16	(3)	33	3	-	(4)
Scholarship	(2)	(11)	14	2	1	2
Alberta Cancer Prevention Legacy Fund	-	-	-	(10)	(5)	(5)
Other	21	5	9	6	9	9
Total Retained Income of Funds and Agencies	333	133	428	282	318	369

Capital Investment Cash Requirements

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Capital Investment Cash Requirements						
Capital investment	828	1,037	1,088	1,519	1,199	1,824
Principal repayment for alternatively financed projects	-	-	-	-	2	5
Total Requirements	828	1,037	1,088	1,519	1,201	1,829
Sources of Cash for Investments						
Capital amortization	412	498	487	518	545	553
Net book value of capital asset disposals/other	29	21	24	40	45	38
Alternatively financed capital investment	-	83	83	148	116	-
Funding from Capital Account	433	435	494	813	495	1,238
Total Sources	874^a	1,037	1,088	1,519	1,201	1,829

^a The \$46 million difference between sources and requirements was transferred to the Sustainability Fund.

Balance Sheet Details

(millions of dollars)

	At March 31				
	2005 Actual	2006 Forecast	2007 Estimate	2008 Target	2009 Target
Financial Assets					
Total Heritage Fund equity	11,362	13,457	14,699	15,007	15,308
Less internal holdings of debt ^a	(88)	(81)	-	-	-
Heritage Fund external investments	11,274	13,376	14,699	15,007	15,308
Endowment funds					
Alberta Heritage Foundation for Medical Research	871	1,114	1,270	1,427	1,442
Alberta Heritage Science and Engineering Research	538	671	673	673	669
Alberta Heritage Scholarship	249	514	535	537	539
Alberta Cancer Prevention Legacy Fund	-	-	490	485	480
Sustainability Fund	3,498	4,083	4,408	4,747	4,716
Capital Account	674	4,243	4,243	4,148	2,300
Debt Retirement Account	3,479	2,214	2,041	1,792	1,166
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,399	4,413	4,654	4,824	5,057
Agriculture Financial Services Corporation	1,638	1,521	1,670	1,763	1,837
Other financial assets					
Equity in commercial enterprises	1,461	1,661	1,884	2,132	2,418
Contingency Allowance ^b	-	-	300	600	900
Student loans	126	138	148	155	164
Other cash, marketable securities and accounts receivable	5,640	5,721	6,135	6,029	6,232
Total Financial Assets	33,847	39,669	43,150	44,319	43,228
Liabilities					
Accumulated debt					
General Revenue Fund	3,722	2,614	2,621	2,457	1,882
Alberta Social Housing Corporation	481	439	330	307	284
School construction loans	451	381	316	256	204
Less: General Revenue Fund holdings of provincial corporations' debt	(1,179)	(1,224)	(1,230)	(1,232)	(1,208)
Accumulated debt	3,475	2,210	2,037	1,788	1,162
Pension obligations	5,235	5,449	5,596	5,745	5,910
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,399	4,413	4,654	4,824	5,057
Agriculture Financial Services Corporation	1,425	1,221	1,293	1,323	1,324
Less debt internally held by consolidated entities	(896)	(963)	(1,012)	(1,037)	(1,034)
Liabilities for government-owned capital	8	83	231	345	340
Other liabilities					
Accounts and interest payable	4,973	5,405	5,419	5,434	5,597
Guarantees, indemnities and remissions	20	35	37	40	40
Other accrued liabilities	170	173	176	179	182
Less other debt internally held by consolidated entities	(122)	(99)	(11)	(9)	(8)
Total Liabilities	18,687	17,927	18,420	18,632	18,570
Net Financial Assets	15,160	21,742	24,730	25,687	24,658
Capital assets	10,921	11,500	12,461	13,070	14,303
Net Assets	26,081	33,242	37,191	38,757	38,961
Adjustment for pension obligations	5,235	5,449	5,596	5,745	5,910
Net Assets for Fiscal Policy Purposes ^c	31,316	38,691	42,787	44,502	44,871

^a \$81 million of Alberta Social Housing Corporation debt held by the Heritage Fund is being fully re-paid in 2006-07.

