

2005-08 FISCAL PLAN



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Investing in the Next Alberta

Alberta now enters its second century with a strong economy, no debt, nation-leading rates of growth and employment, a high standard of living, and an enviable quality of life.

**Speech from the Throne
March 2, 2005**

In 2005, Albertans will be celebrating the 100th anniversary of their province. Over the last hundred years, Alberta has become a leader in Canada, not only in terms of economic strength, but also as an innovator in areas such as education, health, tax and fiscal policy.

2005 also marks the next stage in Alberta's development. With accumulated debt gone, there is an increased ability to invest in the key opportunities laid out in the province's twenty-year strategic plan.

Budget 2005 takes the next steps in implementing this strategy. Strategic investments and a continuing commitment to fiscal responsibility will help to ensure the next Alberta is even better than the Alberta of today.

2005-08 Fiscal Plan

Since 1993-94, the government has followed an aggressive agenda to eliminate deficits and debt, reduce taxes and fund essential programs.

In *Budget 2005*, investments will be made in key elements of the province's twenty-year strategic plan. This includes major initiatives to improve education, address infrastructure requirements, encourage research and innovation, and make Alberta the best place to live, work and visit.

Leading in Learning. Albertans already benefit from one of the best education systems in the world. *Budget 2005* will:

- Strengthen the advanced education system by improving access and affordability and by establishing a \$3 billion advanced education endowment from future surpluses.
- Continue to improve the basic education system by providing increased funding to reduce class sizes by hiring more teachers.

The Best Place to Live, Work and Visit. Alberta will continue to be the best place to live, work and visit. *Budget 2005* will:

- Provide increased funding for health, social and policing/justice programs.
- Increase benefits for seniors and Assured Income for the Severely Handicapped (AISH) recipients. Low and middle income working families will benefit from enhancements to the Alberta Family Employment Tax Credit.

Unleashing Innovation and Competing in the Global Marketplace.

Alberta has the strongest economy in Canada. *Budget 2005* will enhance this position by:

- Providing over \$9 billion in infrastructure support over three years, including a major increase in support for municipal infrastructure.
- Supporting initiatives to encourage research, innovation and economic growth in key sectors.
- Maintaining the lowest overall taxes in Canada.

Fiscal Responsibility Act will be amended to lock-in the Debt Retirement Account and to raise the resource revenue limit to \$4.75 billion.

FISCAL FRAMEWORK

The government has decided to introduce two main amendments to the *Fiscal Responsibility Act*:

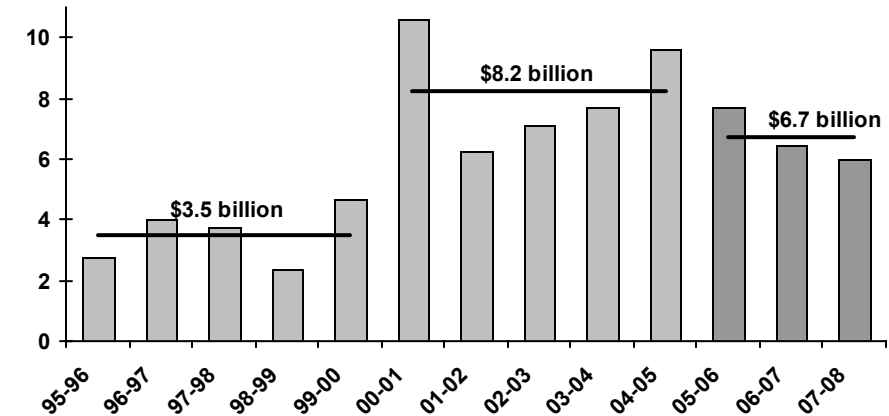
- The funds currently set aside in the Debt Retirement Account to repay debt will be locked-in and only used to pay off accumulated debt as it matures.
- The amount of non-renewable resource revenue that can be used for budget purposes will be raised from \$4 billion to \$4.75 billion.

The decision to raise the non-renewable resource revenue limit is based on four factors:

- Over the last five years, non-renewable resource revenue has averaged over \$8 billion a year.
- The medium-term outlook for energy revenue is expected to continue to be above the annual \$4.75 billion limit.
- The province has eliminated its accumulated debt.
- Albertans have indicated that, if resources are available, the government should address key priority areas more aggressively.

Non-renewable Resource Revenue 1995-96 to 2007-08

(billions of dollars)



*No deficits.
No operating debt.*

The key elements of the province's fiscal framework remain unchanged:

- **Deficits are against the law.** The *Fiscal Responsibility Act* forbids the government from incurring deficits. Funding from the Sustainability Fund can continue to be used to offset the cost of disasters and emergencies, natural gas rebates and First Nations settlements. The Capital Account can be used to pay for capital spending.
- **Limitations on Future Debt.** The government will not borrow to increase operating spending. Borrowing for capital purposes will continue to be allowed, as will borrowing required by self-supporting corporations such as the Agriculture Financial Services Corporation.

- **Sustainability Fund.** Non-renewable resource revenue above \$4.75 billion will be deposited into the Sustainability Fund. The Fund can be used to protect program and capital spending from volatile revenue and the cost of emergencies, disasters, natural gas rebates and First Nations settlements. When the assets of the Sustainability Fund are greater than \$2.5 billion, funds can be reallocated to the Capital Account, Heritage Fund or other balance sheet improvements.
- **Contingency Allowance.** At least 1% of budgeted revenue for fiscal policy purposes is required to be set aside. This is also the limit on in-year program spending and revenue reduction initiatives not funded from the Sustainability Fund or Capital Account.
- **Capital Framework.** Capital projects can be paid for from current revenue, funded from the Capital Account or be alternatively financed. The Capital Account allows revenue to be carried forward from one year to the next to pay for capital projects.

Alberta's 12th consecutive balanced budget.

FISCAL SUMMARY

As required by law, *Budget 2005* will be Alberta's twelfth consecutive balanced budget. The budget will also be balanced in 2006-07 and 2007-08. Alberta continues to be the only province that has eliminated its accumulated debt and has net financial assets.

In 2005-06, revenue is expected to decline to \$27.3 billion, reflecting lower energy revenue. Total expense will increase to \$25.8 billion. Net revenue (surplus), prior to Sustainability Fund and Capital Account transfers, is estimated at \$1.5 billion.

A Contingency Allowance of \$248 million has been set aside and can be used to respond to unforeseen issues that arise during the year.

Fiscal Summary^a

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Revenue	28,753	27,346	26,537	26,890
Expense				
Program	24,114	25,535	26,225	26,589
Debt servicing costs	325	291	250	252
Total Expense	24,439	25,826	26,475	26,841
Net Revenue	4,314	1,520	62	49
Transfer from Capital Account	1,209	1,274	1,629	1,157
Net Transfer from (to) Sustainability Fund	(5,523)	(2,546)	(1,432)	(948)
Contingency Allowance	—	248	259	258

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

Net revenue (surplus) in 2005-06 is estimated at \$1.5 billion.

Amendments to the *Fiscal Responsibility Act* simplify the calculation of the Contingency Allowance/Economic Cushion. The Contingency Allowance continues to be set at a minimum of 1% of budgeted revenue for fiscal policy purposes. The previous requirement to set aside the net amount of the retained income of funds and agencies and capital cash requirements as part of an Economic Cushion will now be treated as an adjustment within the Sustainability Fund.

In 2005-06, the net transfer to the Sustainability Fund includes non-renewable resource revenue above \$4.75 billion, less \$285 million for natural gas rebates and \$133 million for BSE emergency assistance.

The transfer from the Capital Account provides additional funding for local authority capital projects.

SUSTAINABILITY FUND

Budgeted Uses in 2005-08. Over the last two years, the Fund has paid a total of \$1.6 billion in emergency/disaster assistance related to BSE, forest fires and floods, and \$528 million in natural gas rebates.

In 2005-06, the Sustainability Fund will be used to pay for \$133 million in BSE disaster assistance as a result of the unexpected extension of the U.S. border closure to imports of live cattle.

Based on the forecast of natural gas prices, it is also expected that the Fund will provide \$285 million for natural gas rebates in 2005-06. More than one million natural gas users are eligible for natural gas rebates.

\$285 million budgeted for natural gas rebates.

The current structure of the natural gas rebate program remains in place until March 31, 2006. The government will review the program parameters to see if changes are needed. The fiscal plan assumes a rebate program will remain in place in 2006-07 and 2007-08 and, based on the current forecast of natural gas prices, \$285 million in rebates would be paid in each of those years.

Target Level/Reallocations. When the Sustainability Fund reaches \$2.5 billion, the government is allowed to reallocate assets from the Fund to the Capital Account and other balance sheet improvements. Over the last two years, a total of \$4.6 billion has been reallocated to the Debt Retirement Account and \$2 billion to the Capital Account.

Continuing high energy prices are expected to result in non-renewable resource revenue exceeding the \$4.75 billion level in each of the next three years. With the elimination of accumulated debt allocations are no longer required for debt repayment.

\$5.5 billion to be provided to the Capital Account, Heritage Fund, and Medical Research Endowment Fund over the next three years.

Over the three years, \$5.5 billion from the Sustainability Fund will become available for reallocation. The following allocations are planned:

- \$4.1 billion to the Capital Account to help pay for capital projects,
- \$667 million to the Heritage Fund for inflation-proofing,
- \$250 million to the Heritage Fund as the first installment for the advanced education endowment, and
- \$500 million to the Medical Research Endowment Fund.

If revenue is higher than estimated in *Budget 2005*, the additional revenue could be used to increase the size of the Sustainability Fund or make additional allocations to the advanced education endowment, Scholarship Fund, Science and Engineering Research Fund, Heritage Fund, Capital Account or other balance sheet improvements. These potential allocations will be decided during the year as updated forecasts become available.

Sustainability Fund

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	2,500	3,498	2,500	2,500
Transfers from general revenue	6,657	2,964	1,717	1,233
Withdrawals:				
Emergencies/disasters	(820)	(133)	—	—
Natural gas rebates	(314)	(285)	(285)	(285)
Adjustments ^a	341	384	(521)	(275)
Assets prior to reallocation	8,364	6,428	3,411	3,173
Reallocation to:				
Debt Retirement Account	(3,730)	—	—	—
Capital Account	(1,136)	(3,263)	(537)	(295)
Heritage Fund (inflation-proofing)	—	(215)	(224)	(228)
Heritage Fund (advanced education)	—	(250)	—	—
Medical Research Endowment Fund	—	(200)	(150)	(150)
Assets at end of year	3,498	2,500	2,500	2,500

^a Retained income of funds and agencies and cash adjustments.

Sustainability Fund maintained at \$2.5 billion.

DEBT RETIREMENT ACCOUNT

In 2004-05, the government set aside sufficient financial assets to repay the province's remaining accumulated debt as it matures. These funds will be locked-in by an amendment to the *Fiscal Responsibility Act* so that they can only be used to repay accumulated debt.

At March 31, 2005, the Debt Retirement Account is forecast to have assets of \$3.5 billion that will be used to repay the remaining \$3.5 billion of accumulated debt.

Over the next three years, \$1.6 billion of accumulated debt will reach maturity. This will result in the Debt Retirement Account and accumulated debt being reduced to \$1.9 billion at March 31, 2008.

Over the last decade, the government has eliminated \$23 billion in accumulated debt and reduced its annual debt servicing costs by \$1.5 billion.

Eliminating \$23 billion in debt has reduced annual debt servicing costs by \$1.5 billion.

Accumulated Debt

(millions of dollars)

	2003-04 Actual	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Debt at start of year	6,746	4,971	3,469	2,220	2,125
Repayment of debt maturities	(1,775)	(1,502)	(1,249)	(95)	(257)
Debt at end of year	4,971	3,469	2,220	2,125	1,868
Less: Debt Retirement Account	(1,241)	(3,469)	(2,220)	(2,125)	(1,868)
Accumulated Debt	3,730	—	—	—	—

Strategic Investments

It's Your Future chapter contains the final results of the survey.

In the fall of 2004, Albertans were asked through the *It's Your Future* survey, what they thought the priorities of the government should be. Nearly 300,000 responses were received.

Health and education were clearly identified as the top priorities. But most respondents also expressed strong support for a range of other priorities.

Budget 2005 will make strategic investments in the priority areas identified by Albertans. In 2005-06, total program spending will increase by 5.9%. Excluding funding for emergencies, disasters and natural gas rebates, and expense for capital purposes, the increase in base operating expense will be 9.6% or \$2 billion. Over the three years, base operating expense is targeted to increase by 17.6% or \$3.6 billion. This is the increase being provided for ongoing operating costs of new and existing government programs.

\$25.5 billion for Albertans' program priorities.

Program Expense

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target	3-year Change
Base operating expense	20,532	22,511	23,402	24,138	3,606
Expense for capital purposes ^a	2,448	2,606	2,538	2,166	(282)
Sustainability Fund transfers for:					
Emergencies and disasters	820	133	—	—	(820)
Natural gas rebates	314	285	285	285	(29)
Total Program Expense	24,114	25,535	26,225	26,589	2,475

Percentage increase

Base operating expense	9.6	4.0	3.1	17.6
Total program expense	5.9	2.7	1.4	10.3

^a Includes capital grants to local authorities, highway planning and rehabilitation, and capital amortization. Does not include capital investment of government-owned capital assets and the value of alternatively financed capital projects of local authorities. Declines in 2007-08 because of alternative financing of some local authority capital projects.

Health continues to account for the largest share of overall government program spending at 37%. In 2005-06, the Ministry of Health and Wellness will receive an 8.6% increase.

Education, including basic and advanced education, will account for 26% of total government spending. In 2005-06, the Ministry of Advanced Education will receive a 13.4% increase and program support for the basic education system will increase by 7.1%.

Social service programs provide assistance to seniors, children, severely handicapped individuals, persons with disabilities and other Albertans requiring help. In 2005-06, spending will increase by 8.3%.

Other areas, in particular policing, tourism, and research and innovation, will receive increased support in 2005-06. Nearly \$1.2 billion will also be invested in agriculture programs.

Infrastructure requirements will be addressed at a level unmatched in the rest of the country. The 2005-08 Capital Plan will directly support \$9.2 billion in capital projects. Support for municipal infrastructure will account for one-third of the Capital Plan and will include the first three years of the new five-year, \$3 billion Municipal Infrastructure Program.

2005-08 Capital Plan

(millions of dollars)

	2005-08 Estimate	Percentage Share
Municipal infrastructure support	3,153	34%
Health, schools, post-secondary facilities	2,709	30%
Provincial highway network	1,970	21%
Other	1,387	15%
Total Capital Plan	9,219	100%

The Capital Plan will support \$9.2 billion in capital projects.

The 2005-08 Capital Plan is over \$2.7 billion larger than the 2004-07 Capital Plan published in *Budget 2004*. The increase reflects:

- Increased support for municipal infrastructure.
- New health and learning projects in Edmonton and Calgary.
- Cost pressures due to tight local construction markets, increases in world prices for commodities like steel, and scope changes for some projects.

Municipal infrastructure support accounts for over one-third of the total Capital Plan.

Comparison of 2004-07 and 2005-08 Capital Plans

(millions of dollars)

	2004-07 <i>Budget 2004</i>	2005-08 <i>Budget 2005</i>	Change
Municipal infrastructure support	1,102	3,153	2,051
Health, schools, post-secondary facilities	2,145	2,709	564
Provincial highway network	1,741	1,970	229
Other	1,470	1,387	(83)
Total Capital Plan	6,458	9,219	2,761

The **Alberta Tax Advantage** will be maintained. Albertans will continue to benefit from the lowest overall taxes in the country.

