

FISCAL PLAN

Alberta **2003** Budget

Making Alberta Even Better

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Making Alberta Even Better

“Alberta is already a Canadian leader in so many areas, but we won’t stay at the head of the pack if we stand still, if we stop looking for new and better ways to do things.”

Premier Ralph Klein
Televised Address
January 27, 2003

“This new financial plan gets Albertans off the energy roller coaster.”

Pat Nelson
Minister of Finance
February 24, 2003

Over the last decade, Albertans have developed an Alberta Advantage that is unmatched in Canada. We have:

- the strongest economy with the fastest growing population,
- the lowest overall taxes and no sales tax,
- nine consecutive balanced budgets and the only province with net financial assets,
- one of the best health systems in the country, and
- education results that are among the best in the world.

These successes reflect Albertans' entrepreneurial spirit and the constant seeking of improvements and innovations to make Alberta a better place to live and work. Budget 2003 builds on these successes and places increased priority on responding to the pressures created by our growing economy and population. In Budget 2003:

- program spending will be focused on Albertans' health and education priorities and support for our vital agriculture industry,
- a new three-year Capital Plan will provide sustainable and predictable funding for roads, schools, health facilities and other infrastructure priorities, and
- a new Alberta Sustainability Fund will help manage volatile revenue and the costs of disasters and emergencies.

Since 1993, Alberta's fiscal policies have been founded on the principles of fiscal responsibility and accountability. This will not change. Balanced budgets will continue to be the law in Alberta. The legislated debt elimination schedule will be met. Albertans will have access to the high-quality services they expect. The successes of the past, and the innovations being made today, will help make Alberta even better.

A New Fiscal Framework for Alberta

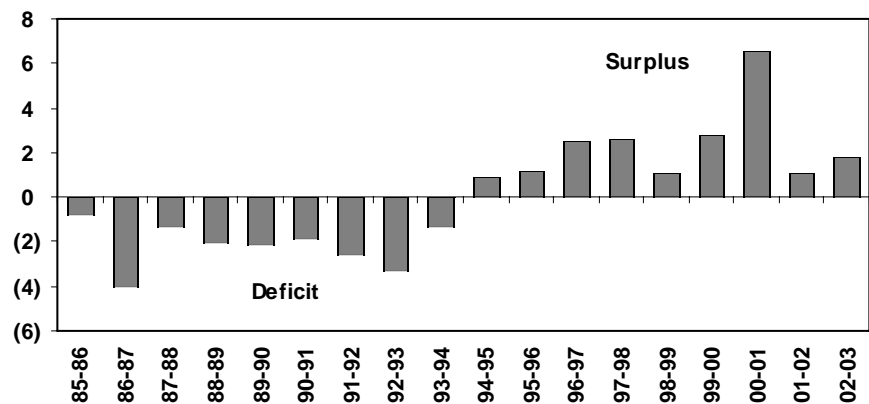
Alberta made the difficult decisions needed to restore fiscal balance.

Alberta has a well-earned reputation as the fiscal leader in Canada. Since 1993, Alberta has made the difficult decisions that were needed to restore fiscal balance. Nine years of deficits and increasing debt have been replaced by nine years of surpluses and debt repayment. The province has returned to a position of fiscal strength.

A Return to Fiscal Strength

1985-86 to 2002-03

(billions of dollars)



THE STRONGEST FISCAL POSITION IN CANADA

Alberta is the only provincial government whose financial assets exceed liabilities. The province has moved from net financial debt of \$8.3 billion in 1993-94 to net financial assets of \$11.6 billion in 2002-03. This excludes unfunded pension obligations of \$4.8 billion that are scheduled for elimination under a separate 1993 legislated plan.

Accumulated debt has been reduced by nearly 80% to less than \$4.8 billion.

Accumulated debt has been reduced by nearly 80%, from \$22.7 billion to less than \$4.8 billion. Alberta has by far the lowest debt load per person of any provincial government in Canada.

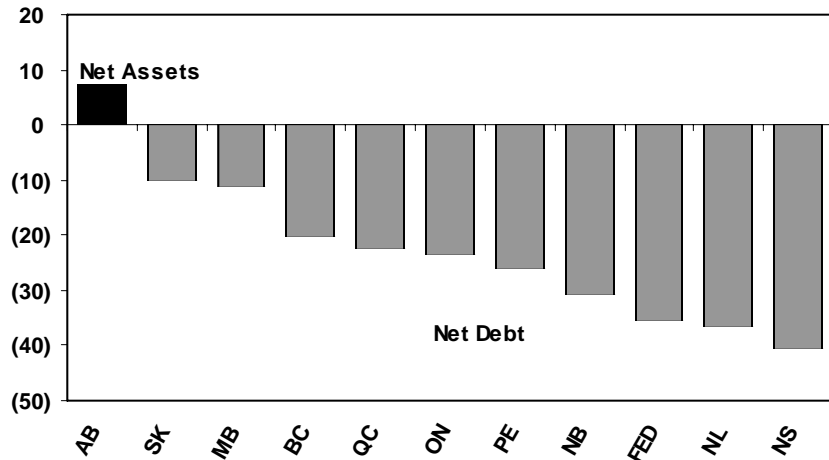
Paying off debt has reduced annual debt servicing costs by \$1.3 billion. The savings are being used to fund Albertans' program priorities and keep taxes low. At just 2% of revenue, Alberta's debt servicing costs are by far the lowest in Canada.

With net financial assets and the lowest overall tax burden in the country, Alberta by far has the strongest fiscal position of any government in Canada.

Net Financial Assets (Debt)

March 2003^a

(per cent of GDP)



^a Other governments as of March 19, 2003. On a consolidated basis where possible. Excludes pension obligations.

“The Financial Management Commission told us last year that Albertans want priority program areas to be funded at a constant, sustainable rate and not according to the ups and downs of oil and gas prices.”

Pat Nelson
Minister of Finance
February 24, 2003

FINANCIAL MANAGEMENT COMMISSION

Last year, the government decided that it was time to review our fiscal framework. The Financial Management Commission was appointed to consult with Albertans on how to enhance the province's fiscal policies and strategies.

Albertans said, while the government has been effective in balancing the books and repaying debt, other fiscal issues also needed to be addressed. They were concerned the existing fiscal framework did not adequately manage the ups and downs in resource revenue.

Alberta benefits enormously from the royalties received from oil and natural gas. Resource revenue allows Alberta to have top-quality health, education and other services while maintaining the lowest overall taxes and no sales tax. The benefits of resource revenue come with a cost, however.

Energy prices are very volatile and impossible to predict accurately. As demonstrated in recent years, swings in energy prices can cause large swings in government revenue. Managing government spending in such an environment is very difficult. When resource revenue falls, cuts in spending may be needed to keep the budget in balance. When resource revenue rises, it creates pressure for spending increases that may not be affordable in future years.

Albertans felt changes were required to the fiscal framework. The volatility of resource revenue needed to be more effectively managed. Capital spending should not be tied to swings in oil and natural gas prices. School boards, post-secondary institutions, health authorities, local governments and other partners needed firmer commitments to ongoing funding so they could plan more effectively.

Budget 2003 implements significant changes to the fiscal framework. The changes will bring more sustainability to fiscal planning, and more predictability and continued discipline to operating and capital spending. The *Financial Statutes Amendment Act, 2003* amended Alberta's major fiscal legislation to put the new framework in place. Details are contained in the chapter, *A New Fiscal Framework for Alberta*.

ALBERTA SUSTAINABILITY FUND

A new Alberta Sustainability Fund is being established to protect spending from volatile revenue and the costs of emergencies and disasters.

For budget purposes, non-renewable resource revenue will now be fixed at \$3.5 billion per year. This is about the average of actual non-renewable resource revenue for the period from 1981-82 to 2001-02, excluding the unprecedented spike in 2000-01.

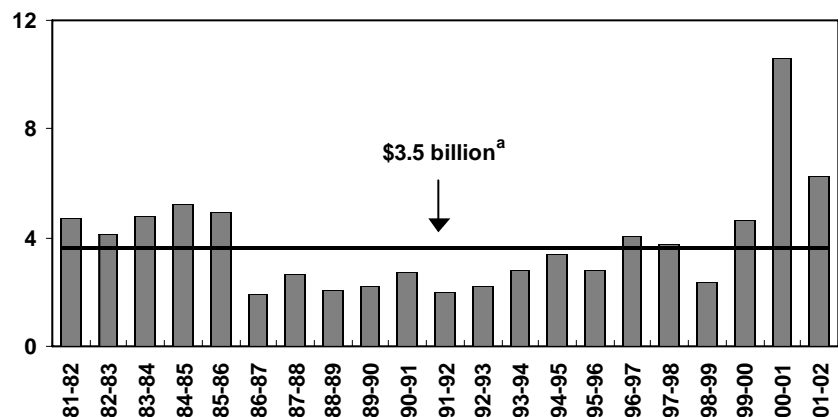
Non-renewable resource revenue above \$3.5 billion must be deposited in the Alberta Sustainability Fund and will not be available for budgeted spending. If resource revenue is less than \$3.5 billion, the shortfall can be withdrawn from the Sustainability Fund to maintain planned spending. Starting in 2003-04, the Sustainability Fund will also be the first priority for year-end surpluses until the Fund reaches \$2.5 billion.

Non-renewable resource revenue fixed at \$3.5 billion. Any excess goes to the Sustainability Fund and any shortfall can be taken from the Fund.

Resource Revenue

1981-82 to 2001-02

(billions of dollars)



^a Average excludes 2000-01 fiscal year.

The Sustainability Fund will be used to manage volatility and unpredictability in other areas. Revenues other than resource revenue can also swing unexpectedly, as evidenced by the large loss in investment income in 2002-03 when stock markets fell sharply. If other government revenue is less than budgeted, resource revenue above \$3.5 billion for that year can be used to offset the in-year decline in other revenue.

Sustainability Fund can be used to help pay for disasters and emergencies.

Disasters and emergencies, such as droughts and forest fires, can require large unbudgeted government payments. Under the new framework, funds can be transferred from the Sustainability Fund to help pay for these costs. In years with exceptionally high natural gas prices, the Sustainability Fund can also be used to pay for assistance under the *Natural Gas Price Protection Act*.

The creation of the Alberta Sustainability Fund means spending will be more sustainable and predictable over the three-year plan. The government will not have to cut spending if resource revenue temporarily drops below \$3.5 billion or disasters and emergencies have to be funded. These requirements will have been prefunded from previous years' surpluses in resource revenue or other revenue saved in the Sustainability Fund.

To reflect this smoothing of revenue and expense, the definition of a balanced budget for fiscal policy purposes will be adjusted for transfers to and from the Sustainability Fund. Since the Sustainability Fund cannot be drawn down below zero, the government would be forced to adjust to new realities if low revenue persisted over the medium term.

Alberta Sustainability Fund

- Receives resource revenue above \$3.5 billion.
- Makes up shortfall if resource revenue under \$3.5 billion.
- Resource revenue above \$3.5 billion can be used to offset in-year shortfalls in other revenue.
- Can be used to pay for emergencies and disasters.
- Can be used to pay for assistance under the *Natural Gas Price Protection Act*.
- Balanced budget requirement adjusted for transfers to and from the Fund.
- Fund cannot be drawn down below zero.
- First priority for year-end surpluses until the Fund reaches \$2.5 billion.

ECONOMIC CUSHION AND CONTINGENCY ALLOWANCE

The Economic Cushion no longer needs to be as large as previously required since the Sustainability Fund will now protect against in-year declines in revenue and the costs of emergencies and disasters.

Previously, the required minimum Economic Cushion in the budget was 3.5% of revenue. Up to 25% of the budgeted cushion and 25% of any in-year revenue increases could be used for in-year spending increases. The balance was allocated primarily to debt repayment, after adjusting for cash requirements including the retained income of government funds and agencies.

In the new framework, the minimum Economic Cushion consists of:

- a Contingency Allowance for in-year initiatives of 1% of budgeted revenue for fiscal policy purposes (budgeted revenue using \$3.5 billion of resource revenue), and
- any net positive amount required for capital cash requirements and the retained income of funds and agencies.

Contingency Allowance fixed at 1% of revenue for fiscal policy purposes. Does not increase if revenue increases in-year.

These changes reduce the minimum annual Economic Cushion from about \$750 million to about \$250 million for the next three years. The smaller Economic Cushion means that there will be no budgeted debt repayment from the cushion.

The amount available for in-year initiatives from the Contingency Allowance will no longer increase if revenue increases during the year. It will remain capped at the budgeted amount. This new limit on the funds available for in-year spending, other than for disasters and emergencies, increases spending discipline and the importance of three-year planning.

Minimum Economic Cushion and Contingency Allowance

- Economic Cushion reduced from about \$750 million to about \$250 million per year for the next three years.
- ‘75%/25%’ rule eliminated.
- Contingency Allowance for in-year initiatives limited to 1% of budgeted revenue for fiscal policy purposes. Does not increase with in-year revenue increases.

A NEW CAPITAL FRAMEWORK

The Alberta Sustainability Fund will help bring more predictability to both operating and capital spending. Other fundamental changes are being made to the way the government manages and accounts for capital spending to end stop-and-go funding of capital projects.

New three-year Capital Plan.

Three-Year Capital Plan

Beginning with Budget 2003, a three-year Capital Plan will set out the government's commitment to capital funding for:

- infrastructure projects and purchases of equipment by school boards, post-secondary institutions, health authorities, municipalities and other local authorities and organizations, and
- capital investment in government-owned infrastructure, equipment and inventories, and funding to rehabilitate government capital.

The Capital Plan includes major projects deferred in the fall of 2001 that have not yet been funded. To help ensure that Capital Plan commitments are met, any unexpended funding for government-owned projects can now be carried forward to the next fiscal year. Capital grants to local authorities can continue to be fully advanced in the year the grants are budgeted.

Accounting Treatment of Capital

The government will move this year to the new Public Sector Accounting Board standard of amortizing capital for fiscal reporting. This is similar to the standard that has been used for many years by the private sector. The change affects only government-owned capital assets. Capital grants to local authorities will continue to be charged to expense.

In the new reporting model, government-owned capital assets will be:

- added to the government's balance sheet, and
- charged to the government's bottom line over their useful lives through amortization expense, rather than being charged to the bottom line when they are constructed or purchased.