^b Cumulative total of Contingency Allowance available for in-year initiatives but not yet committed.

^c Under the *Fiscal Responsibility Act*. Excludes pension obligations.

Accumulated Debt

(millions of dollars)

	2004-05 Actual	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Accumulated debt at start of year	4,971	3,475	2,210	2,037	1,788
Repayment of debt maturities	(1,496)	(1,265)	(173)	(249)	(626)
Accumulated debt at end of year	3,475	2,210	2,037	1,788	1,162
Less: Debt Retirement Account	3,479	2,214	2,041	1,792	1,166
Accumulated Debt less Debt Retirement Account^a	(4)	(4)	(4)	(4)	(4)

^a The assets in the Debt Retirement Account are expected to exceed unmatured accumulated debt by \$4 million.

Capital Assets

(millions of dollars)

	2004-05 Actual	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Net book value at start of year	10,534	10,921	11,500	12,461	13,070
Capital investment	828	1,088	1,519	1,199	1,824
Capital amortization	(412)	(487)	(518)	(545)	(553)
Net book value of capital asset disposals	(29)	(22)	(40)	(45)	(38)
Net Book Value of Capital Assets at End of Year	10,921	11,500	12,461	13,070	14,303

Pension Obligations^a

(millions of dollars)

	At March 31				
	2005 Actual	2006 Forecast	2007 Estimate	2008 Target	2009 Target
Obligations for Employees of Organizations outside the Government Reporting Entity					
Teachers' Pension Plans	4,263	4,424	4,582	4,744	4,927
Universities Academic Pension Plan	185	191	196	201	206
Special Forces Pension Plan	63	63	64	66	67
	4,511	4,678	4,842	5,011	5,200
Obligations for Current and Former Government Employees and MLAs					
Public Service Management Pension Plan ^b	656	678	652	622	589
Members of the Legislative Assembly Pension Plan ^b	47	50	48	47	45
Management Employees Pension Plan	13	28	39	50	61
Public Service Pension Plan	8	15	15	15	15
	724	771	754	734	710
Total Pension Obligations	5,235	5,449	5,596	5,745	5,910

^a Pension obligations are scheduled for elimination under a 1993 legislated plan.

^b Membership closed and pensionable service no longer being accrued.

Debt Servicing Costs

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Agriculture, Food and Rural Development						
Agriculture Financial Services Corporation	45	53	45	48	52	56
Education						
Alberta School Foundation Fund	3	4	4	6	6	7
Finance						
General government	229	210	187	168	155	137
Infrastructure and Transportation						
Financing costs for government-owned capital (P3s)	-	-	-	-	8	18
Seniors and Community Supports						
Alberta Social Housing Corporation	25	24	24	23	22	20
Total Debt Servicing Costs	302	291	260	245	243	238

General Revenue Fund Term Debt Maturities^a

	Par Amount (Cdn\$ millions)	Coupon Rate (%)	Maturity Date
2006-07 Term Debt Maturities	NO GENERAL REVENUE FUND TERM DEBT MATURITIES		
2007-08 Term Debt Maturities			
1999 Canadian medium-term note	166	5.65	October 1, 2007
Total	166		
2008-09 Term Debt Maturities			
1998 Canadian medium-term note	50	5.80	June 5, 2008
1998 Canadian debenture	500	5.00	December 16, 2008
Total	550		
2009-10 Term Debt Maturities	NO GENERAL REVENUE FUND TERM DEBT MATURITIES		
2010-13 Term Debt Maturities			
1991 Canada Pension Plan debenture	202	10.45	March 1, 2011
1992 Canada Pension Plan debenture	281	9.92	March 2, 2012
1993 Canada Pension Plan debenture	196	9.37	March 1, 2013
Total	679		

^a Does not include principal repayment on General Revenue Fund notes on-lent to provincial corporations (Alberta Financial Services Corporation and Alberta Social Housing Corporation). There is no more General Revenue Fund debt left after March 1, 2013. Other components of accumulated debt include:

- Alberta Social Housing Corporation debt of \$439 million, \$173 million of which remains to be repaid from 2013-2030.
- School construction loans of \$381 million, \$66 million of which remains to be repaid from 2013-2020.