Between 1999 and 2001, the government phased in over \$1.5 billion in personal income tax cuts. Business tax reductions were implemented between 2001 and 2004, saving businesses about \$950 million.

In *Budget 2005*, tax reductions will be more modest. Enhancements are being made to the Alberta Family Employment Tax Credit. The hotel room tax is being reduced and converted into a tourism levy. Indexing of the personal income tax system will continue. Senior homeowners will be protected from increases in school property taxes. School property tax mill rates will be reduced by about 5%.

Nearly \$2.5 billion in personal and business tax cuts have been provided over the last six years.

ADVANCED EDUCATION

Strengthening the advanced education system is the government's top priority this centennial year. The goal is for Albertans to have the best access and the highest participation rate in post-secondary education in Canada.

Advanced Education spending will increase by 13.4% in 2005-06.

In 2005-06, Advanced Education program expense will increase by \$196 million, or 13.4%, to nearly \$1.7 billion. Over the three years, funding will increase by \$433 million, or by almost 30%, reaching \$1.9 billion.

QUALITY AND ACCESSIBILITY – POST-SECONDARY INSTITUTIONS

In 2005-06, support to post-secondary institutions will increase by \$126 million, or 10.3%, to almost \$1.4 billion. By 2007-08, funding will have increased by \$382 million, or 31.2%, to over \$1.6 billion. Major increases in 2005-06 include:

- \$81 million for base operating grants. These grants will increase by 6% per year for the next three years. Institutions will be expected to demonstrate improved outcomes from this additional investment. In addition, an increase of \$1 million is being provided to the Performance Envelope bringing its total budget to almost \$13 million. The Performance Envelope rewards institutions for the achievement of performance targets.
- \$30 million for the Access Growth Fund, an increase of 33%. This additional funding will be used to address enrolment growth, expand apprenticeship training capacity and encourage increased participation in advanced education learning opportunities.
- \$14 million in other program support. Funding is being provided for the costs of operating new facilities, accessing SuperNet, and initiatives to improve accessibility, including the development of a common application process for all Alberta post-secondary institutions.

Access. By 2008, 15,000 new spaces will be added across the advanced education system – in universities, colleges, technical institutes, apprenticeship and other community-based programs. By 2011, the number of new spaces will increase by 30,000 and, by 2020, spaces will have been increased by 60,000. New opportunities will extend beyond the traditional classroom to include expanded access closer to the learner.

Access to the Future Act. Legislation has been introduced to establish an advanced education endowment, as part of the Heritage Savings Trust Fund. This endowment is targeted to grow over time to \$3 billion. An initial allocation of \$250 million is budgeted in 2005-06.

This initial allocation to the endowment will result in \$11 million being available in 2006-07 in the Access to the Future Fund. When the endowment reaches \$3 billion, annual spending from the Access to the Future Fund will be \$135 million.

The Fund is expected to provide seed money for innovations in the advanced education system as well as matching grants to stimulate private, corporate and public contributions to the system. Initiatives that improve affordability and learner outcomes, and develop, attract and retain faculty, staff and graduate students could be supported by the Fund.

15,000 new spaces to be added.

\$3 billion advanced education endowment to be established.

The *Access to the Future Act* also lays the groundwork for introducing a common application process, developing tools to make accessing information on scholarships and bursaries easier for students, enhancing transferability and recognition of learning experiences, and increasing participation for groups under-represented in the advanced education system.

This year the government will pay tuition increases saving students \$43 million.

\$72 million will be provided in 2005-06 for scholarships, bursaries and grants.

\$469 million for post-secondary capital projects over the next three years.

AFFORDABILITY – STUDENT ASSISTANCE

Tuition. This September, the government will pay tuition increases at public post-secondary institutions. This one-time payment will save students \$43 million. A comprehensive review of the affordability of advanced education in Alberta will be undertaken. One outcome of this review will be a new tuition policy to be in place by the fall of 2006.

Student Assistance. Funding for scholarships, bursaries and grants to students will increase by \$7.5 million, or 11.7%, to \$72 million in 2005-06. About 30,000 students will receive scholarships. This includes the new Lois Hole Humanities and Social Science Scholarship that will provide \$5,000 to each of four post-secondary students.

Alberta expects to disburse \$105 million in student loans in 2005-06. To recognize increased student living costs, yearly loan limits are increasing to \$12,140 from \$11,600. 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.

The Alberta Centennial Education Savings Plan was established to encourage parents to save for their children's education and help students pay the future costs of advanced education. The cost in 2005-06, the first full fiscal year of the Plan, is estimated at \$19.5 million.

CAPITAL SUPPORT FOR POST-SECONDARY FACILITIES

\$469 million in post-secondary capital projects will be supported over the next three years through the Ministry of Infrastructure and Transportation, Ministry of Innovation and Science, and the Medical Research Endowment Fund.

Ministry of Advanced Education^a

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Support to post-secondary institutions	1,228	1,354	1,484	1,610
Access to the Future Fund	—	—	11	12
One-time tuition fee support	—	43	—	—
Student assistance	161	178	189	192
Program delivery/support services	73	83	81	81
Total Program Spending	1,462	1,658	1,765	1,895
Annual increase		196	107	130
Percentage increase		13.4	6.5	7.3

a Does not include capital support from the Ministry of Infrastructure and Transportation, Ministry of Innovation and Science, and the Medical Research Endowment Fund.

Program support for basic education will increase by 7.1% to \$4.3 billion in 2005-06.

BASIC EDUCATION

Excellence in the basic education system continues to be a high priority for Albertans. In 2005-06, program support for the basic education system, through the Ministry of Education and property tax support to opted-out school boards, will be \$4.3 billion, an increase of \$287 million, or 7.1%. By 2007-08, this support will be almost \$4.7 billion, an increase of \$638 million, or 15.8%, over the three years.

SUPPORT TO SCHOOL BOARDS

In 2005-06, base operating support to school boards will increase by 5.4%, or \$180 million. This will bring support to public and separate school boards, including property tax support, to \$3.5 billion. By 2007-08, this support will reach \$3.75 billion, a three-year increase of \$416 million, or 12.5%.

This increased funding should provide school boards with increased flexibility to address local basic education needs as no general enrolment growth is expected over the three years and the rate of growth in funding exceeds the expected rate of inflation and other volume increases.

Part of this increase will be provided through the flexible structure of the Renewed Funding Framework and will provide funding for:

- Professional development to ensure teachers are familiar with Alberta's new curriculum and best teaching practices.
- Additional innovative technology in the classroom.
- Increased transportation costs.
- Increased numbers and costs for students with severe special needs.
- Increased support for students requiring English as a Second Language programming.

CLASS SIZE INITIATIVE

In July 2004, the government announced that school boards would receive, in addition to their base grants, funding to hire 2,265 teachers in order to reduce class sizes over three years. 1,250 new classroom teachers were hired under this initiative for the 2004-05 school year.

With the additional class size funding being provided in *Budget 2005*, it is expected that school boards will be able to hire another 435 classroom teachers in 2005-06 and a further 580 classroom teachers in 2006-07. This fulfills the government's commitment to provide funding to hire 2,265 teachers and will allow school boards to reduce class sizes to the recommended guidelines of Alberta's Commission on Learning. By 2007-08, annual funding for this initiative will reach \$173 million.

Funding will be provided to hire more teachers to reduce class sizes.

OTHER BASIC EDUCATION SUPPORT

In 2005-06, other basic education support will increase by \$49 million, or 8.5%, to \$629 million. This includes:

- 16% increase in the cost of teachers' pensions, in part related to the hiring of additional teachers.
- 6.5% increase in funding for accredited private schools due to rising enrolments.
- Increases for the Alberta Initiative for School Improvement, the Student Health Initiative and the Learning Resources Centre.

\$644 million for school capital projects over the next three years.

CAPITAL SUPPORT FOR SCHOOL FACILITIES

\$644 million in school capital projects will be supported over the next three years through the Ministry of Infrastructure and Transportation. About \$350 million a year for the operation and maintenance of school facilities will also be provided through the Ministry of Infrastructure and Transportation.

Basic Education^a

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Operating support to school boards	3,329	3,509	3,617	3,745
Class size initiative	52	110	147	173
Other basic education support:				
Teachers' pensions	275	319	349	362
Accredited private schools	121	129	136	142
Other initiatives/programs	184	181	175	177
Program delivery/support services	84	84	83	84
Basic Education Program Support	4,045	4,332	4,507	4,683
Opted-out boards' property tax revenue	(171)	(177)	(182)	(186)
Ministry of Education Program Expense	3,874	4,155	4,325	4,497
Annual increase in program support		287	175	176
Percentage increase in program support		7.1	4.0	3.9

^a Does not include capital and operation and maintenance support for school facilities from the Ministry of Infrastructure and Transportation.

Over \$9.5 billion for health spending in 2005-06.

HEALTH

In 2005-06, Alberta will spend over \$9.5 billion, or 37% of the provincial budget, on health. This includes spending by the Ministry of Health and Wellness and capital spending on health by the Ministry of Infrastructure and Transportation. Since 1995-96, health spending has grown by an average of about 10% per year.

In 2005-06, the cost of health services requires all the revenue from health care insurance premiums and federal health transfers, as well as all of the revenue from personal income taxes and over half the revenue from corporate income taxes. Rising costs from an aging population, modern drugs and new technologies will continue to put pressure on the health system.

To make quality health care services available and affordable, Alberta's entire health care system, including the health authorities, needs to be more innovative. To learn from the experiences of other countries, an international health symposium will be held in Calgary in May 2005.

Ministry of Health and Wellness spending will increase by 8.6% in 2005-06.

HEALTH AND WELLNESS SPENDING

Program expense by the Ministry of Health and Wellness will increase by \$707 million, or 8.6%, to nearly \$9 billion in 2005-06. This will allow for improvements to access and quality of care while plans for innovations in health are being developed and finalized. For the following two years, spending is budgeted to increase by 4% each year.

Health Authorities Operating Grants. In 2005-06, health authorities' base operating grants will increase by \$572 million, or 11.3%, to over \$5.6 billion. Further increases of 6% are planned in 2006-07 and 2007-08, bringing operating grants to over \$6.3 billion in 2007-08.

Increased funding will be used for services such as heart surgeries, hip replacements, home care, renal dialysis and cancer treatment. In *Budget 2005* some initiatives are receiving particular emphasis. \$25 million will be provided in each of the next three years for the Mental Health Innovation Fund. \$10 million will be provided to increase the number of hours of nursing care in long-term facilities. Funding for the Alberta Cancer Board will increase 25% to nearly \$240 million.

Physician Services. The budget for physician services will increase by \$173 million to over \$1.7 billion in 2005-06. Among the budgeted increases for 2005-06 are:

- \$30 million for 115 additional physicians,
- nearly \$60 million for primary care initiatives, and
- \$10 million for compensation arrangements with some academic physician groups to recognize their multiple roles in teaching, research and clinical service.

The government, the Alberta Medical Association and the health authorities will be negotiating a physician compensation agreement to take effect April 1, 2006.

Ground Ambulance Services. The provincial government will proceed with two special pilot projects (Peace Country and Palliser regions) to test the transfer of governance and funding responsibility for ground ambulance services from municipalities to health regions. The results of these pilot projects will help determine the future transfer of ground ambulance services to regional health authorities. In 2005-06, \$55 million will be provided to municipalities to help offset the costs incurred as a result of the government suspending the planned April 1, 2005 transfer of ground ambulance services.

Non-Group Health Benefits. In 2005-06, funding for non-group health benefits will increase by \$72 million, or 13.0%, to \$630 million. The increase is largely for the higher cost of drug benefits provided to seniors.

Alberta Alcohol and Drug Abuse Commission. In 2005-06, funding for the Commission will increase by \$8 million, or 12.2%, to \$74 million. Over \$4 million of the increase will go to new residential detoxification and treatment services for youth.

HEALTH CAPITAL PLAN

Over the next three years, the government will support \$1.6 billion in capital projects and information technology systems through the Ministry of Health and Wellness and the Ministry of Infrastructure and Transportation. This includes funding for:

- Projects currently under construction such as the Alberta Heart Institute in Edmonton and the Alberta Children's Hospital in Calgary.
- The start of construction of the Calgary South Hospital and the Health Sciences Ambulatory Learning Centre in Edmonton. Each project is expected to cost in excess of \$500 million when completed.
- \$356 million to support the development of information systems, including the electronic health record, and for medical equipment.

\$1.6 billion for health capital projects over the next three years.

Ministry of Health and Wellness^a

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Health authorities - base operating grants	5,057	5,629	5,969	6,331
Physician and other services ^b	3,213	3,348	3,364	3,374
Total Program Expense	8,270	8,977	9,333	9,705
Annual increase		707	356	372
Percentage increase		8.6	4.0	4.0

a Does not include capital support from the Ministry of Infrastructure and Transportation or capital investment of the Ministry of Health and Wellness.

b In 2004-05, includes \$292 million in one-time grants for equipment and health authority deficits. In 2005-06, includes \$50 million in one-time grants for medical equipment.

Funding for social service programs to increase by 8.3% in 2005-06.

Enhanced dental and optical assistance for seniors.

AISH program spending will increase by 20% in 2005-06.

HELPING ALBERTANS

In 2005-06, funding for social service programs will increase by \$205 million, or 8.3%, reaching \$2.7 billion. This increase will provide for increased benefits for seniors, enhanced AISH benefits and increases in other programs.

SENIORS

- Effective July 1, 2004, the Alberta Seniors Benefit was enhanced, helping an additional 17,000 lower income seniors and providing increased monthly benefits to existing recipients. The 2005-06 cost of these changes is \$50 million.
- Effective October 1, 2004, all seniors were exempted from paying health care insurance premiums. Approximately 170,000 seniors will save \$90 million per year as a result of this policy change.
- Effective April 1, 2005, an additional \$42 million per year will be provided to enhance dental and optical assistance. Coverage for basic dental services and prescription eyeglasses will be provided to seniors whose incomes are below \$20,000 (\$40,000 for a senior couple). Partial coverage will be provided on incomes up to \$30,000 (\$60,000 for a senior couple). It is expected that about half of Alberta seniors will get full coverage and another quarter will get partial benefits.
- \$10 million is budgeted in 2005-06, rising to \$24 million by 2007-08, to protect senior homeowners from increases in school property taxes as long as they live in the same house.
- \$50 million will be provided over the next two years for the Rural Affordable Supportive Living program to support the development of an additional 750 supportive living units throughout rural Alberta.
- \$6 million increase is budgeted for seniors lodges, bringing the 2005-06 budget to nearly \$22 million.

ASSURED INCOME FOR THE SEVERELY HANDICAPPED (AISH)

- In 2005-06, AISH program funding will increase by \$80 million, or nearly 20%, to \$488 million.
- This provides for an increase in monthly income benefits, other program enhancements and higher caseloads and health benefit costs.
- By 2007-08, program funding will reach \$606 million, a three-year increase of \$198 million, or 48.4%.

CHILDREN'S SERVICES

- In 2005-06, Children's Services program expense will be \$799 million, an increase of \$32 million, or 4.2%. The Ministry's spending will increase by nearly \$85 million, or 11%, over the three years.
- Implementation of the *Child, Youth and Family Enhancement Act* and *Family Support for Children with Disabilities Act* will continue. The additional funding over the three years will be directed to children with disabilities, child intervention services, child care services, improving

community-based protection and prevention services, and supports for children and family members who are victims of family violence or bullying.