The cost of constructing or purchasing a government-owned capital asset will become a balance sheet transaction that can be financed by reducing a financial asset, such as cash, or increasing a financial liability, such as a capital lease or a loan. Neither transaction will affect the government's net assets because an equivalent value in capital assets is added to the balance sheet. Thus, borrowing for capital purposes will be excluded from the legislated accumulated debt repayment plan.

Government capital projects will be charged to the bottom line over their useful lives.

Alternative Financing

For some major capital projects, the government will use alternative financing arrangements, such as public-private partnerships (P3s), debt financing or capital leases. This will include some projects being built by regional health authorities, school boards and post-secondary institutions. Alternative financing proposals will be assessed by the government on a project-by-project basis, after review by a private sector Advisory Committee on Alternative Capital Financing.

Alternative financing will be used for some major capital projects.

\$910 million Capital Account to help fund the Capital Plan.

Capital Account

A \$910 million Capital Account was established from the 2002-03 surplus to provide a source of funding for the Capital Plan. For fiscal policy purposes, the definition of a balanced budget will be adjusted for transfers from the Capital Account since the transfers have been prefunded with prior-year surpluses.

- New Capital Framework**
- Three-year Capital Plan.
 - Carry-over of unexpended capital investment funding.
 - Income statement on an expense basis with amortization of capital assets. Capital assets brought onto balance sheet.
 - Alternative financing proposals to be reviewed by a private sector advisory committee.
 - Capital Account.
 - Balanced budget requirement adjusted for transfers from the Capital Account.

\$2 billion in the Debt Retirement Account will pay off debt maturing in 2003-04 and part of 2004-05.

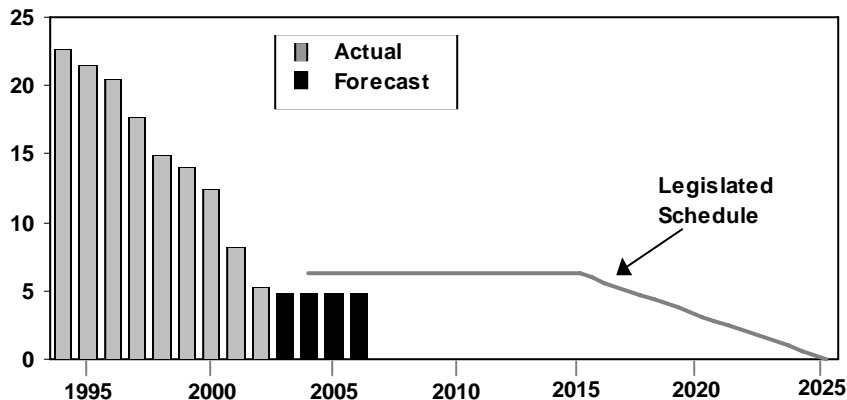
ACCUMULATED DEBT

The new fiscal framework maintains the legislated requirement to eliminate accumulated debt by 2025. At the end of 2002-03, the Debt Retirement Account had a balance of \$2 billion, including \$500 million allocated from last year’s surplus. This will be used to pay off debt maturing in 2003-04 and part of 2004-05, reducing accumulated debt to less than \$4.8 billion.

Once the Alberta Sustainability Fund reaches \$2.5 billion, year-end surpluses will again become available for debt repayment.

Accumulated Debt at March 31^a

(billions of dollars)



^a Net of cash set aside in the Debt Retirement Account.

2003-06 Fiscal Plan

Economic Cushion of \$268 million in 2003-04.

The budget will be balanced for the next three years, as required by the amended *Fiscal Responsibility Act*. After adjusting for Sustainability Fund and Capital Account transfers, the Economic Cushion is budgeted at \$268 million in 2003-04. The cushion averages about \$240 million for the following two years.

The Contingency Allowance for in-year program spending increases or revenue reduction initiatives is \$210 million in 2003-04. This is just over the required minimum of 1% of revenue for fiscal policy purposes (budgeted revenue less the budgeted transfer to the Sustainability Fund). This amount will not change even if revenue increases during the year. The balance of the Economic Cushion, \$58 million in 2003-04, is set aside in the budget for the retained income of funds and agencies and capital cash requirements.

Fiscal Summary

(millions of dollars)

	2001-02 Actual ^a	2002-03 Forecast ^a	2003-04 Estimate	2004-05 Target	2005-06 Target
Revenue	21,926	22,575	21,928	21,476	21,945
Expense					
Program	20,071	20,206	20,335	20,865	21,364
Debt servicing costs	774	550	465	438	463
Total Expense	20,845	20,756	20,800	21,303	21,827
Net Revenue	1,081	1,819	1,128	173	118
Transfer from (to)					
Sustainability Fund	—	—	(1,276)	(209)	112
Capital Account ^b	—	—	416	287	—
Economic Cushion	1,081	1,819	268	251	230
Of which:					
Contingency Allowance			210	219	222
Other requirements			58	32	8

^a Restated to be comparable to the new 2003-04 fiscal framework.

^b Balance of \$207 million in the Capital Account will be used for capital investment in government-owned infrastructure in 2003-04.

Oil price of US\$23.30 per barrel and natural gas price of Cdn\$4.05 per mcf for 2003-04.

REVENUE

Non-renewable resource revenue is forecast to decline to about \$4.8 billion in 2003-04, based on price assumptions of US\$23.30 per barrel for oil and Cdn\$4.05 per thousand cubic feet (mcf) for natural gas. For the following two years, resource revenue is expected to be close to the long-term average of \$3.5 billion per year, based on oil prices of US\$22 per barrel and natural gas prices of about Cdn\$3.50 per mcf.

Revenue, including the full resource revenue forecast, is estimated to decline by about \$650 million in 2003-04 to \$21.9 billion. After declining by a further \$450 million in 2004-05, revenue is forecast to recover to the 2003-04 level in 2005-06. The forecast includes reductions in corporate income taxes implemented in 2003-04 and planned for 2004-05.

EXPENSE

Total expense is budgeted at \$20.8 billion in 2003-04, about the same level as the previous two years. Expense has remained essentially flat because of offsetting trends in base operating expense, expense for capital purposes, and emergency and disaster costs. Expense is targeted to increase by about \$500 million, or 2.5%, per year for the following two years.

Base operating spending is budgeted to increase by \$902 million, or 4.9%, in 2003-04, 2.6% in 2004-05 and 3.3% in 2005-06. The 2003-04 increase primarily reflects additional dollars for health, education and agriculture.

Base operating spending will rise by 4.9% in 2003-04.

Total Expense

(millions of dollars)

	2001-02 Actual	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Base operating expense	17,396	18,422	19,324	19,825	20,472
Expense for capital purposes	2,524	833	1,476	1,478	1,355
Emergencies, disasters and extraordinary costs ^a	925	1,501	—	—	—
Total Expense	20,845	20,756	20,800	21,303	21,827
Percentage increase					
Base operating expense		5.9	4.9	2.6	3.3
Total expense		(0.4)	0.2	2.4	2.5

^a Includes emergency/disaster spending for agriculture, forest fires and floods; energy shielding assistance; and expense of the Alberta Dairy Control Board which was divested in 2002-03.

\$5.5 billion over the next three years for capital projects.

CAPITAL PLAN

The new three-year Capital Plan will commit \$5.5 billion for government-owned and local authorities' capital projects. This represents the planned expenditure on capital projects. Since the government has moved to the Public Sector Accounting Board standard of amortizing capital for fiscal reporting, the planned expenditure on capital projects is not the same as the amount reported in total expense as 'expense for capital purposes'.

Expense for capital purposes equals \$4.3 billion over the next three years, including:

- capital grants to local authorities, including grants for capital financing costs, and
- amortization, rehabilitation and alternative-financing interest costs for government-owned capital assets.

In addition, the Capital Plan includes:

- the \$627 million in local authorities' projects that will be alternatively financed (only the financing costs are included in total expense), and
- the \$684 million difference between planned capital investment in government-owned projects and the capital amortization costs included in total expense.

Interest costs of \$76 million for alternative financing are not included in the Capital Plan.

Reconciliation of the Capital Plan and Expense for Capital Purposes

(millions of dollars)

	2003-04 Estimate	2004-05 Target	2005-06 Target	Three-Year Total
Expense for capital purposes ^a	1,476	1,478	1,355	4,309
Local authorities' alternative financing	—	278	349	627
Capital investment/amortization difference ^b	187	247	250	684
Alternative financing costs ^a	—	(18)	(58)	(76)
Total Capital Plan	1,663	1,985	1,896	5,544

^a Included in total expense.

^b Capital investment in government-owned projects less amortization.

ALBERTA SUSTAINABILITY FUND

Beginning in 2003-04, the Alberta Sustainability Fund is the first priority for year-end surpluses until the balance of the Fund reaches \$2.5 billion. This amount should protect against two consecutive years of weak resource revenue, or one year of both weak resource revenue and a major disaster.

Because of the lag in receiving natural gas royalties, some cash from the 2002-03 surplus is not available until 2003-04. This cash will be allocated to the Sustainability Fund in 2003-04 along with the estimated \$1.3 billion resource revenue transfer and cash available from the estimated 2003-04 surplus. As a result, the Sustainability Fund is forecast to reach \$2.2 billion by the end of 2003-04 and average just under \$2.5 billion for the following two years.

*Sustainability Fund
balance to reach
\$2.2 billion by the end of
2003-04.*

If energy prices continue at the high levels forecast by some private sector energy analysts, the Sustainability Fund could reach \$2.5 billion within the next three years, depending upon any requirements for emergency or disaster funding. If this happens, extra cash from year-end surpluses could once again be allocated to debt repayment, the Capital Account or other improvements to the government's balance sheet. The money could not be used for operating spending since that would affect the government's bottom line.

Sustainability Fund

(millions of dollars)

	2003-04 Estimate	2004-05 Target	2005-06 Target
Assets at start of year	—	2,217	2,491
Transfer of resource revenue from (to)			
general revenues	1,276	209	(112)
Cash available from operations	941 ^a	65	42
Assets at end of year	2,217	2,491	2,421

^a Includes cash from natural gas royalties accrued in 2002-03.

The Capital Plan

Strong economic growth has brought people, jobs and activity to Alberta. This has placed enormous pressures on Alberta's infrastructure.

In years when energy prices were high, Alberta was able to respond aggressively to these pressures. However, in years when energy prices declined, the government was forced to defer capital spending to help maintain a balanced budget. This stop-and-go funding has made it difficult for the government and its partners to plan and allocate resources effectively.

Capital funding will double. Major deferred projects will proceed.

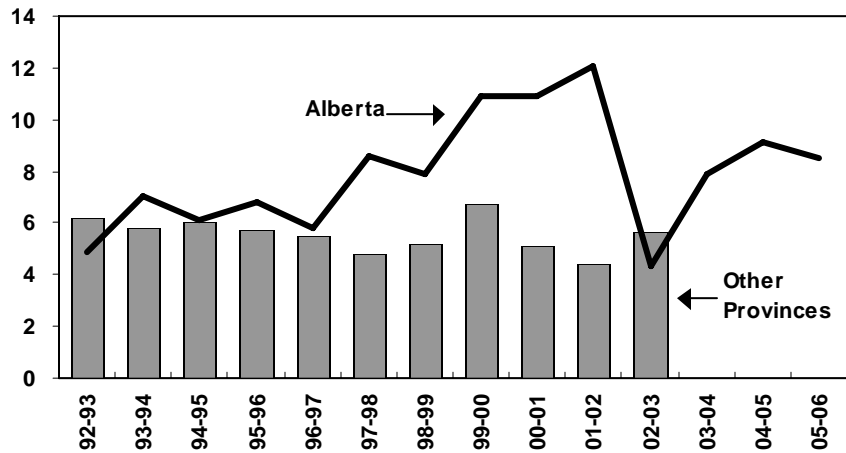
The new fiscal framework being implemented in Budget 2003 will bring more sustainability and predictability to government capital spending. In Budget 2003, the government is:

- publishing a three-year Capital Plan,
- doubling funding for capital, and
- funding major capital projects that were deferred in the fall of 2001.

The Capital Plan commits \$5.5 billion for capital spending over the next three years. This is an average of \$1.85 billion a year, double the capital spending of \$941 million in 2002-03. Alberta is expected to lead the country in the percentage of total spending allocated to capital.

Interprovincial Comparison of Capital Expenditure

(percent of total spending)



Source: Dominion Bond Rating Service Limited, *The Canadian Federal and Provincial Governments - 2002 Overview*, January 2003. Alberta data for 2001-02 to 2005-06 updated by Alberta Finance.

Capital Plan funding is allocated over the next three years as follows:

- 28% for the provincial highway network,
- 17% for health facilities and equipment,
- 16% for municipal transportation grants,
- 16% for school and post-secondary facilities and equipment, and
- 23% for other capital.

Capital Plan Summary

(millions of dollars)

	2003-04 Estimate	2004-05 Target	2005-06 Target	Three-year Total
Provincial highway network	457	523	548	1,528
Municipal transportation grants	242	322	329	893
Health facilities and equipment	284	329	357	970
School facilities and equipment	136	189	186	511
Post-secondary facilities	135	172	66	373
Water and wastewater management	86	88	88	262
Community facilities	63	82	64	209
Housing	44	51	34	129
Other infrastructure programs	77	27	17	121
General government capital	139	202	207	548
Total Capital Plan	1,663	1,985	1,896	5,544

*\$3.2 billion over the next three years for local authorities' capital.
\$2.3 billion for government-owned capital.*

Capital support to school boards, post-secondary institutions, health authorities, municipal governments, and other local authorities and organizations totals \$3.2 billion over the next three years. Spending on government-owned capital assets totals \$2.3 billion over the three-year Capital Plan. Funding for capital projects will come from three sources – revenue from the current year, the Capital Account and alternative financing arrangements.

Budget 2003 assumes that funding for capital projects in 2003-04 will be met through current-year revenue and the Capital Account. Alternative financing arrangements are assumed to start in 2004-05. These assumptions could change once the Advisory Committee on Alternative Capital Financing begins its review of individual projects. Any changes to the financing assumptions contained in the budget will be reported in Quarterly Fiscal Updates.

Further details are provided in the *Capital Plan* chapter.