The Debt Retirement Account has assets to repay all these amounts.

Net Financing Requirements^a

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Requirements						
General Revenue Fund term debt maturities	1,443	1,153	1,153	-	166	550
School construction loans	75	70	70	65	60	52
Alberta Social Housing Corporation ^b	25	26	42	108	23	23
Adjustments	(47)	-	-	-	-	-
Accumulated debt maturities	1,496	1,249	1,265	173	249	625
Agriculture Financial Services Corporation's term borrowing	120	180	141	200	130	180
Gross financing requirements	1,616	1,429	1,406	373	379	805
Cash applied to accumulated debt repayment	1,496	1,249	1,265	173	249	625
Net Term Debt Financing Requirements	120	180	141	200	130	180

^a Does not include alternatively financed requirements for government-owned capital projects in 2005-06, 2006-07 and 2007-08.

^b \$81 million of Alberta Social Housing Corporation debt held by the Heritage Fund is being fully re-paid in 2006-07.

Loans and Advances^a

(millions of dollars)

	At March 31	
	2005 Actual	2006 Forecast
Loans and Advances		
Agriculture Financial Services Act	995	1,087
Student Financial Assistance Act	225	224
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	184	190
Vencap Acquisition Corporation	2	2
Farm Credit Stability Act	14	8
Alberta Housing Act	30	20
Financial Administration Act		
Accountable advances	8	8
Board of Governors, University of Alberta	1	-
	1,459	1,539
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(92)	(99)
Student Loan Relief Completion Payments	(73)	(56)
Other	(69)	(71)
	(234)	(226)
Total Loans and Advances	1,225	1,313

^a When a loan is considered impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Guarantees

(millions of dollars)

	At March 31	
	2005 Actual	2006 Forecast
Guarantees		
Student Financial Assistance Act	30	22
Alberta Housing Act	32	31
Feeder Associations	49	49
Agriculture Financial Services Act	35	30
Farm Credit Stability Act	15	9
Securities Act	2	2
Centre for Engineering Research Inc.	1	-
University of Calgary	1	1
Canadian Western Bank	-	2
	165	146
Estimated Liability		
Loan guarantees	(11)	(12)
Student Loan Relief Completion Payments	(1)	-
Canadian Western Bank	-	(1)
	(12)	(13)
Total Guarantees	153	133

2006-07 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue ^a		1,306,155
Advanced Education		
Post-secondary facilities infrastructure	16,000	
Community education	15,600	
Achievement scholarships	3,100	
Learning television	2,300	
Agriculture, Food and Rural Development		
Agriculture initiatives	11,620	
Agricultural service boards	10,600	
Children's Services		
Family and Community Support Services	45,000	
Prevention of Family Violence and Bullying	4,500	
Community Development		
Centennial grants	35,000	
Alberta Foundation for the Arts	22,084	
Alberta Sport, Recreation, Parks and Wildlife Foundation	20,470	
Wild Rose Foundation	8,116	
Alberta Historical Resources Foundation	7,787	
Human Rights, Citizenship and Multiculturalism Education Fund	1,465	
Hosting major athletic events	500	
Economic Development		
Alberta Film Development Program	14,850	
Education		
Public and separate schools support	60,800	
School facilities infrastructure	58,000	
High speed network	8,000	
Learning television	2,300	
Environment		
Educational awareness	500	
Gaming		
Horse racing and breeding renewal grant program	63,000	
Community Facility Enhancement Program	38,500	
Community Initiatives Program	30,000	
First Nations Development Fund grant program	20,000	
Edmonton Northlands	10,350	
Calgary Exhibition and Stampede	10,350	
Bingo associations grant program	10,000	
Major fairs and exhibitions	2,660	
Gaming research	1,600	
Other initiatives	11,088	
Health and Wellness		
Health facilities infrastructure	150,000	
Human tissue and blood services	110,000	
Alberta Alcohol and Drug Abuse Commission	82,803	
Community-based health services	20,000	
Human Resources and Employment		
Summer Temporary Employment Program	8,195	
Immigrant Support Services	4,574	
Infrastructure and Transportation		
Provincial highway rehabilitation	55,000	
Rural transportation partnerships	40,000	
Water for Life	25,000	
Alberta cities transportation partnerships	25,000	
Streets Improvement Program	25,000	
Infrastructure Canada - Alberta Program	5,000	
Innovation and Science		
Research capacity	21,914	
Energy research	19,200	
Life sciences research	14,405	
Information and communications technology research	11,438	
Municipal Affairs		
Unconditional municipal grants	14,000	
Municipal sponsorship	12,000	
Finance		
Transfer to Contingency Allowance	116,486	
Total Lottery Fund Allocation		1,306,155