- As negotiations have not yet been completed, *Budget 2005* does not include any new or expanded services related to the new federal initiative on early learning and child care. Alberta will continue to participate in negotiations with the federal government and the other provinces in the hope of reaching a national agreement on early learning and child care that will meet the needs of Albertans.

\$489 million for Assistance to Persons with Developmental Disabilities in 2005-06.

OTHER SUPPORT PROGRAMS

Assistance to Persons with Developmental Disabilities. Funding is budgeted to increase by 4.5% to \$489 million in 2005-06.

Housing Assistance. In 2005-06, \$23 million will be provided for transitional housing and homeless support initiatives, an increase of \$6 million. There will be a \$17 million increase for the operation of family and special purpose housing and \$25 million for the development of affordable housing under the Canada/Alberta Affordable Housing Agreement.

Health Benefits. Programs providing health benefits for children in low income families and eligible adults will increase by \$2.8 million, or 9.5%, in 2005-06.

Social Services

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Seniors programs	271	337	347	354
Children's Services	767	799	827	851
Assured Income for the Severely Handicapped	408	488	571	606
Assistance to Persons with Developmental Disabilities	468	489	499	499
Other programs and delivery costs	565	571	576	579
Total Social Services	2,479	2,684	2,820	2,889
Annual increase		205	136	69
Percentage increase		8.3	5.1	2.4

POLICING AND JUSTICE SYSTEM

Nearly 200 police officers will be added in 2005-06.

Funding for the Ministry of Solicitor General and the Ministry of Justice will increase by \$66 million, or 10.1% in 2005-06, and by \$126 million, or almost 20% over the three years. It is expected this increase will allow the addition of nearly 200 police officers to Alberta communities in 2005-06.

Provincial Policing. Funding will increase by \$21 million, or 16%, to \$153 million in 2005-06. The increase will be used to provide for over 100 additional RCMP officers under the Provincial Policing Services Agreement, and add up to 60 new police officers (municipal police services and RCMP) to fight organized crime.

Courtroom Security and Prisoner Transfer Programs. \$9 million will be provided over the next three years to expand the Solicitor General's courtroom security and prisoner transfer programs to smaller centres. These functions are being taken over from the RCMP and, once the transfers are complete, 30 RCMP officers will become available for front-line policing duties. Over \$22 million will be provided over the next three years to enhance courthouse perimeter security, and to expand video conferencing services throughout Alberta.

Funding to municipalities for policing will increase by 16.7%.

Municipal Policing. A new model for funding municipal policing was implemented last year, which included a new policing grant of \$16 per capita to municipalities required to pay for policing. In 2005-06, this model will be enhanced for municipalities with populations under 20,000. Policing assistance to municipalities will be \$43 million in 2005-06, a \$6 million, or 16.7% increase.

Correctional Services. Funding will increase by 6.7% in 2005-06 to \$146 million, to increase the number of correctional officers and staff, improve safety equipment for correctional officers and better manage offenders serving weekend sentences.

Implementation of the *Family Law Act* and the *Child, Youth and Family Enhancement Act*. \$12 million over three years will be provided for a one-window system to assist families accessing the family court system and to allow for improved access to the courts by reducing waiting times and increasing the availability of mediation and dispute resolution services.

Policing and Justice System

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Ministry of Solicitor General	359	405	431	444
Ministry of Justice	294	314	327	335
Total	653	719	758	779
Annual increase		66	39	21
Percentage increase		10.1	5.4	2.8

10.1% increase for policing and justice system in 2005-06.

STRENGTHENING THE ALBERTA ADVANTAGE

Over the last six years, Alberta has made significant reductions to personal and business taxes. 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 businesses would pay at least \$6.9 billion more in tax each year or the equivalent of more than \$2,000 per person. In 2005, selective tax reductions will be made.

The Alberta Family Employment Tax Credit will be enhanced.

Alberta Family Employment Tax Credit. This tax credit provides tax relief to low and middle income working families. The credit will be enhanced starting on July 1, 2005, and will be fully indexed to inflation starting July 1, 2006. The full-year benefit of these changes will be \$25 million, growing to \$32 million by 2007-08.

Indexing of the Personal Income Tax System. Alberta's personal income tax system continues to be indexed against inflation, saving Albertans about \$35 million in 2005.

Hotel Room Tax/Tourism Levy. The hotel room tax is being reduced from 5% to 4% and converted into a tourism levy, effective April 1, 2005.

School property tax mill rates will be reduced by about 5% in 2005.

School Property Taxes. In 2005, school property tax mill rates will be reduced by about 5%. This reduction helps offset increases in market values due to inflation. In each year since the province took over the responsibility for the school property tax in 1994, mill rates have either been reduced or frozen.

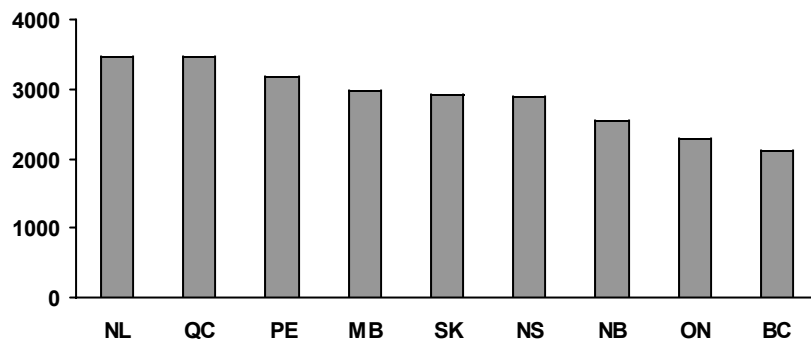
Seniors. Effective October 1, 2004, all seniors were exempted from paying health care insurance premiums, saving seniors an additional \$90 million per year. Effective January 1, 2005, seniors whose school property taxes increase over their 2004 level will qualify for grants to cover the increase.

Over the last four years, business taxes have been cut every year. The general corporate income tax rate has been reduced from 15.5% to 11.5%. The small business rate has been cut in half from 6% to 3%, and the small business threshold has been doubled from \$200,000 to \$400,000. The government has decided not to reduce the general corporate tax rate in 2005-06. The long-term goal of reducing this rate to 8% remains.

For further details on Alberta's taxes see the Alberta Tax Advantage chapter.

Alberta Tax Advantage

(dollars per capita)



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

AGRICULTURE

The last five years have been difficult for Alberta's farmers and ranchers, with consecutive years of drought and the closure of the U.S. border to live cattle imports. \$3.3 billion in emergency assistance, including about \$1 billion from the federal government, has been provided over this period.

In 2004-05, the government developed a six-point BSE recovery strategy. Several components of this strategy will carry over into 2005-06 and future years, including:

- Activities of the Beef Market Development and Retention Fund, which are aimed at helping the beef industry find more export markets and increasing sales in existing ones.
- Prion research funding, which will investigate the causes and possible treatments for prion diseases.
- Monitoring and surveillance programs, which include annual funding of \$15 million and the operation of the new Level III Biocontainment Laboratory.
- Development of alternative uses and disposal techniques for specified risk materials.

\$133 million provided for extension of cattle set-aside program.

Because of the March 2005 U.S. lower court ruling preventing the U.S. border from opening to live cattle under 30 months, the cattle set-aside program has been extended into 2005-06 at an estimated cost of \$133 million.

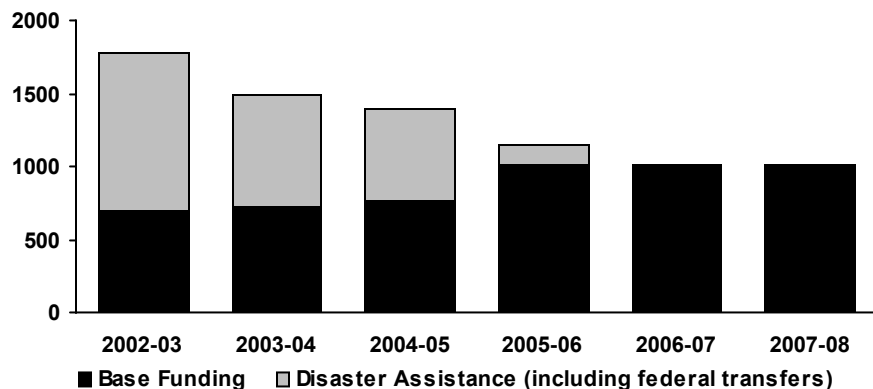
Agriculture, Food and Rural Development's base budget will increase in 2005-06. Crop insurance expense was down in 2004-05 due to a good crop year. These costs are expected to return to more normal levels in 2005-06. The costs of the Canadian Agricultural Income Stabilization program are expected to increase by \$114 million in 2005-06.

Additional funding has also been provided for the Agricultural Service Boards, the Irrigation Rehabilitation program and agriculture research associations. Work will also continue on implementing the new Rural Development Strategy.

Agriculture, Food and Rural Development's 2005-06 budget is nearly \$1.2 billion.

Agriculture, Food and Rural Development – Program Expense

(millions of dollars)



TOURISM AND THE ALBERTA CENTENNIAL

Alberta is a world-class tourism destination. *Budget 2005* will provide increased funding for tourism, improvements to historic and cultural sites, parks, community infrastructure, and celebrations of the centennial.

Tourism funding will increase by nearly 75% in 2005-06.

Tourism. Commencing on April 1, 2005, significant changes are being made to how the government supports Alberta's tourism industry. The 5% hotel room tax is being converted to a 4% tourism levy. This will improve the competitiveness of Alberta's tourism industry by saving guests in Alberta accommodations over \$11 million annually. Also, the annual level of provincial support for tourism marketing and development will now be determined by the amount of revenue the hotel room tax/tourism levy raised in previous years.

In 2005-06, based on this new policy, tourism funding will increase by nearly 75%, from \$24 million to \$42 million. By 2007-08, tourism funding is expected to reach \$50 million per year, more than double the level in 2004-05. The more successful Alberta's tourism industry is, the more funding that will become available. This new investment is expected to increase the number of visitors to Alberta, increase tourism employment, and assist in identifying and developing attractions that will lead more people to explore Alberta.

The government is investing \$323 million in centennial capital projects.

Centennial. To celebrate Alberta's centennial, the government is investing \$323 million for construction and upgrading of community, historic and cultural facilities. Of this funding, \$177 million has been provided over the last five years and a further \$146 million is committed over the next three years. In addition, in 2005-06, \$10 million will be provided for celebratory, recognition and awareness activities.

Parks. *Budget 2005* provides increased operating funding and capital investment to enhance Alberta's parks system. Over the next three years, an additional \$48 million will be provided for parks infrastructure and facilities. An additional \$4 million will be provided in 2005-06 for provincial park programs and facility maintenance. *Budget 2005* also provides \$13 million for the completion of the renovations and upgrades to the Canmore Nordic Centre in preparation for the 2005 World Cup of Cross-Country Skiing.

STRENGTHENING ALBERTA'S INNOVATIVE CAPACITY

Alberta has developed a research infrastructure that is helping the province to become a world leader in new technologies. *Budget 2005* enhances this position.

Endowments will provide \$250 million for medical, and science and engineering research over the next three years.

Research Endowment Funds. The government has two major research endowment funds, whose total assets are forecast to reach nearly \$1.9 billion by 2008. Over the three years, the two endowments are expected to support approximately \$250 million in medical, and science and engineering research in Alberta.

A five-year, \$200 million Innovative Energy Technologies program.

Over \$150 million for other research and innovation programs over the next three years.

Alberta Energy Innovation Strategy. A five-year, \$200 million Innovative Energy Technologies program has been established to encourage the development of innovative technologies to enhance oil and gas recovery. The program is also designed to help find a technical solution to gas over bitumen issues. Assistance will start in 2005-06 and will be provided through royalty adjustments up to a maximum of 30% of approved project costs.

Energy and Climate Change Research. Over \$50 million in research funding will be provided over three years for oil sands upgrading, clean coal technology, water management research, enhanced conventional recovery, alternative energy sources and greenhouse gas emission reduction through carbon dioxide management.

Information and Communications Technology (ICT). \$42 million will be provided over three years for ICT research. This will support iCORE and the new Alberta ICT Institute in the development of a globally competitive knowledge-based ICT sector in Alberta.

Innovation Programs. The Innovation and Service Excellence program and Emerging Opportunities program will provide \$64 million over three years, to support innovation and research in both the public and private sectors.

SuperNet. Alberta's broadband SuperNet will be completed in 2005 and link approximately 4,200 government, health, library and education facilities in 429 communities. SuperNet will enable private local service providers to buy bandwidth and deliver high-speed commercial services to retail customers in rural communities.

OTHER INITIATIVES

First Nations Economic Participation. A five-year First Nations Economic Participation initiative will start in 2005-06. Over the next three years, \$17 million will be provided for the development of community capacity, strategic partnerships with the private sector, and business information and advisory services to First Nations.

Employment Training. Programs providing training to help individuals enter the labour market and maintain employment will increase by \$13 million, or 11.3%, in 2005-06.

Water Management. \$78 million will be provided over three years for upgrading government-owned water management infrastructure.

Wildfires Management. \$52 million will be provided over three years to upgrade aircraft and air tanker bases used for fighting wildfires.

Fisheries Management. \$9 million will be provided over three years to revitalize Alberta's fisheries management programs.

Mountain Pine Beetles. \$8 million will be provided over three years to address mountain pine beetle infestation.

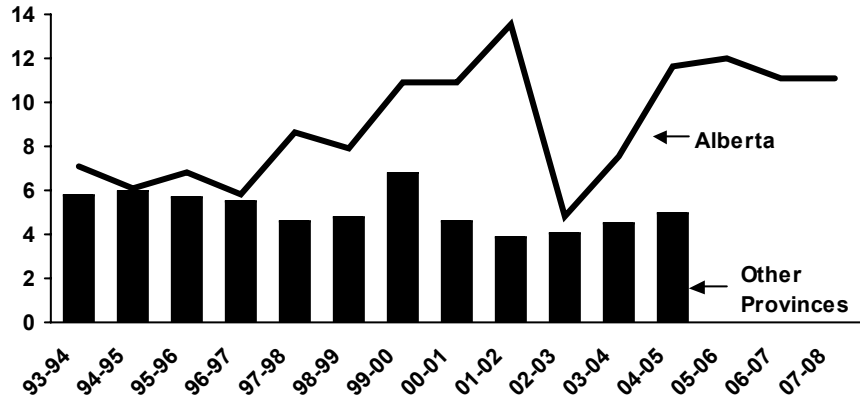
2005-08 CAPITAL PLAN

The 2005-08 Capital Plan commits the government to supporting the construction, acquisition, upgrading and rehabilitation of \$9.2 billion of infrastructure, an average of over \$3 billion a year.

This degree of support is unmatched in the rest of Canada. Alberta's capital spending as a percentage of total spending will average over 11% a year, more than double the average rate of capital spending in other provinces.