Capital Plan Funding Details

(millions of dollars)

	2003-04 Estimate	2004-05 Target	2005-06 Target	Three-year Total
Support for Local Authorities' Capital				
Current-year revenue	590	665	735	1,990
Capital Account	371	242	—	613
Alternative financing	—	278	349	627
Total Local Authorities' Capital	961	1,185	1,084	3,230
Government-owned Capital				
Current-year revenue	450	413	391	1,254
Capital Account	252	45	—	297
Alternative financing	—	342	421	763
Total Government-owned Capital	702	800	812	2,314
Total Capital Plan				
Current-year revenue	1,040	1,078	1,126	3,244
Capital Account	623	287	—	910
Alternative financing	—	620	770	1,390
Total Capital Plan	1,663	1,985	1,896	5,544

Program Spending Plan

Reform of Alberta's health system is underway.

HEALTH AND WELLNESS

Reform of Alberta's publicly funded health system is underway. Based on the recommendations of the Premier's Advisory Council on Health, the health needs of Albertans will be met in more collaborative, innovative, and efficient ways.

Over the last year, implementation began on various health promotion and information initiatives, such as the "Healthy U" campaign and the Tobacco Reduction Strategy. Multi-year performance agreements with the health authorities are being developed that will provide greater accountability. Further work is underway:

- Effective April 1, the number of regional health authorities was changed from 17 to 9.
- Community and facility-based mental health services were transferred to regional health authorities from the Alberta Mental Health Board on April 1.
- Changes to Alberta's Labour Relations Code will streamline bargaining in the health sector, will ensure all workers are treated fairly and consistently, and will ultimately result in better health services for Albertans.
- A rural health strategy is under development to help ensure needs in rural regions are met appropriately.
- Development of a catastrophic drug coverage program has been initiated.

Increased Spending on the Health System

Alberta Health and Wellness will spend \$7.35 billion in 2003-04, an increase of \$492 million, or 7.2%. The increase includes:

- Regional health services – increase of \$245 million, or 6.3%, consisting of:
 - \$176 million, or 4.8%, for base operating grants for regional health authorities,
 - \$50 million for diagnostic and medical equipment, funded by new federal transfers,
 - \$18 million, or 12.5%, for the Alberta Cancer Board, including \$11 million for cancer drugs, and
 - \$1.5 million, or 4.8%, for the services that the Alberta Mental Health Board will continue to deliver.
- Province-wide services – increase of \$23 million, or 6%, for services such as major cardiac surgeries and organ transplants.
- Physician services – increase of \$87 million to address price and volume growth and to implement physician office systems that will be part of the electronic health record system.
- Health reform initiatives – increase of \$85 million focused on primary health care, home care and catastrophic drug coverage.

Health and Wellness spending will increase by 7.2% in 2003-04.

- Other programs – increase of \$52 million largely for human tissue and blood products, ambulance services, out-of-province costs and Allied Health Services.

The overall 7.2% increase in 2003-04 will be followed by further increases of 4.3% in 2004-05 and 5.8% in 2005-06, bringing the total three-year increase to \$1.26 billion, or 18.3%.

Funding the Health System

In Budget 2002, Health and Wellness spending was targeted to increase by 4% per year in 2003-04 and future years, about the same as the long-term average growth in provincial revenues. The new federal funding resulting from the 2003 First Ministers' Health Accord has been added to this targeted increase (\$248 million in 2003-04, \$298 million in 2004-05 and \$447 million in 2005-06). This federal funding will be used over the next three years to support Alberta's health priorities.

Beyond the three-year plan, Health and Wellness funding increases will have to return to the 4% range, unless federal funding continues to increase by more than 4% per year.

No changes to health care insurance premiums are planned. Monthly rates will remain at \$44 for individuals and \$88 for families.

Health Capital Spending

The Ministry of Infrastructure will support \$776 million of spending on health facilities over the next three years. Construction will proceed on major projects such as the new Alberta Children's Hospital in Calgary, redevelopment of the Royal Alexandra Hospital in Edmonton and the two new Centres of Excellence for cardiac, and bone and joint care. More details are contained in the *Capital Plan* chapter.

New federal health funding will be spent on Alberta's health priorities.

\$776 million for health facilities over the next three years.

Health and Wellness

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Ministry program spending	6,858	7,350	7,669	8,113
Annual increase		492	319	444
Percentage increase		7.2	4.3	5.8

Learning base program spending will increase by 4.7% in 2003-04.

Base program funding for school boards will increase by 4.9% in 2003-04.

\$450 million over the next three years for school projects.

LEARNING

Excellence in learning continues to be a top priority of Albertans and their government. Base program spending by the Ministry of Learning will increase by \$219 million, or 4.7%, to \$4.9 billion in 2003-04. By 2005-06, Learning's base program spending will reach \$5.2 billion, a \$542 million, or 11.6%, increase over the next three years.

The renewed Kindergarten to Grade 12 Funding Framework will provide school boards with flexibility to address student needs and local priorities. Alberta's Commission on Learning is consulting with Albertans on improvements to ensure that our basic education system maintains excellence into the future. The Commission provided a status report in February 2003, with the final report expected later this year.

The post-secondary system is implementing the 'Campus Alberta' vision that will improve co-ordination among institutions to address the continuing need for a well-educated workforce in Alberta.

Basic Education Funding (Kindergarten to Grade 12)

Base program funding for public and separate school boards will increase by \$147 million, or 4.9%, in the 2003-04 fiscal year, and by 3.6% and 3.9% for the following two fiscal years. By the 2005-06 fiscal year, program funding to public and separate boards will reach almost \$3.4 billion, a three-year increase of \$388 million, or 12.9%.

School boards operate on a school year basis that runs from September to August. Over the past two school years, school boards received significant funding increases to help pay for teachers' salary settlements and other board priorities. For the 2003-04 school year, base program funding for public and separate school boards will increase by 3.7%. This includes:

- a 2% increase in basic instruction grants,
- a 3% increase in student transportation grant funding,
- funding for estimated increases of 0.25% in overall enrolment and 8% in students with severe disabilities, and
- \$20 million for school technology upgrading, as part of a three-year \$61 million commitment.

In addition, a one-time \$20 million allocation is being provided to school boards in 2003-04 to purchase classroom resources. Basic instruction grants are targeted to increase by 2% per year for the following two school years.

Contributions to the Teachers' Pension Plan will increase over the next three years by \$54 million, or 22.4%, to \$294 million because of increases in teachers' salaries and lower-than-anticipated investment returns of the pension fund.

Over the last three years, \$1 billion has been provided for school facilities under the New Century School Plan. The Ministry of Infrastructure will support a further \$450 million in capital projects over the next three years, including \$226 million for school expansions and new schools, and \$224 million for school preservation.

Base program funding for post-secondary institutions will increase by 4.1% in 2003-04.

Post-Secondary Funding

Base program funding for post-secondary institutions will increase by \$44 million, or 4.1%, in 2003-04, consisting of:

- \$22 million for a 2% increase in base operating grants,
- \$12 million to maintain student spaces created for apprentices, and
- \$10 million in new access funding to support initiatives that will enhance accessibility in high-priority programs.

In addition, \$10 million in one-time performance envelope funding will be provided in 2003-04, to be awarded to institutions meeting key performance indicators including accessibility, quality, learner outcomes and research.

For the following two years, base operating grants to post-secondary institutions are targeted to increase by 2% per year. By 2005-06, total provincial support will reach almost \$1.2 billion, a three-year increase of \$79 million, or 7.3%.

\$373 million over the next three years for post-secondary facilities.

Over the next three years, \$373 million in capital support, primarily through the Ministry of Infrastructure, will help to upgrade and expand post-secondary campuses. This includes support for new Health Research Innovation Centres at the Universities of Alberta and Calgary, and the University of Alberta Natural Resources Engineering Facility.

Student Assistance

The Alberta government expects to disburse \$108 million in student loans in 2003-04. Loan limits are being increased to reflect rising costs. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment will continue to reduce debt for students in their first and final years of study, respectively. About 20,000 students will receive \$34 million in scholarships in 2003-04.

About 20,000 students will receive scholarships in 2003-04.

Learning

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Ministry program spending				
Base program spending	4,663	4,882	5,044	5,205
One-time initiatives	67	30	—	—
Total Ministry program spending	4,730	4,912	5,044	5,205
Opted-out school boards' property tax revenue	150	162	171	181
Alberta School Foundation Fund debt servicing costs	3	4	5	5
Spending on the Learning System	4,883	5,078	5,220	5,391
Percentage increase				
Base program spending		4.7	3.3	3.2
Ministry program spending		3.8	2.7	3.2
Spending on the learning system		4.0	2.8	3.3

AGRICULTURE

In 2002-03, the government responded to the worst agricultural drought in Alberta's history with \$1.1 billion in disaster assistance. Total agriculture spending reached almost \$1.8 billion.

Agriculture base program spending will increase by \$262 million in 2003-04.

In 2003-04, base program spending will increase by \$262 million to \$808 million, primarily for enhancements to farm safety-net programs. Spending is targeted to increase to an average of about \$860 million per year for the following two years. No disaster funding has been budgeted.

Improvements to Safety-Net Programs

In 2003-04, base spending on safety-net programs will increase from \$366 million to \$557 million in order to provide Alberta producers with the most innovative and comprehensive crop insurance programs in Canada. Producers will have additional options for mitigating weather, production and commodity price risks, replacing previous reliance on ad hoc emergency assistance from the government.

The record crop insurance payments in 2002-03 put the Crop Reinsurance Fund of Canada for Alberta into a deficit position. The Fund is part of the federal-provincial crop insurance agreement designed to ensure the long-term financial stability of crop insurance programs. The Fund will be replenished over the next three years with payments of \$66 million in 2003-04 and \$84 million in each of the following two years.

Producers' crop insurance premiums are increasing due to program enhancements and the cost of replenishing the reinsurance funds. Increased producer participation is also anticipated.

Industry and Rural Development

A Rural Development Strategy is being developed.

About \$185 million is budgeted for industry development initiatives for each of the next three years. The Ministry will continue to implement its growth strategy to help industry achieve the goal of \$10 billion in primary production and \$20 billion in value-added production by 2010. A Rural Development Strategy is being developed.

Continuing improvements to the animal health and food-safety surveillance systems will validate the safety of Alberta's agriculture and food products. The Ministry will also facilitate the adoption of internationally accepted food-safety systems and standards in the production and processing of Alberta food.

Detailed strategies to support the implementation of Alberta's Agriculture Research Strategy will be developed. This will help the research community align available resources with significant economic opportunities.

Agriculture Policy Framework

Negotiation of federal-provincial bilateral agreements for the five-year Agriculture Policy Framework will be completed, with implementation to commence in 2003-04. The Framework will focus on environmental stewardship, food safety, science and innovation, farm sector renewal and risk management.

Agriculture, Food and Rural Development

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Safety-net programs ^a	366	557	598	587
Industry and Rural Development	180	185	184	185
Replenish Crop Reinsurance Fund of Canada for Alberta	—	66	84	84
Base program spending	546	808	866	856
Disaster funding				
Additional safety-net payments	761	—	—	—
Farm Income Assistance Program	324	—	—	—
Alberta Dairy Control Board ^b	149	—	—	—
Ministry Program Spending	1,780	808	866	856

^a Includes crop insurance programs, Farm Income Disaster Program, Farm Fuel Distribution Allowance and other farm income support.

^b Regulation of dairy production and marketing has been divested to a producer-elected and financed commodity board called Alberta Milk.

HELPING ALBERTANS

Spending on social services will increase by \$92 million, or 4.6%, in 2003-04 to \$2.1 billion. The three-year spending increase will total \$171 million, or 8.5%.

Services for Children

- The government is committed to ensuring children are protected and supported in reaching their potential. Spending by the Ministry of Children's Services will increase by \$36 million, or 5.4%, in 2003-04 to \$708 million. Spending will reach \$745 million by 2005-06, a three-year increase of \$73 million, or 10.9%.
 - Spending for child protection and services to children with disabilities will reach \$450 million by 2005-06. The three-year increase of \$22 million will support improved service delivery models to be implemented through new legislation.
 - Spending for services focused primarily on young children, such as early intervention and child care, will reach \$142 million by 2005-06, a three-year increase of \$37 million, or 35%. Part of this increase will be funded by federal transfers under the recent federal-provincial agreement on childcare.
 - Funding for the Family and Community Support Services program will increase by \$7 million over the next three years, on top of the \$15 million increase last year. Total spending will reach \$65 million by 2005-06. Key priorities will include support to families at risk and assistance to keep vulnerable children from entering the child welfare system.

Children's Services spending will increase by 5.4% in 2003-04.

Alberta's Promise will mobilize every sector of society to support children and youth.

- With the Premier's leadership, Alberta's Promise will mobilize every sector of society to bring new resources, new partnerships and strong volunteerism to a full range of community initiatives supporting children and youth. Government funding of \$1 million per year will act as a catalyst to attract much greater levels of private support.
- The Alberta Centre for Child, Family and Community Research, a new private not-for-profit agency, will receive \$2 million per year to support applied research on issues contributing to the well-being of children and families.

- Spending by Human Resources and Employment on Alberta Child Health Benefits for children in low-income families will increase by 14.8% to \$21 million in 2003-04 and by a further 4.8% to \$22 million by 2005-06.

Support for Adults with Disabilities

- Spending for persons with developmental disabilities will increase by \$37 million, or 9%, to \$443 million in 2003-04 to address volume and cost increases. Spending will grow to \$475 million by 2005-06, a three-year increase of \$69 million, or 17%.
- Funding for the Assured Income for the Severely Handicapped (AISH) program will increase by \$7.5 million, or 2.1%, to \$357 million in 2003-04. Funding for AISH will reach \$372 million by 2005-06, a three-year increase of \$22 million, or 6.3%.