^a Includes \$6 million of investment income.

Full-Time Equivalent Employment

	2005-06 Budget	2006-07 Estimate	Change
Legislative Assembly	446	447	1
Aboriginal Affairs and Northern Development	90	95	5
Advanced Education	428	491	63
Agriculture, Food and Rural Development	1,726	1,668	(58)
Children's Services	2,641	2,696	55
Community Development	921	923	2
Economic Development	219	228	9
Education	691	696	5
Energy	1,445	1,502	57
Environment	804	804	-
Executive Council	177	187	10
Finance	932	980	48
Gaming	42	42	-
Government Services	500	555	55
Health and Wellness	1,384	1,441	57
Human Resources and Employment	1,808	1,861	53
Infrastructure and Transportation	1,742	1,763	21
Innovation and Science	697	697	-
International and Intergovernmental Relations	61	61	-
Justice	2,313	2,506	193
Municipal Affairs	337	348	11
Restructuring and Government Efficiency	1,157	1,154	(3)
Seniors and Community Supports	2,026	2,072	46
Solicitor General and Public Security	2,310	2,473	163
Sustainable Resource Development	1,914	1,914	-
Total Full-Time Equivalent Employment	26,811	27,604	793

Premiums, Fees and Licences Changes

	2005-06	2006-07
Community Development		
Jubilee Auditoria		
Non-Commercial/Non-Profit Clients		
Rental Rates (fee varies depending on day of week)		
Single performance	\$2,250 - \$3,900	\$2,500 - \$4,300
Two performances - same day	\$2,750 - \$5,500	\$3,000 - \$6,000
House strip/restore	\$600	\$700
Ticket surcharge	\$1.00	\$1.50
Provincial Camping Fees		
Backcountry and basic camping	\$3 - \$17	\$5 - \$20
Camping services	Up to \$3	Up to \$5
Group camping and day use	\$25 - \$130	\$35 - \$250 minimum
Reservation	Up to \$6 + first night	Up to \$8 + first night
Commercial Guiding and Special Event Permits (fee varies depending on group size)		
Commercial guiding permit/special event permits	No fee - \$53.50	\$60 - \$500
Use of Park Land		
Application fee	No fee - \$50	\$25 - \$375
Amendment fee	No fee	\$50 - \$175
Annual rental fee per acre	No fee - \$400	\$25 - \$600
Hay permit fee per ton	\$3	\$15
Inspection, follow-up and certification fees	No fee - \$100	\$250 - \$300
Licence of occupation		
Roadways	\$2.44/km - \$6.09/km	\$10/km - \$20/km
Various	No fee - \$100	\$50 - \$150
Mineral surface lease and pipeline assignments	\$50 - \$100 + \$10 per quarter section	\$100 - \$250 + \$25 per quarter section
Mineral surface lease - timber damage fee	No fee	\$500
Pipeline installation fee per acre	\$50 - \$100	\$100 - \$250
Summer cabin river/lake frontage fee per foot	\$2	\$3
Environment		
Reclamation certificate		
Education program fee	\$300	-
New reclamation certificate application fee	-	\$700
Finance		
Alberta Securities Commission		
Various fees	Approximately 8% increase	
Department		
International Fuel Tax Agreement decal	\$5	\$10
International Fuel Tax Agreement fee	\$10	\$15
Various insurance company licencing fees	\$25 - \$400	\$100 - \$600
Government Services		
Residential tenancy dispute resolution service		
Application fee	No fee	\$75