Interprovincial Comparison of Capital Expenditure

(% of total spending)



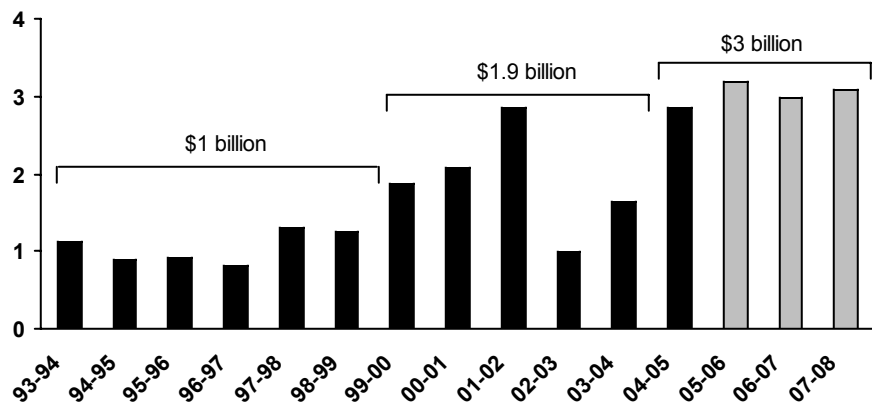
Alberta's capital spending is double the level of other provinces.

Source: Dominion Bond Rating Service Limited, The Canadian Federal and Provincial Governments - 2004 Overview, September 2004. Alberta data for 2003-04 to 2007-08 has been updated by Alberta Finance to reflect the latest Capital Plan information.

The Alberta government's support for capital spending has dramatically increased over the last few years. During most of the 1990s, capital spending averaged about \$1 billion a year. This will increase to an average of over \$3 billion a year.

Provincial Support for Capital Projects

(billions of dollars)



Capital projects will average over \$3 billion a year.

Note: 2001-02 included pre-funding of capital spending for 2002-03.

The Capital Plan includes \$3.1 billion for municipal infrastructure support, \$2.7 billion for health, school and post-secondary facilities, \$2 billion for the provincial highway network, and \$1.4 billion for other capital.

Capital Plan

(millions of dollars)

	2005-06 Estimate	2006-07 Target	2007-08 Target	3-year Total
Municipal infrastructure support	1,021	1,029	1,103	3,153
Provincial highway network	684	636	650	1,970
Health facilities and equipment	561	468	567	1,596
Schools	201	251	192	644
Post-secondary facilities	111	147	211	469
Community facilities and centennial projects	176	87	117	380
Water and wastewater management	58	57	56	171
Government facilities, housing and equipment	354	307	175	836
Total Capital Plan	3,166	2,982	3,071	9,219

Support for municipal infrastructure accounts for over one-third of the Capital Plan.

Support for municipal infrastructure will account for over one-third of the 2005-08 Capital Plan. This includes:

- \$600 million a year, for the next five years, to address the municipal infrastructure requirements through the Municipal Infrastructure Program.
- An average of nearly \$320 million a year in direct transportation grants to municipalities. Edmonton and Calgary grants are based on the equivalent of five cents for each litre of fuel delivered in those cities; other urban centres receive \$60 per capita; and formula grants are provided for rural municipalities.
- An average of \$134 million a year for water and wastewater grants, funding under federal New Deal and Canada/Alberta infrastructure programs, and other municipal infrastructure support.

New five-year, \$3 billion Municipal Infrastructure Program.

FUNDING SOURCES OF THE 2005-08 CAPITAL PLAN

The 2005-08 Capital Plan will be funded from three sources:

- \$3.3 billion from current-year revenue.
- \$4.6 billion, or 50%, from the Capital Account.
- \$1.3 billion in capital projects through alternative financing, including public-private partnerships (P3s).

Capital Plan Funding Sources

(millions of dollars)

	2005-06 Estimate	2006-07 Target	2007-08 Target	3-year Total
Current-year revenue	1,348	916	998	3,262
Capital Account	1,709	1,753	1,157	4,619
Alternative financing				
Local authorities' capital	26	10	580	616
Government-owned capital	83	303	336	722
Total Capital Plan Funding	3,166	2,982	3,071	9,219

The Capital Account will be used to fund \$4.6 billion in capital projects over the next three years.

Capital Account. When the Sustainability Fund reaches \$2.5 billion, assets can be reallocated to the Capital Account. These dollars can be used to pay for capital projects in that year or carried forward to pay for capital projects in following years. Over the last two years, the Capital Account has been used to fund nearly \$2.3 billion in capital projects. Over the next three years, the Capital Account is expected to fund an additional \$4.6 billion in capital projects. This represents one half of the 2005-08 Capital Plan.

Capital Account

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	1,180	674	2,228	1,012
Allocations from Sustainability Fund	1,136	3,263	537	295
Use of Capital Account:				
Capital grants to local authorities	(1,209)	(1,274)	(1,629)	(1,157)
Government-owned capital	(433)	(435)	(124)	—
Assets at end of year	674	2,228	1,012	150

Alternative Financing. The Capital Plan assumes \$1.3 billion in capital projects will be funded by alternative financing:

- \$722 million in government-owned capital, including \$347 million for the Southeast Edmonton Ring Road.
- \$616 million of local authorities' capital projects, primarily in 2007-08.

Alternative financing refers to borrowing for capital projects, including public-private partnerships. During 2004-05, the province entered into a public-private partnership for the construction of the Edmonton Southeast Ring Road. A private consortium will design, finance, construct, operate and maintain the asset for 30 years. Construction of the road will commence in the spring of 2005 and it is planned to be opened in October 2007.

For further details on capital funding see the 2005-08 Capital Plan chapter.

Economic and Revenue Outlook

More information on the economic forecast is provided in the Economic Outlook chapter.

Total revenue is estimated at \$27.3 billion in 2005-06.

In 2004, Alberta's economy led all provinces with real economic growth estimated at 4.4%. Economic gains were widespread with the energy, manufacturing and retail sectors all experiencing strong growth. Alberta also had the highest personal income growth and the lowest unemployment rate in Canada. 40,000 jobs were created.

Alberta's real GDP growth is expected to moderate in 2005 to 3.7%. Over the medium term, based on assumed oil prices in the low US\$30s, economic growth is expected to average about 3.1%. The province's unemployment rate is expected to average 4.3% from 2005 through 2008.

REVENUE OUTLOOK

Total revenue reached \$28.8 billion in 2004-05 as a result of high oil and natural gas prices. Over the next three years, energy prices are assumed to fall back from their current peaks resulting in total revenue declining by \$1.4 billion, or 4.9%, in 2005-06 and a further 3% decline in 2006-07. In 2007-08, revenue will increase marginally as the growth in tax and other revenue exceeds the decline in resource revenue. In this period, the decline in resource revenue masks fairly strong growth in income tax revenue.

The variability and uncertainty of energy prices make it difficult to accurately forecast government revenue. For this reason, the government has legislated a fixed 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.

Amendments to the *Fiscal Responsibility Act* will limit the amount of non-renewable resource revenue that can be used for budget purposes to \$4.75 billion in *Budget 2005*. However, the Act does allow budget revenue to be supplemented from the Capital Account and the Sustainability Fund.

Over the next three years, the Capital Account is budgeted to provide an average of \$1.35 billion per year for local authority capital projects. The Sustainability Fund will also provide \$285 million in each of the three years for natural gas rebates and \$133 million for disaster assistance in 2005-06.

Revenue^a

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Tax revenue	10,133	10,676	11,110	11,608
Non-renewable resource revenue	9,628	7,680	6,467	5,983
Transfers from Government of Canada	3,150	3,501	3,392	3,598
Investment income	1,731	1,376	1,381	1,369
Other revenue	4,111	4,113	4,187	4,332
Total Revenue	28,753	27,346	26,537	26,890

^a In 2005-08, legislation limits the amount of non-renewable resource revenue that can be used for budget purposes to \$4.75 billion. Revenue available for budget purposes will be supplemented by an average of about \$1.6 billion a year from transfers from the Capital Account and Sustainability Fund.

TAX REVENUE

Total tax revenue is estimated at \$10.7 billion in 2005-06, an increase of \$543 million, or 5.3%, from 2004-05. The increase is almost entirely due to growth in personal income tax revenue. In the following two years, tax revenue is forecast to grow by an average of 4.3% a year.

Strong growth in personal income tax revenue.

Personal income tax revenue is forecast to increase by 11.8% in 2005-06. The increase reflects two factors: strong growth in personal incomes, and a negative \$243 million adjustment in 2004-05 due to an overestimation of previous years' tax revenue. The base increase in personal income tax revenue is about 6.3% in 2005-06 and around 6% in each of the following two years.

In 2004-05, corporate income tax revenue is forecast to have increased by nearly 40% due to high energy prices and healthy corporate profits. In 2005-06, corporate income tax revenue is estimated to decline by 3.2% because of expected lower energy prices and a return to more "normal" corporate profits. Over the following two years, corporate income tax revenue is forecast to increase by an average of about 3.9% a year.

School property tax revenue will increase by \$40 million, or 3.2% in 2005-06. In the following two years, it is forecast to increase by 3.1% and 2.5%. These increases reflect the expected growth in assessments through additional development or expansion. In 2005, the provincial uniform school property tax mill rates will be reduced by about 5%, to \$5.17 per \$1,000 of equalized assessment for residential and farm property and to \$7.59 per \$1,000 of equalized assessment for commercial property. The mill rate reductions should offset, to a large degree, the average increase in property values due to inflation. Mill rates have been frozen or reduced every year since 1994.

Revenue from other taxes is expected to be essentially flat, at about \$1.9 billion for the next three years.

Tax Revenue

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Personal income tax	4,649	5,199	5,515	5,845
Corporate income tax	2,353	2,278	2,364	2,458
School property tax	1,233	1,273	1,312	1,345
Other taxes	1,898	1,926	1,919	1,960
Total Tax Revenue	10,133	10,676	11,110	11,608

NON-RENEWABLE RESOURCE REVENUE

In 2004-05, non-renewable resource revenue is forecast to reach \$9.6 billion, the second highest level in Alberta's history. Over the next three years, energy prices and non-renewable resource revenue are assumed to decline.

\$7.7 billion of non-renewable resource revenue in 2005-06.

In 2005-06, non-renewable resource revenue is estimated at \$7.7 billion. This is nearly \$2 billion, or 20%, lower than in 2004-05. The decrease reflects expectations that energy prices will start to fall back from the record levels reached in 2004-05, the Canadian dollar will continue to appreciate relative to the U.S. dollar, and revenue from land sales will decline.

Fiscal Year Assumptions

	2004-05 Actual	2005-06 Forecast	2006-07 Forecast	2007-08 Forecast
Oil Price (WTI US\$/bbl)	45.03	42.00	32.00	31.00
Natural Gas Price (Cdn\$/GJ)	6.05	5.60	5.40	5.20
Exchange Rate (US¢/Cdn\$)	78.4	83.5	85.0	85.0

Oil prices in 2005-06 are assumed to average US\$42.00 per barrel, US\$3.03 lower than the 2004-05 average of US\$45.03 in 2004-05. Natural gas prices are assumed to average Cdn\$5.60 per gigajoule (GJ), 45 cents lower than the 2004-05 average of \$6.05. Over the following two years, the budget assumes oil prices will fall to the low US\$30 range and natural gas prices will average about Cdn\$5.30 per GJ.

For 2005-06, the budget energy price assumptions are close to the average of what other analysts are forecasting. However, within this average there is a fairly wide range of opinions.

Budget energy price assumptions for 2005-06 are close to private sector average.

Based on the forecasts of organizations reviewed, for 2005-06, there is a US\$14 range in oil prices, between a high of nearly US\$52 to a low of about US\$38. Similarly, there is Cdn\$2 per GJ range on natural gas prices. This suggests non-renewable resource revenue could be between \$6.5 billion and \$10 billion in 2005-06.

Energy Price Forecasts, 2005-06

	Private Forecasters			Budget 2005
	High	Low	Average	
Oil Price (WTI US\$/bbl)	51.69	37.88	43.86	42.00
Natural Gas Price (Cdn\$/GJ)	7.15	5.03	5.97	5.60

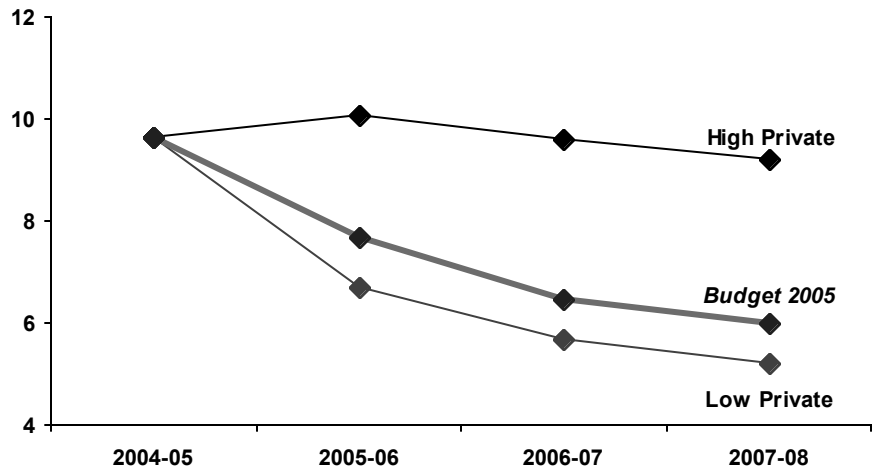
Budget assumes more prudent energy prices in 2006-07 and 2007-08.

For 2006-07 and 2007-08, the budget energy price assumptions tend to be more prudent than the average of other forecasting organizations. Other forecasters, on average, expect oil prices to remain in the US\$40 range in 2006-07 and then drop into the low US\$30 range in 2007-08. For natural gas prices, other forecasting organizations, on average, expect prices will be about 50 cents higher than the prices assumed in *Budget 2005*.

Based on private forecasts, 2005-06 revenue could be between \$6.5 billion and \$10 billion.

Energy Revenue Scenarios^a

(billions of dollars)



^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.

During February and March of 2005, oil prices surged, increasing by about \$10 from \$US46 to \$US56. Similarly, over February and March, the futures market outlook for natural gas prices increased by about Cdn\$1.00 per GJ. It is uncertain how long this latest spike in prices will last.

Non-Renewable Resource Revenue

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Natural gas and by-products royalty	6,491	5,418	4,581	4,021
Crude oil royalty	1,203	923	518	439
Synthetic crude oil and bitumen royalty	674	393	560	710
Coal royalty	10	8	9	9
Bonuses and sales of Crown leases	1,200	886	744	746
Rentals and fees	157	145	142	142
Royalty tax credit	(107)	(93)	(87)	(84)
Total Non-Renewable Resource Revenue	9,628	7,680	6,467	5,983

Federal transfers will be \$3.5 billion in 2005-06.

TRANSFERS FROM THE GOVERNMENT OF CANADA

Transfers from the Government of Canada are estimated at \$3.5 billion in 2005-06. This is an increase of 11.1% from 2004-05 and is primarily related to higher health transfers. In the following two years, federal transfers average about \$3.5 billion, essentially unchanged from the 2005-06 level.

Federal transfers pay for less than 14% of Alberta's total program spending. Health transfers are the major component in federal transfers, accounting for \$2 billion of the \$3.5 billion in transfers. The health transfers include the funding from the September 2004 Health Accord.

Federal transfers to the province for agriculture/BSE assistance are expected to decline in 2005-06. The budget does assume the federal government will contribute approximately \$34 million in 2005-06 for the extension of the cattle set-aside program this year. Federal agriculture transfers to the province do not include the March 30, 2005 announcement by the federal government of an \$1 billion aid package for the agriculture sector, as these payments will flow directly to producers.