Other Income Support Programs

- Funding for the Supports for Independence (SFI) program will increase by \$4 million to fund a \$20 per month increase in benefits for clients with children and those not expected to work, effective June 1, 2003. In addition, SFI clients with children will retain this year's increase to the National Child Benefit Supplement in August. The combination of these two changes will mean families and people not expected to work, who are receiving SFI, will see a minimum increase of 3% this year.
- The number of persons receiving SFI is expected to continue declining due to strong employment growth and continued focus on skills development and employment training programs. For example, spending will double to \$8 million for First Nations Training-to-Employment, a joint partnership agreement among the private sector, government and First Nations.
- Funding for the Alberta Seniors Benefit program for lower income seniors will increase by about \$2 million in 2003-04, to \$156 million. Cash benefits for low-income seniors residing in lodges will increase in the new benefit year.

Spending for persons with developmental disabilities will increase by 9% in 2003-04.

SFI benefits will increase in 2003-04.

Social Services

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Children's Services	672	708	724	745
Persons with Developmental Disabilities Assured Income for the Severely Handicapped	407	443	456	475
Seniors programs	350	357	364	372
Supports for Independence	198	200	201	201
Other programs	259	263	258	258
Total Social Services Spending	2,007	2,099	2,133	2,178
Annual increase		92	34	45
Percentage increase		4.6	1.6	2.1

PROTECTING ALBERTA'S ENVIRONMENT

Initiatives will be undertaken over the next three years to protect and enhance Alberta's environment. Special focus will be placed on addressing climate change issues.

\$30 million more over the next three years for the Climate Change Action Plan.

- \$30 million in new funding will be provided over the next three years under the Climate Change Action Plan. This funding will be used to reach emissions reduction goals, support energy conservation projects, invest in demonstration projects, and support research on clean energy technology.
- The government has signed long-term contracts, beginning in 2005, to buy 90% of government electricity needs from 'green power' sources other than fossil fuels, including a new wind farm in southern Alberta and a biomass combustion facility in northern Alberta.
- Over the course of the next year, the government will also consider establishing an interest-free loan program to support municipal energy efficiency projects. Discussions are underway with municipal representatives, and discussions will be initiated with the federal government concerning a potential cost-sharing arrangement.
- Development of Alberta's water strategy will continue, with the final strategy to be released this fall.

STRONG AND SAFE COMMUNITIES

A new, secure Alberta driver's licence.

\$104 million over the next three years for affordable housing.

- Funding will increase by about 4% in 2003-04 for Solicitor General programs, including \$5 million for correctional services, \$4 million for policing programs, and \$1 million for security services and assessment of potential security threats to the government and its infrastructure.
- \$9 million per year will be provided to develop a new, secure Alberta driver's licence and upgrade related equipment. This is in addition to the \$5 million provided in 2002-03.
- An additional \$6 million per year has been allocated for consultation with Aboriginal peoples about land use issues.
- The Alberta First Nations Development Fund will receive gaming proceeds for economic and community development, addiction programs, health, education and infrastructure projects. An estimated \$4 million will be provided from gaming proceeds of First Nations casinos in 2003-04. Annual grants to the Fund are anticipated to reach \$44 million in 2004-05. The expected funding assumes that the projected number of First Nations casinos become operational and achieve their revenue targets over the next two years.
- The three-year Capital Plan includes \$104 million for the Canada/Alberta Affordable Housing Agreement, in addition to the \$17 million made available in 2002-03. The funding includes federal transfers for the program.
- Funding of \$14 million will be supplied over the next three years to complete the \$180 million Seniors Lodge Upgrading Program. Renovation and upgrading of 121 seniors lodges province-wide commenced in 1994-95.
- The new Work Safe Alberta initiative to reduce the workplace injury rate by 40% by 2004 will be implemented at an approximate cost of \$3 million per year.

Economic and Revenue Outlook

The North American economies recovered last year from the brief recession in 2001, with Canada leading the way with a 3.4% real growth rate. Growth in the United States is expected to strengthen through 2003 and should reach about 3.5% by 2004. The Canadian economy is projected to settle into solid growth of around 3%.

Alberta economic growth of 3.6% in 2003 and 2004.

Alberta's economic growth is forecast to strengthen from about 2.4% last year to 3.6% in both 2003 and 2004, led by improved exports to the United States and increased drilling activity in the conventional energy sector. Growth is expected to drop back to a more sustainable rate of about 3.2% for the following two years.

Close to 37,000 new jobs in 2003.

Close to 37,000 new jobs are expected for Alberta in 2003, with over 100,000 more jobs expected by 2006. Wages and salaries should continue to grow strongly. Personal income is forecast to increase by 5.6% in 2003, and by an average of 5.5% over the following three years.

Corporate income tax reductions continue.

Alberta's growth is enhanced by low taxes. On January 1, 2001, implementation of Alberta's 10% single-rate personal income tax system brought total cuts in personal income taxes since 1998 to \$1.5 billion. On April 1, 2001, business tax cuts began.

Budget 2003 continues the business tax reduction plan from Budget 2002. On April 1, 2003, the general corporate income tax rate was cut to 12.5%, the small business rate was cut to 4%, and income eligible for the small business rate increased to \$400,000. The fiscal plan includes further reductions next year. A final decision on these planned cuts will be made in Budget 2004.

Further details are contained in the *Economic Outlook* and *Tax Advantage* chapters.

Revenue of \$21.9 billion in 2003-04.

REVENUE OUTLOOK

Total revenue is estimated at \$21.9 billion in 2003-04, a drop of about \$650 million, or 2.9%, from 2002-03, mainly due to falling energy prices. Revenue is expected to decline further to \$21.5 billion in 2004-05 before recovering to the 2003-04 level in 2005-06.

Revenue

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Taxes	9,994	9,862	10,022	10,485
Non-Renewable Resource Revenue	6,428	4,776	3,709	3,388
Transfers from Government of Canada	2,069	2,386	2,454	2,623
Investment Income	(119)	1,019	1,219	1,327
Revenue from Other Sources	4,203	3,885	4,072	4,122
Total Revenue	22,575	21,928	21,476	21,945

Savings from indexation of personal income taxes reach \$130 million.

2003-04 corporate income tax cuts will save businesses \$94 million.

School property tax rates frozen.

TAX REVENUE

Total tax revenue is estimated at \$9.9 billion for 2003-04, down over \$100 million from the 2002-03 forecast, as corporate income tax revenue declines from the forecast record level in 2002-03. Tax revenue is expected to increase to \$10.5 billion by 2005-06.

Personal income tax revenue is expected to continue growing robustly, by an average of 5.2% per year, due to strong employment and income growth. Personal income tax revenue is forecast at just over \$5 billion in 2003-04, increasing to nearly \$5.7 billion by 2005-06. Indexation of the personal income tax system to Alberta inflation will continue this year, bringing total savings for Albertans to \$130 million since 2001. There are no other personal income tax changes in Budget 2003.

Corporate income tax revenue is expected to decline due to lower energy prices and continuing tax cuts. The 2003-04 corporate income tax cuts will save Alberta businesses \$94 million, bringing the total savings since cuts began in 2001 to \$435 million.

School property tax revenue is expected to increase by about \$200 million over the next three years, due to growth in the assessment base. The provincial uniform mill rates will be frozen in 2003, marking the tenth year in a row the rates have remained the same or been reduced.

Other tax revenue is expected to be flat, at about \$1.6 billion, over the next three years.

Tax Revenue

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Personal income tax	4,867	5,035	5,328	5,674
Corporate income tax	2,400	2,016	1,842	1,876
School property tax	1,101	1,165	1,233	1,304
Other taxes	1,626	1,646	1,619	1,631
Total Tax Revenue	9,994	9,862	10,022	10,485

Resource revenue of \$4.8 billion in 2003-04. \$1.3 billion will be transferred to the Sustainability Fund.

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is estimated at \$4.8 billion for 2003-04, about \$1.65 billion, or 26%, lower than forecast for 2002-03. Resource revenue is expected to decline further to around the expected long-term average of \$3.5 billion per year for the following two years, as energy prices drop to more sustainable levels.

Since over 70% of resource revenue comes from natural gas and by-products, natural gas price trends are the key determinant of resource revenue. The recent highs in natural gas prices have been driven by cold winter weather in the eastern half of North America and declines in production due in part to lower drilling activity in both Canada and the United States. A return to more normal weather patterns and increased drilling activity is expected to improve the supply-demand balance and reduce natural gas prices as 2003-04 progresses.

Natural gas prices are forecast to decline from Cdn\$4.65 per thousand cubic feet in 2002-03 to \$4.05 in 2003-04, and fall further to \$3.50 in 2004-05 and \$3.45 in 2005-06. There are only a few private sector forecasts for natural gas prices that are publicly available. The price assumptions in the fiscal plan are lower than those forecasts. Details on private sector forecasts by calendar year are contained in the *Economic Outlook* chapter.

Oil prices are expected to continue to decline from recent highs, assuming a resolution of the Iraq and other world situations affecting energy markets. Oil prices are forecast to drop by about 20% in 2003-04 to US\$23.30 per barrel, and average US\$22 per barrel for the following two years. The government's oil price assumptions are roughly in line with the average of private sector forecasters.

The anticipated increase in exploration and drilling activity in 2003-04 is expected to boost revenue from bonuses and sales of Crown leases to \$679 million. Revenue from land sales is expected to return to about \$550 million per year for the following two years as energy prices trend down.

Non-Renewable Resource Revenue

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Natural gas and by-products royalty	4,584	3,480	2,658	2,408
Crude oil royalty	1,120	502	358	272
Synthetic crude oil and bitumen royalty	135	103	107	141
Coal royalty	11	11	13	13
Bonuses and sales of Crown leases	539	679	561	541
Rentals and fees	156	144	142	138
Royalty tax credit	(117)	(143)	(130)	(125)
Total Non-Renewable Resource Revenue	6,428	4,776	3,709	3,388

TRANSFERS FROM THE GOVERNMENT OF CANADA

Transfers to Alberta from the federal government are anticipated to increase from about \$2.1 billion in 2002-03 to \$2.4 billion in 2003-04 and \$2.6 billion by 2005-06.

Excluding the \$220 million prior-year adjustment in 2002-03, federal transfers under the Canada Health and Social Transfer (CHST) are expected to increase by an average of \$60 million, or 3.6%, per year over the next three years. CHST will reach \$1.6 billion in 2003-04 and over \$1.7 billion by 2005-06.

\$248 million in new federal health transfers in 2003-04.

The 2003 First Ministers' Health Accord will increase federal health transfers. In 2003-04, Alberta is expected to receive \$99 million in CHST supplements, \$99 million for health reform and \$50 million for diagnostic and medical equipment. Total transfers under the Accord are expected to grow from \$248 million in 2003-04 to \$447 million by 2005-06. All of these dollars will be spent by Alberta on health care, as will any additional new federal transfers for health.

Federal support for agriculture programs rose sharply in 2002-03, to \$408 million, due to the drought last year. Agriculture transfers are forecast to return to just over \$100 million by 2004-05.

Transfers from Government of Canada

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Canada Health and Social Transfer base	1,559	1,613	1,685	1,736
Prior-year adjustment	(220)	—	—	—
Canada Health and Social Transfer	1,339	1,613	1,685	1,736
New federal health transfers	—	248	298	447
Agriculture support programs	408	169	119	116
Other transfers	322	356	352	324
Total Federal Transfers	2,069	2,386	2,454	2,623

Investment income to rebound to \$1 billion in 2003-04.

INVESTMENT INCOME

In 2002-03, weak equity markets resulted in an overall loss of \$119 million on government investments. Markets are expected to begin recovering this year. Investment income is expected to rebound to \$1 billion in 2003-04 and \$1.3 billion by 2005-06.

Heritage Fund income is expected to be \$426 million in 2003-04 and \$723 million by 2005-06. The Heritage Fund's loss of \$595 million in 2002-03 came from realized losses on investments that were sold and writedowns of investments still being held. The survey, *Looking Forward: Planning for the Future with the Alberta Heritage Savings Trust Fund*, conducted last year confirmed that Albertans want the Heritage Fund to continue to operate as an endowment fund.

Alberta has three other endowments funds – the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, and the Alberta Heritage Scholarship Fund – that support research or provide scholarships. The funds' income is forecast to recover to \$52 million in 2003-04 and \$96 million by 2005-06, following last year's overall loss of \$109 million. The losses reduced the value of the Science and Engineering Research Fund below its original endowment of \$500 million. In 2003-04, \$21 million in assets will be transferred to the Fund to bring its estimated book value back to \$500 million.

Interest income of the Alberta Capital Finance Authority on loans to municipalities and other local authorities is forecast to decrease by \$63 million, to \$277 million, by 2005-06. Interest rates on new loans are expected to be lower than the average interest rate on maturing loans.

Investment Income

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Alberta Heritage Savings Trust Fund	(595)	426	626	723
Endowment funds	(109)	52	80	96
Alberta Capital Finance Authority ^a	340	319	298	277
Other investment income	245	222	215	231
Total Investment Income	(119)	1,019	1,219	1,327

^a Formerly Alberta Municipal Financing Corporation.

REVENUE FROM OTHER SOURCES

Revenue from all other sources is expected to fall from \$4.2 billion in 2002-03 to \$3.9 billion in 2003-04, and then recover to \$4.1 billion by 2005-06. The 2003-04 decrease is due to 2002-03 revenues that are not expected to be received this year. These include:

- \$168 million in proceeds from crop reinsurance and forest fire insurance,
- \$149 million in revenue (and matching expense) of the Alberta Dairy Control Board for milk distribution and marketing functions divested to producers in 2002-03, and
- \$100 million transfer of restricted equity from the Alberta Capital Finance Authority.

No increases in health care insurance premiums or major fees.

Partly offsetting these reductions is an increase in revenue from premiums, fees and licences from \$1.6 billion in 2002-03 to \$1.8 billion by 2005-06. The increase is almost entirely due to volume increases and higher crop insurance premium revenue for enhanced safety-net programs. There are no rate increases for health care insurance premiums or major fees. The Premiums, Fees and Licences Changes table later in this chapter details changes to a few minor fees.

Revenue from Other Sources

(millions of dollars)

	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Net Income from Commercial Operations	1,849	1,795	1,919	1,934
Premiums, Fees and Licences	1,592	1,716	1,777	1,806
Other	762	374	376	382
Total Revenue from Other Sources	4,203	3,885	4,072	4,122

RISKS

Economy – The three-year fiscal plan assumes United States economic growth in the 2.5% to 3.5% range and Canadian economic growth of around 3%. There is a risk of a 'double-dip' recession in the United States as trends in employment, business investment and manufacturing remain unclear. Weaker-than-expected economic conditions in Canada and United States could slow the expected recovery in Alberta's investment income and reduce expected income tax revenue.