Major Provincial Tax Rates, 2006

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
– lowest rate	(%)	10.00	6.05	11.00	10.90	6.05	16.00 ^a	9.68	8.79	9.80	10.57
– highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00 ^a	17.84	17.50	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Credit amounts											
– Personal amount	(\$)	14,899	8,858	8,589	7,734	8,377	6,520	8,061	7,231	7,412	7,410
– Spousal amount	(\$)	14,899	7,585	8,589	6,482	7,113	6,520	6,845	6,140	6,294	6,055
Corporate Income Tax											
General rate	(%)	10.0	12.0	17.0	14.5	14.0	9.9	13.0	16.0	16.0	14.0
M&P rate	(%)	10.0	12.0	10-17 ^b	14.5	12.0	9.9	13.0	16.0	16.0	5.0
Small business											
– rate	(%)	3.0	4.5	5.0	4.5	5.5	8.5	2.0	5.0	6.5	5.0
– threshold	(\$000)	400	400	300	400	400	400	450	350	300	300
Capital Tax											
General	(max.%)	—	—	0.60	0.50	0.30	0.525	0.25	0.275	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.30 ^c	3.00	4.00	5.00	4.00
Retail Sales Tax											
	(%)	—	7.0	7.0	7.0	8.0	7.5 ^d	8.0	8.0	10.0 ^d	8.0
Gasoline Tax	(¢/litre)	9.0	14.5 ^e	15.0	11.5	14.7	15.2 ^{e,f}	14.5 ^f	15.5 ^f	20.7 ^g	16.5 ^f
Tobacco Tax	(\$/carton)	32.00	35.80	35.00 ^f	35.00 ^f	24.70	20.60	23.50 ^f	31.04 ^f	34.90	34.00 ^f
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26 ^h	—	—	—	2.00

Rates for other provinces known as of February 23, 2006.

^a Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

^b The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

^c The Quebec financial institutions capital tax includes the base rate of 1.05% and a compensatory tax of 0.25%.

^d These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.

^e An additional 6¢/litre is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.

^f These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.

^g This rate is based on an 11.5 ¢/litre base rate and 10.7% of the average wholesale price and is recalculated on a monthly basis.

^h Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2003-04 Actual	2004-05 Actual	2005-06	2006-07	2007-08	2008-09
Prices						
Crude Oil Price						
WTI (US\$/bbl)	31.38	45.03	60.00	50.00	45.00	42.50
Alberta Wellhead (Cdn\$/bbl) ^a	36.40	48.23	63.37	50.47	46.02	43.27
Bitumen @ Edmonton (Cdn\$/bbl) ^b	23.20	25.67	29.97	26.00	24.46	23.41
Natural Gas Price						
Alberta Reference Price (Cdn\$/GJ)	5.45	6.05	8.40	7.50	6.50	6.25
Production						
Conventional crude oil (000's barrels/day)	619	589	561	529	517	508
Non-conventional crude oil (000's barrels/day)	882	989	1,093	1,281	1,399	1,520
Natural gas (billions of cubic feet)	5,226	5,253	5,236	5,211	5,132	5,070
Interest rates						
3-month Canada treasury bills (per cent)	2.70	2.28	2.95	3.95	4.50	4.50
10-year Canada bonds (per cent)	4.68	4.54	4.10	4.95	5.80	6.00
Exchange Rate (US¢/Cdn\$)	74.0	78.4	84.0	85.8	85.0	85.0
Calendar Year Assumptions	2004 Actual	2005 Actual	2006	2007	2008	2009
Gross Domestic Product						
Nominal (millions of dollars)	187,150	211,520 ^c	228,817	230,477	238,262	251,144
per cent change	9.3	13.0	8.2	0.7	3.4	5.4
Real (millions of 1997 dollars)	135,837	141,610 ^c	148,358	153,493	158,723	164,540
per cent change	4.3	4.3	4.8	3.5	3.4	3.7
Other Indicators						
Employment (thousands)	1,757.5	1,784.4	1,824.0	1,864.5	1,905.1	1,946.9
per cent change	2.4	1.5	2.2	2.2	2.2	2.2
Unemployment rate (per cent)	4.6	3.9	3.9	3.9	3.9	3.9
Housing starts (number of units)	36,270	40,847	40,164	37,606	36,390	35,567
Alberta Consumer Price Index (per cent change)	1.4	2.1	2.4	2.2	2.2	2.2
Population (thousands)	3,204.8	3,256.8	3,316.3	3,375.1	3,432.4	3,488.0
per cent change	1.4	1.6	1.8	1.8	1.7	1.6