Negotiations are still continuing with the federal government on a national agreement on early learning and child care. The revenue forecast does not include an estimate of federal transfers that may be received if an agreement is reached.

Transfers from Government of Canada

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Health transfers	1,678	2,048	1,959	2,086
Canada Social Transfer	606	690	726	764
Agriculture support programs	494	355	312	312
Other transfers	372	408	395	436
Total Federal Transfers	3,150	3,501	3,392	3,598

Investment income is estimated at \$1.4 billion in 2005-06.

INVESTMENT INCOME

Investment income is estimated to be \$1.4 billion in 2005-06, a decrease of \$355 million, or nearly 21%, from 2004-05. Investment income is forecast to be essentially unchanged over the following two years.

The decline in 2005-06 investment income is primarily due to an expected lower rate of return on Heritage Fund and endowment fund investments. In 2003-04 and 2004-05, the Heritage Fund and other endowment funds realized above normal rates of return due to the rebound in equity markets.

In 2005-06, and the following two years, it is assumed that the Heritage Fund and endowment funds will have a realized rate of return of between 4.0% and 6.0%. This is slightly lower than the expected longer-term average of about 6.5% due to expected increases in interest rates. The increase in interest rates will negatively affect fixed income portfolios in the near term.

The investment income of Alberta Capital Finance Authority is expected to continue to decline over the three years due to lower interest rates on new loans and expected lower lending activity.

Other investment income is expected to increase in 2005-06, due to higher balances in the Debt Retirement Account and the Capital Account. In the following two years, as the asset balance in the Debt Retirement Account is drawn down to pay accumulated debt, and the assets in the Capital Account are used to pay for capital projects, investment income will decline.

Investment Income

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Alberta Heritage Savings Trust Fund	1,014	669	682	700
Alberta Capital Finance Authority	311	287	262	237
Endowment funds	111	70	96	109
Other investment income	295	350	341	323
Total Investment Income	1,731	1,376	1,381	1,369

REVENUE FROM OTHER SOURCES

Revenue from other sources is estimated at \$4.1 billion in 2005-06, essentially unchanged from 2004-05. This partly reflects a relatively flat gaming and lottery revenue estimate for 2005-06. It is expected that the introduction of enhanced municipal smoking bylaws will more than offset the gaming revenue growth from casino expansions.

Over the following two years, revenue from other sources is expected to increase by an average of about 2.6% per year.

Revenue from Other Sources

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Net income from commercial operations	1,942	1,929	2,017	2,086
Premiums, fees and licences	1,746	1,747	1,747	1,825
Other	423	437	423	421
Total Revenue from Other Sources	4,111	4,113	4,187	4,332

RISKS

Economy

- The budget assumptions for Alberta's economic growth are similar to the forecasts of private organizations. Most forecasters expect that Alberta's economic growth will continue to be healthy.
- The budget economic forecast is based on continued growth in the world economy. If energy prices continue to increase above current levels, prospects for global economic growth could be negatively affected.

The economic forecast is based on continued growth in the world economy.

- The budget economic forecast also assumes the U.S. economy will continue to perform strongly. The U.S. budget and current account imbalances represent a continuing risk to this forecast, with the potential to reduce U.S. and global economic growth in the medium term.

Budget assumes exchange rate reaches 85 cents.

Exchange Rate

- The budget forecast assumes the Canadian dollar will appreciate relative to the U.S. dollar. The exchange rate assumption is slightly higher than the average of other forecasters.
- A lower exchange rate would increase government revenue, as oil and natural gas are primarily priced in U.S. dollars. A greater than expected appreciation of the Canadian dollar would reduce the province's resource revenue. It would also have a negative impact on export volumes and economic growth.

Energy Prices

- There is significant uncertainty over energy prices. In 2005-06, the energy price assumptions in the budget are close to the average of other forecasters. For the following two years, the budget energy price forecast is more prudent.
- Higher than forecast energy prices would increase the government's revenue and economic growth. Lower than forecast prices would reduce the resource revenue transfer to the Sustainability Fund.

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

- Agriculture and wildfires are the major unpredictable pressures. Agriculture risk management programs provide protection against adverse weather and other circumstances. Funding will be increased to upgrade aircraft and air tanker bases used for fighting wildfires.
- If additional disaster or emergency funding is required, it can be drawn from the \$2.5 billion Sustainability Fund.

\$2.5 billion in the Sustainability Fund to protect against emergencies/disasters.

Sensitivities to Fiscal Year Assumptions, 2005-06^a

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-99	—	-99
Natural Gas Price (Cdn\$/GJ)	-10¢	-99	—	-99
Exchange Rate (US¢/Cdn\$)	+1¢	-117	-2	-115
Interest Rates	+1%	-85	+5	-90

^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.

FISCAL PLAN TABLES



Fiscal Summary^a

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Revenue	25,887	22,952	28,753	27,346	26,537	26,890
Expense						
Program	21,480	22,286	24,114	25,535	26,225	26,589
Debt servicing costs	271	363	325	291	250	252
Total Expense	21,751	22,649	24,439	25,826	26,475	26,841
Net Revenue	4,136	303	4,314	1,520	62	49
Transfer from Capital Account ^b	416	741	1,209	1,274	1,629	1,157
Net transfer from (to) Sustainability Fund	(4,552)	(784)	(5,523)	(2,546)	(1,432)	(948)
Contingency Allowance	-	260	-	248	259	258

^a For fiscal policy purposes under the *Fiscal Responsibility Act* (pending legislative amendment). 2003-04 and 2004-05 numbers have been restated to be comparable with the 2005-06 presentation. Does not include the change in pension obligations, estimated to be \$141 million in 2005-06, \$134 million in 2006-07 and \$138 million in 2007-08.

During the coming year, the government will continue to review new guidance issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants on whether universities, public colleges, technical institutes, regional health authorities and school boards need to be included in the government's reporting entity. Budget 2006 will provide an update on whether the reporting entity will be expanded to include these organizations and what the potential effects on the fiscal plan and consolidated financial statements would be.

^b Includes only transfers for capital grants to local authorities.

Sustainability Fund

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	-	2,500	2,500	3,498	2,500	2,500
Non-renewable resource revenue transfer from general revenue	4,176	784	5,628	2,930	1,717	1,233
Other net transfers to Sustainability Fund	1,387	-	1,029	34	-	-
Transfers from the Sustainability Fund	(1,011)	-	(1,134)	(418)	(285)	(285)
Adjustments	(266)	568	341	384	(521)	(275)
Assets prior to reallocation	4,286	3,852	8,364	6,428	3,411	3,173
Reallocation to:						
Debt Retirement Account	(893)	(726)	(3,730)	-	-	-
Capital Account	(893)	(626)	(1,136)	(3,263)	(537)	(295)
Heritage Fund - inflation proofing	-	-	-	(215)	(224)	(228)
Heritage Fund - Advanced Education endowment	-	-	-	(250)	-	-
Medical Research Endowment Fund	-	-	-	(200)	(150)	(150)
Assets at End of Year	2,500	2,500	3,498	2,500	2,500	2,500

Accumulated Debt

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Accumulated debt at start of year	6,746	4,971	4,971	3,469	2,220	2,125
Repayment of debt maturities	(1,775)	(1,489)	(1,502)	(1,249)	(95)	(257)
Accumulated debt at end of year	4,971	3,482	3,469	2,220	2,125	1,868
Less: Debt Retirement Account	1,241	478	3,469	2,220	2,125	1,868
Accumulated Debt less Debt Retirement Account	3,730	3,004	-	-	-	-

Balance Sheet Summary

(millions of dollars)

	At March 31				
	2004 Actual	2005 Forecast	2006 Estimate	2007 Target	2008 Target
Financial Assets					
Heritage Fund external investments	11,267	11,273	11,746	11,979	12,217
Self-supporting lending organizations	5,597	5,588	5,466	5,309	5,191
Sustainability Fund	2,500	3,498	2,500	2,500	2,500
Endowment funds	1,622	1,643	1,811	1,952	2,094
Capital Account	1,180	674	2,228	1,012	150
Debt Retirement Account	1,241	3,469	2,220	2,125	1,868
Other financial assets	5,858	4,897	4,775	5,525	6,062
Total Financial Assets	29,265	31,042	30,746	30,402	30,082
Liabilities					
Accumulated debt	4,971	3,469	2,220	2,125	1,868
Pension obligations	5,059	5,223	5,364	5,498	5,636
Self-supporting lending organizations	4,556	4,461	4,352	4,174	4,036
Liabilities for government-owned capital ^a	-	9	92	395	729
Other liabilities	4,131	3,605	3,582	3,573	3,599
Total Liabilities	18,717	16,767	15,610	15,765	15,868
Net Financial Assets	10,548	14,275	15,136	14,637	14,214
Capital Assets	10,534	10,957	11,475	11,902	12,236
Net Assets	21,082	25,232	26,611	26,539	26,450
Adjustment for pension obligations	5,059	5,223	5,364	5,498	5,636
Net Assets for Fiscal Policy Purposes^b	26,141	30,455	31,975	32,037	32,086

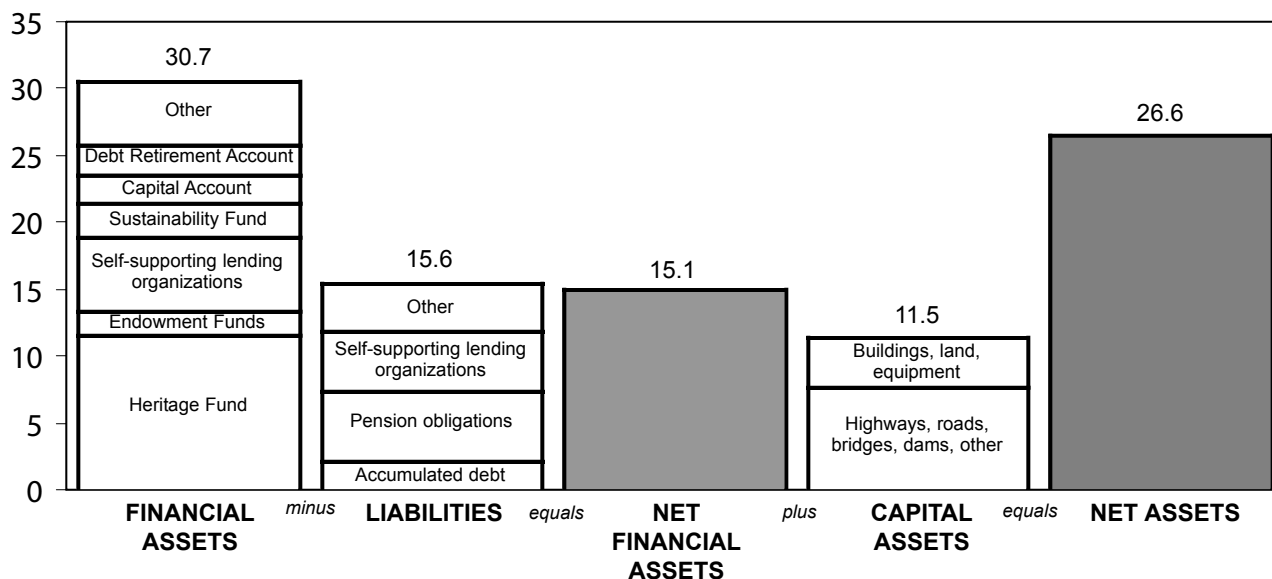
^a 2008 is net of an assumed \$2 million principal repayment.

^b Under the *Fiscal Responsibility Act*, excludes pension obligations.

Estimate of Assets, Liabilities and Net Assets

at March 31, 2006

(billions of dollars)

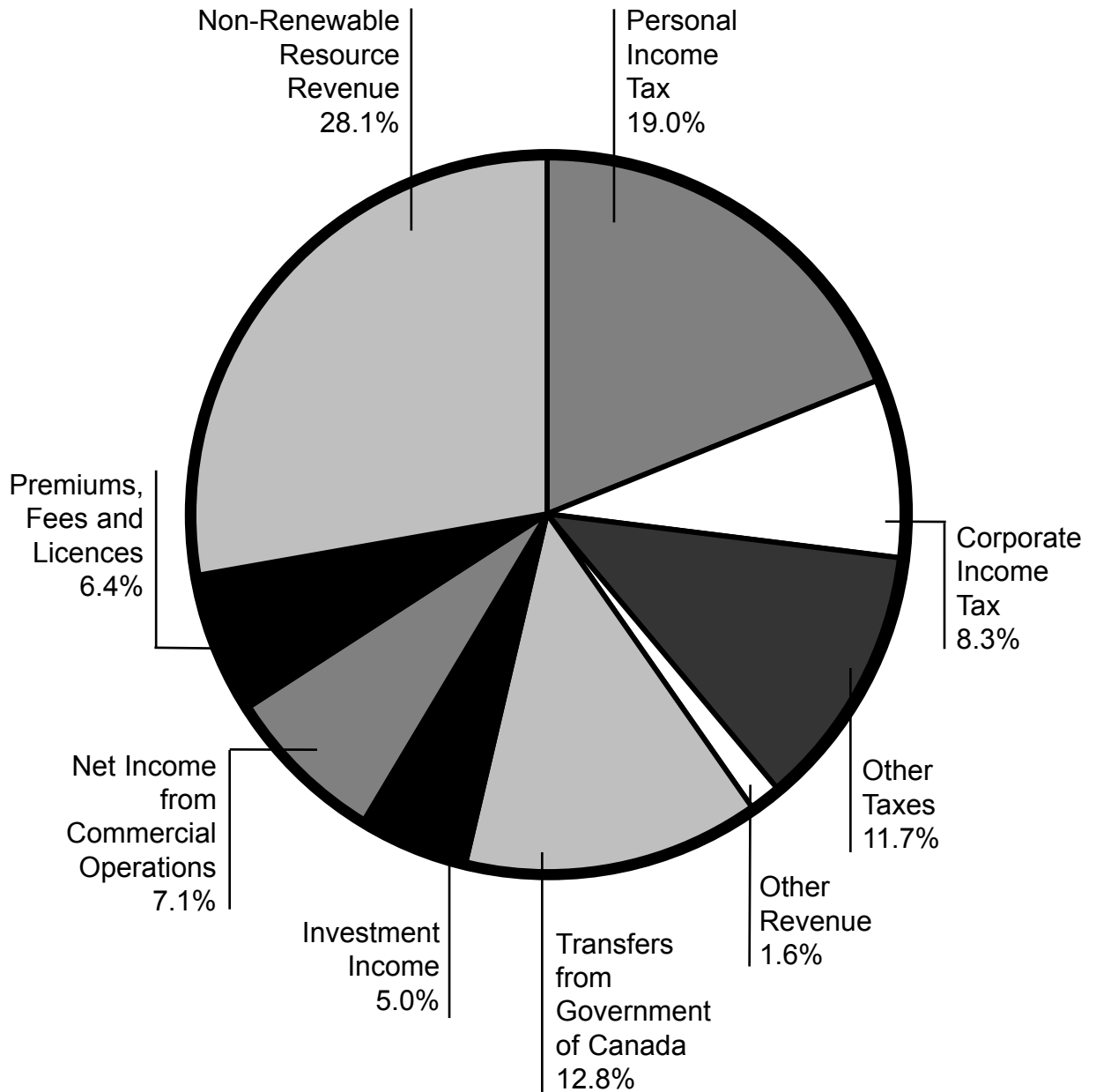


Revenue

(millions of dollars)