Energy Prices – The energy price assumptions are prudent in comparison to recent oil and natural gas prices and private sector forecasts for natural gas. If energy prices are higher than assumed in the budget, the increased revenue would be transferred to the Alberta Sustainability Fund. If prices decline more than expected and non-renewable resource revenue falls below \$3.5 billion, the difference would be transferred from the Sustainability Fund.

Sustainability Fund will protect against risks of energy prices, and disasters and emergencies.

Exchange Rate – The Canadian dollar has been extremely volatile in recent months ranging from a low of 62.7 cents U.S. in early October 2002 to over 68 cents U.S. in March 2003. A significant appreciation in the Canadian dollar would reduce non-renewable resource revenue since both oil and natural gas are primarily priced in U.S. dollars. A one-cent increase in the Canadian dollar reduces resource revenue by \$125 million. This is partly offset by a \$25 million reduction in debt servicing costs due to revaluation of U.S. dollar debt.

Emergency and Disaster Assistance – Continuing drought conditions could result in unbudgeted spending on forest fires and agriculture safety-net payments. The new fiscal framework allows these costs to be funded from the Sustainability Fund, if necessary. The Sustainability Fund is forecast to reach \$2.2 billion by the end of 2003-04. This does not include any potential transfers for emergency or disaster assistance.

FISCAL PLAN TABLES

Alberta **2003** Budget

Making Alberta Even Better

Fiscal Summary^a

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Revenue	21,926	19,847	22,575	21,928	21,476	21,945
Expense						
Program	20,071	18,488	20,206	20,335	20,865	21,364
Debt servicing costs	774	585	550	465	438	463
Total Expense	20,845	19,073	20,756	20,800	21,303	21,827
Net Revenue	1,081	774	1,819	1,128	173	118
Transfer from (to) Sustainability Fund	-	-	-	(1,276)	(209)	112
Transfer from Capital Account	-	-	-	416	287	-
Economic Cushion	1,081	774	1,819	268	251	230

^a For fiscal policy purposes under the *Fiscal Responsibility Act*. 2001-02 and 2002-03 numbers have been restated to be comparable with the 2003-04 presentation.

Alberta Sustainability Fund

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Assets at start of year	-	-	-	-	2,217	2,491
Non-renewable resource revenue						
transfer from (to) general revenues	-	-	-	1,276	209	(112)
Cash available from operations ^a	-	-	-	941	65	42
Assets at End of Year	-	-	-	2,217	2,491	2,421

^a 2003-04 cash available includes cash from natural gas royalties accrued in 2002-03.

Capital Account

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Assets at start of year	-	-	-	910	287	-
Allocation from 2002-03 Economic Cushion	-	-	910	-	-	-
Allocation for						
Government-owned capital investment	-	-	-	(207)	-	-
Capital grants to local authorities ^a	-	-	-	(371)	(242)	-
Other infrastructure support ^a	-	-	-	(45)	(45)	-
Assets at End of Year	-	-	910	287	-	-

^a Included in program expense.

Balance Sheet Summary

(millions of dollars)

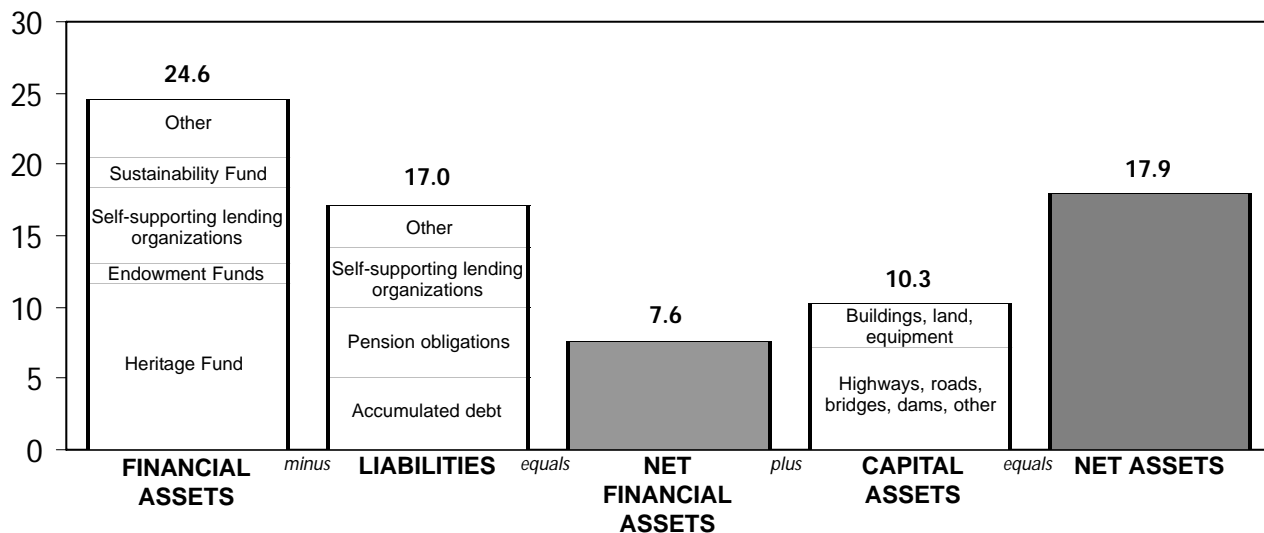
	At March 31				
	2002 Actual	2003 Forecast	2004 Estimate	2005 Target	2006 Target
Financial Assets					
Heritage Fund external investments	12,151	11,560	11,565	11,572	11,579
Self-supporting lending organizations	5,260	5,340	5,231	5,269	5,177
Alberta Sustainability Fund	-	-	2,217	2,491	2,421
Endowment Funds	1,767	1,580	1,548	1,518	1,499
Capital Account	-	910	287	-	-
Debt Retirement Account	3,155	2,009	251	-	-
Other financial assets	3,919	3,778	3,535	3,820	4,236
Total Financial Assets	26,252	25,177	24,634	24,670	24,912
Liabilities					
Accumulated debt	8,416	6,770	5,012	4,761	4,761
Pension obligations	4,771	4,849	4,970	5,092	5,218
Self-supporting lending organizations	3,832	4,058	4,050	4,015	3,917
Alternative financing of government-owned capital projects	-	-	-	342	741
Other liabilities	4,190	2,769	3,028	3,067	3,126
Total Liabilities	21,209	18,446	17,060	17,277	17,763
Net Financial Assets	5,043	6,731	7,574	7,393	7,149
Capital Assets	10,141	10,194	10,358	10,590	10,826
Net Assets	15,184	16,925	17,932	17,983	17,975
Adjustment for pension obligations	4,771	4,849	4,970	5,092	5,218
Net Assets for Fiscal Policy Purposes^a	19,955	21,774	22,902	23,075	23,193

^a Under the *Fiscal Responsibility Act*.

Estimate of Assets, Liabilities and Net Assets

At March 31, 2004

(billions of dollars)

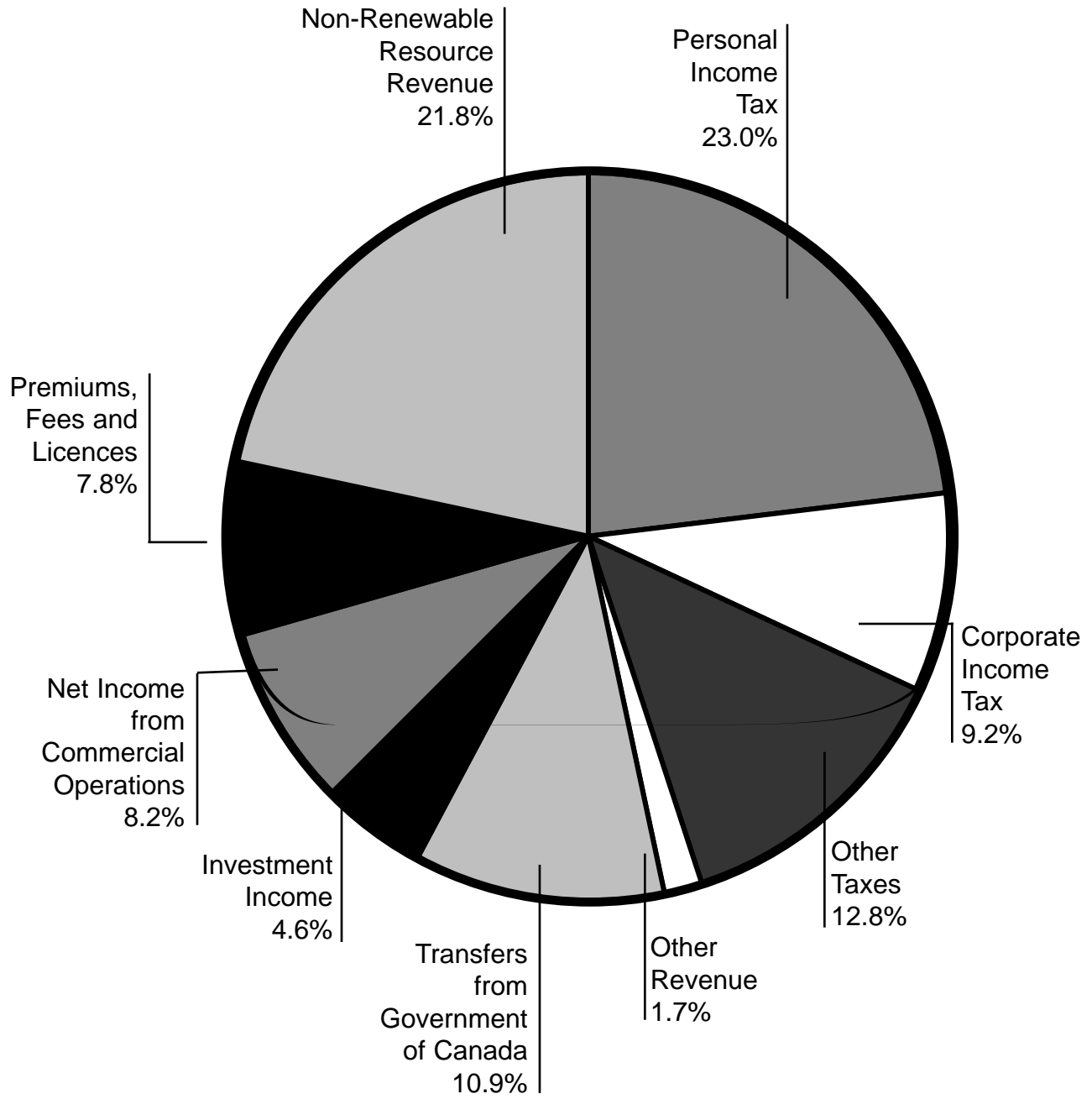


Revenue

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Income Taxes						
Personal income tax	4,183	4,708	4,867	5,035	5,328	5,674
Corporate income tax	2,229	1,550	2,400	2,016	1,842	1,876
	6,412	6,258	7,267	7,051	7,170	7,550
Other Taxes						
School property tax	1,094	1,093	1,101	1,165	1,233	1,304
Tobacco tax	373	633	633	624	629	632
Fuel tax	585	594	590	602	610	618
Freehold mineral rights tax	319	127	196	214	161	150
Insurance taxes	136	140	152	148	157	166
Hotel room tax	56	50	55	58	62	65
	2,563	2,637	2,727	2,811	2,852	2,935
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	4,030	2,573	4,584	3,480	2,658	2,408
Crude oil royalty	987	469	1,120	502	358	272
Synthetic crude oil and bitumen royalty	185	78	135	103	107	141
Coal royalty	17	12	11	11	13	13
Bonuses and sales of Crown leases	969	609	539	679	561	541
Rentals and fees	148	142	156	144	142	138
Royalty tax credit	(109)	(169)	(117)	(143)	(130)	(125)
	6,227	3,714	6,428	4,776	3,709	3,388
Transfers from Government of Canada						
Canada Health and Social Transfer	1,655	1,740	1,339	1,613	1,685	1,736
2003 Health Accord	-	-	-	248	298	447
Agriculture support programs	269	117	408	169	119	116
Labour market development	123	122	122	120	119	118
Other	219	189	200	236	233	206
	2,266	2,168	2,069	2,386	2,454	2,623
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,040	1,107	1,112	1,093	1,203	1,203
Liquor revenue	489	538	533	546	550	550
Alberta Treasury Branches	158	117	199	152	161	176
Other	7	5	5	4	5	5
	1,694	1,767	1,849	1,795	1,919	1,934
Premiums, Fees and Licences						
Health care insurance premiums	708	869	897	913	927	941
Motor vehicle licences	215	254	240	262	268	274
Crop and hail insurance premiums	65	88	102	164	202	206
Timber rentals and fees	64	55	53	63	63	63
Land titles	34	33	40	36	36	35
Other	277	262	260	278	281	287
	1,363	1,561	1,592	1,716	1,777	1,806
Investment Income						
Alberta Heritage Savings Trust Fund	175	573	(595)	426	626	723
Alberta Capital Finance Authority	345	331	340	319	298	277
Agriculture Financial Services Corporation	108	103	102	91	99	107
Debt Retirement Account	122	75	102	45	2	-
Alberta Sustainability Fund	-	-	-	31	76	85
Endowment Funds						
Medical Research	(16)	38	(63)	31	43	49
Science and Engineering Research	(5)	13	(24)	11	23	31
Scholarship	(6)	11	(22)	10	14	16
Other	64	39	41	55	38	39
	787	1,183	(119)	1,019	1,219	1,327
Other						
Refunds of expense	144	79	252	87	87	87
Fines and penalties	47	59	57	63	64	64
Miscellaneous	423	421	453	224	225	231
	614	559	762	374	376	382
Total Revenue	21,926	19,847	22,575	21,928	21,476	21,945

2003-04 Revenue
\$21.9 billion



Expense by Ministry

(millions of dollars)