^a Refers to the average price per barrel of Alberta light, medium and heavy oil.

^b The bitumen price is an estimate of the price at Edmonton and is not an actual market price.

^c Estimated.

Sensitivities to Fiscal Year Assumptions, 2006-07^a

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-123	—	-123
Natural Gas Price (Cdn\$/GJ)	-10¢	-104	—	-104
Exchange Rate (US¢/Cdn\$)	+1¢	-172	—	-172
Interest Rates	+1%	-200	+5	-205

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Historical Fiscal Summary, 1987-88 to 2008-09^a

(millions of dollars)

Revenue	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	
	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	2006-07	2007-08	2008-09	
																				Forecast	Estimate	Target	Target
INCOME STATEMENT																							
1 Personal income tax ^b	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	4,577	5,999	6,423	6,867	
2 Corporate income tax	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	2,596	2,227	2,131	2,188	
3 School property tax	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	1,284	1,306	1,356	1,410	
4 Other tax revenue	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	1,954	2,014	1,981	1,988	
5 Resource revenue	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	6,776	9,744	14,362	11,354	9,448	8,238	
6 Investment income	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	1,553	788	(462)	1,838	1,812	2,106	1,767	1,798	1,741	
7 Other own-source revenue	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	4,375	4,359	4,343	4,410	4,420	
8 Total own-source revenue	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	31,238	29,010	27,547	26,852	
9 Federal transfers	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,163	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,363	3,398	3,572	3,658	
10 Total Revenue	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	34,601	32,408	31,119	30,510	
Expense by Function ^c																							
11 Health	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	7,646	9,059	9,717	10,462	11,263	11,682	
12 Basic / advanced education	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	5,854	6,370	6,922	7,628	8,026	8,164	
13 Social services	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	2,272	2,438	2,737	2,952	3,041	3,095	
14 Other program expense	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	5,708	5,984	7,590	7,025	6,831	6,962	
15 Total program expense	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	26,966	28,067	29,161	29,903	
16 Debt servicing costs	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	260	245	243	238	
17 Total Expense	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	27,226	28,312	29,404	30,141	
18 Net Revenue (Spending)	(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	7,375	4,096	1,715	369	
BALANCE SHEET																							
19 Net Financial Assets (Debt) ^d	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	20,395	27,191	30,326	31,432	30,568	
20 Capital Assets ^e	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	11,500	12,461	13,070	14,303	
21 Net Assets (Debt) ^d	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	31,316	38,691	42,787	44,502	44,871	
22 Pension obligations	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	5,449	5,596	5,745	5,910	
23 Accumulated Debt ^f	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	4,083	4,408	4,747	4,716	
25 Capital Account assets																910	1,180	674	4,243	4,243	4,148	2,300	

^a Numbers have been restated on 2006-07 basis where possible. Numbers for 2001-02 forward are fully comparable. The 1992-93 to 2000-01 numbers are essentially comparable to the 2006-07 presentation with exception of the treatment of disposal of capital assets, which results in revenue being overstated by approximately \$600 million over the nine year period on a comparable basis. Prior to 1992-93, spending is on an expenditure basis, using actual capital numbers rather than capital amortization costs.

^b The cost of the Alberta 2005 Resource Rebate, estimated at \$1.32 billion, is netted against personal income tax revenue.

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

^d Excludes pension obligations. 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.

^e 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). 2000-01 and 2001-02 include transfers of \$587 million and \$1.8 billion of provincial secondary highway system from municipalities to the Province.

^f 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.