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual	Budget	Forecast	Estimate	Target	Target
Income Taxes						
Personal income tax	4,613	5,085	4,649	5,199	5,515	5,845
Corporate income tax	1,696	1,957	2,353	2,278	2,364	2,458
	6,309	7,042	7,002	7,477	7,879	8,303
Other Taxes						
School property tax	1,178	1,233	1,233	1,273	1,312	1,345
Tobacco tax	671	660	720	735	750	765
Fuel tax	620	607	635	645	655	670
Freehold mineral rights tax	288	204	294	310	266	265
Insurance taxes	206	165	190	186	196	207
Hotel room tax/Tourism levy	53	60	59	50	52	53
	3,016	2,929	3,131	3,199	3,231	3,305
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	5,450	3,373	6,491	5,418	4,581	4,021
Crude oil royalty	981	558	1,203	923	518	439
Synthetic crude oil and bitumen royalty	197	100	674	393	560	710
Coal royalty	9	9	10	8	9	9
Bonuses and sales of Crown leases	967	694	1,200	886	744	746
Rentals and fees	154	145	157	145	142	142
Royalty tax credit	(82)	(95)	(107)	(93)	(87)	(84)
	7,676	4,784	9,628	7,680	6,467	5,983
Transfers from Government of Canada						
Canada Health and Social Transfer	1,767	-	-	-	-	-
Health transfers	277	1,625	1,678	2,048	1,959	2,086
Canada Social Transfer	-	679	606	690	726	764
Agriculture support programs	561	286	494	355	312	312
Other	321	381	372	408	395	436
	2,926	2,971	3,150	3,501	3,392	3,598
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,125	1,162	1,212	1,202	1,257	1,289
Liquor revenue	557	551	554	560	571	582
Alberta Treasury Branches	172	151	171	162	183	209
Other	28	5	5	5	6	6
	1,882	1,869	1,942	1,929	2,017	2,086
Premiums, Fees and Licences						
Health care insurance premiums	940	928	898	875	888	901
Motor vehicle licences	266	270	281	291	296	301
Crop and hail insurance premiums	146	153	134	157	160	160
Timber rentals and fees	116	64	98	81	53	106
Land titles	44	41	47	50	52	55
Other	302	277	288	293	298	302
	1,814	1,733	1,746	1,747	1,747	1,825
Investment Income						
Alberta Heritage Savings Trust Fund	1,117	631	1,014	669	682	700
Alberta Capital Finance Authority	323	314	311	287	262	237
Agriculture Financial Services Corporation	86	85	82	86	88	90
Sustainability Fund	42	75	78	80	85	90
Debt Retirement Account	49	10	55	115	90	85
Endowment Funds						
Medical Research	73	30	66	37	55	67
Science and Engineering Research	37	12	26	20	27	29
Scholarship	23	9	19	13	14	13
Capital Account	30	20	27	28	36	13
Other	58	40	53	41	42	45
	1,838	1,226	1,731	1,376	1,381	1,369
Other						
Refunds of expense	96	81	85	82	81	81
Fines and penalties	69	68	70	72	72	72
Miscellaneous	261	249	268	283	270	268
	426	398	423	437	423	421
Total Revenue	25,887	22,952	28,753	27,346	26,537	26,890

2005-06 Revenue
\$27.3 billion



Expense by Ministry

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Program						
Legislative Assembly	56	76	75	70	71	73
Aboriginal Affairs and Northern Development	35	36	36	39	41	27
Advanced Education	1,344	1,458	1,462	1,658	1,765	1,895
Agriculture, Food and Rural Development	1,499	909	1,398	1,151	1,015	1,014
Children's Services	700	741	767	799	827	851
Community Development	187	214	206	247	207	209
Economic Development	58	58	58	80	88	91
Education	3,633	3,810	3,874	4,155	4,325	4,497
Energy	199	191	197	203	205	207
Environment	122	125	132	138	138	136
Executive Council	18	21	21	26	26	26
Finance	582	600	593	588	572	560
Gaming	143	165	198	169	203	208
Government Services	75	81	78	90	91	92
Health and Wellness	7,295	7,917	8,270	8,977	9,333	9,705
Human Resources and Employment	748	742	782	778	774	774
Infrastructure and Transportation	2,268	2,564	3,150	3,420	3,458	3,080
Innovation and Science	145	155	197	181	193	183
International and Intergovernmental Relations	6	8	8	10	9	9
Justice	257	283	294	314	327	335
Municipal Affairs	139	123	150	127	129	127
Restructuring and Government Efficiency	53	62	52	80	80	80
Seniors and Community Supports	1,310	1,396	1,428	1,605	1,689	1,736
Solicitor General	283	346	359	405	431	444
Sustainable Resource Development	325	205	329	225	228	230
Total Program Expense	21,480	22,286	24,114	25,535	26,225	26,589
Debt Servicing Costs	271	363	325	291	250	252
Total Expense	21,751	22,649	24,439	25,826	26,475	26,841

Expense by Function^a

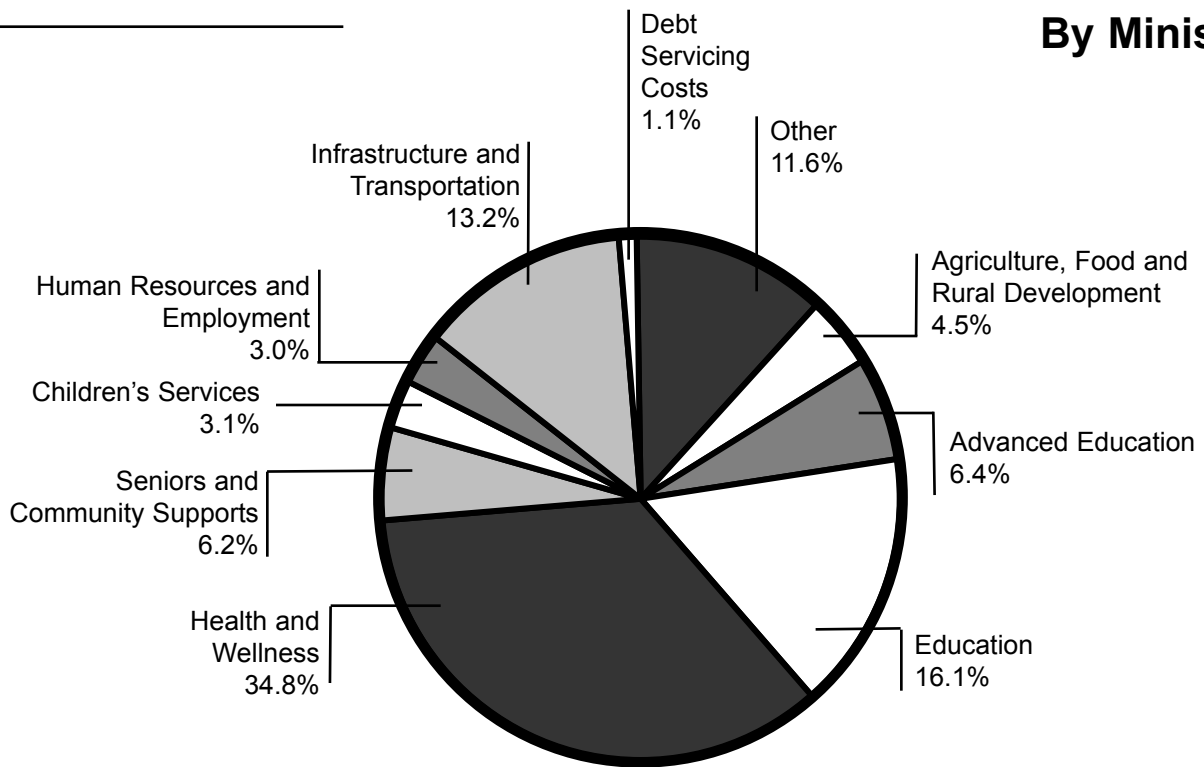
(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Health	7,646	8,400	9,042	9,510	9,842	9,944
Education	5,854	6,333	6,391	6,754	7,125	7,263
Social Services	2,272	2,394	2,479	2,684	2,820	2,889
Transportation, Communications and Utilities	1,001	974	1,268	1,889	1,871	1,964
Agriculture, Resource Management and Economic Development	2,037	1,500	2,066	1,816	1,742	1,742
Protection of Persons and Property	858	806	972	911	939	960
Regional Planning and Development	446	429	429	409	386	346
Recreation and Culture	274	307	297	328	287	288
Environment	184	178	185	193	193	192
Housing	146	155	160	179	151	132
General Government	762	810	825	862	869	869
Debt Servicing Costs	271	363	325	291	250	252
Total Expense	21,751	22,649	24,439	25,826	26,475	26,841

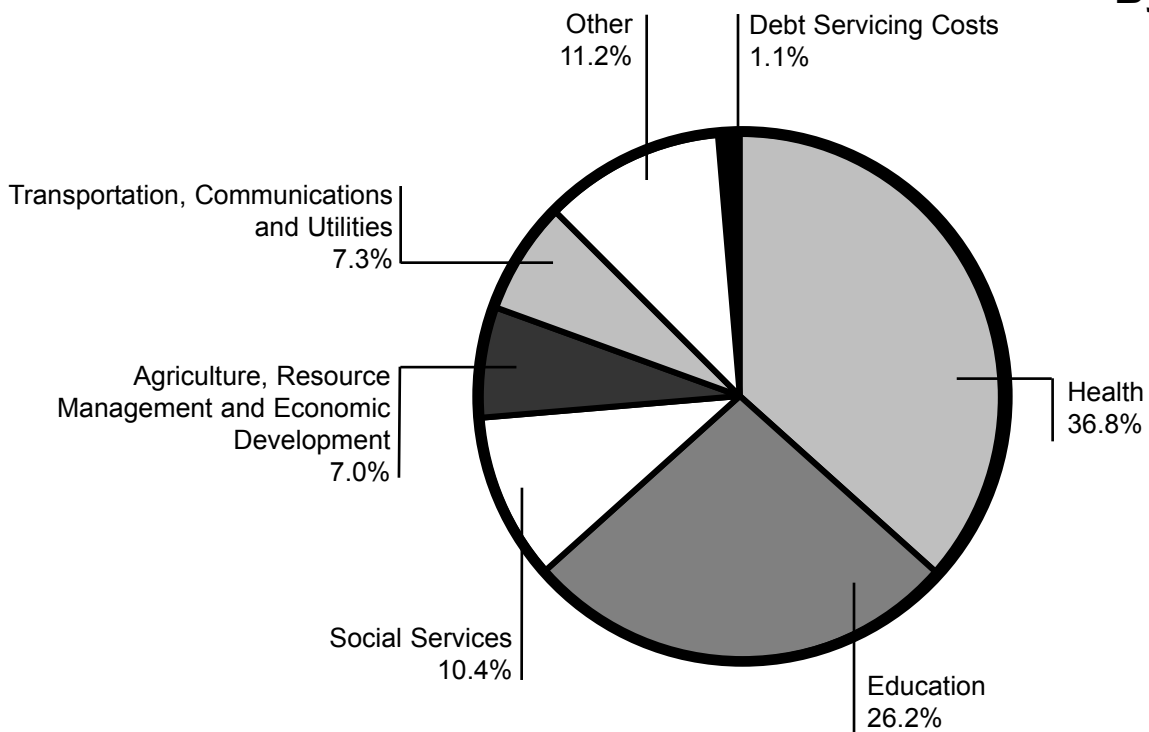
^a In 2007-08, \$580 million of health and education capital projects are assumed to be alternatively financed. Only the financing costs for these projects are included in expense.

2005-06 Expense
\$25.8 billion

By Ministry



By Function



2005-06 Expense by Function

(millions of dollars)

	Health		Education		Social Services		Economic Development ^a		Transportation ^b		Protection of Persons and Property		Regional Planning and Development		Recreation and Culture Environment		Housing Government		General Servicing		Debt		Total	
Legislative Assembly	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	70
Aboriginal Affairs and Northern Development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	39
Advanced Education	—	1,658	—	—	—	—	—	—	—	—	—	—	—	39	—	—	—	—	—	—	—	—	—	1,658
Agriculture, Food and Rural Development	—	—	—	—	—	—	1,151	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,204
Children's Services	—	—	—	799	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	799
Community Development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	247
Economic Development	—	—	—	—	—	—	80	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	80
Education	—	4,155	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,159
Energy	—	—	—	—	—	—	132	—	8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	203
Environment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	138
Executive Council	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	26
Finance	56	—	—	—	—	—	23	—	—	—	—	—	—	287	—	—	—	—	—	—	—	—	—	783
Gaming	—	—	—	—	—	—	82	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	169
Government Services	—	—	—	—	—	—	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	90
Health and Wellness	8,977	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8,977
Human Resources and Employment	—	281	—	437	—	—	8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	778
Infrastructure and Transportation	394	660	—	—	—	—	17	—	1,881	—	—	—	—	1	—	—	—	—	—	—	—	—	—	3,420
Innovation and Science	—	—	—	—	—	—	181	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	181
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	10
Justice	—	—	—	58	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	314
Municipal Affairs	—	—	—	—	—	—	—	—	—	—	—	—	—	82	—	—	—	—	—	—	—	—	—	127
Restructuring and Government Efficiency	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	80
Seniors and Community Supports	83	—	—	1,375	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,644
Solicitor General	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	405
Sustainable Resource Development	—	—	—	—	—	—	139	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	225
Total Expense	9,510	6,754	2,684	1,816	1,889	911	409	328	193	179	862	291	25,826											

^a Agriculture, Resource Management and Economic Development.

^b Transportation, Communications and Utilities.