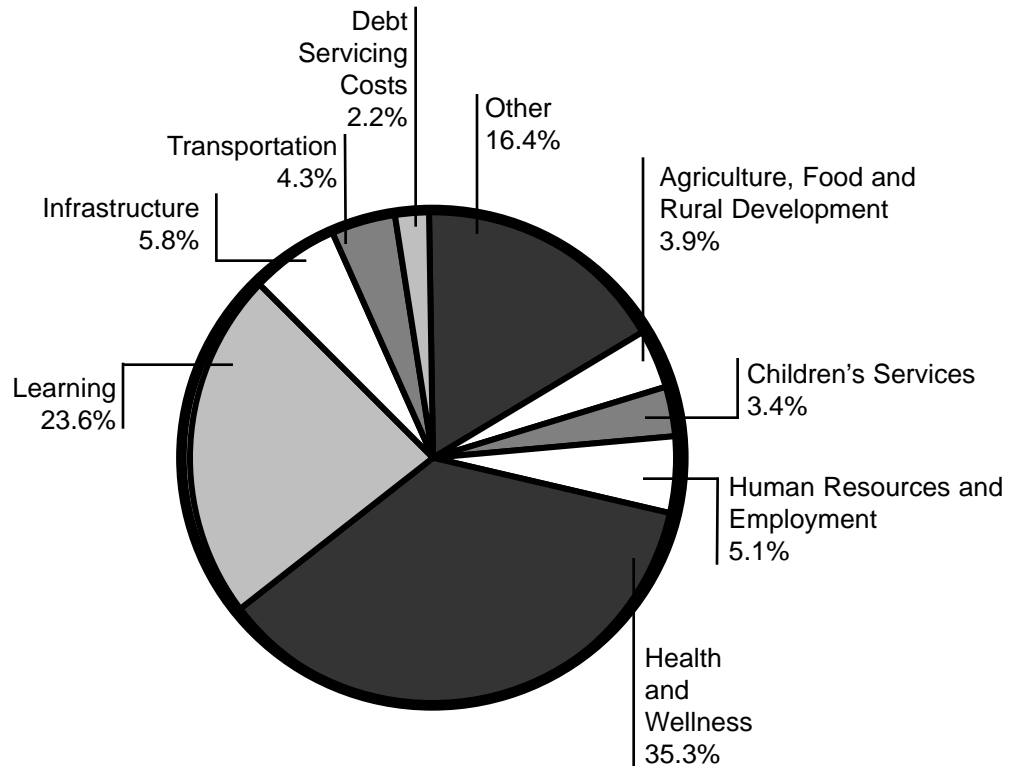
	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Program						
Legislative Assembly	54	59	59	61	74	71
Aboriginal Affairs and Northern Development	31	30	64	32	32	32
Agriculture, Food and Rural Development	1,180	671	1,780	808	866	856
Children's Services	637	674	672	708	724	745
Community Development	557	583	582	647	700	714
Economic Development	51	51	55	55	52	52
Energy	149	165	179	191	189	190
Environment	124	110	109	122	117	116
Executive Council	16	17	17	18	18	18
Finance	410	442	451	435	412	393
Gaming	117	98	124	150	150	150
Government Services	62	70	76	83	83	83
Health and Wellness	6,321	6,833	6,858	7,350	7,669	8,113
Human Resources and Employment	999	1,040	1,063	1,071	1,073	1,077
Infrastructure	2,378	820	833	1,202	1,037	899
Innovation and Science	177	189	184	200	225	244
International and Intergovernmental Relations	6	6	6	6	6	6
Justice	224	239	247	263	261	263
Learning	4,473	4,664	4,730	4,912	5,044	5,205
Municipal Affairs	168	132	161	132	133	133
Revenue	134	158	194	166	172	181
Seniors	325	324	342	354	364	351
Solicitor General	256	266	267	278	276	277
Sustainable Resource Development	296	196	445	202	203	204
Transportation	926	651	708	889	985	991
Total Program Expense	20,071	18,488	20,206	20,335	20,865	21,364
Debt Servicing Costs	774	585	550	465	438	463
Total Expense	20,845	19,073	20,756	20,800	21,303	21,827

Expense by Function

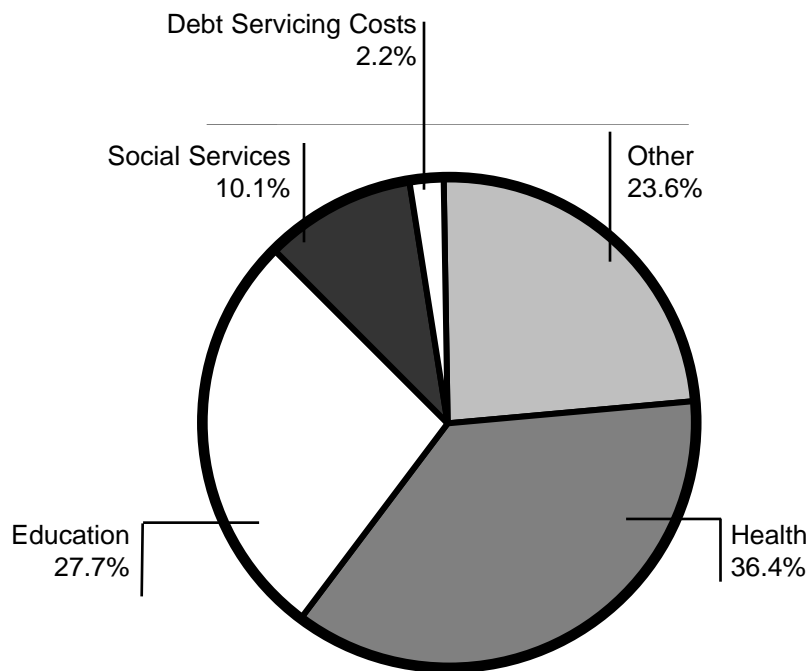
(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Health	6,791	6,892	6,891	7,572	7,793	8,197
Education	6,100	5,335	5,436	5,766	5,856	5,943
Social Services	1,885	2,008	2,007	2,099	2,133	2,178
Agriculture and Economic Development	1,499	1,034	2,132	1,198	1,304	1,312
Regional Planning and Development	833	586	627	706	766	751
Protection of Persons and Property	639	643	672	701	696	698
Transportation and Utilities	527	503	565	605	619	618
Environment and Resource Conservation	577	470	728	518	497	493
Recreation and Culture	210	158	193	229	229	217
Housing	166	139	164	159	169	152
General Government	844	720	791	782	803	805
Debt Servicing Costs	774	585	550	465	438	463
Total Expense	20,845	19,073	20,756	20,800	21,303	21,827

2003-04 Expense
\$20.8 billion



By Function



2003-04 Expense by Function

(millions of dollars)

	Health	Education	Social Services	Agriculture and Economic Development	Regional Planning and Development	Protection of Persons and Property	Transportation and Utilities	Environment and Resource Conservation	Recreation and Culture	Housing	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	—	—	—	—	—	2	—	—	—	—	59	—	61
Aboriginal Affairs and Northern Development	—	—	—	—	32	—	—	—	—	—	—	—	32
Agriculture, Food and Rural Development	—	—	—	808	—	—	—	—	—	—	—	56	864
Children's Services	—	—	708	—	—	—	—	—	—	—	—	—	708
Community Development	—	—	452	4	—	6	—	50	135	—	—	—	647
Economic Development	—	—	—	55	—	—	—	—	—	—	—	—	55
Energy	—	—	—	23	—	—	12	115	—	—	41	—	191
Environment	—	—	—	—	—	—	—	122	—	—	—	—	122
Executive Council	—	—	—	—	—	—	—	—	—	—	18	—	18
Finance	—	—	—	1	316	2	—	—	—	—	116	457	892
Gaming	252	231	30	155	55	1	25	6	152	—	196	—	1,103
Government Services	—	—	—	—	—	71	—	—	—	—	156	—	227
Health and Wellness	7,350	—	—	—	—	—	—	—	—	—	—	—	7,350
Human Resources and Employment	—	266	738	—	—	31	—	—	—	—	36	—	1,071
Infrastructure	222	572	2	2	1	6	—	29	13	5	354	—	1,206
Innovation and Science	—	16	—	139	—	—	—	—	—	—	64	—	219
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	6	—	6
Justice	—	—	—	—	—	263	—	—	—	—	—	—	263
Learning	—	4,912	—	—	—	—	—	—	—	—	—	4	4,916
Municipal Affairs	—	—	—	4	91	8	—	—	—	—	29	—	132
Revenue	—	21	—	84	—	20	—	—	—	—	69	—	194
Seniors	—	—	200	—	—	—	—	—	—	154	—	43	397
Solicitor General	—	—	—	—	—	278	—	—	—	—	—	—	278
Sustainable Resource Development	—	—	—	—	—	—	—	208	—	—	—	—	208
Transportation	—	—	—	16	266	14	593	—	—	—	—	—	889
Inter-Ministry Consolidation Adjustments	(252)	(252)	(31)	(93)	(55)	(1)	(25)	(12)	(71)	—	(362)	(95)	(1,249)
Total Expense	7,572	5,766	2,099	1,198	706	701	605	518	229	159	782	465	20,800

2003-04 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	30	18	—	—	13	—	—	61	—	61
Aboriginal Affairs and Northern Development	5	10	17	—	—	—	—	32	—	32
Agriculture, Food and Rural Development	106	52	86	379	613	7	(379)	864	—	864
Children's Services	144	449	114	542	—	1	(542)	708	—	708
Community Development	132	235	270	924	1	10	(925)	647	—	647
Economic Development	19	33	3	—	—	—	—	55	—	55
Energy	100	66	14	38	—	11	(38)	191	—	191
Environment	58	44	2	—	—	18	—	122	—	122
Executive Council	15	3	—	—	—	—	—	18	—	18
Finance	27	20	62	108	688	2	(15)	892	(95)	797
Gaming	3	3	144	1,099	—	—	(146)	1,103	(953)	150
Government Services	90	132	—	—	—	5	—	227	(144)	83
Health and Wellness	81	138	7,067	58	42	22	(58)	7,350	—	7,350
Human Resources and Employment	123	143	798	—	3	4	—	1,071	—	1,071
Infrastructure	53	293	805	—	—	55	—	1,206	(4)	1,202
Innovation and Science	60	76	75	103	—	8	(103)	219	(19)	200
International and Intergovernmental Relations	4	2	—	—	—	—	—	6	—	6
Justice	160	48	29	—	25	1	—	263	—	263
Learning	69	107	4,733	—	4	3	—	4,916	—	4,916
Municipal Affairs	24	19	88	—	—	1	—	132	—	132
Revenue	33	25	84	472	21	3	(444)	194	(28)	166
Seniors	21	23	308	—	43	24	(22)	397	—	397
Solicitor General	122	144	11	—	1	—	—	278	—	278
Sustainable Resource Development	108	76	7	32	1	9	(25)	208	(6)	202
Transportation	55	305	285	—	—	244	—	889	—	889
Total Expense	1,642	2,464	15,002	3,755	1,455	428	(2,697)	22,049	(1,249)	20,800

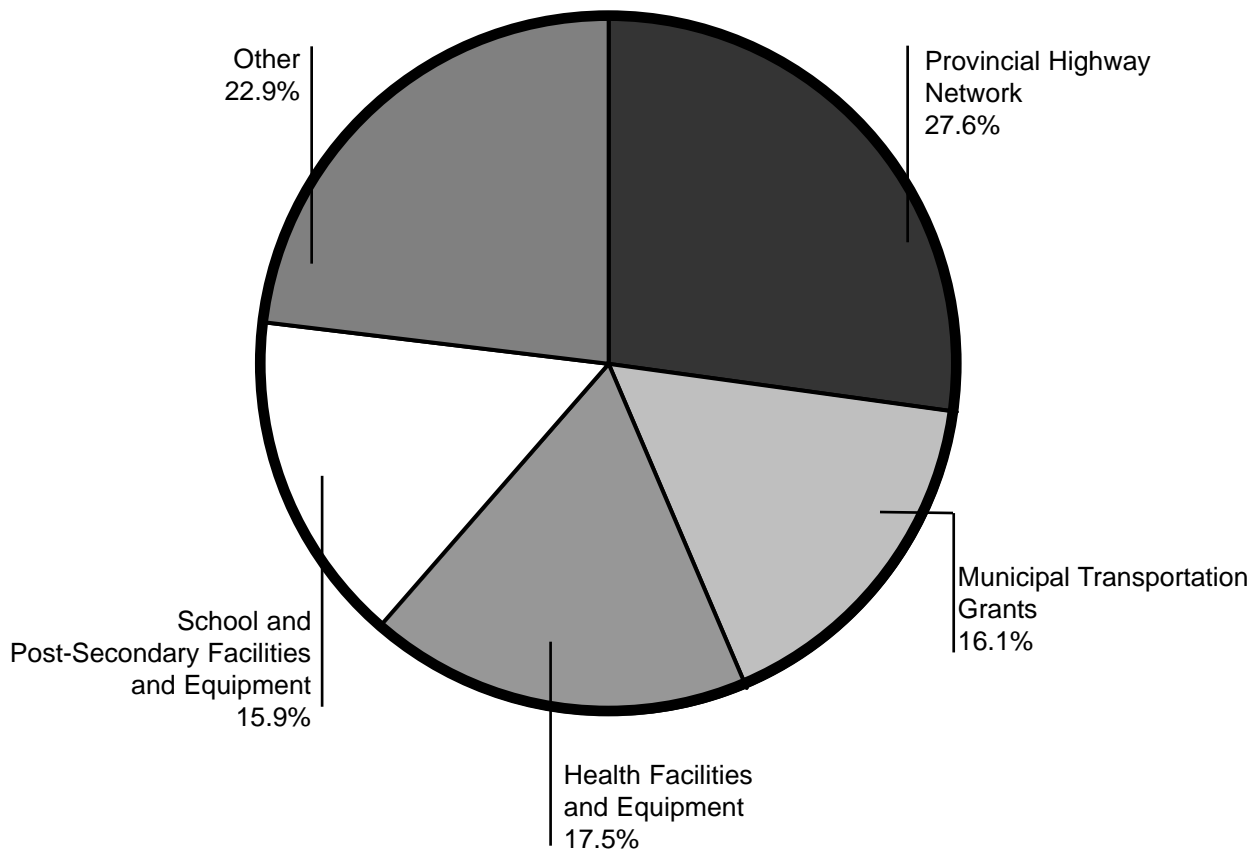
Capital Plan

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Provincial highway network	568	265	346	457	523	548
Municipal transportation grants	262	91	91	242	322	329
Health facilities and equipment	517	59	32	284	329	357
School facilities and equipment	713	59	75	136	189	186
Post-secondary facilities	329	16	14	135	172	66
Water and wastewater management	111	85	91	86	88	88
Community facilities	44	33	40	63	82	64
Housing	27	16	40	44	51	34
Other infrastructure programs	129	87	121	77	27	17
General government capital	160	150	91	139	202	207
Total Capital Plan	2,860	861	941	1,663	1,985	1,896

2003-06 Capital Plan

\$5.5 billion



Capital Plan Funding Details^a

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Support for Local Authorities' Capital						
Current-year revenue	2,137	348	372	590	665	735
Capital Account	-	-	-	371	242	-
Alternative financing	-	-	-	-	278	349
Total Support for Local Authorities' Capital	2,137	348	372	961	1,185	1,084
Government-Owned Capital						
Current-year revenue	723	513	569	450	413	391
Capital Account	-	-	-	252	45	-
Alternative financing	-	-	-	-	342	421
Total Government-Owned Capital	723	513	569	702	800	812
Total Capital Plan						
Current-year revenue	2,860	861	941	1,040	1,078	1,126
Capital Account	-	-	-	623	287	-
Alternative financing	-	-	-	-	620	770
Total Capital Plan	2,860	861	941	1,663	1,985	1,896

^a Funding sources and requirements could change as projects' business cases are reviewed.