2005-06 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	39	17	14	—	—	—	—	70	—	70
Aboriginal Affairs and Northern Development	6	13	20	—	—	—	—	39	—	39
Advanced Education	34	59	1,560	—	—	5	—	1,658	—	1,658
Agriculture, Food and Rural Development	122	66	243	277	765	8	(277)	1,204	—	1,204
Children's Services	185	551	62	590	—	1	(590)	799	—	799
Community Development	63	56	117	66	—	11	(66)	247	—	247
Economic Development	23	52	5	—	—	—	—	80	—	80
Education	53	96	4,005	—	4	1	—	4,159	—	4,159
Energy	115	60	13	46	—	15	(46)	203	—	203
Environment	66	48	4	—	—	20	—	138	—	138
Executive Council	21	5	—	—	—	—	—	26	—	26
Finance	80	53	123	490	1,074	7	(924)	903	(120)	783
Gaming	3	3	163	1,207	—	—	(165)	1,211	(1,042)	169
Government Services	35	51	—	—	—	4	—	90	—	90
Health and Wellness	99	150	8,658	72	41	29	(72)	8,977	—	8,977
Human Resources and Employment	132	140	500	—	3	3	—	778	—	778
Infrastructure and Transportation	123	624	2,362	—	—	315	—	3,424	(4)	3,420
Innovation and Science	56	50	75	40	—	3	(40)	184	(3)	181
International and Intergovernmental Relations	5	5	—	—	—	—	—	10	—	10
Justice	194	61	31	—	25	3	—	314	—	314
Municipal Affairs	27	19	79	—	—	2	—	127	—	127
Restructuring and Government Efficiency	79	141	—	—	—	35	—	255	(175)	80
Seniors and Community Supports	128	297	1,154	985	40	25	(985)	1,644	—	1,644
Solicitor General	147	199	59	—	—	—	—	405	—	405
Sustainable Resource Development	131	75	7	29	1	11	(24)	230	(5)	225
Total Expense	1,966	2,891	19,254	3,802	1,953	498	(3,189)	27,175	(1,349)	25,826

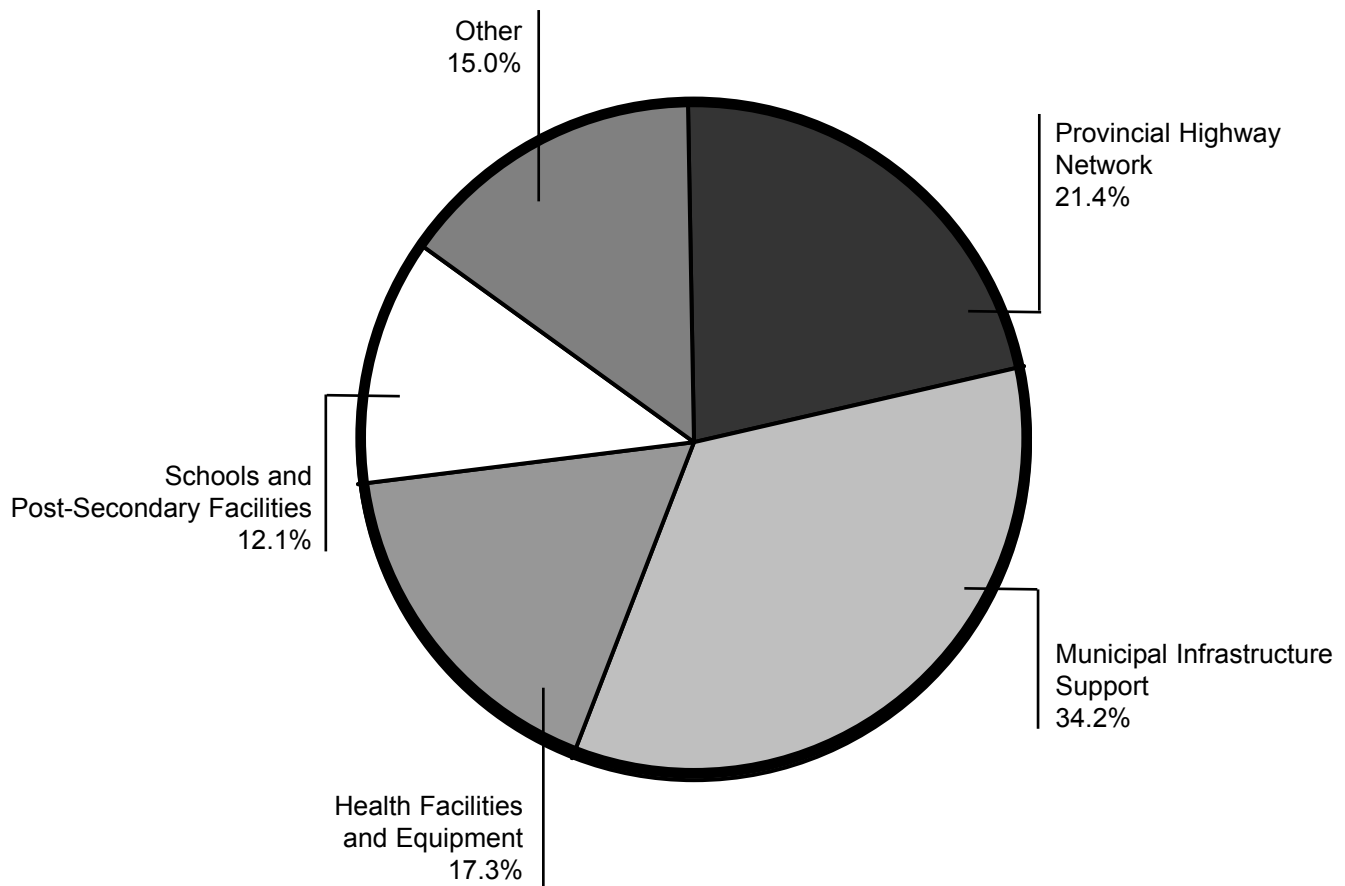
Capital Plan

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Municipal infrastructure support	232	385	391	1,021	1,029	1,103
Provincial highway network	455	587	590	684	636	650
Health facilities and equipment	283	433	886	561	468	567
Schools	130	221	221	201	251	192
Post-secondary facilities	137	228	228	111	147	211
Community facilities and centennial projects	70	159	166	176	87	117
Water and wastewater management	79	57	58	58	57	56
Government facilities, housing and equipment	273	323	355	354	307	175
Total Capital Plan	1,659	2,393	2,895	3,166	2,982	3,071

2005-08 Capital Plan

\$9.2 billion



Capital Plan Funding Details

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Support for Local Authorities' Capital						
Current-year revenue	504	632	671	716	322	382
Capital Account	416	741	1,209	1,274	1,629	1,157
Alternatively financed	-	-	-	26	10	580
Total Support for Local Authorities' Capital	920	1,373	1,880	2,016	1,961	2,119
Government-Owned Capital^a						
Current-year revenue	532	522	573	632	594	616
Capital Account	207	347	433	435	124	-
Alternatively financed	-	151	9	83	303	336
Total Government-Owned Capital	739	1,020	1,015	1,150	1,021	952
Capital Plan						
Current-year revenue	1,036	1,154	1,244	1,348	916	998
Capital Account	623	1,088	1,642	1,709	1,753	1,157
Alternatively financed	-	151	9	109	313	916
Total Capital Plan	1,659	2,393	2,895	3,166	2,982	3,071

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

Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Capital Plan						
Capital grants to local authorities	920	1,373	1,880	1,990	1,951	1,539
Value of local authorities' alternatively financed projects	-	-	-	26	10	580
Provincial highway planning and rehabilitation	106	131	132	113	78	92
Capital investment in government-owned projects	633	889	883	1,037	943	860
Total Capital Plan	1,659	2,393	2,895	3,166	2,982	3,071
Expense for Capital Purposes^a						
Capital grants to local authorities	920	1,373	1,880	1,990	1,951	1,539
Capital financing grants to local authorities	-	-	-	5	7	22
Provincial highway planning and rehabilitation	106	131	132	113	78	92
Amortization of government-owned projects	389	466	436	498	502	513
Total Expense for Capital Purposes	1,415	1,970	2,448	2,606	2,538	2,166

^a Included in program expense. Does not include financing costs for government-owned P3s of \$4 million in 2006-07 and \$17 million in 2007-08 which are included in debt servicing costs.

Capital Investment in Government-Owned Capital^a

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Advanced Education	9	4	6	8	4	4
Agriculture, Food and Rural Development	12	13	11	8	8	8
Children's Services	3	-	2	-	-	-
Community Development	6	7	11	45	28	22
Economic Development	-	-	-	-	-	-
Education	2	1	1	5	4	1
Energy	14	11	11	13	13	13
Environment	1	4	4	3	3	2
Executive Council	-	-	-	-	-	-
Finance	7	5	7	6	5	5
Gaming	-	-	-	-	-	-
Government Services	3	4	6	10	10	10
Health and Wellness	37	67	70	74	83	70
Human Resources and Employment	3	4	4	4	4	4
Infrastructure and Transportation	468	706	685	823	720	678
Innovation and Science	3	4	5	4	4	5
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	3	1	1	1	21	2
Municipal Affairs	5	2	2	1	1	1
Restructuring and Government Efficiency	31	44	43	3	3	3
Seniors and Community Supports	8	1	1	1	1	1
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	18	11	13	28	31	31
Total Capital Investment	633	889	883	1,037	943	860

^a Includes inventory purchases.

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

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Agriculture, Food and Rural Development	19	24	24	27	29	29
Community Development	2	14	14	31	1	1
Education	20	-	-	-	-	-
Environment	4	1	7	1	1	1
Finance	-	4	4	4	4	4
Gaming	38	39	79	45	45	45
Health and Wellness	50	50	200	109	59	60
Infrastructure and Transportation	835	1,311	1,615	1,861	1,888	1,510
Innovation and Science	12	10	10	2	6	-
Municipal Affairs	-	-	3	3	3	3
Seniors and Community Supports	46	51	56	25	-	-
Total Support	1,026	1,504	2,012	2,108	2,036	1,653

^a Included in program expense.

Includes capital financing grants to local authorities.

Excludes the value of alternatively financed projects.

	-	-	-	5	7	22
	-	-	-	26	10	580

Capital Amortization for Government-Owned Capital^a

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Legislative Assembly	-	-	-	-	1	1
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Advanced Education	1	4	4	5	5	5
Agriculture, Food and Rural Development	7	8	8	8	8	8
Children's Services	1	1	1	1	1	1
Community Development	9	10	9	11	12	12
Economic Development	-	-	-	-	-	-
Education	1	1	1	1	1	1
Energy	13	14	14	15	16	16
Environment	17	19	19	20	20	20
Executive Council	-	-	-	-	-	-
Finance	6	6	6	7	7	7
Gaming	-	-	-	-	-	-
Government Services	2	2	3	4	6	6
Health and Wellness	31	23	35	29	26	26
Human Resources and Employment	2	3	3	3	3	3
Infrastructure and Transportation	255	312	283	315	318	322
Innovation and Science	3	3	3	3	3	3
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	1	2	2	3	3	8
Municipal Affairs	2	2	2	2	2	2
Restructuring and Government Efficiency	7	20	7	35	34	35
Seniors and Community Supports	24	25	25	25	25	25
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	7	11	11	11	11	12
Total Capital Amortization	389	466	436	498	502	513

^a Includes inventory consumption.

Capital Account

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	910	1,180	1,180	674	2,228	1,012
Allocation to Capital Account	893	626	1,136	3,263	537	295
Withdrawals						
Capital grants to local authorities	(416)	(741)	(1,209)	(1,274)	(1,629)	(1,157)
Government-owned capital investment	(207)	(347)	(433)	(435)	(124)	-
Assets at End of Year	1,180	718	674	2,228	1,012	150

Sustainability Fund Details

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	-	2,500	2,500	3,498	2,500	2,500
Transfers to Sustainability Fund						
Non-renewable resource revenue transfer from general revenue	4,176	784	5,628	2,930	1,717	1,233
Other net transfers	1,387	-	1,029	34	-	-
Total transfers to Sustainability Fund	5,563	784	6,657	2,964	1,717	1,233
Transfers from Sustainability Fund						
Transfer for disaster and emergency program expense	(797)	-	(820)	(133)	-	-
Transfer for Natural Gas Rebate Program expense	(214)	-	(314)	(285)	(285)	(285)
Total transfers from Sustainability Fund	(1,011)	-	(1,134)	(418)	(285)	(285)
Adjustments						
Cash adjustments	507	658	123	517	(343)	(65)
Cash not transferred from 2003-04 fourth quarter results	(510)	-	510	-	-	-
Retained income of funds and agencies	(263)	(90)	(292)	(133)	(178)	(210)
Total adjustments	(266)	568	341	384	(521)	(275)
Assets prior to reallocation	4,286	3,852	8,364	6,428	3,411	3,173
Reallocation to:						
Debt Retirement Account	(893)	(726)	(3,730)	-	-	-
Capital Account	(893)	(626)	(1,136)	(3,263)	(537)	(295)
Heritage Fund - inflation proofing	-	-	-	(215)	(224)	(228)
Heritage Fund - Advanced Education endowment	-	-	-	(250)	-	-
Medical Research Endowment Fund	-	-	-	(200)	(150)	(150)
Assets at End of Year	2,500	2,500	3,498	2,500	2,500	2,500

Detailed Sustainability Fund Adjustments

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Cash Adjustments						
Energy royalties	677	547	(150)	460	(320)	(21)
Other	(152)	21	254	57	(23)	(44)
Not transferred in 2003-04 from fourth quarter results	(510)	-	510	-	-	-
Capital Cash adjustments						
Capital investment	(633)	(889)	(883)	(1,037)	(943)	(860)
Capital amortization	389	466	436	498	502	513
Principal repayment	-	-	-	-	-	(2)
Net book value of capital asset disposals	19	15	24	21	14	13
Funding from Capital Account (government-owned projects)	207	347	433	435	124	-
Alternatively financed capital investment	-	151	9	83	303	336
Total Cash Adjustments	(3)	658	633	517	(343)	(65)
Retained Income of Funds and Agencies						
Alberta Treasury Branches	(172)	(151)	(171)	(162)	(183)	(209)
Agriculture Financial Services Corporation	(62)	26	(93)	2	1	1
Endowment Funds						
Medical Research	(22)	25	(16)	18	-	(3)
Science and Engineering Research	(27)	5	(10)	3	(2)	(2)
Scholarship	-	12	4	11	11	12
Other	20	(7)	(6)	(5)	(5)	(9)
Total Retained Income of Funds and Agencies	(263)	(90)	(292)	(133)	(178)	(210)
Total Adjustments	(266)	568	341	384	(521)	(275)

Balance Sheet Details

(millions of dollars)

	At March 31				
	2004 Actual	2005 Forecast	2006 Estimate	2007 Target	2008 Target
Financial Assets					
Total Heritage Fund equity	11,362	11,362	11,827	12,051	12,279
Less internal holdings of debt	(95)	(89)	(81)	(72)	(62)
Heritage Fund external investments	11,267	11,273	11,746	11,979	12,217
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,230	4,274	4,088	3,909	3,768
Agriculture Financial Services Corporation	1,367	1,314	1,378	1,400	1,423
Endowment funds					
Alberta Heritage Foundation for Medical Research	849	864	1,046	1,196	1,348
Alberta Heritage Science and Engineering Research	522	532	528	530	532
Alberta Heritage Scholarship	251	247	237	226	214
Sustainability Fund	2,500	3,498	2,500	2,500	2,500
Capital Account	1,180	674	2,228	1,012	150
Debt Retirement Account	1,241	3,469	2,220	2,125	1,868
Other Financial Assets					
Equity in commercial enterprises	1,244	1,420	1,587	1,776	1,991
Contingency Allowance ^a	-	-	248	507	765
Student loans	110	141	181	213	240
Other cash, marketable securities and accounts receivable	4,504	3,336	2,759	3,029	3,066
Total Financial Assets	29,265	31,042	30,746	30,402	30,082
Liabilities					
Accumulated Debt					
General Revenue Fund	5,190	3,715	2,567	2,569	2,404
Alberta Social Housing Corporation	506	479	453	424	393
School construction loans	526	451	381	316	256
Less: General Revenue Fund holdings of provincial corporations' debt	(1,251)	(1,176)	(1,181)	(1,184)	(1,185)
Accumulated Debt	4,971	3,469	2,220	2,125	1,868
Pension obligations	5,059	5,223	5,364	5,498	5,636
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,230	4,274	4,088	3,908	3,768
Agriculture Financial Services Corporation	1,234	1,087	1,187	1,210	1,233
Less debt internally held by consolidated entities	(908)	(900)	(923)	(944)	(965)
Liabilities for government-owned capital	-	9	92	395	729
Other Liabilities					
Accounts and interest payable	4,066	3,532	3,496	3,475	3,487
Guarantees, indemnities and remissions	31	31	35	37	40
Other accrued liabilities	163	163	165	166	167
Less other debt internally held by consolidated entities	(129)	(121)	(114)	(105)	(95)
Total Liabilities	18,717	16,767	15,610	15,765	15,868
Net Financial Assets	10,548	14,275	15,136	14,637	14,214
Capital Assets	10,534	10,957	11,475	11,902	12,236
Net Assets	21,082	25,232	26,611	26,539	26,450
Adjustment for pension obligations	5,059	5,223	5,364	5,498	5,636
Net Assets for Fiscal Policy Purposes ^b	26,141	30,455	31,975	32,037	32,086

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

^b Under the *Fiscal Responsibility Act*, excludes pension obligations.

Capital Assets

(millions of dollars)

	2003-04 Actual	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Net book value at start of year	10,309	10,534	10,957	11,475	11,902
Capital investment	633	883	1,037	943	860
Capital amortization	(389)	(436)	(498)	(502)	(513)
Net book value of capital disposals	(19)	(24)	(21)	(14)	(13)
Net Book Value of Capital Assets at End of Year	10,534	10,957	11,475	11,902	12,236

Debt Servicing Costs

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Agriculture, Food and Rural Development						
Agriculture Financial Services Corporation	47	53	47	53	56	57
Education						
Alberta School Foundation Fund	3	4	3	4	5	6
Finance						
General government	177	265	234	195	148	138
Infrastructure and Transportation						
Financing costs for government-owned capital (P3s)	-	-	-	-	4	17
Seniors and Community Supports						
Alberta Social Housing Corporation	44	41	41	39	37	34
Total Debt Servicing Costs	271	363	325	291	250	252

Pension Obligations^a

(millions of dollars)

	At March 31				
	2004 Actual	2005 Forecast	2006 Estimate	2007 Target	2008 Target
Obligations for Employees of Organizations Outside the Government Reporting Entity					
Teachers' Pension Plan	4,094	4,263	4,417	4,567	4,720
Universities Academic Pension Plan	171	178	185	192	200
Special Forces Pension Plan	68	75	74	72	70
	4,333	4,516	4,676	4,831	4,990
Obligations for Current and Former Government Employees and MLAs					
Public Service Management Pension Plan ^b	676	658	640	620	599
Members of the Legislative Assembly Pension Plan ^b	50	49	48	47	47
	726	707	688	667	646
Total Pension Obligations	5,059	5,223	5,364	5,498	5,636

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

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

General Revenue Fund Term Debt Maturities^a

	Par Amount (Cdn\$ millions)	Coupon Rate (%)	Maturity Date
2005-06 Term Debt Maturities			
1995 Canadian medium-term notes	125	8.45	May 16, 2005
1995 Japanese Yen loan ^b	28	4.40	September 13, 2005
1993 Euro Canadian dollar notes	500	7.25	October 28, 2005
1995 Canadian debenture	500	7.50	December 1, 2005
Total	1,153		
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 GRF notes supported by self-supporting provincial corporations. There is no GRF debt left after March 1, 2013. Other components of accumulated debt include the debt of the Alberta Social Housing Corporation of which \$173 million will remain after 2013 and school construction debt of which \$66 million will remain after 2013. The Debt Retirement Account has assets to repay these amounts.

^b Swapped into Canadian dollars.

Net Financing Requirements^a

(millions of dollars)

	2003-04 Actual	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Requirements					
General Revenue Fund term debt maturities	1,615	1,443	1,153	-	166
School construction loans	83	75	70	66	60
Adjustments	77	(16)	26	29	31
Accumulated debt maturities	1,775	1,502	1,249	95	257
Provincial corporations' term borrowing requirements	130	120	180	175	170
Gross financing requirements	1,905	1,622	1,429	270	427
Cash applied to accumulated debt repayment	(1,775)	(1,502)	(1,249)	(95)	(257)
Net Term Debt Financing Requirements	130	120	180	175	170

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

Loans and Advances^a

(millions of dollars)

	At March 31	
	2004 Actual	2005 Forecast
Loans and Advances		
Agriculture Financial Services Act	1,005	1,038
Student Financial Assistance Act	196	236
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	176	188
Vencap Acquisition Corporation	6	2
Farm Credit Stability Act	26	13
Alberta Housing Act	22	29
Financial Administration Act		
Accountable advances	8	8
Pratt & Whitney Canada Inc.	2	1
Board of Governors, University of Alberta	1	1
	1,442	1,516
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(84)	(88)
Student Loan Relief Completion Payments	(62)	(65)
Other	(52)	(73)
	(198)	(226)
Total Loans and Advances	1,244	1,290

^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	
	2004 Actual	2005 Forecast
Guarantees		
Feeder associations	52	52
Student Financial Assistance Act	41	31
Alberta Housing Act	42	33
Agriculture Financial Services Act	39	38
Farm Credit Stability Act	27	14
Securities Act	2	2
Centre for Engineering Research Inc.	1	1
Rural utilities loans	1	-
University of Calgary	1	-
	206	171
Estimated Liability		
Loan guarantees	(13)	(14)
Student Loan Relief Completion Payments	(3)	(2)
	(16)	(16)
Total Guarantees	190	155

2005-06 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue ^a		1,207,533
Legislative Assembly		
Legislative Assembly centennial programs		415
Advanced Education		
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		30,000
Prevention of Family Violence and Bullying		4,000
Community Development		
Alberta Foundation for the Arts		32,534
Centennial grants		30,000
Alberta Sport, Recreation, Parks and Wildlife Foundation		17,670
Wild Rose Foundation		7,766
Alberta Historical Resources Foundation		7,087
Hosting major athletic events		2,175
Human Rights, Citizenship and Multiculturalism Education Fund		1,265
Cultural Facilities and Historical Resources Grants		1,030
Education		
School support - transportation subsidies		61,300
High speed networking		6,000
Learning television		2,300
Environment		
Educational awareness		500
Gaming		
Racing industry renewal		45,000
Community Facility Enhancement Program		38,500
Community Initiatives Program		30,000
Calgary Exhibition and Stampede		10,350
Edmonton Northlands		10,350
Bingo associations		8,000
First Nations Development Fund		4,000
Major fairs and exhibitions		2,660
Gaming research		1,600
Other initiatives		14,673
Health and Wellness		
Human tissue and blood services		130,000
Alberta Alcohol and Drug Abuse Commission		62,916
Health services research		5,175
Community-based health services		5,000
Aboriginal health strategies		2,200
Human Resources and Employment		
Summer Temporary Employment Program		8,195
Immigrant support services		3,574
Infrastructure and Transportation		
Health care facilities		140,000
School facilities		58,000
Post-secondary facilities		16,000
Rural transportation partnerships		50,000
Alberta cities transportation partnerships		35,000
Streets Improvement Program		25,000
Municipal water and wastewater grants		25,000
Provincial highways		20,000
Water management infrastructure		20,000
Infrastructure Canada / Alberta Program		5,000
Innovation and Science		
Science and Research Investment Program		22,453
Alberta Energy Research Institute		15,530
Life sciences		11,635
Informatics Circle of Research Excellence		10,620
Municipal Affairs		
Municipal sponsorship		12,000
Unconditional municipal grants		12,000
Finance		
Contingency allowance		99,840
Total Lottery Fund Allocation		1,207,533

^a Includes \$6 million of investment income.

Full-Time Equivalent Employment

	2004-05 Budget	2005-06 Estimate	Change
Legislative Assembly	447	446	(1)
Aboriginal Affairs and Northern Development	79	90	11
Advanced Education	380	421	41
Agriculture, Food and Rural Development	1,707	1,722	15
Children's Services	2,541	2,601	60
Community Development	881	917	36
Economic Development	202	215	13
Education	649	692	43
Energy	1,375	1,442	67
Environment	780	799	19
Executive Council	231	233	2
Finance	843	929	86
Gaming	42	42	-
Government Services	466	482	16
Health and Wellness	1,241	1,378	137
Human Resources and Employment	1,749	1,785	36
Infrastructure and Transportation	1,731	1,731	-
Innovation and Science	696	696	-
International and Intergovernmental Relations	58	61	3
Justice	2,229	2,307	78
Municipal Affairs	319	334	15
Restructuring and Government Efficiency	1,206	1,272	66
Seniors and Community Supports	1,931	2,007	76
Solicitor General	2,099	2,303	204
Sustainable Resource Development	1,906	1,906	-
Total Full-Time Equivalent Employment	25,788	26,811	1,023

Premiums, Fees and Licences Changes

	2004-05	2005-06
Community Development		
<i>Jubilee Auditoria</i>		
Main stage rental rates 12 hour day; 3 hour maximum performance length (negotiable):		
Commercial single performance	\$4,500	\$5,000
Commercial % maximum	\$8,500	\$10,000
Commercial two performances (same day)	\$5,500	\$6,000
Commercial % maximum	\$10,000	\$15,000
Commercial house strip/restore	\$500	\$800
Seat/ticket surcharge	\$1.00	\$1.50
Justice		
Public Trustee Common Fund - Management fee (% of Fund assets)	0.0175%	0.0650%
Environment		
Water and Wastewater Operator Certification Program	-	\$75.00

Major Provincial Tax Rates, 2005

		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	(\$)	14,523	8,676	8,404	7,634	8,196	6,365	7,888	7,231	7,412	7,410
– Spousal amount	(\$)	14,523	7,429	8,404	6,482	6,960	6,365	6,698	6,140	6,294	6,055
Corporate Income Tax											
General rate	(%)	11.5	13.5	17.0	15.0	14.0	8.9	13.0	16.0	16.0	14.0
M&P rate	(%)	11.5	13.5	10-17 ^b	15.0	12.0	8.9	13.0	16.0	7.5	5.0
Small business											
– rate	(%)	3.0	4.5	5.0	5.0	5.5	8.9	2.5	5.0	7.5	5.0
– threshold	(\$000)	400	400	300	400	400	n/a	425	300	300	300
Capital Tax											
General	(max.%)	—	—	0.60	0.50	0.30	0.60	0.30	0.30	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.45 ^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	17.0	16.5 ^f
Tobacco Tax											
	(\$/carton)	32.00	35.80	35.00 ^f	35.00 ^f	23.45	20.60	23.50 ^f	31.04 ^f	34.90	34.00 ^f
Payroll Tax											
	(max.%)	—	—	—	2.15	1.95	4.26 ^g	—	—	—	2.00

Rates for other provinces known as of March 21, 2005.

- ^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 1.20% 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 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	2002-03 Actual	2003-04 Actual	2004-05	2005-06	2006-07	2007-08
Prices						
Crude Oil Price						
WTI (US\$/bbl)	29.04	31.38	45.03	42.00	32.00	31.00
Alberta Wellhead (Cdn\$/bbl) ^a	39.40	36.40	48.07	43.08	31.72	30.66
Natural Gas Price						
Alberta Reference Price (Cdn\$/mcf)	4.98	5.75	6.38	5.91	5.69	5.48
Alberta Reference Price (Cdn\$/GJ)	4.72	5.45	6.05	5.60	5.40	5.20
Production						
Conventional crude oil (000's barrels/day)	650	619	590	554	530	513
Non-conventional crude oil (000's barrels/day)	730	882	981	1,055	1,308	1,396
Natural gas (billions of cubic feet)	5,352	5,226	5,246	5,139	5,006	4,866
Interest rates						
3-month Canada treasury bills (per cent)	2.77	2.70	2.28	2.90	3.80	4.50
10-year Canada bonds (per cent)	5.18	4.68	4.52	4.50	5.25	6.00
Exchange Rate (US\$/Cdn\$)	64.6	74.0	78.4	83.5	85.0	85.0
	2003 Actual	2004 Actual	2005	2006	2007	2008
Calendar Year Assumptions						
Gross Domestic Product						
Nominal (millions of dollars)	170,803	191,886 ^b	202,583	210,035	216,282	226,469
per cent change	13.4	12.3	5.6	3.7	3.0	4.7
Real (millions of 1997 dollars)	129,553	135,308 ^b	140,347	144,933	149,302	153,558
per cent change	2.7	4.4	3.7	3.3	3.0	2.9
Other Indicators						
Employment (thousands)	1,717.9	1,757.9	1,791.3	1,825.3	1,858.2	1,891.6
per cent change	2.8	2.3	1.9	1.9	1.8	1.8
Unemployment rate (per cent)	5.1	4.6	4.5	4.4	4.2	4.0
Housing starts (number of units)	36,171	36,270	34,200	32,300	31,200	30,500
Alberta Consumer Price Index (per cent change)	4.4	1.4	1.7	1.9	1.9	1.9
Population (thousands)	3,158.6	3,201.9	3,248.0	3,296.4	3,345.1	3,394.1
per cent change	1.4	1.4	1.4	1.5	1.5	1.5

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

^b estimated

Sensitivities to Fiscal Year Assumptions, 2005-06^a

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-99	--	-99
Natural Gas Price (Cdn\$/GJ)	-10¢	-99	--	-99
Exchange Rate (US\$/Cdn\$)	+1¢	-117	-2	-115
Interest Rates	+1%	-85	+5	-90

^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, 1986-87 to 2007-08^a

(millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	Forecast Estimate Target																					
INCOME STATEMENT																						
Revenue																						
1 Personal income tax	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	5,199	5,515	5,845
2 Corporate income tax	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,353	2,278	2,364	2,458
3 School property tax	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,233	1,273	1,312	1,345
4 Other tax revenue	262	553	679	663	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	1,898	1,926	1,919	1,960
5 Resource revenue	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,628	7,680	6,467	5,983
6 Investment income	1,965	1,847	1,834	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,731	1,376	1,381	1,369
7 Other own-source revenue	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	4,321	4,122	4,122	4,111	4,113	4,187	4,332
8 Total own-source revenue	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	25,603	23,845	23,145	23,292
9 Federal transfers	1,689	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,150	3,501	3,392	3,598
10 Total Revenue	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,662	25,887	28,753	27,346	26,537	26,890
Expense by Function^b																						
11 Health	3,244	3,114	3,372	3,631	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,042	9,510	9,842	9,944
12 Basic / advanced education	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,391	6,754	7,125	7,263
13 Social services	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,479	2,684	2,820	2,889
14 Other program expense	5,725	5,137	5,077	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	6,202	6,587	6,438	6,493
15 Total program expense	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,063	21,480	24,114	25,535	26,225	26,589
16 Debt servicing costs	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	325	291	250	252
17 Total Expense	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	21,751	24,439	25,826	26,475	26,841
18 Net Revenue (Spending)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,324)	(1,371)	938	1,151	2,489	2,659	1,094	2,791	6,571	1,081	2,133	4,136	4,314	1,520	62	49
19 Transfer from Capital Account																		416	1,209	1,274	1,629	1,157
20 Transfer from (to) Sustainability Fund																		(4,552)	(5,523)	(2,546)	(1,432)	(948)
21 Contingency Allowance																						258
BALANCE SHEET																						
22 Net Financial Assets (Debt) ^c	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	19,498	20,500	20,135	19,850
23 Capital Assets ^d	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,957	11,475	11,902	12,236
24 Net Assets (Debt) ^e	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	30,455	31,975	32,037	32,086
25 Pension obligations	6,625	7,946	8,004	8,243	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,223	5,364	5,498	5,636
26 Accumulated Debt ^e	10,091	11,105	13,069	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730	—	—	—	—
27 Sustainability Fund assets																		2,500	3,498	2,500	2,500	2,500
28 Capital Account assets																910	910	1,180	674	2,228	1,012	150

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

^b Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense. In 2007-08, \$580 million of health and education capital projects are assumed to be alternatively financed. Only the financing costs for these projects are included in expense.

^c 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.

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

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