Reconciliation of the Capital Plan and Expense for Capital Purposes^a

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Included in Total Expense						
Capital grants to local authorities	2,137	348	372	961	907	735
Capital financing grants to local authorities	-	-	-	-	8	26
Amortization of government-owned capital	307	340	384	428	465	488
Rehabilitation of government-owned capital	80	80	77	87	88	74
Financing costs of government-owned capital ^b	-	-	-	-	10	32
Expense for Capital Purposes	2,524	768	833	1,476	1,478	1,355
Capital investment in government-owned capital	643	433	492	615	712	738
Alternative financing of local authorities' capital	-	-	-	-	278	349
Adjustments						
Amortization of government-owned capital	(307)	(340)	(384)	(428)	(465)	(488)
Capital financing grants to local authorities	-	-	-	-	(8)	(26)
Financing costs of government-owned capital ^b	-	-	-	-	(10)	(32)
Total Capital Plan	2,860	861	941	1,663	1,985	1,896

^a Funding sources and requirements could change as projects' business cases are reviewed.

^b Does not include \$22 million in principal repayments in 2005-06.

Capital Investment in Government-Owned Capital^a

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Legislative Assembly	1	-	-	-	1	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Agriculture, Food and Rural Development	6	5	6	10	6	6
Children's Services	2	-	1	-	-	-
Community Development	4	2	2	2	2	2
Economic Development	-	-	-	-	-	-
Energy	23	12	13	11	11	11
Environment	2	-	-	1	-	-
Executive Council	-	-	-	-	-	-
Finance	4	3	4	5	4	3
Gaming	-	-	-	-	-	-
Government Services	-	8	5	4	7	8
Health and Wellness	22	2	2	37	40	41
Human Resources and Employment	5	3	4	3	3	4
Infrastructure	32	13	27	46	137	135
Innovation and Science	46	128	95	66	17	7
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	2	2	2	2	1	-
Learning	3	4	8	7	4	3
Municipal Affairs	2	1	1	2	1	1
Revenue	1	4	5	5	2	3
Seniors	2	-	-	-	-	-
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	5	3	3	7	7	7
Transportation	481	243	314	407	469	507
Total Capital Investment	643	433	492	615	712	738

^a Numbers have been restated to reflect 2003-04 presentation.

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

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Agriculture, Food and Rural Development	24	26	24	26	26	26
Community Development	14	1	1	1	1	1
Environment	6	6	8	1	7	7
Gaming	23	25	25	39	39	39
Health and Wellness	49	-	-	50	50	50
Infrastructure	1,533	151	130	478	343	203
Learning	-	-	-	20	20	21
Municipal Affairs	37	-	-	-	-	-
Revenue	-	-	10	10	10	-
Seniors	4	3	20	39	44	31
Transportation	527	216	231	384	463	457
Total Support for Infrastructure	2,217	428	449	1,048	1,003	835

^a Included in program expense. Numbers have been restated to reflect 2003-04 presentation.

Capital Amortization^a

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Agriculture, Food and Rural Development	6	6	6	7	7	7
Children's Services	1	1	1	1	1	1
Community Development	10	10	10	10	10	10
Economic Development	-	-	-	-	-	-
Energy	8	8	11	11	12	13
Environment	15	16	16	18	18	18
Executive Council	-	-	-	-	-	-
Finance	1	1	1	2	3	4
Gaming	-	-	-	-	-	-
Government Services	3	6	5	5	5	5
Health and Wellness	1	3	3	22	23	25
Human Resources and Employment	3	3	4	4	3	3
Infrastructure	42	54	54	55	55	55
Innovation and Science	8	9	9	8	28	36
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	1	1	1	1	1	1
Learning	1	3	3	3	4	5
Municipal Affairs	1	1	2	1	2	2
Revenue	2	3	2	3	3	3
Seniors	24	24	24	24	24	24
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	6	7	7	9	9	9
Transportation	174	184	225	244	257	267
Total Capital Amortization	307	340	384	428	465	488

^a Included in program expense.

Debt Servicing Costs

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Agriculture, Food and Rural Development						
Agriculture Financial Services Corporation	53	56	50	56	61	67
Finance						
General government	668	480	452	362	321	320
Financing costs of government-owned capital	-	-	-	-	10	32
Learning						
Alberta School Foundation Fund	3	4	3	4	5	5
Seniors						
Alberta Social Housing Corporation	50	45	45	43	41	39
Total Debt Servicing Costs	774	585	550	465	438	463

Allocation of Cash Available from Operations

(millions of dollars)

	2001-02 Actual	2002-03 Budget	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Economic Cushion	1,081	774	1,819	268	251	230
Contingency Allowance	-	(181)	-	(210)	(219)	(222)
	1,081	593	1,819	58	32	8
Cash adjustments						
Natural gas royalties	2,869	(184)	(779)	914	56	(15)
Capital cash requirements	(336)	(93)	(108)	20	(247)	(249)
Net book value of capital disposals	27	43	55	23	15	14
Alternative financing of government-owned capital ^a	-	-	-	-	342	399
Transfer to Science and Engineering Research Fund	-	-	-	(21)	-	-
Other cash adjustments	(656)	(104)	(344)	48	10	57
Total Cash Adjustments	1,904	(338)	(1,176)	984	176	206
Less retained income of						
Alberta Treasury Branches	156	117	199	152	161	176
Agriculture Financial Services Corporation	(55)	8	(190)	5	6	7
Alberta Heritage Savings Trust Fund	-	-	(595)	-	-	-
Endowment Funds						
Medical Research	(69)	(34)	(114)	(39)	(27)	(21)
Science and Engineering Research	(9)	2	(31)	(3)	5	8
Scholarship	(22)	(8)	(41)	(11)	(8)	(6)
Other	50	(8)	5	(3)	6	8
Total Retained Income	51	77	(767)	101	143	172
Cash Available from Operations	2,934	178	1,410	941	65	42
Allocation of Cash Available						
Alberta Sustainability Fund	-	-	-	941	65	42
Debt repayment	2,934	178	500	-	-	-
Capital Account	-	-	910	-	-	-
	2,934	178	1,410	941	65	42

^a Net of \$22 million of principal repayments in 2005-06.

Balance Sheet Details

(millions of dollars)

	At March 31				
	2002 Actual	2003 Forecast	2004 Estimate	2005 Target	2006 Target
Financial Assets					
Total Heritage Fund equity	12,256	11,660	11,660	11,660	11,660
Less internal holdings of debt	(105)	(100)	(95)	(88)	(81)
Heritage Fund external investments	12,151	11,560	11,565	11,572	11,579
Self-supporting lending organizations					
Alberta Capital Finance Authority ^a	3,854	3,959	3,905	3,870	3,765
Agriculture Financial Services Corporation	1,406	1,381	1,326	1,399	1,412
Endowment Funds					
Alberta Heritage Foundation for Medical Research	960	846	807	780	759
Alberta Heritage Science and Engineering Research	513	482	500	504	512
Alberta Heritage Scholarship	294	252	241	234	228
Alberta Sustainability Fund	-	-	2,217	2,491	2,421
Capital Account	-	910	287	-	-
Debt Retirement Account ^b	3,155	2,009	251	-	-
Other Financial Assets					
Equity in commercial enterprises	839	1,045	1,203	1,370	1,554
Contingency Allowance ^c	-	-	210	429	651
Student loans	38	85	140	183	221
Other cash, marketable securities and accounts receivable	3,042	2,648	1,982	1,838	1,810
Total Financial Assets	26,252	25,177	24,634	24,670	24,912
Liabilities					
Accumulated Debt					
General Revenue Fund	8,512	7,026	5,375	5,232	5,365
School construction loans	698	608	526	451	381
Alberta Social Housing Corporation	548	528	506	482	456
Less: General Revenue Fund holdings of provincial corporations' debt	(1,342)	(1,392)	(1,395)	(1,404)	(1,441)
Accumulated Debt	8,416	6,770	5,012	4,761	4,761
Pension obligations	4,771	4,849	4,970	5,092	5,218
Self-supporting lending organizations					
Alberta Capital Finance Authority ^a	3,854	3,959	3,905	3,870	3,765
Agriculture Financial Services Corporation	1,026	1,316	1,244	1,313	1,330
Less debt internally held by consolidated entities	(1,048)	(1,217)	(1,099)	(1,168)	(1,178)
Alternative financing of government-owned capital ^d	-	-	-	342	741
Other Liabilities					
Accounts and interest payable	4,048	2,624	2,878	2,911	2,962
Guarantees, indemnities and remissions	130	128	126	124	124
Other accrued liabilities	152	153	154	155	156
Less other debt internally held by consolidated entities	(140)	(136)	(130)	(123)	(116)
Total Liabilities	21,209	18,446	17,060	17,277	17,763
Net Financial Assets	5,043	6,731	7,574	7,393	7,149
Capital Assets	10,141	10,194	10,358	10,590	10,826
Net Assets	15,184	16,925	17,932	17,983	17,975
Pension obligations	4,771	4,849	4,970	5,092	5,218
Net Assets for Fiscal Policy Purposes^e	19,955	21,774	22,902	23,075	23,193

^a Formerly Alberta Municipal Financing Corporation.

^b 2002 includes \$414 million that was committed for debt repayment but not transferred until the following year.

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

^d Subject to change. Alternative financing will be approved on a project-by-project basis. Net of \$22 million of principal repayments in 2006.

^e Under the *Fiscal Responsibility Act*.

General Revenue Fund Term Debt Maturities^a

	Par Amount in Cdn. Dollars (\$ millions)	Par Amount in U.S. Dollars (\$ millions)	Coupon Rate (%)	Maturity Date
2003-04 Term Debt Maturities				
1993 Canadian Debenture	500		7.75	May 5, 2003
1996 Alberta Savings Certificates	30		2.25	June 1, 2003
1998 Global U.S. Dollar Notes ^b	766	500	4.88	October 29, 2003
1998 Canadian Debenture	390		5.10	December 1, 2003
1999 Canadian Dollar Notes	14		5.30	March 30, 2004
2003-04 Total Term Debt Maturities	1,700	500		
2004-05 Term Debt Maturities				
2000 Euro U.S. Dollar Notes ^b	304	200	7.25	April 5, 2004
1997 Alberta Savings Certificates	12		2.25	June 1, 2004
1994 Canadian Debenture	600		6.38	June 1, 2004
1994 Japanese Yen Loan ^{b,c}	150	100	4.60	July 28, 2004
1999 Canadian Medium Term Notes	40		5.50	October 8, 2004
1999 Canadian Debenture	394		5.75	December 1, 2004
2004-05 Total Term Debt Maturities	1,500	300		
2005-06 Term Debt Maturities				
1995 Canadian Medium Term Notes	125		8.45	May 16, 2005
1995 Japanese Yen loan ^d	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
2005-06 Total Term Debt Maturities	1,153	-		

^a Excludes \$114.3 million in 2003-04, \$149.8 million in 2004-05 and \$147.6 million in 2005-06 of principal repayment on notes supported by provincial corporations.

^b U.S. dollar debt converted to Canadian dollars at a forecast foreign exchange rate ranging from 65.5 cents U.S. in October 2003 to 66 cents U.S. in July 2004.

^c Swapped into U.S. dollars.

^d Swapped into Canadian dollars.

Net Financing Requirements

(millions of dollars)

	2001-02 Actual	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Requirements					
General Revenue Fund term debt maturities	1,737	1,560	1,700	1,500	1,153
School construction loans	95	90	83	75	70
Provincial corporations' term borrowing requiremen	110	185	200	232	210
Adjustments	(45)	(4)	(25)	(21)	26
Gross financing requirements	1,897	1,831	1,958	1,786	1,459
Cash applied to accumulated debt repayment	(1,849)	(1,646)	(1,758)	(251)	-
Net Term Debt Financing Requirements^a	48	185	200	1,535	1,459

^a Does not include potential alternative financing requirements for government-owned capital assets.

Accumulated Debt

(millions of dollars)

	2001-02 Actual	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Accumulated debt at start of year	10,265	8,416	6,770	5,012	4,761
Accumulated debt repayment	(1,849)	(1,646)	(1,758)	(251)	-
Accumulated debt at end of year	8,416	6,770	5,012	4,761	4,761
Cash set aside for future debt repayment ^a	3,155	2,009	251	-	-
Accumulated Debt Less Cash Set Aside	5,261	4,761	4,761	4,761	4,761

^a 2001-02 includes \$414 million that was committed for debt repayment but not transferred until 2002-03.

Pension Obligations^a

(millions of dollars)

	At March 31				
	2002 Actual	2003 Forecast	2004 Estimate	2005 Target	2006 Target
Obligations for Employees of Organizations Outside the Government Reporting Entity					
Teachers' Pension Plan	3,890	3,965	4,092	4,220	4,354
Universities Academic Pension Plan	151	158	165	173	180
Special Forces Pension Plan	52	60	60	60	60
	4,093	4,183	4,317	4,453	4,594
Obligations for Current and Former Government Employees and MLAs					
Public Service Management Pension Plan ^b	630	620	608	595	581
Members of the Legislative Assembly Pension Plan	48	46	45	44	43
	678	666	653	639	624
Total Pension Obligations	4,771	4,849	4,970	5,092	5,218

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

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

Capital Assets

(millions of dollars)

	2001-02 Actual	2002-03 Forecast	2003-04 Estimate	2004-05 Target	2005-06 Target
Net book value at start of year	8,002	10,141	10,194	10,358	10,590
Capital investment	643	492	615	712	738
Capital amortization	(307)	(384)	(428)	(465)	(488)
Net book value of capital disposals	(27)	(55)	(23)	(15)	(14)
Capital assets transferred from municipalities	1,830	-	-	-	-
Net Book Value at End of Year	10,141	10,194	10,358	10,590	10,826

Loans and Advances^a

(millions of dollars)

	At March 31	
	2002 Actual	2003 Forecast
Loans and Advances		
Agriculture Financial Services Act	967	1,060
Students Finance Act	81	181
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	152	168
Vencap Acquisition Corporation	6	6
Farm Credit Stability Act	73	43
Alberta Housing Act	25	21
Financial Administration Act		
Accountable advances	17	16
Pratt & Whitney Canada Inc.	3	2
Board of Governors, University of Alberta	2	1
University of Lethbridge Students' Union	1	-
	1,327	1,498
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(60)	(76)
Student Loan Relief Completion Payment	(37)	(83)
Other	(42)	(49)
	(139)	(208)
Total Loans and Advances	1,188	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	
	2002 Actual	2003 Forecast
Guarantees		
Student Loan Act	80	51
Alberta Housing Act	81	50
Feeder associations	52	50
Agriculture Financial Services Act	51	48
Farm Credit Stability Act	73	40
Securities Act	2	2
Centre for Engineering Research Inc.	2	1
Rural utilities loans	1	1
University of Calgary	1	-
	343	243
Estimated Liability		
Loan guarantees	(18)	(21)
Student Loan Relief Completion Payment	(12)	(11)
	(30)	(32)
Total Guarantees	313	211

2003-04 Allocation of Lottery Fund Revenue

(millions of dollars)

Lottery Fund Revenue ^a		1,099
Agriculture, Food and Rural Development		
Agriculture initiatives	12	
Agricultural service boards	5	
Children's Services		
Family and Community Support Services	30	
Community Development		
Alberta Foundation for the Arts	29	
Alberta Sport, Recreation, Parks and Wildlife Foundation	18	
Wild Rose Foundation	8	
Alberta Historical Resources Foundation	7	
First Nations Development Fund	4	
Volunteer services	4	
Human Rights, Citizenship and Multiculturalism Education Fund	1	
Hosting 2005 World Masters Games	1	
Edmonton 2004 Centennial	1	
Arts development	1	
Sport and recreation	1	
Hosting 2004 Arctic Winter Games and 2007 Western Canada Games	1	
Economic Development		
International marketing (tourism)	8	
In-Alberta / regional marketing	2	
Visitor support services	2	
Travel Alberta Secretariat	1	
Tourism destination regions, tourism research and Alberta image promotion	1	
Finance		
Contingency Allowance / Alberta Sustainability Fund	96	
Gaming		
Community Facility Enhancement Program	38	
Racing industry renewal	37	
Community Initiatives Program	30	
Calgary Exhibition and Stampede	7	
Edmonton Northlands	7	
Bingo associations	4	
Edmonton Oilers ticket lottery	3	
Calgary Flames ticket lottery	3	
Major fairs and exhibitions	2	
Alberta Gaming Research Institute and Alberta Gaming Research Council	2	
Other initiatives	13	
Health and Wellness		
Human tissue and blood services	130	
Alberta Alcohol and Drug Abuse Commission	49	
Community based health services	10	
Health services research	5	
Aboriginal health strategies	2	
Infrastructure		
School facilities	80	
Health facilities	50	
Post-secondary facilities	15	
Innovation and Science		
Alberta SuperNet	61	
Alberta science and research investment program	39	
Informatics Circle of Research Excellence	10	
Alberta Agricultural Research Institute	9	
Alberta Energy Research Institute	7	
Alberta Forestry Research Institute	2	
Learning		
School support - transportation subsidies	60	
School support - technology upgrading	20	
Community education	19	
School support - high speed networking	6	
Learning television	4	
School support - online curriculum repository	4	
Achievement scholarships	3	
Municipal Affairs		
Unconditional municipal grants	28	
Municipal sponsorship	12	
Transportation		
Rural transportation partnerships	35	
Street improvement program	25	
Municipal water and wastewater grants	20	
Water management infrastructure	15	
Total Allocation		1,099

^a Includes \$6 million of Lottery Fund interest income.

Full-Time Equivalent Employment

	2002-03 Budget	2003-04 Estimate	Change
Legislative Assembly	436	437	1
Aboriginal Affairs and Northern Development	61	77	16
Agriculture, Food and Rural Development	1,602	1,622	20
Children's Services	2,402	2,511	109
Community Development	2,237	2,235	(2)
Economic Development	194	200	6
Energy	1,313	1,362	49
Environment	763	768	5
Executive Council	177	181	4
Finance	352	379	27
Gaming	32	39	7
Government Services	1,632	1,639	7
Health and Wellness	1,197	1,217	20
Human Resources and Employment	1,852	1,901	49
Infrastructure	842	847	5
Innovation and Science	787	804	17
International and Intergovernmental Relations	53	53	-
Justice	2,123	2,165	42
Learning	985	995	10
Municipal Affairs	311	319	8
Revenue	422	424	2
Seniors	322	322	-
Solicitor General	2,090	2,101	11
Sustainable Resource Development	1,880	1,906	26
Transportation	862	877	15
Total Full-Time Equivalent Employment	24,927	25,381	454

Premiums, Fees and Licences Changes

	2002-03	2003-04
Health and Wellness		
Schedule of Medical Benefits - duplicate copies	\$23.50	\$45.14
Practitioner profile	\$7.25	\$27.85
Transportation		
Inspection station licence (per year)	-	\$50
Inspection technician's licence (5 years)	-	\$170

Major Provincial Tax Rates, 2003

		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	9.77	9.80	10.57
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00 ^a	17.84	16.67	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic amount	(\$)	13,525	8,307	8,000	7,634	7,817	6,150	7,756	7,231	7,412	7,410
Spousal amount	(\$)	13,525	7,113	8,000	6,482	6,637	6,150	6,586	6,140	6,294	6,055
Corporate Income Tax											
General rate	(%)	12.5	13.5	17.0	16.0	12.5	8.9	13.0	16.0	16.0	14.0
M&P rate	(%)	12.5	13.5	10-17 ^b	16.0	11.0	8.9	13.0	16.0	7.5	5.0
Small business											
- rate	(%)	4.0	4.5	6.0	5.0	5.5	8.9	3.0	5.0	7.5	5.0
- threshold	(\$000)	400	300	300	320	320	n/a	400	200	200	200
Capital Tax											
General	(max.%)	—	—	0.60	0.50	0.30	0.60	0.30	0.25	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.45 ^c	3.00	3.00	3.00	4.00
Retail Sales Tax											
	(%)	—	7.5	6.0	7.0	8.0	7.5 ^d	8.0 ^d	8.0 ^d	10.0	8.0 ^d
Gasoline Tax											
	(¢/litre)	9.0	14.5 ^e	15.0	11.5	14.7	15.2 ^{e,f}	14.5 ^f	15.5 ^f	14.0	16.5 ^f
Tobacco Tax											
	(\$/carton)	32.00	32.00	32.00 ^f	29.00 ^f	17.20	18.10	23.50 ^f	26.04 ^f	22.90	27.00 ^f
Payroll Tax											
	(max.%)	—	—	—	2.15	1.95	4.26 ^g	—	—	—	2.00

Rates for other provinces known as of March 19, 2003.

^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' sales taxes are harmonized with the federal 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 tax on top of this 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

	2000-01 Actual	2001-02 Actual	2002-03	2003-04	2004-05	2005-06
Fiscal Year Assumptions						
Prices						
Oil price						
WTI (US\$/bbl)	30.20	24.17	28.86	23.30	22.00	22.00
Alberta wellhead (Cdn\$/bbl)	39.15	31.46	39.26	29.50	28.18	27.72
Natural gas price						
Alberta Reference Price (Cdn\$/mcf)	6.08	3.94	4.65	4.05	3.50	3.45
Alberta Reference Price (Cdn\$/GJ)	5.76	3.74	4.41	3.84	3.32	3.27
Production						
Crude oil and equivalent (000's barrels/day)	1,490	1,479	1,560	1,666	1,756	1,839
Natural gas (billions of cubic feet)	5,342	5,312	5,176	5,029	4,929	4,830
Interest and Exchange Rates						
3-month Canada treasury bills (per cent)	5.43	3.14	2.70	3.90	4.50	4.50
10-year Canada bonds (per cent)	5.70	5.50	5.20	5.80	6.00	6.00
Exchange rate (US¢/Cdn\$)	66.5	63.9	64.4	65.6	66.0	66.5
	2001 Actual	2002 Actual	2003	2004	2005	2006
Calendar Year Assumptions						
Gross Domestic Product						
Nominal (millions of dollars)	150,454	150,453 ^a	163,149	163,220	172,407	181,640
per cent change	5.1	0.0	8.4	0.0	5.6	5.4
Real (millions of 1997 dollars)	122,172	125,060 ^a	129,532	134,158	138,473	142,921
per cent change	2.0	2.4	3.6	3.6	3.2	3.2
Other Indicators						
Employment (thousands)	1,632.1	1,673.8	1,710.4	1,747.0	1,780.7	1,813.9
per cent change	2.8	2.6	2.2	2.1	1.9	1.9
Unemployment rate (per cent)	4.6	5.3	4.8	4.3	4.0	3.9
Housing starts (number of units)	29,174	38,754	29,900	28,700	28,600	28,800
Alberta Consumer Price Index	120.1	124.2	128.7	131.4	134.1	136.9
per cent change	2.3	3.4	3.7	2.1	2.1	2.1
Population (thousands)	3,059.1	3,113.6	3,165.6	3,216.5	3,266.2	3,315.6
per cent change	1.6	1.8	1.7	1.6	1.5	1.5

^a estimated

Sensitivities to Fiscal Year Assumptions, 2003-04^a

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-76	--	-76
Natural Gas Price (Cdn\$/mcf)	-10¢	-106	--	-106
Exchange Rate (US¢/Cdn\$)	+1¢	-125	-25	-100
Interest Rates	+1%	-148	+15	-163

^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, 1985-86 to 2005-06^a

(millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	
																		Forecast	Budget	Target	Target	
INCOME STATEMENT																						
Revenue																						
1	Personal income tax	1,521	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,867	5,035	5,328	5,674
2	Corporate income tax	780	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,400	2,016	1,842	1,876
3	School property tax	660	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,151	1,094	1,101	1,165	1,233	1,304	
4	Other tax revenue	341	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,626	1,646	1,619	1,631
5	Natural resource revenue	4,932	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	6,428	4,776	3,709	3,388
6	Investment income	2,161	1,965	1,847	1,834	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(119)	1,019	1,219	1,327
7	Other own-source revenue	1,111	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,203	3,885	4,072	4,121
8	Total own-source revenue	11,506	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,506	19,542	19,022	19,321
9	Federal transfers	1,788	1,689	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,069	2,386	2,454	2,624
10	Total Revenue	13,294	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,575	21,928	21,476	21,945
Expense by Function^b																						
11	Health	2,958	3,191	3,056	3,338	3,602	3,864	4,103	4,325	4,169	3,905	3,747	3,978	4,369	4,624	5,302	5,897	6,791	6,891	7,572	7,793	8,197
12	Basic / advanced education	2,961	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,100	5,436	5,766	5,856	5,943
13	Social services	1,156	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,885	2,007	2,099	2,133	2,178
14	Other program expense	6,798	5,778	5,195	5,111	5,357	5,772	5,527	6,058	5,197	4,324	3,765	3,474	3,759	3,921	4,651	5,249	5,295	5,872	4,898	5,083	5,046
15	Total program expense	13,873	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,206	20,335	20,865	21,364
16	Debt servicing costs	182	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	550	465	438	463
17	Total Expense	14,055	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,756	20,800	21,303	21,827
18	Net Revenue (Spending)	(761)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,324)	(1,371)	938	1,151	2,489	2,659	1,094	2,791	6,571	1,081	1,819	1,128	173	118
	Transfers from (to)																					
19	Sustainability Fund	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,276)	(209)	112
20	Capital Account	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	416	287	—
21	Surplus (Deficit) / Cushion	(761)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,324)	(1,371)	938	1,151	2,489	2,659	1,094	2,791	6,571	1,081	1,819	268	251	230
BALANCE SHEET																						
22	Net Financial Assets (Debt) ^c	11,817	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,580	12,544	12,485	12,367
23	Capital Assets ^d	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,194	10,358	10,590	10,826
24	Net Assets (Debt)^c	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	21,774	22,902	23,075	23,193
25	Pension obligations	5,500	6,625	7,946	8,004	8,243	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,849	4,970	5,092	5,218
26	Accumulated Debt ^e	4,953	10,091	11,105	13,069	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,761	4,761	4,761	4,761
27	Sustainability Fund	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,217	2,491	2,421

^a Numbers restated on 2003-04 basis where possible. 2001-02 and 2002-03 are fully comparable. 1992-93 to 2000-01 are essentially comparable with the exception of the treatment of disposal of capital assets. Prior to 1992-93, spending is on an expenditure basis, using actual capital expenditure rather than capital amortization costs.

^b Excludes change in pension obligations. Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, valuation adjustments were included in other program 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 an accrual basis.

^d Capital assets information not available prior to 1994-95. 2001-02 includes \$1.8 billion transfer of secondary highway system from municipalities to the Province.

^e Net of cash set aside for future debt repayment. 2001-02 includes \$414 million that was committed for debt repayment but not transferred until 2002-03.

